State Policies to Assist Working-Poor Families

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CENTER ON BUDGET AND POLICY PRIORITIES

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Introduction

For a large and growing number of Americans, having a job is not enough to lift them out of poverty. This report presents a menu of practical policy options that states can adopt to help working-poor families meet their basic needs and improve their lives.

The number of people in working-poor families has grown significantly in the last two decades. In 2003, 13.1 million people, including 7.3 million children, lived in a working-poor family. (In 2004 dollars, that means their income was less than about $15,000 for a family of three or $19,300 for a family of four.)

In nearly every state, a majority of poor families in which the adults are not retired or disabled have one or more workers. Table 1 provides data on the extent of work among poor families with children in each state. Typically, these adults work a substantial number of weeks and hours in a given year. (Table 1 presents the number of families in which either the head of household or spouse worked a combined total of more than 13 weeks during the year. Thirteen weeks is the equivalent of one calendar quarter.)

In addition, working families make up a growing share of all poor families. Between 1989 and 2003, the share of poor families that included a worker rose from 54 percent to 65 percent.

The increase in the ranks of the working poor reflects changes both in the economy and in state and federal policies:

- *The economy.* From the late 1970s to the mid-1990s, the real hourly wages of the country's lowest-income workers declined or stagnated. The wages of low-income men remain lower than they were 30 years ago. The growth of the service sector and the loss of manufacturing jobs resulted in lower-paying jobs for workers with less than a college education.

  In the latter part of the 1990s, the country's long economic expansion led to high employment rates and rising wages for low-wage workers, which enabled some workers to raise themselves out of the working-poor category. However, the economic expansion drew even more people into the work force to take advantage of the growing availability of jobs. Many of these new workers had limited education and skills, and the jobs they obtained paid low wages.

  More recently, the slow economy since 2001 has worsened the problems of the working poor, as the number of jobs has fallen and real earnings have declined.

- *Improved Work Supports:* During the 1990s, federal and state governments increased supports to low-income working families. This included two significant expansions of the EITC (one in 1990 and one in 1993), expansion in state and federal funding for child care assistance, and the extension of health insurance – through the Medicaid and SCHIP programs – to children in low-income working families. (Prior to the 1990s, children generally were only eligible for Medicaid if their families were receiving welfare.) By raising the take-home pay of low-wage workers, helping families afford the child care they needed in order to work, and ensuring that children would not lose health care coverage if the family left welfare, these programs helped families get and keep jobs.

- *Welfare policies.* State and federal welfare policies also changed during the 1990s. Cash assistance programs for poor families placed a larger emphasis on helping families find employment and on reducing the number of families receiving cash welfare benefits more generally.

  The number of families receiving cash welfare benefits fell significantly – dropping by much more than the decline in poverty. Nationally, the number of welfare cases dropped by more than 57 percent from its peak of 5 million in the early 1990s to 2.2

> million in 2000. Studies conducted during this period showed that between half and three-quarters of former welfare recipients were employed shortly after they leave the rolls. Most, however, earn low wages.
>
> Despite the economic downturn in 2001, job losses among single mothers, and rising poverty, caseloads continued to edge down nationally in 2002 and 2003. More recent research has shown that a rising number of former welfare recipients are not employed and there is evidence of a growing number of families that lack both work and welfare benefits.

The jobs that currently are being created are disproportionately concentrated in low-paying industries, and the U.S. economy will continue to depend on a large number of jobs that provide low wages and poor benefits. For these reasons, policies to assist low-income working families will continue to be needed.

Such policies can provide valuable help not only to parents, but also their children. More than two-thirds of the nation's poor children live in families with one or more workers; these children are poor not because their parents do not work but rather because the jobs available to their parents do not pay enough to allow them to support their families and because stable year-round work often is unavailable to low-income parents. The large number of poor children in this country is cause for concern because there is strong evidence that growing up in poverty can limit a child's physical and cognitive development.

In addition, assisting working-poor families can help slow the long-term increase in income inequality. Today, the gap between rich and poor is wider than it has been in decades. Data issued by the Congressional Budget Office show that the income gap in 2000 was the widest it has been since 1979 when CBO first prepared this analysis. Other data included in a National Bureau of Economic Research study indicate that the income gap is wider than it has been since the 1920s. Over the last two decades, the incomes of the richest one percent have more than doubled while the incomes of the poorest fifth grew by only nine percent.

States have taken some steps to address the needs of low-income working families. For example, most states allow families to keep more of their welfare benefits as they make the transition from welfare to work than had been allowed under the old AFDC program and some states provide state tax credits or wage supplements to bolster income. In addition, 13 states and the District of Columbia have bolstered the incomes of many low-income working families by setting the state's minimum wage above the prevailing federal minimum wage. Many states also have worked to broaden access to services vital to low-income working families, such as child care and health insurance.

Yet much more can, and should, be done. More states could implement programs that have proven successful elsewhere; existing programs could be expanded; and the cutbacks that many states adopted during the recent state fiscal crisis could be restored.

The Structure of This Report

This report outlines a number of policy options that states could adopt to assist working-poor families. The rationale for each option is followed by a brief discussion of key design issues and examples of states that have adopted these policies.

This is not meant to be an exhaustive list of state options to assist the working poor. Nor would every proposal be suitable for every state. Instead, this report shows the range of measures that are open to states.

Many states will be hard pressed to find resources for these (or any other) new initiatives. Despite the apparent easing of the state fiscal crisis, state revenues and spending remain at their lowest levels as a share of the economy in years. States also must replenish reserve funds that were depleted during the fiscal crisis and restore spending cuts imposed to close budget gaps. In addition, numerous states are burdened by outdated tax structures, which slow state

TABLE 1: Poor Families with Children with Parents Working More Than 13 Weeks, 2002

	Number of poor families with children*	Number working more than 13 weeks	Percent working more than 13 weeks	90 Percent Confidence Interval**		Number of people in working poor families	Number of children in working poor families
				Low	High		
United States	4,813,000	3,209,000	67%	66%	67%	12,663,000	7,295,000
Alabama	103,000	68,000	66%	61%	71%	245,000	134,000
Alaska	7,000	4,000	58%	38%	77%	16,000	9,000
Arizona	106,000	73,000	69%	64%	73%	322,000	191,000
Arkansas	54,000	36,000	68%	61%	75%	136,000	77,000
California	605,000	395,000	65%	63%	67%	1,781,000	1,007,000
Colorado	60,000	44,000	74%	68%	80%	167,000	90,000
Connecticut	30,000	19,000	62%	53%	71%	71,000	44,000
Delaware	9,000	5,000	55%	38%	72%	19,000	11,000
District of Columbia	12,000	7,000	55%	40%	69%	22,000	13,000
Florida	275,000	185,000	67%	64%	70%	728,000	426,000
Georgia	146,000	100,000	69%	65%	73%	376,000	221,000
Hawaii	16,000	10,000	62%	49%	74%	42,000	24,000
Idaho	24,000	20,000	82%	74%	90%	78,000	43,000
Illinois	201,000	123,000	61%	57%	65%	487,000	282,000
Indiana	90,000	62,000	68%	63%	73%	219,000	136,000
Iowa	41,000	32,000	79%	72%	85%	110,000	64,000
Kansas	40,000	30,000	76%	68%	83%	124,000	72,000
Kentucky	83,000	54,000	65%	60%	71%	189,000	101,000
Louisiana	129,000	87,000	68%	63%	72%	332,000	191,000
Maine	20,000	13,000	64%	53%	75%	39,000	21,000
Maryland	59,000	39,000	66%	60%	73%	147,000	88,000
Massachusetts	74,000	44,000	60%	54%	66%	152,000	91,000
Michigan	145,000	92,000	64%	60%	68%	345,000	202,000
Minnesota	53,000	35,000	66%	59%	73%	136,000	82,000
Mississippi	74,000	51,000	69%	63%	74%	195,000	114,000
Missouri	86,000	63,000	74%	69%	79%	232,000	136,000
Montana	18,000	15,000	84%	75%	93%	57,000	31,000
Nebraska	26,000	20,000	77%	68%	85%	68,000	40,000
Nevada	37,000	25,000	67%	59%	75%	108,000	61,000
New Hampshire	11,000	7,000	66%	51%	81%	23,000	13,000
New Jersey	88,000	55,000	63%	57%	68%	212,000	127,000
New Mexico	51,000	40,000	78%	72%	84%	156,000	86,000
New York	328,000	189,000	58%	55%	60%	748,000	429,000
North Carolina	175,000	117,000	67%	63%	70%	423,000	234,000
North Dakota	9,000	5,000	62%	44%	79%	19,000	11,000
Ohio	193,000	127,000	66%	62%	69%	453,000	275,000
Oklahoma	71,000	44,000	62%	56%	68%	182,000	106,000
Oregon	61,000	44,000	73%	67%	79%	157,000	88,000
Pennsylvania	154,000	101,000	65%	61%	69%	379,000	228,000
Rhode Island	15,000	7,000	44%	31%	58%	22,000	13,000
South Carolina	83,000	56,000	68%	62%	73%	202,000	117,000
South Dakota	11,000	9,000	76%	62%	89%	32,000	19,000
Tennessee	105,000	70,000	67%	62%	72%	260,000	150,000
Texas	501,000	355,000	71%	69%	73%	1,557,000	875,000
Utah	36,000	27,000	75%	68%	83%	119,000	69,000
Vermont	5,000	4,000	68%	47%	89%	13,000	7,000
Virginia	93,000	62,000	67%	62%	72%	232,000	138,000
Washington	89,000	58,000	65%	60%	70%	226,000	129,000
West Virginia	39,000	30,000	76%	69%	83%	117,000	66,000
Wisconsin	67,000	46,000	69%	63%	75%	169,000	103,000
Wyoming	8,000	6,000	78%	63%	94%	20,000	12,000

* Families in which at least one parent is able to work (under 65 and not both reporting a disability and out of the labor force).
** Because the percents shown are derived from a survey of a sample of families, they are estimates. The confidence interval shows the precision of that estimate. There is a 90 percent chance that the actual percent would fall into the range shown if all families were surveyed.
Note: American Community Survey data from 2002 reflect incomes received in 2001 and 2002.
Source: CBPP tabulations of Census Bureau's American Community Survey from 2002.

revenue growth over the long term. However, the measures outlined in this report have only modest costs, and many can be paid for at least partially with federal funds. Funding issues are examined at the end of each policy brief.

These options are grouped into the following areas:

- **Wage supplements.** A number of states have enacted policies to boost the take-home pay of workers with low-wage jobs. These include state earned income tax credits and other forms of low-income tax relief, state minimum wages that are higher than the federal minimum wage, and earnings supplements for families making the transition from welfare to work.

- **Helping low-wage workers meet basic needs and offset work expenses.** Recognizing the challenges that low-wage workers face in meeting their families' basic needs, a number of states provide publicly funded health coverage and state-funded housing assistance, as well as transitional food stamp benefits for families moving from public assistance to work. In addition, states often provide child care assistance for low-income parents, and some states provide transportation assistance.

- **Assistance with career advancement.** When people are able to move up the economic ladder, both they and the economy as a whole benefit. Accordingly, states have created programs to expand workers' access to education and training. States also have promoted Individual Development Accounts, through which low-income families can build assets for high-return investments such as college tuition.

- **Income support for the unemployed.** As the safety net has begun to focus more on helping families find and hold jobs and less on direct cash assistance, addressing the needs of the temporarily unemployed has become increasingly critical. A number of states have modernized their unemployment insurance systems to take into account the changing nature of work in this country, particularly the growing number of low-wage workers. States have also increased benefit levels in the Temporary Assistance for Needy Families (TANF) program and improved outreach efforts to make TANF a better safety net for low-income workers who are between jobs.

- **Improve access to support services.** The rules and procedures that govern programs such as Medicaid, children's health insurance, TANF, and child care are often complex and uncoordinated. This makes it difficult for families that are eligible for multiple programs to receive all the benefits to which they are entitled. To address this problem, states are beginning to streamline and integrate their program rules. States also are conducting outreach to inform eligible populations about the availability of important supports such as the Earned Income Tax Credit and publicly funded health insurance.

Relevant Issues *Not* Addressed in this Report

This report focuses on low-wage workers with children. However, childless adults with less than a college education are also finding it increasingly difficult to make ends meet. Childless adults are eligible for very little government assistance: they do not qualify for federal cash assistance unless they are elderly or disabled, most do not qualify for Medicaid unless they are elderly, and food stamp eligibility for unemployed, childless adults aged 18 through 49 is severely limited.

States could play an important role in closing this gap in the safety net. For example, they could establish programs that provide income support or health insurance to childless adults or resist further rollbacks in programs that are specifically targeted to this population. More information on features of state safety nets that affect childless adults is available from the Center.

This report also does not specifically address immigrant families, who often face particularly

high barriers to finding good-paying jobs with benefits. While they, like long-time citizens, will benefit from the policies outlined in this report, states also can take steps to address the specific difficulties of immigrant workers, such as limited proficiency in English and low skill levels. Moreover, states can ensure that support programs such as food stamps, Medicaid and SCHIP, and TANF are available to immigrant families that need them. More information on these policies can be found in the papers on the Center's website.

Finally, with the important exception of state minimum wages, the report does not address state policies that could improve the quality of jobs in the United States. The fact that a large number of jobs pay low wages and provide little or no benefits results from factors that are mostly out of the control of states, such as globalization, the shift to a service economy, and declining unionization. However, states can at least ensure that their policies do not exacerbate the situation. For example, many states that offer economic development subsidies do not distinguish between companies that pay low wages and offer no health benefits and those that bring better jobs. In addition, state policies that serve to restrict the ability of unions to organize effectively may encourage low wages. Two organizations that can provide more information on these areas are the Economic Policy Institute and Good Jobs First.

Wage Supplements

Establish a State Earned Income Tax Credit

Proposal

To reduce the tax burdens and supplement the earnings of low-income workers by creating a refundable state earned income tax credit (EITC).

Rationale

Through the federal EITC, the federal government provides some $37 billion in tax relief annually to more than 21 million working families and individuals, almost all of them families with children. Studies show that the EITC can be an effective inducement to work because at very low income levels, the value of a credit rises as earnings rise. (The credit phases out at higher income levels.)

Most EITC benefits go to families with children below the poverty line. The EITC lifts millions of these families out of poverty each year.

State EITCs further the goals of the federal EITC in several ways. First, they reduce poverty among working families. Full-time, year-round work, even at wages above the minimum wage, is not always sufficient to bring a family above the poverty line even after the federal EITC is taken into account. Thus, millions of working families each year remain poor despite receiving the federal EITC. Supplementing it with a state EITC can reduce or eliminate the poverty gap for these families.

Second, state EITCs that are "refundable" — meaning they provide a refund check to families whose credit exceeds their income tax liability — support welfare reform by boosting the incomes of families that move from welfare to work.

Also, state EITCs help relieve state and local tax burdens on poor families. Most states rely heavily on sales, excise, and property taxes, which are regressive (that is, they absorb a larger proportion of the incomes of lower-income households than of higher-income households). In addition, nearly half of the states impose income taxes on families with incomes below the poverty line. State EITCs can lessen the regressivity of state tax systems and help prevent states from taxing families deeper into poverty.

Design Options

All existing state EITCs except Minnesota's piggy-back on the federal EITC, using federal eligibility rules and expressing the state credit as a specified percentage of the federal credit. This method is relatively easy for a state to administer. It also is easy for families claiming the credit: to determine its state EITC benefit, a family need only multiply its federal EITC amount by the state EITC percentage.

Below are the major issues states should consider in designing an EITC.

- **Refundability.** Under a refundable state EITC, a family receives a refund check if the size of its EITC exceeds its state income tax bill. For example, if a taxpayer owes $80 in state income taxes and qualifies for a $200 state EITC, the first $80 of the EITC offsets the income tax and the remaining $120 goes to the taxpayer as a refund check. If the credit is non-refundable, the family's income tax liability is eliminated but the remaining $120 of the credit is forfeited.

  A refundable EITC thus can serve a wider variety of purposes than a non-refundable credit. While a non-refundable credit can only be used to provide income tax relief, a refundable EITC can boost the incomes of low-income working families, including those making the transition from welfare to work, and also offset their sales and excise taxes. Refundable EITCs are especially important in states that already exempt most or all poor families from the income tax, since poor households in these states would gain little or nothing from a non-refundable EITC.

- **Size of the credit.** The percentage of the federal EITC at which the state credit is set should be based on the level of state income tax relief desired and (in the case of a refundable EITC) on the size of the desired income boost for families that would qualify for a refund. The size of existing EITCs varies from state to state, but many are set at 15 percent to 20 percent of the federal credit.

- **Adjusting the credit for family size.** Although the federal EITC provides higher benefits to families with two or more children than families with one child, it does not fully compensate for the higher poverty line for larger families. Nor does it distinguish between families with two children and families with three or more children. Adjusting a state EITC for family size *beyond* the federal family-size adjustment — as Wisconsin has done with its EITC — thus can help larger families afford basic expenses.

- **Including workers without a qualifying child.** As part of a 1993 expansion in the federal EITC, low-income workers between the ages of 25 and 64 who do not have a qualifying child living with them became eligible for the EITC for the first time.

  States may decide to make workers without qualifying children eligible for the state EITC as well. If they do, the credit these workers would receive is very small because the federal credit for these workers is modest. For example, in a state with an EITC set at 15 percent of the federal credit, the maximum state credit for a worker without a qualifying child is $53. Some of these workers may find a state EITC not worth the effort required to claim it, particularly if they owe no state income tax and are not otherwise required to file a state tax return.

  On the other hand, the cost of including workers without qualifying children in a state EITC is likely to be small, and some people are helped by it.

Funding

State EITCs have been financed in a variety of ways: from general fund dollars, from additional revenue generated by tax increases, and from funds freed up by forgoing other, less-well-targeted tax cuts.

States also may use federal TANF funds to fund the refundable portion of a state EITC. In most cases, this portion is likely to equal at least one-third and sometimes as much as nine-tenths of the EITC's total cost. State EITCs financed in this way are not limited to families that are participating in other TANF-funded programs; similarly, most federal rules that apply to recipients of TANF cash welfare (such as time limits) do not apply to EITC recipients.

Some states may choose not to use federal funds for their refundable EITCs. A state may prefer to reserve these funds for other forms of assistance, for example, or may regard the EITC as tax relief and thus choose to finance it from the same general revenue sources as other forms of tax relief.

State funds that are used for the refundable portion of a state EITC count toward meeting the state's maintenance-of-effort (MOE) requirement under TANF.

States Using the Option

Seventeen states (***Colorado, Illinois, Indiana,*** **Iowa,** ***Kansas,*** **Maine,** ***Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma,*** **Oregon, Rhode Island,** ***Vermont,*** **Virginia,** and ***Wisconsin***) plus the ***District of Columbia*** have established EITCs. In the states listed in italics, the EITC is refundable.

Provide Other Forms of Low-Income Tax Relief

Proposal

To reduce the burden of state and local income, sales, and property taxes on low-income families.

Rationale

State and local tax systems place a disproportionately high burden on low-income families. In 2002, the bottom 20 percent of taxpayers paid 11.4 percent of their income in state and local taxes, while the top 1 percent of taxpayers paid only 7.3 percent.

Low-income families face high tax burdens largely because states and localities rely heavily on sales and excise taxes to finance government services. About one-third (35 percent) of state and local tax revenue is derived from general sales taxes and excise taxes on items such as gasoline and tobacco.

These consumption taxes impose a disproportionately high burden on lower-income families, who must spend a larger share of their income on items subject to tax in order to meet basic needs. In 2002, sales and excise taxes alone took up 7.8 percent of the income of the bottom 20 percent of taxpayers.

States and localities derive another 29 percent of their revenue from property taxes. Property taxes too are somewhat regressive, since lower-income households spend a larger share of their income on housing than higher-income households do.

Lastly, about one-quarter of state and local revenue comes from the personal income tax. The income tax is the most progressive element of the state and local tax system. However, nine states do not have an income tax, and in 18 of the 42 states that do have an income tax, two-parent families of four with incomes below the federal poverty line continue to owe income tax.

Design Options

States can make their tax systems less regressive by providing tax relief to low-income families. There are several ways to accomplish this, depending on the particular tax that the state wishes to modify.

Income Tax

Targeted income tax relief for low-income families is generally provided through credits and no-tax floors.

- **Credits.** A tax credit (a fixed amount subtracted directly from an individual's tax liability) can be an efficient way of reducing low-income families' tax burdens. A "refundable" tax credit — that is, one that provides a refund check to the taxpayer if the value of the credit exceeds the amount of tax owed — can offset the burden of other state and local taxes and supplement the wages of low-income families.

  A number of states have created earned income tax credits modeled on the federal EITC to help low-income working families (see page 7). Other states have credits that are simply a flat amount per dependent or household member. Still other states have credits that equal a percentage of the household's tax liability, with the percentage decreasing as household income rises.

  In addition, some states have low-income credits that are designed to shield taxpayers below a certain income level (such as the poverty line) from paying income tax.

- **Child and dependent care tax provisions**. Some states provide tax credits or deductions to a specific subset of low-income families, such as those with child care expenses. The amount of these credits or deductions is generally tied to the federal child and dependent care credit.

  While such provisions help low-wage families meet the high cost of quality child care, they have serious shortcomings. For

example, many low-income families cannot afford to incur child care expenses and wait for reimbursement after filing their taxes. Also, the value of these credits or deductions is often well below the cost of child care.

Nonetheless, state child and dependent care credits can be a useful part of a comprehensive approach to low-income tax relief and child care assistance that includes more broad-based tax relief and child care subsidies. (See page 25 for more on state child care policies.)

- **No-tax floors.** Some states have established a "no-tax floor," or an income level below which no taxes are owed. No-tax floor provisions supersede all other provisions of the income tax, so a family that would otherwise owe income taxes but whose income falls below the floor would face no income tax liability.

  One area of concern in the design of no-tax floors is the impact on taxpayers with incomes *just above* the floor. A single additional dollar of income above the amount of the no-tax floor can trigger a significant amount of tax. To prevent this from happening, most states that use a no-tax floor phase in their income tax over a range of income above the floor.

Sales Tax

States can provide low-income families with relief from state sales taxes through credits or rebates. Some of the design issues to consider include:

- **Targeting.** One of the potential benefits of a sales tax credit or rebate is that it is an efficient way to provide tax relief to those who need it most. In order to keep sales tax credits cost effective, states typically target them on poor and near-poor families.

- **Family size adjustment.** Larger families could receive larger credits, since they tend to pay more in sales taxes.

- **Cost versus adequacy.** The overall size of the sales tax credit or rebate will depend, in part, on how much the state is willing to spend. Sales tax credits are typically designed as a fixed dollar amount per family member (current credits range from $5 to more than $70). However, these amounts are typically inadequate to offset sales taxes fully, since the poorest 20 percent of families pay an average of $725 a year in state and local sales and excise taxes.

- **Inflation adjustment.** Credits or rebates will not keep pace with the sales tax burdens they are intended to offset unless they are automatically adjusted for inflation. Both the amount of the credit per family member and the income eligibility limit should be adjusted annually.

Property Tax

The primary way states provide targeted property tax relief is through "circuit-breakers" designed to prevent low-income and elderly taxpayers from being "overloaded" by their property tax bill. Typically, the state establishes a maximum percentage of income that a family that qualifies for the circuit-breaker can be expected to pay in property taxes; if this limit is exceeded, the state provides a credit or a rebate.

Some of the design issues to consider when developing a property tax credit or rebate program include:

- **Covering renters as well as homeowners.** It is generally accepted that owners of rental real estate pass some of their property tax burden on to renters in the form of higher rents. For this reason, 26 states and the District of Columbia have property tax relief programs that provide relief to renters and homeowners alike. Nine states have programs only for homeowners, while Oregon offers relief only to renters.

  If states choose to provide property tax relief to renters, the state must make an assumption about how much of the rent payment represents property taxes. This "property tax

rent equivalent" ranges from 6 percent in New Mexico to 35 percent in Connecticut.

- **Elderly versus non-elderly.** Most circuit-breaker programs are targeted to elderly or disabled persons; in fact, 24 of the 36 states with circuit-breakers provide relief only to elderly taxpayers. This reflects the fact that low-income persons who are elderly are more likely than other low-income persons to live on fixed incomes and have trouble paying property taxes when their home assessments rise.

  Still, low-income *non*-elderly taxpayers also can face high property tax burdens. Including the non-elderly in an income-targeted circuit-breaker program ensures that property tax relief goes to the households that need it most, regardless of the age of the homeowner.

- **Income eligibility ceiling.** Most states set a maximum income above which households do not qualify for the circuit-breaker program. Where the state sets this income limit will largely determine both the targeting and the cost of the program. Typically, the limit is about $25,000 for a married couple.

  Wyoming's income limit is based in part on the federal poverty line. This approach has the advantage of automatically compensating for family size and for inflation.

- **Maximum benefit.** Most states cap the amount of property tax relief provided by a circuit-breaker, ranging from a couple hundred dollars to more than $1,000. States that target their circuit-breakers on a narrower income range (and thus assist fewer households) may be able to afford a more generous maximum benefit.

- **Calculation of the benefit.** Most states with circuit-breakers consider both the household's income and the percentage of income it is paying in property taxes when calculating the amount of benefits the circuit-breaker provides.

- **Adjusting for inflation.** Like sales tax credits, property tax credits or rebates will not keep up with the property tax burdens they are intended to offset if they are not indexed for inflation. Both the income eligibility ceiling and the benefit amounts should be adjusted for inflation.

Other Design Factors to Consider

Regardless of the form of low-income tax relief a state decides to provide, there are other issues it should consider:

- **The importance of outreach.** In order to be successful, any low-income tax relief program must be accompanied by an aggressive outreach campaign that publicizes the program and explains how eligible taxpayers can claim benefits.

- **Phase-out ranges**. Many tax credits gradually decline in value as taxpayers' incomes rise. States should pay attention to the phase-out range when designing credits for taxpayers with incomes just above the poverty line, since the interaction of the credit and the phase-out of benefit programs such as child care assistance could result in high marginal "tax" rates for low-income families.

- **How to administer the program.** Property or sales tax relief can be administered through the income tax (using a credit) or through a separate rebate program. The former method is generally preferable because the administrative infrastructure is already in place. However, there are several reasons why a state may choose to set up a separate rebate program outside the tax system:

  ✓ *The state does not have an income tax.* As indicated earlier, nine states do not have an income tax and therefore cannot administer tax relief through the income tax.

- *Many eligible households do not file income taxes.* In states with income taxes that exempt families with below-poverty incomes, many families who would be eligible for the property or sales tax credit would not be required to file state income tax returns, and thus would not receive the credit. The state needs to weigh the administrative advantage of using the income tax against the danger that many eligible people will be shut out of the credit.

- *The state uses a different definition of income in its tax-relief program.* Some states may prefer to administer their low-income tax relief programs outside of their income tax because they use a different definition of income in their tax-relief program than in their income tax system generally.

- *The state wants to provide relief in forms other than a cash rebate.* For example, some states provide a direct reduction on the property tax bill for homeowners whose applications have been approved. Others provide certificates that homeowners can remit when paying their property taxes.

Funding

All of these various low-income tax relief provisions have been primarily financed with state general fund dollars.

States Using the Option

A number of states have adopted one or more provisions designed to reduce the burden of state and local income, sales, and property taxes on low-income families. The design of these provisions varies widely.

In addition to the earned income tax credits described in the previous section of this report, about a dozen states have adopted other credits that reduce income tax liability for low-income taxpayers. In some states, such as **Georgia** and **Hawaii,** these credits are simply a flat amount per dependent or household member. Other states, such as **Kentucky,** have credits that equal a percentage of tax liability, with the percentage based on income. **New Mexico's** Low-Income Comprehensive Tax Rebate incorporates both income and family size with a refundable credit available to families with income below $22,000 that can equal up to $240 for a family of four.

At least eight states — **Iowa, Louisiana, Massachusetts, Nebraska, New Jersey, Oklahoma, Virginia,** and **West Virginia** — use a no-tax floor in their income taxes.

More than half the states plus the District of Columbia provide income tax credits or deductions for child care expenses.

State sales tax credits are most often offered in states that levy a sales tax on food. As of 2003, five states — **Idaho, Kansas, Oklahoma, South Dakota,** and **Wyoming** — offer credits or rebates to offset some of the taxes paid on food. These usually are set at a flat amount per family member.

Property tax circuit breakers are offered in 36 states plus the District of Columbia.

Raise the State Minimum Wage Above the Federal Level

Proposal

To compensate for the declining real value of the federal minimum wage by setting the state minimum wage at a higher level.

Rationale

The federal minimum wage provides an important safeguard for low-wage workers by guaranteeing that wages cannot fall below a specified level. However, the current federal minimum wage has failed to increase in step with the rising cost of living. Recognizing this, a number of states have adopted a higher minimum wage for their state.

Since the federal minimum wage is not automatically adjusted for inflation, its real value declines each year if Congress takes no action. The minimum wage is currently set at $5.15 an hour and has not risen since 1997. As a result, its value after adjusting for inflation is lower than in any year since 1956 except for 1998-1999.

During the 1960s and 1970s, a full-time minimum wage worker employed throughout the year typically earned enough to lift a family of three out of poverty. Now, full-time minimum wage earnings equal only 73 percent of the poverty line for a family of three. The minimum wage would need to be $6.39 an hour, or more than $1 per hour above its current level, to match the purchasing power it averaged in the 1970s.

Any future increases in the federal minimum wage are unlikely to compensate fully for its erosion over the past few decades. Thus, increases in *state* minimum wages are likely to be the only way to offset the decline in the federal minimum wage. Since 1981, a number of states have periodically raised their minimum wages for this purpose.

A state minimum wage set at above the federal minimum wage level would help reverse or moderate the decline in wages for workers at the bottom of the pay scale, help more working families escape poverty, and enable more parents who are moving from welfare to work to support their families through work. Each 25 cent increase in the minimum wage would boost the income of a full-time, minimum-wage worker by $480 per year, after payroll taxes are deducted.

One of the principal arguments against raising the minimum wage is that it would price many workers out of the job market. Some also argue that an increase in the state minimum wage would result in a loss of jobs to neighboring states with lower minimum wages.

While these concerns must be considered, the weight of recent research findings suggests that a moderate increase in a state's minimum wage over the current federal level would boost the incomes of low-wage workers without harming employment. Studies also suggest that when the minimum wage is at a low level — as it currently is — moderate increases are likely to have negligible negative impacts on employment.

It also should be noted that contrary to the popular stereotype, the majority of minimum-wage workers are adults, not teenagers. Most minimum-wage workers are in low-income families and provide a significant share of the family's earnings. The decline in the value of the minimum wage has made it harder for these workers to support their families.

Indeed, the decline in the minimum wage has contributed to the increase in the number of working families who are poor and to the widening inequality of wages. A state can slow these negative trends by setting its minimum wage above the federal level.

Design Options

While raising the state minimum wage above the federal level is a relatively simple matter, a few design issues must be addressed:

- **Setting the level of the wage.** The higher the wage, the greater the benefit to minimum-wage workers but the greater the cost to their employers. At present, most states with higher minimum wages have set them in the

range of $6.15 to $7.16, or $1 to $2 above the current federal level. In the District of Columbia, the minimum wage is set at $1 above whatever the current federal minimum wage is.

- **Implementation.** A state can choose either to increase the minimum wage all at once or to phase in the increase over several years.

- **Indexing.** As noted above, the fact that the federal minimum wage is not indexed to inflation is a prime reason why its real value has fallen over time. A state can preserve the real value of its minimum wage by enacting a provision that adjusts the level of the wage each year to reflect inflation.

A related policy development designed to assist low-wage workers is the enactment of living wage ordinances. These laws typically require private contractors performing services for a city or other local government or receiving economic development incentives to pay their workers a minimum hourly wage higher than the minimum wage. These ordinances affect fewer workers than a state minimum wage.

Funding

The costs to states of increasing the state minimum wage are limited and consist primarily of notifying businesses of the change and raising the salaries of any minimum-wage state workers. These nominal costs are typically covered by state general funds.

States Using the Option

As of September 2004, the minimum wages in 12 states (**Alaska, California, Connecticut, Delaware, Hawaii, Illinois, Maine, Massachusetts, Oregon, Rhode Island, Vermont,** and **Washington**) and the **District of Columbia** were higher than the federal level. Those in **Oregon** and **Washington** are adjusted annually for inflation.

Two more states will establish minimum wages higher than the federal in 2005 and a third is moving towards a higher minimum wage. New York State's minimum wage will increase to $6.00 on January 1, 2005 and will rise to $7.15 by 2007. In addition, in November 2004, voters in two states — Florida and Nevada — approved ballot measures that would set the state minimum wage to $6.15. The Florida provision will take effect in 2005 while the Nevada one requires approval by a second vote in 2006.

As of November 2002, living wage ordinances have been adopted in over 70 localities, according to a survey by the Economic Policy Institute.

Supplement the Earnings of Working Poor Families

Proposal

To provide earnings supplements to adults who work but earn too little to meet their family's basic needs.

Rationale

As noted in the introduction to this report, most poor families in the United States are working families. For these families, having a job simply is not enough to lift them out of poverty. Earnings supplements can help lift working families out of poverty and offset some of the costs of going to work. For this reason, earnings supplements are an increasingly important part of a policy agenda to "make work pay" for low-wage workers.

For example, the federal government reduces the tax burdens and supplements the income of low-wage workers through the Earned Income Tax Credit. States too have extended earnings supplements to low-income families, though to a lesser extent. Most states have made progress in fixing the rules in means-tested public benefit programs that penalize working families and, as noted earlier in this report, seventeen states have created their own EITCs. (See pages 7-8.)

Recent research suggests that earnings supplements can help low-income working families improve their lives. Studies have shown, for example, that both earnings supplements provided as part of welfare-to-work programs and the EITC contributed to the increase in employment among low-income single mothers in the 1990s.

Rigorous evaluations that compared the effectiveness of welfare-to-work programs that provide earnings supplements (such as Minnesota's MFIP program) to those that do not have found that only the programs with earnings supplements reduced poverty among participants and raised their overall income.

In welfare-to-work programs without supplements, the increased earnings that participants enjoy tend to be offset by reductions in government benefits. For example, an HHS-sponsored study of Wisconsin's much-touted W-2 program, which does not provide earnings supplements, found that families who left the program experienced a net decline in income even though their earnings increased.

Evaluations also have found that programs with earnings supplements had significant positive impacts on family and child well-being that did not appear in the other programs, including increased marriage rates, reductions in domestic violence, and improvements in children's school performance

Nevertheless, barriers to an effective strategy of earnings supplements still exist. For example, in most states, poor parents who go to work lose all cash aid before their earnings are sufficient to meet their family's basic needs. All states cut off cash assistance before a family's earnings reach the poverty line, and most states cut off assistance before a family's earnings reach 75 percent of the poverty line. Many states place other limitations on supplements that limit their effectiveness.

An important sign of the limitations of current policies is that both national and state studies have found that families who leave welfare have low earnings and face significant problems meeting their basic needs.

Design Options

There are several ways states can improve the well-being of families moving from welfare to work. The options below fall into two categories: providing work incentives through the welfare system by disregarding a portion of a family's earnings, and providing supports for low-income workers outside the cash welfare system through state EITC (see page 7) or other means.

- **Allow families to retain part of their cash assistance until their earnings reach the poverty line.** This can be done by increasing

the amount of earnings that are "disregarded" — not counted — in determining the amount of a family's grant.

- **Eliminate policies that limit earnings supplements to the first few months of employment.** Eleven states provide a generous supplement for the first few months of work, but quickly impose more restrictive earnings rules. Limiting supplements in this way does little to increase income or promote improvements in children's well-being.

- **"Stop the clock" for families receiving supplements.** In most states, assistance received by a working family counts against the family's TANF time limit, so some such families may opt to leave assistance while working in order to preserve their eligibility for TANF benefits later, in case they lose their job or face some other crisis. Several states address this issue by "stopping the clock" for working families.

- **Ensure that two-parent and immigrant families are eligible for earnings supplements.** Seventeen states do not allow two-parent families to participate in TANF on the same basis as one-parent families. Immigrant families too are subject to more restrictive eligibility rules in most states. States may not use federal TANF funds to provide benefits to newly arrived immigrants, but they may use their own maintenance-of-effort (MOE) funds for this purpose. More than 20 states use state MOE to ensure that legal immigrants have the same access to TANF benefits as citizens.

- **Provide work expense allowances to working families.** A work expense allowance offsets some work-related costs by providing a monthly cash payment to low-income working families. The most practical approach to such an allowance would be to provide a flat amount based on an estimate of the work expenses incurred by typical low-income families.

  States might choose to provide these allowances to all needy working families and phase them out as income approaches a specified level. Alternatively, they might opt to provide allowances for a limited time for certain groups of families, such as those that have recently left welfare.

  Because time limits and other TANF rules that apply to cash assistance do not apply to families receiving a work allowance, states may choose to allow working families that remain eligible only for modest benefits to leave the TANF program and begin receiving work expense allowances instead.

- **Provide work bonuses to working families.** A work bonus is a monthly or semi-annual cash payment provided to a low-income working family to encourage continued employment. Like a work expense allowance, a work bonus is a fixed cash payment that does not fluctuate in response to changes in income or expenses. Bonuses could be provided to families moving from welfare to work or to families participating in employment and training programs or other workforce development programs.

Funding

Earning supplements can be financed with federal TANF revenues or state general revenues. Increased state investment in this area would be appropriate. States today generally spend significantly less than 75 percent of what they spent in the early 1990s on welfare programs (after inflation is taken into account).

States Using the Options

Delaware, Illinois, **Maryland, and Rhode Island** stop the clock for some or all working parents receiving TANF. **Louisiana** disregards all earnings for the first six months of employment and stops the clock during this six-month period.

Assistance with Costs of Basic Needs And Work Expenses

Extend Publicly Funded Health Coverage to More Low-Income Families

Proposal

To broaden Medicaid or SCHIP eligibility incrementally to assist more low-income families and individuals.

Rationale

Several factors, most notably the rising cost of health care, are leading to an increase in the number of uninsured Americans, especially among low-income working families.

Employer-based coverage eroded during the recent economic downturn as families lost their jobs and health insurance. Over the same time period, employers experienced a return of double-digit annual increases in the cost of health insurance premiums. As a result, some firms can no longer afford to offer health coverage. Others are reducing coverage (such as by not covering dependents) or are increasing the amount that workers must pay for coverage, which may make insurance unaffordable for low-income workers.

Public programs like Medicaid and the State Children's Health Insurance Program (SCHIP) have served a vital countercyclical role over the last several years. Without Medicaid and SCHIP offsetting the losses in employer-based coverage — particularly for children — the increases in the number of uninsured would have been far greater.

However, while most children with incomes below 200 percent of the poverty line are eligible for coverage through public programs, publicly funded coverage for their parents is much more limited. In a typical state, as of April 2003, a working parent earning about 71 percent of the federal poverty line (about $11,100 annually for a family of three) is ineligible for public coverage. Only 16 states cover parents up to 100 percent of the poverty line. Moreover, some states have subsequently reduced Medicaid coverage for parents as a result of budget problems.

In addition, a childless adult who is not disabled or elderly is generally not eligible for Medicaid at *any* income.

Design Options

Fiscal constraints may prevent states from undertaking major expansions in coverage for low-income adults in the near future. Nevertheless, incremental expansions may be feasible as state budgets continue to recover, particularly if they are well-targeted and primarily federally funded. States have two options:

- **Eliminate or relax Medicaid asset tests for families.** Although the vast majority of states have eliminated the asset test in determining children's eligibility for Medicaid, fewer than half of the states have waived the asset test for parents.

  Eliminating or easing the asset test will ensure that families with low incomes are not made ineligible for Medicaid simply because they own modest assets such as small savings accounts. It also may make Medicaid easier and less expensive for states to administer.

  States may use their existing flexibility under the Medicaid program to eliminate the Medicaid asset limit or make it less restrictive. States only have to file for a state plan amendment that would be routinely approved by the federal government.

- **Expand Medicaid or SCHIP eligibility for parents above current income limits.** This is especially important for states in which the Medicaid income limit for parents is substantially below the poverty line. (In one state, for example, parents with incomes of more than 20 percent of the poverty line — about $3,100 annually for a family of three — are ineligible for Medicaid.) Since the children in these families are generally eligible for Medicaid or SCHIP, expanding parents' eligibility would ensure that the whole family has coverage. Research has also shown that expanded eligibility for

parents encourages participation in public programs by eligible but unenrolled children.

One way states can expand parent coverage is by using the "Section 1931" option, by which states can effectively raise their Medicaid income limit by disregarding a portion of workers' income when determining their Medicaid eligibility.

Another way to expand parent coverage is by seeking a "Section 1115" waiver from the federal government to use unspent SCHIP funds to extend Medicaid and SCHIP coverage to parents (and in some cases, to childless adults as well).

Funding

The federal government pays between 50 percent and 79 percent of each state's total Medicaid costs, depending on the state. Thus, if a state chooses to expand Medicaid coverage to low-income working families — through elimination of the asset test or adoption of a Section 1931 option — at least half of the cost would be borne by the federal government.

Previously, states that wanted to provide health coverage to low-income working parents had to pay the full cost themselves or make cuts elsewhere in Medicaid to ensure that the coverage expansion did not increase federal costs. This requirement was eliminated by the 1996 welfare law, so states that want to expand eligibility for parents can obtain additional federal matching payments without identifying offsetting savings.

States also can obtain added federal SCHIP matching funds to expand health coverage for working parents under a Section 1115 waiver. The advantage of using SCHIP funds rather than Medicaid funds is that it would reduce the amount of state funds that must be contributed, since SCHIP has a higher federal matching rate than Medicaid. (The federal matching rate for SCHIP ranges from 65 percent to 83 percent.)

A significant pitfall with the Section 1115 approach, however, is that a number of states are projected to face SCHIP funding shortfalls over the next several years. By 2007, 18 states will have insufficient federal SCHIP funding to sustain their existing programs. As a result, a number of states will need to use any unspent SCHIP funds to maintain coverage for children rather than to extend coverage to more parents.

States Using the Option

As of April 2003, 21 states have eliminated the Medicaid asset test for families.

Also, six states have expanded Medicaid parent coverage using a Section 1931 option: **California, Connecticut, District of Columbia, Maine, Ohio,** and **Rhode Island.**

Arizona and **Illinois** are two of the states that have expanded parent coverage under SCHIP using a Section 1115 waiver.

Provide Housing Assistance to Low-Income Families

Proposal

To provide low-income working families with rental assistance that helps them afford housing on the open market.

Rationale

Low-income working families face serious housing affordability and quality problems. Some 4.3 million working-poor households — 64 percent of all such households — spent more than half of their income on housing in 2003. The majority of these households contain children.

These problems affect both renters and owners. More than two-thirds of the working-poor families with housing cost burdens at this level are renters, while nearly one-third are owners. (In this and the preceding paragraph, working-poor households are defined as those where either the head of household or other family members worked at any point during the year.)

Moreover, the housing problems of low-income working families are getting worse. The number of very-low-income working households with "critical housing needs" — paying more than half of their income for housing and/or living in seriously inadequate housing — rose by 14 percent between 1997 and 2001, according to data from a Center for Housing Policy analysis of the American Housing Survey. (Very-low-income working families are those paid at least $2,678 annually, which corresponds to one-quarter of annual earnings in a minimum-wage job, but whose total income is below 50 percent of the area median.)

These findings demonstrate that having a job is not sufficient to ensure that families with children can afford decent housing. High housing costs can make it difficult for working-poor families to retain employment by leaving them with little income to pay work-related expenses such as transportation and child care. In *no* county, metropolitan area, or state in the country can a family that earns the equivalent of full-time, minimum-wage employment afford the "fair market rent" for modest housing (as estimated by the Department of Housing and Urban Development) without spending more than 30 percent of its income on rent and utilities.

The lack of affordable housing can also make it difficult for poor families to find jobs in the first place. Most jobs that require less than a college education are being created in suburbs, which often are inaccessible to families living in central cities or rural areas. Yet high housing costs in the suburbs can prevent low-income parents from moving closer to these newly created jobs.

Moreover, families that cannot afford stable housing may be forced to move frequently or may end up homeless. Either outcome would create major hurdles for a family in finding and/or retaining employment.

States can help low-income working families address their housing problems by creating a state rental assistance program. Typically, such programs provide families with vouchers they use to rent housing of their choice in the private market. Families pay a specified amount or proportion of their income in rent; the voucher pays the difference between the family's rental contribution and a reasonable limit for modest housing.

Design Options

Some of the key issues in designing a state rental assistance program are:

- **Eligibility rules.** There are a number of different ways to define the population of eligible households. Some states target rental assistance on families with high housing costs and incomes below a certain level (e.g., the poverty line). Other states target families moving from welfare to work that need housing assistance to find or retain employment.

  While this report focuses on policies aimed at low-income working families, it should be

noted that several states operate programs aimed at other vulnerable populations, such as the mentally ill, disabled, or elderly individuals. In addition, some states provide short-term housing assistance on an emergency basis to help prevent low-income families from being evicted from their homes. Also, some states provide property tax credits to low-income homeowners. (See discussion of property tax relief on page 10.)

- **Amount of the rental subsidy.** Subsidies should be sufficient to expand access to housing located near jobs and to increase families' housing stability. States may wish to provide a subsidy equivalent to the difference between reasonable housing costs and 30 percent of family income, which is the general guideline for affordable housing in most federal housing programs. Alternatively, states could provide all recipients a flat subsidy amount; the family would pay the remaining rental cost.

- **Links to housing production programs.** Some states may not have an adequate supply of housing that can be rented with tenant-based assistance and is located close to jobs. Such states may wish to design a housing assistance program to promote the construction or rehabilitation of affordable housing.

  For example, a certain number of vouchers could be reserved for units that are funded in part through federal or state low-income housing tax credits. Developers who build these low-income housing units thereby would be assured a constant flow of rental income.

Funding

Federal TANF and state maintenance-of-effort funds may be used to provide housing assistance to families attempting to make the transition from welfare to work. Several states use TANF and MOE funds for this purpose.

The previously mentioned housing assistance programs *not* aimed at working families, such as those for mentally ill or elderly individuals, are generally supported with state general funds.

States Using the Option

In recent years, **Connecticut, Kentucky, Maryland, Michigan, Minnesota, Montana, North Carolina, New Jersey, Pennsylvania,** and **Virginia,** as well as **Los Angeles** and **San Mateo counties** in California and **Denver County** in Colorado, have used federal TANF or state MOE funds (alone or in combination with other funds) to establish housing programs for low-income families. Though modest in size, these programs are noteworthy because they demonstrate the growing recognition by states that affordable housing — like child care, medical care, and transportation — can be an important foundation of economic self-sufficiency.

However, due largely to the increasing need for TANF funds to provide basic income maintenance, many of these programs are no longer in operation. Programs continue on a reduced scale in **Connecticut, Los Angeles** and **San Mateo counties, Maryland,** and **Pennsylvania. Minnesota** and **Virginia** now rely on state funds to continue their programs.

Other states, such as **Hawaii** and **Massachusetts,** have established housing programs for low-income families using state general funds. In 2004, **New Jersey** enacted a new, $25 million rental assistance program that will assist 2,000 families.

Provide Transitional Food Stamps to Families Leaving Welfare

Proposal

To provide families leaving welfare with up to five additional months of food stamps without requiring them to submit extra paperwork.

Rationale

Most families that leave TANF cash assistance have low incomes and remain eligible for food stamps when they go to work. However, only about half of the individuals who leave cash assistance continue to participate in the Food Stamp Program, according to research by both the Department of Health and Human Services and the Urban Institute.

Often, families leaving TANF cash assistance are not aware that they remain eligible for food stamps, according to research by the Manpower Demonstration Research Corporation (MDRC). MDRC also has reported that the steps such families must take to continue receiving food stamps can be confusing or difficult.

If families on cash assistance knew they would remain eligible for food stamps (and Medicaid) when they found a job, MDRC notes, these families might be more likely to look seriously for employment.

The transitional food stamps option is designed to help address these issues. Under the 2002 food stamp reauthorization law, a state may provide up to five months of transitional food stamps to families that leave welfare without requiring the family to reapply or submit any additional paperwork or other information.

By continuing a family's food stamps based on information the state already has, a transitional benefit can both provide continuity of assistance and make clear to the family that food stamps are available to families who do not receive cash welfare. Helping families retain food stamps after leaving welfare for work can help make the transition to work more successful and help ensure the families are better off working than on welfare.

An added feature of the transitional benefits option is that it generally provides a higher level of food stamps than many working families would receive under the regular benefit formula. This can serve as a reward for work that will reinforce states' "welfare to work" messages.

Design Options

States that adopt the transitional benefits option should automatically issue these benefits based on information they already have, without further contact with the household. In addition, states should:

- **Adopt broad eligibility criteria.** All households that cease to receive TANF cash assistance are eligible for transitional food stamps unless their TANF case closes because of a sanction or they are disqualified from food stamps. If a food stamp household contains members who are not in the TANF unit, the entire food stamp household may still receive transitional food stamps when there is no longer any TANF income.

  Some states may think of transitional food stamps as similar to transitional Medicaid and apply it only to households that the state knows have left TANF because of an increase in earnings. There is, however, a key difference between the two kinds of benefits. Transitional Medicaid is designed to provide continued coverage to families that have lost eligibility for regular Medicaid because of increased earnings. Transitional food stamps, in contrast, is designed to reduce the paperwork burden of food stamp participation for families that are leaving welfare but likely remain eligible for food stamps.

  Thus, states can — and should — apply transitional food stamps to any household that leaves TANF for reasons other than a sanction, even if the state does not know whether the household has a new source of income.

Similarly, states should apply transitional food stamps to households that lose TANF benefits because they fail to complete the TANF reapplication process. Frequently, states set the food stamp and TANF eligibility renewals for the same time, so if a household fails to reapply or to show up for its interview, it loses both TANF and food stamp benefits. Providing such families with transitional food stamps will provide a very clear signal that food stamps are available as a work support for people who do not participate in TANF.

- **Freeze benefit levels at their prior level.** Under the transitional benefits option, states may either freeze the food stamp benefit at the level received in the household's last month on TANF (adjusted for the loss of TANF income) or change the benefit based on information they obtain from another program in which the household participates.

  It would be preferable — from both the household's perspective and the state's — to freeze the benefit level after adjusting only for the loss of TANF income. From the household's perspective, the transitional benefit level generally will be the maximum food stamp benefit available for a given household size. (This is because if a household had only TANF income in the month before leaving TANF and that income is removed in calculating the transitional benefit, the household will qualify for the maximum benefit.) Taking household earnings or other income into account would generally reduce the household's benefit.

  In addition, a state that acts on changes that are reported for another program may have to contact households to request additional information about these changes. That would undermine the paperwork-reduction goal of the transitional food stamp option.

  From the state's perspective, freezing the transitional benefit level helps respond to the concern that a state's food stamp error rate will increase if it serves more families who have left TANF for work. (The incomes of such families fluctuate more than those of families receiving cash assistance, and if eligibility workers fail to adjust the family's benefit levels correctly to reflect each change, an over- or underpayment can result.) If the state bases the transitional benefit on information it obtained before the family left TANF and then freezes this benefit so households need not report changes in their circumstances, states can have a higher degree of confidence that these households are receiving the "correct" benefit level.

  In fact, a state that freezes the benefit level for transitional food stamps should have *lower* error rates for families receiving transitional food stamps than for the rest of its caseload.

Funding

The federal government fully funds food stamp benefits. It also shares with states the cost of administering the Food Stamp Program.

States Using the Option

Thirteen states have adopted the transitional food stamp option: **Arizona, California, Colorado, Maryland, Massachusetts, Nebraska, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Virginia,** and **Wisconsin.**

Expand Access to Child Care Assistance

Proposal

To provide child care subsidies to a larger share of low-income working families that need help paying for child care.

Rationale

Child care assistance programs help low-income families "afford" to work by helping them pay for child care. Without such assistance, low-income working families often must spend a large portion of their income on child care, place their children in lower-quality child care, or settle for less-stable care arrangements. Several studies of families on waiting lists for child care subsidies have found that some families lose their jobs and are forced to turn to welfare when they cannot find child care that is affordable and stable.

Low-income working families need help paying for child care because child care is very expensive. For example, a 2002 survey of child care providers in Arizona found that the median price of full-time, full-day child care in a child care center for a preschool-age child was almost $500 per month — more than 40 percent of the budget of a family with income at the poverty line. Child care for infants was even costlier. While child care rates vary across the country, many states have rates comparable to or higher than those in Arizona.

Despite the high cost of child care, however, just a small fraction of children who need help paying for child care actually receive it. Only about 14 percent of children eligible for child care assistance under federal eligibility standards received child care assistance in 2001, according to the Center for Law and Social Policy. Similarly, the large majority of children eligible for child care assistance under state eligibility guidelines do not receive help.

Recognizing the large unmet need, most states expanded their child care assistance programs in the 1990s. In recent years, however, about half of the states made cuts in these programs. These cuts reflected general state budget pressures as well as the growing squeeze on state TANF budgets (discussed below), which has led states to freeze or reduce the amount of TANF funding going toward child care.

States that made cuts in their child care programs took a variety of steps that make it difficult for families to get the help they need, including reducing income-eligibility limits, freezing applications or creating waiting lists, reducing or freezing provider payments, increasing family co-payments, and reducing funding for initiatives that seek to improve the quality of child care.

Currently, almost half of the states either have a waiting list for child care assistance or have closed enrollment for low-income working families and do not keep a waiting list. The waiting lists can be quite long: in California alone, for example, 280,000 eligible children are waiting for assistance.

In addition, income-eligibility cut-offs for child care are low in many states. Some 16 states now cut off eligibility at or below 150 percent of the federal poverty line, well below the income that many families need in order to afford quality child care.

Research has shown that by providing more families with subsidies that enable them to purchase quality child care for their children, states can help low-income parents retain their employment. For example, a study of Rhode Island's child care program found that policies that expanded access to child care subsidies significantly increased the probability that parents would leave welfare for work and work more than 20 hours per week.

Similarly, a Michigan study found, after controlling for demographic and other factors shown to affect work, that TANF recipients with subsidized child care worked 50 percent more months and had more than 100 percent higher earnings than TANF recipients without subsidized child care.

Finally, a national study by the Urban Institute found that families leaving welfare that receive child care assistance are less likely to return to the rolls than families that do not receive child care assistance.

Research has also shown that quality early education programs can improve children's educational outcomes. For example, studies by the National Institute of Child Health and Human Development (NICHD) have shown that children in higher-quality child care arrangements had better scores on cognitive and language tests than children in lower-quality arrangements. (Quality of care was evaluated by such measures as adult-to-child ratios and provider training.) In addition, NICHD research has shown that quality care is associated with lower rates of behavioral problems among kindergartners.

Design Options

All states have child care programs that serve both families moving from welfare to work and at least some working families who do not receive (and may never have received) welfare. Additional funding can be used to:

- **Increase the number of children receiving child care subsidies.** States can, for example, extend child care subsidies to families on the waiting list or raise their income-eligibility limits. In addition, states can ensure that information about their child care subsidy programs is widely available so eligible families know about the program and how to access assistance.

- **Update provider payments.** Some states have frozen or cut provider payments in recent years. As these payments erode, fewer providers may be willing to serve children with subsidies. In addition, failure to provide adequate payments can compromise the quality of the care children receive.

  Federal regulations require states to reimburse providers sufficiently to ensure that families with subsidies have "equal access" to the same range of providers as other families do. The Department of Health and Human Services has indicated that this requirement can be satisfied by setting reimbursement rates at the 75th percentile of the current market rates charged by providers. Most states now set provider payments below this level.

  States with payment levels below the 75th-percentile minimum level should consider raising payment levels at least to this level.

- **Reduce co-payments for families.** In some states, low-income families with child care subsidies must pay a significant share of the cost of child care. Moreover, some states have raised co-payments significantly in recent years. Some experts suggest that low-income families should pay no larger a share of their income on child care than typical middle- and upper- income families do. Nationally, families (with and without subsidies) who pay for child care spend about seven percent of their income on care. Yet, in about two-thirds of all states, a family with income at 150 percent of the poverty line either would be eligible for no child care assistance at all or would face co-payment levels above seven percent.

- **Invest in initiatives to improve quality.** States can, for example, set standards that promote better child outcomes (such as low child-to-staff ratios and teacher education requirements) and give extra resources to providers that meet those standards. Also, states can subsidize teacher training and curriculum development, provide grants to providers to upgrade their materials, and invest in the staff needed to monitor child care programs. The federal government made similar investments in child care centers serving military families, helping to create a child care system widely touted for its quality.

Funding

States use both federal and state funds to support their child care assistance programs. The main federal funding sources are the Child Care

and Development Block Grant and the TANF block grant.

When states expanded their child care assistance programs during the late 1990s, they largely relied on added federal funding to do so. In particular, states used significant amounts of TANF funds to expand their programs, including unspent TANF "reserve" funds that were leftover from the early years of TANF implementation.

In coming years, increases in federal child care funding may be considerably more modest than in the past. One reason is that most states have exhausted most or all of their TANF reserves. Another is that the size of each state's annual TANF block grant is likely to remain frozen, so inflation will continue to erode its value even as costs in TANF-funded programs increase. And, while the federal government may increase child care funding at some point as part of TANF reauthorization legislation, the increase may be fairly modest.

Thus, if states are to expand access to child care assistance to low-income working families, they will need to accomplish this largely by increasing their own funding for child care and early education programs. (It should be noted that some states are not spending enough state funds on child care to receive all of the federal matching funds for which they could qualify. These states could obtain added federal funds by committing more state resources in this area.)

States Using the Option

Some states, such as **Rhode Island,** have taken extra steps to ensure that low-income working families have access to child care assistance. Rhode Island provides child care assistance to all low-income working families with incomes below 225 percent of the federal poverty line and does not have a waiting list. To improve the quality of child care, the state helps child care providers gain accreditation by the National Association for the Education of Young Children by paying accreditation fees and by providing technical assistance to providers so they can meet the necessary quality standards. Rhode Island also provides resources for teacher training, subsidizes health care benefits for child care providers, and supports on-site technical assistance efforts.

Career Advancement Assistance

Help Families Establish Individual Development Accounts

Proposal

To help low-income families build savings by establishing Individual Development Accounts.

Rationale

Having funds set aside in a savings account can give families needed financial stability. Unfortunately, most working-poor families — like many other Americans — have not been able to build up savings accounts or acquire other assets. One-third of all families, and 60 percent of African American and Hispanic families, do not have significant levels of savings.

Not surprisingly, low-income families have the lowest level of savings of all American families.

The absence of a financial cushion can be particularly devastating for a poor working family. Even a small amount of savings can help families cope with problems such as unexpected medical expenses or the need for a car repair so that their ability to maintain employment is not jeopardized. In addition, savings can help a family move up the economic ladder, such as by enabling them to finance higher education.

States can play an important role in promoting asset development for working-poor families by helping them establish Individual Development Accounts (IDAs). These are savings accounts, supplemented with matching funds from state, federal, and other public and private sources, designed to help low-income and low-wealth families build modest assets for investments in such areas as higher education, homeownership, or creating a small business. IDAs are most often offered through non-profit organizations, in conjunction with other asset-building initiatives such as homeownership or microenterprise development programs.

Studies of existing IDA programs have shown that they can help low-income people save and acquire assets. For example, 2,400 low-income families participating in the American Dream Demonstration, an IDA policy demonstration project consisting of 14 programs implemented at 13 sites across the nation, saved an average of about $700 per saver per year (including matching funds) in their IDAs.

Funding

Roughly 20 states use TANF funds to cover the cost of IDA matching payments and/or the administrative costs of running IDA programs. However, TANF funds are likely to become a less secure source of IDA funding in future years if federal TANF grants to the states — which have been frozen at their current level since 1997 — continue to shrink in inflation-adjusted terms. States could be forced to decide between allotting increasingly scarce TANF funds to IDAs or to benefits and services aimed at meeting families' basic needs.

Other sources of state and federal funding for IDA programs include state general revenue funds, Assets for Independence Act funds (which must be matched by non-federal funds), Community Development Block Grant funds, Office of Refugee Resettlement funds, Community Services Block Grant funds, HUD HOPE VI funds, and Federal Home Loan Bank Affordable Housing Program funds.

State tax credits are another source of public support for IDA programs. These credits encourage private contributions to IDA programs by providing a tax reduction for such contributions. State tax credits typically equal 50 percent of the contribution. States can also encourage private contributions by allowing a tax deduction, comparable to the federal charitable donation deduction.

Design Options

State-supported IDA programs exist in about half of the states. Many IDA programs are administered by selected non-profits, local

government agencies, or a combination of the two. States, though, often establish program rules such as matching rates, eligibility criteria, and the state's tax treatment of IDA funds, particularly for programs established under state law.

Issues that states should consider when setting up an IDA program include:

- **Eligibility rules.** The rules regarding who may open an IDA vary widely across programs and often depend on the requirements of various funding sources. In some programs, households must be receiving (or eligible to receive) TANF benefits, or be eligible to receive the Earned Income Tax Credit, in order to qualify for an IDA. Alternatively, some IDA programs have established income limits set at a certain percentage of the federal poverty line or the area median income. By setting relatively broad eligibility criteria, states can enable more low-income working families to take advantage of IDAs.

- **Acceptable uses of IDA funds.** In some IDA programs that are supported with federal funds, accountholders can withdraw funds only for post-secondary education, first-time homeownership, or setting up a business. Some states, however, also allow IDAs to be used to purchase a vehicle, to repair a home, or for training program expenses, among other purposes. States with broad flexibility in potential uses for IDAs typically find it easier to recruit participants.

- **Financial education.** Recognizing the difficulties families can face in meeting their daily needs while simultaneously building for the future on a limited income, IDA programs generally provide mandatory financial education for accountholders. Federal IDA laws and all state IDA laws require that financial education be provided for IDA savers.

- **Effects on eligibility for other public benefits.** The 1996 welfare law states that funds in a TANF-funded IDA may *not* be considered in the determination of a family's eligibility or benefit level for TANF or other public benefit programs, so long as the account is used for post-secondary education, first-time homeownership, or capitalization of a business. This means that funds in a TANF IDA should not affect a family's eligibility for other public benefits.

  In 2000, a new law extended this same protection to IDAs funded under the Assets for Independence Act (AFIA).

  Even for IDAs that do not use AFIA or TANF funds (or are used for purposes other than the three purposes approved under TANF), states can protect the accountholders' TANF and Medicaid eligibility by exercising their authority to determine what counts as assets in those programs. If the state disregards IDAs when determining eligibility for TANF or family Medicaid, the state also may exclude the account from consideration for food stamps.

States Using the Option

About 30 states currently operate IDA programs.

Eight states help support IDAs with general revenues: **Connecticut, Indiana, Maryland, Minnesota, Pennsylvania, South Carolina, Tennessee,** and **Vermont.**

Ten states offer tax credits for private contributions to IDA programs: **Arkansas, Colorado, Connecticut, Hawaii, Indiana, Kansas, Maine, Missouri, Oregon,** and **Pennsylvania.** However, two of these states (Colorado and Kansas) have yet to implement the tax credits due to budgetary issues.

Provide Post-Secondary Education and Training to Low-Income Parents[1]

Proposal

To increase the earnings potential of low-income parents by helping them attain job skills and credentials.

Rationale

Research has shown that the welfare-to-work programs that have been most successful in helping parents work more and increase earnings over the long run are those that include substantial access to education and training, together with employment services and a strong overall focus on work as the goal. This is because skills and education credentials are keys to success in the labor market and because welfare recipients generally have low skills that hinder their efforts to earn enough to support a family.

Job training and other postsecondary activities appear to be particularly important in helping low-income parents qualify for higher-paying, more stable jobs. For example, the experimental National Evaluation of Welfare-to-Work Strategies (NEWWS) found that of 11 programs studied, the program in Portland, Oregon was most successful at increasing recipients' employment rates and earnings, the likelihood that recipients would find jobs with benefits, and the likelihood that they would re-main employed.

The Portland program (which is operated by local community colleges) made substantial use of education and training, as well as job search and other activities, and increased the number of recipients who received education and training credentials, including both high school diplomas and occupational certificates. In Portland, over half of those with a high school diploma attended a community, two-year, or four-year college at some point in the five years after entering the program — a 66 percent increase compared to a control group.

The NEWWS findings are consistent with other research showing that programs that use both job search activities and education and training activities are more effective than programs relying primarily on just one type of ser-vice.

Other, nonexperimental studies also suggest substantial economic benefits of postsecondary education for low-income parents. A 2002 study of the Maine Parents as Scholars program, which supports welfare participants while they complete a two- or four-year degree, found that graduates increased their hourly median wages from $8.00 before college to $11.71 immediately after college — a 46-percent increase.

Additionally, a 2004 study of recipients of CalWORKs (California's welfare program) who had enrolled in California community colleges shows that the more education they attained, the greater their earnings, even for those who entered college without a high school diploma or GED. Those who obtained an associate degree dramatically increased their earnings (from about $4,000 annually before college to nearly $20,000 two years after graduating), and those in vocational fields saw even larger increases.

Other key findings from the CalWorks study include:

- CalWORKs students were twice as likely to work year-round after attending community college than before.
- CalWORKs students who completed a vocational certificate or associate degree pro-gram (particularly in the nursing, dental, and business fields) tended to have higher earnings and higher employment rates than those who completed non-vocational pro-grams.
- Prior to and during college, CalWORKs students earned considerably less than other

[1] This section was written by Amy-Ellen Duke of the Center for Law and Social Policy.

women students, but after college this gap narrowed. Also, the earnings gap closed more quickly among those who had a certificate or associate degree than among those who exited college without a credential.

Design Options

Below are the major issues states should consider in designing an education and training program for low-income individuals.

- **Program length matters.** In the California study, among vocational certificate programs, the longer the program, the greater the economic pay-off. In general, vocational certificate programs needed to be at least 30 units (or ten courses) in length to yield earnings that topped $15,000 by the second year out of school. CalWORKs students who left with an associate degree realized a 403 percent increase in median annual earnings between the time they entered college and their second year out of school. This may reflect, in part, the fact that better-paying health professions required longer training.

- **Provide support services.** California allocated $65 million to community colleges to help them redesign their curricula and pro-vide new services, such as child care, work study, service coordination, and job development and placement programs. Cal-WORKs earmarked $15 million of these funds solely for child care services, but students also relied on child care vouchers offered through other programs. Interviews with CalWORKs students indicate these services were often a key factor in their academic success.

  The Federal Work Study program (available at most community and four-year colleges) provides jobs for undergraduate and graduate students showing financial need, allowing them to earn hourly wages ranging from the federal minimum wage upward, depending upon the type of work and skills required. Work-study jobs provide needed income and valuable work experience, and, especially when located off-campus with private employers, can lead to permanent jobs. States may need to use state funds to create additional work-study jobs for low-income parents, however, because often too few federally funded work study jobs are available, particularly at community colleges.

  Coordination of support services is crucial to student retention and success. California employed CAlWorks coordinators at each campus to make referrals to various student services, provide guidance and support, track students' progress and place students in appropriate academic programs.

- **Draw on existing programs.** In California, services such as academic counseling, assessment, and orientation are available for all enrolled community college students. These services can help nontraditional students (such as low-income parents) as well as traditional students plan and implement their educational and vocational plans and set goals leading to their eventual success in the community college. However, nontraditional students may need some extra help in learning about and navigating these services.

- **Anticipate realistic timeframes for completion of credentials.** Most community college students (including traditional and nontraditional students) need 3.5 years or more to complete an associate degree and two years to complete an occupational certificate. Considering the additional barriers that low-income parents face, such as the need for remedial education and the balancing of work and family demands, they may need longer than the traditional two-year time frame to complete a community college associate degree or vocational program.

Funding

Postsecondary education and training for low-income parents can be financed through a combination of federal and state dollars, including federal and state financial student assistance, TANF and child care funds, and other state and local education appropriations.

Low-income parents in credit-granting college courses are typically eligible for a range of federal and state assistance. Federal assistance, which includes Pell grants, work-study jobs, and subsidized student loans, is available even to students who are attending less than half-time or who lack a high school diploma or GED. States and localities provide base funding for public colleges keeping tuition relatively affordable. States also often provide student aid through tuition waivers or grants; the state student aid commission and local community college financial aid offices are the best sources of information on what is available.

In addition, several states have invested state or federal TANF funds to support attainment of postsecondary credentials by low-income parents.

Finally, several states use TANF maintenance-of-effort funds for postsecondary student aid geared toward parents eligible for public assistance. These programs provide income support and other supportive services for parents pursuing postsecondary credentials.

States Using the Option

As of 2002, some 23 states allowed TANF recipients to engage in postsecondary education and training for more than the one-year period during which federal law allows such activities to count toward each state's TANF work participation rate. States have the flexibility under federal law to allow other, non-countable activities as long as the state is meeting the federal work participation rates. This additional time in postsecondary education is needed because while the majority of recipients are in one-year occupational certificate programs, it typically takes them longer than a year to complete them because they must often attend part-time and take remedial reading, writing, or math courses before starting skills training.

California's CalWORKs program allows participants to attend a California community college for up to 24 months (some recipients are limited to 18 months) as a way to meet state work requirements. In 2002, 28 percent of California's adult welfare population were enrolled in at least one course at a community college; the majority of CalWORKs students also worked while in school.

In addition to the California initiative, **Kentucky's** Ready to Work program and **Louisiana's** TANF1 program provide a range of supports to low-income parents in postsecondary education to help them succeed. **Washington** has also invested TANF funds in increasing services to low-income parents in college.

States with MOE-funded postsecondary student aid geared toward parents eligible for public assistance include **Maine, New Jersey, New Mexico, Vermont, and West Virginia.**

Income Support for the Unemployed

Make More Workers Eligible for Unemployment Insurance

Proposal

To make workers who have recently joined the work force, part-time workers, those whose personal circumstances limit their availability for work, and seasonal workers eligible for unemployment insurance.

Rationale

The unemployment insurance (UI) system is designed to provide temporary help to workers who have lost their jobs and are looking for work. However, many such workers are ineligible for UI benefits. Nationally, fewer than half of all jobless workers receive UI benefits, and in some states, fewer than one-third do.

While UI eligibility criteria vary by state, they basically amount to three tests: Did the worker have enough wages in the past year to qualify? Was the worker involuntarily separated from employment? Is the worker available for work? In many states, these tests have been implemented in a fashion that denies benefits to large numbers of workers.

Workers who have recently joined the work force often are ineligible for UI benefits because when most states determine whether a worker earned enough to qualify for UI benefits, they *do not count* the worker's earnings in the most recent two calendar quarters before the layoff. The failure to count these quarters especially harms low-wage workers, since their earnings are lower to begin with.

Workers also can be denied UI benefits because of state requirements relating to the distribution of their earnings over a period of time. For example, many states require earnings in at least two different quarters.

The effects of these rules can be seen in the fact that someone who began work March 1 and was laid off in late December would not qualify for UI benefits in most states, even though he or she worked for nearly ten months and had total earnings well above the qualifying level.

Like recent entrants to the work force, part-time workers are ineligible for UI benefits in most states, even though they make up about one-sixth of all workers. The reason is that 26 states define "available for work" as available for *full-time* work; four other states have very narrow exceptions for part-time workers.

Thus, someone who has been working 20 to 30 hours per week and is available for work for a similar amount of time — such as a mother with a young child — is disqualified for UI benefits even if she meets the earnings requirement, was involuntarily separated from employment, and is seeking work comparable to the job she lost.

Making workers with recent work histories and part-time workers eligible for UI benefits would benefit more than a million workers over the course of a year, according to the Department of Labor.

In addition, while all states allow some workers who leave a job voluntarily but with "good cause" to be eligible for UI benefits, about two-thirds of the states require this "good cause" to be connected with work or attributable to the employer. Many low-wage workers are forced to leave work because of changes in individual circumstances, such as the loss of child care or the illness of a family member. They are not eligible for UI benefits in a state where "good cause" must be connected to work or the employer.

As welfare reform efforts increase the number of single parents in the work force, this is becoming a bigger problem. States can address this problem by broadening the list of reasons that qualify as "good cause" for leaving employment.

Seasonal workers are another group who often are ineligible for UI benefits. A number of states do not count the earnings a worker accrues in seasonal labor when determining whether he

or she is eligible for UI benefits in the off-season.

States adopted these restrictions at a time when many workers chose to work only seasonally and left the labor force for part of the year. Yet with large and increasing numbers of workers (especially low-wage workers) able to find only seasonal work, such restrictions make less sense today. They are unnecessary as well: individuals who choose not to work in the off-season are not eligible for UI benefits, since a worker must be looking for work actively to qualify for benefits.

Design Options

- **Extend UI benefits to workers who have recently joined the work force.** To accomplish this, states will need to incorporate the most recent wages of all workers into the UI benefit eligibility formula. The basic reform involves including more recent quarters in a state's "base period" or "base year." State computer systems and other processes would have to be updated to include the most recent wages.

  Counting workers' most recent wages not only would make some newer workers eligible for benefits, but also would make other workers eligible for larger benefits than they received under the old formula.

- **Make part-time workers eligible for UI benefits.** States can accomplish this simply by eliminating the requirement that workers be available for full-time work. New Mexico, for example, enacted legislation in 2003 stating that "No individual . . . shall be deemed ineligible for benefits solely for the reason that the individual seeks, applies for or accepts only part-time work . . . if the part time work is for at least twenty hours per week." Part-time workers would still need to meet all other UI requirements, such as having sufficient earnings.

- **Broaden the acceptable reasons for leaving work voluntarily.** To enable workers who leave their jobs because of the loss of child care or transportation or other individual circumstances to receive UI benefits, states can amend their UI eligibility laws to include individuals leaving work "for compelling domestic circumstances."

- **Remove restrictions on seasonal workers.** Fifteen states bar seasonal workers from receiving UI benefits by not counting their seasonal wages toward their UI eligibility or by prohibiting them from drawing UI benefits outside their normal seasonal work period. States can treat seasonal workers more fairly by removing these provisions.

Funding

These changes can be financed from state UI trust funds. Most states have enough funds in their trust fund to finance an extension of UI benefits to workers who have recently joined the work force, part-time workers, and seasonal workers.

States Using the Option

Eighteen states plus the District of Columbia now count the last three to six months of wages in determining UI eligibility.

Nine states' UI systems treat part-time workers the same as full-time workers, and 24 other states have adopted more favorable eligibility rules for part-time workers.

At least 15 states provide UI benefits to individuals forced to leave work due to a range of compelling domestic circumstances, including child care and domestic violence.

Finally, all but 15 states do not distinguish between seasonal workers and other workers in determining UI eligibility.

Extend Unemployment Insurance Benefits When the Labor Market Is Weak

Proposal

To adopt a "trigger" for additional weeks of unemployment insurance benefits that is more sensitive to a difficult or worsening job market.

Rationale

Unemployment insurance (UI) benefits typically expire after 26 weeks. If a state's unemployment rate rises high enough, however, federal law provides for an additional 13 weeks of benefits through what is known as the "Extended Benefits" program. The federal government pays half the cost of these weeks of extended benefits from federal UI trust funds; states pay the other half from their own UI accounts.

These additional weeks of UI benefits can provide critical support to families during periods of high or rising unemployment, when an increasing number of jobless workers exhaust their regular UI benefits because they are unable to find new jobs within 26 weeks.

Extending these workers' benefits also helps stimulate the economy by helping prop up consumer demand during a time of labor market weakness.

During the recent economic downturn, however, only four states (Alaska, Michigan, Oregon, and Washington) provided extended UI benefits. In most states, unemployment rates would have had to rise substantially above their peak levels during the downturn before extended benefits could be provided.

The source of the problem is the "triggers" that states use to activate the additional 13 weeks of UI benefits. Under federal law, there are several ways states can activate extended benefits. In all states, extended benefits are provided if, over a 13 week period, a state's average insured unemployment rate (that is, the number of workers collecting UI benefits divided by the number of workers eligible for UI benefits if they become unemployed) exceeds 5.0 percent and is at least 20 percent greater than the rate in each of the previous two years.

This standard trigger is not particularly sensitive to changes in the job market. For example, at no point during the recent economic downturn did this trigger activate in *any* state. States can compensate for the weaknesses in the standard trigger by adopting one or both of the additional triggers described below, which are more sensitive.

It should be noted that in recent downturns, the federal government has created a temporary program that provides up to 13 weeks of federally funded benefits to workers who exhaust their regular 26 weeks of UI benefits. State Extended Benefit programs would come into effect only *after* the federal extended benefits were exhausted (and if the economy remained weak), so these extended benefits would not take the place of the federal benefits in states that adopted an optional trigger. Moreover, during prolonged periods of labor market weakness, many workers will need the extra weeks of benefits that a temporary federal program can provide.

Design Options

States should adopt one or both of the following optional triggers:

- **Trigger based on the insured unemployment rate.** One optional trigger provides extended benefits when the average insured unemployment rate for a 13-week period exceeds 6.0 percent — a higher threshold than in the standard trigger — but without the 20 percent increase requirement. The absence of that requirement means that states that adopt this optional trigger will be able to provide extended benefits at times when unemployment is at a high level but not continuing to increase.

- **Trigger based on the total unemployment rate.** The other optional trigger provides extended benefits when a state's total unemployment rate (the number of unemployed workers divided by the total labor force) over a 13-week period exceeds 6.5 percent and is at least 10 percent higher than in one of the past two years. Furthermore, if the total unemployment rate exceeds 8 percent, 20 weeks of additional benefits can be offered rather than the standard 13. This trigger is the most sensitive of the three triggers to increases in unemployment.

Funding

As noted above, the federal government pays half the cost of benefits under the Extended Benefits program from federal UI trust funds. The other half of the cost is borne by states from their UI trust funds.

States Using the Option

All but 12 states have adopted the optional insured unemployment rate trigger. The 12 states that have *not* adopted it are: **Delaware, Florida, Georgia, Iowa, Kentucky, Massachusetts, New Hampshire, North Dakota, South Dakota, Utah, Washington,** and **Wyoming.**

Only eight states have adopted the optional total unemployment rate trigger: **Alaska, Connecticut, Kansas, New Hampshire, Oregon, Rhode Island, Vermont,** and **Washington.** However, these states include three of the four states (Alaska, Oregon, and Washington) that qualified under the Extended Benefits program to provide additional benefits during the recent downturn. (Michigan also qualified using the standard trigger. In addition, Hawaii, New Hampshire and Wisconsin provided additional weeks of benefits entirely at state expense.)

Raise TANF Benefit Amounts to More Adequate Levels

Proposal

To help unemployed families better meet their basic needs and focus their energies on overcoming their difficulties by providing them with more adequate benefits through TANF.

Rationale

The first goal of TANF is to assist needy families so their children can be cared for in their own homes or in the homes of relatives. There also is broad agreement that TANF programs should be designed to increase the well-being of children. One way states pursue these goals is by providing transitional support grants — monthly income support that families use to meet basic needs — to eligible families. (While such grants are often referred to as "welfare," that term is not used here because it also can refer to many other forms of assistance to low-income families.)

TANF grant levels vary from state to state, but generally they are very low. The maximum monthly grant for a family of three in the median state is roughly $389 a month, or just 30 percent of the 2004 federal poverty line. Even if this family also received food stamps, the combined value of its TANF and food stamp benefits for the year would be nearly $7,000 below the poverty line.

In most states, the size of TANF grants (and before that, AFDC grants) has remained frozen over the past decade, without any adjustment for inflation or other factors. As a result, in the typical state, the purchasing power of the maximum grant fell by more than 18 percent between 1994 and 2003.

Not surprisingly, therefore, most states do not currently provide sufficient income support for a family to meet its basic needs. Recent studies have found that slightly more than one-third of families receiving TANF assistance experience "food insecurity" during the course of a year, such as running out of food or cutting back on meal size because of a lack of resources. Other research has shown that families receiving TANF assistance are vulnerable to evictions, utility shut-offs, and other hardships. For example, a study in New Jersey — a state whose TANF grant levels are *above* the national median — found that about 30 percent of TANF recipients had experienced housing problems over the course of a year, and half of TANF recipients had experienced one or more serious hardships in housing or another area.

Housing is of particular concern to TANF recipients because it typically consumes the largest share of low-income families' income. To be considered affordable, housing should cost no more than 30 percent of a household's income, according to the federal government. Yet in virtually all states, families that are receiving both TANF and food stamp benefits pay more than 30 percent of the combined value of these benefits on housing. In 22 states, housing takes up more than *half* of the combined value of TANF and food stamp benefits.

By providing more adequate benefits through TANF, states can help stabilize families and allow parents to engage more productively in activities that will help them gain employment. Many parents receiving TANF have such low incomes that they must spend a great deal of time and energy obtaining additional help from social service agencies, private charities, relatives, and friends to meet their family's basic needs. Raising the TANF benefit level would lessen these pressures. It also would provide some protection against unanticipated events or misfortunes that otherwise could trigger a financial crisis.

In the past, some policymakers argued against increasing grant levels because they believed (despite a lack of supporting research evidence) that it would undermine parents' work effort and motivation to leave welfare. With passage of the 1996 federal welfare reform law, those arguments no longer hold water. Most parents receiving TANF grants are required to seek work and will have their assistance terminated if they do not comply. In addition, as its full name suggests, TANF — *Temporary* Assistance to Needy Families — is now a

temporary program for most families. Nearly all states now limit the amount of time a family can receive a TANF grant.

Design Options

There are several ways in which states can make their TANF grants more adequate and ensure that they remain adequate in future years:

- **Compensate for the past erosion of benefits' purchasing power when raising TANF grant levels.** Under this approach, the size of any grant increase could be tied to increases in the cost of living since the last grant adjustment or over some other specified period of time.
- **Set TANF grants at a specified percentage of the federal poverty line.** Because the poverty line is adjusted each year to compensate for the effects of inflation, this approach would automatically generate small annual boosts in grant levels and thereby preserve the purchasing power of grants over time.
- **Tie the size of a grant increase to increases in rental costs.** Linking changes in TANF grant levels to changes in housing costs would recognize the central role that housing costs play in the monthly budgets of low-income families. Annual data from the U.S. Department of Housing and Urban Development on "fair market rent" levels can be used to provide a good estimate of annual increases in rental housing for low-income families.

Funding

An increase in TANF benefit levels can be financed with federal TANF revenues or state general revenues. Increased state investment in this area would be appropriate, given that states today generally spend only about 75 percent of what they spent in the early 1990s on welfare programs (after inflation is taken into account).

States Using the Option

Thirteen states increased their maximum TANF grant levels at least once between 1997 and 2004. It is notable that prior to these increases, three of these states — **Mississippi, Tennessee,** and **Texas** — had been among the lowest in the nation in terms of benefit levels and had not increased their benefits significantly in at least a decade. The benefit increases in Mississippi and Tennessee amounted to about $50 a month for a family of three.

Other states that had relatively low grant levels but then raised them since 1997 include **Idaho, Maine, Maryland, New Mexico, Ohio,** and **Utah.**

California is among the states that compensated for the past erosion of TANF benefits when raising TANF grant levels.

Texas is among the states that set their TANF grant levels at a certain percentage of the poverty line.

Access to Support Services

Expand Outreach Efforts for Low-Income Programs

Proposal

To conduct and support activities aimed at helping low-income working families secure public benefits for which they qualify, such as the Earned Income Tax Credit, the Child Tax Credit, health coverage through Medicaid and SCHIP, and food stamps.

Rationale

Low-income working families are likely to be eligible for an array of public benefits that can help them support themselves through low-wage work. For example, they may qualify for as much as $4,300 in EITC benefits when they file their tax returns in 2005, and possibly Child Tax Credit benefits as well. These substantial wage supplements can help pay work-related costs such as child care and transportation, as well as basic expenses such as rent and utilities.

In addition, since many low-income jobs do not offer health insurance, obtaining health coverage for children and parents through Medicaid and SCHIP can lessen the time parents lose from work because they are sick or must care for a sick child.

Finally, nutrition benefits available through the Food Stamp Program can play an important role in keeping workers and their families healthy and helping them afford food while meeting their other expenses. The typical working family qualifies for over $200 a month in food stamps.

Yet despite the availability of these critical work supports, large numbers of eligible families do not receive them. Only about half of eligible working families participate in the Food Stamp Program, for example, and between 20 and 25 percent of eligible families do not claim the EITC.

Research shows that many eligible workers do not know about available benefits, do not think they qualify, or need help applying. For example, a 2000 study by the Kaiser Commission on Medicaid and the Uninsured found that 40 percent of families whose children were eligible for Medicaid but not enrolled did not know that children of working parents are potentially eligible for Medicaid.

In addition, some families may decide not to apply for public benefit programs because they regard the application process as too difficult or intrusive. Such perceptions may be based on past experiences with these programs. Thus, outreach can be instrumental in alerting families to the fact that application forms and procedures have been significantly simplified in recent years, particularly for health programs but recently in food stamps as well.

Design Options

States can promote participation in public benefit programs by disseminating information (which must be accessible to people who speak languages other than English or who have low literacy skills) and by creating easy opportunities to secure and retain benefits. Families that are eligible for benefits but unenrolled are only one potential target of these campaigns. Other targets are families that have recently become eligible for benefits — after a family member lost a job or employer-sponsored health coverage, for example — and families that are receiving some but not all of the benefits for which they qualify.

States should make special efforts to reach groups with particularly high rates of non-participation in public benefit programs. For example, eligible adolescents are much less likely than younger children to be enrolled in health coverage programs, and Hispanic parents are much less likely than non-Hispanic parents to know about the EITC.

It should be noted that state efforts to improve participation will be more effective if states also simplify and streamline their enrollment and renewal procedures. States have considerable discretion in this area: they can create short, clearly worded forms, minimize verification requirements, and reduce reporting

and renewal requirements. (See the section of this report entitled "Align Policies and Procedures in Benefit Programs" for more on this topic.)

Ideas for state outreach activities include:

- **Use the application as an outreach tool.** Most states provide an application form designated exclusively for applying for children's health coverage through Medicaid or SCHIP. (Some states also allow parents to apply using the same form.) While these applications provide an easy way to enroll in health coverage, the fact that they focus on a single benefit may cause some families not to realize that they are eligible for other programs as well.

  States can add a simple statement to the children's health insurance application indicating that the family may be eligible for other benefits, such as food stamps, and providing a phone number to call for assistance. In some cases, if the family indicates a desire to apply for another benefit, the information from the completed health insurance application can be transferred to the appropriate agency to jump-start the application process for the other benefit. (See page 51.)

- **Use information from existing benefit program databases to identify families likely to qualify for other benefits and help them enroll.** In many cases, a family member or household that is eligible for one benefit program will qualify for other benefits as well.

  California, for example, directs county offices to review families enrolled in food stamps to identify households in which children are not also enrolled in Medicaid or SCHIP. When these families renew their food stamps, they receive a notice indicating which family members may be eligible for health coverage and requesting permission to use the information in the food stamp case file to conduct an eligibility determination for Medicaid or SCHIP. By simply signing and returning the notice, families can apply for health coverage.

- **Use on-line screeners and allow families to apply over the Internet.** A growing number of states are using computer technology to screen families for various benefit programs (that is, to give them a preliminary indication of whether they are eligible). Information from a screening may give a family the confidence and motivation it needs to proceed with the application process.

  Increasingly, states also are allowing families to apply online, which can be more convenient, particularly for working families. Applicants provide basic demographic and financial information and then are given a list of programs for which they may qualify — and, sometimes, the approximate size of the benefit. In some cases, the applications are filled out and submitted automatically once the applicant provides the necessary information.

- **Capitalize on routine channels for communication with beneficiaries.** State agencies interact with existing and potential beneficiaries through scheduled mailings, newsletters, and other mechanisms. These can be effective avenues for conducting outreach to ensure that families know what benefits they might qualify for and how to apply.

  For example, WIC agencies can provide information about food stamps, Medicaid, SCHIP, and the EITC when participants pick up WIC vouchers or attend nutrition education sessions. Agencies that administer foster care and energy assistance can mail information with benefit checks.

  To reassure families that applying for a new benefit will not jeopardize their eligibility for a benefit they currently receive, materials disseminated by state agencies should explain how benefit programs interact with one another. For example, materials that

promote the EITC should explain that the credit generally is not counted as income in determining eligibility for federally funded benefits such as food stamps and Medicaid.

- **Enlist other organizations in outreach.** State agencies have ongoing relationships with a wide variety of government and non-government entities that can be enlisted to help with outreach initiatives.

  For example, state education departments can encourage schools to alert families about benefits for their children and help them apply. In many states, applications for free and reduced-price school meals have been revised to inform families that participating children are also likely to be eligible for publicly funded health coverage. Many such applications also direct families to help in applying for health coverage; in some cases, information on the school meal application may be used to begin the health coverage application process.

  In another example, agencies that issue licenses to child care programs can deliver information about food stamps, health coverage, and tax credits when they inspect child care facilities.

  States also can use their connections to businesses and employers to promote benefits for working families. For example, the Texas Workforce Commission provides all businesses that are registered with the state a supply of envelope stuffers informing employees about the EITC. The Commission also presents information about the EITC at monthly business conferences.

- **Incorporate outreach into the work of local offices.** Families seeking assistance at a local welfare office are often able to apply for cash assistance, food stamps, and Medicaid at the same time. If they are seeking other kinds of services, however, caseworkers may not be able to enroll them in work-support programs even though the information caseworkers are collecting could help determine families' eligibility for those programs.

  For example, caseworkers helping families with child support enforcement collect income information from families and should be able to tell whether a family's income is likely to qualify them for food stamps or Medicaid. In cases such as these, states can provide potentially eligible families with applications for those programs.

  States that have adopted the Medicaid/SCHIP "presumptive eligibility" option for children can go one step further and allow caseworkers for programs such as child support, subsidized child care, and TANF to enroll children who appear eligible for Medicaid or SCHIP in the appropriate program on a temporary basis while their parents complete the application process. In this way, children can enjoy full program benefits without waiting for the state to make a final eligibility determination.

- **Establish a toll-free hotline to provide public information and application assistance.** Toll-free telephone hotlines can provide an easy way for families to get basic information about benefit programs, as well as help in applying. States can either support community-based toll-free assistance lines or initiate their own. To be effective, such hotlines should provide help in languages other than English and should be accessible outside regular working hours.

  The toll-free number should be included in all outreach materials, notices to families, public services announcements, and advertisements.

  In at least 23 states, telephone-based community services information systems known as "2-1-1 systems" are being developed. Callers simply dial "2-1-1" to find out about human services programs in their area. Where such systems exist, states should ensure that they are prepared to inform callers about the full range of work-

support benefits. Also, several states provide funding for 2-1-1 systems.

- **Support community organizations.** While state-initiated outreach activities are very important, families often receive the most effective help directly from neighborhood organizations they know and trust. Some states provide financial assistance to community-run groups and campaigns that help low-income families obtain public benefits.

Funding

EITC outreach activities can be supported with federal TANF and state maintenance-of-effort funds.

Health insurance outreach and enrollment activities can be supported with Medicaid and SCHIP administrative funds. Medicaid administrative funds are available to states at a federal matching rate of 50 percent; the federal matching rate for SCHIP varies from 65 to 83 percent, depending on the state.

In addition, some states have funds remaining from the TANF delinking fund (also called the $500 million fund), established by the 1996 welfare law to ensure that families do not lose health coverage as a result of changes in state welfare systems. These funds, which are available to the states at a greatly enhanced matching rate (up to 90 percent for many activities), can be used for outreach activities.

Finally, states can receive federal matching funds at a 50 percent matching rate to conduct food stamp outreach.

States Using the Option

Besides **California** (described above), another state that has used information from state benefit program databases to help families obtain other benefits is **Minnesota.** In 1999 the state revenue department used tax records to identify families that were likely to qualify for SCHIP based on their eligibility for the state EITC. Such families were sent a brochure containing general information and a toll-free number to call for an application. Respondents received a follow-up letter encouraging them to apply and providing a list of groups to contact for help.

One example of a state incorporating outreach into the work of local office is in Alameda County, **California.** County social services agency staff were trained to advertise the EITC to all families applying for and receiving public benefits and to deliver free tax filing help. In 2003, the agency helped 716 families claim nearly $950,000 in federal tax refunds.

States in which families can apply for health coverage online include **California, Georgia, Kansas, Michigan, Nevada, Pennsylvania, Washington,** and **West Virginia.** Some of these states — **Kansas, Pennsylvania, and Washington,** for example — allow families to apply online for several benefits, including food stamps.

Most states have toll-free hotlines that provide information on Medicaid and SCHIP; a number of states take applications over the phone. All have hotlines that provide food stamp information as well. **Washington** operates an EITC hotline providing information about eligibility and referrals to free tax filing assistance. In addition to taking “inbound” calls, hotline staff have placed calls to tens of thousands of current and former TANF recipients to inform them about the EITC.

Two examples of state support for community outreach organizations and activities are **Illinois** and **New York,** which provide modest grants or application assistance fees to organizations trained to help families apply for health coverage. Also, states such as **Maryland, Illinois,** and **Delaware** provide funding for local outreach campaigns and groups offering free tax filing assistance.

Align Policies and Procedures in Benefit Programs

Proposal

To adopt a simpler, more streamlined structure for low-income programs, making them easier for eligible families to participate in and easier for states to administer.

Rationale

Lack of coordination among the core benefit programs states administer can make it difficult for eligible families to participate in more than one program. This is especially true for low-income working families who are struggling to juggle work and family obligations.

States have significant opportunities under federal law to streamline and integrate the rules governing Medicaid, the State Children's Health Insurance Program (SCHIP), food stamps, TANF cash assistance, and child care subsidy programs funded with TANF or child care block grant funds. Many of these opportunities are fairly new: the 2002 food stamp reauthorization legislation greatly expanded state flexibility in food stamps (the area where federal rules have historically been most restrictive), enabling states to streamline and integrate their rules in an array of low-income programs.

A number of states are starting to take advantage of these opportunities, and other states are likely to follow suit as they become more familiar with their new flexibility.

In general, federal law allows states to create a system in which a family completes one simple application that covers multiple benefit programs, submits a single set of verification documents that can be used for multiple programs, provides updated information only at six-month intervals (which is then used to update eligibility in all programs), and completes a single eligibility review once a year for all programs.

Such a system can benefit states as well, easing the administrative burdens they face in operating these programs by eliminating wasteful and duplicative procedures.

Design Options

Below are some of the most promising opportunities to improve program alignment.

- **Ensure that applications are simple to use and provide a gateway into all core benefit programs.** Most states have applications that cover multiple programs, but many of these leave out core benefits for low-income working families, such as SCHIP or child care. At the same time, most states have developed short, user-friendly applications for Medicaid and SCHIP, but these applications do not connect families with other supports such as child care and food stamps. With modest changes, these simple child health applications can serve as applications or screening tools for other programs. (Similarly, child care applications can serve as a gateway to child health and food stamp programs.)

- **Simplify verification requirements across programs.** States have near-total discretion over verification requirements for Medicaid, SCHIP, TANF, and child care and significant discretion in food stamps. They can use this flexibility to create a system in which families only need submit verification of income or other eligibility factors once; that information could be used by multiple programs, even if benefits are not applied for simultaneously.

- **Reduce the occasions when families must report changes in their circumstances and align these "reporting rules" across programs.** The 2002 food stamp changes make it far easier for states to reduce the number of occasions in which families must report changes in income and other circumstances that might affect their eligibility. This has given states new flexibility to simplify and align their change-reporting rules across a range of programs.

For example, a state can create a system in which families generally provide updated information on their income and other circumstances only once every six months; the state then uses this information to review and extend families' eligibility in all of the benefit programs in which they participate. Such a system would be particularly helpful for working families, which are most burdened by complex reporting rules since their incomes are more likely to fluctuate.

- **Conduct a single eligibility review to cover multiple programs.** Federal rules require states to review the eligibility of persons receiving food stamps, Medicaid, and SCHIP at least every 12 months, but states may do so more frequently. In TANF and child care, states have complete control over their eligibility review policies. This allows states to align the eligibility review dates so a single review can be conducted for all programs.

  States also can ensure that information obtained in an eligibility review (or semi-annual report) for one program is used to update and, if appropriate, extend eligibility for other programs as well. For example, when a family completes a food stamp review or submits a semi-annual report, the state has the information it needs to update and extend Medicaid and SCHIP eligibility.

- **Adopt a common policy across programs regarding what counts toward income and asset limits.** While each program would retain its own income limit and asset limit (if it has one), adopting common definitions of what counts toward those limits would help eliminate the confusion often faced by families applying for multiple programs — and by caseworkers attempting to help them. Such a step also would allow states to reduce the number of questions on their application forms.

  A state may align the income- and asset-counting rules it uses in food stamps to the state's rules in TANF and/or Medicaid for family coverage. Since states have very broad flexibility over the rules in those latter two programs, this option largely allows a state to define for itself the types of income and assets it wishes to consider and to align those rules across the major benefit programs. (States have full flexibility to establish income- and asset-counting rules in SCHIP and child care programs, and thus can adopt the same policies in these programs as well.)

  It should be noted that many states do not have asset limits for certain programs, such as Medicaid for children, SCHIP, or child care. In these cases, the state could adopt a common asset-counting rule only for those benefit programs that do have asset limits.

Funding

The cost of making many of these changes — such as the cost of changing computer systems, printing new application forms, and staff training — generally can be shared between the federal and state governments. Changes related to food stamps and Medicaid can be funded with federal administrative matching funds in those programs.

Moreover, some of these changes should actually *reduce* state and federal administrative costs. For example, a state that automatically renews Medicaid eligibility based on updated information provided for food stamp purposes reduces its Medicaid agency's workload by eliminating the need for separate Medicaid eligibility reviews.

Some of these changes could raise overall program costs by increasing participation. However, any increase in food stamp benefit costs would be funded entirely by the federal government, and increases in Medicaid or SCHIP benefit costs would be shared between the federal and state governments, as would increases in child care benefit costs (though federal child care funds are capped).

States Using the Option

A number of states have adopted some of these ideas:

- **Application:** Some **Ohio** counties use a combined child care/children's health application. **Oklahoma** uses a single short application that covers all core benefit programs, including child care.

- **Verification: Utah** and **Washington** scan and then electronically store all verification documents provided by families. This eliminates the need for families to re-submit documents.

- **Reporting rules:** More than 40 states have adopted the simplified reporting option in the Food Stamp Program, under which families generally must report changes in their circumstances only at six-month intervals. A few states have adopted the food stamp reporting approach in other programs. For example, the **District of Columbia** and **Arizona** have adopted it in TANF**,** while **Louisiana** has adopted it in TANF and child care.

- **Simplified renewal policy: Arkansas, Illinois, Louisiana,** and **New York City** use the updated information families provide every six months for food stamp purposes to update and extend eligibility in Medicaid, thereby eliminating the need for separate Medicaid eligibility reviews for food stamp recipients.

- **Simplified and aligned income and resource rules:** Approximately 26 states have used the new flexibility in the Food Stamp Program to simplify their definitions of income, assets, or both.

Appendix: Resources for Additional Information

Wage Supplements

State Earned Income Tax Credit

Joseph Llobrera and Bob Zahradnik**,** *A HAND UP: How State Earned Income Tax Credits Help Working Families Escape Poverty 2004*, May 14, 2004 http://www.cbpp.org/5-14-04sfp.pdf

State EITC Online Resource Center (www.stateeitc.com).

Other Low-Income Tax Relief Measures

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State Minimum Wage that is Higher than Federal

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Rachel Schumacher, Kate Irish, and Joan Lombardi, *Meeting Great Expectations: Integrating Early Education Program Standards in Child Care*, Center for Law and Social Policy, August 2003, http://www.clasp.org/DMS/Documents/1061231790.62/meeting_rpt.pdf

Schulman, Karen and Helen Blank, *Child Care Assistance Policies 2001-2004: Families Struggling to Move Forward, States Going Backward*, National Women's Law Center, September 2004

Schulman, Karen, *Key Facts: Essential Information about Child Care, Early Education and School-Age Care,* Children's Defense Fund, March 2003.

Amy Dryden Witte and Magaly Queralt, *Impacts of Eligibility Expansions and Provider Reimbursement Rate Increases on Child Care Subsidy Take-Up Rates, Welfare Use, and Work*, May 2003.

Career Advancement Assistance

Individual Development Accounts

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Access to Support Services

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