Economic Recovery Plan Would Provide Aid to Poor and Unemployed

At the time of this writing, the U.S. House of Representatives has passed President Obama’s $825 billion economic stimulus plan. The Senate will now consider a similar version of the stimulus plan. If passed as proposed, the bill would provide a significant boost to poor, working poor, and unemployed families and individuals through a number of measures. The Center on Budget Policy and Priorities (CBPP) has a thorough summary of each of the provisions in both versions of the plan, and what they would mean for states. This information is summarized below:

- States would receive approximately $88 billion in Medicaid assistance over nine calendar quarters (through December 31, 2010).
- $79 billion would be allocated to a “State Fiscal Stabilization Fund” to help state and local governments fund education and other key services.
- $41 billion would be directed to local school districts through several existing education programs.
- Funding to allow a $25 per week increase in unemployment benefits. The recovery package also includes the provisions in the Unemployment Insurance Modernization Act (UIMA). Those provisions would provide financial incentives to states to adopt reforms to their Unemployment Insurance programs that would make the program accessible to more low-wage workers and part-time workers.
- An additional $2 billion over the next two years in childcare funding under the Child Care and Development Block Grant (CCDBG).
- $4 billion for Workforce Investment Act (WIA) training and employment services, including $1.2 billion for youth activities, $1 billion for dislocated workers, and $500 million for adult activities.
- $20 billion for the Food Stamp Program (recently renamed the Supplemental Nutrition Assistance Program). Most of this amount (about $19 billion) would be used to fund a 13.6 percent increase to maximum food stamp benefits, which would go into effect in April 2009 if the bill is enacted in February.
- The Supplemental Security Income (SSI) program provides basic income support to poor elderly individuals and people with disabilities. The maximum monthly benefit for individuals receiving SSI is $674, about three-quarters of the poverty line. Under the House package, SSI recipients would receive a one-time payment equal to the average SSI benefit, about $450 for individuals and $630 for married couples. The payment would be provided in 2009.
• The House recovery package would provide an additional $1.5 billion for ESG (Emergency Shelter Grant), for use only for homelessness prevention activities (not for emergency shelters). The funds could be used for short-term or medium-term rental assistance, housing stabilization services, and housing relocation assistance, including security or utility deposits and moving costs.

• The Child Tax Credit provides a partially refundable federal income tax credit of up to $1,000 per child (under 17) to help offset the costs of raising a child. The House recovery package temporarily expands the Child Tax Credit by lowering the eligibility level, called the "refundability threshold," to make the credit available to all working tax filers with children. Families without earnings would not qualify for a credit, even a partial credit, under the House provision. The Senate recovery package temporarily expands the Child Tax Credit by lowering the eligibility level, called the "refundability threshold," to make the credit available to tax filers with at least $6,000 of earnings.

• The tax relief package in the House economic recovery package includes a new Making Work Pay credit of up to $500 per worker. The credit would phase in at the same rate as Social Security taxes and be available to all workers not claimed as another taxpayer's dependent. Some families helped by the Making Work Pay Credit — those with children and low or moderate incomes — would receive additional help under the House plan through expansions in the Earned Income Tax Credit and Child Tax Credit.

• According to the Center for Law and Social Policy, another $1.1 billion would be provided to temporarily suspend cuts to federal child support funding that were a part of the Deficit Reduction Act (DRA) of 2006. The DRA eliminated the federal match on incentive payments to state child support enforcement programs, effectively cutting their funding by 20 percent.

CBPP points out that even this assistance to states would close just half of projected state budget deficits, and that the full cost of the economic recovery package would add just 3 percent to the forecasted long-term budget shortfall. For more detailed or updated information, see www.cbpp.org.

**State Welfare Rolls Flat Despite Recession**

A New York Times analysis of state welfare rolls reveals that states may be unable to respond to an increased need for welfare assistance despite rising unemployment. The newspaper collected the most recent caseload data for all states, and found that:

• 1.1 million jobs were lost nationally in 2008, but welfare rolls were cut in 18 states, remained virtually unchanged in 12 states and grew in 20 states. Nationally, welfare rolls grew by a fraction of 1 percent during fiscal year 2008.
• Job prospects have worsened for welfare recipients nationally. Unemployment for women ages 20 to 24 without a high school degree rose from 17.9 percent in 2007 to 23.9 percent in 2008.
• Of the 12 states that experienced the biggest jump in unemployment, 8 have reduced or kept constant the amount allocated to welfare assistance.
• While TANF funding has remained stable at $16.8 billion per year nationally, states have responded to lower caseloads over the last several years by shifting TANF funds to child care and child welfare programs, making it difficult to shift back in order to respond to greater need.
• The TANF program receives fixed federal funding despite caseload size, which may discourage states from responding to greater need because they must bear all of the increased costs. By contrast, the federal government funds virtually all of the food stamp program, and last year every state expanded its food-stamp rolls; nationally, the food program grew 12 percent.
• States have reduced caseloads over the last several years in part because the 2006 reauthorization laws required tougher work policies. States that did not meet the strict work requirements faced fines, so it has been in a state’s interest to cut caseloads instead. In Texas, caseloads have declined by 15 percent, in large part because recipients are cut from the program for failing to attend work programs.

The article, Welfare Aid Isn’t Growing as Economy Drops Off (February 1, 2009), is available at www.nytimes.com, and includes a state-by-state analysis of welfare caseloads, unemployment rates, and food stamp participation rates.

Civil Rights Project Issues Report on Challenges Facing Obama Administration

A new report from the Civil Rights Project at UCLA provides a sobering reminder that, while the election of President Obama is an important milestone, there are many fronts on which systemic racial disparities have worsened. The report analyzed segregation in schools, which has deepened over the last several decades, limiting opportunities for minority students and their families. According to the report:

• Since 1991, when the Supreme Court authorized a return to neighborhood schools regardless of segregation patterns, segregation has increased each year, particularly for black and Latino students. In 1988, the average black student was in a school that was one-third white and just one-third of black students were in intensely segregated schools (90-100 percent minority students). Latinos were also in schools with average enrollments of one-third white, and one-third of Latinos were in intensely segregated schools in 1988. Now both groups are in schools with almost three-fourths minority students on average and about 40 percent are in intensely segregated schools.
• About one third of black and Latino students now attend school in the suburbs. Suburban schools have become increasingly segregated even as the
proportion of minorities living in suburban neighborhoods has increased over the last decades. In 2006, 54 percent of white suburban students were in schools that were 80-100% white, and just over 12 percent were in schools that were less than half white. More than two-thirds of suburban black students were in schools that were less than half white, and only 8 percent were in schools that were 80-100 percent white. For Latino suburban students, 75 percent were in schools with a nonwhite majority and only 6 percent were in schools with a white population of 80-100 percent.

• Extreme concentrations of poverty among student populations have been shown to produce the most overburdened schools, many of which have been identified under the No Child Left Behind Act (NCLB) as failing and are being sanctioned. One in thirty white students and less than a tenth of Asian students, but 40 percent of black and Latino students attend schools where 70-100 percent of the children are poor. These schools must contend with intense, concentrated, and isolated poverty, and are not in a reasonable position to meet NCLB academic standards.

The authors point out that, for many, segregation appears to be on the wane because there are more multi-racial schools than was true in earlier generations. But the increasing overall population of minorities in the U.S. masks the extreme segregation that is increasing at the same time.

The report, Reviving the Goal of an Integrated Society: A 21st Century Challenge, was authored by Gary Orfield for the UCLA Civil Rights Project, and is available at http://www.civilrightsproject.ucla.edu/news/pressreleases.

Poor Initial Reports for Indiana Privatization of Poverty Programs

A transfer of Indiana’s intake and eligibility system for state benefits to the private sector has gotten off to a rough start for those seeking benefits. Governor Mitch Daniels signed a $1.6 billion privatization contract with a team led by IBM Corporation in 2006 with the intent to modernize the system, allowing for online or toll-free telephone contact to determine eligibility for benefits. Approximately 2/3 of the state’s counties have made the transition to the new system, but an outpouring of complaints and reports of delays in processing applications for benefits has led the state Family and Social Service Administration (FSSA) secretary to pause the program in order to address the myriad issues. At a hearing on the new system, representatives uniformly reported that the new system is full of delays and conflicting information, and is difficult for the elderly and the disabled to navigate. One hospital representative reported that the length of time to get a newborn added to Medicaid was 3-4 days under the old system, but is now 30-45 days or longer.

The U.S. Department of Agriculture reported in December 2008 that Indiana had the ninth-worst error rate for denying food stamp applications, and that the rate had doubled from 2007-2008. Indiana was found to provide help to food stamp
applicants in a timely manner 62 percent of the time statewide, and just 44 percent of the time in the privatized counties.

Child Support in the News

- In a local news item that is no doubt common across the nation, Franklin County, Ohio is reporting that requests to reduce child support orders due to unemployment jumped by 80 percent in the past year. Enforcement officer Angie Lightle reports that people who have paid their child support for years are losing their jobs, resulting in the increase in requests for modifications. Individuals who become unable to maintain child support payments are reminded in the article that they have a right to request a review to have their support order modified, and that paying even a portion of the child support order is important in order to avoid immediate legal action.

- The Michigan state legislature amended its paternity act five years ago to waive birth costs for a father if the couple married. In some states, birth costs (charges associated with the delivery of a child) are initially covered under Medicaid, and subsequently charged to the biological father of the child. The Michigan law has led to a case recently made public in which a father has been given the ultimatum to pay the birthing costs for his daughter or marry the mother. Genesee County, Michigan Friend of the Court Jack Battles describes the case as “not uncommon,” and says that the policy serves as an incentive to guard the sanctity of marriage.

- Montana, Wyoming and Kansas have recently initiated policies to deny or restrict driver’s licenses for parents who fail to pay child support. States may set their own policy for license restriction, and are increasingly moving toward automated systems to restrict licenses for nonpayment of child support.
  - In Kansas, parents who owe more than $500 in child support payments will have their driver’s license restricted to driving to and from work or school, or for driving in the course of work. The state has established a system that will automatically restrict licenses once a parent reaches $500 in past-due support. In order to have the license reinstated, the parent must pay the past-due support in full, accept income withholding, or agree to a payment plan.
  - In Montana and Wyoming, legislation has been introduced to make it easier to strip parents of their driver’s license if they are more than $5,000 behind in child support payments, or haven’t made a payment in 90 days.

- Kansas lawmakers are considering a bill that would allow for a broader consideration of DNA evidence when establishing paternity and creating a child support order. Under current state law, a child born during a marriage is legally presumed to be the child of the husband. The bill has been introduced in response to a case in which the child support agency is pursuing child support from a soldier stationed in Iraq who was married at
the time of the birth of a boy, but who is not the biological father and has not had a relationship with the boy. The state is pursuing child support against the mother’s wishes because the mother received welfare payments for a period of time. While legislators intend to address situations like this, the state argues that there would be many unintended consequences for other cases, such as those in which a stepfather has had a long-term relationship with a child and should be held accountable for child support payments despite the lack of a biological relationship, in the best interest of the child.

- In **New Zealand and Australia**, child support agencies are contending with cases where a surrogate parent has a child for a couple but the child is not formally adopted. Surrogacy is illegal in Australia but not in New Zealand, and adoption by gay parents is legal in only two territories of Australia. In one case, a New Zealand woman had a child for a gay Australian couple and is now being sued by the Australian child support agency for child support payments. Another case is imminent for a second New Zealand woman who is 8 months pregnant as a surrogate for a gay Australian couple. Surrogate mothers could be held responsible for child support in both countries if the child is not adopted.

- In the **United Kingdom**, welfare reform measures being implemented include the replacement of the former child support agency (CSA) with a new Child Maintenance and Enforcement Commission (CMEC). The CSA has been widely criticized for its harsh practices against fathers that critics have connected to more than 50 suicides among fathers unable to pay child support, and for forcing fathers to sink into debt despite personal circumstances that would have relieved them of the child support debt. CMEC is intended to change course from CSA policy, and to encourage parents to work out their own private arrangements for child support. CMEC will also have new enforcement powers, however, including the ability to deny passports and drivers’ licenses to parents who do not pay child support, policies modeled on similar U.S. child support enforcement policies.

This monthly policy briefing is made possible by the generous support of the Open Society Institute (OSI) Campaign for Black Male Achievement. Any opinions, errors or conclusions expressed herein do not necessarily represent the views or positions of OSI.