Summary of Key Provisions of Stimulus Legislation for Low-Income Families

The Center for Law and Social Policy (CLASP) has summarized key provisions of the American Recovery and Reinvestment Act (the Recovery Act), known also as the stimulus bill, which was passed by Congress and signed into law by President Obama on February 17. The bill has many of the provisions proposed in the House stimulus bill and summarized here last month; this summary is of the preliminary information available on the final legislation.

The Recovery Act has many provisions to meet the needs of low-income families as the economy continues to falter. Below is just a partial list of these provisions; please refer to the CLASP summary for a concise but more detailed list of many other important provisions.

• A total of $5 billion is appropriated for a new TANF Emergency Contingency Fund that covers 80 percent of the cost of increased assistance payments in states with caseload increases, and 80 percent of additional spending on short-term non-recurring benefits and subsidized employment. States cannot receive more than 50 percent of their annual block grant from this fund over two years. The Act also temporarily removes a disincentive to allowing families to receive assistance created by the caseload reduction credit, extends the TANF Supplemental Grants for FY 2010, and allows states to use unspent TANF funds from previous years for any benefit or service allowable under TANF.

• Federal incentive matching funds for child support enforcement are temporarily restored, reversing a 20 percent cut to the federal child support enforcement program that was established by the DRA. The funds are restored through September 30, 2010.

• A total of $2.95 billion is allocated to the Adult, Youth, and Dislocated Worker employment and training programs under the Workforce Investment Act. Of the total funds, $1.25 billion is provided to the Dislocated Worker program, $1.2 billion to summer jobs and other youth activities (with age eligibility raised from 21 to 24), and $500 million to the Adult program. A priority use for the Adult funds is for public assistance recipients and other low-income individuals, and the funds can be used to support needs-related payments and support services.
• The Child Care Tax Credit income threshold for refundability (eligibility to receive funds whether or not they are a reimbursement for child care expenses) is lowered to $3,000 for 2009 and 2010. A family with two children would need to earn $16,333 to qualify for the full tax credit.

• The Act creates a Making Work Pay tax credit that is also refundable. For 2009 and 2010, individuals can receive up to $400 and couples up to $800 in tax credits that will be distributed throughout the year as a reduction in federal taxes on paychecks. Individuals earning from $6,453 to $75,000 qualify for the tax credit; for married couples filing jointly, the credit phases out at an adjusted gross income of $150,000. In addition, a new “third tier” of the Earned Income Tax Credit (EITC) for families with three or more qualifying children would effectively increase the maximum credit by almost $600.

• The Food Stamp program (currently called the Supplemental Nutrition Assistance Program, or SNAP), will receive a temporary increase of $20 billion, or 13.6 percent. In addition, unemployed individuals with no children can receive benefits for longer periods of time; the Women, Infant and Children (WIC) program will receive $500 million; and the Emergency Food Assistance Program will receive $150 million.

• A new higher education credit (the American Opportunity Tax Credit) worth up to $2,500 per year for the first four years of college will temporarily replace the Hope tax credit. Books and course materials, in addition to tuition and fees, can be claimed for the credit. The credit is 40 percent refundable, meaning that even students with no tax liability can receive up to $1,000 per year for up to 4 years to assist with educational expenses.


2008 Federal Income Tax Refund Offsets For Child Support Reach Record High

The U.S. Office of Child Support Enforcement (OCSE) collected a record $2.85 billion in past-due child support from income tax refund offsets under the Federal Offset Program in 2008, approximately $1.15 billion more than was collected in 2007, when the previous record of $1.7 billion was reached.

The sharp increase results in large part from nearly $870 million in offsets to 1.4 million economic stimulus payments distributed as part of the Economic Stimulus Act of 2008. In addition, legislative changes contained in the Deficit Reduction Act (DRA) of 2005 allowed for the certification of one million new child support delinquency cases as eligible for tax refund offsets this year, which resulted in another 170,000 offsets worth $200 million.
The federal tax refund offset collects up to the total of past-due child support, intercepting a refund before it is received by the noncustodial parent who owes child support. In past years, the offset was distributed first to the state as repayment of welfare costs received by the family; recent changes allow states to prioritize families for distribution of the child support first. No information is currently available on how much of the increased offset collections were retained by the government or forwarded to the family. Any offset funds reduce child support arrears held by the noncustodial parent regardless of whether they are paid to the family or the state.


**Mother Jones Magazine Investigates TANF Caseload Reductions**

In its January/February issue, Mother Jones magazine reports on the reasons behind much of the caseload reduction seen since welfare reform was implemented. The report focuses on Albany, in the state of Georgia, and includes some national data. The article asserts that, with welfare reform, state agencies were given new incentives to turn families away who would otherwise qualify for welfare benefits, and that, in Georgia at least, those agencies are seeking to drive down caseloads by providing misinformation to women seeking assistance. Some of the more salient points from the article:

- Fewer than 2,500 Georgia residents now receive TANF benefits, down from 28,000 in 2004, a 90 percent decline in just over 3 years. Only 18 percent of Georgia children living below 50 percent of the poverty line, which is less than $733 a month for a family of three, were receiving TANF.
- Louisiana, Texas, and Illinois have each dropped 80 percent of adult recipients since January 2001. Nationally, the number of TANF recipients fell more than 40 percent from January 2001 to June 2008, the most recent month for which data are available.
- Welfare reform shifted the mechanism for federal funding of welfare, from federal reimbursement to states based on the number of welfare recipients in the state, to a block grant, which changed states’ incentives for providing assistance. Under the TANF block grant, states receive their federal TANF funds independent of the number of recipients in the state, creating an incentive to deny benefits to applicants. The lower the number, the more revenue the state has for other uses. The Government Accountability Office found in 2006 that many states were moving federal welfare funds away from cash assistance to the poor, or even from "work supports" like childcare, to fix state budget shortfalls.
• Even as unemployment in Georgia rose by 30 percent from January 2002 to November 2007, TANF caseloads dropped by 90 percent over the same period. During this same period nationally, other poverty programs have experienced dramatic growth - nearly 11 million more people received food stamps last year than in 2000, for example. With the economy moving into a prolonged recession, these trends are predicted by the author to have a brutal effect on the poorest families.

• There has been a marked rise in what academics call the "disconnected," people who live well below the poverty line and are neither working nor receiving cash benefits like Social Security disability or TANF. Estimates put this group at roughly 2 million women caring for 4 million children, many dealing with a number of challenges, from mental illness to domestic violence.

• In Albany and 14 surrounding counties in Georgia, only 143 adults were receiving TANF benefits in 2007, despite demographics that portray an extremely poor region of the state. The number of TANF recipients had fallen 96 percent from 2002, according to the Georgia Budget and Policy Institute, but during the same period, unemployment in the area rose 15 percent and food stamp use increased 24 percent.

• In 2006, the Georgia Coalition Against Domestic Violence conducted a survey on the drop in TANF participation and discovered that caseworkers were actively talking women out of applying, often using inaccurate information. Although lying to applicants to deny them benefits is a violation of federal law, the 1996 welfare reform legislation is reported to have largely stripped the Department of Health and Human Services of its power enforce the law. County officials are reported to have tried to head off lawyers who might take up the issue by pressing applicants to sign waivers saying they voluntarily turned down benefits. The coalition says that they have gotten reports of caseworkers telling TANF applicants they have to be surgically sterilized before they can apply. Disabled women are reported to have been told they can’t apply because they can’t meet the work requirement. Others report being warned that the state could take their children if they get benefits, and that they need to provide a letter proving they've visited a family-planning doctor.

• In addition to blocking potential applicants, the report finds that Georgia is also pushing current TANF recipients off the rolls. A local caseworker reports that officials routinely deceive clients to push them out of the program. In one month, a TANF caseworker informed three students (incorrectly) that because they had turned 20, they could no longer receive benefits while completing their degrees. Students as young as 16 have been told they must go to work full-time or lose benefits. This TANF employee later became "caseworker of the month" for getting so many people off TANF.

• A relief worker at the Lord’s Pantry, an Albany food bank, reported hearing that former TANF clients were left without any support and were turning to crime and prostitution to survive. A domestic violence outreach worker stated, "A lot of my clients, they’re resorting to favors from men to get
money." Albany police data show a sharp jump in arrests for prostitution and other crimes committed by women in 2005—shortly after the state began its push to reduce its TANF caseloads.

- Women are also reported to be pushed into various illicit schemes: trading food stamps for cash to buy diapers; selling their children’s Social Security numbers to people with jobs, who use them to collect the Earned Income Tax Credit.

The article, Brave New Welfare, is in the January/February 2009 issue of Mother Jones, and is also available online at www.motherjones.com.

**Child Support in the News**

- Two state representatives from Massachusetts have introduced a bill entitled, An Act to Bring Child Support Home. The bill would take advantage of provisions in the Deficit Reduction Act (DRA) of 2005 that allow states to pass child support collected from noncustodial parents through to their family, even when the family receives or has received welfare assistance, without losing the federal share of the payment to the family. Prior to the DRA, states could not receive federal assistance for payments made to the family in such cases, and had no incentive to pass through payments rather than retain them as repayment of welfare costs. According to Alice K. Wolf (D-Cambridge), one of the bill’s sponsors, “Advocates estimate that this bill will be its own stimulus package and will impact the local economy to the tune of $46 million because every penny the families receive will be spent locally for rent, food, and other basic expenses.”

- Although it is called the Second Chance program, a Madison County, Kentucky effort constitutes the last chance for noncustodial parents who owe child support to come forward and make arrangements to pay their obligation without facing incarceration. Parents have until March 13 to come forward, and will not be served with arrest warrants before that date, but no obligations will be reduced or diminished for those who come forward. Madison County Attorney Marc Robbins acknowledges that it would be difficult to fill the county detention center with cases simply involving money given the economic downturn, but insists that the county will do whatever is needed to get parents to pay.

- Maricopa County Arizona sheriff’s deputies conducted a “parent round-up” on Valentine’s weekend called Operation Tough Love. The round-up was intended to serve arrest warrants for refusing to pay child support, but of the 72 parents who were arrested, only 18 were taken into custody for outstanding child support warrants. The others were arrested on drug violations and other charges.

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