

**FIRST FOCUS CAMPAIGN FOR CHILDREN
STATEMENT FOR THE RECORD**

**WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES HEARING:
“MORE SPENDING, LESS REAL HELP: REVIEWING HOW TODAY’S
FRAGMENTED WELFARE SYSTEM FAILS TO LIFT UP POOR FAMILIES”**

JUNE 18, 2013

Chairman Reichart, Ranking Member Doggett, and Members of the House Ways and Means Subcommittee on Human Resources, thank you for the opportunity to submit this statement on public welfare spending trends, safety net program effectiveness, and outcomes for low-income families.

The First Focus Campaign for Children is a bipartisan children’s advocacy organization dedicated to making children and families a priority in federal policy and budget decisions. Our organization is also committed to ensuring that our nation’s safety net promotes both the economic security and well-being of our nation’s children and families.

Public safety net programs and work supports – such as Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and the Earned Income Tax Credit (EITC) – reach tens of millions of children and families each year. Because many of these supports are administered separately, however, it can be difficult to document their collective reach. While the interaction of current rules and regulations among various means-tested programs can affect the ability of families to transition seamlessly into employment only, research indicates that children can be more effectively served, and public resources used more efficiently, if action is taken to close three gaps in current policy and implementation: the eligibility gap, the coverage gap, and the hardships gap.

This statement focuses on why safety net and work support programs are important for child well-being and outlines suggestions on addressing the gaps described above to improve outcomes for our public investments and for our children.

Why Safety Net Investments Matter for Children

While ideally, quality employment is the first path to a family’s economic security and well-being, there are times when work alone does not generate enough income, jobs become scarce, or employment is not an option. In these instances, families require additional support to meet their basic needs.

Economic data shows that the U.S. continues to face an employment crisis. And this crisis has taken a significant toll on our nation's children. In 2012, more than 1 in 6 children – 12.1 million – were affected by parental unemployment or underemployment.¹ The recession hit low-earning families particularly hard. While worker productivity continues to grow, wages have not kept pace. As a result, 40 percent of all children – 30 million – grow up in households with incomes less than 200 percent of the federal poverty level² and for 1 in 3 families in the U.S., a job does not guarantee a decent standard of living³. The reduced income levels in families affected by unemployment, underemployment, or low wages mean that it is more difficult for parents to meet their children's basic needs, such as housing, clothing, food, or education-related costs.

By increasing the material resources available to these families, safety net and work support programs improve living conditions for families in the short-term, while also improving the health, education, and development outcomes for children in recipient families in the long-term.

As of 2011, more than 1 in 5 children lived below the official poverty line (in households with annual incomes of roughly \$22,000 or less for a family of 4). According to the U.S. Census Bureau and the U.S. Department of Agriculture's Food and Nutrition Service, if SNAP benefits were included in the poverty measure along with traditional income, SNAP would be responsible for lifting 3.9 million Americans – including 1.7 million children – above the poverty line in 2011 alone.⁴ The Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) together lifted nearly 9.5 million people out of poverty in 2011, of which close to 5 million were children.⁵ According to the Brookings Institution and the U.S. Census Bureau's Supplemental Poverty Measure, if these results were accounted for within the official poverty measure, the child poverty rate would be 6.3 percent lower.

Research indicates that the effects of these investments last well beyond the anti-poverty impact at the time of receipt. Family tax credits – the EITC in particular – are linked to healthier births, improved educational attainment and a higher likelihood of attending higher education, and increased earnings when the children become adults themselves.⁶ It is also now known that there are direct, positive correlations between child well-being and the levels of public investments in children at the state level, specifically in the areas of education, health (Medicaid), and the level of Temporary Assistance for Needy Families (TANF) benefits.⁷

However, policymakers must also be aware of the fact that means-tested public benefits often fall well below the levels of investment needed to effectively support the number of the children in poverty in the U.S. today. With regard to TANF, for example, even the maximum benefit level currently in place is not enough to raise the annual

¹ Isaacs, Julia. (2013) *Unemployment from a Child's Perspective*. Urban Institute and First Focus; Washington D.C.

<http://www.firstfocus.net/library/reports/unemployment-from-a-childs-perspective>

² Hernandez, Donald. (2011) *Declining Fortunes of Children in Middle Class Families*. Foundation for Child Development; New York.

http://fcd-us.org/sites/default/files/2011%20Declining%20Fortunes_0.pdf

³ Randy Albelda and Heather Boushey. (2007) *Bridging the Gaps: A Picture of How Work Supports Work in Ten States*. Center for Economic and Policy Research; Washington D.C. <http://www.bridgingthegaps.org/publications/nationalreport.pdf>

⁴ <http://frac.org/reports-and-resources/snapfood-stamp-monthly-participation-date/#jan>

⁵ Marr, Chuck, Jimmy Charite, and Chye-Ching Huang (2013) *Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds* Center on Budget and Policy Priorities, Washington D.C. http://www.cbpp.org/cms/?fa=view&id=3793#_ftn39.

⁶ Marr, Chuck, et al. (2013) *Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds* Center on Budget and Policy Priorities, Washington D.C. http://www.cbpp.org/cms/?fa=view&id=3793#_ftn39.

⁷ O'Hare, William, Mark Mather, and Genevieve Dupuis. (2012) *Investing in Public Programs Matters: How State Policies Impact Children's Lives*. Foundation for Child Development; New York. <http://fcd-us.org/sites/default/files/STATE%20CW1%20Report.pdf>

income of a family of 3 over 50 percent of the federal poverty level (\$9,062 in 2011). And TANF recipient families in 29 states receive less than an amount equivalent to just 30 percent of the federal poverty level (\$5,437 in 2011).⁸

Public Investments in Children, including Safety Net Spending, in Decline

In announcing this hearing, the subcommittee noted in the advisory that according to the Congressional Budget Office (CBO), the spending on 10 major means-tested programs and tax credits “(adjusted to exclude the effects of inflation) rose more than tenfold – or by an average of about 6 percent a year – in the four decades since 1972 (when only half the programs existed)”.⁹

According to the Urban Institute, however, federal expenditures on children as a percent of the domestic budget (including tax expenditures and outlays and excluding defense and international affairs spending), have fallen by 23 percent since 1960.¹⁰

At the federal level, it is often said that our nation’s federal budget and spending decisions are a reflection of our national priorities. If so, however, our children are faring poorly. According to a First Focus analysis in our upcoming *Children’s Budget 2013* (to be released late July 2013), children now receive less than 8 percent of the federal budget and since a peak in 2010, total spending on children has fallen by \$35 billion after adjusting for inflation – a 16 percent drop. And total spending on children has now declined for 3 years in a row. The share of the federal budget invested in children, which includes safety net programs, is also down 8 percent from 2010. And in efforts to reduce federal spending to combat the federal deficit, children have borne a disproportionate share of the cuts.

In 2013, it is estimated that sequestration will cut a total of \$4.2 billion out of funding for children, particularly in the areas of education, early childhood, and children’s housing. The major source of child care assistance for low-income working families, the Child Care and Development Block Grant, already reaches only 1 out of 6 children eligible to receive it. The federal government’s housing voucher program, Section 8, struggled to keep pace with need even before the recession resulted in an unprecedented number of children affected by foreclosure. As a result, there is a significant gap between available supply and demand for assistance among lower-income households – exacerbated by the fact that in 2012, the U.S. Department of Housing and Urban Development “Fair Market Rent” required at income of at least \$18.25 per hour, or more than two times a full-time minimum wage job in most states.¹¹ And also due to sequestration, states are making cuts emergency unemployment compensation – by at least 10 percent in some states, substantially more in others.

Even programs designed to serve children that are exempt from the sequester are losing funding. Though already far smaller than the tax credit and nutrition programs that more effectively reach children in need, the federal cash

⁸ Finch, Ife and Liz Schott. (2013) *The Value of TANF Cash Benefits Continued to Erode in 2012*. Center on Budget and Policy Priorities; Washington D.C. <http://www.cbpp.org/files/3-28-13tanf.pdf>

⁹ <http://waysandmeans.house.gov/news/documentsingle.aspx?DocumentID=337514>

¹⁰ Isaacs, Julia, Katherine Toran, Heather Hahn, Karina Fortuny, and C. Eugene Steuerle. *Kids’ Share 2012: Report on Federal Expenditures on Children Through 2011*. Urban Institute; Washington D.C. <http://www.firstfocus.net/sites/default/files/KidsShare2012.pdf>

¹¹ *America’s Report Card 2012: Children in the U.S.* First Focus and Save the Children; Washington D.C. http://www.firstfocus.net/sites/default/files/America's%20Report%20Card%202012%20-%20Children%20in%20the%20U.S._0.pdf

assistance program for low-income families with children, TANF, has sharply reduced its reach in recent years. It currently serves fewer than 1 in 3 poor families. It also barely responded to the sharp increase in family need during the recession, is highly variable by state, and the percentage of families eligible for, but not receiving income assistance, has increased steadily.

As the subcommittee continues its examination of spending on public programs, it is critical to note the unique trends for investments in children.

Improving the Effectiveness of Safety Net Investments

In light of the declining share of federal investments in children, it is important to ensure that the public resources that are available for children are used as effectively as possible. A recent paper released by First Focus, *A Stronger Safety Net for America's Children*, identified 3 gaps in current safety net policy and implementation where there are opportunities for improvement: the eligibility gap, the coverage gap, and the hardships gap.¹²

The eligibility gap is related to the means-testing criteria that establishes who qualifies for a certain program. Many low-income working families may earn just above the income threshold for a certain program, such as SNAP which is set at 130 percent of the federal poverty level, but still earn too little to sustainably support their families and make ends meet every month. A 2007 study indicates that over 20 percent of low-income households were ineligible for a set of 6 common safety net and work support programs.¹³

The coverage gap emerges when families are eligible, but do not receive assistance – such as the case with the child care assistance funds mentioned earlier. Because each program operates under a different set of funding structures, coverage gaps can vary widely across states.

Finally, the hardships gap is the difference between the amount of resources available to a household and the living standard for the area in which the family lives. The TANF data example mentioned earlier where in no state will the maximum TANF benefit raise a family's level of income above 50 percent of the federal poverty level reflects this type of gap. Even combined with other supports, such as tax credits or SNAP, a family accessing public assistance will often still fall short in meeting monthly family expenses.

Streamline and Simplify

Promoting efficiency and effectiveness across the existing set of means-tested public programs through improved coordination can help address these gaps. Many families miss out on claiming and retaining safety net supports due to complex eligibility and renewal processes. As a result, children's access to critical services, such as health care or nutrition assistance, is disrupted – with long-term developmental implications. Cumbersome paperwork requirements also result in higher administrative costs and place added burdens on administrative staff time.

Simplification of these processes is a feasible option now, thanks to improvements in technology. As a result, and with guidance from the federal government, a number of states have adopted streamlined eligibility and renewal

¹² Quinterno, John. (2013) *A Stronger Safety Net for America's Children*. First Focus; Washington D.C.
<http://www.firstfocus.net/library/reports/a-stronger-safety-net-for-america%E2%80%99s-children>

¹³ Albelda (2007) *Bridging the Gaps: A Picture of How Work Supports Work in Ten States*.

procedures to use a single data submission to automatically confirm and enroll children and their family members in multiple programs. Louisiana and South Carolina are two states with successful models of such deemed eligibility – with Louisiana making connections between SNAP and Medicaid programs and the children who are eligible for both in the state, and South Carolina employing a recertification model for children in Medicaid that was estimated to effectively serve tens of thousands of children in its first few months of operation and was on track to “yield \$1 million in administrative savings during its first year of operation”.¹⁴

Other states have coordinated safety net program applications. Colorado consolidated the applications for SNAP, Medicaid, TANF, and some state initiatives and in doing so, reduced the application length from 26 down to 8 pages. States such as Pennsylvania and Maryland are using ‘no wrong door’ strategies to ensure children and families are connected to all the services for which they are eligible, no matter which specific program they applied for initially. And still other states have worked to align renewal/recertification dates during the year to better coordinate the use of administrative time and resources.

Recommendations for Federal Policymakers

As *A Stronger Safety Net for America’s Children* concludes, “decisions reached in Washington D.C. have the potential to advance or impede state efforts to improve safety net and work support initiatives”.

Given the current and projected trends in federal spending on children, it is first important to maintain investments in children, particularly on safety net programs that are critical to protecting young children from poverty’s detrimental effects. Moving forward, reducing family need on the safety net and work support system can be done through policies that reduce the prevalence of low-wage work – particularly work that even done full-time does not enable a family to access housing at “Fair Market Rent” levels or provide health insurance or opportunities for skills improvement or career advancement.

Federal policymakers also have the ability to improve program funding structures to mitigate issues related to the coverage gap – such as taking steps to ensure that funding is available to cover all children in services such as child care or cash assistance who are eligible. Finally, the federal government has an important role to play in terms of encouraging and supporting state-level innovations and reforms, such as the streamlining efforts described above.

Tracking Child Poverty Reduction and Holding Public Programs Accountable

As outlined by recent work from the Congressional Research Service, there already exists in the U.S. a set of economic supports for children and families – from tax credits to SNAP, to Medicaid and the Children’s Health Insurance Program (CHIP), and more, that keep millions of children from falling into poverty each year and help millions more gain a stronghold into the middle class.

What is absent is an overall target that sets a public goal of what we seek to accomplish with these investments and a coordination of their efforts.

¹⁴ Quinterno (2013) pg. 16 and Mills, Gregory, Jessica Compton, and Olivia Golden, *Assessing the Evidence about Work Support Benefits and Low-Income Families*. Urban Institute; Washington D.C. <http://www.urban.org/UploadedPDF/412303-Work-Support-Benefits.pdf>

To this end, the First Focus Campaign for Children has been a strong supporter of establishing a national target to end child poverty in the United States. Poverty targets have a history of success. In 1999, the United Kingdom established a national target to reduce child poverty, after which followed a successful decade-long campaign to reduce child poverty by half in absolute terms. A similar effort here in the US would aim to cut child poverty in half within 10 years and eradicate it within a generation.

Establishing such a target is an opportunity to coordinate our current efforts and array of safety net and work support programs, track their accomplishments, and provide an accessible accounting of where progress still needs to be made. In an era of deficit reduction, a national target also will establish a public commitment to protecting and investing in children.

Conclusion

Our nation's set of safety net programs and work supports is a complex one that has developed and evolved over time. Undoubtedly, there are areas for improvement and coordination. In seeking to make these changes, however, it is important to keep in mind why the supports were created in the first place.

Children are the most likely of all Americans to live in poverty and are the most susceptible to its long-term effects. Slipping into poverty even temporarily as a child can result in a range of negative consequences and place children at a greater risk of a lifetime of lower earnings, lower educational attainment, and increased rates of incarceration. In addition to this lost potential, it is estimated that child poverty costs our nation \$500 billion annually in lost revenue and increased spending on healthcare, criminal justice, and more.

Safety net spending on children is an investment to guard against these negative outcomes. Indeed, it is an investment in the future.

The First Focus Campaign for Children looks forward to working with you on these issues. If you have any questions, please contact Megan Curran, Vice President for family economics policy, at 202-657-0684.