



**Testimony on How America’s Economic Security Programs Support Our Most Vulnerable Children, Youth, and Adults and Promote Work**

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*CLASP is a national, nonpartisan, anti-poverty organization advancing policy solutions at the federal, state, and local levels that work for low-income people. The organization advocates for public policies and programs that reduce poverty, improve the lives of poor people, and create ladders to economic security for all. For more information, visit <http://www.clasp.org> and follow @CLASP\_DC.*

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Chairman Price, Ranking Member Van Hollen, and Members of the Committee, thank you so much for the opportunity to testify on how America’s economic security programs support our most vulnerable children, youth, and adults and promote work. These programs are investments in America’s future.

I am the executive director of the Center for Law and Social Policy (CLASP), an anti-poverty organization that promotes effective federal and state policies for low-income families and individuals. In addition, I bring to this testimony experience in directly administering these programs at the federal, state, and local levels in New York State, Massachusetts, the District of Columbia, and as Assistant Secretary for Children and Families in the Clinton administration, as well as experience studying their impact and effectiveness as a researcher at the Urban Institute.

I would like to make four major points in this testimony:

First, the nation's core economic security programs are highly effective: they sharply reduce poverty, improve nutrition and health care for millions of children, families, and individuals. A recent success story is the historic expansion of health insurance, which reduced the number of individuals lacking health insurance by 8.8 million in just one year, from 2013 to 2014, the largest decline on record. Moreover, a growing body of rigorous research shows that these supports have positive effects on children's health, work trajectory, and income many years later.

Second, research also indicates overwhelmingly that these programs taken as a whole support work, especially for low-income parents, helping them to stabilize their lives, raise their children, and move up while they are working often long hours for low wages. Low-income single mothers, in particular, are working at historically high rates, including when their children are young. Unfortunately, changes in the economy—which have fostered low-wage jobs that are also unstable, rarely offer health insurance coverage, lack adequate hours, and require volatile, last-minute job schedules—mean that high employment rates do not translate into low poverty rates. Our public programs fill an important gap between what hard-working parents are able to earn and what families need to thrive.

Third, the nation's most vulnerable groups include America's next generation of children and young adults (particularly babies, toddlers, and their parents), low-wage workers (many of whom are also parents), and youth and adults suffering from untreated health and mental health problems. To respond to these vulnerable groups, states and communities should seize opportunities under existing federal law to deliver the core economic security programs more effectively and less bureaucratically; take advantage of the 2014 Congressional reauthorizations of child care and workforce programs; strengthen their TANF programs, especially for pregnant women and families with infants; and expand Medicaid so the poorest individuals and families can get health and mental health treatment.

Fourth, I will address next steps. Congress should begin by passing a budget agreement that rejects the ongoing and ever-increasing damage done by sequestration and invests substantially and wisely in anti-poverty priorities. Building on that accomplishment, Congress and the states should fix remaining gaps in the safety net, counter the damaging effects of low-wage work on economic security and family life, help low-skilled youth and adults move up to better jobs, and support a two-generational approach that helps both parents and their children escape poverty. However, one solution that has sometimes been offered—block grants or expanded waiver authority—would be a step backwards, not forwards: it threatens the effectiveness of the safety net and is not needed to give states the flexibility to align programs successfully.

### **America's Economic Security Programs Have Short- and Long-Term Benefits**

The key benefits of today's federal economic security programs, according to a large and growing body of research, are substantial reductions in poverty, improvements in the ability of low-income families and individuals to meet basic needs such as health and nutrition, and lifelong enhancements in children's health and economic success. While there are many ways to define the core group of economic security programs, in summarizing this research, I will focus on three groups of means-tested programs that are often identified as part of the core national safety net. The largest and most widely available elements of the safety net for low-income individuals and families are Medicaid (and the closely related Children's Health Insurance Program or CHIP), the Supplemental Nutrition Assistance Program (SNAP), and the Earned Income Tax Credit (EITC) and refundable Child Tax Credit (CTC). Another group of income-

and work-support programs, including cash assistance from the Temporary Assistance for Needy Families (TANF) block grant, housing subsidies, and child care subsidies, provide important supports to those who are able to receive them, but capped spending limits their reach. A third group of programs, such as the Workforce Innovation and Opportunity Act, which received a bipartisan Congressional reauthorization in 2014, do not provide direct income support, but help workers obtain the skills they need to advance in the labor market.

The first important success of these programs is that they sharply reduce the poverty rate. Because the official federal poverty rate doesn't count the income that families get from these programs—including SNAP and the Earned Income Tax Credit—assessing the reduction in poverty requires estimating an alternative poverty rate. In 2014, the Census Bureau's analysis of this Supplemental Poverty Measure (SPM) shows that refundable credits, such as the Earned Income Tax Credit and Child Tax Credit, reduced overall poverty (as measured by the SPM) by 3.1 percentage points and child poverty by a remarkable 7.1 percentage points. Similarly, SNAP benefits reduced overall poverty by 1.5 percentage points and child poverty by 2.8 percent.<sup>1</sup> In this testimony, I do not discuss Social Security because it is not means-tested, but it is important to note that it also has a very large anti-poverty impact, lifting an estimated 26 million people out of poverty in 2014 using the SPM.<sup>2</sup> Researchers at Columbia University who used similar methods to analyze the effect of these key programs over time found that in the most recent year available to them, 2012, government tax and transfer policies reduced the share of people who are poor by almost half, from 29 percent to 16 percent. By contrast, in 1967, tax and transfer programs reduced poverty by just 1 percentage point, from 27 percent to 26 percent.<sup>3</sup>

A second success is that the federal safety net programs have dramatically changed the lives of low-income families, both poor and near-poor, through large improvements in access to health care and nutrition. To take the example of health care, over the past decade, children's health insurance coverage increased dramatically as a result of bipartisan improvements to the safety net, particularly Medicaid and the Children's Health Insurance Program or CHIP. In 2013, the Census Bureau found that only 7.3 percent of children under age 18, or 5.4 million children, were uninsured, a reduction of over 2 million uninsured children since 2000.<sup>4</sup> Then in 2014, as a result of the Affordable Care Act, adults' health insurance coverage soared to historic levels, with the share of Americans lacking insurance coverage down to 10.4 percent in 2014 from 13.3 percent in 2013. Young adults and low-income workers particularly benefitted, with adults ages 18 to 34 comprising over 40 percent of the 8.8 million newly insured Americans. The uninsured rate for Americans living below the poverty line fell from 23.5 percent to 19.3 percent, and the rate for working adults living in poverty fell by almost a quarter, from 42.7 to 33.4 percent.<sup>5</sup>

Once vulnerable Americans gain access to health insurance, nutrition assistance, and other crucial elements of the safety net, they are able to meet immediate needs—such as putting food on the table, going to the doctor, and treating long-postponed health problems. Households that receive nutrition assistance, such as SNAP, are likely to experience a reduction in food insecurity and very low food insecurity.<sup>6</sup> In addition to reducing the likelihood of food insecurity, SNAP also improves dietary intake and health among participants, especially among children.<sup>7</sup>

Children's and mothers' access to health insurance during pregnancy and in the first months of life is linked to significant reductions in infant mortality, childhood deaths, and the incidence of low birthweight.<sup>8</sup> The Kaiser Family Foundation's recent review of the research finds, for example, that coverage through both Medicaid and private insurance is associated with improvements in health care access and utilization, though racial disparities remain and require more attention for private insurance.<sup>9</sup>

Research also demonstrates that Medicaid coverage improves access to care and overall health, and reduces mortality rates. People insured by Medicaid have similar access to care as those with private insurance.<sup>10</sup> A rigorous study in Oregon found that in the first one to two years of coverage, people who gained Medicaid increased overall health care utilization, reported better health, reduced financial strain, and sharply reduced depression compared to the control group.<sup>11</sup>

Even more striking is the evidence that addressing health and nutrition needs in the early years of life has important effects many years later, on children's long-term development. Recent rigorous studies of both SNAP and public health insurance have demonstrated striking effects of access as a child to these safety net programs on life outcomes many years later, into adulthood. For example, a paper by the National Bureau of Economic Research finds that having access to SNAP in early childhood also has positive effects on adult outcomes years later, including health and economic self-sufficiency.<sup>12</sup> On the health insurance side, children's access to health insurance is associated with a continuing source of care, at least one well-child visit, access to dental care, and a reduced likelihood of unmet health care needs, as well as improvements in children's school performance that appear to arise from better child health.<sup>13</sup> In addition, expanding health insurance coverage for low-income children has large effects on high school completion, college attendance, and college completion.<sup>14</sup> Expanded Medicaid coverage for pregnant women and infants has been shown to contribute to higher rates of intergenerational upward mobility.<sup>15</sup>

A growing body of research is also demonstrating effects of other components of the safety net on children's success years later. Evidence now suggests that the EITC and CTC lead to improved educational outcomes for young children in low-income households. Recent research shows that children who receive larger EITCs tend to have improved test scores, higher high-school graduation rates and higher college attendance rates. These academic benefits extend to children of all ages and racial and ethnic background—with an even larger effect for minority children on high school diploma or GED achievement.<sup>16</sup>

## **Economic Security Programs Support Work**

The overwhelming empirical evidence is that the safety net as a whole supports work, particularly for low-income parents. It is not too much support for work but too little—such as the absence of help with child care or the instability associated with not being able to afford a stable residence—that typically holds people back from working. There are some circumstances where individuals or families encounter barriers to work as a result of specific features of safety net programs, or the way those features interact with family circumstances and the demands of the low-wage labor market—but these effects are much smaller than the work-promoting effects.

One example may make this clearer before I go into the research evidence. Child care subsidies overwhelmingly have a pro-work effect, enabling large numbers of mothers to work and work more steadily. However, an individual mother could face a “benefit cliff” where a promotion would take her out of the income range where she can get help based on a particular state's policy decisions, even though she cannot yet pay for the full cost of child care—which can range from \$5500 to \$16,549 for an infant in center based care depending on the state.<sup>17</sup> She faces a very tough choice that no parent should have to make, whether to take the promotion and hope that she can somehow find good quality care for her children or to pass up the promotion and hope it is still available when her children are school-age.

There are important next steps Congress could take, in particular, major increases in investment to build on bipartisan action already taken in the recent reauthorization of the Child Care and Development Block

Grant (CCDBG) that would prevent mothers with young children from facing this particular benefit cliff. However, because state child care programs currently fail to serve more than a fraction of eligible children, investments to solve this problem need to address two different gaps: getting mothers in the door to get help in the first place and helping mothers stay on as their income moves up (that is, fix the benefits cliff). Now let me explain why the overwhelming research evidence is that the safety net supports and promotes work, rather than hindering it. First, the majority of people who get help from these core safety net programs are in fact working—but earning too little to make ends meet without help. In some cases, eligibility for these programs is directly tied to employment. Two of the largest income transfer programs today are the EITC and CTC, both of which are only available to families with workers—in fact, both of them increase as earnings increase up to specified limits. These programs dwarf traditional income support programs. Similarly, eligibility for child care is directly linked to employment. Most parents receiving child care subsidies are working; 94 percent are either employed or in education or training programs.<sup>18</sup> But even in other programs, participants have significant work attachment. For example, among all SNAP households with at least one working-age adult not receiving disability benefits, more than half have a member who works while receiving SNAP—and more than 80 percent work either in the year prior to or the year after receiving SNAP. The rates are even higher for SNAP households with children.<sup>19</sup>

Second, many different empirical studies that have used rigorous techniques to analyze the effects of the safety net programs, taken as a package or individually, on families' actual level of work find that when low-income working parents can get and keep the full package of work support programs, they are better able to stabilize their lives, keep a job, move up, and help their children thrive. For example, research on child care subsidies has consistently found that they play a key role in improving parents' employment outcomes, including stability of employment and earnings. Studies of parents leaving welfare for work have concluded that families accessing various work supports, including health insurance, SNAP, and child care, were more likely to be stably employed and less likely to return to welfare.<sup>20</sup> Studies of the EITC show that its effects in increasing labor force participation are of far greater magnitude than its effects in reducing the hours of employment for those who are already working.<sup>21</sup> Empirical studies of the effects of the safety net as a whole confirm that, in practice, income support programs' work disincentives are so small as to have “almost no effect” on their anti-poverty effectiveness.<sup>22</sup>

Third, this work-promoting feature of the safety net is not an accident; it reflects deliberate actions by the Congress over the past two decades to increase support for low-income working families who are unable to make ends meet. These reforms included:

- Major expansion of child care subsidies in the late 1990s, including a tripling of combined federal and state spending on child care between 1996 and 2000, leading to approximately 1 million additional children receiving child care assistance. (Unfortunately, as explained below, a lack of investment in recent years has led the number of children benefiting from this help to decrease to a 16-year low in 2014.)
- SNAP policy and practice changes to make benefits more available to working families, including online and phone applications, and more fully reflecting the burden that child care costs can place on family budgets, leading to all-time high participation rates among eligible working families.<sup>23</sup>
- State adoption of higher gross income limits under SNAP using broad-based categorical eligibility, which eliminates the sharp loss of benefits that results when recipients' gross income exceeds 130 percent of poverty.

- Major expansions of the EITC and CTC, so that the combined value of these programs for a single-parent with two children working full-time at the minimum wage has increased more than seven-fold from 1990 to today.<sup>24</sup>
- Expansion of eligibility for health care coverage through Medicaid and CHIP to nearly all children in low-income working families, and some parents, followed by availability to parents and low-income childless adults under the ACA, at least in states that have taken the option.

It is important to recognize that at the same time the safety net has been greatly expanded and its anti-poverty effectiveness has grown, poor and near-poor mothers—the group who are eligible for the widest range of benefits—have become far more likely to work, even while their children are very young. In 1975, fewer than half of all mothers were in the labor force, and only about a third of mothers with a child under age 3, compared to more than 70 percent of all mothers and 60 percent of mothers with a child under age 3 in 2012.<sup>25</sup> While married mothers were working more in the 1980s and early 1990s, since then, single mothers have closed the gap—despite the obstacles they face and, again, even when their children are very young. In 2014, about three-quarters of single mothers were in the labor force compared to 68 percent of married mothers, and 57 percent of mothers of infants—under age one—whether married or single.<sup>26</sup> Given the many practical and financial challenges involved in working in a low-wage job while caring for a child as a single parent, the employment level for this population is frankly remarkable.

By contrast, employment has declined the most among childless adults, especially men. In 1995, 62.5 of childless men and 50.7 percent of childless women were employed. In 2014, 57.1 percent of childless men and 48.7 percent of childless women were employed.<sup>27</sup> These individuals do not receive the child tax credit and are only eligible for a very modest EITC and limited SNAP benefits. Until the ACA expansion, they were almost never eligible for public health insurance. It is simply not plausible to attribute their declining labor force participation to the existence of the safety net.

Many low-income adults, like better-off adults, *want* to work—but very often, they can’t find enough hours or a steady enough job to make ends meet. According to the Bureau of Labor Statistics, just over 6 million people are involuntary part-time workers, meaning that they would like to work full-time, but either can only find a part-time job or have had their hours cut. While this figure has declined by 3 million from the peak of the recession, it is still millions above pre-recession levels. An additional 2 million people are working two part-time jobs. Much of this is the nature of the jobs, not workers’ choice, especially in typical low-wage industries such as retail, food service and health care. For example, a city study found that almost 60 percent of the retail workforce is hired in part-time, temporary or holiday positions, and only 17 percent of workers surveyed have a set schedule.<sup>28</sup> These unpredictable hours make it very difficult to “stack” part-time jobs because workers often need to hold open availability for their employers even when not scheduled to work, or they can be penalized by loss of hours. Even among those who are counted as “voluntary part-time,” some would really like to work more hours but can’t get them, or are constrained by lack of affordable child care and can only work when children are in school, or when other family members are available to provide free care. When states created subsidized employment programs using funds from the Temporary Assistance for Needy Families (TANF) Emergency Fund during the recession, they found that low-income parents and youth were eager to participate. Many states reported receiving far more applications than they had positions available.

## **America's Poor and Vulnerable: Who Are They and How Can States and Communities Seize Key Opportunities to Help Them Through Today's Federal Economic Security Programs?**

Despite the strengths of America's economic security programs, the changes just mentioned in the availability of secure, decent-paying jobs and the nature of low-wage work have created an enormous headwind for large numbers of Americans struggling for economic security. And unfortunately, a large share of those most vulnerable are children—particularly babies and toddlers—and young adults, who have the highest poverty rates among all Americans. More than one in five (21.1 percent) children and almost one in five (19.8 percent) young adults live in households with incomes below the federal poverty line (\$19,073 for a family of three). Even families with incomes somewhat above this threshold often struggle to cover basic needs—and nearly 4 in 10 children are in families with incomes under twice the poverty level.

The youngest children (under age 5), who are most vulnerable to the effects of poverty, experience an even higher rate (23.8 percent), and babies experience the highest rate among children, almost one in four (24.4 percent). Over four in ten (43 percent) of families with children headed by young adults ages 18-24 are poor. These families are likely to be raising young children while struggling to manage low-wage, inflexible jobs and possibly also continue their education—meaning that they face substantial obstacles in achieving economic security and raising their young children.

Particularly vulnerable are children and young adults of color, whose circumstances have great importance to America's future: they are expected to make up over 50 percent of the nation's population of children by 2020.<sup>29</sup> (Children under age 5 have already reached this milestone.)<sup>30</sup> Poverty rates for Black children and young adults are 37.1 percent and 29 percent respectively and for Hispanic children and young adults, 31.9 percent and 22.4 percent.

Most of these poor children live in families where adults work, often long hours. Nearly 70 percent of poor children, or more than 10 million children, live in families with at least one worker, and one-third live in families with at least one worker employed full-time, full-year. Among poor Hispanic children, the largest single group of poor children, 41.6 percent lived with at least one full-time, full-year worker and 76 percent lived in families with at least one worker. For these families, low wages, erratic schedules, inadequate or volatile hours, and rigid job demands may all play a role in obstructing family economic security.<sup>31</sup>

While single parents face the greatest obstacles to economic security, and children living in single-parent families are much more likely to be poor, millions of children in two-parent families are also poor. More than five million children with married parents were poor in 2014, or more than one in ten (11 percent) of all children in married-couple families. More than one in five (21 percent) of Hispanic children in married-couple families are poor.

When children are the most vulnerable Americans, these high rates of child poverty endanger not only the wellbeing of individual children but the future skills and capacity of America's labor force and the nation's economic future. Children who are born poor and are persistently poor are far more likely than their peers to fail to finish high school, become parents as teens, and experience poverty as adults.<sup>32</sup> And parents' low-wage work has the potential to compound children's developmental risk, because unstable and nonstandard work schedules make it difficult to secure stable child care, because parents' own stress affects children's development, and because so many low-wage jobs come without the crucial benefits—

such as paid sick days—that support caring for children. Fully 40 percent of low-income parents have no access to paid time off (no sick days or medical leave, no parental leave, no vacation), making it difficult to care for newborn or sick children.<sup>33</sup> Unstable and nonstandard work schedules, increasingly a characteristic of low-wage work, make it extremely difficult for parents to secure stable child care. And the high cost of child care, combined with budget-driven decreases in the availability of subsidies for low-income parents, make it extraordinarily difficult for parents to find quality settings for their children.<sup>34</sup>

A number of states have seized the opportunities available under the nation’s current economic security programs to better deliver services to poor children and their families, including the working poor, and to the most vulnerable individuals and families within that broader group. In 2014, bipartisan congressional reauthorizations of the nation’s program for child care assistance (the Child Care and Development Block Grant or CCDBG) and workforce training and development (the Workforce Opportunity and Innovation Act or WIOA) added to the opportunities to serve these families well; in addition to the crucial option for Medicaid expansion to offer access to health and mental health treatment to individuals under and just above the poverty line under the Affordable Care Act.

Examples of promising state initiatives aimed at more effective service delivery for poor families include Work Support Strategies (WSS), a foundation-funded initiative to help a bipartisan group of six states integrate and streamline service delivery of core economic and work support programs so that low-income working families get and keep the full package that they are eligible for. WSS, led by CLASP in partnership with the Urban Institute and the Center on Budget and Policy Priorities and supported by the Ford Foundation and other private funders, focuses on Medicaid/ CHIP, SNAP, and child care subsidies, drawing on the evidence already cited that when eligible families get and keep the full package of services, they are able to stabilize their lives, advance at work, and raise healthier children. Through WSS, the states of Colorado, Idaho, Illinois, North Carolina, Rhode Island, and South Carolina are designing and implementing twenty-first century strategies to ensure that low-income working families get and keep the full package of work support programs—while also reducing bureaucracy and the burden on state employees. The states are seizing opportunities available today, under current federal law and policy, to innovate, streamline, and integrate the major safety net programs (for example, Medicaid, SNAP, and child care subsidies) into a coherent package for families, in order to support their stability and success at work and at the same time improve efficiency and program integrity.

The goal articulated by the states is to maximize the capacity of the safety net programs to encourage work by making sure that families can get access smoothly to all they deserve. For example, explaining Idaho’s reasons for streamlining access to SNAP, Medicaid, and child care subsidies, Governor C.L. (“Butch”) Otter of Idaho emphasized Idaho’s goal of “helping families enter and succeed in the workforce.” To achieve this goal, Idaho has sought to “identify gaps in the services available to low-income working Idahoans and reduce the impediments to receiving those services for which they are eligible... [with a focus] on improving delivery of SNAP, Medicaid, child care subsidies, and our Temporary Cash Program to the working poor...”<sup>35</sup>

The full WSS evaluation will be completed in 2016, but early information is promising. In addition to more timely eligibility determinations, reductions in “churn” (families losing help that they are still eligible for), and improvements in local office practices, technology, and policy, the most recent evidence indicates improvements in the share of parents and children eligible for both Medicaid and SNAP who actually receiving both.



One example among many innovations in the WSS states is the use of new technology to help coordinate eligibility determinations more effectively across Medicaid and human services programs, whether or not states have chosen the Medicaid expansion option. As just mentioned, one important focus is reducing “churn”—which occurs when families fall off a program for bureaucratic reasons even though they are still eligible and then must reapply. Churn is a big burden on state administrative systems, because it means processing eligible families multiple times, and it can destabilize families’ lives, including their work lives—for example, if a parent or child loses Medicaid while still eligible and then has to take extra days off work to solve the bureaucratic snafu and get needed medical care. One example of a solution comes from South Carolina, which implemented an “express lane” redetermination initiative, to ensure that children would not lose Medicaid at review time when the state already had the information it needed to determine them eligible in its SNAP case files. Sharing current information about families across programs can also improve program accuracy and integrity.

The 2014 Congressional reauthorizations of child care (CCDBG) and workforce training programs (WIOA) also offer states important opportunities to provide more effective services to highly vulnerable families and individuals.

- **CCDBG.** The new law strengthens CCDBG’s two-generational role as both a major early childhood education program and a work support for low-income families. Key provisions in the new law support these dual goals, including protecting the health and safety of children in care through more consistent standards and monitoring of standards; improving the quality of care, including through increased supports for child care providers; and enabling families to more easily access child care assistance that supports stable and continuous care. A key element for helping the poorest families is that Congress required all states to adopt policies that reduce sharp cliff effects and provide children with stable care as families’ earnings fluctuate, as is common among low-wage workers. All states are now required to offer 12 months of continuous coverage to children receiving child care assistance, which benefits both the families’ ability to work and the children’s healthy development.

A major challenge, addressed further below is that the highly positive policies laid out in the reauthorization come with additional costs to states, yet no new money is available in most states. Without significant federal investment, and in a context where the number of children receiving assistance is already at a 15-year low due to federal budget stagnation, states risk further reducing the number of families served. Congress should now take the steps necessary to meet the increased authorizations detailed in the law and required for implementation, and to expand funding for child care assistance so that more families can get the help they need to go to work.

- **WIOA.** The WIOA reauthorization emphasizes that low-income workers, including public benefit recipients, should receive priority for training services,<sup>36</sup> and removes policy obstacles that had previously made it harder to serve the most vulnerable, such as performance incentives that unintentionally encouraged state and local agencies to “cream” by targeting services to participants with fewer barriers to employment.<sup>37</sup> WIOA also includes important positive provisions to improve services so they are more effective at serving the most vulnerable, as described below. For example, it encourages work-based learning strategies that enable low-income individuals to “earn while they learn” through on-the-job training and transitional employment,<sup>38</sup> and career pathways approaches that allow workers to learn skills leading to employment from multiple starting points then earn additional credentials to move up in their careers.<sup>39</sup> It also encourages partnerships between WIOA and TANF and SNAP employment and

training programs in order to reduce duplication and leverage the strengths of both workforce and human services programs to ensure that participants have access to high-quality training programs that will enable them to achieve economic security.<sup>40</sup> Once again, however, additional federal resources will also be crucial to achieving the full pay-off from these positive policies and reversing many years of dis-investment in the program.

While the nature of today's low-wage work means that the broad range of poor and low-income workers and families need the assistance provided by SNAP, Medicaid, child care and housing benefits, and the refundable tax credits, some workers and families do need more intensive services. Estimates of the share of families that are most deeply vulnerable, with multiple co-occurring challenges such as health and mental health problems, very low education and skills, and homelessness, range from one in ten to perhaps one in four among the broader group of struggling low-income families, depending on what is counted.<sup>41</sup> Pregnant women and families with infants under one year old are disproportionately represented among the most vulnerable and most deeply poor families, as well as among the broader group of poor and low-income families.

Features of programs that are successful for highly vulnerable families, and for individuals facing multiple challenges as well, include services that are intensive, high quality, and available over a long time (including approaches such as career pathways that allow individuals to enter and exit based on opportunities or crises in their lives), access to income support that meets basic needs and stabilizes their lives while they are receiving other help (including “earn while you learn” strategies such as subsidized jobs), access to health and mental health treatment, and two-generational approaches that target both children's and parents' needs. For the subset of poor families who are balancing multiple challenges, a case manager who can provide help in the context of a trusting relationship can be very important; the evidence suggests that this strategy can be effective when well-trained case managers work with small caseloads and have the time to build individualized relationships with clients, and adequate funding for supportive services.<sup>42</sup> The role of the case manager must be in addition to, not instead of, high quality services.

The expansion of health insurance coverage in recent years presents a key opportunity to address a critical need. Studies of deeply vulnerable mothers—particularly those who are “disconnected” from both work and income support programs—and of youth and young adults of color have all highlighted unmet physical and mental health needs as a major challenge these individuals face, which in the absence of high quality treatment can often be so severe as to have major effects on work, school, and parenting.<sup>43</sup> Maternal depression disproportionately affects poor mothers and, left untreated, risks damaging consequences both for mothers' work and school success and for their young children's cognitive development, health, and safety—yet is highly treatable when mothers have access to medical and mental health care.<sup>44</sup> States that have not yet expanded Medicaid should do so as soon as possible—and all states should work on improving the service delivery strategies that translate insurance coverage into services.

Another promising approach is “two-generational” strategies that aim to help young children and their parents together. Head Start and Early Head Start represent longstanding versions of this strategy, and home visiting programs offer additional opportunities. A number of states and cities are utilizing and experimenting with such approaches. Most of these initiatives are relatively small and focus on service delivery, but there are also important large scale policy opportunities.<sup>45</sup>

Given the evidence that the period around a birth is particularly likely to destabilize families in the United States, as a result of the weak policy supports currently available for what should be a positive change in a

family's life, a focus on pregnant women and infants in the first year of life may be a particularly important part of two-generational initiatives. A recent CLASP paper by my colleagues Elizabeth Lower-Basch and Stephanie Schmit highlights the important role that the Temporary Assistance for Needy Families (TANF) program could play in improving the well-being of the poorest pregnant women and families with infants.<sup>46</sup> Unfortunately, TANF currently fails to live up to its opportunity to meet the needs of the most vulnerable in many states, both because of inadequate federal funding that has not increased in two decades and because of damaging state policy choices. Even without much-needed federal improvements, states have the option today to make choices that would be much better for babies and their parents and would respond to the recent surge in scientific knowledge about what infants need in the first year of life, and the “toxic stress” that can result when their families do not receive support.

### **Next Steps:**

But there is also important unfinished business. Responding to the deeply distressing poverty rates for America's next generation of children, youth, and their families, Congress should begin immediately by coming to a budget agreement that lifts the ever-tightening caps on spending for domestic discretionary programs in order to invest in crucial supports for the most vulnerable Americans. While a government shutdown would disrupt the lives of millions of Americans—and, as shown in 2013, wind up costing taxpayers more—a prolonged continuing resolution that keeps spending at today's inadequate levels is also a slow-motion disaster for low-income people. For example, participation in child care funded through the Child Care and Development Block Grant program is at a 16-year low, with just 1.4 million children being served in 2014, workforce training investments are down in real terms by more than 30 percent over the past 15 years, and both programs are below the levels recommended in 2014's bipartisan reauthorizations. Programs including Head Start, federal support to high poverty schools, work-study opportunities for college students, housing vouchers, services for homeless individuals and families, and meals on wheels for seniors are all being squeezed by spending levels that fail to keep up with need. Simply put, the federal government is shirking its role on a whole range of critical supports for vulnerable Americans—and undercutting the states and communities that want to serve them<sup>47</sup> It is time for a comprehensive budget deal that lifts the budget caps for annual appropriations in FY 2016 and future years, protects key mandatory safety net programs including social security, Medicaid and SNAP, and fully funds priorities for the most vulnerable Americans.

Building on immediate action this fall and the successes of today's safety net Congress should take the following next steps to fill remaining gaps and strengthen the full array of policies that help vulnerable Americans work, raise children, and succeed.

### **Strengthen core income and work support programs.**

#### **Extend improvements to refundable tax credits**

We have made key improvements to the EITC and CTC in recent years that have strengthened their pro-work and anti-poverty effectiveness, especially for the lowest-earning families. These include marriage penalty relief, a modestly larger EITC for families with three or more children, and allowing low-income workers to start qualifying for the refundable CTC starting at \$3,000 (rather than the \$14,700 that would otherwise be needed to qualify). These changes help ensure that work pays for the lowest income workers, who would otherwise not benefit from the CTC. We have also improved educational tax credits by making the American Opportunity Tax Credit (AOTC) partially refundable.

However, these provisions are now scheduled to expire at the end of 2017. Congress should not move any tax package without including these provisions. CBPP estimates that more than 16 million people in low- and modest-income working families, including 8 million children, would fall into—or deeper into—poverty in 2018 if policymakers fail to make permanent the key provisions of the EITC and CTC. Some 50 million Americans, including 25 million children, would lose part or all of their tax credits.<sup>48</sup>

### **Expand EITC for childless workers and young adults**

Another key step is to expand the EITC for workers without dependent children. Under current law, individuals without dependent children can only receive a very small credit—a maximum of about \$500—and begin to lose the benefit even before their earnings reach the poverty threshold. Younger and older workers are at a further disadvantage because, under current law, the EITC is only accessible to eligible individuals without dependent children if the workers are between ages 25 and 65. This leaves out a significant population of low-wage workers struggling to make ends meet—workers who would particularly benefit not only from the amount of benefits but also from the EITC’s pro-work structure.

One important benefit of this step would be its effect on young adult workers, many of whom begin careers in low-wage jobs. In 2014, 19.8 percent of youth age 21-24 lived in poverty compared to 14.5 percent of the overall population.<sup>49</sup> Expanding the EITC would help young adults make ends meet and encourage workforce participation. A White House report estimates that 3.3 million working youth under age 25 would be newly eligible for the EITC under the president’s proposal, accounting for over 24 percent of all workers who would benefit from this expansion.<sup>50</sup>

There is bipartisan support for expanding the EITC for workers without qualifying children and making it available to younger workers starting at age 21. President Obama proposed an expansion of the EITC for low-wage, childless workers in his FY 2016 budget, as he has before. Congressman Paul Ryan (R-WI), former chair of the Budget Committee included such an expansion in last year’s Expanding Opportunity in America proposal. Several bills have also been introduced. All of the proposals increase the maximum credit rate for childless workers, doubling it from the current maximum of \$503. I urge you to move this proposal without delay.

### **Strengthen TANF as both a safety net and a work program.**

This summer, the Ways and Means Committee released a discussion draft of a bill to reauthorize TANF, which has been operating under short-term extensions since 2010. We are pleased that the discussion draft bill makes critical changes to improve the TANF work participation rate (WPR), as CLASP has long advocated. The bill would give states greater flexibility to serve individuals with barriers to employment and other disabilities, and would count more education and training activities toward the WPR to support TANF recipients in obtaining the skills and credentials needed to sustain employment. These changes would both reflect ways in which our changing economy increasingly requires higher levels of education for family-sustaining jobs, and would remove barriers that prevent states from aligning TANF work programs with the workforce programs under WIOA.

However, the draft bill does not provide states with additional federal resources. In addition, the elimination of some of the tools that states have previously used to meet the WPR may make it challenging for some states to meet the rate. When combined with the costs of providing employment services to the neediest participants, we remain concerned that states that fail to meet the new rate

may respond by restricting access to cash assistance for the most vulnerable families, rather than by expanding services. The draft bill includes proposed new outcome measures for TANF's effectiveness in connecting recipients to employment, but not for its effectiveness as a safety net. We have deep concerns about TANF's performance in this regard. At the national level, HHS estimates that less than one-third of the families eligible for TANF—based on the states' already stringent eligibility criteria—actually receive cash assistance.<sup>51</sup>

We would welcome the opportunity to build upon the comments we have already submitted regarding the discussion draft<sup>52</sup> and to share our thoughts on how to strengthen TANF as both a safety net for the most vulnerable families with children and a work program.

## **Build a strong foundation in life for young children, including quality child care and two-generational strategies that support parents in both working and raising children.**

### **Commit to child care assistance for all low-income parents with young children**

High-quality child care and early education programs are central to parents' work and to children's well-being, development, and opportunities to escape poverty as adults—yet few low-income parents can afford such programs without help. As a consequence of capped federal funding, the number of children receiving child care subsidies under the Child Care and Development Block Grant is the lowest it has been since 1998; Head Start serves less than half of eligible preschoolers and fewer than 5 percent of poor babies and toddlers.

Given the importance of helping pay for child care for low-income parents' work success, increased funding for child care should be an urgent priority as part of an agenda to strengthen the work incentives of safety net programs—or, indeed, to strengthen the American economy more broadly. As noted earlier, a virtually unanimous bipartisan majority in the Congress voted for CCDBG reauthorization including provisions that would help low-income families who gain access to child care assistance keep it for at least a year and then avoid being forced to confront a “cliff” as a result of a promotion. The CCDBG Act of 2014 authorizes \$15.4 billion in discretionary funding for years 2015-2020. Insufficient increases in federal funding will likely require states to make additional commitments as well to cover the costs of the new provisions, at amounts that will depend on individual states' current policies.

While the authorization provides more funding than in previous years, this increase would not be sufficient to increase the share of low-income children whose parents can get help paying for child care and therefore can go to work—or even to reverse the decline in children served. We strongly recommend that Congress commit to child care assistance for all low-income parents with young children, as in the President's budget request; an increase of \$3.7 billion in mandatory funding for child care assistance in FY 2016, which is the first installment of investments totaling \$82 billion over 10 years, and \$370 million increase in discretionary funding all while eliminating the cliff problem by extending help to all low-income (under 200 percent of poverty) parents through CCDBG.

### **Leverage two-generational opportunities**

The opportunity to help children and parents escape poverty through these investments is magnified if we also take a two-generational approach, focusing on the needs of parents and children together. Such two-generation policies reflect strong research findings that the well-being of parents is a crucial ingredient in children's social-emotional, physical, and economic well-being—and at the same time, that parents' ability to succeed in school and the workplace is substantially affected by how well their children are doing.

Developing two generational policies is not an easy task, because it requires working across systems and infusing adult- and child-oriented services and approaches across policy areas. However, great opportunities exist—for example, in child care and early education, in TANF, in workforce development and community colleges, in mental health services, and in home visiting.

We would be delighted to work with the committee on any areas of two-generational policy that are of particular interest, but we want to highlight three immediate opportunities. First, the 2014 reauthorizations of the nation's core child care (CCDBG) and workforce programs (WIOA) offers opportunities to encourage states to link the two so that it is easier for children to receive high-quality early education programs while parents strengthen their own career skills. While a number of local, small-scale initiatives implementing this concept already exist, funding will be key to making this common-sense strategy practical for states on a large scale. The second opportunity lies in targeting parental mental health. Today, there are new opportunities to address depression and other parental mental health problems as a result of mental health parity legislation and the expansion of coverage (and other provisions) in the Affordable Care Act. Again, we would be delighted to suggest ways that Congress might support federal and state policymakers in effectively implementing these provisions in a two-generational manner that would support both parents' work and children's development, such as through technical assistance and demonstration funding. Finally, we note that TANF is inherently a two-generational program, as it is targeted to poor families with children, but that it has often failed to fulfill this potential. We have suggestions on how to strengthen the two-generational aspect of TANF, particularly with regard to pregnant women and families with infants.

### **Improve pathways to education and careers for low-income youth and adults**

As noted above, the WIOA legislation enacted by the Congress in 2014 includes very important steps towards more effective and targeted workforce development programs for low-income workers. Crucial steps forward include a focus on training these workers need, including postsecondary education leading to employment; encouragement for career pathways that allow participants to link training, credentials, and work experience in individualized ways over time; explicit provisions indicating the priority for serving low-income, lower-skilled individuals, including benefit recipients; and increased emphasis on partnerships with benefit programs such as TANF and SNAP. However, valuable as they are, these provisions will not achieve their full intended effect on low-wage and low-skilled workers' success on the job without adequate funding, at the levels authorized in the law.

Other next steps include addressing systemic inequalities for students attending high-poverty high schools by improving their access to course work, experienced teachers, and counselors, all of which are essential for students to succeed in postsecondary opportunities.<sup>53</sup> We must also invest in dropout recovery

strategies to ensure out-of-school youth have pathways to complete their education and succeed in the workforce. We should expand on-the-job training, apprenticeships, and other work-based learning strategies that provide crucial work experience and enable underprepared workers to earn while they learn. In addition, it is essential to create ladders to work by building robust career pathway programs and systems that shift existing education and workforce services to connect employers' workforce needs with individuals' education and training needs.<sup>54</sup> And we must make student financial aid responsive to the needs and attendance patterns of today's low-income students, many of whom are adults juggling work and family responsibilities, while developing comprehensive student supports that include access to public benefits and other sources of student assistance.<sup>55</sup>

### **Improve the circumstances of low-wage work and expand access to quality jobs**

Today, many workers depend on their employers to voluntarily pay them a fair wage, allow them to earn paid time away from work to care for their families or recover from illness, or engage in fair scheduling practices. While some high-road employers (conscientious employers with policies that adequately protect and compensate workers) do protect their workers by ensuring they have these rights, far too many do not. That's why it's crucial to pass public policies establishing key labor standards that raise job quality and help workers make ends meet—including minimum wage, earned sick days, paid family and medical leave, and fair scheduling. In addition, it is critical to enforce and modernize the rules already on the books, including minimum wage, unemployment insurance, and overtime laws, rules against wage theft, misclassification of employees, and unsafe working conditions, along with provisions of the Family and Medical Leave Act (FMLA).

### **Avoid counterproductive ideas**

The worst thing that Congress could do is undermine the large successes of safety net programs—which include benefits for families and communities, for children's long-run wellbeing, and for low-income adults' work success—by making misguided changes, such as turning core safety net programs into block grants or giving states waivers that would undercut key protections.

The argument for such changes relies on the idea that flexibility can compensate for inadequate funding, which is simply not true in the face of major gaps in support for low-income families. Taking advantage of flexibility to get rid of extra bureaucratic steps can save modest administrative costs, but it doesn't come close to filling the gaps in seriously underfunded programs. For example, as I've just noted, CCDBG is one of the most flexible of the safety net programs but as a result of capped federal funding, the number of children served is now sharply down, hitting the lowest number in more than a decade. Effective work programs can help recipients of public benefits progress toward economic security, and are an important long-term investment in the skills in the workforce that the economy will require for continued and future prosperity. However, the evidence is strong that even when they result in increased work by participants, they are unlikely to automatically “pay for themselves” in the near-term in the form of reduced use of public benefits—unless people are denied benefits even when they still have need. This is because the costs of core needs for working families, particularly stable housing, quality child care, and health care, are so out-of-line with earnings from low-wage work that even parents who work many hours continue to need help while they move up the ladder.

Moreover, increased flexibility runs the risk of diverting funds from the core purposes of programs; for example, in the most recent year for which spending data are available, states spent just over a quarter of TANF and state maintenance of effort funds on cash assistance, and another quarter on work activities

and child care. The remaining funds went to a variety of state services and supports for low-income families, in some cases supplanting previous state spending.<sup>56</sup> It does not make sense to allow states to trade off intensive services or case management for the most vulnerable families against core health or nutritional supports to other needy families—or to force states into these trade-offs as a result of shrinking federal budget investments.

Block grants do not respond well to economic downturns like the recent Great Recession, thus leaving families, communities, and states without resources just when they need them most. The experience of the “Great Recession” illustrates the contrast between SNAP and Medicaid, which are not block grants, and TANF, which is. SNAP and Medicaid provided greater support to states, communities, and families as economic need rose: for example, from 2007 to 2011, SNAP caseloads and federal support to states went up in response to the recession-driven increase in need, leveling off and then beginning to decline as the economy has recovered. By contrast, block grants like TANF do not respond well to a recession because states are caught between a rising number of families seeking help and declining state tax revenues, without any further federal assistance. Nationally, TANF cash assistance caseloads responded only modestly to the deep recession and in six states caseloads continued to decline from 2007 to 2009 in the face of sharply rising need.

In addition, because they do not provide a secure base of support in every state through economic ups and downs, block grants are ill-suited to supporting core national goals—such as ensuring that every American starts life healthy and well-nourished—but instead contribute to disparate life chances based on where a child is born. And since there is no direct link between spending and need, Congressional appropriations for block grants tend to shrink over time—as illustrated by the TANF block grant, which has not been increased to reflect inflation since TANF was first created in 1996. Thus, the value of the block grant has been eroded by 33 percent.<sup>57</sup>

## Conclusion

As a result of policy improvements made over the last two decades, the major national safety net programs combine a strong impact on poverty and on children’s lifelong wellbeing with positive work incentives for low-income families. In fact, the majority of families getting help through these programs are already working, often long hours. Yet far too many children in these families, particularly the youngest children, and young adults remain poor, with consequences that threaten America’s future.

The reasons that children and young adults remain so vulnerable include federal budget caps and disinvestment in key programs such as child care, Head Start, TANF, workforce training and post-secondary education for youth and adults; remaining gaps in the safety net; and the urgent need for policies to address the consequences of low-wage, unstable employment that cannot support a family.

Congress should begin by passing a strong budget that breaks the caps on domestic discretionary spending and reverses recent federal disinvestment in the most vulnerable Americans. Building on that immediate step and the successes and gaps identified above, I urge the members of the Committees to consider the following next steps:

1. Extend improvements to refundable tax credits.
2. Expand the EITC to childless workers and to young adults.
3. Strengthen TANF as both a safety net and a work program.
4. Commit to child care assistance for all low-income parents with young children
5. Leverage two-generational opportunities.



6. Improve pathways to education and careers for low-income youth and adults
7. Improve the circumstances of low-wage work and expand access to quality jobs
8. Avoid counter-productive ideas that would turn back the demonstrated successes of the safety net.

Thank you very much, and I look forward to your questions.

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