
Poverty: Family Economic Success

Facts, Baltimore City Issues, Options for Advocacy



Prepared by the Education Committee

FACTS

- **OFFICIAL MEASUREMENTS OF POVERTY:** The U.S. Census Bureau defines poverty thresholds for statistical purposes, e.g. estimating the number of people in poverty. If a family's total income is below the threshold, then every member of the family is considered in poverty. For this measure, money income before taxes is counted, including earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance (TANF, etc.), and other sources of income. Not included is the value of noncash benefits such as public housing, Medicaid, and food stamps). The U.S. Department of Health and Human Services issues a set of simplified poverty guidelines that are used to determine eligibility for programs. The thresholds and guidelines vary by family size and composition, but not by geography – they are the same across the country. **(BOC, HHS)**
- **FEDERAL POVERTY THRESHOLDS 2006:** The poverty threshold for one person under 65 years is \$10,488; for one person 65 years or older, it is \$9,669. For a family of four (two children under 18), the threshold is \$20,444. For a family of three (parent and two children), the threshold is \$16,242. **(BOC)**
- **FEDERAL POVERTY GUIDELINES 2008:** The poverty guidelines for both elderly and non-elderly households are the same: \$10,400 for a single-person family or household, and \$14,000 for two-person, \$17,600 for three-person, and \$21,200 for four-person households. **(HHS)**
- **OTHER MEASURES OF POVERTY:** Most policymakers and policy analysts agree that the federal poverty rate is too low by at least half, and that two times this rate equals subsistence living. The HHS guidelines (or multiples of them) are used as an eligibility criterion for many programs, including Head Start, Low-Income Energy Assistance Program, parts of Medicaid, job opportunities for low income individuals, food stamps, school breakfast programs, weatherization programs, and legal services for the poor. **(HHS)** Advocates like the Annie E. Casey Foundation and Advocates for Children and Youth have determined that the Family Self-Sufficiency Standard is the amount of income needed for families of various types to meet the cost of sustaining that family without income supports and includes health care, day care, transportation, food, and other everyday expenses. The standard calculated for Maryland suggests that a married couple with two very young children should be earning \$48,384 without income supports to meet the family's needs. A similar single head of household family should be earning \$40,284. **(BNIA)**
- **STRATEGIES FOR FAMILY ECONOMIC SUCCESS:** The Annie E. Casey Foundation has developed an agenda and service delivery model for helping low income families meet their needs and build assets, progressing toward self-sufficiency. The elements are 1) financial planning and education, 2) financial services at reasonable cost, 3) addressing the high cost of being poor, 4) home ownership and predatory lending, 5) individual savings accounts (IDAs) and other savings tools, 6) workforce development, and 7) work supports. Several of these elements are being addressed in the Full Circle meeting on March 11, 2008.
- **WORK SUPPORTS:** An entry level job usually does not provide enough income to support a family. In recent years, the federal government and states have offered an array of programs and benefits to supplement the earnings of low-income working families. These include low-cost medical coverage, food stamps, tax credits, child care subsidies, and more. Unfortunately, many eligible families remain unaware of these supports, or face considerable barriers accessing them.
- **Earned Income Tax Credits (EITC).** The EITC has become the country's largest (\$37 billion in tax relief annually) and most important anti-poverty program, serving 20 million low-income working families. The federal EITC provides up to \$4,300 in tax relief to working families with children and limited income. Twenty-two states (including Maryland), the District of Columbia, New York City, and Montgomery County, Maryland, offer their residents an added earned income tax credit. EITC moves over 2.5 million children above the poverty line each year. The credits provide crucial income that working families can use to fill gaps in household budgets, reduce debt, add to savings, pay for education, buy a car to get to work, or make a down payment on a home. The Internal Revenue Service estimates that 4 million eligible individuals fail to file for the EITC, and forego almost \$3 billion. Eligibility requirements, complexity, and the challenge of preparing a tax return make filing an onerous process. Tax preparation fees and refund anticipation loans reduce EITC tax credits to recipients by an estimated \$2 billion.

- Food stamps: More than 11 million U.S. households in 2003 were “food insecure.” – lacking the resources to acquire enough food for an active, healthy life for all household members – and one-third of these households experience hunger at some time during the year. Households with children were twice as likely to support food insecurity as households without children. Among these families, only 56% participated in federal food assistance programs, and 20% received emergency food assistance.
- Child care: Affordable, high quality child care is essential if parents are to be able to work and also to raise the next generation of productive citizens. Low income families, i.e. those earning less than twice the federal poverty guidelines, spend 16% of their income on child care, compared to 6% for higher-income families. Although 15.7 million children were qualified to receive child care subsidies under federal guidelines in FY2000, only 15% of the eligible children actually received federal subsidies.
- Health insurance: Poor health interferes with low-income individuals’ ability to earn wages. People without health insurance are more likely to postpone prevention services or treatment early in an illness, which leads to serious conditions or death. They pay a significant share of the cost of care themselves, stretching already tight family budgets, and the remainder, an estimated \$900 million in 2002, is borne by government and private payers. **(DHMH)** In a time of rising health care costs, significant declines in employer-based coverage, and an increase in the number of uninsured Americans, the State Children’s Health Insurance Program (SCHIP) has served as Medicaid’s essential companion, covering millions of children who otherwise would not have access to affordable health care. Together, SCHIP and Medicaid have effectively reduced the uninsured rate of low-income children by one-third **(Georgetown)**.
- **FINANCIAL MANAGEMENT AND ASSET-BUILDING**: Especially because their resources are limited, low income working families need help to improve their management skills and to save for the future. Historically, most efforts to measure and combat poverty have focused only on current income. Increasingly, experts recognize that financial assets are an important measure of financial well-being. These assets – automobiles, homes, businesses – permit families to cope with unforeseen emergencies as well as to build a stable future.
- Financial planning and education: Strong financial skills and access to effective financial advice can be crucial for low income families to avoid high-cost borrowing, maximize savings, and build the strong credit records needed to qualify for affordable mortgages. However, financial education is not part of most school curricula nor offered in most workplaces, and financial counseling is scarce in most low income communities. Some financial choices are complex and carry long-term consequences, so families may need personalized advice in addition to basic financial education.
- Affordable financial services: Up to 20% of American families lack checking or savings accounts. Without a banking relationship, these families often use high cost check cashers, bill payment and other “fringe” financial services. They are less likely to own homes and acquire savings. However, most mainstream bank accounts can be expensive for families that cannot maintain a large minimum balance. Even with bank accounts, they may pay exorbitant prices to access consumer credit, either paying high interest rates on large credit card balances or relying on high cost payday lenders, rent-to-own furniture retailers, car title lenders, tax refund anticipation lenders, or pawn shops. Many poor families pay more for home loans, auto loans, and short-term credit. Credit card debt among very low income families grew by 184% between 1989 and 2001. There are 20,000 payday lending outlets across the country making \$40 billion in loans annually, and the average borrower has 13 rollovers, paying interest on the loan for six months, typically paying \$520 in fees for a \$200 loan.
- High cost of being poor: Low income families often pay the most for basic goods and services. In addition to financial services, groceries, utilities, auto insurance, and home insurance cost hundreds or thousands of dollars more for low income families in cities than middle income families in the suburbs.
- Asset building: Families with incomes below \$20,000 in 1998 had median financial assets of only \$600. Forty percent of all white children and 73% of all black children grow up in households with zero or negative net financial assets. This limits their families’ ability to cope with emergencies, stabilize their lives, and build the foundation of a more secure future for themselves and their children. Over the past two decades, new credit scoring techniques, financial market deregulation, the Community Reinvestment Act and reduced lending discrimination have made mortgage loans more available to low income applicants. But owning a home still remains out of reach for many families due to widespread problems of high home costs, a low supply of affordable housing, and negative credit histories. Many of the newly available mortgages have been in the subprime market, where interest rates can be two or three times higher than prime loans. Predatory lenders have compounded the problem by adding prepayment penalties, excessive fees, and unneeded add-ons. Low income African American mortgage borrowers are 2.4 times as likely to receive subprime mortgages as lower income white borrowers, and these loans are 10 times as likely as conventional loans to go into foreclosure. Individual Development Accounts (IDAs), matched savings accounts that can be used by the account holder for building assets – buying a home, acquiring more education, or starting a small business – have been found to be effective strategies for helping low income individuals begin to build assets. Currently, IDAs only reach about 20,000 families out of the millions who could benefit.

- **JOBS** (to be the subject of a future Full Circle meeting): The critical element in the Family Economic Success approach is connecting low-skilled adults with well-paying jobs with career potential. Job readiness training, sector-specific skills training, job placement assistance, and post-employment supports are required to accomplish this goal. The March 11, 2008 meeting will include a speaker who will address a post-employment support strategy, career coaching.
- **Retention and advancement:** Post-employment supports are needed to help job training participants retain their jobs and advance up the career ladder. Time after time, job training program managers have found that they are seeing previous participants back again after the first or second job did not work out. Often the causes are complications at home – family illness, housing insecurity, unreliable child care, for example – or relationships in the workplace. “Career coaches” at the worksite who can help participants learn to manage their personal and professional lives and plan for advancement have been found to effectively address these challenges.

BALTIMORE CITY ISSUES

- **EITC:** An estimated 18,500 eligible Baltimore City residents do not collect the EITC. Most lack awareness of their eligibility, particularly if they have lost a job and do not realize that they are now eligible. They may not be aware of the 2007 change in Maryland’s program that allows low income workers without children at home to claim the credit, even though they cannot apply for the federal EITC. **(CASH)** During the special legislative session in 2007, the General Assembly approved Governor O’Malley’s plan to expand the refundable portion of the state’s EITC from 20% to 25% of the federal credit. This will help mitigate the regressive nature of the sales tax increase on low-wage earners. **(JOTF)**
- **CASH Campaign:** The Baltimore City CASH Campaign provides free tax preparation at 14 locations in Baltimore City, but the Campaign does not end with tax preparation. Working with financial institutions, government agencies, employers and workforce organizations, and community development organizations, the Campaign links families and individuals to asset-building resources, including financial literacy classes (that highlight the dangers of refund anticipation loans), savings programs, and mainstream banking opportunities. In the 2006-07 tax season, the Campaign prepared 7,200 tax returns, claiming more than \$13 million in state and federal tax refunds, and saving families an estimated \$1 million in tax preparation costs. The Campaign is coordinated with the statewide campaign and supported by Annie E. Casey Foundation, Abell Foundation, Aaron Straus and Lillie Straus Foundation, Harry and Jeanette Weinberg Foundation, Alvin and Fanny Blaustein Thalheimer Foundation, Zanvyl and Isabelle Krieger Fund, Empower Baltimore Management Corporation, and the Clayton Baker Trust. **(CASH)**
- **Food stamps:** Each week in Maryland, over 50,000 different people rely on free food from soup kitchens, food pantries, shelters, and other feeding programs to avoid going hungry. **(MFB)** Households with less than 130% of the poverty guidelines are eligible. **(DHR)** In the wake of 1996 welfare reform changes, the number of Baltimore City residents who receive food stamps fell by 40% by 2001 and the average amount received per recipient declined by 20%. **(MBTPI)**
- **Child care:** In FY2007, 17% of eligible Maryland families received federal/state-funded child care subsidies (35% in 2000). **(MSDE)**
- **Health care:** Over 16% of Marylanders under 65 were uninsured in 2004 – 671,100 adults and 134,000 children. **(BOC)** Two-thirds of uninsured Marylanders work full-time. Reductions in employer-based coverage accounts for much of the growth in the ranks of the uninsured. **(MHCC)** President Bush vetoed a bill to expand children’s health care insurance in late 2007, and Maryland has joined a coalition of states in legal challenges against new federal rules that state officials say prevent them from expanding coverage of the State Children’s Health Insurance Program (SCHIP), a program that serves working low income families who do not qualify for Medicaid.
- **SEEDCO:** Seedco is a national nonprofit organization that works with local partners to create economic opportunities for disadvantaged job seekers, workers and neighborhood entrepreneurs. Seedco was awarded funding from the Annie E. Casey Foundation to incorporate its *EarnBenefits* program into the portfolio of client services that are offered by East Baltimore Development Inc. Seedco researched benefits available in Baltimore, tailored *EarnBenefits* Online to the needs of Baltimore residents, developed relationships with the local government agencies that are responsible for providing benefits to Baltimore residents. *EarnBenefits* was launched in Baltimore in 2006. An *EarnBenefits* counselor sits down one-on-one with a low-wage worker and uses an online system that dynamically screens a client for multiple supports, from school lunch programs for her child to legal advice. The counselor can apply for certain applicable benefits on behalf of the client and follows up to ensure the worker is receiving the benefit and to recommend other options that may become available in the future. **(SEEDCO)**
- **STIGMA:** Public education is needed to eliminate the perceived stigma connected with receiving work supports.

- **FINANCIAL MANAGEMENT AND ASSET-BUILDING:** The Job Opportunities Task Force 2007 report “Overpriced and Underserved” found that for two hypothetical families, one low-income city resident and the other middle income suburbanite, the low income family paid an annual “poverty premium” of \$2815: \$329 for check cashing, \$100 for a refund anticipation loan, \$817 for a high-interest mortgage interest payment, \$136 more for home insurance, \$222 higher energy costs of an older home, \$83 for a high-interest auto loan, \$424 more for auto insurance, and \$704 for food at a small local store. (**JOTF**)

- **Foreclosure.** Many of Baltimore City’s low income homeowners are at high risk of losing their primary asset – their home. In November 2007 alone, there were 547 foreclosure events (notices of default or sales, or lender purchases) in Baltimore City. (**DHCD**)

- **JOB RETENTION AND ADVANCEMENT:** Career counselors were used in a pilot project at the Johns Hopkins Hospital, funded by the U.S. Department of Labor (DOL). A subsequent DOL grant has been used to expand the use of the model through six other hospitals that are part of the Baltimore Alliance for Careers in Healthcare (BACH). The “early adopters” have found that widespread adoption of career coaching by employers of low income workers would benefit both the employers through reduced vacancy and turnover and the workers, who would keep their jobs, acquire additional training, and advance in their careers. (**BACH**)

ADVOCACY OPTIONS

- Ask any candidate running for office who seeks your contribution what he or she has done or plans to do to address the problems of low income women in Baltimore.

- Associated Black Charities has recently launched a multi-faceted More in the Middle Initiative, aimed at building Baltimore City’s African American middle class; see www.abc-maryland.org

- The Baltimore CASH Campaign helps low income working families access EITC, links them with asset-building resources, and advocates on their behalf; see www.baltimorecashcampaign.org.

- The Maryland Homeownership Preservation Task Force was appointed by the Governor in 2007 to help prevent home foreclosures for working families. See the website of the Maryland Department of Housing and Community Development, <http://www.dhcd.state.md.us/Website/home/index.aspx>

- For a public policy agenda related to low income workers, see the Job Opportunities Task Force website at www.jotf.org.

- The Maryland Budget and Tax Policy Institute analyzes Maryland policy choices, with particular interest in their impact on low and moderate income citizens; see www.marylandpolicy.org.

- The Maryland Citizens Health Initiative has developed a comprehensive plan for achieving health care for all Marylanders. The plan and its history, implementation progress to date, and current advocacy opportunities can be found at www.healthcareforall.com.

- The National Community Reinvestment Coalition (NCRC) is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development, and vibrant communities for America's working families; see www.ncrc.org.

- SEEDCO is a national nonprofit organization that works with local partners to create economic opportunities for disadvantaged job seekers, workers and neighborhood entrepreneurs; see <http://www.seedco.org/about/>

SOURCES: Annie E. Casey Foundation except where otherwise noted; BACH Baltimore Alliance for Careers in Healthcare; BOC U.S. Bureau of the Census; BNIA Baltimore Neighborhood Indicators Alliance; CASH Baltimore City CASH Campaign; DHCD MD Dept. of Housing and Community Development, Governor’s Homeownership Preservation Task Force Report; DHR MD Dept. of Human Resources, Family Investment Administration; Georgetown “Too close to turn back: Covering America’s children,” December 2006, Georgetown University Health Policy Institute Center for Children and Families HHS U.S. Dep.t of Health and Human Services; JOTF Job Opportunities Task Force; MFB Maryland Food Bank; MHCC Maryland Health Care Commission; MSDE Maryland State Department of Education Office of Child Care; MBTPI Maryland Budget & Tax Policy Institute

BWGC GRANTEES WORKING ON FAMILY ECONOMIC SUCCESS

In addition to its grants to direct service providers, BWGC has made grants to organizations that address financial literacy and asset development (Eden Jobs at New Song, MD Volunteer Lawyers Service, Women’s Housing Coalition, and Chesapeake Habitat for Humanity) as well as advocates for low income families (Advocates for Children and Youth).

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