Following Through on Welfare Reform:
How Savings Could Support Lower-Income Working Families

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About The Home for Little Wanderers

The Home for Little Wanderers is the nation's oldest private, not for profit, child and family service agency and one of New England's largest, providing services to thousands of children and their families through 20 programs each year. The mission of The Home is to ensure the healthy emotional, mental, and social development of children at risk, their families, and communities through an integrated system of prevention, advocacy, research, and a continuum of direct services. For more information, visit www.thehome.org.

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Following Through on Welfare Reform: How Savings Could Support Lower-Income Working Families

Executive Summary

In 1995 and 1996 Massachusetts and the federal government enacted sweeping changes to their welfare laws. Policymakers reasoned that these changes, by redirecting cash assistance funds to work supports, would help lower-income parents earn the incomes they need to support their families. This report looks at the history of program funding for lower-income families, examines whether the new welfare law reduced poverty in Massachusetts, and provides policy options designed to help these families.

Over the past decade there was a dramatic cut in cash assistance payments to lower-income families, but no comparable increase in work supports for former welfare recipients. Even after accounting for modest increases in spending on child care, between 1995 and 2007 there was a net reduction of $588 million, in real dollars, in spending to support lower-income families. These savings from welfare reform were not reinvested in job training and other effective programs that could have helped lower-income working parents to increase their incomes and support their families.

When we compare the declining commitment to lower-income families with the growth of the state economy, we see an even more disturbing picture. Between 1995 and 2007 our economy, as measured by state personal income, grew by 37 percent. When we look at spending on lower-income families as a share of that income, we see that it declined by $1.3 billion. Had the state reinvested a significant portion of those resources in supports that help working parents – such as child care, education and training, and the Earned Income Tax Credit – significantly more families may have been able to work their way out of poverty.

Not surprisingly, with the savings from welfare reform not reinvested in helping lower-income working families, their economic security has not improved.

- While poverty rates in the US fell since 1995, the rate in Massachusetts has remained at about 10 percent of all people living in the state.
- The number of individuals living at or below 200 percent of poverty in Massachusetts hovered around 25 percent between 1995 and 2007.

The final section of the report looks at how the state could recommit funding to helping lower-income earners support their families by:

- expanding access to early education and care;
- improving employment and training including support for higher education;
- expanding the Earned Income Tax Credit (EITC); and,
- building community supports to help lower-income children succeed in school.

For more information visit: www.thehome.org / www.massbudget.org
Section 1: Introduction

In the mid-1990s, Massachusetts and the federal government enacted sweeping welfare reforms. The articulated purpose of reforming the cash assistance program was to encourage lower-income families to find the jobs necessary to get out of poverty. In Massachusetts, the number of families on welfare assistance fell by 57 percent between 1995, when the state made changes to its welfare laws, and 2007. There is little evidence, however, that these reforms have helped most of these lower-income parents earn the wages necessary to support a family in Massachusetts.

Since the passage of Chapter 5 of the Acts of 1995 (the legislation that transformed welfare in Massachusetts), state resources have dramatically shifted away from lower-income families as cash assistance caseloads declined. This paper examines how that shift in resources occurred and policy options the state could consider to help lower-income workers support their families.

Welfare Reform

In 1995 Massachusetts enacted sweeping welfare reforms, renaming the entitlement-based, cash assistance program from Aid to Families with Dependent Children (AFDC) to Transitional Aid to Families with Dependent Children (TAFDC), setting time limits on benefits and imposing stringent work requirements. The new law directs the state to fund child care services for recipient families who are working or participating in education and training activities.

The following year, the federal government enacted the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 which replaced the AFDC programs with the Temporary Assistance for Needy Families (TANF) block grants to states. The new law altered how federal funding is distributed and implemented work requirements and time limits on benefits tied to federal funding.

Under PRWORA, the federal government changed the structure of welfare funding. Rather than providing an open-ended match for state funds as it had in the past, the federal government began providing a fixed amount of money – the TANF block grant – to each state. To receive TANF funds, states must provide funding for benefits and services for lower-income families that equals at least 75 percent of the monies they spent on welfare assistance programs in 1995. There are no provisions for adjusting TANF block grants for inflation or economic downturns.

States can use their respective TANF block grant funds in a variety of ways (e.g., cash assistance, child care assistance, employment supports), within certain guidelines, to help lower-income families achieve economic security. Massachusetts’ TAFDC program is funded by the TANF block grant and by state funds.
Section 2: Fiscal Implications of Welfare Reform

Changes to welfare laws in Massachusetts as well as in the U.S. have significantly altered how Massachusetts supports lower-income families and their dependent children. Prior to 1995, Massachusetts primarily provided monthly cash payments to these families. The new law shifted the focus away from cash payments and towards helping lower-income parents find and keep steady employment. This section looks at the degree to which Massachusetts has maintained its commitment to lower-income families since reforming its welfare laws.

The state provides assistance to eligible lower-income families through four core support programs which we categorize as:

- **AFDC/TAFDC** grants which represent the income supports that Massachusetts provides to families with dependent children under the former AFDC program and the current TANF program.2
- **Employment services programs** under the Department of Transitional Assistance (DTA) that give lower-income families the education and training they need to find work.
- **Other DTA**, which includes the other programs funded by the former Department of Public Welfare and the current DTA.3
- **Child Care**, which includes child care and early education programs, now under the responsibility of the new Department of Early Education and Care (EEC).

**Figure 1**

![Appropriations for Support Programs for Families (Real 2007 $)](chart.png)
Figure 1 indicates the sharp drop in combined spending for the four core support programs that Massachusetts funds to help lower-income families. Measured in 2007 dollars, Massachusetts spent the equivalent of $1.947 billion in 1995 on these four programs. By 2007, that funding declined to $1.359 billion, a drop of more than $588 million. We will see that this decline is even larger when we look at funding for these programs as a share of state personal income, which grew considerably between 1995 and 2007 even after adjusting for inflation.

The decline in monies appropriated to AFDC/TAFDC grants accounts for the greatest drop in funding after the enactment of welfare reform. In October 1994, 106,158 families, most of them mothers with dependent children, qualified for cash assistance under the AFDC program. By October 2007, that number fell to 45,925, a decline of 57 percent. In addition to the reduction in caseloads, the value of the average monthly cash assistance grant fell during this period. Because the grant was never indexed to inflation, its value in 2007 dollars fell from $555 per month in 2000, down to $481 per month in 2007.

Though the stated goal of welfare reform was to move from cash payments to work supports, increases in state spending for employment services and child care did not match the dramatic decrease in funding for income supports. As Table 1 shows, while spending on the cash grants, measured in 2007 dollars, fell from $970 million in 1995 to $290 million in 2007, a drop of $680 million, spending on child care rose from $255 million to $510 million in 2007, an increase of $255 million. The increase in appropriations for child care programs accounts for less than half of the $680 million that Massachusetts saved as demand for cash grants fell.
### Table 1

<table>
<thead>
<tr>
<th>Appropriations: Family Supports in 2007 Dollars</th>
<th>FY95</th>
<th>FY07</th>
<th>Difference</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFDC/TAFDC Grant</td>
<td>969,976,769</td>
<td>289,555,455</td>
<td>-680,421,314</td>
<td>-70.1%</td>
</tr>
<tr>
<td>Child Care/Early Education</td>
<td>254,943,600</td>
<td>510,296,241</td>
<td>255,352,641</td>
<td>100.2%</td>
</tr>
<tr>
<td>Employment Services Program (ESP)</td>
<td>40,320,587</td>
<td>31,487,077</td>
<td>-8,833,510</td>
<td>-21.9%</td>
</tr>
<tr>
<td>Other DTA</td>
<td>682,123,888</td>
<td>527,673,071</td>
<td>-154,450,817</td>
<td>-22.6%</td>
</tr>
<tr>
<td>Total</td>
<td>1,947,364,844</td>
<td>1,359,011,844</td>
<td>-588,353,000</td>
<td>-30.2%</td>
</tr>
</tbody>
</table>

### Trends in Spending on Lower Income Families as a Portion of Our Resources

If the economy in Massachusetts were performing poorly in the years following welfare reform, the state might not have had the revenues it needed to fund work supports for lower-income wage earners. In the late 1990s, however, Massachusetts was benefiting from growth in the national economy. As the section below shows, despite the recession in 2001, the state and national economies grew substantially from 1995 to 2007. Even with growing prosperity during this period, Massachusetts chose not to maintain the same level of commitment to lower-income families in 2007 as it had in 1995.

To illustrate the severity of the drop in the state’s commitment to lower-income families, this analysis examines how Massachusetts allocates funding for core support programs as a share of the state’s total personal income. Looking at spending as a share of state personal income may be a new idea to some readers. Massachusetts’ annual budgets are ultimately choices about how the state chooses to allocate its income. In order to make sense of those choices, a state needs to consider what its total resources are – how much income its people have each year — and compare that to how much it chooses to spend to achieve its various policy goals.

While state appropriations for core support programs decreased considerably between 1995 and 2007, the decline appears even more dramatic when examined in comparison to the growth in the economy over that period. As Figure 3 indicates, the state allocated $1.9 billion to core support programs when the total income earned in the state was $223 billion in 1995. Over the next 12 years, as income earned in the state increased by $83 billion, spending on core support programs dropped to $1.4 billion.
Figure 3

**Personal Income Compared with Family Support Programs**

*FY 1995 - FY 2007*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Appropriations for Family Supports</th>
<th>State Personal Income (SPI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY95</td>
<td>1.9% [307]</td>
<td>223.6</td>
</tr>
<tr>
<td>FY96</td>
<td>1.9% [320]</td>
<td>229.0</td>
</tr>
<tr>
<td>FY97</td>
<td>1.7% [326]</td>
<td>236.9</td>
</tr>
<tr>
<td>FY98</td>
<td>1.6% [260]</td>
<td>248.0</td>
</tr>
<tr>
<td>FY99</td>
<td>1.6% [275]</td>
<td>260.2</td>
</tr>
<tr>
<td>FY00</td>
<td>1.6% [288]</td>
<td>275.4</td>
</tr>
<tr>
<td>FY01</td>
<td>1.5% [285]</td>
<td>285.0</td>
</tr>
<tr>
<td>FY02</td>
<td>1.5% [280]</td>
<td>285.3</td>
</tr>
<tr>
<td>FY03</td>
<td>1.4% [290]</td>
<td>290.9</td>
</tr>
<tr>
<td>FY04</td>
<td>1.4% [297]</td>
<td>297.4</td>
</tr>
<tr>
<td>FY05</td>
<td>1.4% [307]</td>
<td>307.0</td>
</tr>
</tbody>
</table>

Figure 4

**Appropriations for Family Supports**

*as a Share of State Personal Income (SPI) and in 2007 Dollars (in millions)*

*FY 1995 - FY 2007*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>AFDC/TAFDC grant</th>
<th>Child Care/Early Education</th>
<th>Employment Services Program (ESP)</th>
<th>Other DTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY95</td>
<td>0.1% [$307]</td>
<td>0.2% [$614]</td>
<td>0.3% [$921]</td>
<td>0.1% [$307]</td>
</tr>
<tr>
<td>FY96</td>
<td>0.2% [$614]</td>
<td>0.3% [$921]</td>
<td>0.4% [$1,228]</td>
<td>0.2% [$614]</td>
</tr>
<tr>
<td>FY97</td>
<td>0.3% [$921]</td>
<td>0.4% [$1,228]</td>
<td>0.5% [$1,535]</td>
<td>0.3% [$921]</td>
</tr>
<tr>
<td>FY98</td>
<td>0.4% [$1,228]</td>
<td>0.5% [$1,535]</td>
<td>0.6% [$1,842]</td>
<td>0.4% [$1,228]</td>
</tr>
<tr>
<td>FY99</td>
<td>0.5% [$1,535]</td>
<td>0.6% [$1,842]</td>
<td>0.7% [$2,149]</td>
<td>0.5% [$1,535]</td>
</tr>
<tr>
<td>FY00</td>
<td>0.6% [$1,842]</td>
<td>0.7% [$2,149]</td>
<td>0.8% [$2,456]</td>
<td>0.6% [$1,842]</td>
</tr>
</tbody>
</table>
When we combine the data on income growth with the data on spending to help lower-income families, we can see the complete picture of trends in state funding for core support programs as a share of state personal income. In 1995, Massachusetts devoted 0.87 percent of its personal income to helping lower-income families. By 2007, that funding fell by half to 0.44 percent of personal income. This drop is depicted in both percentages and values (in 2007 dollars) on the right vertical axis of Figure 4.

Using the values shown in brackets on the right-hand side of Figure 4 we can quantify the degree to which combined funding for the four core programs (income support, employment services, other DTA and child care) has declined as a share of state resources. In 1995, the state spent 0.87 percent of its personal income on these programs. If the state had continued to spend that share of personal income on these programs, it would be spending $2.7 billion today. Actually, by 2007 state funding as a share of personal income fell to 0.44 percent which amounted to $1.359 billion allocated to these programs. Had the Commonwealth maintained spending as the same share of its resources in 2007 as it had in 1995, Massachusetts would be spending an additional $1.314 billion in 2007 to help lower-income workers provide for their families.

<table>
<thead>
<tr>
<th>Appropriations as a Share of State Personal Income (SPI)</th>
<th>FY95</th>
<th>FY07</th>
<th>Diff</th>
<th>“Savings”</th>
</tr>
</thead>
<tbody>
<tr>
<td>(AFDC/TAFDC grant) / SPI</td>
<td>0.434%</td>
<td>0.094%</td>
<td>-0.340%</td>
<td>-1,042,330,662</td>
</tr>
<tr>
<td>(Child Care/Early Education) / SPI</td>
<td>0.114%</td>
<td>0.166%</td>
<td>0.052%</td>
<td>160,230,288</td>
</tr>
<tr>
<td>Employment Services Program (ESP) / SPI</td>
<td>0.018%</td>
<td>0.010%</td>
<td>-0.008%</td>
<td>-23,877,578</td>
</tr>
<tr>
<td>Other DTA / SPI</td>
<td>0.305%</td>
<td>0.172%</td>
<td>-0.133%</td>
<td>-408,958,986</td>
</tr>
<tr>
<td>Total</td>
<td>0.871%</td>
<td>0.443%</td>
<td>-0.428%</td>
<td>-1,314,936,938</td>
</tr>
</tbody>
</table>

When proposing welfare reform, Governor Weld suggested that the new system would “shift existing resources from cash assistance into day care vouchers, while requiring able-bodied AFDC recipients to find employment. By providing medical benefits and day care, the Department will eliminate the major barriers to work for lower-income families, as repeatedly testified to by current and former welfare clients.”10 Yet as this analysis shows, very little of the money saved by changing eligibility requirements under welfare was reallocated to helping parents find and keep steady employment.

When we look at funding for these core support programs as a share of state personal income, we see decreases between 1995 and 2007 in all areas except for early education and child care. As Table 2 and Figure 4 indicate, the state would have allocated $1.042 billion more to cash grants in 2007 had the same share of personal income been allocated to them in 2007 that was allocated to them in 1995. While funding for early education and child care did increase by $160.2 million as a share of state personal income during the same period, the increase does not come close to either the savings from welfare reform or the need among lower-income families for child care.11 The state would have allocated $23.9 million more for employment services programs in 2007 had the same share of personal income been allocated to them in 2007 that was allocated to them in 1995. The state would have allocated $409 million more to other DTA programs in 2007 had the same share of personal income been allocated to them in 2007 that was allocated to them in 1995. This drop is primarily due to other cash assistance programs such as Emergency Aid to
the Elderly, Disabled and Children (EAEDC) and Supplemental Security Income (SSI) declining or growing more slowly than the economy as a whole.

**Figure 5**

Over the last 12 years there have been significant reductions in funding for cash grants to lower-income families. During that same time, as the state and national economy grew, Massachusetts did not take the opportunity to use both the savings from the drop in funding for cash grants and the resources created by economic growth to create a system of work supports necessary to help lower-income families to climb into the middle class and stay there. What happened to these resources? A limited amount was reinvested in other state programs that everyone counts on: public education, public safety, and infrastructure. But a far larger share was taken out of the state budget and used to pay for tax cuts. Between 1995 and 2007 Massachusetts cut taxes by approximately $2.5 billion. During this period the personal income tax was reduced from 5.95 percent to 5.3 percent, the personal exemption was increased and the tax rate on dividends and interest was cut from 12 percent to 5.3 percent. In addition, there were a series of corporate tax cuts, and further resources were lost because the state failed to close loopholes that allowed extensive corporate tax avoidance.
Section 3: Poverty in MA and the US

“Because work is the one sure path out of poverty, our bill is based on the fundamental principle that able-bodied welfare recipients are better assisted, best served, by being nudged into a paid job or community service.” – Governor William Weld, 1995

Reforms to the state’s welfare laws were intended to help lower-income residents in Massachusetts gain stable employment so that they could provide for their families without relying on cash grants. It is important to look at whether the welfare reforms have helped reduce the number of Massachusetts residents living in poverty.

Since 1995 when Massachusetts changed its welfare laws, the number of cases handled by the DTA has dropped substantially and the state’s economy expanded by more than a third. In 1995-1996, when state and federal welfare reforms passed, the U.S. poverty rate stood at 14.2 percent while 10.4 percent of Massachusetts residents were living in poverty. By 2005-2006 the national rate fell to 12.5 percent. In contrast, poverty in Massachusetts, while still lower than the national rate, actually increased to 11.1 percent. While in this report, we are looking only at the overall poverty rate, a deeper analysis of poverty within specific groups does show a more complicated picture.

Figure 6

Poverty Rates, Massachusetts and the United States, 1990 - 2006
Looking only at the number of people living at or below “poverty” does not give a full picture of how lower-income families are faring both in Massachusetts and in the U.S. Many workers who are earning incomes above the federal poverty level still cannot provide for their families’ basic needs. The federal poverty measure, which was developed in the 1960s, calculated the cost of a family’s food budget and multiplied that number by three to determine the poverty threshold. For instance, in 2006, a family of three living at the federal poverty line earned $16,079 per year.\textsuperscript{15} There are three basic problems with using the federal poverty measure to determine whether a family can make ends meet.

1. It does not account for the cost associated with all of a family’s basic necessities.
2. It does not reflect regional cost-of-living differences.
3. While it is adjusted for inflation, it is not updated to reflect changing realities—for instance many lower-income parents are now employed and need full time child care.

Several organizations have developed measures to determine the income a family must earn to cover the cost of basic needs, commonly referred to as “family budgets.” While the scope of the definition of “need” differs, the common goal is to provide a more realistic picture of what a family must earn to cover basic expenses.

One standard, developed by the Crittenton Women’s Union for Massachusetts, is the Family Economic Self-Sufficiency Standard (FESS) which accounts for several family types, including those with one or two adults and zero, one, two or three children under the age of 18.\textsuperscript{16} The FESS budgets include costs of child care, food, health care, housing, taxes (including tax credits), transportation, and miscellaneous basic personal items. It does not include expenses for eating out, entertainment, paying debt or saving. Unlike the federal poverty thresholds, the FESS budgets reflect regional differences in the cost of living.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|}
\hline
\textbf{Family Type 1: One adult, one preschooler and one school-age child} & & & & & & & & & \\
\hline
\textbf{City} & \textbf{Housing} & \textbf{Food} & \textbf{Child Care} & \textbf{Transportation} & \textbf{Health Care} & \textbf{Other} & \textbf{Taxes} (includes credits) & \textbf{Monthly Total} & \textbf{Annual Total} \\
\hline
Boston & 1,304 & 522 & 1,490 & 71 & 343 & 373 & 742 & 4,844 & 58,133 \\
Springfield & 766 & 504 & 1,207 & 300 & 321 & 310 & 473 & 3,881 & 46,573 \\
Worcester & 857 & 432 & 1,315 & 284 & 316 & 320 & 785 & 4,043 & 48,513 \\
\hline
\textbf{Family Type 2: Two adults, no children} & & & & & & & & & \\
\hline
Boston & 1,111 & 455 & 0 & 142 & 362 & 207 & 474 & 2,751 & 33,014 \\
Springfield & 603 & 439 & 0 & 573 & 341 & 196 & 430 & 2,582 & 30,983 \\
Worcester & 704 & 377 & 0 & 540 & 336 & 196 & 430 & 2,582 & 30,981 \\
\hline
\textbf{Family Type 3: Two adults and two school-age children} & & & & & & & & & \\
\hline
Boston & 1,304 & 773 & 972 & 142 & 397 & 359 & 533 & 4,480 & 53,760 \\
Springfield & 766 & 747 & 793 & 579 & 375 & 326 & 393 & 3,978 & 47,742 \\
\hline
\end{tabular}
\caption{FESS Budgets for Three Family Types in Three Cities in Massachusetts}
\end{table}

\textit{Source: FESS 2006 data obtained from the Crittendon Women's Union}
The FESS standard suggests that workers in Boston need to earn at $58,133, at least three times more than the federal poverty rate to pay for the costs of supporting a family. A similar family in Springfield would need to earn $46,573 which, though lower than Boston, is still considerably higher than the federal poverty threshold of $16,079. Other groups that have developed similar measures to calculate “family budgets” reach similar conclusions.17

Family budgets look at cost of living specific to a geographic region. They are not designed to be used in determining how families are faring in the U.S. as a whole or even within a particular state. Therefore, the twice poverty rate is often used as a “proxy” to measure the minimum income at which a family is no longer considered lower-income.18

**Have more families moved past the twice poverty threshold since welfare reform?**

Recognizing that the federal poverty rate is likely not an adequate measure of the income wage earners need to provide for their families, it is important to look at whether more people are living above the twice-poverty rate (or 200 percent above poverty) since welfare reform was enacted in Massachusetts and the U.S. The overall rate of Massachusetts residents living at or below 200 percent of poverty has hovered around 25 percent between 1990 and 2006. The federal rate, however, has shown a decline from 35 percent down to slightly above 30 percent.

**Figure 7**

![Twice Poverty Rates, Massachusetts and the United States, 1990 - 2006](chart.png)
Section 4: Policy Options: How can the state restore its commitment to lower-income families?

With the enactment of welfare reform, Massachusetts has seen a marked decline in families receiving cash grants. There is, however, very little evidence that these families have succeeded in working their way out of poverty. This is not surprising, because the state did not reinvest much of the savings from the cash grants into work supports for lower-income families. State funds committed to helping lower-income working parents to provide for their families have declined even though personal income in Massachusetts has increased substantially. As a result, the state is not meeting one the critical goals of welfare reform: to help families earn the income necessary to support their families. In this section, we highlight just a few ways that the state could restore its commitment to lower-income families.

This section looks at four types of supports that will help lower-income families gain financial stability. First, as more and more women, especially lower-income women, gain employment, they must find quality child care for their children and they need help paying for that care. Second, the state could boost funding for programs that provide job training and placement skills for parents looking for work. Third, the state could raise the incomes of low wage workers by improving the state Earned Income Tax Credit. Finally, we examine how the state can help children who live in poverty to receive the education necessary to find stable employment as adults.

Child Care

When parents of young children want to – or have to – work, they face an immediate challenge. Who will care for their children while they are at work? When education policy experts examine policies that help all children to succeed academically, they are increasingly finding that access to high quality early childhood education is critical. One solution logically addresses these two needs: expanding access to high quality early education and care.

When AFDC was first created, there was a general public sense that young mothers would stay home to care for their children, and welfare policy followed that model. Over time, that expectation changed. The reforms of the mid-1990s reflected a policy that single mothers should be employed. Yet lower-income mothers entering the work force often find that the costs of child care can make quality care for their children unaffordable. This is an issue not just for women in poverty but for lower income working parents generally. With market rate child care often costing more than $10,000 per child, a single parent with two children would have trouble paying for care for her children even with an income at twice the poverty level ($32,158) or higher.

Massachusetts does provide child care subsidies for working parents with incomes up to 50 percent of the state median income (that is, with incomes up to $35,876 for a parent and two children) and these families are allowed to continue receiving subsidies until their income exceeds 85 percent of the state median ($60,990). But, because of limited funding, this assistance is only provided to some of the families that meet the eligibility requirements.
There are currently over 22,000 children whose families meet the eligibility criteria for child care subsidies, but are on waiting lists.

The Commonwealth could create a system for providing access to affordable and high quality early education and care for all three and four year old children. In addition, the Commonwealth could expand access to quality care for older children.

Scholars who have examined the long-term effects of high quality early education have found that children who have had the benefit of such experiences are thirty percent more likely to graduate from high school than children from similar backgrounds who do not have the same opportunities. In addition, children who experience high quality early education are forty percent less likely to need special education or be held back, and are fifty percent more likely to go to college. The evidence suggests that quality early education and care provide the greatest benefit to children in lower-income families; yet these families can least afford it without assistance through federal or state subsidies.

In addition to the evidence of the educational value of quality early care and education, there is also evidence of that having access to such care for her children makes it easier for a parent to succeed in the workplace. Not surprisingly, when employees have access to reliable care for their children, employers report lower employee turnover, less absenteeism, and greater productivity.

In expanding access to quality education and care for three and four year olds, the state could either create a universal program that serves all children in the state or it could focus on those children whose parents could least afford to pay for such care. Somewhere in between would be a system that makes care available to everyone but requires that fees be paid on a sliding scale based on income. Currently Massachusetts makes child care subsidies available while requiring co-pays from parents. The current system, however, only provides enough funding for a limited number of families. To create a system of universally accessible high quality care for three and four year olds would cost between $458 million and $693 million a year, depending on co-pay levels, the number of families that choose to participate, and the spending per child.

To be able to succeed in the workforce, parents of children older than four often also need care for their children after school. To support these parents’ efforts to work and support their families, the Commonwealth could provide enough funding for child care for children over four who live in families that meet the existing income eligibility requirements.

In addition to the three and four year olds needing care, there are 9,537 children under the age of three, and 6,848 children between five and thirteen whose parents are income eligible for child care support and are on waiting lists, but are not receiving services. To provide affordable child care for these children would cost the Commonwealth about $150 million a year. There are likely also additional children who meet the eligibility requirements but are not yet even on wait lists.

In 1995, Massachusetts made a choice that we expect lower-income parents to work – even if they have children as young as three and no spouse to help care for the children. The challenges
these parents face are similar to those faced by other working parents. But in one way they are much harder: these parents often cannot afford to pay for child care they can count on.

The Commonwealth could take a major step in helping parents who work at lower wage jobs to support their families by making sure that their children have access to affordable and quality care. This would encourage work, and would also dramatically improve the prospects of tens of thousands of children by preparing them for success at school and in life.

2. Education and Training

Even more than in the past, jobs that pay enough to support a family require a high level of skills and education. Any strategy for moving people out of poverty and into the middle class requires a strong commitment to skills training and education. A high school graduate in Massachusetts earns almost 50 percent more than someone without a high school degree – and those with a bachelor’s degree earn more than 60 percent more than high school graduates, as Figure 8 shows. This trend has been becoming more extreme in the past several decades. As Figure 9 shows, thirty years ago someone in Massachusetts who did not have a high school degree earned about 65 percent of what someone with a bachelors degree or more earned. Today that less educated worker earns only about 40 percent of what the more educated worker earns.

By moving people up the education and earnings ladder, Massachusetts can help people get and hold jobs that pay enough to support a family. While high quality public elementary and secondary schools are the foundation of a system that creates a well educated state, there is a spectrum of services that can improve the skills and education of adults: skills programs offered through the department of transitional assistance; workforce training programs that help lower skilled workers move up through career ladders with ever increasing skills and training; adult basic education courses; and community colleges and other higher education opportunities.

Figure 8
Training programs at the Department of Transitional Assistance

As part of the 1995 welfare reform efforts, the state created the Employment Services Program which is designed to offer education, training, and job search assistance to current and former TAFDC recipients for up to one year after their financial benefits cease. As Figure 10 indicates, this program provides both actual education and skills training and other types of employment supports such as job search assistance and help writing resumes.

One type of training for these recipients that has decreased dramatically since welfare reform has been that provided by community colleges. With the passage of welfare reform, enrollment in community colleges among TAFDC recipients fell precipitously from over 7,000 in 1994 to slightly more than 400 by 2006. A prime reason for this is that the time limits imposed by the new welfare law made it very difficult for lower-income working parents to complete a community college degree. In 2004 DTA changed its rules to allow welfare recipients to qualify for education programs as long as such programs provided the student with specific occupational skills.
The Employment Services Program (ESP) has been operating on a limited budget. While funding grew modestly until 2002, it was cut sharply in 2003 and has not been fully restored. In real dollars, the 2007 funding level of $31.5 million is $8.8 million below the 1995 level. Because, as we have seen, our resources as a state have grown since 1995, the cut, when measured as a share of income, is even more severe; had we spent the same share of our state personal income on ESP that we spent in 1995, we would have spent an additional $23.9 million on ESP in 2007.

By restoring employment services to the 2002 funding level, the state could fund an array of education and training programs. These include GED programs, English as a Second Language and Literacy Improvement programs. In addition, DTA could better integrate pre-employment training with ongoing training that helps people climb career ladders and earn rising wages.

**Skills training for people who are employed in low wage jobs**

Of the families in Massachusetts with children who have incomes below 200 percent of poverty, 74 percent include a working adult. To raise their incomes above this threshold and begin climbing into the middle class, many of these lower-income workers need additional education and training to develop the skills employers seek.

While state policy has shifted from providing cash assistance to encouraging work, the state has never made a permanent commitment to use significant state resources to fund skills training for those who need to upgrade their skills. The state has created the Workforce Training Fund, funded by a surcharge on the unemployment tax, to make grants to employers to train their

![Figure 10: Employment Services Program: Participation by Type of Service 2003-2007](image-url)
workers. While this provides real help to employers and incumbent workers, the program largely leaves the unemployed and those who work for employers who are not in the UI system (including hospitals and educational institutions, two of the states major industries) without access to training. Therefore, additional strategies are required to address the skills gap that has left tens of thousands of jobs vacant while many Massachusetts residents are unemployed or underemployed.

One way to attack this problem would be a strategic workforce training initiative that systematically identifies sectors of the economy where vacancies exist and where career ladders to jobs with good wages can be constructed. Of the 90,000 vacant jobs in Massachusetts approximately 80 percent require a high school diploma and 38 percent require an Associate’s Degree or equivalent. Developing a workforce training system that addresses these mismatches and gives all workers, employed or unemployed, an opportunity to get on the path to a job that pays decent wages could both strengthen the state’s economy and give more people the capacity to earn wages that can support a family.

In Massachusetts, a partnership of local foundations and city and state government called SkillWorks has been developing and evaluating innovative programs to provide sector-based workforce training that improves the skills and job opportunities of lower wage workers and, at the same time, increases the number of Massachusetts workers who have the skills being sought by employers in Massachusetts, or considering locating in Massachusetts. The SkillWorks model has been incorporated into the state’s Workforce Competitiveness Trust Fund. There is not, however, any permanent funding for this Trust Fund. Since the skills gap is clearly not a short-term problem that can be solved without a long-term commitment to workforce training, ongoing funding would be needed to improve the long-term strength of the state economy by consistently upgrading the skills of our workers.

A recent whitepaper by SkillWorks provides a very useful overview of challenges in designing a high quality workforce training system and proposed solutions. The paper is available at http://www.massworkforce.com/documents/WSGTaskforceWhitePaper.pdf.

Higher Education for Higher Wages

Increasingly, jobs that pay enough to support a family require at least a two-year college degree. In Massachusetts, however, state funding for higher education has fallen by 17.5 percent since 2001 in real terms. This funding decline has both made it harder for state and community colleges and the University of Massachusetts to provide high quality education, and has led to increased fees for students. Fees at community colleges in Massachusetts have increased 67 percent since the 1995-1996 school year, even after accounting for inflation. Increased fees can reduce access to higher education, particularly for lower income students.

As part of the “Readiness Initiative” Governor Patrick has proposed making two years of community college free for every resident of Massachusetts. This step could dramatically increase access to higher education and establish a new expectation in Massachusetts: that everyone receives six years of education after eighth grade, not four. Depending on how it is
implemented, making two years of community college affordable for every Massachusetts resident could cost between $125.2 million and $543.2 million (and perhaps less).32

Yet even with financial obstacles removed, many young people may not be prepared to succeed in college. For these young people, the state has a choice: help them to prepare for college, or assume that they will never attain the education that good jobs now require. In an effort to develop strategies to support young people who need extra help to prepare for college, the Home for Little Wanderers and Pine Manor College have created a pilot program targeted at children who grew up in foster care. This is a population that has traditionally faced severe obstacles to completing college. Only twenty percent of those who complete secondary school enroll in higher education, and only thirteen percent of children who grow up in foster care graduate from college. Yet seventy percent of teens in foster care have a desire to attend college.33

This pilot program, Academic Support for College and Life, provides the type of intensive support that many young people may need to be prepared to succeed in college. It provides a year of college preparatory instruction, computer skills development, staff-supported study hours, academic skills assessment, and mentors from the community and from Pine Manor, career counseling, and other life skills as well as academic and clinical supports.

Tailoring programs that help all of our young people to receive the education they need to succeed is a significant challenge for the state. Providing the level of supports some people need may entail significant costs. But a real commitment to helping all of our people to develop the skills they need to succeed will require both careful cost benefit analysis of available strategies and a willingness to invest in the education and training of both young people and adults.

3. Rewarding Work for Lower-Income Families

Wages for workers in the bottom fifth of the income distribution have remained relatively flat since 1990. In 1990, the inflation-adjusted hourly wage of these workers was $10.42. By 2006, the 20th percentile wage dropped to $10.08. The fact that wages at the bottom of the income distribution have not risen over time creates a problem for policymakers who want to encourage people to work. One way to reward and support work is to use the tax code to increase the incomes of lower-wage workers. That is what the Earned Income Tax Credit does.
The Earned Income Tax Credit (EITC) is a tax credit for individuals and families with low earnings. Enacted in 1975 and expanded four times by the federal government since then, the EITC encourages people to work by increasing the income they earn when they do so.

To understand how the EITC works, it is helpful to look at an example. For a married couple with two or more children, the EITC provides a credit of 40 percent of the family’s first $11,790 of earnings. The dollar value of the credit stays constant, at $4,716, for these families when their earnings are between $11,790 and $15,390. (This income range is therefore referred to as the “plateau” for the credit.) The dollar value of the credit begins to decrease when earnings exceed $15,390. Specifically, the value of the EITC is reduced – or is “phased-out” – by 21.06 percent of the amount by which these families’ earnings exceed $15,390. For instance, the EITC for a married couple with two children and earnings of $25,000 would be $2,692 in tax year 2007.

The federal EITC is a “refundable tax credit.” A “refundable tax credit” is one which individuals and families receive even if they owe no taxes in a given year. If a family’s EITC is larger than the amount of income taxes it owes, that family receives a refund check for the difference.
Twenty-three states\(^3\) (including Washington, DC) currently augment the federal EITC with their own state-level EITCs. This is over half of the 42 states (again including DC) with income taxes.\(^5\) In addition, local EITCs have been enacted in New York City and Montgomery County in Maryland.

State EITCs are typically worth between 15 and 35 percent of the federal credit. Seven of the states offering their own EITCs—Kansas, Maryland, Minnesota, New Jersey, New York, Vermont and the District of Columbia—now offer a credit that is both refundable and *greater than* 15 percent of the federal EITC. Moreover, four of these states—Minnesota, New York, Vermont and the District of Columbia—offer refundable credits equal to *at least* 30 percent of the federal credit.

Table 4. EITC Parameters (2007)

<table>
<thead>
<tr>
<th>Single/Heads of Households</th>
<th>Minimum Credit</th>
<th>Maximum Credit</th>
<th>Phaseout Rate</th>
<th>Beginning</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Children</td>
<td>0.0765</td>
<td>5,590</td>
<td>0.0765</td>
<td>7,000</td>
<td>12,590</td>
</tr>
<tr>
<td>1 Child</td>
<td>0.3400</td>
<td>8,390</td>
<td>0.1598</td>
<td>15,390</td>
<td>33,241</td>
</tr>
<tr>
<td>Two Children</td>
<td>0.4000</td>
<td>11,790</td>
<td>0.2106</td>
<td>15,390</td>
<td>37,783</td>
</tr>
</tbody>
</table>

Note: For married taxpayers who file their taxes jointly, both the beginning and ending of the Phaseout Range are $2,000 above listed values.
### TABLE 5: STATE EARNED INCOME TAX CREDITS BASED ON THE FEDERAL EITC

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage of Federal Credit (Tax Year 2007 Except as Noted)</th>
<th>Refundable?</th>
<th>Workers Without Qualifying Children Eligible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware</td>
<td>20%</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>35%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Indiana&lt;sup&gt;a&lt;/sup&gt;</td>
<td>6%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Illinois</td>
<td>5%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Iowa</td>
<td>7%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Kansas</td>
<td>17%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Louisiana</td>
<td>3.5% (effective in 2008)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Maine</td>
<td>5%</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Maryland&lt;sup&gt;b&lt;/sup&gt;</td>
<td>20%</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>15%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Michigan</td>
<td>10% (effective in 2008; to 20% in 2009)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Minnesota&lt;sup&gt;c&lt;/sup&gt;</td>
<td>Average 33%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Nebraska</td>
<td>8% (to 10% in 2008)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>New Jersey</td>
<td>20% (to 22.5% in 2008, 25% in 2009)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>New Mexico</td>
<td>8%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>New York&lt;sup&gt;d&lt;/sup&gt;</td>
<td>30%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>North Carolina&lt;sup&gt;e&lt;/sup&gt;</td>
<td>3.5% (effective in 2008)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>5%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Oregon&lt;sup&gt;f&lt;/sup&gt;</td>
<td>5% (to 6% in 2008)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>25%</td>
<td>Partially&lt;sup&gt;g&lt;/sup&gt;</td>
<td>Yes</td>
</tr>
<tr>
<td>Vermont</td>
<td>32%</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Virginia</td>
<td>20%</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>4% — one child</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>14% — two children</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>43% — three children</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: From 1999 to 2001, Colorado offered a 10% refundable EITC financed from required rebates under the state’s “TABOR” amendment. Those rebates, and hence the EITC, were suspended beginning in 2002 due to lack of funds and again in 2005 as a result of a voter-approved five-year suspension of TABOR. Under current law, the rebates will resume in 2011, but a recent income tax cut that also depends on the rebates is likely to exhaust the funds, leaving the EITC unfunded.

<sup>a</sup> Indiana's EITC is scheduled to expire in 2011.

<sup>b</sup> Maryland also offers a non-refundable EITC set at 50 percent of the federal credit. Taxpayers in effect may claim either the refundable credit or the non-refundable credit, but not both.

<sup>c</sup> Minnesota's credit for families with children, unlike the other credits shown in this table, is not expressly structured as a percentage of the federal credit. Depending on income level, the credit for families with children may range from 25 percent to 45 percent of the federal credit; taxpayers without children may receive a 25 percent credit.

<sup>d</sup> Should the federal government reduce New York's share of the TANF block grant, the New York credit would be reduced automatically to the 1999 level of 20 percent.

<sup>e</sup> North Carolina's EITC is scheduled to expire in 2013.

<sup>f</sup> Oregon's EITC is scheduled to expire in 2011.

<sup>g</sup> Rhode Island made a very small portion of its EITC refundable effective in TY 2003. In 2006, the refundable portion was increased from 10 percent to 15 percent of the nonrefundable credit (i.e. 3.75 percent of the federal EITC).
The Massachusetts EITC

The Massachusetts EITC, currently worth 15 percent of the federal EITC, has become more valuable over time. When the Massachusetts EITC was enacted in 1997, it was worth 10 percent of the federal EITC. In 2001, the credit was increased to 15 percent. Like the federal EITC, the Massachusetts EITC is refundable. State-level EITCs are refundable in all but three of the 23 states that have an EITC.

In FY 2005, the most recent year that this tax data is available, 334,830 Massachusetts tax filers claimed the state EITC and the credit cost the Commonwealth $85.4 million in that year. The value of the credit in that year was $255 on average. The Department of Revenue’s forecasted cost estimate for fiscal year 2008 is $90.1 million.37

Increasing the Value of the Massachusetts EITC

The state could further reward work among the roughly 335,000 lower-income families that claim the EITC by joining the ten states that already have an EITC that exceeds fifteen percent of the federal EITC. Table 6 shows the costs of increasing the state EITC to 20 percent, 30 percent or 40 percent of the federal credit. It also shows how much each of these options would increase the incomes, on average, of the 335,000 families that benefit from this tax credit.

Table 6

<table>
<thead>
<tr>
<th>EITC Options</th>
<th>Total cost in FY08 (in millions)</th>
<th>Additional cost (in millions)</th>
<th>Average credit per family</th>
</tr>
</thead>
<tbody>
<tr>
<td>15% (current level)</td>
<td>90</td>
<td>-</td>
<td>255</td>
</tr>
<tr>
<td>20%</td>
<td>120</td>
<td>30</td>
<td>340</td>
</tr>
<tr>
<td>30%</td>
<td>180</td>
<td>90</td>
<td>510</td>
</tr>
<tr>
<td>40%</td>
<td>240</td>
<td>150</td>
<td>679</td>
</tr>
</tbody>
</table>

4. Building Community Supports for Lower-Income Children

According to recent statistics, the majority of lower-income children, those living at or below 200 percent of poverty, live in households where the primary wage earner does not have a high school diploma.38 One of the long-term goals of any effort to reduce poverty is to provide children growing up in lower-income families with the education they need to achieve economic security as adults.39

Children who live in poverty often face extensive hardships that schools alone cannot address.40 Classroom teachers are often frustrated by the lack of support necessary to do their jobs well.41 Preventative programs that link schools with human service agencies can help stabilize lower-income students so they remain in school and receive an education that allows them to earn the wages necessary to climb out of poverty.

The Department of Social Services (DSS) and its umbrella agency the Executive Office of Health and Human Services (EOHHS) have developed some promising preventative programs
that help vulnerable children and their families remain stable so that the children remain in school.

Educators are recognizing that they cannot rely solely on instructional strategies to raise the achievement of a lower-income student who faces serious challenges outside of school. Yet a classroom teacher, who may recognize that one of his or her students is heading for trouble, is unable to bring in the Department of Social Services (DSS) to help that child until a 51A or CHINS is filed. In addition, schools do not always have the resources to address the socio-emotional needs of their students.

One of the preventative programs that the state created in 2006 is the EOHHS-Schools Initiative. The Department of Education, Department of Mental Health and DSS have invested $1.3 million to provide grants ranging from $125,000 to $50,000 to four urban districts, four suburban districts and four educational collaboratives in Massachusetts. Districts use the funds to work with one to three schools to develop the capacity to improve implementation of school-wide preventative and early intervention services. With these grants schools are creating integrated support networks which include state and community resources to identify and provide support for those students most at risk as well as help all of the students in the school achieve success. The grant program encourages schools to create a collaborative environment with the parents and the community so that students receive the support and stability necessary to boost their achievement and stay in school.

In another effort, DSS’ Adolescent Team joined with Attleboro High School in an effort to identify students whose risky behavior may result in the filing of a CHINS petition and/or the removal of that child from his or her home. The team meets monthly at the school with representatives from probation, the police, and community agencies to talk about these students and determine the services that they may need to remain stable and stay in school. The Adolescent Team within the DSS offers voluntary services to the families of the children identified by the teams. In the two years since the program began no family has turned down these services and the number of children placed in long term residential care by the DSS Adolescent Team has dropped from twenty down to five. The success of the program has led the school system to ask for similar meetings and intervention at the middle school level.

While these programs are new, they hold promise in uniting state and local resources to give teachers and schools the assistance to help students living in poverty. These measures seek to streamline services that schools and human service agencies provide at-risk students so that trauma can be averted.
Appendix A

Core Support Programs for Low-Income Families

AFDC / TAFDC
AFDC/TAFDC grant
Child Support Payment Retained Revenue

CHILD CARE / EARLY EDUCATION
Office for Children/Department of Education/Department of Early Education and Care
Federally-funded grant: At-risk child care

EMPLOYMENT SERVICES
Employment Services Program (ESP)
Retained Revenue Account for ESP
Federally-funded grant: MassJOBS

OTHER PROGRAMS WITHIN THE DEPARTMENT OF PUBLIC WELFARE / DEPARTMENT OF TRANSITIONAL ASSISTANCE
Emergency Rent Arrearage Program
Emergency Aid to Elderly, Disabled and Children
DTA admin
DTA caseworker payroll
DTA Domestic Violence Specialists
DTA Benefits Costs
Lift Transportation Program
Supplemental Transitional Aid to Families with Dependent Children
Emergency Rent Arrearage Program*
Structured Settings for Teen Parents
Emergency Assistance-Family Shelters & Services*
Nutritional Assistance for Qualified Immigrants
State Supplement to Supplemental Security Income
Prior Year's State Supplement for SSI Grant Recipients
Homeless Individuals Assistance
Residential Assistance for Families in Transition (RAFT)*

*Note: Emergency Rent Arrearage program was split in to RAFT and part of the Emergency Assistance-Family Shelters & Services line item.
Appendix B

State Comptroller’s analysis of “Public Assistance” Spending between 1995 and 2007

In the body of this report, we look at budget appropriations for the four core support programs that provide assistance to lower-income families. Data from the Office of the Comptroller, which looks at actual spending on these programs at the end of each fiscal year, reflects a similar trend. In its annual report on state spending, the Comptroller shows a significant drop in within its “Public Assistance” category.\(^{45}\) According to the Comptroller’s totals for 1995 the state spent $1.095 billion on public assistance programs. In 1995, the Comptroller did not include child care spending within its “Public Assistance” category. Instead that spending was accounted for in the Department of Education and Office of Children categories. Because child care is not included in the Comptroller’s data for 1995, our analysis of the Comptroller’s spending data for 2007 also excludes any funding for child care so that we can make a real comparison between spending in comparable programs during this 12 year period. By 2007, funding for public assistance programs, other than child care, fell to $751 million.\(^{46}\) Looking at all spending for programs, with the exception of child care/early education, within the Comptroller’s “Public Assistance” category as a share of personal income we find that the state’s commitment to lower-income families fell from 0.66 percent in 1995 to 0.24 percent by 2007. Had the same share of state personal income been devoted to these programs in 2007 as it had in 1995, the state would have spent $1.3 billion more on public assistance in 2007.
Programs Included within the Office of the Comptroller’s “Public Assistance” Category

EBT system
Federal PRWORA Compliance Reserve
Employment Support Services
Vocational Services for TAFDC
Transitional Assistance Admin
Domestic Violence Specialists
Employment & Training Services
ESP Food Stamp Reimbursement
TAFDC Grant Payments
Lift Transportation Program
Rent Arrearages
Provision of Structure
Family Shelters \ Transitional Assistance
Substance Abuse
TAFDC Outreach
TAFDC Case Management
Teen Structured
Homeless Families
Employment Service and Employment Assistance Programs
Access to Jobs
Emergency Shelters
Mass Jobs Council
Job Link
Homelessness Interception Program
Cape Cod LHA housing
Hurricane Katrina - child
Emergency Aid
Supplemental Social Security Income, including State Supplement
Supplemental Social Security Income Prior Year
Adult Blind Assistance
Direct Old Age Assistance
OCCS Provider Rate Increase
Department of Early Education and Care Administration
Childcare Resource & Referral
Supportive Child Care
Low-Income Vouchers
Quality Expenditures
Child Care Admin Services
Field Operations & Licensing
Child Care Quality Improvement
Child Care Programs for Low-Income Families
Regional Child Care Admin
Welfare Reform-Child Care
Post Transitional Care
Day Care Services
Supportive Day Care
Informal Child Care
Endnotes

1 In Massachusetts, TANF spending is allocated across five agencies: Department of Transitional Assistance (TAFDC, Employment Services, Emergency Assistance, Housing Assistance); Department of Early Education and Care (income child care, informal voucher child care, post-transitional child care, Children’s Trust Fund); Department of Social Services (structured teen living); Department of Public Health (teen pregnancy program); Department of Revenue (state earned income tax credit). In addition to the allocation across these agencies, a portion of the TANF block grant is transferred to the Child Care Development Fund and the Social Services Block Grant.

2 Throughout this report, the AFDC/TAFDC grant is also referred to as cash assistance or income support.

3 This category includes some programs that support low-income which have moved to other departments since 1995, when TAFDC passed. For instance, the Residential Assistance to Families in Transition (RAFT) which is now part of the Department of Housing and Community Development was part of DTA’s Emergency Rent Arrearage Program in 1995.

4 All information in this section about appropriations and spending is stated in terms of fiscal years. The terms “appropriation” and “spending” are used interchangeably, unless otherwise noted. Appropriations include the original budget passed by the legislature and signed by the governor as well as any subsequent supplemental or deficiency budgets that were passed and signed.

5 The funding streams for core support programs analyzed in this report include state funds as well as two federal sources: TANF block grant and the Child Care Development Fund.

6 The average cash grant provided by the DTA depends on the size of the family and whether or not the family complies with the requirements associated with the grant. Recipients who do not comply may lose a share of their grant.

7 The DTA began recording the average cash grant in 2000. In that year the average cash grant was $555 in 2007 dollars. The value of the grant, with the 10 percent adjustment in 2001, increased to $591 and then fell to $481 by 2007.

8 State personal income is the sum of wage and salary disbursements, supplements to wages and salaries, proprietors’ income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts (which includes payments from the government to individuals for which no current services are performed, such as unemployment insurance payments), less contributions for government social insurance. In this report, state personal income has been adjusted to reflect the Commonwealth’s fiscal year. The terms “state personal income” and “personal income” are used interchangeably in this report.

9 State personal income is defined by the US Department of Commerce as “the income received by all persons in a given area from all sources.” State personal income does not include income derived from capital gains, which if counted, would provide a still better depiction of the resources within Massachusetts. Source: Memo, New England Public Policy Center at the Federal Reserve Bank of Boston. 2006.


11 As of August 2007, there were 22,463 children waiting for subsidized child care, including 9,537 infants and toddlers, 6,078 pre-school children and 6,848 school-age children. See page 23 for information on the cost of eliminating this waitlist for child care assistance.


14 For instance, child poverty rates in Massachusetts fell from 17 percent in 1995 to 13 percent in 2007. This drop could be attributed to welfare reform, an increase in the state’s minimum wage and changes in the national economy. The number of Massachusetts residents living at 50 percent of poverty increased by more than half during the same period: from 5.1 percent in 1995 to 8.4 percent in 2007. These conflicting results, which go beyond the scope of our study, may require further analysis to truly understand how state policies affect specific poverty rates within the state. The data is clear, however, that the percentage of families living in poverty has not changed in the years since welfare reform.
Following Through on Welfare Reform


16 To calculate a family budget using the Crittenton Women’s Union model, go to http://www.liveworkthrive.org/calculator.php.

17 Two other groups have produced family budgets and have provided user-driven tools on their web sites. The Economic Policy Institute created a measure called Basic Family Budgets which includes housing, food, child care, transportation, health care, other necessities (including clothing, personal care expenses, household supplies, reading materials, school supplies, and other miscellaneous items), and taxes. (http://www.epinet.org/content.cfm/datazone_fambud_budget). The National Center for Children in Poverty (NCCP) at Columbia University built its Basic Needs Budget on the EPI’s budget by including a variable which adjusts a family budget to reflect the age of the children in that family (http://nccp.org/tools/frs/).


20 Reynolds, Arthur, PhD; Judy A. Temple, PhD; Suh-Ruu Ou, PhD; Dylan L. Robertson, PhD; Joshua P. Mersky, PhD; James W. Topitzes, PhD; Michael D. Niles, PhD., *Effects of a School-Based, Early Childhood Intervention on Adult Health and Well-being: A 19-Year Follow-up of Low-Income Families*, Archives of the Pediatrics and Adolescent Medicine, 2007, Vol. 161, pages 730-739. Available at http://archpedi.ama-assn.org/cgi/content/full/161/8/730.


24 This estimate assumes that infant and toddler care is reimbursed by the state at $50 per day and after-school care for school age children is reimbursed by the state at $15 per day. This estimate assumes that families use 260 days of care.


26 Ibid, pg. 3

27 Under the Unemployment Insurance (UI) Law, non profit institutions and governments do not have to pay into UI funds. They are also generally not eligible for training under the Workforce Training Fund. For cites in the MGL go to http://www.mass.gov/legis/laws/mgl/151a-14a.htm. Regulations governing the Workforce Training Fund are available at http://www.mass.gov/rdlwdterminal&L=3&L0=Home&L1=Employers&L2=Workforce+Training+Fund+(WTF)&sid=Edwd&b=terminalcontent&f=employers_wtf_regs&csid=Edwd.


29 M.G.L. Ch. 29, sec. 2WWW.

30 Funding for higher education dropped by 17.5 percent between 2001 and 2008.

31 Massachusetts Board of Higher Education. Historical tuition and fee data are available at http://www.mass.edu/forinstitutions/fiscal/tuitionfeetrends.asp.


34 These include: Delaware, Indiana, Illinois, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Rhode Island, Vermont, Virginia and Wisconsin.


36 Reprinted with permission from the Center on Budget and Policy Priorities.


39 Low-income children are those who qualify for free and reduced lunch, food stamps or TANF. Currently, some of the cities with the highest percentage of low-income children in their schools (Boston, Fall River, Lowell, New Bedford, Springfield and Worcester) have a low-income student population averaging 68 percent of the school population. The low-income population served by all schools in the state is 28.9 percent. District and school profiles are available at www.doe.mass.edu.


42 Chapter 119, Section 51A of the MGL requires that a report be filed if a child is considered in risk of harm or substantial risk of harm. Available at http://www.mass.gov/legis/laws/mgl/119-51a.htm.

43 A Child in Need of Services (CHINS) petition is filed when parents and school officials need help in dealing with troubled youth. The person filing the CHINS petition must show the judge that the child regularly runs away from home; or constantly disobeys the commands of a parent or legal guardian; or misses school on a regular basis; or constantly fails to follow school rules.

44 More information about this program is available at http://www.mass.gov/Eeohhs2/docs/dss/educators_newsletter_spring06.rtf.

45 The Comptroller’s report differs from this analysis in a number of ways. First, it provides actual spending, rather than funds appropriated by the state. These numbers can differ because spending over the course of the year may be less than the amount that was appropriated. If caseloads for a program fall, for example, the state will have money left over at the end of the year. Second, the budget line-items included in the Comptroller’s “Public Assistance” category vary from the core support programs. See Appendix B for a listing of programs within the Comptroller’s report on “Public Assistance” spending.

46 Because the Office of the Comptroller did not begin to include child care funding within its “Public Assistance” category until 1997 and this analysis needs to look at comparable categories between 1995, the year before state welfare reform passed, and 2007, we eliminated child care from our analysis within the Comptroller’s “Public Assistance” category. It is important to note that Child Care is the only core support program which saw an increase in spending, so the chart somewhat overstates the overall drop in spending for “Public Assistance” during this period.
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