Battling Poverty in the Golden State

Recommendations for the California Statewide Poverty Commission

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Background

The Census's 2009 poverty data revealed that 43.6 million Americans or 14.3 percent lived in poverty last year. This is the largest number since the Census started keeping track in 1959. Moreover, more than 100 million Americans or 33 percent were low income, barely scraping by and living below 200 percent of poverty, or $44,000 a year for a family of four. The Recovery Act averted an even greater crisis by keeping millions of Americans afloat last year. But these numbers demand urgent action to rebuild our middle class.

Even before the Great Recession persistent poverty spurred many states to develop action plans for dramatic poverty reduction. Many states established state poverty commissions or set poverty reduction goals that bring stakeholders around a common vision for creating greater economic opportunity. These bodies are often based out of the state legislatures in partnership with nonprofit and private-sector partners. They recognize that to comprehensively grow the state's economy and ensure competitiveness they have to tackle poverty. Since 2003 around 20 state governments have established a commission and fully 10 states have set a poverty target according to a Center for Law and Social Policy analysis.

Severe fiscal crises have challenged many of these efforts. States are struggling to maintain current services and programs in the recession—never mind think about a comprehensive plan to reduce poverty. Yet it is exactly during times of economic distress that states must convene stakeholders to stop the bleeding and provide a vision to move forward.

California is the latest state to undertake such an effort. They recently suffered deep budget cuts that slashed antipoverty programs. Gov. Arnold Schwarzenegger cut nearly $1 billion from the state budget in October 2010—much of it from programs that serve low-income families. The CalWORKs program, California's version of Temporary Assistance for Needy Families, suffered a crushing cut of $256 million, including cuts to child care for working families. Still, the County Welfare Directors Association of California is moving forward with a plan to convene a statewide symposium on poverty to explore demographic and regional concerns, policy solutions, and best practices. The plan was conceived even before the most recent budget cuts.

This is not the first time California has sought to develop a comprehensive plan to reduce poverty. The 2006 California legislature passed a measure to halve child poverty by 2016 and eliminate it entirely by 2026. Gov. Schwarzenegger vetoed the target-setting measure but advocates and some legislators remain undaunted. In the intervening years versions of the bill were introduced and in the last legislative session the California Economic Security Task Force bill called for cutting poverty in half by 2020.

The measure hasn't passed, but advocates are moving forward on many fronts. They are reaching out to the public to broaden the base of advocates for building up the middle class and reducing poverty.

We offer the following best practices and strategies learned from other state poverty commissions in anticipation of the upcoming California Poverty Symposium.

Strategies for statewide antipoverty commissions

Partner with the federal government

States will encounter a tight fiscal environment over the next several years as they work to meet poverty-reduction targets. The Great Recession squeezed state budgets, and revenues dropped precipitously at the same time that people had an even greater need for services. In the near term states need to move swiftly on income support strategies that put no or low costs onto the strapped state budget. This is the "low-hanging fruit."

A key way for states to increase services to struggling families is to maximize federal funds. The federal government pays 100 percent of the benefits for the Supplemental Nutrition Assistance Program also known as food stamps (there is some state sharing of administrative costs). Around the nation states are tapping SNAP in response to the Great Recession. The program has grown from 29 million to 42 million people between July 2008 and July 2010.

SNAP helps families put food on the table when their wages have diminished or disappeared, and it fuels local economies by getting dollars flowing into groceries and markets. The multiplier effect is significant: Each dollar of federal SNAP benefits generates $1.79 in economic activity. That's important even when the state is flush. When the state's in a slump it should be a priority.

Some states are doing better than others at bringing in federal SNAP dollars. California has admirably administered SNAP, but the state could take more steps to reach people in need. For instance, only 10 percent of SNAP-eligible California seniors get nutritional help from the program. The state ranks lowest in the nation at reaching the total eligible population: An estimated 3 million eligible people are without help from SNAP. This includes numerous newly unemployed or underemployed families.

Steps to improve outreach, enrollment, and participation rules help make SNAP available to those who are eligible for it. Collaborations between the state government and food banks in California have been designed to increase participation. But the state needs to conduct more outreach to engage the eligible population, including targeting groups such as elders and workers.

Part of the reason eligible people do not receive help is that the state still operates with outmoded rules. The quarterly recertification process for participants in California is among the most burdensome in the nation. It takes both the time of government agency staff and dissuades those who need SNAP but can't afford to go through the hassle and headache of recertification. And the state has yet to take advantage of creative ways to streamline the system. A set of policy changes have improved participation rates in New York City, including a strategy to enroll working families by waiving the in-person application.

Another important way to help low-income families that places relatively little stress on the state budget is increasing outreach for the earned income tax credit, or EITC. A recent report from the New America Foundation found that the EITC has a significant impact on California's economy, with 2.4 million residents claiming nearly $5 billion in tax refunds. As low-income workers spend their tax refund in the economy they create $5.5 billion in sales for California businesses, which brings $390.5 million in tax revenue to California's state and local governments and creates 33,000 jobs.

The report, however, also notes that last year one in five eligible Californians or 800,000 state residents failed to claim their EITC, with $1.2 billion in tax refunds left on the table. The average EITC refund would have amounted to approximately $1,400, which can make a big difference to a low-income family. The EITC also affects California's overall economy because the $1.2 billion in unclaimed EITC translates into $1.4 billion in lost sales in California and 8,200 jobs that could have been created. The New America report provides helpful breakdowns for counties within the state as well.

California already boasts a number of innovative EITC outreach efforts, including efforts by Maria Shriver to draw attention to the benefits. And efforts are underway to organize a statewide collaborative to help promote information sharing, capacity building, and coordination in EITC outreach. But unlike several other states, including Illinois, Virginia, North Carolina, and Delaware, there has not been a consistent source of state funding to support EITC outreach. Just designating a small amount of dollars on a consistent basis to coordinate public outreach and support free tax assistance programs could help increase the number of eligible Californians who claim their EITC and help boost the state's economy.

Pursue other low- or no-cost budget strategies that can shore up struggling families

Other steps mostly "off budget" can help families when state coffers aren't full. California, for example, has led the nation in implementing "work share," an important means to avert layoffs. Under this program, when employees' hours are reduced, unemployment insurance can help fill in for the fewer hours. Fewer than 20 states operate such programs despite their effectiveness.

Federal Reserve Chairman Ben Bernanke has noted, "work sharing arrangements can help to reduce some of the economic costs associated with the loss of worker skills during periods of high unemployment as well as diminish the detrimental effects that high unemployment rates can have on local communities."

California established the nation's first work-sharing program in 1978 and expanded it significantly in response to the Great Recession. About 80,000 individuals were in the work share program in 2008. By October 2009 fully 183,000 workers were enrolled. Since unemployment insurance is funded by employer contributions the state budget is largely untouched when the program expands.

California's leadership is needed to support a pending national bill that, if passed, would finance all work-sharing benefits paid to employees for up to 26 weeks through a two-year measure called the "Keep Americans Working Act" (S. 1646). It's a way for the state to help both employers and employees.

Another low- or no-cost policy to reduce poverty is to protect workers' income and make sure employers follow the law and don't keep hard-earned dollars that belong to workers. This is known as "wage theft," and a common wage theft practice is to not pay overtime or a minimum wage.

Wage theft is unfortunately not uncommon, and low-wage workers lose a significant amount of money from it. A study of Los Angeles, Chicago, and New York found that nearly three out of four of those who worked overtime did not get paid for it. The study estimated that about 15 percent of their wages were stolen. Tackling wage theft has enforcement costs, but developing pilots now would go a long way toward battling theft in the future.

Finally, rules that rein in payday lending fees would help families struggling with laws that allow an annual percentage rate on these loans of up to 456 percent. California should join with 16 states and the District of Columbia that control payday lending by enforcing interest-rate caps. The federal government now uses a 36 percent rate for the military.

Partner with the business community

Many state and city poverty commissions across the country are successfully teaming up with the business community. Businesses have a strong stake in reducing poverty in their communities and home states because a larger middle class means more purchasing power that translates into greater demand for their products and services.

Businesses also view poverty reduction as a workforce issue. Children who grow up poor are more likely to drop out of high school and less likely to possess entry-level job skills. Recent studies reveal that even though the unemployment rate has hovered near 10 percent for too long, employers are finding a mismatch between applicants' skills and the jobs. In part that's because new hires are expected to the take on the expanded tasks absorbed by workers in the Great Recession. Businesses need a well-educated and well-trained workforce, and they are increasingly becoming involved in issues such as early childhood education and workforce development because it's the right thing to do and good for their bottom line.

Further, the business community brings an important perspective and expertise to job creation and job training that can help low-skill workers transition into careers in growing sectors. Over the past 18 months more than 30 state governments have partnered with the business community to create over a quarter-million subsidized jobs through a Recovery Act program known as the TANF Emergency Fund. In California alone this program created 45,000 jobs.

This fund has helped small businesses expand in a difficult economic climate and at the same time provided low-income workers with a foothold in the labor market. The TANF Emergency Fund expired on September 30, but California could help revive it by ensuring supportive employers make their voice heard loud and clear when Congress is in session. The jobs are too important to walk away from.

State governments and nonprofits can draw on several best practices as they seek to partner with the business community in establishing and advancing the recommendations of poverty-reduction commissions. Step Up Savannah, for instance, has had enormous success engaging businesses in poverty reduction. It's a collaborative of organizations, businesses, and government agencies that works to move families toward economic self-sufficiency. Their executive director, Daniel Dodd, shared key insights for success in partnering with the business community in a briefing for the Half in Ten campaign earlier this year:

- **Meet businesses where they are.** Businesses exist to make a profit, and they are unlikely to take actions that are bad for their bottom line. State governments and nonprofits should therefore survey and profile employers as they work with businesses to connect low-income workers to jobs or training. Find out what businesses need and expect from their employees and which sectors are poised for the most growth in the target regions. This information can inform the poverty commissions' recommendations and subsequent implementation of job training for low-income workers.

- **Work with business owners to sensitize them to low-income workers' needs.** Step Up Savannah uses a technology platform to run "poverty simulations" for members of the business community to help them understand some of the challenges their low-income workers face. Business leaders spend a few hours participating in the simulation.

Daniel Dodd emphasized that businesses came to better understand issues such as:

- Workers' tardiness due to unreliable public transportation since many low-income workers do not have access to a car
- Last-minute shift changes due to a breakdown in patchwork child care arrangements because quality center-based care is unaffordable
- Needing to take time off during work hours to go to a food stamp office to update information

Two positive changes can occur as businesses better understand their workers' needs. First, businesses can adopt better and more flexible practices to retain workers since retraining new workers can often be more costly than implementing more flexible practices for existing employees. Other businesses provide information to their employees about work supports or benefits they may be eligible for such as the EITC.

Second, the business community can become a valuable ally in pushing for policies to help retain their workforce such as funding for better bus schedules and easing administrative burdens for recipients of public benefits so that much of the paperwork can be accomplished online and not during work hours.

Quantify your recommendations' impacts

The Half in Ten campaign has called for a goal to cut the national poverty rate in half in 10 years. This is not some pie-in-the-sky target, but a goal within reach if we muster the political will to make sensible policy reforms.

Half in Ten is based on a report from our partner, the Center for American Progress, which provided a comprehensive plan to achieve that goal. CAP contracted with the Urban Institute to model just four of its recommendations: raising the minimum wage; improving the EITC and child tax credit; and ensuring that child care assistance is more broadly available. The results showed that these four policies alone would cut poverty by 26 percent over the next decade.

Other states such as Minnesota and Connecticut have modeled the impact of specific public policies on their states' poverty rate and used the data to point to the feasibility of the target and to build the political and public will to adopt the solutions. California should consider partnering with foundations to commission similar research.

Conclusion

State poverty commissions and targets are an important way for states to leverage resources and develop a coordinated plan to respond to growing economic distress. Even in times of fiscal crisis California should consider strategies such as:

- Improving outreach for federally funded benefits such as SNAP and the EITC, both to help families weather the storm and to stimulate local economies
- Implementing low- and no-cost reforms to protect the income of low-wage workers such as reining in payday lending and wage theft
- Partnering with the business community to connect low-income families to jobs and job training and to enhance workplace flexibility for low-wage workers
- Building the case for proven policy solutions by partnering with foundations to commission research that would show recommended policy reforms' impact on the poverty rate

Daniel Dodd of Step Up Savannah, whose group began efforts before the Great Recession, has noted, "When the economy turned, we were poised to be working with a collaborative that was in tact and focused. We're ready in much better ways to handle the economy having everyone around the table."

As California seeks to establish a state poverty commission and goal it will face fiscal obstacles and political challenges. But these efforts can also yield enormous fruit. The state government has a unique ability to bring interested parties together to promote increased economic opportunity, and it can inspire its citizens to aim for a common target, leveraging resources and coordinating strategies to reduce poverty and expand the middle class.

Available resources

As states navigate this terrain ample opportunities exist to learn from other states, access technical assistance, and partner with national groups to drive attention to growing poverty in the United States and the policy solutions to reduce it.

The Center for Law and Social Policy, or CLASP, has a 40-year history of promoting policies and practices that work for low-income people. CLASP identifies changes that can help families and communities, from welfare and child welfare to job creation, postsecondary education, and early childhood education.

CLASP manages Spotlight on Poverty and Opportunity: The Source for News, Ideas and Action (www.spotlightonpoverty.org), a special initiative that offers the nation a "one-stop shop" for the latest news, research, and polling on poverty and opportunity. Spotlight provides a unique platform for a bipartisan conversation. Elected officials of both parties described their priorities for TANF reauthorization and how the drive to cut the deficit will or won't affect families struggling to make ends meet in exclusive commentaries available on Spotlight.

> "I can't tell you how we've all come to rely on Spotlight—just having all the latest research findings, new initiatives, latest statistics, policy debate roundups, etc. coming into our inboxes in this easy-to-digest form is tremendously helpful."
>
> *– Kristen Lewis and Sarah Burd-Sharps, American Human Development Project*

Another resource is the Half in Ten (www.halfinten.org) campaign, a partnership between the Center for American Progress Action Fund, The Leadership Conference on Civil and Human Rights, and the Coalition on Human Needs to cut the U.S. poverty rate in half over the next decade. The campaign is partnering with a number of groups who seek to set similar poverty-reduction goals at the state level and to advocate public policies to achieve them.

> "The opportunity to work with Half in Ten is an opportunity to carry the message that Minnesota cannot make substantive progress on ending poverty without a renewed and serious federal commitment to tackle poverty."
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> *– Deborah Schlick, Executive Director, Affirmative Options Coalitions, Minnesota*

Groups in Virginia, Colorado, Arkansas, and Minnesota have started Half in Ten state coalitions. They are building grassroots support to implement their state commission recommendations and to advocate federal policy solutions to achieve the national Half in Ten goal to members of Congress. Half in Ten supports these efforts and provides in-kind communications and online marketing supports, policy resources, and timely action items.

We help build grassroots support, conduct strategic outreach to potential partners, and provide federal policy resources to help make the connection between achieving state goals and affecting federal policy change. We are looking to partner with other state groups and commissions to achieve state and national poverty-reduction targets.

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