

Income Supports

Intergenerational Intersection

Today, one in ten persons age 65 and older is poor (without Social Security income, almost half would be poor).³⁷ Of people living in poverty, almost 36 percent are children.³⁸ While most of our senior citizens have been able to maintain a dignified standard of living thanks largely to intergenerational programs like Social Security and Medicare, we still have much work to do to reduce the near all-time high poverty rates among children in this country. This work is particularly urgent in the deepening recession. Children who grow up in poverty are more likely than other children to have problems that affect their health, development, school-readiness and achievement, and employability and productivity as adults. Today's children are expected to become productive members of society and provide the revenue upon which our nation will rely in the future. Raising the minimum wage and indexing it to average wages, modernizing the poverty measure, and investing in other income support programs would have long-term benefits for children, families, and society in general.

With the help of Social Security and Medicare, today's older adults live longer, healthier lives than ever before and should be looked to as resources for their communities and country. For more than 70 years, Social Security has provided vital benefits to millions of Americans of all ages. Social Security is far more than a retirement program. Its income protection extends across generations to workers and family members of workers who are retired, disabled, or deceased. Social Security embodies an intergenerational compact. Contributions of the current generation of workers help finance the retirement of the current generation of beneficiaries. Social Security thus links the generations in a unique and fundamental way.

To ensure the fundamental health of the growing and the aging, several federal nutrition programs are vitally important to vulnerable children, youth, and older adults. In addition to school- and senior services-based nutrition programs, the recently reauthorized Supplemental Nutrition Assistance Program (SNAP) - formerly known as the Food Stamp Program - helps feed approximately 18 million people per month, most of them children and older adults.

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Position Statement

The majority of poor children live in households with parents who work. However, gains in earnings have been far outweighed by reductions in cash assistance and food stamps. The Department of Health and Human Services (HHS) should assist states in developing effective strategies to help move people into permanent, decent-paying jobs. These strategies should deal

with health, substance abuse, domestic violence, and other barriers to work. These efforts should not just use reduced caseloads as simple yet incomplete measures of progress, but should assist families and above all, improve the wellbeing of those families.

Given the current economic crisis, we must do more to help low-income working parents increase their earnings while

providing additional safety nets for them and their children. Generations United (GU) recognizes an increased minimum wage, an expanded unemployment program, a refundable Child Tax Credit, and the Earned Income Tax Credit as important methods to help provide such security. The American Recovery and Reinvestment Act of 2009 (ARRA) contains temporary provisions that direct funding to several of these areas. While Temporary Assistance for Needy Families (TANF) caseloads have declined significantly since previous reforms, the number of families with special and intractable problems remaining on the rolls is increasing. As the overall economy continues to deteriorate, many states face severe budget shortfalls resulting in the reduction or elimination of services for low-income families. In addition, job growth has stagnated - even reversed in 2008 - so job availability for low-skilled workers remains poor. States should be able to establish categories that would warrant exemption from the time limit for families on TANF rolls subject to specific hardships such as a parent/caregiver who has a disability, who cares for someone with a disability, or who faces circumstances that make employment impossible.

GU values Social Security's role in providing vital support for retired or disabled workers and their families and for survivors of deceased workers. As the debate continues over how to achieve long-term solvency for the Social Security program, GU urges policymakers, advocates, and researchers to consider the impact of reform across vulnerable groups and all generations of beneficiaries: children, youth, middle-aged, and older adults. Congress should ensure the burden of reform is shared broadly across generations, especially by those who can most easily afford it. Further, GU believes that any new "personal or

individual account" features added in the name of reform must be in addition to existing Social Security systems and in no way be carved out of the current system.

In addition, Generations United supports:

- *Increased funding for the Temporary Assistance for Needy Families (TANF) Block Grant.*
- *Revising the Interim Final TANF rules and restoring states' flexibility to expand allowable work activities.*
- *Passing through to children receiving TANF all or most of the child support collected on their behalf instead of these funds being retained by the states.*
- *Maintaining a strong and solvent Social Security system that continues to meet its obligations to current and future beneficiaries, including the more than 30 percent who are younger than age 65 and receive disability and/or survivors' benefits. Efforts to strengthen Social Security must not compromise our nation's foremost social insurance program by carving out personal/individual accounts which would reduce benefits.*
- *Increasing the survivor and grandchild benefits under the Social Security system.*
- *Indexing the minimum wage to annual increases in median wages.*
- *Updating how poverty is measured and adopting the new measurement in defining eligibility for assistance programs as those programs are reauthorized.*
- *Automatically extending unemployment benefits beyond 26 weeks during economic downturns and expanding eligibility to recent hires and individuals who work part-time.*
- *Enhancing the nutritional education,*

outreach, and enrollment components of the Supplemental Nutrition Assistance Program (SNAP), as well as a temporary boost in funding to meet increasing needs during this challenging economic period.

- *Increasing funding for the Low-Income Home Energy Assistance Program (LIHEAP) to meet rapidly escalating needs.*

Background

The Importance of the TANF Block Grant and 2006 Reauthorization

During the passage of the Deficit Reduction Act of 2005 (DRA), the final rule to implement statutory changes was enacted in the reauthorization of TANF. With the reauthorization, no additional funds were provided for the TANF block grant. This means that at the end of the new reauthorization period, TANF funding will have been locked in place for fifteen years. Unlike the 1996 reauthorization, the recent TANF reauthorization provided almost no increase in child care mandatory funds. With the inevitable erosion of TANF funds and the strains placed on TANF funding as states continue reduce caseloads, other vital human service programs will also be affected.

The Fostering Connections to Success and Increasing Adoptions Act of 2008 will help ease the burden on states that have been using TANF funds to make kinship guardianship payments. States will now have the option to use federal Title IV-E funds to make kinship/foster care payments to eligible families, which will free up some TANF funds to be allocated to meet other needs. Approximately 30 percent of TANF families considered to be “child-only” (family in which a parent or guardian is not eligible for cash assistance) are headed by a relative caregiver.³⁹

The reauthorization of TANF could have been a platform to discuss and debate how

best to address the barriers facing those still reliant on TANF as well as those who have left assistance but whose economic struggles continue. Instead, the final reauthorization focused on national numbers while very little attention was paid to the wellbeing of families and children still reliant on TANF cash assistance and the myriad human service programs dependent on TANF funding. Regardless of changes in the 2006 reauthorization, challenges to remove or reduce barriers to successful and permanent employment among TANF recipients remain. Such barriers include substance abuse, mental health issues, domestic violence, the presence of learning disabilities, and the range of needs of two-parent families on public assistance. How those barriers are—or are not—addressed will have a significant impact on the well being of many families.

The 2006 Regulations

In issuing the final regulation for TANF in April 1999, the Department of Health and Human Services (HHS) indicated the law and the regulations represented “widespread bipartisan agreement” on a number of key principles:

- *Welfare reform should help move people from welfare to work.*
- *Welfare should continue to be viewed as a short-term, transitional experience - not a way of life.*
- *Parents moving from welfare to work should receive the child care and health care they need to support and protect their children.*
- *Child support programs should become tougher and more effective in securing support from absent parents.*
- *Because many factors contribute to poverty and dependency, solutions to these problems cannot be one-size-fits-all. The system should allow states, Indian tribes,*

and localities to develop diverse and creative responses to their own problems.

- *The federal government should focus less attention on eligibility determinations and place more emphasis on program results.*
- *States should continue to make substantial investments of state funds to address the needs of low-income families.*

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Conversely, through the Deficit Reduction Act, HHS has promulgated regulations enforcing rigid work requirements that are not conducive to families' unique and complex circumstances. We are greatly concerned that the regulations and the conditions set by the new reauthorization run counter to many of the seven key principles listed above. GU is concerned about how these regulations may affect the ability to address barriers to permanent work related to mental health or substance abuse.

Child Support

The Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) of 1996 requires states to strengthen their child support enforcement efforts and recover any public assistance dollars that were paid on behalf of a child from the parent who failed to support that child. This requirement has serious implications for grandparents and relative caregivers. A relative caregiver no longer chooses whether to pursue child support. If the relative seeks public benefits (TANF), the state must seek child support. Caregivers should be aware of this requirement before seeking benefits, because they may not want to set in motion a chain of events that could result in the incarceration of the child's parent or the loss of the parent's professional license.

Before enactment of the PRWORA, grandparents were exempt from cooperating with support enforcement efforts if they could establish that a parent presented a danger to

either the grandparent or the grandchild. Federal law no longer defines a "good cause" refusal to cooperate. Each state defines "good cause" for itself and establishes its own strategies for pursuing child support.

Relative caregivers who do choose to apply for TANF or Medicaid must assign child support rights to the state. Such assignment means the state can retain child support up to the amount the individual receives in TANF and Medicaid payments. PRWORA eliminated the state's obligation to "pass through" even \$50 of support a month to the child without reducing the family's welfare payments. Thirty states have abandoned the pass-through.

After the Deficit Reduction Act of 2005 (DRA) was passed, funding cuts were imposed on the child support enforcement program due to failed efforts to meet performance requirements. Therefore, an examination of the impact of the DRA's cuts in funding for child support enforcement on state TANF programs is imperative. Nevertheless, the DRA provides states new flexibility to pass through more child support dollars to children who currently receive or previously received welfare. The federal government will pick up some of the cost if the states exercise this flexibility.

Social Security

While Social Security is often viewed solely as a retirement program, it provides benefits for disabled workers, their families, and millions of children. Three million children who are dependents of disabled, deceased, or retired workers receive benefits directly; and another two million children live with family members who receive Social Security benefits. More children live in families who receive Social Security income than in families who receive TANF. Social Security constitutes the principal form of life insurance for many families with children.⁴⁰

- *Disability Insurance – Many children younger than age 18 receive Social Security benefits as dependents of insured workers who are retired, disabled, or deceased. Benefits are also paid to children 18 or older who become disabled before age 22. Benefits continue into their adult years as long as they remain disabled. As of June 2008, 7.2 million workers were receiving Social Security disability benefits, and almost 1.7 million children of disabled workers received benefits.⁴¹*
- *Survivors' Insurance – Survivor benefits are paid to a deceased worker's family. Children under the age of 18, youths age 19 and younger who are still attending high school, and children 18 or older who become disabled before the age of 22 can receive survivor benefits on behalf of a deceased parent. As of June 2008, nearly 6.5 million Americans were receiving survivor benefits; of those, almost 1.9 million were children. A widow(er) caring for children younger than age 16 or who is disabled may receive benefits. Often survivors are older adult women who have little earnings because they did not work outside the home or their careers were interrupted by caregiving responsibilities.⁴²*
- *Dependent Grandchildren – Recent studies indicate that half of the grandparents providing a home for their grandchildren do not have adequate resources to meet their grandchildren's needs. Grandparents who raise grandchildren are at a significantly higher risk of poverty. While some grandchildren and step-grandchildren can qualify for survivor or disability benefits on the earnings record of a grandparent or step-grandparent, many grandparent-headed families remain in need of assistance. For more information on grandchild Social Security benefits, contact*

Generations United to obtain the Social Security Fact Sheet.

Minimum Wage

Large portions of current welfare recipients and former recipients who are now employed have family incomes either at or below poverty level. Studies show that many of these workers are struggling to feed and house their families. Additionally, their opportunities to move up the occupational and economic ladder are constrained by limited education, job skills, and work experience. The phased-in increases in the minimum wage over the past few years have improved the situation for the working poor, but more should be done. In particular, indexing the minimum wage to the annual increase in the median wage would ensure workers who earn the minimum wage do not fall further behind the rest of the work force.

Poverty Measurements

Census data released in August 2008 indicate the number of Americans in poverty increased by 816,000 in 2007. Over the past six years, the number of children living in poverty grew by 1.6 million. As the economic downturn worsens, millions of people could be pushed into deep poverty with incomes below half the poverty line (or approximately \$8,300 for a family of three in 2007).⁴³ Public policies that provide safety nets for low-income families in this economic recession are critically important, as are anti-poverty policies that contribute to the long-term financial security of these families.

In order to understand the impact and effectiveness of policies and programs designed to reduce poverty, we need an accurate picture of the economic conditions in which low-income Americans live. The method by which poverty is currently measured in the United States was defined in 1963 based on data collected in 1955, when food expenses consumed most of the

"I only think about me living long enough to take care of these grandchildren."

Dorothy Jenkins,
grandmother

family budget. For over 40 years, the poverty measure has not changed though economic circumstances certainly have. For example, over the past several decades, housing costs have dramatically increased in many parts of the country, as have heating and other energy costs, with many families directing the bulk of their income to housing and utilities rather than food. Expenditures related to child care and transportation are essential for working parents. Out-of-pocket medical expenses are an unavoidable reality for many older adults and their families. However, poverty continues to be measured in a way that does not account for modern economic conditions.

Important legislation to modernize the poverty measure and create an accurate picture of deprivation in the U.S. has been introduced in recent Congresses and should be advanced in the 111th Congress. As its point of departure, such legislation takes the work of the National Academy of Sciences (NAS) more than a decade earlier. In 1995, following two years of study, the Panel on Poverty and Family Assistance of NAS released a comprehensive study of poverty measurement together with recommendations for modernizing a poverty measure that nearly all experts agreed is woefully outdated.⁴⁵ The NAS recommendations address the two most significant flaws in the current poverty measure: (1) the poverty line (threshold) is too low because it is based on outdated assumptions about family expenditures, particularly on food; and (2) the method used to determine whether a family is poor does not accurately count family resources.

The NAS panel recommended calculating a poverty line/threshold that represents a budget for food, clothing and shelter (including utilities), plus more to allow for other needs (e.g., household supplies, personal care, non-work-related

transportation). The report emphasized the desirability of updating this threshold calculation regularly to reflect changes in spending on necessities over time.

The NAS panel also recommended a much more inclusive definition of family resources to be used for comparison to the new thresholds. The recommended definition of family resources is based on disposable income, after accounting for taxes paid or any refundable tax credits such as the Earned Income Tax Credit, and after excluding such non-discretionary expenses as work-related child care costs and out-of-pocket medical spending. The recommended measure would also include in-kind benefits such as food stamps, Medicaid, and housing subsidies.

With the NAS measure, some features will raise and some will lower the poverty measure. Updating the thresholds to include work expenses and out-of-pocket medical spending will increase the rate of poverty, whereas expanding the definition of income to include EITC refunds and in-kind income will reduce it. In the aggregate, the new poverty measure will show a higher number of poor Americans, and especially a higher rate of poverty among older adults, reflecting the significant burden of out-of-pocket medical spending on low-income seniors.

GU supports efforts to modernize the poverty measure. Congress should instruct the Census Bureau to develop a modern poverty measure based on the 1995 National Academy of Sciences recommendations, publish these numbers regularly, and update this measure as new data and new statistical approaches become available. Following the NAS approach, the Census Bureau should eliminate the age differential used in the current determination of poverty thresholds for people aged 65 and older. This long-standing differential was never based on sound science but on the assumption that older people just eat less than younger ones.

Following the NAS approach, the poverty line should represent a budget for food, clothing, and shelter (including utilities), plus more to allow for other needs (such as household supplies, personal care, and non-work-related transportation). Congress should adopt the new poverty measure in defining eligibility for assistance programs as those programs are reauthorized.

Unemployment and Unemployment Insurance

The unemployment insurance system is seriously in need of modernization, especially given the current and continuing economic downturn. Only a minority of workers are actually entitled to receive unemployment benefits when they lose a job through no fault of their own, and the percentage of wages replaced by benefits has fallen substantially over the past couple of decades. Further, the employment support system does little to assist those who are chronically underemployed—working part-time when full-time work is needed, or at jobs for which they are over-qualified. Making the job search particularly difficult for those with few skills is that even the most basic jobs often require familiarity with computers and other technology that many poorly educated people lack. During times of high unemployment, their chances of finding remunerative employment are poor. Even when circumstances improve, they often confront employers who seek to extend the working day for existing workers rather than take on new workers—just in case the increased need for workers proves temporary. When many of the lowest-wage workers have not been in the workforce long enough to qualify for unemployment benefits when the economy falters, they find themselves forced back onto the TANF rolls. Families that have reached their time limit on TANF rolls have no safety net at all.

The ARRA contains several provisions related to unemployment insurance, including extending eligibility for benefits through 2009 and increasing benefits by \$25 per week. The legislation also provides incentives for states that expand their unemployment benefits to people seeking part-time employment, workers who have departed the work force for emergencies such as caring for a sick child, and other categories of people. GU supports automatically extending unemployment benefits beyond 26 weeks during future economic downturns and consistent with the provisions of the ARRA, expanding eligibility to recent hires and individuals who work part time.

Targeted Tax Credits

The Child Credit and Earned Income Tax Credit (EITC) both provide essential income support for families who earn too little to owe income taxes. Expanding both of these credits and adjusting them for changes in average incomes would benefit millions more children and families. Only about half the states have their own EITC, and those that do not should consider adopting such a credit. More information about the Child Tax Credit and the EITC can be found in the Tax and Budget Issues section of this agenda.

Food Stamps / Supplemental Nutrition Assistance Program

In November 2008, the U.S. Department of Agriculture reported more than 36 million people lived in U.S. households that struggled against hunger in 2007. Most recipients of food stamps were children or the elderly. The nutrition title of the Food, Conservation and Energy Act (P.L. 110-246), also known as the Farm Bill, provided a boost of \$10.361 billion in new funding over ten years, including numerous benefit improvements to the Food Stamp program, now called the Supplemental Nutrition



Photo credit: Eder A

Assistance Program (SNAP). However, the progress made by the Farm Bill is being eroded by the worsening economy and steep increases in food prices. Furthermore, the rise in unemployment has resulted in increased applications for benefits in most states. The ARRA includes a temporary benefit boost to SNAP. GU supports temporary benefits in future economic recovery or stimulus packages. More information about federal nutrition programs can be found in the Social Supports section of this agenda.

Low-Income Home Energy Assistance Program

The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 (P.L. 110-329) contains an unprecedented increase in the Low-Income Home Energy Assistance Program (LIHEAP). The bill doubled LIHEAP funding to \$5.1 billion, largely to respond to the increase in fuel prices. While the price of oil has gone down since then, the simultaneous increase in the unemployment rate and other negative economic effects are putting more vulnerable seniors and families at risk of arrears in their utility bills. GU urges the continued expansion of this vital program to meet the pressing demand.