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Improving Economic Opportunity

Alternatives to the Opportunity Grants

By Melissa Boteach and Megan Martin July 24, 2014

Fifty years after President Lyndon B. Johnson declared a War on Poverty, the U.S. safety net has proved its mettle by keeping millions of families out of poverty[1] and mitigating hardship for children and families.

The enactment of a strong system of nutrition assistance all but ended extreme hunger and malnourishment in the United States. The enactment of Medicaid is associated with a decrease in the infant mortality rate. Thanks to Social Security, the senior poverty rate today is just one-fifth as high as it would be otherwise[2] and investments such as child care and early education offer families the supports they need to work.[3] In fact, a recent Columbia University study that used an alternative measure of poverty showed that the poverty rate dropped from 26 percent in 1967 to 16 percent in 2012 when safety net programs are taken into account.[4]

That being said, the safety net is not perfect. First Focus, a bipartisan children's advocacy organization, highlighted three gaps that exist in our safety net:

- **The eligibility gap.** Many low-income families earn too much to qualify for help but too little to be self-sufficient.

- **The coverage gap.** Even when families are eligible for a program, they are not guaranteed to receive it, either because of lack of funding or difficulty accessing the program.

- **The hardship gap.** Even with help from the safety net, many families still cannot meet a basic living standard. For example, in no state does the maximum benefit a family of three can receive from the Temporary Assistance for Needy Families, or TANF, program lift that family above even half the poverty line—about $9,765—absent other benefits.[5]

Conservatives have recently highlighted two aspects of our safety net that they call a "poverty trap." The first is an example of the eligibility gap, underscoring that certain programs phase down quickly, which can translate to a sudden reduction in or loss of benefits for families as their earnings increase but before they are able to afford all basic necessities on their own. And while this cliff effect does not actually serve to discourage work, it can serve as an obstacle to transitioning from benefits to economic self-sufficiency. While cliffs in many benefit programs have been remedied in recent years, some do remain.[6]

Second, families trying to access help through the safety net can run into hurdles as they try to navigate what can be a complicated system. Many families already experience a coverage gap because of insufficient funding for supports such as affordable housing and child care. Fragmented, burdensome, and in many cases confusing application procedures, coupled with extensive, ongoing verification requirements, can produce additional road blocks for families trying to access benefits that they urgently need.[7]

House Budget Committee Chairman Paul Ryan (R-WI) has recently proposed addressing these issues by consolidating multiple means-tested programs into a single "Opportunity Grant" for states. States would have the option of combining up to 11 safety net programs to pilot new approaches to case management and services delivery.[8]

While this sounds like an innovative approach, this model is problematic for many reasons. It opens the door to block grants, an approach that has historically resulted in cuts to key components of our nation's safety net.[9] A merging of programs also carries the risk of breaking the link between the programs and their widely shared goals, such as reducing hunger in the case of the Supplemental Nutrition Assistance Program, or SNAP, which could undermine taxpayer confidence in effective investments.[10] For more information on the problems with Rep. Ryan's plan, see "The Ryan Budget in Sheep's Clothing?"[11] Understanding that consolidating programs and sending them to the states is the wrong model to address holes in the U.S. safety net, what are some alternatives that can address benefit cliffs where they exist and streamline access to assistance? This issue brief examines alternative reforms, and places them in the context of broader solutions needed to tackle poverty in America.

Principles for reform

In order to be successful, reforms should meet a core set of principles, including:

- Not exacerbating poverty and inequality
- Promoting and enabling work for those able to work while protecting those who are out of work or unable to work
- Preserving accountability for program outcomes so that taxpayers can be confident that their investments are effective

To that end, policymakers interested in plugging these holes in the safety net while actually cutting poverty could look to these three policies.

1. Encourage states to make policy choices that reduce bureaucracy

States already have a number of options at their disposal to address the very issues that conservatives have raised about the difficulty of accessing the safety net. States have taken up an option known as categorical eligibility, which gives states flexibility to align eligibility for more than one program, reduces bureaucracy, and enables families to build savings to move themselves out of poverty without losing assistance.[12] Yet House Republicans have repeatedly voted to cut off this state option, despite its proven effectiveness at reducing paperwork and error rates and empowering states to make decisions to benefit low-income families.[13]

States currently have a number of additional options to streamline access to benefits and reduce bureaucracy. For example, the Affordable Care Act, or ACA—as a part of the Medicaid expansion—streamlines benefit access for some high-need populations by allowing states to implement one-time eligibility determinations and allows states to use information they already have about individuals receiving other programs, such as SNAP, to determine initial eligibility for Medicaid. One-time eligibility determinations allow for the increased continuity of insurance coverage, and automatic enrollment has been shown to dramatically increase the number of young people with health insurance coverage.[14]

Work Support Strategies, or WSS, an initiative led by the Center for Law and Social Policy, the Urban Institute, and the Center on Budget and Policy Priorities, is another innovative strategy. WSS is a multiyear, multistate demonstration project that provides a select group of states with the opportunity to design, test, and implement more effective, streamlined, and integrated approaches to delivering key supports such as health coverage, nutrition benefits, and child care subsidies for low-income working families. Recognizing the important role states play in providing services and delivering critical programs, participating states were given resources and support to streamline and modernize their benefits access processes to help families access and keep the benefits for which they are eligible. Most participating states reported early successes not only on the front end in reducing barriers for families but also on the administrative end. In fact, Gov. C.L. "Butch" Otter (R-ID), the executive of one of the WSS pilot states, recently praised the initiative in Idaho, which he described as seeking to "identify gaps in the services available to low-income working Idahoans and reduce the impediments to receiving those services for which they are eligible."[15]

Policymakers interested in simplifying and streamlining the delivery of public benefits could speak to representatives from these pilot states to see what lessons could be lifted up and applied by other states or on a national scale.

2. Supplement state benefit services with community-based assistance and improved technology

Policies that create a single point of entry or a "no wrong door" approach to access benefits would be a better route to improve efficiency rather than simply consolidating all programs into a single credit.

For example, Single Stop USA, *Earn*Benefits, and Benefit Bank are national nonprofit organizations that connect vulnerable families and individuals to benefits and services. They work with local partners to provide screening and access to many government resources, as well as to financial, tax, and legal support, in one place in the communities they serve.[16] Applicants are able to learn about and enroll in multiple programs in one stop at local, community-based organizations that they trust or online.

While online tools are not an option that every low-income person can take advantage of, optimizing technology is another way to make accessing benefits easier for many working families. Online portals allow consumers to complete and submit their materials at times that are most convenient for them, preventing families from having to go from one side of town to the other in order to apply for needed benefits or from missing time at work to attend appointments that only occur during business hours.

Many states are already beginning to move toward greater use of technology to streamline access to work and income supports. According to the Center on Budget and Policy Priorities, many states now provide information and services on their agency websites regarding the five means-tested, low-income benefits programs primarily administered by states: SNAP; Medicaid; the Children's Health Insurance Program, or CHIP; TANF; and child care assistance.[17] Some states also provide online and printable applications, prescreening tools, and the policy and procedure manuals that state agency eligibility workers use.[18]

Generally speaking, reducing the number of doors low-income people have to walk through to access help, while maintaining a "no wrong door" approach of multiple channels of access through in-person, phone, and online resources, is the best way to ensure that families with different sets of needs can find the services they are eligible for in an efficient way.

3. Smooth remaining benefit cliffs and reduce reporting burdens

Through policy changes and program design improvements, our safety net has become significantly more supportive of work over time. The establishment of the Earned Income Tax Credit, or EITC, coupled with the expansion of the Child Tax Credit, or CTC, played a significant role in this trend. In addition, the delinking of Medicaid from cash welfare programs in the 1980s and 1990s and the establishment of the Children's Health Insurance Program, or CHIP made it possible for parents to transition from welfare to work without fear of losing health insurance for themselves and their children.

More recently, the ACA has further strengthened Medicaid and CHIP as public work supports and addressed what was perhaps the biggest cliff in our system of work and income supports—that working parents risked losing their health coverage or that of their children in the event of a pay raise or an increase in their hours—leaving them unable to afford health insurance on the private market. In states adopting Medicaid expansion, the ACA has fixed this problem, providing Medicaid coverage to adults up to a higher threshold, and then providing families with a sliding scale of subsidies to purchase private insurance above that limit so that taking a job no longer represents the loss of insurance.[19] Yet conservatives have been vocal proponents of repealing the ACA, of discouraging states from taking up the Medicaid expansion, and of making additional deep cuts to Medicaid, which could result in 14 million to 21 million people losing their health insurance.[20]

Despite these and other improvements, our safety net still contains some cliffs—points at which individuals and families abruptly lose eligibility for a benefit due to a small increase in income. For instance, in some states, a small increase in income can translate to a loss or sharp reduction in child care assistance. Similarly, states that have refused the Medicaid expansion have preserved the health coverage cliff that hurts low-income parents transitioning to work or who work more hours or get a raise.[21]

In addition, frequent reporting and recertification requirements can also be burdensome to working recipients, particularly those whose hours and earnings fluctuate from month to month, as is common in low-wage jobs.[22] While they may not serve as work disincentives, these policies are counterproductive and should be remedied to the extent possible to enable families to transition from benefits to economic self-sufficiency.

One way to smooth remaining benefit cliffs is by tapering off benefits more slowly with each additional dollar of income so that advancement in the workplace is accompanied by a gradual reduction of benefits that avoid disruptions that can set families back. To be effective, this policy would require additional investments so that benefits extended further up the income scale to cover more low- and moderate-income families transitioning into the middle class, without cutting benefit levels for families at the very bottom of the income scale, including the unemployed or those unable to work. Without these additional investments, fixing the cliffs would exacerbate poverty and hardship.

Only part of the picture

While conservatives seem intent on having a conversation about the deficiencies in our safety net, the more important conversation to ignite is the deficiencies in our economy that are producing so much poverty to begin with. Improving benefit coordination and efficiency is an important step to help families access the resources they need to move out of poverty and enjoy greater economic opportunity. But it is only one piece of the puzzle to provide a hand up to families in poverty.

Fifteen percent of people in the United States lived in poverty in 2012, which equates to 46.5 million people—including 16.1 million children. These numbers on their own are troubling, but a closer look reveals staggering levels of income inequality and consistent problems with racial disparity—the African American poverty rate was 27.2 percent, the Hispanic poverty rate was 25.6 percent, and the Asian American poverty rate was 11.7 percent, while the white poverty rate was 9.7 percent in 2012.[23] In considering issues of economic inequality—an incredibly complex issue—it is tempting to avoid the systemic and institutional factors that have led to and perpetuate these problems.

A big-vision, anti-poverty strategy cannot be successful without addressing the larger economic circumstances that have led to a growing equity gap. Research indicates that high levels of inequality, if left unchecked, also inhibit economic growth.[24] In order to really begin to address poverty, and in doing so move more families into the middle class, we have to start by taking a look at the institutional factors that are leading to high levels of inequity.

Successful strategies to address these problems require enacting policies that lead to meaningful job creation, equitable access to high-quality educational and training opportunities, investments in two-generational strategies that support both young children and their parents, and strong investments in high-poverty places.

For example, investments in infrastructure, research and development, and clean energy are critical to job growth and tackling unemployment. Raising the minimum wage to $10.10 per hour would lift between nearly 1 million to 4.6 million people out of poverty and directly or indirectly raise the wages of 28 million workers, as well as reduce spending on nutrition assistance by $46 billion over 10 years.[25] Increasing access to high-quality pre-K and child care would not only help working parents, but it would also help close the achievement gaps that contribute to widening income inequality.[26] Evidence suggests that expanding apprenticeships would boost workers' lifetime wages considerably and help employers connect with a skilled workforce.[27] Enacting paid family leave would help workers balance work and family obligations—translating into greater workforce retention and greater parental time and attention for children—which is important to long-term educational and economic outcomes.[28] All of these steps would also help close the gender wage gap, a step that would add nearly half a trillion dollars to our economic output and cut the poverty rate for working women and their families in half.[29]

Efforts to improve access to the safety net must be accompanied by investments to create jobs, policies to boost wages and improve skills, reforms to help families better balance work and caregiving, and other policies that give children a fair shot at the American Dream.

Conclusion

Improving access to benefits is an important factor in helping low-income families meet their needs. However, consolidating multiple means-tested benefits, as Rep. Ryan proposes with the Opportunity Grant proposal, has the potential to lead to a block-granting system that cuts key social services, undermines taxpayer confidence in effective investments, and exacerbates poverty.

The good news is that states, localities, and nonprofits across the United States have developed successful models upon which we can build, including encouraging states to make choices that reduce bureaucracy, establishing one-stop benefit locations, utilizing technology to streamline access, and taking steps such as Medicaid expansion to enact slower phase-down rates for working poor families while protecting the unemployed and those unable to work from benefit cuts.

Many of these reforms, however, require additional investments in work and income supports to ensure that more families can access the services they are eligible for, and that benefits taper down more slowly to avoid cliffs that make the transition to the middle class more difficult. Given conservatives' history of opposition to additional new public investments, however, it is curious as to why some are raising these issues in the safety net now and proposing a set of recommendations that closely resemble past policies that have exacerbated poverty, such as Temporary Assistance for Needy Families. Cuts under the guise of reform would come as no surprise given that the last four House Republican budgets have garnered two-thirds of their cuts from programs for low- and moderate-income families.

Policymakers interested in plugging these holes in our safety net have a wide menu of options available to them and can make a difference in the lives of families by making these reforms accompanied by the necessary investments. But it is also important to note that reducing poverty in this country in a meaningful way requires far more than streamlining access—it requires a collaborative effort across a variety of systems as well as broader economic reforms that provide better labor-market opportunities for people in poverty. The institutional and structural barriers that many families face are entrenched in our economic system and will remain even if we successfully reform access to benefits.

Seriously addressing poverty requires a much bigger vision—one that moves our country forward in a way that provides equitable access to opportunity for all of our families.

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