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State Strategies to Reduce Child and Family Poverty

Summary

Poverty has long-term social and economic costs for children and families, communities, and states. In 2006, more than 13 million children lived below the federal poverty level.¹ Children who grow up poor are more likely to earn less as adults, complete fewer years of formal education, and face more health issues than children living in higher-income families. Poverty also contributes to poor social, emotional, and behavioral outcomes for children and hinders cognitive development. In short, poverty has large repercussions for states and the nation, with childhood poverty alone estimated to cost the U.S. economy approximately \$500 billion annually.

To reduce poverty among children and families, state leaders can pursue several policy and program options. They can:

- expand safety-net opportunities, such as unemployment insurance, for families in crisis;
- increase the returns on work by, for example, creating or expanding state earned income tax credits;
- promote savings and asset accumulation by connecting families to banking opportunities, savings accounts, and financial literacy programs;
- improve the consumer environment in poor neighborhoods by enacting antipredatory legislation and expanding consumer options;
- increase access to education and training by, for example, expanding financial aid for working adults;
- improve access to work supports by coordinating policies for benefit programs and expanding benefits when feasible;
- invest in young children through, for example, home visiting initiatives and prekindergarten programs; and
- strengthen family relationships through teen pregnancy prevention, responsible fatherhood, and marriage and relationship education programs.

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These strategies, particularly when combined together in a comprehensive approach, can help reduce the negative consequences of poverty for children and can result in opportunities for families to achieve economic success. State leaders can craft policies and programs that assist families in need of immediate help, that provide short-term assistance, and that address long-term needs. By supporting a wide range of approaches—including new programs, partnerships with the private sector, community-based efforts, and tax-based strategies—governors and other state leaders can help improve the lives of children and families while strengthening local economies.

Challenges of Poverty and Income Inequality

State policymakers are once again focusing their attention on poverty and income inequality. In 2006, one in eight Americans lived in poverty.² This trend, coupled with high rates of families living without health insurance and facing food and housing insecurities, has prompted many state leaders to examine how poverty can be alleviated. In addition to the social costs for children and families, poverty has the potential to decrease the nation's and states' economic productivity. The long-term negative effects of poverty are also substantial, with poor children more likely than children in higher-income families to have lower levels of education, earn lower wages as adults, and face physical and mental health issues.

The proportion of individuals living below poverty has changed in recent years, increasing from 11 percent in 2000 to 12.3 percent in 2006.³ Especially alarming is that children are disproportionately represented among those who are poor. Children comprise about a quarter of the total U.S. population but account for approximately 35 percent of the population that lives in poverty.⁴ Child poverty rates have also increased slightly during the past few years; approximately 17 percent of children lived in families with incomes below the federal poverty level in 2006, compared with 16 percent in 2000.⁵

More specifically, 11 states witnessed child poverty rates above 20 percent in 2006.⁶ Minority, immigrant, and younger children have higher rates of poverty than other children. For example, black children are three times more likely to live in a poor family than white children. Regional differences also exist nationwide, with child poverty rates higher in the South than in western or northeastern areas of the country.

Of particular concern are children and families living in extreme poverty, or having income below half of the federal poverty level (approximately \$8,000 for a family of three). In 2006, about 8 percent—or more than 5 million children—lived in extreme poverty.⁷ The proportion of poor people who are living in extreme poverty is now greater than any point time during the past 32 years.⁸ Children and their families living in extreme poverty face many disadvantages, including inadequate medical services, unsafe neighborhoods, and low-performing schools.

State policymakers are also increasingly concerned about families that have income levels above federal poverty definitions but still face financial hardships and economic insecurity. Many researchers and policymakers recognize that the federal poverty level is an inadequate measure of financial status, and argue that families need approximately twice the federal poverty level—or approximately \$32,000 for a family of three—to meet basic food, shelter, and clothing needs. Because of the growing concern for those who live above the poverty level but are still needy, research and policy discussions often make a distinction between poor families with incomes below 100 percent of the federal poverty level and low-income (or working-poor) families with incomes between 100 percent and 200 percent of the federal

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poverty level. When using this broader definition to describe families in need, approximately 39 percent—or more than 28 million children—lived in low-income families in 2006.⁹ Notably, of the children in low-income families, more than half lived in families in which at least one parent worked full time.¹⁰

Consequences of Poverty

Poverty has tremendous negative consequences for families and children as well as for the U.S. economy. A recent study compared the adult outcomes for children who spent most of their first five years in poverty with those for children who grew up in families with incomes of more than twice the poverty level. Relative to adults who grew up in middle- or upper-income families, adults who grew up poor are more likely to:¹¹

- complete less schooling—on average, 12.0 years compared with 14.1 years for middle-income children;
- earn less as adults—\$20,177 per year compared with \$36,788 per year for middle-income children;
- have poor health—adults who grew up poor are 70 percent more likely to be in poor health and 80 percent more likely to have high levels of psychological stress;
- face criminal charges—men who grew up poor are more than twice as likely to be arrested; and
- become a teen parent—women who grew up poor are more than five times more likely to become a teen parent.

Growing up in a poor or low-income family by itself does not cause all of these differences. Children living in poverty also are more likely to grow up in single-parent families, live in disadvantaged areas, and have parents with low education and work experience levels, all of which can contribute to poor outcomes. Yet low-income status and, especially, poverty are critical risk factors in child development. Living in poverty can have multiple adverse effects on children, leading to poor social, behavioral, and emotional outcomes, and can inhibit cognitive development.¹² Strategies that help reduce the negative consequences of poverty are most effective when they assist children at very young ages and address the needs of parents and the entire family.¹³

Moreover, poverty, particularly among children, has large effects on the national economy. One study estimates the cost of childhood poverty in the United States as equal to approximately 4 percent of the gross domestic product (GDP) or \$500 billion per year.¹⁴ Specifically, childhood poverty reduces economic output and productivity each year by approximately 1.3 percent of the GDP and increases the costs of crime by 1.3 percent of the GDP. Childhood poverty also is related to poor health, both during childhood and later in life. The costs of poverty include additional money spent on health care as well as a diminished value of life because of early mortality. According to the research, the effect of poverty on health is equal to a reduction of 1.2 percent of the GDP per year.¹⁵

State Policy and Program Options to Reduce Poverty

Specific policies and programs can help reduce poverty, particularly when combined in a strategic approach that helps improve the lives of children and families. State leaders are increasingly looking at how they can help families increase their economic self-sufficiency and provide opportunities for children living in poverty. Several states are now moving toward more comprehensive strategies to address poverty by setting targets, tracking poverty rates, and implementing diverse initiatives. States also are

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directing critical support services, such as early education, quality child care, after-school programs, and access to postsecondary education, to help poor and low-income children overcome the disadvantages of growing up in poverty.

State approaches include new programs, public-private initiatives, employer-based programs, community- and faith-based partnerships, and tax-based options. The strategies also include those that research has proven effective, those that are likely to be politically and financially feasible for states to implement, and those that are more recent but show promise in reducing poverty. To help reduce poverty among children and families, states can:

- expand safety-net options for families in crisis;
- increase the returns on work;
- promote savings and asset accumulation;
- improve the consumer environment in poor neighborhoods;
- increase access to education and training;
- improve access to work supports;
- invest in programs for young children; and
- strengthen family relationships.

A consensus among policy experts is emerging that reveals the importance of these approaches in reducing poverty and helping increase employment among low-income families. Moreover, these strategies, particularly when implemented as part of a comprehensive plan, are effective, bipartisan policy options that can engage governors, state legislators, members of the business community, and other key stakeholders in the fight against poverty.

Access to affordable and quality housing, health care, and elementary and secondary education also are recognized as important components of a comprehensive effort to reduce poverty. These issues, however, are not discussed at length in this report due to the wide variety of information available on these topics. Please see the National Governors Association Center for Best Practices Web page at www.nga.org for more information and issue briefs on these topics.

Expand Safety-Net Options for Families in Crisis

A temporary job loss, a short-term health emergency, or even a necessary car repair can cause significant economic setbacks for a family that might otherwise be self-sufficient. Low-income families and families with incomes below the poverty level typically live paycheck to paycheck, with few assets or savings to weather a temporary financial crisis. Moreover, because many low-wage jobs do not offer benefits such as sick leave or vacation time, adults who care for family members or attend to other emergencies may put their jobs at risk. Many low-income workers are also ineligible for unemployment insurance because of inconsistent work histories, part-time employment, and voluntary separation, rendering them unable to receive financial support to help bridge short-term economic upsets.

State policymakers can create or enhance programs and policies to expand safety-net options for families in order to provide short-term financial or employment assistance. They can:

- modify state unemployment insurance policies to improve access for part-time and low-wage workers;

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- enact state family and medical leave policies; and
- establish welfare diversion programs that provide families with lump-sum cash payments to deal with an emergency situation or help family members find employment to avoid enrolling in Temporary Assistance for Needy Families (TANF).

Modify state unemployment insurance policies. The unemployment insurance (UI) program provides time-limited financial assistance to individuals who have involuntarily lost their jobs. Although UI has played a significant role in keeping families out of poverty, only about 35 percent of the unemployed receive benefits and an even smaller percentage of unemployed *low-wage workers* qualify for benefits because of program restrictions.¹⁶ Several states have taken action to broaden UI eligibility policies so more unemployed workers can receive benefits. At least 29 states have expanded eligibility to individuals seeking part-time work, and 23 states have established an alternate base period for determining eligibility to count earnings in the most recent quarter.¹⁷ These state policies enable more workers to qualify for UI benefits, including low-wage workers and more recent entrants to the labor force such as former TANF recipients who may have less job stability. Another 15 states consider domestic circumstances or family emergencies as “good cause” for leaving work. Besides adopting these reforms, **Illinois, Maine, and New Jersey** also provide a children’s allowance and index benefit levels to inflation.¹⁸ **New Mexico** calculates UI benefits as a percentage of average insured wages. This allows benefit levels to increase as average earnings in the state rise.

Enact state family and medical leave policies. The federal Family and Medical Leave Act (FMLA) allows eligible employees to take up to 12 weeks of unpaid family or medical leave to care for a new child, care for a sick family member, or address a serious medical condition. Yet the law does not apply to individuals working in small organizations or to individuals who have not been employed 20 or more weeks within the current or preceding calendar year. Low-wage workers are often not covered by FMLA because of inconsistent employment histories. States can build on the protections of FMLA by enacting policies that cover a broader range of employees and extending the time that an employee can use a protected leave of absence.

Businesses have raised concerns that extending protections under FMLA could create administrative burdens because of reporting requirements, disruptions in staffing, and potential employee abuse. Despite these concerns, 33 states have enacted unpaid state FMLA protections with some laws covering both public- and private-sector workers.¹⁹ Importantly, states can also enact policies that provide some paid family and medical leave; such policies are particularly beneficial to low-wage workers who often cannot afford unpaid leave of absences. Policymakers have proposed funding these paid leave programs through modifications to state unemployment insurance programs or temporary disability programs. **California, New Jersey, and Washington** offer paid family leave benefits to both public- and private-sector employees. Employees in California can receive partial wage replacement through the [State Disability Insurance](#) program for pregnancy and childbirth issues.²⁰ The New Jersey family leave program, enacted in 2008, is fully funded through employee payroll deductions and requires no contributions from employers.²¹

Establish welfare diversion programs. Many states have developed up-front diversion programs to help families address emergency situations and avoid welfare by finding employment. Programs can provide assistance and support services as well as help clients create appropriate employment plans. Because diversion programs can reduce the need for families to enter the TANF system, these programs generally save states money. **Minnesota’s** [Diversionary Work Program](#) provides benefits for up to four months to TANF-eligible families that have *not* been on the state’s welfare program in the past year. Through the

program, payments are provided directly to landlords and utility companies instead of families. Parents who do not find employment within four months are referred to the state's TANF program for enrollment. Approximately 43 percent of families find employment while receiving benefits through the program. In 2006, the cost of the Minnesota Diversionary Work Program was approximately \$1.8 million.²² **Maine's** Alternative Aid program offers assistance to families with incomes at or below 133 percent of the federal poverty level. The program provides payments to vendors for assistance such as car repairs, child care, housing-related issues, and items related to employment. By offering this type of short-term aid, the state hopes that families can overcome temporary financial crises, remain employed, and avoid welfare.

Increase the Returns on Work

Most poor families work. Of the children in low-income families—defined as those with incomes below 200 percent of the federal poverty level—approximately 55 percent lived in families in which at least one parent worked full time.²³ Work-related expenses such as for transportation and child care typically consume a large proportion of household income among working poor families, leaving few resources for other expenses such as food, housing, and health care. One study found that 40 percent of single working mothers with children spent at least half of their income on child care expenses.²⁴

For many families, work alone is not sufficient to raise them out of poverty and economic hardship. However, state policymakers can increase the rewards of working by developing programs and policies that supplement low wage earners and assist working poor families in becoming more financially secure. Benefits help to cover the financial gaps between employment and living expenses for low-income families, helping to reward employment and promote economic mobility. To increase the returns on work for low-income families, states can:

- promote the federal Earned Income Tax Credit (EITC) and Child Tax Credit;
- create or expand a state version of the EITC and Child Tax Credit; and
- modify state tax policies to create higher income tax thresholds.

Promote the federal Earned Income Tax Credit and Child Tax Credit. The federal EITC is one of the most effective antipoverty programs in the United States, with research concluding the program can help increase employment particularly among current or former TANF cash assistance recipients.²⁵ Although more than 21 million low-income families claimed the EITC in 2005, a sizable number of eligible workers do not claim the credit, which can be worth more than \$4,500 for a family with two or more children. Investing in EITC outreach campaigns can pay off significantly for low-income households as well as boost local economies. Since 2002, the **Florida** Agency for Workforce Innovation, Florida Department of Children and Families, regional workforce boards, and Workforce Florida, Inc., have partnered to implement an EITC outreach campaign throughout the state. The campaign has now expanded to the Prosperity Initiative, which not only focuses on increasing the number of people applying for the EITC but also includes educational information on child tax credits, financial literacy, and asset building. In addition, the state has partnered with various nonprofit, faith-based, and corporate organizations to increase awareness of the EITC and other credits at the local level.²⁶ In 2006, **Illinois** spent approximately \$380,000 on free tax preparation services to help more than 36,000 families claim the EITC, returning more than \$50 million to communities.²⁷

Create or expand a state earned income tax credit. Twenty-two states are supplementing the federal EITC with a state earned income tax credit. State EITCs are generally set as a percentage of the federal EITC, typically between 5 percent and 30 percent. In 15 states, the credit is refundable, enabling low-

income individuals who did not pay taxes to also receive the credit. **New York**, whose refundable credit is set at 30 percent of the federal credit, significantly expanded the state EITC program beginning in 2000 and now offers the credit to noncustodial parents who make their child support payments on time. Noncustodial parents are eligible for the credit on a sliding-scale income basis with the credit worth as much as \$1,030.²⁸ In 2008, **Indiana** expanded the state's earned income tax credit by 50 percent in order to assist more low-income families.

The cost of a state EITC varies depending on the percentage of the federal credit at which the state credit is set, whether the credit is refundable, and the number of individuals claiming the credit. The annual costs of existing refundable EITCs range from approximately \$18 million per year in Vermont to more than \$700 million in New York.²⁹ States typically use general funds, federal TANF block grants, or state maintenance-of-effort dollars to pay for the refundable portion of the credit. For more information on the EITC, see the NGA Center for Best Practices Issue Brief [*State Efforts to Support Low-Income Families and Communities Through the Earned Income Tax Credit*](#).³⁰

Eliminate income tax on families living at or near the federal poverty level. Of the 42 states that levy income tax, nearly half have thresholds set below the federal poverty level that can cause a significant financial burden for low-income families. States can help reduce income tax burdens on working-poor families by lowering the tax threshold, increasing standard deductions, or offering state earned income tax credits. In 2006, **Oklahoma** increased the state's standard income tax deduction from \$2,000 to \$3,000, which has helped reduce tax burdens for low-income families.³¹ In 2007, **New Mexico** implemented the Working Families Tax Cut to offer several benefits for low- to moderate-income families. The personal income tax exemption was expanded to \$2,500, which was estimated to benefit more than 230,000 low- and middle-income families. The initiative also eliminated the state income tax for all active duty military pay and created a new \$29 million tax credit for more than 200,000 working families in the state.³² In addition to reducing income tax burdens for low-income families, states can eliminate sales taxes on items such as groceries or other basic necessities to help promote economic mobility.

Promote Savings and Asset Accumulation

Assets can play a critical role in helping low-income families achieve long-term economic self-sufficiency and weather financial crises. Savings, retirement accounts, and home ownership are all important sources of wealth that offer a family greater economic stability than income alone can provide. Parental wealth can improve children's physical health, cognitive development, and socioemotional behavior.³³ Despite the known importance of asset accumulation, many families live without any type of savings. More than 25 percent of all U.S. families do not have enough savings to live for more than three months at or above the federal poverty level if they were to lose their income.³⁴

To help strengthen the economic status of families, many states have adopted a range of strategies to encourage savings and preserve existing assets. States can:

- connect families to mainstream banking opportunities;
- create new opportunities for savings, including individual development accounts (IDAs), children's savings accounts, and education savings accounts; and
- provide financial literacy programs to students and community members.

Connect families to mainstream banking opportunities. Individuals who have a bank account are more likely to own other types of assets.³⁵ States can take steps to increase the knowledge and physical availability of mainstream financial services in low-income communities in order to encourage savings and asset accumulation. **New York City's** [Banking Development District](#) program offers incentives (e.g., job credits, property tax relief, real estate assistance, and state deposits at below-market interest rates) for mainstream financial institutions to open offices in underserved neighborhoods. The program aims to increase low-income working families' access to financial services and stimulate economic development and job creation in distressed neighborhoods.

Offer new opportunities for families to save through individual development accounts, children's savings accounts, and education savings accounts. IDAs are matched savings accounts held by low-income persons generally used to purchase a home, pay for postsecondary education expenses, or start a business. IDA holders make monthly contributions to an account, and these funds are matched by public, private, or public and private sources at a predetermined rate. Individual account holders are typically required to take courses in financial management, often provided by local organizations. In addition to federal monies such as TANF, states can use general revenue funds or private resources to support IDAs. Several states, such as **Indiana, Kansas, Missouri, and Oregon**, have passed legislation to offer tax credits for individuals who donate to IDA programs. Results from a large-scale evaluation concluded low-income persons, even those living at or near the federal poverty line, can develop savings through IDAs.³⁶ On a less positive note, however, research has not clearly demonstrated IDAs increase the overall net worth of program participants and they also are costly to administer because economies of scale have yet to be reached. A high proportion of program participants also withdrew funds from their IDAs before receiving the matched funds, in essence treating the IDA as a checking account instead of a tool for longer-term savings.³⁷

College savings plans can be an effective way for low-income children and families to finance the education and skills training needed to move out of poverty. Several states have created programs that offer financial incentives for low-income families to save money toward postsecondary education. In 2007, the **Arkansas** legislature created a pilot program, known as the [Aspiring Scholars Matching Grant Program](#), to offer financial support to low-income families that open an education savings account. To qualify for the program, families must first open an account in the state's 529 college savings plan, which allows for tax-deferred earnings and tax-free withdrawals for higher education purposes. For families with adjusted gross income levels of less than \$30,000, the state will contribute \$2.00 for every \$1.00 that is deposited in the account up to an annual maximum of \$500. A one-to-one match applies for families with an adjusted gross income level of between \$30,000 and \$60,000. The state has set aside \$250,000 over two years to support the program.

Provide financial literacy programs. Financial literacy programs can also help ensure that families can make sound investment strategies that can lead to economic self-sufficiency. States have implemented diverse strategies to improve financial literacy among low-income family members. In many state TANF programs, for example, cash assistance recipients can help meet their work requirement by attending financial literacy education courses. Some states also require financial literacy education to be incorporated into public school curricula. For example, **Idaho, Georgia, Louisiana, and Missouri** mandate that students complete a personal finance course or personal finance instruction as part of a required economics course to graduate from high school.³⁸

For more information on asset development and other savings tools, see the NGA Center for Best Practices Issue Brief [State Policy Options to Encourage Asset Development for Low-Income Families](#).³⁹

Improve the Consumer Environment in Poor Neighborhoods

In many low-income communities, the prices of goods and services are considerably higher than in more affluent neighborhoods. Many underserved areas lack large retail stores, both because businesses fail to recognize the purchasing power of these neighborhoods and because these establishments perceive a risk of selling goods and services in lower-income neighborhoods.⁴⁰ Consequently, low-income families face higher costs for being poor. Because of underinvestment in low-income neighborhoods and the lack of access to mainstream financial services, families in these areas are often vulnerable to abusive lending practices such as payday lending, car title lending, predatory mortgages, and rent-to-own businesses. These types of practices often propel users into an endless cycle of debt, making it more difficult for families to get out of poverty and save for the future.

States can enact policies to offer greater financial protection to low-income families and reduce costs in low-income neighborhoods. They can:

- enact antipredatory lending legislation; and
- expand consumer options in underserved neighborhoods.

Enact antipredatory lending legislation. In response to various predatory lending practices, several states have passed legislation to enhance consumer protection. One of the more comprehensive efforts to curtail predatory mortgages is the **North Carolina** Predatory Lending Law, which prohibits loan flipping, prepayment penalties, and balloon payments that require borrowers to make a large lump-sum payment. The law has been effective in reducing predatory practices in the state, while not reducing access to subprime mortgages for individuals with low credit scores. **Illinois** has strengthened protections for borrowers through the Payday Loan Reform Act. The law sets interest rates that can be charged on payday loans, limits borrowers to having two loans at the same time, and stipulates that borrowers cannot have a payday loan for more than 45 days. The recent crisis in mortgage foreclosures is bringing predatory lending practices to the forefront. For more information on this issue, see the NGA Center for Best Practices Issue Brief [State Strategies to Address Foreclosures](#).

Expand consumer options in underserved neighborhoods. Families living in low-income neighborhoods generally pay more for utilities, groceries, insurance, security deposits, and other basic necessities, making it more difficult to save and invest for the future. As part of a statewide economic stimulus package, **Pennsylvania** launched the Fresh Food Financing Initiative to help lower costs and increase the availability of food in low-income rural and urban areas. Initially started with a \$20 million investment by the state, the initiative is funded through a public-private partnership that provides financing for supermarkets to open and operate in traditionally underserved neighborhoods.⁴¹ The initiative creates jobs, revitalizes local economies, and provides access to affordable food for low-income communities.

Increase Access to Education and Training

For many low-income workers, opportunities for higher-paying jobs and career advancement are limited because of low education and skill levels. More than 60 percent of children in low-income families have parents whose highest level of education attainment is a high school diploma or less.⁴² Postsecondary

education can provide a path to higher income; holders of a bachelor's degree earn 62 percent more and those holding an associate degree earn 26 percent more than individuals with only a high school degree.⁴³

State policymakers can adopt initiatives that make it easier for low-skilled, low-income individuals to attain education and training, enabling them to compete for better-paying jobs and support their families. By aligning training opportunities with the state's economic development priorities, these efforts can also help close current and anticipated skills gaps. States can:

- establish or expand need-based financial aid for working adults enrolled part time in vocational and two-year and four-year degree programs;
- develop career pathways to high-demand, high-growth jobs; and
- create opportunities for TANF recipients to enroll in short-term training programs as well as community college and vocational institute programs.

Provide financial aid for adults. In 2007, **Michigan** Governor Jennifer Granholm launched the [No Worker Left Behind](#) initiative to provide up to \$5,000 per year for two years in free tuition to help adults prepare for good-paying jobs in high-demand fields. Individuals who are unemployed, facing a layoff, or have a family income of less than \$40,000 are eligible. The program is supported through federal workforce funds, which the state hopes to supplement with general fund expenditures. Similarly, recognizing that adults are the fastest-growing demographic among college students but have little access to student aid programs, the **Pennsylvania** Higher Education Assistance Agency launched the Worker Advancement Grant for Education ([WAGE](#)) to reduce affordability barriers. WAGE provides up to \$3,500 in education assistance to part-time adult learners in more than 150 identified high-demand occupations. Approximately \$10 million has been invested annually through WAGE for almost 3,000 nontraditional students across 186 institutions. In 2007, **Maine** created the Competitiveness Skills Scholarship Program to help adults, with incomes below 200 percent of the federal poverty level, obtain the education and training needed for high-growth occupations. In addition to financial aid, the program offers a comprehensive package of support services to students including transportation and child care assistance. The program is funded through employer assessments, with the cost offset to unemployment insurance contribution rates.

Develop career pathways. Several states, including **Arkansas**, **Minnesota**, **Oregon**, and **Washington**, have developed collaborations among two-year colleges, workforce agencies, and businesses to successfully implement career pathways. Career pathways prepare low-wage workers for higher-wage employment through a path of mapped noncredit and college-credit programs linked to high-demand occupations. After completing each education or training component, participants are connected to higher-paying job opportunities. In addition to training, most pathways programs offer career counseling and transportation and child care assistance. **Arkansas'** [Career Pathways Initiative](#) used TANF funds to create pathways programs at the state's two-year colleges for adults earning less than 250 percent of the federal poverty level. **Oregon** offers pathways in a wide range of fields, including nursing, welding, allied health, automotive repair, and accounting and payroll. The career pathways model recognizes that working individuals typically experience greater success when training is undertaken in shorter-term increments. This approach also appreciates the importance of supports such as child care to help balance work, family, and education demands.

Create training opportunities for TANF and other low-income clients. Many states are showing promising results from activities that offer a mix of education and training in combination with employment. Consistent with the new TANF regulations that require the integration of basic skills instruction with occupational training, **Washington** created short- and long-term programs providing education and training opportunities for TANF and other low-income clients. The [Customized Job Skills Training](#) program is one of the state’s short-term programs, offering 8- to 22-week occupational training courses designed to meet the needs of local employers. Research on the program found that participants earned an estimated \$864 more per quarter than a control group.⁴⁴

Improve Access to Work Supports

For low-wage workers and families transitioning off welfare, access to critical supports—for example, food stamps, the EITC, Medicaid, child care subsidies, and the State Children’s Health Insurance Program (SCHIP)—can act as a bridge to help cover the financial gaps between employment income and living expenses. Families making the transition from TANF cash assistance that receive publicly sponsored health insurance or child care subsidies are less likely to return to welfare than those who do not receive assistance.⁴⁵ In addition, the lives of low-income children are more stable when families receive benefits combined with employment services, resulting in improved school and behavioral outcomes.⁴⁶ States can develop and implement different strategies to make it easier for low-income families to obtain and retain benefits. They can:

- coordinate policies for benefit programs;
- develop comprehensive approaches to improve access to work supports; and
- expand child care subsidies for low-income families.

Coordinate policies for benefit programs. Eligibility requirements for programs such as TANF, SCHIP, Medicaid, and food stamps often are based on different definitions of income, assets, and household composition, leading to a highly complex system for families trying to obtain multiple benefits. Verification processes to obtain services and benefit renewal dates also vary, with families having to participate in face-to-face interviews to receive some benefits while being able to submit verification documents electronically or by mail for others. These issues can be particularly difficult for working families that must balance employment and family responsibilities with multiple office visits and administrative hurdles. States have considerable flexibility to align and streamline eligibility requirements, verification processes, and program applications. Benefit renewal processes can also be streamlined to assist low-income families receiving multiple benefits. **Arkansas**, for example, automatically renews Medicaid and SCHIP eligibility for families on the basis of updated food stamp information.⁴⁷ Even if a family does not receive food stamps, information gathered from a client when renewing one benefit can be used to update and restart eligibility for other programs.

Develop comprehensive approaches to improve access to work supports. Several states have sought to integrate access to multiple benefits by aligning program requirements, increasing outreach efforts, and using technology. **Florida** has pursued several strategies to modernize the delivery of supports in response to a legislative directive and changes in customer needs. The new system, [ACCESS Florida](#), increases opportunities for customers to access self-service products, reduces administrative costs for the state, and simplifies policies to reduce staff and customer error rates. Low-income families can now apply for benefits through the ACCESS Florida system online, through the mail, or by fax. Clients can also go to local Florida Department of Children and Family offices or receive assistance in applying from several

thousand community partners across the state. Since ACCESS Florida was implemented, the state has achieved a 35 percent reduction in staff with an 18 percent increase in workload.⁴⁸ For more information, see the NGA Center for Best Practices Issue Brief [Improving Access to Benefits for Low-Income Families](#).

Expand child care subsidies for low-income families. Assistance with child care expenses is important to help low-income working families remain employed.⁴⁹ Providing child care subsidies can increase the probability that mothers will work, remain off TANF cash assistance, and have higher earnings.⁵⁰ States are investing TANF and TANF maintenance-of-effort (MOE) dollars, fully matching Child Care and Development Block Grant (CCDF) allocations, using Social Services Block Grant funds, and spending state general revenues to help low-income working parents pay for child care. For example, in fiscal 2005, **California** spent approximately \$2 billion on child care using TANF and CCDF block grant monies.⁵¹ A study conducted in California found that the state's child care support enables working parents to earn approximately \$13 billion per year.⁵²

From 2006 to 2007, 10 states reported increasing TANF and MOE budgets to provide child care subsidies for TANF families, while 14 states reported increasing budgets to provide child care assistance to non-TANF families.⁵³ Although state budget limitations may make it difficult to expand child care assistance to low-income families, this type of support can be critical in helping adults remain actively engaged in the labor market, which can ultimately lead to a reduction in poverty rates.

Invest in Programs for Young Children

Many poor children enter kindergarten as much as a year behind children from families with higher incomes. Despite efforts to target resources toward low-income schools, this achievement gap persists throughout their school years and results in lower rates of educational achievement and lower earnings for these children as adults. However, healthy environments and positive parent-child interactions can foster the early development of skills in young children, which can set them on a positive course for life.

State policymakers can adopt initiatives that enhance the development of children in low-income families, resulting in improved outcomes in school, work, and life. Many states invest general funds and other sources of revenue to support parent education programs such as the [Home Instruction for Parents of Preschool Youngsters](#) program and the Parents as Teacher program. For example, in 2007, **Missouri** designated more than \$32 million in general funds for the [Parents as Teachers](#) program. Parenting support programs can help individuals with young children by increasing knowledge of child development, reinforcing parental resilience, providing broader social connections, and linking parents with concrete support in times of need.

In addition to investing in parent support programs, states can:

- provide home visiting programs; and
- expand quality prekindergarten programs for three- and four-year-olds.

Provide intensive home visiting programs. Home visiting programs that target new parents can promote children's healthy development and positive parenting. Nurses or other specially trained personnel make regular visits to at-risk families starting before the child is born and continuing until the child is at least two years old. Home visitors provide information and guidance on parenting and child development and links to medical care and other services. Programs such as the [Nurse-Family Partnership](#) and [Healthy Families America](#) offer models of how to provide these services in different local settings. **Louisiana** and **Oklahoma** offer statewide programs through their public health offices, while **Colorado** uses a public-private partnership. Good home visiting programs can significantly improve child well-being by

improving mothers' prenatal health and parenting. Such programs also contribute to reducing preterm and low-birthweight babies, child maltreatment, welfare use, and substance abuse. These programs pay for themselves several times over by reducing incidences of school failure, juvenile crime, and abuse and neglect.⁵⁴

Expand prekindergarten programs. Children living in poverty face an increased risk of poor nutrition, health problems, and inadequate exposure to cognitive stimulation. The average cognitive score of preschool children in the lowest socioeconomic group is 60 percent below that of their counterparts in the highest socioeconomic group.⁵⁵ Investing in quality prekindergarten programs is one way states can provide the support that many low-income families need to ensure their children's health. Investments in early childhood learning also can have positive economic impacts for states and localities. During the 2005–2006 program year, 26 states funded prekindergarten programs designed to assist low-income children ages three and four.⁵⁶

States also can play an important role in providing services that support children from birth to age five, a critical developmental period for at-risk children. In 2006, **Illinois** expanded its prekindergarten program through a \$45 million increase in funding to create the [Preschool for All](#) program. By 2011, the state will offer prekindergarten education to all three- and four-year-olds regardless of income level. To increase services for children from birth to age three, the Illinois legislation also sets aside 11 cents for every preschool dollar to provide developmental and family support services for at-risk infants and toddlers.

Strengthen Family Relationships

Single-parent families experience poverty at rates substantially higher than married, two-parent families; 38 percent of children in single-parent families are poor, compared with less than 7 percent of children in married, two-parent families. Children in single-parent families are about eight times more likely to grow up in chronic poverty, which has the strongest negative effects on a child's life. Importantly, the impact of marriage on child well-being is not just a function of having two potential wage earners. Poor, two-parent families suffer fewer economic hardships, such as having to skip a meal or missing mortgage, rent, and utility payments, than do poor, single-parent families.

States can pursue various strategies to support married, two-parent families, reduce the number of single-parent families, and increase the financial and emotional support from absent parents. They can:

- offer programs to help reduce teen pregnancy, which most frequently results in poor, single-parent families;
- establish responsible fatherhood programs to enhance fathers' financial and emotional support of their children; and
- offer marriage and relationship education programs.

Offer programs to help reduce teen pregnancy. Teen pregnancy is a contributing factor in child poverty rates. A child has a 27 percent chance of growing up in poverty if the mother was a teen parent. These chances increase to 42 percent if the mother was a teen parent and unmarried.⁵⁷ Importantly, teen mothers are less likely to graduate from high school or college, compared with women who postpone childbearing until a later point in their lives.

States can play an important role in helping to reduce teen pregnancy rates through campaigns, resources, and coalitions. In 2005, **Michigan** Governor Jennifer Granholm outlined a Blueprint for Preventing Unintended Pregnancies to help reduce the number of unplanned births in the state and to broaden family

planning services for low-income individuals. The initiative includes a pilot program to teach parents how to talk to teens about abstinence and sexuality and a federal waiver to expand family planning services to women who are not eligible for Medicaid but have low-income. The state estimates that for each public dollar spent on family planning services, Michigan can save approximately \$3.00 that would have been spent on Medicaid costs related to pregnancy and newborn care.

Establish responsible fatherhood programs. Several states and communities have developed responsible fatherhood programs to help noncustodial parents pay child support and play a role in raising their children. The [Georgia Fatherhood Program](#) was established in 1997 as a partnership among the state’s human resources department, child support enforcement office, and technical and adult education department. The program enrolls noncustodial parents who are behind in child support payments because of unemployment or underemployment and provides on-the-job training and career counseling to improve the participants’ employment prospects. It also offers life skills, conflict resolution, parenting education, and anger and stress management courses to help fathers learn to play positive roles in their children’s lives. The program now operates throughout the state in 33 technical colleges and three colleges with technical divisions.

Offer marriage and relationship education programs. States have begun to develop and implement marriage and relationship education programs to strengthen families and improve outcomes for children. These programs aim to enhance communication, problem solving, and conflict resolution skills between partners to help them develop and sustain healthy marriages. Such programs evolved in response to research that, on average, children raised in married, two-parent homes with low conflict levels have a lower risk of both academic and behavioral issues. Although few long-term evaluations have been conducted on the effectiveness of marriage education programs, pilot programs and other state efforts show promising results and can help inform future efforts. **Arizona** offers the [Marriage and Communication Skills Program](#), funded primarily through TANF monies, and provides grants to community-based organizations for marriage education, domestic violence prevention, and communication skills training to couples. **Oklahoma** has created several programs to sustain and develop healthy marriages for low-income couples. The state offers marriage education programs to TANF clients, youth offenders and their parents, unmarried low-resource couples who have just become parents, and women ex-offenders who have just returned to their families.

Comprehensive State Efforts to Address Poverty

To effectively “turn the tide” on poverty, states will likely need to adopt and commit to multiple, long-term strategies that address the multifaceted aspects of poverty. Comprehensive state efforts to address poverty can be developed through different means, such as setting poverty reduction targets, coordinating programs and policies across state agencies and legislation, and creating commissions or councils to help guide and oversee antipoverty strategies. Gaining support and political will from a broad range of constituents, including members of the state executive and legislative branches, nonprofit community groups, businesses, and advocates, is often paramount in state commitments to cut poverty rates. In addition to pursuing actions described in this brief, issues pertaining to affordable housing, education, and health care play an integral role in reducing poverty and promoting economic opportunities.

Several states have launched comprehensive efforts to reduce poverty through mechanisms such as stakeholder groups that advance antipoverty strategies, targets to reduce or eliminate poverty, and a governor’s summit to raise awareness of poverty and potentially generate recommendations to promote economic mobility. In 2008, both **Ohio** and **New Mexico** created anti-poverty task forces to address

issues facing low-income families. States such as **Connecticut, Delaware, and Vermont** have established specific targets to reduce child poverty by a specific date. These states have created stakeholder groups, either through legislation or executive order, to develop a comprehensive strategy to achieve their goal. Many antipoverty councils or commissions involve relevant state agencies, key legislators, members of the advocacy community, and other policymakers. By setting a goal to reduce poverty within a specific period, state leaders are making important public statements on the need to improve the economic conditions of vulnerable children and families.

For example, in 2004, the Connecticut legislature established the [Child Poverty Council](#) and set a target of reducing the percentage of Connecticut children in poor families by 50 percent within 10 years. This council was also charged with developing a broad set of goals, including increasing access to health care and adequate housing, reducing child abuse and neglect, and increasing school readiness. Building on previous efforts to address child poverty, in 2007, Delaware Governor Ruth Ann Minner created the Child Poverty Task Force and charged it with developing a 10-year plan to reduce the state's child poverty rate by 50 percent. The task force is also responsible for creating an inventory of statewide public and private programs that address child poverty and for identifying any deficiencies of such programs in order for the state to reach its target. In 2007, the state general assembly created the Vermont Child Poverty Council, composed of legislators, executive branch officials, and representatives of groups that help improve the lives of low-income children. The state is seeking to reduce child poverty by at least 50 percent during the next 10 years.

A governor's summit can also be an effective mechanism for raising awareness of poverty and convening stakeholders to help move the state into action. In **Louisiana**, former Governor Kathleen Blanco convened the First Annual Solutions to Poverty Summit in December 2004. Following the summit, efforts in the state focused on establishing local coalitions to develop community solutions to

Housing, Health Care, and Education Issues

Access to affordable housing, health care, and education are critical elements in efforts to reduce poverty. High housing costs mean that families have less money to spend on other necessities such as food, transportation or child care. Families that do not have access to secure and affordable housing may have to move frequently, interrupting children's schooling and making it difficult for adults to remain employed. Likewise, lack of affordable health care for children and families can have both immediate and long-term consequences. Children without health insurance coverage are more likely to receive medical attention late, experience more frequent hospitalizations, and be absent from school more than children who have access to on-going, affordable health care.

Although all three of these issues are important when addressing poverty, they are not discussed in this report due to the extensive body of research available on these topics. For more information on housing issues, see the NGA Center for Best Practices Publication [State Mortgage Assistance and Refinance Programs](#) and the NGA Center for Best Practices Issue Brief [State Strategies to Address Foreclosures](#). For more information on health care issues, see the NGA Center for Best Practices Issue Brief [Medicaid Redesigned: State Innovations in Health Coverage](#) and the NGA Center for Best Practices Issue Brief [Helping the Working Poor Buy Insurance: Addressing Barriers to Premium Assistance](#). For information on education reform, see the NGA Center for Best Practices Web page [Turning Around Low Performing Schools](#). Additional information can be found on the National Governors Association Center for Best Practices Web

poverty and coordinate state agency initiatives. Other states, including **Iowa** and **Michigan**, are planning to hold summits in 2008 to address economic opportunities for low-income families.

Conclusion

The effects of poverty on children and families are profound. Children living in poverty face greater risks of poor physical and mental health. They also have a reduced likelihood of completing higher levels of education, which can lead to lower economic status as adults. Importantly, the costs of poverty are not limited to individuals. Child poverty costs the U.S. economy approximately \$500 billion per year.⁵⁸ Governors and other state leaders can adopt various policy and program options to help reduce the negative effects of poverty on children, provide immediate and short-term assistance for families in crisis, and offer longer-term assistance to help individuals obtain the skills and education necessary to succeed in the workforce.

Many states are facing budgetary constraints because of the downturn in the economy. Unfortunately, this limitation is occurring at the same time more families are becoming economically vulnerable and are in need of assistance. States can still take steps to help families in poverty by exercising low-cost options such as developing public-private partnerships, improving access to work supports, and pursuing legislation to protect families from abusive lending practices.

These types of efforts, as well as other more targeted or phased-in approaches, are important to assist low-income families with immediate needs, reduce the risks of poverty to children, and promote skill development that many families need to become economically self sufficient. By pursuing strategies that help reduce poverty, states not only can improve the lives and outcomes of children, but also can significantly strengthen state and local economies.

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