

# Opportunities under the Recovery Act for Income Support for Low-Income Families

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CLASP

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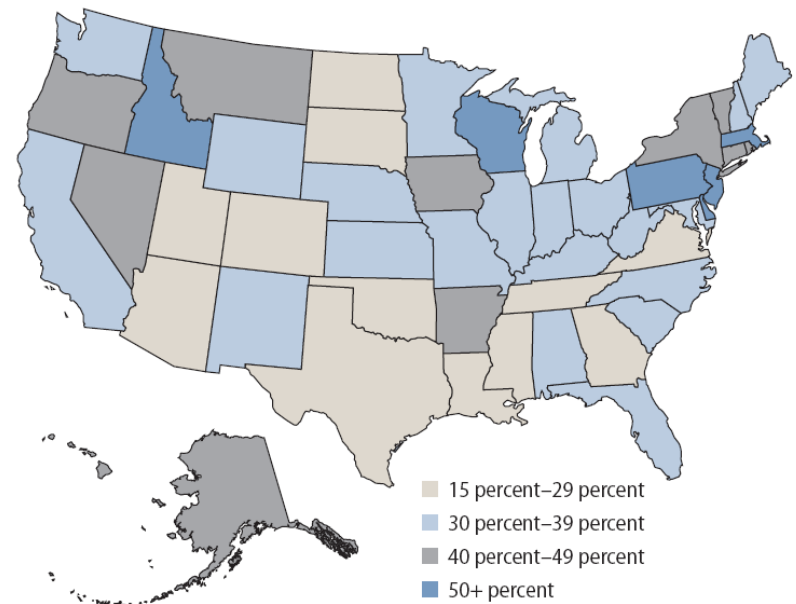
2009 Illinois Family Impact Seminar

# Unemployment Insurance

38 percent of unemployed in Illinois receive unemployment benefits (national average is 37 %). Illinois already uses alternative base period, which means that the most recent quarter of work experience is counted.

## Percent of the unemployed collecting jobless benefits

Unemployment insurance data summary, 2nd quarter 2008  
(12 months ending June 2008)



# Unemployment Insurance Modernization Act

- Provides \$7 billion in incentive funding to states that adopt UI reforms.
- 1/3 to states that adopt alternative base period (ABP) – so Illinois will automatically receive \$105 million.
- 2/3 to states that have ABP plus 2 of 4 possible reforms.

# Illinois must make 2 more reforms to receive additional \$211 million

	State must have 2 of these 4 reforms	Illinois rules
	Weekly \$15 allowance per dependent	
	Coverage of workers seeking part-time employment	
	Eligibility for workers who leave jobs for 3 compelling family reasons: domestic violence, illness or disability, and spouse relocation	Compelling family reasons law covers only domestic violence and illness or disability
	Extended UI benefits while recipient is in training	

UIMA funds would pay for the costs of expanded coverage for *11 years*.

Source: NELP

<http://www.nelp.org/page/-/UI/needed.uima.reforms.by.state.jan.09.pdf>

# Unemployment Insurance for Part-Time Workers

- Under current law, can't receive UI benefits if you are not available for full-time work – even if you earned enough working part-time hours to otherwise qualify for benefits.
- Employers still have to pay UI taxes for part-time workers.
- Disproportionately affects low-wage workers, women.

# Impacts of UIMA So Far

- 19 states already had ABP – automatically qualify for some or all of their funds.
- Arkansas, California, Iowa, Minnesota, New Jersey and South Dakota have all passed reforms since Recovery Act was passed.
- Governors in at least 16 states have expressed support for reforms.

# Extended Benefits

- Recovery Act improved “extended benefits” (EB) program as well as extending “emergency unemployment compensation” (EUC).
- EB is now 100% federal funded rather than 50/50 federal/state.
- Also removed restriction on benefits for workers who started receiving UI more than a year ago.

# Optional Trigger for Extended Benefits

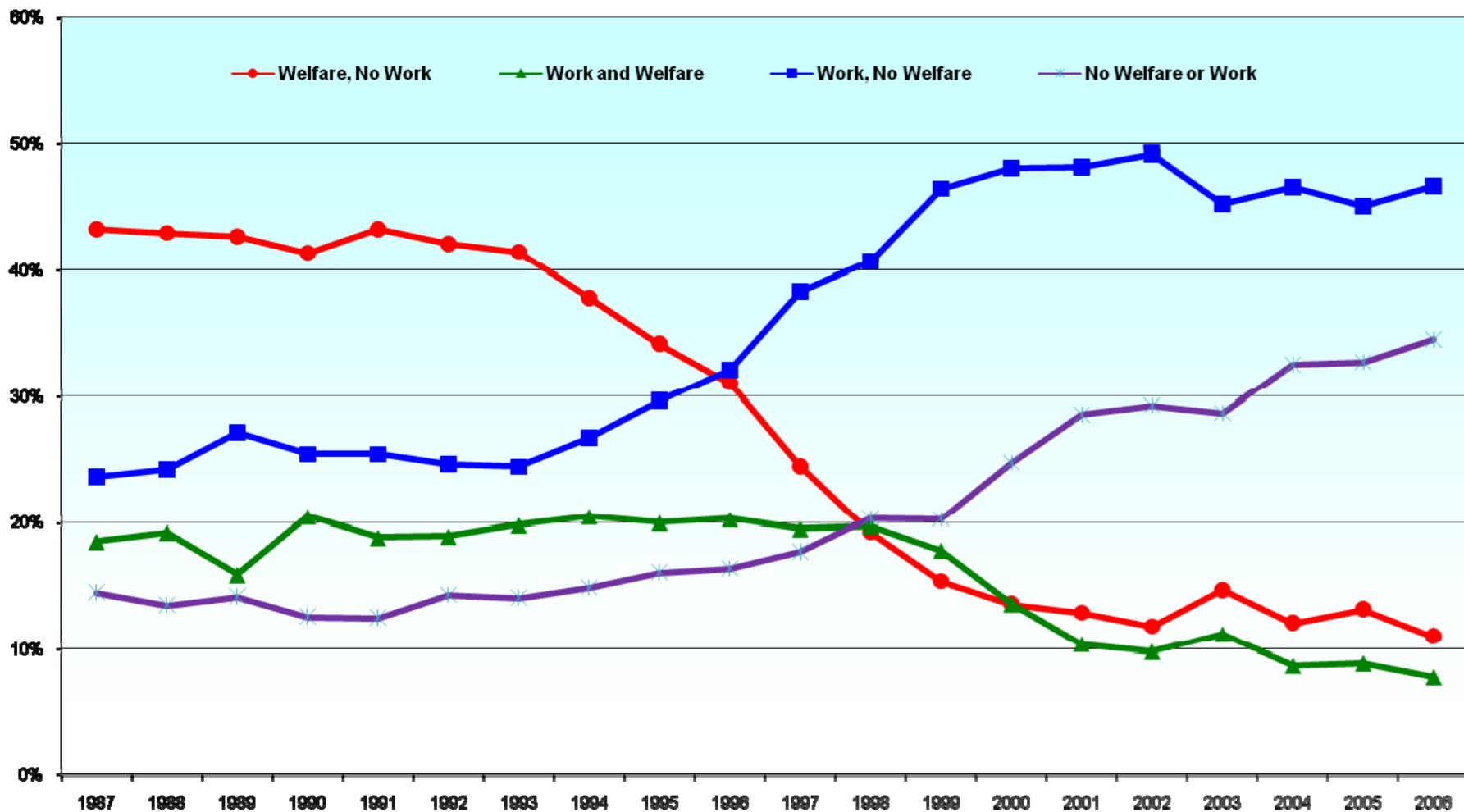
- As of April, Illinois is now qualifying for EB based on insured unemployment rate of  $> 5\%$
- More than 60,000 workers are benefiting
- But Illinois should still adopt optional trigger based on total unemployment rate
  - More certainty
  - If 3 months average total unemployment rate exceeds 8 percent, workers can receive 7 additional weeks of benefits



# A Short History of TANF

- 1996 Personal Responsibility and Work Opportunity Reconciliation Act replaced AFDC with TANF – “welfare reform”
- Welfare caseloads dropped dramatically – by 45% nationally, and 85% in Illinois
- More low-income single mothers working, but also increasing share not working, not receiving welfare.
- Share of TANF block grant spent on cash assistance declined sharply.

# Work and Welfare Among Poor Single Mothers, 1987-2006



Source: Congressional Research Service, Trends in Welfare, Work, and the Economic Well-Being of Female-Headed Families with Children: 1987-2006 (January 29, 2008).

# TANF Caseloads Continue to Fall During Recession

January 2008-January 2009

- Illinois unemployment rate climbs from 5.8 to 7.8 percent (34 percent increase)
  - Up to 8.6 percent in February
- Illinois Food Stamp households climb from 591,000 to 656,000 (11 percent increase)
- Illinois TANF caseload falls from 28,000 to 27,200 (3 percent *decline*)

# TANF Emergency Fund

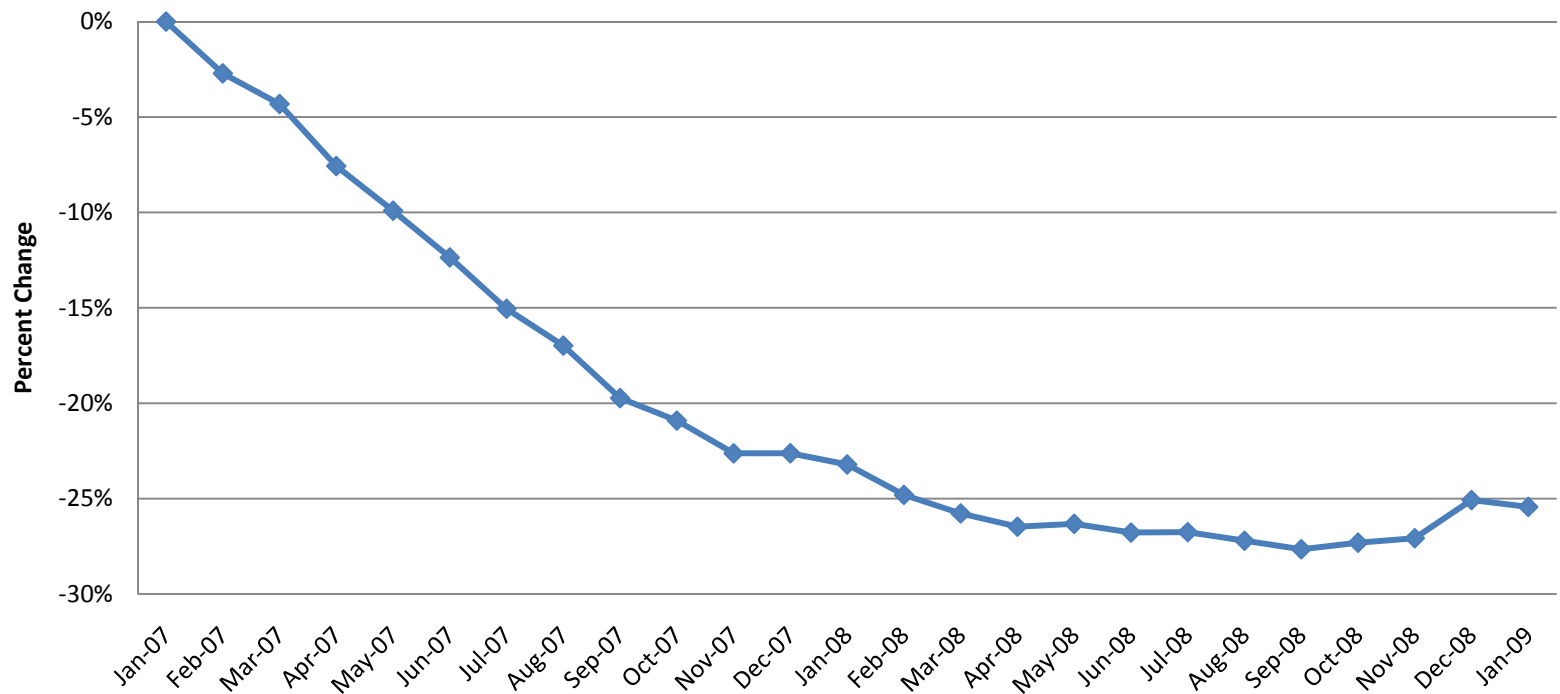
- States will receive 80 percent of increases in spending in one or more of three areas:
  - Assistance
  - Non-recurrent, short-term benefits
  - Subsidized employment
- States can receive up to 50% of block grant over two years – \$292.5 million for Illinois
- Total pool of \$5 billion



# TANF Assistance

- Worrisome that TANF caseloads are still falling given rising need. Less than 1/5 of Illinois children in deep poverty receive TANF.
- Illinois HB 2383 stresses that TANF's purpose is to target assistance to families in need and that caseloads may appropriately increase during times of severe economic downturn. Work requirements and time limits remain as core elements of the program.

# Can Only Qualify under Assistance If Caseload Has Risen Compared To Same Quarter in FY 07 or 08

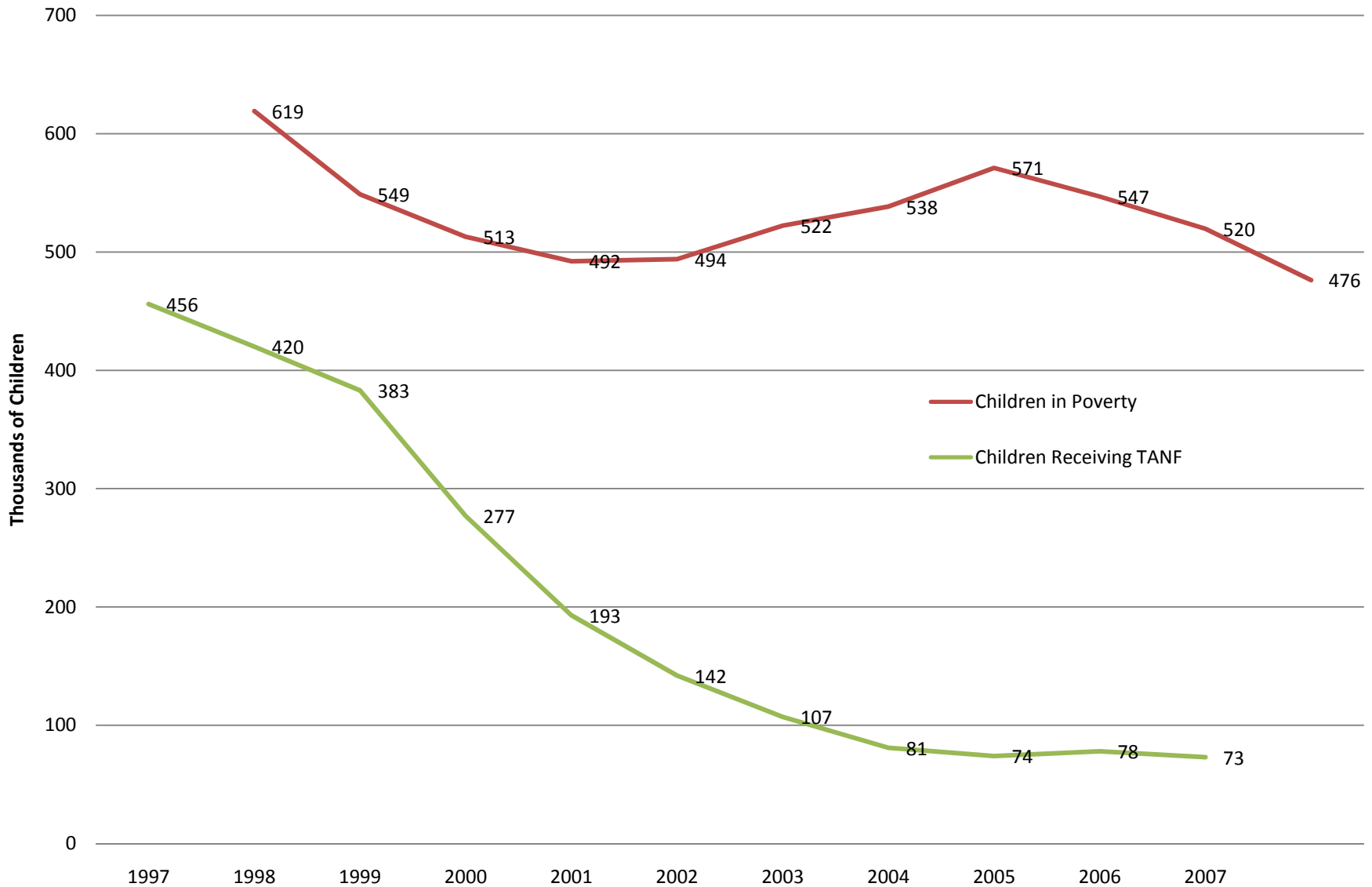


Source: Just the Facts/IDHS Data obtained by Shriver Center

# Improved Access Makes Fiscal Sense

- Every dollar of new state spending leverages 4 dollars of federal funds.
- Once Illinois qualifies based on caseload increases, TANF Emergency Fund will pay for 80 percent of last fall's benefit increase for TANF recipients.
- Low-income families will spend money on necessities, putting money rapidly back into the local economy.

# TANF Serves Diminishing Share of Poor Children in Illinois





# Non-Recurrent Short-Term Benefits

- Energy assistance – prevent utility shutoffs.
- Homelessness prevention – first and last month's rent, security deposit, moving costs.
- Could provide short-term housing assistance – let kids finish out the school year.
- Can be to families that are receiving ongoing assistance – could give everyone a back to school clothing allowance.

# Subsidized Employment

- Can cover supervisory, training, site development costs as well as the wages paid to participants.
- Can be Transitional Jobs for individuals with barriers to employment.
  - combines real work, skill development, and supportive services, to transition participants rapidly and successfully in the labor market.
  - <http://www.transitionaljobs.net/>
- Broader subsidized jobs in areas of high unemployment

# Subsidized Jobs Are Better Than Workfare

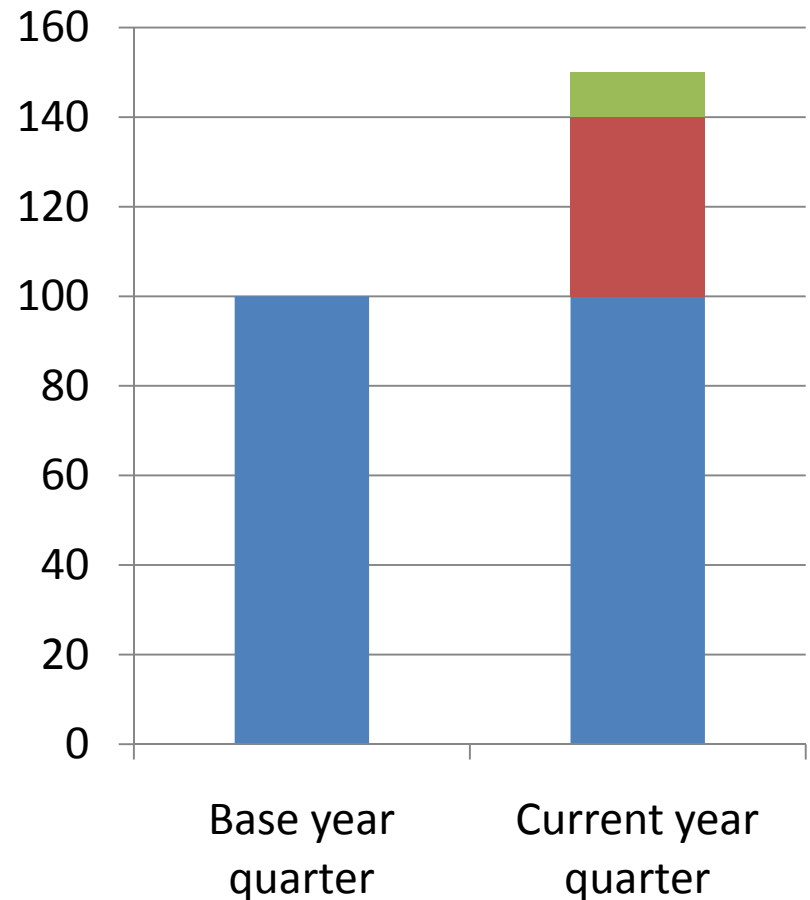
- Can deem hours of participation for 6 months, rather than having to document them every week – less paperwork for states.
- Much better financially for the participant – earnings count towards tax credits.
- Generally, more like real work situations – need to be timely, deal with supervisors and coworkers, can learn skills. Not pushing a broom in the park.

# TANF Work Participation Rates

- Work participation rates only apply to recipients of “assistance.”
- Non-recurrent short-term benefits and work subsidies are not “assistance.”
- Recovery act included a “hold harmless” – states can use previous caseload reduction credit if caseloads increase.
- Existing regulations allow for “reasonable cause” for failure to meet rates in recession.

# What Counts for Emergency Fund Reimbursement?

- Combined MOE/TANF spending
- Must be an increase over comparable quarter in FY 07 or 08
- Can be spending from Contingency Fund
- Can be redirected from other TANF categories
- Can be third-party spending claimed as MOE



# Thank You

For more information:

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Q and As on the TANF Emergency Fund:

[http://www.clasp.org/publications/tanf\\_efc\\_qanda0409.pdf](http://www.clasp.org/publications/tanf_efc_qanda0409.pdf)

NELP resources on Unemployment Insurance Modernization Act

[http://www.nelp.org/index.php/site/issues/category/modernizing\\_unemployment\\_insurance](http://www.nelp.org/index.php/site/issues/category/modernizing_unemployment_insurance)