

The Social Safety Net: A Handbook of Major Social Assistance Programs for Oklahomans



The Social Safety Net: A Handbook of Major Social Assistance Programs for Oklahomans

2nd Edition

-- Expanded and Updated --
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Introduction

With this second edition of “The Social Safety Net Handbook,” the Public Policy Department at Community Action Project offers to legislators, policymakers, the media, and interested individuals an expanded and updated comprehensive guide for the largest government assistance programs serving low- and moderate-income Oklahomans. These programs include Temporary Assistance for Needy Families (TANF), [Food Stamps and other nutrition programs](#), [Medicaid](#), [Child Care Subsidies](#), [Section 8 Rental Assistance](#), [Unemployment Insurance](#), and [Low-Income Tax Credits](#).

For each program, the reader will find important basic information about

- how the program operates;
- who is eligible to receive benefits;
- participation levels over time;
- funding mechanisms and program expenditures; and
- some of the key challenges facing the program currently and in the near future.

We also provide lists of websites for those interested in pursuing additional detail.

Part of our goal in preparing this document is to illuminate the fact that public benefit programs remain critical to the well-being of hundreds of thousands of Oklahoma families. While many readers may be familiar with a certain program area, “The Social Safety Net Handbook” encourages us to consider how programs operate together, since families often rely on more than one assistance program.

“The Social Safety Net Handbook” will continue to be revised regularly with updated data and current information on each program. Viewers reading this guide online can go from the Table of Contents to any program section or any figure or table. Links to government agencies, policy groups, and other helpful sources are provided at the end of each program section.

This handbook, along with more detailed analysis of the major social welfare programs, is available for download at our website at <http://www.okpolicy.org>. If you are interested in a presentation on these programs, please contact us at publicpolicy@captc.org or (918) 382-3354.

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The Community Action Project (CAP) is a comprehensive anti-poverty agency whose mission is to help individuals and families in need achieve economic self-sufficiency. CAP's public policy department aims to promote policies that will benefit low-income Oklahomans through research, education, and advocacy. Our efforts are generously supported by the Annie E. Casey Foundation and the Stoneman Family Foundation. CAP is a member of the State Fiscal Analysis Initiative Network. Our work may be freely distributed and reproduced in any form with proper acknowledgment.

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List of Abbreviations

ABAWD	Able-Bodied Adults Without Dependents
ABD	Aged, Blind, and Disabled
AFDC	Aid to Families With Dependent Children
CACFP	Child and Adult Care Food Program
CCDF	Child Care Development Fund
CSED	Child Support Enforcement Division
CTC	Child Tax Credit
EBT	Electronic Benefits Transfer
EGTRRA	Economic Growth and Tax Relief Reconciliation Act (2001)
EITC	Earned Income Tax Credit
FFY	Federal Fiscal Year
FPL	Federal Poverty Level
FSP	Food Stamp Program
FY	Fiscal Year (implies State Fiscal Year)
JGTRRA	Jobs and Growth Tax Relief Reconciliation Act (2003)
MOE	Maintenance of Effort
MSA	Metropolitan Statistical Area
NSLP	National School Lunch Program
OHCA	Oklahoma Health Care Authority
OKDHS	Oklahoma Department of Human Services
PHA	Public Housing Authority
SBP	School Breakfast Program
SCHIP	State Children's Health Insurance Program
SSBG	Social Services Block Grant
SSI	Supplemental Security Income
TANF	Temporary Assistance for Needy Families
TEUC	Temporary Extended Unemployment Compensation
UI	Unemployment Insurance
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children

Overview of Social Welfare Programs

The United States government has long provided a set of social welfare programs that constitute what may be referred to as the “social safety net.” This collection of programs aims to reduce the impact of poverty and to protect individuals, households, and communities against income insecurity by ensuring that citizens have the basic necessities of life – shelter, food, physical safety, health, and a minimum level of financial resources.

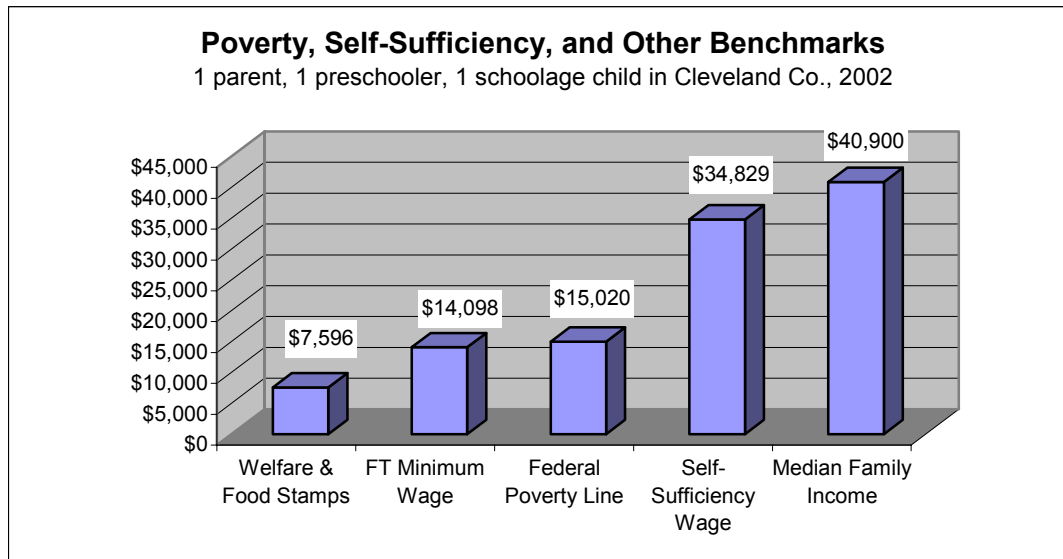
The origins of the social safety net demonstrate a concern for society’s most vulnerable groups – children, the elderly, and the disabled. In response to the Great Depression, President Roosevelt included Aid to Dependent Children (ADC), a program for widowed mothers, in the Social Security Act of 1935. Eventually known as Aid to Families with Dependent Children (AFDC), the program’s rolls expanded with the creation of Medicaid in 1966. Current safety net programs include Temporary Assistance for Needy Families, (TANF, which replaced AFDC in the 1996 welfare reform law), Food Stamps and other nutrition assistance programs, Medicaid, child care subsidies, housing subsidies such as Section 8 Rental assistance, Unemployment Insurance, and tax credits such as the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC).

Social welfare programs are sometimes perceived as existing only for the benefit of the chronically poor. The social safety net, however, also serves to assist other populations such as the temporarily poor, those affected by economic adjustments such as lay-offs or the relocation of a business, and low-income working families who need help in meeting basic needs. Some programs, such as the Child Tax Credit in particular, benefit middle- and upper-income families in addition to low-income families.

Taken together, safety net programs can be essential to working poor families, since the income earned from low-wage work falls short of what is required for self-sufficiency. For example, consider a family made up of a single working parent, a 3-year old, and a 7-year old. The parent earns \$15,600 working full-time, or \$7.50 per hour, which despite being considerably more than the federal minimum wage of \$5.15, puts the family just under the Federal Poverty Level (FPL). Figure 1 graphically depicts

annual resources at poverty level compared to other standards, including full-time minimum wage and the “self-sufficiency wage.”

Figure 1:



Note: Welfare & Food Stamps includes the maximum grants for a family of 3 in Oklahoma. FT (full-time) minimum wage is \$5.15 per hour, and includes the net effect of the Earned Income Tax Credit and taxes. **Source:** Pearce, Diana, with Jennifer Brooks. “The Self-Sufficiency Standard for Oklahoma,” Wider Opportunities for Women with Community Action Project of Tulsa County, 2002.

The Self-Sufficiency Standard “measures how much income is needed for a family of a given composition in a given place to adequately meet its basic needs – *without public or private assistance.*”¹ It considers the cost of housing, child care, food, transportation, health care, taxes, and some miscellaneous expenses, as well as the EITC, the CTC, and the Child and Dependent Care Tax Credit. It accounts for different family types (not just the number of people in the family) and where the family lives. According to the Standard, our hypothetical family would need \$34,824, or \$2,902 per month, to live in Cleveland County. The same family would require \$2,931 per month to live in Oklahoma County, \$2,218 to live in Lawton, or \$1,869 to live in Adair County.² Relying only on wages, our hypothetical family would remain far below self-sufficiency.

The social safety net will, however, increase the family’s resources beyond its basic earned income. While this family earns too much to receive TANF cash assistance, they can collect \$370 per month in food stamps (assuming they do not own many assets), and they are also eligible for Section 8 rental assistance. The children – but not the parents – are eligible to access health care through Medicaid. The state will

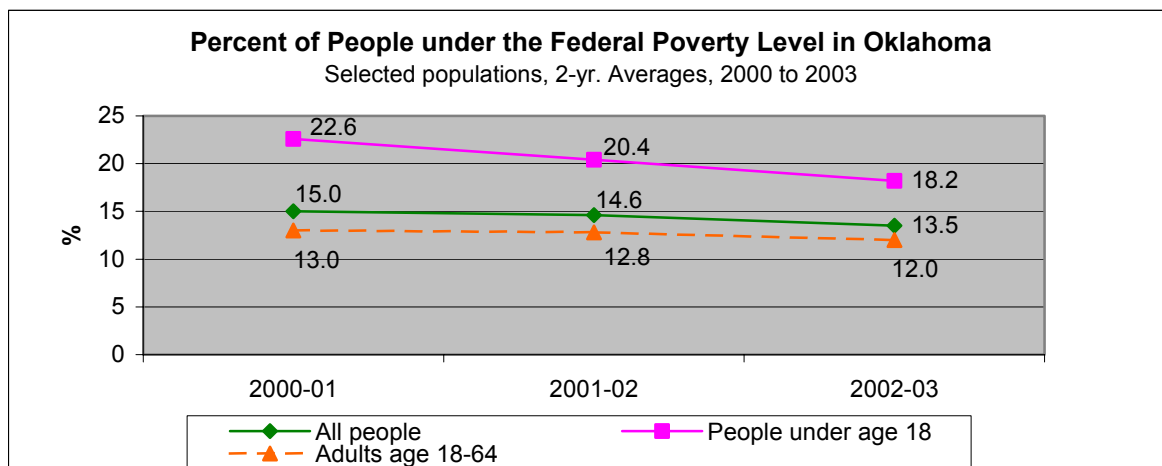
help pay for child care so that, as of September 2004, the parent would pay \$65 each month for the 3-year old plus an additional \$30 for the 7-year old. The children are also eligible for the free school lunch and breakfast programs. Through the tax code, this family can increase its resources by approximately \$4,000 in federal EITC plus another \$200 in state EITC and \$510 in CTC.³ *The social safety net, then, helps bridge the gap between poverty and self-sufficiency for working families.*

The Low-Income Population in Oklahoma

While the Self-Sufficiency Standard provides a more realistic estimate than the poverty level of the degree to which a family can cover basic expenses, for most of the programs described in this handbook the government uses the poverty level to determine income eligibility. Families up to 185% of FPL with children may be eligible for certain programs, for example, while families up to 100% of FPL may be eligible for additional programs. In Oklahoma, very little assistance is made available to families over 200% of FPL. By looking at the share of Oklahoma’s population that is considered low-income, we can begin to get a sense of the proportion of the population that is likely to qualify for government assistance.

Figure 2 shows the poverty rates for all Oklahomans, children, and non-elderly adults. Data are reported as two-year averages to minimize potential survey error. While the numbers reflect a slow drop in the overall poverty rate, these variations are not statistically significant.⁴ Nonetheless, it is important to note that one-seventh of the state’s total population and nearly one-fifth of the state’s children remain impoverished.

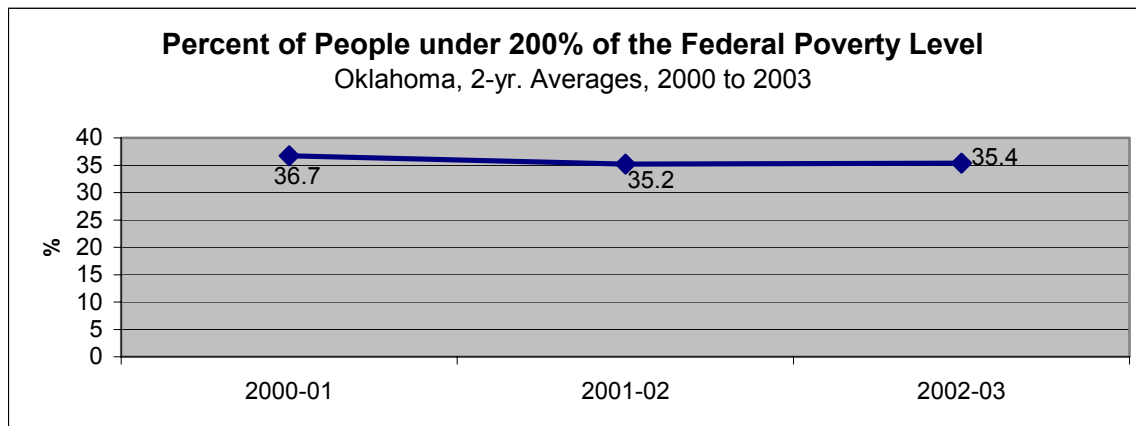
Figure 2:



Source: U.S. Census Current Population Survey (CPS), 2001-2004.

Figure 3 shows the percentage of all Oklahomans living under 200% of FPL; this threshold typically defines the “low-income” population. Over the past several years, the proportion of the state’s population considered low-income has declined very slightly, remaining at just over one-third of the population. In absolute terms, approximately 1.2 million Oklahomans lived below 200% of FPL in 2003.

Figure 3:



Source: U.S. Census Current Population Survey, 2001-2004.

For children, the figures are even more dramatic. The percentage of people younger than age 18 in Oklahoma living under 200% of FPL in 2002 was 45.8%. In 2003, the rate rose to 47.5%. Nearly half of our state’s children are considered low-income.

Program Facts and Enrollment at a Glance

Table 1 presents summary information on the programs covered in this handbook. Table 2 shows countable income ceilings for program eligibility, expressed as a percentage of FPL. *Countable* income refers to *gross monthly* income minus deductions allowed in each program.

Table 1: Program Quick Facts, FY '04 (except where noted otherwise)

Program	Purpose	Oklahoma Average Monthly Recipients	Oklahoma Annual Expenditures (in millions)
TANF	Strengthen families and prepare adults to move into work; provides cash assistance to very low income children and parents	34,209	\$222.9 (includes \$37 for cash assistance)

Food Stamps	Improve nutrition in low-income households	406,001	\$391.8
National School Lunch and Breakfast Programs	Provide nutritious meal to low-income children	332,699 <i>(2003-04 school year)</i>	N/A
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Provide education and supplemental nutrition to women and children at critical stages of development	111,688 <i>(FFY '03)</i>	\$50.5
Child and Adult Care Food Program	Provide nutritious meal to low-income children and functionally-impaired adults in care facilities	56,256 <i>(2003 average daily attendance)</i>	N/A
Medicaid	Provide health care for low-income children and some parents, seniors, and disabled	517,275	\$2,711.0
Child Care	Improve access to quality affordable child care for low-income working families	46,868	\$171.6 <i>(includes \$136.7 for subsidies)</i>
Section 8 Rental Assistance	Promote decent, safe, and affordable housing for low-income families, the elderly, and the disabled	22,465 families <i>(FFY '03)</i>	\$107.9 <i>(FFY '03, excluding administrative costs)</i>
Unemployment Insurance (UI)	Provide temporary and partial wage replacement to involuntarily unemployed workers who were recently employed	26,743 <i>(Avg. number of continuing claims per week)</i>	\$255.1
Federal Earned Income Tax Credit	Encourage work and provide partial off-set of payroll taxes incurred by low-income workers	327,932 <i>(total, 2001 tax year)</i>	\$468.7 <i>(federal expenditures, 2001 tax year)</i>
Child Tax Credit	Provide assistance for working families with children	313,519 <i>(total, non-refundable credit only, 2001 tax year)</i>	\$259.5 <i>(federal expenditures, 2001 tax year)</i>

**Table 2:
Program Eligibility: Countable Income Ceilings as Related to Federal Poverty Level (FPL), 2004**

Family Size	22% of Poverty	37% of Poverty	100% of Poverty	130% of Poverty	185% of Poverty	200% of Poverty	220% of Poverty
1	\$2,048	\$3,445	\$9,310	\$12,103	\$17,224	\$18,620	\$20,482
2	\$2,748	\$4,621	\$12,490	\$16,237	\$23,107	\$24,980	\$27,478
3	\$3,447	\$5,798	\$15,670	\$20,371	\$28,990	\$31,340	\$34,474
4	\$4,147	\$6,975	\$18,850	\$24,505	\$34,873	\$37,700	\$41,470
5	\$4,847	\$8,151	\$22,030	\$28,639	\$40,756	\$44,060	\$48,466

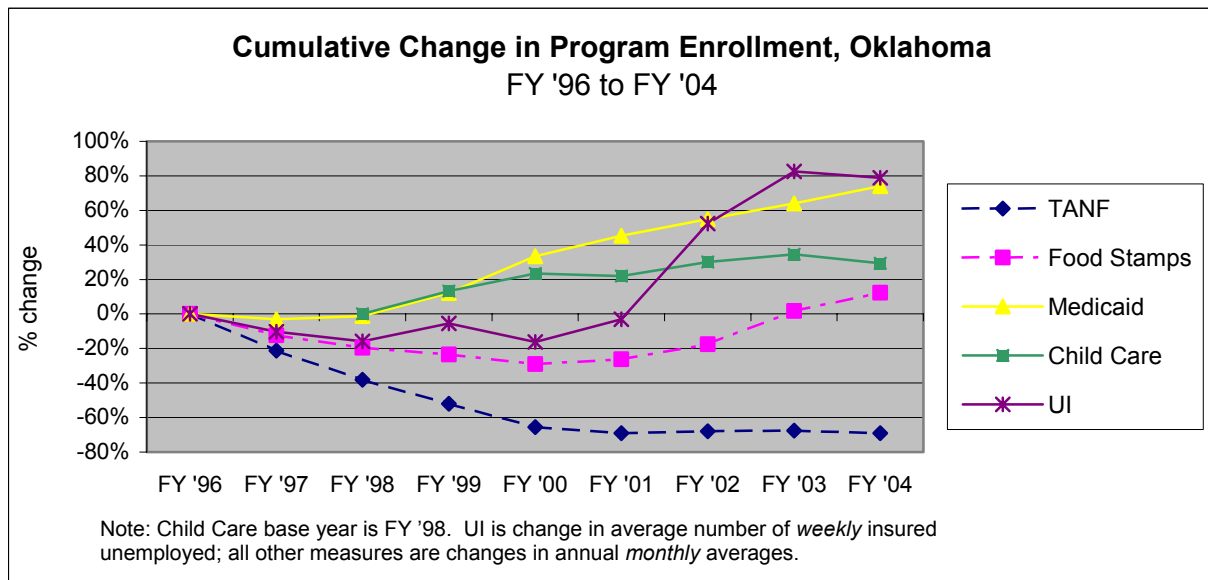
TANF:	Up to countable income of \$292 per month for a family of three and \$361 for a family of four, which is approximately 22% of FPL.
Food Stamps:	Up to gross income of 130% of FPL and countable income of 100% of FPL
National School Lunch and Breakfast Programs; Child and Adult Care Food Program:	Free meals for children (or adults, for CACFP) in families with gross income under 130% of FPL; reduced-price meals for children (or adults, for CACFP) in families with gross income between 130% and 185% of FPL.
WIC:	Available to pregnant and post-partum mothers plus children under age 5 up to 185% of FPL.
Medicaid:	Non-pregnant, non-disabled parents up to countable income of approximately 37% of FPL. Aged, Blind, and Disabled up to 100% of FPL. Pregnant women and children under age 19 up to countable income of 185% of FPL. Nursing home care and community based waivers up to 300% of Supplemental Security Income (SSI) federal benefit level, which is approximately 220% of FPL.
Child Care:	Up to \$23,400 to \$41,100 in gross income, depending on the number of children in subsidized care.
Section 8 Rental Assistance:	Eligibility based on the area median income. As a percentage of poverty, eligibility varies from about 110% of FPL for a family of 4 in a rural county to about 200% of FPL for a family of 1 in a major metropolitan area. (Smaller families are covered to higher percentages of FPL than larger families.)
Unemployment Insurance:	Eligibility not related to income, apart from requirement regarding wages earned during the "base period."
EITC:	Eligibility determined by absolute income thresholds that depend more on whether children are present than on total family size. Eligibility as follows: for married couples with no kids \$12,490 (roughly 100% of FPL); for single individuals \$11,490 (roughly 120% of FPL); for married couples with 2 kids \$35,458 (roughly 185% of FPL); for a single parent with 3 kids \$34,458 (also roughly 185% of FPL); for a married couple with one kid \$31,338 (roughly 200% of FPL); for a single parent with 2 kids \$34,458 (nearly 220% of FPL); and for a single parent with 1 kid \$30,338 (240% of FPL).

Figure 4 traces the percentage change in enrollment since FY '96 for some of the major social safety net programs covered in this handbook. Several trends stand out:

- TANF enrollment fell steadily in the late 1990's before flattening out and then rising slightly between FY '01 and FY '02. It is down almost 70% since FY '96.

- Food stamp enrollment fell with TANF in the late 1990's, although not as rapidly. Participation rose sharply between FY '00 and FY '03 followed by marginally slower growth in FY '04.
- Medicaid enrollment began growing after FY '98; it is up by 74% since FY '96.
- The number of children in subsidized child care has increased steadily with minor exceptions in FY '01 and FY '04. It was about 29% higher in FY '04 than in FY '98.
- After falling for several years, the number of UI recipients began a steep rise in FY '01 with the onset of the economic downturn, and had more than doubled by FY '03 compared to FY '96. By FY '04 reliance on UI had begun to drop.

Figure 4:



Sources: OKDHS Annual Reports, 1996-2003; OKDHS Statistical Bulletins July 2003-June 2004; UI data from U.S. Department of Labor, Employment and Training Administration.

Data are not available for the tax credits or for the “other” nutrition programs for the entire time period covered in Figure 2; participation data appear in the Low-Income Tax Credit Section and the Other Nutrition Programs section. Briefly, the number of Oklahomans filing for the federal EITC grew by only 4% between the 1998 and 2001 tax years; the number claiming the CTC grew by 48% in the same time frame. Participation in all the nutrition programs grew between FY '99 and FY '03. Growth was most modest in the WIC program at 3%; next highest for the school lunch and breakfast program at

17%; and highest for the CACFP, at 28%. Historical data for the Section 8 program are not available.

Figure 4 presents a complicated story about how part of the social safety net has functioned over the past eight years, a timeframe spanning a period of strong economic performance and job growth, followed by an economic recession and incipient recovery. While enrollment in some programs seems correlated to economic changes – Food Stamps and Unemployment Insurance among the clearest examples – enrollment shifts in other programs appear to have been driven by other factors. Medicaid enrollment, for example, began increasing long before the recession of 2001. The use of subsidized child care, which might have been expected to fall as people lost their jobs during 2001 and 2002, rose instead. Participation in the TANF program barely budged during the downturn.

To understand these dynamics, we must think about how social values become reflected in public policy choices. Some programs, such as Medicaid and the National School Lunch and Breakfast programs, have retained their commitment to protecting vulnerable child populations. Other programs aimed more at adults, such as TANF and even Food Stamps, have shifted away from supporting those deemed “in need” towards encouraging people to help themselves, mainly through employment. From this perspective, the 1996 welfare reform law marked a pivotal moment in the evolution of the social safety net. The rest of this handbook addresses these and other issues more explicitly for each program.

Temporary Assistance for Needy Families (TANF)

Program Summary: In 1996, Congress and the Clinton administration fulfilled their promise to “end welfare as we know it” by replacing Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). While both programs focused on providing income support for children and their parents, the new policy represented critical changes in the country’s thinking about “welfare.” AFDC had the single purpose of providing cash to those who needed it. TANF, in contrast, allows states a great deal of flexibility in deciding how to spend their block grants as long as they address any of the program’s four main purposes, which include: 1) providing assistance to needy families so that children may be cared for in their own homes or the homes of relatives; 2) ending dependence of needy families on government benefits by promoting job preparation, work, and marriage; 3) preventing out-of-wedlock pregnancies; and 4) encouraging the formation and maintenance of two-parent families. Individuals and families not receiving TANF cash assistance may be eligible to receive TANF-funded services.⁵

TANF also differs from AFDC in that it requires individuals to spend at least 30 hours per week on “countable” work activities to receive cash assistance.⁶ Countable work activities include work, searching for work, education, and work training, although education and training can count for only 12 months. After that the recipient must begin working. Individuals who refuse or fail to participate in work activities without good cause are sanctioned off the program immediately in Oklahoma.

States are required to meet the federal work participation standard that 50% of their TANF recipients fulfill the federal work requirements described above. The law allows states to lower this 50% threshold with a “caseload reduction credit,” based on the degree to which caseloads have been reduced since 1995, the year prior to the enactment of TANF. In Oklahoma, the caseload reduction credit has taken the state’s required work participation rate down to 3%. The state’s actual work participation rate in 2002 was 26.8%.⁷

Another significant difference is that TANF establishes a 60-month lifetime limit on the receipt of cash assistance. In other words, after an individual has received cash assistance payments for a total of 60 months, whether consecutive or not, he or she will

be “timed off” the program. Federal regulations grant states authority to extend benefits beyond 60 months for up to 20% of the caseload due to hardship; conversely, states may set even shorter time limits if they choose.

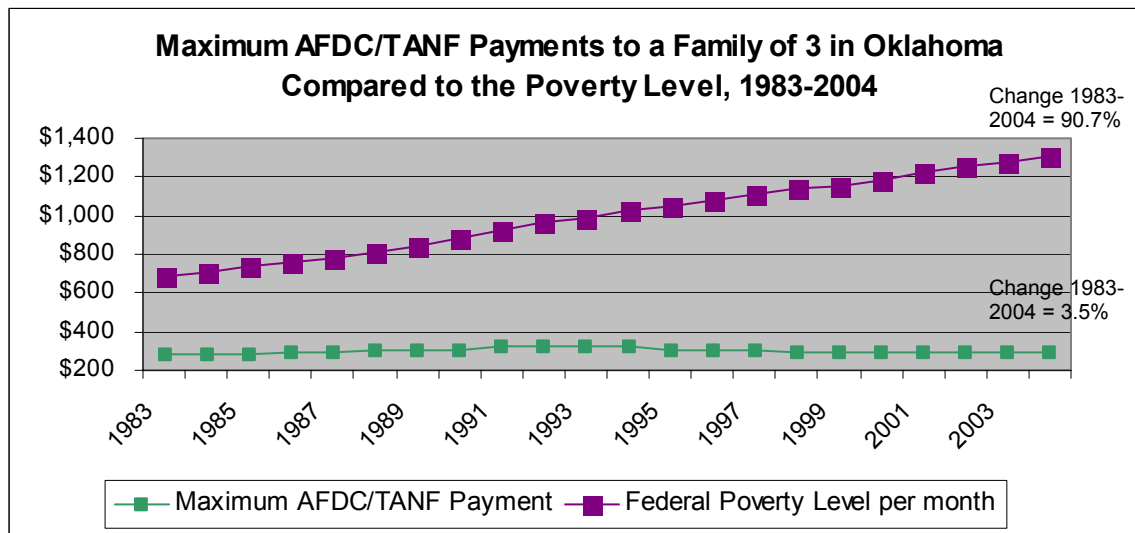
Finally, and perhaps most importantly, TANF is a block grant program rather than an entitlement program. Under AFDC, the federal government guaranteed cash assistance to anyone meeting program requirements. As enrollment grew, expenditures grew. Under TANF, however, the federal government each year distributes a fixed amount of money to the states.⁸ To receive these grants, states must commit 75% of what they were spending on AFDC in FY '94. This is called the Maintenance of Effort (MOE). States failing to meet their work participation standard are required to put up an 80% MOE. For FY '04, Oklahoma appropriated \$43.3 million in MOE to receive \$147.6 million in federal TANF grants.

TANF regulations provide states considerable flexibility to determine income and asset limits for the cash assistance program, as well as the amount of assistance offered. In Oklahoma, TANF-eligible families cannot have a gross monthly income over \$1,193 for a family of three (\$1,476 for a family of four). Additionally, a family of three cannot have monthly *countable* income over \$292 per month (\$361 for a family of four) to begin receiving cash assistance. To determine countable income, a family's gross monthly income is reduced by \$120, and then again by 50%. Dependent care costs are deducted from the remainder. Without a dependent care exemption, a family of three will in fact be ineligible if they earn more than \$704 per month.⁹ Families must also meet an asset limit of \$1,000 (exempting one vehicle with an equity value of \$5,000).

The monthly countable income limits are in essence tied to the maximum payment, which is set by the state.¹⁰ Figure 5 shows the maximum cash assistance payment (for either AFDC or TANF) allowed in Oklahoma since 1983 for a family of three. In 1983, Oklahoma set the maximum payment at \$282 and increased it throughout the 1980s and into the early 1990s. The maximum peaked at \$324 in 1994 before being cut in 1995 and again in 1998. It has remained fixed since 1998 at \$292 per month. In part because of changes in TANF payments and in part because the poverty level is adjusted for inflation while TANF assistance is not, the maximum TANF payment has shrunk from covering 41.2% of the FPL in 1983 to covering just 22.4% of

FPL in 2004. A family's income determines the actual cash assistance payment it receives. The *average* assistance payment in Oklahoma was \$217 in June of 2004.

Figure 5:

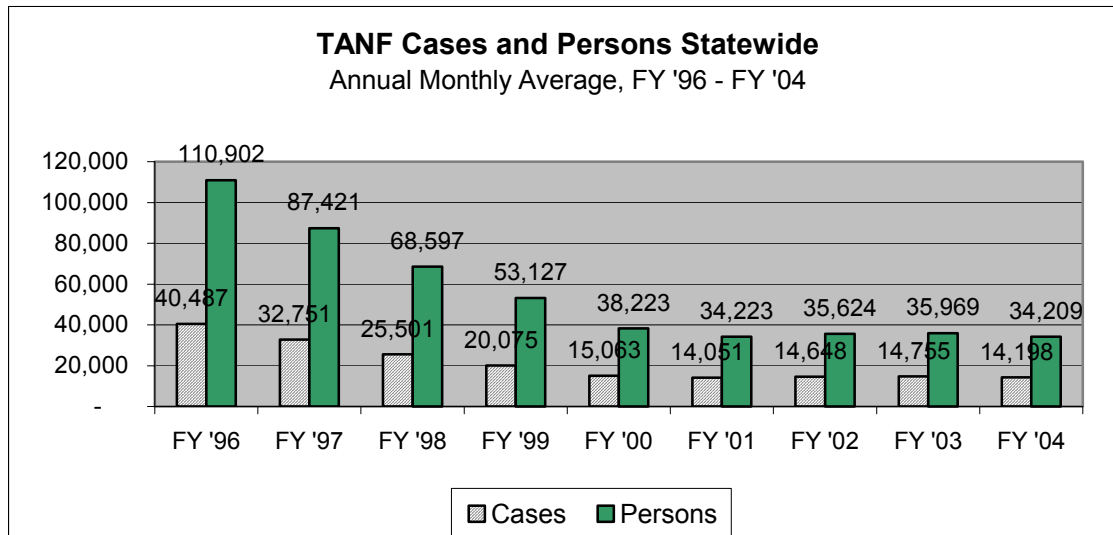


Source: U.S. Department of Health and Human Services and OKDHS.

With its emphasis on children, TANF allows for cash assistance to child-only cases, if for example, an eligible child lives with a grandparent or other non-parental relative. In these cases, the income of the caretaker relative is not considered countable income to the child. Any actual financial support provided by the child's parents would count as income to the child. However, the maximum payment is lower for child-only cases than for child(ren) and adult cases. Moreover, child-only cases are not subject to the 60-month lifetime limit or to work requirements.

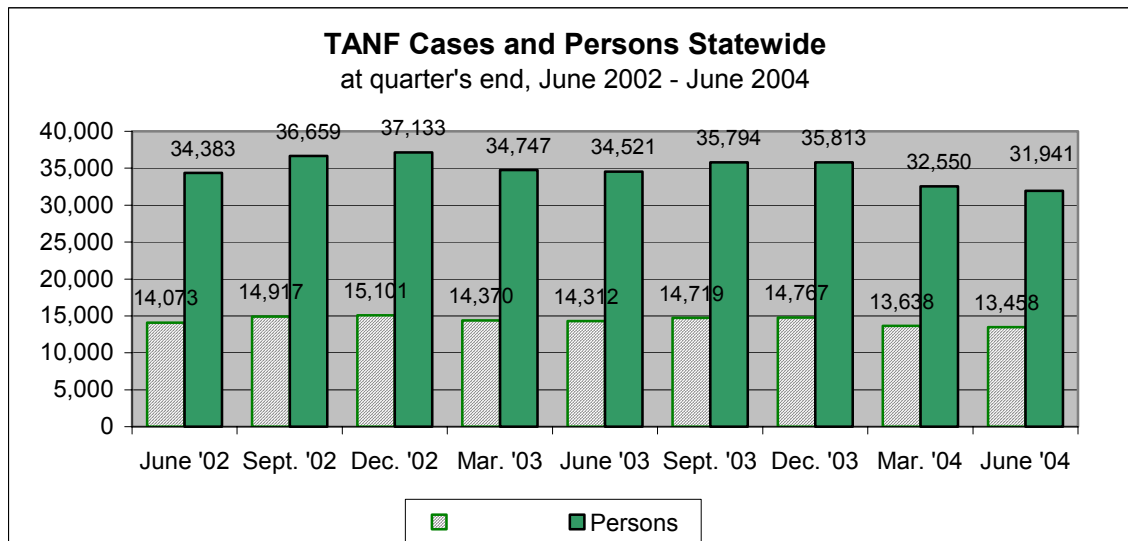
Program Enrollment: Figures 6 and 7 show recent trends in the number of TANF cases and persons. (A case may be comprised of more than one person in a family.)

Figure 6:



Source: OKDHS Annual Report, FY '99–FY '03; OKDHS Statistical Bulletins, July 2003- June 2004.

Figure 7:



Source: OKDHS Statistical Bulletin, June 2002 – June 2004

Discussion:

As Figure 6 clearly shows, TANF succeeded in its goal of moving people off welfare. Indeed, the number of TANF cash assistance recipients in Oklahoma plunged by 69% and the number of cases by 65% between FY '96 and FY '01 when these numbers bottomed out.¹¹ In 2001, however, the number of TANF cash assistance cases and persons began climbing slowly. The number of recipients in FY '02 exceeded FY '01 by 1,401 (4.1%); the number rose again by 345 (1.0%) in FY '03.

This is to be expected during an economic slowdown such as the one that began in March of 2001. What is notable, however, is how moderate this growth was, considering that the state unemployment rate grew by 40% from an average of 3.8% in 2001 to an average of 5.3% in 2003. The TANF caseload resumed its downward trend in FY '04, falling by 1,760 persons (4.9%). This may or may not be correlated to the economic recovery. A growing body of research suggests that low participation rates may offer one possible explanation for the poor correlation between TANF caseloads and employment rates. According to the research, a large number of TANF-eligible families, perhaps up to 50% of them nationwide, are not receiving assistance.¹²

Another trend in Oklahoma is that children make up a larger proportion of welfare recipients now than when Congress first enacted welfare reform. The typical recipient of cash assistance today is a child. Indeed, of the 34,209 persons receiving cash assistance in an average month in FY '04, approximately three-quarters were children. Of the 13,458 cases open in June 2004, 49% were child-only cases in which no adult received assistance. This compares to 27% of all cases in FY '97.¹³

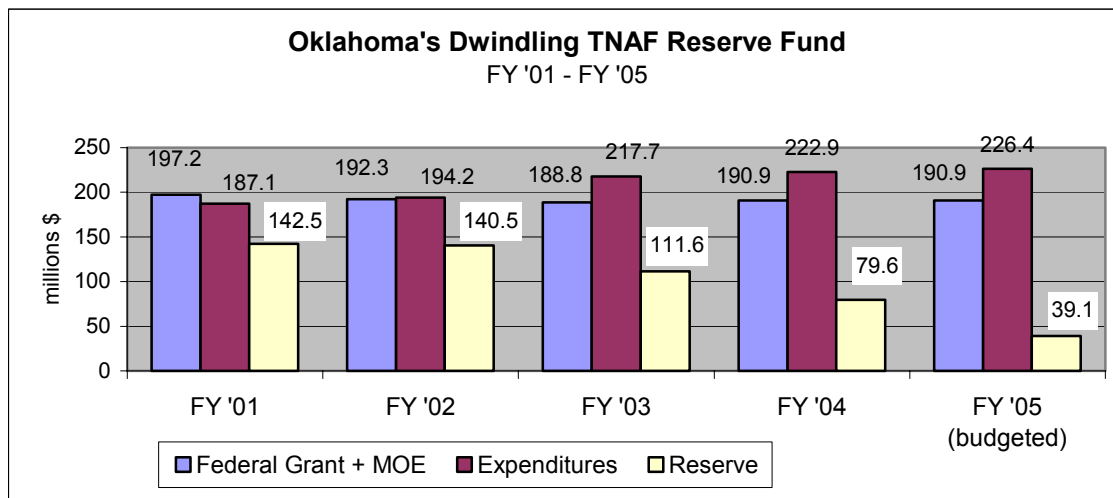
While the overall reduction in TANF cases since FY '96 is easy to spot, what is less clear is whether families leaving TANF have successfully negotiated the world of work or have risen out of poverty. Many of the early TANF leavers did in fact land jobs. Recent research shows, however, that people often had a hard time remaining employed, and that several years after leaving welfare remained poor and without adequate access to important services.¹⁴

A study of TANF-leavers in Oklahoma during the late 1990's concluded that former TANF recipients were half as likely to have health care coverage as low-income individuals in the general population and they were also less likely to have other employment benefits. In addition, TANF-leavers tend to have lower household earnings and lower household income (which includes public assistance benefits) than either TANF recipients or the general low-income population.¹⁵ A May 2000 OKDHS study reported, for example, that the average monthly income of TANF-leavers was \$923 per month, well below the poverty line for any family size with children.¹⁶

Should the state's TANF caseload resume an upward climb, Oklahoma may find itself in a difficult financial position. Because the federal government distributes TANF

funding as a block grant, Oklahoma has received virtually the same size grant for a number of years even while caseloads declined. This allowed the state to build up a significant reserve fund. Federal TANF regulations allow states to transfer grant money to other programs, particularly programs providing child care. Oklahoma has taken advantage of these provisions, using reserve fund money to finance the development of a quality child care program and to help needy families pay for care. In the past three years, TANF-related expenditures, including child care, have substantially outpaced the revenues generated from the block grant and the state's MOE. To fill the gap, the state has been drawing down the reserve fund. A comparison of TANF revenues, expenditures, and reserve fund appears in Figure 8.

Figure 8:



Source: OKDHS

Where is the money being spent? Table 3 present additional details on annual TANF revenue compared to expenditures for Oklahoma. The second row in the table refers to money that the state is allowed to transfer to the Child Care and Development Fund (CCDF), and the Social Services Block Grant (SSBG), both of which help pay for child care and other support services. The table reveals that spending on cash assistance is actually a fairly small portion of total TANF spending, varying from a low of 19.3% of actual expenditures in FY '02 to a high of 20.8% of budgeted expenditures in FY '05.

Table 3:**TANF: Revenues and Expenditures, FY '01 – FY '05**

	FY '01 Actual	FY '02 Actual	FY '03 Actual	FY '04 Actual	FY '05 Budgeted
TANF federal grant awards plus MOE	\$197,154,518	\$192,341,222	\$188,769,163	\$190,932,831	\$190,932,831
Transfers to CCDF and SSBG	71,909,678	77,632,454	44,278,848	44,625,213	44,278,269
Cash Assistance	38,435,655	37,182,845	38,772,799	37,033,886	39,792,401
Work Activities	20,308,220	21,390,341	24,509,106	22,419,569	26,652,719
Family Formation/Stabilization Services	63,121	2,943,338	5,745,109	4,880,040	6,736,123
Cost Allocation – Indirect/Allocated costs	37,129,664	37,950,046	39,004,931	40,123,116	38,159,871
TANF Day Care Direct	--	7,963,816	55,322,911	64,098,130	59,848,573
Other Expenditures	19,247,458	9,180,849	9,961,001	9,737,417	10,974,219
TOTAL Expenditures & Transfers	\$187,093,796	\$194,243,689	\$217,594,705	\$222,917,371	\$226,442,175

Source: OKDHS.

Research indicates that the era of “easy” TANF caseload reduction is over. Many people who left welfare in the late 1990s did in fact enter the workplace. Cash recipients today consist of new entrants (who may have just lost a job), “cyclers” (who move back and forth between welfare and work) and “stayers” (who have remained on welfare consistently). To get cyclers and stayers off of cash assistance and into the workforce will be difficult. In 2002, nearly 44% of the national TANF caseload had multiple barriers to work – such as lack of a high school education, limited English skills, or very poor physical or mental health. Cyclers and stayers tend to have more barriers to work than the average cash assistance recipient, and thus have an even tougher time landing and holding a job. While 51% of recipients with no barriers to work were employed in 2002, only 14% of those with two or more barriers were employed.¹⁷ Moreover, fewer people coming off welfare are working today compared to even three years ago.¹⁸

Some of these issues have emerged in Congress’s already-lengthy debate over TANF reauthorization. The original legislation expired in 2002, but Congress has not been able to agree on reauthorization language, preferring instead to fund the programs through stand-still extensions, the latest of which was approved at the end of September 2004. The House of Representatives has already passed its reauthorization

bill as H.R. 4. The Senate reported a bill out of its Finance Committee in November 2003 and began discussion of it on the Senate floor the following spring, but it appears to have been put aside for the time being. The reauthorization debate itself is focused on increased work hour requirements, increased work participation rates for states, to what degree education counts as work activity, the eligibility of immigrants, and the amount of child care funding included for people leaving welfare for work.

Links for additional information on TANF:

For statewide data on TANF participation rates (as well as other major social welfare programs):

- [Oklahoma Department of Human Services \(OKDHS\): Office of Planning, Policy and Research](http://www.okdhs.org/ioppr/) (<http://www.okdhs.org/ioppr/>)

For national data on the TANF participation rates:

- [U.S. Department of Health and Human Services: Administration for Children and Families](http://www.acf.dhhs.gov/programs/opre/tanfindex.htm) (<http://www.acf.dhhs.gov/programs/opre/tanfindex.htm>)

For comprehensive information on features of each state's TANF program:

- [State Policy Documentation Project](http://www.spdp.org/) (<http://www.spdp.org/>)

For research and analysis on TANF:

- [Center for Law and Social Policy: Welfare Reform](http://www.clasp.org/Pubs/Pubs_Welfare_Policy) (http://www.clasp.org/Pubs/Pubs_Welfare_Policy)
- [Center on Budget and Policy Priorities: State Welfare and TANF Issues](http://www.centeronbudget.org/pubs/welfare.htm) (<http://www.centeronbudget.org/pubs/welfare.htm>)
- [CAP Public Policy: TANF section](http://www.captc.org/public-policy.asp) – scroll down to view (<http://www.captc.org/public-policy.asp>)

For Oklahoma's TANF policy manuals and procedures:

- [OKDHS Temporary Assistance for Needy Families Policies](http://www.policy.okdhs.org/ch10/340_10/) (http://www.policy.okdhs.org/ch10/340_10/)

For additional TANF program detail, including allowable work activities and other support services (you may have to scroll down the page):

- [OKDHS Family Support Services Division](http://okdhs.org/fssd/ProgramInformation.htm#Temporary) (<http://okdhs.org/fssd/ProgramInformation.htm#Temporary>)

Food Stamp and Other Nutrition Assistance Programs

Food Stamps

Program Summary: As the nation's largest food assistance program, the Food Stamp Program (FSP) helps improve nutrition in low-income households by providing subsidies for certain food purchases. The benefit is funded entirely by the federal government and administered by the Food and Nutrition Service of the United States Department of Agriculture (USDA) and the Oklahoma Department of Human Services (OKDHS). The value of the Food Stamp Program to Oklahoma's economy has grown from \$211.5 million in FY '00 to \$391.8 million in FY '04.

To be eligible for food stamps, a household cannot have *gross income* over 130% of the federal poverty level (FPL) or *net (countable) income* over 100% of FPL. Net income is calculated by deducting a range of basic expenses from gross income.¹⁹ As with TANF, the law establishes an asset limit for eligibility. For Federal Fiscal Year (FFY) '05, a family of four, for example, is eligible for food stamps if its net income is less than \$1,571 per month (100% of FPL) and if it has assets worth less than \$2,000 (excluding a home and one vehicle up to \$5,000). Restrictions are somewhat looser if the household contains an elderly or disabled member. Individuals receiving TANF or SSI (Supplemental Security Income) usually qualify automatically for food stamps.

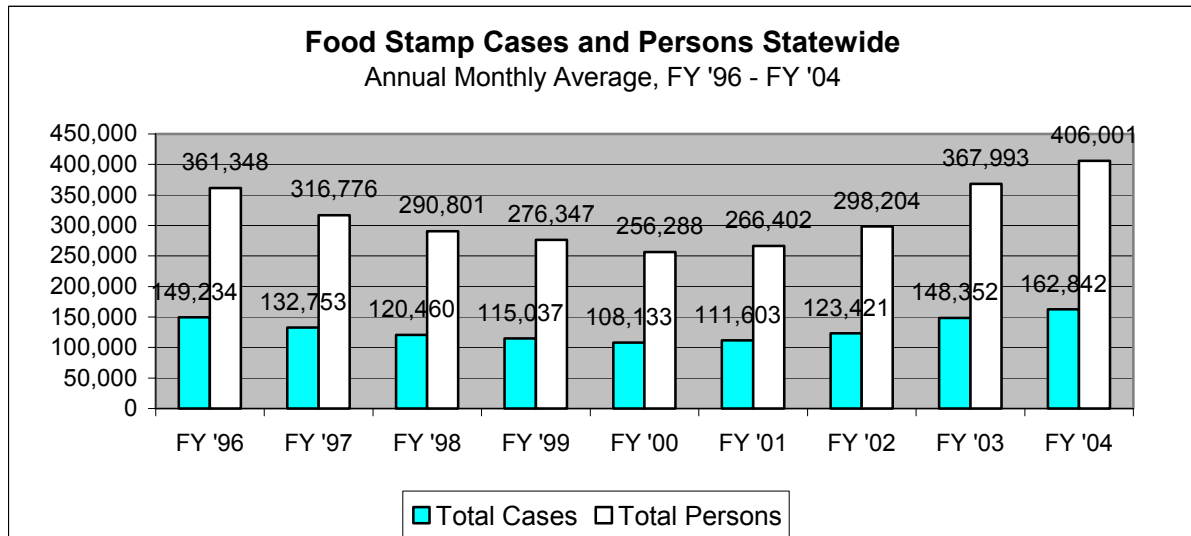
Restrictions on food stamp eligibility are tighter for adults without children than they are for parents. Able-bodied adults without dependents (ABAWDs) can receive food stamps, but they must meet 20-hour a week work requirements. Failing that, they are limited to 3 months of benefits in a 36-month period, unless they fall under a waiver granted to areas with particularly high levels of unemployment. The USDA approved and OKDHS implemented such a waiver in June 2004 covering 19 counties.

The actual receipt of food stamps no longer involves paper coupons. Instead, families access their benefit accounts at the point-of-sale with an electronic benefit transfer (EBT) card that functions like a debit card. The actual benefit amount a family receives depends on the number of people in the household and the family's net income. The USDA establishes maximum monthly allotments – currently \$371 for a family of 3 and \$471 for a family of 4. The amount of food stamp assistance provided is the difference between the maximum benefit and what the family is expected to pay for

food, which is 30% of its net income. The average monthly food stamp benefit per household in Oklahoma rose from \$163 in FY '99 to \$200 in FY '04.

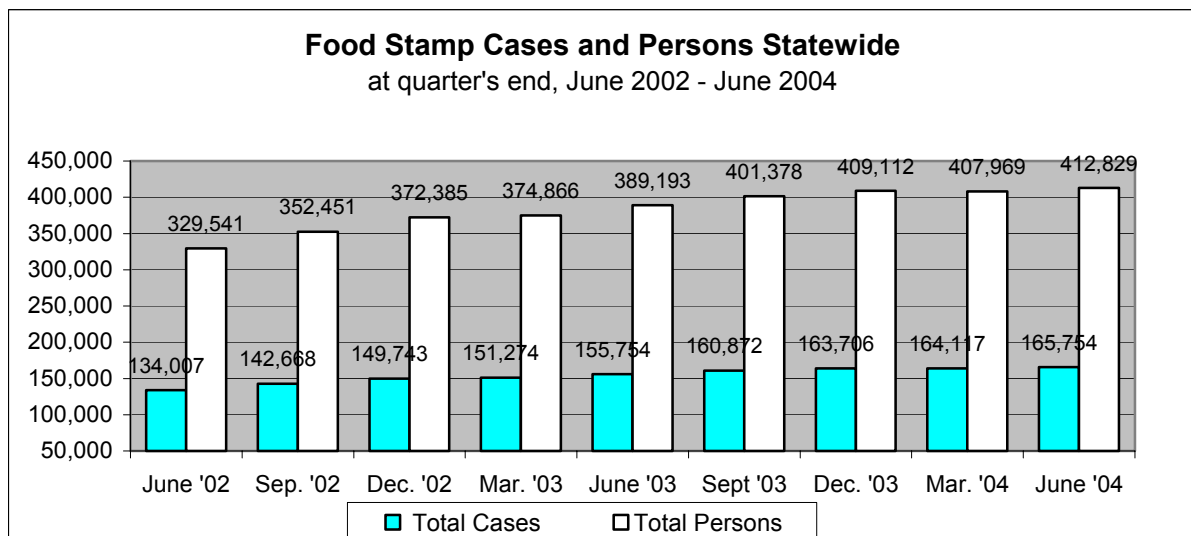
Program Enrollment: Figure 9 shows annual participation data since the 1996 welfare reform. Figure 10 depicts monthly food stamp participation for the last month of each quarter over the past two years.

Figure 9:



Source: OKDHS Annual Report, FY '99-FY '03; OKDHS Statistical Bulletins, July 2003-June 2004.

Figure 10:



Source: OKDHS Statistical Bulletins, June 2002 to June 2004.

Discussion:

Of all the programs considered in this handbook, the Food Stamp Program is perhaps the one that responds most closely to the health of the economy. Average monthly food stamp enrollment declined by 20% in Oklahoma during the robust years of 1996 to 2000, for example. Enrollment also responded to program policy changes, such as tighter eligibility requirements imposed on immigrants as part of the 1996 welfare reform. Moreover, families who became ineligible for cash assistance under the new TANF program or who did not meet TANF eligibility requirements were not always aware they still might have been eligible for food stamps.

As the economy worsened, the inability of many families to purchase sufficient amounts of food became evident. According to a USDA report, for example, Oklahoma led the nation in the percentage of households that experienced food insecurity with hunger at 5.1% between 2000 and 2002. An additional 9.2% of Oklahoma households experienced food security without hunger.²⁰ Reliance on food stamps increased as well. Figure 9 shows the annual increase in food stamp participation that began in FY '01 and continued through FY '04. Participation growth was particularly noticeable between FY '02 and FY '03 when the number of people using food stamps rose by 23%.

Part of the continued increase in FSP enrollment can likely be explained by the 2002 Farm Security Act, which loosened Food Stamp eligibility requirements. Of special interest, the Farm Bill restored benefits to “qualified immigrants,” which included all children, plus adults who had lived in the U.S. for five years.²¹ In addition, OKDHS has undertaken concerted efforts to enroll eligible people for the program. According to the Food Research and Action Center, Oklahoma increased its participant access rate, a measure of the share of eligible persons enrolled, 14 percentage points from 62% to 76% between calendar year 2001 and 2002. The state’s improvement in enrolling eligible recipients was fourth best in the nation. Oklahoma also moved from having the 20th highest participant access rate in 2001 to having the 10th highest rate by 2002.²² In recognition of its improvement, the USDA in September 2004 awarded Oklahoma nearly \$1.5 million in bonus funds.

Efforts to enroll eligible families on the national level brought positive results as well, but as research shows, the increase has come almost entirely from people who

were previously receiving TANF cash assistance. Food Stamp participation among extremely poor families who had left TANF within the past two years increased from 49.6% in 1999 to 63.5% in 2002. Participation rates among extremely poor families without prior TANF experience, in contrast, remained virtually flat, falling from 27.6% in 1999 to 27.2% in 2002.²³

Because the FSP is an entitlement program – anyone meeting eligibility is entitled to benefits – the higher the enrollment, the larger the injection of federal funds into a community. An increasing participation rate thus produces counter-cyclical effects during a period of economic downturn. People who lose their jobs, for instance, typically have to restrict their food expenditures. Families with food stamps replace lost income with federal dollars that they then spend in the local economy. This method of funding distinguishes the FSP from TANF, which, as a block grant, provides a fixed amount of revenue to the state regardless of enrollment. The House of Representatives, however, has included in H.R. 4 (its version of TANF reauthorization) a provision that would allow up to five states to replace the current FSP funding structure with a State Food Assistance Block Grant. The provision, along with debate on TANF reauthorization, remains stalled in the Senate.

The economic recession that began in March of 2001 offers an excellent example of the dynamic of entitlement funding. The Food Stamp Program responded strongly to the downturn, much more so than other safety net programs such as the block-granted TANF. Between March 2001 (the official start of the recession) and March 2002, the number of households receiving food stamps increased nationally by 11.1%; between March 2002 and March 2003 this figure grew by another 10.3%, so that by March 2003 1,677,528 more households relied on food stamps than in March 2001. During the same two-year period, the number of families receiving TANF cash assistance nationwide actually *declined* by 4.1%, or 87,286.²⁴

Other Nutrition Programs

Program Summary: In addition to the Food Stamp Program (FSP), the U.S. Department of Agriculture runs 14 other food assistance programs. Five programs – including Food Stamps, the National School Lunch Program, the School Breakfast Program, the Special Supplemental Nutrition Program for Women, Infants, and Children, and the Child and Adult Care Food Program – account for over 90% of the USDA's total food expenditure bill. This section reviews these other major nutrition programs.

► *The National School Lunch and School Breakfast Programs*

In 1946 Congress authorized the permanent creation of a national program designed to protect children's health by encouraging the consumption of nutritious food. Today, the *National School Lunch Program* (NSLP) provides lunches to children in over 99,000 schools across the country. In exchange for receiving cash subsidies and commodities from the USDA, participating schools must serve lunches that meet federal nutrition guidelines. They must also offer these lunches for free to students from families with incomes under 130% of the Federal Poverty Level (FPL) and for a reduced price to children from families with incomes under 185% of FPL. Students become certified as eligible after either filling out an application form or if the Department of Human Services identifies them as receiving food stamps. In the latter case, OKDHS must notify the family that the child is eligible for free or reduced-price meals.

The maximum amount that a school may charge for a reduced-price lunch is \$0.40. The nutritional guidelines limit the amount of calories that come from fat, and they require that, on average over the week, the lunches provide one-third of the recommended amount of Vitamin A, Vitamin C, protein, iron, calcium, and calories. As a result of a program expansion in 1998 the NSLP also provides cash reimbursements to schools that provide nutritious snacks at afterschool care programs.

The *School Breakfast Program* (SBP) began as a two-year pilot program in 1966. The goal was to assist schools in serving breakfast to nutritionally needy children, particularly those in poor areas or in areas where they had to travel a great distance to get to school. In 1971 priority was extended to children of working mothers and low-income children. The program became permanent in 1975. As with the NSLP, all students at participating schools must have access to breakfast. Free and reduced-

priced breakfasts are offered to children according to the same income eligibility guidelines used for the school lunch program. The most a school may charge for a reduced-price breakfast is \$0.30.

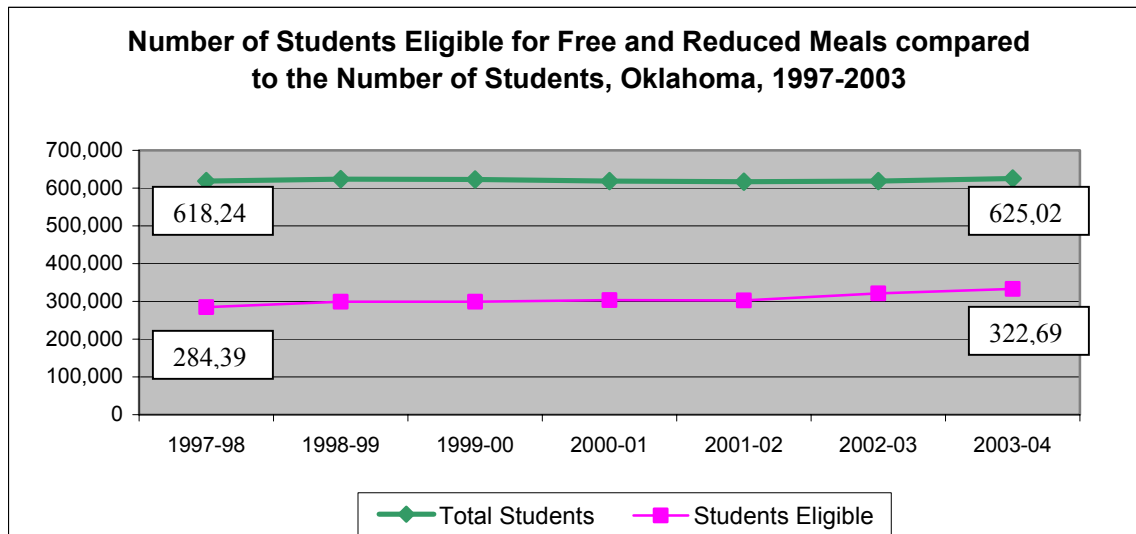
The State Department of Education administers both programs. Funding flows to the local school food authorities responsible for managing meal programs. The reimbursement amount varies depending on the percentage of a school's students eligible for the benefit. For example, during the 2003-2004 academic year, schools that served less than 60% of their students a free or reduced-price meal during the 2001-2002 school year collected an average payment of \$1.79 per reduced-price lunch, \$2.19 per free lunch, \$0.90 per reduced-price breakfast, and \$1.20 per free breakfast. Schools that served at least 60% of meals for free or for a reduced price during the 2001-2002 academic year collected an additional \$0.02 per lunch and an additional \$0.23 per breakfast.²⁵

The federal government funds a similar summer lunch program. Since 2001 Oklahoma has participated in a pilot project designed to increase participation in the *Summer Nutrition Program* by maximizing reimbursements and minimizing paperwork.

Program Enrollment: Figure 11 presents data on the number of students eligible for free and reduced-price lunches and breakfasts. The number of Oklahoma students eligible for free and reduced lunches has hovered around 300,000 until just recently.

(Measurements are taken in October of each year.) As a percent of the total student body, however, eligibility has gradually crept upward. During the 1997-98 school year, 284,390, or 46% of all students, were eligible to participate in the NSLP and the SBP. By 2003, 332,699, or 53% of all students, were eligible.²⁶ The largest year-to-year increase came between the 2001-02 school year and the 2002-03 school year, when eligibility grew by 6.4%. This is similar, although on a smaller scale, to the participation trend in the Food Stamp Program. Between FY '02 and FY '03, the number of Oklahomans receiving food stamps increased by 23.4%, the largest jump seen over the past five years.

Figure 11:



Source: Profiles 2003 State Report, www.schoolreportcard.org. 2003-04 data from the Low-Income Report for Public Schools in Oklahoma, October 2003.

► ***The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)***

WIC is a federally funded nutrition program that provides education and supplemental foods to pregnant women, breastfeeding and postpartum mothers, infants and children under age five in families under 185% FPL. The program seeks to improve the health of recipients who would otherwise be at nutritional risk during critical times of growth and development. Parents and caretakers who might not qualify for WIC can apply on behalf of their child for assistance.

Federal regulations require that each state spend at least one-sixth of its nutrition services and administration grants on nutrition education. The education programs focus on the connection between good nutrition and good health and promote positive food habits. The food voucher component allows for the purchase of specific foods that supply calcium, iron, protein, and Vitamins A, D, and C. The value of the WIC program to Oklahoma's economy grew from \$46.0 million in FY '00 to \$50.5 million in FY '03.

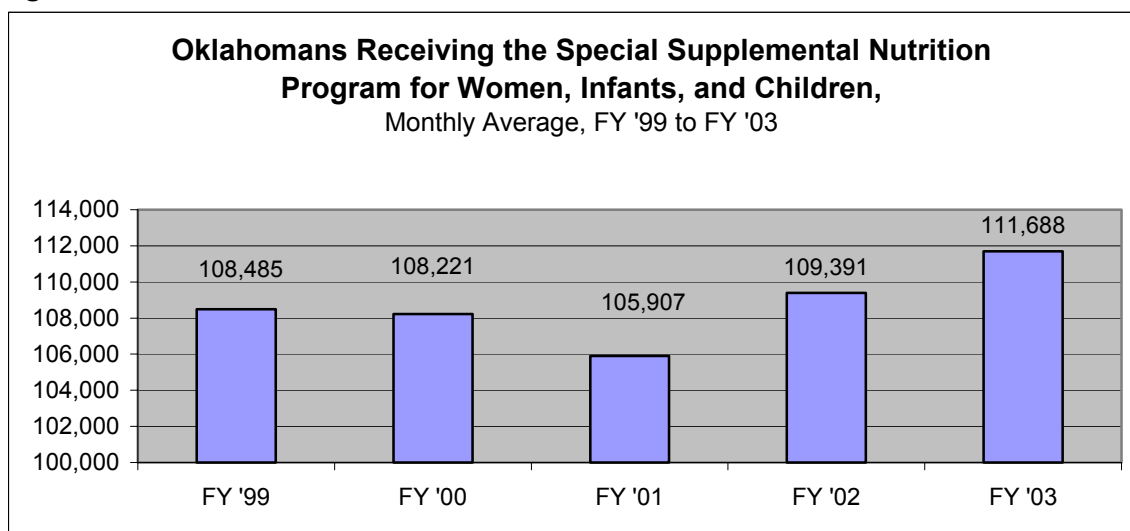
In Oklahoma, WIC is administered by the State Department of Health and individual Native American tribes and tribal councils. Recipients use WIC vouchers at participating grocery stores. The average monthly benefit per person grew slowly from \$28.88 in FY '99 to \$31.08 in FY '02 before falling to \$29.57 in FY '03. The actual

benefit amount varies depending on the agency from which a recipient receives vouchers. The average monthly benefit per person ranged from \$28.39 through the Health Department to \$42.04 through the Osage Tribal Council in FY '03.²⁷

WIC recipients served by the Chickasaw Nation and the Osage Tribal Council may also participate in the WIC Farmers' Market Nutrition Program. This program allows for the purchase of fresh unprepared locally grown fruits, vegetables and herbs from approved farmers or farmers' markets. The Indian agencies must put up matching funds of not less than 10% of the total program cost to participate. The Federal government provides not less than \$10 nor more than \$20 per person per year.

Program Enrollment: Figure 12 shows the change in the number of Oklahomans receiving WIC assistance each year between FY '99 and FY '03. Participation in WIC does not exhibit the same pattern as either food stamps or school meals. The number of WIC beneficiaries has in fact remained relatively constant, dipping slightly in FY '01 and rising slightly in FY '02 and FY '03. The change in participation between these last two years, which was significant among food stamp recipients, measured only 2% among WIC recipients.

Figure 12:



Source: U.S. Department of Agriculture Food and Nutrition Service, <http://www.fns.usda.gov/wic/fundingandprogramdata/>.

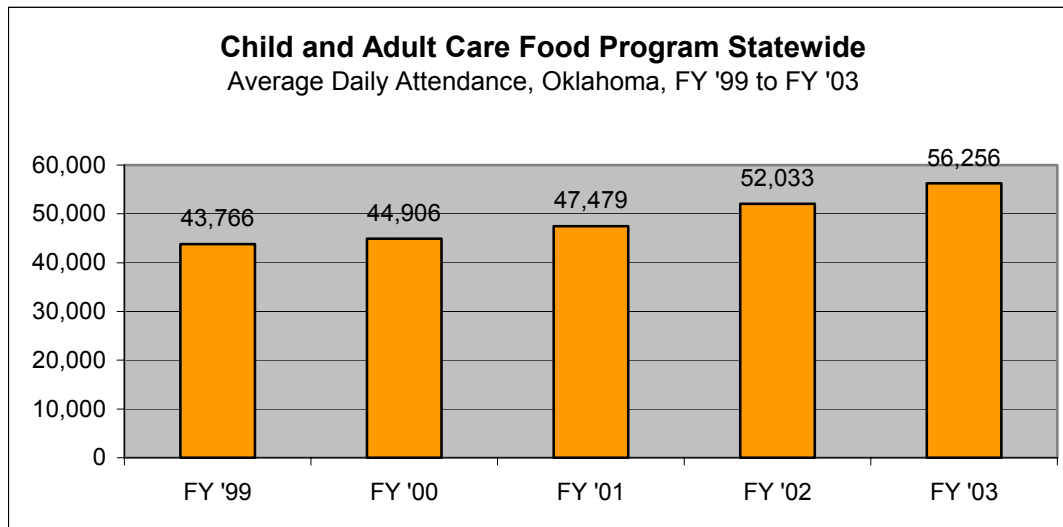
► ***Child and Adult Care Food Program***

Born in 1968 as the Special Food Service Program for Children, the Child and Adult Care Food Program (CACFP) reimburses child care facilities and adult day care facilities for providing healthy meals and snacks. A variety of facilities may participate in the program, including nonprofit child care centers, Head Start programs, family day care homes, community-based afterschool care programs, homeless shelters, and public, private nonprofit, and some for-profit adult day care facilities. As a result of recent reauthorization language, covered below, for-profit child care facilities serving a significant number of low-income children may now participate in the CACFP.

Children in child care are eligible to receive up to two meals and one snack each day until they turn 13 years old. Children in homeless shelters and domestic violence shelters may receive up to three meals a day, and under the provisions of the recent reauthorization language, these children retain eligibility up to age 18. Migrant children may receive subsidized meals up through age 15. Persons with disabilities have no age limit. Afterschool snacks are available to children through age 18. Adults in the CACFP must be functionally impaired or age 60 or older and enrolled in an adult care center. They are eligible for up to two meals and one snack each day.

Program Enrollment: Figure 13 reflects the average number of children and adults benefiting from the CACFP each day in Oklahoma. While the CACFP assists a considerably smaller number of Oklahomans than any of the other food programs, it too has witnessed growing participation rates over the past couple of years as shown in Figure 13. Between FY '99 and FY '03, the number of Oklahomans benefiting from CAFPP rose by 28.5%. The largest year-to-year increase, at 9.6%, came between FY '01 and FY '02.

Figure 13:



Source: U.S. Department of Agriculture Food and Nutrition Service, <http://www.fns.usda.gov/pd/ccfypart.htm>.

Discussion:

In June 2004, President Bush signed the *Child Nutrition and WIC Reauthorization Act of 2004* into law. The Act covers all the nutrition programs outlined in this section. The Act will simplify the National School Lunch Program and the School Breakfast Program by providing for mandatory direct certification of food stamp households as eligible for free school meals, relieving these families from the burden of filling out paperwork. Other families will only have to fill out one form for all the children in the household, and eligibility will last through the entire school year. Other new regulations will make it easier for migrant, homeless, and runaway children and children from military families to access free and reduced price meals.

The new Child and Adult Care Food Program regulations will expand eligibility for snacks and meals to children in homeless and domestic violence shelters up to age 18, replacing the current age limit of 12 years old. For-profit child care centers serving significant numbers of low-income children will be able to take advantage of the CACFP.

In addition, the reauthorization legislation provides for cost containment efforts in WIC-only stores. These stores have become increasingly common in low-income neighborhoods. The stores accept only WIC coupons, and they purport to make it easier for clients, who no longer have to hunt through a grocery store to find eligible

products for purchase or withstand hostile treatment of grocery store cashiers and patrons. In exchange for this convenience, WIC-only stores have been charging prices up to 15% higher than regular grocery stores, creating pressure on the program to meet the needs of all clients. The phenomenon of WIC-only stores is affecting California most particularly, accounting for 43% of all WIC dollars spent on food in 2002. Nationwide, approximately 11% of all WIC dollars are spent in the 778 WIC-only stores.

Links for additional information on Food Stamps:

For statewide data on Food Stamp participation rates:

- [Oklahoma Department of Human Services \(OKDHS\): Office of Planning, Policy and Research](http://www.okdhs.org/ioppr/) (<http://www.okdhs.org/ioppr/>)

Information on federal food programs generally:

- [Food Research and Action Center: Federal Food Programs](http://www.frac.org/html/federal_food_programs/federal_index.html) (http://www.frac.org/html/federal_food_programs/federal_index.html)
- [U.S. Department of Agriculture: Economic Research Service](http://www.ers.usda.gov/briefing/FoodNutritionAssistance/) (<http://www.ers.usda.gov/briefing/FoodNutritionAssistance/>)

Specific Food Stamp Program Data:

- [Food Research and Action Center: Food Stamp Program: Basic Facts and Data](http://www.frac.org/html/federal_food_programs/programs/fsp.html) (http://www.frac.org/html/federal_food_programs/programs/fsp.html)

For Oklahoma's Food Stamp policies and procedures:

- [OKDHS Food Stamp Program Policies](http://www.policy.okdhs.org/ch50/) (<http://www.policy.okdhs.org/ch50/>)
- [OKDHS Food Stamp Eligibility](http://www.okdhs.org/fssd/Food%20Stamp%20Program.xls) (<http://www.okdhs.org/fssd/Food%20Stamp%20Program.xls>)

Links for additional information on Other Nutrition Programs:

For general information on each program in this section and for state-level data on participation in WIC and the CACFP:

- [Food and Nutrition Service: United States Department of Agriculture](http://www.fns.usda.gov/fns/) (<http://www.fns.usda.gov/fns/>)

To access reports on the number of Oklahoma students eligible for free and reduced price lunches:

- [Education Oversight Board, Office of Accountability](http://www.schoolreportcard.org/reports.htm) (<http://www.schoolreportcard.org/reports.htm>)

For information on the Child Nutrition and WIC Reauthorization Act of 2004:

- [Food Research and Action Center](http://www.frac.org) (<http://www.frac.org>)

Medicaid

Program Summary: Medicaid, or Title XIX of the Social Security Act, is the principal system for financing health care for low-income Oklahomans. The state covers approximately 30% of program service costs, with the remainder picked up by the federal government.²⁸ Medicaid covers a full range of medical services including primary care, inpatient and outpatient hospital services, pharmacy, behavioral health services, family planning, non-emergency transportation, targeted case management, and Early and Periodic Screening, Diagnosis and Treatment (EPSDT) exams. The Oklahoma Health Care Authority (OHCA) administers Oklahoma’s Medicaid program, although OKDHS determines eligibility and operates Medicaid waiver programs serving the elderly and disabled populations.

All persons covered by Medicaid are poor or low-income, but not all poor or low-income persons are eligible for Medicaid. Table 4 shows the population categories entitled to Medicaid coverage, along with income eligibility thresholds expressed as a percentage of the federal poverty level (FPL) and asset limits.

Table 4: Medicaid Income Eligibility and Asset Limits for Oklahoma, by Population

POPULATION	INCOME ELIGIBILITY	ASSET LIMIT
Children up to age 19	185% of FPL	None
Pregnant women	185% of FPL	None
Parent of dependent child	Approx. 37% of FPL	None
Single parent transitioning from welfare to work	185% of FPL (eligible for up to 12 months)	None
Aged, Blind, and Disabled	100% of FPL	\$2,000 individual \$3,000 couple;
Specified Low-income Medicare Beneficiaries	120% of FPL; covers Medicare Part B premiums	\$4,000 individual \$6,000 couple
Aged, Blind, and Disabled in institution or Home-and-Community based waiver program	300% of SSI	\$2,000 individual \$3,000 couple
Healthy, working-age adults without children	NOT ELIGIBLE	N/A

Source: Adapted from the Oklahoma Health Care Authority Annual Report, FY '03

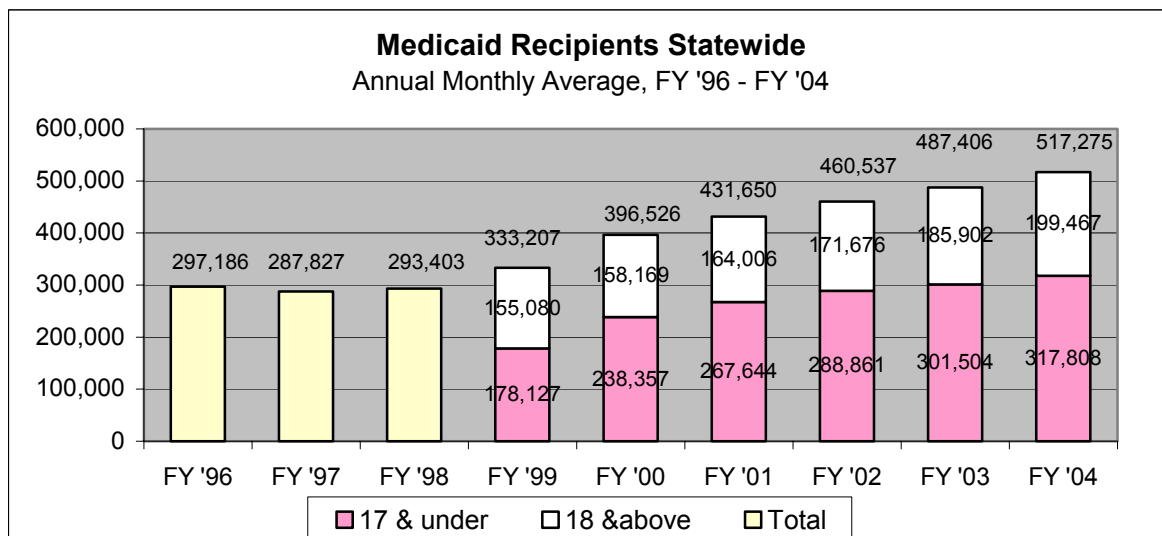
With the creation of OHCA in 1993, health care services provided to certain categories of Medicaid recipients were shifted from a fee-for-service system to a managed care system. Low-income adults and children were moved into managed care first, followed by the disabled in 2000. Foster care children, individuals who

received care in institutions or through waiver programs, and individuals receiving Medicare remained in traditional fee-for-service Medicaid.

Until 2004 managed care worked slightly differently in urban and rural areas. In the urban areas (Oklahoma City, Tulsa, and Lawton) OHCA established *SoonerCare Plus*, contracting with Health Maintenance Organizations (HMOs) to deliver a comprehensive package of benefits to Medicaid recipients in return for a “capitated” monthly payment. Care was coordinated through a recipient’s primary care physician, who then could refer for additional care through providers participating in the HMO’s network. In the rural areas, OHCA created *SoonerCare Choice*, contracting with primary care physicians who received the capitation payment directly. The capitation payment covered primary care services; other services were paid for on a fee-for-service basis. Beginning in January 2004 all recipients who were previously in *SoonerCare Plus* began the process of transitioning to the *SoonerCare Choice*-type of model. This change is detailed in the Discussion section below.

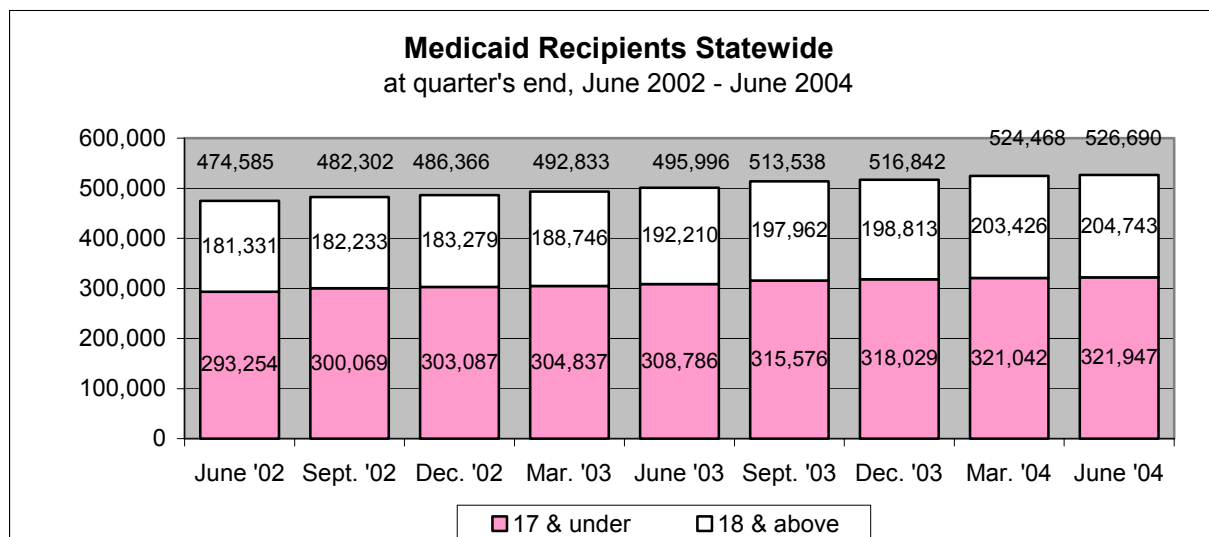
Program Enrollment: Figures 14 and 15 show trends in Medicaid participation.

Figure 14:



Source: OKDHS Annual Report, FY '96 – FY '03. OKDHS Statistical Bulletins, July 2003-June 2004. Age break-out not available until FY '99.

Figure 15:



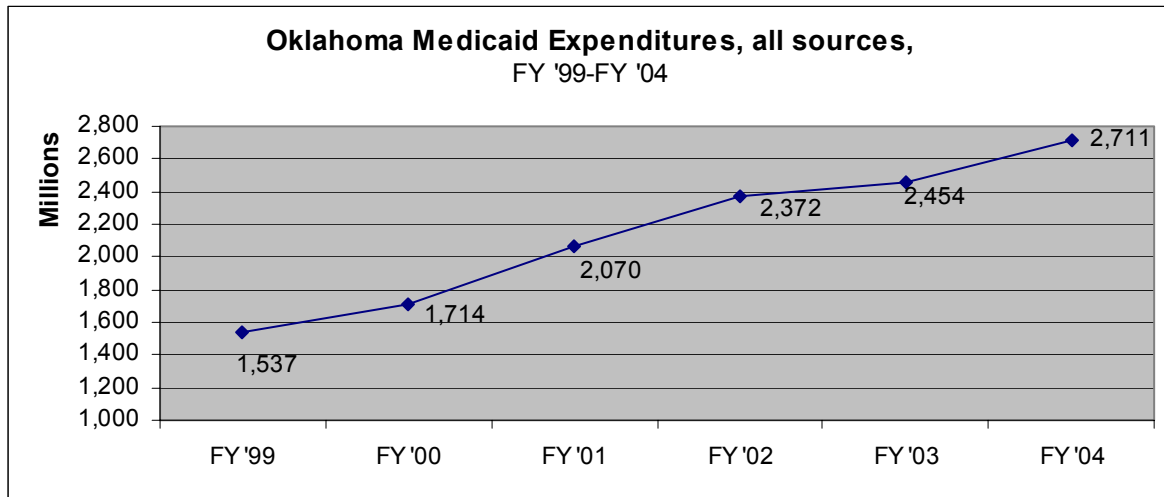
Source: OKDHS Statistical Bulletins, June 2002 – June 2004.

Discussion:

Figures 14 and 15 indicate that Medicaid participation has been rising in Oklahoma. Between FY '96 and FY '04 the number of persons on Medicaid rose 74% statewide, from an annual monthly average of 297,186 to an annual monthly average of 517,275. In 1997 the state expanded Medicaid eligibility to include pregnant women and children in families up to 185% of the FPL. An enhanced federal matching program targeted at covering uninsured children helped the state finance this expanded coverage. The program, called the State Children's Health Insurance Plan (SCHIP), provides an approximately 80% federal matching rate for eligible children, rather than the typical 70% match. Oklahoma encompasses its SCHIP within the Medicaid program, while many other states chose to set up stand-alone SCHIP programs.

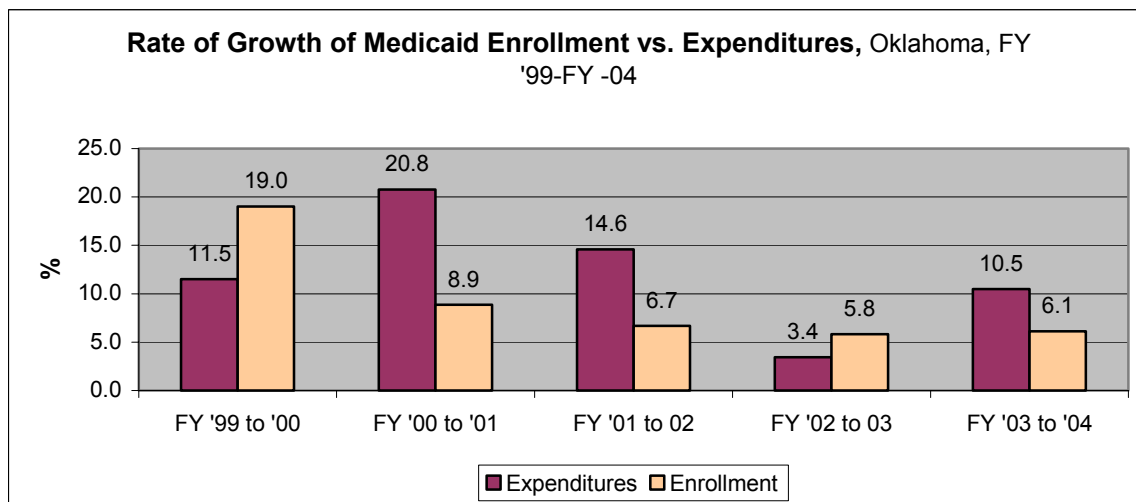
In addition to enrollment, Medicaid expenditures have climbed as well, as seen in Figure 16. Indeed, while enrollment grew 55.2% between FY '99 and FY '04, expenditures grew 76.4% over the same period. Figure 17 compares the annual rate of growth in enrollment versus expenditures. The jump in enrollment between FY '99 and FY '00 stands out, as does the sharp increase in expenditures between FY '00 and FY '01. After slower growth in both variables from FY '01 to FY '02 and again from FY '02 to FY '03, the change from FY '03 to FY '04 shows both rates, but especially expenditure growth, picking up speed.

Figure 16:



Source: Oklahoma Health Care Authority Annual Report, FY '99–FY '03; OHCA personal communication

Figure 17:

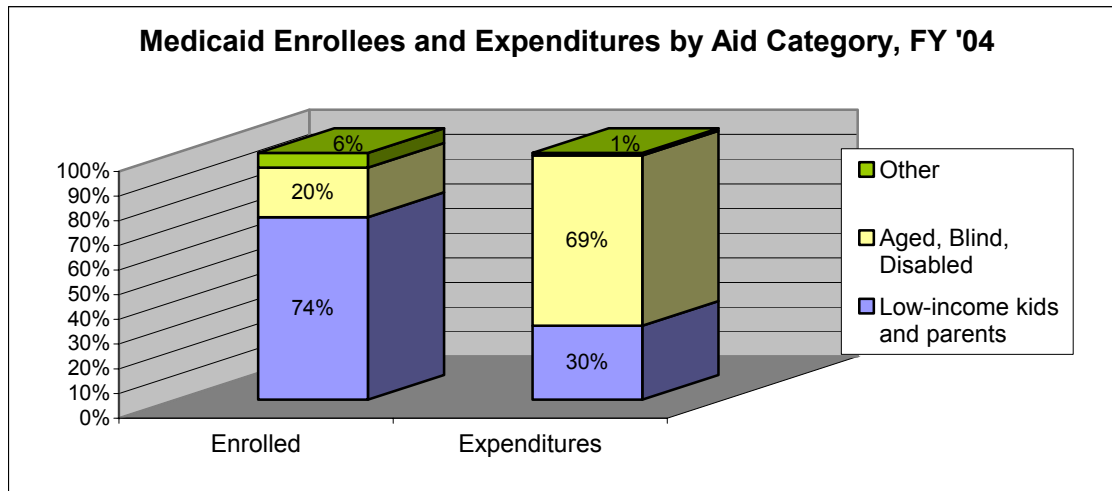


Source: OKDHS Annual Report FY '99 – FY '03; DSH Statistical Bulletins July '03-June '04; OHCA Annual Report, FY '99 – FY '03; OHCA personal communication.

Much of the increase in spending can be attributed to the growing cost of providing services to the aged, blind, and disabled (ABD) population enrolled in Medicaid. Between FFY '97 (federal fiscal year) and FFY '02, while the number of low-income Medicaid recipients grew nearly 16 times more than did the number of ABDs on Medicaid, expenditures increased nearly twice as much for the ABD population as for the much larger population of low-income children and parents.²⁹ Figure 18 shows that low-income children and parents made up 74% of Medicaid enrollees in FY '04 but

accounted for only 30% of expenditures, whereas the aged, blind, and disabled made up 20% of enrollees yet accounted for 69% of expenditures.

Figure 18:



Source: Oklahoma Health Care Authority Annual Report, SFY '03; OHCA personal communication.

Table 5 presents a condensed summary of how Medicaid dollars were spent in FY '04. The largest expenditure was for long-term care facilities, including both nursing homes and intermediate care facilities for the mentally retarded (ICF/MR). The second-highest expenditure was for the Oklahoma Department of Human Services, primarily for administering the Home-and-Community Based Waiver for the developmentally disabled and the ADvantage Waiver for the aged and disabled. These waiver programs allow individuals to receive care outside of institutions. Prescription drug costs, which in FY '03 represented the fourth largest expenditure, moved into third place in FY '04 at just over \$355 million. With a total cost of nearly \$275 million, *SoonerCare Plus* and *SoonerCare Choice*, Medicaid's managed care program, fell below drug expenses, but still constituted a significant portion of Medicaid spending. This amount represents capitation payments to HMOs and primary care physicians serving Medicaid clients.

It should be recognized that the state and federal dollars spent on the Medicaid program produce multiplier effects throughout Oklahoma's economy. In FY '02, for example, the state's expenditure of \$722 million combined with the federal match of \$1.65 billion supported 90,000 jobs with total income of \$1.98 billion.³⁰

Table 5: Oklahoma's Medicaid Expenditures, FY '04

MAJOR EXPENDITURES	
Long-Term Care Facilities (Nursing homes and ICF/MR)	\$499,325,345
<i>SoonerCare Plus</i> capitation payments	\$232,911,364
<i>SoonerCare Choice</i> capitation payments	\$42,034,718
Prescription Drugs	\$355,209,786
Hospital Services	\$384,210,619
Physicians and Other Providers	\$229,856,738
Behavioral Health	\$118,318,453
Medicare	\$83,246,348
Administration	\$58,487,318
Other	\$36,041,222
Sub-total	\$2,039,641,911
Dept. of Human Services Medicaid	\$461,290,425
Medical Education Payments	\$129,299,572
Dept. of Mental Health Medicaid	\$21,476,577
Other non-OHCA programs	\$59,297,424
Sub-total: Other Agency Programs	\$671,363,998
TOTAL ALL EXPENDITURES	\$2,711,005,909

Source: OHCA Personal communication.

Beginning on January 1, 2004, Oklahoma's Medicaid program underwent two critical changes. First, OHCA abolished *SoonerCare Plus* when, as a result of the withdrawal of one service provider, the state no longer met federal competition requirements. Clients were temporarily moved into a fee for service payment system before being permanently enrolled with *SoonerCare Choice*, the partially capitated managed care program previously restricted to rural counties. OHCA completed the transfer process in April 2004. Second, \$71 million in additional federal funding allowed the state to restore benefits that were cut in FY '03, to enhance pharmacy benefits, and to increase provider rates.³¹ The resulting full-year cost of these program enhancements to the state is estimated at \$49 million.

The issue of health insurance coverage is crucial in Oklahoma. The most recent Census Bureau data available show that over the two-year period of 2002-2003, 18.8% of the state's population (some 651,000 people) lacked health insurance. Most of Oklahoma's uninsured are low-income, and most are employed.³² In November 2004, voters agreed to begin addressing this problem by approving an increase in the tax levied on all tobacco products. State officials promise to leverage approximately \$50 million in new revenue against Federal Medicaid matching funds to help provide health insurance for up to 100,000 Oklahomans.

Links for additional information on Medicaid:

For data and information on the state Medicaid program and participation:

- [Oklahoma Department of Human Services \(OKDHS\): Office of Planning, Policy and Research](http://www.okdhs.org/ioppr/) (<http://www.okdhs.org/ioppr/>)
- [Oklahoma Health Care Authority: Consumer Information](http://www.ohca.state.ok.us/Consumer/consumer.html) (<http://www.ohca.state.ok.us/Consumer/consumer.html>)

For data on Medicaid enrollment and other state-level health facts:

- [The Henry J. Kaiser Family Foundation State Health Facts Online](http://www.statehealthfacts.kff.org/) (<http://www.statehealthfacts.kff.org/>)

For national Medicaid program and budget information:

- [Centers for Medicare and Medicaid Services](http://www.cms.hhs.gov/default.asp) (<http://www.cms.hhs.gov/default.asp>)

For other information:

- [CAP Public Policy: Health Insurance and Medicaid section](http://www.captc.org/public-policy.asp) – scroll down to view (<http://www.captc.org/public-policy.asp>)

For Oklahoma's Medicaid policies and procedures:

- [OKDHS Medicaid Policies](http://www.policy.okdhs.org/317_ch_35/) (http://www.policy.okdhs.org/317_ch_35/)
- [OKDHS Medicaid Program Information and Eligibility](http://www.okdhs.org/medapp/medicaideligibility.htm) (<http://www.okdhs.org/medapp/medicaideligibility.htm>)

Child Care Subsidy

Program Summary: Child care is critical for all families with working parents. For many, it consumes a significant portion of the monthly income. For low-income working families, affording adequate child care services would be all but impossible without the Child Care Subsidy Program administered by the Department of Human Services. The program provides assistance to qualifying families by paying all or part of their child care costs while parents or caretakers are working, going to school, or receiving training. Children may attend licensed child care centers, or family child care homes, which allow a provider to provide care for up to seven children in his or her own home.

To be eligible, families must meet income requirements and the adults in the home must be engaged in qualifying activities such as work or school. The income limit varies depending on the number of children in care. As a result of a departmental rule change taking effect on September 1, 2004, the method used for determining a family's income has changed. Previously, countable income was determined by subtracting 20% of earned income per employed person and any legally-binding child support paid from monthly gross income. Under the new rule, only child support paid is exempt as income – the 20% take-away has been eliminated.

As a result of the new methodology, families will be pushed into higher income brackets. OKDHS adjusted the co-payments associated with brackets to account for this, although some families (OKDHS estimates 22%) were expected to see their co-payments increase from between \$5 and \$15 per month. Families near the pre-September eligibility threshold may find that their newly calculated incomes push them out of eligibility altogether. These families can be grandfathered in for up to one year if they are enrolled in the subsidy program already. After a year, however, they will lose their subsidies under the current rules.

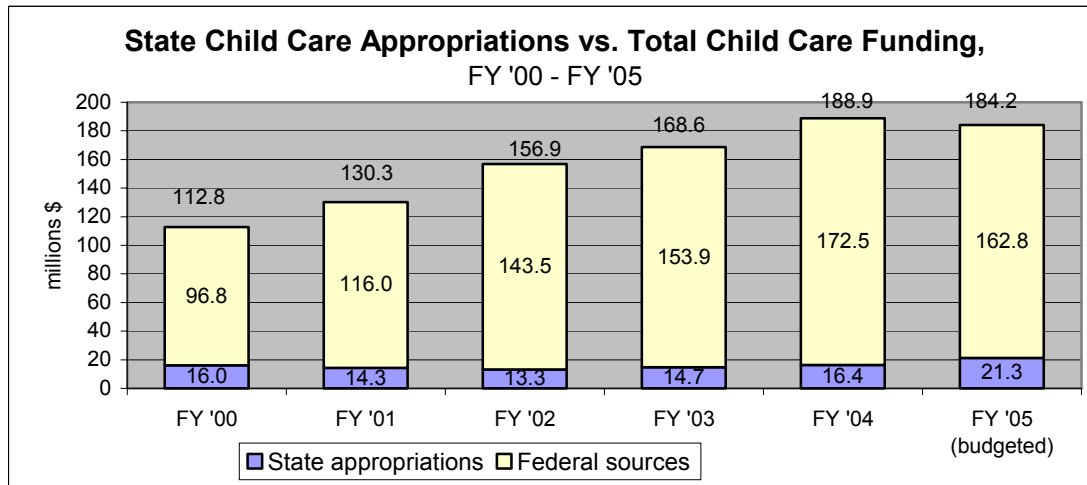
In addition to the change just described, single parents are now required to seek child support payments through OKDHS if they are not already doing so. Child support received is considered unearned income when the co-payment amount is calculated. Also, an amendment to the Oklahoma Child Support Guidelines law, effective June 3, 2004, requires a specific calculation for OKDHS child care cases in the child support computation form which the court must approve as an attachment in all child

support orders. The custodial parent's co-payment is estimated by adding the custodial parent's earned income to the base child support amount. In this way OKDHS shifts at least a portion of the burden of child care costs off the department and onto the noncustodial parent. In some cases, child support will render custodial parents ineligible for child care subsidies, fully removing the burden from OKDHS.

The co-payment to be made by participating families depends on income, the number of children in care, and family size. Families with extremely low incomes pay no co-payment at all. For example, beginning September 1, 2004 families earning \$850 or less per month do not pay any co-payment, regardless of family size or the number of children in subsidized care. In families of five members or less, co-payments rise to \$390 to care for four children at the top income threshold of \$3,425 per month. In families of six members or more, the highest co-payment is \$311 for four or more children in a family with gross monthly income of \$3,425.

The child care program is funded in large part by the federal government. The state puts up matching funds and makes other appropriations to the program. Figure 19 show the mix of state and federal funding over the past few years. In FY '05, the legislature approved an additional \$10 million for the state's share. Federal funding sources include grants provided through the Child Care Development Fund (CCDF), the Social Services Block Grant (SSBG), and TANF. TANF funds can be transferred to a state's CCDF and SSBG programs, in addition to what's known as Daycare Direct. Child care subsidies are not an entitlement. In other words, the number of children eligible for subsidies does not drive the size of these federal grants. States must choose which services to provide, and to whom, with the federal money received.

Figure 19:



Source: OKDHS

Unlike TANF or food stamps, but similar to Medicaid, child care subsidy recipients do not receive funds directly. Parents use the Electronic Benefits Transfer (EBT) system, a new tracking and payment system requiring them to swipe a debit-like card when they drop off and pick up their children. OKDHS uses EBT data to make payments to the child care providers based on the number of subsidized children served *and* the quality of the facility. Indeed, Oklahoma has led the nation in developing a program linking its child care licensing standards and quality criteria with state reimbursement payments. Called *Reaching for the Stars*, the program's goals are to improve the quality of child care by building teacher competence, to inform parents of the quality of programs, and to create more slots for subsidized child care by raising the reimbursement rate to facilities. OKDHS rates each child care facility from 1-star (minimum requirements) up to 3-stars (highest standards) according to the number of quality criteria it meets. A parent's co-payment remains fixed regardless of the number of stars awarded to her chosen facility, but OKDHS reimburses higher-quality facilities at higher rates.

As of June 2004, there were 3,405 1-star facilities, 1,051 1-star-plus facilities, 1,647 2-star facilities, and 138 3-star facilities. In addition to the number of stars a facility earns, reimbursement rates depend on whether the facility is in a metro area or not, whether the facility is a center or a home, whether the care is full-time or part-time, and also on the age of the child in care. Caring for infants and toddlers is more

expensive, for example, and that is reflected in the reimbursement rates. OKDHS sets reimbursement rates based on a percentage of the average market cost of care in the area. Table 6 provides one example of a reimbursement rate matrix, holding constant the type of facility (center) and its location (metro area). Part-time care (less than 4 hours a day) is reimbursed at greater than 50% of full-time care. Providers receive additional payments for special needs children. Metro centers serve Canadian, Cleveland, Kay, Oklahoma, Tulsa, Wagoner, and Washington counties. Standard centers serve the rest of the state.

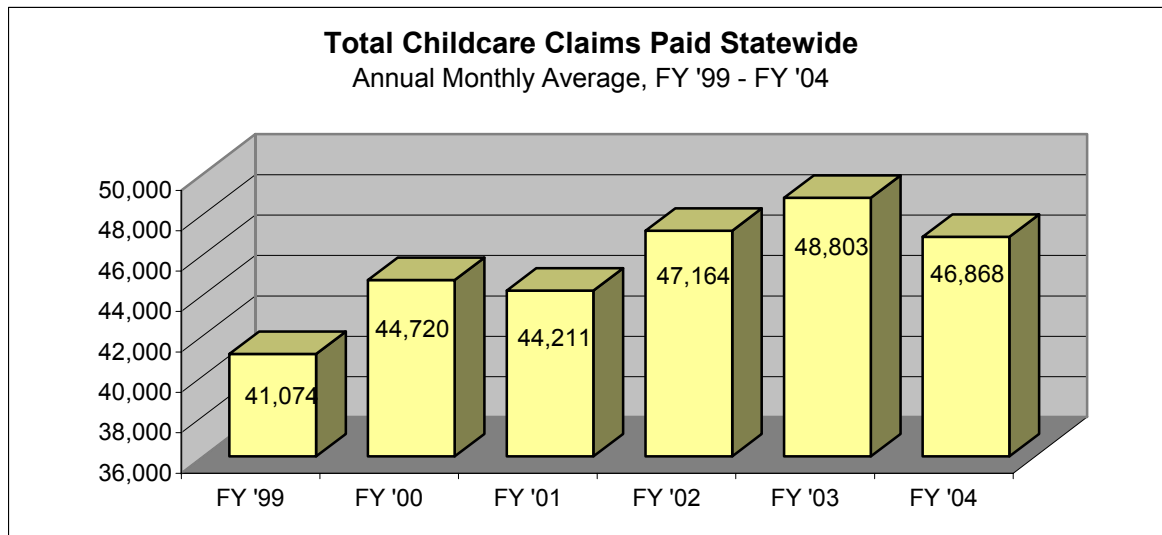
Table 6: Daily Reimbursement Rates to Child Care Centers in Metro Areas, Full-time, 2003

	0 – 12 months	13 – 24 months	25 – 48 months	49 – 72 months	6 – 13 yrs.
One star	\$15	\$15	\$13	\$13	\$11
One star plus	\$20	\$19	\$17	\$16	\$14
Two star	\$26	\$23	\$21	\$19	\$16
Three star	\$29	\$26	\$23	\$21	\$17

Source: OKDHS, 11/1/03

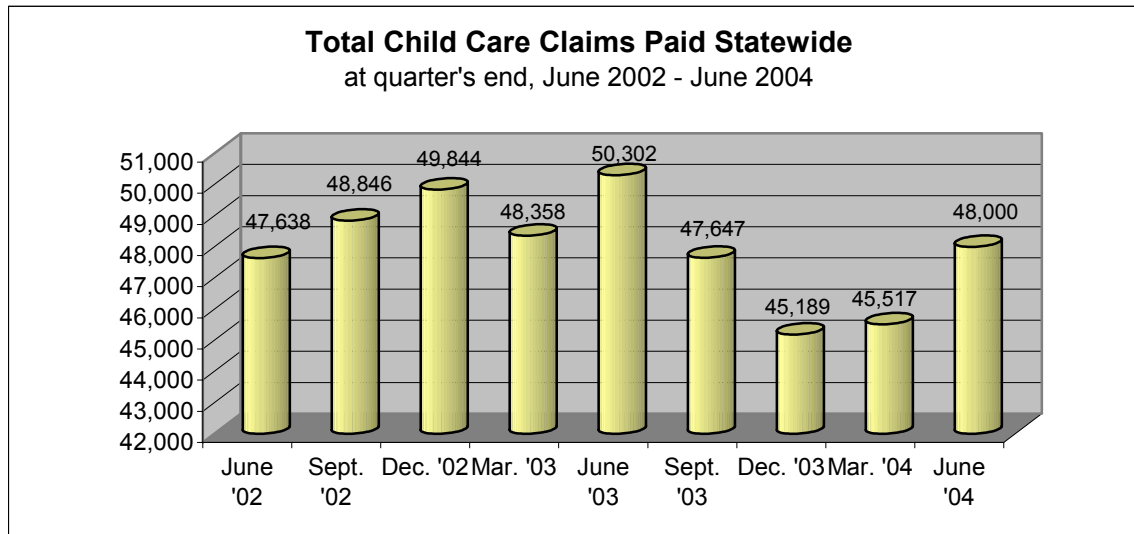
Program Enrollment: Figures 20 and 21 show participation in subsidized child care as a monthly average.

Figure 20:



Source: OKDHS Annual Report, FY 1999 – FY 2003; OKDHS Statistical Bulletins July 2003-June 2004.

Figure 21:



Source: OKDHS Statistical Bulletin, June 2002 – June 2004.

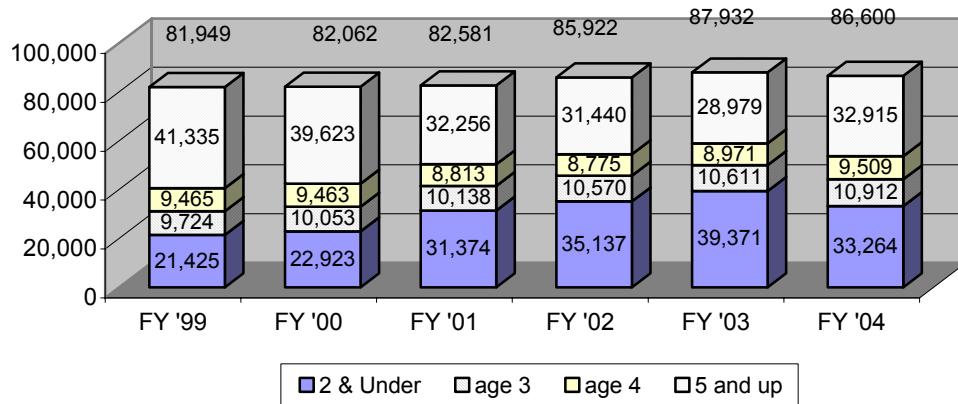
Discussion:

The data presented in Figure 20 indicate that the child care subsidy program has become increasingly important for Oklahoma families. The number of paid claims grew 14% from a monthly average of 41,074 in FY '99 to a monthly average of 46,868 in FY '04. Figure 21 shows that the number of paid claims per month (measured at the end of each quarter) rose steadily throughout 2002 and then fluctuated a bit during 2003 before dropping toward year's end. Enrollment recovered somewhat by June of 2004. We would expect that child care enrollment would vary inversely with the unemployment rate because parents would not need child care if they were not working. Surprisingly, however, the peak enrollment month – June 2003 – actually coincided with the peak unemployment rate of 5.8%. During the first half of 2004, unemployment hovered around 4.9% while the number of children receiving subsidized care recovered from the December 2003 low.

If enrollment data are broken down by age, we find that infant and toddler enrollment has driven much of the growth of the past few years. Figure 22 shows a general expansion in the number of children age 2 and under and a general contraction in the number of children age 5 and up (among children who ever participated in subsidized child care), at least between FY '99 and FY '03. This pattern reversed itself between FY '03 and FY'04, although it is not clear why.

Figure 22:

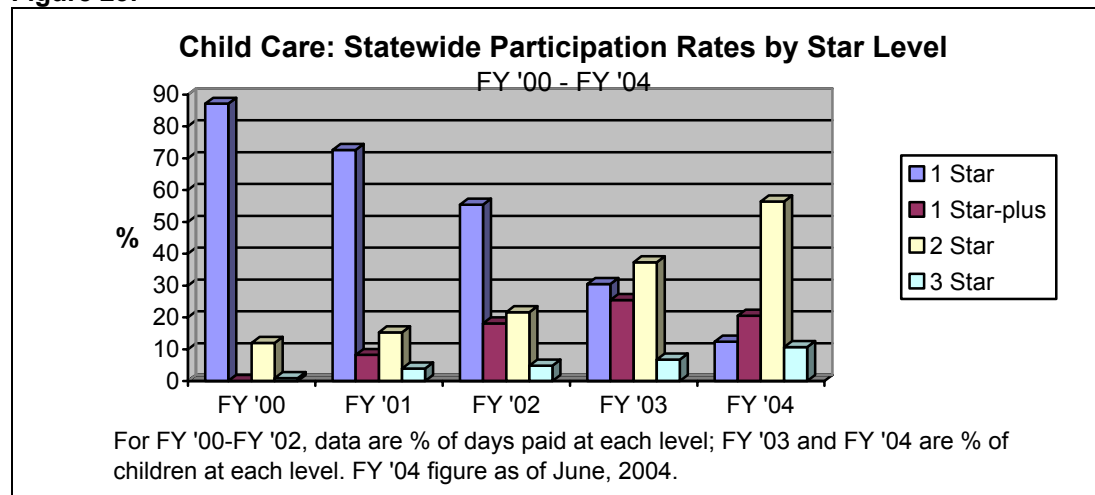
**Total Unduplicated Child Care Children Statewide by Age
FY '99 - FY '04**



Source: OKDHS Annual Report, FY 1999 – FY 2003 and OKDHS personal communication.

In addition to serving more children over time, Oklahoma’s child care subsidy program has successfully moved kids from lower-quality to higher-quality facilities. Indeed, this was one goal of the *Reaching for the Stars* program. Figure 23 shows that children receiving subsidized child care have been shifting into better quality facilities over the past few years. In FY '00, for example, 87% of subsidized children were enrolled in 1-star facilities and only 12% in 2-star facilities. By FY '04, only 12% of subsidized children attended 1-star facilities and 56% attended 2-star facilities. Enrollment had grown at 1-star-plus and at 3-star facilities as well. Unfortunately, we do not have age-specific participation rates by star level.

Figure 23:



Source: OKDHS, Child Services Division

One result of enrollment growth, and especially enrollment growth at higher quality, and therefore more favorably reimbursed, facilities, is a growing tension in the use of TANF funds. Higher enrollment and higher quality has been sustained largely because Oklahoma has spent as much from TANF, including reserves, as possible on child care. The child care system now depends on that TANF money. Unfortunately, the competing demands of continued child care funding, cash assistance payments, work supports, and other needs, greatly exceed the state's ongoing TANF revenue receipts. These forces pulling on the same funding stream create real dilemmas for legislators, families, and advocates.

The problem is, child care programs are critical to the well-being of Oklahoma and Oklahomans. The child care subsidy program is crucial, for example, for low-income families striving to attain self-sufficiency. In fact, a growing body of research consistently finds strong linkages between child care and improved employment. Child care helps parents leave and stay off welfare, helps them avoid part-time work, and helps them earn higher wages.³³

Child care is also a critical industry for the state's economy. According to a study by Mark Snead of Oklahoma State University, the 6,300 licensed and regulated child care facilities accounted for 25,569 direct jobs and revenue estimated at \$410 million in 2003. About one-third of that, or \$131.3 million, represents subsidy payments OKDHS made to child care facilities. The \$410 million in turn supported \$330 million in indirect and induced output and nearly 5000 indirect and induced jobs.³⁴

After near-crisis situations in 2003 and 2004, the Legislature stepped up to increase appropriations to the base child care budget by \$10 million, as noted earlier. Still, continued reliance on the TANF reserve, which is, in effect, a one-time funding source, means Oklahoma's child care program faces an *ongoing* annual budget gap of some \$30 million. OKDHS has made it clear that if this shortfall is not addressed, parents will eventually either face steep co-payment increases and/or serious reductions in eligibility. Given OKDHS's large role as a funder of child care, it's plain to see that any crisis the agency faces will carry broad repercussions for the child care industry as a whole and for the state's effort to ensure that disadvantaged children enter school ready to learn.

Links for additional information on child care:

For information on the subsidy program, choosing child care, and the *Reaching for the Stars* program:

- [Oklahoma Department of Human Services \(OKDHS\): Division of Child Care](http://www.okdhs.org/childcare)
(<http://www.okdhs.org/childcare>)

For statewide data on childcare subsidy participation rates (as well as other major social welfare programs):

- [Oklahoma Department of Human Services \(OKDHS\): Office of Planning, Policy and Research](http://www.okdhs.org/ioppr/)
(<http://www.okdhs.org/ioppr/>)

For national data on child care:

- [U.S. Department of Health and Human Services: The Administration for Children and Families \(Statistics\)](http://www.acf.hhs.gov/news/stats/)
(<http://www.acf.hhs.gov/news/stats/>)

For information and resources on child care:

- [U.S. Department of Health and Human Services: The Administration for Children and Families National Child Care Information Center](http://www.nccic.org/)
(<http://www.nccic.org/>)
- [CAP Public Policy: Child Care section](http://www.captc.org/public-policy.asp) – scroll down to view
(<http://www.captc.org/public-policy.asp>)

For Oklahoma child care subsidy policies and eligibility:

- [Oklahoma Child Care Subsidy Policy Manuals](http://www.policy.okdhs.org/ch40/)
(<http://www.policy.okdhs.org/ch40/>)
- [Information for Parents](http://www.okdhs.org/childcare/parentinfo/what_is_child_care_assistance.htm)
(http://www.okdhs.org/childcare/parentinfo/what_is_child_care_assistance.htm)

Section 8 Rental Assistance

Program Summary: Created in 1974, the Section 8 housing program is the principal federal low-income housing assistance program in the United States. Its enactment marked a shift in the federal government’s strategy from subsidizing the production of private and public housing for low- and moderate-income households to subsidizing the use of existing housing stock.

Today, Section 8 provides both project-based subsidies, which are attached to newly built or rehabilitated housing units, and tenant-based subsidies, which can move around with the tenant. Project-based subsidies have been allowed since 1990. Until guidelines regulating their use were revised in late 2000, however, housing authorities did not take much advantage of project-based subsidies.³⁵ The new guidelines removed some of the barriers to their use, although housing authorities are limited to spending only up to 20% of their funding on project-based vouchers. Other special vouchers are available as well, and they are listed in Table 7.³⁶ Because of the predominance of tenant-based vouchers, this chapter will deal almost exclusively with them.

Table 7: Housing Choice Voucher Types and Purposes

<i>Voucher</i>	<i>Purpose</i>
Tenant based voucher	Assists very low income families in renting safe, decent, and affordable privately-owned housing
Project based voucher	To encourage property owners to build or rehab existing housing units to rent to very low income families
Conversion voucher	Assistance to families being relocated out of public housing because of demolition or conversion, OR to help families when an owner opts out of a project based Section 8 contract
Family unification voucher	Assists families for whom lack of affordable housing is main factor in the children being separated from the parents or an obstacle to family reunification
Homeownership voucher	Enables very low income families to purchase a home
Voucher for people with disabilities	Assists very low income families with disabilities in renting affordable private housing
Welfare-to-work voucher	Assists families making transition from welfare

Source: HUD Housing Choice Vouchers List,
<http://www.hud.gov:80/offices/pih/programs/hcv/about/list.cfm>

Prior to October of 1999, tenant-based Section 8 rental assistance consisted of the Certificate Program and the Voucher Program. The former fixed the tenant’s portion of the payment; the latter fixed the amount of the subsidy. The Housing Choice Voucher Program replaced both programs, incorporating some elements from each one.

The Housing Choice Voucher Program is funded by the Department of Housing and Urban Development (HUD) and administered by local public housing agencies (PHAs). Oklahoma has 106 PHAs, including a handful run by Indian tribes, but only 22 PHAs administer the Section 8 program. The largest PHAs in Oklahoma are the Oklahoma Housing Finance Authority (OHFA), the Tulsa Housing Authority (THA) and the Oklahoma City Housing Authority (OCHA). While THA may operate only in Tulsa County, and OCHA may operate only in Oklahoma County, OHFA’s jurisdiction includes all 77 counties in the state.

To be eligible for the vouchers, families must meet HUD’s “very low-income” guideline, defined as 50% of the area median income (AMI). The law also requires that 75% of vouchers issued by a PHA must go to *extremely* low-income families, or those at or below 30% of AMI. Income eligibility guidelines vary by family size, and by metropolitan statistical area (MSA) or county (for those counties not included in an MSA). Table 8 reports income eligibility limits for the Oklahoma City MSA, the Tulsa MSA (which has the highest limits) and Adair County (which, along with 32 other counties, has the lowest limits). Oklahoma’s major PHAs also have established local preferences for the homeless and the disabled who are able to “certify” their condition.

Table 8: “Very Low-income” Thresholds for Section 8 Eligibility, by select areas, 2004

		FAMILY SIZE			
		<i>1 person</i>	<i>2 people</i>	<i>3 people</i>	<i>4 people</i>
Oklahoma City MSA	Annual income	\$18,250	\$20,850	\$23,450	\$26,050
	Hourly wage	\$8.77	\$10.02	\$11.27	\$12.52
Tulsa MSA	Annual income	\$19,100	\$21,800	\$24,550	\$27,250
	Hourly wage	\$9.18	\$10.48	\$11.80	\$13.10
Adair County	Annual income	\$14,350	\$16,400	\$18,450	\$20,500
	Hourly wage	\$6.90	\$7.88	\$8.87	\$9.86

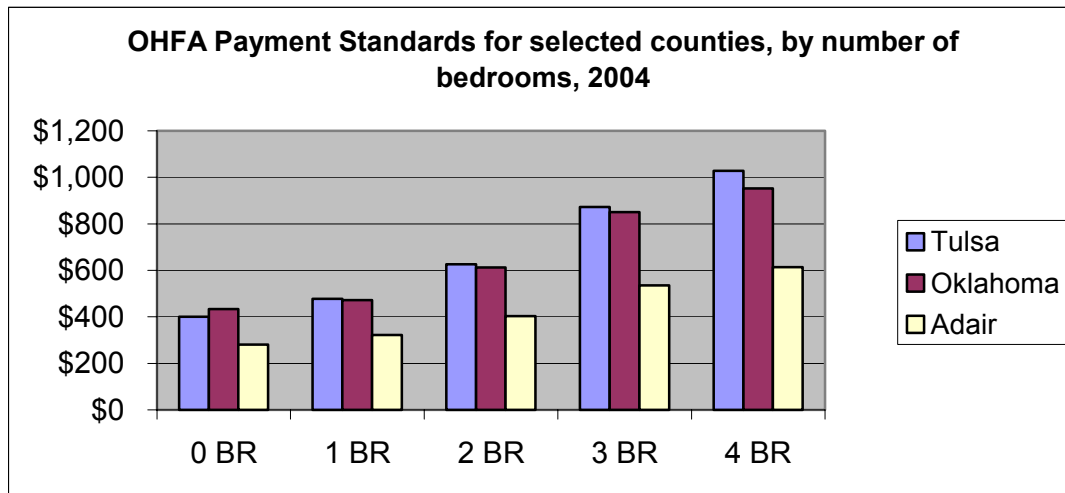
“Very Low-income” is defined as 50% of the Area Median Income (AGI).

Source: HUD: <http://www.huduser.org/Datasets/IL/IL04/hud04ok.pdf>.

To calculate the Section 8 benefit amount, HUD first determines the fair market rate (FMR) at the 40th percentile rents – the 50th percentile in certain markets – for all rental units of a given bedroom size in an MSA. With this provision, HUD establishes a policy of not subsidizing top-priced rents. Instead, families must choose from among the market’s least expensive 40% (or 50%) of rents.³⁷

Next, the PHA determines the Payment Standard, which can be between 90% and 110% of FMR. OHFA’s payment standards for Tulsa, Oklahoma, and Adair County appear in Figure 24. The payment standards for both Tulsa and Adair Counties reflect 105% of the fair market rent (at the 50th percentile for Tulsa and the 40th percentile for Adair). Oklahoma County’s payment standards represent 110% of the fair market rent (which, like Tulsa’s, is at the 50th percentile).

Figure 24:



Source: Oklahoma Housing Finance Agency (OHFA), <http://www.ohfa.org/Rental/Fair%20market%20Rents.htm>.

A voucher can cover rent up to the payment standard. The actual voucher payment, however, depends on the payment standard, the actual rent and utility costs of the housing unit, and the family’s annual adjusted income. The family is expected to pay 30% of its adjusted income in rent; the voucher picks up the rest of the cost, up to a maximum of the payment standard.³⁸ Families that choose a unit priced over the payment standard must pick up the additional cost themselves. The program will not allow a family to pay more than 40% of its adjusted income for rent, however. In such cases, the unit becomes disqualified from Section 8 assistance. Families may use their

vouchers to rent from any landlord who accepts Section 8 and whose property meets certain price and quality criteria.

Qualifying for a Section 8 subsidy does not guarantee that a family will find a unit to rent. First, Section 8 is not an entitlement. With only a limited number of vouchers in circulation, many markets develop extensive waiting lists and a PHA may even close its waiting list when it contains more families than can be assisted in the near future. Second, it is not always easy to find landlords willing to accept Section 8 vouchers or tenants. Third, it is not always easy to find units that meet price and safety standards set by HUD, especially as the rental market tightens.

Program Enrollment: Because of the decentralized administration of Section 8 vouchers, gathering data on the number of vouchers authorized and in use is difficult. Current data limitations thus prevent us from showing any historical trends. Table 9 presents critical Section 8 data points for Oklahoma in 2003.

Table 9: Section 8 Rental Assistance Vouchers in Oklahoma, FFY 2003

	Oklahoma
Authorized Vouchers	22,465
Utilization Rate (% of vouchers in use)	98.8%
Average Voucher Subsidy Cost (annual, excluding administrative fees)	\$4,805

Source: Will Fisher, Center on Budget and Policy Priorities, personal communication.

Discussion

In Oklahoma, the demand for Section 8 rental assistance outstrips the government's ability to provide it. As Table 9 shows, there are over 22,000 housing vouchers available, with an average value of \$4,805, for low-income Oklahomans. Nearly 99% of them are in use. With such a high utilization rate, it is not surprising that the state's largest housing authorities have all had to close their waiting lists in recent months. (OHFA's list has been re-opened and remained so as of October 1, 2004).

At the Federal level, the Bush Administration has proposed replacing the current Housing Voucher Program with a "Flexible Voucher Program," which would provide block grants to local housing agencies rather than vouchers to tenants. The Administration believes such a move would dampen the escalating costs Section 8 has faced in recent years and would enable PHAs to reap savings by using the increased

flexibility of block grants to find new efficiencies in administering the program. Opponents argue that capping grants to PHAs would force local officials to either lower subsidy amounts or reduce the number of beneficiaries as rents increased. The Center on Budget and Policy Priorities, for example, estimates that block granting Section 8 would produce budget reductions that would either kick 250,000 families off the program in 2005, increase participants' rents by an average of \$850 per year, or shift the assistance from very low-income to higher-income families requiring lower subsidies.³⁹

On top of the budget difficulties Section 8 likely faces for the future, an April 22, 2004 HUD notice triggered threats of dramatic program cutbacks. The notice ended HUD's policy of providing PHAs with enough funds to cover the actual costs of the *authorized* vouchers, and instituted a formula that set payment levels to the value of the vouchers *in use* on August 1, 2003, adjusted for inflation. In areas where the inflator did not reflect the true increase in rental costs, PHAs were told they would not receive sufficient funding. In areas where incomes fell, observers worried their vouchers will not be sufficient to make up the gap between 30% of a tenant's (now lower) income and the actual rent. Moreover, HUD made the policy retroactive to January 1, 2004.

These changes would have affected Oklahoma's large PHAs much less severely than other metropolitan PHAs, although initially some officials did fear that families would lose their vouchers. Through program attrition, a tightening up on fraud, and, in Tulsa, tapping into reserve funds, PHA officials were able to prevent families from losing vouchers solely for lack of funding. In the rest of the country, after PHAs (especially on the coasts) filed nearly 400 appeals, HUD on September 2, 2004 announced the government would restore about \$156 million in funding to 379 PHAs nationwide.

Links for additional information on Section 8 Rental Assistance:

For HUD's FY 2004 Section 8 income eligibility limits in Oklahoma counties:

- [HUD Income Limits for Housing Vouchers](http://www.huduser.org/Datasets/IL/IL04/hud04ok.pdf)
(<http://www.huduser.org/Datasets/IL/IL04/hud04ok.pdf>)

For Oklahoma Housing Finance Authority Rental Assistance programs:

- [OHFA Rental Assistance](http://www.ohfa.org/Rental/rahome.htm)
(<http://www.ohfa.org/Rental/rahome.htm>)

For general information on affordable housing:

- [National Low Income Housing Coalition](http://www.nlihc.org/)
(<http://www.nlihc.org/>)
- [Center on Budget and Policy Priorities](http://www.cbpp.org/pubs/housing.htm)
(<http://www.cbpp.org/pubs/housing.htm>)

Unemployment Insurance (UI)

Program Summary: Tracing its roots back to 1935, Unemployment Insurance (UI) is one of the older social safety net programs. It has two goals: 1) to provide temporary and partial wage replacement to involuntarily unemployed workers who were recently employed, and 2) to help stabilize the economy during recessions. The UI program is a federal-state partnership. The federal government oversees the program, but states are free to determine eligibility requirements, benefit levels, the eligibility period, and the amount of state employer taxes to be paid.

To qualify for benefits in Oklahoma, an individual must have lost his or her job through no fault of his or her own and be actively seeking new employment. In addition, an individual must have accumulated a sufficient amount of wages during the “base period.” The base period is the first four of the last five calendar quarters preceding the benefit year, and during this time the individual must have earned \$1,500. In addition, the individual’s total base period wages must be 1.5 times his or her high quarter wages.⁴⁰ \$1,500 represents the average state wage for 3.3 weeks of work, or the federal minimum wage for 7.3 weeks of work. Due to a state law passed in 2002, individuals can also become eligible for UI under an Alternative Base Period (ABP), which looks at the four most recently completed quarters. ABP eligibility does not apply, however, in years where Oklahoma is in *conditional factors* (to be explained below).

In Oklahoma, qualified applicants are eligible for a maximum of 26 weeks of state program benefits. Benefits are paid weekly, equal to 1/23rd of one’s highest quarter taxable wages in one’s base period, up to a maximum payment. The maximum weekly benefit is a proportion of the average weekly wage; the maximum total benefit is a proportion of the state’s average annual wage. The proportions vary depending on the conditional factor. For example, the maximum weekly payment may vary from 60% down to 50% of the average weekly wage. The maximum *total* benefit may vary from 25% down to 20% of the state average annual wage. For 2004 the maximum amount of benefit an unemployed worker can draw is \$275 per week.

Federal and state payroll taxes fund the UI system. The federal tax on most employers is 0.8% of the first \$7,000 that each worker earns. The money collected from this tax pays for the administration of state UI programs, for federal extensions of

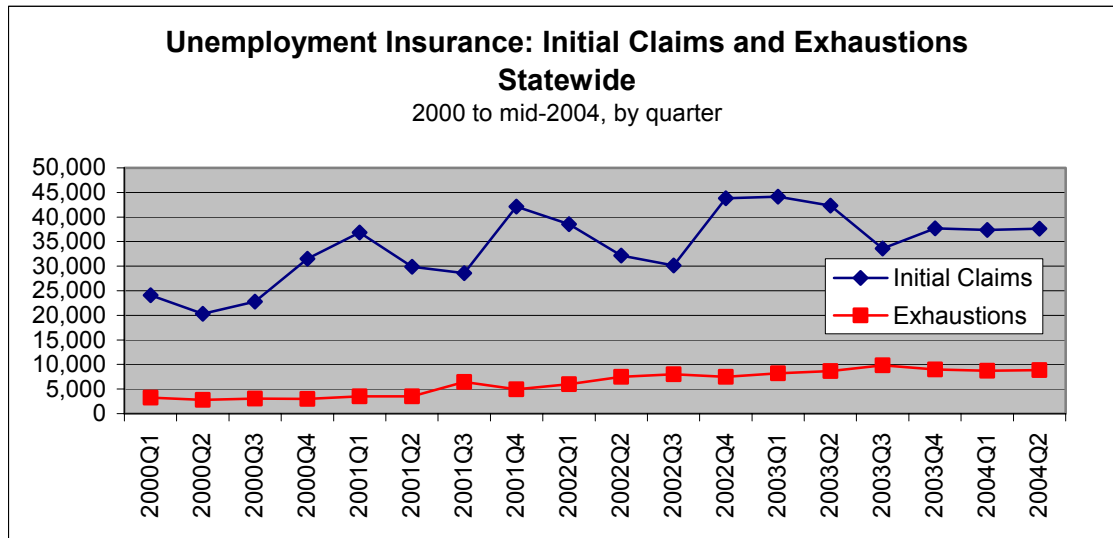
benefits, and for loans to states that do not have sufficient funding to cover their UI payments.⁴¹ The state payroll taxes cover the costs of benefits paid to unemployed workers. States determine the tax rate as well as the amount of wages to be taxed (called the “taxable wage base”). The tax rate and the taxable wage base vary with the state’s conditional factor. Tax rates also vary across employers within the state depending on the employer’s “experience rating.” Employers with fewer former employees collecting benefits will have lower UI tax rates than an employer with many former workers receiving benefits. For 2004, the tax rates vary between 0.3% and 9.2%. The taxable wage base is \$14,300. Employers pay UI taxes if they employ one or more workers in each of twenty different weeks during a calendar year; have a payroll of \$1,500 or more in a calendar quarter; or are otherwise liable under the Federal Unemployment Tax Act (FUTA).

The employer tax proceeds that are collected are placed into interest-bearing UI trust fund accounts within the U.S. Treasury. Each state has its own account from which it draws to finance benefit payouts. Since states are legally obligated to pay UI benefits regardless of their trust fund balance, states place a high priority on maintaining a healthy account. An insolvent trust fund means that a state must either borrow from the federal government or seek private financing to meet its obligations.

To protect the trust fund’s health, the Oklahoma statutes establish “conditional factors” ranging from “no condition” to conditional factor A, B, C, and D.⁴² A healthy fund triggers “no condition,” which allows for the lowest taxes for employers and the highest benefits for recipients; conditional factor “D” signals the least healthy fund. When the trust fund balance is declining, conditional factors kick in, resulting in lower benefits and higher taxes. The conditional factors are calculated based on a ratio of the trust fund balance to the five-year average of benefit payouts.

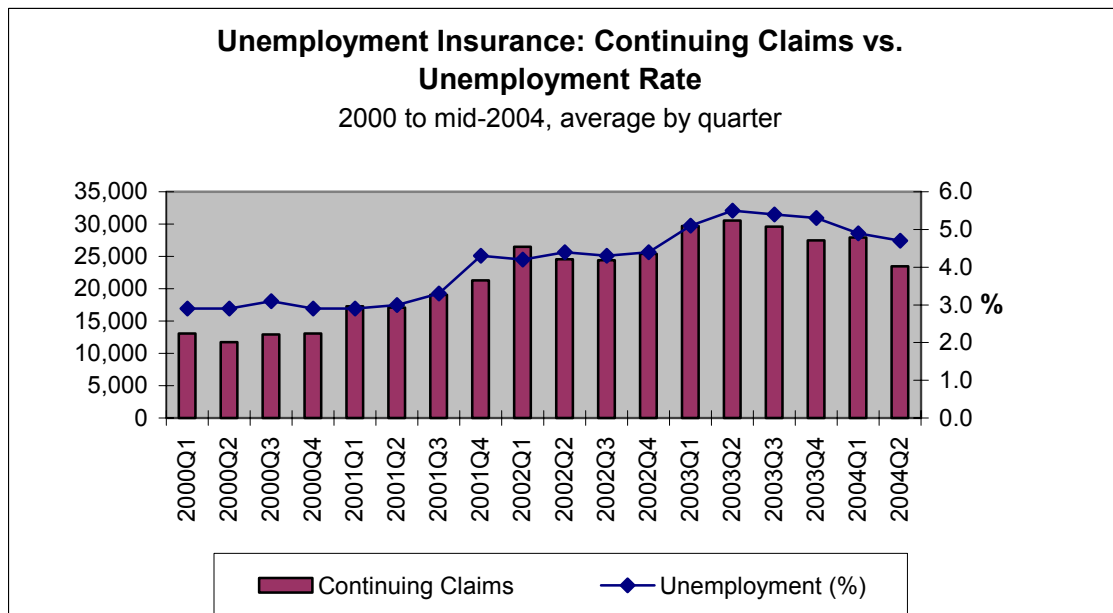
Program Enrollment: Figure 25 shows the total number of initial UI claims and exhaustions each quarter between 2000 and mid-2004. Figure 26 depicts the average number of weekly continuing claims aggregated by quarter, compared to the quarter’s average unemployment rate.

Figure 25:



Source: Oklahoma Employment Security Commission

Figure 26:



Source: Oklahoma Employment Security Commission and Bureau of Labor Statistics

Discussion:

Figure 25 shows that the number of people making initial claims (i.e., filing for unemployment benefits for the first time) followed a distinctly cyclical pattern between 2000 and 2003. Each year the number of initial claims filed peaked in either the 4th quarter or the 1st quarter of the year. Initial claims typically dropped fairly substantially

after that, except in 2003 where the 2nd quarter decline was minimal. In addition to the cyclical pattern, the number of initial claims filed annual grew from year to year between 2000 and 2003. The cyclical pattern was broken in 2004 as initial claims seemed to level out.

Once people begin receiving unemployment, they are tracked as “continuing claims.” Continuing claims appear separately in Figure 26 to avoid making inaccurate comparisons to initial claims and exhaustions.⁴³ The number of continuing claims increased for three consecutive years from 2000 to 2003, reflecting the effects of the recession of 2001. The drop between the first and second quarters of 2004 in both continuing claims and the unemployment rate (shown in Figure 26) signals improvements in Oklahoma’s job situation.

UI enrollment figures seem to indicate that the program goal of stabilizing the economy during recessions is attainable. The economic downturn experienced across the nation beginning in 2001 (and somewhat belatedly in Oklahoma) triggered a spike in initial claims, for example, between the 3rd and 4th quarters of 2002 followed by a steady rise in continuing claims thereafter. Oklahoma’s UI system, however, provides a much smaller economic stimulus than it could because it covers less than one-third of unemployed workers. During 2003, for example, only 28.7% of Oklahoma’s unemployed received unemployment benefits, compared to a national average of 41%. Oklahoma ranked 34th among states in terms of the percentage of unemployed receiving payments.⁴⁴ If more unemployed Oklahomans received UI benefits during economic downturns, families would have more money to inject into the economy where they live.

“Exhaustions,” shown in Figure 25, refer to those people who reach the end of the eligibility period without finding work. The number of exhaustions increased throughout 2002 and 2003 as the economy lost jobs, which made it tougher for people to transition off UI to work than to be cut off as a result of reaching the 26 week limit. In what many called a “jobless recovery” following the 2001 recession, the unemployed continued to face real obstacles to finding employment. UI exhaustions dipped slightly at the end of 2003 and the beginning of 2004, but turned slightly upward by the end of the second quarter of 2004. This is likely due to the enduring problem of long-term

unemployment – workers without work for 27 weeks or more – affecting one million more workers nationwide in September 2004 than when the recession began in March 2001.⁴⁵

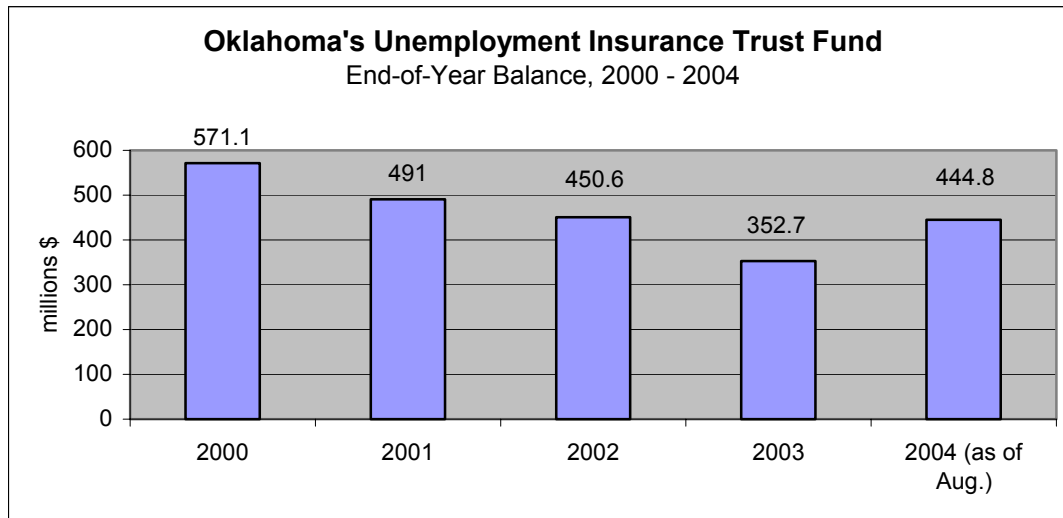
Apart from fewer available jobs, those who exhaust their unemployment benefits face another difficulty. Prior to December 21, 2003, unemployed workers who had reached the 26-week state benefit limit were eligible for an additional 13 weeks of federally funded unemployment insurance as part of the Temporary Extended Unemployment Compensation Program (TEUC). Since then, Congress has allowed the TEUC to lapse. Unemployed workers who max out their state funded benefits will no longer receive a federal extension. Congress' failure to renew the TEUC has affected over 17,500 Oklahomans who exhausted their state benefits between January and June of 2004.⁴⁶

Another troubling development has to do with changes to the maximum weekly benefit payment and the amount of employer taxes. As a result of two phenomena – one under state control and one not – the conditional factor was set at “D” in January 2004, raising employer taxes to their highest levels and lowering recipients' benefits to their lowest levels. The first phenomenon was the state's decision in 1998 to cut state payroll taxes, despite already having among the lowest UI tax rates in the country. The cut, made while the fund was healthy, resulted in a smaller stream of revenue flowing into the trust fund and created a less “recession-ready” fund. The second phenomenon was the recession itself, which began in 2001 and triggered record UI payments in 2002 and 2003. Indeed, the fund paid out \$252 million in 2002 and \$278 million in 2003, compared to just \$98 million in 1996. The confluence of these two events took the trust fund down to low levels and precipitated the conditional factor being set at “D.” This drop was sudden, coming after one year at Conditional Factor “A” preceded by 11 years at no conditional factor.⁴⁷ The Oklahoma Employment Security Commission (OESC) projects that the state will stay in Conditional Factors at least through 2006.

Figure 27 shows the health of the UI trust fund at the end of each year between 2000 and 2003 and where it stood at the end of August 2004. The fund shrank steadily during the decade's first years, decreasing by 49% between 2000 and 2003 and by

36.7% between 2002 and 2003 alone. The trust fund's health began recovering in 2004, although it remains well below its pre-recession level.

Figure 27:



Source: Trust Funds On-line at <http://www.publicdebt.treas.gov/dfi/dfiutprep.htm>.

Links for additional information on Unemployment Insurance:

For information on Oklahoma's UI Program and data on Oklahoma recipients:

- [Oklahoma Economic Security Commission: Claimant FAQs about Unemployment Insurance](http://www.oesc.state.ok.us/ui/default.htm)
(<http://www.oesc.state.ok.us/ui/default.htm>)
- [Oklahoma Economic Security Commission: Labor Market Information](http://www.oesc.state.ok.us/lmi/default.htm)
(<http://www.oesc.state.ok.us/lmi/default.htm>) (scroll to left side menu, Characteristics of the Insured Unemployed)

For national state-level data on UI:

- [U.S. Department of Labor: Employment Training Administration \(Statistics\)](http://workforcesecurity.doleta.gov/unemploy/content/data.asp)
(<http://workforcesecurity.doleta.gov/unemploy/content/data.asp>)

For analysis and resources on the UI program:

- [National Employment Law Project: Unemployment Insurance Safety Net Project](http://www.nelp.org/ui/index.cfm)
(<http://www.nelp.org/ui/index.cfm>)

For general information on state and national UI programs and unemployment:

- [CAP Public Policy: Unemployment section](http://www.captc.org/public-policy.asp) – scroll down to view
(<http://www.captc.org/public-policy.asp>)

Low-Income Tax Credits

Program Summary: The federal income tax code includes a handful of tax credits designed to provide relief to low- and moderate-income families and individuals. By allowing certain families to keep resources that would otherwise go to the government, these tax programs in effect serve as income supports for many families, but especially for those transitioning off TANF and into typically low-paying jobs. The most important and effective credit is the Earned Income Tax Credit (EITC), followed by the Child Tax Credit (CTC). Created in 1975, the EITC was not taken advantage of in any major way until the early 1990's, after program expansions in 1986, 1990 and 1993. In recent years Oklahoma and other states have added their own version of the EITC to their state income tax codes. The CTC was created during the Clinton administration, and took effect in 1998. It is a smaller program than the EITC and benefits families from a wider range of income groups. Other tax credits, including the Child and Dependent Care Credit and the Education Credit, are much smaller and serve few low-income families; we do not discuss them in this report.

► Earned Income Tax Credit

The EITC serves the dual purpose of encouraging work and offsetting the effects of payroll taxes, a by-product of work, on low-income families. All employees and employers each pay 7.65% of earnings (up to a set maximum) in payroll taxes to fund Social Security and Medicare. Because of the flat rate, payroll taxes are highly regressive. The EITC reduces the burden for low- and moderate-income families by providing a *refundable credit* on their income taxes. Refundable credits allow taxpayers to receive the full value of the credit, even if it exceeds the amount of income tax owed. The refund thus supplements a family's wages, and may help lift families out of poverty. In 2002, 18.6 million low-income working families received over \$34 billion worth of assistance, bringing an estimated 4.9 million people out of poverty.⁴⁸ Because of this effect, the EITC is a powerful weapon in the welfare-reform arsenal. It provides critical income support to individuals and families moving into the world of work, particularly if the move is to low-wage work.

In recognition of the effectiveness of the EITC in supplementing low-wage work and boosting families above the poverty level, 18 states, including Oklahoma, have incorporated a state level credit into their tax structures. (There is also a local level credit in one Maryland county.) State credits are typically linked to the federal credit; qualified Oklahomans, for example, can claim 5% of their federal EITC on their state tax return. The percentage varies by state between 5% and 50%. Oklahoma and eleven other states plus the District of Columbia have made their state EITC refundable, mirroring the federal EITC.

Income eligibility limits for the EITC depend on the number of children the taxpayer has and his or her filing status, as shown in Table 10 below. Taxpayers without children face much lower income eligibility ceilings than families with children, and they also must meet an age requirement (between 25 and 64 years old) that parents do not. A two-person family without children, for example, is eligible up to 101% of the [federal poverty level \(FPL\)](#), whereas a two-person family consisting of a parent and child is eligible up to 245% of FPL. No taxpayer may claim the EITC under the status of married filing separately, nor if his or her investment income exceeds \$2,650 in the 2004 tax year.

Table 10: EITC Income Eligibility Limits, (Adjusted Gross Income) 2004 Tax Year

	More than 1 child	One child	No children
Single, Head of Household, Widow	\$34,458	\$30,338	\$11,490
Married filing jointly	\$35,458	\$31,338	\$12,490

Source: IRS publication 596; www.irs.gov.

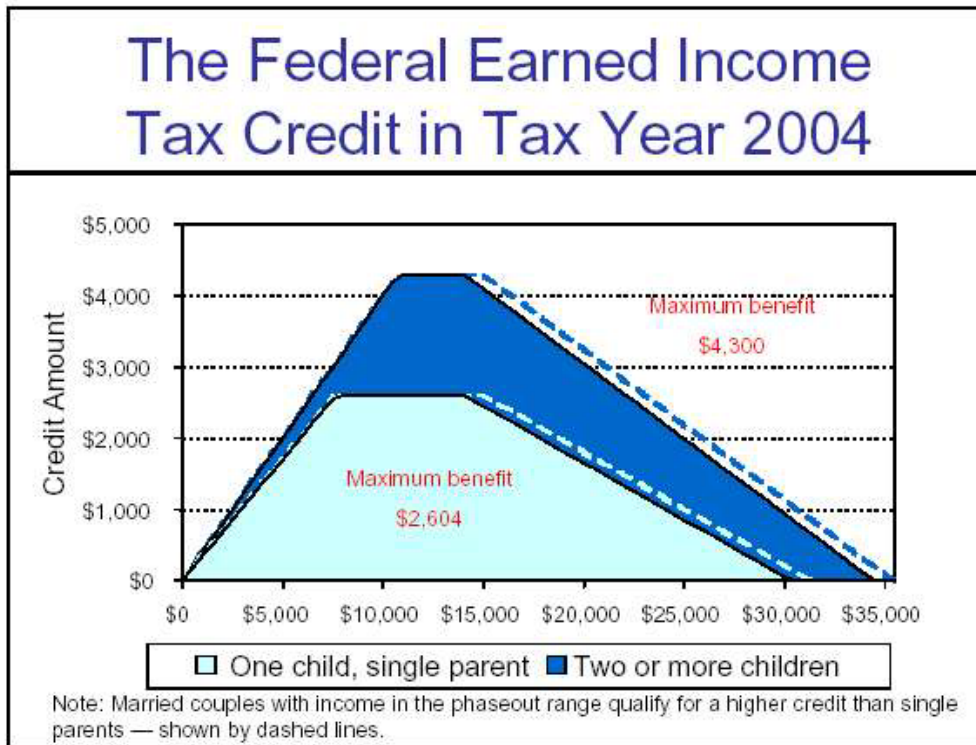
Workers at the upper and lower bounds of eligibility do not receive the full EITC. As can be seen in Figure 28, the amount of the credit varies with income:

- At low incomes, the credit increases as income increases;
- The credit levels out at the maximum benefit after income reaches about \$7,000 for families with one child, and after about \$10,000 for families with more than one child;
- The credit phases out after income exceeds about \$15,000.

Figure 28 shows how even low-income families enjoy partial credit, with larger credits available to reward higher-paid work. Like the federal poverty guidelines, the EITC has

been indexed for inflation since 1987 so that the maximum credit available, income eligibility ceilings, and investment income limits grow each year.

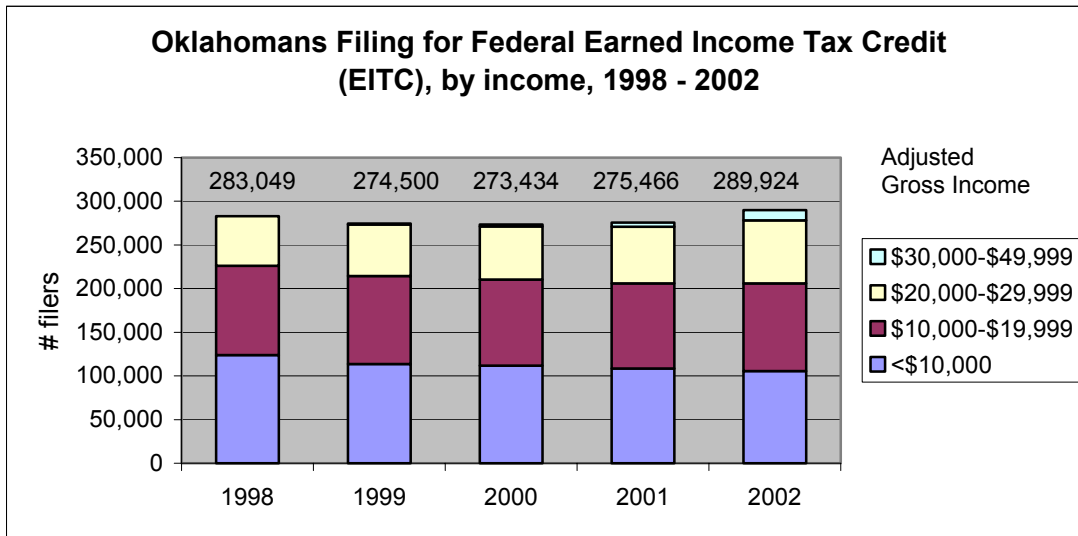
Figure 28:



Source: "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2004," Center on Budget and Policy Priorities, May 14, 2004, <http://www.cbpp.org/5-14-04sfp.htm>.

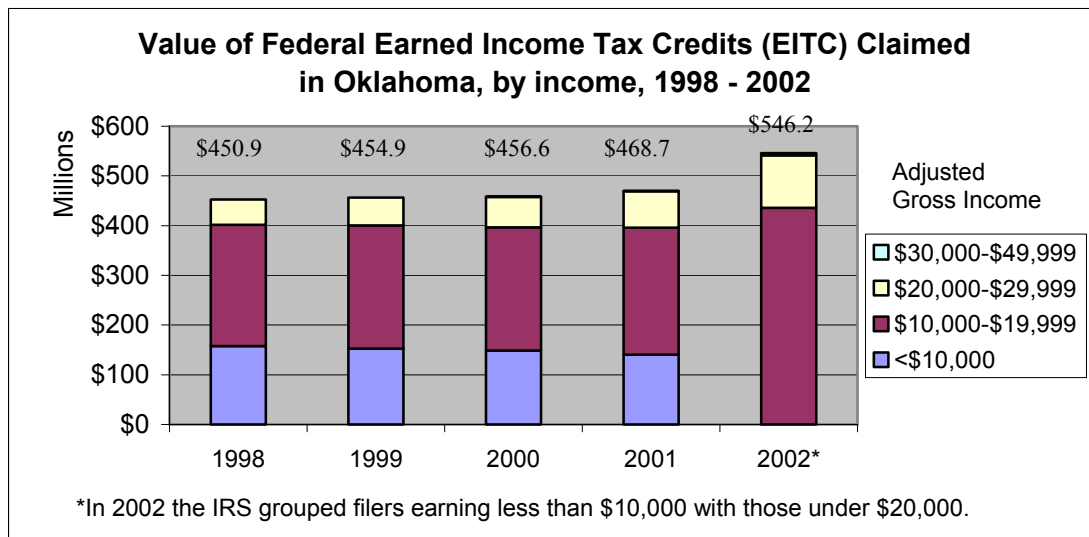
Program Enrollment: Figure 29 shows the number of Oklahomans who filed for the EITC between 1998 and 2002 by income group. Figure 30 reports the total dollar value of the credits claimed. Oklahoma's state EITC, which became available in 2002, drew 274,732 claims in that year for a total of \$25.1 million in credits.

Figure 29:



Source: IRS Individual Tax Statistics (1998 – 2001) and Stakeholder Partnerships, Education and Communication (SPEC) Return Information (June 2004).

Figure 30:



Source: IRS Individual Tax Statistics (1998 – 2001).

Discussion:

Figure 29 shows there has not been that much movement in the number of Oklahoma taxpayers claiming the federal EITC between 1998 and 2002. The largest changes occurred between 1998 and 1999 when the number of claims dropped by 3%, and between 2001 and 2002 when the number of claims increased by 5%. The number of Oklahoma taxpayers filing for the federal EITC has varied from a low of 273,434

(18.7% of all filers) to a high of 289,924 in 2002 (19.8% of all filers). This growth has been driven by a marginal increase in claims by taxpayers earning \$20,000 or more.

The total dollar value of EITC credits issued remained relatively constant between 1998 and 2001 before growing by 16% from 2001 to 2002 as shown in Figure 30. What becomes clear in the figure is that the EITC brings the most benefit to families earning between \$10,000 and \$19,999. More families earning less than \$10,000 file for the EITC, but their total benefit is less than the benefit enjoyed by the \$10,000 to \$19,999 category because of the way the credit increases as income rises. Indeed, while 49% of EITC filers earned less than \$10,000 in 2001, they absorbed only 30% of the total credit amount. In contrast, many filers in the \$10,000 to \$19,999 category qualify for the maximum EITC. This group, which represented 30% of total filers, absorbed 55% of the total credit amount in 2001. Due to a change in data reporting, it cannot be determined how each income group benefited in 2002. Because the credit shrinks as incomes grow above \$15,000, the \$20,000 to \$29,999 income category enjoys a relatively small proportion of the overall credit value, although the total benefit to this group did grow by 43% between 2001 and 2002. A handful of families in the \$30,000 to \$49,999 income group claimed the EITC in each year, but at levels so small as to not appear on the chart. Still, the total benefit enjoyed by this group measured \$1 million in 2001 and \$5 million in 2002.

Modifications to the EITC program have focused mainly on error reduction rather than on changes in eligibility or benefit. Indeed, the Bush Administration has been working on reducing payment error and fraud in the EITC program for several years. The complexity built into the EITC regulations, plus the incidence of non-custodial parents claiming the credit, has resulted in overpayments.⁴⁹ Some regulatory and monitoring issues that contributed to the overpayment problem were addressed in 2001: the IRS now has access to a national database of non-custodial parents and may reject claims by persons appearing therein; rules governing whose income is used when a child lives with two eligible adults (i.e. a mother and a grandmother) have been simplified; and the definition of earnings has been made consistent with the definition of earnings used elsewhere in the tax code. In 2004, the Treasury Department proposed five additional simplifications: to improve the definition of “qualifying child” throughout

the tax code; to allow a parent who has separated but not yet divorced to file for the EITC; to expand access to certain childless adults and immigrants; to eliminate the investment income test; and to prohibit anyone with a non-work social security number from claiming the credit. Only the first proposal made it into the Working Families Tax Relief Act of 2004.

► **Child Tax Credit**

As originally designed, the CTC offered a non-refundable income tax credit of \$500 per qualifying child under age 17 to families with incomes up to \$75,000. Non-refundable credits offset tax liability – they can only be claimed if the taxpayer earns enough income to owe taxes. Many low-income families were therefore unable to benefit from the CTC because they had no federal income tax liability.

Congress has altered the CTC in several of its last tax cut packages. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 increased the amount of the credit and expanded the eligibility pool. The Act raised the credit to \$600 per qualifying child for tax years 2001 through 2004 and established a schedule by which it would grow to \$1,000 per qualifying child by 2010. In addition, the legislation created a new *partial refundability* option so that some low-income families could take advantage of the CTC. The benefit was restricted, however, to families with incomes greater than an eligibility floor, set at \$10,000 for 2001 and indexed for inflation in subsequent years. Families earning less than the floor do not qualify for the credit. Families earning more than the floor but not enough to owe taxes may claim a refundable credit worth 10% of the amount by which their income exceeds the floor. (See box for examples.) For most of these families, the number of children is actually irrelevant; the credit depends only on the amount by which income exceeds the floor and the “refundability rate,” which the EGTRRA set at 10% for 2001 through 2004 and 15% thereafter.⁵⁰

The upper income eligibility limit has been ratcheted up so that today, the CTC begins to phase out for families earning over \$110,000 of income. Families with one child may claim partial credit up to \$129,000; families with two children up to \$149,000; and families with three children up to \$169,000. Legislative proposals to increase these thresholds are reviewed in the Discussion section below.

Partial Refundability: Two Examples

Imagine a family supported by one minimum-wage worker working full-time year-round. This family would have earned \$10,712 in 2001 and, since the minimum wage has not changed, the same amount in 2004. This wage was above the \$10,000 floor in 2001, so the family would have been able to claim a CTC worth \$71 [10% x (\$10,721 - \$10,000)]. For the 2004 tax year, inflation pushed the floor up to \$10,750, disqualifying this family from CTC eligibility.

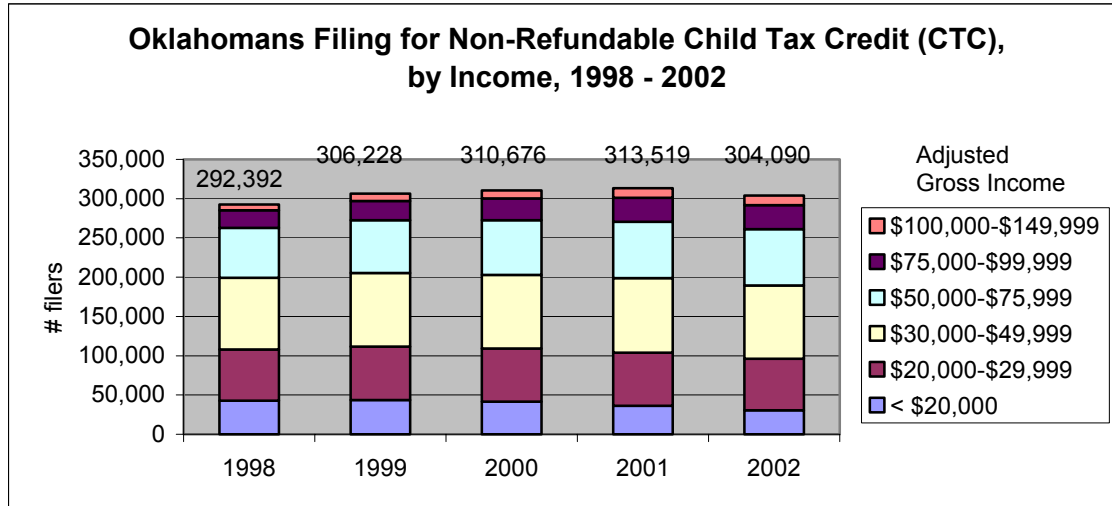
Now imagine a married couple with two children and adjusted gross income of \$15,000. This family does not have a federal income tax liability. If the CTC were fully refundable like the EITC, the family could have claimed \$600 per child in 2001 for a total cash refund of \$1,200. Under the provisions of the CTC, however, this family's *total* credit will be 10% x (\$15,000-\$10,000), or \$500.

The 2003 Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) further altered the CTC by accelerating the schedule of the credit increase. The law set the full credit at \$1,000 per child for 2003 and 2004 with the expectation that it would return to the 2001 schedule in 2005. Under the terms of JGTRRA, then, the CTC would drop to \$700 per child in 2005. The timetable for the refundability rate was left unchanged.

The most recent adjustment to the CTC was approved in the fall of 2004. As part of the Working Families Tax Relief Act of 2004, Congress agreed to leave the credit at \$1,000 per child until 2010. They also accelerated the refundability rate to 15% beginning with the 2004 tax year.

Program Enrollment: Data on the number of Oklahoma non-refundable CTC filers appear in Figure 31; the total dollar value of the non-refundable credits issued appears in Figure 32.

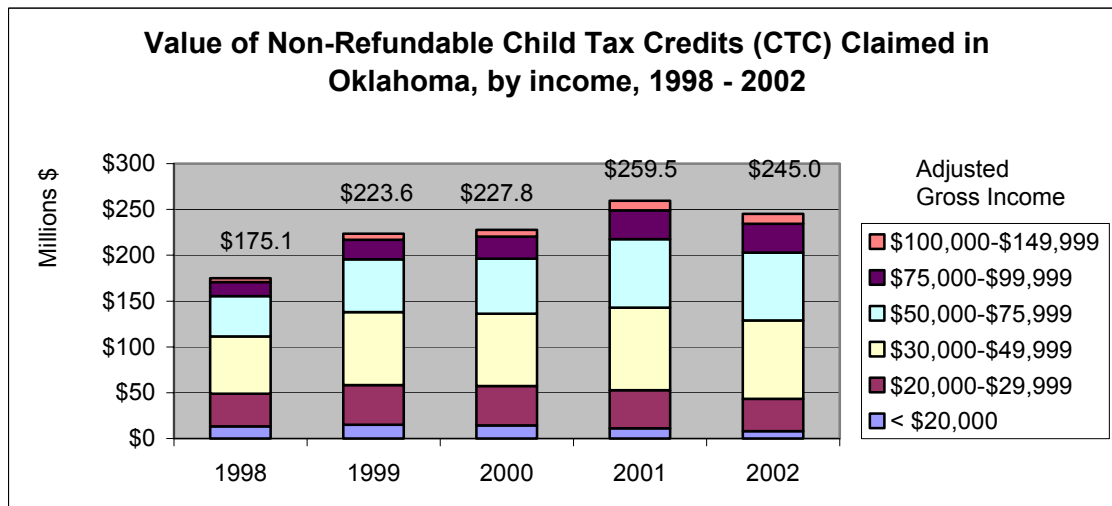
Figure 31:



Note: The IRS does not report the number of filers who claimed a refundable CTC.

Source: IRS Individual Tax Statistics

Figure 32:



Note: The IRS does not report the number of filers who claimed a refundable CTC.

Source: IRS Individual Tax Statistics

Discussion:

Understanding the true number of people filing for the CTC is complicated by the fact that the IRS does not report information on taxpayers who have claimed a partially refundable CTC since it became available in 2001, nor does the agency report the dollar

value of the refundable credits claimed. This is unfortunate, since that number is potentially sizeable.⁵¹

With that in mind, Figure 31 reflects the very gradual increase in the number of Oklahomans filing for the non-refundable CTC between 1998 and 2001 followed by a drop in 2002. The distribution of CTC filers across income groups is more diverse than EITC filers. The largest number of CTC filers earn between \$30,000 and \$49,999. Still, growth in the use of the CTC has been most rapid for families earning \$50,000 or more. Between 1998 and 2002, the number of CTC filers earning \$50,000 or more grew by 23%. In contrast, the number of CTC filers earning less than \$50,000 a year *shrank* by 5%. The contrast between beneficiaries of the EITC and beneficiaries of the CTC could not be clearer.

Figure 32 shows the total value of non-refundable child tax credits issued in Oklahoma grew substantially between 1998 and 2001 – by 48%. Part of this growth is explained by the fact that the credit was worth \$400 per qualifying child in the program's first year (1998), \$500 per qualifying child in 1999 and 2000, and \$600 per qualifying child in 2001. Taxpayers who earned enough in 2001 (\$30,000 to \$99,999) to take advantage of the full credit drove much of the growth in the total value of credits claimed. The highest-income recipients – those earning over \$100,000, did not benefit as much as the middle-income groups because the credit phases out above \$110,000. 2002 saw nearly a 6% drop in the total value of the CTC in Oklahoma because of a decline in the credits claimed by families earning less than \$50,000 combined with a leveling off in the higher income brackets.

Each chamber of Congress has approved bills that would make additional modifications to the CTC. In 2003, for example, the Senate passed a bill that would gradually increase the income eligibility ceiling for married families to receive the full credit from \$110,000 to \$150,000 by 2010. Partial credit would be allowed up to \$169,000 for families with one child, \$189,000 for families with two children, and \$209,000 for families with up to three children.

The House's version, passed in spring of 2004, went even further, expanding eligibility to certain families with incomes over \$300,000. The House proposed allowing married families to claim full credit up to \$250,000 and partial credit up to \$260,000 (for

families with one child), \$289,000 (for families with two children), or \$309,000 (families with three children) beginning in 2004. The Urban Institute-Brookings Institution Tax Policy Center estimates these higher limits would make eligible three million children in high-income households at a cost of \$69 billion through 2014.⁵² The Working Families Tax Relief Act of 2004 did not include either of these provisions expanding eligibility.

Links for additional information on Low-Income Tax Credits:

For general information on the Federal EITC program:

- **Center on Budget and Policy Priorities: Earned Income Tax Credit Analyses**
<http://www.cbpp.org/pubs/eitc.htm>

For information on State EITC programs:

- **State EITC Online Resource Center**
<http://www.stateeitc.org/>

Internal Revenue Service:

- **Earned Income Tax Credit**
<http://www.irs.gov/individuals/article/0,,id=96456,00.html>
- **Child Tax Credit**
<http://www.irs.gov/individuals/article/0,,id=121434,00.html>
- **Child and Dependent Care Credit**
<http://www.irs.gov/newsroom/article/0,,id=106189,00.html>
- **Education Credits**
<http://www.irs.gov/individuals/article/0,,id=121452,00.html>

ENDNOTES:

¹ See Pearce, Diana, with Jennifer Brooks. "The Self-Sufficiency Standard for Oklahoma," Wider Opportunities for Women with Community Action Project of Tulsa County, 2002, pg. 1, emphasis in original. For links to the full report and other information on the Self-Sufficiency standard, see <http://www.captc.org/pubpol-self-sufficiency.asp>

² The Self-Sufficiency Standard was last calculated in 2002. These figures would be slightly higher for 2004 as a result of inflation.

³ Food Stamp and tax credit benefits calculated using BESO (Benefits Eligibility System for Oklahomans), a Web-based tool created by Community Action Project that allows caseworkers, and eventually clients, to determine the set of social assistance programs for which an individual or family may be eligible with a single questionnaire.

⁴ A lack of statistical significance means that one cannot rule out the possibility that the results are due to chance. Statistical significance is always an issue when conclusions are drawn about a population – in the case the entire population in the state of Oklahoma – based on a sample of that population. It is also worth noting that another Census survey, called the American Community Survey (ACS), reports a *rise* in the overall poverty level between 2002 and 2003, from 15.0% to 16.1%. As with the CPS data used in Figure 2, the ACS results are not statistically significant.

⁵ Programs that target the first two purposes can serve only "low-income families," while programs serving the third and fourth purposes can serve all families regardless of income.

⁶ Federal law stipulates that cash assistance recipients must be engaged in work activities within 24 months of receiving benefits. Variations to the 30-hour rule include: 35 hours per week for two-parent families; 20 hours per week for single parents with children under age six; and zero hours per week for single mothers of children under the age of three months (for a lifetime period not to exceed 12 months).

⁷ Greenberg, Mark, Hedieh Rahmanour, and Nisha Patel. "Proposed TANF Extension Would Pressure States to Cut TANF Caseloads and Place States at Risk of Penalties," Center for Law and Social Policy: Washington, D.C. March 4, 2004. Available at <http://www.clasp.org/DMS/Documents/1078428230.84/HR3848.pdf>.

⁸ No more than 15% of the federal grant may be spent on administrative costs.

⁹ Consider a family earning \$704 per month that applies for TANF cash assistance. \$120 will be deducted from their income, leaving \$584; this will next be reduced by half, or \$292. The maximum payment allowed (what OKDHS calls the "payment standard") is \$292. Since the family's countable income meets the payment standard, its assistance payment is \$0. If this family were able to take a dependent care deduction, then there would be "room" for them to get cash assistance before hitting \$292.

¹⁰ The state first sets a "need standard," based on a market-based survey. The need standard varies by family size. The maximum payment is 45% of the need standard.

¹¹ Oklahoma caseloads had been dropping since 1992 even before TANF replaced AFDC. See Kickham, Kenneth, et al, "Leaving Welfare Behind: The Oklahoma TANF Leavers Report," prepared for Planning and Research Unit, Office of Finance, Department of Human Services, State of Oklahoma, Oct. 2000.

¹² Fremstad, Shawn. "Recent Welfare Reform Research Findings: Implications for TANF Reauthorization and State TANF Policies," Center on Budget and Policy Priorities: Washington, D.C. January 30, 2004. Available at <http://www.cbpp.org/1-30-04wel.htm>.

¹³ 2004 data from the DHS Statistical Bulletin for June 2004. 1997 figure is for FFY '97, provided by DHS.

¹⁴ Fremstad, (2004).

¹⁵ Kickham, et al, Oct. 2000.

¹⁶ Because this statistic had such a large standard deviation (\$447), analysts dropped two cases where the income was over \$200 per month. This resulted in a "revised" average of \$889 per month. Kickham, Kenneth, et al, "Health and Well-Being in Oklahoma: A Long Term Analysis of Welfare Reform," prepared for Planning and Research Unit, Office of Finance, Department of Human Services, State of Oklahoma, May 2000.

¹⁷ Zedlewski, Sheila. "Work and Barriers to Work among Welfare Recipients in 2002," the Urban Institute. Available at http://www.urban.org/UploadedPDF/310836_snapshots3_no3.pdf.

¹⁸ Loprest, Pamela. "Fewer Welfare Leavers Employed in Weak Economy," the Urban Institute. Available at http://www.urban.org/UploadedPDF/310837_snapshots3_no5.pdf.

¹⁹ According to the Food and Nutrition Service, the following deductions are allowed when determining eligibility: 20% deduction of earned income; a standard deduction of \$134; a dependent care deduction up to \$200 for each child under age 2 and up to \$175 for each other dependent; medical expenses for an elderly or disabled member of the household, if over \$35 and not paid by insurance or another party; homeless shelter costs of \$143; a deduction for legally owed child support payments paid to someone outside the food stamp household; and a deduction for "excess shelter costs," generally utilities and rent or mortgage that are more than ½ the household income once all other deductions are taken, up to \$378 (higher if there is an elderly or disabled person in the household). See http://www.fns.usda.gov/fsp/applicant_recipients/fs_Res_Ben_Elig.htm.

²⁰ "Household Food Security in the United States, 2002," United States Department of Agriculture, available at www.captc.org/pubpol/foodstamps/foodsecurity/2002.pdf.

²¹ For additional information on immigrant eligibility see <http://www.captc.org/pubpol/foodstamps/FSPbrochureEN.pdf>

²² "USDA's Food and Nutrition Service Reported on State-By-State Participant Access Rates (PARs)," Food Research and Action Center, November 18, 2003, available at <http://www.frac.org/html/news/PARates111803.htm>

²³ Sheila R. Zedlewski, "Recent Trends in Food Stamp Participation: Have New Policies Made a Difference?" The Urban Institute, Series B, No. B-58, May 2004.

²⁴ Food Stamp data from the USDA at <http://www.fns.usda.gov/pd/fsmoonthly.htm>. TANF data from US Department of Health and Human Services at <http://www.acf.hhs.gov/news/stats/newstat2.shtml>.

²⁵ *Federal Register*, Vol. 68, No. 130, July 8, 2003 p. 40625.

²⁶ Unfortunately, Oklahoma ranks dead last among all states and the District Columbia in Summer Nutrition program participation. In 2003, for every 100 children receiving free or reduced lunches during the school year, only 5 children participated in Summer Nutrition. In addition, Oklahoma was one of two of the 13 pilot project states that experienced a drop in Summer Nutrition participation between 2002 and 2003. "Hunger Doesn't Take a Vacation: Summer Nutrition Status Report," Food Research and Action Center, July 2004.

²⁷ For these and other program data visit <http://www.fns.usda.gov/pd/wichome.htm>.

²⁸ The basic 70-30 match is for medical services. The federal match rate is 50% for administrative expenses and 90% for family planning services. The federal government also pays 100% of cost for Indian Health Services. For part of federal fiscal year (FFY) '03 and FFY '04 the state's match rate diminished slightly as a result of increased federal aid received as part of the Jobs and Growth Tax Relief Reconciliation Act of 2003.

²⁹ Calculated using data from "Findings" by the Oklahoma Health Care Authority Study Task Force, May 2002.

³⁰ "The Role of Medicaid in State Economies: A Look at the Research," Kaiser Commission on Medicaid and the Uninsured, April 2004, available at <http://www.kff.org/medicaid/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=34517>.

³¹ See "Oklahoma Medicaid at a Crossroads," in *CAPerspectives*, Issue #5, January 2004, pg. 3. Accessible at <http://www.captc.org/pubpol/newsletters/nw-5.pdf>

³² The 2003 data are available from the 2004 March Supplement of the Current Population Survey at http://ferret.bls.census.gov/macro/032004/health/h06_000.htm. Data on the demographic characteristics of Oklahoma's uninsured are available only through 2001-2002. These data show that, for example, 64% of the state's uninsured population in 2001-2002 lived below 200% of FPL, and 71% of them worked full-time or someone in their family worked full-time. See The Henry J. Kaiser Family Foundation State Health Facts Online for these and other data on Oklahoma at <http://www.statehealthfacts.kff.org/cgi-bin/healthfacts.cgi?action=profile&area=Oklahoma&welcome=1&category=Health+Coverage+%26+Uninsured>. See also "The Uninsured in Oklahoma: Who are they and why don't they have insurance?" CAP Issue Paper, May 2004, available at http://www.captc.org/pubpol/Medicaid/Oklahoma_uninsured.pdf.

³³ For a list of studies and summary findings see Fremstad, 2004.

³⁴ Snead, Mark C. "The Economic Impact of Oklahoma's Child Care Industry," Oklahoma State University, January 2004.

³⁵ Sard, Barbara, "Revision of the Project-Based Voucher Statute," Center on Budget and Policy Priorities, January, 29, 2001.

³⁶ Other non-Section 8 programs aimed at providing housing for low- and moderate-income households include public housing projects and developer subsidies offered through various mortgage financing programs, Community Development Block Grants, HOME funds, and Low-Income Housing Tax Credits.

³⁷ The FMRs for the Oklahoma City MSA and the Tulsa MSA are at the 50th percentile rents. HUD allows this to promote residential choice, to permit families to move near areas for job growth, and to deconcentrate poverty. See the National Low-Income Housing Coalition web site at www.hlihc.org.

³⁸ A family with no income may be required to pay some minimum level of rent set by the PHA. Adjusted income refers to annual income minus deductions for children, students, elderly, or disabled members of the family; certain unreimbursed medical expenses for elderly or disabled family members; certain unreimbursed attendant care expenses for disabled family members; and certain childcare expenses. Details available from HUD at <http://www.hud.gov/offices/pih/programs/ph/rhiip/factsheet.cfm>.

³⁹ Sard, Barbara, and Will Fischer, "Administration Seeks Deep Cuts in Housing Vouchers and Conversion of Program to a Block Grant," Center on Budget and Policy Priorities, March 24, 2004.

⁴⁰ Oklahoma Economic Security Commission, <http://www.oesc.state.ok.us/ui/default.htm>.

⁴¹ Emsellem, Maruice, Jessica Goldberg, et al, "Failing the Unemployed: A state by state examination of unemployment insurance systems," Economic Policy Institute, Center on Budget and Policy Priorities, and the National Employment Law Project, March 2002.

⁴² Oklahoma State Statutes, Title 40 Section 3-113.

⁴³ Initial claims and exhaustions are discrete events whereas the same person is likely to be counted repeatedly as a continuing claim. To graph the latter against the former would be misleading.

⁴⁴ Data from the U.S. Department of Labor, at http://www.workforcsecurity.doleta.gov/unemploy/content/data_stats/datasum03/4thqtr/benefits.asp.

⁴⁵ Shapiro, Issac, "Number of Unemployed who have gone without Federal Benefits Hits Record 3 Million," Center on Budget and Policy Priorities, October 13, 2004.

⁴⁶ Number of exhaustions from the Oklahoma Employment Security Commission. For more on the effects of expiration of the TEUC, see Shapiro, Isaac, "Unmet Need Hits Record Level for the Unemployed," Center on Budget and Policy Priorities, February 2004.

⁴⁷ In 2002, under no conditional factor, the tax rates varied from 0.1% to 5.5% and the taxable wage base stood at \$10,500. The maximum weekly payment was \$304, compared to the \$275 allowed for this year. See Oklahoma Exmployment Security Commission at <http://www.oesc.state.ok.us/imp't-numbers.htm>.

⁴⁸ Llobrera, Joseph, and Bob Zahradnik, "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2004," Center on Budget and Policy Priorities, May 2004.

⁴⁹ An Internal Revenue Service study estimated the overpayment for the 1999 tax year at between \$8.5 billion and \$9.9 billion. Robert Greenstein of the Center on Budget and Policy Priorities argues that significant methodological flaws in the study resulted in overstatement of the size of the overpayment problem. Greenstein concludes the true dimension of the overpayment remains unknown. See "What is the Magnitude of EITC Overpayments?" at <http://www.cbpp.org/5-20-03eitc3.pdf>.

⁵⁰ Families with three or more children may be eligible for a higher refundable credit if the difference between their social security taxes paid and their EITC received is larger than the amount of CTC they would get under the partial eligibility formula.

⁵¹ Even prior to 2001 when the partial-refundability kicked in, some families with three or more children were eligible for a refundable Child Tax Credit. As a result of the EGTRRA of 2001, which introduced a new 10% tax bracket, families earning between \$10,000 and \$19,999 would have seen their tax liability fall, possibly to the point where they would be eligible only for the partially-refundable credit and therefore would not be included in the IRS data.

⁵² Greenstein, Robert, "House Bill Adds \$69 Billion in Deficit-Financed Tax Cuts by Extending Child Tax Credit to Families with Incomes up to About \$300,000," Center on Budget and Policy Priorities, May 18, 2004 at <http://www.cbpp.org/5-18-04tax.htm>.