

# ASSESSING THE NEW FEDERALISM

Eight Years Later



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the New  
Federalism

*An Urban Institute  
Program to Assess  
Changing Social Policies*

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*Assessing the New Federalism* is a multiyear Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states, focusing primarily on health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. Olivia Golden is the project director. In collaboration with Child Trends, the project studies changes in family well-being. The project aims to provide timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

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# INTRODUCTION

Where do the findings come from?

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Defining welfare and welfare reform

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## INTRODUCTION

Since 1996, the *Assessing the New Federalism* (ANF) project of the Urban Institute and its partner Child Trends has analyzed the experiences of low-income families and children during major shifts in the nation's social welfare policies. Concentrating on welfare, employment, and health insurance, ANF research has also examined child welfare, immigrant families, and such policies as child care that help families integrate work with child rearing.

*Assessing the New Federalism: Eight Years Later* synthesizes selected findings from more than 450 ANF publications plus dozens of journal articles, book chapters, and research presentations. These findings illustrate dramatic changes in the experience of low-income families, those who have been on welfare and those who haven't, from the mid-1990s to the present. This report also cites the ANF publications that provide more detail and includes an annotated source list of other institutions and work in the field that complement what ANF has done.

We chose this moment—early 2005—to compile our key insights for several reasons. First, after eight years, ANF's research spans a whole economic cycle, providing rich information about state and federal choices and family experiences in good times followed by tighter times. Second, many of the issues that prompted the creation of the ANF project—for example, the shifting balance of state and federal policy responsibility and funding for welfare, Medicaid, and child welfare—remain on the national agenda. Burgeoning federal deficits, state revenue shortfalls, and demographic changes have spurred renewed and more urgent debate on other ANF issues. For example, state legislatures and state and federal policymakers are considering policy responses to the increased number of low-income children whose parents are immigrants, debating the role of child care in parents' work lives and chil-

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dren's development, seeking to influence marriage and family structure in ways that will support children's development, and making budget trade-offs that affect the availability of public supports to low-income working parents.

### **Where do the findings come from?**

The cornerstone of the ANF project was the National Survey of America's Families (NSAF), conducted in 1997, 1999, and 2002 to gather information during each round on more than 100,000 people and more than 40,000 families across the country. With data from three points in time, researchers were able to watch national trends emerge. Because the NSAF included significant subsamples in 13 states that represent a broad range of fiscal capacity, indicators of child well-being, and approaches to government programs, we were able to compare outcomes for low-income families living in states with very different circumstances and policies.

ANF also conducted case studies of 17 sites in the 13 targeted states. The first set was conducted in 1996 and 1997 to provide a baseline for potential changes as federal programs devolved to the states after the 1996 welfare reform law. Although states had already begun experimenting with their own innovations before welfare reform was enacted nationwide, we were able to observe how states were struggling to meet the new federal demands. A second set of studies was completed in 1999 and 2000 to examine the initial changes.

Additional data sources for this report included state administrative and budget information and the Institute's Welfare Rules Database, which tracks changes in welfare rules in all 50 states and the District of Columbia.

### **Special features of ANF's research**

Because the NSAF was designed to oversample low-income families and to examine their experiences and characteristics broadly, ANF provides particularly detailed and comprehensive information about low-income parents and their children. The definition of low-income is families with incomes less than twice the federal poverty thresholds, a straightforward measure intended to encompass most of those facing significant family hardship. In 1997, when ANF began studying these low-income families, twice the poverty threshold for a household of three was an income of about \$26,000. In 2005, the corresponding low-income limit for a family of three is about \$32,000.

On several key dimensions, ANF research charted new territory by asking new questions, devising new estimating techniques for the NSAF, or zeroing in on states' budgets or policy choices. For instance, ANF offered the first national picture of those leaving welfare, providing answers to such questions as how many people recently off welfare are working and for how many hours. Expanding on this research, we continue to follow the nationwide experience of low-income parents and how they combine paid work with government supports and help from family and friends. NSAF data allowed researchers to gauge whether stricter child support enforcement is alleviating poverty among custodial parents. We delved into how the child care subsidy system is or isn't working for families and caregivers and how states are responding in their health policy choices to the severe budget constraints they faced in 2002 and 2003. More recently, we have examined how many working parents get paid

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leave on their jobs. Our analyses from four surveys, separate from NSAF, that measured the federal, state, and local funding streams for the wide array of child welfare services became the first to paint a comprehensive and comprehensible picture of this complex financing.

ANF research was designed to facilitate comparisons among states. For instance, our Welfare Rules Databook describes each state's Temporary Assistance for Needy Families (TANF) program as of July 2002, as well as tables describing selected policies from 1996 through 2002. Another example is the robust array of findings in the health insurance section of this synthesis report. These findings show that, though state policy choices have affected the insurance coverage of low-income children and parents, great differences in the rate of employer coverage nationwide mean that different states face very different-sized problems. In particular, many more jobs come with employer-sponsored health insurance coverage in some states than in others. This state variation makes it very difficult to achieve such national goals as coverage of all children or all parents.

Emphasizing devolution made it necessary to study what was happening in the field. For example, ANF study teams conducted site visits to learn how states' social service systems changed with the new policies. They interviewed staff responsible for TANF, workforce development, child care, and child welfare program administration and delivery. They also investigated why families don't participate in certain programs and which policy and program choices might increase participation.

Besides collecting previously unavailable data through the NSAF and other means, ANF aimed to present and analyze the data for many audiences. ANF publications range from short "Snapshots" (straightforward presentations of key facts intended for a broad audience) to lengthier, more complex analyses that explore the connections between policies and results—for example, studies of how state welfare policy influenced employment and family structure.

Finally, ANF was designed to be comprehensive and to connect policy areas that are too often discussed piecemeal. Currently, we are synthesizing and cross-referencing work on food stamps, child care subsidies, the Earned Income Tax Credit, Medicaid, and the State Children's Health Insurance Program (SCHIP) to probe more deeply into lessons learned. Similarly, we are juxtaposing findings on public supports for families—such as child care subsidies and health insurance under Medicaid and SCHIP—with findings on such private-sector supports as employer-paid health insurance and paid sick days or other leave from work.

### **Defining welfare and welfare reform**

ANF has studied a broad range of private- and public-sector benefits and services that affect low-income families and children. Our study includes many public programs that support low-income families, including Medicaid and SCHIP, which provide health insurance to low-income children and some parents; the Food Stamps Program, which helps low-income families afford food; and the Earned Income Tax Credit, which supplements earnings of low-income parents through the federal income tax system.

Within the broad group of programs affecting low-income families and children, we use "welfare" to mean cash assistance, provided to families before 1996 through Aid to Families with Dependent Children (AFDC) and from 1996 on through Temporary Assistance for Needy Families (TANF). We

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use “welfare reform” to mean the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). This sweeping change replaced open-ended funding of welfare with the TANF block grant, which provides each state meeting certain conditions a fixed sum and flexibility in policy choice. TANF emphasizes work and makes welfare temporary in most cases.

## Questions answered in this report

Drawing from ANF research, this report answers four clusters of important questions about rapidly changing policies during the past eight years:

### Section 1. Parents, Children, and Work: A Transformed Landscape

- After welfare reform, how did caseloads change and what were the experiences of families?
- How did states respond to welfare reform?
- Who are America’s low-income families?
- What major public programs support low-income families, and how?
- How do public child care subsidies work for low-income working families?
- How are children cared for while parents work?
- How are children doing in the wake of welfare reform?

### Section 2. Health Coverage in a Changed Landscape

- How did welfare reform influence health insurance coverage?
- How effective have state policies and outreach strategies been for uninsured children and their families under SCHIP and Medicaid?
- What role have state policies played in reducing overall uninsurance?
- What is the role of employer-paid coverage?
- How does health insurance coverage affect access and use of care?
- How do access and use of health care vary by race and ethnicity?
- How have tight state budgets affected states’ health care policy choices?
- What are the lessons learned about the new federal–state relationship in health care?

### Section 3. Immigration: Transforming the Demographics of Low-Income Families

- How has the U.S. low-income child population changed as a result of immigration?
- How do family structure, parental work, and wages affect poverty rates for children of immigrants?

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- How do limited English proficiency and low educational attainment affect poverty and well-being in immigrant families?
  - What are the trends in use of public benefits and health insurance coverage for children of immigrants?

#### **Section 4. Child Welfare: Continuity and Change**

- What have the implications of welfare reform been for the child welfare system?
- What are the trends in state child welfare financing?
- What have we discovered about kinship care?

*Assessing the New Federalism: Eight Years Later* is a work in progress. Although the Urban Institute will not conduct additional rounds of the National Survey of America's Families, ANF researchers in 2005 will update some findings, continue to make connections across research areas, and further extend analysis at the state level. Our goal is to fill remaining research gaps. For example, a forthcoming report will update the story of family income and earnings since the 2002 NSAF (which mainly includes data on 2001 earnings) through the harder economic times of 2002 and 2003. Another report will extend the analysis of families that get help with child care, updating data from an earlier ANF study and looking at the ways families that get help differ from those that don't. Later in 2005, ANF will report on the experiences of low-income families across different kinds of communities—rural, suburban, urban—and different kinds of neighborhoods within urban and suburban areas.





SECTION

# 1.

## PARENTS, CHILDREN, AND WORK *A Transformed Landscape*

After welfare reform, how did caseloads change  
and what were the experiences of families?

How did states respond to welfare reform?

Who are America's low-income families?

What major public programs support  
low-income families, and how?

How do public child care subsidies work  
for low-income working families?

How are children cared for while parents work?

How are children doing in the wake of welfare reform?

Selected bibliography

## SECTION

# 1.

## PARENTS, CHILDREN, AND WORK

### *A Transformed Landscape*

Federal and state policies toward work and low-income families changed substantially during the 1990s. The 1996 welfare reform law brought sweeping changes to cash assistance and altered such key work support programs as child care, the Earned Income Tax Credit (EITC), food stamps, and Medicaid. The combination of policy changes and a strong economy dramatically increased the proportion of welfare recipients, former welfare recipients, and other low-income individuals who worked.

The ANF data paint these changes from many angles—the experiences of parents and children as welfare reform played out in a strong and then a weaker economy, states' responses to greater policy flexibility and the new focus on work, and the scale and implications of the dramatic increase in work among low-income families. ANF research also tells a story about how federal and state policies to support work have changed and whether low-income families benefit from these supports. Vivid portraits appear, too, of the low-income families that work but still struggle.

#### **After welfare reform, how did caseloads change and what were the experiences of families?**

The number of welfare recipients in 2000 was half of what it had been in 1996, dropping from 4 million to 2 million. Caseloads declined because fewer families entered the program and more families left. While experts disagree about the relative contribution of each factor, they agree that a new welfare law, a strong economy, and policies designed to make work pay led to sharply declining rates

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of program participation among eligible families, from about 85 percent of those eligible in 1994 to about 50 percent of those eligible in 2000.

ANF provides a wealth of detailed information about families that remained on welfare and those who left. For families that stayed on welfare, our findings include the following:

*In general, more welfare recipients work while on welfare than in the past.* About 33 percent of welfare recipients reported some earnings during 1999, up from 22 percent in 1997. Work declined among the welfare caseload in 2002, reflecting the weaker economy and, perhaps, less employability among the remaining cases. Still, employment remained above pre-reform levels.

*Although work effort increased after reform, many welfare recipients have multiple barriers to work.* About two out of five welfare recipients have two or more barriers to work, including limited education, little or no work experience, severe mental and physical disabilities, the need to care for a child with disabilities, and language challenges. Yet, the work effort of this group increased after reform. Between 1997 and 1999, the share of welfare recipients who worked despite facing two or more barriers quadrupled, from 5 to 20 percent. In 2002, in a weaker economy, that number dropped to 14 percent.

*Work activity rose among those most likely to use welfare, no matter how stringent the state policy.* Between 1997 and 1999, work by single mothers with a high school education or less increased significantly relative to that of other groups less affected by welfare policy in the 13 states surveyed by ANF. In welfare reform's early stages, work increases did not correlate with the strictness of state welfare-to-work policies.

*In 2001, only 15 percent of welfare recipients participated in TANF-funded education and training activities.* This share is significantly lower than in 1996, probably because of restrictions on states in counting education as a work activity. Also, a significantly higher share of recipients worked at paid jobs in 1998 and 2000 than in 1996, and most states—as a work incentive—increased the amount of earnings that recipients can keep while still receiving benefits.

For families that left welfare, the ANF findings add important detail to a mixed economic picture:

*Employers are willing to hire welfare recipients.* Two separate surveys found that welfare recipients are not viewed as “damaged goods.” Whether potential employers hire welfare recipients depends on many factors, including the unemployment rate and the employer's location. We found substantial racial variation in hiring, with non-Hispanic white welfare recipients more likely to be hired than others. For example, in the northern cities studied, about two-thirds of the welfare recipients but only about half of all newly hired welfare recipients were black. (Nonetheless, employment of black single mothers rose sharply during the same period.)

*Most families that leave welfare have at least one working adult.* Results from the 1997 and 1999 NSAF show that about two-thirds of former welfare recipients that had not returned to welfare were working and another tenth had a working spouse. The vast majority of these workers worked full time. In the tougher 2002 labor market, however, work by welfare leavers declined. Among former recipients that had not returned to welfare, the proportion working declined from 63 percent in 1999 to 57 percent in 2002. Similarly, the proportion of leavers that returned to welfare increased from 20 percent in 1999 to 26 percent in 2002.

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A small minority of former welfare recipients is “disconnected” from the labor market and the welfare system, and the size of this group grew over time. ANF strictly defined this disconnected population as individuals who, in the year being examined, had no employment income, no working spouse, and no TANF or public disability benefits. The size of this group increased from 9.8 percent of those leaving welfare in 1999 to 13.8 percent in 2002. People in this group are substantially more likely to be in poor physical and mental health and to be less ready for employment than those who left welfare for jobs.

*Many former welfare recipients work in low-wage jobs.* Median hourly wages hovered around \$8.00 in 2002. This wage rate, though low, is well above the \$5.15 hourly federal minimum wage, and it is in keeping with the skills and experiences former recipients bring to their first jobs after leaving welfare. This wage rate is around the 20th percentile of wages for all female wage and salary employees. So, the typical former recipient was at the lower end but not the bottom of the wage rates for all women workers.

*About one-third of these workers have health insurance coverage through their jobs.* However, the low rates of employer-sponsored health insurance for workers and their children are partially offset by the availability of transitional Medicaid benefits and other public health insurance vehicles, such as the State Children’s Health Insurance Program (though SCHIP rarely covers the worker or parents).

ANF researchers documented the sometimes-temporary transition from welfare. A quarter of the recipients who left welfare in the two years before 2002 were back on assistance in 2002. Roughly half of those returning recipients had reported leaving welfare for work. This boomerang effect may reflect the instability of employment for these recipients and the difficulty those with significant barriers have keeping jobs. Many lack the supports they need to work. ANF research indicates that those with such supports as subsidized child care and health insurance were less likely to return to welfare. Also, compared with those who keep their jobs, those who return to welfare are much more likely to be in poor health, to have low levels of education, and to have young children. Now that many families face lifetime welfare limits, any return to welfare raises concern.

### **How did states respond to welfare reform?**

To better understand what might have driven these significant shifts in the experiences of low-income families, ANF documented and studied state policies. A key focal point was the transition from the old to the new welfare system: the choices states made, the degree of change realized, and the challenges faced. Specifically, we looked at how states responded to increased operating flexibility and the focus on work in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

This research drew heavily on the case studies of 17 sites in 13 states that were an integral part of ANF. Based on site visits, these studies say more about formal policy changes at the state and local levels than about how the policies were implemented over time. Since each site was visited twice, researchers could gauge the extent of change by comparing policy and administrative arrangements across the interval.

We found that states substantially changed their welfare programs by focusing on such goals as work rather than simply reducing benefits in a “race to the bottom” (as many feared when PRWORA was

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enacted). More specifically, ANF case studies showed that states moved quickly in 1996–97 to design welfare-to-work policies that emphasized getting recipients into jobs. They made four major and rapid changes:

- shifted to “work-first” welfare systems by emphasizing work—especially job search and job-readiness activities—and deemphasizing skills development and education;
- modified program rules to help make work pay by expanding the amount of money recipients could earn without losing benefits—some states added Earned Income Tax Credits to their tax systems;
- adopted tougher sanctions and new time limits to enforce the message that welfare is temporary and work is required; and
- communicated these changes to caseworkers, welfare recipients, and applicants.

States enjoyed broad discretion in use of their TANF funds, and, as welfare caseloads declined, gradually shifted TANF resources away from benefit payments and toward work supports. Between 1996 and 2000, the share of TANF dollars spent to provide cash benefits fell from 76 to 41 percent. In 2000, almost 20 percent of TANF dollars funded child care, and over 20 percent funded other activities designed to support work and family independence, such as transportation, tax credits, marriage incentives, and individual development accounts.

The second round of case studies in 2000 revealed how some states concluded that their “work-first” approach wasn’t effective with recipients who had difficulty finding or keeping a job. As a result, some states increased services that addressed the needs of the “hardest to serve”—those with learning disabilities, mental or physical disabilities, substance abuse problems, and limited English language proficiency. There was, however, no reversion to the pre-TANF policies favoring long-term training as a substitute for work. To a lesser extent, states also offered postemployment services aimed at keeping the job and getting promoted.

These ANF case studies confirmed that state welfare agencies could revamp their systems to shoulder these new responsibilities. Ample financial resources, more flexibility to spend them, and greater demands to deliver work and support services helped them change. Most local agencies modified their procedures, at least to let applicants for assistance know how the terms and conditions of welfare had changed. Some states and localities merged eligibility and employment tasks for their frontline staff. To discourage individuals from signing up for welfare, a few states and localities offered clients the opportunity to receive a lump-sum payment.

Among the most striking institutional changes was the involvement of organizations outside the welfare system to provide services. In particular, workforce development agencies and nonprofit community-based organizations expanded their roles. Without this expansion, most welfare agencies could not shift quickly from administering benefits to encouraging work. States also forged new connections with outside service providers.

These early case studies also showed that states found developing a new welfare system time consuming and labor intensive, requiring significant financial and human resources. Creating a new service delivery system meant developing new arrangements for paying providers, monitoring performance, and ensuring quality and accountability. Establishing effective support for low-income populations required

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a level of interagency coordination and communication that often proved difficult to achieve. Inadequate management information systems exacerbated coordination and communication difficulties.

ANF case studies have not explored the impact of a slowing economy and state budget crises on TANF employment programs. Also, at the time of the last case studies in 2000, few clients had reached the TANF time limits and few states had developed policies and procedures to cover this contingency. However, other sections of this report document how states responded to the recession as they made policy choices on health care for low-income families (p. 29) and choices about child welfare expenditures on behalf of abused and neglected children (p. 38). Forthcoming ANF work will also examine whether budget-constrained states changed their policies toward and investments in the hardest-to-serve families.

### **Who are America's low-income families?**

In 2001, about one-third of American families with children under age 18 and headed by nonelderly adults had low incomes, defined as less than twice that year's federal poverty level (about \$28,300 for a family of three). ANF researchers are currently compiling a detailed picture of these families using the 2002 round of the NSAF, with families reporting income for 2001.

Many of these families struggle paycheck to paycheck to make ends meet. Researchers compared the hardships these low-income families experience with the hardships experienced by families faring just a bit better, with incomes between two and three times the federal poverty level. (This second group includes families with incomes close to the United States' median—or middle—household income.) Compared with the slightly higher-income families, low-income families have more trouble keeping food on the table, paying for housing, and receiving needed health care. For example, according to the 2002 NSAF, 32 percent of low-income families cut or skipped meals for financial reasons or worried about not being able to afford their next meal—almost twice the 17 percent who had those problems in slightly higher-income families. Similarly, more low-income families can't pay the rent, mortgage, or utilities than their slightly higher-income counterparts, 31 percent versus 20 percent. And more than 33 percent of parents in low-income families (specifically, parents who reported themselves as primary caregivers) did without health insurance, almost twice the 17 percent in higher-income families. Almost one in ten low-income families reported that someone in the family had put off needed health care last year because they couldn't afford it.

Most of these low-income families include working adults. Based on the number of hours worked by adult family members during the year, researchers divided the families into high, moderate, and low work effort groups. They found that three of five low-income families had high work effort, defined as at least one full-time, full-year worker (more than 1,800 hours worked annually). Low hourly wages explain why these high-work families have low incomes: \$9.64 for jobs held by the primary earners in the low-income families versus \$15.01 in the higher-income families.

Just under half of the families with high work effort but low incomes are headed by married couples (46 percent), compared with just over half (55 percent) of the high-work, slightly higher-income families. About three-quarters (75.3 percent) of high-work, low-income families have two or more children, compared with under two-thirds (62.9 percent) of those families between two and three times the

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poverty level. In addition, the heads of high-work, low-income families have less education and are more likely to be nonwhite than the heads of high-work, slightly higher-income families.

While the large majority of low-income working parents are native born, an increasing number of these families include recent immigrants. Historically high immigration levels have profoundly changed the composition of the low-income child population: By 2003, 20 percent of all children and 28 percent of low-income children were children of immigrants (more information on immigration on page 33). Work for these immigrant families is not an antidote for poverty since 53 percent of immigrant working families with children are low-income versus 26 percent of native working families. (Working families here are defined as those in which adults worked at least half time, or 1,000 hours, on average during 2001.)

ANF research also delves into state-specific data, giving us portraits of low-income families in 13 states. For instance, in 1999, while 67 percent of low-income single parents were working nationally, this figure ranged from 58 percent in California to over 72 percent in Wisconsin. In the same year, 21 percent of children lived in poverty nationally, but state figures ranged from 12 percent in Minnesota to 34 percent in Mississippi. ANF research showed that participation in safety net programs also varies by state. For example, in 2002, low-income children in California, Mississippi, and Texas were significantly more likely to receive some government-funded nutrition assistance (over 60 percent did so) than children in other states (less than 50 percent in Colorado, Massachusetts, Washington, and Wisconsin). The reasons for these differences are varied, from policies to the economy to population composition. In some ANF analyses, such as those of state policies on work and health insurance, we used diverse analytic techniques to identify the contribution of state policies to differences in results.

ANF findings show how low-income populations vary by states. For example, in 2002, 33 percent of California's residents lived in families with low incomes. Two of five children were low-income. Over half of California's low-income residents were Hispanic, while a quarter were non-Hispanic white. Nearly 40 percent of California's low-income adults never completed high school and about 10 percent graduated from college. By contrast, 22 percent of Wisconsin's residents and 30 percent of its children lived in families with low incomes. In Wisconsin, over 70 percent of low-income individuals are non-Hispanic white and only 20 percent do not have a high school diploma or GED. As in California, about 10 percent are college graduates.

On the job, low-income families are less likely to have paid leave than other workers, forcing some to risk their paycheck to take a sick day or to care for sick family members. More than half of poor workers and working welfare recipients and about four in ten workers with family incomes between 100 and 200 percent of the poverty level receive no paid leave at all, not even a sick day. That said, most workers in all groups have access to at least unpaid maternity or paternity leave, probably reflecting enforcement of the Family and Medical Leave Act of 1993.

ANF researchers are now updating our picture of low-income working families to take into account the weakening economy, which pushed down family incomes and drove up both unemployment and poverty rates at the start of the current decade. Using data from the Current Population Survey through 2003, we're tracking earnings, income, and work hours for this group and determining how well such work supports as unemployment insurance alleviate poverty.

In other ways too, current ANF research continues to fill in the picture of low-income working families and their experiences. New research on low-income working families in rural, suburban, and urban

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counties—and in different kinds of urban neighborhoods—will reveal differences and commonalities in characteristics and experiences. Other sections of this report also document the experiences of low-income working families with child care (p. 15) and health insurance (p. 25), as well as the outcomes experienced by children in these families (p. 18).

### **What major public programs support low-income families, and how?**

During the 1990s, federal policymakers expanded numerous public programs to support low-income working families. Expansion of these programs, particularly the Earned Income Tax Credit, is one reason cited by researchers for the increase in work by low-income families during this period. Some programs changed before the 1996 welfare reform law was enacted. For instance, in 1993, Congress approved an EITC expansion that increased the maximum payment for workers with two or more children from \$1,511 in 1993 to \$3,656 in 1996. Other changes came in response to families' movement from welfare to work. For example, when the Food Stamp Program shrank in the early days of welfare reform because large numbers of families that left welfare also stopped receiving food stamps, federal policymakers provided states with new options to keep needy families on food stamps. Similarly, lawmakers expanded access to child care and created the SCHIP program to cover children of families with incomes too high to qualify for Medicaid, as explained elsewhere in this report. But these programs still vary tremendously in the proportion of low-income working families they reach, the total funding level relative to the number of eligible families, the mix of federal and state involvement, the level of knowledge among families, and the bureaucratic barriers to participation faced by working families.

ANF research has shown that former welfare recipients who took advantage of government supports after leaving welfare were less likely to return to welfare, even in the tougher 2002 labor market. For example, 28 percent of former recipients who did not receive government child care assistance returned to TANF, compared with 20 percent of those who did receive it. While these results do not prove that using these supports prevented returns to the welfare rolls, the numbers represent a first step in understanding the link between work supports and work sustainability. Receiving government benefits after leaving welfare can tide families over crises that might otherwise force them to return to TANF. Further, if all families with children participated in the safety net programs for which they qualified, poverty would have been 20 percent lower and extreme poverty (at or below half the federal poverty level) 70 percent lower in 1998. These findings point to a strong rationale for tailoring these support programs more closely to working families' needs, both to reduce poverty and to keep families from turning to welfare for basic cash assistance.

The Food Stamp Program offers an interesting case study of factors that can influence participation by working families. When food stamp caseloads dropped dramatically after the 1996 welfare law, many of those leaving welfare did not know they were still eligible for food stamps, and many states required these people to reapply for food benefits after their welfare cases closed. In the early phase of welfare reform, between 1997 and 1999, only four of ten families received food stamps after leaving welfare even though their incomes were low enough to qualify them. In response, most states changed their administrative procedures, keeping food stamp cases open after families left welfare and simplifying the paperwork required to maintain eligibility. Also, many states made it easier to find out about the program and apply. As a result, food stamp participation rose among families leaving welfare in 2002 compared with those that had left in 1999 or earlier. However, for low-income families that

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had never received welfare before—the sizable group of low-income working families described above—participation rates in food stamps had not increased by 2002.

ANF researchers have also studied factors that influence use of the EITC. For example, English-speaking working families that recently left welfare were more likely to file for the EITC than those with no recent welfare experience. Also, welfare recipients who pay someone to prepare their tax returns are more likely to use the EITC. Low-income Hispanic families report less knowledge of the EITC than other low-income families. However, low-income Hispanic families are more likely than non-Hispanic families to receive help with their tax return—and those who find out about the EITC this way are more likely to claim it. These findings suggest that more education is required to maximize the work incentives associated with the EITC.

Throughout the 1980s, Congress pushed for stricter child support enforcement to help reduce welfare dependency, and the 1996 welfare law refueled this effort. Through NSAF data, we found that significantly more low- and middle-income children whose mothers had never married received child support in the late 1990s than in the late 1970s. The 25-year expansion of the child support program—tax intercepts, new hire directories, wage withholding, in-hospital paternity declaration, and the like—drove the child support receipt rate up among never-married mothers from 4 percent in 1976 to 18 percent in 1997—a more than fourfold increase.

However, for low-income families, total receipt rates remain low. In 1997, 31 percent of single-mother families received child support, only slightly more than did 20 years earlier. The average child support for these families provides 26 percent of annual income, or about \$2,000. Many noncustodial parents have trouble obtaining and keeping jobs, and have limited ability to pay child support.

In general, many low-wage workers could use a boost to keep and advance in a job. ANF research on former welfare recipients shows that up to three-quarters of hired welfare recipients perform at least as well as their coworkers, and their job-turnover rate is relatively low. Some evidence suggests that steady work by former recipients leads to higher wages. Yet, these workers start at relatively low wages and have limited prospects for advancement, which suggests the need for support in moving up the job ladder. A much smaller group leaves jobs frequently, misses work often, has poor attitudes toward work, and faces problems with coworkers. This group needs targeted on-the-job help or other counseling.

Finally, as the number of employed parents with young children has risen, so has the need for workplace support and job flexibility. The difficulties of balancing work with family responsibilities may be more pronounced for low-income families. As mentioned earlier, the 2002 NSAF found that more than half of poor workers and working welfare recipients cannot take paid leave from their jobs, compared with fewer than two in five working parents with incomes over 200 percent of the poverty level. In some instances, state policy supplements the major federal policies described above to fill gaps in support for working parents. Examples include state-specific enhancements to child care and tax credit policies, state expansion of job-protected family leave, and in one case (California) paid parental leave—all of which vary enormously by state.

Taken together, these studies suggest many directions for further study of work support programs. For example, how can states maintain a focus on work, not lose sight of families' need for support,

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create delivery systems consistent with parents' work obligations, and respond effectively both to families that work long hours and to those who face the most barriers to work? A forthcoming ANF paper looks at the public programs that support work to understand the lessons learned from trying to facilitate participation among working families. In addition, the Urban Institute continues to monitor states' welfare policies, examining how many families receive benefits in the major programs and how federal and state tax changes affect families' disposable incomes.

### **How do public child care subsidies work for low-income working families?**

For several reasons, child care policy is central to federal and state policies to support working families. First, stable child care enables parents to work and to stay employed. At the same time, children's environments affect their development. Since young children spend a large part of their time in child care, the quality of that care becomes important. Finally, child care costs can consume a large share of a family's budget, particularly for low-income working families.

ANF's research on federal and state child care subsidy policies has zeroed in on two critical dimensions of this broad issue: how policies work at the state, community, provider, and family levels, including practices that may or may not help achieve policy goals; and the child care expenses of low-income and other working families and the degree to which families get help with these expenses from government and other sources.

The context for ANF's initial work was the major change in child care subsidy policy and funding in the late 1990s, beginning when the 1996 welfare reform law ramped up federal and state involvement by combining four programs into the single Child Care and Development Block Grant (CCDBG). This block grant, coupled with the new flexibility accorded states under TANF, gave states greater freedom in designing their own systems, including the use of TANF funds for child care. At the same time, Congress increased funds for the CCDBG. As a result of these changes, federal funds for child care subsidies to help parents work rose significantly during the late 1990s, from \$2.1 billion in 1997 (through CCDBG and TANF) to \$7.4 billion in 2000. (Federal support for public schools and for Head Start, a comprehensive program for poor 3- to 4-year-olds, is not included in this total, since neither primarily targets the child care needs of working families.)

Assessing how many families need help with child care but don't receive it, even with \$7.4 billion in funding, is complex. For example, each state sets its own eligibility level, and states may close their program rolls, keep waiting lists, or limit subsidies to a fraction of eligible families. Consequently, considerable controversy surrounds the question of which families should be considered eligible for study purposes. Most broadly, while families on TANF generally get priority access to subsidies they know about and apply for, in most states low-income working families that aren't on TANF are less likely to obtain subsidies.

Researchers using the federal income limit for child care subsidies—the highest level states can use when setting eligibility for federal child care funds—have found that significant numbers of low-income working families with incomes below this limit do not receive subsidies. For example, an Abt Associates study in the late 1990s (included under *Other Resources* on p. 47) found that none of the 16 states examined was serving more than 25 percent of the families that qualified for subsidies under federal income limits (85 percent of state median income, which varies across states) and that some

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states were serving less than 10 percent. While ANF has not estimated participation rates among eligible families, it has asked a related question: How often do low-income working families get help from government or other organizations (for example, a scholarship from a child care provider) in paying for care? In 1999, we found, only about 21 percent of low-income working families received help paying for child care from any government or organizational source.

While some eligible families may not want or need child care subsidies, these very low participation rates suggest that others who would use subsidies can't access them. Why? These and other studies suggest the main reason is that funding levels have not been high enough to serve all eligible families. As a result, even during the high point in federal and state funding in 2000, states had to deploy various formal and informal methods to ration child care subsidies—as noted, keeping income eligibility levels below federal guidelines, creating priority groups within eligible populations, freezing intake or establishing waiting lists, and limiting outreach.

ANF findings get at the critical question of how subsidy policies and practices function at the family level for those who made it past the various rationing filters—that is, families that were eligible under state laws, belonged to a priority service group, knew about subsidies, and applied. We collected information on local subsidy policies and practices by interviewing state and local child care administrators. We also conducted focus groups with parents, caseworkers, and child care providers in 17 sites.

At the operational level, ANF researchers found enormous variation in state and local policies and practices that could affect subsidy access and retention. While policies and practices in some places or agencies made getting and keeping subsidies easier for working families, policies and practices in others made it harder. For example, in some states parents had to take time off from work to appear in person to apply for benefits or report changes in their work status, work schedule, income, or provider. These barriers for working families may help explain the low usage rates and short spells of subsidy use found by other researchers.

ANF research also looked at how TANF families seek and keep subsidies and how that experience differs from that of families not receiving TANF. Burdens on TANF parents receiving subsidies, we found, varied greatly by site. In addition, in some sites, parents on TANF were allowed relatively little time to find a child care provider before having to participate in a work-related activity—only two to ten days in some places, raising concern about the quality and stability of care found on the fly.

Besides examining the experiences of families, ANF researchers also examined child care providers' experiences with the subsidy system. This work charted new territory: Very little was known about the child care providers at the center of this subsidy system. ANF researchers found considerable variation in subsidy policies and practices that affect providers, and concluded that these practices may affect both providers' willingness to serve subsidized children and the quality of care subsidized providers can offer. Forthcoming Urban Institute research builds on this foundation to examine these issues in greater depth and to explore how child care subsidy policies and practices are, or are not, compatible with a greater support for the development of the children served. While child development is not the primary focus of the child care subsidy system, subsidies pay for the care of more than 2 million low-income children—often the same children whose lack of school readiness and achievement trouble policymakers—so this goal may be worth considering.

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ANF has also gathered data through its three surveys about what families pay for child care and how many families get help—from the government, from an organization such as a community nonprofit, or from a relative—in paying for care. In 1999, two in five low-income working families with children younger than 13 paid for child care, spending an average of \$232 each month, or 14 percent of their household earnings on out-of-pocket costs (that is, costs left after a public subsidy). Families under the poverty level that paid for child care spent an average of 18 percent of their earnings on it. About 21 percent of low-income families received some subsidy from the government or another organization. (About half of the families helped this way still had some child care expenses.) Another 16 percent received help from a relative who cared for the child for free.

Forthcoming ANF research will update to 2002 our information on families that pay for child care and whether they get help. In addition, this forthcoming work will take advantage of improved data quality in the 2002 survey to understand how families that get help differ from families that don't. For example, we hope to examine whether families helped with child care expenses have fewer problems paying for food or rent and whether they are able to work more steadily.

### **How are children cared for while parents work?**

ANF research into patterns of child care use shows a large number of children, including the very young, in nonparental care for many hours each week. As more parents, especially mothers, work, more children need such care. According to the Bureau of Labor Statistics, the proportion of employed single women with children under age 6 rose from 46 to 69 percent between 1992 and 2000. Even for many parents who do not work outside the home, child care provides educational and social opportunities for their children.

In 2002, the NSAF found that nearly three-quarters of children under age 5 with working mothers were in child care each week. Of those, 29 percent were in center-based care, 26 percent were cared for by a relative, 13 percent were in family child care homes, and 5 percent had a nanny or babysitter. Just under half of these children were in care for at least 35 hours a week.

For the youngest children, babies and toddlers under age 3, large percentages of those with employed mothers were also in some form of nonparental care in 2002. Sixty-two percent of low-income children under 3 and 68 percent of higher-income children under 3 were in nonparental child care regularly each week. Also, 38 percent of children younger than 3 with employed mothers were in care for 35 hours or more.

How likely children are to be in one or another arrangement depends on their age. Relatives cared for nearly 32 percent of children younger than 3 from lower-income families and 25 percent of those from higher-income homes. Three- and four-year-olds were the most likely to be in center-based care, particularly those from higher-income families (just over 45 percent). In general, higher-income children were more likely than low-income children to be in center-based care, which includes child care centers, Head Start, nursery school, preschool, prekindergarten, and before- or after-school programs (31 percent compared with 25 percent). With some evidence from other research that high-quality center-based care for preschoolers helps prepare children for school, this finding reveals a potential missed opportunity for young, low-income children.

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The survey also showed enormous variation in child care patterns across states. For example, Alabama, Florida, Minnesota, Texas, and Mississippi had the largest proportions of children under 5 in center-based care, while California, Massachusetts, and Washington had the largest proportion of preschool children cared for by parents.

Child care patterns vary by race and ethnicity. Black children with working parents are far more likely than non-Hispanic white or Hispanic children to be mainly in center-based care. Black children also spend significantly more time in care than their non-Hispanic white or Hispanic counterparts—64 percent spend at least 35 hours a week. Hispanic children with working parents are much more likely to be cared for by relatives. A more detailed analysis of patterns by race and ethnicity, including a look at how they are affected by family structure, parents' work schedule, region of the country, and presence of another live-in relative in the home, will be published in spring 2005.

ANF also found that many elementary school-age children take care of themselves without adult supervision. In 1999, about 3.3 million children age 6 to 12 regularly spent time in "self-care," alone or with another sibling under age 13. This represents 15 percent of all 6- to 12-year-olds. Among those children left alone, 16 percent spent more than 10 hours a week unsupervised. Apart from potential dangers to young children when regularly left alone, self-care may represent a missed opportunity for low-income children to participate in more enriching activities.

Arranging child care intensifies during the summer months for families with school-age children. Many families rely largely on summer programs and relatives to care for children. Among younger children and low-income children, the percentage of those caring for themselves changes little from the school year to the summer, but the time spent in self-care becomes much longer—10.3 hours a week during the summer compared with 4.8 hours a week during the school year.

Children of immigrants are less likely to be in child care outside the home, particularly center-based care. This gap is explained partly by the lower propensity of immigrant women to work and may reflect immigrant parents' child care choices. However, some of the gap is also the likely result of such access barriers as cost of care, availability of subsidies, location of child care facilities, and availability of culturally and linguistically appropriate care.

### **How are children doing in the wake of welfare reform?**

The NSAF information on how children fared in the years after welfare reform is consistent with a considerable body of evidence suggesting that children's outcomes were largely unchanged. Contrary to the fears of many, welfare reform, devolution, and an increase in parental work do not seem to have reduced children's well-being overall. More abused and neglected children have not entered the child welfare system, despite some predictions. At the same time, contrary to the hopes of others, aggregate improvements in parental earnings and reductions in child poverty have not—or not yet—consistently improved other outcomes for children.

The NSAF used several measures to assess developmental risk, including health status, behavior or emotional problems, suspension or expulsion from school, and lack of participation in extracurricular activities. Most of these indicators of children's well-being did not change, or changed only slightly, from 1997 through 2002. Behavioral and emotional problems became less pervasive among low-

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income 12- to 17-year-olds. Yet, across income groups, the NSAF found (based on parental reports) that school-age children became strikingly less engaged in their schoolwork and elementary school children's participation in extracurricular activities declined.

Children in poor or near-poor families—whether receiving welfare or not—consistently fare worse than children in more affluent families on measures of child well-being, family environment, and socio-demographic risk. These differences have persisted across all three waves of the NSAF, in 1997, 1999, and 2002. For example, in 2002, the percentage of low-income children with fair or poor health was over twice that for higher-income children (8 percent versus 3 percent). The proportion of children whose parent reports symptoms of poor mental health was also about twice as high for low-income as for higher-income children (26 percent versus 11 percent in 2002). And the proportion of low-income children living with high levels of family stress (that is, with four or more stressors, such as child in poor health, parent in poor health, or parent reporting poor mental health, unemployment, or overcrowded housing) was almost four times as large as for higher-income children: 31 percent of children in low-income families, compared with 8 percent of children in middle- and upper-income families. Among families of similar income levels, the well-being of children in families receiving welfare is generally similar to the well-being of children in families not on welfare. So, welfare reform and the increase in parental work for low-income families have left children no more or less disadvantaged than before.

ANF researchers also compared the well-being of children in families receiving welfare in 1999 with that of children in families that had left welfare in the prior two years. Overall, the two groups of children fared about the same. However, among adolescent boys but not among girls or younger children, those in families that had left welfare fared worse than those currently on welfare. This finding and other research suggest that future research should pay specific attention to adolescents and, based on other work, to infants. Possibly, features of low-wage work (such as nonstandard schedules and long work and commuting hours) or other characteristics of families' lives (such as housing instability, lack of health insurance, or inadequate access to stable and high-quality child care) affect children differently at particular developmental stages.

In the wake of welfare reform, ANF research shows modest but statistically significant changes in family structure, especially among lower-income and less-educated parents. The share of children living in single-mother families decreased (from almost 22 percent of all children in 1997 to 19 percent in 2002) and the share living in cohabiting families rose (from about 5 percent to 6 percent). The proportion of children in married-couple families remained stable over this period, at about two-thirds of all children. Some analyses support the hypothesis that state policy choices and practices are associated with decreases in single parenting.

The debate continues on whether promoting or enhancing marriage among adults may improve child well-being. The 2002 NSAF data reaffirm the conclusion that, on average, children living with their two married biological or adopted parents do best. Children living with married parents—whether biological or step—experience the least material hardship. Yet, living with both biological parents—whether married or not—is associated with a lower incidence of behavior problems among school-age children and teens compared with children in other circumstances. This finding illustrates a key strength of the NSAF for studying child well-being: It was designed to describe and track subtle but important differences in family structure.

Other features of the NSAF also help in studying child well-being. Its comprehensive data on family income and use of government services allow researchers to compare the well-being of (for example)

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children in low-income and higher-income families, or children who do and do not have health insurance. Another plus is the availability of detailed data from 13 states. Yet, the survey is constrained by a short time frame (1997–2002) and the limited number and types of questions that could be asked of parents in a telephone survey. For example, it was not possible to measure rare events, such as homicide, or behaviors that could not be accurately reported by parents, such as substance abuse.

To put the NSAF findings in a larger context, we examined child well-being indicators from many sources collected in the Child Trends DataBank. While most of these indicators do not allow us to look separately at low-income children, they do allow a longer time frame than the NSAF. When child well-being indicators are examined for children at all income levels and for a longer time, a much more positive pattern emerges. Over the past 10 to 15 years, for example, data from the government's vital statistics system show dramatic declines in child mortality, including suicide, and in adolescent sexual activity, pregnancy, and childbearing. More modest increases are found for early literacy skills, math scores, staying in high school, religious attendance, health insurance coverage, and the proportion of mothers receiving prenatal care. Several trends, however, are negative, such as greater incidence of obesity and asthma among children.

Forthcoming ANF research will examine trends over time in child well-being for the 13 ANF states, as well as nationally. For example, we hope to look behind the decline in school engagement among children in families of all income levels from 1997 to 2002 and see if it was pervasive across the country.

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SECTION

# 2.

## HEALTH COVERAGE IN A CHANGED LANDSCAPE

How did welfare reform influence health insurance coverage?

How effective have state policies and outreach strategies been for uninsured children and their families under SCHIP and Medicaid?

What role have state policies played in reducing overall uninsurance?

What is the role of employer-paid coverage?

How does health insurance coverage affect access and use of care?

How do access and use of health care vary by race and ethnicity?

How have tight state budgets affected states' policy choices related to health care?

What are the lessons learned about the new federal–state relationship in health care?

Selected bibliography

## SECTION

# 2.

## HEALTH COVERAGE IN A CHANGED LANDSCAPE

ANF's research in health care has focused on two major federal–state programs—Medicaid and the State Children's Health Insurance Program—and on the experience of low-income families in gaining access to health insurance and health care. As with employment and child care, we studied the experiences of parents *and* children, as well as interactions. Not surprisingly, if parents have access to health insurance, the children are more likely to be insured and the entire family will go to the doctor more often. And for health care as for employment and income, we have examined both public programs and private supports, especially employer-provided health insurance.

Medicaid has long been a cornerstone of the financing system that provides health and long-term care to low-income Americans. In 1997, Congress established the State Children's Health Insurance Program (SCHIP), which gives states the authority and funding to expand health insurance coverage to low-income children by broadening Medicaid eligibility, developing new programs, or both. In both programs, we looked closely at state policy choices within the federal framework and analyzed whether policies achieved their goals for families. Further, in the health care arena, we extended our monitoring of state budget and policy choices through the recession and the tight state budget years of 2003 and 2004, allowing us to compare the earlier years of expansion with the later years of financial constraint. Now we are extending our monitoring into 2005.

### **How did welfare reform influence health insurance coverage?**

Just as food stamp participation declined as a result of the dramatic decline in welfare caseloads immediately following welfare reform, coverage among children eligible for Medicaid under the welfare-

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related category dropped. Even though most recipient families remained eligible for Medicaid after leaving welfare, many were confused over continued eligibility, faced barriers created by complex state policies, were inadvertently dropped from the rolls, or for some other reason discontinued coverage.

Our analysis of data from the 1997 NSAF showed that a year after leaving welfare, 41 percent of mothers and children were uninsured, 36 percent were on Medicaid, and only 23 percent had private insurance coverage. Children were more likely than their mothers to have public coverage and less likely to be uninsured—with 50 percent on Medicaid and 25 percent uninsured one year after leaving welfare. Looking at mothers only, the uninsured rate increased the longer they spent off welfare. Six months after leaving welfare, 56 percent of the mothers had Medicaid and 34 percent were uninsured. But after 12 months, only 22 percent still had Medicaid, 28 percent had private coverage, and 49 percent were uninsured.

In response, the federal Centers for Medicare and Medicaid Services identified several underlying problems contributing to the loss of Medicaid coverage and urged states to address them. In turn, many states worked to increase former recipients' knowledge about their Medicaid eligibility and to simplify program enrollment. New results from the National Survey of America's Families comparing families that left TANF between 2000 and 2002 and families that left between 1997 and 1999 show that Medicaid use has increased—for children, up from 57 percent to 64 percent. Medicaid and SCHIP receipt among adults who left welfare rose from 40 percent to 48 percent.

### **How effective have state policies and outreach strategies been for uninsured children and their families under SCHIP and Medicaid?**

All states expanded coverage for children following SCHIP's enactment, and all but 13 states now set eligibility thresholds for children at or above 200 percent of the federal poverty level. Higher federal matching funds, flexible program design, state budget surpluses in the late 1990s, and political support for health coverage for low-income children contributed to states' expanded benefits. With these eligibility expansions, 84 percent of low-income uninsured children and 77 percent of all uninsured children are eligible for either Medicaid or SCHIP.

SCHIP reduced unmet health needs and out-of-pocket spending and increased visits to the dentist and the eye doctor for children who became eligible through the expanded coverage. Our analysis of low-income children's use of services suggests that publicly and privately insured children have fairly comparable access to care, but that Medicaid-covered children are more likely to receive dental and well-child care, other things equal.

Medicaid and SCHIP programs vary substantially by state. For children, spending per Medicaid enrollee is twice as high in Massachusetts and New York as in California and 50 percent higher than in Alabama, Mississippi, and Texas. For several measures of access and usage, children in Massachusetts and New York fare better than the national average; children in Alabama, California, Mississippi, and Texas fare worse.

Participation among children eligible for Medicaid and SCHIP also varies across states and across subgroups of children. Participation is lower among children with fewer health care needs or with parents who hold negative views about welfare. We found that participation in Medicaid and SCHIP

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varies substantially across the 13 states closely studied by ANF, with Medicaid participation rates varying from 59 percent to 93 percent of all eligible children in 1999.

Overall, children's participation in both Medicaid and SCHIP increased between 1999 and 2002 as states streamlined the application process and invested heavily in publicizing SCHIP. Between 1999 and 2002, participation by eligible children in SCHIP increased from 43 percent to 66 percent, and the share of low-income uninsured children whose parents had heard of their state's SCHIP program increased from 47 percent to 71 percent. Typically, states used a two-pronged approach—using the mass media to build recognition and community-based efforts to directly help families enroll their children. States also vastly simplified their enrollment rules and procedures for SCHIP, typically shortening application forms, reducing documentation requirements, introducing 12-month continuous eligibility, reducing verification requirements, and allowing families to submit applications by mail. Many states also simplified enrollment in Medicaid and jointly promoted both programs.

Despite this progress, however, many families remain confused about the relationship between welfare and Medicaid/SCHIP, a finding consistent with other recent data showing that many low-income parents do not know their uninsured children could qualify for public coverage. Among families familiar with these public health insurance programs, 83 percent of low-income uninsured children had parents who said they would enroll their child if told the child was eligible.

Over the years studied by ANF, states took advantage of the flexibility given them to design their SCHIP programs, tailoring eligibility thresholds, program types, outreach efforts, cost sharing, and enrollment processes to their own unique needs. Under budget pressures in more recent years, some states have cut back or eliminated outreach, reduced eligibility or imposed waiting lists, raised cost sharing requirements, and frozen or reduced provider reimbursement. Other states whose SCHIP programs seemed more immune to budget pressures continued to simplify their enrollment processes and enhance benefits.

Turning to eligibility and participation rates among adults, we found that Medicaid coverage among adults also varies significantly across states. The proportion of adults with incomes below 100 percent of the federal poverty level eligible for Medicaid varied from 84 percent in Washington to 15 percent in Colorado. In the 13 states studied by ANF, participation rates among those eligible varied from 81 percent in Massachusetts to 36 percent in Mississippi. Analysis of ANF state surveys also showed that states paid health plans at very different rates for similar beneficiaries and services.

### **What role have state policies played in reducing overall uninsurance?**

As explained above, health insurance coverage improved for children following the coverage expansions under SCHIP and efforts by states to streamline enrollment processes and publicize the availability of public coverage. The share of children with insurance coverage grew by 2.6 percentage points between 1999 and 2002. Coverage gains were driven by public coverage increases and were concentrated among children in low-income families targeted by Medicaid and SCHIP.

In contrast, states have not taken the lead in innovations to reduce uninsurance for adults. ANF's researchers examined overall rates of uninsurance among all adults, in addition to looking at low-income children and parents. While Medicaid provides many mechanisms for states to expand cover-

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age, only 11 states covered all adults to at least 100 percent of the federal poverty level and another 10 states covered primarily parents at that poverty level. The remaining states hovered at the minimum required coverage.

In some states, though, expansions of public programs have reduced uninsurance rates for adults. Using data from 1997 to 1999, we showed that Massachusetts's coverage expansion significantly reduced the rates of uninsured low-income adults. Adding 2002 data, we also found that significant expansions in California, New Jersey, and Wisconsin reduced the rates of uninsured. However, in New Jersey much of the expansion was apparently the result of a shift from private coverage.

Most of the uninsurance problem is chronic, with disproportionate effects on certain subgroups. We found that chronic uninsurance varied with income, health status, race and ethnicity, and state. By comparison, little variation exists in rates of short-term uninsurance. The chronically uninsured are much more likely to be low-income, noncitizens, in fair or poor health, and Hispanic or Native American. So, state variation in uninsurance rates is largely explained by state variation in chronic uninsurance rates.

### **What is the role of employer-paid coverage?**

A major finding of ANF is that the wide variation in employer-sponsored coverage across states mirrors a corresponding variation in uninsurance rates. In other words, the size of a state's health coverage problems depends on the structure of the state's employer-based insurance system. For example, rates of employer-sponsored insurance coverage among low-income adults vary across the 13 ANF states from 40 percent in California to 63 percent in Wisconsin. Correspondingly, the 1999 NSAF showed us that uninsurance rates in California are among the highest for low-income workers, with over 35 percent of California's service workers, one of the lowest-paid occupations, lacking coverage. In Wisconsin, only about 22 percent of service workers lacked coverage in 1999.

Differences in income distribution also figure into differences in the size of states' health coverage problems. Despite lower eligibility levels, much higher percentages of all children and adults were covered in public programs in Mississippi and Texas than in Minnesota and Massachusetts because of differences in family income. Because Mississippi and Texas have so many low-income families, these states covered a much higher proportion of their total population even with less generous eligibility thresholds for public health coverage.

A key finding is that the rate of employer-sponsored insurance is declining over time. Employer coverage of low-income adults fell from 41.6 percent in 1999 to 37.0 percent in 2002. Two-thirds of the decline stemmed from employees' decision not to take the insurance, perhaps because of rising premiums and co-payments. The share of low-income workers with access to employer coverage who enrolled fell from 73 percent to 67 percent over that period; for all workers the decline was from 90 percent to 88 percent. We also found that about half of the workers no longer covered by employer-sponsored insurance are likely to be uninsured. Medicaid or SCHIP would cover most of the other half.

### **How does health insurance coverage affect access and use of care?**

The National Survey of America's Families showed us that expanding insurance coverage would provide much more substantial gains than expanding the so-called health care safety net—the web of commu-

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nity health centers, private physicians, and other providers that offer care to the uninsured at little or no cost based on need. The availability of survey respondents' zip code data allowed researchers to calculate the distance to the nearest safety net provider. While proximity proved important, the impact was small compared with the impact of insurance coverage.

The ANF case studies show that communities structure their health care safety nets very differently. Most of these safety nets have been able to provide care in difficult times despite financial pressures. The demand for their services is related to the numbers of uninsured. Assorted market forces and efforts by managed care plans to lower provider payments created financial pressures on these safety nets that differed from place to place. Few safety net providers closed, because they relied on a wide range of strategies to obtain necessary revenues, including creating managed care plans, entering into favorable contracts with public and/or private managed care plans, and seeking additional federal, state, and local revenues.

States' health care safety nets differ in both capacity to serve the uninsured and in degree of financial pressure faced. Our analysis of the 13 NSAF states shows that the uninsured are worse off in some states than in others. For example, the uninsured in states with stretched safety nets (California, Florida, and Texas) on average are less likely to have a usual source of care than the uninsured in the other 10 states. In general and in each state, the uninsured were considerably worse off than the insured, which underscores our major conclusion that even a strong safety net is not as effective as insurance. Low-income populations do better in states with more secure safety nets, partly because the safety net is under less financial pressure and partly because these families are less likely to be uninsured.

### **How do access and use of health care vary by race and ethnicity?**

Our health care analysis shows that Hispanics are considerably worse off with respect to insurance coverage than non-Hispanic whites, but the black–white differential varies by state. Blacks were worse off than non-Hispanic whites only in three southern states: Alabama, Mississippi, and Texas. No significant differences in access for white and black low-income adults exist in the other states.

Among Hispanics, Spanish-speaking noncitizens had by far the greatest problems with health care access and insurance. Even for English-speaking citizens, Hispanic adults are worse off than non-Hispanic white adults. But those differences are more pronounced for noncitizens, particularly those interviewed in Spanish. Hispanic children in noncitizen families fare worse than other children, while Hispanic children in English-speaking citizen families fare nearly as well as non-Hispanic white children.

Native Americans had less insurance coverage, less access, and lower usage rates than whites. Among the low-income population, those with access to the Indian Health Service fared better than their uninsured counterparts and insured whites on key measures but received less preventive care. However, over half of low-income uninsured Native Americans do not have access to the Indian Health Service. Important gaps remain for this population.

### **How have tight state budgets affected states' policy choices related to health care?**

ANF's health care researchers followed state budget and policy choices beyond the prosperous years of the late 1990s through the tight budget years of 2003 and 2004. The first conclusion was that

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states' ability to finance health care programs for low-income populations deteriorated dramatically between the late 1990s and the early years of the new century. In the late 1990s, states experienced strong economic growth, gained new revenues from tobacco settlements and Medicaid-maximization strategies, and implemented the new SCHIP program. After 2001, just as state economies slowed, Medicaid enrollment increased because of reduced employment, health care costs rose, and states began to contemplate Medicaid cuts. By 2003, states faced even greater problems. Employer coverage continued to decline, Medicaid managed care was no longer yielding the same savings, hospital costs and prescription drug expenditures continued to jump, and long-term care costs were increasing.

ANF analyses of state fiscal years 2003 and 2004 also found that states were under serious budget pressure and faced difficult choices among spending reductions, tax increases, and other methods. In 2003, they sought to solve funding problems using reserves, trust fund transfers, tobacco funds, and other one-time measures. Medicaid cuts were generally limited to reimbursement rate reductions and the elimination of some optional benefits; enrollment was generally protected. In 2004, while states continued to use one-time measures, they also increased their use of cigarette and alcohol taxes. Some states raised taxes, and some enacted broader spending cuts including deeper cuts in health care.

The budget choices states made in 2004 will have long-term consequences for their fiscal stability. General revenues will be needed to replenish reserves and trust funds when state economies improve. States may also be faced with higher numbers of uninsured because of restrictions on Medicaid and SCHIP enrollment and outreach. Reimbursement rate cuts will probably reduce provider participation, which may trigger rate increases. States may also face the reality that Medicaid spending is projected to increase faster than state revenue growth.

### **What are the lessons learned about the new federal-state relationship in health care?**

The ANF book *Federalism and Health Policy*, released by the Urban Institute Press in 2003, reviews evidence on the topics summarized above and more. The authors conclude that Medicaid and SCHIP are facing considerable stress and would benefit from a broad restructuring, including higher levels of mandated coverage and greater federal financial contributions. While noting the system's many strengths (including coverage and access for many low-income children and their parents), the authors identify major reasons to restructure:

- *Fiscal stress on state budgets.* The pressures on state budgets, documented above, make it difficult for states to fund rising health care costs. In tight economic times such as the early 2000s, constrained state budgets are on a collision course with increased enrollment as families lose jobs and coverage.
- *Access and equity.* Although Medicaid has improved access to health services for large numbers of low-income Americans, beneficiaries in many states face persistent access problems. As this report summarizes, coverage varies considerably across states, particularly for adults. States also face formidable barriers to improving equity because the situations they face are so disparate. Jobs in some states are far more likely to come with employer-sponsored coverage than jobs in others, for example.
- *Lack of innovation.* An argument for a decentralized system and against restructuring is state innovation. However, *Federalism and Health Policy* reviews the evidence and finds that there has not been a great deal of innovation, particularly in health coverage and access for adults.

- *Threats to trust and integrity from Medicaid maximization strategies.* The book describes and assesses state practices that aim to bring more federal money to states with little or no state contribution, often called “Medicaid maximization.” These practices, common when states are facing budget shortfalls, are the subject of heated disputes between the federal government and the states. Even when legal, these practices threaten federal–state trust and the integrity of the program. Some forms of maximization include disproportionate share hospital payments, which help defray the costs of caring for the uninsured, and upper payment limits. These programs now represent about \$15 billion of federal funds with uncertain state matching payments. The book argues that it would be better to eliminate these controversial practices and to offset the loss by increasing the basic federal contribution.

Forthcoming Urban Institute research will provide additional, updated information on Medicaid restructuring. We will be assessing the new Medicaid waiver proposals that several states have developed and the alternative block grant proposals that are under debate. In other work, we will assess state responses to cutbacks in federal upper payment limits to states.

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SECTION

# 3.

## IMMIGRATION

### *Transforming the Demographics of Low-Income Families*

How has the U.S. low-income child population changed  
as a result of immigration?

How do family structure, parental work, and wages  
affect poverty rates for children of immigrants?

How do limited English proficiency and low educational  
attainment affect poverty and well-being in immigrant families?

What are the trends in use of public benefits and health  
insurance coverage for children of immigrants?

Selected bibliography

## SECTION

# 3.

## IMMIGRATION

### *Transforming the Demographics of Low-Income Families*

Along with welfare reform, the transformation of parents' work, and major changes in health insurance programs and experiences in the late 1990s and early years of the new century, ANF documented other critical and emerging issues affecting families and children. One key example is the detailed information provided by the NSAF on the impact of historically high immigration levels on the characteristics and experiences of America's children and families, particularly working families. ANF work has uncovered some key ways in which low-income immigrant families with children differ from native-born families, as well as the implications of these differences for health, social welfare, education, and other public policies.

#### **How has the U.S. low-income child population changed as a result of immigration?**

The historically high number of immigrants entering the United States since the late 1980s has substantially changed the composition of the child population in the United States. By 2003, 20 percent of all children and 28 percent of low-income children had an immigrant parent. Most of these children (81 percent) are themselves U.S.-born citizens. Sixty-one percent, or 9.1 million children of immigrants, live in mixed-status families—those with at least one noncitizen adult and one or more citizen children. Nearly all children of immigrants under age 6 (93 percent) are U.S. citizens.

ANF's research has focused on these children in mixed-status families—their characteristics, their families' strengths and needs, their access to public benefits and services, and the dilemmas, opportunities, and challenges that state and federal policymakers must consider. This research primarily

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contributes to the policy debate over immigrant integration—that is, the health and well-being of immigrant children and families and the broader national interest in the future economy and workforce as these children become old enough to work. Because immigrant families have a higher birth rate than native families, immigrant children are likely to represent an increasing proportion of the future workforce, regardless of whether immigration-entry policy changes. For these reasons, the questions studied by ANF remain important.

Many more states than in the past are faced by important policy choices regarding the children of immigrants. As labor-driven immigration disperses to nontraditional receiving states, the overwhelming concentration of the immigrant population in six states—two-thirds of the foreign-born population lives in California, New York, Texas, Florida, Illinois, and New Jersey—is beginning to erode. Many of these nontraditional receiving states are located in the Southeast and Midwest (North Carolina, Georgia, Arkansas and Kansas, for instance), and some have relatively limited social safety nets. These new destination states also have less experience settling newcomer populations and must deal with immigrants who are often more recently arrived, poorer, less educated, less likely to speak English well, and more likely to be undocumented than those who have come to the traditional receiving states.

### **How do family structure, parental work, and wages affect poverty rates for children of immigrants?**

Children in immigrant families are especially likely to live in working families and in two-parent families:

- Immigrants are overrepresented within the labor force generally and the low-wage labor force in particular. While one in nine U.S. residents is foreign born, one in seven workers is foreign born, as is one in five low-wage workers. Work, however, is not an antidote for low income: 53 percent of immigrant working families with children are low-income, compared with 26 percent of native working families.
- A larger share of children of immigrants (80 percent) than children of natives (70 percent) lives in two-parent families. Yet, living with both parents appears to have a much less pronounced effect on reducing poverty in immigrant than in native households, since immigrants typically get lower wages and immigrant mothers work less at paid jobs than their native counterparts.

### **How do limited English proficiency and low educational attainment affect poverty and well-being in immigrant families?**

Despite the strengths of immigrant families, the low educational attainment of parents, limited English skills, and growing linguistic segregation of the school-age population pose concerns for children's well-being:

- A much larger share of immigrants (30 percent) than native workers (8 percent) has not finished high school.
- More than half (58 percent) of children under age 6 of immigrants have one or more parents with limited English proficiency. In our survey of immigrant families in New York and Los Angeles, we

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found that limited English skills were more highly correlated with poverty and hunger than legal status or length of U.S. residency.

- The high concentrations of immigrants, not just in New York and Los Angeles but also in the Southeast and Midwest, isolate students with limited English skills in schools that may not meet new No Child Left Behind performance standards. Over half of children with limited English proficiency attend schools where a third or more of their schoolmates are also limited English proficient—a share that has risen since 1995.

Poverty among children of immigrants has risen rapidly over the past two decades, partly because the origins of immigration have changed from Europe and Canada to Mexico and Asia. More recent immigrants are more likely to be less skilled and to hail from lower-income countries than in the past. In 1970, the share of children of immigrants living below the federal poverty level was 17 percent, roughly comparable to the poverty level for white non-Hispanic children, but only a fraction of the poverty rate for black children (42 percent). By 2002, the poverty rate for children of immigrants had nearly doubled, to 30 percent, while the black child poverty rate fell to 33 percent and the rate for white-non-Hispanic children remained constant at just over 9 percent.

### **What are the trends in use of public benefits and health insurance coverage for children of immigrants?**

Despite higher levels of poverty and hardship—including living in overcrowded housing and having trouble affording food—immigrant families participate at a substantially lower level than their native counterparts in such benefit programs as TANF, food stamps, and housing assistance, partly because PRWORA restricted legal immigrants' eligibility for these programs. (Undocumented immigrants are not eligible for most federal, state or local public assistance programs; nor were they prior to welfare reform.) After welfare reform, however, benefit use declined not only among legal immigrants whose eligibility was restricted by the law but also among refugees, citizen children, and other populations whose eligibility was not restricted. The story with Medicaid was different: Coverage of citizen children in immigrant families improved substantially between 1999 and 2002 thanks to extensive outreach and the introduction of SCHIP.

Despite improvements in Medicaid and SCHIP coverage, in 2002 children of immigrants remained twice as likely to be uninsured as children of natives. Already low private insurance coverage for children of immigrants fell between 1999 and 2002, though not nearly as much as public coverage rose. Children of immigrants are also more likely to be in fair or poor health than natives and to lack a usual source of health care.

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SECTION

4.

## CHILD WELFARE *Continuity and Change*

What have the implications of welfare reform been  
for the child welfare system?

What are the trends in state child welfare financing?

What have we discovered about kinship care?

Selected bibliography

## SECTION

# 4.

## CHILD WELFARE *Continuity and Change*

Child welfare is a complex network of programs created to ensure the safety of the most vulnerable children, those who have been abused or neglected or are at risk of abuse or neglect. How these children would fare became a prominent issue during debate over the 1996 welfare law. ANF research documented that concerns about welfare reform's impact on child welfare caseloads were largely unfounded and examined evidence on the collaboration between welfare and child welfare agencies.

The 1996 welfare reform legislation also changed the funding streams for child welfare programs, and ANF provided the first detailed information ever on total federal, state, and local spending for child welfare services. ANF continues to track this financing through national surveys as proposals to reform federal child welfare financing surface and resurface on Capitol Hill. Finally, after the 1997 Adoption and Safe Families Act became the first law to promote kinship care as a “potential permanent placement” for children whose parents can't care for them, we used the NSAF to deepen our understanding of the circumstances of kin caregivers.

### **What have the implications of welfare reform been for the child welfare system?**

ANF case studies and caseload data analyzed shortly after welfare reform took hold showed no evidence that child welfare caseloads increased significantly in welfare reform's wake, as many had predicted. Our interviews with more than 350 child welfare administrators, researchers, supervisors, legislative representatives, and advocates in 13 states found little sign that welfare reform resulted in higher numbers of abused or neglected children.

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However, case studies in 2001 did reveal that families involved with the welfare and child welfare systems had some difficulty meeting the requirements of both, as one emphasizes work and the other parental responsibility. (This “dual-system” population struggles with poverty and with child abuse or neglect.) We documented efforts and strategies to increase collaboration between welfare and child welfare agencies in policy, administration, and practice. Visiting county agencies in 12 states, we identified specific examples of collaboration, including joint efforts to create new programs and services to better mesh the unaligned goals of the two systems.

A survey of state TANF directors in 41 states and the District of Columbia found that welfare reform had escalated collaboration between TANF and child welfare agencies. For instance, 31 state TANF agencies provided either written or verbal guidance to local TANF agencies on coordinating TANF work plans with child welfare plans, and 13 states housed TANF and child welfare staff together. Further, several programs addressed the needs of relative caregivers, sanctioned clients, families approaching time limits, and victims of domestic violence.

### **What are the trends in state child welfare financing?**

Because the shift from AFDC to TANF had the potential to alter funding streams to state child welfare agencies (which had received considerable funding through the Emergency Assistance component of AFDC), we decided early on to investigate child welfare financing. Consequently, ANF mounted four financing surveys (in 1997, 1999, 2001, and 2003) of the 50 states and the District of Columbia. These surveys provided the first reliable data that could be integrated to show the full amount of federal, state, and local spending on child welfare services. Along with state and local expenditures, ANF analyzed states’ use of a range of federal funding streams—including dedicated federal funds for child welfare under titles IV-E and IV-B of the Social Security Act, and such nondedicated sources as TANF, Medicaid, and the Social Services Block Grant—for child welfare. We were able to show the steady increase in child welfare spending between 1996 and 2002.

This analysis of child welfare spending since the 1996 welfare reform law and the 1997 Adoption and Safe Families Act (ASFA) highlights that states’ financing of child welfare can change significantly over relatively short periods. This variation results from a complex array of federal and state-specific issues. Caseload differences appear to be a factor but are not the main driver. State priorities and policy choices, federal policy changes and mandates, court decisions and mandates, and efforts to maximize federal resources contribute to the fluctuations. With so many factors at play in so many combinations, even when total spending increases nationally, there will be a wide range of increases and decreases among states.

Total spending on child welfare nationally has increased from each round of the survey to the next at a rate faster than inflation, with the federal share of total spending growing each time. In 2002, total child welfare spending increased to \$22.2 billion—an 8 percent increase since 2000 and a 34 percent increase since 1996. Every level of government increased its spending between 2000 and 2002. Federal and state spending each went up by 7 percent, while local spending (concentrated in California and New York) increased 15 percent. In 2002, federal funds accounted for 51 percent of total spending, state funds for 37 percent, and local funds for 12 percent.

Of all the child welfare activities, spending on adoption increased the most between 2000 and 2002, seemingly spurred by ASFA. Adoption costs are expected to continue to rise as more children are adopted from foster care.

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While total spending increased nationally, 14 states saw total spending on child welfare decline. In addition, 16 states saw drops in federal spending, 14 states in state spending, and 5 states in local spending.

Increases in TANF and Medicaid spending for child welfare services accounted for nearly all the rise in federal spending (7 percent, \$748 million) between 2000 and 2002. TANF spending increased 26 percent (\$468 million) and Medicaid spending increased 31 percent (\$254 million) from 2000. Even though title IV-E of the Social Security Act is the open-ended entitlement that reimburses states for a portion of the cost of foster care for eligible children, it is becoming a less important (though still major) source of child welfare funding. There are several possible reasons: Eligibility for title IV-E reimbursement may be declining because it is linked to outdated eligibility rules (a consequence of the complex PRWORA legislation), states may prefer to use TANF over title IV-E because TANF does not require state matching funds, or states may be using all the federal resources available—including Medicaid—to meet the needs of a population with greater physical, mental, and behavioral health needs. Yet, underscoring the state variability that lies behind the national trends, TANF spending declined in 17 states and Medicaid spending declined in 12 states.

### **What have we discovered about kinship care?**

The National Survey of America's Families allowed us to look closely at the 2.3 million children living with relatives without a parent in the home in 2002. The vast majority—1.8 million—had no contact with a child welfare agency, and these children were most likely to go without services. We call those cases *private* kinship care. By comparison, in *public* kinship foster care a child welfare agency places the child with a relative. Although moving in with grandparents or other relatives can ease the trauma of separation, these children are more likely to live in low-income homes and face more economic risks than children in foster placements with unrelated families. We found that over half of all kinship care involves low-income families. In these arrangements, children often live in crowded households with older caregivers, lack health insurance, and, in some cases, don't know where their next meal is coming from.

Kinship care became a focus for child welfare agencies in the early 1990s. Three national ANF surveys showed us that kinship care is defined by policies that vary across states. In addition, case studies examining local kinship care practices in 13 counties in four states found almost unanimous consensus among administrators, supervisors, workers, judges, and kin caregivers that kinship foster parents receive fewer services for the children in their care than non-kin foster parents, despite having greater service needs. The three major reasons are

- workers offer fewer services to kin than to non-kin foster parents;
- kin request fewer services from caseworkers; and
- kin do not know how to find or get services or other community resources.

Nearly all kinship care families—regardless of income—are eligible to receive TANF child-only payments. Relatives caring for a child involved in the child welfare system can receive foster care payments if the child is taken into state custody and the caregivers meet foster care licensing requirements. Yet, only 33 percent of all children in kinship care live in families that receive payments (whether

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from TANF, foster care, Social Security, or Supplemental Security) to help cover the child's care. Similarly, nearly all children in kinship care are eligible to receive Medicaid, but only 52 percent of them do.

A number of possible reasons—desire not to be involved with the system, complex procedural requirements—could explain why kin and the children they care for do not receive health insurance and financial benefits for which they are eligible. ANF focus groups suggest that many eligible families simply aren't aware of the programs.

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SECTION

5.

FUTURE RESEARCH  
AND POLICY DIRECTIONS

## SECTION

# 5.

## FUTURE RESEARCH AND POLICY DIRECTIONS

The findings in this report, taken together, suggest what a new social safety net might look like. If it emerges successfully, the new social safety net will weave together work and job-related benefits from the private sector with social insurance and benefits from the public sector in ways that sustain low-income families: private and public supports as the warp and the weft of one social fabric. The alternative, much less hopeful, is that the fragmented public supports and individual employer choices chronicled here could—perhaps under the pressure of federal budget deficits and state revenue shortfalls—fail to weave a safety net that supports work, economic stability, and family well-being.

Specific findings suggest the outlines of an emerging landscape. First, welfare plays a small and shrinking part in the safety net. The caseload did not grow during the 2001 recession, and for three in ten welfare families, cash assistance accompanies low-wage work rather than substitutes for it.

Second, over the eight years of ANF, dramatically more low-income parents worked, especially single parents. Even though these parents were hit hard by the economic slowdown of 2001–03, a higher percentage worked than did 10 years ago. Yet, work is not enough: The ability of parents in 11 million low-income working families to provide for their children’s basic needs remains precarious. Whether the yardsticks are poverty and low income based on federal guidelines or food and housing insecurity, many families work long hours and still can’t satisfy basic economic needs. The lack of access to health care intensifies the stress and risk.

Third, social safety net programs for low-income families vary in their fit to this new world of widespread work. In some programs, such as Medicaid/SCHIP and food stamps, policy or practice changed

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during the period we studied, making supports accessible to more working families, rather than primarily to families on welfare. The Earned Income Tax Credit plays a critical role in the finances of working families and reaches high proportions of those eligible. For these programs, this report documents accomplishments as well as remaining gaps in knowledge and participation. Child care subsidies, though greatly expanded over the period ANF studied, reach only a small proportion of low-income working parents, leaving many others to pay a substantial proportion of their income in child care expenses. Still other programs, such as unemployment insurance and mandated but unpaid parental leave, are designed to support work but not necessarily low-wage work or low-income families.

Fourth, a work-based social safety net faces particular challenges in a time of economic slowdown, when employment and wages are squeezed at the same time as government budgets. Each social safety net program is likely to respond differently, depending on its design (for example, people who have no earnings over a year will lose eligibility for the EITC but will increase the level of food stamps for which they are eligible) and the mix of state and federal funding sources. This report documents the challenges faced by Medicaid/SCHIP in covering needy families during tight economic times. Forthcoming ANF research documents the role of unemployment insurance for low-income parents over the same years.

Fifth, in a world where most low-income families work, the role of employers is critical. Wages, working conditions, and job-related benefits are major determinants of whether low-income parents can meet family needs.

Sixth, nearly 14 percent of families recently off welfare are disconnected from both the welfare system and the workforce. This share is small but growing. Decisionmakers and service providers need to know what strategies or services might connect these families and their children to the emerging, work-oriented safety net. They also need to know whether families that we have not tracked because they were never on welfare share important features with these disconnected families: specifically, parents with severe barriers to employment who fall short of qualifying for disability benefits but do not hold jobs.

Finally, states suffered from severe budget strains early in this decade, making it harder to finance the safety net, especially health care. The impact of state budget choices across the economic cycle on health care and child care providers, faith-based and other community-based social services organizations, and local governments is under study now by ANF and requires more attention given their importance to low-income families.

Although the *Assessing the New Federalism* project has amassed considerable findings already, new questions arise as we seek to understand what lies ahead. In 2005, we expect to bring together policymakers, academic experts, and practitioners from many perspectives to examine the lessons learned from the past eight years and their implications for the future. These deliberations will help us shape a research and policy agenda around critical issues such as these:

1. How often do children and families fall through the gaps in today's safety net? Which gaps have the most serious consequences? (For example, when low-income working families suffer sudden job loss, whether because of an economic slowdown or a major illness, what are the consequences?)

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How often do public supports—Medicaid or unemployment insurance, for example—fill the gap and help families get back on their feet? How often do they fail to fill the gap? And how often do gaps in support cause a further downward spiral in family circumstances—for example, families that lose a job, lose health insurance, cannot access Medicaid, and find themselves with no work and mounting bills for health care?)

2. What should be the next steps in weaving a safety net based on work?
  - How should the major public programs—Food Stamps, Earned Income Tax Credit, child care subsidies, Medicaid/SCHIP, employment and training programs, unemployment insurance, disability insurance—fit together? Are additional public supports needed?
  - What role should the private sector play? What working conditions and job-related benefits do low-income parents have now, and how do they affect families? For example, what are the characteristics of employer-based health insurance now offered to low-income working parents, how do those characteristics vary by employer and location, and what are the consequences for families? Should there be additional mandates on employers (for example, requirements for paid sick leave or an increase in the minimum wage) or incentives (for example, to provide training or advancement for low-wage workers)?
  - How can we include noncustodial parents in the safety net for children? What strategies might enhance their earnings potential and build on past improvements in the child support system?
3. How might future strategies meet the needs of families saddled with the most barriers to work, children living apart from their parents (but in informal kin arrangements or in the child welfare system) and immigrant families? Are there other families that need particular types of support in a work-based safety net?
4. Besides public and private supports for individual families, could neighborhood-based strategies make the safety net more effective? How do neighborhood settings currently influence outcomes for families and children?
5. What are the next steps for states in the emerging safety net? How do state budget circumstances and tax capacities shape states' roles in helping low-income families?
6. Going beyond the states, what role do local governments, child care and health care providers, and community-based and faith-based service providers play? How do state policy choices and budget trends affect the stability and effectiveness of local and community providers?
7. What can demographic models tell us about future trends in the share of children likely to be living in immigrant families or single-parent families? What can these models tell us about the future labor force, as today's children grow into working age? What implications do these possibilities have for policy today?
8. What are the links between marriage, childbearing, and family structure and the work-based safety net? Do work support programs create incentives or disincentives to marriage?
9. Finally, what will the impacts of today's federal budget deficits and the 2006 budget be on families, states and localities, and the range of providers who make up today's safety-net-in-progress?

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As we take on this next research agenda, we expect the rich base of information summarized in this report to prompt continued deliberation and investigation, not only at the Urban Institute but also by researchers, practitioners, administrators, and policymakers across the country. Much has changed over the eight years studied so closely through the *Assessing the New Federalism* project. ANF has helped us understand these changes, by deepening our knowledge of low-income parents and children, their lives at work and at home, and public and private supports. As a result, we have much to build on as we chart the path for the years ahead.



# OTHER RESOURCES

## OTHER RESOURCES

These are additional organizations, projects, and web sites that provide analysis, research, and current data in the fields of welfare, children, health, and low-income working families.

### **Abt Associates**

<http://www.abtassociates.com>

Abt Associates applies research and consulting techniques to a wide range of issues, including social policy.

The National Study of Child Care for Low-Income Families, referred to in this ANF paper, is a five-year research effort in 17 states and 25 communities that provides information on the response of states and communities to the child care needs of low-income families. It is available at <http://www.abtassociates.com/reports/NSCCLIF.pdf>.

### **Alliance for Health Reform**

<http://www.allhealth.org>

The Alliance produces issue briefs on current health care issues and journalists' sourcebooks.

### **American Academy of Pediatrics**

<http://www.aap.org/advocacy/staccess.htm>

The American Academy of Pediatrics produces reports covering the legislative, research, and strategic dimensions of such issues as Medicaid and SCHIP.

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**American Bar Association Center on Children and the Law**

<http://www.abanet.org/child/>

This center at the American Bar Association has a research program on a broad spectrum of law and court-related topics affecting children. Topics include child abuse and neglect, adoption, adolescent health, foster and kinship care, custody and support, guardianship, missing and exploited children, and children's exposure to domestic violence.

**American Humane**

<http://www.americanhumane.org>

American Humane uses evidence-based and outcomes-oriented approaches in designing and implementing studies on national, state, and local program needs for child and family information.

**The Brookings Institution**

<http://www.brookings.edu>

*Welfare Reform and Beyond* Initiative. For a full archive of the Welfare Reform and Beyond policy brief series, go to <http://www.brookings.edu/wrb>.

A recent Brookings book summarizes many issues around work, state policies, and associated program reforms (including marriage, child support, child care, and Supplemental Security Income). See *The New World of Welfare*, edited by Rebecca Blank and Ron Haskins (Washington, DC: Brookings Institution Press, 2001).

**U.S. Census Bureau**

<http://www.census.gov>

The Census Bureau serves as a leading source of data about the nation's people and economy.

*Health Insurance Data*

<http://www.census.gov/hhes/www/hlthins/hlthins.html>

*Data on the Foreign-Born Population, Population Division*

<http://www.census.gov/population/www/socdemo/foreign.html>

**Center on Budget and Policy Priorities**

<http://www.cbpp.org>

The Center on Budget and Policy Priorities works at the federal and state levels on fiscal policy and public programs that affect low- and moderate-income families and individuals. CBPP conducts research and analysis to inform public debates over proposed budget and tax policies to help ensure the needs of low-income families and individuals are considered in the debates. It also develops policy options to alleviate poverty, particularly among working families.

**The Center for Law and Social Policy**

<http://clasp.org>

The Center's social policy experts and lawyers track federal and state family and social policy developments affecting low-income families. On child care and early education, work focuses on promoting policies that support both child development and the needs of low-income working parents and on

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expanding the availability of resources for child care and early education initiatives. CLASP conducts policy analysis and provides technical assistance on the implementation of the Temporary Assistance for Needy Families (TANF) program to state and federal officials and administrators, advocacy organizations, grassroots groups, and research entities. It also focuses on ways the child welfare and TANF fields can work collaboratively to help families and works to ensure a comprehensive range of services that low-income children and their parents need.

### **Center for Social Services Research**

<http://cssr.berkeley.edu/>

Housed at the University of California, Berkeley, the Center conducts research, policy analysis and program planning, and evaluation directed toward improving public social services, including kinship care.

### **Center for Studying Health System Change**

<http://www.hschange.org>

HSC's core research effort is the Community Tracking Survey (CTS), a set of periodic surveys and site visits that allows researchers to analyze information about local communities and the nation as a whole by examining those involved in or affected by changes in the health system—namely households, physicians, and employers.

### **Changes in Health Care Financing and Organization**

<http://www.hcfo.net>

A core program of The Robert Wood Johnson Foundation, Changes in Health Care Financing and Organization (HCFO) disseminates timely reports on health care policy, financing, and market developments and their effects on cost, access, and quality.

### **Chapin Hall**

<http://www.chapinhall.org>

Located at the University of Chicago, Chapin Hall is a research and development center on children's issues, including outcomes on child well-being, how children have fared since welfare reform, and the impact of new child welfare policies.

### **Child Care and Early Education Research Connections**

<http://childcareresearch.org>

Through this web site, Child Care and Early Education Research Connections offers a broad range of child care and early education research and data resources for researchers, policymakers, practitioners, and others. *Research Connections* is a partnership among the National Center for Children in Poverty at the Mailman School of Public Health, Columbia University; the Interuniversity Consortium for Political and Social Research at the Institute for Social Research, the University of Michigan; and the Child Care Bureau, Administration for Children and Families of the U.S. Department of Health and Human Services.

### **Child Welfare League of America**

<http://www.cwla.org>

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This web site includes the National Data Analysis System on child welfare data and statistics. The system also promotes discussion around state and federal data issues in an effort to promote effective integration of research, policy, and practice.

**Children's Defense Fund**

<http://www.childrensdefense.org/>

CDF has produced reports in the fields of kinship care and child welfare financing.

**Commonwealth Fund**

<http://www.cmwf.org>

The Fund's two national program areas are improving health insurance coverage and access to care and improving the quality of health care services. Areas of research include insurance and the uninsured, Medicare, health care in New York City, and state programs and policies.

**Cover the Uninsured Week**

<http://covertheuninsured.org>

Up-to-date information on the issue of the uninsured, including key facts, data charts, and current legislation before Congress can be found on this web site.

**U.S. Department of Agriculture, Economic Research Service**

<http://www.ers.usda.gov>

ERS funds and conducts research on the Food Stamp program, including reasons families don't participate. ERS research also addresses issues related to the effects of welfare reform on U.S. food assistance programs and the implications of these changes for the nutritional and economic well-being of low-income families and the general economy.

**U.S. Department of Health and Human Services**

<http://www.hhs.gov/children/index.shtml>

*The Administration for Children and Families*

<http://www.acf.dhhs.gov/>

The Administration for Children and Families (ACF) funds state, territory, local, and tribal organizations to provide family assistance (welfare), child support, child care, Head Start, child welfare, and other programs relating to children and families. Actual services are provided by state, county, city and tribal governments, and public and private local agencies. ACF assists these organizations through funding, policy direction, and information services.

**The Children's Bureau**

<http://www.acf.hhs.gov/programs/cb/>

The oldest federal agency for children, the Children's Bureau is responsible for assisting states in the delivery of child welfare services.

**National Child Care Information Center**

<http://nccic.org/>

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The National Child Care Information Center, a service of HHS's Child Care Bureau, is a national clearinghouse and technical assistance center that links parents, providers, policymakers, researchers, and the public to early care and education information. It has key links, including to data from state plans for the Child Care and Development Fund, administrative data reported by the Child Care Bureau, and state fact sheets with key information on child care and early education in each state.

*Agency for Healthcare Research and Quality*

<http://www.ahrq.gov>

AHRQ manages the Medical Expenditure Panel Survey and the Healthcare Cost & Utilization Project. In addition, its Child Health Insurance Research Initiative is an effort to supply policymakers with information to help them improve access to, and the quality of, health care for low-income children.

*Assistant Secretary for Policy and Evaluation*

<http://aspe.hhs.gov>

The Assistant Secretary for Policy and Evaluation (ASPE) leads special initiatives, coordinates the Department of Health and Human Services's evaluation, research, and demonstration activities, and manages cross-department planning activities such as strategic planning, legislative planning, and review of regulations. ASPE contracted with Mathematica Policy Research, the Urban Institute, and MayaTech Corporation to carry out a congressionally mandated SCHIP evaluation, which is available at <http://aspe.hhs.gov/health/schip/schiphome.htm>.

*Centers for Medicare and Medicaid Services*

<http://www.cms.gov>

The Centers for Medicare and Medicaid Services (CMS) is the federal agency responsible for administering such programs as Medicare, Medicaid, and SCHIP. Its site synthesizes SCHIP enrollment data, annual reports, evaluations, and administrative information.

**The Economic Research Initiative on the Uninsured**

<http://www.umich.edu/~eriu>

The Economic Research Initiative on the Uninsured (ERIU) at the University of Michigan is a three-year program shedding new light on the causes and consequences of lack of coverage, and the crucial role that health insurance plays in shaping the U.S. labor market.

**Federal Interagency Forum on Child and Family Statistics**

<http://www.childstats.gov/>

This web site offers easy access to federal and state statistics and reports on children and their families, including population and family characteristics, economic security, health, behavior and social environment, and education.

**The Government Accountability Office (formerly the General Accounting Office)**

<http://www.gao.gov/>

Commonly called the investigative arm of Congress, GAO is independent and nonpartisan. GAO evaluates federal programs, audits federal expenditures, and issues legal opinions. Its work leads to laws and acts that improve government operations. As such, GAO has examined trends in welfare caseloads and analyzed participation in TANF, child care, and Medicaid/SCHIP.

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**Generations United (GU) National Center on Grandparents and Other Relatives Raising Children**

<http://www.gu.org/projg&co.asp>

Using an intergenerational framework that considers the needs of each generation in kinship care families, this center provides current data and analyses for a broad audience.

**Growing Up in Poverty Project**

[http://pace.berkeley.edu/pace\\_early\\_growing\\_list.html](http://pace.berkeley.edu/pace_early_growing_list.html)

The Growing Up in Poverty Project at the Policy Analysis for California Education (PACE) focuses on measuring the effects of welfare reform on children and their mothers and the percentage of eligible parents using licensed child care and child care subsidies. It also makes recommendations regarding the new welfare reform regulations.

**Johns Hopkins University and Partners**

<http://www.jhu.edu/~welfare>

The *Welfare, Children, & Families Study*, commonly called the Three-City Study, is a longitudinal household survey intended to track the well-being of a group of low-income families with children in the wake of welfare reform. The families were drawn from low- and moderate-income neighborhoods in three cities—Boston, Chicago, and San Antonio—and were interviewed first in 1999 and again in 2000–2001. The study includes an embedded development study that videotaped children and their primary caregivers at home to learn about parent styles as well as child development and behavior. The project has produced a large number of reports and publications.

**Institute of Medicine**

<http://www.iom.edu>

The Institute of Medicine of the National Academies provides unbiased, evidence-based, and authoritative information and advice concerning health and science policy to policymakers, professionals, leaders in every sector of society, and the public at large.

**Jordan Institute for Families**

<http://ssw.unc.edu/jif/index.html>

The Jordan Institute is the research, training, and technical assistance arm of the School of Social Work at the University of North Carolina at Chapel Hill. Projects address problems that threaten to undermine some families—such as poverty, abuse, mental illness, school failure, and substance abuse—as well as challenges that confront most families—such as providing for aging family members or the safe care for children.

**Kaiser Family Foundation**

<http://www.kff.org>

The Henry J. Kaiser Family Foundation is a nonprofit, private operating foundation focusing on the major health care issues facing the nation. Its Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Its work is conducted by

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foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy

### **Mathematica Policy Research**

<http://www.mathematica-mpr.com>

Mathematica has conducted several welfare reform evaluations, including a wide-ranging study of Work First New Jersey, a national evaluation of the welfare-to-work grants program and the rural welfare-to-work study. Mathematica also has completed numerous studies focused on obstacles in moving from the welfare rolls to private-sector payrolls, and the role of support services in facilitating these transitions. Their Building Strong Families program focuses on how healthy marriages can be supported.

### **MDRC**

<http://www.mdrc.org>

MDRC has synthesized research findings from numerous random assignment impact studies that estimated the effects of various state (and Canadian) experiments to test several features of the final TANF legislation (such as work requirements and financial incentives). The reports summarize effects on family and child well-being. The major reports include the following:

*Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies.*

<http://www.mdrc.org/publications/52/summary.html>

*How Welfare and Work Policies Affect Children: A Synthesis of Research.*

<http://www.mdrc.org/publications/100/execsum.html>

*How Welfare and Work Policies for Parents Affect Adolescents.*

<http://www.mdrc.org/publications/69/overview.html>

*Encouraging Work Reducing Poverty, the Impact of Work Incentive Programs.*

<http://www.mdrc.org/publications/18/abstract.html>

The Urban Change project focuses on policies that state and local officials adopted in response to the 1996 reforms and how these are implemented in welfare agencies, their impact on recipients and work, and their impact on poor neighborhoods in large cities. The study includes longitudinal surveys in five cities, some ethnographic interviews with families in each area, and analysis of neighborhood indicators. Results can be found at [www.mdrc.org/project\\_25\\_3.html](http://www.mdrc.org/project_25_3.html).

The Next Generation project is synthesizing and reanalyzing data to learn how programs targeted at parents affect their children's school performance, behavior, and health as well as families' well-being. Results can be found at [http://www.mdrc.org/project\\_11\\_10.html](http://www.mdrc.org/project_11_10.html).

### **Migration Policy Institute**

<http://www.migrationpolicy.org/>

MPI is a nonpartisan research organization that maintains an active data source on its web site and publishes a monthly newsletter, *Migration Information Source*, with articles on various topics. In February 2005, the newsletter discussed linguistic assimilation among immigrants, the social and economic characteristics of immigrants born in Europe, and highly skilled immigrants in the United States.

### **National Center for Policy Analysis**

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<http://www.ncpa.org>

This nonprofit, nonpartisan public policy research organization develops and promotes private alternatives to government regulation and control. Topics for analysis include medical savings accounts, managed care and competition, Medicaid, health insurance, uninsurance, and international health care systems

#### **National Health Policy Forum**

<http://www.nhpf.org>

This participant-driven, nonpartisan information exchange program works to foster more informed government decisionmaking. The Forum has synthesized pertinent research on a broad range of topics including children's health, coverage and access, and Medicaid.

#### **National Women's Law Center**

<http://nwlc.org/>

The National Women's Law Center monitors changes in state child care policies, as well as federal and state budget and policy changes around the Child Care and Development Fund.

#### **Office of Immigration Statistics**

<http://uscis.gov/graphics/shared/statistics/index.htm>

The Office of Immigration Statistics within the Department of Homeland Security is the federal government's principal immigration statistics office. The Office publishes the *Yearbook of Immigration Statistics*, a comprehensive source of information on annual immigration.

#### **The Pew Commission on Children in Foster Care**

<http://pewfostercare.org/>

Located at Georgetown University, this commission is a three-part policy initiative to help move children in foster care more quickly and appropriately to safe, permanent families and prevent the unnecessary placement of children in foster care.

#### **The Pew Hispanic Center**

<http://pewhispanic.org>

The Pew Hispanic Center conducts and commissions studies and regularly conducts public opinion surveys that aim to illuminate Latino views on a range of social matters and public policy issues. In 2004, the Center published a series of survey briefs based on the 2002 National Survey of Latinos, which includes topics such as school achievement, health care experiences, bilingualism, and generational differences.

#### **Poverty research centers**

*Barriers to Employment among Welfare Recipients: The Women's Employment Study*  
<http://www.fordschool.umich.edu/research/poverty/wes/>

The Women's Employment Study (WES) combines the insights of poverty researchers, epidemiologists, and social workers by analyzing how a broad range of labor market, mental health, physical health, and family problems affect a welfare recipient's ability to obtain and retain employment

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over time. The WES is a survey of welfare recipients in one county in Michigan. The panel study began in 1997 and the last (fifth) wave of data was collected in 2003.

*The Institute for Research on Poverty*  
<http://www.irp.wisc.edu/>

This is an Area Poverty Research Center located at the University of Wisconsin–Madison that focuses on poverty in the Midwestern states. Like the other Poverty Centers, it seeks to improve understanding of the nature, causes, correlations, and consequences of poverty and to inform program and policies to alleviate poverty.

*University of Kentucky Center for Poverty Research*  
<http://www.ukcpr.org>

This is an Area Poverty Research Center with a research focus on Kentucky and the south. The center tackles poverty-related issues with this regional interest. It aims to improve our understanding of the nature, causes, correlates, and consequences of poverty.

*University of Michigan National Poverty Center*  
<http://www.npc.umich.edu>

The National Poverty Center was established in 2002 to conduct and promote multidisciplinary, policy-relevant research on the causes and consequences of poverty, to evaluate and analyze policies to alleviate poverty, and to train the next generation of poverty researchers.

### **The RAND Corporation**

<http://www.rand.org/>

This research organization has synthesized the state of knowledge about the effects of the TANF legislation and the TANF programs of individual states through 2002. RAND considers a range of outcomes, including the welfare caseload, employment and earnings, use of other government programs, fertility and marriage, household income and poverty, food security and housing, and child development. Publications include *Consequences of Welfare Reform: A Research Synthesis*, available at <http://www.rand.org/publications/RB/RB5068/>.

### **The Research Forum**

<http://www.researchforum.org/>

The Research Forum, an initiative of the National Center for Children in Poverty (NCCP) at the Mailman School of Public Health of Columbia University, was created in January 1997 to facilitate research about the effects of the new federalism on low-income and vulnerable populations. Their web site, serving as a clearinghouse, features a searchable database of project summaries on welfare reform and child and family well-being.

### **Nelson A. Rockefeller Institute of Government**

<http://rockinst.org>

The Nelson A. Rockefeller Institute of Government, the public policy arm of the State University of New York, conducts research on the role of states and local governments in America federalism and on the management and finances of states and localities. In particular, the Rockefeller Institute focuses on the management capacity of state and local governments to implement social programs. The management, politics, and finances of Medicaid are among the core areas of research for the Institute.

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### **State Coverage Initiatives**

<http://www.statecoverage.net>

SCI works with states to plan, execute, and maintain health insurance expansions, as well as to improve the availability and affordability of health care coverage. SCI also publishes publications and state-specific information including technical manuals, issue briefs, a newsletter, and the annual *State of the States* report.

### **State Health Access Data Assistance Center**

<http://www.shadac.org>

SHADAC is a research and policy center at the University of Minnesota that provides technical assistance to state analysts and policymakers across the country in the areas of survey design, data collection, and policy development, as well as research on factors contributing to health care coverage and access in the United States.

### **State Health Facts**

<http://www.statehealthfacts.org>

A project of the Kaiser Family Foundation, State Health Facts is designed to provide free, up-to-date, accessible health data on all 50 states on more than 450 health topics. Data presented on the site are a selection of key health and health policy issues collected from a variety of public and private sources including original Kaiser Family Foundation reports, data from public web sites, and information purchased from private organizations.

### **The Synthesis Project**

<http://www.policysynthesis.org>

The Synthesis Project produces concise briefs and reports that translate research findings on perennial health policy questions. By synthesizing what is known, while weighing the strength of the research evidence and exposing gaps in current knowledge, the project gives decisionmakers new insights on complex policy issues. The project pairs researchers with policy analysts to produce Synthesis reports and briefs on such topics as expanding the individual health insurance market.

### **The Welfare Reform Academy**

<http://www.welfareacademy.org>

The Welfare Reform Academy is an educational institution designed to help state and local officials, private social service providers, and other interested parties understand best practices in dealing with poverty and child welfare issues. The Welfare Reform Academy is a project of the University of Maryland School of Public Affairs.

### **Westat**

<http://www.westat.com>

A statistical survey research organization, Westat performs custom research and program evaluation studies across a broad range of subject areas. Westat has conducted several studies for HHS on the organization and operation of child welfare programs, including one on state innovations in child welfare financing.