

THE WELFARE LAW CENTER
CENTER ON SOCIAL WELFARE POLICY AND LAW

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January 28, 1994

Kathi Way, Special Asst. to the President
for Domestic Policy
The White House, 1600 Penn. Ave.
Washington, D.C. 20500

Dear Ms. Way:

We are writing as you complete your recommendations on welfare reform to urge you to address a most critical issue, the utter inadequacy of basic income support for needy families.

The levels of support given to nine million poor children and their parents through the Aid to Families with Dependent Children (AFDC) program have fallen precipitously because of cutbacks by many states and because over many years they have not been adjusted for inflation. The extremely low levels of benefits set by the state legislatures means continual crisis for families. The result is frequent homelessness, hunger, family break-up and other crises that profoundly harm families, undermine their stability, and limit their ability to take advantage of education, training, and employment opportunities.

Yet, with all the publicity given to welfare reform, the low level of current income supports for the poor has been a nearly invisible issue. We urge that this be addressed explicitly in your recommendations to the President. Our enclosed publication authored by Adele Blong and Barbara Leyser, *Living at the Bottom: An Analysis of AFDC Benefit Levels*, provides ample evidence of the initial need to address the adequacy of benefits for those now receiving AFDC, and those who will be receiving benefits under whatever form of transitional assistance might be developed.

Sincerely,



Henry A. Freedman
Executive Director

Encl.

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Living At The Bottom: An Analysis Of AFDC Benefit Levels

July 1993

Center on Social Welfare Policy and Law

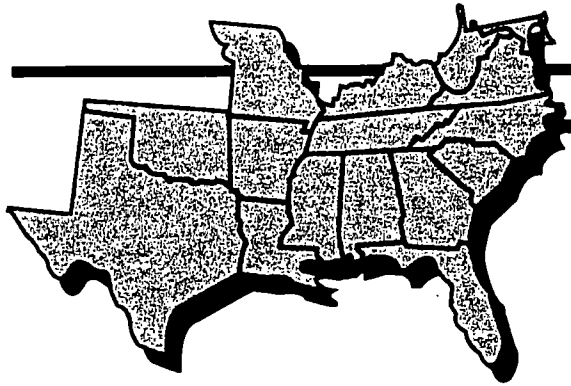
Publication No. 210

Compliments of

**Sarah C. Shuptrine
President**

The Southern Institute on Children and Families

*Kathi - This report will
be released at a press
conference on March 28.
It's relevant to both welfare
reform and health reform.*



The Southern Institute on Children and Families

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STUDY FINDS WELFARE RECIPIENTS WANT TO END DEPENDENCY

A report forged from in-depth interviews of welfare recipients found that poor information, limited benefits and low self esteem contribute to welfare dependency. The report will be released at the annual meeting of the Southern Institute on Children and Families in Charlotte, North Carolina on Monday, March 28 at the OMNI Charlotte Hotel.

Entitled "A Study of the Relationship of Health Coverage to Welfare Dependency," the study is based on interviews with welfare recipients in two southern cities, Charlotte, North Carolina and Nashville, Tennessee during the fall of 1993.

Designed primarily to provide information on the impact of the potential and actual loss of Medicaid on welfare dependency, the study also examines concerns such as child care, housing and transportation. The report urges state social service officials to determine whether the findings are applicable to their areas.

"With the President and Congress poised to debate both health reform and welfare reform, it is important to listen to the views of those most profoundly affected by proposed changes to the current system. That is what we have tried to do," said Unita Blackwell, Chairman of the Southern Institute on Children and Families and President Emeritus of the National Conference of Black Mayors.

The report includes information on factors which influence employment decisions by welfare recipients and it discusses misconceptions held by recipients, as well as many of those who work with them, regarding how welfare and Medicaid rules change when parents leave welfare for work. It lists suggestions from welfare recipients on how the system can be changed to better support decisions to go to work and it discusses the need to allow families who leave welfare to receive financial assistance with child care and health care based on a sliding scale.

"Many people believe that welfare recipients do not work because they do not want to work. The information gathered from the parents in our interviews strongly refutes that view," said Sarah Shuptrine, President of the Southern Institute on Children and Families. "Armed with accurate information on benefits which help working families, and given some assistance with the high cost of child care and health care, more AFDC parents would be willing to leave the security of welfare to face the risks of the workplace."

One of the most disturbing findings of the study is that far too many of the study recipients and the people who work with them have an inadequate understanding of Medicaid and AFDC eligibility rules related to working parents. "It is imperative that public agencies accept the responsibility to see that both AFDC recipients and community agencies who work with them have accurate information on how benefits are affected for families moving from welfare to work," said Sarah Shuptrine.

The study found evidence that Medicaid is a major factor in recipient decisions regarding work, but it also identified child care as the benefit recipients ranked first in importance related to their ability to leave welfare for work.

Mayor Blackwell said, "If we want families to leave welfare for work, we need to face the facts. The dilemma is that even though the combined benefits of cash assistance and Food Stamps fail to lift AFDC families out of poverty, most cannot afford the extra costs incurred when they go to work, particularly the cost of child care. And, the eventual loss of Medicaid is a major concern."

The most often cited suggestions made by recipients for improving the ability of a parent to leave welfare for work were that benefits should be gradually reduced when a family goes to work and that more support services were needed to better prepare recipients for employment.

"Helping families to make a successful transition from welfare to work makes sense for the recipients, their children and society as a whole," said Calvin Michaels, Vice Chairman of the Southern Institute on Children and Families and former Director of Personnel Administration for Burlington Industries. "Providing transitional benefits until families can get firmly on their feet will likely result in a much higher degree of permanent exits from welfare."

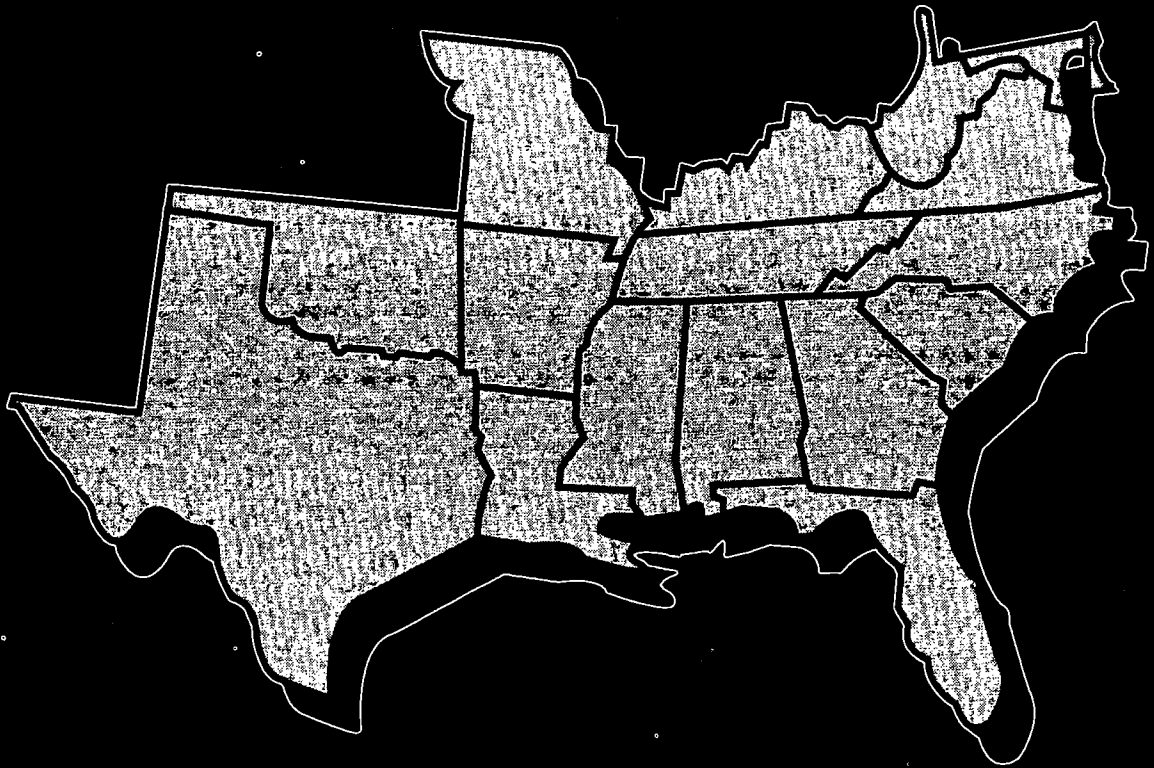
The report found that building self esteem is an important factor in helping recipients to move from welfare to work. "While building self esteem is likely to be viewed as a 'soft' approach, we found that it is central to serious efforts to build the capacity of recipients to leave welfare. It is so basic, yet it is widely ignored as an important tool in building the capacity for self sufficiency," said Sarah Shuptrine.

The report points out that the slow pace at which some states have implemented the 1988 Family Support Act JOBS program has limited opportunities for welfare recipients to leave welfare for work. It provides a state-by-state listing of state expenditures for the JOBS program for FY 1992. (See Table 18, page 35)

Besides a review of the findings and data gathered from the interviews, the report makes a series of recommendations for action to improve opportunities for more families to shed their dependence on welfare.

EMBARGOED
UNTIL 11:30 AM MARCH 23, 1994

A STUDY OF THE RELATIONSHIP OF HEALTH COVERAGE TO WELFARE DEPENDENCY



Southern Institute on Children and Families

March 1994

**A STUDY OF THE RELATIONSHIP
OF HEALTH COVERAGE TO
WELFARE DEPENDENCY**

Sarah C. Shuptrine
Vicki C. Grant
Genny G. McKenzie

**SOUTHERN INSTITUTE ON CHILDREN AND FAMILIES
Columbia, South Carolina**

March 1994

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***The Southern Institute on Children and Families** is an independent nonprofit public policy organization. It endeavors to improve opportunities for children and families in the South with a focus on disadvantaged children. Through special projects and surveys, the Southern Institute on Children and Families spotlights health, social, education and economic issues of regional significance. It works to encourage public/private sector collaboration on behalf of children and families and seeks to remove bureaucratic and other barriers that restrict access to needed services. The Southern Institute on Children and Families is funded through grants and contributions.*

ACKNOWLEDGMENTS

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Appreciation is also expressed to Mary Deyampert, Director of the Division of Social Services in North Carolina, Quentin Uppercue, Chief of Planning and Information for the Division of Social Services in North Carolina, and Wanda Moore, Director of the JOBSWORK Program at the Tennessee Department of Human Services, who served as state contacts for this study and who provided valuable assistance throughout the project.

The support and cooperation of Merlene Wall, Director of the Mecklenburg County Department of Social Services and Willie Caruth, District Director of Family Assistance, Davidson County Department of Human Services, is greatly appreciated.

The willingness of officials at the Belmont Community Center in Charlotte and the Nashville Urban League to allow their facilities to serve as the location for the discussion sessions with staff, advocates and employers and the recipient interviews is most appreciated.

Many thanks go to Laura Genois with the Mecklenburg County Office of Human Services Planning and Support and Robin May with the Tennessee JOBSWORK Program who handled site visit arrangements and provided valuable assistance during the three day site visits which extended into the weekend.

Appreciation is also extended to Shirley Fitz-Ritson, Director, Richland County Department of Social Services, Columbia, South Carolina, and her staff, for their assistance with conducting the pretest of the recipient interview instrument.

Finally, the Southern Institute on Children and Families would like to express gratitude to the 69 recipients who were willing to share their thoughts and experiences and the local and state participants who took part in the discussion sessions. All provided valuable insight into the issues.

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EXECUTIVE SUMMARY

According to Welfare Recipients....

When you work, they take everything away. The more you try to do on your own, the more they hold you back. You're constantly being pulled back when you try to take a step ahead. It gets real frustrating at times.

I could keep a job if I had child care for my children.

Help me out—I am trying. Medicaid is the biggest thing, especially if you have small children.

Give people incentives. Don't take everything away once they get a job because it makes the struggle that much harder.

Listening to the views of persons who are most affected by proposed changes is essential to the development of sound public policy. This is especially important with welfare reform since changes to the current system will have a profoundly personal impact on the lives of disadvantaged families across the nation.

This report presents the views of those on the front line of the welfare reform debate—the recipients themselves, as well as persons in the public and private sectors who labor daily to prepare recipients for jobs and to link them to employment opportunities. The report is the result of an exploratory study conducted in Charlotte, North Carolina and Nashville, Tennessee during the fall of 1993. The study was designed to examine the impact of the potential or actual loss of Medicaid on welfare dependency. In this context, other needs such as child care, housing and transportation are also examined.

During on-site visits to Charlotte and Nashville, personal interviews were conducted with 34 recipients of Aid to Families With Dependent Children (AFDC) and 35 recipients of Transitional Medicaid benefits. In addition, discussion sessions were held with agency staff, advocates and employers. The report is described below.

- Chapter 1 describes the intent of the study and the process. Previous research is briefly discussed.

- Chapter 2 provides information on factors which influence employment decisions. It also discusses the likelihood that study recipients will seek and accept minimum wage jobs with no health coverage and examines the costs versus the benefits of work.
- Chapter 3 outlines basic eligibility criteria and discusses misconceptions which many study recipients, staff and advocates had regarding eligibility rules related to working parents.
- Chapter 4 describes the type of assistance most important to study recipients in supporting their decision to go to work full time and outlines recipient suggestions on how to improve the welfare system to support a parent's decision to go to work.
- Chapter 5 discusses the need for support services that build the capacity of recipients to leave welfare.
- Chapter 6 provides the conclusion and outlines actions which would address the findings of the study.

Findings

The study found evidence that Medicaid is a major factor in recipient decisions regarding work, but it also identified child care as the benefit recipients ranked first in importance related to their ability to leave welfare for work. (Table 15)

Recipients responding to questions regarding the likelihood that they would accept a minimum wage job, given various options related to health coverage, provided evidence that minimum wage jobs without health coverage will not draw many families off welfare. (Chart 1 and Table 6)

The most often cited suggestions made by recipients for improving the welfare system were that benefits should be gradually reduced as a family moves from welfare to work and that more support services are needed to better prepare recipients for employment. (Table 17)

A disturbing finding is that far too many study recipients and organizations which worked with them did not have an adequate understanding of Medicaid and AFDC eligibility rules related to working parents. If staff and advocates lack an understanding of how Medicaid and AFDC benefits are affected when a parent begins working, they are unable to help recipients with decisions regarding work. Recipients who do not have adequate information or, even worse, who have wrong information, are unable to correctly weigh the cost

benefit of going to work. It is especially troublesome that parents of young children are unaware that their children can be eligible for Medicaid, even if the parent's salary is well above the minimum wage. A major factor contributing to eligibility misconceptions held by recipients, advocates, staff and others is the complexity of eligibility rules across AFDC, Medicaid and Food Stamps. (Tables 10, 11 and 12)

To examine the cost benefit of leaving AFDC for work, family budget examples are displayed to compare income and expenses for a family without earnings, a family with income at \$8,840 (full time minimum wage) and a family with \$15,000 annual income. The family budget comparisons demonstrate why many AFDC parents feel that it doesn't pay to work. Even though the combined benefits received from AFDC and Food Stamps fall short of lifting the family out of poverty, the increased expenses incurred as a result of employment significantly erode the gains of increased income due to earnings. (Tables 1, 3, 4 and 5)

Additionally, information gained during the study indicates that the building of self esteem, often considered a "soft" approach, is an important strategy in helping recipients to give up the security of public assistance for the risks of employment. The following comments were made by staff and advocates who attended the discussion sessions:

People who try to succeed get a lot of pressure to stay like they are—from mothers, sisters, brothers and friends who they grew up with.

Boyfriends don't want them to be independent.

They need self dignity. A lot would do more if they felt better about themselves.

Finally, it must be noted that the slow pace at which the Family Support Act has been implemented by some states has resulted in limiting opportunities for AFDC parents who want to acquire the skills necessary to become gainfully employed. (Table 18)

Recommendations

The findings of this study suggest that certain actions could result in improving opportunities for more families to shed their dependence on welfare. These actions are summarized below.

Recommendation #1

Assure Understanding of Eligibility Rules. State social services officials should take actions to determine whether recipients, staff, advocates and employers are adequately informed on basic eligibility rules and, if not, should implement aggressive information outreach initiatives.

Recommendation #2

Simplify Federal Eligibility Rules. The President and Congress should work together to enact simplification of the program rules across AFDC, Medicaid and Food Stamps.

Recommendation #3

Support and Build Upon the 1988 Family Support Act. Governors and state legislative leaders should take action to fully implement the education, training and support service opportunities made available by passage of the 1988 Family Support Act.

Recommendation #4

Help Families Maintain the Transition from Welfare to Work. State and federal policymakers should enact policies to extend assistance to parents who have moved from welfare to work by making child care and health coverage available on a sliding scale basis once transitional benefits expire.

Recommendation #5

Support Special Initiatives to Build Self Esteem. Local, state and federal policymakers should make self esteem initiatives a central component of welfare reform efforts.

CHAPTER 1 INTRODUCTION

According to Welfare Recipients....

When you work, they take everything away. The more you try to do on your own, the more they hold you back. You're constantly being pulled back when you try to take a step ahead. It gets real frustrating at times.

I could keep a job if I had child care for my children.

Help me out—I am trying. Medicaid is the biggest thing, especially if you have small children.

Give people incentives. Don't take everything away once they get a job because it makes the struggle that much harder.

According to Staff and Advocates....

Once they get a job, it is hard to meet basic needs. Day care takes a big chunk of their salaries. They want good day care, like the rest of us, for peace of mind.

There is disparity in the system. Recipients are aware that their rent will go up if they go to work and the next door neighbor's rent will stay the same because she chooses to stay at home. The message is that a person can receive benefits without trying to better herself whereas the person that does try will lose everything.

It is not uncommon to have women quit working when they know they are going to lose Medicaid for them and their children. If insurance is available, they can't afford it for the whole family. They see it as an insurmountable obstacle.

People are dependent on the welfare system because a minimum wage job will not take care of child care and health needs.

Listening to the views of persons who are most affected by proposed changes is essential to the development of sound public policy. This is especially important with welfare reform since changes to the current system will have a profoundly personal impact on the lives of disadvantaged families across the nation.

This report is the result of an exploratory study conducted in two urban areas in the South. The study was designed to examine the impact of the potential or actual loss of Medicaid on welfare dependency. In this context, other needs such as child care, housing and transportation are also examined.

The report presents the views of those on the front line of the welfare reform debate—the recipients themselves, as well as persons in the public and private sectors who labor daily to prepare recipients for jobs and to link them to employment opportunities.

- Chapter 2 provides information on factors which influence employment decisions. It also discusses the likelihood that study recipients will seek and accept minimum wage jobs with no health coverage and examines the costs versus the benefits of work.
- Chapter 3 outlines basic eligibility criteria and discusses misconceptions which many study recipients, staff and advocates had regarding eligibility rules related to working parents.
- Chapter 4 describes the type of assistance most important to study recipients in supporting their decision to go to work full time and outlines recipient suggestions on how to improve the welfare system to support a parent's decision to go to work.
- Chapter 5 discusses the need for support services that build the capacity of recipients to leave welfare.
- Chapter 6 provides the conclusion and outlines actions which could address the findings of the study.

The study was conducted in North Carolina and Tennessee in cooperation with the Division of Social Services of the North Carolina Department of Human Resources, the Mecklenburg County Department of Social Services, the Tennessee Department of Human Services and the Davidson County Department of Human Services.

During the fall of 1993, site visits were conducted in Charlotte (Mecklenburg County) and Nashville (Davidson County). On each site visit, personal interviews were conducted with recipients of Aid to Families With Dependent Children (AFDC) and recipients of Transitional Medicaid benefits. In Charlotte, 33 recipients were interviewed. In Nashville, 36 recipients were

interviewed. Of the randomly chosen recipients, 34 were receiving AFDC benefits and 35 were receiving Transitional Medicaid benefits. Appendix A provides characteristics of the recipients interviewed at each location.

The Glossary provides information on the AFDC and Transitional Medicaid programs. In general, AFDC recipients receive cash assistance (welfare) and are automatically eligible for health coverage for the parent and children through Medicaid. Transitional Medicaid recipients are former AFDC recipients who left AFDC because of earnings. They are automatically eligible to continue receiving Medicaid coverage for themselves and their children for a period of six months after leaving AFDC. If Transitional Medicaid recipients meet certain conditions, they are potentially eligible to receive Medicaid for an additional six months. During the second six month period, a state may require the family to pay a premium for Medicaid coverage and the scope of coverage may be reduced.

In addition to the recipient interviews, discussion sessions were held with 51 individuals from public and private sector organizations that provide assistance to recipients. Participants in the site visit discussion sessions were affiliated with the following:

- County departments of social services and human services
- Job Training Partnership Act (JTPA)
- Urban League
- Mayor's Office
- Private employers
- Advocacy organizations
- Housing authority
- Food Stamp Employment and Training Program (Nashville only)
- House of Representatives (Nashville only)

Appendix B provides the list of staff, advocates and employers who attended the discussion sessions in each community.

Previous research on the relationship between Medicaid and families leaving welfare is limited. One study found that the predominant reason for enrollment or disenrollment in Medicaid was related to employment.¹ Another study examined the relationship between Medicaid and leaving welfare by using data from California and Georgia during 1980-1986 and found that only a small percentage of persons leaving AFDC received extended Medicaid benefits by the

¹Pamela Farley Short, Joel C. Cantor, and Alan C. Monheit, "The Dynamics of Medicaid Enrollment," *Inquiry* 25 (Winter 1988): 504-516.

third month of exit.² The researchers suggested that the low usage rates of extended Medicaid were the result of AFDC recipients not knowing about the availability of the benefits and the welfare administration not knowing whether people leave AFDC due to increased earnings. Another study found that private health insurance attracted people away from AFDC, but in the absence of private health insurance, Medicaid attracted people onto AFDC.³

²David T. Ellwood and E. Kathleen Adams, "Medicaid Mysteries: Transitional Benefits, Medicaid Coverage, and Welfare Exits," Health Care Financing Review (1990 Annual Supplement): 119-131.

³Barbara L. Wolfe and Robert Moffitt, "Medicaid, Welfare Dependency, and Work: Is There a Causal Link?" Photocopy.

CHAPTER 2 TOUGH DECISIONS

There is a pervasive feeling in society that most welfare recipients do not work because they do not want to work. Recipients interviewed in this study indicated that many AFDC parents want to work, but there are a number of real and perceived barriers that stand in their way.

When considering full time employment over welfare, recipients conduct their own analysis of the gains and losses. The need for health coverage is only one area in which the family must weigh the risks. The decisions are tough ones and the people having to make them often have difficulty seeing beyond their immediate needs. The sacrifices necessary to reap the long term gains may seem too great to risk taking the first steps toward self sufficiency.

The Security of Public Assistance

Families on AFDC receive a monthly cash payment and most receive Food Stamps. Table 1 displays the combined monthly value of the AFDC cash payment and Food Stamp benefits for a family of three with no income. When a family has some income, the benefit amount is reduced.

TABLE 1
MONTHLY VALUE OF AFDC AND FOOD STAMP BENEFITS
FOR A FAMILY OF THREE WITH NO INCOME, JANUARY 1993

AREA	AFDC	FOOD STAMPS	COMBINED VALUE
North Carolina	\$272	\$292	\$564
Tennessee	\$185	\$292	\$477
Southern States	\$259	\$290	\$549
United States	\$417	\$282	\$699

Note: Southern states include Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and the District of Columbia.

Source: Derived from data in Table 11, Congress, House, Committee on Ways and Means, 1993 Green Book, 103rd Cong., 1st sess., 1993, Committee Print 18, pp. 657-658.

AFDC families are also automatically eligible for Medicaid benefits. Medicaid provides health coverage for the AFDC parent and children.

AFDC families who receive housing assistance receive an extra boost in meeting living expenses. However, it should be noted that only 23% of AFDC families receive housing assistance either through an apartment in a public housing project or rental subsidy. Table 2 shows the percentage of AFDC recipients who receive housing assistance.

TABLE 2 PERCENTAGE OF AFDC FAMILIES RECEIVING HOUSING ASSISTANCE, FFY 1991	
AREA	PERCENTAGE
North Carolina	22%
Tennessee	35%
Southern States	29%
United States	23%
Note: Southern states include Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and the District of Columbia.	
Source: Derived from data in Table 38, Congress, House, Committee on Ways and Means, <u>1993 Green Book</u> , 103rd Cong., 1st sess., 1993, Committee Print 18, p. 712.	

The combination of AFDC, Medicaid and Food Stamps represents a dependable source of support for AFDC families. This security is in contrast to what many recipients consider the risks of employment. Study recipients explained that even if you are fortunate enough to find a job, there is no guarantee that you will make it beyond the job probationary period or that the job will not be terminated after a few months. In the meantime, they said, the family has lost its benefits.

Recipients interviewed in Charlotte and Nashville expressed the need for extended transitional support to help them give up the security of public assistance. The following comments are representative of views expressed during the interviews:

Most people are afraid to leave the welfare system because their benefits are cut and they may not make it on the job.

When I am on AFDC, I can afford to feed my children and pay the rent. When I went to work, I lost the house and struggled to feed my children. I would send them to my mother's house to eat. All I could afford was child care and rent.

When you get a job, they take everything away and then you are working backwards. You can sit at home and get paid, but if you try to work, they take it all away.

My benefits got cut so much that I wished I would not have gone to work.

When my son was very ill, I would work for one year and then go back on AFDC in order to keep Medicaid.

Examining the Cost Benefit of Leaving AFDC for Work

A primary consideration in the full time employment versus welfare analysis is that there are costs incurred in working. The major work expense is child care. Other expenses include transportation and clothing. Eventually, health coverage and/or health care will become an expense.

Child Care

Across the nation, on average, AFDC families are composed of a mother and two young children. In North Carolina, the average number of children in an AFDC family is 1.8 and in Tennessee the average is 1.9.¹

The percentage of AFDC families with the youngest child under age six in North Carolina is 59% and in Tennessee is 56%.² In order to go to work, the AFDC single parent with young children must have reliable child care. The cost of child care varies depending on whether the provider is a for profit center, a nonprofit entity, home day care or care by a relative. Full day private sector

¹Department of Health and Human Services, Administration for Children and Families, Characteristics and Financial Circumstances of AFDC Recipients, FY 1991 (Washington, D.C.: U.S. Department of Health and Human Services, Administration for Children and Families, 1991), 24

²Characteristics and Financial Circumstances of AFDC Recipients, FY 1991, 29.

child care for two children (one child under age one and one child over age one) cost an average of \$712 a month in Charlotte and an average of \$644 a month in Nashville.³ If the recipient does not go to work, child care is not an expense.

Transportation

Transportation is essential to employment. Only 6.2% of AFDC families own a car and the average value is \$585.26.⁴ Most rely on family, friends and buses. In Charlotte, staff reported that a monthly bus pass card is \$30. In Nashville, a bus card cost \$46 per month. If the recipient does not work, additional transportation costs are not incurred.

Health Coverage

Although health coverage is not a required work expense, it must be considered in the welfare to work equation since AFDC recipients who go to work full time eventually lose the no-cost family health insurance provided for them through Medicaid.

Health coverage is generally not available for new employees. For low paying jobs or jobs in small firms, coverage is often not available at all. If it is available, the employee is usually required to pay part or all of the premium for family coverage in addition to paying deductibles and copayments. The premium for an individual with two dependents is \$181 per month in Charlotte and \$238 per month in Nashville.⁵ If the family stays on AFDC, the parent and child are provided health coverage through Medicaid.

It should be noted that Tennessee has recently established a program which makes health insurance available to low income workers who were not eligible for an employer or government sponsored health plan as of March 1, 1993, and to persons who are uninsurable due to preexisting health conditions. TennCare provides no cost health coverage for persons with incomes below the federal poverty level and makes health coverage available on a sliding scale for persons with incomes above poverty who are not eligible for Medicaid. Thus, the

³The average cost of day care for a child under one and a child age three is based on an average of charges quoted by two private day care centers in Charlotte and Nashville.

⁴Characteristics and Financial Circumstances of AFDC Recipients, FY 1991, 71.

⁵The health insurance premiums for an individual with two dependents in Charlotte and Nashville were quoted by Blue Cross and Blue Shield in both locations.

TennCare program provides affordable health coverage for families who exhaust their transitional Medicaid benefits. This coverage is made possible through a three year Medicaid waiver.

Monthly Budget Examples

In order to illustrate cost of living for a family of three, monthly budgets for families at various income levels residing in Charlotte and Nashville are presented in Tables 3 and 4. The differences in benefits and expenses are compared for three families: 1) a family with no earnings; 2) a family with a full time wage earner who is paid at the minimum wage; and, 3) a family with a wage earner making \$15,000 a year. Each example assumes that the wage earner has been working for a period of four months and, therefore, the calculations are adjusted for AFDC work disregards which are reduced at that point. Basic necessities such as housing, clothing, transportation and food are not included in the expenses. Additionally, since there are wide variances in actual payments for child care, child care expenses are calculated at the amount allowed for disregard under AFDC which is considerably below private sector day care cost.

**TABLE 3
NORTH CAROLINA
IMPACT OF EARNINGS ON BENEFITS AND EXPENSES
FOR A FAMILY OF THREE, 1994 (MONTHLY ESTIMATES)**

	NO INCOME	MINIMUM WAGE ^a	\$15,000 ANNUAL INCOME
INCOME			
Earnings	\$-0-	\$737	\$1,250
EITC ^b	-0-	211	152
AFDC ^c	272	151	-0-
Food Stamps ^d	<u>286</u>	<u>220</u>	<u>130</u>
Total Income	\$558	\$1,319	\$1,532
EXPENSES			
Social Security and Taxes ^e	\$-0-	\$56	\$120
Child Care ^f	-0-	375	375
Health Insurance	<u>-0-^g</u>	<u>-0-^g</u>	<u>70^h</u>
Total Expensesⁱ	\$-0-	\$431	\$565
REMAINING INCOME	\$558	\$888	\$967

Notes: a) The annual earnings based on minimum wage for 40 hours per week for 52 weeks per year is equal to \$8,840.
b) The Earned Income Tax Credit is available to low income families and individuals who file an income tax return at the end of the year or file an earned income eligibility certificate with an employer for advance payment.
c) AFDC payment is based on a family of three receiving the \$90 and \$30 work disregards plus \$375 child care deduction for an infant and three year old child.
d) Food Stamps was calculated with deduction of 20% earned income, \$131 standard deduction, plus \$320 child care expense and \$185 for the standard utility allowance.
e) Social Security was based on 7.65% of earnings and taxes were based on head of household with three exemptions claimed. The child care expense credit was applied.
f) Child care expenses were assumed to equal \$200 for a child under age one and \$175 for a child age three. These estimated expenses are based on the maximum child care deduction allowed by AFDC which is less than costs quoted by private day care centers in Charlotte.
g) Medicaid for the mother and her children are provided via AFDC enrollment.
h) Health insurance cost was based on the market rate for an individual between the age of 25-30 with a \$500 deductible and was quoted by Blue Cross and Blue Shield in Charlotte, NC. Medicaid is available to children under the age of six at this income level.
i) Expenses for housing, clothing, transportation and food are not included in total expenses.

Source: Southern Institute on Children and Families, 1994.

**TABLE 4
TENNESSEE
IMPACT OF EARNINGS ON BENEFITS AND EXPENSES
FOR A FAMILY OF THREE, 1994 (MONTHLY ESTIMATES)**

	NO INCOME	MINIMUM WAGE ^a	\$15,000 ANNUAL INCOME
INCOME			
Earnings	\$-0-	\$737	\$1,250.00
EITC ^b	-0-	211	152.00
AFDC ^c	185	184	-0-
Food Stamps ^d	<u>295</u>	<u>210</u>	<u>130.00</u>
Total Income	\$480	\$1,342	\$1,532.00
EXPENSES			
Social Security and Taxes ^e	\$-0-	\$56	\$96.00
Child Care ^f	-0-	375	375.00
Health Insurance	<u>-0-g</u>	<u>-0-g</u>	<u>5.47^h</u>
Total Expensesⁱ	\$0	\$431	\$476.47
REMAINING INCOME	\$480	\$911	\$1,055.53

Notes: a) The annual earnings based on minimum wage for 40 hours per week for 52 weeks per year is equal to \$8,840.

b) The Earned Income Tax Credit is available to low income families and individuals who file an income tax return at the end of the year or file an earned income eligibility certificate with an employer for advance payment.

c) AFDC payment is based on a family of three receiving the \$90 and \$30 work disregards plus \$375 child care deduction for an infant and three year old child.

d) Food Stamps was calculated with deduction of 20% earned income, \$131 standard deduction, plus \$320 child care expense and \$201 for the standard utility allowance.

e) Social Security was based on 7.65% of earnings and taxes were based on head of household with three exemptions claimed. The child care expense credit was applied. Tennessee does not have a state income tax.

f) Child care expenses were assumed to equal \$200 for a child under age one and \$175 for a child age three. These estimated expenses are based on the maximum child care deduction allowed by AFDC which is less than costs quoted by private day care centers in Nashville.

g) Medicaid for the mother and her children are provided via AFDC enrollment.

h) The TennCare monthly premium for the parent is \$5.47. Medicaid is available to children under the age of six at this income level.

i) Expenses for housing, clothing, transportation and food are not included in total expenses.

Source: Southern Institute on Children and Families, 1994.

Table 5 displays an alternate budget which provides a subsidy of 50% of the cost of child care and 80% of the cost of health insurance for the parent. At \$15,000 annual income, the two children are still eligible for Medicaid. (Note: Under TennCare, the expense for health insurance is less.)

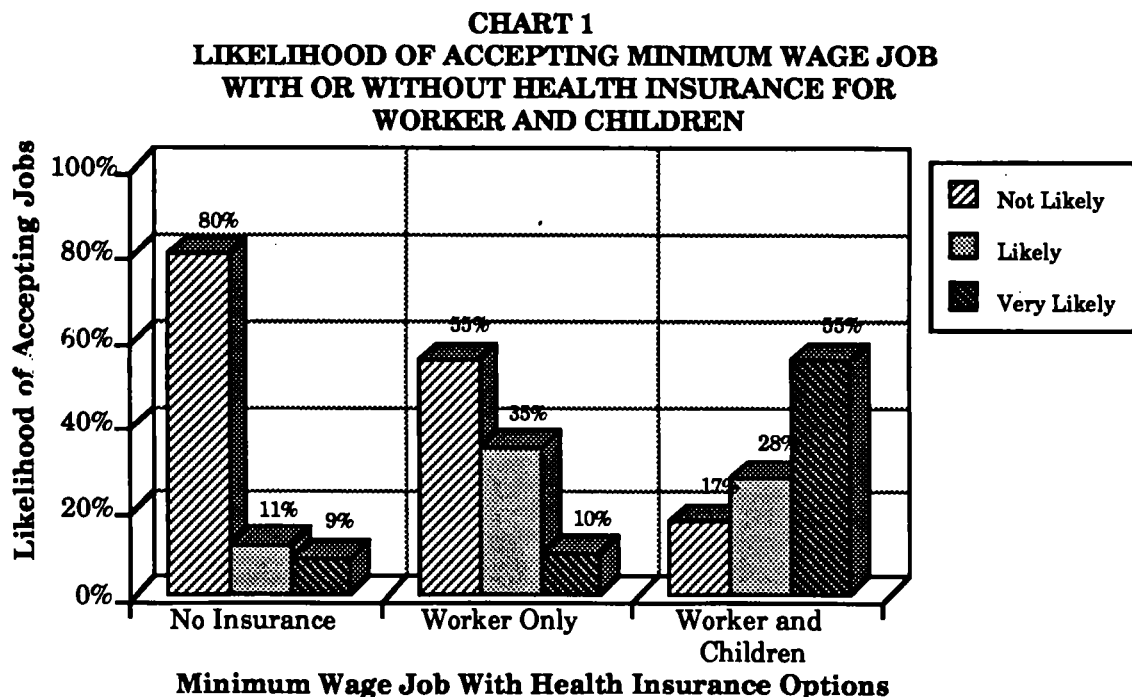
TABLE 5 IMPACT OF CHILD CARE AND HEALTH INSURANCE SUBSIDIES ON INCOME AND EXPENSES FOR A FAMILY OF THREE BY AREA, 1994 (MONTHLY ESTIMATES)		
	NORTH CAROLINA \$15,000 ANNUAL INCOME	TENNESSEE \$15,000 ANNUAL INCOME
INCOME		
Earnings	\$1,250	\$1,250
EITC ^a	152	152
AFDC ^b	-0-	-0-
Food Stamps ^c	<u>90</u>	<u>91</u>
Total Income	\$1,492	\$1,493
EXPENSES		
Social Security and Taxes ^d	\$120	\$96
Child Care ^e	188	188
Health Insurance ^f	<u>14</u>	<u>18</u>
Total Expenses^g	\$322	\$302
REMAINING INCOME	\$1,170	\$1,191
Notes: a) The Earned Income Tax Credit is available to low income families and individuals who file an income tax return at the end of the year or file an earned income eligibility certificate with an employer for advance payment. b) AFDC payment is based on a family of three receiving the \$90 and \$30 work disregards plus \$187.5 child care deduction for an infant and three year old child. c) Food Stamps was calculated with deduction of 20% earned income, \$131 standard deduction, plus \$188 child care expense and \$185 for the standard utility allowance in North Carolina and \$201 in Tennessee. d) Social Security was based on 7.65% of earnings and taxes were based on head of household with three exemptions claimed. The child care expense credit was applied. Tennessee does not have a state income tax. e) Child care expenses are based on the assumption that 50% of \$375 is subsidized. f) Health insurance cost is based on subsidizing 80% of the premium charged by Blue Cross and Blue Shield in North Carolina and Tennessee. The premium per month for an individual plan with a \$500 deductible in North Carolina is \$70 and in Tennessee is \$96. g) Expenses for housing, clothing, transportation and food are not included in total expenses.		
Source: Southern Institute on Children and Families, 1994.		

Recipient Opinions Related to Minimum Wage Jobs

In Charlotte and Nashville, recipients provided evidence that minimum wage jobs without health coverage will not draw many families off AFDC. Study recipients were asked to state the likelihood that they would accept a minimum wage job under the following conditions: 1) without health benefits for them or their children; 2) with health benefits for them, but not for their children; or 3) with health benefits for them and their children. The responses are summarized as follows:

- Eighty percent (80%) of the study recipients responded “Not Likely” when asked if they would accept a minimum wage job that did not provide health benefits for them or their children.
- Fifty five percent (55%) responded “Not Likely” when asked if they would accept a minimum wage job that provided health coverage for them, but not for their children.
- Only 17% responded “Not Likely” when asked if they would accept a minimum wage job that provided health coverage for them and their children.

Chart 1 displays the responses of study recipients to the minimum wage questions.



Of the recipients who responded that they would not accept a minimum wage job without health coverage for them and their children, 62% explained that they had to have health insurance and 33% explained that the minimum wage would not support their family. Eighty two percent (82%) of those responding "Not Likely" to accepting a minimum wage job with health coverage for them, but not for their children, explained that they needed health coverage for their children. Several mentioned that it was very important that they have health insurance for their children because it is more likely that their children would need medical attention. Of those who responded "Not Likely" to accepting a minimum wage job which had health benefits for them and their children, most explained they could not support their family on the minimum wage. Table 6 displays the reasons by situation. (Charlotte and Nashville breakouts are provided in Appendix C.)

TABLE 6 REASONS CITED BY STUDY RECIPIENTS RESPONDING "NOT LIKELY" TO ACCEPTING A MINIMUM WAGE JOB, BY INSURANCE AVAILABILITY			
REASONS FOR NOT ACCEPTING MINIMUM WAGE JOB	JOB WITH NO INSURANCE (Respondents=55)	JOB WITH INSURANCE FOR WORKER ONLY (Respondents=38)	JOB WITH INSURANCE FOR WORKER AND CHILDREN (Respondents=12)
Need health insurance	62%	82%	0%
Minimum wage is not enough to support a family	33%	11%	75%
Other reasons	27%	11%	25%
Notes: a) "Other reasons" include: recipients would lose health and other benefits; recipients stated that they were qualified to receive higher pay; recipients stated that there is not enough to gain; and recipients were afraid of injury on the job and the company's refusal to pay. b) Total does not equal 100% due to multiple responses.			
Source: Southern Institute on Children and Families, 1994.			

Is Work Worth It?

In arriving at their final decision, the major factors which appear to influence a parent's decision to stay on welfare rather than to seek full time employment are:

- **Wages don't meet basic needs.** Because of their education level, most jobs available to recipients are low paying. More often than not, available jobs don't pay enough to afford reliable child care and most do not provide health benefits for parents and their children.
- **The impact on benefits is immediate.** When families leave welfare for employment, cash and nutritional assistance (AFDC and Food Stamps) are significantly reduced immediately and eventually lost altogether. If the family is receiving housing assistance (housing project or rental subsidy), there is an increase in their rent immediately. Transitional Medicaid coverage is available for six months and potentially for a year, but full family coverage is cut off after the transitional period lapses whether or not employer sponsored health coverage is available. Child care assistance is available for one year on a sliding scale.
- **Security is lost.** On separation from AFDC, no longer will a check arrive regularly at the first of the month and no longer is the family's health coverage secure.

When families leave welfare for work, some benefits continue for a specified period. Other benefits may continue to be available, depending on family income. Additionally, there is a federal tax break for low income working families. In combination, these benefits can help to make up for some of the benefit losses, as discussed below.

Income

The Earned Income Tax Credit (EITC) can offset some of the loss of AFDC cash benefits and Food Stamps. The extent to which the EITC offsets the AFDC payment varies by state, depending on the state's AFDC payment amount. In 1994, a family with full time minimum wage earnings with two or more children

can receive a credit of \$2,528. This amount is scheduled to increase to \$3,370 by 1996.⁶ Table 7 provides a comparison of the North Carolina and Tennessee AFDC payments with the EITC.

TABLE 7 COMPARISON OF THE PAYMENT LEVEL FOR AFDC AND THE EARNED INCOME TAX CREDIT		
AREA	AFDC (FAMILY OF 3)	EARNED INCOME TAX CREDIT
North Carolina	\$3,264	\$2,528
Tennessee	\$2,220	\$2,528
Note: AFDC is based on payment levels for July 1993 and the Earned Income Tax Credit is based on a family with full time minimum wage earnings with two or more children for 1994. Source: EITC figures are from Library of Congress, Congressional Research Service, <u>Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1990-92</u> , report compiled by Vee Burke, 1993, pp. 68-69.		

Health Coverage

With regard to health insurance, depending on family income and the age of the children, it is possible that Medicaid coverage for the children could be continued. Medicaid coverage for parents would generally not be available beyond a transitional period.⁷

Child Care

For persons who leave AFDC because of earnings, transitional child care is available for one year, with the family paying part of the cost based on a sliding scale. Additionally, sources of child care assistance other than transitional child care may be available based on family income, availability of funding and availability of child care slots.

⁶Paul Leonard and Robert Greenstein, The New Budget Reconciliation Law: Progressive Deficit Reduction and Critical Social Investments (Washington, D.C.: Center on Budget and Policy Priorities, August 1993), 20.

⁷Medicaid coverage is available for pregnant women with incomes between 133% and 185% of poverty, depending on the state of residency. Also, some states offer Medicaid coverage of catastrophic costs for pregnant women and children through Medically Needy programs.

Housing

While most AFDC families do not receive housing assistance, those who do and who leave welfare due to earnings can continue to receive some assistance as long as their income does not exceed 80% of the median income in their area.

Some pilot programs are underway which provide housing assistance to families who go to work. One such program is the Gateway program in Charlotte. Although there are some housing demonstration programs designed to test strategies for helping welfare families to become self sufficient, there is no national transitional housing program targeted to families on welfare.

CHAPTER 3 MISCONCEPTIONS ABOUT ELIGIBILITY RULES

Misconceptions about eligibility rules lead to poor decision making when recipients are contemplating a move from welfare to work or when former recipients are considering a return to welfare due to lack of adequate income. The complexity of the rules and regulations which govern AFDC, Medicaid and Food Stamps is well documented.¹ This complexity significantly contributes to inadequate understanding of the rules on the part of applicants, recipients, advocates, employers, employment/training and housing staff. It also results in excessive administrative costs and hinders interagency collaboration on behalf of disadvantaged families.

The Medicaid and AFDC income eligibility levels for families with children and pregnant women are outlined below. Study recipients' understanding of these and other eligibility criteria are discussed, as well as the knowledge level of staff and advocates who work with families to help them become self sufficient.

Medicaid and AFDC Income Eligibility Criteria

Prior to 1986, the primary way for families to obtain Medicaid benefits was to become eligible for AFDC. Since that time, Congress has enacted amendments to provide greater opportunities for parents to work full time and

¹Timothy J. Casey and Mary R. Mannix, "Quality Control and the 'Churning' Crisis," (Washington, DC: The National Academy of Sciences, Panel on Quality Control of Family Assistance Programs, 1986); Sarah C. Shuptrine and Vicki C. Grant, Assessment of the Medicaid Eligibility Process in Chatham County, Georgia (Savannah, GA: Memorial Medical Center, June 1991); Sarah C. Shuptrine, "Reforming Medicaid Eligibility Rules," The Safety Net (Washington, D.C.: National Association of Public Hospitals, Summer 1991); National Commission on Children, Beyond Rhetoric: A New American Agenda for Children and Families (Washington, DC: National Commission on Children, 1991); Congress, House, Committee on Agriculture, Welfare Simplification: Hearing before the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition of the Committee on Agriculture, 102d Cong., 2d sess., 23 June 1992; Sarah C. Shuptrine, Vicki C. Grant and Genny G. McKenzie, Improving Access to Medicaid for Pregnant Women and Children (Atlanta: Grady Memorial Hospital and The Robert Wood Johnson Foundation, February 1993); Time for a Change: Remaking the Nation's Welfare System-Report of the Welfare Simplification and Coordination Advisory Committee (Washington, D.C.: Government Printing Office, June 1993).

still receive Medicaid coverage for their children. Congress also passed amendments to allow pregnant women to receive Medicaid sponsored prenatal care without having to be on the welfare rolls. Additionally, the 1988 Family Support Act enacted Transitional Medicaid benefits for families leaving AFDC due to earnings. Transitional Medicaid benefits provide automatic health coverage for both the parent and her children for a period of six months and, if families meet certain conditions, Medicaid benefits can be extended for an additional six months although the scope of coverage can be reduced and premiums can be charged.

The current Medicaid eligibility levels for children are displayed in Table 8 by age of the child.

TABLE 8 ANNUAL MANDATED MEDICAID ELIGIBILITY LEVELS FOR CHILDREN, 1994		
AGE RANGE	ELIGIBILITY LEVEL (FAMILY OF THREE)	ELIGIBILITY LEVEL AS A PERCENTAGE OF POVERTY
Infants to age one	\$16,386	133%
Children age one through five	\$16,386	133%
Children age six through ten	\$12,320	100%
Note: The Medicaid law gives states the option of providing Medicaid to pregnant women and infants with family incomes up to and including 185% of the federal poverty level. Source: Southern Institute on Children and Families, 1994.		

Through waivers and the use of more liberal methodologies, states can increase Medicaid income eligibility levels for pregnant women, infants and children. An example is Georgia's use of a more liberal methodology to expand Medicaid coverage to children up to age 18 living in families with income under the poverty level.

There are significant differences in income eligibility levels between AFDC and Medicaid. Table 9 presents income eligibility levels for AFDC and Medicaid for the southern states.

TABLE 9
INCOME ELIGIBILITY LEVELS FOR AFDC AND
MEDICAID PREGNANT WOMEN AND INFANTS

AREA	AFDC (FAMILY OF 3)		PREGNANT WOMEN AND INFANTS	
	ELIGIBILITY LEVEL	ELIGIBILITY LEVEL AS A PERCENTAGE OF POVERTY	ELIGIBILITY LEVEL	ELIGIBILITY LEVEL AS A PERCENTAGE OF POVERTY
Alabama	\$1,968	16.0%	\$16,386	133%
Arkansas	\$2,448	19.9%	\$16,386	133%
Delaware	\$4,056	32.9%	\$22,792	185%
District of Columbia	\$5,040	40.9%	\$22,792	185%
Florida	\$3,636	29.5%	\$22,792	185%
Georgia	\$5,088	41.3%	\$22,792	185%
Kentucky	\$6,312	51.2%	\$22,792	185%
Louisiana	\$2,280	18.5%	\$16,386	133%
Maryland	\$4,392	35.6%	\$22,792	185%
Mississippi	\$4,416	35.8%	\$22,792	185%
Missouri	\$3,504	28.4%	\$22,792	185%
North Carolina	\$6,528	53.0%	\$22,792	185%
Oklahoma	\$5,652	45.9%	\$18,480	150%
South Carolina	\$5,280	42.9%	\$22,792	185%
Tennessee	\$5,112	41.5%	\$22,792	185%
Texas	\$2,208	17.9%	\$22,792	185%
Virginia	\$3,492	28.3%	\$16,386	133%
West Virginia	\$2,988	24.3%	\$18,480	150%
Southern States	\$4,133	33.5%	\$20,889	170%
United States	\$5,223	42.4%	\$20,502	165%

Note: a) Southern states include Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and the District of Columbia. Computation of Southern States average by the Southern Institute on Children and Families.
b) The 1994 poverty level for a family of three is \$12,320.

Source: AFDC eligibility level and Pregnant Women and Infants poverty level were taken from "State Coverage of Pregnant Women and Children - January 1994," National Governors' Association, February 1994.

Lack of Recipient Understanding of Eligibility Rules

During the interviews with recipients, specific questions were asked in order to determine the degree to which recipients understood certain rules related to AFDC, Medicaid, Food Stamps, child care and housing assistance. For each program, recipients were asked to describe the changes which take place when a person on AFDC begins working.

The program best understood by study recipients was Food Stamps. The program least understood was Medicaid. Only 35% of recipients were able to correctly state the impact of employment on Medicaid benefits. Approximately one third of the recipients did not correctly state the impact of employment on AFDC, child care and housing benefits. Table 10 shows the recipients' understanding of the benefits.

TABLE 10 PERCENTAGE OF STUDY RECIPIENTS THAT UNDERSTAND THE RELATIONSHIP BETWEEN WORK AND BENEFITS		
BENEFIT	PERCENTAGE PROVIDING CORRECT RESPONSES	PERCENTAGE PROVIDING INCORRECT RESPONSES
AFDC	68%	32%
Food Stamps	88%	12%
Medicaid	35%	65%
Child Care	67%	33%
Housing	68%	32%
Source: Southern Institute on Children and Families, 1994.		

Further analysis was conducted to determine if the level of understanding differed between AFDC and Transitional Medicaid recipients. Table 11 shows that although both groups were seriously lacking in knowledge, 43% of Transitional Medicaid recipients were informed on Medicaid changes, as compared to only 24% of AFDC recipients. (Breakouts for Charlotte and Nashville are provided in Appendix C.)

TABLE 11
DISTRIBUTION OF STUDY RECIPIENTS' UNDERSTANDING
OF THE IMPACT OF EARNINGS ON BENEFITS

BENEFIT	PERCENTAGE PROVIDING CORRECT RESPONSES		PERCENTAGE PROVIDING INCORRECT RESPONSES	
	AFDC RECIPIENTS	TRANSITIONAL MEDICAID RECIPIENTS	AFDC RECIPIENTS	TRANSITIONAL MEDICAID RECIPIENTS
AFDC	76%	60%	24%	40%
Food Stamps	94%	83%	6%	17%
Medicaid	24%	43%	76%	57%
Child Care	53%	80%	47%	20%
Housing	76%	60%	24%	40%

Source: Southern Institute on Children and Families, 1994.

Additionally, many AFDC recipients and Transitional Medicaid recipients demonstrated a lack of understanding of specific eligibility rules related to Medicaid income levels and family composition. As shown in Table 12, 41% of the AFDC recipients and 23% of the Transitional Medicaid recipients did not understand a parent could work full time and receive Medicaid for her children. Almost two thirds (62%) of the AFDC recipients and over one third (37%) of the Transitional Medicaid recipients did not know that children could be eligible for Medicaid if they live in an intact family.

TABLE 12
PERCENTAGE OF AFDC STUDY RECIPIENTS VERSUS
TRANSITIONAL MEDICAID STUDY RECIPIENTS
THAT UNDERSTAND CERTAIN MEDICAID RULES

SITUATION	PERCENTAGE PROVIDING CORRECT RESPONSES		PERCENTAGE PROVIDING INCORRECT RESPONSES	
	AFDC RECIPIENTS	TRANSITIONAL MEDICAID RECIPIENTS	AFDC RECIPIENTS	TRANSITIONAL MEDICAID RECIPIENTS
Is it possible for a parent to work full time and still get Medicaid for her children?	59%	77%	41%	23%
Can children get Medicaid if their parents are married and living together?	38%	63%	62%	37%
Source: Southern Institute on Children and Families, 1994.				

Transitional Medicaid recipients were also asked what they planned to do when their Transitional Medicaid period ends. Over half (54%) stated that they planned to pay for health insurance or seek coverage through their employer. One quarter (23%) did not know what they would do when Transitional Medicaid benefits were terminated and 9% stated that they planned to reapply for AFDC and/or Medicaid. The responses to this question suggest that recipients were not aware of the potential availability of Medicaid coverage for their children beyond the transitional period. Table 13 displays recipient responses.

TABLE 13
PLANS OF STUDY RECIPIENTS UPON TERMINATION
OF TRANSITIONAL MEDICAID BENEFITS

PLANS	RECIPIENTS	PERCENTAGE
Will pay for health insurance or seek employer coverage	19	54%
Do not know	8	23%
Will go without health insurance	4	11%
Other plans	7	20%

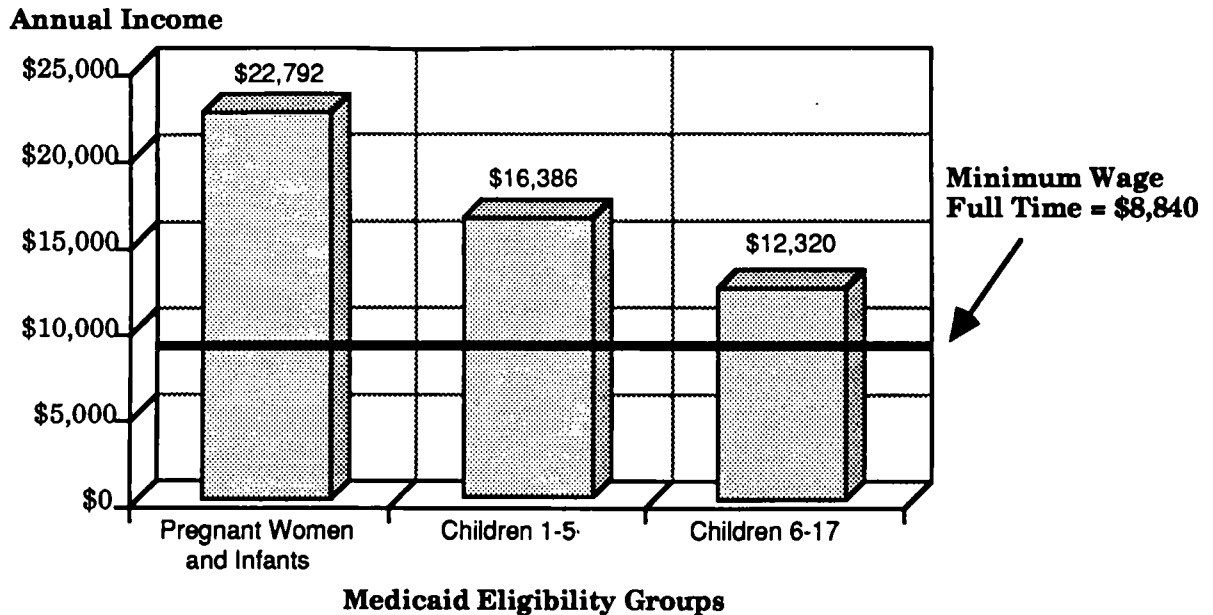
Notes: a) "Other plans" include: recipients would reapply for AFDC/Medicaid; recipients would go to the health department for medical care; recipients would quit job; recipients would get a full time job; and recipients had insurance.
b) Total does not equal 100% due to multiple responses.

Source: Southern Institute on Children and Families, 1994.

Lack of Agency, Advocate and Employer Understanding of Medicaid Eligibility Rules Related to Children in Working Families

Questions regarding Medicaid income eligibility levels were asked of agency staff, advocates and employers during the discussion sessions in Charlotte and Nashville. In both locations, only AFDC and Medicaid eligibility staff displayed an understanding of Medicaid income rules. Advocates who work daily with welfare recipients, as well as staff with JOBS, JTPA, the Urban League, the housing authority and private sector employers, were surprised to learn of the higher income eligibility levels at which children in a working family could be eligible for Medicaid. Very few were aware that in a family earning wages at almost twice the minimum wage, the children under age six would qualify for Medicaid. This lack of information seriously hinders their ability to foster work over dependency. Chart 2 displays the differences in Medicaid income eligibility levels for children as compared to the annual full time minimum wage.

CHART 2
COMPARISON OF MEDICAID ELIGIBILITY LEVELS TO
MINIMUM WAGE



Participants in the discussion sessions expressed a strong desire to have more information on Medicaid eligibility levels. They recognized that having a better understanding of Medicaid rules would enhance their ability to counsel AFDC recipients who are considering employment. It would also enable them to provide Medicaid coverage information to employed parents who are at risk of quitting their jobs because they cannot afford to pay for health care, either out of pocket or health insurance premiums.

Only a few employers invited to attend came to the discussion sessions. Employers who participated in the Tennessee discussion sessions were very interested in having information on Medicaid. They suggested that human resource departments in large companies and small business owners be provided with some basic Medicaid information to enable them to inform employees of their options. They stated that this information would be especially helpful when an employee is contemplating leaving a job because she cannot afford to pay health insurance premiums or because the employer doesn't offer health coverage. A small business owner related the following story:

One of my employees receives Food Stamps and her two year old child receives Medicaid. One of her first questions was whether I offered health coverage. She is very worried she will have no health coverage for her child once Medicaid is terminated. I'm afraid I'm going to lose her because I can't afford to pay benefits.

Children Eligible for Medicaid But Not Enrolled

A 1992 report published by the Southern Institute on Children and Families provided information on uninsured children in the southern states.² The report provided data on uninsured children by Medicaid age and income ranges for 17 southern states and the District of Columbia.

North Carolina was one of only two southern states that could provide data on uninsured children by Medicaid age and income ranges. Table 14 shows that there were 96,733 uninsured children in North Carolina who were income eligible for Medicaid, but were not enrolled.

TABLE 14 UNINSURED CHILDREN IN NORTH CAROLINA BY MEDICAID AGE AND INCOME RANGES				
AGE GROUP	FAMILY INCOME AS A % OF THE FEDERAL POVERTY LEVEL			
	≤ 100%	101-133%	134-185%	TOTAL
Less Than 1	2,014	722	2,332	5,068
Age 1-5	16,791	7,160	NOT ELIGIBLE FOR MEDICAID	23,951
Age 6-17	61,579	NOT ELIGIBLE FOR MEDICAID		61,579
Age 18-20	6,135			6,135
TOTAL	86,519	7,882	2,332	96,733

Notes: The income eligibility level for infants younger than one is 185% of the poverty level. For children 1-5, the income eligibility level is 133% of poverty and for children ages 6-9 the eligibility level is 100% of poverty. Children age 10-20 can qualify under AFDC which has an income eligibility level of 56.4%.

Source: Sarah C. Shuptrine, Vicki C. Grant and Genny G. McKenzie, Uninsured Children in the South (Columbia, SC: Southern Institute on Children and Families, November 1992), 30.

²Sarah C. Shuptrine, Vicki C. Grant and Genny G. McKenzie, Uninsured Children in the South (Columbia, SC: Southern Institute on Children and Families, November 1992).

The report also estimated that in 1991, there were an estimated 84,000 children in Tennessee under the age of six who were income eligible for Medicaid, but not enrolled. Data were not available to provide an estimate of uninsured children older than five in Tennessee who were income eligible for Medicaid.

The report pointed out that many uninsured children could be covered by Medicaid. Initiatives which could enroll more uninsured children in Medicaid include outreach efforts to educate parents and others on the availability of Medicaid coverage for children and actions to make the application process more user friendly.

In April 1992, Tennessee began a new system of screening and processing applicants for AFDC, Medicaid and Food Stamps in an attempt to provide Medicaid to as many families as possible. Tennessee officials report that the number of children eligible for Medicaid has significantly increased since the implementation of the new screening process.

CHAPTER 4 HELP WANTED

Study recipients in Charlotte and Nashville displayed a desire to support their families without having to depend on welfare. Due to the complications they face in attempting to leave welfare for work, some level of benefit extension could mean the difference between success or failure.

In the discussion sessions, staff and advocates frequently spoke of the discouragement which results when recipients go to work and benefits are significantly reduced and eventually lost:

When a person is taken off AFDC due to employment, their rent goes up, Food Stamps go down and they must arrange for child care. Subsidized child care slots are very limited, therefore, most families are forced to quit their jobs and get back on AFDC.

Fear of the rent going up keeps people from going to work and fear of getting sick, or children getting sick, is a deterrent to work.

The greatest barrier to work is the totality of the loss of benefits. If the benefits were not totally taken away, more recipients would be more cooperative in seeking a job.

Recipient Ranking of Most Important Benefit to Enable Parents to Work Full Time

During the interviews, recipients were asked to rank certain benefits in terms of their importance to the recipient's ability to accept a full time job. Table 15 shows that "Child Care" was ranked by 50% of the AFDC recipients and 46% of the Transitional Medicaid recipients as the benefit most needed to enable them to work full time. "Medicaid Coverage for Children" was ranked as the most important benefit by 21% of AFDC recipients and by 43% of Transitional Medicaid recipients. Twenty one percent (21%) of AFDC recipients ranked "Transportation" as the most important benefit.

TABLE 15
DISTRIBUTION OF STUDY RECIPIENTS ON THE BENEFIT CONSIDERED
MOST IMPORTANT TO ACCEPT A FULL TIME JOB

MOST IMPORTANT	AFDC	TRANSITIONAL MEDICAID
Child Care	50%	46%
Food Stamps	6%	6%
Medicaid For Children	21%	43%
Medicaid For Myself	3%	3%
Transportation	21%	3%
TOTAL	100%	100%

Source: Southern Institute on Children and Families, 1994.

Staff and advocates were also asked to comment on the importance of certain benefits and, in particular, they were asked to consider the impact of the potential or actual loss of Medicaid on welfare dependency. Participants indicated that Medicaid is important, but they pointed out that child care is essential to the ability of recipients to work full time. Some of their comments are outlined below:

Child care is the biggest barrier for those who want to be in the work force.

Many do not have relatives willing or able to help out with child care.

Child care is the biggest barrier to prepare for work or to work. There is not enough money to subsidize child care for those who need it.

In discussing the impact of actually losing Medicaid or the fear of losing Medicaid, staff and advocates made the following comments:

The benefits an employer offers are essential to taking the job or retaining the job. The first time a child gets sick, that fear of not having health insurance begins to surface.

Women who have health problems or whose children are sick—Medicaid is the primary concern for them.

Many people quit their jobs if they lose Transitional Medicaid benefits and the job doesn't provide benefits. Even if they make enough to pay child care, they are afraid to lose Medicaid.

The cost of health care could send someone back on welfare. That's money they need for food, gas and other essentials.

An AFDC caseworker in Nashville stated that health benefits are the primary concern in the majority of AFDC applications and recertifications. She indicated that most AFDC recipients want Medicaid for their children much more so than for themselves.

Staff and advocates repeatedly referred to transportation as a significant barrier to preparation for work as well as employment, especially for families in rural areas. They also stated that bus schedules in the urban areas are often inadequate to support work schedules. Of the AFDC recipients interviewed in Charlotte and Nashville, 62% relied on friends, relatives or public transportation or they walked to get to the interview. For Transitional Medicaid recipients, 51% relied on friends, relatives or public transportation. Table 16 shows the mode of transportation used by the study recipients to get to the interview.

**TABLE 16
MODE OF TRANSPORTATION USED BY STUDY
RECIPIENTS TO GET TO STUDY INTERVIEW**

MODE	AFDC RECIPIENTS		TRANSITIONAL MEDICAID RECIPIENTS	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Personal Auto	13	38%	17	49%
Friend or Relative	12	35%	11	31%
Bus	5	15%	3	9%
Taxi	1	3%	0	0%
Walked	2	6%	0	0%
Borrowed Car	2	6%	4	11%
TOTAL	34	100%	35	100%

Source: Southern Institute on Children and Families, 1994.

In discussing the relative importance of various benefits, staff and advocates stressed that "*things happen*" and when those things occur, they become the priority. Where child care may be the most pressing need, if the child becomes sick, the priority shifts to the need to obtain health coverage. If the rent is due and there are no funds to pay for it, the priority becomes the need for cash. If the parent becomes seriously ill, the priority becomes cash and health coverage. These things happen to all families, but with working poor families, there is no margin. There are few savings, if any, to fall back on to cover the unexpected, such as the breakdown of the family car or reduced working hours. One study recipient explained the reality of her economic situation as follows:

If you have a minimum wage job and something happens to your children, you have to pay the medical bills and take time off from work. One incident will put you in the hole.

Recipient Suggestions for Changing the Welfare System

Over two thirds (67%) of the recipients interviewed in Charlotte and Nashville had been on AFDC two or more times. Recipients were asked to share their suggestions for changing the system to make it easier for a parent to leave welfare. Over two thirds (68%) of study recipients said that gradually reducing benefits would give families a better chance to get off and stay off welfare. Forty-three percent (43%) cited the need for support services such as job training, job placement and classes to help build self esteem. One fifth (20%) suggested that recipients be required to complete school and job training. Seven percent (7%) suggested that a limit be set on the time a family can receive benefits and 5% suggested that a limit be placed on the number of children for which a family can receive assistance. The list of suggestions is presented in Table 17.

TABLE 17
SUGGESTIONS MADE BY STUDY RECIPIENTS
REGARDING IMPROVEMENTS IN THE WELFARE SYSTEM

SUGGESTIONS	PERCENTAGE	RANK
Gradually reduce benefits	68%	1
Provide support services (job training, placement, self esteem classes)	43%	2
Require recipients to complete school and job training	20%	3
Set a time limit that a recipient is eligible for benefits	7%	4
Set a limit on the number of children that can receive AFDC	6%	5
When determining eligibility, base it on net income and exclude child support payments as part of income	6%	5
Other suggestions	23%	

Notes: a) "Other suggestions" include: educate recipients to stay off welfare; provide transportation; offer incentives to leave welfare; follow up with clients and be more helpful; provide affordable housing; allow a person on AFDC to save money; do a better job of collecting child support payments; and ensure that the AFDC check is used for food and for the children.

b) Total does not equal 100% due to multiple responses.

Source: Southern Institute on Children and Families, 1994.

CHAPTER 5 CAPACITY BUILDING

Once on welfare, recipients often experience a sense of detachment. Large caseloads leave AFDC caseworkers with very little time to spend with the individual families assigned to them. The impersonal welfare system environment is not conducive to helping families connect to services that can help them to leave welfare. Building capacity for self sufficiency often requires individual attention to specific needs. This individual attention is a goal of the 1988 Family Support Act, but implementation of the Act has been slow in many states.

The Family Support Act provides opportunities for states to determine individual needs and to support a personal plan of action that will hopefully lead away from welfare dependency. For some recipients, education and training will be sufficient to move them ahead. For others, individualized case management and/or courses in self esteem and skill building will be required to enable them to access and benefit from available opportunities.

Improving Employment and Training Opportunities

Under the 1988 Family Support Act, all states are required to establish the Job Opportunity and Basic Skills Training Program (JOBS). The goal of JOBS is to assure that AFDC families have access to education, training and employment services designed to avoid welfare dependency. States are required to conduct individual assessments and develop employability plans for JOBS participants.

Target groups specified in the Family Support Act are as follows:

- Recipients and applicants who have received aid for at least 36 of the preceding 60 months.
- Custodial parents under age 24 who have not completed high school and are not enrolled in high school or its equivalent at the time of application.
- Custodial parents under age 24 who have had little or no work experience in the preceding year.

- Members of a family in which the youngest child is within two years of being ineligible for AFDC because of age (i.e., age 16 in a state that ends AFDC eligibility at age 18).¹

Funding for the JOBS program is shared by the federal government and the states. The state share is based on the state's Medicaid matching rate or 60%, whichever is higher, for program costs and 50% for administrative costs, transportation and work-related supportive services.² States are required to meet specific participation rates or risk losing a portion of the federal matching funds.

In 1992, four years after passage of the Family Support Act, only 66% of available federal funds for the JOBS program had been matched by states. Table 18 below shows that North Carolina matched 72% of the available funding. Tennessee matched only 35%, the second lowest among southern states and the fourth lowest nationally.

Officials in Tennessee report that in Fiscal Year 1994, the Tennessee JOBS program will match 47% of the available federal funding. North Carolina officials report that they anticipate North Carolina will fully utilize available funding in Fiscal Year 1994.

Discussions with staff and advocates in Tennessee indicated that recipients had become discouraged due to the lack of JOBS slots available for education and training. It was reported that in Memphis, there are 6,000 recipients on a waiting list for JOBS. Staff in Tennessee provided the following observations:

We have long lines of AFDC parents who want employment and training opportunities. No one has to be mandated. They want to do it.

I have people on my caseload that say they won't try volunteering for the JOBS program again because they are so discouraged.

¹Mark Greenberg, The JOBS Program: Answers and Questions, 2d ed., (Washington, D.C.: Center for Law and Social Policy, January 1992), p. 28.

²Ibid., pp 123-132.

TABLE 18
STATE EXPENDITURES FOR THE JOBS PROGRAM,
AMOUNT REQUESTED AND PERCENT MATCHED, FY 1992

AREA	FEDERAL ALLOCATION	AMOUNT REQUESTED	PERCENT MATCHED
Alabama	\$9,565,000	\$6,296,000	66%
Arkansas	\$5,289,000	\$5,289,000	100%
Delaware	\$2,054,000	\$1,802,000	88%
District of Columbia	\$4,738,000	\$3,580,000	76%
Florida	\$30,308,000	\$14,230,000	47%
Georgia	\$24,450,000	\$10,305,000	42%
Kentucky	\$17,481,000	\$13,123,000	75%
Louisiana	\$18,169,000	\$15,444,000	85%
Maryland	\$16,755,000	\$16,755,000	100%
Mississippi	\$11,584,000	\$8,405,000	73%
Missouri	\$18,492,000	\$6,337,000	34%
North Carolina	\$20,874,000	\$14,948,000	72%
Oklahoma	\$9,111,000	\$6,339,000	70%
South Carolina	\$8,607,000	\$4,800,000	56%
Tennessee	\$18,282,000	\$6,364,000	35%
Texas	\$48,023,000	\$33,232,000	69%
Virginia	\$13,048,000	\$7,232,000	55%
West Virginia	\$11,040,000	\$8,610,000	78%
Southern States	\$15,993,000	\$10,172,000	64%
United States	\$999,910,000	\$660,743,000	66%

Note: Southern states include Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and the District of Columbia.

Source: American Public Welfare Association, 1993.

Self Esteem and Decision Making

Factors which make the decision to seek education, training or work even tougher for some recipients are the lack of support and the hostility sometimes faced by recipients who try to improve their opportunities. Staff and advocates often referred to situations where welfare recipients were held back by persons who were close to them. They face ridicule from relatives, friends and boyfriends if they go back to school or take advantage of special courses designed to build confidence and skills. Some told of situations where boyfriends showed up during classes and threatened recipients if they continued to take the classes. The following comments were made by staff and advocates:

People who try to succeed get a lot of pressure to stay like they are—from mothers, sisters, brothers and friends who they grew up with.

Some mothers don't want their daughters to finish school because the family gets AFDC and will lose it.

Families and boyfriends see changes in them when they take the survival skills classes. They are not agreeing anymore—they are stating their case.

Boyfriends don't want them to be independent.

They need self dignity. A lot would do more if they felt better about themselves.

A report using national survey data on welfare mothers reported that on average welfare mothers have less self confidence and less sense of control over their own destinies.³

Staff and advocates repeatedly mentioned self esteem as a crucial factor in welfare dependency. They indicated that the likelihood that a single parent on welfare will take the risks necessary to move from welfare to work is far less if they have low self esteem. The following points were made:

Most recipients do not feel good about themselves.

Many recipients are afraid to sign up for programs which offer opportunities because they are afraid of the unknown.

³Nicholas Zill, Kristin A. Moore, Christine Winquist Nord and Thomas Stief, Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data, (Washington, DC, Child Trends, Inc., February 25, 1991), p. 40.

The things they face in trying to get off welfare require their independence and it is scary.

Numerous examples were cited where “self esteem” and “survival skills” classes caused welfare recipients to become more confident and able to face the significant changes that are required to move from welfare to full time work.

Extending Case Management to Support Success on the Job

Under the Family Support Act, states *may* provide case management for the family, including the children, up to 90 days from the date the family loses eligibility for AFDC. The Act appears to allow a broad interpretation of case management so as to provide the JOBS caseworker with the opportunity to play a significant role in assisting the parent and her children to obtain services needed to ensure their success outside of welfare.

In North Carolina, the state has opted to allow counties to extend case management services for 90 days after the JOBS case is closed. North Carolina has one of the lowest caseload standards in the nation with a maximum caseload of 50 JOBS participants per case manager. Case managers have a hands-on approach, working intensively with participants. However, the North Carolina JOBS program is only reaching approximately 25% of the targeted AFDC population.

In Tennessee, case management services were at one time offered to a family beyond the closure of AFDC, but no longer. Officials report that restoration of extended case management is under consideration.

In Nashville, Metropolitan Social Services under the auspices of the Mayor's Office, has entered into a contract with the Tennessee Department of Human Services and the University of Tennessee to provide case management for JOBS participants in order to learn more about their circumstances. The target group will be AFDC clients under 24 years of age with little or no job training and no high school diploma. Teen mothers will comprise a subgroup of the target group. The caseload will allow the case manager to visit each family once a week and the plan is for the case manager to serve as a “support system” for the family. The project will test the ability of case managers to improve client circumstances. Currently, the issue of whether or not case managers can continue to work with families once their AFDC case is closed has not been

resolved, but project officials are in favor of continuing services beyond the closing of AFDC for an extended period of one year.

Staff and advocates in both states indicated that many families would benefit from case management services beyond the closing of their AFDC case. They stressed that during the job probationary period, which is usually six months, families encounter problems that case managers could help resolve. The problem may be with the employer, the bureaucracy or simply dealing with the stresses of starting out in a new job under what many consider risky circumstances.

A January 1994 report by the American Public Welfare Association recommends that states be allowed to provide case management for up to 12 months instead of the current 90 days. The report articulates the need for continuing case management to help families.⁴

⁴Responsibility, Work, Pride: The Values of Welfare Reform, (Washington, D.C.: The American Public Welfare Association, January 1994), 19.

CHAPTER 6 CONCLUSION

It was the intent of this study to engage recipients and others knowledgeable of the welfare system in an examination of issues related to welfare dependency, specifically issues related to Medicaid. The study found evidence that Medicaid is a major factor in recipient decisions regarding work, but it also identified child care as the benefit recipients ranked first in importance related to their ability to leave welfare for work.

Recipients responding to questions regarding the likelihood that they would accept a minimum wage job, given various options related to health coverage, provided evidence that minimum wage jobs without health coverage will not draw many families off welfare.

The most often cited suggestions made by recipients for improving the welfare system were that benefits should be gradually reduced when a family has gone from welfare to work and that more support services were needed to better prepare recipients for employment.

A disturbing finding of this study is that far too many study recipients and organizations which worked with them did not have an adequate understanding of Medicaid and AFDC eligibility rules related to working parents. If staff and advocates lack an understanding of how Medicaid and AFDC benefits are affected when a parent begins working, they are unable to help recipients with decisions regarding work. Recipients who do not have adequate information or, even worse, who have wrong information, are unable to correctly weigh the cost benefit of going to work. It is especially troublesome that parents of young children are unaware that their children can be eligible for Medicaid, even if the parent's salary is well above the minimum wage.

A major factor contributing to eligibility misconceptions held by recipients, advocates, staff and others is the complexity of eligibility rules across AFDC, Medicaid and Food Stamps. The differing rules complicate the "messages" sent to recipients about eligibility. They also make it more difficult to communicate the rules to individuals and organizations which work with welfare recipients, former recipients and persons at risk of becoming welfare recipients.

This report outlines various income situations for recipient families as compared to families who have worked their way off welfare. The family budget comparisons demonstrate why many AFDC parents feel that it doesn't pay to work. Even though the combined benefits received from AFDC and Food Stamps fall short of lifting the family out of poverty, the increased expenses incurred as a result of employment significantly erode the gains of increased income due to earnings.

Additionally, information gained during the study indicates that the building of self esteem, often considered as a "soft" approach, is an important strategy in helping recipients to give up the security of public assistance for the risks of employment. There is also evidence to indicate that extending case management to assist families with problems that arise during the early months of employment can help to sustain employment, especially for those families who need encouragement and special assistance.

Finally, it must be noted that the slow pace at which the Family Support Act has been implemented by some states has resulted in limiting opportunities for AFDC parents who want to acquire the skills necessary to become gainfully employed.

The findings of this study suggest that certain actions could result in improving opportunities for more families to shed their dependence on welfare. These actions are summarized below.

<i>Recommendation #1</i> <i>Assure Understanding of Eligibility Rules</i>
--

State social services officials should take actions to determine whether recipients, staff, advocates and employers are adequately informed on basic eligibility rules and, if not, should implement aggressive information outreach initiatives.

Active outreach to correct misconceptions about eligibility rules will likely produce significant attitudinal changes on the part of recipients and will better equip agencies and employers to encourage a recipient's permanent departure from welfare dependency.

State and county administering agencies for AFDC and Medicaid should collaborate with other groups to determine if public and private sector

organizations that work with recipients have an adequate understanding of basic eligibility rules. If these efforts indicate that there is an inadequate level of understanding, user friendly materials should be designed and interagency training should be conducted to assure that staff and advocates are able to understand the materials.

Efforts should also be taken by state and county administering agencies to measure the level at which recipients understand eligibility rules as they apply to working parents. If it is found that many recipients do not adequately understand the rules, initiatives should be undertaken to provide user friendly informational materials to *all* AFDC, Transitional Medicaid and Food Stamp recipients.

Employers should be a special target group for outreach. Human resource managers in large companies could be a valuable resource for social service agencies since they are in a position to provide information to employees having difficulty in affording health insurance premiums. Contacts could be made with small employers through their small business organizations, as well as through direct mailings to targeted employers.

<i>Recommendation #2</i> <i>Simplify Federal Eligibility Rules</i>

The President and Congress should work together to enact simplification of the program rules across AFDC, Medicaid and Food Stamps.

To enable recipients, public and private sector agencies, advocates and employers to understand basic eligibility criteria, eligibility rules should be simplified and made uniform across AFDC, Medicaid and Food Stamps. This action will have the additional benefit of fostering integration and collaboration across programs.

***Recommendation #3
Support and Build Upon the 1988
Family Support Act***

Governors and state legislative leaders should take action to fully implement the education, training and support service opportunities made available by passage of the 1988 Family Support Act.

Governors and legislative leaders in states which have failed to fully implement the 1988 Family Support Act JOBS program should evaluate the reasons why their respective states have not taken advantage of the federal funding available for education, training and support services for families wanting to move from welfare to work.

Additionally, transportation should be recognized as a support service essential to education, training and work, and should be given special attention by policymakers and administrators in implementation of the JOBS program and other programs designed to provide employment opportunities.

In the federal arena, policymakers should examine the need to provide continued case management for JOBS participants when their AFDC case has been closed due to earnings.

***Recommendation #4
Help Families Maintain the Transition
from Welfare to Work***

State and federal policymakers should enact policies to extend assistance to parents who have moved from welfare to work by making child care and health coverage available on a sliding scale basis once transitional benefits expire.

Supporting a parent's decision to go to work will require recognition on the part of state and federal policymakers that AFDC recipients need more support in order to gain and maintain full time employment. In order to encourage parents to work and to provide some level of security for families who leave welfare for work, the following actions are needed:

- Assure the availability of affordable health coverage, either public or private, beyond the transitional Medicaid period, based on a sliding scale.
- Continue to provide assistance with child care expenses beyond the transitional child care period, based on a sliding scale.

***Recommendation #5
Support Special Initiatives to
Build Self Esteem***

Local, state and federal policymakers should make self esteem initiatives a central component of welfare reform efforts.

Courses in building self esteem and confidence should be an integral part of efforts to build the capacity of parents to move from welfare to work. Since individuals who need such courses the most may not take the initiative to participate, pilot projects should be utilized to determine the feasibility of making the courses a requirement for all AFDC parents.

GLOSSARY

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

AFDC is the basic cash assistance (welfare) program for poor families with children up to age 18 or age 18 if in school or training and can be expected to complete before age 19. Families eligible for AFDC are automatically eligible for Medicaid. In order to qualify for AFDC assistance, a family must be financially eligible according to state determined criteria and the children must qualify as deprived of the economic support of a parent. Deprivation is considered to be the loss of support from a parent due to the parent's death, continued absence or disability. Under restrictive circumstances, AFDC benefits are available to recently unemployed two-parent families where the primary wage earner is actively seeking employment. AFDC benefits and administrative costs are on a matching basis between the federal and state government.

EARNED INCOME TAX CREDIT

The Earned Income Tax Credit is a federal tax credit for low income working families. The amount of tax credit a family is eligible to receive increases as earnings increase until a maximum credit is reached. In 1994, a working family with two or more children can receive a maximum credit of \$2,528. The maximum credit will rise to \$3,370 by 1996. A family can elect to receive the credit by requesting advance payment from employers or by filing for the credit on a federal income tax return.

FOOD STAMPS

Food Stamps are coupons which can be redeemed in authorized stores for eligible food items. In order to qualify for Food Stamps, a family must be financially eligible according to federal criteria. Benefit amounts are based on household size and net income. The federal government provides full funding for Food Stamp benefits and the cost of administering the program is shared by the federal government and the states.

MEDICAID

Medicaid is a means tested government program which reimburses medical providers for delivering health services to poor and low income individuals and families. Basically, Medicaid coverage is related to the following groups:

- Poor families with children.
- Poor and low income pregnant women, infants and young children.
- Poor aged, blind and totally/permanently disabled individuals.

Medicaid benefits and administrative costs are financed on a matching basis between the federal government and state government.

MINIMUM WAGE

The minimum wage is \$4.25 an hour.

TRANSITIONAL MEDICAID

Transitional Medicaid is available for up to one year to persons who leave the AFDC program due to earnings. In order to qualify for Transitional Medicaid, the following must apply:

- The family must have been receiving AFDC for at least three of the six months immediately before becoming ineligible for AFDC.
- The family must become ineligible for AFDC because of:
 - hours of employment of the caretaker relative
 - income from employment of the caretaker relative
 - expiration of the AFDC earned income disregard for a member of the family
- The family must have a "dependent child" living in the home, using a special Medicaid definition of "dependent child."

States provide the first six months of coverage without a fee. In the second six months, the scope of coverage can be reduced and a premium can be charged.

APPENDIX A
CHARACTERISTICS OF STUDY RECIPIENTS

TABLE 19
CHARACTERISTICS OF STUDY RECIPIENTS BY AREA

CHARACTERISTICS	CHARLOTTE	NASHVILLE	TOTAL
GENDER			
Female	33	36	100%
RACE			
White	2	5	10%
Black	31	30	88%
Other	0	1	1%
EDUCATION			
Less than high school	7	11	26%
High school	25	21	67%
Some college or technical training	1	4	7%
AGE OF RECIPIENTS			
Less than 20 years	1	0	1%
20 years or greater	32	36	99%
Average age	32	29	
MARITAL STATUS			
Currently married	5	5	14%
Previously been married	10	11	30%
Never married	18	20	55%
RECIPIENTS' CHILDREN			
Average number of children	3	3	
EMPLOYMENT STATUS			
Full time	15	18	48%
Part time	7	9	23%
Not employed	10	9	28%
Never employed	1	0	1%

Note: Percentages may not add to 100% due to rounding.

Source: Southern Institute on Children and Families, 1994.

APPENDIX B
DISCUSSION SESSION
PARTICIPANTS

**CHARLOTTE, NORTH CAROLINA
WELFARE DEPENDENCY DISCUSSION SESSIONS
OCTOBER 7-9, 1993
PARTICIPANT LIST**

Name	Affiliation
Nate Cook	Department of Social Services, JOBS Program
Cyteria Knight	Department of Social Services, JOBS Program
Gwen Rogers	Department of Social Services, JOBS Program
Claudia Tisdale	Department of Social Services, JOBS Program
Angela Adams	Department of Social Services, AFDC Program
Susie Forney	Department of Social Services, AFDC Program
Sarah Hemphill	Department of Social Services, AFDC Program
Elisha Nnaji	Department of Social Services, AFDC Program
Lisa Hailey	Job Training Partnership Act
Aaron Hough	Job Training Partnership Act
Robert Parks	Job Training Partnership Act
Patsy Rogers	Job Training Partnership Act
Latham Shipp	Job Training Partnership Act
Sheila Funderburke	Charlotte Urban League
Kim Clark	Charlotte Chamber of Commerce
Rachel Hall	Charlotte Day Nursery
Linda Cathcart	Charlotte Housing Authority
Deborah Garner	Earl Village Resident
Sandra Gripper	Stepping Stone Program
Leon Miller	Mayor's Office of Minority Affairs
Brenda Steadman	UPLIFT, Inc.
Susan Tepper	Charlotte Area Fund
Jo Ann Thompson	We Are Family
Michael Brown	Charlotte Housing Authority
Sharon Waters	Charlotte Housing Authority

**NASHVILLE, TENNESSEE
WELFARE DEPENDENCY DISCUSSION SESSIONS
NOVEMBER 4-6, 1993
PARTICIPANT LIST**

Name	Affiliation
Wanda Moore	Department of Human Services, JOBS Program
Brenda Bell	Mayor's Employment & Training Resource Agency
Erskine Lytle	Mayor's Employment & Training Resource Agency
Michael Miller	Metropolitan Social Services
Ricki Rippy	Department of Human Services, Medicaid Program
Tamara Tison	Department of Human Services, Family Assistance
Suzanne Turlage	Department of Human Services, Family Assistance
Dorothy Carrol	Nashville Urban League
Arlene Cummings	Nashville Urban League
Marilyn Gentzler	Nashville Urban League
Albert Gipson	Nashville Urban League
Kenneth McKay	Nashville Urban League
Paulette Dillard	SmithKline Beechum Clinical Laboratories
Candace Rhodam	Business Services Ecterera, Inc.
Sherri Carroll	Women in Community Services
Dale Gray	MANNA
Walter Hunt	Metro Action Commission
Linda Moynihan	Tennessee Conference on Social Welfare
Russ Overby	Legal Services of Middle Tennessee
Pam Wright	Legal Services of West Tennessee
Mary Pruitt	Member, Tennessee House of Representatives
Carol Thigpen	Nashville READS
Nell McKerley	Nashville Housing Authority
Ken Bell	Food Stamp Employment and Training Program
Sarah Merrell	Food Stamp Employment and Training Program

APPENDIX C
ADDITIONAL TABLES

TABLE 20
REASONS CITED BY STUDY RECIPIENTS RESPONDING "NOT LIKELY" TO
ACCEPTING A MINIMUM WAGE JOB BY INSURANCE AVAILABILITY AND AREA

REASONS CITED	MINIMUM WAGE JOB THAT DOES NOT OFFER HEALTH INSURANCE TO RECIPIENT OR HER CHILDREN		MINIMUM WAGE JOB THAT OFFERS HEALTH INSURANCE TO RECIPIENT BUT NOT HER CHILDREN		MINIMUM WAGE JOB THAT OFFERS HEALTH INSURANCE TO RECIPIENT AND HER CHILDREN	
	CHARLOTTE	NASHVILLE	CHARLOTTE	NASHVILLE	CHARLOTTE	NASHVILLE
Need health insurance/Need health insurance for my children	15	19	13	18	0	0
Minimum wage is not enough to support a family	11	7	4	0	5	4
Would lose health and other benefits	2	6	0	1	0	0
Qualified to receive higher pay	1	2	0	1	1	2
There is not enough to gain	2	0	1	0	0	0
Afraid of injury on the job and the company may not pay	2	0	0	1	0	0

Source: Southern Institute on Children and Families, 1994.

TABLE 21
PERCENTAGE OF STUDY RECIPIENTS THAT HAVE AN UNDERSTANDING
OF THE RELATIONSHIP BETWEEN WORK AND BENEFITS BY AREA

BENEFIT	PERCENTAGE PROVIDING CORRECT RESPONSES		PERCENTAGE PROVIDING INCORRECT RESPONSES	
	CHARLOTTE	NASHVILLE	CHARLOTTE	NASHVILLE
AFDC	91%	47%	9%	53%
Food Stamps	88%	89%	12%	11%
Medicaid	36%	33%	64%	67%
Child Care	61%	72%	39%	28%
Housing	67%	69%	33%	31%

Source: Southern Institute on Children and Families, 1994.

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