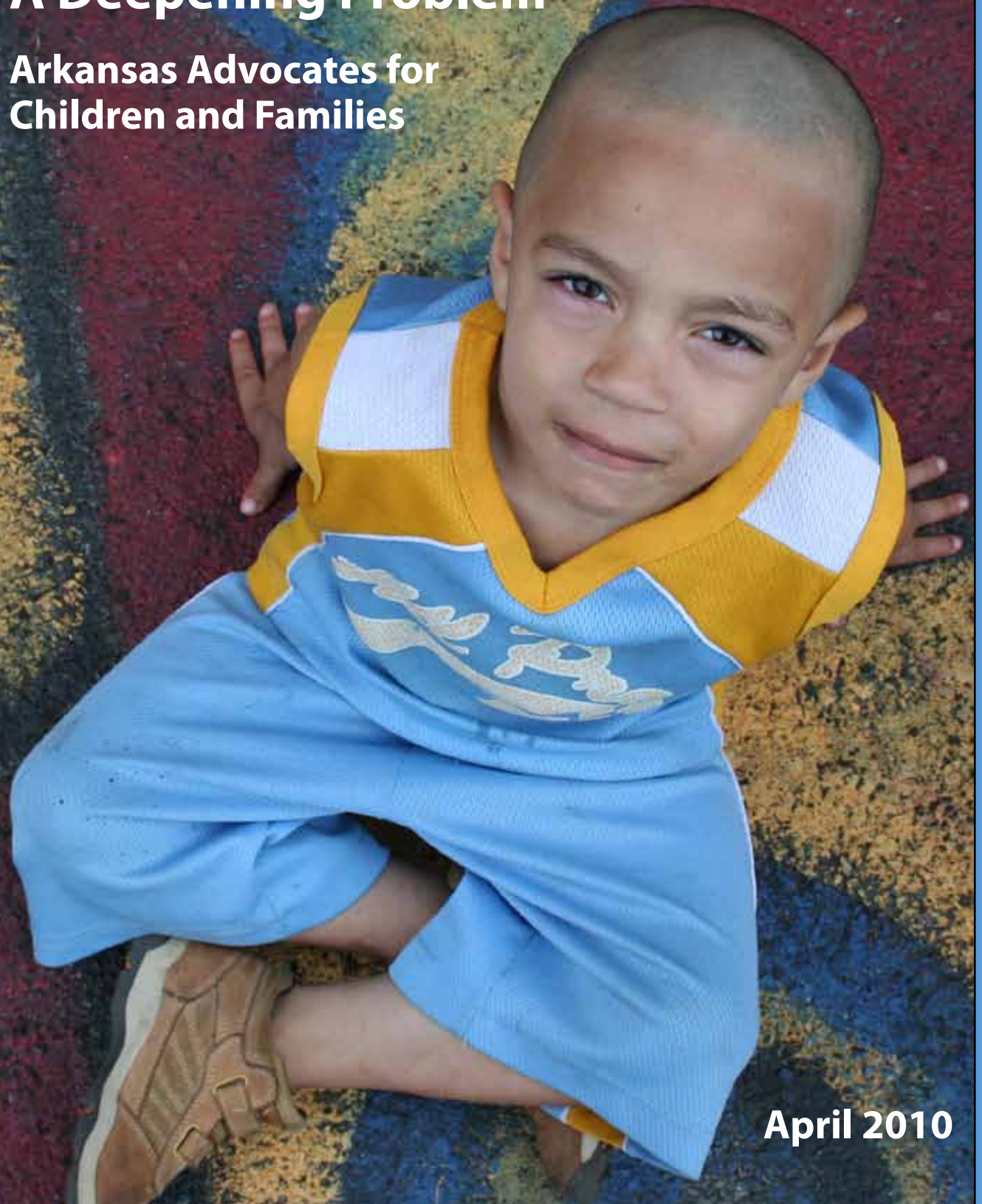


# **Child Poverty in Arkansas 2010: A Deepening Problem**

**Arkansas Advocates for  
Children and Families**



**April 2010**

## April 2010

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# Child Poverty in Arkansas 2010: A Deepening Problem

By Kim Reeve, Senior Policy Analyst

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**The mission of Arkansas Advocates for Children and Families is to ensure that all children and their families have the resources and opportunities to lead healthy and productive lives and to realize their full potential. We:**

- **Serve as a voice for children at the Arkansas State Capitol and in Washington, D.C.**
- **Gather and analyze data to support public policy that serves all children and families.**
- **Organize coalitions of diverse groups to drive change.**



Thirty-one years ago, Arkansas Advocates for Children and Families cobbled together data on the well-being of children from census reports, annual reports, planning documents and grant proposals. The result, “Arkansas Children Have Problems,” was a comprehensive and accurate portrait of the state of Arkansas children—22.6 percent of whom lived in poverty.

Today, 24.9 percent of Arkansas children live in poverty.

A generation later, nearly one in four children still lives in poverty in Arkansas. This signifies the entrenchment that many families in poverty face each day. Children living in poverty suffer short- and long-term consequences including health problems, lower educational success and a greater potential to be involved in crime as adults. These consequences not only hurt these children and their families today, but limit the potential of these children as they grow. They also limit the potential growth of our state.

But we know what helps children and families climb out of poverty. Since 1979, some of the statistics compiled by AACF have dropped to historically low levels. Just 9 percent of Arkansas children are uninsured, compared to 21 percent a decade ago. Thousands of children have access to high quality child care and early childhood education who didn't just seven years ago.

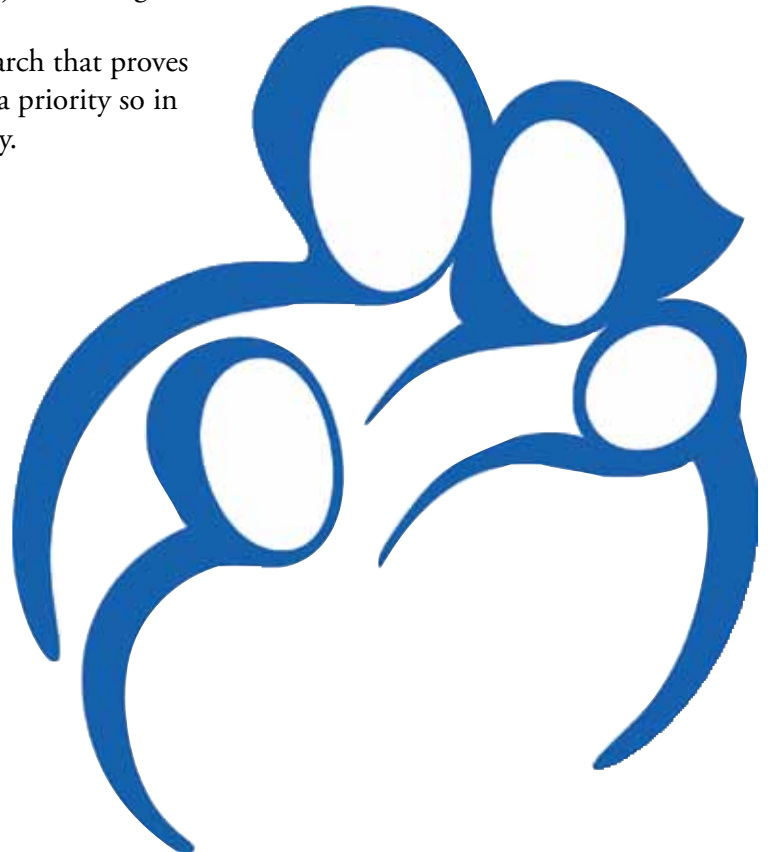
Interventions like these provide stair steps out of poverty for each lucky child who can get them. But more needs to be done. With the onset of the recession, more children and families are slipping into poverty as jobs and homes are lost.

Arkansas can help these families stay afloat and help thousands more with children who have already experienced poverty during times of national prosperity. There are two approaches:

1. Programs that promote the ability of children in poverty to grow up healthy and better educated, allowing them to better succeed as adults.
2. Initiatives that improve the ability of low-income parents to succeed in the workforce, which allows their children live better and more stable lives.

Solutions at the state and federal level should focus on a child's health and well-being, quality childcare and early childhood education, equitable education and quality out-of-school programs, work and income support for parents, adult education, job training and affordable housing.

We have the statistics to show us the problem and the research that proves what works. Now we need the will to make Arkansas children a priority so in another 30 years they can report their state free of child poverty.



## Why Does Child Poverty Matter?

Research shows that children who grow up in poverty are at an increased risk of a wide range of problems.<sup>1</sup> These poor outcomes impact their short-term well-being but also their future productivity as adults—and the economic success of the state. Among some of child poverty's negative consequences:

### Educational and cognitive consequences:

Studies have consistently shown that child poverty is associated with several negative educational outcomes: poor academic performance, low vocabularies, lower reading and achievement scores, higher drop-out rates and lower college graduation rates. These issues lower a child's ability to succeed in school and get a good education. They can't grow up to compete for the best jobs and earn higher incomes.

**Health outcomes:** Low-income children are more likely to be in fair or poor health, often for longer periods of time, less likely to receive access to quality health care and preventive care and less likely to have access to nutritious foods. Their parents are also less likely to be educated about good child development practices. The physical safety of low income children is also at greater risk because of greater exposure to parental and domestic violence at home and violent neighborhood crime.

**Social and Emotional Development:** Children growing up in poverty are at a greater risk of unstable home environments and behavioral and emotional problems including acting out,

disobedience, aggression and not getting along with peers. Poverty is also associated with higher chances of teen pregnancy, low self-esteem and feelings of anxiety, unhappiness, and dependence. These issues often result in problems at school and with

juvenile delinquency, as well as higher rates of involvement with the child welfare, mental health and juvenile justice systems.

**Adult Poverty:** The impact of poverty is worse the deeper a child lives in poverty and the longer he or she lives in poverty. Child poverty can reach far into adulthood. Children who experienced persistent poverty are more likely to be poor as adults than those who never lived in poverty.

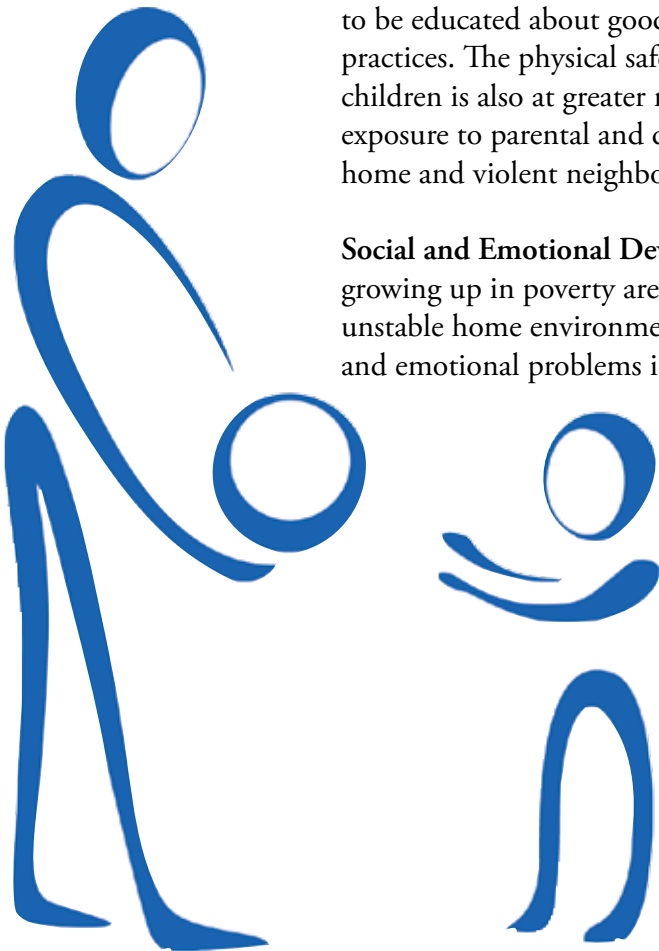
Growing up in poverty doesn't mean that children cannot succeed. Life is full of success stories in which poor children overcome the odds and succeed. However, the research clearly shows that poor children face greater obstacles.

## The Economic Cost of Children in Poverty

Child poverty reaches beyond the well-being of children. It impacts families, the taxes we pay for government services, the quality of the workforce and future economic productivity. One recent estimate found that children who grow up in poverty cost the United States \$500 billion annually. The estimate doesn't include the cost of adults living in poverty who were not raised in poverty, as well as other expenses related to poverty.<sup>2</sup> It does include:

- \$170 billion lost each year in income that people may have earned. This lost productivity and economic activity reduces the overall value of the U.S. economy.
- \$170 billion a year lost due to crime and the cost of running the criminal justice system.
- \$160 billion spent on health care problems of adults who grew up in poverty.

Based on the \$500 billion estimate, the Human Service Policy Center, a policy research center at the University of Washington, estimates children living in poverty to cost Arkansas \$6.2 billion a year. As the number of children living in poverty increases because of the recession, the costs to both Arkansas and the U.S. will increase.<sup>3</sup> Poverty-reduction programs and measures are social investments that result in higher earnings and productivity and reduced spending on crime and health.<sup>4</sup>



The federal government has two ways to define poverty for Arkansas families. The first is the federal poverty threshold, the original poverty measure designed in 1963. It is updated every year by the U.S. Census Bureau using the Consumer Price Index. This measure was based on the cost a minimum diet of a family of four.<sup>8</sup> In 2009 the federal poverty threshold for a family of four with two children was \$21,756 while the threshold for a family of three with one child was \$17,268.<sup>9</sup>

The second is the federal poverty guidelines, which are calculated by the U.S. Department of Health and Human Services and are a simplified version of the federal poverty threshold. The poverty guidelines are used to determine financial eligibility for certain federal programs. In 2009, the federal poverty guideline for a family of four was \$22,050 and \$18,310 for a family of three.<sup>10</sup>

Families living in deep poverty earn less than 50 percent of the poverty threshold. This means a family of four would earn less than \$10,917 under the 2008 federal poverty threshold.

See the addendum for more on efforts to update federal poverty measurements.

There are two commonly used data sources for poverty statistics: the Current Population Survey (CPS) and the American Community Survey (ACS). The CPS is a monthly survey of approximately 50,000 households. Estimates made by the CPS include employment, unemployment, and earnings data as well as demographic characteristics and supplemental questions on topics like school enrollment.<sup>5</sup> The ACS is a monthly household survey conducted by the U.S. Census Bureau and designed to replace the long form of the decennial census. The ACS provides data on social, housing and economic characteristics for demographic groups in areas with populations greater than 65,000. Data estimates for areas with smaller populations take between three and five years to collect.<sup>6</sup>

With the use of ACS data, poverty estimates at the state level have become more precise because the ACS is a larger survey than the CPS. Currently the Census Bureau is recommending the use of ACS data for state and smaller area poverty estimates.<sup>7</sup> This report relies mainly on data from the ACS with two exceptions that come from the CPS (percent of low-income children by parental education and employment status of parents of low-income children.)



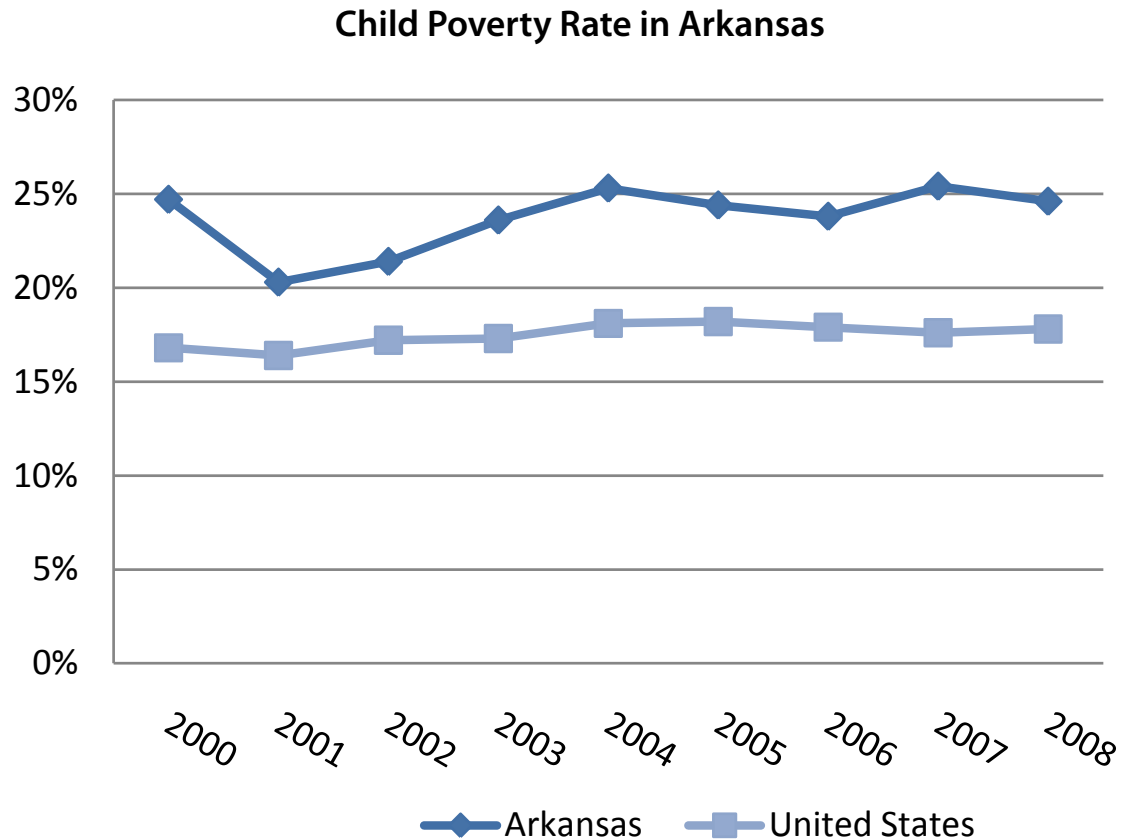
**Arkansas children living in poverty cost the state \$6.2 billion annually. As the number of children in poverty increases because of the recession, that cost will increase.**

## Arkansas Children in Poverty: The Research

A firm understanding of the research and data collected on children in poverty is key to knowing how to address it. By examining the patterns and trends of child poverty, we know there's a wide variety of families who experience poverty in Arkansas. That diversity of individual situations also tells us that no one program or combination of services can help every family living in poverty—and that families can't beat it on their own.

### How many are in poverty?

One in four Arkansas children lives in poverty, but there's much more to the numbers. The child poverty rate varies greatly county by county (next page).



Source: U.S. Census, American Community Survey, 2006-2008.

According to the 2008 American Community Survey, 17.3 percent of Arkansans (480,551) live in poverty compared with 13.2 percent of the U.S. population in poverty. As seen below, the Arkansas child poverty rate is higher than the adult rate, and has been higher than the U.S. child poverty rate for many years.

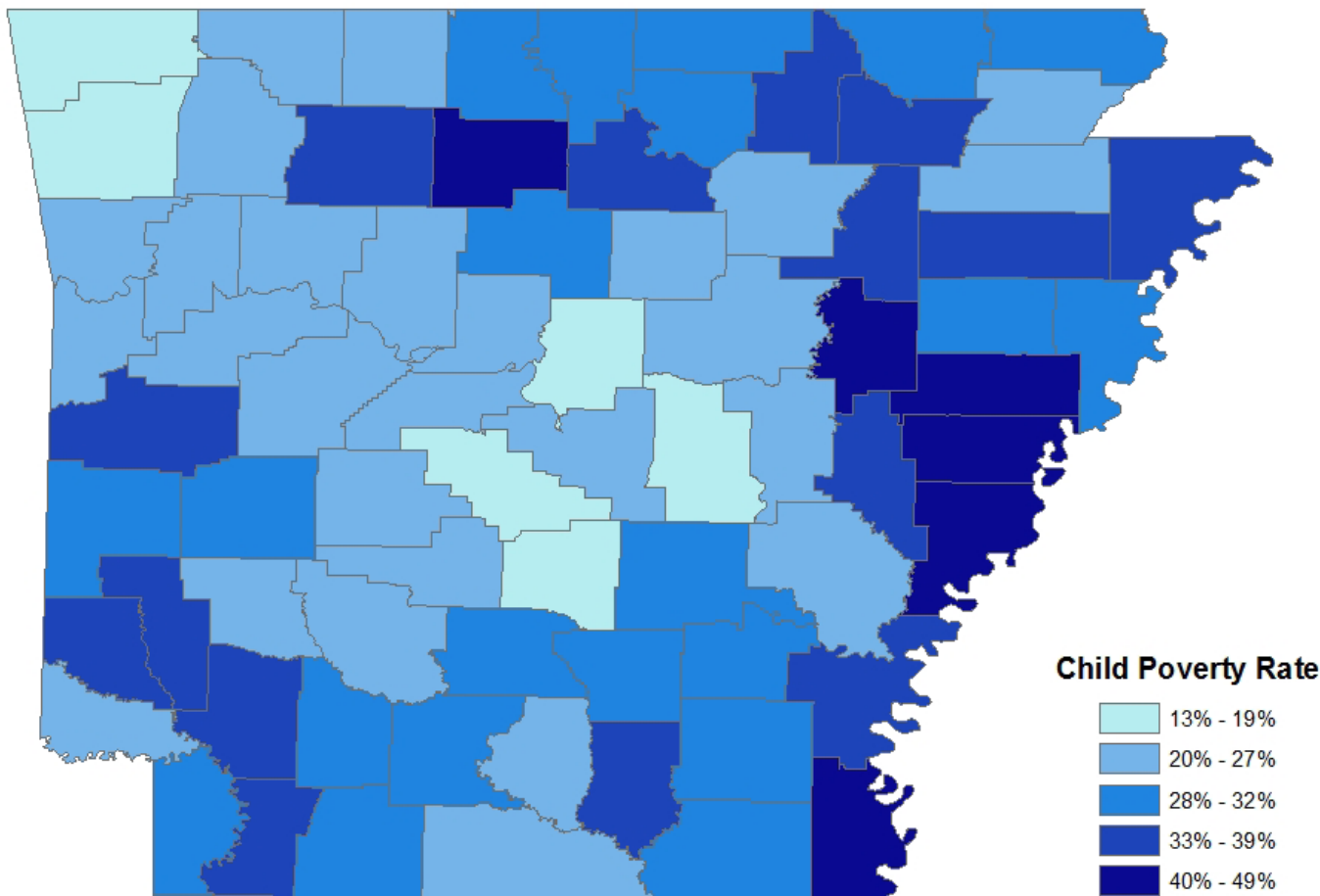
### Population Below Poverty Level, 2008

	Arkansas	United States
Under 18 years	24.9% (171,849)	18.2%
Related Children under 18	24.6% (168,877)	17.8%
18-64 years	15.3% (260,505)	11.9%
65+ years	12.5% (48,197)	9.9%

Source: U.S. Census, American Community Survey, 2006-2008.



### Child Poverty Rate by County



Source: 2008 Small Area Income and Population Estimates, U.S. Census Bureau



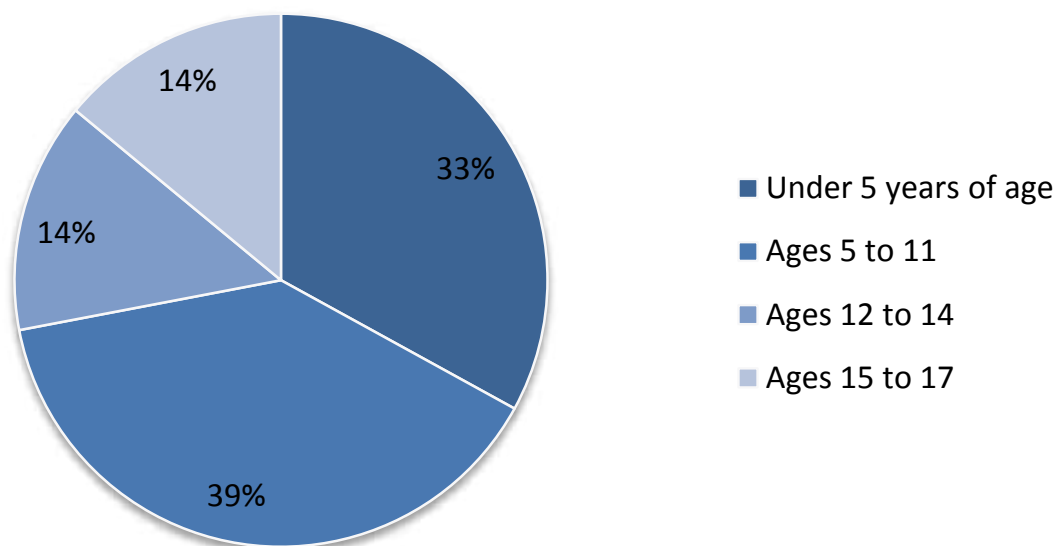
**The Arkansas child poverty rate is higher than the adult rate, and has been higher than the U.S. child poverty rate for many years.**

## Who's living in poverty?

Another way to help us understand child poverty is to examine the demographics of children living in poverty. This following section examines the child population in poverty by age, family structure, race and their parents' education and employment status. For example, of all the children living in poverty, 33 percent are under the age of 5.

Nearly three fourths of Arkansas children living in poverty are under the age of 12. Poverty has a significant impact on the development of young children, especially those under the age of 5. It affects their ability to develop relationships, to learn and succeed in school, and their long-term health.

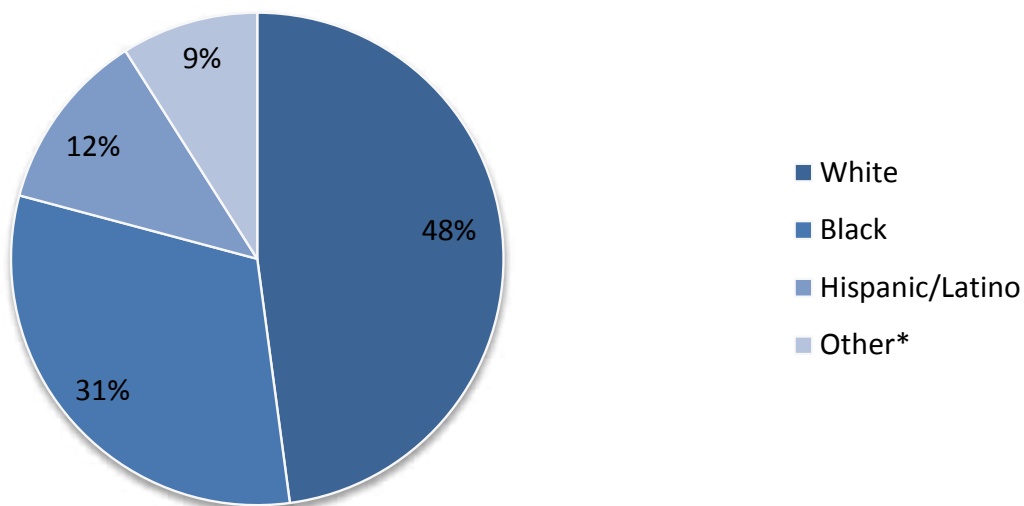
### Ages of Poor Arkansas Children



Source: U.S. Census, American Community Survey, 2006-08. Table B17001

Although white children make up the largest number of poor children, minorities are disproportionately impacted by child poverty.

### Race of Poor Arkansas Children

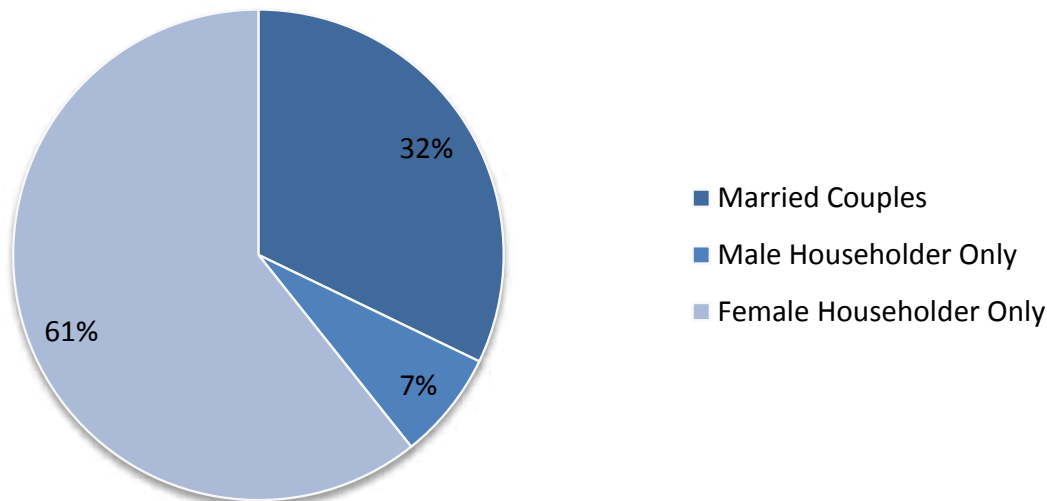


Source: U.S. Census, American Community Survey, 2006-2008. Tables B17020A, B17020B, B17020F, B17020G, B17020I

\* Other indicates either some other race or two or more races as defined by the Census Bureau

Nearly 70 percent of Arkansas children in poverty are living in single-parent households, which dramatically increases a child’s likelihood of growing up in poverty. Single parents must work longer and harder to make ends meet and spend more time away from their children when they don’t have access to educational opportunities, job training and good-paying jobs. This time apart can be detrimental to a child’s development and deepen the impact of poverty.

### Family Structure of Poor Arkansas Children

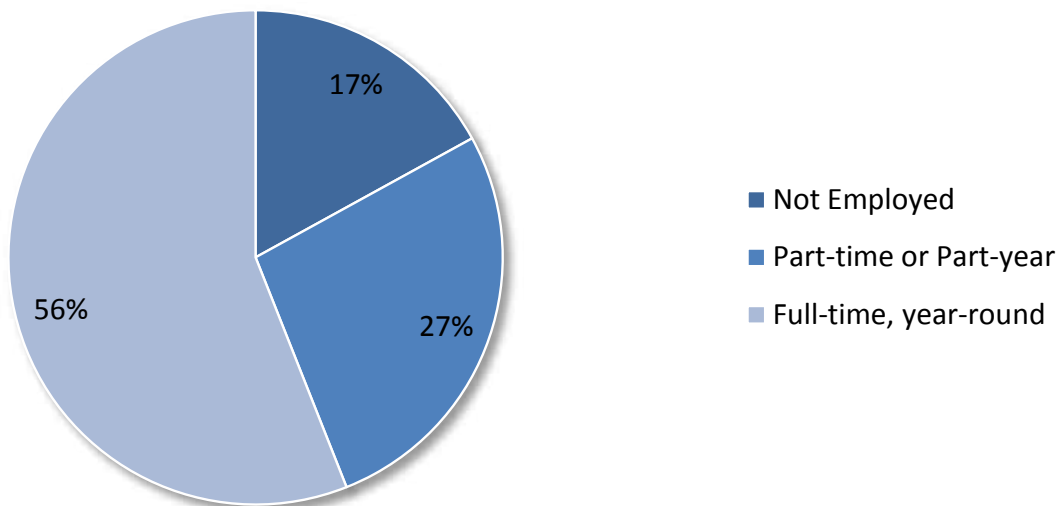


Source: U.S. Census Bureau, American Community Survey, 2006-08. Table B17006

Thirty-six percent of Arkansas children whose parents had some education beyond high school have a higher likelihood of being low-income, which is 11 percentage points higher than the national rate. This may indicate that jobs available to Arkansans with some education beyond high school do not pay as well as in other parts of the country.

Fifty-six percent of low-income Arkansas children had parents with full-time and year-round work, compared to the national level of 51 percent. Again, this may indicate that certain jobs in Arkansas do not pay as well as similar jobs nationally.

### Employment Status of Parents of Poor Arkansas Children

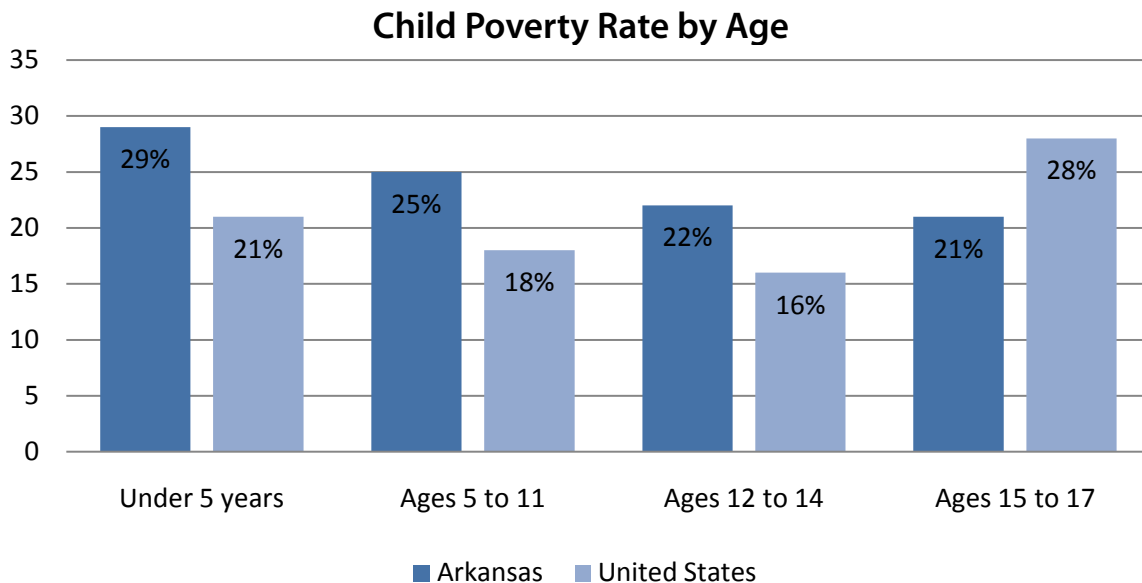


Source: National Center for Children in Poverty analysis of Current Population Survey Data 2007, 2008, and 2009. [http://www.nccp.org/profiles.pdf/profile\\_fes\\_AR.pdf](http://www.nccp.org/profiles.pdf/profile_fes_AR.pdf)

\*Low-Income in this case is defined as 200 percent of the federal poverty line (or \$44,100 for a family of four.)

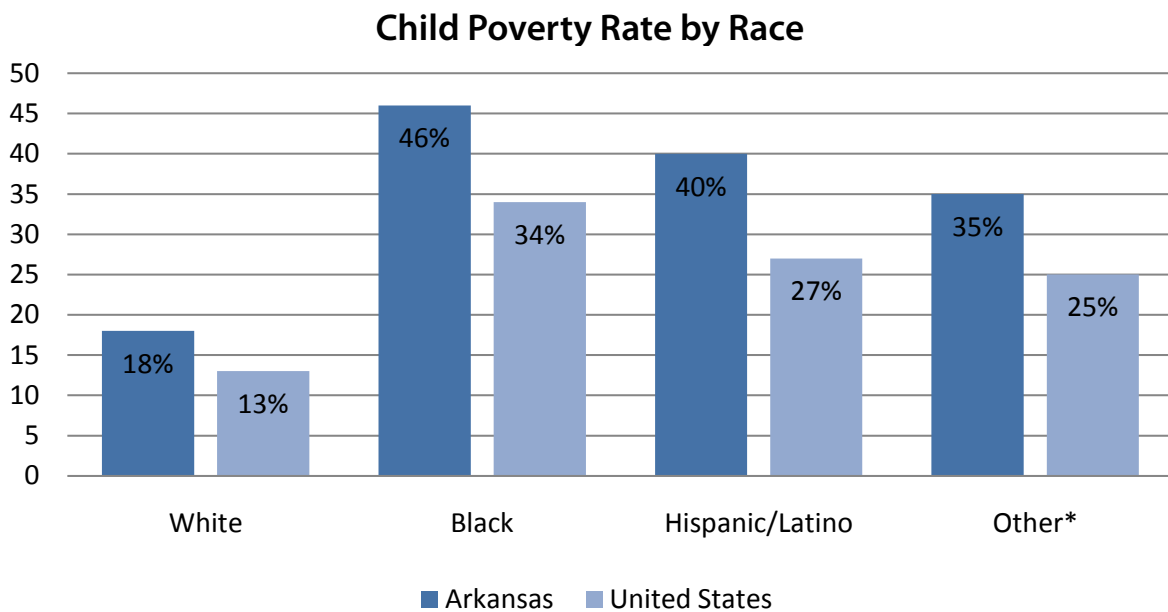
## Who's more likely to be poor?

Different children have different likelihoods of living in poverty based on characteristics like their age, race, family structure, and the number of children in their family. For example, of all the children under the age of 5 in Arkansas, 29 percent live in poverty. That compares to 21 percent nationwide. As Arkansas children get older, the rate of poverty decreases slightly.



Source: U.S. Census American Community Survey, 2006-2008, Table B17001

Although white children make up the largest number of poor children, minorities are disproportionately impacted by child poverty. Of all black children in Arkansas, 46 percent live in poverty, while 40 percent of Hispanic/Latino children live in poverty.

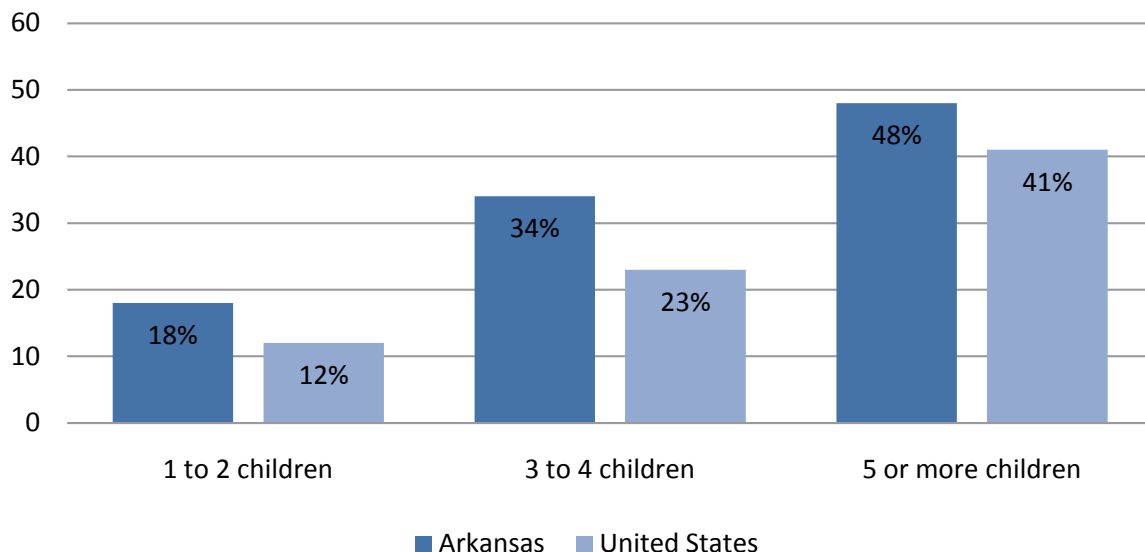


Source: U.S. Census American Community Survey, 2006-2008, Tables B17020A, B17020B, B17020F, B17020G, B17020I

\*Other indicates either some other race or two or more races as defined by the Census Bureau

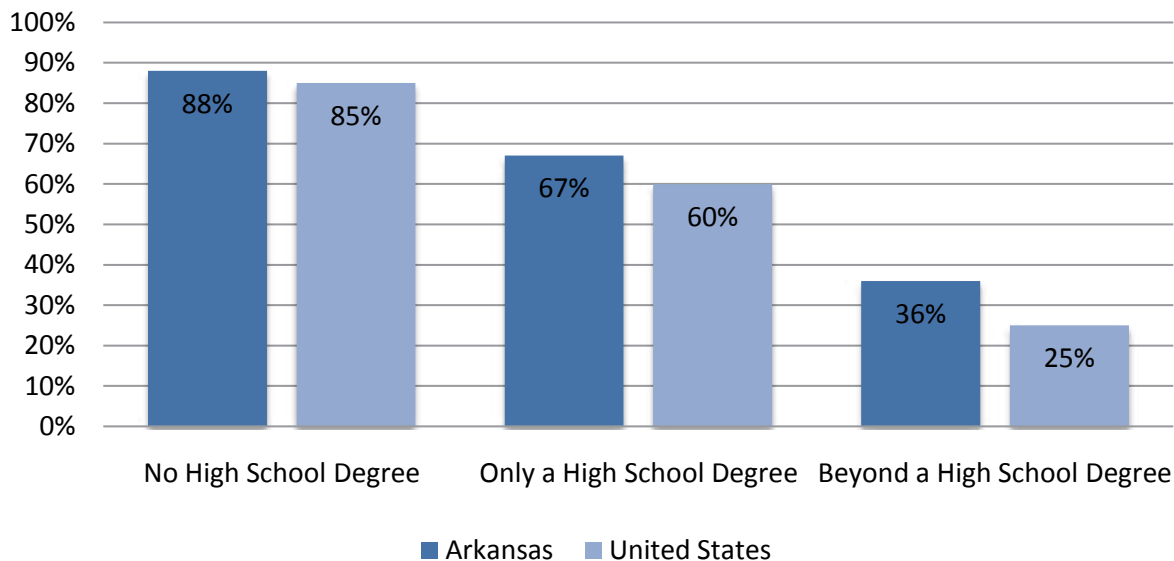
Children of single parents (both female and male headed households) have a higher poverty rate than children of married couples. As the number of children increases for all family structures, the child poverty rate increases as well.

### Child Poverty Rate by Number of Children in Family



Source: U.S. Census American Community Survey, 2006-2008, Table B17006

### Child Poverty Rate by Level of Parent Education



Source: National Center for Children in Poverty analysis of Current Population Survey Data 2007, 2008, and 2009. [http://www.nccp.org/profiles.pdf/profile\\_fes\\_AR.pdf](http://www.nccp.org/profiles.pdf/profile_fes_AR.pdf)

\*Low-Income in this case is defined as 200 percent of the federal poverty line (or \$44,100 for a family of four.)

## Impact of the Recession

Many Arkansas families were already at a disadvantage before the recession. The median household income of Arkansas is lower than the U.S. median household income. Also, black and Latino Arkansans have much lower median household incomes than the population as a whole. With a lower income, minority families have a higher likelihood of living in poverty.

### Median Household Income by Race

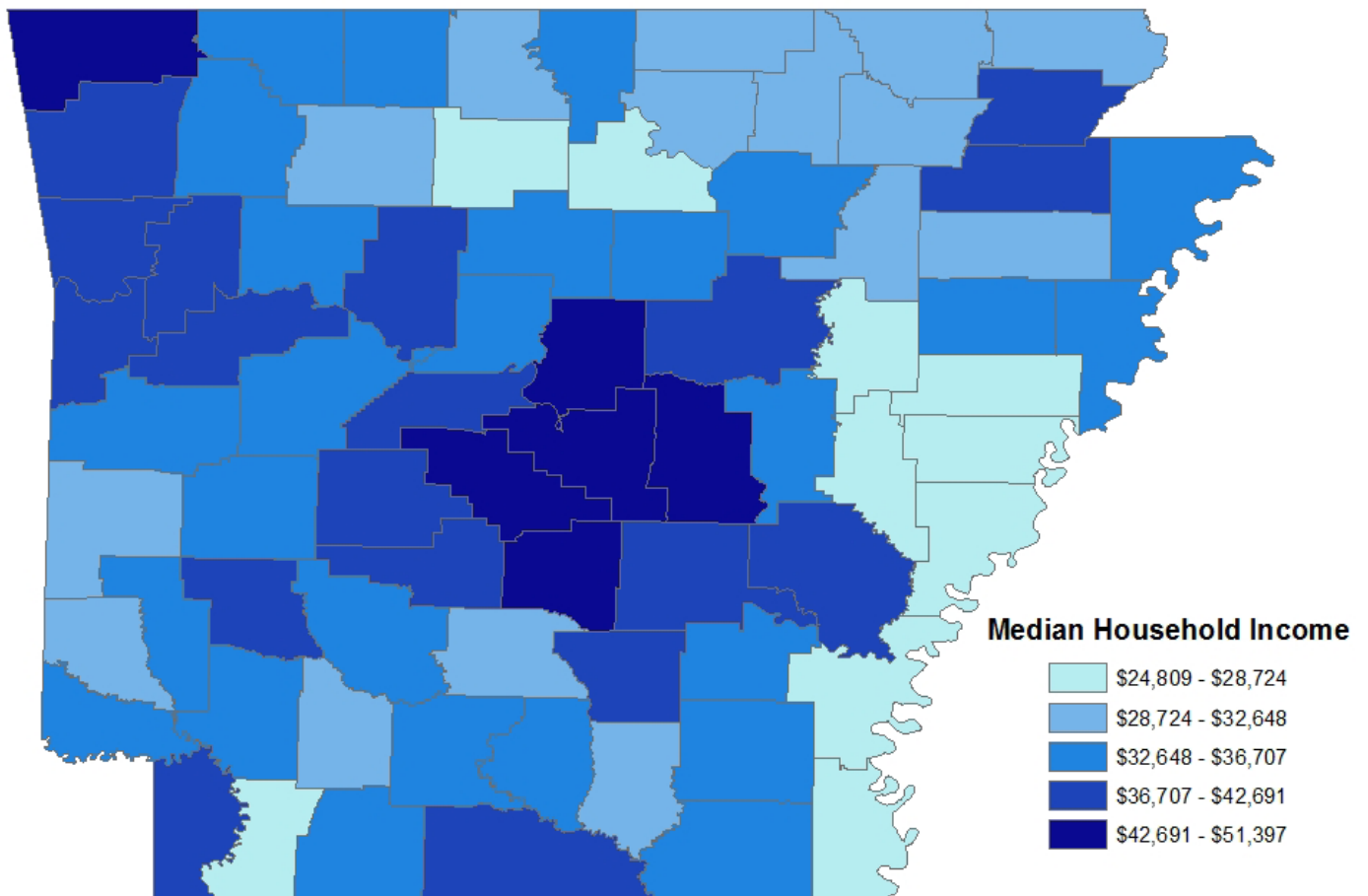
	Arkansas	United States
Total Population	\$39,127	\$52,175
White	\$42,378	\$55,229
Black	\$25,176	\$35,086
Hispanic/Latino	\$32,563	\$41,630
Other*	\$29,923	\$43,654

Source: U.S. Bureau of the Census, American Community Survey, 2008.  
 Tables: B19013, B19013A, B19013B, B19013D, B19013F, B19013G, B19013I.

\*Other indicates either another race or two or more races as defined by the Census Bureau.

In addition, median household income levels vary greatly from county to county throughout Arkansas. Counties in the Delta have the highest concentration low household incomes.

### Median Household Income by County

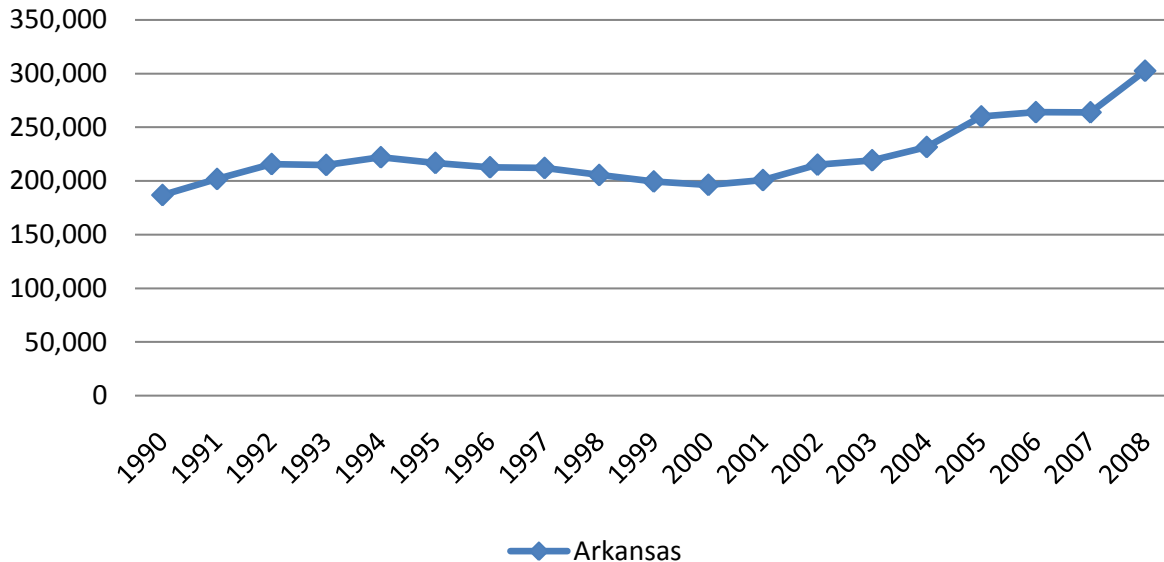


Source: 2008 Small Area Income and Population Estimates, U.S. Census Bureau

The recession has pushed many more families and children into poverty because of falling income or lost jobs. First Focus, a child advocacy organization based in Washington, D.C., estimates that 25 states may see higher child poverty rates due to the recession because they already have high rates and are seeing an increase in demand for assistance programs. Arkansas is included because it already has a high poverty rate and requests for certain assistance programs have been increasing.<sup>11</sup>

The Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps, has seen a steady increase in children receiving benefits since 2000. The most dramatic increase in children receiving benefits happened between 2007 and 2008, when the recession was just beginning.

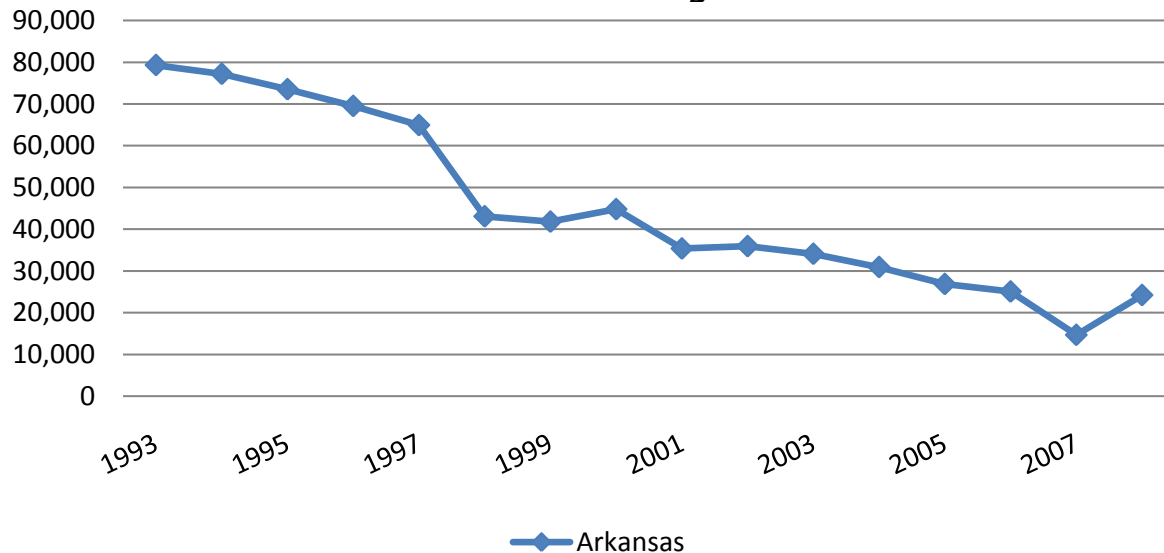
### Arkansas Children Receiving Food Stamps



Source: Data collected by the Kids Count Data Center from the Arkansas Department of Human Services, Annual Statistical Report

Between 2007 and 2008, Temporary Assistance for Needy Families (TANF), a series of programs designed to help low-income families achieve self-sufficiency, saw its first increase in many years. With more children in living in poverty, leaders need to dedicate federal and state resources to programs tackling this problem.

### Arkansas Children Receiving TANF Benefits



Source: Data collected by the Kids Count Data Center from the Arkansas Department of Human Services, Annual Statistical Report

## What Causes Poverty?

At its most basic level, poverty is the result of failing to earn an income high enough to meet all of a family's basic economic needs. The causes of poverty, however, are much more complex and have many dimensions. Some explanations include:

### The Education and Skill Levels of Workers:

All other factors being equal, workers with higher education and skill levels have greater abilities to compete for higher paying jobs. States and communities with higher numbers of these workers generally have a greater ability to compete for these jobs. Low education and skill levels are the result of many factors, including systems that fail to promote the healthy development of young children, policies that fail to adequately close educational achievement gaps for low-income and minority students, and inadequate public support for a strong two- and four-year university system.

**Geographic Location:** Child poverty rates are higher in some areas than others. Southern states typically have higher child poverty rates than other parts of the country. Poverty rates also differ within areas, as urban areas often have higher rates than suburban areas, and rural communities have higher poverty rates than urban communities.<sup>12</sup> Some areas are more attractive to businesses that pay higher wages. There are many possible reasons for differences in how communities attract and compete for economic growth: quality of the workforce, quality of life considerations, quality of public services, access to markets, availability of capital, state tax policies that support the infrastructure and service needs of businesses, strong local leadership, accountable economic development policies, level of civic engagement and more.

**Community Support:** Lack of adequate job supports and policies that promote social and economic mobility for low-income families, including access to affordable child care, transportation, health insurance and policies that allow families to develop and accumulate assets.

**Family Structure:** Children in single-parent

families are more likely to live in poverty because their families typically have only one income and fewer financial resources.<sup>13</sup> They are also more than eight times as likely to grow up in “chronic” poverty, which has even deeper and longer-lasting effects on children. Two thirds of the children living in poverty live in single-parent households.

**Incarceration:** Families in high poverty—especially in urban areas—are more likely to be victims of crime. Also, children living in poverty are more likely to have a parent in prison who can no longer contribute to the family with earnings and time.<sup>14</sup>

## Solutions to Child Poverty

There are no easy solutions for reducing poverty or alleviating its consequences. In particular, the local and state economic development issues related to child poverty are complex and beyond the scope of recommendations in this report. But the following research-supported policy changes would help low-income children and their parents meet their basic needs and give them tools to climb out of poverty. These recommendations are grouped into six areas:

1. Promoting the healthy development of young children.
2. Expanding access to quality early childhood education and childcare.
3. Closing the education achievement gap for low-income and minority children.
4. Improving the ability of parents to succeed in the workforce.
5. Making work pay for parents.
6. Promoting adult education and preparation.

### Promote the Healthy Development of Young Children:

The fight against child poverty must begin early in a child's life. Good health is critical for children to learn and thrive. We must do more to promote healthy and well-educated children and

## Child Poverty Solutions

Promoting healthy development of children

Providing quality childcare and early education

Closing the achievement gap

Helping parents succeed at work

Making work pay for parents

Helping parents get training and education





help them enter school healthy and ready to learn. Access to health care coverage and quality health care services is an important first step.

*ARKids First and Well Child Check-Ups:* The ARKids First program covers medical, dental, vision, hearing and mental health services. However there still are many Arkansas children without any or enough health insurance coverage. To make sure children in poverty have better health outcomes throughout their lives, Arkansas needs to reach two goals concerning health insurance coverage for kids: reducing the number of eligible, unenrolled children in ARKids First program and expanding eligibility to cover more families.<sup>15</sup> Eligibility for ARKids First is only one part of the puzzle. Many of the children enrolled in ARKids First do not have access to a “medical home” or primary care physician, and far too many children do not receive their well child check-ups (known as EPSDT) to identify and correct health problems before they become serious.

*Coordinated School Health Programs:* Schools have an important role to play in the health of children. Arkansas should build on the success of its coordinated school health initiative and new school wellness centers. This will allow more schools to partner with community health clinics, dental services and other organizations to make sure children get health screenings, treatment and support. Coordinated school health is much more than access to services. It’s about creating an environment that supports all aspects of children’s health, including health and physical education, health and nutritional services, a healthy school environment, and greater involvement in student health efforts from parents, school staff and the community.

*Child Nutrition:* Arkansas is ranked as having the third highest incidence of hunger in the nation. To help hungry children, Arkansas should expand summer meal programs by increasing outreach and

technical assistance for providers. This could be accomplished using either USDA funding or private money.<sup>16</sup>

The Supplemental Nutrition Assistance Program (SNAP) provides food assistance for children and their families. Formerly known as food stamps, the program helps low-income families purchase the nutritional food they need to be healthy.<sup>17</sup> Even though it helps a lot of families, even more people will need these benefits as the economy suffers. Arkansas should expand outreach efforts so that all eligible families are aware of the program and are participating. It would be helpful if families could apply for both SNAP and ARKids First with the same application.

**Expand Access to Quality Early Childhood Education and Childcare:** The research is clear: Most critical brain development begins early in life before children enter the school system. Every child in Arkansas should have access to quality early childhood education opportunities essential for healthy child development.

The state-funded Arkansas Better Chance, Arkansas Better Chance for School Success Programs and the federally funded Head Start program provide a comprehensive and enriched quality early learning experience for young children. Arkansas has become a national leader in expanding quality early childhood education for at-risk 3- and 4-year-olds, including expanding annual funding for the ABC for School Success Program by over \$100 million since 2003. Even with this expansion, too many low-income and at-risk children still lack access to these programs. More must be done to ensure that all 3- and 4-year-old children, regardless of where they live or their family’s income, have access to quality programs. We also need to make these programs available at an earlier age. Currently, a small number of infants and toddlers are served by the original ABC program and the federally funded Early Head Start program.

**Close the Achievement Gap for Low-Income and Minority Students:** Every child in Arkansas should have access to adequate and equitable educational opportunities. However, too many communities aren’t able to offer students the same opportunities as communities with

## Healthy Child Development

### ARKids First and Well Child Check-Ups

### Coordinated School Health Programs

### Adequate Child Nutrition



a more prosperous population. This leads to gaps in educational achievement that put too many low-income and minority students at a disadvantage in succeeding at school and being prepared to attend and graduate from college. In addition to quality early childhood education programs, other strategies that have been shown to close the achievement gap include:

*Class Size Reduction.* Research in other states has shown that reducing the number of students in a class—more so in early grades—increased the success rates of students, especially minority students. Arkansas needs a statewide program to decrease the number of students in each classroom to increase interaction between students and teachers.<sup>18</sup>

*Parental Involvement.* Studies have also shown that parents who help children with their homework, or who are involved in the school system through activities like attending PTA meetings, have a positive impact on students. The Home Instruction Program for Parents of Preschool Youngsters (HIPPY) does just that for many families in Arkansas. Through home visits to parents with 3-, 4- and some 5-year-old children, HIPPY gives parents age-appropriate materials and lessons for their children, as well as tips on parenting and involvement.<sup>19</sup> Programs like HIPPY should be expanded to help more parents.

*Quality Out-of-School Programs.* The hours after school or during summer vacation can be difficult for parents to find quality care or educational opportunities for children. This task is especially difficult for low-income parents. A recent report from the Governor's Taskforce on Best Practices for After-School and Summer Programs made many recommendations about out-of-school programs that would be the most beneficial to Arkansas children. A few include: the promotion of quality programs; improving standards and program evaluation; expanding strategic partnerships; linking after-school programs with workforce and economic development; and strengthening and developing a statewide structure.<sup>20</sup> These types of programs not only emphasize educational experiences that many students would benefit from but they also provide safe, healthy places to spend their time out of school.

**Help Low-Income Parents Succeed in the Workforce:** Programs that help parents work and overcome barriers to employment help many families reach self-sufficiency. Arkansas offers a variety of work and income supports for parents of children in poverty through the Temporary Assistance for Needy Families (TANF) program.

*Quality Childcare.* Subsidized child care is critical for low-income working parents and is an essential piece of the Arkansas early childhood system. Normally Arkansas has a long waiting list for children in need of vouchers for their parents to be able to afford childcare. But currently there are no children on the list because of money from the American Recovery and Reinvestment Act (ARRA). However, when ARRA money runs out later this year, approximately 5,000 children will lose their access to subsidized childcare, hurting the ability of parents to work and stay employed.<sup>21</sup> Another source must be found to replace the ARRA funding.

Access to affordable child care is only one piece of the puzzle. While all child care centers have to meet minimum licensing requirements, most do not meet the high quality standards required of early childhood education programs such as ABC or Head Start. Arkansas has developed a Quality Rating Improvement System (QRIS) called "Better Beginnings" that has to be officially adopted and implemented. The system, which will have three levels of quality with specific requirements, will provide modest financial incentives for centers that meet one of the three levels. It will also include training and technical assistance to help programs meet these standards.

*A Comprehensive Benefits and Assistance System.* Transitional Employment Assistance (TEA) is a limited-time cash assistance program for low-income families with children or who are expecting a child. TEA also provides work training and other services in order for families to become permanently self-sufficient. These benefits are also available to non-parent guardians caring for children.<sup>22</sup> Work Pays is a program that provides assistance to former clients of TEA who are employed. Families in Work Pays receive the same benefits as they did on TEA as well as a monthly cash assistance payment. This monthly income from the

## Closing the achievement gap

### Smaller classes

### Involved parents

### Quality out-of-school programs

program is designed to help families make an easier transition to self-sufficiency.<sup>23</sup>

Both job training and cash assistance to families in poverty are helpful, but there is more to be done. A comprehensive system allowing families to apply for all public benefit programs in one place (including programs such as TEA, SNAP, ARKids First, etc.) would help more families receive the assistance they need. Arkansas has made some progress in this area through initiatives such as the DHS Access Arkansas online application system. More can be done, including a comprehensive assessment of the potential barriers to enrollment in these programs. That includes asset limits and other eligibility requirements and “cliffs” that make families ineligible for programs with changes in family income or assets. Such cliffs make it more likely that families become ineligible for key programs as they begin to earn more income and climb up the economic ladder.

**Make Work Pay for Parents:** Certain federal and state tax credits can help families in poverty become self-sufficient.

*Federal Earned Income Tax Credit.* The federal Earned Income Tax Credit (EITC) is the most successful example of a tax credit that helps hard-working families. Studies have shown that the federal EITC reduces child poverty by nearly 25 percent and that families use their refunds to pay off debt, get to work, buy basic necessities and invest in education. The EITC is a refundable tax credit for low- and moderate-income families that was originally designed with bipartisan support to offset social security taxes and to provide an incentive to work. Taxpayers receive a refund from this tax credit if the EITC exceeds the amount of taxes owed. For the 2010 filing season, a married couple filing jointly with two children can earn up to \$45,295 to receive the credit up to \$5,028.<sup>24</sup> Arkansas should make sure that more families know about the federal EITC when they file their tax returns to ensure that everyone eligible receives the credit.

Arkansas should increase its outreach efforts on Volunteer Income Tax Assistance (VITA) sites. VITA sites offer free tax preparation by an IRS-certified volunteer. Through VITA, families don't have to spend their refund

money on tax preparation fees or Refund Anticipation Loans.

*State Earned Income Tax Credit.* Arkansas has taken important steps to make its tax system less a burden on low-income families, such as decreasing its grocery tax and reducing income taxes for families below the poverty line. More than half of states with income taxes have taken the additional step of enacting a state EITC, modeled after the highly successful federal EITC, to help reduce poverty. An Arkansas EITC should be refundable and be a percentage of the federal EITC (normally state credits are between 10 and 50 percent). In the past, AACF has estimated that a 10 percent state EITC would cost approximately \$56 million for Arkansas to implement, with only one percent of that cost needed for administration.<sup>25</sup> A state-level EITC would put money back into the pockets of hard-working families and help them meet basic needs.

*Child Tax Credit.* The Child Tax Credit (CTC) is a non-refundable credit provided by the federal government to help families with the costs of raising children. This credit may be as much as \$1,000 per qualifying child.<sup>26</sup> However, many families do not benefit from the CTC because they do not earn enough money. Many Arkansans would benefit if it was expanded to help more low-income families.<sup>27</sup>

#### **Promote Adult Education and Job Preparation:**

Helping parents get the necessary job training and education to be competitive in today's job market will decrease the number of children living in poverty.

*Career Pathways.* Career Pathways helps low-income adults get job training at two-year colleges. This statewide TANF program offers assistance in completing a General Educational

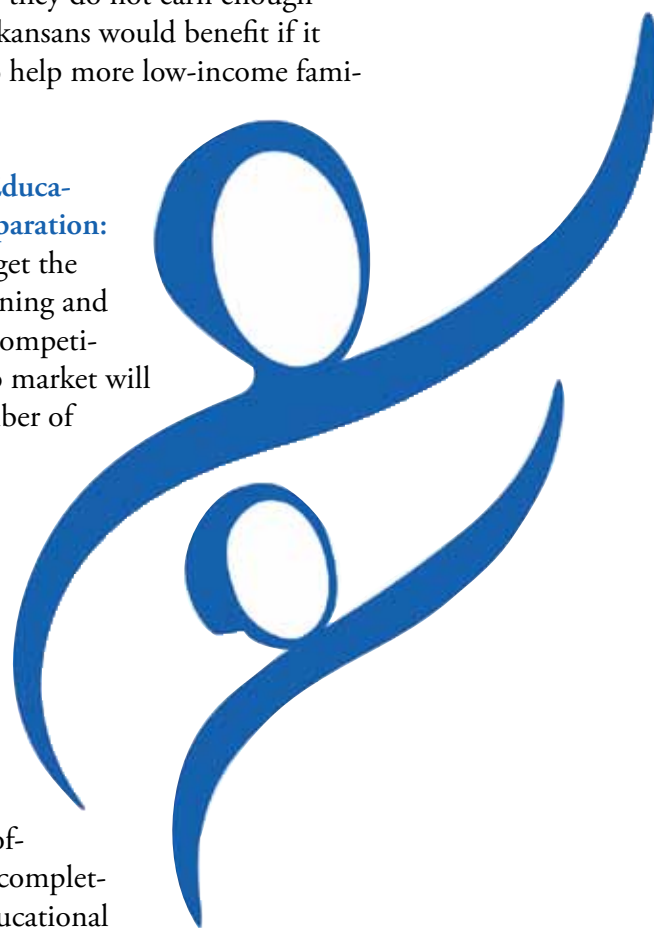
## **Make work pay**

**Promote use of federal EITC**

**Create state EITC**

**Expand child tax credit**

**Help adults pursue higher education and better jobs**



Developmental (GED), loaning students their textbooks and even offering childcare vouchers and transportation assistance in the form of gas money or bus fare. Career Pathways offers training in computer operation, automotive mechanics, allied health professions, welding, office administration and industrial maintenance—to name a few. Participants can get help filling out job applications or dressing for interviews. Those who finish the program receive employer recognized employability and career readiness certifications.<sup>28</sup>

Career Pathways helps families become self-sufficient through job training, but also recognizes that there are barriers (such as transportation or childcare) to getting that training.

**Strengthen Marriages, Family Relationships and Father Involvement:** Children born to unmarried parents and living in single-parent households are much more likely to live in poverty than children in two-parent families.

While the research on the effectiveness of many of these programs is still in its infancy, any comprehensive approach to fighting child poverty should include a discussion of the programs designed to strengthen families, including programs to: reduce pregnancies in teens and unmarried women, strengthen marriages and family-relationship programs and establish responsible fatherhood programs. These tactics promote greater financial and emotional support of children by absent parents, most typically fathers.

## The growing movement to address child poverty

As the number of children living in poverty increases, national organizations and foundations are looking at large-scale programs to reduce this problem.

**Poverty Commissions and Taskforces:** Arkansas and many other states have formed task forces or commissions to reduce poverty. The Arkansas Legislative Task Force on Reducing Poverty

and Promoting Economic Opportunity is charged with examining poverty in Arkansas and providing recommendations for reducing poverty through the areas of economic and community development, education, individual economic support and security and tax policy. Its recommendations are expected in November 2010.<sup>29</sup>

**National Poverty Reduction Campaigns:** The Half in Ten Campaign has the goal of cutting poverty in half in 10 years and focuses on solutions such as childcare, the Earned Income Tax Credit and the Child Tax Credit. In order to address this problem we must change the public's perception of poverty and change federal, state and local policies to promote decent work, provide opportunity for all, ensure economic security, and help Americans build wealth.<sup>30</sup> AACF is currently leading this effort in Arkansas.

**Foundation Initiatives:** The Winthrop Rockefeller Foundation has a multi-year, strategic plan called Moving the Needle (MTN). The campaign has four strategic goals to help Arkansas move from the bottom five in national rankings to one of the highest ranking states in the country. This initiative's goals include:

1. Reducing the number of families living below 200 percent of the poverty line.
2. Increasing high school, vocational and college graduation rates.
3. Increasing educational attainment and economic mobility in select communities.
4. Demonstrating that strategic support and good grant-making can help grantees achieve Moving The Needle goals.<sup>31</sup>

## Resources

For more information about ARKids First and helping more children have access to healthcare, check out the Arkansas Finish Line Coalition at [www.arfinishline.org](http://www.arfinishline.org).

For more information on hunger and food insecurity, contact the Arkansas Hunger Relief Alliance [www.arhungeralliance.org](http://www.arhungeralliance.org).

For more information about Head Start and Early Head Start visit [www.arheadstart.org](http://www.arheadstart.org).

To learn more about Career Pathways and

the specific programs at a specific two-year college visit [www.arpathways.org](http://www.arpathways.org).

For more information about the Housing Trust Fund visit [www.housingarkansas.org](http://www.housingarkansas.org).

For detailed information about the achievement gap and educational system changes that Arkansas could take look at the report titled, “Education in the Post-Lake View Era: What is Arkansas Doing to Close the Achievement Gap?” available at <http://www.aradvocates.org/assets/PDFs/2008EducationAchievementGap.pdf>.

For more information about the HIPPY program visit [http://www.archildren.org/community\\_outreach/hippy.asp](http://www.archildren.org/community_outreach/hippy.asp).

For more information about out-of-school programs visit [www.aosn.org](http://www.aosn.org).

For more information about the Half in Ten Campaign visit <http://halfinten.org>.

## Addendum: Updating the Definition of Poverty

The federal poverty threshold and guidelines are based on outdated assumptions about family expenses. They include income before taxes and don't include taxes paid, tax credits received (such as the Earned Income Tax Credit) or non-cash transfer programs such as food stamps.<sup>32</sup>

Some organizations have designed their own measures to figure what a family needs to be self-sufficient. The Economic Policy Institute's Basic Family Budget Calculator estimates what a family would need to earn, depending on family size and geographic location, in order to meet their basic needs (including food, shelter, clothes and transportation to work and school). These calculations do not include any savings, emergency funds, recreational spending (such as going to restaurants) or even renter's insurance. In Arkansas, a family of four living in a rural area needs to earn \$37,338 to meet its basic needs while the same family living in the Little Rock/North Little Rock area would need to earn \$41,008.<sup>33</sup>

Arkansas Advocates for Children and Families developed the Family Income Standard, which calculates the amount a working family in Arkansas with children needs to earn to meet all of its daily living needs without assistance from government or private charities.

The standard includes the basic living expenses of families with children: food, housing and utilities, health care, transportation, childcare, taxes and other necessities such as clothing, personal care and household items. In 2003, AACF estimated that a family with two employed parents and two children would need to earn \$35,658 (in 2010, adjusting for inflation, this number would be \$42,003) to meet its basic needs without assistance.<sup>34</sup>

The Measure Poverty Act of 2008, currently before Congress, would update the federal poverty measure. It would require the calculation of a threshold representing a decent standard of living that includes variations based on family size, geographic location, and other important factors. It would be required to include realistic estimates for the costs of food, housing, utilities, clothing and other basic necessities.<sup>35</sup>

The U.S. Census Bureau is developing a supplemental poverty measure that will better demonstrate the struggles of working families.<sup>36</sup> This new measure will use these recommendations from the National Academy of Sciences:

- Is an alternative poverty threshold that allows a family to meet its basic needs such as food, housing, and clothing.
- Recognizes the portion of a family's income that is not available to pay for basic necessities because it is being used for taxes, child support, or out-of-pocket or work-related medical expenses.
- Counts income from housing vouchers, tax credits, and other work assistance that a family receives.
- Makes adjustments for different geographic locations throughout the country.

The first data for this measure will be released in 2011 at the same time as the traditional poverty data. Also, these data will not replace the current federal poverty guidelines to determine a family's eligibility for government programs.

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