

# Poverty Action Report



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Sargent Shriver National Center on Poverty Law

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## The State of Poverty: 12 Ways to Lead the Change

The State of Poverty is America's most populous state—37 million people. For many living in poverty, opportunity is limited, mobility is restricted, and the road to prosperity is blocked.

Legal advocacy can reopen the paths of justice blocked by years of disinvestment in federal antipoverty policies, weak enforcement of civil rights laws, and unequal access to justice. The law provides the policies and enforcement tools needed to rebuild a national infrastructure to fight poverty. Through law and policy, leaders can create or reopen paths of justice ensuring that we all, regardless of race, class, or gender can advance toward economic security and success.

It's an exciting time in our nation. The new leadership of the 110th Congress offers opportunities to promote action. The election season is an occasion to advance the battle against poverty on the national agenda and candidates are responding to the call for economic justice. Additionally, states are ahead of the national curve in passing large-scale health care initiatives, minimum-wage increases, and other antipoverty measures.

At this time of renewed promise in the fight against poverty, we put forth twelve ways to lead the change. For each of the next four months, Poverty Action Report will highlight three of these policy ideas and opportunities for action on both the federal and state levels in 2007. Now is the time to renew our energy in seeking out paths of justice to break through institutional barriers to economic success and lead the way out of the State of Poverty.

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### ***1. Strengthen the Legal Foundation for Civil Rights and Racial Justice***

Americans overwhelmingly believe that everyone should have a fair and equal opportunity to live a decent life. Nevertheless, America still suffers from systemic discrimination that denies a fair and equal opportunity to segments of the population. Guaranteeing this opportunity to everyone is a cornerstone of the fight against poverty.

The people most in need of protection from discrimination are most likely to be poor, and disproportionately female and of a minority group. Moreover, people who are poor are less likely to be at the table when many public policies are being considered.

For them, protection under the civil rights laws is often their only defense against harmful and unfair treatment. Low-income people need access to legal representation not only in individual matters but also in policy making. This is where the allocation of public funds and the laws and programs that can guarantee and facilitate fair and equal opportunity are decided.

A national agenda on civil rights and racial justice must advocate vigorous public and private enforcement of the civil rights laws at the federal and state levels, and strict enforcement of the right to vote. It must seek access to legal advice and representation in individual matters and public policy circles.<sup>1</sup>

#### **Opportunities for Federal Action in 2007**

##### *Increasing Funding for the Legal Services Corporation and Allowing Full Representation*

Because access to justice requires access to competent legal advice and representation in civil matters, we recognize a civil right to counsel in such cases.<sup>2</sup> We support significantly increased funding for the Legal Services Corporation. Because access to justice requires that lawyers be able use all advocacy tools, including class action and legislative advocacy, on behalf of their clients, we support the repeal of the restrictions on representation methods imposed on attorneys employed by Legal Services Corporation grantees.

##### *Repealing the Federal Prison Litigation Reform Act*

Because minorities, especially low-income minorities, are disproportionately imprisoned and imprisoned in institutions that are dangerous to people's health and even to their lives, we support the repeal of the federal Prison Litigation Reform Act of 1995, which severely limits prisoners' access to the federal courts concerning prison conditions.

##### *Appointing Fair Judges and Upholding an Active Civil Rights Administration*

President Bush's judicial appointments should be measured by their record and attitudes on civil rights and racial justice. We should support the appointment of competent and fair judges at the trial and appellate levels of the federal courts. Moreover, presidential candidates should answer for how they will lead the cause of justice by enforcing civil rights laws while they are in office.

#### **Opportunities for State and Local Action in 2007**

##### *Increasing State and Local Funding for Civil Legal Services*

By recognizing a right to counsel in civil cases, we support state efforts to ensure the availability of quality legal representation for low-income people whose rights to basic human needs are threatened. Many states are trying to increase state and local funding for civil legal services. This can improve the private enforcement of civil rights laws and afford equal access to the courts and to policy making.

[1]See 36 Clearinghouse Review (May–June 2002) (special issue on “Pursuing Racial Justice”) and 36 Clearinghouse Review (July–Aug. 2002) (special issue on “Pursuing Racial Justice (Part 2)”).

[2]See 40 Clearinghouse Review (July–Aug. 2006) (special issue on “A Right to a Lawyer? Momentum Grows”).

## ***2. Establish Affordable Quality Health Care for All***

Forty-eight million Americans have no health care insurance. The uninsured are sicker and die sooner. They have trouble on the job because they are frequently “sick at work” or preoccupied with family health problems. They have crushing medical debt, which is the second leading cause of family bankruptcy and a leading cause of family stress and breakdown. Moreover, most family bankruptcies involve people who had insurance but found the required fees too expensive. The problem of health coverage actually concerns all Americans—those who have insurance, those offered insurance by employers who turn it down due to the expense, and the uninsured.

The financial cost of the health coverage crisis, to say nothing of its human and social cost, is now a major part of the cost of doing business in America, crippling many companies and harming our competitive position in the world. Health care is essential to our nation's overall physical and economic well-being. It is time for a national health care policy that ensures affordable, quality health care for all.

### **Opportunities for Federal Action in 2007**

#### *Providing Health Care for All of Our Children*

The reauthorization of the State Children's Health Insurance Program (SCHIP) in Congress is scheduled for 2007. It offers a chance not only to shore up the funding of that program so that all currently covered children will retain coverage but also to put the nation on a path to covering all children.

#### *Protecting Medicaid Eligibility Among Vulnerable Population Groups*

In the Deficit Reduction Act of 2005, Congress enacted, for Medicaid recipients, a citizenship documentation requirement that threatens the health coverage of millions of people who, though citizens, do not have the required documents. While national class action suits continue to attack the draconian new rules, Congress should work to repeal or ameliorate the rules immediately.

### **Opportunities for State and Local Action in 2007**

#### *Instituting State Programs for Health Care for All*

While Massachusetts led the way in 2006 by passing a plan to cover all of its people, the governors in California and Pennsylvania recently announced plans for universal coverage of all state residents in 2007. Illinois is expected to follow suit early in 2007.<sup>1</sup> In Illinois universal health care plans will expand public coverage and subsidies, ensure the availability of affordable benchmark coverage, reform the insurance industry, and make for sustainability.

#### *Providing Health Care for All of Our Children*

Illinois and a number of other states have established programs to cover all children.<sup>2</sup> This has proven to be a relatively short step from already successful SCHIP programs in most states—a highly doable big idea with relatively modest cost.

[1]Victoria Pulos, *The 2006 Massachusetts Health Care Reform Law*, 40 Clearinghouse Review 610 (March–April 2007).

[2]John Bouman, *The Path to Universal Health Coverage for Children in Illinois*, 39 Clearinghouse Review 676 (March–April 2006).

### ***3. Guarantee Economic Safety for People with Employment Challenges***

As poverty continues to rise while the formal jobless rate remains relatively stable and at a relatively “normal” level, more and more people clearly are experiencing chronic unemployment related to personal, family, or societal factors that operate separately from the overall economy.<sup>1</sup>

Certain groups have high percentages of the chronically unemployed—young adults in economically and racially isolated communities, people returning to communities from prison, homeless veterans, children aging out of foster care, and others. Most such unemployed people want to work and can succeed in employment if they have help.

Other people are not employed because their disabilities are severe or they have to care for severely disabled family members. Sometimes larger economic forces block employment prospects and efforts to find work. There should be a humane and reliable safety net available for all who need it.

#### **Opportunities for Federal Action in 2007**

##### *Developing a National Transitional Jobs Program*

The unenacted Responsible Fatherhood and Healthy Families Act of 2006 was the first time ever that federal funds were designated for Transitional Jobs. An employment strategy that cuts through the complex reasons for a person’s chronic unemployment, Transitional Jobs start with the desired outcome—employment. The strategy combines a temporary subsidized job with mentoring and case-managed employment and social services to provide income and teach ways to cope with and rise above employment barriers. The result is that participants obtain unsubsidized jobs. Pilot Transitional Job programs have been promising. Comprehensive information on Transitional Jobs is available at [www.transitionaljobs.net](http://www.transitionaljobs.net).

##### *Expanding the Food Stamp Program*

The reauthorization of the 2007 Farm Bill will determine the size and shape of the Food Stamp Program. This program must be expanded and made much more accessible. This is one of the most basic elements of the safety net, and it serves as a key work support for those who can work.

#### **Opportunities for State and Local Action in 2007**

##### *Implementing Welfare Reform in the States*

There are ways to address the issues raised by the new federal Temporary Assistance for Needy Families (TANF) rules in the Deficit Reduction Act of 2005. In spite of the shortsighted federal rules, states retain substantial choice and freedom of movement. Now that the focus shifts to the states, the responsibility rests there for adapting the federal TANF policies into antipoverty policies that put the lessons of the first ten years of welfare reform to productive use.

##### *Improving Access to Safety Net Programs Through Better Administration*

States are faced with deep budget cuts that have reduced the number of state employees below the level needed to administer safety net programs and have otherwise caused states to implement eligibility restrictions or harmful procedures that block entry. In 2007 many states are dealing with staffing and access problems.

##### *Protecting and Expanding Unemployment Insurance*

Unemployment insurance is the main between-jobs safety net for workers involuntarily out of work. Yet many low-income workers, especially women, do not have access to the program due to technicalities. State programs can be improved to correct these shortcomings. This insurance program is perpetually under attack by the business community (which pays the taxes that support it), and so each state must protect this program from attacks on its eligibility rules and funding base.

[1] John Bouman & Joseph Antolin, *Attacking Poverty by Attacking Chronic Unemployment: A Proposal to Stabilize and Grow the Transitional Jobs Strategy*, 40 Clearinghouse Review 105 (May–June 2006).

*Perspective*

**Health Care for All: The Time is Now**  
*Illinois' Governor Announces Historic Plan to Cover Everyone*

Governor Rod Blagojevich's State of the State and Budget message contained a bold and historic plan to repair the health care system in Illinois. His highly credible mix of public and private sector strategies would offer comprehensive health care at an affordable cost to every Illinois resident, regardless of income level or prior medical condition. *Illinois Covered* will result in increased stability and cost controls in the whole insurance market, which benefits everyone – the insured, employers who offer insurance and the uninsured alike.

The time for comprehensive health care is now, and the Governor's plan is just in time. There is deep anger and anxiety in virtually every household in Illinois over the cost of health care, the availability of health insurance, and ultimately access to good quality medical care.

Medical-related debt is a top cause of personal bankruptcies, and most of those bankruptcies involve people who had insurance. People with insurance pay \$1,000 more every year in premiums because of cost shifting needed to provide emergency care to the uninsured. To manage the expense, employers are increasing the employee share, increasing the co-payments, reducing coverage, or dropping health insurance altogether.

By offering coverage to everyone, the Governor's plan will significantly reduce the number of people receiving care that do not pay, which will reduce or perhaps eliminate cost-shifting and upward pressure on premiums. By making coverage affordable for everyone, the Governor's plan ensures that on-average healthier employees will continue to participate in employer-sponsored plans. This means those plans will have fewer claims per participant, further reducing the upward pressure on premiums.

The Governor's plan will emphasize prevention and maintenance care, which prevents or minimizes serious conditions. Additionally, the Governor's plan has an "employer assessment" that makes sure those employers of more than 10 who do not offer health insurance will help to pay for the health coverage

system. This evens the playing field for employers who offer insurance.

This system costs money, an estimated \$2.5 to 3 billion when fully implemented several years from now. But the current system also costs at least as much money (for emergency care, charity care, delayed care, lack of preventive care). The Governor's plan ultimately is about how and when to spend money on health care – not whether to spend it. Reform costs money, and this means new revenue streams are needed. Polling shows that people understand and expect this.

The Governor has proposed a "gross receipts tax", which is a small percentage of all business income that replaces the corporate income tax. Small businesses (under \$1 million in gross receipts) are exempt, as are products sold for export and retail food and drugs. The gross receipts tax has at least two main attractions: it produces a reliable stream of revenue that is adequate to fund the health care system and other important state priorities; and it will grow as and in the directions that our economy grows, so it offers long term sustainability.

People who oppose health care reform because of the funding proposal will miss the point and become politically vulnerable. Most voters want real health care reform and are willing to pay for. Political leaders shouldn't question if we are going to create a system that works, the question is how we are going to do it. The demand is clear: Find the money and consider that the true cost of inaction will be over \$30 billion over the next ten years.

The Governor has done this. Those who see it differently should put their ideas on the table but keep in mind it is not an option to stand in the way of health care reform because of squeamishness about paying for it.

The problem of health coverage concerns all-- those with insurance, and those without it. In addition to the human and social cost, bearing the expense of the uninsured is now a major part of the cost of doing business in Illinois. But no matter how steep the price of insuring all, the cost of doing nothing is greater than the cost of investing in the economic health of our state.

### **Make No Small Plans: Governor's Proposed 2008 Fiscal Year Budget**

Gov. Rod Blagojevich's proposed 2008 fiscal year budget would offer affordable, quality health insurance to all Illinois residents, reform our system for financing public education, and tackle Illinois's looming pension indebtedness. The governor would pay for most of this by creating a new Gross Receipts Tax (GRT) on business projected to raise \$6 billion in sustainable annual revenue. The governor's health care proposal is described in, "Health Care for All: The Time is Now," in this issue of POVERTY ACTION REPORT. The rest of his major initiatives are described here.

#### *Education Reform*

Governor Blagojevich's proposed 2008 fiscal year budget includes \$1.5 billion in additional state funding for preschool to 12th grade education. His overall plan calls for \$10 billion in increased funding over the next four years. This funding would be derived from the proposed new GRT.

The governor's proposed budget includes

- increasing the minimum per-pupil spending amount by \$686 per student;
- full funding of "mandated categorical" programs including special education programs (the proposed budget includes \$209 million to increase the reimbursement rates for special education teachers by nearly 65 percent, their first rate update in more than 20 years);
- \$60 million to expand the state's early childhood programs through the Preschool For All program and an additional \$9 million to provide cost-of-living adjustments and other enhancements in this program;
- \$100 million to support various strategies to raise student success including after-school tutoring, professional development, improving curriculum and materials, and offering longer school days;
- \$40 million to encourage quality teachers to go to or remain in hard-to-staff or underperforming schools;
- \$10 million for a rural learning initiative that includes distance learning technology, tools to attract and retain teachers, and other resources;
- additional resources for the state's textbook loan program to encourage books to be replaced on a six-year cycle; and

- funding to help districts convert from part-day to full-day kindergarten.

The governor's proposed capital budget includes \$1.5 billion for the school construction program, \$150 million for the school maintenance program, and \$30 million for a new early childhood expansion program as part of Preschool For All.

#### *Pension Indebtedness*

Illinois has the largest public employee pension indebtedness in the country, with an underfunded liability of \$40 billion. This amount looms over the state budget process and threatens funding for all vital state services. The principal amount owed is so great that the state's recent efforts to pay down its indebtedness have been offset by annual growth in the interest due. The governor's proposal would attack this situation by making a substantial dent in the principal owed.

To do this, the governor would issue \$16 billion in pension obligation bonds and lease the state lottery for an estimated \$10 billion. If the governor's proposals are approved by the General Assembly, the principal indebtedness on the pension would fall to approximately \$15 million.

#### *Gross Receipts Tax*

The new GRT with which Governor Blagojevich proposes to finance his ambitious agenda is projected to net \$6 billion annually. The GRT is a broad-based tax that would be imposed at each stage in the distribution chain for goods and services and would apply to every business in the state with Illinois sales in excess of \$1 million annually, including service businesses. Because of its broad base, the GRT is set at a low rate compared to other taxes. The GRT rate would be 0.5 percent of total revenue on goods and 1.8 percent of total revenue from services. The corporate income tax would be repealed.

The governor's primary justification for the GRT is that it is the fairest way to raise needed new revenue because it would impose taxes on the many large corporations that are doing business in Illinois and are now paying little or nothing in state taxes. Governor Blagojevich has steadfastly refused to support an increase in the state income or sales taxes; he contends that this would not be fair to the middle class.

There would be several exemptions to the GRT. In addition to small businesses with less than \$1 million in annual Illinois sales, nonprofit organizations would be

exempt. Retail food and drugs also would be exempt from the GRT.

Illinois would seek to maintain its competitive position vis-à-vis other states by exempting from the GRT any goods manufactured in Illinois for export to other states or countries and by imposing the GRT on imports from other states or countries.

Five other states already have GRTs. Ohio and Texas recently adopted GRTs. Washington State, Hawaii, and Delaware have had GRTs for decades.

In proposing the GRT, Governor Blagojevich has picked some powerful enemies. In addition to the Chamber of Commerce and manufacturers' associations that typically oppose any increase in business taxes, powerful associations of professionals such as lawyers and accountants are expected to oppose the governor's proposal fiercely.

For more information, contact Dan Lesser, [danlesser@povertylaw.org](mailto:danlesser@povertylaw.org).

### **Illinois Department of Human Services' Proposed 2008 Fiscal Year Budget: Some Increases, Flat Funding for Most Programs**

The proposed 2008 fiscal year budget for the Illinois Department of Human Services (IDHS) features some significant program increases but continued flat funding for most programs. The Blagojevich administration's continued practice of flat funding most programs equates to a cut in services since failing to adjust for inflation means that the proposed funding levels will not support the same level of services as in the current year. In response, programs must reduce the number of needy people who receive services, increase the cost of those services to the low-income population that they serve, or lower the quality of services provided, often by denying staff cost-of-living salary increases and leading to turnover.

The 2008 fiscal year is the second year of the Service Employees International Union Local 660's three-year contract with Illinois; the contract provides major reimbursement rate increases for home child care providers. The proposed budget has large parity increases in child care center rates. The proposed budget allocates funding to start a tiered reimbursement program for child care providers and pay premiums for attaining defined benchmarks of higher-quality care; full funding for the Great Start (Strategy to Attract and Retain Teachers) wage

supplement program and immediate removal of the waiting list that has been in effect since July 1, 2006; and the first down payment on health insurance coverage for home child care providers. The projected cost of these program improvements is \$66 million, half of which is offset by the governor's projections that the number of children in the child care assistance program will shrink by 2 percent in the 2008 fiscal year.

The proposed budget earmarks \$13.3 million needed to institute changes resulting from the reauthorization of the Temporary Assistance for Needy Families (TANF) program. These changes include more staffing, technology upgrades, more support for IDHS contractors, and other measures needed to comply with the much more intensive activity requirements and participation monitoring that the federal government is imposing on state TANF programs.

The proposed budget funds a 3 percent cost-of-living adjustment (COLA) for programs in the Community Health and Prevention Division; these programs include early intervention, family case management, school-based health centers, domestic violence, family planning, sexual assault, and intensive prenatal services. There is also funding through the Division of Rehabilitation Services for 3 percent COLAs for Centers for Independent Living and Lekoteks (play libraries and resource centers for children with special needs) and a \$1 per hour increase for personal assistants.

The proposed budget allots \$30 million in funding above the 2007 fiscal year levels for Division of Mental Health initiatives, including \$7 million for the individual care grant program, \$5.4 million to support an administrative service organization to further the move from a community-based grant system to fee-for-service, \$3.9 million to expand supportive housing services to persons who experience mental illness or homelessness or both, \$2.7 million to serve an increasing population at the treatment and detention facility, \$6.6 million to expand forensic capacity, \$1.7 million to procure additional professional staff to shorten stays for the forensic population, and \$2.7 million for a quality review and training team charged with enhancing services provided to clients in mental health facilities and thereby helping comply with federal and state law.

For more information, contact Dan Lesser, [danlesser@povertylaw.org](mailto:danlesser@povertylaw.org).

### Healthy Kids Act of 2007 Would Expand Health Care Coverage for Children

The Healthy Kids Act of 2007 would shore up funding for the State Children's Health Insurance program (SCHIP), increase funding for full enrollment in the program, and expand coverage to put the United States on a path to covering all children. Rep. Rahm Emanuel (D-Ill.) and Rep. Ray LaHood (R-Ill.) announced at a press conference last month that they would introduce the legislation.

Nine million children in the United States currently lack health insurance, and, for the first time since 1998, the number of uninsured children has risen (from 10.8 percent to 11.2 percent). The Healthy Kids Act of 2007 attempts to reverse this trend by fully funding SCHIP for the next five years and providing states with financial incentives and resources to enroll the 6.8 million children who are currently eligible but not yet enrolled in Medicaid or SCHIP. The bill would also offer families with income higher than current SCHIP eligibility levels a refundable, advanceable tax credit to purchase employer-based or state-based health insurance. (In this article details regarding the Healthy Kids Act of 2007 are from Representative Emanuel's congressional website.)

Through the Healthy Kids Act of 2007, states may receive a 2 percent increase in their Medicaid matching funds if the state governments streamline Medicaid enrollment procedures and implement these administrative measures: secure presumptive eligibility, provide 12-month continuous enrollment, allow for automatic renewal, eliminate the asset test, and permit self-declarations of income.

States would have the opportunity to enroll, in Medicaid or SCHIP, children who are eligible for other federally financed programs, such as food stamps. The bill would give states the option of enrolling legal immigrant pregnant women in Medicaid and legal immigrant children in Medicaid or SCHIP.

Since states can expect an increased number of Medicaid enrollees due to the Healthy Kids Act of 2007, the bill also calls for the secretary of health and human services to allocate additional funds—up to 10 percent of the state's Medicaid resources—to cover unforeseen costs that new enrollees accrue.

The bill offers families who fall between 200 percent and 350 percent of the federal poverty level a health

savings tax credit; this credit would allow them to either purchase private, employer-based insurance plans or pay into SCHIP.

The Healthy Kids Act of 2007 would not only complete the full promise of the SCHIP program but also put the nation on a path to covering all children and eventually all people (see Dory Meinert, "LaHood, Emanuel Push for Expanded Insurance Program: Legislation Would Give More Children Health Coverage," *Copley News Service*, Feb. 17, 2007). Representatives Emmanuel and LaHood have the right idea for this year's SCHIP reauthorization debate. It must be much more than just fixing the present SCHIP shortfall. Because of the progress made under SCHIP, covering all kids in America is within reach and a very realistic goal. Congress should embrace that goal and at least make a down payment on it this year by fully funding SCHIP and expanding beyond SCHIP's current limits.

### Proposed Reforms to the Food Stamp Program

The Bush administration's proposed changes in the Food Stamp Program are a step in the right direction but have some negative effects as well. The president would change the program's name to the Food and Nutrition Program, exclude retirement accounts and Internal Revenue Service-approved college savings plans from asset-limit considerations, eliminate the cap on the dependent care deduction, and provide competitive grants to deal with obesity among the low-income population.

Once the program is fully implemented, more than 300,000 people in low-income working families who are not receiving cash assistance will be eliminated from the Food Stamp Program. The administration's plan would also eliminate the Commodity Supplemental Food Program and the Community Food and Nutrition Program. Families in Delaware, Maine, Maryland, Massachusetts, Michigan, North Dakota, Oregon, South Carolina, Texas, Washington, and Wisconsin will be among those suffering the most from these changes because their states use categorical eligibility for food stamps.

Recently Sen. Saxby Chambliss of Georgia introduced Senate Bill 591, which would amend the 1977 Food Stamp Act. This bill goes beyond the Bush administration's plan to exclude retirement accounts and IRS-approved college savings plans and does what has not been done in more than twenty years: change the asset limit to allow more liquid assets. Currently the

limit for liquid assets is \$2,000. If the asset limit were indexed with inflation, it would be raised to approximately \$4,000. This increase, along with the exclusion of retirement accounts and college savings plans, will allow more Americans the opportunity to save and invest in their future and the future of their children.

Reforming Food Stamp asset limits has the potential to help many Americans break the cycle of poverty. For more information on asset limits and the proposed changes in the Food Stamp Program, contact [doryrand@povertylaw.org](mailto:doryrand@povertylaw.org) or [partrickhain@povertylaw.org](mailto:partrickhain@povertylaw.org).

### Health Care for the Rest of Us

New York Times Letter to the Editor, Mar. 7, 2007

Around kitchen tables, families are fuming over their rising premiums, uninsured relatives and unpaid medical bills. The problem of health coverage concerns all those who have insurance, those offered insurance by employers who turn it down because of the expense, and the uninsured.

Americans get it --- the cost of doing nothing is greater than the cost of investing in the future. We are ready to pay our fair share to guarantee better quality medical care for all.

The electorate has even provided our politicians with a road map to insuring everyone: Start by covering all children, fight the bloated insurance and pharmaceutical companies, and establish quality, affordable health care for all.

It's the right thing to do, but for those who are not moved by moral imperatives, recent polling confirms what politicians can no longer ignore. It's not only good policy; it's good politics.

John Bouman, President, Shriver Center

### Community Reinvestment Modernization Act Would Promote Lending and Wealth Building in Low-Income Communities

A bill (H.R. 1289) that Representatives Eddie Bernice Johnson (D-Tex.) and Luis Gutierrez (D-Ill.) introduced this month would expand the Community Reinvestment Act (CRA) to include bank lending through brokers, mortgage companies, insurance firms, and securities companies. This would not only increase lending in minority and working-class communities but

also encourage wealth-building opportunities for people living in those communities.

Enacted in 1977, the CRA requires that deposit-taking financial institutions offer equal access to lending, investment, and services to all those in an institution's geographic assessment area—at least three to five miles from each branch.

Before 1977, many bankers practiced “redlining,” or excluding low-income neighborhoods and people of color from their lending products, investments, and financial services. In the 1970s activists in Chicago and across the country brought strong pressure on banks to lend equitably to all those in their communities. Since its passage, the CRA has been used across the United States to win tens of billions of dollars in new lending, investments, and services for communities. The CRA also provides incentives for banks to increase their level of services to low-income communities. Low CRA ratings can delay bank merger applications and allow bank regulatory agencies to request specific improvements from inadequate financial institutions.

The CRA affects low-income communities by providing more affordable and market-rate home purchase loans, small-business lending, and community development loans. Broadening the CRA's reach will mean trillions more dollars in loans and investments for neighborhoods. The CRA Modernization Act will help revitalize low-income communities even further, continue to promote fair lending practices, and create asset-building opportunities. CRA action illustrates how using public policies can ensure that everyone has an opportunity to participate in the financial mainstream and build assets to achieve financial security.

### Bush's Budget Shifts Costs of Health Care to the States

*[Editor's Note: This article summarizes the Center on Budget and Policy Priorities' report on President Bush's new budget. See Leighton Ku et al., Center on Budget and Policy Priorities, "The Administration Again Proposes to Shift Federal Medicaid Costs to States," Feb. 14, 2007, <http://www.cbpp.org/2-14-07health.htm>.]*

While paying lip service to our nation's health care crisis, President Bush's proposed budget includes drastic cuts in Medicaid, shifts health care costs to the states, and shortchanges the State Children's Health Insurance Program (SCHIP). His proposal to scale back suggests that his administration believes that too many Americans have health care.

## Medicaid

The Bush administration proposes to scale back federal Medicaid funding by “\$24.7 billion over the next five years and \$60.9 billion over ten years through a combination of legislative changes and regulatory action.” The president’s budget accomplishes these far-reaching cuts by reducing and eliminating federal matching funds for states’ Medicaid costs. States would have to choose among “three options for making up the loss of federal Medicaid funds: cutting back on their Medicaid programs by reducing eligibility, benefits, or payments to providers; cutting back on other state programs and using those funds to replace federal Medicaid dollars lost; or increasing taxes.” If governors are unable to find the funds to balance the difference or if they cannot garner the support to raise state taxes, Medicaid patients risk losing services or coverage altogether.

Four-fifths of Medicaid savings stem directly from shifting costs to the states. For example, the administration’s budget would reduce the federal matching rate for all administrative costs to 50 percent, regardless of new, costly federal regulations, such as the citizenship documentation requirement. [To learn more about how the Sargent Shriver National Center on Poverty Law is tackling the citizenship documentation problem, see <http://www.povertylaw.org/news-and-events/misc/medicaid-lawsuit/bell-complaint.pdf>.]

The president’s budget sets the “federal matching rate for the cost of targeted case management services to a flat 50 percent” and reduces payments to states that previously pooled federal Medicaid funds to administer other federally funded programs. The aforementioned reductions would result in an \$8.2 billion savings for the federal government.

Bush’s budget legislatively limits a single person’s individual home equity to \$500,000 nationally in order to qualify for long-term care services. This figure is currently set at \$750,000.

The Bush administration also proposes regulatory amendments, which will save an estimated \$12.7 billion over the next five years and \$31.4 billion over the next ten years. The administration’s budget proposes eliminating reimbursements for services rendered to the uninsured, phasing out compensation for administrative and transportation services pertaining to the programs covered under the Individuals with Disabilities Education Act, limiting federal contributions for certain rehabilitation services, and

stopping Medicaid payments for the costs of graduate medical education programs.

President Bush’s annual budget drastically reduces federal reimbursements for essential Medicaid services and shifts the cost and political burden to state governments. Governors and state legislatures would be forced to choose either to succumb to federal cutbacks and eliminate Medicaid programs or to raise taxes to offset the loss of federal support.

## SCHIP

Covering children is common sense and compellingly moral. People all over America agree that it is time to secure and expand SCHIP. Nevertheless, President Bush has actively thwarted states’ innovativeness with a proposal that will cover fewer children.

The president’s budget fails to deal with the long-term SCHIP funding shortfall. Over the next five years, SCHIP will incur a \$7 billion deficit. The national shortfall will exacerbate the program’s fiscal saliency: “By 2012, some 46 states would face a total shortfall of \$2.9 billion.” At present many states, including Illinois, use SCHIP dollars to cover children in families with incomes above 200 percent of the federal poverty level and to cover parents of low-income children. These population groups would be in serious danger of losing their coverage. President Bush has encouraged state leaders to come up with innovative ways to address the health care crisis but is hindering their efforts by promoting cutbacks in Medicaid and SCHIP.

Insuring all children is an inexpensive, cost-effective investment in our future and will have long-term financial benefits for our nation’s fiscal health.

## Conclusion

The Bush administration’s budget suggests that low- and middle-income families are not the president’s priorities. By limiting the federal government’s commitment to the Medicaid and SCHIP programs, his budget shifts health care costs to the states, impedes state governments from retaining covered members, and stifles the states’ capability of expanding health care coverage. [The Sargent Shriver National Center on Poverty Law calls upon Congress to reject the president’s Medicaid cuts, fund SCHIP in full, and put America on a path to cover all children.]

For an analysis of President Bush’s annual budget, go to <http://www.cbpp.org/>.

## Mayors Take Action to End Poverty

### *L.A. Mayor Seeks to Lead Others in Repairing the Economic Ladder*

Despite the Bush administration's refusal to address poverty in America, local leaders are leading the way toward better economic outcomes in their cities. Some forty mayors from across the nation have joined the Mayors' Task Force on Poverty, Work and Opportunity in order to "repair the economic ladder" in America. Mayor Antonio Villaraigosa of Los Angeles is cochair.

For the past twelve months, the task force has conducted a series of meetings with poverty and economic experts to discuss how mayors can affect the national dialogue on poverty. Task force members believe that if people work hard, they should be able to provide a good life for themselves and their families. The task force's 29-page document (called "Repairing the Economic Ladder: A Transformative Investment Strategy to Reduce Poverty and Expand America's Middle Class") released last January uses expert research and scientific evidence to outline strategies for investing in a sound economic future for all.

The plan outlines three critical investment strategies aimed at improving the livelihood of middle-income and working-class Americans. The task force recommends providing high-quality public education beginning in preschool; funding lifelong education and skill development, including a lifetime learning savings account for every child; and focusing upon economic opportunities by expanding the earned income tax credit and raising the minimum wage.

Municipal leaders are not only acknowledging that poverty is an important issue but also developing innovative strategies to overcome it. In 2006 Mayor Michael Bloomberg of New York City formed the Commission for Economic Opportunity, designed "to pinpoint concrete ways in which the city can ensure poor New Yorkers have the resources they need to help themselves move ahead." Mayor Richard M. Daley of Chicago proposed an amendment to grant an additional \$1.05 million to "Chicago's Plan to End Homelessness," an ambitious project to be completed by 2012.

The effect of the mayors' task force will extend beyond research and discussions. Mayor Villaraigosa says, "It is my hope that the mayors will stand together on the foundation of our work, to lock arms together and speak in one voice to articulate a pragmatic, problem solving agenda for change."

Poverty is a global problem as much as it is a local problem. Now America's mayors are taking action and making poverty a national issue. Advocates hope that the mayors' leadership will promote change on the local, state, and federal level and that their leadership can inspire a groundswell for national change.

### Children's Savings Account Task Force Bill Passes Illinois Senate Financial Institutions Committee

A bill to create a task force that will evaluate options, determine funding sources, and make recommendations to create a children's savings account program in Illinois unanimously passed the Illinois Senate Financial Institutions Committee earlier this month. Many legislators on both sides of the aisle support the bill; both the Senate and House versions of the bill have bipartisan sponsors.

Children's Savings Accounts (CSA) offer all Illinois children a chance to build a more secure financial future. With an initial public investment at a child's birth, CSAs offer families an incentive to start saving from the moment a child is born. Once the child reaches age 18, the funds may be used for expenses that help build personal and financial assets such as postsecondary education, homeownership, or small-business development.

Senate Bill 0388's sponsors are Senators Jacqueline Collins (D), William Delgado (D), Kimberly Lightford (D), and Dale Richter (R). House Bill 1662's sponsors are Representatives Marlow Colvin (D), Jim Watson (R), Mike Boland (D), Elizabeth Hernandez (D), and Cynthia Soto (D).

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