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Center on Poverty Law

POVERTY ACTION REPORT

TAKING ACTION TO END POVERTY

OCTOBER-NOVEMBER 2007

Perspective By John Bouman

SCHIP Override Fails—Congress Must Assert Its Own Ideology

In a vote taken on October 18, the U.S. House of Representatives failed to override the president's veto of the bill reauthorizing and expanding the State Children's Health Insurance Program (SCHIP). Amidst new national polls showing over 80 percent of Americans in support of the bill and over 70 percent willing to pay new taxes for it, the vote was 273-to-156 to override the veto, just 13 votes shy of the needed supermajority. In the

Illinois delegation all the Democrats and the Republicans Ray LaHood and Mark Kirk voted for the override. The remaining Republicans voted with the president and against the children's health insurance bill: Judy Biggert, Jerry Weller, Donald A. Manzullo, John Shimkus, Timothy V. Johnson, and Peter Roskam.

Congress has temporarily extended the existing SCHIP program to November 15. Another round of

negotiations between Congress and the White House and another attempt to pass a bill are expected before the November 15 deadline.

The president's main arguments against the expansion of SCHIP are baseless, and they are a failed attempt to cover naked ideology. The president and his supporters would rather have the children affected by his veto uninsured than have them covered by insurance supported in part by the

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Illinois Opens Free Breast and Cervical Cancer Screening and Treatment to All Uninsured Women

Aiming, through early detection and prompt treatment, to reduce breast and cervical cancer deaths, Illinois opened, effective on the first of this month, the state's free screening and treatment program, the Illinois Breast and Cervical Cancer Program, to all Illinois women without health insurance.

Now Illinois women of any income level are eligible. Before this program expansion, free screening and treatment were available only to uninsured women with incomes below 250 percent of the federal poverty level (\$25,525 for an individual).

People are eligible regardless of income, provided that they live in Illinois, are without health insurance,

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SAVE THE DATE

Shriver Center
Celebrates its
40th Anniversary

■ November 29, 2007 ■

Hosted by Sam Waterston of NBC's Law & Order, the Awards Dinner celebrates our past accomplishments and looks forward to the future of antipoverty advocacy in the United States. Our award recipient and

keynote speaker will be the Hon. Sen. George McGovern, a longtime leader and role model in the fight against poverty. Join us as we ask "Who Cares?" about the fight against poverty and celebrate the many ways each of us contribute to eliminating poverty in the U.S.

Visit www.povertylaw.org for more information on this event.

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Income Gap Is at All-Time High; Tax Cuts Concentrate Wealth

The gap between wealthy and poor Americans reached an all-new high in 2006, recent figures reveal. A release from the Wall Street Journal using Internal Revenue Service (IRS) data shows that the concentration of wealth currently exceeds the most recent record high of 2000, marks the widest gap in 25 years, and has academic researchers citing the boom of the 1920s as the only comparable precedent for economic inequality in the United States.

FACT: The wealthiest 1 percent of Americans earned 22.1 percent of all income in 2005, a sharp increase from 19 percent in 2004, and above the year 2000 record of 20.8 percent.

FACT: The lower 50 percent of Americans earned just 12.8 percent of the national income, down from 13.4 percent in 2004 and still less than 13 percent in 2000.

Based on IRS data, printed in the Wall Street Journal 10/12/2007

The IRS data, drawn from 132.6 million tax returns, concentrates on “adjusted gross income”—income after deductions, alimony, Individual Retirement Accounts. It compares these data back to 1986. The data include those who did not earn enough to owe any taxes.

The wealthiest 1 percent of Americans in 2005 earned at least \$364,657. In contrast, the official poverty line for a two-person household was set at \$12,755. The poorest 12 percent of Americans—close to 37 million in 2005—had income under the poverty line.

Fueling this income disparity are the Bush administrations tax cuts for the wealthiest Americans. A study published last winter, in the

Journal of Economic Perspectives, “How Progressive Is the U.S. Federal Tax System? A Historical and International Perspective” by Thomas Piketty and Emmanuel Saez, concludes that not only does the United States have a relatively low tax burden but also in a few years our generally progressive tax system may become “flat.”

According to projections by the Urban Institute, in 2010, when those tax cuts will take full effect, households with annual incomes of more than \$1 million will receive after-tax income boosts of about 7.6 percent. Middle-income earners, who are increasingly subjected to taxes meant to affect the rich, such as the alternative minimum tax, will see a 2.3 percent increase in after-tax incomes. Lower-income earners burdened by sales, property, lottery, and income tax will experience no gain in income, as well as face an uncertain future as the growing federal budget deficit threatens programs assisting millions of working families.

In an interview with the Wall Street Journal, President Bush said, “First of all, our society has had inequality for a long time. Secondly, skills gaps yield income gaps.” Thus the president shrugs off the size and rapid growth of the income disparity as “normal.” He highlights the skill gaps as a cause for the inequality but ignores the role of inherited wealth and the other inherent advantages of wealth and disadvantages of poverty. Lack of federal support for programs that minimize these gaps is also to blame.

The Bush administration, having fueled income disparities through the tax cuts, also has fueled a federal budget deficit with those same tax cuts. And then the president cited the deficit as one of the reasons why he vetoed the State Children’s Health Insurance Program—just one of many programs threatened by the budget deficit. That veto, at least for the time being, killed yet another effort to help lower-income working families make ends meet. In this case, children are denied the opportunity

of having a healthy start in life. Both the tax cuts and the program cuts will worsen income disparities.

For more information on the income gap, read “New Data Show Income Concentration Jumped Again in 2005; Income Share of Top 1 percent Returned to Its 2000 Level, the Highest Since 1929,” by Aviva Aron-Dine, Center on Budget and Policy Priorities, March 29, 2007.

For more information on the reports cited in this article, contact Natasha Eziquiel-Shriro at nezi-quielsbriro@povertylaw.org or 312.263.3830 ext. 242.

Cancer screening clinic

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and are in the age ranges for which cancer screening is recommended. Women over 40 are eligible for free breastcancerscreening (mammograms and breast exams). Women over 35 are eligible for free cervical cancer screening (pelvic exams and Pap tests). Younger women may qualify for screening if they have symptoms. Uninsured women who have been diagnosed with breast or cervical cancer are eligible for free treatment regardless of where they obtained their diagnosis.

According to Illinois Gov. Rod R. Blagojevich, with this expansion Illinois is the first state to ensure that all women who need access to screening and treatment can get them.

For information about how to schedule appointments for the free screening or treatment, call the Illinois Women’s Health Line, 888.522.1282, or visit the program website at www.cancerscreening.illinois.gov.

For brochures about the program, contact Elizabeth Lostracco in the Governor’s Office at elizabeth.lostracco@illinois.gov or 312.814.5674.

SCHIP Override Fails

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federal government. Apparently he feels that appeasing the small group of people who oppose a bill that 80 percent of the country favors politically salient.

First, the president fears that the expansion of coverage for children would attract parents to government-supported insurance and away from employer-supported insurance. However, two-thirds of kids who would be newly covered by SCHIP do not have access to private health insurance, according to the Congressional Budget Office. SCHIP is these kids' only option. Expansion provides a choice between private and public insurance only for those who have access to private coverage.

Mechanisms in the bill make it hard for children already covered by private insurance to switch. As for the children who are not enrolled in private insurance but have access to it, there are good reasons to allow them to choose instead to enroll in SCHIP. A new report by the Urban Institute shows that the private-sector insurance for these kids is increasingly inadequate. More and more parents cannot afford it. More and more employers cannot afford to offer it. The fact is that the private sector is not doing the job, and, with or without the option of SCHIP coverage, hundreds of thousands of children are losing employer-supported coverage every year. To claim that the SCHIP expansion is a government invasion of the private

market is simply incorrect: it is a rescue strategy to fix a failure of the private market to serve children in working families adequately.

Second, the president complains that the SCHIP expansion is for the middle class. Most of the SCHIP expansion would reach families in the \$40,000–60,000 range (family of four), two to three times the official poverty level. But nonideological researchers agree that the official poverty level is far below real poverty. Twice the official level is more realistic. When we consider whom the SCHIP expansion would affect, this realistic understanding of poverty is critical. In a decade health coverage is pushing more families from the middle class as the burden on their incomes increases their economic instability. SCHIP will help keep them in the middle class. Moreover, whether or not one calls these families middle class, the inescapable reality is that the children do not now have insurance, either

“The fact is that the private sector is not doing the job, and, with or without the option of SCHIP coverage, hundreds of thousands of children are losing employer-supported coverage every year.”

because they do not have access or because what they have access to is too expensive for their parents to afford.

And, third, the president argues that an expansion does not make sense when many already-eligible children (in the lower-income groups) have not yet enrolled. Most of the spending in the bill targets already-eligible children for enrollment and coverage. In fact, the bill already contains the solution to the under enrollment problem and provides for

excellent incentives and support for enrollment efforts.

None of the president's arguments have substance. His stance can be reduced, indeed he reduces it himself, to the ideological position that, as a matter of public policy, government-supported insurance for children is to be shunned and is worse than no insurance. Rightly the vast majority of Americans disagree. The ideology that matters, and that trumps all the others, is that children must receive adequate health care. In the negotiations that will now take place, Congress must hold firm to that ideology and produce a reauthorized SCHIP program that supports full enrollment and significant expansion.

New Legal Aid Attorneys Benefit from Loan Assistance Repayment Bills

Today most recent law school graduates who wish to pursue public service careers, such as defender and civil legal aid attorneys, face a tough decision when it comes to working their way out of debt. New federal legislation offers relief and a way to make public service more accessible to recent graduates.

The College Cost Reduction Act (H.R. 2669), enacted last month, provides public interest lawyers (and other public interest professionals) income-based repayment for federal education debt. According to the National Legal Aid and Defender Association, the income-based repayment plan “caps a borrower's payments at roughly 15 percent of her adjusted gross income minus 15 percent of his/her 150 percent of the poverty level.” After 25 years, all loans will be forgiven. An additional section of the bill (Section 401) encourages new lawyers to pursue a career in indigent defense or civil legal aid by forgiving debt after ten years of full-

time work if the borrower has a federal direct loan or consolidates the debt into a federal direct consolidation loan before beginning to repay the debt.

Another current bill, the John R. Justice Prosecutors and Defenders Incentive Act of 2007, aims to forgive the debt of law students who become prosecutors and public defenders. The U.S. Department of Justice program would forgive up to a \$60,000 per attorney. The Harkin Civil Legal Assistance Loan Repayment Act, part of the John R. Justice Act, “allows participants to receive up to \$40,000 each” from the U.S. Department of Education, according to the NLADA. This John R. Justice Act passed in the Senate as part of the Higher Education Amendments Act (S. 1642) on July 24.

For more information visit the National Legal Aid and Defender Association website: <http://www.nlada.org/>.

Food Stamp Victory in Illinois: Advocates Stop IDHS from Implementing Rule that Would Cut Food Stamps for Families on TANF

The Illinois Department of Human Services (IDHS) last July proposed new Temporary Assistance for Needy Families (TANF) rules that were designed, in part, to bring the state’s TANF program in line with new federal requirements. We discussed some of the serious problems with these proposed rules in last month’s POVERTY ACTION REPORT, available at <http://www.povertylaw.org/news-and-events/poverty-action-report/september-2007/tanf-reauthorization-in-illinois-takes-a-wrong-turn-eliminating-the-best-route-out-of-poverty.html>.

Also included in the July 2007

Illinois Asset Building Group Advances Assets & Opportunity Scorecard

Following last month’s release of the 2007–2008 Assets and Opportunity Scorecard, which compares all 50 states and the District of Columbia on family financial security, wealth, and poverty, the Illinois Asset Building Group (IABG) held an interactive forum entitled “Advancing Asset Policy in Illinois” on October 4. IABG is a state coalition of organizations led by the Shriver Center and the Heartland Alliance for Human Needs and Human Rights.

The Corporation for Enterprise Development (CFED), a national economic policy and research organization, released their scorecard, a tool rating the states and the District of Columbia on performance measures and policy initiatives such as business development, financial security, health care, and homeownership. For more on how Illinois and other states fared, visit www.cfed.org/go/scorecard.

CFED and the Federal Reserve Bank of Chicago cosponsored the forum, which had presentations by Harry Pestine and Robin Newberger of the Consumer and Community Affairs Department of the Chicago Fed and by Jennifer Brooks, the CFED policy director.

A week later IABG briefed state legislators in Springfield on the scorecard. Shriver Center and Heartland Alliance advocates discussed how to advance asset-building policies in Illinois.

For more information, contact Kelly Slay at kellyslay@povertylaw.org, or 312-263-3830 ext. 277.

package of proposed regulations was a rule that would reduce the food stamps of certain families who are in the TANF program and have children under age 6. Under the proposal, these families would incur a food stamp sanction (reduction) when an adult in the family incurs a TANF sanction for failing to comply with a TANF work activity requirement. Because TANF sanctions are becoming increasingly difficult to avoid, this proposal would have had a devastating effect on the health and well-being of young children. Having enough food is the most basic of human needs, and normal brain development is impeded in very young children who are hungry, undernourished, and in poor health.

To make matters worse, there was no good reason for Illinois to propose such a rule. Under federal law, states

may exempt families with children under age 6 from having their food stamps sanctioned if an adult in the family incurs a TANF sanction for failing to comply with a TANF work activity requirement. Indeed, 34 out of the 34 other states that encounter this problem have elected to exempt these families from having their food stamps reduced (the other 15 states do not operate under the same food stamp waiver as Illinois, so this is not an issue for them). Moreover, because food stamps are 100 percent federally funded, Illinois would realize no savings from this proposed policy.

Alarmed that IDHS would consider implementing this needless rule that would surely hurt poor families, the Shriver Center joined a mobilized coalition of more than 40 advocacy organizations to urge IDHS to reconsider this policy. A copy of

the coalition's letter to the agency can be found here at http://www.povertylaw.org/news-and-events/poverty-action-report/october-2007/Food_Stamp_Sign-on.pdf.

Faced with overwhelming opposition, IDHS agreed to rescind the proposed rule.

This is a victory for antipoverty advocates. Families in the TANF program do not need to worry about losing their food stamps when they cannot comply with a TANF requirement. The Shriver Center will continue to follow closely IDHS rule and policy changes that affect families in the TANF program.

For more information, contact Liz Mazur at lizmazur@povertylaw.org, or 312-263-3830 ext. 225.

National Survey Shows Strong Support for Children's Savings Accounts; CFED Commends Policymakers on Kids Accounts Legislation

[Editor's Note: The following is a press release from CFED. Contact Kristin Lawton or Jerome Uher at 202.408.9788.]

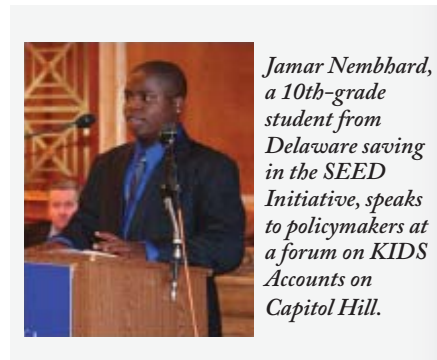
Washington, D.C., October 10—A bipartisan coalition of policymakers introduced the America Saving for Personal Investment, Retirement, and Education Act ("The ASPIRE Act") in the House of Representatives last week. The ASPIRE Act would create a "KIDS Account" at birth for every child in America which they can later use to pursue postsecondary education, buy their first home, or build up a nest egg for retirement. Though similar in some regards to a proposal for Baby Bonds proposed last month by Sen. Hillary Clinton, the concept of Kids Accounts proposed in the ASPIRE Act has been carefully tested and researched over the past few years.

Initial research indicates that Kids

Accounts can be transforming for children and families across cultural, racial, and income lines. Moreover, new polling data find that voters, especially parents, strongly support establishing children's savings accounts for every child, according to the CFED (Corporation for Enterprise Development), a national organization dedicated to expanding economic opportunity.

The ASPIRE Act calls for every child's KIDS Account to be endowed with a onetime \$500 contribution at birth. Children living in households with incomes below the national median income will be eligible for both a supplemental contribution of up to \$500 at birth as well as the opportunity to earn \$500 per year in matching funds for amounts saved in the account. Financial education would also be offered in conjunction with the accounts. Representatives Patrick Kennedy (D-R.I.), Phil English (R-Pa.), Jim Cooper (D-Tenn.), Rahm Emanuel (D-Ill.), and Tom Petri (R-Wis.) introduced the ASPIRE Act in the House last week. Sen. Charles Schumer (D-N.Y.) will lead the introduction in the Senate.

A national survey conducted by Peter D. Hart Research Associates earlier this year shows that voters



Jamar Nembhard, a 10th-grade student from Delaware saving in the SEED Initiative, speaks to policymakers at a forum on KIDS Accounts on Capitol Hill.

strongly support establishing KIDS accounts or children's savings accounts for children in America. More than two-thirds (69 percent of voters and 78 percent of parents favor children's savings accounts upon exposure to the concept, and just 22 percent of voters and 15 percent of parents oppose the idea). Broad support exists for children's savings accounts

across party affiliation, political ideology, and regions of the country. Nearly three quarters (74 percent) of self-described liberals favor children's savings accounts, as do 72 percent of moderates and 62 percent of conservatives.

Twelve community organizations across the country are part of the privately funded SEED (Savings for Education, Entrepreneurship, and Down-payment) Initiative, which is testing the efficacy of children's savings accounts that are much like the KIDS Accounts proposed under the ASPIRE Act. Through SEED, children and their families are proving that, when given the opportunity and financial education, they can and will save for their future; to date, 1,400 children and youth across the United States and Puerto Rico have accumulated nearly \$1.6 million in their accounts in just under three years. On average, children have \$1,332 in an account that is "seeded" as an investment for their future. Through the experience of these programs and careful research, the SEED Initiative aims to make this kind of account a reality for all children in America.

"The SEED Initiative is a testament that Kids Accounts do work. Further research indicates that Kids Accounts can be transforming for children and families across cultural, racial, and income lines," said Andrea Levere, CFED president. "By providing every child in America with a nest egg, we can give them a successful start in life."

For more information on the survey findings, the SEED Initiative or the Aspire Act, visit www.seed.cfed.org.

Clinton Offers Financial Plan for All Americans

Sen. Hillary Rodham Clinton, Democratic presidential candidate, recently announced her plan to offer a 401(k) retirement account with up to \$1,000 in annual matching funds for

every U.S. worker.

Right now only some employers offer a 401(k) for their employees. Although the benefits of a 401(k) program are undisputed, most wage-earning employees are not able to benefit from such programs. These days, the future availability of retirement benefits remains uncertain, and Clinton's program could give hope to many workers and their families.

Addressing the disparity in savings and retirement accounts between working-class Americans and those who can easily take advantage of their employer retirement account offerings, Clinton said, "This is a major commitment to how I believe we can begin to right the balance again."

According to USA Today, Clinton's "American Retirement Account" would allow workers to put up to \$5,000 annually in their 401(k) plan. Those making \$60,000 or less would receive a 100 percent match of their first \$1,000, and a 50 percent match would be available for employees who make between \$60,000 and \$100,000.

Since tax policies generally favor individuals and families who already have the most assets, a public policy such as the American Retirement Account offers all citizens an opportunity to live securely and plan for the future.

For more information, contact Kelly Slay at kellyslaw@povertylaw.org, or 312-263-3830 ext. 277.

New Reports Render Bush's SCHIP Reauthorization Veto a Farce

Two new research reports published by the Urban Institute, a nonprofit, nonpartisan policy research organization, suggest that the reasons behind President Bush's veto of the State Children's Health Insurance Program (SCHIP) reauthorization bill are flawed and insubstantial.

In a recent news conference Bush

stated, "Instead of expanding SCHIP beyond its original purpose, we should return it to its original focus, and that is helping poor children, those who are most in need." Bush proposes adding \$5 billion to the program—not enough funding to cover the children currently enrolled in the program and not enough to expand enrollment to cover those already eligible but not yet enrolled. He vetoed the bill that would benefit "those most in need" because, according to him, the reauthorized program would cost too much, would cover children from families that make too much money, and would eventually crowd out private insurance companies and encourage parents with employer-sponsored insurance to use federally funded programs instead.

SCHIP reauthorization is a real opportunity for the federal government to help states exceed prior enrollment levels of eligible children. In the Urban Institute's "Eligible but Not Enrolled: How SCHIP Reauthorization Can Help," Stan Dorn explains that SCHIP may simply need new enrollment methods. One idea is to borrow Medicare's successful automatic enrollment strategy. This "express lane eligibility" schema limits application requirements to only those families who had no previous enrollment in other means-tested programs. Citizenship documentation or immigrant status requirements can be shown electronically and should borrow from data-matching birth certificate and social security records.

If implemented, ideas to streamline and expedite SCHIP enrollment will make the program more successful in covering eligible children. Bush proposes to decrease funding in order to maintain the current enrollment pool—but the deficit will instead have an adverse effect on enrollment.

Stephen Zuckerman and Cynthia Perry analyze the financial burden of employer-sponsored insurance in their Urban Institute brief, "Concerns about Parents Dropping Employer Coverage to Enroll in SCHIP Overlook Issues of Affordability."

Findings show that "the financial burden [on families] of employer coverage for children is greater for low-income families than it is for higher income families and that public coverage for children provides a significant amount of financial relief for families with low incomes." Their analysis indicates that public insurance protects families against high out-of-pocket costs. This is significant as health care needs become more complex and expensive. The study confirms that children from low-income households are not at an advantage by using employer-sponsored insurance.

Concerns about consumers dropping their employer-sponsored insurance must be outside the SCHIP debate since employer-sponsored insurance does not benefit families with SCHIP-eligible children. Bush's veto has no reason to, as he predicts, keep people registered for private or employer-sponsored insurance. The reality is that low- and middle-income working families are already leaving such insurance because of its high expense and inadequacy.

Both reports attest to Bush's misuse of low-income children as a wall to stand behind. If low-income children were his real concern, he would have approved a bill that the majority of Congress—and Americans—support, a bill that expands coverage to the already eligible and provides low-income families with real, affordable health care options.

For more information, contact Melissa Cubria at melissacubria@povertylaw.org or 312.368.1168.

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