

Poverty Action Report



**SHRIVER
CENTER**

Sargent Shriver National Center on Poverty Law

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Perspective by John Bouman

Congress Prepares to Pass Children's Health Coverage Expansion



Census Data Show Expansion Would Result in Fewer Uninsured Children

Amidst high tension in Congress over the reauthorization of the State Children's Health Insurance Program (SCHIP), negotiators from the House and Senate reached a general consensus to expand the successful and popular program. In mid-September, congressional leaders agreed on the broad outlines of a compromise reauthorization bill that would make SCHIP available to more children in the United States. SCHIP is the program that provides federal funds to help states offer health insurance coverage for children up to 200 percent of the federal poverty level (about \$40,000 per year for a family of four), with some states leading the way to covering all children by increasing those eligibility requirements up to 400 percent of the poverty line. The program, set to expire on September 30, has been the center of heated debate since the reconvening of Congress after the August recess. If the two chambers complete an agreement, as they intend to do and as appears likely, they will pass a bill and send it to the president prior to the deadline. The president has threatened to veto anything resembling either the House or Senate bill.

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Shriver Center Advocacy Accomplishments in 2007 Illinois General Assembly Session

Unprecedented acrimony and gridlock characterized the 2007 Illinois General Assembly session. The overtime session finally produced a budget in August, but then the governor line-item-vetoed half a billion dollars of pet legislative projects. An override effort is under way for the fall veto session in October. In spite

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EVENTS

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- Advancing Asset Policy in Illinois (see page 10)

of this uncooperative atmosphere, the Shriver Center was still able to have a very productive session. This is because of our relationships, the power of ideas we promote, and our experience and judgment. Here are the successful public education and advocacy projects that we led or led with partners:

1. Senate Bill 534 amended the **Safe Homes Act** to include oral month-to-month tenants in the Act's protections for victims of sexual abuse, stalking, or violence. Under the Act, victims have a right to have the landlord change their locks, and they have the right to terminate a tenancy if they need to move in order to be safe. (Wendy Pollack and Katherine Walz advocated for the Act.)

If you are interested in distributing materials to your clients or partner organizations, or if you would like to receive training on the Safe Homes Act in Illinois, contact Alexis Hamilton at 312.263.3830 ext. 274 or alexishamilton@povertylaw.org.

2. House Bill 1330 is the **Ensuring Success in Schools Act**. It creates a statewide task force to develop best-practice recommendations for teachers and school staff to support students who are victims

of domestic and sexual violence or pregnant or parenting or all three. The goal is to keep these elementary and secondary students in school and keep them safe. (Pollack.)

For further information on this bill, read the latest WomanView e-newsletter or contact Wendy Pollack, director of the Women's Law and Policy Project, at 312.263.3830 ext. 238 or wendypollack@povertylaw.org.

3. H.B. 1662 creates the **Children's Savings Accounts task force**, which will examine the issues involved in establishing a bank account for every child born in Illinois and develop a proposed model for such a program in Illinois by 2009. (Dory Rand.)

If you would like to learn more about this law or other asset-building work at the Shriver Center, visit <http://www.povertylaw.org/advocacy/community-investment>.

4. S.B. 338 amends the **Illinois earned income tax credit statute** to eliminate special funding requirements linked to the Temporary Assistance for Needy Families block grant, so that it is now the same as any other tax credit. The funding restrictions had prevented thousands of eligible families from receiving

2007 National Aging and Law Conference Is Forum for Clearinghouse Review Special Issue Planning

"Safety Net for Older Americans: What Can Be Done to Protect It?" is the theme of the 2007 National Aging and Law Conference next month in Arlington, Virginia. The seventh annual conference consists of a "nuts and bolts" preconference on October 10 and a main conference on October 11-13.

At the conference, the sponsoring organizations and the Shriver Center will jointly plan a 2008 special issue of *Clearinghouse Review: Journal of Poverty Law and Policy* on the legal and policy issues of aging. The Shriver Center invites you to participate in a roundtable discussion at the conference to suggest possible topics and authors. Attendees of next year's conference will receive copies of the special issue.

The AARP Foundation, the ABA Commission on Law and Aging, the National Senior Citizens Law Center, the Center for Social Gerontology, the Center for Medicare Advocacy, the National Academy of Elder Law Attorneys, the National Consumer Law Center, and the National Association of State Units on Aging are sponsoring the conference. The Shriver Center is a cooperating agency.

To get more information and to register, go to <http://givenow.ga4.org/aarpltp/events/nalc07/details.tcl>.

If you are unable to attend the conference but would like to give feedback on the special issue plans contact Ilze Hirsh, editor (312.263.3830 ext. 231 or ilzehirsh@povertylaw.org) or Catherine Dorn Schreiber, staff attorney-legal editor (909.793.2578 or cschreiber@povertylaw.org).

Health, housing, disability, social security, and other issues affecting the aging population are covered in *Clearinghouse Review*. To read article summaries, go to www.povertylaw.org/clearinghouse-review.

the credit. This change sets the stage for a substantial expansion of the credit in the context of wider revenue reform measures in Illinois. (Dan Lesser.)

5. **H.B. 1009** improves the **child care subsidy program** by changing the eligibility maximum from 50 percent of state median income to 180 percent of the federal poverty level; this effectively indexes it to inflation. The state budget also increases subsidy rates for providers. Another bill creates a **task force to look at the copayments issue for child care** to make sure they are not too high and that they phase in smoothly. Dan Lesser is a cochair of this task force, which is already meeting. (Lesser.)

6. **H.B.1797** amends the **Condominium Conversion Act** to help stop “stealth conversions” by requiring timely and adequate notice to all tenants of impending conversions. (Walz.)

7. **H.B. 617** provides for **confidentiality of juvenile court records** in other types of civil proceedings. While the records have always been confidential in the juvenile court context, litigants in other types of cases, especially evictions, had been having success subpoenaing the records. (Walz)

8. **House Joint Resolution 8/Senate Joint Resolution 6** reauthorizes the legislative **task force on employment barriers** for people with conviction records. (Margaret Stapleton.)

9. **S.B. 1391/H.B.1293** allows **early release from prison, supervision, or parole for those who obtain a GED** (general educational development) certificate for the first time during incarceration or while on parole. (Stapleton.)

10. **H.B. 2734** is the **Drug School Act**, which establishes drug school as an alternative to incarceration for low-level drug possession offenses. (Stapleton.)

11. **H.B. 1332** would have forbidden certain state agencies from asking about convictions at the beginning of a hiring process, although it would have allowed these questions later in the process. The bill passed, but the governor vetoed it. (Stapleton.)

12. **S.B. 229** was a **comprehensive “technical rewrite” of the debt collection statute**, driven by the bill collection industry and bar. After it passed as a noncontroversial bill, an obscure section of the bill was discovered to have removed the authority of trial court judges to order that less than 15 percent of a

debtor’s wages may be garnished to pay a debt. The old law had provided 15 percent as a maximum, which allowed lower amounts in the judge’s discretion. The subtle but key amendment deleted the word “maximum,” leaving 15 percent as the only option. Alerted by legal services agencies, the Shriver Center researched and drafted a **successful amendatory veto letter** that helped persuade the governor to restore the original statute (the word “maximum”). (John Bouman.)

13. In our role as cochair of the **Illinois Asset Building Group**, the Center worked with partners and through a retained expert to improve policies involving public utilities. The legislature and governor approved increased funding for the **Low Income Home Energy Assistance Program**, **rejected proposed electric utility rate increases**, and **created a new state agency to purchase energy at competitive rates at lower costs to consumers**.

The Shriver Center accomplished the above projects while also spending considerable time and resources on **Senate Bill 5**, the governor’s universal health care plan known as **Illinois Covered**. It is one of the most important bills ever debated in Illinois affecting health, workforce, business, economic, family, and community policy, not to mention tax policy. It is expensive, if done right. Due to complex revenue issues, political personalities, and simply the tremendous stakes, the bill did not pass. But it was not voted down outright either. While the situation remains extremely complex, the Shriver Center believes that the issue has been moved forward during the session, mostly because there is in fact a crisis powerfully affecting virtually every household in the state and compelling policymakers to attend to it. The process will continue through the fall and into 2008’s spring session.

Congress Prepares to Pass Children’s Health Coverage Expansion

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The House and Senate bills

Earlier this year the House and Senate passed separate bills that would both reauthorize and expand SCHIP for the next five years. Our article in the August 2007 POVERTY ACTION REPORT summarizes the provisions of the two bills (<http://www.povertylaw.org/news-and-events/>

poverty-action-report/august-2007/perspectives-children2019s-health-coverage-is-next-up-for-congress.html). In broad terms, the Senate's bill would expand the program by \$35 billion over the next five years, funded mostly by increased tobacco taxes. This would cover four million more children. The House would expand the program by \$50 billion, funded in large part by reductions in payments to private HMOs under the Medicare program, in addition to a smaller increase in the tobacco tax. This would cover five million more children. There are substantial differences between the two bills on policy issues, including the formula for payments to states, eligibility for legal immigrant children, the ability of states to expand the program to cover parents, and other issues. In both houses, the bills were negotiated by committee leaders in both parties and supported by Republicans on the floor.

Emerging compromise

Leaders and their staffs in the two chambers have been discussing a compromise bill. Due to the need to cultivate enough support to discourage and possibly override a veto, the talks have leaned toward the less expensive Senate version (\$35 billion increase over five years, four million more kids covered) and the less controversial Senate financing mechanism (without the cut in Medicare payments to HMOs). The talks are now concentrating on how much of the House's policy provisions will be acceptable to the Senate.

New data undermine president's basis for veto

The Kaiser Family Fund published a new paper analyzing the recently released census data on health insurance. " Coauthored by John Holahan and Allison Cook of the Urban Institute's Health Policy Center, "What Happened to the Insurance Coverage of Children and Adults in 2006?" reveals that there are a million more uninsured children over the last two years, and over 700,000 in the last year alone. Almost half of the newly uninsured children were in the lower middle-income group between 200 percent and 399 percent of the federal poverty level (\$40,000 to \$80,000 per year for a family of four). This is the group targeted by the proposed SCHIP expansion in the bill Congress is crafting. Moreover, all of this increase in uninsured children is attributable to loss of insurance in the private and employer-supported market, as Medicaid and SCHIP coverage held even.

President Bush opposes an expansion of government-assisted insurance for children on the grounds that it is government-assisted. He prefers to rely on the private-

sector market forces to produce coverage for children. The Kaiser report shows that it is the private sector that is failing children. Only government-assisted insurance is keeping more children from being uninsured. The president is undeterred by these facts—his ideology trumps them so far—and his solution is to shrug and say that uninsured children can go to emergency rooms. This ignores the value of preventive care, early diagnosis and treatment, and developmental monitoring for children. It also ignores the impact of uncompensated emergency room care on everyone else's insurance premiums.

It is important for all concerned with health care for children to impress on their congressional delegation the need to support the compromise SCHIP bill with a substantial majority and to override any veto.

Rita McLennon Completes 26-Year Stint at the Shriver Center

Rita McLennon, the Shriver Center's executive director from 1993 to 2006 and currently its vice president of external affairs, leaves the Shriver Center at the end of the month. John Bouman, the Shriver Center president, announced her approaching departure in the following letter:



Dear Friend of the Shriver Center:

I am writing to inform you that Rita McLennon will be leaving the Sargent Shriver National Center on Poverty Law on September 28, 2007. Effective October 1, 2007, Rita will begin her new duties as the Director of Development for the New York Legal Assistance Group (NYLAG), a not-for-profit law office founded in 1990 to provide free civil legal services to low-income New Yorkers. We congratulate Rita on this important opportunity to continue her career of promoting justice for the poor.

For the past 26 years, Rita McLennon has dedicated herself to the Shriver Center's mission to end poverty. As Executive Director for more than fourteen years, Rita built the Shriver Center into a strong national communication, research, and advocacy center for the poverty law community, public policy leaders, and other advocates for low-income people. Before that, Rita served on the board for eleven years.

We are extremely proud of Rita's effective leadership in advancing the Shriver Center's efforts to end poverty. During her tenure, Rita brought the organization through a major funding crisis to its current stability and growing national stature. She worked in partnership with Ilze Hirsh to ensure that *Clearinghouse Review: Journal of Poverty Law and Policy* continues to serve as the fundamental communication resource among advocates for the poor. Rita also partnered with Bill Wilen and me and our legal colleagues, not only enabling us to continue our work after the loss of federal funds but also expanding our work to a national level. Most importantly, during her 26 years of service, Rita advanced the work of Sargent Shriver throughout the country by expanding on his legacy of genius and courage in building the modern-day legal services movement.

When Rita launched the reorganization of the Shriver Center in 2006, she agreed to continue here until the transition was comfortably in place, and then to pursue new career objectives. The transition here at the Center is going well -- we have a strong staff and a committed, national Board of Directors, and our advocacy, communication, fund-raising and operations functions are well in hand. While it is never easy to lose a great leader, this is an excellent time for Rita to make the transition to this exciting new opportunity in New York.

We at the Shriver Center owe Rita so much—in fact, we owe her for our very survival. We are very grateful for her talented service here and for everything that we've learned from her. The poverty law community in New York will surely benefit from her talent and dedication. We wish her every success in her new venture.

Sincerely,

John Bouman
President and Chief Executive Officer

Cuts in Child Support Enforcement Funding Take Effect October 1 Unless Congress Acts

By Margaret Stapleton

Federal legislation that would undo the substantial cuts in federal funding for state child support enforcement programs scheduled to go into effect on October 1, 2007, is gathering bipartisan support in Congress. Two identical bills, S. 803 and H.R. 1386, would repeal the Deficit Reduction Act of 2005's Section 7309, which requires the funding cuts.

Illinois estimates that if the law is not repealed, the state will lose \$159 million, 20 percent of the federal funds for operating its child support program, over the next 10 years.

The repeal bills have 22 Senate and 45 House sponsors, including three members of the Illinois Delegation, Sen. Barack Obama (D-Ill.) and Reps. Danny K. Davis (D-Ill.) and Rahm Emanuel (D-Ill.). Illinois residents concerned that the state child support enforcement program not suffer this significant reduction in federal funding should contact Sen. Dick Durbin (D-Ill.) (202.224.2152) and their House representatives and encourage them to become sponsors of the repeal legislation and to vote in favor of the bills when they reach the Senate or House floor. To find the name and contact information for your House representatives, visit www.elections.il.gov/DistrictLocator/.

States operate child support enforcement programs with a mix of federal and state funds. Basically the federal government matches every \$1 a state spends on child support enforcement efforts with \$2 of federal funds. The federal government also offers graduated "incentive payments" to states as they achieve higher and higher levels of good and better performance on five specified indicators, all of them important to children and families: percentage of cases with paternity established; percentage of cases with support orders; percentage of cases with on-time collections of support; percentage of cases with collections on arrears; and cost-effectiveness (dollars of support collected compared to dollars spent on collection efforts). Pre-Deficit Reduction Act funding methods (state funds plus basic federal match plus incentive payments plus federal match on incentive payments used for child support enforcement) enabled total child support collection to climb impressively,

reaching \$24 billion in 2006, up from \$10 billion in 1994.

However, Section 7309 of the Deficit Reduction Act prohibits states from seeking a federal match on their federal incentive payments even though the states reinvest those incentive payments in their child support programs. Section 7309 is only a federal deficit reduction measure—it is not based on the needs of the child support programs or what's better for families.

Unless Section 7309 is repealed, as S. 803 and H.R. 1386 would do, families, especially struggling, lower-income single-parent families will be hurt. As the 1990s' welfare reforms took hold, fewer and fewer families received cash assistance and more and more relied on child support as a major part of family income. The Urban Institute analysis of family income for poor single-mother families showed that child support supplied 31 percent of their income, second only to mothers' earnings (45 percent), and far greater than Temporary Assistance for Needy Families (TANF) (5 percent) and other income (19 percent). Decreasing the funding for child support enforcement programs will mean that child support will go uncollected and children will be worse off. In many cases, families without child support will need to apply for TANF and other public assistance programs.

For more information, contact Margaret Stapleton at the Shriver Center, 312.368.3327 or mstapleton@povertylaw.org.



In Focus: HOPE VI

The Housing Opportunity for People Everywhere Act (HOPE VI), also known as the Urban Revitalization Demonstration, is a program designed to revitalize the nation's "most severely distressed public housing." Created in 1992, this grant-making program put its stakes in public support for "urban renewal" as it established steady financial backing for the demolition and reconstruction of public housing.

Shriver Center advocates, as members of the Housing Justice Network, submitted comments

on the most recent draft of HOPE VI currently making its way through Congress. A coalition of public housing tenant organizing groups coordinated through the National Training and Information Center (NTIC) and National People's Action is simultaneously engaged in this process. The Shriver Center's William Wilen, director of housing litigation, and guest author Christy Bockheim from Antic's Chicago headquarters offer their perspectives on the updated draft of HOPE VI. Versions of both parties' letters to congress are also available online at <http://www.povertylaw.org/news-and-events/poverty-action-report/september-2007/>.

Latest Draft of HOPE VI Shows Promise, But Additional Changes Are Needed

By William Wilen

On September 11, 2007, U.S. Rep. Maxine Waters (D-CA), with Reps. Christopher Shays (R-CT.), Barney Frank (D-MA), Mel Watt (D-NC), and Steve Cohen (D-TN.) of the House Financial Services Committee as cosponsors, introduced H.R. 3524, a bill to improve and reauthorize the HOPE VI public housing revitalization program.

The bill is a vast improvement over present practice, especially regarding the "one-for-one replacement" requirement. Original federal law required that each unit of public housing demolished be replaced with another unit of public or affordable housing, so that there would be no "net loss" to the nation's public housing supply. However, since the repeal of that mandate in 1996, public housing demolitions continue to shrink the number of homes available to low-income earners.

Of over 135,000 units lost without guaranteed replacement, many (57,000) demolitions were financed through the HOPE VI program.

H.R. 3524 attempts to stay America's affordable housing crisis by requiring that all future HOPE-financed demolitions of public units occur on a one-for-one replacement basis, with reconstruction limited to either the original site or within the jurisdiction of

the public housing authority. The Housing Justice Network (HJN), a national organization of attorneys and advocates for public and subsidized housing tenants, has been working with the committee for the past several months through the redrafting of HOPE VI legislation. Most recently, the HJN submitted comments urging that the Committee make two amendments to the bill on this point to improve its effectiveness. To see the Shriver Center letter of September 18, 2007, submitted to the Committee on behalf of the HJN, visit <http://www.povertylaw.org/news-and-events/poverty-action-report/september-2007>.

The recommendations regarding the one-for-one replacement requirement:

- That the number of units demolished be determined based on the number of units on the site as of the date three years before the enactment of the bill, rather than on the date of application for the HOPE VI grant. HJN is concerned that public housing authorities may demolish units before applying for a HOPE VI grant to avoid the one-for-one replacement requirement.
- That replacement housing units not be limited to “the jurisdiction of the housing authority,” as currently provided in the bill, but rather “throughout the metropolitan area, consistent with the goal of expanding educational and economic opportunities.” This change would remove barriers to construction and allow for smarter development overall.

Despite these shortcomings, H.R. 3524 contains a number of strong amendments. The draft of the reauthorization bill eliminates “demolition only” HOPE grants, so that public housing authorities must replace all units demolished on a one-for-one basis. The bill also expands the role of tenant participation in the HOPE VI process, so that public housing residents have more say regarding redevelopment. Finally, the bill provides that replacement housing must be made available to each household displaced as a result of the revitalization plan before any replacement housing is made available to any other eligible households.

The bill will have to be reconciled with the corresponding Senate bill. In addition, markup-up on the House bill begins on September 25.

For more information, contact William Wilen at 312.2683.3830 ext. 251, or visit www.povertylaw.org/housing.

Is There Hope for HOPE VI?

By Christy Bockheim

“In Miami, HOPE VI left over 200 people homeless,” said Yvonne Stratford of Low-Income Families Fighting Together (LIFT). This has been the theme of a series of meetings convened by the National Training and Information Center (NTIC) aiming to develop a resident-centered dialogue around Public Housing reform.

“The general consensus throughout this process has been that, while HOPE VI is traditionally a destructive force on communities, Congresswoman Waters’ bill would create a HOPE VI like nothing we have ever seen,” said Sam Finkelstein, National Housing Organizer for the National Training & Information Center, about the HOPE VI Improvement & Reauthorization Act. This bill was originally introduced in July, but was pulled because of controversy over several provisions. The new rendition of the bill, H.R. 3524, was reintroduced on September 11.

“We are very pleased with many aspects of this bill,” said Finkelstein. “Our appeal on HOPE VI has always been the need for meaningful participation of the residents in the redevelopment process, one-for-one replacement, and a mandatory right of return—but this bill addresses these issues very well, so we actually had very little to complain about.”

A letter to the bill’s sponsor, Rep. Maxine Waters (D-CA), from public housing resident organizations from 16 states convened by NTIC states that, while this would indeed create a different HOPE VI from that which communities are familiar with, several changes would be required for this to be a program that has a positive effect on communities, as opposed to one that leads to displacement and gentrification. The suggested changes propose a prohibition on rescreening when tenants are provided with a relocation voucher, a requirement for replacement housing to be of a comparable unit size, a prerequisite for resident involvement in the determination that the project is distressed, and a focus on phased development that lessens displacement.

The National Training and Information Center (<http://www.ntic-us.org/>) is of the perspective that residents must be central to the discourse around policies that affect them, both at the local and national level.

NTIC is a national resource center for community organizations around the country that fight for economic, social, and racial justice. Through technical assistance, training, research, and campaign building, NTIC works to build powerful organizations to create a more just and equitable society.

For further information or to learn more about NTIC's recent letter to Representative Waters, contact Christy Bockheim, media coordinator for NTIC, at 312.243.3035 or Christy@ntic-us.org.

Settlement Negotiations Under Way in Effort to Preserve Public Housing

By Sam Tuttle

The Shriver Center and Prairie State Legal Services filed a lawsuit in July to stop the demolition of Jane Addams Village, an 84-unit public housing development in Rockford, Illinois. The demolition is stayed pursuant to an agreed standstill order between the parties. The complaint alleges that the U.S. Department of Housing and Urban Development (HUD) did not have a statutory basis for approving the local housing authority's application to demolish the project.

Last month HUD acknowledged that its approval of the proposed demolition had been granted contrary to the statute, as plaintiffs allege. The parties have since entered into settlement negotiations.

The Shriver Center and Prairie State hope that these negotiations will result in the rehabilitation or reconstruction of 84 public housing units, ranging from two to five bedrooms in size, for low-income families in Illinois.

The Shriver Center and Prairie State are seeking that the Rockford Housing Authority implement a housing mobility counseling program for displaced residents and allow those residents a right of return.

New Eligibility Requirements Reduce Barriers to Work for People with Disabilities

By John Coburn, Senior Policy Attorney, Health and Disability Advocates

According to a 2004 National Organization on Disability/Harris Survey, only 35 percent of people with disabilities reported being employed full- or part-time, compared to 78 percent of those who do not have disabilities (see www.at508.com/040624_national_press_club.cfm). However, 72 percent of the individuals with disabilities surveyed want to work (see www.whitehouse.gov/news/freedominitiative/freedominitiative.html). Removing the barriers to employment that cause this glaring discrepancy is an important public policy goal of the disability community.

One significant barrier to employment experienced by individuals with disabilities is the loss of necessary health care coverage. Recognizing this, Congress has given states broad authority to create programs that would allow individuals with disabilities to work and keep or obtain Medicaid coverage. To date, the majority of states have implemented these "Medicaid Buy-In" programs for workers with disabilities.

Illinois took advantage of this opportunity and created Health Benefits for Workers with Disabilities (HBWD). The Program began in January 2002. Since its inception, advocates for people with disabilities in Illinois have pushed for its expansion. In its original form, the HBWD program had some of the most restrictive eligibility requirements in the country.

This legislative session, Health & Disability Advocates and AIDS Foundation of Chicago worked closely with Rep. Sara Feigenholtz (D-Chicago), Sen. Don Harmon (D-Oak Park), and Gov. Rod Blagojevich to secure passage of House Bill 1256.

Signed into law on August 29, 2007, H.B. 1256 makes significant changes in the eligibility criteria for the HBWD program. These changes will allow individuals with disabilities to work more, earn more, save more, and still maintain necessary Medicaid eligibility.

Illinois HBWD income and asset eligibility requirements will be expanded as follows:

- Income eligibility level increases from 200 percent to 350 percent of the federal poverty level.

- Initial asset eligibility limit remains at \$10,000 but increases to \$25,000 once enrolled in HBWD.
- Retirement accounts that may not be accessed prior to the age of 59½ without penalty, as well as medical saving accounts, will no longer factor into asset eligibility.
- Individuals enrolled in HBWD are allowed to return to regular Medicaid without having to spend down assets accumulated while enrolled in HBWD (up to \$25,000).

Retirement accounts that may not be accessed before age 59½ and medical savings accounts are also exempt to those returning to Medicaid after having been enrolled in HBWD.

For more on this expansion, contact John Coburn of Health & Disability Advocates at 312.218.0941 or jcoburn@hdadvocates.org. To read a fact sheet on H.B. 1256, visit <http://www.povertylaw.org/news-and-events/poverty-action-report/september-2007/>.

John Coburn is senior policy attorney, Health & Disability Advocates

TANF Reauthorization in Illinois Takes a Wrong Turn: Eliminating the Best Route out of Poverty

By Liz Mazur

Over the past several months, states across the country have been revising their Temporary Assistance for Needy Families (TANF) programs in reaction to federal regulations with which they must be in compliance by October 1.

Although these federal rules place undue limitations on “countable” work activities and impose burdensome work activity verification requirements for both TANF recipients and states, advocates in Illinois are concerned that the Illinois Department of Human Services (IDHS) has gone too far in restricting access to education and training—the best route out of poverty.

IDHS published proposed amendments to Illinois’s TANF program in July. Proposed changes include limiting vocational training programs to 12 months and no opportunity to attend a community college to earn an associate’s degree. These rules are already forcing individuals working hard to leave the welfare

rolls and escape poverty to choose between continuing with their education and remaining on TANF.

The Shriver Center has been receiving reports that TANF recipients are already being told they must forgo educational opportunities altogether if they want to keep their TANF grants. This is bad policy. TANF participants should not be forced to choose between school and TANF. Instead they should be given the opportunity to pursue the best route off welfare, out of poverty, and toward career-path employment. Under the proposed rule, more TANF participants will remain in low-paying dead-end jobs and fewer will wind up with careers. Although IDHS is under pressure to run its TANF program within the federal parameters, the new federal rules do not require the drastic, wholesale elimination of these education programs.

The text of the proposed rules can be found in volume 31, pages 10404–45, of the Illinois Register. The Shriver Center submitted written comments, which can be found online at <http://www.povertylaw.org/news-and-events/poverty-action-report/september-2007/>.

Soon IDHS will file the proposed rules with the Joint Committee on Administrative Rules (JCAR), at which point another 45-day public comment period commences. Advocates may submit comments on the proposed rules directly to JCAR or to the individual legislators who sit on the committee. See <http://www.ilga.gov/commission/jcar/default.htm>

If you or someone you know has been forced to choose between TANF and school, contact Liz Mazur of the Shriver Center at lizmazur@povertylaw.org or 312.263.3830 ext. 225.

This is the first article in a multipart series on TANF reauthorization in Illinois.

Financial Institutions Offer Real Alternatives to Payday Lending

By Kelly E. Slay

Across the country, community organizations, credit unions and banks are beginning to offer consumers real alternatives to payday lending. In several communities where payday lenders have come to outnumber franchises such as McDonald’s and Starbucks, financial institutions are stepping in to offer

a sense of hope and provide relief from the predatory practices of payday lending.

North Carolina's State Employees Credit Union is just one example of such programming. According to Jean Ann Fox, at the Consumer Federation of America, the credit union runs the Salary Advance Loan Program (SALO), which allows credit union members enrolled in direct deposit to take out a loan anywhere from \$50 to \$500 with no fees and an interest rate capped at 18 percent. When compared to the interest rate of 400 to 800 percent most payday lenders impose on clients, the benefits are tremendous. SALO also offers free credit counseling and encourages credit union members to save by automatically depositing 5 percent of their advance into an interest-bearing savings account. For more information on SALO, visit www.ncleague.org.

Similar to SALO, the Payday Lending Alternative Program (PAL), developed in Arkansas and supported by a coalition of organizations including the Federal Reserve Bank of Little Rock, represents a model in which consumers can take out an affordable loan and build their savings simultaneously. According to Arkansans against Abusive Payday Lending, www.stop paydaypredators.org, participating banks and credits unions offer loans up to \$500 with a savings component equal to 100 percent of the loan amount. No fees are charged for participation, and the loan may be paid over 6 to 12 months at an interest rate capped at 17 percent. Rules established by the Federal Deposit Insurance Corporation allow banks that offer PAL and other affordable small-dollar loans to receive Community Reinvestment Act credit.

This program seeks to encourage responsible lending behavior by accepting early and partial payments, not allowing borrowers to take out additional loans until their current loan is paid in full, and providing financial education to ensure that consumers practice responsible money management.

While a number of organizations have begun to market their products and services as alternatives to payday lending, SALO and PAL highlight some of the "best practices" upon which others should model their lending programs. These alternatives focus on the best interests of the consumer by offering assistance to borrowers in unexpected crises, safeguarding against predatory institutions, and creating real opportunities for long-term financial stability through consumer education—practices that the Shriver Center strongly supports.

More essential than these "next best" alternatives, though, are regulations that close loopholes in an industry that has unscrupulously and creatively reinvented itself. The Shriver Center, along with numerous community organizations and policymakers, believes that Illinois's Payday Loan Reform Act must be amended to close those loopholes enabling lenders consistently to avoid regulation. Sound policies that require accountability and effective regulations will help revolutionize the payday lending industry.

For more information, contact Dory Rand at doryrand@povertylaw.org or Kelly Slay at kellyslay@povertylaw.org.

Parents Are Saving More in U.K.'s Universal Child Trust Fund Program

By Dory Rand

Parents of children with government-supported Child Trust Funds in the United Kingdom are increasing deposits and hoping that their children will be able to afford homes, go to college and start businesses when they grow up, according to David White, chief executive of the Children's Mutual.

The Children's Mutual is one of 30 financial institutions participating in the Child Trust Fund (CTF) program launched in 2002 to strengthen the saving habit of future generations, promote financial education, and ensure that at age 18 every child will have access to a financial asset.

The Shriver Center's Dory Rand learned the following promising results during a recent conversation with White.

Parents are saving more with Child Trust Funds

"The CTF is a catalyst for families to save for their children," said White. The Children's Mutual holds 20 percent of the CTF accounts. Almost 25 percent of all CTF account holders are contributing about \$42 per month via direct deposit. Among the Children's Mutual CTF customers, about 40 percent are contributing an average of \$48 per month via direct deposit into their CTF accounts.

Before the adoption of the CTF program, only about 18 percent or 19 percent of UK families had child accounts, and the Children's Mutual customers saved about \$30 per month.

How the Child Trust Fund works

Parents open the CTF account for their child with the help of a £250 voucher (the equivalent of about \$475) and an additional £250 deposit at age 7. Children in less well-off families receive larger deposits of £500. Parents, children, and others may contribute up to the equivalent of \$2,400 per year in the tax-favored CTF accounts. The CTF funds may not be used until the child is at least 18 years old. The government also announced plans to rollover the CTFs automatically to long-term tax-favored accounts at age 18 to encourage citizens to continue to save.

“Financial understanding is a
key life skill.”

- United Kingdom Treasury Minister
Kitty Ussher

The U.K. government has a long-term goal of increasing citizens’ financial capability over the next 10 to 20 years. As part of that plan, it developed a new curriculum on economic capability and announced on September 7 that it was significantly increasing funding for teaching financial skills based on the CTF in math classes in primary and secondary schools.

Lessons for the United States

“The U.K.’s experience in developing and implementing the CTF program and related financial education will be of great benefit to state and federal policymakers who are exploring the development of universal child development accounts in the United States,” said Rand. Illinois recently passed legislation creating a children’s savings account task force.

For more information, contact Dory Rand at 312.368.2007 or doryrand@povertylaw.org, or visit <http://www.childtrustfund.gov.uk/>.

Thanks to the following organizations for contributing to this edition of the Poverty Action Report:



**Please join us for an interactive
Forum hosted by
The Federal Reserve Bank of Chicago
And the Illinois Asset Building Group
on
*Advancing Asset Policy in Illinois***

Federal Reserve Bank of Chicago
230 South LaSalle Street (Illinois Room)
October 4, 2007
8:00–11:00 a.m.

Continental breakfast will be served

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Advocates, policymakers, financial institutions, regulators, community leaders, researchers, and others will discuss the implications and use of the 2007 *Assets and Opportunity Scorecard* for advancing asset policies in Illinois, learn about children’s savings accounts and other asset policies, and participate in communications training.

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The Consumer and Community Affairs Department at the Chicago Fed will discuss recent findings from focus groups looking at the relationship among insurance, financial access, and wealth building or preservation for financially underserved customers.

Attendees must RSVP and bring a valid photo ID. To get more information or RSVP, contact Meg Dunne at megdunne@povertylaw.org or 312.263.3830 ext. 246.