Oregon Business Council Poverty Task Force Policy Agenda

Make the Safety Net Work and Make Work Pay

(Updated March 23, 2015)

The 2015 OBP Agenda Aims to Reduce Poverty

As recovery from the Great Recession continues, economic conditions and job outlooks are improving in many parts of Oregon. There is much reason for optimism as we look ahead. But we still face serious challenges: employment hasn't yet returned to pre-recession levels in most parts of the state and our incomes remain stubbornly below the national average. And, perhaps most important, far too many Oregonians—including nearly one quarter of children—are living in poverty.

Growing net new jobs, raising per capita income, and reducing poverty below 10 percent by 2020 (from 16.7 percent today) are the Oregon Business Plan's goals. The 2015 Business Plan policy agenda is built around these goals and features three key initiatives for the year: **Connect Education to Careers, Put Our Natural Resources to Work,** and **Modernize Our Infrastructure**.

These priority initiatives do double duty – they help businesses grow *and* create conditions for Oregonians to earn family wages. Connecting education to careers is essential for Oregon's economy but also for those who need well-paying jobs. The other two priorities will help revive rural Oregon and produce much-needed jobs and job pathways. But job pathways and economic growth are not enough for many low-income Oregonians who face barriers and challenges in their transition to work, including lack of education, limited access to affordable childcare, addiction or mental health challenges, and financial disincentives in the form of benefits cliffs (as wages increase, loss of benefits can offset much or all of the earnings gains). For those who are temporarily or permanently unable to work, a package of public benefits usually remains well below the federal poverty line.

In 2013 OBC formed a Poverty Task Force to explore the nature and dimensions of Oregon poverty and to contribute to the conversation about how Oregon can improve its safety net and system of work supports. On behalf of the Oregon Business Plan, the OBC Poverty Task Force has identified the following key actions in this area for the 2015 legislative session.

Key Actions for 2015

- **Redesign TANF.** Oregon's Temporary Assistance for Needy Families (TANF) program provides very poor families with monthly cash payments and other support as parents search for work and build self-sufficiency. However, the program also includes a sharp benefits cliff that causes clients to lose their entire benefit once they begin working as little as 16 hours/week at minimum wage. The Governor's Budget has advanced a TANF redesign proposal that responds to a 2014 audit of the program. Savings created by declining caseloads can be reinvested to help families increase their earnings and move off of TANF. The $30 million investment will rework income limits and earnings disregards to strengthen work incentives and will provide increased flexibility for local investments that better meet the needs of clients in different parts of the state.
- **Expand the Earned Income Tax Credit for families with young children.** The EITC is widely supported as a tool that encourages work, boosts health, and improves school outcomes. Oregon's EITC is currently 8% of the federal EITC and is refundable. Lawmakers should expand the credit so that payments to families with children under age 6 are larger than payments to families with older children (for example, a 16% credit for families with children ages 0-2 and 12% for families with children ages 3-5). The Oregon Business Plan will also work with the state's congressional delegation on EITC reform at the federal level, including increasing the credit for childless earners.
- **Consolidate and expand funding for childcare tax credits.** Oregon operates two highly related tax credits designed to offset the costs of childcare for low- and middle-income families. The two should be consolidated into a single credit that piggybacks off of the federal Child and Dependent Care credit. If built off the existing federal credit, the federal government bears the auditing cost. If Oregon didn't have to audit its state-only program, the state could save up to $1 million biennially—resources that could be redirected to the

credit itself. Moreover, on-going operation of two credits with similar names and purposes is confusing to taxpayers. Funding for the resulting credit should be increased to expand coverage and ensure no family is made worse off by the consolidation.

- **Expand access to ERDC.** Employment Related Daycare (ERDC) supports about 8,000 low-income working families in accessing higher quality care for their children through tiered reimbursement that lowers the family co-pay at higher levels of quality. The Governor's Budget proposes an additional $55 million investment, with a 21% increase in cases and better integration of subsidies. Policymakers should also consider phase-out levels for childcare assistance, which occur more quickly in Oregon than in some other states.

- **Extend the sunset on the Oregon IDA 75% Tax Credit.** The Oregon Individual Development Account (IDA) Initiative, one of the largest IDA programs in the nation, provides matched savings accounts that incentivize saving for specific types of assets. Participants as young as 12 years old receive financial training, make a savings plan, and save monthly, with a 3:1 match once they meet their savings goal. Oregon's program has five asset categories: microenterprise, education, homeownership, employment-related equipment or assistive technology, and home renovation.

  The program is funded through donations that are eligible for a 75% tax credit; the credit is scheduled to sunset at the end of 2014. The Governor's Budget recommends that the sunset be extended. Lawmakers should also support the proposal to (a) increase the annual cap on donations from $10 million to $25 million over the next six years and (b) add seven new savings categories. Any initiative expansion should include an investment in rigorous program evaluation.

- **Continue to integrate mental and addiction health services into CCOs.** A functional and effective state mental health care and addictions treatment system is an essential part of providing adequate support to Oregon households in poverty and helping adults transition to work. Lawmakers should look to Coordinated Care Organization (CCO) leadership, community corrections directors, healthcare administrators, addiction and mental health staff, and housing agencies for direction on aligning services that result in better mental health outcomes and provide community-based alternatives to incarceration. The Governor's Budget recommends an additional $53.2 million to be invested in community mental health and addiction services.

- **Agree on a definition of poverty and measures for Oregon.** The Federal Poverty Level is a widely used measure of pre-tax cash income but is antiquated in terms of defining the amount of money families need for a decent life. Poverty is also about more than money: it's about hunger, poor health, social discrimination and exclusion, lack of voice in decision-making, lack of human rights and sense of dignity, and limited access to opportunities and choices (social, economic, and political). To track success in reducing poverty, and increasing prosperity that leads to a path to the middle class, Oregon should create a Task Force on Measures of Economic and Social Success that identifies and proposes additional definitions and measures. These measures should highlight poverty's disproportionate impacts on people of color, genders, and rural populations.

- **Invest in community-led projects to increase prosperity in high-poverty areas.** The Governor and Legislature have developed community-based partnerships that are poised to expand the state's capacity to address complex problems. Successful implementation of these regional efforts in health (Coordinated Care Organizations), early education (Early Learning Hubs), education (Regional Achievement Collaboratives), workforce (Workforce Investment Boards), and economic development (Regional Solutions Advisory Committees) requires both sufficient local capacity and a state infrastructure that works for communities.

  The Governor's proposed Center for Community Innovation will ensure that communities and state agencies have access to best practices, technical assistance, and support for continuous improvement. The $25-million Community Leverage Fund will accelerate on-the-ground action; leverage public, private, and civic resources; and allow communities of concentrated poverty to launch projects that address multiple key state outcomes.