

**INTERIM REPORT OF**

**The Commission on Stimulating  
Personal Initiative to  
Overcome Poverty**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**HOUSE DOCUMENT NO. 64**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1993**



# COMMONWEALTH of VIRGINIA

Donald S. Beyer, Jr.  
Lieutenant Governor

Office of the Lieutenant Governor  
Richmond 23219

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February 10, 1993

TO: The Honorable Lawrence Douglas Wilder  
Governor of Virginia

Members of the 1993 General Assembly

It is with great pleasure that we present the interim report from the Commission on Stimulating Personal Initiative to Overcome Poverty (HJR 74). Our Commission was established to closely scrutinize our current system of welfare and consider needed changes. Over the course of our work, we heard countless testimonies from welfare recipients, those who run the system and concerned citizens. We learned that the system we now have is antiquated and does not work. In this report we present an entirely new way to think about welfare. We offer a plan for Virginia to offer a hand up instead of a hand out. It is based on the three principles that: (1) If you work, you shouldn't be poor; (2) children should have the financial support of both parents and they should be adults; and (3) if you receive public assistance, you incur personal obligations.

The elements of the plan are: (1) an Individual Work Account system; (2) an Empowerment Fund; (3) Child Support Enforcement and Insurance; (4) a Plan for Teen Pregnancy Prevention; (5) the Virginia Earned Income Tax Credit; and (6) the Virginia Neighborhood Assistance Act. We believe the collective outcome of these efforts will significantly diminish poverty in the Commonwealth.

We appreciate your support of these efforts in the next year.

The Honorable Donald S. Beyer, Jr.  
Chair

A handwritten signature in black ink, appearing to read "Don Beyer", written over the printed name and title.

The Honorable C. Richard Cranwell  
Vice-Chair

A handwritten signature in black ink, appearing to read "C. Richard Cranwell", written over the printed name and title.

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TO OVERCOME POVERTY**

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# **The Commission on Stimulating Personal Initiative to Overcome Poverty**

## **INTERIM REPORT**

Poverty dismays us. It always has. From the Biblical admonition that the poor will be with us always to the ghetto rapper's furious, "Why me?" the ageless realities of poverty confront us as individuals, as communities and as governments.

The persistence of poverty is especially painful in a democracy founded – here in Virginia – on the principles of equality, opportunity, self-sufficiency and hope. Each generation has attempted its solution, and some have succeeded: Between 1964 and 1978, the "War on Poverty" cut America's poverty rate nearly in half. But too often over time, our political will or our economic strength seem to flag, and another generation slips into poverty. At the dawn of the 21st Century, we struggle with a public welfare system that is an uneasy amalgam of Victorian social reforms, Depression-era solutions and 1960s political doctrines. The result is a maze of conflicting policies that traps people in the very poverty it is designed to relieve. Most frustrating is the fact that those innovative approaches that do work seldom receive the consistent, comprehensive funding that allows them to make long-term inroads.

In Virginia and across America, the practical result is that the spiraling cost of poverty drives public budgets, and the cost of poverty programs is fast exhausting the public's ability and will to finance them.

At public hearings across the Commonwealth, the Commission listened to hours of passionate testimony from hundreds of Virginians – welfare mothers, welfare workers, former inmates, housing experts, pregnant teenagers, ailing retirees. Here is what we learned:

- \* Nobody wants to be poor.
- \* Welfare isn't enough to feed, clothe and shelter a family.
- \* Proven anti-poverty initiatives are at work in communities across Virginia, but few receive adequate, consistent support.
- \* If you go to work at a minimum-wage job, you lose your children's health and child care benefits and you can't afford to pay for them privately.

- \* If you get married, your husband's income will force the family off AFDC but won't support it, so women "marry" the welfare system instead.
- \* Prison is to poor men what AFDC is to poor women.
- \* Poverty is colorblind, and most of Virginia's poor are children.
- \* Job training doesn't work unless there are jobs.
- \* Teenage mothers would make other choices if they had them.
- \* The working poor are never more than a broken finger or a sick child or a dead battery away from welfare.

**Tinkering with the welfare system won't work. The people of Virginia, including those who are poor, believe that government should support with dignity those among us who cannot support themselves, but that all of us who can work should work. Virginians also believe that government programs, including investments in the poor, should get results and should be able to prove it. If they don't work, they should be eliminated, and if they do, they should receive adequate funds.**

**To meet these expectations, we recommend a new social contract based on clear, realistic principles that reflect the values of the people in Virginia. We call them the Virginia Principles:**

- I. If you work, you shouldn't be poor.
- II. If you are a child, you should have the financial support of both your mother and your father, and they should be adults.
- III. If you receive public assistance, you incur personal obligations.

**Like all deeply human dilemmas, poverty is complex and difficult. But we know that there are solutions, and we believe deeply that Virginians have the heart and the will to seek them and to make solid investments in proven approaches.**

**We propose five initiatives approaches, grounded in the Virginia Principles and shaped by the wisdom and experience of the people of the Commonwealth. Each is designed to achieve a specific outcome and each contains a means for measuring its effectiveness. If they work, we can build upon them. If they don't, we can learn from our mistakes and try again. We call them the Virginia Plan.**

# **I THE VIRGINIA INDIVIDUAL WORK ACCOUNT SYSTEM**

**A landmark welfare reform initiative using a \$8 million revolving state fund and "cashed out" federal welfare monies to match and train chronically unemployed AFDC recipients with targeted private-sector jobs. A comparable \$1 million fund will be targeted to ex-offenders. These revolving funds will be replenished with taxes paid by these new workers.**

Seek federal waivers for a pilot program designed to radically reform the current welfare system by investing \$5 million (\$3.4 million in JOBS monies and \$1.6 million in new general funds for AFDC recipients) and another \$1 million for ex-offenders to establish a system of Individual Work Accounts. This system reverses conventional job placement strategies by identifying the private sector job first and then training an unemployed welfare recipient or ex-offender to fill it. The new worker repays the public investment with her or his state and federal taxes, which are earmarked as their Individual Work Account.

The Commonwealth also will seek federal waivers to "cash out" certain welfare benefits (AFDC, Food Stamps, child care allowances) to support workers during their training and to supplement wages and health care and as incentives to business participants. Businesses which commit to hiring these workers will design training curricula and receive other hiring incentives. This pilot includes a volunteer "mentoring" component for trainees.

Training providers would be hired by competitive bid, and case management services would be contracted out from the job preparation phase to hiring.

- \* **Cost: \$1.6 million for a pilot project for 250 families of AFDC recipients (\$3.4 million will be funded through the JOBS appropriation).**
- \* **Cost: \$1 million for an ex-offenders pilot project**

## **II. THE VIRGINIA EMPOWERMENT FUND**

**The Virginia Empowerment Fund which will identify and support the most effective community-based strategies for developing self-sufficiency.**

Virginia's local social service agencies, community action agencies, and non-profit organizations such as Area Agencies on Aging, represent some of the most innovative and successful ways of attacking poverty by empowering poor people and their communities. Local, inclusive, flexible, community-managed, volunteer-powered, and innovative by design, these strategies can be replicated across Virginia.

We propose to encourage and reward community-based solutions through a series of competitive grants to community action and other local non-profit organizations, governmental units and service agencies. The grants will be awarded for comprehensive local projects such as:

- \* Micro-enterprise loans for poor people who want to start small businesses.
- \* Emergency funds for crisis intervention to keep families off welfare.
- \* Early childhood programs.
- \* Mentoring programs.
- \* Food banking services.
- \* Housing programs.
- \* Inmate transition programs.
- \* Community-based day care programs.

Preference will be given to local initiatives which foster inter-agency and inter-governmental cooperation, grassroots leadership and ownership, and the leveraging of grants to obtain additional funding.

- \* Cost: \$5 million.



### **III. THE VIRGINIA CHILD SUPPORT ENFORCEMENT AND INSURANCE PILOT PROGRAM**

**A model Child Support Enforcement and Insurance Pilot Program (CSEI) which guarantees child support payments and meets federal child support enforcement funding guidelines.**

Child support is the first line of defense against poverty. This pilot program provides a realistic alternative to traditional welfare payments by guaranteeing child-support payments to custodial parents with support orders. Unlike AFDC, child support does not carry the stigma of welfare and does not stop when the parent takes a job. This approach includes establishing paternity at birth, locating deadbeat parents through employers, and collecting unpaid child support through such means as wage garnishment and tax collections.

This pilot includes legislation requiring employers to report new hires to the Virginia Employment Commission within 35 days and a proposal to allow non-custodial parents to include their children on their health insurance coverage.

- \* **Cost: \$638,000 for the first year.**

### **IV. THE VIRGINIA PLAN FOR TEEN PREGNANCY PREVENTION**

**Funding of the recommendations of The Virginia Council on Teen Pregnancy Prevention of 1991.**

This highly regarded blueprint for substantial reduction of teenage pregnancy includes an aggressive statewide education and prevention program targeting at-risk teens, both male and female, and includes a strong volunteer mentoring component. The report's initial funding recommendations should be expanded to support a comprehensive attack on the problem of teen pregnancy.

- \* **Cost: \$4 million. This includes:**
  - \* **increased funding for local Better Beginnings programs (\$120,000), and designation of local staff coordinators,**
  - \* **an allocation of \$10,000 to each locality for planning and assessment of teen pregnancy interventions (\$1.3 million), and**
  - \* **additional revenues (\$2.5 million) to localities for programming based upon the following criteria, with the heaviest weight given to the local teen pregnancy rate:**
    - o local teen pregnancy rate
    - o number of youth ages 13-18
    - o local poverty rates
- \* **The Secretary of Health and Human Resources will convene a high-profile state conference to stimulate media and business involvement in promoting a statewide public awareness campaign on teen pregnancy prevention). The Virginia Hospital Association has pledged \$100,000 to this effort.**

## **V. THE VIRGINIA EARNED INCOME TAX CREDIT**

**The Virginia Earned Income Tax Credit for families working at low wages to raise the income a family can earn before being taxed and to reward work as an alternative to welfare.**

Working Virginians with incomes at or below 167% of federal poverty levels (\$22,750 for a family of four) who have at least one child living at home more than half the year will be eligible for a refundable tax credit of up to \$275 for 1992. This credit would be available to both married and single parents. The VEITC supplements the Federal Earned Income Tax Credit of up to \$2,500.

**The cost of this initiative will depend on how many Virginia taxpayers take advantage of the tax credit.**

## **VI. THE VIRGINIA NEIGHBORHOOD ASSISTANCE TAX CREDIT**

**Expand the Neighborhood Assistance Tax Credit program to meet demand for this proven approach to developing public/private partnerships in anti-poverty initiatives in Virginia communities.**

The Neighborhood Assistance Program uses state tax credits as incentives for business and industry to invest in locally designed grassroots anti-poverty initiatives in such areas as child care, job training, and crime prevention. Business participants are eligible for a state tax credit of up to 50 percent of their contribution.

Local demand has outstripped the \$5.25 million now available for such incentives. We propose increasing the fund to \$8 million.

**Cost: Up to \$2.75 million.**

### **Conclusion**

The cost of poverty imposes severe limits on Virginia's economic and social progress as well as on its public policy choices. Whether the issue is health care, education, transportation, or economic development, it must compete with poverty for limited public funds. Just as inevitable, and perhaps more damaging, is the smoldering tension between the angry and despairing poor and the angry and frustrated taxpayer.

The General Assembly of Virginia has commissioned us to create a plan to eliminate poverty and foster self-sufficiency. The Virginia Principles and the Virginia Plan are the cornerstones on which we propose to build that plan. Let us begin.

## **APPENDIX**

- I. Individual Work Account System**
- II. Virginia Empowerment Fund**
- III. Virginia Child Support and Insurance Project**
- IV. Virginia Plan for Teen Pregnancy Prevention**
- V. Earned Income Tax Credit**
- VI. Neighborhood Assistance Act**
- VII. Related Resolutions**
  - A. HJR 139**
  - B. HJR 203**
  - C. HJR 251**
  - D. Appropriations Act, Item #287**

**APPENDIX I**

**INDIVIDUAL WORK ACCOUNT SYSTEM**

# **Current Federal Welfare Policy**

- **Poverty Is Bankrupting Federal and State Governments**
  
- **JOBS Program: (Initiated October, 1990)**
  - ▶ **Mandatory Participation**
  - ▶ **Education/Training for Long Term Recipients**
  - ▶ **Support Services (Child Care, Transportation)**
  - ▶ **Participation in Approved Training and Education Activities**
  - ▶ **Focus Is on Meeting Participation Rates, Not Jobs**
  
- **Virginia's JOBS Program:**
  - ▶ **25,357 Current Active Participants**
  - ▶ **7,854 Entered Employment (October, 1990 - June, 1992) at an Average Wage of \$4.55/Hour**
  - ▶ **21,314 Currently Waiting to Enter JOBS Program**
  
- **Barrier to Training More Recipients?**
  - ▶ **No Money Plus No Earmarked Jobs If Trained**

## Appropriations Act Language:

### **Item 287:**

**F. The Secretary of Health and Human Resources shall develop a plan to seek the necessary federal approvals for a Virginia Welfare Reform Demonstration Project. Any proposed demonstration project shall be financed by converting to cash public assistance benefits (ADC, food stamps, day care, and employment services) to establish a revolving fund. This fund will finance job training, education, and support services to eligible ADC recipients and will stress the use of volunteer mentors. The demonstration project shall include incentives for the private sector to create new jobs as well as a method for reimbursing the revolving fund from future federal and state taxes withheld from recipient earnings. In developing a plan, the Secretary shall include provisions that require recipients of the revolving fund to make satisfactory progress in education and employment.**

## Virginia Welfare Reform

- **Goal:**

**Reform the current system to provide education/training for welfare recipients to get an unsubsidized job.**

- **Reality:**

- ▶ **Current System Is Broken**

- ◇ **Recipients**
- ◇ **Advocates**
- ◇ **Taxpayers**

- ▶ **Disincentives**

- ◇ **Recipients Cannot Work to Supplement Income Without Having Payments Reduced**
- ◇ **Health Care (Medicaid) Lost -- One Year Transition Allowed**
- ◇ **Child Care Assistance Lost**

- ▶ **Don't Tinker With It -- Change It**

- ▶ **Replace With a Targeted Job Training Program Linked to Specific Job Commitments**

- ▶ **Put All Current Activities and Programs Subordinate to the Goal -- An Unsubsidized Job.**



## Virginia Proposal

- ▶ **Replace and “Cash Out” Current ADC, Food Stamp, Job Training, Child Care and Other Programs Into a Consolidated Job Investment Trust Fund (JITF).**
  
- ▶ **Trust Fund Would Be Used to Pay for Training Expenses and Routine Living Costs.**
  - ◇ **No Longer ADC Check But Job Training Stipend**
  
  - ◇ **Establish an Individual Work Account (IWA) for Each Recipient Family**
    - **Consider Use of Banks for IWAs**
  
- ▶ **Trust Fund Would Pay A Job Training Wage to Cover:**
  - ◇ **Living Expenses (Food, Clothing, Shelter) -- Same as Now**
  
  - ◇ **Training/Education Costs**
  
  - ◇ **Temporary Support Services**
    - **Health Care if Less Expensive Than Medicaid**
    - **Child Care**
    - **Transportation**
  
  - ◇ **Business Incentives**
  
  - ◇ **Other Incentives**

- ▶ **Financing the Trust Fund**
  - ◇ **“Cash Out” Current Federal, State and Local Funding of Existing Benefit and Support Programs -- Approximately \$7,500 Per Year.**
  - ◇ **Potential Federal Demonstration Funds.**
  
- ▶ **Repayment of Trust Fund**
  - ◇ **Use a Revolving Fund Concept.**
  - ◇ **Refinance by Earmarking Recipients’ Future Federal and State Tax Payments.**
  - ◇ **Supplement Fund With Portion of Cost Savings.**
    - **50% Then 25% “Savings” Over Two Years**
  - ◇ **Loss of Future Tax Revenues Are More Than Offset in Cost Avoidance by NOT Paying for ADC, Food Stamps, Medicaid, Etc.**
  - ◇ **Think Long Term, Not Short Term**
  - ◇ **Repayment Example:**
    - **Assumption: \$15,000 “Investment” Is Required to Get Placement Into an \$18,000/Year Job.**
    - **Estimated Annual Federal and State Taxes Would Be About \$1,400.**
    - **Repayment Would Occur in About 11 Years.**
    - **If Recipient Stayed on Welfare for 11 Years -- Cost to Taxpayers Would Have Been About \$82,500**

## **What Are the Business Incentives?**

- ◇ **Business Knows High Cost of ADC and Other Poverty-Related Tax Expenditures**
  
- ◇ **Persons With Jobs Are Better Consumers Than Those in Poverty -- Purchasing Power**
  
- ◇ **Offer Menu of Tax Incentives**
  - **Direct Tax Credits**
  
  - **Assistance in Health Care Costs**
  
  - **Reimburse Training Costs**
  
  - **Other**
  
- ◇ **Finance Incentives from Trust Fund**
  
- ◇ **Set Maximum Amount and Time Frame of Incentives**

## Participants

### ▶ **Who Can Participate?**

- ◇ **Start Program on a Voluntary Basis.**
- ◇ **Persons on ADC Two Years or More.**
- ◇ **Have Recipients' Apply for Program.**

### ▶ **How Would Participants Navigate the System?**

- ◇ **Eligibility Determined by Local DSS -- Same as Now.**
- ◇ **Use "Incentive" System to Reward Good Outcomes**
  - **Establish Reward System for Organizations That Can Successfully Transfer People From Welfare to Work.**
  - **Consider Privatizing or Open Competition for Case Management Function.**

## **Job Training**

- ▶ **Business Picks Participants From Job Applicant Pool.**
- ▶ **Business Develops Training Curricula**
  - ◇ **Shift Training From General Education Approach to One Focused on Building the Specific Job Skills Needed to Perform the Job.**
- ▶ **Accelerated Competency Training (ACT)**
  - ◇ **Develop Skills Needed for Job**
  - ◇ **Shorten or Telescope Training Time**
  - ◇ **Delayed Job Training Costs Money**
- ▶ **Business Has Option of Providing the Training If Desired**
- ▶ **If Business Does Not Want to Do Training Itself, Will Use an Open Competition Model**
  - ◇ **Best Buy Approach -- Outcome and Cost**
  - ◇ **Private Sector, Agencies, Community Colleges Compete as Potential Vendors**
- ▶ **Job Training Quality Is Controlled by the Employer**
  - ◇ **Vendor Produces Trained Workers or Loses Future Business.**

## Social Contract

- ▶ **Demonstration Project Is Voluntary**
- ▶ **Three-Party Contract Between Commonwealth, Business and Individual Participants**
- ▶ **Commonwealth Commitment**
  - ◇ **Job Training Stipend**
  - ◇ **Individualized Job Training and Support Services**
  - ◇ **Job Placement**
  - ◇ **Earmark Future Taxes to Repay Trust Fund**
- ▶ **Business Commitment**
  - ◇ **Select Individual for Training**
  - ◇ **Provide Training Curriculum**
  - ◇ **Hire Individual**
  - ◇ **Meet Incentive Obligations**
- ▶ **Individual Commitment**
  - ◇ **Complete Training**
  - ◇ **Work With Volunteer Mentor**
  - ◇ **Accept Job**
  - ◇ **Commit to Participate in:**
    - **Ensuring Child School Attendance**
    - **Obtaining Child Health Immunizations/Check-Ups**
    - **Providing Child Support Assistance (If Applicable)**

## Mentoring Program

- ▶ **Establish the Virginia Mentoring Assistance and Support System (VAMASS) to Link Each Participant to a Volunteer “Mentor”**
  
- ▶ **Mentor Assists Participant and Family in Completing Job Training and Staying on the Job.**
  - ◇ **Modeled After Other Successful Mentor-Type Programs Such as Resource Mothers.**
  
  - ◇ **Person to Person Support.**
  
- ▶ **Priority Will Be Recruitment of Mentor From Business Work Force.**
  - ◇ **Gives Linkage to Work Site While in Training and When on the Job.**

## Recap

- ▶ **Current Welfare System Is Too Short-Term**
  - ◇ **Must Look at Costs/Savings Over Long-Term Period (20 Years) -- Not Year to Year**
  
- ▶ **Need “Capital” Investment Fund**
  
- ▶ **Train People for Specific Target Job Prearranged With the Business Community**
  
- ▶ **Reform/Restructure All Current Policies, Programs and Financing to Meet Goal of Unsubsidized Job.**
  
- ▶ **Acquire Enough “Capital” to Finance**
  - ◇ **Job Training**
  - ◇ **Business Incentives**
  - ◇ **Incentive System**
  
- ▶ **Establish a Pay Back Mechanism for Trust Fund.**



## Next Steps

- ▶ **Develop Detailed Proposal**
  - ◇ **Seek to Reallocate Funds for Meeting FY 94 Federal JOBS Participation Targets (15%) to the Trust Fund -- \$3.4 M**
  - ◇ **Coordinate with Affected Agencies, Organizations, Business Sector, Poverty Commission, etc.**
  - ◇ **Link Demonstration Project With Other Potential State/Federal Activities -- Seek Decategorization**
    - **Health Care**
    - **Child Care**
    - **Job Training**
    - **Adult Education**
    - **Economic Development**
  - ◇ **Initiate Federal Contacts**
  - ◇ **Brief Congressional Delegation**

### Timetable

- March 1** -- **Legislative Approval of Language Amendment**
- April 15** -- **Submit Proposal to Federal Officials**
- July 1** -- **Federal Approvals**
- September 1** -- **Implement Demonstration**

**INDIVIDUAL WORK ACCOUNT SYSTEM**

**FOR**

**EX-OFFENDERS**

## Virginia Proposal

### Establish Trust Fund to Pay for Training Expenses and Routine Living Costs

- o Job training wage to allow ex-offender to pursue training
- o Establish an Individual Work Account for each ex-offender
  - consider use of banks for IWAs
- o SDAs contribute to assist pilot program

### Trust Fund Would Pay a Job Training Wage to Cover:

- o Living Expenses (which is lacking now)
- o Temporary Support Services
  - transportation
  - health care
- o Business Incentives
- o Other Incentives

### Financing the Trust Fund

- o General Funds - \$1,000,000
- o Potential DOL Demonstration Funds

### Financing the Training

- o Trust Funds
- o JTPA Funds

## Repayment of Trust Fund

- o Using a Revolving Fund Concept
- o Refinance by Earmarking Recipients' Future Federal and State Tax Payments
- o Loss of Future Tax Revenues is More Than Offset by the Cost of Incarceration, Cost of Law Enforcement and Other Costs Associated With Ex-Offender Becoming a Burden
- o Think Long-Term, Not Short-Term
- o Supplement Fund With Portion of Cost Savings

## Repayment Example:

- o Assumption: \$15,000 "Investment" is Required to Get Placement Into an \$18,000 per Year Job
- o Estimated Annual Federal and State Taxes Would be About \$1,400
- o Repayment Would Occur in About 11 Years
- o If Ex-offender Stayed Incarcerated for 11 Years -- Cost to Taxpayers Would Be About  $11 \times \$20,570$  Per Year or \$226,270
- o Fund Repayment:  
Capture Savings From Reduced Incarceration, i.e., if it Would Have Cost \$20,570 to Incarcerate, Place  $\$20,570 \times$  Recidivision Rate Back Into Account. As Account Grows, Recidivision Should go Down

## What Are the Business Incentives?

- o Business Knows High Cost of Incarceration and Other Poverty-Related Tax Expenditures
- o Persons With Jobs are Better Consumers Than Those in Poverty-Purchasing Power
- o Offer Menu of Tax Incentives
  - Direct Tax Credits
  - Assistance in Health Care Costs
  - Reimburse Training Costs
- o Finance Incentive From Trust Fund
- o Set Maximum Amount and Time Frame of Incentives
- o Targeted Job Tax Credit Already in Place for Hiring Ex-offenders
- o "Free" Bonding (VEC)
- o Incentive Awards for Long-Term Employment Funded With Savings From Incarceration. Incentive to Work With "Hard" Criminal Would be Greater Because Incarceration is Greater for State Inmates Than Local Inmates

## Participants

### Who Can Participate

- o Start Program on a Voluntary Basis
- o Persons Who Have Been Out of Prison System Within the Last Three Years or Are About to be Released
- o Have Recipients Apply for the Program

## How Would Participants Navigate the System?

- o Eligibility Determined by Local SDA -- Same as Now
- o Use "Incentive" System to Reward Good Outcomes
  - Consider Privatizing Case Management
  - Establish Reward System for Organizations That Can Successfully Transfer Ex-offender to the Work Force

## Job Training

Business Picks Participants From Job Applicant Pool

Business Develops Training Curricular

- o Shift Training From General Education Approach to One Focused on Building the Specific Job Skills Needed to Perform the Job
- o Accelerated Competency Training
  - Develop Skills Needed for Job
  - Shorter or Telescope Training Time
  - Delayed Job Training Costs Money

Business Has Option of Providing the Training if Desired

If Business Does not Want to do Training Itself, Will Use an Open Competition Model

- o Best Buy Approach -- Outcome and Cost
- o Private Sector, Community-Based Organizations, Community Colleges Compete As Potential Vendors

Job Training Quality is Controlled by the Employer

- o Vendor Produces Trained Workers or Loses Future Business

## Social Contract

- o Demonstration Project is Voluntary
- o Three-Party Contract Between Commonwealth, Business and Individual Participants
- o Commonwealth Commitment
  - Individualized Job Training and Support Services
  - Job Placement
  - Earmark Future Taxes to Repay Trust Fund
- o Business Commitment
  - Select Individual for Training
  - Provide Training Curriculum
  - Hire Individual
  - Meet Incentive Obligations
- o Individual Commitment
  - Complete Training
  - Work With Volunteer Mentor
  - Accept Job
  - Accept Parole Conditions
  - Commit to Participate in:
    - Counseling if Necessary
    - Providing Child Support Assistance (If Applicable)
    - Community Project/Volunteer

## Mentoring Program

- o Establish the Virginia Mentoring Assistance and Support System (VAMASS) to Link Each Participant to a Volunteer "Mentor"
  
- o Mentor Assists Participant and Family in Completing Job Training and Staying on the Job
  - Modeled After Other Successful Mentor-Type Programs
  - Person to Person Support
  
- o Priority Will be Recruitment of Mentor From Business Work Force
  - Gives Linkages to Work Site While in Training and When on the Job



## Recap

- o Currently Ex-offenders Have No Support System That Allows Them to Take Advantage of Job Training
  - Must Look at Costs/Savings Over Long-Term Period (20 Years) -- Not Year to Year
  
- o Need "Capital" Investment Fund
  
- o Train People for Specific Target Job Prearranged With the Business Community
  
- o Reform/Restructure All Current Policies, Program and Financing to Meet Goal of Unsubsidized Job
  
- o Acquire Enough "Capital" to Finance
  - Job Training
  - Business Incentives
  - Incentive System
  
- o Establish a Pay Back Mechanism for Trust Fund

## Next Steps

- o Develop Detailed Proposal
  - Seek \$1,000,000 to Provide a Job Assistance Trust Fund for Ex-offenders
  
- o Coordinate With Affected Agencies, Organizations, Business Sector, Poverty Commission, etc.
  
- o Link Demonstration Project With Other Potential State/Federal Activities
  - Post-secondary Education
  - Job Training
  - Adult Education
  - Economic Development
  
- o Initiate Federal Contracts
  
- o Brief Congressional Delegation

## Timetable

March 1	--Legislative Approval of Language Amendment
April 15	--Submit Proposal to Federal Officials
July 1	--Federal Approvals
September 1	--Implement Demonstration

**APPENDIX II**

**VIRGINIA EMPOWERMENT FUND**

**Establish the Virginia Empowerment Fund to identify and support the most effective community-based strategies for developing self-sufficiency through a series of demonstration projects.**

**Encourage and reward community-based solutions through five grants, to be awarded by competitive bid, to community action and other local non-profit organizations and service agencies. The grants will be awarded for demonstration projects such as:**

**Micro-enterprise loans for poor people who want to start small businesses.**

**Emergency funds for crisis intervention to keep families off welfare.**

**Early childhood programs, such as the Hampton Family Resource Center and the Berkley Campostella program.**

**Mentoring programs, such as Resource Mothers and the YMCA Black Achievement Program.**

**Expansion of Food Banking services.**

**Programs which provide housing, such as Tenant Housing Cooperatives, Housing Opportunities Made Equal and Habitat for Humanity.**

**Inmate transition programs, such as Virginia Cares, STEP Up, Inc, and Offender Aid and Restoration.**

**Community-based day care programs such as the Fee System/At Risk Child Day Care Program.**

**Preference will be given to local initiatives fostering interagency and intergovernmental cooperation, grassroots leadership and ownership, and leveraging of grants to obtain additional funding.**

**The cost of the Virginia Individual and Community Empowerment Fund is \$5,000,000.**

#### **ASSUMPTIONS:**

- 1. Long-term investments in individuals and their support systems will be the dominant focus of our work. Government's role in the elimination of poverty is to expand opportunity, not the size of government.**

**While government must assure equal opportunity, we acknowledge that its efforts will not always achieve equal results. What must be assured is the opportunity for all Virginians to contribute to and enjoy the full benefits of our society, our economy and our culture.**

- 2. Government alone does not have all of the resources necessary to assure poverty's eradication. The private and non-profit sectors of our society share in these responsibilities.**

- 3. All of our goals and expectations must be described in measurable terms. Scarce resources must be invested. Spending must be tied to results.**

**However, by their nature, measures necessary to eradicate the root causes of poverty must emphasize prevention over cure. Prevention requires long-term investment and recognition that the results of those investments are not always immediately apparent.**

4. **The most effective interventions are those developed by community-based organizations based on local needs and conditions.**

**PROCESS:**

1. **A grant advisory committee will be created of commission members and others who have been actively involved in the deliberations of the Poverty Commission. The Chair and Vice Chair will name the participants. The group will have no fewer than five and no greater than nine participants. The Chair will assign staff to provide coverage to the grants advisory committee. The committee shall meet between January and March, 1993 to define the required components of the Request For Proposal.**
2. **The Request For Proposal will be made in early April, 1993. A workshop will be held for all groups interested in responding to the RFP in mid-April. Staff will be available to all applicants to assist them through the process.**
3. **Grant proposals submitted for consideration will be accepted until July 1, 1993. It is expected that announcement of awards will be made in mid-July.**

**APPENDIX III**

**VIRGINIA CHILD SUPPORT AND INSURANCE PROJECT**



## THE CHILD SUPPORT ENFORCEMENT AND INSURANCE PROJECT

Many women are on welfare because the fathers of their children do not pay child support. In Virginia, only one-half the women on welfare have child support orders, and, of these women, only one-half receive any payments. The Child Support Enforcement and Insurance Project would get women off welfare, or keep them from coming on public assistance, by insuring a regular child support payment and by removing many of the current barriers to employment.

As now designed, this project would, over four years, serve 750 poor families, either on welfare, or in jeopardy of coming onto welfare rolls. Poor women who have a support order or the ability to get one would be eligible for the project. Employment to supplement the child support payment would be strongly encouraged and job placement assistance would be provided as part of an intensive case management process. The project consists of two major thrusts:

- o an expanded child support enforcement effort that would come about through continuation and expansion of existing efforts and through new legislation that would provide for mandated reporting by employers of new hires, disclosure of the child support obligation on the W-4 form, and coverage of dependent children of employer-sponsored medical insurance, regardless of the child's residence. The expanded enforcement effort would result in an accelerated number of obligations as well as payments.

- o a guaranteed minimum child support insurance payment to the mother of \$180, which would be reduced by the amount of support paid by the absent parent. Unlike AFDC, the mother could work without any deduction to the insurance payment, a significant incentive to self-sufficiency.

To further encourage self-sufficiency, the project design also calls for support with child day care and medical services. After the first year of transitional services, already available to parents who go off welfare due to earned income, child day care would be provided on a co-pay basis and medical services through whatever strategy is adopted by the Joint Commission on Health Care.

Federal financial support is available for both child day care and medical support for year one. The cost of child support insurance would be 100% GF year one, although there would be a possibility of federal financial support down the road. Some cost-avoidance might occur year 1, depending on numbers of working poor mothers diverted from welfare. There would be a long-term offset in AFDC costs (beyond year one) due to a shorter stay on welfare and much reduced incidence of return to public assistance.

## PROPOSED DESIGN

### CHILD SUPPORT ENFORCEMENT AND INSURANCE PROGRAM

#### Introduction

Virginia's Child Support Enforcement and Insurance (CSEI) pilot would be developed as an alternative to welfare. The core features of the pilot would be a comprehensive system of strengthened support enforcement and a minimum insured child support payment. Key goals of the pilot would be to 1) provide a stable base of financial support from each parent; 2) reduce child poverty; and 3) provide an alternative to welfare. A four-year pilot for 700 families is proposed.

Federal legislation to provide substantial financial support for up to six state CSEI pilots will be reintroduced into the 103rd Congress. The proposed design for Virginia, detailed in this Appendix, appears to have the features that would qualify the Commonwealth for consideration as one of the pilot states. However, some details of the design are subject to modification, depending on the evolution of the federal legislation and further examination of design requirements.

#### A. Administrative Features

1. The Division of Child Support Enforcement (DCSE) would continue to administer Virginia's IV-D operation. In other words, child support enforcement would continue to be state controlled and operated and organized as a separate unit within the State Department of Social Services.
2. DCSE would continue to carry out the standard enforcement functions of establishing paternities, establishing obligations in paternity cases, registering all support obligations, updating obligations periodically, and collecting child support.
3. DCSE would continue the program improvements that have come on line during the past five years and move ahead to institute additional enhancements. Improved enforcement procedures proposed for implementation or further analysis would include: programs in hospitals and clinics to obtain voluntary acknowledgments of paternity; expansion of mandatory wage withholding; strengthened penalties for willful evasion of support obligations or misrepresentation of income; and improved administrative procedures to locate responsible parents, establish paternity, update support orders and enforce collections. Such procedures would include the mandated reporting of new hires within 35 days and expanded use of state tax information. (See pp. 7-8)



4. The new child support automated system (APECS) would include a file or registry that would enable the monitoring of all cases until the child reaches the age of majority or all obligations have been paid. The APECS system would promptly highlight cases with overdue payments, resulting in automatic and prompt commencement of enforcement actions by district offices of DCSE.
5. There would be close coordination and communication between DCSE and the State Department of Taxation. Coordination would occur both administratively and electronically. The goal would be to link the new APECS system to Taxation's automated system and to combine administrative resources to ensure that unpaid support obligations promptly result in a state tax liability. Electronic and administrative linking would also enable periodic updating of obligations based on current tax information and other financial data.
6. In addition, DCSE would issue child support checks to participants. Monthly checks would consist of the minimum insured benefit, less the amount of child support paid by the absent parent. In cases where the absent parent paid more than the amount of the minimum benefit, that additional amount would go to the custodial parent, but only after the insurance account for a given child had been reimbursed for any past arrearage.

B. Program Features

1. The administrative structure outlined in preceding paragraphs, including all feasible improvements in the support enforcement area, would be put into place as soon as possible to reduce welfare costs and benefit children both on and off public assistance. The insured benefit would be designated for families both on and off welfare, with incomes up to 167 percent of the federal poverty level. Welfare families would be eligible for the program at the time the custodial parent enters employment. The goal of the program would be to supplement earnings of the custodial parent, move families off welfare rolls minimize the number of new welfare cases, and greatly reduce the incidence of welfare recidivism.
2. CSEI participants would receive a monthly check from the Division of Child Support Enforcement that would equal the amount of the minimum insured benefit, less the actual child support paid by the responsible parent. If the child support payment exceeded the amount of the minimum benefit, that additional amount of child support would also go to the custodial parent, but only after the insurance account had been reimbursed for any past arrearage.

3. The minimum insured benefit would be graduated, based on the number of children covered by the support order. (pages 10-12 detail three options for benefit levels) However, in the case of families with multiple support orders, all support paid by each father would be earmarked for the appropriate child, subject to the provisions noted in Section B-2.
4. The insured benefit would continue until the child's age of majority. The public cost of the benefit would be offset by the amount of child support actually paid by the responsible parent.
5. Participants would need a support order to be eligible for the the CSEI program. Participation would be voluntary and employment would be strongly encouraged. The case management efforts outlined in section B-8 would include job placement services. Families on AFDC would enter the program at the time of entering employment. Insured benefits would be fully deductible from the AFDC grant.
6. Unlike AFDC, participants would be able to keep all earned income without any deductions to the child support insurance payment. They would also be helped by the existing federal earned income credit, a proposed new state earned income credit, and food stamps to the extent eligible. Subsidized medical care and child day care, both with co-pay provisions, would be available until total income reached 167% of the federal poverty line.
7. Prior to coming into the CSEI program, participants coming from AFDC rolls would, as appropriate, undertake education and job training and receive medical support services under the normal operations of the AFDC and JOBS programs and with the usual federal cost participation. If needed, publicly and privately sponsored training opportunities would be sought for CSEI participants not on welfare.
8. Welfare participants who are likely candidates for the CSEI program would also become part of an improved case management approach both before and after their entry into the program. The improved case management approach would include such features as: 1) reinforcement of the requirement for mutual obligation 2) an interview approach that identifies and supports strengths and encourages immediate steps toward self-sufficiency; 3) service coordination and linkage, including co-location of JOBS workers and child support enforcement investigators with eligibility workers; 4) more frequent contact between staff and participants, as well as collateral service providers; 4) use of support groups, including clients who have succeeded in training and employment, and 6) use of videos and print materials covering such topics as the short-term nature of public assistance and other community services.

9. In addition, consistent with current policy provisions: 1) participants on welfare would be removed from the AFDC grant for failure to cooperate with the securing of child support payments; reinstatement of the caretaker on the grant would occur only with the resumption of cooperation and 2) the participant would be removed from the AFDC grant for failure to participate in the JOBS program, or without good cause, to accept employment until the failure or refusal ceases (first incident); for at least three months (second incident); or for at least six months (third incident).

Also, as part of the case management process, participants who lost their jobs would be immediately referred to a case manager for placement services and crisis assistance. The objective would be to maintain eligibility for the insured benefit and to prevent a new AFDC case or a return to AFDC rolls.

10. The AFDC program would continue to exist for those who could not, for legitimate reason, enter gainful employment or who could not obtain a child support order.

#### C. Implementation and Financing

1. A demonstration project of four years is suggested to test the effectiveness of this proposal. Cost projections are limited to the four year pilot period and vary according to the insurance payment scale (see pp. 10-12). Public costs for the four year period would be reduced to the extent that the collection of child support improved beyond current projections and wage levels increased.
2. Costs to the Commonwealth would be greatly reduced with the federal cost participation that may come available (see pp. 10-12) (Under existing policy, it is unlikely that the federal government would participate in most costs of the CSEI demonstration pilot because of issues related to cost neutrality.)

**MAJOR POLICY STEPS IN IMPLEMENTATION OF CHILD SUPPORT  
ENFORCEMENT AND INSURANCE PROPOSAL**

1. **Pursue improvements in child support enforcement currently in pipeline and/or on threshold of implementation**  
January 1993 - July 1994
2. **Pursue improvements in enforcement that require legislative approval**  
January 1993 - July 1994
3. **Undertake study of improvements in enforcement that require additional policy analysis and planning**  
January 1993 - July 1995
4. **Plan, establish, fund, and evaluate demonstration pilot**  
Begin date early 1993

## THE VIRGINIA PLAN FOR TEEN PREGNANCY PREVENTION

The full cost of implementing these recommendations is \$4,000,000. The plan includes the following:

### BETTER BEGINNINGS

Better Beginnings for Virginia's Children supports localities in the development of a community-wide comprehensive five year plan to prevent adolescent pregnancy. Mini-grants of \$5,000 are currently awarded to enable the formation and maintenance of broad-based community coalitions. The first year of funding is used to conduct a thorough needs assessment of the individual community and, based upon its findings, develop a five-year strategic plan of action. Following the first year, funding is used to implement the coalitions's five-year strategic plans. Coalitions are solicited and funded each year by the Better Beginnings Project Coordinator within the Department of Mental Health, Mental Retardation and Substance Abuse Services during the month of April.

Priority for Better Beginnings funding is given to applicants that demonstrate the following:

- \* High rates of teen pregnancy per thousand females,
- \* Broad-based community representation in the coalition,
- \* Community commitment to preventing teenage pregnancy.

Better Beginnings operates on the principle that broad-based, local coalitions have the potential to effect a dynamic change in preventing teen pregnancies in localities. The broad-based coalition serves as a foundation for community involvement in the teen pregnancy prevention effort and enhances commitment of energy and resources. For 1992-93 there are Better Beginnings Coalitions funded in 18 localities in the Commonwealth.

In recognition of the important role that Better Beginnings coalitions play in preventing teen pregnancy, additional funding is being recommended for them. Each of the 18 existing coalitions will receive \$5,000 in additional funding to assist in preventing teen pregnancies. There are a number of localities with coalitions to prevent teen pregnancy that receive information but not funding from Better Beginnings and 6 of these programs will receive \$5,000 so that they can become an official Better Beginnings Coalition to assist in preventing teen pregnancy. Each locality that receives the \$5,000 state supplement must designate a local person to be the staff coordinator for the local efforts.

Total cost of this effort is \$120,000.

## ASSESSMENT AND PLANNING

In order to decrease teenage pregnancy in Virginia, localities must make the prevention of teen pregnancy a priority. The state has developed a new program to help support local efforts. This new program will encourage local efforts to define the problem and take steps toward the prevention of teen pregnancy. The state will provide each locality \$10,000 upon receipt of a brief application which describes the locality's proposed planning initiative. The application should describe the group or office in charge, as well as the preliminary plans for a teen pregnancy prevention planning group, a needs assessment, and the development of a teen pregnancy prevention plan.

The new state funding can be used to support the planning group, to develop an assessment of the problem of teen pregnancy in the community, and to develop a multi-faceted plan for addressing it. In communities where a Better Beginnings coalition exists and has completed a needs assessment and plan, this money can be combined with the Better Beginnings dollars to fund one or more recommendations in the local teen pregnancy prevention plan and/or provide a part-time coordinator of teen pregnancy prevention efforts.

Total cost of this effort is \$1.34 million.

## MENTORING AND OTHER PREVENTION ACTIVITIES

In recognition of the different needs and resources of localities throughout the Commonwealth, the Virginia Plan includes an allocation of funds to each of the state's 35 Health Districts for prevention programs tailored to local needs. \$2.5 million in additional revenues would be allocated to Health Districts for locally developed programming. This money would be allocated to each Health District based upon the following criteria:

- o local census of youth ages 13-18;
- o local poverty levels; and
- o local prevalence rates of teen pregnancies.

In the allocation formula, the prevalence rates of teen pregnancies would count for 60% (the most important criteria of need), local poverty levels would count for 25%, and local census of youth ages 13-18 would count for 15%. Each Health District would receive notice that a certain allocation of these funds had been set aside for them. In order to receive these funds, the Health District would have to provide a brief (no more than 3 page) proposal for the use of these funds. Funds from Health Districts

unable or unwilling to utilize their full share of funding would be reallocated to other needy Health Districts.

While providing local option, the notice of fund availability would also indicate that the state has certain priorities that it would like to see included in the proposals of the Health Districts. The information would indicate the following priorities:

- o teens postponing sexual activity;
- o the use of mentors to work with the male and female at-risk teens;
- o programs which focus on enhancing local family life education efforts; and
- o programs that serve sexually active teens to further reduce the risk of teen pregnancy.

The notice of fund availability would encourage local partnerships, including such entities as the religious community, service organizations and clubs, community and four year colleges and universities, businesses, private non-profit service agencies, local government, and public agencies including schools. The notice would include information on programs such as, Maryland's "Dollar a Day", Planned Parenthood's "I don't fool around", Better Beginnings, and Resource Mothers. This information would be included in order to stimulate local thinking around ways to prevent teen pregnancy including second births to teens.

Total cost of this effort is \$2.5 million.

## **PUBLIC AWARENESS PROGRAM**

A part of solving any social problem is to make the larger community aware of it and take an active part in solving it. Public awareness of the problem of teen pregnancy deserves a high priority. Efforts must be unified with government, churches, businesses, and citizens all having important roles. The report of the Virginia Council on Teen Pregnancy Prevention says that the approach to prevention must combine elements of public relations, advertising, and public education targeted to specific audiences. The prevention message must reach health care providers, parents, business leaders, the general public, and the teens themselves, each of these groups is a part of the solution. Each of these groups can play a significant part in calling the problem and the solutions to the attention of teenagers. The state of Maryland has a successful statewide public awareness program and has shared information on their program with a number of Virginians.

To get Virginia started on its statewide public awareness campaign, the Secretary of Health and Human Resources will conduct

a major conference. The purpose of the conference will be to stimulate media and business involvement in promoting a statewide public awareness campaign on teen pregnancy prevention. This campaign would focus on teens and would emphasize delay of sexual activity, and the unexpected consequences of sexual activity. \$40,000 is needed for development of printed materials, public service announcements and other campaign literature. The Virginia Hospital Association has pledged \$100,000 to a teen pregnancy prevention public awareness effort in Virginia.

Total cost of this effort is \$40,000.



**APPENDIX V**

**EARNED INCOME TAX CREDIT**

# Earned Income Credit Fact Sheet

## Who is eligible?

The Earned Income Credit is a tax credit for working families that have earned and adjusted gross income of less than \$21,250 in 1991 and that have at least one child living at home more than half the year. The credit is available both to married and single parents. More than 12 million families now qualify for this credit.

## How much is the EIC worth?

- *The basic EIC for 1991 for families with one child is worth a maximum of \$1,192. For families with more than one child, the maximum basic EIC in 1991 is \$1,235. Most eligible families earning between \$6,000 and \$13,000 will qualify for at least \$1,000.*
- *In addition, two extra EIC benefits are available to certain families. First, families with a child born in 1991 can receive an extra benefit of up to \$357.*
- *Second, families that pay at least part of the premiums for a health insurance policy that includes health care coverage for a child may receive an extra credit of up to \$428.*

*Families that qualify for both the basic EIC and the extra credits can receive up to \$2,000 this year.*

## How does the EIC work?

The EIC is a "refundable" credit. This means that eligible working families can benefit from the credit *even if they owe no federal income tax or have no income tax withheld from their paychecks.* Eligible families that owe no income tax receive a check from the Internal Revenue Service in the amount of their credit.

If a family does owe income tax, the EIC reduces the amount of taxes owed. If the family's credit is greater than the amount of taxes it owes, the family's tax bill will be reduced to zero and the IRS will send the family a check for the remaining amount of its EIC.

## How can families receive the EIC?

Eligible families must do two things to receive the EIC. First, *they must file a federal income tax return.* They may use either form 1040 or 1040A.\* Second, *families also must file a new form called "Schedule EIC" with their income tax return.*

---

\*Families that use the "married couple filing separately" filing status may not receive the EIC.

THE  
**EARNED  
INCOME  
CREDIT**  
CAMPAIGN

THE 1992  
EARNED INCOME  
CREDIT CAMPAIGN

A PROJECT OF  
THE CENTER ON  
BUDGET AND POLICY  
PRIORITIES

777 N. CAPITOL ST., NE  
SUITE 705  
WASHINGTON, DC  
20002

TEL 202/408-1080  
FAX 202/408-1056  
HANDSNET #HN0026

Families may *not* use the 1040EZ form, sometimes known as the short form, to claim their EIC.

There is one important step that can make filing for the EIC easier. Families can choose to fill out just the first side of "Schedule EIC." If they do, the IRS will calculate their EIC for them. This is significant, because many families may find the second side of the form too complicated to fill out.

Eligible families have another option: they can receive the basic EIC throughout the year in their paychecks. For example, families eligible for the maximum basic EIC payment of \$1,192 in 1991 can have \$99 added to their monthly paychecks. Employees interested in receiving the EIC in their paychecks should ask their employer or the IRS for a W-5 form, complete the form, and give it to their employer. The employer then is required to add the employee's EIC payments into the employee's paychecks. (For more information on this option, see the flyer titled "Increasing Families' Take-Home Pay: The EIC Advance Payment Option" in this kit.)

Eligible families also may file for retroactive EIC payments from the last three years — tax years 1988, 1989 and 1990 — if they have not already filed income tax returns for those years.

### **How does the EIC affect public assistance benefits?**

A family's EIC payments *do not count* as income in determining its eligibility or benefit levels for AFDC, Medicaid, food stamps, SSI, or public or subsidized housing.

### **Are families with a foster child eligible for the EIC?**

Low income working parents with a foster child now may receive the EIC, even if the parents have no other children. However, the foster child must reside with the family for the full year in order for the family to qualify for EIC payments.

**APPENDIX VI**

**NEIGHBORHOOD ASSISTANCE ACT**

# VIRGINIA NEIGHBORHOOD ASSISTANCE PROGRAM

The Virginia Neighborhood Assistance Program, created by the Virginia General Assembly, employs state tax credits as incentives for business firms to invest directly in certain approved community projects designed to benefit low-income individuals or areas.

Neighborhood Assistance is a unique state program that encourages businesses to invest in community improvements. This program emphasizes partnerships between the private and public sector to assist the economically deprived. Neighborhood Assistance calls for defining local problems, designing local solutions and using all available resources to improve the environment for both business and the community.

The Virginia Neighborhood Assistance Act includes such areas as education, job training, crime prevention, and community services as types of projects to be sponsored under the program.

Flexible guidelines allow local groups and businesses to design specific community programs. Examples include child care centers; job training centers; cultural programs for art, music, dance and drama; winterization of homes of the elderly and handicapped; food banks; and renovation of older neighborhoods.

Businesses that invest in approved Neighborhood Assistance projects may take a state tax credit for fifty percent (50%) of their total contribution.

Businesses may take a maximum of \$175,000 in Neighborhood Assistance tax credits for any tax year. That credit would represent a total of \$350,000 invested in Neighborhood Assistance projects. The law also allows tax credits to be carried over for the next five succeeding tax years.

The minimum tax credit is \$50, representing a \$100 investment. The General Assembly designed the Neighborhood Assistance Program so that virtually all Virginia businesses, regardless of type or size, can have the advantage of community involvement.

In addition to credits for monetary support, tax credits are available for materials, employees' paid time and services, and other resources, with appropriate verification.

**APPENDIX VII**

**RELATED RESOLUTIONS**

## **HJR139 (Delegate G. Steven Agee)**

Two states, New Jersey and Wisconsin, are implementing a policies to limit financial assistance to women who conceive or bear additional children while they are receiving public assistance through Aid to Families with Dependent Children (AFDC).

State legislatures in Arizona, Connecticut, Florida, Georgia and Iowa, Maine and South Carolina rejected similar proposals. California voters defeated a benefits cap proposal in the November election.

The Commission considered six alternatives:

- \* Limit AFDC benefits to the amount received at the time of application regardless of additional children and provide incentives for women who do not have additional children.
- \* Limit AFDC benefits to the amount received at the time of application unless one or both parents participate in intensive family planning counseling, parenting classes and other appropriate counseling.
- \* Limit AFDC benefits to the amount received at the time of application and launch an extensive public education campaign to discourage further pregnancies.
- \* Limit AFDC benefits to the amount received at the time of application regardless of additional children.
- \* Defer limits pending further study.

The Commission noted that most states which have considered benefit caps have substantially higher AFDC benefits than Virginia, which are among the nation's lowest, and that because no state has yet implemented such a limit, there is no data on its impact or effectiveness.

Data shows, however, that relatively few AFDC mothers have large families: the average Virginia mother receiving AFDC benefits has 1.7 children. The average monthly AFDC benefit in Virginia is about \$290 for two children, with a monthly increase of \$60 for additional children up to a maximum of five children.

Data also indicate that AFDC benefit levels do not affect birth rates for unmarried women. Dr. David Ellwood of Harvard University, who addressed the Commission, pointed out that the highest percentages of children living in female-headed families often were in states with the lowest benefits.

The Commission concludes that limiting AFDC benefits for additional children punishes

the child rather than the adult and recommends strongly that Virginia develop an incentive approach before considering punitive measures.

The Commission proposes instead that Virginia adopt a social contract approach, including the Individual Worker Account and the all-out campaign to prevent teen pregnancy described in our initial recommendations.

### **HJR203 (Delegate W. Henry Maxwell)**

Electronic benefits transfer (EBT) has been tried in five pilot projects, and Maryland plans a statewide initiative in Spring 1993.

The advantages of EBT include less paperwork, reduced food-stamp trafficking, easier program management, increased client self-esteem and integration of customers into the mainstream of modern commercial payment systems.

Developing a Virginia EBT system raises two major issues. The first is potential government liability. The Federal Reserve Board rejected staff recommendations to address governmental liability at its meeting on January 6, 1993, and proposed federal regulations are expected soon. The second issue is operating cost.

The commission agreed to defer final recommendations until federal regulations are published and can be analyzed.

### **HJR251 (Delegate Alan A. Diamonstein)**

Disincentives to becoming independent of public assistance include limited availability of employment and training programs, day care, health insurance and income disregards, inadequate child support payments and job scarcity.

The Commission reviewed efforts to combat welfare dependency and eliminate disincentives to independence in Virginia and other states and has incorporated those with the most potential in the six initial recommendations contained in this report.

### **Appropriations Act, Item 287 (Senator Mark L. Earley)**

The Commission reviewed the status of efforts to encourage self-sufficiency in other states as well as in Virginia communities. Most of these efforts are in their initial stages and a full evaluation of their cost effectiveness is not yet available.

Those initiatives with the most potential are reflected in the Commission's six initial recommendations.