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Think about people you might meet on any given day—the retail store clerk, the fast food server, the bank teller, the motel housekeeper, to name just a few who labor in low-paying jobs, often without health insurance or other benefits. If they have children, chances are they earn too little to feed their children, pay the rent and afford quality child care.

New Jersey has taken some positive steps to help low-income families boost their earnings and provide their children with the supports they need to grow into healthy, productive adults. But far too many families still fall through the cracks.

Six years ago, the Association for Children of New Jersey issued a report entitled *Working—But Still Poor in New Jersey*. That report showed that, despite New Jersey’s overall high per capita income and low unemployment in 1999, economic security was out of reach for many working families.

Little has changed.

In 2002, roughly 192,000¹ New Jersey working families with children—or 19 percent of the state’s working families—met the federal classification of low-income, which was less than \$36,200 for a family of four. That means approximately 20 percent of all New Jersey children, numbering 407,000, were growing up in families unable to meet their basic needs.

The reasons are well-documented: high housing costs, unaffordable child care, lack of education and skills, language barriers, heavy tax burdens and high-cost goods and services, especially for low-income families. Welfare reform has also swelled the ranks of the working poor, as many parents moved off welfare into unstable, low-paying jobs with no benefits.

The solutions are less clear. New Jersey, like many states, has a patchwork of support programs that nearly always fall short of meeting family needs. Thousands of low-income parents languish on waiting lists for child care and housing subsidies. Working parents are shut out of the state’s low-cost health insurance program. And most programs cut off eligibility at income levels that leave out many working families who need help.

The state has made an attempt to craft more progressive solutions, such as the state Earned Income Tax Credit and efforts to help families save money. But, again, these programs fall short. The state tax credit excludes thousands of low-income families because it cuts eligibility at \$20,000. Asset building efforts are burdened with rules that make it difficult for families to participate and suffer from uncertain future funding.

New Jersey must shift its approach to strengthen and expand existing programs, while building more ways for low-income families to accumulate assets and join the middle class. Children who grow up in poverty are much more likely to perform poorly in school, suffer health problems and rely on public assistance as adults. Addressing the needs of these families benefits all New Jersey residents. Not only does it help children grow up healthy, it also strengthens New Jersey with a broader tax base, more children succeeding in school and fewer families requiring state assistance.

Following are ACNJ’s key recommendations:

- Allocate state dollars to provide more low-income parents and children with health insurance through the FamilyCare program.
- Increase the state Earned Income Tax Credit (EITC) threshold to the federal level and raise the refund amount from 20 percent to 25 percent of the federal refund amount.
- Expand the New Jersey Individual Development Account (IDA) program to permit depositing and matching of tax refunds and identify long-range funding for expansion of the program.
- Establish a New Jersey Child Care Tax Credit.
- Provide full funding of \$50 million for the state Rental Assistance Program.
- Ensure adequate job training and adult education to strengthen New Jersey’s workforce and help people land better-paying jobs.

- Assure that community-based temporary emergency assistance programs are adequately funded.

Poverty Jumps in New Jersey

In 2003, New Jersey ranked first in the nation for median household income. Yet, child poverty increased 20 percent from 2000 to 2003—almost four times the national average of 4.6 percent.² Some of this increase is due to New Jersey’s high rate of immigration. Children of immigrants are more likely to grow up in poverty than children born in the United States. Language barriers and a lack of skills and education mean that many immigrants have access only to very low-paying jobs.

New Jersey also has one of the highest costs of living in the nation. A family of two adults, an infant and a preschooler needs an annual income of almost \$53,500 just to meet basic needs without government subsidies, according to ACNJ calculations based on *The Real Cost of Living 2005: The Self-Sufficiency Standard for New Jersey* report by Legal Services of New Jersey.

Barriers to Self-Sufficiency

Many factors conspire to keep working families from piecing together enough income to raise their children into healthy, productive adults. Here is a look at some of the major barriers to self-sufficiency, including a growing gap in wages between rich and poor and a high cost of living, especially for basics like housing and child care.

The Wage Gap Grows

Despite the attention paid to moving people from welfare to work, U.S. Census statistics suggest the gap between rich and poor is widening, weakening our state’s middle class and impeding efforts to build a stronger tax base.

New Jersey ranked a dismal 42nd among the states when measuring the income disparity between the top and bottom quintile of earners and the high amount of income poor families pay in taxes, according to *Working Hard, Falling Short*, a 2004 report published by the Working Poor Families Project, sponsored by the Annie E. Casey Foundation.

New Jersey also ranked 9th in the nation for the highest state and local tax burden on its poorest families. In 2003, New Jersey’s poorest families paid an average of 12.4 percent of their income in state and local taxes. Nationally, the bottom 20 percent of working families paid 11.4 percent, according to *Who Pays?*, a 2003 report from the Institute on Taxation and Economic Policy.

There is little relief in sight. Three-quarters of job growth between 2002 and 2012 is expected to be for jobs that pay between \$25,000 and \$39,000. At the same time, the number of jobs paying between \$40,000 and \$59,000 is expected to decline, according to a 2004 report from the New Jersey Department of Labor and Workforce Development.

Defining Poverty

Under federal poverty guidelines, a New Jersey family of four has to earn less than \$19,350 to be considered poor. These federal standards, established by the U.S. Department of Health and Human Services (HHS), calculate poverty thresholds based on food costs, with annual adjustments made using the Consumer Price Index (CPI).

The real cost of living is far higher.

A 2004 state law defines self-sufficiency as annual income equal to 250 percent of the federal poverty level. Therefore, a New Jersey family of four would have to earn \$48,375 in 2005 to be self-sufficient—or more than twice the federal poverty level.

So, simply looking at the number of poor children and families based on federal guidelines is misleading. To move toward ensuring that all families are economically independent, we have to broaden our focus—and our response to the problem.

2005 Federal Poverty Guidelines³

Size of Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$ 9,570	\$11,950	\$11,010
2	12,830	16,030	14,760
3	16,090	20,110	18,510
4	19,350	24,190	22,260
5	22,610	28,270	26,010
6	25,870	32,350	29,760
7	29,130	36,430	33,510
8	32,390	40,510	37,260
For each additional person, add	3,260	4,080	3,750

What is a Low-Income Working Family?

- **FAMILY WITH CHILDREN.** A married couple or single-parent with at least one child present under 18 years of age.
- **WORKING IN THE PAST 12 MONTHS.** Family members age 15 and older have a combined work effort of at least 39 weeks or a combined work effort of at least 26 weeks plus one unemployed parent actively looking for work in the past four weeks.
- **LOW-INCOME.** Family income is below 200 percent of the federal poverty guidelines or \$38,700 for a family of four in 2005.

Couple Juggles Five Jobs to Make Ends Meet

Maria and Paolo Vargas' schedule is exhausting.

Together, the two work five jobs, totaling roughly 140 hours each week. That leaves little time for tending to their two children, Cassandra, 11, and Giovini, 7.

All that work yields a relatively meager wage, at least by New Jersey standards. Together, they earn roughly \$52,000 per year. Just enough to pay the mortgage on their neat, three-bedroom home, located in the industrial outskirts of Keasby, directly across the street from a sprawling cemetery.

The Vargas are among the thousands of low-income working families, juggling multiple jobs just so they can pay the rent and feed their children. Forget about vacations or savings. Even child care is beyond their reach.

"With all these jobs, we're able to make it just by the skin of our teeth," Maria Vargas, 28, says.

In New Jersey, 407,000 children are growing up in families who earn less than needed to sustain a family of four in high-cost New Jersey. This report documents some of the reasons behind the struggle faced by families like the Vargas. The Vargas put a face to that struggle.

A Huge Price for Homeownership

Married for five years, the Vargas crammed in a one-bedroom apartment for four years, scrapping together enough money to afford a small down payment on a house in Keasby. With the help of one of Maria's clients, they secured a low-interest mortgage and moved into their modest home—a huge step up, but one that means they must work constantly just to afford the mortgage, taxes and insurance.

A graduate of Perth Amboy high school, Maria Vargas works about 75 hours a week. For 25 hours, she cuts hair. She also works at Macy's, where she puts in another 25 hours a week. Three days per week, she works from 3 p.m. to 11 p.m. at a local assisted-living facility as a patient care assistant.

A native of Peru, Paulo Vargas, 33, has been in the U.S. for 13 years. He completed high school in his native country. Now, he works in a warehouse during the day and then

cleans offices at night. His work day starts at 9 a.m. and ends at 11 p.m. He sometimes works weekends to make extra money.

Paulo is lucky. His job provides health insurance for him and his family. But he gets only one week of vacation each year and no sick time.



Photo by Eloisa Hernandez

The couple can't afford child care, so Maria Vargas leaves the hair salon in the afternoon, fetches the children from school and brings them back to the salon until her shift is over. When she works at Macy's and the assisted-living facility, she pieces together child care, calling on friends, family and neighbors to help out.

"It's unbelievable how much money child care costs," Maria says. "If they just had an after-school program that I could afford, that would be a big

help."

But they don't. So, sometimes, Maria is forced to leave the kids with people she barely knows.

"I just say, 'God, please protect them,'" she says. "Sometimes, when the kids see that you're never home or they're stuck in one home or another...it's very frustrating, not to be able to take care of them myself."

Both Maria and Paolo say all they want is the opportunity to land a better-paying job so they could quit one of the part-time jobs. Even though Maria earned a certificate as a medical assistant, she has been unable to find a full-time position. So she took the part-time patient care job and prays that, one day, a full-time, higher paying medical assistant spot will open up.

"I just want one good full-time job," she says. "But I've got a lot of those little cards that say, 'Thank you for your application.' You start thinking, what is it? Why can't I get a good job? I come to the point where I really want to break down and cry."

But she doesn't. She keeps getting up, going to work and dreams of going to college to earn a degree that would open higher-paying doors. For now, though, there's little else she can do but hope that all her hard work pays off, that she will eventually get a better job and, mostly, that her children will excel in school and inherit a brighter future

	Low-Income Working Families w/ Parent w/o H.S. Diploma	Income Paid by Lowest Quintile Families to Taxes	Low-Income Working Families Paying More Than 30% of Income on Rent	Low-Income Working Families w/Parent w/o Health Insurance
NJ	27.3%	12.4%	71.4%	35.6%
US	34.8%	11.4%	51.9%	36.7%

Source: *WORKING HARD, FALLING SHORT: America's Working Families and the Pursuit of Economic Security* (Annie E. Casey Foundation, October, 2004)

High Housing Costs Spiral

Already third in the nation for housing costs, property values have skyrocketed in recent years, with these costs often passed on to tenants. In one year alone, housing costs increased 18.5 percent from September 2003 to September 2004.⁴

In addition, 71.4 percent of low-income New Jersey households spend more than the recommended 30 percent of their income on housing, compared to 52 percent nationally. This percentage is higher in only two other states—Connecticut and Nevada.⁵ This creates a catch 22. Most low-income families must rent because they lack the savings to buy a home. But the high rents prevent them saving even a modest amount to use as a down payment.

Supports Fall Short for Low-Income Working Families

Research confirms that most support programs for low-income working families keep parents in the workforce. But many families in need receive little support, while paying a higher percentage of their income to taxes. For example, in 2003, New Jersey's Child Care and Development Fund served just 13 percent of eligible families, according to a New Jersey Department of Human Services report.

Lack of funding and accessibility for child care, housing subsidies, health insurance and food programs shut out many working parents who could use these services to strengthen their financial base and raise healthier, more productive children. The future outlook is uncertain as New Jersey continues to grapple with deficits, while being threatened with severe federal funding cuts.

Here is a look at key support programs and the primary problems that must be addressed to ensure all eligible families can access these services.

Child Care

Child care is expensive. In 2005, New Jersey families on average spent roughly \$1,340 per month on child care alone, according to ACNJ calculations based on *The Real Cost of Living 2005: The Self-Sufficiency Standard for New Jersey* report by Legal Services of New Jersey. Through a mix of state and federal funds, New Jersey provides child care subsidies to about 50,000 families, but more than 5,000 families were on

a waiting list in June 2005, according to the state Department of Human Services.

While New Jersey's eligibility requirements for child care subsidy are about average, since FY 2001 the state has steadily cut its share of child care dollars. The current FY 2006 budget again reduces funding. As a result, the number of children served on average each month will drop 12 percent from 56,333 to 49,479. Clearly, New Jersey is heading in the wrong direction when it comes to helping parents find safe, affordable child care.

Without quality care, parents are more likely to miss work, resulting in lost productivity for employers and lost jobs for parents. Plus, this often forces parents to leave their children alone or in substandard, even unsafe care, so parents can work. Parents should not have to choose between keeping their children safe and making a living. Policymakers must find ways to increase—not cut—funding for this vital support for working parents.

Total Child Care for Eligible Families

Fiscal Year	Average Monthly	Total	
		Children	Expenditures
2001		56,333	\$202,801,896
2002		49,940	\$190,643,056
2003		47,502	\$179,991,694
2004		44,407	\$170,504,408
2005 Estimate		49,775	\$202,156,097
2006 (Recommended)		49,479	\$200,284,018

Source: FY 2004, FY 2005 and FY 2006 Governor's Budget Requests

Health Care

The number of low-income, uninsured New Jersey children increased 12.8 percent from 2002 to 2003, according to the U.S. Census Bureau's Health Insurance Data. In 2003, 237,000 low-income children were uninsured, translating to 27,000 more children than one year before. (Nationally, the number of uninsured children dropped during that same period). Nearly half of uninsured adults—or 424,026 people—had children living in their households in

2003, according to the Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Survey Data.

And, while New Jersey ranks 6th in the percent of employers providing health insurance, it ranks 41st when it comes to the percent of low-income children and families who lack health insurance, according to the Corporation for Enterprise Development (CFED). More than one-third of low-income working families have no health insurance.

Uninsured Low-Income Children

	2002		2003		% Change
	#	%	#	%	
NJ	210,000	9.7	237,000	11.0	12.8
US	8,531,000	11.6	8,373,000	11.4	-1.8

Source: U.S. Census Bureau, Health Insurance Data, Low-Income Children by State

2003	Number	Percent
Uninsured adults, 18-64, with at least one child	424,026	48.8%
Uninsured Working Adults	542,370	13.9%
Uninsured Adults in Poor/Fair Health	185,018	21.3%

Source: 2003 Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Data

This reverses the trend toward fewer uninsured children, possibly due to the fact that NJ FamilyCare, a free or low-cost health insurance program, stopped offering coverage to parents in June 2002. Research shows that parents tend to take their children to the same place they get their own healthcare. For many uninsured parents, that means expensive emergency room care.

Since the state stopped insuring parents in 2002, it has cut roughly \$160 million in total program costs, as more than 127,000 adult enrollees dropped out of the program. (See chart, page 6)

Cashing in on this short-term savings causes long-term costs in both public dollars, lost worker productivity and family illness that prevent parents from caring for their own children.

In July, Acting Governor Richard Codey signed a bill that restores parental enrollment. Starting in September 2005, parents with income not exceeding 100 percent of the federal poverty level (FPL) will be eligible for insurance coverage through Medicaid. That gradually increases to 133 percent of the FPL in September 2007.

This legislation is a positive first step, but it is unclear whether state funding will be available to support parent enrollment. According to the Office of Legislature Services (OLS), it costs \$24 million per year to cover 10,000 parents, of which New Jersey would pay half. For 10,000 children, the cost is \$13.6 million, or between \$4.8 and \$6.8 million state share. State lawmakers estimate that an additional 100,000 parents and 200,000 children will be covered over the next 3 1/2 years. But only an additional \$6 million was appropriated this fiscal year. An estimated \$12 million from rebates pharmaceutical companies will pay for drugs provided under the state welfare program for childless adults has been identified as ongoing funding. That is far short of the roughly \$170 million in state dollars needed to sustain the promised expansion.

Housing

Nearly three-quarters of New Jersey renters pay too much for housing, spending more than the recommended 30 percent of their income on rent.

Housing subsidies to low-income working families are provided primarily through the federal Housing Choice Voucher Program, known as Section 8. Low-income families use vouchers to help pay for housing in the private market.

While the number of available vouchers has increased about 8 percent from 2000 to 2004, they still fall far short of need. For example, the Department of Community Affairs (DCA), which acts as a housing authority for towns that do not have their own, reported that nearly 20,000 families were waiting for vouchers, according to DCA's 2004 annual Public Housing Authority report. An additional 80 housing authorities administer the program and all report waiting lists so long that many have closed the lists, according to housing experts.

Section 8 Housing Vouchers

	2000	2004	% Change
NJ	60,442	65,156	7.8

In recognition of New Jersey's housing needs, a state rental assistance program was established to provide subsidies to those low-income eligibles who cannot obtain Section 8 vouchers. While pending legislation would provide \$50 million for this program, only \$25 million was available in FY 2005. The same level of funding has been appropriated for FY 2006.

There is also considerable national debate about how Section 8 will be treated in the federal budget. In addition to proposed funding cuts, policies such as reducing fair market rents are being negotiated. Given the uncertain future of the Section 8

Family Care/KidCare Spending

Fiscal Year	FamilyCare	#Served	KidCare	# Served	Total*	Net Decrease from FY 2002
2002	\$444.1 m	180,184	\$ 97.8 m	94,709	\$541.9 m	N/A
2003	350.0	156,482	104.0	92,279	454.0	\$ (87.9)
2004	279.5	94,152	133.0	100,729	412.5	(129.4)
2005	237.4	69,505	154.3	104,565	391.7	(150.2)
2006	205.9	53,117	175.8	109,583	381.7	(160.2)

Source: FY 2005 and FY 2006 Governor's Budget Requests⁶

* Includes all funding sources

program, combined with New Jersey's high housing costs, expanded state support for rental assistance is critically needed.

Food and Nutrition

Far too often, working families have to choose between a car repair, paying the rent or feeding their children. State-run nutrition programs and community food pantries help feed these families. But many fall through the cracks. From 1998 to 2000, an average of 252,000 children didn't get enough to eat. That translates to 12 percent of all New Jersey children, according to a report by the Food Security Institute.⁷

Food stamps is the major state food assistance program. Eligibility is limited to families with gross incomes below 130 percent of the federal poverty guidelines, or \$25,155 for a family of four in 2005. This disqualifies a majority of low-income working families, even though many have a hard time putting enough food on the table.

There is good news, though. State efforts to boost awareness and make food stamps more accessible have resulted in an 11 percent increase from 2000 to 2004 in the number of children receiving this important nutritional help. Still, less than half of eligible families received food stamps in 2003. Despite outreach efforts, New Jersey's 46.8 percent participation rate was lower than 49 other states (including the District of Columbia). Only California had a lower rate.⁸

Three initiatives could improve access to food stamps:

- Further simplify the application process
- Institute more evening and weekend hours at county welfare offices; and
- Educate the working public about the availability of extended hours so they do not have to miss work to apply.

State-Funded Nutritional Supports

	2000	2004	% Change
Children Receiving Food Stamps	157,635	174,841	10.9
Individuals Receiving WIC	140,150	161,981	15.6
	1999-00	2003-04	% Change
Children Receiving Free or Reduced Price Lunch	364,912	371,744	1.9

Food Banks Help Fill Gaps

Community food banks, soup kitchens and shelters feed tens of thousands of children and parents across New Jersey every month. Funded by various state, federal and private sources, these agencies serve many working families, as well as families whose breadwinner recently lost a job. Experts estimate that children make up more than 40 percent of people receiving emergency food from these community organizations.⁹

While specific client statistics are sparse, food banks have documented huge increases in food distributed—primarily to working families. For example, Catholic Charities of Trenton saw a 40 percent jump in demand for emergency food aid from July 2003 to July 2004—including a 43 percent rise in Delanco and other suburban Burlington County towns, where nearly 600 families a month were getting help.¹⁰

The state must expand efforts to feed children and support community efforts to assure that food pantries shelves are stocked.

Asset Building Lifts Families Out of Poverty

While it is essential for New Jersey to provide supports to working poor families, it is also important to move beyond the goal of just helping families get by. The state must start building programs that help families accumulate assets so they can buy a home, start a business or get an education that will lead to higher-paying jobs—and entry into the more stable middle class.

According to the Corporation For Enterprise Development (CFED), one-fifth of New Jersey households in 2002 were asset poor, meaning they did not have enough net worth to exist for three months at the poverty level in the event of an emergency, such as a job lay-off or extended illness. Most asset-poor households are minorities. For every white household with no assets, there are three minority asset-poor households.”

Asset building is the path to achieving long-term financial goals. New Jersey has taken some steps in this direction, but state leadership must find ways to expand opportunities for working parents, including increasing access to tax credits, consumer financial services, credit repair/debt reduction and asset-building tools, such as matched savings account and home ownership programs.

Tax Credits

New Jersey is one of 17 states that has implemented a state Earned Income Tax Credit (EITC) program. New Jersey’s EITC program works like the federal program in key ways. Benefits go only to working people. If the amount of tax credits exceeds a taxpayer’s state income tax obligation, they get a refund check. Currently, refunds up to 20 percent of the federal EITC are available to eligible New Jersey low-income working families. For tax year 2004, the maximum federal credit was \$4,300, making New Jersey’s maximum state credit \$860.

While New Jersey’s EITC looks like a model program, there is one major drawback: eligibility is limited to families whose income does not exceed \$20,000 per year—no matter how many children they have. This is far from the federal maximum of \$35,458 and even farther from the state’s self-sufficiency standard of \$48,375 for a family of four. New Jersey is the only EITC state that cuts off eligibility below the federal level.

New Jersey should raise the eligibility maximum to that of the federal EITC program. In addition, the refundable amount should be raised from 20 to at least 25 percent of the federal refund in recognition of the high cost of living for New Jersey’s working families. Pending legislation (A-3880) would provide that the state’s income eligibility requirements match those of the federal EITC over a 5-year period. The Legislature should pass this measure to help New Jersey’s working families.

Child Care Tax Credit

Another type of state tax credit for low-income working families is the Child and Dependent Care Tax Credit (CDCTC). Based on the federal program, 26 states have implemented state credits for families who pay for child or other dependent care. Unfortunately, New Jersey’s gross income tax has no such credit—despite high child care costs and the dearth of available subsidies. New Jersey should join the majority of states that recognize child care expenses are a necessity and should be posted for credit on state income taxes.

Individual Development Accounts

Individual Development Accounts (IDAs) are matched savings accounts that enable low-income families to save money to buy a home, open a business or go to college.

New Jersey Earned Income Tax Credit

	2001		2003		% Change	
	# Filers	Avg. Check	# Filers	Avg. Check	# Filers	Avg. Check
NJ	214,019	\$360	220,753	\$519	3.1	44.1

Federal Earned Income Tax Credit

	2001		2003		% Change	
	# Filers	Avg. Check	# Filers	Avg. Check	# Filers	Avg. Check
NJ	359,995	\$1,260	465,748	\$1,709	29.4	35.6

IDA programs often couple the dollar match incentive with financial literacy education and budget training. IDA programs are funded primarily through two federal sources: Temporary Aid to Needy Families (TANF) and the Assets for Independence Act (AFIA). Some private financial institutions also fund IDA programs.

The Department of Community Affairs oversees the IDA programs, with the help of nine community-based agencies covering all but Hudson, Middlesex and Monmouth counties. Deposits from earned income are typically matched dollar-for-dollar. A minimum of \$10 per month must be saved. Matching is limited to \$1,500 per year for up to three years (for a total of \$9,000 to invest).

For TANF-funded agencies, only working adults with at least one dependent child are eligible and their income must be at or below 200 percent of the federal poverty guidelines. AFIA-funded programs maintain the same eligibility, except adults with no dependent children may also qualify.

While some counties started grant-funded programs as early as 1999, New Jersey's state IDA program began in September 2002, with a total of \$1.9 million in grantee awards. There are no provisions to provide ongoing funding, so unless more funding is secured, the program could end when these funds are exhausted. Since 1999, 49 IDA participants have used the funds to purchase a home, according to statistics from the Department of Community Affairs. Seventeen others used their savings for school, while 16 started a business and 26 purchased cars.¹² One of the biggest problems, however, is that many families cannot afford to save even the minimum amounts required.

The solution is to allow participants to add lump sum savings, from tax refunds or other sources. A few IDA initiatives, such as the Community Action Project of Tulsa County (CAPTC), Oklahoma, actively recruit families to deposit their tax refunds directly into an IDA, helping leverage much bigger savings. Research suggests that people view lump-sum refunds as assets rather than income and that asset-building initiatives might be more effective if linked to tax refunds.¹³

Transportation

Increasingly, employment opportunities are located in suburbs, which often lack reliable, affordable public transportation. Many low-income working families need cars. Nonprofits in a few states, including Illinois, Kansas, Michigan, Nebraska and New York, have car ownership programs. Caseworkers can access up to several thousand dollars in TANF funding to help low-income, working families purchase vehicles, obtain insurance, pay for repairs, etc.

The purchase of a car is an allowable use of money saved in IDAs and TANF dollars are used to match the savings. Facilitated by nonprofit organizations, these car purchasing

programs require individuals to enroll in financial literacy and management courses. Participation in such courses counts toward the individual's work requirement, and transportation and child care are provided while enrolled.¹⁴

New Jersey should embrace this strategy.

Financial Literacy

With no financial cushion, working poor families are especially vulnerable to unfairly priced financial services, such as check cashing, consumer credit, money orders and tax filing fees.

High cost credit is also prevalent in above-market rate loans, insurance and home mortgages. Disconnection from financial institutions has left residents prey to wealth-stripping practices, deepening their debt and preventing many families from accessing asset-building loans for education and homeownership.¹⁵

Low-income families in inner-city neighborhoods often have no options to build credit or assets in fringe financial services. Damaged credit from predatory loans and consumer debt may prevent them from accessing mainstream financial services.¹⁶

Many low-income working families, finally able to contribute monthly earnings to savings, are challenged by their lack of knowledge about how to save or open an account. Some fear that bad credit histories will be revealed should they approach a bank.¹⁷ Financial literacy is critical.

Some nonprofit organizations have worked collaboratively with state entities and community advocates to provide financial education. ACNJ has for years worked with asset-building coalitions in Newark and Camden, helping more low-income families claim tax credits, open bank accounts and manage money. New Jersey Literacy Awareness Network (NJFLAN) houses technology centers in Newark and Camden, which train people to make better decisions about their money, including shopping for a bank, getting and keeping good credit, recognizing fraud and predatory lending practices, investing basics and being a savvy consumer. There are free loan counseling programs and financial education workshops.

New Jersey Citizen Action (NJCA) provides strong advocacy and assistance to the working poor. NJCA is one of two organizations selected to provide mandatory financial literacy training for participants in New Jersey's IDA Program.

In addition, Citizen Policy and Education Fund of New Jersey (CPEF), a nonprofit organization, promotes the empowerment of low- and moderate-income people through research, education and training on public policy issues.

New Jersey's political leaders must encourage and expand these efforts to help New Jersey's working families lift themselves out of poverty.

RECOMMENDATIONS FOR LOW-INCOME WORKING FAMILIES

Recognizing that New Jersey's high cost of living puts low-income working families in a situation where the ends simply cannot meet, ACNJ makes the following recommendations:

Provide state funds to support providing health insurance for low-income parents. In July 2005, Acting Governor Richard Codey signed a bill that restores limited parental enrollment in FamilyCare, a free or low-cost health insurance program. Lawmakers promised to insure an additional 200,000 parents and 100,000 children, but have only identified an additional \$12 million in annual ongoing state funds, far short of the roughly \$170 million in state dollars needed to sustain the promised expansion.

Boost the Earned Income Tax Credit. The EITC concept is universally accepted and supported, as it is only available to families who work. New Jersey should follow the example of 16 other states with EITC programs and raise the income eligibility to the federal amount. In addition, the refundable amount should be raised from 20 to at least 25 percent of the federal refund in recognition of New Jersey's high cost of living.

Expand New Jersey Individual Development Accounts (IDAs) to permit depositing and matching of EITC refunds. To encourage savings, New Jersey should allow workers to deposit EITC refunds into matched savings accounts. A revolving fund or similar mechanism needs to be implemented to assure funds will be available to match IDAs for all low-income working families who

open accounts.

Establish a New Jersey Child Care Tax Credit. Despite high child care costs for working families and lack of available subsidies, New Jersey has no tax credit or deduction of child care costs. New Jersey should join the majority of states that recognize child care is a necessity and should be allowed credit on state income taxes.

Fully fund the state Rental Assistance Program. As federal Section 8 housing assistance fails to provide enough funding to serve eligible low-income working families in New Jersey, it is crucial that the state Rental Assistance Program be fully funded at the promised \$50 million a year.

Assure that community-based temporary emergency assistance programs are adequately funded. Food banks and utility assistance programs help keep families off public assistance by providing short-term relief for food and energy bills. These programs need expanded state support.

Link taxpayers to various economic services. Financial literacy programs, homebuyer classes, small business classes, credit counseling, free-tax preparation programs, and savings programs should be more readily available to low-income consumers. To make those services and supports visible and accessible, different economic strategies should be linked together.

NOTES AND REFERENCES

¹ This number was calculated for ACNJ by the Center on Budget and Policy Priorities. Census data for 2003 estimates 19 percent or 192,000 families with children in New Jersey are working poor or near poor meaning that the family income is 200% of federal poverty or below.

² Annie E. Casey Foundation (2005). *Kids Count Data Book*, Baltimore, p. 169.

³ Federal Register, Vol. 70, No. 33, February 18, 2005, pp. 8373-8375.

⁴ Federal Funds Information for States, State Policy Report, vol. 22, issue 23-24, December, 2004, p. 8.

⁵ Working Poor Families Project, Annie E. Casey Foundation, *Working Hard, Falling Short*, October, 2004, p. 13

⁶ The FY 2006 projection published in the Governor's Budget Request does not include any additional funding resulting from the subsequent passage of the July FamilyCare bill referenced on the bottom of page 5.

⁷ Sullivan, Ashley F. and Choi, Eunyoung (2002). *Hunger and Food Insecurity in the Fifty States: 1998-2000*. Center on Hunger and Poverty. Retrieved September 2004, from <http://www.centeron-hunger.org/pdf/statedata9800.pdf>.

⁸ Food Stamp Participation Access Rates State by State, Federal Food Programs, USDA's Food and Nutrition Service, 2003.

⁹ New Jersey Anti-Hunger Leaders Group, *Blueprint to End Hunger in New Jersey*, February, 2004, p. 11

¹⁰ Cray, David, *Even in the Suburbs, Demand for Food Aid Surges*, Admoreite On-Line (July 14, 2004): <http://www.admoreite.com> (accessed August, 2004).

¹¹ Corporation for Enterprise Development 2005 Asset and Opportunity Scorecard <http://www.cfed.org>.

¹² New Jersey IDA Network intermediate report, July 6, 2005.

¹³ Chun-Hoon, Wendy L., *In Support of Low-Income Working Families: State Policies and Local Program Innovations in the Era of Welfare Reform*, The Annie E. Casey Foundation (February 2003), pp. 28-29.

¹⁴ *ibid.*, pp. 15-16.

¹⁵ Annie E. Casey Foundation, *Building Strong Financial Futures for Families and Communities*, April, 2003, p. 3

¹⁶ *ibid.*, p. 9).

¹⁷ Chun Hoon, *op. cit.*, p. 30.

SNAPSHOT OF WORKING FAMILIES

- **DESIRE TO WORK.** In 2002, contrary to popular perception, 88 percent of New Jersey's low-income families had at least one parent (under 65 and not reporting a disability) in the workforce.
- **HEALTH INSURANCE.** Nearly 36 percent of low-income working parents lacked health insurance, ranking New Jersey 32nd among the states, according to *Working Hard, Falling Short*, a national report produced by the Working Poor Families Project. (Current Population Survey, 2001-2003).
- **EDUCATION.** In 27.3 percent of low-income working families, at least one parent lacked a high school degree, ranking New Jersey 23rd among all states, according to the *Working Poor* report. (Based on U.S. Census American Community Survey, 2002).
- **ETHNICITY.** Compared to white families, almost three times as many minority working families were low-income in 2002. Specifically, 28 percent of minority working families struggled with insufficient earnings, while less than 10 percent of non-minority working families earned less than they needed to provide for their families. The *Working Hard, Falling Short* report ranked New Jersey 6th in the nation on this indicator.
- **IMMIGRANTS.** In 2000, 14.9 percent of immigrant children had no parent with a high school diploma, more than two times the U.S.-born rate of 6.8 percent. These immigrant children represent 45 percent of all New Jersey kids who have no parent with a diploma, although they make up about 27 percent of the total child population, according to U.S. Census data.