Seeking a way out

Services and challenges affecting Tennessee's poor

John G. Morgan
Comptroller of the Treasury
Office of Research
State of Tennessee

April 2004

STATE OF TENNESSEE

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Comptroller

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April 19, 2004

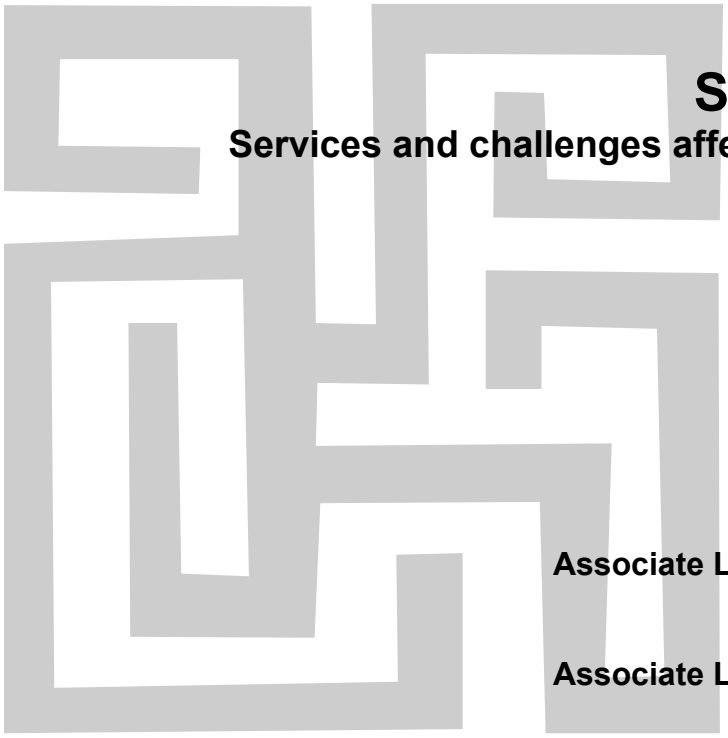
The Honorable John S. Wilder
Speaker of the Senate
The Honorable Jimmy Naifeh
Speaker of the House of Representatives
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is a report that examines the services available in Tennessee for its poorest citizens. The study looks at the state's demographics, economic indicators, tax structure, and social service programs, and identifies weaknesses in the state's "safety net" for the poor. It also provides recommendations for ways to alter these services, thus improving the lives of all Tennesseans.

Sincerely,

John G. Morgan
Comptroller of the Treasury



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Comptroller of the Treasury, Office of Research. Authorization Number 307317, 500 copies, April 2004. This public document was promulgated at a cost of $3.17 per copy.

Executive Summary

Nearly 750,000 Tennesseans live in poverty. However, an estimated 300,000 more families fall between the poverty line and a fully subsistent income—the population often called the "working poor." Although Tennessee's working poor earn wages above the poverty level, they still require assistance to subsist. Many low-income families struggle to meet basic needs but are ineligible for public welfare benefits.

Depending on income, households qualify for a range of public benefits administered at various levels of government. Private nonprofit organizations also serve a large segment of the population, but providers report difficulties serving the entire population of persons in need.

During this study, analysts examined demographics, economic indicators, tax structure, and social service programs in Tennessee and other states as well as relevant federal laws and policies. Although programs such as TennCare and Families First have improved the lives of many Tennessee families, the "safety net" has apparent gaps. The system lacks needed services, and certain populations remain at higher risk of living with unmet needs. In addition, as families move toward self sufficiency, they lose eligibility for support services necessary to survive in low-wage jobs. Many lack the education or training to earn a living wage.

The report concludes:

Tennessee's low rate of educational attainment increases the number of workers in low-paying jobs, families living in poverty, and households dependent on social program benefits. According to the 2000 census, only 76 percent of Tennesseans over 25 have a high school diploma (national average 80 percent) and only 20 percent have a bachelor's degree (national average 24 percent).These rates vary widely in counties across the state, ranging from 55.2 percent to 90.1 percent for high school graduates and from 6.7 percent to 44.4 percent for graduates with bachelors degrees. These low rates leave the state's workforce vulnerable to low wage jobs and unemployment as manufacturing jobs disappear and states with more skilled workers attract higher paying industries. (See pages 24-26).

Many working people in Tennessee struggle to meet their families' basic needs but do not qualify for or receive government support. Income eligibility standards for assistance programs do not accurately reflect a family's ability to acquire basic necessities in a given community. Program eligibility income caps for a family of three (generally around $19,000 or 130 percent of the federal poverty level for 2003) are significantly lower than earning levels needed to provide food, shelter, and other necessities for a Tennessee family (estimated to be $29,855). Families without benefits grapple especially with housing, health care, and child care needs. (See pages 26-33.)

Tennessee likely could save money by providing support services and prevention programs that decrease reliance on emergency services. In virtually every category of social services, emergency services cost more than ongoing care and support. For example, authors of a report from the Family Housing Fund, *Financial Implications of Public Interventions On Behalf of a Chronically Homeless Family,* followed a family for nine years to illustrate the cost the public sector incurred as the family moved in and out of supportive housing. Expenditures of $37,500 annually for supportive living services were half the annual costs ($77,200) to local agencies when the family had no supportive housing. (See pages 33-35.)

Children, senior citizens, immigrants, and persons with mental illness are more likely than other populations to suffer the effects of poverty in Tennessee.

- ***Children-***Child poverty has a costly and sometimes permanent effect on children, their families, and society. Currently, 27 million children (40 percent) live in low-income households in the United States. In Tennessee, a higher percentage of children (17.7 percent or 247,397 children) live in poverty than the overall population (13.5 percent). Another 321,071 children (23 percent) live in low-income households with incomes between 100 percent and 200 percent of the FPL.
- ***Senior Citizens-***Approximately 5.6 million elderly people had incomes at or below 125 percent of the federal poverty level in 2001, with 60 percent, or 3.4 million, below 100 percent poverty. Unfortunately, seniors often do not have access to prescription drug benefits, sufficient nutrition, in-home support services, or child care subsidies for grandchildren they are raising.
- ***Immigrants-*** Tennessee has the sixth fastest-growing immigrant population and the fourth fastest-growing Hispanic population in the country. Many immigrants to Tennessee face challenges to self sufficiency including lack of education, low-wage jobs, unemployment, and difficulty accessing benefits and services for which they or their children are eligible.
- ***People with mental illness-*** People with mental illness are overrepresented in Tennessee's homeless population—a quarter is mentally ill versus 6.3 percent of the population-at-large. People with mental illness often have limited abilities to earn wages and survive with only supplemental security disability income averaging $552 monthly. Such individuals are among the poorest in the country. Their benefits equal merely 18.5 percent of the one-person national median income. (See pages 35-40.)

Tennessee's regressive tax structure places a disproportionate burden on poor and low-income Tennesseans. Regressive tax systems take a larger percentage of income from low-income taxpayers than from high-income taxpayers. The Institute on Taxation and Economic Policy ranked Tennessee's state tax structure the third most regressive in the nation in 2003 for the state's lack of a broad based income tax, its over-reliance on sales and excise taxes, and the application of the high sales tax to necessities such as food. While sales tax does not apply to approved items purchased with food stamps, only the poorest families are eligible. Many low-income working Tennesseans pay almost four times as much in taxes as a percentage of their income as the wealthiest. (See pages 40-44.)

Tennessee provides minimal state resources to serve those in poverty and relies heavily on federal and local government funds to support social services. In 2002, Tennessee ranked 40th in per capita state Temporary Assistance for Needy Families (TANF) spending, according to the National Conference of State Legislatures. At $15, Tennessee spends 39 percent of the national average ($38) of state TANF expenditures per capita. (See pages 44-46.)

Tennessee's current child support withholding policy may create a disincentive for noncustodial parents to pay support. The Department of Human Services retains child support collections to repay TANF grants received by a child's household. DHS officials determine a client's standard of need and level of unmet need after counting benefits. Custodial parents receive "pass-through" child support up to the unmet need amount or the full collection amount. If the state collects more than the family's unmet need, the balance is kept to repay TANF grants. When

a family leaves Families First, caretakers receive all current support, but the state continues to retain payments on back support until all grants are repaid. Even if support is not collected during the receipt of assistance, DHS continues to pursue child support in all active and closed TANF cases to repay grants as well as provide support to the caretaker. Nevertheless, TANF families in which the absent parent does not pay support receive grants without having to repay them. Similar systems in other states appear to create an incentive for noncustodial parents to remain out of contact with their children and not pay support. In federal FY03, 57 percent of noncustodial parents of Tennessee's children made some current support payments—excluding back support and including partial payments. (See pages 46-47.)

The Tennessee Department of Human Services appears to need additional capacity to implement programs effectively and efficiently. DHS administers multiple programs through offices in every county. Rising caseloads, additional responsibilities, increasingly complicated policy, personnel shortages, and problems with the ACCENT computer system create heavy workloads and stressful working conditions for minimally-compensated frontline workers. Local DHS offices have a hard time attracting and retaining qualified eligibility counselors, and Families First and food stamp worker caseloads were two to three times recommended levels in local offices visited by analysts. (See pages 47-52.)

Unlike TANF programs in most states, Tennessee's Families First program does not divert families from ongoing monthly cash assistance. Short-term assistance is intended to divert potential and current recipients from ongoing welfare assistance and reduce state welfare caseloads and expenditures. TANF programs in Arkansas, Kentucky, North Carolina, and Virginia include diversion components. However, state law prohibits Tennessee from including a diversion program in Families First. Diversion programs provide vouchers for car repair, child care, housing, food, and other daily or employment-related needs in addition to, or instead of, cash assistance. (See pages 52-53.)

Rural communities lack sufficient service providers. Rural Tennesseans have trouble finding medical and dental providers that accept TennCare and often have to travel significant distances to access care. In addition, these communities lack sufficient providers for child care, transportation, subsidized housing, and supportive living services. (See pages 53-54.)

A lifetime benefit cap of 60 months has not been effective in limiting the number of months Tennessee families receive TANF benefits. According to DHS administrators, the department begins tracking Families First clients reaching 54 countable months of assistance. Eleven cases were on the statewide tracking list as of February 2004. Three other cases have received TANF benefits for more than 60 months but currently have exemptions. Reasons for permanent or temporary exemptions from the time count include pregnancy, disability, illness, or unavailability of a needed educational component or child care. During interviews, DHS employees attributed other non-countable months to administrative barriers, computer inefficiencies, and overwhelming volumes of clients. (See pages 54-55.)

Lack of affordable storage space and the state's accounting requirements for contracting agencies limit the efficiency and effectiveness of Tennessee's Emergency Food Assistance Program (TEFAP). Tennessee's TEFAP program contracts primarily with community action agencies and human resource agencies to provide mass and household distribution of commodities.

Although Tennessee contracts with food banks to some extent, other states contract exclusively with food banks, enabling these states to simplify program accountability procedures and distribute more food. (See pages 55-56.)

TennCare has reduced the number of uninsured persons in Tennessee and improved the quality and type of health care received. TennCare was designed to expand health insurance to cover additional populations by combining and leveraging state health expenditures to gain additional federal matching funds. Since implementing TennCare in 1994, the state's uninsured rate has decreased. Tennessee has a lower percentage of uninsured persons than the national average. (See pages 56-57.)

Families eligible for and with Section 8 Housing Choice Vouchers often struggle to find housing that meets their needs. Housing Choice Vouchers allow low-income families to receive public or private housing at a reduced cost with the federal government subsidizing the remainder of the fair market rent. As of March 2004, THDA had 5,557 families on waiting lists for vouchers in the 76 counties it serves. In addition, the agency reports a 36 percent success rate for vouchers. In other words, THDA generally issues two vouchers that expire before a voucher-holding family finds a suitable unit. Likewise, local housing authority administrators across the state report that families often need more than the maximum allowable time to find suitable housing. (See pages 57-58.)

Tennessee's many nonprofit organizations serve large numbers of poor and low-income people who may not receive public assistance but suffer special financial difficulties during economic downturns. According to the National Center for Charitable Statistics, Tennessee was home to 17,669 public charities as of November 2003. Nonprofit agencies face revenue difficulties but are called to provide additional services to those suffering from the fate of the economy. Nationwide, many nonprofit agencies reported stagnant or decreasing donations from January through October 2002 compared to donations received during the same period in the preceding year. (See pages 58-60.)

Recommendations

The report contains both legislative and administrative recommendations beginning on page 61.

Legislative

The General Assembly and the Governor may wish to consider expanding the Jobs Council or creating a Poverty Council to examine the costs and benefits of funding the state's safety net and how these programs and services contribute to long-term state goals.

The General Assembly and the Governor may wish to consider establishing an Office of Immigrant Affairs to help multiple agencies plan for and serve Tennessee's growing population of residents with limited English proficiency.

The General Assembly may wish to consider:

- Reducing certain long-term public costs associated with poverty and low educational attainment by expanding funding for the Tennessee Early Education Pilot Program.
- Revising state law to allow for diversion programs, such as short term emergency assistance and a child-care-only benefit category of Families First.

- Exploring funding options for low-income child care subsidies.
- Studying options regarding Child Support Program policies to maximize pass-through payments to custodial parents.
- Funding TennCare Assist to allow more low-income people to pay premiums and get insurance through their employers.
- Attending poverty simulation training offered by the University of Tennessee's Agriculture Extension Program.

Administrative

The Tennessee Tax Structure Study Commission may wish to consider a food sales tax credit or rebate program to reduce the regressivity of the state's tax structure.

The Department of Human Services and the University of Tennessee should implement and monitor new policies to ensure increased administrative efficiency of the Customer Service Review (CSR) program.

The Tennessee Department of Human Services should:

- Radically upgrade or replace the ACCENT system.
- Simplify program policies to provide as much overlap as possible in eligibility standards.
- Edit the format of notices (letters sent to recipients about benefits) to appear similar to screens recipients see in DHS offices.
- Coordinate dissemination of policy updates from Adult and Family Services divisions to field offices.
- Collect and analyze information from help line calls.

The Department of Personnel should perform a classification/compensation study for eligibility counselors, especially those handling Families First cases, or allow them to become case managers. Further, the department should increase salaries to a competitive level, aiding recruitment and retention of qualified staff for the Department of Human Services.

Tennessee agencies should use program designs that have successfully addressed the housing needs of certain special populations to increase the availability of supportive community housing for Tennessee's mentally ill and aging citizens.

State and local housing authorities should seek additional funding to help voucher program participants secure suitable housing.

The Tennessee Emergency Food Assistance Program should consider altering its service delivery system and accounting requirements to capitalize on the capacity of the state's food banks.

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I know which churches and sections of town have the best rummage sales.
I know which grocery stores' garbage bins can be accessed for thrown-away food.
I know how to get someone out of jail.
I know how to physically fight and defend myself physically.
I know how to keep my clothes from being stolen at the laundromat.
I know how to live without a checking account.
I know how to live without electricity and a phone.
I know how to use a knife as scissors.
I know what to do when I don't have money to pay the bills.
I know how to move in half a day.
I know how to get and use food stamps or an electronic card for benefits.
I know where the free medical clinics are.
I am very good at trading and bartering.
I can get by without a car.

~Sample items from the quiz "Could you Survive in Poverty?"
excerpted from *A Framework for Understanding Poverty* by Ruby K. Payne, Ph.D.

Introduction

Tennessee is home to approximately 746,800 people living in poverty. Many more are classified as "working poor," individuals with annual income above the federally defined poverty level but below that necessary for self-sufficiency. Poor and low-income households are heterogeneous, with varied demographic characteristics.

The conditions of poverty are closely linked to employment situations. Tennessee industries employed 80,500 fewer persons in manufacturing positions at the end of 2003 than at the start of 2000.[1] Though total employment increased by 27,400 in the same period, many of these jobs are in service industries, which generally pay lower wages and are less likely to offer employer-paid insurance. Employment Security and Bureau of Labor Statistics data show that 85 percent of the fastest growing job types in the state pay less than the amount required to meet a family's needs.[2]

Southeastern states generally have a higher percentage of persons living in poverty and a lower median income than the rest of the United States. Exhibit 1 shows three-year averages of state and national poverty rates from 1999-2001. Tennessee ranks 40th in the nation for poverty rate and 43rd for median income.

[1] Tennessee Department of Labor and Workforce Development, January 2000 Current Employment Statistics (CES) data, in Tennessee, December 2003 Current Employment Statistics (CES) data, in Tennessee, http://www.state.tn.us/labor-wfd, accessed Feb. 13, 2004.
[2] Ibid.; "Working Hard, Earning Less: The Story of Job Growth in Tennessee," *Grassroots Factbook,* National Priorities Project and Jobs with Justice, Vol. I, Series 2, Dec. 1998.

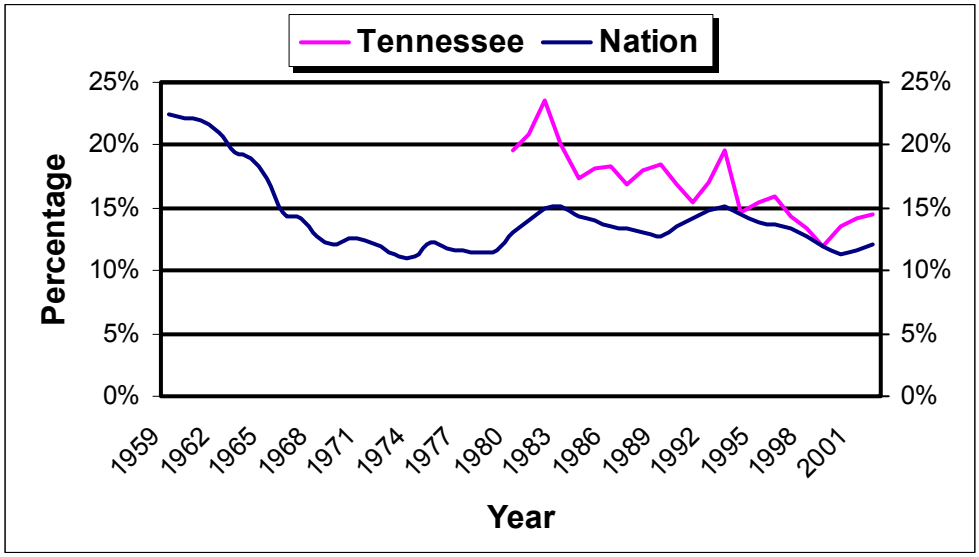
Exhibit 1: Three-Year Average (1999-2001) Poverty Statistics, Tennessee and Adjacent States[3]

State	% Living in Poverty	National Poverty Rank	Median Income	National Income Rank
Alabama	14.8%	44	$36,693	42
Arkansas	16.3%	48	$31,798	50
Florida	12.0%	31	$38,141	40
Georgia	12.6%	34	$42,508	24
Kentucky	12.4%	32	$37,184	41
Mississippi	16.8%	49	$33,305	47
Missouri	10.2%	22	$43,884	20
North Carolina	12.9%	37	$39,040	35
Tennessee	***13.2%***	***40***	***$36,542***	***43***
Virginia	8.0%	9	$49,085	10
NATION	***11.6%***	N/A	***$42,873***	N/A

Sources: "Poverty in the United States: 2001," U.S. Census Bureau, September 2002, "Money Income in the United States: 2001," U.S. Census Bureau, September 2001; Ranks include Washington, D.C.

Poverty in Tennessee, as well as the nation, has decreased over the past 20 years, with a significant reduction in the 1990s. (See Exhibit 2.) Nevertheless, 38 counties in Tennessee have poverty rates over 15.5 percent. (See Exhibit 3.) Appendix A shows total number and percentages of persons in poverty by county.

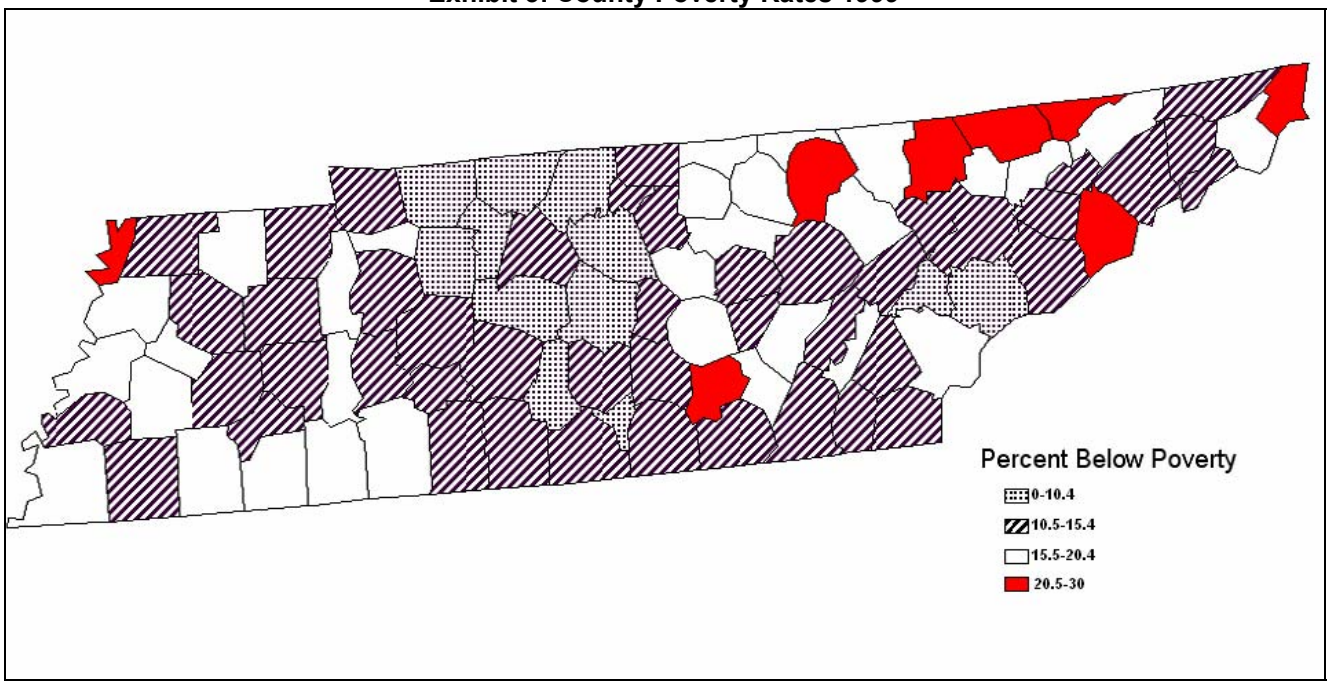
Exhibit 2: Historical Poverty Rates in the United States and Tennessee



Sources: Poverty Status of People, 1959 to 2002, Number of Poor and Poverty Rate, by State: 1980 to 2001, U.S. Census Bureau.

[3] The U.S. Census Bureau recommends caution when comparing poverty rate estimates across states because state estimates are not as reliable as national estimates; however, using a three-year average increases reliability.

Exhibit 3: County Poverty Rates 1999



Source: U.S Census Bureau, 2000 State Census Data.

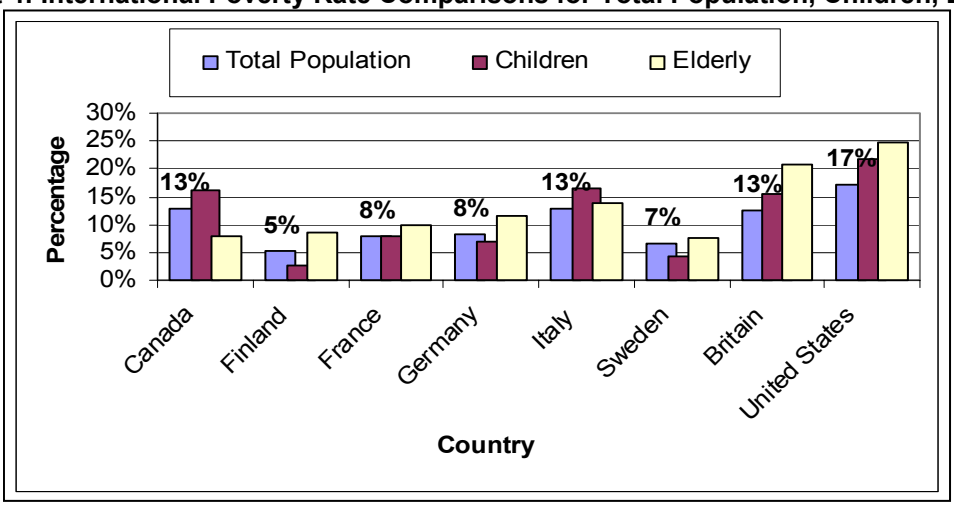
Eighteen percent of Tennessee's households received public assistance or non-cash benefits in 2000,[4] though less than 14 percent of persons were actually below the federal poverty line. The "working poor" earn wages above the poverty level but still require assistance to subsist. Researchers and advocates refer to concepts such as "living wage" and "self-sufficiency" when examining conditions of poverty. These concepts attempt to take into consideration the basic needs of a household and the income necessary to supply those needs. The quality of life of poor individuals and households varies significantly. In many instances it is affected by access to "safety net" services, administered by various levels of government and by private nonprofit organizations. Both public and private program administrators report difficulties serving the entire population of persons in need.

Poverty in the U.S. compared to other industrialized nations

The United States has a higher rate of its total population (17 percent), children (21.9 percent), and elderly (24.7 percent) in poverty than other member countries of the Organization for Economic and Community Development.[5] (See Exhibit 4.)

[4] Center for Business and Economic Research, "Population and Housing Profile: Tennessee," From the Census 2000 Supplementary Survey, http://cber.bus.utk.edu/census/2k/stf1/2ksup47%20.HTM, accessed March 11, 2004.
[5] "Relative Poverty Rates for the Total Population, Children and the Elderly," Luxembourg Income Study, 2000, http://www.lisproject.org/keyfigures/povertytable.htm,.

Exhibit 4: International Poverty Rate Comparisons for Total Population, Children, Elderly[6]



Source: "Relative Poverty Rates for the Total Population, Children and the Elderly," Luxembourg Income Study, 2000.

America's welfare system differs from those in other industrialized nations in its direct linkage to employment goals and its relatively decentralized nature. Sociologist Michael Katz has noted the uncoordinated character of the American welfare system: "Neither a coherent whole nor the result of a master plan, the public and private programs of America's welfare state originated at different times and from different sources; they remain loosely coupled at best."[7]

Several factors may contribute to this multijurisdictional approach. Compared to other industrialized nations, the United States:

- is much larger geographically;
- is more religiously, racially, and ethnically diverse;
- has a complex legal and social tradition of volunteerism; and
- invests significant authority and responsibility for social programs in local governments.[8]

History of the U.S. welfare system

From the colonial era to the early 20th century, safety net services were predominantly local. Counties, towns, and cities, along with churches and private charities, administered an irregular system of assistance. However, as the complexity and size of society and the economy expanded, the American welfare system trended toward increased state and federal centralization of administration and funding. In the 19th century states increased their regulatory power and control over public assistance,

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[6] The standard methodology for international comparisons defines the rate of poverty by calculating the share of individuals with 50 percent or less of the country's median income, which is higher than the official poverty rate used in the United States. This explains why the poverty rate for the United States is slightly higher in this chart than U.S. Census Bureau figures. See: Lawrence Mishel, Jared Bernstein, and Heather Boushey, *The State of Working America: 2002/2003*, An Economic Policy Institute Book, New York: Cornell University Press, 2003, p. 414.

[7] Michael B. Katz, *The Price of Citizenship: Redefining the American Welfare State*, New York: Henry Holt and Company, 2001, p. 10.

[8] June Axinn and Herman Levin, *Social Welfare: A History of the American Response to Need*, New York: Longman, 1997, p. 2.

attempting to control costs of relief programs through county or state poorhouses. In the early 20th century states replaced state boards of charity with departments of welfare.

The Great Depression overwhelmed state and local governments and private charities. Programs of the New Deal represented a dramatic expansion of the historically small federal role in welfare and safety net funding and administration. Under the Social Security Act, the federal government created the Aid to Dependent Children Program, the precursor to Aid to Families with Dependent Children (AFDC).

Forty years ago, in a State of the Union address to Congress on January 8, 1964, President Lyndon Johnson declared unconditional war on poverty in America. Johnson stated this war would "not be a short or easy struggle, no single weapon or strategy will suffice, but we shall not rest until that war is won. The richest Nation on earth can afford to win it. We cannot afford to lose it. One thousand dollars invested in salvaging an unemployable youth today can return $40,000 or more in his lifetime."[9] Momentum to reduce poverty continued through the 1960s and early 1970s, with the federal government expanding programs and creating new ones, including programs in the areas of nutrition (Food Stamps and WIC), health care (Medicaid and Medicare), and housing (Department of Housing and Urban Development). Temporary Aid to Needy Families (TANF) replaced the AFDC program in 1996.

Over the past two decades, the historical trend of increasing centralization, administration, and public provision of the safety net has reversed. More control and flexibility have returned to states, as evidenced by the 1996 Welfare Reform Act, the whole or partial privatization of safety net programs previously run by the government, and a recent emphasis on contracting with faith-based organizations to provide government services.

The history of Tennessee's safety net has followed the national trend. Upon gaining statehood in 1796, Tennessee began administering "poor relief" at the county level through the court system.[10] Tennessee created the Welfare Division in the Department of Institutions in 1925 and the Tennessee State Relief Administration in 1933.

Objectives of the report

The objectives of this report are:

- to determine the benefits and services offered in Tennessee to meet the basic needs of citizens living in poverty;
- to examine program designs, responsible agencies, administrative structure, funding patterns, target populations and effectiveness;
- to identify gaps in services by comparing available benefits with families' needs;
- to examine program eligibility criteria and current enrollment patterns;
- to analyze the equity and adequacy of access to needed benefits;
- to compare program administration to design theory and structure; and

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[9] Lyndon Baines Johnson Library and Museum, "President Lyndon B. Johnson's Annual Message to the Congress on the State of the Union, Jan. 8, 1964," http://128.83.78.10/johnson/archives.hom/speeches.hom/640108.asp, accessed Jan. 8, 2004.

[10] Tennessee Blue Book Online, 2001-04 Edition, Aug. 2003, http://www.state.tn.us/sos/bluebook/online/bbonline.htm, p. 225.

- to examine the effects of welfare reform legislation on administrators, case managers, participants, and other stakeholders.

Methodology

Staff examined state and federal laws, regulations, and policies relative to social welfare and safety net programs. Staff also conducted a review of published research, statistics, and literature, including items from:

- The Urban Institute
- The Kaiser Family Foundation
- The Annie E. Casey Foundation
- The Children's Defense Fund
- American Association of Retired Persons (AARP)
- The Heritage Foundation
- Others

Staff interviewed key people from several state departments:

- Agriculture (DOA)
- Human Services (DHS)
- Health (DOH)
- Education (DOE)
- Comptroller of the Treasury
- Tennessee Housing Development Authority (THDA)
- Mental Health and Developmental Disabilities (DMHDD)

Department of Human Services interviews included administrators, case managers, and program participants in Cumberland, Davidson, Knox, Madison, Maury, Rutherford, Shelby, and Sullivan Counties. Staff also interviewed directors of local health departments and housing authorities, Community Action Agencies, Human Resource Agencies, and other nonprofit organizations. (See Appendix B for a complete list of site and telephone interviews performed for this project.) Additionally, researchers attended the University of Tennessee Agricultural Extension Service poverty simulation program.

Background

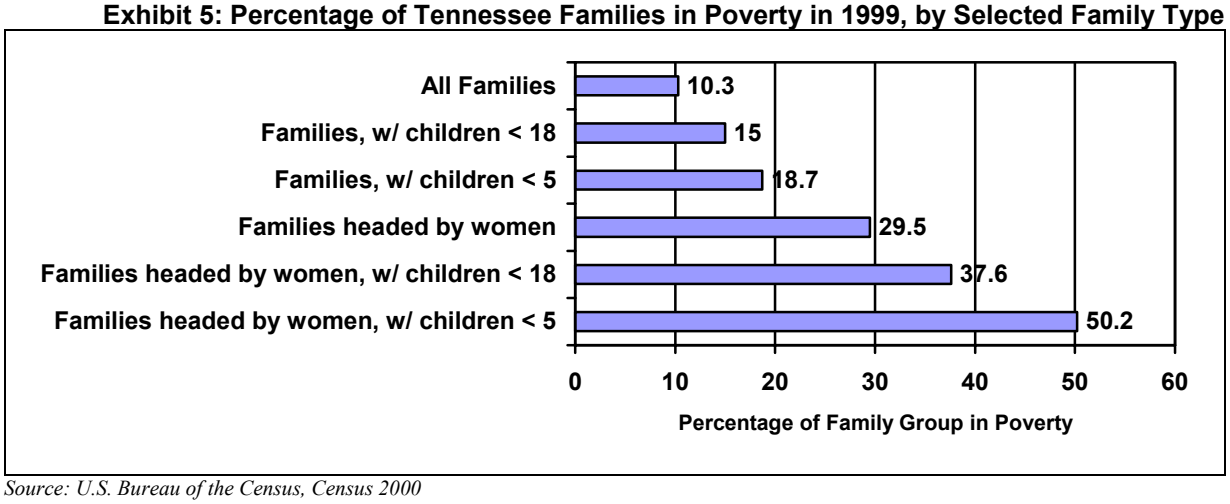
Who are Tennessee's poor?

Approximately 13.5 percent of all Tennesseans lived in poverty in 1999 including 240,796 children (17.6 percent) and 89,985 elderly (13.5 percent).[11] Poor people live in every county in Tennessee. They represent many racial and ethnic groups, and comprise various family configurations. Most poor persons are undereducated, but some have advanced college degrees.

Exhibit 5 displays the percentage of Tennesseans in poverty by selected living arrangements. The U.S. Census Bureau estimated that in 1999, more than half of households headed by females with children less than five years of age lived in poverty.

[11] U.S. Census Bureau, 2000 Census Data for Tennessee, Table DP-3, http://censtats.census.gov/data/TN, accessed July, 15, 2002.

Exhibit 5: Percentage of Tennessee Families in Poverty in 1999, by Selected Family Type



Source: U.S. Bureau of the Census, Census 2000

Exhibit 6 displays the income distribution for Tennessee families and households. Though the distribution is not differentiated for family or household size, note that 24.8 percent of families and 33.8 percent of households earned less than $25,000 in 1999.

Exhibit 6: Income Distribution in Tennessee, 1999

	Households	*Families*
Less than $10,000	12.0%	6.9%
$10,000 to $14,999	7.2%	5.3%
$15,000 to $24,999	14.6%	12.6%
$25,000 to $34,999	14.3%	13.9%
$35,000 to $49,999	17.4%	18.9%
$50,000 or more	34.4%	42.4%

Source: U.S. Bureau of the Census, Census 2000, Table DP-3. Profile of Selected Economic Characteristics, Tennessee.

What is the definition of poor?

The two federal measures of poverty—thresholds and guidelines—are slightly different and are issued by separate federal departments. The Census Bureau issues poverty **thresholds** annually to calculate the **number of persons** in poverty. The Department of Health and Human Services (HHS) issues poverty **guidelines** that simplify the poverty thresholds for use in determining **eligibility** for federal assistance programs. To keep eligibility requirements current, HHS updates the guidelines earlier in the calendar year than the Census Bureau updates thresholds. Both are updated using the Consumer Price Index. The Census Bureau calculates poverty thresholds based on the cost of basic food needs and the share of family income spent on food, assumed to be one-third, as based on 1955 consumption data.[12]

[12] Lawrence Mishel, Jared Bernstein, and Heather Boushey, *The State of Working America: 2002/2003,* An Economic Policy Institute Book, New York: Cornell University Press, 2003, p. 320. Note: The Social Security Administration created the poverty threshold in 1963.

Exhibit 7: Comparison of 2003 Poverty Thresholds and Guidelines

Number of Persons	Thresholds *(Weighted Averages)*	Guidelines
1……	$9,392	$8,890
2……	$12,024	$12,120
3……	$14,675	$15,260
4……	$18,811	$18,400
5……	$22,240	$21,540
6……	$25,136	$24,680
7……	$28,639	$27,820
8……	$31,611	$30,960
9……	$39,907	$34,100

Source: U.S. Census Bureau, U.S. Department of Health and Human Services.

The measurement of poverty is controversial. Critics who believe there is less poverty than official statistics indicate argue that the official definition:

- does not account for certain income sources and in-kind benefits, such as unreported income and government entitlements like food stamps and Medicaid;
- overstates cost-of-living expenses; and
- fails to compare poor Americans to the poor in other countries, particularly based on consumption of goods and services.[13]

For example, the Heritage Foundation argues that how poverty is defined determines its prevalence and depth, asserting that Census Bureau figures exaggerate poverty: "If poverty is defined as lacking adequate nutritious food for the family, suitable clothing, a warm and dry apartment, and a car, then few are poor in the United States."[14] The Foundation observes that "the typical American defined as poor has a refrigerator, stove, clothes washer, car, air conditioning, VCR, microwave, stereo, and color TV…far from the popular images of poverty conveyed by politicians, the press, and activists."[15]

Some of the arguments about the definition of poverty might be reduced if the federal government restructured the poverty threshold formula. For example, the current formula assumes that a family spends one-third of its income on food; however, the Bureau of Labor Statistics' analysis of Consumer Expenditures in the South for 1998-99 found that spending on food accounted for only 13.7 percent of a household's budget.[16] In addition, the current measure does not account for:

- changes in consumption and spending patterns;
- the cash value of food stamps, housing allowances and subsidies, and government health programs;
- out-of-pocket child care, medical, and work expenses, which some critics feel should be subtracted from income tabulation;

[13] Laura Egendorf, ed., *Poverty: Opposing Viewpoints*, San Diego: Greenhaven Press, 1999, pp. 12-13.
[14] Robert E. Rector, "The Myth of Widespread American Poverty," The Heritage Foundation, Sept. 18, 1998, http://www.heritage.org/Research/Welfare/BG1221.cfm, accessed Nov. 17, 2003.
[15] Robert E. Rector, Kirk A. Johnson, and Sarah Youssef, "The Extent of Material Hardship and Poverty in the United States," The Heritage Foundation, September 1, 1999, http://www.heritage.org/Research/Welfare/wm187.cfm, accessed April 4, 2003.
[16] United States Bureau of Labor Statistics, "Consumer Expenditures in the South, 1998-99," ftp://ftp.bls.gov/pub/special.requests/atlanta/cexso.txt, accessed Feb. 24, 2003.

- tax liabilities (federal and state taxes paid) and tax credits (Earned Income Tax Credit and the child care tax credit); and
- geographic differences in the cost of living, such as the rural/urban difference in health care, housing, and child care expenses.[17]

The National Research Council's Panel on Poverty and Family Assistance concluded a three-year review of the measure of poverty in 1995, and recommended revising the current method of measuring poverty to account for altered consumption patterns, work-related expenses, taxes, and government benefits. Although researchers found that adopting the panel's recommendations had only a modest impact on the poverty rate—raising or lowering it slightly depending on the number and ages of family members—the recommendations would have had a significant effect on the demographics of those in poverty. For example, accounting for geographic differences in housing costs would raise the poverty threshold in urban and metropolitan areas and lower it in rural ones. Altering the official calculation would also increase the percentage of low-income working families and households with large medical bills in poverty. [18]

Other researchers critique the federal poverty level (FPL) based on the number of persons working and/or earning multiples of the measure but who are still unable to provide for themselves. Researchers from the University of Georgia and the U.S. Department of Labor found that a single mother of two working full-time, year-round at the minimum wage earns $10,712 per year, which is 70 percent of the FPL. The study also points out that this mother could double her annual salary and still fall into the working poor category. [19] In a 2001 report, the Tennessee Commission on Children and Youth cites a study finding that 88 percent of poor families have at least one member working.[20] The Annie E. Casey Foundation defines low-income working families as those with at least one parent working year-round earning less than 150 percent of the FPL, or $22,890 for a family of three.[21]

Independent measures, such as "living wage" and "self sufficiency standards," take into account what is required for individuals, families, and households to pay specific living costs. These measures allow for state and local cost-of-living adjustments. The National Priorities Project estimates that a Tennessee wage earner needs to make $29,554 annually or $14.21 hourly to support a family.[22] However, local groups have compiled different estimates for various parts of the state. Memphis researchers estimate that area's living wage ranges "from $26,128 for a family with one adult and one child to $35,130 for a family with two adults and two children."[23] Self-sufficiency analysts have further estimated actual costs for various types of families to subsist independently in each county in Tennessee. Estimates for a single parent supporting an infant and a preschooler range from a low of

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[17] Mishel, Bernstein, and Boushey, pp. 319-321.
[18] Gary Burtless and Timothy Smeeding, "The Level, Trend, and Composition of Poverty,"*Understanding Poverty,* Russell Sage Foundation and Harvard Press University, 2001, pp. 48-49.
[19] Michael Rupured, Joan Koonce, and Diane Bales, "Moving the Working Poor to Financial Self-Sufficency," *Journal of Extension,* Vol. 40, No. 2, April 2002, p. 1.
[20] Tennessee Commission on Children and Youth/Tennessee KIDS COUNT, *Tennessee and Its Children: Unmet Needs*, 2001, p. 39.
[21] 2002 Pocket Guide to Kids Count, brochure published by The Annie E. Casey Foundation, p.1.
[22] "State of the States 2002," *Grassroots Factsheet*, National Priorities Project, Vol. 5, Issue 1, 2002.
[23] David Ciscel, *What is a Living Wage for Memphis? 2002 Edition*, Center for Research on Women, University of Memphis, Aug. 2002, p. 1.

$19,086 in Clay County to a high of $38,878 required to support the same family in Williamson County.[24]

What is available to help Tennessee's poor and low-income residents?

Public and private assistance programs meet many vital needs of poor and low-income citizens who are able to access services. Many programs are mandated and regulated at the federal level and administered through state or local agencies. Federal, state, and local funds support these programs. Benefits cover basic needs in several categories: financial assistance and support services, nutrition, housing, and health care. Many public and private nonprofit organizations also provide services to low-income households.

Some national organizations allege that government programs, though well-intentioned, actually promote a "culture of poverty." The Heritage Foundation accuses government-run social programs, particularly those created in the 1960s, of eroding the national work ethic, reducing self sufficiency, and severely weakening marriage and families. This foundation argues that government programs ignore the values and norms of work and self-control, harming the individuals and families they were created to help.[25]

The following sections profile public programs and sample nonprofit programs serving Tennessee's poor and low-income residents. Nonprofit examples highlight nongovernmental service-delivery models but do not represent the entire range of services provided by this sector. These sections are arranged by type of assistance provided.

- Financial Assistance and Support Services
- Nutrition
- Health Care
- Housing
- Emergency Services

Financial Assistance and Support Services

Poverty is linked to the reduced ability or inability to work and secure sufficient wages. Public welfare programs have therefore focused on providing cash assistance grants to qualified recipients. These programs, however, are increasingly providing support and transition services to help grant recipients become more self sufficient.

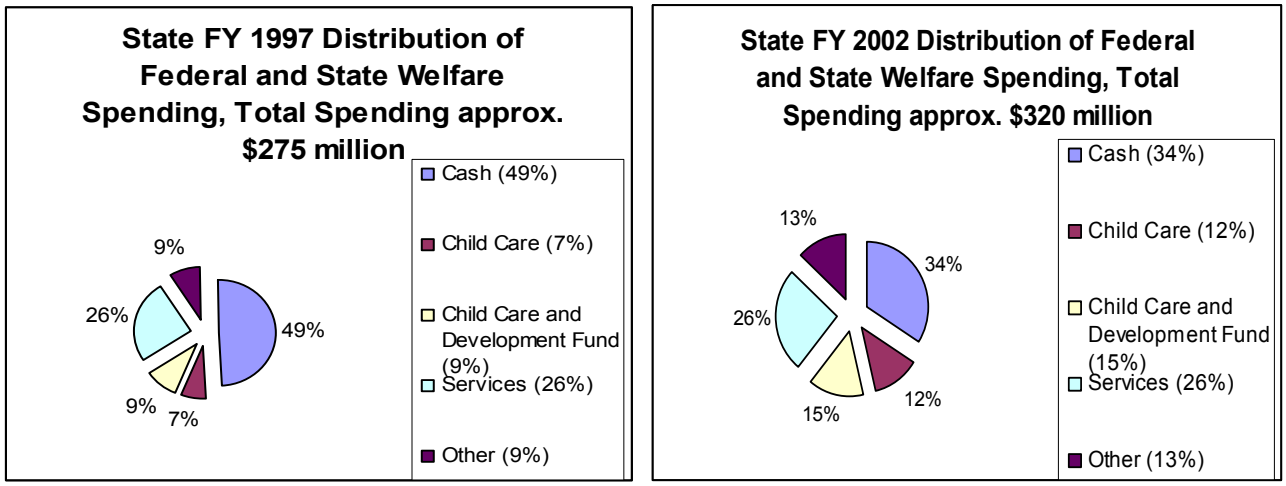
[24] Diana Pearce and Jennifer Brooks, *The Self-Sufficiency Standard for Tennessee*, June 2002, Prepared for the Tennessee Network for Community Economic Development and the Tennessee Alliance for Progress, pp. 55 and 60.
[25] Rector, "The Myth of Widespread American Poverty."

Temporary Assistance to Needy Families and Families First

Temporary Assistance to Needy Families (TANF), created by the Welfare Reform Act of 1996, replaced the Aid to Families with Dependant Children (AFDC) system of cash assistance. TANF's goal is to move recipients toward self sufficiency. TANF grant recipients must meet requirements throughout the grant period. Grants have lifetime limits of 60 months per recipient. States receive federal funds and have wide flexibility to develop and implement their own welfare programs.[26] In addition to monthly checks, support services include education, job training, child care, transportation, and mental health services.

From 1996 to 2000, the percentage of cash assistance TANF dollars declined from 76 to 41 percent; the percentage going to child care and work activities increased from nine to 28 percent.[27] Tennessee's TANF spending mirrors this national reallocation.

Exhibit 8: Comparison of Tennessee's Federal and State Welfare Spending[28]



Source: Tennessee Department of Human Services Financial Data, Received from the Department on March 20, 2003.

The percentage of TANF dollars Tennessee spent on cash assistance declined from 49 percent to 34 percent while the percentage of TANF dollars spent on non-cash assistance, including child care, transportation, job training, and education, increased from 51 percent to 66 percent.

The Department of Human Services (DHS) administers Tennessee's TANF program, Families First. The program provides temporary cash assistance, child care, transportation subsidies, educational opportunities, and career development services. Families First clients receiving benefits together are called assistance groups (AG). An AG must have less than $2,000 in countable resources with specific deductions allowed. The AG's gross income cannot exceed 185 percent of the consolidated need standard set by the state. Able-bodied adults are required to perform 40 hours of work and/or work

[26] U.S. Department of Health and Human Services, Office of Family Assistance website, http://www.acf.dhhs.gov/programs/ofa, accessed July 12, 2002.
[27] The Urban Institute, "Fast Facts on Welfare Policy," May 2002.
[28] The category of "Other" includes spending on Systems, Administration, Transfers to the Social Service Block Grant, and the Relative Caregiver Program.

preparation per week. ACCENT automatically determines eligibility for all programs but applicants can choose not to apply for all benefits.

Child Care and Early Childhood Education

For AGs and some non-TANF families, the Childcare and Development Fund (CCDF) is designed to aid access to child care. Federal law requires states to provide child care benefits to TANF recipients while they are receiving cash assistance and for 18 months after their case is closed. Subsidies for non-TANF families are non-entitlement. At the end of 2003, 4,872 children of low-income workers were receiving subsidized child care with another 17,546 on waiting lists across the state.[29]

There are 43 Head Start and Early Head Start programs in Tennessee, with a total of 323 centers and 932 classrooms for children ages six weeks to five years. In FY03, 18,942 at-risk Tennessee children from households with incomes up to the federal poverty level participated in early childhood education through the federal Head Start program. The majority of Head Start students (93 percent) are three and four years old. Children from families receiving TANF made up 23.1 percent of Head Start enrollment in 2003. Programs operate under federal guidance and receive up to 80 percent federal funding. At least 20 percent of each center's operating budget is from local sources. Head Start was designed to prepare disadvantaged children for school using education, health, parent involvement, nutrition, and social services.

Public Chapter 954 of 1996 established Tennessee's Early Childhood Education Pilot Program for three and four-year-olds living in poverty. The General Assembly has appropriated $6 million annually in state funding for the program since its inception, which has provided early childhood education services for 1,200 children per year. TANF funds totaling $9 million allowed the program to expand and serve 1,500 additional children in FYs 2002-2003. In 2003-04, 2,500 children were served with the $6 million appropriation along with $4 million in education funds from other sources. Funding is expected to remain the same in FY 2005 unless excess lottery money is made available.

Child Support

DHS operates a statewide program for the collection and disbursement of child support, which helps find absent parents, establish paternity, and enforce court orders requiring payments. Counties were responsible for helping custodial parents collect court-ordered payments before this program began in October 1999.The total amount collected is disbursed to custodial parents who do not receive TANF benefits. If a family receives or has ever received grants through Families First, DHS can retain portions of collections to reimburse the state for cash payments both while the case is open and after it closes. In FY03, DHS had 385,000 active cases and collected $415,380,985 in current and back child support payments. Of that, $324,804,870 was passed through to caretaker parents, and $22,092,756 was retained for repayment of TANF grants.[30]

Nonprofit example: Financial Assistance

The Modest Needs Foundation began as a personal project of a Middle Tennessee State University English professor who in March 2002 began using a portion of his monthly salary to fill requests from those in need. Modest Needs has grown into a nonprofit organization providing short-term financial

[29] Ed Lake, Deputy Commissioner, DHS, e-mail to author March 10, 2004.
[30] Richard Paige, Director of Child Support Division, DHS, e-mail to author, March 18, 2004.

assistance to persons nationwide. "Modest Needs recognizes that regular folks who are working but living paycheck to paycheck…might sometimes encounter an unexpected expense that could spell financial disaster."[31]

Modest Needs accepts requests up to $1,000 online and through the mail but receives far more requests than it can fund. From inception through April 6, 2004, Modest Needs had received 36,369 requests totaling $18,556,337 and had distributed $210,807 to 1,166 persons. Most people who receive help do not see cash; rather, the site pays for items or services such as utility bills or rent on their behalf. When the site fills requests for food, it sends gift cards for groceries. Modest Needs is funded by individuals who donate money each month.

Nutrition

USDA defines food insecurity as "limited or uncertain availability of food, or limited or uncertain ability to acquire acceptable food…without resorting to emergency food supplies, scavenging, stealing, or other unusual coping strategies." According to a 2001 report, rates of food insecurity and hunger in the United States increased between 1999 and 2001, with 10.7 percent of U.S. households experiencing food insecurity at some time during 2001. This two-year increase in food insecurity and hunger reverses the trend of the late 1990s, when both food insecurity and hunger indicators declined.[32] Tennessee has several public nutrition assistance programs to alleviate hunger and food insecurity.

Food Stamps

The Food Stamp Program (FSP) is the largest nutrition program and provides low-income households the ability to buy food in the private sector. In 2000, 83.3 percent of Families First assistance groups received food stamps, with 72 percent receiving monthly allotments of $200 or more.[33] Federal law and regulations mandate eligibility for the FSP. Households must meet income eligibility standards based on the adjusted poverty guidelines issued by the USDA. As household income goes up, monthly food stamp benefits decrease.

Both food stamp and Families First cash benefits are issued and accessed electronically using a Benefit Security Card or Electronic Benefits Transfer Card. Allowable food stamp purchases include breads, cereals, fruits, vegetables, meats, fish, poultry, and dairy products. Food stamps cannot be used for nonfood items such as diapers, medicines, soaps, paper products, household supplies, vitamins, and pet foods, or other designated items such as hot foods, beer, wine, liquor, cigarettes, and tobacco. In federal FY03, Tennessee distributed $721,795,073 in food stamps to 728,305 individuals in 314,792 households.[34] See Appendix C for the food stamps benefit formula.

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[31] Modest Needs Foundation, FAQ – General, http://www.modestneeds.org/faq/general/, accessed Nov. 14, 2003.
[32] U.S. Department of Agriculture, Economic Research Service, http://www.ers.usda.gov, accessed Jan. 2, 2003. Note: USDA determines food security status through an annual, nationally representative sample of approximately 40,000 households asked to respond to questions about food expenditures, their use of government and community food assistance, and their ability to consistently meet food needs.
[33] William F. Fox, Vickie C. Cunningham, Angela R. Thacker, Betty B. Vickers, *Families First 2000 case Characteristics Study,* Knoxville, TN: Center For Business and Economic Research, University of Tennessee, , Dec. 2001, p. xiv.
[34] U.S. Department of Agriculture, Food and Nutrition Service, http://www.fns.usda.gov/pd/fsfypart.htm, accessed: Feb. 12, 2004.

WIC and the Commodity Supplemental Food Program

Another nutrition program, the Special Supplemental Program for Women, Infants, and Children (WIC), administered by the Tennessee Department of Health, provides supplemental nutritious foods, nutrition education, and counseling to pregnant women and young children. The program also screens and refers low-income, nutritionally at-risk women, infants, and children up to age five to other health, welfare, and social services. WIC participation in Tennessee increased from 148,662 participants in FY00 to a preliminary figure of 152,828 for FY03.[35] National estimates place the number of eligible women, infants, and children served by the program at 85 percent, but Tennessee serves approximately 87 to 89 percent of those eligible.

The Department of Health also administers the Commodity Supplemental Food Program (CSFP) to serve primarily elderly persons with incomes at or below 130 percent of the FPL. Unlike WIC, which grants food vouchers, the CSFP provides actual food to recipients through local health departments, social services organizations, and homebound services. The CSFP program has four locations in the state (two in Shelby County, one in Dyer County, and one in Davidson County).

National School Lunch and Breakfast Program

Operating in more than 99,800 schools and residential child care institutions nationwide, the National School Lunch Program provides low-cost or free lunches to more than 26 million children each school day.[36] The Tennessee Department of Education administers the School Lunch Program as well as the School Breakfast Program, the Special Milk Program, and the after school snack program. Children with household incomes at or below 130 percent of the FPL qualify for free meals, and children between 130 and 185 percent of the FPL qualify for a reduced price. The lunch program reimburses schools for the cost of meals served to low-income children. Schools also receive commodities from USDA at a value of 15 ¾ cents for each meal served. [37]

Child and Adult Care Food Program and Summer Food Service Program

The state has several smaller nutrition programs. The Child and Adult Care Food Program (CACFP) reimburses certain centers, homes, programs, and shelters for the costs of meals served, making them more affordable for low-income families. The Summer Food Service Program provides meals and snacks to low-income children through school districts, local government agencies, camps, and private nonprofit agencies throughout the summer months.

Tennessee Emergency Food Assistance Program

The Emergency Food Assistance Program helps supplement the diets of low income individuals by providing free emergency food. The USDA ships food to the Tennessee Department of Agriculture, which distributes food items to low-income individuals through contracts with food banks, Community Action Agencies, and Human Resource Agencies throughout the state. Once agencies

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[35] U.S. Department of Agriculture, Food and Nutrition Service, http://www.fns.usda.gov/pd/wifypart.htm, accessed Feb. 12, 2004.

[36] U.S. Department of Agriculture, Food and Nutrition Service website, http://www.fns.usda.gov/cnd/Lunch/AboutLunch/NSLPFactSheet.htm, accessed Nov. 26, 2002.

[37] Ibid.; interview with Sarah White, Director of the School Nutrition Program, Dec. 18, 2002. Note: The School Nutrition Program serves only the after school programs with an educational component. The CACFP serves after school programs without an educational component.

receive the food, it is either given directly to eligible individuals or distributed to churches, food pantries, soup kitchens, and other community agencies that serve the eligible population.

Nonprofit example: Nutrition

Every county and parish in the nation is covered by a Second Harvest Food Bank. The Second Harvest Food Bank of Middle Tennessee was founded in 1978 and serves 37 counties in the region. In Middle Tennessee, Second Harvest contracts with over 500 community food partners to distribute food. Partners include nonprofit shelters, day cares, and organizations serving meals to low-income people. In 2002, the bank distributed 10 million pounds of food to its partners. Second Harvest also prepares and distributes Emergency Food Boxes. Boxes provide three-day emergency supplies of food to individuals and families. Sixteen sites in Davidson County and sites in 35 other counties distribute boxes. In 2002, Second Harvest distributed 37,000 boxes in Davidson County alone, which fed 73,000 people, one-third of whom were first-time recipients.[38]

Health Care

Poor health care and the lack of health coverage have long been associated with poverty. Poor persons are more likely to lack primary, preventive, and ongoing care. In general they are less healthy and statistics show that they die at younger ages. Federal, state, and local governments and hospitals supplement health care costs for poor and low-income Tennesseans.

TennCare

Faced with a health care cost-related budget shortfall in 1993, Tennessee designed and implemented its Medicaid expansion program in 1994. The program was designed to expand health insurance to cover additional populations by combining and leveraging state health expenditures to gain additional federal matching funds. Since 1994, Tennessee has received a waiver from the federal government to administer its own Medicaid program—TennCare. Under the 2002 waiver, the state will offer three distinct programs: TennCare Medicaid, TennCare Standard, and TennCare Assist. When implemented, TennCare Assist will help those up to 200 percent of the FPL secure employer-sponsored insurance. TennCare Medicaid serves the federal Medicaid-eligible population and uninsured women under 65 needing treatment for breast or cervical cancer. The state is approved to provide TennCare Standard to persons in the following categories beyond the Medicaid-eligible population:

- Uninsured, without access to group health insurance, up to 200 percent FPL
- Medically eligible, uninsured, at any income level if meeting medical criteria
- Children under 19, enrolled in the previous demonstration as uninsured as of 12/31/01, with access to group health insurance, under 200 percent FPL [grandfathered]
- Persons with Medicare but not Medicaid, enrolled as of 12/31/01 as uninsurable, at any income level (pharmacy benefits only) [grandfathered]

Those eligible for Medicaid may apply at any time. Enrollment in TennCare Standard is limited by budget appropriations of the General Assembly, which must fund an open enrollment period for new members to get coverage. When the five-year waiver began on July 1, 2002, DHS began reverifying TennCare enrollees. At that time, the state limited coverage of *re-applicants* to: the above

[38] Interview with Susannah E. Shumate, Vice-President of Community and Media Relations, Second Harvest Food Bank of Middle Tennessee, Feb. 27, 2003, pp. 1-4.

grandfathered populations; uninsured children up to 200 percent of the FPL; uninsured adults up to the FPL; and medically-eligible persons with no access to insurance. The state will enroll new medically-eligible applicants without access to insurance and with incomes below the FPL. As of December 8, 2003, there were 1,315,253 total enrollees.[39] A December 2003 consultants' report indicated that "TennCare as it is constructed today will not be financially viable."[40]

Public Health

Care for the uninsured is left to community health centers, emergency rooms, public hospitals, and local health departments. Tennessee's local health departments provide services to all citizens, including many essential services to pregnant women, children, and adolescents. Tennessee's health departments have 13 service delivery regions.

Every county in Tennessee has at least one health department office; however, structure and funding is different for urban and rural health departments. The six urban regions (Davidson, Shelby, Knox, Hamilton, Madison, and Sullivan Counties) are entities of local government that maintain multi-service contracts with the Tennessee Department of Health. The remaining 89 counties constitute seven larger regions. These rural health departments are a direct arm of the state health department, though some local governments provide facilities, maintenance, and employees. Urban departments generally receive more local support than their rural counterparts. In general, health departments receive over half of their funding from the federal government through many different grant programs.

Health departments implement a range of services, including optional services (home visitation, clinical dental, primary care, prenatal care) to fill unmet community needs. Some large departments—like Knox County and Metro Davidson County—have expansive indigent care programs. Some rural departments are on contract to provide primary care and dental services to TennCare recipients. Though some health department services are free, charges for fee-bearing services are on a sliding scale. Health departments provide community-based and clinical services. The following core services are offered at every health department:

Community-based:	Clinic-based:
Health Education	WIC/Nutrition
EPI/Outbreak Investigations (regional)	Immunizations
Restaurant Inspections	Family Planning
Child Special Services Care Coordination	STD Services
Preventive Dental	Well Child Check-ups (EPSDT)
Emergency Preparedness	

Nonprofit example: Health Care

Tennesseans in 41 counties can access federally-funded health centers that provide comprehensive primary and preventive health services. These community-based private nonprofits receive federal funding to provide care to the uninsured, TennCare clients, and others needing primary care. According to the Tennessee Primary Care Association, every year Tennessee's 20 health centers "see

[39] Fiscal Review Committee, Dec. 18, 2003, "Update on TennCare," Presented by Deputy Commissioner Manny Martins, p. 5.

[40] McKinsey & Company, *Achieving a Critical Mission in Difficult Times-TennCare's Financial Viability,* Executive Summary, Dec. 11, 2003, p. ii.

60,000 uninsured users and 90,200 TennCare users."[41] The centers are funded through the Health Centers Consolidation Act, under which Tennessee will receive more than $28 million in 2003.[42] Programs under the act include Community Health, Migrant Health, Health Care for the Homeless, Public Housing Primary Care, and Healthy Schools, Healthy Communities. In certain areas, such as the Upper Cumberland region, health center services are integrated with health departments.

Housing

From the state's homeless population to those living in substandard housing conditions, poor and low-income families face a range of challenges associated with finding and keeping decent shelter. These challenges are partially addressed by several programs offered across the state.

HUD, THDA, and Local Housing Development Agencies

The U.S. Department of Housing and Urban Development (HUD) mandates housing cost assistance to low-income families through the Section 8 Rental Assistance, Housing Choice Vouchers, and Homeownership programs. The Tennessee Housing Development Agency (THDA) administers a variety of programs to increase access to affordable housing across the state. THDA issues bonds to provide guaranteed low-interest loans to homebuyers and to developers for construction of affordable homes and multi-unit developments.

Local housing development agencies, such as the Metro Development and Housing Authority (MDHA) in Nashville, fund public housing developments, distribute subsidy vouchers, and offer low-interest home loans to needy families. Not every local housing authority participates in all available HUD programs. THDA provides Section 8 tenant-based vouchers and project-based funding to private providers in the 76 counties where no agency fills these roles. In FY03, THDA distributed $142.4 million in federal housing funds and $153 million in low-interest mortgages funded with revenue bonds. During that same time period $124 million of the federal money was allocated to families in the form of Section 8 rental assistance.[43] At any given time, THDA and local housing authorities have a combined issuance of approximately 32,000 vouchers statewide.[44]

Families and individuals receive rental assistance from local housing authorities or THDA through site-based public housing developments and Housing Choice vouchers. With a voucher, families with very low incomes can choose units from private landlords who accept vouchers for rent. Elderly or disabled renters can apply for special vouchers that subsidize their living at home, in supportive community housing, or in designated public housing developments. Recipients of vouchers and residents of public housing developments are eligible for the Family Social Services (FSS) program, which includes child care, transportation, education, job training, substance abuse/mental health treatment, household skills, and home ownership counseling.

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[41] "Locate Primary Care Facilities in Tennessee," TPCA Health Centers, http://www.tnpca.org/imembers.html, accessed Feb. 25, 2003.
[42] Federal Funds Information for States, *The VIP Series*, Volume 3, Number 2, 2003, p. 18.
[43] Tennessee Housing Development Authority, *THDA 2003 FactBook,* spreadsheet excerpt e-mailed to analyst from Ted Fellman, Feb. 11, 2003.
[44] E-mail to author from Laura L. Swanson, Director of Rental Assistance, THDA, "Section 8 Voucher Program Success Rates," Nov. 6, 2003.

HUD helps low-income families purchase new homes or refinance their homes by insuring mortgages. Applicants must use a HUD-approved lender and meet eligibility criteria. HUD also offers Energy Efficiency Improvement Insured loans that allow homeowners to borrow up to five percent over the value of the property to increase energy efficiency. THDA offers several programs designed to help low-income families save money for down payments and secure low-interest home loans.

To serve the homeless, HUD and other federal agencies fund local homeless assistance agencies that operate emergency shelters and other programs to decrease the frequency and duration of homelessness. Through the Emergency Shelter Grant Program, HUD funds the construction and operation of emergency shelters. In FY03, DHS distributed $1,366,400 in grants to 30 private nonprofits, eight local governments, and one university.[45] The funds require a 100 percent match.

Creating Homes Initiative

The Creating Homes Initiative (CHI) is a grassroots, local community, multi-agency collaboration to expand the number of permanent housing options and community support services for persons with mental illness or co-occurring disorders such as substance abuse or developmental disability. The Office of Housing, Planning, and Development (OHPD) in the Tennessee Department of Mental Health and Development Disabilities developed a strategic plan and implemented the program in 2000. Annual state allocations of $2.5 million to OHPD since FY00 have assisted the initiative and helped leverage nearly $76 million in federal, other state, and local funds. As of March 2004, CHI funds had resulted in 3,925 permanent, affordable housing units for the mentally ill, ranging from supervised group home placements to rental units and resident-owned homes with available community support services.[46]

Property Tax Relief Program

Tennessee provides property tax relief to certain homeowners through the Property Tax Relief Program in the Comptroller's Division of Property Assessment. Qualifying homeowners include low-income disabled and elderly homeowners and disabled veterans and their surviving spouses. Eligibility and relief benefits differ for qualifying homeowners. Annual income for elderly and disabled applicants cannot exceed $12,210, and these applicants may only qualify for property tax relief on the first $18,000 of their property's market value. For disabled veterans and their surviving spouses, the program sets no income limit and provides property tax relief on the first $140,000 of the property's market value.

The program provided property tax relief to 83,770 homeowners in 2002, with an average of $116.98 paid per recipient. Elderly homeowners comprised 84 percent of all claims, with the remaining participants qualifying as disabled (14.1 percent) or disabled veterans and their surviving spouses (2.1 percent). State funding for the program totaled $9,800,006 for the 2002 tax year.[47] Some other states

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[45] E-mail from Steven Meinbresse, Program Director, Community Programs, DHS, March 26, 2004.

[46] Tennessee Department of Mental Health and Developmental Disability, *Creating Homes Initiative (CHI) Phase II 2005 More!,* March 27, 2003; e-mail to author from Solita Morris, Special Projects Coordinator, Office of Housing Planning and Development, Tennessee Department of Mental Health and Developmental Disabilities, March 8, 2004.

[47] Comptroller of the Treasury, Division of Property Assessments, *2003 Annual Report of the Division of Property Assessments,* June 30, 2003, pp. 32-33. Note: The Property Tax Relief Program bases the income eligibility limit for elderly and disabled applicants on Social Security cost-of-living adjustments.

have more extensive property tax relief programs, which pay portions of rental fees and allow income deductions for prescription drugs and select medical expenses.[48]

Nonprofit example: Housing

Linda and Millard Fuller founded Habitat for Humanity in 1976 with the goal of providing affordable homes to low-income families. Habitat International has built more than 152,000 homes worldwide, including over 51,000 houses in the United States.[49] Homeowner families purchase homes at no profit and with no interest. Habitat homeowners and volunteers provide free labor, and individuals, groups, and businesses provide financial support. Local affiliates, such as the Nashville Area Habitat for Humanity, build homes and select partner families. Tennessee is home to 60 local affiliate chapters and 29 campus chapters. Tennessee affiliates built 219 homes in 2001 and 199 homes in 2002.[50]

For example, Nashville Area Habitat has built or rehabilitated 175 homes since it was founded in 1985. Like other affiliates, Nashville Area Habitat determines families' eligibility for homes based on housing needs, the ability to repay a mortgage, and willingness to be a Habitat partner. The affiliate will consider only families that are unable to purchase homes through conventional means. Nashville Habitat homes have three or four bedrooms, and monthly mortgage payments range from $335 to $425.[51] Volunteer sponsors pay a significant portion of the building costs for Habitat homes. Qualifying families then repay the no-profit, no-interest cost of their homes in full over a 20-year or 30-year period so that each home creates additional building funds.[52]

Emergency Services

Many public and private nonprofit organizations across the state provide emergency and other services to the poor. Organizations such as United Way, Second Harvest Food Bank, and Habitat for Humanity in addition to faith-based groups work with government service providers to fill gaps not covered by public assistance.

Human Resource Agencies and Community Action Agencies

The state's 16 Community Action Agencies (CAA) and nine Human Resource Agencies (HRA) administer state and federal grants and use local fund sources to provide emergency and other assistance to residents of every county in the state. Tennessee's HRAs and CAAs provide the only emergency services supported by public dollars in some counties. In 1973, the General Assembly, fearing the possible elimination of CAAs by the Nixon administration and to fill service gaps in areas of the state not then covered by CAAs, authorized the creation of HRAs. One year later, Congress preserved annual funding for the CAAs. As a result, Tennessee, unlike any other state in the nation, has a dual emergency assistance delivery system.

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[48] Interview with Kim Darden, Supervisor of the Property Tax Relief Program, Dec. 18, 2002.

[49] Habitat for Humanity International, *Real Problems, Real Solutions: Annual Report Fiscal Year 2003*, http://www.habitat.org/giving/report/2003/AnnReportFY03.pdf, 2003, p. 21, accessed March 11, 2004.

[50] Telephone interview with Jim Crowley, Regional Director, Habitat MidAmerica, et.al., Habitat for Humanity, International, March 27, 2003.

[51] Various pages from the Nashville Area Habitat for Humanity website: "Nashville Area Habitat for Humanity – Facts & Figures," "Our Families," "FAQ's For those Interested in Becoming a Homeowner," http://www.habitatnashville.org, accessed March 11, 2004.

[52] Telephone Interview with Chris McCarthy, Executive Director, Nashville Area Habitat for Humanity, March 25, 2003.

HRAs and CAAs receive a mixture of federal flow-through dollars administered by the Tennessee Department of Human Services, direct federal funds, and local support. These facilities administer a combination of the following DHS grants and other local programs:

Low-Income Heating and Emergency Assistance Program funds provide emergency summer cooling and regular and emergency heating assistance.

Community Services Block Grant funds provide services to the poor and the near poor to reduce or eliminate the causes of poverty. Recipient agencies conduct annual needs assessments and develop community action plans for programs in: employment, adult education, income management, housing-related services, emergency assistance, nutrition, support services, self sufficiency, health, and others locally determined. Every agency receiving these funds in 2003 will use a portion for emergency services.

Weatherization Assistance Program funds reduce home fuel costs through the provision of insulation, storm windows, and caulking for those in need. Applications are prioritized every six months, and grants are limited to $3,000 per home.

Emergency Shelter Grant Program (See Housing section.)

Social Services Block Grant funds administered by DHS (Children's Services receives a large percentage of this block grant) provide Adult Protective Services and the Adult Contract program. Adult Contracts provide homemaker services for the elderly and/or disabled, adult day care, and some counseling/evaluation for protective services clients. Homemaker services let adults remain in their own homes by providing support services (shopping, household tasks, personal care). Adult day care is a structured program for those unable to lead fully independent lives.

Nonprofit example: Emergency Services

An array of additional nonprofit agencies, churches, and individuals provide vital emergency services to Tennesseans in need. These organizations provide nutrition, health care, and support services—the same areas in which governmental services are available. Nonprofit programs and services are usually less rigid than public programs and serve those who may not meet government eligibility requirements. For instance, undocumented aliens are unable to access certain public assistance programs though they have unmet needs.

Although the Secretary of State collects information about fundraising activities of registered charities, it is difficult to document the total amount of financial support that nonprofits, religious organizations, and communities provide to those in need. In 2001, 1,838 registered organizations reported raising funds. An additional 23 registered organizations either suffered fund losses or did not conduct fundraising activities. In 2001, 63 percent of contributions were given to public, societal benefit, human services, and health organizations.[53] Religious organizations, volunteer fire departments, education institutions, and certain other organizations are exempt from registering fundraising activities. The Secretary of State had 1,409 exempt organizations on record in 2001.

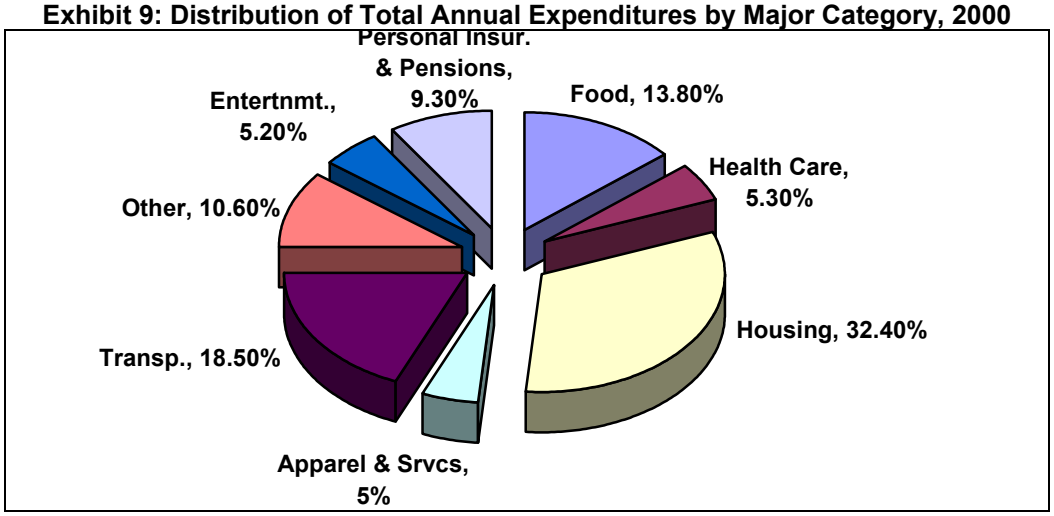
[53] State of Tennessee, Office of the Secretary of State, *2001 Annual Report on Charitable Fundraising*, p. 163.

Additionally, United Way organizations provide funding to many nonprofit organizations. United Way of Middle Tennessee, Inc. included 16 counties in its service area in 2002. That year, the region's United Way agencies issued over $19 million to more than 500 nonprofit agencies.[54]

How do poor and low income families make ends meet?

How to budget and spend weekly or monthly income is a question every household must answer, but it is more complicated for families that simply have too little money. The 2000 Consumer Expenditure Survey provides a breakdown of total money spent in one year by *all* households in major categories. These percentages have remained stable for the last four years of the survey. Exhibit 9 displays the distribution of average annual household expenditures.

Exhibit 9: Distribution of Total Annual Expenditures by Major Category, 2000



Source: 2000 Consumer Expenditure Survey, U.S. Census Bureau

A single parent working a full-time, minimum wage job earns approximately $10,712 gross dollars; adjusted for the Earned Income Tax Credit and other taxes, this wage earner brings home an estimated $13,897 annually ($1,158 monthly). Households of three at the FPL earn $15,260 annually ($1,272 monthly). The self-sufficiency wage for a single parent in Nashville with one infant and one preschooler is an estimated $33,463 annually ($2,789 monthly).[55] The following exhibit represents the money self-sufficient, minimum-wage earning, and poverty-level households would have available each month (without any safety net support) in each category if they spent their funds like the average consumer does.

Exhibit 10: Monthly Expenditures for a Single Parent, Infant, & Preschooler, Davidson County

Method of Spending	**Consumer Expenditure Survey**		
Type of Wage Earner	*Self-Sufficient*	*At Poverty*	*Minimum Wage*
Housing	$904	$412	$375
Food	$385	$176	$160
Transportation	$516	$235	$214
Health Care	$148	$67	$61

[54] United Way of Metropolitan Nashville, *2002 Guide to Funded Services*. Note: Organizations funded by more than one United Way organization (such as Second Harvest Food Bank) are counted multiple times in the total.
[55] Diana Pearce and Jennifer Brooks, p. 24.

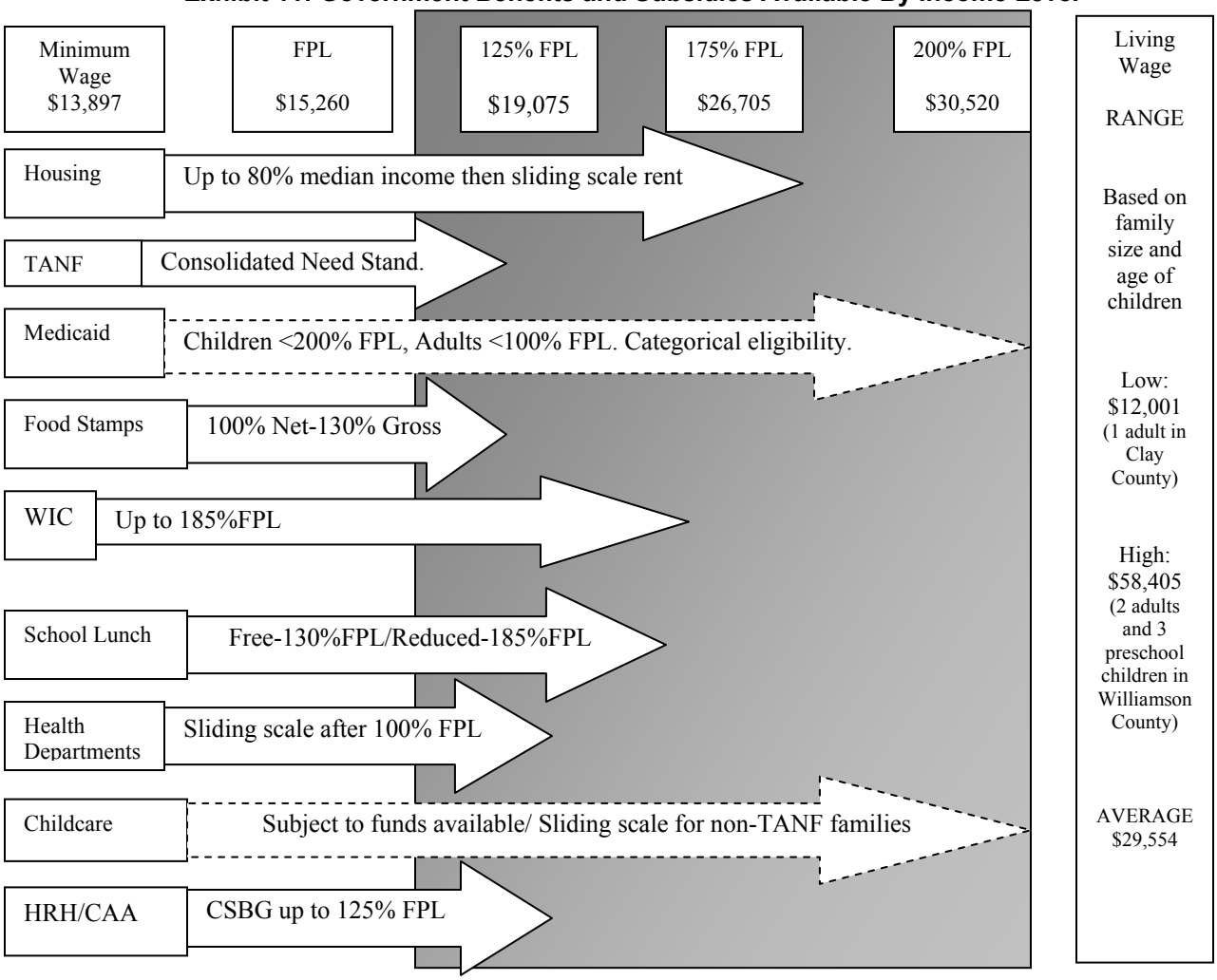
Other	$296	$135	$123
Apparel and Services	$139	$64	$58
Entertainment	$145	$66	$60
Personal Ins. and Pensions	$259	$118	$108

Often, poor and working poor families sacrifice savings and other budget items to pay costs associated with daily survival, such as child care. If those living in poverty spent their money as most Americans do, they would budget more money each month for personal insurance and pensions than for health care and would have a smaller percentage of their income dedicated to child care.

The way poor and low-income persons spend money is altered somewhat by the availability of certain safety net supports. An August 2003 report from Columbia University's National Center for Children in Poverty refers to living just above poverty but below self sufficiency as a "gray area," stating that "[f]amilies who live in this gray area between official poverty and minimum economic security have many of the material hardships and financial pressures that officially poor families face. As their income grows, they rapidly lose eligibility for public benefits, making it harder for them to reach economic self-sufficiency."[56] The following exhibit helps to illustrate this "gray area."

[56] Nancy Cauthen and Hsien-Hin Lu, *Living at the Edge, Research Brief No. 1, Employment Alone is Not Enough for America's Low Income Children and Families,* National Center for Children In Poverty, Aug. 2003, p.2.

Exhibit 11: Government Benefits and Subsidies Available By Income Level



In addition to the rapid loss of eligibility for social benefits, working poor families confront increased expenses for child care, transportation, housing, and increased taxes (federal payroll, sales tax on food, etc.).

Analysis and Conclusions

General

Tennessee's low rate of educational attainment increases the number of workers in low-paying jobs, families living in poverty, and households dependent on social program benefits. According to the 2000 census, only 75.9 percent of Tennesseans over 25 have a high school diploma (national average 80.4 percent), and only 19.6 percent have a bachelor's degree (national average 24.4 percent). These rates vary widely in counties across the state, ranging from 55.2 percent to 90.1 percent for high school graduates and from 6.7 percent to 44.4 percent for graduates with bachelors degrees. These low rates leave the state's workforce vulnerable to low-wage jobs and unemployment as manufacturing jobs disappear and states with more skilled laborers attract higher-paying industries. Former Commissioner Natasha Metcalf testified before a U.S. Senate Subcommittee in 2002 that 45 percent of DHS's caseload lacks a high school diploma or GED.[57]

The importance of education, particularly attainment of a four-year college degree, as a pathway toward a good standard of living has grown over the past 50 years because of structural economic and political changes, including:

- increased international trade, capital mobility, and immigration;
- decreases in manufacturing/goods-producing employment and increases in service/information/knowledge-based employment;
- declining union membership; and
- declining purchasing power of the minimum wage.

Former U.S. Secretary of Labor Robert Reich commented on this phenomenon in *The Work of Nations,* noting that in the 1950s, "[t]he top 15 percent of high school students went on to attend four-year colleges or universities…slightly more than half the remainder would not complete high school. Notably no severe financial penalty attached to this impertinence. Well-paying factory jobs awaited high school graduates and non-graduates alike."[58] However, as Exhibit 12 shows, since the early 1970s, differences in wages between individuals with some college education and those with a high school diploma or less have become noticeably divergent.

[57] Natasha K. Metcalf, Commissioner, Tennessee Department of Human Services, Testimony Before the Subcommittee on Social Security and Family Policy, U.S. Senate Finance Committee, April 25, 2002.
[58] Robert Reich, *The Work of Nations: Preparing Ourselves for 21st-Century Capitalism,* New York: Vintage Books, 1991, p. 61.

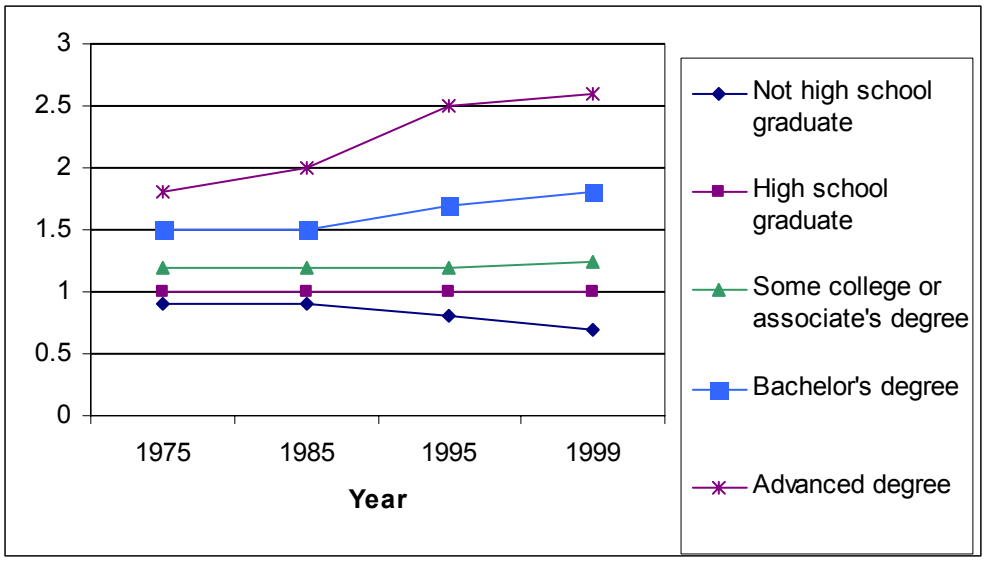
Exhibit 12: Change in Real Hourly Wage for all by Education, 1973-2001 (2001 dollars)

Year	Less than High School	High School	1 to 3 years College (Includes Associates Degree)	Four-Year College Degree	Advanced Degree (Post-Graduate)
1973	$11.66	$13.36	$14.39	$19.49	$23.56
1979	11.62	13.04	13.94	18.27	22.31
1989	9.99	12.17	13.67	19.16	24.71
1995	9.04	11.95	13.37	19.84	26.18
2000	9.40	12.65	14.36	22.10	27.94
2001	9.50	12.81	14.60	22.58	28.14
1973-2001 Change	**-19%**	**-4%**	**+1.5%**	**+16%**	**+19%**

Source: Lawrence Mishel, Jared Bernstein, and Heather Boushey, The State of Working America 2002/2003, An Economic Policy Institute Book, Ithaca, NY:ILR Press, 2003.

A 2002 study by the U.S Census Bureau found that over the 25-year span from 1975 to 2000, earning differences grew among workers with various educational attainment levels.

Exhibit 13: Average Earnings of Full-Time, Year-Round Workers as a Proportion of the Average Earnings of High School Graduates by Educational Attainment: 1975 to 1999



Source: U.S. Census Bureau Current Population Reports, "The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings," July 2002.

Over the past 25 years, the average earnings of workers with some postsecondary education have increased relative to workers with only high school diplomas. By contrast, workers without diplomas, the least educated members in our society and the most likely to live in poverty, have seen their earnings erode relative to those at all other levels of educational attainment.

> [T]echnological changes favoring more skilled (and educated) workers have tended to increase earnings among working adults with higher educational attainment, while, simultaneously, the

decline of labor unions and a decline in the minimum wage in constant dollars have contributed to the relative drop in the wages of less educated workers.[59]

Not surprisingly, with hourly wages falling or rising only slightly for those without college degrees, the correlation between level of education and poverty has grown stronger over the last 30 years for those without a four-year college degree.

Exhibit 14: Poverty Rates for Children, by Educational Level of Family Head, 1969-2000

Education Level of Family Head	Poverty Rate Percentage of Families with Children By Year				
	1969	**1979**	**1989**	**2000**	**% Point change 1969-2000**
Less than High School	19.6	26.8	38.0	32.9	13.3
High School	6.9	10.5	15.3	15.0	8.2
Some College	5.1	7.1	9.9	8.6	3.5
College Degree or Higher	2.1	2.5	2.6	2.5	0.5
Total:	**10.6**	**12.5**	**15.5**	**12.6**	**2.0**

Source: Lawrence Mishel, Jared Bernstein, and Heather Boushey, The State of Working America 2002/2003, An Economic Policy Institute Book, Ithaca, NY:ILR Press, 2003.

Poverty, educational attainment, and median household income are strongly correlated, as demonstrated in the sample of Tennessee counties below.

Exhibit 15: Poverty, Educational Attainment, and Median Household Income; Sample Tennessee Counties

	Persons Below Poverty, Percentage, 1999	Level of Educational Attainment, Percentage of Persons Age 25 and over, 2000		Median Household Income, 1999
		High School Graduates	Bachelor's Degree or Higher	
Sumner	8.1	79.7	18.6	$46,030
Rutherford	9.0	81.8	22.9	$46,312
Moore	9.6	76.6	11.8	$36,591
Tipton	12.1	74.6	10.8	$41,856
Hickman	14.3	64.3	6.7	$31,012
Hamblen	14.4	69.3	13.3	$32,350
Lake	23.6	56	5.4	$21,995
Grundy	25.8	55.2	7.1	$22,959
Hancock	29.4	55.9	10.2	$19,760

Source: U.S Census Bureau, State and County Quick Facts.

Many working people in Tennessee struggle to meet their families' basic needs but do not qualify for or receive government support. Income eligibility standards for assistance programs do not accurately reflect a family's ability to acquire basic necessities in a given community. Between

[59] U.S. Census Bureau, Current Population Reports, "The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings," July 2002, p. 3.

November 2001 and December 2002, DHS denied 375,066 (26 percent) of 1,424,303 applications, but recorded denial codes only for approximately seven percent (26,855). Of denials with reason codes attached, 10,412 (39 percent) were denied because income exceeded eligibility requirements or the applicant's resources exceeded limits. An additional 45.5 percent of denials with reason codes resulted from withdrawn applications.[60] Local DHS staff indicated that income over the limit was the most common cause for other withdrawn and denied applications. Eligibility counselors stated that very few were over the income limit by a significant amount.

A gap exists between program eligibility income caps (generally around $19,000 or 130 percent of the federal poverty level for 2003) and earning levels needed to provide food, shelter, and other necessities for a Tennessee family (estimated to be $29,554). In 2000, 646,055 Tennessee households had incomes in the $15,000-$34,999 range. Of those, 319,921 families earned between $25,000 and $34,999, placing them out of reach of most government or community assistance. Except for a very small population qualifying (based on measures of employability) for the Unemployed Parent Program, intact two-parent families with children are not eligible for the TANF benefits. Tennessee's Families First waiver retained the deprivation based eligibility standard of AFDC, meaning children must have a dead, disabled, or absent parent to qualify.

In addition, Families First participants struggle to shift from public assistance to self sufficiency. Tennessee program administrators, service providers, and policy organizations recognize the Tennessee TANF program as a model for educational opportunities and support services, but several barriers impede successful program implementation. Cuts in the FY04 budget eliminate financial incentives for participants and reduce funding for support programs, such as extended transportation payments designed to increase participants' chances of reaching and maintaining self sufficiency.[61] Families without access to benefits find costs associated with housing, child care, and health insurance particularly unaffordable.

- ***Housing costs*:** Rents are rising at twice the rate of inflation, according to the *Priced Out in 2000* report. [62] The *Out of Reach* housing affordability study by the National Low Income Housing Coalition concluded that a Tennessee household would need income equal to 202 percent of minimum wage to afford a two bedroom apartment.[63] In 2000, the U.S. Census Bureau reported that statewide median gross rent was $505. Census data show that 30.2 percent of Tennessee renters spent more than 35 percent of their monthly gross income on rent; 14.5 percent of Tennessee homeowners had a monthly mortgage burden of more than 35 percent of their gross income.[64]

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[60] FY 2002 Applications and Denials Spreadsheet, Division of Adult and Family Services, DHS, e-mail from Kerry Mullins to Analyst, Dec. 20, 2002, p. 3.
[61] FY 2003-04 Base Reductions, Department of Human Services, e-mail from Jeff Roberts, Assistant Commissioner, Finance, DHS, July 17, 2003.
[62] Ann O'Hara and Emily Miller, *Priced Out in 2000: The Crisis Continues*, Technical Assistance Collaborative Inc. and Consortium for Citizens with Disabilities Housing Task Force, June 2001, p. 16.
[63] National Low Income Housing Coalition, *Out of Reach 2003,* http://www.nlihc.org/oor2003/table9.htm, accessed March 8, 2004.
[64] U.S. Census Bureau, *Profile of Selected Housing Characteristics:2000,* DP-4, Geographic Area: Tennessee.

Federal housing regulations define substandard housing as units without indoor plumbing, toilets, bathing facilities, heat, electricity, or kitchens. Statewide, 14,340 units are without complete plumbing facilities, and 13,324 lack complete kitchen facilities. THDA uses age as another criterion for substandard housing. According to 2000 Census Bureau estimates, 25.4 percent of Tennessee housing was built before 1960. Moreover, a home is considered overcrowded if more than one person per room lives in the unit; 61,191 homes in Tennessee met this criterion in 2000.[65]

- ***Health Insurance***: The U.S. Census Bureau estimates that 11.1 percent of Tennesseans had no health insurance in 2000-01, lower than the national average of 14.4 percent.[66] Although Tennessee-specific research has estimated the uninsured population to be much lower (6.07 percent in 2002), most uninsured Tennesseans cite inability to pay as the reason for lacking coverage. In a 2002 survey, almost three-quarters of uninsured respondents (74 percent) indicated "cannot afford" as their major reason for not carrying health insurance.[67]

  Some workers are also unable to access insurance either through their employers or TennCare. In the South, 79 percent of workers are eligible for health insurance through their employers.[68] Individual industries have varying percentages of workers eligible for health coverage and pay various percentages of single and family premiums. Retail jobs offer insurance to only about half their employees.

Exhibit 16: Insurance Eligibility by Industry in the South

Industry	Percent Eligible	% Premium Paid Single	% Premium Paid Family
Mining/Construction/Wholesale	79%	82%	67%
Manufacturing	90%	83%	79%
Transportation/Communication/Utility	89%	83%	76%
Retail	52%	79%	71%
Finance	85%	84%	70%
Service	81%	87%	69%
State/Local Government	93%	90%	78%
Health Care	78%	83%	69%

Source: Kaiser Family Foundation and HRET Annual Survey of Employer Health Benefits, 2002.

Many TennCare-eligible Tennesseans lack health insurance because funds are not available to open enrollment. Under the 2002 waiver, the state is approved to cover the following non-Medicaid-eligible persons in TennCare Standard:

- Uninsured persons with incomes below 200 percent of the FPL

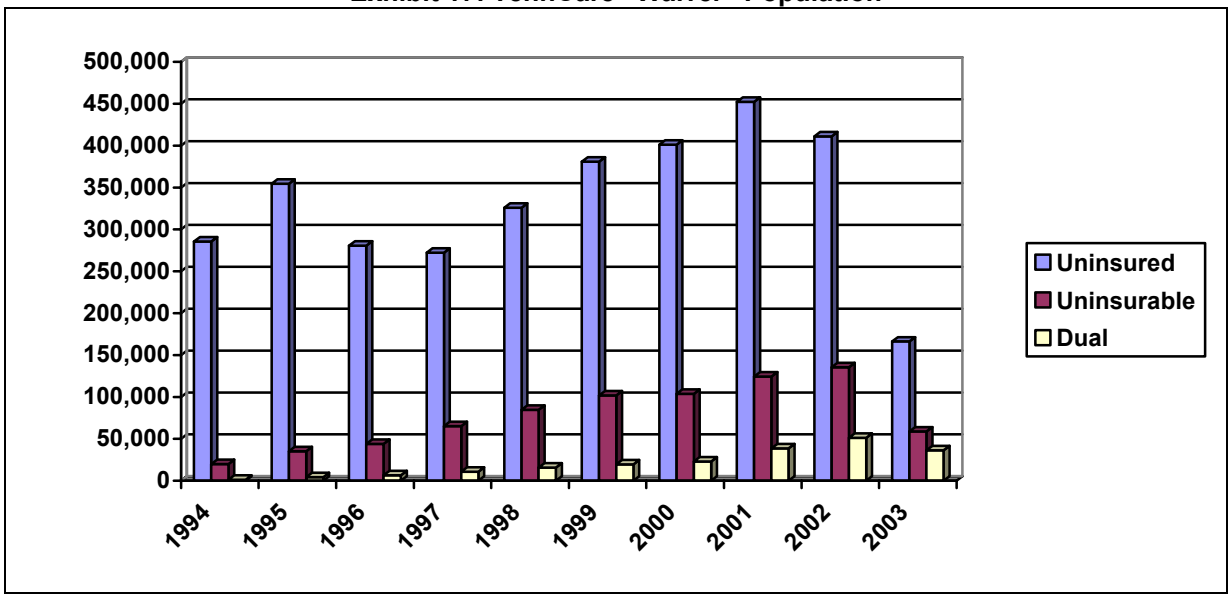
[65] Tennessee Housing Development Authority, *2000 Population and Market Profile,* www.state.tn.us/thda/research/census/davidson/pdf., accessed Feb., 20, 2003.
[66] Robert J. Mills, "Health Insurance Coverage: 2001," U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, Sept. 2002, p. 10.
[67] William Lyons and William F. Fox, "The Impact of TennCare: A Survey of Recipients, 2002," The University of Tennessee Center for Business and Economic Research and Social Science Research Institute, p. 2.
[68] *Employer Health Benefits 2002: Annual Survey*, The Kaiser Family Foundations and Health Research and Educational Trust, 2002, p. 46.

- Medically eligible (formerly called uninsurable) persons at any income level

However, actual enrollment is based on funds appropriated annually by the General Assembly. During fiscal year 2003, the state began the first round of reverification to ensure then-current enrollees were eligible under the new waiver. DHS sent letters to all TennCare enrollees requesting that they contact a county office for an interview, and indicating that if they did not respond within a specified amount of time, they would be dropped from coverage. During reverification, the state further restricted enrollment for uninsured adults to those with incomes below the FPL ($8,980 annually). Except during open enrollment periods, the only new persons who can apply for TennCare Standard are medically-eligible residents with incomes below the FPL. In addition, medical eligibility is now judged against medical criteria versus denial of coverage by an insurance agency.

As of June 2003, 47,438 TennCare enrollees had lost coverage because they were determined ineligible. As shown in Exhibit 17, reverification has created a significantly decreased "waiver" population. The number of uninsured TennCare enrollees was significantly less in February 2003 than in 1994.

Exhibit 17: TennCare "Waiver" Population



Source: TennCare Enrollment Analysis - 6-30-94 – 6-30-02; Presentation to Fiscal Review Committee, December 18, 2003.

An additional 144,147 individuals were terminated in 2003 who did not respond to DHS letters. [69]

The state is involved in a lawsuit with the Tennessee Justice Center, which filed *Rosen v. Commissioner of Finance and Administration* in 2002 on behalf of individuals who are or were on TennCare because they are or were uninsured or uninsurable. The suit charges that the state

[69] All 2003 reverification numbers were received from an e-mail to author from Tracy Purcell, Bureau of TennCare, "Questions," July 16, 2003.

systematically terminated services, assessed premiums, and claimed erroneous premium balances without affording beneficiaries notice and the opportunity for a hearing.[70]

A December 2002 decision in the Rosen case required all enrollees removed during reverification to be reenrolled in TennCare. The appellate court issued a stay allowing the state not to comply immediately with reenrollment.[71] The state is allowing enrollees who were removed for lack of timely correspondence to apply for reverification until March 2004.[72] As of June 30, 2003, only 7,700 persons had reapplied under this grace period. Though it is difficult to predict how many persons will regain coverage, the state's uninsured rate will increase significantly given the total number of enrollees who have already lost coverage.

A significant number of those removed from TennCare rolls in 2003 (91,181) qualified for Medicaid coverage; however, those who lost coverage for ineligibility or lack of response (191,585) may be unable to acquire or afford private coverage. According to the Employment Policy Foundation, the average cost of health care benefits per private sector employee was $4,200 annually ($946 employee-paid) in 2001.[73] Additionally, rising costs of health care are causing more firms to drop health benefits, making it increasingly difficult for working people to secure health insurance. In March 2002, the University of Tennessee Center for Health Services Research estimated that 42 percent "of individuals removed from TennCare will find private coverage."[74] The administration has not requested funding for the state's TennCare Assist program (approved under the 2002 waiver) to help low-income Tennesseans purchase employer-provided plans.

The 2002 waiver limits new enrollment to funds available because of budget shortfalls and the rapidly-growing "waiver" population. TennCare suffered a $258 million deficit in FY03, and FY04 deficit estimates are twice that amount.[75] Given the state's projected budget shortfalls, an open enrollment period in the near future appears unlikely, though the Bredesen administration is renegotiating some financial terms of the 2002 waiver terms with the Centers for Medicare and Medicaid Services.

Some persons without medical coverage rely on community health centers and indigent care programs run through local health departments and nonprofit organizations. The Knox County Health Department operates an expansive indigent health care program and free pharmacy, and Nashville's Bridges to Care program provides primary care services and some pharmaceuticals to low-income Davidson County residents.

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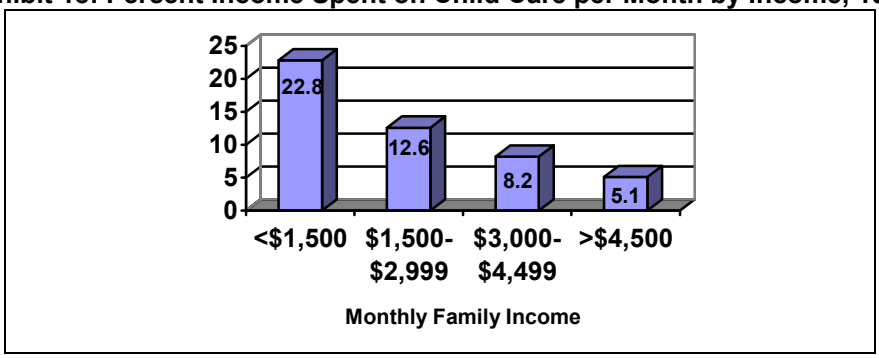
[70] Tennessee Justice Center, http://www.tnjustice.org/TJC.html, accessed May 16, 2003.
[71] Bill Lewis, "200,000 are off TennCare – again," *The Tennessean*, Jan. 3, 2003, http://www.tennessean.com, accessed Jan. 3, 2003.
[72] Bureau of TennCare, "Grace Period," http://www.state.tn.us/tenncare/grace.html, accessed April 11, 2003.
[73] Employment Policy Foundation, "Employment Trends: Contemporary Issues in Employment and Workplace Policy," http://www.epf.org, accessed Jan. 13, 2003,.
[74] UT Center for health Services Research, "Special Bulletin: The Impact of Reducing TennCare Enrollment on Mortality Rates," Number 4, March 2003, p. 2.
[75] "Bredesen to seek waiver changes," *The Tennessee Journal*, Vol. 29, No. 5, Feb. 3, 2003.

- ***Child care*:** A Census Bureau report on national child care costs reports that "[l]arge variations exist in the cost of childcare by income level and poverty status, with dollars spent on childcare costs increasing with income levels."[76] Families below the poverty line spent three times more of their budget (20 percent) than non-poor families on child care (6.6 percent).

Exhibit 18: Percent Income Spent on Child Care per Month by Income, 1997



Source: Who's Minding the Kids? Childcare Arrangements: Spring 1997, Current Population Reports, P70-86, U.S. Census Bureau, Washington, D.C., 2002.

Federal Law mandates that states provide child care to TANF participants, and Tennessee's Families First participants generally have access to subsidized child care. However, parents without subsidies struggle to afford it. Parents who leave Families First often cannot sustain employment when their transitional child care subsidies expire and subsequently return to the program. After 18 months of transitional benefits on a sliding fee scale, employed parents are required to assume full responsibility for child care expenses. For many families, the additional expense is out of reach and hinders progress toward self sufficiency.

Nationally, only 30 percent of eligible non-TANF subsidy applicants were served in 2002. Money for low-income subsidies (CCDF and some SSBG funds) is limited and insufficient to help the number of families in need. A U.S. Department of Health and Human Services report on child care access found that most states have lower income limits for child care assistance than federal law allows. "The gap between eligibility and receipt of services would be greater if states had chosen to define the eligible population to include all of the low and moderate-income working families that are potentially eligible under Federal law."[77] Additionally, many low and moderate-income working parents need child care during evenings and weekends—when it is generally unavailable.

In Tennessee, non-TANF families seeking subsidies apply with child care brokers. In the four largest counties, DHS brokers services with area providers. In other parts of the state, nonprofit entities broker for multi-county "catchment" areas. Exhibits 19 and 20 show waiting list totals for each agency as of December 2002. As a result of increased Families First child care expenditures, the FY 2005 budget freezes enrollment in the low-income child care program.

[76] Kristin Smith, *Who's Minding the Kids? Childcare Arrangements: Spring 1997*, Current Population Reports, P70-86, U.S. Census Bureau, Washington, D.C., 2002, p. 17.
[77] Michael Kharfen, "Access to Childcare for Low-income Working Families," U.S. Department of Health and Human Services, Administration for Children and Families, Oct. 19, 1999, p. 1.

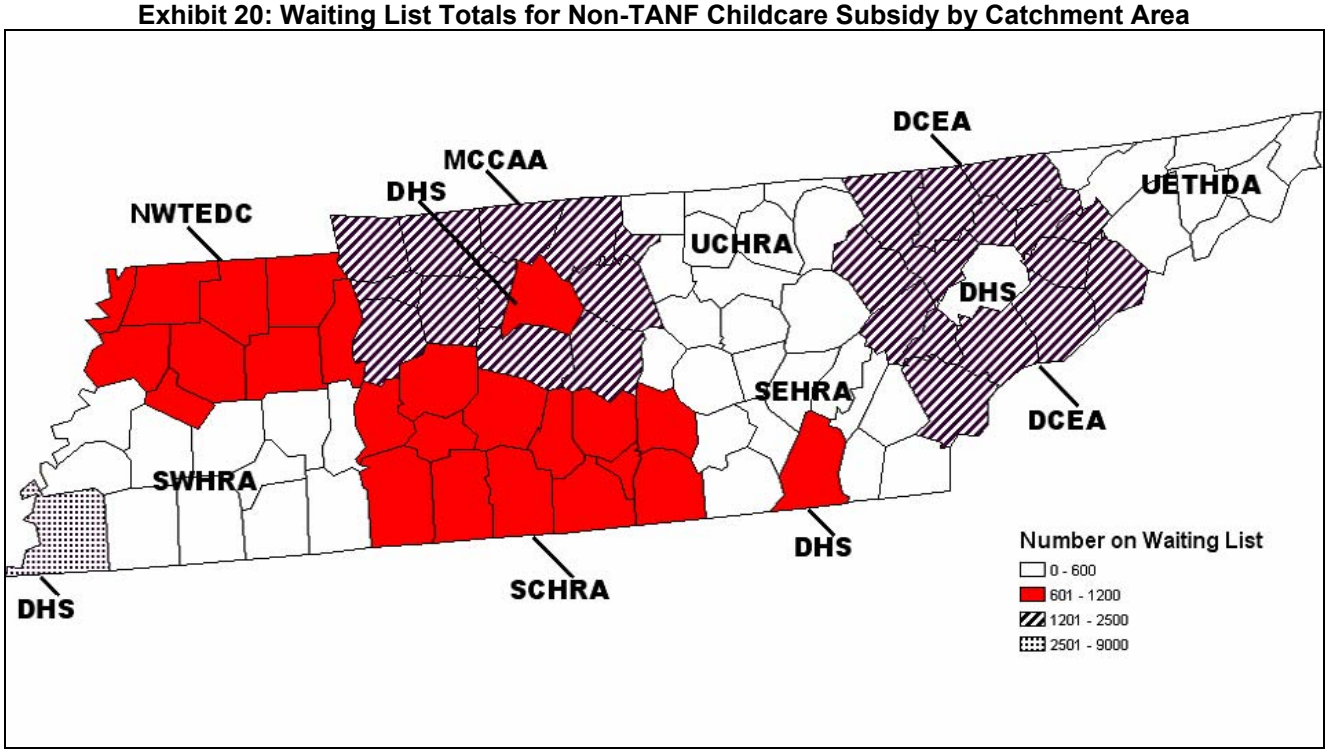
No new children will be enrolled and the number of families served will decrease as children reach kindergarten age or otherwise leave the program.

Exhibit 19: Low Income Childcare Certificate Program Waiting List Numbers as of March 2004

Childcare Certificate Program	Children Waiting Since 1999
Davidson County (DHS)	**654**
Douglas Cherokee (DCEA)	**2,267**
Hamilton County (DHS)	**869**
Knox County (DHS)	**278**
MidCumberland C.A.A. (MCCAA)	**1,453**
Northwest TN E.D.C. (NWTEDC)	**1,179**
Shelby County (DHS)	**8,262**
South Central H.R.A. (SCHRA)	**735**
Southeast H.R.A. (SEHRA)	**377**
Southwest H.R.A. (SWHRA)	**553**
Upper Cumberland H.R.A. (UCHRA)	**347**
Upper East TN H.D.A. (UETHDA)	**572**
GRAND TOTAL	**17,546**

Source: E-mail to author from Ed Lake, Deputy Commissioner, DHS, March 10, 2004.

Exhibit 20: Waiting List Totals for Non-TANF Childcare Subsidy by Catchment Area



Source: E-mail to author from Ed Lake, Deputy Commissioner, DHS, March 10, 2004.

> According to DHS, some people on waiting lists enroll in Families First to get help with child care expenses. Field supervisors for one urban ring county with rapid population growth estimate that nearly half of their FAMILIES FIRST applicants want only child care assistance and that every month they have 20 to 30 families reapply for TANF benefits after their transitional child care benefits expire. In some cases parents quit full-time jobs to be eligible for a program designed to prepare them for work because they cannot afford child care without a subsidy. [78]

Tennessee likely could save money by providing support services and prevention programs that decrease reliance on emergency services. In virtually every social service category, emergency services cost more than ongoing care and support. Chronically homeless and institutionalized people heavily burden state social service delivery systems. For example, authors of *Financial Implications of Public Interventions on Behalf of a Chronically Homeless Family* followed a family for nine years to illustrate the cost the public sector incurred as the family moved in and out of supportive housing. Expenditures of $37,500 annually for supportive living services were half the annual costs ($77,200) to local agencies when the family had no supportive housing.[79] The mentally ill, victims of domestic violence, and senior citizens often end up on the streets or in institutions because they lack support or preventive services.

[78] Christine Estes, Field Supervisor, Rutherford County DHS, e-mail to author, July 11, 2003.
[79] Ellen Hart-Shegos, *Financial Implications of Public Interventions On Behalf of a Chronically Homeless Family,* A Report Prepared for the Family Housing Fund, Dec. 2000, pp. 6-7.

When families have financial crises and their community support systems fail, they can end up in compromising situations. Members of such families are more likely to be involved in the criminal justice system, require emergency health care, and use foster care systems. The U.S. Conference of Mayors reported that in 40 percent of cities surveyed, families may be split up in order to find space in a shelter.[80] As a result, children often end up in "limbo care" settings such as foster and kinship care, a disruptive and expensive alternative. Emergency housing for large families and those with male children is lacking in Tennessee, especially in urban areas. Urban emergency shelters limit the size of families they will admit. In addition, boys over certain ages cannot stay in shelters with women and children. In Memphis alone, only 18 percent of children seeking a shelter bed were served in 1999.[81]

Homeless shelters also report an increasing number of young people, such as those exiting foster care, without family support or the skills to cope with barriers to self sufficiency.[82] The number of children aging out of state custody is increasing. Children in state custody and living in foster homes, group homes, or institutions are emancipated or "age out" upon turning 18. Annually since 2000, an average 790 Tennessee children have been emancipated from Department of Children's Services' custody. Another 762 will age out in 2004.[83]

Individuals' involvement with the criminal justice system places significant financial burdens on local government. For example, county jail incarceration averages $38 a day per inmate, a cost rarely collected from the offender. In addition, federal law prohibits the use of Medicaid funds to provide medical services to inmates, placing that responsibility on local governments. A 2002 survey of every county jail found that each local government spends an average of $6,555 a month on psychiatric medications alone. The jails housed populations of 13 to 115 inmates, with costs for psychiatric medications averaging over $200 per inmate per month.[84]

Emergency health care, another service used more frequently by families lacking ongoing care, results in higher costs to the health system than regular primary care. Uninsured patients regularly incur medical expenses they can never repay. An article printed in *The Physician* notes that "[m]any poor uninsured use hospital emergency rooms as their primary source of health care, at great expense to hospitals, which pass the costs on to other patients."[85] Tennessee hospitals provided $345 million in free care in 2001.[86] Additionally, health department and community health officials indicate budgets cannot be adjusted mid-year to account for increases associated with a rising uninsured population.

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[80] *A Status Report on Hunger and Homelessness in America's Cities 2002: A 25-City Survey*, The United States Conference of Mayors, Dec. 2002, p. 67.
[81] Leonard N. Stern and Ralph Nunez, *Homeless in America: A Children's Story,* New York: The Institute for Children and Poverty, 1999, pp. 25-26, and 31.
[82] Interview with Pat Morgan, Executive Director, Partners for the Homeless, Memphis, TN, Dec. 17, 2002.
[83]Tennessee Department of Children Services, *Exits to Emancipation 2000-2003;* e-mail to author from Paul Montebello, April 7, 2003; and e-mail to author from John Brown, Statistical Analyst, Policy Planning and Research, DCS, March 25, 2004.
[84] Sita Diehl, *Medications for Jail Inmates with SPMI*, Criminal Justice/Mental Health Advisory Committee, Mental Health Planning and Policy Council, Tennessee Department of Mental Health and Developmental Disabilities, Jan. 9, 2003.
[85] Howard Bell, "The Uninsured: Myths and Facts," *The New Physician*, Sept. 2000, http://www.amsa.org/tnp/myuths.cfm, accessed Feb. 25, 2003.
[86] Tennessee Hospital Association, *Uncompensated Care,* spreadsheet received via e-mail to author, May 15, 2003.

Persons with specific health needs—such as those with mental illnesses—also drain the system:

> Unnecessary stays in hospital beds and regional mental health institutes, due to the lack of supportive community housing options, further compound this issue [of mental health housing needs]. Per day [per person] inpatient regional mental health institute stays range from $514 (Lakeshore) to $658 (Memphis). Housing options could be more effectively and efficiently provided through our community if developed and coordinated.[87]

Populations

Children, senior citizens, immigrants, and persons with mental illness are more likely than other populations to suffer the effects of poverty in Tennessee.

Children—Currently, 27 million (40 percent) children live in low-income households in the United States.[88] Though families are less likely than individuals to be in poverty, families with children are at heightened risk of being poor. Homes headed by single mothers with children run the greatest risk. In Tennessee, a higher percentage of children (17.7 percent or 247,397 children) live in poverty than the overall population (13.5 percent). Another 321,071 (23 percent) live in low-income households with incomes between 100 percent and 200 percent of the FPL.[89]Further, over 40 percent of Tennessee school children receive free (326,183) or reduced price (68,966) lunches—meaning they have incomes at or below 185 percent of the FPL. However, in 2001, Tennessee spent $323 and ranked 41st in state TANF spending per poor child.

Child poverty has a costly and sometimes permanent effect on children, their families, and society. Several indicators highlight the susceptibility of children to a life in poverty:

- The Annie E. Casey Foundation estimates that 17 percent of children under age 18 live in low-income working families (with incomes less than 150 percent of the FPL).
- The 2003 *Kids Count Data Book* ranks Tennessee 43rd in the nation for a composite of indicators of child well being, including birth weight, infant mortality, and children in poverty. Tennessee ranks especially high for its percentage of low birth weight babies (9.2 percent, 46th in the nation).
- In Middle Tennessee, 47 percent of persons served by Second Harvest Food Bank are children.[90]
- Tennessee's teen pregnancy rate of 58.4 births per 1,000 women between 15 and 19 years of age is higher than the national average of 45.8.[91] Research indicates that most teenage mothers are from impoverished families.[92]

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[87] Marie Williams, "Creating Homes Initiative (CHI) Phase II 2005 *More*!," *Tennessee DMHDD Strategic Plan to Partner with Communities to Create Housing Options for People with Mental Illness and Co-Occurring Disorders Effectively and Strategically in Tennessee*, March 27, 2003, p. 3.
[88] Cauthen, p.2.
[89] Analysis of U.S. Census Bureau data, Annie E. Casey Foundation, *Kids Count 2003,* http://www.aecf.org/cgi-bin/aeccensus.cgi?action=profileresults&area, accessed Feb. 20, 2004.
[90] "A History of Second Harvest," Second Harvest Food Bank of Middle Tennessee, http://www.secondharvestnashville.org/history.htm, accessed Feb. 4, 2003.
[91] National Vital Statistics Reports, Vol. 51, No. 2, Dec. 18, 2002.
[92] "Facts in Brief: Teen Sex and Pregnancy," The Alan Guttmacher Institute; "Not Just Another Single Issue: Teen Pregnancy, Welfare Dependency, and Poverty," The National Campaign to Prevent Teen Pregnancy.

Various researchers have documented the harsh and lasting effects of child poverty. According to the Children's Defense Fund (CDF), poor children risk "stunted growth, anemia, repeated years of schooling, lower test scores, and less education, as well as lower wages and lower earnings in their adult years."[93] The U.S. Department of Education stated that "poverty is the single greatest predictor of academic and social failure in America's schools."[94] Researchers have begun quantifying the effects of these outcomes on society. The CDF maintains that "everyone pays the costs of child poverty," including schools, businesses, consumers, hospitals, insurers, social services, property owners, citizens, society—ultimately taxpayers. In 1997, the CDF made the following national cost estimates:

- $130 billion less economic output based on lost lifetime work hours and lower wages
- $492 million lost in future lifetimes earnings of children suffering from lead poisoning
- $26 billion lost to lower productivity caused by lost years of schooling[95]

Senior citizens—Approximately 5.6 million elderly people had incomes at or below 125 percent of the FPL in 2001, with 60 percent, or 3.4 million, below 100 percent poverty.[96] Senior citizens are particularly vulnerable to chronic poverty because of the eligibility structure of many assistance programs and because their socioeconomic circumstances are quite different from non-elderly individuals. Senior citizens are more likely to:

- live alone;
- rely on a fixed unearned income as the sole income for the household;
- be unable to work because of age, frailty, and/or disabilities; and
- be unable to access certain financial assistance, child care, and/or job training programs because of their eligibility status.

Elderly women are more likely to live in poverty than men. Nationally, in 2000, 12.4 percent of elderly women lived in poverty, compared to only 7.0 percent of elderly men.[97] The rates are even higher for divorced and elderly women who were never married—22 and 20 percent, respectively. Elderly women are more likely to be poor because they:

- have lower retirement income than men;
- rely primarily on fixed income sources such as Social Security;
- have less pension coverage and smaller money amounts of pension coverage than men; and[98]
- have a longer life expectancy than their male cohorts.

In addition, non-parent caregivers can only receive financial assistance, child care subsidies, or job training through the Families First program only if they 1) are related to the child within a specified "degree of relationship" and 2) are counted as part of the assistance group with the child and meet

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[93] Arloc Sherman, "Poverty Matters: The Cost of Child Poverty in America," Children's Defense Fund, 1997, p. 1.
[94] *23rd Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act,* Executive Summary, U.S. Department of Education, 2001, p. xxi.
[95] Sherman, pp. 14-16.
[96] Administration on Aging, "A Profile of Older Americans: 2002," U.S Department of Health and Human Services, http://www.aoa.gov/aoa/STATS/profile/profile.pdf, p. 1, accessed March 13, 2003.
[97] Ibid, p. 11.
[98] National Economic Council Interagency Working Group on Social Security, "Women and Retirement Security," Oct. 28, 1998.

program eligibility standards**.** In relative and non-relative caregiver households where only the child is eligible for TANF benefits, many caretakers struggle to afford child care. The 2000 Families First Case Characteristics study found that about 9,316 (or 55 percent) of Tennessee's 16,007 child-only cases had a non-parental relative caretaker as the head of household who was not included in the assistance group.

Though overall TANF caseloads have declined since 1994, child-only cases are becoming an increasingly large percentage of cases nationwide. A 2001 study by the U.S. General Accounting Office revealed that child-only cases average 31 percent of the national TANF caseload. Tennessee's rate is approximately 31 percent, as well. In 2002, over 111,000 Tennessee grandparents had grandchildren under 18 in their homes. Nationally, 90 percent of children not living with a parent were living with another relative.[99]

Other issues contributing to financial hardships in Tennessee's senior population include:

- **Lack of prescription drug benefits.** The state's seniors contribute greatly to prescription drug spending. Medicare beneficiaries were expected to spend an average $860 out-of-pocket for prescription drugs in 2002. Nationally, about 40 percent of Medicare enrollees lack prescription drug coverage at some point in the year, and those who purchase private prescription drug plans pay high premiums and likely spend additional out-of-pocket money for prescriptions. Of Medicare beneficiaries with incomes below $10,000, nearly 60 percent lacked prescription drug coverage in 1999.[100] According to various service workers, many seniors must choose between purchasing drugs and paying other household expenses. Second Harvest Food Bank officials claim they served an elderly woman living in East Nashville who has lived without regular heating or cooling for five years because of her high prescription drug costs. TennCare used to enroll uninsurable Medicare beneficiaries in a pharmacy-only benefit. This population paid monthly premiums based on income. Pharmacy-only beneficiaries were grandfathered into TennCare under the new waiver, which requires new Medicare enrollees seeking pharmacy coverage to qualify under stricter Medicaid eligibility standards before getting coverage. Medicaid generally requires enrollees to be under 100 percent of the FPL. Currently, 36,158 pharmacy-only recipients continue to share costs for premiums.[101]
- **Low food stamp benefits.** The minimum food stamp benefit of $10 dollars has remained unchanged since 1977. For the minimum food stamp allotment to equal its 1977 purchasing power in 2002, it should be set at $26.87—meaning the purchasing power of the minimum food stamp allotment has declined by 62.8 percent over 26 years.[102] Formulas for determining food stamp benefits favor large households with children, though low-income seniors often have a genuine need for nutritional assistance.

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[99] *The Forum*, Research Forum on Children, Families, and the New Federalism, "Relative Caretakers in Child-Only Cases Lack Support Services to Fulfill Crucial Roles, Vol. 5, No. 3, Sept. 2002, p. 1.
[100] AARP Research, "Medicare Beneficiaries and Prescription Drugs: Costs and Coverage," http://www.research.aarp.org/health/dd77_rx.html, accessed March 6, 2003; AARP Research, "Medicare Beneficiaries and Prescription Drug Coverage: Gaps and Barriers," http://www.research.aarp.org/health/ib39.html, accessed March 6, 2003
[101] E-mail to author from Tracy Purcell, Interdepartmental Coordinator, Bureau of TennCare, "Re: Questions," Jan. 16, 2004.
[102] Office of Research staff analyzed and calculated the real value, corrected for inflation, of the minimum food stamp allotment based on Consumer Price Index data, March 13, 2003.

- **Lack of community in-home support services.** Aging citizens with access to homemaking, transportation, and light nursing care can often stay in their homes and communities longer, but those in government-subsidized housing are more likely to be placed in residential facilities. Although most areas report adequate nursing facilities and assisted living units, most communities do not offer enough supportive housing alternatives.[103]

Immigrants—Although the percentage of Tennessee residents born outside the United States is small compared to the national average (2.8 percent versus 11.1 percent), the state has the sixth fastest-growing immigrant population and the fourth fastest-growing Hispanic population in the country.[104] Many immigrants face challenges associated with self-sufficiency. According to a recent Census Bureau report, foreign-born residents:

- are more likely than natives to be unemployed;
- earn less than natives; and
- are more likely to live in poverty than are natives.

Immigrants, especially non-citizens, are also less educated. As of March 2002, only 59.6 percent of non-citizen immigrants aged 25 and above had earned at least a high school diploma compared to 86.9 percent of native residents.[105]

Foreign-born residents face linguistic, legal, economic, and cultural barriers associated with securing health care, child care, adequate housing, and social benefits.[106] Interpreter services at hospitals, child care agencies, and government offices are not universal. Undocumented parents often do not seek benefits for children born in this country, fearing applications could result in household investigations. Some immigrants may be unaware that they can seek services because they weren't available in their home countries. Finally, many immigrants—like their native counterparts—find health care and child care cost-prohibitive. Many immigrants visit health departments for care. The Knox County Health Department and the Metropolitan Nashville Health Department's Bridges to Care programs+ serve large numbers (36 percent and 30 percent, respectively) of Hispanic residents.

The Department of Human Services recognized these barriers in a policy bulletin released in 2001:

> Recent studies indicate that U.S. citizen children and other eligible persons who live in immigrant families may be deterred from applying for benefits due to limited English proficiency and because they are concerned about responding to certain questions on application forms. These questions generally concern the disclosure of immigration status and social security numbers for family members who may or may not be seeking assistance for themselves. Often households or family members who are not applying for themselves are unaware that they are not required to provide information about their immigration status, and

[103] Interviews with Public Housing Authorities in sample counties by Office of Research staff, Nov.-Dec. 2002.
[104] U.S. Bureau of the Census, Table DP-2, Profile of Selected Social Characteristics: 2000, Geographic Area: Tennessee; "The Dispersal of Immigrants in the 1990s," *Immigrant Families and Workers*, Brief No. 2, The Urban Institute; U.S. Bureau of the Census, "Top 10 States By Hispanic Percent Change," Slide 15 of 36, http://www.census.gov/mso/www/pres_lib/hisprig/sld015.htm, accessed April 21, 2003.
[105] "Table 10. Education Attainment of People 25 Years and Over, by Nativity and Period of Entry, Age, Sex, Race, and Hispanic Origin: March 2002, Educational Attainment in the United States: March 2002, Detailed Tables (PPL-169), www.census.gov/population/socdemo/education/ppl-169/tab10.pdf, accessed April 21, 2003.
[106] Interview with David Lubell, State Coordinator, Tennessee Immigrant Rights Coalition, April 14, 2003.

are not required to provide a social security number in order for others in their family or household to be determined eligible.[107]

DHS reports rising caseloads of immigrant families (though the Families First caseload is only about one percent Hispanic) and implements strategies specifically to serve this population. As of November 2003, 1,138 front line DHS employees have received Latino Cultural Competency training through statewide contracts with Connexíon Américas. DHS personnel reported using Language Line Services and some interpreter services. The Metro Nashville office displays a large sign in many different languages explaining available interpreter services to clients. Statewide advocacy organizations report regular interactions with service providers, government officials, and program staff.

People with mental illness—A quarter of Tennessee's homeless people have a mental illness versus 6.3 percent of the population-at-large.[108] People with mental illness often have limited abilities to earn wages and survive with only supplemental security disability income (SSI) averaging $552 monthly. Such individuals are among the poorest in the country as their benefits equal merely 18.5 percent of the one-person national median income. According to *Priced Out in 2000*, there is no housing market in the country where a person with only SSI income can afford an efficiency apartment without additional assistance. In Tennessee, such households would spend 80 percent of their monthly income on rent for an average one-bedroom apartment.[109]

A 2003 study by the Tennessee Department of Mental Health and Developmental Disabilities reported that 2,000 persons live in 212 assisted living facilities for the mentally ill. In addition, 20 percent of those in the criminal justice system and 25 percent of the homeless have a diagnosed mental illness, about 12,000 Tennessee citizens. Programs such as the Creating Homes Initiative have helped address this need, but appropriate permanent units have been developed for less than a quarter of the population with special housing needs. In 2001, a statewide study estimated over 180 persons remained in Tennessee's Regional Mental Health Institutes because they lacked appropriate supportive community housing placement options. [110]

A study of the housing needs of mentally ill persons released by THDA in August 2000 concluded:

- Fifteen percent of severely and persistently mentally ill (SPMI) patients receiving outpatient services are inappropriately housed. This number would likely be much larger if those not receiving services, such as the homeless, were counted.
- The primary barrier to appropriate housing is insufficient income.
- The type of housing most appropriate for the majority of those surveyed is independent living units.

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[107] State of Tennessee, Department of Human Services, Bulletin No. 17, FA-01-11, June 12, 2001.
[108] Tennessee Department of Mental Health and Developmental Disabilities, *Creating Homes Initiative (CHI) Phase II 2005 More!,* March 27, 2003, pp. 1-3; Harvard Prevalence Study; and The Surgeon General's Report on Mental Health.
[109] Ann O'Hara and Emily Miller, *Priced Out in 2000: The Crisis Continues*, Technical Assistance Collaborative Inc. and Consortium for Citizens with Disabilities Housing Task Force, June 2001, p.12.
[110] Tennessee Department of Mental Health and Development and Disabilities, *Creating Homes Initiative (CHI) Phase II 2005 More!,* March 27, 2003, pp. 1-3.

- Persons with dual diagnosis of mental illness and mental retardation or mental illness and substance abuse issues made up one third of the inappropriately housed number. Their needs differ from the rest of the consumer population.
- Young adults (age 18-24) and women lack access to a considerable share of licensed facilities.
- Smaller metropolitan areas, excluding Jackson and Clarksville, lack a proportionate share of licensed facilities. Consequently, consumers must live further from their homes than is ideal. [111]

Many SPMI patients are not committable but need medication, counseling, and/or case management to live successfully in a community. Housing authority administrators indicated that most evictions are caused by criminal behavior or behavior related to the inability to function in the community without support services. Urban emergency shelters for men report that many regular clients have medical, substance abuse, and/or mental health problems. Without a coordinated system of services, many SPMI patients end up in the criminal justice system, or requiring crisis intervention services and/or emergency medical services.

Taxes

Tennessee's regressive tax structure places a disproportionate burden on poor and low-income Tennesseans. Regressive tax systems take a larger percentage of income from low-income taxpayers than from high-income taxpayers. Tennessee relies primarily on the sales tax, a regressive tax on consumption, to fund state government. Although other states rely on sales taxes for revenue, Tennessee derives the majority of its revenues from this tax. Because low-income households spend a greater share of their income on goods and services subject to the sales tax than higher-income households, low-income families are taxed at a higher rate as a percentage of income than high-income families.

According to a 2003 report by Center for Business and Economic Research (CBER) and Tennessee Advisory Commission on Intergovernmental Relations (TACIR), the sales tax places a larger burden on lower income people because they spend most, if not all, of what they earn, while higher income people 1) save more income, thus shielding this income from the sales tax, and 2) may spend more income on non-taxable services and items such as brokerage fees, stocks, and tuition. Critics of progressive tax measures, which tax higher incomes at a higher percentage of total income, argue these taxes discourage work and savings and may encourage wealthy households to move to lower-tax areas.[112]

The Institute on Taxation and Economic Policy (ITEP) ranked Tennessee's state tax structure the third most regressive in the nation in 2003. ITEP cited the state's lack of a broad based income tax, its over-reliance on sales and excise taxes, and the application of the high sales tax to necessities such as food. As the following chart demonstrates, the poorest working Tennesseans (those working for minimum wage) pay almost four times as much in taxes as a percentage of their income as the wealthiest.

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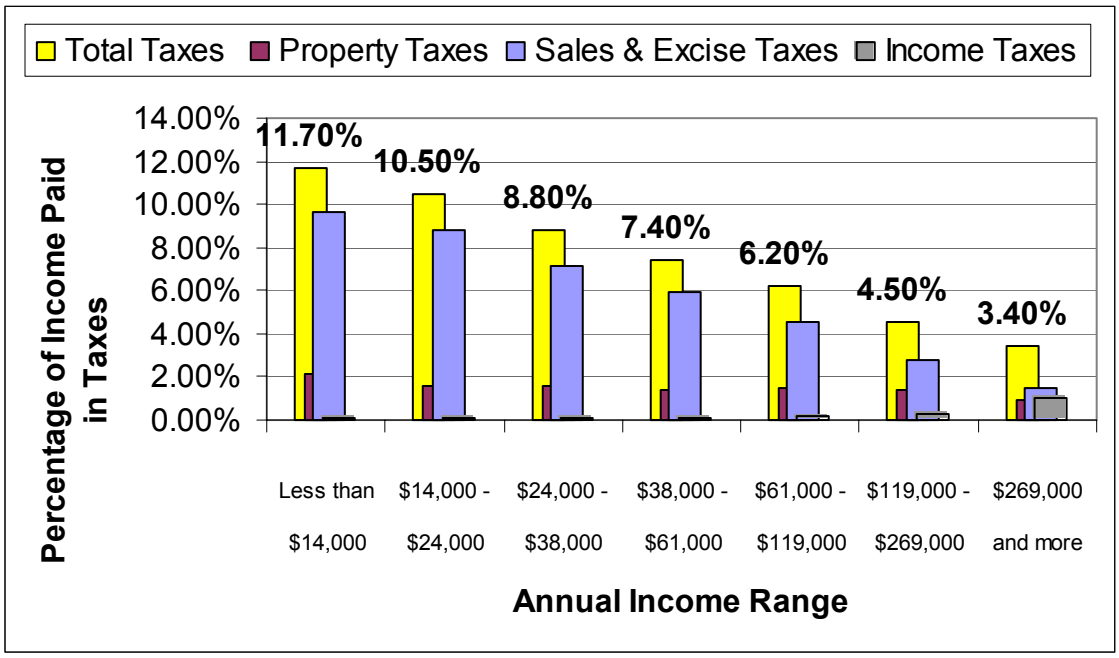
[111] Tennessee Housing Development Authority, *Report on the Housing Needs of Persons with Mental Illness,* Executive Summary, Aug. 2000,.

[112] *The Structure of State Taxes in Tennessee: A Fiscal Primer*, Tennessee Advisory Commission on Intergovernmental Relations and the University of Tennessee Center for Business and Economic Research, Feb. 2003, pp. 56-61.

Exhibit 21: Tennessee State, Local, and Total Taxes in 2002

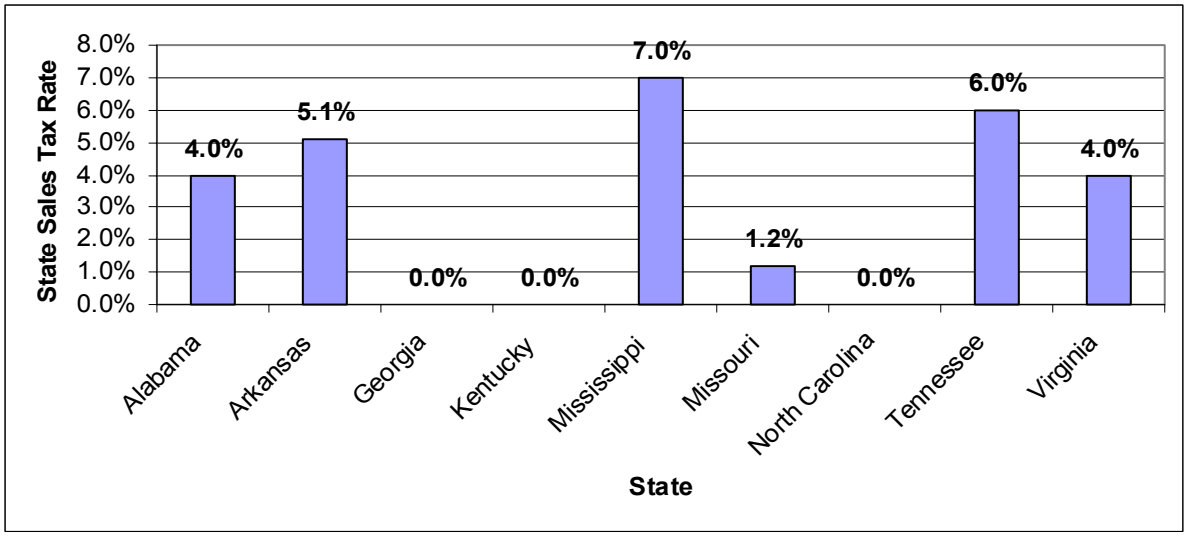


Source: "Who Pays? A Distributional Analysis of the Tax Systems in all 50 States," The Institute on Taxation and Economic Policy, January 2003.

Although the 2002 tax law exempted grocery food from the one percent increase in the state sales tax, Tennessee, with local option sales taxes included, has the highest average sales tax rate on grocery food in the United States.[113]

[113] The Sales Tax Clearinghouse, *State sales tax rates along with combined average city and county rates,* www.taxch.com/STrates.stm., accessed Feb. 24, 2003.

Exhibit 22: State Sales Tax Rates on Grocery Food as of January 1, 2003 (Excluding Local Option Taxes)



Source: Federation of Tax Administrators, "State Sales Tax Rates January 1, 2003," http://www.taxadmin.org/fta/rate/sales.html, Accessed February 24, 2003.

Georgia and North Carolina eliminated the state sales tax on grocery food in 1998 and 1999, respectively. Kentucky has not had a state grocery food tax since the 1970s. Tennessee's high taxation of food compromises the abilities of low-income persons and families to meet basic nutritional needs. While sales tax does not apply to approved items purchased with food stamps, only the poorest families are eligible. For example, a single parent with one infant and one preschooler in Davidson County earning a self-sufficient wage of $2,789 monthly spends $385 dollars (if spending according to the consumer expenditure survey), or 13.8 percent of his or her income on food per month. With the sales tax rate on food in Davidson County at 8.25 percent, this single parent pays an effective annual tax rate on food of $384, roughly equal to this family's entire monthly food expenses.

Poverty research organizations also emphasize the importance of reducing the state tax burden on lower-income families moving from welfare to work. A 2001 report on state taxation of food by the Center on Budget and Policy Priorities underscores this point, arguing that reducing or offsetting the sales tax on food improves the chances that a family can support itself on earned income.[114]

Though the regressivity of the sales tax could be reduced by exempting food, Tennessee's reliance on the sales tax to generate government revenues would make exempting food costly. For example, in the 2002-03 budget year, approximately $80 million was generated in state revenues for every sales tax percentage point on food.[115] According to the 2003 TACIR/CBER report on taxes, "an adverse consequence would be reduced stability of the sales tax and the overall state tax system since expenditures on food are relatively stable. Revenue losses would have to be made up through higher

[114] Nicholas Johnson, "Which States Tax the Sale of Food for Home Consumption," *Center on Budget and Policy Priorities,* Sept. 17, 2001, p. viii.
[115] State of Tennessee, 102nd General Assembly, 2002-03 Budget Summary. *Note: Every one percent of the State Sales Tax on Food generates $80,300,000.*

tax rates somewhere in the fiscal system."[116] Public finance literature considers full exemption of food from the sales tax base to reduce regressivity as a costly and overly broad approach, instead suggesting a targeted, refundable food tax credit for low-income households.

A report on the state taxation of food by the Center on Budget and Policy Priorities lists some of the strengths of a food sales tax credit or refund, including:

- reduced regressivity of the state sales tax by targeting benefits to low-income households;
- lowered cost compared to a full exemption of food; and
- more precise benefit-targeting of Tennessee residents versus a full exemption, which would also apply to out-of-state visitors.

As of September 17, 2001, five states that tax groceries offered credits or rebates to offset the taxes paid on food. These five states have different tax structures and different eligibility requirements and credit amounts for their programs. Two, South Dakota and Wyoming, do not have an income tax and restrict eligibility to the elderly and disabled. The Center on Budget Policy Priorities notes that offering a sales tax credit outside of an income tax is a viable option. [117] Kansas offers the food sales tax credit through its income tax filing form, but also allows households not paying income tax to claim the credit and covers low-income families with dependents in addition to the elderly and disabled. The following chart illustrates the components of the Kansas Food Sales Tax Refund Program.

Exhibit 23: Kansas Food Sales Tax Refund Program Components

Administering Agency	Eligibility Standards *Participants must meet one of the following criteria*	Income Limits/ Tax Refund Amount *Program has $25,800 income cap*	Funding 2000
Kansas Department of Revenue	Age 55 or older	Income less than $12,900, applicant receives $72 per dependent	$24.3 million
	Totally and Permanently Disabled or Blind During the Entire Year, regardless of age	Income greater than $12,900 but not over $25,800, applicant receives $36 per dependent	
	One or more children claimed as a dependent under the age of 18[118]		

Source: Kansas Department of Revenue, "Frequently Asked Questions, Taxation, Food Sales," http://www.ksrevenue.org/faqs-taxfoodsales.htm, accessed: Sept. 19, 2003; Kansas Department of Revenue,"2002 Annual Report, Section 2 – Tax Operations, pg. 58"; Telephone interview with Ron Grant, Attorney Tax Specialist, Kansas Department of Revenue, Nov. 18, 2003. Note: In 1998, the amount paid through the program greatly increased as Kansas included the application on its K-40 income tax form. Before this, the state used a separate form, with funding totaling $1.8 million (1996) and $1.7 million (1997).

[116] *The Structure of State Taxes in Tennessee: A Fiscal Primer*, Tennessee Advisory Committee on Intergovernmental Relations and the University of Tennessee Center for Business and Economic Research, Feb. 2003, p. 63.
[117] Nicholas Johnson, "Which States Tax the Sale of Food for Home Consumption," *Center on Budget and Policy Priorities,* Sept. 17, 2001, p. 39. Note: Idaho, Kansas, Oklahoma, South Dakota, and Wyoming are the five states.
[118] To claim a child as dependent, applicant must contribute in excess of 50 percent of the support of the child. Income from TANF, Supplemental Security Income, and other forms of welfare may not be counted in calculating this 50 percent support figure. Kansas Department of Revenue, "Frequently Asked Questions," Taxation, Food Sales, http://www.ksrevenue.org/faqs-taxfoodsales.htm, accessed Sept. 19, 2003.

Another option to reduce the tax burden on low-income households is the federal Earned Income Tax Credit (EITC). Originally approved on the federal level in 1975 to compensate for regressive federal payroll taxes (Social Security and Medicare) and provide a work incentive, the EITC reduces the amount of federal or state income tax owed by workers. Because it is refundable, the EITC provides individuals, whose incomes are too low to pay federal or state income taxes with a tax refund, thus supplementing their earned income. The EITC lifted 4.7 million people, including 2.6 million children, above the FPL in 1999. [119] In Tennessee, 474,954 individuals and families received the federal EITC in 1999.[120] The credit both rewards earned income and reduces poverty. As a result, the EITC enjoys relatively strong bipartisan support.

As of 2001, 16 states had enacted EITCs.[121] The District of Columbia, Illinois, Maine, New Jersey, and Oklahoma enacted state-level EITCs during the 2000 and 2001 legislative sessions.[122] Often structured as a percentage of the federal EITC, these states use the credit to reduce child poverty rates, offer income support for families leaving welfare for work, and offset regressive state taxes. As the EITC targets the highest monetary supplement to individuals and families just at or above the poverty level, the credit lifts more children out of poverty than any other program in America, including all means-tested benefit programs combined.[123] The National Center for Children in Poverty estimates 1.1 million more children would be lifted above poverty if all states adopted refundable EITCs set at 50 percent of the federal level.[124]

Program Funding and Administration

Tennessee provides minimal state resources to serve those in poverty and relies heavily on federal and local government funds to support social services. In 2002, Tennessee ranked 40th in state TANF expenditures per capita.[125] At $15, Tennessee spends 39 percent of the national average ($38) of state TANF spending per capita.

Exhibit 24: Sample of 2002 State Welfare Spending

State	Population	# people under 18 <FPL	Welfare Expenditures (millions)	State per capita spending	State spending per poor child
Mississippi	2,866,733	193,000	$21.7	$8	$113
Tennessee	***5,789,796***	***272,000***	***$88.3***	***$15***	***$325***
Kentucky	4,089,822	205,000	$71.9	$18	$351
Georgia	8,544,005	360,000	$176	$21	$489

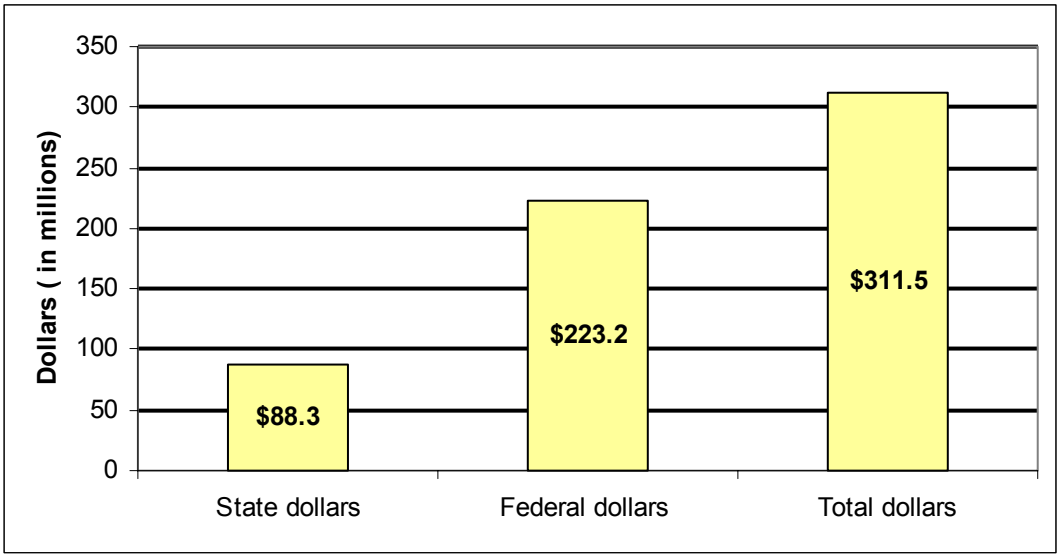
[119] Internal Revenue Service, "EITC Overview," http://www.irs.gov/individuals, accessed Feb. 24, 2003; Nancy Cauthen, "Earned Income Tax Credits," National Center for Children in Poverty, 2002, p. 6.
[120] Internal Revenue Service, "SOI Bulletin," Spring 2001.
[121] Cauthen, p. 5. States include Colorado, Kansas, Illinois, Iowa, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, and Wisconsin. The District of Columbia also has an EITC, bringing the non-federal EITC jurisdictions to 16.
[122] Nicholas Johnson, "A Hand Up: How State Earned Income Tax Credits Help Working Families," Center on Budget and Policy Priorities, Dec. 2001, p. 1. Note: Colorado, Maryland, Minnesota, New York, and Vermont expanded their EITC program during this period.
[123] Robert Greenstein, "Welfare Reform's Hidden Ally," *The American Prospect,* Summer 2002.
[124] Cauthen, p.6.
[125] Office of Research analysis of data from the U.S. Census Bureau and the Department of Health and Human Services, Administration for Children and Families. Note: analysis includes the District of Columbia.

North Carolina	8,305,820	419,000	$192.2	$23	$459
Florida	16,691,701	633,000	$389.3	$23	$615
Minnesota	5,024,791	95,000	$179.2	$36	$1,886
Maryland	5,450,525	100,000	$177	$32	$1,770
Connecticut	3,458,587	97,000	$185.1	$54	$1,909
Rhode Island	1,068,326	36,000	$75	$70	$2,070
NATION	**287,973,924**	**12,133,000**	**$10,958**	**$38**	**$903**

Source: Office of Research analysis of data from the U.S. Census Bureau and the Department of Health and Human Services, Administration for Children and Families. Note: Samples are meant to show the range of state TANF spending (per capita and per poor child) among states with different population sizes, funding commitments, and number of children below the poverty level.

Tennessee, like many southern states, relies heavily on federal block grant funds to support its TANF program. However, Tennessee's position only slightly improves (37th) compared to other states including federal TANF funds with state maintenance of effort funds. The average state funds approximately 43 percent of its total TANF welfare spending. Tennessee funds only 28 percent of this total.

Exhibit 25: 2002 State and Federal TANF Funding in Tennessee



Source: "State TANF spending for federal fiscal years 2001 and 2002," National Conference of State Legislatures, November 2003.

Tennessee's cash assistance grants (welfare checks) are low compared to other states; in 2000, the average TANF grant in Tennessee was $170 a month, with 50.4 percent of assistance groups receiving less than $150 monthly. Only 2.3 percent of recipients received more than $300.[126] Tennessee's combined federal and state TANF spending per low-income child places it in the bottom 20 percent of all states.[127] The CDF ranks Tennessee 49th in maximum cash welfare benefits as a percent of poverty,

[126] William F. Fox, Vickie C. Cunningham, Angela R. Thacker, Betty B. Vickers, *Families First 2000 Case Characteristics Study,* Knoxville, TN: Center For Business and Economic Research, University of Tennessee, Dec. 2001, p. xvi.
[127] R. Kent Weaver, "The Structure of the TANF Block Grant," *The Welfare Reform and Beyond Policy Brief Series,* No. 22, April 2002, p. 3.

noting that the state's payment to a family of three is 15.2 percent of the federal poverty level.[128] All other states in the bottom 10 for this measure are Southeastern. Alaska is ranked first, with benefit payments at 60.6 percent of poverty. Tennessee's system hinders a single parent's ability to reach beyond the lowest level of basic subsistence.

Additionally, 34 states and the District of Columbia operate state-level general assistance funds, but Tennessee, like most other Southeastern states, does not. General assistance programs fill an important gap in the safety net for childless adults ineligible for other forms of assistance, such as SSI and TANF. General assistance provides cash or in-kind benefits for meeting short-term or ongoing needs. Though some provide cash assistance, most states distribute general assistance in the form of in-kind benefits or vouchers.

States with general assistance programs finance and administer them entirely through state and/or local government; however, some states have scaled back or ended general assistance programs over the last decade by restricting assistance for some groups and failing to increase benefits to account for inflation. States set income eligibility for general assistance at extremely low levels, with most states limiting assistance to those with income below half of the FPL. States usually require able-bodied adult recipients to search for employment or reimburse the state through public-sector workfare.

Tennessee's current child support withholding policy may create a disincentive for non-custodial parents to pay support. DHS retains child support collections to repay TANF grants received by a child's household. DHS officials determine a client's standard of need and level of unmet need after counting benefits. Custodial parents receive "pass-through" child support up to the unmet need amount or the full collection amount. If the state collects more than the family's unmet need, the balance is kept to repay TANF grants. When a family leaves Families First, caretakers receive all current support, but the state continues to retain payments on back support until all grants are repaid. Even if support is not collected during the receipt of assistance, DHS continues to pursue child support in all active and closed TANF cases to repay grants as well as provide support to the caretaker. Nevertheless, TANF families in which the absent parent does not pay support receive grants without having to repay them. Similar systems in other states appear to create an incentive for non-custodial parents to remain out of contact with their children and not pay support. In federal FY03, 57 percent of non-custodial parents of Tennessee children made some current support payments—excluding back support and including partial payments.[129]

Although Tennessee passes these funds through at a higher rate than many other states, no amount of child support income is disregarded for program eligibility or benefit determination. Several reauthorization plans would grant states greater flexibility in determining amounts to pass through to families. According to the University of Maryland School of Law:

> Some states have chosen to continue or increase the pass-through and three states have federal waivers to distribute all current support to welfare recipients. Wisconsin distributes and disregards all support; Connecticut distributes all support and disregards $100 each month;

[128] *The State of Children in America's Union: A 2002 Action Guide to Leave No Child Behind*, Children's Defense Fund, 2002, p. 43.
[129] U.S. Department of Human Services, Annual Performance Measures Report FY 2003, Child Support Enforcement Program, Nov. 2003; e-mail to author from Richard Paige, Director, Child Support Division, DHS, Nov. 7, 2003.

Vermont distributes all support and disregards $50. Researchers claim that preliminary results from Wisconsin indicate that families receiving the full pass-through and disregard are more likely to leave welfare. Early results from the Vermont experiment suggest that the average child support payment has increased, as has the portion of families receiving support.[130]

Analysis of Wisconsin's child support system in 1998 found that passing through to the custodial parent all child support received increased the percentage of non-custodial parents making payments by 10 percent over those whose children's households received only part of the amount collected. Furthermore, the study found that mothers receiving total support payments had a reduced need for TANF grants.[131]

The Tennessee Department of Human Services appears to need additional capacity to implement programs effectively and efficiently.

- ***Rising caseloads*** **- Tennessee's TANF caseloads have risen over the past two years.** From June 2002 to June 2003, the Families First caseload grew from 62,668 families to 69,751 families, an increase of 11.3 percent.[132] Over the same time period, TANF caseloads increased in some states and decreased in others. Staffing levels have not kept pace with the rising number of labor-intensive Families First cases. Worker caseloads ranged from 300 to 600 in DHS offices visited for this study. A CBER study, conducted as Tennessee's TANF program was still being developed, estimated a workable Families First caseload would be 70 cases with work requirements and 200 cases without work requirements.[133]

Exhibit 26: Southeastern State Caseload Information

State	Population	March 2003 caseload	June 2003 caseload	% change March 2003 to June 2003	% change from June 2002 to June 2003
Tennessee	5,740,021	68,517	69,751	**1.8**	**11.3**
Alabama	4,464,356	18,987	19,279	**1.5**	**9.1**
Arkansas	2,692,090	11,169	10,770	**-3.6**	**-7.5**
Florida	16,396,515	59,876	58,535	**-2.2**	**-0.6**
Georgia	8,383,915	55,325	55,234	**-0.2**	**3.9**
Kentucky	4,065,556	31,893	31,537	**-1.1**	**-0.1**
Mississippi	2,858,029	19,597	20,280	**3.5**	**15.8**
North Carolina	8,186,268	41,294	41,108	**-0.5**	**-3.6**
South Carolina	4,063,011	19,953	19,220	**-3.7**	**-0.8**

Source: Center for Law and Social Policy, "Welfare Caseload Remains Relatively Flat in Second Quarter of 2003," October 16, 2003; U.S. Census Bureau, "Population, 2001 estimate," State and County Quick Facts.

[130] "Pass-Through of Collected Child Support," University of Maryland School of Law, Welfare Law, Policy and Practice, http://www.law.umaryland.edu/welfare/tanf/child_support/cspassthrough.asp, accessed April 24, 2003.

[131] Daniel R. Meyer and Maria Cancian, *W-2 Child Support Demonstration Evaluation Phase I: Final Report*, Executive Summary, Institute for Research and Poverty, University of Wisconsin-Madison, April 2001.

[132] Elise Richer, Hedieh Rahmanou, and Mark Greenberg, *Welfare Caseload Remains Relatively Flat in Second Quarter of 2003,* Center for Law and Social Policy, Oct. 16, 2003.

[133] Mark Boyer and Dudley Dewhirst, *A Study of the Changing Staffing Patterns in the Tennessee Department of Human Services in Response to Families First,* Knoxville, TN: Center for Business and Economic Research, The University of Tennessee, pp. 7-8.

Nationally, the substantial welfare caseload decline that began in 1994 appears to have leveled off in 2002. Individual state caseloads vary, increasing in more than half the states and decreasing in the remainder since June 2002. Tennessee's welfare caseload continued to increase through the third quarter of 2003, from 71,502 in July to 73,711 in September. Although Tennessee's caseload has increased over the last two years, it is still 34 percent lower than it was in 1994 before welfare reform.[134]

State caseloads differ for various reasons, including eligibility guidelines and structures of state welfare programs, the economic conditions of the state and nation, and population demographics. The rise in Tennessee's caseload over the past year may be partly attributed to TennCare reverification. DHS officials estimate 16 percent of caseload growth since July 2002 may be explained by applicants visiting DHS offices for TennCare reverification and learning they are eligible for Families First and food stamps.[135]

- ***Changing caseload*** **- Though DHS workers report rising proportions of hard-to-serve clients, the department relinquished its federal Welfare-to-Work funds in FY98, citing difficulties administering the program.** Welfare-to-Work (WtW) was designed to help clients with significant employment barriers. The funds "were intended…to assist the least employable, most disadvantaged welfare recipients and non-custodial parents (NCPs) make the transition from welfare to work." The program served persons who had dropped out of school, had low reading or math skills, had limited work experience, were long-term welfare dependents, and/or had substance abuse and mental health problems (dual diagnosis). Grantees initially had to spend 70 percent of WtW funds on TANF recipients; however, amendments in 1999 eliminated barrier requirements and broadened the program to serve low-income, non-TANF parents.

  Tennessee DHS contracted with JTPA service delivery areas for programming after receiving a WtW allocation from the U.S. Department of Labor. The grant required one-third state matching funds. However, the department, like many other state grantees, had difficulties verifying and serving eligible clients and discontinued the program. In FY98, DHS returned the entire WtW grant award of $20,214,627 to the federal government. Several smaller grantees in Tennessee did not relinquish WtW funds and continued operating programs.[136]

  Many local eligibility counselors and program administrators report rising caseloads of clients with significant employment barriers, including low education and skill levels and dual diagnosis. The 2001 performance audit of DHS found that "many of the remaining [TANF] cases are 'hard-to-serve' clients. By 1999, cases with work exemptions outnumbered those with work requirements.[137] Former Commissioner Natasha Metcalf testified before a U.S. Senate Subcommittee in 2002 that almost half of the DHS caseload (45 percent) does not have a high

[134] National Conference of State Legislatures, "Welfare Caseload Watch," http://www.ncsl.org/statefed/welfare/caseloadwatch.htm, Oct. 28, 2003.
[135] E-mail to author from Ed Lake, Deputy Commissioner, Department of Human Services, "Re: Comptroller's Office Report on Poverty/Safety Net," Aug. 21, 2003.
[136] Interview with Ed Lake, et. al., Department of Human Services Program Administrators, March 20, 2003.
[137] Performance Audit, *Department of Human Services, April 2001*, Comptroller of the Treasury, Division of State Audit, p. 24.

school diploma. In addition, many clients in Family Services Counseling "are assessed with multiple barriers." Of the 4,500 participants assessed by counselors in 2001, 35 percent had mental health problems, 16 percent had learning disabilities, and nine percent were substance abusers. The state allocated $9.2 million in TANF funds in FY01 to implement Family Services Counseling to address TANF clients with significant barriers that "inhibit their ability to progress." [138]

- ***Personnel issues*** **- Local DHS offices struggle to attract and retain qualified eligibility counselors.** Eligibility counselors must have four-year degrees (or commensurate experience), and the starting salary is $21,576 a year. Maximum annual salary for an Eligibility Counselor I position is $34,560. Historically, urban and transitional counties with large volumes of clients and better job markets for college graduates have high vacancy and turnover rates. However, small rural offices also report rising vacancies and turnover.

  Low salaries, heavy workloads, and stress contribute to poor retention rates and increased caseloads for workers. Families First cases with work requirements require true case managers to create personal responsibility plans, address barriers, monitor progress, and respond in a timely manner to clients and providers. DHS has requested several times since 1996 that the Department of Personnel change eligibility counselors' job classification to case manager to reflect the altered nature of their role. According to DHS administrators, Personnel concluded that eligibility counselors' duties still mainly concern eligibility determination and have not changed significantly enough to warrant a job class change.[139]

  In DHS offices visited by analysts, worker caseloads were 300 to 600 per counselor. Although the caseload average per counselor in other Southeastern states mirrors Tennessee's, two states have much smaller average caseloads per worker because of their welfare program structure. South Carolina averages 277 cases per TANF and food stamps counselor. Unlike counselors in Tennessee and other Southeastern states who are responsible for multiple programs (i.e., Food Stamps, TANF, and Medicaid), South Carolina and Alabama have counselors who are responsible only for TANF and/or food stamps. Caseload sizes in Kentucky, Florida, and Mississippi are similar to Tennessee and reflect the multiple program responsibility of eligibility counselors in these states.

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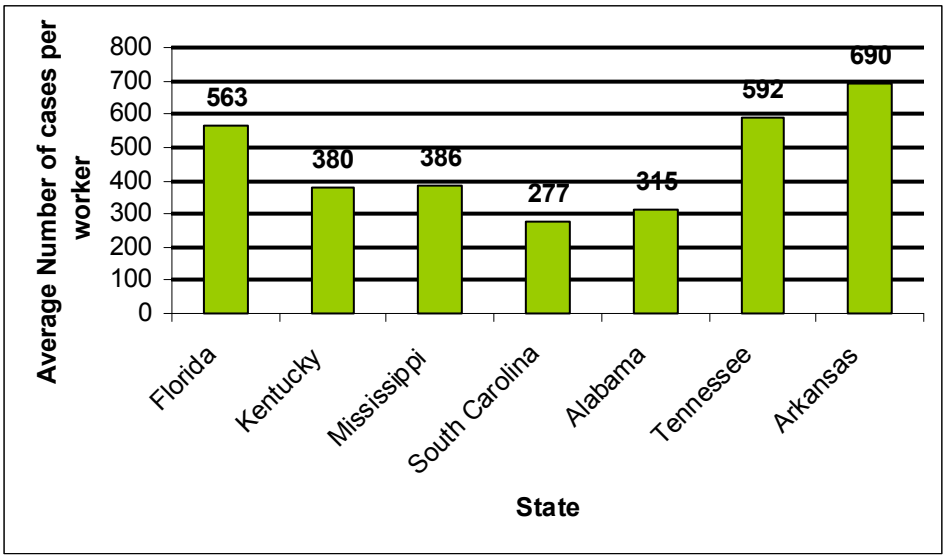
[138] Statement of Natasha K. Metcalf, Commissioner, Tennessee Department of Human Services, Testimony Before the Subcommittee on Social Security and Family Policy of the Senate Finance Committee, Hearing on Issues in TANF Reauthorization: Helping Hard to Employ Families, April 25, 2002.

[139] Intradepartmental memo from Jeff Light, DHS Personnel Manager to Doris A. Batey, Director of DHS Personnel, *Evaluation of HS Eligibility Counselor Classification*, Feb. 22, 1999.

Exhibit 27: TANF, Food Stamps, and Medicaid Eligibility Counselor Caseloads in the Southeast



Source: Contact with state social service departments in Tennessee and select southeastern states. Note: Including TennCare eligibility responsibilities would raise Tennessee's average caseload per worker to 741. Average caseload numbers may not reflect staff vacancies, which would raise the average, or duplicated cases, which would lower the average.

Tennessee eligibility counselors undergo four months of training before getting a phased-in caseload and usually need a year to become familiar with the policies and skills required to handle a full caseload. The 2002 statewide turnover rate for counselors is 19.3 percent, and many local offices, especially in urban and transitional counties, have higher rates.[140] Area managers interviewed during this study estimated they lose 20 to 40 percent of newly hired counselors within their first year. Worker caseloads, already high, increase when a position is unfilled or staffed by a new counselor. Some county DHS offices appear to experience a loop of impossible workloads, sinking morale, and high attrition.

- ***Additional responsibilities* - DHS was recently designated to determine TennCare eligibility; however, county offices need more permanent eligibility counselor positions to handle the resulting caseload.** When the state named DHS as the entity to complete statewide reverification and conduct annual enrollment and eligibility checks, the department received 252 new permanent eligibility counselor positions. The department also hired temporary staff to assist with administrative duties. Department staff indicate that other program enrollment will rise as a result of reverification. As counselors have conducted eligibility sessions with TennCare enrollees, standard procedure has been to check eligibility for Families First, Medicaid, and food stamps.

  County offices used somewhat locally-determined practices to conduct reverification, including group interviewing and telephone interviewing; however, all officials interviewed expressed concern that the caseload was too high. According to a 2002 U.S. District court decision, the average eligibility counselor's caseload rose from 265 to 482 after TennCare reverification was assigned to the department. "These facts lead the Court to find that, in all likelihood, for this limited period of reverification TDHS lacked the administrative resources to process all enrollees

[140] Ed Lake, Deputy Commissioner, DHS, e-mail to author, May 2, 2003.

so as to complete the reverification process in the 45-day periods governing the reverification decisions."[141]

- ***Information system*** **- The DHS management information system is a barrier to accuracy and efficiency instead of a tool to decrease the burden of large caseloads and complicated policy.** The system is unable to adequately manage intricate and frequently-changing program policies. Eligibility counselors struggle with complicated policies for multiple programs, and the Automated Client and Eligibility Network for Tennessee (ACCENT) system appears to increase inefficiency and error rather than helping workers manage cases.

  When Tennessee contracted to transfer the system from Ohio in 1989, the state "envisioned a system that would reduce paper; support an interactive client/caseworker interview; provide automated eligibility logic for all three Family Assistance programs; create client notices; provide client scheduling functions; and provide management reports." To get the system to complete these functions and resolve policy differences with Ohio that were embedded in the system, the state modified and tested ACCENT through 1992. The total cost for transferring and modifying the system was $38 million, though the state received enhanced funding for the transfer from several federal agencies.[142] Since converting to the system in 1992, workers have had to override the system manually with a maneuver called a FIAT to perform routine tasks. In addition, the system sometimes deems applicants eligible for benefits in error, and workers must know when the system is wrong or risk over-issuance. For example, illegal aliens are eligible to receive food stamps for only seven years after arriving in the country. If a Tennessee eligibility counselor enters the date of arrival and alien status correctly for an ineligible alien, ACCENT will "pass" the applicant as eligible for benefits. If the worker does not know the policy and fails to override the approval, the applicant is issued benefits that would be subject to recovery if the DHS investigative unit pursued the case.

  ACCENT interfaces with 26 other systems or data sources, but appears to have multiple problems doing so. However, the system does not interface with the federal Job Training Partnership Act (JPTA) system that keeps track of all TANF cases. Medium and large counties often have case manager assistants who spend all or most of their time entering actions on Families First cases into the federal system. Discrepancies between ACCENT and JTPA suspend or reverse the time clock on Families First cases, contributing to the low number of cases nearing lifetime benefit caps.

  Further, county offices have problems when ACCENT interfaces with other systems. During site visits, analysts noted cases in which child support is collected for a child and caretaker parent but not distributed to them. The child support division may concede that the family is not receiving the money, but ACCENT still displays the income and counts it when determining eligibility and benefit amounts. For example, one mother received a child support payment of $291 in November 2002, but the child support MIS transmitted to ACCENT that the family received $655 that month, which was actually the amount of the family's unmet need, calculated using a DHS formula for

[141] U.S. District Court for the Middle District of Tennessee Nashville Division, Judge Haynes Class Action, No. 3:98-0627, Rosen, et. al., vs. Tennessee Commissioner of Finance and Administration, p. 45.
[142] Brenda Tucker, for Ed Lake, Deputy Commissioner, Department of Human Services, e-mail to author, "ACCENT Responses to Follow-Up Questions," March 13, 2003.

determining food stamps, TANF grants, and child support payments. The family's food stamp benefit was drastically reduced. The worker in this case indicated that it took the child support division significant time to correct what they characterized as a computer error.

DHS workers cannot depend on ACCENT's accuracy and must spend valuable time manipulating data and correcting errors. Such administrative problems cost the state money in personnel time, over-issuance of benefits, and continuance of services that should have been terminated. The maintenance costs for ACCENT total $6 million per year. According to DHS officials, the FY2005 budget includes a $38 million improvement for a new multi-agency management information system for DHS and the Department of Finance and Administration. DHS is working with the Office of Information Services and expects to issue a request for bids by summer 2004.[143]

- ***Complicated Policy*** **- Eligibility counselors handle four different programs (Food Stamps, Medicaid, Families First, and TennCare) with complicated and constantly changing policies.** Eligibility standards are unique to each program, and the ACCENT system does not perform all required functions for workers.

Unlike TANF programs in most states, Tennessee's Families First program does not divert families from ongoing monthly cash assistance. TANF programs in Arkansas, Kentucky, North Carolina, and Virginia include diversion components; however, state law prohibits Tennessee from including a diversion program in Families First.[144] Short-term assistance diverts potential and current recipients from ongoing welfare assistance and reduces state welfare caseloads and expenditures, as well as keeping recipients from reaching lifetime eligibility limits. Diversion programs provide vouchers for car repair, child care, housing, food, and other daily or employment-related needs in addition to or instead of cash assistance. In 2000, 33 states operated such diversion programs. Some advocate groups oppose diversion programs fearing that recipients who encounter further financial hardship after exhausting their diversion benefits will be without further support options.

Rules for programs vary by state, with each determining diversion payment eligibility, the amount of time families can receive payments, and whether to count payments toward families' lifetime TANF limits. For example, North Carolina's Benefits Diversion program includes:

- a one-time lump sum payment equal to a maximum of three months of TANF benefits;
- Medicaid and food stamps if eligible for the months in the diversion period;
- referrals to child care, child support, and other community and agency resources; and
- employment services.[145]

North Carolina researchers have found that since 1996, 30,565 cases (about 91 percent) of recipients were diverted from North Carolina's regular TANF program.[146] In the first quarter of 2003, North

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[143] Telephone interview with Jeff Roberts, Assistant Commissioner, Finance, DHS, Feb. 10, 2004.
[144] See *Tennessee Code Annotated* §71-3-159(b).
[145] North Carolina Department of Health and Human Services, Division of Social Services website, http://www.dhhs.state.nc.us/dss/ei/ei_wf_bd.htm, accessed April 4, 2003.
[146] University of North Carolina Chapel Hill School of Social Work's Jordan Institute for Families, "Status of Participation in Normal Work First Program After Diversion in North Carolina," http://ssw.unc.edu/workfirst/index3.html, accessed May 29, 2003.

Carolina diverted approximately 1,078 households. According to a professor tracking diversion cases, the median length of stay on North Carolina's TANF program is approximately seven or eight months, as opposed to the three months covered by a diversion payment. North Carolina's diversion program has:

- kept caseloads level in North Carolina, despite the economic downturn of the last few years;
- saved money for the state by diverting households from the more expensive option of enrolling in the normal TANF program; and
- provided the least-needy cases with an option to full enrollment in the state TANF program. [147]

Kentucky operates a similar program, diverting about 350 to 400 cases a month. About half have never been on TANF.[148] A five-year evaluation of welfare reform in Kentucky found the state saved $2,250,572 from November 1997 to October 2000 using its Family Alternative Diversion program. Furthermore, because receiving diversion payments does not count toward lifetime TANF time limits, the program saved recipients almost 50,000 months of TANF eligibility over the same time period. The program also helps Kentucky more easily meet TANF work participation requirements. [149]

Service Delivery

Service Delivery - General

Rural communities lack sufficient service providers. Rural barriers to employment include lack of child care and transportation. Even with child care vouchers, rural working parents struggle to find placements for their children, especially for late hours or weekend care. Parents in both urban and rural areas are often limited to weekend jobs and late shifts. Low-income working families remain on child care voucher waiting lists for long periods of time because demand far outweighs available subsidy funds. In addition, few rural providers accept TennCare, especially for dental care. Patients often travel to neighboring counties or to the closest metropolitan area to receive care, an inefficient use of limited TennCare transportation funds.

According to a CBER study, rural and suburban Families First households also differ slightly from their urban counterparts. Urban households have slightly higher average education levels, though minor parents in non-urban areas are more likely to be in school. Rural and suburban residents more likely have a car and rent-free housing than their urban counterparts, but transportation is a barrier to employment for Families First participants outside of urban areas. Non-urban caretakers are more likely to be married or male.[150]

DHS offices in rural areas are generally smaller, have lower caseloads than their urban counterparts, and historically have had fewer staffing problems. State DHS salaries have been competitive with other occupations available in rural areas. However, as the economy has declined, rural offices are also

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[147] Telephone interview with Dean Duncan, Research Assistant Professor of Social Work, North Carolina Chapel Hill's School of Social Work, May 15, 2003.
[148] Telephone interview with Gerard Barber, Professor of Social Work, Kent School of Social Work and Urban Studies, Louisville, Kentucky, April, 28, 2003.
[149] "Welfare Reform: Overview of Kentucky's Five-Year Experience," Kent School of Social Work and Urban Studies Institute, 2002.
[150] William F. Fox, Vickie C. Cunningham, Angela R. Thacker, Betty B. Vickers, *Families First 2000 Case Characteristics Study,* Knoxville, TN: Center For Business and Economic Research, University of Tennessee, Dec. 2001, xii-xiii.

seeing caseloads and staff turnover rise. Staffing levels in many transitional counties such as Rutherford are not keeping pace with rapid population growth.

Rural agencies lack service providers to which they can refer clients for specific needs such as mental health care, job training, child care, and subsidized housing. For instance, THDA notes that Section 8 Housing Choice Vouchers have a very low success rate in rural areas because of low levels of available housing and because HUD rental payment standards are below amounts acceptable to private landlords.[151] To meet community needs, some rural health departments offer primary care and dental services. Agencies also lack resources to serve those ineligible for government benefits. Most urban and transitional communities have multiple private organizations that provide emergency food, shelter, and health services, while rural areas do not. When program funds for LIHEAP, Rural Transit, and CCDF are exhausted, other organizations do not exist to fill the gaps.

Lack of reliable transportation is a barrier to self sufficiency for many low-income individuals. DHS provides some transportation assistance and most HRAs and CAAs receive rural transit money, but it is often inadequate to meet demand. DHS eligibility counselors indicated that clients often are offered jobs they must decline because of lack of transportation.

A lifetime benefit cap of 60 months has not been effective in limiting the number of months Tennessee families receive TANF benefits. According to DHS administrators, the department begins tracking Families First clients reaching 54 countable months of assistance. Eleven cases were on the statewide tracking list as of February 2004. Three other cases have over 60 months but currently have exemptions.[152]

The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 replaced the old welfare system, AFDC, with the TANF program, which was designed to change the goal and perception of public assistance. Participants get training and support to move toward self sufficiency. The lifetime benefit cap of 60 months was set to provide an incentive for participants to use the educational opportunities, acquire skills and employment, and end generational dependence on welfare. These aspects of the Families First program have not been realized on a grand scale as families remain on TANF well beyond five years and workers still see second- and third-generation recipients.

Reasons for permanent or temporary exemptions from the time count include pregnancy, disability, illness, or unavailability of a needed component or child care. Child-only cases are also exempt from lifetime caps on benefits. During interviews, DHS employees attributed some non-countable months to administrative barriers, computer inefficiencies, and overwhelming volumes of clients. When analysts examined case files, the most common reason for benefit months not counting toward lifetime benefit caps was administrative error. One case examined by analysts was rolled back from 25 months to zero for failure to sign the Personal Responsibility Plan (PRP), discrepancies between the JTPA information system and ACCENT, and a DHS worker's failure to act timely in response to an employment status change.

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[151] E-mail to author from Laura L. Swanson, Director of Rental Assistance, THDA, "Section 8 Voucher Program Success Rates," Nov. 6, 2003.
[152] Ed Lake, Deputy Commissioner, DHS, e-mail to author, Feb. 11, 2004.

DHS eligibility counselors indicated they are unable to contact clients frequently enough to inform, monitor, and assist them in reaching their full potential through the program. Workers in all offices visited during this study reported that seven to 12 appointments a day averaging close to an hour in length leave them no time to return voicemail or perform other case management duties. Families First cases are labor intensive and require close monitoring to reach program goals. Caseloads that are two and three times higher than the recommended levels do not allow workers to fulfill their roles in the process.

In addition, the Customer Service Review (CSR) system, established in 1998 and administered by the University of Tennessee, must review every Families First case before it closes and often delays termination of benefits. Administrative disagreements between CSR and DHS caseworkers can take months, during which time clients receive benefits with a time exemption. This is true even if a client is not in compliance with the PRP. Local DHS staff feel participants learn they can receive checks and child care for months despite DHS policy that they must abide by their PRP to remain on the program. The 2001 DHS audit reported that participants appear to abuse the conciliation process.[153]

Analysts reviewed case files during site visits and found many cases in which TANF recipients were referred to a component such as a GED class as many as nine times over the course of a year, yet never attended. DHS must pay for the class and the van service each time. Families First provides several opportunities and support for individuals wanting to become self sufficient. However, the program's success depends on clients' motivation. The 2001 DHS audit found that no-show rates for adult education and job training components of Families First ranged from 23 to 57 percent between October 1998 and September 1999. Completion rates for those components ranged from eight to 37 percent.[154] When clients learn that DHS has little recourse than to refer them again if they do not attend, the state wastes money paying for services clients have no intention of using.

In response to external and internal concerns and with the help of key advocacy groups, DHS implemented changes in the CSR program policies in November 2003. However, it is too early to know if these changes will be sufficient.

Service Delivery - Nutrition

Lack of affordable storage space and the state's accounting requirements for contracting agencies limit the efficiency and effectiveness of Tennessee's Emergency Food Assistance Program. Tennessee's TEFAP program contracts primarily with community action agencies and human resource agencies to provide mass and household distribution of commodities. As of 2004, TEFAP had 25 emergency commodity distribution contracts—20 with CAAs and HRAs and five with the Second Harvest Food Bank network. The Second Harvest Food Bank network also serves as a distribution center to churches, pantries, and other community agencies providing emergency food. Unlike Tennessee, some other southeastern states, such as Mississippi, Alabama, and South Carolina, contract exclusively with food banks to increase the efficiency and effectiveness of the program.

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[153] Division of State Audit, *Department of Human Services: Performance Audit,* Comptroller of the Treasury, Aug. 2001, p. 38.
[154] Ibid, p. 19.

Food banks often take bonus TEFAP frozen food and fresh produce that CAAs cannot accommodate because of the lack of refrigeration capabilities and administrative funds. They also generally distribute food more frequently than CAAs and HRAs (i.e., daily versus quarterly).

Tennessee's documentation process requires contracting agencies to account for each food item used by the program. According to USDA, Tennessee requires more strict accountability of food distributed than the federal government. Doing so increases accountability but may also discourage agencies with large volunteer staffs from participating. According to representatives from Second Harvest, some emergency food providers have discontinued participation in the TEFAP program because of the detailed documentation required. [155]

In addition, CAAs and HRAs receive administrative expense funds from TEFAP and rent commodity storage space. Though some provider agencies may be able to store and administer food with other funds unique to that particular organization, other agencies exhaust their TEFAP administrative expense funds near the end of the year and may have difficulty storing the food for later distribution.[156]

> *Tennessee Department of Agriculture Response (e-mail to author, April 7, 2004):*
> *USDA policy outlines only minimum commodity issuance recordkeeping requirements and does not provide specific instructions for implementation or how a state agency will meet its monitoring responsibility in this area. TDA has surveyed a number of state agencies regarding their current level of recordkeeping requirements. Their responses, as well as copies of TEFAP policy and procedures manuals from four other states, are now being studied to determine how Tennessee might change recordkeeping requirements at the local level. TDA is committed to requiring the least amount of administrative burden while maintaining an adequate level of oversight.*
>
> *Following the publication of the final version of the Comptroller's Poverty Report, TDA will share the report's recommendations with the CAAs, HRAs, and food banks currently under contract with TDA. This will take the form of a survey to solicit comments and suggestions related to the report recommendation that TDA consider contracting exclusively with food banks. TDA will use the survey results as well as any input from the legislature to determine what changes, if any, should be made to the current service delivery system.*

Service Delivery - Health Care

TennCare has reduced the number of uninsured persons in Tennessee and improved the quality and type of health care received. Since implementing TennCare in 1994, the state's uninsured rate has decreased. Tennessee has a lower percentage of uninsured persons than the national average, and a lower uninsured rate than surrounding states.

By two different estimates, Tennessee's uninsured rate is lower than it was in 1993. Census Bureau estimates placed Tennessee's 1993 uninsured population at 13.2 percent and its 2001 population at

[155] Interview with Alison Stovall, Emergency Food Box Program Manager, Second Harvest Food Bank, Feb. 27, 2003.
[156] Interview with Terry Minton, TEFAP Administrator, Tennessee Department of Agriculture, Dec. 31, 2002.

11.3 percent. According to in-state research, the uninsured rate fell dramatically in 1994 and, despite some fluctuations, has remained lower than the 1993 rate.[157]

Exhibit 28: Statewide Estimates of Tennessee's Uninsured Populations, 1993-2002

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Percent	8.9%	5.7%	5.8%	6.3%	6.1%	6.2%	7.2%	6.5%	6.2%	6.07%

Source: CBER Survey of TennCare Recipients, 2002

Further, Tennessee has a lower three-year average percent of people without health insurance coverage than the national average and every border state except Missouri. The United States average for year 1999 through 2001 was 14.5 percent compared to Tennessee's 10.8 percent average.[158]

Providing health coverage to more persons has positive effects on quality of life. Emergency rooms, often the source of primary care for the uninsured, do not provide preventive care or treatment for many serious illnesses. One source notes "[n]umerous studies confirm that not having health insurance reduces your access to preventive, primary and specialty care. People without insurance are more likely to live sicker and die younger."[159] According to a 2002 survey, TennCare recipients report more frequent visits to the doctor than the general population, which may be linked to the inclusion of medically needy persons; however, TennCare usage of emergency rooms as the method of initial medical care has dropped since the inception of the program. According to the survey, TennCare has had a positive effect on the Medicaid population, causing recipients to "see physicians more often, visit emergency rooms less for initial care, and [be] able to see a physician without excessive travel or waiting time."[160] An overwhelming majority (85 percent) of recipients report satisfaction with the program.

Service Delivery - Housing

Families eligible for and with Section 8 Housing Choice Vouchers often struggle to find housing that meets their needs. Vouchers allow low-income families to choose units from private landlords who accept vouchers for rent. According to public housing authority administrators, the number of landlords accepting Section 8 vouchers does not keep pace with demand and is dwindling in some places. Private landlords can refuse to accept vouchers because they do not want to comply with HUD program requirements, which include meeting HUD housing quality standards and accepting monthly voucher rental payments without charging the family additional rent. The primary programmatic reasons limiting voucher program success are lack of available units and the payment standard, or the maximum amount a housing authority may pay for rent. Housing authorities must establish payment standards between 90 and 100 percent of Fair-Market Rent, as set by HUD. Though HUD recently

[157] U.S. Census Bureau, "Historical Health Insurance Tables: Tennessee," Column, not covered, http://www.census.gov/hhes/hlthins/historic/hihistt4.html, accessed Jan. 7, 2003; William Lyons and William F. Fox, "The Impact of TennCare: A Survey of Recipients 2002," The University of Tennessee Center for Business and Economic Research and Social Science Research Institute, 2002, p. 2.
[158] Robert J. Mills, "Health Insurance Coverage: 2001," U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, Sept. 2002, p. 10.
[159] Howard Bell, "The Uninsured: Myths and Facts," *The New Physician*, September 2000; reprinted at http://www.amsa.org/tnp/myuths.cfm, accessed Feb. 25, 2003.
[160] Lyons and Fox, pp. 4-5 and 8.

approved increased payment standards in more than 30 rural Tennessee counties with low voucher-holder success rates, the department has decreased THDA's ability to do so in the future.[161]

As of March 31, 2004, THDA had 5,844 Section 8 vouchers available for use in 5,845 units across the state.[162] THDA has another 5,557 families on waiting lists for vouchers.[163] The agency reports a 36 percent success rate for vouchers. In other words, THDA generally issues two vouchers that expire before a voucher-holding family finds a suitable unit.[164] Section 8 vouchers are generally good for 60 days with a possible extension up to 120 days. Administrators note that some families have housing requirements that are hard to fill (i.e., large families, suitable location), making them less likely to secure housing. Local housing authority administrators in rural, urban, and suburban areas report that families often need more than the maximum allowable time to find suitable housing. They must reapply and begin again, sometimes ending up on waiting lists for rental assistance or moving into public housing developments.

Service Delivery - Nonprofit Services

Tennessee's many nonprofit organizations serve large numbers of poor and low-income people who may not receive public assistance but suffer special financial difficulties during economic downturns. As a result, many nonprofits that provide services to those in need report high usage rates and depleted resources**.** According to the National Center for Charitable Statistics, Tennessee had 17,318 public charities in 2003.[165] Compared to other states, Tennessee's nonprofits benefit from a relatively high rate of charitable giving. In 2002, the Development Report Card for the States ranked Tennessee 14th (tied with Oregon and California) for charitable contributions as a percentage of adjusted gross income.[166] The nonprofit sector is internationally recognized for providing important aid to social wellbeing. The Johns Hopkins International Philanthropy Fellows, though also noting drawbacks, cite this sector's strengths in serving populations dependent on support:

- Flexibility *(smaller, faster, and more innovative than government services)*
- Responsiveness *(integrated community approaches to unmet needs)*
- Value Focus *(nurturing, sensitive, and encouraging)*
- Ability to Tap Underutilized Resources *(such as time, talent, and private money)*
- Advocacy Role *(monitor government services and recommend change)*
- Empowering Capacity *(foster responsibility through participation and decision-making)*
- Credibility and Trust *(enables nonprofits to mobilize resources and help themselves)*

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[161] E-mail to author from Laura L. Swanson, Director of Rental Assistance, THDA, "Section 8 Voucher Program Success Rates," Nov. 6, 2003.
[162] "Number of Units by County as of March 31, 2004," Tennessee Housing Development Authority, http://10.171.13.4/s8ra/unitsxcty/asp, accessed April 7, 2004.
[163] "Families on Waiting Lists by County as of April 7, 2004," Tennessee Housing Development Authority, http://10.171.13.4/s8ra/waiting.asp, accessed April 7, 2004.
[164] Interview with Janice Myrick, Executive Director, THDA, Nov. 25, 2003.
[165] "Registered 501(c)(3) Organizations by Type of Organization," National Center for Charitable Statistics, BMF 07/2003 501c3, 2003 data for Tennessee, Source data: Internal Revenue Service, http://nccsdataweb.urban.org/NCCS/Public/index.php, accessed Oct. 17, 2003.
[166] "Development Report Card for the States, 2002," Corporation for Enterprise Development, 2002, http://www.drc.cfed.org/measures/char_give.html, accessed April 25, 2003.

- An Economic Force *(in social contributions and employment)*[167]

Active public-serving nonprofits can prevent continually-dependent beneficiaries from reaching desperate levels of poverty—several nonprofit organizations interviewed for this project have served some of the same clients for a number of years. However, many of Tennessee's nonprofits have traditionally served the working poor. For instance, the average Nashville Habitat for Humanity home-owning family earns approximately $18,253 a year. Other organizations report rising numbers of working families requesting assistance. Forty percent of adults served by Second Harvest Food Bank of Middle Tennessee are working, an increase from past levels. Founders created the Modest Needs Foundation specifically to help people who are normally self sufficient but through emergencies find themselves unable to meet temporary needs.

Nonprofit agencies relying on donations face revenue difficulties but are called to provide additional services to those suffering from the fate of the economy. Nationwide, many nonprofit agencies reported stagnant or decreasing donations from January through October 2002 compared to the same period in the preceding year.[168] This trend is coupled with additional requests for services. In Nashville, requests for food and housing assistance increased greatly in 2002. Second Harvest Food Bank of Middle Tennessee served 25,490 new clients in 2001-02.[169] The agency reported area lay-offs, high medical bills, and low wages as causes for increased demand. [170]

Many, though not all, of the nonprofit organizations (public and private, urban and rural) contacted for this study reported that need far outpaces supply. For instance, the Southwest Human Resource Agency estimated it serves approximately 2,000 clients with available LIHEAP funding out of 6,000 to 8,000 applicants.[171] The Metro Action Commission exhausts certain funds, like LIHEAP, before the end of each year, and other programs have long waiting lists. Because of limited resources, a large number of those seeking emergency shelter in Memphis were never admitted to the system.[172]

Second Harvest Food Bank of Middle Tennessee has received a higher-than-average number of requests for emergency food boxes recently, though food drive donations have declined. When interviewed, staff noted collections were at 40 percent of last year's rate, and the bank was at 30 percent of the goal set for the year. The food bank has purchased food, reduced the number of supplies in boxes, and started strictly enforcing maximum donation rules (three boxes in a six month period) to ensure service to the most persons possible.[173]

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[167] "The Nonprofit Sector and the Transformation of the Welfare State," State of Johns Hopkins International Philanthropy Fellows, Rome, Italy, July 1997, Johns Hopkins University Institute for Policy Studies, Center for Civil Society Studies, http://www.jhu.edu/~philfellow/prin4.html, accessed April 25, 2003, pp.2-4.
[168] "GuideStar Survey Reveals Drop in Philanthropy," Philanthropic Research, Inc., Press Release, Dec. 2, 2002, http://www.guidestar.org, accessed Feb. 4, 2003.
[169] Second Harvest Food Bank of Middle Tennessee, "2001/2002 Annual Report," pamphlet, no date.
[170] *A Status Report on Hunger and Homelessness in America's Cities 2002: A 25-City Survey*, Dec. 2002, The United States Conference of Mayors, pp. 7-8.
[171] Interview with A. Franklin Smith, Executive Director, Southwest Human Resource Agency, Dec. 10, 2002.
[172] Interview with Pat Morgan, Executive Director, Partners for the Homeless, Dec. 17, 2003.
[173] Interview with Susannah Shumate, Vice President, Second Harvest Food Bank of Middle Tennessee, Feb. 27, 2003.

One factor affecting the viability of many nonprofits is the increased number of organizations. The United States has more nonprofit organizations per capita than any other nation, and "[a]ccording to recent estimates, the number of nonprofits in the U.S. virtually doubled in the last quarter of the 20th Century."[174] A rising number of nonprofits increases competition for foundation funding, government contracts, and private contributions. In Tennessee, the number of public charities grew by 46 percent—from 11,871 to 17,318—between 1995 and 2003.[175]

[174] Charles F. Bryan, Jr., "Feeling the Pinch: More Nonprofits Split Smaller Pie," *Richmond Times Dispatch*, Feb. 23, 2003, http://www.timesdispatch.com/editorials/oped/MGBJC5WQGCD.html, accessed April 25, 2003.

[175] "Registered 501(c)(3) Organizations by Type of Organization," National Center for Charitable Statistics, BMF 07/2003 501c3, 2003 data for Tennessee, Source data: Internal Revenue Service, http://nccsdataweb.urban.org/NCCS/Public/index.php; "Registered 501(c)(3) Organizations by Type of Organization," National Center for Charitable Statistics, BMF 08/1995 501c3, 1995 data for Tennessee, Source data: Internal Revenue Service, http://nccsdataweb.urban.org/NCCS/Public/index.php, accessed Oct. 17, 2003. Totals do not include foundations, religious congregations, organizations with less than $5,000 in gross receipts, and other organizations that are legally part of larger nonprofits.

Recommendations

Legislative

The General Assembly and the Governor may wish to consider expanding the Jobs Council or creating a Poverty Council to examine the costs and benefits of funding the state's range of safety net and how these programs and services contribute to long-term state goals. The state legislature and executive agencies have a vested interest in setting and meeting long-term economic and social goals, including helping residents become economically self sufficient, preparing an educated workforce, and increasing the overall economic wellbeing of the state. A council of legislators, agency employees, community and advocacy organizations, and others could investigate how to maximize available resources and develop a funding structure that would provide sufficient investment in certain social programs to help the state achieve these goals.

Formal coordination and integrated strategic planning activities among agencies may increase efficiency and effectiveness. For example, the council could coordinate agency publications targeted to the same audience and discuss policy changes prior to implementation. Additionally, as state government implements performance based budgeting, participating agencies could use the council to plan together and set interagency performance measures. By the year 2011-12, all state agencies will be required to submit strategic plans, create performance measures, and demonstrate how their public expenditures help meet agency goals. Participating state agencies should include but not be limited to the following:

- Economic and Community Development
- Labor and Workforce Development
- Education
- Health
- Human Services
- Mental Health and Developmental Disabilities
- Housing Development Authority
- Finance and Administration—Bureau of TennCare

To reduce certain long-term public costs associated with poverty and low educational attainment, the General Assembly may wish to consider expanding funding for the Tennessee Early Education Pilot Program. Quality early childhood programs including family support services, such as those supported by Tennessee's early childhood education policy, have been linked to lower levels of juvenile delinquency and adult criminal behavior—both costly to the public.[176] According to one author, "improved school readiness can minimize the need for government expenditures" in health care, mental retardation, mental health, welfare, foster care, special education, juvenile delinquency, and corrections.[177] Several longitudinal studies reveal cost-saving relationships between preschool participants and various quality of life factors:

- Fewer referrals for remedial classes or special education;
- Lower rates of retention;

[176] Hirokazu Yoshikawa, "Long-Term Effects of Early Childhood Programs on Social Outcomes and Delinquency," *The Future of Children*, Vol. 5, No. 3, Winter 1995, pp. 51-75.
[177] Charles Bruner, *A Stitch in Time: Calculating the Costs of School Unreadiness*, The Finance Project, Sept. 2002, p. 18.

- More frequent high school graduation and GED completion;
- Lower incidence of illegitimate pregnancy and drug abuse; and
- Higher aspirations and greater participation in postsecondary education.[178]

In its *2003 Master Plan*, the State Board of Education estimates approximately 20,000 at-risk four-year-olds need access to early childhood education programs. The Tennessee Department of Education lost $9 million in TANF funds in FY04 that had allowed the state to expand early education services to 1,500 additional students for two years. The General Assembly may wish to consider replacing these funds and could have additional funds at its disposal if excess lottery proceeds could be dedicated to pre-kindergarten programs. The state's decision to invest in early childhood programs could improve the state's ability to improve the lives of its citizens and lower its poverty rate.

The General Assembly and the Governor may wish to consider establishing an Office of Immigrant Affairs to help multiple agencies plan for and serve Tennessee's growing population of residents with limited English proficiency. The North Carolina Governor's Office maintains an Office of Hispanic/Latino Affairs to provide information and staff to the Advisory Council on Hispanic and Latino Affairs. The office also sponsors events and projects for Spanish-speaking residents and develops and coordinates programs to meet their needs.

The General Assembly may wish to consider revising state law to allow for diversion programs, such as short-term emergency assistance and a child-care-only benefit category of Families First. In 2000, 33 states operated some form of TANF diversion, providing one-time lump sum payments and/or vouchers to recipients for daily or employment-related needs. Short-term assistance diverts potential and current recipients from ongoing welfare assistance and has reduced state welfare caseloads and expenditures in some contiguous states. Affordable child care is one of the widest gaps in Tennessee's poverty safety net. Because of prohibitively long waiting lists for low-income child care subsidies, parents must participate in the entire Families First program to get subsidies. Often, Families First applicants have lost or quit jobs they could have kept with child care and do not need career or other services. States such as Idaho and Minnesota have used TANF dollars more efficiently to meet the most critical needs of low-income families. A child-care-only benefit category would allow parents to enter or remain in the workplace, promote stable early childhood care, and save TANF dollars on unwanted and unneeded services.

The General Assembly may wish to consider exploring funding options for low-income child care subsidies. Many Tennessee families are eligible for child care assistance under the federal Child Care Development Fund guidelines, but lack of funding has forced DHS to stop admitting new families into the program even as others leave. As a result, Tennessee has many households with incomes over TANF limits struggling to afford child care. With increased funding, Tennessee could decrease waiting lists and help more working parents stay on the job and off public assistance.

The General Assembly may wish to study options regarding the Child Support Program policies to maximize pass-through payments to custodial parents. States can count child support funds

[178] Kathleen Cotton and Nancy Faires Conklin, "Research on Early Childhood Education," Topical Synthesis #3, School Improvement Research Serices, Northwest Regional Educational Laboratory, Jan. 1989, http://www.nwrel.or/scpd/sirs/3/topsyn3.html, accessed March 28, 2003.

passed through to families toward their state TANF matching funds. Additional child support funds going to families would require fewer state dollars designated to match federal TANF funds. Furthermore, a 2001 evaluation of the child support withholding system in Wisconsin compared families receiving total child support payments to families that had portions of the payments withheld to repay welfare benefits. The multi-year study found that the state saved money in benefits by passing through total payments to custodial parents—those parents were more successful achieving self sufficiency and had decreased dependence on government subsidies. Additionally, non-custodial parents were more likely to pay support if they knew their child's household was receiving the total amount they paid.[179]

The General Assembly may wish to consider funding TennCare Assist. The program, approved under the 2002 waiver, would allow the state to help low-income residents pay premiums on insurance provided through their employers. If a significant portion of current TennCare Standard recipients enroll in the program, which was included in the waiver as a cost-saving mechanism, the state could decrease program enrollment without further increasing its uninsured rate.

Members of the General Assembly may wish to consider attending Poverty Simulation training offered by the University of Tennessee's Agriculture extension Program. People in positions to make public policy affecting low-income families should have an idea of the challenges faced by these families on a daily basis. The University of Tennessee Agriculture Extension's Tennessee Nutrition and Consumer Education Program (TNCEP) staff has gone to great lengths to make this simulation a realistic experience of life near the FPL in Tennessee. TNCEP staff divide simulation participants into family groups and give them detailed roles to play. They must then try to pay bills with limited resources for four "weeks" and navigate the system of public assistance and social service providers. The simulation includes actual representatives from social service agencies, banks, retailers, schools and law enforcement providing assistance as well as generating barriers to create a realistic atmosphere. After the simulation is over, participants debrief and discuss their experience.

Administrative

The Tennessee Tax Structure Study Commission may wish to consider a food sales tax credit or rebate program to reduce the regressivity of the state's tax structure. The General Assembly's passage of Public Chapter 856 of 2002 created the independent tax structure study commission to perform a:

> comprehensive study of the entire system of taxation in Tennessee, as well as evaluating such system as to its soundness, fairness, equity, and deductibility for all Tennesseans, and, if deemed necessary, with recommending changes to the tax code in order to encourage and enhance such soundness, fairness, equity, and adequacy.[180]

One option to reduce the disproportionately high taxes low-income households pay as a percentage of their income would be to create a food sales tax credit or refund as some other states have done. Possible formats for a sales tax credit program would be to create encoded magnetic cards with sales tax credits, similar to a debit card or the Electronic Benefits Card used in other safety net programs, or

[179] Meyer and Cancian, April 2001, Executive Summary.
[180] *Tennessee Code Annotated* 67-10-106 (c).

to require completion of an application. The Commission could consult with other states, such as Kansas and South Dakota, already operating such programs.

The Department of Human Services should recruit and hire additional bilingual employees at above-entry pay and train interpreters who provide services at DHS offices. This would alleviate some problems associated with serving limited English proficient clients. The department should also explore ways to serve LEP clients fulfilling their PRPs. Though relatively few Families First clients are non-native English speakers, LEP clients who do participate should have options other than ESL or ESOL classes to count as work activities.

The Department of Human Services should explore additional ways to serve TennCare clients. DHS should consider providing offsite case management at health departments or local hospitals so that TennCare recipients find reverification to be a less-frustrating process taking place in a more-familiar environment.

The Department of Human Services should radically upgrade or replace the ACCENT system used to determine eligibility for four social service programs. An ideal management information system would be a tool for administrative efficiency rather than a barrier to effective eligibility determination and case tracking. The department notes that ACCENT is currently an unfunded project in the DHS Information Systems Plan. The state planned in April 2003 to begin "a study to develop a future direction plan, which may include a recommendation for a more in-depth feasibility study or a development RFP [Request For Proposal]," with implementation dependent upon available funding.[181] Department officials now indicate that the proposed 2004-05 budget includes money to replace ACCENT and they expect to issue an RFP in summer 2004. The state should reap time and cost savings by upgrading or replacing the system with one designed to meet specific Tennessee needs.

The Department of Human Services should simplify program policies to provide as much overlap in eligibility standards as possible. Federal laws dictating eligibility standards for Food Stamps, Medicaid, and TANF allow states to align them to some degree. The federal standards were more fragmented in the past, and Tennessee's laws reflect these old standards. Updated and increased uniform eligibility criteria would simplify policy and increase efficiency in the application process.

The Department of Human Services and the University of Tennessee should implement and monitor new policies to further refine the administrative efficiency of the Customer Service Review (CSR) program and increase the speed of the termination process when appropriate. The CSR program is a vital evaluation and accountability tool for Families First, but the process can be cumbersome and time consuming. Cases that are eventually terminated often are delayed for months by administrative problems while benefits continue. Continued monitoring and adjustment of new procedures should ensure improved efficiency and effectiveness of the CSR program.

The Department of Human Services should edit the format of notices (letters sent to recipients about benefits) to appear similar to screens recipients see in DHS offices. Currently, letters about program eligibility are five pages long for each program. In the office, one computer screen shows all

[181] Brenda Tucker, for Ed Lake, Deputy Commissioner, Department of Human Services, e-mail to author, "ACCENT Responses to Follow-Up Questions," March 13, 2003.

benefits and income for which a recipient is eligible. Eligibility counselors interviewed for this project stated that clients often misunderstand the notices and ask for assistance reading them.

Adult and Family Services divisions within the Department of Human Services should coordinate dissemination of policy updates to field offices. Local offices could process policy changes to multiple programs more efficiently and accurately with better coordination of updates from the central office.

The Department of Human Services should collect and analyze information from help line calls. The state could gain valuable information about what clients, programs, and areas require the most assistance from the central office.

The Department of Personnel should perform a classification/compensation study for eligibility counselors, especially those handling Families First cases, or allow them to be reclassified as case managers. Further, the department should increase salaries to a competitive level, aiding DHS' recruitment and retention of qualified staff. The Families First program design requires case managers to assess barriers and monitor clients' progress toward self sufficiency. DHS eligibility counselors must understand multiple programs with complicated policies, but earn low salaries, have heavy workloads, and suffer high stress levels. The department struggles to keep county offices fully staffed.

Other state social service agencies have case manager positions that more accurately reflect skills needed by someone overseeing a Families First case. Compensating DHS front line employees more competitively would decrease turnover, caseloads, and stress in local offices in addition to saving training money and improving customer service. Quality staffing is essential to maximizing the efficiency and effectiveness of the state social services delivery system.

State agencies delivering services to low-income residents should continue to expand work with nonprofit immigrant organizations to increase the state's abilities to identify problems and serve additional eligible immigrants. Formal links between state agencies, such as DHS, and state and local advocacy organizations can foster increased efficiency serving immigrant populations. For example, the Shelby County Department of Human Services and Latino Memphis Connection have partnered for increased interpreter services and for a bilingual DHS eligibility counselor to work from the nonprofit's office once a week. Immigrant-serving organizations could also provide training, outreach, and translation services to state agencies.

State agencies should use program designs that have successfully addressed the housing needs of certain populations to increase the availability of supportive community housing for Tennessee's mentally ill and aging citizens. Tennessee has made great strides in the areas of small residence size and supportive living programs for those with development disabilities by decreasing institutional days and increasing small home size placements.[182] Properly-designed and funded services will save

[182] Robert Bruininks, et al., *Residential Services for Persons with Developmental Disabilities: Status and Trends Through 2001,* Research and Training Center on Community Living, College of Education and Human Development, University of Minnesota, June 2002, p. 132.

communities and the state welfare system money and improve the quality of life for many Tennesseans.

Housing authorities should seek additional funding to help voucher program participants secure suitable housing. Many rural counties have a sufficient number of housing vouchers, and increased housing production would raise the number of units available to meet subsidized housing needs. Increased incentives for the development of affordable housing and Section 8 rental property such as low-interest loans for development, construction, and purchase of rental properties could increase this supply. However, HUD provides limited funding to local housing authorities for housing production programs. Housing authorities should seek local, private, and foundation funding to provide these incentives.

Additionally, many families would benefit from search-assistance programs, for which local housing authorities receive no HUD funds. THDA provides informal search assistance to elderly and disabled housing voucher recipients. THDA staff indicate that families, especially those in rural areas and with special housing needs, would have more success if they were provided search assistance. Enhanced housing vouchers are issued to residents vacating closed project-based housing. These vouchers include search assistance and deposit money and, according to THDA administrators, have been shown to increase recipients' success finding housing.[183]

Tennessee Emergency Food Assistance Program administrators should consider altering the program's service delivery system and accounting requirements to capitalize on the capacity of the state's food banks. The program may be more able to easily accept and store bonus USDA perishable and frozen foods and distribute them more frequently by increasing the number of contracts with the state's food banks. Tennessee may also be able to enhance food bank participation in the program by reducing the level of documentation required of participating agencies.

[183] Telephone interview with Laura L. Swanson, Director of Rental Assistance, THDA, Nov. 7, 2003.

Appendix A

County Estimates for People of All Ages in Poverty for Tennessee: 1999

Population by Poverty Status in 1999 for Counties
Source: Census 2000 Sample Demographic Profiles, Table DP-3

County	Number below Poverty	Percent in Poverty
Anderson County	9,255	13.1
Bedford County	4,854	13.1
Benton County	2,539	15.6
Bledsoe County	2,024	18.1
Blount County	10,084	9.7
Bradley County	10,463	12.2
Campbell County	8,975	22.8
Cannon County	1,609	12.8
Carroll County	3,982	13.9
Carter County	9,309	16.9
Cheatham County	2,635	7.4
Chester County	2,065	14.4
Claiborne County	6,634	22.6
Clay County	1,504	19.1
Cocke County	7,452	22.5
Coffee County	6,803	14.3
Crockett County	2,395	16.9
Cumberland County	6,788	14.7
Davidson County	70,960	13.0
Decatur County	1,833	16.0
DeKalb County	2,930	17.0
Dickson County	4,334	10.2
Dyer County	5,856	15.9
Fayette County	4,053	14.3
Fentress County	3,788	23.1
Franklin County	4,953	13.2
Gibson County	6,035	12.8
Giles County	3,392	11.7
Grainger County	3,809	18.7
Greene County	8,889	14.5
Grundy County	3,650	25.8
Hamblen County	8,236	14.4
Hamilton County	36,308	12.1
Hancock County	1,933	29.4
Hardeman County	4,769	19.7
Hardin County	4,707	18.8
Hawkins County	8,338	15.8
Haywood County	3,802	19.5
Henderson County	3,114	12.4
Henry County	4,364	14.3
Hickman County	2,986	14.3
Houston County	1,430	18.1
Humphreys County	1,914	10.8
Jackson County	1,956	18.1
Jefferson County	5,695	13.4
Johnson County	3,610	22.6

Knox County	46,572	12.6
Lake County	1,339	23.6
Lauderdale County	4,656	19.2
Lawrence County	5,741	14.6
Lewis County	1,487	13.4
Lincoln County	4,231	13.6
Loudon County	3,858	10.0
McMinn County	6,953	14.5
McNairy County	3,845	15.9
Macon County	3,038	15.1
Madison County	12,349	14.0
Marion County	3,867	14.1
Marshall County	2,652	10.0
Maury County	7,393	10.9
Meigs County	2,000	18.3
Monroe County	5,926	15.5
Montgomery County	12,982	10.0
Moore County	539	9.6
Morgan County	2,880	16.0
Obion County	4,256	13.3
Overton County	3,180	16.0
Perry County	1,156	15.4
Pickett County	757	15.6
Polk County	2,066	13.0
Putnam County	9,828	16.4
Rhea County	4,042	14.7
Roane County	7,121	13.9
Robertson County	4,840	9.0
Rutherford County	15,808	9.0
Scott County	4,226	20.2
Sequatchie County	1,852	16.5
Sevier County	7,517	10.7
Shelby County	140,398	16.0
Smith County	2,141	12.2
Stewart County	1,526	12.4
Sullivan County	19,453	12.9
Sumner County	10,463	8.1
Tipton County	6,103	12.1
Trousdale County	954	13.4
Unicoi County	2,269	13.1
Union County	3,456	19.6
Van Buren County	826	15.2
Warren County	6,252	16.6
Washington County	14,388	13.9
Wayne County	2,392	16.3
Weakley County	5,174	16.0
White County	3,243	14.3
Williamson County	5,933	4.7
Wilson County	5,847	6.7

Appendix B
List of Persons Contacted in Preparation of this Report

General Assembly Members
Representative John DeBerry
Representative Bill Dunn
Representative Kim McMillan
Senator Roy Herron
Senator David Fowler

Department of Human Services
Charlotte Akers, Program Specialist, Knox County DHS
Jo Ann Andrews, Eligibility Counselor, Rutherford County DHS
Dave Avans, Program Director, Knox County DHS
Willie Caruth, Area Manager, Davidson County DHS
Colene Conover, Program Specialist, Sullivan County DHS
Larry Cooks, Food Stamps and Medicaid Field Supervisor, Knox County DHS
Susan Cowden, Families First Contract Services, DHS
Anola Crunk, District Program Supervisor, DHS District VIII
Onslow Davis, DHS District VII Administrator
Richard Dobbs, Office of Food Stamp Policy, DHS
Christine Estes, Field Supervisor, Rutherford County, DHS
Wanda Franklin, Families First Policy, DHS
Sue Franks, Families First Case Manager, Maury County DHS
David Gentry, Eligibility Counselor, Rutherford County DHS
Terry Gilliam, Eligibility Counselor, Henderson County DHS
Tina Goins, Families First Field Supervisor, Knox County DHS
Sandra Hale, Field Specialist, Cumberland County DHS
Dawn Hancock, Eligibility Counselor, Rutherford County DHS
Melissa Haun, Field Supervisor, Sullivan County DHS
Margaret Hewitt, District Family Assistance Program Director, DHS
Lonnie Hudson, Program Supervisor, Shelby County DHS
Doug Hutchison, Director, Community Food Program, DHS
Katherine Joyce, Corrective Action Program, Shelby County DHS
Susan Krik, DHS Area Manager, Cumberland County
Ed Lake, Deputy Commissioner, DHS
Judy Marley, Program Supervisor, Shelby County DHS
Dorothy McCrady, Program Specialist, Davidson County DHS
Steve Meinbresse, Community Contract Services, DHS
Margaret Milam, DHS Area Manager, Henderson, Hardin and Decatur Counties
Eva Mosby, District Program Director, DHS District VIII
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Cathy Muse, Area Manager, Sullivan County DHS
Steven Neece, Director, Child and Adult Food Program, DHS
Deborah Neill, Child and Adult Care Services, DHS

Richard Paige, Director of Fiscal Services, Division of Child Support Services, DHS
Dorothy Partee, Front Desk Clerk, Maury County DHS
Melinda Pirolozzi, Program Specialist, Cumberland County DHS
Bob Priddy, Field Supervisor I, Rutherford County DHS
Edna Robinson, Program Coordinator, Shelby County DHS
Mary Anne Rudolph, Medicaid and TennCare, DHS
Lionel Senesey, DHS District V Manager
Larry Sewell, Field Supervisor, Maury County DHS
Penny Smith, Director of Family Assistance, DHS
Tandy Woodard Smith, Families First Policy, DHS
Nina Stepard, Families First Case Manager, Sullivan County DHS
Regina Surber, Program Specialist, Community Service Grant Programs, DHS
Lee Tanksley, Program Supervisor, Shelby County DHS
Dawn Taylor, Families First Field Supervisor, Maury County DHS
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Annette Tyler, DHS District VII Program Director
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Amy Watson, Families First Eligibility Counselor, Knox County DHS
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Irene Williams, Eligibility Counselor, Knox County DHS
Linda Williams, District Administrator, DHS District VIII
Shirley Williams, DHS Area Manager, Maury and Giles Counties

Department of Health, Local Health Departments

Dempsey Andrews, Social and Patient Services Manager, KCHD
Edmund Bolt, Director, Knox County Health Department (KCHD)
Elliott Garrett, Program Director, Bridges to Care, Metro Nashville Health Department
Ellen Grey, Acting Director, Rutherford County Health Department
Peggy Lewis, Director of WIC and CFSP Programs, SDH
Dr. Wendy Long, Assistant Commissioner, State Department of Health (SDH)
Mark Miller, Assistant Director, KCHD

Department of Education

Janet Coscarelli, Head Start Administrator, SDE
Janet Fricks, Director of Adult Education Services, Rutherford County Schools
Hugh Shelton, Technical Support Director, SDE
Pam Stubbs, Director, Cumberland County Adult Education Services
Sarah White, Director of School Nutrition, State Department of Education (SDE)

Tennessee Housing Development Agency

Janice Myrick, Executive Director
Lorraine Shearon, Director of Research

Local Housing Authorities

Terry Cunningham, Executive Director, Kingsport Housing Redevelopment Authority (KHRA)
James Franklin, ROSS Grant Coordinator, MHA
June Jones, Hope VI Program Director, MHA
Robert Lipscomb, Executive Director, Memphis Housing Authority (MHA)
Juanita Madere, Lead Service Coordinator, MHA
Jackie Partee, Director Human Services, MHA
Nathan Pyle, Section 8 Program Director, KHRA
Billie Spicuzza, Executive Director, Knox County Housing Authority

Other State Agencies

Kim Darden, Property Tax Relief Program Supervisor, Comptroller of the Treasury
Liz Ledbetter, Mental Health Services, DMHDD
Terry Minton, Commodity Distribution Administrator, Tennessee Department of Agriculture
Lola Potter, Public Information Officer, Bureau of TennCare
Tracy Purcell, Bureau of TennCare
Marie Williams, Director, Office of Housing, Planning, and Development, Tennessee Department of Mental Health and Developmental Disability (DMHDD)

HRAs/CAAS

Cynthia Croom, Executive Director, Metro Action Commission
Barbara Kelly, Executive Director, Knoxville Community Action Agency
Franklin Smith, Executive Director, Southwest Human Resources Agency
Lois Smith, Executive Director, Upper East Tennessee Human Development Agency

Nonprofit Organizations and Others

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Jim Crowley, Regional Director, Habitat Mid- America
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Lana Kirk, USDA Section Chief for School and Family Nutrition Programs, Southeast Region
David Lubell, Tennessee Immigrant Rights Coalition
Cathy McPherson, Campus Chapter and Youth Program Manager, Habitat Mid-America
Chris McCarthy, Executive Director, Nashville Area Habitat for Humanity
Kathy McClendon, Tennessee Primary Care Association
Brian Miller, Executive Director, Tennesseans for Fair Taxation
David M. Mirvis, M.D., Director, University of Tennessee Health Science Center

Mississippi Department of Human Services
Modest Needs Foundation
Pat Morgan, June Averitt, Partners for the Homeless
Dorothy Phillips, Frank Law, Alabama Department of Human Resources
Russ Overby, Patty George, Attorneys, Tennessee Justice Center
Second Harvest Food Bank, Grey, TN, President and Other Representatives
Susannah E. Shumate, Vice President of Community and Media Relations, Second Harvest Food Bank of Middle Tennessee (SHFBMT)
Jane Smith, TEFAP Administrator, Chris Christmas,
Alison Stovall, Emergency Food Box Program Manager, SHFBMT
Larry Young, Coordinator of Food Service Operations, Susan Banks, Assistant Director for Statistical Support, South Carolina Department of Social Services

Appendix C
Food Stamp Benefit Formula

To receive food stamps, households must meet specific income and resource tests, with categorical eligibility for entire households receiving TANF or SSI benefits and certain exceptions for households with an elderly person or a person receiving certain disability payments. Household gross income must be at or below 130 percent of the federal poverty level and net income must be at or below 100 percent of the federal poverty level. USDA allows certain deductions from gross income levels in computing the net income level, including a standard deduction, a dependent care deduction, legally owed child support payments, and others.[184]

Benefits Determination

People in Household	Gross Monthly Income 130% FPL	Net Monthly Income 100% FPL	Maximum Monthly Food Stamp Allotment
1	960	739	139
2	1,294	995	256
3	1,628	1,252	366
4	1,961	1,509	465
5	2,295	1,765	553
6	2,629	2,022	663
7	2,962	2,279	733
8	3,296	2,535	838
Each additional person	+334	+257	+105

Source: USDA Fact Sheet on Resources, Income, and Benefits

USDA determines benefits by subtracting 30 percent of net income from the maximum allotment for the household size.[185] For example, an eligible four-person household with a net monthly income of $800 would receive a $225 monthly food stamp allotment. USDA determines this $225 amount by subtracting 30 percent of net income, or $240, from the $465 maximum monthly food stamp allotment.

[184] Note: Other deductions include a 20 percent deduction from earned income, medical expenses for elderly and disabled household members that are more than $35, and certain shelter costs. U.S. Department of Agriculture, Food and Nutrition Service website, Fact Sheet on Resources, Income, and Benefits, http://www.fns.usda.gov/fsp/applicant_recipients/, Accessed March 28, 2003

[185] Ibid. Note: USDA expects households to spend about 30 percent of their resources on food.

Appendix D
Response to the Report from the Commissioner of the Human Services

STATE OF TENNESSEE
DEPARTMENT OF HUMAN SERVICES
www.state.tn.us/humanserv/
CITIZENS PLAZA BUILDING
400 DEADERICK STREET
NASHVILLE, TN 37248
Telephone 615-313-4700 TTY 1-800-270-1349
Fax 615-741-4165

PHIL BREDESEN
Governor

VIRGINIA T. LODGE
Commissioner

April 1, 2004

Ethel Detch
Director, Office of Research
Comptroller of the Treasury
505 Deaderick Street, Suite 1700
Nashville, Tennessee 37243-0268

Dear Ms. Detch:

Thank you very much for the opportunity to review and comment on the draft report on the poverty safety net in Tennessee. Having done so, we believe the factual information presented in the report pertaining to the Department's programs and services has been accurately presented.

In addition, we found the study to be thorough and timely. The recent economic recession has placed greater numbers of low-income Tennesseans at risk and strained the resources of this agency and the many others striving to assist individuals and families in poverty meet their basic needs.

The report's recommendations concerning our Families First program are particularly timely. We recently convened the 2004 Governor's Task Force on Families First for the purpose of evaluating and making recommendations for improving all aspects of the program.

From the perspective of our experiences in helping thousands of poor people each day, we believe several of the study's major findings merit special attention:

- Significantly increasing the level of educational attainment in our state is key to reducing poverty, its related conditions and associated costs.

- Increasing the availability of affordable, quality child care is key to enabling low-income families to obtain and maintain employment.

- Improving the establishment, collection, and distribution of full child support payments is key to enhancing the economic well being of our Families First families.

The extent of poverty and the gaps in services to low-income families in Tennessee your report highlights are critically important public policy issues. We appreciate the attention you have focused on the needs of our poorest citizens.

Sincerely,

Virginia T. Lodge
Commissioner

VTL:EL:bct

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