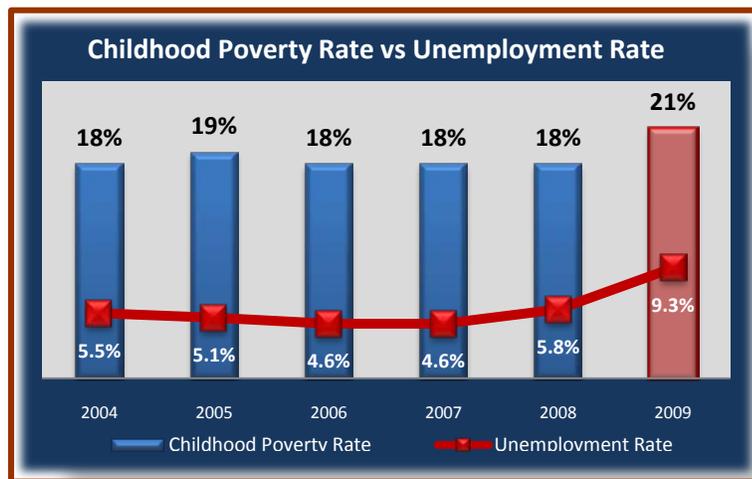


SUPPORTING WORKING FAMILIES REDUCES CHILD POVERTY, SAVES TAXPAYER DOLLARS

In difficult economic times, elected officials need proven, cost-effective approaches that improve the lives of children and families. Outlined below are several budget-conscious solutions that support parents working to provide for their families and ensure healthy development for their children.



Supporting working families and investing in children not only helps to strengthen communities but contributes to economic recovery. Nationally, [child poverty](#) costs up to \$500 billion annually in lost productivity and increased public spending. [Policies](#) that focus on working families can save states and communities money in terms of unemployment, welfare benefits and to help get children off to the right start.

Increase Access to Work Supports, through strategies that can be paid for with federal funds.

- Ensure that Eligible Families Receive Tax Benefits.** The [Earned Income Tax Credit](#) (EITC) has done more to lift children out of poverty than any other program and brings federal funds into local economies. Yet over 25 percent of eligible people do not file resulting in \$13 billion in unclaimed taxes. State policymakers can offer public education and free tax preparation services to help families claim the EITC and other federal tax credits. The IRS has made [funding](#) available to government and nonprofit entities to raise awareness of the EITC and other tax credits, but most states do not apply. The IRS also provides [free tax preparation services](#) for low-income people. [Iowa](#) spent approximately \$380,000 on free tax preparation services to help families claim the EITC, returning more than \$50 million to communities.
- Make High-Quality, Affordable Child Care and Early Education Programs Accessible.** Helping low income families pay for child care allows working families to hold jobs and can lead to higher earnings. Quality early childhood programs targeting low-income children [save \\$2.36](#) per dollar invested. Some states, such as Rhode Island, Illinois, and Wisconsin, [guarantee](#) child-care subsidies to all eligible families, with no waiting lists and no time limits on assistance. States also can support early education for young children by providing high-quality pre-kindergarten services in schools and other community-based settings such as child-care centers and Head Start programs. These programs address the educational risks faced by low-income children by raising the quality of early care and easing the transition to school. Child care subsidies can be funded through [Head Start](#), the Temporary Assistance for Needy

*Data source: The Bureau of Labor Statistics

Family block grant ([TANF](#)), the Child Care Development Fund ([CCDF](#)), and the Elementary and Secondary Education Act ([ESEA](#)).

- **Provide Short-Term or One-Time Emergency Assistance with Employment Expenses.** Several states have welfare “diversion” programs that provide recipients with lump sum payments to help obtain or keep a job, including help to buy or repair a car needed for transportation to work. [Colorado](#) found that state diversion recipients have higher salaries, are more likely to be employed, and are likely to remain off of cash assistance one year after receipt of payment. [Maryland](#)’s Welfare Avoidance Grant is designed to address a family’s immediate need to obtain or maintain employment, including purchasing a vehicle, which has resulted in reducing the need for welfare benefits. These programs can be funded through the federal [TANF](#) block grant and [SNAP E&T](#).

Protect Working Families from Predatory Financial Practices, through strategies that can be enacted at no cost to the state.

- **Limit Check-Cashing Fees.** Many low-income and minority neighborhoods are underserved by banks. Residents are more likely to use check-cashing services, where fees are much more expensive than conventional banking fees. Twenty states [regulate](#) check-cashing fees. The [lowest caps](#) were established by Illinois (1.4 percent plus ninety cents for checks up to \$500 and 1.85 percent of checks over \$500), and New York (1.64 percent).
- **Cap Refund Anticipation Loans (RALs).** [RALs](#) are short-term loans secured by the taxpayer’s expected tax refund. [Excessive annual interest rates](#) range from 50 to 500 percent and typically cost \$100 in fees. [Arkansas](#) prohibits RAL facilitators from charging extra fees in addition to the fee charged directly by the bank. [New York](#) requires tax preparers and RAL facilitators to register and pay an annual \$100 fee to the state and prohibits facilitators from charging a fee.
- **Control Payday Lending.** Payday loans are short-term cash loans due on the borrower’s next payday; excessive annual interest rates range from 390 to 780 percent. To address predatory payday lending, [fifteen states](#) and the District of Columbia [set limits](#) on interest rates on small loans. [Georgia](#) expressly prohibits payday lending. These lending protection measures saved families an estimated \$1.4 billion in 2006, the most recent year for which data are available.
- **Enact Protections Against Predatory Mortgage Lending.** These [practices](#) include negative amortization, prepayment penalties, credit insurance financing, home loan refinancing to the detriment of the consumer, high interest rates not justified by risk factors, and excessive foreclosures. [North Carolina](#) enacted the first comprehensive law protecting against predatory mortgage lending in 1999, saving an estimated \$100 million in the first year. Since then, [30 states](#) have established predatory lending laws with the strongest in Arkansas, California, Georgia, Illinois, Massachusetts, New Jersey, New Mexico, New York, North Carolina, South Carolina, and West Virginia.

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