SILICON VALLEY community foundation®

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Silicon Valley Community Foundation

ADVANCING INNOVATIVE PHILANTHROPIC SOLUTIONS TO OUR REGION'S MOST CHALLENGING PROBLEMS

ADVANCING FINANCIAL STABILITY BY IMPROVING ACCESS TO PUBLIC BENEFITS

RESEARCH PAPER

Advancing Financial Stability by Improving Access to Public Benefits

Introduction

Silicon Valley Community Foundation's mission is to focus on the community's most challenging problems, convene private- and public-sector leaders and initiate policy discussions at the regional, state and national levels.

In 2017, after a comprehensive community review process, SVCF's board approved five new grantmaking strategies: ensuring the safety and security of immigrants; Advancing Financial Stability by Improving Access to Public Benefits; accelerating student success in the Common Core education standards; increasing affordable housing and public transit opportunities; and promoting greater civic participation through open government.

This research paper outlines our rationale for why improving access to public benefits is a key lever for advancing the financial prospects of struggling individuals and families in Silicon Valley.

The Opportunity

Silicon Valley is a region of stark economic contrasts. While great wealth is created here, many people struggle to make ends meet. Although the Silicon Valley economy has recovered overall, many residents still feel the effects of jobs or assets lost in the Great Recession, and many are left out of the current technology boom. Skyrocketing housing costs are putting even more strain on individuals and families living at the margin.

The poverty rates in San Mateo and Santa Clara counties in 2015 were 8.5 percent and 8.2 percent, respectively. This is more than a 2.5 percentage point increase in San Mateo County from 2007.[1] If the high costs of housing were factored into the poverty calculation, the numbers of households in poverty in San Mateo and Santa Clara counties would actually be 17 percent and 18 percent, respectively.[2] In other words, once housing costs are taken into account, nearly one in five residents of Silicon Valley is coping with significant economic hardship. Meanwhile, low-income households have seen the slowest recovery to their incomes from the Great Recession. In 2014, residents with incomes at the 20th percentile saw virtually no increase in their income from the 2009 level after adjusting for inflation.[3]

[1] California Budget & Policy Center. (2017). Few California Communities Have Fully Made Up Ground Lost Due to the Great Recession. Retrieved from http://calbudgetcenter.org/resources/california-communities-fully-made-ground-lost-due-great-recession
[2] California Budget & Policy Center. (2016). Inequality and Economic Security in Silicon Valley.
[3] Ibid.

Education and employment are the clearest pathways out of poverty. However, in the Bay Area, more than 1.1 million workers, or more than one third of the total workforce, are employed in jobs that pay less than $18 per hour (or less than $36,000 per year for full-time work).[4] A household in San Mateo County with two adults, one preschool-age child and one school-age child would need to earn more than $85,000 per year just to cover basic necessities.[5] And 72 percent of low-wage workers have no degree beyond high school, making it difficult for them to qualify for living wage jobs.[6]

Given this economic reality, it is more important than ever that efforts be made to boost financial stability for low-income households.

Description of Grantmaking Strategy

SVCF believes we can make a significant, positive difference for families and local economies by improving how low-income individuals and families access and obtain public benefits and support. SVCF will invest in strategies that connect low-income individuals and families to public benefit programs for which they are eligible, such as CalFresh, CalWORKs, Cash Assistance Program for Immigrants, Low Income Home Energy Assistance Program, Medi-Cal, National School Lunch and School Breakfast Programs, Special Supplemental Nutrition Program for Women, Infants and Children, and Supplemental Security Income. (Please refer to Appendix I for a description of these programs.)

Another important strategy includes connecting families to free tax preparation services. This not only helps them save on tax preparation costs but also helps ensure that they claim all tax credits and deductions for which they are eligible, such as the federal and state earned income tax credit (EITC) and the child and child care tax credits. The tax filing season also provides an opportunity to engage families on a range of issues affecting financial stability, from investing a portion of their refund to signing up for financial education courses.

The benefits provided by these programs can substantially improve the stability of families who are living on the margin. Unfortunately, many of these useful programs are severely underutilized for a variety of reasons, including a lack of information about the programs themselves and how to enroll, lengthy enrollment forms and processes, and mandatory in-person interviews during work hours. Therefore, in evaluating proposals, SVCF will give special consideration to efforts to streamline and increase enrollment in a particular benefit program or across benefit programs through innovative and creative uses of technology.

Improving outreach to vulnerable and hard-to-reach populations is another important part of this grantmaking strategy. The goal is to make it easier for people to apply for and stay enrolled in benefits they are entitled to receive. As such, outreach efforts might involve nontraditional venues such as community-based organizations, community colleges, elementary schools, child care centers and retail stores.

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[4] SPUR. (2014). Economic Prosperity Strategy. Retrieved from http://www.spur.org/sites/default/files/publications_pdfs/Economic_Prosperity_Strategy.pdf

[5] Insight Center for Community Economic Development. (2014). Self-Sufficiency Standard Tool for California. Retrieved from https://insightcced.org/tools-metrics/self-sufficiency-standard-tool-for-california

[6] SPUR. (2014). Economic Prosperity Strategy. Retrieved from http://www.spur.org/sites/default/files/publications_pdfs/Economic_Prosperity_Strategy.pdf

Lastly, to ensure that available resources are being maximized, SVCF may also consider investments in research to determine unidentified needs and best practices to meet those needs. In addition, SVCF will consider investing in information campaigns with the goal of increasing participation in public benefit programs.

Rationale for Strategy

Public benefit programs can make an enormous difference for low-income individuals and families. Tax credits for the working poor, such as the earned income tax credit, child credit and child care credit, lift more families out of poverty annually than any other poverty-reduction effort. In 2015, the EITC alone lifted 6.5 million people out of poverty nationally, including 3.3 million children. For another 21.2 million people, the severity of their poverty was reduced.[7] The Public Policy Institute of California has also shown that full participation in programs like CalFresh and WIC (the Special Supplemental Nutrition Program for Women, Infants and Children) can increase a family's resources by 15 percent.[8] Although these programs can make up a significant portion of a family's budget, eligibility criteria differ for each one. Data suggest there are significant numbers of children who participate in WIC and free school meals who are actually eligible for CalFresh as well. If policy or data-sharing practices were implemented to better align eligibility criteria across public benefit programs, more low-income families could access the income support they need.

Not only do individuals and families miss out on receiving the benefits they need, local communities miss out too. Studies have shown that each dollar provided through food stamp programs such as CalFresh generates $1.73 in economic activity. Increased food stamp spending contributed to the highest economic effect of any component in the American Recovery and Reinvestment Act legislation, including tax cuts and infrastructure-improvement spending.[9] This economic multiplier effect would be especially important in isolated communities like Pescadero in the south coast area of San Mateo County.

Unfortunately, far too many families miss out on this support. One analysis, by McKinsey & Company, estimated that nationally, at least $65 billion in government services and support go unclaimed.[10] Underutilization of public benefit programs is often due to burdensome eligibility criteria and application processes. Traditional methods of determining eligibility for public benefits have involved an interaction between a consumer and caseworker, often face-to-face and in an office during work hours.

Innovative states across the country, as well as federal policymakers, have been shifting away from this model and looking for 21st century methods to determine eligibility, including the use of technology, service integration and data sharing. Equally exciting are recent efforts like CalEITC4me, a public-private partnership to spread awareness of the first-ever state earned income tax credit and ensure that the $380 million allocated for this benefit reaches an estimated 600,000 eligible California families.

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[7] Center on Budget and Policy Priorities. (2016). Policy Basics: The Earned Income Tax Credit. Retrieved from https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit
[8] Public Policy Institute of California. (2016). Improving California Children's Participation in Nutrition Programs. Retrieved from http://www.ppic.org/publication/improving-california-childrens-participation-in-nutrition-programs
[9] Boots, S. (2010). Annie E. Casey Foundation. Improving Access to Public Benefits.
[10] Ibid.

Anticipated Impact

The anticipated impact of this grantmaking strategy is to increase the numbers of low-income individuals and families participating in public benefit programs. Longer-term, the anticipated impacts of this strategy include increases in employment, earnings, job retention and income for individual families and the broader community.

In addition, there is potential to improve and modernize public benefit programs through new technology, data sharing and service integration. Through our previous grantmaking, SVCF has played a leadership role in streamlining the provision of legal services for immigrants through technology and increased service provider collaboration. We believe this provides a useful road map for improving the public benefit delivery system by reducing bureaucracy and improving overall access to services.

Public benefits are provided through an array of funding structures and agencies. Ultimately, policy changes may be required to improve and better integrate public benefit programs through streamlining, aligned eligibility, application, verification and renewal procedures. In addition, as we were preparing to release this research paper, there were significant questions about the future of certain benefits for the most vulnerable families and individuals in our region. The White House budget request for fiscal year 2017-18 included proposed cuts to the CalFresh and CalWORKs programs, as well as to the earned income tax credit and child tax credit.[11] The proposed budget also outlined significant cuts to Supplemental Security Income, which would make it harder for low-income seniors and people with disabilities to pay for basic necessities.[12] It is clear that policy efforts may need to include direct and grassroots lobbying for continued federal funding of these vital programs.

Conclusion

As we develop our specific grantmaking strategies in this area, we expect that we will learn and make adjustments along the way. SVCF intends to invest in this strategy over the next five years, at which point we will conduct a systematic review of our progress. We firmly believe that improving access to public benefits has the potential to dramatically alter the financial trajectory of thousands of low-income individuals and families now and for generations to come.

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[11] National Council of Nonprofits. (2017). White House Releases FY 2018 Budget Requests. Retrieved from https://www.councilofnonprofits.org/trends-policy-issues/fiscal-year-2018-federal-budget-proposal

[12] California Budget & Policy Center. (2017). How President Trump's Proposed Budget is Bad for Californians and for the Economy. Retrieved from http://calbudgetcenter.org/blog/president-trumps-proposed-budget-bad-californians-economy

Appendix I

CalFresh - This is a food program for low-income individuals and families. Participants receive a debit card that is accepted in most grocery stores for the purchase of food.

CalWORKs - This is a combined federal and state program that pays cash to low-income households with the goal of moving individuals from welfare to work.

Cash Assistance Program for Immigrants – This is a California program that gives money to certain legal immigrants who are aged, blind or disabled and have been denied Supplemental Security Income benefits because of their immigration status.

Low Income Home Energy Assistance Program – This is a program to aid low-income households that pay a high proportion of household income for home energy.

Medi-Cal – This is a program that offers free or low-cost health coverage for children and adults with limited income and resources. It covers low-income adults, families with children, seniors, persons with disabilities, pregnant women, children in foster care and former foster youth up to age 26.

National School Lunch and School Breakfast Programs – These programs are federally assisted meal programs that operate in public and nonprofit private schools and child care institutions. They provide nutritionally balanced meals to children as part of their regular school day.

Special Supplemental Nutrition Program for Women, Infants and Children – This is a program that safeguards the health of low-income women, infants and children up to age 5 who are at nutritional risk by providing nutritious foods to supplement diets, information on healthy eating, and referrals to health care.

Supplemental Security Income – This is a program to pay cash to low-income individuals over 65 years of age or under 65 if the individual is blind or disabled.