



**SECURITY FOR
GENERATIONS.**

A PLAN FOR OUR ECONOMIC PROSPERITY

Recommendations from the

**Arkansas Legislative Task Force on Reducing
Poverty and Promoting Economic Opportunity**

**Executive Summary
November 2010**

EXECUTIVE SUMMARY

Continuing with the status quo in policies and programs will ensure that we continue to be one of the poorest states in the nation. After a year of study, The Arkansas Legislative Task Force on Reducing Poverty and Promoting Economic Security cannot emphasize strongly enough that reducing poverty must be an economic imperative for the state if we are to make major strides in our ability to compete in the global economy and meet the needs of our citizens. The state must move quickly with more than timid measures and unfunded promises.

Arkansas should set a goal of cutting poverty in half in 10 years and in half again in 20 years. More than one in five Arkansans—527,400—live on incomes below the federal poverty line, which is \$22,000 for a family of four. More than one in four Arkansas children lives in poverty.

The following recommendations need to be part of an on-going effort to monitor accomplishments, make adjustments to plans when needed, assess new situations that need response, and evaluate research suggesting new solutions to existing problems. As a result, the task force recommends that a permanent advisory council for poverty reduction and economic opportunity be formed.

Background

Arkansas's next-to-last ranking in poverty is historically constant. The societal consequences of poverty have been well documented, affecting the prosperity of our state and all of its citizens. Arkansans living in poverty are more likely to be poorly educated, unhealthy, and involved in crime. And it costs serious public money to alleviate the impacts of poverty. Poverty reduction should be viewed both as a social and an economic investment that will pay dividends in the form

of increased economic productivity, reduced expenditures on health care and the criminal justice system, and improvements to quality-of-life for everyone. Poverty has risen in Arkansas during the recent recession. In 2009, poverty had grown to nearly 19 percent of the Arkansas population, or roughly 527,378 citizens. As historically has been the case, the Arkansas poverty rate far outpaced that of the nation, 18.8 percent to 14.3 percent. Child poverty in the state now stands at more than 1 in 4 children (27 percent) compared with 1 in 5 children (20 percent) nationally.

Over the past 10 years, 64 percent of all new jobs in Arkansas were created by businesses with one to four employees, but our development programs focus on big industries.

We can do better.



Who Are the Poor in Arkansas?

In Arkansas only 15 percent of whites live in poverty, compared with 36 percent for blacks and Hispanics.

The eastern and southern regions of Arkansas have the highest overall poverty rates at 21 percent, compared to 18 percent in the northwest region and 15 percent in Central Arkansas.

Nearly 30 percent of adult Arkansans with less than a high school degree lived in poverty in 2009, compared with just 4 percent of those with a college degree or higher. Poverty also disproportionately impacts children in single-parent households. Well over

half (55 percent) of all children in female-headed households, or 112,441 children, live in poverty. In contrast, 14 percent of children in married-couple households, or 63,095 children, live in poverty.

What is Poverty?

At its most basic level, poverty is the result of failing to earn an income high enough to meet all of a family's basic economic needs. Some of the most common causes include the education and skill levels of workers; living in a community unable to attract or support higher paying jobs; lack of adequate job supports and policies including access to affordable child care, transportation, health insurance, affordable housing, mental health and substance abuse treatment services, and a lack of policies that allow families to develop and accumulate assets, such as individual development accounts. The federal government, which is responsible for developing official estimates of poverty, defines poverty in two ways. One is the poverty threshold. In 2010 the poverty threshold for a family of four with two children was \$21,756 while the threshold for a family of three with one child was \$17,268. The thresholds are used to measure the number of people living in poverty each year. The second poverty measure is the federal poverty guideline, which is calculated by the U.S. Department of Health and Human Services and is a simplified version of the federal poverty threshold.

Task Force Focus

The task force focused on problems that could be ameliorated with the greatest return on investment. The recommendations are marked as short-term priorities, to implement within the next one to three years, or long-term priorities that will require sustained effort. The task force is cognizant of the effects the recession has had on the state budget and has adjusted time frames and benchmarks accordingly as state revenues begin to recover. The words "Promoting Economic Opportunity" in the group's name are an important element in these recommendations, not just an afterthought. The vision of building economic security as the strategy for reducing poverty permeates the recommendations. Reducing barriers to families seeking to move from poverty to successful contributors in the state's economy was a priority of the group.



In the next decade, Arkansas employers will need to hire over 200,000 more workers who have at least some college education. But each year only 18,000 Arkansans start college and more than half of those never get a degree. Unfilled jobs will drag down our economy unless we do something quickly.

We can do better.

SOLUTIONS FOR SHARED PROSPERITY

Community and Economic Development

1. **SHORT TERM:** Alter tax incentive programs to better meet the needs of low-income communities. The state's tax incentive programs disproportionately benefit the highest-income counties. The lowest-income counties, which need the jobs the most, benefit the least.
2. **SHORT TERM:** Enact L3C legislation in Arkansas. L3C legislation would provide an incentive for foundations to invest in social enterprises, which may be good options for business development in low-income parts of the state.
3. **SHORT TERM:** Invest more in programs for developing small businesses. Arkansas should expand efforts to provide assistance to rural and minority-owned businesses that would provide both working capital loans of up to \$50,000 and technical assistance to rural and minority small business entrepreneurs.
4. **LONG TERM:** Facilitate markets for locally produced goods and services. The rise in consumer interest in local foods has been accompanied by increased participation of state departments of agriculture in promoting locally grown foods.

Education and Workforce Development

1. **SHORT TERM:** Expand access to quality early childhood education for children age birth to 5 years, especially for at-risk children.
2. **SHORT TERM:** Expand the Career Coaches (Arkansas Works!) program to every county in the state, and increase funding for the Aspiring Scholars Matching Grant Program.
3. **SHORT TERM:** Expand access to quality before- and after-school programs, summer programs, and programs for targeted populations by better using National School Lunch Act (NSLA) funding and other sources.
4. **SHORT TERM:** Restructure the Arkansas developmental/remedial education system to improve student success.
5. **SHORT TERM:** Increase retention and graduation rates at two-year and four-year higher education institutions in the state.
6. **SHORT TERM: Other Education Issues:** 1. More official state emphasis on school board training, mentoring, and cross-fertilizing. 2. More emphasis on health issues, especially obesity (e.g., BMI indexing and recording). 3. Develop policies that foster interest and interaction among interest groups such as civic groups, PTAs, economic development committees, etc. (The "social capital" represented by school boards, administrators, PTAs, athletic/band/arts groups, and other civic groups could become a powerful constituency for change). 4. Form a study group to accrete and evaluate "best practices" of non-public educational institutions.

Health

1. **SHORT TERM:** Implement the ARKids First expansion to 250 percent of the federal poverty level, as passed during the 2009 legislative session (currently on hold).
2. **SHORT TERM:** Expand school wellness centers/coordinated school health initiatives. This will provide preventative well-child services through the schools and reduce direct costs for medical treatment by improving services access.
3. **SHORT TERM:** Implement substance abuse treatment under Medicaid for pregnant women and teens, agreed upon during 2009 legislative session.
4. **LONG TERM:** Conduct health impact assessments on all new policies/initiatives at state and community levels. This will help ensure the health and wellness of citizens and community members is appropriately considered before state or local policy decisions are made.
5. **SHORT TERM:** Ensure that the "navigator" required by health care reform is adequate to help consumers with the healthcare.
6. **LONG TERM:** Establish a Center for Health Literacy to coordinate and fund activities that improve health literacy of Arkansans. This could include, but is not limited to developing educational materials, coordinating public education and outreach efforts, and reaching out to underserved populations.

Individual Employment Supports

1. **SHORT TERM:** Improve case management services for young mothers seeking assistance through Temporary Assistance for Needy Families to better place them in career paths and to help them link with resources.
2. **SHORT TERM:** Improve access to subsidized child care by using all available TANF funding for child care (the state's federal welfare reform grant).
3. **SHORT TERM:** Expand outreach and access to federal food assistance benefits under the Supplemental Nutrition Assistance Program.
4. **LONG TERM:** Fund the Housing Trust Fund that was established in the 2009 legislative session.
5. **SHORT TERM:** Improve access to critical economic and work supports to help low-income working families meet basic needs and stay employed.
6. **SHORT TERM:** Review and consider the recommendations of the Prison Reform Workgroup.
7. **LONG TERM:** Create a Consumer Advisory Council that includes clients receiving benefits from the Department of Human Services, the Department of Health, and the Department of Workforce Services. This council will be called upon to identify areas for improvement as well as to vet changes to policies and programs.

Tax Relief

1. **SHORT TERM:** Fix the low-income tax threshold problem and provide comparable relief for single parents with two or more children. A 2007 law designed to substantially exempt families with children at incomes below the poverty line from state income taxes (and to cut taxes for those with incomes slightly above the poverty line) contained a technical flaw and did not provide comparable benefits to taxpayers filing as heads of households with two or more children (most heads of households are single parents).
2. **LONG TERM:** Create a refundable State Earned Income Tax Credit (EITC) to economically support low- and lower-middle income working families. State EITCs, which have been adopted in 24 of 42 states with state income taxes, are set at some percentage of the federal EITC received by a family, typically at a rate of 5% to 40%.
3. **SHORT TERM:** Continue efforts to cut the state sales tax on groceries. Arkansas should gradually continue its efforts to mostly eliminate the remaining 1 and 7/8 cent state sales tax on groceries (the 1/8th cent sales conservation tax required under Amendment 75 cannot be eliminated).
4. **SHORT TERM:** Close corporate income tax loopholes by adopting a combined reporting law for state corporate income taxes. Under loopholes in current Arkansas law, some corporations are allowed to reduce the income they report as earning in Arkansas (and thus avoid Arkansas taxes) by shifting this income to another state where they pay little or no taxes.
5. **LONG TERM:** Reduce or eliminate the 30 percent exemption currently allowed for capital gains under Arkansas income taxes. This exemption heavily and disproportionately favors upper income taxpayers.
6. **SHORT TERM:** Adopt the "Amazon Law" for collecting state taxes owed on internet purchases. Recently adopted in New York and Rhode Island, the law requires many internet retailers operating "affiliate programs" in the state to charge sales tax on the retailers' sales to state residents.

System Needs

1. **SHORT TERM:** Develop a common client database. A common client database is a system improvement to the efficient and effective provision of both governmental and non-governmental organizational services. It eliminates repeated efforts by clients to establish eligibility and reduces duplications of services by the agencies.
2. **SHORT TERM:** Form a permanent advisory council for poverty reduction and economic opportunity. The recommendations made by this Taskforce need to be part of an on-going effort to monitor accomplishments, make adjustments to plans when needed, assess new situations that need response, and evaluate research suggesting new solutions to existing problems.

Note: Cost estimates, when available, are included in the main report text with the discussion of the recommendations.

Arkansans need good health to learn at school and be productive at work. But too many Arkansans need help navigating the health care system, from how to enroll in insurance plans to what questions to ask their doctor.

We can do better.



Community and Economic Development

Even before the recession, Arkansas trailed other states in creating economic opportunities for its citizens. The Corporation for Enterprise Development (CFED), a national non-profit that ranks states and the District of Columbia on financial success, gave Arkansas an “F” on its 2007-2008 Assets & Opportunity Scorecard. To address community and economic development issues, the task force focused on three types of economic programs: community development, access to capital, and tax incentives. The Task force identified several programs operating in Arkansas and other states that could serve as models for the rest of Arkansas. Effective community development is well demonstrated by the business incubator based in Helena-West Helena. Another example of an effective economic development program is the Tennessee Small and Minority-Owned Business Assistance program. It supports outreach to new, expanding, and existing businesses that do not have reasonable access to capital markets and traditional commercial lending facilities. A final strategy for promoting economic growth is the creation of low-profit, limited liability corporations (L3Cs). Several states are using L3Cs to encourage more program-related investments by foundations.

Education

There is a strong link between poverty and educational attainment. This link is evident in Arkansas, which ranks 49th among the 50 states in the number of adults with at least Baccalaureate degrees. We need to support student success. Many Arkansas students who enter higher education institutions are not completing

degrees. Others are not adequately prepared for college-level work. More than half (54.6 percent) of all students attending two-year or four-year institutions in the state required remediation in at least one subject in 2009. Educational concerns targeted by the task force include college and career counseling, college savings programs, improved remediation, and graduation and retention rates. The Career Coaches initiative should be expanded to help more students in high poverty counties understand career and college choices. The Aspiring Scholars Matching Grant program helps lower-income parents save for the expenses of sending their children to college. The task force also focused on efforts to reduce poverty through high quality early childhood education and K-12 education programs for at-risk students. Arkansas is currently serving less than half of the 3-year-olds eligible for the state’s preschool program. And quality afterschool and summer programs have proven outcomes that close the education achievement gap for low-income and minority students.

Health

The task force recommendations for health care strategies attempt to get at the known intersections between health and other social factors: physical and financial health are linked; access to health care and financial stability are interrelated; and the majority of bankruptcies in the

U.S. are due to medical debt. The following barriers were among those identified in the health arena related to poverty: low rates of health literacy; lack of support to consumers to navigate the health care system; lack of insurance options; lack of evidence-based substance abuse and mental health treatment; and workforce shortages in primary care and dental care.

Individual Employment Supports

Families face numerous barriers in their efforts to climb out of poverty. Eligibility for government programs is set at fairly low-income (and asset) levels above which families

become ineligible for benefits or see reduced benefits. This creates a “cliff effect” that discourages work and potentially harms the well-being of the family, especially children. The task force found that there is inadequate access to certain services—such as affordable housing, subsidized child care, and transportation—critical to the ability of low-income families to stay employed and move up the economic ladder.

Tax Relief for Working Families

Arkansas’s tax system puts a disproportionate share of the tax burden on low-income families, hurting their ability to meet the basic needs of their families. Additionally, the system does not have the capacity to generate the revenues to adequately support critical programs for low-income families that help meet basic needs and that would give them the tools to move out of poverty and up the economic ladder. Arkansas’s low- and middle-income tax payers (those with incomes below \$40,000) pay 12 cents in state and local taxes on every dollar they earn compared to just 6 cents on every dollar earned by the top 1 percent of upper income taxpayers (those with incomes over \$326,000).

System Need

The development of a common client database is a system improvement to the efficient and effective provision of both governmental and non-governmental organizational services. It eliminates repeated efforts by clients to establish eligibility and reduces duplications of services by the agencies.

These common-sense solutions can bring economic security to generations of Arkansans by focusing now on community economic development, health, education and tax relief for working families.



Arkansas workers earning less than \$40,000 a year pay 12 cents in taxes on every dollar, compared to 6 cents paid by someone making more than \$326,000.

We can do better.

The task force members are:

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Mr. Rich Huddleston, Co-Chair, Arkansas Advocates for Children and Families
Rep. Davy Carter, House of Representatives
Rep. David Rainey, House of Representatives
Sen. Larry Teague, Member of the Senate
Ms. Rose Adams, Arkansas Association of Community Action Agencies
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