

**Voices**  
for Vermont's Children

*Promoting public policy that enhances the lives of children and youth in Vermont*



# The State of Vermont's Children

## **Challenging Poverty:** *Supporting Children and Families in Difficult Times*

A Vermont KIDS COUNT Report  
*May 2010*

# Voices for Vermont's Children

*Promoting public policy that enhances the lives of children and youth in Vermont*



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*Through the vagaries of chance a child may be borne into a home where he will have a childhood stifled with privation, will receive an incomplete education, and be forced into employment not of his own choosing by reason of his constantly developing fear of want...*

*We feel it unwise to accept this condition as inevitable.*

*We feel every citizen of a democracy has certain privileges as of right and without proof of individual merit.*

*We feel [we] should assure every one of [our] citizens the economic substance of a decent life.*

- THE VERMONT RURAL POLICY COMMITTEE (1944)<sup>1</sup>

## Introduction

For most kids, Vermont is a good place to grow up. National child well-being profiles consistently rank our state in the top 10 in the nation. This success is not luck or magic—it is the result of forward-thinking policies and years of investment in programs and services that have helped kids and families thrive. It reflects Vermont’s acceptance of a simple truth: as a community, it is our responsibility to give our kids a healthy, safe, and economically secure start in life. The fact that we have been so successful in doing so relative to the rest of the nation is a good indicator of a bright and prosperous future for our state. Yet despite these good rankings, not all of Vermont’s children are doing well—since 2000, our child poverty rate has hovered around 12 percent, a figure expected to increase due to the current recession.

*These difficult economic times do not change our responsibility to our children, but they do put the programs and benefits that serve them and their families under pressure. The initial response to the current recession has been to enact significant budget cuts. But we cannot shortchange our kids by dismantling public services and supports we have spent years building. We cannot afford to stop investing in our families, because we cannot afford an undereducated workforce, children growing up hungry and in poor health, and families unable to make ends meet, year after year. The more we cut the budgets of programs and benefits that serve our families and children, the closer we come to realizing those bleak futures.*

As the state faces tough choices, we must never lose sight of the future—we must never lose sight of our kids. It is our kids who will grow up to be our next workforce, our taxpayers, our caregivers, our teachers, our parents, our leaders. Their future and that of Vermont depends on whether we ensure that all children have the opportunity to develop physically, intellectually, socially and emotionally. The best way to do this is to provide them with strong fundamental building blocks: adequate nutrition, stable housing, solid educational foundations, and health care services. Yet in 2008, too many Vermont children did not have access to these essential basics.

In 2008, over 17,000 Vermont children were poor. An additional 24,000 lived in low-income families who struggled to make ends meet on a daily basis, despite the fact that the majority of them had a head of household who was working.<sup>2</sup> As troubling as these figures are, the reality today is almost certainly worse. Most available data do not cover 2009, and unemployment has been rising sharply this year. Since January 2009, Vermont has experienced eight months at 6.8 percent or higher—the longest stretch of high unemployment in the state since the early 1980’s. Economists tell us that poverty<sup>3</sup> increases with rising joblessness, and the increase is sharper for vulnerable groups like children.

*Even before the recession hit hardest, one-third of our kids were growing up in conditions that make it difficult for them to prosper and thrive.*

These numbers mean that before the recession hit hardest, one third of our kids were growing up in conditions that make it difficult for them to prosper and thrive.<sup>4</sup> Economic insecurity often leads to serious and prolonged stress, from a variety of factors: family tensions over a lost job, loss of housing or reliable transportation, food insecurity, or even changes in caregivers. Over time, poverty can become toxic to children’s emotional and cognitive development, leading to lifelong problems in learning, behavior, and both physical and mental health.

## Poverty Impacts Us All

When thousands of children grow up in poverty, Vermont loses the value of their unrealized potential. As a result, the economic prosperity of our state suffers. Recent estimates suggest that child poverty costs the United States at least \$500 billion annually in the form of decreased economic inputs, and increased criminal justice and health care costs. In Vermont, our share of this loss is \$600 million a year.<sup>6</sup> In effect, this is the amount of money that would accrue to our state economy every year if child poverty in Vermont were eliminated.

*Recent estimates suggest that child poverty costs the United States at least \$500 billion annually in the form of decreased economic inputs, and increased criminal justice and health care costs. In Vermont, our share of this loss is \$600 million a year.*

But not just our economy stalls when child poverty persists. When we fail to ensure that we have strong supports to help working families and their children move out of poverty and into a more economically secure position, we fail to extend the promise of equal opportunity to all Vermonters. When we do not work together to ensure that all young people have a high quality education that prepares them for the future, we needlessly perpetuate cycles of poverty and frustrated dreams. And when we neglect to make Vermont a state that works for everyone, with access to affordable healthcare and housing, we neglect to secure for all children and families the minimum right to dignity and the decent life they deserve.

The good news is that in recent years Vermont has taken steps to reduce child poverty in our state. In 2007, we became the second state in the nation to establish a child poverty council, setting a poverty-reduction goal. Created by our legislature, the Vermont Child Poverty Council is charged with developing a ten-year plan to cut the number of children living in poverty by at least 50 percent. In January 2009 the Council announced its ten-year plan to reduce child poverty. Called “Improving the Odds for Kids”, the plan issues a series of recommendations designed to mend the safety net, build economic opportunities for all, improve educational<sup>7</sup> outcomes, and strengthen families and communities.

This Vermont KIDS COUNT Data Book will provide a context for the Council’s recommendations by highlighting indicators of child poverty and family economic hardship in the state of Vermont. We begin with an analysis of child poverty data in Vermont. We follow with a look at the increasing economic pressures facing Vermont’s families, and introduce the Basic Needs Budget Calculator, a tool developed by the National Center for Children in Poverty. We then examine the state of our safety net, with analysis of Food Stamp, Temporary Aid for Needy Families (TANF, or “Reach Up”), and Dr. Dynasaur program participation rates among children. We finish with an examination of the “benefits cliff” problem plaguing our safety net, and discuss the efforts of other industrialized nations who have been able to effectively reduce child poverty.



## Child Poverty In Vermont

According to the 2008 federal poverty thresholds issued by the U.S. Census Bureau, a family of four earning less than \$22,025 per year is considered poor. Using that federal measure, over 17,000 Vermont children were poor in 2008.<sup>8</sup> However, counting the number of poor children alone understates how many Vermont families struggle to make ends meet. The federal definition of poverty was established in 1964, and has since only been adjusted for inflation. These adjustments fail to capture the increased costs of housing, childcare, health care, and transportation that have consumed bigger portions of family budgets since the 1960s.<sup>9</sup>

The following figures do not capture the effects of increased unemployment rates resulting from the current economic downturn. With an unemployment rate in Vermont over 7 percent for five straight months in 2009,<sup>10</sup> economists predict that the overall poverty rate will increase over the next several years, with children being hit hardest by the downturn.<sup>11</sup> Since poverty has lasting consequences for kids on their educational achievement, cognitive development, and emotional and behavioral outcomes, the long-term consequences of this recession—not only on kids, but the economy as a whole—promise to be significant.<sup>12</sup>

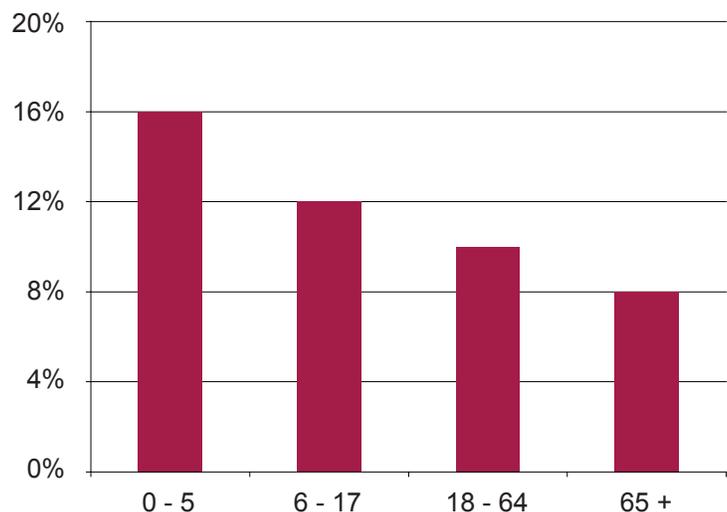
*8,000 extremely poor children live in Vermont—equal to more than the entire population of Montpelier.*

### Children Remain Our Poorest Age Group

According to the official definition of poverty, there were 17,019 poor children living in Vermont in 2008.<sup>13</sup> Of those children, 8,000 were extremely poor, living with incomes less than one-half of the poverty line—\$11,015 for a family of four.<sup>14</sup> Children in Vermont have the highest rates of poverty of any age group. Sixteen percent of all children ages 5 or under are poor, as are 12 percent of older children.<sup>15</sup> When comparing these rates to working-age adults and seniors, it is clear that the younger the person in Vermont, the more likely he or she is to be living in poverty.

### Vermont Children Have Highest Rate of Poverty of Any Age Group

Percent of people in poverty by age group



Source: 2008 American Community Survey

Child poverty rates have fluctuated throughout the past decade, but in recent years the trend in Vermont has headed in the wrong direction. Compared to our other New England neighbors, Vermont's 13.2 percent child poverty rate is higher than that of Connecticut, Massachusetts, and New Hampshire. New Hampshire, our closest neighbor, has a child poverty rate of just 9 percent.<sup>16</sup>

## Vermont Child Poverty Rate Headed in the Wrong Direction

Percent of New England children in poverty, 2000 - 2008



Source: Annie E. Casey Foundation, KIDS COUNT Data Center, Data Across States

## Work Does Not Protect All Families from Poverty

While it is important for us to know how many children are living in poverty, in order for us to design policies that will reduce child poverty we must also have a better understanding of how many families with children are poor. In 2008, 11 percent of all Vermont families with kids lived in poverty.<sup>17</sup> Of those families, 85 percent were headed by a single parent.<sup>18</sup> The majority of these Vermont families living in poverty had a member of their household who worked: 65 percent had at least one worker in the family.<sup>19</sup> Sixty-seven percent of single-parent federal poverty line (FPL) households contained at least one worker, compared to 61 percent of two-parent FPL households.<sup>20</sup>

## Poverty Measure Does Not Tell the Whole Story

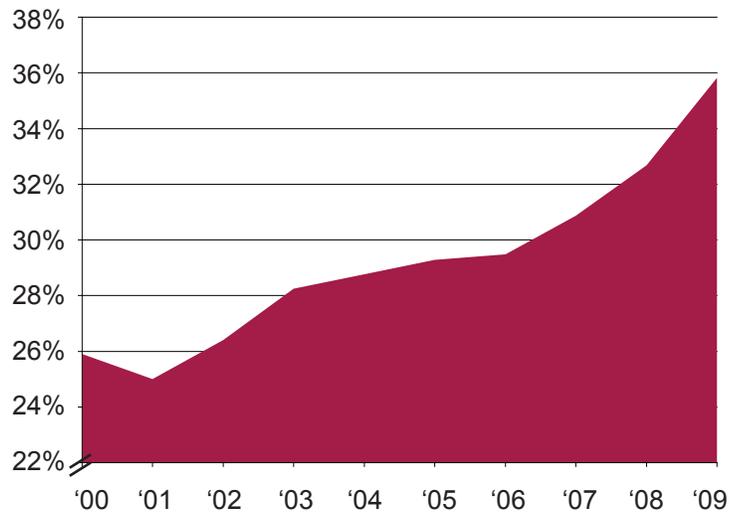
Due to the limitations of the federal poverty measure, analysts often look to a better gauge of economic insecurity among children, eligibility for the National School Lunch program. Students are eligible for no-cost school lunches if their family income does not exceed 130 percent of the FPL, and are eligible for reduced-price lunch if their family income does not exceed 185 percent of the FPL. The following rates are the number of students approved for school meals per 100 enrolled students at schools participating in School Meals Programs.

Because these data capture school-age children living in families earning less than 185 percent of the FPL, they provide a better picture of how many Vermont children live in economically struggling families. From 2000 to 2009, the percent of children approved for subsidized school lunch increased by 38 percent, from 25.9 percent in 2000 to 35.8 percent in the 2009-2010 school year.<sup>21</sup>

These data give us the clearest picture of how Vermont's children are faring in the wake of the economic crisis. In just one year, the number of children living in low-income families jumped 10 percent.

### Vermont School Meal Eligibility Rising

Students approved for school meals



Note: These data represent three-year averages.

Source: Vermont Department of Education, *Free and Reduced Eligibility Report*, 2009

*Since 2000, the percent of children approved for subsidized school lunch has increased by 38 percent, from 25.9 percent in 2000 to 35.8 percent in the 2009-2010 school year.*

## Rising Costs, Lagging Wages

### Families Struggle to Meet Basic Needs

Despite calls for an updated poverty threshold that would include a more realistic determination of family expenditures and income, Congress has yet to enact legislation updating the measure (see appendix.) Absent a more accurate federal guideline, many scholars and agencies have attempted to adjust the threshold to account for what resources families need to meet their basic needs. One such entity is the National Center for Children in Poverty (NCCP) who developed the Basic Needs Budget Calculator, a tool that estimates a decent standard of living depending on where a family lives.

Using the NCCP Budget Calculator, it is clear that the current federal poverty level does not accurately reflect the resources a Vermont family needs to achieve a decent standard of living. Across the state, the amount that families need to feed, clothe, shelter, and nurture their children is often far greater than the federal threshold. The following table presents basic needs budgets for a family of four living in Chittenden, Lamoille, and Rutland counties.<sup>22</sup> The budget assumes that there are two children in the family, ages 3 and 6, and that both parents work full-time.

These figures mean that in order to meet their family’s basic needs, both parents would have to work full-time, each earning an average wage of at least \$11 per hour. Note that the annual budget in all three counties is significantly higher than the current federal poverty level—well over twice the amount.

### Annual Basic Needs Budget for a Family of Four

	Chittenden	Lamoille	Rutland
Rent and utilities	\$12,156	\$8,700	\$8,652
Food	\$7,878	\$7,878	\$7,878
Child care	\$13,749	\$14,736	\$11,288
Health insurance premiums	\$2,541	\$2,541	\$2,541
Out-of-pocket medical	\$732	\$732	\$732
Transportation	\$6,502	\$7,284	\$7,284
Other necessities	\$5,409	\$4,476	\$4,463
Payroll taxes	\$4,167	\$3,896	\$3,532
Income taxes (includes credits)	\$1,342	\$682	(\$203)
<b>TOTAL</b>	<b>\$54,477</b>	<b>\$50,924</b>	<b>\$46,166</b>
Hourly Wage	\$13	\$12	\$11
<b>Percent of 2008 FPL</b>	<b>257%</b>	<b>240%</b>	<b>218%</b>

*The current federal poverty level does not accurately reflect resources a Vermont family needs to achieve a decent standard of living.*

Source: National Center for Children in Poverty’s Basic Needs Budget Calculator, Vermont 2008

The same is even more true for a family of three, comprised of a single parent and two children ages 3 and 6. In those families, a parent working full-time must earn as much as \$24/hour to be able to meet their family's basic needs.

Again, this Basic Needs Budget calculus illustrates how low the current federal poverty measure is for a state with high housing costs like Vermont. The FPL is also low when considering the income of some Vermont families. In 2008, 37 percent of Vermont families earned less than 225 percent of the FPL for a family of four.<sup>23</sup>

*Since 1998 the average Vermont wage increased by 44 percent, compared to a 231 percent increase in the cost of health insurance.*

### Annual Basic Needs Budget for a Family of Three

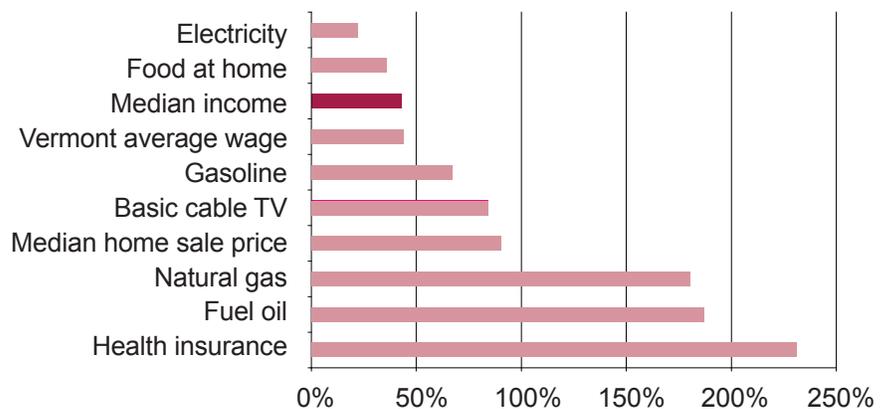
	Chittenden	Lamoille	Rutland
Rent and utilities	\$12,156	\$8,700	\$8,652
Food	\$5,691	\$5,691	\$5,691
Child care	\$13,749	\$14,736	\$11,288
Health insurance premiums	\$2,541	\$2,541	\$2,541
Out-of-pocket medical	\$456	\$456	\$456
Transportation	\$4,763	\$5,419	\$5,419
Other necessities	\$4,819	\$3,886	\$3,873
Payroll taxes	\$3,786	\$3,529	\$3,157
Income taxes (includes credits)	\$1,533	\$1,175	\$197
<b>TOTAL</b>	<b>\$49,494</b>	<b>\$46,133</b>	<b>\$41,274</b>
Hourly Wage	\$24	\$22	\$20
<b>Percent of 2008 FPL</b>	<b>281%</b>	<b>281%</b>	<b>235%</b>

Source: National Center for Children in Poverty's Basic Needs Budget Calculator, Vermont 2008

Over the last ten years, it has become increasingly difficult for Vermonters to keep up with the cost of living in this state. Since 1998, the average Vermont wage increased by 44 percent, compared to a 231 percent increase in the cost of health insurance. In fact, according to an analysis conducted by the Public Assets Institute, the only basic costs for families that did not rise faster than wages or median income were electricity and food.<sup>24</sup>

### Incomes Not Keeping Pace with Costs

Percent change in costs, 1998 - 2008



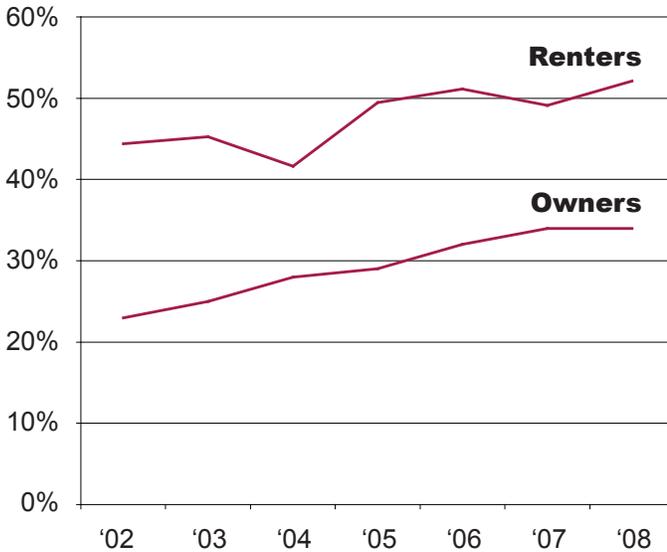
Source: Public Assets Institute, State of Working Vermont 2009

## Families Burdened by High Housing Costs

Vermont is a state with relatively high housing costs, and especially for low-income Vermonters, wages are increasingly unable to cover those costs.<sup>25</sup> According to the Vermont Housing Council,

### Housing Costs Outrun Ability to Pay

Cost-burdened households spend more than a third of annual income on shelter costs



Source: 2008 American Community Survey

Vermont's Fair Market Rent (FMR) in 2009 was \$914 a month, up 9 percent from 2008, and 63 percent higher than the FMR in 1996.<sup>26</sup> To be able to afford that rent, a Vermonter would have to earn \$17.57/hour, or \$36,550 per year.<sup>27</sup> In 2008, 33 percent of Vermont households earned less than that amount.<sup>28</sup>

Many more Vermonters are living in housing situations where the costs outrun their ability to pay; these households are referred to by housing policy analysts as "cost-burdened".<sup>29</sup> A family or household is said to have a high cost burden if they spend more than 30 percent of their annual income on shelter costs. According to the 2008 American Community Survey, 52 percent of Vermont renter households<sup>30</sup> and 34 percent of owner-occupied housing units are cost-burdened.<sup>31</sup> Since 2002, the share of cost-burdened renters in Vermont has increased by over 18 percent. The share of cost-burdened owners has risen over 48 percent.

## Too Many Children Are Homeless

The high cost of housing in the state at a time when families' economic situations are rapidly deteriorating has meant more people are homeless and needing shelter for longer periods of time. In

*In 2009, on any given night, almost a third of the people staying in homeless shelters were children.*

2009, on any given night, close to 400 people were staying in a homeless shelter.<sup>32</sup> Of those people, almost a third were children.<sup>33</sup> Of those children, 55 percent were between the ages of 0-5.<sup>34</sup>

Once in a shelter, homeless individuals in 2009 had a harder time transitioning into stable affordable housing. Compared to 2008, the number of bed nights individuals (1 person, 1 night) spent in homeless shelters increased by 20 percent.<sup>35</sup>

## Helping All Families Meet Their Basic Needs

Against this backdrop of rising costs and lagging wages, more Vermont families are finding themselves in an economically insecure position. In today's economy, being economically secure requires that families have access to livable wage jobs, affordable housing, regular meals, and quality childcare. Many Vermont families increasingly lack access to these necessities. Measures of economic hardship rose in the first decade of the Twenty-First Century, revealing that more and more Vermonters are struggling and more children lack economic security. Indicators measuring food stamp use and Dr. Dynasaur/Medicaid participation increased, while the number of children living in families accessing income assistance decreased. These numbers are alarming, and again do not capture the effect of the current economic crisis, which is expected to significantly exacerbate these figures.

### Reach-Up Not Meeting Needs of Poor Children

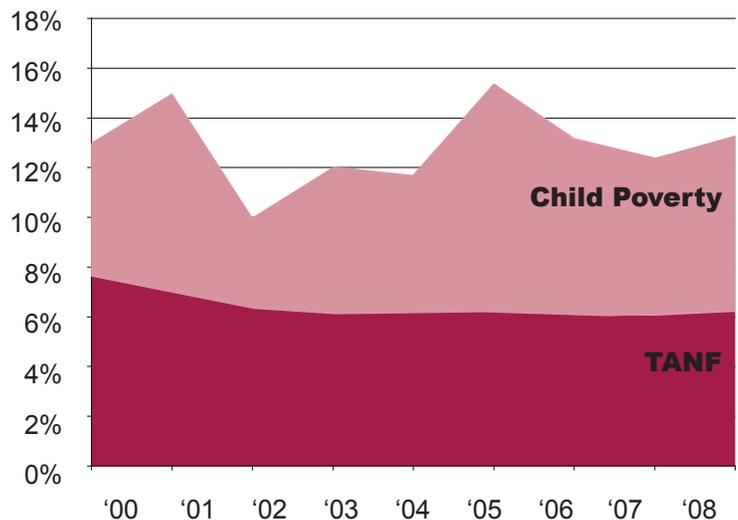
This indicator measures the percent of children under age 18 enrolled in the Reach-Up program. Reach-Up is Vermont's version of TANF, the federal Temporary Aid to Needy Families program.

Safety-net initiatives such as Reach-Up and 3SquaresVT (formerly known as food stamps) provide much needed assistance to children whose families face challenges obtaining and keeping employment. How well these programs do at protecting children from deep poverty and material deprivation depends on both the extent to which very poor families are actually enrolled and the level of benefits and quality of services the programs provide. However, despite increased rates of child poverty in the state since 2000, in 2007 only 6.2 percent of Vermont children received Reach-Up benefits, a 21 percent decrease from the beginning of the decade.<sup>36</sup>

Furthermore, the amount of the monthly Reach-Up benefit has not increased since 2000, making its real value worth 19.1 percent less in 2008 than it was in 2000.<sup>37</sup> Low income families—and their children—are experiencing increasing difficulties meeting their basic needs. Wages at the low end of the employment spectrum are stagnant. Unemployment is rising. Keeping Reach-Up benefits at 2000 levels severely compromises the ability of the program to provide critical income support to some of Vermont's most vulnerable families with children.

### Need Increases, Benefit Decreases

*Reach-Up* enrollment rate compared to child poverty rate



Note: Data based on three year averages.

Source: Vermont Department of Children & Families, Economic Services Division, 2000 - 2008 REACH UP Report

## 3SquaresVT Provides Critical Food Support to Struggling Children and Families

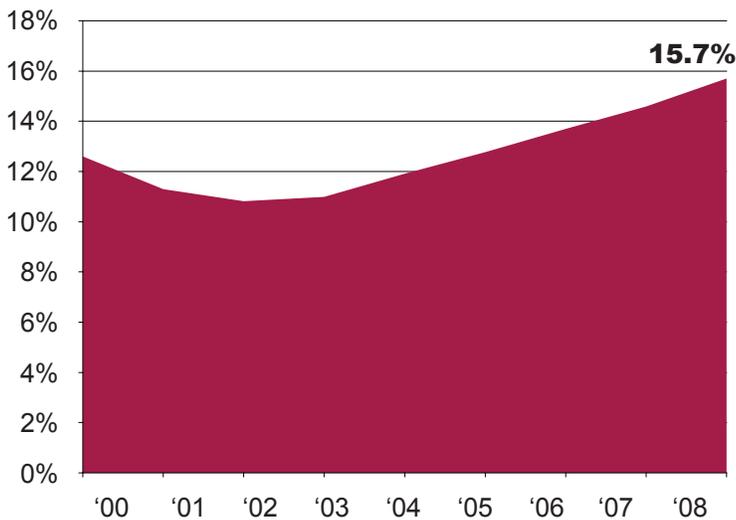
In 2008, 23,000—or 17.8 percent—of Vermont’s children lived in food insecure households.<sup>38</sup> Food insecurity is defined as the lack of access to enough food to fully meet basic needs at all times due to lack of financial resources. According to the Vermont Campaign to End Childhood Hunger, child nutrition programs such as school meals and 3SquaresVT have a significant impact on reducing food

insecurity and improving the quality of a child’s diet.<sup>39</sup> 3SquaresVT helps ensure that developing children have access to regular, nutritious meals, which can stave off a host of potential health and cognitive problems—including stunted growth, frequent illness, cognitive delays, behavior problems, and difficulty paying attention in school.

More than 20,000 Vermont kids relied on the 3SquaresVT program in 2008—a 15 percent increase since 2000.<sup>40</sup> Part of this increase is likely due to the extensive outreach efforts by the Campaign to End Childhood Hunger and the Vermont Department of Children and Families. Rates indicate percent of children under age 18 who are enrolled in 3SquaresVT.

### More Vermont Kids Need 3SquaresVT

Percent of children under age 18 enrolled in 3SquaresVT



Note: Data based on three year averages.

Source: Vermont Department of Children and Families, 2000 - 2008 3SquaresVT Households, Recipients and Benefits

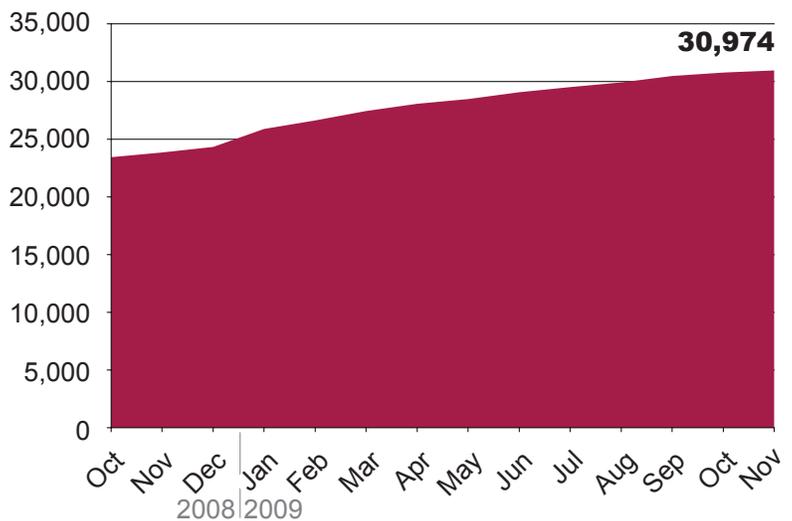
In January 2009, the Department of Children and Families raised the income eligibility requirements for 3SquaresVT, from 130 percent to 185 percent of the federal poverty level. Since then, the number of households accessing the program has increased significantly. Figures from the Department of Children Families indicate that 30,974 children under 18 received 3SquaresVT benefits in November of 2009, compared to 23,444 children for the same month in 2008.<sup>41</sup> This 32 percent increase may be linked to the expanded eligible population, but also serves as an early indicator of the growing number of economically insecure children due to the current recession.

*Since October 2008, the number of children receiving 3SquaresVT has steadily risen—a 32 percent increase in just 13 months.*

The following chart looks at 3SquaresVT participation among children by month from October 2008—November 2009.<sup>42</sup> In January, when the eligibility requirements were expanded, there was a jump in participation—over 1,500 more children accessed this nutrition support in January than in December 2008. Since January, the number of children receiving 3SquaresVT has steadily risen, suggesting that expanded eligibility alone is not the only cause of the 32 percent increase in child participation over the past year. Instead, the dramatic rise is likely due to the combination of increased economic hardship as a result of the recession, in addition to the expanded eligibility guidelines.

### Dramatic Rise in 3SquaresVT Usage

Number of children participating in 3SquaresVT by month



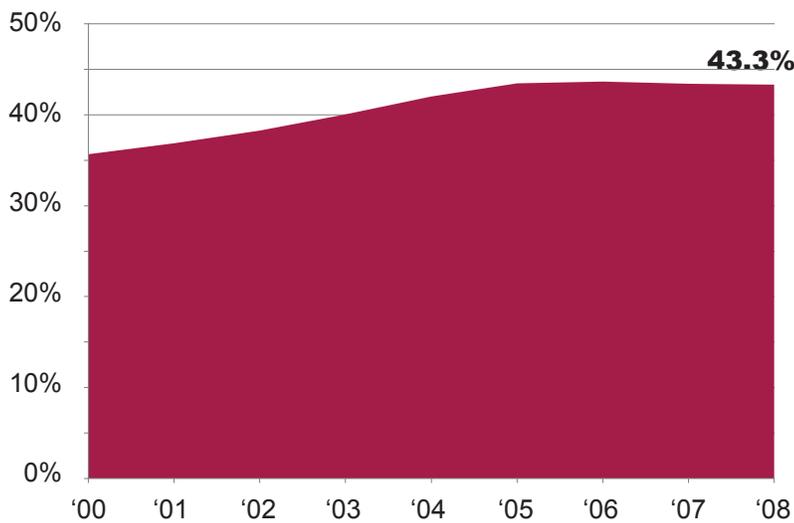
Source: Vermont Department for Children and Families, 3SquaresVT Households, Recipients and Benefits, Oct. 2008 - Nov. 2009.

## Dr. Dynasaur Covers Most Eligible Children

This indicator measures the percentage of children under 18 who receive Dr. Dynasaur, Vermont’s children’s health insurance. The Dr. Dynasaur program covers children and pregnant women who meet certain income and household guidelines. Dr. Dynasaur also offers public health insurance coverage to children whose family incomes are up to 300 percent of the federal poverty level (FPL). In Vermont, premiums are charged to Dr. Dynasaur beneficiaries whose incomes are above 185 percent of poverty. The legislature periodically raises premiums to respond to rising Medicaid costs and growing enrollment.

### Children Receiving Dr. Dynasaur

Percent of children receiving Dr. Dynasaur



Note: Data based on three year averages.

Source: Department of Children and Families, 2008 Dr. Dynasaur Enrollment Report (2009).

In 2008, 43.3 percent of Vermont children received health insurance through Dr. Dynasaur, a 21 percent increase since 2000.<sup>43</sup> However, despite rising child poverty rates, the overall enrollment in the program has declined in recent years, perhaps due to increased inability for families to pay premiums as financial pressures on them increase.

Approximately 97%<sup>44</sup> of all Vermont children are insured, leaving an estimated 3,869 children without health care coverage. Yet, 78 percent of these uninsured children are income-eligible for Vermont’s currently available health benefit programs—Medicaid or Dr. Dynasaur. Children with family income up to 300% of the federal poverty level (FPL) are eligible for health care coverage under Dr. Dynasaur/Medicaid.

The following chart shows the breakdown of uninsured children in Vermont by income level and by public health insurance program they are eligible for:<sup>45</sup>

As this chart illustrates, the number of insured children—and the percentage uninsured—varies dramatically across income levels. The largest numbers of uninsured kids have family incomes between 101 and 150 percent of the FPL. 851, or 22 percent, of uninsured children are ineligible for public health insurance due to the fact that their family incomes are greater than 300 percent of the FPL.

Compared to children with health insurance, uninsured children are more at risk of frequent and long-term medical problems. Vermonters should ensure that Dr. Dynasaur premiums are affordable, so that families with children who

do not have private health insurance may have the same opportunities as other families to provide their children with access to health care. We should also do more to reach out to those families who are eligible for Dr. Dynasaur/Medicaid but are not enrolled in the program, so that we can be sure all children—especially our most vulnerable—have access to health care services.

*78 percent of Vermont's uninsured children are income eligible for public health insurance.*

**Uninsured but Eligible for:**

FPL	Medicaid	Dr. Dynasaur	No public insurance	Total
<=50%	132			132
51-100%	360			360
101-150%	111	949		1,060
151-185%		262		262
186-225%		335		335
226-300%		869		869
Over 300%			851	851
<b>Total</b>	<b>603</b>	<b>2,415</b>	<b>851</b>	<b>3,869</b>

## At Cliff’s Edge: Work Supports for Low-income Families

Work supports—earned income tax credits, public health insurance, and childcare assistance—can help families close the gap between low wages and the cost of basic necessities. But few Vermont families receive all of the benefits for which they are financially eligible.<sup>46</sup> Those families who do receive multiple supports often find that since eligibility for work supports is means-tested, slight increases in family earnings can lead to a significant reduction in benefits. In some cases, a raise can actually leave a family worse off.<sup>47</sup>

As highlighted earlier in this report, the amount of income that Vermonters need to meet their basic needs is more than twice the amount of the federal poverty measure. One-third of Vermont’s children live in families that earn less than that.<sup>48</sup> For low-wage workers, federal and state work supports can help narrow the gap between low earnings and the cost of basic services.

The following table illustrates how work supports can affect the budget of a full-time single parent earning \$9/hour living in Lamoille County:<sup>49</sup>

**Employment plus:** federal tax credits, state tax credits, food stamps, LIHEAP, public health insurance, child care subsidies, Section 8 housing voucher, Lifeline phone credit

**Employment plus:** federal tax credits, state tax credits, food stamps, LIHEAP, public health insurance, child care subsidies, Lifeline phone credit

**Employment plus:** federal tax credits, state tax credits, food stamps, LIHEAP, Lifeline phone credit

**Employment alone** (no benefits, no tax credits)

Annual resources (cash and near-cash)				
Earnings	\$18,720	\$18,720	\$18,720	\$18,720
Federal EITC (Earned Income Tax Credit)	\$0	\$4,015	\$4,015	\$4,015
Federal child tax credit	\$0	\$1,046	\$1,046	\$1,046
Federal child and dependent care tax credit	\$0	\$67	\$67	\$67
VT EITC (Earned Income Tax Credit)	\$0	\$1,285	\$1,285	\$1,285
VT child and dependent care tax credit	\$0	\$34	\$34	\$34
VT renter rebate	\$0	\$952	\$952	\$0
Food stamps	\$0	\$3,913	\$3,913	\$3,913
LIHEAP (Low Income Home Energy Assistance Program)	\$0	\$1,465	\$1,465	\$751
<b>Total resources</b>	<b>\$18,720</b>	<b>\$31,497</b>	<b>\$31,497</b>	<b>\$29,831</b>
Annual expenses				
Rent and utilities	\$8,700	\$8,700	\$8,700	\$3,117
Food	\$5,691	\$5,691	\$5,691	\$5,691
Child care	\$14,736	\$14,736	\$7,371	\$7,371
Health insurance premiums	\$2,541	\$2,541	\$300	\$300
Out-of-pocket medical	\$456	\$456	\$0	\$0
Transportation	\$5,419	\$5,419	\$5,419	\$5,419
Other necessities	\$3,886	\$3,724	\$3,724	\$3,724
Payroll taxes	\$1,432	\$1,432	\$1,432	\$1,432
Income taxes (excluding credits)	\$91	\$91	\$91	\$91
<b>Total expenses</b>	<b>\$42,952</b>	<b>\$42,790</b>	<b>\$32,728</b>	<b>\$27,145</b>
<b>Net resources</b>	<b>-\$24,232</b>	<b>-\$11,293</b>	<b>-\$1,231</b>	<b>\$2,686</b>

Source: National Center for Children in Poverty’s Family Resource Simulator, Vermont 2008

The following key points can be taken from this analysis:<sup>50</sup>

- Without tax credits and other work supports, a full-time, year-round job paying \$9/hour leaves a family over \$24,000 short of meeting their basic needs;
- Combining a job with federal and state income tax credits, 3SquaresVT, LIHEAP (Low Income Home Energy Assistance Program), and the Lifeline Telephone Service Credit helps significantly, but still leaves the family \$11,000 short of making ends meet;
- Adding a child care subsidy goes a long way towards reducing the family’s budget deficit, now just over \$1,200 a year;
- Housing vouchers—in addition to the rest of these supports—close the gap completely, leaving the family with a small surplus of about \$2,700. Unfortunately, the wait list for housing vouchers in Vermont is closed to new applicants; those on the list may wait up to five years to receive theirs.

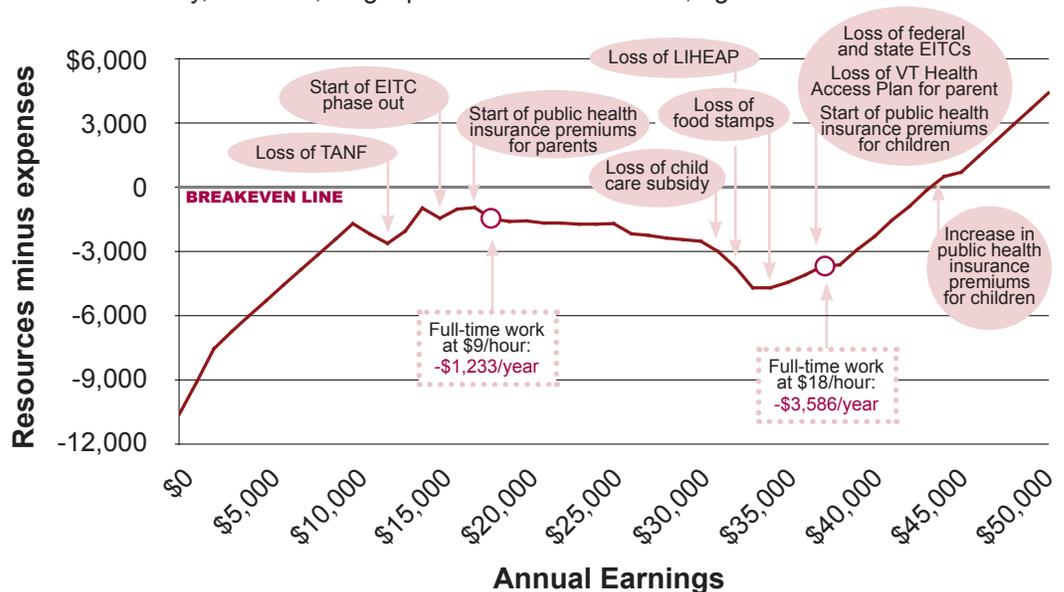
Work support programs can clearly help fill the gaps between earnings and expenses for low income Vermonters. But the programs as designed now do not reward employment and earnings gains. This is because as families earn more income, particularly as they pass the federal poverty level, they begin to lose eligibility for these benefits. The result is that parents can work and earn more with no financial gain for their families. Known as the “benefit cliffs” problem,<sup>51</sup> this leads to a troubling paradox: families can be substantially *worse off*, despite increased earnings.

Using data from the National Center for Children in Poverty’s Family Resource Simulator, the following table illustrates the benefits cliff problem for the same Lamoille County family—a prototypical single-parent family of three. As the parent enters the workforce and increases his earnings, the family’s financial situation initially improves. But before the family’s net resources reach the break-even point, benefits begin to disappear, slowing the family’s financial progress.<sup>52</sup>

When the family hits an income of \$12,000, they lose their TANF cash assistance. Then, the federal and state EITCs begin to phase out, while public health insurance premiums kick in. At the same time, work-related expenses—child care and transportation—increase as the parent transitions to full-time work.

### Net Family Resources as Earnings Increase

Lamoille County, Vermont, single parent with two children, ages 3 and 6



Source: National Center for Children in Poverty’s Family Resource Simulator, Vermont 2008

As a result, the family still faces a gap of \$1,233/year, despite the parent working full time. What's worse is that any further increases in earnings lead to a loss of other benefits—child care subsidy, 3SquaresVT, and LIHEAP—that make it even harder for the family to breakeven. The result is that even if a family doubles its wages from \$9 to \$18 an hour, its net resources decrease as work supports are lost or lose significant value.<sup>53</sup>

*As part of its analysis of Vermont's work supports, the National Center for Children in Poverty made several recommendations for Vermont policymakers to consider when addressing the benefit cliffs problem. These include:<sup>54</sup>*

- *Expanding access to childcare assistance and making it more generous*
- *Improving work incentives across programs*
- *Enacting other reforms to increase overall resources adequacy for low-income working families*

*As policymakers consider these proposals, it is important to keep the goals of our work support program in mind: do we want workers who receive benefits to fail to get ahead when they earn more, thereby providing a large disincentive to work, or do we want to have a program that helps struggling families get ahead as their earning capacity increases?*

## Public Policies Can Reduce Child Poverty

Experience tells us that effective public policies can reduce poverty. For many years, senior citizens had the highest poverty rates of any group in the United States. In 1959, 35 percent of seniors age 65 and over were living in poverty.<sup>55</sup> Following the enactment of policy programs such as Social Security and Medicare in the 1960s, the poverty rate among seniors declined significantly, and has hovered around 10 percent for the last 15 years.<sup>56</sup> As illustrated earlier, today's seniors have the lowest poverty rates in Vermont compared to other age groups.

Effective policies can likewise have a significant impact on child poverty rates, a fact illustrated by the low child poverty rates among other industrialized nations. Data from the Organization for Economic Cooperation and Development (OECD) indicate that other democratic countries are far more effective at reducing child poverty than the United States.<sup>57</sup>

To compare poverty across different countries, OECD uses a relative measure that sets the poverty line at half of the median income in a country. Prior to including income from government tax and income transfer programs, the U.S. has one of the highest child poverty rates of the 30 OECD countries. When government assistance is accounted for, the U.S. poverty rate declines by almost 19 percent, paling in comparison to the average 40 percent reduction that takes place in other nations. A majority of the countries that successfully decrease child poverty assist children and their families with universal benefits such as medical care, childcare, and family leave.<sup>58</sup>

## Conclusion

These are challenging times for Vermont's children and families—especially for those who are most economically insecure. Costs of living are rising, wages are not keeping pace, and job growth is mostly limited to low-paying occupations. The data presented in this report are primarily from 2008—prior to the worst period of the current recession. And while these indicators demonstrate that in 2008 life was getting harder for more Vermonters, the reality today is almost certainly worse.

Now more than ever, Vermonters need support from state and local systems and services designed to mitigate the worst effects of poverty and get people back on their feet. Unfortunately, Vermont's state government is shrinking its capacity to fulfill this role, relying on budget cuts to essential programs in order to ride out the current crisis. But while our government may save some money in the short term, Vermont's families and communities will be paying the difference over the coming years, as demands for services increase and critical needs are not met.

When government pulls away, people suffer. Other countries recognize this, and have put into place policies that help alleviate the burdens of poverty, especially among children. We know from their example that poverty and economic insecurity do not have to be a fact of life in Vermont. We just need to set our minds to maintaining support for and expansion of public policies that work for families. If we do, then we may one day live the reality dreamt by a group of Vermonters over 65 years ago: That every citizen of our democracy has certain privileges as of right and without proof of individual merit. And every one of our citizens has the economic substance of a decent life.<sup>59</sup>



## Appendix

### Measuring Poverty

Another criticism of the federal measure is that it does not accurately count the income a family has at its disposal to pay for necessities. The current measure looks at a family's earnings before taxes to determine whether it lives in poverty. The failure to take into account payroll, income, and other taxes overestimates how much cash a family has to meet basic expenses. Neither does the measure include the effect of government tax credits, and non-cash transfer programs such as 3SquaresVT, childcare subsidies, and housing vouchers, thereby understating certain resources available to families. Finally, the measure does not take into account geographical differences in housing costs.<sup>60</sup>

The methodology used to determine a poverty threshold matters. The Center for Law and Social Policy (CLASP) recently released a report comparing poverty rates across states using the official measure and one developed by the National Academy of Sciences (NAS) designed to address the criticisms of the federal measure. The NAS measure adopts an income definition that includes post-tax cash income, tax credits, and in-kind (non-cash) benefits while subtracting costs—like childcare—that reduce resources available to purchase food, clothing, and shelter.<sup>61</sup> The CLASP analysis also includes a geographic price difference adjustment (GPDA) to account for regional differences in housing costs.

According to their analysis using the NAS measure + GPDA, CLASP suggests that Vermont would fall from a rank of 3rd lowest overall poverty rate, to 10th - falling behind states such as North and South Dakota, and Idaho.<sup>62</sup> This drop is related to Vermont's high housing costs; CLASP found that adding housing costs to the NAS measure significantly changes the rankings among states.<sup>63</sup> CLASP notes the importance of including the GPDA in any measure, as research has indicated that the largest source of disparity in living costs across regions results from differences in the cost of housing and utilities.<sup>64</sup>

In 2009, the Measuring American Poverty (MAP) Act was introduced in both the House (H.R. 2909) and the Senate (S. 1625). It would require the Census Bureau to develop, in consultation with other experts, a modern poverty measure.<sup>65</sup> Congress should move to pass this legislation quickly. As CLASP notes, "The ability to measure poverty in the United States is not only important for understanding whether individuals and families are meeting their basic needs but also for guiding decisions about which policies can most effectively reduce poverty. The current official measure is a poor gauge for either."<sup>66</sup>

### What is KIDS COUNT?

KIDS COUNT is a national and state-by-state project of the Annie E. Casey Foundation to track the status of children in the United States. At the national level, the principal activity of the initiative is the publication of the annual KIDS COUNT Data Book, which uses the best available data to measure the educational, social, economic, and physical well-being of children state by state. The Foundation also funds a national network of state-level KIDS COUNT projects, including Vermont KIDS COUNT, that provide a more detailed, county-by-county picture of the condition of children.<sup>67</sup>

### **KIDS COUNT in Vermont**

This Vermont KIDS COUNT data book relies on the most current data available: most figures date to 2008, but due to the collection and processing procedures of certain state agencies some data are from 2007. We compare current figures to 2000 numbers to establish trends in the early Twenty-First Century.

All indicators are presented at the state level. For local data, please visit [www.voicesforvtkids.org/action/kids](http://www.voicesforvtkids.org/action/kids), where you will find reports for each of the 14 counties. These county pages contain many of the same economic, health and safety statistics, as well as results from the Vermont Youth Risk Behavior Survey at the supervisory-union level. The national KIDS COUNT Datacenter, available at <http://datacenter.kidscount.org>, contains both national data and local data uploaded by other members of the KIDS COUNT network across the country. Advocates for youth can employ these user-friendly data tools to compare indicators across geographies, look at trends over time, and generate maps and graphs.

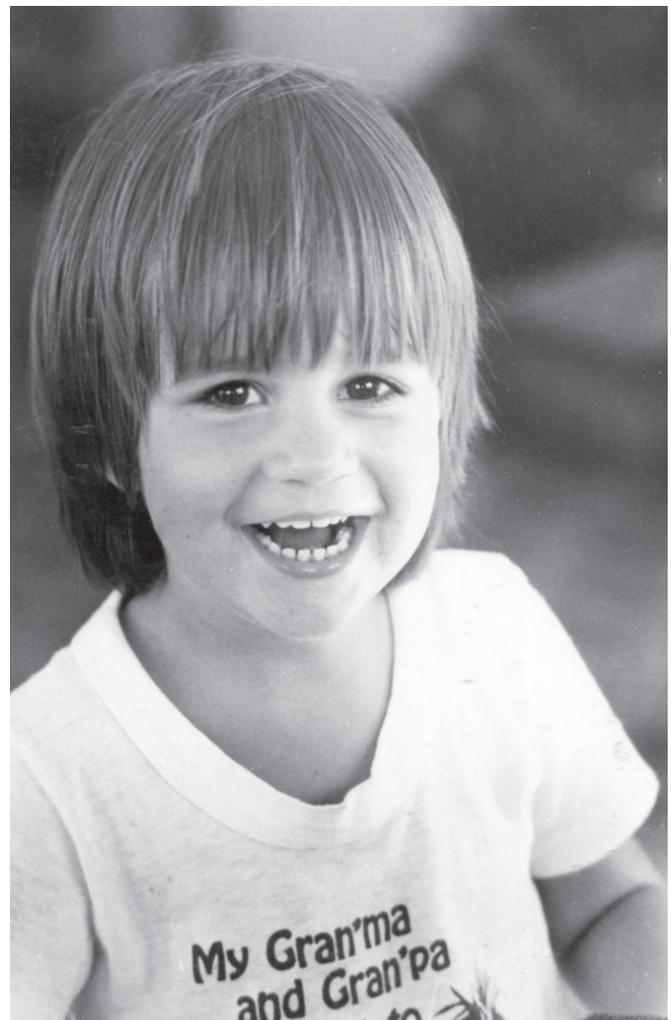
### **Who Uses KIDS COUNT Data**

KIDS COUNT data help others make a difference for young people—serving as useful tools for local citizens, government and nonprofit groups, as well as for service agencies.

Policy makers and state advocates use the data to increase public awareness and to inform their work on specific child and youth issues; citizens and community groups use it for grassroots organizing; service providers use the information in program planning and grant writing; and educators use the data to inform youth and get them involved in their own futures.

Examples of how you can use Vermont KIDS COUNT data:

- Create a fact sheet to bring attention to an issue in your community. If you've heard that more children are showing up at the local emergency food shelf and you want to research the economic status of children in your county, look at the trends in students approved for Federal School Meals programs.
- Use relevant data to support grant proposals and other funding requests. Service providers who apply for foundation funds to address a particular issue can demonstrate need in their communities with data. Local stories can provide a human face to an issue, while statistics document the magnitude of the problem.
- Inform voters and legislators about the impacts of their public policy choices using Vermont KIDS COUNT data. Ask candidates for public office if they know about the status of children and youth in their area, and help them understand how certain policies impact children's health and well-being.



## Term Definitions

### *Indicator*

The term “indicator” describes data that are related to outcomes of well-being of children, youth and families. An indicator can be measured in terms of number, rate, and change over time.

### *Number*

The count of events for an indicator. Most indicators are shown as three-year averages.

### *Rate*

A rate is the relationship between the number of events (such as early prenatal care) to the total related population (new mothers). The result provides a standard form with which to compare populations across different geographic areas (such as counties), of different sizes (county compared to state), or over periods of time (2000 to 2007).

### *Percent*

A percent is a rate that is based on 100 of the related population, or “per 100.”

### *Percent Change Over Time*

This calculation is used to examine the percent difference in a rate between two points in time.

### *Averaging Numbers*

For most indicators presented in the Data Book, numbers and rates represent the average of three years of data. This provides more reliable figures for data that may fluctuate significantly from year to year. The only indicators using single-year data are poverty and youth risk behaviors and assets.

### *Small Numbers and Rates*

Use caution when comparing rates over time and between counties with small populations and for indicators with small numbers. Rates based on small numbers may show huge changes from one year to the next—even if the actual number of events only rose from 2 to 3. In this case, we suggest using numbers over time, rather than rates.

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# The State of Vermont's Children

## Challenging Poverty:

*Supporting Children and Families in Difficult Times*

A Vermont KIDS COUNT Report  
May 2010

**Voices**  
for Vermont's Children

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