

# **Feasibility Analysis for Utilizing The Benefit Bank® in North Carolina**



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**By**

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**THE UNIVERSITY  
of NORTH CAROLINA  
at CHAPEL HILL**

## I. EXECUTIVE SUMMARY

As part of North Carolina's economic recovery from the recession, this report recommends implementing work supports outreach utilizing The Benefit Bank<sup>®</sup> service in North Carolina, to help low and moderate-income North Carolinians claim millions of federal dollars in work supports and move these families toward greater economic security. This report recommends:

- Empowering local faith-based, community, governmental, and private-sector organizations in North Carolina to use The Benefit Bank service to connect people with work supports, in the form of tax credits, public benefits, and other assistance
- Creating a work support outreach effort utilizing The Benefit Bank in North Carolina because, compared to other strategies, outreach using The Benefit Bank service is the most proven and effective
- Replicating and expanding in North Carolina the outreach model from Ohio, where in less than 3 years organizers have utilized The Benefit Bank service to:
  - Establish nearly 1,000 sites in 87 of Ohio's 88 counties
  - Train more than 5,300 counselors, and
  - Help more than 67,000 Ohioans
  - Claim more than \$101 million in tax credits, public benefits, and other assistance
- Recruiting Connectinc. in Battleboro, North Carolina, to serve as the "State Affiliate" implementing work supports outreach utilizing The Benefit Bank
- Investing portions of the state's shares of the American Economic Recovery and Reinvestment Act (ARRA), combined with other public and philanthropic funds, to create and implement outreach efforts utilizing The Benefit Bank in North Carolina
- Leveraging these investments to return millions of additional federal dollars and economic impacts, when outreach using The Benefit Bank, combined with Connectinc.'s existing capabilities, helps people find work and claim work supports
- Achieving economic impacts similar to those in Ohio, where Ohio University found that The Ohio Benefit Bank returned in two years to the Ohio economy at least:
  - \$38.4 million in tax credits and public benefits
  - \$25.2 million in economic impacts through multiplier efforts
  - \$2.5 million in state and local tax revenues
  - 450 new jobs created indirectly by the new works supports spending

## II. INTRODUCTION

The Z. Smith Reynolds Foundation (ZSRF) commissioned a project to analyze the feasibility and implementation of work supports outreach using The Benefit Bank service in North Carolina. ZSRF retained MDC, Inc., a forty-year old nonprofit organization in Chapel Hill, North Carolina, to complete this project, with research support from the University of North Carolina at Chapel Hill, Department of Public Policy. The project includes: 1) quantifying work support participation rates in North Carolina; 2) targeting supports for increased access and outreach; 3) analyzing the results of efforts in other states; 4) recruiting potential partners to implement outreach using The Benefit Bank in North Carolina; 5) fostering collaboration and planning with existing outreach efforts; 6) estimating costs of programming and implementation; and 7) investigating funding and sustainability. The project is divided into three phases:

- Phase I      Analyze Feasibility of Utilizing The Benefit Bank in North Carolina
- Phase II     Plan Outreach Implementation Using The Benefit Bank in North Carolina
- Phase III    Final Report and Dissemination of Findings

This report completes Phase I of the project and analyzes the feasibility of using The Benefit Bank in North Carolina. The report includes an analysis of present options for work supports outreach and the results of outreach using The Benefit Bank in six states. The report concludes that outreach using The Benefit Bank is the most proven, effective strategy for connecting low and moderate-income North Carolinians with work supports. The report recommends that Connectinc. serve as North Carolina's "State Affiliate" to implement an outreach plan, under the framework of the Work Supports Initiative. The report recommends that the project proceed quickly to Phase II for planning implementation of outreach using The Benefit Bank service in North Carolina.

## **II. MANY OF NORTH CAROLINA'S CHILDREN LIVE IN POOR OR LOW-INCOME HOUSEHOLDS**

North Carolina and the nation are facing the worst economic crisis since the Great Depression. The February 2009 unemployment rate in North Carolina is a record 11.3 percent – double the statewide rate of one year ago.<sup>1</sup> North Carolina residents and communities, struggling with the recession, job losses, and foreclosures, need all of the help they can get right now.

Even before the economic downturn, many North Carolina children lived in poor or low-income households, with significant impacts on future outcomes for both the children and the State of North Carolina. Research suggests that, on average, families need an income of about twice the federal poverty level to meet their basic needs.<sup>2</sup> In 2008, the federal poverty threshold was \$21,200 for a family of four. Within North Carolina's overall population of 1,276,376 families, in which 2,194,172 children live, substantial portions have incomes below twice the federal poverty level and are struggling to make ends meet:

- Forty-three percent (937,193) of North Carolina's children live in low-income working families, defined as income below 200% of the federal poverty threshold.
- Twenty percent (437,182) of North Carolina's children live in poor families, defined as income below 100% of the federal poverty level.
- Twenty-three percent (496,703) of North Carolina's children live in low-income working families have at least one parent who is employed full-time, year-round.
- Twenty-seven percent (249,763) of North Carolina's children live in low-income working families have at least one parent who is employed either part-year or part-time.
- Twenty percent (190,727) of North Carolina's children live in low-income families do not have an employed parent.<sup>3</sup>

These statistics are sobering, particularly because the income level of the household in which a child grows up bears significantly on the child's long-term prospects for success. Action

for Children North Carolina found in a study that children living at twice the federal poverty level (\$42,400 for a family of four) in North Carolina are:

- More likely to enjoy excellent physical and dental health
- More likely to read as young children
- More likely to participate in after-school activities and sports
- Less likely to repeat a grade<sup>4</sup>

Helping households with children secure income equal to twice the federal poverty level helps families meet basic needs. This has profound impacts on the lives of these children.

### **III. WORK SUPPORTS HELP HOUSEHOLDS AND THE ECONOMY**

The ranks of the working poor are growing, due to manufacturing job losses, welfare-to-work policies, wage stagnation, and cost-of-living increases.<sup>5</sup> In 2006, one-fourth of all jobs in the United States paid \$10 per hour or less,<sup>6</sup> and millions of workers have lost or will lose their jobs in the recession.<sup>7</sup>

Above and beyond the current recession, over the past few decades, economic changes and global trade have caused continuing declines in industrial employment.<sup>8</sup> Many Americans, formerly employed in manufacturing, are moving into low-wage jobs and joining the working poor.<sup>9</sup> Concurrently, the nation ended “welfare as we knew it” in 1996, when President Clinton signed “welfare-to-work” legislation.<sup>10</sup> North Carolina enacted similar “Work First” policies the same year.<sup>11</sup> Welfare reform limited cash assistance, required work and provided work supports.<sup>12</sup> Cash assistance rolls declined drastically.<sup>13</sup> Many former welfare recipients moved into low-wage jobs, joining the “working poor.”<sup>14</sup>

The problem is that the “basic needs” budget of many working families exceeds income.<sup>15</sup> Simply stated, for many Americans there is a “gap” between wages and meeting basic

needs. This gap is also illustrated for a single, working mother in Chicago, who needs \$36,000 in income per year to make ends meet, which is the equivalent of full-time employment at \$17 an hour.<sup>16</sup> If her job pays \$8 an hour—more than the minimum wage—the household has an income gap of \$18,000 between income and expenses.<sup>17</sup>

The nation’s chief response to unemployment, underemployment, and low wages is to provide work supports, to help fill the gap between low income and meeting basic needs. The supports include tax credits, such as the refundable Earned Income Tax Credit (EITC), and public benefits, such as food stamps, childcare subsidies, children’s health insurance, Medicaid and home energy assistance.<sup>18</sup>

When claimed, work supports reduce poverty. The EITC alone lifts more people out of poverty than any other social program.<sup>19</sup> The EITC is important in “making work pay” sufficiently for the working poor to meet their basic needs.<sup>20</sup> Some states, such as North Carolina, have also enacted state-level EITCs to supplement the federal EITC.<sup>21</sup> “The combination of food stamps, EITC, and other supports allow even low-wage workers to raise their families’ incomes above the poverty line.”<sup>22</sup> Work supports also encourage and sustain employment,<sup>23</sup> improve welfare-to-work success rates,<sup>24</sup> and reduce recidivism among convicts.<sup>25</sup>

For example, a family consisting of a single parent living with two children, with a full-time job in Pennsylvania at minimum wage in 2002 earning \$10,000 -- 69% of the Federal Poverty Level (FPL)—could have received about \$23,600 in work supports. This total includes the EITC (\$4,000), food stamps (\$2,350), child care subsidies (\$12,400) and Medicaid for the parent and both children (\$4,830).<sup>26</sup> The cumulative effect of these supports raises the total family income to nearly twice the federal poverty level—the all-important benchmark that so

profoundly affects whether the family is meeting basic needs and long-term outcomes for children living in those households.<sup>27</sup>

Moreover, research shows that when working-poor households receive work supports, they spend those dollars in their local communities. This boosts community economic development through multiplier effects, as those dollars circulate throughout local economies. For example, the federal government pays 100% of all food stamp benefits and nearly 50% of the administrative costs for states and counties to implement the program.<sup>28</sup> Every \$5 in food stamps generates \$9.20 in economic activity.<sup>29</sup>

As Ben Bernanke, Chairman of the Federal Reserve Board, testified with regard to economic stimulus, “there is good evidence that cash that goes to low and moderate-income people is more likely to be spent in the near term. . . . Getting money to people quickly is good, and getting money to low and moderate-income people is good, in the sense of getting bang for the buck.”<sup>30</sup> Former Secretary of the Treasury Robert Rubin and many congressional leaders and economists agree that food stamps and other supports stimulate economic activity when recipients spend these supports to meet their basic needs.<sup>31</sup> Thus, not only are families helped by work supports, but the effect of claiming food stamps and other supports spurs community economic development by bringing new federal dollars to be spent, that otherwise would not be spent, in struggling communities.

#### **IV. WORK SUPPORTS ARE UNDERUTILIZED NATIONALLY**

Existing tax credit, nutrition, health care, energy, and education programs, authorized and funded by large bipartisan majorities in Congress, often do not reach their intended beneficiaries.<sup>32</sup> Only 7.2% of eligible families claim all four supports of the EITC, food stamps, health insurance and child care supports.<sup>33</sup> Even the most-utilized work support, the EITC, is

not claimed by over 6.5 million American households, which annually lose out on \$11.7 billion in EITC refunds.<sup>34</sup>

The reasons for not applying for work supports are many. A National Governors' Association study found that many Americans do not claim work supports because of complex application procedures requiring one or more office visits and taking time off from work.<sup>35</sup> Some are reluctant because of perceived stigma associated with applying for supports at what used to be called county "welfare" offices.<sup>36</sup> Many people, especially displaced workers, are unaware of available assistance.<sup>37</sup> Some believe that the employed are not eligible.<sup>38</sup> For many, applying for food stamps is not worthwhile unless access to many supports is "bundled," so they can claim other supports at the same time.<sup>39</sup>

For one of the most important supports, the EITC, even when households claim the credit, many lose money that could be helping them make ends meet. In many areas, free tax assistance is not available or people are unaware of where to access free help. People are lured to paid tax preparation services by promises of "rapid refunds," otherwise known as Refund Anticipation Loans (RALs). Thus, many households pay both tax preparation fees and refund anticipation loan costs, which drained \$2.1 billion nationally from EITC refunds in 2005 alone.<sup>40</sup>

## **V. WORK SUPPORTS ARE UNDERUTILIZED IN NORTH CAROLINA**

Federal and state means-tested programs form a core work support system for low and moderate-income families in North Carolina. Major programs include the EITC, food stamps (SNAP), child care subsidies, Medicaid, the State Children's Health Insurance Program (SCHIP), and the School Lunch Program. Each program has separate application procedures as well as program-specific determinants for establishing eligibility. Although these programs were designed with a common purpose—to support low and moderate-income working families—the



disaggregated application processes introduces complexity and confusion over who is eligible, and how and where to apply for benefits.<sup>41</sup>

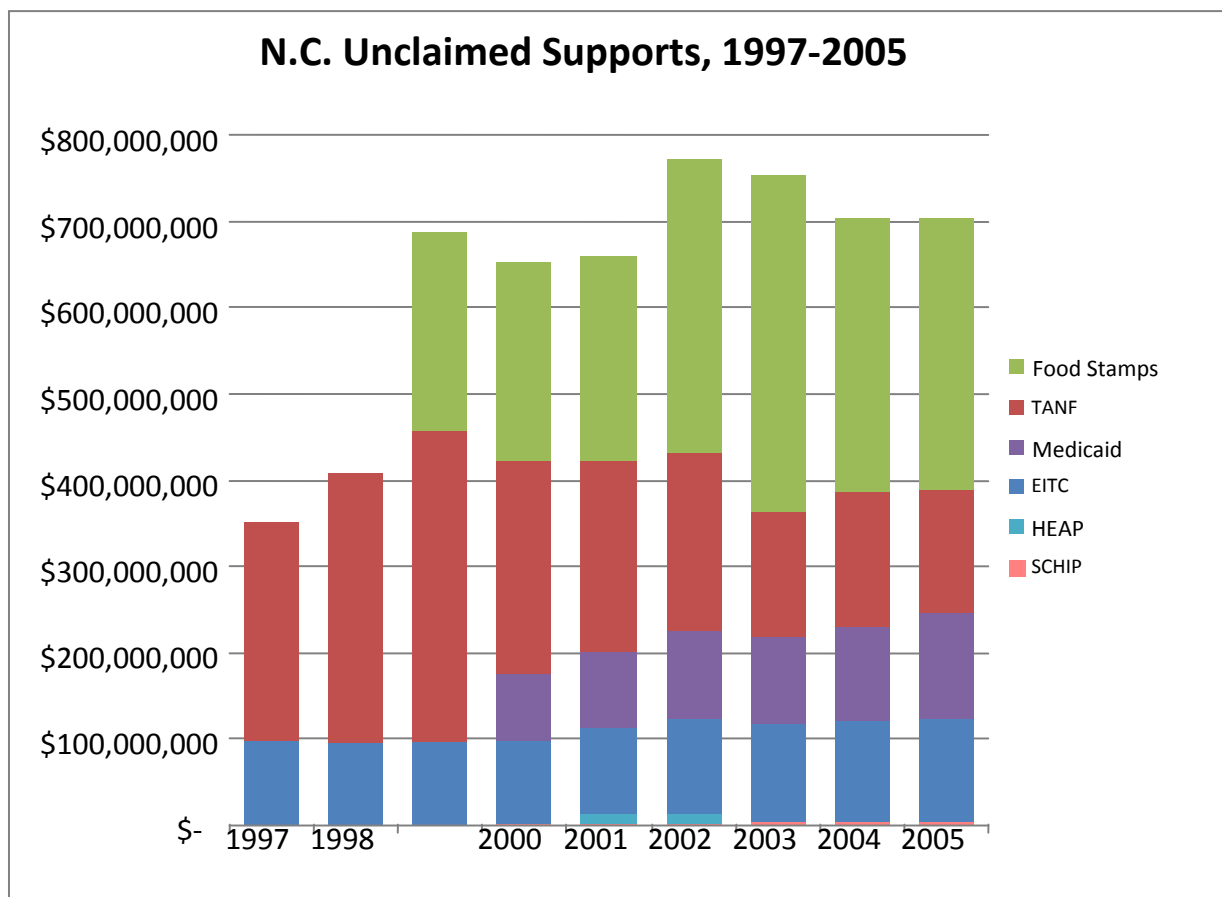
The under-enrollment of North Carolinians in these existing government programs means that many low and moderate-income families in North Carolina are missing out on supports that could move them toward greater self-sufficiency. For a recent example of the magnitude of unclaimed federal benefits, 137,573 eligible North Carolinians did not file their 2007 income tax return to receive a one-time economic stimulus payment.<sup>42</sup> The federal government provided these payments to ease the financial hardship associated with a slowing economy and increasing costs of energy, and to provide a short-term boost in household consumption. Thus, it is likely that many households most affected by the economic downturn did not receive this income support because they did not file their federal income tax returns. As a result, \$41.3 million in available federal payments to taxpayers were not claimed and were not spent in North Carolina. Four of the state's largest cities and six of its largest counties were among those with the highest number of unclaimed payments in the United States.<sup>43</sup>

Likewise, other work support programs designed to help poor and low-income families are significantly underutilized over time in North Carolina. Figure C, on the following page depicts that low and moderate-income North Carolinians failed to claim over \$700 million in work supports each year from 1997-2005. This analysis assumes, conservatively, that the value of unclaimed supports is half of the average amount received by those who claimed supports (based on the assumption that those who do not claim supports do so because the value of each support for them is less than for those who claimed supports).

This is a conservative estimate for the additional reason that it does not include the value of unclaimed work supports for which there is not robust longitudinal data, such as the Child Tax

Credit, Hope Education Tax Credit, Senior Community Service Employment, and Medicare Part D Low-Income Subsidies. The estimate also does not include the value of unclaimed Pell Grants, other grants and scholarships, and work-study opportunities lost when students do not complete the Free Application for Federal Student Financial (FAFSA). All told, the value of unclaimed work supports in North Carolina likely exceeds more than \$1 billion per year.

**FIGURE C (see also Appendix III)**



## **A. Earned Income Tax Credit (EITC)**

The EITC is a refundable income tax credit designed to increase income security among low-income working families. Eligible individuals apply for the EITC by filling out the appropriate sections on their federal income tax returns. The size of the credit each individual receives depends upon household earnings and the total number of dependents a filer can claim. The amount of credit for which a family is eligible increases with earnings up to a point (the “phase-in” range), is constant over a small income range (the “plateau”), and then declines with increasing earnings until reaching zero (the “phase out” range). To be eligible for the EITC in tax year 2008, a family with two or more qualifying children must have a monthly income of less than \$3,220 (*see* Appendix I).

Between 1990 and 2007, federal expenditures for the EITC grew from \$8.7 billion to \$47.1 billion. In 2007, 24 million Americans filed for the EITC; a majority of these individuals lived in households with one or more children.<sup>44</sup> The latest available data indicates that North Carolinians received over \$1.5 billion in federal assistance from the EITC in 2005.

Approximately 771,000 North Carolina residents—20 percent of all tax filers in the state—filed for the EITC that year. The table in Appendix II highlights the actual distribution of total EITC benefit amounts by county in 2005.<sup>45</sup> The differences between counties likely reflect differences in population size and income composition that determine the number of eligible people within each county. The average return for a filer within North Carolina was \$1,952 in 2005.

The latest authoritative study on EITC national participation used tax year 1996 data.<sup>46</sup> While the work of the IRS and national and state outreach campaigns have likely resulted in an increase in participation since that time, recent expansions in eligibility for the credit (most notably among married-couple families) and changes in the broader economy mean that

participation rates may not be too dissimilar from those estimated in that year. This prior work estimating EITC participation rates concluded that 18.6 percent of those eligible for the EITC in North Carolina did not apply for their credits in 1996.<sup>47</sup> North Carolina had the sixth highest number of eligible non-filers in the country and was among the highest non-filing rates in the country (15<sup>th</sup>).<sup>48</sup>

The participation rate for the EITC is calculated by determining how many families and workers were eligible for the credit and, of those, how many claimed the credit. Various participation rate studies have used data sources such as the Current Population Survey, the Survey of Income and Program Participation, and state administrative records to derive estimates of the size of the EITC-eligible population. None of these data sources, however, is of sufficient size to support eligibility estimates for geographies smaller than states or very large metropolitan areas. The limited research on participation rates has consistently found that the credit amounts left unclaimed by non-participants are smaller than those claimed by program participants.<sup>49</sup>

Figure C illustrates those unclaimed federal benefits from 1997 to 2005. The fluctuations are assumed to be driven by changes in the legislation outlining eligibility and economic environment.<sup>50</sup> Accurate information on EITC participation can be helpful for future North Carolina outreach and enrollment efforts. This includes information at different levels of geography, depending on the scope of the outreach (counties, cities, neighborhoods); in different metrics (number of additional families, dollars “left on the table”); and for different time periods (the most recent tax year, all tax years for which eligible non-participants could claim credits). ZIP code-level estimates of eligible non-participants and unclaimed EITC dollars could provide some of the most meaningful data for future outreach.

## **B. Supplemental Nutrition Assistance Program (SNAP)/Food Stamps**

The Food Stamp Program, now known as the Supplemental Nutrition Assistance Program (SNAP), is aimed at promoting healthy diets among low-income households and is the largest food assistance program operating in the United States. Under this program, benefits are distributed to households on an Electronic Benefit Transfer (EBT) card that is used, much like a credit or debit card, to purchase authorized food items at grocery stores participating in the program. Applications for this program are available online and at local Departments of Social Services (DSS) around the state, where the completed forms are submitted. The amount of assistance a household receives is determined algorithmically, based on total income and the number of individuals in the household. These determinations vary depending on what county an applicant lives in. To be eligible for benefits in 2008, a family of three must have a gross income less than \$1,907 a month (*see* Appendix I).<sup>51</sup>

The latest data on this program indicate that Americans received \$28.5 billion in assistance through the food stamps program in 2005. In 2007, 26.5 million Americans had applied for food stamps and estimates from September 2008 indicate that enrollment has risen to a record high of 31.6 million Americans (per month).<sup>52</sup> In 2005, nearly 790,000 North Carolinians in over 336,000 households received \$869 million in federal food stamp support.<sup>53</sup> From 1999 to 2005, the number of households applying for benefits within the state increased by 59 percent and benefit levels increased by 66 percent. Although data are not yet available, it is likely that the growing enrollment in the food stamp program at the national level has paralleled increased rates of program enrollment in North Carolina. Appendix II highlights the actual distribution of total food stamp benefit amounts by county in 2006. Those counties with the larger populations of poor residents received the most federal assistance that year.

The United States Department of Agriculture (USDA) monitors participation rates in each state using data from administrative records, the Current Population Survey, and the decennial census. National trends suggest that participation is typically high among individuals in households with children, receiving public assistance, or with very low income. Participation rates are generally low for children living with non-citizen adults, the elderly, and individuals with incomes above poverty.

The level of participation has increased across all these subgroups in North Carolina due to changes in the administration of the program beginning in 2001.<sup>54</sup> The increase in the number of people eligible for food stamps within the state is the result of economic circumstances as well as recent changes in the rules governing eligibility. Slower economic growth following the economic boom of the late 1990s resulted in increased and protracted periods of unemployment within the state and in many places around the country.<sup>55</sup> Additionally, Congress granted states the flexibility in how they factored non-financial resources such as automobiles, into a household's stock of assets. Subsequently, North Carolina exempted the value of household vehicles from the asset-based eligibility determinations.<sup>56</sup> Along with slowed growth resulting from an increasingly stagnant economy, legislative changes in the previous decade have increased the number of individuals eligible for food stamps within the state.<sup>57</sup>

USDA estimates that a majority (58 percent) of all eligible households in North Carolina participated in the food stamp program in 2005.<sup>58</sup> North Carolina's participation rate was "significantly lower" than the national average of 65 percent, in the last year for which this data is available, in 2005.<sup>59</sup> However, North Carolinians receive on average, among the highest monthly food stamp benefits in the country (12<sup>th</sup>).<sup>60</sup>

This report estimates that over \$94 million in food stamp benefits went unclaimed by eligible North Carolinians who were not enrolled in the program in 2005.<sup>61</sup> Figure C indicates the estimated loss of federal benefits due to under-enrollment in the food stamp program from 1999 to 2005. Under-enrollment in the food stamp program accounts for the largest estimated loss in federal revenue among the programs discussed in this analysis of North Carolina.

### **C. Medicaid (Health Check) and SCHIP (Health Choice)**

Medicaid and the State Children's Health Insurance Program (SCHIP) are health programs that offer coverage to low-income families that are jointly financed by the federal and state governments. Individuals seeking Medicaid coverage must seek a paper application through their county's Department of Social Services. The income and resource limits determining eligibility vary depending on age, family size, and disability status of the applicant. A family of three with children between the ages of 6 and 18 could not have earned more than \$1,467 per month to be eligible for Medicaid in 2008. For children under the age of 6, the monthly income limit is \$2,934 to be eligible for Medicaid. This is also the monthly income limit for children ages 6 to 18 to be eligible for North Carolina's SCHIP program. The Medicaid monthly income limits for parents are considerably lower, approximately \$544 for a family of three (*see* Appendix I).<sup>62</sup>

The federal government reimburses Medicaid and SCHIP programs for a share of the services the state provides. For example, federal revenues reimbursed 63.49 percent of North Carolina's Medicaid expenditures and 74.44 percent of SCHIP outlays in 2006. These replacement rates increased from 60.65 and 64.59 percent in 1996 to 62.49 and 73.74, respectively, by 2000 and have remained stable since. The federal government's share of the expenditures is determined annually and is higher in states with lower per capita income relative

to the national average. In effect, North Carolina pays only 38 cents for every Medicaid dollar and 26 cents for every SCHIP dollar spent in the state.<sup>63</sup>

In 2006, the federal government spent \$161 billion to provide Medicaid services to 61 million Americans.<sup>64</sup> That same year, the federal government provided \$4.4 billion in medical services to over 6.6 million American children through SCHIP.<sup>65</sup> In 2006, Medicaid expenditures in North Carolina topped \$8 billion, funding medical coverage and care to 1,644,457 individuals. That year, SCHIP spending in the state accounted for another \$67.6 million, while providing medical coverage and care to nearly 150,000 children across the state.<sup>66</sup> Given the federal replacement rates for Medicaid and SCHIP, the state received \$5.1 billion and \$50.3 million, respectively, from the federal government to cover the costs of providing health care to individuals under each of these programs. Appendix II highlights the actual distribution of the federal Medicaid dollars by county in 2006. Variation across counties is due to differences in population size, demographics, and economic security of those within each county.

It is estimated that 6.4 percent of North Carolinians eligible for state's SCHIP program remain uninsured.<sup>67</sup> Some children are not enrolled because they are covered under a private plan or under their parent's plan, but these individuals are covered by neither a private plan nor North Carolina's SCHIP program. Due to the methodological concerns and the constraints imposed because of the limited availability of reliable data, this report is unable to produce a similar estimate for the rate of Medicaid under-enrollment.<sup>68</sup> However, it is plausible that the statewide SCHIP under-enrollment estimate is close to what under-enrollment in Medicaid would be if the necessary data were available to make such calculations.

As reported in Figure C, this report estimates that the under-enrollment in the SCHIP program resulted in North Carolina forgoing over \$5 million in federal revenue to support health



care coverage for children in 2005. Using under-enrollment figures for SCHIP, the state lost an estimated \$120 million in federal funding for Medicaid in 2005 (*see* Appendix III).

#### **D. Work First/Temporary Assistance for Needy Families (TANF)**

The Work First program in North Carolina emerged as a result the 1996 federal welfare reform. Because of these changes, each state now receives a block grant from the federal government, but retains the discretion to establish their own parameters defining eligibility. North Carolina's program seeks to encourage self-sufficiency and workforce participation by making benefits conditional upon work requirements and imposing restrictions on the length of time that an individual may claim benefits. Currently, the program utilizes a mixture of both federal and state funds for cash assistance, training, and other work-related services.

To apply for benefits, eligible individuals need to bring their bank and tax records, and proof of identification and income to their local county Departments of Social Services. In North Carolina, eligibility is determined by a household's income, number of children, assets, and the employment status of the applicant. In 2008, a family of three earning \$544 or less a month is eligible for cash assistance; however, other county-specific eligibility requirements may preclude those with incomes less from receiving Work First/TANF cash assistance (*see* Appendix I).<sup>69</sup>

In 2006, the federal government provided almost \$6 billion in federal assistance to state TANF programs.<sup>70</sup> Approximately 5 million individuals received federal assistance through TANF throughout the nation in 2003. National enrollment in TANF programs has declined sharply from a program high of more 14 million, prior to "welfare reform" in the mid-1990s. Following these policy changes, federal spending on TANF programs within North Carolina decreased from a high of \$227 million in 1999 to \$87.3 million in 2006.<sup>71</sup> Over this same

period, the state averaged 68,000 Work First recipients receiving cash assistance per month in 2006, down from 252,500 in 1997.

In 2006, individuals enrolled in the TANF cash assistance program in the state received, on average, \$1,300 in federal dollars. Cash assistance payments have remained at the same level since 1991 and are currently among the lowest in the country.<sup>72</sup> Appendix II highlights the actual distribution of benefit amounts by county in 2006. The distribution of federal TANF cash assistance is most likely correlated with the county's population size and economic composition.

Enrollment rates in the program were calculated by the federal Department of Health and Human Services (HHS) for 1997, 2003, and 2004 among those eligible for the program—they were 24, 27, and 25 percent respectively.<sup>73</sup> In 2004, North Carolina had among one of the lower TANF participation rates in the country (36<sup>th</sup>).<sup>74</sup> As shown in Figure C, this report estimates that under-enrollment left \$130 million dollars in cash assistance from being distributed to families that were eligible to receive these funds in 2006.<sup>75</sup>

### **E. Child Care Subsidies**

North Carolina provides subsidized childcare services to eligible families through a state-supervised voucher system. Counties within the state administer the program and receive an annual block grant comprised of federal and state funds for implementation of the services. The goal of this program is to provide access to quality childcare services to low-income households so that they may seek employment and participate in job training. Information about eligibility is available on the Internet, but the application process involves an interview with a local county official to make the final determination for each applicant. Eligibility is determined based on family size and household income. To be eligible for benefits in 2008, a family of three must have a monthly gross income less than \$3,057 (*see* Appendix I).

In 2006, almost \$7.7 billion in federal money was allocated to states to help support this program.<sup>76</sup> That year, just over 1 million families and 1.8 million children received assistance from the federal government to fund childcare services across the country. In 2008, the federal government provided roughly \$200 million dollars to residents in North Carolina for non-Work First (TANF) childcare subsidies.<sup>77</sup> In 2008, over 87,000 children in North Carolina received federal assistance for childcare. Each child received an average of \$364 per month that year.<sup>78</sup> Federal funding accounts for 65 percent of all child care subsidies used in the state. As of October 2008, there were 33,000 children waiting for additional funding or room in the budget to receive childcare subsidies.<sup>79</sup> Expanding childcare services to those on the state's waiting list would potentially bring in over \$6 million in federal revenue to the state.

#### **F. Energy Assistance (LIHEAP)**

The Low-Income Home Energy Assistance Program (LIHEAP) assists low-income households that pay a high proportion of their income on home energy. LIHEAP provides a one-time cash payment to eligible families in North Carolina to pay their heating bills. Funding for these programs is provided through a block grant from the federal government. The benefits distributed through this program are modest relative to the total cost of home energy costs. Nationally, the program covers eight percent of the home heating costs for qualifying households, and five percent in North Carolina.

The Food Stamp Information System (FSIS) is used to help identify eligible households. Qualifying households will receive automatic payments for heating costs. Eligible households not included in the FSIS must apply during the dates outlined by local social service departments. In North Carolina, applications are accepted for two weeks in November; participants are required to contact their local Department of Social Services, as the weeks can

vary by county. Each household's benefit amount is algorithmically determined by an automated system that factors in the household's income, geographic location of the house, the type of heat the household uses, and fuel/electricity costs.<sup>80</sup> Priority for funding is given to households with children or elderly residents. To be eligible for benefits in 2008, a family of three must have a monthly gross income less than \$2,579 (*see* Appendix I).

In September of 2008, the federal government appropriated \$4.5 billion for block grants to provide to states for LIHEAP assistance. In 2002, 4.4 million households in the United States received heating and cooling assistance. In 2006, North Carolina received \$71.1 million, up nearly 40 percent from the allocation of the previous year. That year, LIHEAP benefits in the state ranged from \$25 to \$89 with an average of \$57. This figure is down from the average benefit of \$70 in 2001 and \$66 in 2004.<sup>81</sup>

The number of households in North Carolina that were eligible for LIHEAP subsidies in 2006 totaled 550,000. Of those eligible households within the state, only 40 percent actually filed for assistance that year. While low, North Carolina's enrollment of LIHEAP eligible individuals in the program was higher than the national average of 13.5 percent, last measured in 2002.<sup>82</sup> As reported in Figure C, this report estimates that eligible North Carolinians failed to claim over \$10 million in federal heating and cooling assistance. This includes available data and estimated loss of federal support due to under-enrollment for 2001, 2002, and 2006.

## **G. School Nutrition Programs in North Carolina**

### **1. The School Breakfast Program**

The Food and Nutrition Service (FNS), within USDA, administers the School Breakfast Program at the federal level and the North Carolina Department of Public Instruction administers it at the state level.<sup>83</sup> The School Breakfast Program serves as a federally-assisted meal program

that operates in public schools, nonprofit private schools, and residential childcare institutions—it seeks to ensure that every student is provided a nutritional breakfast each day.<sup>84</sup> School districts and independent schools that choose to take part in the School Breakfast Program receive cash subsidies from USDA for each meal they serve. The cash subsidies are dispersed by reimbursement rates in the range of \$1.35 for every free breakfast, \$1.05 for every reduced-priced breakfast, and \$0.35 for every paid breakfast sold.<sup>85</sup> In return for the subsidies, the participating schools must serve breakfasts that meet the federal requirements set by the standards of the Dietary Guidelines for Americans. The nutritional standards of the Dietary Guidelines for Americans contain specific requirements to help ensure that healthy meals are being offered to children in this program.<sup>86</sup>

In order to be an eligible participant in the School Breakfast Program, the individual must be a resident of the State of North Carolina, and a parent or primary caregiver responsible for a child, or children, who attend school (high school or under). Those who qualify must also have a monthly household income that does not exceed \$2,714 for a family of three (for reduced price breakfast) and \$1,907 for a family of three (for free breakfast). These income limits apply to all of the school nutrition programs (*see* Appendix I).<sup>87</sup>

According to USDA, nationally, in 2007, 8.1 million low-income children participated in the School Breakfast Program on an average day. This is an increase of 391,000 children, or 5 percent, from the previous year. The federal government devoted almost \$2.2 billion to this program during the 2006-2007 school year. That year, North Carolina received almost \$77.5 million in federal revenue to fund this program.

As of 2007, 99.2 percent of North Carolina schools participate in the School Breakfast program as a percentage of the School Lunch Program. According to the School Breakfast

Scorecard for 2005, out of every 100 low-income students in North Carolina, 50.5 receive school breakfast. The Food Research and Action Center (FRAC) recognized North Carolina, among the top thirteen states, as having the best results in 2004-2005 with reaching low-income students with school breakfasts. The criteria used for the ranking was that North Carolina had more than fifty students in free or reduced price breakfasts for every one hundred in free or reduced price lunches. The School Breakfast Program Scorecard of 2007 states, North Carolina provides approximately \$2.2 million per year to provide free universal school breakfast to kindergarten students in districts where 50 percent or more of the kindergarten students are eligible for free and reduced school meals.<sup>88</sup>

Nationally, almost 85 percent of schools serve over 10 million students breakfast daily. The national participation rate during that school year was 59.2 percent. In the last three school years, daily participation in the School Breakfast Program by low-income children has increased by 1 million, or 14.2 percent. Of all the children that eat a free or reduced lunch, only 45 percent of children ate a free or reduced-price school breakfast. This figure has been stable of the past two years. If the school breakfast to lunch ratio had reached the goal of 60:100, almost 2.6 million more children would have been eating a healthy school breakfast every day.<sup>89</sup>

North Carolina ranks higher than the national average with respect to percent of schools that participate in the program, but lags behind the national average for the percent of eligible students that actually participate.<sup>90</sup> During the 2006-2007 school year, every day roughly 363,000 students in North Carolina received a free or reduced-price breakfast, on average. FRAC estimates that 50 percent of all eligible students participate in this program; the state has the 15<sup>th</sup> highest participation rate in the country. Almost all schools in the state participate in the program (99.2 percent). FRAC estimated that, if the state could increase its participation among

those eligible from 50 to 60 percent, the state could receive almost \$12.6 million in additional federal revenue to support the program and provide meals to low-income students.<sup>91</sup>

## **2. The School Lunch Program**

Similar to the School Breakfast Program, the School Lunch Program is a federally-assisted meal program that operates in over 100,000 public and non-profit private schools, and residential childcare institutions. The School Lunch Program was established to provide nutritionally balanced, low-cost or free lunches to more than 29 million children each day. In 1998, Congress expanded the program to include reimbursements for snacks served to children in after-school educational and enrichment programs through the age of 18.<sup>92</sup>

USDA FNS administers the School Lunch Program at the federal level. At the state level, the North Carolina Department of Public Instruction administers the North Carolina School Lunch Program. The public schools, non-profit private schools, and residential childcare institutions that participate in the School Lunch Program receive support from USDA in the form of a cash reimbursement for each meal served. Basic cash reimbursement rates include \$2.40 for every free lunch, \$2.00 for every reduced-price lunch, \$.23 for every paid lunch, \$.65 for every free snack, \$.32 for every reduced-price snack, and \$.06 for every paid snack sold.<sup>6</sup> Like the School Breakfast Program, there are specific dietary requirements for all meals and snacks.

In North Carolina, healthier food requirements that were established in 2005, along with rising fuel, staff, food and equipment costs have combined to put a strain on all school nutrition programs. Since the new restrictions, the cost to produce a lunch in North Carolina has increased from \$2.68 a year ago to approximately \$3.11 this year. North Carolina has the ninth largest School Lunch Program in the country and students in the state receive among the highest level of benefits in the country (8<sup>th</sup>).<sup>93</sup>

During the 2006-2007 school year, almost 30.6 million students in 100,000 schools across the nation received lunch through the School Lunch Program. That year the federal government spent \$7.7 billion on this program, up from \$7 billion in 2002-2003 (2007 dollars).<sup>94</sup> FRAC estimates that 962,000 students participated in the North Carolina School Lunch program during the 2006-2007 school year. For the same year, the state received over \$250 million in Federal Funding to provide lunches to poor students. This figure is up from the \$219 million the state received in the 2002-2003 school year (2007 dollars).<sup>95</sup>

### **3. The Special Milk Program**

The Special Milk Program aims to provide milk to children in schools, childcare institutions and eligible camps that do not participate in other federal child nutrition meal service programs; however, schools in the National School Lunch or School Breakfast Programs *may* participate in the Special Milk Program to provide milk to children in programs such as Pre-Kindergarten and Kindergarten where children do not have access to school meal programs.<sup>9</sup> Eligible individuals apply through the Department of Public Instruction in North Carolina.

FNS administers the program at the federal level, while at the state level the Special Milk Program is administered by the North Carolina Department of Instruction. USDA offers participating schools and institutions a reimbursement of seventeen-cents for each half pint of milk served. In return for the reimbursements, schools must serve milk that contains vitamins A and D at levels specified by the Food and Drug Administration. Any child from a family that meets income guidelines to get free meals, TANF, or food stamps, is eligible to participate in the Special Milk Program. Each child's family must apply annually to obtain free milk. In 2007, nearly 1.2 million pints of milk were provided to children in North Carolina.<sup>96</sup>



#### **4. Fresh Fruit and Vegetable Program**

The primary purpose of the Fresh Fruits and Vegetables Program is to increase students' consumption of fresh fruits and vegetables. Currently, the federal government spends \$50 million on this program, providing food to schools in 43 states across the country.<sup>97</sup> For the fourth consecutive year, North Carolina has been awarded the opportunity to participate in the Fresh Fruit and Vegetable Program with the help of a \$1 million dollar grant from the United States Department of Agriculture.<sup>98</sup> Students in select public schools are able to participate in the Fresh Fruit and Vegetable Program. Funds are distributed among 25 elementary schools to purchase and serve a wide variety of fresh fruits and vegetables, free of charge, to all eligible students in the participating schools.<sup>99</sup> The North Carolina Department of Public Instruction's Child Nutrition Services Section is partnering with the NC Department of Agriculture & Consumer Services, and the NC Department of Health and Human Services' Division of Public Health, to implement the program in elementary schools for the 2007-08 school year." During the 2007-08 school year, this program served 25 elementary schools within the state.<sup>100</sup>

#### **VI. THE ECONOMIC RECOVERY ACT IS INCREASING WORK SUPPORTS**

President Obama signed into law the \$787.2 billion American Recovery and Reinvestment Act ("ARRA") on February 17, 2009. This huge appropriations package increases funding for many government-provided work supports in North Carolina, including:

- *Making Work Pay Tax Credit:* Creating a new refundable tax credit of \$400 for individual and \$800 per couple, applying to 95% of households, phased out for higher-income households
- *Child Tax Credit (CTC):* increases eligibility for the refundable portion of the credit by reducing the income threshold for eligible families to \$3,000
- *American Opportunity Education Tax Credit:* \$2,500 for each of 118,000 families will qualify for the new partially-refundable tax education credit for 2009 and 2010 to provide financial assistance for individuals seeking a college education

- *Earned Income Tax Credit (EITC)*: temporarily expands this refundable tax credit for working families with 3 or more children
- *First-Time Home Buyer Credit*: Refundable tax credit for first-time buyers purchasing homes after January 1, 2009
- *Supplemental Nutrition Assistance (SNAP -- formerly Food Stamps)*: \$617.8 million to provide nutrition assistance to low and moderate-income families and lift time restrictions
- *Student Financial Aid*: \$15.6 billion to increase the maximum Pell Grant for higher education by \$500, from \$4,850 to \$5,350
- *Work-Study*: \$200 million to support undergraduate and graduate students who work
- *Medicaid Coverage for the Unemployed*: federal funding through 2010 for optional State Medicaid coverage for the unemployed
- *Social Security Income*: \$250 one-time stimulus payment to Social Security beneficiaries, SSI recipients, and veterans with disabilities
- *Child Care Subsidies*: \$67.5 million to provide child care services for an additional 300,000 children in low-income families while their parents work
- *Community Service Employment for Older Americans*: providing more subsidized service jobs to low-income older Americans<sup>101</sup>

Connecting eligible people to these work supports is a national priority. These dollars are vital to helping Americans recovery from the recession. The underlying premise of including increases for these programs in ARRA is that the revenue these work supports generate, when claimed, boosts the nation's economic recovery.

## **VII. OUTREACH USING THE BENEFIT BANK SERVICE IS A PROVEN STRATEGY FOR CONNECTING ELIGIBLE PEOPLE WITH SUPPORTS**

There is increasing optimism for eligible Americans who can claim work supports. In Ohio, a public-private partnership called The Ohio Benefit Bank has connected tens of thousands of low and moderate-income Ohioans with millions of federal work supports dollars, both helping Ohio families and creating larger economic impacts. Outreach utilizing The Benefit

Bank is a proven, effective strategy to connect low and moderate-income Americans with work supports. No other strategy helps clients complete and file *both* income tax returns and public benefits applications. No other strategy imports a client's tax information into the Free Application for Federal Student Aid (FAFSA) -- the gateway to Pell grants, other grants and scholarships, and work-study opportunities to increase access to higher education. No other strategy has built as large a grassroots outreach network or helped as many people in one state as The Benefit Bank in Ohio.

#### **A. The Ohio Benefit Bank Has Produced Substantial Results**

The National Council of Churches was the original nonprofit sponsor of The Benefit Bank outreach efforts across the country.<sup>102</sup> The National Council initiated The Benefit Bank in Ohio by securing funding from the Knight Foundation to pay for customizing the service to the needs of Ohio. Solutions for Progress, Inc., the developer and operator of The Benefit Bank, tailored the service for state income taxes and public benefits under Ohio law. The Episcopal Community Services Foundation of Southwestern Ohio, under a grant from the Jessie Ball duPont Foundation, began recruiting sites and counselors in Southwestern Ohio. Realizing that this effort would exceed the capacity of the Episcopal Community Services Foundation, this organization, the National Council of Churches, Solutions for Progress, and World Hunger Year worked together to recruit a "State Affiliate," the Ohio Association of Second Harvest Foodbanks, to lead the effort statewide.<sup>103</sup>

Ohio Second Harvest began recruiting sites and training counselors across Ohio, with the help of a grant from the Corporation for National and Community Service to place across the state 12 AmeriCorps\*VISTA members as community trainers. The Columbus Foundation provided a substantial grant to fund these initial outreach efforts. After gaining impressive initial

results in the first four months of operations, Governor Ted Strickland decided to devote the resources of the state government to the effort. He appointed Ralph Gildehaus (the author of this report) to be the Director of The Ohio Benefit Bank, in the Governor's Office of Faith-Based and Community Initiatives, to organize the state's support of the effort.<sup>104</sup>

From this point forward, The Ohio Benefit Bank became a public-private partnership -- combining state government funding and the Governor's bully pulpit with the grassroots energy of faith-based and community groups already implementing the emerging Ohio Benefit Bank. The Governor secured funding in the state budget to provide a grant of about \$2 million a year to Ohio Second Harvest, with roughly \$1 million designated for outreach by Ohio Second Harvest and \$1 million for continuing technical and logistical support by Solutions for Progress, under subcontract with Ohio Second Harvest. The state funding allowed a significant expansion in outreach through the hiring of five regional coordinators at Ohio Second Harvest, who devote their full-time efforts to recruiting new sites and scheduling counselor training.<sup>105</sup>

Under this structure, Ohio Second Harvest continues to serve as the lead nonprofit organization implementing The Benefit Bank in Ohio—otherwise known as Ohio's "State Affiliate." The Coalition on Homeless and Housing in Ohio recently entered into a similar arrangement with a group of state agencies, including the Governor's Office, to implement the SSI and SSDI Ohio Project. This framework—implementing grassroots outreach using The Benefit Bank through nonprofit implementing agencies—provides more operational flexibility than if outreach were run out of the state government. In addition, this framework nourishes positive interactions in two ways: (1) it creates a local involvement from non-profit organizations seeking to building stronger community engagement; and (2) it encourages individuals that traditionally don't take advantage of public benefits for a variety of reasons (*i.e.*

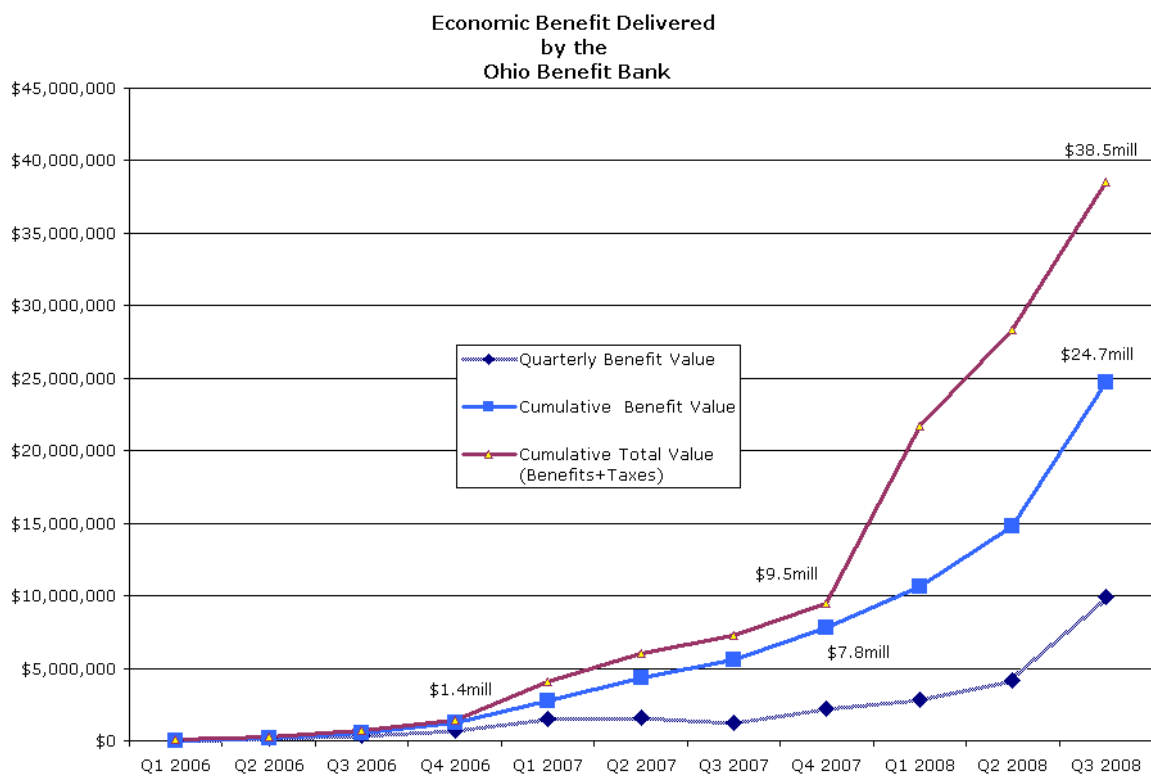
prior negative experiences with government agencies, perceived stigma). The framework also allows for the donation of foundation and corporate contributions to Ohio Second Harvest to expand The Benefit Bank service and outreach—donations that a state agency could likely not accept.

The leadership from the Governor’s Office supports The Benefit Bank outreach efforts in many ways, in addition to the state funding that it assembles and manages. The Director of The Ohio Benefit Bank, ranking roughly as a deputy director of a state agency, is positioned to publicize the effort, recruit organizations to sponsor sites, and foster interagency collaborations and policy reforms that would be difficult to complete outside of government. The Governor himself uses his “bully pulpit” to promote the service through the media, including radio,<sup>106</sup> television,<sup>107</sup> press releases,<sup>108</sup> and public service announcements.<sup>109</sup>

The Ohio Benefit Bank began to grow substantially, particularly after the allocation of state funds, beginning in August of 2007, which allowed for Ohio Second Harvest to hire five regional coordinators, to recruit and provide consulting services to sites. AmeriCorps\*VISTA members continued to serve as community trainers. The partners also sponsored 14 regional briefings throughout the State of Ohio to recruit new organizations to sponsor Ohio Benefit Bank sites. The coordinators then followed up with these organizations and the VISTA members trained new counselors to serve Ohioans at the new sites.

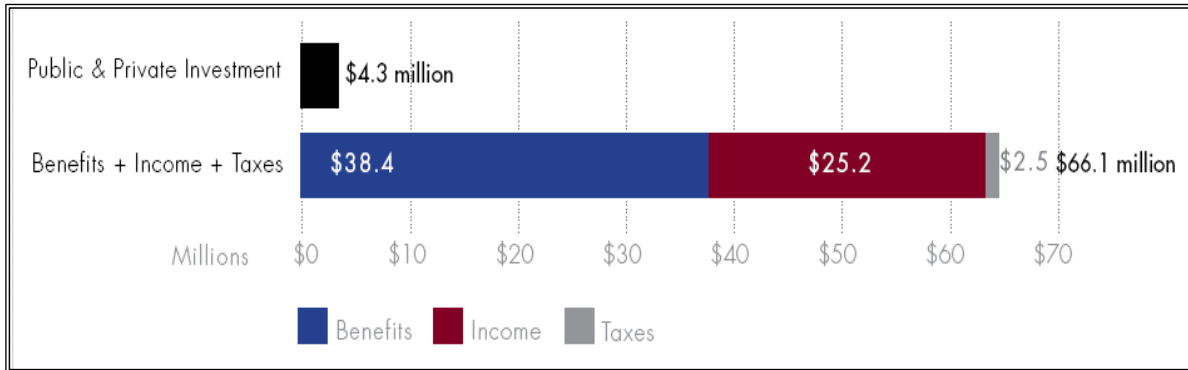
These actions greatly increased the number of Ohioans served and the dollar amounts of work supports claimed. The results from Benefit Bank outreach are a function of the quantity and quality of sites, counselors, staff to enlist sites and train counselors, funding, publicity, and access services provided. All of these factors combined to move The Ohio Benefit Bank from its initial operations starting on September 1, 2006, to a substantial network two years later, on

August 31, 2008. By this two-year mark, the partnership had established more than 700 Benefit Bank sites in Ohio and trained more than 2,700 counselors.<sup>110</sup> Currently, funding comes from many sources -- federal, state, county governments, and national and regional foundations -- the partnership had connected over 32,000 Ohioans with over \$37 million in work supports as of August 31, 2008,<sup>111</sup> as shown on the following chart.



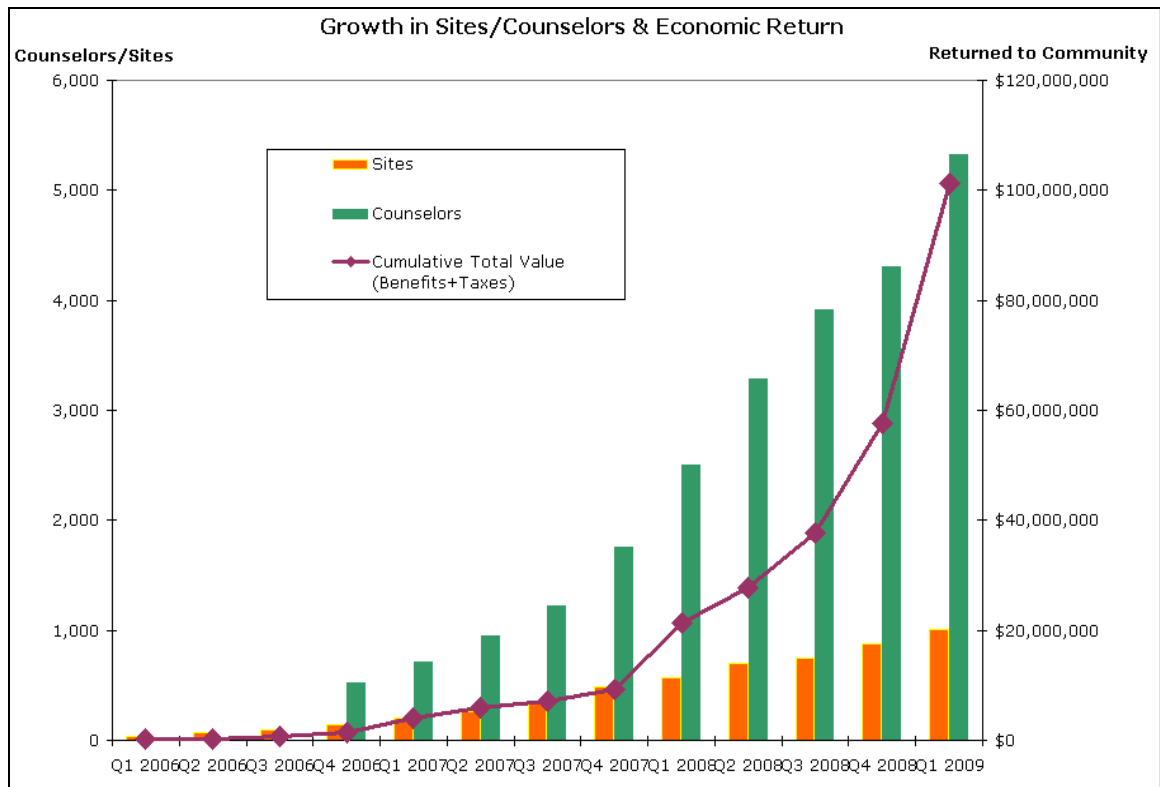
Ohio University recently completed a study about the economic and other impacts of The Ohio Benefit Bank during its first two years of operations. Among other conclusions, the report found that the investment of \$4.3 million in public and private funding returned \$38.4 million in tax credits and public benefits, \$25.2 million in economic impacts through multiplier efforts, and

\$2.5 million in state and local tax revenues back to the Ohio economy.<sup>112</sup> These results are shown on the following chart:



The study also concluded that spending generated by The Ohio Benefit Bank, through connecting Ohioans with work supports, indirectly led to the creation of more than 450 new jobs. Ohio University predicts that the effort in calendar year 2009 alone will lead to the creation of 600 new jobs and generate an additional economic impact of more than \$70 million. Thus, the total expected economic impact of The Ohio Benefit Bank during its first three years is more than \$135 million and the creation indirectly of over 1,000 new jobs.<sup>113</sup>

The Ohio Benefit Bank has continued to grow geometrically. At this point, there are nearly 1,000 Benefit Bank sites in 87 of Ohio’s 88 counties and more than 5,300 trained counselors. The staff includes 75 AmeriCorps\*VISTA members. The Ohio Benefit Bank has helped more than 67,000 Ohioans claim more than \$101 million in tax credits, public benefits, and other assistance, during less than three years of operations.



This growth trend is made possible due to the simple, yet intuitive, advantages of this system.

As this program’s initial case results indicate, once the number of counselors and sites began to increase, the resulting economic impact of these work supports substantially impact these local communities. Furthermore, the system continues to develop.

The number of supports The Ohio Benefit Bank connects to is also growing. Within the last six months, access to the school nutrition programs (breakfast, lunch, after-school, and summer food) was added to The Ohio Benefit Bank. Senior discount drug programs in Ohio and application for the Senior Community Service Employment Program, by which people over 55 with low-incomes are eligible for job training and placement, were added to The Ohio Benefit Bank, in partnership with the Department of Aging. By July 2009, The Ohio Benefit Bank will add a portal, used by specially-trained counselors, for access to Social Security Income (SSI) and



Social Security Disability Income (SSDI), as part of strategies to reduce homelessness and recidivism. This is a joint project of the Governor’s Inter-Agency Council on Homelessness and Affordable Housing, the Governor’s Office of Faith-Based and Community Initiatives, the Ohio Department of Development, the Ohio Department of Job and Family Services, the Ohio Department of Mental Health, and the Ohio Department of Rehabilitation and Corrections.

On January 1, 2009, the program also began to offer revolutionary access to the Free Application for Federal Student Aid (FAFSA). This form is so complicated that many students, particularly in low-income households, fail to complete it, and are unable to claim Pell Grants, most other scholarships and grants, and work-study opportunities. The Benefit Bank simplifies completion of this form by transferring information, at the student’s direction, from federal income tax forms completed on The Benefit Bank into the FAFSA. Thus, The Benefit Bank is now a critical tool to help low and moderate-income students afford higher education.

### **B. Benefit Bank Technology Enables Effective Grassroots Outreach**

The Benefit Bank enables effective grassroots work supports outreach because of the way the technology operates. In economic terms, there is a “low barrier to entry” for community groups to use The Benefit Bank to connect low and moderate-income people with work supports. Groups sponsoring Benefit Bank sites are charged no fee to use the program and only need a computer with Web access and a printer to begin their work. At sites hosting The Benefit Bank, trained counselors pose questions to clients prompted by the software. The Benefit Bank then uses client responses to complete income tax returns and work supports applications that improve outcomes for clients, helping households prepare and electronically file:

- Federal and state income tax returns, necessary to claim the:
  - Earned Income Tax Credit (EITC)
  - Child Tax Credit (CTC)
  - Hope (soon to be called “American Opportunity”) Education Tax Credit

- Make Work Pay Tax Credit (new)
- First-Time Homebuyer Tax Credit
- Free Applications for Federal Student Aid (FAFSA), necessary to claim:
  - Pell Grants
  - Perkins and Stafford Loans
  - Work-study opportunities
  - All state and most school-funded scholarships and grants
- Applications for other work supports, including those necessary to claim:
  - Home energy assistance
  - Supplemental Nutrition Assistance Program (SNAP -- formerly food stamps)
  - Children’s health insurance
  - Medicaid
  - Child care subsidies
  - School breakfast, lunch, after-school, and summer food programs

The Benefit Bank simplifies complex forms needed to apply for these supports, into easy-to-answer questions posed by a counselor. The software then utilizes these data to complete lengthy (and often repetitive) forms for federal and state income tax returns, public benefits, and student financial aid. Counselors trained to use The Benefit Bank provide empathic listening skills and one-on-one contact to promote human interaction. They do not need to be tax or benefits experts because the expertise resides in the software. Training takes 4-5 hours for taxes and 4-5 hours for benefits. The courses may be taken in any order. Training is provided by the “State Affiliate” leading Benefit Bank outreach in a particular state. The training is free to counselors and the organizations that sponsor them.

One of the great advantages of The Benefit Bank is that its interview-based format makes it easy to use with a relatively small investment in training. This makes it appropriate for use by a wide array of both community and government organizations. It also greatly expands the potential volunteer pool for benefits counselors, and could significantly increase the capacity of programs in rural areas to increase benefits access. Outreach using Benefit Bank technology empowers counselors and faith-based and community organizations to connect the low and

moderate-income clients they serve with thousands of dollars in federal supports -- far beyond what they or their organizations could afford to provide on their own. The accessibility of the technology allows volunteers to begin serving their communities immediately after training. In a short time, volunteers are empowered through this program to harness technology as one tool to address complex social problems, like poverty, with measureable results.

As stated by Paul Fraunholtz, former Deputy Director of Family Stability at the Ohio Department of Job and Family Services: “I don't know what other model would have that kind of rapid deployment and community engagement. The Ohio Benefit Bank was not only helpful to our system, helpful to the families that are benefiting, but also to the very small, neighborhood, local nonprofit community-based organizations.”<sup>114</sup> The Benefit Bank operates year-round which gives it greater flexibility than software that is geared exclusively towards tax preparation. The program also offers “Quick Check” (a 90-second screening tool),<sup>115</sup> an online site-finder,<sup>116</sup> direct deposit of tax refunds, and a self-service tax preparation option.<sup>117</sup>

In addition to volunteer counselors, licensed social workers are already using the program to help their clients apply for work supports. These professionals enjoy the convenience of using The Benefit Bank from their desktop or laptop computers by using the Professional Edition. This edition contains much more information on every screen, suited to someone who uses the technology every day, unlike the neighbors-helping-neighbors version, which has less information per screen.

The comprehensive nature of The Benefit Bank, bundling access to numerous supports, enables coordinated outreach and publicity campaigns simultaneously targeting state and national audiences. In Ohio, agencies that had never coordinated their work support efforts started to do so because of the common platform. For example, Ohio organizers used

demographic data and Geographic Information Systems (“GIS”) mapping tools to reveal low food stamp and EITC participation rates in Southern Ohio, compared to high home energy assistance and poverty rates in the same area. This caused the Ohio Department of Development to realize that many of its clients receiving home energy assistance were not claiming food stamps and other supports administered by the Ohio Department of Job and Family Services. Based on this data, Development decided to award \$400,000 in grants, with a 50-50 match requirement, for each of the next three years to Community Action Agencies to implement work support outreach using The Benefit Bank in their service areas.

The Ohio organizers are also using the mapped data to identify the most distressed communities in need of workforce and economic development help due to manufacturing job losses. The ranks of the working poor are growing in these areas. Workers without the education or retraining to gain employment in growing sectors of the economy, such as health care, available jobs offer low pay with few benefits.<sup>118</sup> Using the mapped data, the organizers supported and trained local Benefit Bank outreach coalitions in places hardest-hit by manufacturing job losses, such as Circleville,<sup>119</sup> Chillicothe,<sup>120</sup> Dayton,<sup>121</sup> Lima,<sup>122</sup> Lorain,<sup>123</sup> Steubenville,<sup>124</sup> Toledo,<sup>125</sup> Youngstown,<sup>126</sup> and Zanesville.<sup>127</sup>

In Wilmington, Ohio, a broad-based, community-wide effort established a Benefit Bank site at a local church in advance of heavy job losses from anticipated facility closures by major employers.<sup>128</sup> National Public Radio recently interviewed the pastor of the church sponsoring this site, who explained how The Ohio Benefit Bank connects dislocated workers to supports and volunteer counselors lend a sympathetic ear.<sup>129</sup> All of these sites in Ohio, targeted to areas with manufacturing employment losses, assisted dislocated workers make ends meet and retrain them for a brighter future with better-paying employment.

In another area of outreach, the Governor’s Office of Faith-Based and Community Initiatives and the Ohio Department of Job and Family Services partnered with the Ohio Association of Second Harvest Foodbanks to address food stamp outreach. Together, they prepared Ohio’s first-ever statewide food stamp outreach plan, with The Ohio Benefit Bank at its core. The plan is focused on Ohio’s 10 poorest counties, all located in the Appalachian southeast part of the state. The Columbus Foundation invested almost \$200,000 to support food stamp outreach in these counties under the plan, matched 50-50 by the federal government. This funding established 20 Benefit Bank sites in these 10 counties. In only the first few months of operations, the sites returned over \$2 million in work supports to the 10 poorest counties in Ohio.

More recently, the Columbus Foundation invested \$350,000 in the “Ohio Benefit Bank Express” – a mobile Benefit Bank site, with satellite Web access and full-time staff, to reach rural areas, plant closings, and natural disasters:



Moreover, data reporting allows for calculations of return on investment and assessments of results for all of these projects. These built-in advantages of the system produce measureable

impacts in rebuilding local economies by advancing equity. Focusing on work supports for low- and moderate-income individuals and families generates local revenue which in turn cycles back through the local economy.

### **C. The Use of The Benefit Bank Promotes Government Efficiency**

The Benefit Bank's platform for all electronic filing applications helps states serve more people by saving on data entry and paper-handling, focusing public employees on the skilled work of eligibility determination and case management. Outreach using The Benefit Bank simplifies eligibility determination, because case workers will spend less time entering data and less time per application, since forms from The Benefit Bank are legible, complete, and received electronically. According to the Ohio University study, Franklin County's Job and Family Services' South Opportunity Center, which partners with more than 100 Benefit Bank sites in the Columbus area, "found that Benefit Bank clients' applications take about 20 minutes to finalize -- a third of the average time spent on non-Ohio Benefit Bank client applications."<sup>130</sup>

The Benefit Bank maintains a bridge between outreach--provided through The Benefit Bank-- and eligibility determination, which is the province of government caseworkers. This is similar to the distinction made by the federal government in the food stamp program between administration and outreach. In Ohio, state government is an active partner in outreach efforts using The Benefit Bank, both through the Governor's Office of Faith-Based and Community Initiatives and through many state agencies, such as the Ohio Departments of Aging, Development, Job and Family Services, Rehabilitation and Corrections, and Youth Services.

In recent budget and oversight testimony before the Ohio General Assembly, John Corlett, Director of Ohio's Medicaid Program in the Ohio Department of Job and Family

Services, testified that electronic submission through The Ohio Benefit Bank is one of his agency's significant accomplishments over the past two years:

. . . ODJFS has been working to make Medicaid enrollment more efficient and accessible for current and potential consumers. In partnership with the Governor's Office of Faith Based Initiatives and the Ohio Association of Second Harvest Food Banks, we have made tremendous strides using The Ohio Benefit Bank. The Ohio Benefit Bank is a web-enabled, volunteer counselor-assisted program allowing low and moderate-income Ohioans to electronically access a broad range of state and federal benefit programs – including for the first time, Medicaid. Last December, ODJFS developed an “E-Gateway” where program applications completed in The Benefit Bank are transmitted electronically to county Departments of Job and Family Services. Because of the E-Gateway completed applications are immediately transmitted to counties where caseworkers can review them, print them if desired, and enter the data directly into CRIS-E without having to re-key the information. This new feature reduces the administrative work of county caseworkers, reduces the chance for error, and speeds up the application and eligibility process for Ohioans who need our services. I am pleased to let you know that there are currently over 900 Benefit Bank sites throughout Ohio where over 3,200 trained volunteer counselors are assisting Ohioans in applying for a variety of public programs and services.

Ohio county governments are partnering with Benefit Bank organizations to use the outreach platform as an active “front door” to stay ahead of the increasing number of work support applications they are receiving during worsening economic times, and to reach new clients who are now eligible for work supports.<sup>131</sup> In the Cincinnati area, the Hamilton County Department of Job and Family Services issued more than \$1 million in grants to deploy mobile Ohio Benefit Bank counselors. These counselors are employed by a community-based organization and use laptop computers, mobile Web access, and portable printers to bring The Benefit Bank to people's doorsteps. Applications are then sent to staff at the designated county office to consider these easy-to-process applications. The county also promotes sites hosting The Ohio Benefit Bank to the public.<sup>132</sup>

The Ohio organizers are using The Benefit Bank to reintegrate prisoners back into society by connecting their families and the ex-offenders themselves upon release with work supports:

- The Benefit Bank is deployed inside several prisons, parole offices, and community corrections centers in Ohio to connect ex-offenders and the families of prisoners with work supports, including more than \$65,000 in food stamps during the pilot phase of these efforts.
- Mental health coordinators from the Ohio Department of Mental Health, who work in Ohio prisons to link prisoners with mental health services after release, are trained to use The Benefit Bank to connect prisoners with disabilities to Medicaid. This helps to ensure that these ex-offenders receive the medications they need after release to remain stable and avoid homelessness and re-offending.
- In concert with The Benefit Bank training of mental health coordinators, a large interagency group coordinated changes in state and county policies to ensure that ex-offenders with severe and persistent mental illness receive their Medicaid cards upon release from prison. This group is changing policies to ensure that all Medicaid-eligible ex-offenders receive their cards upon release.
- Using the new Electronic Gateway, Benefit Bank sites in waiting rooms and visitor centers within Ohio prisons send food stamp and Medicaid applications electronically to the prisoner's destination county or the prisoner's family's county of origin, regardless of the location of the prison.
- The Ohio Department of Youth Services is training six Family Advocates to use The Benefit Bank to connect youth and their families to supports. The effort led the agency to review its policies to identify those youth and families potentially eligible for supports and connect them to supports through The Benefit Bank.
- Benefit Bank outreach in Ohio's criminal justice system drew attention to how individuals entering into public institutions, even for short periods of time, were being terminated from the Medicaid program. This prompted ongoing, high-level policy evaluation to ensure that Ohioans receiving Medicaid housed in public institutions on a short-term basis are suspended, not terminated, from Medicaid.

The availability of The Benefit Bank platform led the Governor's Interagency Council on Homelessness and Affordable Housing and numerous state agencies to fund and implement a new Benefit Bank SSI/SSDI service. A significant number of ex-offenders leaving prison have substantial, primarily mental, disabilities. Yet, in most prison, probation and parole systems, only a fraction of this population receives any help securing SSI or SSDI. The Interagency Council chose to support The Benefit Bank service as a high-impact strategy to combat homelessness, since modest SSI or SSDI payments help people pay for housing. The project



seeks to break a direct pipeline in many Ohio communities leading from prisons to homeless shelters. This new module helps social service and medical personnel complete SSI or SSDI applications for people with disabilities, especially ex-offenders and people who are homeless or at-risk of homelessness. The module completes the initial application and collects and submits the critical supporting documentation necessary to claim benefits. The process starts on the day an eligible individual enters an institution or shelter.

Outreach using The Benefit Bank also indirectly leads to policy changes to make supports more accessible in the first place. For example, in Ohio, new regulations provide that Ohioans eligible for Benefit Bank services are “categorically eligible” for food stamps and are hence not required to meet the asset test for food stamps. These applicants remain subject to income limitations on the amount of benefits they may receive. This allows more Ohioans, particularly displaced workers, to access food stamps before spending down their assets. This reform also simplifies the work of county agencies in determining eligibility.<sup>133</sup> Paul Fraunholtz, former Director of Family Stability at the Department of Job and Family Services, states that “[i]t was ODJFS’ involvement with partners such as The Ohio Benefit Bank, who were interested in thinking of other ways to increase access to various programs and work supports . . . that lead to the categorical eligibility policy change.”<sup>134</sup>

#### **D. The Implementation Of The Benefit Bank Is Critical To Its Success**

As part of this project, Ralph Gildehaus, the author of this report, and Jess Dorrance, Graduate Research Assistant in the Department of Public Policy, University of North Carolina at Chapel Hill, participated in a panel discussion with representatives of nonprofit organizations implementing outreach using The Benefit Bank in Florida, Kansas, Mississippi, Ohio, and Pennsylvania (all of the current states using The Benefit Bank except for Arkansas).

Representatives of the Ohio Governor’s Office, the Corporation for National and Community Service, The Columbus Foundation, and other stakeholders participated. The discussion, moderated by Mr. Gildehaus, took place as part of the First Annual Ohio Benefit Bank Conference, which brought together more than 450 representatives of Benefit Bank sponsor organizations from across Ohio, for a day of training sessions and team-building. The panel discussion was held in the evening before the full conference. Panel participants addressed starting The Benefit Bank, implementation, ongoing operations, and successes and challenges.

### **1. Start-Up and Implementation**

In initiating outreach using The Benefit Bank in each state, two elements emerged as the most critical to success. These are adequate funding and partnering with an appropriate implementing organization. The issue of funding and resources came up consistently as a key element for start-up success as well as a key challenge in maintaining and growing current operations. The National Council of Churches, along with foundations such as the Annie E. Casey Foundation, the John S. and James L. Knight Foundation, and other local and national foundations, provided initial start up funds for many of The Benefit Bank sites. Some of these foundations continue to support continuing outreach operations using The Benefit Bank and, in some cases, play an ongoing strategic role, although all states have worked to diversify their funding sources.

As previously stated, The Ohio Benefit Bank (OBB) is a comprehensive program serving as a model in the areas of funding and partnerships. Initially, the National Council of Churches approached the Episcopal Community Services Foundation of Southern Ohio to help implement The Benefit Bank. With funding support from other local foundations, they began recruiting counselors and establishing Benefit Bank sites throughout the state. Now, the OBB is supported

through a variety of funding streams including the Governor's Office of Faith-Based and Community Initiatives (the main state-level partner for the OBB), state budget appropriations, grants from other state level departments, and funds from local and national foundations.

The transition to a formal partnership with the Governor's Office came about because Governor Strickland was interested in building work support access and felt that the OBB could act as a first line of defense for families struggling to make ends meet. He is a champion for the program and helped bring a public face to outreach efforts. Ohio was also able to leverage federal support in the form of AmeriCorp\*VISTA volunteers who serve as Benefit Bank counselors and trainers. Through the partnership with the Ohio Association of Second Harvest Food Banks (OASHF), which took over as the lead implementing organization in 2006, the OBB is offered through a well-established agency whose mission aligns with the mission of The Benefit Bank. The OASHF's offers access to a network of food banks across the state and the hundreds of agencies that distribute food to individuals.

Additionally, the work of The Benefit Bank allows the OASHF to not only fulfill their mission, but to expand it. This creates a relationship that truly benefits all the partners. Although not specifically mentioned by discussion participants, this seems to be an important element in establishing a successful relationship with an implementing partner. Incorporating The Benefit Bank into an existing agency should ideally provide an opportunity for enhancing that agency's work.

## **2. Ongoing Operations**

The role of the implementing agency was an important topic in the discussion of ongoing outreach efforts using The Benefit Bank. The capacities of these agencies, effectiveness, and reputation in their communities and among the people they serve are important in maintaining

the program. The incorporation into local or state government operations was also cited by panel participants as critical for growing the program and becoming less dependent on funds from foundations.

Most agreed that the services provided by The Benefit Bank are an essential part of the local and state governments' responsibilities to provide services to citizens and help create necessary supports for workers. The Benefit Bank simply helps carry out that mission, but must have support (financial, outreach, *etc.*) from government leaders. The Ohio Benefit Bank staff at Ohio Second Harvest also frequently mentioned the need to create ongoing partnerships among various stakeholders as a way to grow the program. These include outreach to individuals that may benefit from the program services as well as leaders to help champion the program. Examples include large national organizations such as the United Way, local and state government agencies, Chambers of Commerce, financial institutions, and individuals throughout the business community.

### 3. General Successes and Challenges

The focus group participants indicated that collaboration, capacity, and resources are three key factors that help lead to greater success.

- **Collaboration:** This includes collaboration between the public, private, and nonprofit sectors. These various agencies rely on one another to help make The Benefit Bank most effective. Collaboration must also exist among affiliate sites within and across states, along with a willingness to learn from each other successes. Although participants agreed that each state was unique in terms of their own strengths and weaknesses for implementing and sustaining The Benefit Bank service, a general consensus emerged that sharing information was useful and important.
- **Capacity:** This is primarily geared towards the implementing agency(ies) to ensure that adequate capacity exists or can be created to support and grow The Benefit Bank service in a state. Capacity for outreach activities is an important piece of this.
- **Resources:** This includes both funding and staffing. Focus group participants could not emphasize this issue enough, particularly those sites where The Benefit Bank was

not well incorporated (or not at all incorporated) into local or state government.

The challenges most often mentioned were the opposite side of each of the success factors. For examples, the single greatest challenge mentioned was the lack of sufficient resources to support The Benefit Bank service. Two other challenges included buy-in, within implementing sites as well as throughout larger stakeholder communities, and challenges related to marketing the program and doing outreach. Please see Appendix V for brief case histories of each Benefit Bank program in the states where the program is presently operational.

#### **4. The Work Supports Initiative Provides Capacity-Building And Technology Services For Grassroots Outreach Using Benefit Bank Technology**

Following the panel discussion sponsored by this project, and as the national economic downturn worsened, MDC began to consider more actively how to create a framework that would foster and support nonprofit organizations implementing outreach using The Benefit Bank in North Carolina and other states. Thus, MDC initiated and continues to grow the Work Supports Initiative (WSI) to support outreach using The Benefit Bank and other tools. The initiative operates through “State Affiliates,” consisting of one or more nonprofit organizations willing and able to foster grassroots outreach efforts to connect eligible low and moderate-income households with work supports. WSI is reaching out to nonprofit, government, philanthropic, academic, and public service leaders to bring outreach using The Benefit Bank to additional states and to foster and support State Affiliates in these states.

The initiative is led by three national partners: MDC, Inc., a forty-year old nonprofit organization focused on education, employment, and asset-building; World Hunger Year, a national anti-hunger and anti-poverty organization; and Solutions for Progress, Inc., the developer and operator of The Benefit Bank service. WSI integrates three organizing models to

foster State Affiliates: (a) The Ohio Benefit Bank model, already discussed herein; (b) the MDC initiative model; and (c) the World Hunger Year national network-building model.

MDC, the managing partner of WSI, is experienced in creating and implementing national and regional initiatives, including Achieving the Dream (a national community college student success initiative), which is the model for and very similar to the structure of WSI. MDC also runs EITC Carolinas, which supports local nonprofit organizations in North Carolina and South Carolina in conducting Earned Income Tax Credit outreach campaigns. Drawing upon MDC's experience in organizing initiatives such as the Program for the Rural Carolinas, EITC Carolinas, and Achieving the Dream: Community Colleges Count, MDC is replicating the Ohio approach by fostering and coaching State Affiliates to implement work supports outreach. MDC focuses on capacity-building training through a Training Academy to coach and prepare new State Affiliates to implement outreach efforts using The Benefit Bank and other tools to connect eligible low and moderate-income Americans with work supports.

World Hunger Year, with experience spanning more than two decades in building a national network of local and regional food security and anti-poverty organizations, will expand its National Hunger Hotline to refer callers to Benefit Bank sites and other anti-hunger resources. The partners will develop a marketing campaign focusing on earned media and use of the broad network of World Hunger Year (more than 8,400 organizations), national faith organizations, and MDC from over 40 years of experience implementing national and regional initiatives. The National Hunger Hotline will:

- Answer calls from across the country
- Perform brief pre-screening for food and nutrition programs and other work supports
- Connect callers to the proper local offices and resources, including TBB sites

- Explain food and nutrition and other work support programs to consumers
- Connect callers to emergency food in their communities, as appropriate

Solutions for Progress, Inc. is a public policy information technology firm that developed and operates The Benefit Bank under an Application Service Provider (ASP) model. Solutions is the technology partner in the initiative and will complete the programming required to enhance the platform and tailor it to the specific requirements of new states. Solutions provides training on using The Benefit Bank, help desk services, and other technical support to State Affiliates. Together, these national partners, and others likely to be named in the future, recruit and train “State Affiliates” to implement the Work Supports Initiative in each state and provide them with the tools they need to be successful.

WSI is also focused on expanding services through The Benefit Bank. The program is growing to provide a number of structured-entry “portals” that take the user—whether a professional caseworker, a volunteer, or a client—directly to the services that s/he requires. Portals allow broad access to Benefit Bank services while permitting maximum value for targeted, specific market segments. For example, Solutions is developing a Disabilities Portal for use by healthcare and disabilities advocates, as well as prisoner reentry programs operated by governments, advocates, and social service agencies; the Healthcare Portal used by children’s health and seniors groups, and by healthcare providers; and an Education Portal used by college-access programs. When groups come to The Benefit Bank through the portal that serves their specific interests, they may also use the full suite of Benefit Bank services, as well as the specialized benefit that brought them there.

The initiative serves as a national platform to coordinate national funding for additional services. This structure benefits individual State Affiliates which join the initiative, because they

are able to offer services that are funded on a coordinated basis. The initiative also sets national standards and expectations for State Affiliates and provides specified services to the Affiliates.

## 5. The role of State Affiliates

Modeled after the successful effort in Ohio, each State Affiliate empowers counselors – including volunteers and staff from faith-based and community organizations (FBCOs) in local communities and professional social workers and others within public and private social service agencies – to use The Benefit Bank service to help households prepare and file their income federal and state tax returns and claim work supports for which they are eligible. Requirements to join WSI as a State Affiliate are:

- **Formation of a public-private partnership**
  - One or more lead nonprofit organizations agreeing to lead implementation
  - High-level agreement by state government to facilitate electronic filing for
    - State income taxes
    - Public benefits
  - Legislative support as needed
  
- **Completion of a training program**, to learn how to implement WSI:
  - Graduation from WSI Training Academy, for intensive capacity-building
  - Completion of statewide outreach plan and budget, setting goals for:
    - Number of sites, counselors and clients
    - Benefit applications filed
    - Tax returns completed
    - Dollar amount of supports secured through The Benefit Bank
  
- **Organizational capacity**, to implement WSI
  - Experience to manage the partnership, publicity, and fiscal operations
  - Outreach director to manage overall outreach efforts using Benefit Bank
  - Operations manager to manage staff, budget, and logistics
  - Regional coordinators to recruit and service FBCOs in grassroots outreach efforts
  - Trainers to train Benefit Bank counselors (trainers are VISTA members in Ohio)
  - Customer service staff for hot-line phone number and to respond to client requests
  - Office space and equipment, including in regional locations throughout the state
  - Participate in efforts to make WSI outreach partially self-sustaining
  
- **Funding capability**, to raise public and private funding each year for:
  - Outreach efforts, including some small grants to FBCO's
  - Continued maintenance, help desk, and updating of Benefit Bank



- Includes drawing down federal matching funds
- **Contractual agreement**, to meet requirements of implementing WSI, including:
  - Sustaining relationships with governmental agencies on e-filing
  - Implementing statewide outreach plan and budget
  - Fulfilling training, organizational, and funding specifications
  - Signing agreements with Benefit Bank sites, counselors, and clients
  - Participating in WSI activities, including annual Strategy and Training Institute
- **Execute outreach plan and budget**
  - Recruit stakeholder partners
  - Recruit organizations to sponsor sites and provide counselors
  - Train organizations and counselors
  - Publicize Benefit Bank services to the public
  - Report and evaluate results
  - Adjust strategies in real-time based on results
  - Participate in regular conferences with WSI partners

## 6. Support for State Affiliates

WSI is designed to provide substantial capacity-building and technology services to State Affiliates:

- **Capacity-building** through the WSI Training Academy and ongoing coaching on:
  - Using The Benefit Bank to connect households with supports
  - Recruiting FBCOs to serve as Benefit Bank host sites
  - Training volunteers and staff from FBCOs to serve as counselors
  - Operating a public-private partnership
  - Fostering relationships with government agencies
  - Attracting public and private matching dollars to sustain outreach efforts
  - Targeting outreach using demographic and GIS mapping tools
  - Publicizing work support access, including sample outreach materials
  - Capturing, using, and evaluating results
  - Fostering government efficiencies and policy reforms to increase access
- **The Benefit Bank service**
  - Enabling bundled, one-stop, counselor-assisted help to prepare and submit forms for:
    - *Federal and state income taxes*, including e-filing and direct deposit of refunds
    - *Tax credits* such as the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), new American Opportunity Education Credit, and new Make Work Pay Tax Credit

- *Public benefits*, such as food stamps, children’s health insurance, Medicaid, home energy assistance, child care subsidies, school and summer food programs, Medicare Part D LIS, senior community employment, and discount prescriptions
- *FAFSA*, to claim Pell Grants, work-study opportunities, and other forms of federal, state, and institutional student financial aid
- Train the trainer sessions for State Affiliate staff
- Help desk and ongoing technical support and assistance
- New access to services as they become available

➤ **National networking:**

- Participate in Annual Work Supports Initiative Strategy Conference
- Referrals from World Hunger Year’s National Hunger Hotline, which
  - Answer calls from across the country
  - Connect callers to Benefit Bank sites in particular locations
  - Perform brief pre-screening for nutrition programs and other supports
  - Explain nutrition and other work support programs to consumers
  - Connect callers to emergency food in their communities, as appropriate
- Help recruiting organizations to sponsor Benefit Bank sites
  - Connection to World Hunger Year’s database of organizations
  - Including more than 8,400 anti-poverty and anti-hunger groups
- WSI partners will work to bring national resources to states
  - New services for accessing national supports (*e.g.*, veterans benefits)
  - New areas of specific, funded outreach (*e.g.*, higher education, ex-offenders, homeless)

Under the WSI structure, State Affiliates become part of a larger “learning community” along the lines of that created by MDC and other partners in the Achieving the Dream initiative. This framework is important to build quickly the capacities of State Affiliates to replicate and extend the successful organizing techniques in connecting people with supports achieved by The Ohio Benefit Bank. The State Affiliates are able to learn and share best practices initially and over time, as the initiative grows in scope. As a basic organizing principle, too, the sense of being part of a larger initiative is important to building morale and momentum.

**VIII. OUTREACH USING THE BENEFIT BANK IS THE BEST STRATEGY FOR CONNECTING HOUSEHOLDS WITH SUPPORTS**

Analyzing the options for reaching out to low and moderate-income North Carolinians and connecting them with the millions of dollars of unclaimed supports for which they are

eligible, this report concludes that grassroots outreach using The Benefit Bank is the best strategy. The following analysis describes alternative technology platforms and offers conclusions why grassroots outreach using The Benefit Bank is superior to other strategies.

#### **A. Other Strategies Do Not Combine Outreach, Taxes, And Benefits**

**EarnBenefits** – an eligibility-screening tool developed by Seedco, which is a respected national nonprofit organization, particularly focused on workforce development.<sup>135</sup> The program appears to be offered in limited pilot projects in a handful of jurisdictions (including with two large employers in North Carolina). Unlike The Benefit Bank, EarnBenefits does not offer tax assistance and does not complete federal and state income tax returns.

EarnBenefits is part of a three-prong effort to provide access to resources, achieve continuous employment, and economic self-sufficiency among program participants. Operating the screening program requires the assistance of “trained staff member in a partner organization.” After the screening process, the staff member submits the applications for the individual to the appropriate government entity. The cost of EarnBenefits varies depending on the scope of the marketing and education activities as well as the number of partner organizations that will use the program. The baseline cost to get the site running is roughly \$250,000. The site is available in English and Spanish.

**HelpWorks**<sup>136</sup> -- This program is marketed primarily to state governments by making easy for staff to input policy changes (*e.g.*, changes in asset limits for food stamps) without technical expertise. This program has been licensed to the non-profit agency operating the EarnBenefits program described above. Like EarnBenefits, this program does not offer tax assistance and does not complete federal and state income tax returns. Costs of implementing this program also depend on the number of features, the number of users permitted, and other

state-specific technical requirements; this is typically between \$75,000 and \$5 million. This program also requires the purchasing of additional licenses for required complementary programs.

**Oregon Helps!**<sup>137</sup> -- This program was first launched in Oregon and has since been franchised to other states under other names: Arizona Self Help and New Jersey Helps. This Internet-based program allows users to identify programs for which they are eligible, but does not facilitate the completion of the applications. It does provide a list of program contacts and identifies the documents necessary to access state and federal benefits. Multnomah County in Oregon is responsible for developing this program and currently charges \$40,000 to license it to a state and \$15,000 to a locality, as well as \$5,000 a year thereafter. The site is available in English and Spanish.

**Real Benefits** – was developed offered by a nonprofit organization based in Boston called Community Catalyst.<sup>138</sup> While the program completes applications for benefits, it does not offer access to taxes, so it is not as effective in reaching displaced workers and others who might be reluctant to apply for work supports other than taxes. This program is currently used in Illinois, Massachusetts, and Florida (Miami) by advocates and service-providers for low-income people. This program self-populates the applicant's information on the application forms for government programs. The assisting staff member then files the application with the appropriate agency for the applicant, along with information the individual will need to take to the social service agency. This program also allows the administrating agency to follow up with client to determine whether they received their benefits. The cost associated with implementing this program is between \$120,000 to over \$250,000. The nonprofit organization recently sold the program to a company called Trihelix.

The implementation model for Real Benefits is also different, using earned income from serving health care providers (providing counseling to patients). The earned income is used to pay for the overall effort and to subsidize grassroots outreach in other contexts. While there are lessons to learn from the Real Benefits implementation model, there is no state where Real Benefits has taken off like The Benefit Bank has in Ohio.

**OneEApp** – This is program funded by the California HealthCare Foundation that provides one-stop application completion assistance for supports, particularly in the health care arena. The program currently offers access to:

- Medicaid
- S-CHIP
- County Indigent Care and Coverage Expansion Programs (for adults and children)
- Early Periodic Screening Diagnosis and Treatment (EPSDT)
- Kaiser Permanente Child Health Plan
- Kaiser Permanente Bridge Program
- Earned Income Tax Credit (EITC)
- Food Stamps
- Supplemental Nutrition for Women, Infants and Children (WIC)
- Temporary Assistance for Needy Families (TANF)
- Medicare Cost Sharing Program
- CaliforniaKids (CalKids)
- Free and Reduced-Cost School Lunches (via Express Lane Eligibility)<sup>139</sup>

The program is currently operating, or plans to operate, in the following jurisdictions:

- Arizona (Health-e-Arizona): Health-e-Arizona recently added a publicly-accessible web-based application to their already comprehensive application assistor model.
- California (One-e-App): Ten California counties are using One-e-App: Alameda, Fresno, Humboldt, Los Angeles, Orange, San Francisco, San Joaquin, San Mateo, Santa Clara, and Santa Cruz. A One-e-App module for Express Lane Eligibility (ELE) is in use in the Fresno, Redwood City, and San Diego school districts. A California statewide “shared services” model of One-e-App is also available.
- Indiana (Ind-e-App): Ind-e-App is used widely by the county-wide health and hospital system.

- Maryland (Health-e-Link): Maryland, the most recent addition, is piloting a system in Howard County with plans to roll out statewide over the next year.<sup>140</sup>

The costs of programming for One-E-App in California appear to have been paid substantially by the California HealthCare Foundation. One-E-App appears to operate on the model of charging sites for the access to the Web-based program.

**BEN (Benefits Eligibility Network)** – created by a company called Nets to Ladders for H&R Block for use in counseling low-income clients at H&R Block location.<sup>141</sup> This program offers combined tax and benefits access.<sup>142</sup> The national United Way entered into a contract with this company for use in its asset-building initiative.<sup>143</sup> The implementation of BEN is different than that of The Benefit Bank. Sites are charged a per user license fee. Many local United Ways in Ohio opted to use The Benefit Bank instead. The company also seems to maintain some ties to H&R Block. A diagram on the web site of Nets to Ladders indicates that BEN may be used by H&R Block offices.<sup>144</sup> This arrangement raised serious concerns in Ohio about confusion if BEN were simultaneously offered by a paid provider of tax preparation and financial services and supported by state, county, or local governments. For years, it has been unclear where BEN is actually operational at the present time. The last news article on the Nets to Ladders web site is from the press conference announcing the partnership with the national United Way in May of 2007. In February of 2009, the United Way of America terminated its relationship with Nets to Ladders and the company is rumored to be up for sale.

**COMPASS (Common Point of Access to Social Services)** -- Deloitte and Touche originally designed this program and it is currently in operation in Pennsylvania, West Virginia, and Massachusetts. Georgia also deploys a version of the program.<sup>145</sup> Assisted screening used in this program is Internet-based and free, but news sources suggest that the program required nearly \$5 million of investment funds by one sponsoring entity, Pennsylvania. This program

also screens for food stamps, cash assistance through TANF, Medicaid, long-term care, and SCHIP. Users can apply for these benefits directly using this program in Spanish or English.

This program is self-service and therefore operates on a different model than The Benefit Bank. Because of the lack of Internet access (the “digital divide”) and need for more assistance in completing applications, the self-service model alone fails to reach a wide constituency of low and moderate-income households. The program is also not integrated with tax filing, so outreach is limited in this sense, too. COMPASS and The Benefit Bank are not mutually exclusive, however. Indeed, the state government in Pennsylvania supports and encourages both systems -- with one focused on self-service for benefits and the other on counselor-assisted service for both taxes and benefits. The programs operate in Pennsylvania side-by-side as part of a “no wrong door” philosophy.

**VITA (Volunteer Income Tax Assistance)** – sponsored by the IRS and implemented through VITA programs like MDC’s EITC Carolinas program.<sup>146</sup> The IRS provides Taxwise software free to participating sites that agree to be bound by VITA training and recordkeeping rules. The training for Taxwise is extensive (much longer than The Benefit Bank). Most VITA sites offer only tax assistance. Since VITA is more of a way of operating than software, some Benefit Bank sites in Ohio are also VITA sites.

In Ohio, new Benefit Bank sites operate in areas not serviced by VITA sites (including most of Ohio’s small cities and rural communities) and provide year-around access to tax credits and public benefits. The training time for counselors and the capacity required for a sponsoring organization is much less for The Benefit Bank than for Taxwise and VITA, so many more organizations in Ohio were able to sponsor Benefit Bank sites that did not have the capacity to sponsor VITA sites. Moreover, The Benefit Bank is operational at tax sites on the day that the

IRS allows for electronic filing (usually in mid-January). Most VITA sites not using The Benefit Bank do not open until early February. By this time, many low and moderate-income families have already used paid tax preparation services (and perhaps been sold Refund Anticipation Loans). The demand for receiving their refunds quickly necessitates that do not wait until the VITA sites open for business in early February.

**GovBenefits.Gov** – sponsored by the federal government to provide eligibility screening for federal and state work supports. Unlike The Benefit Bank, Benefits.Gov does not actually complete applications for public benefits and does not offer tax assistance. The program is also self-service and not counselor-assisted.<sup>147</sup>

**Single Stop** – sponsored by Single Stop USA, this was originally a Robin Hood Foundation project in New York City, which is now planning to go national.<sup>148</sup> In New York City, the effort followed a rather unusual model. There is no special technology behind the effort. It does offer counselor assistance, with counselors using Taxwise for tax preparation (the same as most IRS VITA sites) and a simple benefits calculator for other work supports. Unlike The Benefit Bank, Single Stop sites do not actually complete applications for public benefits. The purported budget to operate 40 sites in New York City is \$5 million per year. By contrast, the core state budget in Ohio is about \$2 million for more than 800 sites. The national effort, however, according to a press report, has attracted \$35 million from foundations like Robin Hood, Atlantic Philanthropies, Blue Ridge Foundation NY, Open Society Institute-Baltimore and Vera Institute of Justice.<sup>149</sup>

**WE Connect** – developed by Intuit is an information and referral website. It can be used as a “front door” or “portal” for a range of services. This site is useful as an entry point to be advertised through public service outreach campaigns. WEConnect gathers a wide sweep of



potential services, does a basic eligibility check, and then provides referral sources to potential supports systems for those with Web access and the ability to navigate the site and understand the questions posed. However, in its current edition WE Connect has certain limitations that should be noted. Key characteristics of WEConnect:

- Information needs to be entered separately to each of the different eligibility screeners to which links are provided (stated another way, a low-income person enters the same information multiple times).
- WEConnect cannot share information consistently from one application form to another or even one session to another, requiring the user to constantly re-enter data.
- WEConnect is self-service only, so that a low-income person must have Web access in order to use the service, leaving the digital divide wide open.
- WEConnect only provides referrals to aid with such critical supports as EITC.
- Once a client follows a link outside of the WEConnect Web site, the client does not receive any more help from WEConnect – the client is on his or her own.

To offset these limitations WEConnect needs to be connected with a service like The Benefit Bank in order to help people actually apply for supports. It is not a replacement for such an application-filing service, because WEConnect does not complete applications for work supports, is not counselor-assisted, and is not offered at community-based locations where people can go for help in their neighborhoods. WEConnect also does not complete tax returns (the major draw that brings people to Benefit Bank sites in Ohio).

**The Benefit Screener**<sup>150</sup> -- Community Resources Information, Inc. (CRI), a non-profit organization in Massachusetts developed this program. It has been in operation throughout that state since 2003 and is currently expanding operations in New Mexico. This program also provides free access to its software to individuals and community organizers. It provides access to 25 state and federal programs including food stamps, Medicaid, housing vouchers, TANF,

EITC, and other tax credits. This program does not automatically apply the user for benefits; the clients must instead complete the normal application processes. The program costs between \$50,000 and \$75,000 for implementation and maintenance.<sup>151</sup> The program is currently available in English only.

### **B. Outreach Using The Benefit Bank Is the Best Strategy**

The Benefit Bank is superior to other services because using The Benefit Bank as part of statewide outreach efforts connects low and moderate-income households with *both* tax credits *and* public benefits. This combination of grassroots organizing and technology empowers local organizations and counselors to help their neighbors in need, and leverages scarce sources to draw more federal dollars into States to help communities. More specifically:

**The Benefit Bank offers *both* tax preparation and public benefits assistance.** No other technology that is free to sponsoring sites provides assistance with both taxes *and* benefits in a single platform. The ability to use The Benefit Bank for free tax preparation, as part of EITC outreach campaigns, is critical to find and sign up people for work support benefits. Filing tax returns is a legal requirement, and the ability to offer free tax preparation and assistance claiming the EITC draws people into checking to see if they are eligible for public benefits that would further move them into self-sufficiency.

**The Benefit Bank is easy to use and requires modest training.** The questions prompted by The Benefit Bank are written at a fourth-grade reading level. The training materials are written at ninth-grade reading and math levels. The training takes only two days: one for taxes and one for benefits. This enables volunteers from small, neighborhood organizations to sponsor Benefit Bank sites, which would not have the capacity to sponsor other platforms. The

professional edition allows full-time social workers and other professional staff to use The Benefit Bank even more efficiently to help clients in need.

**The Benefit Bank is free to all users and sites.** There is no charge for clients or sites to use The Benefit Bank. The revenue model is not built upon fees by sponsoring agencies, for example. Instead, The Benefit Bank is offered as a tool to build the capacities of faith-based, community, social service, and private-sector organizations to assist vulnerable citizens.

**The Benefit Bank combines technology and civic engagement.** The Benefit Bank offers a unique opportunity for civic engagement by using technology to allow people to help others in need. The Benefit Bank offers an expert service, thereby making it possible for volunteers or paid staff without special knowledge in benefits and taxes to assist applicants in a variety of community settings. This process empowers both counselors and clients.

**The Benefit Bank offers a counselor-assisted version of the service.** The Benefit Bank is different than programs that only allow individuals to apply for benefits on-line. Instead, trained counselors work with clients who might not have Web access or the knowledge to complete tax returns and benefits applications on their own. The counselors are trained in the use of the program, in asking questions and in empathic listening skills. The Benefit Bank is unique in its ability to both reduce barriers and burdens for poor and working-class people, and allow a broad and diverse array of organizations to participate directly and meaningfully in reducing poverty and spurring economic development in low and moderate-income communities.

**The Benefit Bank improves applications and reduced error rates.** Because eligibility criteria is programmed into The Benefit Bank, and applications are prepared with the help of trained counselors, tax returns and applications for benefits completed using The Benefit Bank

are more likely to be complete and accurate. The Benefit Bank's algorithms are designed to maximize the benefits legally available to a household, and the software completes the forms and e-files them when tax and benefit authorities allow for electronic submission.

**The Benefit Bank is growing as part of and into a national network.** No other work supports access service is as deeply deployed in as many states – Arkansas, Florida, Kansas, Mississippi, Ohio, and Pennsylvania – as The Benefit Bank. As described in another section of this report, MDC is designing the Work Supports Initiative to recruit new states, such as North Carolina, into a national network that allows for the sharing of costs for additional benefits and sharing of best practices for outreach and implementation.

## **IX. THE TIME IS NOW FOR CREATING, FUNDING, AND IMPLEMENTING THE NORTH CAROLINA BENEFIT BANK**

Outreach using The Benefit Bank provides substantial help by connecting increasing numbers of eligible North Carolina households with millions of federal work support dollars. Importantly, the American Economic Recovery and Reinvestment Act not only increases the amount and eligibility for work supports, but provides millions of dollars in additional funding to North Carolina, easing the budgets of agencies to provide funding for outreach efforts using The Benefit Bank to connect residents with millions more in additional federal supports.

The connection to supports is particularly important to the large and growing numbers of displaced workers in North Carolina. Unless the federal government extends unemployment compensation benefits beyond the current extension in place now, in the coming 18 months, the Employment Security Commission predicts that large waves of North Carolinians will come off the rolls for many months. Under the strategies outlined below, The Benefit Bank of North Carolina will be there to help them.

### **A. Connectinc. Is Recommended As North Carolina's State Affiliate**

This report recommends that Connectinc. serve as the lead State Affiliate to implement The Benefit Bank service in North Carolina. Using its state-of-the-art telecommunications center, Connectinc. counsels dislocated workers and other North Carolinians in need and connects them with:

- Local jobs and educational opportunities
- Resume-writing and other job coaching
- Workforce development programs
- Trade Adjustment Assistance
- Health Care Tax Credit
- Discount prescriptions
- Foreclosure prevention

Connectinc. brings very important attributes to serving as a State Affiliate: (1) prior experience with work supports outreach; (2) a state-of-the-art telecommunications center already connecting vulnerable North Carolinians with services and jobs; (3) trust among government agencies; (4) ability to manage projects and funding; (5) understanding of how to move low and moderate-income households towards greater economic security; and (6) telephone-based outreach service that, when combined with The Benefit Bank, would create a superior, highly-integrated method for work supports outreach.

Within the WSI framework, Connectinc. will recruit faith-based and community organizations to establish and sponsor Benefit Bank sites at physical locations throughout North Carolina, starting in the Piedmont area and working out. Connectinc.'s responsibilities will also include training volunteers and staff of the organizations sponsoring Benefit Bank sites to be Benefit Bank counselors at physical locations. In addition, Connectinc. will provide telephone-

based outreach combined with The Benefit Bank. The preliminary budget of approximately \$7.2 million over two years, attached as Appendix VI, reflects all of these services.<sup>152</sup>

MDC will provide capacity-building services, Solutions for Progress will provide technology and assistance, and World Hunger Year will provide referrals from its National Hunger Hotline, within the WSI structure. The partners expect that MDC, in the first year at least, will be responsible for managing the overall funding of the effort and the programming work to be completed by Solutions. All responsibilities will be set forth in a Cooperative Agreement to be signed by all parties.

The opportunity for Connectinc. to serve as the North Carolina State Affiliate of the Work Supports Initiative extends into another realm the impressive existing capabilities of Connectinc. to serve low and moderate-income North Carolinians. Over the course of several meetings with MDC and Solutions for Progress, it is clear that combining The Benefit Bank service and grassroots, place-based outreach with Connectinc.'s existing telephone-based capabilities creates a substantial force for connecting low and moderate-income North Carolina households with supports.

Discussions during early planning meetings concluded that initial place-based outreach will begin in the Triad area, where the WIRED project, funded by the United States Department of Labor and administered by the Piedmont Triad Partnership, already has 12 governmental, faith-based, community, and private-sector groups collaborating on workforce development. Outreach will be expanded by the network of more than 20 tax sites supported by MDC's EITC Carolinas initiative, and then spread out to more areas over time. More specific implementation planning, by MDC, Connectinc. and other stakeholders, will be completed in Phase II of this

project. All of these efforts will help North Carolinians secure and keep jobs and move toward greater economic security.

With so many North Carolinians out of work, the telephone-based capabilities of Connectinc. is particularly important. Waves of displaced workers will come off the unemployment compensation rolls each month, unless Congress extends these benefits beyond the current extension in place now. Most of these displaced workers are not acquainted with free tax assistance or other resources such as tax credits available to low- and moderate-income people (including the Earned Income Tax Credit and Child Tax Credit). They have little familiarity with benefits for which they now may be eligible as they look for other jobs. These benefits include food stamps, Medicaid, children's health insurance, home energy assistance, school lunches, child care subsidies, and senior community service employment. Many do not know about the necessity of completing the FAFSA to apply for student financial aid and need help completing this complicated application.

Working in concert with the State of North Carolina, counselors at Connectinc. will contact displaced workers as their unemployment compensation expires. The counselors will offer them both the existing services now offered by Connectinc. and the new services enabled by The Benefit Bank of North Carolina. Connecting displaced workers with these supports will help them and their families meet the basic needs as they weather the economic downturn and retrain for and secure new employment.

### **B. Funding Soon Is Crucial**

North Carolinians need help now, with unemployment expected to grow for many months. Even as the economy begins to slowly recover, many sources believe unemployment figures will lag significantly behind. Individuals and families need help as working adults retrain

and secure new jobs. If funding is secured for The Benefit Bank of North Carolina beginning with the new fiscal year, access to some benefits such as food stamps will be up and running by the Fall. During the summer, Connectinc. and MDC will be able to recruit faith-based and community organizations to serve as Benefit Bank sites and train volunteers and paid staff from those organizations to serve as Benefit Bank counselors. Connectinc. will also be able to contact by telephone and offer services to displaced workers already in its database, low-income households identified by the Triad Partnership, and displaced workers as their unemployment compensation expires.

Moreover, with funding in place quickly, full services of The Benefit Bank will be operational in North Carolina by next year's tax season (starting in January of 2010). The provision of free tax assistance draws people into Benefit Bank sites and, once they are there, clients find out that they are eligible for other supports and are able to apply for these supports right on the spot. MDC will work with Connectinc. and stakeholders across the state to offer The Benefit Bank to existing tax preparation sites already within MDC's EITC Carolinas network and to help other organizations sponsor tax assistance using The Benefit Bank. The strategy is to significantly expand the number of locations where North Carolinians are able to access free tax income assistance.

Funding to establish a State Affiliate and begin offering work supports outreach using The Benefit Bank is urgent now during the economic downturn. The crisis offers an opportunity to leverage investments for outreach into much larger economic impacts to help families and the national economy recover from the recession. Under the recently-enacted American Economic Recovery and Reinvestment Act (“ARRA”), there are:



- 1) **More work support dollars to claim** through increased funding and eligibility for existing supports and creation of others to boost national economic recovery.
- 2) **More administrative funds to state governments that could fund outreach** to help eligible Americans claim more federal dollars and boost economic recovery.

The preliminary budget, attached under Appendix VII, summarizes those funds necessary to fund implementation of work supports outreach combining Connectinc.'s existing services with The Benefit Bank over the next two years.

Many of the supports that will be accessible through The Benefit Bank of North Carolina are administered by the North Carolina Department of Health and Human Services. Several others are under the jurisdiction of the Department of Commerce. The ideal funding scenario would be for a special provision in the HHS budget to designate funding to MDC, Inc. and Connectinc. for North Carolina to join the Work Supports Initiative and to create and implement The Benefit Bank of North Carolina. Then, the Department of Commerce could designate portions of stimulus dollars towards additional outreach over the next two years to displaced workers. Finally, funding could be devoted to publicizing, through The Benefit Bank of North Carolina outreach effort, resources available to displaced workers, including one-stop job centers, where The Benefit Bank would also be available.

In Ohio, approximately half of the budget is funding by TANF (Temporary Aid for Needy Families) dollars, one-quarter of the budget are state general revenue dollars, and the other quarter are federal food stamp matching dollars. Press reports indicate that the State of North Carolina expects to secure an additional \$60 million in federal TANF dollars, some of which could be allocated for half of the budget of The Benefit Bank of North Carolina. Alternatively, there are stimulus dollars in discrete areas that could be allocated toward the

budget. Stimulus dollars from the federal government could give HHS some additional flexibility in allocating general revenue dollars for a quarter of the budget.

If general revenue funds are used for a quarter of the budget, then such funds would be eligible for federal food stamp matching dollars, in effect doubling contributions of the state general revenue funds to the effort. This funding mechanism using food stamp outreach dollars has been specifically approved by the state government in Ohio and USDA FNS. This funding mechanism forms the core of Ohio's first-ever statewide Food Stamp Outreach Plan. This plan, using The Benefit Bank for outreach, is the largest in USDA's Midwest region and is seen as a model for the rest of the country. As stated by Stacy Dean, Director of Food Assistance Policy at the Center for Budget and Policy Priorities: "The Ohio Benefit Bank is about five years ahead of everyone else. Every national conference I go to always highlights Ohio's program. It's an amazing model that we send other states to examine."<sup>153</sup>

The outreach of The Benefit Bank of North Carolina will be extended, after the state pays for the infrastructure, by additional private and public dollars. For example, MDC and Connectinc. are in discussions with foundations interested in the initiative if the basic infrastructure is funded and established in partnership with the state. These funds may also be eligible for federal match, further extending outreach.

MDC and the UNC-Chapel Hill Department of Public Policy have already secured a \$17,000 grant from the UNC Office of Economic Development. This grant is being used to fund two efforts to support the TBB-NC by developing: 1) GIS mapping tools to show under-utilization of supports in specific areas of North Carolina and groups in those areas that could serve as Benefit Bank sites; and 2) a results evaluation model to capture and analyze the results of TBB-NC outreach efforts.

Foundations and corporate donors are able to fund specific, groundbreaking extensions enabled by The Benefit Bank, to reach disadvantaged populations in creative ways, such as through the mobile van. As Douglas Kridler, President and CEO of The Columbus Foundation, an early and continuing supporter of The Ohio Benefit Bank, recently stated: “[I]everaging tens of millions of dollars for the working poor already, with the potential to leverage hundreds of millions more, The Ohio Benefit Bank is generating a return on The Columbus Foundation’s catalytic investment as great as any grant in our 65-year history. This public-private partnership is a proven vehicle for supporting the household budgets of Ohioans who struggle to meet daily expenses.”<sup>154</sup>

### **C. Return On Investment Exceeds 8 to 1**

The effort will bring millions of new federal dollars to North Carolina, which will boost both households and the state’s economic recovery. Connectinc. and MDC have identified the following initial target groups for outreach:

- 14,000 displaced workers and their families in Connectinc.’s current database, serviced by telephone-based outreach, nearly all of whom are eligible for food stamps
- 30,000 households already served by more than 20 VITA sites supported by MDC’s EITC Carolinas program, many of which may be eligible for other work supports
- 14,000 households in the 12-county area already served by the Piedmont Triad Partnership’s WIRED project who are receiving or on the waiting list for child care subsidies and likely to be “working poor” households

There are reasons to believe that grassroots outreach efforts in North Carolina using The Benefit Bank will be even more successful during the first two years than in Ohio, because TBB-NC will:

- Apply “lessons learned” from Ohio and the Work Supports Initiative
- Target an initial outreach pool larger than in The Ohio Benefit Bank’s first two years

- Expand beyond the initial target pool after the first year
- Employ telephone-based outreach that is not presently available in Ohio
- Address greater need -- the poverty rate is higher in North Carolina than in Ohio<sup>155</sup>

Based upon the results achieved by The Ohio Benefit Bank in its first two years, as measured by the Ohio University study, and without considering any of the factors outlined above, work supports outreach efforts combining Connectinc.'s existing services with The Benefit Bank is conservatively expected to return over the its first two years more than:

- \$34 million in federal work supports claimed by low and moderate-income households
- \$25 million in additional income for households and businesses
- \$ 2 million in additional state and local tax revenues
- 450 new jobs created indirectly by the additional spending and income

Thus, over two years, work supports outreach using The Benefit Bank will leverage approximately \$7.2 million to fund outreach (from North Carolina's share of ARRA and other sources) and as much as \$4 million in state-funded supports (some of which will be recouped by a \$2 million increase in state and local tax revenues). The effort is expected to return over \$61 million in economic recovery impacts and create more than 450 new jobs in North Carolina. The return of investment will exceed 8 to 1 in the first two years.

## **X. CONCLUSION**

For all of these reasons, this report recommends implementing work supports outreach combining The Benefit Bank with Connectinc.'s existing capabilities to connect thousands of North Carolinians with millions of federal work supports dollars. Furthermore, this report recommends the project commissioned by the Z. Smith Reynolds Foundation proceed immediately to Phase II to plan the implementation of the effort and to take advantage of urgent

funding and economic recovery opportunities. With North Carolina families and individuals struggling in the midst of an economic crisis, The Benefit Bank of North Carolina would create an immediate and long-term economic impact for low- and moderate-income individuals and families.

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<sup>1</sup> News 14 Carolina Web Staff, “New N.C. Jobless Rates Doubled Since Last Year” (Apr. 1, 2009) [http://news14.com/content/top\\_stories/607170/new-n-c-jobless-rate-doubled-since-last-year/Default.aspx](http://news14.com/content/top_stories/607170/new-n-c-jobless-rate-doubled-since-last-year/Default.aspx).

<sup>2</sup> Nancy K. Cauthen, Testimony before the Subcommittee on Income Security and Family Support of the House Committee on Ways and Means. Hearing on Measuring Poverty in America (Aug. 1, 2007) <http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=581&comm=2>.

<sup>3</sup> National Center for Children in Poverty (NCCP), North Carolina Demographics of Low-Income Children (Columbia University, Mailman School of Public Health, Updated September 2008). Retrieved on January 27, 2009, from [www.nccp.org/profiles/NC\\_profile\\_6.html](http://www.nccp.org/profiles/NC_profile_6.html). See also North Carolina Demographics of Poor Children (Columbia University, Mailman School of Public Health, September 3, 2008). Retrieved on January 27, 2009, from [www.nccp.org/profiles/NC\\_profile\\_7.html](http://www.nccp.org/profiles/NC_profile_7.html). State data were calculated from the Annual Social and Economic Supplement (the March supplement) of the Current Population Survey from 2006, 2007, and 2008, representing information from calendar years 2005, 2006, and 2007. NCCP averaged three years of data because of small sample sizes in less populated states. The national data were calculated from the 2008 data, representing information from the previous calendar year.

<sup>4</sup> Action for Children North Carolina, Profiles of N.C. Children: Outcomes by Income (Dec. 2005).

<sup>5</sup> Sorien Schmidt and Elizabeth Jordan, “Working Hard Is Still Not Enough,” NC Equity and NC Justice and Community Development Center (May 2003) <http://www.unc.edu/srp/srp2003/workinghard.html>; Richard Wertheimer, “Working Poor Families with Children: Leaving Welfare Doesn’t Necessarily Mean Leaving Poverty,” Child Trends, Inc. (May 2001) [http://www.childtrends.org/Files/Child\\_Trends-2001\\_05\\_01\\_RB\\_WorkingPoor.pdf](http://www.childtrends.org/Files/Child_Trends-2001_05_01_RB_WorkingPoor.pdf).

<sup>6</sup> Heather Boushey, Shawn Fremstad, Rachel Gragg, and Margy Waller, “Understanding Low-Wage Work in the United States” (2007).

<sup>7</sup> United States Department of Labor, Bureau of Labor Statistics, “Employment Situation Summary” (Jan. 2009) <http://www.bls.gov/news.release/empisit.nr0.htm>.

<sup>8</sup> Josh Bivens, “Shifting Blame For Manufacturing Job Loss: Effect Of Rising Trade Deficit Shouldn’t Be Ignored,” Economic Policy Institute (Apr. 8, 2004); John Quintero and Elizabeth Jordan, “Failing Jobs, Falling Wages: The 2005 North Carolina Living Income Standard,” NC Justice Center and the NC Budget and Tax Center (Nov. 2005), at 6-7.

<sup>9</sup> Sorien Schmidt and Elizabeth Jordan, “Working Hard Is Still Not Enough,” NC Equity and NC Justice and Community Development Center (May 2003).

<sup>10</sup> Personal Responsibility and Work Opportunity Reconciliation Act of 1996, [Pub.L. 104-193](#), 110 [Stat.](#) 2105 (Aug. 8, 1996).

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- <sup>11</sup> Sandra Porter Babb and Lydia Faulkner, "The States and Social Responsibility: The North Carolina Experience," *USIA Electronic Journals*, Vol. 1, No. 20 (Jan. 1997).
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- <sup>19</sup> Steve Holt, "The Earned Income Tax Credit at Age 30: What We Know," *The Brookings Institution* (Feb. 2006), at 11.
- <sup>20</sup> *See* Bruce D. Meyer and Douglas Holtz-Eakin (editors), *Making Work Pay: The Earned Income Tax Credit and Its Impact on America's Families* (Jan. 2002).
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<sup>46</sup> Mike Maynard and David Dollins, *Participation in the Earned Income Tax Credit Program for Tax Year 1996: Fiscal Year 2001 Research Project #12.26 of the Internal Revenue Service* (Ft. Lauderdale, FL, and Greensboro, NC: SB/SE Research, January 31, 2002). Retrieved on January 27, 2009, from [http://taxpolicycenter.org/TaxFacts/papers/irs\\_eitc.pdf](http://taxpolicycenter.org/TaxFacts/papers/irs_eitc.pdf).

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<sup>48</sup> Although this ranking is calculated using data from 1996, it is the most recent estimate available.

<sup>49</sup> Alan Berube, *Earned Income Credit Participation: What We (Don't) Know* (Washington, DC: Brookings Institution Metropolitan Policy Program, 2005).

<sup>50</sup> Karen Masken, *Longitudinal Study of EITC Claimants* (Washington, DC: Internal Revenue Service, 2006).

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<sup>52</sup> Food Research and Action Center, "Food Participation in September 2008 Tops 31.5 Million: Increase Driven by Weak Economy and Disasters," *Current News and Analysis*, September 2008. Retrieved on January 27, 2009, from [www.frac.org/html/news/fsp/2008.09\\_FSP.htm](http://www.frac.org/html/news/fsp/2008.09_FSP.htm).

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<sup>54</sup> United States Department of Agriculture, *Reaching Those in Need: State Food Stamp Participation Rates in 2004* (Washington, DC: USDA, 2004); United States Department of Agriculture, *Trends in Food Stamp Program Participation Rates: 2000 to 2006* (Washington, DC: USDA Office of Analysis, Nutrition, and Evaluation, 2007).

<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

<sup>57</sup> USDA, *Trends*, 2007.

<sup>58</sup> Karen Cunyngnam, Laura Castner, and Allen Schirm, *Reaching Those in Need: State Food Stamp Participation Rates in 2004*, Report for US Department of Agriculture (Washington, DC: Mathematica Policy Research, Inc., October 2006).

<sup>59</sup> Ibid.

<sup>60</sup> Ibid. These rankings were estimated for 2005 and are the latest available figures of their kind.

<sup>61</sup> This estimate is calculated from the total amount received by the state and the number of participants for 2005 and assuming that nonfilers would receive a benefit that is 15 percent of the average benefit from a filer within the state.

<sup>62</sup> North Carolina Department of Health and Human Services, *Medicaid for Families with Dependent Children* (Raleigh, NC: NC DHHS, April 2008). Retrieved on January 27, 2009, from [www.dhhs.state.nc.us/dma/medicaid/families.htm#families](http://www.dhhs.state.nc.us/dma/medicaid/families.htm#families).

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<sup>64</sup> Congressional Budget Office, *The Long-term Outlook for Health Care Spending* (Washington, DC: Congress of the United States, 2007).

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<sup>66</sup> Aaron McKethan, Wes Joines, and Christina Kostner, *SCHIP in North Carolina: Evolution and Reauthorization Challenges and Opportunities* (Falls Church, VA: The Lewin Group, 2007).

<sup>67</sup> The discrepancy between the state's figures estimating underenrollment and the figures from the Annie E. Casey Foundation are likely due to some children receiving medical insurance from private sources not accounted for in the state's estimate. The data used by the Annie E. Casey Foundation are drawn from the Current Population Survey administered by the U.S. Census.

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