

Poor No More: Solutions to Poverty in Louisiana

Louisiana's child poverty rate continues to rank 49th among the fifty states. Full half of our children live in low-income families, meaning that a family of three, for example, is earning less than \$42,000 a year. The poverty of our children, families and communities connects to failures in school and in the workplace, poor physical and mental health, and the economy of our state as a whole.

There are measures that we can take to relieve poverty, enhance productivity, and offer our children a fuller quality of life. The policy agenda outlined below is just a start!

Income tax liability for low income families

Targeted tax relief can help low-income families' access economic opportunities by retaining more of their earnings. Louisiana is one of only nine states that require families living below poverty level to pay state income taxes. The federal poverty level is \$17,170 for a family of three.

Predatory lending practices

Louisiana has no state laws that protect consumers from predatory lending practices such as prepayment penalties and balloon payments. While the state places restrictions on payday lending, there are substantial loopholes. It is not uncommon for payday loan customers to spend \$855 in interest and fees to borrow \$255. Effective regulation of the mortgage and payday lending industries are necessary to help low-income families build assets and avoid the high costs associated with predatory lending practices.

Earned Income Tax Credit

The 2007 Louisiana Legislature created a state Earned Income Tax Credit to help working families. The credit – 3.5% of the federal credit – is worth up to about \$150. While this is a major step forward, the state could provide more significant support to working low-income families by gradually increasing the value of the EITC to 10% of the federal EITC.

Income and Work Support

Low and moderate working families often rely on public subsidies to make ends meet. Depending on eligibility, assistance can come in the form of food stamps, child care assistance, Medicaid and LaCHIP, housing subsidies, unemployment insurance, and/or cash assistance. In many cases, income eligibility levels “punish” working families for advancing in the workforce by cutting off benefits abruptly, pushing them back into poverty. State agencies should work together to streamline eligibility limits across programs to ensure that working families experience a smoother transition to self-sufficiency.

Moving from dependency to self-sufficiency

Louisiana has one of the lowest cash assistance levels in the nation. A family of three receives just \$240 a month, 17.9% of the federal poverty level. Once they begin work, they face steep reductions in cash assistance. This can discourage families making the difficult transition from welfare to work. An “earned income disregard” allows benefits to be reduced gradually, allowing families to develop financial stability before they are moved off of cash assistance.

Health Care

Louisiana ranks in the upper tier of states for connecting eligible children to Medicaid and LaCHIP. However, we have one of the lowest income eligibility thresholds for parents and guardians, almost last in the nation. A family of four would need to earn less than \$4,000 a year for the parents to be eligible for Medicaid.