



# Making Work Pay for Iowa's Families

Using the Family Resource Simulator to  
Assess and Improve Work Supports

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**NCCP**

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## Who We Are

- ◆ NCCP is the nation's leading public policy center dedicated to the economic security, health, and well-being of America's low-income children and families.
- ◆ Part of Columbia University's Mailman School of Public Health, NCCP promotes family-oriented solutions at the state and national levels.
- ◆ Our ultimate goal: Improved outcomes for the next generation.



## NCCP's Making Work Supports *Work* Project

- ◆ In this collaborative project, NCCP works with state partners to examine existing work support policies and to identify and promote policy reforms
- ◆ NCCP's partner in Iowa:





# Today's presentation

- ◆ The Issue: Making Work Pay
- ◆ A Tool for Policy Analysis: NCCP's Family Resource Simulator
- ◆ Findings: The Effectiveness of Iowa's Work Supports
- ◆ Moving Policies Forward



## Many Full-time Workers Can't Make Ends Meet

- ◆ A single parent with two children in Cedar Rapids needs to earn about \$17 an hour (over \$35,000 a year) just to afford basic necessities.
- ◆ That's double the official poverty level for a family of three - and more than twice the state minimum wage (\$7.25/hour).
- ◆ Across the state, a single parent with two children needs to earn \$14 to \$19 an hour to make ends meet.



## Work Supports Can Help

- ◆ For families who receive them, “work supports” can close the gap between low wages and the high cost of basic needs.
- ◆ Work supports examined in this analysis include:
  - Federal and state earned income tax credits
  - Public health insurance
  - Child care assistance
  - Food stamps
  - Low Income Home Energy Assistance (LIHEAP)



## Work Supports Can Help (cont'd)

- ◆ But most work supports are means-tested so as earnings increase, families begin to lose their benefits.
- ◆ The result is that increased earnings may leave a family no better off - or even worse off.
- ◆ Just a small increase in earnings sometimes triggers a sharp reduction in benefits - sometimes called a “cliff.”



## A Comprehensive Work Support System Should Accomplish Two Goals

- ◆ Provide adequate family resources
- ◆ Reward advancement in the workforce
- **But do existing public policies achieve these goals in Iowa?**



## NCCP Developed a Tool to Explore This Issue

- ◆ **The Family Resource Simulator** is an innovative web-based policy tool designed for policymakers, administrators, advocates, and researchers.
- ◆ **The Simulator illustrates:**
  - The impact of federal and state work supports on the budgets of low- to moderate- income families.
  - How a hypothetical family's resources and expenses change as earnings increase, taking public benefits into account.



# NCCP's Family Resource Simulator

- ◆ Users create a hypothetical family, making choices about:
  - State and locality
  - Family characteristics (number of parents; number & ages of children)
  - Family expenses
  - Family assets and debt
  - Benefits that the family receives when eligible



## NCCP's Family Resource Simulator (cont'd)

- ◆ The Simulator now includes more than 100 localities in 20 states:

Alabama	District of Columbia	Louisiana	New York
California	Florida	Maryland	Pennsylvania
Colorado	Georgia	Massachusetts	Texas
Connecticut	Illinois	Michigan	Vermont
Delaware	Iowa	New Mexico*	Washington

\*coming soon

- ◆ It is available on NCCP's website at: [www.nccp.org](http://www.nccp.org)



## NCCP's Family Resource Simulator (cont'd)

- ◆ For Iowa, the Simulator includes the following locations:
  - Cedar Rapids
  - Des Moines
  - Mason City
  - Ottumwa
  - Sioux City
  - Decatur, Lucas, and Wayne Counties



## Key Questions

1. How effective are federal and state work supports in closing the gap between low wages and basic expenses?



## Impact of Work Supports: Cedar Rapids, IA

Single parent with two children, ages 2 and 6 (assumes full-time employment at \$9/hour)

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

**Employment *plus*:**  
- federal tax credits  
- state tax credits  
- food stamps  
- LIHEAP  
- public health insurance

**Employment *plus*:**  
- federal tax credits  
- state tax credits  
- food stamps  
- LIHEAP  
- public health insurance  
- child care subsidy

### Annual Resources (cash and near-cash)

Earnings	\$18,720	\$18,720	\$18,720
Federal EITC	\$0	\$4,015	\$4,015
Federal Child Tax Credit	\$0	\$1,046	\$1,046
Federal Child and Dependent Care Tax Credit	\$0	\$67	\$67
State EITC	\$0	\$281	\$281
State child care tax credit	\$0	\$1,287	\$134
Food stamps	\$0	\$3,913	\$2,840
LIHEAP	\$0	\$350	\$350
<b>Total Resources</b>	<b>\$18,720</b>	<b>\$29,679</b>	<b>\$27,453</b>

### Annual Expenses

Housing	\$7,116	\$7,116	\$7,116
Food	\$4,884	\$4,884	\$4,884
Child care	\$9,396	\$9,396	\$624
Health care	\$4,284	\$0	\$0
Transportation	\$5,436	\$5,436	\$5,436
Other necessities	\$3,192	\$3,192	\$3,192
Payroll taxes	\$1,432	\$1,432	\$1,432
Income taxes (excluding credits)	\$67	\$460	\$460
<b>Total Expenses</b>	<b>\$35,807</b>	<b>\$31,916</b>	<b>\$23,144</b>

### Net Resources (resources - expenses)

**-\$17,087**

**-\$2,237**

**\$4,309**

**Source:** National Center for Children in Poverty's Family Resource Simulator, Iowa 2008 <[www.nccp.org/frs/tools](http://www.nccp.org/frs/tools)>. Budget numbers are from the Iowa Policy Project's The Cost of Living in Iowa.



## Findings

- ◆ Without work supports, low-wage workers are unable to provide for their family's basic needs even with a full-time job.
- ◆ For the families who receive multiple supports, Iowa's work supports can close the gap between low earnings and the cost of basic expenses.
- ◆ Child care subsidies are particularly critical.



## Key Questions

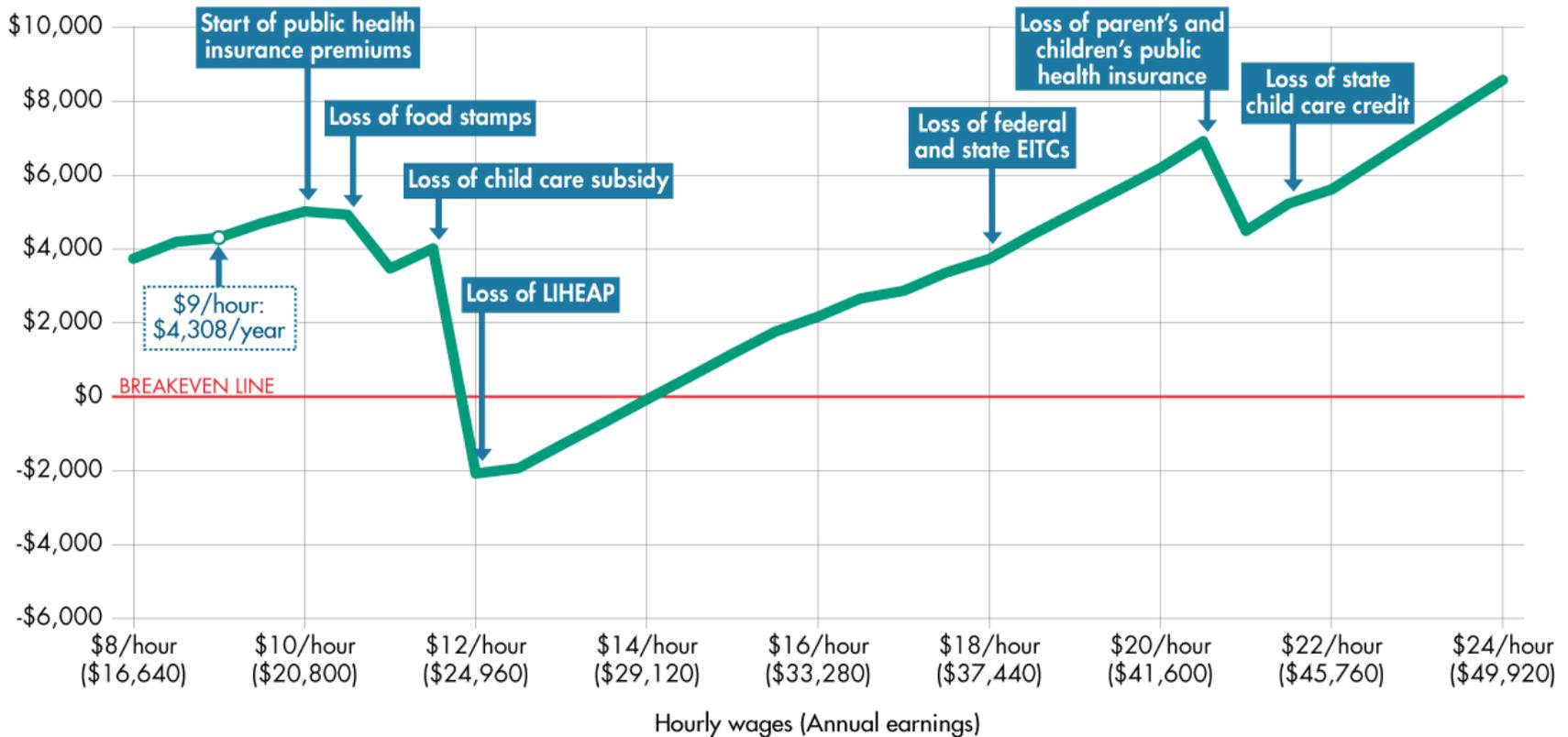
**2. Are families always better off when parents work and earn more?**



## Net Family Resources as Earnings Increase: Cedar Rapids, IA

Single parent with two children, ages 2 and 6

Resources minus expenses (annual)



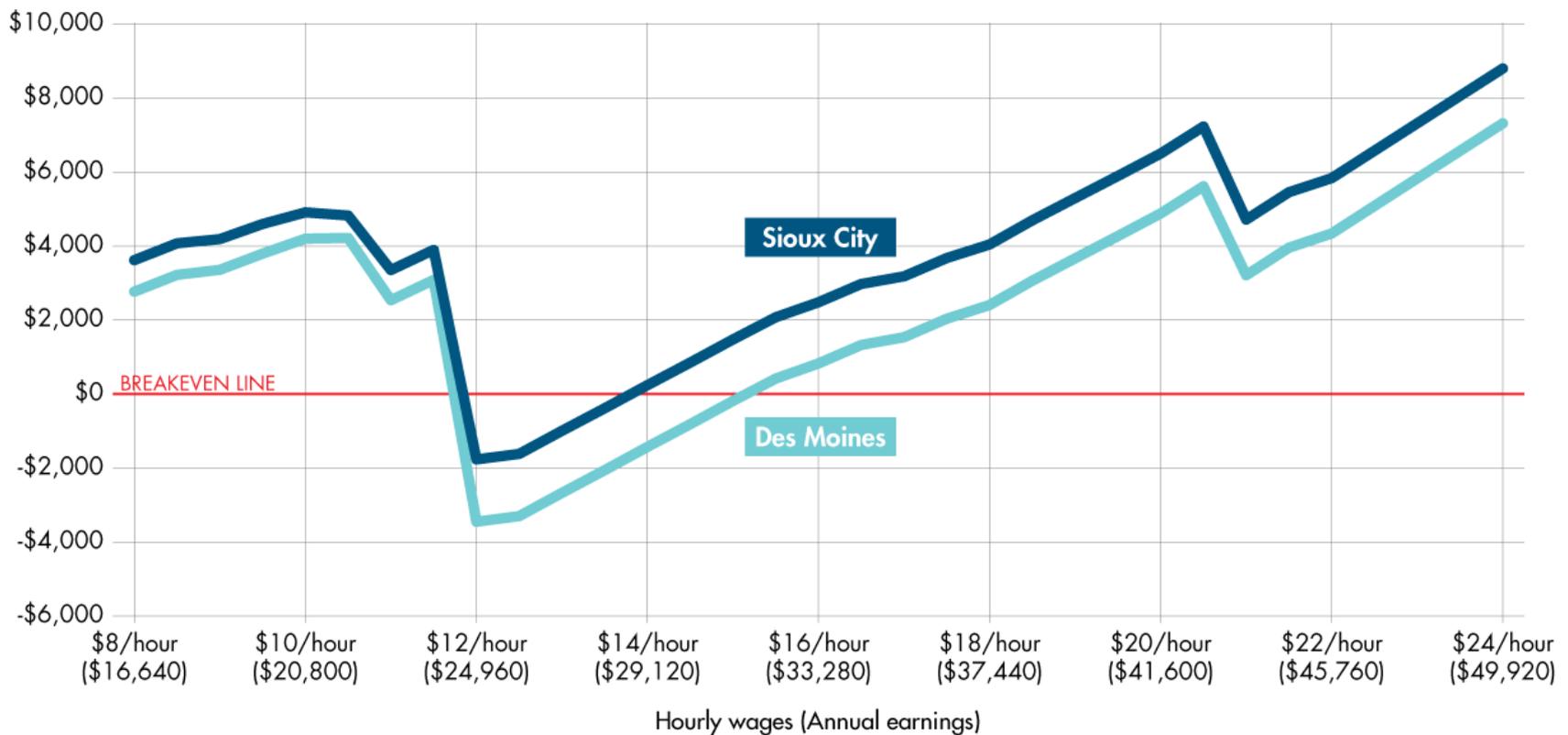
**Source:** National Center for Children in Poverty's Family Resource Simulator, Iowa 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, LIHEAP, public health insurance, and a child care subsidy. Budget numbers are from the Iowa Policy Project's *The Cost of Living in Iowa*.



## Net Family Resources: Des Moines and Sioux City, IA

Single parent with two children, ages 2 and 6

Resources minus expenses (annual)



**Source:** National Center for Children in Poverty's Family Resource Simulator, Iowa 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, LIHEAP, public health insurance, and a child care subsidy. Budget numbers are from the Iowa Policy Project's *The Cost of Living in Iowa*.



## Findings

- ◆ Working more does not always pay as families lose eligibility for critical supports.
- ◆ Losing child care assistance and food stamps causes “cliffs,” while other benefits phase-out more gradually.
- ◆ Similar patterns found throughout the state.



## Key Questions

**3. What kinds of policy changes could make work support policies more effective?**



## Exploring Policy Reforms

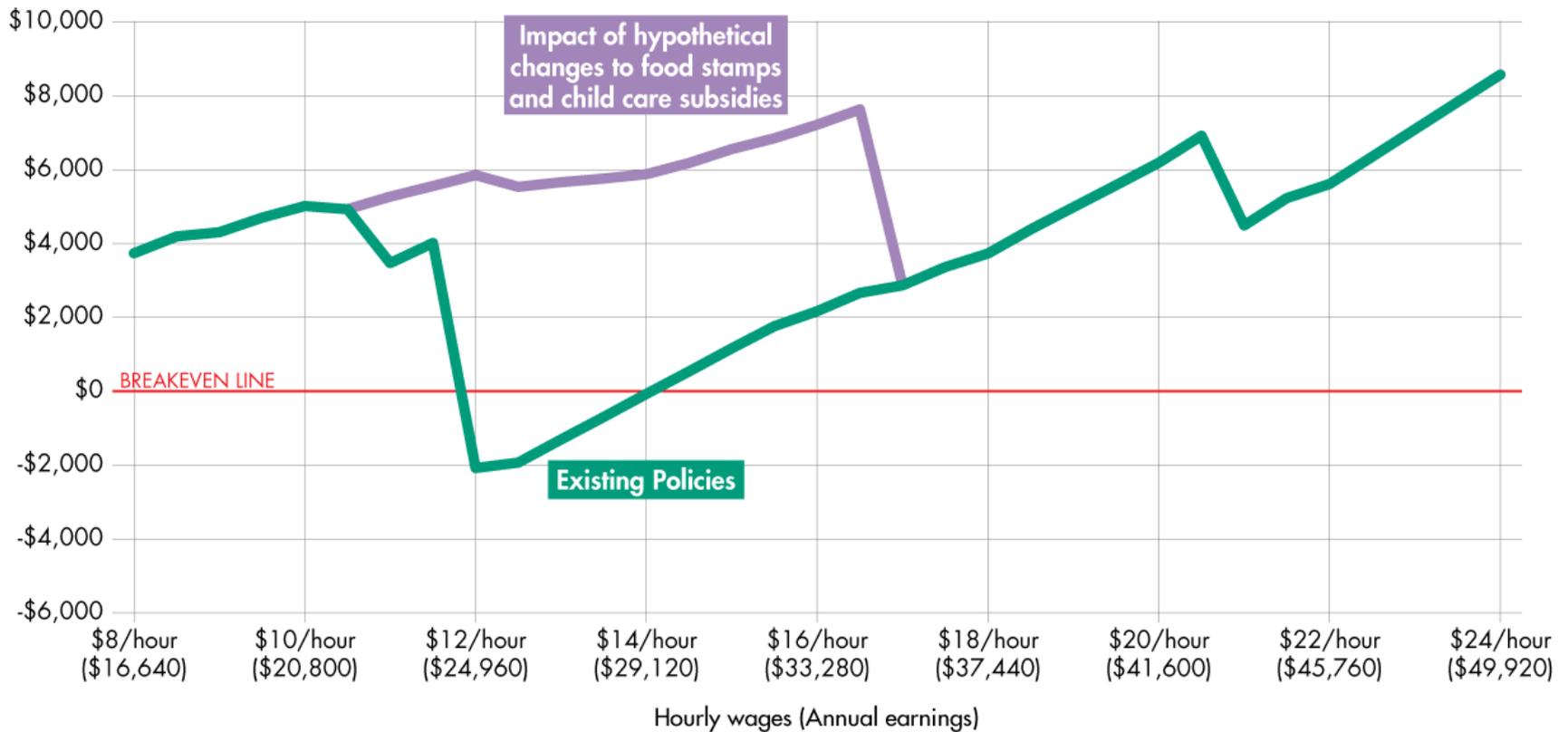
- ◆ The Family Resource Simulator can be used to model **policy changes**.
- ◆ For example:
  - Raising the income eligibility limit for **child care subsidies** to 200 percent of the federal poverty level.
  - Taking advantage of federal **food stamp** option to use categorical eligibility to expand access to food stamps.



## Impact of Hypothetical Policy Reforms: Cedar Rapids, IA

Single parent with two children, ages 2 and 6

Resources minus expenses (annual)



**Source:** National Center for Children in Poverty's Family Resource Simulator, Iowa 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, LIHEAP, public health insurance, and a child care subsidy. Budget numbers are from the Iowa Policy Project's *The Cost of Living in Iowa*.



## Policy Solutions

- ◆ Phase benefits out gradually to avoid steep cliffs.
- ◆ Raise eligibility limits.
- ◆ Be mindful of program interactions so families don't lose multiple benefits simultaneously.
- ◆ Also need to serve a greater share of eligible families.



# Working with State Partners to Move Policies Forward

- ◆ **Goal:** Improve policies for low-wage workers and their families
- ◆ **Audience:** Policymakers, administrators, advocates, other researchers
- ◆ **Uses:**
  - Provide a concrete illustration of the impact of existing work supports
  - Model alternative policies.



## Making Work Supports *Work* in Iowa

- ◆ Collaborating with the Iowa Policy Project to analyze Iowa's work support policies and identify potential policy reforms.
- ◆ Modeling policy changes: child care subsidy program, food stamps, state EITC.
- ◆ Working together to disseminate findings through presentations and reports.



# Making Work Supports *Work* in Other States

## ◆ Washington

- Modeled Working Families Rebate prior to passage for use by our state partner.
- Planning new joint initiative in anticipation of next legislative session.

## ◆ Vermont

- Analyzing work supports for state's Child Poverty Council.
- Identified negative policy interactions of which policymakers and advocates were unaware.

## ◆ Louisiana

- Working with state organizations to inform the implementation of a new law calling for a 50% reduction in child poverty in 10 years.
- Simulator results presented to Senator who authored this legislation.



# Making Work Supports *Work* in Other States

## ◆ Connecticut

- Testified re: 2004 child poverty reduction legislation
- Advised Child Poverty Council on policy recommendations.

## ◆ New York City

- Used Simulator to highlight the need for child care relief
- Contributed to recommendations for Mayor's task force report; New York City passed the nation's first local child care tax credit.

## ◆ Illinois

- Modeled numerous policy changes at our partners' request.
- Co-authored a *Clearinghouse Review* article with state partner.



# Making Work Supports *Work* in Other States

## ◆ Texas

- Analyzed existing work supports in several TX localities.
- Child care analysis and other results presented around the state by our state partner.

## ◆ Colorado

- Modeled actual changes in child care subsidy eligibility and proposed state EITC.
- Results presented around state by our state partner.
- Planning new effort to identify, model, and cost out potential state child care policy reforms.



## Contact Information

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**Visit NCCP's website:**

[www.nccp.org](http://www.nccp.org)

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