Making Work Pay for Iowa’s Families

Using the Family Resource Simulator to Assess and Improve Work Supports

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National Center for Children in Poverty
Mailman School of Public Health
Columbia University
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.
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
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)

<table>
<thead>
<tr>
<th></th>
<th>Employment alone (no benefits; no tax credits)</th>
<th>Employment plus:</th>
<th>Employment plus:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>- federal tax credits</td>
<td>- state tax credits</td>
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<tr>
<td></td>
<td></td>
<td>- food stamps</td>
<td>- LIHEAP</td>
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<td></td>
<td></td>
<td>- public health insurance</td>
<td>- child care subsidy</td>
</tr>
<tr>
<td><strong>Annual Resources (cash and near-cash)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings</td>
<td>$18,720</td>
<td>$18,720</td>
<td>$18,720</td>
</tr>
<tr>
<td>Federal EITC</td>
<td>$0</td>
<td>$4,015</td>
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</tr>
<tr>
<td>Federal Child Tax Credit</td>
<td>$0</td>
<td>$1,046</td>
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<tr>
<td>Federal Child and Dependent Care Tax Credit</td>
<td>$0</td>
<td>$67</td>
<td>$67</td>
</tr>
<tr>
<td>State EITC</td>
<td>$0</td>
<td>$281</td>
<td>$281</td>
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<tr>
<td>State Child care tax credit</td>
<td>$0</td>
<td>$1,287</td>
<td>$134</td>
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<tr>
<td>Food stamps</td>
<td>$0</td>
<td>$3,913</td>
<td>$2,840</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>$0</td>
<td>$350</td>
<td>$350</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$18,720</strong></td>
<td><strong>$29,679</strong></td>
<td><strong>$27,453</strong></td>
</tr>
</tbody>
</table>

**Annual Expenses**

<table>
<thead>
<tr>
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<tr>
<td></td>
<td></td>
<td>- public health insurance</td>
<td>- child care subsidy</td>
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<tr>
<td>Housing</td>
<td>$7,116</td>
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<tr>
<td>Food</td>
<td>$4,884</td>
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<td>Child care</td>
<td>$9,396</td>
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<td>$624</td>
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<td>Health care</td>
<td>$4,284</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Transportation</td>
<td>$5,436</td>
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<tr>
<td>Other necessities</td>
<td>$3,192</td>
<td>$3,192</td>
<td>$3,192</td>
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<tr>
<td>Payroll taxes</td>
<td>$1,432</td>
<td>$1,432</td>
<td>$1,432</td>
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<tr>
<td>Income taxes (excluding credits)</td>
<td>$67</td>
<td>$460</td>
<td>$460</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$35,807</strong></td>
<td><strong>$31,916</strong></td>
<td><strong>$23,144</strong></td>
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</table>

**Net Resources** (resources - expenses)

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<th></th>
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<td></td>
<td></td>
<td>- public health insurance</td>
<td>- child care subsidy</td>
</tr>
<tr>
<td><strong>Net Resources</strong></td>
<td><strong>-$17,087</strong></td>
<td><strong>-$2,237</strong></td>
<td><strong>$4,309</strong></td>
</tr>
</tbody>
</table>

**Source:** National Center for Children in Poverty's Family Resource Simulator, Iowa 2008 (<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)

$10,000

$8,000

$6,000

$4,000

$2,000

$0

-BREAKEVEN LINE-

-$2,000

-$4,000

-$6,000

$8/hour ($16,640)

$10/hour ($20,800)

$12/hour ($24,960)

$14/hour ($29,120)

$16/hour ($33,280)

$18/hour ($37,440)

$20/hour ($41,600)

$22/hour ($45,760)

$24/hour ($49,920)

Hourly wages (Annual earnings)

Source: National Center for Children in Poverty’s Family Resource Simulator, Iowa 2008 <www.nccp.org/tools/hrs>. 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)

Hourly wages (Annual earnings)

$8/hour ($16,640)  $10/hour ($20,800)  $12/hour ($24,960)  $14/hour ($29,120)  $16/hour ($33,280)  $18/hour ($37,440)  $20/hour ($41,600)  $22/hour ($45,760)  $24/hour ($49,920)

Source: National Center for Children in Poverty’s Family Resource Simulator, Iowa 2008 <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)

Impact of hypothetical changes to food stamps and child care subsidies

BREAKEVEN LINE

Existing Policies

Hourly wages (Annual earnings)

Source: National Center for Children in Poverty’s Family Resource Simulator, Iowa 2008 <www.nccp.org/tools/hrs>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, UIHEAP, 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

♦ 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.
Analysis in Iowa is supported by the Strategies to End Poverty (STEP) project, through the Seattle Foundation. The Making Work Supports Work project is funded by the Annie E. Casey Foundation with additional support from local and regional sources.