



NCCP National Center for
Children in Poverty

Columbia University
MAILMAN SCHOOL OF PUBLIC HEALTH



NCCP's Family Resource Simulator: A Tool for Improving Policies for Low-Wage Workers and Their Families

Nancy K. Cauthen, PhD
Deputy Director

Kinsey Alden Dinan, MA
Research Associate

National Center for Children in Poverty

Who We Are

- ◆ NCCCP is a non-partisan, public interest organization at Columbia University's Mailman School of Public Health.
- ◆ Our mission is to promote the health, economic security, and well-being of America's most vulnerable children and families.
- ◆ We use research to find solutions at the state and national levels.

NCCCP's Family Resource Simulator

Background

- ◆ After the overhaul of welfare in 1996, research and policy focused more on issues facing low-income ***working*** families:
 - What it ***actually*** takes to make ends meet.
 - Positive effects of work support policies (e.g., EITC, child care subsidies) on labor force participation.

NCCP's Family Resource Simulator

Background (cont.)

- ◆ But there were concerns about the unintended consequences of increased earnings:
 - Families hit “cliffs,” i.e., lose a benefit when reaching the eligibility limit.
 - Work-related expenses (e.g., child care, transportation) increase.
 - Result: Financial status may not improve despite increased earnings.

NCCCP's Family Resource Simulator

Why NCCCP Developed the FRS

Our Questions:

1. How do public benefits impact the ability of families to make ends meet as their earnings increase?
2. How well do existing policies—and combinations of policies—reward employment? How could they be improved?

NCCP's Family Resource Simulator

What the FRS Is

- ◆ A state-specific, interactive, web-based tool available at www.nccp.org.
- ◆ It calculates the **aggregate** impact of federal, state, and local policies on family resources and expenses as earnings increase.

NCCP's Family Resource Simulator

What the FRS Does

It demonstrates the interaction of:

- ◆ Earnings
- ◆ Public benefits (cash and in-kind)
- ◆ Taxes
- ◆ Basic expenses

NCCP's Family Resource Simulator

Includes These Public Benefits

- ◆ Child care subsidies
- ◆ Food stamps
- ◆ Public health insurance
- ◆ Section 8 housing vouchers
- ◆ TANF cash assistance

NCCP's Family Resource Simulator

Includes These Tax Policies

- ◆ Federal, state, and local income taxes
- ◆ Federal income tax credits (EITC, child/dependent care credit, child tax credit)
- ◆ State and local income tax credits
- ◆ Federal payroll taxes

NCCP's Family Resource Simulator

Includes These Expenses

- ◆ Child care
- ◆ Food
- ◆ Health insurance
- ◆ Housing
- ◆ Transportation
- ◆ Other necessities

NCCP's Family Resource Simulator

How the FRS Works

The user creates a hypothetical family. Makes choices about:

- ◆ City and state
- ◆ Family characteristics
- ◆ Child support income
- ◆ Assets
- ◆ Debts

NCCP's Family Resource Simulator

How the FRS Works (cont.)

The user also:

- ◆ Selects which public benefits the family receives when eligible.
- ◆ Makes choices about family expenses—including what happens when the family loses benefits.

NCCCP's Family Resource Simulator

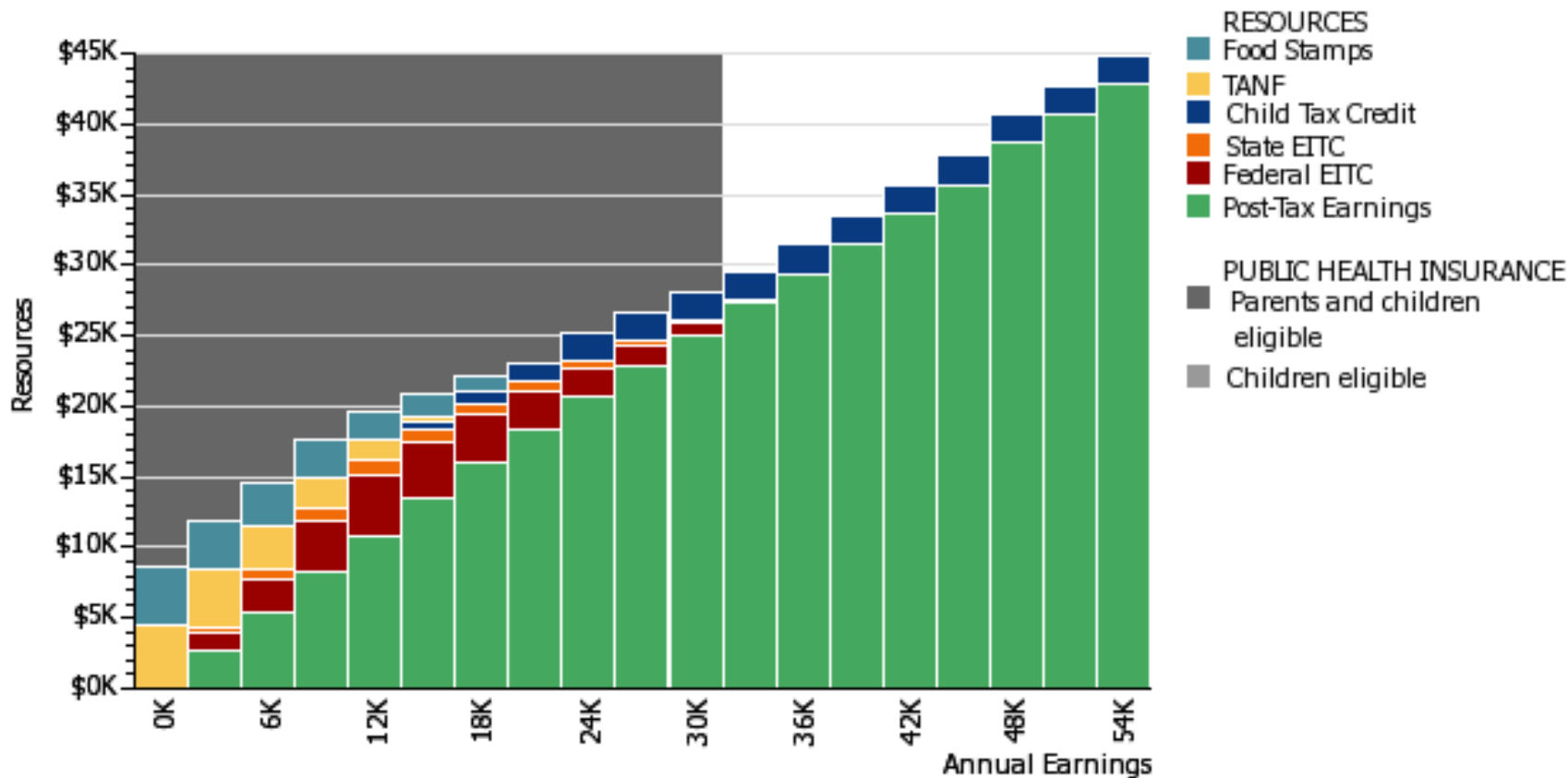
How the FRS Can Be Used

1. To calculate the level of cash and near-cash resources available to families as earnings and public benefit receipt change.

District of Columbia: Single-Parent Family of 3

Receiving all benefits

Family Resources



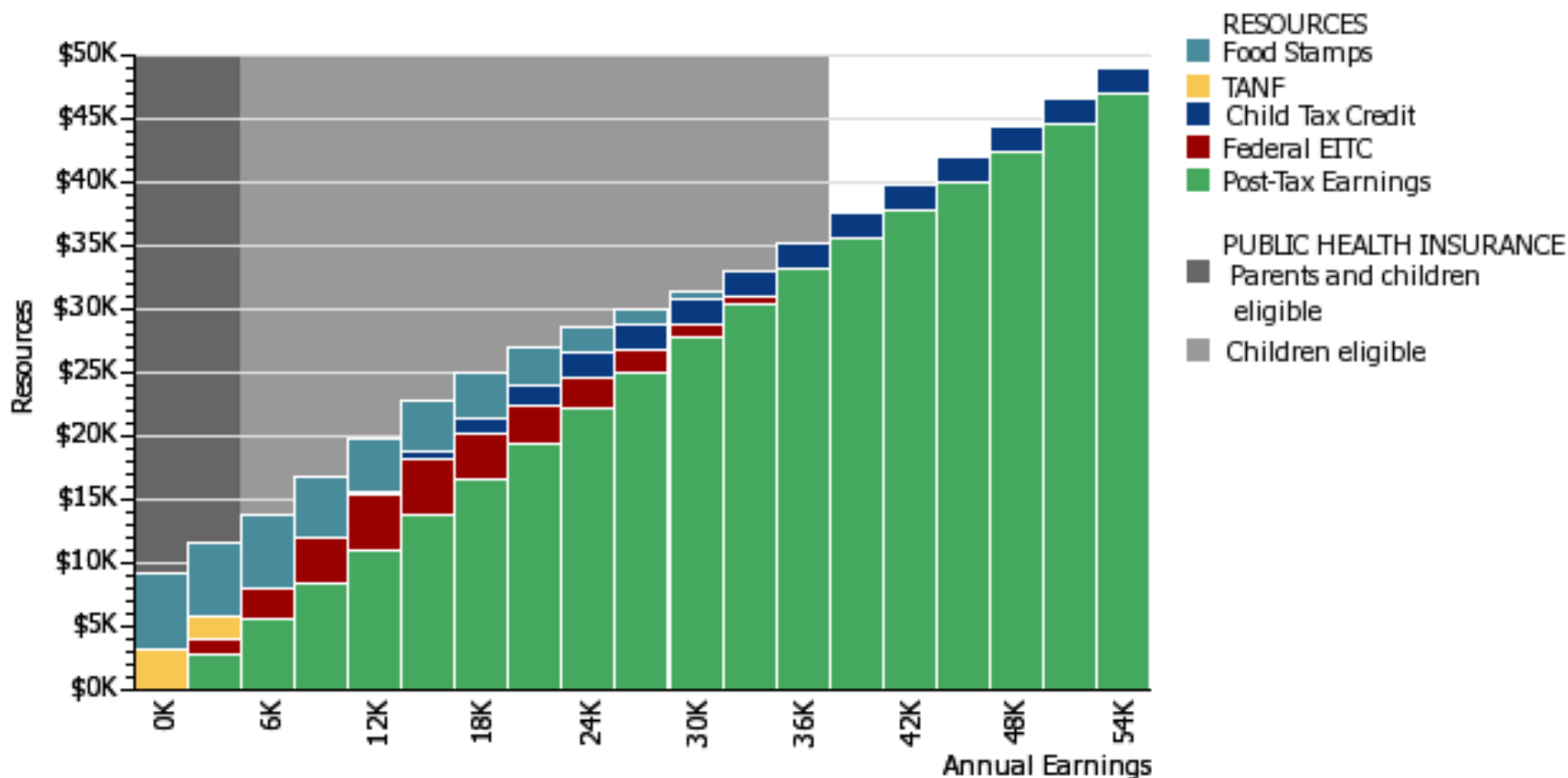
Family Resource Simulator: DC 2003.

Results reflect user choices.

Copyright 2006 NCCP.

Houston, TX: Two-Parent Family of 4 Receiving all benefits

Family Resources



Family Resource Simulator: TX 2004.
Results reflect user choices.
Copyright 2006 NCCP.

NCCP's Family Resource Simulator

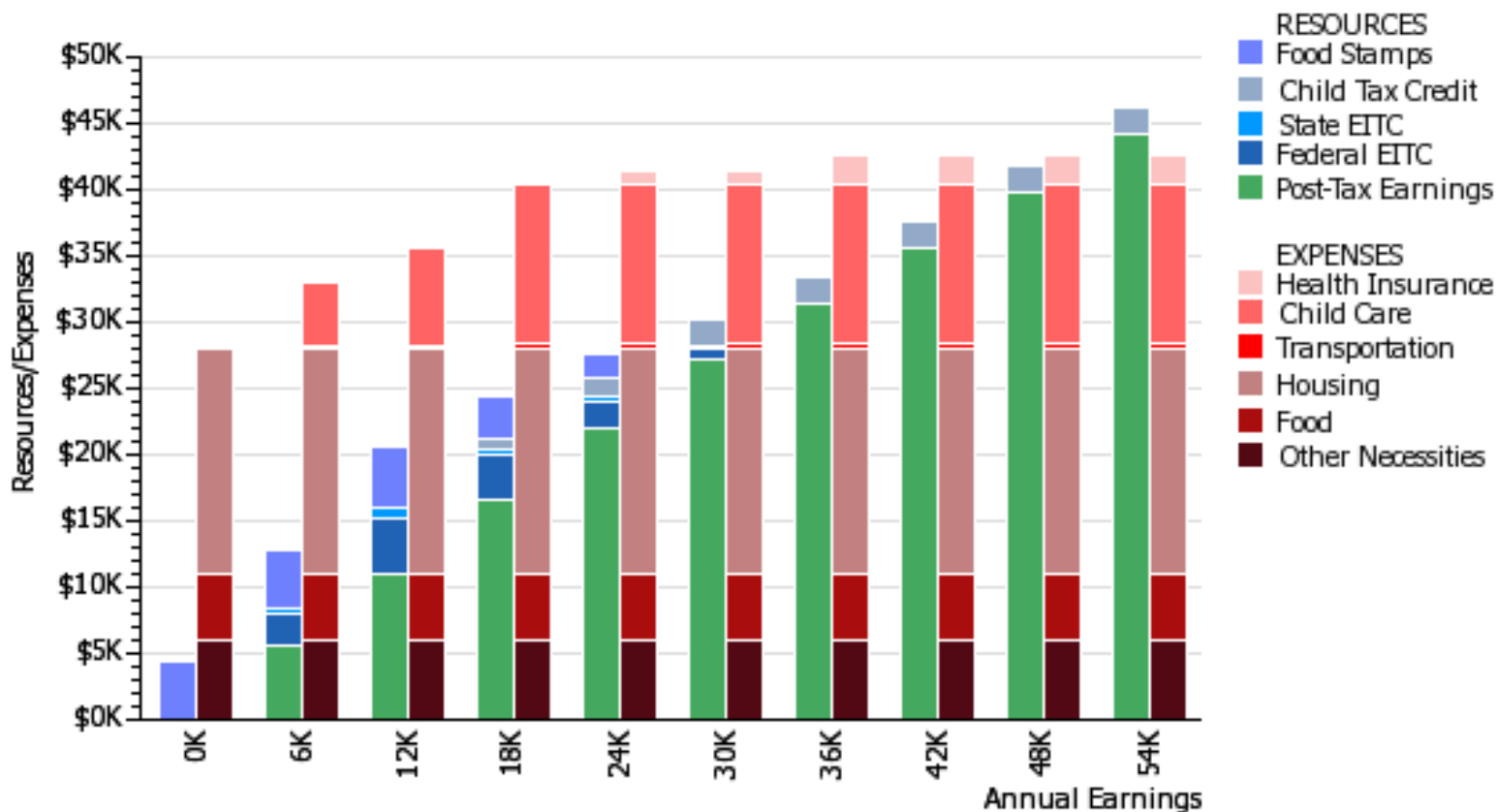
How the FRS Can Be Used (cont.)

2. To determine how much parents need to earn to cover basic expenses, taking public benefits into account.

Boston, MA: Single-Parent Family of 3

Receiving food stamps, public health insurance, income tax credits

Family Resources and Basic Expenses

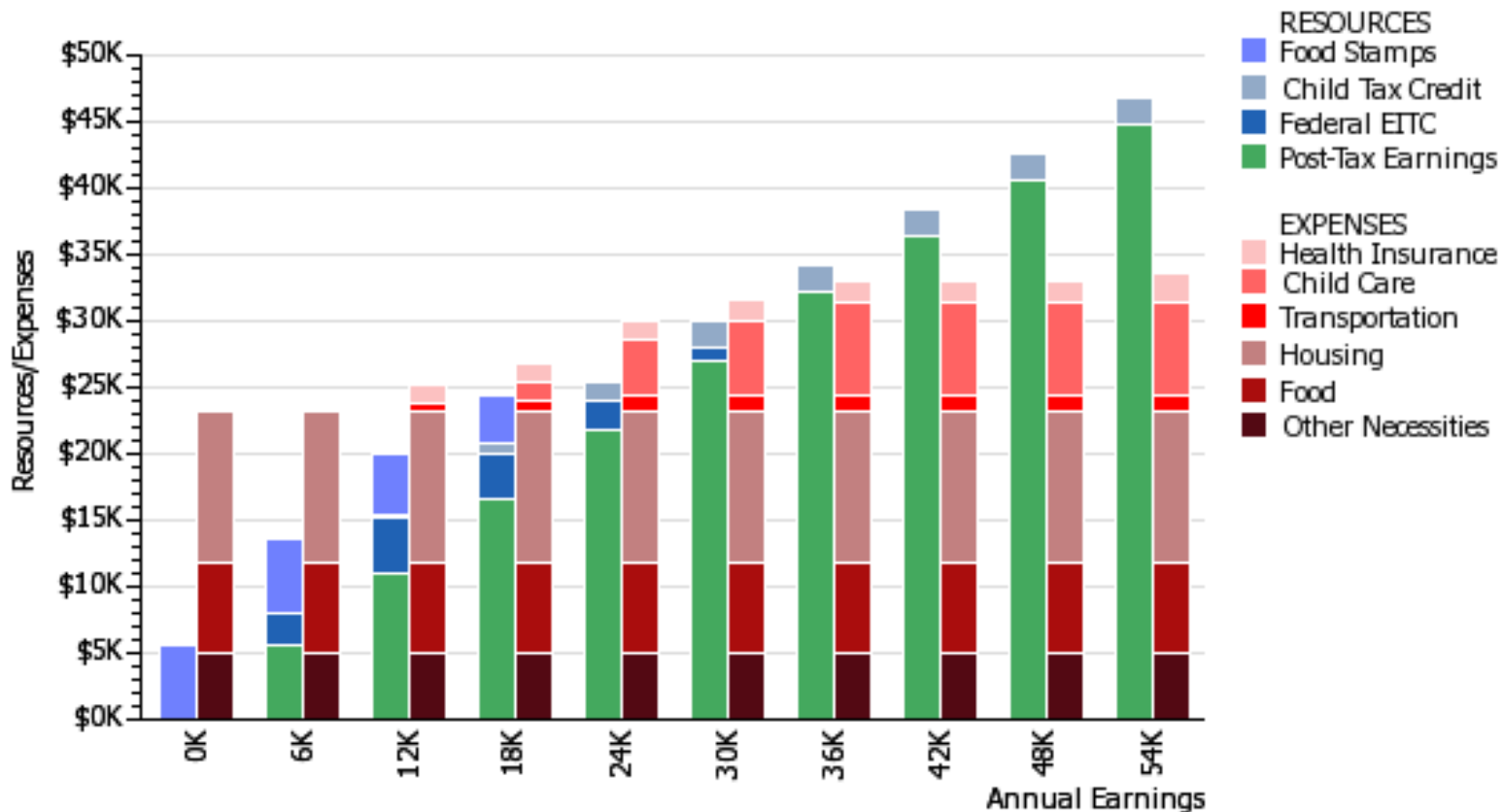


Family Resource Simulator: MA 2003.
Results reflect user choices.
Copyright 2006 NCCP.

Atlanta, GA: Two-Parent Family of 4

Receiving food stamps, public health insurance, income tax credits

Family Resources and Basic Expenses



Family Resource Simulator: GA 2003.
Results reflect user choices.
Copyright 2006 NCCP.

NCCP's Family Resource Simulator

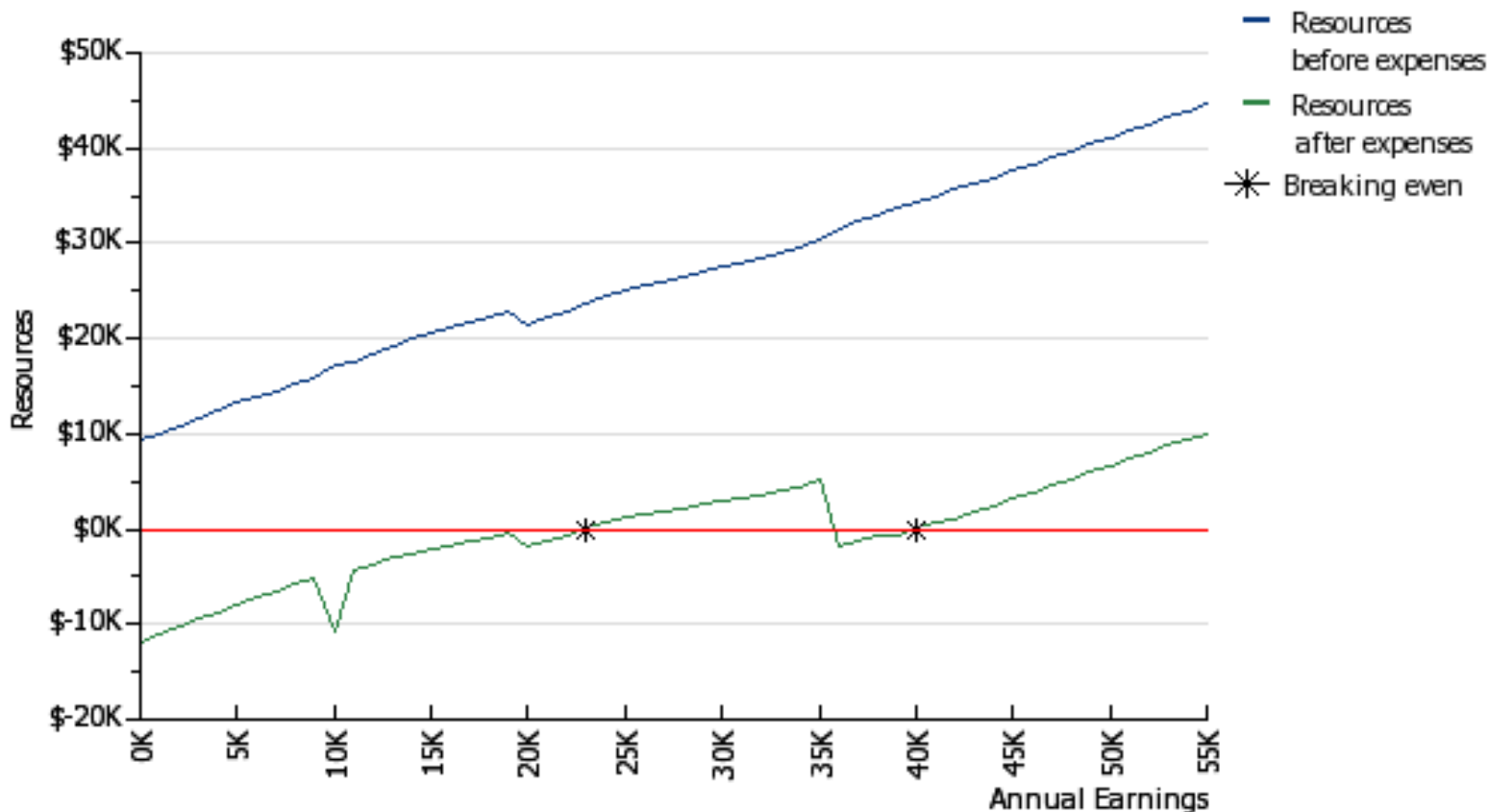
How the FRS Can Be Used (cont.)

3. To illustrate how well state policies encourage and reward employment and to identify opportunities for policy improvement.

Philadelphia, PA: Single-Parent Family of 3

Receiving TANF, child care subsidies, food stamps, public health insurance, income tax credits

Resources Before and After Basic Expenses



Family Resource Simulator: PA 2003.

Results reflect user choices.

Copyright 2004 NCCP.

Philadelphia, PA: Single Parent Family of 3

Receiving TANF, child care subsidies, food stamps, public health insurance, income tax credits

Resources and Expenses as Earnings Increase from 100% to 200% FPL

	\$16,600 (100% FPL)	\$33,200 (200% FPL)	Net change
Resources			
Post-tax Earnings	\$14,583	\$26,959	\$12,376
Federal EITC	\$3,600	\$104	(\$3,496)
Child Tax Credit	\$610	\$2,000	\$1,390
Food Stamps	\$2,623	\$0	(\$2,623)
TANF	\$0	\$0	\$0
Expenses			
Health Insurance	\$580	\$580	\$0
Child Care	\$1,040	\$3,120	\$2,080
Transportation	\$1,272	\$1,272	\$0
Housing	\$10,704	\$10,704	\$0
Food	\$4,978	\$4,978	\$0
Other Necessities	\$4,234	\$4,234	\$0
Net Resources after Expenses	(\$1,392)	\$4,175	Net gain: \$5,567

Six Major Cities: Single-Parent Families of 3

Receiving food stamps, public health insurance, income tax credits

Net Resources After Expenses as Earnings Increase from 100% to 200% FPL

	\$16,600 (100% FPL)	\$24,900 (150% FPL)	\$33,200 (200% FPL)	Marginal tax rate from 100-200% FPL
Atlanta	(\$6,054)	(\$3,453)	\$1,968	52%
Boston	(\$16,846)	(\$13,524)	(\$10,925)	64%
Chicago	(\$8,115)	(\$5,891)	(\$608)	55%
District of Columbia	(\$11,536)	(\$11,943)	(\$7,179)	74%
Houston	(\$5,371)	(\$669)	\$1,192	60%
Philadelphia	(\$10,525)	(\$8,442)	(\$3,686)	59%

NCCP's Family Resource Simulator

Findings Across Cities

- ◆ Even with benefits, a single-parent family of three cannot meet a basic budget until earnings reach about 150-300% FPL.
- ◆ High “marginal tax rates” make it difficult for families to get ahead: increases in earnings often lead to the loss of benefits and an increase work-related expenses.
- ◆ The problem is particularly acute for working families with incomes above the poverty level but below an adequate basic budget.

NCCP's Family Resource Simulator

Consequences for Families and Children

- ◆ When families have to get by on less than an adequate amount, they face tough choices:
 - Cheaper, but less safe or less stable child care?
 - Go without health insurance or needed medical care?
 - Live in an unsafe neighborhood or in overcrowded housing?
 - Go hungry at the end of the month?
 - Forgo a promotion and a raise to maintain public benefits?

NCCP's Family Resource Simulator

“Making Work Supports Work” Initiative Seeks Policy Solutions

- ◆ In collaboration with state partners, NCCP:
 - Identifies aspects of the current structure of work support policies that lead to high marginal tax rates.
 - Identifies policy alternatives that would better support low-wage workers and uses the FRS to simulate their effects.
 - Estimates the cost of policy alternatives.

NCCP's Family Resource Simulator

States Available at www.nccp.org

Alabama

Maryland

Connecticut

Massachusetts

Delaware

New York

District of Columbia

Pennsylvania

Georgia

Texas

Illinois

*The Family Resource Simulator has been generously funded by
the Annie E. Casey Foundation*