National Center for Children in Poverty
Bank Street Graduate School of Education

Policy Tracker Glossary

To help guide and inform users of NCCP's 50-State Policy Tracker, the following provides a summary of the policies the tool analyzes as well as a brief explanation of the specific policy dimensions (underlined below) that NCCP uses to compare state performance.

CHILD CARE AND DEVELOPMENT FUND (CCDF) SUBSIDIES

Child Care and Development Fund (CCDF) subsidies, funded through a combination of state and federal sources, assist low-income families with the cost of child care so that parents may work or prepare for employment. Assistance is provided in the form of either a contracted child care slot or a voucher that may be used to access care by any provider that meets state requirements. Families typically pay a monthly co-payment, based on factors such as income, family size, and the number of children in care. The subsidy—typically paid directly by the state to the provider—covers the difference between the co-payment and the full cost fo care, up to a maximum state payment rate.

The federal government establishes broad requirements for state CCDF programs, including a maximum income eligibility limit of 85 percent of state median income. Beyond these requirements, states maintain a wide degree of discretion to design their programs, leading to great variation across states regarding program rules such as income limits, work requirements, provider payment rates, and family co-payments.

Indicators of how states differ in their approach to the distribution of CCDF subsidies include each state's annual income (Entrance Eligibility) limit for a family of three (with higher income limits meaning more working families can enroll in the program), the annual income exit eligibility limit for a family of three (with higher limits meaning more families can remain enrolled in the program), and a family's co-payment for one child in care as a percentage of income for a family of three making an income of 150 percent of the federal poverty guideline (with lower co-payment percentages benefiting families at this income level).

CCDF subsidies are not a federal entitlement, meaning that eligible applicants do not necessarily receive subsidies. Because of that, the demand for child care subsidies is often greater than the supply allowed by state and federal funds, leading many state agencies to freeze new intake for child care subsidies or place many families eligible for and in need of them on waiting lists. States that prioritize access, however, ensure that more families receive CCDF subsidies. The combination of state policy and the population of low-income children in a state leads to variations across states in the average monthly number of children served and the average monthly number of families served.

The total spending (state and federal) directed to serving these families through CCDF subsidies is a combination of state funds and federal matching funds. Although child care is not an entitlement, a portion of the federal spending is "mandatory, "requiring annual funding of state programs according to state-specific formulas. States may transfer money into CCDF programs from TANF and other sources, and many states also provide additional child care subsidies outside of their CCDF subsidy programs.

FAMILY AND MEDICAL LEAVE

Unpaid family and medical leave: The federal Family and Medical Leave Act of 1993 (FMLA) gives U.S. workers the right to take up to 12 weeks of job-protected unpaid leave during a 12-month period to care for a newborn or seriously ill family member. However, the FMLA applies only to companies that employ more than 50 workers within a 75-mile radius, and to employees who have worked for their employer for at least a year and have worked at least 1,250 hours during the previous calendar year. A number of states have enacted a range of provisions for unpaid leave that are more generous than the federal provisions under the FMLA, including lowering the employee threshold, lowering the minimum hours worked in the previous year to qualify for family or medical leave, or increasing the length of leave allowed. Lowering the employee thresholds and lowering minimum hours worked needed to qualify expands the number of workers and families granted job protection while on leave.

<u>Paid Family and Medical Leave:</u> Many employers also offer their employees paid medical leave (for a non-

work related injury or illness) or paid family leave (to bond with a newborn or care for a seriously ill family member), but do so voluntarily rather than in accordance with federal legislation—FMLA only applies to unpaid leave. To ensure more widespread availability of paid leave, a small but growing number of states have also enacted provisions for paid family and medical leave, allowing a state's workers to take family or temporary medical leave while still receiving all or a portion of their regular pay. In most circumstances, employers are required to pay for paid sick leave, while states administer funds for paid family and medical leave. States that have paid family leave policies differ by the length of paid family leave allowed, percent of wage replacement, the cap of the weekly benefit amount that states provide workers taking paid family leave, and whether their paid family leave program has job protection. (Workers in states that do not attach job protection to their paid family leave laws can still have their jobs protected under FMLA or any additional state unpaid family and medical leave provisions, but only if eligible.) Several states also have Temporary Disability Insurance (TDI) programs (medical leave) that allow for extended leave from work to address a non-work related injury or illness. TDI can apply to pregnancy and childbirth; in those states the length of TDI leave allowed for pregnancy and childbirth can extend a child-bearing parent's paid leave or be used as a separate paid leave benefit.

<u>Employer Sick Leave:</u> Separate from paid family and medical leave, states have also enacted laws mandating that employers allow workers to take shorter lengths of paid time off from their jobs when they or their family members are sick. States differ in how many employees a business needs to have in order for those employees to receive this coverage (the employee threshold) and in setting the minimum earned sick days for full-time workers those businesses must provide. (Businesses are free to offer more paid sick leave than this amount, of course.) A range of states have also passed other protections for an employee's use of their state-mandated or employer-provided paid sick days, including whether state laws requires employers to allow use of sick leave to care for children. States may also allow employers to restrict the use of sick leave, like imposing a mandatory waiting period before employees can use sick leave.

INCOME TAX LIABILITY

States vary significantly in their income tax policies. As a barometer of the impact of state income tax policies on low-income workers, NCCP calculates the balance between how much families of three and families of four living at the federally defined poverty threshold owe in state income taxes against how much they receive in refundable state income tax credits. Following a methodology developed by the Center on Budget and Policy Priorities, NCCP uses the Internet TAXSIM tool maintained by the National Bureau of Economic Research to determine the tax liabilities of a representative family of three that includes one parent and two children, and of a second representative family of four that includes two parents with two children. We queried TAXSIM to output tax liabilities based on the assumption that the couple in the two-parent family is married and filing jointly, and that each family is making an income equivalent to the federally determined poverty threshold, calculated annually by the U.S. Census Bureau. NCCP also assumes that the two children in these families are both younger than 17 years old and that the couple filing the joint return includes only one income earner. We do not consider taxes or credits that only apply to specific filers, such as credits to offset investment losses, rent, or property taxes. For the same reason, we do not consider the Child and Dependent Care Tax Credit (CDCTC), as doing so would assume child and/or dependent care expenses that are not universal.

We used these assumptions to enter values for TAXSIM to calculate the income tax burden for a single-parent family of three at 100 percent of the federal poverty threshold and the income tax burden for a two-parent family of four at 100 percent of the federal poverty threshold. Negative values indicate income tax refunds. We also use TAXSIM to calculate the income tax thresholds for a single-parent family of three and the income tax threshold for a two-parent family of four. These thresholds indicate the family income at which these two representative families would begin having a positive state income tax liability. Below these thresholds, families either pay $0 in income taxes or receive an income tax refund. The data we input into TAXSIM to make these calculations makes the same assumptions about these two families as listed above, except for those concerning income.

MINIMUM WAGE STANDARDS

The federal minimum wage has been $7.25 per hour since 2009, and applies to the wide range of workers covered under the Fair Labor Standards Act (FLSA). While all states are bound to abide by this federal minimum, a growing number of states have set minimum wage standards for workers in their states above the federal level. Because the purchasing power of wages decreases when the prices of basic goods and services increase, many states have also indexed their minimum wage to inflation, meaning that the minimum wage is adjusted annually to a specific measure of inflation, usually a cost of living formula or the federal Consumer Price Index.

STATE CHILD AND DEPENDENT CARE TAX CREDIT

The federal Child and Dependent Care Tax Credit (CDCTC) indirectly supports child care for taxpayers who have earned income. The credit covers up to 35 percent of a limited amount of employment-related child care expenses, with the rate diminishing as income rises. The credit is not refundable, meaning that taxpayers with no tax liability cannot receive the federal credit in the form of a tax refund. There is also no cap on the amount of annual income a family makes in order to be eligible for the credit: the maximum allowable credit of $1,050 per child or dependent (up to two or more children or dependents) is available to families making up to $15,000 per year; while the allowable credit per dependent gradually decreases according to income for families making between $15,000 and $43,000 per year, families making $43,000 per year or more are still entitled to a credit of $600 per child or dependent.

A growing number of states offer a state-level CDCTC modeled after the federal CDCTC. The benefit structures of these state income tax credits are often percentages of the federal credit. Many states follow ncome eligibility rules that are the same as the federal CDCTC, meaning, for example, that there is no income limit for a family with at least one qualifying child. However, a significant number of states have adjusted their state CDCTC eligibility requirements to bar families with higher incomes from claiming the credit.

Additionally, some states also offer CDCTCs that are refundable, unlike the federal credit, meaning that families can use state CDCTCs not only to reduce their income tax liability, but also can claim as a refund the dollar value of a tax credit that exceeds that family's pre-credit income tax liability. The refundability of state CDCTCs especially benefits low-income families who are unable to claim the federal CDCTC because they do not have any federal income tax liability.

STATE EARNED INCOME TAX CREDIT

The federal Earned Income Tax Credit (EITC), introduced under the Ford Administration in 1975 and significantly expanded since, augments the incomes of low- and moderate-income families with work earnings. The EITC is designed to ensure that it always "pays" to work more, slowly phasing in to a maximum that is sustained over a broad range of earnings, and then phasing out gradually.

Recognizing the federal EITC program's success in helping low-income, working families, a growing number of states have revised their tax codes to offer state EITCs, calculated as percentages of the federal EITC benefit due to eligible families. Most states allow for their EITCs to be refundable, meaning that a family can receive the dollar value of a tax credit that exceeds that family's pre-credit income tax liability. Non-refundable credits reduce tax liability but do not provide an income supplement in the form of a refund. States vary with respect to the percent of the federal EITC that they allow tax filers to claim on their state income taxreturns.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

Temporary Assistance for Needy Families (TANF) provides cash assistance to low-income families with children. The program is funded annually at a fixed amount through a federal block grant to states. States vary enormously in the scope and generosity of their TANF cash grant programs. In many states, working TANF recipients are given priority when allocating subsidized child care, and TANF guidelines are often used to qualify families for the Supplemental Nutrition Assistance Program (SNAP), making the TANF program important to families beyond the often-small cash grant it provides.

States have significant control over benefit levels, eligibility requirements, work requirements to remain in the program, and time limits for benefit receipt. One example of variation in eligibility requirements is the different asset limits across states, which restrict the amount of assets a family may hold (as reflected primarily in bank accounts and in some states, cars) and still be eligible for cash assistance. Higher asset limits mean that more families are eligible to receive TANF cash assistance. States with higher asset limits—or states that have eliminated that asset test altogether—provide greater incentive for households to build up their bank accounts, which can be an important tool for escaping poverty and achieving income stability. States also differ in the maximum monthly income that families can make at that time of their application to be eligible for TANF cash assistance, and the maximum monthly cash benefit that eligible families can receive through TANF programs. Additionally, while federal TANF dollars can only be used to provide TANF recipients a maximum of 60 months of cash assistance, either consecutively or non-consecutively, some states have adopted shorter or longer lifetime TANF time limits, with extensions past 60 months funded with state dollars.

THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

The Supplemental Nutrition Assistance Program (SNAP), formerly called "food stamps," provides qualifying households with a monthly award of dollars on a special debit card (also known as an Electronic Benefits Transfer or EBT card). The award amount is based on a household's net income (see below) and number of qualifying people in a household. The SNAP program is an entitlement, meaning that it is funded annually at a level sufficient to provide a benefit to all qualifying households seeking this assistance. The federal government funds the full benefit cost while sharing the administrative costs with state governments, which operate the program.

Under broad-based categorical eligibility, households who receive or are authorized to receive non-cash benefits funded by federal or state Temporary Assistance to Needy Families monies are deemed eligible for SNAP benefits under income and asset rules that are generally more flexible than traditional SNAP guidelines. Through this option, states can raise the gross income eligibility for these households (the maximum allowable pre-tax earnings from wages, cash assistance programs, etc.) above the traditional SNAP limit of 130 percent of the federal poverty guideline (FPG), up to 200 percent of the FPG, and so serve more of their residents. However, a household's net income (gross income minus certain deductions) must be below 100 percent of the FPG to be eligible for the program.

Similarly, states using broad-based categorical eligibility to enroll residents in SNAP benefits have the option of adjusting the SNAP asset limit—the maximum amount of resources a household can build up (primarily as reflected in bank accounts and, in some states, the value of family cars) and still be eligible for SNAP benefits. States that have eliminated or raised asset limits above the federal level provide greater incentive for households to build up their bank accounts. As noted above, asset limits can impede a family's ability to achieve income stability.

UNEMPLOYMENT INSURANCE (UI)

The Unemployment Insurance (UI) program, financed with federal and state taxes on employers, provides involuntarily unemployed workers—workers who have been laid off or who have quit for "good cause"—with partial wage replacement during temporary periods of unemployment. Nearly all workers formerly earning a wage or a salary are eligible for the benefit. States have discretion to set eligibility criteria and benefit levels for their UI programs, including the maximum weekly benefit for unemployed individuals and the maximum dependent allowance to provide further support for those individuals' family members. Although the maximum number of weeks of benefits through the UI program is generally limited to 26 weeks, this duration is not dictated by federal law, and several states have set higher or lower maximum benefit durations. Temporary federal programs extending the period of coverage beyond 26 weeks lasted from 2008 until 2013, and during the COVID-19 pandemic. These temporary changes are not reflected in the policy tracker. Higher maximum benefits and higher maximum weeks of coverage support more unemployed individuals and their families. The condition of a state's labor market and the generosity of its UI program jointly affect the average weekly benefit amount distributed to a state's unemployed workers receiving UI.

PUBLIC HEALTH INSURANCE

Funded by a combination of state and federal funds, Medicaid is a very low-cost public health insurance

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program serving the nation's low-income population. Before the Affordable Care Act (ACA) passed in 2010, Medicaid primarily served children, their parents, the disabled, and the elderly. The ACA initially mandated the expansion of the Medicaid program to cover nearly all individuals under age 65 with family income less than 138 percent of the federal poverty guideline (FPG), but in 2012, the Supreme Court ruled that states could opt out of this Medicaid eligibility expansion.

Children in families whose income exceeds Medicaid eligibility standards may qualify for the Children's Health Insurance Program (CHIP), a program enacted in 1997 that provides free or low-cost health insurance for low-income children, and, in a few states, their parents. While some states administer all public health insurance through their Medicaid programs, other states have stand-alone CHIP programs. Like Medicaid, CHIP is administered by states and funded by state and matching federal funds. Unlike Medicaid, CHIP is not an entitlement, and is subject to an annual funding cap, meaning that eligibility for entry into a CHIP program does not guarantee enrollment, although studies show that CHIP participation is high.

While the federal government sets minimum standards for Medicaid and CHIP eligibility, states can expand those requirements, resulting in considerable variation in program eligibility across the states. Most importantly, state governments have considerable flexibility in setting the maximum income a family can have in order for their children to qualify for their Medicaid and/or CHIP programs. While states must provide health insurance to all children younger than six years old living in families whose incomes are below 138 percent of the FPG, and to all children ages 6-18 living in families whose incomes are below 100 percent of the FPG, nearly all states have opted to expand Medicaid income limits for children ages 0-1, for children ages 1-5, and for children ages 6-18. Where states administer their CHIP programs through Medicaid, these income eligibility standards include CHIP-funded expansions. Higher income limits mean that more children are automatically eligible for public health insurance. The upper income limit for Medicaid and/or CHIP eligibility captures the insurance coverage that states provide to children, although some children may not be able to receive coverage at these income levels in states that offer additional coverage through CHIP, because that program is block-granted. As with differences in these income limits for children, higher Medicaid income limits for pregnant women and for parents of dependent children mean that more families are able to receive health insurance.

States also have flexibility in setting premiums for their health insurance programs. Although states cannot charge premiums on certain populations, including children ages 0-5 with family income below 133 percent of the FPG and children ages 6-18 with family income below 100 percent of the FPL, states may charge premiums for covering children whose families make above these thresholds. The monthly Medicaid/CHIP premium payments for two children in a family of three at 151% FPG demonstrate different state approaches for how much to charge low- and medium- income families for their children's health insurance.