

THE CLIFF EFFECT

ONE STEP FORWARD, TWO STEPS BACK



*Removing Barriers to
Economic Mobility*

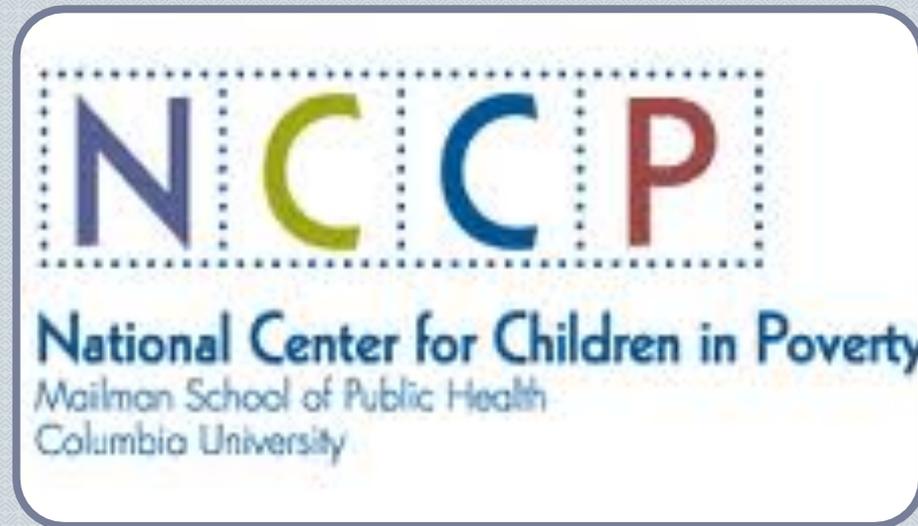
Thank You!



As Indiana's oldest and largest community foundation, The Indianapolis Foundation (a CICF affiliate) was created in 1916 to ensure that the quality of life in Marion County continuously improves; to help where the needs are greatest and the benefits to the community are the most extensive; and to provide donors a vehicle for using their gifts in the best possible way now, and in the future as conditions in the community change.

www.cicf.org/the-indianapolis-foundation

Thank You!



The National Center for Children in Poverty (NCCP) is one of the nations' leading public policy centers dedicated to promoting the economic security, health, and well-being of America's low-income families and children. NCCP uses research to inform policy and practice with the goal of ensuring positive outcomes for the next generation. We promote family oriented solutions at the state and national levels.

<http://www.nccp.org/>

About Us...

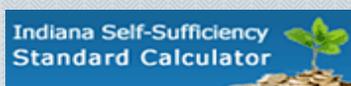


The Indiana Institute for Working Families

The Indiana Institute for Working Families conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency.



Additional IIFW initiatives:



What is Self-Sufficiency?

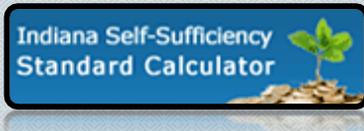


- Self-Sufficiency is the ability of individuals to care for their families without government support.
- Our Self-Sufficiency Standard measures how much a family of a certain composition in a given geographic location needs to meet their basic needs.
- The Standard is calculated for 70 family types in each of Indiana's 92 counties. <http://bit.ly/UntAsT>
- Generally, 200% of FPG is considered self-sufficiency
- Interactive Tool: The Self-Sufficiency Calculator
www.indianaselfsufficiencystandard.org/

Self Sufficiency Standard Vs. Federal Poverty Guidelines

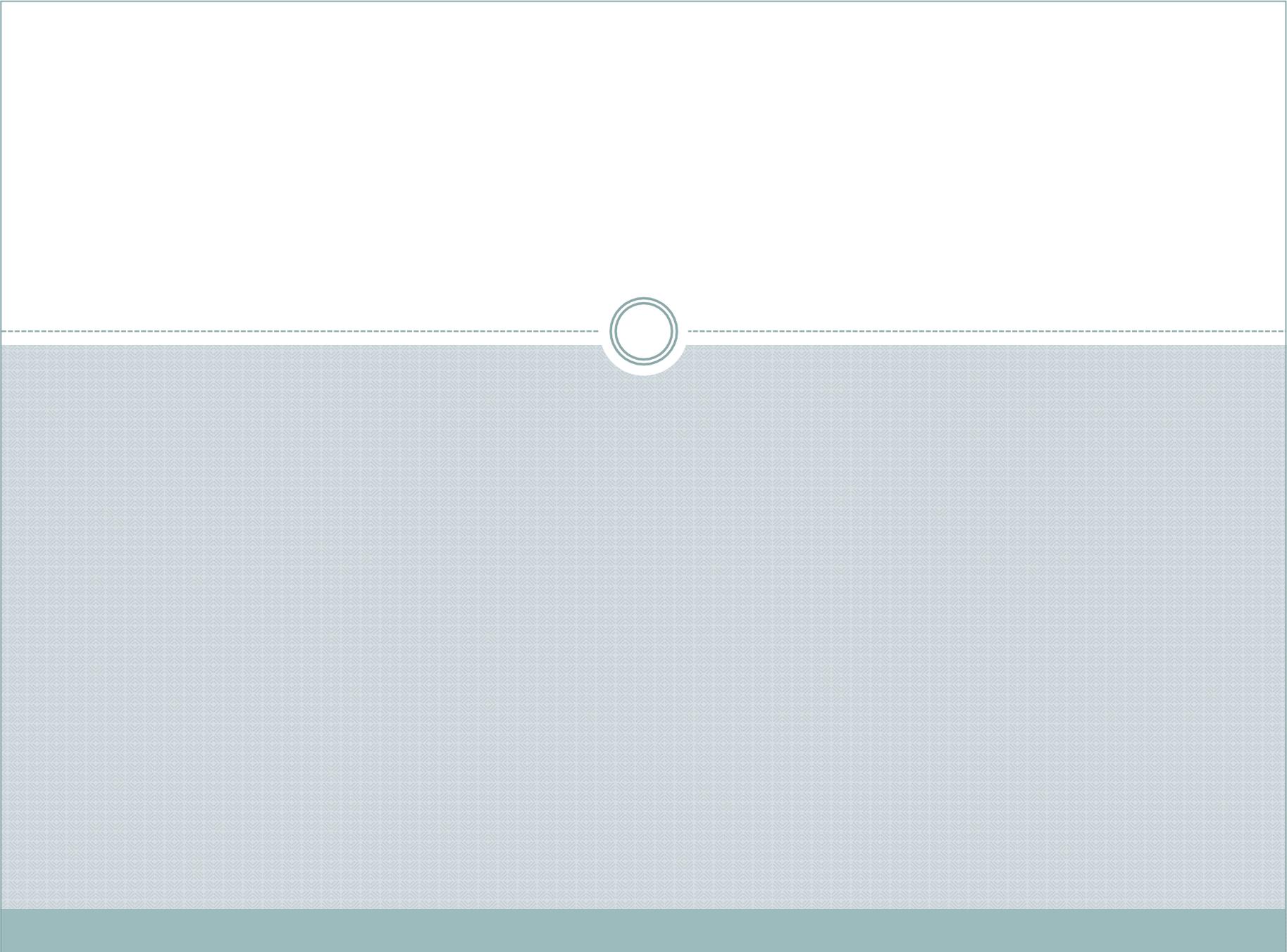
Self-Sufficiency Standard

- Cost of basic needs based on local costs
- County specific
- Assumes all adults are working full-time
- Adjusts by family size and composition
- Includes taxes and tax credits
- Ask us how to obtain a button for your home page!

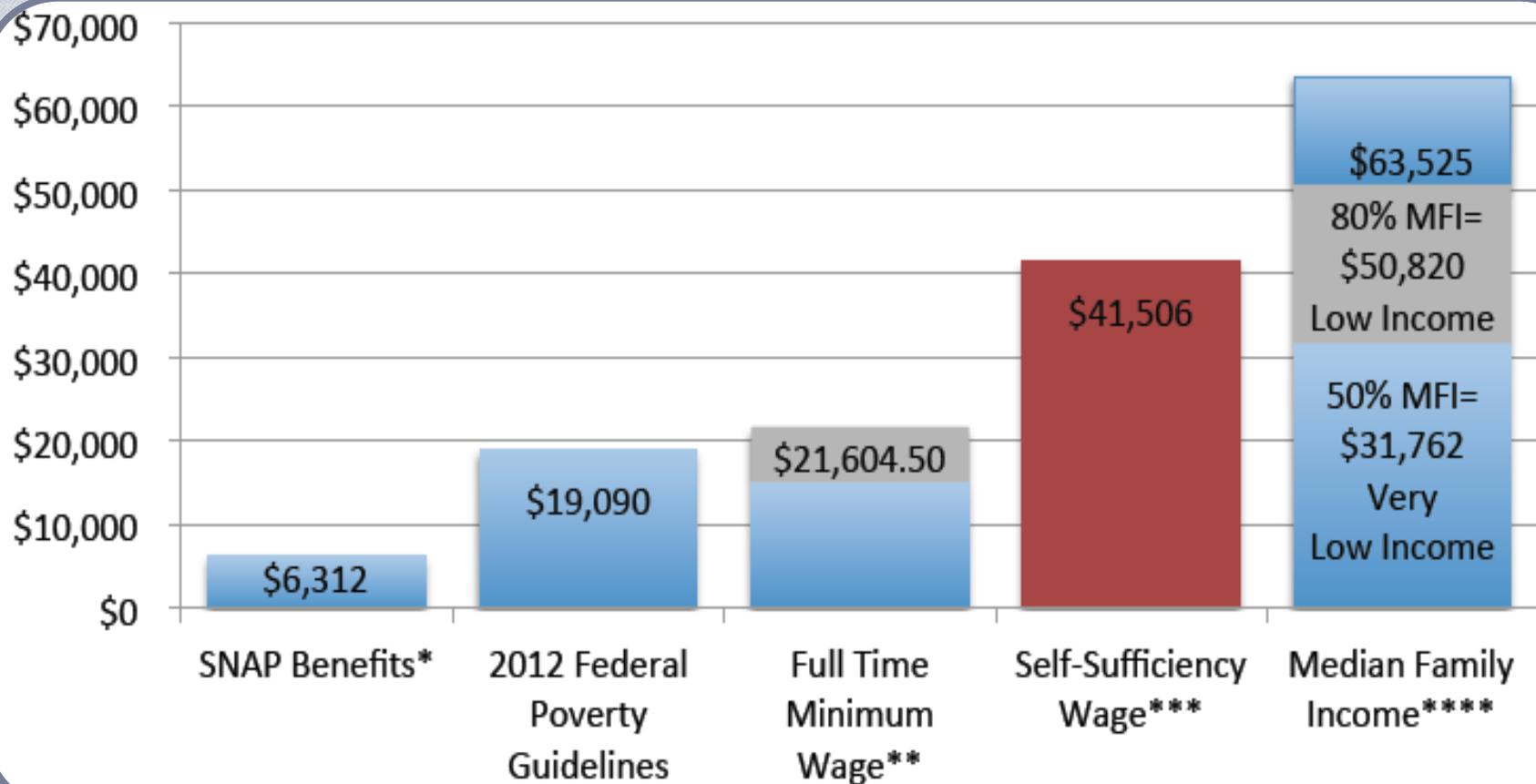


Federal Poverty Guideline

- Based solely on food costs
 - Assuming food represents 1/3rd of a families budget
- Does not take into account geographic location
- Assumes one parent stays at home and the other is working
- Adds flat rate per extra person (\$3,960 in 2009)
- Taxes not included



Self Sufficiency Wage Compared to Other Benchmarks



2009-2011, One Adult, One Preschooler, and One Schoolage Child, Marion County, Indiana

How Much Income Is Required for Self-Sufficiency?



The Cost of Living for Families in Marion County, IN
One Adult, One Preschooler, and One Schoolage Child

| | |
|-----------------------------|-----------------|
| Housing: | \$8,892 |
| Food: | \$5,977 |
| Childcare: | \$12,864 |
| Healthcare: | \$3,821 |
| Transportation: | \$3,821 |
| Other Necessitates: | \$3,569 |
| Net Taxes (incl. credits): | \$2,562 |
| Total Expenses: | \$41,506 |
| Hourly Wage Needed = | \$19.95 |

Hourly Wage Needed = \$19.95
Total Expenses: \$41,506

Measuring the Economic Health of Indiana's Families



✦ Poverty

- 5th largest increase (among all adults) in U.S. since 2000
- 8th largest increase (among children) in U.S. since 2000
- Nearly 1,000,000 Hoosiers in poverty
- 2.24 million Hoosiers (465,998 families) are below 200% of FPG
- 45.9% of children are low-income – more than all neighbors, including Kentucky
- Only five states in the U.S. (none of which are Indiana neighbor states) have seen larger percentage increases in low-income individuals since the recession began in 2007.
- Among neighbor states, Indiana leads the pack in terms of poverty growth since the recession began.

Measuring the Economic Health of Indiana's Families



★ Wages

- 71% of occupations do not pay self-sufficient wages
- 28% pay poverty wages - more than all neighbors, including Kentucky
- 6% earn minimum wage - more than all neighbors, including Kentucky
- Leisure and Hospitality in Indiana industry has seen the strongest growth over past year
- At \$15.24, the median hourly wage in Indiana is less than all neighboring states (excluding Kentucky).

Digging Deeper – All Individuals

RATIO OF INCOME TO POVERTY LEVEL IN THE PAST 12 MONTHS 2010-2012 ACS 3-Year Estimates



Total Population

| County | Below Poverty | At-Risk (100-174% of FPG) | Unsupported (175-199 % of FPG) | Total Below SS |
|------------|---------------|---------------------------|--------------------------------|----------------|
| Elkhart | 34,070 | 32,739 | 12,364 | 79,173 |
| Fulton | 3,269 | 4,243 | 1,050 | 8,562 |
| Kosciusko | 8,892 | 10,596 | 4,259 | 23,747 |
| Marshall | 6,267 | 8,533 | 2,728 | 17,528 |
| St. Joseph | 43,733 | 38,768 | 13,690 | 96,191 |

Percent of Total Population

| County | Below Poverty | At-Risk (100-174% of FPG) | Unsupported (175-199 % of FPG) | Total Below SS |
|------------|---------------|---------------------------|--------------------------------|----------------|
| Elkhart | 17.5% | 16.8% | 6.3% | 40.6% |
| Fulton | 15.9% | 20.6% | 5.1% | 41.6% |
| Kosciusko | 11.7% | 14.0% | 5.6% | 31.3% |
| Marshall | 13.6% | 18.5% | 5.9% | 38.0% |
| St. Joseph | 17.2% | 15.3% | 5.4% | 37.8% |

Digging Deeper – Children

RATIO OF INCOME TO POVERTY LEVEL IN THE PAST 12 MONTHS 2010-2012 ACS 3-Year Estimates



Total Population

| County | Below Poverty | At-Risk (100-174% of FPG) | Unsupported (175-199 % of FPG) | Total Below SS |
|------------|---------------|---------------------------|--------------------------------|----------------|
| Elkhart | 14,682 | 12,536 | 4,554 | 31,772 |
| Fulton | 1,134 | 1,407 | 268 | 2,809 |
| Kosciusko | 3,149 | 3,627 | 1,239 | 8,015 |
| Marshall | 2,218 | 3,023 | 721 | 5,962 |
| St. Joseph | 17,412 | 10,845 | 3,659 | 31,916 |

Percent of Total Population

| County | Below Poverty | At-Risk (100-174% of FPG) | Unsupported (175-199 % of FPG) | Total Below SS |
|------------|---------------|---------------------------|--------------------------------|----------------|
| Elkhart | 26.5% | 22.6% | 8.2% | 57.3% |
| Fulton | 22.5% | 27.9% | 5.3% | 55.6% |
| Kosciusko | 16.4% | 18.8% | 6.4% | 41.6% |
| Marshall | 18.6% | 25.4% | 6.0% | 50.0% |
| St. Joseph | 27.5% | 17.1% | 5.8% | 50.4% |

What's Needed: A Toolbox for Families



Policy makers should begin to provide a toolbox for families to restore the promise of economic mobility. This toolbox should:

- **Reward** hard working Hoosiers by ensuring they share in economic growth;
- **Strengthen** work support programs for our most vulnerable citizens and ultimately;
- **Equip** all Hoosiers with the opportunity to obtain the skills necessary in order to attract high-paying, quality jobs that are necessary for a family's economic self-sufficiency.

Reworking these low-road growth strategies into transformational strategies to improve the economic health of working families will be, perhaps, the greatest challenge for policymakers.

Watch a Family Fall Into the Poverty Trap



Infographic Video Illustrates Phenomenon

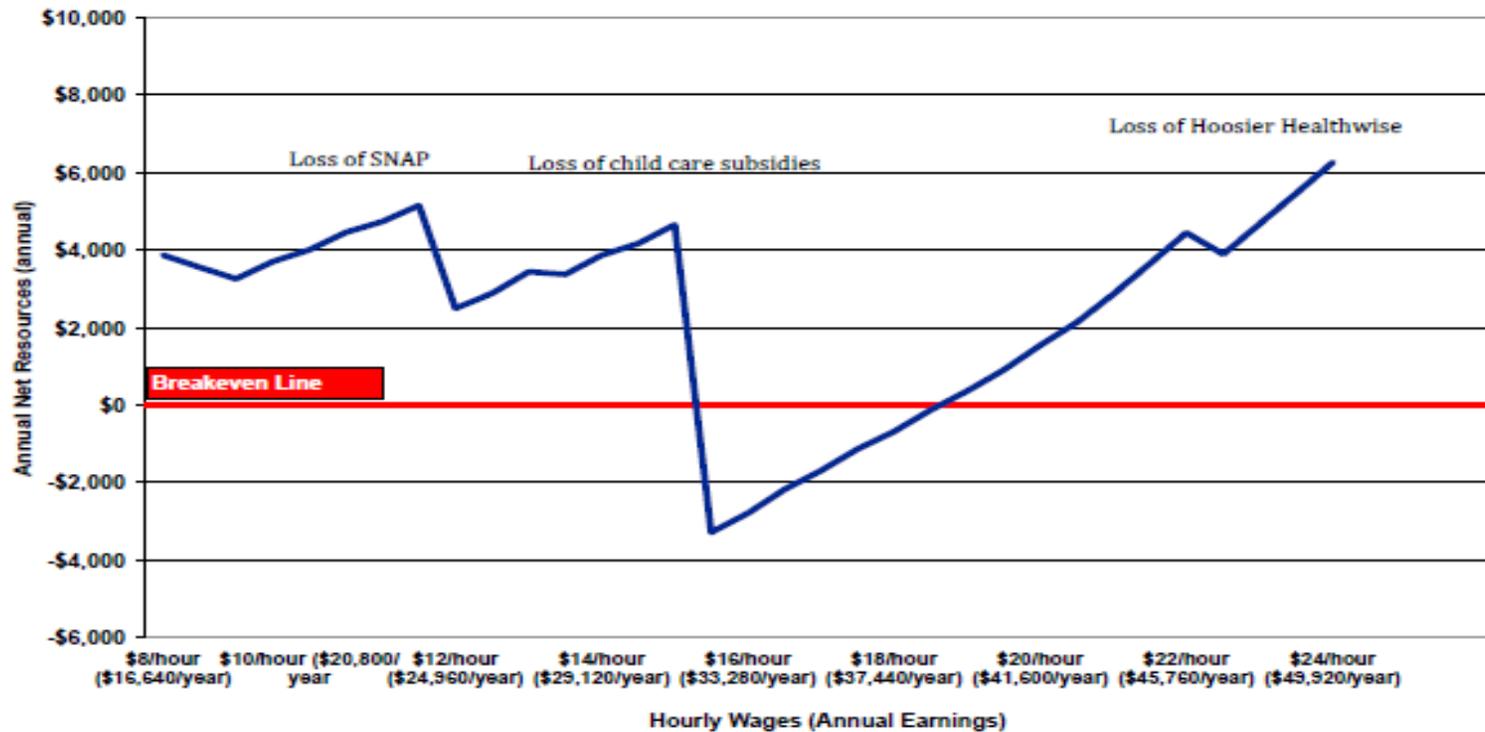


The Cliff Effect

One Adult, One Preschooler, and One Schoolage Child, Lake County, IN



Figure 7: The Cliff Effect in Lake County



Source: National Center for Children in Poverty's Family Resource Simulator, Indiana 2011 <www.nccp.org/tools/frs>. When eligible, the family receives the following work supports: federal and state tax credits, SNAP/food stamps, public health insurance, and a child care subsidy. Budget numbers are from NCCP Basic Needs Budget Calculator and the Self Sufficiency Standard for Indiana.

Often Times, Work Isn't Enough



**Table 2:
Impact of Work
Supports on Hoosier
Families^d**

Single parent with two children
ages 3 and 6 (assumes full-time,
year-round employment at \$10/
hour), Marion County

| | Employment Alone | Employment PLUS *Tax credits *State tax credits | Employment PLUS *Tax credits *State tax credits *SNAP *Public Health Insurance *Childcare Subsidy |
|---|------------------|---|---|
| Annual Resources (cash and near-cash) | | | |
| Earnings | \$20,800 | \$20,800 | \$20,800 |
| Federal EITC | 0 | 4,247 | 4,247 |
| Federal Child Tax Credit | 0 | 2,000 | 2,000 |
| State EITC | 0 | 382 | 382 |
| SNAP | 0 | 0 | 3,942 |
| Total Resources | \$20,800 | \$27,429 | \$31,371 |
| Annual Expenses | | | |
| Housing | 8,892 | 8,892 | 8,892 |
| Food | 5,977 | 5,977 | 5,977 |
| Childcare | 12,864 | 12,864 | 1,498 |
| Healthcare | 3,821 | 3,821 | 1,634 |
| Transportation | 3,821 | 3,821 | 3,821 |
| Other Necessitates | 3,569 | 3,569 | 3,569 |
| Payroll Taxes | 1,175 | 1,175 | 1,175 |
| Income Taxes (excluding credits) | 120 | 120 | 120 |
| Total Expenses | \$40,239 | \$40,239 | \$26,686 |
| Net Resources (resources – expenses) | \$-19,439 | \$-12,810 | \$4,685 |



Work Supports: Ladders of Mobility



“Credits like the EITC (Earned Income Tax Credit) and CTC (Child care Tax Credit) have helped to reduce poverty, provide economic security, and offset declining labor-market opportunities for low-income workers. The EITC alone is responsible for raising 6.6 million people out of poverty, (including 3.3 million children).” Brookings Institution

- **Help bring families closer to self-sufficiency by bridging the gap between low-wage work and the increasing costs of basic necessities.**
- **Encourage progress in the workforce.**
- **Are good fiscal policy by putting money into the hands of consumers.**
- **Have been proven to effectively lift millions out of poverty and put them on a path towards self-sufficiency.**

Work Supports Cliff: The Missing Rungs



- **Child Tax Credit and Child & Dependent Care Credit**
 - First is partially refundable; value of each diminishes gradually as income rises
- **Supplemental Nutrition Assistance Program (Food Stamps)**
 - Benefit declines by 24-36 cents per additional dollar earned over a broad income range before hitting the cliff at 130% FPG (200% if Broad-Based Categorically Eligible)
- **Hoosier Healthwise**
 - IN's CHIP program for children and parents
 - Families eligible from 150% to 250% of FPG; monthly premium for 2 or more children rises from \$33 to \$70 before hitting the cliff at 250% FPG
- **Earned Income Tax Credit**
 - Fully refundable (received even if no tax owed)
 - Credit rises steadily with earnings, peaks at \$5,112 over \$12,700-\$16,700 earnings range, diminishes slowly to end at \$8 at \$40,950 earnings (2011 tax yr.)

Access to Childcare: A Key to Unlocking Barriers to Work



“Does anyone really doubt that the greater availability and lower cost of child care facilitates additional work? Fortunately, however, we need not rely solely on intuition, because labor economists have produced many statistical studies on that question.”

Source: Polakova and Viard. American Enterprise Institute. *Cutting the Cost of Care: State Income Tax Relief for Child Care*. 2013.

Source: National Women’s Law Center. *Making Childcare Less Taxing*. 2011.

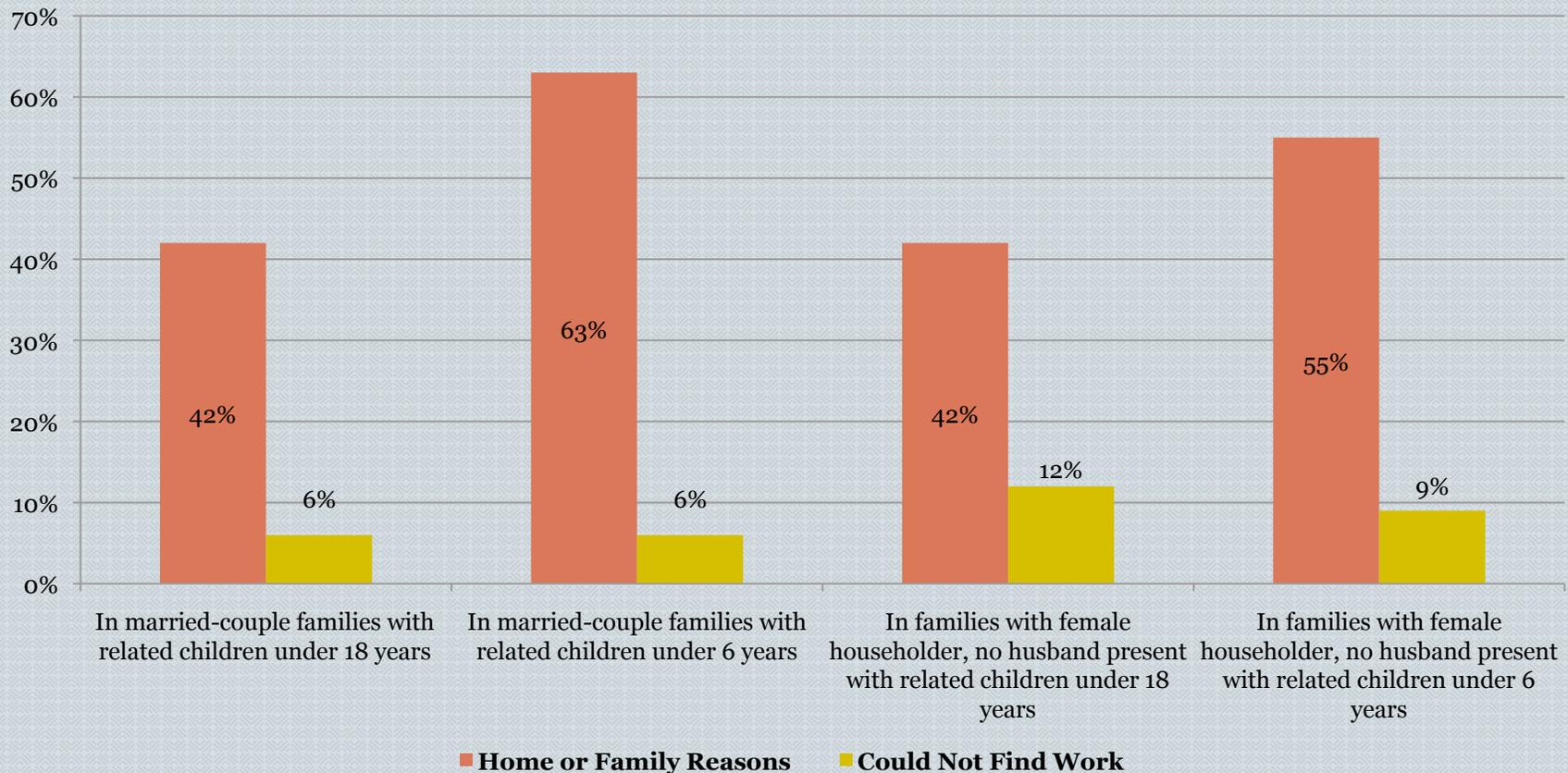
“Research shows that parents are much more able to work reliably and work a sufficient number of hours to reach economic self-sufficiency when they have access to quality child care. By easing the child care burden on families, we are enabling them to obtain and maintain better employment opportunities.”

Source: Debra Minott, Secretary of the Indiana Family and Social Services Administration. Kokomo Perspective.

“To ensure that low income families have the necessary access to child care to achieve self-sufficiency, the eligibility threshold should be increased from 127 percent FPL to 200 percent FPL.”

Source: Indiana Childhood Poverty Commission, 2011

Reason For Not Working or Reason For Spending Time Out of the Labor Force



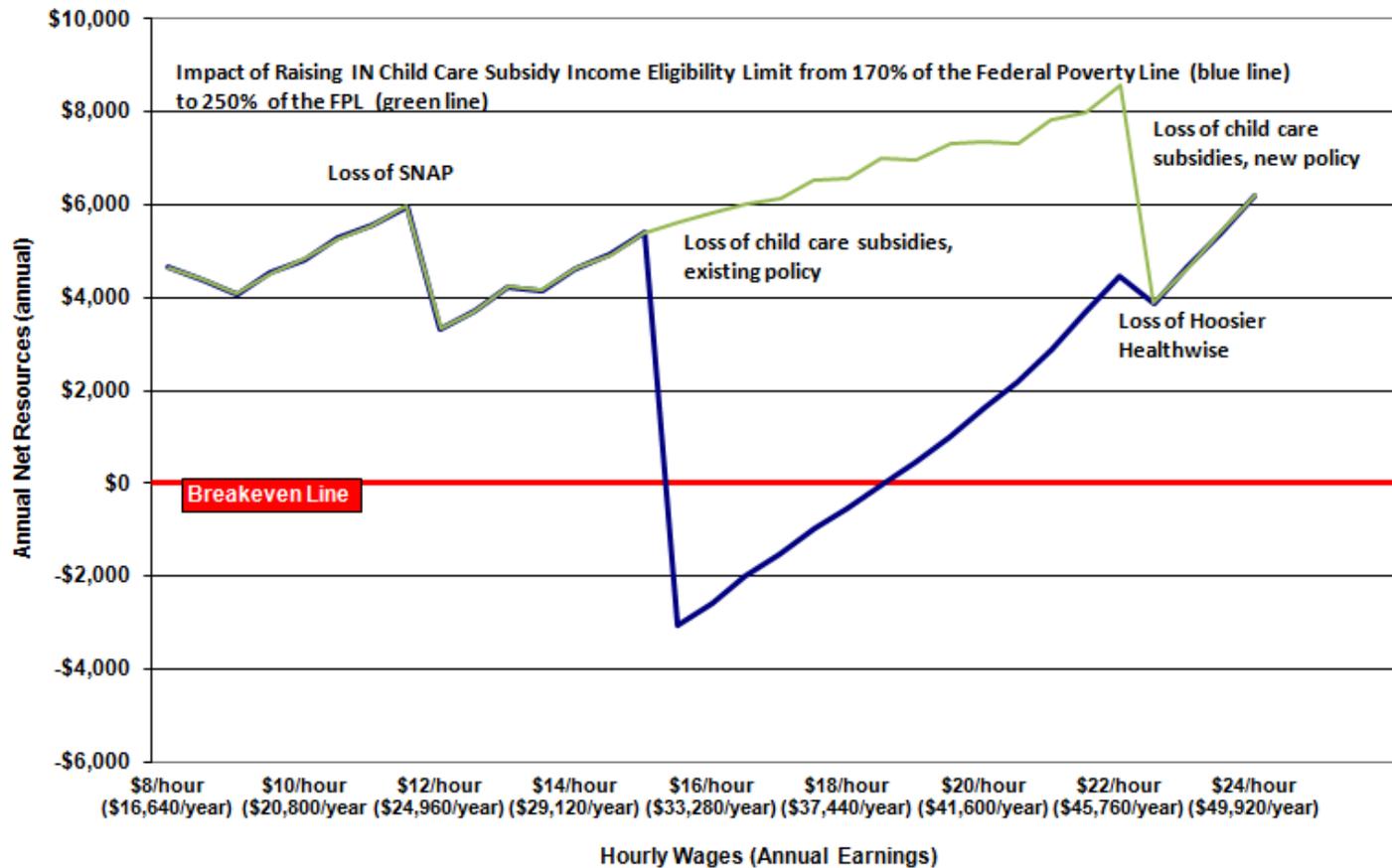
CPS 2013 Annual Social and Economic Supplement, formerly called the March Supplement:
http://www.census.gov/hhes/www/cpstables/032013/pov/pov24_000.htm

Recommendations – Smooth out the Cliff



- **Continue Efforts Aimed at Reducing the Waitlist:** Now at 4,880 children – from 5,059 children in early 2011 and 12,689 in early 2010. It was 11,958 children in 2001. Indeed, FSSA announced in November 2013 a transfer of the full 30 percent (allowable by federal law) from TANF to CCDF – representing a 58% increase in annual funding. Federal law requires that TANF funding be used for those living below the federal poverty guidelines, thus the increased funding will primarily serve to further reduce the waitlist.
- **Increasing CCDF exit income limit to 250% FPG:** Smoothing out the ‘benefit cliff’ (with increased co-payments for the continued service), eliminates the unintended consequence of punishing work, and reverses the perverse incentive to upward mobility. At a small cost, policymakers can instead provide Hoosier families with a safe-landing into economic self-sufficiency.
- **Increasing CCDF entry eligibility to 200% FPG:** A family’s gross monthly income (before taxes and deductions) cannot exceed 127 percent of the Federal Poverty Guidelines (FPG) (\$24,244 for a family of three). Only a handful of states have lower entry level limits.
- **Eliminate the SNAP & TANF Asset Tests to Encourage Self-Sufficiency (& Administrative Efficiency):**
 - 1. Promote savings and encourage families to develop behaviors that lead to self-sufficiency.
 - 2. Allow families to preserve limited resources (college or emergency savings) to avert financial disaster.
 - Increase government efficiency with substantial savings for taxpayers.

Smoothing the Cliff - Restoring Mobility



Source: National Center for Children in Poverty's Family Resource Simulator, Indiana 2011 <www.nccp.org/tools/frs>. When eligible, the family receives the following work supports: federal and state tax credits, SNAP/food stamps, public health insurance, and a child care subsidy. Budget numbers are from NCCP Basic Needs Budget Calculator and the Self Sufficiency Standard for Indiana.

Stay Informed, Take Action



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Twitter: <https://twitter.com/INInstitute>

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Blog: www.iiwf.blogspot.com

Derek Thomas, Senior Policy Analyst

dthomas@incap.org

(317) 638-4232

(800) 382-9895

Jessica Fraser, Program Manager

jfraser@incap.org

(317) 638-4232

(800) 382-9895