Making Work Pay in Illinois

Current Policies and Recommendations for Reform

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Who We Are

♦ NCCP is a public policy research center dedicated to the economic security, health, and well-being of 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.
Today’s Presentation

♦ The Challenge: Making Work Pay
♦ Policy Recommendations
The Challenge: Making Work Pay
The Challenge

♦ Even many full-time workers can’t make ends meet.

♦ “Work supports” - such as earned income tax credits, child care assistance, health insurance, and food stamps - can help.

♦ These benefits encourage, support, and reward employment.
The Challenge (cont’d)

♦ But available supports often aren’t enough, and few families receive all of the benefits for which they’re eligible.

♦ Moreover, most work supports are means-tested so families lose benefits as earnings increase - often before they’re able to make ends meet without them.
NCCP’s Family Resource Simulator

♦ The Family Resource Simulator is an online policy tool designed to assess the effectiveness of work support policies.

♦ The Simulator illustrates how:

  ➢ Federal and state work supports can fill the gap between low wages and expenses.
  ➢ Work supports fall short as family earnings increase.
  ➢ Policy improvements can address “cliffs” and ensure that families are always better off as parents work and earn more.
A Comprehensive Work Support System Should:

- **Provide adequate family resources.** If parents work full time, their earnings combined with public benefits should be sufficient to cover basic family expenses.

- **Reward progress in the workforce.** When parents increase their earnings, their families should always be better off.
What it Takes to Make Ends Meet in Illinois

♦ A single parent with two children in Chicago needs to earn about $23 an hour (about $48,000 a year) to cover basic necessities.

♦ That’s three times the state minimum wage ($7.75 an hour) and almost three times the official poverty level for a family of three ($17,600).
Basic Needs Budgets: Five Localities, Illinois
Single parent with two children, ages 3 and 6

<table>
<thead>
<tr>
<th>Location</th>
<th>Total Budget</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aurora</td>
<td>$53,543</td>
<td>$26/hour</td>
</tr>
<tr>
<td>Chicago</td>
<td>$48,350</td>
<td>$23/hour</td>
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<tr>
<td>Peoria</td>
<td>$41,759</td>
<td>$20/hour</td>
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<tr>
<td>Rockford</td>
<td>$43,664</td>
<td>$21/hour</td>
</tr>
<tr>
<td>Springfield</td>
<td>$40,504</td>
<td>$19/hour</td>
</tr>
</tbody>
</table>

- **Rent and utilities**
- **Food**
- **Child care**
- **Health care**
- **Transportation**
- **Other necessities**
- **Payroll taxes**
- **Income taxes (includes credits)**
Work Supports Can Help

♦ Work supports include earned income tax credits, child care assistance, health insurance, food stamps, and housing assistance.

♦ Illinois’ work support policies can significantly narrow - and in some cases, close - the gap between low wages and the rising cost of basic needs.

♦ But for low-wage workers, it takes multiple benefits in addition to a full-time job to make ends meet.
### Impact of Work Supports: Chicago, IL (2008)

Single parent with two children, ages 3 and 6 (assumes full-time employment at $8/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>food stamps</td>
<td>food stamps</td>
</tr>
<tr>
<td></td>
<td></td>
<td>federal tax credits</td>
<td>federal tax credits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>state EITC</td>
<td>state EITC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>public health insurance</td>
<td>public health insurance</td>
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<tr>
<td><strong>Annual Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings</td>
<td>$16,640</td>
<td>$16,640</td>
<td>$16,640</td>
</tr>
<tr>
<td>Food Stamps</td>
<td>$0</td>
<td>$4,412</td>
<td>$3,441</td>
</tr>
<tr>
<td>Federal EITC</td>
<td>$0</td>
<td>$4,453</td>
<td>$4,453</td>
</tr>
<tr>
<td>Federal Child Tax Credit</td>
<td>$0</td>
<td>$734</td>
<td>$734</td>
</tr>
<tr>
<td>Federal Child and Dependent Care Tax Credit</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>State EITC</td>
<td>$0</td>
<td>$223</td>
<td>$223</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>$16,640</td>
<td>$26,462</td>
<td>$24,490</td>
</tr>
<tr>
<td><strong>Annual Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent and utilities</td>
<td>$11,328</td>
<td>$11,328</td>
<td>$11,328</td>
</tr>
<tr>
<td>Food</td>
<td>$5,691</td>
<td>$5,691</td>
<td>$5,691</td>
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<tr>
<td>Child care</td>
<td>$17,361</td>
<td>$17,361</td>
<td>$962</td>
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<tr>
<td>Health insurance premiums</td>
<td>$2,265</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Out-of-pocket medical*</td>
<td>$456</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Transportation</td>
<td>$900</td>
<td>$900</td>
<td>$900</td>
</tr>
<tr>
<td>Other necessities</td>
<td>$4,595</td>
<td>$4,595</td>
<td>$4,595</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>$1,273</td>
<td>$1,273</td>
<td>$1,273</td>
</tr>
<tr>
<td>Income taxes (excludes credits)</td>
<td>$319</td>
<td>$319</td>
<td>$319</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$44,188</td>
<td>$40,734</td>
<td>$25,068</td>
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<tr>
<td><strong>Net Resources: Resources minus Expenses</strong></td>
<td><strong>-$27,548</strong></td>
<td><strong>-$15,006</strong></td>
<td><strong>$422</strong></td>
</tr>
</tbody>
</table>

*When all family members have free public health insurance, we assume that out-of-pocket medical expenses are minimal. Source: NCCP’s Family Resource Simulator, Illinois 2008 < www.nccp.org/tools/frs >.
Benefit “Cliffs” Keep Families Struggling

♦ As parents advance in the workforce, the loss of critical supports keeps them struggling to get ahead.

♦ The loss of certain benefits leads to “cliffs” that leave families worse off than they were before, despite increased earnings.

♦ Results are similar across the state.
Net Family Resources as Earnings Increase: Chicago, IL
Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

Source: National Center for Children in Poverty’s Family Resource Simulator, Illinois 2008 <www.nccp.org/tools/frs>. When eligible the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
**Net Family Resources as Earnings Increase: Five Localities, Illinois**

Single parent with two children, ages 3 and 6

![Graph showing net family resources as earnings increase with different hourly wages for five localities in Illinois.](image)

**Source:** National Center for Children in Poverty’s Family Resource Simulator, Illinois 2008 (<www.nccp.org/tools/frs>). When eligible the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
Policy Recommendations
Notable Policies in Illinois

♦ **Public health insurance:** All Kids made Illinois the first state to offer public health insurance to all children, regardless of income.

♦ **Child care subsidies:** Illinois is the largest state to provide subsidies to all eligible applicants.

♦ **State Earned Income Tax Credit:** Illinois has a refundable credit (5 percent of the federal).

♦ **Minimum wage:** $7.75 (federal: $6.55).
Strategies for Making Work Pay

- 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.
Reducing Benefit Cliffs in Illinois

♦ The **food stamp** cliff could be eliminated by taking advantage of the federal food stamp option to expand “categorical eligibility.”

♦ The **child care** cliff could be minimized by increasing the income limit for child care subsidies (from 200% FPL to 275% FPL).
Impact of Hypothetical Policy Reforms: Chicago, IL
Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
-$2,000
-$4,000
-$6,000
-$8,000
-$10,000
-$12,000

$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)
$26/hour ($54,080)

Hourly wages (annual earnings)

Increase income eligibility limit for child care subsidies
Waive the gross income limit for food stamps

BREAKEVEN LINE

Source: National Center for Children in Poverty’s Family Resource Simulator, Illinois 2008 <www.nccp.org/tools/frs>. When eligible the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
Work Supports Make a Difference at the Lower End of the Income Spectrum

Two reforms to the state’s TANF program:

- Increase the TANF earned income disregard from two-thirds to three-fourths.
- Raise TANF payment levels by 15%.
Annual Gap Between Resources and What it Takes to Make Ends Meet: Current Policies and Proposed TANF Changes
Single parent with two children, ages 3 and 6, Chicago, IL (assumes employment at $8/hour)

Source: National Center for Children in Poverty’s Family Resource Simulator, Illinois 2008 <www.nccp.org/tools/FRS>. In addition to TANF cash assistance, the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
Impact of Changes in TANF Policy: Chicago, IL

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

- $2,000
- $1,000
- $0 (BREAKEVEN LINE)
- $-1,000
- $-2,000
- $-3,000
- $-4,000
- $-5,000
- $-6,000

Weekly work hours at $8/hour (annual earnings)

- 20 hours/week ($8,320)
- 25 hours/week ($10,400)
- 30 hours/week ($12,480)
- 35 hours/week ($14,560)
- 40 hours/week ($16,640)

Current policies
Increase earned income disregard to 75%
Increase earned income disregard to 75% and increase benefits by 15%

Source: National Center for Children in Poverty's Family Resource Simulator, Illinois 2008 <www.nccp.org/tools/frs>. When eligible the family receives the following work supports in addition to TANF: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
For More Information

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