The Ohio Family Resource Simulator: A Tool for Policy Modeling

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Ohio FRS Capacity-Building Project

- Collaboration between NCCP and Policy Matters Ohio
- Update the OH Family Resource Simulator and Basic Needs Budget Calculator web-based policy modeling tools for Cuyahoga, Franklin, Hamilton, Logan, Lucas, Mahoning and Meigs counties
- Model 3 policy reforms to improve outcomes for low-income families in OH
Family Resource Simulator

♦ Interactive web-based tool estimates changes in net resources (Earnings + Work Supports – Basic Family Expenses) as earnings rise

♦ Includes TANF, SNAP, LIHEAP, CC subsidies, tax credits, Section 8, Medicaid/CHIP, ACA subsidies

♦ Can be used to model the effects of policy reforms on family net resources

♦ Available for 26 states and more than 100 localities; updates for CO, FL, and OH in 2015

http://www.nccp.org/tools/frs/
Basic Needs Budget Calculator

- Estimates basic expenses for a family of a given composition in a given location
- Includes rent & utilities, food, child care, health care, transportation, other necessities, and taxes net of credits
- Allows NCCP estimates or customized user input for all expenses

1. Ohio Earned Income Tax Credit

- Current OH EITC is a *nonrefundable* credit of 10% of the federal credit
- The value of the credit is *capped* at half of tax liability for filers earning more than $20,000/year
- Because of these limitations, few of Ohio’s lowest-paid workers benefit from the credit
- Proposed reforms would: (i) raise the value of the credit to 30% of the federal EITC; (ii) make it refundable; (iii) remove the cap
Modeling Scenario and Findings

- Two-parent family with two children ages 3 and 5 in Franklin County
- When eligible, family receives a child care subsidy, federal tax and state tax credits, SNAP/food stamps, public health insurance, and energy and telephone cost assistance
- Results: family benefits significantly, especially at lower levels of earnings. With annual earnings of $25K, the family gains $1,581 from all 3 reforms.
- Refundability is vital. If left non-refundable, lower earners do not benefit from other reforms.
<table>
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<th>Hourly Wages (Annual Earnings)</th>
<th>Increase in child care costs as work hours rise</th>
<th>Loss of SNAP</th>
<th>Loss or reduction of various benefits, e.g., public health insurance, federal tax credits, energy assistance</th>
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<tbody>
<tr>
<td>8/hour ($16,640/year)</td>
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<td>All Reforms (EITC at 30%, fully refundable, no cap)</td>
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<td>10/hour ($20,800/year)</td>
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<td>Existing EITC</td>
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<td>12/hour ($24,960/year)</td>
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<td>EITC at 30%, non-refundable, without cap</td>
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<td>14/hour ($29,120/year)</td>
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<td>EITC at 10%, fully refundable, without cap</td>
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<td>16/hour ($33,280/year)</td>
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<td>EITC at 10%, fully refundable, without cap</td>
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<td>18/hour ($37,440/year)</td>
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<td>20/hour ($41,600/year)</td>
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<td>22/hour ($45,760/year)</td>
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<td>EITC at 10%, fully refundable, without cap</td>
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<td>24/hour ($49,920/year)</td>
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<td>26/hour ($54,080/year)</td>
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<td>EITC at 10%, fully refundable, without cap</td>
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Breakeven Line

Effect of an Improved Ohio EITC on Net Family Resources

Yearly Net Solutions (EITC at 30%, fully refundable, no cap)

Breakeven Line

Breakeven Line

Breakeven Line

Breakeven Line

Breakeven Line
2. Child Care Subsidy Program

- OH income eligibility: up to 130% of the Federal Poverty Guideline (FPG) for entry and up to 300% FPG for exit

- If parent loses a job, needs to find another one within 13 weeks or will lose child care subsidy

- If parent loses subsidy, can only re-qualify if income falls within the 130% entry threshold, irrespective of earnings when lost subsidy—the “canyon effect”

- Because of value of CC subsidies, taking a lower-paid job to recover subsidy may make economic sense—at the cost of moving down a career ladder
Modeling Scenario and Findings

- Single-parent family with two children ages 4 and 6 in Cuyahoga County

- When eligible, family receives a child care subsidy, a housing voucher, and other work supports

- Results of a job loss at 200% FPG & loss of child care subsidy: family plunges almost $6K below breakeven. Returns to breakeven at $25/hr. w/o subsidies, but net resources still far below $12.55/hr. (130% FPG) w/subsidies (and other work supports)

- Possible policy solutions: (i) extend window for retaining subsidies; (ii) raise entry income threshold
The diagram illustrates the concept known as the "Canyon Effect." It shows the relationship between hourly wages and annual net resources, with three distinct scenarios highlighted:

1. **Breakeven Line:** This line indicates the point at which the annual net resources are zero. It is represented by a solid red line.
2. **Net Resources if program exit eligibility were 130% FPG:** This scenario is shown by a yellow dashed line. It indicates the annual net resources if the program exit eligibility were set at 130% of the Federal Poverty Guidelines (FPG).
3. **Net Resources (parent has lost job and childcare subsidy and then gained new job at same salary of 200% FPG):** This scenario is depicted by a green dashed line. It represents the net resources in a situation where the parent has lost their job and childcare subsidy, and then gains a new job at 200% of the FPG.
4. **Net Resources (parent retains job and child care subsidy until reaching exit income eligibility of 300% FPG):** This scenario is shown by a blue dotted line. It illustrates the net resources when the parent retains their job and childcare subsidy until reaching the exit income eligibility of 300% of the FPG.

The diagram highlights the complex impacts of wage variations on net resources, showing how different wage levels can affect the financial situation of individuals and families.
3. Universal, Free Prekindergarten

- Research shows high-quality pre-k programs help children’s cognitive and social skills, especially children from low-income families
- An added benefit of free, public pre-k for low-income, working parents: savings in child care costs
- Eligibility for state-funded pre-k for OH 4-year-olds limited to low-income families (up to 200% FPG)
- About 43,000 children enrolled in public preschool; many of the 74,000 4-year-olds in low-income families not enrolled
Modeling Scenario and Findings: Full-Day Pre-K

- Single-parent family with two children ages 4 and 9 in Hamilton County
- When eligible, family receives federal and state tax credits, a federal housing subsidy, SNAP/food stamps, public health insurance, energy and telephone cost assistance
- Results: large savings in child care expenses. The family saves about $4,000 in expenses for center-based care when the parent works full time at $14/hour ($29,120 in annual earnings)
Loss or reduction of various benefits, e.g., housing and energy cost assistance, public health insurance, federal tax credits.
Modeling Scenario and Findings: Half-Day Pre-K

- Same family composition and work supports as the half-day pre-k scenario
- As with full-day pre-k, the default scenario is full-day, center-based child care for the 4-year-old and after-school, center-based care for the 9-year-old
- Results: significant savings in child care expenses. The family saves more than $3,000 in expenses for center-based care when the parent works full time at $13/hour ($27,040 in annual earnings)
Breakeven Line

Loss of SNAP

Loss or reduction of various benefits, e.g., housing & energy assistance, public health insurance, & federal tax credits

Annual Net Resources with Half-Day Pre-K (green line)
Annual Net Resources without Half-Day Pre-K (blue line)

Hourly Wages (Annual Earnings)
FOR MORE INFORMATION

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Visit NCCP website
www.nccp.org