The Ohio Family Resource Simulator: A Tool for Policy Modeling




NCCP

National Center for Children in Poverty

Columbia University • Mailman School of Public Health
Department of Health Policy & Management

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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

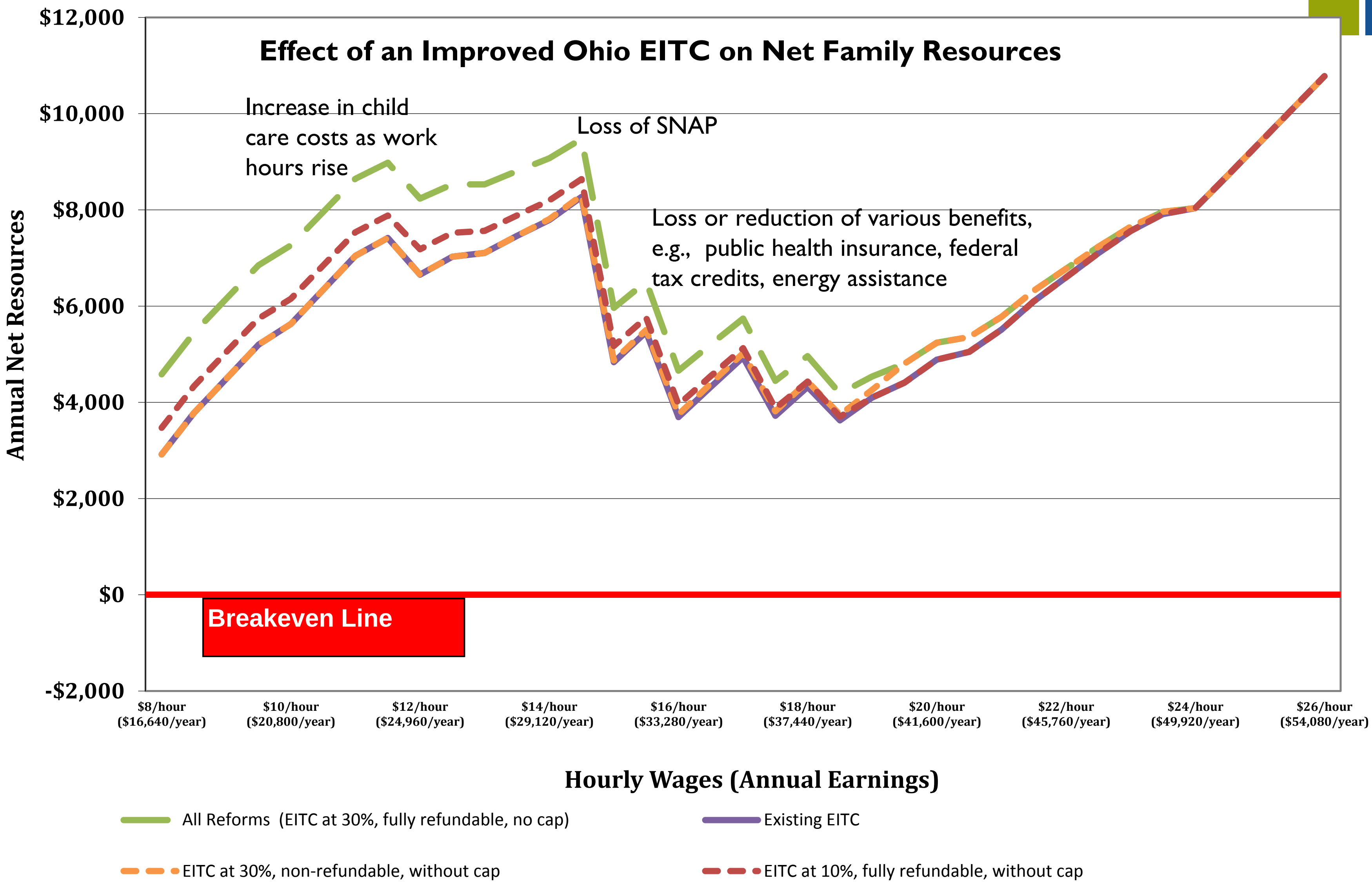
http://www.nccp.org/tools/frs/budget.php

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.



Effect of an Improved Ohio EITC on Net Family Resources
Increase in child care costs as work hours rise
Loss of SNAP
Loss or reduction of various benefits, e.g., public health insurance, federal tax credits, energy assistance
Breakeven Line
Annual Net Resources
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
-$2,000
$8/hour ($16,640/year)
$10/hour ($20,800/year)
$12/hour ($24,960/year)
$14/hour ($29,120/year)
$16/hour ($33,280/year)
$18/hour ($37,440/year)
$20/hour ($41,600/year)
$22/hour ($45,760/year)
$24/hour ($49,920/year)
$26/hour ($54,080/year)
Hourly Wages (Annual Earnings)
All Reforms (EITC at 30%, fully refundable, no cap)
Existing EITC
EITC at 30%, non-refundable, without cap
EITC at 10%, fully refundable, without cap

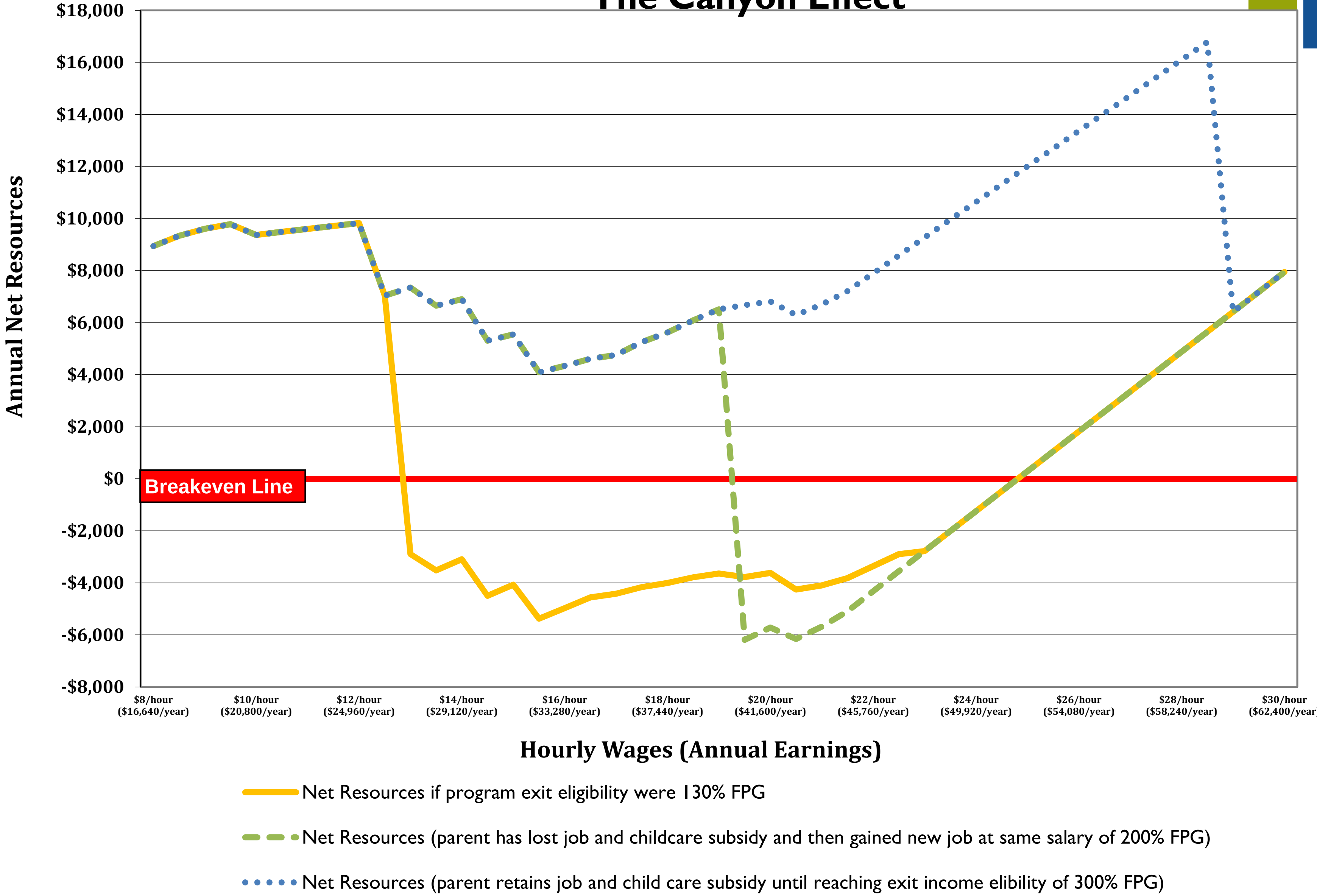
2. Child Care Subsidy Program

- 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 Canyon Effect

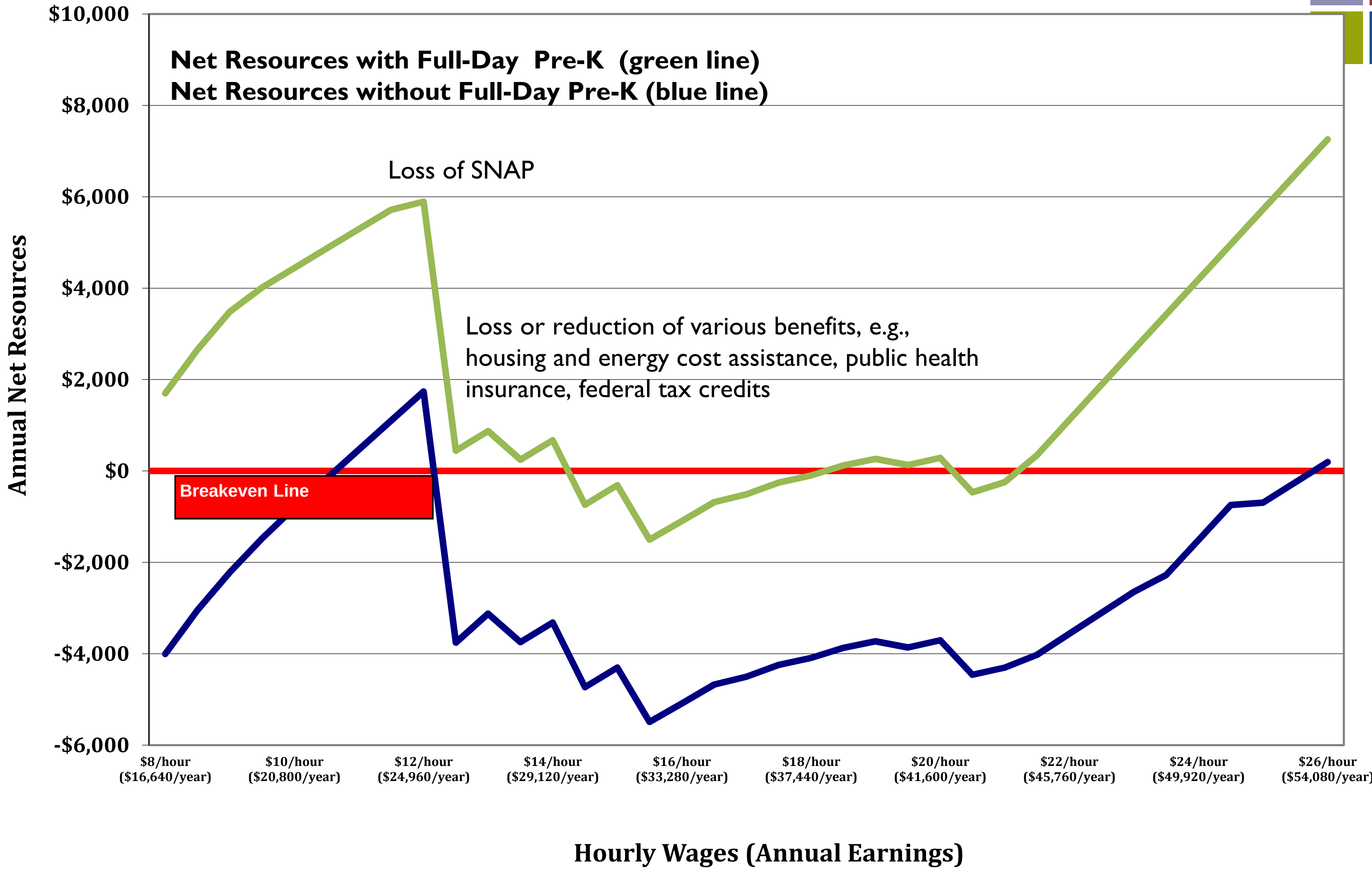


3. Universal, Free Prekindergarten

- 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)


Net Resources with Full-Day Pre-K (green line)
Net Resources without Full-Day Pre-K (blue line)
Loss of SNAP
Loss or reduction of various benefits, e.g., housing and energy cost assistance, public health insurance, federal tax credits
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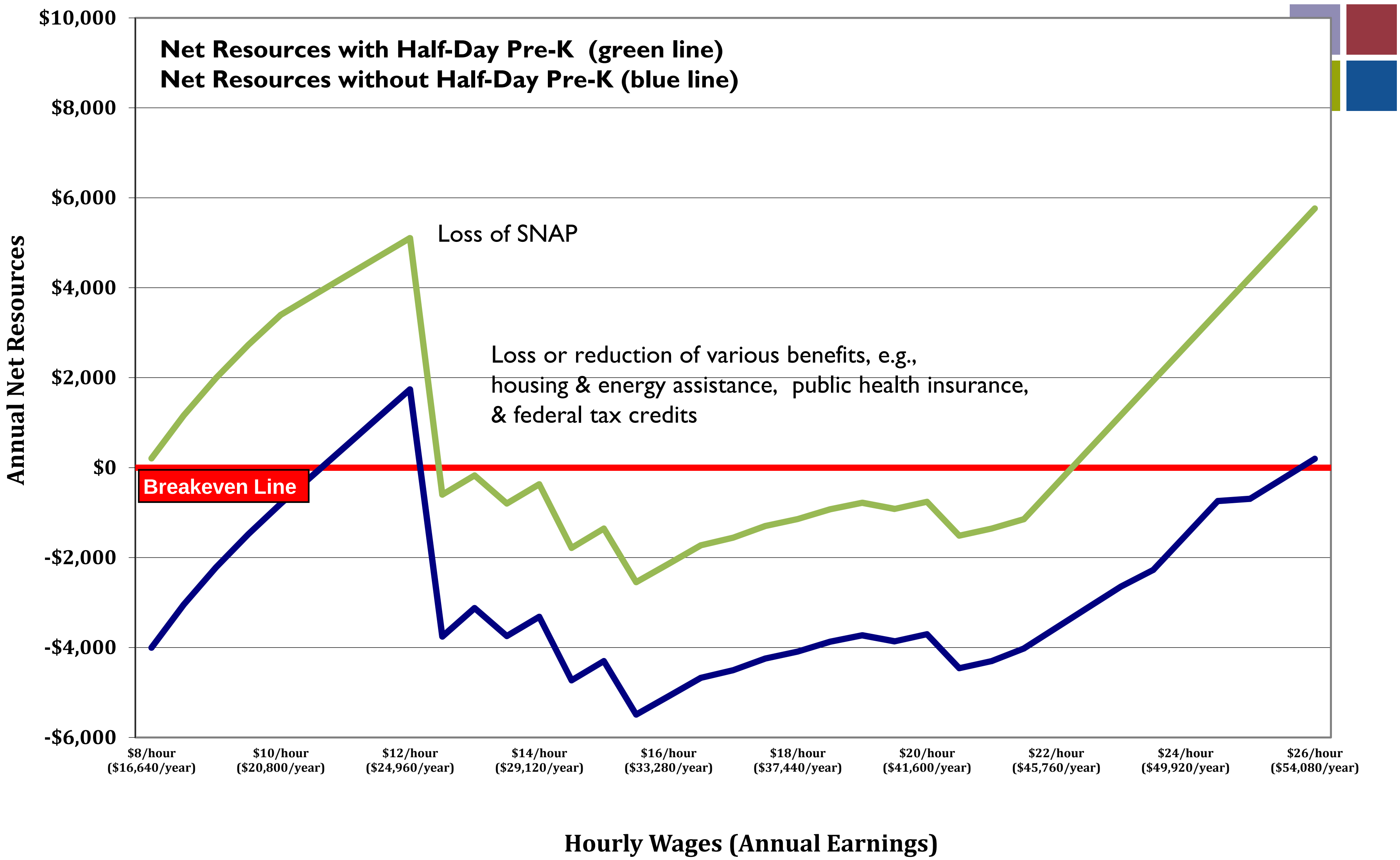
$26/hour ($54,080/year)
Hourly Wages (Annual Earnings)

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)



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FOR MORE INFORMATION

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