

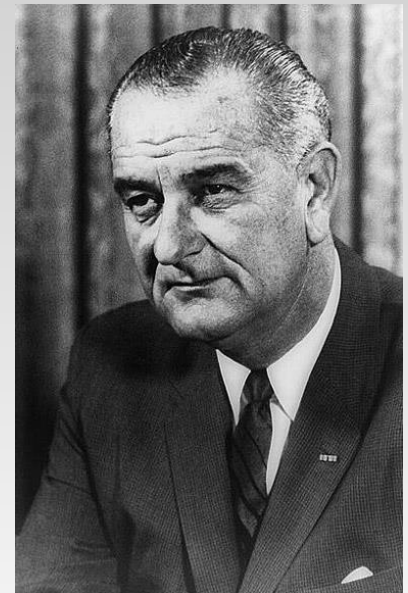
# Child Poverty Update

*Assessing Vermont's Efforts to Reduce Childhood Poverty*

# Economic Opportunity Act of 1964

## *Findings and Declaration of Purpose:*

**every individual has the opportunity to contribute to the full extent of his capabilities and to participate in the workings of our society.** It is, therefore, the policy of the United States **to eliminate the paradox of poverty in the midst of plenty** in this Nation **by opening to everyone the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity.** It is the purpose of this Act to strengthen, supplement, and coordinate efforts in furtherance of that policy.



- Ideological, political, and methodological tensions.
- They are only adjusted annually for inflation.
- The official measure does not consider demographic, economic, and welfare policy changes. The poverty thresholds do not take into account regional differences in costs-of-living
- Official thresholds are insensitive to expenditures such as housing, health care, and child care.
- The measure also does not account for the increasing number of poverty alleviation programs that have been launched to help low-income families.

## Defining Poverty

- Is the official measure accurate or outdated?

- The official U.S. poverty measure was developed in the 1960s by Mollie Orshansky.
- Based on the 1955 Household Food Consumption Survey, Orshansky determined that the average family spent one-third of their after-tax family income on food.
- In 1969, President Johnson's Office of Economic Opportunity designated the "absolute poverty line" as the threshold below which families or individuals lacked the income to meet one's basic needs.

## Origins of the Official Poverty Level

- the SPM defines poverty as the lack of economic resources for consumption of basic needs such as food, housing, clothing, and utilities (FCSU).
- To determine family resources, gross money income from private and public sources is supplemented with benefits such as food stamps, housing subsidies, and tax credits.
- Deducted from family income are medical out-of-pocket expenses including health insurance premiums, income and Social Security payroll taxes, child support payments, work-related expenses and child care costs.
- Instead of using a food plan, the SPM poverty thresholds are based on expenditures on FCSU plus a small amount to allow for additional expenses.
- These thresholds are further adjusted for different family sizes and compositions, housing status, and geographic differences in housing costs

## Supplemental Poverty Measure

## Poverty Measure Concepts: Official and Supplemental

	Official Poverty Measure	Supplemental Poverty Measure
Measurement Units	Families and unrelated individuals	All related individuals who live at the same address, and any coresident unrelated children who are cared for by the family (such as foster children) and any cohabiters and their relatives
Poverty Threshold	Three times the cost of a minimum food diet in 1963	The mean of the 30th to 36th percentile of expenditures on food, clothing, shelter, and utilities (FCSU) of consumer units with exactly two children multiplied by 1.2
Threshold Adjustments	Vary by family size, composition, and age of householder	Geographic adjustments for differences in housing costs by tenure and a three-parameter equivalence scale for family size and composition
Updating Thresholds	Consumer Price Index: all items	Five-year moving average of expenditures on FCSU
Resource Measure	Gross before-tax cash income	Sum of cash income, plus noncash benefits that families can use to meet their FCSU needs, minus taxes (or plus tax credits), minus work expenses, minus out-of-pocket medical expenses and child support paid to another household

Broader view of the resource sharing unit –considers related individuals in the same dwelling as well as cohabiters and unrelated children to be part of the resource sharing unit.

Acknowledges the impact of public benefits.

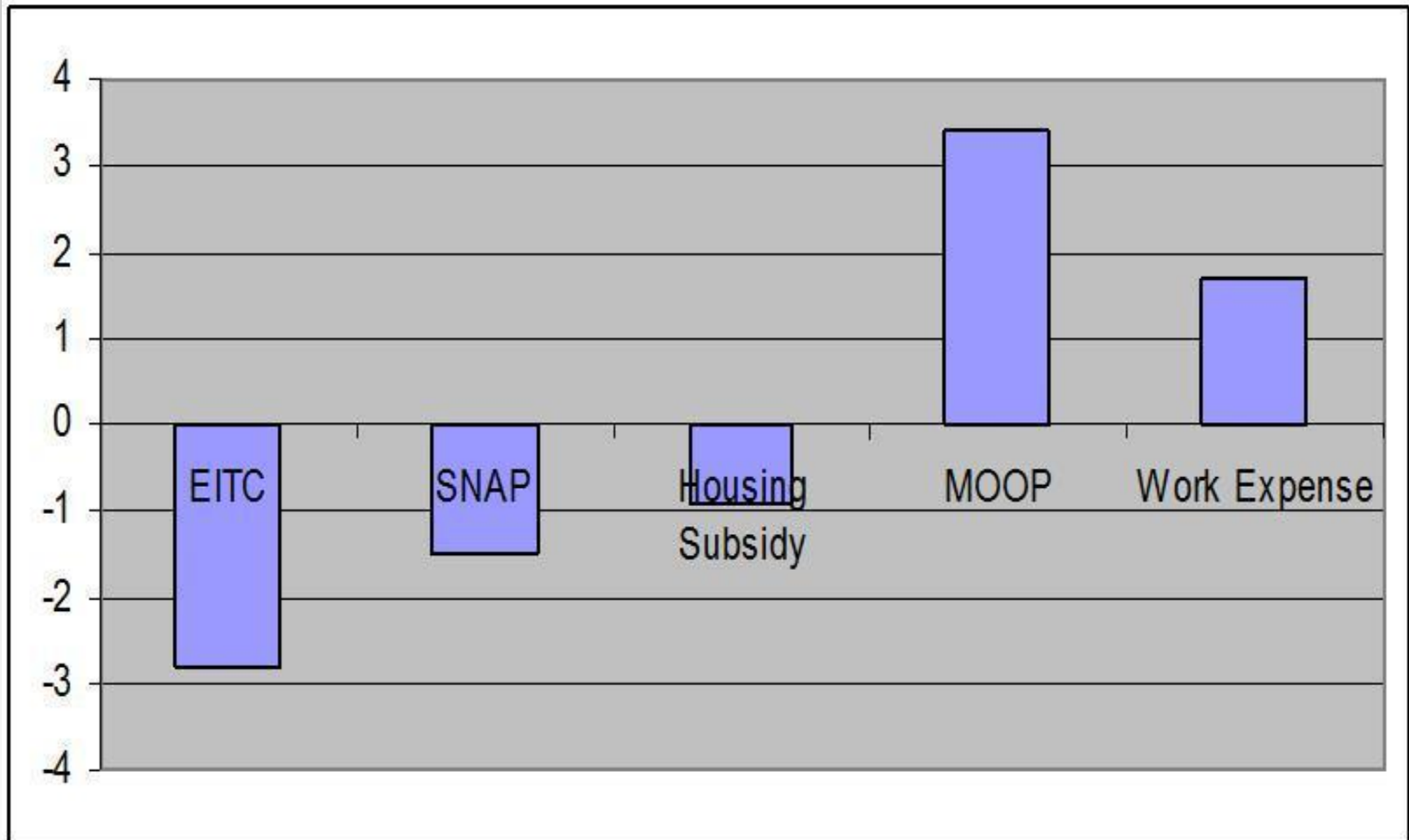
Acknowledges additional costs to families.

Is directly affected by the policy levers that are currently used to assist low-income populations.

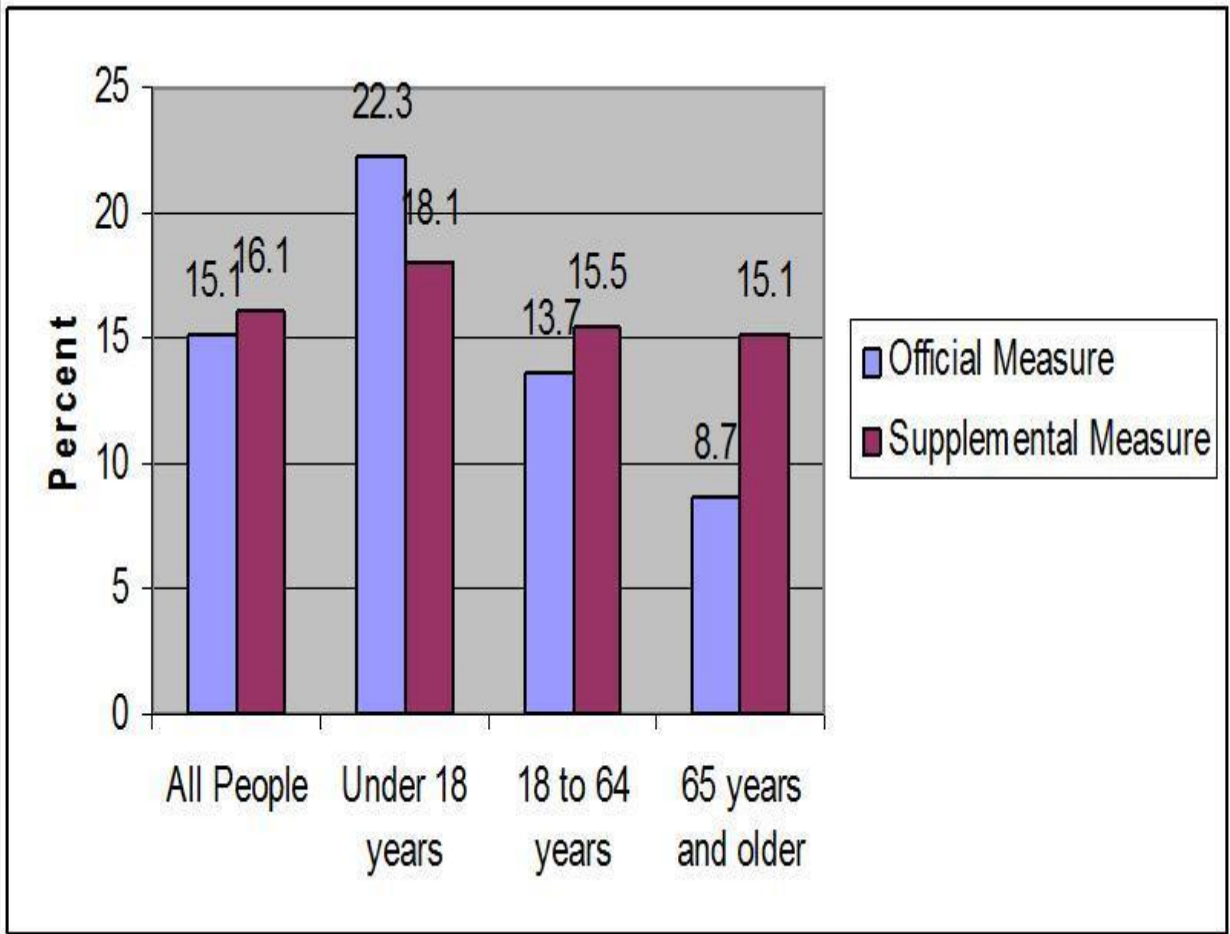
Does not facilitate comparisons over time.

## Perspectives of the SPM

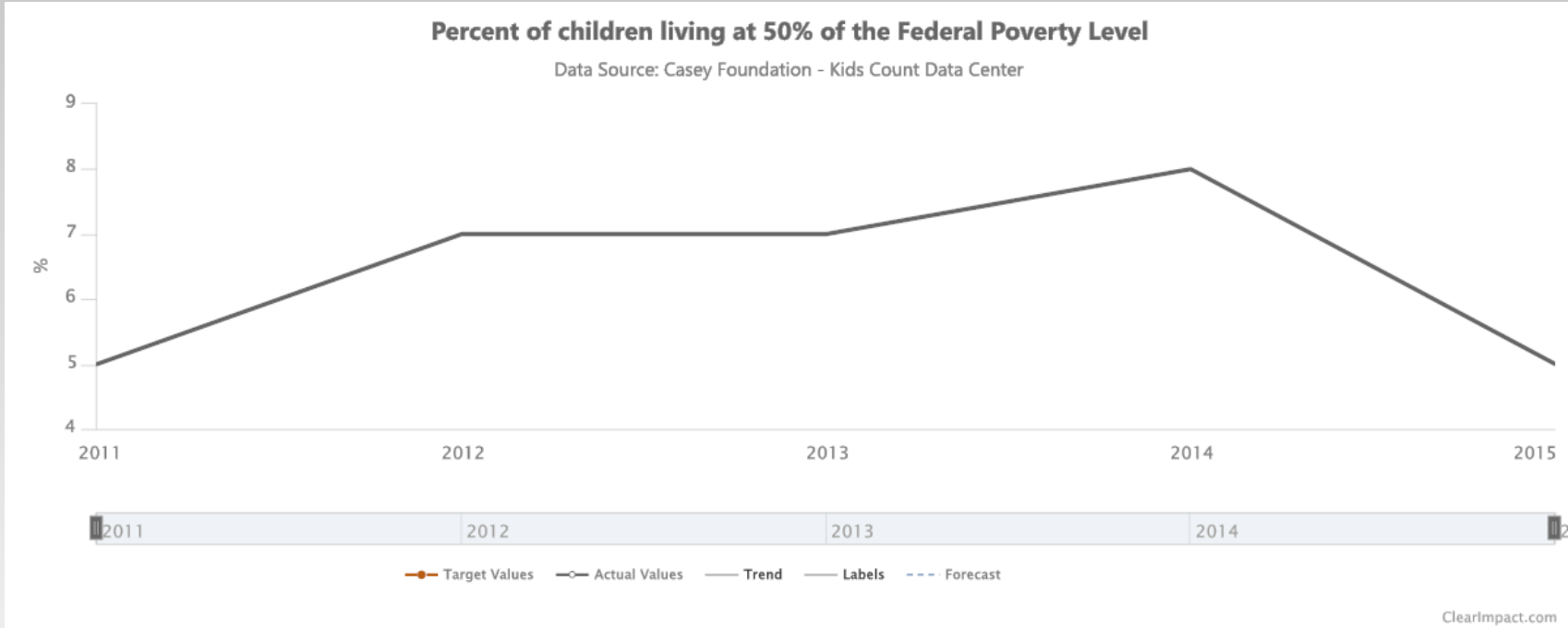
## Effect of Poverty Alleviation Policies on the Poverty Rate Using SPM



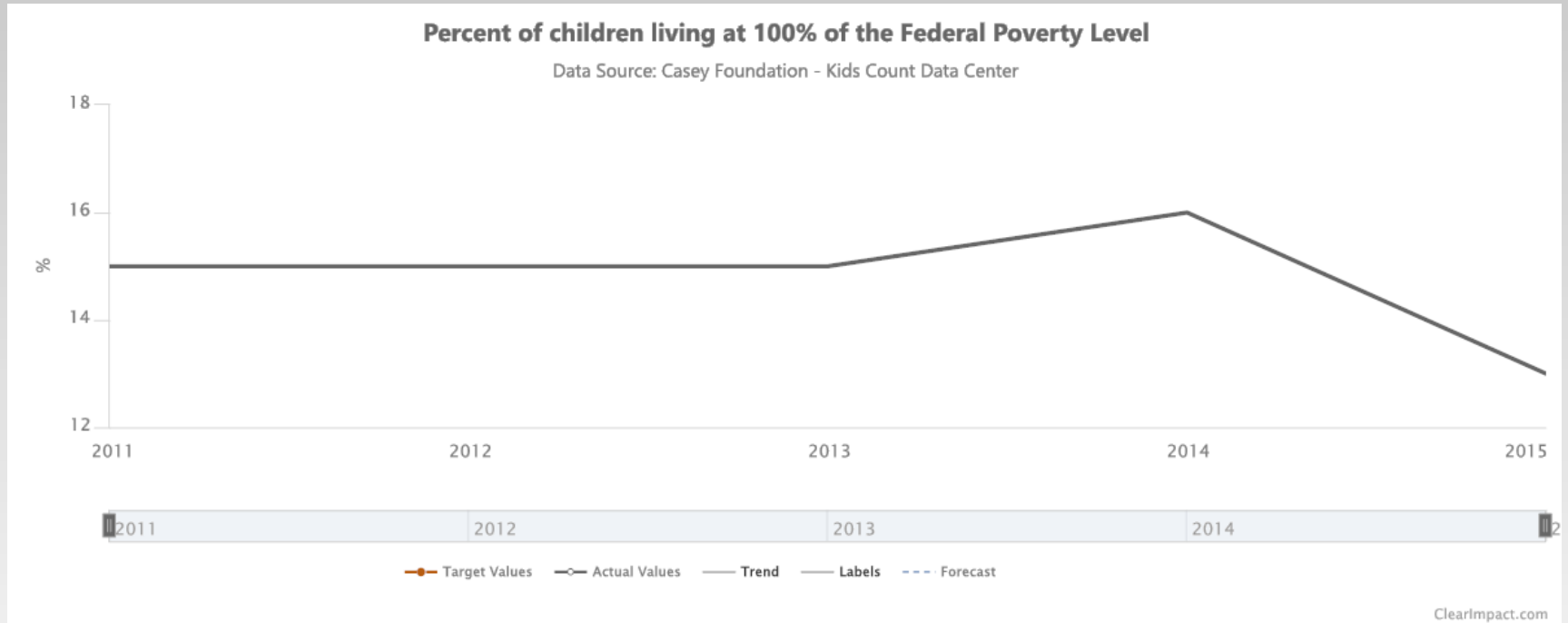




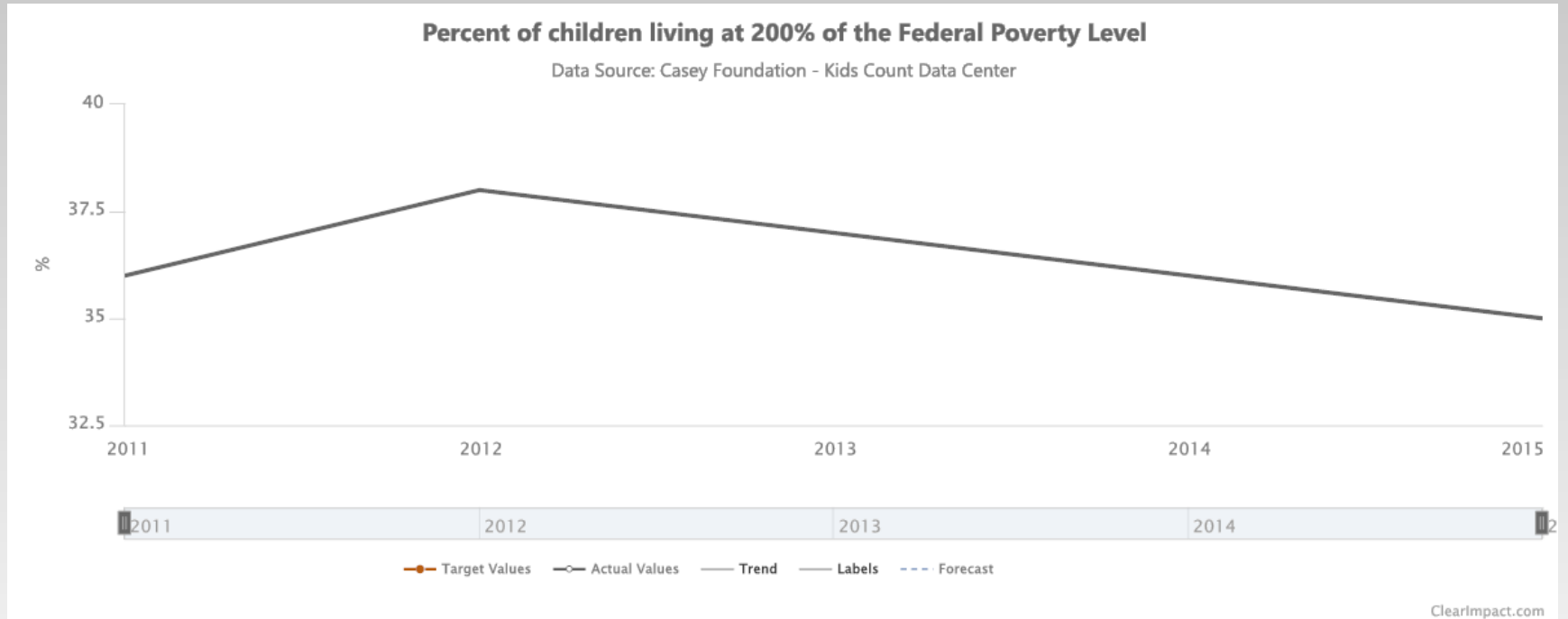
# Fifty Percent of Poverty



# One Hundred Percent of Poverty



# Children Living at or Below 200% of the Poverty Level



Work supports should achieve three goals:

- It should provide adequate family resources.
- It should incentivize work.
- It should reward advancement in the workforce.

## Effective Work Supports in Vermont

- Work Supports are a combination of public benefits, tax credits, and public or private insurance

*The “benefits cliff” phenomenon can best be characterized as a benefits structure which results in a beneficiary who is receiving multiple economic benefits losing those benefits more rapidly than the rate of increased earnings. At its worst, the “benefits cliff” creates a huge disincentive to work.”*

## Work Supports in Vermont – An Analysis of State Policies Supporting Work

- National Center For Children in Poverty (NCCP) - 2009

- 3SquaresVT eligibility to 185% of FPL and removed assets test for most households.
- In FY 2011, expanded eligibility of LIHEAP to 185% (from 125%) of FPL and expanded Crisis Fuel Assistance to 200% FPL (from 150%).
- Child Care Financial Assistance is at 2016 FPL with 90% participation at 100% FPL, but significantly lower as the income goes up.
- Added a 10% child care subsidy at 300% FPL with the 2016 million dollar allocation and increased infant rates.
- July, 2015 – expanded Reach Ahead eligibility to two years from one year so the family receives a full child care subsidy and a small nominal benefit (\$50 for first 12 months, \$5 for last 12 months.)
- July, 2015 – expanded the earned income disregard from \$200+25% to \$250+25%.
- Expanded health care coverage

Completed Changes  
in Benefits since  
2009

# Review 2016 Agency of Human Services Benefit Package

## Current Benefit Package for a Family of Two and Four with Healthcare Deduction from Benefits

	Family of Two w/HC deduction from benefits; One Parent – 1 preschool, (4 Star Licensed Child Care Program)		Family of Four w/HC deduction from benefits; Two parents – 1 infant & 1 preschooler (both children in a 4 Star Licensed Child Care Program)				
Monthly Income	Working Full-Time 40 hr/wk. X 10.10/hr X 4.3 = \$1737	Working Full-Time 40 hr/wk. X 12.50/hr X 4.3 = \$2,150	1 Adult Working Part Time 20 hrs./wk. at \$10	1 Adult Working Full Time 40 hrs./wk. at \$10	1 Adult Working Full Time 40 hrs./wk. at \$12.50	2 Adults Working Full Time (combined) 80 hrs./wk. at \$10.00	2 Adults Working Full Time (combined) 80 hrs./wk. at \$12.50
Wages Excludes FICA	\$1,604.12/mo.	\$1,985.52/mo.	\$794.21/mo.	\$1588.42/mo.	\$1985.52/mo.	\$3176.84/mo.	\$3971.05/mo.
Reach Up	\$0	\$0	\$268.00/mo.	\$0	\$0	\$0	\$0
3SquaresVermo.nt	\$144.00/mo.	\$73.00/mo.	\$567.00/mo.	\$441.00/mo.	\$303.00/mo.	\$335.00/mo.	\$0
Fuel Assistance	\$86.50/mo.	\$39.67/mo.	\$108.17/mo.	\$100.92/mo.	\$93.75/mo.	\$36.00/mo.	\$0
Lifeline	\$13.10/mo.	\$13.10/mo.	\$13.10/mo.	\$13.10/mo.	\$13.10/mo.	\$13.10/mo.	\$0
EITC (Federal)	\$246.00/mo.	\$179.42/mo.	\$344.00/mo.	\$464.00/mo.	\$428.00/mo.	\$157.00/mo.	\$0
EITC (State)	\$78.72/mo.	\$57.41/mo.	\$110.08/mo.	\$148.48/mo.	\$136.96/mo.	\$50.24/mo.	\$0
Renter's Rebate	\$5.84/mo.	\$0/mo.	\$44.30/mo.	\$6.60/mo.	\$0	\$0	\$0
Child Care Assistance <sup>1</sup>	\$738.72/mo.	\$596.94/mo.	\$0	\$0	\$0	\$714.02/mo.	\$158.67/mo.
<b>Total Monthly</b>	<b>\$2,917</b>	<b>\$2,945</b>	<b>\$2,249</b>	<b>\$2,763</b>	<b>\$2,960</b>	<b>\$4,482</b>	<b>\$4,130</b>
<b>Total Annualized</b>	<b>\$35,004</b>	<b>\$35,341</b>	<b>\$26,988</b>	<b>\$33,156</b>	<b>\$35,520</b>	<b>\$53,784</b>	<b>\$49,560</b>
HC Premium Expense <sup>2</sup>	\$0- Medicaid	\$0 – Dr. <u>Dynasaur</u> Based on a Single cost Silver Plan (QHP) \$390.06 in APTC and \$32.59 in VPA. Total cost of QHP is \$68.55/mo.	\$0	\$0	\$0	\$0- Dr. D/children, \$132.86- QHP (lowest cost Silver couple plan) \$1594.32- annual	\$15- Dr. D/children \$247.56- QHP (lowest cost Silver couple plan) \$3,330.72 - annual
<b>Total Annualized Excluding HC Expense</b>	<b>\$35,004</b>	<b>\$34,518</b>	<b>\$26,986</b>	<b>\$33,150</b>	<b>\$35,524</b>	<b>\$52,192</b>	<b>\$46,226</b>

100% Federal Poverty Level for a Family of Two in 2017 = \$16,020

100% Federal Poverty Level for a Family of Four in 2017 = \$32,319



- Vermont has slowly but steadily increased Work Supports.
- People are better off going to work at minimum wage than staying on Reach Up although they may still be struggling economically.
- Research shows that supplementing earnings encourages people to work and increases their income when they do (MDRC, 2004).
- People are better off if the minimum wage goes from \$10 to \$12.50 if they don't need child care.
- People are worse off if the minimum wage goes from \$10 to \$12.50 if they need child care and receive the subsidy to pay for it.
- Families that are between 100% and 300% FPL and need child care and the subsidy tend to lose ground as wages increase.
- The work disincentive is due do a decline in benefits but childcare is the biggest contributor to the slope as wages increase.
- AHS, in light of the past and current work does not think another evaluation is necessary.

## Summary