



Work Supports in Vermont

An Analysis of the Effectiveness of State Policies

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Deputy Director, NCCP

Montpelier, VT | October 2008

NCCP
National Center for Children in Poverty
Mailman School of Public Health
Columbia University



Who We Are

- ◆ NCCP is the nation's leading 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.



The Challenge: Making Work Pay



Many Full-time Workers Can't Make Ends Meet

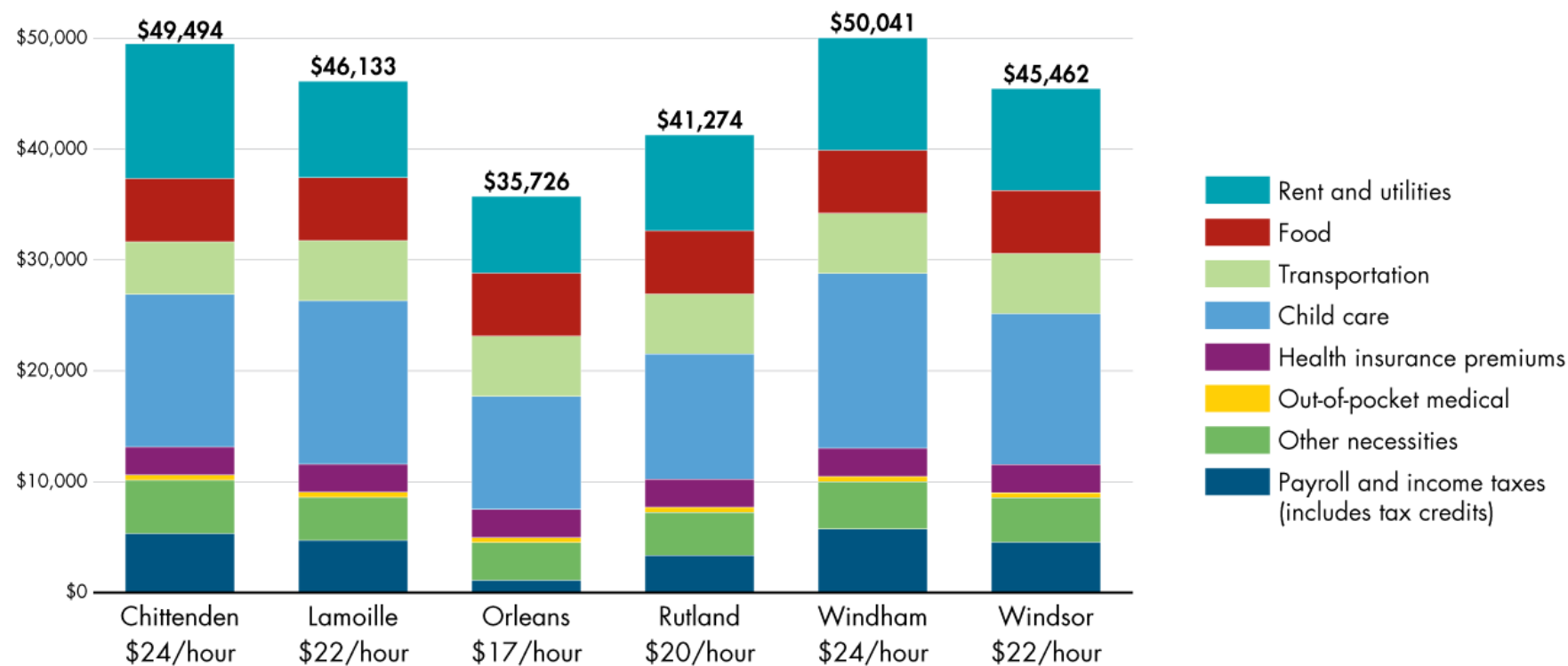
- ◆ A single parent with two children in Lamoille County needs to earn about \$22 an hour (about \$46,000 a year) to cover basic necessities.
- ◆ That's nearly 3 times the state minimum wage of \$7.68 an hour and more than 2.5 times the official poverty level for a family of three.
- ◆ Across the state, a single parent with two children needs to earn \$17 to \$24 an hour (depending on local cost of living) to make ends meet.



Basic Needs Budgets: Six Counties, VT

Single parent with two children, ages 3 and 6

Total budget



Source: National Center for Children in Poverty's Basic Needs Budget Calculator, Vermont 2008 <www.nccp.org/tools/budget>.



Work Supports Can Help Close the Gap

- ◆ Work supports include earned income tax credits, child care assistance, health insurance, food stamps, and housing and energy assistance.
- ◆ These benefits encourage, support, and reward employment.
- ◆ Work supports help low-wage workers make ends meet and increase employment stability.



Work Supports Can Help (cont)

- ◆ But most work supports are means-tested so as earnings increase, families begin to lose their benefits even though they can't yet make ends meet.
- ◆ Just a small increase in earnings sometimes triggers a sharp reduction in benefits - sometimes called a “cliff.”
- ◆ The result is that increased earnings may leave a family no better off - or even worse off.



Assessing Work Supports in Vermont



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 resources increase.
 - Policy improvements can address “cliffs” and high “marginal tax rates.”



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Family Resource Simulator

step 1	step 2	step 3	step 4	step 5	step 6	step 7	step 8
City & State	Family	Income & Assets	Work Supports	Child Care	Health Insurance	Other Expenses	Results

1 Select state and city (or county).



Vermont 2008

- Select a Location
- Select a Location
 - Burlington/Chittenden County
 - Lamoille County
 - Orleans County
 - Rutland County
 - Windham County
 - Windsor County

What is the Family Resource Simulator?

The Family Resource Simulator illustrates how family resources and expenses change as earnings increase. Create your own scenario by clicking on the arrow above or see [sample results](#).

also of interest

- ▶ Making "Work Supports" Work
- ▶ Use the Basic Needs Budget Calculator
- ▶ Low-Wage Work

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Family Resource Simulator

step
1
**City &
State**
step
2

Family

step
3

 Income &
Assets

step
4

 Work
Supports

step
5

Child Care

step
6

 Health
Insurance

step
7

 Other
Expenses

step
8

Results

1 Select state and city (or county).







What is the Family Resource Simulator?

The Family Resource Simulator illustrates the impact of “work supports”—such as earned income tax credits and child care assistance—on the budget of a hypothetical family. Based on the answers provided on steps 1 through 7, the Simulator generates graphs that show how family resources and expenses change as earnings increase. Create your own scenario by clicking on the arrow above or see [sample results](#).

also of interest

- ▶ [Making “Work Supports” Work](#)
- ▶ [Use the Basic Needs Budget Calculator](#)
- ▶ [Low-Wage Work](#)



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Family Resource Simulator: Burlington/Chittenden County, VT (2008)

step 1

City & State

step 2

Family

step 3

Income & Assets

step 4

Work Supports

step 5

Child Care

step 6

Health Insurance

step 7

Other Expenses

step 8

Results

2 Select family characteristics.



Family structure

Age of first child

Age of second child

Age of third child



Family Resource Simulator: Burlington/Chittenden County, VT (2008)

- step
1

City & State
- step
2

Family
- step
3

Income & Assets
- step
4

Work Supports
- step
5

Child Care
- step
6

Health Insurance
- step
7

Other Expenses
- step
8

Results

3 Enter income sources, assets, and debt.



- Starting wage rate ? per hour
- Child support income (amount paid by noncustodial parent) per month
- Amount of family savings (in checking or savings account)
- Value of the family's car
- Amount family owes on car ?
- Debt payment (e.g., credit cards, medical debt, car payment) per month



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- step 1**
City & State
- step 2**
Family
- step 3**
Income & Assets
- step 4**
Work Supports
- step 5**
Child Care
- step 6**
Health Insurance
- step 7**
Other Expenses
- step 8**
Results

4 Select work supports. ?



- Child Care and Development Fund (CCDF) Subsidies
- Food Stamps
- Low Income Home Energy Assistance Program (LIHEAP) ?
- Public Health Insurance (Medicaid, SCHIP)
- Catamount Health Assistance Program ?
- Section 8 Housing Vouchers
- TANF Cash Assistance
- Federal Tax Credits
 - Earned Income Tax Credit (EITC)
 - Child Tax Credit
 - Child and Dependent Care Tax Credit
- State Tax Credits
 - State Renter Rebate
 - Earned Income Tax Credit (EITC)
 - Child Care Tax Credit
 - Children in care that qualifies for refundable credit ?

[Select all] [Select none]



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Family Resource Simulator: Burlington/Chittenden County, VT (2008)

- step
1

City & State
- step
2

Family
- step
3

Income & Assets
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4

Work Supports
- step
5

Child Care
- step
6

Health Insurance
- step
7

Other Expenses
- step
8

Results

5 Make choices about child care.



Select setting for subsidized child care. ?

Child 1 (age 3)

Child 2 (age 6)

Select setting or enter cost for unsubsidized child care.

Select child care setting: ?

Child 1 (age 3)

Child 2 (age 6)
Center-based care, licensed (\$430/month)
Family child care home, registered (\$374/month)

Enter cost per child: ?

Child 1 (age 3) \$ per month

Child 2 (age 6) \$ per month


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Family Resource Simulator: Burlington/Chittenden County, VT (2008)

step 1

 City &
State

step 2

Family

step 3

 Income &
Assets

step 4

 Work
Supports

step 5

Child Care

step 6
**Health
Insurance**
step 7

 Other
Expenses

step 8

Results

6 Make choices about health insurance.



Choose private health insurance option when family loses public coverage. [Next](#)

Private health insurance cost estimates include insurance premiums only, not copayments or other out-of-pocket expenses.

- Employer-based plan:
\$62 per month for parent(s) (when children are still eligible for public insurance)
\$212 per month for family
- Nongroup plan:
\$393 per month for parent(s)
\$747 per month for family
- Other cost estimate:
\$ per month for parent(s)
\$ per month for family

Additional out-of-pocket medical expenses: \$ per month

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for Children and Families*

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Family Resource Simulator: Burlington/Chittenden County, VT (2008)

step
1City &
State**step**
2

Family

step
3Income &
Assets**step**
4Work
Supports**step**
5

Child Care

step
6Health
Insurance**step**
7Other
Expenses**step**
8

Results


7 Make choices about other expenses.**Select Family Resource Simulator estimate or enter your own estimate.** **Rent and utilities (cost when unsubsidized):**

- Fair Market Rent, as determined by the U.S. Department of Housing and Urban Development: \$1,013 per month
- Other cost estimate: \$ per month

Food:

- Low-Cost Food Plan developed by the U.S. Department of Agriculture
- Other cost estimate: \$ per month

Transportation:

- Private transportation cost estimate
- Other cost estimate: \$ per month 

Other necessities: 

- Family Resource Simulator estimate of other necessities
- Other cost estimate: \$ per month



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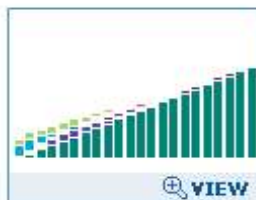
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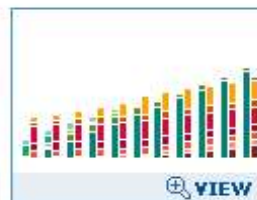
Family Resource Simulator: Burlington/Chittenden County, VT (2008)

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8 View results.



Family Resources

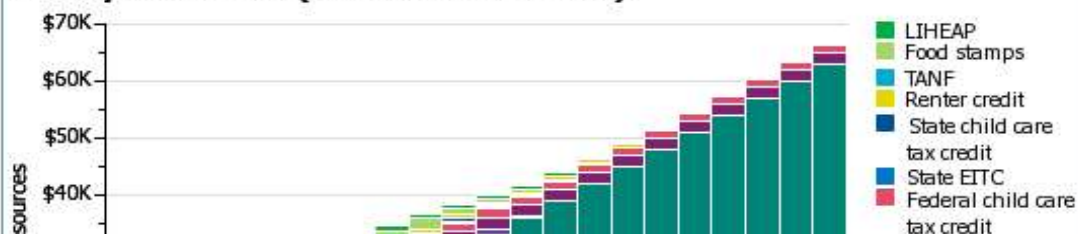


Resources and Expenses



Net Family Resources

Family Resources (cash and near-cash)



1. City & State

VT 2008 Simulator applies policy rules in effect in July 2008.

- ▶ City or county: Burlington/Chittenden County

2. Family

- ▶ Single-parent family
- ▶ 2 children, ages 3, 6

3. Income & Assets

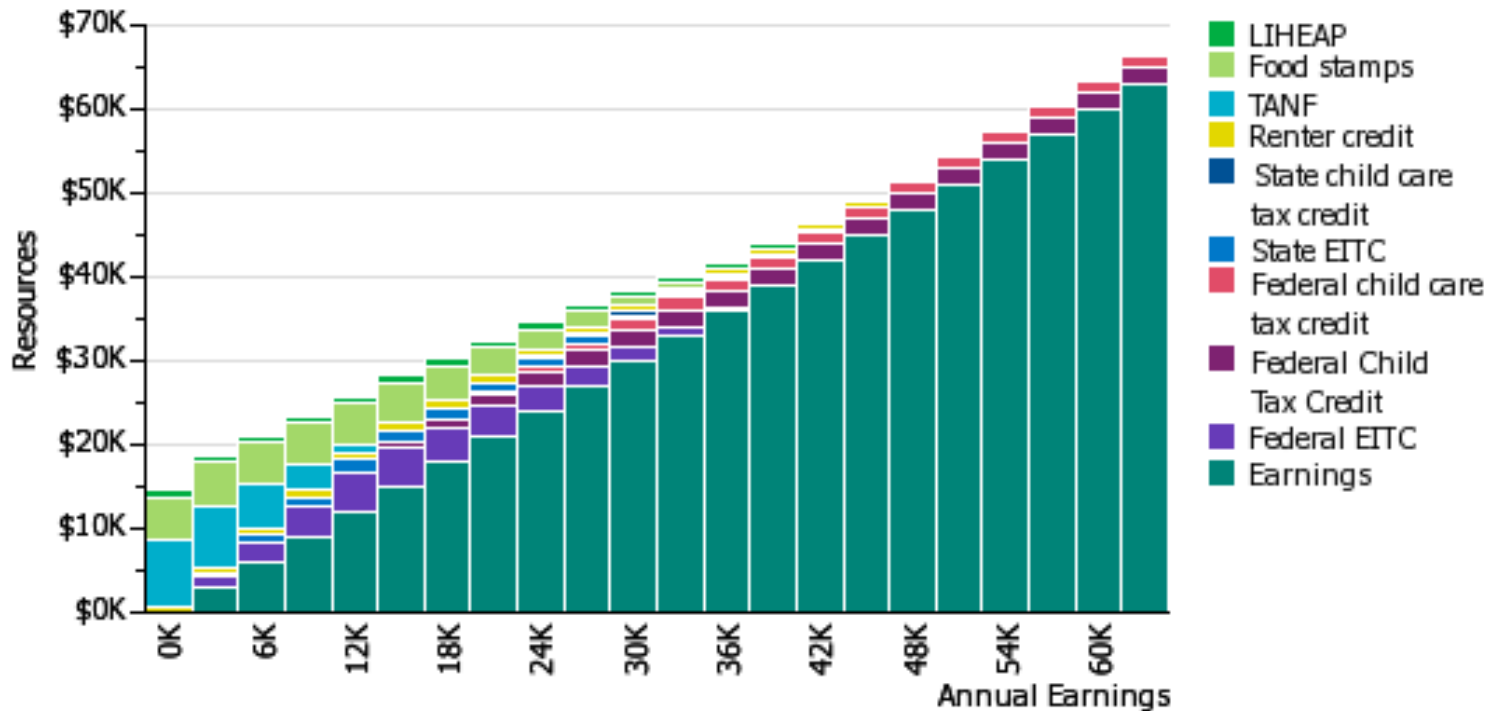
- ▶ Starting wage rate: \$9.01/hour
- ▶ \$0/month in child support paid to family by noncustodial parent
- ▶ \$0 in savings
- ▶ No family car
- ▶ \$0/month in debt payment

4. Work Supports

When eligible, family receives:



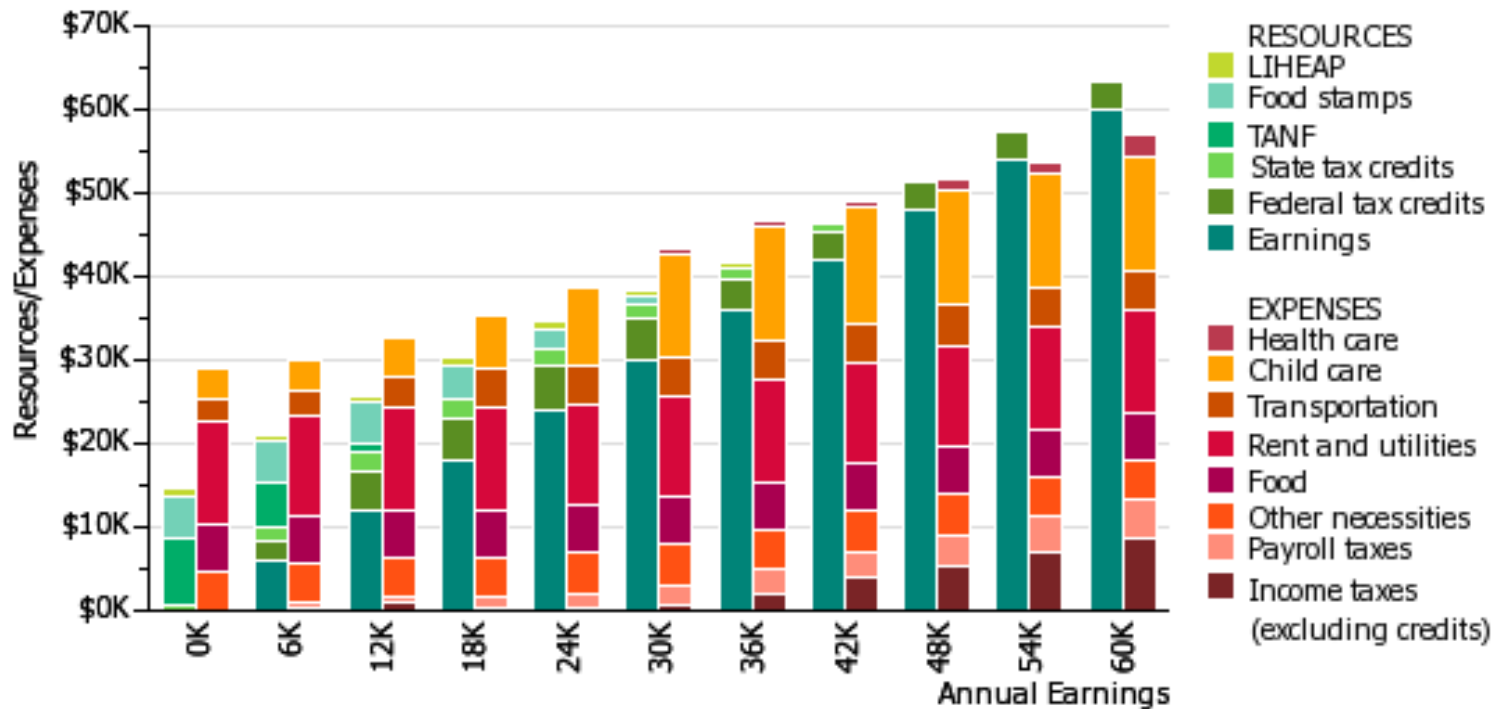
Family Resources (cash and near-cash)



© National Center for Children in Poverty
 Family Resource Simulator, Vermont 2008 (Results reflect user choices.)



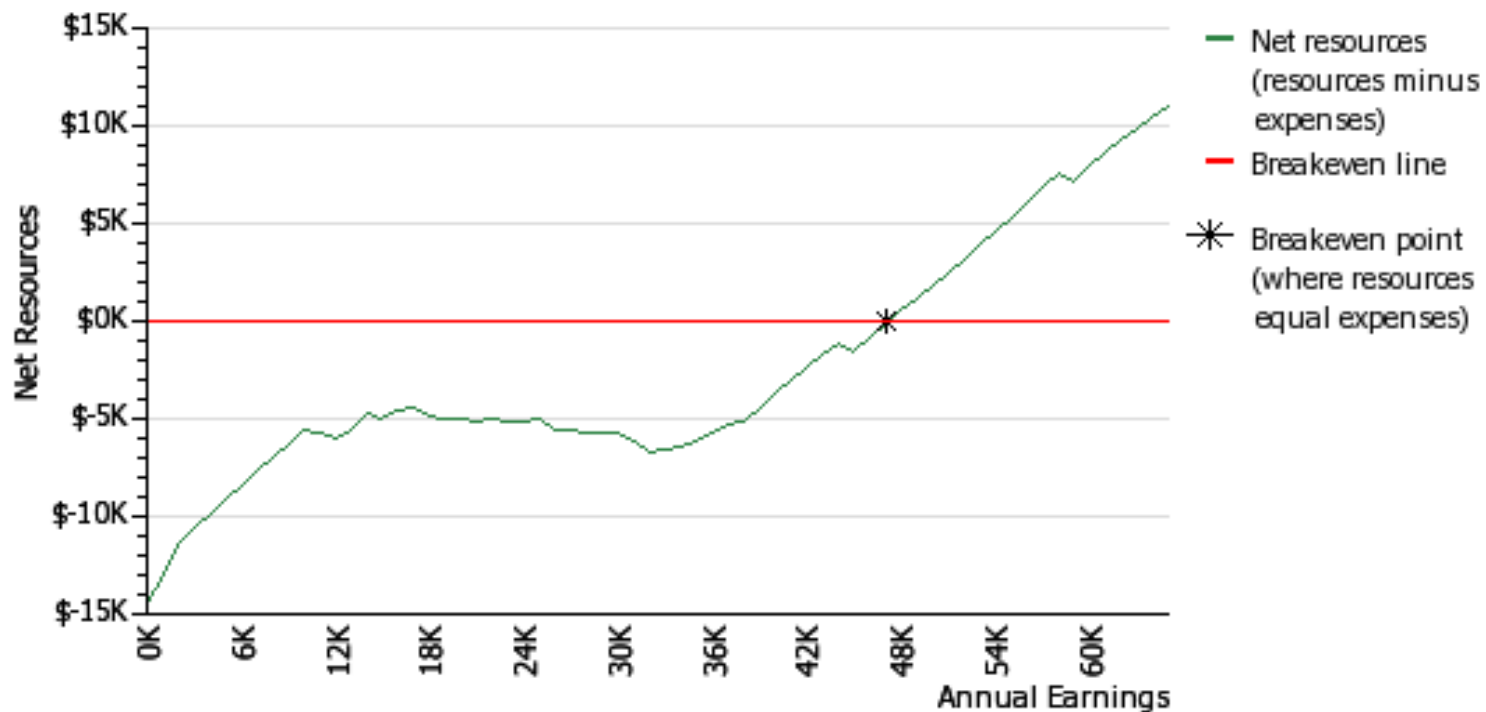
Family Resources and Basic Expenses



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 Family Resource Simulator, Vermont 2008 (Results reflect user choices.)



Net Family Resources (resources minus expenses)



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Family Resource Simulator, Vermont 2008 (Results reflect user choices.)



Findings



A Comprehensive Work Support System Should:

- ◆ **Incentivize work.** For adults who are able to work, there should be incentives to do so and penalties for not working.
- ◆ **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.



Key Findings About Work Supports in Vermont

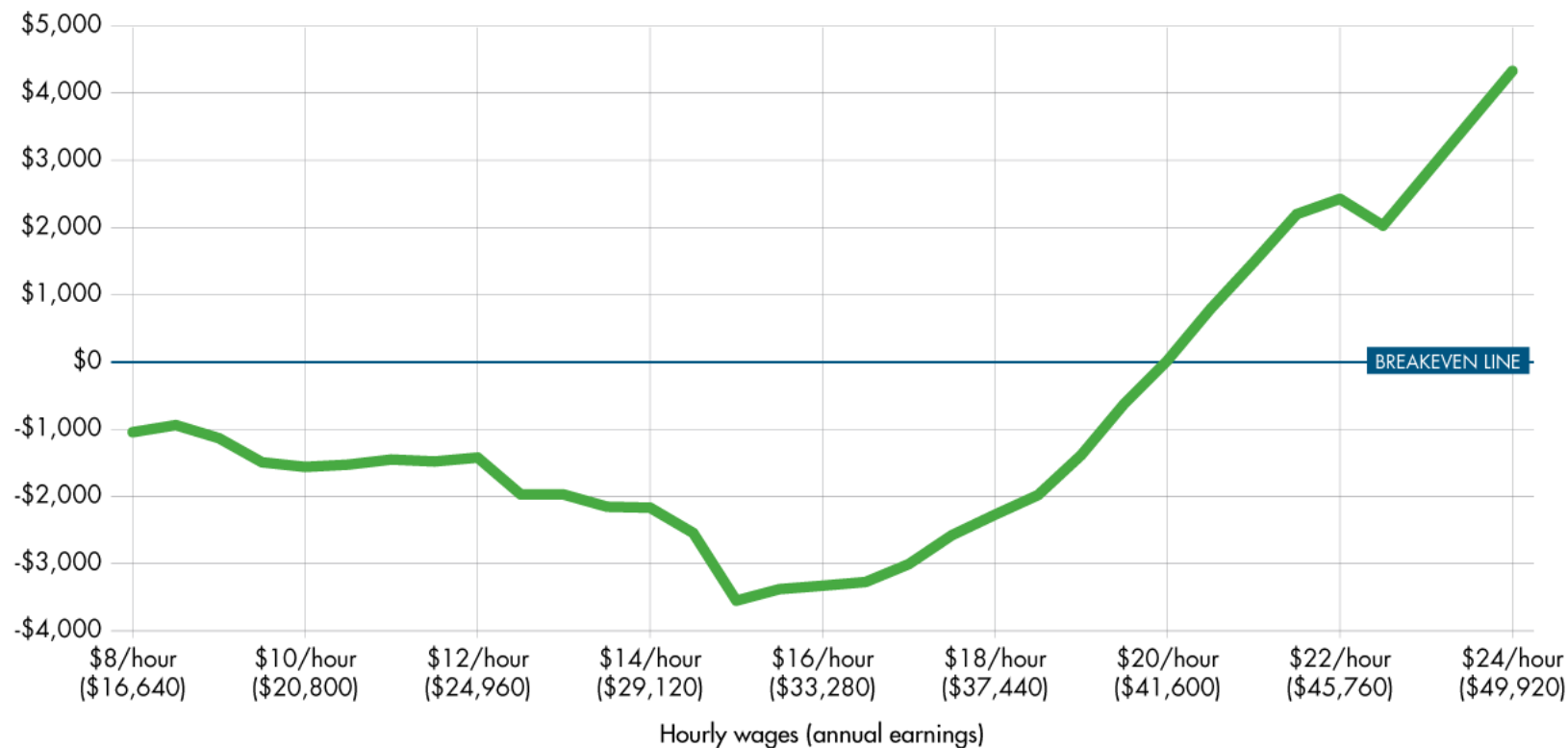
1. Whether a low-wage worker can support a family by combining full-time earnings with work supports depends on:
 - Local cost of living (including assumptions about the cost of specific expenses)
 - Family type (single- or two-parent family, employment status of second parent in two-parent families, number and ages of children)



Net Family Resources: Lamoille County, VT

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



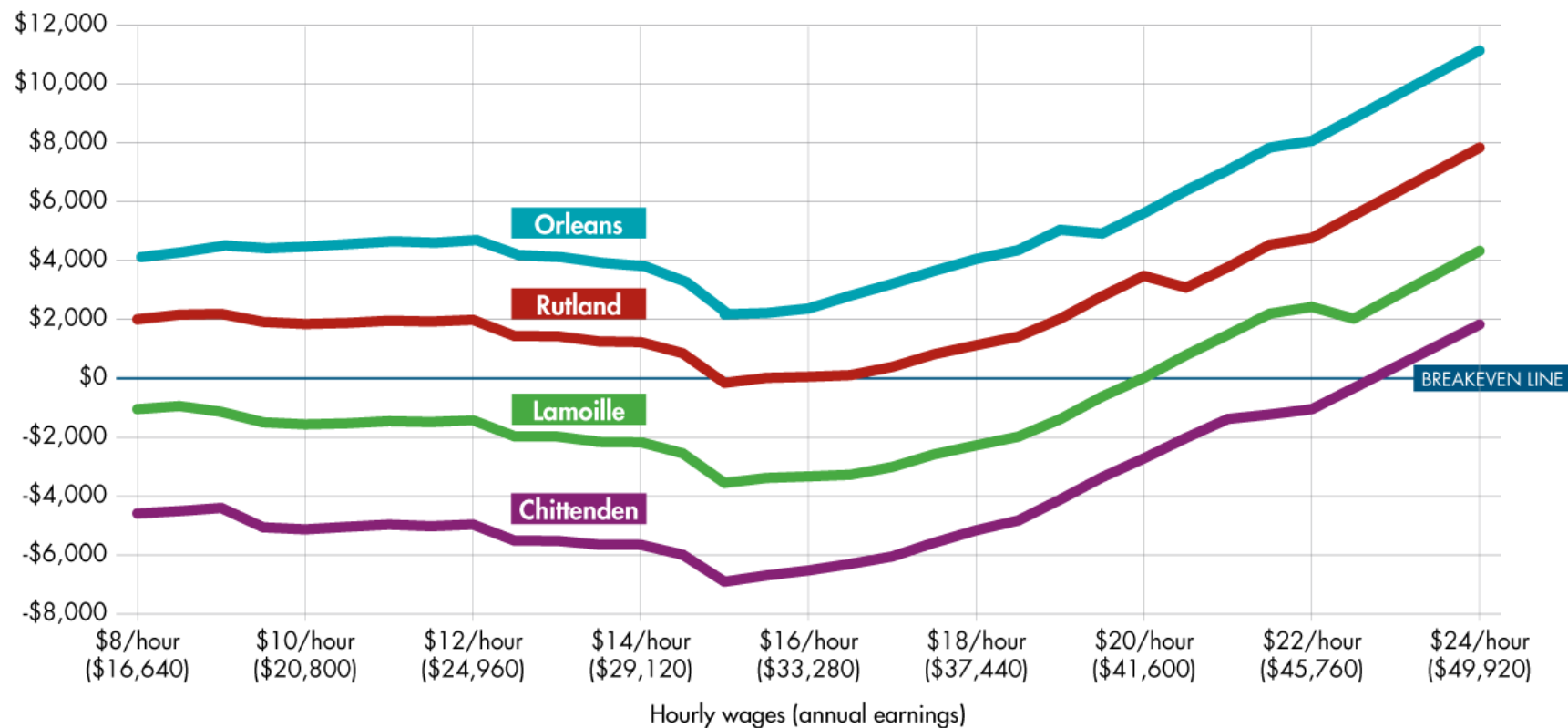
Source: National Center for Children in Poverty's Family Resource Simulator, Vermont 2008 <www.nccp.org/tools/frs>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, LIHEAP, Lifeline Telephone Service Credit, public health insurance, and a child care subsidy.



Net Family Resources: Orleans, Rutland, Lamoille, and Chittenden Counties, VT

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

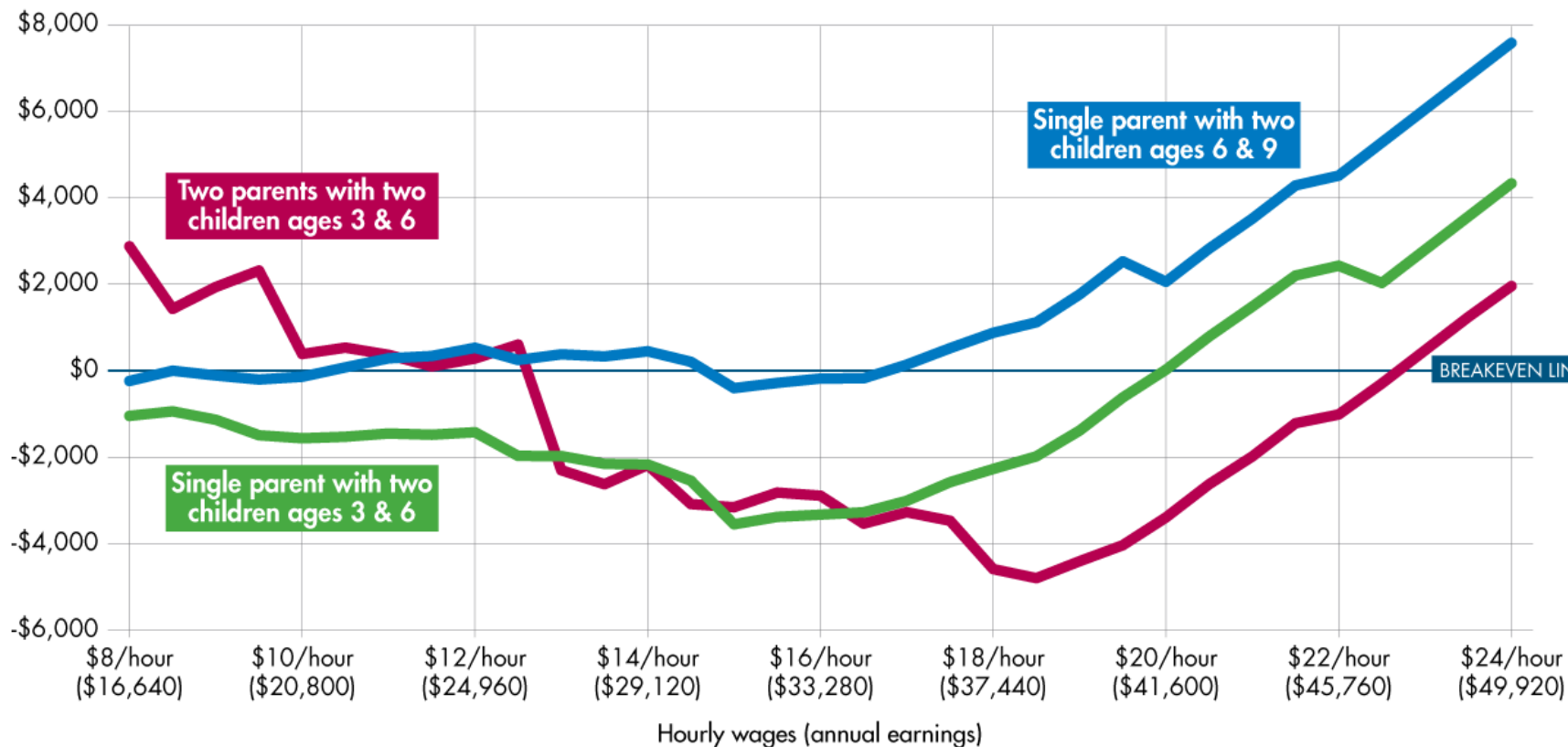


Source: National Center for Children in Poverty's Family Resource Simulator, Vermont 2008 <www.nccp.org/tools/frs>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, LIHEAP, Lifeline Telephone Service Credit, public health insurance, and a child care subsidy.



Impact of Family Type on Net Family Resources: Lamoille County, VT

Resources minus expenses (annual)



Source: National Center for Children in Poverty's Family Resource Simulator, Vermont 2008 <www.nccp.org/tools/frs>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, LIHEAP, Lifeline Telephone Service Credit, public health insurance, and a child care subsidy.



Key Findings About Work Supports in VT (cont)

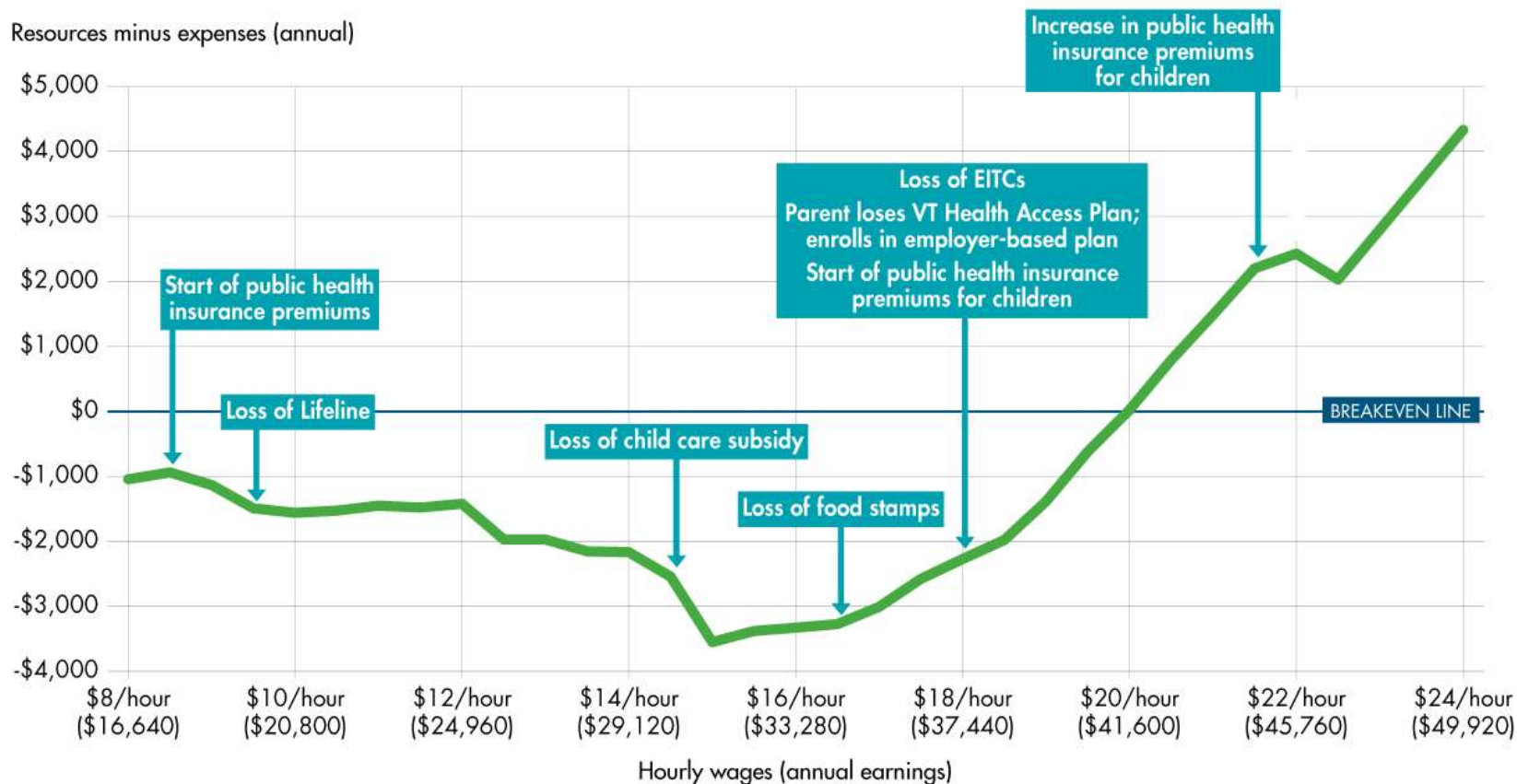
2. Regardless of the cost of basic expenses or family type, across Vermont working and earning more does not always pay.
 - Benefit losses often exceed earnings gains.
 - Why? Some benefits phase out quickly.
 - And multiple benefits phase out simultaneously.



Net Family Resources: Lamoille County, VT

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



Source: National Center for Children in Poverty's Family Resource Simulator, Vermont 2008 <www.nccp.org/tools/frs>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, LIHEAP, Lifeline Telephone Service Credit, public health insurance, and a child care subsidy.



Work Supports Phase Out Quickly

- ◆ As earnings double from \$8 to \$16 an hour, annual net resources *decline* by \$2,000 despite nearly \$17,000 in additional earnings:
 - Child care cost: increase of \$8,285 (with loss of subsidy)
 - Federal and state EITCs: loss of \$4,625
 - Food stamps: loss of \$3,654
 - Renter Rebate: loss of \$706
 - Public health insurance premium: increase of \$588
 - LIHEAP: loss of \$150
 - Lifeline Telephone Service Credit: loss of \$162



Key Findings About Work Supports in VT (cont)

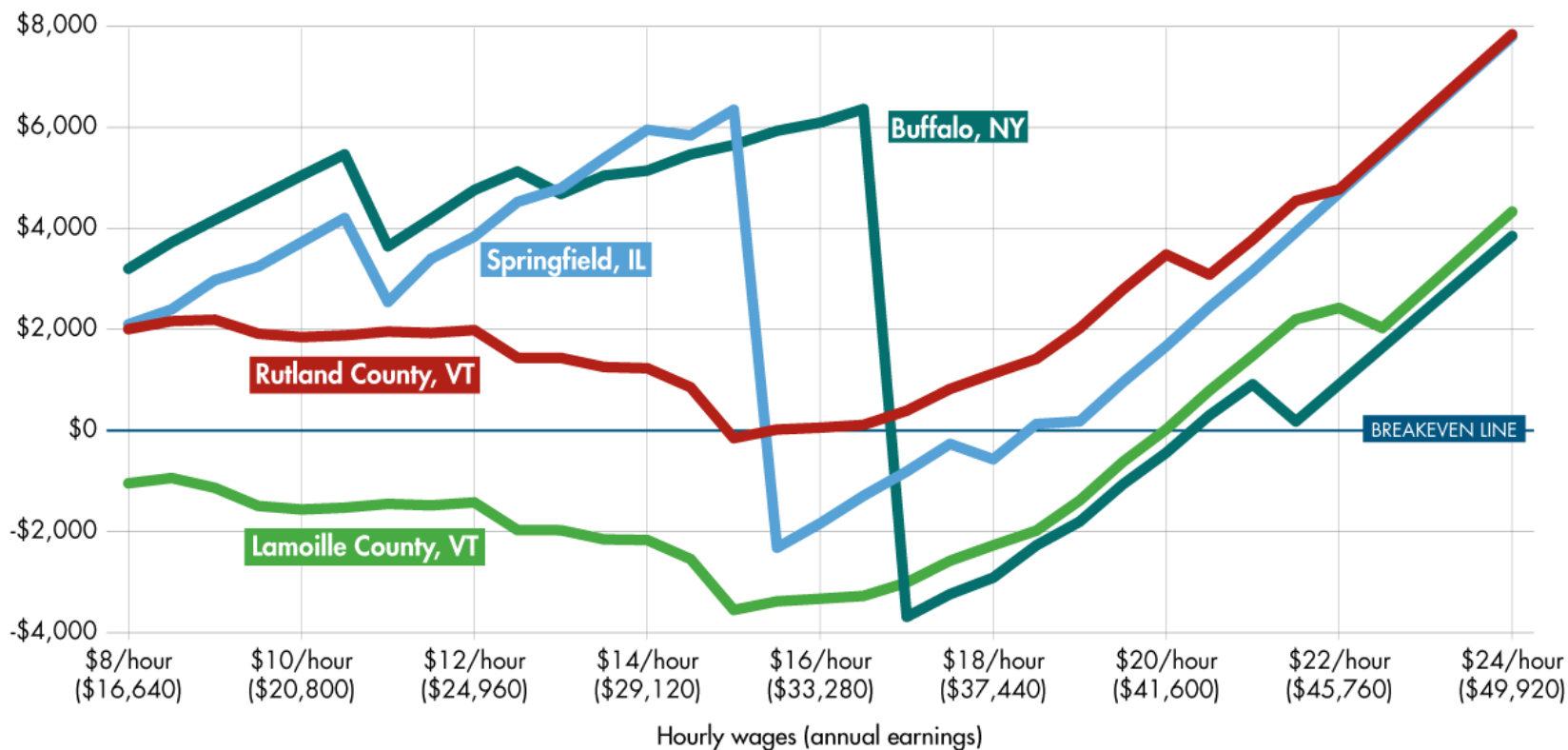
3. Patterns in Vermont differ in important ways from those in other states.
 - State has taken advantage of federal option to expand categorical eligibility for food stamps which results in a more gradual phase out of benefits.
 - As income rises, families with a child care subsidy pay an increasing portion of the cost of care. When they lose eligibility, they are paying nearly the full cost of care, minimizing the cliff.
 - But benefits are not as generous relative to the cost of living as in some other states.



Net Family Resources: Localities in Vermont, Illinois, and New York

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



Source: National Center for Children in Poverty's Family Resource Simulator, Vermont 2008, Illinois 2008, and New York 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. In Vermont, the family also receives LIHEAP and the Lifeline Telephone Service Credit.



For More Information

Visit NCCP's website:

www.nccp.org

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