

The Impact of Government Programs on Family Finances

Arkansas Advocates for Children and Families

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Every day Arkansas families struggle to make ends meet, and the recent economic downturn has made this challenge even more difficult. Just how much money does a family need to cover its basic needs? How much do various government supports and benefits help families to do so? This report will help to answer these questions.

First, the report defines how much income a family needs to cover its basic expenses including child care, food, health care, housing, taxes, transportation, and other necessities. Second, we will take a look at the income eligibility levels for various state and federal government supports including ARKids First, child care and early childhood education, the Earned Income Tax Credit (EITC), housing vouchers, Supplemental Nutrition Assistance Program (SNAP), and Transitional Employment Assistance (TEA). Third, we look at how these various programs can affect the bottom line of families earning different wages. Finally, the report presents several recommendations for better meeting the needs of working families.

I: Family Budgets

As a starting point, it is important to know how much income a family actually needs to cover its basic expenses. Family budgets have been calculated for various family sizes and geographies in Arkansas. These budgets are basic. They include only what a family needs to feed, shelter, and clothe itself, get to work and school, and subsist in modern day America. Therefore, the budgets include no money for savings, no eating out, and no emergency fund.

Budgets have been calculated for one-parent, two-child and two-parent, two-child families in the Little Rock metro area and for rural Arkansas. Each family has two children, one who is four years old and one who is eight. As the table below shows, in Little Rock, a one-parent, two-child family would need to make \$34,488, or \$16.58 an hour, at a full-time job to make basic ends meet. A two-parent, two-child family would need to make \$41,316. One parent would need to make \$19.86 an hour working full time, or the combined hourly wages of the two parents would need to add up to that amount.

Little Rock Metro Area Family Budgets		
	One Parent, Two Children	Two Parents, Two Children
Monthly Housing	\$678	\$678
Monthly Food	\$465	\$643
Monthly Child Care	\$717	\$717
Monthly Transportation	\$339	\$482
Monthly Health Care	\$308	\$393
Monthly Other Necessities	\$275	\$318
Monthly Taxes	\$92	\$212
Monthly Total	\$2874	\$3443
Annual Total	\$34,488	\$41,316
Full-time hourly wage	\$16.58	\$19.86

Source: Economic Policy Institute

In rural parts of the state, as the following table shows, a one-parent, two-child family would need to make \$30,223 or \$14.53 an hour at a full-time job. A two-parent, two-child family would need to make \$37,338. One parent would need to make \$17.95 an hour working full time, or the combined hourly wages of the two parents would need to add up to that amount.ⁱ

Rural Areas in Arkansas Family Budgets		
	One Parent, Two Children	Two Parents, Two Children
Monthly Housing	\$524	\$524
Monthly Food	\$465	\$643
Monthly Child Care	\$632	\$632
Monthly Transportation	\$390	\$524
Monthly Health Care	\$323	\$418
Monthly Other Necessities	\$238	\$281
Monthly Taxes	\$-53	\$90
Monthly Total	\$2519	\$3112
Annual Total	\$30,223	\$37,338
Full-time hourly wage	\$14.53	\$17.95

Source: Economic Policy Institute

For comparison purposes, the following table presents the poverty level for families with two, three, and four people and also shows the calculations for 200 percent of the poverty level. As the table shows, family budgets far exceed the federal poverty line and are much closer to two times the poverty line.

Poverty Levels		
Family size	100 percent of poverty line	200 percent of poverty line
2	\$14,570	\$29,140
3	\$18,310	\$36,620
4	\$22,050	\$44,100

Source: U.S. Department of Health and Human Services

II: Income Eligibility for Government Programs

In this section, we describe a range of state and federal programs that provide either direct cash support to the family or that subsidize the cost of various expenses. The rules for determining eligibility are different for every program and may take into account a range of factors including income, assets, and family size. Below we summarize the rules for determining income eligibility for each program, illustrated by charts showing the benefits at different income levels.

ARKids First

The ARKids First program provides health insurance for children under the age of 19 in low- and middle-income families in Arkansas. There are two programs, ARKids First A and ARKids First B. Under ARKids First A, no co-payments are required. Under ARKids First B, minimal copayments of \$10 are required for most services. Also, a few services such as inpatient hospital days require some coinsurance; \$5 is the copayment for prescriptions. There is an annual cap on copayments and coinsurance of 5 percent of the family's gross income. To qualify for ARKids First B, the children cannot be covered under their parents' employer-sponsored or other group health insurance plans and cannot have had insurance for the previous six months. There is an exception to the six-month waiting period if the coverage is lost involuntarily due to a job loss or because the company for which the parent works no longer provides health insurance.ⁱⁱ

State-provided health insurance coverage for non-disabled adults is almost non-existent. Under current guidelines, such adults cannot receive coverage if their income is more than \$250 per month, which is just \$3,000 per year, or 16 percent of the poverty line for a family of three. Under the health reform law, more adults will be able to receive Medicaid coverage for income up to 133 percent of the federal poverty line, or \$24,352 for a family of three, starting in 2014.

The following table shows the monthly income guidelines for ARKids for a one-parent, two-child family like the family described in the budget section above. Children under age 6 are eligible for ARKids A at incomes up to 133 percent of the federal line, and children ages 6 and over are eligible up to 100 percent of the federal poverty line. Children of all ages are eligible for ARKids B up to 200 percent of the federal poverty line. Starting in 2014, under the new health care reform law, all children will be eligible for ARKids A if their incomes are 133 percent of the federal poverty line or below.

Under ARKids A, several deductions from income are taken when calculating eligibility. First, there is a deduction for earned income of \$90 per month. Deductions can also be taken for child support and child care expenses. No deductions are taken under ARKids B.ⁱⁱⁱ

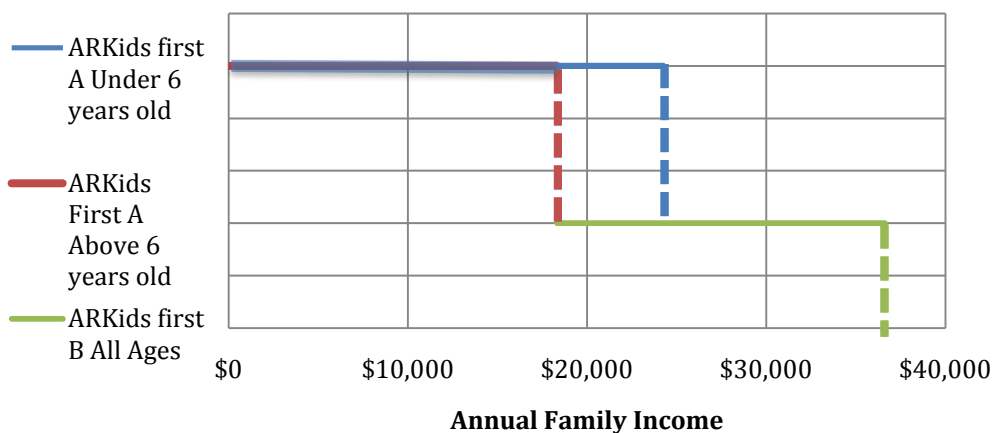
ARKids Income Eligibility for a Family of Three	
Program	Monthly Income Maximum
ARKids A – Under Age 6	\$2,029.35
ARKids A – Age 6 and Over	\$1,525.83
ARKids B	\$3,051.66

Source: Arkansas Department of Human Services, <http://www.arkidsfirst.com/>

Let's assume the family makes \$1,700 a month, or \$20,400 per year and has two children, ages 4 and 8. A deduction of \$90 can be taken for earned income. And as described in the child care section below, at this income level, the family would pay \$287 for child care so that amount can also be deducted. The net income for the family on which eligibility would be determined is \$1,323. Therefore both children would qualify for ARKids A.

The following chart shows the interaction between annual income and ARKids eligibility for the same one-parent, two-child family. The four-year-old will qualify for ARKids A if the family makes less than \$24,352 a year, and her sibling will qualify if the family makes less than \$18,310. Both children will qualify for ARKids B if the family income is less than \$36,620.

ARKids Eligibility at Various Income Levels, One-Parent, Two-Child Family



Child Care and Early Childhood Education

There are three key programs in Arkansas that help families cover the cost of child care and early childhood education: Arkansas Better Chance, Head Start, and vouchers.

Arkansas Better Chance

The Arkansas Better Chance (ABC) program is a high quality early childhood education program for three- and four-year-old children. Services are provided through one of more than 300 agencies at more than 600 sites throughout the state. To be eligible for the program, a family can have income of no more than 200 percent of the federal poverty line. A one-parent, two-child family would qualify if their income was \$36,620 or less.

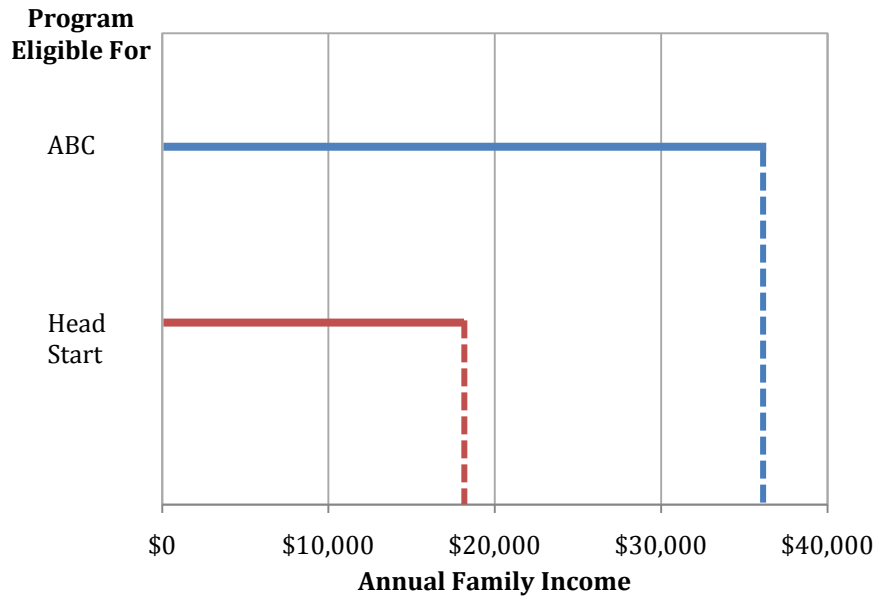
Head Start

Head Start is a federal program that provides a comprehensive early childhood education opportunity for infant- and preschool-age children that includes educational, health, nutritional, social, and other services to the enrolled children and their families. Early Head Start is offered for children ages zero to three, and Head Start is offered for children ages three to five. Head Start is provided throughout the state at locations hosted by 22 local partners.

In general, eligibility for Head Start is determined by income. If the family's income is below the federal poverty level, the family will be eligible for Head Start. Other eligibility categories include being homeless, receiving Transitional Employment Assistance (TEA, see below) or Supplemental Security Income (SSI, support for disabilities), or being in foster care. And some grantees enroll a percentage of children from families with incomes above the poverty level as well.^{iv v}

The following chart shows the interaction between annual income and both ABC and Head Start eligibility for a one-parent, two-child family.

ABC and Head Start Eligibility at Various Income Levels, One-Parent, Two-Child Family



Vouchers

Families can receive a voucher to help cover the costs of child care at a center or a family day care home. Child care vouchers are offered on a sliding scale based on family income, up to 60 percent of state median income. The current scale is based on median income as determined by the U.S Census for 2007. The following table shows how the scale works for a family of three such as the one-parent, two-child family described above. For example, a family that makes \$1,700 per month, or \$20,400 per year, would receive a subsidy of 60 percent of the fee.

Child Care Voucher Sliding Scale For a Family of Three

Percent of Median Income	Monthly Income Range	Amount Of Subsidy
0 to 40%	\$ 0 - \$1,508.07	100% of Fee
40.01 – 45%	\$1,508.08 - \$1,696.58	80% of Fee
45.01 – 50%	\$1,696.59 - \$1,885.08	60% of Fee
50.01 – 55%	\$1,885.09 - \$2,073.59	50% of Fee
55.01 – 60%	\$2,073.60 - \$2,262.10	20% of Fee
60+%	\$2,262.11+	0% of Fee

Source: Arkansas Department of Human Services, <http://www.arkansas.gov/child-care/familysupport/pdf/Updated%20Proposed%20Sliding%20Fee-60.pdf>

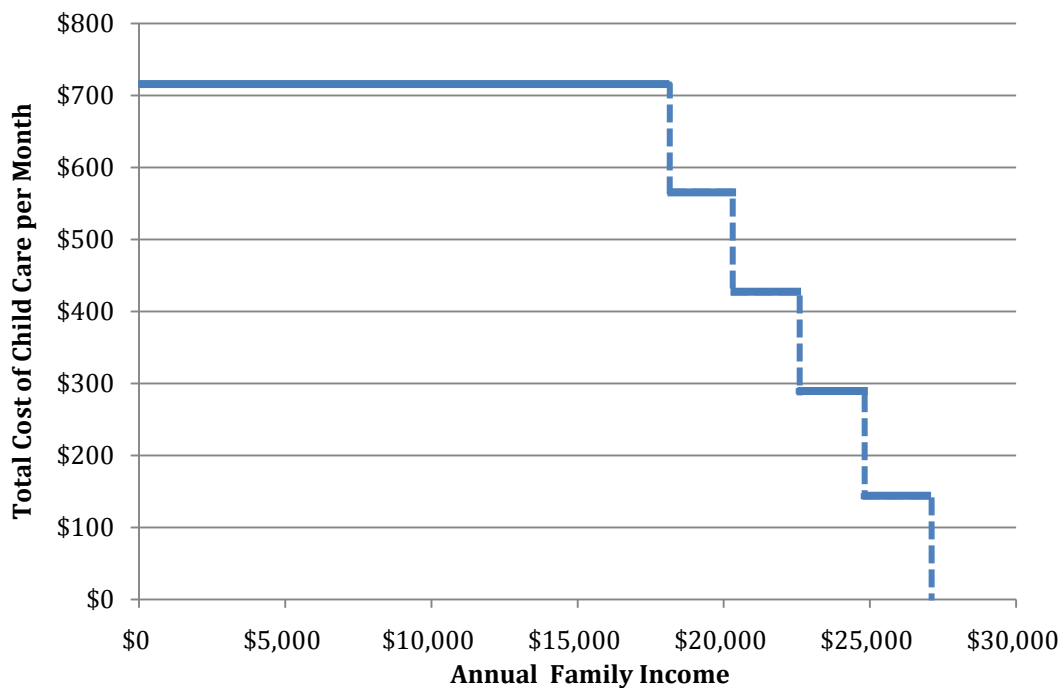
The amount of the voucher is also determined by the rate caps set for each county and type of care. There are varying rates for different types of care such as licensed child care homes,

preschools, registered child care family homes, and relative child care family homes. Rates also vary depending on the age of the child. Current rates went into effect in November 2006.

As an example, let's look at our one-parent, two-child family, where the children are four and eight. Let's assume they live in Pulaski County. The rate cap would be \$105.50 a week for a full-time preschooler and \$60 a week for her school-age sibling to have part-time after school care.^{vi} For the family described above, which makes \$1,700 per month, or \$20,400 per year, the total cost of child care per month would be \$717. The voucher would cover 60 percent of the total cost of care, or \$430.

The following chart shows the subsidy the family receives as their income increases. As you can see, as annual income goes up, the amount of the subsidy goes down, until it phases out at \$27,145 per year.

Voucher Eligibility at Various Income Levels, One-Parent, Two-Child Family

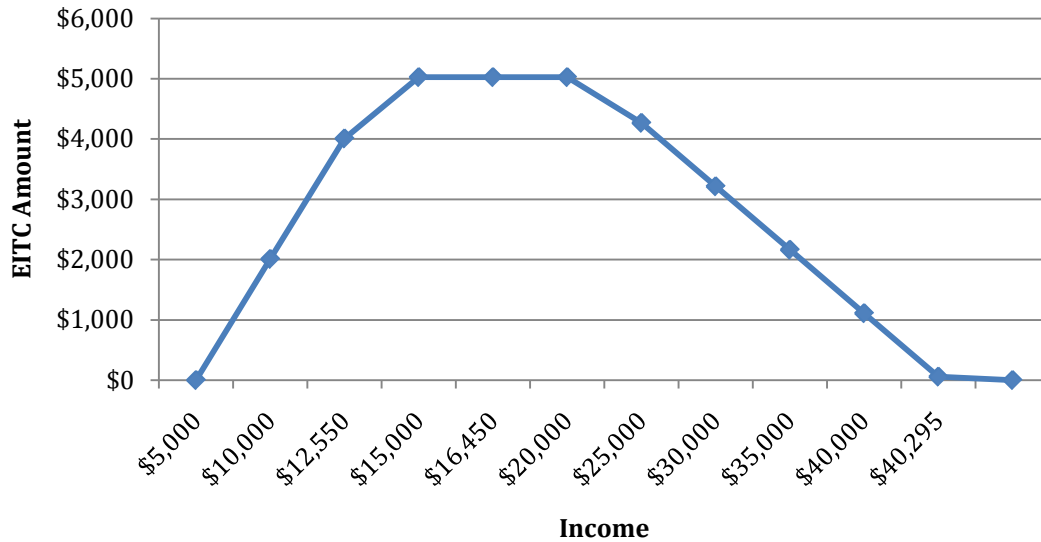


EITC

The federal Earned Income Tax Credit (EITC) provides a refundable tax credit that puts money back in the pockets of low- and middle-income working families. Not only does it reduce the amount of taxes that a family owes, it often provides an additional refund over and above what they owe. The amount of the refund is determined by whether there are one or two parents in the household and by the number of children. For taxes filed in 2010 (2009 tax year), our one-parent, two-child family would be eligible for the EITC if their income does not exceed \$40,295. The maximum credit that the family can receive is \$5,028, which would be a significant increase to their income.

The following chart shows the interaction between annual income and EITC amounts for a one-parent, two-child family. The amount of the EITC goes up until it hits the maximum credit of \$5,028 at \$12,550 in income. The credit stays at the maximum until \$16,450 in income and then begins to decrease until it hits zero at \$40,295 in income.

EITC at Various Income Levels, One-Parent, Two-Child Family



Housing

There are two forms of housing assistance provided by local housing authorities: apartments that are owned by the housing authority (public housing), or vouchers that can be used to rent apartments or houses that are privately owned (housing choice vouchers, which have been known in the past as Section 8 vouchers). Because 2.5 times more households use vouchers than live in public housing, we have limited our focus in this report to vouchers.

Eligibility for vouchers is based on total annual gross income and family size. In general, the family's income may not exceed 50 percent of the median income for the county or metropolitan area in which the family chooses to live. By law, a housing authority must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the area median income.

The housing authority determines a payment standard that is the amount generally needed to rent a moderately-priced dwelling unit in the local housing market, and that is used to calculate the amount of housing assistance a family will receive. The following table shows the housing standard or fair market rent for various sized apartments or houses in Pulaski County.^{vii}

Housing Payment Standard	
Size	Rent
Efficiency	\$540
One Bedroom	\$614
Two Bedroom	\$684
Three Bedroom	\$916
Four Bedroom	\$945

However the payment standard does not limit and does not affect the amount of rent a landlord may charge or the family may pay. A family that receives a housing voucher can select a unit with a rent that is below or above the payment standard. The family must pay 30 percent of its monthly adjusted gross income for rent and utilities, and if the unit rent is greater than the payment standard the family is required to pay the additional amount.^{viii} To calculate the adjusted gross income, a family is allowed to take deductions for each dependent, or for family members who are elderly or have a disability. The deduction for each dependent is \$40 per month.^{ix}

The housing authority calculates the maximum amount of housing assistance allowable. The maximum housing assistance is the payment standard minus 30 percent of the family's monthly adjusted income.^x

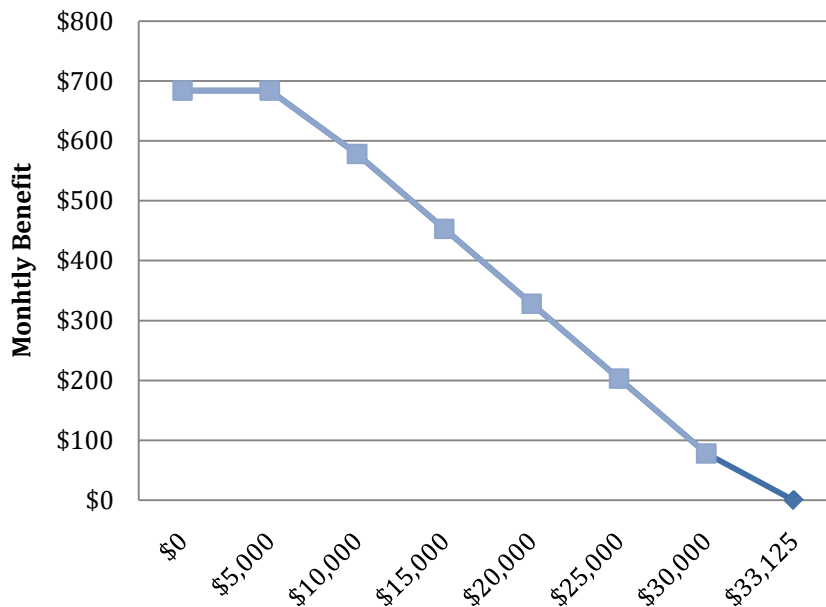
The amount of federal support provided for housing assistance is limited. The Little Rock Housing Authority currently has a two- to three-year waiting list for vouchers.^{xi}

The following table shows the income eligibility for various family sizes at both 30 percent and 50 percent of family median income.^{xii}

Income Eligibility for Housing Vouchers Little Rock MSA		
Family Size	30 percent of Median Income	50 percent of Median Income
1	\$12,450	\$20,700
2	\$14,200	\$23,650
3	\$16,000	\$26,600
4	\$17,750	\$29,550
5	\$19,200	\$31,950
6	\$20,600	\$34,300
7	\$22,050	\$36,650
8	\$23,450	\$62,450

The following chart shows the relationship between income and the amount of housing assistance for our one-parent, two-child family in Little Rock. In this situation, the two children are sharing a room in the family's two-bedroom apartment. The family receives the full benefit at an income of \$5,000, and the value of the voucher declines until the family's income reaches \$33,125.

Housing Voucher Eligibility at Various Income Levels, One-Parent, Two-Child Family



Supplemental Nutrition Assistance Program (SNAP)

The Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamps program, provides assistance for families to cover their food expenses. To determine eligibility both income and assets are considered.

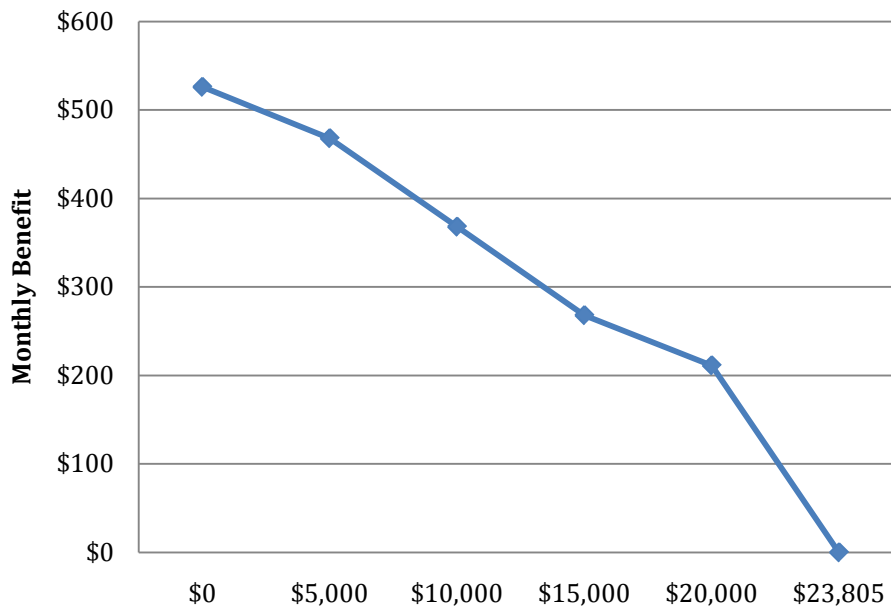
Several deductions to income are allowed when determining eligibility. In addition to a standard deduction, deductions are also taken for earned income, farm losses, child care, child support paid to another household, high medical expenses for elderly or disabled individuals, and high housing expenses.

The earned income deduction, taken first, is 20 percent of gross earned income. An additional standard deduction is then given for all households based on household size. Child care expenses paid directly by the parent are deductible; any government assistance received in paying for child care is not deductible. Housing costs that are in excess of 50 percent of the household's adjusted income can also be deducted, up to a maximum of \$459.

Let's take our example from above; a single parent with two kids earning \$1700 per month. Her earned income deduction would be \$340. She would receive a standard deduction of \$141. From our example in the child care section above, she pays 40 percent of her total child care costs or \$287 per month, so that amount is deductible. After subtracting these three deductions, her total net income upon which eligibility would be determined is \$932. Based on that income, her monthly SNAP benefit would be \$246.34.^{xiii}

The following chart shows the interaction between annual income and SNAP eligibility for a one-parent, two-child family, who has earned income and child care expenses but no other deductions. A family would receive the maximum benefit of \$526 when they had no income. As their income increases, the benefit amount goes down until it reaches zero at \$23,805.

SNAP Benefits at Various Income Levels, One-Parent, Two-Child Family



Source: Arkansas Department of Human Services

Transitional Employment Assistance (TEA)

The Transitional Employment Assistance (TEA) program provides a modest income supplement for extremely low-income families. The income eligibility standard was set in

1997 and was 25 percent of the amount a full-time worker could earn at the minimum wage, which was \$5.15 per hour. The current minimum wage is \$7.25 per hour, and the eligibility standard is just 18 percent of this wage. The standard is the same amount for all family sizes and is used to determine both initial and ongoing income eligibility. A family must have income of \$223 or less per month or \$2,676 per year, to qualify for TEA.

There are several small provisions to reward work, which raise the eligibility standard. If an applicant for TEA is working, she receives a 20 percent work-related deduction. Therefore, she can make as much as \$291.25 per month or \$3,495 per year and still qualify for TEA.

Individuals who already receive TEA receive additional work incentives. They receive the 20 percent work-related deduction and an additional 60 percent work incentive deduction. With those incentives, she can make about \$700 a month, or \$8,400 a year and still qualify.

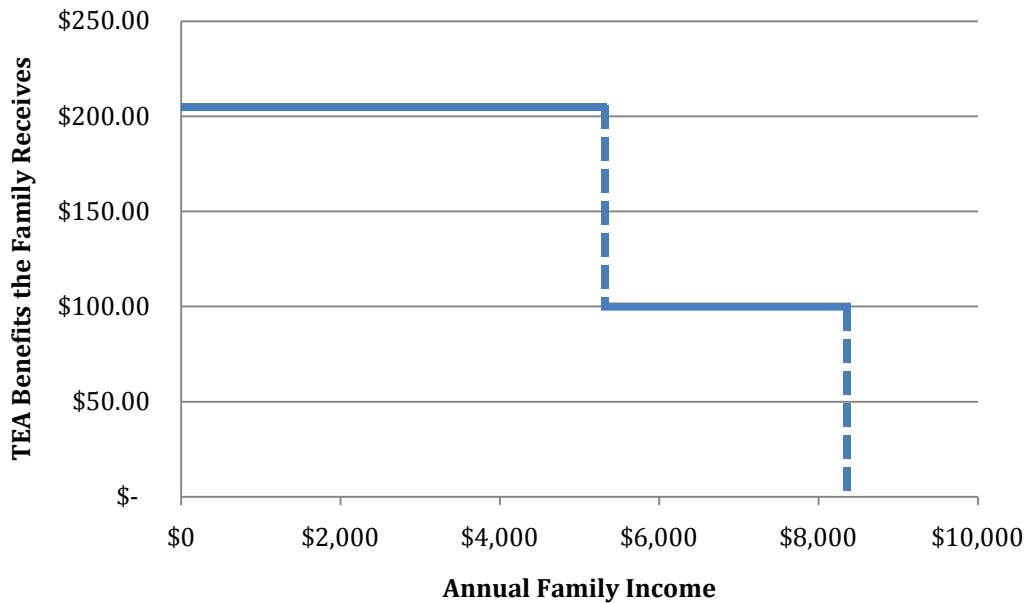
The benefit that is paid to families varies by family size and is minimal. The following table shows the benefit by family size. A one-parent, two-child family would receive \$204 per month in TEA assistance. However, if the parent goes to work, and the family remains income-eligible, their benefit can be reduced. The payment amount will be reduced by 50 percent when the income, excluding child support payments, is equal to or more than \$446 a month or \$5,352 per year. Finally, TEA benefits can be received for a total of just two years.^{xiv}

TEA Benefits, By Family Size	
Family Size	Benefit Amount
1	\$81
2	\$162
3	\$204
4	\$247
5	\$286
6	\$331
7	\$373
8	\$415
9 or more	\$457

Source: Arkansas Department of Human Services

The following chart shows the relationship between the amount of annual income a family has and the TEA benefits they receive. The example shown in this chart is for a one-parent, two-child family where the parent went to work after beginning to receive TEA benefits. If she makes up to \$5,351 per year, she will receive monthly benefits of \$204. If she makes between \$5,351 and \$8,400, her benefit will be reduced to \$102 per month. If she makes more than \$8,400, she will receive no TEA benefits.

TEA Eligibility at Various Income Levels, One-Parent, Two-Child Family



III: Impact of Government Programs on Family Bottom Lines

If a family can access all of the benefits that are available to them, they can add significantly to the resources in their budget and they can reduce their expenses as well. However, as the charts in the previous section show, several benefits stop at a certain income level. ABC and Head Start both have what is known as a cliff effect. On one side of the cliff, the family is eligible for full benefits. On the other side of the cliff, they receive no benefits. They go from full benefits to no benefits in a matter of just one more dollar in income.

A few other benefits add at least one reduction in benefits before the family reaches the cliff. As the charts for ARKids and TEA show, benefits are reduced once as income goes up before the family reaches the final cliff. Other benefits like child care vouchers, the EITC, housing vouchers, and SNAP are designed to reduce more continuously as income goes up.

Single Parent Family with Two Children

Let's take a look at a one-parent, two-child family living in Little Rock and see which public programs they would qualify for at different income levels. The following table provides this information. The program with the highest income-eligibility is the EITC, and the one with the lowest is TEA. The other programs fall in the middle.

Eligibility for Programs at Various Hourly Wage Levels, Working Full Time for a One-parent, Two-child family										
	\$7.25	\$9	\$10	\$11	\$12	\$14	\$16	\$18	\$20	\$22
ARKids	✓	✓	✓	✓	✓	✓	✓			
Arkansas Better Chance	✓	✓	✓	✓	✓	✓	✓			
Head Start	✓									
Child Care Vouchers	✓	✓	✓	✓	✓					
EITC	✓	✓	✓	✓	✓	✓	✓	✓		
Housing Vouchers	✓	✓	✓	✓	✓	✓				
SNAP	✓	✓	✓	✓						
TEA										

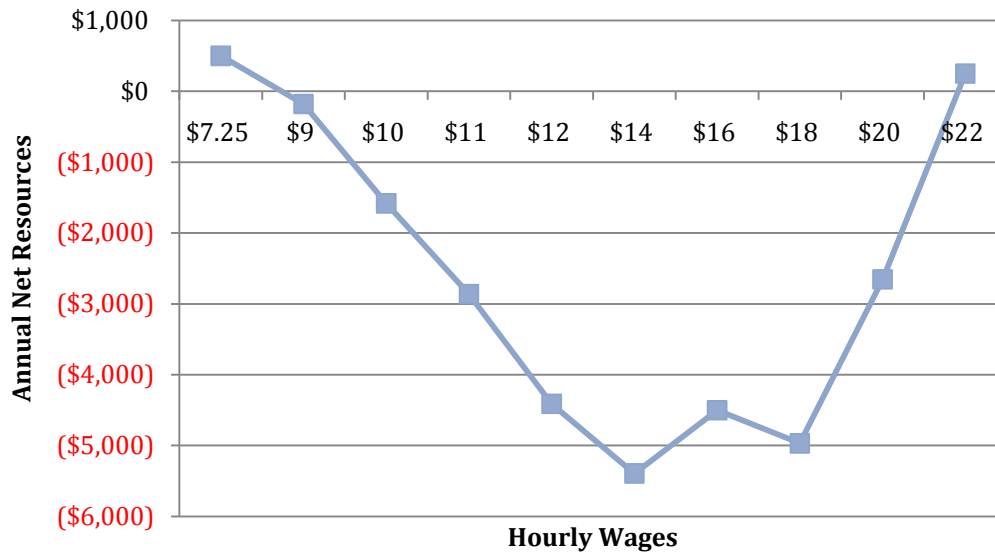
Next, let's look at how the bottom line for one-parent two-child family budgets in Little Rock is impacted at various income levels by the presence or absence of the various income supports. The following table and chart shows this information. The table includes the following supports: EITC, SNAP, TEA, housing vouchers (shown as a reduction in housing expenses), child care vouchers (shown as a reduction in child care expenses), and ARKids (shown as a reduction in health care expenses).

Resources and Expenses as Earnings Increase, Single Parent With Two Children in Little Rock— With Vouchers

	Full-time job at \$7.25 an hour <i>plus work supports</i>	Full-time job at \$9 an hour <i>plus work supports</i>	Full-time job at \$10 an hour <i>plus work supports</i>	Full-time job at \$11 an hour <i>plus work supports</i>	Full-time job at \$12 an hour <i>plus work supports</i>	Full-time job at \$14 an hour <i>plus work supports</i>	Full-time job at \$16 an hour <i>plus work supports</i>	Full-time job at \$18 an hour <i>plus work supports</i>	Full-time job at \$20 an hour <i>plus work supports</i>	Full-time job at \$22 an hour <i>plus work supports</i>
Annual Resources										
Earnings	\$15,080	\$18,720	\$20,800	\$22,880	\$24,960	\$29,120	\$33,280	\$37,440	\$41,600	\$45,760
EITC	\$5,028	\$4,543	\$4,100	\$3,669	\$3,226	\$2,352	\$1,478	\$604	\$0	\$0
SNAP	\$266.70	\$236.93	\$238.35	\$239.75	0	0	0	0	0	0
TEA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Resources	\$20,375	\$23,500	\$25,138	\$26,789	\$28,186	\$31,472	\$34,758	\$38,044	\$41,600	\$45,760
Annual Expenses										
Housing	\$2,724	\$3,816	\$4,440	\$5,064	\$5,688	\$6,936	\$8,136	\$8,136	\$8,136	\$8,136
Food	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580
Child Care	\$0	\$1,721	\$3,442	\$5,162	\$6,883	\$8,604	\$8,604	\$8,604	\$8,604	\$8,604
Transportation	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068
Health Care	\$961	\$961	\$1,069	\$1,069	\$1,069	\$1,177	\$1,177	\$3,696	\$3,696	\$3,696
Other Necessities	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Taxes	\$3,242	\$4,233	\$4,821	\$5,408	\$6,008	\$7,201	\$8,394	\$9,628	\$10,870	\$12,126
Total Net Expenses	\$19,875	\$23,679	\$26,720	\$29,651	\$32,596	\$36,866	\$39,259	\$43,012	\$44,254	\$45,510
Annual Net Resources	\$500	(\$179)	(\$1,582)	(\$2,863)	(\$4,410)	(\$5,394)	(\$4,501)	(\$4,968)	(\$2,654)	\$250

As both the table above and the chart below show, the family budget starts out positive when the parent earns \$7.25 an hour, but the budget gets worse until it bottoms out at \$14 per hour. This is largely due to the declining value of benefits as the family makes more, such as child care, the EITC, and housing vouchers, and the outright final cliff effects of some benefits such as SNAP when the family moves from \$11 to \$12 an hour. The family does not break even again until they make \$22 an hour.

Changes in Net Resources as Wages Increase – With Child Care Vouchers

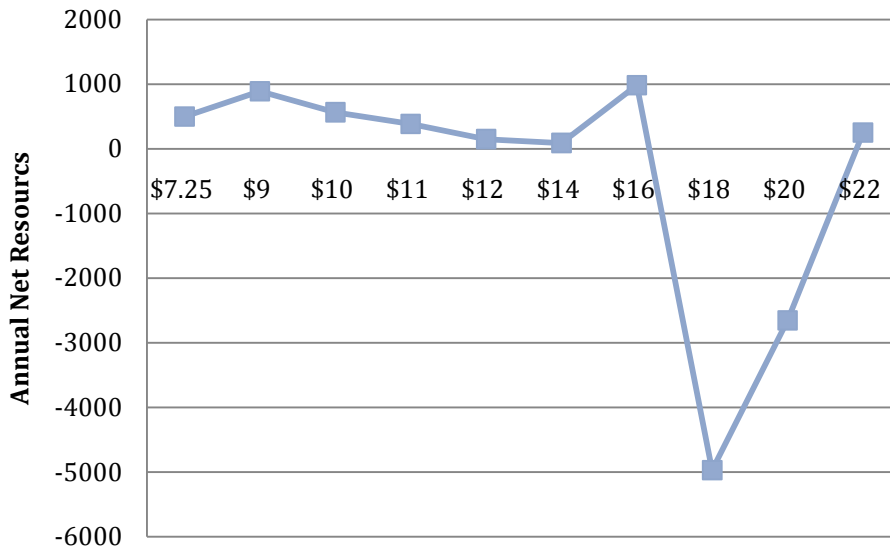


The following table and chart show another example for the same family. In this case, the family used ABC for their four year old and child care vouchers for their eight year old's after school care. In this situation, the family's budget is positive up until the parent makes \$18 an hour, which reflects the steep cliff effect of losing ABC at that point. The family does not recover until the parent makes \$22 per hour.

Resources and Expenses as Earnings Increase, Single Parent With Two Children in Little Rock – With ABC

	Full-time job at \$7.25 an hour <i>plus work supports</i>	Full-time job at \$9 an hour <i>plus work supports</i>	Full-time job at \$10 an hour <i>plus work supports</i>	Full-time job at \$11 an hour <i>plus work supports</i>	Full-time job at \$12 an hour <i>plus work supports</i>	Full-time job at \$14 an hour <i>plus work supports</i>	Full-time job at \$16 an hour <i>plus work supports</i>	Full-time job at \$18 an hour <i>plus work supports</i>	Full-time job at \$20 an hour <i>plus work supports</i>	Full-time job at \$22 an hour <i>plus work supports</i>
Annual Resources										
Earnings	\$15,080	\$18,720	\$20,800	\$22,880	\$24,960	\$29,120	\$33,280	\$37,440	\$41,600	\$45,760
EITC	\$5,028	\$4,543	\$4,100	\$3,669	\$3,226	\$2,352	\$1,478	\$604	\$0	\$0
SNAP	\$266.70	\$209.50	\$191.50	\$199.10	173.1	0	0	0	0	0
TEA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Resources	\$20,375	\$23,473	\$25,092	\$26,748	\$28,359	\$31,472	\$34,758	\$38,044	\$41,600	\$45,760
Annual Expenses										
Housing	\$2,724	\$3,816	\$4,440	\$5,064	\$5,688	\$6,936	\$8,136	\$8,136	\$8,136	\$8,136
Food	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580
Child Care	\$0	\$624	\$1,248	\$1,872	\$2,496	\$3,120	\$3,120	\$8,604	\$8,604	\$8,604
Transportation	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068
Health Care	\$961	\$961	\$1,069	\$1,069	\$1,069	\$1,177	\$1,177	\$3,696	\$3,696	\$3,696
Other Necessities	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Taxes	\$3,242	\$4,233	\$4,821	\$5,408	\$6,008	\$7,201	\$8,394	\$9,628	\$10,870	\$12,126
Total Net Expenses	\$19,875	\$22,582	\$24,526	\$26,361	\$28,209	\$31,382	\$33,775	\$43,012	\$44,254	\$45,510
Annual Net Resources	\$500	\$890	\$565	\$387	\$150	\$90	\$983	(\$4,968)	(\$2,654)	\$250

Changes in Net Resources as Wages Increase – With ABC



Two-Parent Family with Two Children

Throughout this report, we have focused on single-parent families, but two-parent families are struggling to make ends meet as well, and they can also benefit from government supports. As with the one-parent family, let’s start by looking at which programs the family would qualify for at various income levels. This family has the same number of children: a four-year-old and an eight-year-old.

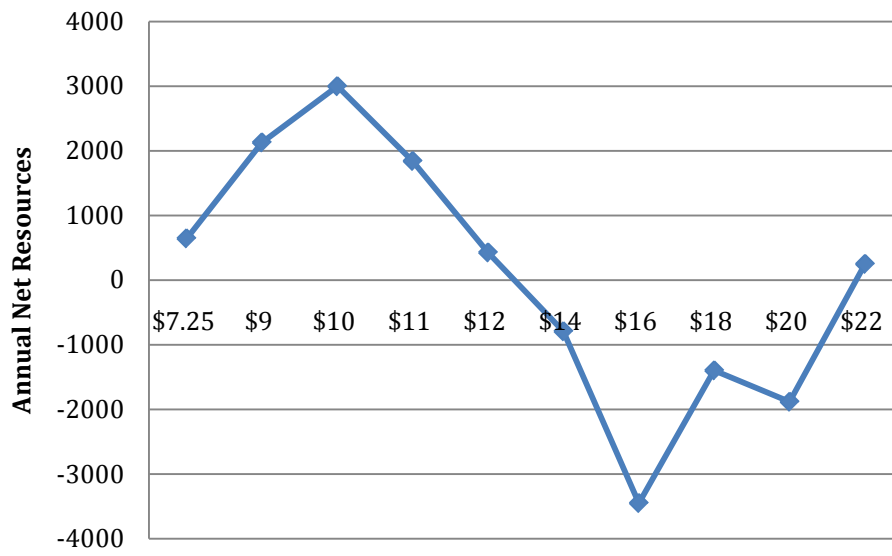
Eligibility for Programs at Various Wage Levels, Working Full Time For a Two-parent, Two-child family										
	\$7.25	\$9	\$10	\$11	\$12	\$14	\$16	\$18	\$20	\$22
ARKids	✓	✓	✓	✓	✓	✓	✓	✓		
Arkansas Better Chance	✓	✓	✓	✓	✓	✓	✓			
Head Start	✓									
Child Care Vouchers	✓	✓	✓	✓	✓	✓				
EITC	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Housing Vouchers	✓	✓	✓	✓	✓	✓				
SNAP	✓	✓	✓	✓	✓					
TEA										

Next, let's also look at how the bottom line of two-parent families is affected by the use of government supports. In the first example, presented in the following table and chart, the family uses child care vouchers for both children. The family has a positive budget until the parents' wages hit \$14 per hour, reflecting the loss of its child care and housing vouchers. It does not break even again until \$22 per hour.

Resources and Expenses as Earnings Increase, Married Parents With Two Children in Little Rock – With Vouchers

	Full-time job at \$7.25 an hour plus work supports	Full-time job at \$9 an hour plus work supports	Full-time job at \$10 an hour plus work supports	Full-time job at \$11 an hour plus work supports	Full-time job at \$12 an hour plus work supports	Full-time job at \$14 an hour plus work supports	Full-time job at \$16 an hour plus work supports	Full-time job at \$18 an hour plus work supports	Full-time job at \$20 an hour plus work supports	Full-time job at \$22 an hour plus work supports
Annual Resources										
Earnings	\$15,080	\$18,720	\$20,800	\$22,880	\$24,960	\$29,120	\$33,280	\$37,440	\$41,600	\$45,760
EITC	\$5,028	\$5,028	\$5,028	\$4,722	\$4,279	\$3,405	\$2,531	\$1,657	\$773	\$0
SNAP	\$412.30	\$339.50	\$340.92	\$342.34	343.76	0	0	0	0	0
TEA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Resources	\$20,520	\$24,088	\$26,169	\$27,944	\$29,583	\$32,525	\$35,811	\$39,097	\$42,373	\$45,760
Annual Expenses										
Housing	\$2,724	\$3,816	\$4,440	\$5,064	\$5,688	\$6,936	\$8,136	\$8,136	\$8,136	\$8,136
Food	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580
Child Care	\$0	\$0	\$0	\$1,721	\$3,442	\$5,162	\$8,604	\$8,604	\$8,604	\$8,604
Transportation	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068
Health Care	\$961	\$961	\$961	\$961	\$1,069	\$1,069	\$1,177	\$1,177	\$3,696	\$3,696
Other Necessities	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Taxes	\$3,242	\$4,233	\$4,821	\$5,408	\$6,008	\$7,201	\$8,394	\$9,628	\$10,870	\$12,126
Total Net Expenses	\$19,875	\$21,958	\$23,170	\$26,102	\$29,155	\$33,316	\$39,259	\$40,493	\$44,254	\$45,510
Annual Net Resources	\$646	\$2,129	\$2,999	\$1,842	\$428	(\$791)	(\$3,448)	(\$1,396)	(\$1,881)	\$250

Changes in Net Resources as Wages Increase – With Child Care Vouchers

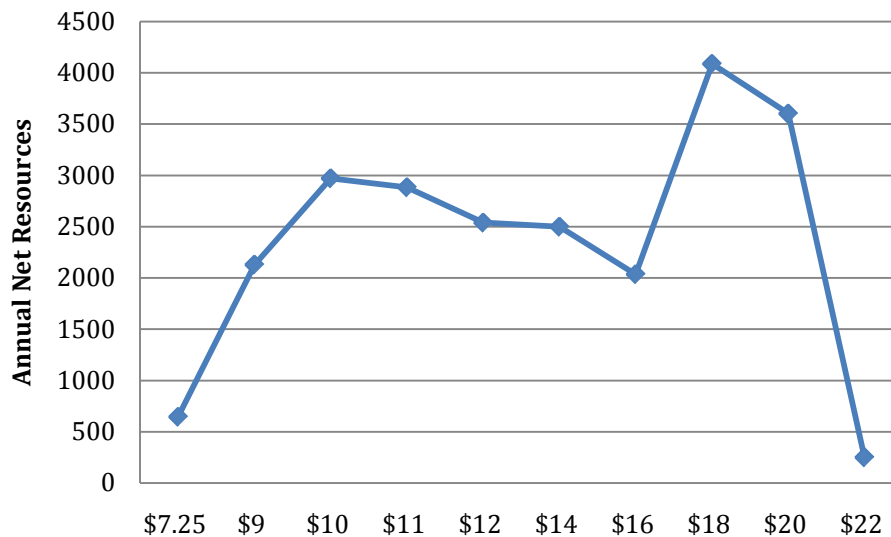


In the second example, the family uses ABC for its four-year-old and vouchers for its eight-year-old. As the table and chart indicate, the family maintains a positive budget at all income levels. This is largely due to the increased income eligibility for larger family sizes, which extends the use of government benefits.

Resources and Expenses as Earnings Increase, Married Parents With Two Children in Little Rock – With ABC

	Full-time job at \$7.25 an hour <i>plus work supports</i>	Full-time job at \$9 an hour <i>plus work supports</i>	Full-time job at \$10 an hour <i>plus work supports</i>	Full-time job at \$11 an hour <i>plus work supports</i>	Full-time job at \$12 an hour <i>plus work supports</i>	Full-time job at \$14 an hour <i>plus work supports</i>	Full-time job at \$16 an hour <i>plus work supports</i>	Full-time job at \$18 an hour <i>plus work supports</i>	Full-time job at \$20 an hour <i>plus work supports</i>	Full-time job at \$22 an hour <i>plus work supports</i>
Annual Resources										
Earnings	\$15,080	\$18,720	\$20,800	\$22,880	\$24,960	\$29,120	\$33,280	\$37,440	\$41,600	\$45,760
EITC	\$5,028	\$5,028	\$5,028	\$4,722	\$4,279	\$3,405	\$2,531	\$1,657	\$773	\$0
SNAP	\$412.30	\$339.50	\$313.50	\$287.50	\$261.50	0	0	0	0	0
TEA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Resources	\$20,520	\$24,088	\$26,142	\$27,890	\$29,501	\$32,525	\$35,811	\$39,097	\$42,373	\$45,760
Annual Expenses										
Housing	\$2,724	\$3,816	\$4,440	\$5,064	\$5,688	\$6,936	\$8,136	\$8,136	\$8,136	\$8,136
Food	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580	\$5,580
Child Care	\$0	\$0	\$0	\$624	\$1,248	\$1,872	\$3,120	\$3,120	\$3,120	\$8,604
Transportation	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068	\$4,068
Health Care	\$961	\$961	\$961	\$961	\$1,069	\$1,069	\$1,177	\$1,177	\$3,696	\$3,696
Other Necessities	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Taxes	\$3,242	\$4,233	\$4,821	\$5,408	\$6,008	\$7,201	\$8,394	\$9,628	\$10,870	\$12,126
Total Net Expenses	\$19,875	\$21,958	\$23,170	\$25,005	\$26,961	\$30,026	\$33,775	\$35,009	\$38,770	\$45,510
Annual Net Resources	\$646	\$2,129	\$2,971	\$2,884	\$2,539	\$2,499	\$2,036	\$4,088	\$3,603	\$250

Changes in Net Resources as Wages Increase – With ABC



IV: Recommendations

The examples in this paper have shown that there are several ways that government support programs could be better designed to meet the needs of hard-working families. The following is a summary of several recommendations for policy changes to achieve this goal.

- **Set income eligibility levels high enough to encourage work.** The current income eligibility for the TEA program is just \$8,400. At the minimum wage, a person could work no more than 22 hours a week and still qualify for TEA. As was shown above, a person working full-time does not qualify for TEA.
- **Design income eligibility to avoid cliffs.** As this report has shown, some programs are designed so that they have a cliff effect. With just one additional dollar in income, the family goes from having full benefits to none at all. This serves as a disincentive to work. Other programs such as child care vouchers and the EITC are designed to reduce benefits gradually as income goes up. Such programs reward work, and their design should be replicated in other programs.
- **Start the reduction of benefits at higher income levels.** Theoretically it is difficult to argue against programs that reduce benefit levels as income increases. They serve as an incentive to work. However, as the data above shows, such policies can have a negative impact on family bottom lines if the reduction in benefits begins at too low of an income. Therefore, the income level at which benefits begin to decline should be increased so as to reduce the negative impact on families.
- **Implement the new ARKids First income eligibility levels passed in the 2009 legislative session.** During the 2009 legislative session, a bill was passed to expand ARKids First eligibility up to 250 percent of the federal poverty line or \$45,775 for a family of three. Arkansas will leave millions on the table if it does not implement the promised expansion. Every dollar that the state invests in ARKids leverages up to \$4

in federal matching funds. The roughly \$11 million increase in state spending would pay for itself many times over, bringing an estimated \$57 million in federal match and related business activity.^{xv}

- **Provide health insurance assistance for adults.** As shown above, a one-parent, two-child family can receive assistance with health insurance expenses for the children in the family, but there is almost no help for the health insurance expenses of the parent. The new health reform law will significantly expand coverage for adults in 2014. First, Medicaid income eligibility for all individuals under 65 will be expanded to 133 percent of the federal poverty level, or \$24,000 for a family of three. Second, employers, with exceptions for smaller firms, will be required to offer affordable coverage to their employees. (Small employers, while exempt from the requirement, are already eligible for tax credits to help pay for the cost of providing health insurance to employees). And third, a health insurance exchange will be created that will offer a choice of health insurance plans for those who cannot otherwise access insurance through employers or are not eligible for Medicaid or Medicare.
- **Include single parent families with two or more children in income tax exemptions.** A 2007 Arkansas law exempts most families with children that have income below the poverty line from paying state taxes. However, the law left out nearly 50,000 single parent families with two or more children.

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- ⁱ Economic Policy Institute. Basic Family Budget Calculator. http://www.epi.org/content/budget_calculator/. Adjustments to the budget calculated by the Economic Policy Institute were made to account for the cost of child care allowed by the Arkansas Department of Human Services.
- ⁱⁱ Arkansas Department of Human Services. <http://www.arkidsfirst.com/>
- ⁱⁱⁱ Arkansas Department of Human Services. <http://www.arkansas.gov/dhs/dco/OPPD/Medicaid%20Handout%202002.pdf>
- ^{iv} U.S. Department of Health and Human Services. Early Childhood Knowledge and Learning Center. <http://eclkc.ohs.acf.hhs.gov/hslc>
- ^v U.S. Department of Health and Human Services. <http://aspe.hhs.gov/POVERTY/09poverty.shtml>
- ^{vi} http://www.arkansas.gov/child_care/familysupport/pdf/caprates.pdf
- ^{vii} U.S. Department of Housing and Urban Development, http://www.huduser.org/portal/datasets/fmr/fmrs/FY2010_code/select_Geography.odb
- ^{viii} U.S. Department of Housing and Urban Development, http://www.hud.gov/offices/pih/programs/hcv/about/fact_sheet.cfm
- ^{ix} U.S. Department of Housing and Urban Development, http://portal.hud.gov/portal/page/portal/HUD/topics/rental_assistance/phprog
- ^x U.S. Department of Housing and Urban Development, http://www.hud.gov/offices/pih/programs/hcv/about/fact_sheet.cfm
- ^{xi} Little Rock Housing Authority, https://www.lrhousing.org/voucher_program/
- ^{xii} U.S. Department of Housing and Urban Development, <http://www.huduser.org/portal/datasets/il/il10/ar.pdf>
- ^{xiii} Arkansas Department of Human Services. http://www.arkansas.gov/dhs/webpolicy/FSC_TOC.htm
- ^{xiv} Arkansas Department of Human Services. http://www.arkansas.gov/dhs/webpolicy/TEA%20Policy/TEA_TOC.htm
- ^{xv} Families USA state income calculator available at <http://www.familiesusa.org/issues/medicaid/other/medicaid-calculator/medicaid-calculator.html?state=Arkansas>