florida children's council

Two Generational Approach: Focused Policies for Improved Outcomes.

Research is clear that poverty is the single greatest threat to children's development and overall well-being. Approximately **45%** of children in Florida are from low-income households with parents who work[1]. Poverty greatly impedes children's ability to learn and contributes to social, emotional, and behavioral problems. Poverty also can contribute to poor physical and mental health.

The economic stabilization and path to self-sufficiency for families is inextricably linked to children's development. While accessing social services can provide needed financial supports for households, in many instances income eligibility requirements force parents to choose between wage increases and critical needs of children, such as health insurance and child care. Often the programs then paradoxically create disincentives for progression along a wage or career path necessary to lift a household permanently out of poverty. Recent research calls attention to **"cliff effects"** as a particularly problematic disincentive associated with many work support policies. In essence, cliff effects penalize households financially for progressing beyond income thresholds of work support eligibility. Evidence that cliff effects undermine anti-poverty programs is of increasing concern to early childhood practitioners and researchers who have long-since recognized the critical role family context plays in children's development.

Although work support benefits associated with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 provided significant reform and have helped recipients maintain employment and survive on limited incomes, there are differing impacts for individuals versus families with young children. Analysis of social services in Florida revealed that policies have been structurally established to effectively support an individual in poverty working toward economic self-sufficiency. By stark contrast, there are disparities in economic stabilization for families with young children in poverty. Through the analysis of six major social service programs, the impact of fiscal cliffs for families with young children in poverty have been documented. Opportunities for policy improvements have been identified, as well as proposed reform measures with more effective strategies to improve outcomes for children and economic self-sufficiency for families.

Analysis of Florida Social Service Program Policies

In determining the most significant social services for families, analysis was conducted and concentrated on six work-support programs selected because of the substantial budgetary impact both for government and family:

A. TANF Cash Assistance (TCA)
B. Supplemental Nutrition Assistance Program (SNAP)
C. Child Care Development Block Grant Child Care Tuition Subsidies (School Readiness)
D. Federal Earned Income Tax Credit (EITC)
E. Public Health Insurance (Medicaid, Florida CHIP)
F. Section 8 Public Housing Choice Vouchers

The impact of TCA, SNAP, School Readiness, EITC, Medicaid/ Florida CHIP, and Section 8 housing vouchers on household budgets was estimated using the Family Resource Simulator, an online tool available through Columbia University's National Center for Children in Poverty.[2] Diagrams 1 - 2 contrast the impact of the programs on a single adult with no children and a single parent with two children, ages 3 and 6. Each of the households in this example assumes residence in Miami-Dade County.

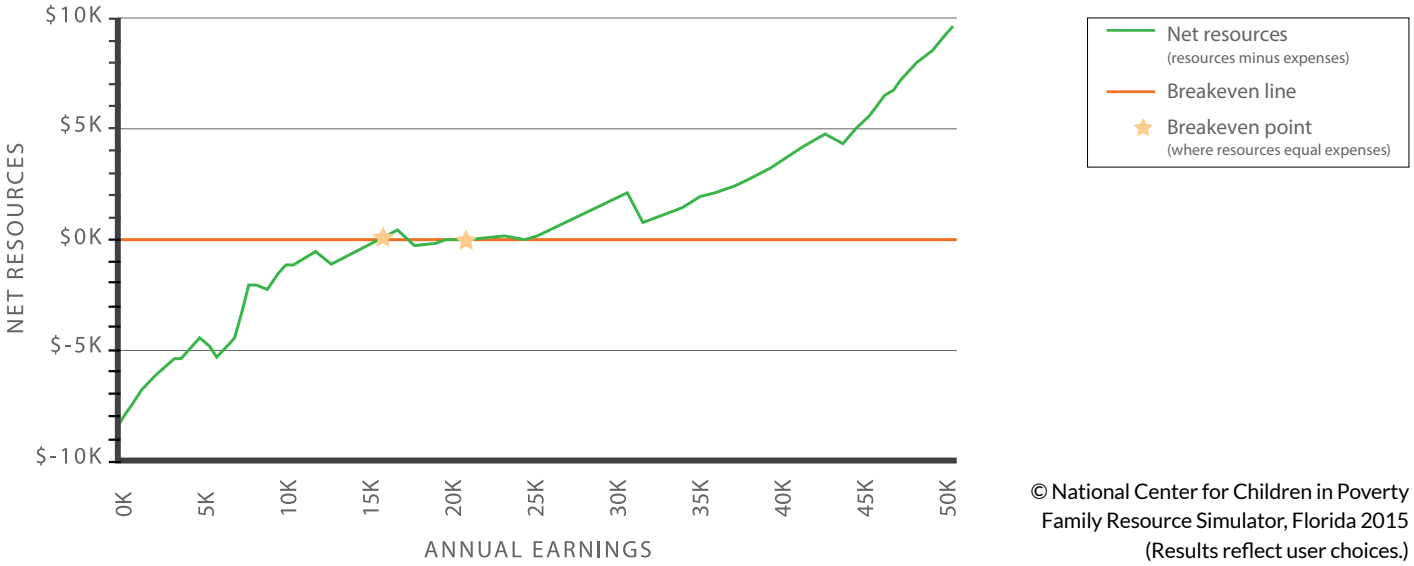
Each diagram displays net family resources as the family's earnings increase from $0 to the state median income. The green line represents the net resources available to the family after subtracting basic expenses. The red horizontal line represents the "break-even" line, where the family's total resources are equal to basic expenses; asterisks indicate where the family reaches the break-even point. Models illustrated by Diagram 1 reflect utilization of five work supports when eligible: SNAP, Medicaid/Florida CHIP, Section 8 housing vouchers, TCA, and EITC[3].

The diagram on the following page depicts the financial upward trajectory for an individual that is accessing social services while working to increase wages. As social services are reduced or eliminated, there are not significant financial cliffs as these are mitigated with increased wages.

[1] United Way's 2017 ALICE report, http://www.uwof.org/alice
[2] National Center for Children in Poverty https://goo.gl/XSyqmN
[3] The models as shown assume a family is drawing down the entire Federal Earned Income Tax Credit. However data suggests that without the help of tax professionals in filing income taxes many families leave money on the table.

Diagram 1: Single Adult, No Children

Net Family Resources (resources minus expenses)

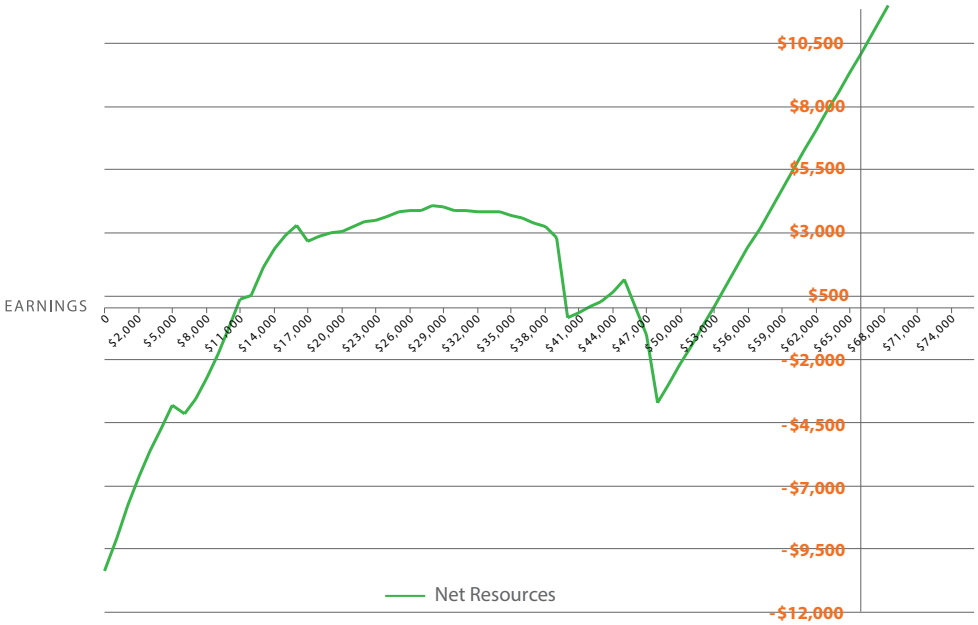


© National Center for Children in Poverty
Family Resource Simulator, Florida 2015
(Results reflect user choices.)

The model illustrated by Diagram 2 adds School Readiness as work supports accessed by a single parent in Miami with two children, ages, 3 and 6.

Diagram 2: Single Parent, Two Children, Ages 3 and 6

Net Household Resource Fluctuations by Earnings Level



Two clear take-aways are apparent by comparing the two models. The first is the relatively smooth path to surpassing the break-even line experienced by households without children. Intuitively, the expenses associated with children contribute to the budgetary challenges parents face. A second observation calls attention to the presence of three cliff effects (with cliffs two and three hitting so closely it creates a stacked effect) experienced by the single parent (Diagram 2) as illustrated by the sudden and steep decline of net family resources upon reaching specific annual earnings thresholds. Further exacerbating the issue is this model represents a singular case study and assumes the family is receiving a child care tuition subsidy.

However, only 28% of Florida families receive a child care tuition subsidy and the subsidy payment averages $4700 a year, while the true cost of child care in Florida averages $8000 a year requiring parents to pay the difference between the subsidy rate and the actual private pay rate. These realities greatly inhibit the pathway to economic self-sufficiency for families with young children in poverty.

Fiscal Cliffs

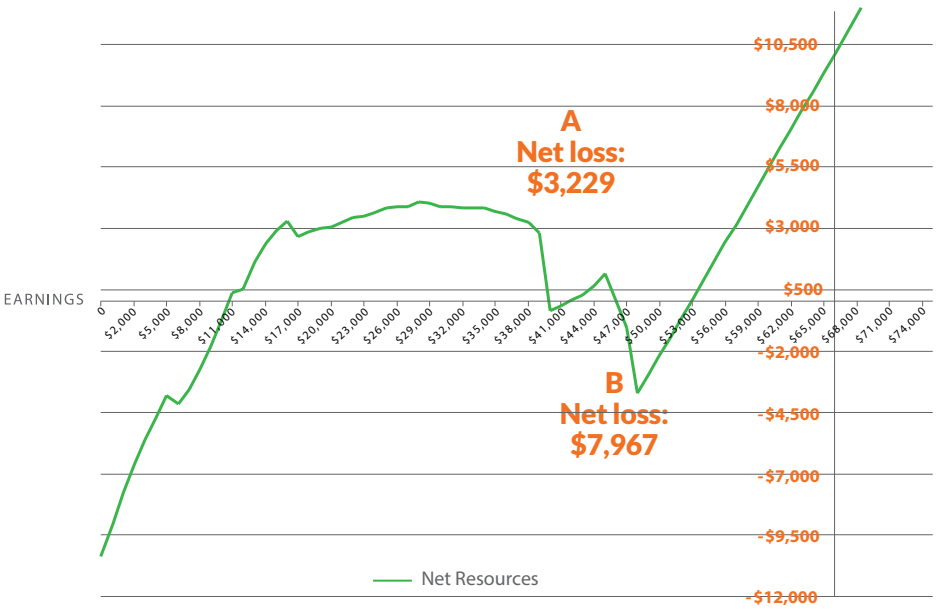
Changes in the basic cost of living in Florida over the last decade provide context for the need to reassess current income eligibility requirements for social services as it relates to families with young children in poverty. The cost of basic household expenses has increased steadily in every county in Florida in the last decade. The average budget for basic necessities increased by 19 percent, more than the national rate of inflation of 14 percent during that time period. In 2015, the average annual Household Survival Budget for a Florida family of four (two adults with one infant and one preschooler) ranged from $44,028 in Putnam County to $68,952 in Monroe County[4].

Families working toward economic self-sufficiency are financially challenged by the system of policies designed to assist them. Known as "cliff effects," low-income families face considerable disincentives to progress in their wage earnings (and asset building) when an increase in income disqualifies the household from continued access to programs that support healthy development of children and creates a net financial loss. In the example illustrated in Diagram 2, a single mother with two children working as a medical assistant earning $19.22 per hour stands to lose net resources of $6,615 upon graduating from state college with an associate's degree and securing a job as a respiratory therapist earning $23.22 per hour (well below the median wage of $26.87). This loss in net resources reflects her sudden ineligibility for subsidy support for children's health insurance, child care, and housing. For perspective, it would take a single wage increase of $6.74 per hour—or slightly more than $14,000 annualized—to avoid any loss of net resources resulting from her educational and professional achievement.

Diagram 3 below highlights the net loss realized at each fiscal cliff. Point A reflects a net loss of $3,229 at roughly the $41,000 income level as public health insurance is lost and family costs increase by $3,492. Point B shows a combined $7,967 reduction in net resources at roughly the $48,000 - $49,000 income levels as child care and public housing subsidies are both lost as a result of the close proximity of their **"stacked"** eligibility thresholds.

Diagram 3: Net Losses for Three Fiscal Cliffs

Net Household Resource Fluctuations by Earnings Level



The implication is that current policies require families to make difficult decisions between accepting wage increases and maintaining financial supports that directly impact their children's health and education. Deterred by any one, if not all of the fiscal cliffs, wage earners and their households often trap themselves at incomes below calculated levels that ensure they continue to receive public assistance to meet basic household necessities. Anticipating the financial loss resulting from advancing beyond wage thresholds inherent in means-tested programs, results in benefit recipients often practicing **"parking"**—or stopping progress just below the maximum earnings level for benefits often by eschewing strategies that might otherwise put them in positions for promotions and wage increases.

[4] United Way's 2017 ALICE report, http://www.uwof.org/alice

Compounding Impact of Stacked Eligibility Thresholds

Although there are three identified cliffs for Florida families with young children in poverty, it is possible for a family to experience them as either one individual cliff or two at once. This is a result of income eligibility thresholds stacked together—or positioned too closely on an earnings continuum.

The following example suggests that the compound impact of multiple fiscal cliffs is more likely the harder a wage earner pushes for economic success. A licensed practical nurse earning the median average wage of $21.09 per hour ($43,867 annually) will forego $7,313.82 annually in net resources by losing child care and Section 8 housing subsidies should a credential achievement and career change as a respiratory therapist increase her hourly wage by $2.47 to $23.56 ($49,005 annually).

Two-Generational Strategies to Support Better Outcomes for Children and Families

Aligning social services with intentionality to better support positive outcomes for children and families in tandem is referred to as two-generational strategies, or "2gen." Or more specifically, to best support the development of young children, a two-generational approach is necessary to ensure stability and financial security for the whole family. More effective policy solutions that would strengthen supports and resources for children and families in poverty involve the integration of work-based strategies with services that support children's development. These strategies can effectively support families as they transition to economic self-sufficiency by easing the fiscal cliff that prohibits increases in wages without creating a risk that children's development will be compromised. Specifically, these policy levers focus on a family's ability to secure resources sufficient to meet basic needs as a minimum threshold along the path toward economic self-sufficiency. A 2gen model of system integration strengthens supports for families and provides a roadmap for long-term state policy alignment to reduce poverty. Coordinated strategies for reform are critical to maximize the federal and state investments in social services to support reduced government dependency and increase economic development and prosperity benefiting all Floridians.

Child Care

From a 2gen perspective, access to affordable child care stands out as perhaps the singularly most important social service in recognition of its impact on the entire family while providing clear economic benefit to employers and communities. In short, child care is an instrumental support to parents, both in the reduction of stress and in the opportunity to work, achieve higher credentials through education and training, and increase critical skills and capabilities through education and training that lead to economic and family stability.

Quality child care, in particular the quality of the teacher-child interactions, has been consistently linked to positive developmental outcomes for children, including cognitive, language and literacy development, and core executive functioning skills such as communication, problem-solving and critical thinking. These are the foundational outcomes needed for academic and later career success. For children of low-income families it has been well-documented that before there is an achievement gap, there is a "readiness" gap and the beneficial influences of quality child care are particularly strong for supporting kindergarten readiness.

Although cliff effects are present wherever support benefits are abruptly terminated upon achieving the maximum allowable income, the critical nature of child care tuition subsidy suggests that not all cliff effects carry such significant impact as a disincentive. In fact, in 62 Florida counties, the least expensive child care is more costly than the least expensive rent.[5] This fiscal cliff can be insurmountable for low-income families in the context of current policies.

The following true to life example is too often the case for families: a single mother receives child care tuition subsidy services and is offered a $.10 cent per hour raise. That raise places her over the income threshold for receiving child care tuition subsidy assistance. She is forced to choose between increasing her income and maintaining eligibility for child care tuition subsidy assistance. Adopting a graduated fee scale would support families on the pathway toward economic stabilization without compromising assistance that is still needed for the basic costs of living.

For all its demonstrated benefits to children and parents, particularly single parents, cost too often puts quality child care out of reach for many families. The average cost in Florida for an infant in center-based child care is $8,719 a year; for a four-year-old, it is more than $6,897.[6] A family at the poverty line with two children younger than five in child care might face spending 67% of the family income on child care (at state average costs).

As a result, child care tuition subsidy policies can make all the difference in the affordability, accessibility, and quality that together promote positive household outcomes related to children's development and economic stability for the family. Alternatively, care that is unavailable, unaffordable, or of unacceptable quality presents a serious barrier to children's outcomes and parental employment. Without subsidy, low-income families may forgo full-time employment or be forced to

[5] United Way's 2017 ALICE report, http://www.uwof.org/alice
[6] Child Care Aware of America, 2016 State Fact Sheets, https://goo.gl/I3eBLN

choose cheaper and characteristically less reliable arrangements that create untenable early learning environments for children and vulnerability for wage earners trying to keep their jobs. When child care arrangements are unstable, steady employment becomes challenging and the pathway to economic self-sufficiency is compromised.

Children's Health Insurance

Florida has a strong public/private model in place for children's health insurance through the Florida Healthy Kids Corporation. As such, children's health insurance in Florida can be broken down into three categories: Medicaid, CHIP, and Full-Pay. Children from families with household income levels below 133% of federal poverty are eligible for Medicaid, or Access Florida. Children from families with household income above 133% and below 200% of federal poverty are eligible for the Children's Health Insurance Program (CHIP), or Florida KidCare. Any child from a family with a household income above 200% of federal poverty is eligible for the full-pay option administered by the Florida Healthy Kids Corporation.

For families on Medicaid, there are no monthly premiums, and out-of-pocket expenses are either non-existent or very minimal. For families participating in KidCare, there is a monthly premium of $15 or $20 with minimal out-of-pocket expenses as well. Once a family's household income exceeds 200% of the federal poverty level the full-pay option holds a premium of $220/month with deductibles around $6,000 (effective for 2017). This drastic increase in expense creates a significant fiscal cliff and presents challenges for families to maintain children's health insurance.

Public Housing Choice Vouchers (Section 8)

The "Section 8" Housing Choice Voucher Program is a dominant form of federal housing assistance for low-income families that use vouchers as a subsidy for housing in the private market. Similar to other work support programs that serve to provide stability and a basis for supporting a pathway from poverty to prosperity, stable housing is closely linked to educational, developmental, and health benefits that can improve children's long-term prospects and reduce costs in other public programs.

Federally funded, but operated by some 2,150 state and local housing agencies, more than 5 million people in 2.2 million low-income families use vouchers. United States Department of Housing and Urban Development (USHUD) federal regulations require that 75% of new households admitted each year must be "extremely low income," with incomes not exceeding 30 percent of the local median or the poverty line, whichever is higher. Other new households may have incomes up to 80 percent of the area median.

Up to 20 percent of vouchers can be used for "project based" subsidies that are tied to a particular property rather than a specific household. Vouchers are sometimes but rarely used to help with mortgage payments, enabling low-income families to purchase homes.

Each agency has a cap on the number of vouchers it is authorized to administer. Most agencies' voucher funding each year is based on the number of their authorized vouchers

in use in the prior year and the actual cost of those vouchers, adjusted for inflation. Since 2003, new vouchers have been either "tenant-protection" vouchers that replace either public housing that is demolished or sold or other affordable housing units that lose federal subsidies. "Special purpose" vouchers target particular types of households, such as homeless veterans. In addition both project based and tenant based Section 8 housing options in Florida are scarcely available with years long waiting lists.

As was demonstrated in the analysis of social service policies, current eligibility requirements for housing choice vouchers result in financial difficulties for families with young children in poverty as the upper eligibility threshold is often times coupled with the loss of child care supports.

However other family supports do exist through the Florida Housing Finance Corporation. There are approximately 190,000 affordable rental units financed through state administered programs. By far, the greatest number of these units serve households at or below 60% of area median income (AMI). These are privately owned (for profit or nonprofit) properties, professionally managed, that have long term affordability restrictions on them. Therefore, over the life of these restrictions, the units must be rented at restricted rates to households that are income qualified. If the unit is required to be rented to someone with an income at or below 60% of AMI, then the rent charged could be set at the highest rate allowable for "60% AMI rent" without a graduated rent payment scale that aligns to income. Rent, therefore, is not consistently lowered to an affordable level for lower income families. Using a general example, at 60% AMI, a 2-bedroom rent would be $798, no matter the actual income of that family. This means that at a lower income level, the family will be cost burdened paying that rent, but it could be better than the market rent. However, once the family's income rises above the 60% AMI threshold, the families are allowed to remain in the apartment for as long as they choose under a typical landlord/tenant lease and pay no more than the 60% AMI rent for the entire time of residence.

Solution Oriented Policy Options

A promising solution framework—a graduated phase-out term—has already been implemented in Florida and should provide insight for integration in other work supports. For example, phase outs in SNAP assistance for a single parent in Miami with two children, ages 3 and 6, gradually reduce benefits incrementally by no more than $360 per $1,000 of increased income. Furthermore, systemic collaboration between workforce services provided through CareerSource and related social service agencies could promise to shed light on and provide additional recommendations on optimal spacing of social service termination points to further minimize fiscal cliffs and mitigate parking. There is significant benefit in contemplating a stronger alignment of workforce development services with other social services that could result in work-based strategies and career advancement opportunities to expedite pathways to economic self-sufficiency and prosperity without compromising the fundamental needs of the household. Currently, families in poverty often remain eligible because it is in the best interest of their children. By aligning workforce development services with reformed social service policies that include a graduated phase out, public investments become targeted and families have clear ability and expectation to progress toward prosperity with reduced government financial supports over time.

The policy recommendations provided below are ordered according to the social service fiscal cliff a family experiences on the pathway to self-sufficiency. Each policy recommendation can be made singularly or be integrated into a larger 2 generational solution framework.

Recommendation 1: Increase the eligibility cap of Florida's Children's Health Insurance Program (CHIP)(KidCare) from 200% of FPL to 400% of Federal Poverty Level (FPL).

Adopt a revenue-neutral expansion of health care provisions for families with children that can be implemented without expanding Medicaid or impacting either existing Title XIX or full-pay funding mechanisms. By increasing the Title XXI eligibility threshold as determined by Children's Health Insurance Program (CHIP) to 400% of FPL, health care is extended to families with children at the critical threshold of economic sustainability without impacting state resource allocations. By increasing the eligibility to 400% of the FPL the state will be able to receive federal reimbursement from CHIP of $.73 on every dollar with the remaining $.27 covered through premiums received from families of recipients and administered through the Healthy Kids Corporation.

While this recommendation is revenue neutral for state budgeting purposes, there is potential for Florida to realize economic savings, as well as provide low-income families with the ability to access more frequent preventative health care.

Currently 7% of Florida's children do not have health insurance[7] and the fiscal cliff puts many more families at risk for not continuing coverage. The costs associated with not having health insurance are not limited to the child, but impact Florida's tax base on the whole. Emergency room services are expensive, especially when used to treat illnesses that could have been prevented by an earlier visit to a physician.

Recommendation 2: Address Child Care Tuition Subsidy (School Readiness) eligibility, payment rates, and access.

[7] Florida 2017 Kidscount Profile – Annie E. Casey Foundation http://www.aecf.org/m/databook/2017KC_profiles_FL.pdf

The child care tuition subsidy program in Florida is School Readiness. Signed into law in 1999 by Governor Bush, the program is designed to support low-income working families with the cost of high quality child care and prepare children for kindergarten and early grade success. Florida is not alone in wrestling with the increased costs stemming from those associated with building the supply of high-quality care, paying higher rates for higher-quality care, and expanding the number of low-income children in high-quality care. However, if the state were to incorporate transition policies and increase investments in School Readiness it could help alleviate parking, expedite self-sufficiency, and increase access for additional families. The limitations on current policies are three-fold: 1) eligibility thresholds that hit before families are financially able to assume the full cost of child care; 2) low payment rates that limit parent choice or finances; and 3) access for many children at greatest risk of school failure.

A. It has been demonstrated that the complete loss of a child care tuition subsidy presents the single biggest fiscal cliff for families on the path to economic self-sufficiency. Transition and phase out plans for families can be developed that would increase the families' financial contribution to child care in alignment with increases in wages. This would enable families to continue financial progression without the risk of child care becoming immediately unaffordable. Florida has the ability to set its own transition and phase out policies separate from the federal requirements through use of general revenue. While this would be an initial increase in state spending, there is also long-term savings by reduced government dependency on the whole. This would also support stronger child outcomes and serve to disrupt intergenerational poverty. Children in poverty that are not reading on grade level by the end of third grade are 13 times less likely to graduate from high school than more affluent peers. In Florida, of the 61% of students not reading on grade level 78% are from low-income families[8]. Quality early learning experiences have demonstrable impact on kindergarten readiness and early grade success.

B. As identified in the brief, the current child care tuition subsidy payment rates in Florida are substantially below the actual cost of child care. On average, child care tuition subsidies reimburse a child care provider approximately $4700 of the annual cost. However, the true cost of care is closer to $8000. This differentiation in payment either impacts the level of quality a family can access or is made up by the family and not accounted for in any of the modeled scenarios. Therefore, in order to access quality there is significant additional strain on household income. The low payment rates also serve as a deterrent for high quality programs to participate in School Readiness as the reimbursement is often far below the actual cost of private pay rates. It also limits the ability of participating providers to provide high quality experiences for children at greatest risk of school failure. Targeted investments that raise the School Readiness reimbursement rate in alignment with quality standards would increase the quality of School Readiness programs overall, support family access to high-quality providers, and improve child outcomes.

C. Currently only 28% of Florida's eligible children are participating in School Readiness. This means an estimated 72% of children at risk of school failure may not have access to quality early learning experiences that prepare them for kindergarten and early grade success. Very often when families are unable to access child care they opt for subprime unregulated care that could actually negatively impact children's development, endanger a child's well being, and still require a significant portion of the family finances. By increasing access to quality early learning experiences for children in poverty, children that are most at risk of school failure would participate in age appropriate developmental experiences that address the readiness and achievement gap.

Recommendation 3: Coordinate Section 8 Housing Choice Voucher (HCV) and other housing programs to ensure successful transitions for families and expand home ownership supports to facilitate permanency and community development.

A. As families move to achieve economic self-sufficiency strong coordination between funding streams is needed to help mitigate fiscal cliffs. While the Florida Housing Finance Corporation and its entities have created affordable housing structures, there is still significant need in Florida. Waitlists are often years long and accessibility may often impede a families ability to move from subsidized housing to rent controlled housing. The state funded State Apartment Incentive Loan (SAIL) program is used either as gap loan financing to leverage federal financing to create affordable rental developments for general occupancy or by itself as low interest loans to finance smaller developments, often to serve persons with special needs. Both for profit and nonprofit developers access this financing through the state. The legislature appropriates SAIL funds out of the state and/or local government housing trust funds at varying amounts each year. Ensuring SAIL is funded at an appropriate level to meet the needs of communities is paramount in meeting the needs of families with young children.

B. Stemming from the impact of the financial crisis leading to the Great Recession (2008 – 2010) there is understandable hesitancy for policy makers and lending institutions to adopt homeownership programs that rely on the private financing of mortgages for low and moderate income home buyers (e.g., sub-prime lending). However making down payment assistance and home ownership an option for families can help stabilize family budgets and reinvigorate communities.

[8] The Nation's Report Card 2015 https://www.nationsreportcard.gov/reading_math_2015/#reading/acl?grade=4

Conclusion

The federal reform measures through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 were significant and by design increased work-based approaches to social service delivery. While meaningful and beneficial on the whole, there are disparities in the application of some social service policies for families with young children in poverty.

In an effort to identify effective policy solutions that would expedite the pathway to prosperity, analysis of social service policies in Florida examined the impact of key work-support programs on household resources considered fundamental to reaching economic self-sufficiency. Families with children face unique challenges created by policies that have inadvertently resulted in three key cliff effects presenting systemic challenges to parents' pursuit of greater economic stability.

Recommendations encourage the integration of graduated phase-outs and alignment with workforce services to improve the financial outcomes for families and the development of young children. Reassessing current policies with a 2gen approach provides a framework for reducing government dependency and spending, while improving the outcomes of children and families.

To reduce government spending over time and to break the cycle of intergenerational poverty, it is imperative to align social services supporting children in the context of the larger family unit. If parents are able to continue progression on the path toward economic self-sufficiency and modeling expectations of work and improved outcomes, children's development is ultimately supported in two meaningful ways: 1) through family demonstration of achievement; and 2) through better educational and health outcomes associated with stable housing, healthy development and a strong educational foundation. This would have short-term benefits in reducing governmental assistance and long-term benefits of supporting a stronger talent pipeline for Florida future prosperity and economic viability.

florida children's council

111 N. Gadsden Street, Suite 300
Tallahassee, FL 32301
(850) 921-4494

flchildrenscouncil.org