



SENATE FISCAL OFFICE
ISSUE BRIEF

Social Safety Net Profile

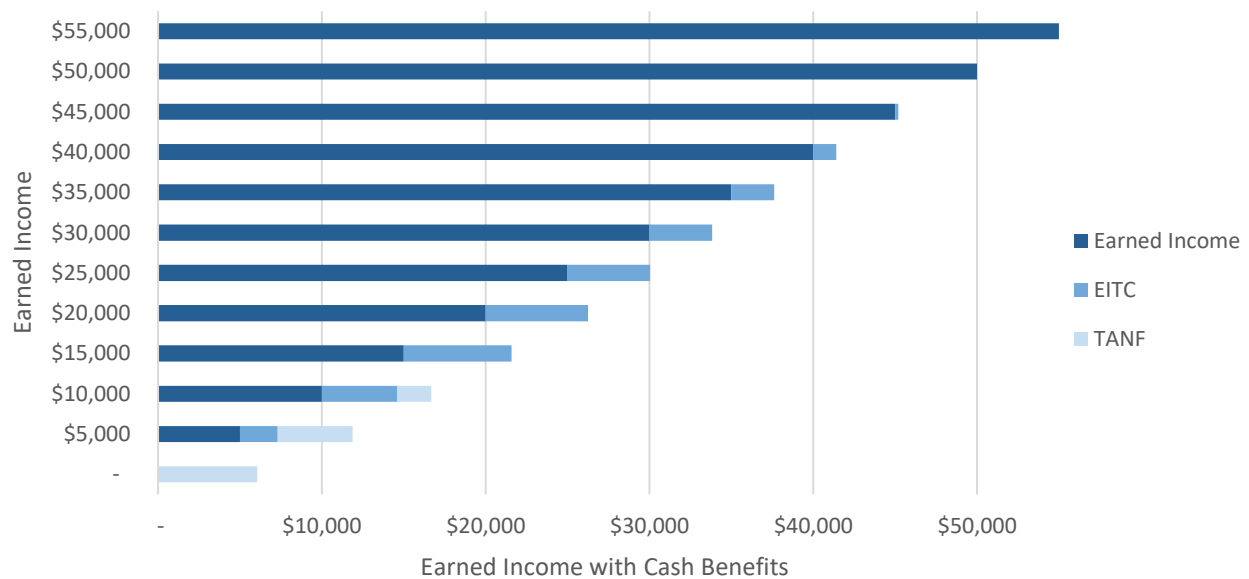
OCTOBER 18, 2019

This brief presents a profile of the federal and State-funded supports offered to low-income families through the State’s largest social safety net programs. It considers the benefits available to a family of three, consisting of a single parent with two preschool-aged children, at various income levels. The analysis assumes that the family receives all available benefits; however, in many cases, households receive only a portion of the benefits they are eligible for. Most importantly, this analysis highlights two “assistance cliffs”: one when the parent loses Medicaid coverage and the other when the family is no longer eligible for subsidized child care.

Health and human service programs are income-based and apply the federal poverty guidelines to determine a family’s eligibility. The 2019 federal poverty level (FPL) for a family of three is \$21,330. This analysis assumes all income is earned income and that the recipient does not own assets that would disqualify the family from any of the programs. It assumes TY2019 tax policy and federal and State FY2020 program eligibility rules. It does not include relatively smaller benefits such as home energy assistance, Lifeline wireless services, free and reduced school lunch programs, or property tax relief programs.

SAFETY NET PROGRAMS: CASH

Earned Income with Cash Benefits



The State’s primary cash assistance programs, Temporary Assistance for Needy Families and the Earned Income Tax Credit, provide cash benefits for working families in Rhode Island.

- **Temporary Assistance for Needy Families (TANF):** RI Works, Rhode Island’s TANF program, provides cash assistance to families with children under the age of 18. RI Works is simultaneously a workforce development program by helping parents search and train for employment opportunities. Parents with

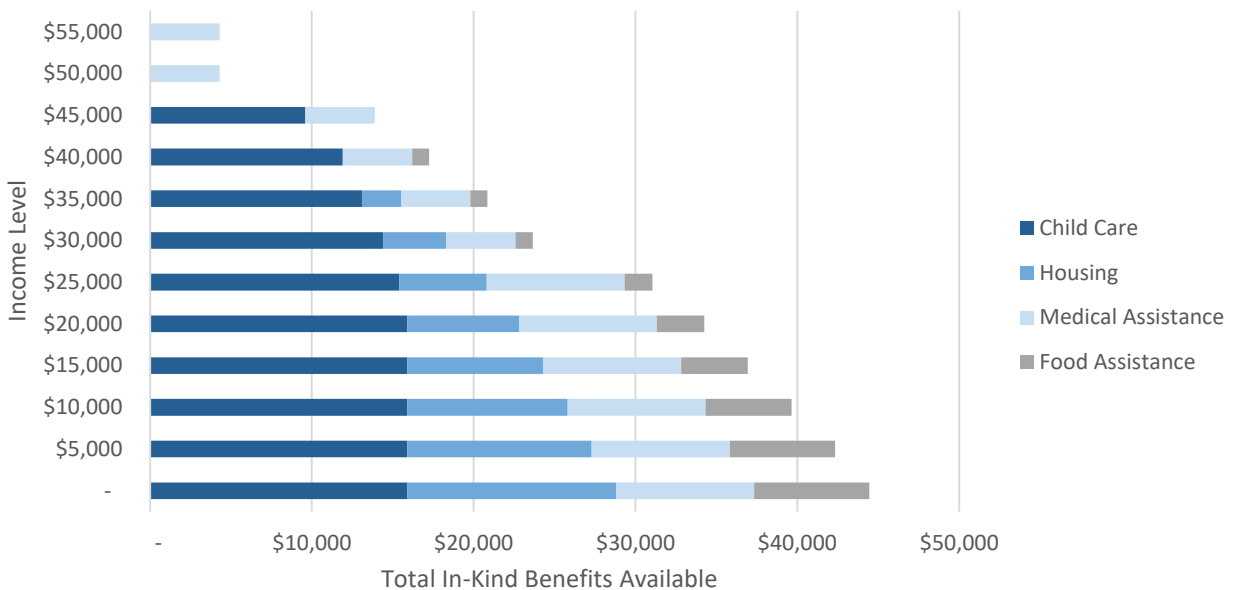
no earned income may receive cash and other public assistance if they are enrolled in a qualified job training program. Benefits are delivered through an electronic benefit transfer (EBT) card, which can be used to withdraw cash from certain ATMs or to purchase goods directly at participating stores, excluding liquor stores, casinos, or adult-oriented entertainment businesses.

- **Earned Income Tax Credit (EITC):** The Earned Income Tax Credit (EITC) is a federal refundable tax credit for low- and moderate-income working individuals. Rhode Island provides an additional credit equal to 15.0 percent of the federal EITC. The EITC can go beyond reducing an individual’s tax liability to zero, creating a credit that is greater than the amount of tax owed. The credit can then be used to reimburse the filer through a tax refund.

These two cash transfer programs are designed to work in tandem to encourage employment among low-income families. As income rises, RI Works benefits decrease and the EITC transfer increases as an offset, essentially replacing RI Works benefits.

SAFETY NET PROGRAMS: IN-KIND TRANSFERS

In-Kind Benefits Available Based on Income



Analyst Note: This graph represents the approximate costs incurred by each program on behalf of a family of three at each income level. They are intangible, non-transferable benefits and are not considered a source of income.

In-kind transfers are designed to cover basic necessities and improve a family’s financial position through cost avoidance. While these benefits are not paid in cash and do not provide any income to eligible participants, they do have an approximate value and help to cover costs that would be deducted from a family’s income otherwise. This allows families with limited incomes to use their earned income to cover other expenses, such as car payments, clothing, toys, home furnishings, etc. The State’s largest in-kind support programs include:

- **Child Care:** The Child Care Assistance Program (CCAP) provides child care subsidies on a sliding scale to working parents with children under age 13. The State pays child care providers directly on behalf of each beneficiary. Parents must work at least 20 hours per week in a minimum wage job in order to qualify; however, non-working parents who participate in a qualified job training or work readiness program through RI Works also qualify. In order to enter the program, parents must earn no more than 180.0 percent FPL (\$38,394 in this example). Once enrolled in the program, parents are eligible for

transitional child care, which means that if their income exceeds 180.0 percent FPL, the family may continue to receive the subsidy until income exceeds 225.0 percent FPL (\$47,993 in this example). As income increases, parents must contribute a co-pay and the net benefit gradually decreases. Co-pays range from 0.0 percent to 14.0 percent of earned income. The May 2019 Caseload Estimating Conference estimated an annual State cost per subsidy of \$7,950, or \$15,900 for two children.

| Earned Income | Child Care Assistance | | | Net Benefit |
|---------------|-----------------------|---------------------|-------|-------------|
| | Annual Subsidy | Family Contribution | | |
| - | \$15,900 | - | - | \$15,900 |
| 5,000 | 15,900 | - | - | 15,900 |
| 10,000 | 15,900 | - | - | 15,900 |
| 15,000 | 15,900 | - | - | 15,900 |
| 20,000 | 15,900 | - | - | 15,900 |
| 25,000 | 15,900 | 2% | 500 | 15,400 |
| 30,000 | 15,900 | 5% | 1,500 | 14,400 |
| 35,000 | 15,900 | 8% | 2,800 | 13,100 |
| 40,000 | 15,900 | 10% | 4,000 | 11,900 |
| 45,000 | 15,900 | 14% | 6,300 | 9,600 |

The transitional child care program was piloted beginning in FY2014 and became permanent in the FY2018 Enacted Budget. The program allows parents, if already enrolled in CCAP, to increase earnings beyond 180.0 percent FPL while maintaining the subsidized child care benefit. For income levels above 180.0 percent FPL, this analysis assumes that the family was already enrolled in the program prior to exceeding the 180.0 percent income level and may receive child care assistance up to an annual income of approximately \$45,000.

- Housing:** Housing assistance is available through several programs. This analysis assumes a Section 8 housing voucher, which pays for rent and some utilities with co-pays equal to 30.0 percent of income. Certain other benefits are reduced if a family receives housing assistance, including RI Works, which is adjusted in this analysis, accordingly. Housing assistance is not guaranteed to all who qualify due to limited availability. Vouchers are granted based on a lottery system and are generally limited to families with incomes below 50.0 percent of the area median income. A family of three living in Providence is most likely to qualify with an income under \$22,100 and relatively likely to qualify with an income under \$36,900. The amount of the voucher is equal to the fair market rent for a given area as determined by the Department of Housing and Urban Development (HUD), less the 30.0 percent contribution.

According to the Economic Progress Institute, only one-third of RI Works families also receive housing assistance. This analysis assumes that the family is successful in the lottery process with an income of \$35,000 or less, even if they receive cash assistance. The estimated benefit is based on the cost of a voucher for a 2-bedroom apartment in the Providence area, where the fair market rent is \$1,075 per month.

| Earned Income | Housing Assistance | | | Net Benefit |
|---------------|--------------------|---------------|---------------------|-------------|
| | Rent (Monthly) | Rent (Annual) | Family Contribution | |
| - | \$1,075 | \$12,900 | 30% | \$12,900 |
| 5,000 | 1,075 | 12,900 | 30% | 11,400 |
| 10,000 | 1,075 | 12,900 | 30% | 9,900 |
| 15,000 | 1,075 | 12,900 | 30% | 8,400 |
| 20,000 | 1,075 | 12,900 | 30% | 6,900 |
| 25,000 | 1,075 | 12,900 | 30% | 5,400 |
| 30,000 | 1,075 | 12,900 | 30% | 3,900 |
| 35,000 | 1,075 | 12,900 | 30% | 2,400 |

- Medical Assistance:** Medicaid's RIte Care program provides health insurance coverage for children and families. RIte Care covers primary, acute, specialty, and dental care as well as transportation to and from medical appointments. Eligibility is limited to parents with incomes less than 133.0 percent FPL (\$28,369 in this example). When the parent's income exceeds this limit, health insurance coverage is supplemented by the Children's Health Insurance Program (CHIP), which covers children until family income exceeds 261.0 percent FPL (\$55,671 in this example). The May 2019 Caseload Estimating Conference estimated a per member per month (PMPM) health plan enrollment cost of \$353.56 for adults and \$178.71 for children. Like the Child Care Assistance Program, the State pays health insurance plans directly on behalf of each beneficiary.

Those who are not eligible for Medicaid may still qualify for affordable health coverage plans through HealthSource RI (HSRI). HSRI helps subsidize the cost of health insurance through federal tax credits and cost-sharing reductions. This analysis assumes that the family is eligible for standard RIte Care coverage at an annual cost of \$4,243 for the parent and \$4,289 for both children.

| Earned Income | PMPM (parent) | Medical Assistance | | Annual (children) | Net Benefit |
|---------------|---------------|--------------------|--------------|-------------------|-------------|
| | | Annual (parent) | PMPM (child) | | |
| - | \$353.56 | \$4,243 | \$178.71 | \$4,289 | \$8,532 |
| 5,000 | 353.56 | 4,243 | 178.71 | 4,289 | 8,532 |
| 10,000 | 353.56 | 4,243 | 178.71 | 4,289 | 8,532 |
| 15,000 | 353.56 | 4,243 | 178.71 | 4,289 | 8,532 |
| 20,000 | 353.56 | 4,243 | 178.71 | 4,289 | 8,532 |
| 25,000 | 353.56 | 4,243 | 178.71 | 4,289 | 8,532 |
| 30,000 | - | - | 178.71 | 4,289 | 4,289 |
| 35,000 | - | - | 178.71 | 4,289 | 4,289 |
| 40,000 | - | - | 178.71 | 4,289 | 4,289 |
| 45,000 | - | - | 178.71 | 4,289 | 4,289 |
| 50,000 | - | - | 178.71 | 4,289 | 4,289 |
| 55,000 | - | - | 178.71 | 4,289 | 4,289 |

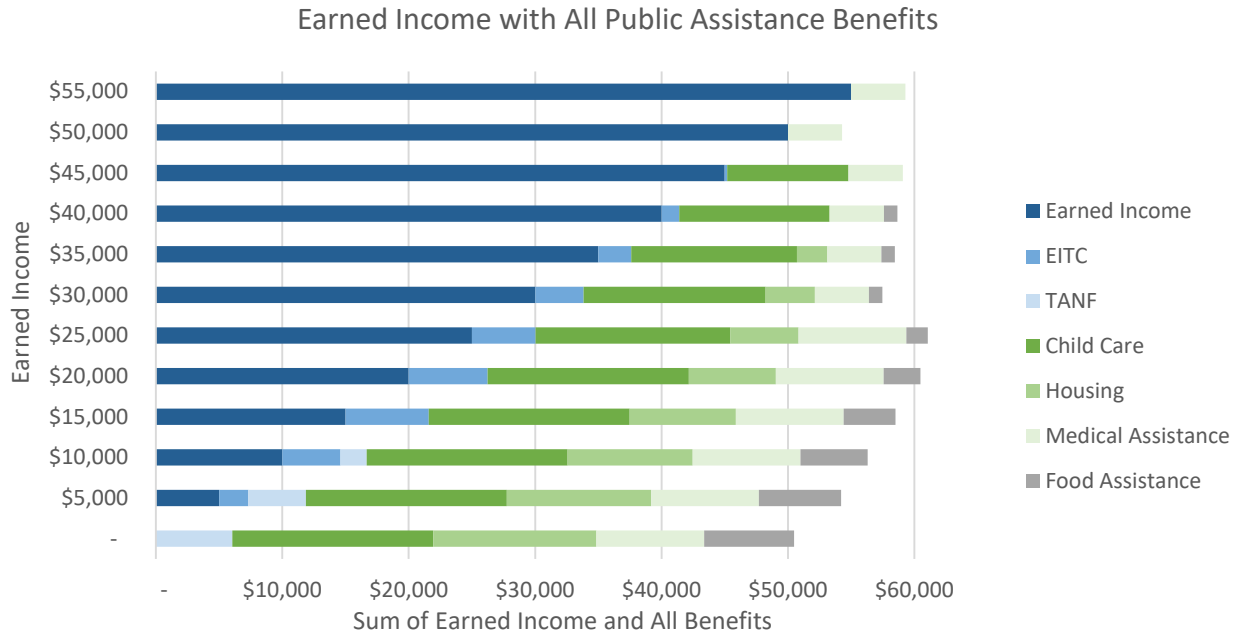
- Food Assistance:** Nutrition assistance is offered through the Supplemental Nutrition Assistance Program (SNAP) which can be used to purchase only food items, and through the Supplemental Food Program for Women, Infants, and Children (WIC) for the purchase of specific nutritional foods for pregnant or breastfeeding women and children under 5. This analysis assumes that the entire family receives SNAP benefits, but only the two children are eligible for WIC.

The maximum SNAP benefit for a family of three is \$505 per month, or \$6,060 per year. It is expected that families contribute 30.0 percent of their *adjusted income* (earned income less a 20.0 percent earned income deduction as well as a standard deduction) towards food costs. Therefore, SNAP benefits are gradually reduced as income increases. According to the federal Food and Nutrition Service (FNS), the average food cost for WIC participants in Rhode Island in SFY2019 was \$44.10 per month.

| Earned Income | Income Deduction | Standard Deduction | Food Assistance | | | | Net Benefit | |
|---------------|------------------|--------------------|-----------------|---------------------|-------|---------|-------------|---------|
| | | | Adjusted Income | Family Contribution | SNAP | WIC | | |
| - | - | - | - | 30% | - | \$6,060 | \$1,058 | \$7,118 |
| 5,000 | (1,000) | (1,968) | 2,032 | 30% | 610 | 5,450 | 1,058 | 6,509 |
| 10,000 | (2,000) | (1,968) | 6,032 | 30% | 1,810 | 4,250 | 1,058 | 5,309 |
| 15,000 | (3,000) | (1,968) | 10,032 | 30% | 3,010 | 3,050 | 1,058 | 4,109 |
| 20,000 | (4,000) | (1,968) | 14,032 | 30% | 4,210 | 1,850 | 1,058 | 2,909 |
| 25,000 | (5,000) | (1,968) | 18,032 | 30% | 5,410 | 650 | 1,058 | 1,709 |
| 30,000 | (6,000) | (1,968) | 22,032 | 30% | 6,610 | - | 1,058 | 1,058 |
| 35,000 | (7,000) | (1,968) | 26,032 | 30% | 7,810 | - | 1,058 | 1,058 |
| 40,000 | (8,000) | (1,968) | 30,032 | 30% | 9,010 | - | 1,058 | 1,058 |

BENEFIT PROFILE

Cash and in-kind transfers with a value of approximately \$50,000 are available to a single parent with two children and no earned income, *so long as the parent is enrolled in an unpaid job training program through RI Works*. The largest benefits are in-kind transfers in the form of child care, housing assistance, and medical care. Most benefits taper off gradually as income rises and program copays increase.



The largest assistance cliffs occur at 133.0 percent FPL (\$28,369), when the parent loses Medicaid coverage, and at 225.0 percent FPL (\$47,993), when the family becomes ineligible for child care assistance. If a family loses child care assistance, this loss can be offset somewhat by the availability of child care tax credits that reduce the parent’s tax liability (not included above).

The following table provides the numeric data supporting the graphic above, where net income and benefits represents the aggregate of earned income with all cash and in-kind public assistance benefits.

| Earned Income | Cash Benefits | | | In-Kind Benefits | | | | Total In-Kind | Income + Benefits |
|---------------|---------------|---------|----------------|------------------|----------|---------|---------|-----------------|-------------------|
| | EITC | TANF* | Total Cash | Child Care | Housing | Medical | Food | | |
| - | - | \$6,048 | \$6,048 | \$15,900 | \$12,900 | \$8,532 | \$7,118 | \$44,450 | \$50,498 |
| 5,000 | 2,300 | 4,568 | 6,868 | 15,900 | 11,400 | 8,532 | 6,509 | 42,341 | 54,209 |
| 10,000 | 4,600 | 2,068 | 6,668 | 15,900 | 9,900 | 8,532 | 5,309 | 39,641 | 56,309 |
| 15,000 | 6,573 | - | 6,573 | 15,900 | 8,400 | 8,532 | 4,109 | 36,941 | 58,514 |
| 20,000 | 6,249 | - | 6,249 | 15,900 | 6,900 | 8,532 | 2,909 | 34,241 | 60,490 |
| 25,000 | 5,038 | - | 5,038 | 15,400 | 5,400 | 8,532 | 1,709 | 31,041 | 61,079 |
| 30,000 | 3,827 | - | 3,827 | 14,400 | 3,900 | 4,289 | 1,058 | 23,647 | 57,475 |
| 35,000 | 2,616 | - | 2,616 | 13,100 | 2,400 | 4,289 | 1,058 | 20,847 | 58,464 |
| 40,000 | 1,405 | - | 1,405 | 11,900 | - | 4,289 | 1,058 | 17,247 | 58,653 |
| 45,000 | 194 | - | 194 | 9,600 | - | 4,289 | - | 13,889 | 59,083 |
| 50,000 | - | - | - | - | - | 4,289 | - | 4,289 | 54,289 |
| 55,000 | - | - | - | - | - | 4,289 | - | 4,289 | 59,289 |

* The maximum TANF benefit for a family of three is \$554/month or \$6,648/year; however, the benefit is reduced by \$50/month or \$600/year if the family also receives housing assistance.