



SENATE FISCAL OFFICE
ISSUE BRIEF

Social Safety Net Profile

FEBRUARY 22, 2021

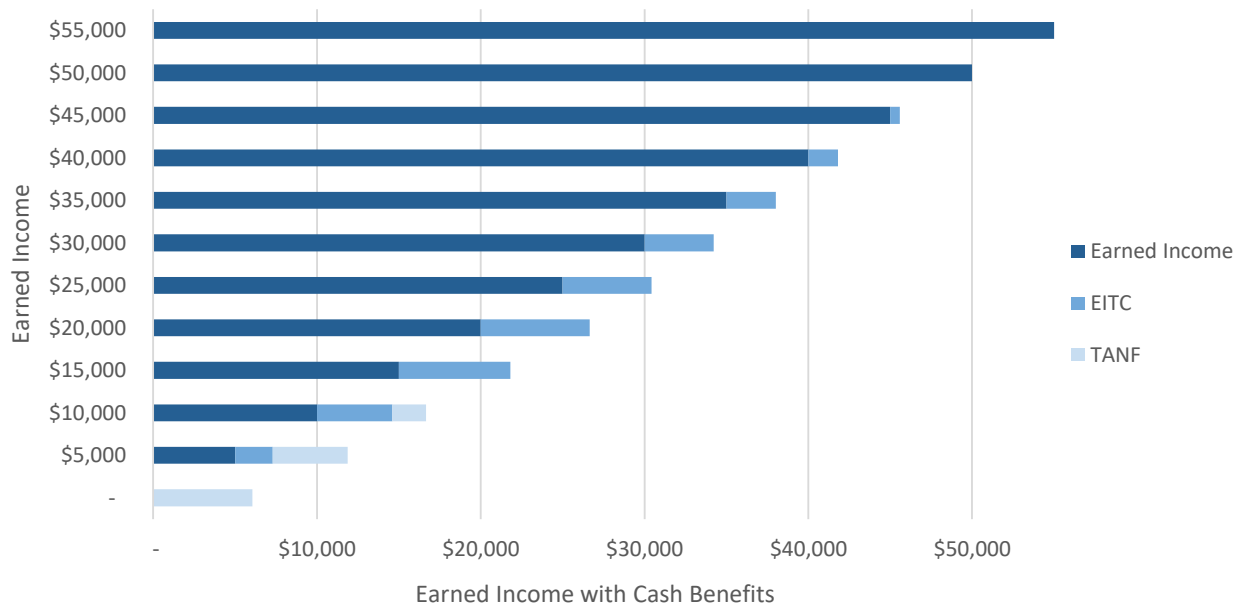
This brief presents a profile of the federal and State-funded supports offered to low-income families through the State’s largest social safety net programs. It considers the benefits available to a family of three, consisting of a single adult with two preschool-aged children, at various income levels. The analysis assumes that the family receives all available benefits; however, in many cases, households apply for and 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 at \$29,207 in annual earnings and the other when the family is no longer eligible for subsidized child care at \$49,410 in annual earnings.

Health and human service programs are income-based and most apply the federal poverty guidelines to determine a family’s eligibility. The 2021 federal poverty level (FPL) for a family of three is an annual income of \$21,960. A single parent who works 40 hours per week in a minimum wage job earns an annual income of \$23,920. This analysis assumes all income is earned income and that the recipient does not own assets that would disqualify the family from any programs. It assumes TY2020 tax policy and federal and State FY2021 program eligibility rules. It does not include relatively smaller benefits such as home energy assistance, Lifeline wireless services, free and reduced school lunch programs, community-based supports, or property tax relief programs.

Analyst Note: This brief notes, but does not include the impact of, temporary benefit increases and regulatory changes made in response to the COVID-19 pandemic. Importantly, pandemic-related payments, including stimulus payments and benefit increases, are not counted towards earned income for the purposes of determining eligibility.

SAFETY NET PROGRAMS: CASH

Earned Income with Cash Benefits



The State's primary cash assistance programs, Temporary Assistance for Needy Families (RI Works) and the Earned Income Tax Credit (EITC), provide cash benefits for working families in Rhode Island. 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.

- **Temporary Assistance for Needy Families (TANF):** RI Works, Rhode Island's federally-funded TANF program, provides cash assistance to low-income families with children under the age of 18. Participation is restricted by a 48-month lifetime limit, which includes TANF benefits received in other states. RI Works is simultaneously a workforce development program that helps parents search and train for employment opportunities. Families must meet constrained income/asset limits and work participation requirements in order to qualify. Parents with no earned income qualify if they are enrolled in a qualified job training program. The family in this example would qualify for cash benefits up to an annual income of approximately \$14,000, or 64.0 percent of the FPL, provided that the parent is engaged in at least 20 hours of work participation activities per week. RI Works families are automatically eligible for child care, food, and transportation assistance and receive a clothing allowance for children. RI Works families also qualify for Medicaid but benefits are not automatic. RI Works 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. Cash benefits are available for 90 days and are returned if not spent.

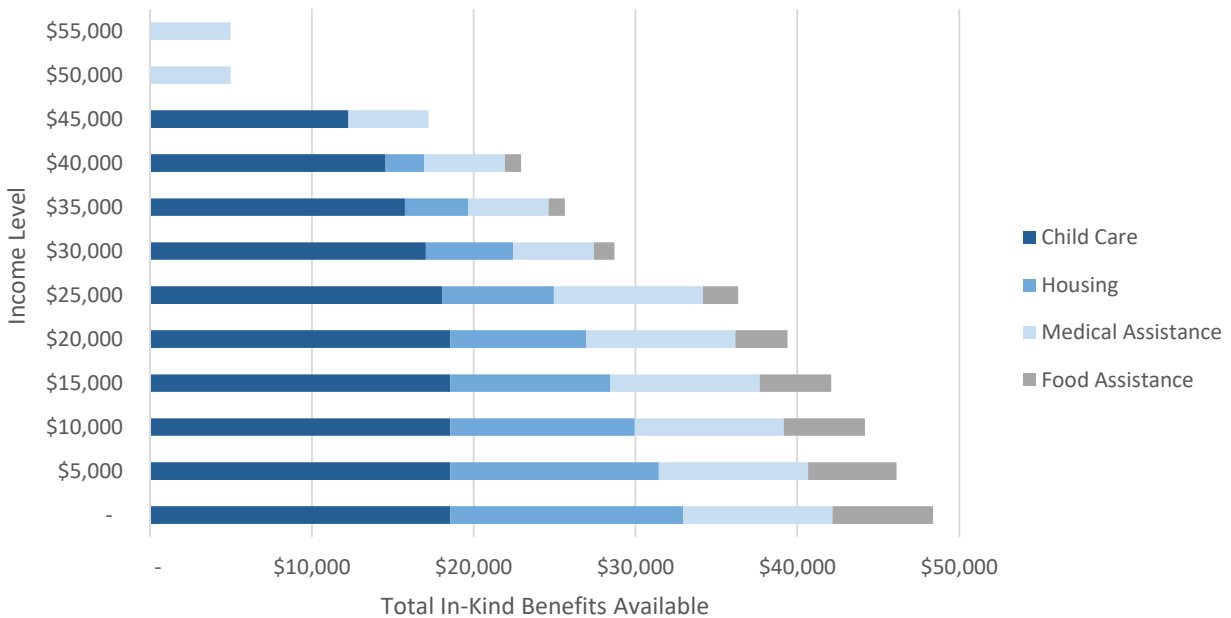
Analyst Note: The Department of Human Services promulgated emergency regulations in response to COVID-19 to make special exceptions for work participation requirements. The regulations allow absences from work or training due to COVID-19 illness or exposure, and also loosen sanctions for non-compliance if a person is not able to meet work requirements from home and is unable to find other work opportunities during the pandemic. Such good cause exemptions are determined on an individual basis.

Additionally, RI Works families received a one-time emergency allotment in June 2020, equal to the maximum benefit for their family size, in addition to their standard monthly TANF benefit. The emergency allotment for the family in this example is \$504.

- **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. A single parent with two children qualifies for the EITC with an annual income up to \$47,440 in TY2020.

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 otherwise be deducted from a family’s income. 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 participating child. Parents must work at least 20 hours per week in a minimum wage job in order to qualify. Parents with no earned income who participate in a qualified job training or work readiness program through RI Works are also categorically eligible. As income increases above the poverty level, parents must contribute a co-pay ranging from 2.0 percent to 14.0 percent.

In order to enter the program, parents must earn less than 180.0 percent FPL (\$39,528 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 subsidized child care until income exceeds 225.0 percent FPL. 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 \$49,410.

Earned Income	Child Care Assistance			Net Benefit
	Annual Subsidy	Family Contribution		
-	\$18,550	-	-	\$18,550
5,000	18,550	-	-	18,550
10,000	18,550	-	-	18,550
15,000	18,550	-	-	18,550
20,000	18,550	-	-	18,550
25,000	18,550	2%	500	18,050
30,000	18,550	5%	1,500	17,050
35,000	18,550	8%	2,800	15,750
40,000	18,550	10%	4,000	14,550
45,000	18,550	14%	6,300	12,250

Rhode Island uses a tiered reimbursement structure, meaning that the cost per child care subsidy depends on whether the child is cared for by a center- or family-based provider as well as the provider’s quality rating. This analysis assumes that both children are cared for full-time in a center-based facility at approximately \$178 per week, or \$9,275 per child per year.

This analysis uses the State-paid rates to estimate the cost avoidance attributable to participation in CCAP; however, it is important to note that the savings is likely much higher because the State pays lower rates than most families pay out-of-pocket. The Economic Policy Institute estimates that preschool-aged child care in Rhode Island costs approximately \$11,000 per child per year.

Analyst Note: The Department of Human Services increased child care rates paid to center-based providers during FY2021 to alleviate the financial impact of mandatory closures and reduced enrollment. The average weekly rate for preschool-aged children was increased from \$178 to \$210. This increases the annualized value of the in-kind child care benefit to \$10,920 per child. The Department also waived the co-pay requirement.

- 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 \$25,000 and relatively likely to qualify with an income under \$40,000. 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.

Earned Income	Housing Assistance				Net Benefit
	Rent (Monthly)	Rent (Annual)	Family Contribution		
-	\$1,200	\$14,400	30%	-	\$14,400
5,000	1,200	14,400	30%	1,500	12,900
10,000	1,200	14,400	30%	3,000	11,400
15,000	1,200	14,400	30%	4,500	9,900
20,000	1,200	14,400	30%	6,000	8,400
25,000	1,200	14,400	30%	7,500	6,900
30,000	1,200	14,400	30%	9,000	5,400
35,000	1,200	14,400	30%	10,500	3,900
40,000	1,200	14,400	30%	12,000	2,400

This analysis assumes that the family is successful in the lottery process with an income of \$40,000 or less. 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 \$1,200 per month.

- Medical Assistance:** Medicaid’s RItE Care program provides health insurance coverage for children and families. RItE Care covers primary, acute, and specialty care as well as transportation to and from medical appointments. Eligibility is limited to parents with incomes less than 133.0 percent FPL (\$29,207 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 (\$57,316 in this example). Like the Child Care Assistance Program,

Earned Income	Medical Assistance					Net Benefit
	PMPM (parent)	Annual (parent)	PMPM (child)	Annual (children)		
-	\$353.69	\$4,244	\$207.18	\$4,972	\$9,217	
5,000	353.69	4,244	207.18	4,972	9,217	
10,000	353.69	4,244	207.18	4,972	9,217	
15,000	353.69	4,244	207.18	4,972	9,217	
20,000	353.69	4,244	207.18	4,972	9,217	
25,000	353.69	4,244	207.18	4,972	9,217	
30,000	-	-	207.18	4,972	4,972	
35,000	-	-	207.18	4,972	4,972	
40,000	-	-	207.18	4,972	4,972	
45,000	-	-	207.18	4,972	4,972	
50,000	-	-	207.18	4,972	4,972	
55,000	-	-	207.18	4,972	4,972	

the State pays health insurance plans directly on behalf of each beneficiary. The November 2020 Caseload Estimating Conference estimated a per member per month (PMPM) enrollment cost of \$353.69 for adults and \$207.18 for children.

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.

Analyst Note: Pursuant to the Families First Coronavirus Response Act (FFCRA), the State may not terminate Medicaid coverage for the duration of the COVID-19 public health emergency, even if a family's income exceeds the traditional limits. The State receives an enhanced federal Medicaid match rate, thereby providing significant general revenue relief, but the moratorium results in some families remaining insured by Medicaid at higher income levels who would be terminated under normal circumstances. This is not reflected in the chart or table above.

- **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. Both programs are federally-funded and eligibility is capped at 185.0 percent FPL. 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 \$535 per month, or \$6,420 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, standard deduction, and child care deduction) towards food costs. Therefore, SNAP benefits are gradually reduced as income increases. The State will not issue a benefit under \$16 per month (\$192 per year). According to the federal Food and Nutrition Service (FNS), the average food cost for WIC participants in Rhode Island in FFY2020 was \$42.05 per month, providing an additional \$1,009 in annual food cost relief for two children.

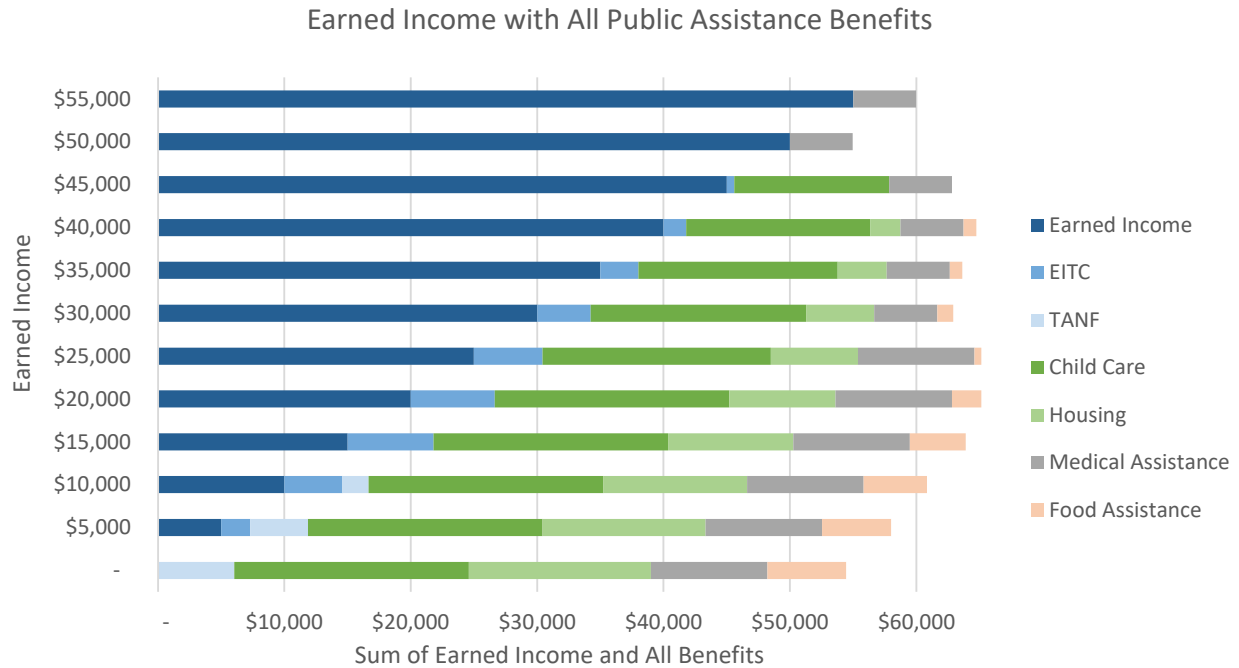
Earned Income	TANF Income	Earned Inc. Deduction	Standard Deduction	Food Assistance			Family Contribution	SNAP	WIC	Net Benefit
				Child Care Deduction	Adjusted Income					
-	\$6,048	-	(\$2,004)	-	\$4,044	30%	\$1,213	\$5,207	\$1,009	\$6,216
5,000	4,568	(1,000)	(2,004)	-	6,564	30%	1,969	4,451	1,009	5,460
10,000	2,068	(2,000)	(2,004)	-	8,064	30%	2,419	4,001	1,009	5,010
15,000	-	(3,000)	(2,004)	-	9,996	30%	2,999	3,421	1,009	4,430
20,000	-	(4,000)	(2,004)	-	13,996	30%	4,199	2,221	1,009	3,230
25,000	-	(5,000)	(2,004)	(500)	17,496	30%	5,249	1,171	1,009	2,180
30,000	-	(6,000)	(2,004)	(1,500)	20,496	30%	6,149	271	1,009	1,280
35,000	-	(7,000)	(2,004)	(2,800)	23,196	30%	6,959	-	1,009	1,009
40,000	-	(8,000)	(2,004)	(4,000)	25,996	30%	7,799	-	1,009	1,009

Analyst Note: During the COVID-19 pandemic, the federal government authorized the maximum allotment for all SNAP-eligible families (i.e. no cost sharing required). The monthly benefit cap for a family of three was \$509 through September 2020 and was increased to \$535 in October 2020. Additionally, the stimulus bill passed in December 2020 authorized a 15.0 percent increase in the maximum benefit, to \$616 per month, for January through June 2021. Thus, families at all eligible income levels will actually receive approximately \$6,800 in SNAP benefits in FY2021.

The Rhode Island Department of Human Services also provided additional flexibility to allow SNAP benefits to be used for online grocery shopping, excluding delivery costs, and provided an enhanced benefit of \$5.70 per child per day during school closures for SNAP and non-SNAP students who would normally receive free or reduced lunch.

BENEFIT PROFILE

Cash and in-kind transfers with a value of nearly \$55,000 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 (\$29,207), when the parent loses Medicaid coverage, and at 225.0 percent FPL (\$49,410), 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	EITC	TANF*	Total Cash	Child Care	Housing	Medical	Food	Total In-Kind	Income + Benefits
-	-	\$6,048	\$6,048	\$18,550	\$14,400	\$9,217	\$6,216	\$48,383	\$54,431
5,000	2,300	4,568	6,868	18,550	12,900	9,217	5,460	46,127	57,995
10,000	4,600	2,068	6,668	18,550	11,400	9,217	5,010	44,177	60,845
15,000	6,808	-	6,808	18,550	9,900	9,217	4,431	42,097	63,905
20,000	6,646	-	6,646	18,550	8,400	9,217	3,231	39,397	66,043
25,000	5,435	-	5,435	18,050	6,900	9,217	2,181	36,347	66,782
30,000	4,224	-	4,224	17,050	5,400	4,972	1,281	28,703	62,927
35,000	3,013	-	3,013	15,750	3,900	4,972	1,009	25,632	63,645
40,000	1,802	-	1,802	14,550	2,400	4,972	1,009	22,932	64,734
45,000	591	-	591	12,250	-	4,972	-	17,222	62,813
50,000	-	-	-	-	-	4,972	-	4,972	54,972
55,000	-	-	-	-	-	4,972	-	4,972	59,972

* 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.