

Committee on Family and Children Services
In Support of SB 129 – Public Testimony
Derek Thomas, Senior Policy Analyst

Good morning Chairman Grooms, members of the committee: thank you for providing me with the opportunity to testify at today's hearing. My name is Derek Thomas. I am a senior policy analyst for the Indiana Institute for Working Families. We are a program of the Indiana Community Action Association, and combine research and analysis of federal and state legislation, public policies, and programs to help low-income Hoosier families achieve and maintain economic self-sufficiency.

To inform this goal, our Self-Sufficiency Standard, and the online Calculator are cornerstones of our research. The Standard was commissioned in 2009 with support from Richard M. Fairbanks and Lumina Foundation and is a more accurate measure of income adequacy compared to the Federal Poverty Guidelines (FPG). It measures the cost of a family's most basic needs, such as housing, childcare, food, health care and transportation for 70 different family types in all 92 counties in Indiana. The Federal Poverty Guidelines are not reflective of what it really takes for a family to meet its basic needs, so income levels below 200% of FPG are generally considered low-income.

For example, the FPG for a family of three in 2009 was \$18,310 annually (\$19,790 in 2014), the equivalent of earning \$8.80 an hour for full-time employment. According to the 2009 Standard, a self-sufficient wage for a family of three – consisting of one adult, one preschooler, and one school age child in Marion County – is \$42,117 annually – the equivalent of earning \$19.94 an hour – approximately 230 percent of the FPG and nearly three times the current minimum wage.

Aside from informing public policy, the Duke Energy Foundation supported a case-manager and training curriculum along with online budgeting tools for public and non-profit practitioners to help low-income families budget and assess their financial needs and complete career pathways training. The development of this 2009 calculator and web site was supported by the Lumina Foundation and the Indianapolis Foundation.

With the goal of helping Hoosiers transition to economic self-sufficiency in mind, and with the generous support from the Indianapolis Foundation, I have been researching benefit-cliffs – the economic phenomenon that occurs when even a \$0.50 increase in hourly wages leads to the complete termination of a benefit, and sometimes a dramatic net loss of resources. The unintended consequence of this design either leads to a disincentive towards economic mobility, or leads to a situation in which the parent or guardian is working harder, but is financially worse off.

The most dramatic is the childcare cliff. As you likely know, child care is very expensive for a low income family – especially high quality child care. The average annual cost of full-time child care for an infant in center-based care is just 7% less than the average cost of tuition and fees of public college. According to the Brookings Institute’s Hamilton Project, the ratio of median out-of-pocket child-care expenses to median earnings of single mothers is 27% - nearly triple the burden of most neighbor states and the 2nd highest in the U.S.

Currently, a family can remain enrolled in the program until their income exceeds 170 percent of FPG. This threshold is known as the ‘exit-level eligibility’, equaling \$32,453 for a family of three – well before self-sufficiency for this family type in Marion County. For this same family, this means that when a parent or guardian receives a \$0.50 raise from \$15.00 to \$15.50, they abruptly lose nearly \$8,500 in childcare benefits.

As a member of the Indiana Community Action Association, we hear stories of families turning down raises and full-time work in order to preserve their child’s place in quality childcare. Studying the child care cliff-effect elsewhere, research shows that families have not gotten married, not accepted child support or have not turned in their redetermination paperwork in order to keep their benefits. Because childcare is a work-related expense, access increases labor supply, and has been proven to help build skills and work-related experience particularly for low-income, less-skilled/less educated single or married females.

There are more than one million impoverished Hoosiers and 2.28 million low-income Hoosiers – both at record levels and both still on the rise. One small way policymakers can support economic mobility and access to self-sufficiency is by extending the ‘exit-level eligibility’ in the Child Care Development Fund to 250% FPL to ensure that hard work is rewarded and families are able to smoothly transition into economic self-sufficiency. Thank you for your time.

ABOUT THE INDIANA INSTITUTE FOR WORKING FAMILIES

The Indiana Institute for Working Families – a program of the Indiana Community Action Association (INCAA) – conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families. The Institute achieves its work through advocacy and education, and through national, statewide, and community partnerships. The Institute was founded in 2004. To learn more about the Institute, please visit: www.incap.org/iiwf.html

ABOUT THE INDIANA COMMUNITY ACTION ASSOCIATION (IN-CAA)

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA’s members are comprised of Indiana’s 23 Community Action Agencies (CAAs), which serve all of Indiana’s 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low-income individuals attain self-sufficiency. IN-CAA serves as an advocate and facilitator of policy, planning and programs to create solutions and share responsibility as leaders in the War Against Poverty. IN-CAA’s mission is to help the state’s CAAs address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit: www.incap.org