Texas Economic Supports for Working Families:

A Product of the Bridging the Gaps Project

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Executive Summary

Low-wage workers who are also heading families typically meet their basic expenses through a combination of their earnings, government benefits and reliance on family, friends and local philanthropies. Over the past decade, welfare reform policies, rapidly increasing medical costs and declining real wages for lower-income workers have increased the challenges faced by these families. Devolved program policies combined with the variation in the cost-of-living across localities mean that a family's ability to meet its expenses at a given income level can differ dramatically depending on where someone lives.

The Bridging the Gaps project, a research initiative organized by the Center for Economic and Policy Research (CEPR) and the Center for Social Policy at University of Massachusetts Boston, is designed to better understand the ability of workers who are supporting families to cover their basic expenses through a combination of work and the government work supports for which they are eligible. Researchers from the Ray Marshall Center for the Study of Human Resources (RMC) of The University of Texas at Austin used data from the Family Resource Simulator (FRS) developed by the National Center for Children in Poverty (NCCP) to assess differences in a hypothetical Texas family's ability to meet its expenses at various income levels in Dallas, Houston, Laredo and San Antonio.

This report provides key background information about Texas' population, economic and policy environment, briefly summarizes the availability and key features of programs that are available to support Texas working families, discusses results from the simulation of resources and expenses for the hypothetical family at different earnings levels across four Texas cities, and offers conclusions to help guide further work on this topic.

Texas Population, Economic Environment and Government Supports

Texas is the second most populous state in the U.S., is growing rapidly and also experiencing major demographic shifts. The state demographer forecasts that the majority of the Texas population will be Hispanic in the next 20-25 years. Half of all Texas children live in low-income families (defined as 200 percent of poverty or those with an annual income of $40,000 for a family of four) while one in every four live in poor families. A working adult headed 76 percent of poor families with children and 86 percent of all low-income families.

Due to the large number of poor, two-parent Latino families, nearly half of poor Texas children live in two-parent families.

Texas is well known for its socially conservative politics, pro-business environment, and preferences for limited government. In 1999, the per capita income in Texas was $26,525, which ranked 27th among all states in the U.S. Even so, Texas ranks near the bottom of all states in its expenditures on social programs that typically assist lower-income families in other states.

This report outlines the major governmental economic supports that could assist working families to meet their basic expenses and summarizes the Texas program eligibility rules and operating environments for each. Programs profiled in this report include: Temporary Assistance for Needy Families (TANF), Food Stamps, Medicaid, subsidized child care, subsidized housing and the Earned Income Tax Credit (EITC). Because Texas does not have an income tax system, only the federal EITC is available to Texas families

Parameters of Family Simulations

The FRS allows its users to enter a range of attributes about a family and its use of child care, medical care and other benefits. In order to assess the ability of comparable working families to meet their basic expenses across states and localities, Bridging the Gaps researchers obtained information from the FRS for a hypothetical family's resources (after-tax earnings plus government benefits) and expenses (computed from the Economic Policy Institute's Basic Family Budgets and other sources) at various earnings levels for cities across the U.S.

Simulations were run for a hypothetical family in Houston, Dallas, San Antonio and Laredo for income levels ranging from $1,000 per year to $45,000 per year. The cost of living, some program policies and the share of low-income families differ across these localities. For this time period (2004), the Texas median wage for individual workers was $26,000 per year.

The head of the simulated family is a single parent with two children ages 3 and 8 who works 40 hours per week. The family receives all tax benefits (e.g., EITC, Child Tax Credit) and uses Medicaid, CHIP, or employer-based health insurance. The parent receives no child support and uses a family home for child care, regardless of subsidy. The family has no savings, owns a car worth $2,000 and has no car debt.

Different simulations assumed variation in the use of government benefit programs for which a family was eligible. The range of the simulations varied from the family's using all government economic supports for which it was eligible to using none of the government economic supports for which eligible.

Simulation Results

Results from the simulations showed that:

1. A family receiving all government economic supports for which it was eligible can more easily pay its expenses with a low-wage job in San Antonio, Houston or Dallas than in Laredo. However, a family in Laredo keeps a larger share of its earnings when moving to a median-wage job. In Houston and Dallas, a family's net resources increases as income rises to $22,000, then *decreases* at higher income levels. The unevenness of this pattern across cities and income levels suggests that program eligibility policies may need to be adjusted to better support such a family's work effort.
2. A family receiving a more typical mix of government benefits — tax credits, Food Stamps and Medicaid—cannot meet its basic living expenses in *any* of the four cities when working in a job paying less than $20,000 per year. Families in lower-cost cities (e.g., Laredo and San Antonio) are better off than those in higher-cost cities (e.g., Houston and Dallas).
3. This family needs to earn only $9,000 -$ 12,000 per year to meet its expenses if receiving all government supports but $20,000-$29,000 per year if receiving a more typical set of economic supports. In Dallas and Houston, the latter amounts are higher than the median earnings of all Texas workers. Child care and housing play the greatest role of all benefits in decreasing the total income needed to meet expenses.
4. Under certain scenarios, a family actually takes home *less* income when it earns more money. The largest of these dips in net resources occurs in Houston for incomes ranging from $23,000 to $33,000 for families receiving some but not all government supports.

The simulations demonstrate that some policy adjustments are needed to better enable working families in their efforts to become self-sufficient. At a minimum, the net resources available to a family should increase as its earnings increase. This standard should be met across all cities and all possible combinations of benefits.

Additional simulations should be conducted to add the value of child support to the benefits received by single-parent families and to develop scenarios for two-parent families and immigrant families, two types of families in which growing shares of low-income Texas children reside. The FRS is an important tool for identifying how program policies could be modified to be equitable to low-income children from all types of families.

Conclusions

The following conclusions were drawn from this analysis:

- Complex program rules make it difficult to estimate how many low-income families are actually eligible for work supports or to quantify the number of qualified families who apply but do not receive services due to budget limitations.
- Constantly changing and contradictory eligibility standards exclude eligible families from services because of confusion about program rules.
- Existing policies even for single-parent families — the family type for which most government programs are primarily designed — do not uniformly support work effort and advancement in the Texas labor force.
- More research is needed to determine how well work support policies interact to support work effort and advancement for other common types of Texas low-income families, such as two-parent families and immigrant families.
- Without action, Texas faces an impending crisis due to its changing demographics.

Introduction and Overview

Low-wage workers who are also heading families have always struggled to meet their families' financial needs. Typically, these families meet their basic expenses through a combination of their earnings, government benefits and reliance on family, friends and local philanthropies. However, over the past decade, the combination of welfare reform policies, rapidly increasing medical costs and declining real wages for lower-income workers have increased the challenges faced by these families. The devolved nature of program policies combined with variation in the cost-of-living across states and localities mean that a family's ability to meet its expenses at a given income level can differ dramatically depending on where someone lives.

Bridging the Gaps is a multi-year project led by the Center for Economic and Policy Research and the Center for Social Policy at the University of Massachusetts Boston, in partnership with organizations in nine states and the District of Columbia.. It is designed to better understand the ability of workers who are supporting families to cover their basic expenses through a combination of work and the government work supports for which they are eligible. The first phase of this project has three major objectives:

- To assess the *hardships gap* between resources (earnings plus benefits) and living costs for families over many earnings ranges
- To examine the *eligibility gap* by measuring the actual use of government benefits among eligible families
- To engage potential partners to discuss outreach strategies and possible uses of this information.

Using data from the Family Resource Simulator (FRS) developed by the National Center for Children in Poverty (NCCP) to assess differences in families' ability to meet their expenses across states and local communities, project partners in each state are analyzing state and local program policies and financial resources and living expenses. CEPR researchers are then analyzing Census Survey of Income and Program Participation (SIPP) data to determine utilization of benefit programs in state and local areas, engaging local and state program practitioners and advocates to determine usefulness of analysis in their work, and developing plans and partnerships for future phases of this work.

Researchers from the Ray Marshall Center for the Study of Human Resources (RMC) of The University of Texas at Austin performed several roles in the first phase of the Bridging the Gaps research project. First, they analyzed the rules of Texas benefit program policies (as of December 2004) and provided this analysis both to NCCP for development of a Texas Family Resource Simulator and to CEPR for use in its SIPP program utilization calculations. The RMC team then analyzed FRS simulations for a hypothetical family in four Texas communities: Dallas, Houston, Laredo and San Antonio to determine that family's ability to meet its basic expenses at various income levels. Finally, jointly with CEPR and the Center for Public Policy Priorities, they organized brown bag luncheons for program operators and advocacy groups in Houston and Austin to discuss possible future uses of these findings.

This report summarizes the analysis conducted in Texas for the first phase of the Bridging the Gaps project. It provides key background information about Texas' population, economic and policy environment, briefly summarizes the availability and key features of programs that are available to support Texas working families, and discusses results from the simulation of resources and expenses for the hypothetical family at different earnings levels across four Texas cities. The report also offers conclusions that may be useful in guiding further work on this project.

Background

Population and Demographics

Texas is the second most populous state in the U.S. and its rate of population growth is dramatically outpacing most of the nation. The State Demographer projects that Texas is likely to have 25 million residents by 2010 and could have as many as 51.7 million by 2040 (Texas State Data Center). Important demographic shifts are occurring in Texas as well. According to the 2000 Census, 32 percent of Texans reported a Hispanic or Latino origin, compared with 26 percent in 1990. Presently, less than half of Texas residents are White. The State Demographer forecasts that Texas will become a majority Hispanic state sometime between 2026 and 2034 (Texas State Data Center).

In 2000, 15.4 percent of Texans (3.1 million people) lived in poverty, a rate higher than the national average of 12.4 percent (Bureau of the Census, 2001 and 2002). At that time, almost a quarter of Texas African-Americans, over 23 percent of Hispanics and just under eight percent of Whites lived in poverty.

Half of all Texas children live in low-income families, defined as 200 percent of poverty or those with an annual income of $40,000 for a family of four. Nearly one fourth (24 percent) live in poor families. As shown in Table 1, most Texas low-income children have at least one working parent. In Texas, a working adult headed 76 percent of poor families with children and 86 percent of all low-income families.

While single-parent families are more likely to be poor than two-parent families, 13 percent of Texas two-parent families live in poverty. Due to the large number of poor, two-parent Latino families, nearly half of poor Texas children live in two-parent families. Seven of every ten poor Texas children are Latino.

Table 1. Family Characteristics of Low-Income and Poor Texas Children

	Low-Income	Poor
Employed parent	86%	76%
Single parent	43%	52%
Immigrant parents	33%	38%
Percent Latino	58%	70%

Source: Adapted from National Center for Children in Poverty analysis of Bureau of the Census Current Population Survey, 2003.

The Texas Economic and Public Policy Environment

Texas is well known for its socially conservative politics, pro-business environment, and preferences for limited government. In 1999, the per capita income in Texas was \$26,525, which ranked 27^{th} among all states in the U.S. Even so, Texas typically ranks near the bottom of all states in its expenditures on social programs that typically assist lower-income families in other states (e.g., health care, food assistance, child care subsidies and housing programs). As discussed below, recent and current legislative activity related to the Texas tax structure and organization of social services may modify this landscape even further.

State Revenue Generation

The Texas revenue generation model is widely recognized as flawed by policymakers on both sides of the aisle. In 2003, the State of Texas faced a budget shortfall estimated to be as large as \$15 billion. Although a portion of this shortfall was caused by the economic downturn, a significant share resulted from a "structural deficit," or a shrinking of state revenue relative to the overall economy. Many policymakers and advocates are also concerned that Texas' tax system is unnecessarily regressive. Because Texas has no income tax and relies heavily on sales taxes (51 percent) for general revenue, low- and moderate-income families see a much larger percentage of their income absorbed by state taxes than their higher-income counterparts (Lavine, et al, 2003).

Tax policy is highly politicized in Texas. Anti-tax political pressures have made keeping state taxes to a minimum the primary priority for many Texas politicians. Although Texas has a very low state tax burden, Texas policymakers "push down" many funding obligations (most notably, public education) to the local level. As a result, in 2003, Texas ranked a very high 15th in the nation for local taxes (Lavine, et al, 2003). When state and local tax burdens were combined, property taxes made up fully 46 percent of taxes paid by Texas families, a situation which created a substantial burden on even middle class families in recent years and resulted in increased pressure for reform of the overall system. In the summer of 2006, the Texas Legislature revised its method of funding public education, which reduced the local property tax burden somewhat.

Social Services Reorganization

A major reorganization of state health and human services recently occurred in Texas. In 2003, the Texas Legislature enacted House Bill 2292, which aspired to create a more efficient service delivery system and save the state money. This bill consolidated the administration of health and human services and programs under the Health and Human Services Commission (HHSC) and re-structured 12 former state agencies into five new agencies. It also gave the HHSC commissioner total authority over the rulemaking and policy direction over all programs while removing the same authority from individual agency directors and boards. The legislation significantly changed policies to existing programs by tightening CHIP eligibility and enrollment, reducing Medicaid benefits and coverage, and imposing a form of full-family sanctions in the TANF program.

The bill also mandated the use of call centers to determine eligibility for the major health and human services programs in the state and required private contractors to operate these centers if deemed cost effective. The state awarded a bid for the operation of these call centers to a private contractor in July 2005 that was projected to save the state nearly $650 million over a five-year period. However, the contractor encountered numerous difficulties operating a pilot program in Travis and Hays counties in the 2006 calendar year. As a result, in December 2006, HHSC scaled back the role of the private contractor and returned the eligibility determination function for most programs to state workers (Texas HHSC, 2005 and 2006).

Programs Overview

For the preliminary stage of this study, RMC researchers examined five types of economic supports available to Texas families: Temporary Assistance to Needy Families (TANF), Food Stamps, Medicaid/CHIP, child care subsidies and subsidized housing. Table 2 summarizes the eligibility criteria for each of these programs.

Temporary Assistance to Needy Families

Temporary Assistance for Needy Families (TANF) provides cash assistance and work opportunities to needy families. Texas began reforming its cash assistance program for low-income families in 1995 and continued to modify this program in every succeeding legislative session through 2003. HHSC determines a family's financial eligibility based on the estimated amount needed to meet a family's basic needs for one month. However, cash benefits only support 25 percent of estimated budgetary needs. The maximum TANF grant for a family of three was $201 per month at the beginning of 2003, which equals 17 percent of the Federal Poverty Income. Texas ranks 48th among all states in the amount of its TANF grant (U.S. House of Representatives, 2004). In 2002, an estimated 3.4 million Texans lived in families with incomes below the federal poverty guidelines (Bureau of the Census, 2003). The cash assistance (TANF) caseload was only 358,800 per month — less than 11 percent of the total number in poverty (Texas Department of Human Services, 2002).

Food Stamps

The Food Stamps program allows low-income families to buy nutritious food using an Electronic Benefits Transfer (EBT) system known as the Lone Star Card. All unemployed able-bodied persons age 16 through 59 must register for employment services before initial certification and participate after certification. The amount of food stamp benefits the household receives is determined by household size and the amount of the income available after all allowable deductions are made from their gross income.

Table 2: Summary of Eligibility Criteria for Texas Programs in December 2004[1]

Program	Income Limits	Asset Limits	Additional Information
Temporary Assistance for Needy Families (TANF)	Total gross family income minus work related and child care expenses for all applicants who have not received TANF in the past four months cannot exceed the budgetary needs amount; Net family income for applicants and certified recipients cannot exceed 25% of the budgetary needs amount.	Families cannot have more than $1,000 in resources; Certain items are exempt from consideration	Applicants 16 to 59 must participate in employment services unless exempt. TANF benefits are time-limited.
Food Stamps	Must pass both gross monthly income (minus allowable income exclusions) and net income test. For a household of 3, gross income limit is $1,698 and net income limit is $1.306. Categorically eligible households - (TANF or SSI, or those meeting the TANF asset criteria with gross income less than 165% FPIL - are not subject to the resource or gross net income limits.	Have $5,000 or less in countable liquid resources combined with excess vehicle value.	All unemployed able-bodied persons age 16 through 59 must register for and participate in employment services unless exempt. Individuals ages 18 through 50 who are not working or participating in a specified work program for an average of 20 hours per week are limited to an initial three months of eligibility in a 36 month period unless exempt.
Medicaid	Pregnant minors (under 19) and children under 1: 185% FPIL; pregnant women (over 19):.158% FPIL; children 1-5: 133% FPIL; children 6-18: 100% FPIL; youth transitioning off foster care: 400% FPIL; families whose income minus medical expenses falls below the state Medically Needy Income Limit.	$3,000 in households with a member who is aged or disabled; $2,000 for all other households	Temporary Assistance for Needy Families (TANF). Refugee Cash Assistance and SSI recipients automatically get Medicaid.
Children's Health Insurance Program (CHIP)	Children in families with limited income who earn too much to qualify for Medicaid. Qualified categories include TANF recipients for 3 months prior to applying for TANF or Medical Programs; former TANF or Medical Program clients who remain eligible for Transitional Medicaid. Gross income limits for a household of 3 range from $1.959 (150% FPIL) to $2.61 2 (200% FPIL). Since the 2003 legislative change, deductions are no longer allowed.	Households with gross incomes above 150% FPL must own $5000 or less in assets, defined as the sum of countable liquid assets and excess vehicle value for countable vehicles. Real property, such as a home, is not countable as an asset.	Several important changes were adopted by the 2003 State Legislative session: a change in the term of coverage from 12 months to 6 months; increases in co-pay and monthly premiums; establishment of a 90- day waiting period between the acceptance into the program and the start of coverage; elimination of some covered CHIP benefits such as dental, vision and hospice services.
Child Care Subsidies	Eligibility for working families is set by local workforce boards. In 2003, 85% SMI was $46,371. Of the 28 local workforce boards. 3 boards used the 85% SMI, 8 used 55% - 80% SMI ($30,005 - $43,643). 16 used 150% of FPIL ($27.600) and 1 used 175%FPIL ($32,200) for a family of 4.	None	TANF recipients participating in the Choices program receive priority for service. Eligibility is usually redetermined every six months
Subsidized Housing	Less than 50-80 percent of area median income (standard established annually by HUD)	No general limit; Income derived from assets may affect eligibility and total tenant payment	PHAs have flexibility to establish local priorities. Assistance may be denied if any member of the family participates in drug-related or violent criminal activity. Applicants must be U.S. citizens or have legal immigration status.

[1] Eligibility for local child care subsidy programs is based on September 2003 rules.

In 2002, an estimated 3.4 million people in Texas lived in families with incomes below the federal poverty guidelines, while only an average of 1.6 million Texans were receiving Food Stamps each month (Texas Department of Human Services, 2002).

Medicaid

The Medicaid program utilizes state and federal funds to provide medical coverage, prescriptions, transportation to medical appointments, and related services to low-income families, pregnant women, children, people who are elderly or have a disability and non-U.S. citizens needing emergency medical services. Most services are free of cost. There are two types of Medicaid programs in Texas. In the traditional program, medical care is provided by any doctor or provider who accepts Medicaid. The STAR program operates in most urban areas as a managed-care system, in which participants select a primary care provider.

Medicaid is an entitlement program and there is no limit on the number of eligible people who can enroll. In February 2004, about one in every nine Texans (2.5 million of the 22.2 million) relied on Medicaid for health insurance or long-term care services. Medicaid accounted for about three quarters of the overall of the state health and human services budget (Texas Health and Human Services Commission, 2004). However, as shown in Table 2, income eligibility limits vary significantly for children of differing ages and are generally far lower for adults than for children.

Children's Health Insurance Program

The Children's Health Insurance Program (CHIP) provides health insurance for children in families who earn too much money to qualify for Medicaid yet cannot afford private insurance. Some higher-income families pay monthly premiums and most families pay co-payments for doctor visits, prescription drugs, and emergency care. Rates are flexible and based on household size, income, and expenses. The program serves eligible children up to 19 years old.

CHIP and children's Medicaid had a combined enrollment of 2,138,000 by August 2004. Compared to August 2003, this number included a net increase of Medicaid enrollment of over 135,000 and a net decrease of CHIP enrollment 146,334 between August of 2003 and of 2004. Because of changes to this program adopted by the 2003 State Legislature, CHIP enrollment declined precipitously in the following year and accounted for more than half of the national decline in CHIP enrollment in 2004 (Dunkelberg and O'Malley, 2004).

Child Care Subsidies

Unlike most states, the responsibility for administering Child Care Development Fund (CCDF) subsidies rests with the Texas Workforce Commission (TWC), Texas' workforce development agency. In 1999, TWC devolved the authority for establishing selected policies for the subsidized child care program to 28 local workforce development boards. Among other responsibilities, these boards determine income eligibility guidelines and co-payment amounts for working families who apply for child care subsidies.

Statewide policy provides that eligible families be served in the following order of priority: children of Choices (TANF employment and training participants) clients, families transitioning from TANF, workforce orientation applicants, Food Stamp E&T participants, children needing or receiving protective services, low income, teens, children with disability, children of teen parents, and children served by special projects.

In FFY 2003, an average of 117,300 children received subsidized child care under the federal CCDF program each month (U.S. Department of Health & Human Services, 2003). In FY 2004, Texas did not use any TANF funds (either directly or through transfers) to purchase subsidized child care. Income-eligible working families are required to contribute to the cost of child care. In 2003, these family co-payments varied from seven to 15 percent of a family's income, depending on the number of children in care and the policies of the local workforce board.

Subsidized Housing

The majority of subsidized housing units in Texas are provided through public housing and Section 8 voucher programs, which are administered by more than 430 local public housing authorities (PHAs). Public housing provides decent, safe, and income-adjusted rental housing for eligible low-income families, elderly persons, and persons with disabilities. There is no readily available, current data on public housing participation rates for Texas but a 2003 report found that some 66,000 Texans were served by public housing.

In the Section 8 voucher program, qualifying families search for housing such as apartments, homes, or mobile homes on the private market. The PHA pays the owner the difference between 30 percent of adjusted family income and a PHA determined payment standard or the gross rent for the unit, whichever is lower. During 2004, approximately 130,000 Texas families received vouchers each month.

Earned Income Tax Credit

Many low-income working families across the United States receive the Federal Earned Income Tax Credit (EITC). The EITC is a negative income tax program that provides income to low-income working families who file federal income tax returns. Many states also offer a similar tax credit against state income tax. Texas is one of seven states without a personal income tax; thus, Texas working families are eligible for the federal tax credit but not a state credit.

Family Simulations Used for Bridging the Gaps Project

Over the past several years, the National Center for Children in Poverty (NCCP) at Columbia University has been developing the Family Resource Simulator (FRS), a web-based tool that allows users to model the economic circumstances of families based on family characteristics and local cost of living. In the summer of 2005, RMC provided the policy rules developed for the Bridging the Gaps project to NCCP for use in developing the FRS simulator for Texas. NCCP also gathered additional information needed to update all program rules to December 2004. The Texas FRS was released to the public in December 2005, and information from the simulator was used to create the income and expense family simulations described below.

Simulation Parameters

The FRS allows its users to enter a range of attributes about the family and its use of child care, medical care and other benefits. In order to compare the ability of comparable working families to meet their basic expenses across states, Bridging the Gaps researchers obtained information from the FRS for an archetypical family's resources and expenses at various earnings levels. A family's resources are defined as after-tax earnings plus cash and near-cash government benefits for which a family is eligible. A family's expenses are based on the Economic Policy Institute's Basic Family Budgets, which estimates of the amounts needed to meet basic expenses in different cities across the United States, and other similar resources. Some in-kind benefits (e.g. child care and health insurance) are used to reduce expenses in the simulator.

Simulations were run for the following Texas cites: Houston, Dallas, San Antonio and Laredo. These cities were selected because of their geographic diversity and differing economic and demographic characteristics. Houston, Dallas and San Antonio are among the 10 largest cities in the United States, while Laredo is a major city along the Texas-Mexico border. Both the cost of living and some of the program policies differ across these localities, along with the share of low-income families. Income levels used in the simulations ranged from $1,000 per year to $45,000 per year. According to the Bureau of Labor Statistics (BLS), the Texas median wage for individual workers was $26,000 per year for this time period (2004). Because the simulations used in this paper only include single-parent families and assumes no child support, the median wage amount is sometimes referenced to illustrate how earnings levels required to meet basic expenses would relate to typical earnings for a Texas employee.

The archetypical family used in these simulations had the following family characteristics, workforce participation and use of work supports:

- Single parent with two children ages 3 & 8
- Parent works full time[1]
- Family receives all tax benefits (e.g., EITC, Child Tax Credit)
- Parent uses family homes for child care, regardless of subsidy
- Family uses Medicaid and CHIP when eligible, otherwise employer-based health insurance
- Parent receives no child support
- Family has no savings, owns a car worth $2,000 and has no car debt.

It should be noted that this family type was selected based on common characteristics of poor and low-income families across the United States. As mentioned above, however, Texas low-income families are almost as likely to be headed by two parents as by a single parent. Readers should keep this in mind when interpreting the simulation results. Also, poor families in Texas (and other southern states) who receive child care subsidies are more likely to use center-based child care than poor families in other parts of the U.S. while those without subsidies tend to use less formal types of child care (Administration for Children and Families, 2000).

Different simulations assumed variation in the use of government benefit programs for which a family was eligible, either because a family chose not to participate in such programs or, more typically, because insufficient funding was appropriated to serve all eligible families. The simulation ranged from the family's using all government benefits for which it was eligible to using none of the government benefits for which eligible. Results from the simulations will be discussed in the illustrations:

- The family receives all benefits for which it is eligible.

[1] If family earns less than $13,000 per year, expenses are calculated based on less than full-time work. These income levels are not discussed in this paper.

- The family receives the most typical set of benefits for which it is eligible. This usually includes Medicaid, Food Stamps and tax credits.
- The family receives none of the benefits for which it is eligible except tax credits.

Some of the illustrations will separately add subsidized housing and subsidized child care to illustrate the relative value of those programs in helping working families to meet their living expenses.

Simulation Results

Illustration 1: Role of Government Benefits at Various Income Levels by City

The first illustration describes this family's ability to meet its expenses under two scenarios: receiving all benefits for which it is eligible under 2004 policies and receiving benefits that such a family would more typically receive in Texas.

If Receiving All Benefits for Which Eligible

Figure 1 displays the net resources (earnings plus government benefits less taxes and living expenses) available to families in all four cities at selected earnings levels. The annual earnings displayed in these graphs range from $14,000 per year to $26,000 per year, the amount that could be earned from a Texas median-wage job. As can be seen from the graphs, a San Antonio, Houston or Dallas family would be better able to meet expenses with a $14,000 job than is true in Laredo. When receiving all possible government benefits, a San Antonio family would have $4,622 more than needed to meet basic expenses, while a Laredo family would net $2,670.

Another way to use these graphs is to determine the extent to which earning more money would increase a family's net resources, or the extent to which the policy environment in each city is supporting work. When viewed from this lens, a different story emerges. If this San Antonio family increases its earnings by $12,000 (from $14,000 to $26,000), its net resources only increase by $922 (from $4,622 to $5,544). So there isn't much incentive for a family in San Antonio that is receiving all benefits for which it is eligible to seek a higher-paying job. In Laredo, however, this same family would increase its net resources by $8,715 (from -$2,670 to $6,045) when moving from a low-paying to a median-wage job. In Houston and Dallas, the family would steadily increase its net resources as it advances in the workforce until earning $22,000. However, when earnings increase from $22,000 to $26,000, the family's net resources would actually *decrease*. The drop in net resources is minor in Dallas. But in Houston, a family earning $26,000 has $1,841 *less* in net resources than one earning $14,000. The unevenness of this pattern across cities and income levels suggests that program eligibility policies in some cities need to be adjusted to better support a family's work effort.

If Receiving Most Typical Package of Government Benefits

As discussed earlier in this paper, even families who are eligible for government benefit programs often do not receive them. The reasons for non-participation are numerous but, in Texas, this most commonly occurs because insufficient funds are appropriated to serve all eligible families. So, while the above scenario in which this family received all benefits was useful for demonstrating the interaction of various program policies across income levels, another scenario is needed to demonstrate the more common experience for low-income Texas families. This scenario, displayed in Figure 2, assumes that the archetypical family receives a more typical package of government benefits: tax credits, Food Stamps and Medicaid.[2] Texas families are far more likely to receive these benefits than either housing or subsidized child care, the other major benefits in the complete package.[3]

Several things can be observed from the graphs in Figure 2:

1. This family cannot meet its basic living expenses in *any* of the four cities when working in a job that pays less than $20,000;
2. It is more advantageous to earn more income in all cities when receiving this particular package of government benefits;
3. Families in lower-cost cities (e.g., Laredo and San Antonio) are better off than those in cities with a higher cost-of-living (e.g., Houston and Dallas).[4]

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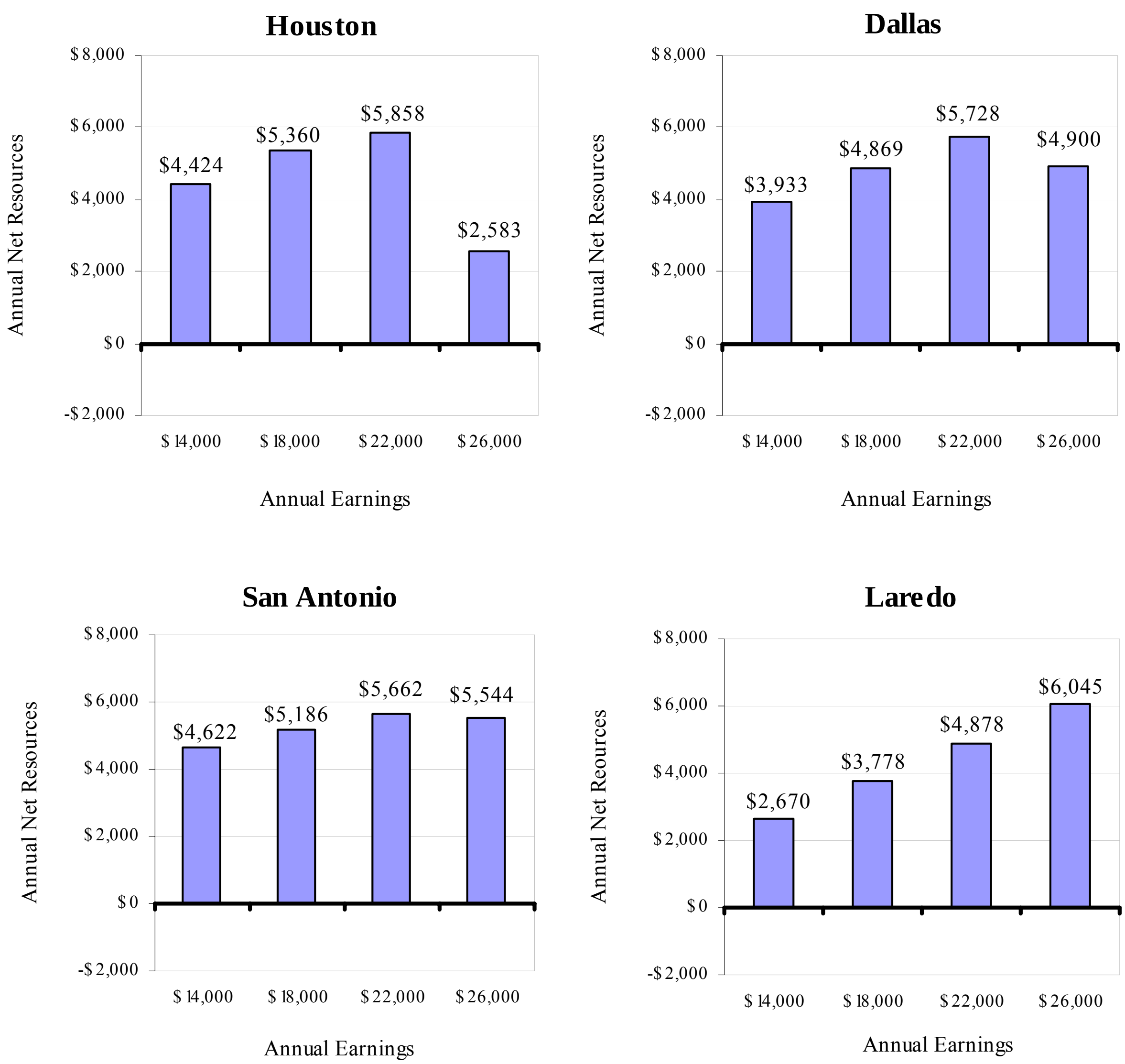
[2] At the income levels displayed in these scenarios, none of the families would be eligible to receive TANF benefits.

[3] In a later report from this project, CEPR will calculate which shares of Texas families actually receive each type of government benefits.

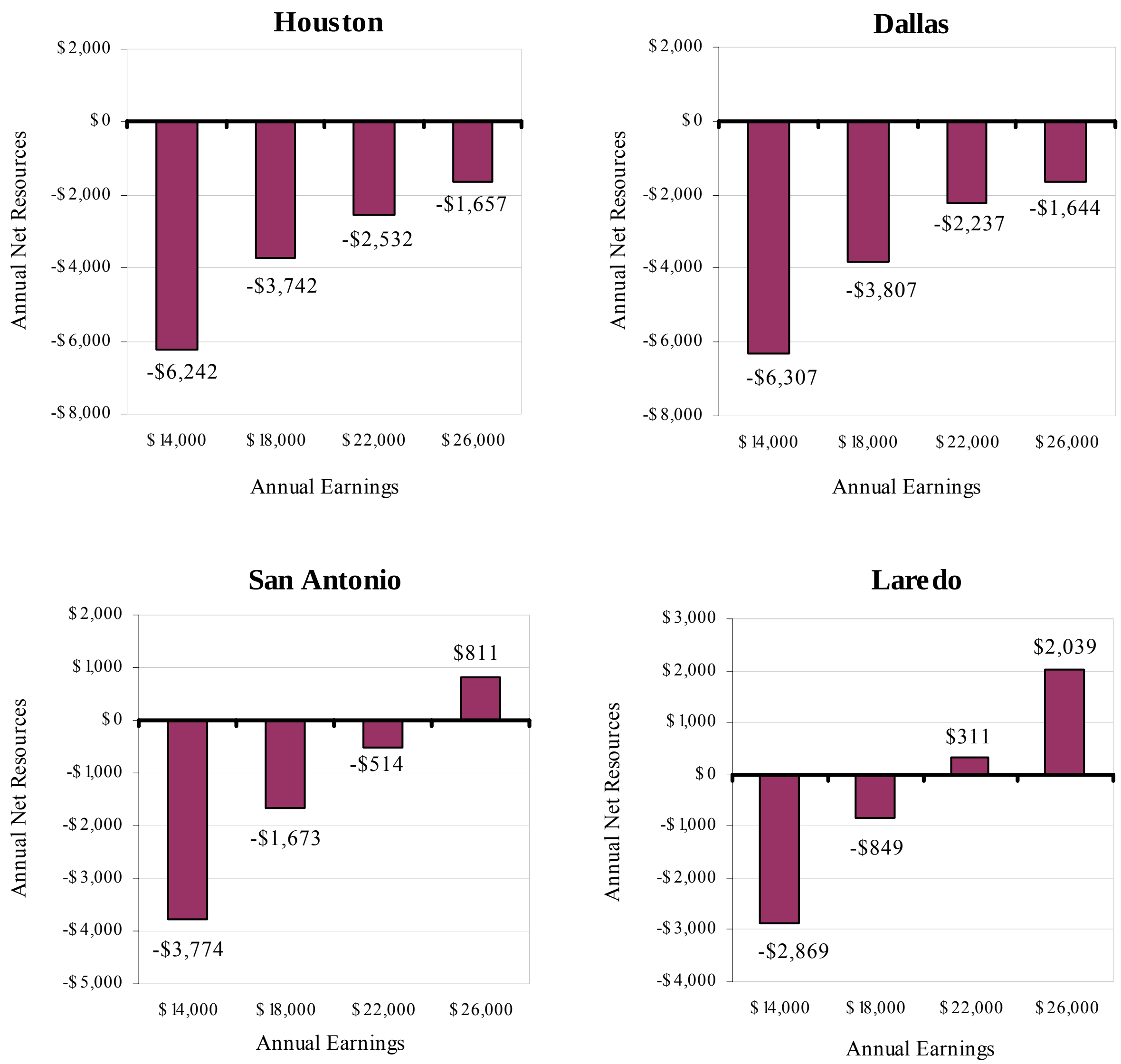
[4] The Texas city with the highest cost-of living is Austin, which was not included in these scenarios. However, similar scenarios can be developed for Austin from the NCCP's Family Resource Simulator.

Figure 1. Net Available Resources in Each City if Receiving All Possible Work Supports



Data Source: National Center for Children in Poverty. "Family Resource Simulator." Columbia University, Mailman School of Public Health, 2004.

Figure 2. Net Available Resources in Each City if Receiving Most Likely Work Supports



Data Source: National Center for Children in Poverty. "Family Resource Simulator." Columbia University, Mailman School of Public Health, 2004.

The last finding is somewhat counterintuitive because the lower-cost cities are also homes to higher shares of low-income families than is true for higher-cost cities and often get more publicity and policy focus because of that fact. However, this illustration clearly shows that it is important to consider both a family's resources *and* a city's overall cost-of-living when determining how to distribute both government and philanthropic resources.

Illustration 2: First Break-even Point for Different Combinations of Income and Benefits

Another use of the simulator is to illustrate the lowest level of earnings that it would take for this type of family to meet its basic expenses in each of the Texas cities. We refer to this as the 'first break even' point, or the point at which earnings plus benefits equals expenses plus taxes.

If Receiving All Benefits Vs. Only Tax Credits

The first panel in Figure 3 compares how much this family would have to earn to reach its first break-even point under two scenarios: receiving all benefits vs. receiving only tax credits. When receiving all benefits, the amount that this family would need to earn to meet its expenses ranges from a low of $9,000 in San Antonio to a high of $12,000 in Laredo.[5] If however, this family only receives tax credits, it would need to earn anywhere from $26,000 (Laredo) to $31,000 (Houston) to meet its basic expenses. In all four cities, this amount is equal to or higher than the median earnings of all Texas workers.

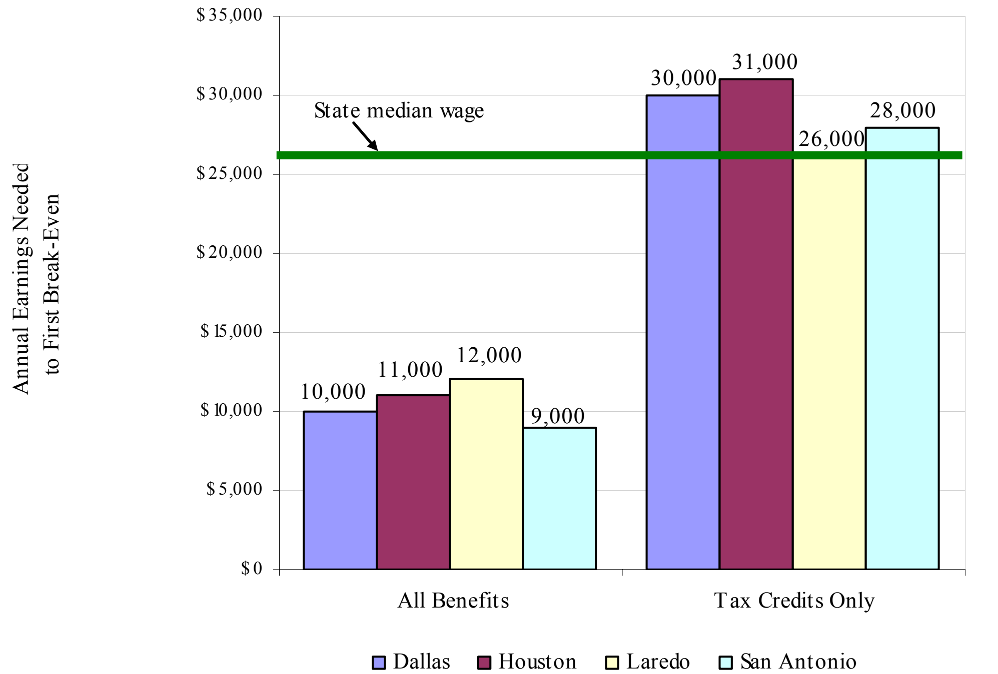
If Receiving Most Typical Package of Benefits Plus Either Child Care or Housing

The second panel of Figure 3 shows that this family would need to earn $20,000 (Laredo) to $29,000 (Houston and Dallas) per year to make ends meet if they only receive the most typical package of benefits (tax credits, Medicaid and Food Stamps). In Dallas and Houston, this *still* exceeds the median earnings level for all Texas workers. The second and third set of bars illustrate how valuable child care and housing subsidies could be in reducing the level of earnings needed to meet expenses. When a family receives a typical package of benefits plus child care subsidies, it would only have to earn $14,000 (Laredo and San Antonio) to $21,000 (Dallas) per year to meet expenses. Thus, child care subsidies are worth anywhere from $6,000 to $12,000 per year to this family. Housing subsidies are even more valuable. With such subsidies, families could either meet or exceed the earnings needed to cover their expenses with a low-wage job in all cities.

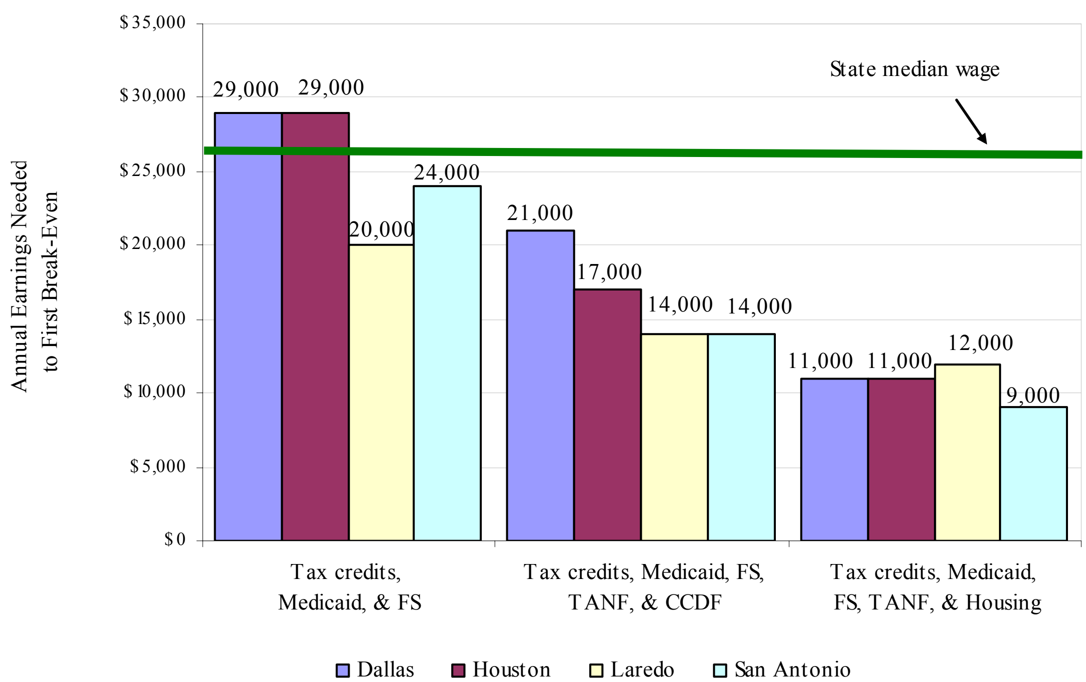
[5] The simulation assumes part-time work if the family earns less than $13,000 per year.

Figure 3. Earnings Required to Meet Expenses under Different Scenarios

Panel A: If Receiving All Possible Work Supports or Only Tax Credits



Panel B: If Receiving Other Combinations of Work Supports

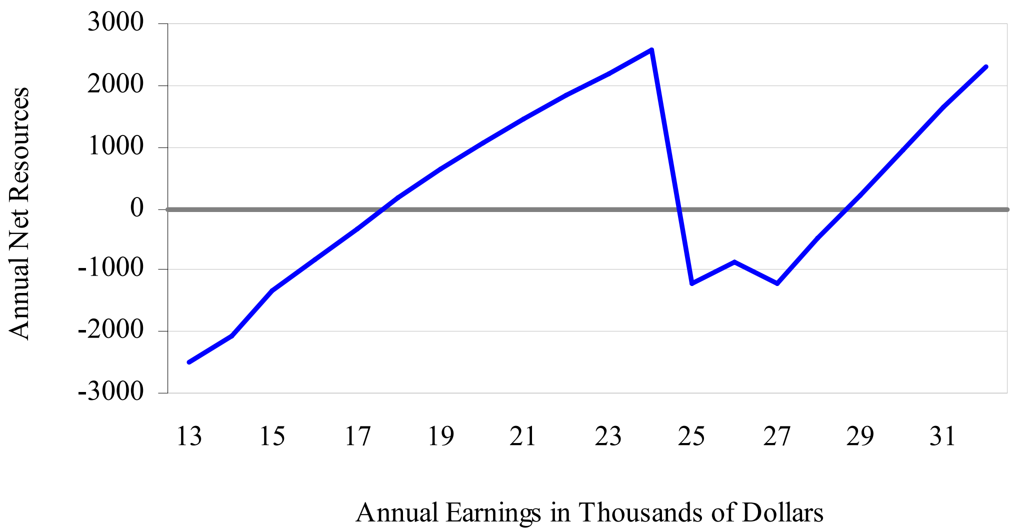


Data Source: National Center for Children in Poverty. "Family Resource Simulator." Columbia University, Mailman School of Public Health, 2004.

Illustration 3: Multiple Break-even Points (Working in Place)

Under certain scenarios, a family actually takes home *less* income when they earn more money. Figure 4 illustrates one such scenario that would occur in Houston for families receiving a typical benefit package plus child care subsidies. As shown in the graph, the net resources available to this family steadily increase until the family earns $23,000. At that point, eligibility for several benefits ends. The family must then earn $31,000 to equal the same level of resources that it enjoyed while earning only $23,000.

Figure 4. Multiple Break-even Points in Houston if Receiving Tax Credits, Medicaid, FS, TANF, and CCDF



Data Source: National Center for Children in Poverty. "Family Resource Simulator." Columbia University, Mailman School of Public Health, 2004.

Discussion

These simulations demonstrate that some policy adjustments are needed to better enable working families in their efforts to become self-sufficient. At a minimum, the net resources available to a family should increase as their earnings increase. This standard should be met across all cities and all possible combinations of benefits.

It would also be useful to conduct simulations that add the value of child support to the benefits received by single parents. The Texas Office of the Attorney General has made great strides in collecting child support for low-income families over the past ten years and studies have shown that those families that receive child support are far more likely to avoid returns to welfare programs that other similarly situated families (King and Schroeder, 2003). However, adding child support information to the simulation could illustrate the extent to which child support helps low-income families to meet their basic budgets.

Finally, because single-parent families comprise a smaller share of low-income and poor families in Texas than in most other states, it would be important to develop scenarios for two other types of families using the Family Resource Simulator: two-parent families and immigrant families. Many of the benefit programs discussed in this paper either consciously or inadvertently penalize both of these family types when setting their policies. Increasingly, low-income Texas children reside in such families and the FRS is an important tool for identifying how program policies may need to be modified so that they are equitable to low-income children from all types of families.

Conclusions

The following conclusions can be drawn from the environmental scan of the Texas demographic and economic environment, work supports available to working families with in Texas and the simulation of various packages of work supports for an employed single-parent family:

It is difficult to estimate how many low-income families are actually eligible for work supports or to quantify the number of qualified families who apply but do not receive services because of budgetary limitations.

While data from Census surveys allow researchers to identify the number of low-income families, the complex program eligibility rules in each state and locality make it far more difficult to determine which families are eligible for these services. The Family Resource Simulator is a great tool for developing scenarios for different family types. Even so, there is no easy way to determine how many eligible families apply for services but are turned away each year due to lack of funds. For example, many public housing authorities in Texas stop taking applications when available Section 8 funds are exhausted rather than establishing waiting lists. A similar practice exists in many of the local workforce board areas that administer child care subsidies.

Restrictive, constantly changing and contradictory eligibility standards exclude families from services even though they have not yet achieved self-sufficiency.

Prior Texas research on this topic indicates that many families are confused as to which programs they are eligible for and find the process for obtaining access to some of these programs and fulfilling participation requirements rather daunting. This causes many of these families to go without the necessary services, even though they would be eligible to receive them.

Existing policies even for single-parent families — the family type most commonly associated with poverty — do not uniformly support work effort and advancement in the Texas labor force.

The simulations clearly demonstrate that the Texas government policies that could support work are not coordinated in such a way as to uniformly increase the net resources available to a single-parent family as the parent's earnings increases. The unevenness of coordination across policies occurs both among policies administered in agencies that do not routinely communicate when developing specific policies (eg., local housing authorities and human services agencies) and across cities that include a mixture of policies developed at the state, workforce board and local county levels. It would also be useful to include child support payments in future simulations and to share that information with the Office of Child Support Enforcement and local courts so that they could use such information in their child support collection efforts.

More research is needed to determine how well work support policies interact for other common types of Texas low-income families, such as two-parent families and immigrant families.

Nearly half of low-income Texas children live in two-parent families and one third live in immigrant families. It is not clear how well the work support policies discussed in this paper would support the work efforts of two-parent families. However, because most of these programs were designed with single-parent families in mind, a reader could assume that the situation would certainly not be any better than was true for single-parent families. Analysis for this family type is complicated because some of these families are also immigrants, for whom the program eligibility picture is extremely murky. Only certain "qualified" immigrants are eligible for some of the programs described in this paper. The current somewhat contradictory approach to serving immigrants across government programs both makes it difficult to estimate their eligibility and creates a barrier to their actual participation.

Without action, Texas faces an impending crisis due to its changing demographics.

Hispanic children, who make up the majority of Texas children under six, have historically experienced lower rates academic success and high school completion than their White counterparts. The same is true for African-American students. As Texas demographics continue to evolve, the state could face an impending crisis unless it identifies better strategies for educating students of color and moving them into jobs with family-sustaining wages. As part of this process, the state must improve its strategies for supporting working families.

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