Federal Policy & Budget Update
Mercedes González

March 28, 2017
Agenda

- Child Care & Development Block Grant (CCDBG)
- Trump Budget Proposal for FY2018
- Trump Administration’s Child Care Tax Plan
- Supplemental Nutrition Assistance Program
- Women, Infants, and Children (WIC)
Child Care & Development Block Grant

- Signed into law in 2014 by President Obama
  - Improve health & safety standards
  - Provide transparent consumer & provider information
  - Improve the quality of care
  - Provide family friendly policies

- All current providers must complete all 12 health & safety trainings by September 30, 2017
  - Illinois ECE Credential Level 1 (full credential)
    - Online: 32 hours
    - In-person: 48 hours
  - Future providers must complete trainings during the pre-service period
CC DBG Waivers

12 month eligibility
- September 30, 2017
- Two exceptions
  - Non-temporary disruption in employment, training or education program (90 days)
  - Family’s income rises above 85% SMI

Monitoring inspections
- November 19, 2017
- One monitoring inspection/year to check for compliance with health, fire, and safety standards
- Policy for license-exempt providers has yet to be established by IDHS
Administration’s Budget Proposal

-$54b increase in defense spending

Department of Education
- $59b in discretionary funding
  - 13% cut from the FY 2017 CR level
  - Eliminates the 21st Century Community Learning Center Programs

Department of Health & Human Services
- $69b in funding
  - 17.9% cut from the FY 2017 CR level
  - Eliminates the Low-Income Home Energy Assistance Program (LIHEAP)
  - Eliminates the Community Services Block Grant
TRUMP ADMINISTRATION’S CHILD CARE TAX PLAN
Tax Deduction

Eligibility
- Married couples filing jointly with a max income of $500,000
- Single taxpayers with a max income of $250,000

Policy
- Deduct child care expenses for up to 4 children under the age of 13
- Expenses capped at the average cost of care in their state
- Families with stay-at-home parents or with grandparents who provide child care at no cost, would still be able to claim the full deduction
Tax Deduction

Value of deduction is based on the marginal tax rate

- 3 tax brackets: 33%, 25%, 12%
  - Under 75,000 = 12% tax bracket
  - $75,000 - $225,000 = 25% tax bracket
  - $225,000+ = 33% tax bracket
# Example of Deduction

<table>
<thead>
<tr>
<th>Income</th>
<th>Tax Rate</th>
<th>Ave. Cost of Care</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000</td>
<td>12%</td>
<td>$6,000</td>
<td>$720</td>
</tr>
<tr>
<td>$100,000</td>
<td>25%</td>
<td>$6,000</td>
<td>$1,500</td>
</tr>
<tr>
<td>$225,000</td>
<td>33%</td>
<td>$6,000</td>
<td>$1,980</td>
</tr>
</tbody>
</table>
Dependent Care Savings Accounts

- Family or employer can contribute up to $2,000/year
- Contribution is tax deductible
- Funds can accumulate until the child is 18
- For some low-income families, the government would provide a match up to 50% for up to $1,000 in contributions
Dependent Care Savings Accounts

Accounts can be used for:

- Child care
- Enrichment activities
- Private school tuition
- When the child turns 18, the funds can be used for higher education expenses
Child Care Tax Rebate

Eligibility

- Married, filing jointly with a max income of $62,400
- Single filer with a max income of $31,200
- With NO tax liability

Receive a child care tax rebate through the Earned Income Tax Credit (EITC)

- Rebate is worth 7.65% of eligible child care expenses
- Cap: value of half the payroll taxes paid by individual (or the lowest earning parent)
- Max value: $1,200
What’s Missing?

- No clear policy proposals that would significantly help low or middle-income families.
- Plan cuts off deductions at age 13, so families that have children with disabilities over age 13 may not receive deductions.
- Does not address:
  - Compensation
  - Quality of care
  - Supply of care
Additional Options

Increases & Dependent Care Tax Credit

- Improvements:
  - Make it refundable
  - Increase the expense limits
    - Currently $3,000 for 1 child, max of $6,000

Increase investments to CCDBG
AMERICAN HEALTH CARE ACT
Main Provisions

- Repeals individual mandate
- Replaces subsidies with tax credits
- Eliminates the essential health benefit requirement
- Restructures Medicaid
Individual Mandate

- Individuals will no longer have to be enrolled in a health insurance plan or be fined.
- Two month limit
  - If a health insurance plan lapses and an individual wants to regain coverage, they will have to pay a 30% higher premium for one year.
Repeals subsidies

AHCA would repeal subsidies available to enrollees based on their level of need:
- Medicaid expansion: 138% FPL
- Subsidies available for families under 400% FPL who purchase insurance through marketplace

Under the AHCA, individuals would receive a tax credit based on their age, not income:
- Credits would be worth $2,000 - $4,000

For most, the tax credits will provide much less financial assistance compared to the subsidies.
Essential Health Benefits

Under the ACA, insurance companies were forced to cover the following health benefits:

- Hospitalization
- Ambulatory services
- Maternity care
- Mental health & substance abuse disorders
- Prescription drugs
- Rehab services
- Lab services
- Emergency services
- Preventative & wellness services
- Pediatric services

Prohibition on annual & lifetime limits for these essential health benefits
Medicaid Proposal

*States have the following Medicaid options:

- Block grant
- Impose strict work requirements on adults who are not elderly, disabled, or pregnant
- Freeze expansion enrollment (138% FPL)
Medicaid as a Block Grant

- Federal government reimburses states (50%-75%) for all health expenses for all Medicaid beneficiaries

- Under a block grant:
  - States would receive a fixed amount of money to provide health care
    - Lower provider reimbursement rates
    - Cap the number of Medicaid enrollees & create waitlist
    - Limit the types of health services provided
  - Eliminate Medicaid’s ability to respond to increases in need since it would no longer be an entitlement program

• Source: Center for Budget & Policy Priorities
Medicaid as a Block Grant

States would no longer have to cover Early Periodic Screening, Diagnostic, and Treatment (EPSDT)

- Crucial services for low-income children

States generally prohibited from charging premiums for children’s health coverage & co-pays must be small

- States could now charge unlimited premiums, deductibles, and co-pays

• Source: Center for Budget & Policy Priorities
Large Coverage Gains Under Affordable Care Act

Uninsured rate dropped sharply...

- 13.3% in 2013
- 10.4% in 2014
- 9.1% in 2015

...as number of uninsured fell by 12.8 million

- 41.8 million in 2013
- 33.0 million in 2014
- 29.0 million in 2015

Source: Census Bureau, Current Population Survey

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House GOP Plan Means Millions More Uninsured

Increase in uninsured compared to current law

- 2020: 21 mil.
- 2026: 24 mil.

Source: Center on Budget & Policy Priorities
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) & WOMEN, INFANTS, & CHILDREN (WIC)
SNAP Benefits

- SNAP benefits are modest and they depend on the Thrifty Food Plan
  - Calculated based off of the cost of food
- In 2015: served 43+ million individuals
- SNAP as an entitlement program
- SNAP is up for reauthorization in 2018
  - Farm Bill legislation
Close to Two-Thirds of SNAP Recipients Are Children, Elderly, or Disabled

- Children: 44%
- Elderly/disabled: 20%
- Non-elderly, non-disabled adults: 36%

With children: 21%
Without children: 15%

Source: CBPP tabulations of USDA 2015 SNAP household characteristics data.

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SNAP Participation Rates for Working Poor by State, 2014

- 67% and below (14)
- 68% to 74% (12)
- 75% to 82% (14)
- Above 82% (11)

Source: Agriculture Department, “Reaching Those in Need: State Supplemental Nutrition Assistance Program Participation Rates for 2014”

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SNAP Benefits Are Modest

Average monthly SNAP benefit by demographic group, 2015

- All households: $254
- Households with children: $393
- Working households: $303
- Households with seniors: $128
- Households with non-elderly disabled individuals: $193

Source: Department of Agriculture, “Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2015.”

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Nearly 80 Percent of SNAP Benefits Are Used Within First Half of Month

Percent of benefits redeemed, by day following receipt

<table>
<thead>
<tr>
<th>Day</th>
<th>21%</th>
<th>59%</th>
<th>79%</th>
<th>90%</th>
<th>97%</th>
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<tr>
<td>Day 1</td>
<td></td>
<td></td>
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<td>Day 7</td>
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<td>Day 14</td>
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<td>Day 21</td>
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<td>End of month</td>
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SNAP Participation Rose Due to Recession But Now Is Falling

Number of SNAP participants

Source: Department of Agriculture
SNAP in Illinois

- Reached 1 in 7 people (FY16)
  - 1,914,000 individuals
- 65% of participants were families with children (FY15)
- Average SNAP benefit $132 (FY16)
  - Average benefit/person/meal: $1.47

Source: Center for Budget & Policy Priorities
SNAP as a Block Grant

Speaker Ryan has pushed the idea of turning SNAP into a block grant program:
- SNAP would no longer be able to respond to the changes in need
- Temporary Assistance for Needy Families (TANF) – 1996 welfare reform

Possible program changes:
- Strict work requirements
- Stricter eligibility requirements
- Changes to allowable purchases
Women, Infants, & Children (WIC)

- Provides assistance to low-income pregnant women, new mothers, infants, and children up to 5 years old
  - Food assistance
  - Health care referrals
  - Nutrition education

If you are eligible for SNAP, you are income eligible for WIC

WIC program is underutilized by families
- Risk of decreased funding, even though plenty of families are eligible, but not enrolled
  - Focus should be on outreach, not on cutting the program
Questions?

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