



# Federal Policy & Budget Update

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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

# CCDBG 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 21<sup>st</sup> 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

Income	Tax Rate		Ave. Cost of Care	Value
\$50,000	12%	×	\$6,000	\$720
\$100,000	25%	×	\$6,000	\$1,500
\$225,000	33%	×	\$6,000	\$1,980

# 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

## Child & 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

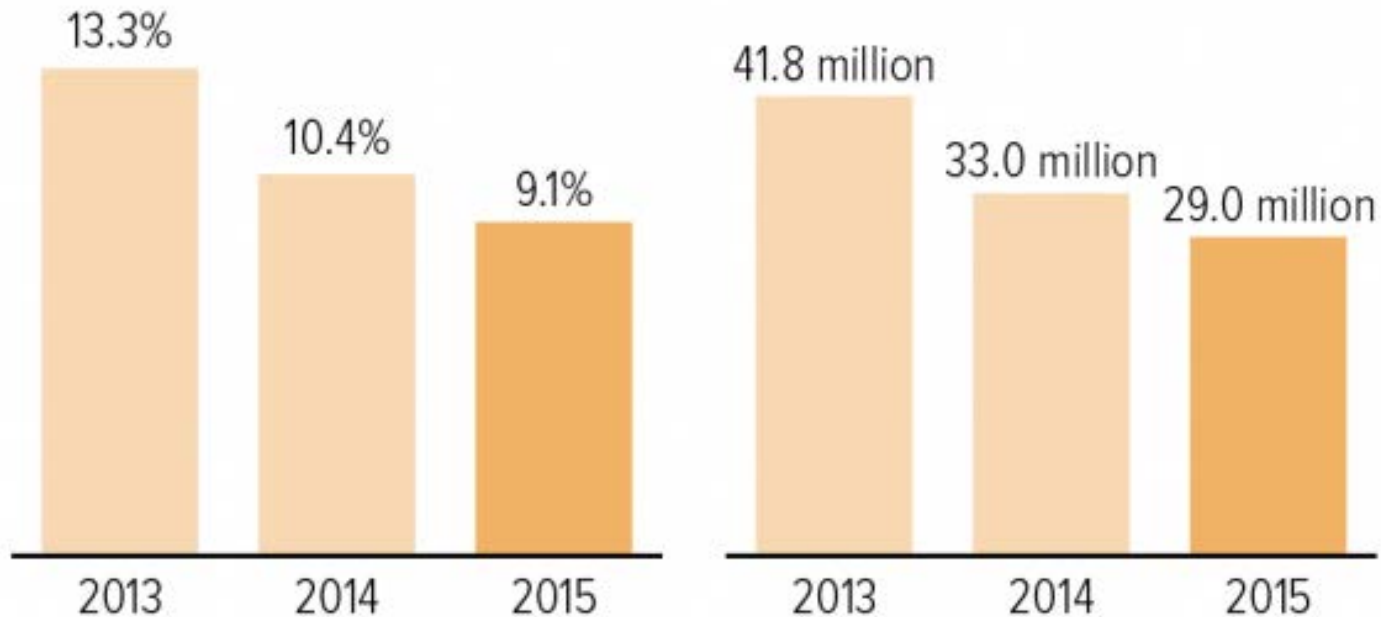
- 🍃 States would no longer have to cover Early Periodic Screening, Diagnostic, and Treatment (EPSDT)
  - 📌 Crucial services for low-income children
- 🍃 States generally prohibited from charging premiums for children's health coverage & co-pays must be small
  - 📌 States could now charge unlimited premiums, deductibles, and co-pays

• Source: Center for Budget & Policy Priorities

## Large Coverage Gains Under Affordable Care Act

Uninsured rate dropped sharply...

...as number of uninsured fell by 12.8 million

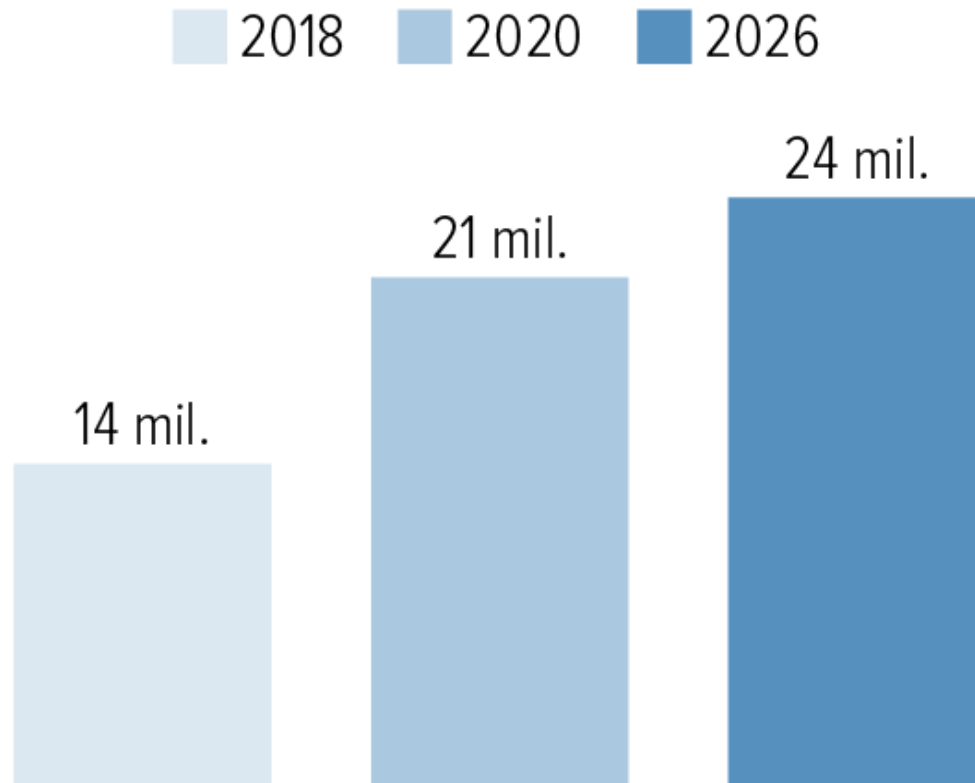


Source: Census Bureau, Current Population Survey

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# House GOP Plan Means Millions More Uninsured

Increase in uninsured compared to current law



Source: Center on Budget & Policy Priorities

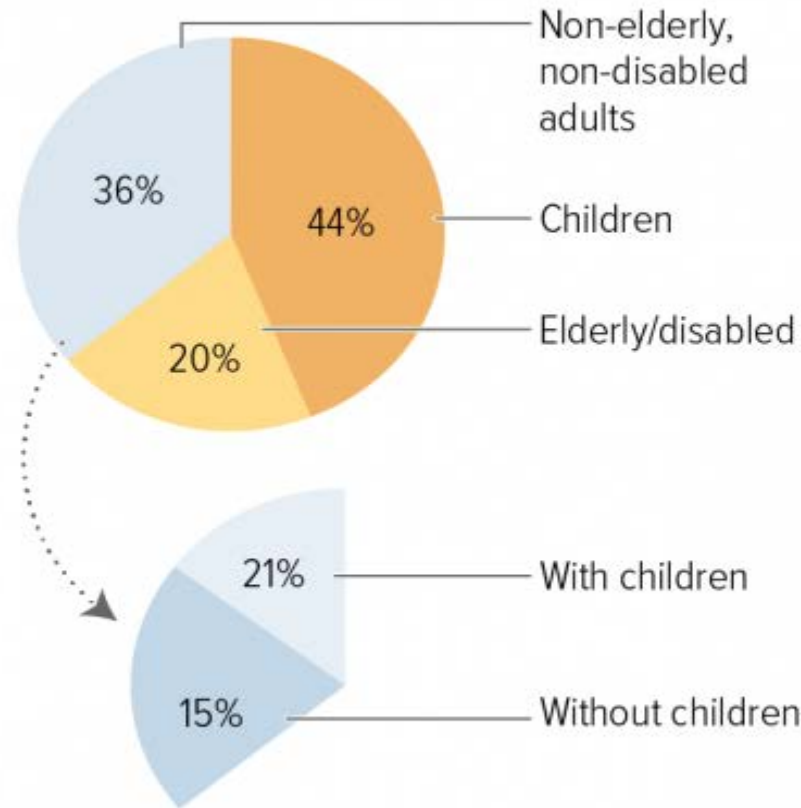


# SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) & WOMEN, INFANTS, & CHILDREN (WIC)

# 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

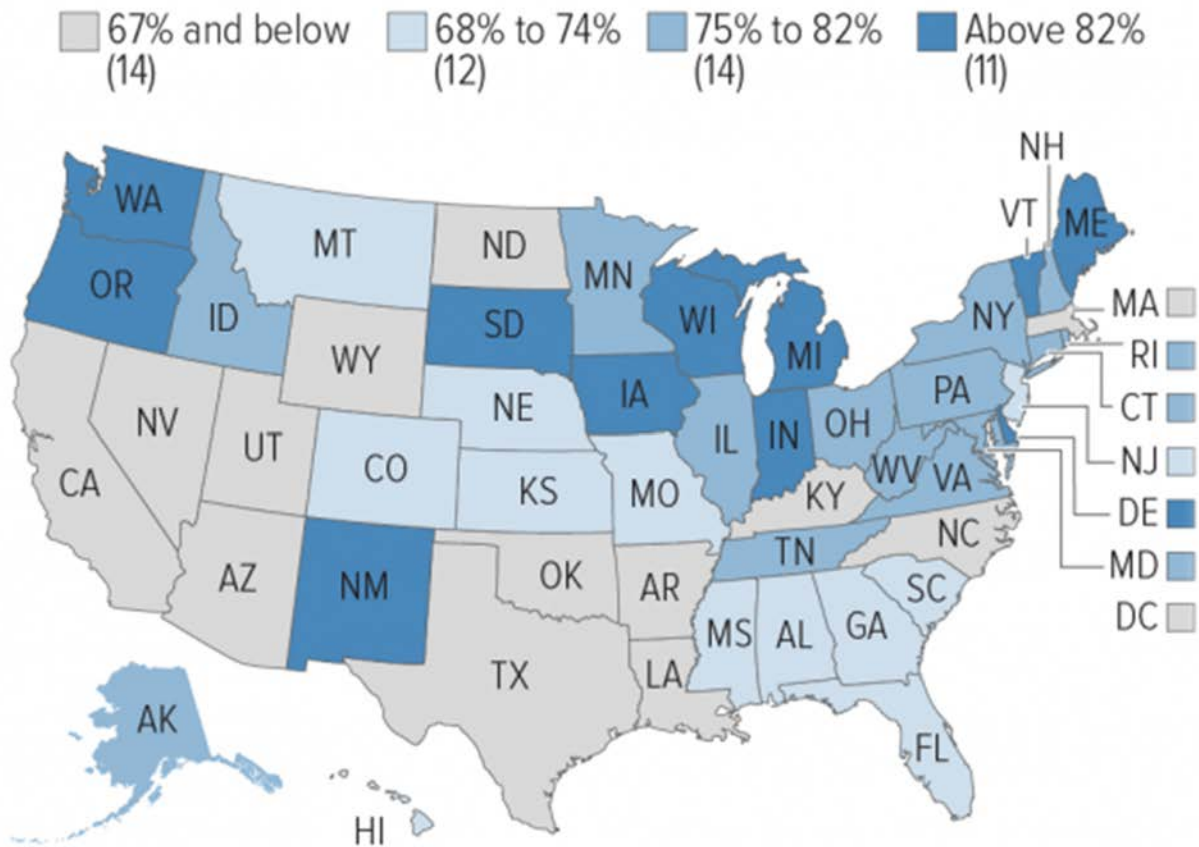
## Close to Two-Thirds of SNAP Recipients Are Children, Elderly, or Disabled



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

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# SNAP Participation Rates for Working Poor by State, 2014

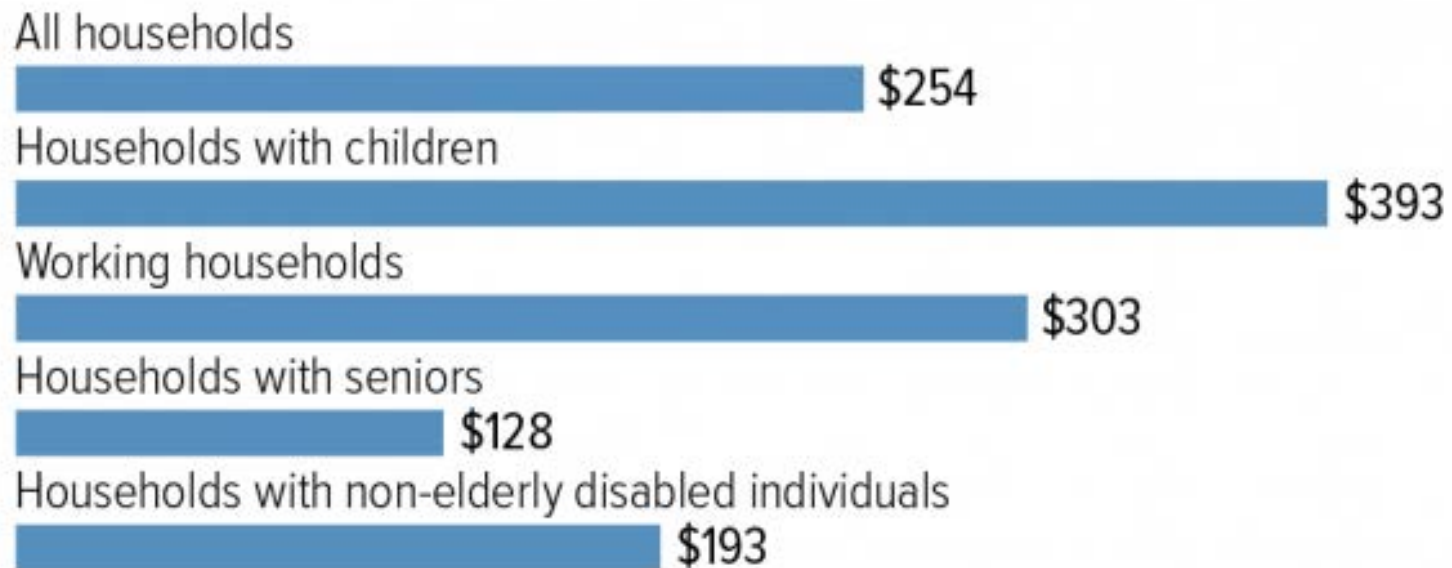


Source: Agriculture Department, "Reaching Those in Need: State Supplemental Nutrition Assistance Program Participation Rates for 2014"

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## SNAP Benefits Are Modest

Average monthly SNAP benefit by demographic group, 2015

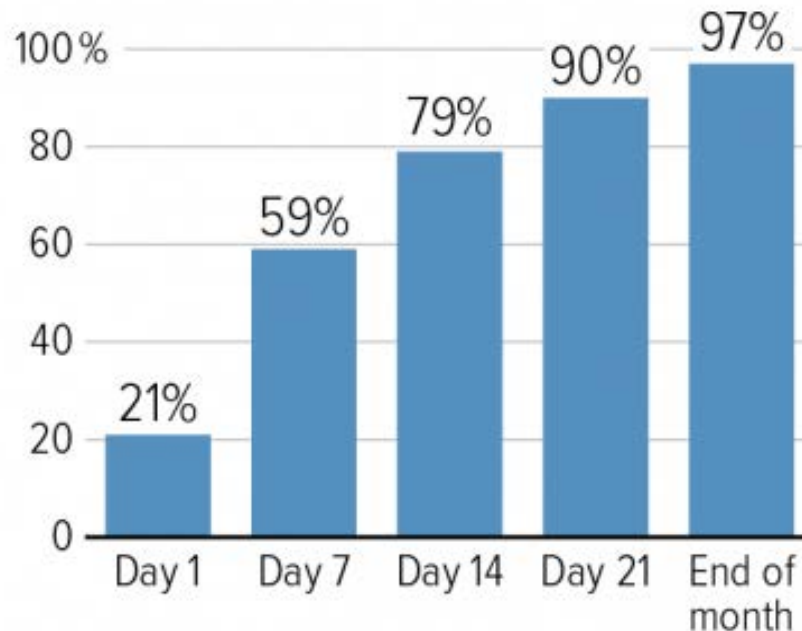


Source: Department of Agriculture, "Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2015."

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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

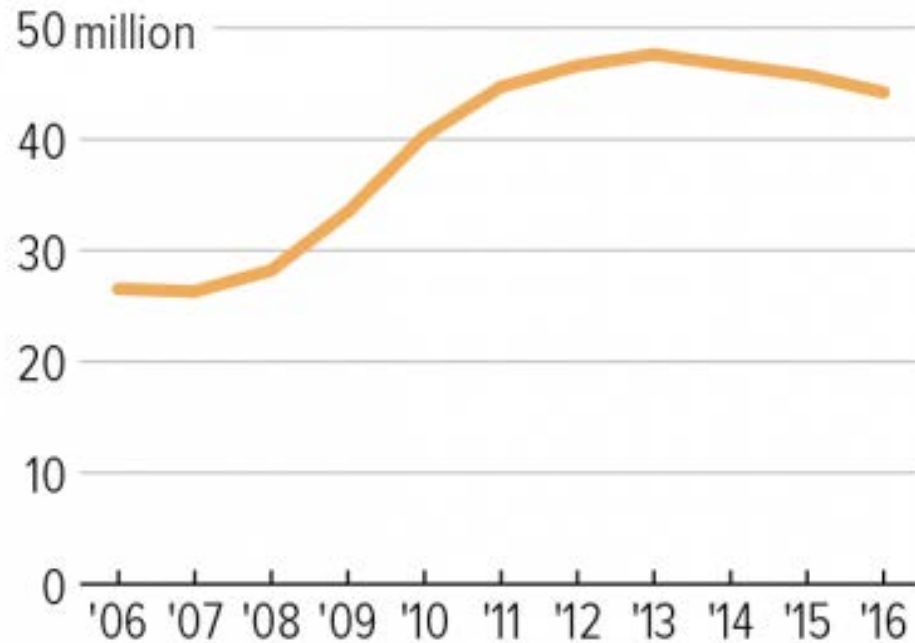


Source: Department of Agriculture, "Benefit Redemption Patterns in the Supplemental Nutrition Assistance Program," February 2011.

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## SNAP Participation Rose Due to Recession But Now Is Falling

Number of SNAP participants



Source: Department of Agriculture

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# 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
  - ✔ 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 through plenty of families are eligible, but not enrolled
    - ✔ Focus should be on outreach, not on cutting the program

# Questions?

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