2022 Prenatal-to-3 State Policy Roadmap

Methods and Sources

Same Family, Different Resources Simulation

The purpose of the Same Family, Different Resources simulation is to compare the level of resources available to a family of three based on each state's actual policy choices using policies in the Prenatal-to-3 State Policy Roadmap. This simulation demonstrates the substantial variation in available resources during the critical prenatal-to-age 3 period, based on state policy choices. A state's policy choices do not operate in isolation from one another. Instead, they interact to create a system of support of varying generosity for parents and children.

We simulate the level of resources available annually to a single parent with an infant and toddler, who works full time at a minimum wage job, and who uses a subsidy to leave their two children in center-based child care. Our calculations begin with the total annual earnings at the state minimum wage. We subtract the family's out-of-pocket costs for child care (child care that charges the equal access target rate, which is the 75th percentile of the state's market rate survey). The family's out-of-pocket costs include any required copayment, plus additional fees if the state's child care subsidy reimbursement rate is less than the price of care at the equal access target. We then add the resources a family would expect to receive from nutrition benefits (SNAP and WIC) and state and federal earned income and child tax credits. Additionally, we overlay the choices states make with regard to two other important state policy choices—Medicaid expansion and a paid family leave program of at least 6 weeks. States are ranked by the total resources available to our family of three, including showing total resources adjusted for cost of living.

Documentation for each component measure, including sources, assumptions, and data notes, is below. All data in the model released on October 13, 2022 are as close to current as possible (as of October 1, 2022).

Annual Minimum Wage Earnings

Definition: Total annual earnings from full-time, full-year work at the state minimum wage. Calculated by taking the current state minimum wage and multiplying it by 2,080 hours (40 hours per week for 52 weeks).

Source: For detailed source information, please see our state minimum wage methods and sources documentation. See the sources for measure 1.

Note: In the graphics, earned income is shown as annual minimum wage earnings minus out-of-pocket child care expenses.

Out-of-Pocket Child Care Expenses

Definition: Families' out-of-pocket expenses include both copayments and additional fees. The following assumptions are made: both children are enrolled in center-based care, the price of care is equal to the price of care at the 75th percentile of the most recent market rate survey, and that the provider receives the base reimbursement rates available for each child in the state. Component parts of this calculation are defined below.

Total cost of care – state contribution = family copayment fee + additional fees (if allowable)

1. *Total Cost of Care*: The price of care for an infant in full-time center-based care at the 75th percentile of market rates (also referred to as the "market rate price") in the most populous geographic area in the state. The distribution of this total cost of care is comprised of three components: the base subsidy reimbursement rate, which includes both the state contribution plus the family copayment fee, and any difference between the reimbursement rate and the total cost of care at the 75th percentile (either charged as an additional fee to the family or an unreimbursed cost to the provider).
2. *State Contribution:* The component of the base subsidy reimbursement paid by the state to the provider.
3. *Family Copayment Fee:* The component of the base subsidy reimbursement paid by the family to the provider.
4. *Additional Fees Paid by the Family*: The difference between the base subsidy reimbursement rate and the market rate price of care, assumed to be equal to the full price of care charged by the provider to private pay families. In states that allow providers to charge families this difference, this amount is paid by the family to the provider as an additional fee. If the state does not allow providers to charge additional fees, this cost to the family is assumed to be $0 and the provider is assumed to experience this as an unreimbursed cost.

Source: For detailed source information, please see our child care subsidies methods and sources documentation. The same sources as used in the Prenatal-to-3 State Policy Roadmap were used for this simulation, but under the assumption of different family income. See the sources for measures 3-6 and 8-10.

Notes:
1. The rates used are for the most populous geographic region in the state, as defined in state 2022-2024 Child Care and Development Fund (CCDF) plans.
2. Rates and copayment data are as of September 6, 2022. Several states planned changes to their subsidy rate and copayment policies as of October 2022, these changes will be reflected in subsequent updates of simulation data.

Supplemental Nutrition Assistance Program (SNAP) Benefits

Definition: The maximum annual SNAP benefit available to the simulated family of three as of Fiscal Year 2023 (10/1/22-9/30/23). Estimated SNAP benefits are calculated based on the methodology described by the Center on Budget and Policy Priorities, calculated as maximum benefits less 30% of net income. Net income is calculated based on a number of deductions, including the standard deduction, earnings deduction, dependent care deduction, and an excess shelter deduction.

Sources:

1. Food and Nutrition Service, U.S. Department of Agriculture (2022). *SNAP – Fiscal year 2023 cost-of-living adjustments*. https://www.fns.usda.gov/snap/fy-2023-cola
2. Center on Budget and Policy Priorities (2022). *A quick guide to SNAP eligibility and benefits.* Retrieved August 9, 2022, from https://www.cbpp.org/research/food-assistance/a-quick-guide-to-snap-eligibility-and-benefits
3. Office of Policy Development and Research, Department of Housing and Urban Development (n.d.). *FY 2022 Fair Market Rent Documentation System* [Data set]. https://www.huduser.gov/portal/datasets/fmr.html#2022

Notes:

1. For the three states (California, the District of Columbia, Washington) where family income is above the standard eligibility threshold for SNAP (130% of the federal poverty level), the family is eligible for SNAP benefits due to broad-based categorical eligibility (https://www.fns.usda.gov/snap/broad-based-categorical-eligibility).
2. The values for maximum monthly allotments, the standard deduction, and the maximum shelter deduction were pulled for families living in the 48 contiguous states and the District of Columbia, with the exception of Alaska (urban settings) and Hawaii. Figures in these two states differ due to higher cost of living.
3. The earnings deduction is defined as 20% of earnings.
4. The dependent care deduction accounts for monthly out-of-pocket child care expenses. These costs are estimated using the methodology described in the out-of-pocket child care expenses section of this documentation.
5. The excess shelter deduction is set at the amount by which the household's housing costs (including utilities) exceed half of its net income after all other deductions up to a set maximum. The household's housing costs are assumed to be equal to the 2-bedroom fair market rent in Fiscal Year 2022 according to HUD (the most recent data available at time of publication). The family is assumed to live in the same locality as the most populous geographic region as defined for child care calculations.
6. Child expense and medical deductions are assumed to be $0.

Supplemental Nutrition Program for Women, Infants, and Children (WIC) Benefits

Definition: The estimated annual benefit based on the average monthly food cost per person for Fiscal Year 2021, the most recent data available at the time of publication. In this simulation, we assume the parent is a mother who is eligible due to the age of the infant.

Source: USDA Food and Nutrition Service (2022, August 12.) WIC data tables. Average monthly food cost per person, FY2021. https://www.fns.usda.gov/pd/wic-program

Federal Earned Income Tax Credit

Definition: The value of the federal earned income tax credit (EITC) for Tax Year 2022 based on annual minimum wage earnings for the simulated family.

Sources:

1. Internal Revenue Service (2022) *Earned income and Earned Income Tax Credit (EITC) tables.* https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables
2. York E. (2021). *2022 tax brackets.* Tax Foundation. https://taxfoundation.org/2022-tax-brackets/
3. Tax Policy Center (2021). *EITC parameters*. https://www.taxpolicycenter.org/statistics/eitc-parameters

Notes:

1. The family is assumed to meet all qualifications to be eligible for the federal EITC.
2. Phase-in and phase-out rates were assumed to be consistent with Tax Year 2020 parameters.

Federal Child Tax Credit

Definition: The value of the federal child tax credit (CTC) for Tax Year 2022 based on annual minimum wage earnings for the simulated family.

Sources:

1. Intuit TurboTax (2022). Child tax credit. Retrieved on September 14, 2022 from https://turbotax.intuit.com/tax-tips/family/child-tax-credit/L9ZIjdlZz
2. Brusie, C. (2022). *The child tax credit: What's changing in 2022*. Northwestern Mutual. https://www.northwesternmutual.com/life-and-money/the-child-tax-credit-whats-changing-in-2022/

Notes:

1. The maximum child tax credit is $2,000 per child, but only $1,500 per child is fully refundable. The family in this simulation is assumed to have no tax liability, therefore receives the maximum possible refundable portion of the credit.
2. The value of the credit is calculated as the lesser of 15% of earnings above $2,500 or the maximum refundable child tax credit value.
3. This model does not include expanded benefits due to the American Rescue Plan Act of 2021; these additional benefits were for Tax Year 2021 only.

State Earned Income Tax Credit

Definition: The value of the state's earned income tax credit (EITC) for Tax Year 2022 based on annual minimum wage earnings for the simulated family.

Source: For detailed source information, please see our state earned income tax credit methods and sources documentation. See the sources for the progress assessment methodology and measure 1.

Notes:

1. Most state tax credits are calculated as a percentage of the federal EITC.
2. California's EITC is based on a unique calculation, not a percentage of the federal EITC received by the same taxpayer. The value for this scenario was calculated using this tool: https://www.ftb.ca.gov/file/personal/credits/EITC-Calculator/Home. Using this tool, the simulated family does not qualify for the CalEITC or another tax credit, the California Young Child Tax Credit (a supplemental EITC tax credit for families with children under 6).
3. Minnesota's tax credit is also based on a unique calculation. The family was assumed to be within the phase of the credit to receive the full value, prior to phase out. Additional sources for Minnesota calculations include:
    a. Minn. Stat. § 290.0671 (2021).
    b. Waxman, S., & Hinh, I. (2022). *States can adopt or expand earned income tax credits to build equitable, inclusive communities and economies.* Center on Budget and Policy Priorities. https://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build
    c. Minnesota House Research (2022). *The Working Family Credit and Federal Earned Income Credit*. https://www.house.leg.state.mn.us/hrd/pubs/ss/sseitcwfc.pdf
4. Washington's tax credit is a flat rate based on the number of kids. This calculator was used to estimate the maximum credit for the simulated family: https://survey.alchemer.com/s3/7027130/WFTC-Eligibility-Assistant

State Child Tax Credit

Definition: The value of the state's child tax credit for Tax Year 2022 based on annual minimum wage earnings for the simulated family.

Sources:

1. National Conference of State Legislators (2022). *Child tax credit enhancements.* https://www.ncsl.org/research/human-services/child-tax-credit-enactments.aspx
2. National Conference of State Legislators (2022). *Child tax credit overview.* https://www.ncsl.org/research/human-services/child-tax-credit-overview.aspx
3. Jirary, T., & Prestera, E. (2022). *State-level CTC reforms can strengthen American families.* Niskanen Center. https://www.niskanencenter.org/state-level-ctc-reforms-can-strengthen-american-families/
4. Tax Credits for Working Families (n.d.). *State tax credits*. Retrieved September 9, 2022, from https://www.taxcreditsforworkersandfamilies.org/state-tax-credits/

Notes:

1. Colorado's is only available for children 5 and younger. For single individuals with incomes between $25,001 and $50,000 (the income level of the simulated family in Colorado), the usual credit is 15% of the federal child tax credit. However, due to the expiration of the enhanced benefits in the American Rescue Plan Act, the credit is 30% of the federal child tax credit beginning in Tax Year 2022. Source: Colo. Rev. Stat. § 39-22-129 (2021). (Details also available the original bill text: http://leg.colorado.gov/bills/hb21-1311.)
2. New York has a child tax credit, but it is only available for families with children over 4 years old.
3. In Massachusetts, families can use either a child tax credit or a child and dependent care tax credit, whichever is greater. In our simulation, we assume that the family claims the child tax credit. However, if the simulation captured benefits from child and dependent care tax credit, the family would opt for that credit instead, as the value of the credit is higher. (Additional sources: https://www.mass.gov/service-details/view-child-and-dependent-related-credits, https://commonwealthmagazine.org/economy/child-tax-credit-proposal-would-strengthen-states-pro-family-standing/)

Medicaid Expansion

Definition: A state is considered to have expanded Medicaid if it has adopted and fully implemented the Medicaid expansion under the Affordable Care Act that includes coverage for most adults with incomes up to 138% of the federal poverty level.

Source: For detailed source information, please see our expanded income eligibility for health insurance methods and sources documentation. See the sources for the progress assessment methodology and measure 1.

Paid Family Leave

Definition: A state is considered to have a paid family leave policy if it has adopted and fully implemented a paid family leave program of a minimum of 6 weeks following the birth, adoption, or the placement of a child into foster care.

Source: For detailed source information, please see our paid family leave methods and sources documentation. See the sources for measure 1.

Total and Cost-of-Living Adjusted Resources

Definition: The total sum of resources available to a family is calculated as the sum of annual minimum wage earnings, benefits from SNAP, WIC, federal and state EITCs, and federal and state CTCs, minus out-of-pocket child care expenses.

Definition: Cost-of-living adjusted resources are calculated by applying the state's 2020 regional price parities index value for all items to the total resources calculated as described above.

Source: US Bureau of Economic Analysis. (December 2021). *Table SARPP Regional Price Parities by state from GDP and personal income* [Data set]. Retrieved on August 19, 2022, from https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=8#reqid=70&step=1&isuri=1

Notes:

1. Regional Price Parities (RPPs) measure the differences in price levels across states and metropolitan areas for a given year and are expressed as a percentage of the overall national price level. All items RPPs cover all consumption goods and services, including housing rents. Areas with high/low RPPs typically correspond to areas with high/low price levels for rents.
2. Cost-of-living adjustments were calculated following the methodology used by researchers with the Federal Reserve Bank of St. Louis.[1]

[1] Gascon, C.S. (October 1, 2014). *District overview: Buying power of minimum wage varies across and within states*. Federal Reserve Bank of St. Louis. Retrieved on May 18, 2021 from https://www.stlouisfed.org/publications/regional-economist/october-2014/buying-power-of-minimum-wage-varies-across-and-within-states#endnotes