

Bridging the Gaps in Iowa

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The Iowa Policy Project

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Preface

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. The project uses quantitative and qualitative methods to determine how many people lack the resources to make ends meet in each state, how many people take up or are covered by the work support programs for which they are eligible, and how families bridge the gaps between their resources and needs. For more information, go to www.bridgingthegaps.org.

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The Iowa Policy Project

Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit research organization based in Mount Vernon, with its principal office at 120 N. Dubuque Street #208, Iowa City, IA 52245.

The Iowa Policy Project promotes public policy that fosters economic opportunity while safeguarding the health and well-being of Iowa's people and the environment. By providing a foundation of fact-based, objective research and engaging the public in an informed discussion of policy alternatives, the Iowa Policy Project advances accountable, effective and fair government.

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Introduction

All families need enough income to cover the basics: The costs of food, housing, health care, transportation, child care, clothing and taxes. Yet many American families are working at low wages and without access to employer-based benefits such as health insurance and paid sick days. These working families rely on the public sector to bridge the gap between incomes and basic family needs.

The purpose of *Bridging the Gaps* is to determine how many Americans lack the resources to make ends meet and to estimate how many Americans “take up” or are covered by the work support benefits for which they are eligible. The Center for Economic Policy Research (CEPR) used data from a variety of sources, including the Census Bureau’s Survey of Income and Program Participation (SIPP) and government administrative data, to complete the data analysis. As one of ten participating state-based organizations, the Iowa Policy Project gathered program eligibility rules for Iowa. Detailed information on the methodology used by CEPR is available in the Appendix and at www.bridgingthegaps.org

Eligibility Gaps

Iowans work hard to support their families. Our two-parent families work an average of 3,850 hours per year — more than two-parent families in all but three states.¹ Iowa ranks third in the nation in the percent of children under 6 years of age with all parents in the labor force (70 percent).² Despite working hard, thousands of Iowa’s families face significant hardship because of low wages and inadequate employer-based benefits.

For Iowans in low-wage jobs, the public sector offers important work supports to help families make ends meet, including:

- Child Care Assistance
- Earned Income Tax Credit (EITC)
- Food Stamps
- Section 8/ Public Housing
- Temporary Assistance to Needy Families (TANF), and
- Medical Assistance (Medicaid and *hawk-i*)

In this report, we examine state enrollment and eligibility for the first five programs. (See descriptions of each program on p.3.) The number of recipients of each work support ranges from 17,900 children in subsidized child care to 206,696 Iowans receiving Food Stamps (Table 1). Yet these recipients represent

¹ Economic Policy Institute Analysis of the March 2005 Annual Social and Economic Supplement to the Current Population Survey, U.S. Census Bureau.

² U.S. Census Bureau, 2005 American Community Survey, Table R2302.

just a fraction of eligible Iowans. Only 32 percent of an estimated 56,509 eligible children under age 13 receive child care assistance while only 65 percent of an estimated 318,053 eligible Iowans are receiving Food Stamps. Take-up rates range from 26 percent of eligible households receiving subsidized housing to 88 percent of eligible taxpayers receiving the Earned Income Tax Credit.

Working Iowa families who are eligible but not receiving benefits are in an “eligibility gap.” A full explanation for the eligibility gap is beyond the scope of this report. In some cases, such as for Child Care Assistance and Public Housing, Iowans may be turned away or put on waiting lists when resources are depleted. In other cases, services may not be available in all geographic areas, Iowans may not be aware that they are eligible for services or the services may not be needed.

Compared to other states, Iowa’s commitment to Child Care Assistance is especially lacking. Thousands of children are never considered eligible for coverage in Iowa, even though those same children would qualify for assistance in other states. While federal rules allow states to cover children up to 85 percent of the median family income, Iowa only covers children up to about 43 percent of the state median income, or 145 percent of poverty (about \$24,896 for family of three in 2007). Eligibility for Child Care Assistance is more restrictive in Iowa than in all but nine states.³

Table 1. Eligibility, Recipiency and Take-up Rates in Iowa

	Share of population eligible*	Number of eligible Iowans	Average monthly recipients	Take-up rate among eligible population**	Recipients/pop***	Unit of analysis	Population
Child Care	11.1%	56,509	17,900	31.7%	3.5%	children under age 13	507,844
EITC	14.6%	190,966	168,361	88.2%	12.8%	tax filers	1,311,219
Food Stamps	10.7%	318,053	206,696	65.0%	7.0%	persons	2,965,524
Housing	7.4%	96,432	24,790	25.7%	1.9%	households	1,306,943
TANF	4.1%	120,449	42,000	34.9%	1.4%	persons	2,965,524

* Share of relevant population that CEPR estimates to be eligible based on analysis of SIPP data and the state's eligibility rules.

** Number of Iowans that state administrative records show received benefits (average monthly recipients unduplicated) divided by the number of people eligible, where that number comes from the share CEPR finds to be eligible multiplied by the state population for each unit of analysis.

*** Number of Iowans that state administrative records show received benefits divided by the state population for each unit of analysis.

Note: Population estimates are from 2005 except for EITC, which is from 2004. Share of population eligible derived from analysis of 2001-03 SIPP data. Average monthly recipients data is from the same year as population estimates, except for housing, which is from 2006-07. Standard errors are provided in Table A-1 in the Appendix.

Source: Heather Boushey and Ben Zipperer. 2007. *Bridging the Gaps: Methodological Report*. Washington, DC: Center for Economic and Policy Research (forthcoming).

³ National Association of Child Care Resource and Referral Agencies, *Income Eligibility Cutoff Data*, Accessed June 25, 2007 at http://www.naccrra.org/randd/data/rpt_incelib.php?orderby=perstmedinc&sort=desc

Conclusion

Thousands of working Iowans are struggling to make ends on low wages and inadequate employer-based benefits. Public work supports, such as Child Care Assistance, play an important role in providing working families with the income and services they need to stay at work. For a variety of reasons, however, work supports are not reaching all eligible and needy working families. Better public policies are needed to help more of Iowa's working families bridge the gaps between income and needs.

Program Descriptions

Food Stamps

The Food Stamp program is a nutrition assistance program designed to help low-income families buy and consume nutritious foods. Although it is a federal government program, it is run by state and local agencies. The Food Stamp program is an entitlement, meaning everyone who applies and meets the eligibility criteria will receive Food Stamp benefits.

Section 8/ Public Housing

Section 8, or the Housing Choice Voucher Program, is a federal housing program that provides housing assistance to low-income renters and homeowners. The two main Section 8 programs are tenant-based vouchers (which are portable and move with the recipient) and project-based vouchers (which are linked to a particular apartment). Section 8 is not an entitlement.

Public Housing is federally-funded subsidized rental housing for low-income families, the elderly, and persons with disabilities. The U.S. Department of Housing and Urban Development (HUD) distributes federal subsidies to local Housing Authorities, which own and manage the housing for low-income residents at affordable rents. Public Housing is not an entitlement.

State Earned Income Tax Credit (EITC)

Iowa's state Earned Income Tax Credit is a tax reduction and a wage supplement for low- and moderate-income working families. Iowa's EITC is a fixed percentage of the federal EITC. In 2007, Iowa increased the state EITC to 7 percent of the federal EITC and made it refundable. A refundable credit allows families to benefit from the full value of the credit even if they owe less in income tax than the amount of the credit. The state EITC is an entitlement.

Child Care Assistance

Iowa's Child Care Assistance Program subsidizes the cost of child care for eligible low income families that meet income requirements and need child care to work or participate in approved education or training. The Program is funded with a combination of state, federal, and Temporary Assistance to Needy Families (TANF) funds, with the majority of the funding coming from federal Child Care Development Funds (CCDF). Child Care Assistance is not an entitlement.

Temporary Assistance to Needy Families (TANF)

Temporary Assistance for Needy Families provides financial assistance and work opportunities to low-income families by granting states the federal funds and flexibility to develop and implement their own welfare programs. TANF is not an entitlement.

Appendix

Standard Errors

Table A.1 Standard Errors for Table 1 Eligibility Share

	Share of population eligible	Standard error
Child Care	11.1%	0.50
EITC	14.6%	0.33
Food Stamps	10.7%	0.20
Housing	7.4%	0.26
TANF	4.1%	0.13

Methodology

The full methodology is forthcoming in a technical report by Heather Boushey and Ben Zipperer of the Center for Economic and Policy Research in Washington D.C. A brief outline of the technical report is provided below.

1. The BTG project has produced a series of figures and tables:
 - 1.1. Estimated eligibility for six benefits (child care assistance, EITC (state and federal, no local), Food Stamps, housing assistance (Section 8 and public housing), Medicaid/SCHIP, and TANF in the year for which our state partner gave us the eligibility rules. The administrative data and the eligibility rules should be from the same year, the survey data may be a different year, but a series of tables demonstrates why this is okay.
 - 1.2. Estimated take-up/effective coverage for these six benefits, using the administrative data on receipt of benefits and survey estimates of eligibility within the state.
 - 1.3. Estimated share of families living below a basic family budget/self sufficiency standard, even once we account for benefit receipt.
 - 1.4. Breakdowns of these by sub-populations (to come, based on your recommendations).
 - 1.5. Technical tables on accuracy of reported estimates by state.
2. Survey. After looking at the findings, we have decided to use the Survey of Income and Program Participation (SIPP) for all states, even smaller ones. Tables 1, 2 and A1 in your “state” Excel file show the results for all three surveys, with findings for the Annual Social and Economic Supplement of the Current Population Survey (CPS) for 2001-2003 (same as the SIPP) and 2003-2005 (most recent).
 - 2.1. The SIPP is the “best” survey of the three because it has the most comprehensive set of variables to include for determining eligibility.

- 2.1.1. The SIPP includes assets, year of entry for immigrants, and expenditures on health care (both out of pocket and premiums) that the other surveys do not have.
 - 2.1.2. The NSAF only includes one focal child, making the child care analysis impossible to do, and does not include sub-state geography, making it impossible to code the housing assistance rules, which vary by metropolitan and non-metropolitan areas.
 - 2.1.3. The SIPP data for homeownership compares to the CPS (see Table S3 of the “screens” Excel file).
 - 2.1.4. The SIPP estimates of employer provided health insurance are known to be more accurate than in the CPS and likely better than the NSAF.
 - 2.2. Findings are similar across surveys, which indicates that survey choice will not substantively affect our policy conclusions. Table 1 in your state file shows a series of basic indicators across the three surveys to get a sense of the differences.
 - 2.3. Findings are similar across years within the CPS (usually within a standard error), which indicates that the year of the survey is not of great importance in establishing eligibility.
3. Eligibility. The eligibility rate is determined by coding the eligibility rules for all six programs on to the SIPP data. The eligibility rules that CEPR coded are included in the Appendices, including what programs are covered. The year of the eligibility rules is noted in Table A1 in your state file and in the Appendices.
 - 3.1. Credibility checks on eligibility. In order to satisfy the curiosity about the accuracy of our data, we’ve included two accuracy checks within the surveys, in the screens Excel file, and a comparison to other published sources, included in Figure 2 of the program-specific file.
 - 3.1.1. Table S1 shows the share of the appropriate unit of analysis falling below the standard income cut-off for each program.
 - 3.1.2. Table S2 shows the eligibility rate by state as we relax three of the most common eligibility screens: assets, citizenship, and work requirements.
 - 3.1.3. Figure 2 in each program file shows the take-up/effective coverage for the program, alongside outside estimates from the best available published sources.
 - 3.2. Housing assistance. We run a screen on housing assistance eligibility as to whether the survey respondent owns their home. Although this is not a specific eligibility rule, it seems that homeowners should not be included among those eligible for housing assistance.
 - 3.3. Medicaid/SCHIP. We run a screen on Medicaid/SCHIP as to whether the individual has employer provided health insurance. Although this is not a specific eligibility rule, it seems that those with coverage might not consider public health care. However, it may be the case that their private coverage is expensive or limited.
4. Take up/effective coverage. (See also the Methods page on the website, www.bridgingthegaps.org.)
 - 4.1. Numerator. Administrative data for that program for the state. The year of the data, the unit of analysis, and the source are noted in Table A2, alongside the administrative counts. Our goal is to use administrative data and eligibility rules that are from the same year, but this was not always possible.
 - 4.1.1. The alternative is to use reported benefit receipt from the survey data, however we know that this is underreported and therefore take-up/effective coverage would be lower than is reasonable, given the administrative counts. Table 2 shows the underreporting.

- 4.2. Denominator. The number of people estimated to be eligible for that program for that state. The estimate is based on the share of the relevant population in the SIPP multiplied by the relevant total state population from the best published source.
 - 4.2.1. Table A1 shows why we need to use the SIPP share but a consistent total population. Because the SIPP is a survey, the total population counts differ from the Census data and other surveys by a relatively small amount, but when looking the number eligible, we want it to be consistent with published data.
 - 4.2.2. The relevant state population is based on the unit of analysis for each program: child care – children under age 13; Food Stamps – households; EITC – tax filers; housing assistance – households; Medicaid/SCHIP – people; and TANF – people.
5. Sub-populations. We can present findings for sub-populations. The only one that we have included in the tables thus far is “working families,” which is defined as sub-families where any adult over age 18 has earnings that month.
 - 5.1. Particular sub-populations of interest that we could create tables for are: age group (under age 18, 18 to 64, over 64), race/ethnicity (white non-Hispanic, black non-Hispanic, Hispanic, other), family type (single parent, two-parent, childless singles, childless couples), whether anyone in sub-family earns within a dollar of their local minimum wage, 50 percent of median sub-family income (or household?) or whether sub-family is below their family budget/self-sufficiency standard.
 - 5.1.1. For families under their family budget/self sufficiency standard, we use the EPI family budgets for families with one to two parents and one to three children under the age of twelve and the CEPR budgets for one or two adults without children. (The CEPR budgets are based on the EPI methodology.)
 - 5.1.2. In Iowa, Minnesota, North Carolina, and Washington, we can also look at the state’s own budgets. (Note: If your state is not on this list and you want to be, you did not give us your budgets and we will need extra time to pull this together for you.)
 - 5.2. To estimate sub-population eligibility, we use the same method as in Section 2 above.
 - 5.3. To estimate sub-population take-up/effective coverage, we must use the survey data to tell us who reports receiving benefits. To adjust benefit receipt for underreporting, we multiply each sub-population’s benefit receipt rate by the ratio of the administrative count/population divided by the survey benefit receipt rate for the state. In doing so, we assume that the probability of reporting public benefits receipt among respondents is the same across sub-populations. (Note: We think that this is a reasonable assumption since if underreporting is different by sub-populations, this would most likely be by income group. Since we have no way to do a reasonable adjustment otherwise, this is the rule we’ve chosen.)
6. Other issues.
 - 6.1. We know that income is also underreported, but there is no easy fix for this. Existing analysis of underreporting is based on comparing survey data to IRS records. To use this to adjust family income, we would need to know if the adjustment was consistent across income groups. However, since IRS data is by tax filers, there is no way to estimate this.
 - 6.2. Where we have discretion, we assume that all family units are what the surveys call “sub-families.” A sub-family is made up of people living in the same household who are all in a single nuclear family unit. For example, a multi-generational household with a father living with

his married daughter, her husband and their child, and his son and his son's girlfriend would have three sub-families: (1) the father and his son; (2) his daughter, her husband and their child; and (3) his son's girlfriend.

- 6.3. Standard errors. The estimates are developed using the survey methods in STATA. The cluster command adjusts the standard errors for intragroup correlation.
- 6.4. Populations. The survey data cover the U.S. non-institutionalized population, including the elderly, children, disabled people, and any others not in the military or an institutional setting.