



# The Iowa Policy Project

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## New session offers opportunity to boost work supports

*Report identifies policies to improve opportunities for working families*

IOWA CITY, Iowa (Jan. 8, 2020) — To reward work and boost opportunity for Iowa families and keep their children out of poverty, a new report identifies steps Iowa lawmakers can consider as they prepare for the new legislative session.

In “*Strengthening Pathways to the Middle Class: The Role of Work Supports*,” Iowa Policy Project (IPP) authors Peter Fisher and Natalie Veldhouse build on their recent “*Cost of Living in Iowa 2019*” report that showed about 1 in 5 Iowa working families earned too little to meet basic needs.

The report identifies a major problem with these work support programs, which include food assistance, child care assistance, Medicaid, the Earned Income Tax Credit, and other programs. As a person earns more, these work supports are reduced, which makes sense. But most work support programs fall to zero well before a family earns enough to be able to meet basic needs on their own.

Families need to earn more than twice the poverty level, in some cases nearly three times, to be able to cover a basic needs family budget. But SNAP, Medicaid, CCA, and LIHEAP benefits all end at 1.3 to 1.75 times the poverty level.

“A number of things could be done to help such families move into the middle class,” said Fisher, IPP research director. “We need policies to assure more middle-class jobs with decent wages and benefits — and to provide more workers with education and skills needed for good-paying jobs.”

The report, available at [www.iowapolicyproject.org](http://www.iowapolicyproject.org), focuses on a set of “work support” policies that help low-wage working families survive and keep their children out of poverty, and that provide a stepping stone to a better education and a better job:

- **Reform Iowa’s Child Care Assistance (CCA)** program to eliminate a huge disincentive called the cliff and to make CCA more effective as a help to parents trying to improve their skills and raise their wage level.
- **Expand the Earned Income Tax Credit** to provide even stronger support to low-wage workers, encourage more work effort, and keep children out of poverty.
- **Expand the Child and Dependent Care Tax Credit** to cushion the loss of Child Care Assistance.

“It is notable that lawmakers are talking about a potential sales tax increase but we hear little about two important ways to help lessen the impact of such an increase on low- and moderate-income families,” Veldhouse said. “Both the EITC and the child and dependent care credit would help those families, improve the overall fairness of Iowa’s already upside-down tax system, and increase economic opportunity for Iowa families at the same time.”

The authors suggest such reforms should be combined with education policies that ensure future generations of Iowans receive a quality and affordable education, from preschool through post-secondary institutions. These policies would require:

- **Expansion of the universal preschool program.**
- **Support of K-12 education through adequate funding of state supplemental aid,** which has averaged only 1.8 percent per-pupil spending growth from FY2011-20.
- **Make post-secondary education more affordable** by restraining tuition growth, requiring better state support of the community colleges and regents institutions.

IPP's Cost of Living in Iowa 2019 report last September showed nearly 120,000 working households in the state earned too little for a basic standard of living without public supports beyond health insurance.

"Our research continues to show that having one or more full-time wage earners in the family is often not enough for a family to make ends meet on their earnings," Fisher said. "This emphasizes two points about work in Iowa: First, the pay is often low, which is not surprising not only because of Iowa's meager minimum wage of \$7.25, but also because even a median wage job is often not enough, either.

"Second, and the main point of this report, is that public policies to augment that pay — to support work — are critical but often have weaknesses in their structure. These are known as 'cliff effects' because family resources drop, sometimes by many thousands of dollars, when a much smaller increase in pay makes them ineligible for a support program."

Veldhouse noted the cliffs are especially significant in both child care and health care (Affordable Care Act subsidies and Medicaid).

"Take the child care assistance cliff, for example," Veldhouse said. "For single parents who want to work, they need quality, safe and affordable child care for their child or children. But Child Care Assistance (CCA) vanishes in Iowa at a much lower eligibility level in Iowa than in most states."

The report noted that the CCA cliff is severe, leaving a parent deciding whether to find or accept a job with more pay or hours even if the family would be worse off. A 2016 change, "CCA Plus," postpones the cliff for one year, giving the family time to make adjustments.

"Advocates have been talking to legislators about this problem for many, many years, so there is evidence lawmakers are paying attention. But there is much more needed for Iowa families," Veldhouse said.

Find both "*The Cost of Living in Iowa, 2019 Edition*," and "*Strengthening Pathways to the Middle Class: The Role of Work Supports*," on the Iowa Policy Project website, [www.iowapolicyproject.org](http://www.iowapolicyproject.org).

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