Pathways Out of Poverty:
Higher Wages and Targeted Benefits Create Needed Opportunities

A joint report prepared by

EMPOWER MISSOURI

And

VISION for CHILDREN at RISK

Executive Summary

Because of a lack of political will, the minimum wage has not been raised to keep pace with the cost of living. Inadequate wages harm hundreds of thousands of Missouri families, and increased income would benefit these families presently earning minimum wage or wages just above the minimum while boosting our state economy.

When workers cannot secure basic human needs, their families suffer, and outcomes for children are especially impacted. Side effects ripple out throughout society in terms of homelessness, decreased public safety, failure to graduate from high school, malnutrition, and many other harmful conditions.

Workers have much to gain through an increase in the minimum wage. Some may qualify for health insurance who are currently in the Medicaid coverage gap. Additional income gains are possible from programs such as the Earned Income Tax Credit and the Child Tax Credit. Some public benefits will be reduced or ended, but gains in income can make up for much of the loss. Several benefits programs are structured on sliding scales to reduce support gradually as incomes rise. Where income guidelines are poorly structured, modernization, using reality-based numbers **must** occur. To fail to make these improvements violates decency and is antithetical to the values we express as a nation – especially our claim that hard work should be rewarded with family stability.

Our specific findings include:

- Even if the minimum wage is raised to $15, an adult with one child would continue to be eligible for the EITC.
- Families will not lose the benefit of the Child Tax Credit, even if minimum wage is raised as high as $15 an hour.
- Missouri's MO HealthNet for Kids program protects children if the minimum wage is raised.
- Boosting the minimum wage would mean that many currently uninsured adults would become eligible for insurance.
- Missouri's public health insurance program generally assures pregnant women health coverage. Raising the minimum wage does not change this.
- SNAP benefits are an incentive for wage earners to earn more, since increased earnings more than offset the loss of SNAP benefits.
- An increase in the minimum wage in Kansas City and St. Louis will not deny children the benefit of Free and Reduced Price Lunches. Both public school systems have opted into the Community Eligibility Program and may feed all students without regard to income.
- Families receiving WIC will not be affected by raising the minimum wage to $15 an hour, unless the FPL declines by 2020.
- Missouri's inadequate, unrealistic childcare subsidies can be—and should be—fixed, and reimbursement rates to childcare providers should also be modernized so that parents aren't punished for improving their wages.

Missouri cannot afford to wait to address our inadequate minimum wage and unrealistic income guidelines for public benefits. The harm to low-wage workers and their families is preventable as are negative consequences to the larger society. Every delay magnifies these problems and increases the difficulties of implementing solutions.

Increased Minimum Wage Provides a Pathway toward Economic Security

It has long been the American dream that everyone who works hard is able to succeed. Unfortunately, over the past decades, income inequality has grown, and the gap between the top earners and those on the lower end of the economic ladder has increased. As the income gap has grown, an opportunity gap has also widened. Many individuals and families work hard at full-time jobs or multiple part-time jobs, yet find they are unable to meet their families' most basic needs of food, rent, utilities and other necessities.

The American dream is out of reach for many families. Indeed as much as we want to locate poverty in a small segment of society, Dr. Mark R. Rank, Herbert S. Hadley Professor of Social Welfare at Washington University calls poverty "mainstream." Dr. Rank wrote in the *New York Times* in November 2013:

> *Contrary to popular belief, the percentage of the population that directly encounters poverty is exceedingly high. My research indicates that nearly 40 percent of Americans between the ages of 25 and 60 will experience at least one year below the official poverty line during that period, and 54 percent will spend a year in poverty or near poverty (below 150 percent of the poverty line).*
>
> *More astounding, if we add in related conditions like welfare use, near-poverty and unemployment, four out of five Americans will encounter one or more of these events.*
>
> *In addition, half of all American children will at some point during their childhood reside in a household that uses food stamps for a period of time.*

Additional sources echo Dr. Rank's remarks. According to an analysis of data from the Missouri Department of Revenue by the Institute on Taxation and Economic Policy, 40 percent of Missouri's non-elderly households have incomes of less than $33,000 annually. The Food Research and Action Center recently published their findings that one out of six Missouri families is food insecure. And according to the National Low Income Housing Coalition, 76 hours of work would be needed per week at Missouri's current minimum wage in order to afford a two-bedroom apartment at Fair Market Rate.

Rather than admitting the depth of poverty in our society, policymakers and the public too often engage in a blame game, pointing fingers at those who are poor and claiming that character flaws are the root of poverty. Yet academic and governmental research demonstrates that those who are poor have behavior and attitudes that mirror the rest of society. It is possible to point to individuals who need to address problem behaviors in every income bracket. Rather than using this as an excuse to abandon families in poverty, more policy makers must examine and address the enormous structural and systemic obstacles that trap so many families in poverty.

In his 1994 book *Living on the Edge: The Realities of Welfare in America*, Dr. Rank compared the economy to a game of musical chairs. Just as there will always be fewer chairs than participants in the game, the economy does not offer enough jobs at incomes that enable stable access to basic human needs.

Public policy could play a major role in addressing the problems caused by this economic reality – the lack of an adequate supply of jobs that will sustain a family. Instead a frequently grid-locked and often unresponsive federal government has not responded to the pain caused by stagnant wages and inadequate assistance available through private charities.

Therefore states and municipalities have felt backed into a corner and forced to take matters into their own hands. Twenty-two states have minimum wages higher than the federal level, and San Francisco, Seattle, Los Angeles, Chicago, Oakland and Washington DC have already passed local minimum wages as high as $15 hour (implemented in various increments). Actions in other cities, as well as in Kansas City and St. Louis, are pending.[1]

Historical overview: Current minimum wage locks families into poverty

In the mid 20th century, it became apparent that a minimum wage was needed to protect workers from unscrupulous employers and to ensure that workers benefited from their increased productivity and a growing economy. The federal minimum wage was enacted in 1938[2] and praised as a hallmark achievement of the New Deal's investment in the prosperity of working families.

Over time, the minimum wage has not kept pace with inflation, weakening its capacity to protect families. The minimum wage reached its peak value in 1968. If it had held that 1968 value, it would be at $10.88 today.[3] From 1997 to 2007, the federal minimum wage was not increased at all.[4] Over time, the purchasing power of the minimum wage has significantly eroded. In 2006, almost three-fourths of Missouri's electorate voted to establish a higher Missouri minimum wage and to index it to inflation to assure that it does not lose purchasing power. The current minimum wage in Missouri is $7.65 an hour, slightly higher than the federal minimum wage of $7.25. But that wage is grossly inadequate to allow families to meet their basic needs of rent, utilities, transportation and food. If an individual works 40 hours per week at minimum wage for 52 weeks (and many who earn minimum wage work less than 40 hours despite their desire to work more), he/she earns about $15,900. This is only 79 percent of the Federal Poverty Level (FPL) for a typical family of three.

The way the FPL is calculated is also problematic. It is outdated and inaccurate, leading to a serious underestimate of the number of people living in poverty. The FPL formula was created in the early 1960s by Molly Orshansky of the Social Security Administration. At that time it was assumed that families in poverty spent about a third of their income on food, so the poverty line was set by computing the cost of a "thrifty food plan" for a family of various sizes and multiplying by three.

Families no longer spend a third of their income on food, and 1960s calculation assumed one wage earner and a stay at home parent. Current costs of commuting, childcare and other work-related expenses are not accurately computed in the FPL, adding to its inadequacy as a measure of poverty. A more accurate FPL would use a "market basket" approach that takes into account the true cost of living, but, regardless of party in power, there is little political will to change a poverty measure if the outcome is an increase in persons determined to be "officially poor" or eligible for safety net programs.

The flaws in the FPL contribute to the momentum for communities to pass "living wage" ordinances based on the true cost of living. A study that estimates a living wage in counties[5] by Dr. Amy Glasmeier and the Massachusetts Institute of Technology estimates that in St. Louis and the Kansas City metropolitan area, poverty wages (the amount that must be earned to reach the official poverty line) for the typical family of three is $9 an hour, and a living wage is at least $24 an hour.[6] To further illustrate this gap, the chart below shows the official "poverty wage" for different family types—or the hourly wage at full time work that will put a family exactly at FPL—compared to a market-based "living wage" calculated by MIT.

Table 1: Comparison of Federal Poverty Level for Various Families to "Living Wage" for Families

	"Poverty Wage"	"Living Wage"	Gap Between Living Wage and Current Minimum
1 Adult	$5.00	$9.64	$1.99
1 Adult, 1 Child	$7.00	$20.06	$12.41
1 Adult, 2 Children	$9.00	$23.79	$16.14
1 Adult, 3 Children	$11.00	$29.77	$22.12
2 Adults, 1 Child*	$4.00	$11.10	$3.45
2 Adults, 2 Children*	$5.00	$13.20	$5.55
2 Adults, 3 Children*	$6.00	$15.20	$7.55

**Assumes both parents are working full time*

Raising the minimum wage would benefit workers, their children and boost our economy

When workers cannot secure basic human needs, the consequences spill out across society, reducing the quality of life in every income bracket, but most especially those in the bottom two quintiles. Raising the minimum wage would benefit a broad group of low-wage workers. Single individuals working full-time at minimum wage in Missouri are not eligible for public benefits such as health insurance nor the Supplemental Nutrition Assistance Program (SNAP, commonly known as food stamps). Federal tax benefits are structured to provide the greatest benefit to families with children. These single workers will benefit greatly from raising the minimum wage.

Families have much to gain. Even with the benefit of federal refundable tax credits, most families with a full-time minimum wage worker have incomes that fall below the FPL,[7] and are far below an income that allows them to meet their family's basic shelter, food and transportation needs. The challenges of poverty include homelessness, inadequate housing, hunger and food insecurity, inadequate childcare, lack of access to health care, unsafe neighborhoods and under-resourced schools. Low income children and teens are at greater risk for poor academic achievement, social-emotional problems, developmental delays and school dropout.[8] Low-wage workers face immense challenges because of their low-wages and public benefits that do not provide needed support.

When parents earn more, children benefit in the long term as well as the short term. A higher minimum wage for parents could mean a lifetime of economic benefit for their children. Research shows that every $1,000 in additional yearly family income increased the academic performance of young, low-income child.[9] Increasing a family's income by an additional $3,000 results in a 17 percent increase in the child's earnings as an adult.[10] Lacking sufficient resources to meet basic needs is highly stressful for families. Raising wages will reduce stress over financial issues and allow families an opportunity to channel energy into higher level needs.

Our overall economy also wins by raising the minimum wage. When the minimum wage is increased, those wages are used to purchase goods and services, increasing local economic activity. As an example, Moody's Analytics estimates that in a weak economy, $1 in food stamp benefits generates $1.70 in economic activity.[11]

"But won't a higher wage cause workers to lose benefits?"

Community members tend to have two reactions to the topic of workers combining both wages and taxpayer financed supports to secure basic human needs: 1) Some are fearful that raising the minimum wage will result in low income families losing the public benefits that currently make food, childcare, and other necessities possible, leaving them worse off than they would have been had the minimum wage stayed the same. 2) Others rail against "big government" and suggest that programs like subsidized childcare and Medicaid create disincentives to work.

Addressing the second complaint first, those who claim workers should receive absolutely no taxpayer supports to survive should realize in doing so they are advocating for workers to go without food, without adequate shelter, without heat in the winter, without access to health care when living with a chronic condition like high blood pressure. Minimum wage and near minimum wage work do not provide incomes adequate to secure basic human needs. When families are denied essentials such as food and shelter, the consequences take a toll on the entire community in terms of low graduation rates, high health care costs, homelessness and substandard housing, addictions, crime, etc.

Empower Missouri and Vision for Children at Risk share a belief in "the common good," that society works best when all jointly contribute to stability for others instead of seeking only individual welfare. All people in Missouri should have true access to quality healthcare, decent housing, adequate nutrition and appropriate education. Put simply: "We all do better when we ALL do better."

Concerns about raises in income making workers poorer have mainly been fueled by the Missouri General Assembly's refusal to meaningfully update the income guidelines for subsidized childcare since 1991. Left frozen in long-outdated income data, parents and childcare providers very appropriately cried out when raises caused families to lose needed resources. Combined with a minimum wage that is also long out of pace with the true cost of living, current policymakers struggle to find a solution that will not be attacked by powerful constituencies—notably charities and helping agencies, large employers, and restaurant owners.

Empower Missouri and Vision for Children at Risk along with many other not-for-profits have advocated for solutions to these problems annually. Small gains won in childcare income guidelines in 2014 became moot when Gov. Nixon withheld funding from some new budget items due to balanced budget requirements and inadequate income. However, that setback, and the inadequacy of Missouri's childcare subsidies, are not sufficient reasons to deny an increase workers' wages. Missouri's inadequate, unrealistic childcare subsidies can be—and should be—fixed, and reimbursement rates to childcare providers should also be modernized. (The General Assembly again passed improvements in 2015, and these are discussed on page ten of this report.)

Nor can Missouri afford to wait to address this problem of low wages and inadequate subsidies. The failure to do so harms tens of thousands of workers and their children, and the consequences ripple out to neighborhoods, cities, and counties**. Where income guidelines are inadequate and outdated, policymakers must act to address the inadequacy of the income standard with urgency.** There is nothing to gain by kicking the can down the road. The longer we wait to modernize both wages and income guidelines, the more difficult the transition will be.

Many public benefits are designed with sliding scales

However, not all public benefits programs are as poorly designed and outdated as Missouri's subsidized childcare has been. Thanks to advocates, many public benefits have been shaped to more gradually remove support from families as they move toward greater economic security and independence. Multiple programs are provided on a sliding scale and phase out as income increases—whether due to working more hours, getting a better job, or raising the minimum wage.

Raising the minimum wage to $15 an hour will not result in a mass loss of benefits for which the families were previously eligible.[12] It is difficult to state the exact impact of wage increases across programs because eligibility requirements vary. Some use a percent of the FPL, some use a percent of median income, and some have "income disregards" or deductions of a variety of expenses. This approach to the benefits that support low-income families is the result of a lack of political will to assure that work, supplemented with supportive benefits programs, actually lifts workers and their families out of poverty. Examining the impact of raising the minimum wage on public benefits at this juncture also provides an opportunity to analyze and improve the structure of public benefits to assure they accomplish their purpose.

Federal tax credits and minimum wage increases

The federal Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) are structured to reward work, but do eventually phase out as income increases. Tax credits are usually received annually, rather than monthly, but families who receive them find themselves better off at the end of the year as they earn more income. To be eligible for the EITC a single person must have an earned income and adjusted gross income less than $14,820. A single adult with one child is eligible for the EITC with an income up to $39,131; an adult with 2 children is eligible with an income up to $44,454.[13] **Even if the minimum wage is raised to $15 an hour, an adult with one child would continue to be eligible for the EITC.** The EITC is a refundable tax credit. Because these tax credits phase out so slowly, they provide support for families whose other public benefits decrease.

The Child Tax Credit phases out at much higher income levels. **Families will not lose the benefit of the Child Tax Credit, even if minimum wage is raised as high as $15 an hour**. The value of the tax credit is $1,000 per eligible child (under the age of 17), and income eligibility is capped at $75,000 for single parent-headed household, and $110,000 for two parent families who file income taxes jointly. There is a refundable component of the Child Tax Credit that allows families to receive a refund check if their earnings are so low that they do not owe any federal income tax.[14]

Again, these federal tax credits are designed to encourage work, and have been shown to have a powerful anti-poverty impact, lifting an estimated 9.4 million persons out of poverty in 2013, and making 22.2 million people less poor.[15] Tax credits that reward work have had strong bi-partisan support. President Ronald Reagan called the EITC our nation's best anti-poverty program.

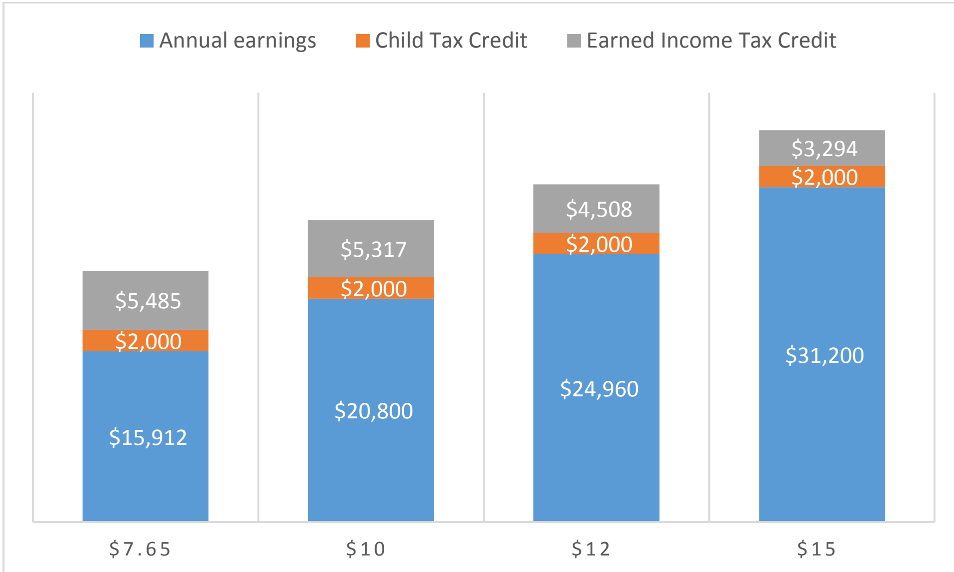
The Center for Law and Social Policy clearly describes the significant impact of these tax credits on family income for a typical family of three that includes one adult and two children.

Table 2: Impact of Earned Income Tax Credit and Child Tax Credit at Various Wage Levels

Wage per hour	Annual earnings	Annual earnings as % of FPL*	Value of EITC and CTC	Earnings + EITC + CTC as % of FPL
$7.65	$15,912	73%	$7,485	110%
$10	$20,800	96%	$7,317	132%
$12	$24,960	115%	$6,508	147%
$15	$31,200	143%	$5,294	170%

**Federal Poverty Level calculated here for a family 1 adult and 2 children*

Figure 1: Value of Earned Income Tax Credit and Child Tax Credit* at Various Wage Levels



**Shown here for a family of 1 adult working 40 hours a week and 2 children*

Raising the minimum wage and health insurance

Children

Missouri's MO HealthNet for Kids program *protects* children if the minimum wage is raised. Missouri children in families with incomes up to 300 percent of FPL are eligible for health insurance through MO Healthnet for Kids, which is comprised of two components: Medicaid and the Children's Health Insurance Program. The Children's Health Insurance Program seamlessly covers children with incomes over the Medicaid eligibility level up to 300 percent of FPL.[16] Families at higher income levels pay modest premiums for CHIP coverage that are far less expensive than premiums in the private market.

Parents/caregivers

Raising the minimum wage will *positively affect* adults' health insurance coverage. Currently only adults who are caregivers, age 19-64 with incomes less than about 22 percent of FPL are eligible for Medicaid.[17] Since Missouri has not yet chosen to expand Medicaid to adults with family incomes up to 138 percent of FPL (as allowed by the Affordable Care Act), many low income working parents are uninsured. As the minimum wage rises, many will be able to purchase health insurance from a market place exchange and will receive a subsidy to help pay for premiums under the Affordable Care Act. Subsidies are available to families with incomes from 100 to 400 percent of FPL.

Childless adults age 19-64

Childless adults are not eligible for Medicaid at any income level in Missouri. **Boosting the minimum wage would mean that *many currently uninsured adults would become eligible for insurance*** with subsidized premiums under the Affordable Care Act if their earnings are currently between 100 and 400 percent of FPL.

Pregnant Women

Pregnant women are currently eligible for Medicaid if their income is below 201 percent of FPL.[18] In 2014 the Show Me Healthy Babies program was enacted as part of Missouri's CHIP insurance. It is designed to cover low income unborn children. Pregnant women are eligible for Show Me Healthy Babies coverage if they are not eligible for Medicaid, have no access to affordable private insurance, and have incomes up to 300 percent of the FPL.[19] **Missouri's public health insurance program *generally assures pregnant women health coverage* if the minimum wage is increased.**

Raising the minimum wage and SNAP/food stamps

The Supplemental Nutrition Assistance Program (SNAP, commonly known as food stamps) is another key benefit that supports low income families. Average benefits in Missouri are $1.32 per person per meal. The majority of individuals who receive SNAP in Missouri are children (44 percent) and adults living with children (24 percent).[20] Families with gross incomes up to 130 percent of FPL are eligible[21]. To determine eligibility certain deductions for expenses are allowed. After these deductions, benefits phase out at net incomes of 100 percent of the Federal Poverty level, $20,900 for a family of 3. SNAP benefits decrease by 24 to 36 cents for each additional dollar earned. Because of this design, **SNAP benefits are an incentive for wage earners to earn more, since increased earnings more than offset the loss of SNAP benefits**. However, it is difficult to offer a simple and accurate answer about the impact on higher wages on SNAP benefits, since the particular circumstances that dictate the amount of net income differ from household to household.

Raising the minimum wage and Free and Reduced Price Lunches

Children in families with incomes up to 130 percent of FPL are eligible for free school lunches, and for reduced price lunches if family income is between 131 and 185 percent of FPL.[22] Because this is one of the most politically popular public benefits programs, earnings guidelines have been much more in touch with reality, and support has remained in place longer as wages rise.

Beginning in 2014, both St. Louis and Kansas City public schools have been able to benefit from a new school based child nutrition policy connected to school breakfasts and lunches: Community Eligibility. Schools that have very high rates of children in poverty, in foster care, and/or homeless and immigrant children may qualify for Community Eligibility. This eliminates the need for families to fill out meal applications, and also eliminates the red tape of school administrators keeping track of who is eating a free, reduced-price, or paid meal. In eligible schools, all children can eat school meals at no charge. Therefore **an increase in the minimum wage in Kansas City and St. Louis *will not deny* children the benefit of Free and Reduced Price Lunches.**

Raising the minimum wage and the Women, Infants and Children (WIC) Program

The Women, Infant and Children program (WIC) is a program to provide nutritional assistance and counseling to low income families. Pregnant women are eligible up to 6 weeks after giving birth, and up to one year if they are breastfeeding. Children are eligible up to age 5. Families must have income under 185 percent of the FPL, and must be identified as being at nutritional risk by a health care provider.[23] **These families will *not be affected* by raising the minimum wage to $15 an hour, unless the FPL declines by 2020.**

Raising the minimum wage and the TANF Program

Missouri's Temporary Assistance for Needy Families (TANF) benefits are an embarrassment, yet the program is still a lifeline for some families in dire emergencies. The maximum benefit for a family of three is $292 months. The benefit has not been adjusted since 1991. TANF benefits have lost 20 to 30 percent of value since the welfare overhaul of 1996.[24] **Most working families are not eligible for TANF because the income eligibility guidelines are so outdated they make too much to qualify.** Since the mid-1990s, a family of three has been considered too well off to receive help from TANF if making more than $846 per month. The current TANF earnings rules do include a 12-month earning disregard that allows a family of three to earn up to about $1,100 in a month before losing benefits, a rule that was added to "make work pay" in the late 1980s—out of the same concerns that this paper describes—that policies that punish work have disastrous consequences and must be avoided.

Raising the minimum wage and Subsidized Childcare

The program design that is most complicated is subsidized childcare. Similar to TANF benefits, Missouri's subsidized childcare program is an embarrassment. In 2014, the most recent year that national comparison data is available, Missouri had the 2nd lowest eligibility of all states.[25] Missouri legislators increased eligibility to 138 percent of FPL in 2015. Compared against national 2014 eligibility in other states, this still places Missouri 42nd lowest among states. To their credit, lawmakers have come to recognize the cruelty of causing families to experience abrupt loss of benefits when income increases, Budget Bill 11 for the 2015-16 fiscal year allows benefits on a sliding scale up to 215 percent of FPL beginning in 2015.[26]

If a family is receiving childcare subsidies, it will not lose benefits when the minimum wage is raised to $10 an hour. At $12 an hour and above, some parents in small families who work 40 hours a week for 52 weeks, will lose eligibility for subsidized care unless parents choose to cut back hours at work for the same net income. The sliding scale up to 215 percent of FPL allows families with one wage earner to continue receiving subsidy even up to $15 an hour. It is harder to make generalizations about families with two wage earners, especially since many low-wage workers do not work a full 40 hours per week. However, if two-wage earner families are eligible at the 138 percent FPL, they are mostly protected from losing benefits on the 2015 sliding scale.

Missouri's subsidized care falls short in its very low eligibility level. This is fixable, and Missouri already made significant progress in 2015 by enacting an improved sliding scale in House Budget Bill 11. By the new rules, families with incomes from 139 to 165 percent of FPL receive 75 percent of the subsidy; families with incomes between 166 and 190 percent of FPL receive 50 percent of the subsidy; and families with incomes between 191 and 215 percent of FPL receive 25 percent of the subsidy.[27]

However, Missouri should join the 20-plus states with income eligibility set to continue without reduction until 185 percent of the FPL. A sliding scale could continue from that point, to at least 225 percent FPL, closer to the true cost of living. Given Missouri's budget restraints, transition to this more reality-based income guideline could be made in an incremental multi-year process. Cities, counties and community partners could support families by creating subsidized childcare benefits that build on the inadequate state subsidies.

Prevalence of children in households supported by low-wage work

Recent analysis from Oxfam estimates that 34.4 percent of all low-wage workers in Missouri's 5th Congressional District, which contains Kansas City, are parents of children under the age of 18.[28] Oxfam defined low-wage as earning less than $11.50 per hour. The Kansas City figure is in line with the national average computed by Oxfam - 35.5 percent. The Center for Economic and Policy Research has also estimated that more than a third of fast food workers age 20 or older were raising at least one child.[29]

Policy Recommendations

In addition to raising the minimum wage and updating income guidelines for family support programs so that they reflect the true cost of living, Missouri should fully implement the following policy changes:

- The childcare eligibility changes enacted in 2015 should be fully funded and implemented without a waiting list. Provider reimbursements should also be increased to promote retention of trained staff and improvement of program quality.
- The eligibility level for childcare subsidies should be raised to 185 percent of FPL in Fiscal Year 2017, phasing out at 225 percent of FPL. Kansas and Oklahoma are neighboring states that have seen the value of investing in high quality and affordable childcare. The benefits to society are numerous, and Missouri must not miss this opportunity.

- Missouri should enact a state Earned Income Tax Credit on a simple design to reduce administration costs. One possibility is to provide 20 percent of the amount provided by the federal EITC to all who qualified for the federal program.
- The possibility of creating a monthly or quarterly EITC distribution, using electronic transfers of funds through the IRS, should be explored. This would allow low wage workers to catch up on unpaid bills more frequently than may be accomplished by an annual lump sum payment.
- Missouri should update its outdated, inadequate, and unfair tax system, given that our tax table has not been modernized since 1931, and the top tax bracket begins at only $9,000 of taxable income. Almost 60 percent of Missouri households fall in the top tax bracket. Currently the quintile of Missouri taxpayers that pay the highest percentage of their incomes as taxes are the 20 percent at the bottom, households making less than $17,000 annually, according to the Institute on Taxation and Economic Policy's *"Who Pays"* distributional analysis report.

Charting the Consequences: How Do Benefit Increases Impact Family Budgets?

The proposed increases to the minimum wage still fall significantly short of the true costs of living, yet they close the gap considerably. This will especially help families that have expenses below the average amounts that are charted below or families that are able to find ways to reduce expenses without losing access to basic human needs.

The chart below depicts how minimum wage increases to $10, $11, $12, $13, $14 and $15 per hour impact on the "bottom line" of the monthly budgets of two typical families: a single parent adult with two children and a two parent family with two children and both parents working. Though various unique characteristics may impact the final balance sheet for families, these serve as a good model for how a wage raise will affect income, benefits, and expenses. Some single parents may especially face a struggle in the transition from $12-$14 per hour, and this should be addressed in city and state policies to support work and working families.

See table on page 12.

Table 3: Income, Benefits, and Expenses for a Single Parent with Two Children

BENEFITS AND INCOME							
Wages							
Hourly wage	**$7.65**	**$10**	**$11**	**$12**	**$13**	**$14**	**$15**
Monthly gross income	$1,326	$1,733	$1,907	$2,080	$2,253	$2,427	$2,600
Monthly payroll deduction (10%)	-$133	-$173	-$191	-$208	-$225	-$243	-$260
Net monthly income	**$1,193**	**$1,560**	**$1,716**	**$1,872**	**$2,028**	**$2,184**	**$2,340**
Public Benefits							
SNAP+	$397	$264	$201	$139	$0	$0	$0
Eligible for Child Care Assistance?	yes	yes	yes	yes	yes	yes	yes
EITC	$462	$443	$379	$342	$306	$269	$233
Child Tax Credit	$161	$167	$167	$167	$167	$167	$167
Net monthly benefits	**$1,020**	**$874**	**$747**	**$648**	**$473**	**$436**	**$400**
TOTAL INCOME/BENEFITS	**$2,213**	**$2,434**	**$2,463**	**$2,520**	**$2,501**	**$2,620**	**$2,740**

EXPENSES							
Rent	$814	$814	$814	$814	$814	$814	$814
Medical	$507	$507	$507	$507	$507	$507	$507
Transportation	$799	$799	$799	$799	$799	$799	$799
Other	$337	$337	$337	$337	$337	$337	$337
Food	$571	$571	$571	$571	$571	$571	$571
Child Care	$112	$140	$140	$140	$227	$227	$227
TOTAL EXPENSES	**$3,140**	**$3,168**	**$3,168**	**$3,168**	**$3,255**	**$3,255**	**$3,255**

NET MONTHLY GAIN/LOSS	**-$927**	**-$734**	**-$705**	**-$648**	**-$754**	**-$635**	**-$515**

**Assumes one adult working full time, two children receiving child care.*
The estimated "living wage" for this family in Missouri is $24.47 an hour.

Figure 2: Net Gain/Loss (Income + Benefits – Expenses) for a Single Parent with Two Children Working 40 Hours a Week at Various Wage Levels

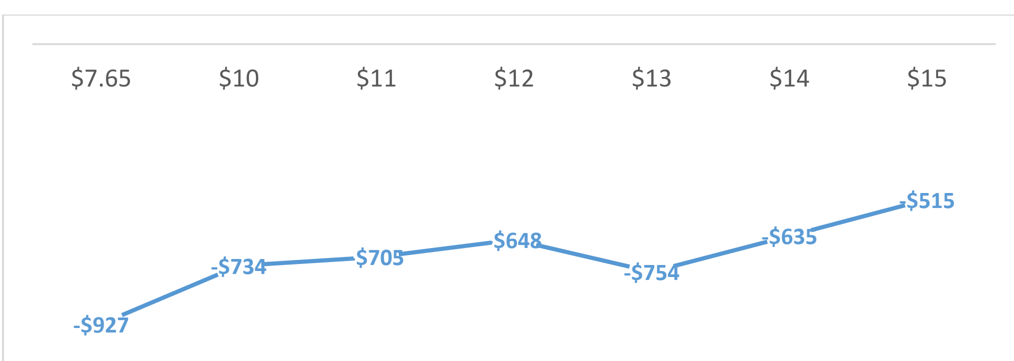


Table 4: Income, Benefits, and Expenses for Two Working Parents with Two Children

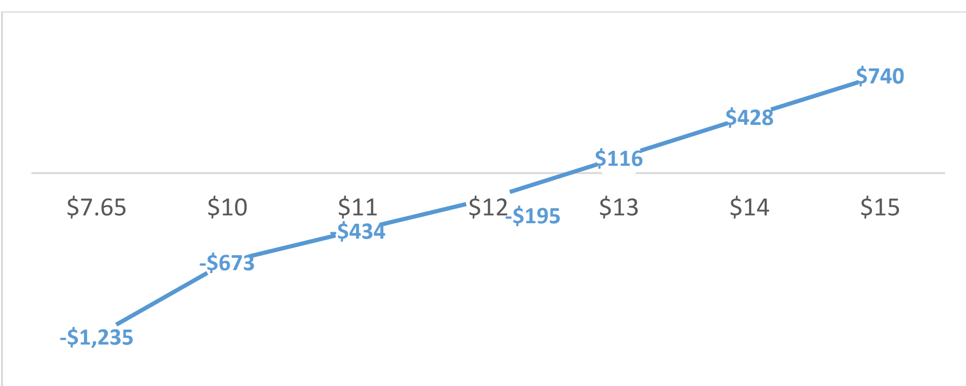
BENEFITS AND INCOME							
Wages							
Hourly wage	$7.65	$10	$11	$12	$13	$14	$15
Monthly gross income	$2,652	$3,467	$3,813	$4,160	$4,507	$4,853	$5,200
Monthly payroll deduction (10%)	-$265	-$347	-$381	-$416	-$451	-$485	-$520
Net monthly income	**$2,387**	**$3,120**	**$3,432**	**$3,744**	**$4,056**	**$4,368**	**$4,680**
Public Benefits							
SNAP+	$0	$0	$0	$0	$0	$0	$0
Eligible for Child Care Assistance?	no	no	no	no	no	no	no
EITC	$318	$147	$74	$1	$0	$0	$0
Child Tax Credit	$167	$167	$167	$167	$167	$167	$167
Net monthly benefits	**$485**	**$314**	**$241**	**$168**	**$167**	**$167**	**$167**
TOTAL INCOME/BENEFITS	**$2,872**	**$3,434**	**$3,673**	**$3,912**	**$4,223**	**$4,535**	**$4,847**

EXPENSES							
Rent	$814	$814	$814	$814	$814	$814	$814
Medical	$513	$513	$513	$513	$513	$513	$513
Transportation	$936	$936	$936	$936	$936	$936	$936
Other	$408	$408	$408	$408	$408	$408	$408
Food	$758	$758	$758	$758	$758	$758	$758
Child Care	$678	$678	$678	$678	$678	$678	$678
TOTAL EXPENSES	**$4,107**	**$4,107**	**$4,107**	**$4,107**	**$4,107**	**$4,107**	**$4,107**

NET MONTHLY GAIN/LOSS	**-$1,235**	**-$673**	**-$434**	**-$195**	**$116**	**$428**	**$740**

**Assumes two adults working full time, two children receiving child care.*
The estimated "living wage" for this family in Missouri is $13.45 an hour per worker.

Figure 3: Net Gain/Loss (Income + Benefits – Expenses) for Two Working Parents with Two Children Working 40 Hours a Week at Various Wage Levels



Conclusion

Increasing the minimum wage is a win for all Missourians. Higher wages will help families who are struggling move toward greater economic security. Children will benefit in the short and long term. Higher wages puts more money in the hands of consumers, and their purchases of goods and services fuel the local and state economies.

Benefits in most public programs are designed to phase out gradually as income rises, protecting families from losing financial ground. Income guidelines should be improved to accurately reflect today's costs of living. Missouri can certainly do better in sustaining working families by helping them access high quality and affordable childcare. This is a problem that can be solved, and important first steps were taken in the 2015 state budget. Missouri, as well as local communities, can build on that first step to see that workers have access to all basic human needs. Do we not agree that workers should not live in poverty?

While the transition holds challenges, there is nothing to gain by postponing a solution. Local foundations, corporations, advocates, and elected officials must all turn their attention toward how to create the best possible outcomes for working families and the children that are our future.

About the authors

This report was written by Ruth Ehresman, Advocacy Coordinator at Vision for Children at Risk, and Jeanette Mott Oxford, Executive Director of Empower Missouri. Ms. Ehresman and Ms. Oxford have each worked on poverty and hunger issues for more than three decades.

Empower Missouri, formerly Missouri Association for Social Welfare, is dedicated to ensuring social justice for all Missourians. Founded in 1901, the non-partisan organization educates and empowers Missourians on issues including hunger, housing, education, health and economic opportunity.
http://empowermissouri.org/

Vision for Children at Risk promotes the well-being of children and youth in the St. Louis metropolitan area, targeting particularly those young people who face serious socio-economic risk.
http://visionforchildren.org/

Endnotes

[1] http://www.raisetheminimumwage.com/pages/minimum-wage-laws-and-proposals-for-major-u.s.-cities
[2] U. S. Department of Labor, available at http://www.dol.gov/whd/minwage/coverage.htm
[3] http://www.bls.gov/data/inflation_calculator.htm
[4] Ibid at 2
[5] http://livingwage.mit.edu/counties/29510
[6] To view this tool which lists reality-based costs for housing, food, childcare, medical expenses, and the wages needed to obtain these necessities, and the average wages for a variety of professions, go to: http://livingwage.mit.edu/states/29/locations.
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[9] http://www.cbpp.org/files/6-26-12tax.pdf
[10] Ibid
[11] Missouri Food Stamp Program Fact Sheet, Center on Budget and Policy Priorities, February 27, 2015. www.cbpp.org
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