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President and CEO

March 22, 2016

Dear Legislator:

The Schuyler Center for Analysis and Advocacy urges the Legislature to include a **comprehensive package of complementary family economic strengthening policies to support work and help reduce child poverty** in the Budget, including:

- Increasing the State EITC to at least 40% of the federal benefit;
- Raising the minimum wage with funding for non-profit organizations serving people in need;
- Enacting paid family leave; and
- Increasing subsidized child care capacity.

Increasing the State EITC alone is not an alternative to raising the minimum wage, but, rather, would complement a minimum wage hike. In combination, the two policies could move thousands of New York families out of poverty and into economic security.

Childhood Poverty: Lasting Negative Outcomes for Children

Twenty-three percent of New York children live in households with incomes below the federal poverty line (FPL) and 43% of New York children live in low-income households (< 200% FPL). A child's socioeconomic status is the strongest predictor of academic achievementⁱ and poverty is linked to cognitive deficits in children that can manifest as early as nine months of age.ⁱⁱ Impoverished children are much more likely to suffer from chronic health conditions like asthma and diabetes, and even transitory childhood poverty yields poorer health outcomes in adulthood.ⁱⁱⁱ Building family economic security promises better outcomes and lower costs.

The EITC is a Targeted, Effective Component of a Poverty Reduction Strategy

Over 1.6 million NYS households claimed the State EITC in 2013, bringing over \$1 billion into those low-income households and their communities. The Federal and State Earned Income Tax Credits (EITC) are refundable tax credits available to low- and moderate-income working people. The EITC is structured so that low-wage workers with children receive the most generous refunds. The credit amount is a percentage of earnings up to a maximum level, which then phases out as a worker's earnings increase. Children of EITC recipients do better in school and are healthier.^{iv} An increase in the State EITC from 30% to 40% of the federal EITC would, *on average*, increase the credit to a New York family with two children by \$344 per year.

The EITC benefits families *and* local economies.^v In 2013, a State EITC of 40%, instead of the current 30%, would have meant an additional \$16.8 million in Suffolk County, \$13.4 million in Nassau County, \$7.5 million in Onondaga County, and \$348 million statewide.^{vi}

A Minimum Wage Hike Improves Opportunity at the Bottom

The minimum wage increase put forward by the Governor and Assembly would, at full phase-in, have a much *more significant impact* on boosting family income than increasing the State EITC, unless the State EITC were raised to equal or exceed the federal credit. For a full-time minimum wage earner, every \$1 increase grosses over \$2,000 per year.

Together, a State EITC *and* minimum wage increase holds the potential to move thousands of New York families into economic security. At the State's current minimum wage, a married worker with two children would still fall below the FPL, even working 40 hours per week, 52 weeks per year. The reality is that many low-wage workers are underemployed – with employers not offering the opportunity to work a full-time schedule.

The Legislature Has the Opportunity to Support Work and Reduce Child Poverty this Budget Session by Passing a Comprehensive Package of Complementary Family Economic Strengthening Policies

The Assembly one-house budget bill proposes increasing the State EITC to 35% of the federal benefit; raising the minimum wage, with \$200 million in funding to support the wage increase at non-profits providing essential services to people in need; a strong paid family leave policy with a robust rate of income replacement; and an additional \$75 million to support additional subsidized childcare slots. The Schuyler Center urges adoption of the Assembly's family economic strengthening proposals.

Enacted together, these policies will move the State in the direction of ensuring that all the State's children are afforded a real chance to realize their potential, and live healthy, productive, fulfilling lives.

Sincerely,



Kate Breslin,
President and CEO

ⁱ Jared Bernstein and Ben Spielberg. June 5, 2015. "Inequality Matters." *The Atlantic*.

<http://www.theatlantic.com/business/archive/2015/06/what-matters-inequality-or-opportunity/393272/>

ⁱⁱ Children's Defense Fund, 2015. "Ending Child Poverty Now," ch. 1,

<http://www.childrensdefense.org/library/PovertyReport/EndingChildPovertyNow.html>

ⁱⁱⁱ Katherine Sell, Sarah Zlotnik, Kathleen Noonan, David Rubin. November 2010. "The Effect of the Recession on Child Well-Being." Wash. D.C.: First Focus. [file:///C:/Users/dhill/Downloads/Recession-Well-Being%20\(3\).pdf](file:///C:/Users/dhill/Downloads/Recession-Well-Being%20(3).pdf)

^{iv} Katherine Sell, 2010, *op. cit.*, p. 2.

^v Natalie Holmes and Alan Berube. November 20, 2015. "The Earned Income Tax Credit and Community Economic Stability." Wash. D.C.: The Brookings Institution.

<http://www.brookings.edu/research/articles/2015/11/20-earned-income-tax-credit-community-economic-stability-holmes-berube>

^{vi} NYS Division of Taxation and Finance, *Earned Income Tax Credit Claims by Credit Type and Place of Residence: Beginning Tax Year 1994*. (Referring to 2013 data). <https://data.ny.gov/Government-Finance/Earned-Income-Tax-Credit-EITC-Claims-by-Credit-Typ/6q7b-8vuf>