A PCCY Report on Philadelphia

Underwater:

What's Sinking Families in Philadelphia

October 2019

public citizens for children + youth

PCCY could not have completed this report without the tireless work of our interns: Diana Simpson, Alex Horn, Nina Cross, Faith Carter, Sydney Li and Kathryn Kirkman.

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Notice on Census Data

This report relies on U.S. Census Bureau data from 2017 for income and poverty. Shortly after completion of the report, the Census released the 2018 data as well as a statement saying that the 2017 data for Philadelphia contained an error that affected income and poverty figures. PCCY then looked at the 2018 data to determine the updated, and accurate, share of families at the various income levels profiled in the report. As it turned out, the share of families with children making below $75,000 per year and below $50,000 per year were exactly the same according to 2018 data as the 2017 data had showed, with 70% of families making below $75,000 per year and 54% of families making below $50,000 per year. PCCY also examined the 2018 poverty rate figures for families with children and for children themselves and found that the rates were actually higher according to the 2018 data than the 2017 data showed, with 29% of families with children being in poverty and 36% of children overall being in poverty.

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Executive Summary

Philadelphia is at once beautiful, diverse, vibrant, and marred by the highest poverty rate of any big city in the nation. And while poverty in the city is constantly in focus, even middle class families can barely afford the basics. Seventy percent of families in Philadelphia raising children are likely to be underwater. Philadelphia shouldn't, and doesn't, have to be characterized by financial struggle. But if bold action isn't taken, the cycle of economic stress will continue and likely worsen, putting the city in a downward spiral.

Hard-working families earning $50,000, for instance, are likely to have just $1,420 left per year – just $27 a week – after covering child care, health care, housing, utilities, transportation, food, and taxes. And that's with the help of crucial child care and health insurance benefits. Even if these families have no child care needs, they will have just $6,360 left over after paying for the other essentials. That's $6,360 for things like clothes, sports teams, birthday presents, summer camps, class trips – just to name a few. The majority of families with children – 54% – earn this much or less in Philadelphia.

Even families who are well above the median income – an income that should solidify their middle class status – are drowning. Families making $75,000 a year, for example, are likely to have $2,170 – $42 per week – after paying for the basics, since they do not receive subsidies for child care and health care. If these families are free from the burden of child care, they would have around $13,300 left after the major basic costs, but this is still hardly enough to cover the additional everyday costs for the children and parents. On top of that, these families have little money, if any, to save for things like retirement or college for their children, not to mention any emergency costs that may spring up. Seventy percent of families raising children in Philadelphia make this much or less.

Of course, families in poverty face the greatest financial challenge. A one-parent family with two children at the poverty line – making $20,780 per year – would have to access every single public benefit available in order to get by. Unfortunately, some benefits have a limited supply – notably child care subsidies – and others are not accessed by a large portion of those eligible, especially SNAP (food stamps) and tax credits. The likelihood of a family in poverty gaining access to every public benefit is very low, and the more likely scenario for such a family is having to go into debt, forego a basic cost, or some combination in order to make ends meet. One out of every four families raising children in Philadelphia is in poverty.

The parents in these struggling families bank on the hope that their children can move up the economic ladder, becoming more prosperous as adults than they, the parents, were. The surest way for children to achieve that upward mobility is to get a good education. Unfortunately, Philadelphia schools are in a similar boat as many families, struggling to find the resources to provide students with the skills they need to be upwardly mobile.

Philadelphia schools have long suffered underfunding due mostly to inadequate State funding. Most recently, the District suffered a massive cut from the State in 2012, leading to the layoff of nearly 4,000 teachers and staff and the permanent closure of 23 schools.

Since then, the City has stepped up with major funding increases year after year, and the State also began to reverse its years of cuts under a new governor. The School District of Philadelphia had nearly $690 million more in 2018 than it did at the low point in 2012 and nearly $500 million more than it had in 2011 before the cuts. These increases are mostly thanks to Philadelphians stepping up and providing the District with an additional $600 million in local revenue since 2011, almost three times as much as the State's $212 million increase. The District has been able to bring back crucial staff including counselors, nurses, and music and arts teachers while also making major investments in academic goals such as early literacy.

The especially good news is that schools with more low income students – those who are in the greatest need of the economic mobility a great education can enable – have had their funding increased the most. For instance, from 2016-17 to the projected 2019-20 budgets, elementary schools with fewer than 60% of their student body economically disadvantaged got an average increase of $780 per student in funding; those with 60-80% of their students economically disadvantaged got an average increase of $1,923 per student; and those with 80% or more students economically disadvantaged got an average increase of $2,560 per student.

The additional resources have paid off academically, with test scores and graduation rates increasing. Two-thousand additional third through eighth graders in the District are passing the English-language arts and math PSSAs now compared to 2015, for example.

However, Philadelphia's schools still have a long way to go. The challenges facing the District and so many of its students are so great that they will take a major financial investment to overcome. Concentrated poverty and homelessness, for instance, often require a lot of care and attention to address, yet the District still doesn't have the funding to build in the staffing levels necessary to provide all of its students the attention they need. Despite the funding increases in recent years, Philadelphia still ranks 486th out of the 500 Pennsylvania school districts in terms of spending per "weighted" student – a measure that takes student need, such as poverty, into account.

Families in Philadelphia making $75,000 per year are likely to have just $42 a week left after paying for the basics; 70% of families in Philadelphia make this much or less.

And even the progress that has been made is in jeopardy due to skyrocketing State mandated costs. Three costs in particular – pensions, special education and charter school payments – shot up by a total of $1 billion from 2010 to 2018, while State funding grew by just about $200 million in that same period. That left the District to find the other $800 million almost entirely from local sources and cost reductions – a task that it amazingly accomplished, but one that it shouldn't have had to. And while the District was able to find efficiencies that enabled them to restore staffing at some schools, particularly the lowest-income schools, it still only has about 600 more employees – just 3% more – now than it did in the year before the massive cuts and layoffs. Had these mandated costs not consumed so much of the District's additional funding, it could have made much more significant investments in its students.

Philadelphia's families – and their children – will only get out of this predicament with large-scale action. History teaches us that bold policies can overcome massive problems facing society and lead to huge gains in the quality of life for all. As Nobel Prize-winning economist Paul Romer notes in discussing these types of policy changes, "[If we have a] sense of 'we've got to do the right thing'…everything can turn out better for everybody. But if you just are complacent, say 'it'll work itself out,' you are not going to be happy with the outcome."[1] Complacency is not an option for Philadelphia's families. The following policies must be implemented, or the cycle of financial stress will never end. The children in these struggling families will become the next generation of struggling families. It's a downward spiral that Philadelphia – and the country more broadly – cannot afford.

Recommendations

To boost families' incomes:

- Build on the workforce development strategies that the City and cross-sector partners have implemented to help people move into higher paying jobs[2]
- Raise the minimum wage
- Increase government payment to agencies that employ low-wage, government-funded professionals, such as Direct Support Professionals and child care workers, so that wages are at least $15 an hour – as the City has already done for all of its employees and contractors – and ideally $18 an hour, to increase the ability of these professionals to stay above water while supporting a family[3]

To reduce the child care and early education cost burden:

- Increase funding for Child Care Works, Pre-K Counts and Head Start
- Expand eligibility for Child Care Works
- Establish the legal right to paid family leave

To reduce the health care cost burden:

- Expand eligibility for free and subsidized Children's Health Insurance Program, including to undocumented children
- Preserve the Affordable Care Act

To reduce the cost burden of other living expenses:

- Build on the affordable housing strategies that the City and cross-sector partners have developed[4]

To reduce the tax burden on financially struggling families:

- Expand Pennsylvania's Tax Forgiveness program to incomes of at least $75,000
- Offset local taxes by increasing State funding for public schools

To improve the financial outlook of public schools:

- Increase State K-12 basic education and special education funding
- Restore the State's charter school reimbursement to the School Districts
- Incentivize teachers and leadership to remain at the schools where they work – especially schools with large shares of low income students – so that the opportunities presented by new resources can take hold

Introduction

Philadelphia is a city of contradictions. It's the birthplace of democracy, and yet so many families are dictated tough economic circumstances over which they have little control. It's a vibrant and growing city, and yet it has the highest poverty rate of any big city in the nation. And even as you go up the income scale, the financial struggle persists. A recent report from the United Way of Pennsylvania shows that families need about $100,000 in income each year to get by with stability in their budget.[5] In this report, PCCY finds that families need more than $75,000 in annual income to stay afloat, reinforcing the United Way's findings. That means as many as 70% of families in Philadelphia are likely to be underwater after covering the basic costs of living and raising children.[6]

Families in this difficult financial situation bank on the hope that their children can rise up the economic ladder and one day feel more monetary comfort than they, the parents, did. This American Dream centers on children getting a good education. Education is the key to landing a well-paying job that provides financial stability. Unfortunately, Philadelphia schools have long suffered disinvestment and underfunding, limiting their ability to deliver the type of education that enables upward mobility for all of its students. While recent years have seen funding increases and fiscal stability for the District, the challenges facing students and schools in Philadelphia are so great that the system is still far from having the resources necessary to give the majority of its students the support they need to truly thrive in this economy.

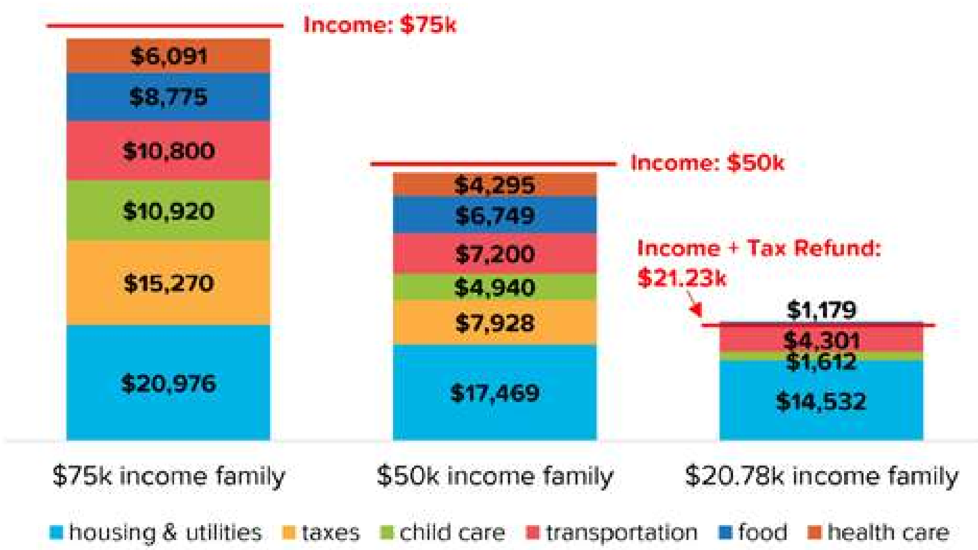
Costs of Raising Kids

Philadelphia is home to more than 121,000 families raising over 344,000 children.[7] These families face significant costs related to raising their children. For families in poverty – one out of four families in the city, raising nearly one out of three children – it's difficult to comprehend how they manage to get by financially.[8] These families must secure every public benefit available to them – including the ones that most eligible families are unable to get due to short supply – just to have a shot at staying afloat.

Even as you go up the income scale, though, the struggle persists. The data indicates that 70% of families in Philadelphia are likely to be struggling to make ends meet, with just $40 or less per week remaining after covering the basics alone of living and raising their children. To fully understand how traditional family-raising expenses are putting families underwater, this report examines the likely financial situation in three hypothetical families with two children. One family has a single parent at the federal poverty level of $20,780 of income per year.[9] This family is likely to be in debt from the basics alone.

Another family makes $50,000 a year, right at the middle class border and just below the cut-off for some important benefits.[10] [11] Fifty-four percent of families in the city make this much or less.[12] Even with the help of public benefits, they are underwater. The final family makes $75,000 a year, a solidly middle class income. Seventy percent of families in the city make this much or less. This $75,000 family doesn't qualify for most benefits and finds itself in a similar financial situation, drowning in the costs of living and raising children. Specifically, the costs of child care, health insurance, housing, utilities, transportation, food, and taxes are eating up nearly all of the income these families make.

Chart 1: 70% of Families in Philadelphia Can Barely Cover the Basics – If At All



These families can barely afford to cover all of their basic living and child raising expenses with their incomes alone. The $75,000 family faces basic costs of $72,830 and the $50,000 family has $48,580 in basic costs, even with only one of their children in child care. The $20,780 family likely has $21,620 in basic costs, essentially putting them in debt, and that's even after sharply reducing spending in areas like housing and transportation compared to the other families and securing every available public benefit, which is highly unlikely to happen. This family also has the potential to benefit from tax credits which could boost their income by thousands of dollars; unfortunately these tax credits often go unclaimed.[13]

Even the families with higher incomes don't have enough to cover costs beyond the basics, everyday purchases like clothes, toys, haircuts, birthday presents and school supplies. Every one of those purchases becomes a big decision, a choice of whether to provide their children with something that children in America have come to expect, or forego it to afford a basic bill. Or, perhaps, they will forego a bill instead – a missed utility payment, for instance, or a skipped dental treatment.

These families will have to get creative to cut costs. Maybe they can find a relative or friend who can watch their children, maybe they move into a house that's smaller than desired for the family. Maybe they tap into their own parents' finances to help make ends meet – if they even have the luxury of doing so.

Another undesirable, yet likely necessary, option these families have is to take on debt. While city-level data is not available, 78% of people in the metropolitan region have credit card debt, with the median amount standing at $2,335.[14] A quarter of people in the region are close to maxing out their credit cards, with debt above 75% of their limit. Racking up debt only increases costs in the long term, as families will have to pay interest.

Then, of course, there is the other type of debt plaguing many families – student loan debt. Nearly three in ten adults in the region have student loan debt, with the median debt load being more than $20,000.[15] Most well-paying jobs require a college education, but taking on such a huge amount of debt to potentially land a good job is a risk and adds to the strain on families' budgets.

Philadelphians struggle with medical debt as well. Thirteen percent of people in the city have medical debt in collections, meaning it's far past due and hurting their credit score, with the median amount being $450.[16]

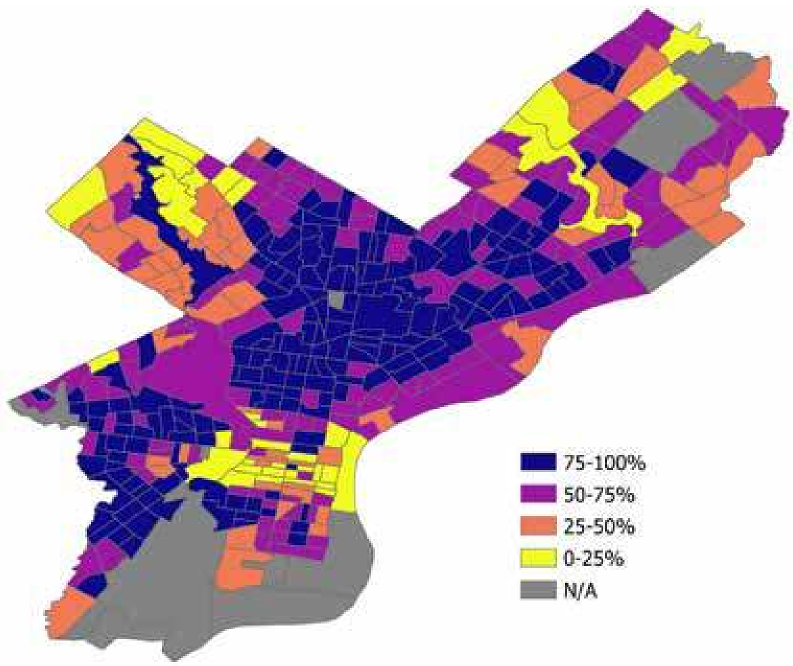
On top of that, these families won't have any money left to build a savings. If an emergency cost comes up – a car breaks down, a furnace blows, a child breaks an arm – these families are out of luck. They also won't be able to save meaningfully for things like retirement or college for their children.

Of course, these families could try to increase their income, but higher-paying jobs typically require some degree of education, which itself costs money and takes time.

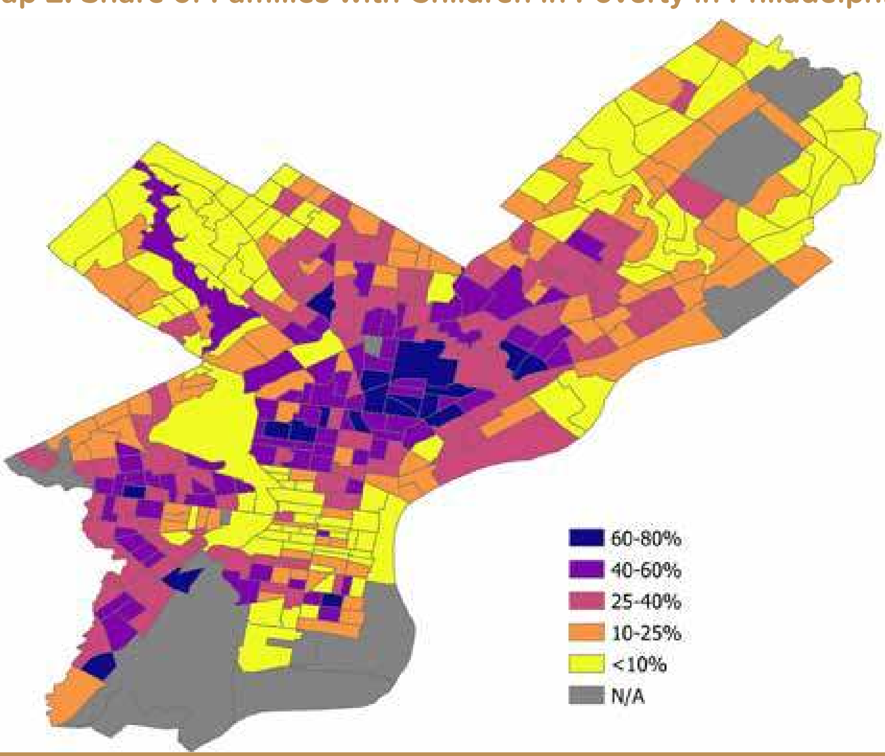
"I work full time and have part-time jobs on the side just to make ends meet, and I still sometimes have to hit the food pantry or work out a delayed payment with the utility companies." -Rachel, Philadelphia Mom

The families discussed in this report – those making under $75,000 per year – live in every part of the city, and in some areas, particularly North and West Philadelphia, the vast majority of families are in this income range. Some sections even have the majority of families living in poverty.

Map 1: Share of Families with Children Making $75,000 Per Year or Less in Philadelphia.



Map 2: Share of Families with Children in Poverty in Philadelphia



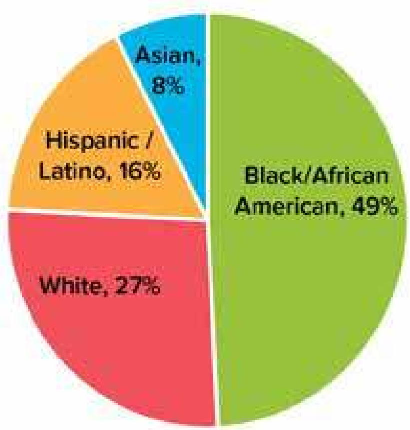
Racial/Ethnic Makeup of Economically Constrained Families

Philadelphia's diversity is one of its best features, and the families at the income levels discussed in this report mirror the diversity of the city as a whole. However, vast income inequality exists between white families and families of color.

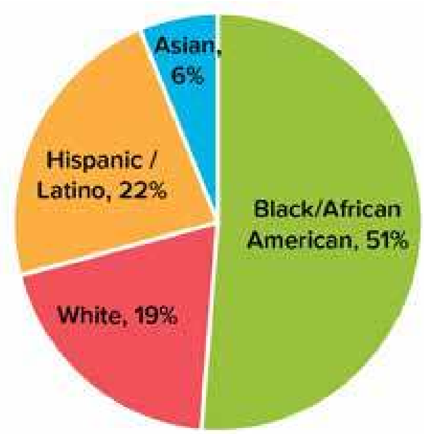
The racial/ethnic breakdown (using the US Census' race/ethnicity categories) of families making $75,000 or less per year is similar to the demographics of the city as a whole. About half (49%) are black/African American, a little more than a quarter (27%) are white, 16% are Hispanic/Latino and 8% are Asian.[17] Black/African American and Hispanic/ Latino families are overrepresented though, as they make up 43% and 13% of the city as a whole respectively, and white families, who make up 36% of the city's families, are underrepresented.

The further down on the income scale you go, the higher the share of black/African American and Hispanic/Latino families and the lower the share of white families. For instance, of the families making less than $25,000 per year – essentially the poverty level for a family of four – almost a quarter (22%) are Hispanic/Latino and more than half (51%) are black/African American while less than a fifth (19%) are white.

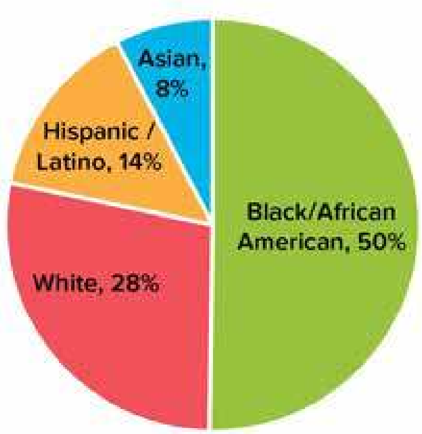
Families Making $75k per year or less



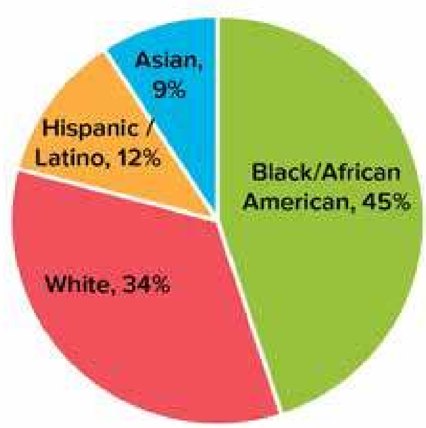
Families Making $25k per year or less



Familes Making $25 - 50k per year

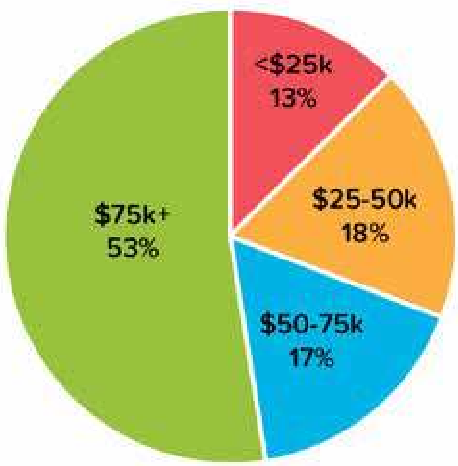


Familes Making $50 - 75k per year

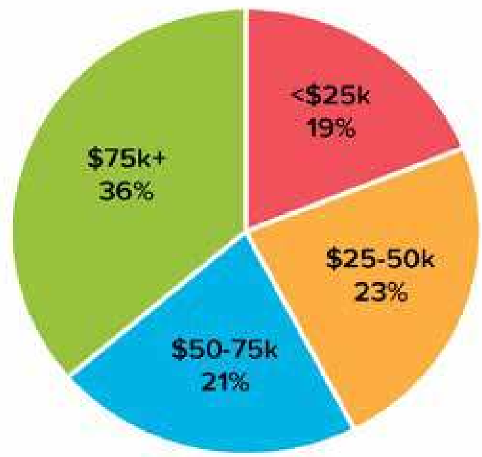


Looking at the share of families within each race/ethnicity at the various income levels makes the inequality between groups even more clear. Nearly four in five (79%) Hispanic/Latino families and nearly three in four (73%) black/African American families make $75,000 per year or less, while a little less than half of white families (47%) make this much or less. About two in three (64%) of Asian families make this much or less. And again the figures are even more stark at the lower end of the income scale; nearly 40% of Hispanic/Latino families make less than $25,000 per year, and 27% of black/African American families make this amount. Meanwhile just 13% of white families make under $25,000 per year.

White Families' Annual Income

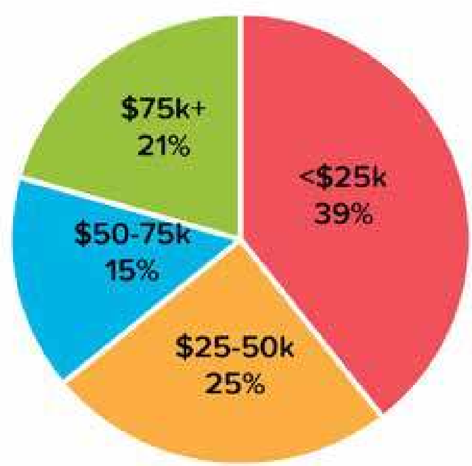


Asian Families' Annual Income



Black/African American Families' Annual Income

Hispanic/Latino Families' Annual Income



Source: U.S. Census Bureau, American Community Survey

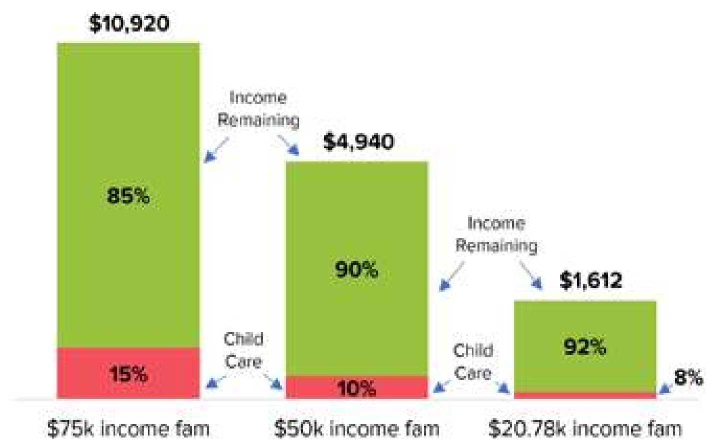
An In-Depth Look at the Costs

Families have some choices to make when it comes to balancing their budget. But more often than not, most of the basics of child-rearing are immutable. Parents have no choice to avoid the basics which include child care, health care, housing and utilities, transportation, food, and taxes. A closer examination of each of these elements illustrates how fiscally disciplined families need to be just to pay the bills for these basics.

Child Care Costs

Child care costs in Philadelphia take a huge bite out of family income. Even for child care that isn't rated high-quality, the median annual rate for an infant is $10,920, and for a preschooler it's $8,840, with the cost of care for toddlers falling between the two.[18] Combined, a family with a baby and a pre-school aged child will need to spend nearly $20,000 for substandard child care. High-quality child care, of course, is even more expensive. The median cost is $11,700 for an infant and $9,830 for preschool. Having children in high-quality care greatly benefits their social, emotional and cognitive development, but parents are forced to make the tough decision of whether to forego this major boost to their child's development in order cover their other basic household expenses.

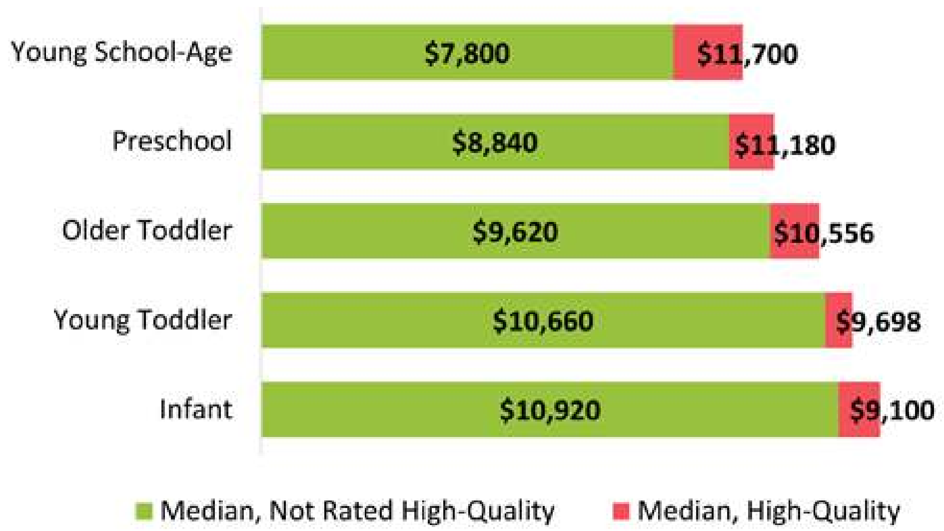
Chart 2: Child Care Consumes Up To 15% of Families' Budgets



The absolute cheapest child care available in the county – quality aside – is $4,940 a year for an infant and $4,160 for a preschooler. At the upper end of the cost spectrum, it costs $26,000 for an infant alone, and the maximum cost does not drop at all for a preschooler, standing at $26,000 as well.

Once a child reaches kindergarten, families get some reprieve from these massive child care costs. However, many parents still must pay for afterschool care, and that can last into higher grades as well. The median cost of part time care for a young school-aged child is $120 a week, which comes out to $4,320 for the school year.[19] Paying for full time care for the remainder of the year would bring the yearly total up to more than $6,720. Even where the cheapest options exist, families must pay a minimum of $2,480 a year for this combination of after school and summer care. And the cost goes up to nearly $26,000 for the most expensive option.

Chart 3: Child Care is a Family's Biggest Expense After Housing



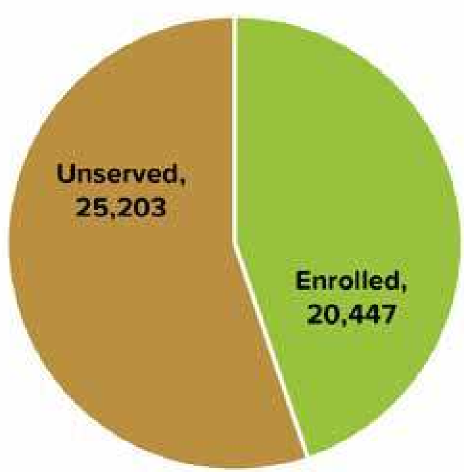
Source: Pennsylvania Office of Child Development and Early Learning. PA Market Rate Survey, 2016.

Child care costs would play out differently for the families at the $75,000, $50,000 and $20,780 income levels. The family making $75,000 a year, even with just one of their children in care, would face a massive child care bill – around $10,920 for a young toddler.[20] That's a whopping 15% of their income. And that's without considering quality; high-quality care would likely cost them over $12,220 per year. If they had any other children with child care needs, they would essentially have to go into debt just to afford their care. The other two families fortunately would be eligible for some relief through Pennsylvania's Child Care Works (CCW) program. The program provides subsidies for families with incomes at or below 200% of the federal poverty level for child care.[21] Through the program, the $50,000 family can receive child care for $95 per week, and the family making $20,780 would pay $31 per week.[22] Even with this reduced cost, though, it will still run the families $4,940 and $1,612 per year respectively. And that's if these families are lucky enough to receive the subsidy and not be placed on the waiting list.

In fact, CCW does not receive nearly enough funding to meet the demand. There are currently more than 1,600 families in Philadelphia on the waiting list to receive these child care subsidies as of September 2019, and there are likely far more who don't bother applying due to the lack of availability.[23] In fact, just 45% of eligible children under age five in Philadelphia are enrolled, leaving the majority of children – more than 25,000 – and their families without subsidies despite having modest incomes.[24] While some of these children may have a parent at home to watch them, many do not. In fact, 72% of families with children under age six in Philadelphia have all parents working.[25] These families must either bite the bullet and pay full cost or find less reliable options such as leaving the children with a neighbor or relative. In the latter case, children are likely missing out on a stimulating child care environment that nurtures their development at this critical stage in their lives.

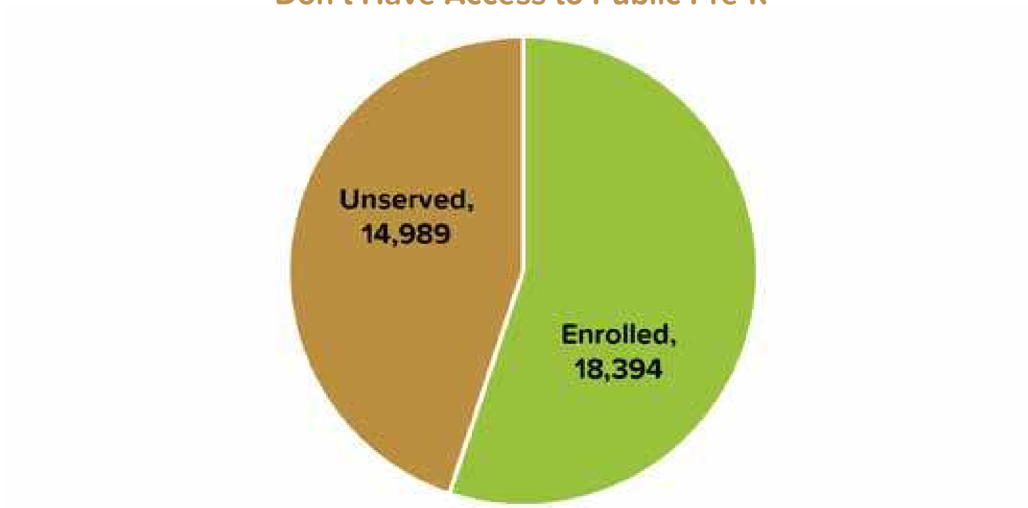
Federal, State and City pre-k programs help defray families' child care costs while simultaneously providing them with high-quality learning experiences that prepare them for social and academic success. The federal Head Start program provides free pre-k to families in poverty.[26] Pennsylvania's Pre-K Counts program allows families with incomes at or below 300% of the federal poverty level to attend high-quality pre-k for free, so all our hypothetical families would qualify.[27] And Philadelphia's newly created PHLpreK program provides free pre-k to any child regardless of income, though the program is targeted to low income areas and a vast majority of enrollees are below 200% of the poverty level.[28] However, these three programs combined still enable just 55% of children in Philadelphia below 300% of the poverty level to access public pre-k due to inadequate funding.[29] While State funding increases in recent years and the creation of PHLpreK have boosted access significantly, more funding is needed to ensure that all eligible children can participate in these potentially life-changing early learning programs and that the burden on their families' incomes is reduced.

Chart 4: Majority of Eligible Children Don't Receive Subsidized Child Care



Source: Pennsylvania Partnerships for Children via The Annie E. Casey Foundation's KIDS COUNT Data Center, 2017

Chart 5: 45% of Eligible Children Don't Have Access to Public Pre-K

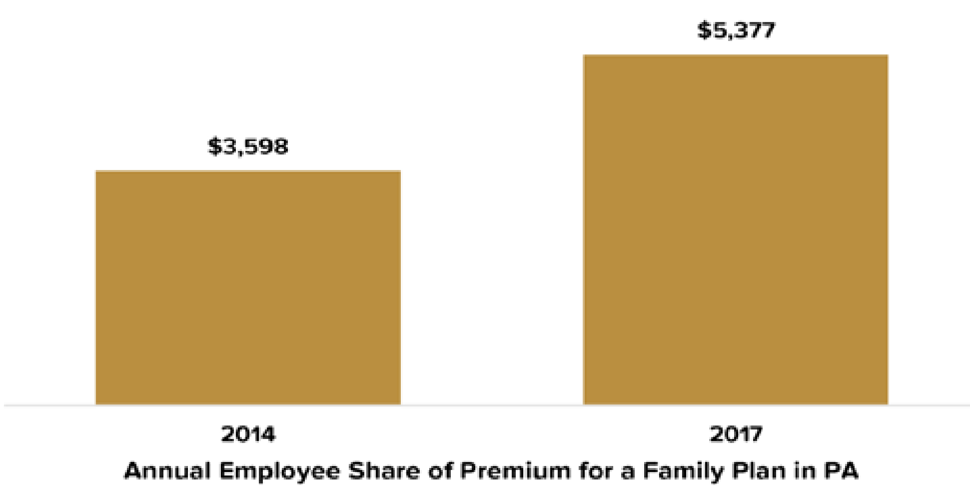


Source: Pennsylvania Partnerships for Children via The Annie E. Casey Foundation's KIDS COUNT Data Center, 2017

Health Care Costs

Another major expense facing families is health care. Health insurance premiums are consuming a growing share of families' budgets. Most families are covered through an employer, and the average annual premium that families pay in Pennsylvania for employer-sponsored health insurance is $5,377.[30] Employers' share of premiums is growing as well, up by $1,210 on average since 2013. Employers use this growth in their share of premiums as an explanation for their reduced ability to raise wages.

Chart 6: Employer-Sponsored Health Care Premiums Are High and Growing

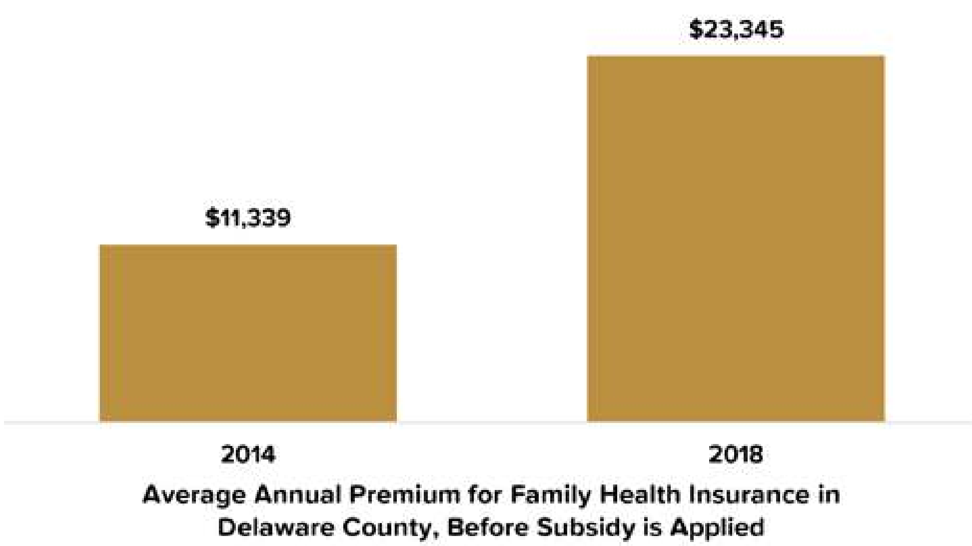


Source: Kaiser Family Foundation. Average Annual Family Premium per Enrolled Employer for Employer-Based Health Insurace, 2017

Out-of-pocket costs push the bill even higher for families. This is especially true for families with no health insurance for their children, for whom all costs are out-of-pocket. In Philadelphia, more than 13,200 children age 18 and below are uninsured, an estimated 2,900 of which are undocumented and thus ineligible for public health insurance.[31 32] Even for those with insurance, these costs can run up a huge tab. While they vary widely from family to family, and local data are not publicly available, a recent national study found that families spend an average of $714 on out-of-pocket medical costs per year.[33] Many families pay much more in out-of-pocket costs for things like braces or eyeglasses. And health conditions such as asthma, ADD, and weight and obesity issues also drive up families' out-of-pocket costs. In Philadelphia, there are about 12,500 children with ADD, 42,500 children with asthma, and 102,500 children who are overweight or obese.[34 35]

For those buying health insurance on the marketplace, the situation is even worse. The average annual premium for a family with two children in Philadelphia has more than doubled since 2014, now standing at $23,345.[36] Even after subsidies are applied, a family making $75,000 a year would be paying $15,250 towards their premium.[37] To save costs, such a family may opt for a cheaper plan. Still, even the lowest-cost Silver plan would run them $9,775 a year after their subsidy is applied.[38] Fortunately, premiums will drop in southeastern Pennsylvania in 2019 by 2.3% on average.[39] However, subsidies will drop as well because they are based on premium levels, so families may not realize any savings.

Chart 7: Marketplace Health Care Premiums Have More Than Doubled

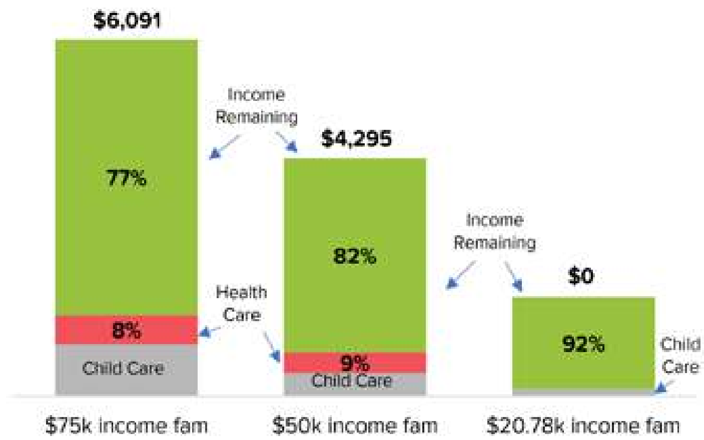


Source: HealthCare.gov. FFM QHP landscape files: Health and dental datasets for researchers and issuers, 2018

As with child care and pre-k, health insurance programs exist at much lower costs for low and moderate income families. Medical Assistance (MA), Pennsylvania's Medicaid program, provides free health insurance for children in families up to 133% of the poverty level, or about a $33,400 annual income for a family of four, with that income limit going up to 157% of the poverty level for children under age six and 215% for infants under age one.[40] That means that the family making $20,780 per year can be covered by MA and get free health insurance for both the parent and the children.

The Children's Health Insurance Program (CHIP) picks up where MA leaves off, providing free health insurance to all children in families up to 200% of the poverty level.[41] That means that the $50,000 family can get free health insurance for their children. The parents must still pay for their own health insurance though. The average premium for employer-sponsored coverage for an individual plus a spouse is $3,581.[42]

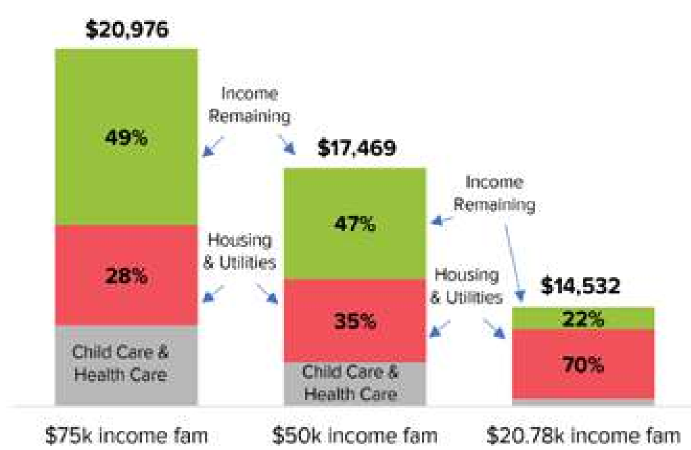
Chart 8: Health Care Consumes Nearly 10% of Families' Budgets



Other Costs Facing Families

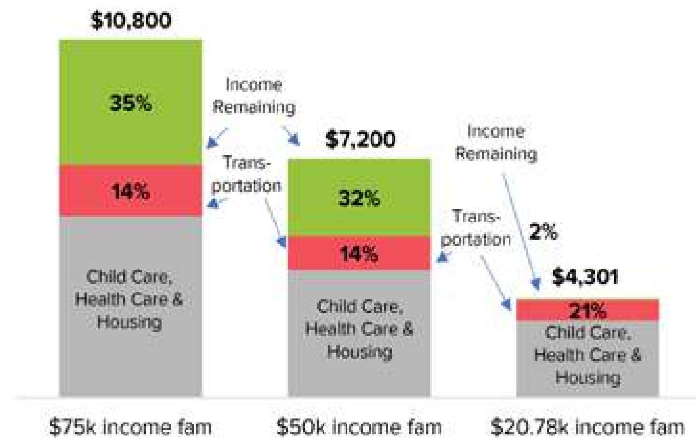
In addition to child and health care, families must pay for basic living costs. The most expensive of these costs is housing. The median annual housing cost in Philadelphia is nearly $11,300, and with utilities included the total would be $15,680.[43 44] The family making $75,000 likely pays even more, around $20,980 for housing and utilities, since they are well above the median income.[45] The $50,000 family would likely pay around $17,480. And even if the family making $20,780 found housing on the lower end of the cost scale, they would still be paying about $14,500 for housing and utilities.[46]

Chart 9: Housing & Utilities Take Up the Largest Chunk of Every Families' Budget



After housing, transportation costs are the next biggest expense in a typical family's budget. In the region, people spend an average of 14% of their income on transportation.[47] For the $75,000 family that's $10,800, and for the $50,000 family that's $7,200. Families in poverty, however, spend around 20% of their income on transportation, even while limiting their spending.[48] The family making $20,780 would likely spend around $4,300 on transportation.

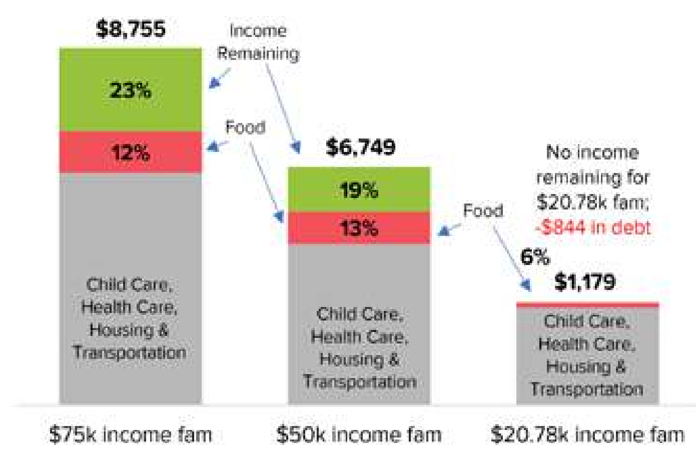
Chart 10: Transportation Costs Consume At Least 14% of Families' Income



Food, too, consumes a large share of families' budgets, around 12% on average for the region.[49] For the $75,000 family, that's $8,775. Because food costs are less variable than other costs, the $50,000 family can likely only bring their food costs down to $6,750, eating up 13.5% of their income.[50]

The family in poverty fortunately gets some help from the Supplemental Nutrition Assistance Program (SNAP). SNAP provides subsidies for families with incomes up to 160% of the poverty level, or $39,360 for a family of four, to buy food.[51] Even with this benefit, though, the $20,780 family would still have to pay around $1,180 a year for food.[52] And the majority of households – 59% – in poverty in Philadelphia actually do not access their SNAP benefits despite being eligible.[53]

Chart 11: Food Costs Eat Up To 13% of Families' Budgets

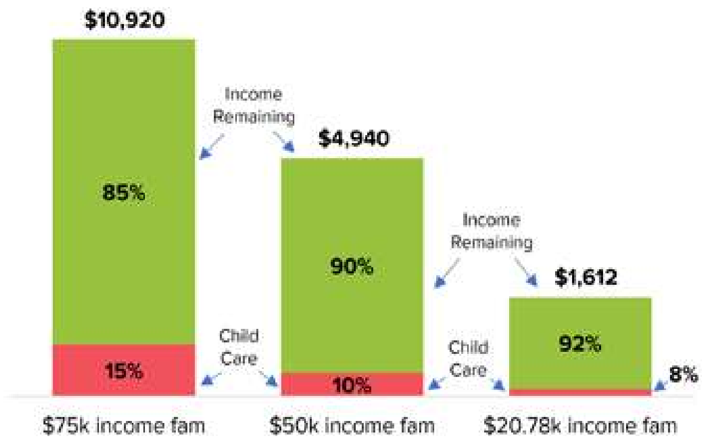


The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) also provides food subsidies for women who are pregnant, postpartum, or breastfeeding, infants, and children up to age five. The maximum income for WIC is slightly higher than that of SNAP, at 185% of the poverty level or $46,435 a year for a family of four.[54]

And, of course, there are taxes.

First up are federal taxes. Under the new tax law which took effect in 2018, the income tax bill for a married couple making $75,000 would be $5,739, and for the $50,000 couple it would be $2,739.[55] For a single parent making $20,780, the bill would be $705. The Child Tax Credit (CTC), though, cuts these bills way down. For each child, families get a maximum tax credit of $2,000, and if a family owes less in taxes than the credit itself, they can get up to $1,400 per child from the feds. That brings the $75,000 family's income tax down to $1,739, and since the $50,000 and $20,780 families owe less in taxes than the credit amount, they get $1,261 and $2,742 respectively back from the government.

Chart 12: Taxes Take a Fifth of Families Income



The large tax breaks these families receive from the CTC are the result of the 2018 tax overhaul, which expanded the CTC. However, the expansion benefits higher income people more than those with the lowest incomes. The CTC is only refundable up to $1,400, meaning that lower income families who owe less in taxes than the credit is worth can only benefit by $1,400 per child, whereas higher income families benefit by the full $2,000.[56] Further, families are only eligible to get a tax refund of 15% of their income above $2,500, so a family with two children cannot even get their full refund unless they make at least $21,000. That means the absolute lowest income families benefit the least from the CTC expansion. Meanwhile, the CTC expansion raises the maximum income families can make while still being eligible for the credit from $150,000 to $400,000, meaning that families making these six figure incomes benefit the most from the expansion. On top of that, the CTC expansion and the other provision of the tax overhaul that has some benefit to lower and middle income Americans, the reduction in income tax rates, are set to expire in 2026.[57] The part that remains permanent is the dramatic lowering of the corporate tax rate, which primarily benefits the wealthiest individuals. All of these aspects of the tax overhaul exacerbate inequality.

Another feature of the tax overhaul is the reduced state and local tax (SALT) deduction. Previously, people could deduct all of their state and local taxes from their taxable income if they choose to itemize their deductions. The new tax law capped the deductible amount of SALT at $10,000. (Families making up to $75,000 in Philadelphia are likely to have their state and local taxes be around $7,800.) At the same time, it expanded the standard deduction, which people can opt for rather than itemizing their deduction, to $24,000 for a married couple, so the families profiled here would not be harmed by the cap on SALT deductions – yet. As state and local taxes increase, though, the standard deduction only grows at the rate of inflation, so these families could eventually lose out through this provision.

"I need child care to work but I can't afford it, and I can't get subsidies for child care unless I'm working. I'm stuck. I have an 8-month old son, my first child, and I truly don't know how other moms afford this." -Jasmine, Philadelphia Mom

While the tax overhaul exacerbates inequality, the federal Earned Income Tax Credit (EITC) does just the opposite. The EITC reduces low income workers' federal income tax bill. And, like the CTC, the credit is refundable, so people get money back when they owe less in income taxes than their credit is worth. The maximum credit amount for a family with two children is $5,828, and the amount is gradually reduced once families make more than $19,030 and until they make $46,703 per year for a single parent, with those income levels being slightly higher for two-parent families.[58] The family making $20,780 per year would be eligible to get $5,271 back through the EITC.[59] This money can be an absolute lifeline for them.

However, many families don't know about the EITC and, without the resources to hire savvy accountants to help with their taxes, end up not claiming it. In fact, about one in five eligible households in Philadelphia do not claim their EITC.[60] That's nearly 52,000 households who miss out on this boost to their budget every year. Families in poverty are at an especially great risk of missing out on the EITC since they have the least amount of resources to have their taxes prepared for them and they have to deal with the burden of applying for so many other tax credits, exemptions, and public benefits.[61] Therefore, this report assumes that the $20,780 does not claim their EITC. This family could miss out on a number of other credits or benefits as well, such as the child care subsidy for which supply is extremely limited, or SNAP which less than half of eligible families apply for, but for the sake of the report it is assumed that the EITC is the only public boost to their finances that this family did not receive.

The other federal taxes are for social security and Medicare, which come out to $5,738 for the $75,000 family, $3,825 for the $50,000 family, and $1,590 for the $20,780 family.[62] Pennsylvania also levies a 3.07% income tax, about $2,300 for the $75,000 family and $1,535 for the $50,000 family.[63] The family making $20,780 is fortunately able to waive their state income tax through the State's Tax Forgiveness program.[64]

Finally there are local taxes. The two main local taxes that individuals pay in Philadelphia are the city wage tax and the property tax.

The city wage tax requires residents to pay 3.88% of their income to the city government.[65] That's $2,910 for the $75,000 family and $1,940 for the $50,000 family. The $20,780 family has an income low enough to reduce their wage tax to 3.38%, so they owe about $700.[66] Property taxes typically cost families a similar amount; the tax is equal to 1.4% of the value of the home, with 60% going to the School District of Philadelphia and the other 40% going to the city government.[67][68] The $75,000 family would be looking at a $2,580 tax bill and the $50,000 family would pay around $1,890 – and these taxes are on the rise.[69] The $20,780 family likely rents their home, so they wouldn't have to pay property taxes. However, unlike home owners, renters' housing payments go entirely to their landlords rather than towards ownership of an extremely valuable asset, so they are in a worse position financially in the long run.

Altogether, the $75,000 family would have at least a $15,721 tax bill, and the $50,000 family would pay at least $8,793 in taxes. The $20,780 family has the potential to get $5,721 back from the federal government in taxes, but if they don't claim their EITC they would get a $450 tax refund.

Table 1: Basic Costs of Living Consume Nearly All Families' Income

Cost of Living for $75,000 Family	
Housing	$20,976
Taxes	$15,270
Child Care	$10,920
Transportation	$10,800
Food	$8,775
Health Care	$6,091
Total	**$73,832**

Cost of Living for $50,000 Family	
Housing	$17,469
Taxes	$7,928
Transportation	$7,200
Food	$6,749
Child Care	$4,940
Health Care	$4,295
Total	**$48,581**

Cost of Living for $20,780 Family	
Housing	$14,532
Transportation	$4,301
Child Care	$1,612
Food	$1,179
Health Care	$0
Taxes	-$450
Total	**$21,174**

Both the $75,000 family and the $50,000 family have barely anything left over – just around $40 and $30 per week respectively – after paying for their necessities alone. And the $20,780 racks up almost $400 of debt each year just to cover the basics. None of these families have enough to cover their other everyday costs and still stay above water under current conditions. These parents would love to give their children more, to provide them with the support they need for upward mobility so that they can be in a better situation when they are adults. But that dream becomes an afterthought when these parents are locked in a constant struggle just to provide their children with the basics.

Schools are the Best Option Parents Have for Their Child's Social Mobility

Parents in Philadelphia, like parents everywhere in America, want their children to be more prosperous and successful than they are or ever can expect to be. In fact, a parent's drive for their kid's success defines nearly every decision a parent makes, perhaps the most important being where their child attends school.

Parents' innate understanding of the central role of education to upward mobility is validated by research that shows that a good education provides major economic benefits to individuals. A recent study from James Heckman et al. puts it simply: "Schooling has strong causal effects on earnings."[70] Another recent study demonstrates that the quality of public schools is a key factor in enabling upward mobility, with strong K-12 schools significantly boosting the incomes of students once they reach adulthood.[71]

Philadelphia is a unique case when it comes to education decisions made by parents. The public school system has long suffered from underfunding, which has led to further disinvestment in the form of parents opting out of the system, often by leaving the city altogether or by sending their children to private schools. This has created an unjust situation in which the School District of Philadelphia educates the students who are in the greatest need of the economic mobility that a strong education enables and yet has the fewest resources to do so with.

The good news is that the District is on the upswing. After hitting a low point in 2012 when the State cut hundreds of millions from the District, spurring massive staff layoffs and school closures, both the State and the City have begun reinvesting in the District.[72] Overall funding has grown by nearly $500 million since that low point.[73]

Overall funding for the School District of Philadelphia has grown by nearly $500 million since 2012, with the greatest share of the increases going to schools with the most low income students.

However, most of that new funding is being consumed by rapidly growing State mandated costs. And while the additional money that has made it into the classroom has improved academic outcomes, the level of resources is still nowhere near adequate, and far too many students are still not getting the educational foundation that makes upward mobility possible.

Philadelphia Has Long Been Underfunded

Underfunding in the School District of Philadelphia can be traced back to its early days. In 1904, for instance, Philadelphia spent less money on its public education system than 33 other cities.[74] The State first implemented a funding formula that systematically disadvantaged Philadelphia in 1921, when it began providing less money per teacher for larger school districts. In more recent history, the 1990s saw repeated pleas to the State from Philadelphia for more funding and a lawsuit against the State when those pleas were ignored, which was also unsuccessful.[75] After a brief period of increased state funding in the 2000s, the State slashed the education budget statewide in 2012, and Philadelphia lost more than $300 million.[76] The fallout was brutal, with 3,783 teachers and staff being laid off and 23 schools permanently closed.[77]

Today, Philadelphia remains one of the most underfunded school districts in the state. The District has just $7,860 to spend on instruction per student, ranking it 426th out of the 500 districts statewide and lower than every other school district in southeastern Pennsylvania.[78] The situation is even worse when taking the level of need of the student body into account; the District ranks 486th out of the 500 districts for its Current Expenditures per Weighted Student, a measure that accounts for the level of poverty and English language learners in districts.[79]

Philadelphia Has Less Money to Meet Its Students' Needs Than Almost Every Other District in the State

485 out of 500

school districts in PA have more money to spend per student when taking student needs like poverty and English-language learning into account

425 out of 500

school districts in PA have more money to spend on instruction, regardless of the level of student need

Source: Pennsylvania Department of Education

There are many different ways to look at how much a school district spends on its students, but spending on instruction is arguably the most important. The technical term for instructional spending in Pennsylvania is Actual Instructional Expense (AIE).

AIE includes only spending related to the things that happen in the classroom – the actual teaching of the students. Thus, this measure leaves out spending on things like transportation, health services, debt service, capital outlay and early intervention.[80]

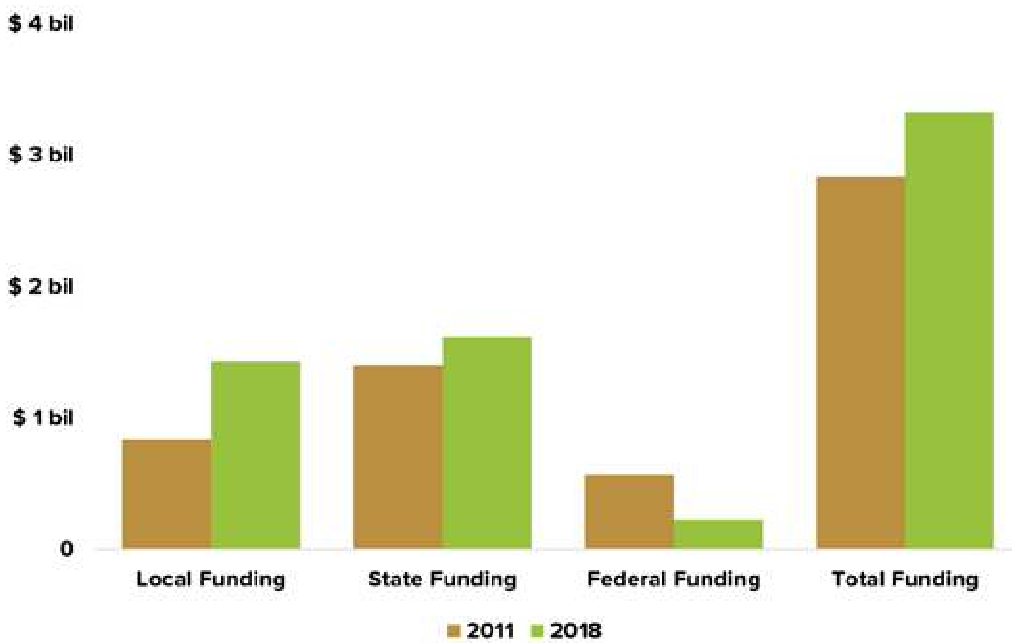
PCCY typically analyzes spending using AIE because it is the most closely tied to the things that impact students' learning.

Recent Years Have Brought Funding Boosts

On the upside, believe it or not, the District is in a much better position financially now than they have been since the pre-2012 State cuts. After those devastating cuts, a new governor was elected and his top priority was increasing education funding. Funding has been boosted each year since his arrival in 2015, and while those increases have been relatively small, they have over time brought in an additional $212 million dollars to Philadelphia through 2017-18 and even more when factoring in the 2018-19 and 2019-20 school years.[81] The State also implemented a new school funding formula in 2015 that drives out these increases to districts based on need – the number of students in poverty, for instance.[82] While this is a major improvement to the way the State distributes its education funds, the formula only applies to the increases made since its implementation, which is less than 10% of total education funds.[83]

The biggest boost to the District's funds, though, has come from the City itself. From 2011 to 2018, the City increased its funding to the District by nearly $600 million – almost three times as much as the State increases – and those funding boosts are projected to grow by an additional $617 million by 2023 due to a major funding increase from the city passed in 2018.[84 85] These revenue increases have come in the form of two new dedicated taxes for the District, two increases to existing taxes, and two additional taxes dedicated to funding the District, plus boosts from the City's general fund.[86] In fact, Philadelphia now has the 20th highest tax effort of the 500 districts statewide.[87]

Chart 13: Philadelphia's State and Local School Funding Has Grown By $800 Million Since 2011



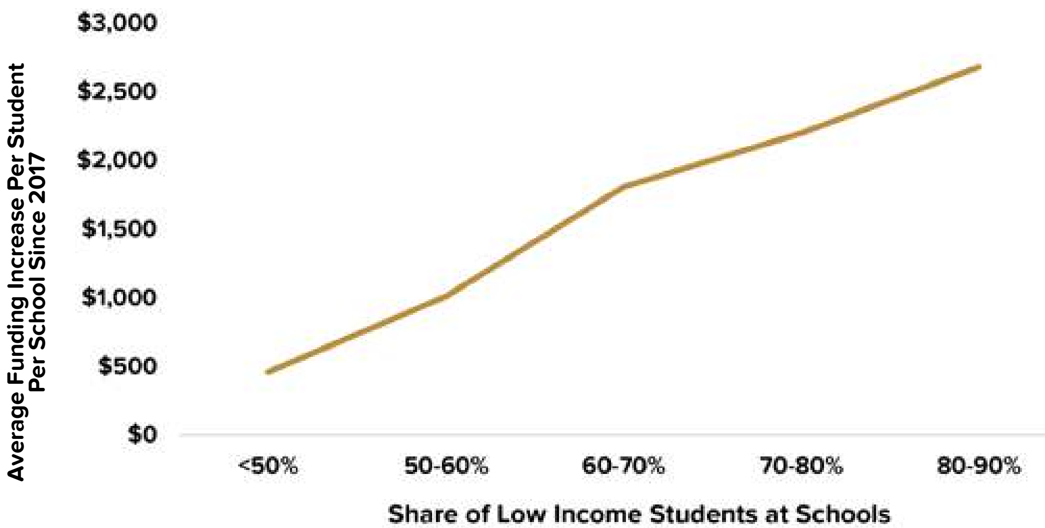
Source: Pennsylvania Department of Education

Additional Dollars Enable Restoration of Resources and New Investments

Philadelphia's funding increases have been hugely beneficial for the District. For instance, every school now has a counselor – something that seems basic, but considering that every single counselor was laid off in the wake of the budget cuts, it's a huge improvement.[88] While the District was able to bring some of those counselors back when the City borrowed $50 million at the last minute before the start of the 2013-14 school year, it was far from enough to cover every school.[89] Even more basic is school nurses – which, shockingly, were not a given at schools after the budget cuts; the District has been able to restore nurses to every schools as funding has been restored.[90]

Likewise, after cutting music and arts programs dramatically in 2013, every K-8 school in the District now has an instrumental music program, and the majority of schools have both music and arts teachers.[91 92] The District has also been able to invest heavily in early literacy, training every K-3 teacher on state-of-the-art literacy instruction methods and providing them with classroom libraries and reading coaches for the school year.[93] While the level of resources at the District is still far from adequate, there has nonetheless been major progress in the quality of the schools since funding has begun going up.

Chart 14: The School District of Philadelphia Has Invested the Most in Schools With the Most Low Income Students



Source: School District of Philadelphia

The schools that have benefitted the most from these funding increases are the ones who need it most – those with the greatest share of low income students. For instance, from 2016-17 to the projected 2019-20 budgets, elementary schools with fewer than 60% of their student body economically disadvantaged got an average increase of $780 per student in funding; those with 60-80% of their students economically disadvantaged got an average increase of $1,923 per student; and those with 80% or more students economically disadvantaged got an average increase of $2,560 per student.[94] High school budgets showed the same pattern, and to an even greater extent; those with more than 75% of their students economically disadvantaged received an average boost of $3,198 per student, compared to $1,931 for schools with a 60-75% economic disadvantaged rate and $948 for schools with fewer than 60% economically disadvantaged students.

More Resources Spur Academic Progress

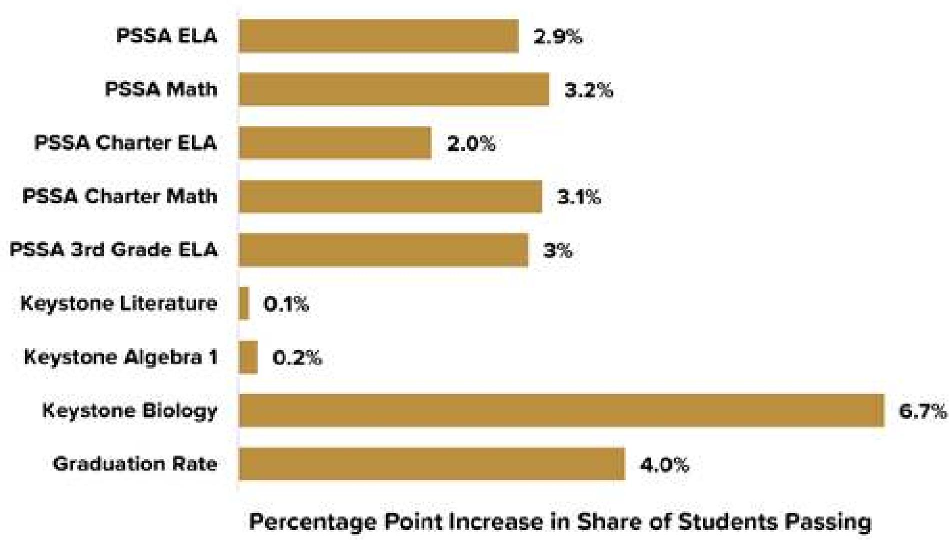
The additional funding and supports at schools have translated into academic gains. Test scores have improved; from 2015 to 2018, the share of students passing the PSSA in math and English-language arts (ELA) has risen by three percentage points each, or about 2,000 additional students passing these tests.[95] Likewise, the share of students scoring advanced – the highest category – on these tests have grown by 2.4% and 2.9% in ELA and math respectively, an increase of around 1,500 students performing at the highest level. Scores on the Keystone Exams, the state test for high schoolers, have also gone up in all three subjects, though the only significant increase is in biology where the share passing the exam has jumped by seven percentage points.

Philadelphia's charter schools have also benefitted from the School District's funding increases, as their funding is tied to the level of funding in the District, and have also seen academic gains, though not as high as District schools. The share of students at charter schools passing the PSSAs grew by an average of two percentage points in ELA and three percentage points in math from 2015 to 2018.[96] The share of students passing the algebra 1 keystone exam has also grown by two percentage points on average, though these schools on the whole are not faring as well on literature or biology, dropping eight and two percentage points on average respectively.

Perhaps the most critical academic figure, third grade reading scores, have also improved. Up through third grade, students are learning to read, but in fourth grade students are expected to have basic reading skills and thus read to learn. Without a solid foundation of reading skills by fourth grade, students begin to fall behind, a problem that gets worse as time goes on. Third-grade reading skills are the strongest predictor of future academic success – or failure. Philadelphia has invested heavily in boosting the number of third graders who can read on grade-level, and the investment has shown results. From 2015 to 2018, the share of third graders in District-run schools passing the ELA PSSA has grown by three percentage points; the share of those scoring at the highest level has grown by four percentage points; and the share scoring below basic – the lowest level – has dropped by more than five percentage points.[97]

Another key measure of school performance is the graduation rate, and that, too, is on the rise. The overall rate for the school District has grown from 65% in 2014-15 to 69% in 2017-18, and without including alternative schools the rate has grown from 73% to 79% over this same period.[98]

Chart 15: Academic Outcomes Have Increased Across The Board Since 2015



Source: School District of Philadelphia

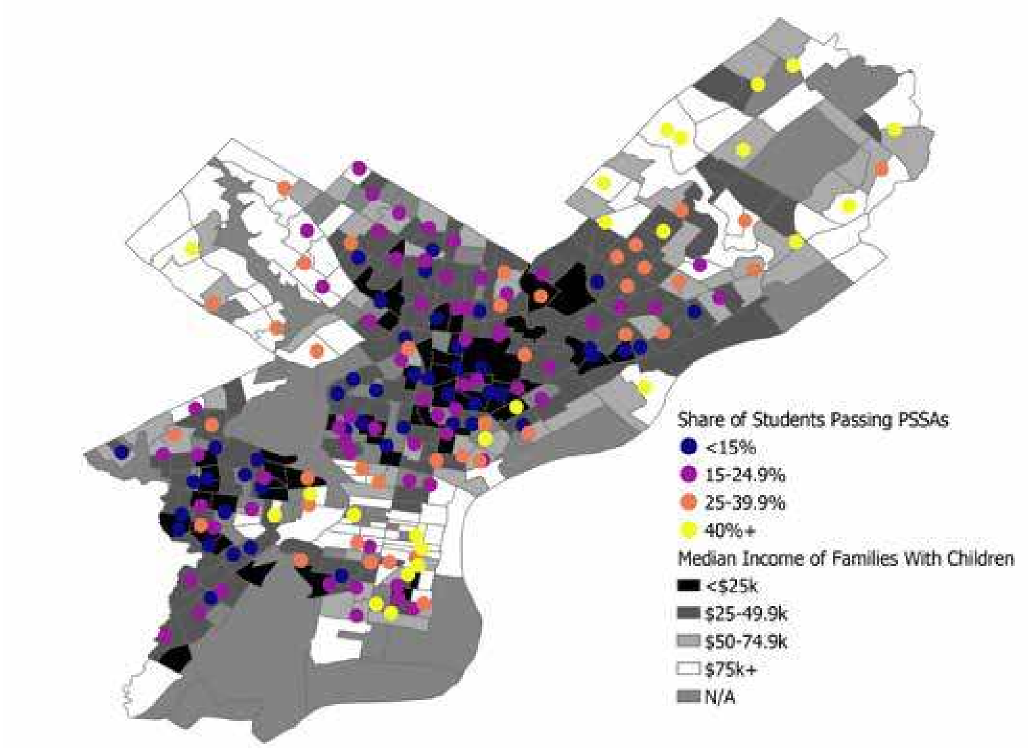
The District Still Has a Long Way to Go Academically

Despite all of the progress the Philadelphia schools have made, the academic outcomes are still not nearly where they need to be to ensure all students can thrive economically. Just 36% of students passed the ELA PSSA in 2018, and just one in five students passed the math PSSA.[99] Less than half of students passed the Keystone exams as well; 49% for literature, 38% for algebra 1, and 36% for biology.

And, even though schools with greater low income populations tended to get greater shares of the funding increases, they also still tend to struggle the most academically. For instance, schools with fewer than 60% of their students being low income averaged pass rates of 65% on the ELA PSSA and 46% on the math PSSA, while those with more than 80% low income students averaged pass rates of just 22% in ELA and 10% in math.[100]

The disparity is even greater in high schools, where schools with a low income rate under 60% averaged Keystone pass rates of 66% in literature and 38% in math compared to just 17% in literature and 4% in math for schools with greater than 75% low income students. The disparity is tragic, especially since low income students have the greatest need for the economic mobility that a strong education enables.

Map 3: Neighborhood Schools in Lower Income Areas Show Greater Academic Struggle



Source: U.S. Census Bureau; School District of Philadelphia

The Challenges Facing District Students and Schools are Enormous

Tragic as the performance struggles may be, they are not entirely surprising given the challenges facing so many students and schools in Philadelphia. The city not only has an extremely high poverty rate, but that poverty is highly concentrated in certain parts of the city. Poverty itself creates challenges for students and schools, but concentrated poverty increases these challenges exponentially. The State legislature recognized this when creating the school funding formula and built in extra funding weights for districts with 30% or more of their students in poverty.[101] Half of the census tracts in the city have this level of child poverty. Likewise, the legislature noted that having 50% students "low income" – a cutoff point they define as being slightly higher than the poverty level – is a tipping point at schools that creates major performance challenges.[102] In the School District of Philadelphia, about 90% of schools have this share of low income students or more.[103] Even though the State's funding formula itself acknowledges that educating high concentrations of low income students requires extra money, Philadelphia does not get the level of funding it needs to overcome this challenge because such little money flows through the formula.

Not only do many Philadelphia students struggle with poverty, but thousands of students experience homelessness each year. In 2018, at least 4,300 students in District and charter schools were homeless with an additional 2,260 living in homeless shelters.[104] Schoolwork likely becomes a secondary concern for a student who doesn't know where they will sleep that night.

Concentrated Poverty and Homelessness are Major Challenges for Philadelphia Schools

90%
of schools in the School District of Philadelphia have more than half of their students identified as low income

6,560
students in Philadelphia district and charter schools were homeless or living in shelters in the past school year

Source: Pennsylvania Department of Education; School District of Philadelphia

Another challenge facing many students is the low educational attainment of their parents. Research has long found links between parents' education levels and their children's academic success.[105] In Philadelphia, 15% of those age 25 and older – more than 158,000 people – have no high school degree, and two out of three have no college degree.[106] And, again, certain areas of the city have concentrated levels of those with limited education; some areas have more than half of adults without high school diplomas. Parents can be a huge support for their children's academic development, but if their education is limited, the amount of support they can provide their children may also be limited. Or, perhaps, they have less time to work with their children due to the need to work long or irregular hours to make ends meet. Regardless, schools must step in and provide additional support for children in such families, which requires additional resources.

Aside from factors outside of school that affect students, the schools themselves face challenges due to the lack of resources. The most direct example of this is class size. Research shows that when classes grow above 18 students, the ability of teachers to devote an adequate amount of attention to each student declines.[107] While data on class size in Philadelphia is not publicly available, the teacher contracts allows for classes of up to 30 students in K-3 classes and 33 in higher grades.[108] The School District is focused on reducing class size, but even with additional resources invested towards this aim, their goal is to bring it down to 24 students per class – still far above the desirable amount.[109] Class size is one of the most important factors in delivering a strong education, especially in high-poverty schools, and the School District needs more funding to bring its class sizes down to a reasonable level.

Place Matters: The Scattergood Foundation's Asset-Risk Approach

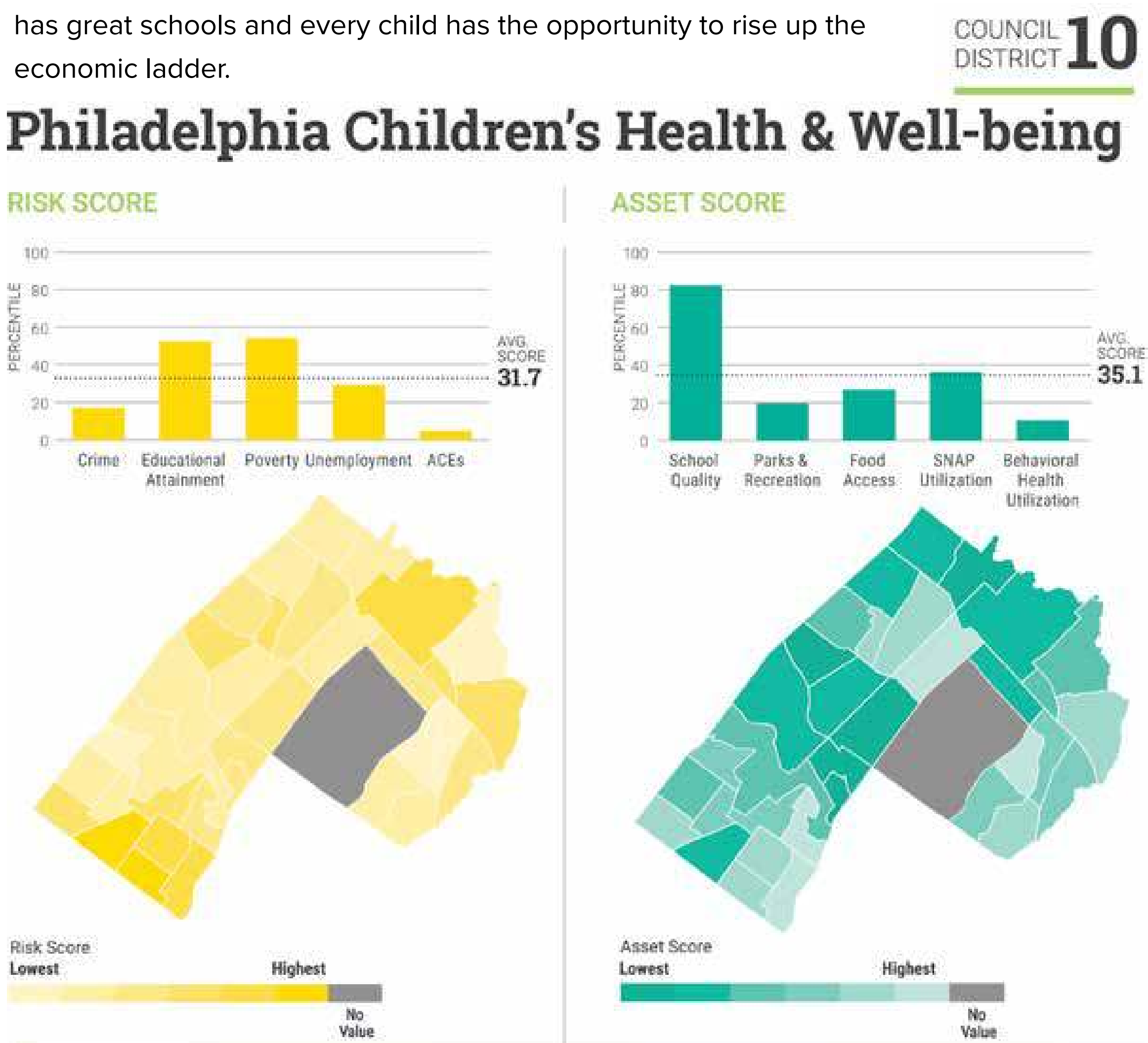
Philadelphia has no shortage of maps pinpointing the locations of the various problems facing the city. In fact, if you've been reading this report from the beginning, you've already seen some. What's less common, yet just as important, are maps of the assets in the city that can help address these problems.

Fortunately the Thomas Scattergood Behavioral Health Foundation, in partnership with Azavea, has underscored the need to take both assets and risks into account when assessing Philadelphia's landscape and making resource allocation decisions. Their recent project *Place Matters: Philadelphia Children's Health & Well-Being* lays out maps of Philadelphia that display the balance of the various assets and risks in each community. The maps provide deep insight into both the challenges facing various sections of the city, but also the strengths that can be built on to address those challenges and the gaps that may need to be filled for specific areas to thrive.

The Underwater report takes an asset-risk approach as well. Broadly speaking, the main risk the report focuses on is economic stress, the main asset is school quality, and the outcome is social mobility. The relationship between these three factors is a bit more complicated though given the generational aspect; while assets such as public benefits access help alleviate the economic stress currently facing families, the asset of quality schools will enable social mobility for the children in these families over the long run.

In fact, the relationship between school quality and social mobility is apparent in the *Place Matters* maps. The maps are broken up by City Council districts, and the districts with higher school quality tend to have higher social mobility. The four districts whose school quality falls below the 40th percentile have an average social mobility score of 44; the three districts with school quality in the middle range, between the 40th and 60th percentile, have an average social mobility score of 48.5 – exactly the same as the city's average; and the three districts with school quality above the 60th percentile have an average social mobility score of 52.

The goal of the *Place Matters* project is not just to show the relationship between risks and assets – it's to then guide decision making about where to invest what resources to enhance the well-being of communities. The strong relationship between school quality and social mobility makes clear that the city and state must commit to strengthening schools, especially in areas where economic stress is the greatest and thus social mobility is the most crucial for residents. For instance, City Council district 10 – on the outer northeast edge of the city – has a relatively high rate of family poverty, the fourth highest of the 10 council districts. However, they have the highest school quality of any district and also the highest social mobility score. The city must make investments in the schools in other sections of the city, especially the ones where families are struggling the most financially, so that every community has great schools and every child has the opportunity to rise up the economic ladder.



For the full *Place Matters* report and maps visit:
www.scattergoodfoundation.org/think/publications/place-matters

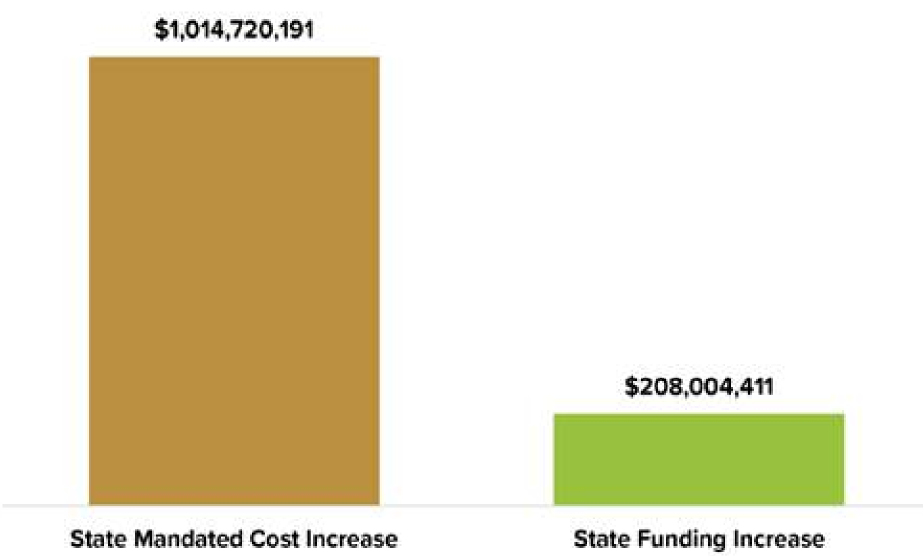
Skyrocketing State Mandated Costs Threaten the District's Fragile Progress

A major factor limiting the School District's ability to get more money into the classroom – and jeopardizing the recent progress that has been made – is the skyrocketing State mandated costs. Three costs in particular, pensions, special education and charter school payments, are growing rapidly. Pension payments have gone up exponentially, from $48 million in 2010 to $250 million in 2018, a 420% increase.[110] Special education costs have shot up by $254 million since 2010. And charter school payments have seen the largest increase of all, growing by $558 million from 2010 to 2018 – almost tripling in just eight years.[111]

While some charter school costs can be offset since the District no longer educates students who leave for charter schools, those offsets come primarily in the painful form of school closings and staff layoffs, and even those cost-reduction measures only save a portion of what the District must pay in charter school tuition.[112]

Though the State mandates these expenses, it provides just a small portion of the money needed to cover them to the School District. From 2010 to 2018, the three mandated costs of pensions, special education and charter payments grew by $1 billion in total, while State funding grew by just $208 million – enough to cover just a fifth of the mandated cost increase.[113] The District had to come up with the remaining $800 million almost entirely through local revenue and cost reductions in other areas.

Chart 16: State Mandated Costs Grew By 5x More Than the State Provided to Cover Them



Source: Pennsylvania Department of Education; School District of Philadelphia

And while the District was able to find efficiencies that enabled them to reduce costs and restore staffing at some schools, particularly the lowest-income schools, it still only has about 600 more employees – just 3% more – now than it did in the year before the massive cuts and layoffs.[114] Had these mandated costs not consumed so much of the District's additional funding, the District could have made much more significant investments in its students. Without additional funding, the School District will be in a deficit by 2022 due to these rising mandated costs; the already delicate progress will be wiped away, and the children in families struggling financially will face long odds of reaching a more comfortable financial position in adulthood.[115]

Conclusion

Too many families in Philadelphia are stuck in economic quicksand. Their incomes are barely enough to provide their children with the basics. Some can get by, but few can get ahead. They can't rely on the education system; while their children may be able to get a great education, the stressors facing schools and insufficient resources to address them prevent that from being a guarantee. If things continue at the current rate, the children in these strained families will become a new generation of strained families.

Something has to give. Complacency is not an option. As Nobel Prize-winning economist Paul Romer makes clear, when society faces dire issues, bold action must be taken. In discussing how policy responses have allowed America to overcome problems in the recent past, he states, "[The country] turned out fine because we did things to make sure it turned out fine. And so there's no basis for complacency in the success record that we can see when we look back. There are new things we need to do in the labor market, in education… As long as we do those things everything really can turn out fine. But if we don't do them, we're going to be disappointed."[116] The issues facing Philadelphia's families are case in point. These families cannot afford complacency. Without a large-scale response, they will be forever trapped in a cycle of financial pressure, the "American Dream" replaced by the American Drain, a constant struggle to stay above water.

Recommendations

PCCY has identified a set of concrete steps that policymakers can take to alleviate the financial burden facing families in Philadelphia while also ensuring their children have strong support in their development so that they can achieve financial stability in adulthood. While many actions can be taken, PCCY believes that policymakers can prioritize the following to great effect in making Philadelphia a place where families thrive.

Recommendations

To boost families' incomes:

- Build on the workforce development strategies that the City and cross-sector partners have implemented to help people move into higher paying jobs[117]
- Raise the minimum wage
- Increase government payment to agencies that employ low-wage, government-funded professionals, such as Direct Support Professionals and child care workers, so that wages are at least $15 an hour – as the City has already done for all of its employees and contractors – and ideally $18 an hour, to increase the ability of these professionals to stay above water while supporting a family[118]

To reduce the child care and early education cost burden:

- Increase funding for Child Care Works, Pre-K Counts and Head Start
- Expand eligibility for Child Care Works
- Establish the legal right to paid family leave

To reduce the health care cost burden:

- Expand eligibility for free and subsidized Children's Health Insurance Program, including to undocumented children
- Preserve the Affordable Care Act

To reduce the cost burden of other living expenses:

- Build on the affordable housing strategies that the City and cross-sector partners have developed[119]

To reduce the tax burden on financially struggling families:

- Expand Pennsylvania's Tax Forgiveness program to incomes of at least $75,000
- Offset local taxes by increasing State funding for public schools

To improve the financial outlook of public schools:

- Increase State K-12 basic education and special education funding
- Restore the State's charter school reimbursement to the School Districts
- Incentivize teachers and leadership to remain at the schools where they work – especially schools with large shares of low income students – so that the opportunities presented by new resources can take hold

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117. The City of Philadelphia, with cross-sector partners, has launched a career pathway strategy called Fueling Philadelphia's Talent engine which aims to move people into higher paying jobs. See: https://www.phila.gov/media/20180205133517/FUELINGPHILADELPHIASTALENTENGINGE_FULLSTRATEGY.pdf; This strategy is coupled with industry analytics on middle skill opportunities and sectors to focus on. See: http://economyleague.org/uploads/files/91564347173241843-industry-analytics-for-city-of-philadelphia-s-workforce-strategy.pdf

118. There are more than 53,000 Direct Support Professionals (DSPs) and child care workers in the five county southeastern Pennsylvania region, and they make an average of about $25,000 annually. Due to their low wages, DSPs are likely to struggle to support their families. DSP is one of the fastest growing professions in the region, more than doubling since 2014. Raising their wage to $18 an hour would boost their annual income to $37,440, and it would come at a low cost to taxpayers due to the savings it would generate through reduced turnover, reduced vacancies resulting in less overtime costs, and reduced reliance on public benefits. Sources: Bureau of Labor Statistics, State Occupational Employment and Wage Estimates in Pennsylvania (Personal Care Aides). https://www.bls.gov/oes/current/oes_pa.htm; Torres, N. D., Spreat, S., and Clark, M. Direct Support Professional Compensation Practices: Implications on Service Quality; Tax Dollars; and Quality of Life. Social Innovations Journal, September 2017. http://www.socialinnovationsjournal.org/about-sij/policy

119. The City of Philadelphia with cross-sector partners has developed a Housing Equity Plan along with an $80 million Housing Trust Fund. See: https://www.phila.gov/media/20190115161305/Housing-Action-Plan-Final-for-Web.pdf

Notice on Census Data

This report relies on U.S. Census Bureau data from 2017 for income and poverty. Shortly after completion of the report, the Census released the 2018 data as well as a statement saying that the 2017 data for Philadelphia contained an error that affected income and poverty figures. PCCY then looked at the 2018 data to determine the updated, and accurate, share of families at the various income levels profiled in the report. As it turned out, the share of families with children making below $75,000 per year and below $50,000 per year were exactly the same according to 2018 data as the 2017 data had showed, with 70% of families making below $75,000 per year and 54% of families making below $50,000 per year. PCCY also examined the 2018 poverty rate figures for families with children and for children themselves and found that the rates were actually higher according to the 2018 data than the 2017 data showed, with 29% of families with children being in poverty and 36% of children overall being in poverty.

Public Citizens for Children and Youth (PCCY) serves as the leading child advocacy organization working to improve the lives and life chances of children in the region.

Through thoughtful and informed advocacy, community education, targeted service projects and budget analysis, PCCY watches out and speaks out for children and families. PCCY undertakes specific and focused projects in areas affecting the healthy growth and development of children, including child care, public education, child health, juvenile justice and child welfare.

Founded in 1980 as Philadelphia Citizens for Children and Youth, our name was changed in 2007 to better reflect our expanded work in the counties surrounding Philadelphia. PCCY remains a committed advocate and an independent watchdog for the well-being of all our children.

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