



Public Testimony
Senate Finance Committee
Re: RI Earned Income Tax Credit and Minimum Wage
Governor's Budget Proposal (Article 13)
March 8, 2016

Submitted by The Rhode Island Interfaith Coalition to Reduce Poverty

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Good afternoon. My name is Emily Jones and I'm speaking on behalf of the Rhode Island Interfaith Coalition to Reduce Poverty, a coalition of diverse religious communities and advocacy partners throughout the state who have come together to fight poverty.

I am testifying today to voice our organization's strong support for both an increase to the Rhode Island Earned Income Tax Credit (EITC) and an increase to the state's minimum wage.

We believe that the questions are linked, and that both relate, profoundly, to the fundamental issue at the core of our organization's reason-for-being: how can we, together, reduce poverty in the state of Rhode Island?

14.3 per cent of Rhode Islanders are living on incomes at or below the federal poverty threshold. As people of faith, this is simply unacceptable to us.

Our faith communities are grappling with the reality of poverty in a variety of ways – trying to provide tangible, immediate support *and* trying to offer a prophetic voice to create long-term change. Whether speaking with seniors at a Kosher lunch program in Cranston, mid-life Baptists' at a church council meeting in Warwick, a mixed group of Roman Catholics in a church hall in Kingston, or Muslim students in a college basement, there is a common conviction: we must make every effort to work together to reduce poverty in our state.

The RI Interfaith Coalition to Reduce Poverty believes that both increasing the Rhode Island EITC *and* increasing the minimum wage will help to lift families and individuals out of poverty. Further, we believe that these actions will also help to shore up working- and middle-class people who are teetering on the threshold of poverty. For those of us who are struggling to make ends meet on a monthly and annual basis, the increases proposed will make a significant difference: in a regular paycheck, via a minimum wage boost, and in an annual tax refund, via the state-level EITC.

Re: RI EITC Increase

Thank you for the work you've done in prior years to increase the RI EITC. This was an important step, and we are glad that you are considering continuing on the road you've begun. In regards to the proposed increase to Rhode Island's Earned Income Tax Credit:

- First, we believe the EITC (at both the state and federal level) is an effective and necessary strategy to reduce poverty and near-poverty conditions, especially for children. In Rhode Island, almost one in five children live in poverty. The EITC has a targeted effect on families with children.
- Second, we believe an increase to the RI EITC would strengthen the economic fabric, as a whole. One in-depth study of EITC recipients in Massachusetts looked at how families spent their refunds:
 - 24% went to paying bills, stockpiling groceries, diapers and household items, etc.;
 - 21% went to asset-building expenses like growing a small business, education, or car and home repairs;
 - 11% went to what the researchers deemed “treats,” often children’s luxuries, like toys or a birthday meal at a child’s favorite restaurant;
 - 25% went to paying down debts or overdue bills;
 - and 17% was saved.
 - (2%, on average, went to tax preparation fees.)¹
 - If their study is also representative of Rhode Island spending – and there is no reason to believe it would not be – then we see that the vast majority of the money received in the EITC refund goes back into local economies almost immediately. This means that every dollar we invest in the RI EITC has a multiplier effect in our economy.
- Third, as a state-wide coalition, we particularly appreciate the breadth of the RI EITC’s impact. Eligibility of the RI EITC stretches from border to border.² It positively impacts *all* our communities.

Re: Minimum Wage Increase

In regards to the minimum wage increase, again, we want to thank the General Assembly and the Governor for your action last year and in prior years: we appreciate your work.

- Nonetheless, we believe our current minimum wage, \$9.60/hour, still falls far short of the earnings needed to support yourself and your family in our state. The Rhode Island Standard of Need, released by the Economic Progress Institute in December 2014, showed that a single adult would need \$24,666 in pre-tax earnings to support him or herself. Even for a

¹ Sarah Halpern-Meekin, Kathryn Edin, Laura Tach and Jennifer Sykes, *It's Not Like I'm Poor: How Working Families Make Ends Meet In A Post-Welfare World*, Oakland, California: University of California Press, 2015, page 64.

² Economic Progress Institute, February 2016,

<http://www.economicprogressri.org/Publications/ViewPublication/tabid/183/ArticleId/202/Making-Work-Pay-for-Working-Families-Increasing-the-States-Earned-Income-Tax-Credit.aspx>

single adult without dependent children, then, an hourly wage of \$11.86 is necessary just to get by.³ A family with children would need an even higher wage.

- There has been some anxiety expressed in regards to increasing the minimum wage. Will an increase to the minimum wage negatively impact job creation in our state, harming those it is meant to help? In fact, the answer seems to be no. Analysis conducted by the National Employment Law Project found that the “bulk of rigorous researching examining hundreds of case studies of minimum wage increases at the state and local levels finds that ***raising the minimum wage boosts incomes for low-paid workers without reducing overall employment or job growth*** to any significant degree.”⁴

Considering Our Neighboring States

Finally, in both cases, RI EITC and minimum wage, we need an increase just to keep pace with our neighboring states, Connecticut and Massachusetts:

- Minimum Wage: Connecticut’s minimum wage is set to increase to \$10.10/hour next year. Massachusetts’, already at \$10.00/hour, will be rising to \$11.00 next year.
- State Earned Income Tax Credit: Connecticut’s fully-refundable state EITC is 27.5% and Massachusetts’ is 23%.

Our convictions teach us that fighting poverty is always the morally *right* action. The efforts of our neighboring states show us that in the state EITC and the minimum wage, we have two effective, pragmatic and realistic strategies to do so. We hope you will take action to move these proposals forward.

Thank you for your time and for your public service.

³ Economic Progress Institute, “The 2014 Rhode Island Standard of Need,” page 4, <http://www.economicprogressri.org/Portals/0/Uploads/Documents/Family%20Econ%20Security/Final%20RISN.pdf>

⁴ The National Employment Law Project, “Employment and Business Effects of Minimum Wage Increases,” September 2015, <http://www.nelp.org/content/uploads/Minimum-Wage-Basics-Business-Effects.pdf>