

Tuition Assistance Eligibility Options Paper 4: Housing Expense Above 30% Deduction

Overview

Current Tuition Assistance policy only allows clients to deduct from their income: health, dental and vision insurance, medical flex plan contribution and child support paid to another household. Many programs allow this deduction to adjust their income level and make the services more accessible.

It is widely believed that housing costs should not exceed 30% of household income. However, as research from George Hagenauer has demonstrated, the cost of housing in addition to the cost of child care make living in Madison nearly impossible for low income families.

Relevant Policy (not in ordinance)

Tuition Assistance Policy Guide:

IV- Family share

A- Allowable deductions

In determining the family share, deductions are allowed for payments for:

- Medical, dental or vision insurance premiums. Life and disability insurance payments are not deductible.*
- Medical flex spending or health insurance savings account.*
- Payments to another household for child support as defined by legal obligation.*

Budgetary Impact

Based on a survey with responses from 68% of the currently enrolled families, the budgetary impact would be approximately \$10,000 for one year. If we extrapolate that number to the remaining families who did not respond, the likely total budgetary impact would be less than \$15,000.

Staff Recommendation

Allow families to deduct any housing expense greater than 30% of their gross income when determining their ability to pay for child care under the Tuition Assistance program.

Verification of rental agreement or mortgage documentation would be required if a family qualified for this deduction.