



PATHWAY OF HOPE

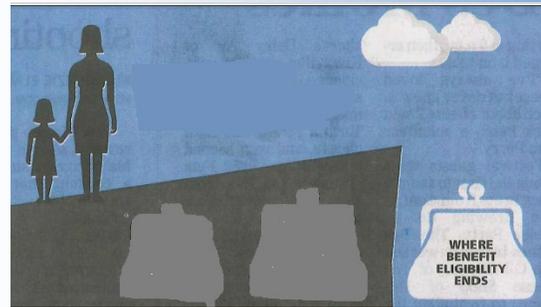
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The Cliff Effect

A current Iowa client named R. is earning above minimum wage, working a 30-hour work week. This single mother of two states that her main barrier is lack of financial support. When asked if she could work full-time, she replied that she could but would lose her Child Care Assistance—a substantial amount of money—not worth the extra earned income. This tipping point at which workers lose public assistance is referred to as the “cliff effect.”

According to the *Indiana Institute for Working Families*, the “cliff effect” is often the single greatest barrier to self-sufficiency for low-income individuals. Eligibility for work support programs such as Supplemental Nutrition Assistance Program (SNAP), Child Care Assistance, and Low-income Home Energy Assistance Program (LIHEAP) is based on the Federal Poverty Level Guidelines (FPL); and with the exception of SNAP (130% FPL), eligibility may vary from state-to-state (See Table 1).

An unintended consequence of the above leads either to a disincentive towards economic mobility—where a \$.05 hourly raise leads to the complete termination of a bene-



fit—leading to a situation in which the parent is working harder, but financially worse off. Thus, though the economy may be improving and more jobs are being filled, those with too low of wage levels are losing benefits faster than wages can replace them.

The Christian Mission in South Carolina asserts that food pantries, along with other services, play a vital role in bridging the gap until families can become completely self-sufficient.

As for R., she found a new job working full-time with higher earnings. And she is happy.

By Mark Dougherty

Where Benefit Eligibility Ends

Single Parent with One Child 2-3 y/o (Full-time Work)

	IOWA	NEBRASKA	SO. DAKOTA
CHILD CARE ASSISTANCE	*\$11.25/hr.	**	*\$13.48
SNAP (Food Assistance)	*\$10.05/hr.	*\$10.05/hr.	*\$10.05/hr.
LIHEAP (Low-inc. energy)	*\$13.55/hr.	*10.05/hr.	*\$14.61

*Based on Gross Wages at differing 2016/2017 Federal Pov. Level Guidelines

**If a family's income exceeds 140% FPL, the family will continue to receive transitional child care for up to 24 consecutive months or until the family income exceeds 185% of the FPL (LB81)

References

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