

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Nutrition, Oversight and Department of Operations

July 12, 2021

Re: Hearing regarding "Examining the SNAP Benefits Cliff"

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Oral Summary Statement

Good Afternoon, Ladies and Gentlemen of the Committee. My name is Al Gourrier and I am an Assistant Professor of Public Finance at the University of Baltimore and I am a Faculty Fellow with the Schaefer Center for Public Policy in Baltimore. In 2018, in my capacity as Professor at the University and Faculty Fellow with the Schaefer Center we began to explore existing research in terms of the Benefits Cliff and its effects on the working-class population across the country. At that point, a number of other states, such as Washington, Ohio, Vermont, Massachusetts, and New Jersey to name a few, had recently produced reports highlighting the challenges of the Benefits Cliff on their residents, as well as addressing some of the measures their perspective state legislatures were exploring to address the problem.

We commenced on a two-year research project to better understand the impact of cliff effects and the Benefit Cliff phenomenon on Maryland residents. At the time, Maryland's Governor Larry Hogan's Two-Generation (2Gen) Family Economic Security Commission and Pilot Programs, which was charged with the responsibility of exploring multigenerational poverty, and designed to improve the economic well-being of Maryland Families, was producing its final report that set some of the ground work for the need of a more comprehensive Benefits Cliff study. Using the basis of the United Way's universally accepted and highly respected biennial produced ALICE Report, which stands for Asset Limited Income Constrained Employed, highlighted some of the overall economic challenges and socioeconomic conditions of working family throughout the state. Within the ALICE Report we were able to identify a standard Household Survival Budget, which establishes a minimal basic needs budget adjusted both geographically and with inflation. From there we were able to create a three-family static model consisting of a single individual household, a single parent with two children household, and a two-parent with two children household. We used an inventory of the traditional state supported social-service programs of which the SNPA benefit has the largest share of participation among the states social programs.

The results of our study indicate that two-parent households are penalized by the Benefits Cliff – even if they received housing assistance (which is oftentimes unlikely) and the maximum health insurance tax credit. Two-parent families with one-person working full time at the minimum wage do not have enough resources to cover their basic survival budget expenses.

When both parents work minimum wage jobs, the two-adult two-children household is only marginally better off. Although the household earns an extra income when the second adult works full-time, the family only experiences a marginal increase in net resources because as the earned income increases, the eligibility for benefits such as SNAP decreases.

However, our two-parent families were not the only group negatively impacted by the Benefits Cliff. Even with recent increases in the minimum wage from \$10.10 to \$11.00 in Maryland in January of 2020, single adults (often referred to as ABAWD) and single parents with two-children could only meet their basic survival budget needs if they received housing assistance and health insurance tax credits.

In analyzing our three constructed family types, we found major disincentives built into the social service structures as they currently exist, which prevent the pursuit of upward mobility through work for a large number of American families. The challenges presented by the cliff effect and the lack of appropriate and/or accommodating eligibility requirements, can prove to serve as a disincentive to many working families at or near the Federal Poverty Line.

In our state, the Supplemental Nutrition Assistance Program (SNAP) provides benefits to more than 884,000 residents or 14.7% of the state population in 2018. At the time of our study, more than one in three working households in the state could not afford basic household expenses. Minimum wage jobs, even when combined with government assistance such as SNAP are often insufficient to meet their basic survival needs. Female-headed households are over-represented among the state's impoverished. The largest share of households with incomes below the Federal Poverty Line are African-Americans at 43%, who only make up 30% of the state's population, and make up 52% of SNAP participants, are especially susceptible to the Benefits Cliff given their disproportionate representation.

Over the last year, since the production of our study, the country and our economy have experienced an unprecedented level of social and economic challenges. The surge in unemployment insurance claims, the demand on small businesses, the disruption to our education system and the social impact on struggling families is unparalleled. However, our pre-pandemic data represents problematic results and the long-standing impact created by the Benefits Cliff phenomenon. Although, the current economic data represents a very unique paradox as a result of the short-term macro-governmental infusion with a pre-determined expiration. It is my opinion that post-pandemic, the Benefits Cliff challenges present pre-pandemic will still remain consistent among working class families.

Benefits Cliff Phenomenon:

The benefits cliff mostly impacts individuals and households at or near the poverty level who are eligible for – but may not be receiving – multiple government programs. Recent research indicates that families with children often require an income up to three-and-a-half times the Federal Poverty Level in order to adequately cover the basic needs and living expenses for a

family. These households are often called the working poor, referring to the fact that people in these households have jobs but still remain at or near the poverty level. They are also known as ALICE® households or families – they are Asset Limited, Income Constrained, Employed. As discussed further below, ALICE is based on cost of living in a specific jurisdiction, and households with incomes under an ALICE Household Survival Budget are working but unable to meet their basic needs.

For these individuals and families, government programs can be essential for daily survival. However, many of these programs are designed so that additional earnings, usually in the form of wages or salaries, result in a decrease in benefits. This loss of benefits can lead to individuals making decisions that are not always best for the family or society, resulting in the Benefit Cliff phenomenon.

Principal Analytical Findings:

- In Maryland, 9.4 percent of the population lives on incomes below 100 percent of the Federal Poverty Level (FPL) and another 12.3 percent have incomes below 125 percent of the FPL.
- While a majority of the state's overall population is White, the largest share of those with incomes below FPL are African-American. There are an estimated 236,497 state residents who are Black or African-American with incomes below FPL.
- Female-headed households are over-represented among impoverished and ALICE households.
- Two-parent households are penalized by the benefits cliff – even if they receive housing assistance (unlikely) and the maximum health insurance tax credit, two-parent families with one-person working full time at the minimum wage do not have enough resources to cover their basic survival budget expenses.
- Even with the increase in the minimum wage to \$11.00 per hour on January 1, 2020, single adults and single parents with two children could only meet their basic survival budget needs if they received housing assistance and health insurance tax credits.
- When both parents work minimum wage jobs, the two-adult, two-child household is only marginally better off. The household earns an extra \$1,760 when the second adult works full-time, but the family actually only experiences an increase in net resources of \$320. This is because as earned income increases, eligibility for benefits – specifically for food stamps and medical assistance for the adults – decreases.

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