

Testimony

of

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on the issue of

“Examining the SNAP Benefit Cliff”

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Subcommittee on Nutrition, Oversight, and Department Operations**

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Chairwoman Hayes, Ranking Member Bacon, and members of the Subcommittee on Nutrition, I thank you for the opportunity to appear before you today to discuss benefit cliffs in the Supplemental Nutrition Assistance Program (SNAP) and related labor market challenges affecting low-income families. My name is Bradley Hardy. I am an Associate Professor of Public Administration and Policy at American University. Outside of my role as a professor at American, I hold several affiliations. I am a research affiliate of the *University of Wisconsin Institute for Research on Poverty*, the *University of Kentucky Center for Poverty Research*, and the *Institute for Economic Equity* at the *Federal Reserve Bank of St. Louis*. The views expressed here are my own, and do not represent official positions or policy viewpoints of any organizations with which I work or affiliate. For the past 15 years, I have conducted research on economic instability, intergenerational mobility, poverty policy, racial economic inequality, and socio-economic outcomes. My work has documented trends and sources of income volatility and intergenerational mobility within the United States, with a focus on socio-economically disadvantaged families, neighborhoods, and regions. This work includes research on the role of anti-poverty transfer programs such as SNAP, the earned income tax credit, and TANF for improving economic well-being among low-income individuals and families.

I have written twenty-five sole-authored or co-authored research studies, fifteen of which are published or forthcoming in peer-reviewed journals. I apply and share my expertise with a range of organizations concerned with poverty and economic well-being. I currently serve as a panel member of a *National Academies of Sciences, Engineering, Medicine Panel on Evaluation and Improvements to the Supplemental Poverty Measure*. I also serve as an advisory member for the *Aspen Institute Financial Security Program Benefits21 initiative*, and recently completed work on a year-long panel studying economic security in the United States for the *National Academy of Social Insurance*. I also serve as a co-editor at the *Journal of Policy Analysis and Management* and *Contemporary Economic Policy*.

My testimony is drawn primarily from my work on the interaction of SNAP with other social safety net programs, as well as on income volatility and the protective role of social safety net programs such as SNAP. I also draw upon my assessment of the broader research base surrounding these issues. There are several points I will highlight, and I expand upon these points in greater detail. To summarize:

- Conceptually, benefit cliffs are of concern for program participants who find themselves to be worse off “on the margin” when their earnings increase. SNAP benefit cliffs affect a relatively small number of participants, particularly once other social safety net programs are accounted for. In this way, these programs can combine to create a “net” marginal tax on earnings. In practice, these benefit cliffs are rare, and can be remedied. One important offset of the SNAP benefit cliff for working families are generous tax credits received via the earned income tax credit (EITC) and the child tax credit (CTC).
- SNAP and work participation are complementary. Many studies find that changes in the propensity to work—so-called labor supply elasticities—are fairly small. Most non-disabled adults on SNAP work. The decision to work is largely determined by inflexible forces, including involuntary job loss, disability status, age, and childcare coverage.

Relatedly, preliminary research on the effect of pandemic unemployment insurance suggests that UI generosity did not reduce employment.¹

- Families and children receiving SNAP face difficult labor market conditions. SNAP plays a critical role in supporting work at low-wages and providing a buffer against income volatility and joblessness.
- Further reducing any remaining SNAP benefit cliffs, many families receiving SNAP also benefit from generous child allowances enacted via tax credits within the American Rescue Plan, which could be made permanent via the American Families Plan. These credits could reduce child poverty by ½.
- States have tools to reduce SNAP benefit cliffs. Many states have expanded SNAP benefits via broad based categorical eligibility, which extends benefits for low-income families who may otherwise lose benefits.

Low-Income Families and the Safety Net: SNAP and the EITC

Assessments of changes in worker well-being due to SNAP benefit cliffs should incorporate the full package of earnings and social safety net benefits that families on SNAP typically receive. In the instances where family incomes rise—leading to a reduction and/or subsequent loss in SNAP benefits, increased earnings and refundable tax credit payments represent a net-gain for most families. In my own co-authored work, I find that simultaneous participation in SNAP and the EITC doubled throughout the 2000s.² A similar relationship holds for many individuals who receive higher earnings via higher state minimum wages—the net effects of higher minimum wages alongside EITC benefits typically represent a net-gain for these individuals and their families.³ These benefits, along with higher earnings, will leave most families better off as earnings rise. This is especially so for families at very low earnings and low labor force attachment: in these instances, the EITC provides incentives for these families to enter into work. So, as it balances out, many households experience a negative marginal tax rate; the opposite of losing resources, they receive additional resources via tax credits that supplement their higher earned income.

It is also worth noting that the basic structure of SNAP reduces benefits less than dollar-for-dollar, another feature that helps to blunt the potential harm from a benefit cliff. In this sense, the SNAP benefit cliff is smooth, more akin to a hill. There are aspects of the safety net where benefit cliffs are starker—some state-level childcare subsidies loom large as an example. Other well-known safety programs that could ostensibly exacerbate benefit cliffs generally fail to do so, though for the unfortunate reason that relatively few poor families who qualify for benefits such as TANF and housing assistance actually receive these benefits. Over calendar year 2019, for every 100 poor families nationwide, roughly 23 received TANF cash assistance. Coverage varies greatly across states—8 out of 100 poor families receive TANF cash assistance in

¹ Altonji, J., Contractor, Z., Finamor, L., Haygood, R., Lindenlaub, I., Meghir, C., O’Dea, C., Scott, D., Wang, L. and Washington, E., (2020). Employment effects of unemployment insurance generosity during the pandemic.

² Hardy B, Smeeding T, Ziliak JP. (2018). The changing safety net for low-income parents and their children: Structural or cyclical changes in income support policy? *Demography*. 55(1):189-221.

³ Fahimullah, F., Geng, Y., Hardy, B., Muhammad, D. and Wilkins, J., (2019). Earnings, EITC, and Employment Responses to a \$15 Minimum Wage: Will Low-Income Workers Be Better Off? *Economic Development Quarterly*, 33(4), pp.331-350.

Alabama, while 34 out of 100 receive TANF cash assistance in Washington state.⁴ Similarly, only 1 in 5 families who qualify for housing assistance receive it.⁵ For example, a recent news account out of Miami-Dade County reported that roughly 90,000 applicants are vying to be one of 5,000 that will be placed on a list to receive housing vouchers.⁶

Work and Safety Net Participation Go Together

Most SNAP recipients are children, elderly, or disabled. Among the subset of adults receiving SNAP who can work, most elect to do so. Empirical evidence shows that SNAP is not a major determinant of decisions surrounding work participation and hours worked. Several studies find that these responses or “elasticities” of work to either higher earnings or safety net benefits are generally low.⁷ There are several reasons for this. First, the power to dictate scheduling tends to skew heavily towards firms and away from workers, especially within frontline and lower-wage employment opportunities. Thus, to the degree that the discussion of SNAP benefit cliffs is at all connected to concerns over work disincentives, there is not consistent empirical evidence to support this concern. Moreover, work decisions tend to be determined by other factors, including job mismatch, access to reliable transportation, disability status, and access to affordable childcare. A large proportion of non-disabled adult SNAP recipients work, and via work participation they receive a combination of federal and state EITC benefits, as well as CTCs. Empirical evidence demonstrates that features of the EITC create positive work incentives.⁸

Many families struggle to find pathways out of lower wage employment and, as a result, they persist on a combination of earnings alongside SNAP and EITC benefits.⁹ EITC receipt is conditioned on work participation, and in the absence of market employment, neither EITC nor SNAP—alone or together—would adequately cover food, clothing, shelter, transportation, and utility expenses that families typically face. Increased pandemic SNAP benefits, roughly an additional \$100 for a family of four,¹⁰ will help to reduce food hardship, but are inadequate to make up for lost employment. Relatedly, preliminary research suggests that UI generosity during the pandemic did not reduce employment.¹¹

Work Conditions Among Low-Income Families

The nature of work among low-income families typically yields income streams that are both low and volatile. Unstable, low-wage employment is strongly associated with higher income volatility and, accordingly, many socioeconomic groups that typically experience higher levels of joblessness report higher levels of income volatility. For example, families with lower

⁴ <https://www.cbpp.org/research/family-income-support/state-fact-sheets-trends-in-state-tanf-to-poverty-ratios>

⁵ <https://housingmatters.urban.org/research-summary/housing-choice-voucher-waiting-lists-disadvantage-households-facing-most>

⁶ <https://www.local10.com/news/local/2021/07/01/90000-applicants-only-5000-spaces-for-miami-dades-section-8-housing-and-no-guarantee/>

⁷ Keane, M.P., 2011. Labor supply and taxes: A survey. *Journal of Economic Literature*, 49(4), pp.961-1075.

⁸ Nichols, A., & Rothstein, J. (2016). “The earned income tax credit” In R. A. Moffitt (Ed.), *Economics of means-tested transfer programs in the United States* (Vol. 1, pp. 137-218). Chicago, IL: University of Chicago Press.

⁹ Hardy, Smeeding, and Ziliak (2018)

¹⁰ <https://www.usda.gov/sites/default/files/documents/arp-national-factsheet.pdf>

¹¹ Altonji et al. (2020)

incomes and Black families of all incomes generally experience higher levels of income volatility as well as those with fewer formal educational credentials and those headed by one unmarried parent.¹² Such families appear to be saddled with an undesirable portfolio—economic resources and incomes that are both qualitatively low *and* unpredictable. This is largely a feature of the low-wage labor market, where workers change jobs more frequently and firms adjust work schedules frequently.¹³

SNAP, along with programs such as the EITC and unemployment insurance, combine to lower income volatility for low-income families. SNAP recipient families are more likely to transition in and out of work, and SNAP provides important nutritional support and near-cash benefits for these families and children. This support is linked to improved long-term socioeconomic outcomes for children within these households.¹⁴

The American Rescue Plan Further Reduces Existing Benefit Cliffs For Families

Many low-income families that benefit from SNAP will also receive child allowances from the American Rescue Plan (ARP). This plan will substantially reduce overall poverty, including significant reductions in child poverty across racial and ethnic minority groups. Poverty reducing policies in the ARP, including child tax credits from \$3,000 to \$3,600, alongside enhanced SNAP benefits and pandemic unemployment insurance, are forecasted to reduce poverty by 31 percent nationwide. This universal policy reduces racial economic inequality as well; Black poverty is forecasted to fall by 37 percent while Hispanic poverty is forecasted to fall by 40 percent. Poverty among Whites and Asians is forecasted to fall by roughly 24 percent. Poverty for White children could fall by 63 percent, followed by forecasted child poverty reductions for Black, Hispanic, and Asian children of 55, 53, and 46 percent, respectively.¹⁵ This expansion of the safety net further offsets the impacts of SNAP benefit cliffs. SNAP households *should* qualify for some, if not all, of the benefits of the ARP, especially refundable child tax credit payments.

Solutions to Assist Families Include Expansions of Safety Net Benefits Via Broad-Based Categorical Eligibility

Broad-based categorical eligibility (BBCE) can reduce rarely occurring benefit cliffs within SNAP. Such policy tools expand benefits to low-income families that experience modest income growth. BBCE extends benefits to families at the margin of qualifying for benefits. For households with incomes rising above 130 percent of the poverty line—\$2,353—BBCE enables states to raise SNAP's income limit to up to 200 percent of the poverty line. Unfortunately, only about 35 states take advantage of the option.

¹² Hardy, B.L., (2017). Income instability and the response of the safety net. *Contemporary Economic Policy*, 35(2), pp.312-330.

¹³ Schneider, D. and Harknett, K., (2019). Consequences of routine work-schedule instability for worker health and well-being. *American Sociological Review*, 84(1), pp.82-114.

¹⁴ Hoynes, H., Schanzenbach, D.W. and Almond, D., (2016). Long-run impacts of childhood access to the safety net. *American Economic Review*, 106(4), pp.903-34.

¹⁵ Parolin, Z., Collyer, S., Curran, M. and Wimer, C., (2021). The Potential Poverty Reduction Effect of the American Rescue Plan (No. 20411). Center on Poverty and Social Policy, Columbia University.

For example, a parent with two children working full time at \$13.50 an hour would have income at 129 percent of the poverty level, receiving roughly \$123 a month from SNAP. If her hourly wage increased by 50 cents—\$87 a month—raising her income slightly above 130 percent of poverty, the family becomes ineligible for SNAP. The loss of benefits would more than cancel out the increased earnings, and they lose approximately \$36 in total resources. In a state that raises the income cutoff via BBCE, this 50-cent raise would reduce the family’s SNAP benefit by only \$31 per month, resulting in a monthly *net-increase* of about \$56 per month.

Overall, The Safety-Net is Largely Centered Around Work

No consistent body of empirical evidence shows that these programs reduce work. The safety net, including SNAP, provides crucial assistance for America’s families. Over past several decades, many middle-skill jobs have been replaced by lower-paying employment opportunities.¹⁶ As such, many families benefit from a combination of SNAP and refundable tax credits,¹⁷ and most cannot realistically make ends meet without combining work with these safety net benefits. Given the weight of the social science evidence surrounding the long-term socioeconomic benefits of income receipt and poverty reduction for families and children, there are clear economic benefits associated with making the refundable child tax credit payments within the ARP permanent.¹⁸ These child allowances would help to support families and children that experience low, volatile incomes from job fluctuations, as well as expense volatility related to everyday household expenses, including medical expenses and car repairs.¹⁹ Still, even with the relatively generous tax credits within the ARP, families are forecasted to package work with these tax credits, using the additional income to pay down household expenses and meet day-to-day household needs.²⁰

¹⁶ Jaimovich, N. and Siu, H.E., (2020). Job polarization and jobless recoveries. *Review of Economics and Statistics* 102(1): 129-147.

¹⁷ Hardy, Smeeding, and Ziliak (2018)

¹⁸ Hardy, B., Hill, H.D. and Romich, J., (2019). Strengthening social programs to promote economic stability during childhood. *Social policy report*, 32(2), pp.1-36.

¹⁹ Morduch, J. and Schneider, R., 2017. *The financial diaries*. Princeton University Press.

²⁰ Tach, L., and Halpern-Meekin, S. (2014). Tax code knowledge and behavioral responses among EITC recipients: Policy insights from qualitative data. *Journal of Policy Analysis & Management* 33: 413-439.