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Exploring Financial Situations and the Cliff Effect for Single-Mother Families in Allegheny County, Pennsylvania (Working Paper)

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The views expressed in this report are the authors and do not necessarily reflect those of The Pittsburgh Foundation. Any errors or omissions are the responsibility of the authors.

Executive Summary

The Pittsburgh Foundation's report *A Qualitative Study of Single Mothers in Allegheny County: A 100 Percent Pittsburgh Project* revealed that 41% of single mother households earn below the poverty line. The report found that the cliff effect – the reduction of public benefits resulting from wage increases – presented a significant barrier to escaping poverty. This report explores cliff effects in Allegheny County, Pennsylvania.

First, simulations were conducted to better understand the nature and types of benefit cliffs experienced by single women with children in Allegheny County. Only one simulation – the unlikely scenario where a family receives a full package of benefits – showed families making ends meet across all wage levels simulated. Four different types of financial situations were identified: actual loss of benefits (cliff), fear of benefit cliff, slow intermittent progress, and running in place.

Next, to gain a better sense of the scope of the cliff effect in Allegheny County, an estimate of the number of single mother families who are at risk of benefits cliffs is derived. We estimate that 23,537 single mother families who access Pennsylvania Department of Human Services benefits are at risk of experiencing a real or perceived benefit cliff. Further, 11,010 single mother households access housing assistance in Allegheny County, and thus experience the "running in place" financial situation when their earnings increase.

Third, a scan of efforts to address benefit cliffs is provided, including an analysis of how solutions map to financial situations of low-income families. Finally, policy and capacity building recommendations are offered to mitigate the cliff effect in Allegheny County. The research and policy scan were completed prior to the Covid-19 pandemic. Nevertheless, the findings on the intersection of wages and benefit programs and recommendations remain valid assuming temporary policy measures are not extended beyond the pandemic. The mitigation of the cliff effect is essential to effectively foster economic mobility and to address systemic racism facing low-income mothers in Allegheny County.

Introduction

The Pittsburgh Foundation released a report in 2019 that revealed that at least 30 percent of residents are not benefitting from the economic resurgence that has characterized the Pittsburgh region. Single mothers represent a significant share of residents in the region who have been left behind. In Allegheny County, forty-one percent of all single mother households earn below the poverty line. These families are more likely than other household types to live in poverty, accounting for 72 percent of all poor households with children (Allegheny County Department of Human Services, 2018). During the economic recession that began in 2007, single female–headed households in Allegheny County increased by nine percent (De Vita & Farrell, 2014), yet their incomes remained stagnant even as Pittsburgh's economy grew.

The findings led the Foundation to focus its 100 Percent Pittsburgh grantmaking and special initiatives on providing support to agencies that serve single women raising children. To understand how the investments could be most impactful, the Foundation convened single mothers directly and asked them to share their experiences and perspectives. The insights and the recommendations arising from the mothers' input are summarized in their report, *A Qualitative Study of Single Mothers in Allegheny County: A 100 Percent Pittsburgh Project*.

The report revealed that there were 36,469 families headed by single mothers in Allegheny County (Allegheny County Department of Human Services). Forty-one percent of all single-mother households (14,909) earn below the poverty line, as compared to 25 percent of single-father households (2,245) and three percent of two-parent households (2,571) (Allegheny County Department of Human Services, 2018). The racial disparities are especially stark in Allegheny County: Fifty-six percent of black families are headed by a single mother compared to 16 percent of white families. In Pittsburgh, Black women not only have higher poverty compared to other Pittsburgh residents (five times the rate of white women); their poverty rates are higher than Black women in 85% of other U.S. cities (Howell et al., 2019).

The majority — sixty-four percent — of single mothers participated in the labor force, as compared to 70 percent of two-parent households in which both parents are employed (U.S. Census Bureau). The single mothers have acquired educational credentials: Eighty-four percent of single mothers self-reported that they have earned at least a high school diploma or GED, and 48 percent have at least some post-secondary education (Allegheny County Health Department, 2018).

Costs in Allegheny County for basic needs such as housing and child care are high, especially relative to earned income, so many single-mother families need to rely on public benefits to make ends meet. A major finding from the report is how difficult it is to navigate the public benefits system. In particular, women highlighted the significant role that the *cliff effect* — when public benefits decrease more steeply than what a household can generate through increased earnings — plays in preventing families from exiting poverty. Dramatic losses in benefits often result in many single mothers reporting that the public benefits system is another barrier they must overcome. They reported feeling stuck, unable to get ahead through work even if they received a promotion or took on a second job. One of the key recommendations of the report is to encourage elimination of the benefits cliff.

The purpose of the current report is to lend insight into the types of benefit cliffs experienced by single mothers, estimate the scope of the cliff effect, conduct a scan of policies and programs to mitigate it, and provide recommendations to advance policies and to build capacity to reduce the impact of cliff effects in Allegheny County. The research and policy scan were completed prior to the Covid-19 pandemic. Subsequently, the overall socioeconomic landscape, including poverty rates, unemployment and health impacts for single mothers, dramatically changed. Nevertheless, unless pandemic-related policy interventions and benefit amount increases are made permanent, the findings on the intersection of wages and benefit programs and policy recommendations remain valid. Further discussion of the implications of Covid-19 vis-à-vis benefit cliffs are offered later in the report.

Overview of Research Approach

The research and analyses were designed to accomplish three main goals:

First, simulations were conducted to better understand the nature and types of benefit cliffs experienced by single women with children in Allegheny County. To accomplish this, we use the Urban Institute Net Income Change Calculator (NICC) to conduct cliff effect scenarios based on a 3-member family composition and benefit bundles. These analyses demonstrate how increased income, for four common benefit bundles, impacts benefit receipt and net resources, at times resulting in the experience of cliff effects. We then classify the different types of cliffs that emerge from these four scenarios, to better understand and document the phenomenon.

Next, to gain a better sense of the scope of the cliff effect scope in Allegheny County, a preliminary estimate of the benefit programs being accessed by Allegheny families is developed. From that, an estimate is derived of the number of single mother families who are at risk of benefit cliffs. We identify the sources, noting challenges with data access and quality, that track and aggregate information on benefit program receipt**.** We collated data from different sources, in order to obtain our estimates, primarily relying on 1) Commonwealth of Pennsylvania Department of Human Services; 2) Housing and Urban Development (HUD); and 3) the American Community Survey, which is a survey that is jointly administered by the United States Census Bureau and Bureau of Labor Statistics.

Third, a scan of efforts to address benefit cliffs is provided. A review of policy initiatives and solutions underway – primarily in other states – designed to address the cliff effect was conducted. The solutions are then classified and analyzed to better understand how the approaches impact the specific types of cliff effects identified. This provides a nuanced understanding of the potential levers to address different types of benefit cliffs, so solutions can be targeted to the specific challenges that stem from the benefits cliff.

Finally, recommendations are offered to mitigate the cliff effect in Allegheny County. While ultimately solutions must be institutionalized at the federal and state level, a series of recommendations are provided targeted at the local level. The mitigation of the cliff effect is essential to effectively address long-term poverty and systemic racism facing low-income single mothers in Allegheny County.

An Overview of Public Benefits

To make ends meet, low-income families rely on public benefits, which provide resources for necessary expenses and help them meet basic needs. Means-tested benefit programs count different forms of income and assets when determining eligibility. Related, programs vary as to the extent to which they allow recipients to deduct costs of basic needs from their total income.

The differing eligibility rules and regulations makes benefit programs difficult to understand and to navigate. The conflicting rules result in complex and unpredictable interactions between programs, especially when earnings levels change as a result of additional work or obtaining a raise (Albelda and Carr, 2017). The program inconsistency is compounded by the lack of transparency or calculator to navigate public benefits (Crandall, 2017).

Common benefits accessed by low-income families in Pennsylvania, and examples of eligibility for a family of three, include:

- **Health Insurance.** Federal and state programs that increase access to health insurance for low-income people, including Medicaid as well as the State Children's Health Insurance Program (CHIP). Medicaid or Medical assistance is operated by the Pennsylvania Department of Human Services (DHS). It offers free health care coverage to children and adults.
- **Supplemental Nutrition Assistance Program (SNAP)** is commonly referred to as food stamps. SNAP provides a subsidy to low-income Pennsylvanians to buy food.

- **Special Supplemental Nutrition Program for Women, Infants, and Children** (**WIC**). The Pennsylvania Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides nutrition service, health care, and breastfeeding support to pregnant women, mothers, and caregivers of infants and young children.
- **Housing Assistance** helps very low-income families, the elderly, and the disabled afford decent and safe housing. Two common housing programs managed by the U.S Department of Housing and Urban Development (HUD) are Housing Choice Vouchers and Public Housing programs. The Housing Choice Voucher program (Section 8) provides subsidies on behalf of families and thus the families can find their apartment on the rental market. Public housing is available for low-income families, allowing them to rent below the market price.
- **Heat Subsidy** (e.g., LIHEAP) or fuel assistance are provided for families to pay utility bills.
- **Cash Assistance** provides monetary support for families from Federal and state programs such as Temporary Assistance for Needy Families (TANF). The Temporary Assistance for Needy Families (TANF) provides cash assistance to pregnant and parenting women, and their dependent children.
- **Supplemental Security Income** (**SSI**) provides cash assistance for low-income disabled individuals.
- **Child Care Vouchers.** The subsidized childcare program helps low-income families pay for child care. The program is managed by the Early Learning Resource Center at the county-level.
- **The Federal Earned Income Tax Credit (EITC)** is a refundable tax credit for low-income workers with eligible children.

Working families with young children, especially single parent families, are more likely to receive more than one public benefit as compared to other household types. This is because: 1) They are the most likely to be low-income and therefore eligible; 2) Many of these programs have been specifically designed for them (like child care and cash assistance); and 3) government agencies, schools, and other organizations have succeeded in their outreach to enroll families into programs. Families with young children typically face higher costs because their children need child care for when parents are at work (Albelda and Carr, 2017).

Recipients obtain different bundles of public assistance benefits, depending on their eligibility (and availability), which is based on income, assets, and other rules (Albelda and Carr, 2017). The cliff effect, also known as the benefits cliff, occurs

when an increase in earned income results in a decrease or reduction of public supports. Consequently, low-income families remain stuck in poverty, unable to get ahead through working more hours or increasing their education.

Cliff Effect Simulations

To better understand cliff effects, the relationship between total resources and earnings was simulated for a family of 3 in Allegheny County. A family of three (one parent and two children) was chosen to represent a typical family. Thus, this represents one adult mother working full-time who has two children, ages 4 and 9. Simulations were conducted for four different types of benefit bundles:

1) Medicaid, SNAP, WIC, EITC
2) Housing, Medicaid, SNAP, WIC, EITC
3) Child Care Voucher, Medicaid, SNAP, WIC, EITC
4) Housing, Child Care Voucher, Medicaid, SNAP, WIC, EITC

These four bundles were selected to reflect common scenarios for low-income mothers, in order of their likely rates of occurrence[1]. The first scenario includes Medicaid, SNAP, WIC and EITC. This combination is the most common benefit bundle in the United States: 60.45% of U.S. working adults on public benefits access some combination of Medicaid, SNAP, EITC, and the Child Care Tax Credit[2]. (Chien and Macartney, 2019; Carey, 2018; Edelstein, Pergamit, and Ratcliffe, 2014).

For the second scenario, a housing voucher was added to the mix, resulting in a bundle consisting of Medicaid, SNAP, WIC, EITC and Housing. Excluding those on disability, this is likely the second most common bundle for low-income families. For the third scenario, a Child Care Voucher was added to the initial bundle – an important but much less common support – resulting in a Medicaid, SNAP, WIC,

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[1] Several sources of secondary data at the national level are used to estimate the prevalence of benefit bundles. While the probability of benefit bundles are extrapolated, our analyses revealed consistency across the three sources accessed. National data are used because conducting analyses to determine Allegheny benefit bundles was beyond the scope of this project.

[2] CTC was not included in the research because it is not coded into the Urban Institute NICC based on pre-pandemic policies.

EITC and Child Care Voucher combination. The fourth scenario – which is highly unlikely due to challenges of access – was included for the purposes of modeling a more comprehensive package of supports for a low-income single mother family. In this fourth case, the family receives all the aforementioned benefits: Medicaid, SNAP, WIC, EITC, Housing, and a Child Care Voucher.

It is important to note that the scenarios presented do not represent all possible configurations of benefit bundles a low-income single mother might access. The simulations do not include benefits that are somewhat less common, due to stringent eligibility requirements and/or long wait lists. Supplemental Security Income (SSI), targeted for low-income persons with disabilities, is excluded to control for disability as a barrier to increased work. LIHEAP, or fuel assistance, is excluded due to low uptake and lack of sufficient data. Cash assistance, in the form of TANF (Temporary Aid for Needy Families) is an important source of support for many single mother families. However, it is excluded here because very few mothers successfully access it. It phases out at very low-income levels, and it is a special case of a benefit that has other policy barriers, regulations, and time constraints.

Research Methods

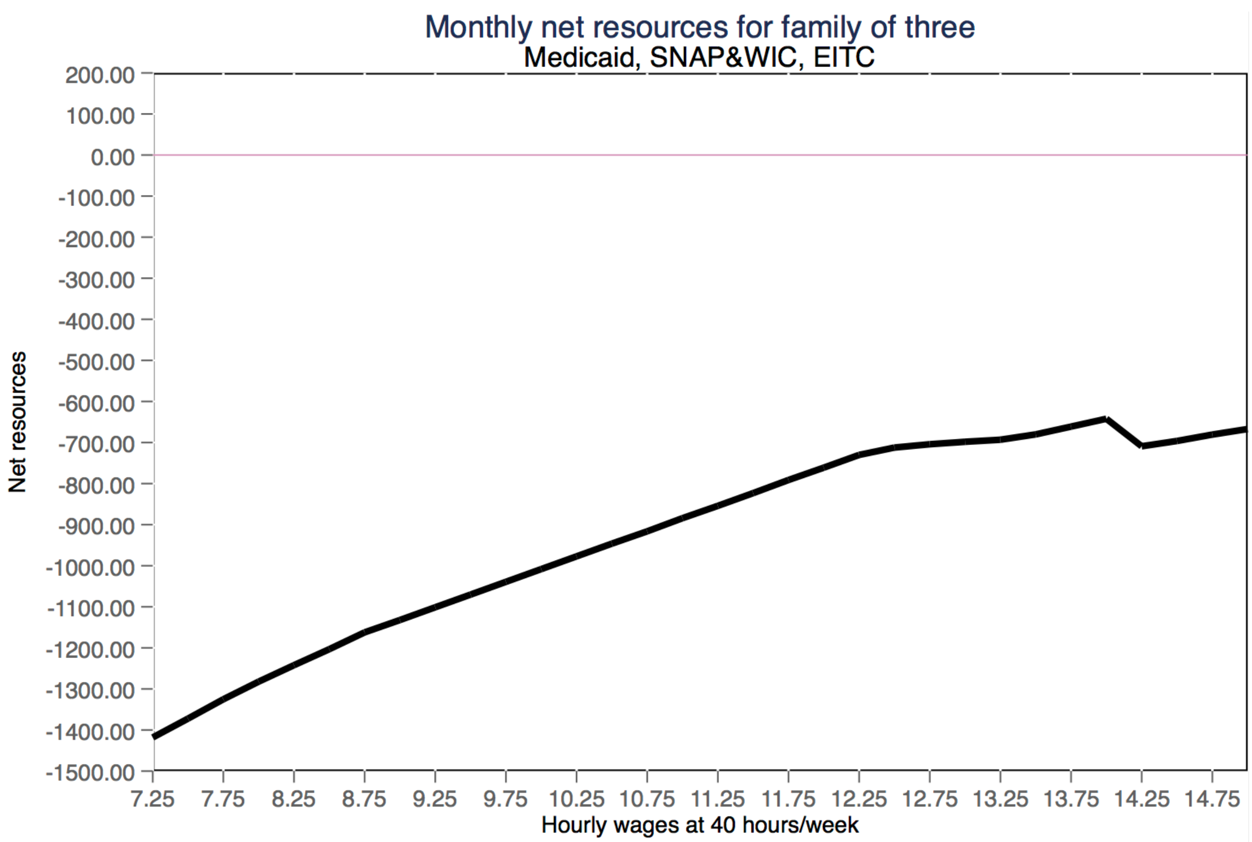
Data were accessed from the Urban Institute's Net Income Calculator, MIT's Living Wage Calculator (LWC) (Glasmeier, 2020), and Healthcare.gov website to get data for the family of 3 (single parent with two children, ages 4 and 9). We chose these ages to be consistent with the MIT Living Wage Calculator. Child care costs vary depending on the age of the child.

Two types of simulations are provided for each benefit bundle selected: **Net Resources** and **Value of Benefits**. Net resources are equal to total earnings plus total tax credits minus those typical costs, adjusting for the value of the public benefit supports. The simulation assumes 2000 hours of work per year (full-time).

The **Net Resources** simulations are calculated using the 2018 values of MIT Living Wage Calculator (https://livingwage.mit.edu/counties/42003) costs for a family of 3 in Allegheny County for food, child care, medical, housing, transportation, and other expenses. These costs are for basic needs only, and do not include "extras" like school supplies or summer camp.

The **Value of Benefits** are derived from the values generated by the UI Net Income Change Calculator (http://nicc.urban.org/netincomecalculator/) using 2016 benefit rules. Note that simulations reveal general scenarios, but not individual cases, which will always vary by family. The value of health insurance was calculated by subtracting the premium owed using an ACA Silver Plan for Allegheny County in Fall 2019 from the typical monthly cost of health insurance for a family of three in Allegheny County calculated by the MIT Living Wage calculator using 2018 data.

Scenario 1. The net resources for a typical benefit bundle for a family of three (1 parent and 2 children), who access Medicaid, SNAP, WIC, and EITC appears as:



This graph shows hourly wages on the X-axis, and net resources on the Y-axis. As noted above, the data are derived from the MIT living wage calculator for Allegheny County to estimate total "typical" costs for this family. It examines net resources for earnings using $0.25 hourly increases in increments from the federal minimum wage of $7.25 through $15.00 an hour.

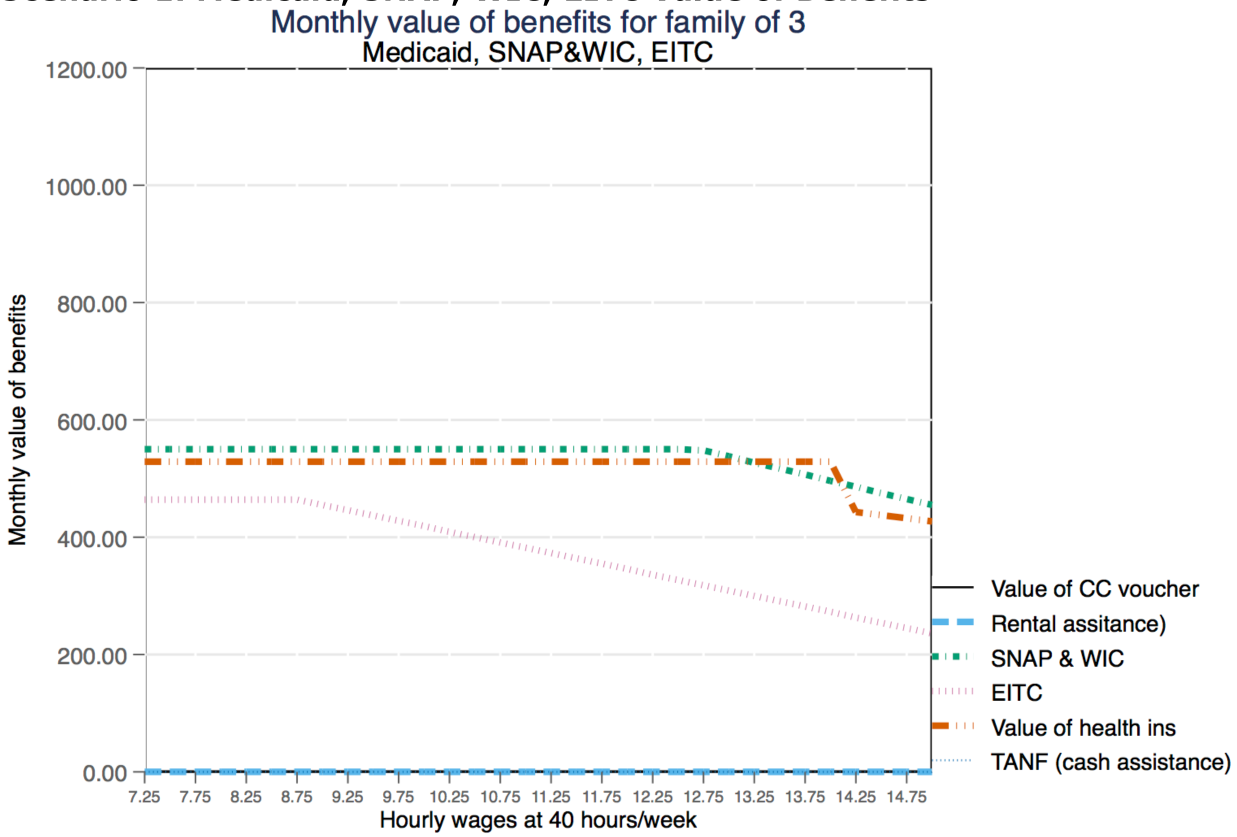
As seen in the graph, this family is always "underwater," never earning enough to make ends meet. That is earnings, even including the value of benefits and refundable tax credits, are far less than the typical cost of basic needs. These include housing, food, child care, transportation, and miscellaneous items combined with the after tax cost of a Silver plan through the state – which is $29.26 per hour or $60,871 annually for this mother and two children.[3] As shown see here, the family of three starts off below negative $1400, and never has net resources above the negative $650 level at all the wage levels simulated.

The second observation is the relatively smooth trajectory as earnings increase. For the family of three with a bundle of benefits that this family should be able to access, wage increases will result in increased net resources up until $12.75 per hour. After this point, net resources are very slowly increasing as earnings increase. By the time this family is earning $14.25 per hour, the family hits a more significant cliff, and the net resources level declines to about minus $700.

The **Value of Benefits** chart reveals why this phenomenon occurs. As seen below, the EITC starts decreasing at $8.75. This is unlikely to be obvious to a family, since they will more likely access funds in the form of a tax refund in the future. But then, at the point where the family is at the $12.75 level of earnings, the levels of EITC continue to decline, with SNAP reductions also occurring, making **slow intermittent progress** given paycheck withholding and increased costs of living. By $14.25 per hour, the family's health insurance costs increase due to the Medicaid cliff as they continue to lose the value of SNAP benefits.

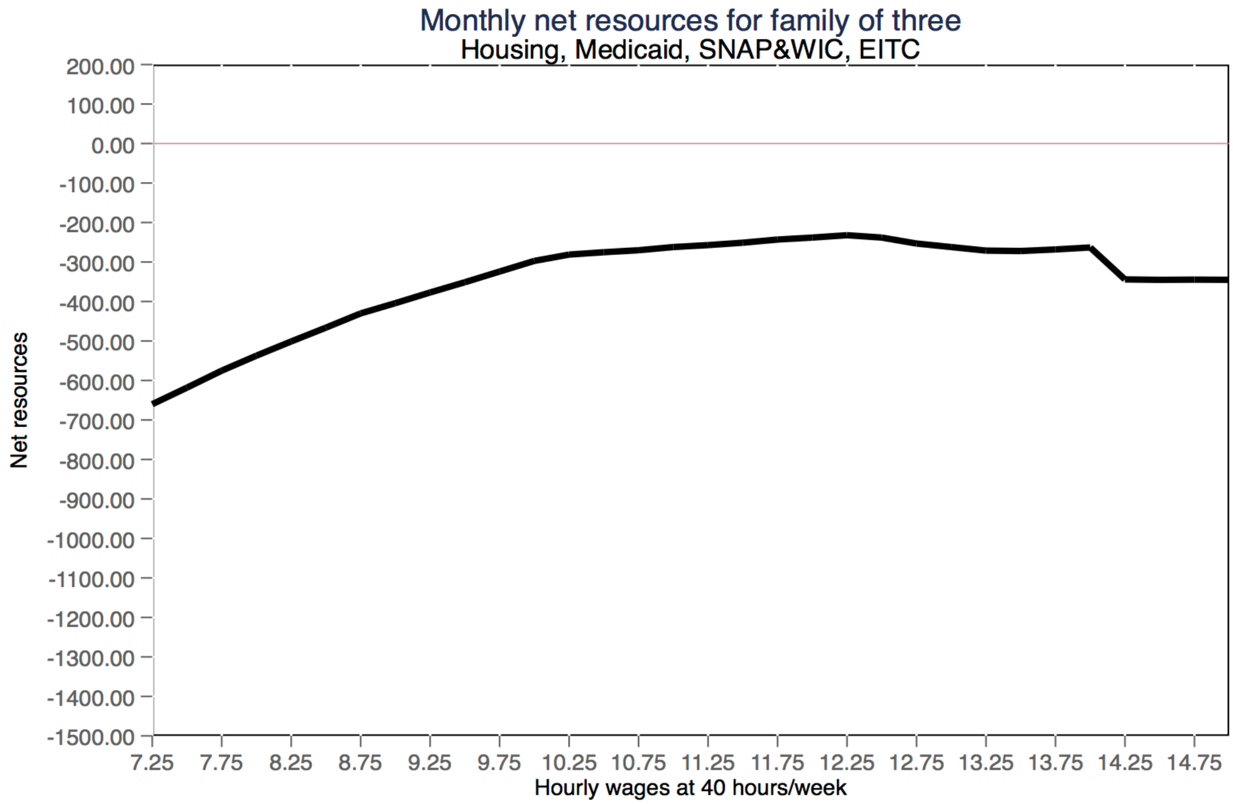
[3] MIT Living Wage Calculator accessed 5/1/2020 https://livingwage.mit.edu/counties/42003

Scenario 1: Medicaid, SNAP, WIC, EITC Value of Benefits

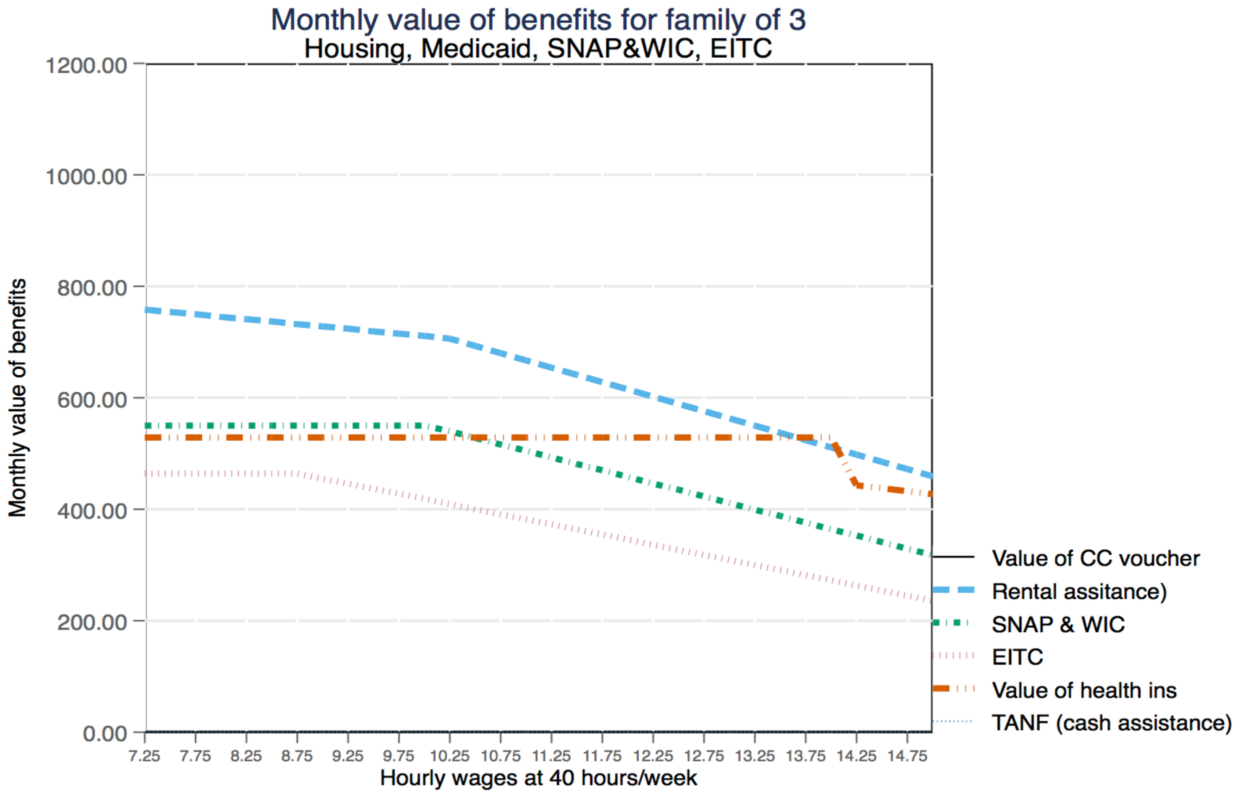


Scenario 2: Medicaid, SNAP, WIC, EITC, with Housing Voucher

The next scenario examines what happens when a family adds a housing voucher to the mix of other benefits (Medicaid, SNAP, WIC, and EITC). As shown, with this package, the family is better off overall, with higher net resources to start off (albeit still not breaking even in terms of the ability to make ends meet). However, this family struggles to gain ground and is essentially **running in place** starting at $10.25 per hour; as shown on the graph. In other words, they are running in place because increased wages do not result in increased net resources. By $12.25 per hour, the family starts losing net resources, and then as in the previous scenario, this family hits a cliff at $14.25 per hour.

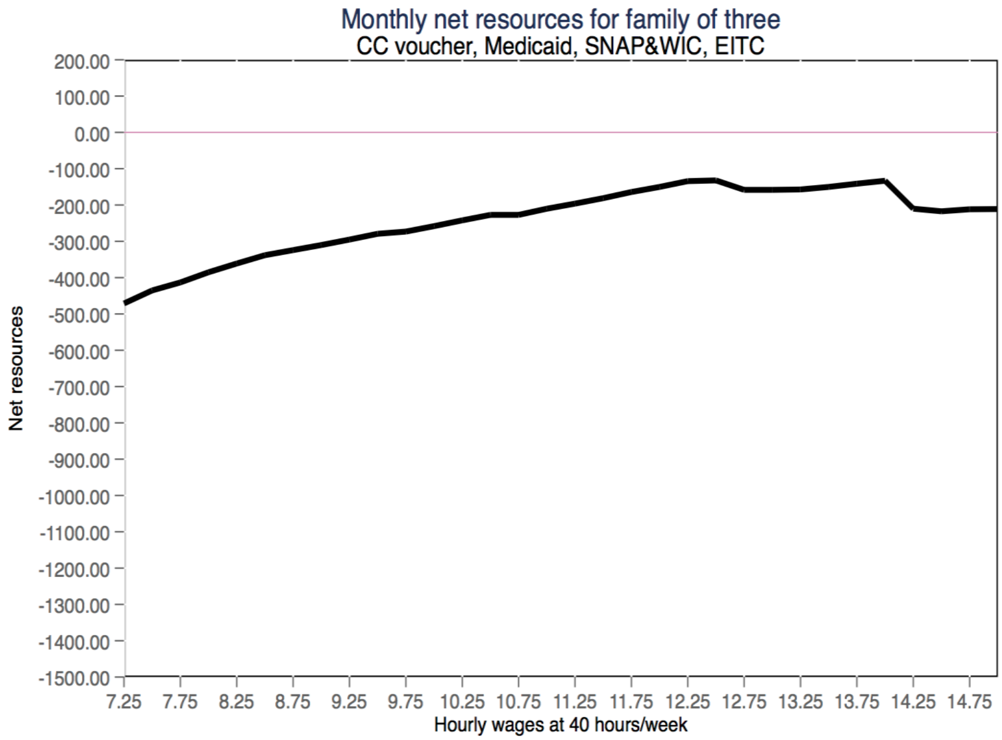


The Value of Benefit chart shown below provides insights into what is happening overall with this family's net resources. Both the value of the housing voucher and the family's SNAP begin to decline at $10.25 per hour. Thus, just as the family's rent is increasing, their amount available for food is declining due to SNAP decreases, resulting in **running in place**. They continue to receive health insurance, but even as their wages increase, the value of their benefits decreases. They are unable to gain ground over a long period of potential wage increases. Once they reach $14.25 per hour, they experience a benefits cliff as their healthcare costs increase.

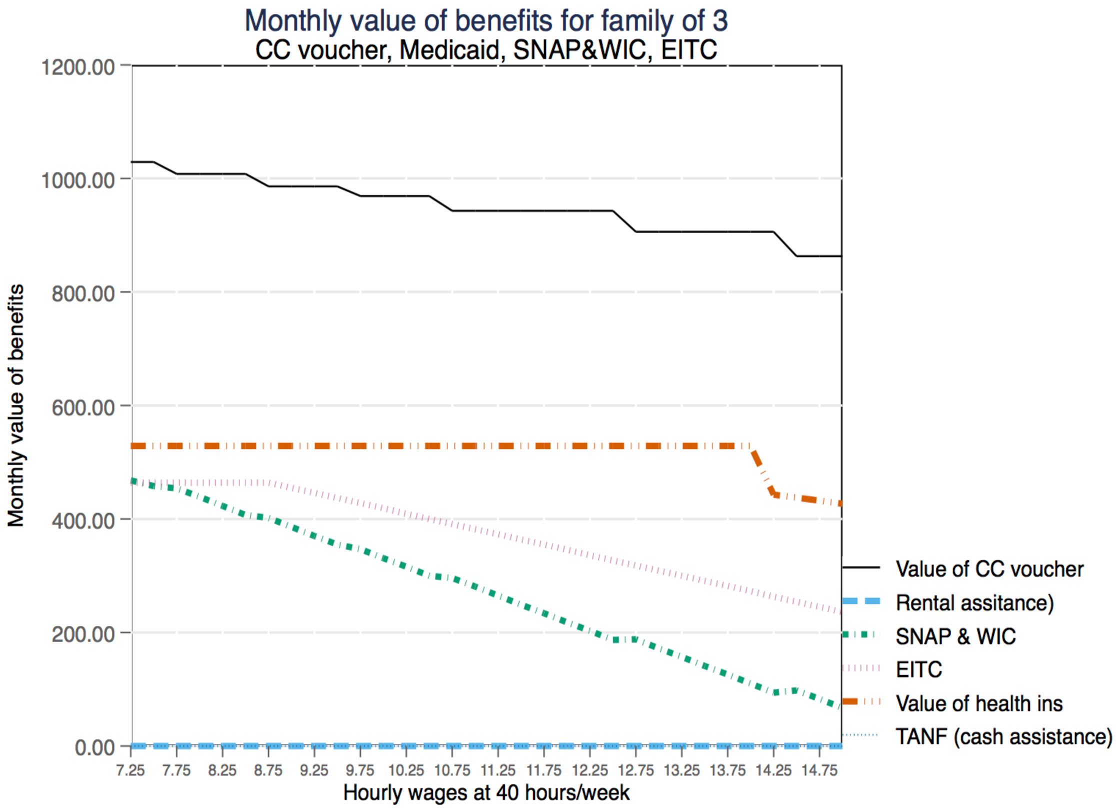


Scenario 3: Medicaid, SNAP, WIC, EITC, with Child Care Voucher

For this scenario, we examine what happens if a family does not have housing assistance but receives a Child Care Voucher. As in the previous scenarios, this family still does not have enough net resources to make ends meet, remaining "under water" to $15.00 per hour. From the start, this family is making **slow and intermittent progress** as they earn more income. Net resources start leveling off at about $10.25 per hour, then very slowly climbing until $12.75 per hour, dipping then leveling off until $14.25, when they hit a cliff at $14.25 per hour.

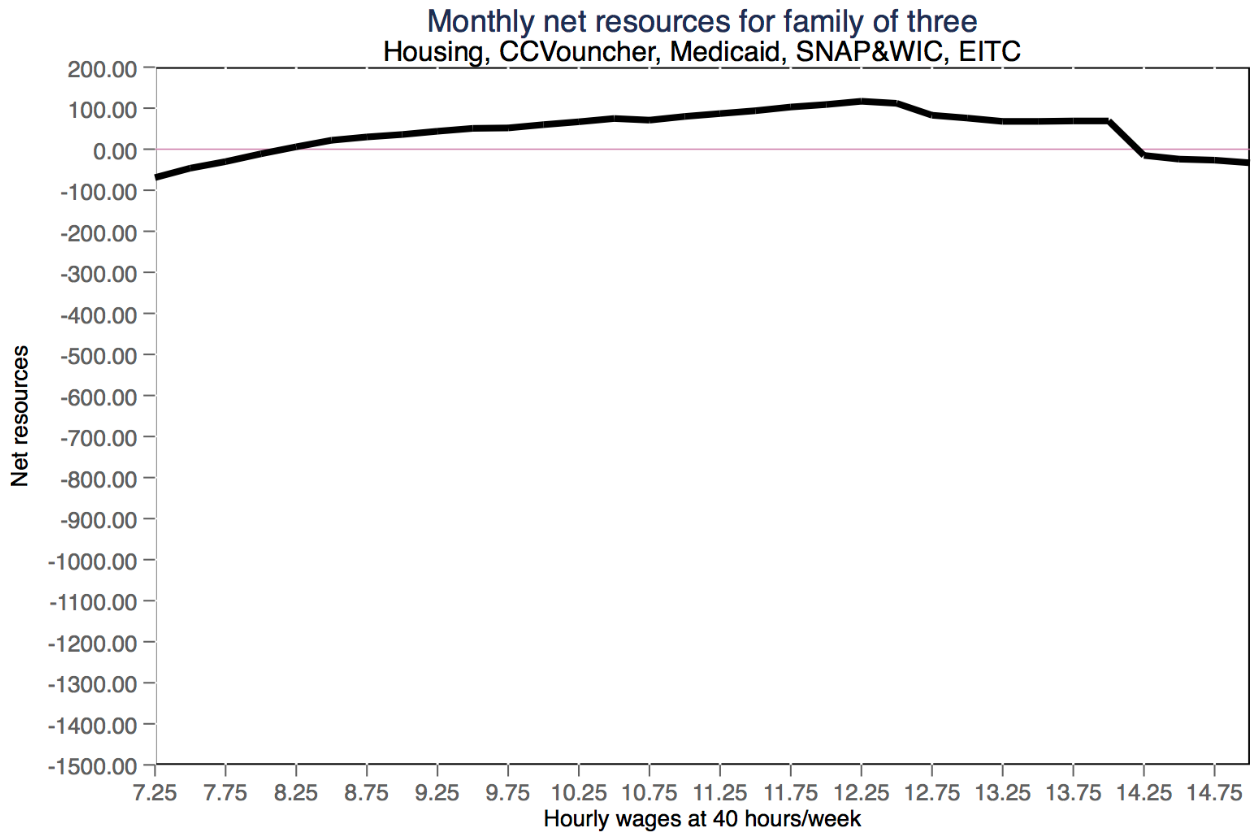


The monthly Value of Benefits chart reveals why this is a particularly bumpy ride for families who receive a Child Care Voucher. The Child Care Works Subsidized Voucher requires a co-pay, which varies depending on family income. Thus, as income increases, the value of the childcare voucher decreases in a stepwise fashion. Meanwhile, SNAP declines even earlier than previous scenarios, with reductions occurring almost immediately upon any pay increase, so that families with a childcare voucher will have less money to pay for food. Even though this family is making slow intermittent progress, improving its circumstances as earnings increase, they likely do not perceive that they are getting ahead (since their tax refund is far off). Eventually, they experience a small cliff by $12.75 per hour, until they fall even further when they reach the Medicaid cliff at $14.25 per hour.

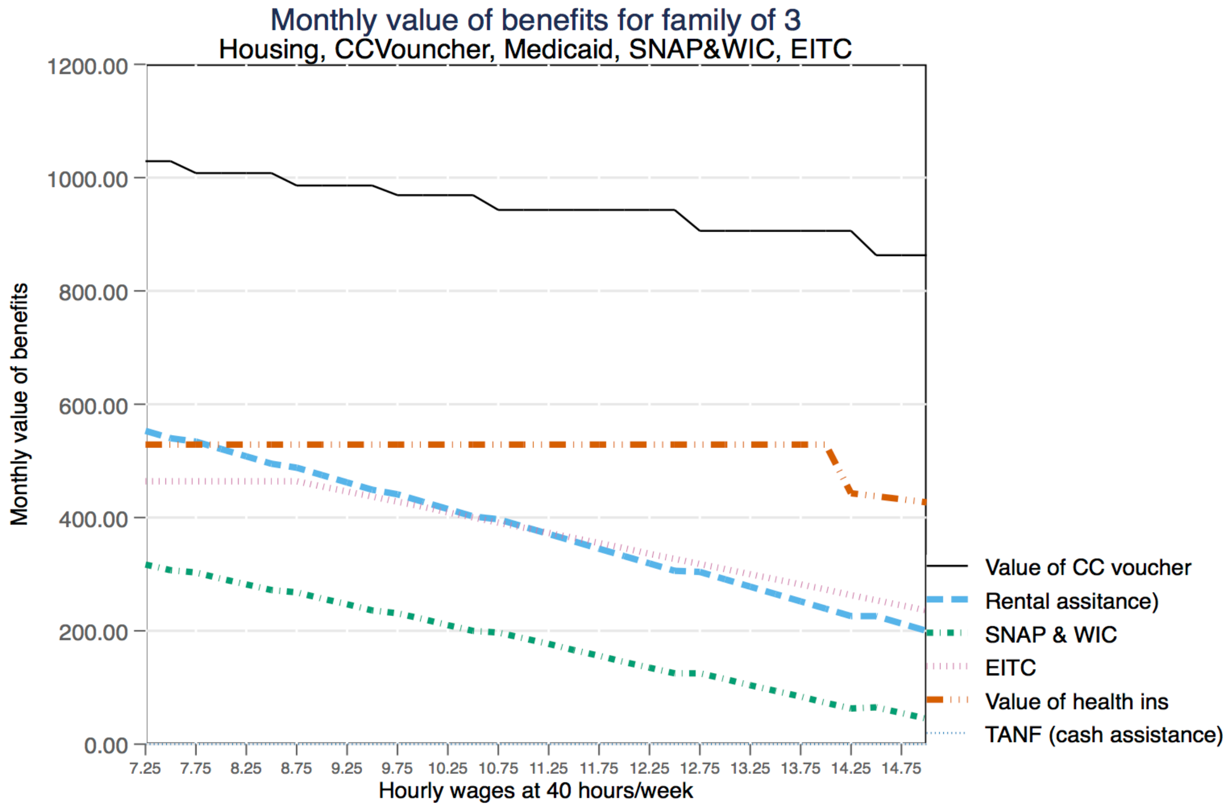


Scenario 4: Medicaid, SNAP, WIC, EITC, Housing Assistance, and Childcare Voucher

In Scenario 4, the extremely unlikely scenario where this family receives significant assistance, the simulation includes Medicaid, SNAP, WIC, EITC, Housing Assistance, and a childcare voucher. In this situation, by $8.25 per hour, the family finally has enough net resources to cover their basic needs and is not "under water" as in the previous simulations. However, as can be seen, this family cannot get ahead through working harder, once again creating a **running in place** effect. As earnings increases over time, net resources barely budge.



The Value of Benefits chart reveals why this phenomenon is occurring. Immediately upon earning additional income, this family will see an increase in rent, a decrease in SNAP benefits for groceries, and an increased co-pay for their childcare. They then hit the same cliff as shown in scenario 3, falling at $12.75 and then again at $14.25 per hour when their healthcare costs increase.



Analysis

Examining across the four selected benefit bundles, there are four common types of situations a single mother family may face when she is balancing benefits with earned income:

1. **Fear of the Cliff**. Given the complexity of benefit eligibility and the interactions across programs, coupled with a lack of tool or calculator that calculates the impact of earnings on benefit receipt, families do not have reliable information to predict when they might face a reduction or loss in benefits. They may hesitate to increase their earnings due to this fear. Theoretically, all families on benefits could have concerns about the benefit cliff.

2. **Slow Intermittent Progress**. This situation occurs when a family faces a reduction in one or more benefits, their annual net resources continue to increase. Sometimes, a small dip in income is experienced as earnings increase. We can see this phenomenon occurs in Scenario 1 (Medicaid, SNAP, WIC, EITC) and in Scenario 3 (Medicaid, SNAP, WIC, EITC, and Childcare Voucher). While these families are making progress, it likely does not feel that way, given the reductions of benefits they experience. Further, while they will receive a tax refund (EITC), families are unlikely to have a clear understanding of how much refund they might receive in the distant future. In the immediate term, they have less money for food, and their childcare co-pay continues to increase.
3. **Running in Place**. This situation occurs when a family is on a benefit bundle where the interactions between the eligibilities are such that an increase in income results in no or imperceptible increase in net resources. This is seen most clearly in Scenario 2 (Medicaid, SNAP, WIC, EITC, Housing) as well as Scenario 4 (Medicaid, SNAP, WIC, EITC, Housing, and Childcare Voucher). As can be seen, the experience of running in place where work does not pay off can occur over a wide range of income, starting at $10.25 in Scenario 2 and even earlier at $8.25 per hour in Scenario 4 with a comprehensive package of benefits.
4. **Benefits Cliff**. As shown in the charts, most families of three will not face a major cliff until $14.25 per hour – the Medicaid cliff – which is consistent across all four simulations. According to the Pennsylvania Department of Labor and Industry, almost all jobs that pay above $14.25 per hour ($28,500 annually assuming full-time employment (2000 hours) require additional training and education, and there is no guarantee of employer-sponsored health benefits.

The Scope of the Benefits Cliff for Single Mothers

This section overviews the methodology and develops an estimate for determining the number of families who face benefit cliffs. To do that, an estimate of the overall

number of single women with children who are accessing benefits is extrapolated, then further expanded to analyze the addition of Housing Assistance.

Several available data sources were accessed to determine how many single mother households may experience cliffs: 1) the Pennsylvania Department of Human Services (DHS), 2) Housing and Urban Development (HUD) data, and 3) American Community Survey (ACS) Census Bureau data. According to data provided by DHS for Allegheny County. There are approximately 130,000 Allegheny County households that receive TANF, SNAP, LIHEAP, *and/or* MAGI Medicaid benefits. These data are presented at the **aggregate** level only; the specific receipt of bundle of benefits accessed by each household was not available[4]. Thus, the chart below shows the frequency of who accesses benefits, by household types.

Table 1: Households Receiving Benefits in Allegheny County in 2018 (Families Highlighted)

	Total households*		Total adults and children		
Household composition	Frequency	Percent	Frequency	Percent	Adult gender
1 adult 0 children	77,429	59%	77,429	33%	50% female 50% male
1 adult 1 child	12,480	10%	24,960	11%	89% female 11% male
2 adults 0 children	9,374	7%	18,748	8%	
1 adult 2 children	7,642	6%	22,926	10%	94% female 6% male
2 adults 1 child	4,044	3%	12,132	5%	
2 adults 2 children	3,543	3%	14,172	6%	
1 adult 3 children	3,519	3%			
1 adult 4 or more children	1,728	1%			
Other	10,515	8%	62,787	27%	
Total	130,274	100%	233,154	100%	

Source: Pennsylvania Department of Human Services

[4] The ongoing pandemic limited the capacity of DHS to provide all requested data, including data by disaggregated by race.

According to the DHS, 25,369 single adult households with children receive TANF, SNAP, LIHEAP, or MAGI Medicaid benefits in March 2018.[5] There are 12,480 one adult *one child* households that receive at least one of these benefits of which 89% (11,107) are headed by female adults. There are 7,642 one adult *two children* households that receive at least one of these benefits of which 94% (7183) are female adults. There are 5,247 single adult households with *three or more children* (unknown gender composition, assumed female). **All told, an estimated 23,537 single female-headed households with children received at least one DHS benefit**. The number of recipients is greater than the total number single mother households in poverty because most programs extend eligibility for benefits after they surpass the poverty line, given that recipients still remain far below what is needed to meet basic financial needs and to sustain their families.

Presumably then, 23,537 is the upper limit of single mother households on DHS benefits who may, at a minimum, fear a cliff effect. Given the lack of data transparency for benefits, these women are often in circumstances where they do not know whether or not they can increase their earnings without losing net resources. Further, given that the highest percentage of recipients are accessing at least Medicaid, if they pursue career advancement opportunities, they may encounter a situation where they would lose their health insurance by taking a new job. With limited information and no guarantee of equivalent or lower cost health insurance even at jobs that require more significant education and training, many may choose to balance their current earned income with the benefits they have, rather than risk additional education or career advancement.

The estimate includes single mother families who are on DHS benefits only and thus may fear a benefits cliff or be at risk of the Medicaid cliff; it does not include housing assistance. As observed in Scenarios 2 and 4, those who access housing assistance experience a “running in place” phenomenon over a particularly long

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[5] Pennsylvania DHS does not collect or track housing data. Data disaggregated by race were requested from the housing authorities but not provided. It is unclear whether the data exist but are not released, or if data are insufficiently tracked.

trajectory of increased earnings. Since housing assistance is likely to be the third most common benefit accessed, following Medicaid and SNAP (Carey, 2018), the estimate was further refined. Using data for housing programs in Allegheny County from HUD at https://www.huduser.gov/portal/datasets/il.html the number of subsidized units for Allegheny county in 2017 at https://www.huduser.gov/portal/datasets/assthsg.html was derived for all families (34,407), with 31.46% of all eligible families accessing a subsidized unit. Of the total HUD units, 32% were accessed by single mother families, resulting in 11,010 single mother families in subsidized housing, most of whom likely access one or more other aforementioned benefits (Carey, 2018; Edelstein et al, 2014).[6] [7] Note, while there is overlap between this figure and the previous estimate, they are derived from separate data sources and the extent of the overlap is not known. Since these data are aggregated and combined from disparate sources, this is a preliminary estimate of the scope of benefit cliffs.

Caveats and Limitations

There are several caveats pertaining to data quality to keep in mind when interpreting the results. First, the data are derived from 2018, so they do not reflect current costs and policy changes stemming from the pandemic. Second, costs are average costs, and may vary considerably from actual costs. For example, a family may be living "doubled up" with another family, thereby reducing their housing expenses. In addition, the MIT Living Wage Calculator does not include debt, which is often a significant expense for low-income families.

Another potential data quality concern with using the UI NICC calculator is that it does not include health insurance costs and other expenses, thus leaving out a critical component of a family's overall financial picture. Thus, we analyzed the

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[6] The other 330 families may access housing only, or possibly other benefits such as TANF or SSI which were not included in the simulations. For the sake of simplicity, they are removed from the analysis.

[7] Administrative data from local housing authorities was not sufficient to determine the number of single females with children who access LIPH or HCV. Thus, more complete data and research is needed to validate this estimate derived from HUD data.

difference between two data sources for healthcare costs: The Kaiser Family Foundation (KFF) dataset and the extrapolations from the Silver Plan file using quoted cost of an ACA silver plan (after ACA tax credits) in Allegheny County. Our analyses revealed similar results when comparing the simulations across the two healthcare data sources. As a result, the simulations included the health insurance costs for adults in families with earnings at or above 138% of the federal poverty line come from the estimated monthly premium of an ACA Advantage Silver Plan (from UPMC) in Allegheny County (accessed Fall 2019).

In interpreting the findings, it is important to keep in mind that the explanations and analyses are based on a limited set of benefit bundles and only one type of family (one parent and two children). Smaller families – 1 parent and 1 child – will face benefit reductions earlier in the earnings trajectory. Larger single-parent families with more children will face reductions and cliffs at higher earning amounts.

As noted earlier, the current research does not include simulations for TANF. While actual receipt of TANF is low overall, many low-income single mothers have experience with TANF. Approximately 5% of low-income families receive TANF, and they are frequently the very poorest families, and likely to be disproportionately headed by Black single mothers. According to Pennsylvania's DHS, 50 percent of TANF recipients are Black.

Also, the simulations truncate at $15 per hour, reflecting low-wages in Allegheny County. The labels provided for the types of cliffs are illustrative only, and do not necessarily reflect all types of cliffs across all scenarios. This preliminary typology is based in quantitative research and needs to be validated with qualitative data to reflect the experiences of families. In particular, the lived experiences and racial disparities facing low-income women of color must be incorporated into future policy simulations and potential solutions.

Regarding the estimate of the scope, it is difficult to derive an exact number of single women parents in Allegheny County who fear potential cliffs, or even whether they have faced actual cliffs, slow intermittent progress, or the running in place phenomenon. These are empirical questions with several unknown variables, requiring information about specific benefit bundles, income levels, decisions in responses to wage increases, and unique individual situations. However, given the importance of estimating the scope of the problem, and the number of single mothers that are likely trapped in poverty as a result of the benefit system, a preliminary estimate was derived.

Approaches to Cliff Mitigation

The benefit cliff simulations lend further credence to recipients' reported experiences of the benefit cliff. The findings are consistent with the "Stuck in Survival Mode" theme highlighted in the *A Qualitative Study of Single Mothers in Allegheny County* (2019). Participants reported that earning more income did not always allow them to move ahead: A promotion or increased hours might result in a reduction to their public benefits, such as SNAP, or raise their rent or childcare co-payment. As one participant noted: "*It often feels like there is no right way to get ahead. When one thing is working, another area falls apart, and it's back to square one*." The "slow intermittent progress" and "running in place" simulations reflect these reported experiences.

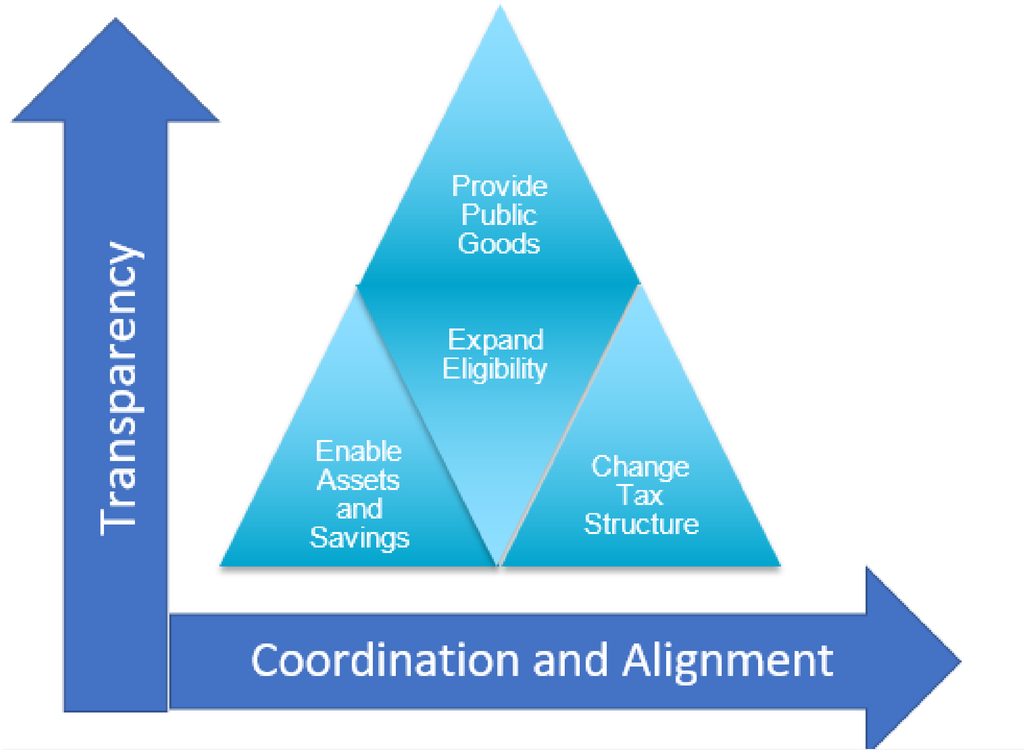
In the years leading up to the pandemic, states and government agencies were actively exploring solutions to mitigate the benefits cliff. This was in large part due to the challenges employers were facing, given historically low unemployment rates, in recruiting employees, or increasing their hours (especially for the direct care workforce). At the same time, rising housing prices coupled with wage stagnation – particularly for Pittsburgh's low-income Black women – made public benefits even more essential for survival.

Several recent publications provide an overview of state legislative bills, policy and programmatic solutions to address the benefit cliff (Circles, 2019; Lloyd et al, 2019; the University of Vermont, 2017). The following is a summary of initiatives and policy levers, selected to enhance understanding of cliff effect mitigation, and to illuminate specific ideas that may be piloted in Allegheny County. Several existing and proposed solutions for the Commonwealth of Pennsylvania are also provided.

A substantial number of existing policy fixes are focused on TANF. They are included to elucidate the larger picture of cliff mitigation approaches but are not covered in depth below. Non-TANF clients represent the majority of low-income mothers on benefits.

This synthesis builds on extant summaries and further extends the findings by analyzing the levers for potential impact, based on the type of cliff a family might face (e.g., an actual cliff, fear of cliff, slow intermittent progress, or running in place). The analysis is intended to deepen the understanding of what lever may make a difference under which circumstance. Thus, each solution is analyzed based on the extent to which they address each of the four types of cliffs identified earlier.

Overview of Policy Solutions (Adapted from Crandall, 2017)



Coordination Across Partners and Families

Fundamental to solutions to cliff effects is policy coordination and access to information about benefit cliffs (Crandall, 2017). This is because for any solution to be ultimately effective, it must consider not only all benefits potentially accessed, and their eligibility criteria, but the rules and regulations as well. Critically, new policy formulation must also involve parents who are accessing benefits, to incorporate the experience of those attempting to balance work and benefits.

Several states are working across agencies and programs to address cliff effects (National Conference of State Legislatures (2019). For example, under its Two-Generation (2-G) initiative designed to provide families with economic stability, Connecticut created a 2-G Advisory Board, which includes members of the executive, legislative, judicial branches, private sector employers, and parents. Under the 2-G, Connecticut specifically established three subgroups that work to develop solutions

on parent engagement, workforce development, and minimizing the cliff effect. The cliff effects subgroup analyzed existing research and benefit cliff calculators and developed a research plan to the mitigate cliff effect as a result of minimum wage.

In New Hampshire, Republican Governor Sununu created "The Benefits Cliff Effect Working Group" to collaborate to eliminate cliff effects. The cross-sector team consists of partners from the State of NH, including the Governor's Office, the NH Department of Education (DOE), NH Employment Security's (NHES) Economic and Labor Market Information (ELMI) Bureau, and DHHS, the Community College System, New Hampshire businesses, philanthropic organizations, community providers, and impacted parents.

Data Transparency

Clear and accurate information about the relationship between benefits and earned income is paramount. While the simulations conducted for this research and elsewhere (e.g., Polson, 2019) provide guidance for Pennsylvania policymakers, the output is not targeted towards individual workers and caseworkers. It is only when families can understand for themselves how earnings increases might impact their paycheck, can they make reasoned decisions about whether to increase their earnings through work.

There are several benefit calculators underway or in development. In New York, Leap Fund is piloting a calculator initiative to easily allow workers to vary their earned income in order to predict the impact on overall net income. In Michigan, Circles USA has developed a Cliff Effect Planning Tool to help recipients gain an overview of how their expenses change when they increase income and begin losing government assistance. The Minnesota Children's Defense Fund created the Economic Stability Indicator project to educate families about wage and program interaction so they can make decisions about employment and benefits use. In addition, it provides information for policymakers on whether current or proposed legislation creates a benefits cliff. The U.S. Department of Health and Human Services is also planning to

release a marginal tax rate calculator (Crandall and Ojelabi, 2021), which will be available in Allegheny County.

Anecdotal evidence suggests that cliff effect tools are challenging to develop and code due to the complexity of regulations. It is also difficult to create a tool that serves multiple functions, such as determining benefit eligibility in addition to predicting benefit cliffs. Benefit calculators may create liability concerns given that families will be making essential financial decisions based on the calculator, which may not be accurate. Further, benefits calculators are challenging to sustain and maintain, especially given fluctuating funding environments and staff turnover. Due to a lack of coordination across state agencies, some tools restrict the number of benefits included, thus limiting their overall usefulness.

In terms of the calculator, it is likely to be most useful for increasing labor market participation in situations where benefit recipients fear a cliff (that is non-existent) and also where recipients are making slow intermittent progress. In both cases, with the additional information, a mother may decide to work more in the face of an opportunity for a raise, given that she will end up with greater net resources. In one case (fear of cliffs) her efforts will be immediately rewarded in her paycheck, whereas in the other case (slow intermittent progress) it is more likely to increase her tax refund check many months later.

In the case of an actual cliff, such as losing Medicaid (assuming no equivalent option available), the mother may choose to remain in her current situation. In the case of "running in place," additional work effort will not result in increased net resources. It does not make sense to increase hours (since then she would have to take on increased childcare and transportation costs) as additional income will not result in increased net resources.

Financial Coaching and Capacity Building

For data transparency to be effective, agencies must build their capacity to coach clients on benefits and cliffs. The coaches themselves must have the information needed in order to translate and help educate clients.

To facilitate collaboration across economic mobility programs, Perez (2018) recommends the creation of a cross-agency "benefit coordination blueprint", which could guide the training of program staff at the local level. Frequently, case managers learn only the benefits assigned to their agency, and are unaware of the interrelationship across benefits managed by other agencies. It is essential that frontline staff develop an understanding of benefits and cliff effects across programs in order to provide accurate guidance for navigating potential cliffs. Only when they have this background can they effectively transmit this information to clients. The coaching should incorporate evidence-based techniques, including family-led goal assessments, and trauma-informed best practices (Choitz and Wagner, 2021).

Perez (2018) suggested establishing "benefits transition navigators" who can help clients access all the public benefits and related supports available to them. In addition to case management and referral services, the navigators can help clients understand options and consequences when balancing benefits and earned income. Maine introduced legislation (which was not passed) to establish a "navigator" position to minimize the cliff effect on families by educating them on how their benefits would be impacted by increased income and incentivizing continued employment. Perez also recommended that the benefit transition navigators are augmented with a neighborhood-based mobile "211" service to improve the availability of detailed information about services and supports.

Through the Working Cities Challenge, the city of Springfield Massachusetts has modified its financial literacy curriculum to highlight and plan for cliff-related barriers to employment. The Working Cities Challenge, modeled after Living Cities, is an effort created by the Federal Reserve Bank of Boston to support to ensure

cities are livable for low-income families by resolving economic issues in smaller "Gateway" cities . The initiative is led by a steering committee that consists of leaders from the public, private and philanthropic sectors in Massachusetts, Rhode Island, and Connecticut.

Financial Opportunity Centers may serve as an effective vehicle for coaching around cliff effects, given the existing capacity for financial coaches. In Allegheny County, The Workforce Program operates as a Financial Opportunity Center (FOC), offering a comprehensive blend of career development, financial coaching, and benefit support services. In addition to the assistance provided to jobseekers, the program helps local employers understand and meet their staffing needs.

Any solution that promotes data transparency and coaching must ensure that women of color have equitable access to financial information and coaching resources. Lack of computer access, barriers to transportation to onsite services, and other administrative burdens (Herd and Moynihan, 2019) may limit effectiveness, especially for Black mothers.

Public Goods

Universal childcare, public health care for all (with the elimination of the Medicaid cliff), and/or universal basic income would increase low-income families' resources. As demonstrated previously (Albelda and Carr, 2017), a public good like universal childcare increases overall net resources, and smooths cliffs, although those with housing assistance may continue to experience "running in place" (Agarwal et al, 2018). Providing cash, such as in universal basic income would also lift net resources, although income disregards and waivers must be established across benefit programs for direct cash to increase labor market participation.

Increase Eligibilities across Programs

Benefit programs have their own rules for assessing eligibility and counting income. Some provide transitional assistance when a family becomes ineligible whereas others decrease gradually as a person's income increases. Programs have different regulations for verification and documentation. Aligning rules and regulations across these programs reduces complexity for clients and frontline staff; however, the financial impact of changes on individual benefit programs creates barriers for policymakers to align rules across programs (U.S. GAO, 2017).

There have been efforts to adjust program administration through data-sharing, streamlined applications, and eligibility determinations. It is this last category – eligibility determinations – that makes the greatest difference in terms of impact on the benefits cliff per se. With broad-based categorical eligibility, states can align SNAP eligibility determination with other programs serving low-income individuals and families. This enables states, including Pennsylvania, to raise the gross income limit, extending access and facilitating the gradual phase down of SNAP benefits as earnings rise, mitigating the cliff effect.

In Texas, the bipartisan " Making Work Pay Act" authorizes a pilot program to test whether the slow reduction of benefits will help recipients to reach long term self-sufficiency, independent of public benefits. The legislation is designed to address the benefits cliff in TANF and SNAP. The Making Work Pay legislation created a pilot program that tests whether extending eligibility, and hence creating a gradual reduction of benefits, paired with wrap-around career and financial coaching, will decrease reliance on public benefits.

Income disregards are designed to reduce or eliminate the cliff effect that occur with small increases in income. Policies that enable workers to continue receiving public benefits while their income increases are one way to simultaneously promote both work and family stability. Earned income disregards allow certain types of income to be excluded for purposes of determining eligibility and the dollar amount of benefits. For example, child support payment and wages are types of income

that can be disregarded in some circumstances. Income disregards also help beneficiaries' transition to work by covering work-related expenses. These programs are frequently connected to transitioning from TANF: Twelve states have implemented an earned income disregard for determining continuing eligibility for TANF recipients (National Conference of State Legislatures, 2019).

In 2011, using unspent TANF Block Grant funds, the state of Maine provided a Working Families Supplement Benefit, a supplement that tripled the SNAP benefit from $15 to $50 per month for approximately 13,000 working families receiving SNAP benefits. The increase was authorized by the Republican-dominated Maine State Legislature to provide temporary cash assistance and other supports to low-income families with children. The supplement aims to help those most at risk for cliff effects and help bridge the financial gap for families transitioning from benefits to personal income.

Subsidized Childcare Vouchers

One of the most common levers that states activate is increasing eligibility standards for childcare. This stems from both the capacity to change the policy coupled with the integral connection between childcare and the ability to work. Efforts include reforming income eligibility thresholds, implementing sliding scale co-payments for childcare that correspond with families' increased earnings, freezing decreases in allocation during temporary disruptions in work schedules, and increasing family stipend amounts (Circles, 2019).

Pennsylvania amended the Public Welfare Code (2015 Act 92) in 2015. The amendment aims to eliminate the cliff in the childcare subsidy program by revising the co-payment to subsidy ratio. Therefore, families can retain temporary assistance while increasing their earnings. They remain eligible for childcare as long as their annual income remains below 300 percent of FDL or below 85 percent of state median income, and that the increased income is due to working additional wage-earning hours (Act Text Section 8).

Colorado has led in efforts pertaining to childcare cliffs, creating new statewide income eligibilities and implementing childcare tax credits. They developed and later expanded a county-based program, where the county has authority to implement solutions that address the benefits cliff. Counties implemented solutions by more gradually increasing parent co-payment amounts, reducing copayment rates for those below 100 percent of federal poverty level (FPL), and simplifying application and redetermination processes (Circles, 2019).

Ohio also increased the eligibility limit for childcare from 130 percent to 300 percent of the FPL. This addresses the cliff effect for families by ending penalties for income increases. In 2015, Nebraska modified the redetermination requirements for families receiving subsidized transitional childcare assistance to allow families with incomes between 135 and 185 percent of the FPL to continue transitional assistance and instituted sliding scale copayments for up to two years.

Smoothing of the childcare voucher benefit cliff, along with most other efforts to increase eligibility criteria, will especially help those who experience the slow intermittent progress that results from the current co-pay system. It likely will have little impact in and of itself for those who face an actual Medicaid cliff, for those who fear cliffs, or for those with housing vouchers, who are likely to still be running in place even with changes to the child care co-pay system.

Financial Funds to Overcome Cliffs

Several pilot initiatives have experimented with providing funds directly to those who face a benefits cliff, helping workers bypass it and continue to see their net resources increase from earnings. There have been proposed or implemented programs in Minnesota, Michigan, and Ohio. In order to be effective, these programs need to seek state and/or federal waivers to ensure that direct increases in unearned income do not create a deleterious impact for enrolled families.

For example, OhioMeansJobs of Allen County introduced a pilot program to lessen the impact of the "benefit cliff" individuals may experience when they take pay raises or job opportunities. Feedback from the business community revealed that some employees refused raises because the increase in wages would reduce their public assistance. In response, the Allen County Department of Job and Family Services in collaboration with Republican State Representative Bob Cupp and Republican State Senator Matt Huffman, created the program. It provides additional funds, along with financial and career coaching, to those enrolled in the "Prevention, Retention and Contingency Program."

The pilot program makes $2,500 available over an 18-month period to a parent earning over the income threshold (200 percent of the federal poverty level) but below $16 per hour for a three-person household. Vouchers are also provided to help cover basic costs. The cost is estimated at $4,500 per program participant.

Providing funds to help overcome the cliff may be especially impactful for smaller dips in income that characterize slow intermittent progress. Of course, policymakers need to take steps to ensure that the funds do not count as additional income for any public benefit program, thereby defeating the purpose.

Tax Credits

Federal and state tax credits can help offset a decline in public benefits. States can create refundable or nonrefundable tax credits to supplement what is available through the federal government. A nonrefundable tax credit means a taxpayer gets a refund only up to the amount owed. With a refundable tax credit, taxpayers can receive refunds that exceed the amount of tax owed (National Conference of State Legislatures, 2019). Refundable tax credits provide financial assistance, in addition to reducing or eliminating tax liability for low- to moderate-income workers.

The federal Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are the most common tax credits available to low-income families. While the EITC is

refundable, The CTC credit is nonrefundable[i] so it can only be used to offset income taxes owed—in other words, any excess credit beyond taxes owed is forfeited. As a result, low-earning families who owe little or no income tax receive minimum benefit from the credit.

Twenty-nine states, the District of Columbia, Guam, and Puerto Rico offer state EITCs. State Earned Income Tax Credits provide an additional benefit to the federal credit for low-income taxpayers, ranging from 3% to 125% of the federal EITC. For example, in 2018, New Jersey provided $503 million in state EITC, bolstering the $1.4 billion received in federal credits. The Commonwealth of Pennsylvania does not offer a state EITC.

One study (Levert, 2018) suggested that increases to the state EITC coupled with federal EITC would smooth out cliffs in the state of Maine, reducing the need to calibrate adjustments to the cliffs across a set of benefits. Viswanathan (2015) suggests lessening the severity of the cliff effect by making taxpayers whole by using a tax credit, essentially awarding each affected worker a credit to make her post-tax financial position up to the maximum level it would have been had she decided not to earn additional income from work.

As discussed above, increasing tax credits are a powerful tool in cliff mitigation. To make them most effective, workers must understand how the tax refund functions. Allowing workers to access the funds prior to the end of the year – which is available for the CTC in 2021 under the American Rescue Plan of 2021 – would enable recipients to reap the financial benefits sooner.

Asset Limits

Asset limits cap the total value of assets an individual or family may hold and remain eligible for a program. Asset limits vary by benefit program, with some allowing vehicles, savings accounts, and restricted access accounts (e.g., education savings accounts, individual development accounts, and retirement accounts) to be

disregarded for eligibility purposes. Asset limits sometimes unintentionally limit ownership of automobiles, create disincentives to save for emergencies, or cause families to become ineligible for the benefits that enable a successful transition to work. Increasing or removing asset limits entirely allows families to build wealth while maintaining public benefits (National Conference of State Legislatures, 2019).

Pennsylvania eliminated the asset test for SNAP in 2015, and allows one vehicle per household. The elimination of the asset test enabled the Commonwealth to reduce financial and unnecessary administrative burdens. For Medicaid, the asset limit is $2000 for a single working-age adult, exclusive of a personal vehicle and home.

Asset limits are unlikely to have an immediate impact on decisions regarding taking a pay raise or increasing work hours when faced with a potential loss of benefits. However, eliminating asset limits are an important part of an overall strategy to encourage savings and build wealth, especially for low-income women of color.

The ability to save income, and hence build assets, is critical for building wealth and a pathway out of poverty. Several policy solutions offer work-arounds to the dilemma of building wealth while on public benefits.

Escrow Accounts

Escrow accounts enable families to accumulate funds as earned income increases, thus allowing a defined portion of increased income to be deposited into a savings account without impacting benefits or services. In some cases, deposits are matched by federal or state grants or local philanthropy. For example, The U.S. Department of Housing and Urban Development's Family Self-Sufficiency (FSS) program enables families on housing assistance to escrow the portion of increased earnings that would typically be allocated to rent. Since its establishment, the FSS program has helped families living in public or project-based assisted housing or using Housing Choice Vouchers to access workforce training, financial education, and other resources to pursue higher paying employment opportunities.

Typically, recipients of housing assistance contribute 30% of their incomes toward rent and utilities, with the voucher paying the remaining housing costs. The FSS Program allows households with increased income earned from work to set aside their additional rent contributions in an escrow savings account over a five-year period. Assuming tenants remain employed and do not receive cash assistance for one year, they can use these savings toward their financial goals, such as home ownership or further education.

Overall, the FSS program allows low-income families and individuals to balance the key tensions that are at the heart of the cliff effect conundrum. That is, they are able to maintain stable, affordable housing while they pursue new goals to improve their economic security. Research findings reveal that FSS is a cost-effective solution in terms of increasing income, reducing debts, and growing assets (Holgate et al, 2016; Geyer et al, 2019). However, FSS enrollment and completion rates are low.

Thus, the FSS provides an existing mechanism to bypass the housing cliff by creating a savings account through a rent escrow as earnings from work increase. There is federal funding attached to the program, and research demonstrates that it is cost-effective. What is yet unknown is how FSS recipients respond to other benefit cliffs they may experience. For example, the additional public benefits a family receives, such as Medicaid and SNAP, will impact the family’s net resources as income grows. Given the cost and dire implications of losing one’s housing, it is essential to understand the mechanisms by which cliffs operate, and how FSS might best be leveraged to mitigate cliffs.

Individual Development Accounts

Forty-one states allow assets to accrue in restricted accounts without impacting the receipt of public benefits. Individual Development Accounts (IDAs) are the most common example of this. IDAs allow low-income individuals to save money for education, starting a business, buying a home, and other authorized uses. IDAs are

operated by state or local governments in partnership with community-based organizations. Personal investments are matched by community-based organizations through grants from the federal government and other sources.

In Pennsylvania, the Family Savings Account, which is no longer funded, is an IDA designed to help participants save earned income in special-purpose, matched savings accounts. Every dollar in savings deposited into an IDA by participants is matched 1-1 by FSA, up to $2000.00, promoting savings and enabling participants to acquire an asset that can help individuals or families escape poverty.

The federal Assets for Independence Act of 1998 established federal funding for IDAs in states; however, no funds have been appropriated since 2016. At least 40 states, the District of Columbia and Puerto Rico have IDA programs, although only 12 states and the District of Columbia appropriated state funds for IDAs in 2018, including Michigan, Indiana, Kansas, and Utah.

Allowing these investments to grow, while disregarding them as income for public benefit eligibility, can help mitigate the cliff effect. The amount that can be accrued in designated accounts without impacting benefits varies greatly across programs. Twenty-three states and the District of Columbia match the amount invested by the account holder (National Conference of State Legislatures, 2019).

Maine's Rainy Day Savings Account program is especially relevant for financial security as well as cliff mitigation, as it allows income-eligible adults to contribute to a matched savings program that can be used for emergencies, such as car or household appliance repairs, transportation to work or school, or other expenses due to job loss, reduced hours, or short-term disability.

For the Medicaid cliff, savings and escrow programs may offer little solace, given that families will face a major benefit cliff if they increase their income regardless of asset limits. Further, the lack of immediate access to funds may create frustration and work disincentives. Expenses (such as child care, transportation, or uniforms)

often rise with increased work; putting the additional money aside in savings does not help with pressing bills. Research suggests that marginalized populations, including Black women, experience less success with IDA-type savings programs.

Employment and Workforce Development

Employers need to understand cliff effects, and the impact of wages on the public benefits that employees access. There are several ways employers can help mitigate the benefits cliff. Of course, offering significantly higher wages and low-cost healthcare plans can help employees avoid cliffs. In low-paying industries, employers can partner with United Ways, non-profits, and government agencies to learn more about the interaction between benefits and wages. These agencies can also help employees better understand the financial information included in their paychecks.

Workforce development agencies can develop and implement solutions to the cliff effect in collaboration with the social service sector. Massachusetts' Learn to Earn initiative is a comprehensive approach to providing individuals who access public benefit programs with the supports, skills, and credentials they need to retain employment for high-demand occupations. The Learn to Earn program, rooted in the workforce sector model, helps participants achieve goals necessary for employment and sustained economic stability, including growing family net resources. Many are developing guidance and implementing coaching to minimize the real or perceived impact of increased earned income on receipt of public benefits. As noted previously, while financial coaching is important, its impact is dependent on accurate access to information about benefits and eligibilities across programs. The Massachusetts' Learn to Earn Initiative is operated by the Executive Offices of Labor and Workforce Development, Education, Health and Human Services, and Housing and Economic Development.

Overall, creating quality jobs to include consistent and predictable schedules, earned sick time, and paid leave will help families better balance benefits with employment, and to facilitate job retention. To mitigate administrative burdens experienced with the benefits system, employers can accommodate time off or adjust schedules for employees to attend benefits hearings and otherwise facilitate coordination of government benefits. In addition, employers can combine forces with other employers to help workers access child care and other social supports that facilitate successful employment. In Pennsylvania, these collaborations might be accomplished through existing Industry Partnerships.

It is important for employers to be involved in the benefit cliff dilemma, since it impacts recruitment, advancement, and retention. Employers should implement efforts to improve job quality and enhance inclusion and belonging, especially for people of color. Of course, offering large wage increases to overcome cliffs and high quality, low-cost employer sponsored healthcare is paramount. They must also enforce fair and equitable hiring practices. Women of color, and Black women in particular, are less likely to hold higher paying jobs. Discrimination in hiring and promotion limits Black women’s advancement in work, regardless of the structure of benefit cliffs.

Table 2. below summarizes the types of financial situations that typically occur when earnings increase for families on benefits, along with examples of promising solutions identified in the policy scan.

Table 2. Common Financial Situations Resulting from Earnings Increases and Promising Solutions

Type of Financial Situation	Description	Typical Occurrence	Impact on Net Resources as Earnings Increase	Example of Promising Solution
Benefits Cliff	The loss or reduction of benefits as earnings increase	Benefit bundle with Medicaid	Decrease	Extend eligibility
Slow Intermittent Progress	Benefits are reduced as earnings increase (two steps forward and one step back)	Benefit bundle with Medicaid & SNAP	Temporary decrease	Funds to cover temporary losses and work expenses
Running in Place	Feeling stuck and not moving ahead	Benefit bundle with Housing Assistance	Stays the same	Escrow programs with access to funds for emergencies
Fear of Benefits Cliff	Concern about taking a raise or increasing hours to avoid benefits cliff	Any benefit bundle when data transparency is limited	N/A	Benefits calculator with financial coaching

Next Steps for Research

More research is needed in order to gain a fuller picture of the prevalence and nature of benefit cliffs in Allegheny County, as well as to explore potential ways to mitigate cliff effects. The following suggestions represent a starting point for this research agenda.

Conduct focus groups with impacted low-income mothers to gain a deeper understanding of problems, potential solutions, and to test the preliminary proposed hypotheses about which solutions are effective for specific types of cliff effects. Mothers can review benefit cliff scenarios to gain an understanding of their experience of losing benefits upon employment changes. They can also share what happens at administrative agencies for benefit recipients, especially in terms of racial discrimination. For all solutions under consideration, it is important to gather input and ideas from women of color on how to design solutions to be effective, and to involve them in the development of any pilots and capacity building projects.

Conduct focus groups of case workers to gain their insights on the extant policies and how to best design benefit programs to better help low-income mothers. In addition, explore their understanding of and coordination across benefit programs policies. The research will also study their understanding of their perceptions of agency barriers, culture, and reward systems, and how to rectify challenges.

Conduct TANF simulations in the context of benefit bundles. While there is a low uptake of TANF overall relative to other benefits, many single mothers need to rely on cash assistance through TANF. This exploration should be done in close conjunction with the Department of Human Services to better understand the intersection between TANF and other benefit programs. In particular, the inquiry should further incorporate TANF rules and regulations, such as the TANF clock and training and education requirements vis-à-vis other program eligibilities to uncover specific barriers to economic mobility.

Analyze the intersection of occupational wages and cliff effects. Conduct labor market analysis and analyze specific jobs to determine where jobs fall along the net resources line, varied by benefit bundles and family types. This information will provide a more realistic picture of wages and potential opportunities for career advancement across different industries. Likely scenarios for wage increases could be simulated, helping to ground the research in realistic common jobs accessed by low-income Black women. Also, simulate benefit bundles for wages above $15 per hour to determine implications for advancement beyond entry-level jobs.

Incorporate a racial equity analysis across all lines of inquiry. The potential impact of benefit cliffs, as well as the proposed solutions, are not race neutral. A deeper analysis of racial disparities is required to predict the impact of potential levers and solutions. Women of color may be more likely to access specific benefits (e.g., TANF and housing assistance), experience mistreatment by human services and housing agencies, and bear more administrative burdens (Herd and Moynihan, 2019). Thus, all the potential levers must also be analyzed from a racial equity lens.

Potential Levers for Cliff Mitigation in Allegheny County

In terms of addressing the cliff effect, it is important to determine primary objectives and ascertain long-term goals for impact. Options include 1) targeting the very low-income and those facing the most significant hardships; 2) attempting to impact the greatest number, such as those in Scenario 1, who access primarily Medicaid and SNAP; and/or 3) targeting a specific program, such as a food or housing assistance.

Build Community Capacity

Convene state policymakers, local agencies, partners, employers, and families to develop ways to collaborate to reduce the cliff effect. Ultimately, coordination and

policy integration must occur at the state level. Nevertheless, a convening of local partners to identify pilots and opportunities to pursue is a useful starting point. For example, Allegheny County could serve as a pilot site to experiment with selected solutions to mitigate the benefit cliff, with lessons learned incorporated into statewide strategies.

Promote Data Transparency

Previous policy discussions have not sufficiently distinguished between two important but often unstated goals of data transparency. The first is from the perspective of whether the solution increases labor market participation, i.e., does it result in a low-income mother increasing her work effort? Another way to examine cliff solutions is to view the extent to which the solution may enable her to maximize net resources. In this case, there is a conscious decision to avoid taking a raise to prevent a mother from losing net resources and/or increasing her hours when her time could be spent on caring for her children. These two goals are often in conflict due to the unintended consequences of benefit policies, which frequently clash across other benefit programs.

The planned HHS calculator for Allegheny County is an opportunity for cross-sector partners to collaborate to determine community objectives, and how to leverage the calculator for the greatest impact. Financial coaching should be provided to augment the calculator, so that recipients understand the effect of their decisions regarding wage increases. Further, the partners can provide support for human-centered design, implementation, formative and outcome evaluation, and the sustainability of the calculator.

Facilitate Cross-Sector Program Learning

The silos created by program benefit policies that trickle down to agency administration create barriers to effective case management. Case managers who coordinate programs in one agency, for example, TANF and SNAP at DHS, likely have limited information from Housing Authorities, who in turn have limited

information on Medicaid. Cross-training case managers and opening lines of communication could go a long way toward facilitating understanding of different benefit programs and preventing cliff effects. By establishing a triage system to review cases across agency lines, case managers could serve as navigators to guide benefit recipients towards effective decision making in terms of balancing benefits and earned income. Case managers and families should be involved in the design of the training, including consideration of the barriers to effective implementation, in order to ensure effectiveness.

Focus on Food Insecurity

Typically, SNAP is the second most frequently accessed benefit after Medicaid. SNAP is a relatively low-cost benefit but often presents a high administrative burden for continued receipt. Unlike Medicaid, SNAP is very sensitive, even at low-earning levels, to income increases and the addition of other benefits. Thus, there may be more philanthropic opportunities to cover losses in SNAP due to increases in income, such as through creating a specialized fund and/or savings vehicle that does not count the support as income. In this way, families do not have to choose between providing healthy food for their families and increasing their work effort. A pilot program could test whether replacing losses due to SNAP reduction results in increased labor market participation and overall net resources, especially for the common benefit bundle of Medicaid and SNAP. Lessons learned could be compiled to integrate into the program and stimulate policy changes.

Help Mothers in Public Housing Move Ahead

The “running in place” benefit cliff phenomenon, which is especially prominent when a mother relies on housing assistance, results in the feeling of being stuck and unable to get ahead documented in The Pittsburgh Foundation’s 2019 qualitative study. Given the relatively large number of single mother families (11,000) who live in public housing in Allegheny County, there is a need to explore new solutions to overcome this significant challenge. One possibility might be to augment or match the FSS program, offered through public housing authorities, with additional funds that participants can access in the short term. That way, participants experience gains immediately, and begin a path to economic mobility that is currently thwarted

by the existing stringent policy. The escrowed amount could be matched with cash, gift cards, or voucher assistance. A waiver may be needed to ensure that such matches do not count as income, thereby defeating the purpose of the program.

Advocate for Improved Policies

There are several policy approaches to target to mitigate the benefit cliff. Overall, increasing access to affordable child care, especially supporting efforts toward universal childcare, will improve low-income mothers' financial situation and increase net resources. Universal childcare is one of the most effective solutions for resolving the benefits cliff (Albelda and Carr, 2017). Along with other advantages, it allows families to better meet their overall costs. It smooths out the "dips" as families earn additional income from work, supports family well-being, and enhances early childhood development.

Tax policies are also key to cliff mitigation. Extending the federal fully refundable CTC (authorized in 2021) will provide essential financial support to more low-paid mothers. Supporting efforts to implement a state Earned Income Tax Credit (EITC) has the potential to smooth cliffs and increase net resources overall.

Clearly, policy and programmatic solutions must take into account the lessons learned and significant economic and social impact from the pandemic. As a result of Covid-19, many restrictions have been loosened and benefit eligibilities expanded. In addition, administrative burdens have been relaxed, making it easier to access benefits, verify employment status, and sign up for benefits online. Many states waived requirements or extended deadlines during the pandemic, both to preserve participants' benefits and to streamline administration as applications increased. The impact of these changes should be explored, and whenever possible institutionalized so that recipients can continue to access needed benefits without undue burden.

Conclusion

The net resources simulations provide support for the findings of the Pittsburgh Foundation's 2019 report, particularly in terms of the experience of low-income mothers who access benefits. These women reported that they often felt stuck in poverty, and unable to get ahead. Even the best case scenario suggests that for the over 23,000 single mother households accessing a DHS benefit, gains from earnings from work would be minimal. Further, over 11,000 single mother families in Allegheny County who receive housing assistance are "running in place." These families cannot increase their net resources no matter how hard they work due to the rent increases they incur.

Benefit cliffs do not exist in a vacuum, but rather they are ensconced in larger barriers embedded in the government system that low-income women need to navigate to make ends meet. Many of these challenges were revealed in the focus groups of mothers summarized in the Foundation's (2019) report. Challenges include difficulties accessing benefits information, confusing program requirements, excessive regulations, and inadequate agency service hours. These types of administrative burdens and make it difficult for mothers to access and maintain benefits, even when they are eligible to receive them. Reducing administrative burdens are an important part of improving the experience of low-income women interfacing with the benefit system.

The net resource simulations and analyses provide nuanced understanding of how extant solutions mitigate benefit cliffs, thus enabling informed decisions about the potential impact of policy and programmatic levers. The report analyzes the solutions to determine which lever influences which type of financial experiences identified in the simulations: fear of cliff, slow intermittent progress, running in place, and actual cliffs. These potential levers represent preliminary directions for additional exploration and intervention. As noted earlier, to ensure understanding and to design effective solutions, most of the recommendations require additional research, as well as validation with impacted low-income families of color.

Long term exposure to institutional racism, employment discrimination, and the experience of benefit cliffs affects families in many ways including financial and emotional, resulting in trauma which further thwarts attempts to escape poverty. For example, even if a mother is no longer accessing TANF, the experience and stigma of being on TANF may leave emotional scars and influences how these women perceive and manage benefits. Thus, it will be important to incorporate TANF-related simulations and solutions in future research.

Strategies to address the benefits cliff, of course, must take into consideration the long-term challenges and current socioeconomic and health crisis facing low-income mothers in the Pittsburgh region. An important contextual factor to note is that access to benefits and overall net resources is equal or greater concern in Allegheny County as the benefits cliff itself. Only one simulation showed families making ends meet across all wage levels simulated. This is a highly unlikely scenario, given long waitlists for housing assistance and Child Care Vouchers. Further, it is important to recognize that low-income women of color are not only experiencing discrimination in accessing benefits, but also in accessing and maintaining employment. Solutions must be holistic and comprehensive in order for them to serve the dual purpose of supporting mothers and helping them access and maintain employment.

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[i] The federal expanded fully refundable CTC under the American Rescue Plan Act of 2021 will revert back to the 2020 rules unless further extended.