The Benefits Cliff in Minnesota

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Past    Present    Future
**Loss of Social Assistance Creates Three Significant Cliffs for Low-Income Earners**

Social assistance eligibility for a single parent with two children in St. Louis County


Bureau of Business and Economic Research
Labovitz School of Business and Economics
University of Minnesota Duluth
A Single Parent Earning $26,000 Has Little Incentive to Increase Hours or Accept Raise

Gross wages plus social assistance for a single parent with two children, compared to the self-sufficiency standard for St. Louis County $70

In St. Louis County, the self-sufficiency standard, or the amount of income necessary to meet basic needs without public subsidies, is $54,224

First cliff is due to loss of free child care

Second cliff is a result of loss of housing assistance and state tax credits

Third cliff is due to loss of food and medical assistance

A single parent with two children earning $45,000 annually has approximately equal wages + social assistance as a parent...

Source: Economic Stability Indicator, Children's Defense Fund Minnesota; Self-sufficiency Standard, University of Washington

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Challenges

- Tool development
- Complex system
- Policy changes
- Sustainable funding
- Gathering and visualization of the data

Collaboration

- Public
- Private
- Local
Past  Present  Future

• Statewide interest and engagement
• Pilot project in the 2 MN counties —
  – January 2020
  – 100 families
• Self-Sufficiency Assessment Tool
• Cliff Forecaster / ESI
• Cost of living
• Create benefit flexibility to avoid cliff
The Economic Stability Indicator is a project of the Children’s Defense Fund-Minnesota created to illustrate the interaction between wages, public programs, and tax credits/liability in bringing or failing to bring families to economic stability. The dynamic, online tool can be used to demonstrate the gap that exists between low wages and a basic needs budget and the effect public programs and tax credits can play in filling that gap. The tool can be used by policymakers and legislators to evaluate proposed legislative changes to programs and by families to better understand how wages and public programs can improve their pathway to self-sufficiency.
Benefit Cliff – MN Benefits

Living Wage, Eligibility Programs, and Cliff Effects
(3 person household consisting of 1 adult, 1 young child, and 1 school age child)
Past   Present  Future

Collaborative approach to bring about change

Economic Development and Foundations

Policy Makers

Government agencies

Workforce and non-profit organizations
Thank you!

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