



## *Earning More But Getting Poorer: the Benefits Cliff in Arlington, VA - 2023*

Watch the video [here](#)

### Background and Discussion Guide

#### Poverty in Arlington

The 2023 Annual Median Income (AMI) for a household of 4 in Arlington is \$152,100. This high AMI masks significant income and quality-of-life disparities from one neighborhood to the next. There are about 24,000 individuals in households making 30% or less of the AMI (\$45,630 for a household of 4). Childcare workers, hospital aides, office cleaners, construction and food service employees are a vital part of our diverse community fabric and economic sustainability. Of the 24,000 individuals, about a quarter are children.

People in poverty rely on a combination of earned income, public benefits, and community supports to survive. When these resources are unpredictable, they must choose which necessities to do without. Inconsistent access to nutritious food, medical care, safe housing, and childcare has detrimental effects on their health and well-being, as well as their children's.

The Benefits Cliff refers to the drop off in eligibility for subsidies for health care, food, child care, or housing that low-income families experience with even a minor rise in earnings. Simply put, benefits decrease more than earnings increase. This discourages the worker from taking a raise or better-paying job because it would make their family worse off—or they may unwittingly take the raise without knowing about the benefits loss until it is too late.

The specific way this scenario works out is unique to each household's size, income, children's ages, and other factors. "Sandra", the woman in this story, is a single mom with 2 children, ages 10 months and 4 years old. Hers represents a very typical situation for Arlington's working poor. Her story begins with the following circumstances:

- She has a section 8 housing voucher and lives in a 2-bedroom committed affordable unit
- She is a US citizen. She grew up in Arlington.
- She works one full-time job making \$13/hour.
- Her children are in a licensed family day care home while she is at work.
- She receives the Virginia child care subsidy, SNAP and Medicaid.
- She uses her own car for transportation.
- She receives the Earned Income Tax Credit, Child & Dependent Care Tax Credit, and Child Tax Credit.

For modeling purposes, her earnings increase at \$3-\$5/hour increments every two years. Her children age 2 years at each increment, changing her child care co-pays and subsidies. After each turns age 5, her children are in sliding scale income-based before and after care in school and in a center-based summer camp until each is age 12.

Note: All calculations are in today's dollars. Neither her expenses, income nor her subsidies show inflation.

Sources: The eligibility limits and amounts for each benefit were determined by Arlington County DHS eligibility specialists for each subsidy area. Her income is based on actual local wage data and reflects workers in her income bracket. Her living expenses are based on Arlington cost of living data compiled by MIT. Michelle Winters did the graphing in consultation with Urban Institute, and the Urban-Brookings Tax Policy Center calculated her tax credits.

## SAMPLE DISCUSSION QUESTIONS

Do you know people in this bind?

How does her situation fit with the belief that anyone can make it in America if they just work hard?

What can Sandra do to make ends meet? To get ahead?

What will be the toll on her children?

What additional barriers would Sandra face if she were returning from incarceration? If she or her children had disabilities or health problems?

How would she get by if she were among the many undocumented working poor in Arlington?

What local organizations are critical to Sandra and her children's day-to-day survival?

What policies contribute to her problems? How could they be changed to create a better path for her to reach her potential?

### TOPICS TO EXPLORE ON SYSTEMS CHALLENGES FACED BY LOW-INCOME PEOPLE AND POLICIES TO ADDRESS THEM

This guide offers a compilation of strategies to promote forward mobility for people in poverty and policy changes to remove barriers in the very systems designed to help them.

Sandra's story in [Earning More but Getting Poorer](#) highlights the tight grip that poverty holds on people, keeping them caught in the tyranny of the current moment instead of being able to look forward to future plans. We know that to become economically mobile, one must have:

- ❖ increased assets and income,
- ❖ a sense of control over one's life, and
- ❖ a feeling of belonging to the community

Prerequisites to the three objectives above are solutions that create a cushion, or slack in time, attention and resources while she is bridging the benefits cliff. (*Poverty Interrupted* is a highly recommended resource on this.) If Sandra is late paying this month's bills because she is scheduled for fewer shifts at work than expected, she'll likely accrue late fees. To pay those late fees, she may need to dip into the rent money or borrow from a family member or payday lender—causing her to rack up more late fees or accrue debt that will need to be factored into next month's budget. Without slack, slight changes in income or expenses are likely to leave families scrambling to put things back in place for months or even years.

***What can government, businesses, philanthropic and community organizations do to create slack or extra reserves to counter the benefits cliff and other systems challenges?***

These range from locally-controlled County or nonprofit program changes, to innovative business practices, to major federal and State policy overhauls.

### LIVING WAGES AND PLAUSIBLE CAREER PATHWAYS

Employers can offer employees stable, family-sustaining full-time jobs with health benefits rather than keeping employees on unpredictable, hourly shifts.

[Living wages](#) are critical for people to be able to move out of poverty and dependency on public assistance. The 2023 cost of living in Arlington *for a single person with no children is nearly double* the Virginia minimum wage. The living

wage takes into account location-specific costs for a family's minimum food, childcare, health insurance, housing, transportation, and other basic necessities (e.g., clothing, personal care items, etc.). The living wage draws on these cost elements and factors in income and payroll taxes to determine the minimum employment earnings necessary to meet a family's basic needs without public assistance.

Living wages far exceed the federal poverty thresholds and Virginia's minimum wage. Even still, the living wage estimate accounts only for the basic needs of a family. It does not include funds for pre-prepared meals, entertainment, savings and debt reduction.

See the [MIT Living Wage Calculator](#) for Arlington VA. Sandra's experience aligns with this tool.

Even absent State or local policy on this, employers can voluntarily set living wages.

By plausible career pathways, we mean *realistic* careers (ex: hospitality, transportation, and building trades) that reflect people's educational backgrounds and existing skills.

By pathways we mean ones involving training or apprenticeships that lead to forward mobility. Effective pathways provide supportive services such as child care, transportation subsidies, and job search and retention assistance.

By hiring commitments, we mean that there are employers who have positions committed to this effort.

Arlington still needs a great deal of capacity-building to get to and sustain success in workforce development for low wage earners, especially those who are working parents.

#### UNCONDITIONAL SUPPLEMENTAL CASH TO GIVE FAMILIES MORE CONTROL TO MEET NEEDS AS THEY ARISE

Guaranteed income --regular monthly cash payments to low-income households with no strings attached--helps build a consistent, predictable floor under which no one can fall. It is meant to supplement, not supplant existing social safety net benefits. It is based on trust and respect for recipients with a fundamental commitment to preserving the freedom of choice and dignity of individuals.

*Can you imagine how having an extra \$500 in unrestricted monthly cash could cushion Sandra from the blows she faces as she tries to earn her way out of poverty?*

The concept has been championed as a means of ending poverty, reducing social inequalities, and promoting gender and racial equity. Guaranteed Income is NOT Universal Basic Income (UBI), because it is provided as an income floor to those with very low income rather than all people getting a set amount of regular cash whether they need it or not.

The guaranteed income movement has gained huge momentum since the pandemic era stimulus dollars flowed through the IRS to prevent millions of Americans from falling through the cracks. Guaranteed income redistributes wealth to people who need it most and who've historically been impacted by lack of opportunities--largely people of color. Measures are taken to ensure that the extra monthly cash is not counted toward benefits eligibility. There is a large body of data proving return on investment for this concept and proposals using the tax code to pay for this are working their way through legislative processes.

For more info see: <https://economicsecurityproject.org/work/guaranteed-income/>

Arlington has our own GI pilot, [Arlington's Guarantee](#), and our elected officials have joined [Counties for a Guaranteed Income](#).

#### TAX CREDITS

Without her tax credits, Sandra's situation would be substantially worse.

**EARNED INCOME TAX CREDITS (EITC):** The federal EITC benefit initially grows with earnings, reaches a plateau (at which point the benefit is not reduced as earnings increase), and then phases out gradually. Research indicates that families mostly use the EITC refunds to pay for necessities, repair homes, maintain vehicles that are needed to

commute to work, and in some cases, obtain additional education or training to boost their employability and earning power.

#### CHILD TAX CREDIT (CTC) and CHILD CARE AND DEPENDENT TAX CREDITS

Many working families with children can benefit from Child Tax Credits even if their incomes are so low that they owe little or no federal income tax in a given year. The 2021 expansion of the Child Tax Credit through the American Rescue Plan into generous unrestricted cash every month resulted in the largest drop in child poverty on record.

The Child Tax Credits in the American Rescue Plan were considered to be a bridge toward guaranteed income because they were regular (monthly), consistent, and predictable with *no restrictions on their use*. According to the Federal Reserve data, the most common use for the 2021 expanded CTC cash went toward dealing with essential needs.

Unfortunately, the expanded child tax credits were discontinued by Congress in 2022, but efforts are underway to restore them in many states.

Sandra also benefits from another tax credit, Child Care and Dependent Tax Credits, which apply specifically toward care expenses for working low-income families.

#### FURTHER GRADUATED EXIT RAMPS FOR BENEFITS

Families should continue to receive support until they are less likely to be thrown off course by the slightest shock. That cost could be offset in the long-term because fewer families would cycle between stability and instability.

#### EXTENDED INCOME ELIGIBILITIES AND REDUCED CO-PAYS FOR BENEFITS

Eligibility for many public benefits is based on the outdated federal poverty level, which was in the 1960s based predominantly on food costs. It does not take into account geographic variation and other costs such as housing, child care and health care. Policy makers agree that in the absence of an updated federal poverty line, we need to adopt a measure that reflects local living costs. For example, Arlington Community Foundation uses 30% of our area median income as a more accurate reflection of poverty in our community. Narrowly set eligibility limits and high co-pays leave many struggling households behind.

#### ASSUME PEOPLE ARE "ELIGIBLE UNTIL PROVEN OTHERWISE"

Before denying or cutting off their benefits, local and State government could give households more slack by giving a longer grace period to get all their documentation together, and by accepting that people's income varies seasonally and they vacillate between stability and instability. If they lose their jobs, don't cut their childcare while they are looking for another job.

#### CREATE AFFORDABLE CREDIT OR LOW/NO INTEREST LOANS TO REDUCE RELIANCE ON HIGH INTEREST PAYDAY LOANS

According to the Federal Reserve Bank of St. Louis, unbanked individuals spend approximately 2.5–3% of government benefit checks and 4–5% of payroll checks just to cash them.

#### THIRD-PARTY IDAs OR MATCHED SAVINGS PROGRAMS

These accounts allow participants to avoid going over-income and losing needed benefits. They can put the increased assets into savings or debt reduction. Having even a small amount of savings to use in case of emergency or a temporary hardship can promote stability and buffer against downward mobility.

#### DEBT REDUCTION COUNSELING

Many low-income families can spend more than 40 percent of their income simply paying off debts. This level of debt hijacks people's ability to make decisions, including financial decisions, causing them to focus on short-term income over long-term gains.

## HOUSING AND RENTAL SUPPORTS

- ❖ More deeply affordable housing units to bridge the gap from 30% AMI to 60% AMI

The vast majority of affordable units in Arlington are designated as affordable to households making 60% of AMI or above. To put this in perspective, Sandra's household isn't at 60% AMI until she's making \$39/hour or \$81,000 annually! There are tens of thousands of working poor households in Arlington like Sandra making less than 30% AMI, 40% AMI and 50% AMI. Most of them get no rental assistance and are therefore heavily rent-burdened because they are paying 60% AMI rents. This can be more than double what they should be paying as a sustainable percentage of their income. Investing in more units locked in at 30% AMI affordability for the long term would take the pressure off Arlington's limited housing grant and Housing Choice Voucher offerings for very low-income households.

- ❖ Increased funding for rental subsidies and grants, and decreased restrictions on their use

Currently, only about a third of the 8000 renter households making under 30% AMI have ongoing rental assistance in the form of Section 8 vouchers (like Sandra has) or County housing grants. More rental assistance funds and less restrictive eligibility requirements will bring existing units in both affordable and market rate complexes into the reach of more renters at the lowest income levels. For example, housing grants could be made to single working adults, including transition-aged youth.

The [DC Flex pilot](#) assists low-income families whose earnings and expenses may fluctuate from month to month. These families might not require the long-term deep subsidy provided by a housing voucher but need a rent cushion to prevent them from becoming homeless and to help them maintain financial stability. The program allows families to decide how much of the subsidy to spend each month, up to their full rent amount. An off month might see the family use the full subsidy, but in a boom month, the family might use none.

- ❖ Emergency stabilization funds with a longer runway

Sandra is often just one crisis (e.g., car repair, illness, loss of childcare or a job) away from homelessness. County caps on emergency assistance amounts and the very short-term nature of these supports are often not enough to allow for stabilizing steps to be taken when households are in crisis. Additional funding for longer periods of time provides a realistic runway to pay a delinquent balance or meet an unexpected expense and create a financial plan to recover from the crisis.

## AFFORDABLE CHILD CARE

Arlington has some of the highest child care costs in the country. The 2023 average cost of licensed child care in Arlington is about \$24,000 for infants and \$20,000 for toddlers. Low-income parents already paying 50% of their income on housing cannot even consider working for economic mobility if they cannot pay for child care.

Arlington's [Risk and Reach](#) study has detailed analysis on the issue. The 2018 [Arlington Child Care Implementation Plan](#) and Arlington Community Foundation's [2023 Report on the Status of Affordable Child Care in Arlington](#), contain detailed recommendations to get to deeper affordability for child care. These include improvements to the State child care subsidy program to incentivize more providers to participate and open up eligibility to more families, as well as land use, zoning and capital investment strategies to make rent more affordable for providers.

## *What are ways to help Sandra gain personal power and belonging?*

### SOCIAL CAPITAL, COMMUNITY NETWORKS

Social capital includes the people you know and can count on for information or support. Social capital is an important buffer against the isolation and chronic stress of living in poverty. Sandra's neighbor who can fix her flat tire, the group of moms at the bus stop who talk about what's going on at the school, and her faith community are all part of her social capital. Likewise, she contributes to the community in many ways—by giving others a lift home from

the food pantry, participating in resident meetings (as long as they offer free child care!) and continuing to help her parents. As she moves forward, she can share her ideas and support with others facing similar challenges. It is important for the County to engage residents like Sandra in making decisions on budget priorities.

#### COACHING/MENTORING ON GOAL SETTING

Future oriented decision-making and problem-solving skills are built through interaction with others and over time. For someone to embark on the difficult process of making significant changes in their life, they must believe they can succeed and have the motivation and encouragement to follow through. Reinforcement of positive identities by mentors and coaches can help people of all income levels set and meet goals.

Nonprofits and neighbors can tap into Sandra's positive identity in the face of the indignities in her journey. They can confront the biases she faces. They can treat her as resourceful and fundamentally capable of achieving her goals.

### OTHER IMPORTANT TOPICS

#### Racial disparities in generational wealth

A job loss, a catastrophic accident, an abusive partner, or addiction can put anyone in crisis mode. But people with a family legacy of economic security, property ownership and community acceptance can recover from these crises far better than those coming from generational poverty and discrimination. Black Americans lag significantly behind their white counterparts in terms of generational wealth. Disparities between white and Black Americans can be traced to policies that have either implicitly or explicitly discriminated against Black Americans over generations.

#### Barriers to undocumented households

Undocumented heads of household are not eligible for Medicaid and other forms of public assistance or County housing grants. While minor children are eligible in many cases, many Arlington residents who are immigrants are afraid to take advantage of these for fear of being classified as [public charges](#).

#### Chronic stress effects of poverty

Poverty is caused by flawed economic and social systems, political decisions, and market forces. The work required to stay afloat in the face of chronic time and money shortages is a significant drain on mental energy and bandwidth. For example, a payday loan may be a plainly bad financial choice in the long run, but the immediate tradeoff of no electricity or food can trump that long-term loss.

Prolonged chronic scarcity takes a toll and can lead people to a breaking point. It has been compared to trying to function without a night of sleep - making things like planning and self-regulation very difficult. Often, people under chronic stress are judged harshly as if what they are experiencing is a personal or moral failing, rather than the weight of flawed systems.

#### Effects on children in the household

Family stability and self-sufficiency are inextricably linked to the development of children, including their brain development, school success, and health. For these reasons, there is increased focus on potential mechanisms for reducing the benefits cliff to support stronger outcomes for children and families. The experience of growing up poor can lead children to develop feelings that they are not the type of people who belong at school. Further, growing up in less-predictable environments—such as those characterized by housing insecurity and food insecurity—children can develop a sense that they are on the receiving end of life, rather than in charge or in control.

Many of the behaviors associated with good parenting are also affected by the pressure of *right now*. Reading and conversing with a small child often requires more energy than turning on a television; likewise, getting to the grocery store to purchase produce and cook a nutritious meal is more time-intensive than eating out or serving pre-cooked food.

## *What's already going on in Arlington to help with these issues?*

### Community safety-net

Through strong public-private collaboration, the County and Arlington's safety-net nonprofits address the basic necessities for a stable life: housing and shelter; health and mental health services; food; and emergency and employment assistance.

The County [Department of Human Services](#) coordinates and oversees federal, state, and local public assistance and employment programs for low-income individuals like Sandra. Their Customer Service Center serves as a triage for residents seeking needed services. In FY 2023, the Customer Service Center received nearly 77,000 phone calls and had over 36,000 walk-in visitors seeking assistance. DHS's Community Outreach staff are in the community to meet and serve residents who may hesitate coming to the County offices or do not know about available services.

Arlington's safety net nonprofits fill critical service gaps and supplement often under-resourced local government programs. Nonprofits offer accessibility and flexibility in responding to community needs that government programs often cannot. Many employ people with lived experience who can most authentically connect with residents like Sandra. They also are able to help individuals access resources provided by the County.

### Removing Bureaucratic Barriers

The realities of poverty clash with the systems designed by the middle class, resulting in challenges like the benefits cliff effect illustrated in the video of Sandra's story. Beginning in 2016, Arlington Department of Human Services, Arlington Community Foundation, and Arlington nonprofits worked to make our local safety-net system more effective using aspects of the [Bridges Out of Poverty \(BOP\) Framework](#). The BOP partners streamlined processes to reduce time and bandwidth burdens for Sandra and others in navigating the system to get needed resources.

Even with these intensive County and nonprofit efforts, the inevitable setbacks in moving forward are daunting and require policy solutions—many at the state and federal level—such as those in this discussion material.

### Shared Prosperity Initiative

With the support of the Kresge Foundation, Arlington Community Foundation (ACF) launched Arlington's [Shared Prosperity Initiative](#) in 2019 to address the affordability pressures that Sandra and so many others face trying to stay in Arlington. Arlington's childcare workers, hospital aides, office cleaners, construction and food service employees are a vital part of our economic success and diverse community fabric, yet they do not enjoy the same economic success. ACF runs demonstration pilots to test new strategies and is calling on the business and government sectors to deploy more resources for scaled up solutions around [housing](#) and [child care](#) that is more deeply affordable for residents making 30% AMI and below. ACF is also advocating for living wages and scalable strategies for [plausible career pathways](#).

### Arlington's [Affordable Housing Master Plan \(AHMP\)](#)

The AHMP—reviewed and updated with new analysis in 2022—defines the policies needed for meeting housing needs at all income levels in Arlington. Its 2022 [Implementation Framework](#) lays out existing and potential tools for fulfilling the targets and policies of the AHMP.

### [Alliance for Housing Solutions](#) (AHS)

AHS brings together a coalition of housing policy and finance experts, community groups and individuals with a goal to increase the supply of housing across the spectrum of affordability through public education, policy development, advocacy and innovation.

## [Arlington Child Care Initiative \(CCI\)](#)

The [CCI's Action Plan](#) has a special emphasis on zoning, code and other policy changes to improve supply and affordability of child care for Arlington's vulnerable populations.

## [Destination 2027](#)

Destination 2027 is a coalition of County and community organizations focusing on eliminating disparities in the living conditions of Arlington residents and the formation of a County [equity resolution](#).

Sources and Suggested Reading:

[Poverty Interrupted](#), Ideas 42

[Poverty is not just a lack of money](#), Patel, US Partnership on Mobility from Poverty

[US Partnership on Mobility from Poverty](#) (the Partnership has concluded but the site has many resources)

[Examining, Understanding and Mitigating the Benefits Cliff Effect](#) Aha! Process, Inc.

[Cliff Effects](#), Center for Social Policy, University of Massachusetts

[Systematic Inequality](#): How America's Structural Racism Helped Create the Black-White Wealth Gap, Hanks et.al, Center for American Progress. 2018

[Poverty, by America](#), Matthew Desmond 2023