



PRESS RELEASE

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Online calculator demonstrates struggles of low-income working families Calculator could affect state policy decisions in January

ALBUQUERQUE—Among the many hardships faced by low-income working families is the so-called 'cliff effect' – when a raise in pay actually creates financial hardship. But policymakers now have a new tool for understanding and addressing this problem. The tool – an online calculator – is courtesy of the National Center for Children in Poverty (NCCP), and it's not a moment too soon. As the state Legislature convenes in January to grapple with diminished state funds, talk will likely turn to cutting work supports like childcare assistance. This calculator can make a case against that.

The cliff effect works like this: A low-income parent, who depends on work supports – such as Food Stamps, childcare assistance, and health care coverage – in order to make ends meet, receives a raise in pay. The pay raise makes the parent ineligible for one or more of the work supports – even though the raise is worth less than the value of the work support that's lost. In essence, a family trying to work their way out of poverty is thrown off an economic cliff. They find themselves worse off financially than before they received the pay raise.

"It's not uncommon for parents to turn down a small raise because they simply can't afford to accept it," said Bill Jordan, Policy Director for New Mexico Voices for Children. "This calculator gives a graphic depiction of that problem."

The online calculator – called a Family Resource Simulator – shows at what point a family encounters the cliff effect and to what extent it puts them back financially. The tool can calculate the cliff effect for a variety of different family configurations based on earnings and the cost of living in six New Mexico areas.

"Legislators have come to us about the cliff effect because they get so many calls from their constituents about it," said Jordan. "The Family Resource Simulator shows the importance and value of work supports and will help legislators make the case for a more measured transition off of these support so families aren't penalized for their hard work," he added.

"As in many other states, New Mexico's families face the largest cliff when they lose childcare assistance," said Nancy Cauthen, Deputy Director at NCCP.

"The recent increase in the income limit for childcare assistance in New Mexico was a step in the right direction," added NCCP Senior Policy Associate, Kinsey Dinan. "Further expansions could ensure that families are always better off when they work and earn more."

NCCP, which announced the New Mexico Simulator earlier this week, created it at the request of NM Voices. NCCP currently offers Simulators tailored to 20 states.

The Family Resource Simulator is accessible online at <http://nccp.org/tools/frs>, and a companion publication, *Making Work Supports Work*, which gives more background on the issue and some policy solutions, is available at http://nccp.org/publications/pub_824.html.

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New Mexico Voices for Children is a nonpartisan, nonprofit organization advocating for policies to improve the health and well-being of New Mexico's children, families and communities.
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