



# Making Work Pay in New Mexico

## Supporting Work and Avoiding “Cliffs”

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**NCCP**

**National Center for Children in Poverty**  
Mailman School of Public Health  
Columbia University



## Who We Are

- ◆ NCCP is the nation's leading public policy research center dedicated to the economic security, health, and well-being of low-income children and families.
- ◆ Part of Columbia University's Mailman School of Public Health, NCCP promotes family-oriented solutions at the state and national levels.
- ◆ Our ultimate goal: Improved outcomes for the next generation.



## Who We Are (cont)

- ◆ NCCP has extensive experience analyzing supports for low-wage workers and their families, with a focus on state policy choices.
- ◆ Our work highlights the impact of public policies on family budgets - and identifies policy reforms that would better support working families.



# The Challenge: Making Work Pay



## Many Full-time Workers Can't Make Ends Meet

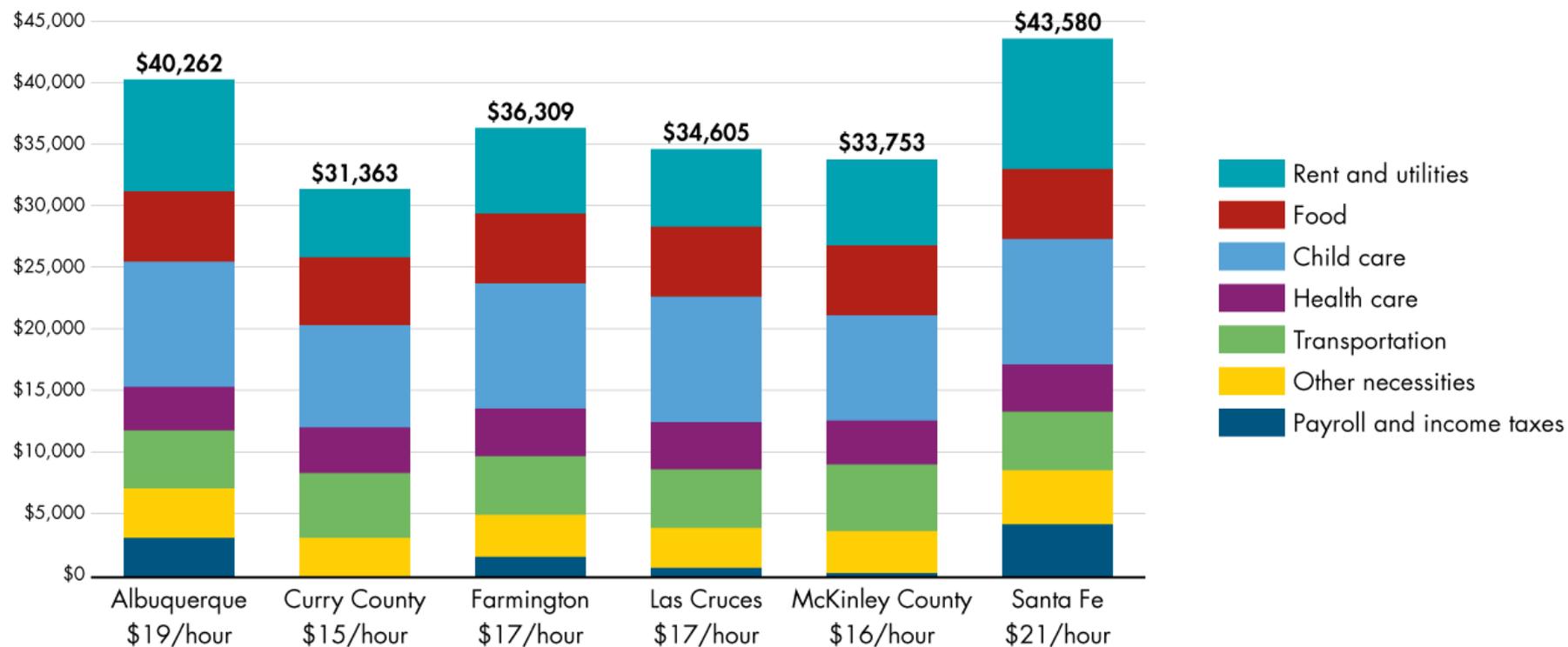
- ◆ A single parent with two children in Albuquerque needs to earn about \$19 an hour (about \$40,000 a year) to cover basic necessities.
- ◆ That's 3 times the minimum wage of \$6.55 an hour and more than *double* the official poverty level for a family of three.
- ◆ Across the state, a single parent with two children needs to earn about \$15 to \$21 an hour (depending on local cost of living) to make ends meet.



## Basic Needs Budgets: Six Localities, NM

Single parent with two children, ages 3 and 6

Total budget



Source: National Center for Children in Poverty's Basic Needs Budget Calculator, New Mexico 2008 <[www.nccp.org/tools/budget](http://www.nccp.org/tools/budget)>.



## Many Full-time Workers Can't Make Ends Meet (cont)

- ◆ This is a bare-bones budget that includes only the most basic daily living expenses.
- ◆ It does *not* include:
  - Debt payments
  - Savings for a home, children's education or retirement
  - Leisure activities or enrichment activities for children
  - Financial cushion in case of illness or other family crisis



## Work Supports Can Help Close the Gap

- ◆ “Work supports” include earned income tax credits, child care assistance, health insurance, and food stamps.
- ◆ These benefits encourage, support, and reward employment.
- ◆ Work supports help low-wage workers make ends meet and increase employment stability.



## Work Supports Can Help (cont)

- ◆ But most work supports are means-tested so as earnings increase, families begin to lose their benefits even though they can't yet make ends meet.
- ◆ Just a small increase in earnings sometimes triggers a sharp reduction in benefits - sometimes called a “cliff.”
- ◆ The result is that increased earnings may leave a family no better off - or even worse off.



# Assessing Work Supports in New Mexico



## A Comprehensive Work Support System Should:

- ◆ **Provide adequate family resources.** If parents work full time, their earnings combined with public benefits should be sufficient to cover basic family expenses.
- ◆ **Reward progress in the workforce.** When parents increase their earnings, their families should always be better off.
- **Do New Mexico's policies achieve these goals?**



## NCCP's Family Resource Simulator

- ◆ The **Family Resource Simulator** is an online policy tool designed to assess the effectiveness of work support policies.
- ◆ The Simulator illustrates how:
  - Federal and state work supports can fill the gap between low wages and expenses.
  - Work supports fall short as family resources increase.
  - Policy improvements can address “cliffs” and ensure that families are always better off as parents work and earn more.



Putting Research to Work for Children and Families

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## Family Resource Simulator

<b>step 1</b>	<b>step 2</b>	<b>step 3</b>	<b>step 4</b>	<b>step 5</b>	<b>step 6</b>	<b>step 7</b>	<b>step 8</b>
City & State	Family	Income & Assets	Work Supports	Child Care	Health Insurance	Other Expenses	Results

### 1 Select state and city (or county).



New Mexico 2008

- Select a Location
- Select a Location
- Albuquerque/Bernalillo County
- Curry County
- Farmington/San Juan County
- Las Cruces/Dofia Ana County
- McKinley County
- Santa Fe/Santa Fe County

### What is the Family Resource Simulator?

The Family Resource Simulator illustrates how family resources and expenses change as earnings increase. Create your own scenario by clicking on the arrow above or see [sample results](#).

### also of interest

- ▶ Making "Work Supports" Work
- ▶ Use the Basic Needs Budget Calculator
- ▶ Low-Wage Work



## Work Supports in New Mexico

- ◆ Federal and state earned income tax credits
- ◆ Federal and state child care tax credits
- ◆ Public health insurance (Medicaid, SCHIP, state programs)
- ◆ Child care subsidies
- ◆ Food stamps
- ◆ TANF cash assistance



## Key Findings:

### 1. Work Supports Can Narrow the Gap

- ◆ New Mexico's work support policies can significantly narrow - and in some cases, *close* - the gap between low wages and the rising cost of basic needs.
- ◆ But for low-wage workers, it takes multiple benefits in addition to a full-time job to make ends meet.



## Impact of Work Supports: Albuquerque, NM

Single parent with two children, ages 3 and 6 (assumes full-time employment at \$9 an hour)

	Employment alone (no benefits; no tax credits)	Employment <i>plus</i> : - food stamps - federal and state tax credits - public health insurance	Employment <i>plus</i> : - food stamps - federal and state tax credits - public health insurance - child care subsidy
<b>Annual Resources (cash and near-cash)</b>			
Earnings	\$18,720	\$18,720	\$18,720
Food stamps	\$0	\$3,913	\$2,915
Federal EITC	\$0	\$4,015	\$4,015
Federal Child Tax Credit	\$0	\$1,046	\$1,046
Federal Child Care Tax Credit	\$0	\$67	\$67
State EITC	\$0	\$401	\$401
State child care tax credit	\$0	\$893	\$382
<b>Total Resources</b>	<b>\$18,720</b>	<b>\$29,055</b>	<b>\$27,546</b>
<b>Annual Expenses</b>			
Rent and utilities	\$9,120	\$9,120	\$9,120
Food	\$5,691	\$5,691	\$5,691
Child care	\$10,183	\$10,183	\$1,122
Health insurance premiums	\$3,096	\$1,560	\$1,560
Out-of-pocket medical	\$456	\$276	\$276
Transportation	\$4,709	\$4,709	\$4,709
Other necessities	\$3,999	\$3,999	\$3,999
Payroll taxes	\$1,432	\$1,432	\$1,432
Income taxes (excluding credits)	\$17	\$17	\$17
<b>Total Expenses</b>	<b>\$38,703</b>	<b>\$36,987</b>	<b>\$27,926</b>
<b>Net Resources (resources - expenses)</b>	<b>-\$19,983</b>	<b>-\$7,932</b>	<b>-\$380</b>

Source: National Center for Children in Poverty's Family Resource Simulator, New Mexico 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>.



## Key Findings:

### 2. Benefit “Cliffs” Keep Families Struggling

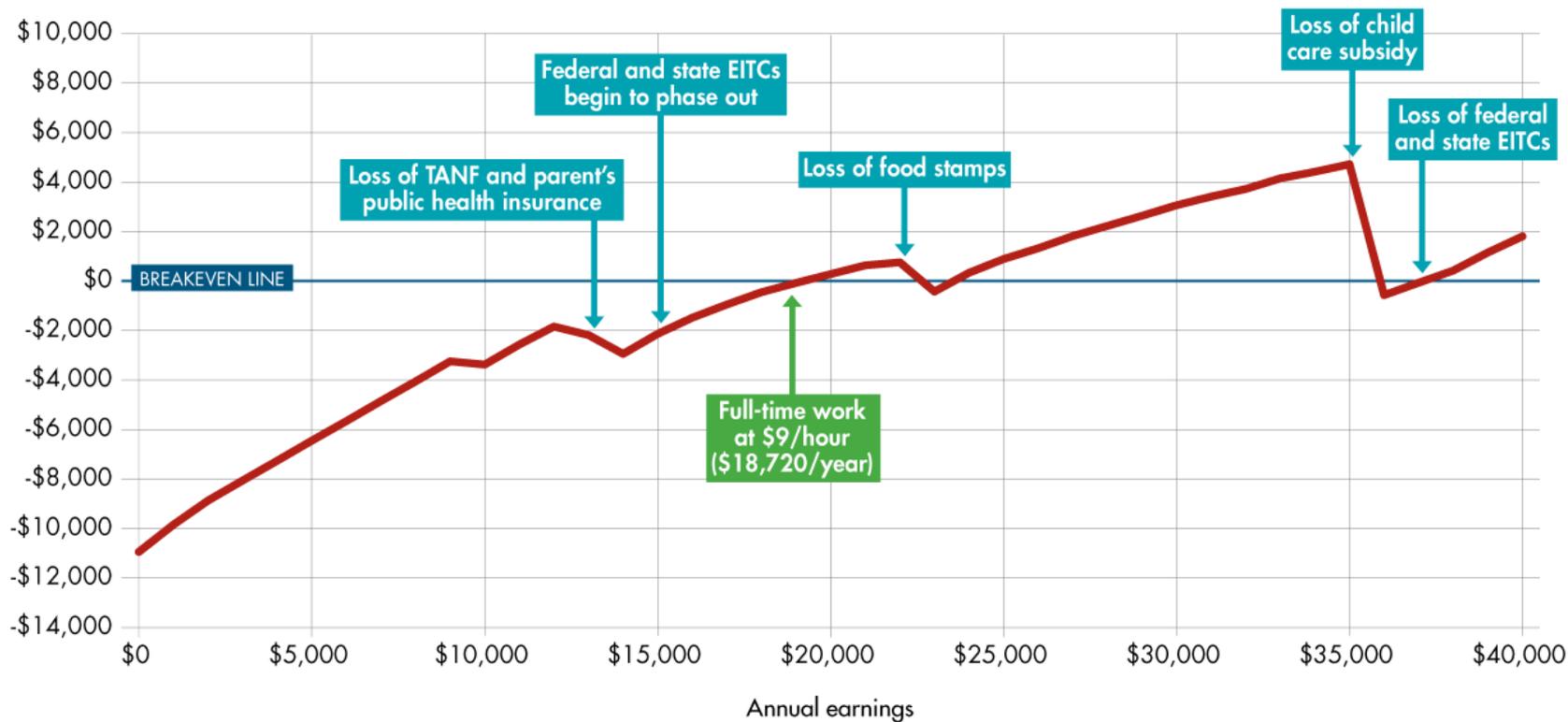
- ◆ As parents advance in the workforce, the loss of critical supports keeps them struggling to get ahead.
- ◆ The loss of certain benefits leads to “cliffs” that leave families worse off than they were before, despite increased earnings.
- ◆ Results are similar across the state.



## Net Family Resources as Earnings Increase: Albuquerque, NM

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



**Source:** National Center for Children in Poverty's Family Resource Simulator, New Mexico 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state tax credits, TANF cash assistance, food stamps, public health insurance, and a child care subsidy.



## Net Family Resources as Earnings Increase: Six Localities, NM

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

CURRY COUNTY

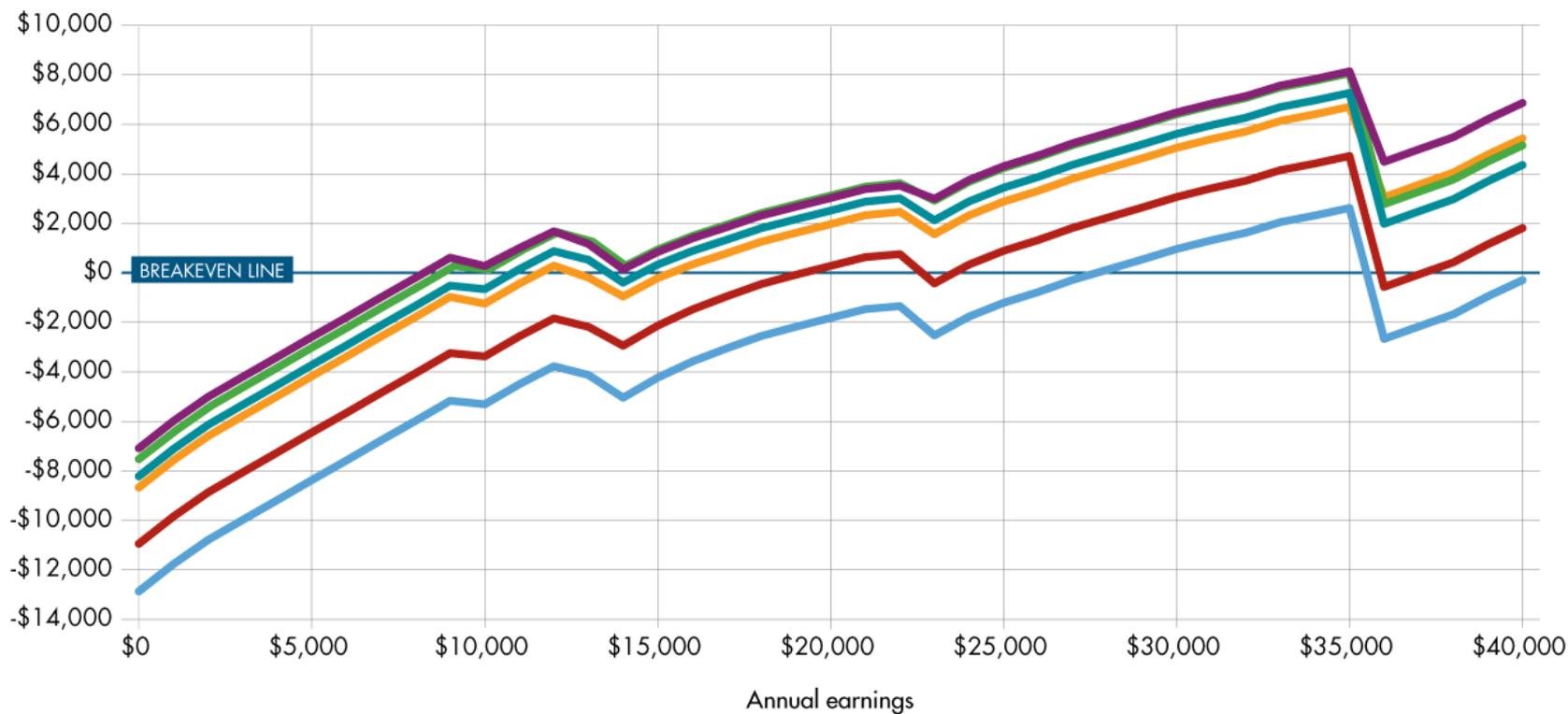
LAS CRUCES

FARMINGTON

McKINLEY COUNTY

ALBUQUERQUE

SANTA FE



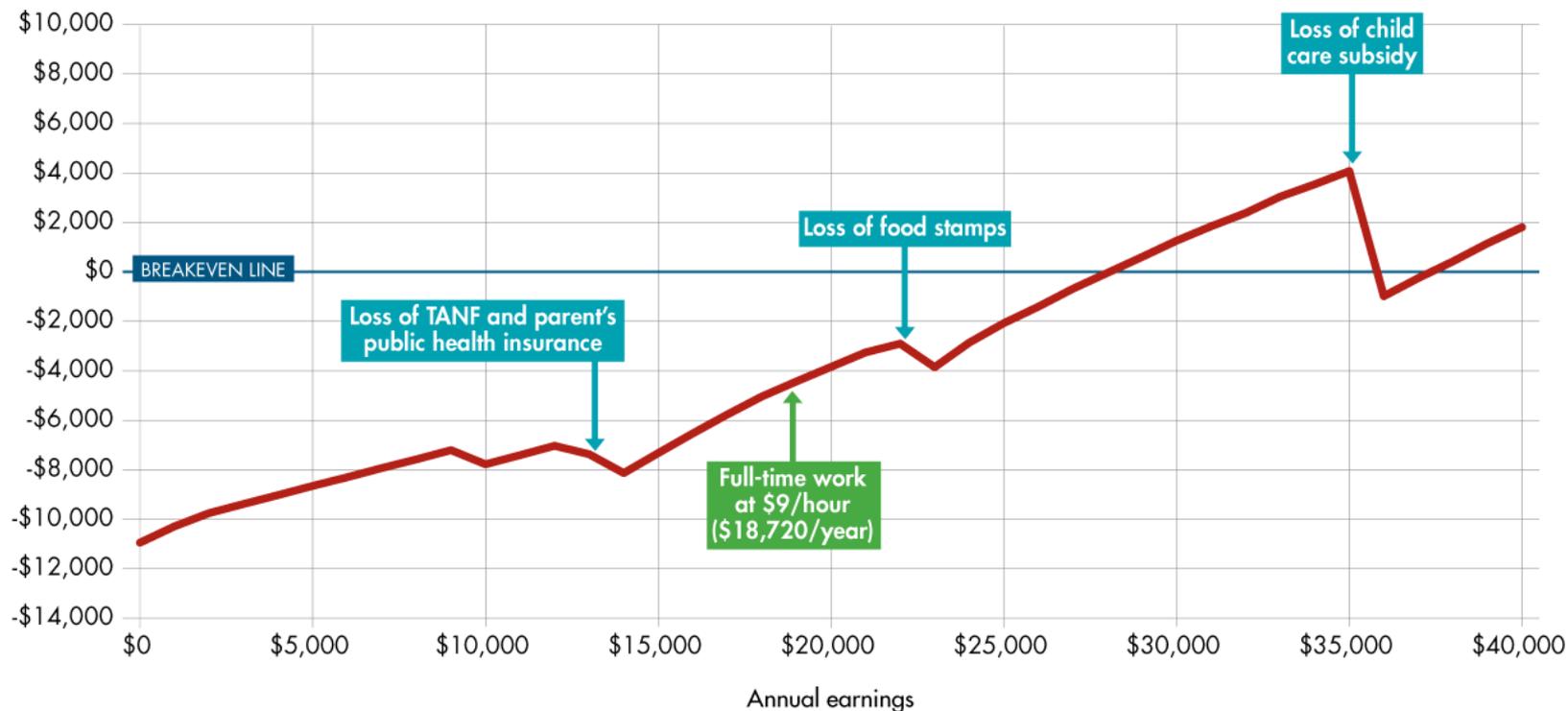
**Source:** National Center for Children in Poverty's Family Resource Simulator, New Mexico 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state tax credits, TANF cash assistance, food stamps, public health insurance, and a child care subsidy.



## Net Family Resources *Without* Federal and State EITCs: Albuquerque, NM

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



**Source:** National Center for Children in Poverty's Family Resource Simulator, New Mexico 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state child care tax credits, TANF cash assistance, food stamps, public health insurance, and a child care subsidy.



## Key Findings:

### 3. Benefit Cliffs Can Be Addressed

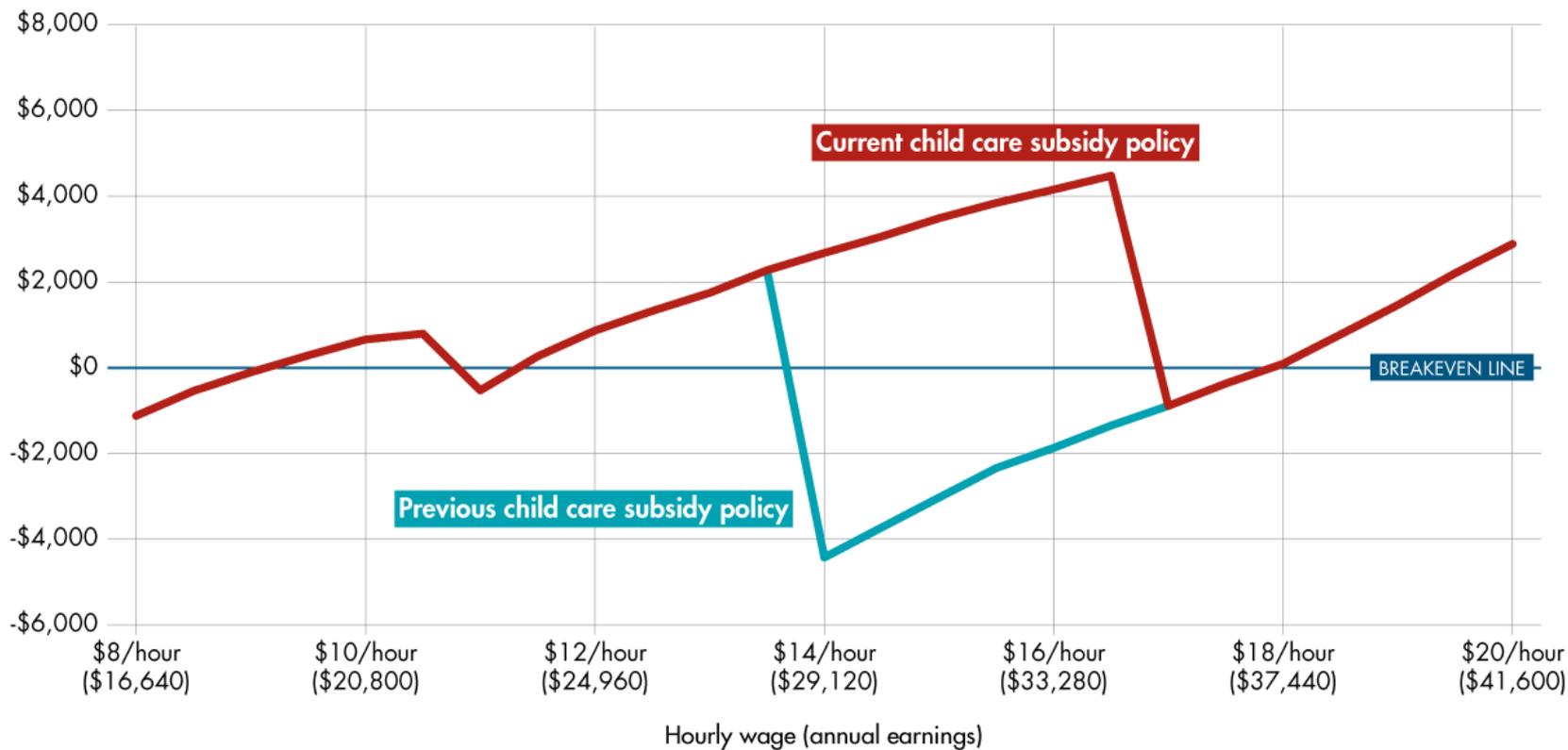
- ◆ New Mexico recently took an important step by increasing the income limit for child care subsidies.
- ◆ But eligibility doesn't guarantee access: need to ensure that eligible families receive assistance.



## Impact of Child Care Policy Change for Full-time Worker: Albuquerque, NM

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



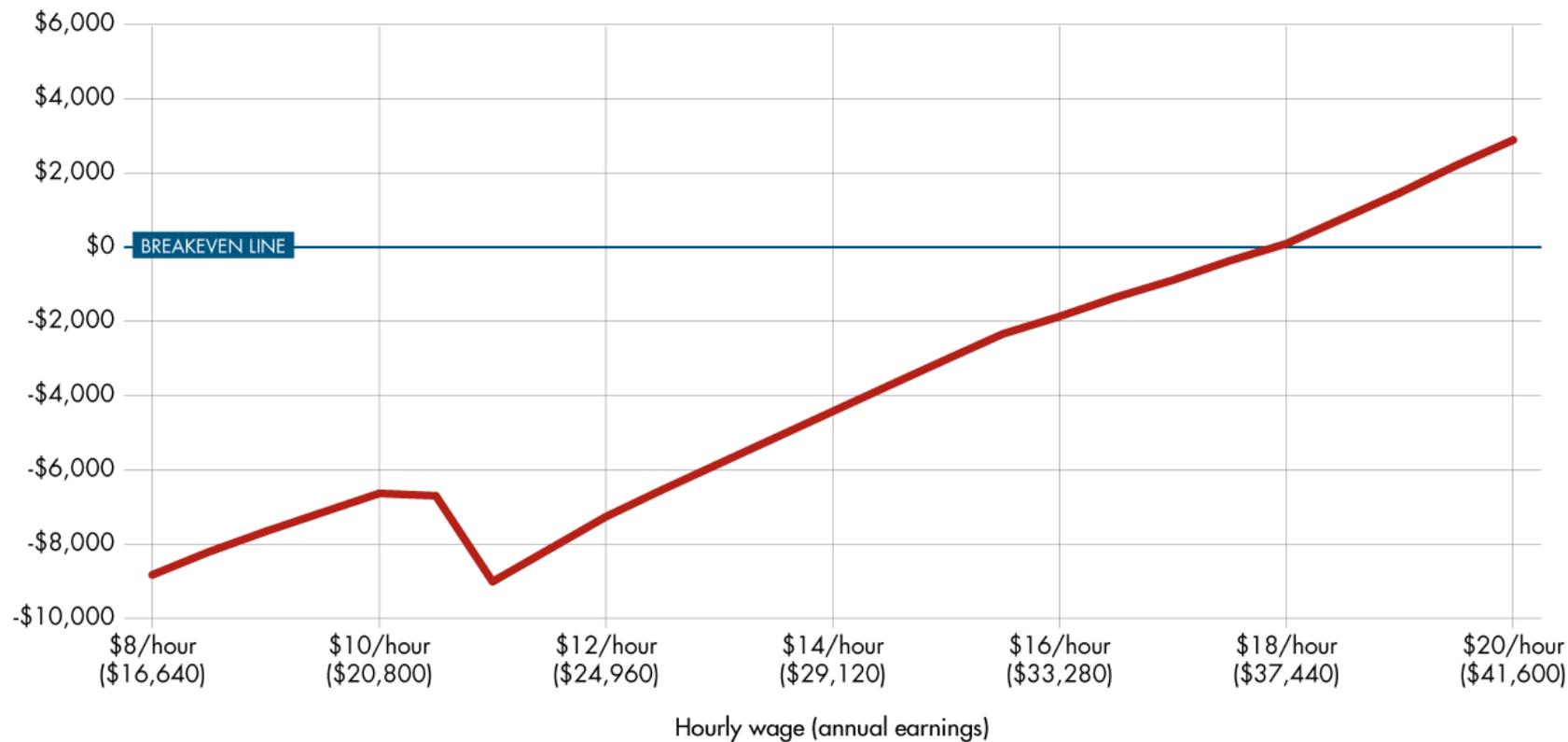
**Source:** National Center for Children in Poverty's Family Resource Simulator, New Mexico 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.



## Full-time Worker *Without* Child Care Subsidy: Albuquerque, NM

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



**Source:** National Center for Children in Poverty's Family Resource Simulator, New Mexico 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, and public health insurance.



## Key Findings :

### 3. Benefit Cliffs Can Be Addressed (cont)

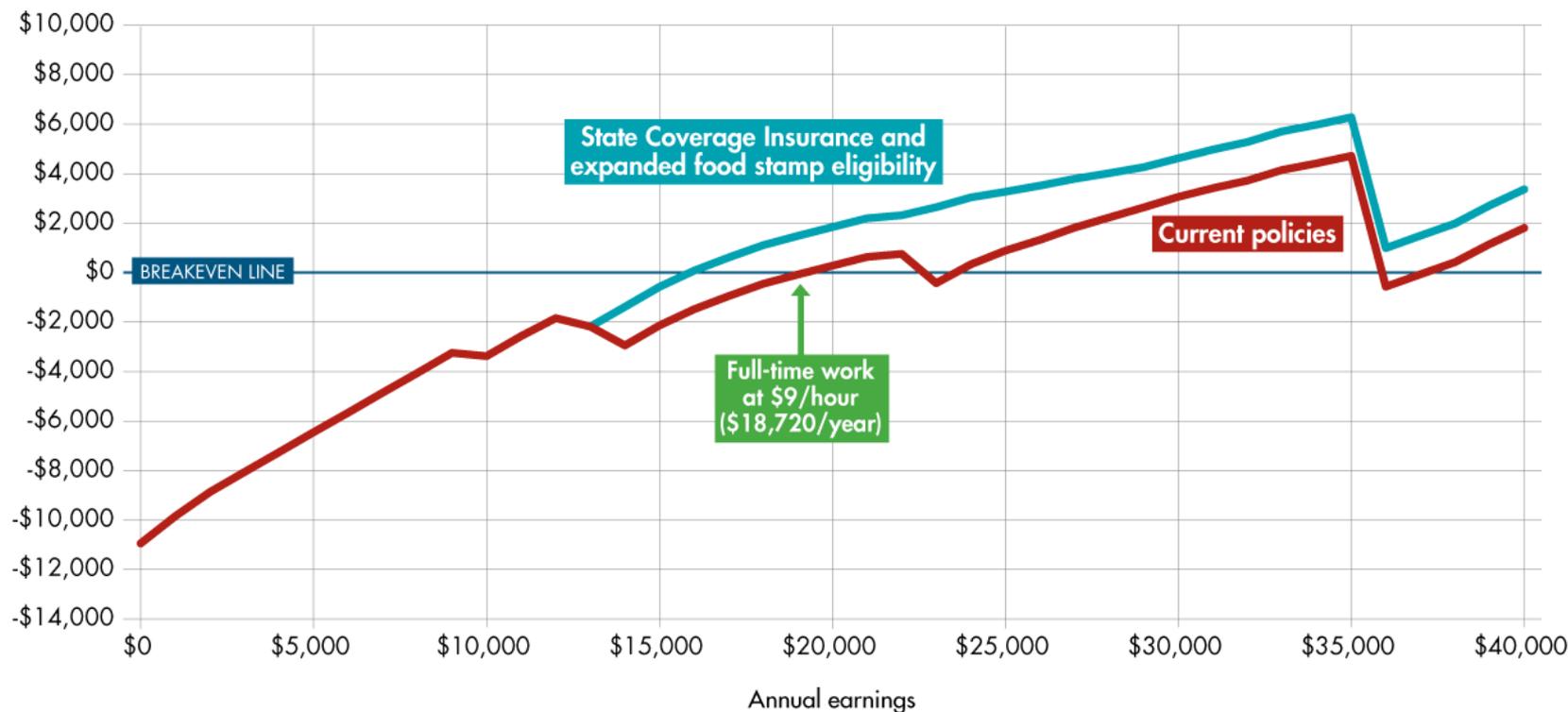
- ◆ State Coverage Insurance could reduce the Medicaid cliff for parents but enrollment is currently closed.
- ◆ The food stamp cliff could be eliminated by taking advantage of the federal food stamp option to expand “categorical eligibility.”



## Impact of State Coverage Insurance and Food Stamp Policy Change: Albuquerque, NM

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



**Source:** National Center for Children in Poverty's Family Resource Simulator, New Mexico 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible, the family receives the following work supports: federal and state tax credits, TANF cash assistance, food stamps, public health insurance, and a child care subsidy.



## Strategies for Making Work Pay

- ◆ Phase benefits out gradually to avoid steep cliffs.
- ◆ Raise eligibility limits.
- ◆ Be mindful of program interactions so families don't lose multiple benefits simultaneously.
- ◆ Also need to serve a greater share of eligible families.



## For More Information

Visit NCCP's website:

[www.nccp.org](http://www.nccp.org)

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