

CHILDHOOD POVERTY



Policy Brief

The federal government uses a definition of poverty that was created in 1965. Even though the “basket of goods” on which it was based has changed dramatically, the definition has remained static for 40 years. For 2008, the federal poverty level (FPL) is \$21,200 for a family of four. Children living in such families are considered “poor.” Yet research shows that, on average, families need twice that income to meet basic needs. Children from families at 200% FPL are considered “low-income.” Eligibility and benefit levels of many low-income assistance programs are based on these poverty guidelines.

Federal Poverty level (FPL)

% Gross Yearly Income

Family Size	100%	185%	200%	250%
1	\$10,400	\$19,240	\$20,800	\$26,000
2	\$14,000	\$25,900	\$28,000	\$35,000
3	\$17,600	\$32,560	\$35,200	\$44,000
4	\$21,200	\$39,220	\$42,400	\$53,000
5	\$24,800	\$45,880	\$49,600	\$62,000

Demographics of Oklahoma Children

There are 888,000 children in Oklahoma, living in 515,000 families. 20% of Oklahoma’s children are considered “poor,” meaning they live in households whose family income is at or below 100% FPL (\$21,200 per year). Another 27% are considered “low-income” (less than 200% FPL, or \$42,400 per year). A total of 47% of Oklahoma’s children live in families who struggle to meet basic needs.

Oklahoma has implemented a number of successful work-support programs to help families gain employment and work toward self-sufficiency, such as the Earned Income Tax Credit, the Marriage Initiative, Child Care Subsidies and health insurance for children. Yet many bread-winners find that a full-time job at low wages is often not enough to support their family. Indeed, working hard and getting a raise may actually leave them with less money. This phenomenon is called the “cliff effect.”

RECOMMENDATION:

The 2009 Children’s Agenda supports efforts to reduce the “cliff effect” that results in an abrupt loss of all work-support benefits when a low-income family earns a small increase in wages by increasing the income eligibility limits for child care subsidies and phasing out benefits more gradually.

Fiscal Note:

One proposed scenario would lessen the cliff effect in \$100 increments, so that as families increase their earnings, their co-payments would still increase, but not all at once. Based upon the historical count of families per income eligibility and participation levels, the Department of Human Services has estimated the cost of this proposal to be \$3,542,400. However, this is not part of the agency budget request for FY 2010.

What is the Cliff Effect?

The cliff effect occurs when a family loses eligibility to a means-tested work support benefit, such as a child care subsidy, due to increased earnings. This sudden drop off in benefits can leave a family much worse off financially than it was before the wage earner took a promotion or salary increase. To illustrate:

The cost of child care for one infant is roughly \$500 per month. A family earning \$14/hour (\$2425 per month) is eligible for a subsidy, so that they pay only \$189 per month. But when that family receives a ten-cent/hour raise (an additional \$17 per month), they lose their child care subsidy and are suddenly responsible for the entire \$500. The extra \$17 per month in earnings costs them \$311 per month in lost child care subsidies.

Instead of moving working families toward self-sufficiency, the abrupt end of such work supports punishes those who increase their earnings, forcing many to give up promotions, raises and overtime or opportunities for better jobs. In order to eliminate this problem, Oklahoma must revise the sliding eligibility scale to more gradually phase out benefits so that a family never loses more than it gains when its income increases.