

LB 358: Rewarding Work and Moving People Ahead

Despite hard work many families in Nebraska are struggling to make ends meet. In fact, hunger has risen to an all-time-high. Food insecurity has increased by 67% in the last decade, and today, *1 in 5 Nebraska children do not know where their next meal is coming from*. The Supplemental Nutrition Assistance Program (SNAP, formerly called food stamps) has proven to be one of the most effective anti-hunger programs for Nebraska children and families.

But right now SNAP is designed in a way that makes it difficult for families to take a pay raise or get a better paying job without losing the support of SNAP. This is known as the “**cliff effect**,” where a small raise at work triggers a much larger loss of work supports like SNAP. For example, an increase of 25 cents an hour in pay might put a family over the eligibility threshold for SNAP, causing them to lose that support. But 25 cents an hour is not enough to cover the cost of the food the family needs and was able to purchase with the help of SNAP.

The SNAP cliff effect forces working families to choose between a promotion at work and food on the table. **LB 358 addresses the SNAP cliff for families, allowing hardworking Nebraskans to accept raises or promotions and still qualify for assistance. See cliff effect example, below.**

How would LB 358 help working families?

To be eligible for SNAP households must pass two income tests.

-A household’s *gross* monthly income must be at or below 130% of the federal poverty level (FPL), or about \$2,200 for a family of three, AND

-A household’s *net* monthly income (*or income after certain deductions are applied*) must be at or below 100% of the federal poverty level, or about \$1,700 for a family of three. Deductions are permitted for things like rent, utilities, and child care.¹

Because of these rules, families may forgo a wage increase taking them over the gross income limit because they would lose SNAP entirely.

LB 358 would help address this issue, by increasing the gross income limit to 158% FPL, or \$31,850 for a family of three, while preserving the current net income limit, which is set at 100% FPL. In other words, under the legislation, a family of three could earn up to \$31,850 and still access SNAP, as long as they have significant expenses like childcare to deduct to take their net income to about \$20,400.

Nebraska would join at least 31 other jurisdictions that have raised their gross income eligibility limit—many of which have elected to set their limit at 200% FPL.²

The Cliff Effect and LB 358

Crystal, a Nebraska mother and focus group participant, experienced the cliff effect first hand. “I was only getting \$170 [through SNAP] for my daughter but because I got a raise, a 50 cent raise [per hour], I only get \$88 now to feed my daughter for the whole month.”

Crystal’s 50 cent raise increased her income by \$20 per month before taxes, yet the raise caused her to lose \$82 in SNAP benefits. In the end, Crystal lost four times more income than she gained through her raise.ⁱ

Quick Facts on SNAP and Child Hunger

Healthy child development is the foundation of community and economic prosperity. Research demonstrates that childhood hunger has long-term and detrimental effects on cognition, physical and mental health, academic performance, and behavior.³

Child poverty in Nebraska has begun to recover from recession highs, but hunger has continued to rise to an all-time-high. Food insecurity has increased by 67% in the last decade, and today, *1 in 5 Nebraska children don't know where their next meal is coming from.* Many of our rural counties have even higher rates of child food insecurity, as high as 1 in 3 in Thurston County, for example.⁴

The Supplemental Nutrition Assistance Program has proven to be one of the most effective anti-poverty programs for Nebraska children. It is estimated that *SNAP has lifted 34,000 Nebraskans above the poverty line.*⁵ Half of all SNAP recipients in Nebraska are age 18 and under, or over 87,000 children.⁶ About 18% of all children in our state participate in SNAP, although there is variation across the state, as high as 49% of all children in Thurston County participating.⁷

- **SNAP generates additional economic activity in communities across Nebraska.** SNAP is instrumental during economic fluctuations—even in the weak economy of the recession, every \$1.00 increase in SNAP expenditures boosted real GDP by \$1.73.⁸
- **SNAP supports the neediest children and families with targeted food assistance.** Currently, a family of three must have a yearly net income of \$19,800.⁹ Eligibility for SNAP in Nebraska allows investments to be concentrated on helping low-income families who may be experiencing temporary financial instability, such as unemployment or a medical emergency.
- **SNAP leverages federal funds to benefit hardworking families and their communities.** Federal funding supports 100% of SNAP benefits and half of all administrative costs.

¹ Deductions include a 20% earned income deduction. In addition, current maximum allowable deductions from gross income levels include: \$504 for shelter, \$51 for telephone, a \$155 standard deduction for a family with up to 3 household members, and dependent care as billed.

² United States Department of Agriculture, "Broad-Based Categorical Eligibility," August 2016, available online at: <https://fns-prod.azureedge.net/sites/default/files/snap/BBCE.pdf>.

³ "I'm trying as hard as I can" Barriers to Economic Opportunity for Nebraska Women. *Voices for Children in Nebraska*.

⁴ Katie Adolphus, Clare L. Lawton, and Louise Dye, "The Effects of Breakfast on Behavior and Academic Performance in Children and Adolescents," *Frontiers in Human Neuroscience* 7, no. 425. (2013). Linda Weinreb, et al., "Hunger: Its Impact on Children's Health and Mental Health," *Pediatrics* 110, no. 4 (2002).

⁵ Voices for Children in Nebraska, *Kids Count in Nebraska 2016 Report*, available online at: www.kidscountnebraska.com.

⁶ Center for Budget and Policy Priorities, "In Nebraska, Safety Net Lifts Roughly 230,000 People above Poverty Line and Provides Health Coverage to 33 Percent of Children."

⁷ *Id.*

⁸ Voices for Children in Nebraska, *Kids Count in Nebraska 2016 Report*, county-level data available online at: <http://voicesforchildren.com/data-research/kids-count/neteractive/neteractive-es/>.

⁹ Mark M. Zandi, "Assessing the Macro Economic Impact of Fiscal Stimulus 2008," Moody's Analytics, 4.

⁹ 475 NAC 000-201.