

Considering the Benefits Cliff Embedded in the Relationship between Housing and Health

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Abstract

This Commentary introduces the reality of the benefits cliff into the housing and health relationship. Improving both housing and health requires addressing the benefits cliff facing extremely low- and low-income people. Those living below the poverty line are at greatest risk of poor, inadequate, and unhealthy living conditions. They are also the group most at risk for losing benefits and economic supports on their journey toward economic self-sufficiency. Addressing the housing crisis in Delaware demands that we recognize the benefits cliff looming on the horizon for extremely low- and low-income families struggling toward self-sufficiency. Effective policies and interventions, at a minimum, need to be informed by the experiences of those struggling to navigate the benefits cliff and achieve economic mobility and need to be integrated across housing, economic benefits, and health care.

Research has established that housing is a health issue and that the worse the housing situation, the worse the impact on health. Those experiencing homelessness, particularly chronic homelessness, for instance, experience high rates of physical health issues, chronic diseases, substance abuse, and mental health challenges. Furthermore, health issues cause as well as are exacerbated by homelessness.¹ Housing that is poor quality or in disrepair increases the incidence of injuries, asthma, cancer, cardiovascular disease, and other health issues. Living in unhealthy housing also worsens mental health, in part due to the stress of living in unsafe and unhealthy environments. Conversely, affordable housing reduces negative health outcomes, because a lower proportion of income is dedicated to housing and greater proportion is available for food and health care.²

Accessing healthy living conditions is an economic issue for those most likely to be living in poor housing conditions that negatively impact health. To improve health and housing conditions for extremely low- and low-income families requires addressing both the availability and the access to healthy housing. According to the Housing Alliance Delaware report,³ Delaware is short more than 21,000 additional affordable housing units to meet the needs of extremely low-income families. Second, affordable housing must be affordable. Low income and extremely low-income Delawareans need to work more than two minimum wage jobs to afford a Fair Market Rent apartment. Even if this was reasonable, the path to attaining affordable and quality housing is interrupted by the benefits cliff.

The benefits cliff, in simple terms, is the point on the economic mobility path where those dependent on governmental benefits and entitlements increase income but not enough to cover the additional expenses associated with the loss of benefits. The benefits cliff emerged as an unanticipated consequence of implementing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), commonly referred to as Welfare to Work. The welfare reform legislation aimed to reduce dependency on government assistance and to increase self-

sufficiency. Initial studies on the impact of PRWORA showed significant increases in employment among welfare recipients; however, the employment was unstable and temporary.⁴ Studies looking at the impact of individual benefit programs on work show that food stamps⁵ and housing⁶ have negative effects on incentives to transition from welfare to work. On the other hand, several studies show that although childcare assistance appears to have the most positive impact, it also has the largest cliff effects.⁴ An extensive study in Colorado shows how families dependent on government benefits “strategize” to avoid the benefits cliff and identify the most reasonable and least risky path toward self-sufficiency.⁷ Prenovost and Youngblood documented the stress created trying to navigate the benefits cliff.⁸

Significant attention has been given to identifying the point where work pays off, referred to as the effective marginal tax rate (EMTR).^{4,9} The EMTR is the percentage of any additional earned income that a household pays in taxes or loses in government benefits. As Dolan notes, the EMTR creates a poverty trap where the risks and gains of working become disincentives and barriers to self-sufficiency and economic mobility.⁹ EMTR analyses have produced various models of economic mobility out of welfare to self-sufficiency, including modeling combining various types of benefits.^{4,9} Typically, however, EMTR modeling fails to take into account factors associated with the readiness for work. As Hauan and Douglas point out, most welfare recipients face at least one barrier and many encounter multiple barriers preventing readiness for stable and sustainable work.¹⁰ They identified the most common barriers, in order of most frequently identified, as not having earned a high school diploma or GED, unmet childcare needs, mental health issues, transportation issues, limited work experience, unstable housing, and physical health problems.

This research suggests that navigating the benefits cliff requires welfare recipients meet a set of criteria considered necessary for stable and sustainable work, a status necessary to access healthy housing. Assisting residents dependent on government assistance become eligible and prepared to cross the benefits cliff to become economically self-sufficient and eligible for housing that does not negatively affect health has become a critical issue in comprehensive revitalization efforts. Clearly, building new, healthy housing is not enough. Extremely low- and low-income families need significant assistance becoming economically eligible for the housing. REACH Riverside’s experience demonstrates the interconnected relationship among poverty, health, and housing.

The REACH Riverside Development Corporation was formed in 2017 to remove the barriers to prosperity and well-being facing residents of Wilmington’s Riverside neighborhood, a community experiencing the devastating impacts of decades of racial discrimination and disinvestment. REACH is the managing partner of The WRK Group, a group of three nonprofits (REACH Riverside, Kingswood Community Center, and The Warehouse) working together to implement the Purpose Built Communities model, a holistic approach focused on housing, education and health initiatives. REACH is leading a comprehensive revitalization of the Riverside community in NE Wilmington, which includes creating 700 units of mixed-income housing (Imani Village) along with education and health oriented initiatives. Phase one of Imani Village (74 units) was completed in December 2022. Construction of Phase two was finished in May 2023, bringing another 67 units on stream. Five hundred fifty two more rental units are planned in Phases three through seven, along with about 100 homes for ownership. In support of this transformation in the built environment, REACH works closely with service partners Kingswood Community Center and The Warehouse to provide social service programs for all

ages. This has included creating a cradle-to-college/career pipeline between Kingswood's Early Learning Academy, EastSide Charter School, and The Warehouse as well as providing on-site medical services to the community through a partnership with ChristianaCare.

As with all the WRK Group efforts, the new housing plan prioritizes current residents living in Wilmington Housing Authority (WHA) housing. In assessing eligibility for the new housing, approximately 40% of the WHA families were not eligible primarily as the result of past due rent and utility bills. REACH worked with Kingswood Community Center to enroll residents in Kingswood's EMPOWER program. EMPOWER assists residents of Riverside and surrounding neighborhoods obtain economic self-sufficiency. At intake, EMPOWER clients with assistance from their navigational coach complete a comprehensive assessment. A 2023 analysis of intake assessment data showed that over half of the EMPOWER clients' income situation, employment situation, and/or food situation were assessed as in crisis or vulnerable. The credit situation for one third of the clients was in crisis or vulnerable and one fourth were living in housing that was assessed as in crisis or vulnerable. The large majority of EMPOWER clients are WHA residents and for them in crisis or vulnerable housing situations indicates that they are at risk of eviction. The intake assessment data underscores the multiple programming needs of extremely low- and low-income families. One of the biggest barriers faced by EMPOWER staff and clients in developing plans to achieve economic self-sufficiency to meet the inter-related and multiple needs is the benefits cliff. EMPOWER clients, like many extremely low- and low-income families, cannot simply work more or obtain better paying jobs to become economically independent because they risk losing benefits, most significantly those related to childcare and healthcare. This barrier to economic stability and self-sufficiency also creates barriers to accessing the new healthy housing designed specifically for Riverside residents. The EMPOWER staff and the REACH leadership are actively exploring options for bridges across the benefits cliff but these bridges are, in part, dependent on policy changes. Programmatic developments without complimentary and supportive policy changes will be ineffective and possibly infeasible.

Policies to avoid the benefits cliff or mediate its negative effect on the transition to self-sufficiency are limited and vary greatly by state. The National Conference of State Legislatures (NCSL)¹¹ and the Federal Reserve¹² produced reports defining and describing the benefits cliff. The Alliance for Strong Families and Communities categorizes policy efforts into four categories: 1) policies modeling or adapting the Earned-Income Tax Credit; 2) policies ensuring continued access to benefits; 3) policies eliminating some assets, such as cars and savings accounts, in deciding benefits levels; and 4) policies excluding portions of income in benefits calculations.¹³ The NCSL report provides an overview of state level efforts addressing the benefits cliff. The report notes that 16 states enacted legislation to mitigate the impact of the benefits cliff. ***Delaware was not one of those states and to date has not proposed benefits cliff mitigation legislation.*** The most comprehensive initiative, undertaken by five New England states, piloted both policy and program level changes to mitigate the negative effects of the benefits cliff.¹⁴

Most state level efforts continue to address welfare policies individually when the reality is recipients must navigate the benefits cliff considering all sources of assistance. Dolan⁹ and Richardson and Blizard⁴ suggest that the current benefits system, rather than policies, is structured in a way that discourages participants from becoming fully self-sufficient, prohibiting economic mobility. Dolan highlights the need to create individualized approaches because there

is a matrix of benefits, income sources, and personal factors that must be considered for a family to traverse the benefits cliff.⁹ Richardson and Blizard are bolder in their recommendations, suggesting terminating all social programs as an option.⁴ Other options included creating a longer glide path, universal basic income, and private sector creation of non-taxable fringe benefits, such as childcare assistance.

Addressing the housing crisis in Delaware as well as improving health and economic stability demands that we address the benefits cliff looming on the horizon for extremely low- and low-income families struggling toward self-sufficiency. Effective policies and interventions, at a minimum, need to be informed by the experiences of those struggling to navigate the benefits cliff and achieve economic mobility. In other words, policies need to be data driven. And, effective policies and interventions must be integrated. Siloed policy development will not effectively address the benefits cliff preventing economic self-sufficiency and access to affordable, healthy housing. There is not a single pathway from dependence on government assistance to self-sufficiency. Similarly, there is not a linear continuum of housing options paralleling a linear continuum of economic mobility. Multiple entrance ramps with varying lengths across the benefits cliff need to be created in collaboration with housing, social services, healthcare, educational, workforce, government, and private sector partners. Given our size and promising comprehensive revitalization efforts, Delaware has an opportunity to model integrated policy changes that bridge the benefits cliff and support extremely low- and low-income Delawareans on their journey toward economic self-sufficiency, health, and affordable, quality housing.

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