

The "Cliff Effect" in Different Counties in 4-C's Service Region

By George Hagenauer – Data Coordinator 4-C org

george.hagenauer@4-C.org www.4-C.org

There recently has been talk about the "cliff effect", the point at which low income families lose welfare to work subsidies before they can pay for the same needed service – child care, health care etc. with the money they are earning.

The cliff effect plays out quite differently depending on what the cost of living is where the family lives. Here are some examples from 4-C's eight county service area. I used the average group center rates for a full week of care from 2015 for the age range as the norm for child care costs. The poverty levels are from 2016. These are based on a low income family of one adult and one child.

Monthly Cost of Child Care at Different Levels of Income						
Poverty Level	200% Poverty	205% Poverty Infant	205% poverty age 3		Infant No Subsidy 190%	Age 3 No Subsidy 190%
Hourly wage	\$15.40	\$15.79	\$15.79		\$14.64	\$14.64
Columbia	\$ 328	\$ 534	\$ 391		\$ 862	\$ 719
Dane	\$ 328	\$ 903	\$ 673		\$ 1,231	\$ 1,001
Dodge	\$ 328	\$ 474	\$ 344		\$ 802	\$ 672
Green	\$ 328	\$ 569	\$ 426		\$ 897	\$ 754
Jefferson	\$ 328	\$ 504	\$ 378		\$ 832	\$ 706
Rock	\$ 328	\$ 539	\$ 370		\$ 867	\$ 698
Sauk	\$ 328	\$ 435	\$ 357		\$ 763	\$ 685
Walworth	\$ 328	\$ 508	\$ 326		\$ 836	\$ 654

As can be seen there is one standard co-pay that is used statewide. If the family qualified for a Wisconsin Shares subsidy before they were at 185% of poverty they would be paying \$328 for child care at 200% of poverty. Note that there is no variation in the copay amount in spite of the fact that infant care is far more expensive than can at other ages. The two no subsidy columns reflect the full cost of care since a family earning more than \$14.25/hour cannot enter the subsidy system.

At 201% of poverty they lose their child care subsidy- the columns at 205% is the additional amount of money they need to pay for child care with a 29 cent an hour raise (which comes to about \$50 a month).

Two things are obvious. First in none of the counties does the \$50 increase equal the increased cost of care. Secondly the additional amount needed varies greatly from county to county. Note all of these counties are in the upper half of cost of living within the state (Dane currently is #1) so the variance is actually a lot larger state wide.

This is one subsidy of several and they all operate on different formulas. A family facing a big increase in child care costs will often be facing increases also in health care. Also the cliff effect may not be the only formula problem. The child care subsidy co-pay for instance starts at 70% of poverty- at that point in Dane County families with one child cannot pay for the copay and the average rent. The problem with creating a successful welfare to work program extends beyond the cliff effect to how cost of living plays out through the entire process in different counties.