

FEBRUARY 12, 2019

## **CONTEXT**

This report completes the first phase of collaboration between NM First and Circles USA. On April 21, 2018, Circles USA committed to the following, which is included below:

1. Working with New Mexico First, and with input from New Mexico government staffers, develop up to three hypothetical frameworks for cliff effect reform options? (i.e., graduated step down by X% over Y months in one or more programs, tweaking basic eligibility thresholds to reduce churning)
2. Use Circles USA's existing calculator to apply those frameworks to case studies of families, with the goal identify the best framework(s) that can result in financial gain.

## **REPORT INTRODUCTION**

Circles USA has identified the cliff effect as the biggest barrier to families to getting out of poverty. The cliff effect occurs when working families lose public benefits faster than they can earn income to replace the lost resources. This report will examine the cliff effect felt by New Mexico families using three hypothetical cases. The cases are followed by recommendations for possible remediation to lessen the impact of the cliff effect. The data presented in this report is based upon the cliff effect estimating tool (CEPT) developed by Circles USA for New Mexico.

## **DEMOGRAPHIC INFORMATION**

The most recent census data shows New Mexico's population to be 2.0 million, with 401,000 individuals (20%) living in poverty. There are 1.6 million families (defined as two or more persons) living in New Mexico, with 16% of these families living in poverty; 27% of New Mexico's children are currently being raised in poverty. A disproportionate share of single parent households (39%) in New Mexico are currently living in poverty, exceeding the national average (31%). The 2017 median income for New Mexico was \$46,744, which was significantly lower than the median income of \$60,336 in the United States for the same year.<sup>1, 2</sup>