EXHIBIT C4

WHEN A RAISE COSTS MORE

Understanding Benefits Cliffs in Arkansas

A legislative briefing on work, family stability, and economic mobility

The goal of the safety net should be to make work pay.

What is a benefits cliff?

A household can gain wages but lose more in assistance than it gains in earnings.

Income ↑

Benefits ↓↓↓

Resources ↓

A cliff is a sharp loss of assistance after a household crosses an eligibility threshold.

It can occur across multiple programs—sometimes at different income levels.

The result can be a family with a higher wage but less money available for rent, food, child care or health care.

Source: National Conference of State Legislatures; Arkansas Access / DHS. A benefits cliff is distinct from a gradual benefit phase-out.

Arkansas families face a real affordability gap

Eligibility thresholds do not necessarily track the cost of living.

2026 federal poverty guideline
Family of 4: $33,000/year

Arkansas ALICE survival budget
2 adults + 2 children:
$61,728/year

ALICE survival budget with childcare
$71,052/year

A family can be above the federal poverty guideline and still be unable to cover basic household costs.

Child care, housing, transportation and health care can consume a large share of earnings.

That makes the transition off assistance especially sensitive to small changes in income.

Sources: HHS/ASPE 2026 Poverty Guidelines; United For ALICE, Arkansas 2026 report. ALICE figures are statewide household-budget estimates, not program eligibility thresholds.

Important clarification: wage ≠ benefit eligibility

Federal and state rules use program-specific definitions and thresholds.

SNAP eligibility is based on household income rules tied to federal poverty guidelines, with deductions and Arkansas-specific categorical eligibility rules—not on the Arkansas minimum wage.

Arkansas's 2026 minimum wage is $11/hour; the federal minimum wage remains $7.25/hour.

For the new Medicaid community-engagement requirement, federal law uses an 80-hour monthly standard and allows an income test based on 80 × the federal minimum wage ($580/month in 2026).

Therefore, a legislative discussion should separate: wage policy, benefit eligibility, benefit phase-outs, and work requirements.

Sources: USDA FNS FY2026 SNAP standards; USDA FNS Arkansas BBCE; U.S. DOL state minimum wage table; CMS Medicaid Community Engagement guidance; H.R. 1 (119th Congress).

A simple Arkansas household scenario

Illustrative example—not a benefits determination.

A $1/hour raise = about $2,080 more gross annual earnings at 40 hrs/week.

But if several supports decline together, the household's net resources may rise very little—or temporarily fall.

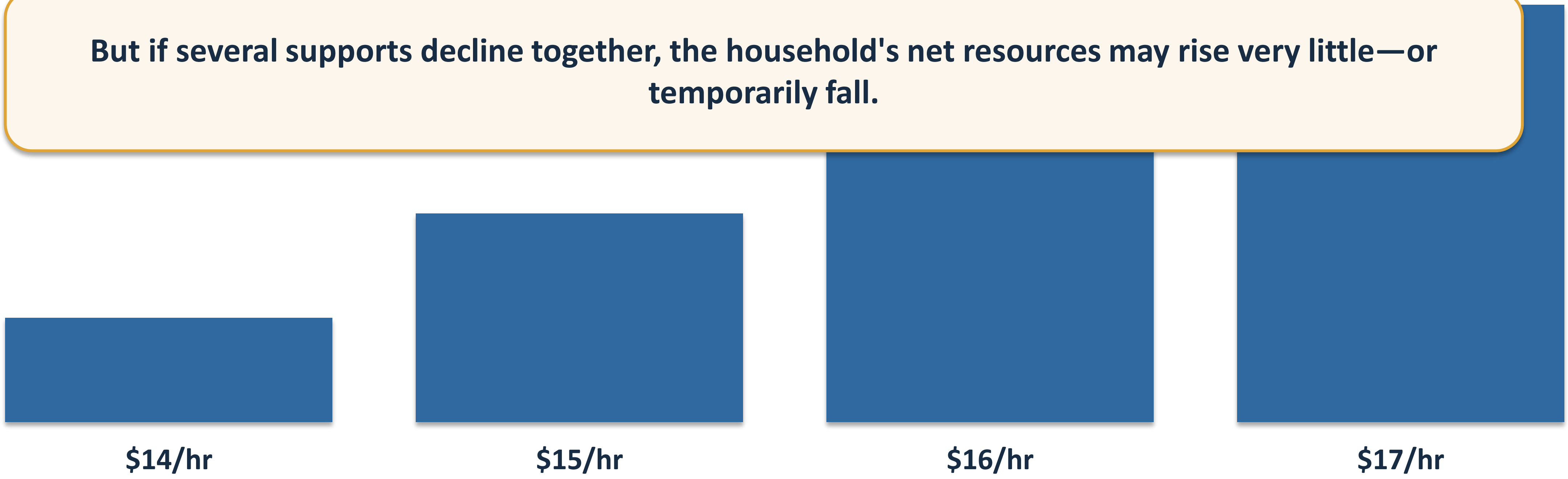

Illustration assumes 40 hours/week × 52 weeks. Actual benefit changes depend on household size, deductions, program rules and timing.

Where cliffs can occur

The problem is often the interaction of programs, not one program alone.

SNAP
Food purchasing power

Child care
Work-enabling care

Medicaid/ARKids
Health coverage

Housing
Rent support

LIHEAP
Utility support

Tax credits
EITC / other credits

Program rules vary. Some benefits phase out gradually; others have eligibility cutoffs or renewal/redetermination effects. Federal, state and local programs may interact.

Why benefits cliffs matter to Arkansas

The consequences reach beyond an individual household.

FAMILIES — A small raise can create a large new monthly expense if food, child care or health support changes.

EMPLOYERS — Employees may decline overtime, promotions or additional hours when the financial gain is uncertain.

CHILDREN — Loss of stable child care, food or housing can increase family stress and disrupt stability.

TAXPAYERS — A system that discourages advancement can slow movement toward self-sufficiency.

COMMUNITIES — Arkansas needs workers who can increase earnings without being penalized for doing so.

Research framing: NCSL, APHSA, AEI and United For ALICE. These effects vary by household and program; a cliff should be evaluated using actual benefit calculations.

What can Arkansas do?

A practical policy agenda can focus on smoother transitions.

1. **Map the cliff**
   Build a statewide benefits-cliff model showing how earnings changes affect combined household resources.

2. **Smooth the transition**
   Where state policy allows, use gradual phase-outs or transitional assistance instead of abrupt losses.

3. **Protect work incentives**
   Test proposed changes against real household scenarios: raises, overtime, promotions and returning to work.

4. **Coordinate programs**
   Align eligibility, reporting and renewal processes where feasible to reduce sudden, overlapping losses.

5. **Measure outcomes**
   Track whether families increase earnings, retain benefits appropriately, and reach stable self-sufficiency.

THE QUESTION FOR LEGISLATORS

Can an Arkansas family earn more—and actually be better off?

A strong safety net should protect families in crisis.

A strong economy should reward work and advancement.

Good policy should make those goals reinforce—not undermine—each other.

Sources & data notes

HHS/ASPE — 2026 Poverty Guidelines: family of four = $33,000.

USDA Food and Nutrition Service — FY2026 SNAP income standards; Arkansas BBCE rules.

U.S. Department of Labor — 2026 minimum wage table: Arkansas $11.00/hour; federal $7.25/hour.

CMS/Medicaid.gov — Medicaid community-engagement requirements: 80 hours/month or qualifying alternatives.

United For ALICE — Arkansas 2026 household survival budgets and economic hardship data.

National Conference of State Legislatures — Benefits cliffs and public assistance overview.

Arkansas DHS / Access Arkansas — state benefits and eligibility resources.

Prepared for discussion purposes. Eligibility and program rules should be verified with the administering agency before legislative or fiscal analysis.