

CHILDREN AND FAMILIES

Moving on Up

Helping Families Climb the Economic Ladder
by Addressing Benefits Cliffs



NATIONAL CONFERENCE OF STATE LEGISLATURES

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The National Conference of State Legislatures is the bipartisan organization dedicated to serving the lawmakers and staffs of the nation's 50 states, its commonwealths and territories.

NCSL provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues, and is an effective and respected advocate for the interests of the states in the American federal system. Its objectives are:

- Improve the quality and effectiveness of state legislatures.
- Promote policy innovation and communication among state legislatures.
- Ensure state legislatures a strong, cohesive voice in the federal system.

The conference operates from offices in Denver, Colorado and Washington, D.C.



“We see people who won’t take a promotion or who quit because they lose benefits. People who won’t take the opportunity to work full-time. This is detrimental to their long-term stability and to the business’s stability, who deal with churn and turnover.”

— **Tricia Canavan**, CEO, United Personnel

Across the country, businesses striving to fill their workforce needs are turning to hard-to-employ and chronically underemployed parents. Business and government leaders face aging demographics, slow population growth, low unemployment rates and industry-specific workforce shortages as they attempt to increase, or at least sustain, economic growth and competitiveness. States are intensifying efforts to connect industry’s workforce needs with available workers to get more people on a sustainable career path, leading to a stronger economy.

“Benefits cliffs”—or “the cliff effect”—are a hurdle for businesses and workers alike. The cliff effect refers to the sudden and often unexpected decrease in public benefits that can occur with a small increase in earnings. When income increases, families sometimes lose some or all economic supports. These can include Supplemental Nutrition Assistance Program (SNAP), school nutrition programs, health care, child care assistance, Temporary Assistance for Needy Families (TANF) and housing. Often, wage increases result in a net loss of income or only a small overall increase. Sometimes the cliff effect looks more like a slope or plateau, but it is still a disincentive to work. When lost benefits outpace a wage increase, many families “park” or fall off the cliff’s edge, stalling progression in their jobs and careers.

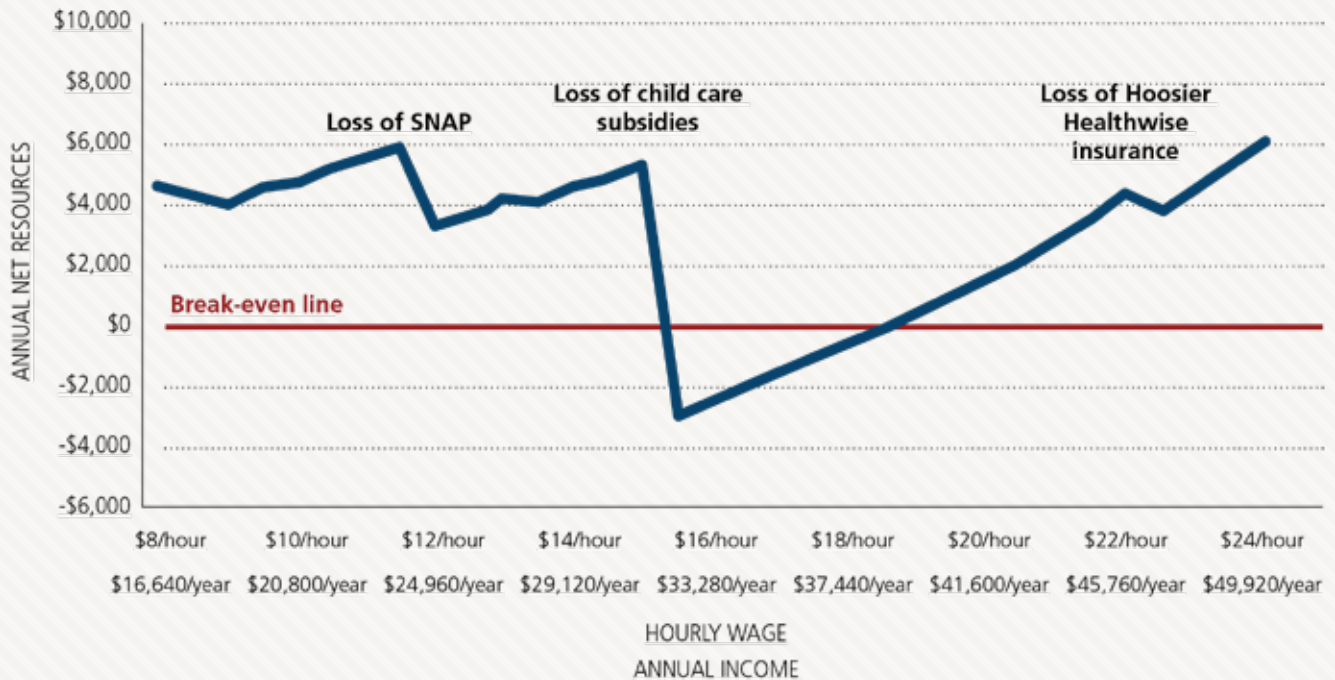
For families, the cliff effect can create an anchor into, rather than a ladder out of, poverty. They lose more than they gain when they take a job or receive a raise and their safety net is simultaneously weakened or eliminated. For businesses, it often means perpetually recruiting, hiring and training for the same entry-level positions. To the detriment of all, the workforce shortage is not filled, families do not exit social support systems, and economic growth is stymied. This effect is seen by some, including the U.S. Department of Health and Human Services (HHS), as an [effective marginal tax rate](#) on low-income earners because they do not realize the full dollar-for-dollar value of their earnings.¹

The interplay of public benefits policies across agencies and between levels of government can have the unintended consequences of limiting economic opportunity and disincentivizing work. In most cases, federal law establishes program eligibility criteria and benefit levels. Then federal agencies promulgate rules and regulations to implement the law. Next, states, and sometimes counties, create their own laws and regulations to guide program fulfillment and service delivery. The complexity is often compounded when looking at benefits across multiple programs, agencies and levels of government, which are not often aligned.

The Cliff Effect in Marion County, Indiana

This example, from the [Indiana Institute for Working Families](#), illustrates the effect that modest wage increases have on annual net resources. The individual in this example is a single parent with one preschooler and one child in school, with wages starting at \$8 per hour and increasing to \$24 per hour. The red line across the middle demonstrates the point at which income

equals the costs of basic necessities. This parent experiences three cliffs, with the most dramatic cliff coming with a wage increase of 50 cents, from \$15 to \$15.50 per hour. The total impact is a 25% decrease in annual net resources, dipping well below the break-even line.



Source: National Center for Children in Poverty's Family Resource Simulator, Indiana 2011

Motivated to create economic opportunity for workers and their families and address workforce shortages, state and federal leaders are taking steps to untangle this complex knot. They are working together to understand the net effect of overlapping policies on individuals, families and employers and seizing the opportunity to remove unintended bureaucratic barriers to employment.

Interest in mitigating the cliff effect is rising across sectors and supporting families' economic transition to work and into higher-wage jobs. This report summarizes lessons learned from significant efforts in New England to address benefits cliffs. With the understanding that solutions will vary based on the specific mix of federal and state policies in each state, this offers a menu of policy options for addressing worker shortages that also improve family outcomes.

A Regional Focus on Policy Solutions to Benefits Cliffs: A Whole Family Approach to Jobs

New England is emerging as a leader in developing policy solutions to the cliff effect. The six New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont) are tackling benefits cliffs in policy, agency culture and frontline practice as part of a nationally recognized regional two-generation initiative. A Whole Family Approach to Jobs: Helping Parents Work and Children Thrive is a partnership between the National Conference of State Legislatures (NCSL) and the Administration for Chil-

dren and Families (ACF) Region 1 at HHS. Partners include businesses, parents, philanthropy, executive and legislative agencies, and community organizations. Primary funding has been provided by the W.K. Kellogg Foundation.

The initiative was designed to help participating state leaders develop program, policy and system solutions that help parents achieve greater economic stability through employment, while supporting their children's well-being and optimal development. The initiative brings together public- and private-sector stakeholders from workforce development, human services, early childhood, educators and others to address the social determinants of health and identify policy opportunities, lessons learned and challenges faced by states seeking to implement whole-family approaches to economic opportunity for low-income parents. With shared values of putting the family in the center, maximizing opportunity and removing obstacles to economic stability, the six states have studied the cliff effect, individually and together.

Recognizing the growing challenges that benefits cliffs present for families and business, the six states convened a work group to examine how these cliffs affect families in the region. The group also considered legislative and regulatory options and other strategies to address benefits cliffs at the state and federal levels. Discussion centered around the following principles and strategies:

- Using a two-generational framework to help parents work and children thrive.
- Keeping families at the center of policy making.
- Maximizing opportunity for children and families.
- Leveraging public investments in employment-related services that support families.
- Incentivizing work.
- Boosting individual effort and responsibility.
- Promoting efficiencies in government systems.

The [work group](#) conducted a nationwide environmental scan to identify administrative policy changes and legislation that have been enacted to address benefits cliffs. Short-term solutions primarily fell into three categories: 1) phasing out benefits slowly, extending certification periods or using sliding fee scales, 2) raising eligibility limits or changing exit/loss of eligibility standards to enable a longer stay on benefits while working, and 3) providing monetary incentives for continued employment or allowing more earned income to be retained.

Long-term strategies aim to revitalize employment opportunities by: 1) increasing educational and work supports through job-training and skill-development initiatives, 2) expanding educational funding, and 3) asking employers to increase investment in early stage workers.²

The work group confirmed that policies with similar goals are not effectively aligned within or across agencies and branches of government. These unintended misalignments confound parents seeking sustainable employment and the state agencies striving to assist families.

[Insights from the work group](#) mirror findings from a 2018 survey of state human service leaders as part of the HHS Reimagine Aim for Independence Initiative.³ Regarding the administration of benefit programs, 52% of state leaders identified variation in federal eligibility requirements across programs as a top challenge. They identified the following options for further consideration:

- Streamline verification of eligibility and improve coordination of eligibility standards across programs.
- Standardize definitions to be used across programs.
- Create a universal intake process or master client database to screen people for multiple needs and programs at once.
- Fund state efforts to build a data system that can connect across agencies.

The New England states, through the working group and their individual efforts, have implemented research, practice and policy changes that taken together offer a range of solutions for states to consider. Three states, Maine, Massachusetts and New Hampshire, are directly addressing benefits cliffs, though all six states have taken steps to understand and address the cliff effect in some way.

MAINE

Maine’s Whole Families Working Group engaged Stepwise Research in 2018 to assess the prevalence and impact of benefits cliffs. [The study](#) examined the interplay among 13 state and federal programs. Child care and health benefits had the most extreme cliffs. In other instances, the group found downward slopes across the benefit systems, negatively impacting the parent’s fiscal interest and capacity to work outside the home. The Earned Income Tax Credit (EITC) at the state and federal level was shown to be an effective policy lever to ease the cliff effect.

The [Maine Department of Health and Human Services](#) increased its monthly food supplement for working families from \$15 per month to \$50 per month by using \$7 million annually in Temporary Assistance for Needy Families (TANF) funds to supplement SNAP benefits. Maine will also increase access to transitional Medicaid for families entering the workforce.

In 2019, Maine enacted a bipartisan package of bills, referred to as the [Invest in Tomorrow](#) package ([LD 1772](#), [LD 1774](#)). The new laws are intended to address in significant ways the state’s benefits cliffs. Together, the package eliminates the gross income test for TANF, invests \$2 million in whole-family pilot programs and increases the income disregard in TANF to support parents’ transition to work. It also authorizes an increase in TANF funds for transitional food assistance and establishes a working group to align programs and improve accountability for better outcomes for families.

What Does the Cliff Effect Look Like in Maine?

A Maine worker with two children moves from a half-time (HT) job making \$10 per hour to a full-time (FT) job making \$20 per hour as a licensed practical nurse and receives all public benefits for which she is eligible. She would see a wage increase of \$2,500 per month reduced to an \$1,100 net increase in economic resources because of corresponding reductions in public benefits. In this case, the family plateaus before becoming economically self-sufficient.

Workers and their families realize far less overall economic benefit when wages are in the \$13 to \$20 per hour range—exactly what so many middle-skill jobs pay. Only above [\\$25 an hour](#) are workers in Maine able to forego public benefits and realize the full benefit of increased earnings.⁴

Year	1	2	3	5	Total
Salary	\$10/hour, HT	CNA, \$13/hour, FT	CNA, \$15/hour, FT	RN, \$20/hour, FT	
Earnings/month	\$900	\$2,200	\$2,600	\$3,400	
Benefits	\$2,400	\$1,700	\$1,400	\$1,000	
Total resources	\$3,300	\$3,900	\$4,000	\$4,000	
Change in earnings		+\$1,300	+\$400	+\$800	+\$2,500
Change in benefits		-\$700	-\$300	-\$400	-\$1,400
Change in resources		+\$600	+\$100	+\$400	+\$1,100
Slope		46%	25%	50%	44%

Source: Levert, Mike. [“Benefits Cliffs Policy Brief.”](#) Presented to the John T. Gorman Foundation in support of the Maine Whole Family Approach to Jobs Project.

MASSACHUSETTS

Massachusetts is in the process of reforming its TANF program. The emphasis of reform efforts are on simplifying and aligning program rules and requirements for working families, better incentivizing and supporting employment and employment-related activities, and easing the cliff effect during transition to economic self-sufficiency. In 2019, the state is poised to pass a budget that will eliminate the asset test on a family's first vehicle and provide child care assistance, for the first time, to kinship caregivers. Supporting kinship caregivers with child care subsidies can support economic mobility and family preservation.

These reforms build on significant changes in TANF policies implemented during the 2019 fiscal year. They include increasing the cash asset limit from \$2,000 to \$5,000 per household and offering to disregard 100% of participants' income for six months when it falls below 200% of the federal poverty level. Taken together, these changes smooth transitions to work, sustain families when inevitable emergencies occur, and enable workers to begin accumulating financial assets.

"I hear from employers that folks can't take on extra hours or a wage increase because they're afraid of losing their housing, child care or other supports. We want to hand them a pole vault stick to get over the cliff."

— **Jeff McCue**, Commissioner,
Massachusetts Department of Transitional Assistance

Massachusetts' [Learn to Earn Initiative](#) takes a comprehensive approach to providing unemployed and underemployed parents receiving public assistance the supports, skills and credentials they need to gain and retain employment. To help families identify how wage increases affect benefits, Massachusetts' Department of Transitional Assistance, along with other agencies administering public benefits, developed *CommonCalc*, a benefits calculator for staff working with clients receiving TANF, SNAP and other public benefits. The tool helps case managers and community providers work more effectively with clients and to help them understand the impact of earnings and plan for their exit from public benefits. To promote self-determination, frontline staff coach clients to maximize opportunity rather than benefits.

Learn to Earn is also funding local pilot partnerships that are testing new models to encourage and support sustainable employment among public benefit recipients. The initiative is working two strategies: 1) through a cross-agency working group charged with identifying policy, regulatory and statutory changes to mitigate cliff effects, and 2) by supporting local flexibility and innovation at the pilot sites, it is testing policy changes and identifying solutions that can be scaled statewide.

Through the Federal Reserve Bank of Boston's [Working Cities Challenge](#), the [city of Springfield](#) has modified its financial literacy curriculum to highlight and plan for cliff-related barriers to employment. This whole-family curriculum is embedded in many local workforce development training programs and delivered to Head Start family service coordinators and coaches to help clients mitigate changes in net financial resources before they occur. Springfield is engaging employers to identify strategies to ease the impact of cliffs for their employees and in public policy.

NEW HAMPSHIRE

New Hampshire's proposed 2019-2020 budget contains a plan from Governor Chris Sununu (R) and the state Department of Health and Human Services (DHHS). It addresses benefits cliffs, develops a benefits calculator for public use, and explores solutions to closing the cliff effect.

DHHS is also restructuring its divisions and bureaus to prioritize prevention and economic stability as well as improve frontline interactions with clients. In addition, the Division of Economic and Housing Stability was created in 2018 to "[promote a more holistic](#), multi-generational and integrated approach for individuals, children, and families that may be in need of an array of supports and services." The new organization brings together many human services functions, including workforce, child care, child support and housing—all aimed at creating pathways to self-sufficiency.

New Hampshire's [cliff effect initiative](#) complements the Community Collaborations to Strengthen and Preserve Families grant program from the federal Children's Bureau at the Administration for Children and Families. The grant program focuses on strengthening families, building parents' capacity for self-sufficiency, and ensuring children are in safe and nurturing environments. The initiative also aligns with statewide initiatives addressing affordable housing vouchers and planning for high-quality preschool, the federal State Opioid Response grant, increasing quality initiatives at Family Resource Centers, and the state's new 10-Year Mental Health Plan.

CONNECTICUT

Focus groups conducted by the Connecticut Association of Human Services offer compelling examples of how benefits cliffs limit Connecticut parents' ability to move ahead economically. As one parent who participated in the focus group described:

"It's like being pushed over the cliff, not falling. You have to work to qualify, but then working too much can cost you your Care4Kids? The same goes for food stamps and HUSKY, and with those we're barely getting by [...] And because you're not allowed to save anything up, to have money in your bank account, you have nowhere to land."

In addition, the state's [Two-Generational Advisory Board](#) held a public forum to inform legislators, state agencies, parents and others about opportunities to address the cliff effect. The board created a work group charged with swiftly developing a study of the cliff effect, and potentially a cliffs calculator. It also devised policy changes to mitigate the potential cliff effect of the 2019 minimum wage increase passed by the legislature in [HB 5004](#). The work group includes agency commissioners, legislators and advocates.

In 2019, Connecticut's Office of Early Childhood modified its child care subsidies to smooth the impact of benefits cliffs. Other efforts by the office to boost employment for parents through a whole-family approach include a child care voucher program to help qualifying low-income parents attend community college.

In 2019, Connecticut passed [SB 1080](#), which bolsters existing two-generational legislation by charging the administration with bringing together agencies to develop a plan to help families overcome barriers to economic success. The legislation requires the plan to include indicators of quantifiable and verifiable systems change to disrupt cycles of intergenerational poverty and advance family economic self-sufficiency and equity. To achieve those goals, the plan likely will include multi-agency efforts to address cliffs across numerous state benefits programs.

RHODE ISLAND

Through the Federal Reserve Bank of Boston's [Working Cities Initiative](#), the city of Newport is working with stakeholders to identify solutions to benefit cliffs in housing assistance. The complexity of housing assistance policies and the cliff effect were highlighted at a meeting of the Rhode Island team. Families discussed how housing assistance programs each have their own rules and structures, creating a complex interplay that is difficult for residents and case managers alike to understand.

VERMONT

Vermont has been working for years to address TANF benefit cliffs. In 2013, the earned income disregard was increased from \$200 and 25% of remaining earnings to \$250 and 25% of remaining earnings, allowing families to keep more of their TANF benefits when they go to work. The [Reach Ahead](#) program at Vermont's Human Services agency provides a transitional food benefit and other support services to help working clients put food on the table after they exit TANF and the state's postsecondary education program.

In 2017, the Vermont General Assembly established a [study committee](#) to examine proposals to increase the state's minimum wage and the impact that would have on public benefits for low-income families. The

committee ultimately recommended increasing the state’s minimum wage, while also including a provision in the legislation to shift the eligibility for the state’s child care subsidy at the same rate to reduce the likelihood that low-income families would lose their child care support.

In 2018, Vermont passed [HB 236](#), which increased asset limits for TANF from \$2,000 to \$9,000 and excludes deposits in child savings accounts and retirement accounts. Both measures were taken to mitigate against loss of benefits when families try to build asset cushions for their families. Assets accumulated from earnings by participating families, as well as any earned income tax credit, are now excluded when determining continuing eligibility for TANF. The statute also removes children’s higher education savings accounts from asset limits when determining eligibility for a child care subsidy.


Caught in the Middle

CHECK IN FORM

TELL US YOUR STORY.

I was so excited to finally have a full-time job, but I **wasn't fully prepared for how a new job would change my benefits**. I knew I'd be making more money and that my benefits would change. But that much? And so suddenly?

I was **caught in the middle** between standing on my own and needing help to survive – but there was **no one to help me**.



Name: Casey

Family: Single mother of 3 school age children

Housing: 2 bedroom apartment, owned by mother who passed away

Education: GED, LPN license

Job: Licensed Practical Nurse (LPN)

Interaction with public assistance:

- Enrolled twice before
- Not actively enrolled; She landed a full-time job, and is no longer eligible to receive benefits

WHAT BRINGS YOU IN TODAY?

I need immediate help to get my footing

I'm ready to start investing in myself

I'm one step away from being independent

Explain: "Once you get a job, you're on your own. There was no overlap when I needed support while I started working. Within 2 months I was back on my feet. All it took was about 2 months before not needing anything."

HOW CAN WE HELP?

MY FRUSTRATIONS	MY NEEDS & ASPIRATIONS
<ul style="list-style-type: none"> » Feeling unprepared to face the future alone » Feeling abandoned by those who turned off support » Being treated like a case closed, when I was far from it 	<ul style="list-style-type: none"> » Help preparing for upcoming changes » Understanding that I need help even if the eligibility system says I don't » A buffer period to get temporary help

DATE: X 7/1/18

SIGNATURE: X Caught in the Middle

Source: ReImagine HHS, Aim for Independence Parent Persona Artifacts, 2018

Policy Options to Consider

Policies aimed at mitigating or eliminating benefits cliffs have interrelated goals that together support workers, families, business and bolster economies. The Whole Family Approach to Jobs work group identified a menu of policy options for both state and federal consideration. The state policies are organized into five overarching state policy strategies: 1) mapping benefits cliffs and pathways to financial self-sufficiency, 2) aligning eligibility levels, 3) making work pay, 4) increasing family economic security through asset development, and 5) fostering culture and system changes in the public and private sectors.

1. MAPPING BENEFITS CLIFFS

- Self-Sufficiency Standards
- Benefits Calculators

2. ALIGNING ELIGIBILITY LEVELS

- Asset Limits
- Income Disregards
- Alignment of Rules Across Programs

3. MAKING WORK PAY

- Tax Credits for Working Families
- Career Pathways

4. INCREASING FAMILY ECONOMIC SECURITY THROUGH ASSET DEVELOPMENT

- Escrow Accounts
- Individual Development Accounts

5. FOSTERING CULTURE AND SYSTEM CHANGES IN THE PUBLIC AND PRIVATE SECTORS

- Employer Engagement
- Cost-Benefit Analysis
- Goal Setting, Career Planning and Coaching
- Student Access to SNAP

“If I work more than 33 hours, I lose my day care. If I get a raise I have to work less hours. I am stuck in public housing. Even working full time, by myself with two kids, I cannot afford a regular apartment. I could never afford to pay for everything by myself.”

— Sarah, Maine Parent

1. Mapping Benefits Cliffs and Pathways to Financial Self-Sufficiency

One of the first steps in addressing benefits cliffs is to understand where and how they happen. States have taken various approaches to understand the interaction between wages and benefits cliffs, including defining a self-sufficiency standard to understand what families need to earn to transition away from benefits altogether. Calculators can help caseworkers and families understand when they would reach a benefit cliff. These efforts have been driven primarily by state legislators, governors, and TANF and SNAP directors.



SELF-SUFFICIENCY STANDARDS

A financial self-sufficiency standard is defined as the income necessary for a family to meet its basic needs without public or private assistance. Some states use 200% of the federal poverty guideline; however, most have taken a more nuanced approach and factor in the varying costs of living by geography, household size and ages of children.

Forty-one states and the District of Columbia have [self-sufficiency standards](#) specific to their circumstances. Seven states—California, Indiana, New York, Ohio, Oregon, Washington and Wyoming—are using [self-sufficiency calculators](#). For a 50-state perspective, the Center for Women’s Welfare at the School of Social Work at the University of Washington publishes a [self-sufficiency standard](#) for each state that considers the age and composition of the family and includes the costs of all major budget items.

BENEFITS CALCULATORS

Benefits calculators help caseworkers and families receiving benefits identify cliffs on an individual or family level and how increases in income could impact benefits. By illuminating how employment-related income impacts public supports, benefits calculators help families make informed decisions related to their family well-being, especially when paired with career coaching and access to workforce training and education. They also help frontline employees and government officials understand the interplay of benefits and income. The results help identify cliffs, as well as the policy or practice levers that could be pulled to prevent or mitigate the cliff effect.

The Children’s Defense Fund of Minnesota, with the Dakota County Department of Human Services, developed a [family stability indicator](#) that allows clients, caseworkers and policymakers to enter income, benefit and tax credit data. The Massachusetts Department of Transitional Assistance, in collaboration with several other state agencies, developed CommonCalc, a benefits calculator for use by case managers and others working directly with clients to understand the impact of earnings on benefits. In addition, the Urban Institute maintains a [net income change calculator](#) that can be used to understand cliffs based on state and federal statutes and regulations.

2. Aligning Eligibility Levels

Lack of understanding and transparency related to program eligibility thresholds is a major reason families experience a sudden reduction or complete loss of benefits. For some programs, eligibility is set by federal statute and is fixed. For others, states have flexibility to define eligibility through income and asset definitions. States have looked at options to lessen the impact of federal policies and allow for asset development. These include increasing the asset limit for families receiving TANF or SNAP; disregarding the value of vehicles owned, a defined amount or type of income, and increases in income for a limited time; and aligning rules across programs.

ASSET LIMITS

Asset limits cap the total value of assets an individual or family may hold and remain eligible for a program. TANF, SNAP, Medicaid, and sometimes housing programs, have asset limits. Limits are typically set through state or federal statutes. They vary by program, with some allowing vehicles, savings accounts and restricted access accounts (e.g., education savings accounts, individual development accounts and retirement accounts) to be disregarded for eligibility purposes. Asset limits sometimes unintentionally limit ownership of automobiles, create disincentive to save money for emergencies, or make families ineligible for the very benefits that enable a successful transition to work. Increasing or removing asset limits allows for asset development without impacting receipt of benefits.

Forty-seven states have [asset limits](#) for TANF, ranging from \$1,000 to \$2,000 (Georgia, Indiana, Oklahoma, Pennsylvania, Rhode Island and Texas) to \$9,000 to \$10,000 (Delaware, Minnesota, Oregon and Vermont). In five states and the District of Columbia, the amount differs when there is an elderly or disabled person in the family receiving TANF. Eight states (Alabama, Colorado, Hawaii, Illinois, Louisiana, Maryland, Ohio and Virginia) have no asset test or asset limit for TANF eligibility. In 2018, Massachusetts increased its asset limit from \$2,000 to \$5,000 for TANF. Vermont increased its asset limits for TANF from \$2,000 to \$9,000 in 2018 with [HB 236](#).

In addition to accruing overall assets, [41 states allow assets to accrue in restricted accounts](#) without impacting the receipt of benefits. Individual development accounts are the most common example of this. Individual development accounts are restricted to postsecondary education, the purchase of a first home or capitalization of a small business. Some states also allow retirement and education savings accounts to accrue. The amount that can be accrued in designated accounts without impacting benefits varies greatly. Twenty-three states and the District of Columbia match the amount invested by the account holder.

Ten states (Alaska, Arizona, Delaware, Kentucky, Michigan, Mississippi, New Hersey, New Mexico, North Carolina and Utah) and the District of Columbia [exempt all vehicles in a household](#). Eighteen states exempt a limited number of vehicles per household, licensed driver or adults in the household, while 13 states specify a dollar amount to be exempted based on the value of the vehicle(s) in the household.

INCOME DISREGARDS

Employment-related income alone often does not cover basic needs for families. Consequently, policies that enable workers to continue receiving public benefits while their income increases are seen by some policymakers as a way to simultaneously increase employee retention and family stability. For businesses, such policies help keep employee turnover in check and mitigate the negative effects of worker shortages. For workers, income disregards help them stay in the workforce and provide for their families.

Earned income disregards allow certain types and amounts of income to be excluded for purposes of determining eligibility and benefit levels for support programs. State and federal leaders are enacting policies that enable income disregards to reduce or eliminate the cliff effect that can happen with small increases in income. Income disregards also help beneficiaries' transition to work by covering work-related expenses. Child support and wages are examples of income that can be disregarded in some states. Recipients of child support can disregard a portion of that benefit when determining eligibility for TANF. Similarly, non-custodial parents can exclude child support paid from income when determining eligibility for SNAP.

In 2018, Massachusetts implemented an earned income disregard of [100% for the first six months](#) of employment while receiving TANF, as long as the family income is not over 200% of the federal poverty level. [Maine enacted](#) similar legislation in 2019. Twelve states have an earned income disregard for determining continuing eligibility for current TANF recipients. The remaining 38 states and the District of Columbia have no net-income test for determining eligibility after initial enrollment.

ALIGNMENT OF RULES ACROSS PROGRAMS

TANF, SNAP, Medicaid, child care and housing programs each have their own criteria for determining eligibility and calculating income. Policy changes to align rules across these programs could help mitigate benefit cliffs and reduce complexity for clients and frontline staff.

A 2017 report from the United States [Government Accountability Office](#) details how the rules for EITC, Medicaid, Housing Choice Vouchers, SNAP, SSI and TANF differ. The GAO examined how federal rules vary regarding eligibility for benefits, how income and assets are treated, and the type and amount of benefits received. The report visually maps the complex federal system that administers these programs, which includes seven congressional committees for six programs, administered by six federal agencies within four federal departments. In addition to the challenge of untangling the federal human services systems, the potential financial impact of changes on the individual programs also makes it difficult for state and federal leaders to align rules across programs.



Despite these roadblocks, federal agencies and some states are trying to [adjust program administration](#) through data-sharing, streamlined applications and eligibility determinations. For instance, states can use data from SNAP to determine Medicaid eligibility and align its eligibility process with other programs serving low-income individuals and families.

Referred to as [broad-based categorical eligibility](#), this is one tool states have adopted to expand categorical eligibility to households that receive non-cash TANF benefits and SNAP benefits. Forty-one states and the District of Columbia have adopted broad-based categorical eligibility within TANF and 34 states have aligned asset limits with SNAP. In some cases, this has resulted in higher asset limits for SNAP.

3. Making Work Pay

Work supports are policies and programs that help people experiencing barriers to work enter and succeed in the workforce. The most common work supports are tax credits, child care and pathways to work, career and self-sufficiency. Many family-support programs, especially child care, do double-duty as work-support programs.

TAX CREDITS FOR WORKING FAMILIES

Federal and state tax credits can help offset a decline in public benefits. States can create refundable or nonrefundable state tax credits to supplement what is available through the federal government. A non-refundable tax credit means a taxpayer gets a refund only up to the amount owed. A refundable tax credit means taxpayers can receive refunds that exceed the amount of tax owed.

The federal [Earned Income Tax Credit](#) (EITC) and [Child Tax Credit](#) (CTC) are the most common refundable tax credits available to low-income families. Refundable tax credits provide financial assistance, in addition

to reducing or eliminating tax liability for low- to moderate-income workers. During 2018, the federal EITC lifted [approximately 9.4 million people](#) out of poverty, including 5 million children. Similarly, the CTC lifts [more than 3 million people](#), including 2 million children, out of poverty each year.

Twenty-nine states, the District of Columbia, Guam and Puerto Rico have [state EITCs](#), and all but six are refundable. State earned income tax credits provide an additional benefit to the federal credit for low-income taxpayers, ranging from 3% to 125% of the federal EITC. For example, in 2018, New Jersey provided [\\$503 million](#) in state EITC, bolstering the [\\$1.4 billion](#) the state received in federal credits.

Maine's benefits cliff study found that the federal EITC and increases to the state EITC would smooth out cliffs with a broad brushstroke, reducing the need to calibrate improvements to the cliffs across a set of benefits.⁵

CAREER PATHWAYS

To help workers move to higher-wage jobs, states can identify high-growth occupations and opportunities for wage progression and the relationship to benefits cliffs, then develop strategies to smooth wage transitions.

Numerous states have mapped career pathways, enabling students and workers to see how they can progress step by step to higher-wage, higher-skilled occupations. [Minnesota State University's](#) career pathways program is one example of how to map career pathways across a range of occupations. [CVS Health's pharmacy technician training program](#) in New Hampshire and Massachusetts offers workers opportunities to train for skilled occupations with clear paths to a variety of jobs with increased earning potential.

Benefits cliff calculators can be used to help employers and employees alike see the impact of benefits cliffs on wages and advancement and make informed decisions.

4. Increasing Family Economic Security Through Asset Development

According to a [2018 report](#) from the Federal Reserve System, 40% of adults would not be able to cover an unexpected expense of \$400, and over 20% of adults are not able to fully pay their monthly expenses. Unexpected situations, such as an emergency car repair or lost wages due to caring for an ill family member, lay bare the precarious financial situation of many families receiving public assistance. In response, states are exploring ways to help families develop financial assets and begin to lay the groundwork for greater economic security for themselves and their children.

ESCROW ACCOUNTS

Escrow accounts enable families to build assets by accumulating funds as the participant's income increases. Distinct from the traditional real estate escrow, these accounts allow a certain portion of increased income to be deposited into a savings account without impacting benefits or services. Deposits are sometimes matched by federal grants, state appropriations or local philanthropy.

The U.S. Department of Housing and Urban Development's [Family Self-Sufficiency program](#) is an example. The program, when authorized by local housing authorities, enables families in public housing, including households with Section 8 certificates, to escrow the portion of any increased earnings that would usually go to increased rent. Escrowed funds can be used for homeownership or further education. Many housing authorities also require financial education as part of their program. The [average graduate](#) of the program saw an increase in earnings of \$10,000 to \$12,000 and graduated with more than \$6,000 in unrestricted funds in their escrow account.

INDIVIDUAL DEVELOPMENT ACCOUNTS

Individual Development Accounts (IDA) allow low-income individuals to save money for education, starting a business, buying a home and other authorized uses. IDAs are operated by community-based organizations or state or local governments in partnership with community-based organizations. Personal investments are matched by community-based organizations through grants from the federal government and

other sources. Allowing these investments to grow, while disregarding them as income (see page 10), can help smooth or eliminate the cliff effect.

At least 40 states, the District of Columbia and Puerto Rico have IDA programs, though only 12 states and the District of Columbia appropriated state funds for IDAs in 2018. The 12 states are Connecticut, Indiana, Kansas, Maine, Michigan, Minnesota, Missouri, New Hampshire, North Dakota, Oregon, Utah and Vermont.

Maine has two programs designed to help income-eligible families save for emergencies or other designated purposes. The [Family Development Account Program](#) provides a matched savings account for low-income families to support education or training, purchase a home, or start or expand a small business. Maine's [Rainy Day Savings Account program](#) allows income-eligible adults to contribute to a matched savings program that can be used for emergencies, such as car or household appliance repairs, transportation to work or school, or other expenses due to job loss, reduced hours or short-term disability.

[Vermont](#) offers a matched savings account to assist with the purchase of a first home, pursuit of post-secondary education, or establishment or expansion of a micro business. The match is \$2 for every \$1 saved.

The federal [Assets for Independence Act of 1998](#) established federal funding for IDAs in states; however, no funds have been appropriated to the program since 2016. An [evaluation of the Assets for Independence](#) program showed a 7% increase in participants with liquid assets; an increase in the amount of liquid assets; a reduction in hardships related to housing, health care and other expenses; and an increase in confidence in participants' ability to meet their basic needs.



5. Fostering Culture and System Changes in the Public and Private Sectors

Undergirding the discussion of benefits cliffs is the importance of changing culture and systems to create greater economic opportunity for families. In the private sector, employers play a critical role in illuminating how benefits cliffs limit employment and career advancement for workers, and therefore also constrain business growth. In the public sector, and in organizations using public funds, understanding how cliffs constrain opportunity can help systems work with families more effectively. Some options below have not yet been tried. They represent the next wave of thinking in addressing the cliffs.

EMPLOYER ENGAGEMENT

Employers facing worker shortages increasingly recognize that some employees are not advancing in their careers because of the negative financial impact associated with loss of benefits. Engaging employers in policy discussions could help build consensus for policy solutions, while also enabling employers to calibrate their wage and benefit packages to accommodate the cliffs.

Partners for a Competitive Workforce, a regional initiative of the United Way of Greater Cleveland, convened employers in roundtable discussions on poverty. Employers began to recognize that poverty and benefit cliffs were important issues for their businesses and are now advocating for greater economic opportunity for low-income workers as part of their business growth strategies.

COST-BENEFIT ANALYSIS

Legislators could consider using fiscal notes to require evaluation of the long-term budgetary impact of benefits cliffs reforms achieved through new workers entering the labor market and reduced reliance on the social safety net. While no state has taken this step, the Whole Family Approach to Jobs working group concluded that smoothing the cliffs with policy reforms could produce a measurable benefit for state budgets.

In Massachusetts, the Department of Transitional Assistance is studying the fiscal impact of its Learn to Earn initiative and its TANF earned income disregard. Early results from the earned income disregard are showing increased employment rates, which could translate into reduced TANF expenditures and increased state tax revenue over time.

GOAL SETTING, CAREER PLANNING AND COACHING

State agencies and family-serving organizations may want to change how their case managers and other frontline staff interact with families. Some states are implementing whole-family assessments, personal and professional goal setting and career counseling with their clients. This approach shifts the overall focus from maximizing benefits to maximizing opportunity. It also prioritizes whole-family outcomes rather than strictly individual outcomes. Parents, businesses and social service leaders alike are finding that career counseling helps clients see how they could reach a point where they are gainfully employed, and public assistance is no longer needed.

In Massachusetts and New Hampshire, frontline staff are being trained to move toward more goal-oriented programming. Nationally, [Mathematica](#) is testing goal-oriented coaching for hard-to-serve populations in five locations. The W.K. Kellogg Foundation has also developed a set of [family-centered coaching](#) tools for adaptation by agencies and organizations that take a similar approach.

STUDENT ACCESS TO SNAP BENEFITS

According to a 2018 [report](#) by the GAO, many low-income college students struggle to meet their basic needs, and some drop out as a result. The report also found that some students are [not accessing SNAP benefits](#) because they aren't eligible or they have not considered whether they may be eligible. States have the option to expand access to SNAP benefits for students participating in career and technical education programs if their state plan includes training for adults, typically provided by community colleges. In addition, states can change how they calculate monthly income for students to reflect the up-and-down earnings common among students, thereby helping them maintain their eligibility for food assistance.

New England Resources

- Connecticut General Assembly, [Commission on Women, Children and Seniors](#)
- Levert, Mike. “[Benefits Cliffs Policy Brief.](#)” Presented to the John T. Gorman Foundation in support of the Maine Whole Family Approach to Jobs Project
- Massachusetts’ Office of Labor and Workforce Development, [Learn to Earn Initiative](#)
- New Hampshire [Cliff Effect Initiative](#)
- Federal Reserve Bank of Boston, [Working Cities Challenge](#)
- Vermont General Assembly, [Report of the Minimum Wage and Benefits Cliff Study Committee, 2017](#)
- Whole Family Approach to Jobs Project, [Six-State Policy Brief Addressing Benefit Cliffs](#), December 2018

National Resources

- Urban Institute and the Office for Planning Research and Evaluation with HHS, [Welfare Rules Database, 2017](#)
 - Asset Limits for Recipients, Table IV.A.3
 - Vehicle Exemptions for Recipients, Table L9
 - Work-Related Activity Exemptions for Single-Parent Head of Unit, Table III.B.1
 - Work-Related Activity Requirements for Single-Parent Head of Unit, Table III.B.2
 - Earned Income Disregards for Income Eligibility Purposes, Table I.E.2
- United States Department of Agriculture, [SNAP State Options Report, 2018](#)
- Congressional Research Services, [Individual Development Accounts: Background on Federal Grant Programs to Help Low-Income Families Save, 2013](#)
- U.S. Government Accountability Office, [Federal Low-Income Programs: Eligibility and Benefits Differ for Selected Programs Due to Complex and Varied Rules, 2017](#)
- Housing and Urban Development, [Family Self-Sufficiency program](#)
- Minnesota’s [Family Stability Indicator](#)
- Indiana Institute for Working Families, [The Cliff Effect: One Step Forward, Two Steps Back, 2012](#)
- Urban Institute [Net Income Change Calculator](#)

NCSL Resources

- NCSL, [Tax Credits for Working Families: Earned Income Tax Credit](#)
- NCSL, LegisBrief, [The State of the Earned Income Tax Credit, 2018](#)

Notes

1. Office of the Assistant Secretary for Planning and Evaluation, “Marginal Tax Rate Series” webpage (Washington, D.C.: U.S. Department of Health & Human Services, n.d.), <https://aspe.hhs.gov/marginal-tax-rate-series>.
2. 6 State Workgroup on Benefit Cliffs, “Whole Family Approach to Jobs: 6 State Policy Brief Addressing Benefit Cliffs” (n.p.: 6 State Workgroup on Benefit Cliffs, December 2018), <https://www.acf.hhs.gov/sites/default/files/oro/wholefamilypolicybrief.docx>.
3. Mishaela Duran, “Putting Families in the Center: State and County Data and Recommendations to Promote Family Economic Mobility,” ReImagine HHS Aim for Independence Initiative presented at the American Public Human Service Association’s National Health and Human Services Summit, Arlington, VA, May 20, 2019.
4. Mike Levert, “Benefits Cliffs Policy Brief” (Portland, Maine: John T. Gorman Foundation, May 10, 2018), <https://www.jtgfoundation.org/wp-content/uploads/2019/06/Cliffs-Policy-Brief.pdf>.
5. Ibid.

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