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Building Community to End Poverty

THE CLIFF EFFECT:

A General Summary of Current Advocacy Efforts

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The Cliff Effect Issue

In 2014, the Circles network of over 70 communities across 20 states was asked what they believed the biggest barrier to getting out of poverty was. The answer, unequivocally, was the Cliff Effect. The Cliff Effect occurs when working families lose public support benefits faster than they can earn income to replace the lost resources. When public support programs were first introduced, their original intention was to support those with virtually zero earnings (namely widows, poor children and elderly, and low-income single mothers). Since then, a number of support programs have been reformed to include employment as an eligibility factor. However, income-based eligibility thresholds are often capped at limits that are not high enough to cover all of a family's basic needs; public supports fall away at rates considerably higher than what a household brings in through earnings[1]. The Center for Social Policy in Massachusetts determined that a family consisting of a single parent and two young children (typically the type of household that is most likely to be living in poverty and receiving one or more public supports) see significant cliffs at a full-time earning rate of $15/hour or $30,000/year (a wage that many advocate for as a minimum wage); cliffs do not stabilize until the earning parent reaches a full-time wage of $24/hour. During the period in between these two rates, this family experiences losses in public supports to where even with the increase in earned income, net household resources decrease by $12,000/year. This experience occurs below 200% of the Federal Poverty Level (FPL), a limit which is generally acknowledged as the upper-limit to be considered "low-income"[1]. In 2015, the Michigan Commission on Community Action and Economic Opportunity conducted forums and focus groups around the state to better understand cases of generational poverty. These focus groups found that without benefits and tax credits, a single parent with two children would need to earn a full-time wage of $9.39/hour just to reach the poverty line; additionally, single working parents could find their public supports significantly reduced or eliminated for a week of earning an average of $12/hour (such as through overtime hours)[2]. Once eliminated from public supports, families may find themselves having to re-apply, go through lengthy administrative processes, and remain on waitlists for excessive periods of time before receiving the level of resources for which they had previously qualified[13].

The Cliff Effect becomes especially severe when households lose multiple public supports at the same income threshold. Most public supports have individual application processes, eligibility requirements, and income thresholds. This makes it complicated and tedious for families who are on multiple public supports to know how increases in earned income may affect their net resources. Families who are aware of how increases in earned income (such as through a wage raise, a job promotion, or from working overtime) can disproportionately reduce their net household resources might voluntarily choose to decline work opportunities. In turn, this practice leads not only to a barrier on the path to self-sufficiency, but also decreases long-term earning potential and career opportunities, can place unwarranted stereotypes on families receiving supports[3], and can place an unprecedented burden on funds that finance public supports. Families who are not aware of how increases in earned income may significantly reduce their net resources, or families who choose to pursue increases in earned income regardless, can find themselves in scenarios of catastrophic financial hardship. Anecdotes from interviews in which researchers spoke with families who experienced the Cliff Effect firsthand include stories of parents who accept a small raise, only to lose public supports to where they can no longer afford enough groceries, and consequently skip meals with their children in order for the children to have enough food[4]. For working families with young children, losing subsidies that offset the cost of childcare is often the steepest cliff they face[5,6]. Additionally, this demographic is the most likely to receive funds from multiple supports and lose them simultaneously upon reaching an income threshold that usually still does not cover the cost of basic needs[6]. In many states, the lowest childcare costs are higher than the lowest housing costs[6,7]. When child care assistance funds are lost, parents either become unable to work when they are no longer able to afford childcare, their quality of childcare becomes greatly diminished, or their net resources become constrained to where affording other basic needs, such as food or utilities, become severely compromised[6]. When affording basic needs become insecure, it is undeniable that families will not be able to save for and maintain critical eliminators of poverty, such as assets like emergency funds and long-term investments.

SUMMARY OF EXISTING STATE AND FEDERAL ASSESSMENTS, PROPOSALS, AND SOLUTIONS

In general, efforts trend toward focusing on child care assistance through moderating the transition period that families face when losing child care assistance supports. Efforts include reforming income eligibility thresholds, implementing sliding-scale co-payments for child care that correlate with families' increased earnings, allowing eligibility to remain intact even during temporary disruptions in work schedules, and increasing family stipend amounts. Additionally, some states are focusing on increasing access to quality care, especially for low-income families. Colorado, Louisiana, and Nebraska are especially focused on initiatives to smooth the child care cliff, with a number of policies that have been enacted and implemented with the intent of reducing the financial burden for parents with dependents who are transitioning off supports and increasing access to quality child care. It is also important to note that on February 9th, 2018, the federal government signed a two-year budget deal to provide an additional $5.8 billion dollars to the Child Care and Development Block Grant (CCDBG) to fund reauthorization regulations passed in 2016. States have discretion as to how to direct this funding, and could consider allocating dollars toward expanding child care assistance programs or allowing extra transitional assistance for families who are moving off public supports[33].

Some states have focused their efforts on reforming subsidy distributions for families who are transitioning away due to increased earning income so that their overall net resources remain balanced. These efforts include implementing policies that increase Supplemental Nutrition Assistance Program (SNAP) eligibility thresholds and eliminating asset limits for the Temporary Assistance for Needy Families (TANF) program. Oregon, for example, reinvested savings from a reduced TANF caseload specifically to mitigate the Cliff Effect. Reinvesting the initial savings allowed the state to increase the upper limit for receiving TANF funds and to provide a three-month transition period for families losing child care assistance due to increased earnings.

States have also focused on the administrative barriers that can create unexpected or “mini” cliffs for families. For example, families may be dropped from supports for a temporary increase in earnings (such as seasonal work) or a temporary change in eligibility status (such as a parent whose school is closed for spring break, and therefore cannot show proof of attending class). When families are dropped from a support due to a short-term situation, they have to re-apply for the support and may be placed at the bottom of waitlists. This can cause a major disruption in child care while parents work, resources that support a monthly budget, and time lost due to re-application processes and wait periods. To mitigate this effect, a number of states, such as Rhode Island and Illinois, have streamlined administrative processes. These efforts include using data from another subsidy program to determine eligibility, changing re-administration periods to cover longer durations, and allowing families to maintain eligibility during short-term status changes.

Finally, while some states have not yet implemented major policy reform to specifically address potential Cliff Effects that their constituents might face, awareness of the topic and the value placed on relevant data is growing. For example, New Mexico passed a bill to support the collection, analysis, and delivery of data that identifies potential cliffs in the state. Massachusetts is currently reviewing a bill that proposes a pilot study to collect data relating to the Cliff Effect and the impact of smoothing the transition off public supports. Missouri has both Democratic and Republican representatives working together to draft a bill to propose a similar pilot study.

Table 1, organized alphabetically by state, further details these efforts. Additionally, hyperlinks are included throughout the table for further reading. Please note that although a systematic search was conducted as thoroughly as possible to ensure that the information presented in this summary table is comprehensive, it is always possible that some literature fell outside the scope of the search process.

Table 1: Efforts to Understand and Mitigate the Cliff Effect Around the United States

LOCATION	FOCUS	EFFORTS
Alabama[14]	TANF	- Eliminated asset test for TANF eligibility[15]
Colorado[6, 14]	Child Care Assistance, TANF	- Created new statewide income eligibilities and child care tax credits - Started pilot program in 10 counties, in which county has authority to implement solutions that address the Cliff Effect and collect data on outcomes*. Counties are implementing solutions such gradually increasing parent co-payment amounts as earned income increase, increasing eligibility thresholds to account for earned income increases, reducing co-payment rates for those below 100% FPL, and simplifying application and redetermination processes.[6,14, 16] - Eliminated asset test for TANF eligibility[15]
Hawaii[14]	TANF	- Eliminated asset test for TANF eligibility[15]
Idaho[6]	Child Care Assistance	- Streamlined and changed reporting requirements to eliminate termination of benefits due to short-term employment changes (such as picking up seasonal over-time shifts)[6]

Illinois[6,14]	Child Care Assistance, SNAP, TANF	- Simplified reporting processes to include direct deposit history to certify employment[6] - Expanded SNAP eligibility from 135% of the FPL to 165% of the FPL[17] - Eliminated asset test when determining eligibility for TANF[15]
Indiana[14, 17]	Medicaid	- Covers adults ages 19-64 up to 133% of FPL - Individuals are automatically enrolled into a plan comparable to a private HDHP + HSA plan and are required to pay 2% of earned income into HSA plan, which has a starting balance of $2500 - Introduced "Healthy Indiana Plan (HIP) Link" which provides additional funds into the HSA to help transition those who move off Medicaid to private insurance due to earned income[17]
Louisiana[11, 14]	Child Care Assistance, TANF	- Increased child care stipends by 250% so that low-income families can afford high-quality care[21] - Changed re-determination period to one year regardless of changes in employment status, as long as earned income does exceed 85% of state median income - Performed cost-modeling analysis to identify gap between subsidies and true costs of high-quality child care - Conducted a one-year pilot program in four communities in which high-quality child care spaces were reserved for low-income families; to qualify for pilot, providers were required to exhibit higher standards, including better staff credentialing and implementing a quality management system. Providers with higher demonstrated quality receive a higher tax credit[11,21].** - Eliminated asset test when determining eligibility for TANF[15]
Massachusetts[19,20]	All major public supports received in state; special	- Introduced two bills that are currently under Congressional review - One bill introduces the implementation a pilot study to determine the impact of graduated assistance off supports and asset matching in 100 families and data collection efforts focused on mitigating the Cliff Effect

	focus on housing	- Second bill focuses on examining the impact of Cliff Effects in households on public supports as they transition off with the goal of changing policy that supports stable housing and economic self-sufficiency
Maryland[6,14]	Child Care Assistance, TANF	- Uses SNAP data to verify eligibility for childcare assistance to streamline processes and reduce administrative time for families[6] - Eliminated asset test for TANF eligibility[15]
Missouri[22,23]	Child Care Assistance	- Democrat and Republican representatives are working together to pass legislation for a pilot program in which people receiving childcare supports in three counties will have supports taper off gradually as household earned income increases
Minnesota[14]	Child Care Assistance	- Offers extended child care subsidy for those losing TANF support[32]
Nebraska[6,11,14]	Child Care Assistance, TANF	- Offers transitional, sliding scale child care co-payments for up to 24 months for families whose income falls between 135% and 185% of the FPL - Parents can count education and training opportunities toward subsidy eligibility; there is no limit on amount of time parents can spend pursuing educational or training opportunities[24] - For parents with dependent children, earned income is disregarded by 20% for initial eligibility; for re-determinations, earned income is disregarded by 50% - Parents with dependent children who lose supports due to increased earnings can receive transitional aid equivalent to 20% what they were receiving from supports for up to five months while their total income is under 185% of the FPL[25]
New Mexico[8]	All major public supports received in state; special focus on	- Legislation was passed requesting information to the legislative finance committee to provide eligibility, eligibility thresholds, and other requirements relating to public support services in order to potentially identify and smooth out cliffs

	child care assistance	
Ohio[6,14]	Child Care Assistance	- Implemented low initial eligibility rate of 130% FPL, but increased ongoing eligibility rate to 300% FPL - Eliminated co-payments for families under 100% FPL - Eliminated asset test for TANF eligibility[15]
Oregon[11,14]	Child Care Assistance, TANF	- Allows eligibility to continue regardless of changes in employment status until household reach 85% of state median income - Authorized Department of Human Services (DHS) to reinvest savings from reduced caseload back into TANF to reduce Cliff Effect; this resulted in increasing the upper limit for receiving TANF, graduating payments to families who exit TANF due to increased earnings, and reducing child care co-payments for three months after exiting TANF due to increased earnings[26]
Pennsylvania[11,14]	Child Care Assistance, SNAP	- Re-determines child care assistance eligibility every 12 months***, even with changes in employment status during this period[14] - Eliminated SNAP asset test [27]
Rhode Island[14]	Child Care Assistance	- Simplified administrative and eligibility processes by allowing parents to self-attest working hours and income[6] - Implemented pilot program to allow families to retain child care subsidy until they reach 225% of FPL, instead of 180% of FPL (original threshold)[28]
Tennessee[14]	Child Care Assistance	- Provides 18 months of transitional child care assistance for families who leave TANF due to increased earned income; during the 18-month period, working families pay a sliding-scale co-payment[29]
Utah[14]	Medicaid, TANF	- Passed bill to disregard funds in a Utah Education Savings Plan when calculating eligibility[30] - Exempted vehicles from TANF asset eligibility[15]

Vermont[14]	SNAP	- Increased SNAP eligibility to 185% of FPL[31]
Virginia[14]	TANF	- Eliminated asset test for TANF eligibility[15]
District of Columbia[6]	Child Care Assistance	- Disregards resources from numerous public supports in income eligibility criteria - Implemented high-income eligibility threshold and low co-payment schedule

*The pilot study period will end in 2019.

**This resulted in child care center participation almost doubling. Centers that moved from a 2-star quality rating to a 5-star quality rating (on a scale from 1-5) tripled between 2008 and 2011; holding low-income slots increased access for low-income families to access these centers.

***Under CCDB Reauthorization rules passed in 2016, to be implemented no later than October 2018, states using these federal funds must re-determine eligibility every 12 months rather than at shorter intervals.

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