New England States Tackle

Benefit Cliffs

Cultivating innovation to support family economic mobility

This brief was written collaboratively with six state teams in New England who are active participants in the ACF Region 1 Whole Family Approach to Jobs Initiative and its benefit cliff learning community. Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont worked together on research, best practices, peer-to-peer state support and documentation of findings and action steps. Parents also shared stories highlighting the obstacles to economic mobility, caused by the cliff effect. This document written by New England states and Sarah Griffen. Josephine Hauer and Elaine Zimmerman facilitated states' working groups on benefits cliffs.

INTRODUCTION

Economic stability and mobility are critical for family well-being in the United States, for parents and children alike. While there is an array of financial supports intended to support families on a trajectory towards economic mobility, the rules governing those supports often create benefit cliffs, where families with the opportunity to increase their wages face an unexpected net loss in income due to a decrease in benefits. The benefits lost often include child care, health care and food. This tallied loss costs more than the wage gain. Parents do quick math and face a hard choice — take the job without these supports or stay put with no economic success.

A single mother of two working full-time describes this dilemma.

You must choose between getting the help and not accepting that raise. Between disregarding all your benefits and taking the job. But it doesn't make you proud.

In many New England states, businesses are facing a related challenge filling their workforce needs. Many are looking toward untapped labor pools such as the hard-to-employ and the chronically underemployed. State leaders face aging demographics, slow population growth, low unemployment and, in some industries, a workforce shortage. Filling key positions is exacerbated by benefit cliffs. These realities give rise to concerns about maintaining economic growth and competitiveness for states while also limiting opportunity for families.

An executive with Wegman's Supermarkets, a privately owned supermarket chain with locations in Massachusetts, realized the cliff effect was impacting their workforce and ability to expand the business and bottom line.

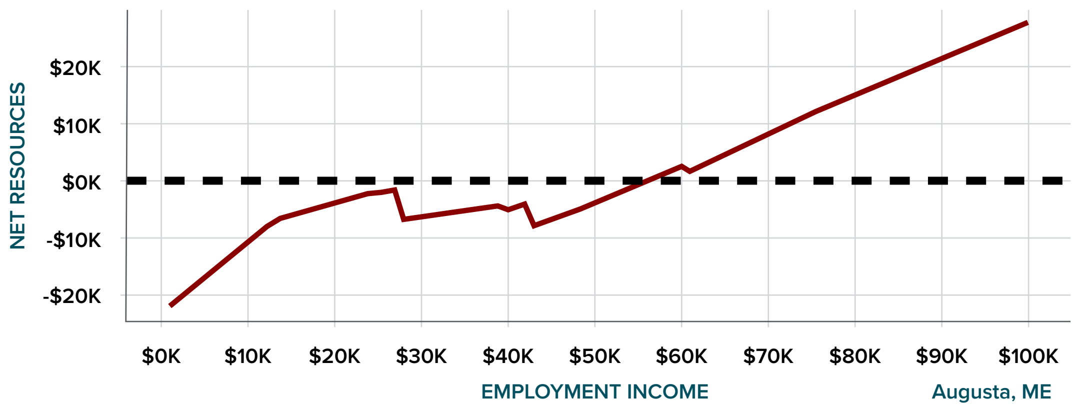
When somebody is offered an opportunity to go from part-time to full-time and they tell us they can't because of losing benefits, like childcare – it hurts. Our philosophy is to help employees learn and grow, promoting from within whenever possible. Grocery retail is a low margin business, and we try to find the most efficient ways of running the business, including maximizing retention.

The cliff effect creates a continuous uphill climb, rather than a ladder out of poverty. Businesses are hiring workers only to lose them to simple math. Families lose more than they gain, when their safety net disappears or is reduced at the job entrance. The worker shortage is not reduced for business and the family does not leave poverty or cycles on and off state supports. Resources do not flow further into the community, hindering economic growth.

The graphic below illustrates the challenge of benefit cliffs for one family. As income increases to bring the family above the dotted break-even line, the loss of benefits causes a dip when the mother's income is slightly under $30,000, and another "cliff" at $42,000 – when she becomes only slightly better off than she was earning $25,000. It is only at $60,000 that she is able to break even.

FAMILY NET FINANCIAL RESOURCES (INCOME + PUBLIC ASSISTANCE - TAXES - EXPENSES)

As income increases, public assistance programs phase out. As a result the net financial resources may flatten (reflecting a benefits plateau) or even dip (reflecting a benefits cliff) as income increases.



Source: Federal Reserve Bank of Atlanta Benefit Cliff Dashboard

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 disseminate rules and regulations to implement the law. Next, states, and sometimes counties, create their own rules and regulations to guide program fulfillment and service delivery. When examining the rules and processes across numerous benefit programs, agencies, and levels of government that are not often aligned, undoing the cliff effect seems a complex hurdle to overcome. New England states have begun to unravel the intricacies to move families forward.

This document summarizes a range of policy options New England states have made in recent years. No single policy change can solve benefit cliffs across programs. Over time, the cumulative effect of state efforts within and across programs to reduce cliffs gives families better choices to enhance their economic mobility. While some policies have fiscal costs in the short term, the longer-term promises are stronger families, increased tax revenue for states, a more robust workforce for business and strengthened community economic development. But the New England states have begun to unravel these intricacies.

This brief has three sections:

1. **Examples of State Actions Over Time to Address the Benefit Cliffs**
2. **Summary Charts of New England State Policy Changes in the Major Benefit Programs**
3. **Opportunities for Federal Policy Action to Mitigate Benefit Cliffs**

SIGNIFICANT STRIDES IN NEW ENGLAND

New England states have made significant strides to soften the impact of cliffs on families through changes in policy, culture and frontline practice. They have learned from each other's efforts for several years, as part of a nationally recognized regional public-private initiative since 2017 — A Whole Family Approach to Jobs: Helping Parents Work and Children Thrive, led by the Administration for Children and Families (ACF) Region 1, with national and state collaborators.

State efforts to address the cliffs range in scope, but generally include:

1) Phasing out benefits slowly, extending re-certification periods, allowing more earned income to be retained in the transition to work, or using sliding fee scales,

2) Raising eligibility limits or change exit/loss of eligibility standards to enable a longer stay on benefits while working, and

3) Working with a suite of tools such as those created by the Federal Reserve Bank of Atlanta to model the interaction of public benefits, tax credits, and expenses with career advancement. States have also built-in coaching alongside other resources to help families navigate the cliffs.

1 EXAMPLES OF STATE ACTIONS OVER TIME TO ADDRESS THE BENEFIT CLIFFS

Every state in New England has implemented policies to mitigate the cliffs and open opportunity for families. Almost all the policies required legislative action. Most states took a multi-year approach, passing and implementing policies each year. When taken together, they represent some of the most significant work to address the cliffs across the nation. States started with varying strategies and built up their systemic response, over five years, as exemplified by these state examples:

	2016–2017	2018–2019	2020–2021	2022–2023
CONNECTICUT	• Workgroup on benefit cliffs formed • Establishes study on cliff effect and opportunities to mitigate cliffs	• Childcare sliding scale improved • Medicaid for parent/caretakers at 160% FPL • State EITC increased to 30.5%	• TANF family cap repealed 2021 • Medicaid eligibility + coverage expanded for kids + pregnant women • Covered CT established • Benefit Cliff tool piloted	• TANF Time limits increased, asset limits increased • State EITC increased to 40% • Increased SNAP income eligibility from 185% to 200%
MAINE	• DHHS uses TANF funds to supplement monthly SNAP benefits for working families from $15 to $50 per month	• Medicaid at 138% of FPL • Study group on benefit cliffs formed • TANF at 60-month time limit • Eliminate TANF gross income test • Earned income disregard (100% for first 3 months with decreases over time)	• Added TANF earnings food benefit for eligible families receiving an enhanced TANF disregard (100% or 75%) • Increased TANF worker supplement benefit from $50 to $100 monthly • Established state-funded Universal school meals in school year 2021. • Expanded TANF transitional transportation benefit for working families not on TANF with income less than 200% FPL • Increased state EITC to 25%	• Increased SNAP income eligibility from 185% to 200% FPL • Added Job Retention Supports for SNAP E&T for 12 months • Childcare eligibility at 125% of SMI effective July 2024
MASSACHUSETTS	• Established Learn to Earn Initiatives • Funded local pilot partnerships to test models for sustainable employment • Development Common Calc	• Increased ongoing TANF eligibility to 200% earned income and increased earned income disregard to 100% for six months • Increased state EITC to 30%, fully refundable	• Increased TANF grant by 31% • Eliminated Family Cap	• Eliminate TANF asset limit • Made employment and training stipends non-countable for TANF and SNAP • Reduced parent co-payments for child-care; 97% of parents pay fees that are 7% of income or less

2 NEW ENGLAND STATES' CHANGES IN BENEFIT PROGRAMS THAT SOFTEN CLIFFS

States have made significant strides to mitigate the cliffs over the past seven years. Following is a summary of the actions states have taken, beginning with extensive reforms to TANF, as it offers states the most flexibility to shape policy, followed by a number of programs with less flexibility in federal statutes.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

CONNECTICUT

- Initial income eligibility tied to 55% of FPL in 2022; benefit level is 73% of income eligibility level
- Earned income disregard up to 100% of FPL after qualifying; starting in 2024 the disregard goes up to 230% FPL for 6 months (if between 171% and 230%, then benefit reduced 20%)
- Asset limit was $3,000 – doubled to $6,000 in 2023; one car under $9,500 in value
- CT Safety Net Program – 12 months of post-TANF case management
- In 2024, 21-month time limit increases to 36 months with potential 12-month extension in 2024
- Eliminated family cap in 2021

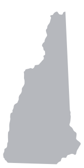
MAINE

- Earned income disregard (100% for first 3 months, gradual decrease over time)
- Eliminated gross income test
- 60-month lifetime limit with hardship extensions
- TANF earnings food benefit for HH whose SNAP benefits fall below $50 while receiving an enhanced TANF disregard (100% or 75%)
- Worker Supplement Benefit increased from $50 to $100 monthly
- Expanded Transitional Transportation benefit for working families who may not have received TANF and have income below 200% FPL
- Provides transitional child care when increase in gross income is at or below 250% FPL or voluntary withdrawal with earnings in final month on TANF

MASSACHUSETTS

- Eligibility up to 200% FPL (continued eligibility) for working families; initial eligibility – grant amount itself.
- Earned income disregard; 100% disregard up to 200% FPL for 6 months, once expired, then $200 and 50% of earnings
- No asset limits
- Grant increases 10% over FY20; in FY22 a 10% increase over FY20
- Eliminated family cap FY19
- 24 months every 5-year time limit
- Transitional stipends for transportation and work-related expenses if employed for 4 months post TANF
- Transitional child care for up to two years if leaving without child care
- Make employment and training stipends non-countable

NEW HAMPSHIRE



- Payment is 60% of federal poverty guidelines
- 50% earned income disregard
- Voluntary Pilot for 100% income disregard for those with newly earned income in a high demand job; 75% income disregard for others
- $5,000 asset limit, increased from $2,000
- 60 months
- Cash nutritional supplement 2x/month for TANF families also receiving SNAP
- Adjusted child care deduction

RHODE ISLAND

- Increased cash benefit
- Earned income disregard of the first $300/month and half the remaining earnings
- Eliminated gross income test first 6 months of "new" employment
- Prior increase to benefit up to 40% FPL (2021) now less due to inflation
- $5,000 asset limit and one vehicle excluded per included adult
- 60-month limit
- Mental health peer supports through cohort-based peer model
- $2,000 bonus payment to vendors if participants are still employed in fifth quarter after exiting TANF
- Exploring use of group meetings paid for by TANF for behavioral health groups

VERMONT

- First $350 of income disregarded plus 25% of remaining earnings
- Eligibility: Countable income below payment standards determined by 1) adding countable housing expenses up to the maximum allowance for county of residence to the basic needs allowance for family size, 2) multiplying sum by the ratable reduction percentage (49.6%), and 3) rounding the result down
- $9,000 limit for savings; CSA, IRA, home, car excluded
- 60 months if parent is not engaged with ReachUp
- Program through June 2025 offering food benefits and work expense reimbursements of $750-1200 every six months if parents stay employed.

	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)	MEDICAID/CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)
CONNECTICUT 	• Gross income eligibility increased from 185% FPL to 200% FPL effective Oct 2022 • No asset test • Transitional food assistance benefit for 5 months for working families who earn off TFA	• Eligibility is 160% of FPL for parents and caretakers; child limitis 201% FPL and CHIP covers 202-323% • Pregnancy eligibility - 263% FPL regardless of immigration status • Covered CT is a Medicaid 1115 waiver program that offers no cost QHP/Medicaid hybrid for adults 18-64 up to 175% of FPL if over Medicaid income limits; includes dental and non-emergency transport benefits • State-funded medical coverage for kids 0-12 with income FPL that mirror Medicaid/CHIP to 323%
MAINE 	• Gross income eligibility test was increased from 185% to 200% of the FPL effective July 1, 2022 • No asset test • Households whose TANF closes due to earnings receive 5 months of TFA (benefit amount based on income the last month of TANF) • Job Retention Supports for SNAP E&T for 12 months (rather than 3) after job attainment through SNAP E&T, even after SNAP closure, Waiver is approved from 10/1/20 through 9/30/24	• Eligibility is 138% of FPL; child only is 300% FPL regardless of immigration status, eliminated most premiums and waiting periods; 208% for pregnant women who are undocumented • Streamlined eligibility for transitional Medicaid
MASSACHUSETTS 	• Gross income eligibility at 200% of FPL * • No asset test * • Transitional nutrition benefit for 5 months for TANF-transitioning families • Employment and training stipends non-countable towards SNAP or TANF • SNAP reauthorization federally proposes doing away with broad-based categorical eligibility (*above, would change) • General practice – TANF not counting UBI, so SNAP is also not, if not funded completely through the government	• Eligibility is 138% of FPL; child only is 305% FPL
NEW HAMPSHIRE 	• Gross income eligibility at 200% of FPL • No asset test • Double UP Food Bucks	• Eligibility is 138% of FPL with 5% income disregard; child only is 323% FPL with 5% disregard; • Postpartum twelve-month eligibility for mother and child • Child continuous eligibility for one year • For New Americans, five-year wait is waived for pregnant mother and child; Dental Benefit for all receiving Medicaid • Reauthorized Medicaid Expansion for seven years
RHODE ISLAND 	• Gross income eligibility at 200% of FPL • No asset test • "Eat Well Be Well" more SNAP for Veggies & Fruit – spend a dollar, get 50 cents back at Stop & Shop and Walmart	• Eligibility is 138% of FPL; child only is 213% FPL • Streamlined eligibility for transitional Medicaid (LTSS) • Medicaid for all children, including non-citizen (New)
VERMONT 	• Gross income eligibility at 185% of FPL • No asset test • Households with income over 185% FPL that have a senior or disabled member do not have a gross income test, they have a 100% FPL net income test and $4,250 asset test	• Eligibility is 138% of FPL; child only is 317% FPL

	CHILD CARE	SCHOOL LUNCH AND BREAKFAST	LOW INCOME HEATING ENERGY ASSISTANCE PROGRAM (LIHEAP)	EARNED INCOME TAX CREDIT (EITC)
CONNECTICUT	• Eligibility at 60% of SMI; redetermination up to 65% of SMI	• Community Eligibility Provision in place • Direct certification maxed out for TFA/SNAP/Medicaid	• Categorical eligibility for SNAP and TANF with automatic verification through online application • In 2024, will launch new statewide "Low Income Discount Rate" that provides a 50% or 10% discount off electric bill, depending on what program family is in, including TFA, SNAP, Medicaid, other DSS-administered programs	• Fully refundable EITC at 40% (up from 30.5% in 2023)
MAINE	• Eligibility at 85% of SMI by January 2024	• Universal school meals established in 2021 • Notice of intent to participate in Summer EBT and applying to simple certify Medicaid children below 185% FPL for Summer EBT	• Categorical eligibility for SNAP and TANF households • $3M transferred annually from TANF block grant to provide additional LIHEAP benefits to qualifying households under 185% FPL	• Fully refundable EITC at 25%
MASSACHUSETTS	• 50% of SMI Initial & 85% of SMI Continuous	• 185% of FPL with categorical eligibility SNAP/TANF/child SSI • Community Eligibility Provision in place	• 60% of SMI • Data exchange with DTA (in process to have MOU); receipt of benefits directly certifies for LIHEAP	• Fully refundable EITC at 30%
NEW HAMPSHIRE	• Eligibility at 85% of SMI • Disregard of TANF income for eligibility • Reduced co-pays • Decreased steps from seven to five • 100% Full enrollment for CCDF	• Community Eligibility Provision in place. Some districts appear eligible and are not using	• 60% of SMI • MOU between SNAP and LIHEAP for data sharing	• No state income tax so no EITC
RHODE ISLAND	• 200% FPL initial & 300% of FPL Continuous • DHS combines state, TANF, SSBG and CCDF funds; provide wraparound care for both Head Start and RI Pre-K programs • Use prospective budgeting	• Community Eligibility Provision in place and all eligible communities are participating • https://www.ride.ri.gov/CNP/NutritionPrograms/NationalSchoolLunchProgram.aspx#21381431-community-eligibility-provision	• 60% of state median income • If receiving TANF, get 30% reduction in energy bill	• Fully refundable EITC at 15%
VERMONT	• Income eligibility at 350% FPL (in addition to 85% SMI) • Income eligibility for CCFAP will increase to 400% FPL on 4/1/24 • Income eligibility for CCFAP will increase to 575% FPL on 10/1/24	• In 2024, universal school breakfast and lunch for all children in school	• 60% of SMI (At the district level ESD uses the Federal Poverty Levels, and then converts to 60% SMI using an FPL/SMI crosswalk tool) to draw down federal dollars	• Fully refundable EITC at 38%

3 CONSIDERING FEDERAL SOLUTIONS TO MITIGATE BENEFIT CLIFFS

States are working to find and implement benefit cliff policies within their domain. At the same time, they recognize that collaboration with the federal government and actions by Congress are essential to untangle the weave of state and federal policies that limit opportunity.

The work to advance economic mobility focuses on simplifying and improving the client experience, as well as limiting the burden on families to choose between necessary supports and advancing at work. Solutions will create administrative and program efficiencies, which in turn can open up agency resources to support both families and employers optimally. This can be a quadruple win – for families, employers, and state and federal governments.

There are three broad areas to consider within the scope of federal departments or agencies: program and policy alignment, cross-agency work, and opportunities for open communication and guidance. Additionally, possible statutory changes are worthy of consideration.

PROGRAM AND POLICY ALIGNMENT

The complexity of regulations across programs makes it difficult for families to understand what might happen to their benefits. Initial income eligibility guidelines, redetermination timelines, and how increases in income affect benefits are treated differently in most cases. While not all alignment work is within the purview of agencies, efforts to align eligibility and redetermination would create efficiencies, streamline program delivery, make support for families easier to access and maintain, and open avenues to mobility. For example, currently workforce incentive payments cause benefit loss, unintentionally disincentivizing potential workers from moving into the labor market. Similarly, apprenticeship program wages also cause benefit loss as new workers learn a trade or occupation.

Where there is statutory flexibility, federal agencies might consider:

- Providing guidance to align across TANF, SNAP, Medicaid, child care, and housing with a focus on maximizing resources for families and minimizing administrative burden. Align reporting and redetermination to improve program efficiency across programs. Review eligibility and redetermination rules and processes, providing guidance to states where there is statutory flexibility, with a focus on maximizing resources for families.

CROSS-AGENCY WORK

Over time, well-intended regulations across multiple federal agencies have created a maze of questions and paperwork related to eligibility, enrollment and redeterminations. To open avenues to mobility, cross-agency work is needed to reduce confusion and ease states' ability to innovate in supporting families within statutory requirements. Cross-agency work to make changes that will support working families might include:

1) Consider supporting in-demand occupations with a cross-agency waiver that could allow front-line workers, such as those in child care and health care, to keep their benefits as they come into the workforce or receive incentive payments to retain their jobs. Currently, incentives offered to workers in these in-demand occupations are often significantly diminished by a loss of benefits.

2) Provide guidance on how states can optimize all funding streams to offer flexible emergency funds. Streamline documentation so that funds can be used quickly.

3) Promote economic mobility by offering states the opportunity to apply for a cross-agency waiver across programs when family economic mobility is their main goal, and states can demonstrate parents are taking concrete actions in programming and alignment of supports (such as engaging in securing stackable credentials or further education) to demonstrate this commitment.

OPPORTUNITIES FOR OPEN COMMUNICATION AND GUIDANCE

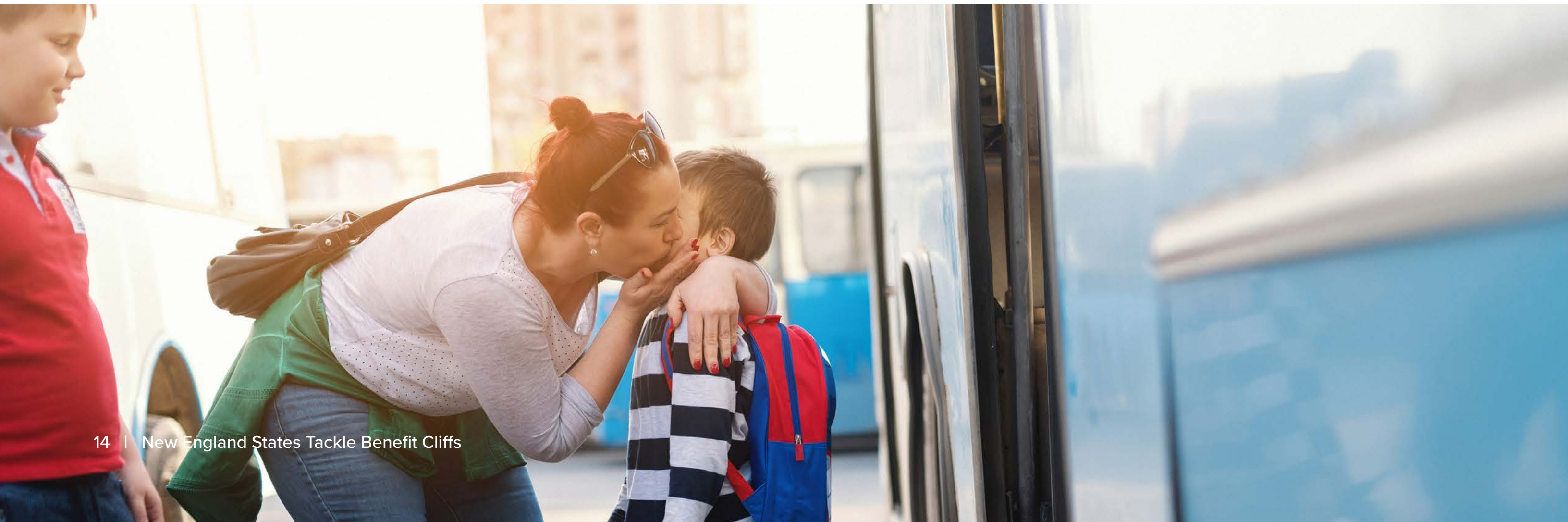
Create ongoing intentional communication between federal and state governments on the cliff effects to minimize their unintentional impact. Create clear administrative guidance, based on statute and regulations, to support states to maximize their ability to address and minimize benefit cliffs. Some examples might include:

- Development of a federal-to-state and state-to-federal feedback loop to improve economic mobility by decreasing obstacles to employment created by cliff effects.
- Clarifications on sharing of key data across programs to drive metrics and outcomes, as well as make referrals to other programs.
- Guidance on when states can share data for purposes of cross-program eligibility/redeterminations.
- Guidance on how to use TANF to offer families flexible emergency funds when they need them to keep moving forward.
- Clarify when states can go beyond a 6-month TANF recertification period.
- Clarify the process to request a waiver to align redetermination periods that would extend recertification for SNAP beyond 6 months.
- Hold children harmless who are enrolled in CHIP. In split households where children can be claimed by more than one parent, allow eligibility to continue without requiring repeated eligibility determinations.

STATUTORY

There are several statutory changes that would open economic opportunity for families. While these are not in the purview of federal agencies, they are critical to understanding how mobility could truly support workers in reaching their economic goals and creating stability for their families. Examples worth consideration and review might include:

- Utilize TANF for categorical eligibility for SNAP.
- Work-related expenses should not be countable for SNAP eligibility.
- Training-related stipends and apprenticeship wages should not be counted for SNAP eligibility when a participant is enrolled in a workforce program.
- Expand definitions of non-countable income in Medicaid, including for training stipends.
- Lengthen Medicaid recertification periods and/or extend required reporting for changes to income and assets.



CONCLUSION

The cliff effect is understood by consumers as a major obstacle to family economic success, across generations. Most parents seek upward mobility for their families and wish to be in the workforce, contributing both to their community and the economy at large. When benefits that support families are reduced or cut as the parent starts to work, a roadblock is set up. Parents often decline the job and stay where benefits uphold necessary family support. This is not a failure on the consumer's part, but a challenge that the state and federal government can together remedy.

States are continuing work on the cliff effect with innovations and policy shifts through the Whole Family Approach to Jobs peer learning community. States are working together, both within and outside New England, to engage federal leaders on a range of changes that would improve economic mobility, including: program and policy alignment; cross-sector innovations; and communications regarding data, AI and allowable flexibilities and waivers. New England states are also joining national webinars and meetings to exchange practices; are designing pilots and cross-sector approaches to lessen the cliff effect, and gathering narratives from parents and business to note the cliff's impact on economic opportunity.

Policy options are available that can offer reasonable steps to successful employment and careers. The cliff effect is often treated as too knotted and complex to solve. Yet states and the federal government can together untie this dilemma and take actions that create real opportunity. Addressing benefit cliffs is key to helping families achieve their goals, businesses to fill their worker shortages and public agencies to fulfill their missions. We need a bold solution to an age-old problem – one that is solvable with collaboration and innovation.

* See, Moving on Up: Helping Families Climb the Economic Ladder by Addressing Benefits Cliffs (2019). In 2019, The National Conference of State Legislatures published a report, in collaboration with ACF Region 1, summarizing lessons learned from significant efforts in New England to address benefits cliffs. The brief offers a menu of policy options for addressing worker shortages that also improve family outcomes.
https://search.issuelab.org/resource/moving-on-up-helping-families-climb-the-economic-ladder-by-addressing-benefits-cliffs.html

** Career Ladder Identifier and Financial Forecaster (CLIFF)
https://www.atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families/cliff-tool

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