

Benefits Cliff Task Force Recommendations

Prepared by Kentucky Voices for Health & ThriveKY, September 22, 2022

To the extent that benefit cliffs occur in public assistance programs, they represent a loss in total income when additional wages lead to a reduction in benefits that is larger than the wage increase. Most programs are pro-rated to avoid this cliff, but it still occurs in some instances. Another benefits cliff exists insofar as successfully applying for benefits is so onerous and convoluted that some eligible people never make it “up” the cliff to actually receive badly needed help.

These recommendations address both “cliff effects” in an attempt to make the transitions onto and off of various kinds of assistance as seamless as possible. They represent policies that phase out benefits more gradually as incomes rise, provide less onerous on-ramps to benefits when needed, make the transition from benefits less of a drop off through targeted tax credits, and improve various work supports.

Recommendations across programs

- Incentivize upward mobility by encouraging households to save for big expenses or emergencies, like repairing a home or buying a car, through lifting the assets limit, wherever it applies.
- Reduce administrative red tape, burdensome reporting, and complicated exemptions.

Administrative Improvements

- Shift to a welcome mat orientation including utilizing case management where possible.
- Lengthen and maintain eligibility periods across programs.
- Maintain all available categorical eligibility across programs.
- Address administrative churn-induced benefits cliffs through the following:
 - Increase state worker pay
 - Maintain hybrid and virtual employment for state employees
- Require that CHFS shall not take an action to deny, discontinue or reduce benefits until documentation in the possession of the cabinet has been reviewed and appropriate action taken by cabinet personnel.
- Direct CHFS to improve the appeals process when addressing allegations of fraud. When determining whether a recipient of public benefits has committed an offense - including algorithm flags based on suspicion or the use of an ATM to withdrawal cash - require that CHFS conduct a thorough investigation and a decision of the cabinet shall not solely rely on a list of potentially suspicious transactions. The Cabinet should provide evidence to determine an offense/violation that would result in a penalty/sanction.

Health Care

- Implement a Basic Health Plan to keep health insurance affordable to Kentucky workers with low-incomes.
- Establish a reinsurance program to reduce insurance premiums through a federally-funded 1332 waiver
- 12-month continuous eligibility for kids

Food Assistance

- Phase down SNAP benefits over a period of six months for participants when they lose eligibility through state-funded food assistance.
- Expand work supports through SNAP Employment and Training (E&T), like those used in the successful Paths 2 Promise pilot program, such as transportation, child care, internet access, education and job training.
- Expand and keep voluntary education and job training by increasing the number of SNAP Employment and Training opportunities available across the state and virtually (including with KCTCS).

Child Care

- Fund a permanent increase of the income eligibility limit to 200% FPL.
- Fund a permanent increase of the reimbursement rate to the 85th percentile.
- Phase-in cost-sharing starting at 75% FPL, and phase it out at 200%.
- Reduce costs by ending overages and bringing family co-pays up to the fair market rate.
- Phase-out assistance by providing 50% reduction in assistance for 6 months when eligibility ends.
- Exempt home-based childcare facilities from zoning laws
- Directly subsidize providers for non-traditional hours, including overnights and weekends

Basic Cash Assistance (KTAP)

- Allow people to keep more of their earnings by improving outdated earned income disregard to 100% for 6 months and 50% earned income disregard for the rest of the time.
- Remove the two-parent penalty (deprivation factor) and make the only requirement be that the households with low-incomes have children.
- Increase the work expense supplement.
- Boost the post-eligibility work supplement (WIN)
- Raise the asset limit for TANF cash benefits or eliminate it completely.

Create a state EITC/CTC

- Make a refundable Earned Income Tax Credit (EITC) at 20% of the federal credit, including for childless adults.
- Make a refundable Child Tax Credit (CTC) at 20% of the federal credit, non means-tested.

Housing

- Increase funding to the Kentucky Affordable Housing Trust Fund to preserve and create permanently affordable housing to reduce fixed cost of living expenses, as well as respond to disaster-related housing needs.
- Structure housing assistance with a built-in benefit slope based on 30% of Annual Gross Income (AGI).