

**CHAPTER 9****( HJR 39 )**

A JOINT RESOLUTION directing executive branch agencies to undertake efforts to address the benefits cliff in Kentucky.

WHEREAS, individuals and families receiving public assistance benefits can lose some or all benefits as the result of a marginal increase in income; and

WHEREAS, the loss of public assistance benefits resulting from an increase in income often means that an individual's or a family's overall access to financial resources is reduced despite the fact that they are earning additional income; and

WHEREAS, this sudden and often dramatic loss of public assistance benefits resulting in an overall reduction in access to financial resources is known as the benefits cliff or cliff effect; and

WHEREAS, in many states the loss of child care assistance represents one of the, if not the, largest benefits cliffs; and

WHEREAS, for a low-income working family with two children in Kentucky, a marginal increase in income can result in the loss of Child Care Assistance Program (CCAP) support causing the family to experience a benefit cliff of approximately \$1,500 per month or \$18,000 per year; and

WHEREAS, the Cabinet for Health and Family Services has utilized federal Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act and American Rescue Plan Act (ARPA) funds that are set to expire in the summer of 2024 to finance significant changes to CCAP that have the potential to substantially reduce the child care benefit cliff in Kentucky; and

WHEREAS, the loss of CCAP assistance could serve as a significant barrier to continued participation in the workforce; and

WHEREAS, the General Assembly has demonstrated a commitment to improving the efficacy of public assistance programs, mitigating or eliminating the benefits cliff, and promoting gainful employment and self-sufficiency through the establishment of the 2019 Interim Public Assistance Reform Task Force and the 2022 Interim Benefits Cliff Task Force as well as the passage of House Bill 7 during the 2022 Regular Session; and

WHEREAS, the 2022 Interim Benefits Cliff Task Force determined that the benefits cliff is a barrier to gainful employment and self-sufficiency that limits upward economic mobility and traps individuals and families in cycles of poverty and government dependence and thereby increases the amount of time an individual or family remains on public assistance; and

WHEREAS, the 2022 Interim Benefits Cliff Task Force further determined that in addition to being a barrier to gainful employment and self-sufficiency, the benefits cliff creates a significant staffing challenge for employers particularly during periods of labor market tightness; and

WHEREAS, the 2022 Interim Benefits Cliff Task Force found that tiering public assistance benefits, or gradually phasing down benefits as a recipient's income increases, as opposed to fully terminating benefits following a marginal increase in income, offers a meaningful opportunity to mitigate the benefits cliff; and

WHEREAS, the 2022 Interim Benefits Cliff Task Force also found that access to a user-friendly benefits cliff calculator tool that allows users to weigh the pros and cons of upward mobility and benefit eligibility can significantly improve public assistance beneficiaries' ability to make informed decisions about accepting better-paying jobs or additional hours of employment; and

WHEREAS, according to the Kentucky Chamber of Commerce, less than 80% of eligible low-to-moderate-income Kentuckians claim the federal Earned Income Tax Credit on their individual federal income tax filings each year, resulting in more than \$230,000,000 in unrealized tax credits annually; and

WHEREAS, the ability of the Commonwealth and other states to effectively address the benefits cliff is in some cases hampered by numerous, rigid federal regulations and guidelines governing the various public assistance program intended to provide short-term assistance to needy individuals; and

WHEREAS, failing to mitigate the negative effects of the benefits cliff represents a threat to the Commonwealth's fiscal stability and future economic prosperity;

NOW, THEREFORE,

Be it resolved by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. The Cabinet for Health and Family Services is hereby directed to conduct a thorough review of all public assistance programs administered by the cabinet to identify all flexibilities permitted under federal law, including but not limited to the state's ability to tier benefits or to gradually phase out benefits as a benefit recipient's income increases as opposed to fully terminating benefits following a marginal increase in income, which may afford the Commonwealth the opportunity to address the benefits cliff in Kentucky without the need for federal action. The Cabinet for Health and Family Services shall submit a report containing the results of this review to the Interim Joint Committee on Health, Welfare, and Family Services no later than November 1, 2023.

➔Section 2. The Cabinet for Health and Family Services is hereby directed to study the annual cost to the state of maintaining changes to the Child Care Assistance Program that were implemented between January 1, 2020, and January 1, 2023, and funded, either wholly or in part, by federal CRRSA, ARPA, or Coronavirus Aid, Relief, and Economic Security Act (CARES) funds, if and when these funds are exhausted. The cabinet is further directed to study potential changes to CCAP that would be cost-neutral to the state and serve to minimize the likelihood that an individual receiving child care assistance through the program would experience a benefits cliff, or a sudden and total loss of eligibility and benefits following a marginal increase in income above the program's current income eligibility threshold. The Cabinet for Health and Family Services shall submit its findings to the Interim Joint Committees on Health, Welfare, and Family Services and Appropriations and Revenue no later than November 1, 2023.

➔Section 3. The Cabinet for Health and Family Services is hereby directed to integrate a user-friendly benefits cliff calculator tool that allows users to understand how changes to gross income can effect eligibility for public assistance programs and long-term financial self-sufficiency and sustainability into the cabinet's public assistance outreach and support efforts, to ensure that all Department for Community Based Services employees who are directly responsible for assisting individuals in applying or reapplying for public assistance benefits have access to the benefits cliff calculator tool and are properly trained on the use of the benefits cliff calculator tool and its functions, to make the benefits cliff calculator tool easily accessible on the cabinet's website, and to submit a report on efforts to fulfill the requirements of this section to the Interim Joint Committee on Health, Welfare, and Family Services no later than November 1, 2023.

➔Section 4. The Cabinet for Health and Family Services is hereby directed to implement an outreach and education program to increase awareness and utilization of the federal Earned Income Tax Credit and free income tax filing support services among eligible public assistance beneficiaries. In developing and implementing this program, the Cabinet for Health and Family Services may partner with the Kentucky Department of Revenue and nonprofit organizations that offer or coordinate free income tax filing services. The Cabinet for Health and Family Services shall submit a report on efforts to fulfill the requirements of this section to the Interim Joint Committee on Health, Welfare, and Family Services no later than November 1, 2023.

➔Section 5. In the event the Legislative Research Commission dissolves the Interim Joint Committee on Health, Welfare, and Family Services and establishes another interim joint committee with jurisdiction over families and children, the reports required in Sections 1 to 4 of this Resolution shall be submitted to that committee.

**Signed by Governor March 16, 2023.**