

BENEFITS CLIFF TASK FORCE

Minutes of the 1st Meeting of the 2022 Interim

July 20, 2022

Call to Order and Roll Call

The 1st meeting of the Benefits Cliff Task Force was held on Wednesday, July 20, 2022, at 11:00 AM, in Room 131 of the Capitol Annex. Representative Jonathan Dixon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jason Howell, Co-Chair; Representative Jonathan Dixon, Co-Chair; Senators Gerald A. Neal, Michael J. Nemes, and Phillip Wheeler; Representatives Josh Bray, Pamela Stevenson, and Russell Webber.

Guests: Heather Wilson, Senior Policy Specialist, Children and Families Program, National Conference of State Legislatures (NCSL); Cameron Rifkin, Policy Associate, Children and Families Program, NCSL; Sam Adolphsen, Policy Director, Foundation for Government Accountability; Jessica Cunningham, Executive Director, Kentucky Center for Statistics; and Kris Stevens, Senior Data Scientist, Kentucky Center for Statistics.

LRC Staff: Janine Coy, Chris Joffrion, Kirk Smith, and Sasche Allen.

The Benefits Cliff: What is it and what are states doing to address it?

Heather Wilson, Senior Policy Specialist, and Cameron Rifkin, Policy Associate, with NCSL's Children and Families Program provided an overview of the benefits cliff phenomenon. Benefits cliffs occur when a small increase in earnings results in a decrease of public benefits such as housing assistance, energy subsidies, nutrition assistance, cash transfers, child care assistance, or health insurance. Public assistance benefits impact employees and employers and can sometimes create a disincentive to work or advance in a job. These benefits cliffs can vary across public assistance programs depending on income limitations which was highlighted in a Montana case study authorized by the Economic Affairs Interim Committee of the Montana State Legislature. Some states have implemented work requirements connected to public assistance but data have shown mixed results in terms of efficacy. States do have options with public assistance programs to streamline or reduce cliff effects. In 2019, NCSL partnered with the Administration for Children and Families, along with public and private sector stakeholders, on a two generation initiative in the New England area to help state leaders develop program, policy, and system solutions to assist parents in achieving greater economic stability. Identified

were five policy strategies which included mapping benefits cliffs, aligning eligibility levels, making work pay, increasing family economic security through asset development, and fostering system changes in the public and private sectors.

Responding to a question from Senator Wheeler, Heather Wilson stated that although there may not be an approach to address benefit cliffs by region, the federal government allows states to have flexibility for public assistance programs through block grants, waiver programs, and the discretion to increase eligibility levels. Answering a follow up, Ms. Wilson said the Temporary Assistance for Needy Families (TANF) program has very restrictive federal limitations.

Addressing a question from Senator Howell, Cameron Rifkin, a Policy Associate for the Children and Families Program with NCSL, explained that the psychological and emotional effects related to benefits cliffs is beyond NCSL's purview, but there may be an opportunity to collaborate with the NCSL Health and Human Services Committee to study the topic. Ms. Wilson cited a 2021 study conducted by the Urban Institute that involved a voluntary survey for individuals receiving public assistance benefits.

Replying to questions from Senator Neal, Ms. Wilson stated there is not a nationally comprehensive benefits cliff study, but several states across the country have analyzed the issue.

Answering questions from Representative Webber, Mr. Rifkin detailed some of the possible scenarios and outcomes of the Montana case study previously discussed. In that individual's case, she would have lost her Supplemental Nutrition Assistance Program (SNAP) benefits and would be close to losing energy assistance if she were to accept a work promotion. Many public assistance program thresholds are established using the federal poverty level.

In response to Representative Bray, Mr. Rifkin said NCSL could compile a report on broad based categorical eligibility to present to the committee. The broad based categorical eligibility approach involves aligning eligibility levels across public assistance programs.

Addressing questions from Representative Dixon, Mr. Rifkin clarified that benefit cliff calculators are currently more prevalent on the local level but less common on the state level.

Three Myths about the Welfare Cliff

Sam Adolphsen, Policy Director with the Foundation for Government Accountability, discussed three myths about benefits cliffs. The three myths cited include the following: most welfare enrollees are near the welfare cliff and limit their work in order to keep benefits; going over the cliff leaves enrollees worse off; and enrollees are thrown

off the edge without a parachute. According to Mr. Adolphsen, the facts are that few people are near the welfare cliff, because 62 percent of the people are not working and eight percent work full time; enrollees more than double their incomes and replace lost benefits after leaving welfare; and major welfare programs provide off ramps or transitional benefits for income changes.

The Benefits Cliff in Kentucky

The Kentucky Center for Statistics (KY STATS) has concluded that in order to analyze benefit cliffs and self-sustainability two values must be considered: family expenses and family resources. As a result, the Family Resource Simulator was developed to help families identify where cliff effects occur as income increases factoring in these two values. The simulator gathers family information, employment information, financial information, program participation, tax information, work support resources, and additional resources to yield a graph that will show how net resources are affected by changes in income. There is also the option for the user to factor in debt, which is assumed to be zero by default. In addition, KY STATS has taken its research and used the simulator to identify what self-sustainability may look like for six different types of families that are similar to 25,000 families across the state. The minimum income needed for self-sustainability is different for each family depending on the county, but benefit cliffs exist in all six scenarios. The three major contributors to cliff effects in the six scenarios are the loss of SNAP benefits, an increase in child care expenses, and an increase in healthcare costs.

Responding to Representative Dixon, Jessica Cunningham, the Executive Director of the KY STATS, indicated that the number of individuals that have utilized the Family Resource Simulator is unknown, but now that it is available on the KY STATS website and that it will be possible in the near future to track the analytics. Answering follow up questions, Kris Stevens, a Senior Data Scientist at KY STATS, reiterated that the simulator has options to factor in child care and healthcare costs.

Addressing a question from Senator Wheeler, Ms. Cunningham explained that there is an option for the user to factor in debt, but the default amount is zero. In response to a follow up, Ms. Cunningham affirmed that the purpose of KY STATS is to provide data objectively and not to advise on policy.

Replying to questions from Senator Howell, Mr. Stevens said there are 1.7 million families in the state according to the U.S. Census Bureau and the six scenarios presented represent 250,000 families across the Commonwealth that are one or two adult households with one, two, or three children.

Mr. Stevens interjected to clarify that in 2020 the change was made in the state to move SNAP eligibility from 135 percent of the federal poverty level to 200 percent which is why cliff effects are now seen at a higher income range.

Answering questions from Representative Bray, it was explained that KY STATS can analyze data based on what is accessible and what has been integrated into their system, but some other information, such as Medicaid and child care costs, would have to be estimated unless there was collaboration with other agencies.

Senator Nemes made comments about the work of KY STATS and expressed his desire to tier down cliff effects.

Adjournment

There being no further business, the meeting was adjourned at 12:43 p.m.