

To: The Women's Fund of The Greater Cincinnati Foundation

From: Arthur McMahon III & Lourdes E. Perrino

Date: November 17, 2015

Re: State Survey for Structuring Policy and Legislation to Address the Cliff Effect

As requested, this memorandum provides a comprehensive survey of the policies and legislation enacted by states in order to address the "Cliff Effect." As of the date of this memorandum, only the below states have enacted Cliff Effect legislation.

Colorado

Child Care and Education

A major overhaul of the Colorado Child Care Assistance Program ("CCCAP") was passed in May of 2014 in the form of three pieces of legislation: House Bill 14-1317, House Bill 14-1022, and Senate Bill 14-003. All three Bills received bipartisan support.

House Bill 14-1317: makes a number of key improvements to Colorado's child care subsidy program including capping copays for those at 100% of the Federal Poverty Level ("FPL"), allowing counties to use their monetary CCCAP allocations to provide direct contracts or grants to child care providers to increase the supply and improve the quality of child care overall, expanding eligibility during 60-day job searches and to those in postsecondary education and workforce training, aligning income verification requirements with other Colorado social welfare programs' expectations, two-tier eligibility expressly to mitigate the cliff effect, raising the statewide eligibility floor, decoupling the child and parent's schedules, improving provider reimbursement rates, and instituting tiered reimbursement statewide.

House Bill 14-1022: provides for continuity of care by aligning 12 months (minimum) eligibility with an equivalent authorization period.

Senate Bill 14-003: extends a pilot program and allows counties to test methods of easing the cliff effect in the CCCAP program. Allows parents to keep more of their income and gradually work their way off assistance.

House Bill 14-1072: extending Colorado's child care expenses tax credits which reimburse families making less than \$25,000. Previously the reimburseable credit was only available to families making between \$25,000 and \$60,000.

In addition, the **Public School Finance Act, Senate Bill 13-213** passed in 2013, included 5,000 new early learning slots (used for preschool or full-day kindergarten for at-risk children) paid for with a \$17.1 million increase in state support. Colorado has also increased its state budget to include funds for: quality improvement grants for child care providers (targeted to facilities working with children subsidized with Child Care and Development Block Grant (“CCDBG”) funds), child care licensing staff increase to improve site monitoring frequency, child care subsidy provider rate increase, and to help link data for children in early childhood programs to the K-12 system.

Link to Act:

http://www.leg.state.co.us/clics/clics2013a/csl.nsf/fsbillcont3/27A661F189ABDCF787257AEE00571A66?open&file=213edu_01.pdf

Senate Bill 15-012, enacted in May of 2015, ensured that all child support payments made by noncustodial parents would go directly to the child’s family, regardless of their participation in the Colorado Works Program. Prior to the enactment of this bill, Colorado families receiving state- and county-level payments from the Temporary Assistance for Needy Families (also known as Colorado Works) program effectively forfeited child support payments made from noncustodial parents. These payments instead went to the county to offset the costs of financial assistance programs.

Jobs, Wages, and Economic Equality

House Bill 15-1230: a bipartisan bill passed by both the House and Senate in 2015 which is meant to increase the number of women and girls that participate in job training and internships in STEM fields, where they have a chance to earn greater incomes.

Illinois

The Illinois Policy Institute recently concluded a study on the social welfare programs in Illinois and how the combination of state and federal aid creates a welfare cliff for some families. The study analyzed a potential welfare-benefits package in three different counties in Illinois for single- and two-parent households with two young children. The study found that a wide range of substantial benefits were available to these households (up to \$47,000 annually in some cases), welfare cliffs can be significant and can trap families, and that the system as a whole is inequitable because it forces parents to face a net loss of income as their salaries increase. Since the study was published in December 2014, there has been no significant legislative reform in order to implement the findings or rectify the cliff effect in Illinois.

Indiana

Child Care and Education

House Bill 1616: provides that beginning October 1, 2015, a child who is otherwise eligible for participation in the federal Child Care and Development Fund voucher program may continue to participate unless the child's family income exceeds the greater of 250% of the federal income poverty level or 85% of the state median income for the same size family. Current law cuts off funding at 170% of the federal income poverty level. This bill has not yet been passed in the Senate.

Food and Housing

Senate Bill 549: removal of asset limits for SNAP food assistance program. Requires the division of family resources to: (1) implement within the federal Supplemental Nutritional Assistance program (“SNAP”) an expanded eligibility category, which does not consider an individual's value of assets in determining SNAP eligibility; and (2) notify the United States Department of Agriculture of the implementation of expanded categorical eligibility under SNAP. Introduced to the Senate on January 14, 2015.

Maine

Food and Housing

Legislative Document 1402: revises the earnings from employment the Department of Health and Human Services disregards when determining benefit levels for recipients under the Temporary Assistance for Needy Families (“TANF”) program in order to provide recipients who are working with a greater earnings disregard depending on the amount of hours they work per week and whether or not they are meeting federal work participation requirements. The bill also increases the number of months eligible individuals may receive transitional transportation benefits from 12 months to 18 months, and dedicates \$500,000 in state funds “to promote financial literacy and healthy savings habits” for families who make less than twice the federal poverty limit. Proposed by Governor Paul LePage (R) and reported out of committee on June 15, 2015 and is expected to pass as amended.

Legislative Document 1268: establishes increased income exemptions for TANF recipients who work, thereby preventing them from going over the cliff. The bill exempts 100 percent of earnings for the first two months for all workers, regardless of the number of hours they reach. After two months, it exempts \$250, plus half of the remainder of the worker’s monthly income. The bill would also make child care assistance retroactive to the date of application. Proposed by Representative Drew Gattine (D) and carried over to next legislative session on June 5, 2015.

Massachusetts

Jobs, Wages, and Economic Equality

Senate Bill 2211: “An act to foster economic independence,” develops an asset development program through the Department of Transitional Assistance (“DTA”) to allow recipients to save money for first, last and security rent payments and for education. These savings would not be counted against the asset limit of \$2,500 (which an individual cannot exceed if he or she is to remain eligible for Transitional Assistance to Families with Dependent Children benefits) and will support recipients as they transition out of the system. Signed into law by the Governor on July 7, 2014.

Nebraska

Child Care and Education

Legislative Bill 81: allows families enrolled in the low-income child care subsidy program access to transitional child care assistance. Under prior law, families transitioning off of the Aid to Dependent Children (“ADC”) program were eligible for up to two years of child care assistance at up to 185% of the federal poverty level (“FPL”). Under this Bill, all families in the child care subsidy program remain eligible for two years of transitional assistance even if their incomes rise above the current limits during the period. Approved by the Governor on May 27, 2015.

Legislative Bill 380: creates a committee of legislators and university administrators and tasks them with analyzing current higher education cost research and then recommending a plan to reduce these costs and make higher education more affordable.

Food and Housing

Legislative Bill 147: streamlines the administration of public assistance programs by eliminating the liquid asset test for eligibility for both the Aid to Dependent Children (“ADC”) program and Supplemental Nutrition Assistance Program (“SNAP”). Liquid assets of applicants include funds in hand, personal checking and savings accounts, money market accounts, and share accounts. Income and work requirements still apply in determining eligibility for ADC. Held in Committee as of February 6, 2015.

Legislative Bill 411: increases the gross income eligibility limit of SNAP to 185% of the federal poverty level. Held in Committee as of March 11, 2015.

Jobs, Wages, and Economic Equality

Legislative Bill 322: adjusts the Child and Dependent Care Tax income tax credit to account for inflation by raising the dollar amount of income where individuals are eligible for a 100%

refundable credit, from \$22,000 to \$32,000 and adjusts the refundability to 30% of the credit for those earning \$32,000 to \$52,000. It also raises the income cutoff to receive any refund on this amount from \$29,000 to \$52,000. In addition, the Bill raises the percentage of the amount refundable to those earning between \$32,000 and \$52,000 from 25% of the federal credit to 30% of the federal credit. On general file as of February 11, 2015.

Legislative Bill 495: increases the Earned Income Tax Credit for state income tax purposes from ten percent of the federal credit to thirteen percent beginning in 2016 and to fifteen percent beginning in 2017. Held in Committee as of March 4, 2015.

Legislative Bill 510: creates a non-refundable business tax credit to employers of public assistance recipients. Employers can claim a credit (for no more than two years) of 20% of their annual expenditures made to provide tuition at a Nebraska public institution of postsecondary education, child care services, and transportation to and from work for eligible employees. The tax credit cannot exceed the employer's actual tax liability for the taxable year. The Department of Revenue must submit an electronic report with the number of employers claiming the credit and the number of employees receiving services for which the credit is claimed. The Department must also develop a process to verify that employers qualify for the tax credit and may adopt rules as necessary to carry out this section. This Bill was amended to add the payment of the costs associated with a high school equivalency program as a service provided to employees by employers for which the employer can claim the tax credit. On General File as of February 25, 2015.

Pennsylvania

Child Care and Education

House Bill 1164: allows families that qualify for state-subsidized child care services to keep them until their income reaches 300 percent of the federal poverty level by increasing co-payments as income increases. The Bill is designed to ease households off state-subsidized child care services gradually as their income grows, rather than face a sudden and complete cut-off when they hit income eligibility ceilings. Referred to Public Health and Welfare on June 29, 2015.

Vermont

Child Care and Education

House Bill 790: implements the following changes to Vermont's current benefits system:

1. **Earned Income Disregarded** – The amount of income that will be disregarded when determining whether someone is eligible for benefits will increase from \$200 plus 25% of wages per month to \$250 a month plus 25% of wages.

Taft / Memorandum

2. Enhanced childcare services financial assistance program – Eligible working parents will now receive the full childcare subsidy for 24 months after gaining paid employment instead of 12 months. This change is tied into the Reach Ahead program which gives assistance to families who are no longer eligible for Reach Up.
3. Transitional SNAP benefits – Eligible participants moving off Reach Up due to paid employment will receive SNAP benefits for 12 months instead of 6 months.
4. Case management – Case managers will be called on to work with families any time there is a change that will affect them to make sure that they have access to full benefits.

Signed into law on June 18, 2014.