CIRCLES USA
Building Community to End Poverty

THE CLIFF EFFECT

A Summary of Advocacy and Policy Efforts

April 2018

CIRCLES NETWORKS have unequivocally voiced the cliff effect as the number one barrier to getting out of poverty.

What solutions are being implemented around the country?

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EXECUTIVE SUMMARY

In 2014, the Circles network of over 70 communities across 20 states was asked what they believed was the biggest barrier to getting out of poverty. The answer, unequivocally, was the Cliff Effect. The Cliff Effect occurs when working families lose public support benefits faster than they can earn income to replace the lost resources. This report examines the demographics of Michigan's households in poverty, common public support programs utilized in the state, potential cliffs that could occur for a vulnerable household composition, and a summary of advocacy and policy efforts to address the Cliff Effect around the United States. General trends show that without public supports, child care costs are especially burdensome for low-income families. A number of states have focused on the issue of child care costs and its related cliffs. In Michigan, a number of policy changes relating to child care assistance have been made in response to the federal Child Care Development Fund (CCDF) Reauthorization, including increasing exit eligibility thresholds and the length of time between re-administration checkpoints. However, additional opportunities for improvement exist in supporting families and children as they transition out of poverty, especially with new funds that are anticipated for states in the upcoming fiscal year.

THE CLIFF EFFECT ISSUE

In 2014, the Circles network of over 70 communities across 20 states was asked what they believed was the biggest barrier to getting out of poverty. The answer, unequivocally, was the Cliff Effect. The Cliff Effect occurs when working families lose public support benefits faster than they can earn income to replace the lost resources.

When public support programs were first introduced, their intention was to support those with virtually zero earnings (namely widows, poor children and elderly adults, and low-income single mothers). Since then, a number of support programs have been reformed to include employment as an eligibility factor. However, income-based eligibility thresholds are often capped at limits that are not high enough to cover all of a family's basic needs; public supports fall away at rates considerably higher than what a household can bring in through increases in earnings[1].

For example, the Center for Social Policy in Massachusetts determined that a family consisting of a single parent and two young children (typically the type of household that is most likely to be living in poverty and receiving one or more public supports) see significant cliffs at a full-time earning rate of $15/hour or $30,000/year (a wage that many advocate for as the minimum wage). In fact, cliffs do not stabilize until the earning parent reaches a full-time wage of $24/hour. During the period in between these two pay rates, the family experiences losses in public supports, where even with the increase in earned income, net household resources decrease on average by $12,000/year. This experience occurs below 200% of the Federal Poverty Level (FPL), a limit which is generally acknowledged as the upper-limit to be considered "low-income"[1].

In 2015, the Michigan Commission on Community Action and Economic Opportunity conducted forums and focus groups around the state to better understand generational poverty. From the data collected in the focus groups, it was determined that without benefits and tax credits, a single parent with two children would need to earn a full-time wage of $9.39/hour just to reach 100% of the FPL. Additionally, single working parents could find their public supports significantly reduced or eliminated based on a single week of earning an average of $12/hour (for example, by working overtime hours)[2]. Once eliminated from public supports, the focus group families found themselves having to re-apply, go through lengthy administrative processes, and remain on waitlists for excessive periods of time before receiving the level of resources for which they had previously qualified[13].

The Cliff Effect becomes especially severe when households lose multiple public supports at the same income threshold. Most public supports have individual application processes, eligibility requirements, and income thresholds. This complexity makes it difficult and tedious for families who are on multiple public supports and need to know how increases in earned income may affect their net resources. Further, families who are aware of how increases in earned income (e.g., through a wage raise, a job promotion, or from working overtime) can disproportionately reduce their net household resources might voluntarily choose to decline work opportunities. The impact of the Cliff Effect not only serves as a barrier on the path to self-sufficiency, but also decreases long-term earning potential and career opportunities, can place unwarranted stereotypes on families receiving supports[3], and increases the burden on funds that finance public supports. Finally, families who are not aware of how increases in earned income may significantly reduce their net resources, or families who choose to pursue increases in earned income regardless of potential cliffs, can find themselves in scenarios of catastrophic financial hardship. Anecdotes from interviews in which researchers spoke with families who experienced the Cliff Effect firsthand include stories of parents who accepted a small raise, only to lose public supports. As a result, they were no longer able to afford enough groceries and consequently skipped meals for themselves so their children would have enough food[4].

For working families with young children, losing subsidies that offset the cost of childcare is often the steepest cliff they face[5,6]. This demographic group is also more likely to receive funds from multiple supports and to lose these supports simultaneously upon reaching an income threshold that still does not cover the cost of basic needs[6]. In many states, the lowest childcare costs are higher than the lowest housing costs[6,7]. When child care assistance funds are lost, parents may be unable to work as they are no longer able to afford childcare, the quality of childcare they can afford may be greatly diminished, and/or their net resources may become constrained to a point where affording other basic needs, such as food or utilities, becomes severely compromised[6]. When meeting basic needs becomes insecure, it is undeniable that families will be unable to save for and maintain critical eliminators of poverty, including assets such as emergency funds and long-term investments.

REPORT OBJECTIVES

This report examines the Cliff Effect as a barrier to self-sufficiency, focusing on Michigan households in poverty, the types of subsidies utilized in Michigan, and how the Cliff Effect may present as poor working families earn more income. Further, the report emphasizes the experience of households that consist of a single earning parent and two children, as a number of advocacy institutions have determined this demographic to make up the majority of families living in poverty and receiving public supports[1, 4, 6-9, 34, 35]. Additionally, advocacy institutions have determined that cliffs related to child care assistance are the steepest due to the paramount need for child care in order for parents to work, the abrupt termination of child care assistance subsidies in most states as income gradually increases, and the fact that non-subsidized child care costs often take up a disproportionate share of the household budget[7,9-12]. Finally, this report focuses on advocacy and policy efforts around the country to mitigate the Cliff Effect. By examining the demographics in the state of Michigan, the Cliff Effect potential, and advocacy and policy efforts, this report aims to identify possible opportunities through which Michigan can mitigate potential cliffs experienced by constituents of the state. This report is not meant to provide an exhaustive or validated analysis of all state or federal social support programs in Michigan. Additionally, while due diligence was maintained to ensure that the information relating to advocacy and policy efforts presented in this report is comprehensive, it is possible that some literature fell outside the scope of the search terms used in our review.

METHODS

The most recently available United States Census data, data from the American Community Survey, the Kids Count Data Center, and benefits information provided by the State of Michigan's Department of Health and Human Services website were utilized to better understand the general composition of Michigan households and public support distributions. A structured and systematic literature review was conducted to find and compile information relating to the Cliff Effect. Google, Google Scholar, and the Galileo Interconnected Libraries (GIL) system were searched for Cliff Effect-related literature published from January 1, 2008 to present. After completing the initial query, these avenues were again searched weekly to ensure the inclusion of any new or pertinent updates. Key words included “cliff effect”, “cliff effect poverty”, “Michigan cliff effect”, “Michigan cliff effect efforts”, and “Michigan cliff effect policy”. If reference lists were cited in any of the literature identified in the search results, these were further examined to determine additional sources of information. Finally, literature from the Circles USA archives and information that stakeholders previously shared with Circles USA directly were also reviewed. Literature that included information pertaining to awareness of the Cliff Effect, personal stories relating to the Cliff Effect, and advocacy and policy efforts to address the Cliff Effect were compiled in a master summary table. The summary table included the year of article publication, the author(s) or foundation that published the article, the title of the article, the geographical area on which the article focused, the demographics of the community presented in the article, numbers relating to basic costs of living, numbers related to public supports, key takeaways from the article, recommended solutions provided by the author(s), and case stories. Not all of the literature found had information available for each of these categories; however, where applicable, the sections were completed as comprehensively as possible. While very few distinct academic papers exist that focus on the Cliff Effect, a number of sources were identified from “gray literature”, including news articles, legislative bills, policy briefs, institutional reports, and editorials from key stakeholders. To this end, the quality of non-peer-reviewed sources were not validated or factored into the analysis for this report.

OVERVIEW OF MICHIGAN HOUSEHOLDS

The most recent data from the United States Census shows that almost 1.5 million individuals—or 16.3% of Michigan's population—live in poverty. Further, approximately 23% of Michigan's children live in poverty[37]. Similar to findings across the United States, a majority of Michigan households who live in poverty are single-parent households with one or more children[36]. Additionally, approximately 25% of Michigan households are considered "Asset Limited, Income Constrained, Employed (ALICE)". ALICE families are those that earn over established poverty thresholds, yet still struggle to meet basic needs. Michigan's 2017 ALICE report, published by the United Ways of Michigan, finds that 62% of jobs in the state pay less than $20/hour (approximately $41,600/year), with two-thirds of these jobs paying less than $15/hour (approximately $30,000/year). Yet, the report calculates the basic survival budget for a family of four (two adults, one infant, and one preschooler) at $43,920/year. To be considered financially stable, this same family would need to have net resources of $98,457/year. Consequently, ALICE families rarely have emergency funds or other monetary means that could help them through a financial catastrophe (such as a medical issue, vehicle repairs, or other situations that jeopardize their ability to earn income). ALICE families are vulnerable to dropping into poverty as a result of a single financial setback. In total, almost 40% of Michigan's population may be vulnerable to experiencing fiscal cliffs at some point in time at some point[39].

Detailed demographic data for both Newaygo County and the State of Michigan are listed in Table 1 below. Poverty statistics for Newaygo County trend somewhat higher than for the State of Michigan as a whole, while subsidy-related trends in

Newaygo County approximately mirror those of the state of Michigan as a whole. Key trends include:

- Approximately 16% of people living in poverty are between 18 and 64 years of age, which are typical working years.
- Single-parent households comprise a much higher proportion of households living in poverty than dual-parent households.
- Single-parent households led by mothers comprise a much higher proportion of households living in poverty than single-parent households led by fathers.
- In Michigan, households with one child under the age of 5 and one child between the ages of 5 and 17 comprise the highest proportion of families living in poverty.
- Hispanic, Latino, Black, and African-American populations disproportionately make up the percentage of people living in poverty.
- Over half of the children who are eligible do not receive subsidized child care.

Table 1: Key Demographic and Poverty Statistics (2016)

	Newaygo County		Michigan	
	Percent	Numerical	Percent	Numerical
Total Population[37]		47, 209		9,683,865
Total Living in Poverty[37, 40]	18.2	8,596	16.3	1,575,066
Children Living in Poverty[37, 40]	25.7	2,798	22.8	499,145
Families Living in Poverty with Children Under Age 5[36]	No Data Available	No Data Available	18.6	197,497
Families Living in Poverty with Children under age 5 and Children Between Ages 5 and 17[36]	No Data Available	No Data Available	27.4	201,952
Families Living in Poverty with Children Between Ages 5 and 17[36]	No Data Available	No Data Available	14.1	432,476
Employed Males Living in Poverty[37, 40]	6.8	681	6.7	153,277
Employed Females Living in Poverty[37, 40]	10.6	950	9.7	205,472
Ages 18 to 64, Living in Poverty[37, 40]	17.5	4,902	15.9	954,631
White, Living in Poverty[37, 40]	17.4	7,719	12.8	981,438
Black or African-American, Living in Poverty[37, 40]	36.1	193	33.1	437,526
American Indian and Alaska Native, Living in Poverty[37, 40]	22.9	69	24.4	12,467
Asian Alone, Living in Poverty[37, 40]	18.0	10.9	15.3	41,181
Native Hawaiian and Other Pacific Islander Alone, Living in Poverty[37, 40]	0	0	21.7	490
Some Other Race Alone, Living in Poverty[37, 40]	42.1	393	27.8	30,321
Two or More Races, Living in Poverty[37, 40]	24.5	213	27.3	71,643
Hispanic or Latino Origin, Any Race, Living in Poverty[37, 40]	38.1	1,027	25.8	119,636
White, Not Hispanic or Latino, Living in Poverty[37, 40]	16.6	7,138	12.3	906,945
Below 50% Federal Poverty Level[37]	7.6	3,576	7.4	714,978
Below 125% Federal Poverty Level[37]	23.7	11,236	20.8	2,010,534

Table 1: Key Demographic and Poverty Statistics (2016) continued

	Newaygo County		Michigan	
	Percent	Numerical	Percent	Numerical
Below 150% Federal Poverty Level[37]	29.1	13,738	25.3	2,453,029
Below 200% Federal Poverty Level[37]	41.1	19,398	34.4	3,332,112
Children ages 0-17 in poverty in 2-parent household[38]	15.7	1,243	10.9	158,213
Children ages 0-17 in poverty in single-parent household[38]	51.9	1,576	46.9	349,780
Children 0-17 in poverty in single parent, Mother, household[38]	62.4	1,347	52.0	302,412
Children 0-17 in poverty in single parent, Father, household[38]	26.1	229	28.9	47,368
Children 0-18 in families receiving public assistance[38]	N/A	N/A	28.0	619,000
Children 0-18 receiving FIP[38]	1.9	221	1.7	39,649
Children 0-18 receiving FAP[38]	26.1	3,029	23.3	547,117
Children 0-12 eligible to receive subsidized care[38]	3.3	250	3.4	53,095
Children 0-12 receiving subsidized care[38]	1.8	137	1.9	30,258

To better understand the context of subsidy rules, it is helpful to look at dollar amounts associated with the FPL, since this construct dictates the programs from which families can receive supports.

Table 2: Commonly Utilized Public Supports in Michigan

Name of Program	Purpose	Eligibility Requirement	Asset Limits
US Department of Housing and Urban Development Voucher Program	Help low-income families with rental housing costs	• Family's annual income must not exceed 80% of the median income for the area (adjusted for family size); HUD may also establish tailored income ceilings based on area or family variations	None
Child Care Assistance[43] *Historically, Michigan has had one of the lowest child care subsidy eligibility levels in the country[44]. Michigan recently implemented new child care assistance policies in response to federal reauthorization requirements. This has smoothed out child care assistance cliffs that used to exist before 2014.* [43]	Provide financial assistance for child care for children under age 13	• Parent(s) must be employed • Household income must be below 130% of the FPL to receive initial assistance • Can receive some level of subsidy up to 250% of the FPL • Income limits do not apply for children living in foster care, a child receiving Family Independence Program (FIP) funds, or a child with a current protective services order[45]	None
Medicaid[41] *A total of 1,767,618 people in Michigan received Medicaid benefits in FY 2015. The total Medicaid expenditure for FY2015 was $13,350,000,000.*	Increase access to health insurance and financial support for health care needs	• Dependent children in families falling at or below 100% of the FPL • MIChild is a health program within Medicaid that provides health insurance for all low-income, uninsured children ages 0-19 with working parents; cost is a monthly $10 health premium per family • All children under age 1 whose family's income is below 185% of the FPL, regardless of parent employment status • All children ages 16-18 whose family's income is between 101% and 150% of FPL • All pregnant women • Children transitioning from foster care to adulthood; eligible through age 26 with a referral from Children Services • Disabled individuals	• MIChild has an income limit based on family size
Healthy Michigan[42]	Increase access to health insurance and financial support for health care needs	• Must be between ages 19 and 64 • Household must earn under 133% of the FPL • Did not qualify or enroll in Medicaid or Medicare • Are not pregnant at time of application	None

Table 2: Commonly Utilized Public Supports in Michigan continued

Name of Program	Purpose	Eligibility Requirement	Asset Limits
Michigan Food Assistance Program (FAP)[41] *In FY 2015, 1,680,721 distinct people in Michigan received FAP benefits.*	Increase access to food; Michigan's Supplemental Nutrition Assistance Program (SNAP)	• Household must earn under 130% of the FPL • Categorically eligible if all household members receive Family Independence Program (FIP) benefits • Entire household is disqualified if single member is disqualified for program violations, drug-related felonies, or employment-related activity for head of household	• Countable asset limit of $5,000 • Vehicles, other than the vehicle with the highest fair-market value, are counted as assets
Michigan Family Independence Program (FIP)[41] *The average case size in Michigan is 2.4 people, typically one adult and one to two children. Of recipients, 98% are female. The average age of recipients is 31 years old. 45% of grantees are white, 52% are black or African-American, and 3% are other races.* *$41,407,594 TANF dollars were allocated for this subsidy in FY 2015.*	Provide temporary funds to families in need; Michigan's Temporary Assistance for Needy Families (TANF) program	• Earned income limits dictate how much cash assistance is provided; FAP benefits are disregarded • Total cash assistance will vary based on family eligibility factors and expenses • Other eligibility factors include children, age of children, and employment and training requirements (up to 40 hours per week of employment or employment-related activities) • Other required activities for eligibility include employment screening tests and developing a family self-sufficiency plan. • FY 2015, the maximum FIP payment was 31% of the FPL for a family of 3.	• Earned income limit; $200 plus 20% of earned income and certifiable child support income are deducted from total when determining eligibility • $3,000 cash asset limit • $250,00 property asset limit

Table 3: 2018 Federal Poverty Levels[46] and Corresponding Earnings for a Family Size of 3

% FPL	Annual Earnings
100	$20,780
125	$25,975
133	$27,673
150	$31,170
185	$38,443
200	$41,560

Examining the rules and thresholds in Tables 2 and 3 above, some general cliffs can be identified for a Michigan family consisting of a single working parent, one pre-school aged child, and one school-aged child. At 100% of the FPL, the family qualifies for child care assistance, Medicaid, a maximum FIP benefit of 31% of $20,780 (equal to $6,441.80), and a FAP benefit. Immediately, as the family moves to 125% of the FPL, they stand to lose the FIP benefit, which is greater than the increase in earned income. At 133% of the FPL, the parent loses Medicaid coverage and no longer qualifies for the Healthy Michigan program. Additionally, they lose FAP benefits when they cross 130% of the FPL.

It should also be noted that if the parent's initial income is higher than 130% of the FPL (approximately $13.50/hour, or $27,014 annually), the household qualifies for zero child care assistance. The Michigan ALICE report indicates that for a pre-school aged child and a school-aged child, child care costs would equal approximately a quarter of the family's budget (or over $6,000, in this case)[39], while child care for a single infant often costs near $10,000 annually. For someone who is earning poverty-level income in Michigan (below 100% of the FPL), child care for two children can cost around three-fourths of the family's total earned income. Even earning approximately 150% of the FPL, child care for two children can cost approximately half of the household's income[43]. In recent years, Michigan's spending on child care has been ranked one of the lowest in the country, with one of the lowest income eligibilities for child care subsidies in the country[43].

Circles USA is working with the Michigan Department of Health and Human Services to create a cliff estimator tool that will show exact household net resource fluctuations for real samples of families as they move off one or more supports. This data will be presented in our second deliverable to the Fremont Area Community Foundation.

SUMMARY OF EXISTING STATE AND FEDERAL ASSESSMENTS, PROPOSALS, AND SOLUTIONS

In general, current observed efforts across the United States to address the Cliff Effect focus on reducing child care assistance cliffs by moderating the transition period families face when losing child care assistance supports. Efforts include reforming income eligibility thresholds, implementing sliding-scale co-payments for child care that correlate with families' increased earnings, allowing eligibility to remain intact even during temporary disruptions in work schedules, and increasing family stipend amounts[6,14]. Additionally, some states are focusing on increasing access to quality child care, especially for low-income families[11,14].

For example, Colorado, Louisiana, and Nebraska have active initiatives to smooth the child care cliff, with a number of policies that have been enacted and implemented to reduce the financial burden for parents with dependents who are transitioning off supports and to increase access to quality child care. It is also important to note that on February 9th, 2018, the federal government signed a two-year budget deal to provide an additional $5.8 billion dollars to the Child Care and Development Block Grant (CCDBG) to fund reauthorization regulations passed in 2016. States have discretion as to how to direct this funding and could consider allocating dollars toward expanding child care assistance programs or allowing transitional assistance for families who are moving off public supports[33]. Michigan has implemented new policies relating to the reauthorization, including quality initiatives to drive better and safer child care operations. The biggest change that affects potential child care assistance cliffs in Michigan is the increase in "exit" eligibility to 250% of the FPL. Before this change, a single parent who accepted a small raise could have faced losing almost $16,000 in child care assistance for two children[43]. However, the initial income limit remains of one of the lowest in the country. Michigan also changed re-administration periods to a 12-month duration, as required by the reauthorization. This helps families remain eligible for child care assistance subsidies rather than being disqualified due to short-term increases in earnings[43].

In contrast, some states have focused their efforts on reforming subsidy distributions for families who are transitioning away due to increased earned income so that their overall net resources remain balanced. These efforts include implementing policies that increase Supplemental Nutrition Assistance Program (SNAP) eligibility thresholds and eliminating asset limits for the Temporary Assistance for Needy Families (TANF) program. Oregon, for example, reinvested savings from a reduced TANF caseload specifically to mitigate the Cliff Effect. Reinvesting the initial savings allowed the state to increase the upper limit for receiving TANF funds and to provide a three-month transition period for families losing child care assistance due to increased earnings[26].

States have also focused on the administrative barriers that can create unexpected or "mini" cliffs for families. For example, families may be dropped from supports for a temporary increase in earnings (such as seasonal work) or a temporary change in eligibility status (such as a parent whose school is closed for spring break and, as a result, cannot show proof of attending class). When families are dropped from a support due to a short-term situation, they have to re-apply for the support and may be placed at the bottom of waitlists. The re-application process and associated waiting periods can cause a major disruption in child care access while parents work, decrease financial resources that support the family's monthly budget, and cause a loss in both working hours and personal time. To mitigate this effect, a number of states, such as Rhode Island and Illinois, have streamlined administrative processes. These efforts include using data from another subsidy program to determine eligibility, changing re-administration periods to cover longer durations, and allowing families to maintain eligibility during short-term status changes[6,14].

Finally, while some states have not yet implemented major policy reforms to specifically address potential Cliff Effects their constituents may face, awareness of the topic and the value placed on collecting relevant data is growing. For example, New Mexico passed a bill to support the collection, analysis, and delivery of data that identifies potential cliffs in the state[8]. Massachusetts is also currently reviewing a bill that proposes a pilot study to collect data relating to the Cliff Effect and the impact of smoothing transitions off of public supports[19,20], while Missouri has both Democratic and Republican representatives working together to draft a bill to propose a similar pilot study[22,23].

Table 4, organized alphabetically by state, further details advocacy and policy efforts around the Cliff Effect. Hyperlinks are included throughout the table to guide additional reading. Please note that although a systematic search was conducted as thoroughly as possible to ensure that the information presented in this summary table is comprehensive, it is always possible that some literature fell outside the scope of the search process.

Table 4: Efforts to Understand and Mitigate the Cliff Effect Around the Unites States

LOCATION	FOCUS	EFFORTS
Alabama[14]	TANF	- Eliminated asset test for TANF eligibility[15]
Colorado[6, 14]	Child Care Assistance, TANF	- Created new statewide income eligibilities and child care tax credits - Started pilot program in 10 counties, in which county has authority to implement solutions that address the Cliff Effect and collect data on outcomes*. Counties are actively implementing solutions, such as gradually increasing parent co-payment amounts as earned income increases, increasing eligibility thresholds to account for earned income increases, reducing co-payment rates for those below 100% FPL, and simplifying application and redetermination processes.[6,14, 16] - Eliminated asset test for TANF eligibility[15] - The Women's Foundation of Colorado and the Bell Policy Center in Colorado, both focus on economic stability for Coloradans, with specific interest in the Cliff Effect
Florida	Child Care Assistance	- The Florida Chamber Foundation published a report to bring awareness to the child care assistance and school readiness cliffs that are present in Florida
Hawaii[14]	TANF	- Eliminated asset test for TANF eligibility[15]
Idaho[6]	Child Care Assistance	- Streamlined and changed reporting requirements to eliminate termination of benefits due to short-term employment changes (such as picking up seasonal over-time shifts)[6]
Illinois[6,14]	Child Care Assistance, SNAP, TANF	- Simplified reporting processes to include direct deposit history to certify employment[6] - Expanded SNAP eligibility from 135% of the FPL to 165% of the FPL[17] - Eliminated asset test when determining eligibility for TANF[15]

Table 4: Efforts to Understand and Mitigate the Cliff Effect Around the Unites States continued

LOCATION	FOCUS	EFFORTS
Indiana[14, 17]	Medicaid	- Covers adults ages 19-64 up to 133% of FPL - Individuals are automatically enrolled into a plan comparable to a private HDHP + HSA plan** and are required to pay 2% of earned income into HSA plan, which has a starting balance of $2500 - Introduced "Healthy Indiana Plan (HIP) Link" that provides additional funds into the HSA to help transition those who move off Medicaid onto private insurance due to increased earned income[17] - The Indiana Institute for Working Families is a public policy research center that has focused on the Cliff Effect in its papers and videos
Iowa	Child Care Assistance	- The Iowa Policy Project has published reports to promote awareness about the child care assistance cliffs in Iowa
Louisiana[11, 14]	Child Care Assistance, TANF	- Increased child care stipends by 250% so that low-income families can afford high-quality care[21] - Changed re-determination period to one year regardless of changes in employment status, as long as earned income does not exceed 85% of the state median income - Performed cost-modeling analysis to identify gap between subsidies and true costs of high-quality child care - Conducted a one-year pilot program in four communities in which high-quality child care spaces were reserved for low-income families; to qualify for the pilot, providers were required to exhibit higher standards, including better staff credentialing and implementing a quality management system. Providers with higher demonstrated quality received a higher tax credit[11,21].*** - Eliminated asset test when determining eligibility for TANF[15]

Table 4: Efforts to Understand and Mitigate the Cliff Effect Around the Unites States continued

LOCATION	FOCUS	EFFORTS
Massachusetts[19,20]	All major public supports received in state; special focus on housing	- The Center for Social Policy at the University of Massachusetts-Boston has dedicated resources, and a number of publications, relating to the Cliff Effect and economic self-sufficiency - This research led to the drafting of two bills that are currently under review - One bill introduces the implementation a pilot study to determine the impact of graduated assistance off public supports, asset matching in 100 families, and data collection efforts focused on mitigating the Cliff Effect - Second bill focuses on examining the impact of the Cliff Effect in households on public supports as they transition off, with the goal of changing policy that supports stable housing and economic self-sufficiency
Maryland[6,14]	Child Care Assistance, TANF	- Uses SNAP data to verify eligibility for child care assistance to streamline processes and reduce administrative time for families[6] - Eliminated asset test for TANF eligibility[15]
Michigan[43]	Child Care Assistance, Employment	- Increased child care assistance eligibility to 250% of the FPL before exit (initial eligibility threshold remains at 130%) - Re-administration occurs at 12-month intervals**** - The Michigan League for Public Policy is a nonpartisan policy institute focused on addressing poverty, including through public support reforms - The Source is a non-profit organization that focuses on economic and community collaboration to promote job retention and promotion; this organization has spoken out about the Cliff Effect
Missouri[22,23]	Child Care Assistance	- Democrat and Republican representatives are working together to pass legislation for a pilot program in which people receiving child care supports in three counties will have supports taper off gradually as household earned income increases

Table 4: Efforts to Understand and Mitigate the Cliff Effect Around the Unites States continued

LOCATION	FOCUS	EFFORTS
Minnesota[14]	Child Care Assistance	- Offers extended child care subsidy for those losing TANF support[32]
Nebraska[6,11,14]	Child Care Assistance, TANF	- Offers transitional, sliding scale child care co-payments for up to 24 months for families whose income falls between 135% and 185% of the FPL - Parents can count education and training opportunities toward subsidy eligibility; there is no limit on amount of time parents can spend pursuing educational or training opportunities[24] - For parents with dependent children, earned income is disregarded by 20% for initial eligibility; for re-determinations, earned income is disregarded by 50% - Parents with dependent children who lose supports due to increased earnings can receive transitional aid equivalent to 20% of what they were receiving from supports, for up to five months, while their total income is under 185% of the FPL[25]
New Mexico[8]	All major public supports received in state; special focus on child care assistance	- New Mexico First is a public policy organization that has addressed the Cliff Effect in New Mexico - Legislation was passed based on this work, requesting information to the legislative finance committee to provide eligibility, eligibility thresholds, and other requirements relating to public support services, with the goal of identifying potential cliffs and methods to smooth them
Ohio[6,14]	Child Care Assistance, TANF	- Implemented low initial eligibility rate of 130% FPL, but increased ongoing eligibility rate to 300% FPL - Eliminated co-payments for families under 100% FPL - Eliminated asset test for TANF eligibility[15]
Oregon[11,14]	Child Care Assistance, TANF	- Allows eligibility to continue regardless of changes in employment status until household reach 85% of state median income - Authorized Department of Human Services to reinvest savings from reduced caseload back into TANF to reduce the Cliff Effect; this resulted in increasing the upper limit for receiving TANF, graduating payments to families who exit TANF due to increased earnings, and reducing child care co-payments for three months after exiting TANF due to increased earnings[26]

Table 4: Efforts to Understand and Mitigate the Cliff Effect Around the Unites States continued

LOCATION	FOCUS	EFFORTS
Pennsylvania[11,14]	Child Care Assistance, SNAP	- Re-determines child care assistance eligibility every 12 months***, even with changes in employment status during this period[14] - Eliminated SNAP asset test [27]
Rhode Island[14]	Child Care Assistance	- Simplified administrative and eligibility processes by allowing parents to self-attest working hours and income[6] - Implemented pilot program to allow families to retain child care subsidy until they reach 225% of FPL, instead of 180% of FPL (original threshold)[28]
Tennessee[14]	Child Care Assistance	- Provides 18 months of transitional child care assistance for families who leave TANF due to increased earned income; during the 18-month period, working families pay a sliding-scale co-payment[29]
Utah[14]	Medicaid, TANF	- Passed bill to disregard funds in a Utah Education Savings Plan when calculating eligibility[30] - Exempted vehicles from TANF asset eligibility[15]
Vermont[14]	SNAP	- Increased SNAP eligibility to 185% of FPL[31] - The Vermont Legislative Research Service at the University of Vermont published extensive research focused on the Cliff Effect and related efforts
Virginia[14]	TANF	- Eliminated asset test for TANF eligibility[15]
District of Columbia[6]	Child Care Assistance	- Disregards resources from numerous public supports in income eligibility criteria - Implemented high-income eligibility threshold and low co-payment schedule

*The pilot study period will end in 2019.

**HDHP = High Deductible Health Plan; HSA = Health Savings Account. An HDHP plan is a health insurance plan that typically has lower premiums and higher deductibles than other comprehensive health insurance plans. HSAs are savings accounts in which funds are specifically intended for eligible medical events. The funds deposited in an HSA are not subject to federal tax when added to the account. HSAs can be paired only with HDHPs.

***This resulted in child care center participation almost doubling. Centers that moved from a 2-star quality rating to a 5-star quality rating (on a scale from 1-5) tripled between 2008 and 2011; holding low-income slots increased access for low-income families to access these centers.

****Under CCDF Reauthorization rules passed in 2016, to be implemented no later than October 2018, states using these federal funds must re-determine eligibility every 12 months rather than at shorter intervals.

CONCLUSION

Awareness, advocacy, and policy reform relating to the Cliff Effect is beginning to take hold across the United States. Michigan has taken steps forward to reduce the cliffs previously associated with child care subsidies in response to the Child Care and Development Fund Reauthorization. In addition to changing child care regulations to focus on higher quality of child care and increased access for parents who need it, the most recently passed federal budget allocates an additional $5.8 billion to support these changes. Michigan is estimated to receive $84,093,752 to serve an additional 5,200 children in the state. While the number of children served may vary based on how the state chooses to comply with the new federal regulations, how federal dollars are distributed within the state, and if any state-driven policy changes are pursued, Michigan has the opportunity to further improve its initiatives for low-income children and families in pursuit of an overall reduction in poverty and increase in self-sufficiency. Policy recommendations could include:

- Expanding the initial eligibility for receiving child care assistance to include those families who have not fallen below the 130% threshold, yet are not making enough to cover basic needs.
- Extending child care assistance for families who lose other public supports or who are actively seeking employment.
- Focusing on funding other subsidies that are eliminated at lower thresholds, such as FIP and FAP benefits, to create a more graduated transition as families' earned incomes increase.

- Expanding job training and skill enhancement opportunities for families to qualify for higher-paying jobs with more comprehensive employee benefits.

Potential policy efforts that Michigan can pursue, as well as the associated social and economic impacts, will be detailed further in an additional, expanded policy report (i.e., in the second deliverable to the Fremont Area Community Foundation).

Finally, it is important to watch and learn from states that have recently undertaken major reforms or research studies relating to poverty reduction and the elimination of the Cliff Effect, as new and relevant data may soon become available from their work. Their experiences can ultimately provide valuable insight into what poverty reduction initiatives have worked successfully as a guide to best practices in the future.

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