



**THE CLIFF EFFECT:** Policy  
Recommendations for  
Advocates, Leaders, and  
Stakeholders

*What can key supporters do next to  
support the current and future needs  
of Michigan's people?*

March 2019 Update

## **EXECUTIVE SUMMARY**

This report integrates research by Circles USA concerning the Cliff Effect, data from Michigan households utilizing public support, and three hypothetical family cases to develop both general and program-specific policy recommendations. These policy recommendations aim to mitigate the impact of the Cliff Effect on families receiving public assistance as they transition to economic self-sufficiency. The report focuses on the Cliff Effect from Michigan's Family Independence Program (FIP), Food Assistance Program (FAP), and Child Development and Care Program (CDC). Policy-level recommendations focus on bringing awareness to key stakeholders (public officials, community leaders, and Michigan employers) about the impact of the Cliff Effect on families seeking economic self-sufficiency, development of community assistance programs to help families avoid cliffs, and the development of employment training programs to help displaced workers in Michigan.

Based on the most recent Census reports, the poverty rate in Michigan is 16.3%. The majority of those affected are single-parent (typically female-headed) households with one or more children<sup>9</sup>. An estimated 23% of Michigan's children current live in poverty, defined as less than 100% of FPLs<sup>8</sup>. These numbers do not include an additional 25% of Michigan households who are considered "Asset Limited, Income Constrained, Employed (ALICE)." As a result, the Cliff Effect experienced by families moving off CDC benefits may be the highest priority for Michigan policy makers to address. Specific recommendations for Michigan's CDC program include:

1. Extension of the program, at some level of benefit, to families with household income between 130% and 275% of FPLs at enrollment.
2. Development of a graduated exit ramp, where the decrease in received subsidy is proportional to the amount the family's earned income exceeds the exit criteria.
3. Development of CDC reimbursement rates categories that reflect the market rates for highly-rated daycare providers, reducing balance billing payments (the financial remainder which is passed on to parents) for who families who are seeking quality care for their children.

## **REPORT OBJECTIVES**

This report integrates research from the April 2018 Circles USA report titled “The Cliff Effect: A Summary of Advocacy and Policy Efforts”, data taken from actual Michigan households that are utilizing public supports, and data relating to poverty and welfare statistics in Michigan to provide public policy recommendations that could mitigate the Cliff Effect and support people in poverty on their path to economic self-sufficiency. These recommendations are intended for delivery to key policymakers, advocates, leaders, and other stakeholders to illustrate the need for social policy change, bring awareness of obstacles to economic self-sufficiency, and deliver solutions to mitigate and eliminate the Cliff Effect issue. A list of potential stakeholders to contact is included at the end of this report.

This report specifically examines how families who receive assistance through Michigan’s Family Independence Program (FIP), Food Assistance Program (FAP), and public child care assistance experience changes in public assistance levels as family financial and personal circumstances change. These programs are highlighted in response to 1) research that shows these are critical supports for families and 2) opinions that have been voiced directly by Michigan stakeholders. For the scope of this report, Medicaid is no longer included in the Cliff Estimator Planning Tool. As a result of direct partnership with Michigan’s DHHS, Circles USA learned that the level of complexity involved in Medicaid sub-programs available in Michigan (and by state, nationally) makes the development of a standardized algorithm unfeasible for planning purposes.