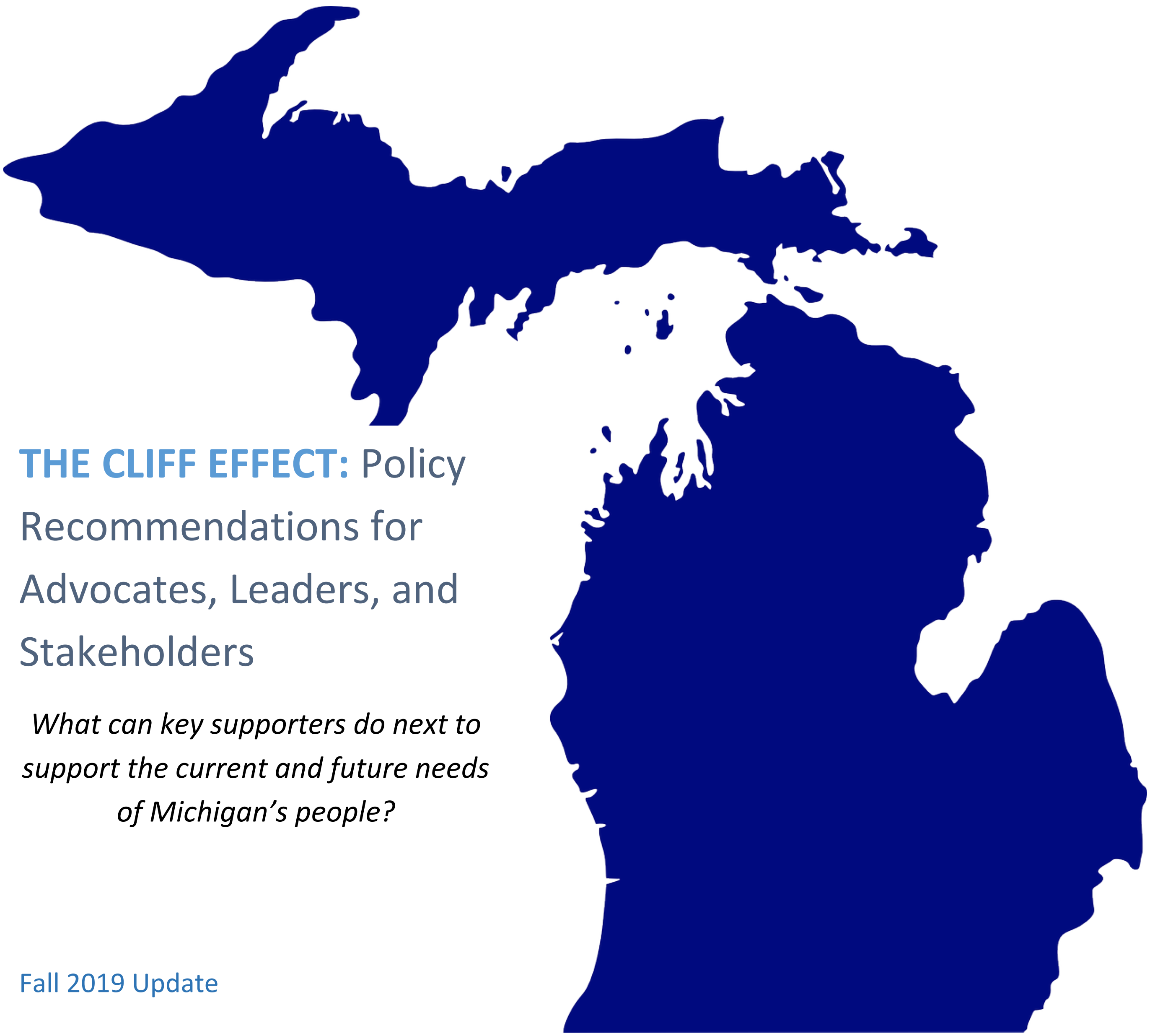
CIRCLES USA
Building Community to End Poverty



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?

Fall 2019 Update

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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.[37] An estimated 23% of Michigan's children current live in poverty, defined as less than 100% of FPLs.[36] 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 incomes between 130% and at least 250% of FPLs.

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 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.

CLIFF EFFECT RESEARCH HIGHLIGHTS

In April of 2018, Circles USA conducted a review of current state and federal solutions that have been implemented to address the Cliff Effect, as well as proposed solutions that are in process. This review is documented in full in “The Cliff Effect: A Summary of Advocacy and Policy Efforts” report. A key highlight from this research was that a majority of states had implemented policy reform focused on reducing child care assistance cliffs; specifically, many states moderated the transition period that families faced when losing child care assistance supports. This was accomplished through avenues such as increasing income eligibility thresholds, implementing sliding-scale co-payments for child care that correlated with families’ increase in earnings, allowing families to receive assistance during short-term eligibility disruptions (such as accepting seasonal working hours that placed families over income limits for a brief period of time), and increasing family stipend amounts. [1, 2] Additionally, some states focused on increasing access to quality child care, especially for low-income families. [2, 3] Notable leaders in this arena include the states of Colorado, Louisiana, and Nebraska.

Colorado was one of the first states to focus on mitigating the child care Cliff Effect, with numerous organizations (such as the Women’s Foundation of Colorado and the Bell Policy Center) investing in research to study the Cliff Effect. The state expanded its income eligibilities for receiving child care assistance and implemented child care tax credits; a pilot program was also initiated in which county-led initiatives were implemented to mitigate the Cliff Effect in a total of ten counties. Counties have collected data on related outcomes since inception, with the pilot study period scheduled to end in 2019. [1, 2, 4] A recent report by the Colorado-based Bell Policy Center showed that some counties participating in this program were struggling with low or zero participant numbers. This outcome has been attributed to lack of knowledge about, or coaching, around the new system. A series of interviews with eligible parents demonstrated that many did not know the pilot program existed, did not know how the new program was different from existing programs, or, even with the opportunity of the new program, felt worried about finances.[5]

The state of Louisiana increased child care stipends by 250% so that low-income families could afford high-quality care. Tax incentives for child-care providers to increase their quality standards were also implemented.[6] This resulted in the number of child-care centers that moved from a 2-star quality rating to a 5-star quality rating (on a scale of 1-5) tripling over a three-year period; additionally, slots were held at these centers for low-income families. [3, 6] Louisiana was also a leader in adopting new re-determination periods that last one year, regardless of changes in employment status, as long as the family's earned income does not exceed 85% of the state median income (this was in response to federal regulation making this a requirement by October 2018). [2, 3]

Nebraska now offers transitional, sliding-scale child care co-payments for up to 24 months for families whose income falls between 135% and 185% of the FPLs. Additionally, parents can count education and training opportunities toward subsidy eligibilities. [1, 2, 3, 7] The types of initiatives undertaken by Nebraska and these other states not only aim to alleviate the Cliff Effect, but to address some of the issues that perpetuate the cycle of multi-generational poverty (such as lack of high-quality education) as well.

Finally, a number of states have addressed the Cliff Effect by focusing on reforming other public supports in ways that reduce the impact that a large support loss, such as child care assistance, has on a family's overall net resources. Oregon, for example, reinvested Temporary Assistance for Needy Family (TANF) savings to increase the upper limit for receiving TANF funds. A transition period for families losing child care assistance due to increased earnings is also provided.[8]

MICHIGAN PUBLIC ASSISTANCE PROGRAMS

Michigan's Family Independence Program (FIP) provides temporary funds to needy families in Michigan, defined as earning under 130% of the FPLs (dollar values are provided in Table 2, below). Based on data collected from Michigan families who provided information during their participation in a Circles Chapter, all families who earned at least minimum wage were disqualified from receiving FIP assistance, even though they are well below the poverty line.

Table 2: 2018 Federal Poverty Levels[9] and Corresponding Earnings for a Family Size of Three

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

The FIP program calculates the recipient's monthly benefit by taking the Base Benefit by family size (Table 3) and subtracting approximately 50% of the recipient's income.[10] A family of three with a single wage minimum wage earner (monthly income of $1,603) would not receive any FIP benefits under the current program despite being under the FPL. For the family of three to receive any FIP benefits, the family's household income would need to be 57% of the FPL at enrollment.

Table 3: Income Limits for FIP Benefits

Family Size	Monthly Base Benefit
1	$306
2	$403
3	$492
4	$597

Michigan's Food Assistance Program (FAP) aids low income families in order to increase their food purchasing power. Program benefits are funded by the federal government while administrative costs are split between the state and federal government. The income limit (gross income prior to allowable deductions) to receive benefits is set at 130% of FPLs. FAP benefit determination considers child care expenses, unavoidable living expenses, and a portion of housing expenses.[11]

The Child Development and Care Assistance Program (CDC) provides subsidized child care to parents who are working full-time, in job training, or attending school. Parents have the option to choose providers from a variety of licensed, registered, or enrolled/unlicensed providers. In order to enter the program, the family's income must be at or below 130% of FPLs. Michigan's Governor recommended shifting to 140% of

FPLs as a positive step for ALICE families. There's rationale for moving it to 185% of FPLs in conjunction with free and reduced-priced meals guidelines. Once admitted, the family can remain in the CDC program until their income exceeds 275% of FPLs. The assistance program includes co-pays for participants based upon income level and provider rating. The program directly pays the provider a fixed hourly rate depending on the child's age and provider rating. The provider can bill the parents for all or a portion of the balance that the program does not cover. [12, 13, 14]

COMMONLY UTILIZED PUBLIC SUPPORTS IN MICHIGAN

(COMPILED IN 2016, UPDATED 2018)

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[15] *Historically, Michigan has had one of the lowest child care subsidy eligibility levels in the country.[16] 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.* **[15]**	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[17]	None
Medicaid[18] *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	• MIChild has an income limit based on family size

		• 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	
Healthy Michigan[19]	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
Michigan Food Assistance Program (FAP)[18] *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)[18] *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

SUMMARY OF STATE PROGRAMS

(COMPILED IN 2016, UPDATED 2018)

LOCATION	FOCUS	EFFORTS
Alabama[2]	TANF	- Eliminated asset test for TANF eligibility[20]
Colorado [2, 1]	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.[1, 2, 4] - Eliminated asset test for TANF eligibility[20] - 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[2]	TANF	- Eliminated asset test for TANF eligibility[20]
Idaho[1]	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)[1]
Illinois[1,2]	Child Care Assistance, SNAP, TANF	- Simplified reporting processes to include direct deposit history to certify employment[1] - Expanded SNAP eligibility from 135% of the FPL to 165% of the FPL[21] - Eliminated asset test when determining eligibility for TANF[20]
Indiana[2, 21]	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[21] - 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 [3, 2]	Child Care Assistance, TANF	- Increased child care stipends by 250% so that low-income families can afford high-quality care[6] - 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.[3,6]*** - Eliminated asset test when determining eligibility for TANF[20]
Massachusetts[22,23]	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[20,2]	Child Care Assistance, TANF	- Uses SNAP data to verify eligibility for child care assistance to streamline processes and reduce administrative time for families[1] - Eliminated asset test for TANF eligibility[20]
Michigan[15]	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[24,25]	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
Minnesota[2]	Child Care Assistance	- Offers extended child care subsidy for those losing TANF support[26]
Nebraska[1,3, 2]	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[7] - 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[27]
New Mexico[28]	All major public supports received in state;	- New Mexico First is a public policy organization that has addressed the Cliff Effect in New Mexico

	special focus on child care assistance	- 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[1,2]	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[20]
Oregon[3,2]	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[8]
Pennsylvania[3,2]	Child Care Assistance, SNAP	- Re-determines child care assistance eligibility every 12 months***, even with changes in employment status during this period[2] - Eliminated SNAP asset test [29]
Rhode Island[2]	Child Care Assistance	- Simplified administrative and eligibility processes by allowing parents to self-attest working hours and income[1] - Implemented pilot program to allow families to retain child care subsidy until they reach 225% of FPL, instead of 180% of FPL (original threshold)[30]
Tennessee[2]	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[31]
Utah[2]	Medicaid, TANF	- Passed bill to disregard funds in a Utah Education Savings Plan when calculating eligibility[32] - Exempted vehicles from TANF asset eligibility[20]
Vermont[2]	SNAP	- Increased SNAP eligibility to 185% of FPL[33] - The Vermont Legislative Research Service at the University of Vermont published extensive research focused on the Cliff Effect and related efforts

Virginia[2]	TANF	- Eliminated asset test for TANF eligibility[20]
District of Columbia[1]	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.

CLIFF EFFECT CASE STUDIES

The Nurse's Aide

Ellen, a single mother (age 29), her son Robert (age 10), and her daughter Darleen (age 3) live in Muskegon Heights. Ellen works as a nurse's aide with an annual salary of $32,0000, (equal to 154% of the FPL of $20,800). The only assistance the family has received is subsidized child care. Ellen entered the program when her son was born and the family qualified for the program. Ellen pays a $60 child care co-pay every two weeks.

Ellen recently had her annual review and will receive a 2.0% cost-of-living salary increase (new salary = $32,640). Ellen is happy her review went well and would like to receive the salary increase but is concerned how the added income will impact her child care assistance. Ellen reviews the "Income versus Co-pay" tables from the Child Development and Care (CDC) Program and realizes that the proposed increase in salary will bump her family up into the next co-pay bracket. In the new bracket, she will be required to pay $90 dollar every two weeks. This represents an increase of approximately $60 per month in child care co-pays when her raise will only give her an extra $53 a month. The CDC program bases child care co-pays based upon income brackets that typically span several hundred dollars. In the extreme case, the difference of $1 per month in increased income could push a recipient family into a higher bracket, increasing their child care co-pay by $30 per month per child.

With the prevalence of small percentage raises in today's economy, it is recommended that the "Income versus Co-pay" tables for the CDC Program be redesigned to prevent recipients from being penalized as they transition from one income bracket to the next.[34] Although the current scheme simplifies the co-pay amounts and payments to providers, the system hurts families when transitioning from the top of one income bracket to the bottom of the next higher bracket. The federal tax tables, which use marginal tax rates to smooth transitions, provide one model of how the "Income versus Co-pay" tables could be restructured so families transitioning between brackets would not be penalized. If marginal rates were implemented, the decrease in child care subsidy would be proportional to the amount an enrolled family's new income exceeds the exit criteria.

Robin – The Assistant Manger

Robin, age 25, is an assistant manager at the local Aldi store in Flint and earns $12/ hour ($1,920/month or 140% of the FPL). Robin is returning to work after six weeks of maternity leave and is shocked by the cost of child care when she begins researching alternative daycare options. Robin was planning on having her mother watch her new son, Ethan, but unfortunately her mom has been experiencing health issues and can no longer provide child care for Ethan as planned. Robin's co-worker (with a one-year old son) advises her to apply to the CDC Program to obtain a child care subsidy. Robin applies for the program but does not qualify because she earns too much. Robin tells the CDC counselor that she's confused. Her co-worker makes about the same amount and receives subsidized daycare for her daughter. The counselor explains that to enter the CDC program she needs to make less than $1,759/month (130% FPL). Once enrolled in the CDC program, eligibility continues to a maximum income of 275% of FPLs.[3] Robin is faced with a child care bill of $950/month, versus a subsidized cost of $60/month, unless she initially cuts back her hours at work and earns $161 less per month.

The income entry limit for the CDC Program penalizes parents who would qualify for ongoing subsidized daycare but earn too much to enter the program initially. In Robin's case, if she had worked less during her pregnancy (e.g., 35 hours per week) she would have qualified for the CDC program. Once enrolled, the initial income limit would not have been an issue even if she worked full-time (e.g., 40 hours per week). It is recommended that the CDC program entry limit be eliminated since the need for subsidized daycare on a pro-rated basis is needed for up to 275% of FPLs.

Omar and Dina – Starting a Family

Omar, age 28, married Dina, age 27, two years ago. They live in Detroit with their son Alex, age 1. Omar and Dina each work part-time at a local retail store. Both want to work full-time, but the family has struggled to find high-quality daycare near them that 1) has space and 2) will accept CDC Program payments in full. Currently, Omar and Dina arrange their schedules so that one of them is always home to care for Alex. Between the two parents, they work a total of 35 hours per week at minimum wage ($9.25/hour). The family's household income is 75% of the FPL, qualifying them for Michigan's Family Independence Program (FIP), Food Assistance Program (FAP), and CDC program. At present, the family receives $360/month from the FAP program.

Due to the structure of Michigan's FIP program, Omar and Dina haven't been able to receive FIP benefits. The stated goal of the FIP program is to assist families at or below 130% of FPLs, but this goal is not reflected in the current structure of the program. In Omar and Dina's situation, the program's schedule says the family's income needs to be less than $492/month (or less than 28% of the FPL) to receive FIP benefits.

The lack of available daycare centers that accept CDC Program payments in full is also a challenge for Omar and Dina. The CDC Program pays child care providers an established hourly rate regardless of the prevailing market rate. The child care provider can bill the parents for all or a portion of the difference between the CDC payment and the provider standard fee. In the Detroit area, the CDC Program payments cover 60-70% of the market rate. An estimated 75% of daycare centers then bill the parents for the balance. In Omar and Dina's case, after subsidy CDC payments, child care would cost approximately $350 / month if both parents worked full-time during the same hours.[35]

POLICY RECOMMENDATIONS

Michigan Program-Specific Recommendations

Family Independence Program (FIP)

1. In alignment with the program's mission, restructure the FIP benefit structure to provide benefits to families that are earning up to 140% of FPLs. Although families may meet the program's income requirements, the current benefits schedule is structured to limit benefits to families far below 130% of FPLs.

Food Assistance Program (FAP)

1. Although none of the cases directly addressed issues with the FAP program, it should be noted that the work requirement for FAP benefits expanded in 2018. The new FAP work requirements may result in additional income. The additional income would then be counted in the FIP calculations, which may negatively impact the FIP benefits a family receives.

Child Development and Care Program (CDC)

4. The state is taking a positive step by moving the program's household income limit from 130% to 140% FPLs; however, this will still leave many ALICE families at risk. The program, at some level, should be available to all families that earn less than 275% of the FPLs, which is the current exit criteria.
5. When families reach 275% of the FPLs, program exit should be graduated. Currently the top c0-pay is $45/week for each child. When the subsidy is eliminated, the cost of daycare may increase by as much as $240/week,

depending on the child's age and daycare provider rating. The decrease in subsidy should be proportional to the amount the family's income exceeds the exit criteria, creating a graduated ramp.

6. CDC reimbursement rates should reflect the market rates for highly-rated daycare providers, reducing payments passed on to parents (balance billing) seeking quality care for their children. Further, this change would potentially drive more providers to improve their ratings.

Additional Policy Recommendations

To address the Cliff Effect most effectively, current benefit systems require overhaul. Based on successes and learning opportunities from other communities working to mitigate the Cliff Effect, discussions with local, state, and federal leaders, and the anticipated needs for Michigan's population, the following set of additional policy recommendations have been established:

- **Coaching and support around existing policies, changing policies, and proposed reforms are critical components for successfully mitigating cliffs.** Policy changes will not be useful if individuals who are affected, or organizations that can support affected individuals, do not know about the changes or how to use them advantageously. As evidenced in the child care assistance pilot project in the state of Colorado, potentially beneficial reforms can struggle in practice due to a lack of knowledge, misunderstanding of the changes, or mistrust in the system by participants. The state of Michigan has already implemented reforms pertaining to child care assistance that will help mitigate the Cliff Effect; however, as such policies are proposed and implemented, and as tools such as the Cliff Effect Planning Tool are leveraged, transparency and coaching must be available to those who will be affected. Additionally, community outreach and relationship-building tasks will likely be required to build trust within targeted communities. In the state of New Mexico, Circles USA and New Mexico First are approaching the Kellogg Foundation for funding to support these education, outreach, relationship-building, and coaching roles.

- **Advocate for solving the issue by sharing the true stories of stakeholders in Michigan.** This interview was conducted in Grand Rapids, Michigan, and highlights the story of a Circles Leader who personally experienced the Cliff Effect. Creating real-world videos of the impact of the Cliff Effect can serve as a meaningful advocacy tool.
- **Foster private-public partnerships between Michigan employers who are in need of qualified workers and individuals who desire to work more or are eligible for promotion but are vulnerable to experiencing the Cliff Effect.** Encourage employers to be a part of Cliff Effect mitigation solutions (e.g., through education and training opportunities, or through benefit package options that address pay grade changes that could trigger cliffs).
- **Examine avenues through which individuals can "jump over" the cliff (e.g., through public self-sufficiency funds or other community resources that can help bridge the period of financial gap).** This could also include reforming or working with existing structures, such as the Earned Income Tax Credit (EITC). While the EITC is normally distributed as a lump sum upon annual tax filing, it could be distributed in smaller amounts over a period when a family anticipates experiencing cliffs.

- **Advocate for the development of comprehensive industry adjustment programs that specifically address what is needed from workers who are displaced due to automation and artificial intelligence.**

Circles USA anticipates being able to provide new tools to the Fremont Area Community Foundation to better communicate persuasive information with policymakers and support advocacy for comprehensive system reform. Circles USA has partnered with an expert data science team, from MassMutual Life Insurance Company, that focuses on providing intensive coding services for societal benefit. The data science team worked on developing a more user-friendly Cliff Effect Planning Tool but was unable to complete the tool by the end of 2018, as expected. Our hope is that this valuable work will continue during the 2019 "Data Days for Good" program. Further, Circles USA has proposed in the past to build a user-friendly, decision modeling tool which could be used to evaluate the costs and benefits associated with different approaches to cliff effect mitigation. By examining specific goals, risks, possible values gained over time, acceptance rates among the population served, and other community-specific variables, this tool would allow end-users to comprehensively evaluate different Cliff Effect mitigation solutions. Our goal for the tool is to allow a community to understand the likelihood of solution adoption, the costs associated with solution implementation, and the total return on investment of proposed solutions based on specific program parameters.

Finally, Circles USA offers continued support in connecting Michigan to other leaders focused on mitigating the Cliff Effect. A number of communities within the Circles network have expressed interest in working toward this initiative; collectively, this enhances our ability to bring attention and advocacy to the issue. High resource research organizations, such as the Bell Policy Center and the Aspen Institute, have expressed their interest in researching the Cliff Effect. The federal Department of Health and Human Services (HHS) has stated that they plan to develop a work series focused on the Cliff Effect. Circles USA has spoken with HHS, as well as the Director of the Office of Family Assistance, Clarence Carter, regarding the Cliff Effect. Mr. Carter is especially focused on an initiative to reform TANF as a solution to mitigating existing cliffs. Through these connections, Circles USA can support Michigan in partnering with these entities not only to provide input, but to also lead new initiatives, such as shifting up to 30% of TANF funds back into child care, as Michigan once did.

THE CURRENT FACE OF POVERTY AND FUTURE TRENDS

Michigan's poverty rates *can* be reduced but understanding the current state baseline and anticipating economic shifts in the future will support and streamline advocacy efforts and process changes.

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.[36] Similar to findings across the United States, a majority of Michigan households who live in poverty are single-parent (typically female) households with one or more children.[37] 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 to help them through a financial catastrophe (such as a medical issue, need for 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 poverty at some point.[38]

Keeping these numbers in mind, it is important to also look at the potential future of the economy. Technology such as Artificial Intelligence (AI), automation, and other related advancements have created new industries, product markets, and opportunities. Indeed, these sorts of technologies are, overall, viewed positively. However, these technologies are also quickly making traditional and familiar jobs obsolete. Experts believe that AI machines will eventually perform at levels comparable to, or better, than humans.[45] A report from the McKinsey Economic Institute estimates that up to 800 million of today's jobs may be automated by 2030[39] and 83% of jobs that are currently considered low-paying (defined as paying $20/hour or less; again, with 62% of Michigan's available jobs failing into this category per the 2017 ALICE report) are expected to be the most vulnerable to automation and obsolescence.[40] Analysts expect 57% of jobs that become automated, or obsolete, in this period will directly displace women, who are already overrepresented in households affected by poverty.[41]

Although a change in the types of available jobs has already been evidenced over the last decade, the skillset of available and interested workers has not, in general, developed at the same rate. The new jobs created through the advent of AI and automation require skills that are not only complex, but also must be developed rapidly due to the intense rate of technology advances. While some think tanks report that enough jobs will be available for the labor force, they will be remarkably different in nature than what current and previous workers have experienced. As a result, there are significant concerns as to, whether or not, current workers remaining in the workforce over the next decade, and young adults entering the workforce at the same time, will have the educational base and skills training to fulfill new job roles.

Regionally, there are large disparities across the United States in how areas are both impacted by and trying to address this gap. Midwestern states, specifically, have largely had economies focused on agriculture and manufacturing and have not traditionally housed tech hubs. As a consequence, these states have experienced difficulties accommodating the emerging economy in terms of both jobs available and worker capability.[40] A number of reports indicate that the high-paying manufacturing jobs of the past will not be returning as more efficient, automated manufacturing has taken over (for example, a robotic welder costs $8/hour to run, while a human welder costs approximately $25/hour); the economy has shifted to replace those jobs with lower-paying assembly and service roles.[42] Unless these displaced workers are able to bring skillsets that match the need established by high-tech industries, they will remain displaced or in low-wage jobs.

This shift has been observed in Michigan. The state was affected deeply by the 2008 recession; although, the job market has grown since then and unemployment rates have levelled off at just under 5%. Most of the new jobs are in the metropolitan areas of Grand Rapids, Ann Arbor, and Detroit. The largest increase in jobs remains in manufacturing, food preparation, and customer service—jobs in which wages are considered low and of which automation is expected to hit the hardest. The lowest earners in these industries earn an average of $28,000 to $32,000 annually, while upper-level management in these industries are able to earn near six-figures. Middle and upper levels jobs are less readily available, and typically require college education and/or additional training.

While Michigan is expected to attract a fair share of high-paying tech jobs into its metropolitan areas over the next decade, the jobs require high-level computer, software, and engineering skills.[43] It is also important to note that outside of the listed metropolitan areas, job growth in Michigan since the recession has been stagnant. Many areas, such as Flint and Saginaw, have barely recouped the jobs lost in the recession.

In terms of education and training, Michigan is ranked in the lowest-third of the United States in terms of individuals with a college degree, making it difficult for many to match with the higher-paying jobs that are available in the state. In an area that is faring relatively well economically, such as Ann Arbor, approximately three-fourths of the residents have a college degree; in areas that are faring poorly, such as Flint, under a tenth of residents have a college degree.[44]

Historically, federal programs and policies have been lackluster in supporting workers through major workplace and industry changes, with approximately 0.1% or less of the GDP spent on reforms and supports that help workers with these issues.[11, 45] This is one the lowest rates across developed nations. Additionally, programs that have been implemented to address workplace and industry changes in the past typically focused on a specific group of people (e.g., military workers when a base was closed). In general, the programs do not address changes that result due to automation, a phenomenon that will cause disruption across multiple industries and locations.[11] To reduce poverty rates (or at the very least, prevent rates from increasing), states and local communities must address both the re-adjustment periods for workers as the landscape of the workplace changes, as well as how to best create structures that support future workers to contribute within the new economy.

TAKING ACTION

To advance Cliff Effect mitigation in Michigan, we suggest contacting the following state leaders and advocates to share research pertaining to the Cliff Effect in Michigan and the associated policy reform recommendations.

The Michigan Department of Health and Human Services (MDHHS) is a principal government agency in the state that oversees functions relating to human welfare. It oversees health policy and management functions relating to public assistance, adult and children's services, and public safety and health. MDHHS oversees and executes FIP, FAP, and child care assistance programs.

NAME	POSITION	ABOUT	CONTACT
Matt Lori	Deputy Director of Policy, Planning, and Legislative Services	Previously elected official who now oversees functions relating to health policy, workforce development, and constituent services	Phone: 517-284-4040 Email: lorim@michigan.gov
JooYeun Chang	Senior Deputy Director of Children's Services Agency	Oversees child welfare, education, social services, and community-based initiatives	Phone: 517-241-9859 Email: changj4@michigan.gov
Geralyn Lasher	Deputy Director of External Relations and Communications	Manages relationships with statewide business communities and non-profits, including opportunities for policy development and research	Phone: 517-241-2112 Email: commoffice@michigan.gov

NAME	POSITION	ABOUT	CONTACT
Robert Gordon*	Director	Oversees all department operations and represents department needs to stakeholders, legislators, and community partners	Phone: 517-373-3740 Email: bowdena1@michigan.gov Mailing: 333 S. Grand Avenue, P.O. Box 30195, Lansing, MI 48909

**Contact information updated by Fremont Area Community Foundation as of March 2019*

The following elected officials represent Newaygo County's and Michigan's constituents at the state and federal levels.

NAME	POSITION	ABOUT	CONTACT
Sherry Gay-Dagnogo*	Michigan House Representative, 8th District	Contributes to Ways and Means	**Email:** sherrygay-dagnogo@house.mi.gov **Phone:** 517-373-3815 **Mailing:** S-687 House Office Building P.O. Box 30014 Lansing, MI 48909-7514
Jon Bumstead*	Newaygo County District Senator	Represents Newaygo County in the Michigan Senate	**Email:** senjbumstead@senate.michigan.gov **Phone:** (517) 373-1635 **Office Address:** 201 Townsend Street Suite #4600 Lansing, MI 48933 **Mailing Address:** P.O. Box 30036 Lansing, MI 48909-7536

NAME	POSITION	ABOUT	CONTACT
Joe Tate*	Michigan House Representative, 2nd District	Focuses on financial services	**Email:** JoeTate@house.mi.gov **Phone:** 517-373-1776 **Mailing:** S-586 House Office Building P.O. Box 30014 Lansing, MI 48909-7514
Karen Whitsett*	Michigan House Representative, 9th District	Contributes to Ways and Means	**Email:** KarenWhitsett@house.mi.gov **Phone:** 517-373-6990 **Mailing:** S-688 House Office Building P.O. Box 30014 Lansing, MI 48909-7514
Isaac Robinson*	Michigan House Representative, 4th District	Focuses on tax reform and appropriations	**Email:** IsaacRobinson@house.mi.gov **Phone:** 517-373-1008 **Mailing:** S-588 House Office Building P.O. Box 30014 Lansing, MI 48909-7514
Gary Peters	U.S. Senator	Represents Michigan in the U.S. Senate	**Email:** Through this form **Phone:** *Michigan:* (616) 233-9150 *Washington, D.C.:* (202) 224-6221 **Mailing:** *Michigan:* Gerald R. Ford Federal Building, 110 Michigan Street NW Suite 720, Grand Rapids, MI 49503 *Washington, D.C.:* Hart Senate Office Building, Suite 724, Washington, DC 20510

NAME	POSITION	ABOUT	CONTACT
Scott Van Singel	Newaygo County District House Representative	Represents Newaygo County in Michigan Congress	**Email:** ScottVanSingel@house.mi.gov **Phone:** (517) 373-7317 **Office Address:** Anderson House Office Building, S-1289 House Office Building, Lansing, MI 48933 **Mailing Address:** S-1289 House Office Building P.O. Box 30014 Lansing, MI 48909
Debbie Stabenow	U.S. Senator	Represents Michigan in the U.S. Senate	**Email:** Through this form **Phone:** (616) 975-0052 **Mailing Address:** 3280 E. Beltline Court NE Suite 400 Grand Rapids, MI 49525
LaTanya Garrett*	Michigan House Representative, 7th District	Focuses on education and workforce development	**Email:** LaTanyaGarrett@house.mi.gov **Phone:** 517-373-2276 **Mailing:** S-686 House Office Building P.O. Box 30014 Lansing, MI 48909

**Contact information updated by Fremont Area Community Foundation as of March 2019*

The following advocacy groups have interests that align with mitigating the Cliff Effect and/or reducing poverty in the state of Michigan.

ORGANIZATION	ABOUT	GENERAL CONTACT	OTHER CONTACTS
The Michigan League for Public Policy	Conducts research and analysis across existing policies across the state, as well as advocates for policy reforms. A large portion of their work focuses on public supports and child care assistance.	**Email:** michleague@gmail.com **Phone:** (517) 487-5436 **Mailing**: 1223 Turner Street, Suite G-1, Lansing, Michigan 48906-4369	▪ Gilda Jacobs, President: gjacobs@mlpp.org ▪ Phyllis Killips, Assistant to the President: pkillips@mlpp.org ▪ Karen Holcomb-Merrill, Vice-President: karenhm@mlpp.org
Michigan Community Action	A service network dedicated to reducing poverty across the state of Michigan		Kate White, Executive Director: ▪ Email: kwhite@micommunityaction.org ▪ Phone: (517) 679-6400 Chere Coleman, Program and Policy Director ▪ Email: ccoleman@micommunityaction.org ▪ Phone: 517.679.6405

Circles USA staff and affiliates have contacted the following organizations and leaders around the nation to bring awareness and advocacy efforts to the following individuals and groups:

Scott Miller's Advocacy Activity Around Mitigation of Cliff Effect (January 2018 to August 2019)

Contact Description	Number of Contacts	General Topics Discussed
Individuals		
Clarence Carter, Director of the Office of Family Assistance at the US Department of Health and Human Services' Administration for Children and Families (Washington, DC)	7 (3 face-to-face meetings & 4 phone conference)	*Circles USA was commissioned to write a white paper on mutual responsibility and reimagining the safety net system. Public Strategies Group, the technical assistance firm hired by Carter, has included Circles as one of six workforce-development programs they recommend to state TANF directors. A brief and podcast on Circles is expected to be released this fall. Scott Miller has spoken on social capital at an HHS summit. In August 2019, Miller will be speaking in DC with federal TANF grantees. Carter was the keynote speaker at the Circles USA conference in April 2018 in Pittsburgh, PA.
Jeannie Chaffin, Consultant and former Presidential Appointee to US Department of Health and Human Services as Director of the Office of Community Services, HHHS (Washington, DC)	14	Regular meetings with Jeannie have helped to raise awareness with DC advocates at Aspen, National Community Action Partnership, and in numerous individual states through her work with the Annie E. Casey Foundation to improve Community Action agencies' approach to poverty.
Joan Kuriansky, former Executive Director of Wider Opportunities for Women and Board Member of Circles USA (Washington, DC)	6	These meetings have led to an improved Big View Meeting Guide to be given to Circles chapters in all 21 states for the purpose of addressing the Cliff Effect in a bi-partisan process. The new book, *Bootstraps and Benefits*, will be used as a guide for leading conversations in these meetings. The book includes a Cliff Effect chapter.

Contact Description	Number of Contacts	General Topics Discussed
Individuals		
Ali Mathias, then Director for Community Investments and Vice President of the MassMutual Foundation (Springfield, MA)	6	Circles USA and Mass Mutual Data Team are in final conversations about their involvement in helping with Michigan Cliff Effect navigational tools. We also expect the Foundation to use its influence in helping us communicate the importance of solving the Cliff Effect from the employer sector perspective.
Anne Romatowski, Vice President for Global Philanthropy and Financial Capability Program Officer, and **Colleen Briggs**, Head of Community Innovation and Corporate Responsibility, at JPMorgan Chase & Co (New York, NY and Washington, DC)	1	Pitched a grant to solve the Cliff Effect. They took copious notes, but said it was not something they wanted to pursue at this time.
Lindsay Callahan, CEO United Way of Fresno and Madera Counties (Fresno, CA)	3 (2 face-to-face meetings & 1 phone conference)	Discussed bringing the Cliff Effect problem into her discussions with Wells Fargo, Irvine Foundation, California Wellness Foundation, and the United Way at both the state and national levels.
James Green, Director, Palm Beach Community Action Agency (West Palm Beach, FL)	2 (1 face-to-face meeting & 1 phone conference)	Made site visit to facilitate day-long retreat with funders and agency directors about establishing a Poverty Reduction Plan and the need to address the Cliff Effect.
Jerry Parrish, PhD, Chief Economist and Director of Research for the Florida Chamber Foundation (Tallahassee, FL)	2	Discussed his Cliff Effect analysis and presentation to the private sector. Connected him to James Green and other Circles chapters in Florida for the purpose of advancing advocacy on the Cliff Effect. We integrated their insights into the reports for Michigan.
Belva Dorsey, CEO of the Enrichment Services Program, Inc. (Columbus, GA)	3	Pursuing grant for a Poverty Reduction Plan that will include pursuit of solutions to the Cliff Effect.

Contact Description	Number of Contacts	General Topics Discussed
Individuals		
Mark Bergel, PhD, Founder and Executive Director of A Wider Circle (Silver Spring, MD)	5 (2 face-to-face meetings & 3 phone conferences)	Mobilized his board and staff to work with us to mitigate the Cliff Effect and pursue a Poverty Reduction Plan.
Duane Yoder, President, and **Gregan Crawford**, Vice President, Garrett County Community Action Committee (Oakland, MD)	2	Discussed their interest in solving the Cliff Effect. Referred by Jeannie Chaffin.
Liz Kuoppala, Executive Director of the Mahube-Otwa Community Action Partnership (Detroit Lakes, MN)	1	Discussed her interest in establishing a Poverty Reduction Plan and mitigating the Cliff Effect. Referred by Jeannie Chaffin.
Heather W. Balas, then President and Executive Director, and **Pamela K. Blackwell**, then Senior Policy Director, at New Mexico First (Albuquerque, NM)	3	Secured contract from the Thornberg Foundation for $50,000 to provide research, recommendations, and ongoing work with states agencies and the New Mexico legislature to find solutions to the Cliff Effect.
Michael Thornburg, Early Childhood Education Policy Officer at the Thornburg Foundation (Santa Fe, NM)	2 (1 face-to-face meeting & 1 phone conference)	Discussed mitigating the Cliff Effect and establishing a Poverty Reduction Plan.
Ruth Hoffman, Director of Lutheran Advocacy Ministry – New Mexico (Santa Fe, NM)	1	Discussed Cliff Effect mitigation for New Mexico.
Karen Bankston, PhD, Executive Director, and **Sister Sally Duffy**, Co-Chair, of the Child Poverty Collaborative (Cincinnati, OH)	2	Discussed establishing a Poverty Reduction Plan and Cliff Effect mitigation for their state.

Contact Description	Number of Contacts	General Topics Discussed
Individuals		
Teams at the following organizations		
Wellspring Foundation (Washington, DC)	1 (face-to-face meeting)	Discussed funding Cliff Effect mitigation. Indicated they might be interested - if connected to Voices of New Mexico advocacy agenda.
Bernalillo County Community Health Council (Albuquerque, NM)	1	Discussed importance of solving the Cliff Effect to gain health outcomes when poverty is a social determinant.
SC Thrive (Columbia, SC)	3	Discussed building Circles network throughout the state of SC and integrating Cliff Effect estimators into their benefits bank programs.
Brindle Foundation (Santa Fe, NM)	1	Discussed solving the Cliff Effect as important to their well-baby strategies.
Presentations		
US Department of Health and Human Services Panel (Washington, DC)	2	Discussed the importance of solving the Cliff Effect with top and middle level managers. Stressed the importance of utilizing social capital effectively in supporting people out of poverty. Was told they will be setting up a Cliff Effect solutions team and pursuing this work next. Also received their Cliff Effect research which has been integrated into the Michigan report.
Cliff Effect Webinars for Circles USA network	January 24th May 3rd and 10.	Mobilized our network to use the Michigan Cliff Effect research to develop their own state activity—had follow up conversations with Georgia, Wisconsin, and Florida on developing plans to address it.

**Updated August 2019*

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