PUBLIC ASSISTANCE CLIFF EFFECTS

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Washington State DEPARTMENT OF SERVICES FOR THE BLIND

Washington State Department of Social & Health Services — Transforming lives

Washington State Department of CHILDREN, YOUTH & FAMILIES

DISMANTLE POVERTY IN WASHINGTON

Today's Conversation

- Brief Introduction to Cliff Effects in WA | Lori Pfingst
- SSI, SSDI Cliff | Terry Redmon, Michael MacKillop
- Child Care Cliff | Ross Hunter, Lori Pfingst
- Discussion | Group Discussion

What are cliff effects and why are they important?

- "Benefits cliffs" or "cliff effects" are the sudden, often unexpected decrease in public benefits that can occur with a small increase in earnings
  - Exist across many public assistance programs
  - Vary in size depending on programs
- Cliff effects undermine economic stability, employment, and wage progression
  - Create a period of economic fragility for children, adults, and families
  - Discourage work and career/wage progression
  - Based on flawed and outdated assumptions about people experiencing poverty
- Cliff effects unduly harm Indigenous, Black, and Brown Washingtonians, people with disabilities, single parents with young children, and other groups historically excluded from social and economic well-being

SSI/SSDI Cliff

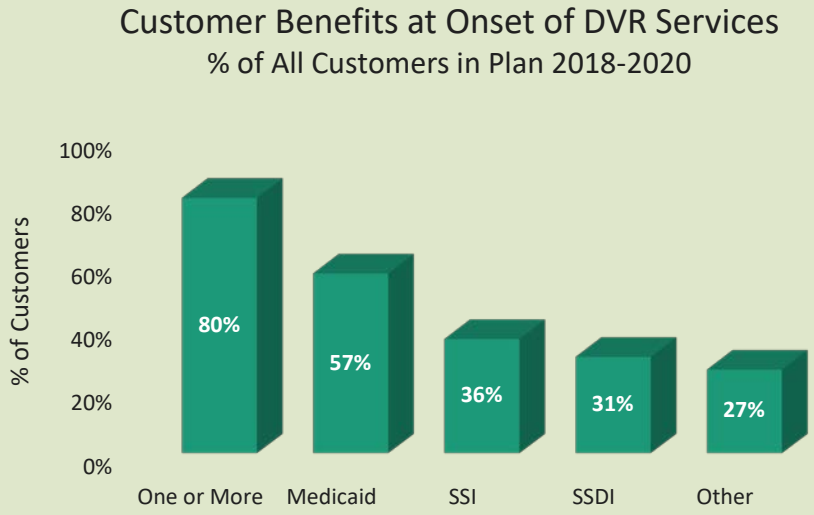
DVR Customers and Benefit Cliff Effects

- Finding employment is the goal of every DVR customer and a successful outcome should lead to upward economic mobility.
- For many customers, getting a job works against self-sufficiency as wages are too low to meet basic needs and too high to qualify for public benefit programs.
- Loss of SSI and SSDI permanent disability income and Medicaid significantly impact DVR customers who obtain employment.
- The potential loss of benefits and needs for medical insurance also influence customers' decisions about employment options.

DVR Customers at Risk of Cliff Effects

Of 10,841 customers from 2018-2020 with a plan for employment:

- 80 percent reported receiving one or more public benefit.
- Medicaid was the most common benefit type (57%).
- SSI and SSDI permanent disability benefits were confirmed for 36% and 31% of customers, respectively*.
- About one-fourth reported benefits such as TANF, FAP, employment and other disability-related assistance.

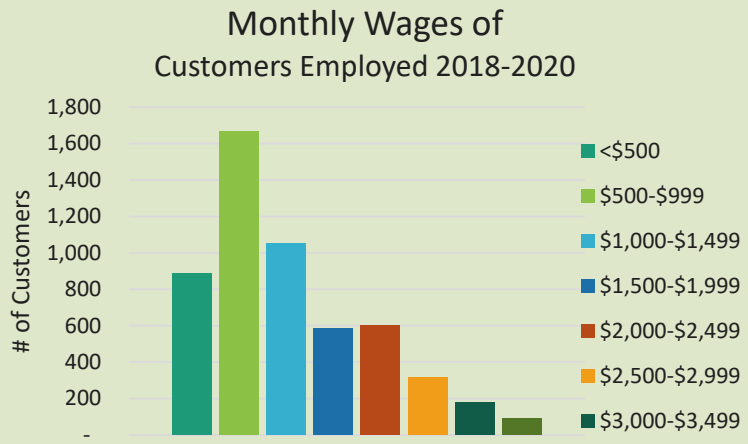


*Note: Customers can receive both SSI and SSDI and DVR verifies customer receipt of these benefits. Other benefits are self-reported by customers.

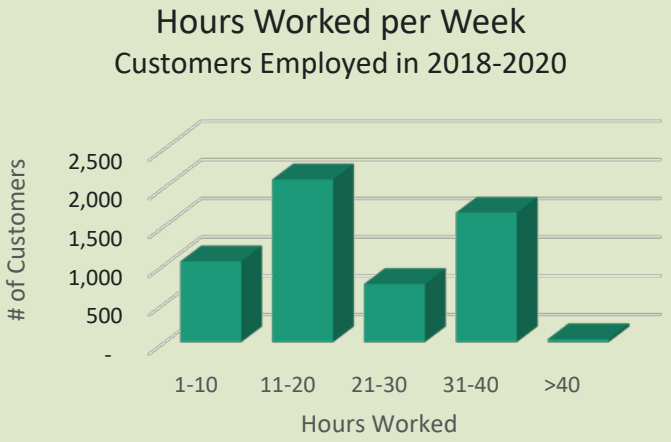
How Employment Impacts Benefit Eligibility

DVR customers with employment outcomes in 2018-2020 typically worked low-wage, part-time jobs.

Median earnings were $13/hour and $1,080 per month, nearly equal to poverty level of $1,041 for a one-person household.

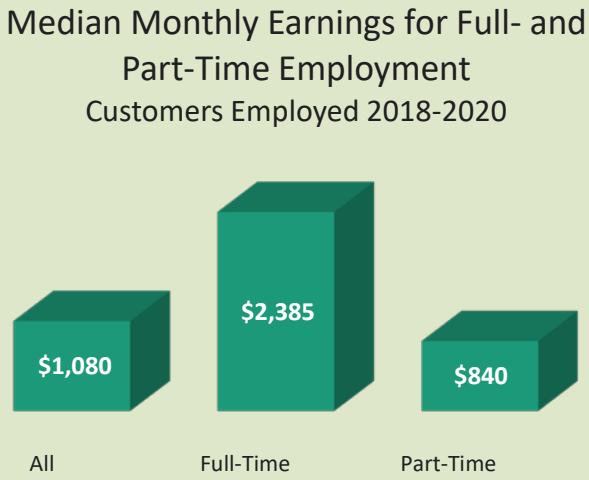


Low monthly earnings also reflect the fact that 65% of customers worked part-time.



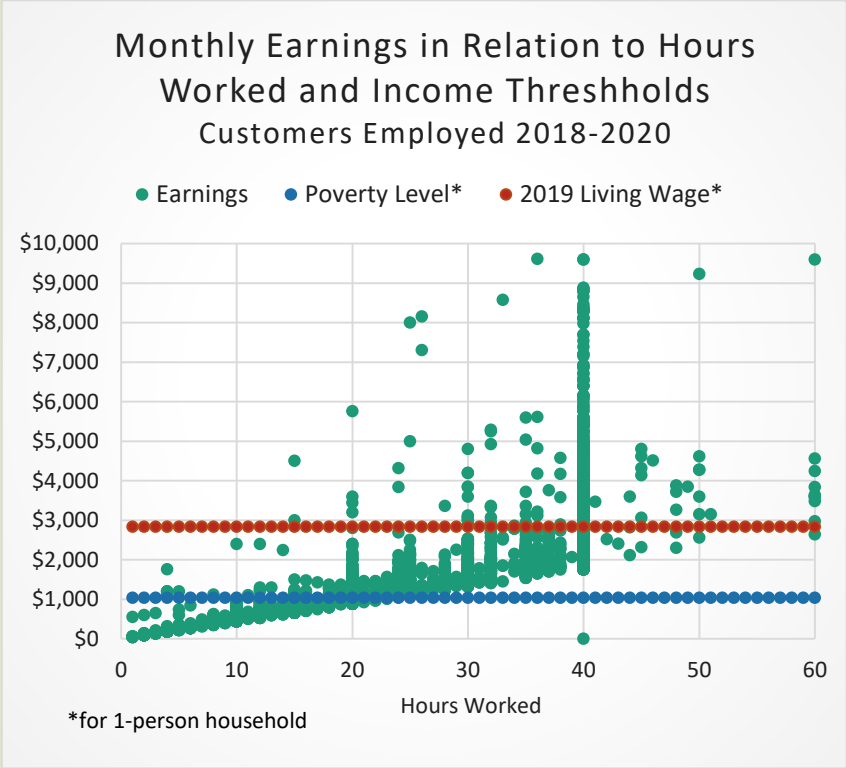
How Employment Impacts Benefit Eligibility

- Customers who worked fewer than 30 hours/week earned $840/month, compared to $2,385 monthly for those who worked 30 hours or more.
- Part-time workers also earned a lower hourly wage ($12) than full-time workers ($15).
- 48% earned less than the poverty level for a one-person household.



How Employment Impacts Benefit Eligibility

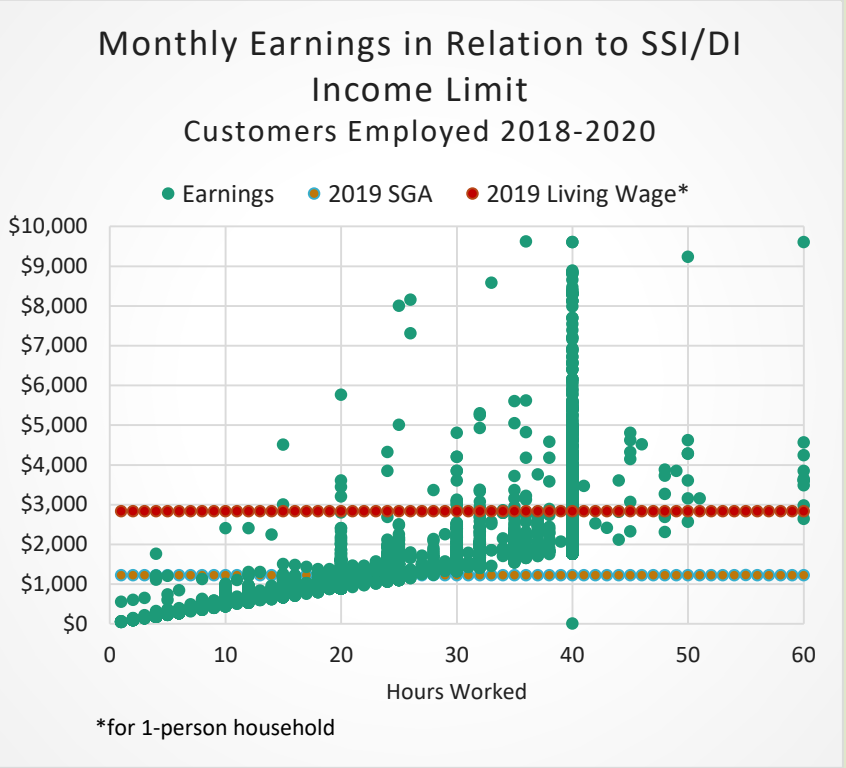
- DVR customers with wages between the poverty level and the livable wage were most likely to lose benefits received prior to obtaining a job. Eligibility for benefits generally falls within this income range.
- 41% of employed customers earned more than the poverty level but less than Washington's livable wage of $2,832/month for a one-person household.



See Living Wage Calculator for more information

Benefits Cliff for SSI and SSDI Recipients

- Customers lose SSI and SSDI benefits when earnings reach the threshold of substantial gainful activity (SGA).
- For customers receiving SSI/DI at the start of DVR services:
  - 23% were earning more than the SGA at exit.
  - Only 5% had income that met or exceeded a livable wage for a one-person household.

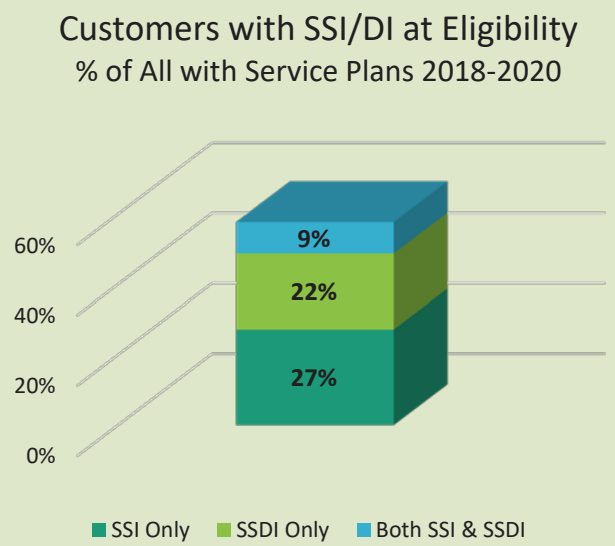


Benefits Cliff for SSI and SSDI Recipients

- Customers receiving SSI/DI often have high medical needs and medical services may be necessary to remain employed. Losing SSI/DI affects medical insurance since Medicaid eligibility is automatic for SSI recipients and SSDI beneficiaries may qualify for Medicaid and/or Medicare.
- Private insurance, when provided by the employer, does not cover the range of services available under Medicaid.

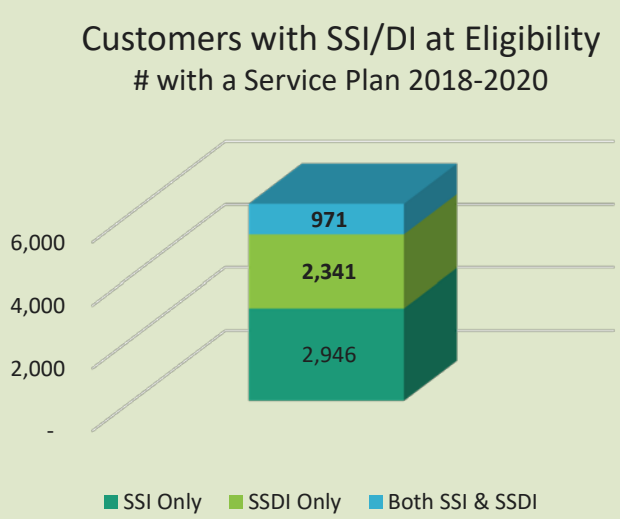
Benefits Planning to Address Cliff Effects

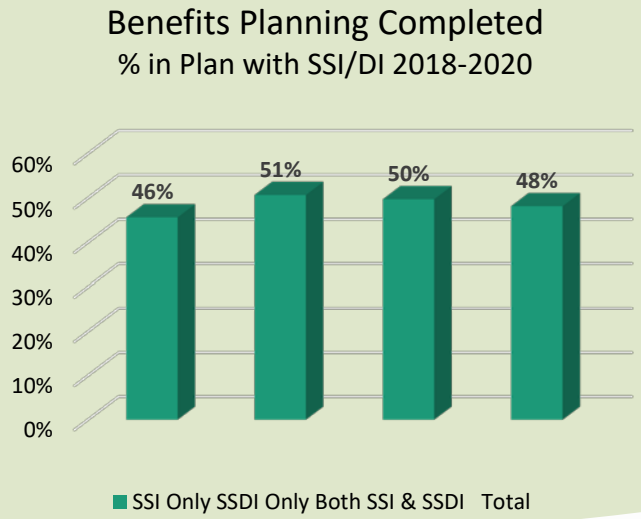
- Benefits Planning is a strategy used by DVR to mitigate the loss of benefits due to employment.
- This optional service helps customers understand the potential impact of work on their benefits and their options.
- Services are offered to customers receiving SSI/DI and provide a comprehensive review of benefits, not only SSI/DI.
- 58% of customers in plan in 2018-2020 were eligible for these services.



Benefits Planning to Address Cliff Effects

- Benefits Planning services were provided to about half of all eligible customers employed in 2018-2020.
- Efforts to ensure that the service is offered to every eligible customer can further lessen the impact of the Benefits Cliff.



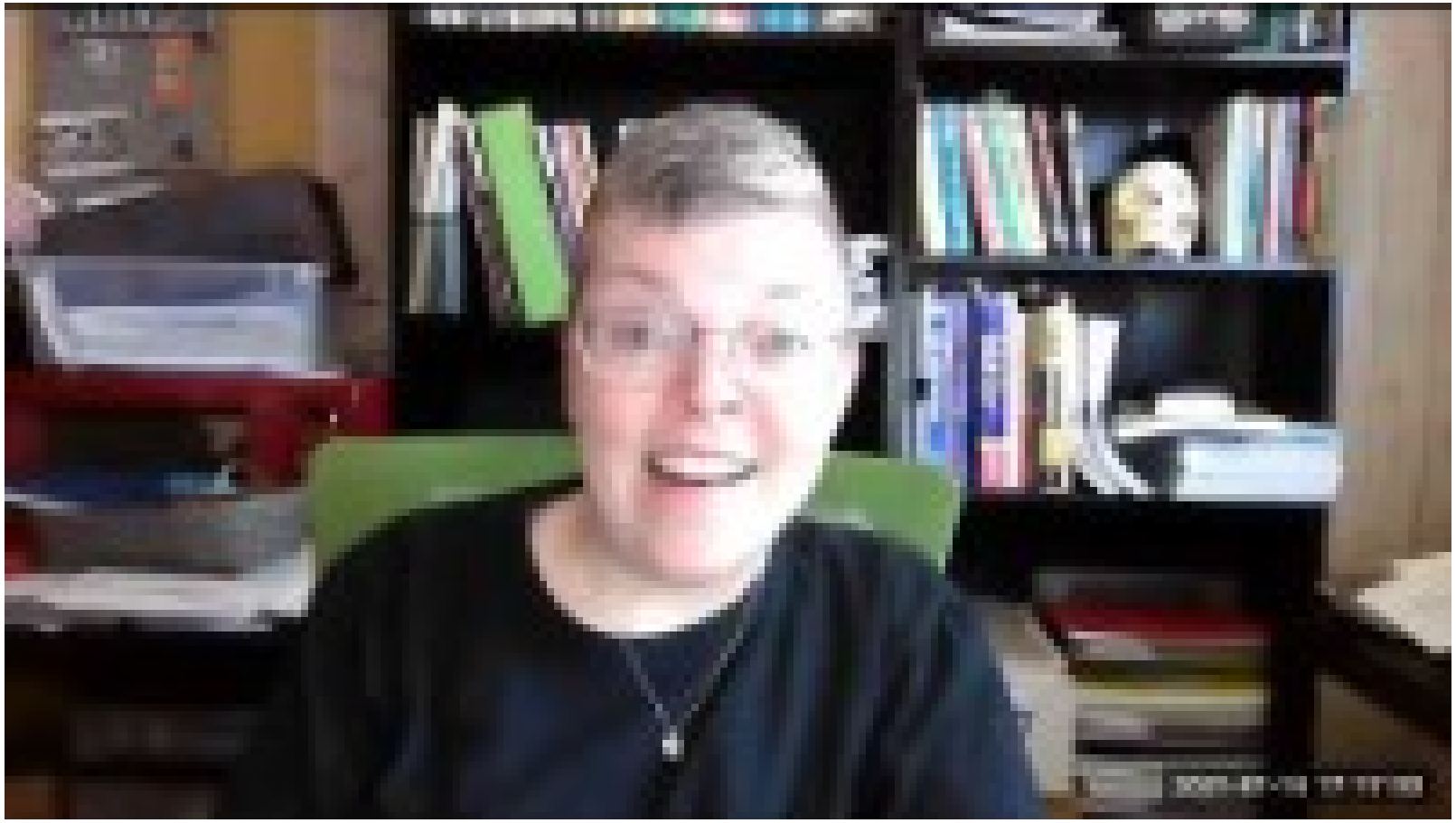


SSI/SSDI Cliff – Substantial Gainful Activity (SGA)

Substantial Gainful Activity

- To be eligible for disability benefits, a person must be unable to engage in substantial gainful activity (SGA)
- For 2021 SGA levels are
  - $2,190 (Blind)
    - Equivalent to full time work at **$12.63 per hour**
  - $1,310 (Non-blind)
    - Equivalent to full time work at **$7.56 per hour**
- SGA levels are not self-sufficiency levels

Personal Testimony – Benefits Cliff



SSI/SSDI Cliff – Impact

Detrimental to Individual with a Disability

- Ability to follow a career path
- Bring unique value to the workforce
- Long-term stability

Detrimental to Business

- Instability/ Churn / Turnover
- Retraining costs
- Loss of talent & experience
- Growth of talent, promotional opportunities

SSI/SSDI Cliff – Impact

Navigating Disability benefits is complex

- Most often, a recipient is considering not only Disability benefits, but also the interaction of additional benefits and limits
    - Medicare/healthcare
    - Housing
    - Childcare
    - Nutrition
    - Veteran’s benefits
    - Worker’s compensation
    - Unemployment insurance

SSI/SSDI Cliff – What Can State Do?

SSI/SSDI benefits and SGA limits are federally determined.

Information is critical - The lack of transparency drives fear, which drives decision-making, which holds people back.

- Service providers end siloed understanding of benefits
- Increase access to Financial Planning
  - Social Security Administration Benefits Planning program underfunded
  - Cultural shift from Benefits planning to financial planning
- Create allowances for Asset Building
- Businesses understand impact of benefits cliff and offer flexibilities/supports

Child Care Cliff

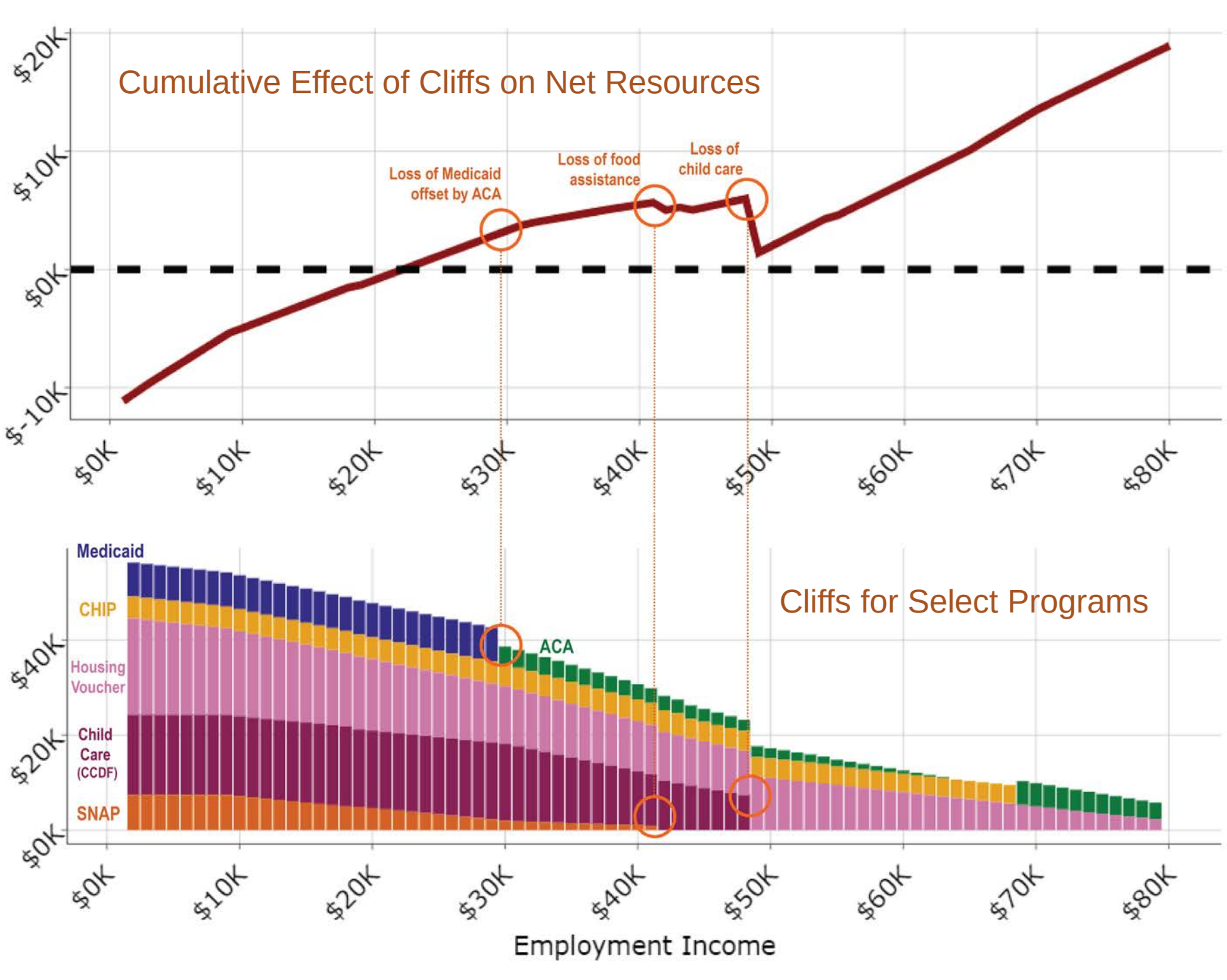
Example of Medical, Food, & Child Care Cliffs as Wages Progress

King County, 2020

Chart is for a family of 3:

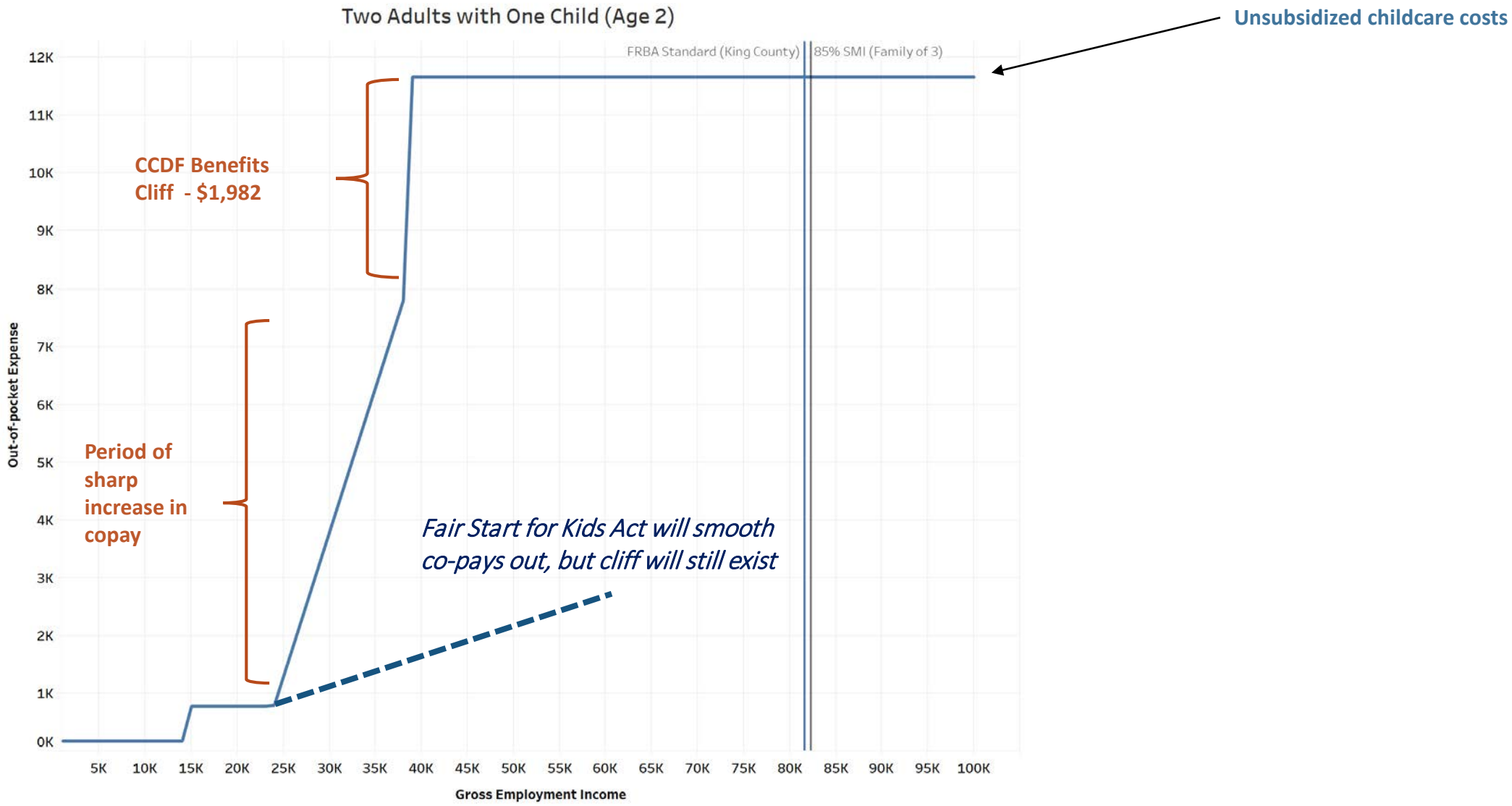
- 1 Adult
- 2 Children (ages 2 & 6)

(!) Does not include recent changes from the Fair Start for Kids Act

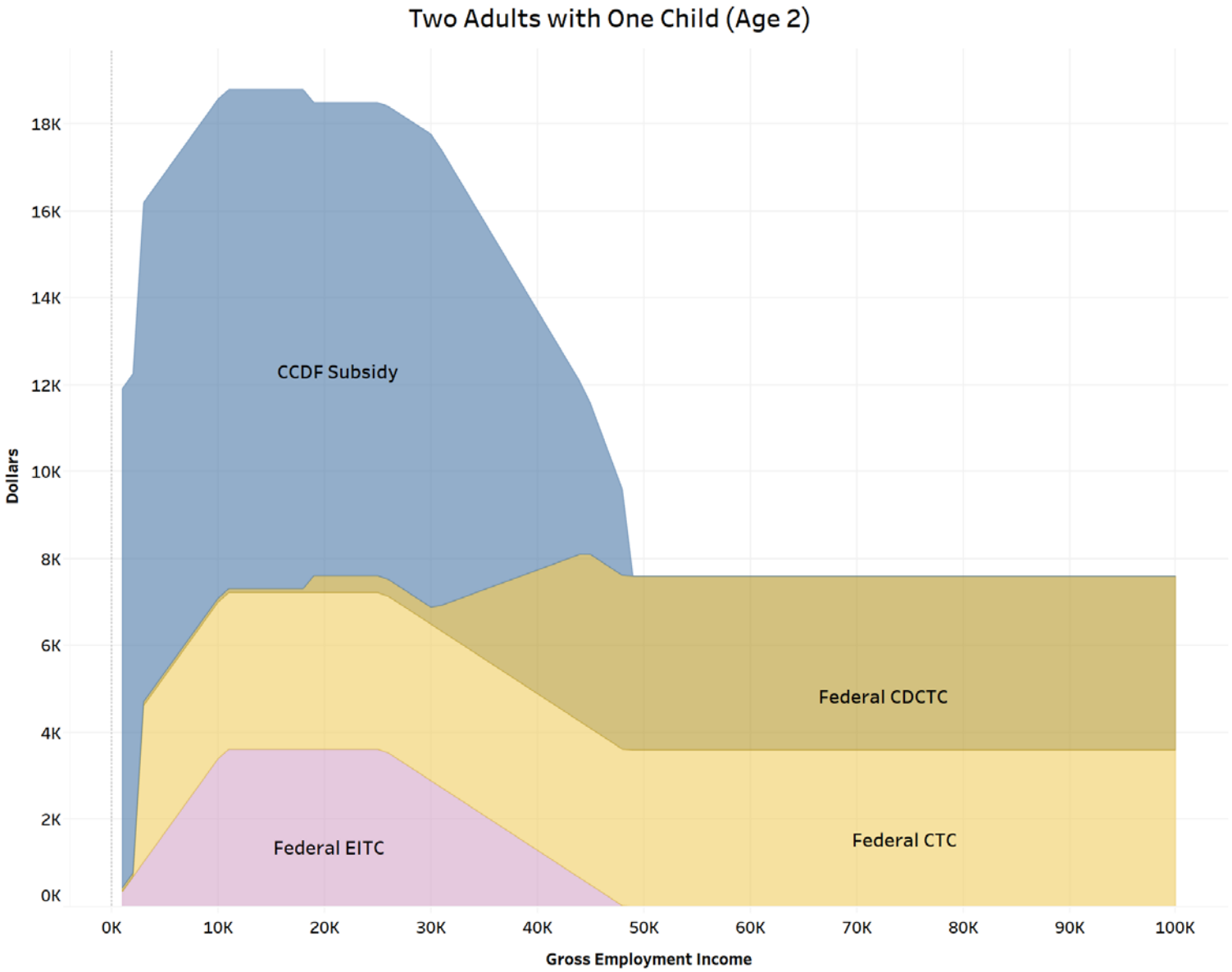


Source: Policy Rules Database (Ilin and Terry, 2021)

Cliff Effect from Family's Perspective



Source: Policy Rules Database (Ilin and Terry, 2021)



Tax credits, such as those in the *American Rescue Plan of 2021, will offset cliffs*

Source: Policy Rules Database (Ilin and Terry, 2021)

Possible State Actions to Address Cliff Effects in WA

1. MAPPING BENEFITS CLIFFS

- Self-Sufficiency Standards
- Benefits Calculators

2. ALIGNING ELIGIBILITY LEVELS

- Increasing eligibility (e.g., Fair Start for Kids Act)
- Asset Limits
- Income Disregards
- Alignment of Rules Across Programs

3. MAKING WORK PAY

- Tax Credits (e.g., ARPA tax credits)
- Career Pathways

4. ASSET DEVELOPMENT

- Escrow Accounts
- Individual Development Accounts

5. CULTURE AND SYSTEM CHANGES

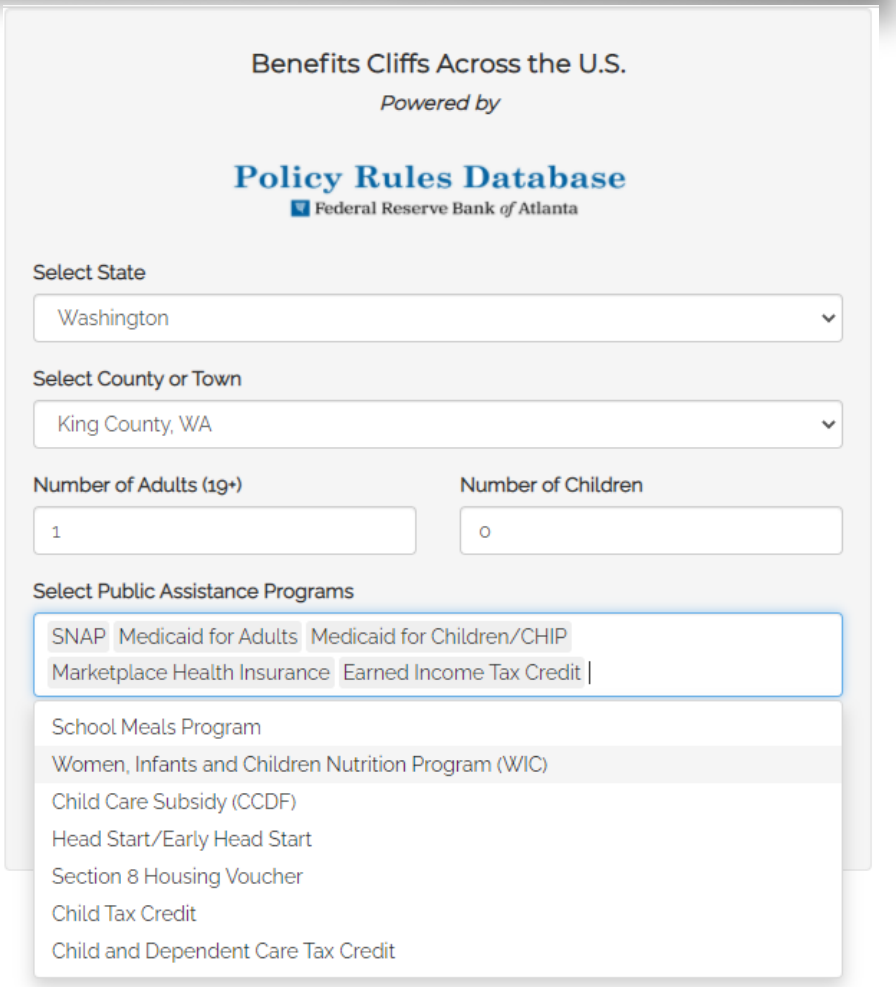
- Employer Engagement
- Cost-Benefit Analysis
- Goal Setting, Career Planning and Coaching (e.g., benefits planning)

Source: National Conference for State Legislators Addressing Benefits Cliffs (ncsl.org)

ADDITIONAL RESOURCES

Helpful Tools & National/State Efforts

- Atlanta Federal Reserve
  - Cliff Effect Tool
  - Policy Rules Database
- National/State Efforts
  - New England Whole Families Project
  - Leap Fund
  - Benefits Cliff



Policy Rules Database (Ilin & Terry, 2021)

- Rules for all major transfer programs and tax policies
- Federal, state, and county-level rules and provisions
- Historical rules (2011 to 2021)
- Includes provisions of the 2021 American Rescue Plan
- Available to everyone at no costs

NCCP
National Center for Children in Poverty
Bank Street Graduate School of Education

FEDERAL RESERVE BANK of ATLANTA

[Policy Rules Database Website]

List of Programs Included in the Policy Rules Database

Taxes and Tax Credits	
Personal Income Tax	Federal, State
Sales Tax	State
Federal Insurance Contribution Act (FICA) Tax	Federal
Earned Income Tax Credit (EITC)	Federal, State
Child Tax Credit (CTC)	Federal, State
Child and Dependent Care Tax Credit (CDCTC)	Federal, State
Public Assistance Programs	
School Breakfast Program (SBP) and National School Lunch Programs (NSLP)	Federal
Supplemental Nutrition Assistance Program (SNAP)	Federal, State
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Federal
(In Progress) Temporary Assistance for Needy Families (TANF)	State
Medicaid	Federal, State
Children's Health Insurance Program (CHIP)	Federal, State
Health Insurance Marketplace Subsidies	Federal
Employer Sponsored Health Insurance	State
The Housing Choice Voucher Program (Section 8)	State, County
(In Progress) Low Income Home Energy Assistance Program (LIHEAP)	State
(In Progress) School Voluntary Pre-K	State
Head Start	Federal
(In Progress) Child Care and Development Fund (CCDF) Subsidies	State, County

Source: Policy Rules Database (Ilin and Terry, 2021)