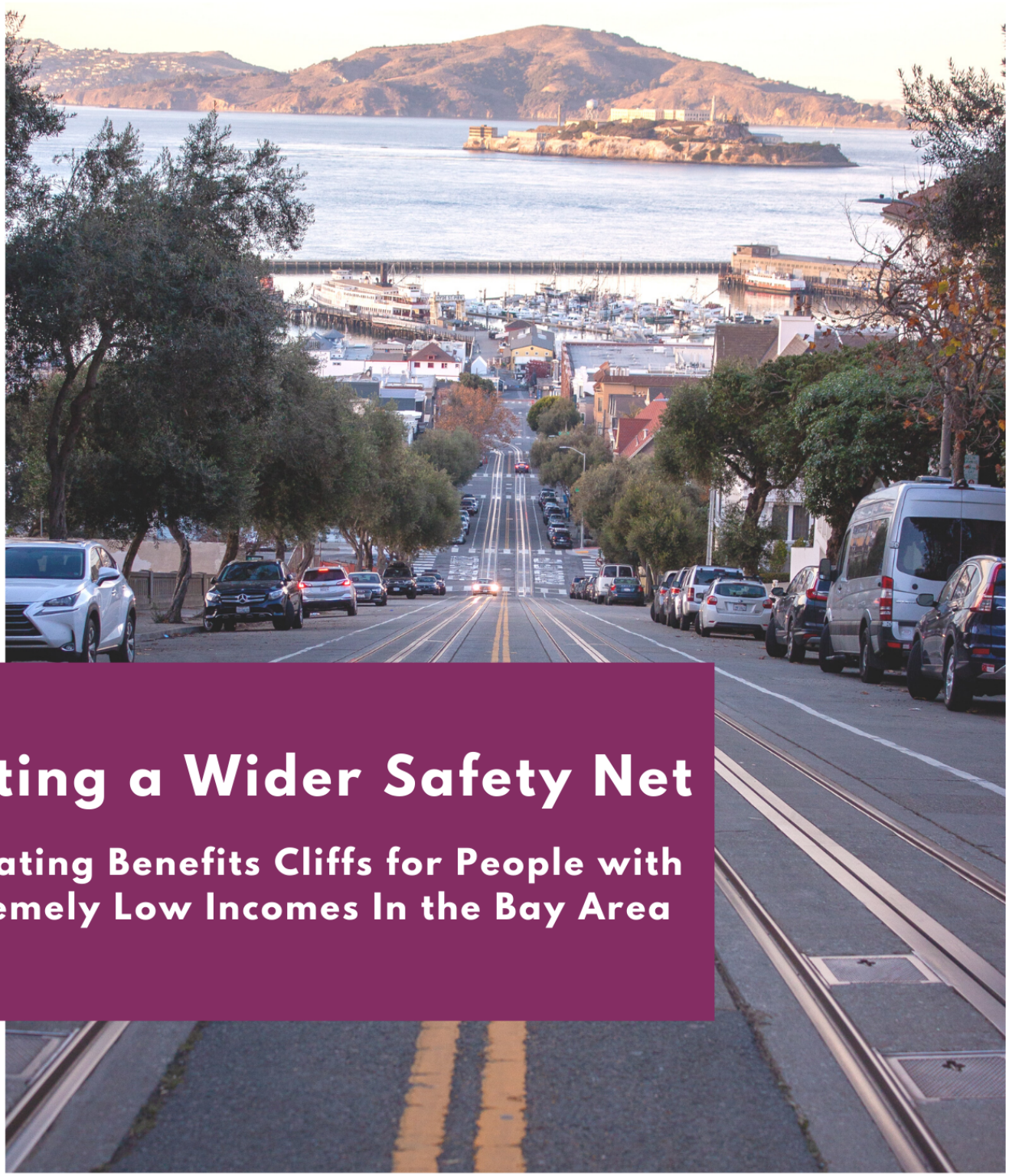

Casting a Wider Safety Net

Mitigating Benefits Cliffs for People with Extremely Low Incomes In the Bay Area

A Policy Analysis Conducted for

ALL HOME

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DISCLAIMER

The author completed this study as part of a Master of Public Policy Program at the Goldman School of Public Policy, University of California at Berkeley. This study fulfills the program's thesis requirement. The analysis and opinions contained herein belong solely to the author, and are not endorsed by the Goldman School of Public Policy, or any other organization.

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INTRODUCTION

The social safety net (also known as public assistance, government aid, welfare, etc.) is a general term referring to government-funded social welfare programs. Designed as a poverty alleviation tool, safety net programs are meant to provide a baseline of financial stability and improve health and welfare for people and families with lower incomes. Given the fact that many safety net programs, like the Temporary Assistance for Needy Families (TANF), are conditional and can only be utilized for a strict period of time, it is clear that a majority of public assistance is intended as transitional protection for individuals or families experiencing poverty, and not as long-term means of addressing financial hardship. However, many public assistance programs are structured with thresholds, limitations, and phase-out periods that erode the full potential impact of each and all programs as individuals and families experience increases in income. These inefficiencies lead to **benefits cliffs,** or decreases in net resources as a result of the loss of public assistance aid that accompanies an increase in income. Benefits cliffs do not only disincentivize both work and career advancement for program recipients, but they often perversely force individuals and families to remain in or near poverty in order to continue receiving assistance from the government.

The Bay Area is a region with a high cost of living that has grown steadily over the last few decades without a commensurate rise in average median income; between 2000 and 2015, the Consumer Price Index for the San Francisco-Oakland-San Jose Metropolitan Statistical Area rose 78.4%, while the area's median household income rose only 41.9%.[1] This ever-growing gap between average income and cost of living results in many individuals and families in the Bay Area region experiencing financial hardship in making enough income to cover their basic necessities. The Supplemental Poverty Measure, a metric of poverty adjusted for California cost-of-living and critical expenses, identified that the average poverty rate across the nine counties that make up the Bay Area region is 17%, as compared to the unadjusted federal poverty rate of 10.5%.[2]

[1] Bay Area Council Economic Institute, "The Cost of Living Continues to Rise for Bay Area Residents," December 19, 2016, http://www.bayareaeconomy.org/the-cost-of-living-continues-to-rise-for-bay-area-residents/.
[2] Daniel Schneider et al., "Taking Count: A Study on Poverty in the Bay Area," Poverty, Insecurity, and Privilege in the Bay Area (Tipping Point Community, May 2, 2020), https://tippingpoint.org/wp-content/uploads/2020/07/Taking-Count-2020-A-Study-on-Poverty-in-the-Bay-Area.pdf.

Between 2000 and 2015, the Consumer Price Index for the San Francisco-Oakland-San Jose Metropolitan Statistical Area rose 78.4%, while the area's median household income rose only 41.9%.

Social safety net programs lessen the burden of poverty in the Bay Area. Estimates from the Public Policy Institute of California show that, without public assistance, the nine counties of the Bay Area region would experience an 3.72% average increase in poverty.[3] Given the high incidence of poverty, the estimated impact public assistance has on this poverty rate, and the fact that the Bay Area region currently has over 1.6 million Medi-Cal enrollees, many individuals and families in the Bay Area benefit from public assistance, and are profoundly impacted by any inefficiencies or disincentives that exist within social safety net programs. By that end, **the benefits cliff serves as a threat and impediment to economic mobility for extremely low-income (ELI) people in the Bay Area**.

Through an exploration of income and net resource models created by the Federal Reserve Bank of Atlanta and research on effective campaigns from other localities, ***Casting a Wider Safety Net*** shows specific, data-informed examples of how households in the Bay Area are impacted by benefits cliffs, benefits plateaus, and gaps in coverage in the social safety net, and how these inefficiencies might be mitigated through policy change.

[3] Sarah Bohn, Caroline Danielson, and Tess Thorman, "Poverty in California" (Public Policy Institute of California, July 2020), https://www.ppic.org/publication/poverty-in-california/.

PROJECT OVERVIEW

Client Spotlight: All Home

All Home is a Bay Area organization that convenes cross-sector expertise to advance solutions in disrupting cycles of poverty and homelessness and developing opportunities for economic mobility for people with extremely low income (ELI) in the Bay Area. Spanning all nine counties of the Bay Area region, All Home works through policy advocacy, grant-making, and strategic support to identify and drive towards actionable goals and outcomes in supporting Bay Area individuals and families with ELI.

All Home convenes major decision-makers from the private, public and nonprofit spheres in its Regional Impact Council (RIC), a roundtable made up of steering and technical committee members dedicated to permanently disrupting homelessness and providing opportunities for socioeconomic mobility to people with ELI in the Bay Area region. The RIC is guided by its network of policymakers and practitioners, and uses their influence and expertise to build regional coordination and advocate for relevant policy on the local, regional, state, and federal levels. The RIC is three-pronged, splitting its members into the following working group focus areas:

→ **House**: increasing housing supply, rental assistance and prevention efforts, etc.
→ **Stabilize**: increasing services funding, streamlining access to care systems, etc.
→ **Thrive**: focus on employment/income, developing economic stability and upward mobility

Moving through a multi-phase structure, the RIC has recently launched its Regional Action Plan (RAP), a “first-of-its-kind” plan pursuing a goal of reducing unsheltered homelessness in the Bay Area by 75% by the year 2024. The RAP informs a secondary phase of structural and system change goals in a number of sectors and at different levels of government, with dual aims of disrupting homelessness and improving socioeconomic mobility for people with ELI.

Project Description and Methodology

In Fall 2020, the Regional Impact Council's Thrive working group produced a set of recommendations centered around the goal of creating economic and housing stability for people with ELI in the Bay Area. Among these recommendations was the insight of how benefits cliffs negatively impact the short-, medium- and long-term success and trajectory of households with ELI; the Thrive working group set a long-term goal of understanding the intricacies of how public assistance programs interact with increasing income to create benefits cliff for people with ELI, and smoothing out these cliffs in order to produce clearer pathways to self-sufficiency for financially vulnerable households.

When the project was launched in early 2021, the team at All Home connected with economists and researchers at the Federal Reserve Bank of Atlanta, a team that has been on the cusp of research around mitigating the benefits cliffs. This partnership resulted in the Federal Reserve team creating a Bay Area-specific iteration of the Career Ladder Identifier and Financial Forecaster (CLIFF) tool, which is explored in great detail in the following sections. This tool, utilized in tandem with insights from practitioners and policymakers on the ground in the Bay Area region and research on the impacts of benefits cliffs and pursuing reform and alleviation campaigns from other U.S. jurisdictions, informs the recommendations made in this report.

BACKGROUND AND POLICY CONTEXT

The Social Safety Net

Table 1 provides contextual background and descriptions of the specific programs that will be referenced throughout this report.

Table 1: Public Assistance Programs and Descriptions

Program Name	Nature of Program	Brief Description of Program
Tax Credits		
Earned Income Tax Credit (EITC)	Tax-Based Assistance, refundable	In-work assistance program that provides a tax credit that increases with the amount of income earned, to an income limit ranging from $15890-$51464 depending on family size and tax filing distinction.
Child Tax Credit (CTC)	Tax-Based Assistance, fully refundable in 2021	In-work tax benefit of $3000-$3600 per child granted to taxpayers for each qualifying child; phase-out begins at $75000 for single parents, $112500 for heads of household, and $150000 for couples filing jointly.
Child and Dependent Care Tax Credit	Tax-Based Assistance, non-refundable	In-work tax benefit worth from 20% to 35% of some or all of the dependent care expenses paid, up to $3000 for one qualifying child or dependent or $6000 for two or more. Incomes under $15000 qualify for the full 35%, with credit phasing out up to an income of $43000.
Food Subsidies		
Supplemental Nutrition Assistance Program (SNAP) or CalFresh	In-Kind Assistance	Monthly entitlement program to assist in the purchasing of food for households with low income. Eligibility subject to gross and net income determination; maximum gross income is 200% of Federal Poverty Level, with some income exemptions. CalFresh is federally-mandated and state-supervised.
National School Lunch Program	In-Kind Assistance	Federally-funded child nutrition program, providing balanced meals and milk to children during the regular school day. Eligibility is determined using the Federal Poverty Level, but CalFresh and CalWORKs recipients automatically qualify.
Health Insurance Subsidies		
Medi-Cal (Medicaid)	In-Kind Assistance	State health care program supported by federal and state taxes, paying for a variety of medical services and prescriptions for low-income children and adults. Eligibility is determined using the Federal Poverty Level, but individuals can also qualify if they are pregnant, have a disability or a family member with a disability, are responsible

		for a minor, or are 65+. CalFresh, CalWORKs,and SSI/SSP recipients automatically qualify.
Children's Health Insurance Program (CHIP)	In-Kind Assistance	State-administered program funded jointly by states and federal government, providing healthcare to eligible children. In 2021, eligibility ranges for CHIP are 266%-322% of the Federal Poverty Level.
Medicare	In-Kind Assistance	Federal health insurance program for people who are 65 or older, certain younger people with disabilities, and people with permanent kidney failure or Lou Gehrig's disease. Social Security recipients automatically qualify.
Other Supports		
CalWORKs (Temporary Assistance for Needy Families (TANF))	Cash Assistance	Cash assistance for very low income households with children, funded jointly at the federal, state, and county levels. Maximum benefits range from $600-2400 monthly depending on family size and phase out as income increases.
Supplemental Security Income (SSI)	Cash Assistance	Income supplement program for "aged, blind, and disabled people" with limited income and resources, funded federally by general tax revenues and supplemented by the state. Monthly benefits range widely from $100-2400 depending on eligibility.
Head Start Early Childhood Program	Child Care Subsidy	Federal program that promotes the school readiness for children ages 0 - 5 from families with low incomes. Eligibility is determined using the Federal Poverty Level.
Child Care Development Fund Subsidies (CCDF)	Child Care Subsidy	Child care subsidy meant to increase the availability, affordability, and quality of child care services for families with low incomes. Income eligibility thresholds are at or below the federal limit of 85 percent of state median income.
Section 8 Housing Voucher	Housing Subsidy	Federal rental assistance program that subsidized rent for renters with low incomes. Recipients choose their own unit to use the voucher, and pay 30% of the household's adjusted monthly income toward rent.

Identifying the Gaps: Poverty and Self-Sufficiency in the Bay Area

This report centers around three different standards of poverty and cost of living: the Official Poverty Measure, the California Poverty Measure, and the Self-Sufficiency Standard. These measures are defined and compared below to provide context for the following sections.

→ Official Poverty Measure
- Threshold of poverty determined by the **Federal Poverty Level**, a scale of poverty income thresholds determined on an annual basis by the Department of Health & Human Services
- Applies to **all 48 contiguous states**, with differing standards for Alaska and Hawaii

→ Supplemental Poverty Measure (SPM) and California Poverty Measure (CPM)
- SPM is a newer iteration of the OPM, providing more precise **state-specific** thresholds for poverty that slightly expand the definition of poverty and are more comprehensive
- CPM, jointly developed by the Public Policy Institute of California and the Stanford Center on Poverty and Inequality, uses additional data sources with the SPM methodology to provide poverty rates at the **county level**

→ Self-Sufficiency Standard (SSS)
- "Budget-based, living wage measure that defines the real cost of living for working families at a minimally adequate level" at both state and county levels[4]
- Methodology developed at the University of Washington's Center for Women's Welfare

Table 2 sets the annual thresholds and wages of the official poverty measure, the California Poverty Measure, and the Self-Sufficiency Standard side-by-side for each of the nine Bay Area counties to show the considerable gaps between each threshold; this data assumes a family of four with two adults and two children, meaning the wage must be met by a single working adult or the combined wages of two working adults.

[4] "Methodology of The Self-Sufficiency Standard," Center for Women's Welfare Self Sufficiency Standard, n.d., http://www.selfsufficiencystandard.org/methodology-self-sufficiency-standard.

Table 2: Official Poverty Rates, California Poverty Measure Rates, Self-Sufficiency Thresholds, and related wage levels by County

County	OPM Poverty Threshold/OPM Wage[5]	CPM Poverty Threshold[6]	CPM Wage	Self-Sufficiency Standard Threshold[7]	Self-Sufficiency Standard Wage
Alameda	26500/12.75	36194	17.40	113638	54.63
Contra Costa	26500/12.75	35448	17.04	117505	56.49
Marin	26500/12.75	40346	19.40	149180	71.72
Napa	26500/12.75	36223	17.41	98509	47.36
San Francisco	26500/12.75	40588	19.51	142785	68.64
San Mateo	26500/12.75	43339	20.84	150665	72.43
Santa Clara	26500/12.75	40850	19.64	129195	62.11
Solano	26500/12.75	32515	15.63	82396	39.61
Sonoma	26500/12.75	34891	16.77	95495	45.91

The Bay Area region represents an intricate tapestry of industries and enterprises, policy concerns and priorities, and socioeconomic and cultural demographics. A unifying characteristic that all nine counties have in common is a poverty rate that sits higher than the national official poverty rate average of 10.5%.[8] As has previously been named, the growing gap between average income and California's higher-than-average cost of living puts many Bay Area households under the Federal Poverty Level (FPL), therefore counting them as part of the official poverty measure for the state of California. Since the intention of social safety net programs is to serve as a poverty alleviation tool, these households with incomes under the official poverty level are typically identified as the most crucial targets for public assistance supports, and many public assistance

[5] "HHS Poverty Guidelines for 2021," U.S. Department of Health & Human Services Office of the Assistant Secretary for Planning and Evaluation, January 27, 2021, https://aspe.hhs.gov/poverty-guidelines.
[6] Sarah Bohn, Caroline Danielson, and Tess Thorman, "California Poverty by County and Legislative District" (Public Policy Institute of California, July 2020), https://www.ppic.org/interactive/california-poverty-by-county-and-legislative-district/.
[7] "Family Needs Calculator (Formerly the Self-Sufficiency Standard)," Insight Center for Community Economic Development, 2018, https://insightcced.org/2018-family-needs-calculator/.
[8] Sarah Bohn et al., "The California Poverty Measure: A New Look at the Social Safety Net" (Public Policy Institute of California, October 2013).

programs, like CalFresh/SNAP and the Children's Health Insurance Program (CHIP), have eligibility thresholds based on the FPL.

However, as was mentioned in the introduction, the Federal Poverty Level is unadjusted for many of the socioeconomic circumstances that California residents are privy to, like higher costs of living, housing and unique household needs and resources.[9] In 2011, the U.S. Census Bureau, recognizing a need to "provide an improved statistical picture of poverty", released a report on the Supplemental Poverty Measure (SPM). Unlike the FPL metric, the SPM's resource measure takes into account cash income *as well as* in-kind government benefits (i.e. cash assistance), then subtracts non discretionary expenses, like costs associated with childcare, healthcare, and state and federal income and payroll taxes.[10] The resulting SPM "produces a more realistic picture of poverty", accounting for both geographic differences in the cost of living and using a more comprehensive unit of analysis to better reflect how people in a household share resources.[11]

The Supplemental Poverty Measure also revealed shocking data on the true level of poverty in the state of California. While the most recent metric showed the state of California's unadjusted FPL poverty rate at 11.4% (just under the national rate of 11.5%), the SPM poverty rate was 17.2%, a poverty rate difference of nearly 5.8%. This adjusted SPM gives the state of California the **highest poverty rate** of any state in the country. The adjusted SPM captures **nearly 2.3 million Californians** who were not previously identified as experiencing poverty by the official poverty measure.[12] *Table 3* shows the official poverty measure rates as compared to the California Poverty Measure rates for the nine Bay Area counties.

The difference between the Official Poverty Measure and the Supplemental Poverty Measure captures nearly 2.3 million Californians who were not previously identified as experiencing poverty.

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[9] Bohn, Danielson, and Thorman, "Poverty in California."
[10] Benjamin Bridges and Robert V. Gesumaria, "The Supplemental Poverty Measure (SPM) and Children: How and Why the SPM and Official Poverty Estimates Differ," Social Security Administration Research, Statistics, and Policy Analysis, August 2015, https://www.ssa.gov/policy/docs/ssb/v75n3/v75n3p55.html.
[11] Sara Kimberlain and Esi Hutchful, "New Census Figures Show More Than 1 in 6 Californians Struggle to Afford Basic Necessities," Work, Income & Poverty (California Budget & Policy Center, September 10, 2019), https://calbudgetcenter.org/resources/number-of-californians-living-in-poverty-has-been-declining-but-more-than-1-in-6-residents-still-struggle-to-afford-basic-necessities/.
[12] "Table 5. Number and Percentage of People in Poverty by State Using 3-Year Average Over: 2017, 2018, and 2019" (United States Census Bureau, September 15, 2020), https://www.census.gov/library/publications/2020/demo/p60-272.html.

Table 3: County Poverty Rates, Rates of Residents Below the County Self-Sufficiency Standard, and Medi-Cal Certified Eligibles Count as a Proxy for Safety Net Uptake by County

County	Official Poverty Measure Rate[13]	California Poverty Measure Rate[14]	Rate of Residents Below County Self-Sufficiency Standard[15]	Total Medi-Cal Certified Eligibles *(as of Nov. 2020)*[16]
Alameda *Administered by Alameda County Social Services Agency*	8.8%	14.5% *difference of 5.7%*	32%	425,574 (of 1.6 million residents) **27%**
Contra Costa *Overseen by the Contra Costa Health and Human Services Department*	8.3%	13.9% *difference of 5.6%*	32%	277,618 (of 1.1 million residents) **25%**
Marin *Administered by the Marin County Health and Human Services Department*	7.3%	15.5% *difference of 8.2%*	31%	48,328 (of 260k residents) **18%**
Napa *Administered by the Napa County Health and Human Services*	6.8%	13.8% *difference of 7%*	19%	33,639 (of 140k residents) **24%**
San Francisco *Administered by San Francisco Human Services Agency*	9%	17.5% *difference of 8.5%*	28%	217,646 (of 874k residents) **25%**
San Mateo *Administered by San Mateo Human Services Department*	5.8%	16% *difference of 10.2%*	33%	146,255 (of 767k residents) **19%**
Santa Clara *Administered by Santa Clara Social Services Agency*	7.5%	15.5% *difference of 8%*	28%	409,008 (of 1.9 million residents) **22%**
Solano *Administered by Solano County Health and Social Services*	9.2%	12.8% *difference of 3.6%*	28%	123,600 (of 442k residents) **28%**
Sonoma *Administered by Sonoma County Human Services Department*	8.9%	15.1% *difference of 6.2%*	30%	121,847 (of 500k residents) **24%**

This troubling data shows that, while it is important to identify inefficiencies and benefits cliffs for current eligible recipients of safety net programs, there are many Bay Area residents in

[13] Bohn, Danielson, and Thorman, "California Poverty by County and Legislative District."
[14] Bohn, Danielson, and Thorman.
[15] "Family Needs Calculator (Formerly the Self-Sufficiency Standard)."
[16] "Medi-Cal Certified Eligibles Data Table by County and Aid Code Group, February 2021" (California Department of Health Care Services, February 2021), https://www.dhcs.ca.gov/dataandstats/statistics/Pages/Medi-Cal-Certified-Eligibles.aspx.

need of public assistance support that do not currently qualify for it due to low eligibility thresholds determined by the unadjusted poverty measure. There is not only a gap in comprehensive and sufficient support for current program recipients, but for those who could and should benefit from safety net dollars, but do not due to limited eligibility based on a poverty measure that does not reflect the true experience of people with low incomes in the Bay Area.

This data also supports the theory that the benefits cliff are an issue that affects many Bay Area residents: since program eligibility thresholds determined by the FPL are relatively low given cost-of-living expenses in California, program recipients phase off of benefits earlier than they should, losing both net resources and often their ability to maintain access to basic necessities.

Benefits Cliffs 101

What are benefits cliffs and benefits plateaus?

In individuals or families that are eligible recipients of financial support from public assistance programs, the "benefits cliff" refers to the effect of beginning to make an income amount that surpasses the eligibility threshold for a given program. In some programs, like Adult Medicaid, this is a steep "cliff", where public assistance basically cuts off as soon as income rises above a given threshold; in other programs, like the Earned Income Tax Credit, there is a phase-out period of public assistance dollars over time as income increases. Sometimes, depending on the speed (or "steepness") of the period, even programs with phase-out can result in negative benefits cliff effects for public assistance recipients.

This raise in income over the eligibility threshold results in an individual or family losing aid from public assistance and, in the case of a **benefits cliff**, being **"financially worse off" after the raise in income** than they were before. Related to the benefits cliff is the benefits plateau, a situation in which an individual or family receives an increase in income that is commensurately offset by the decrease in their benefits (either through a phase-out or through a complete cut-off of some benefit). In the case of a **benefits plateau**, the individual or family is **"no better off" after the raise in income** than they were before.[17]

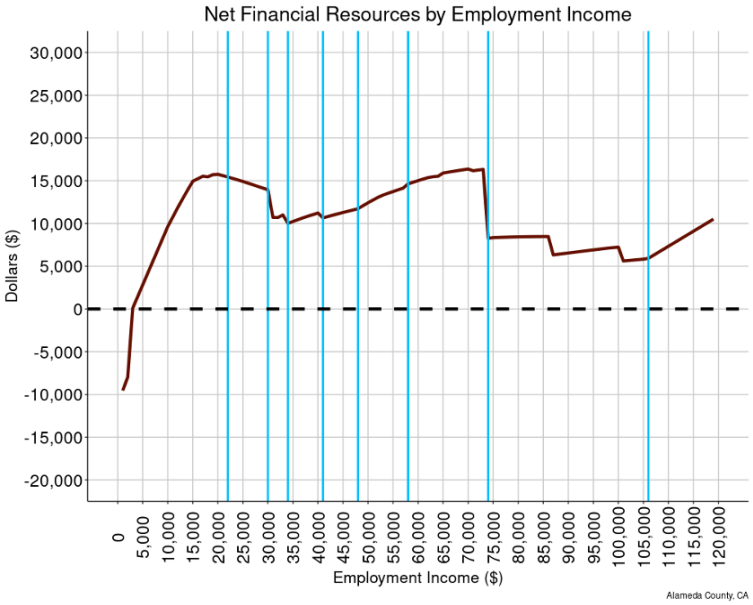

Figure 1: Net Financial Resources by Employment Income for a Family of 3 in Alameda County

Consider *Figure 1*, from the Career Ladder Identifier and Financial Forecaster (CLIFF) tool built by the Federal Reserve Bank of Atlanta.[18] The model depicts how the annual net resources

[17] Federal Reserve Bank of Atlanta, "What Are Benefits Cliffs?," Federal Reserve Bank of Atlanta, 2020, https://www.frbatlanta.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families/what-are-benefits-cliffs.
[18] "Advancing Careers for Low-Income Families: Career Ladder Identifier and Financial Forecaster," Federal Reserve Bank of Atlanta, 2021, www.atlantafed.org/advancing-careers.

(indicated on the Y-axis) of a single-parent family with two children in Alameda County receiving support from public assistance programs is affected by increasing income over time (shown on the X-axis). In this example, the parent is pursuing a career promotion from a Retail Salesperson to a Customer Service Representative. The blue vertical lines indicate eligibility thresholds for different safety net programs, showing when the family loses access to a program due to no longer being eligible due to an increase in come. There are a number of stark drops in net resources as the family's employment income rises; when they hit an annual income of $30,000, they lose eligibility for Medicaid and experience a net resource loss of almost $4,000. As they near $75,000 in annual income, the family experiences a steep benefits cliff of nearly **ten thousand dollars** in net resources lost due to no longer being eligible for the Child Care and Development Fund.

This model also shows examples of benefits plateaus, where the family's income is increasing but their net resources are stagnant due to the loss in assistance from benefits. The aforementioned drop in net resources as the family nears $75,000 in annual income evens out into the straight line of a benefits plateau, where the family sees no growth in their net resources despite experiencing over a $10,000 raise in income. More examples that explicate the different ways in which households of a variety of configurations are impacted by benefits cliffs and plateaus will follow.

It is important to note here that the self-sufficiency standard in Alameda County for a family of this makeup is over $99,000, meaning that at no time in this rollercoaster ride of income and net resource gains and losses is the family even close to making enough to fully cover their necessary expenses even with aid from public assistance, let alone moving towards self-sufficiency.[19]

What is the impact of benefits cliffs and plateaus?

On individuals and families:

Benefits cliffs and plateaus negatively offset income increases experienced by an individual or family, and create **disincentives to work.** Rather than supporting public assistance recipients in pursuing career advancement and self-sufficiency (and, thereby, having less reliance on public assistance), the benefits cliffs caused by how assistance programs are structured can "create an anchor into, rather than a ladder out of, poverty".[20] While public assistance programs are intended

[19] "Family Needs Calculator (Formerly the Self-Sufficiency Standard)."
[20] "Moving on Up: Helping Families Climb the Economic Ladder by Addressing Benefits Cliffs" (National Conference of State Legislatures, July 2019), https://www.ncsl.org/Portals/1/Documents/cyf/Benefits-Cliffs_v03_web.pdf.

to ease the gap between the income and living wage of individuals and families with low income, the benefits cliff effect often forces people to stay in or near poverty for longer than they otherwise would in order to continue receiving benefits and not experience a loss in net resources. A closer look at examples of how these phase-outs occur and how increasing income and program eligibility interact can be found in the Modeling Benefits Cliffs in the Bay Area section of this report.

People with extremely low incomes often avoid pursuing career advancements that would result in higher long-term earnings out of fear of losing the existing support from their benefits.

Research conducted all over the country tells us that **people often avoid pursuing career advancements that would result in higher long-term earnings out of fear of losing the existing support from their benefits**. This can translate into individuals **refusing promotions or raises** and/or maintaining a below-average number of working hours at their current jobs, and not pursuing further career enrichment opportunities due to the short- and medium-term loss of net resources. An example out of Marion County, Indiana shows that a single parent of two children loses access to SNAP (the Supplemental Nutrition Assistance Program) at just $11/hour, and loses their child care subsidies a mere $4/hour raise more; at no point in this process is this family able to meet the financial need of covering their basic necessities.[21] Another study on wages for home care aides in New York City found that a single home care aide making $13/hour had a higher total income working 35 hours a week versus 40 hours a week because of a loss in benefits from working more hours and having a higher weekly income, indicating a stark benefits cliff. In the same study, a four-person family with two earners (one being a home care aide) and two children saw little to no increase in net resources even given a $5/hour raise, a benefits plateau caused by the decrease in benefits given the income increase.[22]

Economic theory and real-life observations indicate a shared principle: on the whole, **individuals are rational economic actors**. For households with extremely low incomes, it is not only disruptive, but often unthinkable and impossible to lose out on essential public assistance support in the short-term, even when the long-term outcomes show obvious benefits. A series of focus

[21] "Moving on Up: Helping Families Climb the Economic Ladder by Addressing Benefits Cliffs."
[22] Allison Cook, "Benefit Cliffs and Benefit Plateaus: When Higher Wages Don't Always Result in Higher Incomes" (PHI National, May 15, 2017).

groups and informant interviews with safety net recipients experiencing benefits cliffs in Connecticut sheds light on this rational decision-making in the face of potential income increases: "(participants) spoke about an internal tension and emphasized that they were considering the longer term well-being of their families by preserving the benefits that saw as a temporary, but necessary support".[23] Workforce development partners on the ground in the Bay Area tell anecdotes of employees turning down promotions with $8,000 annual raises with no hesitation, knowing that the income increase will make their families ineligible for critical public assistance support, even if the promotion puts them on a more advanced career pathway in the long-term. **Poverty can deprive individuals and families of options, flexibility, and the ability to meaningfully plan for the future; inefficiencies in public assistance programs and the fear of losing out on vital safety net supports only add to this financial and emotional burden.**

On employers:

Benefits cliffs and inefficiencies in the social safety net have tangible impacts on employers, especially in industries that mostly employ low-wage workers or workers making (or making just more than) the area minimum wage. Fear of becoming ineligible for critical public assistance support creates a disincentive to work for employees, resulting in a diminished workforce both in hours worked and in employers' ability to hire and promote employees through a given career pathway.[24] A 2019 survey conducted by the Ohio Chamber of Commerce Research Foundation found that **nearly 1 in 5 businesses** expressed issues with hiring, promoting or increasing wages for their employees because of employees' concerns in losing public assistance with the addition of income.[25]

Given their access to employee sentiments and the impact on workforce growth, employers should be part of policy conversations on welfare reforms and how they can better serve both employers and employees. Even for those employers who do not have interest in policy reform, they still have the ability to support their employees by better understanding the benefits cliff and how their pay structures might be contributing to career advancement barriers for employees.

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[23] Kayla Goldfarb, "Pushed over the Edge with Nowhere to Land; Summarizing Key Qualitative Findings Concerning the Benefit Cliff Effect in Connecticut" (Connecticut Association for Human Services, March 2019).
[24] Susan R. Crandall and Olanike Ojelabi, "Mitigating the Benefits Cliff: A Linchpin for Economic Recovery," *Spotlight on Poverty and Opportunity* (blog), January 19, 2021, https://spotlightonpoverty.org/spotlight-exclusives/mitigating-the-benefits-cliff-a-linchpin-for-economic-recovery/.
[25] Rita Price, "Businesses Urge Ohio to Pull Low-Wage Workers Back from 'Benefits Cliff,'" *The Columbus Dispatch*, June 23, 2019, https://www.dispatch.com/news/20190623/businesses-urge-ohio-to-pull-low-wage-workers-back-from-benefits-cliff.

MODELING BENEFITS CLIFFS IN THE BAY AREA

The state of California has built and continues to iterate on a robust set of public assistance programs to support Californians with accessing basic necessities. In 2018, the Public Policy Institute of California found that the social safety net lowered child poverty by 12.8%, and that, without public assistance support, California's income inequality gap would be nearly 50% wider.[26] However, there are clear examples of inefficiencies in the social safety net that result in gaps in coverage, disincentives to work, and benefits cliffs for program recipients in the Bay Area and the state at large. This section of *Casting A Wider Safety Net* will show the material impacts that benefits cliff can have and how they are experienced by establishing Bay Area household "archetypes" to serve as simulated case studies.

The Federal Reserve Bank of Atlanta's **Career Ladder Identifier and Financial Forecaster (CLIFF)** tool will be utilized to model the material impacts benefits cliff have on Bay Area households. The CLIFF tool uses geographical-, industry- and career-specific data along with the ability to designate different household structures and government assistance programs to show how a household's net resources and eligibility for different programs changes as individuals move through different career pathways and income levels. This version of the CLIFF tool, built in partnership with All Home, includes data from all nine Bay Area counties and looks at income growth through career pathway options in healthcare/nursing and retail/customer service. The tool is limited to modeling household structures of 1-2 adults and 1-3 children, and is able to project eligibility for a number of tax credits, food, health insurance and housing subsidies, and childcare supports.

To serve as examples of how benefits cliffs operate in the Bay Area region, five household archetypes have been selected to be examined based on a number of factors: average household types, the most common bundle of public assistance programs households are recipients of, counties with the highest public assistance uptake rates, and viable career pathways as identified by local workforce development research. Data indicates that single-parent families are among the most profoundly impacted by extremely low income, and make up a significant portion of those

[26] Caroline Danielson, Shannon McConville, and Paulette Cha, "California's Future: Safety Net," *Public Policy Institute of California*, January 2021.

households who benefit from a number of different public assistance programs concurrently.[27] When it comes to the most-utilized safety net programs, research from the U.S. Department of Health and Human Services found that combinations of the Supplemental Nutrition Assistance Program (SNAP), the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), Medicaid/Children's Health Insurance Program (CHIP), and housing subsidies are the program bundles most commonly seen.[28] Lastly, county uptake of the safety net is loosely estimated using Medi-Cal enrollment rates as a proxy, given that Medi-Cal is the most widely utilized public assistance program in the state. Based on the count of Medi-Cal Certified Eligibles in *Table 2*, all nine of the Bay Area counties sit in the 18-28% uptake range for the program; the counties with the highest counts are Solano, Alameda, San Francisco, and Contra Costa.

Given these considerations, the household archetypes are as follows:

- → Single adult households with one child (recipients of SNAP, EITC, CTC, Medicaid)
    - ♦ One adult working, child aged 4 (one preschooler)
- → Single adult households with two children (recipients of SNAP, EITC, CTC, Medicaid)
    - ♦ One adult working, children aged 2 and 6 (one preschooler, one school-age)
- → Single adult households with three children (recipients of SNAP, EITC, CTC, Medicaid, CCDF, housing)
    - ♦ One adult working, children aged 3, 7 and 11 (one preschooler, two school-age)
- → Two adult households with zero children (recipients of SNAP, Medicaid)
    - ♦ One adult working
- → Two adult households with two children (recipients of SNAP, EITC, CTC, Medicaid, housing)
    - ♦ Both adults working, children aged 3 and 8 (one preschooler, one school-age)

[27] Sara Edelstein, Mike Pergamit, and Caroline Ratcliffe, "Characteristics of Families Receiving Multiple Public Benefits," *Urban Institute*, February 28, 2014.
[28] Nina Chien and Suzanne Macartney, "What Happens When People Increase Their Earnings? Effective Marginal Tax Rates for Low-Income Households," ASPE Marginal Tax Rate Series (U.S. Department of Health & Human Services, Office of the Assistant Secretary for Planning & Evaluation, March 2019).

HOUSEHOLD ARCHETYPE #1

Single adult household with one child, aged 4 (recipients of SNAP, EITC, CTC, and Medicaid)

In Household Archetype #1, we observe a Solano County household with a single adult and one preschool-aged child. In this scenario, the adult in the home works in the healthcare industry as a Certified Nursing Assistant, and is interested in pursuing training programs to become a Licensed Practical Nurse (LPN) in order to grow their take-home pay and their income projections over time. *Figure 2* shows the household's annual take-home pay over time, with the pale yellow and green shaded periods signifying the time that the single adult will be in training for their LPN certification. While pursuing schooling to become an LPN would take time and cost the family in the short-term (both in paying for the schooling and in the lost hours of work), they see a return on their investment and much higher income as compared to a minimum wage job just one year after receiving their certification.

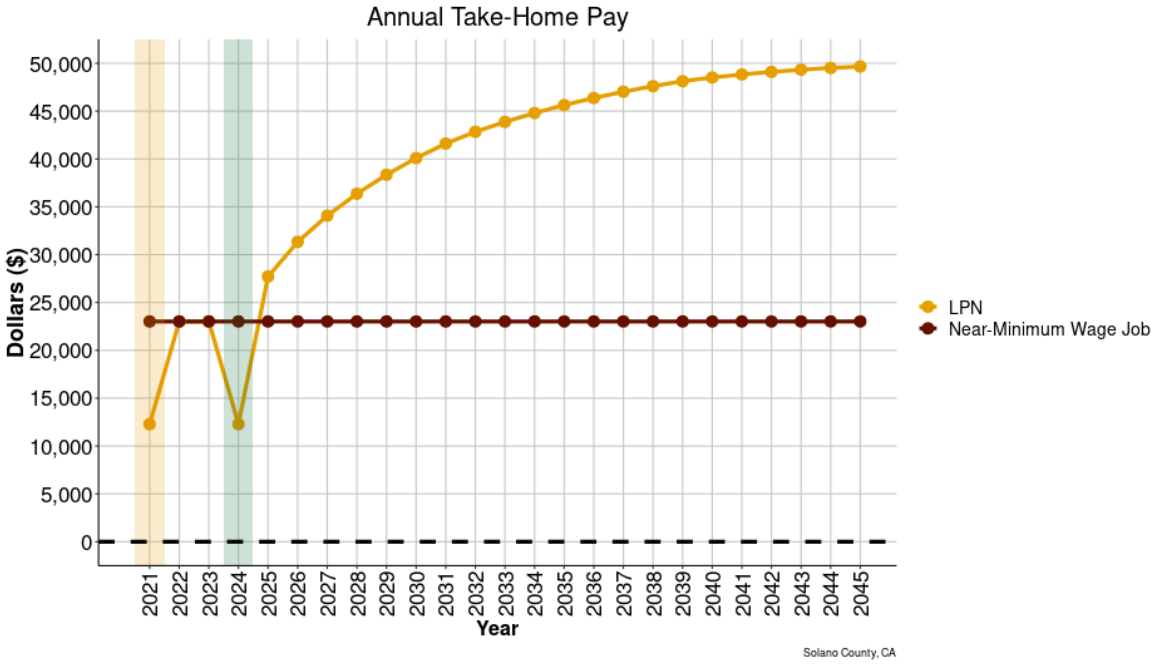

Figure 2: Annual Take-Home Pay for a Family of 2 in Solano County

However, this does not take into account the impact that this gradual growth of income has on the household's net resources, including the public assistance they receive in the form of food subsidies, health insurance subsidies, and tax credits. *Figure 3* shows that the family remains below the "break-even line", or $0 in net resources, until five years after the career training commences.

Each blue vertical line signifies loss of eligibility of a program the family previously utilized; the most significant loss in annual resources occurs between 2028 and 2029, when the household loses access to health insurance support from the Children's Health Insurance Program (CHIP) subsidy. While this example does not show extremely steep benefits cliffs, it does represent the daunting decisions individuals are faced with when they wish to pursue career advancement: is the long-term gain worth making the immediate situation more unsustainable when their families are already experiencing financial strain?

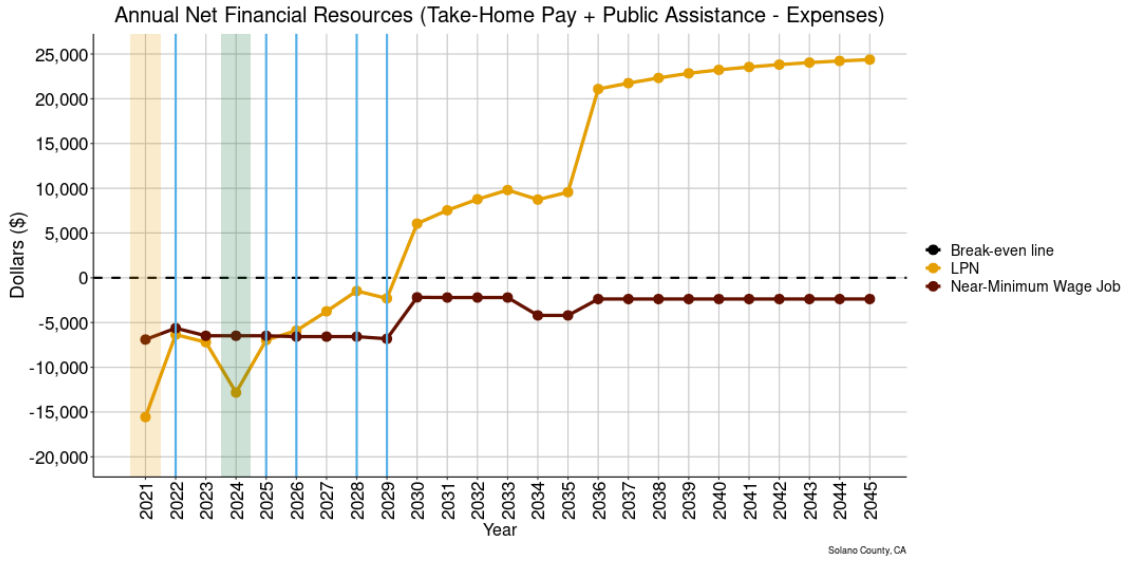

Figure 3: Annual Net Financial Resources for a Family of 2 in Solano County

Table 4 shows a number of hourly wage rates and how growth in income impacts the household's eligibility for the programs they are enrolled in and the amount of support they receive. Notice how the CalFRESH food subsidy completely phases out between $15/hour and $20/hour, and how drastically the family's tax credit falls in that interval as well. On the right is the Solano County Self-Sufficiency Standard as determined by the University of Washington's Self-Sufficiency Calculator, to compare these wages and the phasing-out of support to where households need to be in order to be self-sufficient.[29]

Table 4: Hourly Wage Rates in Relation to Assistance Levels and Federal Poverty Level in Solano County

	Hourly Wage Rate				**Solano County Self-Sufficiency Standard - $24.46**
	11.50	15	20	23	

[29] "Family Needs Calculator (Formerly the Self-Sufficiency Standard)."

Annual Take-Home Pay	24000	31200	41600	47840	51663
Food Subsidy	5160	4145	0	0	
Medicaid Subsidy	5630	5318	5318	0	
Tax Credits	8969	5383	3785	3600	
Percentage of FPL	137%	177%	235%	274%	296.57%

HOUSEHOLD ARCHETYPE #2

Single adult household with two children, aged 2 and 6 (recipients of SNAP, EITC, CTC, & Medicaid)

In Household Archetype #2, we observe a San Francisco household with a single working adult and two children, one school-aged and one preschool-aged. In this scenario, the adult in the home works a minimum wage job in retail, and is interested in being promoted to a customer sales representative, which would result in immediate income gains and further income growth over time.

Figure 4 shows the household's annual take-home pay over time, the red line showing income with the current minimum wage job, and the yellow line showing the customer representative job; these wage lines are compared to the self sufficiency target wage for the family, signified by the gray dashed line (which falls as the children grow older and require less income to support). This shows the stark difference between not only the minimum wage and self-sufficiency standard, but the gap between a higher-paying job and the wage needed to meet basic needs. It should also be noted that, even when pursuing career advancement, the growth in income is so gradual that the household is only able to be self-sufficient once their children have aged out of the need for childcare.

Potentially even more problematic is the depiction of the family's net resources over time as shown in *Figure 5*. The family not only experiences stark benefits cliffs and persistent benefits plateaus in the first fifteen years depicted here, but is actually worse off in the higher-paying job than the minimum wage job for almost that entire time period. This shows a clear disincentive both for the parent to work more hours and to pursue career advancement because, even though the loss of the different benefits happens gradually over time, the initial loss of Medicaid the family

experiences in 2025 puts them squarely at a prolonged net resource reduction as compared to the minimum wage job.

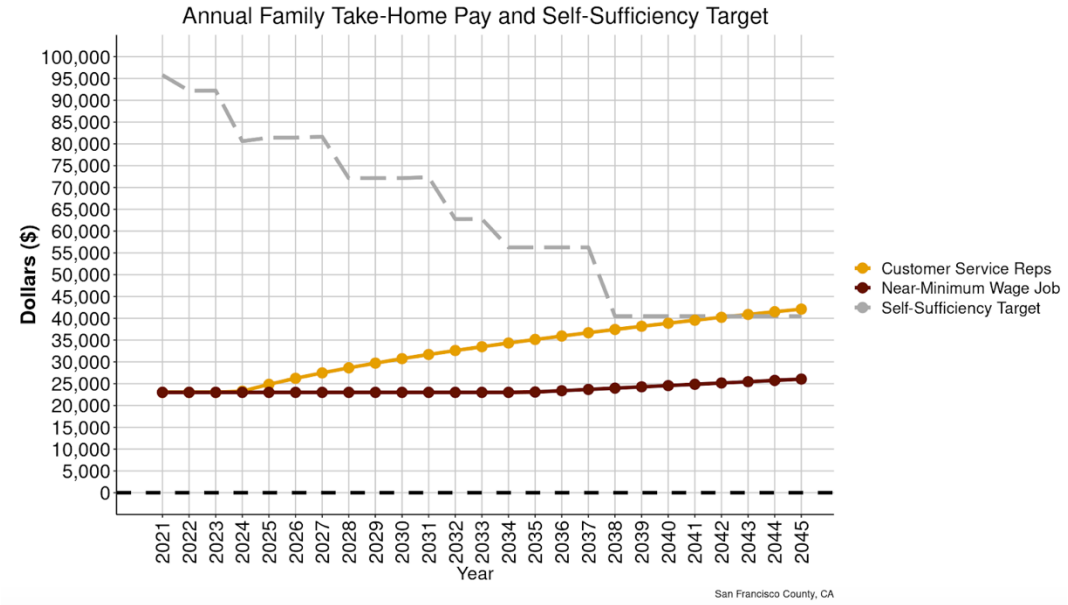

Figure 4: Annual Family Take-Home Pay and Self-Sufficiency Target for a Family of 3 in San Francisco County

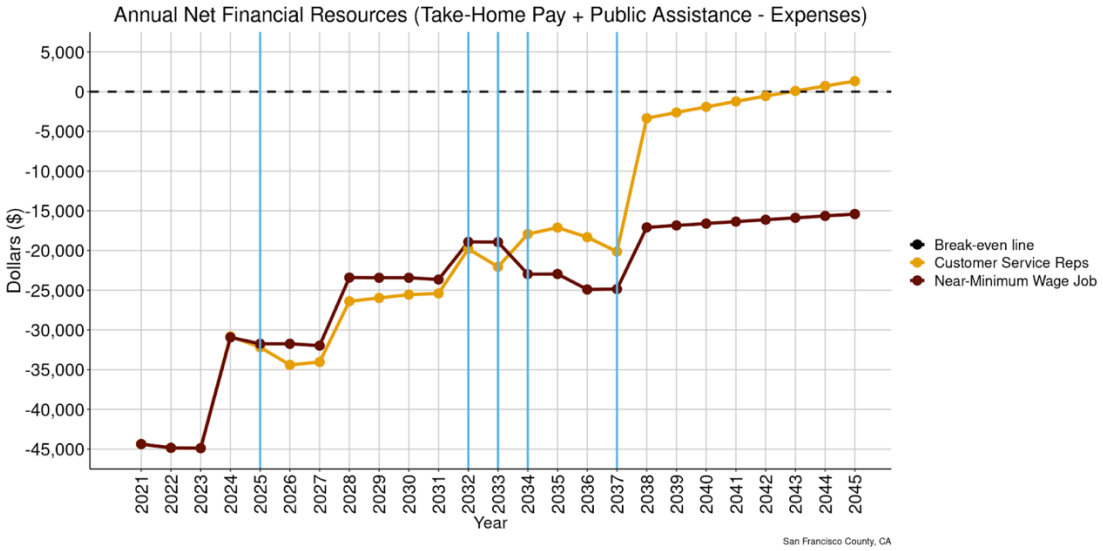

Figure 5: Annual Net Financial Resources for a Family of 3 in San Francisco County

Table 5 shows a number of hourly wage rates and how growth in income impacts the household's eligibility for the programs they are enrolled in and the amount of support they receive. The family receives generous tax credits to support their two young children, but this credit shrinks by two-thirds as the family nears a wage only halfway to self-sufficiency. On the right is the San Francisco County Self-Sufficiency Standard for this family as determined by the University of

Washington's Self-Sufficiency Calculator, to compare these wages and the phasing-out of support to where households need to be in order to be self-sufficient.[30]

Table 5: Hourly Wage Rates in Relation to Assistance Levels and Federal Poverty Level in San Francisco County

	Hourly Wage Rate				**SF County Self-Sufficiency Standard – $46.09**
	11.50	15	20	23	
Annual Take-Home Pay	24000	31200	41600	47840	95874
Food Subsidy	7392	7392	7392	0	
Medicaid Subsidy	8639	5630	5318	5318	
Tax Credits	15918	10162	7846	6600	
Percentage of FPL	109.29%	142.08%	189.44%	217.85%	436.58%

HOUSEHOLD ARCHETYPE #3

Single adult households with three children, aged 3, 7 and 11 (recipients of SNAP, EITC, CTC, Medicaid, CCDF, housing)

In the final Archetype of single-parent households, we observe an Alameda County household with one working adult and three children, two school-aged and one preschool-aged. Single-parent households are explored in detail in these models because these types of families not only make up a disproportionate amount of public assistance recipients, but are more often recipients of "bundles" made up of three or more safety net programs.[31] In this scenario, we revisit the retail career pathway, with the adult in the home working a minimum wage job in retail but interested in pursuing a series of promotions to a sales representative position, depicted by the golden line of upward income trajectory in *Figure 6*.

However, this increase in income inevitably leads to benefits cliffs and plateaus for the family of four, as shown in the net financial resources by employment income graph in *Figure 7*. While the family has positive net resources almost immediately, which was not the case with the retail career pathway family in Household Archetype #2, they experience very steep benefits cliffs

[30] "Family Needs Calculator (Formerly the Self-Sufficiency Standard)."
[31] Chien and Macartney, "What Happens When People Increase Their Earnings? Effective Marginal Tax Rates for Low-Income Households."

almost continuously as they lose eligibility for four public assistance programs in the matter of five years and $15,000 in income growth.

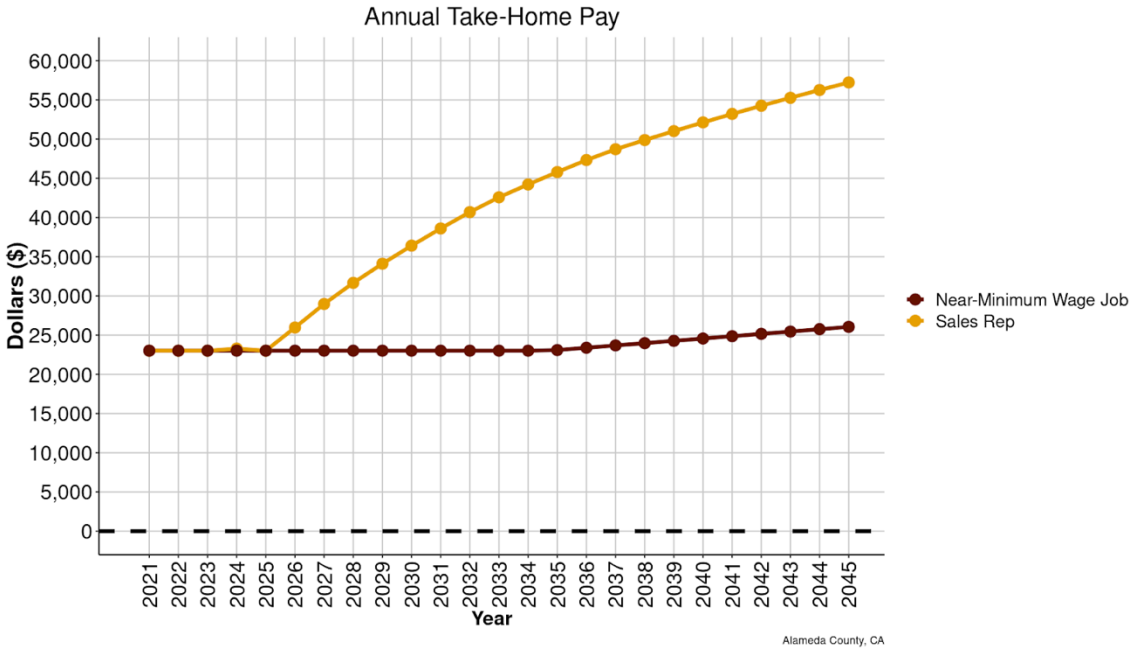

Figure 6: Annual Family Take-Home Pay and Self-Sufficiency Target for a Family of 4 in Alameda County

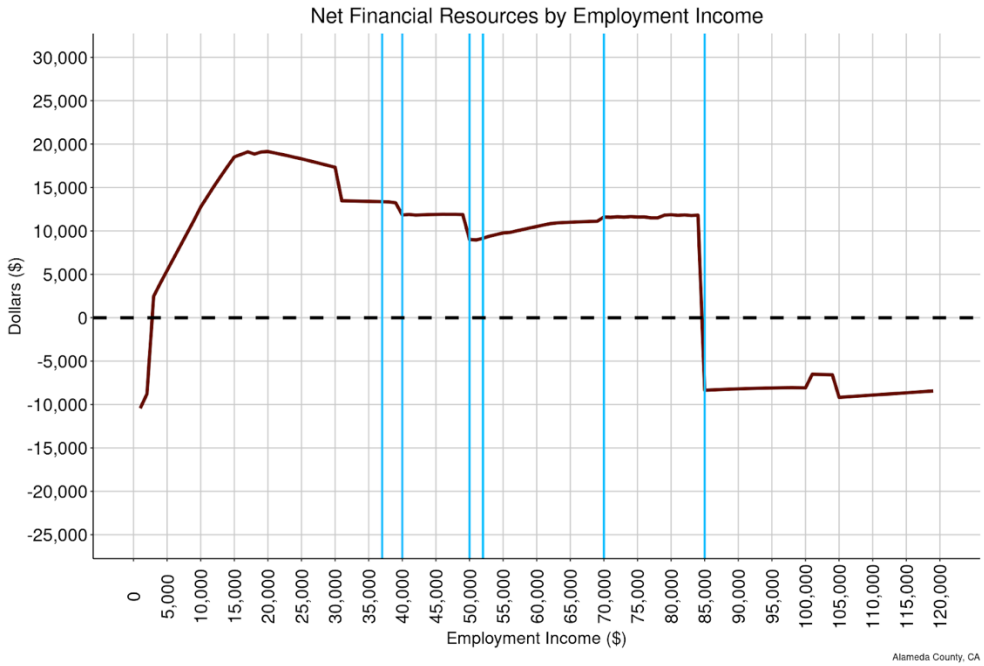

Figure 7: Net Financial Resources by Employment Income for a Family of 4 in Alameda County

Figure 8, depicting public assistance eligibility and amount of support as a function of employment income, shows the cliff experienced at $85,000 with the loss of the Child Care and Development Fund even more starkly. While the depiction of this household is likely an outlier,

given that few families actually take advantage of this many different types of programs and get their maximum payout, it does give insight into very confusing and ominous decisions that some Bay Area families have to make.

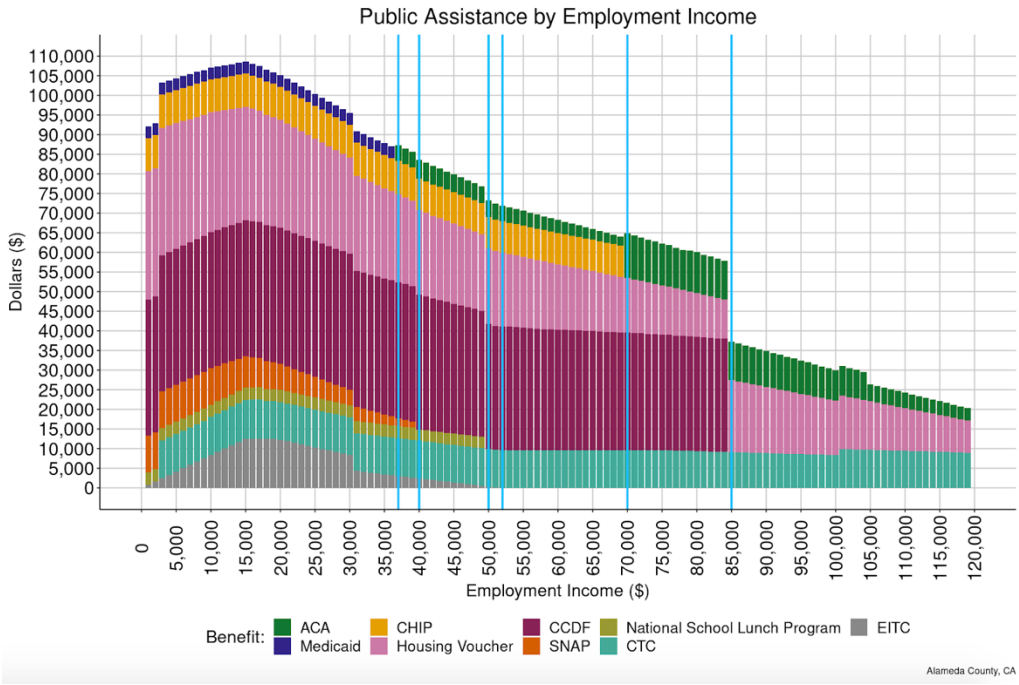

Figure 8: Public Assistance by Employment Income for a Family of 4 in Alameda County

Table 6 shows a number of hourly wage rates and how growth in income impacts the household's eligibility for the programs they are enrolled in and the amount of support they receive. On the right is the Alameda County Self-Sufficiency Standard for this family as determined by the University of Washington's Self-Sufficiency Calculator, to compare these wages and the phasing-out of support to where households need to be in order to be self-sufficient.[32]

Table 6: Hourly Wage Rates in Relation to Assistance Levels and Federal Poverty Level in Alameda County

	Hourly Wage Rate				**Alameda County Self-Sufficiency Standard – $46.87**
	11.50	15	20	23	
Annual Take-Home Pay	24000	31200	41600	47840	97500
Food Subsidy	5522	3632	7392	0	

[32] "Family Needs Calculator (Formerly the Self-Sufficiency Standard)."

Medicaid Subsidy	11454	11454	7977	7977	
CCDF Subsidy	34668	34668	33756	32376	
Housing Subsidy	26267	24167	21141	19755	
Tax Credits	20300	13910	11593	10330	
Percentage of FPL	90.57%	117.74%	156.98%	180.53%	367.92%

HOUSEHOLD ARCHETYPE #4

Two adult households with zero children (recipients of SNAP, Medicaid)

In Household Archetype #4, we observe a household in Contra Costa County with two adults, one working and one out-of-work. In this scenario, the working adult is a nursing assistant making near minimum wage, interested in pursuing the multiple years of schooling and training needed to become a Registered Nurse; the other adult in the household is out-of-work with no income, either due to an issue with securing or maintaining employment or an inability to work. *Figure 9* shows the household's annual take-home pay over time, with the pale yellow, green and blue shaded periods signifying the time that the working adult will be in training for their RN certification. The household sees short-term instability in income connected to the time in school, but hit an exponentially higher income and reach the self-sufficiency target for this household size and makeup almost immediately after completing schooling and receiving the certification.

In looking at the household's net financial resources over time in *Figure 10*, we observe the phase-out of the benefits the households utilize having a less severe impact than in the previous examples; this is likely due to their lack of childcare subsidies and general expenses associated with children. The occurrence of when the instability or net resource loss happens for this household makes it clear that the loss of income during schooling/training is the biggest area of burden for this family. While we don't see very stark benefits cliffs in this example, it is telling of how the social safety net might be more impactful for different types of households and families if it could address and support a number of differing circumstances. There are many kinds of childcare subsidies to support parents, but fewer institutional supports built in for people without children who are interested in pursuing a career pathway that requires schooling or training. This gap in coverage

results in disincentives to career advancement and a general loss in socioeconomic mobility for these populations.

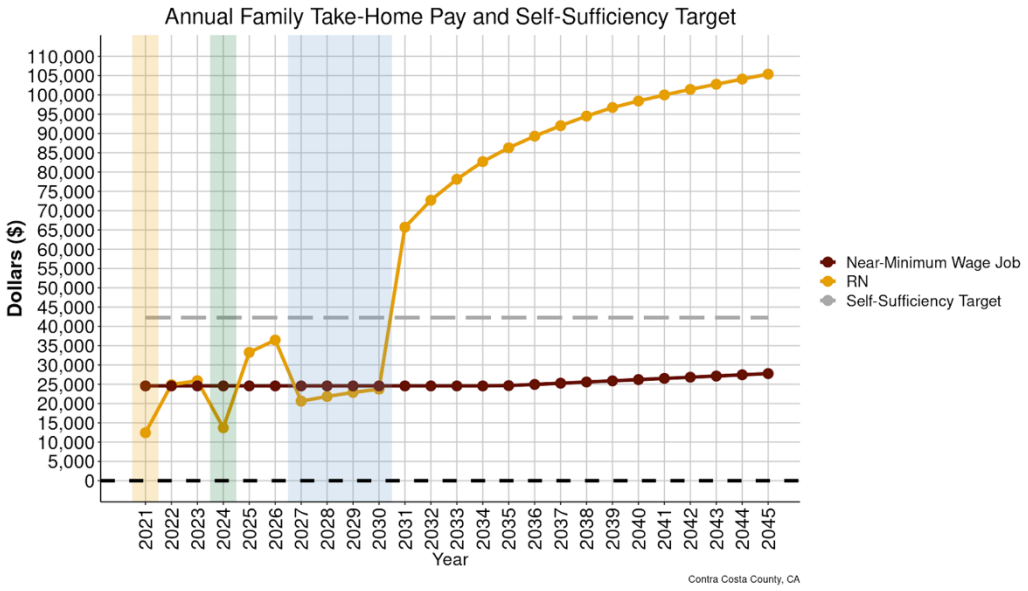

Figure 9: Annual Family Take-Home Pay and Self-Sufficiency Target for a Family of 2 in Contra Costa County

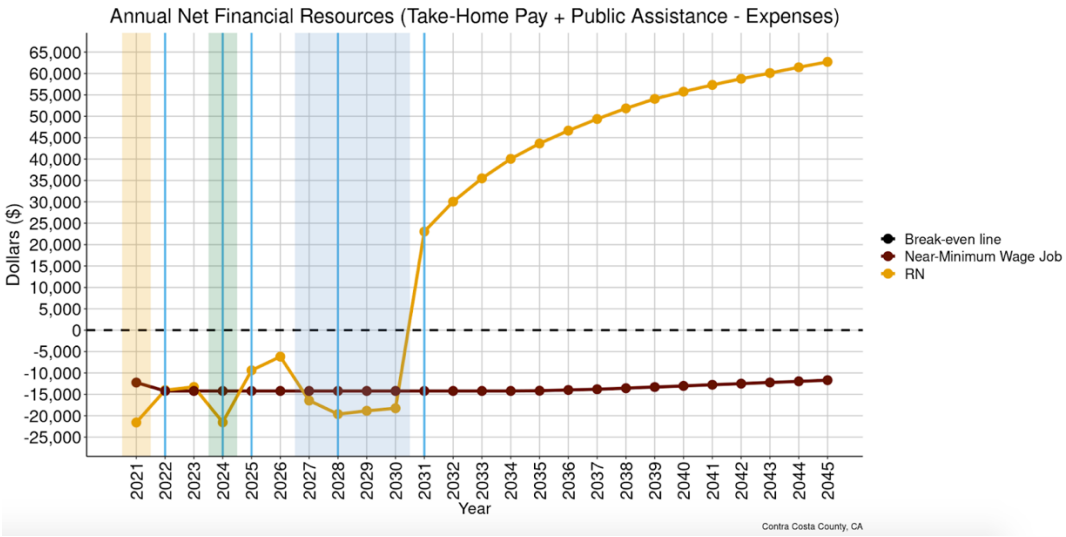

Figure 10: Annual Net Financial Resources for a Family of 2 in Contra Costa County

Table 7 shows a number of hourly wage rates and how growth in income impacts the household's eligibility for the programs they are enrolled in and the amount of support they receive. On the right is the Contra County Self-Sufficiency Standard for this family as determined by the University of Washington's Self-Sufficiency Calculator, to compare these wages and the phasing-out of support to where households need to be in order to be self-sufficient. This household, due to

having fewer dependents and no children, are able to meet self-sufficiency at a much lower wage than the other examples we have observed.[33]

Table 7: Hourly Wage Rates in Relation to Assistance Levels and Federal Poverty Level in Contra Costa County

	Hourly Wage Rate				**Contra Costa County Self-Sufficiency Standard – $20.32**
	11.50	15	20	23	
Annual Take-Home Pay	24000	31200	41600	47840	42269
Food Subsidy	2050	370	0	0	
Medicaid Subsidy	0	0	0	0	
Percentage of FPL	137.77%	179.10%	238.81%	274.63%	242.65%

HOUSEHOLD ARCHETYPE #5

Two adult households with two children, aged 3 and 8 (recipients of SNAP, EITC, CTC, Medicaid & housing)

In the final Household Archetype, we observe an Alameda County household with a two working adult and two children, one preschool-aged and one school-aged. In this scenario, one of the adults in the home works a minimum-wage job; the other adult works in the healthcare industry as a Certified Nursing Assistant, and is interested in pursuing training programs to become a Licensed Practical Nurse (LPN). *Figure 11* shows the household's annual take-home pay over time overlaid with a gray dashed line signifying the self-sufficiency income target for this family. Like in Household Archetype #1, pursuing LPN training costs the family in the short-term (both in paying for the schooling and in the lost hours of work), but immediately serves as a benefit to the household income the year after LPN training has concluded.

The family's financial net resources by employment income, showed in *Figure 12*, shows how the multiple benefits that the household is enrolled in phase out as income grows post-LPN certification. The most prominent benefit cliff happens at $54,000, when the household loses out on their Earned Income Tax Credit that had once made up $10,000 of their annual net resources. Despite a raise in income of just a thousand dollars, the family experiences a net resource loss of

[33] "Family Needs Calculator (Formerly the Self-Sufficiency Standard)."

more than $5,000, which takes an income raise of nearly $15,000 (and, based on the income trajectory in *Figure 11*, more than a full decade) to recover from. It is also relevant that this complete phase-out of the EITC for this household occurs at **more than $20,000 below** the self sufficiency standard of $79,947, showing a blatant gap in coverage for this family of four in Alameda County.

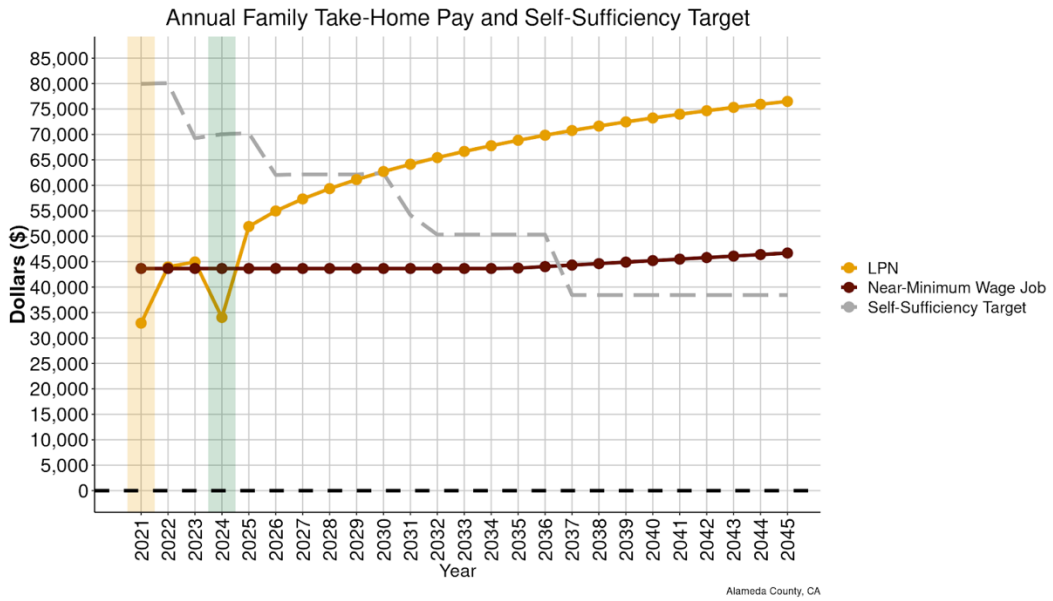

Figure 11: Annual Family Take-Homy Pay and Self-Sufficiency Target for a Family of 4 in Alameda County

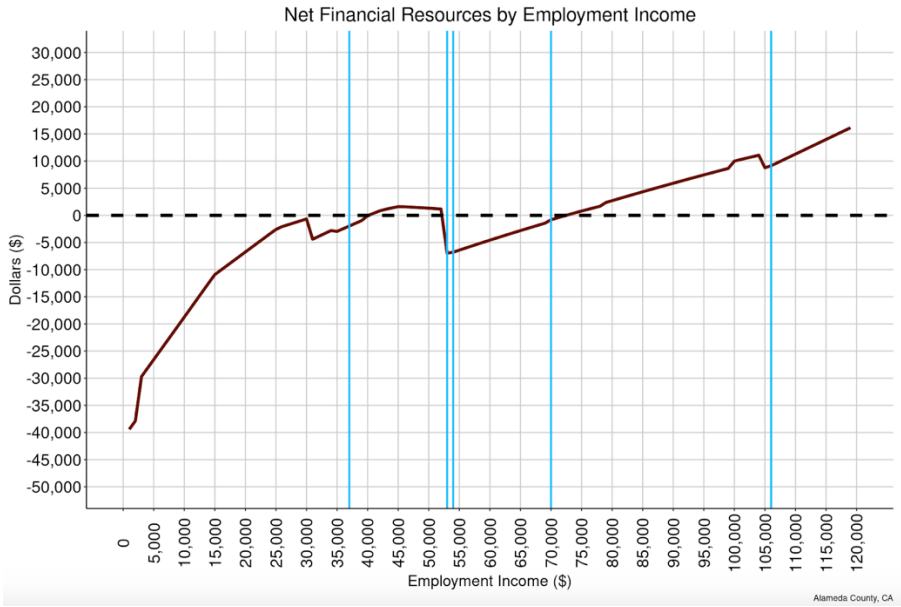

Figure 12: Net Financial Resources by Employment Income for a Family of 4 in Alameda County

Table 8 shows a number of hourly wage rates and how growth in income impacts the household's eligibility for the programs they are enrolled in and the amount of support they

receive. On the right is the Alameda County Self-Sufficiency Standard for this family as determined by the University of Washington's Self-Sufficiency Calculator, to compare these wages and the phasing-out of support to where households need to be in order to be self-sufficient.[34]

Table 8: Hourly Wage Rates in Relation to Assistance Levels and Federal Poverty Level in Alameda County

	Hourly Wage Rate				**Alameda County Self-Sufficiency Standard – $38.43**
	11.50	15	20	23	
Annual Take-Home Pay	24000	31200	41600	47840	79947
Food Subsidy	9384	9384	9384	8609	
Medicaid Subsidy	11648	11648	5318	5318	
Housing Subsidy	20817	20117	19017	17272	
Tax Credits	17961	11939	9099	7835	
Percentage of FPL	90.57%	117.74%	156.98%	180.53%	301.69%

[34] "Family Needs Calculator (Formerly the Self-Sufficiency Standard)."

SYSTEM-WIDE RECOMMENDATIONS

→ **Primary Recommendation:**

Align program eligibility thresholds with more comprehensive measures of poverty, adjusted for region-specific circumstances and needs

Issue: People with extremely low incomes in the Bay Area are not being adequately supported by public assistance programs due to eligibility thresholds determined by federal standards of poverty that are not adjusted to local cost-of-living circumstances. Recipients are often phased off of resources at critical moments in their journey in career advancement and to self-sufficiency, and some individuals who would undeniably benefit from public assistance are cut off from eligibility entirely. This misalignment in eligibility thresholds results in a myriad of gaps in coverage and benefits cliffs for many financially vulnerable households, and ultimately weakens the efficacy of the social safety net system as a whole.

Policy Recommendation: Align program eligibility thresholds and determinations (AKA the "exit eligibility" level of public assistance programs) with more comprehensive, localized standards of poverty and/or self-sufficiency, in order to smooth benefits cliffs and ensure individuals and families only become ineligible for assistance when they are able to meet basic living expenses.

What measure of poverty and/or self-sufficiency should be utilized in this reform?

In determining a more comprehensive metric to align program eligibility thresholds to in order to expand access for public assistance supports and smooth out benefits cliffs for existing recipients, two types of measures should be considered: a more comprehensive, localized, and accurate measure of poverty, like the state Supplemental Poverty Measure and/or the county-level California Poverty Measure, and a measure that "defines the real cost of living for working families at a minimally adequate level", like the Self-Sufficiency Standard and/or Living Wage Standard.[35] Below is a breakdown of the relative benefits and drawbacks of both types of measures, where the following criteria will be considered:

[35] "Methodology of The Self-Sufficiency Standard."

→ **Effectiveness** - Will this policy solution achieve the goal of mitigating benefits cliffs effects and increasing economic mobility for extremely low-income people in the Bay Area? To what extent?

→ **Efficiency** - Will this policy solution generate a net benefit? What costs must be considered?

→ **Equity** - Will this policy solution address the disparity in distributional outcomes for institutionally disempowered and historically marginalized groups (i.e. groups affected by institutional racism, sexism, settler colonialism, etc.)?

→ **Feasibility** - What is the political feasibility of this policy solution as it stands now? How might it be made more viable?

Table 9: Positives and Negative Ratings of Criteria in Relation to Policy Recommendations

Measure	Positives	Negatives	Further Insight Needed
Supplemental Poverty Measure and/or California Poverty Measure	• **Political feasibility** The SPM/CPM is a measure of poverty similar to the FPL in functionality and the eligibility expansion would be narrower than the SSS, and therefore less costly to the state and federal government. • **Efficiency** When it comes to administrative burden, continuing to utilize a measure of poverty rather than of self-sufficiency or wage would involve less in the reform and realignment process.	• **Effectiveness** Since this measure does not fundamentally address the self-sufficiency gap, there is a higher likelihood of the persistence of benefits cliffs and gaps in coverage.	• **Equity** The SPM or CPM would result in more equitable distributional outcomes in safety net programs than the status quo of utilizing the FPL for eligibility thresholds due to an expansion of the definition of poverty that would include more people from historically marginalized backgrounds. However, it is unclear to what extent equity is centered in the methodology of measuring the SPM/CPM, and there could still be gaps in poverty definitions on the basis of equity.
Self-Sufficiency Standard and/or Living Wage Standard	• **Effectiveness** Aligning exit eligibility to SSS is the most certain response identified to smooth out benefits cliffs and close gaps in coverage for those most in need of public assistance support. Raising eligibility thresholds to the standard of self-sufficiency will ensure that households are	• **Political feasibility** Not only would this be the more costly option due to wider expansions of assistance coverage, but would likely draw opposition from fiscal moderates and conservatives in the same way that advocacy for minimum wage increases do. There would likely be	• **Efficiency** Whether or not utilizing the SSS/LWS for program eligibility thresholds would generate a net benefit is difficult to determine; the potential costs of this expansion would be large and happen across many different programs, but the potential benefits, both to social welfare and to the

	not phased off of public assistance until they have built meaningful financial stability. • **Equity** Of the proposed options, raising eligibility thresholds to be aligned with the SSS would most aptly address equity concerns because the eligibility expansion would happen across the board. Considering that a majority of people with extremely low incomes belong to historically marginalized backgrounds, smoothing out benefits cliffs and improving the utility of public assistance programs with this population in mind would also incorporate racial and gender equity.	a large political push needed to make this policy viable.	economy as a long-term function of growing self-sufficiency, is also inestimably large. Evidence points to the fact that this policy reform would likely have a medium- or long-term net benefit, but would have large costs at the outset.

→ **Additional Recommendation:**

Expand asset limit restrictions to allow for program eligibility that better reflects the needs of public assistance recipients in the Bay Area and the state at large

Issue: Asset limits cause benefits cliffs by allowing "wealth" from assets and property to make individuals and families with low incomes ineligible for thousands of dollars of much-needed public assistance, with extremely low thresholds for self-sufficiency .

Policy Recommendation: Increase and/or abolish asset limits at the state level in California in order to mitigate benefits cliffs and promote opportunities for self-sufficiency and asset development for households with extremely low income.

Asset limits or property limits refer to thresholds that cap the total value of assets or property that an individual or family may hold ownership to in order remain eligible for a public assistance program. These limits can take into account all kinds of "real property" (land, buildings,

mobile homes, mortgages, etc.) and "personal property" (liquid and non-liquid assets, like cars, jewelry, stocks and bonds, financial institution accounts, etc.). There are some property exemptions that allow for certain assets to not be counted towards the limit; for example, Medi-Cal property limitations allow a household ownership of their principal residence, one motor vehicle, personal effects under $100, work-related pension plans, and life insurance policies, among other exempt assets.[36]

However, these property restrictions can be troublingly limiting for individuals and families who do or could benefit from public assistance. The Temporary Assistance for Needy Families (TANF, or CalWORKs) asset limit in California is only $2,250 (or $3,500 for households with elderly residents or people with disabilities), and vehicles are excluded only up to a value of $9,500 per vehicle.[37] An Alameda County family of four has a monthly standard of self-sufficiency expense of $8,191: keeping household assets below the $2,250 CalWORKs limit would not allow this family to save for even a ⅓ of their monthly expenses without losing out on this assistance.[38]

Asset and property limits conflict with fundamental goals of the social safety net, like providing baseline economic security and incentivizing work and asset development with resource allocation. **Asset limits cause benefits cliffs by allowing "wealth" from assets and property to make individuals and families with low incomes ineligible for thousands of dollars of much-needed public assistance, with extremely low thresholds for self-sufficiency.** Asset limits are inequitable in practice, treating some forms of assets (a home, for example) with more leniency than others (a vehicle or savings account) when it comes to eligibility thresholds.[39]

Between 2000 and 2014, seven states abolished their TANF asset limits entirely; while there was fear that this relaxation of restrictions would result in massively increased caseloads and administrative burden, a 2016 study found no significant increase in the number of TANF applicants or recipients. In fact, **states that changed their asset limit from low ($2,500 or less) to moderate ($3,000 to $9,000) saw a decrease in their administrative costs and burden**.[40]

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[36] "Medi-Cal General Property Limitations" (California Department of Health Care Services, March 23, 2021).
[37] "Table I.C.1. Asset Limit for Applicants, July 2019 - TANF Policy Tables" (Welfare Rules Database, July 2019).
[38] "Alameda County Key Facts - California Self-Sufficiency Standard Fact Sheet" (Insight Center for Community Economic Development, 2018).
[39] Henry Chen and Robert I Lerman, "Do Asset Limits in Social Programs Affect the Accumulation of Wealth?," *The Urban Institute*, Opportunity and Ownership Project, August 2005, 12.
[40] "Do Limits on Family Assets Affect Participation in, Costs of TANF?," Financial Security and Mobility Project (The Pew Charitable Trusts, July 7, 2016), https://www.pewtrusts.org/-/media/assets/2016/07/do_limits_on_family_assets_affect_participation_in_costs_of_tanf.pdf.

There is continued energy around reforming asset limits for a number of programs at the state level: in 2019, New York State Senators Parker and Biaggi introduced Bill No A01288/S04391 to the State Assembly, intended to entirely eliminate asset limits "in calculating the amount of benefits of any household under any public assistance program".[41] This bill has been read to the Assembly twice and was referred to the Committee on Social Services in January of 2021. On the federal level, the Allowing Steady Savings by Eliminating Tests Act (or ASSET Act) sponsored by Senator Coons of Delaware would prohibit asset limits in programs funded by grants from TANF, the Supplemental Nutrition Assistance Program (SNAP), or the Low Income Home Energy Assistance Program (LIHEAP). This bill would also raise asset limits for the Supplemental Security Income (SSI) program by nearly 5 times the current threshold. The ASSET Act was introduced to the Senate in February of 2020 and has been since referred to the Committee on Finance.

→ **Additional Recommendation:**

Institute annual reassessments of the earned income disregard that accounts for both inflation and increases in state and local minimum wages

Issue: While the 2019 increase in the exemption limit for the Earned Income Disregard serves as a helpful tool in smoothing out benefits cliff, the current EID protocol does not account for continuing increases in the minimum wage, meaning that the EID could quickly become inefficient.

Policy Prescription: Effectively raise maximum income thresholds for CalWORKs eligibility by instituting an annual reassessment of the earned income disregard to account for both inflation AND a rise in the state minimum wage.

In public assistance programs intended for extremely low income households, the **earned income disregard (EID)** serves as a tool for people to continue to receive benefits as they begin to earn an income. Earned income disregards allow recipients to "disregard" their income up to a certain amount when they are being considered for a benefit, essentially serving as a phase-out of

[41] Alessandra Biaggi and Kevin S. Parker, "Bill S04391," Pub. L. No. S04391 (2019), https://assembly.state.ny.us/leg/?default_fld=&leg_video=&bn=S04391&term=2019&Summary=Y&Text=Y.

the benefit as income rises. The CalWORKs program (California's iteration of the TANF cash assistance program), established in 1997, utilized the disregard threshold for over two decades: the state would exempt the first $225 of monthly earnings, then would subtract an additional 50% of that disregard ($137.5) from the total countable income. Over twenty years of an unchanging exemption limit meant that the EID became less and less impactful of a resource over time, falling behind with regards to both rising inflation and increases in the minimum wage.[42]

In 2019, the California Department of Social Services (CDSS) enacted a change to the exemption amount, raising the initial disregard threshold from $225 to $500. The CDSS also announced a plan to increase the EID by $50 a year for 2021 and 2022.[43] This policy change shows a clear and well-informed intention to keep the EID in line with increases in inflation and minimum wage in order to maintain the utility of resource; however, **without regular reassessment and reconsideration of the EID, the resource could easily fall into its previous cycle of ineffectiveness for those to whom it could be most helpful.** Enacting protocol to assess the EID on an annual basis (while controlling for both inflation and increases in the minimum wage and wage trends) would ensure that the resource is aligned with the needs of households with extremely low incomes and that the EID's utility is being maximized.

Table 10: Weighing of Criteria for Additional Recommendations

Recommendation	Effectiveness	Efficiency	Equity	Political Feasibility
Increasing and/or abolishing asset limits	**Medium-High** This policy could have considerable impact on extending access to public assistance for people with ELI; the extent of this impact depends entirely on the nature of the reform (i.e. abolition of asset limits vs. variable	**Medium** The efficiency of this policy would depend on the relative administrative burden associated with either reform option. Abolishing asset limits would come with considerable social welfare, but commensurate hurdles in implementation.	**Medium-High** As with most policies that expand and extend program eligibility, this reform would have a positive impact regarding equity concerns.	**Medium** There is a track record of asset limit increases being implemented and having success; however, the potential administrative burden associated with this reform likely takes away from its political viability.

[42] Esi Hutchful, "The Earned-Income Disregard Falls Short of Supporting Working Families in CalWORKs" (California Budget & Policy Center, March 2019).
[43] Stephen Goldberg, "Changes to CalWORKs Income Disregard and Income Reporting Threshold," LSNC Regulation Summaries, August 22, 2019, http://reg.summaries.guide/2019/08/changes-to-calworks-income-disregard-and-income-reporting-threshold/.

	increases to asset limit thresholds).			
Assessing earned income disregard exemption limit on an annual basis	**Medium** This reform would definitely be	**Low-Medium** While this reform would have considerable positive impact on social welfare (and resulting positive impacts on the economy at large), there is a likelihood that the weighty cost of the administrative burden associated with the policy change might result in little to no net benefit.	**Medium-High** As with most policies that expand and extend program eligibility, this reform would have a positive impact regarding equity concerns.	**High** There is seemingly already interest from the CDSS in establishing protocol to continue raising the EID exemption, given the growth in the EID from 2019-2022. Enacting an annual assessment would have considerable administrative burden, but seems to already have some buy-in.

ACTIONS FOR ALL HOME AND STAKEHOLDERS

All Home has an incredible opportunity in this moment to organize its influence and direct its many powerful stakeholders, decision-makers, and allies towards increasing the effectiveness of the social safety net for people with extremely low incomes in the Bay Area. Mitigating benefits cliffs and bridging gaps in public assistance coverage is the first step in supporting households with ELI in "creating a ladder out of poverty" and moving towards self-sufficiency.

System-Wide Recommendations

→ Align program eligibility thresholds with more comprehensive measures of poverty, adjusted for region-specific circumstances and needs

→ Expand asset limit restrictions to allow for program eligibility that better reflects the needs of public assistance recipients in the Bay Area and the state at large

→ Institute annual reassessments of the earned income disregard that accounts for both inflation and increases in state and local minimum wages

Actions for All Home	Actions for Policymakers and Decision-Makers
→ Conduct a public education campaign to spread general awareness on the issue and spark interest in conversations around safety net reform → Direct advocacy efforts to state and local governments to consider recommendations that extend and expand program eligibility thresholds → Launch pilot(s) in partnership with local jurisdiction(s) to gather evidence on how extensions and expansion of thresholds impact occurrence of benefits cliffs	→ Use influence to direct legislative efforts to extend and expand program eligibility thresholds and support the goal of self-sufficiency for public assistance recipients → Work in partnership with All Home and other organizations to implement county or city pilot programs to create flexible environments for testing the impact of specific program reforms → Advocate for minimum wage increases, as well as the adjustment of benefits programs thresholds as wages increase
Actions for Employers	**Actions for Advocates and Community Members**
→ Understand how and to what extent benefits cliffs and inefficiencies in public assistance programs impact your specific workforce and employees → Utilize resources (like the CLIFF tool) to recognize the wage levels at which assistance is phased out in order to plan career progression with employees' needs and circumstances in mind	→ Engage in public education to spread general awareness on the magnitude of this issue and spark interest in conversations around safety net reform → Advocate on behalf of people with extremely low income through related campaigns, like an increased minimum wage and guaranteed income for all

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