Benefits Cliff Research Project

• United Way of Central Ohio (UWCO)
  • 2013-14 Public Policy Agenda
    • Minimize the “cliff effect” of public support

• The John Glenn School of Public Affairs
  • Joshua Hawley, PhD, Associate Professor
    • Director of Ohio Education Research Center
    • Associate Director – Center for Human Resource Research
Benefits Cliff Research Project

- UWCO Workforce Development Work Group
  - Identify workforce development system challenges
  - Cliff effect identified as barrier for workers in efforts to attain and retain employment providing a sustainable income w/o need for benefits

- Purpose: to determine if there is a cliff effect in Franklin County and throughout the state of Ohio, in general
Cliff Effects

- Refers to the income gap low-wage workers experience when their income exceeds eligibility limits for benefits and causes the loss of work supports that totals more than their increased earned income.

- Based on income eligibility – cut off or phased out, depending on state and local policies.

- Unintended consequence: Opportunities to advance turned down to avoid exceeding eligibility limit.

- At 200% FPL a single parent of two needs a 10% raise to avoid the childcare cliff (Policy Matters Ohio, 2014).
## Benefits Considered

<table>
<thead>
<tr>
<th>Work Support Program</th>
<th>Benefit</th>
<th>Income Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Childcare Assistance</td>
<td>Childcare costs are reduced to a co-payment which is dependent on income level and family size. For example, a family of three earning 150% of the FPL* would have a $260 monthly co-payment.</td>
<td>Ohio sets a family’s initial eligibility at 125% of the FPL to begin receiving assistance. Once receiving benefits, the eligibility for ongoing receipt is 200% of the FPL*.</td>
</tr>
<tr>
<td>Housing Assistance (Section 8 Housing Vouchers and Public Housing)</td>
<td>Housing costs are typically set at 30% of adjusted gross income.</td>
<td>Households may be eligible with incomes that are 80% of area median income. However, due to limited funding most new program participants must have income below 30% of area median income.</td>
</tr>
<tr>
<td>Supplemental Nutrition Assistance Program (SNAP, Formerly Food Stamp Program).</td>
<td>Maximum benefit for a family of 3: $526 per month. Maximum benefit for a family of 4: $668 per month. Average monthly benefit per household is $287 per month in Ohio.</td>
<td>Eligibility is based on gross income up to 130% FPL and net income (gross income minus allowable deductions) up to 100% FPL. Families with an elderly person or person with disability benefits only need to meet the net income requirements.</td>
</tr>
<tr>
<td>Special Supplemental Nutrition Program For Women, Infants, and Children (WIC)</td>
<td>Average monthly benefit of $36.12 in Ohio for purchasing supplemental nutritious foods. Also includes breastfeeding support and health education.</td>
<td>Pregnant and postpartum women and children up to age 5: at or below 185% FPL.</td>
</tr>
</tbody>
</table>

*Source: Adapted from The Self-sufficiency Standard for Ohio 2013 (Pearce, 2013)*

The 2013 Federal Poverty Guidelines (FPG) for a family of three is $19,530 (annual income). See [http://aspe.hhs.gov/poverty/13poverty.cfm](http://aspe.hhs.gov/poverty/13poverty.cfm)

**Eligibility and benefits for work supports change routinely – typically yearly. The information reported represents eligibility and benefit guidelines for 2012/2013 and assumes the 2013 Federal Poverty Guidelines when applicable.**
Project Overview

- Phase 1
  - Review of existing research literature
- Phase 2
  - Interview data from state officials to inform policy model options and assumptions
- Phase 3
  - System dynamics modeling using 2003-2013 TANF, SNAP, Section 8 and other relevant data for Ohio
- Phase 4
  - Policy brief with recommendations
PHASE 1

Review of Literature
## Existing Cliff Effects Studies

<table>
<thead>
<tr>
<th>Study</th>
<th>Data Source</th>
<th>Short-term Outcome</th>
<th>Long-term Outcome</th>
</tr>
</thead>
</table>
## Existing Cliff Effects Studies, cont.

<table>
<thead>
<tr>
<th>Study (Year)</th>
<th>Data Source and Methods</th>
</tr>
</thead>
</table>

Notes: N/A not applicable (+) positive(-) negative

Short-term outcomes: Hardship gap mitigated by work support policies until income exceeds eligibility limits Long-term outcomes: Work support policies support transition to economic self-sufficiency when income exceeds work support eligibility limits
Cliff Effect in Franklin County

© National Center for Children in Poverty
Family Resource Simulator, Ohio 2009 (Results reflect user choices.)
Cliff effect in Cleveland

Net Family Resources (resources minus expenses)

© National Center for Children in Poverty
Family Resource Simulator, Ohio 2009 (Results reflect user choices.)
Cliff effect in Cincinnati

Net Family Resources (resources minus expenses)

© National Center for Children in Poverty
Family Resource Simulator, Ohio 2009 (Results reflect user choices.)
Childcare

- Single parent families - most often mothers
- Joo (2008) using Current Population Survey data found significant relationship between low-income mothers’ work hours and childcare
- Chau (2010) Colorado study found major gap between wages and breaking even when SNAP and childcare benefits lost
- East & Roll (2010) Colorado study found strategies used included
  - Not taking extra hours
  - Declining job offers
  - Not accepting raises
  - Not getting married
  - Not accepting child support
  - Not turning in redetermination paperwork
Employment Impact of Great Recession

TANF Data (Ohio Specific); EP Ratio and Unemployment, National Averages
PHASE 2
State Interviews
State Interviews

- New Jersey Department of Human Services
  - Deputy Commissioner, Division of Family Development
- Vermont Agency of Human Services
  - Benefits Program Assistant Administrator, Economic Services Division
  - Interim Reach Up Director, Office of Economic Opportunity, Department for Children and Families
- Colorado Department of Human Services
  - Director, Employment and Benefits Division
- Ohio Department of Job and Family Services
  - Deputy Director, Office of Family Assistance
  - Policy Analyst, Office of the Director
State Interviews - methodology

- Same questions asked of all participants
- Same interviewer for each state
- Each session recorded
- Interviewer transcribed notes and conducting analysis
- Results will inform the policy options selected for the modeling phase
State Interview Findings

• All states were familiar with the cliff effect concept and consider it to be a major policy issue.
• Ohio Department of Job and Family Services the lead agency; Department/Office of Human Services considered lead agencies in Vermont, Colorado and New Jersey.
• All states except Vermont are state supervised, county administered TANF programs; locally determined policies.
• Self-sufficiency standards not different for sub-populations, but eligibility for certain benefits varies; Ohio working to develop statewide definition of self-sufficiency while Colorado prefers to use different terminology altogether (economic security).
Colorado

- Work Supports Strategies grant: alignment of program administration and best practices
  - eColorado Works

- New Office on Early Childhood
  - Two generations approach considers adults and other family member’s needs as well as children’s

- Collocation of housing programs and human services departments

- Case management/refugee services provided for three years (instead of just 1 year)

- Eliminated the resource test in Colorado Works program

- 6 month recertification period; new income not used to determine grant amount until next recertification period
New Jersey

- Eliminated wait list for child care
- Improved efficiencies with eChildcare system
- Raised SNAP eligibility to 185% of Federal Poverty Level
- SNAP Employment & Training program
- Changes to TANF work requirement to allow more leeway
- Challenges referenced:
  - Federal eligibility constraints
  - Programs housed in different departments – Departments of Labor and Workforce Development, Family Development and Community Affairs (housing)
Vermont

- All Economic Services are housed within the same division (SNAP, TANF, housing, etc.)
  - Streamlined application process
  - Coordinated eligibility requirements
- Reach Ahead program provides a supplemental food benefit to people leaving Reach Up within the past 6 months
  - first 6 months eligible for $100 benefit
  - $50 benefit for an additional 6 months (up to 12 months in lifetime while in Reach Ahead)
Ohio

- Midbiennial budget (MBR) adopted in June 2014 establishes Office of Human Services Innovation within ODJFS

- Childcare eligibility changes:
  - Maximum income limit for initial eligibility 125% FPL – one of the lowest in US
  - Copays range up to 8.75% of gross monthly income
  - Changes that impact eligibility reported w/in 10 days – must reenter at lowest level of eligibility
  - No waiting list
Ohio

- SNAP income reporting changes:
  - Instead of reporting changes of $25 or more within 10 days, now only changes reported if they exceed 130% of their income.

- TANF income reporting changes:
  - Instead of reporting income changes of $25 or more, now it’s changes of $50 or more.

- Family Self-sufficiency program: CMHA makes contributions to escrow account as income grows and individuals make progress on their self-sufficiency plan.
PHASE 3
System Dynamics Modeling
Hypothesis

1. The incentives of public assistance keep people on federal programs since they cannot earn enough to sustain a family and substitute for the public benefits they would receive otherwise.

2. Welfare recipients lack the human capital to be successful in a long run job search that would bring family supporting wages.
Modeling Methodology

• System Dynamics Modeling
  • Benefits policies often result in unintended outcomes
  • Provides an endogenous perspective
  • Complexities in the policy-making process and the environment influence the effectiveness
  • Effective tool for persuading stakeholders and informing policy makers
Modeling Methodology

• System Dynamics Modeling
  • Uses knowledge of the structure of the transition between welfare and work and a mathematical procedure to show how time dependent changes such as wage rates paid or jobs obtained can directly impact the transition
  • Transitions are modeled through causal loops that can be either negative or positive
Data

- Ohio Department of Job and Family Services aggregated data including transition rates for primary wage earners (18 to 64 years of age) with children moving from dependency to work from 2007 to 2012
  - TANF
  - SNAP
- Currently working on identifying those who have left assistance for 90 days, and how to match them to employment data.
- Columbus Metropolitan Housing Authority
  - Section 8 housing data
Data

<table>
<thead>
<tr>
<th>Demographic Characteristics</th>
<th>Number of people</th>
<th>Work Participation while in program</th>
<th>Exit (Number that Exit)</th>
<th>Participation in program (number of days)</th>
<th>Work Participation on Exit (Yes/No)</th>
<th>Earnings Upon Exit (Average)</th>
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<tbody>
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<td>Parents with Kids</td>
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</table>
OWF Demographic & Population Data (calendar years 2009 – 2012)
OWF Demographic & Population Data (calendar years 2009 – 2012)

OWF Demographics

[Graph showing OWF Demographics for years 2008 to 2013, with categories Total, Single Parent, and 2-Parent]
OWF Demographic & Population Data (calendar years 2009 – 2012)
Excerpted from Ghaffarzadegan, N., Lyneis, J. & Richardson, G.P. (2011). How small system dynamics models can help the public policy process, System Dynamics Review, 27 (1), Figure 5
SD Model Example

Excerpted from Ghaffarzadegan, N., Lyneis, J. & Richardson, G.P. (2011). How small system dynamics models can help the public policy process, System Dynamics Review, 27 (1), Figure 5
Possible Policy Modeling Results

- Policies that allow benefits to be *tapered* as earned income increases will lessen the cliff effect, resulting in *increased job retention and self-sufficiency achievement rate*
- *Modifying income disregard levels* to optimize positive effects on job retention will lead to increased self-sufficiency
- *Staggering upper limits of income eligibility* for various work supports will prevent cumulative cliff effect resulting in increased job retention and self-sufficiency
- *Reducing the recertification frequency requirements* will result in increased job retention rates, decreasing recidivism and increase self-sufficiency
Possible Modeling Results

Prototypical employment outcomes

1. Quick reemployment
2. Sustained unemployment
3. Education and employment
4. Problem Case


Employment

Graphs by Case
PHASE 4

Completion of policy brief with research results and recommendations
Questions?

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