LEGISLATIVE BUDGET AND FINANCE COMMITTEE

Report Highlights
Study of Family Work Support Programs

Senate Resolution 2013-62 directs the LB&FC to consider the effect of major federal and state programs in assisting low income families to achieve self-sufficient and, in particular, determine if and how such programs mitigate the "cliff effect." "Cliff effects" occur when increased earnings are not sufficient to cover the cost of the lost benefit. Our study focused on programs available to all that meet eligibility requirements (i.e., TANF [Temporary Assistance to Needy Families], SNAP/Food Stamps [Supplemental Nutritional Assistance Program], EITC [Earned Income Tax Credit], ACTC [Additional Child Tax Credit], and PA's Special Tax Forgiveness Program). Our one exception, the Child Care and Development Fund (CCDF), offers child care subsidies but the number served is limited by available funding.

We found:

- **PA's TANF and SNAP programs provide incentives and support for work.** These include training and employment services; allowances for transportation, tools, and equipment; and a 50% earned income disregard when determining TANF continuing eligibility. PA also extends SNAP benefits to families with gross income up to 160% (rather than 130%) of the federal poverty level (FPL), and 200% for households with an elderly/disabled member. It is one of only 16 states that guarantee child care for former TANF recipients who work.
- **Refundable federal EITC and ACTC tax credit programs help mitigate lost TANF and SNAP benefits for those who work.** In PA, the maximum TANF benefit for a non-working single parent family with two children is equivalent to about 25% of FPL and about 55% when combined with the SNAP benefit. Working full-time at the minimum wage, the family no longer qualifies for TANF cash assistance but can still qualify for SNAP and the EITC and ACTC credits (and PA Tax Forgiveness), bringing the household's income with earning up to over 125% of the FPL.
- **PA expends over $600 million annually to provide child care subsidies to families with income up to 235% of FPL (i.e., $45,896 for a three-person household in 2013).** In FFY 2014, PA's Child Care Works Program served over 155,000 children (about 22% of PA children under age 12 living below 200% of FPL) and had a waiting list of about 6,700 children. About 25% receiving child care subsidies are former TANF families, and about 20% are families currently receiving TANF or SNAP.
- **PA's child care subsidy program includes several features that help ease low income families' transition to self-sufficiency.** These include different eligibility thresholds for initial and continuing eligibility, a relatively high maximum income continuing eligibility threshold, and a family-level fixed dollar co-pay amount based on family size and income, with family copays comparable to the average national family's costs relative to income.
- **PA families can experience the "cliff effect" when child care benefits are lost (i.e., at 235% of FPL).** In 2013, a three-person family with earned income at 235% of FPL ($45,896) could receive child care benefits worth $17,111 annually. This falls to $0 after the family exceeds the 235% threshold. To eliminate this "cliff," PA would need to substantially reduce its initial and continuing eligibility thresholds, base family copays on the total cost of a family's child care, and/or substantially increase copayment amounts.
- **Recommendations for Additional Work Incentives**
  - Change the TANF asset test to promote savings for unexpected expenses. Over 40 states have no or higher allowed asset limits than PA.
  - Increase the TANF earned income disregard from 50% to 75% to further smooth the transition to self-sufficiency.
  - Continue the child care subsidy for SNAP only households, in particular those enrolled in community college priority job programs, through allowable SNAP retention activities.
  - Continue to reduce the child care subsidy waiting list.

For a full copy of the report, please call 717-783-1600 or e-mail us at lbfcinfo@palbfc.us or download at http://lbfc.legis.state.pa.us.
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