



www.thebell.org

# Blueprint for Opportunity

No. 12

## Implementation Memo

---

TO: Governor-elect Ritter  
Members of the 66th Colorado General Assembly

FROM: The Bell Policy Center – Robin Baker, Senior Policy Analyst

DATE: January 2, 2007

**RE: Implementing Bell's Blueprint recommendation No. 12  
to eliminate the cliff-effect from means-tested public benefit and work support programs**

---

In the 2006 Blueprint for Opportunity, the Bell Policy Center recommends:

**Eliminate the “cliff effect” of policies that inadvertently punish families for increasing their earnings.**

The next governor and legislature should commit to eliminating the cliff effect from all state programs. They should review all the programs and laws involved and the interactions among them, and implement a comprehensive solution as soon as possible.

A key component should be a sliding eligibility scale that gradually phases out benefits so that a family never loses more than it gains when its income increases. (*See Blueprint page 19*)

This memorandum briefly discusses the issues surrounding this proposal, describes steps for implementing it, outlines some of the factors to consider and lists sources for additional information and resources.

If you are interested in pursuing this issue further, we are prepared to work with you. Please contact the author of this memo directly at (303) 297-0456 or [baker@thebell.org](mailto:baker@thebell.org), or Rich Jones, director of policy and research, at (303) 297-0456 or [jones@thebell.org](mailto:jones@thebell.org).

---

### Overview of the issue

Federal, state and local governments provide public benefits and work supports to help low-income working families move toward self-sufficiency. Benefit and support programs, however, are plagued by changing and differing federal, state and local rules, income eligibility levels and benefit cut-off points.

Programs such as food stamps, Medicaid, Child Health Plan Plus, Low Energy Assistance Program, Head Start, Child Care Assistance and Colorado Works are vital to low-income working families. But there is little understanding of how

means-tested public benefits and work support benefits can facilitate or obstruct a family's progress toward self-sufficiency.

One example of this problem is known as the cliff effect. The cliff effect is defined as the abrupt and disproportionate loss of means-tested work support benefits, which are intended to help low-income families remain employed in the paid labor force. An increase in wages or a decrease in income eligibility thresholds can result in the loss of benefits. This penalizes working families and leaves them worse off financially than before the breadwinner took a job or got a promotion or raise.



While the cliff effect exists across the country, it is a particular problem in Colorado because the state's social service delivery system is so decentralized. Counties deliver most social services, including welfare benefits, employment and training, child care, child welfare and general cash assistance.<sup>1</sup>

Limited research on this subject indicates that the sudden loss of work support benefits is partly due to inconsistent income eligibility thresholds across programs and counties.<sup>2</sup> Research also suggests that policies aimed at smoothing out the cliff effect will keep more families on the path toward self-sufficiency.

Colorado has the flexibility to determine policy options for smoothing out the cliff effect. Under federal law, states are required to disregard certain kinds and amounts of income and resources when calculating a family's income and resources to determine eligibility. The law also gives states the option to set their own income and resource "disregards" higher than the federal minimum standards.

If Colorado allowed working families to earn more money without counting it against them, this could help smooth out the cliff-effect. Other options include establishing work incentives and extending the time for receiving certain work supports.

Before the state can address the complexities of benefit and work support programs, it must first examine and understand the varying interactions among federal, state and local eligibility rules and requirements, as well as how overlapping supports and financial cliffs occur.

## Implementation steps

State government should take three steps to address the cliff effect problem. First, it should conduct research so that legislators, providers and advocates understand how the interactions among public benefit and work support programs affect families trying to reach self-sufficiency. Second, it should establish a committee to evaluate, conduct and oversee existing and new research on the cliff effect. Third, it should amend key legislation to smooth out the cliff effect in means-tested programs.

- **Conduct scientifically valid research on how the complex interactions among public benefit and work support programs affect families.** Research regarding the cliff effect is limited and little is known about multi-level (i.e. federal, state, county and local) interactions of means-tested benefit and work support programs. While the state could undertake its own research, private entities are currently examining this phenomenon. Of particular importance and interest is that researchers identify, explain and make recommendations based, in part, upon the actual experiences of recipients. Whether performed by a state agency or contracted out to the public sector, we estimate it would cost up to \$500,000 for the quality of research needed to better define the problem and identify the right solution. This research is the essential first step toward establishing meaningful, efficient and effective policies that better use public dollars.
- **Establish a committee to evaluate, conduct and oversee existing and new comprehensive research, and implementation of the researchers' recommendations.** Legislation that created the Welfare Oversight Committee could be used as a prototype for a new 2007 – 2010 Public Benefits and Work Supports Oversight Committee. We recommend legislation based on CRS 26-2-722, which created the Welfare Oversight Committee. The legislation oversight committee should include members of the House and Senate committees on health, environment and welfare.

The new committee should have statutory responsibility to identify public benefit and work support policy problems, oversee research, make recommendations and watch over implementation of rules and regulations by counties. The first area of research should identify and describe the basis of the cliff effect. The committee should also be responsible for making legislative recommendations and overseeing the implementation of passed legislation addressing the cliff effect.

- **Based on the results of the research and hearings held by the oversight committee, legislation to address the problems surrounding the cliff effect should be drafted and introduced in the 2008 legislative session.**

The oversight committee should prepare a report for the General Assembly concerning research findings and recommendations. The report should be submitted to the General Assembly to recommend legislative changes and recommendations concerning state guidelines for successful programs as appropriate.

## Information and resources

Bell Policy Center (2006). Blueprint Brief No. 7, The cliff effect: A barrier to economic well-being and opportunity.

🔗 [www.thebell.org/Blueprint2006/Brf7-CliffEffect.pdf](http://www.thebell.org/Blueprint2006/Brf7-CliffEffect.pdf)

Colorado Fiscal Policy Institute (2004). “The self-sufficiency standard for Colorado 2004: A family needs budget.”

🔗 [www.cclponline.org/pubs/sssfullreport5-04.pdf](http://www.cclponline.org/pubs/sssfullreport5-04.pdf)

Colorado Fiscal Policy Institute (2005). Tax credits for working families fact sheet.

🔗 [www.cclponline.org/pubs/txcredits4-04-05.pdf](http://www.cclponline.org/pubs/txcredits4-04-05.pdf)

Colorado Fiscal Policy Institute (2006). Federal poverty thresholds 2006 fact sheet.

🔗 [www.cclponline.org/pubs/2006-2-6FPL.pdf](http://www.cclponline.org/pubs/2006-2-6FPL.pdf)

N.K. Cauthen (2006). “When work doesn’t pay: What every policymaker should know.” National Center for Children in Poverty, Columbia University School of Public Health.

🔗 [www.nccp.org/pub\\_wdp06.html](http://www.nccp.org/pub_wdp06.html)

9 to 5 National Association of Working Women and All Families Deserve a Chance (AFDC) Coalition,

📞 Linda Meric, (303) 628-0925.

Colorado Fiscal Policy Institute

📞 Suzette Tucker-Welch, senior fiscal policy analyst (303) 573-5669 ext.306

Denver Women’s Commission

📞 Chaer Robert, director of Human Rights & Community Relations, (720) 913-8465

Colorado Women’s Foundation

📞 Jody Camp, Director of Programs (303) 285-2960

## End notes

<sup>1</sup> N.K. Cauthen (2006). [When work doesn’t pay: What every policymaker should know](http://www.nccp.org/pub_wdp06.html). National Center for Children in Poverty, Columbia University School of Public Health.

<sup>2</sup> Colorado Center on Law and Policy (2003). “The Devolution Experience: A Look at Welfare Reform in Colorado.” [www.cclponline.org/whatsnew/devolution.pdf](http://www.cclponline.org/whatsnew/devolution.pdf)