

OVERVIEW

Benefits cliffs have negative repercussions for public assistance recipients, employers, taxpayers, and the government. For public assistance recipients, benefits cliffs can prevent self-sufficiency and threaten long-term stability. Assistance recipients are confronted with worse short- and medium-term outcomes when faced with a benefits cliff (e.g., a decline in net resources), which may be a disincentive to seeking out higher-paying work opportunities. The disincentives created by benefits cliffs mean that employers also struggle to recruit and retain employees, and that taxpayers and the government must spend more money to fund a higher number of assistance program participants.

Interviewed assistance recipients said that they always think about how a job will impact their benefits and ability to afford necessities. Assistance recipients reported that they attempt to assess the extent of the negative impact of the benefits cliff when deciding whether to take a new employment opportunity. However, the 13 interviews with Office of Public Assistance (OPA) staff, Human Resource Development Council (HRDC) staff, and public assistance recipients revealed that it is difficult or nearly impossible for assistance recipients to anticipate when they might face an income-induced benefits cliff and how it will impact their net income, because there are too many factors involved in calculating benefits levels.

Most proposed solutions to benefits cliffs involve making changes to public assistance program design to soften the impacts of benefit cliffs. Other benefits cliffs policy solutions focus on offering improved or increased resources to public assistance recipients.

TARGETING RECOMMENDATIONS

- 1) DPHHS may choose to pilot benefits cliffs policy solutions for specific programs in select counties, due to limited resources and/or to test policy feasibility and efficacy.
- 2) Cliff-mitigating policies for SNAP would likely be high-impact because SNAP is one of DPHHS' most highly enrolled programs. Additionally, during interviews with assistance recipients, several noted SNAP as one of the assistance programs most critical to their wellbeing.
- 3) DPHHS should also consider piloting cliff-mitigating programs in counties with higher poverty rates and/or assistance program participation rates than the state average. Cliff-mitigation in these counties would likely be high impact simply because it would benefit many of these counties' residents.

PROGRAM DESIGN-BASED RECOMMENDATIONS

- 1) Address churn-induced benefits cliffs by providing a 30-day re-certification grace period.
- 2) If allowable by the USDA and not cost-prohibitive, gradually phase out SNAP benefits over a period of six months for working participants when they lose income-eligibility.
- 3) Use some of Montana's \$1.6 million American Rescue Plan Act funds allocated to expanding SNAP Employment and Training opportunities to serve working parents in counties with high rates of SNAP participation.*

RESOURCE-BASED RECOMMENDATIONS

- 1) Develop a budgeting template and Montana-specific benefits cliffs calculator that caseworkers can use to help clients predict, understand, and navigate benefits cliffs.
 - The State of Montana could consider partnering with the Atlanta Federal Reserve, which has developed several tools designed to provide information about how benefits change with income gains. These tools are known as the Career Ladder Identifier and Financial Forecaster (CLIFF).
- 2) Take a "two-generation" approach to public assistance by continuing to invest in workforce training programs that emphasize a "career ladder" over a "work first" stance.*
- 3) Continue to prioritize filling vacant OPA caseworker positions.*

**These recommendations were already being implemented by DPHHS before this report was published.*