

An Act concerning public assistance for working families and the creation of a pilot program to address the impacts of the cliff effect. SD.1025/HD.1701

Filed by Senator Eric Lesser and Representatives Patricia Duffy and Carlos Gonzalez



What is the cliff effect?

The Cliff Effect occurs when a person or family becomes ineligible for public assistance programs once their income surpasses the threshold set by the Federal Poverty Guidelines, leaving them financially worse off than they were before the income bump. It causes people to turn down raises and promotions and is a major factor in perpetuating multi-generational poverty.

What does this legislation do?

The bill creates a three-year pilot program for 100 low-income working families or individuals who are receiving any form of public

assistance and creates a savings account up to \$10,000 by leveraging the Commonwealth's Earned Income Tax Credit. The pilot will test whether the MA EITC is an effective tool for the Commonwealth to close the cliff gap, thus ensuring that workers are not worse off financially as they move up the income scale.

The pilot will be administered by the Economic Development Council of Western Mass / Working Cities Challenge Group in collaboration with the Department of Transitional Assistance.

What will it cost?

The Commonwealth will save 34% of resources per family.* The Commonwealth will experience an immediate revenue surplus when a non-working participant on full benefits enters the workforce.

*Actual savings will vary based on family size and benefits received.



Why pass this bill?

- It's good for economic development – businesses need workers
- Decreases generational poverty
- Rewards work
- Helps people who are trying to advance in their careers
- Is a hand up, not a handout
- Massachusetts is a leader on this issue – we'd be the first state to leverage the EITC to close the cliff gap
- Is key to our economic recovery in the COVID era – we want everyone who can participate in the workforce to participate
- Creates a savings account up to \$10,000 per participant if they complete three-year program
- Model can be replicated throughout the Commonwealth
- Participants achieve economic stability between \$25—\$31 per hour; research shows higher income increases health and education outcomes



Example:

Head of Household with two children under the age of eight, earns \$13/hour = \$27,040. Additional housing, childcare, and food assistance benefits worth \$25,960, brings her net resources to \$53,000.

If she takes a new job at \$18/hour her salary is \$37,440, but she loses \$8000 in benefits, making her net resources now \$45,000.

Cliff Effect bill gives her \$8000 in EITC to make up the difference. She can take the job and advance in her career.

For more information:

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