Climbing the Cliff
How Montana DPHHS Can Help Clients Understand and Navigate Benefits Cliffs

Prepared for the Montana Department of Public Health and Human Services

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Executive Summary: How Montana DPHHS Can Help Clients Climb Benefits Cliffs

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, 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.

One of the Montana Department of Public Health and Human Services’ (DPHHS) goals is “for all Montanans [to] have the tools and support to be as self-sufficient as possible,” but benefits cliffs prevent the full realization of that goal. Therefore, DPHHS has a responsibility to investigate how it can help public assistance recipients understand and navigate benefits cliffs.

This report begins with background on benefits cliffs, followed by findings from interviews with five Montana Office of Public Assistance (OPA) staff, three Human Resources Development Council (HRDC) staff, and five Montana public assistance recipients; and findings from a literature review of benefits cliff-mitigating policies. The report ends by proposing recommendations for DPHHS to help its clients understand and navigate benefits cliffs, based on the interview and literature review findings.

The 13 interviews with OPA staff, 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. Further, when assistance recipients experience a benefits cliff due to increased income, they tend to seek out non-OPA resources for support.

Even if they are not seeking benefits cliffs-related support from OPA staff, all 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 assess the extent of the negative impact of the benefits cliff when deciding whether to take a new employment opportunity.

Most proposed solutions to benefits cliffs involve making changes to public assistance program design. These program-design based solutions include increasing flexibility in reporting to reduce churn, gradually phasing out assistance program benefits to prevent or soften a steep benefits cliff, taking a “two-generation” or “whole-family” approach to work-support programs,
eliminating program guidelines that discourage asset development, and making work pay by providing monetary incentives for employment.

Other benefits cliffs policy solutions focus on offering improved or increased resources to public assistance recipients. These resource-based solutions include funding “Benefits Transition Navigators” to support people who are transitioning off benefits; using calculator tools to map benefits cliffs; and offering financial literacy, financial planning, and/or budgeting classes to assistance recipients.

**Targeting Recommendations**

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. 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. 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.

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.*
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Background: The Benefits of Addressing Benefits Cliffs

During its 2021 legislative session, the Montana Legislature passed House Joint Resolution No. 49, which mandated an “interim study of benefits cliffs in public assistance programs and impacts on individuals and businesses.” From this bill arose the key question for this report:

What policies and programs should the Montana Department of Public Health and Human Services (DPHHS) adopt to help public assistance recipients understand and navigate benefits cliffs?

HJ 49 defines benefits cliffs as follows: “when increases in [a public assistance recipient’s] earnings cause a decrease in public assistance benefits, resulting in a net loss of income or only small increases in overall income.” This report diverges slightly from HJ 49’s definition by acknowledging non-income induced benefits cliffs (e.g., losing benefits after failing to re-certify for an assistance program).

What Is the Impact of Benefits Cliffs?

Benefits cliffs have important repercussions, not only for public assistance recipients, but also for employers, taxpayers, and the government.

For public assistance recipients, benefits cliffs may represent a barrier to self-sufficiency and financial stability by preventing them from being able to effectively manage their future. Moreover, it is the most vulnerable households – those that receive more benefits and experience more changes in employment – that are most likely to face these cliffs.

When public assistance recipients are faced with a benefits cliff, they are confronted with the potential for worse outcomes in the short- and medium-term (e.g., a decline in net resources), in hopes of obtaining long-term financial gains. These worse short- and medium-term outcomes may be a disincentive for low-income individuals to accept work or earn credentials that would allow them to advance from entry-level to higher-pay positions. Rather than fall off the benefits cliff, recipients may choose to “park” at the cliff, deciding not to take higher-paying work to maintain their benefits. Assistance recipients who choose to work are therefore left with “choices that are arguably incongruent with goals of economic mobility.”

Benefits cliffs de-incentivize “low-income working families from increasing their labor force participation by cutting off critical public benefits right when families are on the cusp of attaining greater economic security.” Former assistance recipients may not earn enough to replace the value of their lost benefits until their income is two or three times the Federal Poverty Level.
One example of the detrimental impact of benefits cliffs on decisions to work can be seen with childcare. A lack of affordable childcare options can prevent parents who want to work from accepting employment opportunities in order to remain eligible for childcare assistance. In Colorado, a 2009 survey of 332 families participating in the Colorado Child Care Assistance Program (CCCAP) found that 33% of families “had ‘strategized’ to stay on CCCAP,” most commonly by choosing not to take a raise or extra hours at work.

The disincentives created by benefits cliffs mean that employers may also struggle to recruit and retain employees. Assistance recipients who want to work but cannot afford to represent an “untapped source of potential employees.” Further, when assistance recipients make the rational decision to forgo potential wage increases to avoid a decline in net income, they “lower their long-term earnings trajectory and economic mobility, which thereby also limits economic growth.” In other words, the cost of benefits cliffs is not only borne by assistance recipients but also by taxpayers and the government. For example, a Federal Reserve Bank of Atlanta report estimated that the federal and state tax savings from foregone assistance for a hypothetical single mother who progresses from an entry-level CNA position to an RN position would be between $283,000 and $409,000. Therefore, the cost of policy changes to address benefits cliffs “could be offset by a longer-term return on investment in the form of reduced public benefits and increased tax contributions by working families.”

What Do Benefits Cliffs Look Like in Montana?

One of DPHHS’ four goals is “for all Montanans [to] have the tools and support to be as self-sufficient as possible,” but benefits cliffs prevent the full realization of that goal.

A 2011 study of seven Montana cities, conducted by the National Center for Children in Poverty (NCCP), found that residents must earn at least twice the minimum wage to cover basic expenses. Housing and childcare are the largest expenses for families in the state, and childcare is the cause of the largest benefits cliffs. How well families can navigate those benefits cliffs varies across the state, due to regional cost-of-living differences. The rising cost of basic needs in Montana, including its “enormous housing shortage,” has only made it more difficult for public assistance recipients to successfully navigate benefits cliffs and ultimately survive without public assistance.

The "Deep Dive" on page 4 illustrates the benefits cliffs that a hypothetical Montana public assistance recipient might experience when taking a new and/or higher-paying job. Though the example below shows annual net resources (take-home pay and public assistance minus basic expenses) that are always greater than $0, some public assistance recipient and staff interviewees...
reported cliffs that led to negative net resources, which prevented households from being able to afford basic needs (see the “On the Ground” section of this report for more detail).

A comparison of Montana’s assistance program policies against benefits cliff-mitigating strategies in the literature shows that DPHHS has already implemented several policies with cliff-mitigating effects, such as the TANF Post-Employment Program and graduated eligibility for Best Beginnings participants. (See the “In the Research” section of this report for more detail. The Montana examples in this section may not be comprehensive, as there could be other elements of Montana’s assistance programs which have cliff-mitigating benefits that were missed by this research). This report offers additional benefits cliff-mitigation recommendations for DPHHS, informed by interviews with Montanans and a literature review.

The next two sections of this report provide key insights from interviews conducted about benefits cliffs with Montana public assistance staff and recipients, and a summary of benefits cliff-mitigating policy solutions from a review of existing literature. The report concludes with recommendations for DPHHS to help its clients understand and navigate benefits cliffs.
Deep Dive: Thomas from Yellowstone County

Thomas is a married dad of two children, ages one and three. He and his family reside in Yellowstone County. His spouse works a minimum wage job. Thomas and his family participate in several assistance programs, including SNAP, Medicaid, Healthy Montana Kids, TANF, and Section 8 Housing. They also receive several tax credits.

Below is a model of what would happen to Thomas’ family’s annual net resources if he were to decide to pursue a career as a phlebotomist, rather than working a near-minimum wage job, starting in 2022.

As Figure 1 displays, the family’s annual net financial resources fluctuate for the first 18 years after Thomas begins this new career, and they face several benefits cliffs during this time. These benefits cliffs may disincentivize Thomas from pursuing this higher-paying career, even though the family’s long-term outcomes would likely be better than their outcomes if Thomas were to continue working a near-minimum wage job.

Figure 2. Thomas’ family faces several benefits cliffs in the first 18 years of his career
Graph Shows Thomas’ Annual Net Resources over Time

Source: Data taken from the Federal Reserve Bank of Atlanta’s CLIFF Dashboard.

- 2022: The family’s annual net resources will decline by $3,910, driven by a decline in Section 8 Housing benefits and the loss of SNAP and Medicaid.
- 2025: The family’s annual net resources will decline by $2,850 over the next two years, driven by a loss of CCDF and WIC benefits.
- 2035: The family’s annual net resources will decline by $5,324 over the next three years, driven by the loss of the Child Tax Credit and school meal benefits.
On the Ground: What Montanans Say about Benefits Cliffs

In January and February of 2022, interviews were conducted with five Office of Public Assistance case management staff, three Human Resource Development Council case management staff, and five current or former public assistance recipients, to understand Montanans’ experiences with benefits cliffs. These interviews were semi-structured, which allowed for the interviewee to guide the conversation while answering a few key questions about benefits cliffs (see Appendices B-E for more information on interview methodology and questions). While 13 interviews is not a large sample or necessarily representative of Montana’s population, these interviews did provide useful insight into some Montanans’ perspectives on benefits and benefits cliffs. Key insights from these interviews are included here, with additional findings from each group of interviewees in the following subsections.

Interviews revealed a potential discrepancy between OPA-provided eligibility information and client understanding of program eligibility. OPA staff stated that clients receive information about eligibility guidelines and what might cause them to lose some or all of their benefits during program intake; however, both OPA and HRDC staff reported that clients who lost benefits, particularly due to an increase in income, were confused about why their benefits level changed. This discrepancy could be due to confusing materials provided about assistance programs. One caseworker suggested that written information from the OPA is too confusing and lengthy for clients to easily understand. This was reiterated by one public assistance interviewee, who said that some of the questions on assistance application materials were very confusing.

Only one interviewed public assistance recipient experienced a benefits cliff for administrative reasons (being unable to re-certify for SNAP in time and subsequently losing benefits for a month), but this churn accounts for most of the benefits cliffs that interviewed OPA staff encounter. All interviewed OPA staff said that failing to re-certify is the most common reason they encounter people who lose benefits – even if those people shortly re-apply to the assistance program(s).

Both OPA and HRDC interviewees agreed that it is difficult or nearly impossible to help clients 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 these calculations. The interviewed caseworkers who discussed their experiences helping clients with these calculations described an involved process, in which caseworkers worked with clients to review their new budget in detail, looking at all household expenses and new benefits levels for all programs based on the client’s anticipated income. The fact that most clients receive assistance from multiple programs adds another layer of complexity to these calculations, because increases in income may impact benefits
levels for each program differently. One OPA caseworker also mentioned that they try to be careful with the information they relay to clients about future benefits levels, because clients can file complaints if caseworkers tell them something that turns out to be untrue.

Benefits cliffs were a salient issue for all interviewed assistance recipients. Interviewees discussed how losing some or all their benefits could threaten (or had already threatened) their ability to afford their basic expenses. Three of the five interviewees reported major, negative lifestyle changes after an increase in income caused them to lose their benefits.

Additionally, all interviewed assistance recipients said that they always think about how a job would affect their benefits and their ability to afford necessities. Assistance recipients reported that they assess the extent of the negative impact of the benefits cliff when deciding whether to take a new employment opportunity. This means that even if a new job would cause an assistance recipient to lose some or all of their benefits, they may take that job if they feel they would still be able to afford basic necessities and/or if that job would contribute to their long-term goals.

Though benefits cliffs were a salient issue to interviewed assistance recipients, none of the interviewed recipients sought support from OPA caseworkers when experiencing a benefits cliff due to increased income. The interviewed OPA staff reported encountering clients who had lost some or all of their benefits due to increased income very infrequently, if at all. One OPA interviewee suggested that if clients know they are no longer income-eligible for assistance, they will not discuss the issue further with OPA caseworkers. HRDC staff, however, said they frequently encounter clients who have faced benefits cliffs because of increased income, suggesting that Montanans might seek out non-OPA resources when faced with an income-induced cliff.

Similarly, none of the interviewed recipients had talked to OPA staff about how a job or raise might impact their benefits. None of the interviewed OPA staff had directly encountered clients who decided not to take a job or raise to maintain their benefits, but HRDC staff said that they encounter this frequently. HRDC interviewees reported that most of their clients would not be able to afford their necessities without assistance.

Some interviewed assistance recipients and HRDC staff indicated that staffing issues may have prevented in-depth discussions of benefits cliffs between caseworkers and clients and limited OPA and HRDC caseworkers’ ability to provide additional resources to clients experiencing a benefits cliff. This could be one reason why interviewed assistance recipients sought out non-OPA resources when faced with benefits cliffs; however, OPA staff vacancies reached a peak while these interviews were conducted, so this issue may be less significant now.
Across all interviewees, the solution that was most suggested to help clients navigate benefits cliffs was to **gradually phase-out benefits when clients reach a program’s income eligibility limit**. A few OPA staff specifically suggested implementing this phase-out for SNAP benefits, which several interviewed assistance recipients reported as being critical to their ability to afford necessities.

Other recommendations from HRDC staff and public assistance recipients included workforce training for in-demand careers and financial training, including budgeting classes. Two interviewees also encouraged hiring current or recent public assistance recipients to work at the OPA as eligibility workers or service navigators.
Insights from Office of Public Assistance Staff

Interviewed OPA staff most frequently work on SNAP, TANF, and Medicaid, although one interviewee reported that the ongoing Public Health Emergency has reduced their Medicaid workload. This interviewee also shared that, in their experience, caseworkers tend to have more questions about TANF applications because they encounter those applications less frequently than SNAP or Medicaid.

All caseworkers reported that the most difficult part of their job – at the time that interviews were conducted – was that OPA offices across the state were understaffed. One interviewee added that they felt like monitoring the PAHL added additional workload to the already busy OPA staff.

When asked whether clients are told what might cause them to lose their benefits, all interviewees reported that this information was provided during program intake. But one interviewee added that it can be hard to know whether clients understand what caseworkers are saying, especially when intake is completed over the phone.

All interviewees said that they frequently encounter program churn, and that the most common reason that an assistance recipient might lose benefits and face a benefits cliff is because they failed to re-certify correctly – or at all. Interviewed OPA staff felt that it was unlikely that the current level of churn could be improved, because there will always be issues when receiving mail (where clients receive re-certification reminders).

All interviewees also shared that they very rarely encounter clients who face benefits cliffs due to an increase in income. One interviewee suggested that this is because assistance recipients might simply choose not to contact their OPA office to re-certify once they know they will lose program eligibility. Another caseworker reported that, in their experience, the clients who are most likely to face a benefits cliff due to increased income are those on fixed income (e.g., social security).

Interviewees reported that it was nearly impossible to predict whether a potential income increase would be enough to offset a decrease in benefits, because there are many factors involved in correctly calculating a revised benefit amount before an income change occurs. The process for these calculations is complicated by the fact that many clients receive assistance from multiple programs, and increases in income may impact benefits levels for each program differently. One interviewee added that they did not want to tell the client information that was not certain, because clients can file a complaint if caseworkers provide incorrect information.
When clients speak with caseworkers about losing benefits due to increased income, interviewees reported that their clients have usually been surprised and confused – and even angry or upset. Clients are given ten days’ notice before they lose their benefits, but one interviewee mentioned that these notices, like re-certification reminders, can often be lost in the mail. This can lead to a situation in which clients only learn that they have lost benefits when they receive a reduced – or non-existent – benefit payment.

Though interviewees reported that their clients generally fear losing their benefits, there are clients who are prepared for a benefits decline when they take a new job. Two interviewees felt that clients who have been on assistance for many years are more likely to be fearful of losing their benefits – or even think they are doing something wrong if they lose their benefits.

If assistance recipients speak with OPA staff after experiencing a decline in their benefits, all OPA staff reported providing clients with resource guides for sources of other support. Two interviewees said they would also offer to help a client work through their new budget, which would allow caseworkers to determine whether a client’s increased income offsets their decreased benefits, but one of these interviewees added that some people might be too frustrated to stay and review their finances. When clients do participate in a budget review, interviewees reported that the process is involved, as caseworkers must assess the client’s household expenses against their new benefits levels to understand the impact on the client’s net income. Notably, a budget review would still be insufficient in helping clients navigate a benefits cliff if their new net income did not allow them to make ends meet.

None of the interviewees had directly interacted with a client who said they would quit their job or reduce their work hours to remain on benefits. One interviewee said that if caseworkers were to encounter a client who said this, they would try to explain to the client why it would be better to work rather than receive benefits – though the interviewee did reiterate that it would be difficult to tell whether a client’s new income would actually offset their lost benefits.

When asked about ways to help assistance recipients navigate benefits cliffs due to increased income, all interviewees who were asked proposed the same solution: phase out benefits gradually when clients reach a program’s income-eligibility limit. Interviewees suggested targeting SNAP specifically, and implementing a program similar to the TANF Post-Employment Program. Two specifically brought up the importance of doing this for clients on a fixed income, because their fixed-income clients have lost SNAP benefits when cost of living rose (because the clients’ Social Security benefits increased).
Insights from Human Resources Development Council Staff

All interviewed HRDC staff reported that caseloads had increased significantly during the pandemic and felt that agencies were not sufficiently staffed to manage the caseload. Two interviewees specifically suggested the state’s housing crisis as an impetus for the increased caseload.

Two HRDC staff reported that some of their clients have felt that OPA services are difficult to access, particularly if using the PAHL. One interviewee added that if clients have a prepaid phone, it is unaffordable for them to wait on hold. The interviewee also said that navigating the helpline can be especially difficult for clients with disabilities, such as impairments to hearing or dexterity.

Though HRDCs can try to support clients who are attempting to navigate OPA benefits, HRDCs do not offer the same, long-term assistance programs as the OPA. HRDC staff said their programs tend to serve people in crisis situations and/or people who would not qualify for OPA programs.

Interviewed HRDC staff do encounter clients who have faced benefits cliffs through OPA programs, and reported that many of those clients do not understand why their benefits decreased. One interviewee cited the unclear language in OPA letters as a source of confusion. Another interviewee had personally experienced a benefits cliff earlier in life, and expressed feeling the same confusion that her current clients also feel.

All three interviewees reported encountering clients who chose to turn down work opportunities in order to remain on benefits because they could not afford necessities without that assistance, even with employment income. One interviewee noted that even if the increased income offsets the lost benefits, it can still feel like a net loss to clients.

HRDC staff offered several recommendations for benefits cliff-mitigating policies. Two interviewees mentioned gradually phasing out benefits to allow households time to transition off assistance. These interviewees also suggested better education about benefits cliffs and financial planning, provided through OPA caseworkers or workforce training programs or seminars.

“Being a single mother with 4 children – I had just qualified to buy my home and they kicked me off [all assistance]... which I didn’t understand – I [had] more bills.”

“Somebody makes the choice to better themselves, and then the bottom falls out, and... they have to go back... because the assistance is so necessary.”

“It seems like the missing piece is extending [benefits] and the education that goes along with that [e.g., how to adjust budgeting].”
Insights from Current and Former Public Assistance Recipients

All five Montanans who participated in these interviews had experienced benefits cliffs. All of them also had work experience: three were currently working, while one was on maternity leave and in business school, and one was actively searching for a job.

Interviewee Profiles

| #1 | Single Mom of 2 Helena, MT |
| #2 | Dad of 2 Missoula, MT |
| #3 | Married Mom of 2 Billings, MT |
| #4 | Single Mom of 2 Missoula, MT |
| #5 | Married Mom of 4 Rocky Boy, MT |

While interviewees generally felt grateful for the assistance they had received, they also expressed the desire to be self-sufficient and live without needing these programs. Programs that helped with childcare costs, like free and reduced-price lunch and Head Start, received particular praise.

On Feelings about Benefits...

"Not everyone is living on assistance because they want to... There is no one that I have ever met choosing to live in poverty."

"Being on public assistance, that was always something I've been embarrassed of. Because who wants to share 'I don't make enough to feed my family?'"

“Oh my God, I needed [the benefits]. I appreciated them. I fed my kids with them.”

Interviewees faced cliffs for different reasons, though the most common reason, experienced by three interviewees, was increased income from work. One of the other interviewees experienced an administrative barrier-related cliff because they were unable to submit their SNAP re-certification in time. The fifth interviewee experienced a cliff due to universal SNAP benefit decreases (this occurred pre-pandemic, but the interviewee did not state exactly when). While two interviewees reported that they were able to manage financially after experiencing a benefits cliff, the other three interviewees reported major lifestyle changes, which have caused them ongoing anxiety.
When making decisions about working, all interviewees said they consider how a job might affect their benefits. Interviewees were intensely aware of the fact that, though some jobs might allow them financial stability and personal fulfillment in the long-term, taking that job might cause them to lose benefits and be financially worse off in the short-term. However, worse short-term outcomes do not necessarily translate to choosing not to work. One interviewee said that they took their job because they eventually wanted to achieve total self-sufficiency. Another interviewee said that they would have been unable to decrease their work hours to qualify for a higher benefits level, and the benefits decline from working was not enough to justify rejecting the work opportunity.

Some interviewees said that participating in Montana’s public assistance programs felt like being pushed through a “revolving door,” in which clients are driven in and out as fast as possible, and not given the resources they need to be on a successful path towards self-sufficiency. For example, one interviewee reported frustration after several encounters with TANF Employment & Training program staff whose only job suggestion was working in retail at Goodwill, though the interviewee had experience in marketing.

Interviewed assistance recipients also discussed how their experience with public assistance was complicated by barriers to accessibility. Most interviewees reported difficulties when trying to get in contact with someone at the OPA to ask questions or complete routine re-certification or
reporting tasks. When clients are able to speak with someone on the PAHL, there is a chance that the caseworker is not from the same region of the state; two interviewees reported that these phone calls have been less helpful because the caseworkers had little awareness of resources available in other parts of Montana. Interviewees reported that when they try to navigate program applications and forms alone, it is incredibly difficult, with one person specifically noting that the language on applications is hard to comprehend.

Two interviewees recommended that DPHHS hire current or recent public assistance recipients as OPA caseworkers. They felt that this would provide job opportunities for those who need it and effective assistance for clients, coming from people who have been through the same processes. These two interviewees believed that DPHHS does not hire current or former assistance recipients as caseworkers; however, DPHHS reported that this is not the case, and that the OPA currently has staff who have previously received public assistance.

The most common suggestion provided by assistance recipients to mitigate the negative effects of benefits cliffs was an “adjustment period” with a gradual benefits phase-out after reaching a program’s income-eligibility limit. Suggestions for the length of this adjustment period ranged from four to six months, to give families time to figure out if their new job was the right fit, receive their first paycheck, and understand how to manage their new budget.

On Recommendations...

“I think [working at the OPA as a current or former assistance recipient] would make you feel so proud because you were working at a place that you once needed... It would show people who are applying that the office is here to help you improve, and we have people working here who used to be on assistance... Your experiences are just going to help the new clients.”

“If everyone could understand we’re not just trying to be lazy... We need that adjustment period... Whenever someone gets a job, instead of losing their healthcare, instead of cutting off food supply, if there could be a six-month grace period, that would give us the opportunity to be independent and self-sufficient. That would stop that revolving door.”
In the Research: An Overview of Benefits Cliffs Policy Solutions

This section provides an overview of proposed benefits cliffs policy solutions, based on review of existing literature and publications. Many of these solutions may overlap (e.g., an agency may gradually "phase out" benefits by providing increased benefits through another assistance program).

Benefits Cliffs Policy Options: Program Design-Based Solutions

Most proposed solutions to benefits cliffs involve making changes to public assistance program design. Below is an overview of some of the most suggested program design-based solutions to benefits cliffs.

**Increase flexibility in reporting to reduce churn.** Churn refers to assistance program exit and re-entry, commonly for administrative reasons (e.g., failure to re-certify). Churn disrupts access to critical assistance services. It also comes with administrative costs – in Idaho, one estimate suggested that yearly administrative costs due to SNAP churn are roughly $100,000. By providing more flexibility in reporting (e.g., 30-day grace periods for re-certification deadlines, 12-month continuous eligibility), fewer assistance recipients will be kicked off a program and lose benefits for which they are still eligible.

**Phase out assistance programs benefits to prevent or soften a steep benefits cliff.** This recommendation was included in the 2011 NCCP Montana study. A report from the Atlanta Federal Reserve states that a benefits cliff "may not present an insurmountable barrier if it is phased out at a level commensurate with the amount needed to pay all expenses." This "phase-out" could be a gradual reduction of a household’s benefits amount to

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Which states have implemented these policies?*

*This list is not comprehensive.

States which have implemented flexibility in reporting:

- **MT** Offers 12-month continuous eligibility for Medicaid.
- **NY** Offers 12-month continuous eligibility for Medicaid, which increased coverage duration by 8.2%.
- **MA** Offers a 30-day grace period for participants to complete their SNAP reverification.

States which have implemented benefits phase-outs:

- **WA** Graduated eligibility criteria for childcare assistance.
- **OR** Graduated eligibility and 3-month gradual decline for childcare assistance.
give recipients time to reconfigure their budget after they reach a program’s income eligibility limit. Another option for a phase-out could be to create graduated eligibility criteria: one set of standards for initial qualification and another, expanded eligibility standard for re-certification.

**Expand access to benefits by raising eligibility limits.** This recommendation was also included in the 2011 NCCP Montana study. Increased eligibility limits would allow recipients who work to stay on assistance programs for longer, which would provide additional support as they transition to self-sufficiency. When state eligibility guidelines exceed federal program regulations, states could use their own revenue funds to cover the costs for benefits that go beyond what is federally allowable.

**Take a “two-generation” or “whole-family” approach to work-support programs.** A two-generation or whole-family approach recognizes that for parents to thrive in the workforce, they must have adequate assistance to provide for themselves and their families, which will reduce the frequency and/or severity of benefits cliffs. One example of this approach is the Whole Family Approach to Jobs initiative, a partnership between the National Conference of State Legislatures and several New England states. Participants in the initiative conducted research on benefits cliff mitigation policies, focusing on a two-generation approach, and many of the participating states are currently working on implementing the researched policies.

**Invest in long-term workforce development solutions.** Potential workforce development solutions include job-training programs, expanded educational funding, and working with employers to increase their investment in entry-level workers. These investments would give public assistance recipients a greater chance of long-term success after transitioning off benefits.

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**States which have implemented two-generation approaches:**
- Created a Two-Generation Advisory Board.
- Created a Whole Families Integration Team as part of its Benefits Cliff Working Group.
- Invested $2 million in their whole-family pilot programs.

**States which have invested in long-term workforce development:**
- Invested $6 million in rapid workforce training program through Accelerate Montana.

Offers 12 months of post-employment benefits to qualifying former TANF households and graduated eligibility for existing Best Beginnings participants.
Eliminate program guidelines that discourage asset development. When low-income families build assets, they are working towards long-term economic security by saving for the future. One way to encourage asset development is to eliminate asset tests for programs like SNAP and TANF. For example, the Department of Housing and Urban Development’s Family Self-Sufficiency Program allows families to put increased earnings in escrow rather than spend it on higher rent; the escrow fund can be used for homeownership or education.

Make work pay by providing monetary incentives for employment. This would help to counteract the negative effects of benefits cliffs by providing working public assistance recipients with support as they transition off benefits. These monetary incentives could be provided in the form of cash assistance, expense reimbursements, and/or increases to other forms of assistance, such as food assistance and Medicaid.

Increase earned income disregards. This allows public assistance recipients to retain more of their earned income while on benefits, which in turn incentivizes work and allows them to save for a time when they are no longer on benefits.

Benefits Cliffs Policy Options: Resource-Based Solutions

Some benefits cliffs policy solutions focus on offering improved or increased resources to public assistance recipients. These solutions are summarized below.

Train caseworkers to discuss benefits cliffs with assistance recipients. Caseworkers should invest time upfront to help assistance recipients fully understand benefit cliffs so that they can make proactive choices about their work. Recipients should understand when they might face benefits cliffs, which may not occur as soon as they experience an increase in earnings (e.g., if the re-certification window for the program occurs several months after the increase in income).
Fund “Benefits Transition Navigators” to support people who are transitioning off benefits. In addition to connecting assistance recipients with other community-based supports to help them during their transition, navigators can help recipients to understand their “options and consequences when balancing benefits, income, and community or social network supports.” These navigators may prove particularly useful if public assistance caseworkers are overwhelmed with their caseloads and/or if agencies are interested in providing resources that are specifically targeted at benefits cliffs.

Use calculator tools to map benefits cliffs. The first step to address benefits cliffs is to understand them, including when they might occur, and whether they would impact a household’s ability to meet self-sufficiency standards (the income needed for a household to meet its basic needs without assistance). Financial planning calculators can help assistance recipients understand how a job will affect their net resources, allowing them to evaluate long-term benefits against short-term outcomes, and potentially prepare for benefits cliffs. However, many existing calculators are not necessarily intuitive or comprehensive. For example, Minnesota has an economic stability calculator, but recommends training before using it. The Atlanta Federal Reserve’s CLIFF calculator “allows users to customize career paths and visualize their specific benefit cliffs, tax increases, income growth, and temporary drops in income due to training enrollment;” but, at this time, the tool provides information for a limited number of careers and is only intended for demonstrative purposes.

Offer financial literacy, financial planning, and/or budgeting classes to assistance recipients. These classes would allow recipients to better understand why they might face a benefits cliff, and plan for how to navigate that benefits cliff.
Childcare is consistently cited as one of the major causes of benefits cliffs because it represents a large share of a family's budget. This is exacerbated by a lack of affordable options; in Montana, 57% of families have difficulties finding affordable childcare. One Montana HRDC agency shared the following story about one of their family clients, who experienced a benefits cliff with childcare assistance:

“At the start of 2021, one of the parents became a self-employed contractor, and household income exceeded Head Start’s income eligibility. Yet the family cannot afford childcare. The parent’s new position has essentially eliminated their qualifications for any available resources as a family of four earning barely $42,000 a year before taxes. They are unable to purchase a home, yet continue to see their rent increase. They may not qualify for food stamps or WIC, and the kids may no longer qualify for [Healthy Montana Kids] once the hold ends. They have no emergency funds and one of the parents could only work evenings to help supplement the household income, which would only push the family further off the benefit cliff.”

So, what have states done to address this issue?

Ohio, New Jersey, and Florida have implemented gradual declines to phase out childcare benefits for clients who reach the income-eligibility limit. In Florida, this is a 2-county pilot program known as Families’ Ascent to Economic Security (FATES). After participating families reach the eligibility limit of 85% of State Median Income, they lose 50% of their benefits in the first year, 75% of their benefits in the second year, and 100% of their benefits in all subsequent years.

Nebraska offers sliding-scale childcare copayments for up to two years for families between 135% and 185% of the Federal Poverty Level. This increases low-income families’ access to higher-quality childcare.

Washington has implemented graduated eligibility for their childcare assistance program: to qualify for a childcare subsidy, a family must be at or below 200% of the Federal Poverty Level, but to re-certify, a family must be at or below 220% of the Federal Poverty Level.

Louisiana offered tax incentives for childcare providers to improve their quality standards, and reserved seats at participating centers for low-income families. This tripled the number of childcare centers that moved from a 2-star to 5-star quality rating over a three-year period.
Recommendations: What Should Montana DPHHS Do to Help Clients Understand and Navigate Benefits Cliffs?

The recommendations below were developed from the 13 interviews with Montana public assistance staff and recipients and the literature review of benefits cliff-mitigating policies that were conducted for this report. Since the interviews conducted for this research represent only a small share of Montana’s public assistance staff and recipients, these recommendations are primarily rooted in cliff-mitigating strategies identified through the literature review, and reinforced by supporting evidence from the interviews.

To help public assistance recipients understand benefits cliffs – and specifically why they might experience a decrease in net income when accepting a new job or receiving a raise – DPHHS should better equip caseworkers with the tools they need to explain cliffs to clients. Once clients understand why they might face a benefits cliff and how a new job or raise might impact them in the short-term and long-term, DPHHS can improve how they help clients navigate that benefits cliff by providing additional support while clients transition off benefits.

It is important to recognize that solutions implemented by DPHHS alone are unlikely to address benefits cliffs completely. This is because assistance recipients may also receive other, non-DPHHS benefits, like housing assistance and tax credits, which could cause or contribute to cliffs. As such, DPHHS must work in coordination with other state agencies to tackle benefits cliffs holistically.

Benefits cliffs can be caused by federal and/or state assistance program policies. When benefits cliffs are caused by federal policies, states can still implement their own policies and programs to try to mitigate those cliffs. If states implement cliff-mitigation policies that go beyond what is federally allowable (e.g., higher income cutoffs for program eligibility), as could be the case for some of the recommendations below, states may consider using their own funds, like state revenue funds or federal stimulus money, to cover the additional program costs.

Where to Target Benefits Cliffs Policy Solutions

DPHHS may choose to pilot benefits cliffs policy solutions on specific programs in select counties, due to limited resources and/or to test policy feasibility and efficacy. If this is the case, DPHHS should focus on programs and counties where cliff-mitigation would have the largest impact.

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.
permitting, DPHHS should also consider implementing cliff-mitigating policies for childcare assistance and Medicaid (when the Public Health Emergency ends), as data from both research and interviews showed that these programs are also highly impactful on a household’s net income.

DPHHS should 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 for all DPHHS-administered programs. Interviewed OPA staff frequently encountered churn-induced cliffs, and addressing churn is often mentioned as one way to address benefits cliffs in policy research. A month-long re-certification grace period in which a client can submit missing documentation without having their account closed and needing to re-apply for benefits would reduce the severity of the client’s benefits cliff and reduce OPA administrative workload.

2) Gradually phase out SNAP benefits over a period of six months for working participants when they lose income-eligibility. The six-month transition period aligns with the length of time between when clients must re-certify for SNAP. Interviewed caseworkers and assistance recipients expressed a strong desire for this transitional assistance. Benefits “phase-outs” like this one are one of the most commonly suggested policy solutions for mitigating the negative impacts of benefits cliffs; however, based on initial research, it does not appear that any state has implemented transitional benefits of this kind for SNAP. This recommendation will likely have two major barriers to implementation: whether it will be allowable by the USDA, and, if paid for by state revenue funds, whether it will be too costly to implement.

*3) Use some of Montana’s $1.6 million American Rescue Plan Act funds allocated to expanding the SNAP Employment & Training (E&T) program to provide E&T participation opportunities for working parents in counties with high rates of SNAP participation.52 Research suggests that investing in workforce development solutions is an effective way to address benefits cliffs, and all interviewed public assistance recipients were parents who might benefit from SNAP E&T participation. Currently, SNAP E&T is only available to able-bodied adults without dependents (ABAWDs) in three of Montana’s most populous counties: Yellowstone, Missoula, and Lewis and Clark; but DPHHS should also target counties which have higher rates of SNAP usage. Though there are benefits to targeting E&T services to ABAWDs, serving workers with children is an opportunity to give families the tools they need for long-term self-sufficiency.53
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. Interviewed assistance staff reported that it is difficult or nearly impossible to help clients 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 these calculations. Creating tools like a budgeting template and a benefits cliffs calculator could make these calculations easier. Other states, like Massachusetts, are developing their own benefits cliffs calculators for this purpose. DPHHS can consult with a third party, such as Single Stop, to help create this calculator. DPHHS could also continue to consult with the Federal Reserve Bank of Atlanta to add Montana-specific data to the CLIFF tool.

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. This might help to alleviate the “revolving door” perception of Montana’s public assistance programs held by some of the interviewed assistance recipients. A “career ladder” approach would shift focus from immediacy of job placement to identifying jobs that offer long-term career prospects. Implementing this recommendation may entail encouraging recipients of assistance programs with work requirements to apply to a smaller number of career-oriented jobs, rather than applying to any available job opening. These career-oriented jobs may be minimum wage at the entry level, but in the long-term, they would pay more and provide a pathway to career advancement and financial stability. Implementing this recommendation may also entail co-locating OPA and Workforce Training Program offices so that public assistance recipients can easily receive services from both groups in one place.

3) Continue to **prioritize filling vacant OPA caseworker positions**. When interviews were conducted for this research, OPA offices were at their lowest staffing levels in recent history, so OPA understaffing was frequently brought up by interviewees; however, DPHHS reported that it has already made filling these positions a hiring priority and achieved improvement in this area. Should Montana need to find more ways to help fill these vacancies, it may consider implementing a workforce development program that would create a pipeline to fill vacant OPA caseworker positions. The state may also consider offering higher pay or more benefits for caseworkers, so that it can more easily recruit and retain staff and ultimately better serve assistance recipients.

*These recommendations were already being implemented before this report was published; however, the recommendations are still included here because they were crafted through independent research. The fact that DPHHS had also identified and executed these recommendations is encouraging evidence that some of the department’s existing policies are already addressing benefits cliffs.*
Conclusion: Addressing Benefits Cliffs to Reach New Heights

Benefits cliffs have negative repercussions for public assistance recipients, employers, taxpayers, and the government. DPHHS can address these repercussions by helping its clients to understand and navigate benefits cliffs in the following ways:

- **Target cliff-mitigation policies** in high-impact areas (counties with high poverty rates and/or high assistance program participation rates) and on high-impact programs (SNAP).

- **Improve assistance program design** by providing a 30-day re-certification grace period; gradually phasing out SNAP benefits over a period of six months for working participants when they lose income-eligibility (if allowable by the USDA and not cost-prohibitive); and expanding SNAP E&T to serve working parents in counties with high rates of SNAP participation.

- **Improve resources available** to assistance recipients, including developing a budgeting template and Montana-specific benefits cliffs calculator, taking a “two-generation” approach to public assistance by continuing to invest in “career ladder”-oriented workforce training programs, and continuing to prioritize filling vacant OPA caseworker positions.

Many cliff-mitigation policies and programs are new, so there is limited data on their effectiveness. Once more data are available on the success of cliff-mitigation solutions in other states, DPHHS should use that information, in conjunction with any evaluations of the state’s own cliff-mitigation policies, to continuously improve its assistance programs.
Appendix A: The Stages of Experiencing a Benefits Cliff

In her research, Jennifer Romich identifies three stages that working benefits recipients experience when faced with a benefits cliff. First, there is the “trigger event”: a change in income that affects a household’s benefits level. The benefits cliff that a household might face is made more severe by the loss of benefits from multiple programs, in addition to “macro-economic factors like high health care costs.” The interactions of multiple programs make it difficult to calculate where someone might face a benefits cliff and how steep that cliff will be.

After the “trigger event” comes the “notification point” when a household becomes aware of the change to their benefits. This can happen in conversation with a caseworker but is more likely to occur when the recipient receives their benefit and realizes that it has reduced (known as “de facto notification”). Some studies have provided anecdotal evidence that assistance recipients are usually taken by surprise when they experience changes to their benefits. In cases when there is a conversation with a caseworker, these conversations are often brief and limited, so recipients do not leave the conversation with an understanding of how to predict future instances of benefits cliffs. One study found that assistance workers generally do not explain benefits cliffs to their clients.

The final stage is “response,” in which the household either chooses to accept their reduction in benefits or adapt, either by changing their employment to decrease their income or appealing their benefit reduction. There are several reasons why someone would choose to continue working, despite a decline in net income. One such reason is that some workers cannot make marginal changes to their hours (the ability to increase or decrease their workload by a few hours); they can only choose between working and not working.

It is important to understand the stages that workers experience when faced with a benefits cliff to recognize how cliff-mitigation policies might impact assistance recipients. If, for example, a policy solution aims to impact a person’s “response” to a benefits cliff by providing a monetary incentive to improve their short- and medium-term outcomes upon accepting increased employment, the availability of that incentive would likely need to be relayed to the person at or before the “notification point,” so that they can have complete information when deciding whether to accept or adapt to their declined benefits.
Appendix B: Interview Methodology

Interviews were scheduled via email and phone, and were conducted via 45 - 60 minute phone calls. Conversations with OPA staff, HRDC staff, and current and former public assistance recipients were semi-structured, which allowed for the interviewee to guide the conversation while answering a few key questions.

In November of 2021, Montana DPHHS identified five OPA staff for interviews. Two of these staff were eligibility workers and three were supervisors. Interviewed staff had been working in their positions for varying lengths of time: two interviewees had been in their positions for less than a year, while three had been in their positions for over three years. In January of 2022, DPHHS also identified three HRDC staff from various agencies for interviews. Selected OPA and HRDC interviewees were notified that they would be receiving an interview request in the coming weeks.

The Montana Primary Care Association worked with its community partners, Montana Women Vote and The Montana Partnership to End Childhood Hunger, to identify current or former public assistance recipients who had experience with benefits cliffs for interviews. These interviewees were identified in February of 2022 and were notified that they would be receiving an interview request in the coming days. Using a grant from Duke University’s Sanford School of Public Policy, public assistance recipients who participated in interviews were provided a $50 Amazon E-Gift Card to compensate them for their time.

Interviewees from all three groups were located across the state (see Figure 3); though most were concentrated in Western Montana.

Figure 3. HRDC, OPA, and Public Assistance interviewees were located across Montana
Appendix C: OPA Staff Interview Questions

1. How long have you lived in Montana?
2. How long have you worked on assistance programs?
   a. What assistance programs do you work on?
3. How did you get into this work?
4. What are your job responsibilities?
5. What’s your relationship like with your clients?
6. Based on your work experience, what is the most common reason that public assistance recipients lose their benefits?
   a. How often do you encounter recipients who lose some or all of their benefits because they experienced an increase in income?
7. Have you heard of the term “benefit cliff”?
   a. If so, what does it mean to you? What do you think it means to clients?
8. Are clients told what income/resources would cause them to lose eligibility for benefits?
9. If a client asks if their benefits will be impacted by an increase in income, what do you tell them?
   a. When a client reports an increase in income, do you know if the client will be better or worse off overall given how that increase in income impacts the client’s benefits?
10. Are you able to warn clients before they are about to lose benefits, particularly if they have gotten a new job or a raise?
    a. If so, what do you tell them? How do they react?
11. Have you known or heard of clients who have turned down a promotion or pay raise in order to keep their public assistance benefits, because the small increase in pay would not make up for the value of the lost benefits?
12. How do you support clients who are about to lose their benefits?
13. How do you support assistance recipients who have lost their benefits?
14. What changes would you make to the program(s) you work on to help avoid or reduce the impact of benefits cliffs?
Appendix D: HRDC Staff Interview Questions

1. What are your job responsibilities?
2. What assistance programs do you work on?
3. What’s your relationship like with your clients?
4. What is the difference between the services that community action agencies can provide, versus the services that state assistance offices are able to provide?
   a. Have any of your clients discussed long wait times at state assistance offices? How does that compare to your agency?
5. Have you heard of the term "benefit cliff"? If so, what does it mean to you? What do you think it means to clients?
6. Have you known or heard of clients who have turned down a promotion or pay raise to keep their public assistance benefits, because the small increase in pay would not make up for the value of the lost benefits?
7. Are clients told what income/resources would cause them to lose eligibility for the programs you refer them to?
   a. If a client asks if their benefits will be impacted by an increase in income, what do you tell them?
   b. When a client reports an increase in income, do you know if the client will be better or worse off overall given how that increase in income impacts the client’s benefits?
   c. Are you able to warn clients before they are about to lose benefits, particularly if they have gotten a new job or a raise? If so, what do you tell them? How do they react?
   d. How do you support clients who are about to lose their benefits?
   e. How do you support assistance recipients who have lost their benefits?
8. What changes would you make to assistance programs to help avoid or reduce the impact of benefits cliffs?
Appendix E: Public Assistance Recipient Interview Questions

1. Where in Montana do you live? How long have you lived in Montana?
2. Do you have any kids?
3. Do you work? What do you do?
4. What assistance programs are you on?
5. How long have you been on these programs?
6. Do you like some programs more than others? Why?
7. Have your benefits ever decreased? If yes:
   a. Why did your benefits decrease?
   b. Tell me about what that was like.
   c. What information did your caseworker provide to you about the decrease?
   d. How did you find out that your benefits decreased?
8. Do you know others who have lost some or all of their benefits? Tell me about what it was like for them.
   a. Do you know anyone who has lost benefits because they got a raise or a new job with higher pay? What was it like for them?
9. When taking a job or a raise, do you ever think about how that will affect your benefits? Tell me about your thought process.
   a. Have you ever decided not to take a job because it would reduce your benefits? If yes, how many times has this happened? And are there any changes that should be made to the program(s) to avoid this issue?
10. What information, if any, does your caseworker provide about your benefits when you are making decisions about working?
11. What questions do you have about your benefits when you are making decisions about working?
12. How has participating in these programs affected your life?
13. What changes would you make to these programs, if any?
14. What do you wish your caseworker or the state of Montana knew about the programs that you are on?
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