

## Talking Points in Support of HB1286

### What is the Benefits Cliff Effect?

- The Benefits Cliff Effect occurs when families' income increases enough that they lose eligibility for assistance supports like food, childcare, and housing, but not enough to afford these on their own. The result is that an increase in wages leads to a decline in their standard of living.

### Goals of the Pilot Program Proposed in House Bill 1286:

- Test a new, innovative way to use the Maryland Earned Income Tax Credit (MD EITC) to ensure a family is no worse off because of public benefits cliffs.
- Use an MD EITC adjustment incentive to enable upward economic mobility and career advancement.
- Use data to determine whether this policy reduces costs to the State over time.
- Test policy with a limited number of qualifying individuals and their families from across the state who experience the cliff effect, which eliminates any financial incentive to exit public benefits programs.
- Enrollees in the program will receive an MD EITC adjustment that will reward work and remove the cliff gap each year of the program without jeopardizing other benefits.
- Enrollees will receive a savings bonus up to \$10,000 upon successful program completion.
- Pilot is consistent with the stated goals of the 2022 DHS 2Gen Commission Report to identify tools to address the impact of the benefit cliff on families.

### Summary of the House Bill 1286 Pilot Program Plan, Benefits and Costs

- Saves Taxpayer Dollars: the State experiences an immediate revenue surplus of 60% per family<sup>1</sup> when a non-working participant on full benefits enters the workforce.
- Participants transition off of public benefits and become taxpayers.
- Participants achieve economic stability between \$25-\$31 per hour; research shows higher income increases health and education outcomes.
- Serves as a scalable template for all communities in Maryland and nationally.
- Pilot Program would require one-time investment by the State for each year of the Pilot, to administer and evaluate the program.
- Administered by the Department of Human Services in coordination with support from stakeholders, including nonprofit organizations, private sector employees, training organizations, and business organizations.
- Helps move participants into the workforce, helping to resolve hiring shortages in the State.
- Mirrored after a similar Pilot program already active in Massachusetts to evaluate the use of an innovative benefit administration to reduce the impact of Benefits Cliffs on working families.

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<sup>1</sup> Costs dependent on family size and current levels of benefits received.