



**United Way
of the National Capital Area**

*Maryland General Assembly, Senate Finance Committee
SB0787 – Human Services – Benefits Cliff Pilot Program Establishment
Thursday, March 16th, 1 pm – Annapolis, MD
In Support of SB0787 – Establishment of a Benefits Cliff Program*

Thank you for the opportunity to participate in this important conversation about benefits cliff. I'm Ian Gordon, VP of Community Impact and Engagement at United Way of the National Capital Area. I am testifying in favor of SB0787 – to establish a benefits cliff pilot program.

Benefits cliffs (also called “the cliff effect”) occur when someone earns more income at a job, but because of that increase in income, is no longer eligible for public benefits that were worth much more. The problem affects working Americans across the country who earn more money at a job just to make less money overall. One of the biggest issues with the benefits cliff is the abrupt nature in which recipients of benefits lose them, just as they begin to develop financial stability. Many families lose all the benefits they were once eligible for at one time, which leaves them continuously crippled despite their rising income. The effect of losing the benefits in this way tends to nullify whatever increased income they are receiving. The cliff effect leaves many breadwinners having to make the terrible choice between accepting a pay raise and keeping a critical work support, such as childcare assistance for their children. In some instances, they choose to decline the raise. This keeps them from improving their family's long-term financial situation. It also hurts the state's budget and economy because higher wages bring in more tax revenue, and generally lead to more discretionary spending, which improves the economy. However, if the benefits were gradually phased out as monthly incomes rise, that can give families the ability to adjust. Ultimately, to counteract the Benefit's Cliff, it is essential that there are supports that will make their current benefit programs serve their purpose of helping families achieve adequate living standards. These supports could include case management, financial counseling, and cash payments.

Benefits cliffs aren't just a public benefits issue, they are truly a workforce problem, particularly for employers paying at or around minimum wage in their state. Holistically, no one knows how many workers are susceptible to these benefits cliffs. While it varies by industry, it's likely that around 1 in 5 employers have workers facing benefits cliffs. The financial conservative decisions that workers are making in fear of hitting benefits cliffs impacts an employer's ability to attract and retain



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talent, maintain predictable scheduling, and can contribute to staff turnover. Industries affected include restaurants and hospitality, retail, healthcare and more. The change in net financial resources for an individual pursuing the health care services career pathway decreases as they go from certified nursing assistant (CNA) to licensed practical nurse (LPN) to registered nurse (RN). Accounting for increases in taxes and the loss of public benefits, a single mother with two children receiving maximum available public benefits can be financially worse off in the short and medium term when advancing from the entry-level CNA position. Over a lifetime, career advancement leads to large financial gains, creating a mismatch between short- and long-term individual financial incentives. There is a large lifetime net public savings if the individual advances to the RN position.

In summary, a gradual step-down pilot program with supports could demonstrate how individuals who rely on public benefits might become self-sufficient, fully support themselves and their families while ending the cycle of dependence and building a financially secure future.

I am grateful for this opportunity to testify on this important issue and thank you for your time.

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