Addressing the Impact of Benefit Cliffs

Helping individuals and families overcome barriers to economic success

Interim Human Services Committee | Senator Judy Lee, Chair | August 9, 2022
BENEFIT CLIFF

Sudden and often unexpected decrease in public benefits that can occur with a relatively small increase in earnings.
REVIEW OF EXISTING POLICIES

ND policies largely maximize available federal flexibilities

<table>
<thead>
<tr>
<th></th>
<th>Max federal income threshold</th>
<th>State program’s income threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCAP</td>
<td>85% SMI</td>
<td>60% SMI at Initial Application</td>
</tr>
<tr>
<td></td>
<td></td>
<td>85% SMI at Review (Graduated Phase Out)</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>60% SMI or 150% FPL, whichever is higher</td>
<td>60% SMI</td>
</tr>
<tr>
<td>TANF</td>
<td>N/A</td>
<td>Based on Standard of Need</td>
</tr>
<tr>
<td>SNAP</td>
<td>Gross Income – 130% FPL</td>
<td>130% FPL – Gross Income</td>
</tr>
<tr>
<td></td>
<td>Net Income – 100% FPL</td>
<td>100% FPL – Net Income</td>
</tr>
</tbody>
</table>

FPL = Federal Poverty Level
SMI = State Median income

Loss of Child Care Assistance is the most difficult cliff to bridge

Food and Health Care eligibility cliffs rank high in family impact
40+% of jobs in ND pay average wages that generate modest household incomes.

The “hardship gap” most often affects people who earn 200-300% of the federal poverty level.
EXPLORE OPTIONS TO CONSIDER

Education, Asset-building and Programs that are designed to incentivize economic opportunity

Support solid first steps on chosen career pathways for women with young children

Consider both short- and long-term solutions that recognize the realities of modest household budgets
WHY THINK ABOUT THIS ISSUE?

- Communities need both unskilled and skilled workers to thrive
- North Dakota has more job openings than people to fill them
- Household economic realities affect decisions about employment
In-demand occupations that require specialized training or education are found in many different sectors of the economy.
DISTRIBUTION OF JOB OPENINGS BY TYPICAL ENTRY LEVEL EDUCATION

JUNE 2022 JOB OPENINGS REPORT

Typical entry-level education describes the level of education that most workers need to enter an occupation or occupational group, and takes into consideration advertised education requirement preferences. Keep in mind, an opening’s typical entry-level education assignment may differ from employers’ advertised education requirements, though most match. Mismatches commonly occur due to either missing education requirements from the employer’s job ad or education inflation where an employer advertises for more education than is typically needed for an occupation. Using the typical entry-level education framework provides for consistency across occupations regardless of an employer’s advertised preference.

<table>
<thead>
<tr>
<th>EDUCATION LEVEL</th>
<th>JUN 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>18,113</td>
</tr>
<tr>
<td>DOC OR PROF</td>
<td>506</td>
</tr>
<tr>
<td>MASTER’S</td>
<td>432</td>
</tr>
<tr>
<td>BACHELOR'S</td>
<td>5,723</td>
</tr>
<tr>
<td>ASSOCIATE’S</td>
<td>657</td>
</tr>
<tr>
<td>POSTSEC AWARD</td>
<td>1,535</td>
</tr>
<tr>
<td>HIGH SCHOOL</td>
<td>6,424</td>
</tr>
<tr>
<td>NO EDU CRD</td>
<td>2,798</td>
</tr>
<tr>
<td>UNASSIGNED</td>
<td>38</td>
</tr>
</tbody>
</table>

[Unassigned openings excluded from pie chart calculations]
DISTRIBUTION OF JOB OPENINGS BY TYPICAL TRAINING
JUNE 2022 JOB OPENINGS REPORT

Typical training describes any additional training or preparation that is typically needed, once employed, to attain competency in the skills needed in an occupation or occupational group.
Most employers don't post wages for openings in job ads. Instead, we use typical average wages paid to workers already employed in specific occupations or occupational groups as a proxy to estimate the wage distribution of job openings. Typical average wages are from the latest Occupational Employment and Wage Statistics (OEWS) survey and should not be interpreted as a hiring wage since OEWS data are not exclusive to new hires. The estimated typical average wage of North Dakota job openings with an assigned occupational code is $29.37 per hour.

- **$30+ per hour**: 37.0%
- **$20-$24.99 per hour**: 21.5%
- **$15-$19.99 per hour**: 18.0%
- **$10-$14.99 per hour**: 7.4%
- **Less than $10 per hour**: 0.0%
- **$25-$29.99 per hour**: 16.1%

### JUN 2022

<table>
<thead>
<tr>
<th>Salary Range</th>
<th>Openings</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>18,113</td>
</tr>
<tr>
<td>$30+</td>
<td>6,672</td>
</tr>
<tr>
<td>$25.00-$29.99</td>
<td>2,899</td>
</tr>
<tr>
<td>$20.00-$24.99</td>
<td>3,871</td>
</tr>
<tr>
<td>$15.00-$19.99</td>
<td>3,251</td>
</tr>
<tr>
<td>$10.00-$14.99</td>
<td>1,341</td>
</tr>
<tr>
<td>LESS THAN $10</td>
<td>8</td>
</tr>
<tr>
<td>UNASSIGNED</td>
<td>71</td>
</tr>
</tbody>
</table>

[Unassigned openings excluded from pie chart calculations]
MOST ND COMMUNITIES ARE EXPERIENCING GREATER WORKFORCE SHORTAGES IN 2022 THAN 2021

JUNE 2022 ONLINE JOB OPENINGS REPORT | ND LMI CENTER

UNEMPLOYED PER JOB OPENING BY COUNTY

Data are not seasonally adjusted and subject to revision. Dashes (—) indicate data not available.
Many lower wage jobs also have a low barrier to entry in terms of training and/or education.

71% of jobs in the ND labor market pay an average wage of $28/hour or less.

<table>
<thead>
<tr>
<th>Less than $13 / hr</th>
<th>$13 - $20 / hour</th>
<th>$20 - $28 / hour</th>
<th>$28 - $35 / hour</th>
<th>&gt;$35 / hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waiter/Waitress</td>
<td>Pharmacy tech</td>
<td>Carpenter</td>
<td>School counselor</td>
<td></td>
</tr>
<tr>
<td>Child care worker</td>
<td>Home health</td>
<td>Loan processor</td>
<td>Rotary drill operator</td>
<td></td>
</tr>
<tr>
<td>Dishwasher</td>
<td>PT assistant</td>
<td>Legal secretary</td>
<td>HR specialist</td>
<td></td>
</tr>
<tr>
<td>Bartender</td>
<td>Hair stylist</td>
<td>Correctional officers</td>
<td>Accountant</td>
<td></td>
</tr>
<tr>
<td>Cafeteria worker</td>
<td>Retail</td>
<td>Auto service tech</td>
<td>Real Estate Sales</td>
<td></td>
</tr>
<tr>
<td>Short order cook</td>
<td>Farmworker</td>
<td>Surgical tech</td>
<td>PR specialist</td>
<td></td>
</tr>
<tr>
<td>Cashiers</td>
<td>Restaurant cook</td>
<td>Roofer</td>
<td>Counselor</td>
<td></td>
</tr>
<tr>
<td>Veterinary Assistant</td>
<td>Data entry</td>
<td>Lic Practical Nurse</td>
<td>Registered Nurse</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EMTs &amp; paramedics</td>
<td>Dental assistant</td>
<td>Comp network specialist</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carpet installers</td>
<td>Firefighter</td>
<td>Construction supervisor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maintenance workers</td>
<td>Surgical assistant</td>
<td>Dental hygienist</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nursing assistant</td>
<td>Clergy</td>
<td>Architectural drafter</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Laborer</td>
<td>Social worker</td>
<td>Speech pathologist</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Substitute teacher</td>
<td>Police</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extraction helper</td>
<td>Hotel manager</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Truck driver</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

70,770

# of people employed in a job with average wage of <$13/hour

represents
10% of total jobs

219,490

31%

215,200

30%

90,740

13%

114,730

16%

Source: Job Service ND 2020 Employment and Wages by Occupation dataset | mean wage by occupation; 710,910 jobs included in wage summary
What does someone think about when they are looking for a job?

- Interest
- Aptitude
- Purpose
- Opportunity
- Income

- Housing 25–30%
  Mortgage, rent, HOA fees, taxes, etc.
- Insurance 10–20%
  Health, medical, auto, and life
- Food 10–15%
  Groceries, restaurants
- Giving 1–5%
  Retirement savings, 401(k), IRA, emergency fund
- Utilities 5–10%
  Cell phone, gas, electric, water, internet, etc.
- Transportation 10–15%
  Public transportation, car payments, maintenance, etc.
- Recreation 5–10%
  Travel, entertainment, lifestyle expenses
- Personal 5–10%
  Clothing, haircuts, home decor, hobbies
Child Care

To be affordable, Child Care should represent no more than 7% of a household budget.

For many families with young children, child care costs are 15-40% of their gross household income.
AVG BEFORE TAX INCOME FOR HOUSEHOLDS IN THE MIDWEST REGION 2019-2020

CONSUMER EXPENDITURE SURVEY | BUREAU OF LABOR STATISTICS

People in household
- 2.4
- 1.5
- 1.6
- 2.1
- 2.2
- 2.5
- 2.8
- 3.0
- 3.4
- 3.2

Homeowner
- 70%
- 34%
- 59%
- 62%
- 59%
- 71%
- 79%
- 85%
- 94%
- 93%

Renter
- 30%
- 66%
- 41%
- 38%
- 41%
- 29%
- 21%
- 15%
- 6%
- 7%

Educ Level - Elem (1-8)
- 2%
- 3%
- 3%
- 2%
- 1%
- 2%
- 2%
- 1%
- 3%
- 0%

Educ Level – H.S. (9-12)
- 29%
- 48%
- 56%
- 38%
- 33%
- 28%
- 23%
- 15%
- 8%
- 6%

Educ Level – College
- 69%
- 49%
- 53%
- 60%
- 65%
- 70%
- 75%
- 83%
- 89%
- 94%
$ VALUE OF HOUSEHOLD EXPENDITURES AS A % OF TOTAL HOUSEHOLD SPENDING

CONSUMER EXPENDITURE SURVEY | BUREAU OF LABOR STATISTICS | MIDWEST REGION | 2019-2020
Higher Income households have more money available to spend to meet household needs


<table>
<thead>
<tr>
<th>Income Group</th>
<th>Food</th>
<th>Housing: Shelter</th>
<th>Housing: Utilities</th>
<th>Clothing</th>
<th>Transportation</th>
<th>Other</th>
<th>Retirement/Ins (not health)</th>
<th>Healthcare</th>
<th>Avg for Total Pop</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000-75,000</td>
<td>$8,377</td>
<td>$7,753</td>
<td>$9,659</td>
<td>$12,450</td>
<td>$12,271</td>
<td>$18,321</td>
<td>$27,253</td>
<td>$10,241</td>
<td>$6,761</td>
</tr>
<tr>
<td>$75,000-99,999</td>
<td>$7,582</td>
<td>$7,213</td>
<td>$9,589</td>
<td>$11,232</td>
<td>$11,581</td>
<td>$18,551</td>
<td>$27,170</td>
<td>$10,212</td>
<td>$6,612</td>
</tr>
<tr>
<td>$100,000-124,999</td>
<td>$6,581</td>
<td>$6,211</td>
<td>$8,983</td>
<td>$10,661</td>
<td>$10,999</td>
<td>$17,601</td>
<td>$24,887</td>
<td>$10,052</td>
<td>$6,612</td>
</tr>
<tr>
<td>$125,000-149,999</td>
<td>$5,577</td>
<td>$5,211</td>
<td>$8,983</td>
<td>$10,661</td>
<td>$10,999</td>
<td>$17,601</td>
<td>$24,887</td>
<td>$10,052</td>
<td>$6,812</td>
</tr>
<tr>
<td>$150,000-199,999</td>
<td>$4,572</td>
<td>$4,211</td>
<td>$8,983</td>
<td>$10,661</td>
<td>$10,999</td>
<td>$17,601</td>
<td>$24,887</td>
<td>$10,052</td>
<td>$7,012</td>
</tr>
<tr>
<td>$200,000-249,999</td>
<td>$3,567</td>
<td>$3,211</td>
<td>$8,983</td>
<td>$10,661</td>
<td>$10,999</td>
<td>$17,601</td>
<td>$24,887</td>
<td>$10,052</td>
<td>$7,212</td>
</tr>
<tr>
<td>$250,000-349,999</td>
<td>$2,562</td>
<td>$2,211</td>
<td>$8,983</td>
<td>$10,661</td>
<td>$10,999</td>
<td>$17,601</td>
<td>$24,887</td>
<td>$10,052</td>
<td>$7,412</td>
</tr>
<tr>
<td>$350,000-499,999</td>
<td>$1,557</td>
<td>$1,211</td>
<td>$8,983</td>
<td>$10,661</td>
<td>$10,999</td>
<td>$17,601</td>
<td>$24,887</td>
<td>$10,052</td>
<td>$7,612</td>
</tr>
<tr>
<td>$500,000+</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Household Expenditures often exceed available income for more than 1/3 of midwestern households.

Household expenditures as a % of before tax household income | 2019-2020 | Bureau of Labor Statistics | Consumer Expenditure Survey Midwestern Region
Households who are not able to “make ends meet”
BENEFIT CLIFFS MOST OFTEN AFFECT PEOPLE WITH EARNINGS IN THE “HARDSHIP GAP”
Systems were designed to support low-income individuals as they enter workforce & have limited earnings

<table>
<thead>
<tr>
<th>Household Income*</th>
<th>...where programmatic Eligibility Ends</th>
<th>% of state population</th>
<th>Typically able to meet basic needs without assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-50% of federal poverty level</td>
<td>12% of state median income</td>
<td>Temp Assistance for Needy Families (TANF) Medicaid (full coverage for the entire family)</td>
<td>10-12% of state population</td>
</tr>
<tr>
<td>100-140% of federal poverty level</td>
<td>25-35% of state median income</td>
<td>Head Start Medicaid (medically needy (aged/blind/disabled)) Medicaid (children ages 6-19) Medicaid (Expansion)</td>
<td>No (0%)</td>
</tr>
<tr>
<td>200-250% of federal poverty level</td>
<td>50-60% of state median income</td>
<td>Supplemental Nutrition Assistance (SNAP) Children's Health Insurance (CHIP) Low Income Home Energy Assistance (LIHEAP) Women Infants and Children (WIC) Earned Income Tax Credit (EITC) Free-Reduced Lunch (FRL) Housing Choice Voucher (Sec 8)</td>
<td>28-30% of state population</td>
</tr>
<tr>
<td>350% of federal poverty level</td>
<td>85% of state median income</td>
<td>Child Care Assistance (CCAP)</td>
<td></td>
</tr>
</tbody>
</table>

*Income levels described in this table are intended to communicate estimated ranges of eligibility, they are not a precise accounting of each program’s unique eligibility rules

“Hardship Gap”
Earned income is greater than poverty level but less than cost of living
Working but falling short of self-sufficiency even after supplementing wages with public benefits

% of state population

Typically able to meet basic needs without assistance

*Income levels described in this table are intended to communicate estimated ranges of eligibility, they are not a precise accounting of each program’s unique eligibility rules
### Comparison of the 2021 state median income (SMI) and the federal poverty level

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Federal Poverty Level</th>
<th>30% SMI</th>
<th>60% SMI</th>
<th>100% SMI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Income</td>
<td>Hourly Wage</td>
<td>Annual Income</td>
<td>Hourly Wage</td>
</tr>
<tr>
<td>1</td>
<td>$12,880</td>
<td>$6.19</td>
<td>$16,238</td>
<td>$7.81</td>
</tr>
<tr>
<td>2</td>
<td>$17,420</td>
<td>$8.38</td>
<td>$21,233</td>
<td>$10.21</td>
</tr>
<tr>
<td>3</td>
<td>$21,960</td>
<td>$10.56</td>
<td>$26,230</td>
<td>$12.61</td>
</tr>
<tr>
<td>4</td>
<td>$26,500</td>
<td>$12.74</td>
<td>$31,226</td>
<td>$15.01</td>
</tr>
<tr>
<td>5</td>
<td>$31,040</td>
<td>$14.92</td>
<td>$36,222</td>
<td>$17.41</td>
</tr>
<tr>
<td>6</td>
<td>$35,580</td>
<td>$17.11</td>
<td>$41,219</td>
<td>$19.82</td>
</tr>
<tr>
<td>7</td>
<td>$40,120</td>
<td>$19.29</td>
<td>$42,155</td>
<td>$20.26</td>
</tr>
<tr>
<td>8</td>
<td>$44,660</td>
<td>$21.47</td>
<td>$43,092</td>
<td>$20.72</td>
</tr>
</tbody>
</table>
STATES WORK ON THE CLIFF EFFECT TO

Increase Family Economic Security

+ Address workforce shortages
TO ADDRESS THE CLIFF EFFECT
WHEN FACED WITH A POLICY OR BUDGET DECISION WE CAN ASK OURSELVES HOW THE DECISION SUPPORTS ECONOMIC OPPORTUNITY FOR MODEST INCOME EARNERS

✔ “How will this decision be experienced by a person living on a modest income?”

✔ “Is there anything more we can do to make sure we aren’t creating disincentives to work?”

✔ “Will this decision make it more possible for a family to transition to higher earnings and/or a higher wage job?”
WHEN POLICIES & BUDGETS UNDERSTAND THE CLIFF EFFECT

We can make sure North Dakota is a place where individuals and families can realize all the benefits of work.
Contact Information

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Michele Gee, Director
Economic Assistance Division

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Bismarck, ND 58505

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ND Relay TTY: 800-366-6888
E-mail: dhseap@nd.gov

Helping lower income North Dakotans who are struggling to make ends meet by connecting them to resources that can help meet their basic needs.