Constraints on New Hampshire's Workforce Recovery

Impacts from COVID-19, Child Care and Benefit Program Design on Household Labor Market Decisions

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FINAL REPORT

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About Econsult Solutions, Inc. (ESI)

Econsult Solutions, Inc. (ESI) provides businesses and public policy makers with consulting services in urban economics, real estate economics, transportation, public infrastructure, development, public policy and finance, community and neighborhood development, planning, as well as expert witness services for litigation support. Staff members have outstanding professional and academic credentials, including active positions at the university level, wide experience at the highest levels of the public policy process and extensive consulting experience. Based in Philadelphia, ESI support clients nationwide.

ESI's government and public policy practice combines rigorous analytical capabilities with a depth of experience to help evaluate and design effective public policies and benchmark and recommend sound governance practices. ESI has assisted policy makers at multiple levels of government to design and evaluate programs that help citizens increase their economic security.

Ethan Conner-Ross, Rebecca DeJoseph, and Alix Sullivan were the primary ESI researchers on this study.

About the National Center for Children in Poverty (NCCP)

The National Center for Children in Poverty (NCCP), founded within Columbia University and beginning in July 2019 located at Bank Street Graduate School of Education, is a nonpartisan public policy research center dedicated to promoting the economic security, health, and well-being of America's low-income families and children. NCCP uses research to inform policy and practice with the goal of ensuring positive outcomes for the next generation. It conducts research and policy analysis and uses existing evidence to identify effective, innovative strategies that can improve the lives of children and families experiencing economic hardship. The center provides accessible information and recommendations about research-informed policies and initiatives that can help families and communities support children's success from infancy through young adulthood.

NCCP reaches a large audience with its reports, online data tools, policy resources, technical assistance, and partnerships. This audience includes state and local policymakers, advocates, community leaders, researchers, and administrators in government agencies that use NCCP's research and analyses to make informed decisions about policies and programs that promote secure, nurturing families and thriving children. NCCP often partners with government officials, advocates, and other stakeholders to plan and carry out policy research and analysis—an approach that fully engages decision-makers and helps ensure that results will be used to strengthen policies and programs.

Key areas of the center's work include safety net policies, immigrant families, paid family leave, disability policies, early childhood mental health, early intervention, early care and education policies, and two-generation approaches. NCCP's online resources include the Family Resource Simulator, the Young Child Risk Calculator, the 50-State Policy Tracker, the 50-State Demographic Data Generator, Early Childhood State Policy Profiles, and the Basic Needs Budget Calculator.

Seth Hartig and Suma Setty were the primary NCCP researchers on this study.

Executive Summary

Study Background

The COVID-19 pandemic created a range of health, economic, and social policy challenges for New Hampshire. Changes in economic conditions have deepened existing challenges for vulnerable populations and communities, while other households have faced new challenges around decisions regarding employment and child care that they had never anticipated. As New Hampshire seeks to accelerate its economic recovery, this study focuses on key factors that impact the decision-making of households and may serve as constraints to returning to the workforce or expanding their participation.

This study began in December 2019 pursuant to a legislative requirement to understand the economic implications of benefit cliffs. These "cliffs" result from situations in which increases in earned income lead to decreases in net resources for households due to a loss of program benefits, disincentivizing workforce participation. These cliffs can lead to either short-term losses for these households or long-term losses if households opt for (rational) short-term choices to forgo potential wage increases that lower their long-term earnings trajectory and economic mobility, which thereby also limits economic growth, particularly important in a state like New Hampshire with an aging workforce and historically low (at the time) unemployment levels.

The onset of the COVID-19 pandemic in March 2020 changed the economic landscape of New Hampshire and the employment decisions faced by its households. Accordingly, this study has been expanded to analyze a broader range of factors that represent constraints on New Hampshire's workforce recovery:

Unemployment: The availability of employment has shifted with the pandemic, as industries and communities have been differentially impacted by temporary and permanent business closures. While overall unemployment rates have declined, disparities persist in the impacted populations, communities, and sectors, as well as reasons for unemployment.

Child Care: The disruption in patterns of living have also created or exacerbated household challenges around managing child care and employment. The affordability, availability, and quality of child care all impact parents' and caregivers' decisions to participate in the workforce, which in turn limits economic productivity and exacerbates disparities.

Benefit Cliffs: Program designs in which additional earned income can result in a net loss of resources through the loss of benefits continue to factor into the employment choices that households make. Key benefit programs administered by state or local agencies, including Medicaid, TANF, SNAP, LIHEAP, housing, and child care subsidies, can produce these situations, creating employment disincentives for participating families.

Research Framework

This study employs as its core research framework the choices and constraints faced by New Hampshire's households as they make decisions about returning to or expanding their participation in the labor force. The labor market is an aggregation of individual decisions by households and employers, and under optimal conditions, households enhance both their short-term resources and their long-term earning potential by maximizing their participation in the labor market. The constraints reviewed in this study are factors that disrupt this relationship, creating short-term conditions where households may be unable to participate in the workforce, or may benefit from not maximizing their participation.

This study uses a mix of datasets and methods to gain insight into these issues and their implications for New Hampshire's workforce recovery:

Anonymized "microdata" on individual households, drawn from benefits program data and unemployment claim records, are analyzed at a granular level, including, for the benefit cliffs analysis, microsimulation analysis estimating projected family resources and expenses to understand the circumstances of individual households across New Hampshire;

Administrative data is used to understand conditions and trends for key inputs like unemployment, child care availability, and public benefit program rules and regulations for eligibility;

Longitudinal analysis is used to understand the evolution of conditions prior to COVID-19, during the initial wave of the pandemic and associated business closures, and the initial recovery to current conditions as of fall 2020; and

Geographic analysis is used to understand variation in conditions across different regions and community types in New Hampshire.

Granular analysis of household-level decisions is paired with aggregate analysis of impacts across communities and populations to help policymakers understand these constraints, and to target and prioritize solutions that can accelerate New Hampshire's recovery.

Typology by Town and Interactive Appendix

Workforce constraints and social vulnerabilities vary by community type across New Hampshire. To help understand differential issues in communities across the state, analyses of unemployment, child care, and benefit programs are undertaken on a town-by-town basis.

To understand patterns and benchmarks, each town in New Hampshire is categorized by descriptive factors based on its county, population density, median household income level, social vulnerability index score, and industry composition. Analyses are undertaken by typology to assess which constraints are most relevant across different community types.

The **Interactive Appendix** to this report represents an online interface that enables the user to see results for the key measures reviewed in this report for each town in New Hampshire, and to benchmark each town against others of similar typology.

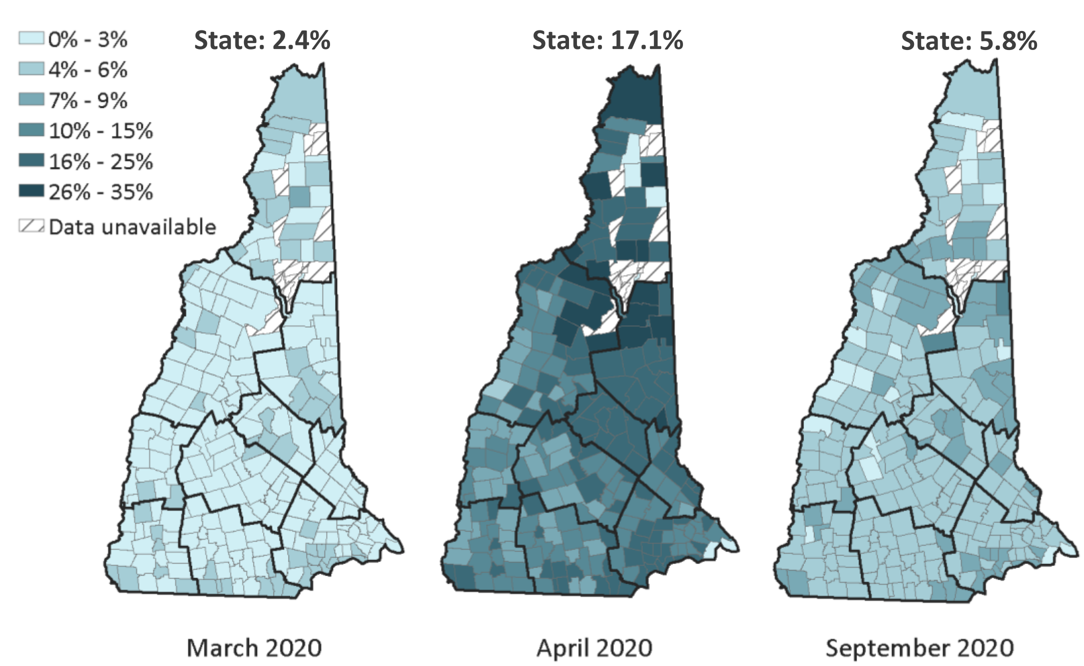
Unemployment

New Hampshire entered 2020 with a tight labor market, with one of the lowest unemployment rates in the nation, and concerns about whether the state's demographics would support the growing workforce needs of its businesses. These circumstances changed as an initial wave of business shutdowns and unemployment from the pandemic hit workers across all sectors and regions of the state and created newly vulnerable households and communities.

While the initial surge of unemployment was broadly shared across industries, communities, and populations, differential patterns began to emerge as the initial recovery began. While New Hampshire has recovered a large portion of the job losses realized at the peak of the crisis, with a December 2020 unemployment rate of 4.0 percent, significant disparities exist in the recovery between industries, workers, and communities.

- Consumer-serving sectors like **Leisure and Hospitality, Retail Trade, and Health Care and Social Assistance** have suffered the largest and most enduring job losses;
- Communities with **lower median incomes and higher levels of social vulnerability** pre-COVID have seen more durable increases in unemployment.
- **Job losses have been most enduring in the communities with the lowest density (most rural) and highest density (most urban)**. Towns in Grafton, Carroll, and Coos Counties reliant on the Leisure and Hospitality economy continue to see some of the highest levels of unemployment, while communities in Rockingham and Hillsborough counties have seen some of the largest percentage increases compared to pre-COVID levels.

Unemployment Rates by Town, March, April, September 2020



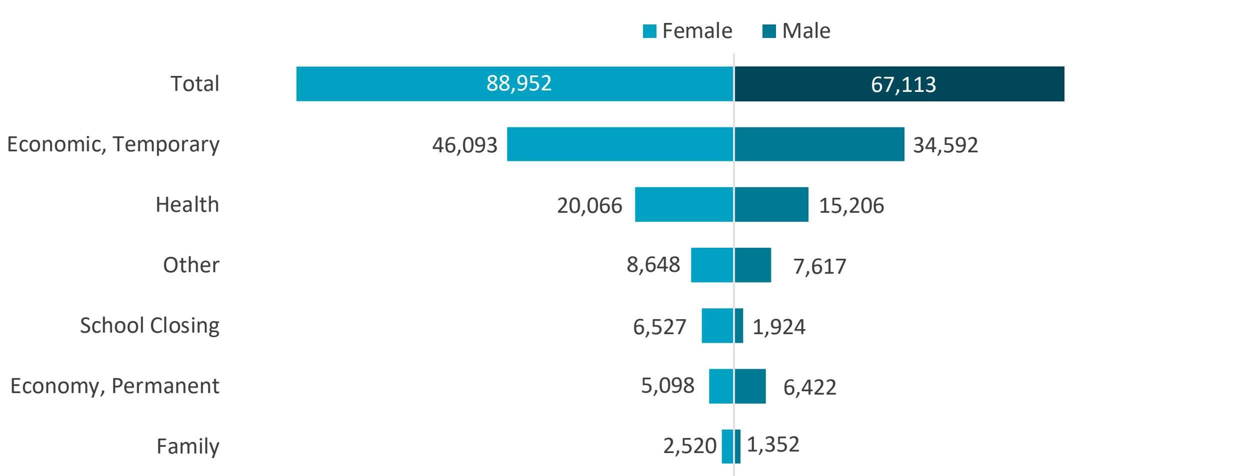
Source: Bureau of Labor Statistics LAUS (2020)

While a resolution to the health crisis may help to alleviate the immediate conditions driving unemployment in the most impacted sectors, the length and depth is likely to permanently shutter a large number of businesses, creating an enduring employment gap. While demand should rebound over the long-term, the regions and industries most impacted may experience a "new normal" that differs from the historically tight labor market that was prevalent across the state prior to the pandemic.

The nature of the COVID-19 crisis has produced differential effects from prior economic downturns. Service-oriented, consumer-facing business were disproportionately impacted by health concerns and limited tourism and travel activity, in contrast to the previous recession which struck hardest in sectors like construction and manufacturing. Additionally, the disruptions caused by the pandemic have elevated household care responsibilities, often making them a barrier to workforce participation.

Women have suffered the majority of unemployment and detachment from the workplace, due to both the impacted sectors and to their disproportionate share of care responsibilities.

Reason for Unemployment, by Gender, April through September 2020



Source: Analysis of Unemployment Claims data from New Hampshire Economic Security (2020)

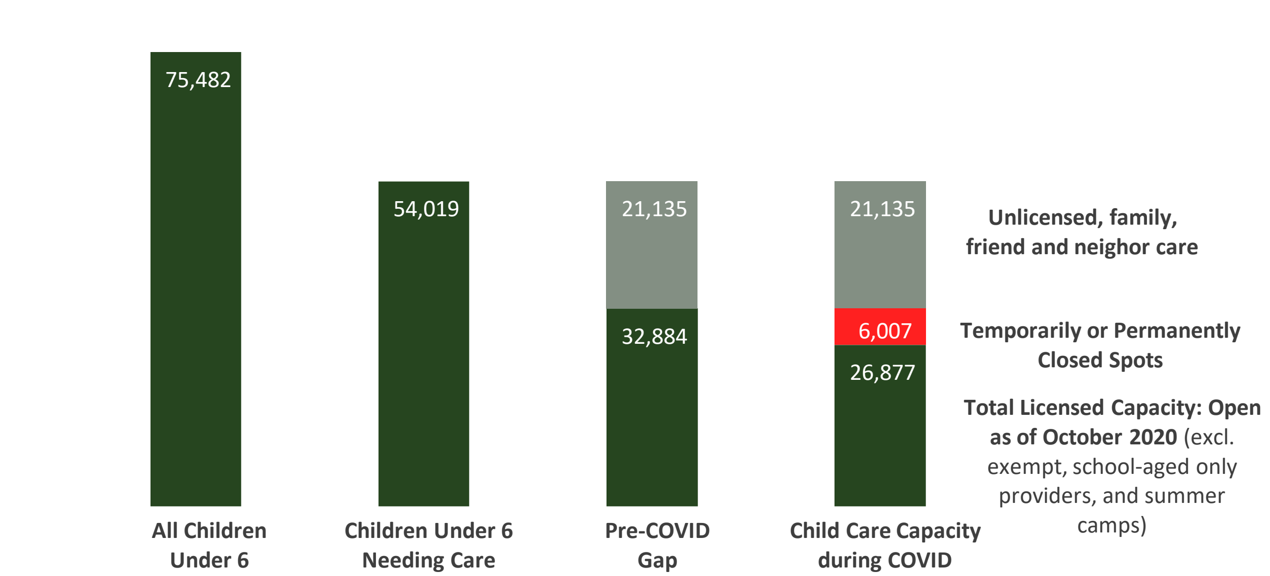
This analysis highlights disparities that, while worsened by the pandemic, are related to more long-lasting, structural components of the economy. Unemployment stemming from school closings, family, and health needs resulted in a lengthy duration of unemployment and disproportionally affected women. **These extended detachments from the labor force may have enduring effects on the labor force participation and career trajectories of these women once the health situation is controlled**. Further, these circumstances underscore the barriers that women, in particular low-income women, face when balancing child care responsibilities and family needs with labor force participation opportunities.

Child Care

Findings from the unemployment analysis are supported by a detailed analysis of child care constraints on New Hampshire's workforce. The child care system is foundational to ensuring workers with children are able to contribute to the labor force. However, the lack of affordable, accessible, and quality care has the potential to create significant barriers to work, especially for women, single-parent households, and low-income families.

- Prior to the pandemic, formalized child care capacity addressed only about 60 percent of the estimated child care need children under the age of 6 in New Hampshire.
- At the height of the pandemic, child care capacity and demand were significantly reduced temporarily, and while the majority of spots have reopened; capacity as of October 2020 met around 50 percent of the estimated need.
- Differentials are also evident by geography. Consistent with national trends in the location of child care deserts, unmet need is highest in rural communities.

Licensed Child Care Capacity in New Hampshire, October 2020



Source: Child Care Aware of America (2020)

Where capacity exists, available options do not always meet the needs of families, and the cost of child care is a significant concern for many. In 2019, the annual cost of center-based child care for an infant in New Hampshire was approximately $13,000, or $23,600 for an infant and a four-year old child. This infant cost is roughly 12 percent of median household income with two earners, and 40 percent of annual income for a single-parent household, slightly above the national average of 36 percent.

The issues of affordability, availability, and quality are interrelated. Cost and quality concerns dictate in part the degree to which parents enter the workforce, meaning that the calculated need would be higher without this constraint, and parents also struggle to find care at nonstandard hours associated with employment opportunities.

While caring for young children is a common barrier to labor force participation, pandemic-related school closures expanded the need for care to school age children as well.

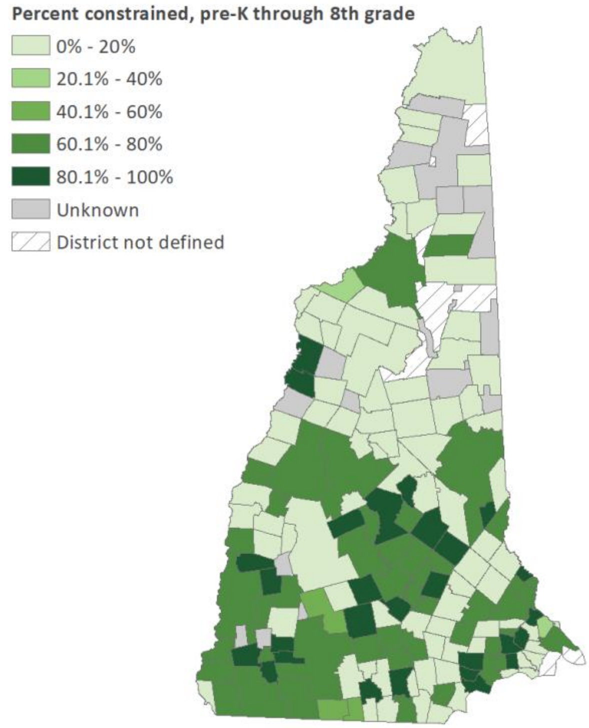
As of September 2020, approximately 59 percent of school districts in the state were classified as fully remote or employing a hybrid method of in-person and remote learning.

These conditions create potential constraints for an **estimated 34,000 New Hampshire families where all parents were participating in the workforce** while supervising remote or hybrid school for their children.

Concentrations of these families are highest among school districts in the southern portion of the state, which had high rates of hybrid or remote learning for students.

These child care constraints can reduce productivity, decrease hours of work, and diminish career opportunities for parents. Drawing on national research, this analysis quantifies potential economic effects from child care constraints in New Hampshire exacerbated by the pandemic, as parents either exited the labor market entirely or reduced their workforce participation to balance work and home responsibilities.

Est. School-Aged Children Needing Care by School District (Sep 2020)



Source: U.S. Census Bureau (2018), New Hampshire Department of Education (2019), Econsult Solutions (2020)

The economic loss from individuals citing school closure as reason for unemployment is estimated at $1.3 million per week, as businesses lose workers and individuals earn and in turn spend less throughout the economy. Economic losses from individuals reducing workforce participation and productivity in response to the need to assist school age children with remote learning are conservatively estimated at $1 million per week, largely driven by the reduction of work hours. Finally, economic losses for those reducing their workforce participation and productivity due to COVID-related child care constraints for young children are estimated at $115,000 per week, down from an estimated $600,000 per week during the height of the pandemic when closures were much more widespread.

Benefit Cliffs

A benefit cliff occurs when individuals or families who receive public benefits see a reduction or loss of these benefits due to new or increased income, such that the increased income does not fully compensate for the loss of those public benefits. These benefit cliffs interrupt the normal matching process of employers and employees by creating rational short-term disincentives for individuals to seek better employment opportunities and higher wages. These disruptions limit the state's economic activity, limit economic mobility, and sustain generational poverty.

The benefit cliff analysis utilizes anonymized microdata on New Hampshire families participating in benefit programs to conduct a simulation of the potential changes in net resources for each household as their incomes increase. The analysis focuses on six programs that are broadly impactful for the workforce decisions of New Hampshire's households:

Medicaid, which provides recipients with health insurance, supported 178,342 individuals with standard Medicaid and Granite Advantage as of December 31, 2019. Of those, 10,659 are low-income, non-disabled, working-age adults.[1]

Child Care and Development Fund (CCDF), called the Child Care Scholarship program in New Hampshire, is supported by funds received from the federal government through a block grant and served 3,236 New Hampshire families in January 2020.[2]

Supplemental Nutrition Assistance Program (SNAP), a program administered at the state level to distribute federally funded nutrition assistance to low-income families in the form of EBT cards, supported 72,461 New Hampshire residents in December 2019. It and has proved so crucial during the COVID pandemic that the federal government expanded it to accommodate more families.[3]

Temporary Assistance for Needy Families (TANF) cash assistance programs provided cash assistance to 7,836 individuals, including 5,990 children, as of December 31, 2019.[4]

U.S. HUD's Section 8 Housing Choice Voucher Program (HCVP), Section 8 project-based rental assistance, and Public Housing (collectively referred to as "housing" throughout the cliff analysis) are federally funded and administered by a mix of local and/or statewide public housing authorities. In 2020, approximately 18,600 New Hampshire households received rental subsidies through one of these programs.[5]

Low Income Home Energy Assistance Program (LIHEAP), another program that is federally funded and administered at the state level, assists households with energy costs in various ways, such as bill

[1] New Hampshire Department of Health and Human Services (2020)
[2] New Hampshire Department of Health and Human Services (2020)
[3] United States Department of Agriculture SNAP Data Tables (2020)
[4] Federal Temporary Assistance for Needy Families (TANF) block grant funds New Hampshire's Financial Assistance to Needy Families (FANF) which encompass programs four programs. The two TANF programs whose program rules are included in this study are the New Hampshire Employment Program (NHEP) and Family Assistance Program (FAP). The remaining two FANF programs are Interim Disabled Parent (IDP) and Families with Older Children (FWOC). Throughout the remainder of this chapter, the TANF-funded programs are referred to collectively as TANF programs.
[5] New Hampshire Housing Finance Authority (2020), US Department of Housing and Urban Development (2020)

payment assistance and weatherization efforts. The program certified 28,727 applications in program year 2019-2020.[6]

In order to identify and measure benefit cliffs, this analysis simulated an increase in household earnings for the 61,888 households within New Hampshire's New HEIGHTS integrated data system[7] assessed as being potentially responsive to higher wage offers or expanded work schedules. For each family, the simulation increased earnings up to $80,000 above the household's initial earnings in increments of $1,000, creating approximately 4.95 million iterations in which a cliff could potentially occur. Of these 4.95 million instances, 145,007 cliffs are encountered. In this analysis, a cliff results when the additional $1,000 in incremental earnings results in greater than $1,000 in costs due to either a complete loss of public benefit, a decline in the value of a public benefit, an increase in costs, or some combination of these three. Of the 145,007 cliffs identified, a cliff was created, in part or in sum, by the loss or reduction of at least one of the six programs of interest—or in the case of child care, an increase in total expenses based on additional hours worked—for 95 percent of cliffs (138,043).[8] Out of 61,888 households analyzed, 94 percent experienced at least one benefit cliff during the simulation.

Households Facing Benefit Cliffs by Program and Family Type

	Healthcare	Child Care[9]	SNAP	TANF	Housing	LIHEAP	Total Families
No children	24,322	0	41	0	41	185	24,338
Single adult with children	16,732	8,010	4,360	620	1,220	1,691	16,867
Two adults with children	14,452	9,711	1,857	52	793	909	14,942
Three or more adults with children	1,907	307	182	8	146	246	1,927
Total Families Facing Cliff	57,413	18,028	6,440	680	2,200	3,031	58,074
Program Enrollment	61,633	25,824	11,786	1,653	7,683	34,301	61,888
Cliff Prevalence by Program	93%	70%	55%	41%	29%	9%	94%

Source: New HEIGHTS (2020), NCCP (2020), ESI (2020)

The focus programs vary in the degree of cliff risk and most impact household types:

- **Healthcare**: Cliffs related to the loss of health benefits were present for almost all households (93 percent) across the simulation but were often classified as "low risk" because they are not imminent for many families. Healthcare cliffs present the greatest risk for households with no children, in which the loss of Medicaid eligibility for adults at 138 percent of the Federal Poverty Level (FPL) is usually encountered at lower incomes than for families with children.

[6] New Hampshire Office of Strategic Initiatives (2020)
[7] The New HEIGHTS system is New Hampshire's Integrated Eligibility System
[8] The remaining five percent are not analyzed within this framework but potentially occur from a combination of changes in EITC, SSI, or payroll taxes.
[9] Because this simulation strives to understand barriers to employment, "child care" cliffs include families with and without the CCDF program. For example, a family that is not enrolled in the CCDF program could encounter a cliff when its child care expenses increase as a second parent enters the workforce. Alternatively, CCDF participants can experience a cliff when their income increases, causing their subsidy to decrease.

- **Child care:** Cliffs related to child care are the closest in average proximity ($16,540) and most significant in average magnitude ($2,430) of all of the focus programs.[10] These cliffs pose challenges across household types with children as adults are considering joining the workforce. These cliff effects are mitigated for families participating in the CCDF program, though many challenges even among CCDF subsidy recipients stem from the cost of child care relative to potential earnings.
- **SNAP:** Significant potential cliffs in the SNAP program are present for households with children with incomes near the cutoff of 185% of the FPL. SNAP also has significant interactions with other programs contributing to additional healthcare, housing, TANF, and LIHEAP cliffs.
- **TANF:** Due to its graduated design, the TANF program contributes to the smallest number of cliffs and the lowest average magnitude. Seventy-four percent of these cliffs are encountered by single adult families with children currently in the workforce, and interactions exist with programs such as housing and LIHEAP.
- **Housing:** More than a quarter of families receiving housing assistance face benefit cliffs, often due to combined benefit losses with the SNAP or TANF program.
- **LIHEAP:** Cliffs attributed to changes in LIHEAP benefits are relatively small in average magnitude. These cliffs often emerge in combination with changes in healthcare and child care costs.

Characteristics of Typical Benefit Cliffs by Program

Program/ Category	Enrollment	Unique Families Facing Cliffs	Common Cliffs	Nature of Cliff	Most Impacted Household Types
Healthcare	61,633	57,413	Adults 138% FPL Children 318% FPL	Sudden benefit Loss	ALL
Child Care	25,824	18,028	Single parent joining workforce Second adult w/children joining workforce	HH Cost Increase	All households w/ children
SNAP	11,786	6,440	185% FPL	Gradual decline up to sudden benefit loss	Single Adult w/Children
TANF	1,653	680	Combination w/SNAP, Housing	Gradual decline	Single Adult w/Children (without earnings)
Housing	7,683	2,200	Combination w/SNAP, TANF	Gradual decline	All households w/ children
LIHEAP	34,301	3,031	Stepwise declines, common cliffs at 100% FPL, 200% FPL, Combination w/ Healthcare or Child Care	Step decrease up to sudden benefit loss	Single Adult w/Children

Source: New HEIGHTS (2020), NCCP (2020), ESI (2020)

[10] In the context of this report, "proximity" refers to the increase in earnings necessary to encounter a cliff, while "magnitude" refers to net loss in resources encountered from a cliff.

Geographic analysis shows that towns with the highest levels of risk for benefit cliffs tended to have lower median household income levels, higher social vulnerability, and more reliance on goods-producing and Education and Health Services industries than the state average.

Policy Considerations

Key policy considerations emerging from this analysis seek to address situations in which constraints disrupt the ability of New Hampshire's families to participate in the workforce and improve their long-term economic prospects.

Where applicable, Section 6 of this report includes analysis of the potential impacts of policy options through use of the benefit cliffs household simulation model detailed in Sections 4 and 5. The incidence and severity of benefit cliffs are analyzed with and without the potential policy change to understand the degree to which it might impact the labor market choices faced by households.

Unemployment

Demand for labor represents a first-order consideration for New Hampshire's potential workforce. Unemployment levels have declined significantly as the recovery has progressed, but certain geographies and industries face continuing challenges. Communities reliant on service-concentrated industries have been particularly impacted, with permanent closures of some businesses leading to a new equilibrium even as health conditions improve. Regulatory and financial policies should assist businesses in these sectors, support start-up businesses, and recognize that some workers may need longer-term support due to these structural changes. In addition, the state could encourage more widespread use of the short-time unemployment program, which allows employers to reduce their employees' total hours of work rather than laying off a portion of their workforce by covering a percentage of the wages lost due to reduction in overall hours.

Child Care

Through each of the analytical lenses used in this report, child care revealed itself to be a significant barrier to labor force participation, particularly for low-income households and women. These issues were significant prior to the pandemic, and have worsened throughout, with increased need and decreased availability. Policy options to reduce child care-related workforce disincentives include:

Expand funding for the CCDF program in terms of expanding eligibility and/or increasing the number of children served.

Adjust the CCDF step options to have more intervals with smaller increments, thereby reducing financial loss due to an increase in earnings that increases one's "step."

Raise State Provider Rates (SPRs) for non-traditional hours, thus increasing supply of evening and weekend providers to meet the current demand, particularly needed by lower-income families.

Continue to pay child care providers based on enrollment, not on attendance as tying provider payment based on enrollment will likely make staff salaries and other fixed costs less burdensome and provide predictable revenue streams for providers to better plan their operations.

Include licensed-exempt providers in next market rate study to help ensure that CCDF state payment rates (SPRs) are adequately close to market rates.

Implement a universal pre-K program to substantially reduce child care subsidy benefit cliffs or associated effective marginal tax rates, as well as the costs of working additional hours among people not enrolled in CCDF.

Expand Head Start and Early Head Start as these programs reduce child care costs substantially or can eliminate them outright among working parents.

Continue funding for full-day kindergarten as the availability of full-day kindergarten can alleviate workforce constraints for numerous New Hampshire families with young children.

Encourage or support employer provision of onsite child care, which could wipe out the increased child care costs otherwise associated with working more or working for higher wages.

Supplemental Nutrition Assistance Program (SNAP) and Food Insecurity

Benefit cliffs caused by the SNAP program are of particular concern to single adult households with children as they approach the program's income limit and also contribute to numerous cliffs that are the result of a combination of other programs. Policy considerations to reduce cliff impacts include:

Increase the SNAP gross income limit from the current limit of 185 percent FPL, at which point many families approach benefit cliffs.

Provide a nominal Heat and Eat payment to SNAP recipients receiving housing subsidies, expanding the ability to remain on SNAP at higher income levels and remain eligible for USDA's free meal programs, which is the most financially damaging aspect of losing SNAP eligibility for many families.

Encourage Community Eligibility Provision (CEP) take up, which allows all students in a school or school district to receive free breakfast and lunch regardless of their household income.

Temporary Assistance for Needy Families (TANF) Cash Assistance

While families receiving TANF encountered relatively few TANF-specific cliffs, policy considerations that could expand eligibility and prevent cliffs partially or wholly resulting from losing or decreasing TANF eligibility include:

Increase the TANF earned income disregard, which currently allows recipients to claim an earned income disregard worth half of their earned income, to receive a higher TANF cash assistance grant.

Increase the TANF child care deduction, which currently allows recipients to reduce their gross income by a capped amount of child care expenses per child per month. This deduction can increase the TANF grant amount received each month and can also mitigate the impact of increased child care expenses.

Healthcare

Medicaid benefit cliffs are driven by cut-offs in Modified Adjusted Gross Income (MAGI) relative to the poverty level, which disincentivizes workers near these income cut-offs from earning extra income. The value of the premium tax credit, which declines as earnings rise among individuals covered under health insurance purchased on the health care marketplaces, is also based on MAGI income. Considerations to reduce healthcare cliff impacts include:

Incentivize or encourage employers to offer dependent care FSA. Employers seeking to incentivize more work or higher wages among employees potentially facing Medicaid cliffs could consider offering employee benefits that increase overall compensation packages without producing additional income that counts toward Medicaid eligibility or the value of the premium tax credit. Since pre-tax contributions to dependent care Flexible Spending Account (FSA) plans do not count toward MAGI income, providing access to dependent care FSA plans to help cover the costs of reasonably anticipated child care expenses could help their employees by potentially reducing their tax burden, maintaining Medicaid eligibility, and/or receiving higher premium tax credits.

Housing

Subsidized housing interacts with several other benefit programs and can often be the tipping point for a cliff. A policy option to reduce housing-related cliffs includes:

Encourage greater use of the Public Housing flat rent option. All residents in Public Housing must annually be given the option of paying flat rents that do not rise with increases in income, a unique feature for Public Housing distinct from HUD's other major rental assistance programs. By remaining constant over the course of a year, the flat rent option may be appealing to individuals who can reasonably expect to earn a high enough income that year that they would pay less through flat rents than through income-based rents.

Transportation

When a worker begins working away from home, picks up an additional shift or job, or starts working an extra day, they can incur higher transportation costs, which can (typically in combination with other increased expenses or benefit losses) disincentivize increased workforce participation. One option to reduce this barrier includes:

Incentivize or encourage employers to provide transportation to employees by exploring options like a partnership with a ride-sharing company or shuttles to workplaces. These approaches would shift the transportation costs away from workers.

Summary of Child Care and Benefit Cliff Recommendations

Category	Policy Recommendations
Child care	Expand funding for the CCDF program
	Adjust CCDF step options so that there are more intervals with smaller increments
	Raise state payment rates for non-traditional hours
	Continue to pay child care providers based on enrollment, not on attendance
	Include license-exempt providers in next market rate study
	Implement a statewide pre-K program
	Expand Head Start and Early Head Start
	Continue adequate funding for full-day kindergarten
	Encourage or support employer provision of onsite child care
Food insecurity and SNAP eligibility	Increase SNAP gross income limit
	Provide a nominal Heat and Eat payment to SNAP recipients receiving housing subsidies
	Encourage Community Eligibility Provisions take up
TANF Cash Assistance	Increase the TANF earned income disregard
	Increase the TANF child care deduction
Healthcare	Incentivize or encourage employers to offer dependent care FSA
Housing	Encourage greater use of the Public Housing flat rent option
Transportation	Incentivize or encourage employers to provide free transportation to employees