



Senate of Pennsylvania

MEMORANDUM

TO: ALL SENATORS

FROM: SENATOR CHARLES T. McILHINNEY, JR.

A handwritten signature in black ink, reading "Charles T. McIlhinney, Jr." with a stylized flourish at the end.

DATE: September 21, 2012

RE: **Co-Sponsorship Memo #32 – Addressing the Cliff Effect**

In the near future, I plan to introduce legislation that helps maintain self sufficiency for working families. Through the Commonwealth of Pennsylvania, families have access to programs that give them the opportunity to permanently bridge the gap between struggle and self-sufficiency. Yet when working families attempt to achieve self-sufficiency through these programs, they often reach a cliff that forces them to choose between an increase in income and losing their benefits. Families reach a “cliff” when, for example a \$1 per hour wage increase results in losing a benefit that has more monetary value than their increased wage can make up for. At this point, the workers face a dilemma, if they accept the raise they strived for, their families will lose access to the programs that help them make ends meet. In some cases, such as when families lose access to the child care subsidy, they may even lose the ability to work at all.

The primary goal of Pennsylvania's Department of Public Welfare TANF Program is to provide short-term support to families as they make the transition from dependence on welfare to self-sufficiency and, finally, to long-term self-support as taxpayers. The TANF Program also supports family efforts to work by providing allowances for work expenses, such as child care and transportation.

My legislation deals with two of the issues confronting poor families receiving benefits in striving for their ultimate goal of self sufficiency: eligibility for child care and the ability for families to save money for emergency expenses. Because the child care “cliff” creates one of the greatest net income losses and can lead to job loss, the first provision increases eligibility for child care supports to 300% of the federal poverty level and smooths out the increases in copayments allowing families to financially adjust to an increase in wages. This legislation will

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be beneficial to children who are able to continue in a stable day care environment, working parents who are able to continue to work and advance in their jobs and become more self-sufficient, and employers who have a work force that is more stable because their employees have consistent child care arrangements and have an incentive to stay with and advance in the same employment.

The second provision is critical to allowing families to maintain financial stability which is the key for long term independence. Many states are recognizing that reducing poverty by addressing the needs of low income families is a critical economic development issue. My legislation would allow for TANF families to maintain \$3,000 in assets in order to save for unexpected emergencies. Currently, Pennsylvania law only allows for \$1,000 which is not enough to allow families to maintain a sufficient safety net.

If you would like to co-sponsor this legislation please call my office at 7-7305 or email Gail Reinard at greinard@pasen.gov.