

Committee on Family, Children and Human Affairs

In Support of HB 1616 – Public Testimony

Derek Thomas, Senior Policy

Good morning Chairman Frizzell, members of the committee: thank you for providing me with the opportunity to testify at today's hearing. My name is Derek Thomas. I am a senior policy analyst for the Indiana Institute for Working Families. We combine research and analysis of federal and state legislation, public policies, and programs to help low-income Hoosier families achieve and maintain economic self-sufficiency.

With that goal in mind, I have a two-minute info-graphic video to illustrate the “cliff effect”—the benefit “cliff” that occurs when even a \$0.50 increase in hourly wages leads to the complete termination of a benefit, and a dramatic net loss of resources. The unintended consequence of this design either leads to a disincentive towards economic mobility, or leads to a situation in which the parent or guardian is working harder, but is financially worse off ([cue video](#)).

As you can see, for low-income families working their way towards the middle class, and towards self-sufficiency – the ability to support a family without public or private assistance – mobility is stifled.

As a member of the Indiana Community Action Association, we hear stories of families turning down raises and full-time work in order to preserve their child's place in quality childcare. Studying the child care cliff-effect elsewhere, research shows that families have not gotten married, not accepted child support or have not turned in their redetermination paperwork in order to keep their benefits.

Even during the 2nd Gubernatorial Debate ([watch at 40:40](#)), Amy Leonard (student, waitress and single mother of 3 stood up and addressed the very issue we're beginning to resolve today. Amy said: *“Once I report my income to the state when I got my job, all of my state assistance ended. We have a system that seems to punish those that are trying to help improve themselves and the lives of their families...”*

Because childcare is a work-related expense, access increases labor supply according to an extensive body of research. Research also shows that particularly for low-income, less-skilled/less educated single or married females, access to childcare helps to build skills and experience.

As the number of impoverished and low-income Hoosiers continues to rise in Indiana – now at record levels – and the share of our middle-class shrinks, it's imperative that we support economic mobility to grow our middle-class. Extending the exit eligibility to 250% FPL does just that by rewarding work and reflecting the income required for a family's most basic needs, allowing them to smoothly transition into economic self-sufficiency.