

# OFFICE OF FISCAL ANALYSIS

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sHB-5540

AN ACT CONCERNING THE MITIGATION OF BENEFITS CLIFFS.

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Social Services, Dept.	GF - Cost	at least \$750,000	at least \$2.6 million
Labor Dept.	GF - Cost	None	Significant
Social Services, Dept.; Office of Early Childhood	GF - Cost	\$1.4 million	\$1.7 million
Department of Housing	GF - Cost	\$2.9 million	\$2.9 million

Note: GF=General Fund

**Municipal Impact:** None

### **Explanation**

The bill results in increased costs to the state associated with expanding eligibility under the Temporary Family Assistance (TFA) program and establishing a two-year pilot program to mitigate benefits cliffs for two hundred households receiving public assistance.

**Section 1** results in a one-time cost to the Department of Social Services (DSS) of at least \$750,000 in FY 27 to support system modifications due to changing eligibility and benefit levels under TFA.

Section 1 eliminates the TFA asset limit, effective 7/1/27. On average, 20 applications are denied each month due to exceeding the asset limit. Assuming those denied will now be eligible under the bill's provisions, DSS will incur costs of at least \$1.8 million in FY 28 and \$2.3 in FY 29. DSS will experience additional costs associated with newly applying households, at an estimated average cost per household of

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approximately \$765 in FY 28.

Section 1 also creates a transitional benefit for households with income exceeding the federal poverty level (FPL) and requires DSS to gradually reduce benefits over the course of six months. This is anticipated to result in a cost of at least \$850,000 in FY 28 and \$1 million in FY 29. Actual costs will depend on the reduced benefit levels determined by DSS and eligible clients.

DSS will incur additional costs beginning in FY 29 associated with a \$5,000 labor force retention bonus provided to any family that transitions out of the program due to income that exceeds the eligibility standard after twelve months of such transitional benefit. Assuming the same rate of participation as those under the transitional benefit, DSS will incur additional costs of at least \$2 million in FY 29.

**Section 1** also requires that families receiving the transitional benefit established by the bill be referred to a case manager from the Jobs First Employment Services (JFES) program<sup>1</sup>, which is administered by the Department of Labor (DOL). This results in a significant cost starting in FY 28 associated with increases in workload and subsequent need for additional staff. For reference, the cost of hiring an additional case manager would be at least \$60,000<sup>2</sup>.

**Section 2** requires DSS to exclude the new transitional TFA benefit when determining a family's eligibility for SNAP benefits. SNAP benefits are federally funded.

**Section 3** results in a cost to DSS and the Office of Early Childhood (OEC) related to establishing a two- year benefits cliff pilot program for 200 households receiving public assistance. The program must be designed to align with the recommendations of the benefits cliff study

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<sup>1</sup> There are currently 42 Jobs First Employment Services case managers across the state, averaging 53 clients each.

<sup>2</sup> The DOL currently contracts with the five Workforce Regional Boards for the delivery of the program.

report required by Special Act 24-8.

The benefits of cliff pilot cost analysis provides a framework through which different design parameters can be analyzed. The study presents three pilot models to assist 200 families, resulting in costs from between \$3 million and \$7 million over a three or four-year period. The study suggests the stable benefit pilot design as the best fit to maximize family supports. This is anticipated to result in annual costs of approximately \$1.4 million in FY 27, \$1.7 million in FY 28, \$1.9 million in FY 29, and \$1.7 million if continued in year four. Approximately 62% of annual costs reflect benefit payments with the remaining funds used to support operation costs. Actual costs depend on the final pilot design, related federal funding and timeframe in which it is operational.

Additionally, the bill results in a cost to the Department of Housing (DOH) of approximately \$2.9 million in FY 27 and FY 28 due to including housing assistance as part of the public assistance required under the pilot (housing assistance was not included in the benefits cliffs pilot cost analysis). The average rental assistance program (RAP) certificate costs the state approximately \$14,400/annually. If the program resulted in continuing a certificate at the same level for two years for 200 households, this would result in a cost of about \$2.9 million in each year.

DOH does not remove households from the RAP program unless the household is no longer eligible. However, changes in eligibility and associated changes to the average RAP certificate cost may impact how many certificates can be issued in the future.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to the structure of and benefits provided under TFA and workload increases to the JFES program. The bill limits the pilot program to two years.