
OLR Bill Analysis

sHB 5540

AN ACT CONCERNING THE MITIGATION OF BENEFITS CLIFFS.

SUMMARY

This bill eliminates the asset limit for Temporary Family Assistance (TFA), increases TFA benefits for certain households, and creates a transitional benefit and a labor force retention bonus under the program. The Department of Social Services (DSS) must refer families that receive this transitional benefit to Jobs First Employment Services to assess whether they would benefit from any workforce developmental services. The department must also refer families to Care 4 Kids when they report new or increased employment or leave the program because they reached the time limit.

The bill also requires DSS to disregard a TFA transitional benefit when determining eligibility for the Supplemental Nutrition Assistance Program (SNAP) (§ 2).

Lastly, the bill requires DSS and the Office of Early Childhood (OEC) to enter into a public-private partnership to establish a two-year pilot program to mitigate benefits cliffs for 200 households receiving public assistance.

EFFECTIVE DATE: July 1, 2026

TFA ELIGIBILITY AND BENEFITS

TFA is the state's cash assistance program for low-income families administered by DSS. The federal Temporary Assistance for Needy Families (TANF) block grant partially funds TFA.

Eliminated Asset Limit

Under current law, households with assets over \$6,000 are ineligible for TFA. Starting July 1, 2027, the bill eliminates this asset limit, prohibiting DSS from denying a family TFA benefits based on the

family's assets.

Transitional TFA Benefit

By law, households with gross earnings (including earned and unearned income) over the federal poverty level (FPL) are generally ineligible for TFA. For a period starting when the family's total earnings exceed FPL and continuing for up to six months, the law requires DSS to (1) disregard earned income up to 230% of FPL, which generally allows more families to stay eligible for TFA during this period and (2) give a reduced benefit to families with total gross earnings between 171% and 230% of FPL.

Beginning July 1, 2027, the bill requires DSS to give a transitional TFA benefit, starting the first month that a family's total gross earnings exceed FPL. The transitional benefit must be 100% of the family's previous TFA benefit for the first six months. For the six months following that period, DSS must gradually reduce the transitional benefit to \$0 on a schedule it sets.

Referrals for Other Programs and Services

The bill requires the DSS commissioner to refer a family to Care 4 Kids if the family reports to DSS that a family member has new employment or increased employment hours. The Care 4 Kids program offers child care subsidies to income-eligible families when the parents are working or participating in certain education or job training programs.

Federal law generally puts a 60-month, lifetime limit on receiving TANF-funded cash assistance. State law sets a 36-month limit but exempts families from it in certain circumstances (for example, a recipient caring for a child under age one or a household member with a disability). By law, DSS must inform a family leaving TFA at the end of these time periods about other available services, including employment services, the earned income tax credit, and emergency housing. The bill adds Care 4 Kids subsidies to this list.

Under the bill, DSS must refer any family that gets the transitional

benefit to a Jobs First Employment Services case manager to determine whether there are any workforce developmental services that may benefit the family. Jobs First Employment Services is a Labor Department program that gives training and job search help to TFA recipients.

Labor Force Retention Bonus

The bill requires DSS, within available appropriations, to give a \$5,000 labor force retention bonus to families that transition out of TFA due to exceeding the eligibility standard after getting the 12-month transitional benefit described above.

SNAP ELIGIBILITY DETERMINATIONS

The bill also requires DSS to exclude the transitional TFA benefit described above when determining a family’s eligibility for SNAP benefits.

PILOT PROGRAM ON BENEFITS CLIFFS

The bill requires DSS and OEC to enter into a public private partnership and establish the two-year pilot program within available appropriations and in consultation with the Labor Department, the Department of Housing, the Office of Workforce Strategy, and the two-generational initiative. The pilot program is to mitigate benefits cliffs for 200 families receiving public assistance, including TFA, SNAP, or housing assistance.

The bill requires DSS and OEC, in consultation with the entities above, to design and evaluate the pilot program following recommendations from the two-generational initiative’s study required under SA 24-8. Among other things, the study recommends a pilot program that ensures participants get a stable, unchanging benefit for the program’s duration, even if their income changes.

DSS and OEC must annually report on the pilot program, starting by January 1, 2027, to the Education, Housing, Human Services, and Labor committees. The report must include:

1. the number of households enrolled in the pilot program,

2. transitional assistance these households received or will receive to avert benefits cliffs,
3. impacts on the state economy of program enrollees remaining employed during the pilot program, and
4. resources needed to sustain the program.

COMMITTEE ACTION

Human Services Committee

Joint Favorable

Yea 16 Nay 7 (03/19/2026)