What's in Build Back Better?

Lots to Help Working Families Get Ahead

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KEY PARTS OF THE PACKAGE WILL DRIVE ECONOMIC MOBILITY FOR THE MIDDLE CLASS AS WELL AS THE WORKING POOR

One important impact of the Build Back Better Act has received surprisingly little attention in current debates—this is the large boost BBB would provide for employment-driven family *economic mobility.* Known as a core American value, "economic mobility" refers to opportunities that help individuals and families increase their earnings and economic security through employment, job promotions, and moves to better jobs.

As many programs are currently structured, they actually deliver a punishment for parents who enter the workforce, get a promotion, or move to a better job.

Many families that begin to work or pursue higher wages face the "cliff effect" when they lose—or "fall off"— eligibility for a public benefit due to small increases in their income, leaving them worse off despite earning more. Often, the costs of employment, such as those related to child care and transportation, outweigh the financial gains of work. BBB increases supports for employment by reducing the cliff effects, making it financially possible for parents to enter the workforce or accept higher wages.

Take Tracy, a mother of a two-year old child in Louisville, Kentucky. Tracy works full-time as a security guard and makes $31,000 per year. At this salary, she cannot afford to work without public benefits; she needs public benefits, in addition to her full-time employment, to pay her basic living expenses. She qualifies for public health insurance for her child, child care subsidies, SNAP (commonly known as food stamps), WIC nutritional assistance, and the Earned Income Tax Credit. But when Tracy received a $3,000 raise, she was no longer eligible for child care subsidies or SNAP. For Tracy, her $3,000 salary increase led to a $6,000 loss in public supports, meaning she can no longer afford to pay for the child care she needs to remain employed. Cliff effects **disproportionately impact Black and Hispanic families** and often trap families in poverty instead of lifting them out of it.

FIXING TWO CLIFFS THAT KEEP WORKING FAMILIES FROM GETTING AHEAD

BBB addresses two of the most severe benefit cliffs—those related to child care and health insurance. **The child care cliff is removed or greatly reduced for most families by expanding eligibility for child care subsidies.** In the first year of the law's phase-in, families with incomes up to 100 percent of the state median income will be eligible for subsidies (e.g., 100 percent of the SMI is $67,949 in New Mexico; $84,549 in North Carolina; and $103,900 in Connecticut). This cap rises to 150 percent of SMI in year three, and 250 percent of the SMI after four years. **Copayments,** which would rise with income, would be capped at amounts between 2 and 4 percent of family income for families at 100 to 125 percent of the SMI and at 7 percent for the highest income families that are eligible for child care subsidies. No copayments would be required for families with incomes below 75 percent of the SMI.

BBB's large investment in **expanded prekindergarten programs** would also contribute to reduced cliff effects related to child care. These programs, free to parents, would cover a large portion of parent work hours, and all of parents' work hours if child care subsidies are used by the program or the family to extend the day.

BBB's health insurance provisions through the Affordable Care Act would remove the significant health insurance benefit cliff in two ways. It would fill the gap in health insurance coverage for non-disabled parents living below the poverty line in Medicaid non-expansion states, and it would address the abrupt increase in health insurance costs as income rises.

In 11 of the 12 states that have not expanded Medicaid, the Medicaid income limit for adults is set below 100 percent of the federal poverty line (FPL), averaging 40 percent of the FPL. Currently, adults do not qualify for subsidies to purchase insurance through the ACA marketplaces until their income reaches 100 percent of the federal poverty line. Therefore, adults in these states must often choose between taking any employment and losing health coverage or staying unemployed and receiving Medicaid health coverage. BBB would fill this gap, by providing subsidies to purchase health insurance on the ACA marketplaces for people earning less than 100 percent of the FPL, regardless of where they live. For middle income families, prior to the American Rescue Plan Act (ARPA), the ACA abruptly ended subsidies for health insurance at 400 percent of the poverty line (approximately $88,000 for a family of three), creating a cliff for those who earned just over that amount. ARPA eliminates this cliff by extending the income cap for subsidies and gradually phasing out subsidies as income rises. BBB would **extend this provision** after 2022, when it currently expires.

While economic mobility resulting from reduced cliffs increases the well-being of individual families, some additional benefits are worth noting. The economic mobility BBB would promote is likely to fuel long-term **economic growth** by helping ensure an adequate labor force with diverse talents and the potential to acquire new skills through training. Conversely, when individuals are "stuck" at lower rungs on the economic ladder (either unemployed or in positions that do not use their skills), they are not available to employers who may need them and who, in some cases, could offer training to build skills in high demand. There is also evidence that children's belief in opportunities for economic advancement, influenced by what they see in their families and communities, contributes to persistence and effort in school. This means that children's **perceptions of economic mobility** encourage socially valued behaviors that help them advance and benefit their communities.

As a critical outcome of BBB policies, economic mobility deserves more attention. It is an outcome all families deserve so that they can see a future offering greater financial security and opportunities for their children to thrive.

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