EXHIBIT C1

Testimony on Benefits Cliffs and Their Implications

Before the

Arkansas Legislative Council
Hospital, Medicaid, and Developmental Disabilities Study Subcommittee

Room A, MAC, Little Rock, Arkansas

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Erik Randolph <erikr@foropportunity.org>

Director of Research, Georgia Center for Opportunity

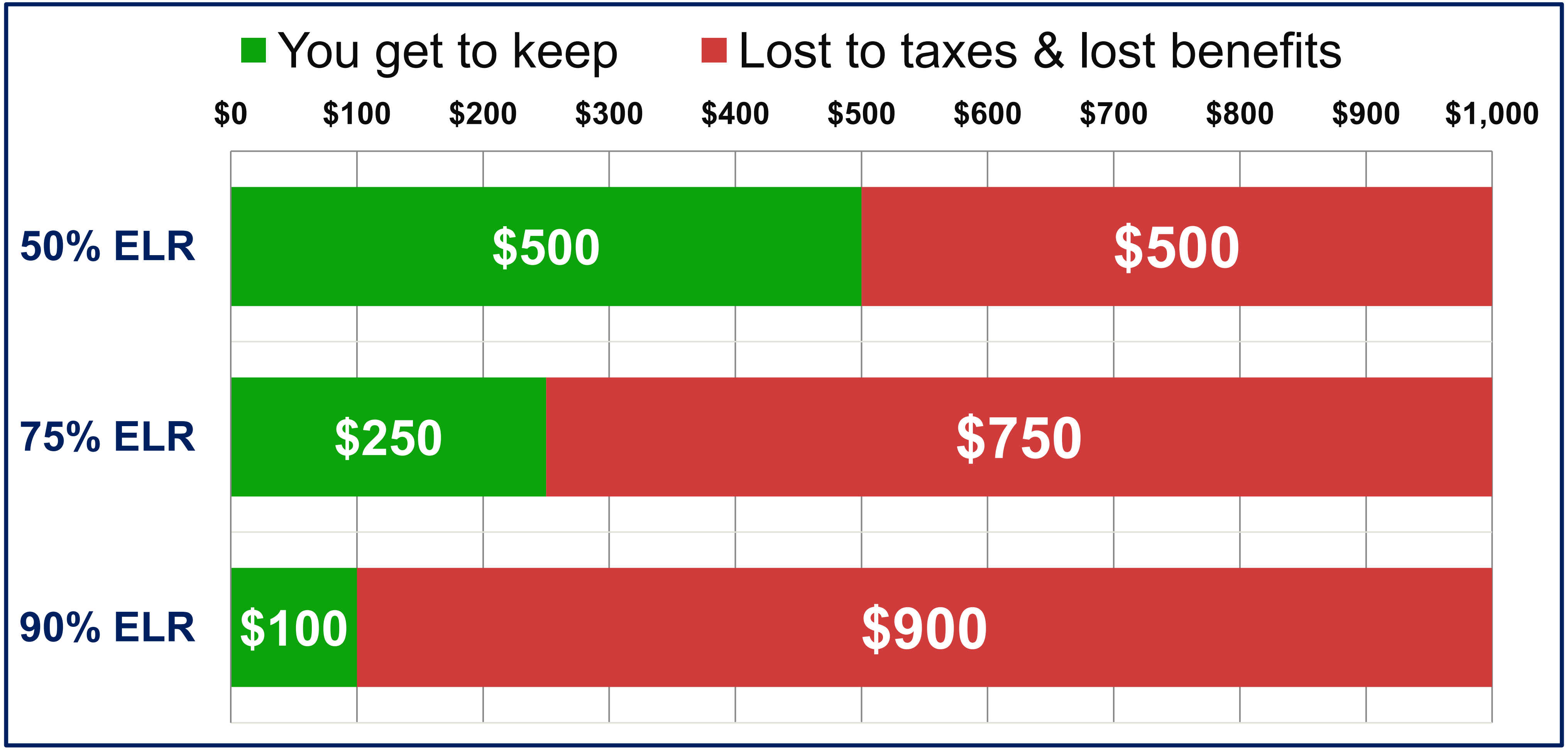
Agenda

- Introduction
- Benefit Cliffs in Context
- Solutions in General
- High Earnings Loss Rates and Benefit Cliffs in Arkansas
- What the Arkansas Legislature Can Do
- Questions and Answers

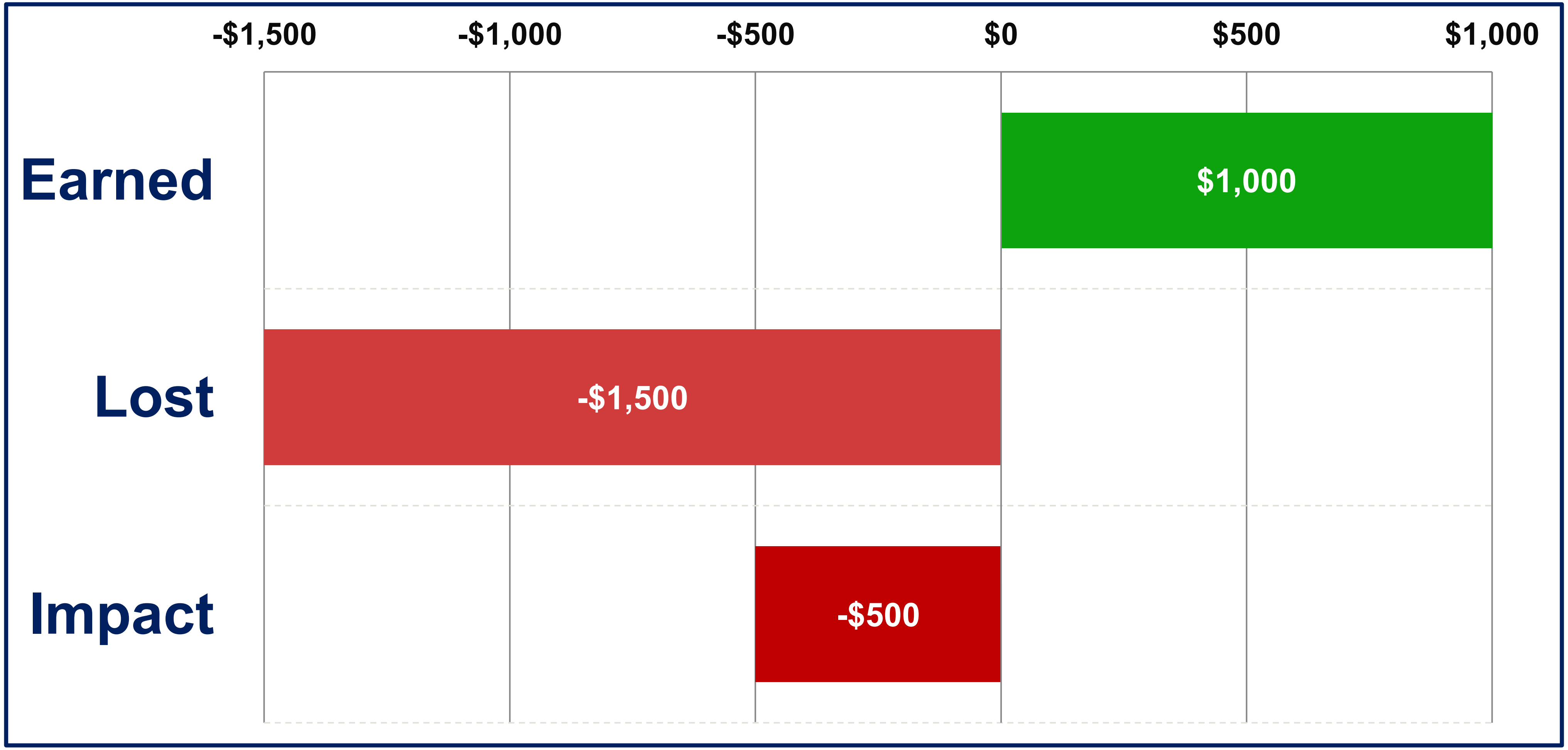
Introduction

- The Georgia Center for Opportunity (GCO) is a nonprofit organization that develops policy solutions and replicable community-based programs to create durable pathways out of poverty.
- The Alliance for Opportunity (A4O) is a collaborative project that researches and implements policy reforms to help people move from dependence to the dignity of work and a flourishing life. A4O includes member organizations from Georgia, Illinois, Louisiana, Mississippi, Ohio, Texas, Utah, West Virginia, and D.C.

Significance of Earnings Loss Rates (ELRs)



Example of 150% ELR Benefit Cliff



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Earnings Loss Rate Severity Scale Policy Guide

Severity	Range	Description
Prohibitive	100% < ELR	Benefit cliff: total disincentive, punitive, and very significant potential for behavioral change to avoid loss
Extreme	75% < ELR ≤ 100%	Extreme severity: little to no incentive for gaining more income, and significant potential for behavioral changes to avoid loss
High	50% < ELR ≤ 75%	High severity: high potential for behavioral changes to avoid loss
Moderate	25% < ELR ≤ 50%	Moderate severity: some moderate potential impact on behavior to avoid loss
Low	0% ≤ ELR ≤ 25%	Low severity: little to no potential impact on behavior to avoid loss
Negative	ELR < 0%	Negative severity: benefit gain exceeds gain in earnings, creating significant potential on behavior to earn more

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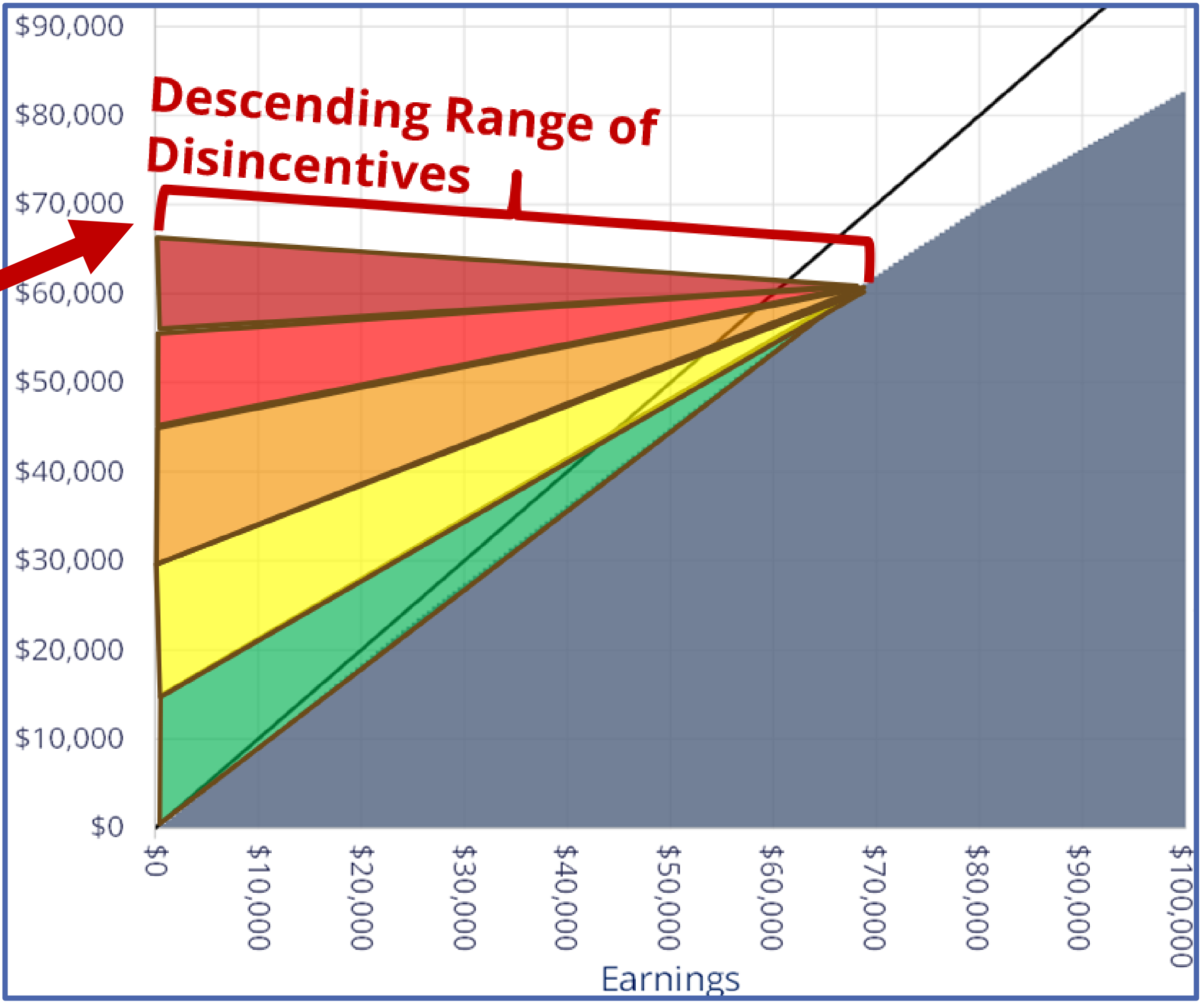
Earnings Loss Rates are Additive

	15%	Lost to Taxes
+	30%	Lost to Lost Benefits
=	45%	Total Amount Lost



Stacking Effect

Even when all programs taper to zero smoothly and slowly, multiple programs can still cause benefit cliffs, or, worse, a descending range of cliffs

Key Parameters for Meaningful Solutions

- The Solution Must Be Real and Scalable
- Do Not Shift Cliffs & High ELRs to Other Populations
- Address the Underlying Causes and Critical Factors
- Keep the Solution Fiscally Responsible

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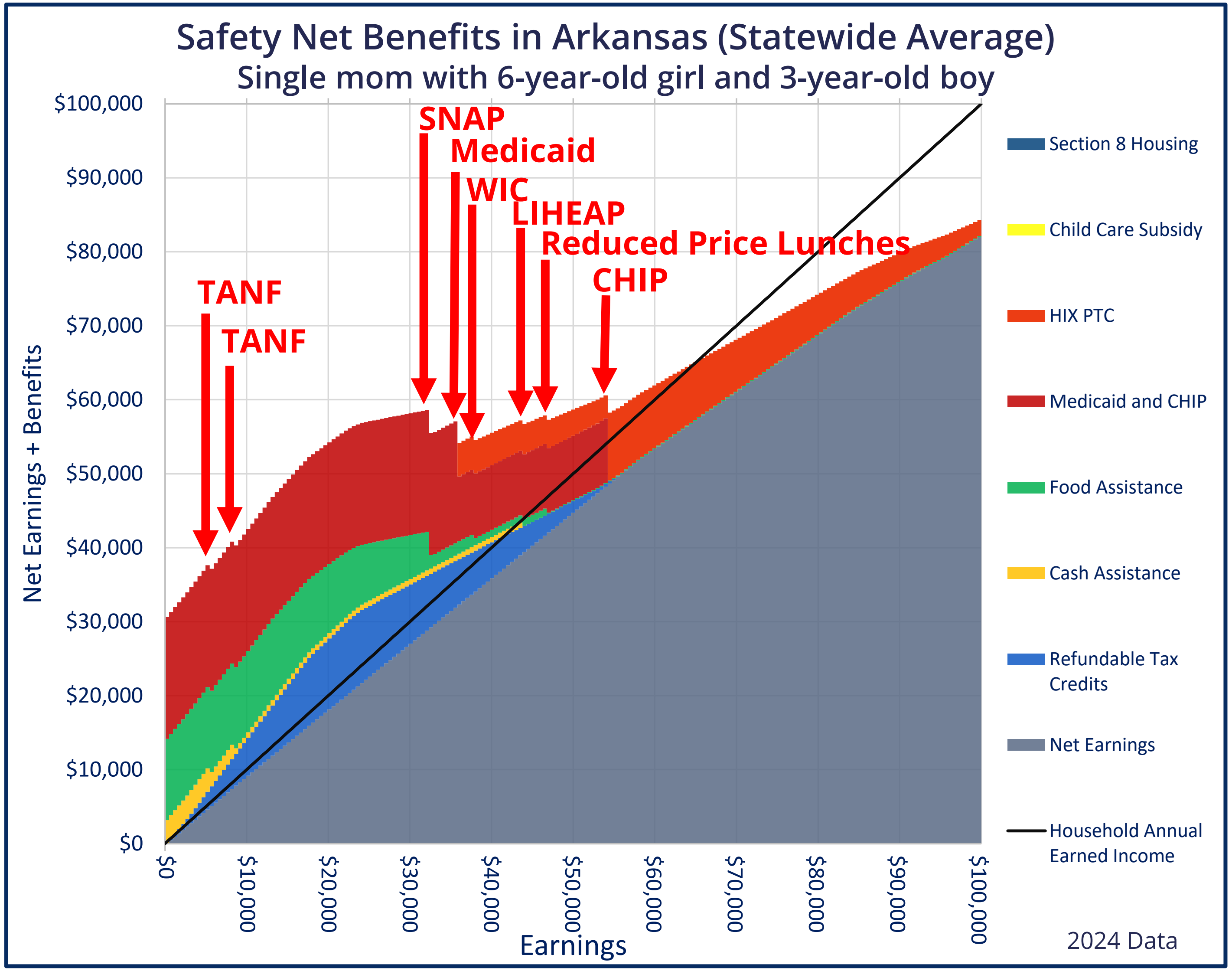
AR Benefit Cliffs

Basic Benefits Package

Size	Earnings	Cause
-$487	$5,500	TANF cash Reduction
-$497	$8,500	TANF cash loss
-$3,138	$32,500	SNAP benefit loss
-$2,892	$36,000	Adult Medicaid loss
-$482	$38,000	WIC benefit loss
-$494	$44,000	LIHEAP benefit loss
-$590	$47,000	Reduced Price Lunch loss
-$2,319	$54,500	CHIP benefits loss

8 Cliffs and
Extreme ELR Range from
$24,500 to $32,000



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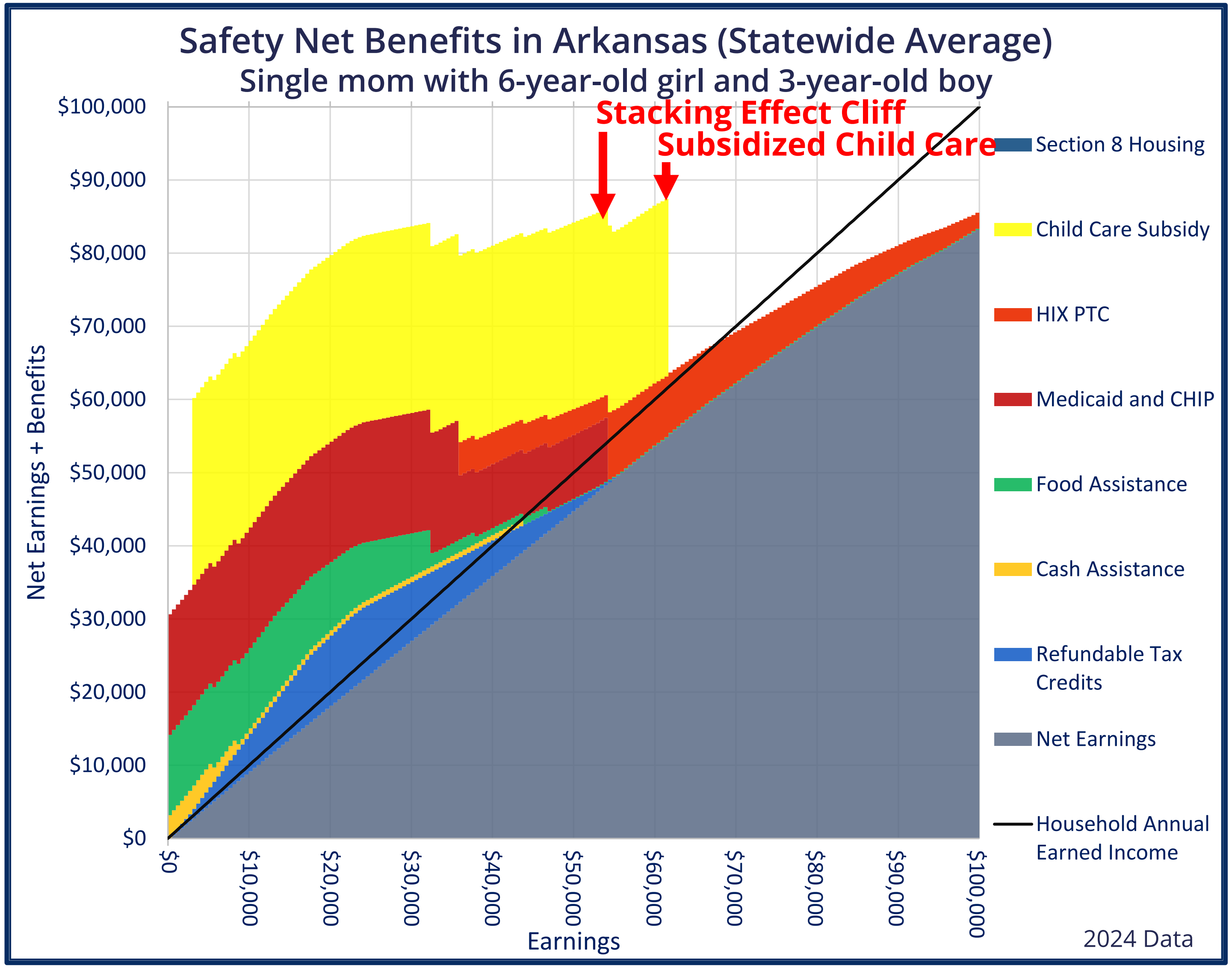
AR Benefit Cliffs

Adding Subsidized Child Care Services

Two New Benefit Cliffs

Size	Earnings	Cause
$831	$55,000	Stacking Effect Cliff
$23,727	$62,000	Subsidized Child Care loss



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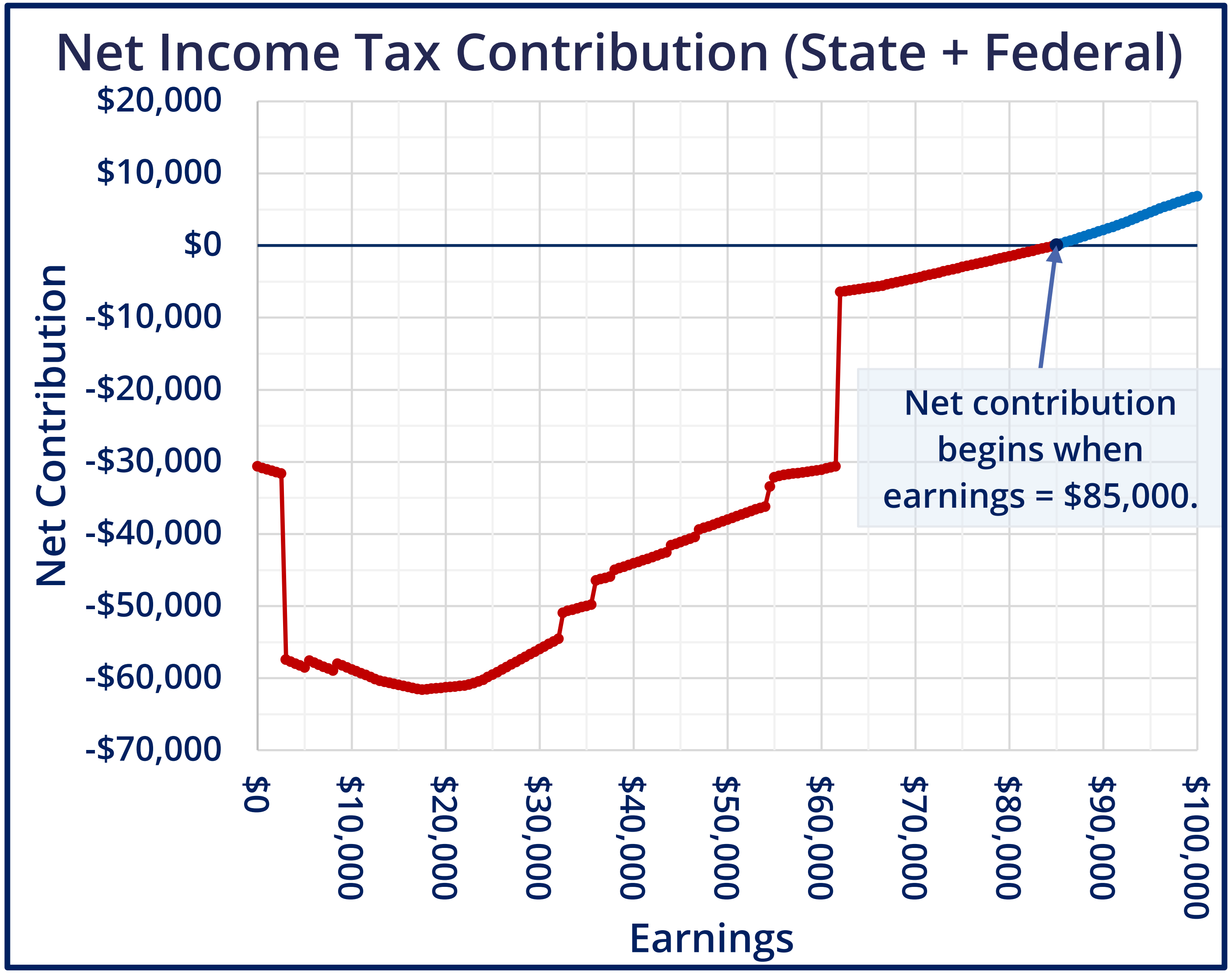
Defining the Upper Range

Basic Package + CCAP

We use the earnings level when the family first makes a net contribution to income taxes to evaluate the distribution of ELR severity.



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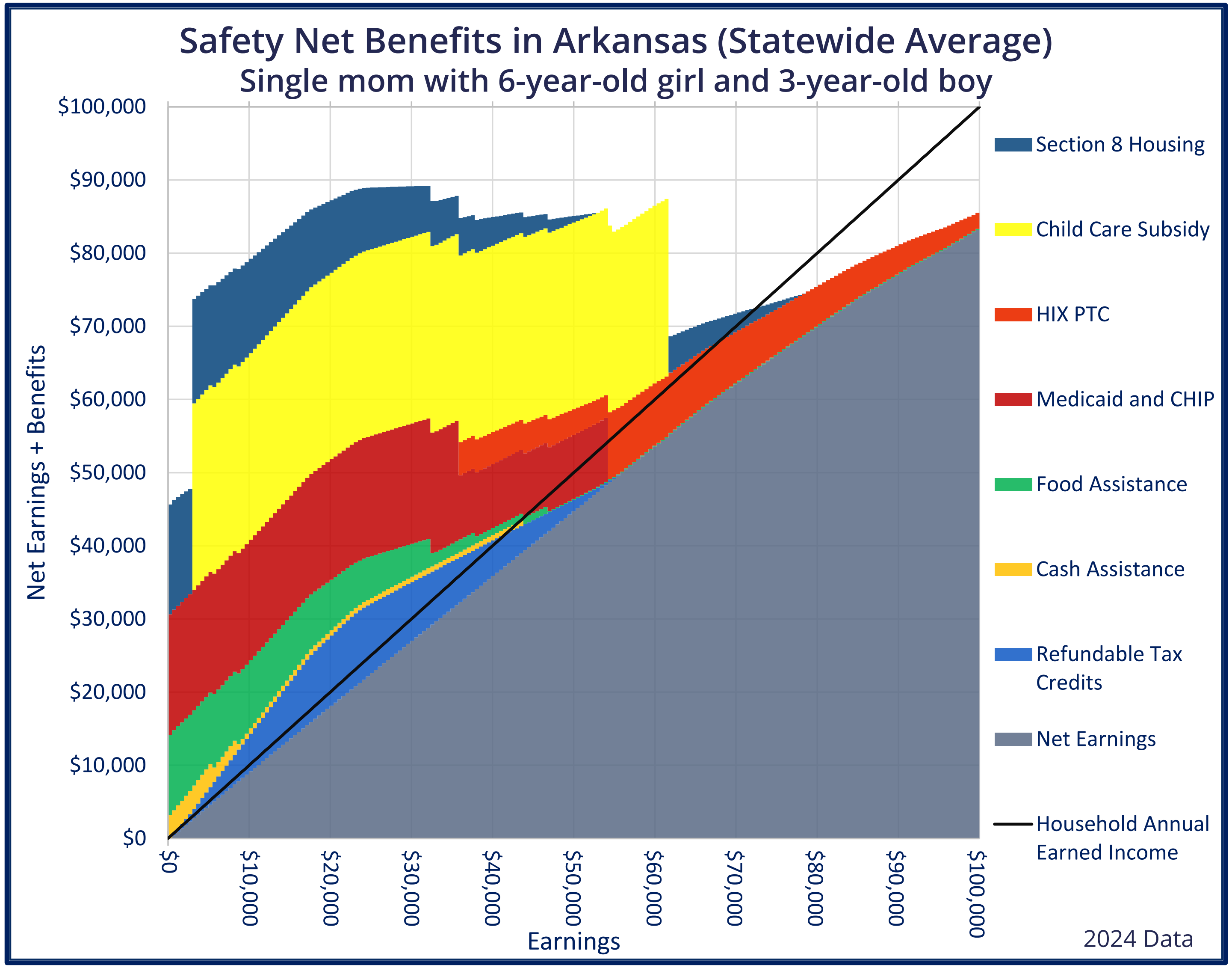
Adding Section 8 housing

Note significant flatness indicating extreme ELRs (see next slide)

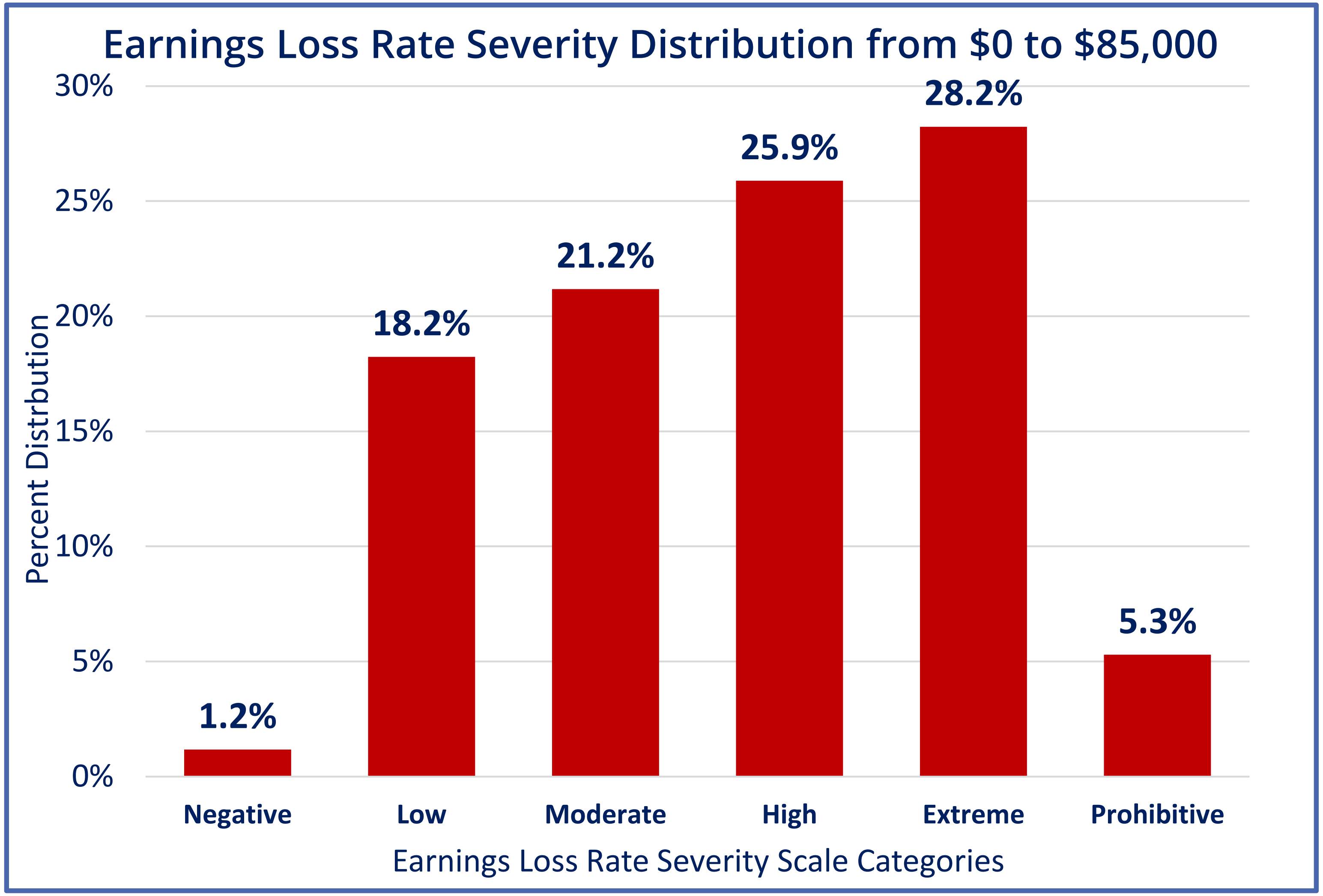


ELR Distribution

After adding Section 8 housing (Complete Benefits Package)

Upper range stops with the first net positive income tax contribution

59.4% of range is either a high ELR, extreme ELR or a benefit cliff, concentrated in the middle range



What Arkansas General Assembly can do

A few ideas:

- SNAP Section 2026 Demonstration Project
- Medicaid: Health saving accounts & bridge accounts
- Medical Assistance: Federal waivers for health insurance reform
- Subsidized Child Care Strategy: (i) regulatory review, (ii) promote home & relative care settings, (iii) Public-Private Partnerships

Questions & Answers

Contact information:

Erik Randolph (erikr@foropportunity.org)

Director of Research, Georgia Center for Opportunity