

House Committee on Human Services

Testimony of Christopher J. Curtis
Staff Attorney, Vermont Legal Aid
February 14, 2014

Madam Chair, and Members of the Committee:

Thank you for inviting testimony on H.790 (“An Act related to Reach Up Eligibility”).
Vermont Legal Aid supports this important legislation.

For years advocates, lawmakers, and administrations past and present have talked about the importance of addressing the so-called “benefit cliff” – meaning, the point at which public assistance disappears as a result of earnings.¹ This legislation does something about it.

Eliminating the asset test encourages saving, something current policy forbids beyond \$2,000. Increasing the earned income disregard helps “make work pay” by stabilizing and maximizing family income combined with a temporary grant to help families actually get ahead by working.

This legislation creates an incentive to work. For some families under the current policy, it is cheaper to incur a sanction for failing to meet work requirements (\$75) than to accept a job where the increased cost of going to work, transportation, child care, etc. results in a loss of benefits. Such a result is an unintended consequence of outdated policies. The poorest families should not be blamed for attempting to maximize the meager resources available to them. Rather, the policies should change to meet the need and create the right incentives to help the lowest income families succeed. H.790 would help to accomplish that task.

Stabilizing Vermont families on Reach Up is critically important to helping solve the housing-wage gap for the lowest income families:

- According to the 2013 Reach Up Work Group report **40% of Reach Up respondents moved 2-4 times in the last two years.**
- The Department for Children and Families tells us that **65-80% of all beneficiaries of the Vermont Rental Subsidy are Reach Up participants.**

¹ “Reach Up Work Group Report,” Department for Children and Families (2013). Available at: <http://www.leg.state.vt.us/reports/2013ExternalReports/294960.pdf>. “Addressing the Benefits Cliff: Recommendations for Further Action,” Agency of Human Services (2010). Available at: <http://www2.leg.state.vt.us/CommitteeDocs/Vermont%20Child%20Poverty%20Council/Reports%20and%20Resources/1-13-2010-Benefit%20Cliffs-Addressing%20the%20Benefit%20Cliff-%20Recommendations%20for%20Further%20Action.pdf>; “Improving the Odds for Kids,” Report of the Childhood Poverty Council (2009). Available at: http://www.leg.state.vt.us/WorkGroups/ChildPoverty/Child_Poverty_Council_Report_Final.pdf

- **Generational poverty persists under the old policy: The Reach Up Work Group report shows that 53% of current participants were children of parents who participated in Reach Up.**

While it is true that for many Reach Up families the program does provide the temporary support they need to move off the program within 18-24 months, too many families are not moving out of poverty and end up falling back on the program resulting in “churn.” As a result, the existing asset and income disregard policy is not meeting the desired goals of better outcomes for families and reduced caseloads by helping families to self-sufficiency.

H.790 is a major step in the right direction. This approach is a key recommendation of the recently concluded Reach Up working group, established by the legislature in Act 50. In addition, the organizations making up the majority of the Governor’s new Poverty Council (“Pathways from Poverty”), among others, are in support. In fact, these strategies are acknowledged as far back as the Douglas Administration as important to helping more families reach self-sufficiency. Vermont Legal Aid urges you to take action on this important issue and pass this important legislation.

Thank you for your consideration.

Support H.790: Making Work Pay, Encouraging Savings and Increasing Family Stability for Reach Up Families

Under current rules Reach Up families cannot save more than \$2000 and grants are reduced dollar-for-dollar after the first \$200 and 25% of earnings are disregarded.

Eliminating the Asset Test and Increasing the Earned Income Disregard Will:

1. Create incentives for work and promote savings that will encourage families to develop behaviors that lead to self-sufficiency.
2. Allow families to keep more of what they earn and preserve the few resources they do have, like emergency or college savings, and avert financial disaster.
3. Increase government efficiency.

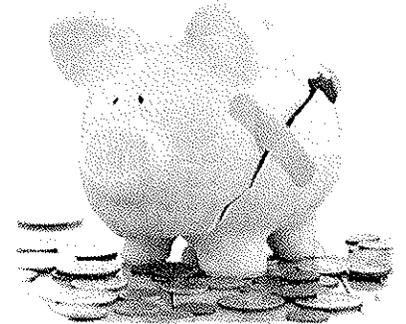
Impact on Families

- The asset test **sends the wrong message** to our poorest families. It tells Reach Up recipients to spend not save. It **prevents them from taking responsibility** for their family's financial future.
- Families should not be forced to spend down college savings or emergency savings in order to receive benefits.

Impact on the State

- The **Reach Up asset test consumes administrative resources** because caseworkers have to go through unnecessary verifications.
- Eliminating the Reach Up asset test should save time, reduce paperwork for families and state employees and result in greater efficiency. **In Illinois, the state estimated a cost savings of \$960,000.**
- Increasing the earned income disregard **increases state work participation rates** helping Vermont comply with federal law.

BOTTOM LINE: Eliminating the asset test and increasing the earned income disregard for Reach Up families will help Vermont's work participation rate, will lead to greater efficiency, and will support families' efforts to become financially independent.



An Outdated Policy

Asset limits no longer serve a useful purpose:

Before the 1996 welfare reforms they served to limit welfare to those most in need.

Under the stringent work requirements put into place by welfare reform, a single parent with 2 children in Vermont must be engaged in 20 hours per week of work activities to receive a monthly grant of \$640.

This is a sufficient disincentive for a person with significant assets to apply for Reach Up – as demonstrated by how few cases are denied for being over assets.

Given these built in deterrents, asset limits have become outdated, unnecessary, and potentially harmful to families.

Questions:

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The following organizations support H.790:

Champlain Housing Trust

Lund Family Center

Vermont Works for Women

VT-NEA

Spectrum Youth Services

Voices for Vermont's Children

Vermont Low Income Advocacy Council

Committee on Temporary Shelter (COTS)

Vermont Network Against Domestic and Sexual Violence

Vermont Affordable Housing Coalition

Northeast Kingdom Community Action

Central Vermont Community Action Council

Champlain Valley Office of Economic Opportunity

John Graham Shelter

Vermont Legal Aid, Inc.

Morningside Shelter

Upper Valley Haven

Samaritan House, Inc.