

Vermont House Committee on Human Services
Testimony of Dan Lesser
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Chicago, Illinois
February 14, 2014

Thanks for the opportunity to testify today about Illinois' Work Pays earned income disregard, one of the enduring policy successes of our cash assistance program.

The Work Pays earned income disregard policy has been in effect since 1992, five years before the Temporary Assistance for Needy Families (TANF) program was implemented in 1997. For 22 years, this policy has enjoyed broad bipartisan support. Under the earned income disregard policy that went into effect in 1992, our state agency has disregarded \$2 out of every \$3 earned in determining the amount of the monthly TANF benefit. In 2010, without opposition, our public aid code was amended to increase the earned income disregard from 2/3 to 3/4.

The earned income disregard is an important part of the overall continuum for TANF program participants. Typically they begin their participation in the TANF program when they are destitute, with little or no income and frequently little if any assets. Often they are carrying substantial debt. As the program helps bring stability to their lives, they can begin to move forward. This can be a slow process with two steps forward and one step back. The earned income disregard allows families to begin their ascent towards self-sufficiency without fear that their TANF grant and the financial stability it provides will be prematurely removed. It keeps them connected to their TANF caseworker and through them to supports and referrals needed to move successfully towards self-sufficiency. It is good for families because it allows them to reach a much higher level of financial stability before they become ineligible for assistance.

While not a substitute for failing to increase the monthly TANF grant to keep pace with the cost of living, increasing the earned income disregard from 2/3 to 3/4 has at least allowed participants to continue receiving some assistance until their income reaches four times the amount of the full monthly grant.

The Work Pays earned income disregard policy is also a cost effective way for the state to meet its mandatory federal work participation rate. Any TANF recipient in unsubsidized employment for at least 30 hours per week counts towards meeting the TANF work participation rate. A policy that enables the state to provide low-wage persons working at least 30 hours per week a modest TANF grant and then count them towards the state's required work participation rate is far more cost effective than meeting the work participation rate by other means. In Illinois, a substantial number of people who meet the requirements for being counted towards the work participation rate are working and receiving the Work Pays earned income disregard.