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January 7, 2014

Hon. Ann Pugh, Chair, House Human Services Committee  
Statehouse  
115 State Street  
Montpelier, VT 05633

Dear Chair Pugh and Members of the Committee:

Thank you for inviting testimony on the recently concluded Reach Up work group report commissioned by the Vermont Legislature. Vermont Legal Aid represents low-income Vermonters in a wide variety of civil legal matters including appeals involving access to the Reach Up program.

**Vermont Legal Aid supports the recommendations of the work group report.** As this committee well knows, Legal Aid (among others) opposed legislation passed last year to create time limits for Reach Up participation. While the final legislation was significantly improved from initial proposals, we remain unconvinced that there is data or evidence to support the notion that arbitrary time limits help low-income families succeed.

In contrast to last year's effort to restrict access to the program beyond certain time limits, the work group report focuses almost exclusively on creating incentives and opportunities for Reach Up participants to successfully graduate from the program. The report is voluminous and the number of total recommendations is great. But, in general we support the four key recommendations of the report: 1) **reducing caseloads** so case managers can be more effective at assisting families, 2) **ensuring financial stability** for participating families; 3) emphasizing **educational opportunity**; and 4) ensuring **housing stability**. We would welcome legislative action to effectuate better outcomes for Vermont's participating families in Reach Up.

We also **support the Administration's recent poverty reduction initiative** which dovetails with recommendations of the work group report. The Governor's proposal adopts elements of the work group's top priorities by investing in counseling/case management for Reach Up participants faced with substance abuse or mental health issues (\$650,000 state; \$500,000+ federal match), and by doubling the Vermont Rental Subsidy program from \$500,000 to \$1 million. More than 65% of participating families in the VRS program are Reach Up families seeking long-term affordable housing solutions for their families. We recently learned

that the program is so successful that turnover has created new openings in the existing program for more families to take advantage of. That is good news which appears to demonstrate the success of the program. Given the impacts of federal sequestration on our subsidized housing vouchers in Vermont (a loss of at least 774 vouchers to date - likely more as of this year), this is a program worthy of additional investment.

In addition to those initiatives, we hope the legislature will consider other elements of the Reach Up work group report. For example, enhancing financial stability of families and solving benefit cliff issues by eliminating outdated asset tests and rewarding work by increasing the earned income disregard. It has long been the case that grant amounts for families are clearly insufficient to stabilize them, much less pull them out of poverty - the Center on Budget and Policy Priorities (CBPP) indicates that Vermont **Reach Up grants only put a family at 39% of the federal poverty level** (a Reach Up grant for a family of 3 is \$640). Grant amounts are based on a “basic needs budget” which is set... *and then reduced by half*. Encouraging saving and rewarding work are fundamental to stabilizing low-income families and helping them move to self-sufficiency.

Vermont Legal Aid supports eliminating the asset test for the Reach Up program, and increasing the earned income disregard to **100% for six months** with reductions to 75% and 50% in the subsequent 3 month periods afterwards.

**Eliminating Asset Tests:** Currently, Reach Up families are only allowed to save up to \$2,000 in liquid assets. So, for example, if a person were meeting a work requirement and as a result earned a significant Earned Income Tax Credit (EITC) refund upon filing her tax returns, she would be required to immediately report that income and spend it down in the month received or face termination from the program for being “over asset.” Once the asset is spent down the family has to reapply to access the program. This not only sends the message that saving is bad, it is administratively burdensome for both the individual and the state.

Medicaid and SNAP programs have already eliminated their asset tests. It makes sense to make our public benefit programs consistent with one another. There is little data to support the notion this would cost the state any significant money. The reason is because it is unlikely to create new applicants based solely on assets. Hawaii and Illinois just became the 7<sup>th</sup> and 8<sup>th</sup> states in the nation to eliminate their TANF asset tests. In Illinois, they estimate elimination of the asset test generated over \$1 million in administrative savings. In addition, after review of the new rules, the state determined that only 8 households out of the many thousands of households on the program would have been “over asset” under the old rules. The asset test is a holdover from the old “Aid to Needy Families with Children” (ANFC) days. With strict work requirements effective under TANF, it is unlikely that Vermonters with significant assets will attempt to enroll in the program.

**Increase Earned Income Disregards:** Making work pay and solving the benefits cliff problem should be priorities for an effective Reach Up program. Several other states already implement higher earned income disregards, including 100% disregards for significant periods of time. That means when a family finally overcomes barriers to work including transportation, child care, etc. that they are not penalized for taking a job. They can keep every dime they earn

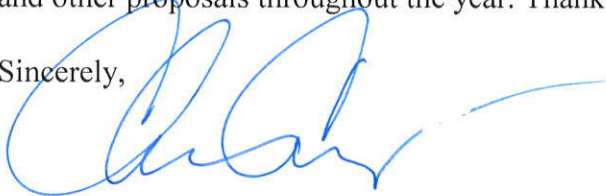
without risk of losing part of their grant amount for a period of time. In Connecticut, for example, the state has a 100% disregard for the entire duration of the participant's time on the program. It is only common sense that if more families knew they could work and not risk their grants the added incentive value would be good for families with children and good for the state's work participation rate (one of the prime reasons states adopt this measure in the first place). The unfortunate fact is, according to the CBPP, Vermont has experienced an inflation-adjusted 27% decrease in TANF benefit value since 1996. Our TANF benefit levels as a percentage of fair market rents are down to 66% in 2013 (down from 100% in 2000). The costs of housing and other expenses continue to go up and are driving families on Reach Up deeper into poverty.

In sum, it is long past time that Vermont create strong incentives for work by helping the poorest families earn and save money so they have a foundation to move to self-sufficiency. Increasing the earned income disregard makes work pay and accomplishes the twin goals of motivation and economic stabilization with a more modest impact on the budget than increasing the rateable for all grants.

Let me close with our **strong support for the Governor's Budget Adjustment request for the General Assistance temporary housing program**. As your committee well knows, major changes to the program were enacted last year. Those changes appear to be having the effect of reducing access to the program (denials up from 36% to 53% in year over year comparison of 3-month period). And, Department data suggests the cost curve of the program is bending. We support the request for additional revenues to cover the remainder of this fiscal year. Vermont Legal Aid opposes additional restrictions to access to the GA program for Vermonters in need.

Please consider Vermont Legal Aid a resource for your committee as you consider these and other proposals throughout the year. Thank you for your consideration.

Sincerely,



Christopher J. Curtis  
Staff Attorney  
Vermont Legal Aid, Inc.