

VERMONT LEGAL AID, INC.

OFFICES:

BURLINGTON
RUTLAND
ST. JOHNSBURY

7 COURT STREET - P.O. Box 606
MONTPELIER, VERMONT 05601
(802) 223-6377 (VOICE AND TTY)
FAX (802) 223-7281
(800) 789-4195

OFFICES:

MONTPELIER
SPRINGFIELD

March 28, 2014

Senate Health and Welfare Committee
Sen. Claire Ayer, Chair
Statehouse
115 State Street
Montpelier, VT 05609

Dear Sen. Ayer and Members of the Committee,

Thank you for taking up H.790 (“An Act relating to Reach Up Eligibility”). 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 is reduced or disappears as a result of earnings.¹ This important legislation begins to address that issue in a serious way. **Vermont Legal Aid supports the policy and goals – the substance, if you will – of this bill as amended. However, we oppose paying for this important reform by reducing grants for Reach Up households.**

Currently, a Reach Up grant for a household of three comes to a mere \$640. This is barely enough to sustain a family as is. In fact, the way a grant is determined is based on the state’s calculation of “basic needs” – which is then reduced by 51%. So, the household grant for families on Reach Up is essentially only 49% of what the state has determined a family requires in order to meet its most basic needs. In addition, your committee is well aware of the so-called “housing gap” in Vermont. A recent study shows that Vermont is the 13th highest rental market in the nation and that a family with two full-time working adults making minimum wage still can not reasonably afford a modest two bedroom apartment in Vermont.² In sum, the lowest income families are falling farther behind. Reducing Reach Up grants further, by any amount, risks destabilizing the poorest families with children, which is the opposite of the intent of this important legislation.

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

² <http://nlihc.org/sites/default/files/oor/OOR2014.pdf>

This bill does merit serious consideration to try to address the “benefit cliff” issue and put more money in the pockets of working families on Reach Up. However, these changes should not be paid for through grant reductions to families who either face barriers to work, or who the state has granted deferments from work requirements. Those families are still complying with Reach Up rules, yet the state has identified them as not being required to work. They should not be faced with the prospect of losing a portion of a grant to finance those households who have overcome employment barriers and already see the benefit of combining employment income with a grant.

That said, we **hope the Committee will consider other funding mechanisms** – including caseload reduction savings (which are substantial in FY 2014), and looking at the possibility of using Global Commitment funds to cover housing costs of Reach Up families with disabled household members.

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.

In fact, the new formula would result in an almost 20% increase in total income to a single mom working 20 hours a week at minimum wage. That is a good thing.

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 with the right funding source.

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.**
- 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.**

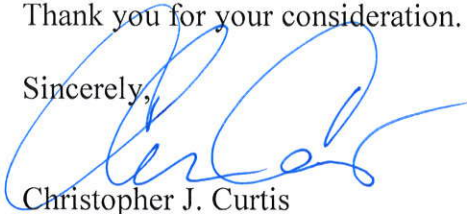
While it is true that for many Reach Up families the program does provide the temporary support they need to move off the program within 18-24 months, too many families are not

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 on its substance is an important step in the right direction – **this is a serious proposal that is worthy of funding independent of grant reductions to families who cannot work due to employment barriers or deferments from work requirements. Those families are not in position to take advantage of such an incentive and should not be asked to contribute to a benefit that they cannot use to their own advantage.**

Thank you for your consideration.

Sincerely,



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