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To: Senator Claire Ayer and Members of Senate Health and Welfare
From: Monica Caserta Hutt, AHS Director of Policy and Planning

Regarding: Questions re S.307 and the Benefits Cliff

In response to some specific questions you addressed to Carol Maloney from the Department for Children and Families, AHS consulted with both Nolan Langweil and Deb Brighton to formulate a response.

Specifically, the Committee asked us to offer cost estimates on some of the identified recommendations from Deb Brighton's 2012 benefits cliff analysis. To clarify, the recommendations identified as of interest to the Committee were cited in Deb's report only because they were culled from various other reports and analyses which examined the Vermont benefits cliff. These were not, in fact, the final recommendations arrived at through the AHS analysis in 2012.

Globally, the AHS group which worked with Deb came to the conclusion that the biggest impact on the benefits cliff issue would come from an increase in the monthly child care stipend benefit. In every modeling scenario we ran, families with children in care struggled most significantly with the benefits cliff; individuals or couples without children were able to advance more steadily and more quickly. The benefits cliff issue is clearly an issue primarily for families with young children.

Additionally, our AHS group came to the conclusion that one time, annual benefits, such as those listed in the recommendations, adjusted the annual impact modeling significantly but in practice did not have a long lasting impact on the cliff because the income was not available to address monthly expenses.

However, during our original analysis, we did identify the related costs for those recommendations in which you expressed a specific interest, based on the 2013 benefit structure. At that time, the costs would have been as follows:

• Make the VT Child and Dependent Care Credit refundable and equal to 60% of what the federal credit would be, regardless of whether or not the household actually got the federal credit: $2.5 million
• Increase the eligibility for the renter's rebate program from $47,000 to $90,000: $1.8 million
• Expand the income level at which the VT EITC begins to phase out to 150% of the current level: $12.4 million
• Implement the ACA premium level for health insurance as proposed by DVHA 3/21/12: in place, no additional cost

Additionally, you asked DCF to examine the following recommendation and provide a cost estimate:

• Increase Reach Up's earned income disregard from 25% to 50%: $835,536

In our work to address the benefits cliff through the child care subsidy, we created three possible scenarios for adjustments to the existing program.

The first was the most moderate and kept the subsidy at 100% of the possible benefit all the way to 185% of FPL. It phased out to 0% of the possible benefit at 300% of FPL and added 8,400 children to the program, essentially doubling the program in 2013. The cost for that adjustment would have been $44.8 million.

Our second possible adjustment adjusted the subsidy program in the same way as above but didn't phase out to 0% of the possible subsidy until 350% of FPL. This added 11,300 new children and would have cost approximately $55.9 million.

The third scenario would have kept the subsidy at 100% of the benefit until 200% of FPL and decreased it gradually from 100% to 0% between 200% and 400% of FPL. That would have added 14,300 new children and would have cost approximately $74.4 million.

In each of these proposed scenarios, we would have needed to resolve the issue of the relationship between SNAP 3SquaresVT benefits and the child care subsidy. Because the federal government counts the child care subsidy as income, it would reduce the amount of the SNAP benefit for individual families. Although on an individual level families would have continued to benefit, from the State's perspective, we would have increased our state expenditure and reduced the amount of federal dollars being drawn into the state.

Even though we were unable to move forward with any of these scenarios, AHS has continued to focus on incrementally addressing the child care subsidy and chipping away at the benefits cliffs. Last year the legislature supported new investments in child care totaling over $3.3 million and resulting in these program changes:

• Adjusted the FPL on the sliding fee scale from 2009 – 2013,
• Increased the cost per case (CPC) increase due to more children in higher quality care, and
• Implemented a 3% increase on rates starting in November, 2013.

We would be happy to continue to work with Nolan in the Joint Fiscal Office and with Deb Brighton to model additional possible scenarios for the Committee. It is our hope that we can combine this work with the work targeting the minimum wage in S. 301/H. 552 in order to model scenarios that take a potential wage increase into account. Additionally, it would be critical to pay attention to the adjustment in the Reach Up program proposed in H.790.

Thank you for the opportunity to continue to discuss this important topic.