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January 13, 2016

House Appropriations Committee
Rep. Mitzi Johnson, Chairwoman
Statehouse
115 State Street
Montpelier, VT 05633

Dear Madame Chair and Members of the Committee,

Thank you for inviting testimony from the public as you consider making adjustments to the Fiscal Year 2016 budget. Vermont Legal Aid represents thousands of Vermonters who are affected by the budgetary priorities established by the legislature and the Governor.

We write in support of the following as you make your deliberations for budget adjustment:

- 1) Support for the Administration's request for **\$1.6 million in additional General Assistance and Anti-Homelessness programs**; and
- 2) Support **full funding for the Low Income Heating Energy Assistance Program (LIHEAP)** and crisis fuel; and
- 3) **Repeal of the income formula affecting Reach Up households with a parent in receipt of Supplemental Security Income (SSI)** in light of caseload reduction savings within the program.

All of these programs are connected in some fashion to ensuring low-income families have access to safe, affordable housing. General Assistance and new housing strategies help provide a roof over Vermonters' heads. Heating assistance ensures families can remain in their homes safely during long, cold winter months, and stable income ensures families can meet their basic needs, including paying for housing. That is why the Governor's Council on Pathways from Poverty and many other advocates have made affordable housing and stable benefits a priority for the coming year. You are in a unique position to make decisions about funding priorities and we are asking for your help.

This committee has already heard from many about the continued lack of affordable housing in Vermont and the disproportionate burden that extremely low vacancy rates and lack

of affordable housing stock place on low-income families. And, most low income families do not receive subsidized housing. According to the 2010 Census and Vermont Directory of Affordable Rental Housing (published by the Vermont Housing Finance Agency) **only 5% of Vermont households are living in subsidized rental housing.** Among low-income renters only 32% receive some form of subsidy – leaving **2/3 of all low-income renters without any housing assistance at all.**¹ So, it should come as no surprise that many low-income households are often at risk of losing their housing periodically. That is especially true of the very lowest income households – those receiving Reach Up assistance.

A recent Reach Up work group report² commissioned by the Vermont legislature in 2013 found the following:

- Almost one in five (17%) identified housing as a primary barrier to employment;
- 34% of participants had no stable, permanent, independent living situation (everything from facing eviction to couch surfing);
- **43% had experienced homelessness while on Reach Up,** and
- Reach Up families are highly transient reporting that all respondents had moved at least 1 to 4 times over the last two years – an astonishing **19% of Reach Up respondents moved 3 to 4 times in the last 2 years.**

Last year, the Administration proposed and the legislature passed a reduction of \$125 monthly (or \$1,500 annually) to Reach Up benefits for those households with a parent in receipt of SSI. At the time the reduction was justified by the Administration as staving off other cuts within the Reach Up program as a result of the budget shortfall: “Given the state’s tremendous budget pressures, the governor and Legislature decided this change would impact vulnerable families less than an across-the-board cut to benefits for all families,” according to Commissioner Schatz.³

Now, however, the Administration reports **more than \$4 million in caseload reduction savings within the Reach Up program** with caseloads projected to continue dropping for the foreseeable future.⁴ This information was not available to you last year when this policy was

¹ Available at: http://www.vhfa.org/sites/default/files/documents/Vermont_Housing_Profile_0.pdf

² Available at:

<http://governor.vermont.gov/sites/governor/files/RU%20Work%20Group%20Leg%20Report%20Nov.%202013.pdf>

³ Available at: <http://vtdigger.org/2015/07/19/state-notifies-reach-up-recipients-of-125-a-month-reduction-in-benefits/>

⁴ Memorandum and Exhibits from DCF Commissioner Ken Schatz to Rep. Mitzi Johnson re: Budget Adjustment (Dec. 14, 2015). Available at:

http://www.leg.state.vt.us/jfo/appropriations/fy_2016/FY2016%20BAA/DCF%20FY2016%20BAA%20Exhibits%2012-15-15.pdf

adopted. In light of this new information we ask you to act immediately to help stabilize Reach Up families by restoring funding for the program using caseload reduction savings and repealing the new income formula.

Parents in receipt of SSI are, by definition, unable to work.⁵ As a consequence they have limited or no opportunities to make up for that shortfall in their monthly budgets. As a result, the incidence of child poverty and the negative impacts on housing and other basic necessities are likely to increase.

Reducing income to Reach Up households is contrary to the recommendations of the Reach Up work group commissioned by the legislature, the Governor's Poverty Council recommendations and myriad experts and advocates who have considered this issue.

Despite recognition by lawmakers and other policy experts that reducing the incidence of chronic poverty, and particularly child poverty, is an important goal this policy casts very low-income Vermonters deeper into poverty.

You can see the immediate impact of this reduction in a simple chart detailing what is happening to two Vermont families attached to this letter. The chart illustrates how families already below the federal poverty level are pushed even deeper into poverty by this policy change. So, the policy exacerbates the conditions of poverty rather than alleviating them. This is the polar opposite of the work and recommendations of experts and advocates over a period of years.

Other important elements about this policy you should know:

- Under current law the SSI beneficiary is *excluded* from the Reach Up household.⁶ So, their grants have already been reduced; and
- Grants for remaining household members are calculated to meet just **49.6% of a recipient's basic needs**; and
- Grant amounts have not been adjusted to meet the needs of Reach Up families – or even for inflation in several years.

You have heard testimony last year and this year that describes the Reach Up reductions for households with parents receiving SSI as a “poor tax” or a “disability tax.”⁷ Webster’s

⁵ <https://www.ssa.gov/ssi/text-eligibility-ussi.htm>

⁶ So, for example, if the total number of household members is 3 and one family member receives SSI, the household receives a Reach Up grant for 2.

⁷ Using the “tax” analogy the reduction amounts to a 23.5% “tax” on an affected grant for a household of 3 (Reach Up grant of 2; SSI 1 with app. \$530 in monthly income from the Reach Up grant, or a 9.5% “tax” on total household

defines “tax” two ways: first as a sum imposed by government by levy on income, and second as a “burden” or “demand.” So, by any definition this reduction acts as a tax on the unearned income of Reach Up families with a parent receiving SSI. Every year Vermont faces difficult budget challenges. However, those challenges should not be met by “taxing” those least able to pay. And, because of common eligibility criteria many of the proposed cuts may pile up on the same families. We oppose what amount to “poor taxes” to balance the budget; achieved by cuts to essential programs and services that negatively affect low-income Vermonters.

Conclusion

In the universe of possible taxes available to respond to a budget crisis, taxing the poorest households with family members who have a disability is surely among the least desirable – from a public policy perspective, from a budgetary perspective, and from a moral and philosophical perspective. We ask your committee to reconsider and repeal this policy that threatens to destabilize Vermont families with disabilities who are already living in poverty. This is a major policy change reducing Reach Up household grants that will result in **poorer outcomes for parents with disabilities and their children.**

We ask you to defend the interests of the very poorest Vermont households with parents who have a disability, by repealing a policy counting SSI benefits as income to Reach Up households. Instead, in light of the **significant caseload reduction savings** generated within the program we respectfully request your committee **continue to fund essential programs and services for low-income Vermonters, including the Reach Up program while excluding SSI benefits for purposes of determining grant amounts.**

Thank you for your consideration.

Sincerely,



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

cc: Sen. Jane Kitchel, Chairwoman, Senate Appropriations Committee
Rep. Ann Pugh, Chairwoman, House Human Services Committee
Sen. Claire Ayer, Chairwoman, Senate Health and Welfare Committee

income, assuming SSI for one at January 2016 rates); by contrast the top state tax rate for highest earners - \$405,101 and above – is only 8.95%.

Families with SSI and Reach Up Benefits *Impact on 2 Families* 2015 - 2016

