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Agency of Human Services

Memorandum

To: **Ann Pugh, Chair, House Human Services Committee**
From: **Ken Schatz, DCF Commissioner**
Date: **March 16, 2017**
Subject: **H.326**

We have carefully reviewed H.326 and in doing so also spoke with the sponsors of the bill in order to fully ascertain the desired outcome of the legislation. As we understand it, the goal is to address the benefits cliff in a way that is cost neutral. We were asked to provide input on whether or not the changes envisioned in the bill would achieve that.

Section 2/Reach Up:
After much review and discussion, we would like to recommend that the committee consider focusing their efforts on Section 2, 33 V.S.A. § 1103 (c) 5. In order to keep the bill as close to cost neutral possible, we would recommend a different approach to that section: retain the language regarding the Earned Income Tax Credit, change the asset limit to $10,000 and add a provision that allows for individuals to have retirement savings in any amount. We provide suggested language below:

The value of assets accumulated from the earnings of adults and children in participating families and from any federal or Vermont earned income tax credit shall be excluded for purposes of determining continuing eligibility for the Reach Up program. The value of retirement accounts such as IRAs, 401K accounts shall be excluded in determining a families' eligibility for Reach Up and the asset limitation shall be $10,000.00 for participating families for the purposes of determining continuing eligibility for the Reach Up program.

We anticipate with the caseload trends and the data we have received from other states regarding asset tests, that making this change will have a negligible impact on the budget. We recommend removing all other language in this section as the other subsections pose a substantial financial and administrative burden.

Section 3/Reach Ahead:
We recommend removing this language. Reach Ahead does not contain an income or resource test.

Section 4/Child Care Financial Assistance Program:
Our new federal regulations allow for an individual to remain at the same subsidy level until they are due for reapplication which is every 12 months. This does provide a buffer for parents who accept a raise or increase in their income.

As proposed, the language in the bill not be cost neutral and would pose a significant administrative burden to the department so we recommend removing this section.