

## Memorandum

**To:** Ann Pugh, Chair, House Human Services Committee  
**From:** Karen Vastine, Senior Advisor to the DCF Commissioner  
**Date:** March 17, 2017  
**Subject:** H.326 – Draft 4.1 Comments

Thank you for affording us the opportunity to respond to the latest draft of H.326. We have greatly appreciated the discussion and desire of the committee to find a way to address the benefits cliff that will be cost neutral and yield a positive policy change.

We would like to respond to the three sections highlighted in version 4.1 that are still under discussion by the committee.

### Section 2/Reach Up:

1. As the commissioner testified yesterday, the language added to Section 2, 33 V.S.A. § 1103 (c) (1) represents a significant administrative and financial burden to the department. We recommend striking the new language in that subsection.
2. Regarding the language we suggested for Section 2, 33 V.S.A. § 1103 (c) 5, the committee requested information regarding whether there would be a cost impact for adding children's savings accounts to the type of account that would be excluded from the asset test for Reach Up eligibility. From our analysis, we have concluded that excluding child education savings accounts from the asset test for eligibility determination would not add to the negligible impact on the budget. As such, we would like to amend the language we provided to you in our March 15<sup>th</sup> memo to read (with new language italicized):

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 and qualified child education savings accounts, such as the Vermont Higher Education Investment Plan, established in 16 V.S.A. § 2877, or any similar plan qualified under 26 U.S.C. § 529 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.

### Section 3/Child Care Financial Assistance Program:

As written, the new language proposed in Section 3, 33 V.S.A. § 3512 (a)(3) would generate an administrative burden because it would be hard to track new earnings. However, with respect to CCFAP, if we disregard earnings deposited in a qualified child savings account, we believe the impact on the budget would be negligible.





Consequently, as set forth below, we recommend deleting the word 'new'.

Sec. 3. 33 V.S.A. § 3512 is amended to read:

§ 3512. *CHILD CARE FINCANCIAL ASSISTANCE PROGRAM SERVICES PROGRAMS; ELIGIBILITY*

*(a)(1) A Child Care Services Program is established to subsidize, to the extent that funds permit, the costs of child care for families that need child care services in order to obtain employment, to retain employment, or to obtain training leading to employment. Families seeking employment shall not be entitled to participate in the Program for a period in excess of one month, unless that period is extended by the Commissioner.*

*(2) The subsidy authorized by this subsection shall be on a sliding scale basis. The scale shall be established by the Commissioner, by rule, and shall bear a reasonable relationship to income and family size. The lower limit of the fee scale shall include families whose gross income is up to and including 100 percent of the federal poverty guidelines. The upper income limit of the fee scale shall be neither less than 200 percent of the federal poverty guidelines nor more than 100 percent of the State median income, adjusted for the size of the family. The scale shall be structured so that it encourages employment.*

*(3) New—Earnings deposited in a qualified child education savings account, such as the Vermont Higher Education Investment Plan, established in 16 V.S.A. § 2877, or any similar plan qualified under 26 U.S.C. § 529, shall be disregarded in determining the amount of a family's income for the purpose of determining continuing eligibility.*

In closing, if you have any additional questions, please be in touch with me directly.

