Voices for Vermont's Children

Memorandum

To: Rep. Ann Pugh and members of the House Human Services Committee
From: Michelle Fay, Associate Director
Date: March 9, 2017
Re: Public benefits legislation

As advocates for Vermont's most disadvantaged and vulnerable children, we at Voices commend the House Human Services Committee for pursuing policies that will improve families' ability to move from poverty to sustainable employment and economic security. As the committee develops legislation to address the "benefits cliff" problem that impacts people receiving Child Care Financial Assistance Program subsidies, Voices proposes additional measures to address the needs of children living in the poorest families – those who qualify for Reach Up/TANF. Investing in children is key to turning the curve on a number of issues that impact state budgets now and into the future. We propose two policy changes – one projected to have little cost, and one for consideration in future budget development that would reinvest caseload savings into helping families facing the most complex barriers to self-sufficiency.

Remove Asset Limits for Reach-Up Applicants and Participants

Asset limits were initially established as a means to focus public benefits on the neediest recipients at a time when cash benefits were awarded to families without income for relatively long periods of time. However, benefit structures have changed, emphasizing time-limited assistance and a swift transition to employment and self-sufficiency for low-income parents. In this context, there is increasing evidence that asset limits undermine families' ability to rebound from the financial setbacks that put them on TANF in the first place, worsening the "benefits cliff" effect. Eight states have removed their asset limits, and Vermont should follow.

The Pew Charitable Trusts conducted original research to examine how modifying TANF asset limits is likely to affect states' caseloads and costs, and found little impact. Some highlights from the study's findings:

- Among the seven states that removed their TANF asset limits between 2000 and 2014, there were **no statistically significant increases in the number of TANF recipients.**[2]
- Raising or eliminating asset limits **does not affect the number of monthly applicants.**

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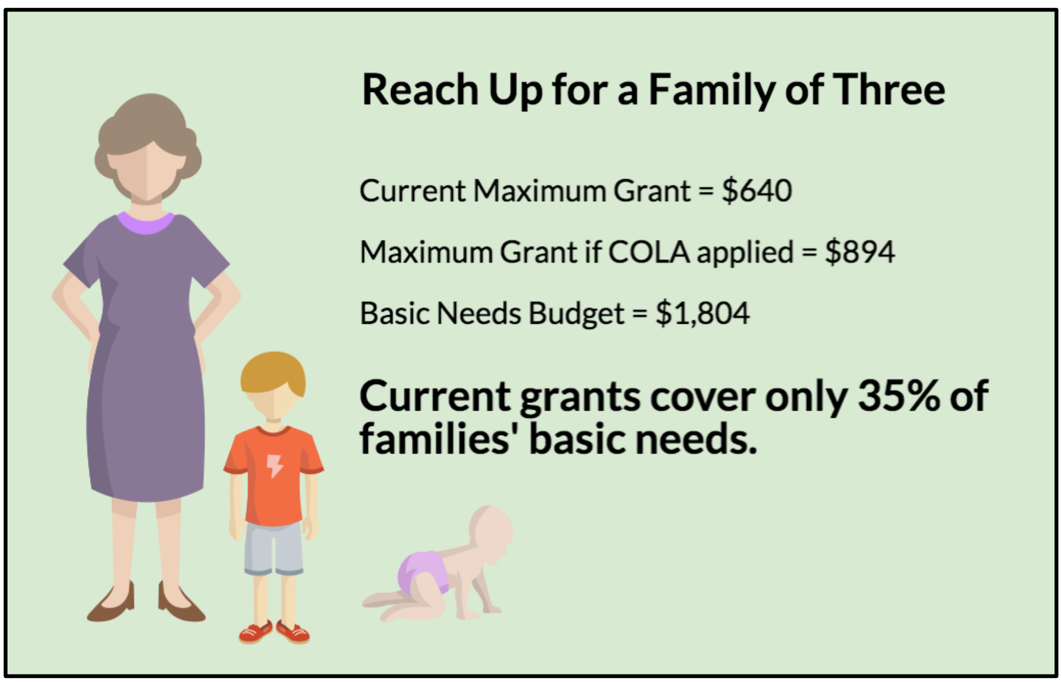
- States that change their asset limits from low ($2,500 or less) to moderate ($3,000 to $9,000) or eliminate them **see a decrease in their administrative costs.** In particular, among states with moderate asset limits and an exemption for at least one vehicle, administrative expenditures were about 2 percent lower than those in states with low thresholds.[i]

Vermont has already removed the asset test for the state's supplemental nutrition program, 3 Squares, and for Low-Income Heating Expense Assistance Program (LIHEAP). Child Care Financial Assistance already disregards $100,000 in assets in determining eligibility. The time has come to remove this vestige of outdated welfare policy for the families who arguably benefit most from the preservation of assets and the development of cash reserves – those on Reach Up.

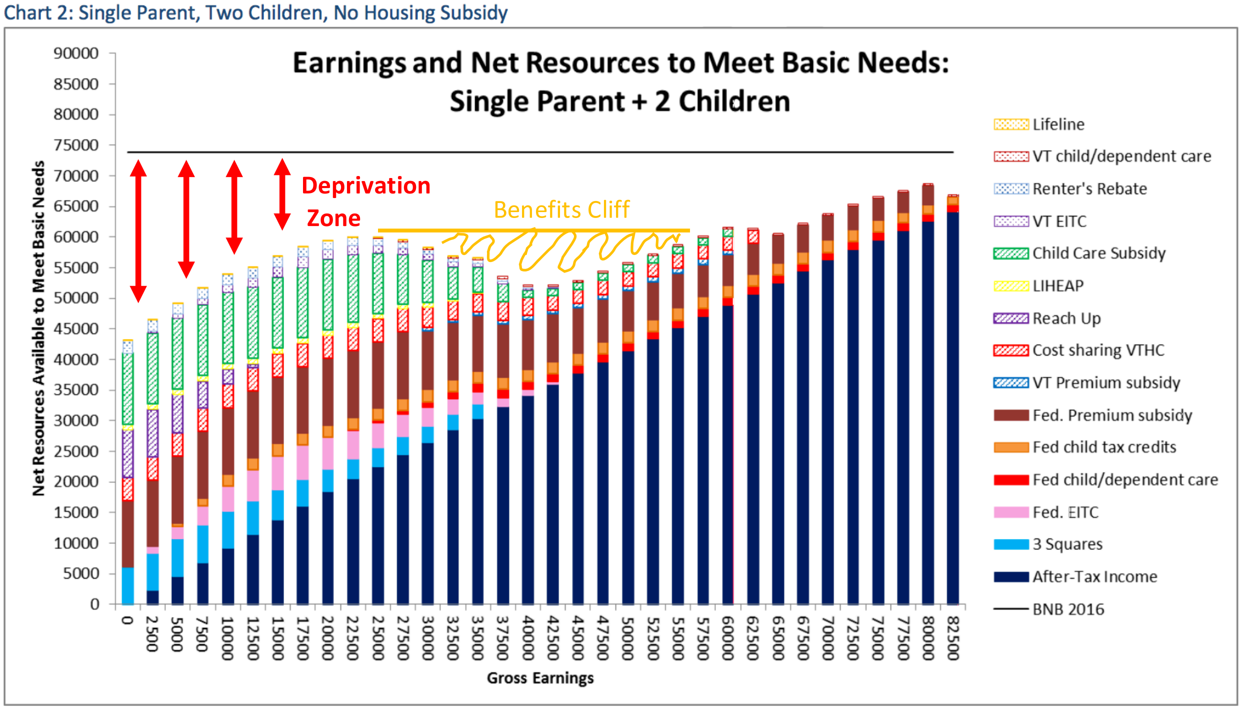
Increase Reach Up Base Grants and Income Disregards (reinvest caseload savings)

Before families find themselves atop the "benefits cliff," they may first spend months or even years in a "deprivation zone" of extreme poverty, during critical child development periods. As Vermont's program for families in poverty, one of Reach Up's stated purposes is "to improve the well-being of children by providing for their immediate basic needs, including food, housing and clothing."[ii] Yet the current appropriations to the program cap benefits at *less than half of the income deemed necessary to meet basic needs* by the Legislature's Joint Fiscal Office – in 2004. In fact, **the current base Reach Up grant is 35% of what JFO deemed necessary to meet basic human needs in 2016.** This cannot be allowed to continue.



The following chart depicts the net income and benefits available to a single parent with two children without a housing voucher in Vermont, from a draft report on wages and benefits created by Deb Brighton for JFO and presented to Senate Health and Welfare in February.[iii] I have overlaid illustrations of the "benefits cliff" and the "deprivation zone." It's important to note that the deprivation zone exists throughout the chart, but is most stark for families at the low end of the income spectrum.

Chart 2: Single Parent, Two Children, No Housing Subsidy



Families earning little to no income are among the most vulnerable in our state. As the economy has recovered and caseloads have declined, those remaining on Reach-Up represent parents with the most complex barriers to employment, such as caring for an infant, or a child with special needs, or recovering from the impacts of domestic violence. While families have a waiver from the work requirement, they have no way to augment their Reach Up grant - there's no income to disregard. This leaves them to get by on 35% of what they need to survive, and pushes these fragile families into precarious living situations, including back to abusive partners. It can even necessitate "survival crime," as we have seen with recent opioid arrests. Pushing families into unlivable situations flies in the face of Reach Up's requirement that the success of the system be measured by what is best for children.

Children raised in poverty experience poor health outcomes in relationship to their non-poor peers. They are twice as likely to repeat a grade or be expelled, and more than twice as likely to drop out of high school. Girls raised in poverty are more than three times as likely to have a child as a teen. And poor children are ten times as likely to have experienced food insecurity and hunger in the past year.[iv] The impacts of living your childhood in poverty are devastating to both children and our communities. Moving children out of poverty quickly – whether through work supports for their parents or adequate income assistance – must be a priority for Vermont.

The Solution. As Reach Up caseloads decline, there are substantial savings in the Economic Services budget. This provides an opportunity to ameliorate the effects of poverty by increasing the base grant without adding to the overall budget. Beginning in fiscal year 2019, a portion of the Reach Up caseload savings should be allocated to the following priorities:

1) Immediate adjustment of the basic needs rate to current JFO figures, with automatic indexing going forward.
2) Increase the base grant by reducing the ratable reduction (currently 49.6%) by 10% per year until grants meet the full basic needs rate.
3) Increase income set asides to support transition to paid employment and address the benefits cliff.

Vermont cannot afford to keep children in poverty. While correcting the outdated benefits formula will require an investment of resources and a shift in thinking from short to long-term, the health, wellbeing, and life chances of our children and our communities are at stake.

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[i] The Pew Charitable Trusts (2016, July). "*Do Limits on Family Assets Affect Participation in, Costs of TANF?*" Retrieved from: http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/07/do-limits-on-family-assets-affect-participation-in-costs-of-tanf

[ii] Vermont State Statutes, Title 33, §1103

[iii] Brigton, Deb (2017)."Benefits and Wages Report (2/13/17 DRAFT)." Joint Fiscal Office of the Vermont Legislature. Retreived from: http://www.leg.state.vt.us/jfo/issue_briefs_and_memos/Benefits%20and%20Min%20Wage%20DRAFT%20021617.pdf

[iv] Brooks-Gunn, J. , & Duncan, G. (1997) The Effects of Poverty on Children. *The Future of Children*, Vol.7 No.2. https://www.princeton.edu/futureofchildren/publications/docs/07_02_03.pdf