

# Work Supports for People on Public Benefits

*Assessing Vermont's Benefit Structure*

- Define work supports
- Provide a brief history of the Benefit Cliff work in Vermont from the AHS perspective.
- Discuss changes made to work supports in Vermont.
- Provide a present day summary or conclusions.
- Provide context for a deeper and wider conversation about wage growth and how it affect benefits.

Goals for Today

Work supports should achieve three goals:

- It should provide adequate family resources.
- It should incentivize work.
- It should reward advancement in the workforce.

## Effective Work Supports in Vermont

- Work Supports are a combination of public benefits, tax credits, and public or private insurance

*The “benefits cliff” phenomenon can best be characterized as a benefits structure which results in a beneficiary who is receiving multiple economic benefits losing those benefits more rapidly than the rate of increased earnings. At its worst, the “benefits cliff” creates a huge disincentive to work.”*

## Work Supports in Vermont – An Analysis of State Policies Supporting Work

- National Center For Children in Poverty (NCCP) - 2009

- 3SquaresVT (formerly food stamps).
- Low Income Heating Emergency Assistance Program. (LIHEAP).
- TANF Cash Grants.
- Child Care Financial Assistance.
- Public Health Insurance.
- Federal and State Tax Credits.
- Lifeline Telephone Service Credit.

## Benefits included in the NCCP Analysis

### Benefits Not Included in NCCP Analysis:

- Section 8 Housing Vouchers.

The NCCP Report identified a series of recommendations aimed at reducing the benefits cliff and incentivizing work.

- Expanding 3SquaresVT eligibility
- Expanding the eligibility for Seasonal Fuel benefits
- Restructuring the child care financial assistance program to bring eligibility standards to the 2010 FPL level and to increase the benefit level to allow for access to 75% of higher quality child care.
- Increase the TANF Earned Income Disregard
- Restructure Vermont's Refundable Child Care Tax Credit
- Change the Child and Dependent Tax Credit
- Restructure Renters Rebate
- Continue to incentivize work through the Earned Income Tax Credit (EITC)
- Reforms to Health Insurance

*Recommendations for Vermont*

- 3SquaresVT eligibility to 185% of FPL and removed assets test for most households.
- In FY 2011, expanded eligibility of LIHEAP to 185% (from 125%) of FPL and expanded Crisis Fuel Assistance to 200% FPL (from 150%).
- Child Care Financial Assistance is at 2016 FPL with 90% participation at 100% FPL, but significantly lower as the income goes up.
- Added a 10% child care subsidy at 300% FPL with the 2016 million dollar allocation and increased infant rates.
- July, 2015 – expanded Reach Ahead eligibility to two years from one year so the family receives a full child care subsidy and a small nominal benefit (\$50 for first 12 months, \$5 for last 12 months.)
- July, 2015 – expanded the earned income disregard from \$200+25% to \$250+25%.
- Expanded health care coverage

Completed Changes  
in Benefits since  
2009

# Review 2016 Agency of Human Services Benefit Package

## Current Benefit Package for a Family of Two and Four with Healthcare Deduction from Benefits

	Family of Two w/HC deduction from benefits; One Parent – 1 preschool, (4 Star Licensed Child Care Program)		Family of Four w/HC deduction from benefits; Two parents – 1 infant & 1 preschooler (both children in a 4 Star Licensed Child Care Program)				
Monthly Income	Working Full-Time 40 hr/wk. X 10.10/hr X 4.3 = \$1737	Working Full-Time 40 hr/wk. X 12.50/hr X 4.3 = \$2,150	1 Adult Working Part Time 20 hrs./wk. at \$10	1 Adult Working Full Time 40 hrs./wk. at \$10	1 Adult Working Full Time 40 hrs./wk. at \$12.50	2 Adults Working Full Time (combined) 80 hrs./wk. at \$10.00	2 Adults Working Full Time (combined) 80 hrs./wk. at \$12.50
Wages Excludes FICA	\$1,604.12/mo.	\$1,985.52/mo.	\$794.21/mo.	\$1588.42/mo.	\$1985.52/mo.	\$3176.84/mo.	\$3971.05/mo.
Reach Up	\$0	\$0	\$268.00/mo.	\$0	\$0	\$0	\$0
3SquaresVermo.nt	\$144.00/mo.	\$73.00/mo.	\$567.00/mo.	\$441.00/mo.	\$303.00/mo.	\$335.00/mo.	\$0
Fuel Assistance	\$86.50/mo.	\$39.67/mo.	\$108.17/mo.	\$100.92/mo.	\$93.75/mo.	\$36.00/mo.	\$0
Lifeline	\$13.10/mo.	\$13.10/mo.	\$13.10/mo.	\$13.10/mo.	\$13.10/mo.	\$13.10/mo.	\$0
EITC (Federal)	\$246.00/mo.	\$179.42/mo.	\$344.00/mo.	\$464.00/mo.	\$428.00/mo.	\$157.00/mo.	\$0
EITC (State)	\$78.72/mo.	\$57.41/mo.	\$110.08/mo.	\$148.48/mo.	\$136.96/mo.	\$50.24/mo.	\$0
Renter's Rebate	\$5.84/mo.	\$0/mo.	\$44.30/mo.	\$6.60/mo.	\$0	\$0	\$0
Child Care Assistance <sup>1</sup>	\$738.72/mo.	\$596.94/mo.	\$0	\$0	\$0	\$714.02/mo.	\$158.67/mo.
<b>Total Monthly</b>	<b>\$2,917</b>	<b>\$2,945</b>	<b>\$2,249</b>	<b>\$2,763</b>	<b>\$2,960</b>	<b>\$4,482</b>	<b>\$4,130</b>
<b>Total Annualized</b>	<b>\$35,004</b>	<b>\$35,341</b>	<b>\$26,988</b>	<b>\$33,156</b>	<b>\$35,520</b>	<b>\$53,784</b>	<b>\$49,560</b>
HC Premium Expense <sup>2</sup>	\$0- Medicaid	\$0 – Dr. <u>Dynasaur</u> Based on a Single cost Silver Plan (QHP) \$390.06 in APTC and \$32.59 in VPA. Total cost of QHP is \$68.55/mo.	\$0	\$0	\$0	\$0- Dr. D/children, \$132.86- QHP (lowest cost Silver couple plan) \$1594.32- annual	\$15- Dr. D/children \$247.56- QHP (lowest cost Silver couple plan) \$3,330.72 - annual
<b>Total Annualized Excluding HC Expense</b>	<b>\$35,004</b>	<b>\$34,518</b>	<b>\$26,986</b>	<b>\$33,150</b>	<b>\$35,524</b>	<b>\$52,192</b>	<b>\$46,226</b>

100% Federal Poverty Level for a Family of Two in 2017 = \$16,020

100% Federal Poverty Level for a Family of Four in 2017 = \$32,319

- Vermont has slowly but steadily increased Work Supports.
- People are better off going to work at minimum wage than staying on Reach Up although they may still be struggling economically.
- Research shows that supplementing earnings encourages people to work and increases their income when they do (MDRC, 2004)
- People are better off if the minimum wage goes from \$10 to \$12.50 if they don't need child care.
- People are worse off if the minimum wage goes from \$10 to \$12.50 if they need child care and receive the subsidy to pay for it.
- Families that are between 100% and 300% FPL and need child care and the subsidy tend to lose ground as wages increase.
- The work disincentive is due do a decline in benefits but childcare is the biggest contributor to the slope as wages increase.

## Summary