

# Work Supports for People on Public Benefits

*Assessing Vermont's Benefit Structure*

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

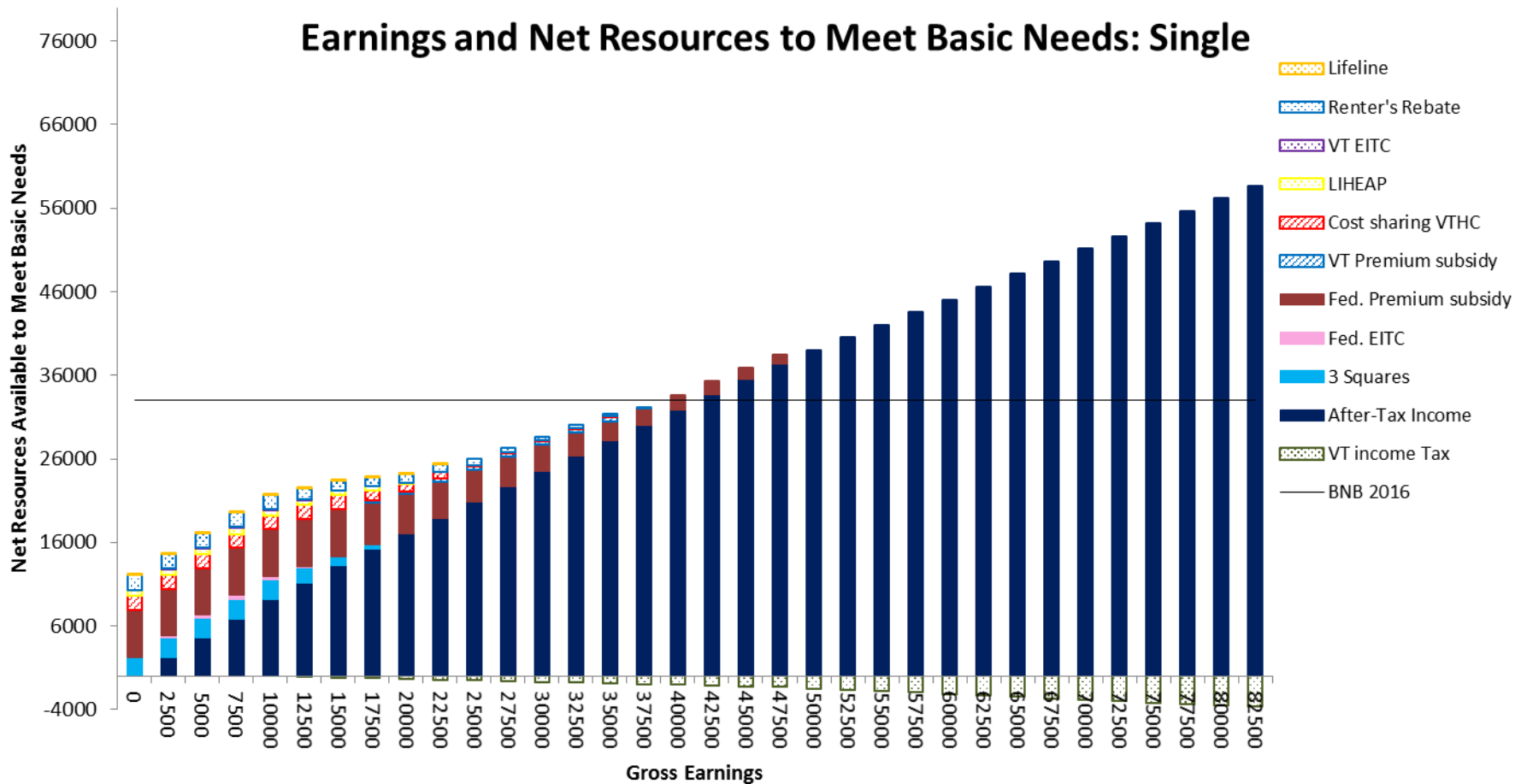
100% Federal Poverty Level for a Family of Four in 2017 = \$32,319

- 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.
- AHS, in light of the past and current work does not think another evaluation is necessary.

## Summary



# Earnings and Net Resources to Meet Basic Needs: Single



## Earnings and Net Resources to Meet Basic Needs: Single Parent + 2 Children

