VERMONT

Department for Children and Families
Commissioner's Office
280 State Drive – HC 1 North
Waterbury, VT 05671-1080
www.dcf.vt.gov

[phone] 802-241-0929
[fax] 802-241-0950

Agency of Human Services

Memorandum

To: **Clair Ayer, Chair, Senate Health & Welfare Committee**
From: **Ken Schatz, Commissioner**
Date: **April 12, 2017**
Subject: **H.326: Lifeline Program**

Thank you for affording us the opportunity to speak to you about H.326. We greatly appreciate the efforts of the House Human Services Committee in crafting a bill addressing the benefits cliff for Reach Up and the Child Care Financial Assistance Program (CCFAP) that will be cost neutral and yield a positive policy change.

We are in support of the changes envisioned in this bill.

Section 1/Findings:
This bill references the article put out by Pew Charitable Trusts studying the impact of raising or eliminating asset tests for determining TANF eligibility. We concur with the conclusions of this report that raising the asset test for Reach Up would have a negligible impact on the budget. Furthermore, we appreciate the reference to the study as it provides a strong basis for creating policy that supports families to move towards financial stability by not requiring them to spend down modest, penalty-secured assets such as retirement accounts or child education accounts in order to be eligible for Reach Up.

Section2/Reach Up:
When determining initial eligibility of a family for Reach Up, the asset test would be raised to $9,000. Additionally, retirement and qualified child education saving accounts shall be excluded from the calculation for determining the asset limit.

The current statute sets the asset limit at $2,000 which discourages Reach Up families from saving money and encourages them to spend down assets to become eligible for the program.
While Reach Up provides short term financial assistance it should also, according to statute, assist families in obtaining the skills necessary to become economically self-sufficient. This includes knowledge of, and the ability to be financially responsible by saving and maintaining critical savings such as retirement accounts and child education plans. Increasing the asset limit and eliminating retirement/child savings accounts from the calculation sends a message to participants that saving is encouraged. Saving is an important strategy to move out of poverty. Additionally, this is good public policy because it encourages financial responsibility. In states where the asset limit was increased or eliminated, more families opened savings accounts and were less likely to return to TANF once they left. While this change may not impact many families,

we believe that it sends an important message to our participants about the importance of saving.

Section3/Child Care Financial Assistance Program (CCFAP):
For determining continuing CCFAP eligibility, earnings deposited in a qualified child education savings account will be disregarded. For example, if a parent accepts a raise at their job or more hours, they could opt to invest those additional earnings in a child education savings account without impacting their benefit level.

As was highlighted by Deb Brighton's report to the Joint Fiscal Office, access to affordable child care is a key approach to addressing the benefits cliff as it can enable parents to work and earn an income. As a parent earns more income, their CCFAP benefit decreases. While there are many approaches that make child care more affordable, ensuring that Vermonters in need can receive CCFAP and can also be encouraged to save for their child's future education is an important step towards mitigating the benefits cliff. Post-secondary education plays an important role in moving families out of poverty and families that are encouraged to save for college are more likely to see their children attend college. As such, the changes proposed by this bill embrace the two-generation approach.

This bill takes a long view of the benefits cliff and we believe that this will have a positive impact on families enrolled in Reach Up and CCFAP.