



## Memorandum

To: Senator Ayer and members of the Senate Health & Welfare Committee

From: Michelle Fay, Associate Director

Date: April 12, 2017

Re: H.326, Public benefits legislation

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As advocates for Vermont's most disadvantaged and vulnerable children, we at Voices commend the legislature for pursuing policies that will improve families' ability to move from poverty to sustainable employment and economic security. We support H.326 in its current form, and believe that increasing asset limits from \$2,000 to \$9,000 will help families move more quickly out of poverty. Voices testified in the House Human Services Committee in support of eliminating asset tests altogether, as research and the Department for Children and Families have indicated that there is little, if any, difference in caseloads and benefits. Removing the asset limit would simplify the application process and make Vermont's policy evidence-based, rather than arbitrary.

In addition to addressing asset limits, Voices urges policy makers to consider adjustments to the Reach Up grant formula in future budget development. Details for these proposals follow.

### **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 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.**<sup>2</sup>

- Raising or eliminating asset limits **does not affect the number of monthly applicants.**
- 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.<sup>i</sup>

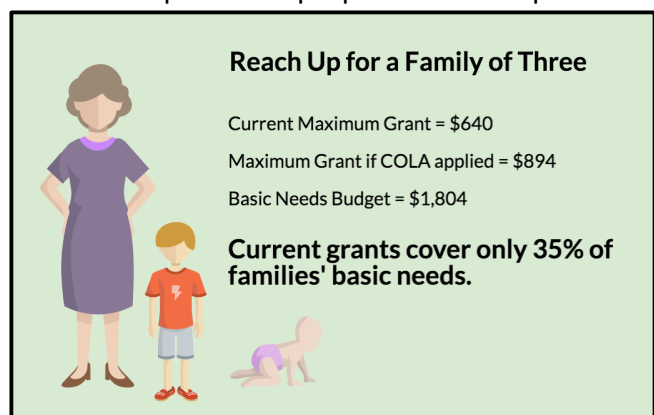
Vermont has already removed the asset test for the state’s supplemental nutrition program, 3 Squares, and for Low-Income Heating Expense Assistance Program (LIHEAP). The Child Care Financial Assistance Program (CCFAP) disregards \$100,000 in assets in determining eligibility. The time has come to remove 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.

Voices also supports the changes put forward in H.326 to disregard earnings deposited in in a qualified child education savings account when determining continuing eligibility for participants in the Child Care Financial Assistance Program. We supported an earlier version of the bill that also disregarded assets deposited into retirement accounts, in recognition that both long and short term financial security for families is in the state’s best interest. Ultimately, both of these measures are short-term fixes to support working families bumping up against one of the main drivers of the benefits cliff: inadequate public investment in early care and learning. In the long run, the structural problems making quality early care and learning unaffordable for many families must be addressed.

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

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 that anticipated Reach Up caseload savings in future years be reinvested into helping families facing the most complex barriers to self-sufficiency, and prevent children from experiencing unnecessary hardship that could impact their wellbeing.

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.”<sup>ii</sup> 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.



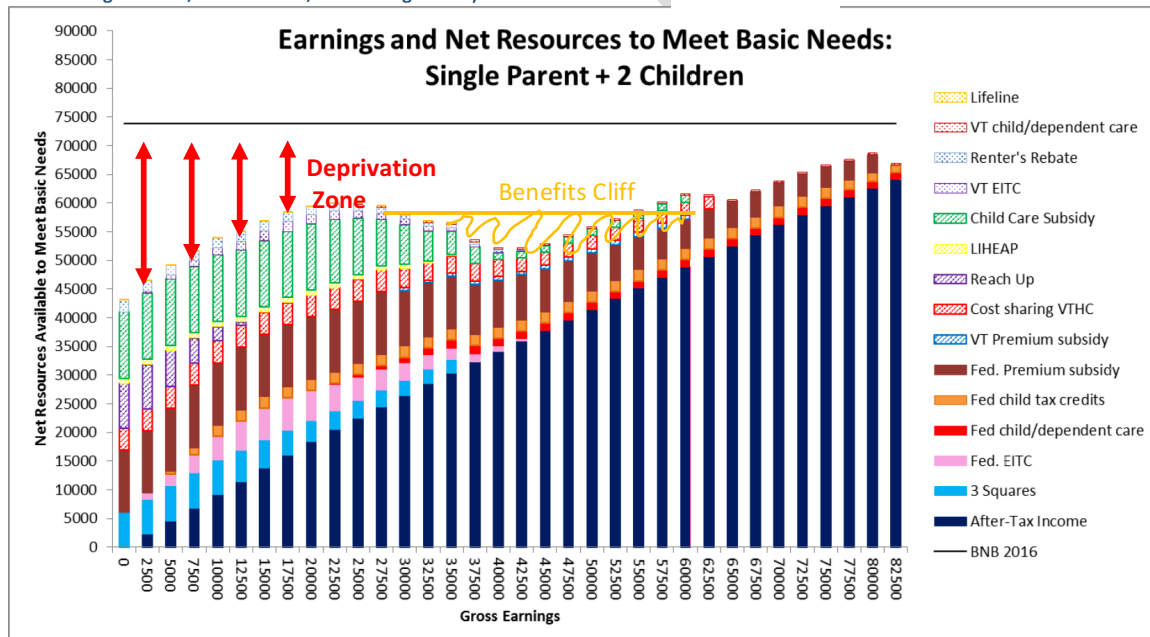
**Reach Up for a Family of Three**

Current Maximum Grant = \$640  
 Maximum Grant if COLA applied = \$894  
 Basic Needs Budget = \$1,804

**Current grants cover only 35% of families' basic needs.**

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 your committee in February.<sup>iii</sup> 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.<sup>iv</sup> 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.** Commissioner Pallito put the price tag on unfunded Reach Up obligations at \$21.34 million in recent testimony to the House Ways and Means Committee.<sup>v</sup> This may seem like a big bill in the current budget climate, but 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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<sup>i</sup> 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>

<sup>ii</sup> Vermont State Statutes, Title 33, §1103

<sup>iii</sup> Brighton, Deb (2017). “Benefits and Wages Report (2/13/17 DRAFT).” Joint Fiscal Office of the Vermont Legislature. Retrieved from:

[http://www.leg.state.vt.us/jfo/issue\\_briefs\\_and\\_memos/Benefits%20and%20Min%20Wage%20DRAFT%20021617.pdf](http://www.leg.state.vt.us/jfo/issue_briefs_and_memos/Benefits%20and%20Min%20Wage%20DRAFT%20021617.pdf)

<sup>iv</sup> 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](https://www.princeton.edu/futureofchildren/publications/docs/07_02_03.pdf)

<sup>v</sup> Vermont Dept of Finance and Management. (2017, Feb.) Report on Unfunded Budget Pressures. Retrieved on 4/11/17 from:

<http://legislature.vermont.gov/assets/Documents/2018/WorkGroups/House%20Ways%20and%20Means/Budget/W~Andy%20Pallito~Report%20on%20Unfunded%20Budget%20Pressures~4-11-2017.pdf>