
**Report to
The Vermont Legislature**

Reach Up Ratable Reduction

In Accordance with Act 49 (2023)

Submitted to: House Committee on Appropriations
House Committee on Human Services
Senate Committee on Appropriations
Senate Committee on Health and Welfare

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Introduction

The Department for Children and Families (DCF) submits this report for the [Reach Up program](#), pursuant to 2023 Acts and Resolves No. 49. Act 49 requires DCF to submit a report to the House Committees on Appropriations and on Human Services and to the Senate Committees on Appropriations and on Health and Welfare containing an actionable, phased plan that estimates the amount needed to remove the ratable reduction in the Reach Up program over the next five years.

DCF produced a cost analysis for phasing out the ratable reduction over the course of five years. Based on current caseload, the budget allocation for Reach Up benefits would need to increase by \$5,577,012 in year one. After that, the budget would need to increase \$5-6 million per year, with a \$26,681,619 increase in year five. However, since the caseload will increase as more households become eligible, the more accurate increase over the five-year phase out period more likely spans \$6 million in year one to \$53 million in year five.

Overview and History of the Ratable Reduction and Benefit Computation

The “ratable reduction” is a percentage used in the computation of the Reach Up benefit and is used to reduce the amount of financial assistance to a percentage of the total computed financial “needs” for the family’s size. The current ratable reduction is 49.6%, which means that the Reach Up benefit is 49.6% of the sum of basic needs plus shelter allowance.

To understand how the ratable reduction is used, it is important to understand how the Reach Up benefit is calculated. The following equation contains the elements of the Reach Up eligibility computation. Each part of this calculation is described in detail below the following formula:

$$\begin{array}{rcl} & \text{Basic Needs for Family Size} & \\ + & \text{Shelter Allowance} & \\ + & \text{Special Housing Allowance (if applicable)} & \\ \hline = & \text{Total needs for Family Size} & \\ \times & \text{Ratable Percentage} & \\ \hline = & \text{Maximum Grant for Family Size}^1 & \\ - & \text{Countable Income (See [Reach Up Rules](#))} & \\ \hline = & \text{Reach Up Grant} & \end{array}$$

¹ If the family has no countable income, the monthly Reach Up benefit will equal the “maximum benefit.” Any countable income the family has is subtracted from the maximum grant to determine the Reach Up grant.

Maximum Grants Outside and Inside Chittenden County

Formula: (Basic Needs + Max Housing + Special Needs Housing Allowance*) X Ratable Reduction (49.6%)

*Special Needs Housing Allowance up to \$90 allowed.

Household Size	Basic Needs	Outside Chittenden (Housing Allowance Max = \$400)	Inside Chittenden (Housing Allowance Max = \$450)
1	\$644	\$562	\$587
2	\$942	\$710	\$735
3	\$1,236	\$856	\$880
4	\$1,478	\$976	\$1,000
5	\$1,733	\$1,102	\$1,127
6	\$1,907	\$1,188	\$1,213
7	\$2,203	\$1,335	\$1,360
8	\$2,458	\$1,462	\$1,487
9+	+ \$236/per person	+ \$117/per person	+ \$117/per person

Basic Needs – The current eligibility formula uses the basic needs standard² from the 2019 Consumer Price Index for All Urban Consumers (CPI-U). The basic needs standard is not automatically updated each year; it can only be increased if additional funds are appropriated by the legislature. The last time the legislature appropriated funds to increase the basic needs standard was in 2021.

Shelter Allowance – The shelter allowance was created in 2001 and the amount has remained the same since then. It is based on the average rent that Reach Up applicants reported paying in 2001. The shelter allowance inside Chittenden County is \$450. Outside Chittenden County, the shelter allowance is \$400. If a participant has subsidized housing³, they automatically receive the full shelter allowance in the benefit calculation, regardless of their actual portion of the rent. If a participant pays less than the shelter allowance in rent, and does not have subsidized housing, they receive the amount they pay as their shelter allowance. For example, if a participant pays \$300/month for rent, the participant's benefit calculation will include a \$300 shelter allowance. However, if a participant's portion of the rent is \$230 in a subsidized apartment located in Burlington, the full shelter allowance for Chittenden County (\$450) is included in the benefit calculation.

Special Housing Allowance – If the participant's rent exceeds the applicable shelter allowance above, a special housing allowance up to \$90 is added to the basic needs and shelter allowance prior to the ratable reduction. For example, if the participant's rent is \$1,000, the full \$90 would be added to the basic needs and shelter allowance. If the participant's rent is \$475, and they live

² The Reach Up basic needs standard is not related to the basic needs standard used by the Joint Fiscal Office.

³ DCF defines "subsidized housing" for this purpose as Section 8, other publicly funded housing vouchers (such as VRS, Home vouchers, etc.), staying in General Assistance emergency housing or shelter.

inside Chittenden County, an additional \$25 would be added to the basic needs and shelter allowance, because \$25 is the difference between the full shelter allowance for that participant and the total rent incurred.

Ratable “Reduction” – This percentage is applied to the sum of the basic needs, shelter allowance, and special housing allowance (if applicable). The current ratable is 49.6%, and this creates the maximum Reach Up grant for the family’s size. This means that a family with no other income will receive 49.6% of what is determined to be the sum of their basic needs and shelter allowance.

Maximum Grant for Household Size – This is the grant amount a family would receive if they had no other countable income, and it is the income eligibility threshold for the program. A family whose countable income exceeds the maximum grant for their household size is not eligible for Reach Up.

Reach Up Grant – This is the difference between the maximum grant for the household size, and countable income. If the family has no income, they receive the maximum grant for their household size.

Financial Implications to Families from Phasing Out the Ratable Reduction

The following scenarios show several different family and income structures, along with a side-by-side comparison: one with a current calculation (using 2019 basic needs standard and 2001 housing allowance), one with an 80% ratable, and one with no ratable reduction. All three use the basic needs from 2019, and the shelter allowance for 2001.

Family 1: This family of three has no income. Their rent is \$850, and they do not have subsidized housing. They live in Barre.

	Ratable 49.6% ⁴	Ratable 80%	No Ratable
Basic Needs for Family Size	\$1,236	\$1,236	\$1,236
Shelter Allowance	\$400	\$400	\$400
Special Housing Allowance (If Applicable)	\$90	\$90	\$90
Total Needs for Family Size	\$1,726	\$1,726	\$1,726
Ratable Percentage	49.6%	80%	0
Maximum Grant for Family Size	\$856	\$1,380	\$1,726
Countable Income (See Reach Up Rules)	0	0	0
Reach Up Grant (Per Month)	\$856	\$1,380	\$1,726

⁴ Current Reach Up eligibility/grant calculation.

Family 2: This family of four lives in Burlington and has subsidized housing. Their portion of the rent is \$225. Mom works ten hours a week at \$17/hour.

	Ratable 49.6%	Ratable 80%	No Ratable
Basic Needs for Family Size	\$1,478	\$1,478	\$1,478
Shelter Allowance	\$450	\$450	\$450
Special Housing Allowance (If Applicable)	0	0	0
Total Needs for Family Size	\$1,928	\$1,928	\$1,928
Ratable Percentage	49.6%	80%	0
Maximum Grant for Family Size	\$956	\$1,542	\$1,928
Countable Income (See Reach Up Rules)	\$286 ⁵	\$286	\$286
Reach Up Grant (Per Month)	\$670	\$1,256	\$1,642

Family 3: This is a family of four living in Newport. The family does not have subsidized housing and their rent is \$1200/month. Dad works full time, 35 hours/week at \$18/hour. This family's countable income (after earned income disregard is applied) exceeds the maximum grant, so they are not eligible for Reach Up in both the 49.6% and 80% ratable scenarios. The family is eligible for a small grant in the 0% ratable scenario.

	Ratable 49.6%	Ratable 80%	No Ratable
Basic Needs for Family Size	\$1,478	\$1,478	\$1,478
Shelter Allowance	\$400	\$400	\$400
Special Housing Allowance (If Applicable)	\$90	\$90	\$90
Total Needs for Family Size	\$1,968	\$1,968	\$1,968
Ratable Percentage	49.6%	80%	0
Maximum Grant for Family Size	\$976	\$1,574	\$1,968
Countable Income (See Reach Up Rules)	\$1,770 ⁶	\$1,770	\$1,770
Reach Up Grant (Per Month)	\$0	\$0	\$198

An additional financial consideration for families as their Reach Up grant increases is the impact on other benefits such as 3SquaresVT, fuel, and housing assistance. For example, family number 3 would receive about \$376 in 3SquaresVT currently, and \$317 with no ratable. Family number 1 would receive \$766 currently, and \$509 with no ratable. The fuel benefit would also decrease as the Reach Up benefit increases. Housing subsidy may also decrease, depending on the type of subsidy or voucher.

⁵ Countable earned income calculation: 10 (hours) X \$17 (hourly wage) = \$170 x 4.3 = \$731 (monthly income); earned income disregard is applied to \$731: \$731 - \$350 = **\$381** x 25% = \$95: **\$381 - \$95 = \$286 (countable earned income).**

⁶ Countable earned income calculation: 35 (hours) X \$18 (hourly wage) = \$630 x 4.3 = \$2,709 (gross monthly income is just under 130% Federal Poverty Level (FPL)); earned income disregard is applied to \$2709: \$2709 - \$350 = **\$2,359** x 25% = \$589: **\$2,359 - \$589 = \$1,770 (countable earned income).**

Financial Implications to DCF from Phasing Out the Ratable Reduction

The following table is a simplified projection representing the phase-out of the ratable reduction and the increase appropriation to the Reach Up budget that would be required. This projection is based on the current Reach Up caseload and the current eligibility/maximum grant computation:

SFY 2023 Caseload Analysis:

- Housing \$400/\$450 2001 (currently used)
- Housing Supplement \$90 (currently used)
- Basic Needs 2019 (currently used)

SFY	Ratable	Annual Cost**	Increase
2024	0.496	\$26,791,808.20	\$ -
2025	0.600	\$32,795,461.62	\$5,577,012.00
2027	0.700	\$38,569,519.12	\$10,940,744.00
2028	0.800	\$44,347,707.15	\$16,308,313.00
2029	0.900	\$50,125,383.84	\$21,675,407.00
2030	1.000	\$55,514,571.06	\$26,681,619.00

- **SFY:** Estimated State Fiscal Year for change.
- **Ratable:** The percentage of benefit payment standard used to determine benefit.
- **Annual Cost:** Estimated annual cost based on SFY 2023's caseload.
- **Increase:** The amount of increase from SFY 2023 caseload's entitlement amount.

Other Considerations that May Affect Cost to DCF

To keep the costs relatively close to those represented in the table, DCF would need to maintain the current caseload, which would be impossible with the current income eligibility determination (if the ratable reduction were removed, households with higher incomes would be eligible under the current income eligibility determination, as described in more detail below). Keeping the caseload stable would necessitate creating a separate income determination formula that is independent of the maximum grant calculation. Additional resources would need to be allocated for researching and designing the best formula, IT system changes, staff training, communication with stakeholders and updating program materials, and changing rules and procedures. In addition, if the current caseload were maintained with the increased benefit, this would mean families enrolled in Reach Up could have higher incomes than some working families, which could result in unintended consequences. DCF would also need to create a separate plan for determining when a family's grant should close due to income.

General Assistance (GA) currently uses the Reach Up maximum grant table⁷ for eligibility determination. Decreasing the ratable would make more people eligible for GA, increasing costs to DCF. Alternatively, the GA program rules and procedures would need to be re-written to separate the income determination from the Reach Up income limits.

⁷ See table on page 3 of this report.

Anticipated Changes to the Reach Up Caseload from Removing the Ratable Reduction

As illustrated above, the income eligibility determination and the grant calculation do not currently operate independent of each other. Because of this, as the maximum grants increase, the number of families who are eligible also increases. For example, family number 3 in the examples above would be eligible for Reach Up if there was no ratable reduction. Most of the 380 families currently on Reach Ahead⁸ would also be eligible for a Reach Up grant. The caseload increase from the Reach Ahead population alone would add an approximate \$912,000⁹ per year to the estimates above. Additionally, there would be families not currently enrolled in Reach Up or Reach Ahead who would be eligible for Reach Up as the ratable is reduced. This number is difficult to estimate because there are so many variables to consider, including household size, various types of earned and unearned income, housing expenses and geographic location. However, an educated estimate of increase would be at least double the number of families currently enrolled¹⁰. This would bring the increase in budget in year five of phasing out the ratable to over \$53 million for grants to families.

An additional consideration as the caseload increases is that most adults enrolled in Reach Up have a participation requirement. This involves establishing goals with a coach around family and financial well-being. Current staffing includes 50 case managers and approximately 40 coaches with community partners. The staffing would need to gradually increase and be doubled at the point of no ratable reduction. Depending on whether these additional staff are contracted or state positions, or a combination of the two, the staffing needs would add an additional \$5-8 million per year¹¹ to the budget needs.

Federal and State Resources That May Be Utilized to Remove the Ratable Reduction

DCF uses the entirety of the \$47 million federal TANF block grant each year. There is no additional federal funding available to increase grants; funding would need to be allocated as General Fund.

⁸ Reach Ahead is a transitional program that supports families who have entered the workforce after participating in Reach Up or Post-Secondary Education (PSE). It provides an additional food benefit, cash payments to offset work costs, child care subsidy, help with work supplies and other work supports (transportation, car repairs, etc.) and coaching support.

⁹ Based on an estimate of 380 families x \$200/month estimated grant x 12 months.

¹⁰ There are approximately 18,800 families eligible for VT Earned Income Tax Credit (EITC). Subtracting the 3,400 families in Reach Up equals 15,400. The EITC eligibility limit hovers around 200% FPL (depending on how many children in the household); estimating that approximately 1/3 of the 15,400 families would be eligible for Reach Up with no ratable reduction and based on the current method of determining eligibility/max grant. Not all eligible families would enroll.

¹¹ 50 state positions at approximately \$5,000,000/year, based on \$100,000 estimate per case manager position: up to \$3,000,000 for additional contracted positions.