Report to

The Vermont Legislature

Offsetting the Cost of Reach Ahead and the Earned Income Disregard through the Transitional Supplemental Nutrition Assistance Program

In Accordance with Sec. 9 of Act 198

Submitted to: **Health Care Oversight Committee**

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VERMONT

AGENCY OF HUMAN SERVICES

Department for Children and Families

Table of Contents

Executive Summary

This report is submitted pursuant to section 9 of Act 198, which requires the Commissioner of the Department for Children and Families ("Department") to report to the Health Care Oversight Committee by October 15, 2014 regarding the "feasibility of implementing a transitional Supplemental Nutrition Assistance Program that will allow the Department to draw federal funds" and the "extent to which additional federal funding in the Supplemental Nutrition Assistance Program could offset the cost of food assistance during the first five months of the Reach Ahead program and, consequently, free State funds to offset an increase to the earned income disregard in the Reach Up program."

In May 2014, the General Assembly enacted legislation extending the length of the Reach Ahead program from 12 to 24 months and altering the benefit level from $100 in the first six months and $50 in the second six months to $50 for the first 12 months and $5 for the second 12 months. The legislation also increased the amount of the earned income disregard in the Reach Up program from $200 to $250. The legislation directs the department to pay for the additional benefits through caseload reduction savings in the Reach Up program.

The transitional Supplemental Nutrition Assistance Program ("SNAP") allows states to maintain a family's SNAP benefit at its current level, for up to 5 months, if the family transitions off of public assistance. Vermont has not yet taken advantage of this federal option to provide an enhanced SNAP benefit for families who have left public assistance. It would be possible for Vermont to exercise this option and fund the food benefit provided by the Reach Ahead program through transitional SNAP for 5 months, which could offset the cost of Reach Ahead by $133,000. However, statutory changes would be necessary to conform Reach Ahead to SNAP regulations. For the duration of time that Reach Ahead was SNAP-funded, Reach Ahead would lose its identity as a Temporary Aid to Needy Families ("TANF") program, resulting in a lost opportunity to count those SNAP-funded Reach Ahead families in the state's work participation rate and, thereby, increasing the state's risk for fiscal sanctions under the TANF block grant. In addition, reprogramming the Department's online eligibility system to properly implement a transitional SNAP benefit is a significant obstacle to adopting these changes. For these reasons, the Department recommends that, at this point, Reach Ahead should remain a state-funded program.

Section I
Changes to the Reach Ahead and Reach Up Programs

Reach Ahead

Reach Ahead is a separate state-funded financial assistance program designed to improve families' financial stability while transitioning off of public assistance. The program provides financial assistance, in the form of a food assistance benefit, to working families who have recently left the Reach Up or Postsecondary Education programs. Eligible families are also entitled to support services, including a 100 percent child care subsidy, transportation, and career counseling.

The Department implemented Reach Ahead in April 2009. Since that time, Reach Ahead has provided eligible families with a $100 food benefit for the first six months and a $50 food benefit for the seventh through twelfth months of Reach Ahead participation. During this twelve-month period, eligible families have access to the support services described above.

Act 198, *An act relating to Reach Up, Reach Ahead, and the Enhanced Child Care Services Subsidy Program*, amends Reach Ahead by extending the duration of the program from twelve to twenty-four months and providing a $50 food benefit for the first twelve months and a $5 food benefit for the second twelve months. During the entire twenty-four months of Reach Ahead participation, families are entitled to support services, including a 100 percent child care subsidy. These changes will go into effect on July 1, 2015.

Act 198 directs the Department to fund the additional twelve months of Reach Ahead food assistance through caseload reduction savings in the Reach Up program. If the savings are insufficient to fund the additional months of Reach Ahead, the Department must suspend or modify the assistance. However, the Department anticipates that it will not be necessary to fund the additional months of food assistance through caseload reduction savings. Reducing the benefit from $100 to $50 in the first six months will save approximately $150,000 and extending the benefit for an additional 12 months at $5 will cost approximately $27,000, yielding total estimated savings of $123,000.

Reach Up

Reach Up, Vermont's TANF program, provides cash assistance to low-income families. Historically, as a work incentive for Reach Up participants, the program has disregarded $200 per month of earnings from an unsubsidized job and 25 percent of the remaining unsubsidized earnings. Act 198 increased the earned income disregard from $200 to $250. The gross estimated cost of the increased earned income disregard is $239,100. Applying the estimated $123,000 in savings resulting from the changes in the Reach Ahead program to this cost yields a net cost of $116,100 for the increased earned income disregard. Unless another funding source was available, savings from reductions in the Reach Up caseload would have to cover the remaining cost.

The legislature has requested that the Department explore the feasibility of offsetting the cost of the increased earned income disregard through federal funding of the Reach Ahead program. Section II of this report describes transitional SNAP, the food assistance program from which federal funds could potentially be drawn to fund the Reach Ahead food benefit for the first five months. Section II also outlines some of the challenges to implementing transitional SNAP. Section III of this report describes the implications of funding Reach Ahead through transitional SNAP.

Section II
Transitional Supplemental Nutrition Assistance Program

Background

The SNAP statutes and regulations provide states with the option of providing up to five months of transitional SNAP benefits to families that leave a Temporary Assistance for Needy Families (TANF) or state-funded public assistance program.[1] During the transitional period, the household's SNAP benefit level is frozen at the amount it received prior to leaving public assistance, adjusted for the loss of public assistance income.[2] At the end of the transitional period, households may reapply for continued benefits pursuant to regular SNAP rules.[3]

According to the most recent SNAP State Options report, published by the USDA Food and Nutrition Service in August 2012, 20 states provide transitional benefits.[4]

Feasibility of Implementing Transitional SNAP Benefits

A transitional SNAP benefit in Vermont would provide families leaving Reach Up or the Postsecondary Education program with a fixed 3SquaresVT benefit during the five-month transitional period. The primary challenge in implementing a transitional benefit is reprogramming the Department's online eligibility system, ACCESS, to properly determine eligibility for the transitional benefit. This change would require significant development and testing work within ACCESS.

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[1] Certain categories of households are ineligible for transitional benefits, e.g. households leaving TANF due to a sanction; households in which all members are disqualified from receiving SNAP benefits. 7 C.F.R. § 273.26.
[2] 7 C.F.R. § 273.27(a). States also have the option of adjusting benefit levels based on information from another program in which the household participates. *Id.*
[3] 7 C.F.R. § 273.31(b).
[4] USDA-FNS, *Supplemental Nutrition Assistance Program: State Options Report*, August 2012, http://www.fns.usda.gov/snap/rules/Memo/Support/State_Options/10-State_Options.pdf.

The Department estimates that implementing transitional benefits would take approximately 18 cumulative months to complete the necessary programming changes. This estimate includes six to ten months dedicated to development and testing work on the transitional benefits project, in addition to the time currently dedicated to other prioritized projects and the daily production support provided by systems development staff.

Other considerations in implementing transitional benefits, and which must be outlined in the SNAP state plan of operation, include:

- Designating which category of households are eligible – SNAP regulations give states the discretion to exclude households from eligibility for transitional benefits;
- Determining the maximum number of months for which transitional benefits will be provided;
- Determining whether to exercise the option to adjust benefit levels based on information received from another program;
- Determining the recertification method upon expiration of the transitional period.

Section III
Funding Reach Ahead through Transitional SNAP

Reach Ahead, State Maintenance of Effort Expenditure, and the Work Participation Rate

Under the federal TANF statute and regulations, states must spend a specified amount of state funds on benefits and services for needy families, called Maintenance of Effort (MOE).[5] Vermont's current MOE requirement is $25.5 million.[6] As a separate state-funded program, Reach Ahead expenditures accounted for $456,874 of the state's MOE requirement for fiscal year 2013.

Federal law requires 50 percent of all TANF- or MOE-funded families with a work-eligible individual and at least 90 percent of two-parent families with two work-eligible individuals to engage in work or work-related activities for a minimum number of hours each month. A state that does not meet this "work participation rate" requirement (WPR) may face fiscal sanctions.[7]

As an MOE-funded program for working families, Reach Ahead significantly improves Vermont's WPR, thereby decreasing the state's risk for fiscal sanctions. When Reach Ahead was first implemented, it increased the state's WPR by approximately 18 percent. The Department

[5] 45 C.F.R. § 263.1.
[6] Vermont claims approximately $45 million in MOE expenditures in order to receive additional credit toward the federal work participation rate.
[7] 42 U.S.C. § 609(a)(3).

estimates that by extending the program for an additional 12 months, the WPR would increase by an additional 18 percent.

Implications of Funding Reach Ahead through Transitional SNAP

Funding Reach Ahead through Transitional SNAP for the first five months of the program would offset the cost of Reach Ahead by approximately $133,000 (the estimated cost of five months of food assistance at the $50 benefit level). These funds, in turn, could be used to completely offset the $116,100 net cost associated with increasing the earned income disregard in the Reach Up program.

The most significant impact of funding Reach Ahead through transitional SNAP would be that Reach Ahead would lose its identity as a TANF program during the time that the program was SNAP funded. In order to draw down federal funds under the SNAP transitional benefit option, the state would have to comply with SNAP regulations in providing the benefit. This means that the benefit must be in the form of a SNAP benefit and the benefit level must be maintained at the level dictated by SNAP law. The Reach Ahead benefit, while in the form of food assistance, is not a SNAP benefit and the current benefit level set by statute bears no relation to a family's SNAP benefit level. The Reach Ahead program would have to be substantially altered in order to convert the benefit, for any duration of time, from a TANF benefit to a SNAP benefit.

In addition, the state could not claim SNAP-funded Reach Ahead benefits as MOE expenditures, and therefore, families with a SNAP-funded benefit could not count toward the WPR. As described above, families in the Reach Ahead program account for a significant percentage of the state's WPR.

Conclusion

While funding Reach Ahead through transitional SNAP could offset the cost of food assistance during the first five months of Reach Ahead and, consequently, completely offset the cost of the increased earned income disregard in the Reach Up program, it would not be possible to fund Reach Ahead through transitional SNAP without changing the program to conform to SNAP regulations, and thereby, transforming Reach Ahead from a TANF program to a SNAP program (for the duration of time that the program was SNAP funded). These changes would require statutory amendments to both the Reach Ahead and SNAP programs. In addition, implementing transitional SNAP benefits would require significant resources to reprogram the Department's computer system.

The Department recommends that, at this point, Reach Ahead should remain a state-funded program. Reach Ahead considerably increases the state's WPR, thereby decreasing the state's risk for fiscal sanctions under the TANF block grant. Without a plan to offset the decrease in the WPR that would result from funding Reach Ahead through transitional SNAP, the state cannot afford to lose the opportunity to count Reach Ahead families toward the WPR.