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**Report to**  
**The Vermont Legislature**

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**The Enhanced Child Care Services Subsidy Program, the Reach Up Earned Income  
Disregard, and Reach Up Caseload Savings**

**In Accordance with Sec. 7 of Act 198**

**Submitted to:** Governor  
Health Care Oversight Committee

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## Executive Summary

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This report is submitted pursuant to section 7 of Act 198 which requires the Commissioner of the Department for Children and Families (“Department”) to report to the Health Care Oversight Committee by November 1, 2014 regarding the “estimated cost of the Enhanced Child Care Services Subsidy Program, the estimated cost of the increased Reach Up earned income disregard, and the projected caseload reduction savings in the Reach Up program.”

In May 2014, the General Assembly enacted legislation affecting both the Reach Ahead and Reach Up programs. The Reach Up amendment increases the amount of earned income that may be disregarded in calculating the Reach Up grant for a family from \$200 to \$250. Reach Ahead changes extend the program from 12 to 24 months; and alters 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 extension of Reach Ahead benefits for an additional 12 months allows a participant to receive a total of 24 months of support services, including a 100 percent child care subsidy. The legislation directs the Department to pay for these changes through caseload reduction savings in the Reach Up program. The sections of the Act specific to this report take effect on July 1, 2015.

This report addresses cost estimates made by the Department to determine the financial impact of the enhanced benefits to families. The Reach Ahead caseload may increase depending on a number of factors. The Department anticipates an increase in the Reach Ahead caseload of at least 20 percent.

### Section I: Changes to the Reach Ahead Program

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Although not specifically requested, we want to provide information about obligated cost swings as a result of the changes to the Reach Ahead food benefit. 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 a food assistance benefit to working families who have left the Reach Up or Postsecondary Education programs within the last six months from the time of their Reach Ahead application. Eligible families are also entitled to support services, which includes 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 addresses the Reach Up, Reach Ahead, and the Enhanced Child Care Services Subsidy Programs. It amends Reach Ahead, starting on July 1, 2015, by extending the duration of the program from 12 to 24 months. During the entire 24 months of Reach Ahead participation, families are entitled

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to support services, including a 100 percent child care subsidy. The program will provide a \$50 food benefit for the first 12 months and a \$5 food benefit for the second 12 months. Approximately 400 families participate in Reach Ahead currently. Over a 12 month period, a family receives a \$900 food benefit. Starting July 1, 2015, a family will receive a \$660 benefit over the course of a 24 month eligibility period. This benefit change results in a total savings of \$96,000 to the Department. The Department estimates that through a change in how participants are enrolled in Reach Ahead, these caseloads will increase by approximately 20 percent.<sup>1</sup>

## **Section II:**

### **Enhanced Child Care Services Subsidy**

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The child care subsidy program in Vermont, known as the Child Care Financial Assistance Program (“CCFAP”), assists eligible families with child care costs and funds specialized child care services.

Families receiving financial assistance through Reach First, Reach Up, Reach Ahead and Post-Secondary Education may be eligible for CCFAP. In these cases the Department provides authorization for the child care subsidy. Act 198 provides that families participating in the Reach Ahead program will be eligible for an enhanced child care subsidy during the extension of the program from 12 to 24 months.

In state fiscal year 2013, the Reach Up program had 1,141 children leave. Of those 1,141 children who left, 152 were not eligible for any of the additional services needed to gain access to the CCFAP program. These 152 children included 20 infants, 10 toddlers, 50 preschool-aged children, and 72 school-aged children.

Assuming that in the upcoming year all 152 children will participate in the Reach Ahead program and will be in five star childcare programs, the additional projected cost of providing those children the enhanced child care subsidy is \$1,164,887. This projection is for current caseload amounts and is anticipated to increase by approximately 20 percent with the rise in the Reach Ahead caseload. This caseload rise is estimated to increase the cost of the child care subsidy by an additional \$232,977 yielding a projected total cost of \$1,397,864.

## **Section III:**

### **Reach Up Earned Income Disregard**

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Reach Up rule 2274 defines earned income as “all wages, salary (cash or in-kind), commissions or profit from activities in which the individual is engaged as an employee or a self-employed person, including but not limited to active management of capital investments (e.g. rental property).” Each participant

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<sup>1</sup> The Department plans to implement an automatic enrollment process for eligible families leaving Reach Up or the Postsecondary Education program.

with earned income is entitled to an “earned income disregard,” which reduces the amount of income used to determine the Reach Up grant amount. The earned income disregard currently in place does not count the first \$200 of earned income, plus 25 percent of the remainder of that earned income. Act 198 increases this disregard to the first \$250 of earned income plus the 25 percent of the remaining earned income.

The estimated annual cost of increasing the earned income disregard from \$200 to \$250 is approximately \$239,100. This increase will benefit approximately 683 working families.

## Section IV:

### Projected Caseload Reduction Savings in the Reach Up Program

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The Reach Up caseload continues to decrease due to a number of factors including the improvement of the economy and the implementation of Reach Up time limits. The estimated caseload savings for the reduction in Reach Up caseload from SFY15 to SFY16 is approximately \$1,600,000. This figure is based on caseload projections completed in July 2014. **Updated caseload projections were not yet available for this report; they will be completed in November 2014.** <sup>2</sup>

## Conclusion

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The additional funding necessary to increase the Reach Up earned income disregard to \$250 is approximately \$239,100. The additional funding necessary to implement the enhanced child care subsidy for Reach Ahead participants based on the current caseload is \$1,164,887. The estimated cost of providing the enhanced child care subsidy based on the anticipated 20 percent increase in the Reach Ahead caseload is \$1,397,864. The savings anticipated by reducing the food benefit is \$96,000 in addition to the projected caseload savings of \$1,600,000. This will result in a net savings of approximately \$59,036 after funding both the increased earned income disregard and the enhanced child care subsidy<sup>3</sup>.

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<sup>2</sup> Should the November 2014 caseload projections be significantly different than what is reported above, the Legislature will be notified immediately with the new projections and anticipated program impact.

<sup>3</sup> This amount takes into consideration a 20 percent anticipated increase in the Reach Ahead caseload. The changes that would increase the caseload have not been implemented yet, and the Department will have a more accurate projection of the caseload after the changes have been implemented.