Agency of Human Services

Reforming Asset Limits in Public-Benefit Programs

Executive Summary

In Accordance with: H.523 - ACT 30, Section 20

Submitted to: Representative Ann Pugh, Chair
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Agency of Human Services
Department for Children and Families
H.523 – Act 30, Section 20

Reforming Asset Limits in Public-Benefit Programs

Executive Summary

Section 20 of Act 30, enacted in 2007, directed the Agency of Human Services (AHS) to study ways to amend the asset tests used in the state's public-benefits programs to offer low-income Vermonters the opportunity to build "a modest savings for emergencies, postsecondary education, the purchase of a home, starting a business, or retirement."

The chart in Appendix A summarizes the general asset tests for each of the programs identified in the charge, describes program standards governing retirement accounts, and identifies possible opportunities for the exclusion of qualified-purpose savings accounts. The chart also indicates the source of authority for the rules and the opportunities for waiver or amendment.

Given the complexity of jurisdiction governing public-benefits programs, the state is not in a position to uniformly exempt qualified savings from asset standards. However, there are several strategies that could be employed to further the legislative goal.

First, the state could adopt or modify programs with an eye toward permitting the specific savings goals identified in the charge. There are at least three possible opportunities for effecting this approach:

The state could revamp its Individual Development Account (IDA) program, which is a qualified-savings program for low-income people. If the program is structured to federal specifications, IDAs will be excluded from eligibility or benefit-level determinations in federal programs that consider financial circumstances. However, federal rules narrowly prescribe who may open IDAs, how much may be contributed, and what the accumulated funds may be used for. There are also administrative costs associated with the management of this program: Some entity must monitor accounts and approve fund withdrawals. Eligibility workers must learn and apply another resource exclusion. Applicants and beneficiaries must keep track of another financial item and report that item on applications and renewal forms.

Alternatively, the state could design its own savings program to meet specific policy objectives. However, as such programs are not entitled to across-the-board, federal-program asset exemption, exclusion of such accounts from asset testing will require a program-by-program effort. This approach also brings with it the costs enumerated in the preceding paragraph.

Finally, in this regard, the state could increase asset limits in those programs that permit such a change. This is a simpler, albeit less targeted approach; it would effectively ensure that savings are excluded without prescribing the future uses of such funds.

A second, broader strategy is also available: Wherever possible, asset tests could be eliminated or streamlined. This approach would meet the objectives spelled out in the charge. It would also promote a number of other important legislative objectives, including program simplification and improvement of access to benefits. (*See, e.g.,* 2007, No. 71, An Act Relating to Ensuring Success in Health Care Reform).

At first blush, this approach might seem extreme, as asset tests are intended to ensure that only those of limited means gain access to public-benefits programs. However, asset tests may not, in fact, be particularly helpful in determining need, as the vast majority of low-income families do not own assets of significance. They may also discourage savings. Administration of asset standards invariably results in some disparate treatment of similarly situated individuals and could bar families from benefits that they were intended to receive. Finally, in this regard, the administration of asset standards is one of the most complicated, time-consuming, and costly components of the eligibility process. Standards vary from program to program and caseworkers–as well as applicants and beneficiaries–often have a difficult time thoroughly understanding what is required and what is not.

A number of other states have done away with asset testing in a variety of public-benefits programs. These efforts have demonstrated that this can be accomplished without significant increases in program enrollment or cost. Moreover, they have shown that increases in benefits costs are often more than offset by the administrative savings and program improvements that accompany elimination of these standards. This approach can yield the following benefits for program stakeholders:

Applicants	▸ Simplifies and shortens the application form, improving program experience. ▸ Reduces barriers to enrollment and increases likelihood that families who initiate process will complete transaction. ▸ Eliminates need for liquidation of retirement and other savings before qualifying for benefits. ▸ May permit enrollment of some with genuine need who are barred by eligibility "cliff" experienced when one additional dollar of assets excludes low-income family from thousands of dollars of potential benefits.
Beneficiaries	▸ Simplifies and shortens the renewal form, improving program experience. ▸ Reduces barriers to renewal, increasing likelihood that beneficiaries will complete transaction and remain enrolled. ▸ Eliminates potential disincentive to saving for retirement and other high-value investments (*e.g.,* house purchase, post-secondary education, retirement, etc.)

	▸ Reduces likelihood of lost benefits that may result from relatively minor fluctuation of asset values.
Eligibility Workers	▸ Eliminates need to learn, remember, and apply complicated, conflicting program rules. ▸ Eases workload. ▸ Helps shift focus from preventing ineligible people from enrolling to increasing enrollment of eligible families.
Program Administration	▸ Promotes administrative cost-savings without significantly increasing enrollment. ▸ Reduces complexity; facilitates implementation and modification of automated eligibility systems. ▸ Eases staff workload. ▸ Improves productivity. ▸ Eliminates basis for errors. ▸ Facilitates outreach and enrollment at community level; may increase eligibility partnership opportunities with providers and advocates. ▸ Encourages program utilization by those who are eligible but unenrolled.

The attached report is organized into four sections. The first reviews the evolving attitudes regarding the efficacy of asset limitations in public-benefits programs. The second identifies opportunities for broad reform. The third focuses on narrower strategies to permit the qualified savings described in the charge. Finally, the fourth section examines the treatment of assets in each of the federally-funded programs and outlines the opportunities for rule simplification and alignment.

Agency of Human Services
Department for Children and Families

Reforming Asset Limits in Public-Benefit Programs

I. Introduction

Last session, the legislature enacted Act 30–An Act Relating to Moving Families out of Poverty. Among other things, the Act directed the Agency of Human Services (AHS) to study how the asset limitations for the state's various public-benefits programs might be reformed and unified to offer low-income Vermonters the opportunity to build "a modest savings for emergencies, postsecondary education, the purchase of a home, starting a business, or retirement."[1]

This charge–the unification of eligibility rules across public-assistance programs–has long been the grail of public administrators: The public-welfare system is a multifarious web of programs, designed, administered, and paid for by myriad combinations of federal, state, local, and private entities.[2] Given this complexity, "achieving substantial improvements in this area is exceptionally difficult."[3]

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[1] 2007, No. 30, § 20, provides as follows:

ASSET BUILDING; STUDY

> The agency of human services shall study how to unify the asset limitations across public assistance programs, including Reach Up, separate state and solely state-funded programs under chapter 11 of Title 33, general assistance, emergency assistance, Medicaid, Supplemental Security Income, low income heating assistance program (LIHEAP), food stamps, and any subsidized housing programs with asset limitations, with the purpose of encouraging low income individuals and families to have a modest savings for emergencies, postsecondary education, the purchase of a home, starting a business, or retirement. The agency shall report on any waivers of federal law available and necessary to allow individuals to build assets without becoming ineligible for public assistance programs. The report shall be presented to the house committees on appropriations and human services and the senate committees on appropriations and health and welfare no later than December 15, 2007.

[2] This was the conclusion of the General Accounting Office, which undertook a comprehensive analysis of financial eligibility rules for eleven of the most significant federally-funded public-benefits programs. It concluded:

> Numerous federal departments and agencies, state and local offices, community-based organizations, and other entities are responsible for administering these programs. Authorized by different congressional committees at different points in time, these programs were created to meet the various needs of different groups of low-income people. However, when viewed as a whole, they have given rise to longstanding concerns that the nation's assistance programs for low-income families are too difficult and costly to administer and too complicated for families to navigate.

General Accounting Office, *Means Tested Programs: Determining Financial Eligibility is Cumbersome and Can Be Simplified.* Washington, D.C., at 2 (2001), available at http://www.gao.gov/new.items/d0258.pdf.

[3] *Id.,* at 12.

The chart in Appendix A summarizes the general asset tests for each of the programs identified in the charge, describes program standards governing retirement accounts, and identifies possible opportunities for the exclusion of qualified-purpose savings accounts. The chart also indicates the source of authority for the rules and the opportunities for waiver or amendment.

Given the current state of the law, it is virtually impossible to fabricate a uniform asset test that applies across all public-benefits programs. There are, however, a number of strategies for better harmonizing program rules. Asset standards may be narrowly retailored to permit qualified-purpose savings programs that do not jeopardize eligibility for assistance programs. They might also be more broadly reformed to simplify a system that has grown complex enough to perplex the experts–let alone those whom it is intended to serve.

II. Discussion

The first section of this report reviews the evolving attitudes regarding the efficacy of asset limitations in public-benefits programs. The second identifies opportunities for broad reform. The third focuses on narrower strategies to permit the qualified savings described in the charge. Finally, the fourth section examines the treatment of assets in each of the federally-funded programs and outlines the opportunities for rule simplification and alignment.[4]

A. The Efficacy of Asset Standards.

Historically, public-benefits programs have been designed to maintain minimum levels of basic necessities. They are predominantly means-tested and both income and asset standards have been employed to ensure that only households without sufficient resources can qualify. Over the past fifteen or so years, however, attitudes about the efficacy of asset limits have begun to shift. Many are rethinking the long-term value of requirements that may discourage low-income people from building certain types of assets. This growing skepticism–combined with a yearning for program simplification and the pursuit of administrative efficiency–have led to the relaxation–or even elimination–of many public-benefits-program asset standards.

The trend away from asset standards has been hastened by a mounting sense that asset tests may not be particularly helpful in determining need, as the vast majority of low-income families do not own assets of significance.[5] The Federal Reserve's 2001 Survey of Consumer Finances, for example, shows that families in the bottom fifth of earners only hold a median of $2,000 in financial assets and $7,900 in total net worth, including cars and homes. The wealth of families receiving financial assistance is likely lower, as they are among the poorest in this income range.[6]

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[4] State-only programs are not discussed, as there are no external constraints to rule change.

[5] *See, e.g.,* G. McDonald, P. Orszag, and G. Russell, *The Effect of Asset Tests on Saving*, The Retirement Survey Project, at 3, available at www.retirementsecurityproject.org; L. Parrish, *To Save or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-Income Americans to Save and Build Assets,* New America Foundation Issue Brief, at 2 (May 2005), available at http://www.newamerica.net/files/to%20save%20or%20not%20to%20save.pdf.

[6] Parrish, *supra* note 5, at 5.

The following four subsections summarize several of the most salient concerns regarding the maintenance of asset standards as an eligibility criterion for public-benefits programs.

1. **Savings Disincentives.**

Nationally, there has been a growing and bipartisan experimentation with asset-building as an adjunct to traditional responses to poverty. According to a publication released by the Corporation for Enterprise Development–an organization that has assumed a leading part in promoting this approach–"the role of assets in poverty alleviation can be simply stated: assets matter. Assets provide more than just an economic cushion–assets provide a psychological orientation that income alone cannot provide."[7]

The federal government embraced this philosophy in its welfare reform efforts. In adopting one such program, Congress professed the need for asset-based strategies to enhance the economic well-being of low-income Americans:

> Traditional public assistance programs concentrating on income and consumption have rarely been successful in promoting and supporting the transition to increased economic self-sufficiency. Income-based domestic policy should be complemented with asset-based policy because, while income-based policies ensure that consumption needs (including food, child care, rent, clothing and health care) are met, asset-based policies provide the means to achieve greater independence and economic well-being.[8]

The advent of asset-based policies was accompanied by a growing concern that public-benefits asset limits were at odds with these initiatives: If asset-building programs are to succeed, low-income families must be willing to defer spending to accumulate capital. Assets tests, however, may undermine this discipline: It can be difficult to maintain a commitment to save, knowing that, in hard times, accounts must be liquidated to qualify for assistance.[9] Congress addressed

[7] *2002 Federal IDA Briefing Book; How IDAs Affect Eligibility for Federal Programs,* Corporation for Enterprise Development, at 9, available at http://www.cfed.org/think.m?id =112&pubid=85.

[8] Pub.L. 105-285, § 402(4).

[9] A decade after implementation of these policies, there is still room for debate about whether asset limits have a measurable effect on the savings of low-income people. One researcher, who analyzed the empirical evidence on this issue, summarized the findings as follows:

> Some researchers have examined whether these asset limits reduce the savings behavior of this population. For example, a study by Elizabeth Powers at the University of Illinois examining the welfare system in the early 1980s and a few years later when asset limits became far more stringent demonstrates that each additional $1 of assets allowed resulted in an increase of savings by 25 cents (Powers 1998). On the other hand, Erik Hurst of the University of Kentucky and James Zilliak of the University of Chicago (2004) have conducted studies which conclude that, while reforms have made it more likely that a family will have a car to get to work, raising asset limits has little or no impact on the savings of the poor. This finding could signal that low-income people are too poor to save, or it could indicate that the widely held perception of being penalized for saving still exists even in cases where asset limits have been eliminated or greatly liberalized.

this disincentive by sheltering specified savings from eligibility or benefit-level determinations in federal programs that consider financial circumstances.[10]

The federal government has also taken a number of other steps to relax the orthodoxy regarding asset standards. For example, as is discussed more fully below, it has ceded to the states the flexibility to set their own TANF income and asset standards.[11] It has also permitted states to set their own Medicaid rules for determining which assets (if any) are counted against asset standards and how such assets are valued.[12] Likewise, it has allowed states to relax the asset standards that apply in the Food Stamp program.[13]

2. Complexity.

The administration of asset standards is one of the most complicated, time-consuming, and costly components of the eligibility process. Standards vary from program to program and caseworkers–as well as applicants and beneficiaries–often have a difficult time thoroughly understanding what is required and what is not.

In Vermont, the Economic Services Division (ESD) of AHS's Department for Children and Families has taken pains to minimize the process relating to asset testing. For, example, for those programs without asset standards, the division has developed separate application forms that leave off questions related to resources. ESD has also minimized resource-verification requirements. Nevertheless, asset testing remains a complicated and cumbersome process. The questions asked of applicants and beneficiaries regarding assets are included in Appendix B. As will be seen, they call upon applicants and beneficiaries to provide a number of detailed and often hard-to-find answers.

As a part of its efforts to meet the health-care reform goals the legislature identified in 2006, No. 191, the administration contracted with Health Policy Matters, a Massachusetts-based firm with expertise in Medicaid and the uninsured, to assess the current health-care enrollment processes. The consultants conducted an exhaustive review of the state's procedures, applications, notices, and forms. They generally concluded that, "[i]n Vermont and elsewhere, many would assert that the complexity of the application and the re-determination processes is a deterrent to applying and maintaining coverage."[14]

This view may stem from asset limits being more stringent in the past, uneven knowledge regarding asset limits among caseworkers, or other issues.

Parrish, *supra* note 6, at 2.

[10] 42 U.S.C.A. § 604(h)(4); Pub.L. 105-285, § 415.

[11] See discussion at 13.

[12] See discussion at 18.

[13] See discussion at 15.

[14] M. Price and B. Waldman, *Enrolling the Eligible but Unenrolled: An Assessment of Vermont's Eligibility, Enrollment and Renewal Processes and Opportunities to Improve Enrollment and Retention in Publicly*

While the consultants ceded that much of the reason for program complexity "is because the federal Medicaid program is itself complicated,"[15] they noted that asset-testing was one area in which the state had latitude for improvement:

> Unlike several states that have completely eliminated asset testing for individuals in the under-65 population, Vermont continues to maintain this requirement for parents, which adds significant complexity to the application process for those individuals who must comply with it. In other states, quantitative data indicates that very few applicants are actually screened out of the program as a result of the asset test and anecdotal information from ESD staff in Vermont indicates that similar phenomena may exist; hence, the asset test may add burden for both applicants and staff but provide little value to the program.[16]

Perhaps the most significant recommendation for improvement was the elimination of asset testing for all health-care applicants under the age of sixty-five:

> Vermont does not currently have an asset test for children, either in Dr. Dynasaur or Medicaid, or for adults in VHAP; however, an asset test remains in place for parents in the Medicaid program. That means that those with the lowest incomes have the greatest burden in having to provide information to prove their eligibility for a program. States that have studied removal of asset tests have found that they are an administrative burden that yields only a small return (in that they very rarely result in an applicant being ineligible due to assets when his income falls within the eligibility range). These studies also show they serve as a significant barrier to applying for those who are potentially eligible.[17]

3. Equity.

It has also been observed that asset tests introduce inequity into the administration of public benefits. They can exclude some families, although they may have only slightly more resources than those that are eligible. This effect can be amplified by the fact that, while assistance programs count assets, they usually don't consider a family's liabilities or net worth. As a result, rules can actually favor wealthier families. For example, two families may have equivalent economic characteristics, with the exception that one has $3,000 in the bank and $3,000 in debts and the other, $1,000 in the bank and no debts. The first family has zero net worth and the

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Funded Health Care Programs, unpublished report, prepared for the Office of Vermont Health Access, at 2, (October, 2007).

[15] *Id.,* at 18.

[16] *Id.,* at 19.

[17] *Id.,* at 30 (footnote omitted).

second a net worth of $1,000. However, in a program with a $2,000 asset limit, only the family with a positive net worth would qualify for benefits.[18]

Asset standards can also treat similar resources differently. For example, defined-benefit retirement savings (traditional pension plans) are generally not counted as assets. However, 401(k) plans and individual retirement accounts (IRAs) generally are, even though they too are important retirement-savings vehicles.[19] Also, as is discussed below, while all states must exclude from asset testing, particular forms of savings for college, home-ownership, or small-business capitalization, they do not necessarily exclude similar savings of beneficiaries who participate in other programs.[20]

Finally, unlike income standards, asset tests have not been indexed for inflation. "In the absence of inflation adjustments, even moderate inflation will lower the real value of asset limits and could reduce eligibility substantially in the future."[21]

4. Access.

Finally, the maintenance of differing standards across programs may also serve as a barrier to program access and coordination of benefits. For example, when different standards apply for Food Stamps, TANF, and Medicaid programs, families may find themselves eligible for some forms of assistance, but shut out of others.

B. Reform Opportunities.

Given the high human and administrative costs exacted by asset standards, their relative ineffectiveness as eligibility benchmarks, and the growing concern that asset-building disincentives may serve to perpetuate impoverishment, many policy makers and advocates have begun to call for the streamlining–if not outright elimination–of program asset requirements. Two barriers, however, have sometimes impeded this approach.

First, as noted above, state hands are often tied by conflicting federal program requirements. But, while it is undoubtedly true that states are not always at liberty to unilaterally change or eliminate asset rules, the federal government has made it increasingly easy for states to engage in varying degrees of forward movement. And, although we may be far from the day when the same set of principles applies across all programs, incremental alignment and simplification still can yield benefit to beneficiaries and bureaucracies alike.

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[18] Example adapted from H. Chen and R. Lerman, *Do Asset Limits in Social Programs Affect the Accumulation of Wealth?* Urban Institute, at 5 (2005), available at www.urban.org.

[19] D. Rand, *Reforming State Rules on Asset Limits: How to Remove Barriers to Saving and Asset Accumulation in Public Benefit Programs,* Clearinghouse REVIEW Journal of Poverty Law and Policy, at 626 (March-April 2007), available at http://www.assetsalliance.org/downloads/Reforming_State_Rules.pdf.

[20] See discussion at 9-10.

[21] Chen and Lerman, *supra* note 18, at 6.

The second concern is that elimination or relaxation of asset standards will invite unmanageable program expansion. Evaluating this issue is difficult.[22] The research that has been done has "uncovered evidence documenting both the intended effect of asset tests (in limiting participation) and the unintended effect of asset tests (lowering savings and asset accumulation by low-income families)."[23] However, there is little evidence that provides "a comprehensive picture that compares the government cost savings from asset tests (including lower benefit costs but added administrative costs) with the magnitude of the reductions in asset holdings. Yet it is the relative magnitudes of these two impacts that are most relevant for policy."[24]

There has been at least one effort to assess the impact of state decisions to eliminate asset testing in their Medicaid programs. In April, 2001, the Kaiser Commission on Medicaid and the Uninsured engaged Health Management Associates to survey the nine states and the District of Columbia that had by then eliminated the Medicaid asset test for parents.[25] The study reported that state Medicaid officials in the ten jurisdictions unanimously agreed that the elimination of the asset test had been positive:

> For the Medicaid agencies, eliminating the Medicaid asset test for families allowed them to simplify and streamline their eligibility systems, reduce paperwork, and increase worker productivity. For Medicaid beneficiaries, the policy further distinguished Medicaid from welfare and made it easier to understand Medicaid eligibility rules and apply for the program. These gains were made without increases in inappropriate Medicaid enrollment or large increases in program costs. By some state estimates, these changes actually reduced Medicaid administrative costs.[26]

The study also reported several relevant quantitative findings. Before eliminating asset standards, on average, New Mexico denied 38 applications a month because of excess assets.[27] The state

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[22] Two researchers who have considered this topic described the challenge as follows:

> One must project, for example, how many more people would become eligible for a program if asset tests were eliminated, and how many of those would enroll. In addition, one must also estimate whether currently eligible people would nevertheless be more likely to enroll if they did not have to report assets.

(Chen and Lerman, *supra* note 18, at 5.)

The cost-benefit analysis adds a further layer of complexity, as it requires an estimation of the administrative savings that would accompany the elimination of asset testing.

[23] Chen and Lerman, *supra* note 18 at 5.

[24] *Id.,* at 5-6.

[25] V. Smith, E. Ellis, and C. Chang, *Eliminating the Medicaid Asset Test for Families: A review of State Experiences,* Henry J. Kaiser Family Foundation, (2001).

[26] *Id.,* at 16.

[27] *Id.*, at 9.

estimated that eliminating the test generated an annual increase of $23,000 in state funds due to a slight enrollment increase.[28]

Increases in enrollment costs may well be more than offset by administrative savings. Oklahoma was the one state that studied the costs and benefits of dropping the asset test. According to the report,

> Oklahoma officials indicated that they had been spending $3.5 million in general revenue dollars for administrative activities related to the verification of assets. They found they would spend just two-thirds that amount, or $2.5 million, in general revenue on benefits for persons who might have been denied [had asset testing remained in place], for net savings of $1.2 million in state general funds.[29]

As is discussed below, since the report was published, at least twenty-one states have eliminated asset testing for parents in their Medicaid programs.

A summary of the benefits accruing to program stakeholders when asset tests are eliminated is included in the Executive Summary. It is also reproduced in Appendix C.

C. Strategies for Promoting Qualified Savings.

Many of the benefits outlined in Appendix C only accrue from the elimination of asset testing. However, the rules need not be scrapped to clear the way for the specific objectives of the charge. Narrower alternatives are explored below.

1. Individual Development Accounts.

As noted above, the federal government has created several opportunities for the creation of qualified savings programs that include asset-test exclusions. In 1996, congress formalized welfare reform in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). In that legislation, it authorized states to utilize Temporary Assistance for Needy Families (TANF) dollars to fund Individual Development Accounts (IDAs).[30] This paved the way for programs designed to encourage savings and high-value reinvestment: IDA program participants commit to regularly save earned income. Savings are then matched with public or private funds. In exchange for the match, participants agree that they will only withdraw their deposits for specified uses, such as education or job-training, first-time home purchase, or business capitalization.[31] Participants may also receive financial education and counseling.

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[28] Parrish, *supra* note 6, at 9.

[29] Smith, Ellis, and Chang, *supra* note 25, at 13. According to the authors, other states also "had a clear view that administrative savings were significant, but were unable to quantify them for this study."

[30] 42 U.S.C.A. § 604(h).

[31] 42 U.S.C.A. § 604(h)(1)(B).

In 1998, Congress added to its investment in IDAs with the enactment of the Assets for Independence Act (AFIA).[32] The Act created a federal IDA demonstration program that provides grants to local nonprofit organizations to administer IDA programs. Grant funds must be matched dollar-for-dollar with other non-federal funds. Like the TANF IDAs, AFIA IDA funds may only be used for specified purposes. Moreover, program participants must meet income eligibility criteria.

As noted above, Congress exempted TANF and AFIA IDA accounts from all federal-program asset tests. Given this across-the-board exclusion, these vehicles would seem tailor-made for the task at hand. But–and perhaps because these programs contemplate a substantial outlay of public funding to supplement individual contributions[33]–they are rather limited in scope. They narrowly prescribe who may open IDAs, how much may be contributed, and what the accumulated funds may be used for.

Alternatively, a state could create a so-called "non-TANF, non-AFIA IDA," tailored to the needs of target populations. As such accounts are not covered by the federal asset exclusion, where permitted, individual program rules would need to be modified to assure that such savings would not be subject to asset testing.

TANF and AFIA IDAs are explored in more detail below. Also, Vermont's existing IDA program is described, and its suitability as a vehicle for fulfillment of the charge is explored. Finally, as retirement savings differ from other kinds of qualified savings, this topic is explored separately below.

a. TANF IDAs.

To establish a TANF IDA, the individual must be eligible for assistance under the state TANF program. Thus, this device is available only to needy families with children. Households may only contribute earned income, and may only use savings for postsecondary educational expenses, to purchase a first home, or to start a business. This limitation cannot be flexed to permit the savings for emergencies, retirement, or other-than-first-time home purchase contemplated in the charge.

b. AFIA IDAs.

The AFIA IDA eligibility requirements are somewhat more relaxed. To qualify, the individual must be eligible to receive TANF assistance, qualify for the Earned Income Tax Credit, or have household income below 200% FPL. Also, participating households may not have net worth in excess of $10,000.[34] Each dollar of earned income that the individual contributes is matched with

[32] Pub.L. 105-285.

[33] While IDAs are, by design, matched savings programs, the magnitude of their costs is commensurate with the generosity of income standards, match rates, and overall caseload. But, while the IDA concept originated as a form of subsidized savings, there is nothing inherently contradictory in the notion of a program that rewards partially or completely unsubsidized savings with protection against spend-down in the event that the participant subsequently seeks public assistance.

[34] Pub. L. 105-285, § 408.

between $.50 and $4 from nonfederal funds and an equal amount from AFIA grant funds. Thus, programs may be designed to provide total matches in values ranging from 100% to 800% of the participant's contribution. The program allows for a maximum total match of $4,000 to any one individual or $8,000 to any one household. Therefore, including participant contributions and depending upon the program match rate, AFIA IDAs permit a maximum asset accumulation of between $4,500 and $8,000 per individual and $9,000 and $16,000 per household.[35]

While the list of "qualified expenses" is the same as for TANF IDAs, the AFIA does provide for "emergency withdrawals." An individual may withdraw any portion of the funds actually contributed (*i.e.,* matching funds may not be withdrawn for emergencies) provided that the organization administering the program approves and the money is spent for medical care, to prevent eviction or foreclosure, or to meet necessary living expenses following loss of employment. The individual must reimburse the account within one year of the emergency withdrawal, or face the loss of the account funds.[36]

c. Non-TANF, Non-AFIA IDAs.

IDAs can and do come in many other non-TANF, non-AFIA IDA forms. A state could, for example, create a program that permits relatively more affluent individuals to accumulate larger sums to spend on a broader array of items (*e.g.,* vehicles, any form of shelter, emergencies, retirement, etc.). However, programs that do not include TANF or AFIA funds are not entitled to across-the-board, federal-program asset exclusion. Programs that are appropriately funded, but do not meet TANF or AFIA IDA program criteria (*e.g.,* income eligibility standards; limitations on asset use) are similarly disadvantaged. States may have the flexibility to shelter assets accumulated in more liberal IDA programs. However, they must pursue that objective program-by-program.

d. Vermont's IDA Program.

The Vermont legislature created an IDA program in 2001.[37] It is operated by Central Vermont Community Action Council (CVCAC) under the name of "Tangible Assets." To participate, household income must be at or below 150% FPL. Also, families must reside within specified towns in Central Vermont. Participants commit to a three-year savings program, and agree to attend an economic literacy workshop (eight sessions over four months) designed to teach them about savings and checking accounts, budgeting for savings, repairing damaged credit and reducing debt, and about the real costs of buying a house, starting a business, and going to school. Over that four-month period, participants deposit a total of $100 ($12.50 every two weeks) in an IDA in a local bank or credit union. When they have saved that first $100, a savings match begins, and for every dollar deposited after that, CVCAC deposits one dollar the first year as much as two or three dollars the second and third years. At the maximum savings rate, with match, at the end of three years, participants will have accumulated over $3,500. Savings cannot

[35] *Id.*, at § 410.

[36] *Id.*

[37] 33 V.S.A. § 1123.

be withdrawn during the three years, and must be used toward home-ownership, post-secondary education, or business capitalization.[38]

This program does not, in its current configuration, completely satisfy the criteria of the legislature's charge. Initially, the program is geographically limited and serves relatively few people. In 2006, just under 300 people were enrolled.[39] Also, it does not permit spending on emergencies or retirement–two of the purposes identified in the charge. Finally, it is not clear whether this program is entitled to an across-the-board asset exclusion: While the Vermont program does receive AFIA grant funds, the limitations on asset use are not as restrictive as those specified in that program. Specifically, as to home purchases, the AFIA only permits use of IDA funds to pay for "[q]ualified *acquisition* costs with respect to a principal residence for a qualified *first-time* homebuyer . . . ."[40] Tangible Assets, however, more broadly permits use of IDA funds for "the purchase or improvement of a home."[41] Vermont's current rules exclude IDA assets from Reach Up eligibility and benefit determinations.[42] Thus, Tangible Assets deposits will not be counted in that program. However, given the discrepancy regarding permitted uses of IDA funds, other program rules may need to be altered as outlined below to prevent IDAs from being counted as assets.

e. IDA Administrative Costs.

There are substantial administrative costs associated with the utilization of IDA accounts as a vehicle to achieve the legislative objective identified in the charge: Some entity must set up, manage, and monitor the accounts and approve fund withdrawals. Eligibility workers must learn and apply another resource exclusion. Applicants and beneficiaries would have another financial item to keep track of and report on applications and renewal forms.

2. Retirement-Savings-Only Strategies.

Consistent with their general inability to save or accumulate assets, low-income families also tend to have particularly low levels of retirement savings. Even when combined with Social Security benefits, their savings are often insufficient to maintain their pre-retirement standard of living.[43]

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[38] Tangible Assets program description, posted on CVCAC web site, at http://www.cvcac.org/ Services/ tangible.htm.

[39] Telephone interview with Tony Morgan, Director, Vermont Office of Economic Opportunity.

[40] Pub. L. 105-285, § 404(8)(B) (emphasis added).

[41] 33 V.S.A. §1123(a)(6).

[42] Reach Up Rule 2264(27).

[43] Z. Neuberger, R. Greenstein, and E. Sweeney, *Protecting Low-Income Families' Retirement Savings: How Retirement Accounts are Treated in Means-Tested Programs and Steps to Remove Barriers to Retirement Saving,* The Retirement Security Project, at 3 (June, 2005), available at http://www.retirementsecurityproject.org/ pubs/File/AssetTestReport.final.pdf.

Public-benefits asset tests may contribute to this economic reality. Traditional defined-benefit plans (like the state employee's pension plan) are employer-controlled programs that offer retirees lifetime income, based on earnings records. As plan principal tends to be relatively inaccessible, public-benefits programs generally do not count them as assets. Defined-contribution plans (like 401(k)s and IRAs), on the other hand, are individual accounts to which employers or employees contribute. As they are relatively accessible, program rules tend to require people to spend down these assets before qualifying for means-tested assistance.

As the pension system moves away from defined-benefits plans and toward the more cash-and-carry defined-contribution plans,[44] access to public support increasingly comes at the price of depleting the family's retirement savings. This liquidation requirement certainly wipes out retirement savings at the time of need. It may also discourage employee-motivated contributions to such accounts and erode the discipline required to preserve these assets from premature depletion. Finally, as some observers have pointed out, it may merely serve to forestall the public expenditure: "[S]ubjecting any pension to an asset test may reduce public assistance payments but deplete retirement savings, which would increase participation in assistance programs during retirement."[45]

Predictably, the asset rules governing retirement savings are quite complex and can vary widely across public-benefits programs. Thus, here too, rule simplification and alignment can generate important benefits–not only for program participants–but for the programs themselves. Again, while much of the discretion for change is centered at the federal level, there are a number of ways in which states may better order retirement asset rules and thereby encourage retirement savings while, at the same time simplifying program administration. The available strategies fall into three main categories:

- Elimination of the asset test;
- Increasing the asset limit; or
- Disregarding all or a portion of retirement savings accounts.

D. The Programs and Opportunities for Reform.

This section contains a program-by-program outline of the opportunities to streamline or eliminate federal program asset standards and surveys some such initiatives that other states have undertaken in this regard.

1. TANF Programs (Reach Up).

PRWORA transformed the federal funding of welfare programs from individual entitlements to capped block grants. In exchange for its withdrawal of guaranteed match, the federal government ceded to the states a great deal of flexibility in the administration of public-assistance programs. States now have broad discretion to determine eligibility criteria, including income and asset limits.

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[44] *See, e.g.,* McDonald, Orszag, and Russell, *supra* note 5, at 1.

[45] Chen and Lerman, *supra* note 18, at 3.

Vermont has maintained a $1,000-per-household asset limit in its Reach Up cash-assistance program.[46] That limit is slated to increase to $2,000 in April of 2008.[47] Many necessities do not count against this limit.[48] IDA accounts are excluded.[49] So too are accounts that are deemed "unavailable" to the family.[50] This might include defined-benefits pension plans.[51] If accounts are "available," however, families are expected to make use of them before qualifying for benefits. Thus, families must generally spend down IRAs and Keogh plans.[52] If unavailable assets may be made available in the future, the household will be expected to use the assets when they become available.[53] An early-withdrawal penalty does not render an account unavailable. However, account values are discounted by the amount the family must forfeit to access these accounts.[54]

a. Eliminating or Streamlining Asset Test.

Two states–Ohio and Virginia–have completely eliminated their TANF-program asset tests. Apparently, neither has seen a large increase in caseloads.[55] While neither state has conducted a study of the impact of eliminating the limits, "they have not experienced any 'horror stories' of applicants with vast sums of wealth abusing the system. Instead, both states have implemented these reforms with little or no controversy . . . ."[56]

Colorado, Illinois, and California have also reformed their TANF asset rules, without going so far as to eliminate them. In 2006, Colorado raised its asset limit from $2,000 to $15,000. It also expanded its list of exemptions. In 2005, Illinois exempted pension plans from consideration as countable assets in its TANF and general-assistance programs. In 2006, California also exempted retirement and educational accounts from consideration as assets for TANF beneficiaries (but not applicants).[57]

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[46] Reach Up Rule 2261. This standard has remained unchanged for at least the past seventeen years.

[47] 2007, No. 30, § 4.

[48] Reach Up Rules 2260-2269.

[49] Reach Up Rule 2264(27).

[50] Reach Up Rule 2260.

[51] Reach Up Rule 2263.4.

[52] *Id.*

[53] Reach Up Rules 2260 and 2270.

[54] Reach Up Rule 2263.4.

[55] Parrish, *supra* note 5, at 12.

[56] *Id.*

[57] *See,* Rand, *supra* note 19, at 630-632.

Other state reforms include exemption of: education savings accounts; funds in children's savings accounts; and assets in IDAs.[58]

b. Qualified-Savings-Only Strategies.

As noted above, Vermont's rules exclude IDA assets from Reach Up eligibility and benefit determinations. The state could likewise elect to exclude other forms of qualified-purpose accounts.

c. Retirement-Savings-Only Strategies.

As discussed above, Vermont could elect to disregard any or all kinds of retirement accounts. It could also exclude the interest earned on any or all retirement accounts. Alternatively, the state could effectively exclude most retirement accounts by raising the overall asset limits to a level where most would not affect Reach Up eligibility.

2. Food Stamps.

Food Stamp eligibility depends in part on a household's resources. However, once a household is eligible, assets do not affect benefit levels, which are based on income.

Asset limits for the Food Stamp program are set at the federal level. In general, households are not eligible if they have more than $2,000 in countable assets, or more than $3,000 if at least one household member is disabled or age 60 or older.[59] Countable assets include cash, stocks, bonds, and IRAs, among other things.[60] Items that do not count include the home, personal items, the cash value of any life insurance policy or pension fund, and resources that fall within a variety of other specified categories.[61] Also–importantly–the assets of any household in which all members receive cash assistance through a TANF program or maintenance-of-effort (MOE) funds or Supplemental Security Income (SSI) are entirely disregarded in food stamp eligibility determinations.[62] For these households, the Food Stamp program effectively follows the asset rules of these other programs. Also, states may exempt entirely the assets of individuals who receive various TANF- or MOE-funded services, such as case management or job counseling, so long as the state determines that these services benefit the entire household.[63]

a. Eliminating or Streamlining Asset Test.

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[58] *Id.,* at 632.

[59] Food Stamps Rule 273.8(b).

[60] Food Stamps Rule 273.8(c)

[61] Food Stamps Rule 273.8(e).

[62] Food Stamps Rules 273.8(a); 273.2(j)(2) (emphasis added).

[63] Food Stamps Rule 273.2(j)(2)(i).

The 2002 Farm Bill[64] afforded states a new option to reform Food Stamp asset tests. Under this option, a state may choose to exclude certain types of resources if it likewise excludes them in its TANF cash-assistance or Medicaid program. Still however, certain types of assets *must* be counted. These include cash and "amounts in any account in a financial institution that are *readily available* to the household."[65]

Many states have taken advantage of this new discretion. For example, California, Colorado, Illinois, Ohio, and Virginia exempt retirement accounts.[66] At least forty states have exercised the option to exclude at least one vehicle and twenty states exclude all vehicles.[67] Also, by adopting categorical eligibility rules for applicants and beneficiaries who receive a TANF-funded benefit, several states have effectively eliminated the need to apply a separate Food-Stamp-program asset test.[68]

b. Qualified-Savings-Only Strategies.

Generally, states must count non-TANF, non-AFIA IDAs as assets in determining Food Stamp eligibility. There are, however, circumstances in which such deposits may be excluded. First, if a state uses TANF or MOE funds to help support a non-TANF, non-AFIA IDA program, the state may include these IDAs among the TANF- or MOE-funded benefits that trigger this exemption from the Food Stamp asset test. By doing so, a state can ensure that all TANF- or MOE-funded IDAs–including IDAs that do not meet the TANF statutory requirements for IDAs–are not counted against the Food Stamp asset limits.[69]

Also, as IDAs restrict fund use to stated purposes, such deposits are, arguably, not "readily available."[70] Thus, the 2002 Farm Bill provisions may permit states to exclude non-TANF, non-AFIA IDAs as assets if they likewise exclude such assets from their TANF or Medicaid programs. However, in proposed rules offered in April of 2004, the USDA took the position that, under this option, states could only exclude IDAs that are restricted to buying a home, obtaining higher education, or starting a business.[71] There was a good deal of opposition on this point and the USDA has yet to issue final regulations. In the interim, several states are acting upon the USDA's advice that, until final regulations are issued, states should "exercise their good

[64] Farm Security and Rural Investment Act of 2002, Pub.L. 107-171 ("2002 Farm Bill"), § 4107, codified at 7 U.S.C.A. § 2014(g)(6)(A).

[65] 7 U.S.C.A. § 2014(g)(6)(B)(iii).

[66] Rand, *supra* note 19, at 633.

[67] *Id.*

[68] *Id.*

[69] 2002 Federal IDA Briefing Book, *supra* note 7, at 22.

[70] This argument could be diminished to the extent that–like AFIA IDAs–funds may be withdrawn for emergency purposes. However, given that the trustee must participate in such decisionmaking, it could still be argued that the funds are nevertheless not "readily available."

[71] 69 Fed. Reg. 20759 (April 16, 2004) (to be codified at 7 C.F.R. § 273.8(e)(19)).

judgment" in deciding which assets to exclude.[72] As of August 2003, USDA was aware of four states that have taken advantage of this provision to exclude funds deposited in any kind of IDA from their food stamp asset tests.[73]

As noted above, Vermont already excludes IDAs from Reach Up asset calculations. Thus, the state could mirror this rule in its Food Stamp regulations, if it wished to utilize an IDA-type vehicle to achieve the qualified-savings objective.

c. Retirement-Savings-Only Strategies.

Federal rules count some types of retirement savings toward the Food Stamp asset limit while excluding others.[74] Most employer-sponsored plans are excluded. These include:

- Defined benefit plans (plans providing a specific benefit based on employee's earning record);
- 401(k) plans (offered by private companies);
- 403(b) plans (offered by not-for-profit organizations and public education agencies);
- 457 plans (offered by state and local governments);
- The Federal Employee Thrift Savings plan;
- Section 501(c)(18) plans (retirement plans for union members); and
- Keogh plans (tax-deferred savings plan for people who are self-employed) that involve a contractual obligation with someone who is not a household member.

The following individual retirement savings accounts are counted:

- IRAs;
- Keogh plans that do not involve a contractual obligation with someone who is not a household member; and
- Simplified Employer Pension Plans (IRA-like accounts into which employers make direct deposits).

Also, if the cash value of an excluded type of plan is "rolled over" into an IRA (*e.g.,* when an employee leaves the employer who offered the plan for an employer who does not offer a similar type of plan), it loses its exclusion and becomes countable.[75]

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[72] *Questions and Answers Regarding the Food Stamp Program (FSP) Certification Provisions of the Farm Bill,* Question 4107-1, available at http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill-QAs.htm.

[73] *IDAs and Public Assistance Asset Limits: What States Can Do to Remove Penalties for Savings,* Center for Social Development and Corporation for Enterprise Development, vol. 1, no. 2, at 4. Available at http://www.cfed.org/publications/Vol%201%20No%202%20-20Public%20Assistance%20Asset%20Limits.pdf. The states are New York, Ohio, Maryland, and Virginia.

[74] These accounts are not identified in regulation, but in USDA policy guidance, which is available at http://www.fns.usda.gov/fsp/rules/Memo/02/pensions.htm.

[75] Neuberger, Greenstein, and Sweeney, *supra* note 43, at 14.

Under the provisions of the 2002 Farm Bill, states may be able to exclude many retirement savings accounts, if it likewise does not count these assets in its TANF or Medicaid program.[76] But, as with IDAs, there is an argument that funds deposited in an account like an IRA are not excludable because they are "readily available." However, in the proposed regulations issued in 2004, the USDA indicated that states would be permitted to disregard IRAs if the terms of the accounts imposed a penalty–other than forfeiture of interest–for early withdrawal.[77] Until final regulations are issued, the USDA has advised states that they may exercise discretion regarding the treatment of IRAs.[78]

3. ANFC- and SSI-Related Medicaid.

To qualify for Medicaid, individuals must meet five broad requirements for eligibility: categorical; income; resource; immigration status; and residency. States have a good deal of flexibility in setting financial limits and in defining those items that will count against those limits.[79] However, changes to such rules must be acknowledged in a state plan amendment.

Vermont's rules index Medicaid asset standards against the Reach Up and SSI/AABD resource maximums: The Medicaid tests may be no less than the higher of the two standards for a household of a given size.[80] Current standards are as follows:[81]

Household Size	Asset Maximum
1	$2,000
2	$3,000
3	$3,150
4	$3,300
5	$3,450
6	$3,600
7	$3,750
8	$3,900

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[76] The Bill also included a similar provision to permit a state to conform what it counts as income in the Food Stamp program. 7 U.S.C.A. § 2014(d)(18).

[77] 69 Fed. Reg. 20759 (April 16, 2004) (to be codified at 7 C.F.R. § 273.8(e)(19)).

[78] *Questions and Answers*, *supra* note 72, Question 4107-5.

[79] 42 U.S.C.A. § 1931(b)(2)(C) enables states to use "less restrictive" methodologies (*i.e.,* the rules that determine which assets are counted and how they are valued) to count income and assets. This allows for relaxation of the asset test or its elimination altogether.

[80] Medicaid Rule M 340.

[81] Medicaid Procedure Manual P2420.

There is no asset test for otherwise eligible pregnant women and children.[82]

a. Eliminating or Streamlining Asset Test.

Virtually all of the states have exercised their discretion regarding financial eligibility in a variety of ways. Most states have no asset limits for receiving children's Medicaid and SCHIP benefits. For ANFC-related Medicaid, at least twenty-one states have no asset test. Most states exclude the first vehicle as an asset and about half exclude all or some retirement accounts.[83]

As just noted, Vermont eliminated its asset test for pregnant women and children. Also, when it expanded its health-care program in 1996 to provide services to lower income adults, the state elected to base financial eligibility on "simplified income criteria."[84] Thus, for the Vermont Health Access Plan (VHAP)–a program that serves individuals who may be more affluent than Medicaid beneficiaries–eligibility does not depend upon an assets standard. *Id.*

When the state further expanded its waiver to provide premium assistance to uninsured Vermonters with incomes up to and including 300% FPL, it again elected to base financial eligibility on simplified income criteria.[85] The state could likewise eliminate asset testing for its traditional Medicaid programs (with the exception of its Long-Term Care program) by amending its state Medicaid plan.

b. Qualified-Savings-Only Strategies.

As discussed above, states have the flexibility to exclude all IDA assets from Medicaid eligibility and benefit determinations.

c. Retirement-Savings-Only Strategies.

The state has essentially the same degree of flexibility in these programs as with Reach Up. Thus, with a state plan amendment, the state could achieve the same range of reform.

4. Supplemental Security Income.

The Supplemental Security Income (SSI) Program is a means-tested, federally-administered, income-assistance program. It provides monthly cash payments in accordance with uniform, nationwide eligibility requirements. To qualify, individuals must satisfy the program criteria for age, blindness, or disability. They must also meet prescribed income and asset standards. The program allows individuals to have up to $2,000 in countable assets. Couples may have $3,000

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[82] 2006, No 191, §§ 13 and 16.

[83] Neuberger, Greenstein, and Sweeney, *supra* note 43, at 19.

[84] *The Vermont Health Access Plan: A Statewide Medicaid Demonstration Waiver Initiative*, at 13 (February 23, 1995).

[85] Premium-Assistance Program Rules 4102.3 and 4102.7.

in countable assets.[86] Generally, this program's asset standards exclude retirement savings that are considered to be inaccessible, and count those that are available.[87]

a. Elimination of or Streamlining Asset Test.

As SSI is a federally-administered program, states have no discretion to amend its asset limit.

b. Qualified-Savings-Only Strategies.

Generally, non-TANF, non-AFIA IDAs count toward the SSI asset limit. However, the Social Security Administration (SSA) does have a program that may allow for the exclusion of some such deposits. If the SSA approves an IDA as a Plan for Achieving Self-Support (PASS), assets that are committed to the PASS do not count in SSI eligibility determinations. An IDA approved as a PASS account must be used for purposes that are consistent with the work-related goals of the PASS account. Thus, currently, TANF and AFIA IDAs are the only vehicles that will permit an individual to save for a down-payment of a home without jeopardizing SSI benefits, as PASS accounts cannot be used for this purpose.[88]

c. Retirement-Savings-Only Strategies.

States have no discretion to modify these standards.

III. Conclusion

Given the complexity of jurisdiction governing public-benefits programs, the state is not in a position to uniformly exempt qualified savings from asset standards. However, there are several opportunities available to promote anti-poverty policies based on savings-and-investment strategies. The elimination or streamlining of asset standards is the simplest and most effective way to this end.

There are also narrower measures that could allow individuals to build classes of assets without jeopardizing eligibility for public-assistance programs. These include disregarding IDAs and retirement accounts as income and assets when determining program eligibility and benefit level, and raising overall asset limits to a level where most qualified-savings accounts would not affect program eligibility.

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[86] 20 C.F.R. § 416.1205(c).

[87] Neuberger, Greenstein, and Sweeney, *supra* note 43, at 25.

[88] 2002 Federal IDA Briefing Book, *supra* note 7, at 33.

APPENDIX A

Program	General Assets Rule	Retirement Accounts	Other Limited-Purpose Accounts	Amendment Opportunities
SSI (AHS does not administer this program)	► Up to $2,000 for individual. ► Up to $3,000 for couple.	► Defined-benefit plans are generally considered inaccessible and are not counted. ► Defined-contribution plans are considered accessible and, therefore, counted, even if penalty is imposed for early withdrawal.	► TANF and AFIA IDAs are excluded; other IDAs are counted. ► Approved plans for achieving self-support (PASS) not counted.	Asset rules are set by federal government; no state flexibility.
Housing Programs with Asset Limitations (AHS does not administer these programs)	► Federal assistance programs do not have an asset test for determining eligibility. ► However, interest earned on assets (including non-TANF, non-AFIA IDAs) counts as income and also for determining subsidy amounts. ► If family net assets exceed $5,000, percentage of value is counted as income if that amount exceeds the family's actual net income from the assets. ► Generally, assets count only if accessible.	N/A	► TANF and AFIA IDAs are excluded. ► Other IDAs might be excluded if account is structure so that match is placed in a separate account from which funds can be withdrawn only for a designated IDA purpose.	Asset rule set by federal government; no state flexibility.
Food Stamps	► Up to $2,000 for household. ► Up to $3,000, if at least one household member is elderly or disabled.	► Excluded: ▪ Defined-benefit plans; ▪ 401(k) plans; ▪ 403(b) plans; ▪ 457 plans; ▪ The Federal Employee Thrift Savings plan; ▪ Section 501(c)(18) plans; and ▪ Keogh plans involving non-household member. ► Counted: ▪ IRAs; ▪ Keogh plans not involving non-household member; and ▪ Simplified Employer Pension Plans. ► Total cash value (less withdrawal penalty) is counted.	Resources with cash value which are not accessible to household (*e.g.* irrevocable trust), provided funds are only used to pay for educational or medical expenses.	► Asset rule set by federal government. ► Waiver possible, but none have been sought to exclude qualified-purpose accounts. ► 2002 Farm Bill may provide amendment flexibility.

Medicaid	► None for: ▪ Children under 18; ▪ Pregnant women; ▪ VHAP beneficiaries; ▪ Premium-assistance beneficiaries. ► For all others: **Household Size** — **Asset Maximum** 1 — $2,000 2 — $3,000 3 — $3,150 4 — $3,300 5 — $3,450 6 — $3,600 7 — $3,750 8 — $3,900	► Total cash value (less withdrawal penalty) is counted. However, resource exclusion applies if individual: ▪ Does not have option of withdrawing a lump sum from the fund; ▪ Is not eligible for periodic payments; ▪ Has reached retirement age and is drawing on retirement funds at a rate consistent with life expectancy. ► If eligible for lump-sum or periodic benefits, periodic benefits must be chosen.	► Any portion of an irrevocable trust from which payments could be made to or for the benefit of the individual is countable. ► Resources set aside in escrow account for paying property taxes or homeowner's insurance are disregarded up to the amount of projected expenses.	Resource methodologies (*i.e.,* the rules that determine which assets are counted and how they are valued) may be altered with state plan amendment.
AABD	Same as Medicaid.			
Reach Up	► Up to $1,000 for household. ► Increases to $2,000 on April 1, 2008.	► Total cash value (less withdrawal penalty) is counted. ► Account is excluded if individual can demonstrate that funds cannot be made available.	► Value of unavailable account is excluded. ► If proceeds of unavailable account may be made available in future, household expected to use for intended purpose when available. ► Savings from earned income, matching dollar contributions, and accumulated interest deposited in Individual Development Accounts (IDAs) is excludable. ► Resources set aside in escrow account for paying property taxes or homeowner's insurance are disregarded up to the amount of projected expenses.	State may amend without federal approval.
LIHEAP	► Up to $2,000 per household. ► Up to $3,000 for households with at least one elderly member.	► Total cash value (less withdrawal penalty) is counted. ► Account is excluded if asset is inaccessible, except as payment of periodic retirement income.	Life insurance policies and pre-paid burial plans (up to maximum) are excluded.	State may amend without federal approval.
Separate State and Solely State-Funded Programs	Asset rules for all such programs are (or, after April 1, 2008, will be) aligned with Reach Up rules.			

General Assistance/ Emergency Assistance	► Household must exhaust all "available" income and resources except that: ▪ $1,500 is disregarded for single individuals, 62 or over, or in receipt of SSI/AABD or social security based on blindness or disability. ▪ $2,250 disregarded for household if individual lives with a spouse or civil-union partner.	On initial application, resources are not considered "available" if they cannot be converted into cash on demand within 24 hours when responding to an immediate emergency need for the first time. However, applicant is advised to access other resources (*e.g.*, IRA, etc.) and will be denied further assistance if such assets have not been utilized.	► Same as retirement accounts. ► Resources set aside in escrow account for paying property taxes or homeowner's insurance are disregarded up to the amount of projected expenses.	State may amend without federal approval.

Appendix B

Vermont Department for Children and Families
Economic Services Division

ESD 010R
R 04/05

Supplemental Resource Sheet for Medicaid

Name ______________________________ Social security no. ____________________ Wrk no. _________

12. Is anyone covered by a health insurance plan? Do not include DCF health care programs. ☐ **No** ☐ **Yes**

Name of Policy Holder		Type of coverage (check all that apply)	Names of People Covered	Name and Address of Insurance Company
		☐ Doctors ☐Prescriptions		
Policy Number	Premium Amount $ per	☐ Hospitals ☐Major Medical		
Group Number	Date Coverage Began	☐ Dental ☐Outpatient ☐ Other _______________		

13. Does anyone have cash that is not in a bank, such as at home, on hand, or held by others? ☐ **No** ☐ **Yes**

First Name Initial Last Name	Amount	First Name Initial Last Name	Amount
	$		$

14. Does anyone have money in a bank, credit union, or other institution, such as savings, checking, IRAs, CDs, and Christmas clubs? Include accounts that are co-owned or owned by children. ☐ No ☐ Yes

Type	Name of Owner and Co-Owner	Name of Bank, Credit Union, or Other Institution	Identifying Number	Balance or Value
				$
				$
				$

15. Does anyone own any vehicles? ☐ **No** ☐ **Yes**

Type of Vehicle	Name of Owner and Co-owner	Year, Make, and Model	Leased?	Amount Owed	*PATH Use Only* Value
Car, truck, or van			☐ Y ☐ N	$	$
Car, truck, or van			☐ Y ☐ N	$	$
Motorcycle or ATV				$	$
Snow machine or jet ski				$	$
Trailer, boat, camper, or RV				$	$
Other_______________				$	$

16. Does anyone own or co-own land, mobile homes, buildings, or other real estate? ☐ **No** ☐ **Yes**
Do not list the home you live in

Name of Owner and Co-Owner, if any	Type of Property	Location	Assessed Value	Amount Owed
			$	$

17. Does anyone own any other resources? ☐ **No** ☐ **Yes**

Type of Resource	Name of Owner and Co-Owner, if any	Face Value	Cash Value
Life insurance ☐ term ☐ whole*		$	$
Life insurance ☐ term ☐ whole*		$	$
Account set up for burial expenses Is this irrevocable? ☐ Yes ☐ No		$	$
Stocks, bonds, or mutual funds		$	$
Trust funds or annuities		$	$
Mortgage or promissory notes		$	$
Other ______________________		$	$

* *If whole life, please include a copy of the policy.*

NOTE: If you need more room for any answer, please attach a separate sheet of paper.

Signature ____ **Date** ______________________

Your signature here means you have read and understood the statements on the back of this form.

Appendix C

Eliminating asset standards can yield the following benefits for program stakeholders:

Applicants	▸ Simplifies application form, improving program experience. ▸ Reduces barriers to enrollment and increases likelihood that families who initiate process will complete transaction. ▸ Eliminates need for liquidation of retirement and other savings before qualifying for benefits. ▸ May permit enrollment of some with genuine need who are barred by eligibility "cliff" experienced when one additional dollar of assets excludes low-income family from thousands of dollars of potential benefits.
Beneficiaries	▸ Simplifies renewal form, improving program experience. ▸ Reduces barriers to renewal, increasing likelihood that beneficiaries will complete transaction and remain enrolled. ▸ Eliminates potential disincentive to saving for retirement and other high-value investments (*e.g.,* house purchase, post-secondary education, retirement, etc.) ▸ Reduces likelihood of lost benefits that may result from relatively minor fluctuation of asset values.
Eligibility Workers	▸ Eliminates need to learn, remember, and apply complicated, conflicting program rules. ▸ Eases workload. ▸ Helps shift focus from preventing ineligible people from enrolling to increasing enrollment of eligible families.
Program Administration	▸ Promotes administrative cost-savings without significantly increasing enrollment. ▸ Reduces complexity; facilitates implementation and modification of automated eligibility systems. ▸ Eases staff workload. ▸ Improves productivity. ▸ Eliminates basis for errors. ▸ Facilitates outreach and enrollment at community level; may increase partnership opportunities with providers and advocates. ▸ Encourages program utilization by the eligible but unenrolled.