National Commission on Fiscal Responsibility and Reform
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Testimony of Michael Morris, Executive Director

My name is Michael Morris. I am here as the CEO of the Burton Blatt Institute at Syracuse University, a multidisciplinary research center focused on advancing economic, social, and civic participation of individuals with disabilities. I am also the Executive Director of the National Disability Institute (NDI), a not-for-profit research and community development organization dedicated exclusively to promoting work, saving, and asset building for persons with disabilities and their families nationwide. On behalf of both groups, we appreciate the opportunity to provide feedback to the National Committee on Fiscal Responsibility and Reform, and appreciate the enormous task that the Commission faces in developing a robust and comprehensive fiscal reform agenda. My testimony consists of significant reform strategies focused primarily on the current systems of Social Security and Medicaid, upon which citizens with disabilities significantly rely. The intent of these recommendations is to stimulate cost savings through the transformation of key federal programs into systems that promote work, savings and asset building among citizens with disabilities.

One in five adults living in the US have a disability and over 22 million families nationwide have a member with a disability. This represents a 25% increase in disability incidence since 1990. Disability cuts across race, gender, ethnicity, age and geography.

Whether occurring at birth or acquired later in life, individuals with disabilities are three times more likely than their non-disabled peers to live at or below the poverty line, twice as likely to be unemployed and seven times more likely to have a majority of their total income to be from public assistance sources.

In this unprecedented period of economic downturn with a record number of housing foreclosures, millions of working age adults dislocated from employment, and new levels of individual and business bankruptcy filings, the federal government has had the extraordinary challenge of successfully moving forward to stabilize our financial institutions and markets, stimulate the economy with new government funding, and create jobs to help lift families from poverty to the middle class. Many of us in the disability policy and research arena have been asking an ongoing question worth consideration by this Commission: "**How will the federal government's current efforts result in advancing the economic security of citizens with disabilities?**" Consider the following:

- 37 million Americans live in poverty, with the poverty threshold at $21,203 or less in annual income for family of four.[1] 13 million are children less than 18 years old.
- Over half of all working-age adults experiencing income poverty report a disability.[2]
- 65% of people experiencing long term poverty (greater than one year) are person with disabilities.
- Since 1996, there has been a 90% decrease in welfare recipients – currently less than 5 million citizens are receiving welfare payments today. 40% of those remaining on welfare today are individuals with disabilities.
- 38 million individuals receive food Stamps (doubled since 1996), and there has been a 61% increase in homelessness since December 2007.

[1] U.S. Census, 2008.
[2] Fernstad, 2009.

- Approximately 50% of people visiting food pantries and shelters report being on SSI and SSDI.

The Commission has a tremendous opportunity to recommend the adoption of a targeted policy agenda and several high impact reform initiatives that will produce **real economic impact** for individuals with disabilities and their families while simultaneously saving the federal government billions of dollars over the long-term. Taking fiscal responsibility seriously must include a focused commitment to addressing the needs of America's poor, including redirecting and refocusing economic stimulus resources across America to help communities build economic stability, requiring a fundamental shift in public policy that currently penalizes low income citizens on public benefits who want to save or invest.

A short-sighted approach to reducing federal costs would focus on cutting benefits and services to people with disabilities. Such an approach would ignore the tremendous costs – to the federal government, state governments, and all Americans – that poverty and dependence cause. Given the strong correlation between disability and poverty, the Commission must look carefully at policy recommendations and systemic reforms aimed at elevating the economic self-sufficiency of citizens with disabilities and their families. To achieve this, the Commission will need to foster a transformation of several federal systems from an approach of continued dependency toward one of optimal self-sufficiency.

Today, there are over 200 programs across 23 federal agencies providing public disability benefit programs.[3] The Social Security Administration offers a number of work incentives as does the Center for Medicaid Services[4] for promoting work, increasing

[3] General Accounting Office, 2005.

[4] Kregel & Bader, 2005, pp. 32-33. Examples from the Social Security Administration and Center for Medicaid Services as well as other federal entities include: the SSA's Plans for Achieving Self Support (PASS), Plans for Establishing Self Sufficiency (PESS), Impairment Related Work Expenses (IRWE), Ticket to Work and the Work Incentives Improvement Act of 1999; the CMS's Independence Plus Waivers (Section 115 Demonstration and Section 1915 Waivers) for Living with Independence, Freedom and Equality (LIFE) Accounts; the Department of Labor's Individual Training Accounts (ITAs); the Center for Mental Health Service's Mental Health Block Grants for Person-centered recovery plans; Health and Human Services Office of Community Service's Individual Development Accounts (IDAs); FDIC's Money Smart Program for financial education; the Small Business Administration's Randolph S

consumer control, and furthering the financial well-being of individuals with disabilities in hope of decreasing public benefit use. Unfortunately many of these efforts have produced minimal results or continue to be underutilized. People with disabilities don't avail themselves of these programs for the same reasons workers with disabilities underutilize tax provisions and financial services: when asked, few know about their existence and most believe the rules are too complex and difficult to understand.[5]

The Government Accountability Office has found great need for rationalization and coordination among these programs[6] and the Congressional Budget Office (CBO) has questioned the efficacy of many programs.[7] Perhaps the greatest problem identified within the federal infrastructure of disability support programs is that the programs don't offer a path to self-sufficiency. In many cases, their complicated means-testing ensures continued dependency. A focus on enabling people to acquire and build assets is increasingly recognized as the only long-term solution to escalating costs and frustrated hopes. This would require our country's largest entitlement programs to use public resources to leverage and encourage savings rather than as punishment for such efforts. To do this, we need to transcend the notion of sharp demarcation lines between eligibility and ineligibility, and allow people to retain benefits, including health insurance through Medicaid and other key supports, long enough and reliably enough to acquire the tools for self-sufficiency. By relaxing rigid means-testing in ways that have been successfully demonstrated in numerous program settings, and by turning the benefits cutoff cliff into a manageable, sloping hill, we can achieve the goals of personal independence and long-term expenditure reductions that have until now eluded us.

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hepherd Program for micro-enterprise development; Housing and Urban Development's Family Self-Sufficiency program for home ownership assistance; free tax assistance and filing from the IRS; and the USDA's AgraAbility program for Rural Farming.

[5] Fagnoni, 1999; Hartnett, 2006

[6] General Accounting Office, 2007 and 2008.

[7] Congressional Budget Office, 2004.

The United States government aids people in need through payments, in-kind benefits and services, but most social programs stop providing benefits if the resources of the beneficiary exceed certain thresholds. This practice results in the paradoxical outcome of preventing people from accumulating enough assets to become self-sufficient and leave the welfare rolls. Attempted remedies have so far only made the system more complex and the process more daunting for participants, or have focused on preserving existing assets rather than helping people with no assets build resources. These problems affect the poor, the elderly, and most acutely individuals with disabilities, whose gateway costs are so high. The political process has failed to yield remedies so far because of a poor understanding of the costs of means-testing, an over-estimation of the costs of making benefits more easily available, and an absence of a clear idea of how to carry out experiments in eliminating means-testing. Any reforms should make self-sufficiency the goal for participants and eliminate the fear that accumulated resources will cause the forfeiture of valuable benefits before participants have achieved solid independence. Reform of the system aimed toward building self-sufficiency must occur and soon, before ballooning commitments and dwindling resources cause bankruptcy or wholesale abandonment.

While the disability community understands the tremendous challenges the Commission faces moving forward, we also believe the Commission possesses a critical opportunity to make some difficult policy decisions that could potentially transform the federal government's response to aiding citizens with disabilities in such a way that promotes the full inclusion and integration of individuals into the general workforce, community living, and the economic mainstream. As such, we recommend the Commission consider the following three recommendations: increase the propensity of citizens with disabilities to participate in the economic mainstream by promoting asset development and savings; encourage citizens with disabilities currently on SSI/SSDI to work, earn and save without fear of jeopardizing critical public supports; and increase federal efforts to promote free tax prep and financial literacy services that target assistance to citizens with disabilities. The remainder of my presentation goes into deeper detail of each of these three proposed recommendations.

I Increase access of citizens with disabilities to the economic mainstream by supporting legislative initiatives that seek to promote asset development and economic self-sufficiency through increasing the availability of financial services and products.

According to the FDIC, there are currently 17 million unbanked and 60 million underbanked individuals currently living in the U.S.[8] With respect to the underserved in the disability market, 51% of taxpayers with disabilities earn less than $21,000 a year; 21% earn greater than $50,000; and citizens with disabilities are 37% less likely to have savings or investments compared to individuals without a disability.[9] How can the work of the Commission promote savings and asset building among low-income workers with disabilities?

The ***Achieving a Better Life Experience Act (ABLE Act)***, which would enact a tax-advantaged family savings program to encourage individuals with disabilities and families to set aside funds for future asset goals. The ABLE Act helps individuals with disabilities and their families cover gateway costs and plan for a better economic future. The ABLE Act currently boasts bipartisan support with 185 cosponsors in the House of Representatives and 22 cosponsors in the Senate, yet still waits appropriate attention from this Congress. The inaction of the Congressional leadership in passing this critical savings legislation for citizens with disabilities is simply unconscionable.

Another notable legislative proposal that deserves equal attention and action is the ***Savings for Working Families Act,*** which would dramatically expand the opportunity for

[8] FDIC, December 2009.
[9] IRS Benchmark Study, 2007.

low-income people with and without disabilities to open individual development accounts, and gain financial literacy and realize specific asset goals. **To give you a real-life depiction of what access to an IDA could mean in the life of an individual living with a disability, please consider the following example:**

> An Individual receiving SSI working 5 hours a week files a tax return and receives $100 of Earned Income Tax Credit per year (retroactive three years), thus receiving a check for $300. Her local United Way has a matched savings program that provides a five to one match so in the first year her savings goes from $300 to $1,500 toward a savings goal of starting a business or continuing education. In a federal Individual Development Account (IDA) program, this savings would not count as income or resource against the $2000 asset limit of SSI as long as the individual stays in the IDA program. IDA participants with disabilities have created a pathway out of poverty as business owners and homeowners, reducing dependence on public benefits. This legislation would allow at least 2.7 million IDA accounts over a ten year period. Qualified financial institutions would receive a tax credit to offset the cost of matching deposits of IDA account holders up to $500 per IDA per year for four years. Estimates suggest that each federal dollar invested in IDAs will yield a return of approximately five dollars to the national economy in the form of new businesses, additional earnings, home purchases, and improved human capital associated with educational attainment.

II Allow people on SSI to work, save and lead meaningful lives. Of the 54 million Americans living with a disability, 7 million are on SSI and 350,000 are employed. There are millions willing to work but afraid if they do they will lose health care or other important benefits. Public policy from fifty years ago is not adequate in addressing the economic advancement of individuals on means-tested benefits. It was based on the presumption of a total inability to work and thus need for wrap-around services. The system is completely ineffectual in today's current economic climate, and must be overhauled in vision and action so that citizens are encouraged to work without fear of losing their only health care options or other supports they may need to survive economically. Policy recommendations include:

1. **Raising the substantial gainful activity (SGA) under SSI and SSDI and creating a gradual reduction of benefits as citizens reach certain income limits.** By raising the SGA level, individuals with disabilities would no longer suppress income production, sometimes called the "cash cliff" in order to stay on benefits. With SGA at a higher level and a gradual reduction of benefits for people on SSDI as they make greater income, the impact would be that individuals with disabilities would be encouraged to work, save and build assets. The government could also create a mechanism for providing incentives payments to beneficiaries who sustain higher income levels and reduce their annual reliance on SSI/SSDI over time.

2. **Reforming asset limits tied to eligibility for public benefits so as to encourage income production and savings for people with disabilities.** Such a package should include the following components:

   - Increase the asset limit for SSI and Medicaid for individuals with disabilities under age 65 to a more reasonable level so that individuals and families are allowed to build and maintain a modest pool of savings for retirement, education, or unexpected expenses.
   - Index the asset limit to inflation to allow the limit to grow over time with the economy.

- Exempt certain categories of assets, such as tax-preferred retirement accounts and education savings accounts, from being counted toward an asset limit, including IRAs, 529s, Coverdells, and 401(k)s.
- Finally, require all SSI and/or SSDI beneficiaries to have a plan to achieve self support with incentives for income growth and savings that must be updated at least annually.

3. **Target coordinated federal research to demonstrate the costs and benefits of allowing individuals on public benefits to work and save while maintaining some level of public supports, and document the resulting savings to the federal, state and local governments of decreased dependency on public assistance.**

III. Coordinate federal targeted research to demonstrate what technologies and accommodations are necessary to improve access to free tax services and asset building services offered by over 600 Volunteer Income Tax Assistance (VITA) programs nationwide for taxpayers who are blind, deaf, have intellectual or psychiatric disabilities or are veterans with disabilities.

Since 2005 the Real Economic Impact Tour has increased the number of taxpayers with disabilities who received free tax assistance from 7,600 to over 360,000 for the 2010 filing season. This represents over $600 million in returns and over $120 million in saved preparer fees. The work was conducted in partnership with IRS and over 700 community based partners providing asset building services to low to moderate income taxpayers. The REI Tour built this work by providing cities with funding raised from the private sector to expand tax and financial knowledge through trusted partners in over 100 cities. The REI Tour success is based on a model that requires collaboration with the private sector that in return provides cities with skilled-based volunteerism through its affinity groups of employees with disabilities and veterans.

The Tour visits over 30 community based organizations involved in VITA a year and provides targeted technical assistance. For instance in 2010 cities received: training and audio conferences calls about making their sites and services more accessible; trainings about disability etiquette; education about available disability tax provisions and credits and what it means for recipients of means-tested benefits; financial education; use of technology in making sites more accessible for populations with sensory disabilities or in rural areas; asset summits were held in 7 cities to introduce the financial community to the disability community; and training for volunteers about working with taxpayers with disabilities.

Over the best two years a pilot was conducted to address the needs of deaf taxpayers that reported challenges and barriers to accessing free VITA services at local volunteer sites as well as IRS Walk-In Centers. The DeafTax Pilot supported by IRS used state of the art Video Phones located in a dozen cities nationwide to prepare taxes remotely in real time for deaf taxpayers. Deaf tax preparers in Bethesda, MD and Rochester, NY provided free tax assistance. The pilot doubled its numbers in 2010 but due to limited resources cities struggled with how to best serve taxpayers with significant issues of access that fall outside the prevue of the traditional free tax and asset building capacity. For instance the average return for a deaf taxpayer took the double the time (one hour) to prepare compared to a non-deaf return.

It is clear that the annual funding for the Community VITA Matching Grant Program (currently at $12 million) is to be used for tax preparation only and not research. It is unclear at this time how public programs designed to assist low to moderate income taxpayers can accommodate taxpayers with disabilities without resources targeted specifically to study the unique access and accommodation needs of different sub populations. To ensure that all taxpayers become fiscally responsible public programs providing financial education and free tax preparation should be given the necessary training and technology education to build universally designed services that create the same opportunities for taxpayers with disabilities to fully participate that are offered to other diverse stakeholder groups.

CONCLUSION

"Historically, public assistance in exchange for enforced poverty and the absence of freedom is a bad deal – one that fails all parties to the arrangement: people with disabilities, their families, and the American people". This conclusion was stated by the President's Committee for Intellectual Disabilities in its Report to the President in 2004. SSA reports that 1.1 million children nationwide receive SSI benefits. Two-thirds of these children will remain on benefits for life. The cost will be in excess of 200 billion dollars. An economic empowerment focus across federal policy for children and adults with disabilities can encourage income production, savings, asset development and accumulation, and participation in the economic mainstream. These policy recommendations set a new framework for two of the most significant public entitlement programs, bring new and needed parity in tax law to encourage savings by families with a member with a disability, and recognize the value of community and public-private sector partnerships to advance financial stability for low income Americans with disabilities. The result will be long term projected savings in federal expenditures, real economic impact to communities nationwide and a new pathway to advance economic self sufficiency for people with disabilities.