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Defining and Verifying Low-Income Participants

Executive Summary

Income is a primary lens through which many programs are delivered. When developing or evaluating a program, there are benefits and consequences to choosing different income levels and verification methods, as it will impact the communities being served.

The income verification process can often be burdensome and systematically excludes significant numbers of eligible individuals in frontline communities needing assistance. In this work, Community Energy Project supports policies and programs to change the income verification process to be more equitable, more respectful to clients, and more cost-effective.

Introduction

Community Energy Project (CEP) is a community based organization that believes everyone deserves a safe, healthy and efficient home, regardless of income. We do this by providing repairs, weatherization, energy efficiency upgrades, community education and supplies, for vulnerable and underserved populations. CEP also utilizes on-the-ground experience to inform decision-makers at the policy level. Our clients include people experiencing low income, seniors, people with disabilities, women, people of color, immigrants, and other historically marginalized groups.

CEP's priorities in choosing the appropriate income definitions and verification methods are equity, respect, and cost-effectiveness.

Defining Low Income

When creating a new program, defining the income threshold will have significant implications. One should take into account considerations such as the service territory of the program, equity, and access. If services are limited and highly sought-after, you may choose lower income guidelines to reach those most in need. If a program is new, niche, complicated, or serves a high number of participants, you may want to cast a wider net and increase the income guidelines.

Common Income thresholds:

- Federal Poverty Line - a federal standard set at three times the cost of a minimum food diet in 1963 adjusted for family size and inflation.[1]
- State Median Income - the median income of an entire state
- Area Median Income (or Median Family Income) - the median income of a smaller area, such as a county or a city

CEP recommends utilizing either State Median Income (SMI) or Area Median Income (AMI), depending on the program being provided and it's reach.

SMI can provide greater advantage to areas with higher poverty rates across the state, but may put higher-income urban areas with more expensive living conditions at a disadvantage. Raising the threshold to a higher percentage of SMI can help alleviate this issue, but if the priority is serving the most financially vulnerable in your service area, this decision may be at odds with that goal.

If the program is city or county-wide, CEP recommends using AMI as that will most accurately reflect the needs of the community being served. If the program is state-wide, however, AMI may make it difficult to do unified and easy-to-understand outreach across the state.

How an organization determines who meets chosen income guidelines also has significant implications, which this paper will further explore. Currently, common methods to verify income include: current gross income (employment, child support, retirement, Social Security, disability) monthly or annually, existing assets/resources and debts, and self-verification (participant declares their income).

Income verification is intended to ensure that resources only go to those in the greatest financial need. Choosing how to verify income, however, can also drastically impact the outcome or ability for those who need services to have access to them. Documentation may be unavailable to certain communities, the process may be too complicated to navigate.

Ensuring an Equitable and Respectful Process

Most income verification processes require official documentation to prove income qualifications. We want to ensure that resources are distributed equitably, and that barriers are not put in place to prevent frontline communities from getting necessary resources. The process can also be very invasive, filled with personal questions that can make a participant feel shamed, anxious, and uncomfortable.

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[1] Bureau, U. S. C. (2021, October 8). The history of the Official Poverty Measure. Census.gov. , from https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure.html.

Commonly utilized paperwork includes:
- Government documentation (taxes, Social Security, etc)
- Participating in other income-verified programs (TANF, SNAP, etc.)
- Other documentation (bank statements)
- Self-verification (virtually or physically signing document that declares income)

Providing official documentation can be difficult for some people for the following reasons:
- Not have access to the paperwork required
- Have no income at all, or cannot prove income
- Work seasonally - if one makes most of their annual income within a few months, they may be eligible or ineligible depending on when verification occurs
- Have language barriers
- Have low literacy
- Be navigating the immigration process
- Be current victims of domestic violence
- Have special needs but not have an advocate to help them in the process

Income can be an extremely complicated topic. Roommates may live together in a household but not share resources. People may have a higher gross income but the majority of wages are being garnished.

Recommendation:
CEP's recommendation is self-verification, and the client may choose between reporting annual or monthly income. It is more equitable as paperwork is minimal, language barriers are easy to overcome, it works well for those who work seasonally, verification can be done as quickly and easily as gathering other information.

Self-verification is a respect-centered approach, and gives our organization the ability to simply believe what our clients tell us.
- It reduces the time and energy burden on people already possibly in crisis
- It can be done over the phone, reducing the need for sensitive paperwork to be filled out, mailed, or done in person.
- It reduces financial strain on things like gas and parking, taking time off work that doesn't allow flexibility or paid sick time for appointments, child care, navigating a building that is unknown or uncomfortable
- Partner agencies are more likely to make referrals to our programs

Considering Cost-Effectiveness
Intensive income verification is often an expensive process. Partners have given range estimates from $75-$150 per person to conduct income verification, which can be atriiturbed to the following costs:

- Staff Time: Verification can require physical appointments, mailing sensitive materials, and back and forth phone calls. Paperwork errors create more work. It may be complicated and require extensive training that has to be duplicated with turnover, which is increased with burnout. More staff may be required in order to serve people in a timely manner.
- Participant Time: People with low incomes frequently experience an enormous time burden to get necessary services, despite having less available time.[2] If the burden is too high, they do not get what they need. One agency disclosed to a group of partners that they lose approximately 1,000 participants/year who begin income verification but do not complete it, wasting time and resources for everybody. Those lost in the system of verification may be our most vulnerable.
- Personally Identifiable Information: documentation can be used to steal a person's identity. Therefore every step of the verification process needs to be secured, from gathering information to storing it. This can add significant expense to a program, and require the use of systems that are not user friendly for staff or participants.

While the argument is that it is to ensure that fraud and abuse are prevented, there is very little evidence that significant amounts of fraud occurs in these kinds of programs.[3] If the purpose is to help small dollars stretch further to serve our most vulnerable communities, spending $150 verifying a person for $500 worth of services is a built-in problem.

Recommendation

CEP recommends self-verification, as paperwork is minimal and the process only takes a few minutes. Clients are not lost in the verification process, physical appointments are not necessary, errors in paperwork are almost nonexistent. We do not gather or keep participant information that can lead to identity theft. The burden of unproven fraud fears does not land on vulnerable participants.

Conclusion

Program decisions around defining and verifying low-income can have extensive benefits and consequences, depending on who is being served. The COVID-19 pandemic has highlighted the importance of evaluating our existing methods of serving vulnerable communities and seeking opportunities to improve systems. Prioritize using income guidelines that represent your communities and systems that work best for them. CEP has used self-verification for decades, at the city, county, and now statewide level with extremely positive results for staff, partners, and most importantly, participants.

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[2] Giurge, L.M., Whillans, A.V. & West, C. Why time poverty matters for individuals, organisations and nations. Nat Hum Behav 4, 993–1003 (2020).
https://www.hbs.edu/ris/Publication%20Files/20-051_9ccace07-ec9b-409e-a6aa-723f091422fb.pdf

[3] In a healthcare industry research study that surveyed officials in 12 states, *"Lessons from States with Self-Declaration of Income Policies,"* (D. Holahan and E. Hubert, 2004) researchers found that "most state officials reported that error rates [or fraud] did not increase as a result of their self declaration of income policy."