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Assembly Standing Committee on Social Services

Public Hearing on the Adequacy of the Public Assistance Grant in New York State

White Plains, NY
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100 Martine Avenue

Testimony presented by:

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Introduction

Good morning. My name is Don Friedman, and I am the managing attorney of the new Long Island office of the Empire Justice Center. Empire Justice is a non-profit legal services organization with offices in Albany, Rochester, White Plains and now on Long Island. We provide statewide support and training to legal services offices and other advocacy groups serving low-income New Yorkers, undertake policy research and analysis, and engage in legislative and administrative advocacy. We also represent low-income individuals, as well as classes of New Yorkers, in a range of poverty law areas including public benefits.

Chairman Wright, we at Empire Justice greatly appreciate the fact that you are holding this series of hearings on the adequacy of the public assistance grant. At a time when too many public officials consider this topic to be politically off limits, or no longer relevant, it is critical that we recognize that throughout this state there are thousands of households in urgent need of assistance. They include families with disabled household members, families where domestic violence temporarily precludes employment, working families whose earnings are so low that they still qualify for welfare and people whose education, skills and literacy levels bar the door to decent jobs. While welfare reform resulted in massive reductions in the rolls, there are still more than half a million people receiving assistance.¹ Furthermore, I would submit that thousands more New Yorkers do not receive assistance, despite their need and eligibility, only because of the highly restrictive nature in which the program is administered.

Once we acknowledge the need to provide some form of assistance for our neediest residents – and New York has repeatedly done so, in the state constitution, by statute, by regulation and by budgetary appropriation – then it follows that the amount of assistance provided should bear some relationship to the cost of meeting the most basic human needs. After many years in which the issue was essentially not open for discussion, this hearing enables us to examine the extent to which the grant does, in fact, enable poor households to meet their fundamental needs. And if it fails to achieve that objective, then we must determine how best to remedy the situation. Thanks again for providing this opportunity to take a fresh look at a crucial issue.

Poverty on Long Island

As the managing attorney of the Empire Justice Center's new office on Long Island, I have labored to learn about poverty and related issues here. Empire Justice is a statewide organization and we hope to have the opportunity at upcoming hearings to discuss these issues as they apply to other regions of the state, but for now, I will focus upon Long Island.

My research has confirmed something that is common knowledge here among advocates, social services providers and low-income Long Islanders: the Island conforms, to some degree, to the stereotype of a haven for members of the middle and upper classes. But there is also indisputable evidence of persistent poverty, and conventional measures of poverty grossly understate the phenomenon because of the strikingly high cost of living here. Indeed a recent, well-respected study of "social health" on Long Island conducted at Adelphi University deemed it necessary to suggest alternative measures to the Federal Poverty Level (FPL), according to which the poverty rate on Long Island is around 6% (5.2% in Nassau, 6.5% in Suffolk). In its place, the study proposes that a much truer gauge of financial distress on Long

¹ "Temporary and Disability Statistics," June 2007, published by the Office of Temporary and Disability Assistance (OTDA).

Island is the percentage of residents living below 50% of bicounty median income. Applying that standard, approximately 22% of Long Island residents may be classified as low income.² Even utilizing the FPL, more than 162,000 Long Islanders live in poverty, and more than 75,000 struggle on incomes under half of the FPL. Poverty among blacks and Hispanics is substantially higher, as it is for single-parent families and for singles. One additional indicator of poverty is the fact that approximately 87,000 children on Long Island receive free or reduced-price school meals. Reflecting the concentration of poverty here, some school districts have two-thirds or more of their students receiving free or reduced-price lunches. Finally, recent census data indicates that from 2005 to 2006 poverty in Nassau County remained relatively unchanged, but increased in Suffolk by 35%. And these figures undoubtedly understate poverty in the rapidly expanding immigrant community.

In sum, while Long Island embodies the American economic dream for many, it is also home to many who are struggling to make ends meet. Because, in part, of the mythology of the Island, its institutions are not always well-equipped or eager to confront this issue.

The Inadequacy of the Current Public Assistance Grant

The shameful inadequacy of the public assistance grant can be demonstrated from a variety of perspectives. A reasonable starting point is the fact that the basic allowance has not increased in 17 years. The basic allowance, which can be deemed to include two “home energy allowances” that were added in the 1980s, should theoretically enable a household to cover its basic, recurring needs other than rent and fuel for heating. While Food Stamps provide an invaluable supplement to the public assistance grant, Food Stamp benefit levels are computed based on the assumption that the household is allocating fully 30% of its income to the purchase of food.³ In the 17 years that have elapsed since the basic allowance was last increased, the cost of living, as measured by the Consumer Price Index has risen in the New York metropolitan area (which includes Long Island) by over 68%.⁴ The public assistance grant in 1990 by no means afforded a family a comfortable standard of living, so the fact that its value has diminished dramatically since then can only signal a corresponding increase in hardship for needy families. This hardship manifests itself in a number of ways. To cite one example, in the years from 2001 to 2005, significant increases in the demand for assistance were reported by 32% of the shelters, 67% of the food pantries and 54% of the soup kitchens on Long Island, and nearly half of the Island’s pantries had to turn people away.⁵

Thus the simple failure to increase assistance while costs rise steadily results inevitably in intensifying hardship. Another perspective from which to evaluate the adequacy of the public assistance grant is to compare it with other measures of the cost of living. Not surprisingly, the more realistic the measure, the wider the gap between that measure and the welfare grant.

² The official poverty data is reported in Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica Smith, U.S. Census Bureau, “Income, Poverty, and Health Insurance Coverage in the United States: 2006,” U.S. Government Printing Office, Washington, DC, 2007. The Adelphi report is S. Michael, and S. Eichberg, “Vital Signs—Measuring Long Island’s Social Health,” Garden City, New York: Adelphi University (2006), www.adelphi.edu/vitalsigns.

³ See Food Research and Action Center website, “Food Stamps Program Frequently Asked Questions,” http://www.frac.org/html/federal_food_programs/programs/fsp_faq.html.

⁴ U.S. Department of Labor, Bureau of Labor Statistics, www.bls.org.

⁵ “Hunger in America 2006, Joint Report Prepared for Island Harvest and Long Island Cares,” Mathematica Policy Research, February 2006.

1. The Federal Poverty Level

It has long been recognized that the Federal Poverty Level significantly understates the true cost of maintaining even the most modest standard of living. Nevertheless, the FPL is the most widely used measure of poverty and does enable us to identify trends over time. In 1975, the typical welfare grant for a family of three in New York would bring the family to roughly 110% of the FPL. In 1990, the last time the basic allowance was increased, the grant brought the family to 66% of the FPL. Seventeen years later, in 2007, the grant leaves that family at 51% of the FPL.

2. The Self-Sufficiency Standard

The concept of the Self-Sufficiency Standard was developed a number of years ago by Dr. Diana Pearce, then of Wider Opportunities for Women. As described in the 2000 analysis for New York State, "...the Self-Sufficiency Standard measures how much income is needed, for a family of a given composition in a given place, to adequately meet its basic needs without public or private assistance..."⁶ So while it is not explicitly a measure of poverty, its value rests, for our purposes today, in the fact that it strives, with substantial success, to more accurately evaluate household needs, by remedying some of the glaring weaknesses of the Federal Poverty Level. For example, it accounts carefully for regional variations in costs and for the differences in cost attributable to the ages of household members. In addition, unlike the FPL, it does not use the cost of one basic need, food, and extrapolate from there to calculate overall expenses. Rather, the Self-Sufficiency Standard is computed by exhaustively researching a wide array of expenses.⁷

Because the Self-Sufficiency Standard assumes employment, I used it only as a more realistic measure than the FPL provides of certain key costs. I simply added together their cost estimates for housing "that meets minimum standards of decency," transportation and "necessities" (which includes items like clothing, toiletries, and telephone). I did not include their estimate for food costs, because this cost will be met in part by Food Stamps for the family receiving public assistance; for health care, which is covered by Medicaid; or for child care, which is generally covered by a special welfare grant. The report, for which the latest available edition is dated 2000, estimated these three costs at a total of \$1662 per month for a family of three. The maximum grant for a family of three in Nassau County is \$736 per month, and \$738 in Suffolk, or 44% of true need as approximated with the Self-Sufficiency Standard. Clearly, the public assistance grant –even with Food Stamps added in – no longer affords a viable means for a needy family to meet its most rudimentary needs.⁸

⁶ "The Self-Sufficiency Standard for New York," by Diana Pearce with Jennifer Brooks, with New York State Self-Sufficiency Standard Steering Committee, September 2000. Note that Empire Justice's Susan Antos is a member of the New York Steering Committee.

⁷ The Self-Sufficiency Standard assumes that adults in the household are employed, which can, of course, have a substantial impact on income and expenses. Many public assistance recipients are employed, but others are not. We therefore look to the Standard less as a precise measure of the extent to which the welfare grant should be raised, and more as a "reality check" on the viability of managing on the current grant.

⁸ Support for the general validity of these figures from the Self-Sufficiency Standard is provided by the Economic Policy Institute, whose Basic Family Budget Calculator for Long Island, last updated in 2004, estimated comparable costs at \$1920 per month.

The Cost of Housing

Even with a modest increase in 2003, the portion of the welfare grant designated for housing remains the grant component that is perhaps most at odds with the true cost of living in New York, particularly on Long Island.

The federal Department of Housing and Urban Development annually estimates “fair market rents” (FMR) for more than 2,000 geographic areas around the country, including a composite figure for Nassau and Suffolk Counties. The FMR is computed by surveying rental units in the designated area and determining the 40th percentile, meaning that 40% of “standard quality” rental units cost less than that amount. At the 40th percentile, it can be assumed that units are decent but modest. The 2007 FMR for Nassau and Suffolk is \$1149 for a one-bedroom unit and \$1356 for a unit with two bedrooms.⁹ Standing in stark contrast to these cost estimates, the shelter portion of the public assistance grant is \$334 per month for a household of two and \$445 for a household of three in Nassau, and \$358 and \$447, respectively, in Suffolk. This takes into account the shelter increases of 2003, which amounted to just \$21 for a household of 2 in both Nassau and Suffolk and \$85 and \$60 respectively for a household of three.

Even the limited number of families receiving rent supplements pursuant to litigation are increasingly unable to meet their current rent obligations or to find shelter that they can remotely afford. These figures do not differ substantially from the rent levels for modest housing suggested by the Self-Sufficiency Standard or the Economic Policy Institute’s Basic Family Budget Calculator, both of which I discussed earlier.

Clearly, all levels of government need to act aggressively to expand the stock of affordable housing, but in the meantime, the Legislature should ensure that the public assistance grant is adjusted to more closely reflect the true cost of housing.

Who Will Be the Beneficiaries of a Grant Increase?

Efforts to increase aid to the poorest New Yorkers have been inevitably hindered by deceptive, but sometimes politically expedient characterizations of the population that receives public assistance. It is therefore instructive to briefly address the reality: who are the people who receive public assistance? Generalizations can, of course, be dangerous, but, with a careful look at research and data, important patterns emerge. These patterns sharply contradict tendencies to characterize public assistance recipients as the “undeserving” or “unworthy” poor.

First, a significant percentage of the public assistance population struggle with a range of barriers to employment, including physical and mental disabilities, severely limited levels education, literacy, English proficiency and work-related skills, domestic violence, and other disabled persons in the household. An expanding body of research confirms that the TANF population lives with disabilities and other barriers to employment that far exceed the rate of such conditions in the general population. Estimates vary, but a series of studies in recent years suggest that between 35 and 44% of TANF families across the nation include one or more members with disabilities or other health-related limitations. By 2002, over 17% of

⁹ “2007 Fair Market Rents – County Level Data Files,” Federal Department of Housing and Urban Development, Policy Development and Research Information Service, <http://www.huduser.org/>.

TANF households included at least one adult or child receiving Supplemental Security Income (SSI).¹⁰ There is no reason to believe that these figures would be different today; and, the corresponding figures are likely even higher for the non-TANF population, which is comprised primarily of singles, and families who have timed out of the TANF program. When we refuse to increase the public assistance grant, the impact hits perhaps most directly upon people with serious disabling conditions.

A second substantial component of the public assistance population is made up of “child-only” cases, that is, households in which only children are receiving aid. Among the most common instances in which only the children in a household are receiving assistance are cases in which the parent is receiving SSI or is otherwise ineligible for welfare, and cases in which a non-parent caretaker relative is receiving welfare only on behalf of the children. Statewide, 35% of all public assistance households are children in child-only cases. The rates on Long Island are even higher, 41% in Nassau and 42% in Suffolk.¹¹ For these households, a consequence of the failure to increase the grant is a harsh impact that falls almost entirely on the shoulders of needy children.

Finally, putting aside the many public assistance recipients who participate in welfare-to-work activities, more than 10% of all cases in New York State report earnings from employment. These represent households in which at least one family member is employed but earnings are low enough that the family is still eligible for public assistance. I would hope that we would not begrudge such households the benefit of an increase with which to supplement their limited earnings.

The very diverse array of New Yorkers and Long Islanders receiving public assistance thus includes people with serious obstacles to employment, households in which only the children receive aid, and households whose earnings simply are insufficient for them to manage. The images of these struggling families must appear foremost in our minds as we contemplate the adequacy of our public assistance program.

How do we increase assistance?

The primary, and very appropriate, purpose of this hearing is to assess the adequacy of the public assistance grant. Assuming it is determined that the grant is insufficient to fulfill its fundamental objective, then an implicit question remains to be explored: What form should an increase in aid to the poor take? A variety of concerns come into play in making that decision: What form of assistance will most meaningfully enhance the standard of living of needy households? What type of increase will help the largest number of needy New Yorkers? What might be the collateral consequences of the designated approach? And might one course of action be more politically viable than another? A thorough discussion of these questions is better reserved for another day. But I would like to briefly touch upon some of the options that we encourage the Legislature to consider.

- ***Increase the non-shelter portion of the grant, the basic allowance.*** As I have emphasized in this testimony, the non-shelter portion of the grant has not been increased in 17 years. By definition, this

¹⁰ There are a number of surveys of the research on disability among the TANF population. Although it is now a few years old, one of the more comprehensive is “Disability, Welfare Reform, and Supplemental Security Income,” by Mark Nadel, Steve Wamhoff, and Michael Wiseman, *Social Security Bulletin*, Vol. 65 No. 3, 2003/2004.

¹¹ “Child Only and Total TANF, SNA MOE and Total Non-Services Caseloads – March 2007,” table obtained from the Office of Temporary and Disability Assistance.

component of the grant, coupled with the home energy allowances, at least theoretically covers all of a household's non-shelter costs. Unlike the shelter allowance, this basic allowance is usually provided in the form of cash assistance, meaning that the household has maximum discretion to spend these funds as they determine necessary. That discretion can be an important element in enabling a family to move towards financial independence. For these reasons, it makes sense to target this grant component for an increase. We will not specify here the precise amount that the grant should be increased, but we will voice our support for the position adopted by ES2, the Empire State Economic Security Campaign. Their concept is that the increase should at least parallel the change in the cost of living since the last increase in the basic allowance.

- ***Increase the shelter allowance.*** With households in need of public assistance, for whom securing virtually every item of need poses a challenge, the inability to meet recurring housing costs is perhaps the most likely cause of family crisis, and the impact of – even the threat of – eviction is particularly devastating. Despite the modest shelter increase in 2003, the shelter allowance remains, particularly in areas like Long Island, the component of the grant that is most drastically disproportionate to actual costs. It might therefore be persuasively argued that an increase in the welfare grant should focus upon the shelter allowance. This might also be the politically most viable path, in that public support might well be most successfully mobilized for measures to prevent homelessness. On the other hand, a shelter grant increase will not assist the significant minority of public assistance households that do not have shelter costs in excess of current maximums. In addition, it must be noted that, while the shelter grant can only be used for housing costs, a family can allocate an increase in the basic allowance either to cover housing costs or, if it is not needed for that purpose, it can be used to meet other recurring needs or to address unexpected emergencies.
- ***A Section 8-style housing subsidy.*** An alternative or supplement to an increase in the shelter portion of the grant would be the establishment of a state rental subsidy along the lines of the federal Section 8 program. This program would have some of the strengths of an increase in the shelter grant, in that it might be politically more compelling than other forms of assistance, and would address the most glaring area of need for poor families in New York. Its appeal might be further enhanced if the subsidy were available to both public assistance recipients as well as other low-income households. In addition, as a direct payment to the landlord, this subsidy would not count as income for Food Stamps purposes, and would therefore have no impact on those benefits. On the other hand, it would not benefit recipients without excessive housing costs. There is precedent for a Section 8-style program in New York. In the 1980s, the state created a tenant-subsidy program designed to work in conjunction with a rural multifamily financing program established by the federal Farmer's Home Administration. Through this "Rural Rental Assistance Program," the state has shown its willingness to innovate in this way.
- ***The increase as a food supplement.*** Most direct increases in financial assistance to welfare households result in a reduction in Food Stamps benefits, which are calculated based on household income. For every three dollars of additional income, Food Stamps are reduced by roughly one dollar. In order to avoid such Food Stamps consequences, and in recognition of the very high number of poor families experiencing food insecurity or hunger, an increase in assistance might best be designated as a supplement for the purchase of food. Under current law, this portion of the grant would not be countable as income for Food Stamps purposes and therefore would not affect Food Stamps benefit levels. There is ample precedent for this type of strategy: With the fuel crisis of the late 1970s and early 1980s, federal law was amended to require that assistance dedicated specifically to helping poor

families meet energy-related costs would not count as income under the Food Stamps program. In 1980 and again in 1986, the New York State Legislature enacted public assistance grant increases in the form of the Home Energy and Supplemental Home Energy Allowances. As a result, families received 100% of the benefit of the increase in aid, without any Food Stamp reduction.

- ***Aid to households without dependent children.*** To New York's credit, it has historically been committed to providing basically equal assistance to needy New Yorkers, whether or not there were dependent children in the household. But in 2003, for the first time, the state deviated from that commitment by establishing different shelter allowance schedules for households with and without dependent children. For households without children OTDA simply retained the same shelter grant that has been in effect for nearly 20 years, while providing an increase for households with children. The needs of households without children are comparable to those with children. Indeed, my experience suggests that single adults are perhaps even more likely than those in households with children to experience physical and mental disabilities and to be vulnerable to financial crises. Any increase in aid to the needy should equalize benefits.
- ***Rent costs for Section 8 and federal public housing tenants.*** With regard to the restructuring of the shelter allowance component of the welfare grant, there is an additional issue that has plagued the state for years and which should finally be put to rest. That is the question of how the shelter allowance should be determined for Section 8 and federal public housing tenants. The goal should be to maximize federal housing subsidy dollars while assuring that households receiving public assistance who are also participating in these federal housing programs are able to obtain the full benefit of those programs.¹²
- ***A commission on the public assistance grant.*** Throughout this testimony, we contend that the evidence in support of increased aid to poor families is overwhelming. In the event that the Legislature is nevertheless not prepared to act to remedy this situation, at a minimum measures should be adopted to ensure that this issue remains squarely on the legislative agenda. One means for accomplishing that objective would be the creation of a commission on the public assistance grant. Such a body could further research the issue and hopefully fill any gaps in information and data necessary to support legislative action. The commission could be authorized to study the adequacy of the basic grant, as well as the fuel for heating grant, and to present the Legislature with a range of options.

¹² My colleague, Mike Hanley, offers the following explanation of this issue:

New York is the *only* state in the country where the housing subsidy paid to welfare households is reduced below that which other households with the same level of income receive. This is because we are the only state that still uses what is called, for HUD purposes, an "as paid" welfare system. Because the welfare rules here reduce the shelter allowance whenever rent is reduced, the HUD programs have put in place a subsidy formula that sets the tenant rent share at the maximum amount allowed for that family size rather than charging the household a percentage of their income as rent (usually 30%).

By converting from an "as paid" to a "flat" shelter allowance for public housing and Section 8 households, we can put welfare tenants in NY on the same footing as those everywhere else in the country. Unfortunately, doing so at this point in time – without an adjustment at the federal level – would result in a devastating hit on the housing programs. To address this problem, we urge the state to convene meetings with appropriate officials from OTDA, DHCR and HUD. More importantly, we need to discuss this issue with our Congressional and Senate delegations to find the appropriate solution. We believe that with a one-time federal appropriation to adjust for the change, these programs can be put back on track and New York's neediest households can be treated the same as those in the rest of the nation.

How do we pay for an increase in assistance to the needy?

It is tempting to argue that, if the will is there to increase aid to the poorest and most vulnerable New Yorkers, then the financing can be found. I personally believe that to be the case. But I will conclude my testimony by making a few points on this issue.

- First, a number of terrific budget experts have advanced proposals that would help the state fund urgently needed programs. An informal group working under the rubric of the Revenue Forum has focused on this issue; leading organizational participants include the Fiscal Policy Institute, New Yorkers for Fiscal Fairness and the Hunger Action Network for New York State. Their proposals include restoring fairness and progressivity to the tax system, closing unfair loopholes in corporate taxes and bringing accountability to state and local economic development programs. We acknowledge that proposals of this nature are ambitious, and that some policy makers prefer to demand that every dollar that is added for one worthy cause be matched with a cut to another. It is to avoid pitting essential programs against each other that groups like the Revenue Forum seek alternative approaches.
- Clearly, the increase in aid that we are supporting will have a substantial cost attached to it. But the cost may be compensated for to some degree by savings that will be realized. With an increased grant, some families that would have been evicted will remain in their homes, thereby reducing the massive cost of emergency housing. There should also be some diminution of costs from other crises that result from recipients' lack of resources, including food and utility emergencies. The enhanced stability in people's lives may well have favorable consequences in terms of health costs as well.
- While we may endlessly debate whether welfare reform was a success – I would certainly argue that it was not! – the fact is that welfare rolls statewide have declined by roughly 60% in the past 10 years. The resulting cost of a grant increase will therefore be considerably less than it would have been at any time in the recent past.
- It is time to recognize that, at least with regard to helping pay the cost of increased aid to TANF families, too much of the TANF block grant is used for worthy purposes that should receive their own regular budget allocations. For starters, the State Earned Income Tax Credit and child welfare programs should be completely removed from the TANF block grant. This would free up significant TANF funds for basic assistance to the poor.

Once again, we appreciate that you have taken an important step by convening these hearings. We look forward to working with you as we strive to ensure that assistance for the poor bears some relationship to the cost of living in New York.