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Testimony

of

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before the

**Assembly Standing Committee on Social Services**

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

September 28, 2007

Thank you for the opportunity to be here this morning to discuss this critical issue. My name is Trudi Renwick and I am a Senior Economist with the Fiscal Policy Institute. The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that focuses on the broad range of tax, budget, economic and related public policy issues that affect the quality of life and the economic well-being of New York State residents. Founded in 1991, FPI's work is intended to further the development and implementation of public policies that create a strong economy in which prosperity is broadly shared by all New Yorkers.

## **Structure of New York's public assistance grant**

New York's public assistance grant is made up of several different allowances. Three of these allowances [the pre-add, the home energy allowance (HEA) and the supplemental home energy allowance (SHEA)] are set by statute and vary only by family size. The shelter allowance and the fuel for heating allowances are set by regulation and vary by social service district, family size, whether or not there are children in the home and type of fuel used for heating. Families who do not pay directly for their heat do not receive a fuel for heating allowance.

The Social Services law does not provide for regular, automatic updates of any of these allowances. With the exception of a small increase in the shelter allowance for families with children in 2003, these allowances have been frozen for many years. The last update of each allowance was:

- Pre-add allowance: 1990
- Home energy allowance: 1981
- Supplemental home energy allowance: 1986
- Fuel for Heating Allowances: 1987

As a result of the failure of the state to update these allowances, the purchasing power of the public assistance grant has eroded significantly.

	<b>2-Person</b>		<b>3-Person</b>	
	Without Children	With Children	Without Children	With Children
	<b>Basic Allowance</b>	\$219	\$219	\$291
Pre-Add Allowance	\$179	\$179	\$238	\$238
HEA	\$23	\$23	\$30	\$30
Shea	\$17	\$17	\$23	\$23
<b>Shelter Allowance</b>				
Albany	\$213	\$219	\$245	\$309
Rensselaer	\$179	\$210	\$193	\$296
Saratoga	\$215	\$224	\$247	\$316
Schenectady	\$226	\$226	\$260	\$311
<b>Total Grant</b>				
Albany	\$432	\$438	\$536	\$600
Rensselaer	\$398	\$429	\$484	\$587
Saratoga	\$434	\$443	\$538	\$607
Schenectady	\$445	\$445	\$551	\$602

Some recipients do not receive the full public assistance grant. According to data for 2004-05, 30 percent of TANF recipients in New York received reduced grants. Eight percent of the caseload were in “sanction” status, with an average reduction of \$139 per month in their grant. Another 22.3 percent had a part of their grant recouped with average reductions of \$45.23 per month.<sup>1</sup>

### **Comparison to federal poverty guidelines**

In 1975, the total public assistance grant in New York City for a household of three with the maximum shelter allowance (then \$194) was 110 percent of the federal poverty guideline. By 1990, in contrast, when the basic allowance was last increased, this figure had fallen to approximately 65 percent. Since 1990, there has been an additional large decrease in the public assistance grant as compared to the federal poverty level for a family of three. Today, the public assistance grant in New York City for a family of three (assuming the maximum shelter allowance) is a mere 48 percent of the federal poverty guideline. In other words, the total public assistance grant in New York City provides less than one half of the amount that the federal government regards as a conservative estimate of poverty. Since shelter allowances are smaller in upstate counties, total grants in these counties are even a smaller percentage of the federal poverty guidelines.

<sup>1</sup> Recoupments are often the result of direct vendor payments to utilities on behalf of public assistance recipients. The Department of Social Services pays the entire utility bill directly to the utility but reduces the monthly grant by the amount of the HEA/SHEA allowances. If, at the end of the year, the utility bills paid exceed the HEA/SHEA allowances for a recipient, the balance is recouped from the monthly grant, further reducing the amount of resources available to cover basic needs.

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	<b>Public Assistance Grant Compared to Poverty Guidelines</b>			
	<b>2-Person</b>		<b>3-Person</b>	
	Without Children	With Children	Without Children	With Children
<b>2007 Federal Poverty Guideline</b>	\$1,141	\$1,141	\$1,431	\$1,431
<b>Grant as a Percent of Poverty Guideline</b>				
Albany	38%	38%	37%	42%
Rensselaer	35%	38%	34%	41%
Saratoga	38%	39%	38%	42%
Schenectady	39%	39%	39%	42%

Even if one adds the value of food stamps to the value of the cash public assistance grant, the grant levels relative to the poverty line have deteriorated significantly and are inadequate to enable a portion of the funds to be used to pay for rent. In 1975 the public assistance grant plus food stamps was 124.7 percent of the poverty line. In 2007, in contrast, a family of three on public assistance in New York City can expect to receive at most, food stamps totaling \$426 per month. When this is added to the public assistance grant (including the HEA and SHEA allowances), the family's income is only 74 percent of the federal poverty guideline. For upstate counties, grants are even smaller as a percent of the federal poverty guidelines.

	<b>Public Assistance Grant with Food Stamps Compared to Poverty</b>			
	<b>2-Person</b>		<b>3-Person</b>	
	Without Children	With Children	Without Children	With Children
<b>2007 Federal Poverty Guideline</b>	\$1,141	\$1,141	\$1,431	\$1,431
<b>Maximum Food Stamps</b>	\$298	\$298	\$426	\$426
<b>Grant with Food Stamps as a Percent of Poverty Guideline</b>				
Albany	64%	64%	67%	72%
Rensselaer	61%	64%	64%	71%
Saratoga	64%	65%	67%	72%
Schenectady	65%	65%	68%	72%

**Comparison of shelter allowances to fair market rents**

Even with the modest increase in the shelter allowance for families with children in 2003, New York's public assistance shelter allowances are far below any common sense notion of the cost of rental housing in New York State. One of the best measures of the cost of rental housing is the Fair Market Rent (FMR), published each year for each county by the Department of Housing and Urban Development (HUD). FMRs are used by HUD as the maximum rent allowable for recipients of Section 8 public housing vouchers. The following table compares shelter allowance and total grants for the four capital district counties to the HUD FMR for the Albany-Schenectady-Troy MSA.

	<b>2-Person</b>		<b>3-Person</b>	
	Without Children	With Children	Without Children	With Children
	<b>2008 Fair Market Rent (FMR) - Albany, Schenectady, Troy MSA</b>	\$697	\$697	\$851
<b>Shelter Allowance as a Percent of FMR</b>				
Albany	31%	31%	29%	36%
Rensselaer	26%	30%	23%	35%
Saratoga	31%	32%	29%	37%
Schenectady	32%	32%	31%	37%
<b>Total Grant as Percent of FMR</b>				
Albany	62%	63%	63%	71%
Rensselaer	57%	61%	57%	69%
Saratoga	62%	63%	63%	71%
Schenectady	64%	64%	65%	71%

As is apparent from the preceding table, not only are shelter allowances only a fraction of the fair market rents in each of these counties, even the total grant falls below HUD’s best estimates of the cost of rental housing in these counties for two and three person families. (This analysis uses the one bedroom FMR for the two-person family and the two bedroom FMR for the three-person family.)

The failure of the shelter allowance to adequately reflect the cost of housing in New York means that public assistance families must use part of their basic allowance to cover the cost of housing or remain in housing that is substandard or inadequate. As the following sections will discuss, the basic allowance is not large enough to cover the basic necessities it was intended to cover, let alone provide extra resources to cover shelter costs.

### **Comparison to changes in the Consumer Price Index**

The Consumer Price Index for Urban Consumers (CPI-U) is the most broadly used indicator or changes in the cost of living for families in the United States. The Bureau of Labor Statistics publishes an estimate of the CPI-U for the New York metropolitan region. It is this NYC Metro CPI-U that is often used in New York to measure cost changes. The New York CPI-U has increased by more than 60 percent since the last change in the basic welfare grant. If the three person basic allowance were increased to reflect these changes in the CPI-U since 1990, the basic allowance for a three-person family would be \$475 per month.

<b>Public Assistance Basic Allowance Adjusted for Changes in CPI-U</b>						
	One	Two	Three	Four	Five	Six
<b>Basic Allowance</b>	\$137	\$219	\$291	\$376	\$464	\$535
<b>Change in CPI-U (Annual Average for 1990 relative to Average for First Seven Months 2007)</b>	63%	63%	63%	63%	63%	63%
<b>Basic Allowance Adjusted for Changes in CPI-U</b>	\$224	\$356	\$475	\$613	\$756	\$873

### **Comparison to the Bureau of Labor Statistics Lower Living Standard**

New York’s basic allowance was enacted in 1970 (Chapter 517 of the Laws of 1970) effective June 1, 1970 in response to the decision of the United States Supreme Court in Rosado v. Wyman, 397 U.S. 397 (1969). The pre-add allowance levels enacted in 1970 were derived through a series of modifications to the BLS Lower Living Standard. After these modifications (which included the removal of the cost of items not considered necessities, work expenses, taxes and rental costs covered by the shelter allowance and adjusting the total costs downward to reflect the cost of a family with a single adult rather than two adults) the basic allowance was set at approximately 42 percent of the total cost of the family-of-four budget for that year. (See the 1979 affidavit filed by David Gordon in RAM v. Blum, Index No. 5550/79 for a detailed explanation of these modifications.)

While the BLS discontinued the annual updates of the individual components of the Lower Living Standard budget items, it continues to update the overall cost of the budget standard. The most recent update published in the Federal Register was for June 2007. Since 1967, the cost of the Lower Living Standard budget has increased from \$6,000 a year to \$38,160 a year—an increase of more than 500 percent. If the basic allowance had kept pace with these changes in the cost of living, it would be \$1,338 per month in 2007. Even if one subtracts the value of food stamps (maximum \$542 for a family of four in 2007-08), the amount necessary to purchase the same goods and services deemed essential in the 1970 would be \$796 per month, more than twice the allowance of \$375.70 for a four-person household.

Alternatively, one can update the cost estimate for each item included in the 1967 BLS family budget. The following table shows each item, using the changes between 1967 and 2006 in the US average CPI-U for the category most closely resembling the budget item. The cost of the 1967 basket of goods in 2006 would be \$1,028 per month for a family of four. If we subtract the maximum value of food stamps (\$542 for a family of four in 2007-08), the basic allowance would have to be set at \$486 a month. Living standards have improved significantly for most families in New York since 1967, but public assistance families are asked to survive on \$100 less per month than what was considered the bare minimum forty years ago.

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<b>Budget Component</b>	1967 Annual Cost Estimate	1967 CPI-U	2006 CPI-U	Change	2006 Cost Estimate
Food at home	\$1,518	35.1	193.1	450%	8,351
House furnishings	\$140	42	127	202%	423
Household operations	\$149	33.9	166.6	391%	732
Transportation - non-owners of autos	\$99	57.6	225.9	292%	388
Clothing	\$567	51	119.5	134%	1,329
Personal care	\$165	38.4	190.2	395%	817
Education	\$30	33.7	388.9	1054%	346
Utilities	\$162	21.4	177.1	728%	1,341
Miscellaneous	<u>\$49</u>	33.4	201.6	504%	296
	\$2,879				\$14,023
Monthly Amount	\$240				\$1,169
Equivalence weight (88% for one adult family)	88%				88%
1967 Monthly Pre-Add Allowance	\$211				<b>\$1,028</b>
<b>Minus maximum food stamp grant</b>					\$542
Basic Allowance					\$486

**Comparison to other estimates of the cost of living**

It is widely acknowledged that the federal poverty thresholds do not represent a realistic estimate of the cost of living in New York and even the BLS Lower Living Standard is based on a market basket of goods established in 1967. There have been numerous efforts to update the BLS family budgets to arrive at more realistic and location specific estimates of the cost of living. The New York Self Sufficiency Standard includes estimates based on 2000 costs while the Economic Policy Institute has published a series of family budgets based on 2004 costs. Both of these budget-based estimates are much higher than the federal poverty guidelines and much higher than the public assistance standard of need.

As shown on the following table, even when the Economic Policy Institute 2004 budget is modified to reflect the benefits and needs of a public assistance household, the total monthly budget amount is more than twice the average public assistance grant for the Capital District counties. The modified EPI budget assumes that food stamps cover all food expenditures, child care is free and Medicaid covers all medical expenditures. In reality, food stamps do not cover all food expenditures and many families have out of pocket medical expenditures, either for Medicaid co-pays or for medical expenses (such as over-the-counter drugs) not covered by Medicaid. The modified EPI budget uses the 2004 Fair Market Rent rather than the higher 2008 FMR estimates referenced earlier in this testimony.

<b>2004 Economic Policy Institute Family Budgets for Albany-Schenectady-Troy MSA</b>			
	One Child	Single Parents with Two Children	Three Children
Housing	\$679	\$679	\$813
Food	\$265	\$405	\$562
Childcare	\$804	\$1,195	\$1,586
Transportation	\$272	\$272	\$272
Healthcare	\$324	\$388	\$452
Other Necessities	\$255	\$293	\$371
Taxes	\$342	\$304	\$556
Total Monthly	\$2,941	\$3,536	\$4,612
<b>Modified to reflect benefits and expenditures by public assistance households</b>			
Housing	\$679	\$679	\$813
Food	0	0	0
Childcare	\$0	\$0	\$0
Transportation	\$272	\$272	\$272
Healthcare	\$0	\$0	\$0
Other Necessities	\$255	\$293	\$371
Taxes	\$0	\$0	\$0
Total Monthly	\$1,206	\$1,244	\$1,456
Average PA Grant	\$438	\$599	\$723
PA Grant as Percentage of Family Budget Amount	36%	48%	50%

### **New York's spending on cash assistance has declined by \$2.1 billion since 1995**

New York's expenditures on cash assistance have decreased from \$4 billion in 1995 to \$1.9 billion in 2006. In 1995 the state spent \$1.28 billion and local social services districts spent an additional \$1.28 billion for cash assistance with the federal government contributing the other \$1.46 billion. If we adjust these figures for inflation, the real value of spending on cash assistance in New York has fallen from \$5.5 billion to \$1.9 billion.

### **What is the cost of not increasing the welfare grant?**

Any analysis of the cost of increasing the welfare grant should take into consideration the cost of not increasing the grant. Inadequate welfare grant allowances, particularly the shelter allowance, contribute to higher rates of eviction and homelessness. The cost of providing services to a family in a shelter for the homeless is far greater than the cost of an increase in the public assistance grant sufficient to prevent homelessness.

The inadequacy of the welfare grant makes it difficult for cash assistance recipients to comply with employment requirements. When families are struggling to pay the rent or doubling up to

avoid eviction and homelessness, it is difficult to focus on work search requirements and even more difficult to maintain employment.

More generally, national studies have begun to quantify the social and economic costs of child poverty. The Center for American Progress Task Force on Poverty released a report in April 2007 that estimates the cost of childhood poverty at about \$500 billion per year or 4 percent of Gross Domestic Product. Applying this estimate to the New York State economy, the cost in New York of childhood poverty would be approximately \$41 billion per year. If increasing welfare grants could decrease childhood poverty by 25 percent, the state economy would save \$10 billion per year.<sup>2</sup>

### **Benefits of increasing the welfare grant**

Increasing the welfare grant may also help New York meet its work participation rate requirements. New York is currently allowed to use any excess Maintenance of Effort (MOE) spending to increase its caseload reduction credits in calculating its required work participation rates. Since increased spending on public assistance cash grants (whether by state or local governments) counts as MOE spending, New York will reduce the likelihood of incurring penalties for failure to meet work participation rate requirements.

An increase in the welfare grant will also help New York meet its work participation rate requirements because an increase in the New York standard of need will make more working poor families eligible for cash assistance.

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<sup>2</sup> Center for American Progress Task Force on Poverty, *From Poverty to Prosperity: A National Strategy to Cut Poverty in Half*, April 2002, p. 12. Estimate of New York's 2006 Gross Domestic Product from the Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)).