

INCOME SECURITY FOR ALL
FUNDAMENTALLY MENDING THE SOCIAL SAFETY NET
Empire State Economic Security Campaign

The Challenge

More than 2.6 million New Yorkers are living in poverty – one in five children (858,000) and one in ten families (575,000) had incomes below the official federal poverty thresholds in 2006.¹ Over one million of these New Yorkers had incomes below half the official poverty threshold -- or less than about \$10,000 a year for a family of four. New York State and New York City still have the highest measures of income inequality in the nation, and New York is the only state that is considered both a high income state and a high poverty state.

Poverty is particularly severe in the state's cities. New York City's poverty rate was 19 percent but poverty rates in Buffalo, Rochester and Syracuse exceeded 30 percent. Child poverty rates were greater than 40 percent in Buffalo, Rochester, Syracuse and Albany and more than 10 percent of the residents of these four cities had incomes below 50 percent of poverty.

In August 2007, Governor Spitzer announced the formation of an Economic Security Cabinet made up of 17 state agencies, including OTDA. In his announcement, the Governor noted that one of the goals of the cabinet would be "to mend together a social safety net that has slowly shredded over the past thirty years." He went on to state, "with that safety net shredding, we must do our part to mend it – not simply patch it up with a band-aid here and there, but mend it fundamentally." Any "fundamental" repair of the social safety net needs to begin with the state's income security programs.

While much has been written about the decline in welfare caseloads in New York State, there has been no concurrent decline in poverty. In 1994, prior to welfare reform, more than half the state's 3 million poor people received cash assistance. Today, New York's cash assistance programs provide support to only one in five of New York's poor people. Three distinct groups of New Yorkers continue to rely on the state to provide income security: low-income workers and their families, public assistance recipients who have not been able to find or keep a job and those who are unable to work.

Working but Still Poor

Most poor New York households include at least one worker. According to the Census Bureau's American Community Survey, 61 percent of the New York families with incomes below the poverty level included at least one worker and more than a quarter of these working poor families (82,000) included an adult who worked full-time, year-round.

As of August 2007, about 30,000 cash assistance cases included an adult who was working but earning so little that the family continued to be eligible for cash assistance.² While the cash assistance rules in New York attempt to "make work pay" by disregarding a percentage of earned income when calculating cash benefits, many families are still cut off from cash assistance before they are able to earn a sufficient income to keep their families out of poverty. Updating New York's standard of need to reflect the real cost of living and raising children in the state would include many more working families in the state's assistance programs.

¹ U.S. Census Bureau, Current Population Survey, March 2007 Annual Social and Economic (ASEC) Supplement.

² August 2007 Caseload Statistics - 29,418 TANF and Safety Net cases with earnings.

Able to Work but Not Engaged in Work Activities

Although caseloads have declined by more than 66% since the April 1994 peak, not all those leaving welfare have found gainful employment and many public assistance recipients have not been able to make the transition from welfare to work. In August 2007, as a result of a wide range of barriers and disabilities, two out of three adults in TANF households were not participating in “countable” work activities. Even among families receiving Safety Net benefits (generally families who have exhausted their 60 month time limit for TANF assistance), less than half were engaged in work activities.

Research has shown that many of the adults in these families that continue to receive public assistance suffer from multiple disabilities – physical and mental disabilities, domestic violence, extremely low levels of skills, education and literacy - that make it harder for them to find and keep employment. The easily employable welfare recipients have been taken off the rolls in the first ten years of welfare reform. Many of those who still receive benefits are “employable” but it will take more intensive services to help them make that leap.

New York can and must do more to help these individuals successfully enter the labor force. According to OTDA's own reports, in 2006 only two percent of the adult public assistance recipients were engaged in any kind of education and training activities.³

Unable to Engage in Work Activities

Finally, a large portion of the people remaining on public assistance cannot be expected to work, either because they are children, they are taking care of family members or they are disabled. Of the 249,000 adults receiving public assistance in 2005-06, 131,000 or 52.3 percent were either exempt from work or considered "work limited" by OTDA.⁴

According to OTDA Commissioner Hansell, a full 43% of New York's TANF caseload is comprised of child-only cases.⁵

Cash assistance should provide at least enough for these families to survive in New York in the 21st century but current benefit levels are far below any common sense notion of subsistence. In 1975 public assistance for a three-person family was equal to 110% of the Federal Poverty Level. Today it has fallen to less than 51% of the poverty level. Within the past two years, there has been a modest, inadequate, increase in the shelter portion of the public assistance grant, but the basic allowance for all other expenses has been unchanged for almost 18 years. To keep pace with the rising cost of living, the \$291 a family of three received in the non-shelter portion of its public assistance grant in 1990 would today have to be increased by 63% to \$475.

In addition, many families must use a portion of their basic allowance to pay the rent, because the shelter allowance in the public assistance grant is rarely sufficient to meet the housing cost. For example, in Monroe County a family of three with children heating with gas has a shelter allowance of \$397 per month, while the HUD Fair Market Rent for a two-bedroom apartment is

³ 2006 OTDA Statistical Report on the Operations of NYS TA Programs: Current trends in the TA caseload for the July 2005 to June 2006 time period.

⁴ Ibid.

⁵ Child-only cases fall into three categories: (1) There is an adult, non-parent caregiver who is not on the case (kincare), (2) The parent is in receipt of SSI, and not on the public assistance case, or (3) The parent is not eligible for public assistance because of immigration status.

\$773. In New York City, a family of three with children has a shelter allowance of \$400 per month, while the HUD fair market rent for a two-bedroom apartment is \$1,318. In New York City it is estimated that by 2007, 86% of families living in private housing will have a rent level that is higher than the amount provided for rent in their welfare grant.⁶

Fuel for Heating allowances have not been increased since 1987. Since that time average prices for electricity have increased 72 percent and the cost of natural gas has increased by 135 percent.⁷ For example, public assistance families in Albany using fuel oil to heat their homes are given only \$828 per year to pay for all home heating costs. Families heating with natural gas are given only about \$700.

Impact of Federal Rules on New York's Program

Last year, the Department of Health and Human Services issued interim final rules on TANF that implement the changes to welfare included in the Deficit Reduction Act of 2005. New York is facing key choices as the state decides the next direction for our TANF programs.

The federal regulations substantially increase the proportion of assistance recipients who must participate in work activities for a specified number of hours each week. New York will need to bring its work participation rate up. This means that we will need to have additional TANF recipients in federally countable activities or else face possible federal penalties. Meeting the increased requirement will be challenging and will require increased investments in welfare-to-work programs and work supports.

ES2 Policy Recommendations

ES2 supports a social safety net that is adequate to meet the needs of New Yorkers who must rely upon it. With soaring poverty rates and welfare grant levels at half of the poverty level, the state's safety net needs to be fundamentally mended. ES2 also believes that we should "make work pay" by supporting the working poor and increasing their earnings and income, and removing barriers to work for the unemployed and underemployed.

The 2008-2009 Session

New York State should MAKE WORK PAY by:

- Restoring the purchasing power of the minimum wage to 1970 levels (about \$8.50 in January 2007 dollars) and indexing it for inflation to prevent future erosion.
- Expanding eligibility for public assistance by changing the gross income eligibility limit from the lesser of the poverty threshold or 185 percent of the standard of need to the higher of the two.
- Strengthening work incentives by improving the earned income disregard. All earned income should be disregarded until a family's income is equal to the federal poverty guidelines for its family size. Above that point, 50% of income should be disregarded until families reach 135% of the federal poverty guidelines. Childless public assistance recipients should be given the same earned income disregard as households with children.
- Establishing a wage subsidy program for low-income workers and/or a state funded food stamp supplement for working families.

⁶ U.S. Department of Housing and Urban Development (<http://www.huduser.org/datasets/fmr.html>)

⁷ According to the Bureau of Labor Statistics, CPI for New York -New Jersey metropolitan area.

- Supporting a career ladders training program to help participants move into jobs that will eventually provide sufficient income to achieve self-sufficiency
- Reforming the Unemployment Insurance system to increase the maximum benefit, increase benefits at the bottom of the income distribution and establish dependent allowances.
- Expanding and rationalizing child care subsidies; and keeping child care funding out of the Flexible Fund for Family Services.

New York State should ADDRESS BARRIERS TO WORK by:

- Stopping further consolidation of state level programs (e.g Wheels to Work, Supportive Housing) into the Flexible Fund for Family Services.
- Expanding transportation programs for welfare recipients.
- Mandating that local districts offer screening for all cash assistance applicants and recipients to identify those who are not able to participate in work
- Establishing a transitional jobs program to help welfare recipients with multiple employment barriers enter the labor force.
- Fully funding intensive case services in order to identify problems and address barriers before households reach “sanctioned” status. Many of those who are sanctioned for noncompliance with work rules actually have significant barriers to work that also make it more difficult for them to comply.
- Making New York State’s hourly work requirements no higher than the levels set by Federal law. Currently many counties require recipients to participate in work activities for more than 30 hours a week, despite their right, under Federal and State law, to get full participation credit once these individuals participate for twenty hours (if the household has a child under six) or thirty hours (for all other households). By reducing the hourly requirements to the lower federal level, individuals will be better able to balance schooling and training with work and parenting their child.

New York State should STRENGTHEN THE SAFETY NET FOR THOSE WHO CANNOT WORK by:

- Increasing the non-shelter portion of the public assistance grant from \$291 to \$475 for a family of three to reflect increases in the cost of living since the last adjustment in 1990.
- Increasing Fuel For Heating Allowances to account for inflationary increases since the last adjustments in 1987.
- Establishing a commission to investigate the adequacy of all public assistance allowances and to recommend mechanisms to provide for annual cost adjustments.
- Providing expedited food stamps for all applicants
- Supplementing the federal Low Income Home Energy Assistance Program (LIHEAP) with an additional \$170 million in state funds using proceeds from the REGGI auction of pollution rights.
- Expanding the separate state program for two parent families to include others who cannot meet the new federal work participation rate requirements, including:
 - SSI applicants
 - Parents caring for disabled children
 - Parents enrolled in vocational education, two-year or four-year postsecondary educational programs not “countable” as work under federal TANF definitions; and
 - People with treatment needs beyond the very limited allowances set forth in the federal regulations.

HOW CAN THE STATE PAY FOR ALL OF THIS?

First, the state should hold local social services districts accountable for use of the significant resources provided to them through the Flexible Fund for Family Services (FFFS). If funds are being used for “fiscal relief” rather than the kinds of benefits, programs and services described here, OTDA should force counties to revamp spending plans and reconsider the block grant mechanism.

If there are still not sufficient funds in the TANF block grant and the FFFS to fund these services and benefits, the state should consider either financing the NYS EITC in the same way it finances other tax expenditures rather than taking the funds from the TANF block grant and/or financing all child welfare funding out of the general fund. This could free up significant TANF block grant funds. Alternatively, the state should use general fund revenues to fund all child welfare services.