



TESTIMONY

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Hearing Entitled: The Adequacy of the Public Assistance Grant in New York State

Standing Committee on Social Services
New York State Assembly

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Good Morning Chairman Wright and members of the Committee. My name is Seth Diamond, Executive Deputy Commissioner of the New York City Human Resources Administration and I am testifying here today on behalf of HRA's Commissioner, Robert Doar. With me here today is Ray Singleton, Assistant Deputy Commissioner who manages our employment services. Thank you for inviting HRA to testify on the cash assistance grant structure.

In the era of welfare reform, we have made great strides in redirecting much of the money we spend in the public assistance system to provide more services to people who are trying to find work or are working. The expanded earned income tax credit, enhanced child care funding, more training resources and employment retention services are all examples of how we have reoriented the system away from one designed to maintain people where they are to one that is designed to support people in their efforts to become employed and provide for their children's emotional and financial well-being. A considerable amount of research shows that increases in income improve child well-being, but a cash assistance grant and earned income from a pay check are not necessarily equivalent. For example, Duncan and Morris of MDRC found that a number of work demonstration projects had a positive impact on child well-being, particularly young children for certain work programs compared to the control conditions with no work component. Therefore, consideration of an increase to the cash grant needs to be balanced with the need to provide a strong incentive to work with generous work supports, all with the ultimate goal of better outcomes for children.

Complexity of Present Benefit Structure

The current cash assistance grant is part of a broader benefits structure and changes to the grant must be looked at in a comprehensive manner. The actual cash grant is part of a complex system that involves a person's assets, the amount of income a person can earn and still remain on the program, grant size in relationship to program compliance, a family's size, shelter allowance, and the amount of time a person can receive assistance. A change to one aspect of the program must be considered in light of the other components and maintain the balance between providing support and encouraging work. Because the system is so complex, any changes to the overall system to streamline the process or minimize the hours spent by workers and applicants and recipients in gathering information for the dozens of pieces of information that must be obtained would benefit both recipients and workers.

A National Perspective

States have taken various approaches, combining the different policy choices to meet their own needs. For example, a state may have higher benefit levels but a shorter time limit, or allow more assets in qualifying for assistance but fewer earnings in remaining eligible for assistance. Time limits vary and although 35 states follow the federal 5-year limit, 8 states have set shorter periods. Several states limit continual assistance to 2 years even though they have an overall 5 year lifetime limit. The income that a family may have and still qualify for assistance also varies across states and although the median level is \$704, the range is from \$265 to \$1,641. A family's assets are also taken into consideration including for example, some states exclude the value of the family

car, while others cap its value. The monthly benefit level also varies across states. For a family of 3, seven states have a benefit under \$250, eleven states' benefit is in the \$250-\$350 range, twenty-three states benefit is in the \$351-\$600 range, and six, including New York have a level above \$600. In addition, in approximately twenty states there is no increase in the benefit level with the birth of a child once the family is on assistance. However, some states will increase the earned disregard to make up for the difference in benefits in that situation.

Following the passage of recent federal TANF legislation, states are also re-examining how much a working recipient can earn before they lose their cash benefit. Many have a combination of a set dollar amount and a percentage of a person's remaining earnings. As part of that formula, some states progressively lower the percentage based on the amount of months the person is employed. Sanction policies are also being reviewed and many states with a graduated or partial sanction are moving to full-family sanction policies. However, it is difficult to make any final policy choices until the federal government releases the TANF Interim Final Rule, which will likely include changes to the present guidance given to states.

The New York's Structure

Before exploring possible changes to the grant here in New York, it is important to understand its present structure. Probably one of the most unique features of our benefit structure is the statewide general assistance program that serves able-bodied single adults. Combined with a continued state and local cash assistance after reaching

the 60 month time limit, and a proportional (not full) sanction policy makes New York one of the only states that regularly continues cash support beyond the federal five year limit. In addition, unlike many states that place limits on the amount of income counted against a benefit based on the length of time a person who is working, in New York the policy is that 48% of a recipient's earnings are disregarded in determining the benefit. The average grant for a family of 3 is \$671 and the State increases the benefit amount for children born after the family is on assistance.

A System that Values Work and Movement to the Highest Level of Self-Sufficiency

While there are various options that can be considered in updating the benefit structure to move families towards self-sufficiency, we believe any system must be one that promotes work, that is easier to understand and administer and that has consequences for people who do not take steps to move toward self sufficiency. The current system could be replaced with a system that promotes work and activities leading to work. The basic public assistance grant could be geared toward encouraging individuals to move toward employment. I would like to offer some examples of approaches that could be taken:

Earned Disregard for those Meeting the Federal Work Participation Mandates

The earned income disregards were established to encourage welfare recipients to move toward full employment. One approach could be to increase the earned income disregard from the current 42% to 60% while increasing the emphasis on work. This

could be accomplished by conditioning eligibility for the earned income disregard on the cash recipient's compliance with federal work participation requirements.

Restructure the Cash Benefit

Any discussion on changing the cash grant structure must contain several elements. The benefit level and consequences for non compliance cannot be viewed in isolation but only as part of a comprehensive discussion. We believe as part of such a discussion it would be worth considering changing our grant structure to reward those who are taking steps toward employment or who are working but only if a stronger sanction is put in place for those who repeatedly fail to comply. Those who are participating in an HRA employment or rehabilitative program should receive the greatest support. There could be a single grant amount for all those making progress to employment, regardless of their exact family circumstances. The principle is that we as a society strongly support people who are making a reciprocal effort to improve their situation and we want to invest in their efforts.

We should also encourage and continue to support those who are in some sort of pre-employment process. Examples of this might include identifying a suitable program, arranging child care or taking some other step that will allow them to participate. By providing some assistance to individuals in this group we would be allowing them to take the necessary pre-employment activity steps while establishing a clear incentive to move to an employment activity. Once they were successfully participating for minimum period, their grant could be re-evaluated.

By moving away from an undifferentiated system to one that rewards progress, we would be providing the right incentives to those we serve. We recognize that individuals may take different paths to self-sufficiency and some may reach it more quickly than others. We are not suggesting time limits be imposed on these effort, or individuals in the process of contesting a decision by the agency be unable to receive assistance until the matter is adjudicated. The system, however, should recognize the efforts of those in rehabilitative and employment programs and specifically reward those efforts.

These are just a few of many different options that could be explored in changing our system from its pre-welfare reform model to one that reflects our desire to strongly support those families doing what they can achieve self-sufficiency. We at HRA look forward to working with the committee towards that goal.