



What's happening with temporary assistance for New York State's neediest families?

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For 19 years, beginning in 1990, New York State kept its basic allowance for public assistance recipients at the same level. Finally, in conjunction with the adoption of the 2009-2010 state budget, legislation was enacted providing for ten percent a year increases for three consecutive years. While the first two of those increases occurred as scheduled, the 2011-2012 budget as enacted delayed the final increase by one year. And, in his Executive Budget for the upcoming state fiscal year, with the state's fiscal situation improved over last year, Governor Cuomo proposed to phase in this delayed third increase by implementing a five percent increase on July 1, 2012 and another five percent increase on July 1, 2013.

The Senate and Assembly have now offered their alternatives to the Governor's budget as proposed and, on the welfare grant increase, the two houses are proposing to go in different directions. The Assembly has proposed implementing the full ten percent increase on July 1, 2012, as currently scheduled. The Senate, on the other hand, has proposed eliminating this remaining increase completely.

How do the three options now on the table compare?

The Governor's proposal is projected to save \$6 million in state General Fund money in 2012-2013 and to allow the state to use \$18 million in federal Temporary Assistance for Needy Families (TANF) funds for other purposes. It will also save localities \$15 million in their share of grant increase costs. The Senate's proposal would reduce 2012-2013 General Fund spending by an additional \$6 million and local government spending by an additional \$15 million and free up an additional \$18 million in federal funds for other allowable TANF purposes. The Senate proposal would also reduce 2013-2014 General Fund spending relative to both the Executive and Assembly proposals. Relative to the Executive Budget, the Assembly proposal would increase spending in the upcoming fiscal year by the same amounts that the Senate proposal reduces it. This is because the Executive Budget implements half of the last increase in 2012 and half in 2013.

These General Fund savings, however, need to be compared to the economic, fiscal and child development benefits of fully implementing the grant increase as scheduled.

- Even with the 2009 and 2010 increases, the monthly grant still has only 70 percent of its 1990 purchasing power because of the substantial increases that have occurred in the costs for food, clothing, gasoline and other necessities over the course of the last 23 years. Relative to the governor's budget, the additional monthly amount for a family of three if the increase were fully implemented this year—\$18, or \$216 per year—would help needy families meet their basic needs as the costs for them continue increasing.

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- Because families and individuals that receive assistance have few resources, any increase to monthly income is spent in surrounding communities for food, transportation and gas, household supplies, etc. This activity contributes significantly to local economic recovery in the way that unemployment benefits do. Research has shown that such government spending had an economic multiplier effect of \$1.55 in 2011; that is, each dollar spent on unemployment benefits generated \$1.55 in economic growth during the past year.¹
- Full implementation of the grant increase would also provide some help to state and local budgets. The increased spending fostered by the grant increase would generate increased revenue for state and local governments from sales and excise taxes. In addition, the additional monthly support will reduce some families' need for emergency assistance.
- Most importantly, recent research indicates that lower levels of income affect children early in life and cause them to have poorer cognitive, social and health outcomes.² There are now 23,000 more children on temporary assistance in New York State than three years ago for a total of 310,000 in December 2011—54 percent of total public assistance recipients. Delay of the grant increase represents a loss of potential income which will likely impact these children negatively in the future.

Even with full implementation of the currently scheduled 2012 increase, the public assistance grant will still represent only 50 to 53 percent of the federal poverty threshold in seven counties and below that in the remaining fifty-five counties. And, this grant increase will not create a disincentive to work since even with the scheduled increase, the public assistance grant for a family of three, for example, would represent only 51 to 66 percent, depending on geographic location, of the income earned from a job at the current minimum-wage rate.

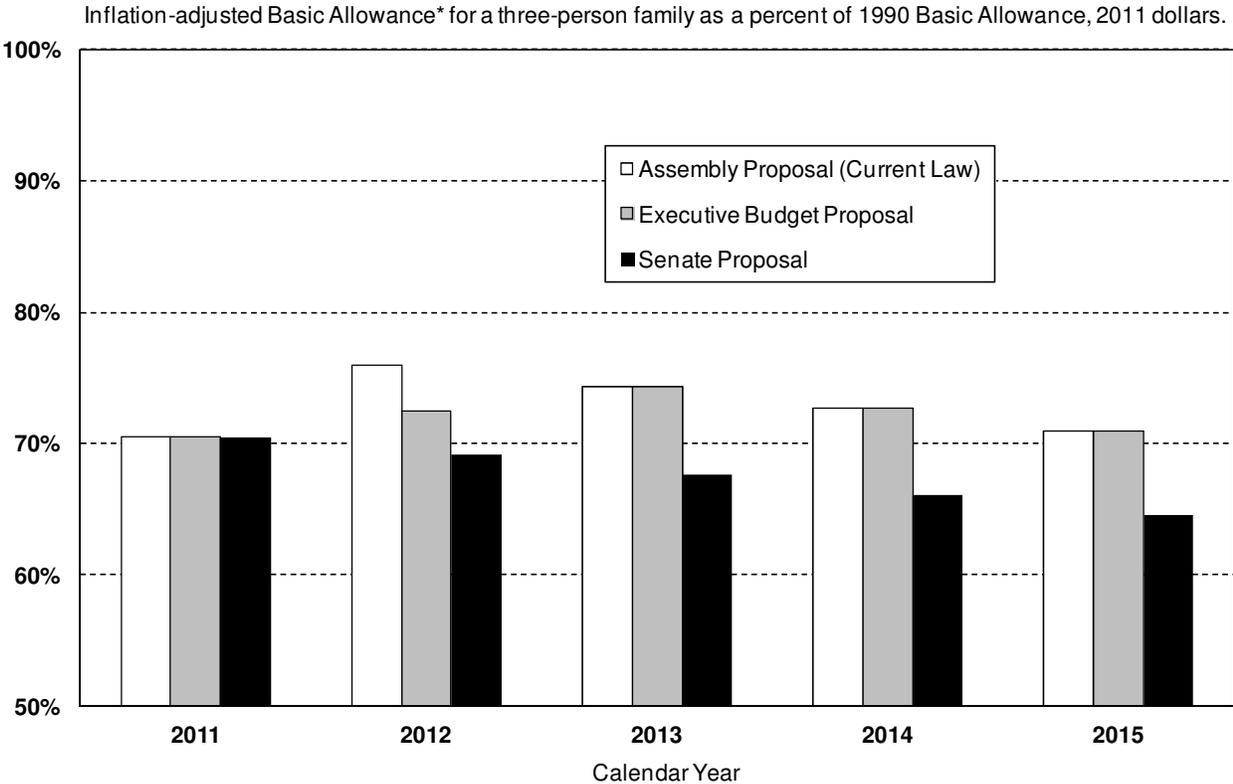
Moreover, New York was recently awarded \$40.7 million in additional federal TANF Contingency Fund awards. This funding could be used to fully implement the remaining grant increase without delay and with virtually no additional cost to the state or to local governments this year.

The Fiscal Policy Institute (www.fiscalspolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.

¹ Zandi, Mark, Moody's Analytics and Economy.com, *Written Testimony Before the Joint Economic Committee, Bolstering the Economy: Helping American Families by Reauthorizing the Payroll Tax Cut and UI Benefits*, February 7, 2012 at <http://www.economy.com/mark-zandi/documents/2012-02-07-JEC-Payroll-Tax.pdf>, page 7.

² Duncan, Greg J. and Katherine Magnuson, *The Long Reach of Early Childhood Poverty* in Pathways Winter 2011 at http://www.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf.

The Governor, Senate and Assembly have proposed three divergent plans for adjusting New York's basic public assistance grant. But under all three plans, the purchasing power of the grant will erode over time without regular adjustment.



* Basic allowance is the non-shelter portion of recipients' monthly assistance; it consists of the grant for recurring needs, home energy allowance and supplemental home energy allowance. This graph uses actual CPI-U through 2011 and the forecast composite CPI for New York from the New York State Division of Budget, *Economic and Revenue Outlook*, January 2012, p. 160.