

# MEMO

Date: February 14, 2001

To: Maurice Emsellem

From: Trudi Renwick

Re: Cost of the Revised Empire State Jobs Program

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The net fiscal impact of the proposed Empire State Jobs program will be \$101 million over two years, an average expenditure of \$50 million per year.

This overall fiscal impact consists of a net increase in the use of federal TANF Block Grant funds of \$102 million, a net increase in resources from the state General Fund of \$23 million, and a net decrease in local funds of \$24 million.

The legislation provides that 75% of the 8,000 Empire State Jobs program participants will be TANF eligible and 25% will be individuals who are not TANF eligible (a combination of Safety Net participants and other low-income individuals).

- The net fiscal impact for the 6,000 TANF eligible participants will be a net increase in expenditures from the TANF block grant of \$101.70 million, a decrease in the use of General Fund revenues of \$18.10 million, and a decrease in the Local Funds of \$18.10 million.
- For the non-TANF eligible participants, the net impact of the program will be no change in the utilization of the TANF block grant, a net increase of \$41.37 million from the General Fund and a net decrease of \$6.13 million from Local Funds.

## I. GROSS VS NET COST OF THE PROGRAM

The bill proposes two 2-year appropriations to cover the cost of funding 8,000 18-month Empire State Jobs program job slots. These two appropriations are as follows:

- TANF BLOCK GRANT: \$ 142,500,000
- STATE GENERAL FUND: \$ 47,500,000

These appropriations can be thought of as the gross cost of the program over a two-year period. These gross costs are offset by reductions in expenditures pursuant to other appropriations. Participants in the program who are recipients of either TANF Family Assistance or Safety Net Temporary Assistance when they enter the Empire State Jobs Program will not longer receive their cash assistance grant. Therefore there will be offsetting savings from the TANF block grant, the state General Fund and from local funds for these participants. Our estimate of these offsetting savings follows:

(in millions)

	<u>TANF BLOCK GRANT</u>	<u>GENERAL FUND</u>	<u>LOCAL FUNDS</u>	<u>TOTAL</u>
Gross Program Costs	\$142.50	\$47.50	\$ 0	\$190.00
Offsetting Savings	<u>\$ 40.80</u>	<u>\$24.23</u>	<u>\$24.23</u>	<u>\$ 89.26</u>
Net Program Costs	\$ 101.70	\$23.27	(\$24.23)	\$ 100.74

This cost estimate does not include the cost of incremental State Earned Income Tax Credit refunds the State will be required to make on behalf of ESJ participants. We estimate that participants will be eligible for approximately \$9.3 million in additional State EITC credits. The current practice in the state is to charge 79.5% of EITC refund costs to the TANF Block Grant.

## II. CHANGE IN FEDERAL RESOURCES

In addition, the state will receive an influx of federal funds as a direct result of this program.

Federal EITC Payments	\$37.08 million
Net gain in Food Stamps <sup>1</sup>	<u>4.70 million</u>
Net influx of federal resources	\$41.78 million

## III. CHANGES IN DISPOSABLE INCOME OF PARTICIPANTS

The final table attached to this memo shows the difference in income received by a family of three participating in the Empire State Jobs program. Even after subtracting work-related expenses, the family will have \$7,290 more income per year from the ESJ program than from public assistance.

### KEY ASSUMPTIONS IN THE COST ESTIMATE

1. Number of participants: 8,000
2. Average weekly hours of work per participant: 30 hours
3. Average months per participant: 18 months
4. Average pay: based on May 2000 update of the BLS Lower Level Income Standard
  - i. New York City: \$7.95 per hour
  - ii. Upstate Metro Areas: \$7.63
  - iii. Upstate Nonmetro areas \$7.53
5. Distribution of participants by current program participation status:
  - i. TANF Participants: 2/3
  - ii. Safety Net Participants: 1/6
  - iii. Other low-income workers: 1/6
    - a. TANF eligible: 1/12
    - b. Non-TANF eligible: 1/12
6. Distribution of participants by geographic areas (based on 1999 average monthly Temporary Assistance caseload distributions)
  - i. New York City: 72%
  - ii. Upstate Metro Areas: 25%
  - iii. Upstate NonMetro Areas: 3%

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<sup>1</sup> While some current recipients will have their federal food stamp allotment decreased slightly upon enrollment in the ESJ program (due to their higher incomes), this estimate is based on the assumption that those ESJ participants who are not currently receiving public assistance are also not currently receiving food stamps but that in conjunction with enrollment in the ESJ program these households will apply for and, if eligible, receive food stamps.

7. Non-wage costs per participants
  - i. Administration: \$1671 (approximately, the average TANF administrative costs) per year
  - ii. Employer taxes \$ 1905 per year
  
8. Net TANF block grant, state and local cost estimates based on:
  - i. New York City grant levels --- heat included in the rent
  - ii. Family size distribution assumptions (from Andy Stetner):
    - a. TANF: 29% two-person, 28% three-person, 23% four-person, 20% five-person +
    - b. SAFETY NET: 84% one person; 16% more than one person
  - iii. For TANF Eligibles: TANF Block Grant 50%, State funds 25%, Local funds 25%
  - iv. For Safety Net: State share = 50%, Local share = 50%
  - v. Administrative cost savings equal to \$1,671 per participant per year
  
9. Net federal resources are based on the following assumptions:
  - i. All current temporary assistance recipients are receiving their maximum food stamp allotment
  - ii. Other ESJ participants do not receive food stamps prior to enrollment in the program but upon entering the ESJ program receive, if eligible, a monthly food stamp allotment
  - iii. ESJ participants are not receiving federal (or state) EITC benefits prior to entering the program
  - iv. If these assumptions do not hold, the incremental federal resources will be slightly lower.

<b>I. GROSS VS NET COSTS OF THE EMPIRE STATE JOBS PROGRAM</b>						
			<u>TANF BLOCK GRANT</u>	<u>GENERAL FUND</u>	<u>LOCAL MATCH</u>	<u>TOTAL</u>
<b>Gross Program Expenditures (millions)</b>						
	Wages and Salary		\$110.32	\$36.77	\$0.00	\$147.09
	Employer Taxes		\$17.14	\$5.71	\$0.00	\$22.86
	Administration		\$15.04	\$5.01	\$0.00	\$20.05
	<b>TOTAL</b>		<b>\$142.50</b>	<b>\$47.50</b>	<b>\$0.00</b>	<b>\$190.00</b>
<b>Offsetting Savings Resulting from Program Participation (millions)</b>						
	Cash assistance savings		\$34.11	\$19.22	\$19.22	\$72.54
	Administrative savings		\$6.68	\$5.01	\$5.01	\$16.71
	<b>TOTAL</b>		<b>\$40.80</b>	<b>\$24.23</b>	<b>\$24.23</b>	<b>\$89.26</b>
	<b>Net Program Costs</b>		<b>\$101.70</b>	<b>\$23.27</b>	<b>(\$24.23)</b>	<b>\$100.74</b>

<b>II. Changes in Federal Resources Resulting from the Empire State Jobs Program (in millions)</b>	
Federal EITC Benefits	\$37.08
Food Stamp Benefits	\$41.66
<b>Total Federal Resources</b>	<b>\$78.74</b>
<b>Minus Existing Food Stamp Benefits</b>	<b>\$36.96</b>
<b>Net Federal Resources</b>	<b>\$41.78</b>

<b>III. Three-Person Family: Change in Disposable Income</b>				
<b>Receiving P.A. &amp; F.S.</b>		<b>Empire State Jobs Program Job</b>		<b>Difference</b>
				<b>PA vs. Job</b>
	Annualized		Annualized	
<u>Income</u>		<u>Income</u>		
Public Assistance	\$6,924	Wages	\$12,258	
Food Stamps	\$3,577	Food Stamps w/earnings	\$2,713	
		Federal EITC	\$4,183.32	
		State EITC	\$1,046	
		<b>Gross Income</b>	<b>\$20,199</b>	
		<u>Employment Expenses</u>		
		Employee FICA 7.65%	\$938	
		Employee Other Taxes	\$750	
		Transportation to work	\$720	
		<b>Employment Expenses</b>	<b>\$2,408</b>	
<b>Income to Household</b>	<b>\$10,501</b>		<b>\$17,792</b>	<b>\$7,290</b>