NEW YORK STATE
DEPARTMENT OF SOCIAL SERVICES
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LOCAL COMMISSIONERS MEMORANDUM

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Date: September 28, 1992

Division: Commissioner's Office

TO: Local District Commissioners

SUBJECT: NYPWA Committee Meetings: Distribution of Materials

ATTACHMENTS: I. IT Public Assistance Grant Initiatives (available on-line)
II. Work Toward Independence Information (not available on-line)

For various reasons a number of districts are unable to attend the NYPWA committee day meetings. Therefore, to ensure that all districts are kept abreast of Department activities and plans, we will be sending out copies of materials distributed at NYPWA committee day meetings.

Enclosed are materials distributed by Income Maintenance at the September meeting. The other divisions did not distribute any materials. If you have any questions regarding these materials please do not hesitate to contact Oscar Best or Reinaldo Cardona.

Gregory M. Kalaqian
Executive Deputy Commissioner

PUBLIC ASSISTANCE GRANT INITIATIVE

Introduction and Summary

New York State's public welfare system has become an increasingly important part of the economic safety net, as the lingering recession has forced ever more families and individuals to turn on public assistance as a means of subsistence. The welfare rolls now comprise close to 1.5 million people, and 1991 expenditures for grants totaled nearly $3.7 billion.

The 1980s brought a series of increases in the public assistance grant. A Home Energy Allowance was added in 1981. Shelter allowance ceilings were raised in 1984 and again in 1988. A Supplemental Home Energy Allowance was added in 1986. And the basic allowance was increased in 1990. Together these changes protected the purchasing power of the grant against the effect of price changes during the decade.

Since 1990, however, the State's fiscal circumstances and other considerations have blocked further grant improvements. But rising prices and increasing needs make further delay unacceptable. The Department of Social Services therefore proposes a coordinated series of steps that will provide a targeted grant increase, by raising the shelter allowance ceilings and incorporating positive work incentives, while also laying the groundwork for further improvements.

Description of Components

The Department will seek budgetary and legislative approval for two positive changes in the public assistance grant:

1. **Increase the shelter allowance ceilings,** by raising the maximum allowances set out the section 350.3 of the Department's regulations. The new ceilings will be derived, with appropriate adjustments for timing and for family size and composition, from 1990 Census data. Payment will continue to be made based on cost, up to the ceiling; this will target increased expenditures to recipients with higher shelter costs, while avoiding a "windfall" to those whose costs are under the ceiling. In addition, the department is exploring the feasibility of combining the two current schedules (for rent with heat and for rent without heat) into one unified schedule, and eliminating the schedule of separate heating fuel allowances; this change would avoid locking clients into specific types of housing arrangements.

2. **Provide positive work incentives,** by allowing for the disregard of additional earned income. Under current law, going to work can actually result in **decreasing** a recipient's net disposable income, especially after four months of employment, when the disregard of $90 plus one-third of earnings expires (the $90 disregard continues for another eight months); even the one-third disregard means that earnings are being "taxed" at the rate of almost 70 percent. Thus the relatively low percentage of recipients who are combining work and welfare at any given time (around [illegible] percent) reflects rational behavior by recipients in response to the structural incompatibility between work and welfare which has been designed into the welfare system. In contrast, the Child Assistance Program, where financial

support is withdrawn much more slowly, is demonstrating that the promise of real financial rewards can induce substantial numbers of recipients to turn to employment for an increasing share of their total household income. By design, however, CAP is directly beneficial only where a recipient's earnings exceed about $350 per month; no financial advantage accrues to a recipient with low earnings. Without replicating all of CAP's other features, it is possible to extend similar financial incentives to recipients at the lower end of the earnings scale. One way to do is to take advantage of a federal regulation which permits the disregard of some or all of earnings and certain other income up to the difference between the standard of need and the standard of payment. In addition to a statutory change, a federal waiver would be required to limit the favorable treatment to earned income; such a waiver could be sought to demonstrate the effectiveness of this additional earnings disregard in encouraging recipients to go to work.

In addition to the changes described above, the following related components will be pursued:

3. **Rationalize special needs allowances,** by reviewing the various items of special need with a view toward consolidation and simplification. New York State has the nation's most extensive set of special needs allowances, each with its own rules for eligibility and issuance; many of these allowances rest on regulatory authority only, while others were created by statute. Although in the aggregate such allowances account for a substantial percentage of all grants issued, administration and utilization vary from district to district. The Department intends to reform the area of special needs allowances, seeking to develop a consistent policy governing their use and promoting responsibility and self-determination. This work, proceeding in consultation with the local social services districts, should also result in simplifying benefits administration, and should yield fiscal savings as well. It could also lay the basis for further changes in the grant structure.

4. **Reevaluate the public assistance standard of need,** to meet federal requirements for a report to the U.S. Department of Health and Human Services which is due by January 15, 1994. The Department has already commenced its study, and is consulting with local districts, advocates and other interested parties to keep them apprised of our progress and to seek information and opinions from them. This study, and the report it will support, could provide the foundation for further improvements in the grant.

5. **Reform State/local cost sharing arrangements for the Home Energy Allowance portion of the public assistance grant,** by replacing the reimbursement cap contained in this year's Budget with a provision for cost-sharing at the rate which applies to all other portions of the grant. When the Home Energy Allowance was created in 1981, the State agreed to assume the full non-federal share of costs, since the change was implemented without allowing local government time to accommodate the increase. This special provision, however, was placed in statute and carried forward from that first instance until the current year, when a reimbursement cap was substituted. The Department seeks a statutory change which would place HEA reimbursement on the same 50/50 basis as applies to other grant components; the change would become effective April 1, 1993.