

TRENDS IN ASSISTANCE AND DEPENDENCY: Tracking Programs for New York City's Poor, 1956–2014

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TRENDS IN ASSISTANCE AND DEPENDENCY: TRACKING PROGRAMS FOR NEW YORK CITY'S POOR, 1956–2014

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INTRODUCTION: A REVIEW OF PUBLIC ASSISTANCE DATA

New York City's welfare caseload has declined dramatically since peaking, in the mid-1990s, just prior to the enactment of a major federal reform implemented locally under two mayors, Rudolph Giuliani and Michael Bloomberg. Although the city's poverty rate rose during the 2007–09 recession, it remains 71 percent below its peak level (under the old welfare rules) of the mid-1990s.

Mayor Bill de Blasio has emphasized his desire to do more to help low-income New Yorkers. He also has signaled his willingness to loosen some restrictions on public assistance, which could affect caseload trends in the future.

During a time of transition for the city's antipoverty efforts, this report benchmarks key long-term measures of dependency and government aid to the poor, including: the number of individuals and families receiving cash assistance; enrollment in the Supplemental Nutritional Assistance Program (SNAP, or "food stamps"); enrollment in the Medicaid health-insurance program for the poor; the extent of receipt of work-related tax credits; and overall changes in the poverty rate.

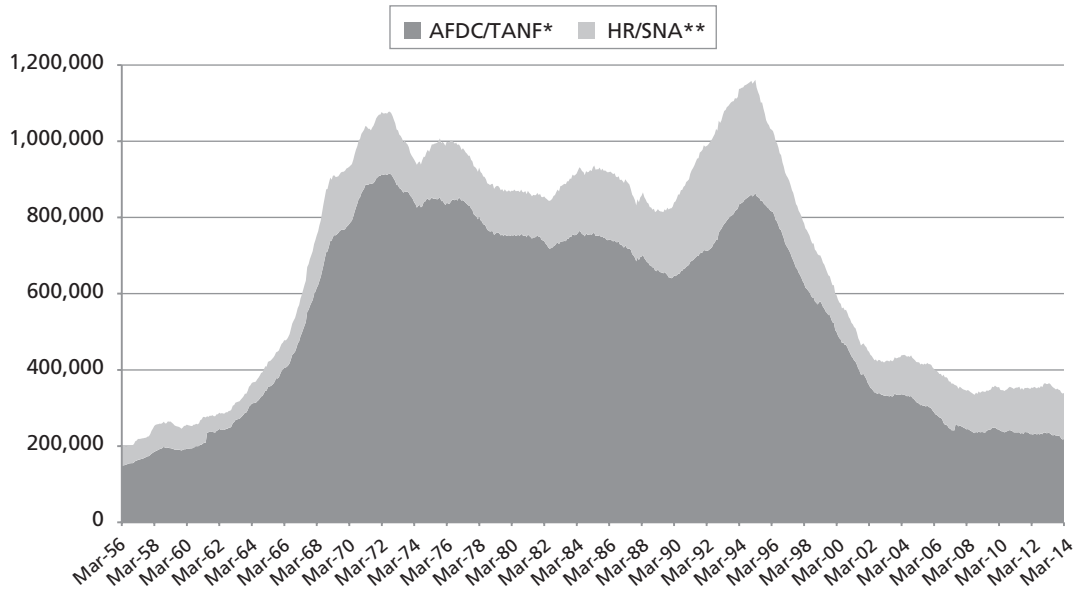
This report is meant as a prospective standard for future comparison.

TRENDS I: CASH ASSISTANCE

There were more than 1.16 million New York City residents receiving cash assistance from welfare programs in March 1995. In March 2014, there were 339,203 New Yorkers on the welfare rolls—a drop of 71 percent in 19 years.

For decades, when Americans talked about "welfare," they were referring primarily to the federal Aid to Families with Dependent Children program, also known as AFDC, which could be traced back to a

Figure I. Welfare Cash Assistance Caseload in New York City
Total Recipients by Month



* In 1997, Temporary Assistance for Needy Families (TANF) replaced Aid to Families with Dependent Children (AFDC).

** In 1997, Safety Net Assistance (SNA) replaced Home Relief (HR).

Source: City of New York, Human Resources Administration

provision of the original 1935 Social Security Law.¹ AFDC began as a program of limited aid to single mothers considered incapable of working, primarily widows and women abandoned by their husbands. The federal government originally reimbursed 30 percent of program expenditures, leaving states and localities to pay for the remaining 70 percent.

Starting in 1940, New York State also maintained its own general assistance welfare program, known for most of its existence as Home Relief, which covered childless, single adults ineligible for federal aid. The costs of that program in New York City were divided evenly between the city and state, with no federal support.² Beginning in the 1960s, the rules and character of the program would go through a series of changes, with notable effects on its extent.

Background: Growth in AFDC

In 1961, the federal government began to give states more discretion to expand AFDC eligibility to a wider class of needy families. In 1965, the federal

AFDC reimbursement rate was increased from 30 percent to 50 percent. AFDC caseloads expanded rapidly, nationwide and in New York City. During the same period, New York's Home Relief caseload also began to increase sharply.

The city's total number of welfare recipients rose by 82 percent—from 252,581 to 459,160—between 1960 and 1965. The rate of increase accelerated during the second half of the decade, surpassing 1 million recipients in autumn 1970. While the city's welfare enrollment surge was not unique for major urban areas during this period, New York, under Mayor John Lindsay, was the political and philosophical epicenter of a movement that promoted welfare assistance as a "right", untethered to personal behavior or responsibility. The nation's largest city also had, by far, the nation's largest welfare population.

During the 1970s, the city's welfare rolls receded by about 15 percent, following a state crackdown on eligibility. But by the early 1980s, stubbornly high

levels of welfare dependency prompted calls for change from Republicans and Democrats alike.

Widespread frustration with the failure of previous welfare-reform efforts, including repeated unsuccessful attempts to require work as a condition of AFDC benefits, created the atmosphere in which Bill Clinton campaigned for president in 1992 on a promise to “end welfare as we know it.” The ultimate result was the 1996 Personal Responsibility and Work Opportunity Reconciliation Act, which replaced AFDC with a new program, known as Temporary Assistance to Needy Families, or TANF.

Background: TANF

While AFDC was an individual entitlement, TANF would be structured as a block grant to states, which would also be required to spend a minimum “maintenance of effort” (MOE) level of their own funds. TANF and MOE funds combined might be used to meet the TANF program goals of assisting families, encouraging work, and supporting the formation of two-parent families. New York State’s annual TANF block grant is now \$2.4 billion, with a MOE of \$1.7 billion.

TANF imposes a 60-month lifetime limit on federally funded benefits; mandated work-participation rates; and penalties for states that fail to meet work requirements. It also allows states to sanction family members who refuse to comply with work requirements without “good cause.”

The city responded by developing a system combining rigorous eligibility screening and antifraud procedures with an increased reliance on performance-based contracts with private employment and training services—with the latter only paid when successful in finding jobs for welfare clients.

The Human Resources Administration (HRA) also would temporarily assign clients with limited work histories—and those who could not find unsubsidized employment—to the Work Experience Program (WEP), where they were assigned to work in city agencies in tasks, such as parks main-

tenance, in exchange for their benefits. For clients with medical or mental health issues that impeded their ability to work, HRA developed the Wellness, Comprehensive Assessment Rehabilitation and Employment (WeCare) initiative. Another key element of New York’s program to boost self-sufficiency would be an increased reliance on collecting child support from noncustodial parents of children in the Family Assistance program.

Under TANF and state rules, all unemployed, or underemployed, nondisabled, nonexempt cash assistance clients, aged 18–59, would have to participate in an approved work activity for 35 hours a week, such as:

- Unsubsidized employment
- Subsidized private- or public-sector employment
- Work experience in the public and nonprofit sectors
- On-the-job training
- Community service
- Vocational educational training
- Job skills training directly related to employment
- Education directly related to employment, in the case of a recipient who has not completed secondary school or high school equivalency
- Activities intended to help individuals train for, and gain experience in, high-demand careers

HRA would track work participation and engagement in the employment process through its “engagement” report. (Not all categories of engagement are recognized by the federal government for TANF reporting purposes—and state law exempts certain groups, that were still included in calculation, for federal work-participation rates.)

As of October 2013, according to HRA, out of 176,000 welfare “cases,” 14 percent were employed; 21 percent were participating in work experience, training, job search, or some combination of those activities; 47 percent were permanently or temporarily exempt; and 11 percent were in the process of being “sanctioned” for failing to comply with work-related requirements.³

Under TANF guidelines, approximately 34 percent of Family Assistance households were participating in allowable work activities for the quarter ending in September 2013, HRA data indicated. While the federally mandated TANF work-participation rate is 50 percent, New York State's actual required rate was far lower, as a result of "credits" assigned by the federal government for multiyear reductions in caseload. New York City, which accounts for most of the state rate, was above both the rest of the state and the national average.

The result of all these efforts, as shown in Figure 1, was a steep drop in cash assistance rolls, starting almost as soon as TANF took effect in 1996 (although New York State's own implementing bill wasn't enacted until the following year). Taking stock of the already faster-than-expected reduction in welfare rolls during the program's first two years, the city's Independent Budget Office (IBO) predicted in 1998 that the average number of Family Assistance recipients would decrease to 570,100 in 2001, dropping to 520,000 the following year.⁴ The actual numbers: 409,806 in 2001 and 348,461 in 2002.

During the 2007–09 recession, welfare rolls leveled off, but there was no sign of a marked resurgence in dependency. In fact, during the first two months of Mayor de Blasio's tenure, the number of welfare cash recipients decreased by another 8,998 people—the biggest two-month drop since 2007.⁵ Monthly job placements were also up slightly over the previous year, well above levels at the end of the recession in 2009, according to HRA data.

Post-TANF Cash Assistance

The "temporary" aspect of TANF was not fully implemented in New York because the general welfare provision of the state constitution mandates "aid, care and support of the needy" as "public concerns,"⁶ which courts have interpreted as imposing a "positive duty" on the state to provide assistance to the poor on a continuing basis.⁷

As a result, New York City has continued to offer welfare cash assistance to single individuals in-

eligible for TANF, as well as TANF recipients who exhaust their five-year eligibility. These benefits are provided through New York's own Safety Net Assistance (SNA) program, which replaced Home Relief.

Since 2002—the year after the initial five-year TANF eligibility period ended—more than half of New York's cash welfare recipients have been enrolled in the state and city SNA program, rather than TANF. Single, childless adults account for most of the increase, although the number of cash assistance recipients, in this subcategory of SNA, was most recently about 4 percent, or 9,338 recipients, below its April 2013 peak of 130,106. As of March 2014, New York City's combined caseload of 218,435 parents and children receiving either TANF or SNA Family Assistance benefits was just 25 percent of the March 1995 peak level of 863,491 AFDC-only recipients.

TRENDS II: FOOD STAMPS/MEDICAID

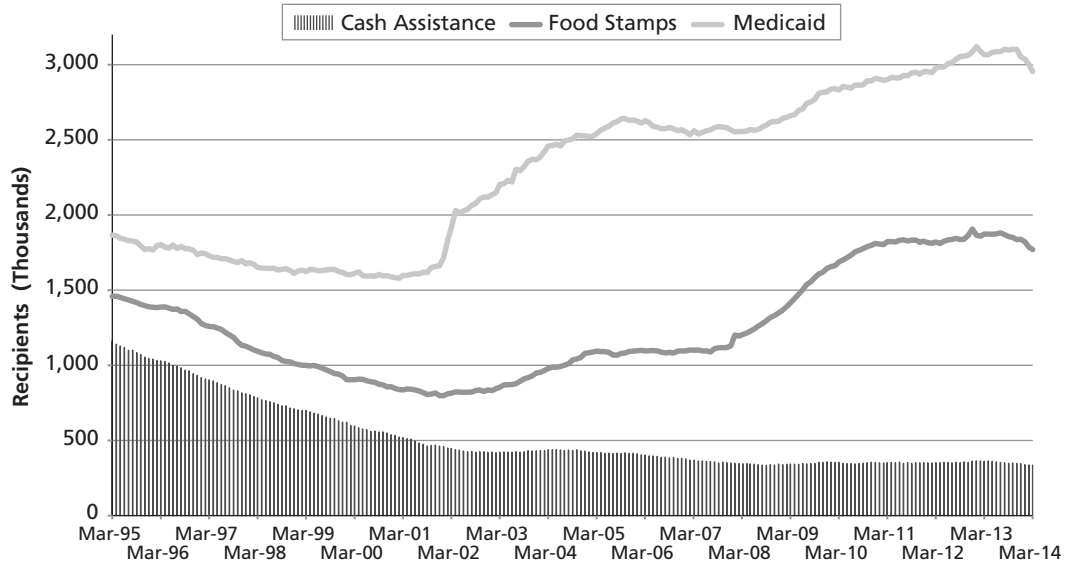
As the rate of decline in the welfare cash assistance caseload began to slow after 2001, the number of New York City residents receiving food stamps and enrolled in Medicaid began rising toward all-time highs.

The striking increases in the number of New Yorkers receiving food stamps and Medicaid since 2002 has been the result of programmatic expansions by Congress and the state legislature, respectively—as well as of HRA's own efforts to sign up more people for these programs, as a way of providing support for low-income workers.

Food stamps and Medicaid have far more lenient eligibility requirements than TANF or Safety Net Assistance benefits. Medicaid has never been linked to employment status. Until recently, however, able-bodied, childless adults were required to work, or be looking for work, to qualify for food stamps administered by New York City. In mid-May 2014, HRA notified its employment services providers that work requirements would be eliminated for all food stamp recipients.⁸

As of March 2014, there were 1.77 million food stamp recipients, one out of every five city residents

Figure 2. Welfare, Food Stamps, and Medicaid Recipients in New York City
Monthly Totals, 3/95–3/14



Source: Human Resources Administration

(Figure 2). This was down slightly from the December 2012 record level of 1.9 million, but still almost double the level of a decade ago. The food stamp caseload dropped in line with the number of welfare recipients in the first five years after the enactment of welfare reform—falling from 1.46 million in March 1995 to 798,000 in December 2001, but increased sharply after a major expansion of the program, under the federal government’s 2002 Farm Bill.

In 2013, the number of Medicaid enrollees in the city averaged 3.1 million, equivalent to more than one-third of the total city population. As with food stamps, the number of Medicaid recipients was down slightly as of March, to just under 3 million. However, the new federal Affordable Care Act will further expand populations eligible for Medicaid; the pace of that expansion will depend on how quickly and thoroughly Medicaid enrollees transition to the state’s new, publicly subsidized, Health Insurance Exchange.

TRENDS III: EARNED INCOME TAX CREDIT

The federal, state, and city Earned Income Tax Credit (EITC)—now claimed by more than

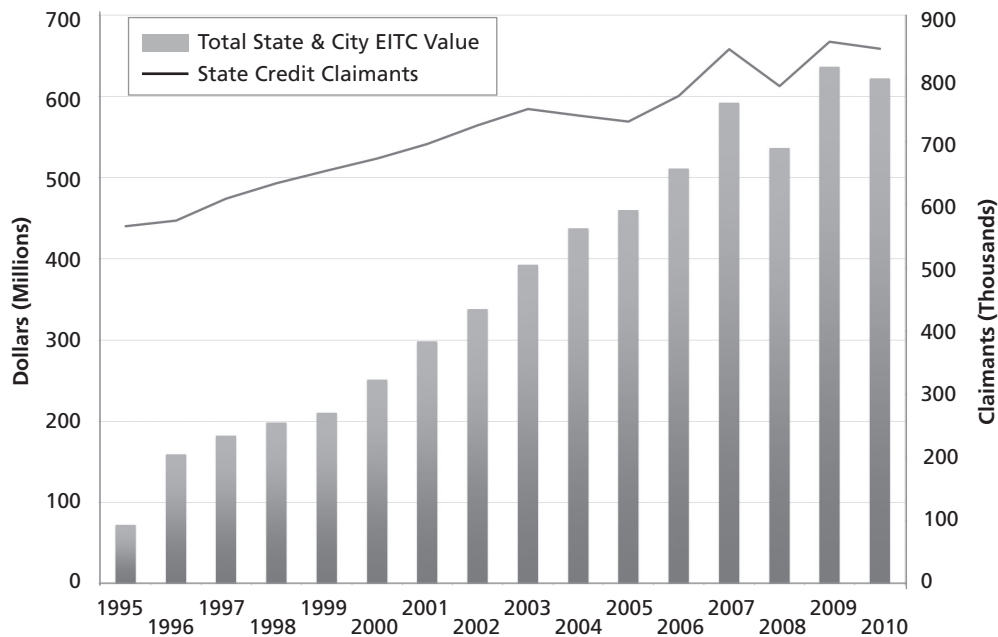
800,000 New York City residents—has come to play an increasingly large role in alleviating poverty and encouraging work.

The federal EITC was enacted in 1975 to offset the burden of payroll taxes and provide an incentive to work for low- and moderate-income families. The credit is “refundable”: when it exceeds the amount of taxes owed (even when *no* net taxes are owed), the difference becomes a cash refund. As a result, it effectively creates a form of negative income tax.

New York enacted its own EITC in 1994, linking eligibility and credit levels directly to the federal EITC. The state has used its TANF block grant to partially finance an expansion of its own EITC, to 30 percent of the federal credit, since 2000. New York City added a small EITC to its own resident income tax in 2004.

The combined federal, state, and city tax credit in New York averages nearly \$3,000 and provides a 44 percent income boost for a minimum-wage worker with two children. In addition to the EITC, par-

Figure 3. NYS Earned Income Tax Credits Claimed in NYC



Source: New York State Department of Taxation and Finance

ents of children under 17 are eligible for a refundable federal child credit of \$1,000 per child, and for a New York State income tax credit of \$100 per child.

The EITC expansion in New York began just in time to supplement the wages of hundreds of thousands of former welfare recipients, who were being placed in jobs in the wake of welfare reform's enactment in the late 1990s. The growth in the number of EITC claimants, and the value of total credits in the city, is shown in Figure 3. Between 1995 and 2010, the latest year for which data are available, the number of city residents claiming the state EITC has risen 50 percent, from 566,231 to 846,747. Also, as of 2010, the state and city credits put \$622 million in the pockets of low-income workers in New York City, on top of roughly \$1.8 billion in federal EITC credits.

TRENDS IV: POVERTY

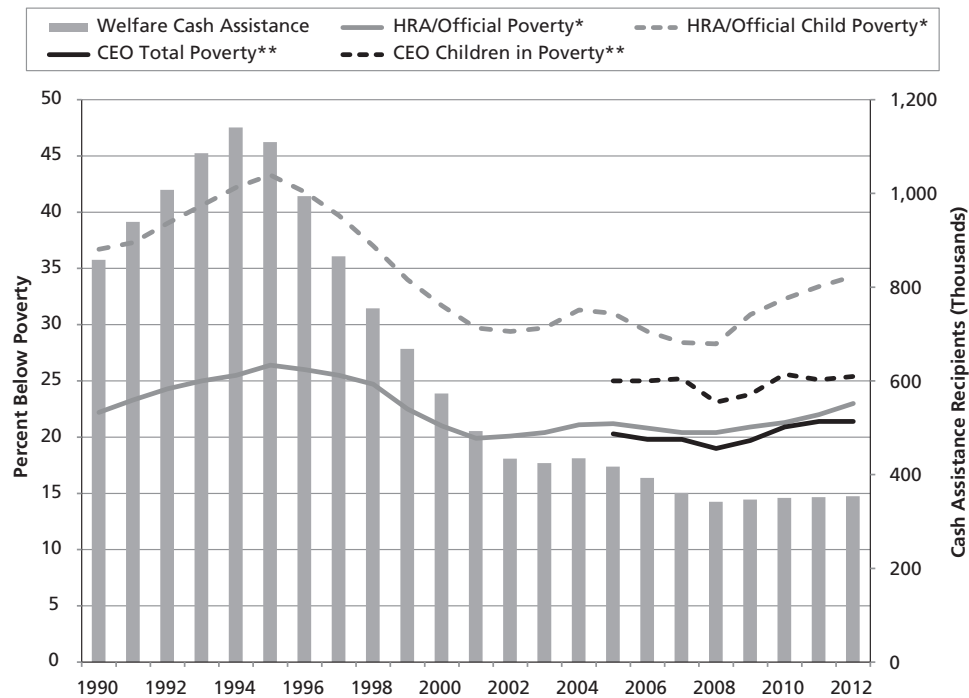
The federal poverty rate for all New Yorkers, as of 2012, stood at 23 percent—up a few points since the 2007–09 recession, but still below the levels of

the mid-1990s.⁹ Child poverty has seen a much larger decrease since welfare reform was implemented, from a peak of 43.3 percent in 1995 to 34.3 percent in 2012. Using both official and alternative city measures, the poverty rate has not decreased during the current economic recovery.

Figure 4 depicts the trend in the number estimated to be living in poverty from 1990 to 2013, including a separate line for children in poverty, juxtaposed with the trend in average annual welfare cash assistance caseload.¹⁰ It also shows an alternative measure of poverty for all residents, and for children, as measured since 2005 by the city's Center for Economic Opportunity (CEO).

While the official New York poverty rate¹¹ has risen since the recession, it remains lower than it was before the AFDC-TANF transition and below that of major cities—including Los Angeles, Chicago, Houston, Philadelphia, and San Antonio. The number of New York City children living in poverty, in particular, remains considerably below the level before welfare reform, although it is up six

Figure 4. New York City Residents Living Below U.S. Poverty Rate and Average Annual Cash Assistance Welfare Caseload, 1990–2012



* Three-year panel data drawn from US Census Bureau Current Population Survey.

** CEO data from Center's separate poverty measure, as referred to in text.

Source: Human Resources Administration; New York City Center for Economic Opportunity

percentage points since the recession. The EITC, which is calibrated to the number of dependents claimed on a low-income worker's tax return, has been credited with playing an important role in the decline of child poverty in New York.

However, the official Census Bureau poverty measure does not include the value of cash benefits, such as of the EITC, or of noncash benefits that can be used in lieu of cash, such as food stamps. Therefore, trends in the poverty rate since 1990 tend to understate the extent to which the increased emphasis on work and publicly subsidized wage supplements actually improved the lot of the poor in New York.

The alternative measure from the city CEO differs from the official measure in two significant respects: it sets the poverty threshold at a higher level, reflecting the high cost of living in New York; and its measure of pretax cash income includes refundable tax credits such as EITC, as well as housing assistance.

As of 2012, while the official poverty threshold for a household of one adult and two children was \$18,498, the CEO alternative poverty threshold for the same household was \$25,763.¹²

Using either measure, work appeared to be correlated with the movement of households out of poverty. For example, a nonworking, single mother, with two children, was eligible for welfare cash assistance of \$9,036, plus child support of up to \$200 a month, and \$4,596 in food stamps—leaving her with annual cash income of just \$16,032, well below the federal poverty level.¹³

But, by working in a \$9/hour job, the same woman could boost her income to \$34,264—including \$15,010 in after-tax wages, \$5,871 in child support, \$8,787 in tax credits, and \$4,596 in food stamp benefits. She would also become eligible for child-care services valued at \$22,320.¹⁴ Even excluding child support from a noncustodial parent, the value

of work-related tax credits alone would boost her income above both the official and alternative poverty thresholds.

CONCLUSION:WHAT NEXT?

Aside from Mayor de Blasio's emphasis on income inequality, he has not devoted much public discussion to specifics of the welfare program. The new mayor's 2013 campaign website included this statement:

While Bill de Blasio believes a job is the best help we can give to families struggling in poverty, he is also committed to providing income and food security to those who can't work, who can't find work, or those who are pursuing educational opportunities to escape poverty.... The city's welfare-to-work program needs to emphasize job creation, job training and education, while stopping efforts to divert individuals from accessing cash assistance.¹⁵

The reference to "stopping efforts to divert individuals from accessing cash assistance" may have been aimed at the Giuliani and Bloomberg policies of limiting welfare benefits to those demonstrably unable to work—and de Blasio's call for a new emphasis on "job training and education" could be read as support for proposals to expand the definition of "work" to include the pursuit of college degrees.

Leading Albany lawmakers have introduced bills that would move in those directions and begin to dismantle some key elements of the program established under Giuliani and Bloomberg. For example:

- Assemblyman Keith Wright (D-Harlem) and Senator Diane Savino (D-Staten Island-Brooklyn) have sponsored a measure (A.2669/S.4830 in 2013–14) that would make it easier for noncompliant recipients to continue receiving benefits. Currently, HRA immediately reduces or eliminates cash assistance payments to a client who,

for example, fails to show up for a job interview. When clients feel the sanction is unfair, they can file an appeal. The bill would add an extra step to the process, allowing clients to avoid sanctions by participating in a "reengagement process."

- Assemblyman Wright, who is chairman of the Assembly Social Services Committee, and Senator Savino, a leading member of the Senate's bipartisan coalition leadership, have also introduced a bill (A.7119-A/S.5120-A in 2013–14) that would essentially end WEP, the program in which clients with limited work histories are assigned to jobs in public agencies. WEP jobs help HRA meet federally mandated job-participation requirements for TANF. Because WEP participants work alongside regular city employees, the program has long been a target of public-employee unions. As of 2013, there were 10,000 WEP workers at any given time, according to HRA. Reflecting the unions' political clout in Albany, the bill has 29 cosponsors and multi-sponsors in the Assembly, and ten cosponsors in the Senate.

In addition, one of the enabling statutes enacted with the New York state budget for 2014–15 (Ch. 56 of the Laws of 2014) includes a provision allowing attendance in up to four years of postsecondary education to count toward an individual's public employment requirement. Under Bloomberg, HRA expressed concern that this would undermine the city's ability to meet federal TANF work-participation rates. However, the de Blasio administration supported the change.

Such measures—or adoption of other program changes, like the elimination of work requirements for single individuals receiving federal food stamp benefits—would represent significant changes to the welfare policies of the past 19 years. They could also lead to increases in cash assistance caseloads that would not qualify for subsidies from the federal TANF program.

ENDNOTES

- ¹ Reflecting its more limited nature, AFDC was originally known as Aid to Dependent Children, or ADC.
- ² Outside New York City, county governments bore half the cost of the Home Relief program.
- ³ The status of the remaining 7 percent was not categorized.
- ⁴ Independent Budget Office, “Welfare Reform Revisited: Implementation in New York City” (1998), <http://www.ibo.nyc.ny.us/iboreports/welfarereform98.html>.
- ⁵ In March 2014, the welfare rolls increased slightly, to 339,203, but it is too early to call this a trend; occasional small monthly upticks were not unusual during Bloomberg’s last term.
- ⁶ New York State Constitution, Article XVII, Section 1, as adopted by the Constitutional Convention of 1938 and approved by vote of the people, November 8, 1938.
- ⁷ *Tucker v. Toia*, 371 N.E. 2d 449.
- ⁸ Letter of Matthew Brune, HRA executive deputy commissioner, May 12, 2014.
- ⁹ The rate reflects three-year pooled data calculated by HRA staff, based on the U.S. Census Bureau’s Current Population Survey (CPS). HRA officials track the official poverty rate using multiyear data to annual data because of CPS sampling-size variability.
- ¹⁰ Another widely publicized data set from the Census Bureau’s American Community Survey, not available before 2006, shows similar trends over time, at slightly different, specific percentage levels.
- ¹¹ As computed by the U.S. Census Bureau.
- ¹² City of New York, Office of the Mayor, *The CEO Poverty Measure, 2005–2012* (April 2014), p. 55, <http://www.nyc.gov/html/ceo/html/poverty/poverty.shtml>.
- ¹³ City of New York, Human Resources Administration, *HRA’s Employment Services by the Numbers, 2013*, http://www.nyc.gov/html/hra/downloads/pdf/news/internet_articles/2013/april_2013/infographics.pdf.
- ¹⁴ *Ibid.*
- ¹⁵ See <http://www.billdeblasio.com/issues/income-and-food-security>.

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