

FY90 REPORT TO THE GREAT AND GENERAL COURT
OF THE COMMONWEALTH OF MASSACHUSETTS
ON STANDARD BUDGETS OF ASSISTANCE
FOR THE AID TO FAMILIES WITH
DEPENDENT CHILDREN PROGRAM

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EXECUTIVE SUMMARY

The following report presents the FY90 Standard Budgets of Assistance for a family of three receiving Aid to Families with Dependent Children (AFDC). The report examines both the adequacy of benefits for families receiving AFDC and efforts to prevent and alleviate homelessness in the Commonwealth.

- Updated Standard Budgets of Assistance. The Department of Public Welfare published the first study on the Standard Budgets of Assistance for families receiving AFDC in August 1986 and has updated the report annually. The standards are based on components of a typical budget for a family of three. The Standard Budgets of Assistance have been updated for inflation in FY90 to:

<u>FY90 Standard Budgets of Assistance</u>	
<u>Living Arrangement</u>	<u>Standard</u>
Public or subsidized housing	\$10,484
Private, unsubsidized housing outside of Boston and not on Cape Cod	\$12,408
Private, unsubsidized housing in metropolitan Boston or on Cape Cod	\$13,325

- Benefits Available to AFDC Recipients Up 54% Since 1983. The Legislature and the Administration have worked together in the last six years to raise the level of benefits for families on AFDC. Since FY83, overall benefits for AFDC families have increased by 54%, while inflation has grown by only 37%. In addition, benefits for at-risk groups have been expanded to include:

- health coverage through the CommonHealth program for disabled working adults, disabled children, pregnant women and young children, and families leaving welfare for employment;
- cash and medical assistance for low-income women in their first and second trimester of pregnancy; and
- eligibility for benefits to families whose children are temporarily placed in state care.

- AFDC Benefit Levels FY89 - FY90

Benefit increases during the last two fiscal years have not kept pace with inflation. In FY89, basic AFDC grants were raised by 5.5%, and in FY90 were held constant. When combined with the dollar value of Food Stamp benefits, overall benefit levels grew by 4.5% and 3.7% in FY89 and FY90 respectively. However, inflation as measured by the Boston CPI was 5.3% during FY89 and is estimated at 4% - 6% in FY90.

- Benefits vs. the Standard Budgets of Assistance. Despite the progress made in recent years in improving the adequacy of AFDC benefits, current AFDC and Food Stamp benefits do not meet the Standard Budgets of Assistance. Comparisons of the benefits available to AFDC families and the Standard Budgets of Assistance include only AFDC benefits and Food Stamps. AFDC families may be eligible for and receive a variety of additional benefits, but only AFDC and Food Stamp benefits are received by nearly all AFDC recipients. As the chart below demonstrates, AFDC benefits plus Food Stamps are between 70% and 80% of the standards, depending on living arrangement. Unless the Department is provided with additional resources, the disparity between benefit levels and the Standard Budgets of Assistance will increase.

<u>AFDC Benefits vs. Standard Budgets of Assistance for a Family of Three</u>			
<u>Living Arrangement</u>	<u>AFDC and Food Stamp Benefits</u>	<u>FY90 Standards</u>	<u>Benefits as a Percentage of Standards</u>
Public and Subsidized Housing	\$8,340	\$10,484	80%
Private Housing Outside Boston and Cape Cod	\$9,324	\$12,408	75%
Private Housing In Boston and on Cape Cod	\$9,324	\$13,325	70%

- Efforts to Prevent and Alleviate Homelessness. The problem of families at risk of becoming homeless is increasing, driven in large part by a lack of affordable low-income housing. A principal factor in this shortage is the significant reduction of federal support for new low-income housing. For example, in FFY79 the federal government added 15,000 subsidized units to the Commonwealth's low-income housing stock; by FFY87, however, new federal production has decreased to less than 2,000 units. In response to the increased risk and incidence of family homelessness, the Commonwealth has substantially increased its efforts to prevent and alleviate homelessness, including:
 - increasing by 27% to over 82,000 the number of subsidized housing units committed to by the Commonwealth since 1983;
 - preventing approximately 37,500 AFDC families from becoming homeless in FY89 alone, through the use of Emergency Assistance benefits such as payments for rent and utility arrearage payments to help clients maintain their housing and advance rent and security deposits to help families obtain new housing before becoming homeless;
 - placing more than 12,400 homeless families back into permanent housing since the beginning of FY86, through the Welfare Department's housing search program in conjunction with the housing subsidy programs administered by the Executive Office of Communities and Development (EOCD); and
 - creating a network of 98 year-round homeless shelters to provide emergency shelter for families and individuals who do become homeless, including 70 shelters that serve families.

Despite the Commonwealth's efforts to prevent homelessness, the Welfare Department served some 6,200 homeless families during FY89. Increased efforts beyond those initiatives which the Welfare Department is authorized and funded to carry out will be necessary to solve this problem.

- Conclusion. The Department of Welfare faces a dilemma in fulfilling its obligations under G.L. c.18, § 2 (B) (g) and c.118, § 2 within existing appropriations. To provide AFDC benefits at the levels of the Standard Budgets of Assistance, the AFDC payment and need standards would have to be increased by 47% to 85%, depending on living arrangement. The Department is neither authorized to raise benefits to these levels, nor has sufficient funding been provided for this purpose in the FY90 budget.

Although AFDC benefit levels contribute to the problem, family homelessness is largely due to the scarcity of affordable low-income housing. A principal factor in this problem is the significant reduction in federal support for new low-income housing. The Commonwealth has intensified its efforts to address this problem; however, the number of families at risk of becoming homeless continues to increase. The fundamental lack of affordable housing cannot be addressed within the Department's authority and funding.

In compliance with the Supreme Judicial Court's decision, the Department requests that the Legislature provide a solution to these dilemmas.

FY90 Report on Standard Budgets of Assistance
For The Aid To Families With Dependent Children Program

I. INTRODUCTION

A. Legal Background

The Department of Public Welfare submits this report in accordance with G.L. c.18, §2 (B) (g) and c.118, §2 and the decision of the Supreme Judicial Court in Coalition for the Homeless v. Secretary of Human Services, 400 Mass. 806 (1987).

Under G.L. c.18, §2 (B) (g), the Department has the duty to review annually the adequacy of its standard budgets of assistance in the Aid to Families with Dependent Children (AFDC) program. In formulating the annual standards the Department must establish amounts which satisfy the requirement of G.L. c.118, §2 that the amounts are sufficient to enable AFDC parents to bring up children properly in their own homes.

The amounts actually paid to AFDC families are determined by the Legislature each year when, in line item 4403-2000 of the general appropriation act, the Legislature establishes the "standard of need" and the "standard of payment". Although AFDC is a joint federal and state program, states have considerable discretion in setting the standards of need and payment.

In accordance with the decision of the Supreme Judicial Court, the Department, in order to conduct a meaningful review under G.L. c.18, §2 (B) (g), "must issue a written report which shall either provide or permit a comparison in dollars between standard budgets of assistance of each successive year and which shall discuss the adequacy of AFDC grant levels in comparison with the standard budget or budgets of assistance and with changes in the consumer price index."

The Court recognized that the Department may be confronted with a dilemma in dealing with the level of AFDC payments authorized by the budget and its duty under c.118, §2 to provide aid sufficient to enable AFDC parents to bring up their children properly in their own homes. The Court required the Department to respond to this dilemma as follows: "If in any year the department concludes that the funds appropriated for AFDC purposes are insufficient to permit it to furnish that level of financial aid which §2 directs it to provide, the department has an obligation to bring its inability to comply with the payment level described in §2 to the attention of the Legislature and to ask that it appropriate an adequate sum or that it provide some other solution to the dilemma".

The Court held that the Department, in determining whether sufficient funds have been appropriated to give financial assistance at the level required by §2, may consider the assistance provided to parents with dependent children not only through AFDC but also through other financial assistance programs, such as Food Stamps, energy assistance, and public or subsidized housing programs.

Finally, the Court held that the Department has an obligation under c.118, §2 to provide aid sufficient to permit AFDC families to live in a home and that furnishing accommodations in hotels, motels and emergency shelters does not fulfill the Department's duty under §2. "While the provision of temporary emergency housing for homeless families is a necessary component of any plan to combat homelessness, housing families for extended periods in the conditions of shelters and motels is not an adequate substitute for the permanent, stable home environment contemplated by G.L. c.118. §2."

The Court noted: "[A]s long as G.L. c.118, §2, directs the department to provide aid sufficient to enable AFDC families to have homes, and not just necessities, the department must reasonably seek to fulfill its obligation with such funds as are available for the purposes. If funds appropriated for the purpose are insufficient or if there are no such appropriated funds, the Department should advise the Legislature and either seek an appropriation to cover the apparent deficiency or request the Legislature to take some other action that will eliminate the problem."

B. The Aid to Families with Dependent Children (AFDC) Program

The Aid to Families with Dependent Children (AFDC) program is a 50% federally funded, state administered program which provides benefits to families and children with little or no assets and income. In order to qualify for assistance through AFDC, a family must include children deprived of support by an absent, deceased, incapacitated or unemployed parent. In addition, women in their third trimester of pregnancy with no dependents can also receive AFDC benefits. Massachusetts also provides 100% state-funded aid to pregnant women in their first and second trimesters of pregnancy at AFDC benefit levels. All AFDC recipients must meet income and asset requirements.

A typical AFDC family consists of a single woman and two children with no income other than AFDC benefits and food stamps. The maximum monthly AFDC grant for such a family is \$539, plus a \$40 rent allowance for families in private, unsubsidized housing (the majority of AFDC cases), for a total of \$579. In addition, a family of three in private housing may receive approximately \$173 in federal Food Stamp benefits each month. Other benefits include health services through the Medicaid program, an annual \$150 clothing allowance for eligible dependents, and Emergency Assistance services for families at risk of becoming homeless.

C. Characteristics of AFDC Families

In order to evaluate the adequacy of benefits for AFDC families, it is important to understand certain characteristics of these families. Living arrangement, housing type, and geographic location play a significant role in determining the needs of families throughout the Commonwealth. In this report, the Standard Budgets of Assistance and available benefits are evaluated on the basis of these characteristics.

- Household Composition - Although a majority of the approximately 89,900 households receiving AFDC in December 1989 are families, the program also serves two other groups: "child-only" cases, in which only children, who are living with another household, are eligible for assistance; and pregnant women in their third trimester. (Pregnant women in their first or second trimester receive AFDC-level benefits funded entirely at state expense, while women in the third trimester of pregnancy receive benefits through the federally reimbursed AFDC program.) As the chart below shows, pregnant women and child-only cases make up 10,800 cases, or approximately 12% of the caseload. The other 88% of AFDC cases consists of families with dependent children, primarily single parent families.

AFDC Caseload
Household Composition

Total AFDC Caseload	89,900*
Less Child-Only Cases	(9,100)
Less Pregnant Women with No Dependents	<u>(1,700)</u>
Typical AFDC Families	79,100

* As of 12/89, does not include approximately 900 cases funded entirely at state expense. These cases include women in the first or second trimester of pregnancy with no other dependents and families receiving Family Reunification Benefits.

- Housing Type and Location - In addition to variations in household composition, AFDC clients' needs vary as a result of housing type and location. Clients in public or subsidized housing pay a maximum of 30% of their income for rent, while clients in private housing are required to pay market rents. Moreover, clients who live in metropolitan Boston and on Cape Cod are likely to pay higher housing costs than clients in other areas of the state. The chart below shows the distribution of AFDC clients by housing type and location.

AFDC Caseload
Housing Type and Location

	<u>Percent*</u>
Private Housing, Metro Boston and Cape Cod	24%
Private Housing, Outside Boston	35%
Subsidized Housing Across the State	41%

* Based on the breakdown of 124,000 families receiving AFDC in FY89.

D. Contents of the Report

The remainder of this report is divided into four sections:

- A review and update of the Standard Budgets of Assistance;
- An overview of the benefits available to AFDC recipients;
- A review of the progress made in improving the adequacy of benefits and an assessment of the dilemma between available benefits and the Standard Budgets of Assistance; and
- An overview of the Commonwealth's efforts to prevent and alleviate homelessness.

II. REVIEW AND UPDATE OF THE AFDC STANDARD BUDGETS OF ASSISTANCE

A. Previous Standards

This study is the fourth report on the Standard Budgets of Assistance completed by the Department of Welfare. The first report, released in August 1986, formulated three Standard Budgets of Assistance for AFDC families for FY87. The standards were based on the components of a typical budget for a family of three, including: shelter, utilities, food, clothing, personal care, transportation, household operation and furnishings, and other items. Of the eight components, shelter and utility costs generally represent the most significant strain on families with limited resources. Moreover, these costs vary markedly by shelter type and location. To reflect this variation, the Department constructed three standards to approximate living expenses for families:

- in public or subsidized housing,
- in private housing outside the greater Boston area and Cape Cod, and
- in private housing in metropolitan Boston or on Cape Cod.

The Standard Budgets of Assistance from FY87 through FY89 were established as follows:

Standard Budgets of Assistance <u>FY87 - FY89</u>			
	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>
Public/Subsidized Housing	\$7,745	\$9,430	\$9,922
Private Housing Outside Boston and Cape Cod	\$10,373	\$10,920	\$11,708
Private Housing in Boston and on Cape Cod	\$11,117	\$11,705	\$12,570

B. The Complexity Involved in Formulating AFDC Standard Budgets of Assistance

Setting one standard for the "typical" AFDC household is an extremely difficult and complex task. Like the population as a whole, AFDC families have a range of needs that varies household by household.

As noted, the largest single expense AFDC families face is housing. While the three standards capture the overall variation in housing costs between subsidized and non-subsidized housing, and between living in metropolitan Boston and Cape Cod and living outside metropolitan Boston or Cape Cod, they do not account for other sources of variation. For example:

- In reality, housing costs are different in every Massachusetts community.
- Approximately 9,100 AFDC households (10%) consist of children only cases. An additional 2% of AFDC families live with another household and, therefore, may pay little or no shelter expenses. These families usually have lesser housing and utility needs than families living by themselves.

- Although about 41% of all AFDC families live in subsidized housing, even among this group housing needs vary. Families in federally subsidized housing generally pay a maximum of 30% of their income for rent, while families in state subsidized housing generally pay only 25% of their income for rent.
- Families who live in the same apartment for a number of years are likely to pay lower rents than families who have moved recently. For example, a family living in the same apartment in East Boston for seven years pays much less than a family moving every couple of years in a neighborhood like Jamaica Plain.

Similarly, the needs of AFDC families with respect to the other components of the Standard Budgets may vary depending on other family circumstances.

C. FY90 AFDC Standard Budgets of Assistance

The following pages contain the updated Standard Budgets of Assistance. Each of the components in the Standard Budgets has been adjusted for inflation as indicated by the Boston Consumer Price Index (CPI). The Boston CPI, which is calculated by the federal Bureau of Labor Statistics, measures inflation on a component by component basis for the Boston metropolitan area. Changes in relevant components of the Boston CPI ranged from a decline of 3% for household operations and furnishings to an increase of over 14% for personal care items.

Overall, the two budgets for families in unsubsidized housing are 6% higher than last year, as a result of using component by component inflation factors.

Since residents of subsidized housing are required to pay up to 30% of their total income for rent, the subsidized housing standard includes a component for the public housing contribution that equals 30% of the total Standard Budget of Assistance. As a result, this component of the subsidized housing standard was not updated using the Boston CPI. The Standard Budget of Assistance for families in subsidized housing is 5.7% higher than last year.

While none of the three Standard Budgets of Assistance include a health care component, the Medicaid program provides for AFDC families' health care needs. AFDC families are categorically entitled to Medicaid benefits under federal and state law. In FY90, the Welfare Department will spend an estimated \$4,000 per household on Medicaid services for AFDC recipients.

PUBLIC AND SUBSIDIZED HOUSING ACROSS MASSACHUSETTS

FY90 Standard Budget of Assistance
(family of three)

	<u>Standard</u>
Public Housing Contribution	\$3,145
Excess Utility Costs	1,018
Food	4,309
Clothing	624
Personal Care	129
Transportation	580
Household Operation and Furnishings	471
Other Items	<u>208</u>
TOTAL	\$10,484

PRIVATE HOUSING OUTSIDE OF METROPOLITAN BOSTON
AND CAPE COD

FY90 Standard Budget of Assistance
(family of three)

	<u>Standard</u>
Shelter and Utilities	\$6,087
Food	4,309
Clothing	624
Personal Care	129
Transportation	580
Household Operation and Furnishings	471
Other Items	<u>208</u>
TOTAL	\$12,408

PRIVATE HOUSING IN METROPOLITAN BOSTON
AND ON CAPE COD

FY90 Standard Budget of Assistance
(family of three)

	<u>Standard</u>
Shelter and Utilities	\$7,004
Food	4,309
Clothing	624
Personal Care	129
Transportation	580
Household Operation and Furnishings	471
Other Items	<u>208</u>
TOTAL	\$13,325

III. BENEFITS AVAILABLE TO AFDC FAMILIES

A. Available Benefits

As part of the Department's review of the AFDC Standard Budgets of Assistance, this report also examines the types and amounts of assistance currently available to AFDC families. By definition, all AFDC families are eligible for an AFDC grant. In addition, as a result of program expansion that has occurred over the past seven years, AFDC families now benefit from an array of AFDC-related services and cash assistance, including: an annual fall clothing allowance for children, a monthly rent allowance for families living in private, unsubsidized housing, Emergency Assistance (EA) for families in danger of becoming homeless, and monthly child support incentive payments. In addition to benefits provided through the AFDC program, many AFDC families are eligible for and receive a number of other benefits, most notably federally funded Food Stamps, fuel assistance, and housing subsidies.

AFDC Benefits

The Aid to Families with Dependent Children (AFDC) program is a program of assistance available to families who have at least one dependent child with an absent, deceased, disabled, or unemployed parent. Low income pregnant women with no other dependents are also eligible for AFDC. To qualify for AFDC, families must meet asset and income guidelines. Basic AFDC benefits include the following:

- AFDC Grant -- All families on AFDC receive a monthly grant which varies depending on family size. Since July 1, 1988, the maximum monthly grant for an AFDC family of three (the average AFDC family size) has been \$539, or \$6,468 annually.
- Rent Allowance -- Established by the Legislature in FY87, a rent allowance is available to AFDC clients who live in private, unsubsidized housing. The rent allowance is currently \$40 per month, or \$480 annually. Approximately 52% of all AFDC households will receive the rent allowance in FY90.
- Clothing Allowance -- All AFDC households eligible for assistance in September receive a clothing allowance of \$150 per child. Minor parents are also eligible to receive the clothing allowance. A typical AFDC family of three (a mother and two children) receives a \$300 clothing allowance payment.

In addition to basic AFDC benefits, the Legislature and the federal government have authorized other supplementary benefits and allowances which are provided through the AFDC program. These include:

- Emergency Assistance -- Through the Emergency Assistance (EA) program, a variety of special payments can be authorized for families facing a particular emergency such as homelessness. The EA program is one of the most successful tools available to help prevent families from becoming homeless. In FY89, 43,700 families were served, only 6,200 of whom used EA because of homelessness. The remaining 37,500 families used EA benefits to prevent homelessness. EA benefits available to AFDC families include:
 - payments for rent, mortgage, and utility arrearages to help families stay in their existing housing;
 - one month's advance rent and a security deposit to help families locate new housing, and emergency shelter for homeless families, as needed.

In FY89, approximately 35% of all AFDC families used EA services totalling approximately \$54 million. These expenditures are partially reimbursed by the

federal government. The average EA benefit received by AFDC families in FY89 was approximately \$1,200 per year.

- AFDC Earned Income Disregards -- Approximately 6% of all AFDC families have some earned income. These families are eligible for a number of work-related deductions from countable, earned income. For example, all working recipients receive a work-related expense deduction. Effective October 1, 1989, the work related expense deduction was by increased \$15, to a total \$90 per month. Working recipients also receive a \$30 per month earned income disregard for the first year of employment. Thus, at a minimum, these families are able to keep the first \$120 per month (\$1,440 annually) of their earned income without having their AFDC grant reduced. In addition, for the first four months an AFDC client has earnings, an additional one-third of these earnings are disregarded before calculating the household's grant.
- \$50 Child Support Disregard Payment -- In accordance with the federal Deficit Reduction Act of 1984, the Department returns the first \$50 of child support collected by the Department of Revenue on behalf of an AFDC family to the appropriate family without reducing its AFDC grant. Approximately 17% of the AFDC caseload receives a \$50 child support payment in a given month. On an annual basis, a family may receive up to \$600 in child support disregard payments. The actual value of child support disregard payments differs, depending on whether or not a client is receiving Food Stamp benefits. Under federal regulations, clients receiving Food Stamp benefits have their food stamps reduced when they receive a child support disregard payment. For every \$10 in child support received, the family will lose about \$3 in food stamps. Thus, for a family receiving food stamps, the annual value of child support disregard payments is about \$420.

Other Benefits Available to AFDC Families

In addition to benefits and allowances available through the AFDC program, a number of other benefits are available to AFDC families. These benefits, which are provided by or funded through other state agencies and/or the federal government, include:

- Food Stamps -- Funded by the federal government and administered by the state, the Food Stamp program provides coupons that can be used by eligible families to purchase food. Effective October 1989, the maximum Food Stamp benefits available to an AFDC family of three in unsubsidized housing are \$2,076 per year. (A family of three in public or subsidized housing receives up to \$1,572 per year). Over 71,000 households, 90% of all AFDC families, participate in the Food Stamp program. The fact that some AFDC households do not participate may be due to a number of factors including avoidance of the stigma attached to making purchases with Food Stamps, or living with another family not on assistance whose income makes the household ineligible for Food Stamps.
- Fuel Assistance -- Administered by the Executive Office of Communities and Development (EOCD), the Fuel Assistance program provides fuel payments for low income families, including more than 40,100 families receiving AFDC in FY89. The program represents a joint effort by federal and state government to ensure that adequate heating and energy assistance is available to poor families in the Commonwealth. However, combined federal and state FY90 funding for this program has been reduced by \$28 million dollars from FY87 levels. In FY87, a total of \$93 million was available for fuel assistance, including \$76 million in federal funding and \$17 million in state funding. In FY90, only \$58 million in federal funds and \$7 million in state funds are available for fuel assistance, a total of \$65 million, 30% below FY87 levels. The maximum amount of fuel assistance a family may receive per year has been reduced from \$750 in FY88 to \$675 per family in FY90. In addition,

because of federal funding cuts, fuel assistance will only be available for five months in FY90, a two month reduction from FY87 levels.

- Other Benefits -- Families receiving AFDC are often eligible for a variety of other federal and state programs including: continuing benefits for families whose children are temporarily placed in state care; AFDC special needs payments of up to \$300 to purchase a crib and layette for families with newborn infants; free school breakfasts and lunches to needy schoolchildren; free transportation to medical appointments through Medicaid, if needed; and food supplements to women and children at risk because of inadequate income and nutritional insufficiencies through the Women, Infants and Children program.

IV. PROGRESS TOWARD IMPROVING THE ADEQUACY OF BENEFITS

In assessing the adequacy of benefits, it is worth noting the considerable progress made in recent years toward improving the adequacy of benefits. This section reviews the results of recent efforts on the part of the Legislature and the Administration to improve benefits available to AFDC families. It is important to note, however, that continuing this improvement will not be possible unless additional resources are made available to the Department.

A. Increased AFDC Benefits and Expanded Eligibility for At-Risk Populations

As a result of initiatives authorized by the Legislature, benefits available to AFDC families have expanded significantly in the last seven years. The following items summarize key measures of recent improvements in the adequacy of benefits for AFDC families.

- AFDC Benefits: Up 54% since FY83

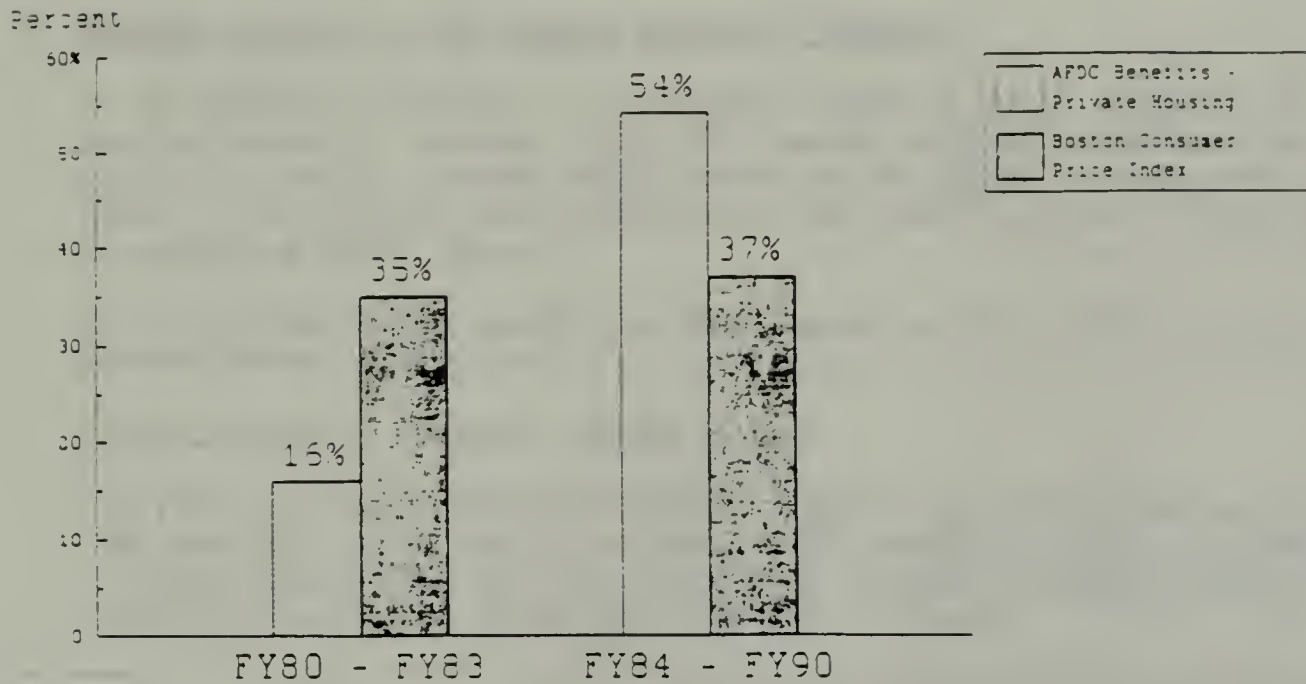
Since FY83, the Administration and the Legislature have worked together to raise benefits for AFDC families. The cumulative result of these efforts has been a 54% increase in AFDC benefits for families living in unsubsidized housing since FY83. As the chart below indicates, the maximum grant has increased from \$379 per month in FY83 to \$539 per month in FY90 for a family of three. In addition, a \$15 monthly rent supplement was added in FY87 for AFDC families in unsubsidized housing, and was increased to \$40 per month in FY88. Between FY83 and FY88, the clothing allowance doubled from \$75 per child to \$150 per child.

<u>BASIC AFDC BENEFITS FOR A FAMILY OF THREE</u>			
	<u>FY83</u>	<u>FY90</u>	<u>Increase</u>
Grant	\$4,550	\$6,468	+42%
Rent Allowance	0	480	N/A
Clothing Allowance	<u>150</u>	<u>300</u>	<u>+100%</u>
TOTAL	\$4,700	\$7,248	+54%

- AFDC Grants v. Inflation: FY80-FY90

As noted above, since FY83 the Administration and the Legislature have provided benefit increases which have outpaced inflation. Since FY83 benefits increased 54%, while inflation during this period was only about 37%. In contrast, from FY80 through FY83, consumer prices increased by 35% as measured by the Boston Consumer Price Index, while AFDC benefits increased by only 16%. To the extent that basic AFDC benefits do not have the purchasing power they once did, a large portion of this decline in purchasing power is the result of insufficient benefit increases from FY80 through FY83. Unless additional resources are made available to the Department, however, the disparity between benefit levels and the Standard Budgets of Assistance will increase.

**AFDC BENEFIT INCREASES VS. INFLATION
FY80 - FY90**



■ Benefit Increases: FY89 - FY90

In FY89, AFDC grant levels were increased by 5.5%. Clothing allowance and rent allowance payments remained constant, so the overall increase in AFDC benefits was 5%. Federal food stamp benefit levels were increased by approximately 2% for a family of three in unsubsidized housing to \$1,740. Overall, the combined benefit package of AFDC benefits and Food Stamps rose by 4.5%. Inflation as measured by the Boston CPI for this period was 5.3%; as a result, families' real income fell in FY89 by nearly 1%.

In FY90, AFDC benefit levels remain unchanged from FY89. Federal food stamp benefits were increased substantially, however. Effective October 1, 1989 the federal government increased the dollar value of Food Stamps available to a family of three in unsubsidized housing to \$2,076 per year, an increase of 19.3%. The overall increase in AFDC and Food Stamp benefits was 3.7%. If inflation for the same period is 5%, then the real income for AFDC families will decline further in FY90.

BENEFITS FOR AFDC FAMILIES
(Family of Three in Private Housing)

<u>AFDC</u>	<u>FY89</u>	<u>FY90</u>	<u>Increase</u>
■ Grant	\$6,468	\$6,468	
■ Rent Allowance	480	480	
■ Clothing Allowance	<u>300</u>	<u>300</u>	
Subtotal	\$7,248	\$7,248	+0%
<u>Food Stamps</u>	<u>\$1,740</u>	<u>\$2,076</u>	+19%
TOTAL	\$8,988	\$9,324	+3.7%

- AFDC Grant Levels: Massachusetts v. Other States

As a result of benefit increases since FY83, Massachusetts now pays the fifth highest AFDC benefits in the nation. Only Alaska, California, Hawaii and Vermont pay higher benefits.

- B. Benefits Compared to the Standard Budgets of Assistance

In the following comparisons of the benefits available to AFDC families to the Standard Budgets of Assistance, only AFDC benefits and Food Stamps have been included. Although, as noted, AFDC families may be eligible for and receive a variety of other benefits, only AFDC benefits and Food Stamps are received by the majority of AFDC families.

As shown below, AFDC benefits plus Food Stamps are 20% to 30% below the Standard Budgets of Assistance.

- AFDC Benefits v. Standards: Private Housing

In FY90, Food Stamp benefits for families in private, unsubsidized housing grew by over \$330. As the chart below shows, AFDC benefits for clients in private housing represent 75% and 70% of the current standards for families inside and outside of metropolitan Boston and Cape Cod, respectively.

<u>AFDC Benefits v. Standards</u>	
Private Housing	
<u>AFDC Benefits</u>	<u>FY90</u>
Grant	\$6,468
Clothing Allowance	300
Rent Allowance	480
Food Stamps	<u>2,076</u>
	\$9,324
<u>Private Housing Standards</u>	
-- Metropolitan Boston and Cape Cod	\$13,325
AFDC Benefits as a Percentage of Standard	70%
-- Outside Boston and not on Cape Cod	\$12,408
AFDC Benefits as a Percentage of Standard	75%

- AFDC Benefits v. Standards - Public and Subsidized Housing

In FY90, Food Stamp benefits for clients in public housing increased by \$300 over FY89 levels. Clients in public and subsidized housing now receive benefits equal to 80% of the public housing standard.

AFDC Benefits v. Standards
Public Housing

<u>AFDC Benefits</u>	<u>FY90</u>
Grant	\$6,468
Clothing Allowance	300
Food Stamps	<u>1,572</u>
Total	\$8,340
Public Housing Standard	\$10,484
% of Standard	80%

■ AFDC Benefits v. Federal Poverty Line: FY83-FY90

The federal poverty line is another commonly used measure of the adequacy of benefits. AFDC benefits relative to the federal poverty level have risen significantly since FY83. For clients in private, unsubsidized housing, benefits, including available federal food stamps, are now 93% of the 1989 poverty line for a family of three. In FY83, AFDC benefits including food stamps equaled only 81% of the federal poverty line. As the chart below indicates, benefit increases between FY83 and FY90 have helped to restore a portion of purchasing power that was lost between FY79 and FY83. It should be noted, however, that since FY86 inflation in Massachusetts increased more rapidly than the national rate, which is the basis for the federal poverty level. As a result, the current federal poverty level tends to underestimate the costs faced by poor families in Massachusetts.

Benefits to AFDC Clients
Relative to Federal Poverty Line
FY79 to FY90
(Family of Three)

	<u>FY79</u> (12/78)	<u>FY83</u> (10/82)	<u>FY90</u> (10/89)
<u>AFDC</u>			
- Grant	\$4,049	\$4,550	\$6,468
- Clothing Allowance	0	150	300
- Rent Allowance	<u>0</u>	<u>0</u>	<u>480</u>
	\$4,049	\$4,700	\$7,248
<u>Food Stamps</u>	<u>1,104</u>	<u>1,740</u>	<u>2,076</u>
TOTAL	\$5,053	\$6,260	\$9,324
Federal Poverty Level	\$5,178	\$7,938	\$10,060
Percent	98%	81%	93%

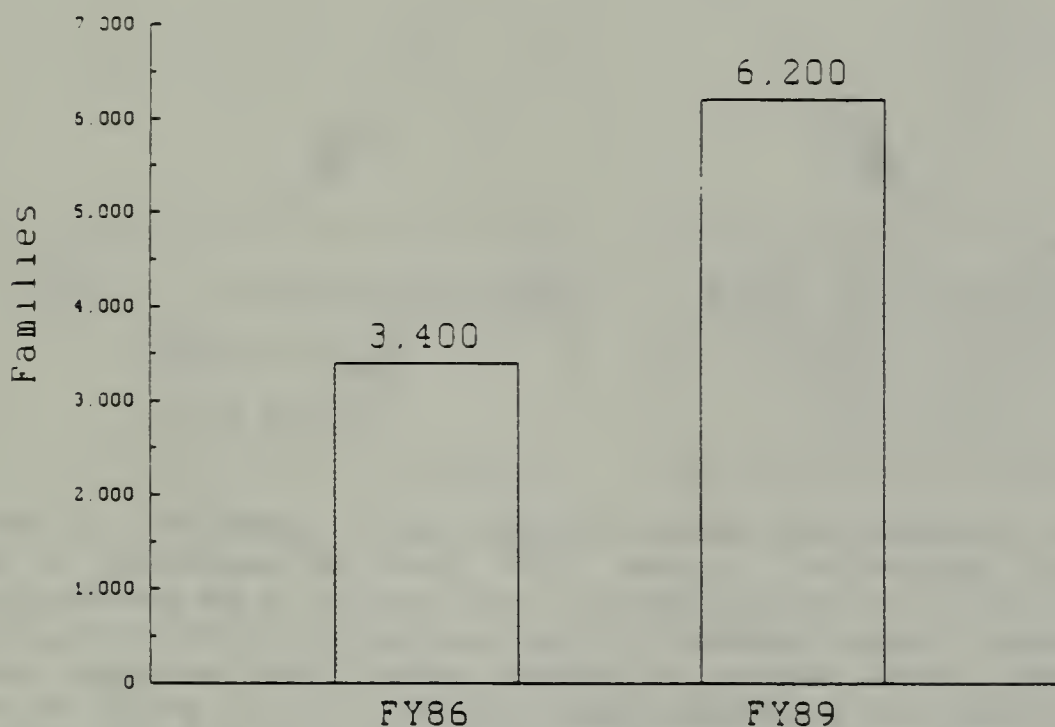
V. EFFORTS TO PREVENT AND ALLEVIATE HOMELESSNESS

With respect to the prevention and alleviation of homelessness, the Department faces a particularly difficult task in fulfilling its mandate under c. 118 §2. Although only a very small portion of all AFDC families are homeless (less than 2% on any given night), the unmet needs of these families are wide-ranging. This section of the report outlines the extent of homelessness among AFDC families and its causes, and reviews the services available to homeless families and families threatened with homelessness.

A. The Increasing Problem of Family Homelessness

Although fewer than 2% of AFDC families (about 1,000) are homeless at any given time, the number of families at risk of becoming homeless is increasing. Between FY86 and FY89, the number of homeless families sheltered by the Department of Public Welfare increased from 3,400 to 6,200 annually. While some of this increase represents the Department's increased capacity to serve homeless families, it is clear that the incidence of family homelessness has increased substantially.

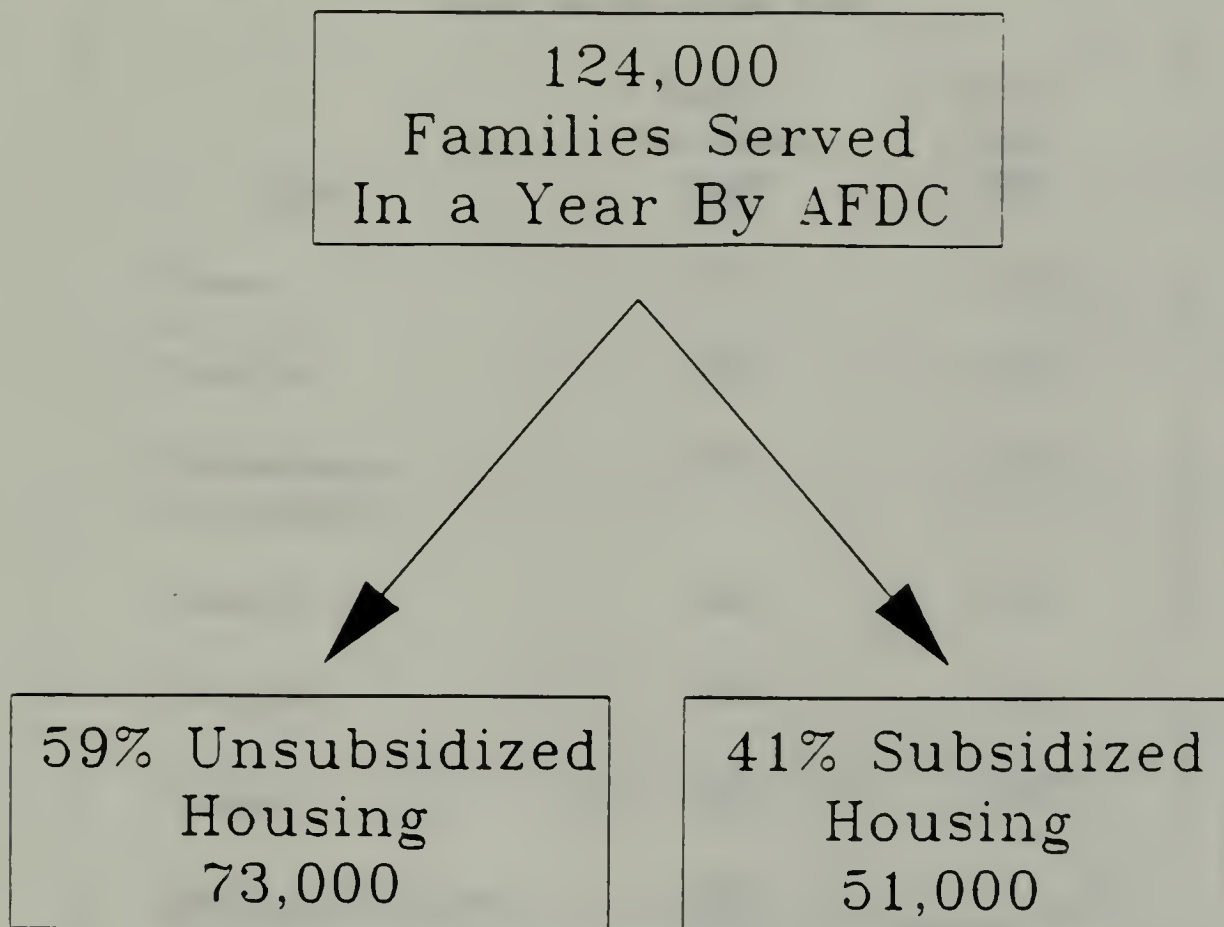
FAMILIES SHELTERED BY THE WELFARE DEPARTMENT



A major factor in the increase in the number of homeless families served by the Department is the Commonwealth's continued shortage of affordable low-income housing. Although it is the Department's firm policy that hotels and motels are to be used only as a last resort, the severity of the family homelessness problem continues to compel the Department to use hotels and motels to ensure that every homeless family has shelter. The network of family shelters is a key element in limiting hotel/motel placements. Since the beginning of FY89, the Department has increased family shelter capacity by more than 17% (from 553 to 650 families).

1. The Lack of Affordable Low-Income Housing

Most of the homeless families served by the Welfare Department are AFDC recipients. Families on welfare, at the bottom of the income ladder, are those most in danger of losing their housing. Over the course of a year, approximately 124,000 different families make use of the AFDC program, the Commonwealth's primary public assistance program for families. Only about 41% of these families reside in subsidized housing. The remaining 59% (about 73,000) must compete in the private market for housing.



Access to public housing or other subsidized housing would substantially decrease the risk of homelessness for most AFDC families. Unfortunately, although the Commonwealth has an extensive array of housing programs, the demand for housing assistance far outstrips the available supply of subsidized housing. Despite EOCD's revised regulations which prioritize subsidies for homeless families, current waiting lists for housing assistance at local housing authorities in the Commonwealth are typically years long and growing. Although the state's existing supply of subsidized housing is a critical resource for low-income families, it is usually not a short-term solution for AFDC families in danger of becoming homeless.

A major factor in the shortage of affordable low-income housing in Massachusetts is the federal government's abandonment of its role in producing low-income housing. The federal government has virtually withdrawn from subsidized housing production at a time when affordable housing is most urgently needed. For example, in FFY79 the federal government added 15,000 subsidized units to the Commonwealth's low-income housing stock; by FFY87, however, new federal production had decreased to less than 2,000 new units. Moreover, the federal government has completely discontinued new production under its Section 8 and Public Housing programs. Nearly 18,000 units of existing federal housing stock in Massachusetts are in danger of being permanently lost in coming years, as use restrictions that required developers to provide affordable housing begin to expire. Since FFY79, the federal government's investment in low-income housing has dropped 77%, from \$32 billion to \$8 billion.

Due to the scarcity of subsidized housing, most welfare families must compete in the private market for unsubsidized housing. The maximum monthly grant that the Welfare Department is authorized to pay to an AFDC family of three is \$579. As shown below, in the Commonwealth's tight housing market, where vacancy rates are frequently lower than 2%, such families are often facing rental costs which are higher on average than their total grant.

Maximum AFDC Grant for a Family of Three Lower Than Fair Market Rents		
<u>Town</u>	<u>Section 8 Fair Market Rent*</u>	<u>Increase From 1986</u>
Boston	\$810	+21%
Cambridge	\$810	+21%
Chelsea/Malden Somerville/Lynn	\$810	+21%
Worcester	\$580	+22%
Springfield	\$603	+31%
Average	\$755	+22%
Maximum AFDC Grant**	\$579	

* 2 bedroom apartment
** family of three

A study by the Center on Budget and Policy Priorities (a Washington, D.C. based research organization) noted that while "Massachusetts has one of the strongest systems of government assistance for the poor of any state", including one of the largest state low-income housing programs in the nation, that "[p]erhaps the most serious problem with the Massachusetts safety net is the severe shortage of low-rent housing." The report identified a serious mismatch between the number of very low income households and the amount of affordable housing available to them as a serious problem.

2. Other Causes of Homelessness

Although the shortage of affordable low-income housing is the major cause of family homelessness, social factors such as substance abuse, physical abuse, mental health problems, disruptive behavior, and other social problems are also a significant cause of family homelessness. Based on the reports of shelter providers and other direct service staff, the Department had previously estimated that about one-third of homeless families are homeless primarily due to a non-economic reason. Up to one-half of long-term homeless families have serious social service needs which often make it difficult to secure and maintain new permanent housing.

B. State Efforts to Produce Affordable Housing

Given that the lack of affordable low-income housing is one of the primary causes of family homelessness, the Commonwealth, in contrast to the federal government, has made substantial commitments to producing more affordable housing. Since 1983, total state commitments of subsidized housing units have increased by 27%, from about 64,800 to over 82,100 in 1989. These commitments include:

- a total of \$575 million in bond authorizations that will result in 6,050 units of public housing across the state, with 3,450 of these in place by the end of 1990; and
- the nationally recognized SHARP program which has supported the production of 9,500 units of mixed-income rental housing.

To supplement federal funding, the Commonwealth provides funding for housing subsidies for homeless families through the Executive Office of Communities and Development (EOCD). Since FY86, \$125 million has been expended to provide over 9,000 subsidies to homeless families across the Commonwealth.

In addition, state financing has enabled thousands of units of existing public housing to remain available by providing funding for the repair and rehabilitation of older units.

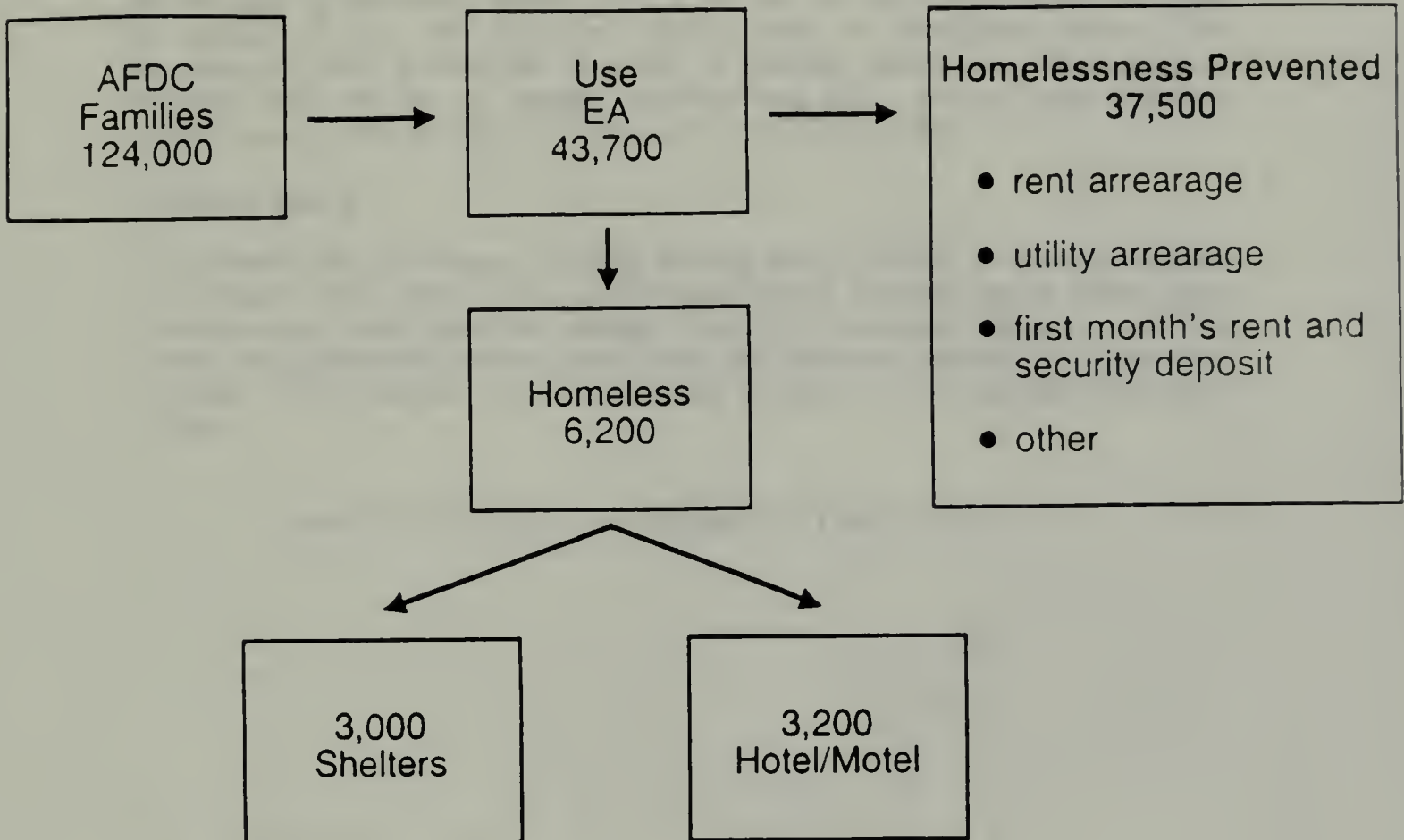
C. Preventing Homelessness Through Emergency Assistance

Although the majority of AFDC families must compete for unsubsidized housing in the private market, it is remarkable that only 5% become homeless and are placed by the Department into emergency shelter during a year. At any given time fewer than 2% of AFDC families are homeless and residing in emergency shelter. The primary reason for this is the existence of the Emergency Assistance (EA) program. In 1983, the Administration and the Legislature substantially strengthened the Emergency Assistance program as a tool to help prevent families from becoming homeless. The Emergency Assistance program now offers extensive services to help prevent families from becoming homeless, including:

- payment of rent and utility arrearages to help families maintain their tenancies;
- payment of one month's advance rent and a security deposit to help families secure new permanent housing; and
- other benefits, such as limited moving expenses and furniture storage.

During FY89, approximately 43,700 AFDC families (35% of the caseload) used Emergency Assistance services. Only 14% of those using EA (about 6,200) actually became homeless. Approximately 37,500 AFDC families used EA services successfully in FY89 and did not become homeless, an increase of nearly 19% over FY88 levels. Emergency Assistance expenditures for prevention totalled more than \$31 million in FY89. By this measure, the Department has prevented the overwhelming majority of AFDC families at risk of becoming homeless from actually becoming homeless.

**HOMELESSNESS PREVENTION THROUGH
EMERGENCY ASSISTANCE
FY89**



D. Serving Homeless Families

Despite the services available through the Emergency Assistance program, a large number of families still become homeless. Since 1983, the Department and other agencies have expanded their capacity to serve homeless families, to meet the need for emergency shelter, and to help homeless families back into permanent housing.

1. Expanded Shelter Network

In 1983 there were only 2 Department-funded shelters in the state, neither of which served families. The Welfare Department currently funds 98 shelters for the homeless which operate year-round, 70 of which serve families. These family shelters have a capacity to serve some 650 families on any given night. The ability of the Department and non-profit agencies to bring additional shelter capacity on line has prevented the Department from having to rely more heavily on hotels and motels. The number of families sheltered in hotels and motels by the Department has declined to 328 in January of 1990, down from 647 families one year ago.

Although shelters are certainly not a solution to family homelessness, they are a necessary emergency service. The homeless shelters funded by the Welfare Department have been developed using a small community-based model. Shelters provide extensive services, including:

- 24-hour staffing;
- housing search assistance;
- assistance in applying for housing resources;
- referral to sources of other appropriate benefits; and
- family life skills counseling.

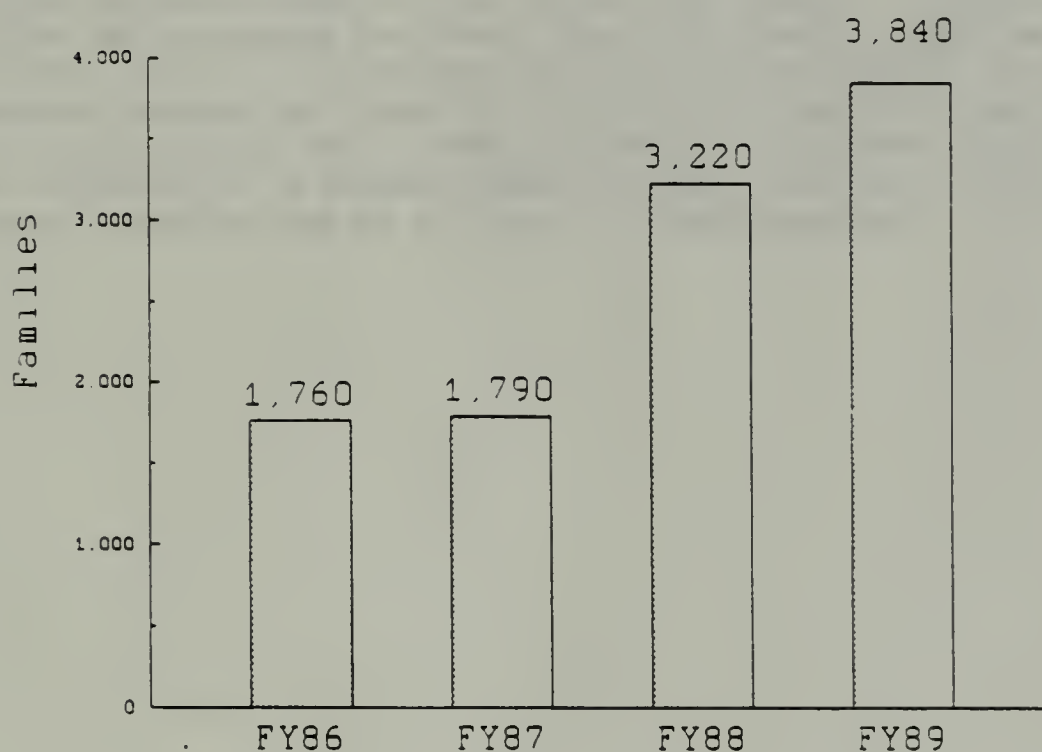
2. Placing Homeless Families Back Into Permanent Housing

While the Department recognizes the need to provide emergency shelter to those families who do become homeless, it is a priority of the Department to minimize the amount of time that homeless families spend in emergency shelter. The Department funds a statewide program of housing search for families, which combined with the use of housing subsidies and other services helps homeless families secure new permanent housing as quickly as possible.

■ Housing Search

The Department first began providing housing search services to homeless families in August 1985. Since then, Department-funded housing search efforts have placed some 12,400 homeless families back into permanent housing. In FY89 alone, the Department helped more than 3,800 homeless families find permanent housing, a 19% increase over last year and an increase of more than 118% over FY86.

FAMILIES PLACED IN PERMANENT HOUSING



Housing search services are provided by a combination of Department staff, staff in family shelters, and non-profit agencies who contract with the Department. Housing search workers provide homeless families with:

- assistance in applying for subsidies;
- counseling about housing needs, rights, and responsibilities; and
- help in finding apartments and in contacting and negotiating with prospective landlords.

In FY90, the Department has expanded its housing search program serving families in hotels and motels across the state to include families at risk of becoming homeless. Stabilization services to help families retain permanent housing once they have been placed have been added.

■ Housing Subsidies

A critical tool for helping homeless families obtain new permanent affordable housing is the use of rent subsidies. In FY86, in response to the growing number of homeless families in hotels, motels, and shelters, the Department and the Executive Office of Communities and Development (EOCD) established a special pilot program which provided 278 state-funded Chapter 707 rent subsidies to homeless families. Based on the success of this effort, the Legislature expanded funding for a pool of rent subsidies for homeless families in FY87, FY88 and FY89. In FY90, the availability of housing subsidies was extended to include families who are at risk of losing their permanent housing. This development is described in more detail in the following section. In FY89 alone, through the combination of special pool subsidies and a small number of federally funded subsidies, over 3,200 homeless families were placed into subsidized housing. In FY90, however, a total of only \$3.0 million is available to fund subsidies for homeless and at-risk families. An estimated 1,200 homeless or at-risk families are expected to receive subsidies from this pool.

E. Extending Services to Families Facing Imminent Homelessness

In FY90, the Commonwealth has enhanced services for the prevention of homelessness by extending many services which were previously available to homeless families to families who are at risk of homelessness. Effective November 1, 1989, the Department has revised Emergency Assistance regulations and the Executive Office of Communities and Development (EOCD) has amended regulations governing the Chapter 707 state subsidy program. As a result, eligibility for subsidies, housing search services, and referrals to programs offered by other state agencies (such as substance abuse counseling) have for the first time been extended to families who are in danger of becoming homeless.

VI. CONCLUSION

The Department of Welfare faces a dilemma in fulfilling its obligations under G.L. c.18, § 2 (B) (g) and c.118, § 2 within existing appropriations. To provide AFDC benefits at the levels of the Standard Budgets of Assistance, the AFDC payment and need standards would have to be increased by 47% to 85%, depending on living arrangement. The Department is neither authorized to raise benefits to these levels, nor has sufficient funding been provided for this purpose in the FY90 budget.

Although AFDC benefit levels contribute to the problem, family homelessness is largely due to the scarcity of affordable low-income housing. A principal factor in this problem is the significant reduction in federal support for new low-income housing. The Commonwealth has increased its efforts to address this problem; however, the number of families at risk of becoming homeless continues to increase. The fundamental lack of affordable housing cannot be addressed within the Department's authority and funding.

In compliance with the Supreme Judicial Court's decision, the Department requests that the Legislature provide a solution to these dilemmas.

