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**JON L. SASSER, ESQ.  
LEGAL SERVICES  
STATEWIDE ADVOCACY COORDINATOR**

**650 Tahoe Street  
Reno, Nevada 89509  
775-329-2727, Ext. 22  
775-324-5509(FAX)  
jsasser@washoelegalservices.org**

**TESTIMONY IN SUPPORT OF  
the  
Welfare Division Budget**

**Assembly Committee on Ways and Means &  
Senate Committee on Finance**

**JOINT SUBCOMMITTEE ON K-12/HUMAN RESOURCES**

**March 4, 2003**

**INTRODUCTION**

Chairman Rawson, Chairwoman Leslie and members of the Committee, for the record I am Jon Sasser, representing 3 non-profit civil legal services programs: Washoe Legal Services, Nevada Legal Services and the Washoe County Senior Law Project. I am also a past member of two Governor's Welfare Reform Task Forces and have testified on this budget in every session since 1983. Some have suggested that there is fat to be found in the Governor's budget to such an extent that a major tax increase would be unnecessary. Like last week's HCFP budget, the Welfare Division is no place to find fat.

**I. FUND ADEQUATE TANF CASELOADS**

Nevada's Temporary Assistance to Needy Families (TANF) caseload peaked at 42,703 in March 1995. Due to an improved economy and welfare reform efforts, the caseload then dropped by almost 60% by March 2000, to 15,487. As a result, we accumulated surplus federal TANF funds from which a rainy day fund was created. A number of new services (like "Kinship Care") were also funded with TANF dollars.

As the economy slowed in 2001, the caseload climbed steadily to 21,903

by the 9/11/01 terrorist attack. Following Sept. 11th., the caseload leaped to over 30,000 by December 2001 and has remained there since, exceeding 35,000 in both May and August 2002. The only "good news" is that since reaching 35,011 in August the caseload has dropped 4 of the past 5 months - down to 30,231 in January. As of December, there were 8,451 adults and 23,096 children receiving benefits.

In the Welfare Division's "Budget Highlights" presented to the full joint committees on 1/22/03, TANF caseloads were projected to grow to 49,719 over the biennium. There is some reason to hope that those projections (developed in 10/02) may come down by the end of the session since the 1/03 projection under that model was high (the projection was 34,366 compared to actual caseload of 30,231 as mentioned above). It is important, however, to fully fund whatever the final projection proves to be since the "rainy day fund" is projected to be exhausted during FY'04 and this budget has historically been "capped".

As I mentioned during last week's hearing on Medicaid, the numbers are more understandable when you consider both the state of the economy and the historic growth in our poverty population. Since 1970, Nevada's poverty population has increased at the highest rate in the country. During the 1980s Nevada's poverty population rose 73%, compared to a 50% increase in our general population. Between the 1990 Census and the 2000 Census the number of people in Nevada grew from 1,201,833 to 1,998,527 (66%). During the same 10 year period, the number of Nevadans living in families with incomes below the Federal Poverty Level grew from 119,660 in 1990 to 205,685 in 2000 (72%). That 72% growth led the country for the second decade in a row and was almost 30 percentage points above the second leading state of Hawaii (43%). These increases took place even before our economy slumped.

My theory is that while the economy was good, TANF caseloads fell as recipients moved off the rolls into low-paying, below poverty-level jobs. When the economy slowed the availability of even low-paying jobs dropped, causing TANF applications to climb.

## **II. NEVADA IS NOW PAYING THE PRICE FOR BLOCK-GRANTING TANF**

In 1996 Congress passed the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (PRWORA). This federal welfare reform legislation replaced the old Aid to Dependent Children program (a cash grant to families split 50-50 between the state and federal governments) with a TANF block grant. To obtain the federal grant, states had only to spend 80% of the amount of money they were spending in 1996. This "maintenance of effort" equals roughly \$27 million annually for Nevada. Qualifying persons no longer have a legal entitlement to benefits and the state has little ability to obtain extra federal funds if caseloads increase.

Nevada reaped the benefits of the block grant approach for six years, but must now pay the price. In the "good years" we paid only 80% of what we paid in 1996. We began SFY '02 with a \$22 million reserve in TANF funds. We used federal TANF to supplement other state and county programs. We contracted out for domestic violence services. We also started new programs, like "Kinship Care" and raised grants to "non-needy caretakers".

The inherent danger in a block grant approach is that if caseloads go up, the state no longer has an "entitlement" to matching federal dollars beyond the amount of the block grant. This danger is uniquely high in Nevada as the fastest growing state in the nation. By 7/03 the reserve will be mostly gone and increased costs must be paid with General Fund dollars.

### **III. THE WELFARE DIVISION HAS ALREADY MADE SIGNIFICANT CUTS**

In order to stay within funds available for FY03, the Welfare Division has already taken a number of actions. Contracts with domestic violence service providers have been reduced. The Governor's generous emergency action following 9/11 which allowed newly laid off workers to apply for TANF without consideration of unemployment insurance benefits was reversed. The ability of TANF recipients to keep the first \$75 in current child support collections off the top before the balance goes to reimburse the state for the TANF grant was eliminated. Program enhancements approved by the 2001 Legislature, such as a plan to increase the grant level over two years from \$348 for a family of three to \$535 for "ill/incapacitated caretakers", were never implemented.

The 2001 Legislature created a new "Kinship Care" program for caretaker relatives (usually grandparents) over the age of 62 who obtain legal guardianships of the children. The program originally paid \$534 monthly for children up to 12 and \$616 for those over 12. In November the grant levels drastically reduced. After the cuts the first child receives the same amount of money but each subsequent child will get only \$100.

The "Non-Needy Caretaker" and Kinship Care programs as originally designed were available to relatives assuming care of their children without regard to income. This approach was logical since these children could go into the far more expensive foster care system if these relatives did not step up to plate to care for them. These programs would now be limited to low income relatives whose incomes do not exceed 275% of the poverty level.

### **IV. TO REDUCE GRANTS WOULD BE INHUMAN**

Nevada already has inadequate TANF grant levels. A "typical" TANF family remains a mother and 1 or 2 children. The maximum monthly TANF grant for a family of three of \$348 has been unchanged since February 1992. It ranks 32nd among the 50 states. However, Nevada ranks as one of the least generous

states. We have the 12<sup>th</sup> highest per capita income among the states and all of the states paying lower TANF benefits rank far below us in per capita income..

The 1991 Legislature approved a welfare grant level of \$372 per month for a family of three. This was rolled back to \$348 per month on February 1, 1992 due to our last state budget crisis. For a family with public housing subsidies the grant was reduced to \$272 per month for a family of three. The last five Legislatures left these levels intact. These grants remain far below what is needed for basic necessities.

The Nevada standard of need is a formula approved by a 1987 interim study to determine the cost of basic necessities. It presumes that no money is needed for food, due to the likely receipt of food stamps. The methodology is to deduct the maximum monthly food stamp allotment from the Federal Poverty Level (FPL). Both figures are updated by the federal government annually. The current standard of need for a family of three is \$896 a month, which is the FPL of \$1,252 minus the \$356 maximum food stamp allotment.

When the formula was adopted in 1987 the standard of need for a family of three was \$550. The maximum grant level for this family without a housing subsidy was \$330 ( 60% of need ). The percentage of need covered by Nevada's grants has eroded drastically since 1987. For the year beginning July 1, 2002, the standard of a need for the family of three was \$896, while the maximum payment was \$348 (38.8% of need). To cover 60% of need in 2002 a payment of \$538 per month would be needed.

The "standard of need" was a compromise formula adopted in lieu of a more accurate, but more administratively burdensome, "market basket" methodology. This approach would require determining the cost of filling up a hypothetical market basket with the price of basic necessities like rent, utilities, personal hygiene items, etc. For example, according to the Center for Business and Economic Research at the UNLV, the average apartment rental rate for Clark County for the 3rd quarter of 2002 was \$727.69 - more than double the \$348 maximum grant level for a family of three. Some 78% of the households receiving TANF have no housing subsidies.

#### **V. FURTHER RESTRICTING ELIGIBILITY WOULD BE POOR POLICY**

Aside from cutting grants, the only other way to significantly reduce TANF or TANF-related Medicaid expenditures would be to further restrict access to the programs. The TANF cash grant is no longer an "entitlement", so in theory the program could be "capped". This would mean turning away applicants with dependent children and net incomes below \$348 per month (family of 3). County general assistance programs, funded with no federal money, would quickly be overwhelmed. The ranks of the homeless and the state's foster care programs would also swell.

As to TANF-related Medicaid, the state is also operating under some legal constraints. As part of the 1996 welfare reform legislation, recipients who qualified for a cash grant under the eligibility criteria which existed in 1996 remain eligible for Medicaid. Nevada's eligibility criteria have changed little since that time.

## **VI. ADEQUATE STAFFING IS NEEDED**

In order to process the increased caseloads, the Division needs adequate eligibility workers. To help recipients overcome the barriers to employment, the Division also needs adequate social workers.

Under federal law, Medicaid applications are to be processed within 45 days. Nevada remains under a permanent injunction as a result of a lawsuit, Hamilton V. Griepentrog, which was decided in the late '80s. A reversion to slower processing times in a significant percentage of cases can lead to sanctions against the state.

I would encourage Legislators to visit a welfare office to see the stress with which both applicants and workers must cope. If we drive experienced workers away, we are only compounding the problem. The staffing requests, while large, are less than would be justified under normal staffing standards.

## **CONCLUSION**

To reduce grants or restrict eligibility now would be doubly cruel since welfare has already been "reformed". Benefits may not be received more than two years in a row with a five-year lifetime limit. Stringent job search and work requirements are in place. Each recipient must sign and comply with a contract called a "personal responsibility plan". Stiff sanctions are in place for those who fail to follow the rules. Moreover, a significant percentage of the caseload (21%+) includes children only.

Families are on welfare for a variety reasons: the slow economy, poor child support enforcement, lack of jobs that pay a living wage, domestic violence, lack of adequate job training, the high cost of child care, a gender-biased wage structure, failure of employers to offer health insurance, low wages in the service industry, and a lack of affordable housing. Until there is progress in these sectors of our society there will be children and women who, at least temporarily, cannot survive without "safety net" programs like TANF.

I know that it is inconvenient that these children show up in greater numbers needing help when tax collections are down. In this very significant way government differs from private businesses/households who can "tighten their belts" when income drops. I ask this joint sub-committee to send a strong

message to the tax committees that we must raise revenues to meet this challenge.