

State could do more to support struggling families

Benefit levels have not kept up with the cost of living

By Washington State Budget and Policy Center, October 2006

The monthly WorkFirst cash assistance benefit is a key part of the state's social safety net, but it has not been increased since 1993. Back then, (13 years ago), the maximum benefit was \$546 monthly for a family of three. Since then, inflation has pushed the average cost of goods and services up. As a result, a family relying on WorkFirst in 2006 is unable to pay for 27 percent of the goods and services that a similar family would have been able to purchase in 1993. After adjusting for inflation, the 1993 benefit of \$546 would be worth \$750 today.ⁱ

During the decade prior to the 1993 increase, there had been fairly regular increases in the maximum benefit level, but those increases did not keep up with inflation. If the benefit had kept up with the growing cost of living since 1983, the maximum monthly benefit for three in 2006 would be \$887.

WorkFirst and the Need Standard

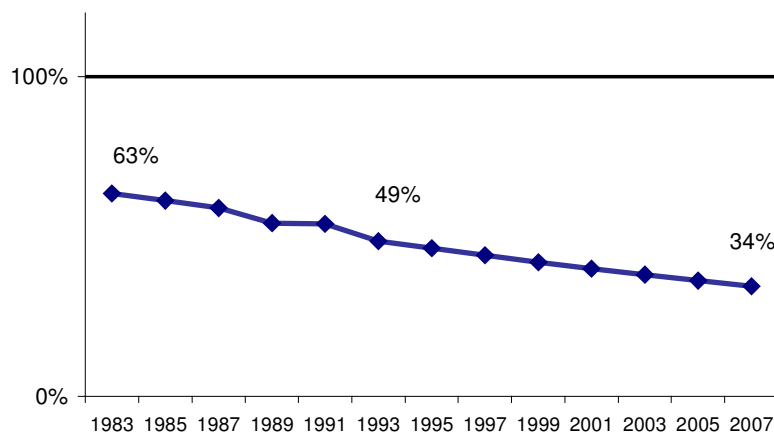
In addition to falling short in purchasing power when compared to past levels, the benefit level provided by the WorkFirst program also falls short when compared to the state's own calculation of a basic standard of living. For over two decades, the state has published an estimate of the amount of money families need per month (currently \$1,545 for a family of three) in order to maintain a very basic standard of living during a temporary period. This "need standard" is adopted annually into Washington Administrative Code and is designed to be used in setting benefit levels.ⁱⁱ However, there is no longer any real link between the WorkFirst benefit and the need standard.

In 1983, the maximum benefit for a family of three equaled 63 percent of the need standard, meaning that families relying on that benefit were able to pay for 63 percent of basic needs (Figure 1). By 1993, the benefit had fallen to covering only 48 percent of need.

The need standard was last analyzed in 1991 and has since only been adjusted by a general measure of inflation. It may not, therefore, adequately represent the rapid rise in housing costs or the rise in out-of-pocket health care costs. It does not recognize the additional costs faced by families entering the workforce. Nonetheless, even as currently estimated, the maximum WorkFirst benefit covers just over one-third of the need standard.

Figure 1

The share of a family of three's basic needs paid for by cash assistance has fallen since 1983



Source: Author's analysis of WorkFirst data

Food Stamps and WorkFirst

Few other government sources are available to help families close the growing gap between the WorkFirst benefit and the need standard. Housing assistance is particularly difficult to obtain; federal

housing assistance programs have long waiting lists. Data collected from WorkFirst recipients suggests that as few as one in five receive housing benefits such as rental vouchers.

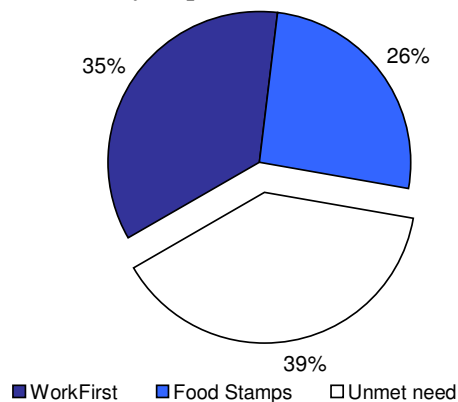
The primary additional source in terms of value and availability is the federal Food Stamp Program. Even with the maximum Food Stamp allotment, however, WorkFirst and Food Stamp cover only 62 percent of the need standard (Figure 2).ⁱⁱⁱ

Repairing the safety net

Although WorkFirst is partly funded by federal dollars, the state has authority to set the level of cash assistance benefits. After 13 years of allowing the value of WorkFirst cash assistance to fall, the upcoming legislative session may be time for the legislature to take a look at how low the benefit has fallen relative to the cost of basic needs.

Figure 2

WorkFirst and Food Stamps together cover only 61 percent of need standard for a family of three



Source: Author's analysis

One option for the legislature would be to decide that the maximum benefit level should be pegged to 50 percent of the need standard, roughly where it was 13 years ago. Raising it to that level could be done over time, for example, 8 percent increases for each of six years would return the cash assistance level to about 50 percent of the need standard.^{iv}

Thereafter, the state may consider enacting automatic annual increases in order to keep up with inflation. This policy has been used with the state's minimum wage for years and with the federal Social Security program for decades and many employment contracts use cost of living adjustments to offset inflation.

Raising the maximum benefit level in this way would not change the basic structure of the new system. The state's framework of "make work pay" policies, sanctions for non-participation in work, and time limits on receipt of benefits would remain in place. In fact, raising the maximum benefit level would enable WorkFirst to do more to support families trying to play by the rules. Currently, WorkFirst benefits for a family of three phase out completely when the parent finds a minimum wage job for 33 hours a week. If the maximum benefit was \$747, WorkFirst would be able to provide benefits until the parent found a fulltime job earning \$8.60 an hour.

Endnotes:

ⁱ Using the CPI-U-RS for 1993-2005 and the Congressional Budget Office estimate of 3.2 percent inflation for 2006.

ⁱⁱ See WAC 388-478-0015.

ⁱⁱⁱ Not all WorkFirst beneficiaries receiving maximum cash assistance are eligible for the maximum Food Stamp benefit (currently \$408).

^{iv} Using Congressional Budget Office estimates of 3.2 percent inflation in 2006 and 2.2 percent inflation each year thereafter.