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THE BENEFITS OF NEW YORK STATE'S PREFERRED SOURCE LEGISLATION: AN ECONOMIC ANALYSIS

Prepared for:
New York State Industries for the Disabled, Inc.

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AN ECONOMIC ANALYSIS

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SUMMARY

New York's preferred source legislation provides meaningful employment opportunities to individuals with disabilities by requiring governments in New York to consider state-approved agencies employing people with disabilities as "preferred sources" in the purchase of goods and services. New York State Industries for the Disabled, Inc was established to secure and administer contracts with agencies employing people with disabilities.

The preferred source program represents a rare accomplishment in the world of government as it meets social and programmatic goals while simultaneously reducing the cost of other public programs. Because more people with disabilities are employed, they are contributing to the tax rolls rather than the welfare rolls. CGR's updated analysis of these benefits finds that public programs managed at the federal, state and local levels were saved about \$20.7 million in 2005 as a result of New York's preferred source legislation.

Contributing Staff

Andries Hof conducted most of the analysis contained in this report.

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INTRODUCTION

The preferred source purchasing program provides employment opportunities for severely disabled New Yorkers who otherwise encounter obstacles to securing meaningful work. Under the preferred source program, all State agencies, public benefit corporations and local government entities are required to assign “preferred” status in the purchase of commodities and services to state-approved agencies employing people with disabilities, including blindness.

*NYSID: Turning
business opportunities
into jobs for New
Yorkers with
disabilities*

The preferred source program applied only to people with blindness until 1974 when it was expanded to include people with other disabilities as well. New York State Industries for the Disabled Inc. (NYSID) was established shortly thereafter to secure and administer contracts for community-based rehabilitation agencies employing people with other disabilities. Its mission is “Turning business opportunities into jobs for New Yorkers with disabilities.”

There are currently 147 not-for-profit member agencies and corporate partners, employing more than 6,200 people with disabilities with a total payroll of over \$32 million. In 2005, NYSID administered over 1,000 contracts with a total value of over \$110 million for 79 agencies.

While the goal of the preferred source program is to create jobs for people with disabilities, not to increase state and federal tax revenue or reduce the cost of other public programs, both the state and federal budgets benefit from the preferred source program. In fact, a study conducted by CGR for NYSID in 1999 concluded: “The preferred source legislation more than pays its own way, when aggregate state and federal benefits are included.”*

* CGR, *The Economic Impact of New York State’s Preferred Source Legislation*, 1999.

***Goal of study:
Assessing state and
federal benefits of
NYSID's contracts***

Since 1999, the number of NYSID member agencies has grown, as well as the number of NYSID contracts and people working on those contracts. Furthermore, tax rates, as well as assistance programs for the poor and disabled, have changed. NYSID engaged CGR to conduct an update of the benefits related to NYSID's contracts. While CGR does not revisit the cost implications of the preferred source legislation in this study, CGR found in the study of 1999 that estimated costs were well below the aggregate value of the benefits.

METHODOLOGY

***Survey covers 73% of
NYSID member
agencies' payroll***

NYSID member agencies provide jobs to people with disabilities who otherwise would depend on state and federal assistance programs. While it is not the goal of NYSID to reduce taxpayer costs, the jobs created by its member agencies increase the amount of income tax paid by people with disabilities and reduce the government benefits paid to these individuals.

To analyze the tax and public assistance impacts on New York State, CGR reviewed payroll data from 12 of the largest NYSID member agencies. Together, the agencies in the payroll survey employed 2,896 people, almost 40% of the entire workforce of all NYSID member agencies. Of the 2,896 employees, 2,364 (82%) are disabled. The total 2005 payroll of these 12 agencies was \$28.8 million, of which \$23.5 million went to wages for people with disabilities. The payroll for people with disabilities employed by all NYSID agencies was \$32 million*, thus the survey covered 73% of total NYSID payroll. The total number of

Agencies in Payroll Survey

Agency	Location
AHRC, NYC	New York City
Center for Disability Services	Albany
Continuing Developmental Services	Fairport
Fedcap Rehabilitation Services	New York City
FEGS	New York City
Goodwill Industries of Greater NY	Astoria
Human Technologies Corp.	Utica
JM Murray Center Inc.	Cortland
Phoenix Frontier	Buffalo
The Altamont Program	Menands
The Corporate Source	New York City
The Osborne Association	Long Island City

* NYSID Annual Report 2005

Comparing the Survey With All NYSID Agencies

	Survey	Total	% in Survey
Employees with disabilities	2,364	6,215	38%
Payroll (million)	\$23.5	\$32.0	73%
Number of contracts	323	1,016	32%
Value of contracts (million)	\$65	\$111	59%

contracts for these 12 agencies was 323, which is a third of the contracts of all member agencies. The total value of these contracts was over \$65 million, about 60% of the value of all contracts.

The average income of all disabled workers of the agencies covered by the payroll survey was \$9,933. Wages and contract values of NYSID member agencies not in the survey were lower than the surveyed member agencies. We take this into account when extrapolating the survey results to all NYSID agencies.

Defining the Alternative Scenario

*Alternative scenario:
No preferred source
legislation*

*3 out of 4 people with
disabilities in NYS are
unemployed*

*In the alternative
scenario, services
purchased from NYS
based companies,
commodities from
US or foreign based
companies*

To assess the economic benefits of the preferred source legislation, CGR compared the *status quo* with what would have been likely without the preferred source program. In this alternative scenario, we assume that government entities will purchase their goods and services from companies that do not specifically employ people with disabilities and that disabled workers on NYSID contracts would be unemployed. This assumption is plausible: 74% of the people with disabilities living in New York State are not employed.

Without the preferred source program, NYSID's customers buy their commodities and services from companies that are not specifically hiring people with disabilities. For services, we assume that these companies are located in New York State.

In the case of commodities, these companies could just as well be located outside the U.S., thus producing no income or sales tax revenue. We estimate the benefits of two extreme cases:

- ❖ Case 1 – Minimum scenario: In the absence of preferred source legislation, NYSID customers buy all their commodities from companies located *in* the U.S.
- ❖ Case 2 – Maximum scenario: In the absence of preferred source legislation, NYSID customers buy all their commodities from companies located *outside* the U.S.

This will provide us with a minimum and a maximum estimate of the benefits of NYSID contracts.

Salary Survey Data Permits Estimate of Benefit Savings from NYSID Contracts

CGR used the list of actual payroll receipts from surveyed NYSID agencies to create a distribution of individual payroll amounts. From this distribution, CGR was able to estimate income tax revenue, sales tax revenue, plus Medicare and Social Security withholdings from people with disabilities employed under NYSID contracts. The same procedure was used to estimate the change in public assistance support provided to NYSID agency employees.

One adjustment was made to the procedure. The average income of individuals employed at NYSID member agencies *included* in the survey is higher than that of agencies *not* included in the survey*. In response to this difference, CGR completed its analysis in two steps. In the first step, CGR estimated payments and benefits foregone for individuals in sampled agencies. In the second step, CGR adjusted the distribution of salaries downward for the nonsurvey group to reflect the lower average payrolls observed with this group of NYSID agencies employees and made the same set of calculations.

STUDY FINDINGS

Tax Revenue

NYSID contracts provide income for people with disabilities who would likely have been unemployed. Income tax, Medicare withholdings, and social security withholdings are generated because of this extra income. More income also means that people will spend more, which generates sales tax revenue.

* The payroll survey includes some large agencies located in Downstate New York that have large service contracts with higher average salaries and a higher share of full time employees. Commodity contracts tend to employ people with disabilities that are more severe than those people with disabilities working on service contracts, thus earn a lower average wage.

Income Tax

Wages earned by people with disabilities working at NYSID member agencies are subject to federal and state income tax. The 2005 income tax rates are shown in the tables below. People with incomes below \$5,000 do not pay federal or state income taxes; those with incomes between \$5,000 and \$7,500 pay state income tax only.

More than half of the NYSID employees in the survey earn less than \$7,500 and therefore do not pay state income tax. About 45% have an income below \$5,000 and do not pay income tax at all.

The income tax revenues are derived by analyzing the payroll data for all 2,896 employees in the payroll survey individually and applying the state and federal income tax rates. Of the 12 agencies in the payroll survey, three supplied income tax withholding in

2005 Federal Income Tax Rates

Yearly Income	Marginal Rate
Less than \$5,001	0%
\$5,001 to \$12,300	10%
\$12,301 to \$34,700	15%
\$34,701 to \$76,950	25%
\$76,951 to \$155,150	28%
\$155,151 to \$331,450	33%
More than \$331,450	35%

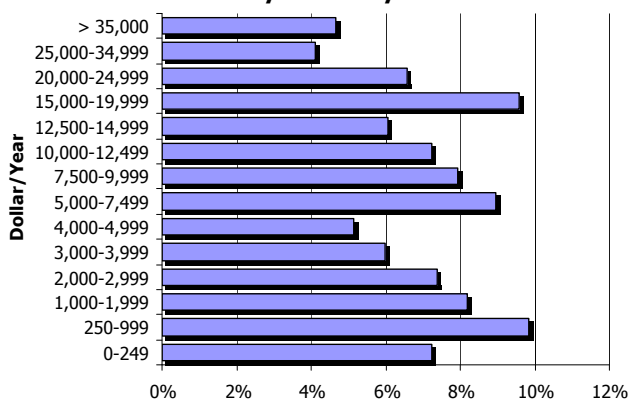
Source: The Tax Foundation

2005 State Income Tax Rates

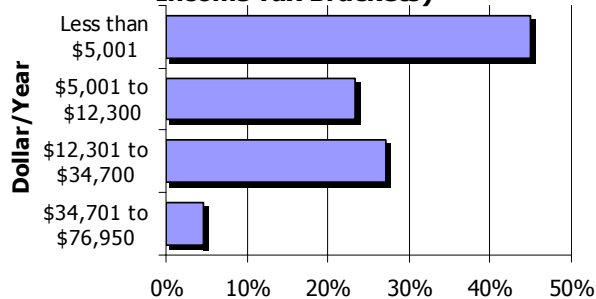
Yearly Income	Marginal Rate
Less than \$7,500	0%
\$7,500 to \$15,499	4%
\$15,500 to \$18,499	4.5%
\$18,500 to \$20,499	5.25%
\$20,500 to \$27,499	5.9%
\$27,500 to \$107,499	6.85%
\$107,500 to \$507,499	7.375%
More than \$507,499	7.7%

Source: The Tax Foundation

Income Distribution of Agency Clients in Payroll Survey



Income Distribution of Agency Clients in Payroll Survey (Federal Income Tax Brackets)



addition to gross wages. CGR tested its income tax model against withholding for these three agencies. According to the CGR model, the total federal income tax revenue of the three agencies would be \$712,000 and the total state income tax revenue amounts to \$239,000. The numbers supplied by the three agencies are \$642,000 and \$232,000, respectively. This means the model differs less than 10% from federal income tax withholding and only 3% from state income tax withholding.

**Income Tax Payments:
Current Situation**

Using this model, CGR estimates the federal income tax liability of the employees covered by the payroll survey at \$2.5 million, and state income tax liability at \$750,000.

Earned Income Tax Credit Levels

Yearly Income Level	Monthly Tax Credit
\$1 to \$999	\$40
\$1,000 to \$1,999	\$110
\$2,000 to \$2,999	\$190
\$3,000 to \$3,999	\$270
\$4,000 to \$4,999	\$340
\$5,000 to \$6,999	\$390
\$7,000 to \$7,999	\$320
\$8,000 to \$8,999	\$240
\$9,000 to \$10,000	\$170
\$10,000 to \$11,000	\$90
\$11,000 to \$11,750	\$20

Source: Internal Revenue Service

Because the average income of people with disabilities working at NYSID member agencies not in the survey is lower than the surveyed NYSID member agencies, the income tax payments per million of total payroll is also lower. CGR estimates the income tax liability for all employees with disabilities working on NYSID contracts at \$2.6 million federal and \$760,000 state.

CGR's payroll survey (based on reporting of actual salaries) shows that two-thirds of all NYSID employees in the payroll survey earn less than \$11,750 and are eligible for the Earned Income Tax Credit (EITC). This tax credit is designed to offset any disincentive to work for people receiving cash assistance. The financial support is highest for people with incomes between \$5,000 and \$7,000 and decreases as income rises. Using the payroll model and the monthly Tax Credit levels as shown in the adjacent table, CGR estimates total EITC payments to NYSID workers of about \$885,000. The federal income tax revenue has to be reduced by this amount, which results in federal income tax revenue of about \$1.7 million.

As explained in the methodology section, NYSID customers purchasing from NYSID agencies could buy their commodities from U.S. or foreign based companies. Services, however, will be

purchased from companies whose employees will pay income tax and sales tax in New York State. According to NYSID's 2005 Annual Report, the contract value of services was \$76 million and of commodities \$35 million. Of the total NYSID member agencies contract value, 31.5% consist of commodities.

**Income Tax Payments:
Without the Preferred Source
Program**

In our minimum alternative scenario, all the services and commodities are purchased from U.S. companies. The income tax generated by NYSID contracts in the current situation would therefore be generated through contracts at other companies, whose employees would also pay income tax. Therefore, CGR estimates no income tax benefits from NYSID contracts in this case.

In the maximum alternative scenario where all the commodities are bought from outside the U.S., there will be income tax benefits because of NYSID contracts. The preferred source legislation increases the likelihood that more commodities will be bought from U.S. based companies. As 31.5% of the total contract value comes from commodities, we can assume that the same share of income generated by NYSID contracts comes from commodity contracts as well. Of the \$2.5 million income tax minus earned income tax credit paid by NYSID contract employees, 31.5% can be regarded as income tax benefits of the preferred source legislation in the maximum alternative scenario. This amounts to \$540,000 federal and \$240,000 state income tax benefits; a total of around \$780,000.

***Income tax benefits up
to \$780,000***

***Unemployment
Insurance***

NYSID agencies pay state Unemployment Insurance (UI) tax used for the payment of benefits to eligible unemployed workers. Because not-for-profits are exempt for federal UI tax, NYSID agencies only pay state UI tax. The 2005 NYS UI taxable wage base was \$8,500 and the average tax rate 4.17%.* Using our payroll

* Division of Fiscal and Actuarial Services, Office of Workforce Security (OWS), Employment and Training Administration, U.S. Department of Labor, *Significant Measures of State UI Tax Systems 2005*.

model, we estimate total UI tax payments of NYSID agencies of \$810,000.

When the minimum alternative scenario applies, i.e. that all commodities would have been purchased within the state, NYSID contracts generate no *extra* UI tax.

***Unemployment
Insurance benefits up
to \$255,000***

In the maximum alternative scenario, 31.5% of the UI tax paid by NYSID agencies can be regarded as a program benefit for New York State, which equals \$255,000.

Sales Tax

People employed on NYSID contracts spend more money in the marketplace than they would have if they were unemployed. This additional spending generates state and local sales tax. According to the Consumer Expenditure Survey, individuals with income levels below \$40,000 spend all or more of their income (by accumulating debt). Almost all of the NYSID workers earn less than \$40,000, so we will assume that they spend all of their earnings. Our sales tax estimate is based not on the total income of NYSID workers but on our estimate of the *extra income* they earn by being employed rather than being on public assistance, i.e. the income minus the decrease in public assistance (mainly SSI and SSDI payments, see page 11).

Sales Tax: Current Situation

Not all spending is taxable. The two largest non-taxable spending categories are housing and food. People with income levels up to \$40,000 spend approximately half their income on taxable goods and services*. With this information and the information on the additional income received by NYSID employees, the aggregate extra spending on taxable goods and services triggered by extra income can be estimated at \$6.85 million (about \$1,100 a year per person). The state levies 4% sales tax and most counties levy 4% as well. Total estimated sales tax payments generated by the spending of NYSID contract employees is therefore about

* Source: Consumer Expenditure Survey 2004, U.S. Department of Labor, Bureau of Labor Statistics.

\$550,000. Half of this revenue is for New York State, and counties receive the other half.

Sales Tax: Alternative Scenarios

The true addition to NYS sales tax revenue depends on whether the commodities purchased through NYSID would have otherwise been purchased within New York State. When the minimum alternative scenario applies, i.e. that all commodities would have been purchased within the state, NYSID contracts generate no extra income and therefore no extra sales and sales tax.

Sales tax benefits up to \$173,000

In the case of the maximum alternative scenario, 31.5% of the income earned by NYSID contracts can be regarded as a program benefit. This means that 31.5% of the sales tax generated in the current situation, or \$173,000, can be regarded as sales tax benefit of NYSID contracts. Again, half of this benefit is for the state and the other half for counties.

Medicare and Social Security Withholding

All of the income earned by NYSID workers is taxable for both Medicare and Social Security. This is confirmed by a sample of member agencies' payroll data. Review of payroll data for 267 employees of the 3 different NYSID member agencies that supplied data on Medicare and Social Security withholdings showed that Medicare tax was paid by all 267 employees, regardless of whether the employees worked on commodity or service contracts.

Medicare withholding are 1.45% and Social Security 6.2% of total income.* Both of these figures are matched by employers, which results in total Medicare withholding of 2.9% and Social Security withholding of 14.4%.

Medicare and Social Security: Current Situation

Comparing our payroll model to the Social Security and Medicare payments supplied by the three agencies, we can conclude that the model predicts Social Security and Medicare payments very well. CGR's model estimates Social Security payments of the three

* Source: Internal Revenue Service.

agencies who supplied data on this at \$318,000 and Medicare payments at \$86,000. The numbers supplied by the three agencies are \$314,000 and \$86,000, respectively.

Based on the payroll survey of NYSID member agencies, CGR estimates total federal Medicare payments of \$1.08 million and Social Security payments of \$4.6 million generated by NYSID contracts.

The extra Medicare withholding is an unambiguous increase in federal revenue. The Medicare program is a pure entitlement, meaning that benefits do not depend on contributions.

The extra Social Security withholding, however, needs to be viewed differently. We would expect the benefits NYSID workers are entitled to receive when they retire to be higher than if they had not worked, but it is not possible to estimate by how much because Social Security payments depend on a number of personal factors.

Medicare and Social Security: Alternative Scenarios

In the minimum alternative scenario, Medicare and Social Security payments are paid by employees working at other companies in the U.S. In this scenario, there is no federal benefit of NYSID contracts.

In the maximum alternative scenario, some income is lost to foreign countries, and therefore Medicare and Social security payments as well. As was the case with income and sales tax, 31.5% of the Medicare and Social Security payments would be lost in the maximum alternative scenario. This loss is the Medicare and Social Security benefit of the preferred source program in the current situation. 31.5% of \$4.6 million Social Security payments amount to \$1.46 million; for Medicare the benefits are \$340,000 (31.5% of \$1.08 million).

Medicare and Social Security benefits of up to \$1.8 million

Reductions in Public Assistance Program Expenditures

Most Americans with disabilities are eligible for federal and state supplementary income programs. The two largest of these programs are Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI). Both SSI and SSDI benefits are subject to reduction –or elimination– as an individual’s income rises. Therefore, income earned through NYSID member agencies reduces the SSI and SSDI benefits and saves federal and state money.

SSI and SSDI – the largest programs benefiting people with disabilities

CGR estimated total federal and state savings directly resulting from wages earned at NYSID member agencies. As non-disabled employees are not eligible for SSI and SSDI benefits, all of the reductions in SSI and SSDI payments are benefits of the preferred source program (i.e. in our alternative scenarios, there would not be any reductions in SSI and SSDI payments).

Supplementary Security Income

Supplementary Security Income (SSI) is the most common form of income assistance to disabled individuals. Monthly SSI payments are reduced with higher income. The level of assistance is also dependent on an individuals’ living arrangement and the state of residence. People with disabilities living in a household with others receive less assistance than if they live alone, for example.

In the CGR study of 1999, the breakdown of living arrangements

Monthly SSI Benefit Levels for Individuals (rounded to the nearest \$), 2005

Living Arrangement	Federal	NYC*	Rest NYS	Total†
Living Alone	\$579	\$87	\$87	\$666
Living With Others	\$579	\$23	\$23	\$602
Living in the Household of Another	\$386	\$23	\$23	\$409
Family Care Facility	\$579	\$266	\$228	\$826
Residential Care Facility	\$579	\$435	\$405	\$999
School for the Mentally Retarded	\$579	\$483	\$459	\$1,050

Source: NYS Office of Children and Family Services

* Includes the counties of New York City, Rockland, Nassau, Suffolk, and Westchester

† Totals calculated with the unweighted average of NYC and the rest of New York State

for disabled NYSID workers was estimated by interviews with vocational counselors and coordinators at several member agencies. The result was that half of the individuals with disabilities working on NYSID contracts were living with others but not in a household of another person, 20 percent were living alone, and 20 percent were living in the household of another person. The rest were living in family or residential care facilities. We assume that this distribution of living arrangements has not changed very much since then.

***Average SSI Payment
estimated at about
\$600 a month***

Based on this assumption, CGR calculated a weighted average SSI benefit level of \$607 a month. The largest part of this weighted average benefit level comes from federal sources (\$540), whereas the state supplies \$67 a month.

As mentioned earlier, the amount of SSI benefits received not only depends on the living arrangement, but also on the level of income from other sources. The formula for calculating the SSI benefit levels is as follows. The first \$85 of an individual's monthly earned income is ignored. Beyond this "disregarded amount", half of the remaining earnings are considered "countable income." The individual's monthly benefit level is reduced by the amount of countable income thus calculated.*

The federal and state revenue is estimated as the reduction in SSI payments as a result of income earned through NYSID contracts. First, the federal part of the SSI benefit is reduced. If the income of an individual is high enough, the state part of the benefit will also be reduced. In our weighted average example, individuals earning more than \$1,300 per month will not receive any SSI payments.

Using the formula for calculating the SSI benefit level and the survey payroll data, we estimated the savings in SSI payments for each individual separately. Again, we assumed that the people with

* Source: U.S. Social Security Administration.

disabilities working on NYSID contracts would not have earned additional income if they were not employed by the NYSID member agencies. So the income earned by these individuals reduces the SSI payments to these individuals. The total amount of SSI payments saved is estimated by extrapolating the survey data to the whole NYSID contract employees with disabilities.

*Federal government
saves \$9.8 million in
SSI payments*

This calculation gives us estimated total federal savings in SSI payments of \$9.8 million. Assuming that every employee working on NYSID contracts would have received SSI benefits if not employed, SSI payments to NYSID employees would be \$40 million without the preferred source program. Instead, the federal government only pays around \$30 million on SSI benefits.

Because of the lower state portion of SSI payments, and the fact that state payment is only reduced after the federal part is eliminated, savings for New York State are much lower. CGR estimates that New York State saved about \$490,000 in SSI payments because of NYSID contracts in 2005. This means NYS pays \$4.5 million instead of \$5 million on SSI benefits.

Social Security Disability Insurance

Unlike SSI, Social Disability Insurance (SSDI) is not a needs-based benefit. Instead, disabled persons are eligible for SSDI if they have contributed to Social Security throughout their lifetime or if their parents have contributed through work in the past. The level of the benefit depends on an individual's earning history and that of his/her parents. Therefore, it is very difficult to give a reliable estimate of the SSDI savings as a result of NYSID contracts.

We can, however, give a rough idea about the amount of SSDI savings. First, people with disabilities with a monthly income above \$830 in 2005 are not eligible for SSDI assistance. This level of income is called the "Substantial Gainful Activity" level, above which the Social Security Administration assumes that the individual is capable of performing significant and productive work. Second, 76% of workers are insured for disability benefits

nationwide*. If we make the assumption 76% of the individuals working on NYSID contracts are insured for disability benefits as well, we can get a rough idea of the SSDI savings.

***Federal savings in
SSDI payments
estimated at \$8 million***

Of the 2,381 employees with disabilities in the payroll survey, 914 (38%) have income exceeding \$830 a month and might be eligible for SSDI benefits if not employed. The NYS average benefit level for workers with disabilities was \$943 in 2004 (the latest year for which data are available)†. If 76% of the NYSID contract employees earning more than \$830 a month would receive \$943 SSDI benefits if unemployed, CGR estimates the total SSDI savings at \$8 million.

Other Forms of Public Assistance

The most important other forms of assistance for people with low incomes are the food stamps program, Temporary Assistance to Needy Families (TANF), and Medicaid.

Food Stamps

Food stamps enable low-income families to buy nutritious food. Households are automatically eligible for food stamps if all members receive SSI. Most of the NYSID employees live with others or in the household of another person. We do not have information about whether the other members of these households receive SSI, and therefore it is difficult to estimate how many NYSID employees are eligible for food stamps.

Income threshold for food stamp eligibility (single person household)

Maximum net monthly income	\$798
Standard Deduction	\$134
Earned Income Deduction	\$160
Maximum gross monthly income	\$1,092

Source: US Department of Agriculture and CGR calculations

If not eligible for food stamps automatically, people may be eligible based on monthly household income and countable assets. Households with disabled members are only subject to a *net* income standard. This is calculated as the household's gross income minus some specific deductions. For a single-person household with no out-of-pocket medical costs or housing costs exceeding 50% of its countable income, the gross monthly income threshold in 2005

* Social Security Administration, 2006, *Annual Statistical Supplement to the Social Security Bulletin 2005*, page 233

† Source: Fact Sheet Social Security, New York State Statistics, Social Security Administration, January 2006

was \$1,092. Of the NYSID employees, less than a third earn more than this threshold. However, most of the NYSID employees live with others in a household. The income and assets of these other individuals will eventually decide whether the household is eligible for food stamps.

Reliable estimate on food stamp savings not possible...

The maximum sum of countable assets (cash, checking accounts, some vehicles) is \$3,000 per household if food stamp eligibility is to be maintained. CGR does not have information on the level of assets of individuals working on NYSID contracts, let alone on the income level and assets of their household members.

... but savings would not exceed \$575,000

If we assume that individuals working on NYSID contracts with a monthly income above \$1,092 live alone and have less than \$3,000 in countable assets, the average level of food stamp assistance for a disabled individual is \$816 yearly*. In this example, total savings would be \$575,000.

Temporary Assistance to Needy Families

In order to be eligible for TANF, certain requirements must be met. For individuals working on NYSID contracts, the following two requirements are of most interest†:

- ❖ One member of the family must include a minor child or a pregnant woman;
- ❖ The family gross income level must be below 200% of the federal poverty level..

The average TANF assistance in New York was about \$3,060 a year in fiscal year 2004-2005‡. About 6.4% of the individuals working on NYSID contracts have an income level higher than 200% of the federal poverty level. They might have been eligible for TANF if they did not have jobs through NYSID. If all NYSID

* Source: U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition and Evaluation, *Characteristics of Food Stamp Households: Fiscal Year 2004*

† Requirements from the New York State Department of Labor.

‡ U.S. Department of Health and Human Services, Office of Family Assistance, Annual Report of Family Assistance 2005 - New York

employees earning more than twice the federal poverty level have a minor child or pregnant woman in their family *and* all other family members do not have an income, TANF savings could be as high as \$1.2 million. On the other hand, if most NYSID employees earning more than twice the federal poverty level do not have a minor child or pregnant woman in their family *or* any other family member has an income as well, TANF savings are negligible. Without detailed data on NYSID employees, their family status, and information on the income on family members, it is not possible to estimate the TANF savings.

Medicaid

***NYSID Clients Retain
Medicaid Eligibility***

Medicaid coverage for disabled individuals extends to people earning up to \$37,575 annually.* Only 1.3% of people with disabilities working on NYSID contracts have an income above this threshold level. This means that very few people who would have been eligible for Medicaid lose eligibility because they are working on NYSID contracts. However, some individuals may choose to opt out of the Medicaid program. On the other hand, in New York State it is possible for people with disabilities to “buy into” the Medicaid program even when their earnings are above the threshold level. This means that the Medicaid savings are likely close to zero.

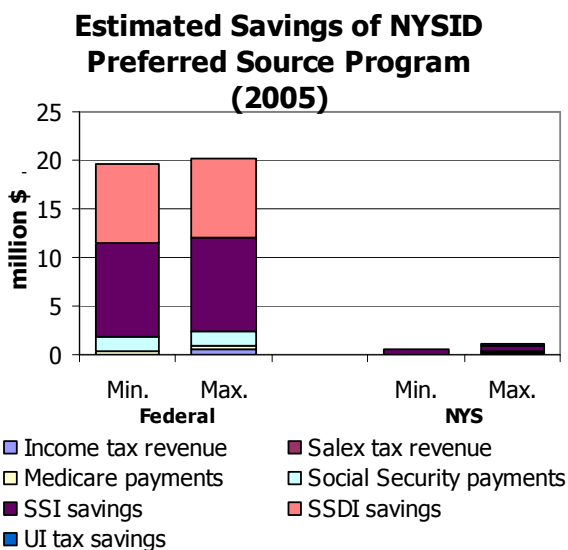
* Source: SSA, <http://www.socialsecurity.gov/disabilityresearch/wi/1619b.htm>

CONCLUSION

The combined value of all the additional tax benefits and tax savings in public assistance programs attributable to NYSID's operations is estimated at around \$20.7 million in 2005, almost all

of which directly benefits the federal government. Reductions in public assistance payments are the main source of savings of NYSID contracts, and these programs are almost fully paid for by the federal government.

Beyond this monetary value, however, there are societal and personal benefits that cannot be measured. The preferred source program gives disabled individuals opportunities to work, be productive, learn life skills and grow as human beings.



Total Estimated Savings of NYSID Preferred Source Program in 2005 (million \$)

	Federal		State		Total	
	Min.	Max.	Min.	Max.	Min.	Max.
Income tax revenue	-	0.54	-	0.24	-	0.78
Unemployment	-	-	-	0.26	-	0.26
Insurance benefits	-	-	-	0.17	-	0.17
Sales tax revenue (50% NYS, 50% counties)	-	-	-	0.17	-	0.17
Medicare payments	0.34	0.34	-	-	0.34	0.34
Social Security payments	1.46	1.46	-	-	1.46	1.46
SSI savings	9.76	9.76	0.49	0.49	10.25	10.25
SSDI savings	8.02	8.02	-	-	8.02	8.02
TOTALS (million)	\$19.58	\$20.12	\$0.49	\$1.16	\$20.07	\$21.28