



# INDIANA FISCAL POLICY INSTITUTE

*Providing independent analysis on state and local fiscal policy.*

## The Challenge of Township Poor Relief

Welfare reform has been a hot topic among policy wonks and a major focus of both federal and state political leaders over the last four years. Popular proposals have addressed changing the behaviors of welfare recipients and cutting the costs to taxpayers. As the policy discussion swirls around and through Indiana, some observers might note that this State has its own unique component to welfare, Township Poor Relief.

Township Poor Relief is administered by elected Township Trustees who have significant discretion in determining how to provide Poor Relief in their township. The system delivers emergency or general assistance to those who qualify at the most localized level of government. While a majority of states have some type of general assistance program that serves the same population as Poor Relief, Indiana is one of only three states that administers the program on a sub-county level of government. Also unique to Indiana is the financial structure of Poor Relief, which is based entirely on the property tax.

What many involved in the welfare reform debate have missed is that Indiana's Township Poor Relief system is part of the State's overall welfare structure. A person in need has numerous places from which to seek assistance, two of which include the Township Trustee and the State run county welfare office. The Township Trustee will often provide emergency assistance and simultaneously refer the individual to the welfare office for longer term public assistance. Many of the proposed reforms to the State's welfare system carry sanctions that will force some individuals, those who do not comply, to lose benefits. Absent substantive coordination between the two systems, these individuals are likely to seek Poor Relief. Unfortunately, there are currently no Statewide mechanisms that require township trustees and State welfare administrators to work together. As a result, the cooperation that needs to take place in response to changes brought about by welfare reform occurs only on an ad-hoc and uneven basis, if at all.

In addition to the difficulties presented by welfare reform, existing problems with the Poor Relief system must be addressed. There are vast differences in both the revenue capacity and fiscal burden for funding Poor Relief among Indiana's 1,008 townships. Poor Relief offices in urban townships have acquired the attributes of a modern welfare bureaucracy in order to deal with the disproportionately larger number of persons seeking assistance. As an example of the contrast, one urban township spent more than \$11 million in 1995, while the median township spent \$5,375. The ten most populous urban townships contain approximately 20 percent of the total State population, have 30 percent of the poverty population, and spend 55 percent of the total Statewide amount of Poor Relief. (Table I)

Most Populous Townships	% of Total Population	% of Poverty Population	% of Statewide Spending	% of Wealth in AV	% of Number of Townships
Top 10	22.3%	30.7%	54.8%	20.7%	1.0%
Top 25	36.7%	47.2%	69.1%	34.6%	2.5%
Top 50	50.5%	60.0%	78.4%	48.2%	5.0%

Two factors leading to this dynamic are 1) the tax base for Poor Relief is small and in many cases economically homogeneous and 2) urban townships have higher concentrations of low income individuals. When the State's economy goes through a recessionary period, urban townships typically experience rapid and extraordinary increases in welfare costs. These increases typically result in a demand to borrow funds through bonding, as a way to circumvent property tax levy controls, in order to meet the need for increased Poor Relief assistance.

There are several systemic changes that could instill greater integration between Township Poor Relief and the State's welfare system. The first step is increasing accountability. This effort would require both township and State involvement in raising the standards for reporting and maintaining Poor Relief recipient and expenditure data. Second, decision makers at State and local levels must address the high administrative costs, which seem to be an intractable part of the Poor Relief system. The Institute's report found that administrative costs in the ten largest townships in the State for calendar years 1994 and 1995 averaged 43.9%, compared to administrative costs for public assistance at 12%. (Table II) Third, a communication protocol needs to be formalized between the two systems. Finally, the State has an interest in broadening the tax base for Poor Relief. In the handful of townships that are truly urban, Poor Relief represents a high cost to employers and, therefore, a real hindrance to economic development. If the desired outcome of welfare reform is maximizing the number of productively employed individuals, the current Poor Relief system must be altered to achieve the goal.

**Table II**  
**The Percentage Spent on Administrative Cost for Poor Relief**  
**The 10 Highest Spending Townships in the State**  
(Dollars in Thousands)

County	Township	1994			1995			Average Admin % 94 & 95
		Admin	Dir/Indirect Assistance	Total	Admin	Dir/Indirect Assistance	Total	
Lake	Calumet	3,510	5,098	8,609	3,725	7,590	11,315	36.3%
Marion	Center	3,568	3,224	6,793	3,336	2,535	5,871	54.5%
Allen	Wayne	1,194	2,027	3,221	1,296	1,650	2,946	40.4%
Lake	North	1,406	1,772	3,178	1,251	1,592	2,843	44.1%
Vanderburgh	Pigeon	398	478	875	399	594	994	42.6%
Delaware	Center	486	334	820	490	269	760	61.8%
St. Joseph	Portage	259	552	811	317	389	706	37.9%
Marion	Wayne	380	554	934	211	453	664	37.0%
Howard	Center	301	307	608	295	293	589	49.9%
Wayne	Wayne	266	68	334	274	41	316	83.3%
Total		11,769	14,414	26,183	11,594	15,409	27,002	43.9%

Source: The disbursement data in this table comes from the Township "Form 15" on file with the State Board of Accounts. These ten townships were highest in 1995 appropriations, although not necessarily on actual disbursements as recorded in the Indiana Local Government Database.