

**TESTIMONY OF IDARA NICKELSON, POLICY ANALYST,
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At the Public Hearing on
Fiscal Year 2004 and Fiscal Year 2005 Spending and Performance by
the Department of Human Services
District of Columbia Committee on Human Services
February 22, 2005**

Chairman Fenty and other members of the Committee, thank you for the opportunity to speak today. My name is Idara Nickelson, and I am a policy analyst at the DC Fiscal Policy Institute. DCFPI engages in research and public education on the fiscal and economic health of the District of Columbia, with an emphasis on policies that affect low- and moderate-income residents.

I am here today to testify about the need for increased local funding in the city's welfare program. As you know, the federal government made significant changes to the nation's welfare laws in 1996, including the establishment of the TANF block grant and increased flexibility in the design of state welfare programs.

With this new flexibility, the District adopted numerous program enhancements, including new job preparation services, expanded funding for child care, and a change in the benefit formula to allow welfare recipients to keep a larger share of their benefits as they transition from welfare to work. New programs, such as home visiting, were created to further assist TANF recipients overcome barriers to work.

These new programs and enhancements were made possible, in large part, by annual performance bonuses awarded by the federal government combined with a reserve of unspent TANF funds that the city accumulated over the years. Between 1999 and 2004, the District was awarded ten bonuses totaling \$141 million.

DC spent down most of its reserve between 2002 and 2004 on program costs, and only \$173,000 remained at the end of 2004. Furthermore, last year's bonus award will likely be the city's last because Congress is expected to eliminate awards for reductions in non-marital births when TANF is reauthorized.

City leaders must now seriously consider increasing local funding for TANF. Without the reserve or bonus, the city will have to fund its expanded TANF program with only its basic block grant and small work performance bonuses. This amounts to about \$100 million per year, or \$32 million less than projected spending in 2005.

DCFPI along with the Washington Legal Clinic for the Homeless, Legal Aid Society of DC, and Whitman-Walker Clinic also have highlighted the need to increase cash assistance for TANF households. A recent report by DCFPI showed that DC's current

benefit level ranks 31st in the nation and leaves families deep in poverty. In 1991, the Council suspended annual cost-of-living adjustments to the benefit levels in response to the city's fiscal crisis. Since then, the maximum benefit level for TANF recipients with no other income has dropped by about 40 percent. The Council also reduced benefit levels in 1991, and again in 1994 and 1997.

The current maximum TANF benefit for a single mother of two is \$379 per month, or \$4,548 per year. This level equals just 29 percent of the federal poverty level.¹ This very low level of cash assistance makes it difficult for individuals to find affordable and stable housing in the city, pay monthly utility bills, cover transportation costs to and from work, and other basic necessities.

If the District increased its TANF benefit levels by 15 percent — the increase in the cost of living since 1997 when benefits were last reduced — it would cost the city about \$10 million per year. For a family of three, this would mean an additional \$53 per month. This modest increase would be significant to District families. In addition, the District should consider reinstating an annual cost-of-living adjustment so that benefit levels do not erode over time. An annual cost-of-living adjustment would cost an additional \$1.6 million starting in fiscal year 2007.

Given the improved financial outlook on the city finances and current surpluses, the city should restore drastic cuts made in difficult times. An increase in local funding will allow the city to continue providing the necessary supports that assist low-income families overcome personal and logistical challenges to employment.

Thank you for providing this opportunity to share our views on TANF. I would be happy to answer any questions you might have.

¹ The 2004 Federal Poverty Guidelines for a family of three is \$15,670. US Department of Health and Human Services.