

April 28, 2011

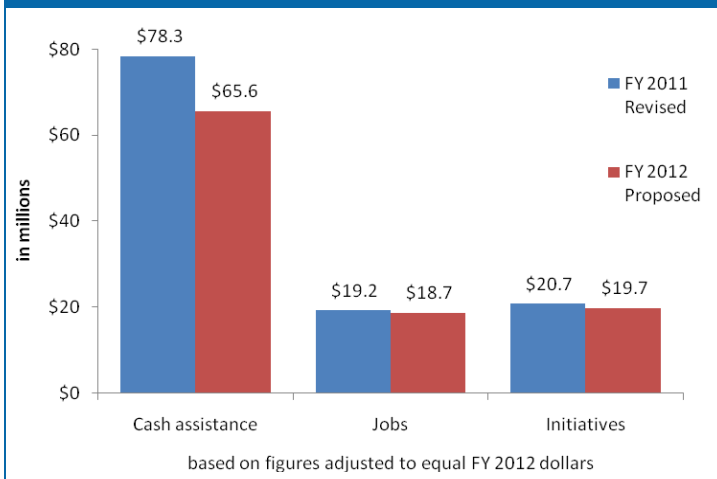
WHAT'S IN THE FY 2012 BUDGET FOR TANF?

The District's Temporary Assistance for Needy Families (TANF) program provides cash assistance and employment resources to help families with children transition from welfare to work. The program is funded with a mix of federal and local funds. DC receives \$92 million in federal TANF block grant funds, and in return must spend about \$75 million in local funds, although not all funds have to be spent on direct TANF services. The local funds expenditure is known as the "maintenance of effort" (MOE) requirement.

Summary of Mayor's Proposed Funding Level

The FY 2012 proposed budget reduces the cash assistance portion of the TANF budget by \$11 million, primarily due to several major changes to TANF benefits: a new "full-family sanctions" policy that would eliminate benefits entirely for noncompliance with program rules; a new five-year lifetime limit on TANF benefits that would be phased in substantially by October 2011 and fully by October 2013; and the addition of staff to help TANF recipients with disabilities apply for federal SSI benefits. The budget does not

**FIGURE 1
GROSS TANF FUNDING
FY 2011 – FY 2012**



KEY FINDINGS

MAYOR'S BUDGET PROPOSAL

- The FY 2012 proposed budget for the Department of Human Services Budget includes a \$9.5 million cut in funding for TANF benefits.
- The largest reduction in cash assistance would come from reducing benefits to \$257 a month for 7,000 families that have received assistance for 60 months or more. This effectively creates a retroactive five-year time limit, counting months of assistance before the time limit was enacted. The Mayor's plan would entirely eliminate assistance for these families by October 2013.
- The budget includes a small reduction in funding for TANF employment services, despite plans to implement a more robust employment program in 2012.
- The agency expects to save \$3 million by implementing a new, stricter sanctions policy that would eliminate assistance for families that do not comply with program requirements.
- TANF cash assistance benefit remains at FY 2011 levels, \$428 a month for a family of three.

include a cost of living adjustment or other increase to the TANF cash assistance amount, which has been at the same level since 2008.

The proposed budget would maintain job training funds at the 2011 level.

The FY 2012 proposed budget would maintain funding for TANF by using \$17.5 million in federal TANF stimulus funds in addition to spending the entire basic FY 2012 federal block grant amount. Because these funds will be depleted in 2012, there will likely be a TANF funding gap in the following year.

TABLE 1: Key TANF Funding Sources, FY 2011-2012		
	FY 2011 Revised	FY 2012 Proposed
Local	\$49.6	\$39.3
Federal Block Grant¹	\$88.9	\$84.1
Federal Stimulus¹	\$3.3	\$17.5
Other²	\$30.4	\$18.1
Total	\$172.1	\$159.0
<i>All figures in millions.</i>		
¹ does not include funds transferred to Homeless Services		
² includes carryover funds from previous year and intra-district transfers		

Analysis of Mayor’s Proposal

The Mayor’s proposed FY 2012 budget includes a number of major changes to benefits and services provided by the District’s TANF program. Figures in the Mayor’s budget document indicate cash assistance would remain steady at FY 2011 levels, but according to the Department of Human Services, assistance would drop by \$11 million, from an estimated \$77 million in FY 2011 to \$66 million in FY 2012. Under the Mayor’s plan, most of these savings would be achieved by implementing three major initiatives within the TANF program:

- Reduced benefits for families that have received assistance for 60 months (\$5 million);
- Full-family sanctions (\$3 million); and
- A new initiative to help POWER participants — those with disabilities — move to the federal SSI program (\$1.5 million).

Jobs funding would drop slightly from \$19 million to \$18.7 million in FY 2012 (Figure 1).

Other programs funded under TANF, largely through the federal block grant, include initiatives such as teen pregnancy and Strong Families—a program that provides case management to at-risk families. Funding for these initiatives would decline by 4 percent in FY 2012 — from \$20.5 million to \$19.7 million — but the decrease is attributable almost exclusively to a precipitous drop in the “other” category. Most TANF initiatives would be flat funded at FY 2011 levels in FY 2012.

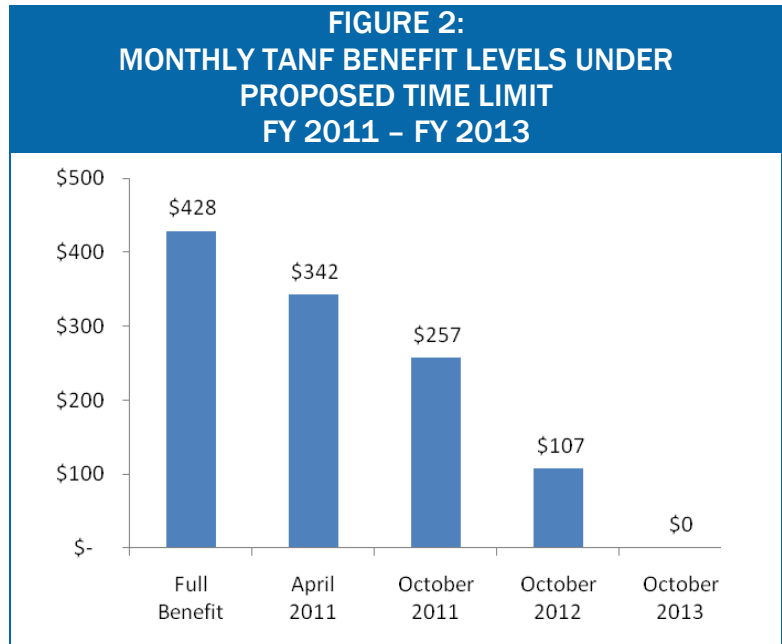
Five-Year Time Limit

The Mayor’s budget proposes to implement a 60-month lifetime time limit on TANF benefits, and to phase the policy in over a two-year period. The change would be retroactive, meaning that it would apply to time already spent on TANF, rather than resetting the clock at zero for all families. This would add to a 20 percent benefit cut to long-term TANF families implemented in April 2011. The Mayor’s FY 2012 proposal would add a further 20 percent reduction in October 2011, reducing

benefits to \$257 a month for a family of three. This would be followed by another 25 percent cut in October 2012 and a complete elimination the following year.

Studies have shown that most long-term welfare recipients have multiple complex barriers to employment, such as physical and mental disabilities or domestic violence. The District’s current assessment and screening process does not adequately identify such barriers, and the proposed time limit policy offers very few extensions and exemptions for hardship. Further, most states that have implemented a

time limit policy have done so prospectively—meaning that the time clock would start when the policy was adopted, rather than counting months of assistance before the time limit policy was in place. . This allows the time limit to serve its motivational purpose and offers families adequate time to prepare for benefit reductions. By opting to implement the time limit retroactively, nearly 7,000 District families will see benefits drop by 40 percent – from \$428 to \$257 for a family of three – with just a few months’ notice (Figure 2).



The proposal would reduce benefits by \$4.9 million and would affect some 7,000 TANF families in FY 2012. DHS has stated that the District plans to make new investments in job training programs through the Department of Employment Services to help these TANF recipients transition to employment, but it is unclear where these funds are in the budget or how they will be used. There currently is no agreement between the two agencies, and funds for adult training within DOES would not increase under the Mayor’s budget plan.

Full-Family Sanctions

The proposal also estimates a \$3 million savings in cash assistance through the implementation of a new sanctions policy for non-compliance with TANF program requirements. TANF parents are required to participate in approved education, job search, and job training activities for a set number of hours per week in order to be in compliance with program rules. The new sanctions policy, which was adopted last December, has not been drafted at this time, but is expected to include three levels of financial penalty for noncompliance, with full-family sanctions as the final level. The new sanctions policy will have to be approved by the Council before implementation.

POWER-to-SSI Initiative

Under the Mayor’s plan, DHS will hire nine full-time equivalents to assist participants in the Program on Work Employment and Responsibility (POWER) in obtaining federal Supplemental Security Income (SSI) benefits. POWER serves TANF families whose head of household is unable

to meet program requirements due to a disability, including substance abuse. In helping POWER participants apply for SSI, the District would be transitioning those TANF recipients on to a federal income source, thus saving the District money and creating greater income stability for participating families. According to estimates, this shift will save the District \$1.5 million in FY 2012. However, these savings may not be achievable in FY 2012 because SSI approval often takes 18 months or more, meaning that individuals applying in FY 2012 may not be approved until FY 2013 or later.

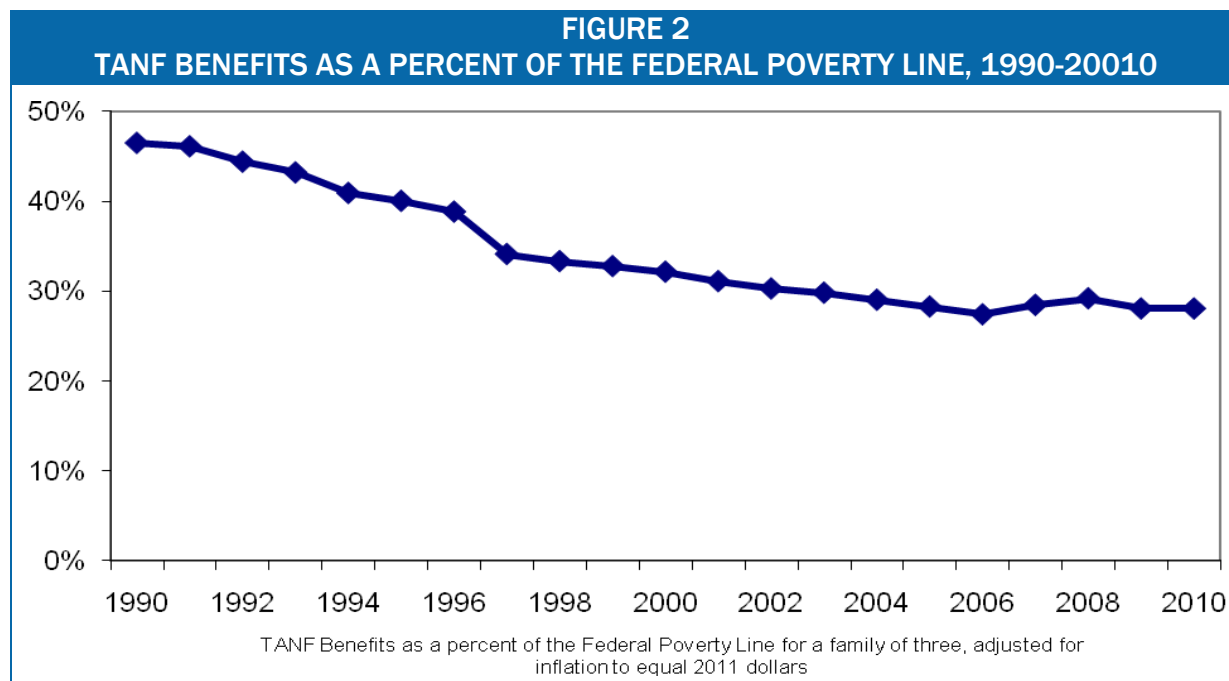
Related Issues

Benefit Value Continues to Decline

The District's TANF program provides a monthly cash benefit to families to support them while they are searching for a job, enrolled in educational programs, caring for a child with a disability, or receiving other TANF services. The value of the District's TANF benefit has declined dramatically since 1991, when an automatic cost-of-living adjustment was eliminated.

Despite some increases in recent years, the current cash assistance amount is \$428 per month for a family of three, which is just 28 percent of the federal poverty line. DC's TANF benefits have not seen any increase since 2008, and they have lost value steadily since 1990 (Figure 2).

At its current level, the TANF benefit does not provide enough income for families to meet their basic needs, even when combined with other benefits. Given that only one-third of TANF families receive housing assistance, most TANF families experience an even greater struggle to afford basic necessities. When families are not able to meet their basic needs, it makes it even more difficult to participate in job training and other services.



Other jurisdictions with a high cost of living have much higher TANF benefits. The maximum benefit for a family of three is \$618 in Boston, \$674 in Los Angeles, and \$753 in New York City. Maryland, which increases its TANF benefit annually, has a maximum monthly benefit of \$574 for a family of three in 2010.

New Vendor Contracts Pending

The Income Maintenance Administration, the division within DHS that administers TANF, is in the process of finalizing new plans to modify TANF job training services and implementing a comprehensive assessment and orientation process. According to DHS officials, new vendor contracts will be in place by the start of FY 2012, although the request for proposals has not been issued yet, making this unlikely. Services offered under the new contracts are expected to be more robust than current employment readiness services, and the new comprehensive assessments mandated under the TANF Employment Opportunities and Accountability Act of 2010 may require additional dedicated staff. At the same time, funding for employment and training would decline under the FY 2012 proposal, so it is not clear from the budget how the costs for providing these more robust services would be supported.

Stimulus Funding

The Department of Human Services received \$41 million in federal stimulus funds from the TANF Emergency Contingency Fund. This fund provides a reimbursement to states that have seen rising costs in basic assistance, subsidized employment, or short-term nonrecurring benefits. DHS expects to have \$21 million available in FY 2012, and would use \$17.5 million to supplant local spending on cash benefits next year, leaving about \$4 million for cash assistance in FY 2013.

Because DHS has used stimulus funds in place of local dollars for programs and services, the agency will have to find additional local money in FY 2013 to continue providing services at current levels.

Performance Measures

The budget for each government agency includes a number of performance measures tied to specific agency objectives. In addition, each agency develops a performance plan each year, and it completes a “performance accountability report” at the end of the year.

The performance measures are intended to provide an indication of how well the agencies are using funds to meet their goals. Unfortunately, the quality of performance measures in the District’s uneven. In many cases, performance measures are unclear or cover aspects of an agency’s functions that do not seem tied to the agency’s core functions.¹

¹ The issues related to DC’s performance measurement are discussed further in a DCFPI 2009 report, [*Ten Ways to Improve the Transparency of the DC Budget*](#).

The FY 2012 budget includes four performance measures related to the TANF program. None of the TANF-related performance measures that were being tracked in FY 2010 are still being tracked in FY 2012. Improving and updating performance measures is a good practice, but without continuity from one year to the next, it is difficult to gauge progress.

The first measure tracked in the Mayor's budget for TANF is the percentage of work-eligible clients meeting full work participation requirements. The agency estimated 570 cases in FY 2010, compared to a target of 800. In FY 2011 the measure changed from a number of clients to a percent of eligible clients, which makes it unclear whether performance is improving. In FY 2011, 7 percent of work-eligible clients were expected to meet full participation rates. The FY 2012 goal is 9 percent.

The second measure looked at the number of new applicants who were assessed and had an orientation on the new TANF system mandated through the TANF Employment Opportunity and Accountability Act of 2010. DHS expects 70 percent of new applicants to be assessed in FY 2011 and 80 percent would be assessed by FY 2012. Yet DHS has stated that assessing all current TANF participants will likely take much longer.

The third measure tracks the frequency of sanction for TANF participants who have been assigned a vendor but not completed required work participation hours. DHS anticipates a 95 percent sanction rate for TANF families completing zero work participation hours in FY 2011, and slightly higher in subsequent years. And finally, the performance measures track the percent of TANF cases processed within a mandated timeline. This measure should track the efficiency of the IMA processing centers.

The performance measures section no longer includes a number of measures that were tracked in FY 2010, including the percent of TANF Employment Program participants that have obtained employment and the percent of TANF recipients that move from being sanctioned into employment or a work activity. Without these measures, it is difficult to understand the effectiveness of TANF's educational and job training components, which are critical core functions of the TANF program.

Key Performance Measures Not Included in FY 2011 Budget

The Department of Human Services tracks a number of performance measures internally, including the average wage of recipients who find a job and the number of recipients who retain a job up to six months. These are not published as part of its performance measures, however, despite the importance of helping families find stable jobs at living wages. The performance measures for TANF also do not include any tracking of participation in education and supportive services that are offered through TANF. This is of concern because ensuring access to education and supportive services is critical to helping more recipients can transition successfully to employment, and because agency data indicate that only a small proportion of residents that need services may actually be receiving them.

With the new focus in the FY 2012 proposed budget on TANF time limits, sanctions, and transitioning POWER participants to federal SSI, the Department of Human Services should consider adding measures related to these policies to its performance plan. Tracking the number of

individuals and families affected as well as the number of extensions and exemptions (if any) would be a strong start.

The TANF Educational Opportunities and Accountability Act of 2010 created a requirement that DHS report on a broad range of performance measures for TANF, including the number of TANF participants transitioning to employment, the portion finding “high-wage” jobs, and a number of measures on job retention. According to DHS, these measures, among others, will be used in determining the relative share of TANF contracts that each vendor will have. Results of these measures would be of great use in understanding the effectiveness of recent and upcoming TANF reforms, and these measures should be included in the Agency Performance Plan in future years.