

April 12, 2013

WHAT'S IN THE MAYOR'S PROPOSED FY 2014 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, operated by the Department of Human Services (DHS), 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. In recent fiscal years, the District has also had carryover funding to spend on the TANF program. Carryover funds are federal TANF dollars unspent in the year awarded and thus available to be spent in the next year.

Overview of the FY 2014 Budget for TANF

The proposed fiscal year (FY) 2014 budget includes \$75 million for cash assistance. This includes \$6 million to make adjustments to the schedule of benefit cuts, adopted in 2010, for families who have received benefits for more than 60 months.

The budget does not include a cost of living adjustment or other increase to the basic TANF cash assistance amount, which has been at the same level since January 2009.

The proposed budget includes a \$2.5 million increase to provide substance abuse treatment for parents in the TANF program, though a contract with the Department of Behavioral Health. The mayor's proposed budget also includes local funding to replace federal TANF carryover funds that

SUMMARY

MAYOR'S BUDGET PROPOSAL

- The budget includes a \$6 million increase to adjust the timing of the TANF benefit cuts for families who have received benefits for more than 60 months.
- The budget includes a \$2.5 million increase for a contract with the Department of Behavioral Health to provide substance abuse treatment for TANF parents.
- The mayor's proposed budget also includes \$20 million in local funding for the TANF program to replace federal TANF carryover funds that were available in FY 2013 due to under-spending in previous fiscal years but will not be available in FY 2014.
- The budget includes \$33 million for employment service vendors. This is sufficient to sustain the same maximum capacity for unemployed TANF parents, at 3,630 slots. This is not enough however, to serve all unemployed parents who need training. As a result, nearly 1,200 parents on a wait list for training. The average wait is four months.
- The mayor's Revenue Priority List, a set of programs that would get funded, in order, if revenues rise above current projected levels, includes \$4 million for DC's special TANF program, the Program on Work, Employment, and Responsibility (POWER), that provides cash assistance to families who are unlikely to meet TANF work requirements due to short-term incapacity.

are available in FY 2013 and will be spent down by the end of the year, and thus will not be available in FY 2014. Due to under-spending in previous fiscal years, DHS had \$42.7 million in carryover funds for use in the FY 2013 TANF program. DHS anticipates \$22.7 million less in carryover funds for FY 2014. The budget includes a \$20 million increase to replace these funds.

The budget includes \$33 million for contracts with employment vendors who provide job placement and work readiness services. This funding will sustain FY 2013's maximum capacity of 3,630 slots for unemployed TANF parents. This is not enough to serve all TANF parents who are ready for training to help them secure employment. In fact, nearly 1,200 parents were on a waitlist for training as of March 2013, and the average wait time is four months.

The mayor's Contingency Priority List, a list of programs and services that will be funded if revenues increase beyond current projections, includes \$4 million for the Program on Work Employment and Responsibility (POWER). POWER serves TANF families whose head of household is unable to meet program requirements due to incapacity, such as a physical health, mental health, or substance abuse problem. These funds will help increase the capacity of the POWER program to serve more eligible TANF families.

New Benefit Reduction Schedule

Starting in December 2010, the DC Council implemented reductions in cash assistance for families who have received TANF benefits for more than 60 months. Under this plan, benefits for these families were reduced 20 percent in April 2011, with the maximum monthly benefit for a family of three falling from \$428 per month to \$342 per month. Additional benefit reductions were adopted subsequently in a way that would phase out benefits entirely in three steps by October 2014.

Since then, further benefit reductions have been delayed, through September 2013, because many TANF families had not received a comprehensive assessment of their work barriers and had not been referred to a new TANF employment services provider.

Under current law, the next two steps of the benefit phase-out are slated to go into effect in October 2013. For a family of three, this would reduce benefits from \$342 a month to \$150 a month. To prevent families from facing two benefit cuts at one time, the mayor added \$5.9 million to his proposed budget so that the cut in October will be just one step of the phase-out. This means that in FY 2014, a family of three will face a benefit cut, reducing benefits to just \$257 per month (See **Figure 1**.) By October 2015, families on TANF for more than 60 months will not be eligible for assistance.

The time limit has been applied retroactively, meaning it counted months already spent on TANF at the time the new policy was adopted, rather than setting the time limit going forward as most states did when they first implemented time limits. Additionally, the District has not provided time limit exemptions for families that need to deal with serious issues that interfere with their ability to work, such as domestic violence or the care for an ill child. The District doesn't require these families to be looking for employment, but each family's 60-month time limit clock continues to

run. Most states stop the clock to allow families time to deal with these issues. The Council's adopted budget for 2013 included time limit exemptions for these families, but these exemptions were put on a contingent list that was not funded due to inadequate revenues. Funding for these exemptions is not included in the proposed FY 2014 budget. As noted above, the budget's contingency priority list includes \$4 million to move some families to a program for families with incapacities. If funded, this could be used to protect some families from time limit cuts.

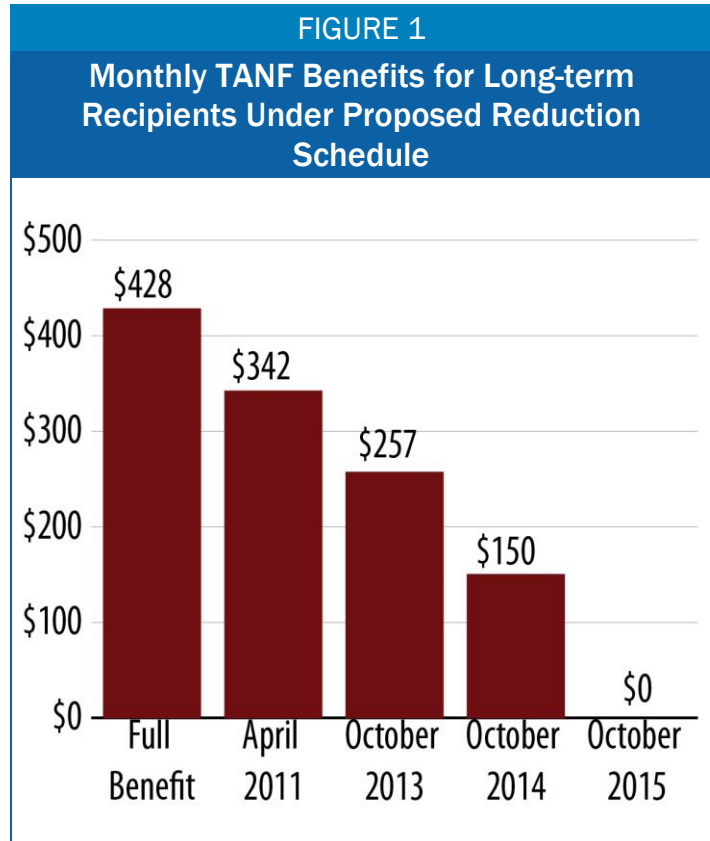
TANF Re-Design and New Employment Services

In late 2011, DHS began to implement a redesigned TANF program to help families move towards employment and become more stable. Rather than the "one-size fits all" nature of DC's TANF employment services up to this point, the new TANF program uses a one-on-one assessment to identify each parent's barriers to employment and then provide a set of services tailored to these needs.

A spring 2011 pilot program with 164 families confirms the promising nature of this approach, as it resulted in a ten-fold increase in the share of recipients participating in work activities.¹ This was achieved in just 5 weeks, indicating that parents enthusiastically participate in work-related and barrier-removal activities if they are matched to their actual needs.

The new approach requires a significant increase in DHS staff to perform the one-on-one assessments and provide ongoing case management for parents who are not receiving services from an employment vendor, the Department of Employment Services (DOES), or nonprofit provider. This includes parents who are on the wait list and have not yet received vendor services. The proposed FY 14 budget includes funding to hire 34 additional staff and to retain 39 staff hired with one-time funding in FY 2013. It is not yet clear if this is sufficient staff to ensure every TANF parent has case management services.

The proposed budget includes \$33 million for TANF employment vendors, sustaining FY 2013's maximum capacity to serve 3,630 unemployed TANF parents. This is not sufficient to meet the need for training and as a result there is a waitlist of nearly 1,200 TANF parents for these vendors. As of March 2013, the average wait time to access vendor services was four months. This wait time



¹Department of Human Services report: *The Redesign of DC's Temporary Assistance for Needy Families (TANF) Program*. 2011. http://newsroom.dc.gov/file.aspx/release/22363/TANF__RedesignWhitePaperFinal26Aug11.pdf

is likely to increase as DHS plans to assess the remaining 9,000 parents who have not yet received an assessment by the end of June 2013. It is anticipated that the vast majority of these parents will be referred to an employment vendor based on the results of their assessments.

Program on Work Employment and Responsibility (POWER)

The Program on Work Employment and Responsibility (POWER) serves TANF families whose head of household is unable to meet program requirements due to incapacity, such as a physical health, mental health, or substance abuse problem. POWER families are not subject to the TANF time limits.

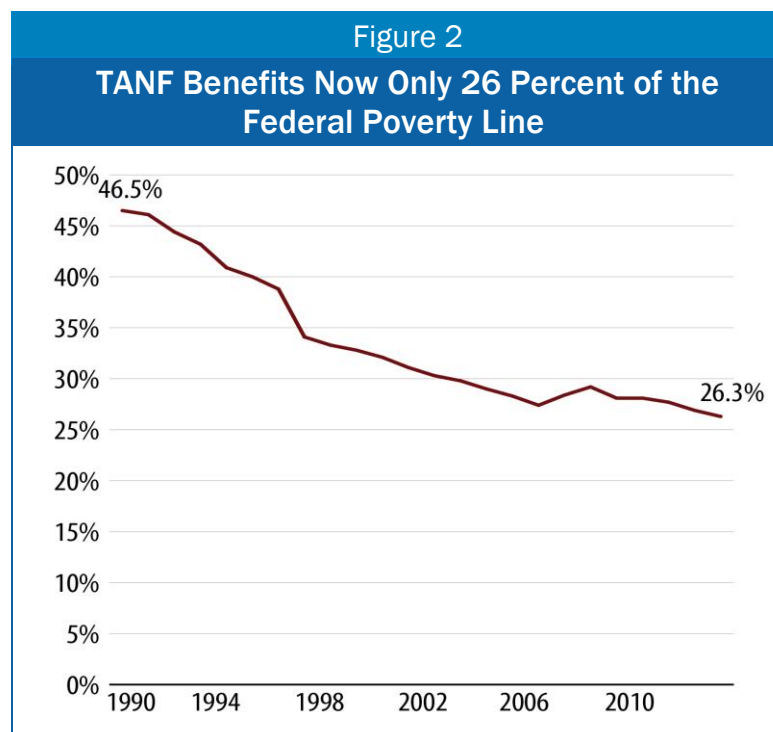
The mayor’s proposed budget includes a new contingent funding list, items that will be funded, in order, if the revenues projected for FY 2014 increase. Sixth on this list is \$4 million for POWER expansion. The new one-on-one assessment process has helped DHS better identify a parent’s barriers to employment, and this has led to an increase in the number of parents referred to POWER. In FY 2014, DHS plans to have Department of Behavioral Health staff available on-site during the assessment process, leading to further improvement in indentifying parents eligible for POWER. This increase will pay for the costs associated with increased enrollment. However, because this is on a contingent list, there is no guarantee it will be funded. Very few items have been funded off such lists in the past two years.

In FY 2012, the Department of Human Services budgeted for additional staff—nine full-time equivalent staff — to assist POWER participants in applying for Supplemental Security Income (SSI), the federal benefits program for people with disabilities. This would transition those POWER recipients to a federal income source, thus saving the District money while providing a higher and more stable household income for the recipient. The monthly SSI benefit for an individual is \$710 a month in 2013, and benefits are adjusted for inflation each year. This is much higher than DC’s TANF benefit. DHS estimated that this initiative would save \$1.5 million in FY 2012. But as of January 2013, only five employees had been hired, and they had not yet started working with families. Progress in transitioning POWER families to SSI can free up funding to pay for the increased POWER caseload.

Related Issues

Benefit Value Continues to Decline

The value of DC’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 of \$428 per month for a family of three is just 26 percent of the federal poverty line. The District's TANF benefits have not seen any increase since 2008, and they have lost value steadily since 1990 (see **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.

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, \$638 in Los Angeles, and \$753 in New York City. Maryland has a maximum monthly benefit of \$576 for a family of three. The state adjusts TANF benefits to ensure that TANF benefits plus Supplemental Nutritional Assistance Program (SNAP) benefits, commonly known as food stamps, meet a Minimum Living Level as determined by the state.

Performance Measures

Each agency's budget includes a number of performance measures intended to provide an indication of how well the agencies are using funds to meet their goals. Unfortunately, the quality of these performance measures is quite uneven, with some lacking clarity and others disconnected from the agency's core functions.² Additionally, the performance measures reported change from year to year. 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 FY 2014 budget includes six TANF-related performance measures from previous years and two new measures. One of the new measures is similar to an existing measure, is the percentage of new or recertifying work-ready applicants who completed their preliminary assessment and orientation. Beginning in March 2013, all new or recertifying TANF applicants are required to complete an assessment and Individual Responsibility Plan (IRP) in order to receive benefits. The IRP outlines the activities the parent must complete in order to continue receiving their full benefits. The other new measure is related to the mayor's One City Action Plan. This measure is the number of TANF recipients who exit off of TANF due to increased income. The baseline for this measure will be established in FY 2013, and the target will increase 7 percent from this baseline in FY 2014 and FY 2015.

All of the TANF performance measures are summarized in the **table** below.

² The issues related to DC's performance measurement are discussed further in a 2009 DCFPI report, Ten Ways to Improve the Transparency of the DC Budget. <http://www.dcfpi.org/ten-ways-to-improve-the-transparency-of-the-dc-budget>.

Measure:	FY 2012 Projection	FY 2012 Actual	FY 2013 Projection	FY 2014 & FY 2015 Projections
Percentage of new or recertifying applicants who completed their preliminary assessment and orientation.	80%	N/A	100%	100%
NEW in FY 2014: Percentage of new or recertifying work-ready applicants who completed their preliminary assessment and orientation.	80%	N/A	50%	100%
Vendor-assigned non-employed clients who meet full monthly work participation requirements	26%	22%	31%	31%
Clients placed by Job Placement vendors in unsubsidized employment	9%	10%	11%	11%
Clients placed by Work Readiness vendors in unsubsidized employment	6%	6%	8%	8%
Clients placed in unsubsidized employment by Job Placement vendors who meet full monthly work participation requirements	50%	68%	53%	53%
Clients placed in unsubsidized employment by Work Readiness vendors who meet full monthly work participation requirements	45%	68%	48%	48%
NEW in FY 2014: Number of recipients who exit off TANF due to increased income	N/A	N/A	Baseline	+7%

A number of other measures are included in the TANF Educational Opportunities and Accountability Act of 2010, but not included in the budget. These are critical in understanding the effectiveness of the TANF redesign and thus should be included in the Agency Performance Plan in future years.

These measures include the number and percentage of total caseload who:

- after exiting TANF due to earnings, reapply after 3, 6, 12, and 18 months;
- apply for and receive a domestic violence waiver from work requirements, respectively;
- are referred to and approved for POWER, respectively;
- are referred to and receive treatment for substance abuse or physical or mental disabilities, respectively;
- are referred to, enrolled in, and completed the Tuition Assistance Program Initiative for TANF (TAPII), respectively;
- are referred to, enrolled in, and completed the University of the District of Columbia PATHS program; and
- are on the waitlist for vendor services for 6 months and 12 months, respectively, after the date of referral.

In addition to these, another performance measures could be added based on requirements built into the contracts with employment services providers:

- the number of clients finding “high-wage” jobs, defined in the contracts as equal to or exceeding \$2.50 below the living wage rate. The current living wage rate is \$12.50/hour, which means that “high wage” job for TANF recipients are defined as those paying more than \$10 per hour.

Performance measures related to referrals to social services and the ability to actually access services are particularly important. Available data indicate that only a small proportion of TANF recipients who needed services in the past were actually able to access them.³ As the District moves forward with the TANF redesign, this gap may become even larger as the new assessments are expected to identify many needs that were previously undiagnosed.

Finally, there are other measures related to recent changes to the TANF program that would be useful:

- the number of POWER participants who transition to federal SSI as a result of the initiative begun in FY 2012; and
- the number of these families who had exemptions from work requirements, the number of months they were exempt, and the reasons for these exemptions.

³ DCFPI and SOME, Inc. (So Others Might Eat). Voices for Change: Perspectives on Strengthening Welfare-to-Work from DC TANF Recipients. <http://www.dcfpi.org/voices-for-change-perspectives-on-strengthening-welfare-to-work-from-dc-tanf-recipients>.