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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 the FY 2012 Budget for TANF

The FY 2012 budget reduces the cash assistance portion of the TANF budget by $6.1 million, primarily due to two major changes to TANF benefits: a new "full-family sanctions" policy that would eliminate benefits entirely for insufficient compliance with program rules, and the addition of staff to help TANF recipients with disabilities apply for federal SSI benefits. The budget does not 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 budget also puts in place a new five-year lifetime limit on TANF benefits that would be phased in substantially by October 2012 and fully by October 2014.

SUMMARY

MAYOR'S BUDGET PROPOSAL

- The FY 2012 proposed budget for the Department of Human Services Budget included a $9.5 million cut in funding for TANF benefits.
- The largest reduction in cash assistance came 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 have entirely eliminate assistance for these families by October 2013.
- The budget included a small reduction in funding for TANF employment services, despite plans to implement a more robust employment program in 2012.
- The agency proposed 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.

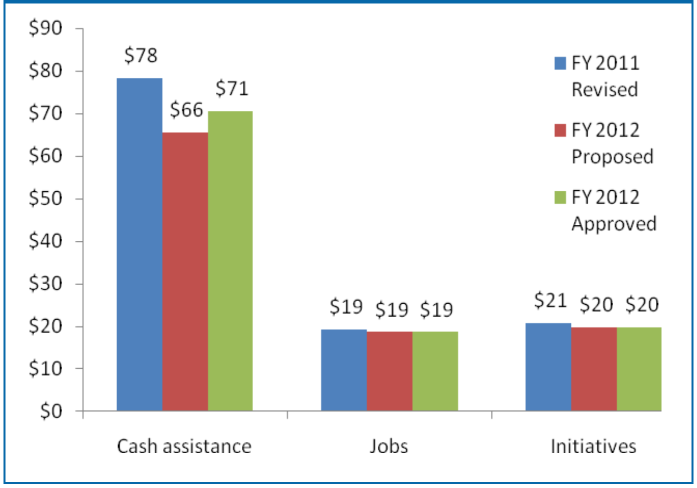
FINAL COUNCIL VOTE, JUNE 14

- The Council voted to restore $4.9 million for TANF, which will allow cash assistance benefit levels for needy families with children to remain at current levels in 2012. The budget still includes substantial benefit cuts starting in 2013.
- Reductions in TANF cash benefits proposed in the Mayor's plan were pushed back one year and will be implemented in FY 2013.

The budget maintains job training funds at the 2011 level.

The FY 2012 budget includes $17.5 million in federal TANF stimulus funds in addition to 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.

FIGURE 1
GROSS TANF FUNDING
FY 2011 – FY 2012



Analysis of the FY 2012 TANF Budget

The approved FY 2012 budget includes a number of major changes to benefits and services provided by the District's TANF program. Cash assistance will drop by $6 million from FY 2011 to FY 2012, from an estimated $78 million in FY 2011 to $71 million in FY 2012. The majority of these savings would be achieved by implementing two major initiatives within the TANF program:

- 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).

Additional savings will come from the 20 percent reduction in cash assistance to families receiving TANF for more than 60 months that was implemented in April of this year. The budget support act further reduces benefits for families that have received assistance for 60 months by an additional 20 percent in FY 2013, and phases them out completely by the end of FY 2014.

Jobs funding will drop slightly from $19 million to $18.7 million in FY 2012 (Figure 1). This slight reduction in funding comes at a time when DHS is substantially expanding and improving TANF vendor contracts, assessments, and related services. The impact of the reduction in funds on planned improvements is unclear at this time.

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. The decrease is attributable almost exclusively to a precipitous drop in the undefined "other" category, so the impact of the decrease is unclear. Most TANF initiatives would be flat funded at FY 2011 levels in FY 2012.

Full-Family Sanctions

The FY 2012 budget 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 is expected to be completed this summer, and will have to be approved by the Council before implementation.

However, there are some concerns about the way in which a new sanctions policy will be developed before the start of the fiscal year. Because a $3 million savings from implementing sanctions has already been included in the FY 2012 budget, it is likely that the savings will have a heavy influence in the development of the sanctions policy. A good sanctions policy helps families move forward by holding parents accountable to program rules, instituting financial penalties for noncompliance, and allowing swift re-engagement when a family comes back into compliance. There is concern that instead, the savings will dictate the policy—rather than the policy dictating the savings. This approach risks implementing an overly-harsh sanctions plan that harms families.

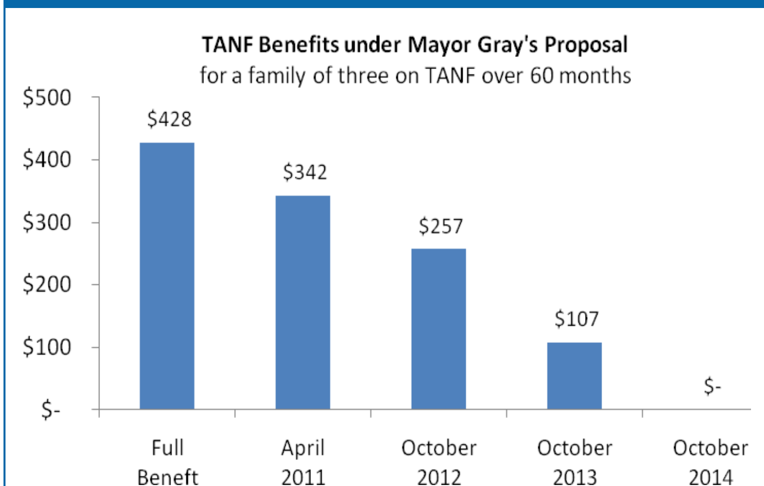
POWER-to-SSI Initiative

DHS will hire additional staff—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 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 longer, meaning that individuals applying in FY 2012 may not be approved until FY 2013 or later.

Five-Year Time Limit

The FY 2012 budget puts in place a 60-month lifetime time limit on TANF benefits, phased in over FY 2013 and 2014. The change will be retroactive, meaning that it would apply to time already spent on TANF, rather than resetting the clock at zero for all families. This phaseout follows a 20 percent benefit cut to long-term TANF families implemented in April 2011, adding a further 20 percent reduction in October 2012, reducing benefits to $257 a month for a family of three. This would be followed by another

**FIGURE 2:
MONTHLY TANF BENEFIT LEVELS UNDER PROPOSED TIME LIMIT
FY 2011 – FY 2013**



25 percent cut in October 2013 and a complete elimination the following year (see Figure 2) This represents an improvement over the Mayor's proposed budget, which would have phased in the time limit a full year sooner, starting in October 2011.

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, shortly after new TANF programs begin to be implemented.

The time-triggered reductions will affect more than 7,000 TANF families in FY 2013. 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.

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 3).

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.

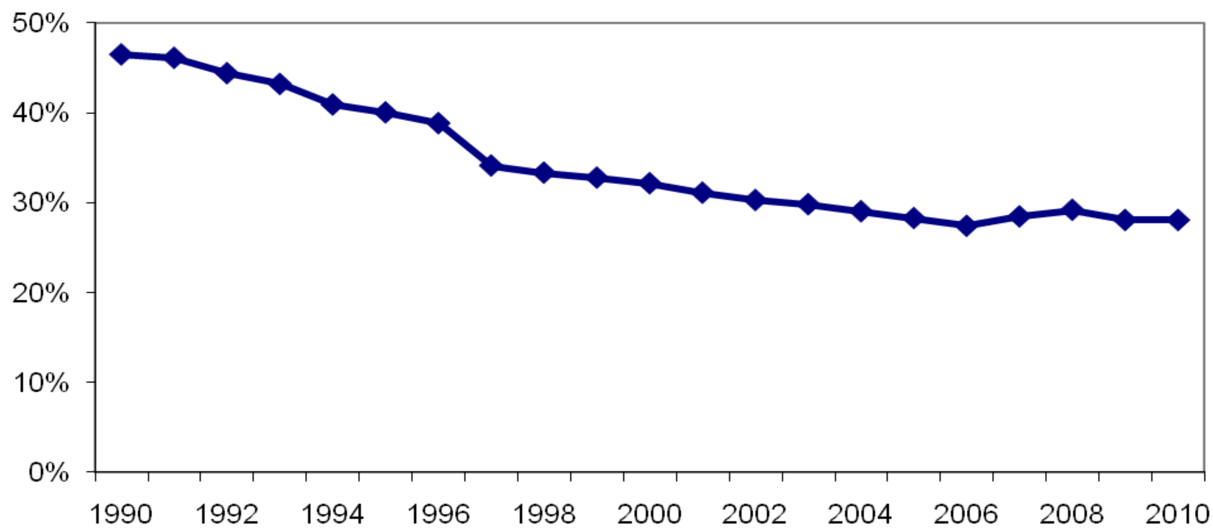
New Vendor Contracts Pending

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 was issued in June, forcing a very short turnaround. 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.

FIGURE 3
TANF BENEFITS AS A PERCENT OF THE FEDERAL POVERTY LINE, 1990-2010



TANF Benefits as a percent of the Federal Poverty Line for a family of three, adjusted for inflation to equal 2011 dollars

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]

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

[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*.

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 2012 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.