DC Fiscal Policy Institute

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WHAT'S IN THE FY 2016 BUDGET FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)?

SUMMARY OF THE FINAL FY 2016 BUDGET FOR TANF

- Extends benefits and employment assistance for one year to more than 6,000 families with 13,000 children that faced the loss of TANF cash benefits and services in October 2015.
- Includes an annual cost-of-living adjustment (COLA) to TANF benefits. For a family of three, this will increase the maximum benefit to $444 a month.
- Spreads out a previously legislated benefit increase scheduled for FY 2017. The increase now will be implemented over three years—fiscal years 2017-2019. This will bring benefits to $649 a month for a family of three in FY 2019, which is more in line with benefits in other high-cost jurisdictions.
- Includes $42 million for a broad range of employment services. This is a decrease of $4 million from the FY 2015 budget. The reduction reflects an expectation that the Department of Human Services would not be able to spend all the funding allocated in FY 2015. The FY 2016 funding level matches what the agency will be able to spend.
- Capacity in the TANF Employment Program (TEP) will expand from 3,630 to 4,830 parents.
- Includes $2 million for a new partnership with the Department of Employment Services to provide job training and work readiness services to 1,000 TANF parents.

The fiscal year (FY) 2016 budget extends benefits and employment assistance for one year to more than 6,000 families who faced the loss of TANF cash benefits and services in October 2015. This will prevent 13,000 children from falling deeper into poverty and will give the mayor and the new human services leadership a year to address a troubled TANF program that has not served families well. The Department of Human Services (DHS) will work over the next year to develop a plan to improve services to families close to the time limit and to provide time limit extensions to families in certain circumstances.

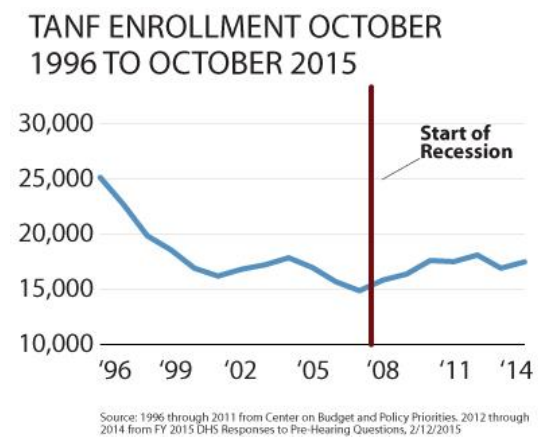
Background on TANF

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.

The number of DC families receiving TANF assistance today – about 17,000 – is about one-third lower than in 1996, when federal welfare reform legislation was adopted. The District's TANF caseload fell through 2008, until the Great Recession, even though the city did not use a time limit or other policies to remove families from assistance. The number of families receiving TANF assistance has risen since 2008 – to roughly 17,000 today – in response to the recession, but the total still remains well below the 1996 level. (See **Figure 1.**) The caseload remains elevated in part because job prospects remain weak for DC residents with less than a bachelor's degree. One-third of DC adults with a high school degree are either unemployed, working part-time despite wanting a full-time job, or too discouraged to even look for work. Others are working but have seen their wages fall.[1]

FIGURE 1

Number of DC Families on TANF Has Fallen Sharply Since 1996



Given the numbers of parents and children involved – TANF serves roughly one-third of DC families – an effective TANF program is important to the well-being and future of DC's children and an important component in the city's efforts to reduce unemployment.

The FY 2016 Budget Extends Assistance for One Year to Families Facing a Time Limit Cutoff

The budget extends benefits and employment assistance for one year to more than 6,000 families who have received TANF assistance for more than 60 months and faced the loss of TANF cash benefits and services in October 2015. This will prevent 13,000 children from falling deeper into poverty, and it will give the mayor and the new human services leadership a year to address a troubled TANF program that has not served families well.

DC's time limit policy has problems that put children at risk of hardship and raise serious questions of fairness.

- **Inadequate access to employment services:** Families wait up to 11 months to get into DC's TANF employment services, with their time clock ticking. In Maryland, by contrast, the time clock does not run when families do not receive services.
- **Families have been denied assistance due to a dysfunctional TANF computer system:** For example, the DC Council created a time limit exemption for parents with newborns. But the District has not been able to implement it because the computer system could not accommodate it.

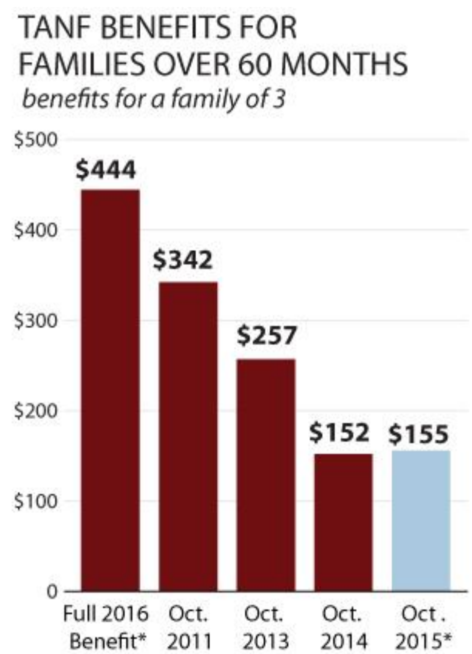
[1] *Left Behind: DC's Economic Recovery is Not Reaching All Residents.* DCFPI. January 2015. http://www.dcfpi.org/left-behind-dcs-economic-recovery-is-not-reaching-all-residents

- **DC's time limit was applied retroactively, meaning it counted months already spent on TANF at the time the new policy was adopted:** Most states set the time limit going forward when they implemented time limits, so families had time to prepare for and find work.
- **DC's time limit cuts families off even when parents are doing everything they can to find a job:** Some states extend benefits when parents are doing what is expected of them to look for work, but DC does not.

Some 44 states – but not DC – offer time limit extensions recognizing that some families need more time to move to self-sufficiency. Many states offer intensive services as families reach time limits, and some use specialized assessments and services to help parents find and retain employment. These jurisdictions recognize that parents who remain on TANF for long periods often suffer from significant mental health challenges and/or developmental disabilities that are difficult to identify through traditional assessments and case management.

FIGURE 2

TANF Cut off Delayed But Benefits Remain Low



Source: Fiscal Year 2013-16 Proposed Budget and Financial Plan & 29 DCMR § 7200, DC Code § 4-305.52

*Estimated using 2.4% COLA inflator (inflator used by DC Office of Chief Financial Officer to estimate annual TANF COLA)

The mayor's TANF proposal includes important efforts to better understand the needs of TANF families, which will then inform changes in services and in the time limit policy. A responsible time limit policy is important because research from other states finds that the vast majority of families cut off TANF are not able to replace lost benefits with employment income, leaving many to lead chaotic and unstable lives. The mayor's proposal will:

- **Develop a fundamental understanding of long-term TANF participants:** The Department of Human Services will support research on a group of DC's long-term welfare recipients to better understand their characteristics and needs, and it will conduct a thorough assessment of all families once they are within one year of reaching the time limit.
- **Provide new services for families with multiple barriers:** The mayor plans to expand access to employment services in 2016, while taking time to develop new service options for 2017 and beyond, such as closely linking employment and mental health services.
- **Create hardship extensions for families in certain circumstances:** Starting in FY 2017, the District will give extensions to families that meet conditions that warrant a time limit extension.

The Council should use its oversight function to monitor the new policies and services that will be developed, and to ensure that TANF families have access to employment services in a timely way over the next year.

Even with the extension of assistance, many families will be hanging on by a thread. Benefits for families who have received TANF for more than 60 months have been cut sharply to just $155 a month in FY 2016 for a family of three. (see **Figure 2**.) Given that most TANF families do not receive housing assistance, this is too low for families to make ends meet.

TANF Employment Services Will Change to Serve More Families, But Funding Will Fall

DHS plans to expand the capacity in the TANF Employment Program (TEP) from 3,630 to 4,830. TEP, operated by for-profit and nonprofit vendors, provides job placement assistance and services to enhance a parent's employability – education, vocational training, work experience, and community service. However, there has not been enough capacity at these vendors, and parents have had to wait an average 11 months before they can start receiving services. Meanwhile their TANF time clock has continued to run. Expanding capacity will help reduce wait times.

DHS is also planning new initiatives to help meet the need for employment services. The budget includes $2 million for a new partnership with the Department of Employment Services (DOES) to create an additional 1,000 job training and work readiness slots. And DHS plans to create a new community partner initiative, which will identify nonprofit organizations already providing services to TANF parents and work with these organizations to provide services that meet the parents' TANF requirements.

Even with these expansions, funding for TANF employment services will fall to $42 million, a decrease of $4 million from the FY 2015 budget. This reflects the fact that the Department of Human Services has not been able to spend all the funding allocated for TEP services. The FY 2016 budget level reflects what the agency will be able to spend in FY 2016.

District Has Been Unable to Implement Time Limit Exemption for Parents with Newborns

The Program on Work Employment and Responsibility (POWER) serves TANF families whose head of household faces circumstances that make it difficult or impossible to meet TANF work participation requirements. When families are placed in POWER, the months of assistance they receive do not count towards a parent's 60-month time limit and families receive the full TANF benefit amount, even if they have received TANF for more than 60 months.

TANF parents qualify for POWER if they:

- have a physical health, mental health, or substance abuse problem;
- are teen parents enrolled in school or a GED program;

- are needed in the home to care for a family member with a disability;
- are 60 years of age or older; or
- are dealing with domestic violence.

The Department of Human Services has not implemented a provision adopted in 2015 to make single parents caring for a newborn eligible for POWER. The agency is in the process of moving to a new data system, DCAS, which will allow them to administer this exemption starting in FY 2017.

Planned Cash Assistance Increase Will be Spread over Three Years

A proposal adopted last year to bring DC'S TANF cash assistance benefit levels in line with benefits in other high-cost jurisdictions will be implemented over a three-year period under the FY 2016 budget rather than in one year as originally planned.

The FY 2015 budget included a provision to provide an annual cost-of-living adjustment (COLA) increase to TANF benefits, and to provide a one-time 46 percent increase in benefits in 2017. The FY 2016 budget maintains the benefit increases but spreads the FY 2017 benefit increase over the FY 2017-FY 2019 period. By FY 2019, the maximum benefit for a family of three will be $649 a month, compared with $444 in FY 2016. (See **Table 1**.)

Table 1

TANF Benefit Increase Schedule for a Family of Three

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
% Increase	--	1.5%	2.4%*	15.3%	13.3%	11.8%
Monthly Benefit	$428	$434	$444	$512	$581	$649

In millions. All figures adjusted for inflation to equal FY 2016 dollars.

*Estimated COLA used by DC CFO.

Sources: Proposed FY 2016 Budget Support Act of 2015, 29 DCMR § 7200, DC Code § 4–205.52

The increases will help reverse a long-term slide in the purchasing power of TANF benefits. The value of DC's TANF benefit has declined dramatically since 1991, when an automatic COLA was eliminated (See **Figure 4**). The increase in benefits now scheduled for fiscal years 2017-2019 will put DC's benefits in line with benefits in other high-cost jurisdictions such as Boston ($618), Los Angeles ($704), and New York City ($789). Even with the increase, cash benefits will be only at 35 percent of the poverty line in FY 2019.

Figure 4

TANF Benefits Now Only 26 Percent of the Federal Poverty Line