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## **OPPORTUNITIES FOR THE DISTRICT TO COLLECT \$46 MILLION IN TANF STIMULUS FUNDS**

by Katie Kerstetter

DC's declining revenues have led to lots of budget cuts recently, cuts that have fallen most heavily on the city's services for low- and moderate-income families.<sup>1</sup> The District's Department of Human Services (DHS), for example, saw its budget cut by \$24 million from FY 2009 to FY 2010.

But amidst all the budget cutting, there's some good news. The District is eligible for \$46 million in Temporary Assistance to Needy Families (TANF) funds, through a TANF "Emergency Contingency" fund established in the federal stimulus legislation. These funds can be used to restore services for low-income families with children, to strengthen welfare-to-work services, or to assist nonprofits that are facing rising demands for services, among others.

To date, the District has applied for and received less than \$1 million in TANF stimulus funds, although it plans to apply for more. This paper highlights the importance of claiming the remaining funds, outlines some of the ways that the city can apply for stimulus funds, and recommends ways to use these funds to strengthen services for low-income families in DC.

### **How the TANF Emergency Contingency Fund Works**

The TANF Emergency Contingency Fund was created in the federal stimulus package to help states cover the costs associated with rising caseloads during the economic downturn. Each state is eligible for up to 50 percent of their annual TANF block grant award — which means the District can draw down \$46 million. DC has until the end of fiscal year 2010 to claim these funds.<sup>2</sup>

In order to access these funds, DHS must demonstrate that the District is spending more on services allowed under the TANF block grant — including expenditures of federal TANF funds and local matching ("maintenance of effort") funds — in at least one of three categories:

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<sup>1</sup> "What's in the Amended FY 2010 Budget? A Summary," DC Fiscal Policy Institute, October 2, 2009, <http://dcfpi.org/?p=918>.

<sup>2</sup> The District and states also can claim federal TANF "contingency" funds from an ongoing program. But the amount that can be claimed is limited to 20 percent of the state's total block grant, and funds for fiscal year 2010 are likely to be available for only one-fourth of the year. This means DC could claim only about \$4.6 million (20 percent of \$92 million for one-fourth of the year.)

- **Basic Assistance:** States can receive 80 percent of their increased basic assistance costs if they can demonstrate that their TANF caseloads have increased over the base year's level. Basic assistance refers to any ongoing benefits to families, including cash assistance.
- **Subsidized Work:** Subsidized work programs help TANF recipients gain employment experience, while receiving a state-funded wage. States can claim an 80 percent reimbursement for a range of expenses related to subsidized work programs, including wages, benefits, supervision and training, and administrative costs associated with developing and overseeing the program.<sup>3</sup>
- **Short-term, Nonrecurring Benefits:** States can receive an 80 percent reimbursement for increased spending on short-term benefits, including employment bonuses to families who leave TANF for work, emergency rental assistance, and free tax-preparation services. In order to qualify as "short-term," the assistance cannot last longer than four months.

To show the increase in spending, the District can use either FY 2007 or FY 2008 as its "base year." The District then must show that its spending in a given category has increased from the base year to FY 2009 or FY 2010. States can submit applications for both FY 2009 and FY 2010 and can use different base years for different categories.

States also can use increased spending by nonprofit or for-profit organizations to claim TANF stimulus funds. Increased spending by such "third-party organizations" in one of the three eligible categories can be included in states' TANF stimulus applications. For example, if the Capital Area Food Bank has increased its expenditures on short-term food assistance, those increases can be added to any increase in DC government spending on short-term aid to claim TANF stimulus funds. To the extent that the stimulus funding is then returned to these providers, it can help local organizations who are struggling in the economic downturn.

DC and the states can use the TANF stimulus funds to expand critical services, while only contributing 20 percent of the costs. Yet even if tight fiscal conditions prevent a state from newly expanding services, it can claim TANF stimulus funds if spending has increased under *existing* programs in one of the three categories noted above.

## Opportunities for the District to Apply for TANF Stimulus Funding

The District operates a number of programs that could qualify for reimbursement from the TANF Emergency Contingency Fund. Because the TANF block grant generally must be used to serve low-income families with children, only funds used to serve these families — or non-custodial parents of these children — can be counted. Below are four examples of programs DC could use to claim TANF stimulus funds:

- **Emergency Rental Assistance Program:** Operated by the DC Department of Human Services, ERAP provides emergency rental assistance to low-income District residents to prevent them from becoming homeless. The program qualifies as a short-term, nonrecurring

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<sup>3</sup> Liz Schott, "Opportunities Under the TANF Emergency Fund Created by the Federal Recovery Act," Center on Budget and Policy Priorities, July 29, 2009, <http://www.cbpp.org/cms/index.cfm?fa=view&id=2878>.

benefit. From FY 2007 to FY 2009, spending on ERAP increased by \$2.6 million, and from FY 2007 to FY 2010, spending on ERAP increased by another \$2.6 million. Approximately 80 percent of ERAP benefits go to families with children, so about \$4 million of the increased expenses can be used to claim TANF stimulus funds. In return for \$4 million in increased spending, the District would be eligible to receive 80 percent of the increased cost or \$3.2 million.

- **Grandparent Caregiver Subsidy Program:** This program provides cash assistance on behalf of grandchildren who are being cared for by grandparents or other non-relatives. The program is operated by the Child and Family Services Administration and would qualify as a basic assistance program.<sup>4</sup> The FY 2010 budget is \$1.2 million more than the FY 2008 budget. The District is eligible to claim 80 percent of this increase or \$960,000.
- **Project Empowerment:** Operated by the DC Department of Employment Services, Project Empowerment provides subsidized jobs to low-income DC residents. The program would qualify under the subsidized employment category. Project Empowerment's budget increased by \$5.1 million from FY 2007 to FY 2009 and by \$7.3 million from FY 2007 to FY 2010. Because the program serves both families with kids and others, the District would need to determine what share of the program serves families with children or non-custodial parents. Then, 80 percent of those funds could be claimed in TANF stimulus funds.
- **Summer Youth Employment Program:** This program provides subsidized summer jobs to DC youth and is operated by the DC Department of Employment Services. SYEP would qualify under the subsidized employment category. Expenditures for SYEP have greatly increased in recent years with the program's expansion. The program is not limited to youth in low-income families, so the District would need to determine what share of SYEP serves low-income families with children. This could be achieved by matching SYEP records with food stamp or Medicaid records. Then, 80 percent of those funds could be claimed for reimbursement.

## Uses of TANF Stimulus Funds

TANF stimulus funds can be used broadly, for any activity that meets one of the four purposes of the TANF program. The four purposes of TANF are to:

- assist needy families so that children can be cared for in their own homes;
- reduce the dependency of needy parents by promoting job preparation, work, and marriage;
- prevent out-of-wedlock pregnancies; and
- encourage the formation and maintenance of two-parent families.<sup>5</sup>

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<sup>4</sup> It is important to note that because the assistance is provided for children only, and not to adults, the TANF work requirements would not apply, because those apply only when an adult receives aid.

<sup>5</sup> U.S. Department of Health and Human Services, *About TANF*, 2008, <http://www.acf.hhs.gov/programs/ofa/tanf/about.html>.

In the FY 2010 budget, DHS estimates that it will receive between \$1.5 million and \$6 million in TANF stimulus funds. The agency proposes to use these funds for two initiatives: a Work Advantage Program that would provide rental assistance, a savings match, and case management to families who are working at least 20 hours per week and monthly payments of \$100 to TANF families who meet the full work participation requirement.

The agency's proposed uses of stimulus funds, as noted in the FY 2010 budget, focus on serving families that are close to or are already meeting the federal work requirement. While it is important to encourage more families to access job training and move to employment, stimulus funds also should be spent on initiatives that could help a broader group of TANF recipients and other low-income families in DC.

- **Improving Assessments:** Before TANF recipients can access stable employment, many must address barriers to work such as low levels of education, domestic violence, and child care issues. Administrative data from DC's Income Maintenance Administration (IMA) indicate that many TANF recipients who are eligible for services do not receive them. For example, while an estimated 20 percent of DC TANF recipients experienced domestic violence in the past year, in FY 2008, less than one percent received domestic violence services from the TANF program's provider.

More TANF recipients could get the help they need to move to employment if IMA improved its assessment process. Currently, assessments are performed by a benefits eligibility worker as part of the process of determining whether an applicant is eligible for TANF. Other states have moved away from this approach because benefits eligibility workers often do not have the time or the training to effectively screen applicants for barriers to work. In addition, research has shown that TANF applicants are less likely to disclose barriers to someone who is responsible for determining their eligibility.<sup>6</sup>

Stimulus funding could be used to develop a new assessment and to pilot a new assessment approach at several IMA service centers. As part of the assessment process, recipients should be informed about the various services available through the TANF program.

- **Expanding Job Training Options:** While the District's TANF program offers several education and job training options, many recipients do not know about these options and are usually directed to one of the District's six TANF Employment Program vendors. These nonprofit and for-profit organizations provide very basic job readiness training with the goal of moving recipients into employment quickly.

While this approach may be helpful for some TANF recipients, others have difficulty finding and maintaining jobs without more extensive education and hard skills training. Currently, only 46 percent of TANF recipients who find employment are still employed after six months. The District could use stimulus funding to expand its existing Paving Access to Higher Security (PATHS) program or to pilot a new approach to job training that could inform the new

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<sup>6</sup> Terri S. Thompson, Asheley Van Ness, and Carolyn T. O'Brien, "Screening and Assessment in TANF/Welfare-to-Work: Local Answers to Difficult Questions," U.S. Department of Health and Human Services, December 2001, <http://aspe.hhs.gov/daltcp/reports/diffques.pdf>, p. 50.

employment vendor contract the agency will be developing for FY 2011.

- **Supporting Nonprofit Service Providers:** In addition, a portion of the stimulus funds could be used to support nonprofit social service providers that are struggling with increased demand and declining resources. To the extent that the District can work with nonprofits that are providing short-term assistance to claim stimulus funds, it would make sense to return the stimulus funds to these groups. In this way, TANF stimulus funds could help maintain important social services during the current economic downturn.
- **Restoring Cuts to Homeless Services:** For the past two years, the District has added between \$7 million and \$10 million in federal TANF funds to its local homeless services budget. These funds help pay for shelter and services for DC's homeless residents. In the FY 2010 budget, DHS decided not to allocate any TANF funds to homeless services, cutting the homeless services' budget by 20 percent. Such a deep cut has led many providers to question whether they can keep their shelters open past the winter months. To the extent possible, TANF stimulus funds should be used to help close the homeless services funding gap for FY 2010.

## **Conclusion**

The TANF Emergency Contingency Fund provides an important opportunity for the District to draw down funds it can use to help low-income families access services and transition to employment. There are many programs in DC that can be used to claim federal stimulus funding, and we hope that DHS, with the help of the Fenty administration, moves quickly to claim the city's share.