

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HUMAN SERVICES



Office of the Director

MEMORANDUM

TO: Dan Tangherlini
City Administrator

FROM: Kate Jesberg
Interim Director

DATE: April 12, 2007

RE: TANF Grant Parity Analysis

In response to Mayor Fenty's "100 Days and Beyond: 2007 Action Plan for the District of Columbia" report, I am pleased to provide the analysis below of the cost of achieving parity with the State of Maryland in our Temporary Assistance for Needy Families (TANF) grant award. As you are aware, in the Mayor's report he committed to exploring the possibility of increasing the TANF grant award to achieve parity.

Based upon information available from the State of Maryland, I estimate that it will cost the District of Columbia approximately \$9.5 million to provide the same level of support for TANF recipients as is received by recipients in Maryland. This estimate is derived using the following methodology:

Assumption: average monthly TANF caseload = 15,500 families

Annual cost at D.C.'s current average grant per family =
 $15,500 * \$350 * 12 = \$65,100,000$

Annual cost at Maryland's current average grant per family =
 $15,500 * \$401 * 12 = \$74,586,000$

Difference = \$9,486,000 (approximately \$9.5 million)

Please be aware that this analysis is imperfect and limited by the availability of data from Maryland. For example, we know that the maximum benefit paid to a family of three in

Maryland is \$549 month (compared to \$407 in the District) and that the average family size among the Maryland TANF caseload is 2.36 people (compared to 2.46 in the District). However, the average grant paid to Maryland families is significantly lower than the maximum for a family of three receiving the maximum. Further this difference between the average and maximum in Maryland is nearly three times larger than the same difference in the District.

Maryland maximum for family three	= \$549
Maryland average grant	= \$401
Difference	= \$148

D.C. maximum for family of three	= \$407
D.C. average grant	= \$350
Difference	= \$ 57

This difference is likely the result of several factors. For example, the distribution of caseload by household size (e.g., the number of families with one member, two members, etc.) will affect the average grant paid to all families. Additionally, administrative policy choices will also affect grant amounts. As you are likely aware, not all families receive the maximum grant allowed because grant amounts are derived by considering household size and the availability of other income and resources. The administrative decisions regarding the treatment of income and resources vary across states. For example, Maryland disregards 40 percent of earnings when determining eligibility for TANF. This is significantly less than the District's disregard of \$160 plus 66 percent of remaining earnings. Maryland also does not encourage the collection of child support by passing through any of the collections to the custodial parent. In the District, custodial parents receive the first \$150 of child support collections. These differences in administrative options likely result in some of the grant differences noted above.

These differences are also consistent with other policy choices adopted by the State of Maryland. For example, Maryland imposes full family sanctions on families where the adult fails to participate in required activities. This means no cash assistance is paid to families where the adult fails to comply with program requirements. The District has not adopted this punitive approach and only reduces benefits when adults fail to fulfill program requirements. D.C. remains committed to supporting children even when their parents do not comply with program requirements and impose a partial reduction to the TANF grant.

Given the cost of achieving parity and the fact that the differing grant amounts exist in the context of different policy environments, we may want to consider an alternative means of providing additional support to low-income families. One option is to implement a five percent increase in the TANF grant. We project that such an increase would cost the District slightly less than \$3.5 million and would increase the maximum paid to a family of three from \$407 per month to \$428 per month.

Estimated FY07 average monthly grant	= \$350
Estimated FY08 average monthly grant (\$350*1.05)	= \$386
Estimated annual caseload	= 15,500
FY07 annual benefit cost (\$350*15,500*12)	= \$65,100,000
FY08 annual benefit cost (\$368*15,500*12)	= \$68,448,000
Difference	= \$3,348,000

It is important to note that any increase in the TANF grant will lead to a decrease in Food Stamp benefits available to TANF families. Federal guidelines governing the Food Stamp program require that TANF benefits be considered as income when determining eligibility for Food Stamps. Simply stated, increases in TANF lead to decreases in Food Stamps. The increase in TANF leads to an approximately 30 percent decrease in Food Stamps, thus making the overall value of the increase in terms of personal purchasing power 70 percent of the intended benefit. An alternative approach which provides additional cash assistance to families without causing a consequent decrease in Food Stamp benefits is to offer a one-time cash payment.

Because such payments may be disregarded when determining Food Stamp eligibility, the District may want to consider providing low-income families a one-time cash payment. Such a strategy would not need to be limited to families receiving TANF but could be expanded to other low-income families still struggling to meet their needs. One possibility would be to extend eligibility for a one-time payment to all Food Stamp families with children thus providing this support to families up to 130 percent of the Federal Poverty Level (FPL). Such a payment can be disregarded from the Food Stamp eligibility calculation such that the family will receive the full payment without a reduction in Food Stamps. We estimate that at a cost of approximately \$3 million, the Department of Human Services could offer a one-time, \$75 per child payment to all low-income families with children who receive Food Stamps.

Average number of children receiving Food Stamps = 37,000
 $37,000 * \$75 = \$2,775,000$

Please be aware that this option poses some administrative complexities and costs associated with this payment being made via the Electronic Benefit Transfer (EBT) process, the process by which existing TANF and Food Stamp benefits are currently made available.

I hope that you find this information responsive to the goal of assessing the cost of achieving parity with Maryland's TANF grant award and that the alternatives presented afford the District the opportunity to consider some additional strategies for offer additional support to low-income families. I recommend that any simple comparisons of grant amounts between Maryland and D.C. be undertaken with caution given the impact on grant amounts brought about by different administrative options and the different policy environments adopted by the two jurisdictions. If you have any questions or require additional information, please do not hesitate to contact me on 202-671-4200.

CC: Julie Hudman, Program Manager, Office of the City Administrator
Deloras Shepherd, Associate Chief Financial Officer
Sharon Cooper-DeLoatch, Administrator, Income Maintenance Administration