Government of the District of Columbia
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Phil Mendelson**
Chairman, Council of the District of Columbia

FROM: **Natwar M. Gandhi**
Chief Financial Officer

DATE: **January 8, 2013**

SUBJECT: **Fiscal Impact Statement – "Temporary Assistance for Needy Families Sanction Policy Rules Approval and Disapproval Resolution of 2012"**

REFERENCE: **PR 19-1072– Draft Committee Print shared with the Office of Revenue Analysis on January 4, 2013**

Conclusion

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the resolution. The resolution will increase expenditures by approximately $90,000 in FY 2013 and approximately $423,556 in the four year financial plan period.

The FY 2013 cost can be absorbed but out-year expenditures are not funded.

Background

On November 2, 2012, the Department of Human Services issued its third rulemaking on Temporary Assistance for Needy Families (TANF) Sanction Policy. These rules propose a graduated sanction policy of four different levels for TANF recipients who do not comply with their work and education requirements under the program. Under the proposed rule, when the recipient is in violation of the requirements for the first time (Level One), only the head of household is sanctioned and the family loses a part of its TANF benefits, which averages to approximately $74 per month. At Level 2, the family loses half of its monthly benefits, which is, on average $187 per month. At Level 3, which becomes effective when the recipient is in violation of the TANF requirements for the third time, the family loses all of its benefits for a month. At level four, which kicks in after repeated violations, the family loses all of its benefits for three months, and in order to begin receiving assistance again, the recipient must demonstrate compliance with the work and education requirements.

DHS's current policy is to suspend payments for only the head of the household if the recipient is in violation of the work and education requirements of the program. There are no full family sanctions under current policy.

The proposed resolution disapproves Level Four sanctions, and approves amended rules which would implement sanction Levels One, Two and Three.

Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

The fiscal impact of the graduated sanction policy was included in DHS's FY 2012 budget as an anticipated $2.9 million cost reduction. However, the rules for the sanction policies have not yet been approved, and therefore the policy has not been implemented. Consequently, DHS has used federal carryover funds available to cover the cost of continuing the current sanction policy.

Eliminating Level Four sanctions will still allow DHS to implement full family sanctions, but only for one month. This limitation reduces the anticipated cost savings by approximately $90,000 in FY 2013 and approximately $424,000 in the four year financial plan period.

Estimated Fiscal Impact of PR 19-1072, Temporary Assistance for Needy Families Sanction Policy Emergency Disapproval Resolution of 2012					
	FY 2013	**FY 2014**	**FY 2015**	**FY 2016**	**Total**
Savings from Level Four sanctions	$90,000	$125,435	$141,185	$156,935	$513,556
Federal carryover funds	$90,000	$0	$0	$0	$90,000
Negative Fiscal Impact	**$0**	**($125,435)**	**($141,185)**	**($156,935)**	**($423,556)**

Table Notes:

- Average level benefit payment is $374.
- Assumes 6 percent of recipients that are currently sanctioned would reach sanction Level Four under proposed rules. Caseload data provided by DHS.
- Assumes 30 percent of population exceeds the 60 month time-limit requirement; under current law these recipients would no longer receive benefits starting in FY 2015.

DHC can continue to use federal carry-over funds in FY 2013, and therefore can absorb the cost of the proposed resolution for this fiscal year. However, out-year impact cannot be absorbed; according to the Agency Fiscal Officer, these federal funds will no longer be available in subsequent years.