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

**Natwar M. Gandhi**
Chief Financial Officer


**MEMORANDUM**

**TO:** **The Honorable Philip H. Mendelson**
**Chairman, Council of the District of Columbia**

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

**DATE:** **September 7, 2012**

**SUBJECT:** **Fiscal Impact Statement – "Temporary Assistance for Needy Families Time Extension Emergency Amendment Act of 2012"**

**REFERENCE:** **Draft Bill as shared with the Office of Revenue Analysis on August 23, 2012**

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## Conclusion

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. Delaying the Temporary Assistance for Needy Families (TANF) benefit reduction by 6 months is estimated to cost approximately $2.93 million in FY 2013.

The Department of Human Services (DHS) has adequate funds in its budget to implement the 6-month delay, as $4.36 million in available debt service savings was reprogrammed to DHS for the purpose of "transformation and redesign of the TANF program."[1] Of these funds, $2.93 million is available to cover the delay. The remaining $1.4 million will be used by DHS to provide assessments, case management, and other services to TANF recipients.

## Background

Under current law, families that have received TANF benefits for more than 60 months will see a 25 percent reduction in their TANF payments starting on October 1, 2012. This bill amends current law to delay this reduction by 6 months so that it occurs on April 1, 2013. The delay, however, is a one-time delay and will not affect the out-year reductions scheduled to occur in FY 2014 and FY 2015.[2]

[1] The reprogramming request submitted by Mayor Gray on July 19, 2012 was approved by the Council on August 6, 2012. The additional funds are available as a result of the District's ability to take advantage of lower interest rates on variable-rate bonds during the course of fiscal year 2012.
[2] In FY 2014 benefits will be reduced by 41.7 percent, and starting in FY 2015, benefits to families who exceed the 60-month time limit will be completely phased out (D.C. Official Code § 4-205.52).

**Financial Plan Impact**

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. Delaying the TANF benefit reduction by 6 months is estimated to cost approximately $2.925 million in FY 2013. It is important to note that this estimate assumes DHS has the authority to implement the delay by October 1, 2012. If the legislation is not effective until after October 1, the cost to delay the reduction will be higher as a result of increased administrative burden to the agency to implement the change retroactively.

The DHS has adequate funds in its budget to implement the 6-month delay, as the Mayor reprogrammed approximately $4.36 million in available debt service savings to the DHS to cover the cost of the delay, as well as to provide the agency with resources necessary to offer assessments, case management, and other services to TANF recipients.[3]

There are approximately 6,500 families that exceed the 60-month time limit, with an average monthly benefit level of $299. Under current law, the average monthly benefit will drop to $224 per family, resulting in an annual cost savings of approximately $5.85 million in FY 2013; therefore delaying this reduction by 6 months will reduce the cost savings by half, or approximately $2.93 million. Because the bill does not affect the out year schedule, the cost savings remain the same and there is no fiscal impact in FY 2014 – FY 2016.

**Estimated Fiscal Impact of the Temporary Assistance for Needy Families Time Extension Emergency Amendment Act of 2012**

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | Four-Year Total |
|---|---|---|---|---|---|
| Estimated cost of 6-month delay [a,b,c] | **-2,925,000** | **0** | **0** | **0** | **-2,925,000** |

**Table Notes**

[a] Caseload data on recipients over the 60-month time limit provided by DHS.

[b] Under current law, cash assistance payments will be reduced by 25 percent in FY 2013 and another 41.7 percent in FY 2014. No payments would be made starting FY 2015.This bill delays the reductions by 6 months for FY 2013 but does not affect reductions scheduled for subsequent years under current law.

[c] DHS will not incur any administrative costs to delay the reduction schedule, if the legislation is effective as of October 1, 2012.

[3] The $4.36 million will be used by DHS in FY 2012 in lieu of federal TANF funds, allowing DHS to carry over the federal funds to FY 2013 so that they can be used for the 6-month delay and provide TANF services.