



**DC PILOT PROGRAMS HOLD GREAT PROMISE TO IMPROVE ECONOMIC SECURITY AND FAMILY OUTCOMES**

## **INTRODUCTION AND SUMMARY**

Two new DC pilot programs are boosting the incomes of DC families with low incomes and hold great promise to improve economic security in the District. As discussed in this paper, the District should start planning now for how to expand the best features of these programs to all DC families with low incomes.

Both pilots – Strong Families, Strong Futures (SFSF) and Career Map – provide financial assistance of as much as \$10,000 a year. SFSF is a guaranteed basic income program (GBI) providing participants \$900 a month, while Career Map provides financial assistance to offset reductions in public benefits that families face when their earnings rise, up to \$833 a month. The two pilots have different purposes – SFSF provides a predictable income supplement while Career Map is intended to support families moving into employment – yet it is worthwhile to explore and compare these two models because they both provide a substantial financial boost to families with low incomes.

Reviews of guaranteed basic income programs in DC and other communities – programs that provide unrestricted cash assistance – find that they improve the ability of families to meet basic needs, reduce the stresses associated with economic insecurity, and provide a foundation for economic mobility. Other research shows that increasing the income of families with low incomes, even by a small amount, improves a range of outcomes for their children, including academic test scores, school attendance, high school graduation, college enrollment, and future employment.

While these pilot programs are a novel approach to family economic security, it's important to note that cash assistance for families has been part of the safety net for decades. In the District, roughly 15,000 families with children get monthly cash assistance through the Temporary Assistance for Needy Families (TANF) program,

which is authorized under federal law and funded by the District and the federal government. TANF serves far more families than the pilots: Career Map will serve 600 families and Strong Families will serve 132 families.

There are important differences between TANF and the pilot programs.

- **The pilots offer more financial assistance than current policy.** SFSF provides \$900 added monthly income to participants, while Career Map replaces any reduction in TANF and SNAP benefits families experience when their earnings rise, up to \$833 a month.
- **The pilots don't reduce assistance when a family's earnings rise.** Under TANF, a family of three starts to lose cash benefits when earnings reach just \$160 a month and loses eligibility completely when they work more than 30 hours a week at the DC minimum wage. By contrast the SFSF payment is \$900 a month regardless of earnings, and the Career Map benefit actually increases as earnings rise (as TANF and SNAP benefits decline).
- **The pilots do not put onerous requirements on participants.** DC's TANF program requires participants to seek child support, engage in case management, and participate in job readiness activities, among other things. (The DC TANF program does not, however, include a time limit and it includes only minimal penalties for people who do not participate in work activities.) The lack of program rules under guaranteed basic income programs – and the implied trust in families to use funds soundly – are important distinctions from the obligations and stigma often attached to TANF. (See box on page 5 on the history of racism in TANF and prior federal cash assistance programs.)

As described in more detail below, a review of the two pilots highlights design features that improve the effectiveness of basic income programs.

- **Career Map provides a greater net income boost for most families.** Career Map does more to boost net monthly income – income plus public benefits less payroll taxes – when families have \$1,000 or more in monthly earnings, while SFSF provides a greater income boost to families with no or very limited earnings.
- **Career Map provides greater help than Strong Families, Strong Futures to families moving into jobs.** Career Map is designed to offset the reduction in selected public benefits – TANF and SNAP – that occur when earnings rise while Strong Families, Strong Futures is not. As a result, participants in Career Map who begin working fare better than Strong Families, Strong Futures participants.

For a family moving from unemployment to a part-time job paying \$1,000 a month, for example, the net income gain (considering payroll taxes and declines in public benefits) is \$1,097 under Career Map, compared with \$712 under Strong Families, Strong Futures.<sup>i</sup>

- ❑ **Career Map is likely to be more cost-effective than Strong Families, Strong Futures.** Because the design of Career Map provides more net benefit to participants – yet has a maximum payment that is lower than in Strong Families, Strong Futures – Career Map is a more effective use of public funds.
- ❑ **Both Career Map and SFSF still have the problem that families who improve their earnings lose a great deal due to reductions in other public benefits.** Even though Career Map is designed to mitigate the harm of benefit reductions in some other programs, both pilots still are limited in their net benefit because of this effect. For example, a family participating in Career Map that moves from \$2,000 in monthly earnings to \$2,500 would see their net income rise just \$165. In Strong Families, Strong Futures the family would see their net income grow just \$175.

These pilots are short-term – Career Map will provide help to participating families for 5 years, and Strong Families, Strong Futures lasts one year – and they serve a small number of households. It’s critical that the lessons learned are used to improve cash assistance for all DC families with low incomes.

*The District should commit now to modifying the TANF program, or creating an alternative to TANF, based on these evaluations. Indeed, the District could move now to modify TANF to incorporate some of the clear benefits of these pilots, rather than waiting several years.*

While the pilots will help answer some important design questions – such as whether providing payments monthly versus annually has different impacts – it is likely that key elements of the pilots will result in beneficial outcomes for recipients, such as a higher cash payment than TANF. This review

particularly finds that the District should consider adopting some of the features of the Career Map pilot in its TANF program now, while also taking time to evaluate the impact of both pilots. That includes:

- ❑ Increase TANF benefits to provide a higher basic income to families with no other source of income.
- ❑ Allow families to retain their full TANF benefit for some period when a parent starts a job, followed by a gradual reduction in benefits as earnings rise.

- Allow families to choose to receive some of their TANF benefit as a rent payment to their landlord or payment for other expenses. The District should allow families to make the choice and understand the tradeoffs: providing TANF benefits in cash reduces other benefits, while providing TANF as a direct payment of rent or other expenses reduces a family's flexibility.
- Taking other steps to limit how much rising earnings trigger reductions to other public benefits, such as reducing co-pays in DC's childcare program and altering the DC Earned Income Tax Credit to phase out more slowly.

Applying the strongest features of DC's pilot programs to the TANF program would extend their positive impacts to nearly all families with children with low incomes. This expansion also will increase costs well beyond the costs of the small pilot programs. Adopting these recommendations will require policymakers to identify new funding and for that reason, the changes may need to be implemented over multiple years.

This analysis reviews the benefits of GBI programs generally, and the two pilot programs.

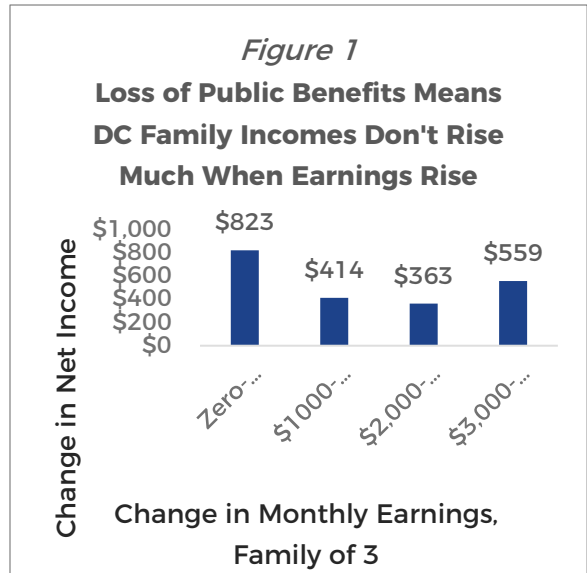
## THE CURRENT LANDSCAPE OF ASSISTANCE TO DC FAMILIES WITH LOW INCOMES

For most families with low or no income, the primary sources of cash or cash-like benefits are TANF (a cash assistance program) and the SNAP food benefit program. Beyond TANF and SNAP, families with low incomes qualify for free childcare and Medicaid health coverage. Most DC families with low incomes do not get housing assistance, despite being eligible, due to the limited supply of subsidized housing.

- **The current DC safety net leaves families with children in poverty.** The maximum TANF benefit in DC is \$696 for a family of three with no other income. A family at this income level receives up to \$740 in federal SNAP benefits. This means that the total cash and cash-like income for a family of three is just \$1,436 month, or \$17,232 a year. The TANF cash benefit equals 35 percent of the federal poverty line, and combined TANF and SNAP benefits equal just 75 percent of the federal poverty line, which itself is widely considered an inadequate measure of the income needed to meet basic needs.<sup>ii</sup>
- **Low public assistance benefits contribute to a high rate of child poverty in DC.** Nearly one-fourth of DC children – 23 percent – are in families with incomes

below the poverty line. In Ward 7 and Ward 8, nearly 40 percent of children are in families with below-poverty income.<sup>iii</sup>

- **Families with low earnings also qualify for the Earned Income Tax Credit, a tax benefit.** There is both a federal EITC and a DC EITC, and starting in 2023, the DC component will be paid out monthly for many families, while the federal EITC is paid out annually when a family files their tax return. The maximum monthly DC EITC benefit for a family with two children is \$514, which goes to families with earnings between roughly \$1,250 and \$1,750 a month.<sup>iv</sup> (This analysis



focuses on benefits provided monthly and thus does not consider the federal EITC, which is paid annually. See the methodology box on page 12.)

- **Most public benefits phase out when earnings rise above a modest level.** SNAP, TANF, and subsidized housing tie the benefit amount to income, which means that the benefit amount declines as earnings rise. A family of three begins to see a reduction in TANF benefits when they earn more than \$160 a month and loses eligibility completely when their monthly earnings reach just \$2,100, or 30 hours a week at the minimum wage, and at \$3,500 they lose SNAP benefits. The EITC operates somewhat differently in that benefits increase as earnings rise for people with very low earnings, before phasing out at higher earnings levels.

*For DC families with low incomes, an increase in earnings doesn't necessarily translate into a notable increase in income, due to*

- When a parent with two children moves from being out of work to earning \$1,000 a month (essentially half-time at the minimum wage), the family's net income from earnings, TANF, SNAP, and the EITC rises by \$823, with \$177 lost to payroll taxes and benefit changes. A family in this situation retains most of their earnings because deep reductions in TANF and SNAP benefits are offset in part by an increase in the DC EITC.<sup>v</sup>

### **The Racist History of Federal Cash Assistance Programs And the DC Residents Who Fought for Welfare Rights**

The District’s main cash assistance program for families with low incomes – TANF – operates under a 1996 federal law that replaced the Aid To Families with Dependent Children (AFDC) program. The policy discussions around both AFDC and TANF were steeped in negative stereotypes of families with low incomes, especially Black families, leading to program rules with punitive and harmful effects.<sup>a</sup>

The history of TANF and AFDC include the following:

- In the 1930s, when AFDC was created (then called ADC), many southern states denied access benefits to Black families to force them into low-wage agricultural and domestic work.
- In the 1960s, states could deny TANF if they thought a family’s home was unsuitable – a rule that often was applied disproportionately to Black families. States also denied AFDC to families where there was a “man in the house.”
- In the 1990s, some states adopted harsh and judgmental AFDC policies, such as denying additional benefits when families had a child or eliminating assistance when parents tested positive for drug use.
- The 1996 “Personal Responsibility Act” that created TANF required states to set time limits on assistance – without a guarantee of employment at the end – and allowed states to create severe penalties when families do not fully meet program requirements. As a result of these policies, the proportion of poor families receiving cash aid fell from 68 per 100 poor families in 1996 to 13 per 100 today.

The fight for more humane cash assistance programs started more than 50 years ago. Notably, Black DC residents receiving cash assistance played an important role in the 1960s to push back against harmful AFDC policies, including Etta Horn, a Barry Farms resident and co-founder of the National Welfare Rights Organization.<sup>b</sup> Among other things, NWRO was an early champion of a guaranteed basic income for everyone.

As DC works to strengthen cash assistance for families, it should build on this tradition and work for programs that provide adequate support without complicated or stigmatizing rules.

*a* Information drawn from Ife Floyd, et al, “TANF Policies Reflect Racist Legacy of Cash Assistance,” Center on Budget and Policy Priorities, August 4, 2021. Information pulled from <https://www.cbpp.org/research/family-income-support/tanf-policies-reflect-racist-legacy-of-cash-assistance> on December 30, 2022.

*b* DC Preservation League, “Civil Rights Tour: Protest - Poverty Rights Action Center, Welfare Rights,” cited from <https://historicsites.dcpreservation.org/items/show/1023?tour=12&index=92> on December 30, 2022.

- However, when a parent moves from earning \$1,000 a month to \$2,000 – slightly more than part-time at the minimum wage – net income rises just \$414, with \$586 lost to payroll taxes, declining SNAP and TANF benefits, a decline in EITC benefits, and a requirement that the family pay a share of childcare expenses. Figure 1 shows how net income grows as earnings rise and public benefit amounts change.

This is the context for considering the new DC pilot programs: low benefits that start to phase out when earnings rise above a modest level.

## **GUARANTEED BASIC INCOME IMPROVES ECONOMIC SECURITY AND OVERALL WELL-BEING**

The U.S. experience with guaranteed basic income programs is limited and recent, and the long-term impacts are not known. However, available research shows that programs that improve economic security have many long-term benefits, especially for children, including improved food security, greater educational outcomes, and improved employment.<sup>vi</sup> Research on recent GBI programs shows that they can improve a family's economic well-being and stability, help them better afford necessities, and reduce mental stress. These results are evident in an analysis of a recently completed and privately-funded program in DC – THRIVE East of the River – and the SEED program in Stockton, California.

### THRIVE East of the River

In response to the COVID-19 pandemic, four community-based organizations launched THRIVE East of the River in 2020 to provide direct cash payments and other assistance to people living in Ward 8 neighborhoods. THRIVE provided emergency relief between July 2020 and January 2022 to 590 households. Under the program, families received \$5,500 in either a lump sum or in five monthly payments of \$1,100.

The program occurred in a uniquely negative economic period when unemployment rose sharply almost overnight due to the pandemic. The limited period of assistance under THRIVE East of the River – no more than 5 months – means that the program did not have much time to measure the long-term impacts. Nevertheless, an Urban Institute evaluation shows that even a short-term cash program can make a big difference in supporting economic security.<sup>vii</sup>

- Participants were most likely to use the funds for core family expenses: rent, food, transportation, and internet.
- The added income resulted in improved mental well-being. Thrive participants were much less likely than other DC residents with low incomes to report feeling “down, depressed, or hopeless.”
- The THRIVE payments resulted in increased food security. About one-fifth of participants said they sometimes or often did not have enough to eat, compared with 34 percent before receiving the payments.

### Stockton Economic Empowerment Demonstration

The Stockton Economic Empowerment Demonstration (SEED) was the nation’s first mayor-led guaranteed income initiative. Launched in February 2019, SEED gave 125 Stockton households \$500 per month for 24 months. An evaluation of benefits after one year found many positive results.<sup>viii</sup>

- Participants were most likely to use the payments for food. Many participants commented that this was the first time in their life when they could afford to buy the food they wanted throughout the month.
- Parents reported being less stressed and able to spend more time engaged in positive interactions with their children.
- Participants were one-third less likely than a control group of non-participants to experience income volatility (wide swings in income from month to month).
- Participants were less likely to have anxiety or depressive symptoms than non-participants.
- The number of participants working full-time increased notably. This appears to have happened because the added income allowed some to reduce work hours at a less desirable job and look for a better job or complete job training programs.
- SEED participants were less likely to ask friends and family for money and were less likely to remain in relationships that they had remained in under duress.

Not surprisingly, research on income support programs show that they have the greatest benefits when they reach families with the lowest incomes, when they reach children starting at an early age, and when income supplements are provided over multiple years.<sup>ix</sup>



## COMPARING DC’S INCOME SUPPORT PILOTS

In addition to the THRIVE East of the River GBI pilot – which was privately designed and funded and is now completed – the District recently launched two pilot programs, Career Map and Strong Families, Strong Futures. Comparing these three pilot programs yields interesting findings.

Table 1 highlights the features of the three pilots and includes information on DC’s TANF cash assistance program for comparison. Some highlights:

- All the pilots provide substantially more cash income in the short term than DC’s TANF program. In addition, the TANF benefit amount phases down when family earnings rise, while payments in the GBI pilots do not.
- The programs differ greatly in the length of time assistance is provided. TANF in DC has no time limit, while the THRIVE pilot was the shortest, offering 5 months of aid.
- Career Map provides additional financial benefits compared with the other programs, including \$1,000 in emergency-use funds each year and \$2,400 set aside each year in a savings fund for the family when the program ends.
- All the pilots paired the payments with a variety of social services, such as childcare, mental health services, and career support.

*Table 1*

**Key Features of DC’s TANF Program and Income Support Pilot Programs**

	<b>TANF*</b>	<b>THRIVE</b>	<b>Career Map</b>	<b>Strong Families, Strong Futures</b>
<b># families</b>	15,000	590	600	132
<b>Target population</b>	Families with children with low income	Ward 8 residents with low incomes	Families with children in the Rapid Re-Housing program for people experiencing homelessness	Expecting and new mothers living in Wards 5, 7, or 8
<b>Length</b>	No time limit	5 months	60 months	12 months

<b>Monthly Cash</b>	\$696/ family of 3	\$1,100	Up to \$833	\$900
<b>Phases out as Earnings Rise?</b>	Yes	No	Increase as earnings rise, up to maximum	No
<b>Other benefits</b>	Job readiness services	Access to free food, workforce development, mental health services	- All families receive housing subsidies. - \$1,000/year emergency aid and \$2,400/year set aside in escrow. - Career support.	Access to services provided by Martha's Table, the program manager
<b>Other features</b>			Benefits designed to offset decline in other public benefits as earnings rise	
* TANF included for comparison. Many families in the pilot programs receive TANF in addition to pilot's benefits				

### CAREER MAP HIGHLIGHTS

Career Map will serve 600 families with children who have experienced homelessness, offering 5 years of monthly financial assistance and other supports, with the goals of promoting economic stability and mobility. The Career Map website states that its goal is to “remove barriers that families confront as they pursue employment that can sustain their families.” Career Map is designed to offset the decline in public benefits that happens when earnings rise, particularly TANF cash benefits and SNAP food benefits.

Career Map participants receive the following:

- 5 years of subsidized rent, with families paying 30 percent of their income for rent.
- Financial support to offset the loss of some public benefits that phase out as earnings rise. Career Map offsets the declines in SNAP and TANF benefits, rising copays for subsidized childcare, and the need to pay for health insurance when Medicaid eligibility ends. This aid is capped at \$10,000 per year. Career Map

payments are first used to reduce a participant's rent. While Career Map does not provide cash directly to families, the rent reduction frees up money a family otherwise would pay and thus has the similar impact as a direct cash payment. If the Career Map amount is more than the participant's rent, the amount above the rent is paid to the family in an annual lump sum.

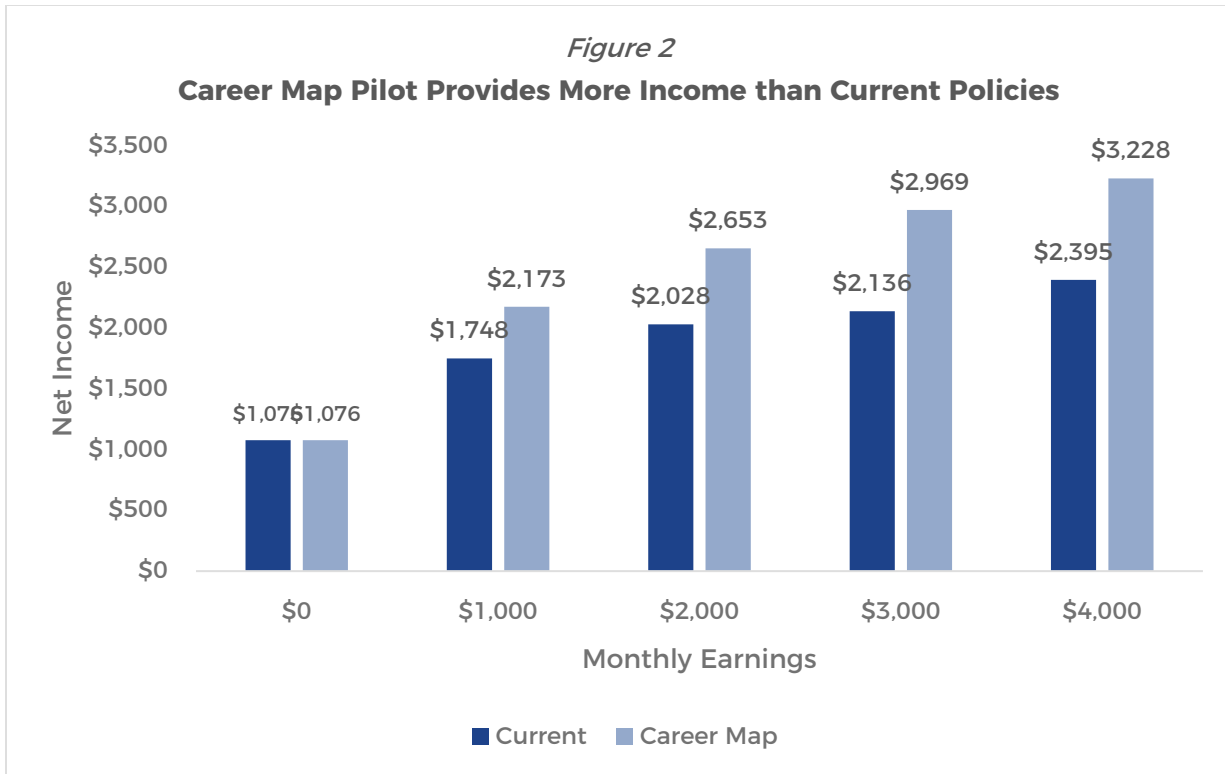
- This payment structure is designed so that the financial assistance will not result in a further loss of public benefits. Unlike monthly cash payments, financial support through reducing a participant's rent is not counted as income when determining other benefits such as SNAP. Lump-sum payments also are typically not factored into public benefit determinations. This is a somewhat unique feature of Career Map. While most GBI programs acknowledge that the added income they provide results in declines to public benefits, they typically are not designed to offset that harm.
- Up to \$1,000 a year for emergency needs.
- Career Map sets aside \$200 a month for each family, which adds up to \$12,000 after 5 years. This escrow is provided to the family when they finish participation in Career Map and is intended to support that transition off the pilot.

This means that families with low incomes may receive up to \$13,400 a year in additional aid (some held in escrow), as well as 5 years of subsidized housing.

To understand how Career Map works, consider the following example: A family of three with an unemployed parent receives \$696 in TANF and \$589 in SNAP, and pays 30 percent of their cash income as subsidized housing rent, leaving a net income of \$1,076. If that parent finds a job paying \$500 a month, they pay \$38 in payroll taxes and receive a \$200 monthly payment from the DC EITC. Under normal rules, the family would lose \$113 in TANF benefits and \$86 in SNAP benefits, but Career Map replaces that \$199 entirely. The family's rent subsidized housing rent increases by \$126. Altogether, the family's net income rises (after rent) rises from \$1,076 to \$1,622.

Career Map provides substantial help to participating families.

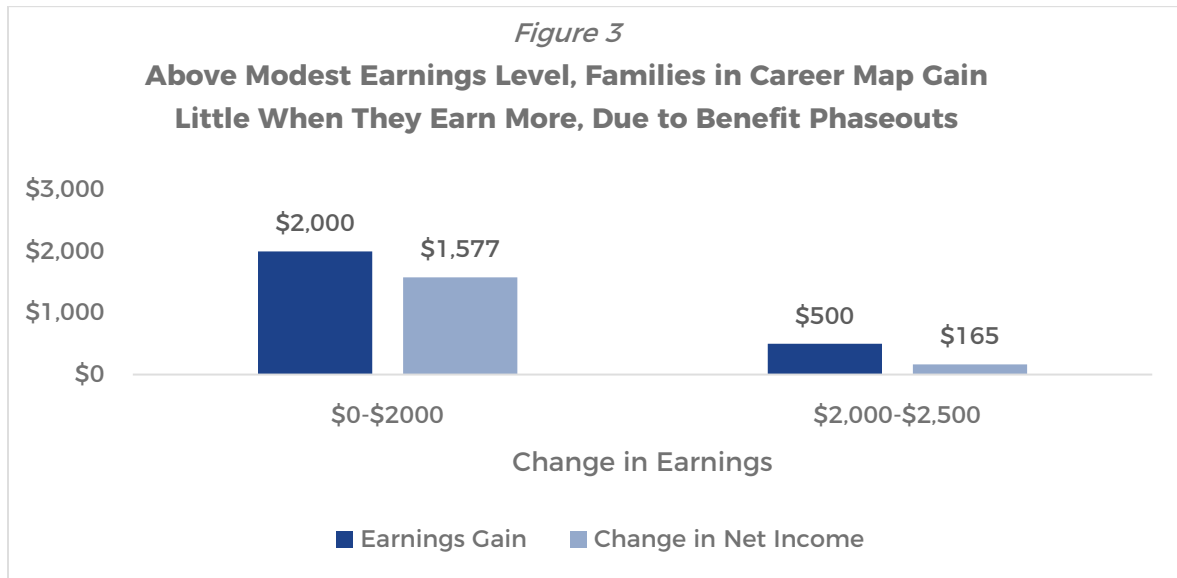
- Based just on the benefit replacement provision, a Career Map family earning \$2,000 would have \$625 more in monthly cash (earnings and public benefits less payroll taxes, childcare, and rent) than under standard benefits -- \$2,653 vs \$2,028.<sup>x</sup> See Figure 2.
- For a family earning \$3,000 a month, the net income of a family in Career Map would be \$833 higher than a family operating under normal program rules -- \$2,969 vs. \$2,136.



While Career Map provides an income boost, it does not fully address the issue of other public benefits that phase out as family earnings rise, which could still create an impediment to economic security and mobility. This is because Career Map is designed only to offset reductions in TANF and SNAP benefits, but not the phaseout of EITC benefits, the impact of payroll taxes, or the increase in subsidized housing rent that occurs when earnings rise. The combined impact of these factors is 58 percent, meaning that net income rises only 42 cents for every dollar earned. Second, aid under Career Map is capped at \$833 a month, a level a family of three reaches when their earnings get to \$2,000 per month and they are still eligible for both TANF and SNAP. Thus, Career Map does not even fully offset declines in TANF and SNAP for some families.

- **For families moving to work, Career Map eases the phaseout of benefits more than the current system.** Under current rules, an unemployed parent who moves to a job and earns \$2,000 a month (part-time at minimum wage), net income rises less than \$1,000, which means more than half of their added earnings are lost to benefit phaseouts and payroll taxes. For a family in Career Map, the same employment change would mean an increase in net income of \$1,600, which means that a much smaller share of earnings, 20 percent, would be lost to taxes and benefits phasing out. See Figure 2.

- Above a modest earnings level, Career Map participants don't see much benefit from added earnings.** If a family's earnings rise from \$2,000 to \$2,500 a month, their net cash income after housing rises just \$165, after considering higher rent, payroll taxes, and a reduction in EITC and SNAP benefits. (At \$2,000 of earnings, a family is already eligible for the maximum Career Map help and thus does not get further help with falling SNAP benefits at that point.) See Figure 3.



This suggests that the intended benefit of Career Map – to offset the loss of benefits and support economic mobility – is a reality only for those with the lowest earnings. For people with earnings that exceed 30 hours at the minimum wage, Career Map provides more income than current rules but still has the problem that much of the improvement from higher earnings is lost to declines in public benefits.

### **STRONG FAMILIES, STRONG FUTURES HIGHLIGHTS**

The Strong Families, Strong Futures (SFSF) guaranteed basic income pilot provides \$900 a month for one year to 132 new and expecting mothers living in Wards 5, 7, and 8 with incomes below 250 percent of the federal poverty line (or less than \$54,900 for a family of three). It is being operated by Martha’s Table, a nonprofit organization. The Martha’s Table website notes that “this direct cash assistance will help families build a strong financial foundation that paves the way for lasting child and family success.” In

addition to the cash payment, participating families have access to free childcare and other supports from Martha's Table.

The Strong Families, Strong Futures (SFSF) payment is not structured to offset the harm of declines in public benefits that occur when income rises – unlike Career Map – but it includes some features toward that goal. First, the District adopted legislation so that Strong Families, Strong Futures payments are not counted when determining a family's TANF benefits. Without such a provision, families in the pilot program would lose their TANF benefits entirely. In addition, Strong Families, Strong Futures allows families to receive the \$10,800 total annual payment in a lump sum, which means it also will not be counted toward SNAP benefits or rent paid in subsidized housing. While most SFSF families have chosen to receive funds in an annual lump sum, this analysis assumes families claim a monthly benefit, which is more consistent than an annual payment with the way wages and public benefits are received.

This means that for families with very low incomes, much of the benefit of the monthly GBI payment is lost to benefit reductions. For a family with no earnings, for example, the Strong Families, Strong Futures payment results in loss of nearly \$400 in SNAP

### Methods and Assumptions Used in this Analysis

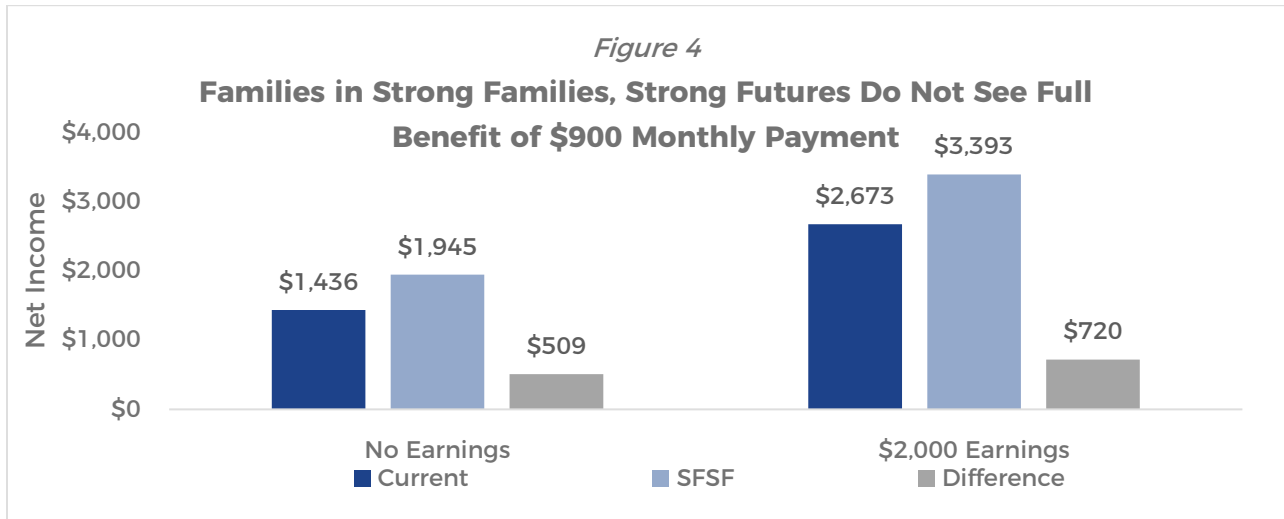
This analysis attempts to understand the impact of DC's income support pilots, in comparison with current public benefit rules. It uses the following methods and makes the following assumptions.

- It measures net income as earnings minus payroll taxes plus the following monthly public benefits: TANF, SNAP and the DC Earned Income Tax Credit (which will be paid monthly starting in 2023).
- It deducts from net income the co-pays in DC's childcare program. For families in subsidized housing, it also deducts a family's rent payments. These adjustments are important because both childcare payments and subsidized housing rent payments increase as a family's earnings and other income increases. Assessing how GBI pilots affect a family's net resources needs to take these impacts into account.
- This analysis does not factor payments that are made in an annual lump sum, including the federal EITC and a portion of Career Map payments for some families. While such annual payments are very important, they do not directly help families meet monthly expenses. In addition, in trying to understand how an increase in earnings affects a family's income growth, the changes a family is most likely to notice and feel are changes to monthly benefit payments.
- When comparing Career Map with Strong Families, Strong Futures, this analysis assumes a family in SFSF is receiving subsidized housing. Housing assistance is a feature of Career Map but not of SFSF. It is easier to compare the impact of the two pilots, however, if the analysis assumes the SFSF is receiving housing assistance outside of the pilot.
- Starting in 2023, the DC EITC will be paid out to most families on a monthly basis. This monthly benefit will not count as income when determining TANF benefits, and the District is seeking to have this income disregarded when determining SNAP benefits or rent in subsidized housing. This analysis assumes that the monthly DC EITC is not counted as income in these programs.

benefits. This also means that as parents move to work, their earnings gain is offset by further declines in public benefits.

- A family of three with no earnings has just \$500 more in monthly income under Strong Families, Strong Futures, despite the \$900 payment, when the impact of SNAP benefit reductions is considered.<sup>xi</sup> (See Figure 4)
- For a parent earning \$2,000 a month, the Strong Families, Strong Futures \$900 payment yields a \$720 increase in net monthly income compared with current policies.

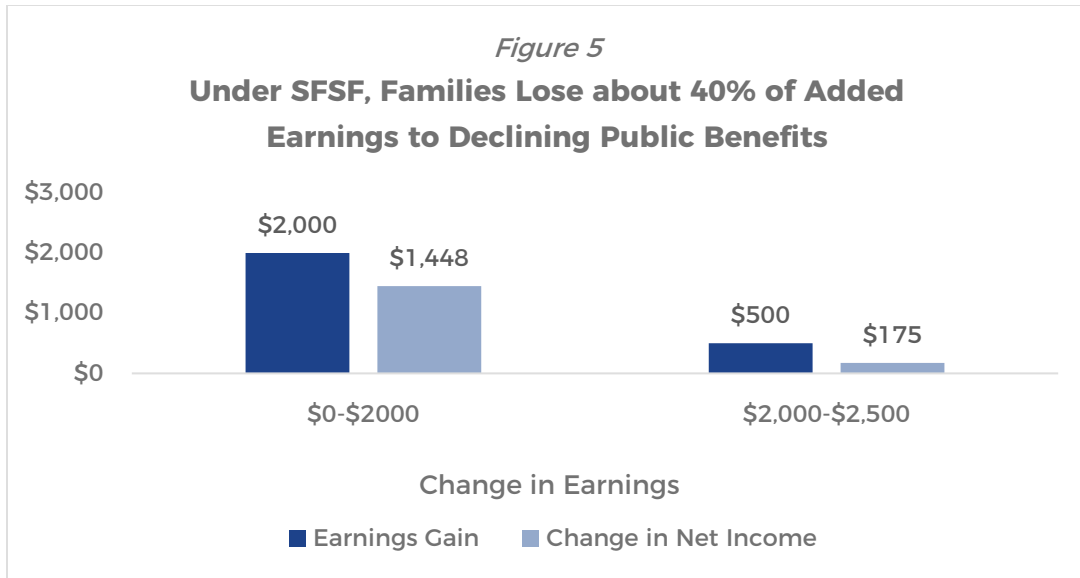
- The full benefit of Strong Families, Strong Futures is not felt until a family’s earnings reach \$3,500 a month, since at that point that families are ineligible for SNAP under current rules, meaning the Strong Families payment does not reduce those benefits.<sup>xii</sup>



In terms of impact on net income as earnings rise:

- **Strong Families, Strong Futures works better than the current system when families first move into employment.** Under current rules, a parent who moves from unemployment to earning \$2,000 a month sees net income rise by \$1,127, while a family in Strong Families, Strong Futures participant would see their net income rise by \$1,448 (See Figure 5.)
- **Strong Families, Strong Futures is about the same as the current system as earnings rise above a modest level.** For a family moving from \$2,000 to \$2,500 in monthly earnings, net income rises \$145 under current rules and by \$175 under Strong Families, Strong Futures. In both cases, around two-thirds of added earnings are lost to payroll taxes and declines in public benefits.



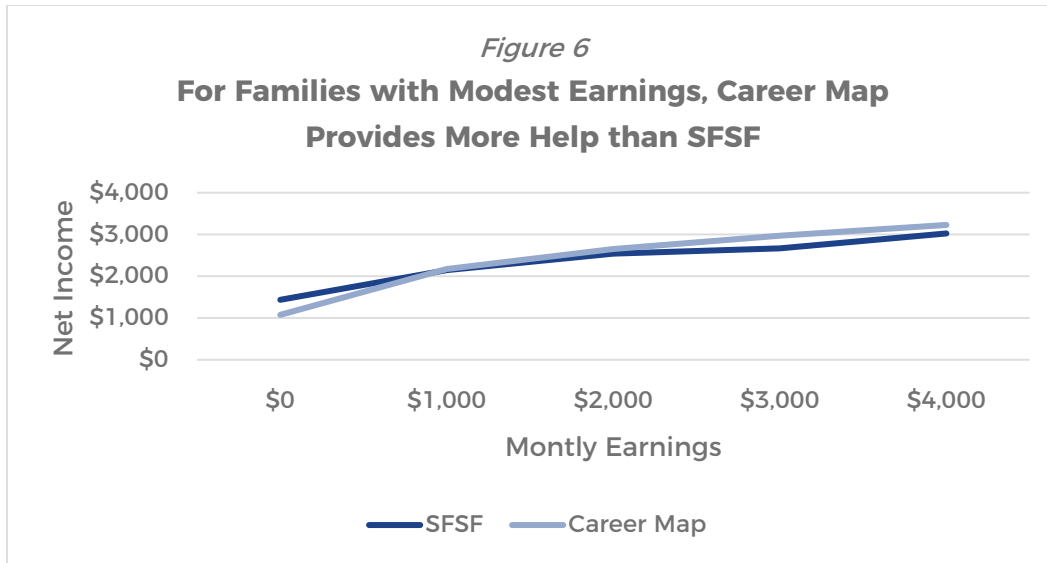


### COMPARING DC’S PILOT INCOME SUPPORT PROGRAMS

This review highlights that the Career Map and Strong Families, Strong Futures pilots are taking different approaches. It is worth comparing their features to assess their likely impacts.<sup>xiii</sup>

The analysis shows that Strong Families, Strong Futures provides larger net income for families with no earnings, but lower net earnings for families with earnings.

- A family of three with no earnings has \$360 more in monthly income under Strong Families, Strong Futures than in Career Map.
- Once earnings rise above \$1,000, however, net income is modestly higher under Career Map than Strong Families, Strong Futures. At earnings of \$3,000 a month, for example, Career Map provides \$300 a month more. (See Figure 6.)



While the impacts of the two pilots are similar, the costs are not. As noted, the Career Map payment is made in a way that does not count as income for some other public benefit programs and thus does not result in a reduction of those benefits. The Strong Families, Strong Futures payment, by contrast, is counted in determining some other public benefits (when families receive the SFSF payment on a monthly basis). This means that Career Map provides assistance in a more cost-effective way. Consider these examples:

- For a family with \$1,000 in monthly earnings, Career Map provides \$436 in assistance, and the family’s net monthly income is \$2,173. Under Strong Families, Strong Futures, the payment is \$900 and the family’s net income is \$2,148.
- For a family earning \$3,000 a month, Career Map provides \$833 in benefits and leaves the family with a net monthly income of \$2,969. Under Strong Families, Strong Futures, the program provides \$900, but the monthly net income is \$2,668.

It’s worth a reminder that Career Map’s benefit comes from paying down a participant’s rent and does not directly provide cash monthly to families, while Strong Families, Strong Futures does. That may be seen by some participants as a downside because it does not give them choice over use of the GBI payment. However, it’s also worth noting that rent was the top use of GBI payments in the THRIVE East of the River program and in the first year of SEED in Stockton. In addition, by reducing a

family's rent, Career Map frees up money that a family can spend as they wish, and thus does not ultimately limit a family's choices over the use of the payment.

In addition, Career Map is a more complicated program than SFSF. Under Career Map, the program must identify a family's earnings each month and adjust the program payment accordingly, and Career Map requires setting up a relationship with landlords to make payments. SFSF, by contrast, is a simple flat payment each month.

This analysis suggests that the Career Map approach – a targeted benefit designed in ways that don't reduce the value of some other public benefits – is an effective approach to boosting incomes of families with low incomes, but also is somewhat complex to administer. As noted, Strong Families, Strong Futures also offered an option to avoid impacts on other public benefits (by making one lump-sum payment rather than monthly payments) but it may be less likely to support economic stability throughout the year.

Beyond that, the other benefits of Career Map – a guarantee of subsidized housing, a program length of 5 years, and other financial benefits – are likely to make it a more effective program than Strong Families, Strong Futures. Career Map is more likely to boost economic security in the short term because of its benefit structure and support economic mobility in the long-term because of the length of the program. The District should conduct rigorous evaluations of both pilots to see if these expected outcomes materialize.<sup>xiv</sup>

## OBSERVATIONS AND RECOMMENDATIONS

Understanding the impacts of DC's pilot income support programs is important because living in deep poverty has harmful effects on the families directly affected and on our entire community. On the other hand, income support programs that reduce poverty and improve economic security have many positive individual and community-wide benefits, such as reducing food insecurity, increasing employment outcomes for adults, and improving educational outcomes for children.

- As noted above, the Stockton, California GBI pilot enabled participants to have more adequate diets, reduced mental stress, and improved employment outcomes.

- One study found that an annual income increase of \$3,000 during early childhood (prenatal year through fifth birthday) was associated with 19 percent higher earnings and a 135 hour increase in work hours during adulthood.<sup>xv</sup>
- A review of the expanded federal Child Tax Credit in 2021 found that the most common uses of these funds was for household necessities – such as food, rent and utilities. Analysts conclude that the benefits of the child tax credit expansion, if made permanent, would “mean better lifetime health, improved educational attainment [among children], and higher earnings and better economic circumstances as adults.”<sup>xvi</sup>

This review of two pilot programs in the District highlights, first and foremost, the inadequacy of DC’s long-standing cash assistance program for families with children – TANF. Under TANF, benefits leave families deep in poverty and begin to phase out when a parent works more than a few hours a week at the minimum wage. If DC’s TANF program provided more adequate benefits and phased out more slowly, it would not be as important to explore other approaches to income support for families with low incomes. This is important because TANF serves roughly 15,000 families with children, compared with the 730 families served under the new time-limited pilots. This review also shows that other public benefits phase out quickly when parents with low incomes increase their earnings, often offsetting more than half of their earnings gain.

The lessons learned from the pilot programs should be used to re-shape DC’s cash assistance system, through an improved TANF program or by creating a new program that uses the best features of the pilot programs. Given that one of the main advantages of these pilots is that they provide more financial aid than TANF – and therefore promote better economic security.

*The District does not need to wait for evaluations of the pilots to start improving TANF, the primary cash assistance program for*

Between DC’s two pilot programs, Career Map appears most likely to improve economic security and economic mobility, and to be the more cost-effective approach. By its design, the payment under Career Map has a smaller impact on reducing the value of other public benefits than the direct cash provided under Strong Families, Strong Futures. In addition, Career Map provides other notable financial benefits and lasts for five years, while Strong Families, Strong Futures lasts only a year. It is likely that Strong Families, Strong Futures will help families during that year but be less

likely than Career Map to help families improve their economic security in the long term.

This suggests that the District should consider altering its cash assistance programs for families with children to be more like Career Map model, by modifying the TANF program. These efforts can begin now and then be strengthened when evaluations of the GBI pilots are available. In the long run, the District could consider replacing TANF with the best elements of income support programs in the District and other communities. Changes that the District should consider now include:

- **Raise TANF benefits.** The fact that all pilots in DC provide more income than TANF is an indication of the inadequacy of DC’s benefits. The maximum TANF benefit for a family of three equals just 35 percent of the federal poverty line.
- **Reduce the phaseout of TANF benefits when earnings rise.** The District could alter rules to not reduce TANF benefits at all for a specified period as a parent begins to work, and then reduce benefits gradually after that.
- **Structure TANF benefits to limit benefit declines in other programs.** DC should allow families to choose to receive a portion of their TANF support as an offset to other expenses, such as rent or utilities, rather than as a cash payment.
- **Take other steps to reduce other public benefit declines when a parent earns more by getting a better job or more hours.** Beyond TANF (noted above), the District could reduce co-pays in its childcare program and could alter its Earned Income Tax Credit to phase out more slowly.<sup>xvii</sup> The District also could work to replace lost federal SNAP benefits using a local supplement.

This expansion also will increase costs well beyond the costs of the small pilot programs. Adopting these recommendations will require policymakers to identify new funding and for that reason, the changes may need to be implemented over multiple years.

*Applying the strongest features of DC’s pilot programs to the TANF program would extend their positive impacts to nearly all families with children with low incomes.*

Beyond adjusting the financial elements of TANF and other benefit programs, the District also should work to ease access to assistance and limit restrictions placed on participants, to follow the Guaranteed Basic Income approach of providing cash without restrictions, trusting recipients to make sound decisions. The two pilot programs described in this analysis – Career Map and Strong Families, Strong Futures --

provide financial aid without stigmatizing requirements and thus don't carry the racism, classism, and stigma that have been part of national TANF policy.

It's worth noting that the District has taken important steps to reform its TANF program, such as eliminating time limits and levying only modest penalties when families don't participate in federally required job readiness activities. But the program still a complex application process and requires recipients to seek child support -- even when noncustodial parents are hard to find or uncooperative -- and denies TANF for families that don't cooperate.

*Ensuring that families have enough resources to meet their basic needs will lead to improved educational outcomes, better employment outcomes for adults, and improved mental health and overall well-being for both children and adults*

A broadly applied approach to improving the economic security of DC residents with low incomes – benefit levels that are high enough to provide economic stability, simple program rules that allow for easy access without stigma, and available to all residents with low-incomes – would resonate throughout the District.

<sup>i</sup> In this analysis, net income includes the following monthly sources: earnings, cash assistance, the value of SNAP benefits, and the DC Earned income Tax Credit. Reductions from net income include payroll taxes, copays in DC's childcare subsidized program, and subsidized housing rent (in scenarios where recipients receive subsidized housing. In an interest on focusing on monthly benefits, this analysis does not include assistance providing annually, such as the federal Earned Income Tax Credit. See the box on methodology on page X.

<sup>ii</sup> For example, the income that an average single parent with two children required to meet basic needs in 2018 without government assistance was three times the official poverty line for such a family, according to the Living Wage Calculator developed by an economic geographer at the Massachusetts Institute of Technology. See Arloc Sherman and Paul Van De Water, "Reducing Cost of Living Adjustment Would Make Poverty Line a Less Accurate Measure of Basic Needs," Center on Budget and Policy Priorities, June 11, 2019. Retrieved on December 30, 2022 from <https://www.cbpp.org/research/poverty-and-inequality/reducing-cost-of-living-adjustment-would-make-poverty-line-a-less>

<sup>iii</sup> Kids Count data center

<sup>iv</sup> Legislation adopted in 2021 expanded the DC EITC over several years, through 2025. This analysis uses the value of the DC EITC when legislated expansions are fully in effect.

<sup>v</sup> This example assumes that the family is not receiving subsidized housing.

<sup>vi</sup> Arloc Sherman and Tazra Mitchell, "Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find," Center on Budget and Policy Priorities, July 17, 2017. Retrieved on December 30, 2022 from <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over>

<sup>vii</sup> Mary Bogle, et al, "An Evaluation of THRIVE East of the River: Findings from a Guaranteed Income Pilot during the COVID-19 Pandemic," Urban Institute, February 24, 2022. Retrieved on December 30, 2022 from <https://www.urban.org/research/publication/evaluation-thrive-east-river-findings-guaranteed-income-pilot-during-covid-19>

<sup>viii</sup> Dr. Stacia West, et al, “Preliminary Analysis: SEED’s First Year,” Stockton Economic Empowerment Demonstration, 2021. Retrieved on December 30, 2022 from <https://socialprotection.org/discover/publications/preliminary-analysis-seed%E2%80%99s-first-year>

<sup>ix</sup> [https://economicsecurityproject.org/wp-content/uploads/GICP-Feasibility-Study\\_Lit-Review.pdf](https://economicsecurityproject.org/wp-content/uploads/GICP-Feasibility-Study_Lit-Review.pdf)

<sup>x</sup> Career Map includes an affordable housing component, under which participants pay no more than 30 percent of income for housing. To compare the impacts of Career Map with standard DC policies, this analysis uses examples that compare the benefits under Career Map with the benefits for a family of three in subsidized housing who does not receive Career Map benefits.

<sup>xi</sup> This substantial impact on SNAP benefits is likely to be a major reason that most SFSF participants chose to accept payments in a lump-sum format rather than monthly. Recent guidance from the federal government allows states that have privately funded GBI programs to disregard the payment for the purpose of determining SNAP benefits, but SFSF is fully funded by the District government.

<sup>xii</sup> At this income level, a family would have a childcare co-payment, and the Strong Families, Strong Futures benefit would lead to \$35 monthly increase in the childcare co-pay when compared with families not participating in the pilot. This modestly offsets the benefit of the SFSF payment.

<sup>xiii</sup> To make a proper comparison, the examples in this analysis compare Career Map benefits with benefits for a participant in Strong Families, Strong Futures who also has subsidized housing, even though Strong Families does not guarantee that.

<sup>xiv</sup> Evaluations of Career Map and Strong Families, Strong Futures should be comprehensive and examine the impacts of all program features, including non-financial supports such as career counseling.

<sup>xv</sup> Greg Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, “Early-Childhood Poverty and Adult Attainment, Behavior, and Health,” *Child Development*, January/February 2010, 81:1, 306-325. Retrieved on December 30, 2022 from [https://www.academia.edu/12852964/Early\\_Childhood\\_Poverty\\_and\\_Adult\\_Attainment\\_Behavior\\_and\\_Health#:~:text=Early-Childhood%20Poverty%20and%20Adult%20Attainment%2C%20Behavior%2C%20and%20Health,behavior%20outcomes%2C%20measured%20as%20late%20as%20age%2037](https://www.academia.edu/12852964/Early_Childhood_Poverty_and_Adult_Attainment_Behavior_and_Health#:~:text=Early-Childhood%20Poverty%20and%20Adult%20Attainment%2C%20Behavior%2C%20and%20Health,behavior%20outcomes%2C%20measured%20as%20late%20as%20age%2037). These studies could not isolate how much of the effect was from the income boost and how much was from a change in the parental employment. In many studies, hours worked increased, meaning positive outcomes could be related to increased parental employment. In others, hours worked decreased, meaning that positive outcomes could be related to parents having more time to spend with their children.

<sup>xvi</sup> Chuck Marr, Danilo Trisi, Arloc Sherman, and Kris Cox, “Policymakers Should Expand Child Tax Credit in Year-End Legislation to Reduce Poverty,” Center on Budget and Policy Priorities, October 20, 2022. Retrieved on December 30, 2022 from <https://www.cbpp.org/research/federal-tax/policymakers-should-expand-child-tax-credit-in-year-end-legislation-to-fight>