The District and Baltimore Face Double Whammy in Welfare Reform

Greater Challenges and Less Funding for Needed Services

By Carol S. Meyers

Findings

- **Decreases in cash assistance welfare caseloads in the District of Columbia and Baltimore City substantially trailed suburban decreases over the last five years.** As a result, 72 percent of Washington area welfare recipients in 2001 are in the District and 83 percent of Baltimore area recipients are in Baltimore City.

- **The slower central city declines were attributable to the greater incidence of poverty, low skills, and lack of work experience among city residents.** In addition, institutional and policy differences between suburbs and central cities slowed declines.

- **Welfare recipients with longer receipt of cash assistance are now concentrated in the District and Baltimore.** Over half of District cases had received benefits for 30 of the last 41 months as of July 2000, compared to 6 percent in Montgomery County.

- **The slower decline of cash assistance payments in the District has left less money from the federal block grant for job support services.** The District had to spend $80 million for cash assistance in fiscal years 1999 and 2000 that would have been available for services if its caseloads had declined by the 72 percent rate in the suburbs.

- **Because the larger proportion of central city welfare recipients are long-stayers, services needed to help them overcome multiple barriers are more expensive.** Hard-to-serve recipients need such long-term services as child-care for larger families, literacy and basic skills education, and treatment for drug abuse, depression, and other illnesses.

- **The central city double whammy of less resources available and greater expense for services will require hard policy choices for area officials as the five-year TANF family cash assistance limit begins to be felt.**

The Welfare Reform Series of Reports

The Greater Washington Research Center consolidated with the Brookings Institution's Center for Urban and Metropolitan Policy on January 1, 2001. The new organization, the Brookings Greater Washington Research Program, directed by Alice Rivlin and Phil Dearborn, continues the now four-year tracking of welfare reform in the Washington area. The aim: to analyze how area governments are helping welfare recipients make the transition from welfare to work and to keep the community informed about those efforts. Brookings Greater Washington periodically distributes its findings through this series of reports. This project is funded by The Morris and Gwendolyn Cafritz Foundation, the Eugene and Agnes E. Meyer Foundation, and the Jovid Foundation.

Introduction

While the District of Columbia and Baltimore City have witnessed significant decreases in their cash assistance caseloads since 1995, it is becoming clear that welfare reform presents greater challenges in these cities than in their surrounding suburbs. It is also becoming clear that welfare reform funding provisions do not adequately recognize welfare reform challenges facing cities.

Experience to date shows a slower reduction in caseloads and a higher concentration of hard-to-serve cases in the District and Baltimore than in their suburbs. As a result, the District has not been able to free up as much federal block grant funds (Temporary Assistance for Needy Families or "TANF"), as well as its own funds from cash assistance, as it would have if its caseloads declined at rates similar to its suburbs. Baltimore, thanks to a special allocation formula, receives a pro rata share of Maryland's work opportunities funds. Both cities, however, must use their limited freed-up cash assistance funding on more expensive and longer-term services than are needed in the suburbs.

Table 1. Rate of Change in TANF Cases in Washington and Baltimore Areas, January 1996-January 2001

	Jan 2000–Jan 2001	Jan 1996–Jan 2001
WASHINGTON		
District	-7.6%	-36.6%
Prince George's	-7.4	-70.9
Montgomery	--8.3	-78.1
Alexandria	-17.3	-64.5
Arlington	-20.2	-71.8
Fairfax	-12.7	-35.1
Total Area	**-8.4**	**-53.1**
Area without DC	**-10.3**	**-72.2**
BALTIMORE		
Baltimore City	-1.3	-50.4
Baltimore County	-16.3	-64.3
Anne Arundel	-8.9	-69.1
Howard	-20.3	-85.8
Total Area	**-3.8**	**-54.5**
Area without City	**-14.5**	**-67.7**

Caseloads Decline Less in Cities than in Suburbs

The District's 37 percent decrease in cash assistance cases and Baltimore's 50 percent decrease in cash assistance cases trailed the 72 percent and 68 percent declines in their respective suburbs.[1] The effect of the slower rate of decline has been to concentrate welfare cases in the District and Baltimore. For the District, this concentration has increased from 54 percent of Washington area cases in January 1996 to 72 percent in January 2001. Baltimore's share has risen from 77 percent to 83 percent.

While there was some hope that the central cities just started slowly and their rates of reduction would catch up to the suburbs, the opposite may be occurring. During the year 2000, the rate of decrease in cases slackened in both the Washington and Baltimore areas. However, the rates of decrease in both the District and Baltimore City slowed even more than in the suburbs. Last year, the District's decrease was 7.6 percent compared to a 10.3 percent decrease in the suburbs. The Baltimore decrease slowed to a 1.3 percent trickle compared to a 14.5 decrease in its suburbs.

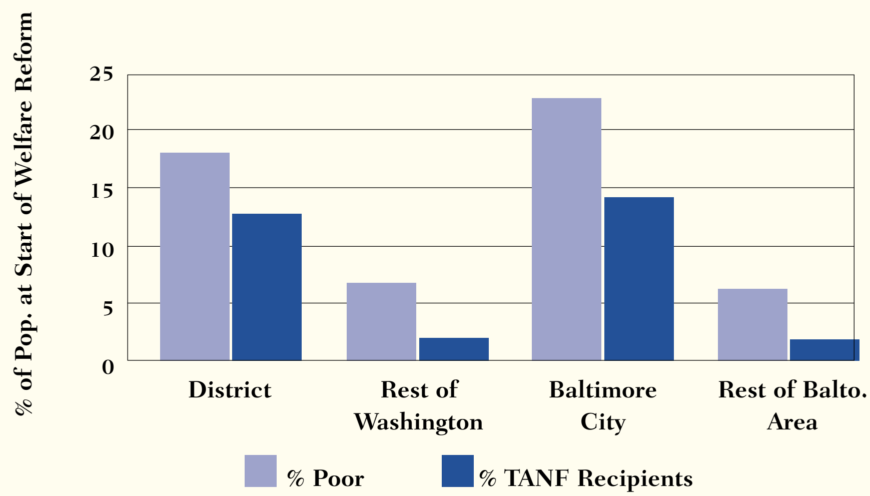
Why Did City Caseloads Decline More Slowly?

Slower implementation of welfare reform in the District and Baltimore has probably been caused by city-suburban economic, demographic, and institutional differences. Unemployment and job growth rates (Table 2), for example, show clearly that the ratio of jobs to job seekers is lower in the District and Baltimore City than in their suburbs.

Table 2. Unemployment and Job Growth in Washington and Baltimore

	Washington, DC		Baltimore	
	District Columbia	Maryland & Virginia Suburbs	Baltimore City	Suburbs
Unemployment %				
December 1995	8.4%	3.2%	7.7%	4.1%
December 2000	5.8%	1.7%	6.6%	2.8%
Job Growth %				
1995–2000	2.0%	19.2%	1.1%	15.9%

Chart 1: Incidence of Poverty and Welfare in Washington and Baltimore Areas



Greater Incidence of Poverty

The greater incidence of poverty in the two cities may also explain slower implementation. When welfare reform began, the District and Baltimore City had high concentrations of their regions' poor and welfare recipients (Chart 1).

Low Skills

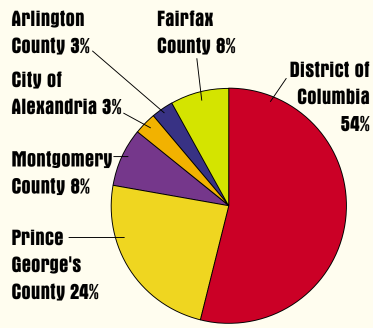
Associated with the greater incidence of poverty is a greater incidence of illiteracy and social isolation, both significant barriers to workforce participation. District officials estimate that two-thirds to three-quarters of the city's welfare recipients read between a 3rd and 6th grade level, but job trainers in the Washington area maintain that 8th grade reading proficiency is required to train clients for all but the lowest –skill jobs. A study by the National Center for the Study of Adult Learning and Literacy also indicates a huge mismatch between recipients' skills and available jobs.[2] Based on 1998 data the District would need a 20 percent increase in very-low skill jobs and an 11 percent increase in jobs needing the next higher skill level to provide jobs for the welfare clients in the lowest two skill levels. The gaps between low-skill labor supply and demand in Baltimore in late 1997 were found to be less—14 percent and 9 percent for the first two skill levels. In contrast, Prince George's would need only a 7 percent increase in the number of its lowest skill jobs, and Montgomery County, 2 percent.

Work Experience
In addition to skills deficiencies, lack of work experience makes getting a job difficult. According to recent profiles of long-tenured welfare recipients in Maryland (mostly Baltimore City), over half of those surveyed did not work in the two years before welfare reform began.[3]

Institutional Differences
Institutional differences may also account for differences in the successful implementation of welfare reform. The principal tasks of welfare agencies have shifted from just determining eligibility, closely monitoring recipients' income and assets, and paying entitlement benefits under Aid to Families with Dependent Children (AFDC) to placing welfare recipients in jobs under the new federal Temporary Assistance for Needy Families (TANF) program. This shift has required overhauling processes, retraining workers, and designing or reconfiguring data systems. The sheer size of the client base in the District and Baltimore may make this change a greater challenge. In addition, the District's initial reform implementation foundered on repeated contracting and hiring delays.

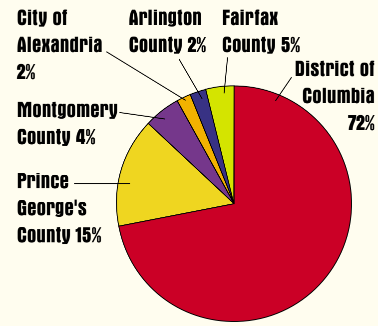
Policy Differences
Policy differences also help explain the slower caseload declines in the District compared to its suburbs and

Washington Area TANF Cases, January 1996



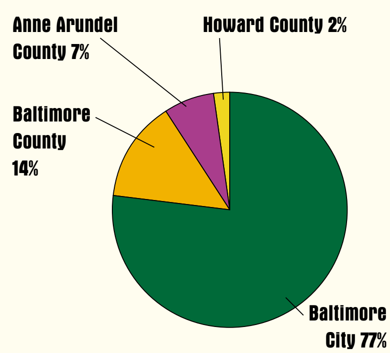
47,730 Cases

Washington Area TANF Cases, January 2001



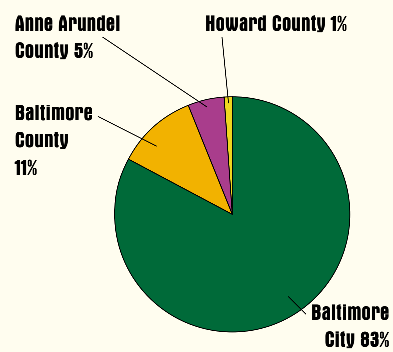
22,403 Cases

Baltimore Area TANF Cases, January 1996



47,326 Cases

Baltimore Area TANF Cases, January 2001



21,545 Cases

Baltimore. Penalties, and therefore the threat of penalties, for noncompliance with work activities are much stronger in Maryland and Virginia than in the District. The two states apply a full family sanction—they stop cash assistance—if a recipient fails to meet work participation requirements. Moreover, under the Virginia state plan, cash assistance ends after 24 months regardless of compliance, and cannot start again until another 24 months have elapsed. The District halts only the cash assistance to the parent for noncompliance. It is also possible that, compared to Maryland and Virginia, the District and its contractors did a poorer job of communicating the new work participation rules and convincing recipients that they needed to comply.

Harder-to-Serve Recipients are Concentrated in the District and Baltimore

Longer-term welfare recipients are typically harder to serve. Long-stayers comprise much greater proportions of District and Baltimore recipients, compared to their Maryland suburbs. Last July, 56.3 percent of the District's cases with adults (as opposed to child-only cases) had received TANF benefits for at least 30 months out of the most recent 41 months.[4] Some 42.4 percent had been receiving benefits for at least 37 months. In Montgomery and Prince George's counties, only 6.2 percent and 21.4 percent of those counties' respective cases with an adult had been receiving TANF benefits for a similar long period.[5] Baltimore's percentage of long-term cases is more than double the shares of its suburbs—23 percent compared to about 10 percent.

The greater concentration of long-stayers in the District and Baltimore may be a very large factor explaining the slower implementation of welfare reform in those cities. In general, welfare recipients who are the most job ready and who face lower or fewer physical, mental, and other barriers to getting and keeping jobs leave the welfare rolls fairly quickly. Those with low literacy, few job skills and experience, substance abuse, and other barriers tend to stay on welfare longer.

Table 3. Long-Term Welfare Cases in the Washington and Baltimore Areas

Jurisdiction	Paid TANF cases With Adult	Long-Term* Cases with Adult	% Cases that are Long-Term
District of Columbia	10,991	6,189	56.3%
Prince George's County	2,012	431	21.4%
Montgomery County	513	32	6.2%
Baltimore City	13,813	3,179	23.0%
Baltimore County	1,574	155	9.9%
Anne Arundel County	475	45	9.5%
Howard County	67	3	4.5%

**District cases received TANF for at least 30 of the last 41months as of July 2000 and Maryland cases received TANF for at least 36 of the last 45 months as of September 2000.*

Because long-stayer families tend to have more and younger children, child care and transportation logistics can also pose significant barriers to their getting and keeping jobs. In the District, 41 percent of the long-stayer families have three or more children and more than half included a child under the age of 7. A third of long-stayer families in Maryland (mostly Baltimore) have three or more children and the median age of children in all long-stayer Maryland families is only 4 years.

A Double Whammy from Slower Caseload Declines and Federal Welfare Funding

Federal welfare reform block grant funding provides states and the District with a set amount of funding to be used, within certain federal guidelines, either for cash assistance or for services to support persons in needy families with children in making the transition from welfare to work. Employment support services may include transportation and child care subsidies, training, and refundable earned income tax credits. In addition, the states and the District are required to spend a minimum level of own-source revenue (maintenance of effort or "MOE" funds) which may finance many of the same services as well as such services as substance abuse treatment and rehabilitation.

Less Funding, More Expensive Services

The greater the decreases in caseloads and cash assistance needs are, the greater the amount of TANF and MOE funds available for the support services for the working poor and recipients not yet working. However, smaller decreases in caseloads and cash assistance needs mean less funding available for support services. Indeed, this is the dilemma confronting the District of Columbia and Baltimore City. The two cities continue to pay benefits to more recipients than they would have if they had achieved the suburban reductions. Thus they have fewer welfare funds left to help those recipients make the transition to work. And, as a second whammy, a larger proportion of recipients remaining on the cities' welfare rolls are long-stayers, and services needed to help long-stayers overcome multiple barriers and achieve employment are more expensive. Effectively treating drug abuse, illiteracy, domestic violence, and depression, for example, involves intensive, long-term investments. Subsidizing child care for larger, younger families obviously costs more than two or three-person families.

Lost Savings Total $80 Million

As a measure of the first whammy, consider the opportunity cost to the District stemming from slower caseload declines. If the District had attained the 72 percent caseload decrease experienced by its suburban neighbors over the last five years, it would have had $80 million more available over fiscal years 1999 and 2000 to spend on work support and related services. That is, the District would have had an additional amount equivalent to 87 percent of the annual TANF grant to invest in literacy programs, basic skills and vocational training, substance abuse treatment, child care, and the like.

Baltimore Helped by State

The District is an extreme example of the TANF block grant funding dilemma. It has no state to redistribute cash assistance savings achieved by substantial reductions in suburban welfare cases. Baltimore, compared to the District, is partially protected by Maryland from the perverse effect of slow caseload reduction on funds available for support services. The state uses an eight-factor formula to allocate TANF funds it designates for local department work opportunity services. With a 20 percent weighting given to the number of cases and 20 percent to the number of applications for benefits, Baltimore and each of the other Maryland local welfare departments receive a share of work opportunity funds that is within six percentage points of their shares of state TANF cases. Thus, in fiscal year 2000, Baltimore received 55 percent or $22.1 million of the state's $40.0 million in work opportunities funds. The city's share of the state's total caseload was 61 percent in January 2000.

Despite the Maryland allocation formula, Baltimore must contend with a greater share of expensive-to-serve clients. Even though the remaining factors in the formula include a 20-percent weight for the number of hard-to-serve cases, and 5 percent each to poverty population, high school drop out rate, and number of unemployed, Baltimore does not receive a greater-than-pro-rata share of state resources to finance the higher costs. The state alleviates some of this resource problem by funding various pilot projects in Baltimore.

Five Year Limit Impacts Cities

Another problem for the District and Baltimore, not confronted to the same degree by the suburbs, stems from the greater city concentrations of those who are at risk of hitting the 60-month lifetime limit imposed by the federal welfare law on a family's TANF benefits. In the District, the 60-month TANF clock began to tick in March 1997; in Maryland, it began two months earlier. In both jurisdictions, families will begin reaching their 60-month limit in early 2002. Some 4,657 District families had been on welfare for 37 to 41 months between March 1997, when the District's program began, and July 2000. Another 1,532 had been on welfare for 30 to 36 months. Both groups are at risk of hitting their 60-months TANF limit starting in early 2002. Some 2,652 cases will exceed their time limit in March 2002. Baltimore City families with 36 to 45 months of welfare by September 2000 numbered 3,179. Those families will start bumping against their limits at the beginning of 2002.

Policy Choices

Welfare philosophies, rather than funding limitations, will determine the policy choices precipitated by the 60-month limit. MOE funds are largely interchangeable with TANF funds. Jurisdictions can, therefore, switch to MOE funds, as the District and Maryland have decided to do, to continue benefits beyond the time limits. TANF funds can also be used for cash assistance beyond the time limit for up to 20 percent of the current caseload deemed hardship cases. Maryland has reduced benefit levels for families continuing beyond 60 months, and this remains an option for the District. Policymakers may also want to consider whether continued assistance is viewed as rewarding the "long-stayers." Another policy choice concerns dividing MOE resources between extended cash assistance and treatment programs that TANF may not finance, to help move long-stayers into work or into supported employment. Of course, a substantial economic downswing could change the policy context drastically and require spreading cash assistance among many more recipients and cutting back on extended cash assistance to some long-term recipients.

Softening the Welfare Whammy for Cities

The welfare reform dilemma facing the District and Baltimore has several other local policy implications. The mismatch between local labor supply and demand that impedes welfare reform can be reduced through literacy and basic skills training and more low-skill jobs in the cities or accessible jobs in the rest of the region. Regional workforce and job-access cooperation is essential; so is careful investment of TANF and MOE funds in training.

The District's and Baltimore's welfare dilemma also has implications for national policy.

A key consideration is using the reauthorization of TANF slated for September 2002 as an opportunity to give cities, or states with large cities, larger grants using a formula reflecting the greater concentration of poverty, the higher cost of serving welfare recipients with multiple barriers, and the need for longer-lasting assistance. TANF grant levels could also be made to increase during economic slowdowns so that work support and other programs do not have to be dismantled to funnel more funds to cash assistance. To soften the impact of a soft labor market, TANF eligibility could automatically be extended when unemployment exceeds a certain threshold.

To ease the disproportionate impact of TANF time limits on cities, consideration could be given to stopping the 60-month clock if a TANF recipient is working a suitable number of hours per week. This change could have the added benefit of freeing up part of the recipient's time to pursue training or adult basic education. The work-first philosophy of federal welfare reform was manifest in strict limits on the amount and types of basic education, literacy, and training services that could be provided to TANF recipients. Raising or eliminating those limits would especially help cities with their large shares of recipients who cannot hope to gain a liveable wage without those services.

Finally, the District's unique disadvantage of having no state to redistribute suburban cash assistance savings for spending on programs for the hard-to-serve could be addressed through special national spending or tax policy.

Conclusion

After over four years of implementing welfare reform, the District of Columbia and Baltimore City find their programs at points substantially different from the programs of their suburban neighbors. The two cities are wrestling with helping the long-staying, hard-to-serve welfare recipients move toward and into employment, while at the same time assisting the working poor, including many former welfare recipients, to improve their conditions. In contrast, the major focus of suburban welfare departments is on the working poor and includes efforts to keep them employed and to increase their earnings. The mismatch between the resources available for and the greater expense of serving the hard-to-serve handicaps both the District and Baltimore in helping both groups of families.

Endnotes

1 The Washington area jurisdictions are Arlington, Fairfax, Montgomery, and Prince George's counties, and the City of Alexandria. The Baltimore area suburban jurisdictions are Anne Arundel, Baltimore, and Howard counties.

2 National Center for the Study of Adult Learning and Literacy, Welfare, *Jobs and Basic Skills: the Employment Prospects of Welfare Recipients in the Most Populous Counties,* by Alec R. Levenson, Elaine Reardon, and Stefanie R. Schmidt, April 1999. The study uses the 1992 National Adult Literacy survey measures. Individuals at Level 1 can do very simple tasks, such as locating the expiration date on a driver's license, totaling a bank deposit slip, or signing their names. They cannot do Level 2 tasks, such as filling out a benefits application or locating an intersection on a map. Level 3 skills would include writing a letter explaining a credit card bill error or using a bus schedule.

3 *The TANF Time Limit: Profile of Families at Imminent Risk,* Welfare and Child Support Research and Training Group, School of Social Work, University of Maryland-Baltimore for Family Investment Administration Steering Committee, Maryland Department of Human Resources, February 2001.

4 *The TANF 60-Month time Limit,* Income Maintenance Administration, DC Department of Human Services, October 11, 2000. The author calculated the ratio. Although the District and Maryland classification ranges of months on welfare differed, a rough comparison is possible.

5 *The TANF Time Limit,* School of Social Work, University of Maryland-Baltimore. Author calculated the ratios using caseload data and selected as long-stayers in Maryland those who received benefits for at least 36 out of the last 45 months as of September 2000.

For General Information:
Brookings Greater Washington Research Program
Phone: (202) 797-6292
Fax: (202) 797-2963
E-mail: esheridan@brookings.edu
Website: www.brookings.edu/washington