

THE BASIC ECONOMIC SECURITY TABLES™

FOR THE

WASHINGTON, DC METRO AREA

BEST POLICY BRIEF:

BRIDGING GAPS BETWEEN INCOME AND ECONOMIC SECURITY IN THE DISTRICT OF COLUMBIA

**A PROJECT OF WIDER OPPORTUNITIES
FOR WOMEN'S FAMILY ECONOMIC
SECURITY PROGRAM**

**Fall
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The Basic Economic Security Tables™ (BEST) are tabulated by Wider Opportunities for Women (WOW) and the Center for Social Development (CSD) at Washington University in St. Louis as part of the national BEST Initiative led by WOW.

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Wider Opportunities for Women (WOW)



Wider Opportunities for Women (WOW) works nationally and in its home community of Washington, DC to achieve economic independence and equality of opportunity for women and families at all stages of life. For over 45 years, WOW has been a leader in the areas of nontraditional employment, job training and education, welfare-to-work and workforce development policy. Since 1995, WOW has been devoted to the self-sufficiency of women and their families through the national Family Economic Security (FES) Project. Through FES, WOW has reframed the national debate on social policies and programs from one that focuses on poverty to one that focuses on what it takes families to make ends meet. Building on FES, WOW has expanded its intergenerational mission of economic independence for women at all stages of life with the Elder Economic Security Initiative.

The national BEST Initiative is a multi-year, research-driven campaign to raise awareness of the true cost of moving beyond survival to economic security. The BEST combines coalition building, research, advocacy, education and outreach at the national, state and community levels to promote the economic well-being of low-income families through economic development and creation of good jobs—those that offer employment-based benefits such as health insurance and retirement savings plans and that pay or offer a pathway to family-sustaining wages.

Center for Social Development, Washington University-St. Louis



GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK

The Center for Social Development conducts research that informs how individuals, families, and communities increase capacity, formulate and reach life goals, and contribute to the economy and society. The Center for Social Development's principal focus is on families and communities at the bottom of society. Major areas of work include Asset Building and Civic Engagement & Service.

The Basic Economic Security Tables Help Define Economic Security and Basic Savings for District Workers

As Washington, DC grapples with and emerges from the “Great Recession,” it must prepare for recovery and place a renewed emphasis on moving economically vulnerable District families onto a path of economic security. The public, private and non-profit sectors can employ an economic security lens and reframe their policy and program goals by: (1) defining, creating and supporting good jobs; (2) improving the District’s workforce system; (3) working to limit or reduce the high cost of living for District residents; and (4) promoting savings.

District Residents with a Wide Range of Incomes Lack Security

In 2009, the poverty rate in Washington, DC was 18.4%, up from 15% at the beginning of the decade.¹ In difficult economic times, the poverty rate is an important indicator of the number of individuals and families mired in the most severe of financial crises. However, because it is one-dimensional, the federal poverty level (FPL) sheds no light on the actual costs of living, the causes of income inadequacy, or the consequences of living in poverty.

The official poverty level also does not indicate the number of people—including some in DC’s middle class—who live above the poverty line but lack some or several of the many elements of economic security. A national research project conducted by Lake Research Partners and Wider Opportunities for Women shows that Americans realize that poverty and security are distant, that they “have a very different perspective from the current federal poverty guidelines on how much it takes for families and senior citizens to make ends meet on a daily basis.”² The FPL for a family of four is \$22,050. However, 64% of Americans believe a family of four needs more than \$50,000 to make ends meet. Forty-

five percent believe a family of four needs \$60,000 or more.³

In order to create a stable economy, Washington, DC must focus on those who live below the poverty line and those who live above the poverty line but lack the components of basic economic security. Families, policymakers, economic developers, employers, advocates and service providers require clear-eyed understanding of what workers and their families need to restore economic stability and plan for a secure future.

Six Steps to Building the Economic Security of DC Residents

1. Create good jobs in the District
2. Build a coordinated system of training and education to prepare DC residents for growing good jobs in the District
3. Increase the availability of child care and housing for low- and moderate-income families in the District
4. Help DC residents save for emergencies and their retirement
5. Ensure that DC residents who require a range of public assistance are informed about programs and have access to services
6. Align District services and programs to build the economic security of DC residents, and establish a related interagency task force and citizen-based advisory group

The Basic Economic Security Tables Define Economic Security in Washington, DC

The economic security that District families aspire to, particularly in times of instability, is defined by the Basic Economic Security Tables™ (BEST) Index. The BEST follows on a long history of research defining families' spending and income needs, but reflects a modern economy and contemporary understanding of how families achieve financial stability. The BEST captures the local variance in prices that determines how well incomes allow families to make ends meet. The BEST improves on the descriptive power of earlier budget standards by presenting the specific needs of more than 400 family types—all possible one- or two-adult families with up to six children.⁴ BEST values for adults are not age-specific, and are applicable to any independent working adult.⁵

To further improve understanding of worker expenses and income needs, the BEST calculates separate income requirements for workers with and without access to employment-based benefits. Receipt of benefits—namely employer-sponsored health insurance and employment-based retirement plans—can be critical to short- and long-term economic security, and can prevent workers from suffering marked declines in stability, or even impoverishment. The Index also distinguishes between workers who are and are not covered by unemployment insurance. Those without access to unemployment insurance require greater emergency savings to insulate them from instability, as they cannot count on unemployment insurance to replace lost income.

The core BEST Index contains *basic* budget items essential to all workers' health and safety: housing, utilities, food and essential personal and household items such as clothing, household products and a landline telephone. The BEST assumes all adults work outside the home; all BEST workers therefore incur transportation costs, and all parents with children

must pay child care costs.⁶ Workers also pay federal and state taxes, net of tax credits, on the income needed to pay for their basic needs.

Because simply meeting basic needs is not enough to be economically secure, the BEST also includes emergency and retirement savings, which prevent corroded economic security, weakened families and impoverishment. Such saving is necessary for all workers over the course of a work life, and is therefore also included in the core BEST Index. Homeownership savings and education savings have traditionally been central to the American dream, but they are not required by all families, and are not the optimal means of building security for all families. They are therefore included in the BEST Index as addenda to the core Index. Table 1 enumerates BEST expenses and savings requirements for several family types in the District of Columbia.

Economic security is the ability to afford basic needs and save for emergencies and retirement.

As the wages in Table 1 demonstrate, BEST wages are more easily attainable for some families than for others. Median incomes of DC's single childless adults and married couples, with and without children, rise above their BEST Indexes. However, the income of the typical single parent in DC falls far short of the Index for any family headed by a single head of household. The median income for single women with children is just \$28,383, more than \$3,000 less than even the BEST Index for a single worker with no children. For many DC families, good jobs will be the foundation of security, but are insufficient in and of themselves.

Table 1: Basic Economic Security Tables, 2010

(Workers with Employment-based Benefits)

Washington, DC, Selected Family Types

Monthly Expenses	1 Worker, 1 Infant		1 Worker, 1 Preschooler, 1 Schoolchild		2 Workers, 1 Preschooler, 1 Schoolchild	
	1 Worker	1 Worker, 1 Infant	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers	2 Workers, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
Housing	\$814	\$928	\$928	\$814	\$928	\$928
Utilities	\$162	\$185	\$185	\$162	\$185	\$185
Food	\$301	\$434	\$648	\$552	\$868	\$868
Transportation	\$210	\$210	\$210	\$420	\$420	\$420
Child Care	\$0	\$1,181	\$2,456	\$0	\$2,456	\$2,456
Personal & Household Items	\$344	\$417	\$475	\$412	\$534	\$534
Health Care	\$148	\$304	\$445	\$339	\$507	\$507
Emergency Savings	\$93	\$169	\$262	\$123	\$294	\$294
Retirement Savings	\$87	\$87	\$87	\$182	\$182	\$182
Taxes	\$513	\$1,048	\$1,777	\$534	\$1,825	\$1,825
Tax Credits	-\$34	-\$184	-\$333	-\$67	-\$366	-\$366
Monthly Total (per Worker)	\$2,638	\$4,779	\$7,140	\$1,735	\$3,916	\$3,916
Annual Total	\$31,656	\$57,348	\$85,680	\$41,640	\$93,984	\$93,984
Hourly Wage (per Worker)	\$14.99	\$27.15	\$40.57	\$9.86	\$22.25	\$22.25
Additional Asset Building Savings						
Children's Higher Education	\$0	\$53	\$107	\$0	\$107	\$107
Homeownership	\$440	\$553	\$553	\$440	\$553	\$553

Note: "Benefits" include unemployment insurance and employment-based health insurance and retirement plans.

More information on BEST expenses can be found in Appendix B. For more detailed information on BEST expenses and savings components, or benchmarking typical District incomes against BEST economic security wages, see *The Basic Economic Security Tables for the Washington, DC Metro Area*, available at www.wowonline.org.

District Public Assistance Programs Must Provide Stability While Families Pursue Genuine Economic Security

Gaps between income and economic security are often caused by low wages, a period of unemployment, pay cuts or cuts in hours for hourly employees, family emergencies, or costs that rise faster than wages.

Unemployment in the District peaked at 12% in January 2010, nearly two points higher than the

national peak which occurred several months earlier.⁷ For those who are working, rising costs, rising unemployment and stagnant wages have all contributed to increasing gaps between incomes and economic security. For some families, over the last six years BEST food costs rose by one-third, public transportation increased by over 80%, and child care costs rose enormously. At the same time, many workers' real wages fell: between 2008 and 2009, median earnings for adults with a high school diploma or GED declined by almost 11%, and earnings did not change for workers with some college education.⁸ In 2009, one out of every five District children was still living below the poverty level.⁹

When basic expenses exceed income, public assistance programs allow workers and families to maintain some degree of economic stability while they pursue actual economic security. Public assistance programs have provided Washington, DC families much-needed support during the recession.

In addition, unemployment insurance and federal and city tax credits such as the EITC and Child and Dependent Care Credit offer needed financial support to low- and moderate-income families alike. Public assistance programs reduce the negative effects of poverty on children and families, and are an investment in intergenerational economic security and stability, in the health and education of American workers, children and elders.

Over the last six years, for some BEST family types food costs rose by one-third, the cost of public transportation increased by over 80%, and child care costs rose enormously.

Once gaps between income and economic security have been measured, questions arise: Can the gaps be bridged? Are there public assistance programs that can provide economic stability while workers move toward economic security? Do assistance programs “fit together” so workers whose wages increase don’t fall off of benefit “cliffs” which decrease their overall economic security? By examining public assistance program eligibility rules and assistance calculations, one can measure change in economic security as families’ incomes change and they obtain or lose assistance. This brief models the impact of the following major federally- and city-administered assistance programs available in the second quarter of 2010. For more information on assistance programs, see Appendix A.

- Income Assistance: Temporary Assistance to Needy Families (TANF)
- Food Assistance: Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps); Women, Infants, and Children (WIC)
- Medical Assistance: Medicaid; DC Healthy Families Insurance; DC Healthcare Alliance

- Energy Assistance: Low-Income Home Energy Assistance Program (LIHEAP)
- Tax Credits: Federal and DC tax credits, including the federal Making Work Pay credit, the federal Child Tax credit, and the federal and DC Earned Income Tax Credits and child and dependent care credits
- Housing Assistance: Housing Choice Voucher Program (HCVP, formerly Section 8)
- Child Care Assistance: Child Care Services Subsidy

To illustrate the importance of assistance programs for low-income families, the below modeling scenarios follow a hypothetical worker, Michelle, who is raising two sons, initially ages 7 and 5, as a single parent. The three scenarios document her widely fluctuating income over a 5-year span as she strives for economic security and faces employment challenges:

Scenario 1: In early 2010, Michelle is unable to find full-time employment, and works part-time earning minimum wage;

Scenario 2: After obtaining training, Michelle becomes a carpenter, and more than doubles her wage;

Scenario 3: After four years of employment, Michelle’s position is eliminated in response to changes in the local construction industry, and she must rely on unemployment insurance and savings to preserve her family’s financial stability.

The scenarios demonstrate:

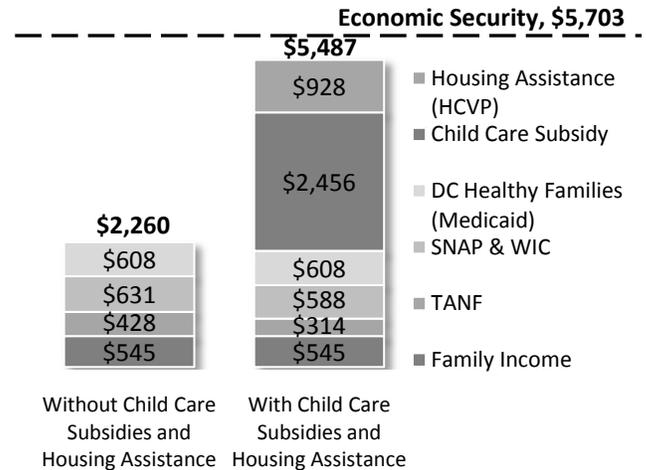
- Public assistance’s role in allowing workers to obtain short- and intermediate-term stability while pursuing long-term security
- The dramatic impact of women’s successful training in non-traditional occupations
- The critical role savings and asset development play in long-term economic security.

BEST SCENARIO 1: PUBLIC ASSISTANCE PROGRAMS AND A LOW-INCOME FAMILY

In 2010, Michelle has a part-time job in a fast food restaurant, earning \$8.25 per hour, \$545 per month. As shown in Figure 1 and Table 2, due to her very low income, she is eligible for \$428 per month in TANF assistance. Her family is eligible for the maximum SNAP benefit of \$526 per month and \$105 in WIC benefits. She is also eligible for energy assistance. She is allotted the average one-time LIHEAP benefit for FY 2009, \$571. This translates into \$48 per month when averaged over a year, but the assistance is critical during winter months.

Because the demand for housing assistance in the District far exceeds supply, Michelle is placed on a waiting list after she applies, where she could remain for years. Without child care and housing assistance, all other public assistance programs only move her from 10% economic security to 19% economic security, as shown in Table 2. The addition of child care assistance, which may require a wait, and scarce housing assistance moves her to 80% of the local BEST Index. While her family remains insecure, Figure 1 shows that all available assistance can temporarily move her family to a point near the BEST Index (net of taxes; see Table 2 notes). These supports allow her to take part in an

Figure 1: Economic Security of a Single Worker Raising 1 Preschooler and 1 Schoolchild, Washington, DC, 2010



Note: Monthly values. Assumes worker works 15 hours/week for \$8.25/hr.

apprenticeship carpentry training program through the DC Department of Employment Services in the hope of securing a better job and providing for herself and her family.

Table 2: Impact of Public Assistance Programs for an Underemployed, Low-Income Single Parent Raising 1 Preschooler and 1 Schoolchild in Washington, DC, 2010

Monthly Family Income = \$545

Monthly BEST Expenses = \$5,703

	No Assistance	TANF	SNAP and/or WIC	Medicaid, SCHIP, DC Healthcare Alliance	LIHEAP	Child Care Subsidy	Housing Assistance
Monthly Assistance	\$0	\$314	\$588	\$608	\$48	\$2456	\$928
Economic Security Gap (Income - BEST Expenses after Assistance)	-\$5,159	-\$4,845	-\$4,256	-\$3,648	-\$3,600	-\$1,144	\$216
% Economic Security (Income ÷ BEST Expenses after Assistance)	10%	15%	17%	19%	19%	43%	80%

Notes: TANF, as an "income support," is added to income. The calculation assumes the parent is working part time (15 hours per week) at the DC minimum wage, \$8.25. Net taxes paid on her annual wage of \$6,534/yr (an annual \$3,552 refund) have been substituted for BEST taxes (\$1,483/mn) paid on the BEST economic security income for a single parent raising a preschooler and a schoolchild who does not receive employment-based benefits (\$7,568/mn). Benefits include unemployment insurance and employment-based health insurance and retirement plans.

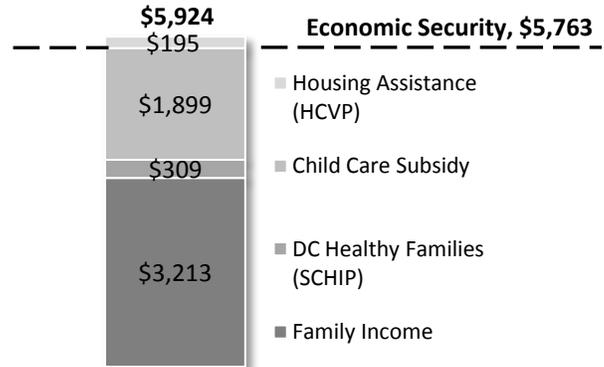
BEST SCENARIO 2: PUBLIC ASSISTANCE PROGRAMS AND A MODERATE-INCOME FAMILY

In 2011, Michelle has completed her carpentry training program. Her children are both elementary school students, so her child care expense and BEST Index have decreased. She works full-time as a carpenter and earns a local average early-career carpenter wage of \$20.01 per hour, \$3,213 per month, and purchases health insurance and contributes to a retirement plan through her employer. Her income has increased substantially, but as Table 3 shows, her income comprises only 61% of the BEST Index.

Her increased income makes her ineligible for TANF or food assistance. Since her income is still below 300% of the federal poverty line, her children are eligible for DC Healthy Families Insurance (SCHIP), saving her over \$300 per month. Because she is transitioning off of TANF, she still receives a child care subsidy. Receipt of all of these benefits lifts her to 99% of economic security.

Her increased income makes it very unlikely that she would receive a Housing Choice Voucher (Section 8 subsidy) if she were newly applying for the program, but if she is already a Voucher recipient and pays a BEST "typical" District rent,¹⁰ she is still eligible for a benefit, \$195 per month. Figure 2 shows how much closer public

Figure 2: Economic Security of a Single Worker Raising 2 Schoolchildren Who Receives Public Assistance, Washington, DC, 2010



Note: Monthly values. Assumes full time work at \$20.01/hr.

assistance brings her to economic security. Receipt of all benefits for which her family is eligible, including scarce child care assistance and housing assistance, allows her family to attain the security threshold.

Table 3: Impact of Public Assistance Programs for a Single Parent Raising 2 Schoolchildren in Washington, DC, 2010

Monthly Family Income = \$3,522
Monthly BEST Expenses = \$5,763

	No Assistance	TANF	SNAP and/or WIC	Medicaid, SCHIP, DC Healthcare Alliance	LIHEAP	Child Care Subsidy	Housing Assistance
Monthly Assistance	\$0	Not eligible	Not eligible	\$309	Not eligible	\$1,899	\$195
Economic Security Gap (Income- BEST Expenses after Assistance)	-\$2,241	-\$2,241	-\$2,241	-\$1,932	-\$1,932	-\$34	\$161
% Economic Security (Income ÷ BEST Expenses after Assistance)	61%	61%	61%	65%	65%	99%	105%

Notes: TANF, as an "income support," is added to income. The calculation assumes average level 5 carpenter's wages in the DC metro area (\$20.01/hr, \$42,261/yr). Net taxes paid on \$42,261/yr (\$309/mn) have been substituted for BEST taxes (\$1,431/mn) paid on the BEST economic security income for a single parent raising two schoolchildren who receives employment-based benefits (\$6,752/mn). Benefits include unemployment insurance and employment-based health insurance and retirement plans.

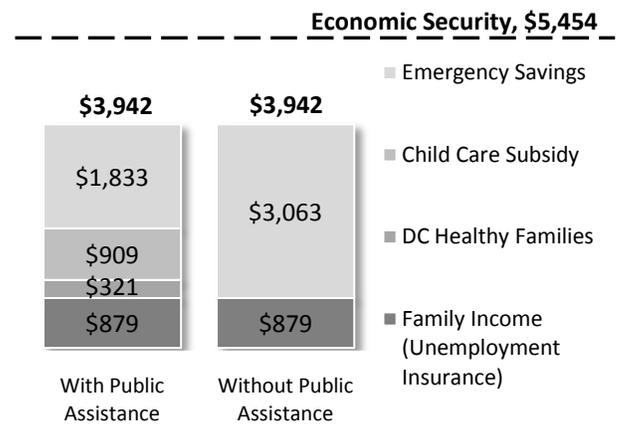
BEST SCENARIO 3: PUBLIC ASSISTANCE PROGRAMS AND AN UNEMPLOYED WORKER

Four years later, in 2015, Michelle is enjoying her work as a carpenter and earns \$22.40 per hour, \$3,942 per month. Unfortunately, the economy slows and she loses her job. Her work and earnings histories make her eligible for unemployment insurance, \$879 per month. Available unemployment benefits replace 22% of her pre-unemployment income (only 16% of her family's BEST Index income).

Michelle has been saving scrupulously over the past four years, and her liquid assets disqualify her from receiving TANF or food assistance. She no longer participates in the HCVP housing assistance program, but she has retained her children's DC Healthy Families Insurance (SCHIP) and child care subsidy (she does not immediately apply for increased assistance), which will allow her to keep her children's care slots and to look for work.

Figure 3 demonstrates Michelle's family's financial position shortly after she becomes unemployed. If Michelle participates in available public assistance programs and has saved \$84 or more each month over her four years of employment as a carpenter, she will be able to replace her lost income—if the downturn is unlike the "Great Recession" and she is unemployed for

Figure 3: Economic Security of an Unemployed Single Worker Raising 2 Schoolchildren, Washington, DC, 2010



Note: Monthly values.

no more than 2 months (the median unemployment term during the previous business cycle, 2001-2007).¹¹ If no public assistance were available to her, Michelle would need to save nearly \$150 per month while working. Michelle's situation would be worse still if she purchased health insurance on the individual market.

Table 4: Impact of Public Assistance Programs and Unemployment Insurance and Emergency Savings for a Single Unemployed Parent Raising 2 Schoolchildren in Washington, DC, 2010

Monthly Family Income = \$2,712 (\$879+\$1,833)
Monthly BEST Expenses = \$5,454

	Unemployment Insurance	TANF	SNAP and/or WIC	Medicaid, SCHIP, DC Healthcare Alliance	Child Care Subsidy	Emergency Savings
Monthly UI/Assistance/Savings	\$879	Not eligible	Not eligible	\$321	\$909	\$1,833
Economic Security Gap (Income- Expenses after Assistance)	-\$4,575	\$4,575	\$4,575	-\$4,254	-\$3,345	-\$1,512
% Economic Security (Income ÷ Expenses after Assistance)	16%	16%	16%	17%	21%	64%

Notes: The calculation treats family savings as income. The average District unemployment insurance replacement rate is 22.3%. Prior to unemployment, the worker earns average level 5 carpenter's wages in the DC metro area (\$20.01/hour) plus a 3% wage increase earned in each of four years (\$22.40/hour; \$47,309/yr). Taxes on actual family income (\$0 in this case) are substituted for BEST Index taxes for a single parent raising two schoolchildren who receives employment-based benefits. Benefits include unemployment insurance and employment-based health insurance and retirement plans.

Families Whose Incomes Increase Should Not See Economic Security Decrease Due to Benefits Cliffs

Because public assistance program eligibility decreases as a worker’s salary increases, a family can find itself further from economic security after a worker changes jobs, receives a raise or marries. More commonly in the District, significant increases in income are accompanied by relatively small increases in economic security. Table 5 demonstrates the impact of public assistance programs, expressed as a percentage of economic security, across a range of full-time incomes earned by a single childless worker.

At Washington, DC’s minimum wage, \$8.25 per hour, the worker’s income allows 59% economic security. Because the FPL for a single worker without children is only \$10,830, the worker is eligible only for DC Healthcare Alliance, LIHEAP and housing assistance (HCVP). Receipt of all available assistance other than scarce housing assistance moves the worker to only 64% economic security; adding housing assistance allows the worker to approach economic security.

If the worker’s income increases, his or her economic security also increases, but assistance declines more rapidly than income grows. Income above \$9 per hour makes the worker ineligible for LIHEAP, and income above \$10 per hour makes the worker ineligible for DC Healthcare Alliance. Unless he or she receives housing assistance, public assistance will not contribute to temporary security—security must be achieved through wages alone.

A single parent is eligible for more public assistance than a single childless worker, due to family size and the need to pay for child care. However, children can more than double the income requirements of a family paying BEST expenses. Table 6 demonstrates assistance amounts at various wages for a single parent raising two young children. The parent works full time. As income increases, assistance levels

Table 5: Impact of Increasing Wages and Public Assistance on the Economic Security of a Single Worker without Children, Washington, DC, 2010

Hourly Wage	No Public Assistance (Income Only)	Basic Assistance	Basic Assistance + Housing Assistance
\$8.25	59%	64%	90%
\$9	63%	69%	94%
\$10	69%	74%	96%
\$11	75%	75%	92%
\$12	80%	80%	96%
\$13	86%	86%	100%
\$14	92%	92%	104%

Note: Basic Assistance includes SNAP, WIC, DC Healthcare Alliance and LIHEAP. The worker is not eligible for SNAP or WIC.

decrease for programs that calculate benefits on an income-based sliding scale. Public benefits are flat for programs that do not. If benefits suddenly end, or a sliding scale is steep, a worker who receives a raise might in some cases find her family further from economic security.

At Washington, DC’s minimum wage, \$8.25 per hour, the worker’s income allows her just 35% economic security. Receipt of all assistance other than housing assistance and child care subsidies (TANF, SNAP, WIC, DC Healthy Families and LIHEAP) moves her family to 44% economic security; adding housing assistance moves her family to 55% economic security. A child care subsidy can fill the remaining gap between income and temporary security if the family incurs BEST child care expenses. At all low and moderate income levels, receipt of child care subsidies can soften the impact of decreases in other assistance programs’ support levels.

As the family moves up the income ladder, assistance declines more rapidly than income grows. Due to benefits cliffs, a move from \$10 to \$12 per hour does not improve the family’s security level if they are receiving “basic assistance” and housing assistance.

Table 6: Impact of Increasing Wages and Public Assistance on the Economic Security of a Single Parent Raising a Preschooler and a Schoolchild, Washington, DC, 2010

Hourly Wage	No Public Assistance	Basic Assistance	Basic Assistance + Housing Assistance	Basic Assistance + Housing Assistance + Child Care Subsidy
\$8.25	35%	44%	55%	119%
\$10	39%	49%	62%	121%
\$12	44%	49%	60%	117%
\$14	47%	53%	65%	119%
\$16	51%	56%	69%	118%
\$18	53%	58%	70%	113%
\$20	56%	59%	71%	108%
\$22	61%	64%	74%	111%
\$24	65%	69%	78%	114%
\$26	69%	73%	81%	119%
\$28	74%	78%	78%	78%
\$30	78%	78%	78%	78%

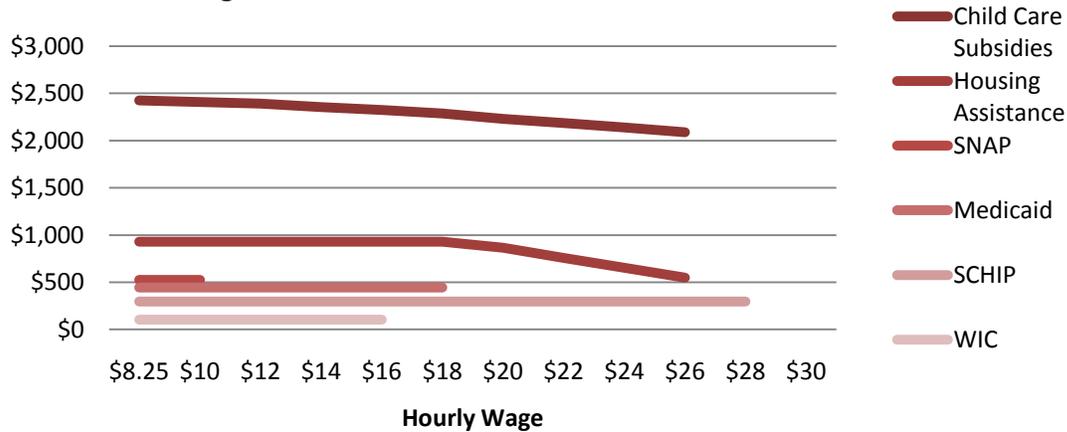
Note: Basic Assistance includes SNAP, WIC, DC Healthy Families and LIHEAP.

A 45% increase in the worker’s hourly wage, from \$8.25 to \$12.00, increases the family’s economic security by 9 percentage points if they are receiving no public assistance; 5 percentage points if they are receiving basic assistance. Once the family’s wage increases to approximately \$15 per hour—still well short of an economic security wage for a family of three—increases in income result in almost no increase in economic security. At a wage of \$28 per hour, the worker’s family loses access to every public assistance program but SCHIP, and they fall below 80% economic security.

benefits fall sharply, to \$0, once a family no longer qualifies.

Figure 4 demonstrates assistance amounts at various wages for a single parent raising two young children. The parent works full time and is paying BEST food, health care, housing and child care expenses for a worker with employment-based benefits. (Holding income constant, assistance amounts are normally higher for those paying higher expenses.) As income increases, assistance levels decrease for programs that calculate benefits on an income-based sliding scale. Benefits are flat for programs that do not. Such

Figure 4: Monthly Public Assistance Benefit Amounts for a Single Parent with BEST Expenses Raising a Preschooler and a Schoolchild, Washington, DC, 2010



Notes: Assumes full-time work. Each assistance program calculation assumes non-receipt of other assistance. Receipt of other assistance program benefits can affect SNAP and housing assistance. Calculation assumes families must pay BEST monthly expenses, regardless of income.

Policy Recommendations

TANF

- Eliminate or limit education-related sanctions within the TANF program. Such sanctions make it more difficult for recipients and their children to complete higher education and start on a stable career path.
- Increase funding for the TANF block grant in response to current record-breaking unemployment and poverty.
- Continue the subsidized training initially made available through the increase of the TANF Cash Emergency Funds authorized under the Recovery Act.
- Improve the likelihood that TANF recipients will pursue training leading to long-term security, and not always move into the most easily available jobs. Restructure incentives for DC TANF Employment Program Vendors. Currently, vendors are paid the same amount whether a client is referred to an education and training program or placed in a job. However, the vendor receives a bonus only when the client finds and retains a job—any job—for up to 6 months. This structure creates a disincentive for TEP vendors to refer TANF clients to education and training programs that expand their employment possibilities. In 2007, a review of several years of TANF referrals found that fewer than 10% of adults participating in work-related activities had participated in education and training activities.¹²
- Improve initial needs assessments for TANF participants. Many who require in-depth services to address work barriers do not receive them. For example, an estimated 20% of DC TANF participants experienced domestic violence in 2008, but less than 1% received domestic violence services from TANF programs providers.¹³

Child Care Subsidy/CCDF

- Raise child care provider (subsidy) reimbursement rates. The latest DC Market rate survey, conducted in 2008, showed that none of the subsidy rates met the 75th percentile of the market rate. Subsidizing child care at a lower rate causes child care providers to lose out on profit or lose money on every subsidized child they accept, reducing the number of slots available to families receiving subsidies.¹⁴
- Reduce barriers that prevent families from receiving child care assistance by increasing subsidy availability and streamlining the application process.¹⁵

Housing Assistance

- Increase funding for affordable rental housing preservation and development in the District. Since 2000, the number of low cost rental housing units available has fallen by one-third, making it increasingly difficult for low-income families in the District to find any housing.¹⁶
- Improve and expand homeownership assistance programs. Include long-term affordability provisions in subsidized homeownership programs. Such provisions ensure that there will continue to be affordable housing for low-income families into the future, allowing more families the benefits of homeownership.
- Protect tenants whose landlords face financial difficulties or foreclosures by ensuring that tenants do not face sudden evictions, and that buildings are kept in habitable condition.¹⁷

Food Assistance (SNAP)

- Reject SNAP benefits cuts to reduce deficits or pay for other government programs. During recession, SNAP participation greatly increased during the recession, demonstrating true levels of need. Reducing food assistance spending will leave more

unemployed and underemployed workers and families without basic nutrition and reduce stability before families have recovered.¹⁸

- Expand access by eliminating the asset limits on SNAP eligibility. The asset limits, normally \$2,000 or \$3,000, require families to eliminate any protection from poverty before receiving assistance. Such limits require families to sacrifice long-term economic security prospects to satisfy short-term needs and ensure that families will need more assistance once those savings and assets are gone.

Tax Credits

- Expand EITC outreach so that more residents will apply for credits.
- Improve tax credits and deductions for families to assist in paying for child care. Make the DC child and dependent care tax credit available to those with higher incomes. Child care rates have increased much faster than incomes, meaning that those with higher incomes who could once afford child care may now be struggling.¹⁹

Savings

- Help Washington, DC's low- and moderate-income families establish the fundamental means of saving. Increase low-income workers' access to financial services by encouraging banks to build branches in underserved areas and to offer savings accounts requiring low initial deposits.
- Provide financial education and literacy courses in public schools and as part of savings and public assistance programs.
- Connect DC's savers to other savers to create supportive peer groups.
- Expand, and expand knowledge of, existing savings programs in the District (IDAs, First Accounts, CSAs, FSS, Bank on DC) to allow

more access to IDAs, homeownership programs, and other savings promotion tools.

- Allow limited IDA savings to be used to promote economic security and development items, such as emergency savings, a computer or car.
- Simplify saving by allowing individuals and families to elect to save into IDAs, retirement, education or other accounts on their tax returns, and have refunds deposited in such accounts.
- Educate workers about the newly established unemployment insurance reforms in Washington, DC and how they affect their eligibility and their need to save for a period of unemployment. In order to be eligible for the full ARRA funding, Washington, DC instituted dependent allowances and allows extra benefits to workers in training programs.

Appendix A: Public Assistance Programs in the District of Columbia

Income Assistance

The **Temporary Assistance for Needy Families (TANF)** program provides impoverished families with a monthly cash payment to be used to meet their basic needs. Those who receive TANF in the District must participate in work activities after reaching a trigger limit of no more than 24 months. Recipients must have countable assets below \$2,000, or below \$3,000 if an elderly person is living in the household. Eligibility and benefit amounts are based on family size and a family's expenses. A family of three must earn less than \$7,056 in a year for initial eligibility.²⁰

TANF requires very low-income individuals to seek work or to receive education and training necessary to obtain a job that provides economic security wages. Recipients of TANF are given priority to receive child care subsidies and receive job readiness services. In FY 2009, there were 16,086 households in Washington, DC receiving TANF assistance.²¹

Food Assistance

Many families and children—including plenty of those living above the federal poverty line—lack proper nutrition, which is harmful for workers and growing children. Programs such as WIC and SNAP offer food assistance to families. Washington, DC's **Women, Infants, and Children (WIC)** program helps women who are pregnant or have children up to 5 years of age get the food they need. Participants receive monthly benefits to buy approved foods meant to improve their diets. In 2009, 17,143 Washington, DC residents received WIC.²² The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, helps low-income residents purchase food. To receive SNAP, an individual or family must have earnings less than or equal to 130% of the federal poverty line. In Washington, DC, an individual or family must have assets (savings, investments and possessions, not including a home or car) of less than \$2,000. A family with an elderly or disabled family member must have assets of less than \$3,000.

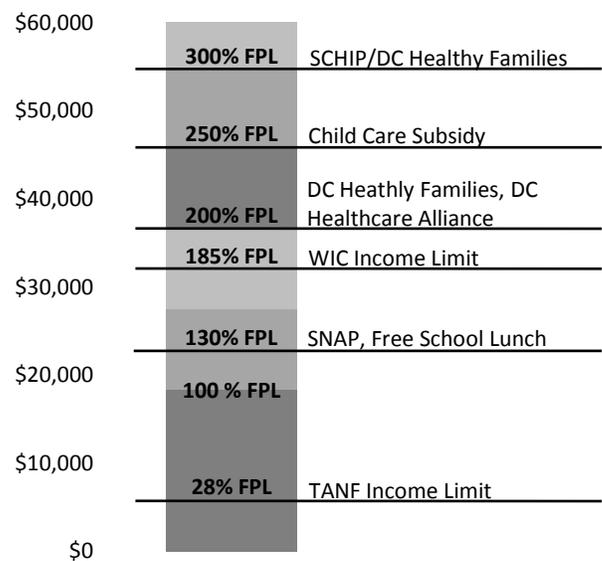
Participation in SNAP has increased dramatically since the start of the recession. The average number of individuals receiving monthly benefits in the District of Columbia jumped from 86,519 in FY 2007 to 103,311 in FY 2009—a 19.4% increase. Initial data reports for 2010 show the caseload is continuing to grow: enrollment increased 16% between July 2009 and July 2010.²³

Child Care Assistance

The Child Care and Development Fund (CCDF) is a federal block grant that states use to provide low-income families assistance to pay for child care. The **DC Child Care Services Subsidy program** provides payments directly to licensed child care providers for care for children under the age of 13 (or older, in the case of special needs children) and families pay a co-pay to the child care provider on a sliding scale based on income. To enroll, a DC family must earn less than 250% of the federal poverty level; a participating family remains eligible as long as income is less than 300% of poverty.

This program keeps families from having to choose

Figure 6: Initial Public Assistance Program Income Eligibility Limits for a Single Parent, 1 Preschooler and 1 Schoolchild in Washington, DC 2010



between working and caring for their children. This is particularly important for TANF recipients, who must work or search for work or pursue training in order to stay in the program. TANF recipients are given priority for child care subsidies. As of 2008, there was no waiting list for the child care subsidy program.²⁴ In order to use the subsidies, however, a family must have a child care provider, which can be difficult to find in the District. In March 2009, there were 13,196 children on waiting lists for child care.²⁵

Medical Assistance

Children and families living in poverty are more likely to suffer from poor health.²⁶ Medicaid provides free or low-cost medical care. **Medicaid** covers a broad range of health care services for low-income and very low-income families. It is available to those without medical insurance or who are underinsured and pregnant, caring for a dependent child, blind, disabled, living with a disabled family member, or 65 years or older. Participants must meet strict income guidelines. In June 2009, 70,400 children and 63,400 adults were on Medicaid in Washington, DC.²⁷

DC Healthy Families offers Medicaid coverage to families and SCHIP coverage to the children of parents whose incomes are too high for Medicaid. Children in families with incomes less than 300% FPL and pregnant women with incomes less than 300% FPL are eligible for coverage.

Housing and Energy Assistance

The **Housing Choice Voucher Program** provides vouchers for low-income individuals to rent safe, affordable housing in the private marketplace. To be eligible for housing assistance, an individual or family must be living at or below 80% of the state median income. However, preference is given to those families who live at or below 30% of the state median income.

Housing assistance helps prevent homelessness and allows families to buy healthy food. Children living in subsidized housing are less likely to go hungry or be underweight in comparison to children who are on a waiting list for housing assistance.²⁸ Due to the high cost of housing in Washington, DC, need for Housing Choice Vouchers outstrips the supply. Approximately 25,000 households in Washington, DC are on the waiting list to receive housing assistance.²⁹

The **Low-Income Home Energy Assistance Program (LIHEAP)** helps elderly and low-income households meet their cooling and heating energy needs. This program provides a one-time lump sum to the utility provider. LIHEAP provides energy assistance for households below 60% of the District of Columbia median income (\$32,598 for a family of three in 2009), as well as energy crisis assistance for households that have received an electricity or gas service disconnection notice or are already disconnected.³⁰ LIHEAP also provides weatherization assistance for eligible households and seminars in energy conservation. In 2009, 33,844 households in Washington, DC benefited from LIHEAP.³¹

Tax Credits

Few tax credits are focused explicitly on low-income families. The **Child and Dependent Care Credit** allows tax filers to deduct a percentage of their child or dependent care costs from the federal income taxes they would otherwise have to pay. The federal credit can equal as much as 35% of an individual's expenses; the DC credit allows tax filers to deduct another 32% of the federal credit. The **Child Care Tax Credit** allows a federal tax reduction of up to \$1,000 to those with dependent children. The **Earned Income Tax Credit (EITC)** is a refundable federal income tax credit (up to \$5,666) for low-income working individuals and families. Single filers making up to \$43,000 are eligible. The Washington, DC EITC is 40% of the federal credit. The **Federal Making Work Pay tax credit** was instituted by the American Reinvestment and Recovery Act and reduces federal income tax withheld from workers' paychecks. For the typical taxpayer, the tax credit is a maximum of \$400 for working individuals and \$800 for working married couples. The **Washington, DC low-income tax credit** is available to those with very low incomes and allows filers to deduct up to \$1,426.

The EITC has helped lift more children and families out of poverty than any other anti-poverty program.³² The extra income for low-income families results in a more stable home life, increasing academic achievement in children. Additionally, the EITC is responsible for putting money back into the local economy. Roughly 50,000 Washington, DC residents claim this federal credit.³³

Appendix B: BEST Components

Housing and Utilities: BEST housing expenses are adjusted US Department of Housing and Urban Development (HUD) Fair Market Rents (FMR). FMRs for Washington, DC are the 40th percentile of rents across the city, by number of bedrooms. FMRs are separated into rent and utilities values using expense ratios created by HUD during the annual FMR update process.

Food: BEST food costs are taken from the USDA Low-Cost Food Plan, which presents an age-specific, no-frills diet consisting entirely of foods prepared and eaten at home.

Transportation: BEST Transportation costs are those of 7-day Metro bus and rail passes for workers (only). Workers are assumed to use only public transportation for all of their travel needs.

Child Care: BEST child care expenses are age-specific market rates taken from the Washington, DC childcare market rate survey. Monthly expenses are the 75th percentile of all care rates in the city. Licensed family care (care provided in the care provider's home) rates are used for infants and toddlers. Licensed care center rates are used for preschool and school-age children.

Personal and Household Items: BEST personal and household items expense is equal to 27% of a family's housing, utility and food expenses. This ratio is based on renters' average expenditures, taken from the US Bureau of Labor Statistics' Consumer Expenditure Survey. Clothing, housekeeping supplies, personal care products, a landline telephone and minimal life insurance and bank fees are captured under this heading.

Health Care: BEST health care costs are health insurance premiums and out-of-pocket costs. Health care premiums for workers with employer-sponsored health insurance are average premiums, by state, for individual, employee-plus-one or family coverage. Out-of-pocket expenses are average expenses by age group. BEST non-employer sponsored health insurance premiums are those for the least expensive plans which approximate typical employer-sponsored plans. Expenses are based on data from the US Department of Health and Human Services' Medical Expenditure Panel Survey.

Taxes and Tax Credits: Federal payroll taxes and federal, state and local income taxes are calculated for each family type based on the family's BEST income requirements. Sales taxes are calculated based on personal and household item spending. Tax credits calculated include: (1) federal EITC; (2) federal child tax credit; (3) federal child and dependent care credit; (4) federal Making Work Pay credit; (5) DC EITC and dependent care credits.³⁴

Emergency Savings: BEST emergency savings is the amount of savings needed to meet basic needs during a "typical" period of unemployment, defined as the median term of unemployment, 8.9 weeks, during the most recent complete business cycle (2001-2007). A family must save enough to replace their current BEST income. The BEST assumes that Washington, DC families with access to unemployment insurance will receive the 2009 state average of 22% of their pre-unemployment wages in benefits (up to the maximum UI benefit of \$1,436 per month).

Retirement Savings: BEST retirement savings is the amount of savings, less average Social Security benefits, that workers need at time of retirement to remain economically secure throughout an average retirement period. Workers with access to employment-based retirement benefits are assumed to save into a 401(k) and receive the national average employer match. All other workers save into Individual Retirement Accounts.

Education Savings: BEST education savings is the monthly saving amount needed to finance a child's post-secondary education without incurring debt. BEST assumes that parents save consistently for 17 years, and that the child lives at home and attends community college in DC for the first two years, transfers to a public university for a bachelor's degree, and works during the summers.

Homeownership Savings: Homeownership savings is the monthly savings amount needed to pay a 20% down payment and closings costs on a home at the 25th percentile of all home prices, by number of bedrooms, in Washington, DC.

¹ DC Fiscal Policy Institute. "Poverty in DC Remains as High as at the End of the Last Recession, New Census Bureau Data Show." *DC Fiscal Policy Institute*. August 26, 2008. <http://www.dcfpi.org/poverty-in-dc-remains-as-high-as-at-the-end-of-the-last-recession-new-census-bureau-data-show> (accessed October 4, 2010).

² Lake Research Partners. *Cross Generational Perspectives on Economic Security*. Washington, DC: Wider Opportunities for Women, 2010. For more information on the Building Bridges to Economic Security Campaign, please visit www.wowonline.org/buildingbridges

³ Ibid.

⁴ Children younger than 19 are divided into four age categories: infant, preschooler, schoolchild and teenager (with toddlers included in the infant category).

⁵ Many BEST expenses are applicable to working adults 65 and older. However, such older adults are likely to participate in Medicare, and to receive Social Security, which contradict BEST health care and income assumptions. For information on the income needs of fully-retired elders, see Wider Opportunities for Women's Elder Economic Security Standard Index at www.wowonline.org.

⁶ Because the BEST assumes both adults in a two-adult household should have the choice to work and do work outside the home, families pay child care and other costs for as many as six children. This causes BEST annual income requirements to reach levels attainable only by affluent households. Areas for further research include the financial status of large families, and how large families with two working adults respond to child care needs and in the Washington, DC metro area.

⁷ US Bureau of Labor Statistics. "Labor Force Statistics from the Current Population Survey." *US Bureau of Labor Statistics*. September 2010. <http://data.bls.gov/PDQ/servlet/SurveyOutputServlet> (accessed September 27, 2010). US Bureau of Labor Statistics. "Local Area Unemployment Statistics." *US Bureau of Labor Statistics*. September 2010.

<http://data.bls.gov:8080/PDQ/servlet/SurveyOutputServlet;jsessionid=6230c9f5b6da59755f7b> (accessed September 27, 2010).

⁸ Jenny Reed. *New Census Data Reveal the Uneven Impact the Recession Has Had on the District*. Washington, DC: DC Fiscal Policy Institute, 2002.

⁹ US Census Bureau. "Table 3. Poverty Status by Age, Race, and Hispanic Origin: 1959 to 2009." *Poverty*. September 16, 2010. <http://www.census.gov/hhes/www/poverty/data/historical/people.html> (accessed October 6, 2010).

¹⁰ 40th percentile rent among all rents charged in the District of Columbia. See Appendix B for more information on BEST housing assumptions and methodology details.

¹¹ Wider opportunities fro Women. *The Basic economic Security Tables for the Washington, DC Metro Area*. Washington, DC: Wider Opportunities for Women, 2010.

¹² Ross, Martha, and Brooke DeRenzis. *Reducing Poverty in Washington, DC and Rebuilding the Middle Class from Within*. Washington, DC: Brookings Institute, 2007.

¹³ Kerstetter, Katie. *Testimony of Katie Kerstetter, Policy Analyst, DC Fiscal Policy Institute, for the Public Hearing on Options for Human Services Programming Available Through the American Recovery and Reinvestment Act of 2009, District of Columbia Committee on Human...* Washington, DC: DC Fiscal Policy Institute, 2009.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Lazere, Ed. *Nowhere to Go: As DC Housing Costs Rise, Residents are Left with Fewer Affordable Housing Options*. Washington, DC: DC Fiscal Policy Institute, 2010.

¹⁷ Fischer, Will. "'SEVRA' Housing Voucher Reform Bill Would Update and Streamline Program But Deregulation Provision Holds Significant Risks." *Center on Budget and Policy Priorities*. May 13, 2010. <http://www.cbpp.org/cms/index.cfm?fa=view&id=2929> (accessed October 4, 2010).

¹⁸ Food Research Action Center. "FRAC Statement: Time to Stop Raiding SNAP Benefits." *FRAC: Food Research and Action Center*. August 10, 2010. http://org2.democracynaction.org/o/5118/t/10250/p/salsa/web/common/public/content?content_item_KEY=3148 (accessed October 4, 2010).

¹⁹ National Association of Child Care Resource and Referral Agencies. *Parents and the High Cost of Child Care: 2010 Update*. Washington, DC: NACCRRRA, 2010.

²⁰ Assumes a single parent with no children who has no unearned income and receives full income and child care expense disregards during the calculation of benefits.

²¹ DC Fiscal Policy Institute. "Caseloads Trends for the DC Temporary Assistance to Needy Families (TANF) Program." *DC Fiscal Policy Institute*. July 6, 2010. <http://www.dcfpi.org/wp-content/uploads/2009/03/7-6-10tanf.pdf> (accessed September 21, 2010).

²² US Department of Agriculture, Food and Nutrition Services. "Program Data." *Food and Nutrition Services*. 2010. <http://www.fns.usda.gov/pd/> (accessed September 21, 2010).

²³ Ibid.

²⁴ National Association of Child Care Resource and Referral Agencies. "Child Care Subsidy Waiting Lists by State." *NACCRRRA*. 2008. http://www.naccrra.org/policy/background_issues/ccdbg/subsidy-waiting-lists (accessed September 21, 2010).

²⁵ District of Columbia State Superintendent of Education. "Child Care Profiles in 2009." *State Superintendent of Education*. 2009. <http://www.osse.dc.gov/seo/cwp/view,a,1224,Q,563727,PM,1.asp> (accessed September 21, 2010).

²⁶ Children's Defense Fund. *Child Poverty in America*. Washington, DC: Children's Defense Fund, 2008.

²⁷ Kaiser Family Foundation. "Medicaid & CHIP." *Statehealthfacts.org*. 2010.

<http://www.statehealthfacts.org/comparecat.jsp?cat=4&rgn=10&rgn=1> (accessed September 28, 2010).

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- ²⁸ Children's Health Watch, Medical-Legal Partnership. *Rx for Hunger: Affordable Housing*. Boston, MA: Medical-Legal Partnership, 2009.
- ²⁹ Lazere, Ed. *Nowhere to Go: As DC Housing Costs Rise, Residents are Left with Fewer Affordable Housing Options*. Washington, DC: DC Fiscal Policy Institute, 2010.
- ³⁰ US Department of Health and Human Services, Administration for Children and Families. "District of Columbia." *LIHEAP Clearinghouse*. 2010. <http://liheap.ncat.org/profiles/DC.htm> (accessed September 22, 2010).
- ³¹ DC Fiscal Policy Institute. *What's in the FY2011 Budget for Energy Assistance?* Washington, DC: DC Fiscal Policy Institute, 2010.
- ³² Lakin, Jason and Ed Lazere. *The District Earned Income Tax Credit: Helping Working Families Escape Poverty*. Washington, DC: DC Fiscal Policy Institute, 2002.
- ³³ DC EITC. "Goals of the Campaign." *DC EITC Campaign: Earned Income Tax Credit*. 2008. http://www.dceitc.org/aboutus.html#Educate_taxpayers (accessed September 28, 2010).
- ³⁴ No income that allows economic security in Washington, DC is low enough to qualify for the low income credit available in the District.