Using the customized tool, DHS is taking a critical review of program rules to mitigate earnings cliffs and reduce income disincentives. Among other uses, DHS is applying the tool to:

- Model the potential policy change of matching eligibility rules of TANF applicants to those of TANF recipients, and
- Model the potential expansion of TANF disignards to address disincentives for attaining higher earnings.

To improve how the FRS estimates the impact of these and other scenarios, NCCP updated the FRS by, among other changes:

- Incorporating nontraditional working hours,
- Incorporating afterschool, and
- Accounting for DC’s Universal Pre-K program.

### Methodology

#### Basic needs budgets:

Basic needs budgets compare family earnings to a set of standard expenses that includes child care, health care, food, travel, and housing, specific to local or regional costs. They offer an alternative approach to the widely-used Official Poverty Measure, which does not incorporate geographic differences, and the more recent Supplemental Poverty Measure, which accounts for geographic variation using housing prices.

#### Simulation Modeling:

The Family Resource Simulator (FRS) models a family’s monetary resources (such as earnings, cash assistance, and child support) to their basic needs, inclusive of any reductions to these expenses due to public benefit programs, such as TANF, CCDF, nontraditional work, pre-K, and afterschool programs. The FRS incorporates CCDF subsidies, SNAP, Medicaid, CHIP, the Housing Choice Voucher Program (Section 8), TANF, LIHEAP, Lifeline, Pre-K, state tax credits, federal tax credits (including premium tax credits), and beginning with this project, WIC, SSI, afterschool, and free and reduced price meals. FRS modeling allows jurisdictions to see clearly where design elements of these programs may result in “benefit cliffs” or other disincentives to increasing income.

#### Model of nontraditional work schedules

The FRS was first developed in 2003, when working 9am-5pm, M-F was still the perceived norm. In 2017, NCCP included work schedule variables in the FRS that could also model nontraditional work, allowing for more granular estimations of child care costs. Table 1 shows how these variables can be used to compare a traditional model of work to a parent who works two-part-time jobs:

### Table 1: Work schedule variables in two example scenarios

<table>
<thead>
<tr>
<th>Measure</th>
<th>Traditional</th>
<th>Two jobs (ex.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max. hours parent works per week</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>Max. days parent works per week</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Max. weekend days parent works</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Starting time of workdays</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Max. hours in each work shift</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Max. weekend shifts</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Hours between same-day shifts/jobs</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

### Preliminary Findings

#### NCCP findings

The new work schedule variables improve how the model measures the impacts of programs such as afterschool, Pre-K, and CCDF subsidies. Figure 1 shows how nontraditional work and afterschool non-enrollment can alter the finances of families – in this example, a single-parent with two children (ages 3 and 6) with access to a full range of benefits. While families can reduce child care costs by relying on informal child care (e.g., friends and family), doing so runs the risk of placing children in substandard care or potentially dangerous situations.

#### Preliminary Findings (continued)

DC DHS is actively using the FRS to model the impacts of potential TANF policy changes at the family level, including allowing applicants to access a 2/3 earned income disregard currently available only to TANF recipients, and increasing that disregard among eligible families. These potential changes are illustrated in Figure 3 below, which models a 1-parent family with children ages 2 and 6. DHS is also using the tool to model the impacts of housing subsidy models on incentives to earn.

#### DC DHS findings

In the District, allowing TANF applicants to claim this disregard would have the impact of removing the “benefit cliff” that TANF applicants currently face. Additionally, increasing the proportion of the earned income disregard can help increase the slope of the “net resources” curve, supporting incentives to achieve higher earnings. Changes to the disregard structure would come with an impact to the program cost, but the FRS allows jurisdictions to model multiple concurrent policy changes and understand the potential cost impacts.

### Further Information

- Visit and use the preliminary version of the 2017 District of Columbia Family Resource Simulator at: stage.nccp.org/tools/frs
- Once finalized, the tool will be available at: nccp.org/tools/frs
- Please contact us for any feedback or suggestions, or if you are interested in an updated simulation model for your state: Seth Hartig
  sh3320@columbia.edu
  212-304-6092

### Conclusions and potential future research

The expenses that families face are multi-variable, and can shift depending on basic needs, earnings, work location, work schedules, and the availability of public supports, among other factors. Potential future applications of simulation models like the FRS, which incorporate these variables, include informing cost-benefit analyses for policy decisions and adapting such modeling into financial literacy tools for case managers and their clients.

Additionally, the “benefit cliffs” and relatively flat slopes of “net resources” curves such as those above are potential disincentives that could be further examined through various quantitative analyses (e.g. regression discontinuity), to determine whether policy design elements have detrimental effects and to evaluate potential remedies.

### Acknowledgements

DC DHS provided NCCP researchers with the initial funds to implement this project, and researchers have been able to continue the project due to generous grant funding from the Annie E. Casey Foundation. Thank you also to Brian Campbell and all other DC DHS personnel who contributed to this project.