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May 2, 2001

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative entitled the "California Welfare Reform Act of 2002" (File No. SA2001RF0011, Amdt. #1-S). This initiative makes several changes to the California Work Opportunity and Responsibility to Kids (CalWORKs) and Kinship Guardianship Assistance Payment (Kin-GAP) programs. The main provisions and fiscal impacts of the measure are described below.

MAJOR PROVISIONS

Background. The CalWORKs program requires most parents to participate in employment or welfare-to-work activities for 32 or 35 hours per week. Under Kin-GAP, enrolled relative caregivers receive monthly grants paid at 100 percent of the basic foster care rate on behalf of dependent youth. Current law does not impose work requirements on Kin-GAP participants. Currently, Kin-GAP results in net savings because fewer services are provided compared to foster care.

Changes to CalWORKs and Kin-GAP Work Requirements. This measure would require all able-bodied adults under age 62 receiving CalWORKs or Kin-GAP assistance to work at least 32 hours per week in nonsubsidized employment, or in subsidized employment for an unrelated adult or a government agency. At least 75 percent of able-bodied adult CalWORKs and Kin-GAP participants who are not privately employed shall be assigned to work for an unrelated adult, either at a residence or a business. The remaining 25 percent of such adults could work for a government agency.

Eligibility for Receiving Services From CalWORKs or Kin-GAP Participants. Under this measure, individuals over age 40 who have worked in the United States for at least 16 years and whose yearly income is less than \$50,000 would be eligible to receive services from an otherwise unemployed CalWORKs or Kin-GAP participant. Priority for receiving services would be based on an individual's income and number of children. Each "beneficiary" would be eligible for a minimum of 15 hours of service per week. Individuals receiving services from CalWORKs or Kin-GAP participants would reimburse the state at various hourly rates, depending on how many children they have.

Other Provisions. This measure would also (1) modify income eligibility rules for CalWORKs and Kin-GAP, (2) reduce Kin-GAP grants, (3) require the state to maintain public records of CalWORKs and Kin-GAP participants, (4) require local governments to conduct certain studies, (5) allow certain rental property owners to file claims against the state, (6) provide that childless homeowners shall be entitled to the same disaster aid as other homeowners, and (7) require that nonresidents receiving public assistance be imprisoned and/or fined.

By reducing the Kin-GAP grants, and thereby creating a disincentive for current Kin-GAP families to remain in the program and for additional families to enroll in the program, this measure would likely effectively end the Kin-GAP program by eliminating the incentive for families to enroll in the program. Thus, these children would remain in foster care.

FISCAL EFFECTS

CalWORKs and Kin-GAP. The Department of Social Services has indicated that the provisions pertaining to CalWORKs and Kin-GAP work requirements violate certain aspects of federal law and are thus, unenforceable. Therefore, there are no fiscal effects on these programs due to the work requirements.

Foster Care. Reducing Kin-GAP grants would effectively eliminate the Kin-GAP program, resulting in foster care costs of at least \$25 million annually.

Public Record. This provision would result in unknown costs for developing and maintaining a public record of CalWORKs or Kin-GAP participants' earnings, payments, and other information.

Impact Studies. This requirement would result in unknown costs to counties for conducting studies on the effects of social services on childless individuals.

State Income Taxes. This provision would result in unknown costs associated with claims filed against the state by rental property owners.

Nonresidents Receiving Benefits. This provision would result in unknown costs associated with prosecuting and incarcerating nonresidents who receive welfare benefits. These costs could be partially offset by the associated fines and fewer nonresidents receiving benefits.

SUMMARY OF FISCAL EFFECTS

We estimate that the measure would have the following fiscal effects:

- No fiscal effects on CalWORKs because these provisions of the measure are unenforceable.
- Costs of at least \$25 million in the Foster Care program due to the effective elimination of the Kin-GAP program.
- Unknown costs associated with the measure's non-CalWORKs and Kin-GAP-related provisions.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

B. Timothy Gage
Director of Finance