

June 18, 2013

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed a proposed initiative (A.G. File No. 13-0004) related to the provision of public social services.

Background

Public Social Services. State law broadly defines public social services as those activities and functions administered or supervised by the state Department of Social Services (DSS) or Department of Health Care Services that assist state residents who are in need due to economic circumstances or social condition. Some examples of state programs that fall under this definition are the California Work Opportunity and Responsibility to Kids (CalWORKs) program, the CalFresh program (formerly known as Food Stamps), the California Medical Assistance (Medi-Cal) Program, In-Home Supportive Services, child welfare services, adoptions, and foster care. Many public social services programs are operated as a partnership between the state and the federal government and, as a result, these programs are typically subject to federal regulation and oversight. In practice, public social services programs are generally administered by counties, with state agencies in a supervisory role.

CalWORKs. The CalWORKs program provides cash assistance and welfare-to-work services to low-income families with children. The state receives funding for the CalWORKs program through the federal Temporary Assistance for Needy Families block grant, which allows the state significant flexibility to structure CalWORKs to meet state objectives. For example, the state sets rules for program eligibility and determines the amount of cash assistance that eligible families receive each month.

CalWORKs—Maximum Family Grant Policy. The amount of monthly cash assistance an eligible family receives in the CalWORKs program varies with the size of the household, such that larger families generally receive greater assistance. However, in cases where a child is born in a family that has received CalWORKs assistance for at least ten months, state law requires that cash assistance received by that household not be increased to reflect the larger household size. This provision of state law is known as the maximum family grant policy. The maximum family grant policy ceases to apply after the family receives no assistance for two consecutive years.

CalWORKs—Welfare-to-Work Requirements. As a condition of receiving aid in the CalWORKs program, able-bodied adults are required to be employed or participate in certain activities intended to lead to employment, known as “welfare-to-work activities.” Newly eligible recipients who lack employment that meets program requirements participate in a sequence of welfare-to-work activities that is laid out generally in state law. This sequence usually begins with a period of up to four weeks in which recipients are expected to search for employment with the assistance of the county. If these efforts do not result in employment, recipients are then placed in a combination of other work activities based on an assessment, including on-the-job training and education. Counties have flexibility to deviate from this sequence when it is found to be beneficial to the recipient, and state law requires that certain recipients engage in particular activities. For example, minor parent recipients that are still in school are required to continue their secondary education rather than immediately seek employment.

Electronic Benefits Transfer (EBT) System. Recipients of cash and food assistance in the CalWORKs and CalFresh programs, respectively, access their benefits through EBT cards, which can be used at automatic teller machines and at point-of-sale devices located in participating retail establishments. The DSS contracts with a vendor to process hundreds of millions of cash and food benefit transactions each year. There currently is no provision in law restricting access to EBT-provided benefits to certain geographic areas.

Proposal

This measure has provisions that appear to apply broadly to public social services programs. However, given the regulatory and oversight role of the federal government in many public social services programs, conflicts between the measure’s provisions and federal law could limit their application in some programs. Additionally, the measure does not have an obvious practical application to many public social services programs. The ultimate effects (fiscal and otherwise) of the measure would depend on how it is implemented and the extent to which this implementation applies to public social services broadly. In general, of the various public social services programs, it appears that the measure would primarily apply to the CalWORKs program.

Creates Additional Documentation Requirements for Eligibility for Public Social Services. This measure creates additional documentation requirements for individuals applying for public social services. Specifically, adults applying on their own behalf would be required to present a California driver’s license or state-issued identification (ID) card. In cases where an applicant is unable to pay the fee to obtain a driver’s license or state-issued ID, the county would cover the fee and then deduct this amount from the first of any future benefit payments. Those that apply for public social services on behalf of a child would be required to provide a certified copy of the child’s United States birth certificate or other official proof of birth document and the child’s social security card.

Counties would be required to maintain scanned images of these documents on file, along with other specified identifying information. This information would be housed in a statewide database to be created by DSS. This database would be used to verify at least monthly that no duplicate documentation has been submitted.

Expands Application of Maximum Family Grant Policy. This measure requires that an adult applying for public social services on behalf of a child provide the name of any absent parent to the county. Both parents would thereafter be unable to apply for public social services on behalf of any additional children born within five years of last receiving a benefit payment. This provision of the

measure would have uncertain legally permissible application to public social services programs broadly, beyond its application to CalWORKs. In the CalWORKs program, this provision would extend the application of the maximum family grant policy to additionally prohibit aid for children born within five years of their family's last benefit payment.

Limits Access to Benefits Through EBT System Outside of the State. This measure requires that the EBT system used by the state prevent recipients from accessing cash benefits (provided under the CalWORKs program) outside of California. In accordance with federal law, this measure would not prevent access to CalFresh food benefits outside of the state.

Eliminates Eligibility for Minor Parents Applying on Behalf of Children. This measure would prohibit individuals under 18 years of age from applying for public social services on behalf of a child. This provision of the measure would have uncertain legally permissible application to public social services programs broadly, beyond its application to CalWORKs. In the CalWORKs program, this provision would eliminate eligibility for minor parents and their children.

Creates an Additional Job Outreach Program Within CalWORKs. This measure creates a program within CalWORKs to identify and facilitate employment opportunities for recipients that are required to participate in welfare-to-work. Employment opportunities would be identified as counties that perform employer outreach in several specified industries. Recipients would be required as a condition of receiving aid to participate in interviews with potential employers. Interview outcomes would be documented by the potential employer and submitted to the county. Participation in the outreach program would be required for one year; however, recipients would be able to participate concurrently in other welfare-to-work activities currently available under the CalWORKs program and according to current program rules after a period of three months.

Fiscal Effects

We have identified several potential fiscal effects of this measure which we list below. As noted previously, the ultimate fiscal effect of this measure will depend on how it is implemented and the extent to which this implementation applies to public social services programs broadly.

Administrative and Automation Costs Related to New Documentation Requirements. This measure would result in uncertain one-time and ongoing costs for counties to change administrative procedures to accommodate the additional documentation requirements. The development of the statewide documentation database will result in one-time state costs that could be in the tens of millions of dollars. Additional unknown one-time costs would be incurred by the state to modify automated processes to allow driver's license and state-issued ID fees to be deducted from benefit payments.

Automation Costs to Restrict EBT Access. The state would incur one-time costs in the tens of millions of dollars to make automation changes to the EBT system to prevent the access to cash benefits outside the state. We assume this change would affect where the benefits are withdrawn and not the total amount of benefits withdrawn, resulting in no change to state costs for assistance payments.

Costs to Implement Employment Outreach Program. The implementation of the employment outreach program somewhat duplicates existing county activities. The state or counties would not incur additional costs to the extent that counties are already performing the employment outreach activities required by the measure. However, the scope of the employment outreach required by this

measure exceeds current activities, resulting in additional state and county costs in the tens of millions of dollars annually.

Reduction in Costs to Provide Assistance Due to Smaller Caseloads. This measure would result in lower state and county costs to provide assistance by reducing the caseloads of public social services programs in several ways. Additional documentation requirements could result in fewer applicants being found eligible for public social services as well as fewer individuals choosing to apply. The measure would also reduce caseloads directly by making certain individuals—for example, minor parents and their children—ineligible for assistance. Finally, the employment outreach program would also likely result in lower CalWORKs caseloads as (1) a greater number of recipients find employment and leave public assistance and (2) some recipients choose not to participate, making them ineligible for public assistance. Taken together, these effects could result in reduced assistance costs for state and county governments potentially in the hundreds of millions of dollars annually. These savings, however, could be partially offset by increased county general assistance costs.

Summary of Fiscal Effects

We estimate that this measure could have the following major fiscal effects on state and local governments:

- State and local savings, potentially in the hundreds of millions of dollars annually, from reduced public social services caseloads in some programs, potentially partially offset by increased local costs for general assistance.
- One-time state costs in the tens of millions of dollars for various automation changes.
- Ongoing state and local costs in the tens of millions of dollars to implement an expanded employment outreach program for California Work Opportunity and Responsibility to Kids recipients and administer additional documentation requirements.

Sincerely,

Mac Taylor
Legislative Analyst

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Director of Finance