

# Recent History of the CalWORKs Program

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LEGISLATIVE ANALYST'S OFFICE

Presented to:  
Assembly Budget Subcommittee No. 1 on  
Health and Human Services  
Hon. Holly J. Mitchell, Chair





## CalWORKs Background: Program Benefits and Eligibility Requirements

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- ☑ ***CalWORKs Supports Low-Income Families.*** The CalWORKs program provides cash grants and welfare-to-work services for families whose income is inadequate to meet their basic needs.
- ☑ ***Cash Grants Levels Vary by Family Size and Place of Residence.*** Maximum monthly cash grants, known as the maximum aid payment (MAP), vary by family size and place of residence. The current MAP for a family of three living in a high-cost county is \$638 per month.
- ☑ ***Recipients May Remain Eligible Despite Having Earned Income.*** Once on CalWORKs, a family may remain eligible despite having additional earnings, as a portion of earned income (the first \$112 plus 50 percent of additional income) is not counted when determining a family's cash grant. Aid is discontinued when a family's earned income (minus the earned income disregard) exceeds its cash grant.
- ☑ ***Recipients Must Meet Work Requirements.*** The CalWORKs program requires adults in single-parent/two-parent families to participate in certain categories of work activities (including approved education or training activities) for 32/35 hours per week. However, some adults can be exempted from work requirements when disabled, of advanced age, or caring for a very young or ill child. Children in families without a work-eligible adult (such as children of undocumented immigrants or recipients of Supplemental Security Income) may still receive aid and are referred to as "child-only" cases.
- ☑ ***Welfare-to-Work Services Are Provided to Assist With Work.*** CalWORKs recipients are eligible to receive employment services (such as assessment and development of a welfare-to-work plan), subsidized child care, and additional funding for transportation and ancillary work expenses.



## CalWORKs Background: Program Benefits and Eligibility Requirements *(Continued)*

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- Recipients That Do Not Meet Work Requirements Are Subject to Sanctions.*** The sanction for failure to participate in work activities is elimination of the adult portion of a family's cash grant.
  
- Adult Aid Is Time Limited.*** After four cumulative years on aid, a family's cash grant is reduced by the portion for the adult. After the adult is removed from the grant, the children continue to receive aid and are informally referred to as "safety-net" cases.



## CalWORKs Funding

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- Three Sources of Funding Support the CalWORKs Program.** The CalWORKs program is supported by a combination of federal, state (General Fund), and local funds—in that order of magnitude.
- State Receives a Federal Block Grant.** Each year, California receives a \$3.7 billion federal Temporary Assistance for Needy Families (TANF) block grant. The TANF funding can be used on any activities that are reasonably calculated to meet the four purposes of the TANF program. To continue receiving its full TANF block grant, the state must meet maintenance-of-effort (MOE) and work participation requirements, described further below.
- TANF Program Has Four Purposes.** The four purposes of TANF are: (1) assisting needy families so that children can be cared for in their own homes; (2) reducing the dependency of needy parents by promoting job preparation, work, and marriage; (3) preventing out-of-wedlock pregnancies; and (4) encouraging the formation and maintenance of two-parent families.
- California Must Meet an MOE Requirement.** To receive its full TANF block grant, California must expend \$2.9 billion annually on specified activities. The MOE requirement is primarily met through expenditures in the CalWORKs program. Some state expenditures on subsidized child care also count towards the state's MOE.
- Federal Law Requires the State to Meet Work Participation Requirements.** Federal law requires states to have 50 percent of their overall TANF caseload (and 90 percent of their two-parent TANF caseload) engaged in work activities for a specified number of hours. States can receive caseload reduction credits that reduce these requirements. Failure to meet these requirements results in penalties of up to 5 percent of the state's TANF block grant (increasing in subsequent years).



## Work Participation Status

<b>Federal Work Participation Requirement and California Work Participation Rate</b>						
<i>2004 Through 2009</i>						
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Federal requirement	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Caseload reduction credit	-46.1	-45.5	-44.9	-17.7	-21.0	-21.0
Effective requirement	3.9	4.5	5.1	32.3	29.0	29.0
Work participation rate	23.1	25.9	22.2	22.3	25.1	26.8
<b>Surplus/Shortfall</b>	<b>19.2%</b>	<b>21.4%</b>	<b>17.1%</b>	<b>-10.0%</b>	<b>-3.9%</b>	<b>-2.2%</b>

- In Recent Years, California's Work Participation Rate (WPR) Has Averaged 24 Percent.*** Since 2004, California's WPR has been in the mid-20s. As a result of the federal Deficit Reduction Act, California's caseload reduction credit was reduced dramatically beginning in 2007. Since that time, California has failed to meet its federal work requirement. For the foreseeable future, California is expected to fall significantly short of its federal work participation requirement by having a WPR in the range of 25 percent to 30 percent.
- California Has Been Assessed Penalties for 2008 and 2009.*** California has been notified that it will be assessed penalties of \$47 million and \$113 million for failure to meet federal work requirements in 2008 and 2009, respectively. The state has appealed these penalties and to date no penalties have been collected.



## Recent CalWORKs Reductions

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***CalWORKs Has Experienced Significant Reductions in***

***Recent Years.*** During the past three years, the state has made significant reductions (\$780 million in ongoing reductions) to the CalWORKs program, including the following savings measures:

- Lowering cash grants for families (total of a 12-percent reduction).
- Reducing employment services and child care funding.
- Shortening the adult time limit for assistance from 60 months to 48 months.
- Reducing the earned income disregard.
- Suspending intensive case management for pregnant and parenting teens.
- Reducing funding for substance abuse and mental health treatment.

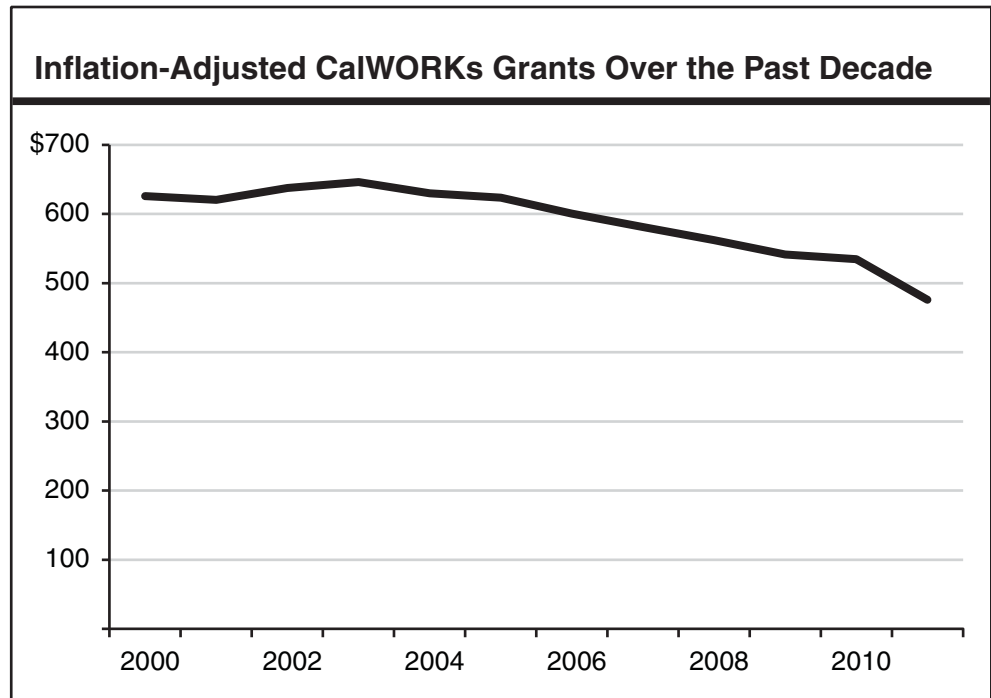


***Despite Rising Caseloads, CalWORKs Expenditures Have***

***Been Relatively Flat Over Past Three Years.*** Total CalWORKs expenditures (all funds) remained relatively flat between 2008-09 (\$5.3 billion) and 2011-12 (\$5.4 billion), as the above noted savings measures largely offset the growth in costs due to rising caseloads.



## Some Context on Cash Grant Levels



- Real Value of Cash Grants Has Decreased Over Time.*** As the figure shows, accounting for inflation, cash grant levels decreased by 24 percent between 2001 and 2011. Additionally, they decreased as a percentage of the federal poverty level between 2001 (53 percent) and 2011 (41 percent).
- California's Cash Grants Are Higher Than Most Other States.*** The current CalWORKs cash grant, which is equal to 11.6 percent of state median income, ranks fourth highest among all states and second highest among large states. Additionally, this level is 3 percentage points higher than the national average and 4 percentage points higher than the average of the ten largest states.



## Some Context on Cash Grant Levels

*(Continued)*

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***Several Issues Should Be Considered in Evaluating Cash Grant Levels.*** We suggest the Legislature consider several issues when evaluating the impact of recent and proposed cash grant reductions on the ability of families to meet their basic needs. These issues include:

- What categories of expenditures fall within basic subsistence and what is the minimum level of resources necessary to cover these expenditures?
- What other resources, including earned income and assistance from other public or private sources, are available to families to meet basic needs?
- How do tax policies affect resources available to families?
- How do cost of living and resources available to families vary across regions of the state?