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CalWORKs Program and Budget

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Budget and Fiscal Review Committee

Hon. Denise Moreno Ducheny, Chair





CalWORKs Background: Participation Requirements, Services, Child Care, Sanctions, and Time Limit

- ☑ **Participation Requirements.** The California Work Opportunity and Responsibility to Kids (CalWORKs) program requires adults in single-parent families to participate in work or approved education or training activities for 32 hours each week. An adult recipient in a two-parent family must participate for 35 hours per week.
- ☑ **Participation Exemptions.** Certain individuals are exempt from the weekly participation requirements including: teen parents, certain pregnant women, those with a medically verified disability, most parents with a child under six months of age, individuals caring for ill or incapacitated members of the household, and nonparent caretaker relatives.
- ☑ **Welfare-to-Work Services.** CalWORKs recipients receive services including: job search, assessment, welfare-to-work activities (education and training), and community service and work experience. Following the assessment, counties and recipients will develop individualized welfare-to-work plans.
- ☑ **Child Care.** CalWORKs has a three-stage child care delivery system administered by county welfare departments and the State Department of Education.
- ☑ **Sanctions.** The sanction for failure to participate in work activities or community service is removal of the adult portion of the grant.
- ☑ **Five-Year Time Limit/Safety Net.** After five cumulative years on aid, the amount of the CalWORKs grant is reduced by the portion for the adult. Certain individuals are exempt from this limit. After the adult is removed from the grant, the children continue to receive a "child-only" grant in a program informally known as the "safety net."



CalWORKs Work Incentive

- ☑
Earned Income Disregard. By disregarding the first \$225 earned each month, as well as 50 percent of any further earnings, CalWORKs recipients can work while on aid and have combined income and benefit levels above the federal poverty guideline, as shown below.

| CalWORKs Earned Income Disregard Family of Three, \$1,375 in Earnings | |
|--|----------------|
| Disregard Calculation | Amount |
| Earnings | \$1,375 |
| Initial disregard of \$225 | 225 |
| Remainder | \$1,150 |
| Apply 50% disregard to remainder | 50% |
| Additional earnings disregarded | \$575 |
| Initial disregarded from above | 225 |
| Total Earnings | |
| Disregarded | \$800 |
| Counted | \$575 |
| Grant Calculation | |
| Maximum grant | \$694 |
| Less countable earnings | 575 |
| Grant | \$119 |
| Income Calculation | |
| Earnings | \$1,375 |
| Grant | 119 |
| Food stamps | 279 |
| Total | \$1,773 |



CalWORKs Funding

- Federal Block Grant.** Each year, California receives a \$3.7 billion federal Temporary Assistance for Needy Families (TANF) block grant. Unspent TANF block grant funds may be carried over indefinitely from one fiscal year to the next. The TANF funds may be expended on activities which are reasonably calculated to meet a purpose of the TANF program.
- TANF Purposes.** The four stated 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.
- TANF Transfers.** States may also transfer some of their TANF funds into the Title XX Social Services Block Grant or the Child Care Development Fund. Although TANF is the primary federal source of funding for the CalWORKs program, the broad purposes of TANF and flexible transfer provisions allow states to use TANF funds for many different programs. About \$650 million in TANF funding is used to offset General Fund costs in other programs and departments.
- Maintenance-of-Effort (MOE).** To receive the block grant, California must expend \$2.9 billion annually. Typically, the General Fund appropriation for CalWORKs provides about \$2 billion of the required MOE. The remaining MOE funding comes from county expenditures and expenditures in other departments, such as child care spending in the Department of Education.
- TANF Emergency Contingency Fund (ECF).** The TANF ECF temporarily provides additional funding for the state's CalWORKs program. Specifically, the ECF provides 80 percent federal participation in grant, subsidized employment, and certain other one-time costs which exceed the state's base cost in 2007. Under current law this funding stream expires on September 30, 2010. However the President's budget proposed to extend this funding through September 2011.



CalWORKs Maximum Monthly Grant and Food Stamps—Family of Three Current Law and Governor’s Proposal

| | January 2009 | April 2009 | July 2009 | October 2009 | Governor’s Proposal |
|---------------------------------------|----------------|----------------|----------------|----------------|---------------------|
| High-Cost Counties | | | | | |
| Grant | \$723 | \$723 | \$694 | \$694 | \$585 |
| Food Stamps | 423 | 486 | 495 | 498 | 526 |
| Totals | \$1,146 | \$1,209 | \$1,189 | \$1,192 | \$1,111 |
| Percent of Poverty^a | 75% | 79% | 78% | 78% | 73% |
| Low-Cost Counties | | | | | |
| Grant | \$689 | \$689 | \$661 | \$661 | \$557 |
| Food Stamps | 433 | 496 | 505 | 508 | 526 |
| Totals | \$1,122 | \$1,185 | \$1,166 | \$1,169 | \$1,083 |
| Percent of Poverty^a | 74% | 78% | 76% | 77% | 71% |

^a Compares grant level to federal poverty guideline. Poverty guideline is from 2009 U.S. Department of Health and Human Services guidelines.

- Grant Reduction.** The Legislature reduced grants by 4 percent effective July 1, 2009.
- Food Stamps Increase.** The federal government increased food stamps benefits in April and October 2009.
- Proposed Elimination.** In addition to his January proposal to reduce grants by 15.7 percent, the Governor’s May Revision proposes to eliminate the CalWORKs program effective October 1, 2010.



2009-10 Budget Act: Short-Term Changes

- Reduction in County Block Grant Funds.** The 2009-10 Budget Act reduced county block grant funds for welfare-to-work services by \$161 million and child care by \$215 million. Budget legislation states the Legislature's intent that this \$375 million in block grant reductions continue through the end of 2010-11.
- New Exemptions.** Because of these reductions, there will not be sufficient funding for counties to provide services to all eligible CalWORKs recipients. (There are sufficient funds to pay grants.) To help counties prioritize resources given this reduction in funding, budget legislation exempts families with a child under age two, or with two or more children under the age of six, from work participation requirements. Budget legislation also provides that, for any month for which a recipient has been excused from work participation requirements due to lack of support services, the case does not count toward the state's 60-month time limit for their receipt of cash aid.
- Subsidized Employment Initiative Utilizes New Federal Funds.** Budget legislation authorizes counties to use TANF ECF in combination with county and other local funds to create subsidized employment positions for CalWORKs recipients.



2009-10 Budget Act: Long-Term Policy Changes

Effective July 2011, budget legislation from 2009-10 makes significant changes to CalWORKs sanction policies, time limits, and eligibility rules.

- Limit to 48 Consecutive Months of Aid.** Budget legislation limits adult receipt of aid to 48 consecutive months. After 48 months, the adult is removed from the case and the children continue to be aided in the safety net. After “sitting out” for one year, the adult can rejoin the case for up to one year and the family’s grant is restored, assuming the adult avoids program sanctions.
- Self-Sufficiency Reviews.** Currently, aided adults must be re-certified for eligibility with an in-person interview each year. Budget legislation requires adults in CalWORKs cases who are not meeting participation requirements to instead meet with a county social or employment worker every six months. The purpose of the review is to determine barriers to participation and help connect the recipient to appropriate services and resources. If the adult does not attend the review, there is a grant reduction of 50 percent.
- Increase in Sanctions for Noncompliance.** Currently, the sanction for not meeting work participation requirements is reducing the family’s grant down to the child-only portion. Budget legislation imposes additional financial sanctions for noncompliance with work participation requirements. Specifically, if the noncompliance persists for an additional 90 days, the family’s grant is reduced to 75 percent of the child-only grant. If the noncompliance persists for another 90 days, then the grant is reduced to 50 percent of the child-only grant. Before imposing these additional financial sanctions, counties must review and assess each case to identify barriers to participation and make good faith efforts to remediate any barriers identified.



2009-10 Budget Act: Long-Term Policy Changes

(Continued)

- Time in Sanction Counts Toward Time Limit.*** Currently, during those periods for which an adult is being sanctioned, their time on aid does not count toward the 60-month time limit. Pursuant to budget legislation, any months a CalWORKs recipient spends in sanction status will count toward the 48- and 60-month time limits on their aid.



TANF Reauthorization

- ☑ **Original Legislation.** The 1996 welfare reform legislation created the TANF program and authorized it through September 2001.
- ☑ **A Series of Reauthorizations.** From 2001 through 2005, Congress and the President could not agree on a five-year reauthorization. Instead program funding and provisions were maintained through a series of short-term reauthorizations.
- ☑ **Deficit Reduction Act (DRA) of 2005.** The DRA reauthorized the TANF program through September 2010. Although state block grant funding remained unchanged, the DRA made several program changes which had the effect of increasing the work participation requirements.
- ☑ **President's Budget.** The President's budget calls for a one-year extension of the TANF program and funding. If adopted by Congress, this would maintain the program with current funding through September 2011.
- ☑ **Future Uncertainty.** When Congress and the President reauthorize TANF, they may elect to make significant policy changes, as was the case with the DRA.