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CalWORKs Background And Recent History

LEGISLATIVE ANALYST'S OFFICE

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CalWORKs Background: Program Benefits And Eligibility Requirements

- CalWORKs Program Supports Low-Income Families.***
The California Work Opportunity and Responsibility to Kids (CalWORKs) program is the state's implementation of the federal Temporary Assistance to Needy Families (TANF) program. CalWORKs provides cash grants and welfare-to-work services for families whose income is inadequate to meet their basic needs.
- Cash Grant 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.
- Grants Decrease Gradually as Earned Income Grows.***
A CalWORKs family's grant decreases as the family earns more income. However, a portion of earned income, known as the "earned-income disregard," is excluded from the calculation of the grant amount, such that increases in earnings are not fully offset by decreases in the grant. Aid is discontinued when a family's earned income (minus the earned income disregarded) exceeds its 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 Background: Program Benefits And Eligibility Requirements *(Continued)*



Adult Recipients Must Meet Work Requirements.

Able-bodied adults are required to participate in specified work activities for a minimum number of hours as a condition of receiving aid. However, some adults can be exempted from work requirements when disabled, of advanced age, or caring for a very young or ill child. Some CalWORKs families include adults that are ineligible to receive aid because of immigration status, receipt of Supplemental Security Income, or other select circumstances. Children in such families may still receive aid as a “child-only case” and no work requirement is imposed.



CalWORKs Background: Work Requirement

- 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.
- State and Federal Work Rules Differ.*** Federal law specifies allowable work activities and minimum required hours of participation for TANF recipients and requires that a certain percentage of the state's caseload be compliant with these federal rules. This required percentage is known as the work participation rate (WPR). States are free to define their own allowable activities and minimum required hours without penalty, so long as they meet the WPR requirement.
- State Work Rules Allow Greater Flexibility.*** California's work rules are more flexible than federal work rules and allow greater access to education, training, mental health and substance abuse treatment, and other barrier removal activities. Federal work rules feature a "core" activity requirement that emphasizes unsubsidized employment.
- Work Requirement Shifts as Time on Aid Increases.*** As of January 2013, able-bodied adults may participate under the more flexible state work rules for a cumulative total of 24 months. With some exceptions, once the 24 months have been exhausted, adults are required to participate under federal work rules.
- Recipients That Do Not Meet Work Requirement 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.



CalWORKs Funding

- 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.** Every year, California receives a \$3.7 billion federal 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. Most, but not all, of the TANF block grant is spent in the CalWORKs program. To continue receiving its full TANF block grant, the state must meet maintenance-of-effort (MOE) and work participation requirements, described 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.



Work Participation Rate Status

TANF Work Participation Rate Requirement Status						
<i>Federal Fiscal Years 2004 Through 2009</i>						
	2004	2005	2006	2007	2008	2009
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
Surplus/Shortfall	19.2%	21.4%	17.1%	-10.0%	-3.9%	-2.2%



Federal Law Requires the State to Meet Work Participation Requirements.

As noted, 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 consistent with federal work rules. States can receive caseload reduction credits that reduce these requirements. Failure to meet these requirements results in reductions to the state's TANF block grant that increase with each successive year of noncompliance.



In Recent Years, California's WPR Has Averaged in the Mid-20s.

Since 2004 and through 2009 (the last year for which an official WPR has been published), 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, for the years in which official data are available, California has failed to meet its WPR requirement.



Work Participation Rate Status *(Continued)*

Penalties Have Been Assessed, but Not Enforced. 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 enforced. It is unclear whether the state will be assessed penalties for subsequent years.

Planned State Actions Expected to Improve WPR. Planned state actions are projected to increase the state's WPR by (1) increasing the number of countable cases that meet the federal work requirement through the Work Incentive Nutritional Supplement (WINS) program and (2) removing from the WPR calculation certain CalWORKs cases that do not meet the federal work requirement. We estimate that the state may be compliant with the 50 percent requirement by federal fiscal year 2015.



Recent CalWORKs Program Changes



CalWORKs Has Experienced Significant Reductions in

Recent Years. From 2009-10 through 2011-12, the state made significant reductions (roughly \$700 million in ongoing reductions) to the CalWORKs program, including the following savings measures:

- Lowering cash grants for families (a cumulative 12 percent reduction).
- Elimination of statutory cost-of-living adjustment for grants.
- Reducing employment services and child care funding while exempting from work participation certain cases with young children.
- 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 Remained Relatively Flat.

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.



Recent CalWORKs Program Changes

(Continued)



The 2012-13 Budget Resulted in Additional Major Changes.

Further changes made in the 2012-13 budget include the following:

- Gradually phasing out reductions in employment services and child care funding (and associated work exemptions).
- Restoring the earned-income disregard and case management for pregnant and parenting teens.
- Increasing flexibility in state work participation requirements.
- Introducing a new 24-month limit on adult eligibility under more flexible work participation requirements.