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Review of CalWORKs Changes in the 2012-13 Budget

LEGISLATIVE ANALYST'S OFFICE

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On Health and Human Services
Hon. Holly J. Mitchell, Chair





CalWORKs Background

- CalWORKs 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.
- Able-Bodied 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. CalWORKs cases that include such adults are known as "work-eligible." State law provides for work-eligible cases to be exempt from work participation in specified circumstances.
- 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.
- 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 adult portion. After the adult is removed from the grant, the children continue to receive aid so long as they continue to qualify and are informally referred to as "safety net" cases.



Changes to Work Exemption Policies

- Short-Term Young Child Exemptions Resulted in Savings in Recent Years.*** Beginning in 2009-10 and continuing through 2011-12, work-eligible cases that included a child from 12 to 24 months of age, or multiple children under six years of age, were exempted from work participation. These short-term exemptions were adopted to allow counties to absorb a reduction in funding for welfare-to-work services.
- 2012-13 Budget Extended and Phases Out Short-Term Exemptions Over Two Years.*** The 2012-13 budget extended the short-term exemptions and the associated funding reduction through December 2012 and required counties to gradually bring exempt populations back into work participation. This process, referred to informally as “reengagement,” is to take place over 24 months and conclude by January 2015. Reductions in welfare-to-work funding made possible by extending and gradually phasing out the exemptions made up the majority of CalWORKs savings in the 2012-13 budget.
- New One-Time Work Exemption Created.*** The 2012-13 budget also created a new, permanent exemption for work-eligible cases with a child two years old or younger. Unlike the short-term exemptions, this new exemption may be used only once in an adult participant’s lifetime.



Changes to Work Requirements for Adult Eligibility

Increased Flexibility in State Work Rules

- State and Federal Work Rules Differ.*** Federal law specifies allowable work activities and minimum required hours of participation for work-eligible recipients of TANF assistance and requires that a certain percentage of a 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.
- Increased Flexibility in Allowable Activities.*** Prior to January 2013, both federal and state work rules designated allowable activities as either "core" or "non-core," and required that core activities make up at least 20 hours of weekly participation. The 2012-13 budget removed the core/non-core designation from state work rules, as shown in the table (see next page). This change results in greater access to non-core activities than is available under federal rules or former state rules. For example, under the new rules, a CalWORKs recipient could participate in a vocational education program full-time for a maximum of three years. Under previous rules, such full-time participation would be limited to one year.
- Reduced Hourly Participation Requirements.*** Prior to January 2013, the hourly work participation requirement was 32 hours for single-parent cases and 35 hours for two-parent cases. The 2012-13 budget lowered the minimum hourly requirement for single-parent cases to 20 hours (for households with a child under six years of age) or 30 hours. These total hourly requirements now conform to federal hourly requirements (but with no core/non-core distinction).



Changes to Work Requirements for Adult Eligibility

(Continued)

Comparison of State and Federal Work Rules

Family Type	Number of Hours Required Per Week		Federal	
	Total Hours ^a	State	Total Hours	Core Hours
Single-parent with child under six	20		20	20
Single-parent with older children	30		30	20
Two-parent ^b	35		35	30

Allowable Activities		
State	Federal	Non-Core
<ul style="list-style-type: none"> • All activities listed under federal core and non-core, without federal time limitation on core activities. • Adult basic education (reading, writing, arithmetic, high school proficiency or GED, and English as a second language). • Participation required by school to ensure child's attendance. • Non-credited study time (county option). 	<ul style="list-style-type: none"> • Unsubsidized employment. • Subsidized employment. • Work experience. • Community service. • Vocational education (up to 12 months). • On-the-job training. • Job search and job readiness training (six weeks per year, can include mental health and substance abuse treatment). • Providing child care to a community service program participant. 	<ul style="list-style-type: none"> • Job skills directly related to employment. • Education directly related to employment. • Satisfactory attendance at a secondary school or course leading to a certificate of GED.

^a No core requirement.

^b Must participate in a combined total of 35 hours.



Changes to Work Requirements for Adult Eligibility *(Continued)*

Reduced Time to Access Flexibility

- New Time Limit on Adult Participation Under State Work Rules Introduced.** Beginning January 2013, work-eligible adults are prospectively limited to 24 months of cumulative eligibility under state work rules. Once the 24 months have been exhausted, adults will be required to participate under federal work rules (including minimum hourly participation in federally designated core activities). Cases that fail to comply with federal work rules will have their grant reduced by the adult portion. Months counting toward the 24-month limit need not be consecutive, and months in which federal work requirements are met or the recipient is exempt or sanctioned are not counted against the limit.
- 20 Percent Extender.** Counties are permitted to allow up to 20 percent of cases that have exhausted their 24-month time limit to continue to participate under state work rules if the county determines that they are unlikely to successfully comply with federal work rules.

Implementing Legislation Requires Welfare-to-Work Improvement and Evaluation

- Early Engagement Workgroup.** Legislation implementing the 2012-13 budget required the Department of Social Services (DSS) to convene a stakeholder workgroup to identify best practices and other strategies to improve the ability of county welfare-to-work services to engage adult recipients, identify and address their barriers to employment, and make the initial months of aid under the 24-month time limit as meaningful as possible. The DSS was to submit a report of workgroup recommendations by January 10, 2013. (Report has not been formally submitted.)



Changes to Work Requirements for Adult Eligibility

(Continued)



Contracted Program Evaluation With Annual Updates.

Legislation implementing the 2012-13 budget also requires DSS to contract with an independent research institution to conduct an evaluation of the CalWORKs program and the impact of work requirement changes made in the 2012-13 budget, with a final report to be submitted to the Legislature by January 2018. In the interim, DSS is also required to report annually to the Legislature on the implementation of these changes.



Other Changes in the 2012-13 Budget



Earned-Income Disregard Increased. 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. The earned-income disregard currently excludes the first \$112 plus 50 percent of remaining earned income. The 2012-13 budget increases the earned-income disregard to exclude the first \$225 plus 50 percent of remaining earned income, effective October 2013. This restores the earned-income disregard to its former level prior to being reduced in 2011-12.



Phased Restoration of Cal-Learn. The Cal-Learn program provides intensive case management to CalWORKs teen parents who remain in school. Depending on a teen parent's academic performance, bonuses can be earned or sanctions (a decreased CalWORKs grant) may result. The case management component of Cal-Learn was suspended during 2011-12. The 2012-13 budget provided for case management to be phased back in over a period of nine months. The DSS was also required to submit a report on the implementation of Cal-Learn by February 1, 2013 and annually thereafter. (Report has not been formally submitted.)



Instituted Annual Income Reporting for Child-Only Cases. Prior to the 2012-13 budget, all CalWORKs cases were required to submit quarterly verifications of income. Effective October 2012, CalWORKs cases with no eligible adult (known as "child-only" cases) are only required to submit income verification annually. (Remaining CalWORKs cases are transitioning to semiannual income reporting effective October 2013.)



Other Changes in the 2012-13 Budget *(Continued)*



Delayed Implementation and Decreased Benefits in Work Incentive Nutrition Supplement (WINS) Program. The WINS program, authorized in 2008-09 and subsequently delayed, is intended to provide an additional CalFresh food benefit to households that do not receive CalWORKs benefits but that meet federal TANF work requirements. The 2012-13 budget further delayed WINS implementation to July 2014 (with implementation starting as soon as January 2014) and decreased the additional food benefit from \$40 to \$10.