

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER SHIRLEY N. WEBER, PH.D., CHAIR

WEDNESDAY, FEBRUARY 26, 2014  
1:30 P.M. - STATE CAPITOL ROOM 126

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| ITEMS TO BE HEARD |  |    |
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| ITEM              | DESCRIPTION  |    |
| 5180              | DEPARTMENT OF SOCIAL SERVICES  | 1  |
| ISSUE 1           | POVERTY IN CALIFORNIA  | 1  |
| ISSUE 2           | CALWORKS PROGRAM AND BUDGET REVIEW, INCLUDING: <ul style="list-style-type: none"><li>• PROGRAM DESCRIPTION, FUNDING, CASELOAD, AND SERVICES</li><li>• EARLY ENGAGEMENT IMPLEMENTATION STATUS</li><li>• PROGRAM PRIORITIES FOR REINVESTMENT</li></ul> | 3  |
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## ITEMS TO BE HEARD

### 5180 DEPARTMENT OF SOCIAL SERVICES

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#### ISSUE 1: POVERTY IN CALIFORNIA

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This hearing focuses on the state's CalWORKs program, but begins with three informational presentations on the subject of Poverty in California. The intention is to provide background and context to the Subcommittee as it considers CalWORKs and other human services programs, services, and impacted Californians in the course of the spring hearings.

The U.S. Census Bureau has used an improved measurement of poverty that indicated in November 2012 that California has the highest poverty rate in the nation. Almost a quarter of Californians now live in poverty, according to the new Supplemental Poverty Measure.

A few additional critical statistics and research outcomes on poverty include:

- The Stanford Center on Poverty and Inequality reports that California's poverty rate in 2011 was 22 percent, and its child poverty rate was markedly worse at 25.1 percent.
- One in every four, or over two million, children in the state lives in poverty, and many of these children live in deep poverty or in homelessness. This rate is almost 25 percent higher than California's child poverty rate in 2006, and higher than the national 2011 and 2012 child poverty number of 18 percent.
- Research from the Center on the Developing Child at Harvard University reports that poverty creates "toxic stress" for children, impeding their educational success and fundamentally, adversely changing their life trajectories. This study also stated that a \$3,000 annual reduction to family income resulted in a 17 percent lower productivity in adulthood.
- Research by MDRC found that a pilot program in Minnesota that increased cash benefits by twenty percent (between \$167 and \$391 per month) yielded 32 percent higher employment rates, 42 percent higher earnings, and 21 percent higher overall earnings than single-parent families that did not get the benefit.
- Research indicates that children who live in poverty are at significantly higher risk for health problems, lower educational attainment, and a number of other negative outcomes well into their adulthood.

**PANEL**

Panelists have been invited by the Subcommittee to make presentations on Poverty in California. They include:

- Sarah Bohn, Research Fellow, Public Policy Institute of California
- Henry Ramos, President and CEO, Insight Center for Community Economic Development
- Chris Hoene, Executive Director, California Budget Project
- Public Comment

**ISSUE 2: CALWORKS PROGRAM AND BUDGET REVIEW**

Please see the “Panel” listing at the end of this section for guidance on how this issue will be presented and discussed in the course of the hearing.

**PROGRAM DESCRIPTION**

The California Work Opportunity and Responsibility to Kids (CalWORKs) program is California's version of the federal Temporary Assistance for Needy Families (TANF) program and is the state's main anti-poverty program, alongside CalFresh (formerly known as Food Stamps), offering a temporary basic needs benefit to families with children living in deep poverty. A family with no income currently receives a basic needs maximum grant of \$638 for a family of three in a high-cost county, for \$7,656 per year. This compares to the poverty threshold of the updated Supplemental/California Poverty Measure (CPM) of \$19,790 for a family of three. Deep poverty is defined as 50 percent of the official poverty measure, known as the Federal Poverty Measure (FPL), or \$9,895, therefore the CalWORKs maximum grant is \$2,239 lower than the deep poverty threshold, placing families at 38.6 percent of the FPL.

CalWORKs was reengineered in the late-90s as part of "Welfare Reform" to change it from a mainly income support program to a program that could provide education, employment, and training programs to assist a family's movement to self-sufficiency. Components of CalWORKs include time limits on eligibility, work requirements, and supportive services, such as child care and help with transportation, to support program participation.

**HIGH-LEVEL ISSUES AND QUESTIONS**

**Recent Program Changes.** Huge program changes, most notably a change in the time limit for welfare to work services from 48 to 24 months, implemented over the last few years and require oversight and responsiveness to impacts on families, children, and program effectiveness. Key questions here are: What are the critical issues in implementation and how will they be addressed? Do we see families effectively transitioning from welfare to work after their time on aid ends? Does CalWORKs help to alleviate California's dramatic poverty?

**Early Engagement and Barrier Removal.** Restructuring of the basic program flow for clients was a necessary and expected component of the 2012-13 adopted and enacted changes. The narrowed 24-month services clock was proposed and adopted under the premise that fundamental system changes would be a companion to the complicated and constrained new rules. Robust appraisal, family stabilization, and subsidized employment are system changes that are being implemented currently and full implementation won't be reached until sometime in 2014-15. This system redesign remains a significant issue because the clock began to tick for certain clients on January 1, 2013, so they did not receive the benefits of Early or “up-front” Engagement for a majority of their time on aid.

**FUNDING**

Total CalWORKs expenditures are \$6.9 billion (all funds, State General Fund is \$504 million) in 2014-15. The amount budgeted includes \$5.3 billion for CalWORKs program expenditures (including grants, services, and child care) and \$1.6 billion in non-CalWORKs programs. These other programs qualify as maintenance of effort (MOE) countable expenditures for purposes of drawing down the federal grant (discussed below). These programs primarily include expenditures for Cal Grants, Department of Education child care, Child Welfare Services, Foster Care, Department of Developmental Services programs, the Statewide Automated Welfare System, California Community Colleges child care and education services, and the Department of Child Support Services.

California receives an annual \$3.7 billion TANF federal block grant. To receive TANF funds, California must provide an MOE of \$2.9 billion annually. State-only programs funded with state General Fund are countable towards the MOE requirement. Approximately 2.5 percent of assistance payments are county-funded.

**FAMILIES AND CHILDREN IN CALWORKS**

The program serves all 58 counties in the state and is operated locally by county welfare departments. Generally, services are available to:

- Families with a child(ren) when one or both parents are in the home but the principal earner is unemployed.
- Families that have a child(ren) in the home who has been deprived of parental support or care because of the absence, disability, or death of either parent.
- Needy caretaker relatives of a foster child(ren).

CalWORKs is largely a program that serves children living in poverty and deep poverty. Of the more than 1 million recipients of the program, more than three out of four – 77 percent – are children under the age of 18. Almost 60 percent of all CalWORKs cases include children under six years of age. The vast majority (92 percent) of heads of CalWORKs recipient households are women. Two-thirds are single and have never married. Over half of the participants in the program have a high school diploma or less education. Average monthly caseload is estimated to be 529,367 families in 2014-15, a 3.8 percent decrease over the 2013-14 caseload numbers.

The caseload experienced a large reduction in the years between the implementation of CalWORKs and its Welfare to Work (WTW) focus and the onset of the recent economic recession in 2007. Since onset of the Great Recession and the rise of unemployment, predictably, the caseload steadily increased and remained higher as unemployment persisted. The caseload is still affected by the continuing high levels of unemployment and by poverty rates in California being the highest in the nation. Recent program changes to reengage cases formerly exempt and to cut off families after two years of

aid will affect the caseload trends at different times, some of these effects being felt now and some of which are still to come in the future in the absence of further program changes.

#### ELIGIBILITY AND SERVICES

If a family has little or no cash and needs housing, food, utilities, clothing, or medical care, they may be eligible to receive immediate, emergency short-term help, such as a once in a lifetime payment to avoid homelessness. Families that apply and qualify for ongoing assistance may receive aid each month to help pay for housing, food, and other basic living expenses. The county office will set up an interview with an eligibility worker to obtain facts and verify eligibility. Applicants must provide the county with proof of income and property, citizenship status, age, social security number, residence, shelter costs, work or school status, and other information. Similar information may be requested for all of the people in the home. Additionally, adult family members must also be fingerprinted and photo imaged.

At an eligibility interview, the county will advise applicants of the rules that must be met to be eligible for CalWORKs. Unless the applicant is not able to maintain employment due to disability, caring for an ill relative, age, or another reason, the recipient develops a (WTW) plan toward employment preparedness. Once eligible, the family will receive monthly checks from the county welfare department until the entire family or adults in the family are determined ineligible. Any income of the family is considered in calculating the amount of cash aid the family receives and reduces the amount received from the Maximum Aid Payment (MAP) level.

All WTW participants receive an orientation to the program and an appraisal of their education and employment background. Initially, most individuals receive job search services. Additional employment-related services are provided based on an individual's education and work history. Individuals may be assigned to:

- Unpaid work experience/preparation.
- Vocational training placements.
- Adult education or community college programs.
- Mental health counseling, substance abuse treatment, domestic abuse services and other activities necessary to assist recipients in obtaining employment.

In addition, program participants may be eligible for help with child care, transportation, and work-related or training-related expenses. Moreover, participants who find a job and are no longer eligible for welfare may continue to receive help with medical care and child care expenses. Unless exempt, applicants/recipients of CalWORKs are required to participate in WTW activities as a condition of receiving aid.

**Current Work Requirements, Services, and Time Limits.** An adult in a one-parent assistance unit (AU), the term used to identify a "care" in CalWORKs, is required to participate in WTW activities for an average of 30 hours per week each month or 20 hours per week for a parent with a child under six. In a two-parent AU, one or both adults must participate in WTW activities for a combined total average of 35 hours per week.

Adults may receive a total of 24 months of CalWORKs services and activities pursuant to their WTW plan. This number has been reduced from the original 60 months that were part of the program when it started in 1997. As part of the 2011 Budget, the 60 months were reduced to a new 48-month time limit for adults. The 2012 Budget further reduced the time limit to 24 months, for an effective new and shortened two-year time limit. If an individual is meeting specific requirements, which is generally meeting all hours with unsubsidized employment, then they may receive an additional, conditional 24 months of aid beyond the new two-limit time limit. If the participant is unable to meet the requirements after their first 24 months on aid, then the adult is removed from the case, with access to services eliminated and the cash grant for the whole family reduced substantially.

There is an extender policy for the two-year time limit, with statutory criteria in place to evaluate the need for an additional number of months of WTW services up to six months, however a 20 percent cap on these extensions was further imposed. The extender/20 percent cap policy is still being formulated and the Legislature remains interested in the effect the 24-month time limit overall and the 20 percent limit on credible extensions in particular may affect families struggling to obtain the skills and opportunities to move permanently away from public aid dependency and out of deep poverty.

**Child Care.** After recipients find work, child care services may be available for up to 12 months to assist them to retain their employment. Recipients eligible for child care services are entitled to receive subsidized child care while on cash aid and for two years after they are off cash aid. Former recipients who meet child care eligibility requirements are then eligible to transition to the limited Stage 3 child care program.

#### GRANT LEVELS

Maximum Aid Payment (MAP), or CalWORKs grant, levels were reduced by 4 percent in July 2009, followed by an additional 8 percent reduction in July 2011, for a cumulative 12 percent cut. An annual cost of living adjustment (COLA) was required for in statute to allow for grants to keep fair pace with inflation, though they often suspended in budget trailer bills to achieve savings. A significant change in COLA policy was made as part of the 2009 budget deal, when COLAs for both CalWORKs and SSI/SSP grants were permanently suspended absent an action from the Director of Finance.

The average grant today for a family of three in a high-cost county is \$464.75 per month, or \$5,577 per year, up to a maximum of \$638 per month and \$7,656 per year for

a family of three in a high-cost county with no other income. Current grant levels are only slightly above 1987-88 levels, when they were \$633 per month.

On March 1, 2014 a 5-percent grant increase for CalWORKs families will go into effect. This was approved as part of the 2013 Budget to address the insufficiency of the grant levels factoring in recessionary reductions and the high cost of living, in large part due to housing and transportation costs, in California. The costs for this increase is paid through redirected realignment growth revenues. The Governor's Budget provides General Fund in the 2014-15 budget (\$6.3 million) to maintain this same grant level as approved in the 2013 Budget. The 5-percent increase is expected to cost approximately \$168 million (total funds) annually.

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| <b>EARLY ENGAGEMENT IMPLEMENTATION STATUS</b> |
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Early Engagement components were approved as part of the enacted 2013-14 Budget. These include implementation of the Standardized Appraisal Tool, Family Stabilization program, and Expanded Subsidized Employment. These Early Engagement strategies were intended to align with implementation of the 24-month new time limit (January 1, 2013), but they instead were scheduled to implement a year or longer after the 24-month policy went into effect (January 1, 2014, though full implementation for key pieces is now anticipated for some time in 2014-15).

#### Early Engagement Components in AB 74 (Chapter 21, Statutes of 2013)

| Early Engagement Component   | Completed and Planned Work  | Status of Implementation  |
|--|---|---|
| <b>Standardized Appraisal Tool</b> – Required development of a statewide appraisal tool and mandatory training for administration of the on-line tool or OCAT (Online CalWORKs Appraisal Tool) | <ul style="list-style-type: none"> <li>• <u>February 2014</u> – Execution of contract with ICF International (ICF), provider of the Online Work Readiness Assessment Tool (OWRA)</li> <li>• <u>February 2014</u> – Early Implementation begins with OWRA</li> <li>• <u>February – June 2014</u> – Stakeholder meetings to implement and customize OCAT</li> <li>• <u>April 2014</u> – Pilot testing begins</li> <li>• <u>July 2014</u> – Customization of OWRA tool completed and OCAT available statewide</li> <li>• <u>July 2014-15</u> – Integration of OCAT with county automated systems will occur</li> </ul> | <b>Not yet completed</b> - expected availability of OCAT in all counties is anticipated to begin July 1, 2014, with full automation implementation as late as July 2015 |
| <b>Family Stabilization (FS) Program</b> – Intensive case management services designed to ensure a basic level of stability  | <ul style="list-style-type: none"> <li>• <u>November 27, 2013</u> – County Fiscal Letter released</li> <li>• <u>February 4, 2014</u> – Release of All County Letter (implementation guidelines) and County Fiscal Letter (expenditure claiming instructions)</li> </ul>   | <b>Not yet completed</b> – goal date for statewide implementation of FS is unknown, beginning April 20,   |

| Early Engagement Component   | Completed and Planned Work  | Status of Implementation  |
|--|---|---|
| within a family prior to, or concurrently with, WTW activities   | <ul style="list-style-type: none"> <li>• <u>March 2014</u> – Counties to submit FS plans to DSS along with the release of FS Request and Determination forms for use by county welfare departments (CWDs)</li> <li>• <u>April 2014</u> – Release of CWD FS Data Reporting Form</li> </ul>   | 2014, and quarterly thereafter, counties are required to submit to DSS information regarding their FS program   |
| <b>Expanded Subsidized Employment</b> – Counties were given additional resources to create additional subsidized employment positions, gradually building up the number of new slots to 8, 250 | <ul style="list-style-type: none"> <li>• <u>September 30, 2013</u> – Release of All County Letter (implementation guidelines) and County Fiscal Letter (expenditure claiming instructions)</li> <li>• <u>Currently</u> - DSS reports that several counties have submitted plans to date, with more expected in the coming months</li> </ul> | <b>Exact implementation status of this component is unknown, but full ramp up was planned by June 2014</b> (full ramp-up may mean counties implementing to their goal level of slots) |

The funding (total funds) for Early Engagement as proposed in the Governor's Budget is outlined below.

| Early Engagement Component            | Funding Detail   | 2013-14        | 2014-15        |
|---------------------------------------|--|----------------|----------------|
| <b>Standardized Appraisal Tool</b>    | <ul style="list-style-type: none"> <li>• One additional hour of caseworker time, in addition to one-time training and automation costs to customize appraisal tool for CalWORKs</li> <li>• County training cost and the majority of the automation costs are shifted from 2013-14 to 2014-15</li> </ul>            | \$8.5 million  | \$16.7 million |
| <b>Family Stabilization Program</b>   | <ul style="list-style-type: none"> <li>• Family stabilization services will require an additional two and a half hours per month at an employment services worker cost per hour of \$57.57</li> </ul>  | \$10.8 million | \$26.4 million |
| <b>Expanded Subsidized Employment</b> | <ul style="list-style-type: none"> <li>• Service costs are calculated by multiplying the average AB 98 subsidized employment wage subsidy by number of cases per month</li> <li>• The program is considered cost neutral with service costs (the wage subsidy) resulting in corresponding grant savings</li> </ul> | \$28 million   | \$95.8 million |

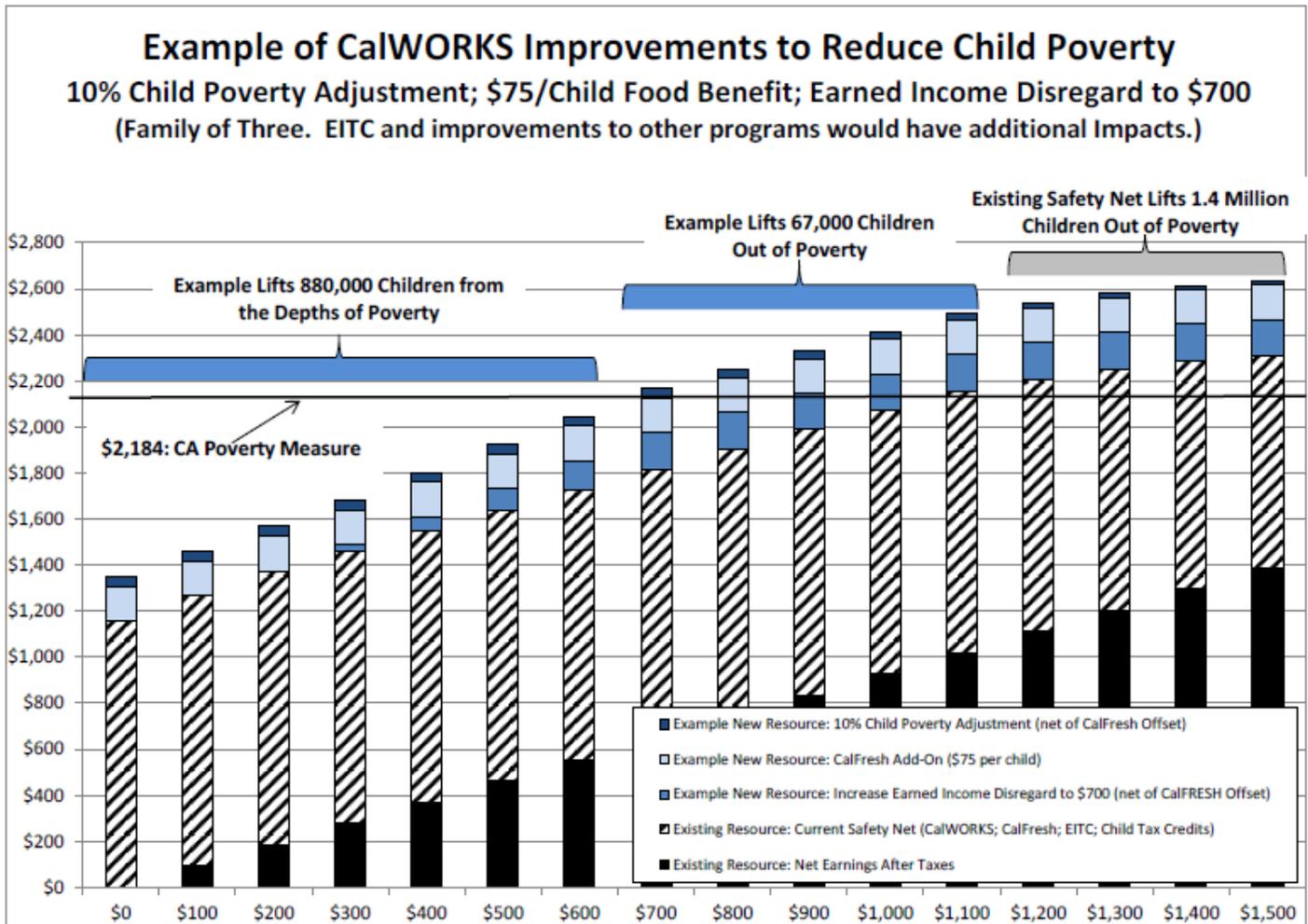
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| <b>PROGRAM PRIORITIES FOR REINVESTMENT</b> |
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The Assembly Blueprint for a Responsible Budget included key strategies that together have the potential to meaningfully lift hundreds of thousands of struggling families and their young children living in poverty to better standards of living, allowing these children a chance to break the cycle of poverty. The Subcommittee seeks input and further discussion toward realizing key reinvestments that have the potential to change California's poverty picture in the short-term, and the life trajectory of affected children and families in the long -run.

| <b>Reinvestment Strategy</b>                                      | <b>Description and Key Features</b>   |
|---|---|
| <b>Creation of a Per Child CalFresh Supplemental Food Benefit</b> | <ul style="list-style-type: none"> <li>• Provides an additional food benefit (could be \$75 per child) for every child in the CalWORKs caseload (over 1 million children).</li> <li>• Does not result in a loss in other benefits (currently if the CalWORKs grant is increased by \$3, there is a \$1 loss in the CalFresh benefit).</li> </ul>  |
| <b>Increasing the CalWORKs Earned Income Disregard (EID)</b>      | <ul style="list-style-type: none"> <li>• Families are currently allowed to keep the first \$225 they earn without seeing a reduction in their grant check, considered an effective work support. This strategy would increase the EID and allow families to keep more of their earnings from work (\$700), allowing them to meet basic needs and spend more in the marketplace.</li> <li>• Advocates point out that the current amount has not increased since the inception of the program in 1997.</li> </ul> |
| <b>Universalization, of Subsidized Employment Offer</b>           | <ul style="list-style-type: none"> <li>• Ensuring that every participant in the program who can utilize this experience in their transition from welfare to work is made an offer of subsidized employment.</li> <li>• Advocates have suggested an offer of subsidized employment before a sanction is imposed.</li> </ul>  |
| <b>CalWORKs Grant Increase</b>                                    | <ul style="list-style-type: none"> <li>• Grant levels are still, dollar for dollar, where they were set in the program 25 years ago. A 10% increase would raise the grant from its maximum of \$670 on March 1, 2014 to \$737 (not factoring the corresponding CalFresh decrease) per month for a family of three in a high cost county.</li> </ul>   |
| <b>Reinstitution of the CalWORKs COLA</b>                         | <ul style="list-style-type: none"> <li>• The COLA was eliminated in 2009 and had been suspended for several years prior. A COLA reinstatement would allow grants to rise with inflation.</li> </ul>   |
| <b>Creation of a State Earned Income Tax Credit</b>               | <ul style="list-style-type: none"> <li>• A tax credit aimed at supplementing the federal credit or to help low wage workers not assisted by the federal EITC could lift some families out of poverty and help others above the poverty line.</li> <li>• Research indicates that the expansion of EITC, with welfare to work programs, lead to large increases in employment among single families with children.</li> </ul>   |

| Reinvestment Strategy               | Description and Key Features   |
|-------------------------------------|--|
| <b>Homelessness Assistance</b>      | <ul style="list-style-type: none"> <li>Currently, the homelessness assistance benefit in CalWORKs is limited to once in a lifetime. A change to this policy could allow more families to access a crisis benefit once every three or five years, so as not to unduly restrict access to a services that may at a few times in a families' life shield them from the hardship of homelessness.</li> </ul> |
| <b>Change Exclusionary Policies</b> | <ul style="list-style-type: none"> <li>Maximum Family Grant rules that exclude children in families who have a child after the family is receiving aid and the exclusion of adults who have a drug felony conviction are key repeal efforts that poverty advocates have consistently called for in CalWORKs.</li> </ul>  |

The example visual below illustrates how a potential combination of reinvestment strategies in CalWORKs can raise families out of deep poverty (880,000 children) and pull 67,000 children over the poverty threshold.



**QUESTIONS FOR THE PANEL**

The following outline of major issues and questions has been shared with invited presenters.

**Request for Caseload Projections Due to Policies in SB 1041**

1. What will be the effect of the 24-month time limit on families in WTW and the safety net caseload in BY, BY+1, BY+2?
2. What is the status of Reengagement for those previously exempt due to the Single Allocation reduction?

**In-Depth Update on Early Engagement (EE)**

1. What is the current status of EE implementation and when can DSS expect to have all of the pieces of EE in place across all counties?
2. How will DSS track the experience of CW participants in EE and report this to the Legislature timely to assure effective oversight and accountability?

**Ensuring the Integrity of the 2012 Changes**

1. Should the 24-month clock be changed to align with the full implementation of EE, so that it would start when the redesign of the system is actually in effect?
2. Given the statutory criteria that allows for an extension of the 24-month clock, should the 20 percent restriction that had been included in the 2012 legislation be reconsidered?

**PANEL**

Panelists have been asked by the Subcommittee to make presentations on the issues discussed in this agenda.

- Will Lightbourne, Director, and Todd Bland, Deputy Director, Welfare-to-Work Division, California Department of Social Services
  - CalWORKs Overview and Current Program Update
- Mike Herald, Advocate, Western Center on Law and Poverty
  - Retrospective and Discussion of Priority Issues
- Frank Mecca, Executive Director, County Welfare Directors Association of California
  - Retrospective and Discussion of Priority Issues
- Ryan Woolsey, Legislative Analyst's Office
  - Review of Program Changes Included in the 2012-13 Budget
- Public Comment

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**Staff Recommendation:**

Recommendation pending.

**ISSUE 3: GOVERNOR'S PROPOSALS FOR 2014-15 IN CALWORKS**

The Governor's Budget includes the following major proposals for the CalWORKs program.

**PARENT/CHILD ENGAGEMENT  
DEMONSTRATION PILOT**

The Governor's Budget proposes the creation of a Parent/Child Engagement Demonstration Pilot, which the Governor states will provide support to some of the most vulnerable low-income families who have multiple barriers of entry into the workforce, and do not have access to licensed child care, or who fall into CalWORKs sanction status. The Governor proposes a six-county, 2,000-family pilot project over three years that aspires to connect vulnerable children with stable licensed child care, engage parents with their children in the child care setting, enhance parenting and life skills, and provide parents with work readiness activities that will move the family toward self-sufficiency. The project will cost \$9.9 million General Fund in 2014-15, assuming March 2015 enrollment of the first cohort of families, and \$115.4 million General Fund over three years. The details of how this new program will differ from the current program or from the program as it will be impacted through the implementation of the Early Engagement policies adopted as part of the 2013 Budget are still being learned.

The following chart from DSS displays funding over the life of the proposed demonstration by type of expenditures (e.g., child care, grant costs, work readiness activities, parent/child engagement services, evaluation and consultation, etc.).

|                        | <b>FY 2014-15</b>  | <b>FY 2015-16</b>   | <b>FY 2016-17</b>   | <b>FY 2017-18</b>   | <b>Total Cost</b>    |
|------------------------|--------------------|---------------------|---------------------|---------------------|----------------------|
| Child Care             | \$5,567,175        | \$24,815,268        | \$32,996,729        | \$16,498,365        | \$79,877,537         |
| Case Management        | \$1,409,577        | \$3,036,012         | \$325,287           | \$0                 | \$4,770,876          |
| Grant Restoration      | \$249,600          | \$825,600           | \$345,600           | \$0                 | \$1,420,800          |
| Trustline & TB testing | \$286,066          | \$286,066           | \$0                 | \$0                 | \$572,133            |
| Project Consultant     | \$100,000          | \$200,000           | \$200,000           | \$200,000           | \$700,000            |
| Research/Evaluation    | \$125,000          | \$250,000           | \$250,000           | \$250,000           | \$875,000            |
| Grant Savings          | \$0                | (\$460,926)         | (\$2,074,167)       | (\$1,382,778)       | (\$3,917,871)        |
| Parental Involvement   | \$2,144,000        | \$9,648,000         | \$12,864,000        | \$6,432,000         | \$31,088,000         |
| <b>TOTAL</b>           | <b>\$9,881,419</b> | <b>\$38,600,020</b> | <b>\$44,907,449</b> | <b>\$21,997,587</b> | <b>\$115,386,475</b> |

The Legislative Analyst's Office has prepared a thorough analysis on this proposal that they will share with the Subcommittee.

#### **STATE/COUNTY PEER REVIEW**

The Governor's budget requests a total of 8.0 permanent positions and \$.9 million to support the County Peer Review (CPR) process and improve county welfare departments' ability to meet the federal-required WPR for the CalWORKs program, quality control reviews for TANF, and field monitoring visits to ensure implementation of CalWORKs changes enacted in 2012 and 2013. Four of the positions are intended to establish a CPR process, with counties helping the state to develop the process and county visit tools, collaborate in the county reviews, and provide ongoing expertise regarding county systems and practices.

Of the remaining four positions, one position is intended to assist with oversight of the Work Incentive Nutritional Supplement (WINS) program, where a new \$10 per month supplemental food benefit would be provided to working families who are receiving Supplemental Nutritional Assistance Program (food stamp) benefits that are not receiving CalWORKs assistance. Two positions are intended to provide support and evaluation of the Early Engagement changes as required in Senate Bill 1041 (Chapter 47, Statutes of 2012). The last of the total eight positions is requested to manage the entire performance oversight effort.

#### **STAGE ONE CHILD CARE**

Historically, Stage One child care has been budgeted by developing a cost per case based on the most recent year of actual expenditure and caseload data, and then applying a California Necessities Index (CNI) adjustment. The Governor's Budget proposes to remove the CNI adjustment from the Stage One methodology to align the budget with actual child care costs and reimbursements. The amount budgeted for 2013-14 was \$335.5 million. The proposes 2014-15 budgeted amount is \$320.7 million, or a decrease of \$14.8 million as a change from current year.

The decrease in 2014-15 is primarily due to removing the CNI adjustment from the Stage One methodology, slightly offset by a higher projected child care caseload. Removing the CNI adjustment results in a decrease of approximately \$18.2 million in 2014-15 in Stage One child care compared to the historic methodology. DSS states that there is no change to child care services of impact to recipients as this adjustment simply aligns child care funding with counties' actual child care expenditure trends.

This funding provides Stage One child care service to an estimated 35,802 children in 2013-14 and 36,408 in 2014-15.

**TRAILER BILL ON TAP**

AB 1808 (Committee on Budget, Chapter 75, Statutes of 2006) required DSS to establish, by April 1, 2007, a voluntary state-funded Temporary Assistance Program (TAP), providing the same benefits as CalWORKs, with no adverse impacts on recipients. DSS was required to establish this program to provide cash aid and other benefits to current and future CalWORKs recipients who are exempt from state work participation requirements, but are included in the state's Work Participation Rate (WPR) for the federal TANF program. Existing law allows the state to move exempt recipients out of the TANF program and into TAP (which would be solely state-funded and not subject to federal restrictions and requirements), thereby providing a modest increase to the WPR (approximately 2 percentage points, based on a preliminary estimate from 2007).

Implementation of TAP was suspended annually for several years due to a number of obstacles, including existing federal child support distribution rules, which would lead to increased administrative workload for county workers and associated potential negative effects on TAP recipients. DSS is proposing to eliminate TAP because it says it is no longer necessary as a strategy to increase the state's WPR. The State has adopted an alternate strategy involving unaided but federally work-eligible adults. Safety Net cases (those in which all adult parents in the assistance unit have reached the 48-month time limit for cash aid) and drug and fleeing felon cases will be excluded from the State's TANF caseload in determining the State's WPR. The 2013 Budget Act provided Non-Maintenance of Effort (non-MOE) General Fund resources for the assistance and administration costs of these cases. Once fully implemented, the shift to non-MOE funding for this population is estimated to increase the state's WPR by 5.3 percentage points.

**PANEL**

- Will Lightbourne, Director, and Todd Bland, Deputy Director, Welfare-to-Work Division, California Department of Social Services
- Legislative Analyst's Office
- Department of Finance
- Public Comment

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**Staff Recommendation:**

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Staff recommends holding these issues open.