

**AGENDA
SUBCOMMITTEE No. 1
ON HEALTH AND HUMAN SERVICES**

ASSEMBLYMEMBER JERRY HILL, CHAIR

**WEDNESDAY, MARCH 18, 2009
STATE CAPITOL, ROOM 444
1:30 P.M.**

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5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: SPECIAL INFORMATION ITEM – IMPACT OF THE RECESSION ON HUMAN SERVICES AND FOOD PROGRAMS

This special informational item focuses on the increasing demands on county human services and food programs in light of the economic downturn. The panelists invited to testify will each have an opportunity to share with the Subcommittee their perspective and observations on statewide and local changes in program caseloads. The state and county representatives are asked to provide information on the capacity, readiness, and obstacles to addressing these increased needs given current program structures and funding.

As the Subcommittee begins its process of examining program needs and requests, this informational item is intended to provide a backdrop describing what counties, workers, and low-income and unemployed families and adults are experiencing in the current fiscal and economic environment.

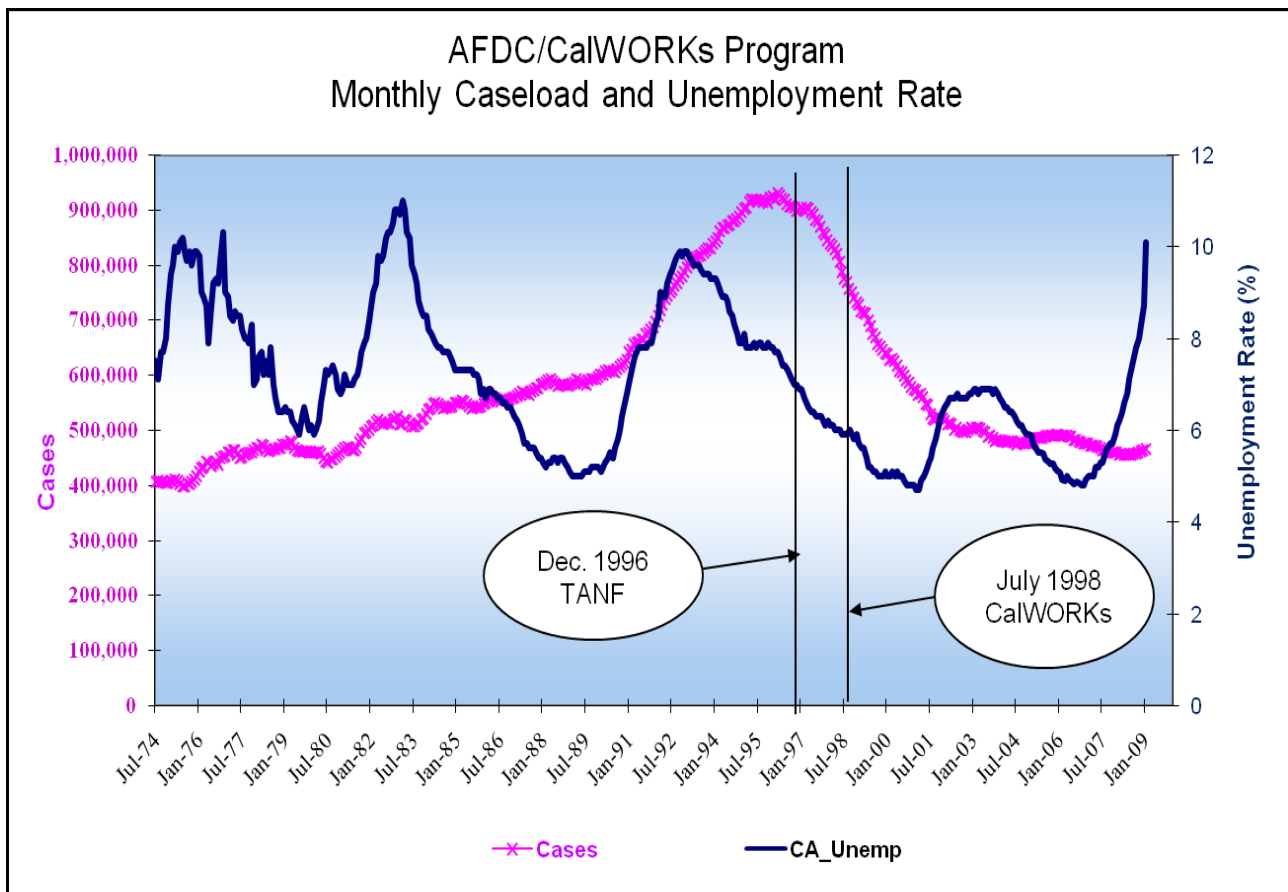
Recent Caseload Increases

- ◆ The California Work Opportunity and Responsibility to Kids (CalWORKs) program provides cash grants and welfare-to-work services to low-income families with children. The statewide caseload increased from 466,522 families in January 2008 to 508,381 families in January 2009. Applications increased by 22% from September 2007 to September 2008 and two-parent cases increased by 15% in the same period.
- ◆ Homeless Assistance programs for CalWORKs families includes a number of benefits and services designed to assist homeless families and families at risk of homelessness to move into affordable permanent housing. The requests for this program increased by 26% from September 2007 to September 2008, with 22% of these requests granted. Concurrently, there was an increase of 14% in the number of days authorized.
- ◆ The federal Food Stamps Program provides monthly benefits to low-income households and individuals to assist them with food purchases. Applications in the program increased by 33% from September 2007 to September 2008 and caseload increased 17% from November 2007 to November 2008.
- ◆ General Assistance/General Relief are county-funded programs that provide financial assistance to indigent adults who are ineligible for federal or state programs. Applications in the program increased by 35% from September 2007 to September 2008 and the number of persons aided increased 25% from November 2007 to November 2008.

- ◆ In the second half of 2008, food banks saw sudden, unprecedented increases in requests for food assistance. Food banks are reporting a 30-50% increase in people in need, but in some individual programs, increased requests for assistance were 100% or greater over the prior year. Advocates state that 100% of food banks are indicating that they need more food and cash donations to meet the increasing demand and that there is particular concern in agricultural areas of the state.

Unemployment and CalWORKs

As the rates of unemployment rose in 2008 and in the early months of 2009, these upward caseload trends continued. The chart below, provided by the Department of Social Services (DSS), illustrates the relationship between the CalWORKs caseload and the unemployment rate. Despite increased applications for and recipients in the CalWORKs program, the numbers for CalWORKs sluggishly grow in comparison to the startling uptake in the unemployment rate.



Poverty in California

According to a November 2006 report from the Public Policy Institute of California, prior to the current recession, poverty had held steady in California at just over 13% between 2002 and 2005. Nevertheless, it remained higher in 2005 than in the rest of the nation: 13.2% versus 12.5%. Between 1969 and 1993, poverty grew from 9% to 18% and the decline in poverty during the late 1990s was not enough to reverse the effects of that growth. At over 13%, the poverty rate in 2005 remained well above levels of the late 1960s and 1970s.

The poverty rate for Latinos and African Americans is about 20%, substantially higher than poverty for Asians (12%) and more than twice than for whites (8%). Poverty rates are higher for children under 18 (19%) than for adults ages 18-64 (12%) and much higher than for the elderly, ages 65 and older (8%). Among children living in single-mother families, 42% are poor.

Several counties in the San Francisco Bay area have relatively low poverty rates of under 10 percent: Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano, and Sonoma. Counties of the Southern San Joaquin Valley have very high poverty rates of over 20 percent: Fresno, Kern, Kings, and Tulare. The poverty rate in Los Angeles County was 16% in late 2006.

PANELISTS

- **Joe Valentine**, Employment and Human Services Director, Contra Costa County
- **Frank Mecca**, Executive Director, County Welfare Directors Association
- **Jen Flory**, Staff Attorney, Western Center on Law and Poverty
- **Matt Sharp**, Senior Advocate, California Food Policy Advocates
- **Sue Sigler**, Executive Director, California Association of Food Banks
- **John Wagner**, Director, California Department of Social Services
- Questions from Subcommittee Members
- Public Comment

Questions

For County Representatives:

Please describe your assessment of the deficit in health and human services funding at the county level. What has this meant for choices in county administration and program changes in the last few years?

What kinds of measures are you taking to absorb the increased application load? Are there processing delays?

What are the most acute program and infrastructure needs for counties at this time?

How is the applicant demographic changing as a result of higher unemployment and the recession?

For Program and Client Advocates:

How is the applicant demographic changing as a result of higher unemployment and the recession?

How have supportive services and interventions changed?

What are the evolved needs of clients in a high-unemployment economy?

For DSS:

How is the department responding to the increases in caseloads and demands on county services?

What programmatic changes is the administration contemplating to address program demands?

How are counties communicating their obstacles and challenges to the state and what state action is taking place to respond?

ISSUE 2: OVERVIEW OF RECENT STATE ACTIONS IN CALWORKS AND FOOD STAMPS AND CURRENT CONSIDERATIONS

The following is a summary of the major actions taken in the CalWORKs and food stamps areas in the 2008-09 Budget and in the enacted 2009-10 Budget Act.

<i>Action Taken</i>	
January 08 Governor's Proposals	
Reduce the Food Stamp Program (FSP) County Administration by 10%	Legislature approved 2.5% reduction
Reduce the California Food Assistance Program (CFAP) by 10%	Legislature rejected the cut
Implement CalWORKs Proposals on Full Family Sanctions and Elimination of the Safety Net for All Child-Only Cases	Legislature rejected the proposals
Implement Work Incentive Nutritional Supplement (WINS)	Legislature ultimately revised and approved \$2 M in GF, which was vetoed
Did not include county cost of doing business (CODB) adjustment	No CODB adjustment provided
May Revision 08 Proposals	
Transfer TANF to other purposes in government, including juvenile probation and Cal Grants	Legislature ultimately rejected these
Use TANF Funds for Boys and Girls Club	Legislature ultimately rejected
Suspend the CalWORKs July 2008 cola	Legislature approved
Eliminate Pay for Performance Incentive Funding	Legislature ultimately approved \$10 M, which was vetoed
Reduce Single Allocation and Replace with Performance and Fraud Incentive Funding	Legislature ultimately approved the proposal and a reduction of the lesser of \$20.6 M or the unspent amount of incentive funds; Governor took this amount and further vetoed \$60 M of the County Single Allocation
Eliminate the TANF Reserve	Legislature approved
Reduce of Grant Levels by Five Percent	Legislature rejected
Impose Self-Sufficiency Reviews (SSR)	Legislature ultimately rejected
Require Pre-Assistance Employment Readiness System (PAERS)	In tandem with the Legislature's action on WINS above, approved consideration of PAERS
Eliminate the Temporary Assistance Program (TAP) in statute	Legislature extended the implementation date from April 1, 2009 to April 1, 2010
Did not include county cost of doing business (CODB) adjustment	No CODB adjustment provided
Governor's Proposals in the Special Session – Fall/Winter 08-09	
Modify the Safety Net Program, Impose a 60-Month Time Limit on Assistance for Certain Child-Only Cases, Implement a Six-Month SSR	Rejected in the 17-Month Budget Package (SB 1XXX and accompanying trailer bills)

	<i>Action Taken</i>
Transfer TANF to other purposes in government, including the Department of Developmental Services and Cal Grants	Rejected in the 17-Month Budget Package
Suspend the CalWORKs July 2009 cola	Approved in the 17-Month Budget Package
Eliminate Pay for Performance Incentive Funding	Approved in the 17-Month Budget Package
Delay LEADER Replacement in LA County	Approved in the 17-Month Budget Package
Reduce Grants by Ten Percent	In the absence of the trigger being pulled by April 1, 2009, reduces grants by Four Percent
Eliminate the CFAP	Rejected in the 17-Month Budget Package
Did not include county cost of doing business (CODB) adjustment	No CODB adjustment provided

ISSUES FOR CONSIDERATION

The DSS is asked to respond to each of the areas outlined below. The Department of Finance and the Legislative Analyst's Office are additionally asked to comment. Public comment may be taken after each of the six items at the discretion of the Chair and after the Subcommittee considers testimony and the members have had an opportunity to discuss.

1. Status of CalWORKs Single Allocation.

A single allocation is appropriated to county welfare departments for the support of administrative activities undertaken by the counties to provide benefit payments to CalWORKs recipients and to provide work activities and supportive services to efficiently and effectively carry out the purposes of the program. The Governor vetoed \$70 million in single allocation dollars, a sum of \$60 million atop the \$10 million the Legislature had sustained for these purposes, in the 2008-09 budget. Due to pressures on TANF block grant funding and the overall General Fund budget, the single allocation was further reduced by \$20.6 million in the 2008-09 budget. This overall reduction was sustained in the enacted 2009-10 Budget Act.

Questions:

What has been the effect of the single allocation reduction on counties? What activities or processes have been most affected?

How has staffing and retention been affected by the reduction?

Which counties are experiencing the worst consequences? How has county management responded?

What is the role of the state in responding to these changes?

2. Reduced Base Funding in Food Stamps County Administration.

The January 2008 proposed budget included a reduction in county allocations for administration of the federal Food Stamp Program (FSP) of approximately four percent in order to meet a ten percent reduction in the FSP. This proposal was a General Fund reduction of \$14.4 million. Ultimately and alternatively, the Legislature reduced funding provided to counties for administration of the FSP by \$20.9 million (\$8.6 million General Fund) in the 2008-09 budget. This reduction was sustained in the enacted 2009-10 Budget Act.

Questions:

What has been the effect of this reduction on FSP administration?

Given the recent caseload increases, what are applicants and clients experiencing?

What is the role of the state in responding to these changes?

3. WINS Implementation.

The 2008-09 budget included \$2 million General Fund to commence automation for the Work Incentive Nutritional Supplement (WINS) in the current year. This amount was vetoed in September 2008. The trailer bill language adopted by the Legislature (Chapter 759, Statutes of 2008, AB 1279) directed the automation change necessary to provide a food supplemental benefit of \$40 per month for families meeting certain work participation requirements. The language also called for a working group to consider a pre-assistance employment readiness (PAERS) program to provide offsetting benefits to the caseload reduction credit in the CalWORKs program, with a proposal due to the Legislature by March 31, 2009.

The WINS proposal was compelling as a way to draw families meeting the work participation requirements into the CalWORKs work participation rate (WPR), while providing them with a real food benefit. Contemplation of PAERS was built into the trailer bill as a way to retain the option for alternative methods for meeting federal work participation requirements, including intensive services for recipients just coming onto aid and enabling their successful transition to work earlier in their assistance period.

Given the changes in the economy and high unemployment, the change in the federal administration and pending TANF reauthorization in 2010, and complicated budget dynamics, including consideration of federal stimulus dollars, the relevant issues around CalWORKs and the state's WPR are less clear.

Request for TBL from Administration. The administration has submitted trailer bill language to:

- (a) Impose a two-year delay in the implementation of WINS. This would change Welfare and Institutions Code Section 15525 (e) (2) to read, "...Payment of WINS benefits shall not commence before October 1, ~~2009~~ **2011**, and full implementation of the program shall be achieved on or before April 1, ~~2010~~ **2012**." There is an additional change in sub. (f) (1) pushing the issuance of the All County Letter from March 1, 2009 to March 1, 2011.
- (b) Eliminate the language in the statute, sub. (g) (1) through (5), which outlines consideration of PAERS and the associated workgroup that was directed to review this and prepare a proposal for the Legislature.

Questions:

Given the vetoed General Fund that would have supported this proposal, what is the status of WINS currently?

What are the continuing possible benefits of WINS and is the proposed delay advisable?

Have the counties and state worked together on a preliminary plan for the All County Letter to begin to contemplate automation changes that would be necessary if this were to move forward?

4. Further Extension of TAP.

The Temporary Assistance Program (TAP) was authorized in the 2006 human services trailer bill (Chapter 75, Statutes of 2006, AB 1808) and was a non-MOE funded program for CalWORKs recipients who are exempt from work participation, usually temporarily disabled. This program would have increased the WPR and resulted in a caseload reduction credit (CRC). Implementation issues have prevented the TAP from moving forward and these were largely due to challenges with child support automation. Trailer bill has been adopted for two years to delay the implementation date, and last year the date was moved from April 1, 2009 to April 1, 2010.

Request for TBL from Administration. The administration has submitted trailer bill language to eliminate the TAP in statute altogether.

Questions:

What are the continuing possible benefits of the TAP program if the implementation issues can be overcome?

Have the issues in child support narrowed given the certification of the Statewide Child Support Automation System?

In lieu of the administration's elimination proposal, should a further extension of TAP be considered for an additional year?

5. Receipt of the Final Report to the Legislature on Strategies to Increase the Work Participation Rate.

SB 84 (Chapter 177, Statutes of 2007, Section 19) required DSS to submit a report to the Legislature on the efforts counties are undertaking to increase the work participation rate among CalWORKs recipients and improve the CalWORKs program. SB 84 required that DSS provide a written update and a final report to the Legislature on AB 1808 County Plan Addenda strategies for up-front engagement, sanction reengagement, and Safety Net families, as well as the characteristics of Safety Net families. The written update was released to the Legislature in July 2008.

The final report was due on September 1, 2008. A late submission letter for the final report was sent to the Legislature in August 2008 with a release date for the report of November 1, 2008. The report is late due to the large amount of detailed information received from the counties and the time it has taken to analyze this information. The administration states that the final report is under review.

Question:

When will the report be available?

6. Receipt of the AB 1078 Report on the Earned Income Tax Credit.

Assembly Bill 1078 (Lieber, Statutes of 2007, Chapter 622), required, in part, the DSS to convene a meeting with subject-matter experts to develop guidelines; identify legislative options to maximize access and use of EITC among CalWORKs recipients; and to issue a report to the Legislature on the outcomes of this meeting. The report was due December 1, 2008. A late submission letter was sent with a revised release date of March 1, 2009. The administration states that the report is under review.

Question:

When will the report be available?

Staff Recommendation

WINS Implementation.

- Staff recommends that the Subcommittee reject the administration's trailer bill and direct staff to consider an alternative for vote-only at a future Subcommittee meeting on delayed WINS implementation.
- Staff also recommends that the Subcommittee request that the DSS continue preliminary development of an All County Letter regarding reprogramming and readiness in the event that WINS funding for automation is authorized.

TAP Implementation.

- Staff recommends that the Subcommittee reject the administration's trailer bill and direct staff to consider an alternative for vote-only at a future Subcommittee meeting on delayed TAP implementation, after further consultation with DSS and the Department of Child Support Services.

ISSUE 3: FEDERAL STIMULUS OVERVIEW FOR CALWORKS AND FOOD STAMPS

The following is taken directly from the March 10, 2009 LAO Report on the "Federal Economic Stimulus Package: Fiscal Effect on California."

For social services programs and beneficiaries, ARRA provides an estimated \$5.3 billion in federal funding for California from FFY 2008–09 through FFY 2010–11, as shown in Figure 12. About \$2.8 billion is in the form of direct payments to individuals—mostly recipients of Supplemental Security Income (SSI), Social Security, and/or food stamps. With respect to state- and county-funded social services programs, ARRA provides about \$2.2 billion in additional funding, much of which can be used to offset General Fund costs. Finally, ARRA provides about \$300 million in additional funds to existing programs which have no state General Fund participation. Below, we describe how ARRA affects various social services programs.

CALWORKS

The CalWORKs program provides cash grants and welfare-to-work services to low-income families with children. The CalWORKs program is primarily supported by state General Fund and the federal Temporary Assistance for Needy Families block grant.

Significant New Funding. For FFY 2008–09 and FFY 2009–10, ARRA creates a new federal funding stream which provides 80 percent federal financial participation in costs for ongoing basic assistance (cash grants), non-recurring short-term assistance, and subsidized employment which exceed the corresponding costs during FFY 2006–07. State and county funds cover the remaining 20 percent of these costs. On a cash flow basis, California will begin to receive these funds in the April to June quarter of 2009. We estimate that this provision will provide California with a total of about \$450 million in additional federal funds, including a 2.5 percent share for counties.

Automatic General Fund Relief. This new federal stream results in General Fund savings of \$40 million, \$200 million, and \$190 million for state fiscal years 2008–09 through 2010–11, respectively. We note that the *2009–10 Budget Act* scores General Fund savings of \$147 million from a 4 percent grant reduction (which could be triggered off if sufficient federal fiscal relief is identified). Due to this new federal funding stream, the net savings from this grant reduction is only \$29 million during 2009–10.

FOOD PROGRAMS

The federal Food Stamps Program provides monthly benefits to low-income households and individuals to assist them with food purchases. The cost of the benefits is borne entirely by the federal government. The associated administrative costs are shared among the federal government (50 percent), the state (35 percent), and the counties (15 percent). In addition to the federal program, the California Food Assistance

Program (CFAP) provides state-only funded food stamp benefits to legal noncitizen adults under age 64 who would otherwise be eligible for federal food stamps once they have resided in the United States for five years.

Food Stamps Benefit and Administrative Funding Increase. The ARRA increases the monthly maximum food stamps benefit by 13.6 percent effective April 1, 2009. (We note that future federal inflationary adjustments to food stamps benefits are suspended until such time as their combined impacts would exceed this 13.6 percent increase.) We estimate that this provision will provide Californians with just under \$1 billion in additional food stamps benefits from FFY 2008–09 through FFY 2010–11. The state also will receive about \$11 million in additional federal funding over the same time period for the administration of the food stamps program.

Increased State Costs for Food Stamps Benefits. Because CFAP benefits are statutorily linked to federal benefit levels, this 13.6 percent increase will raise General Fund CFAP costs by \$1 million, \$3.5 million, and \$2.5 million for state fiscal years 2008–09 through 2010–11 respectively.

State Could Achieve General Fund Savings by Reducing Administrative Support. Due to the availability of additional federal funds, the Legislature could achieve General Fund savings by reducing state and county support for food stamps administration. Specifically, we estimate that this additional funding could allow the state to achieve General Fund savings of \$3.8 million in 2009–10 and \$2.9 million in 2010–11. Counties also could achieve some savings.

Federal Funds Available for Distribution of Commodities. The ARRA increases funding for The Emergency Food Assistance Program by \$150 million. California is estimated to receive about \$6 million in FFY 2008–09 and \$6 million in FFY 2009–10 from this provision. These funds are used for the distribution of food commodities to food banks.

Questions

Can the administration comment on the use of the TANF Emergency Contingency Fund and any considerations that the Legislature should be aware of at this time?

What is the advocates' perspective on the use of the federal funds for Food Stamp Administration? Does the total program funding level increase at all with the stimulus dollars?

ISSUE 4: BUDGET CHANGE PROPOSAL (BCP) ON FOOD NUTRITION EDUCATION**BACKGROUND**

This proposal from the administration requests one full-time Staff Services Manager and four full-time Associate Governmental Program Analysts on a two-year limited-term basis to staff a Food Stamp Nutrition Education (FSNE) Unit in the Food Stamp Branch (FSB) to provide administrative oversight over California's FSNE funding and activities. The unit will be funded at no cost to the General Fund. Funding will be derived by withholding funds from the federal reimbursement for approved FSNE expenditures claimed by DSS' two FSNE contracts, the California Department of Public Health (CDPH) and the University of California at Davis (UCD).

The primary responsibilities of the FSNE team will be to appropriately oversee the two FSNE contracts and corresponding FSNE activities statewide, direct the efforts to rebrand the Food Stamp Program as a nutrition assistance program, promote the Program, collaborate with partner state/federal/county agencies, and facilitate FSNE activities and projects that directly serve their food stamp clients, as directed by the United States Department of Agriculture's Food and Nutrition Service's (USDA/FNS) Food Stamp Program.

Staff Recommendation

Staff recommends approval of the BCP and adoption of Supplemental Report Language asking the DSS to provide a written update to the Subcommittee during the spring 2010 process on the following:

- The contractors' progress toward meeting the goals associated with the establishment of the FSNE unit at DSS, including program and contract integrity, promotion and rebranding of the program, collaboration with partner agencies, and direct service projects to reach food stamp clients.
- The improvement in food stamp and nutrition access in the client population as a result of the unit's work and contract oversight.