AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER PATTY BERG, CHAIR

WEDNESDAY, MARCH 28, 2007
STATE CAPITOL, ROOM 444
1:30 P.M.

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5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: A DECADE OF CALWORKS

The subcommittee will discuss the origin of the CalWORKs program and the outcome of its ten-year history as a program with the primary focus of providing cash assistance to low-income families to help participants overcome barriers to employment, find employment, and move toward self-sufficiency, while protecting the interests of children and providing a safety net against poverty.

BACKGROUND

In response to federal welfare reform legislation, the Legislature created the California Work Opportunity and Responsibility to Kids (CalWORKs) program, enacted by Chapter 270, Statutes of 1997 (AB 1542, Ducheny, Ashburn, Thompson, and Maddy). Like its predecessor, Aid to Families with Dependent Children (AFDC), the new program provides cash grants and welfare-to-work services to families whose incomes are not adequate to meet their basic needs. A family is eligible for the one-parent component of the program if it includes a child who is financially needy due to the death, incapacity, or continued absence of one or both parents. A family is eligible for the two-parent component if it includes a child who is financially needy due to the unemployment of one or both parents.

The CalWORKs program is California's largest cash-aid program for children and families, and is designed to provide temporary assistance to meet basic needs in times of crisis. While providing time-limited assistance, the program also promotes self-sufficiency by establishing work requirements and encouraging personal accountability. The program recognizes the difference among counties and affords them maximum program design and funding flexibility to better ensure successful implementation at the local level.

California is required to spend $2.7 billion in state or county funding as its maintenance-of-effort (MOE) to draw down the federal TANF block grant of $3.7 billion per year. The state cannot fund below the MOE level without losing significant amounts of federal funding in subsequent fiscal years, thus the MOE has essentially served as the minimum funding floor for the CalWORKs program. About 1.1 million individuals (3.4 percent of California's population) are currently connected to a CalWORKs case. Children comprise four-fifths of CalWORKs recipients or more than 900,000 (79.6 percent) who received cash assistance in October 2006.

GOALS OF THE CALWORKS PROGRAM

The following code section is from the original CalWORKs bill:

Welfare and Institutions Code Section 10540.

(a) It is the intent of the Legislature to implement Public Law 104-193 (the federal law that enacts TANF) in such a manner as to do all of the following:

(1) Reduce child poverty in the state.

(2) Achieve the goals of Public Law 104-193, which include reducing dependence of needy parents on government benefits by promoting job preparation, work, and marriage; reducing out-of-wedlock births; and encouraging the formation and maintenance of two-parent families.

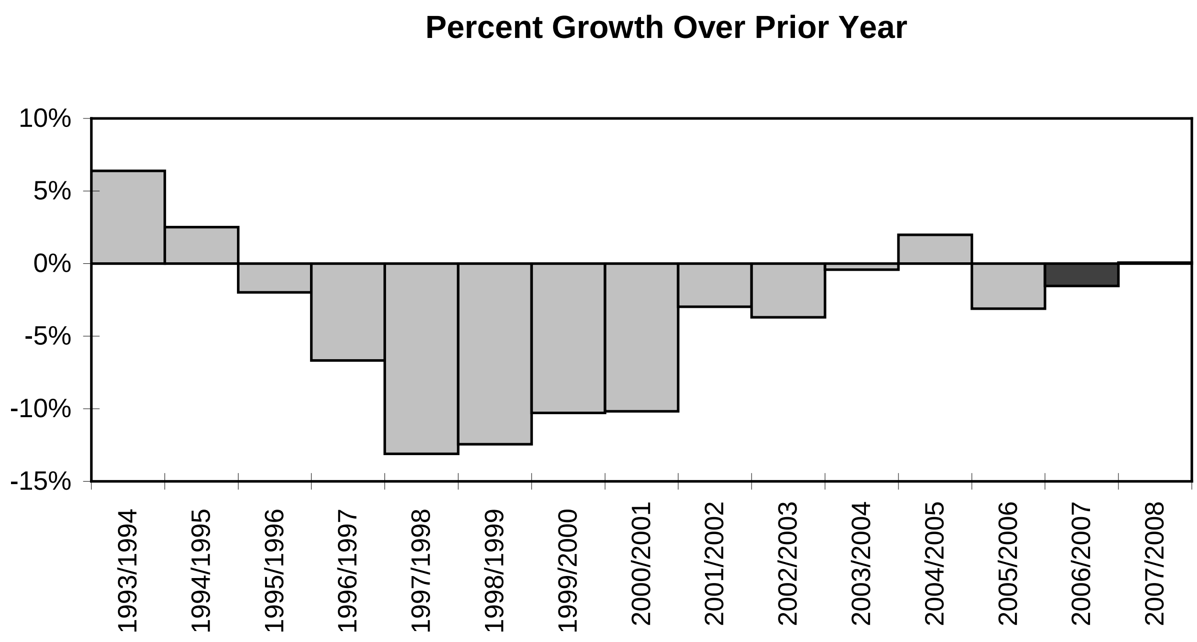
(3) Meet the requirements of federal law.

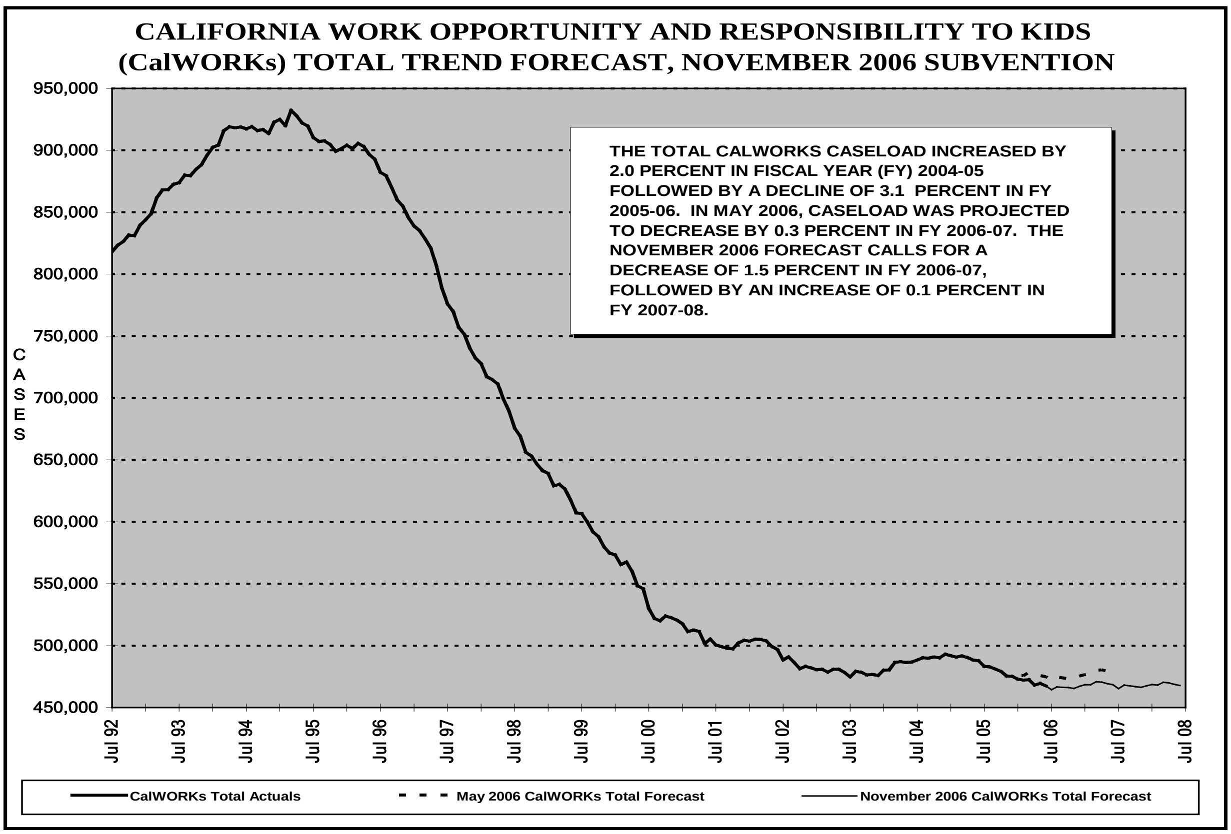
(b) It is further the intent of the Legislature to ensure that the implementation of Public Law 104-193 does not result in unanticipated outcomes that negatively affect child well-being, the demand for county general assistance, or the number of families affected by domestic violence.

OUTCOMES OF CALWORKS

The number of California families who receive cash assistance has dropped by more than half (50.4 percent) since the mid-1990s, falling from a peak of 932,345 in March 1995 to 462,427 in October 2006. The CalWORKs total caseload, comprised of all other and two-parent families, grew most rapidly during FYs 1989-90 to 1993-94. The peak positive growth rate, 11.9 percent, occurred in FY 1991-92. In FY 1995-96, the total caseload declined for the first time since 1978-79 and continued to fall for the next eight years through FY 2003-04. The steepest decline occurred in FY 1997-98 with the caseload falling by 13.1 percent. The robust caseload decline of the late 1990's moderated as the economy fell into a recession in 2001. FY 2004-05 saw a modest increase of 2.0 percent followed by a 3.5 percent decline in the most recent year, FY 2005-06.

The all other families component is comprised of one-parent and child-only families, including those in the safety net. This component represents 92.6 percent of all CalWORKs cases. The following figures, provided by the department, portray the historical change in the total CalWORKs caseload.



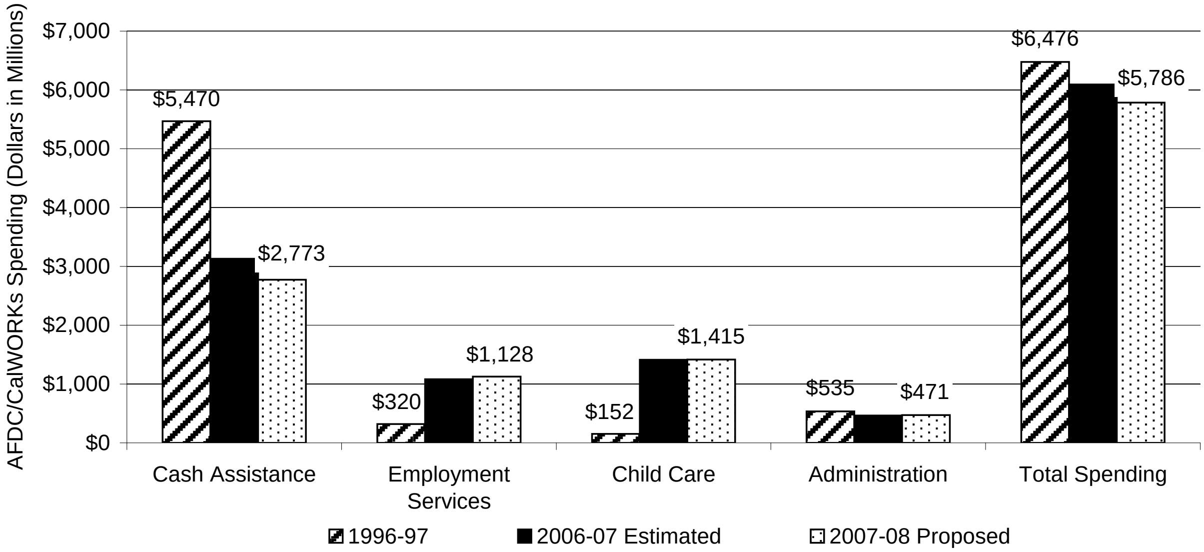


The California Budget Project's (CBP's) budget brief on this year's CalWORKs proposals reports that spending on cash assistance has declined, while spending on services and child care has increased since 1996-97, the year before CalWORKs was implemented. The state spent $5.5 billion for cash assistance in 1996-97, while the Governor proposes to spend $2.8 billion in 2007-08 – a 49.3 percent decline. Cash assistance accounted for 84.5 percent of AFDC-related spending in 1996-97, but makes up less than half (47.9 percent) of CalWORKs spending under the Governor's Proposed 2007-08 Budget.

The state spent $471.3 million on employment services and child care in 1996-97, while the Governor proposes to spend $2.5 billion in 2007-08 – a more than fourfold increase. Employment services and child care accounted for less than one-tenth (7.3 percent) of AFDC-related spending in 1996-97, but comprise more than two-fifths (43.9 percent) of CalWORKs spending under the Governor's Budget. Employment services and child care spending has grown substantially due to CalWORKs' work-first orientation, which increased the need for programs to help participants boost their job readiness and find and maintain employment, as well as the related need for child care.

California spent $6.5 billion on AFDC and related programs in 1996-97, while the Governor proposes to spend $5.8 billion on CalWORKs in 2007-08 – a 10.7 percent decline, without adjusting for inflation. In contrast, total expenditures of state and federal funds more than doubled over the same period, increasing from $95.9 billion in 1996-97 to a proposed $200.9 billion in 2007-08. As a result, AFDC/CalWORKs spending as a share of total state and federal spending in California has declined by more than half, falling from 6.8 percent in 1996-97 to 2.9 percent under the proposed budget. The Legislative Analyst's Office projects that state spending on CalWORKs will grow at an average annual rate of just 0.3 percent between 2006-07 and 2011-12, even if the Governor's CalWORKs proposals are not enacted.

Spending on Cash Assistance Has Declined Under CalWORKs, While Spending on Employment Services and Child Care Has Increased



Note: Includes federal, state, and county funds. Administration excludes funding for automation projects and state support costs.
Source: Department of Education and Department of Social Services, as included in the March 2007 California Budget Project's CalWORKs Budget Brief

PANELISTS

- Todd Bland, Legislative Analyst's Office
- Charr Lee Metsker, Deputy Director, Welfare to Work, Department of Social Services

STAFF COMMENT

The CalWORKs caseload is dynamic, with substantial movement into and out of the program. Applications continue at a relatively high rate and while the number of the adults enrolled in the Welfare-to-Work portion of the program have declined, at the same time, that the number of cases without an aided adult have increased substantially. Many recipients are participating part-time and/or mixing state and federal activities. Sanctioned cases, and those facing sanctions, share some common characteristics that make their successful participation more difficult. The "not participating" group is diverse and because someone is not participating at a point in time does not mean that they are disengaged from the program. Overall, the caseload is characterized by continuous change in circumstances for families that may receive aid for a brief window of time across to families that are on the caseload for a broader time period.

ISSUE 2: DEFICIT REDUCTION ACT OF 2005 AND CALWORKS REFORMS ENACTED IN 2006

The subcommittee will review the implications of the Deficit Reduction Act of 2005 (DRA) for CalWORKs and the reforms adopted in the program in the 2006 budget trailer bill, as well as prior-enacted reforms.

BACKGROUND

The provisions of the Temporary Assistance for Needy Families (TANF) program require at least 50 percent of all CalWORKs families participate in a “work” activity for at least 30 hours per week in families where all children are six and older, and 20 hours per week when a child is less than six years of age. This requirement has been translated into a rate that the state must meet to avoid possible federal fiscal sanctions. The state is subject to two “work participation rates,” 50 percent for all CalWORKs cases, and 90 percent for two-parent cases. But, the federal TANF program also gave states a credit for any caseload decline that occurred since 1995. The 46 percent decline in caseload since 1995 resulted in the state being only required to meet an effective work participation rate of 3.9 percent. In addition, federal rules allowed the state to structure a separate state-funded CalWORKs program for two-parents families that would not need to comply with the federal measurement. As a result of these two factors, the state has been able to meet the federal work participation requirements.

The DRA was signed into law by President Bush in February 2006, draft regulations were issued on June 28, 2006, and the effective date of its provisions was October 1, 2006. The DRA made three major changes that affect California’s ability to meet the TANF work participation requirements:

1. Beginning in FFY 2007, the act resets the base period for the caseload reduction credit to 2005. In the short run, this change essentially eliminates the value of the credit (because California’s caseload has not significantly declined since 2005) thereby creating work participation requirements of 50 percent for all families and 90 percent for two-parent families.

Rate Changes	**FFY 06**	**FFY 07**
Required Work Rate	50%	50%
Caseload Credit	-46.1%	-3.5%
Adjusted Rate	3.9%	46.5%
Estimated Rate in CA	24.9%	23.3%

2. The act also applies work participation requirements to cases in separate state funded programs. Accordingly, California will no longer be able to avoid the 90 percent rate for two-parent families by using a state-only funded program. Failure

to meet the two-parent rate results in a penalty. However, if the state meets the all-families rate, but fails to meet the two-parent rate, the penalty would be reduced to reflect the relative size of the two-parent caseload in comparison to the overall caseload.

3. States were required to have a Work Verification Plan describing the states' procedures for addressing federally countable work activities, verifying participation hours, defining a work-eligible individual, and establishing internal controls to ensure compliance with the procedures. As result of the DRA regulations, some child-only cases are now included in the work participation rate, including safety net cases, cases in sanction over 90 days, and drug and fleeing felons. Some child-only cases remain exempt from inclusion in the work participation rate, including non-needy caretaker relatives.

   The state submitted its draft Work Verification Plan on September 28, 2006. The federal Administration for Children and Families (ACF) responded to the submittals from states with general guidance requiring all states to revise and re-submit the plans. California submitted a revised Work Verification Plan on February 28, 2007. ACF will be working with states to finalize the plans and provide state-specific guidance within 60 days. By September 30, 2007, states are required to have a final Work Verification Plan submitted to ACF. If the state fails to establish or comply with work participation verification procedures, California will be subject to a penalty of between one and five percent of the TANF block grant, based on the degree of non-compliance.

The LAO chart below illustrates the effect of these and other DRA-associated changes on the work participation rate for California.

Deficit Reduction Act of 2005 – Major Changes to Work Participation Calculation

Provision	Prior Law/Regulations	DRA/Associated Regulations	Impact on Participation Rate Calculation
Calculation of caseload reduction credit (CRC)	Based on reduction since FFY 1995 (46%)	Based on reduction since FFY 2005 (3.5%)	Reduces CRC by 42 percentage points
Separate State Programs (SSP)	Cases in SSP excluded from a work participation calculation	Cases in SSP must be included in work participation calculation	State may no longer avoid 90 percent rate for two-parent families through SSP
Adults in sanction for more than 90 days	When adult is removed from case for sanction, the case is excluded from work participation calculation	Must be included in work participation calculation	Adds 40,100 cases to participation calculation (+40,100 in denominator)
Safety net for children of parent hitting five-year time limit	When adult is removed from a case for time limit, the case is excluded from work participation calculation	Must be included in work participation calculation	Adds 46,000 cases to participation calculation, 9,000 of which are meeting work requirement (+9,000 to numerator, +46,000 to denominator)
Caring for ill or incapacitated family member	Included in work participation calculation	Excluded from work participation calculation	Removes 5,000 cases from work participation calculation (-5,000 from denominator)

CALIFORNIA'S WORK PARTICIPATION

The most recent participation data for California is from FFY 2005. The LAO table below shows the calculation of the all families participation rate under prior law and under current law with DRA regulations. In both calculations, the two-parent families have been added into the numerator and denominator, pursuant to the DRA which prevents their exclusion through a separate state-funded program. As the table shows, under prior rules, California's participation rate would be almost 28 percent. Under the new rules, the rate falls to just over 23 percent. Most of the decline is attributable to adding sanctioned cases and safety net cases to the participation rate in the denominator (81,153 cases). For two-parent families, not reflected explicitly in the table, the participation rate is 33.6 percent based on data from FFY 2005.

Work Participation Status—All Families Under Prior and Current Law (based on 2005 CA data)			
	Prior Law and Regulations	Current Law/DRA Regulations	Change From Prior Law
Families meeting requirements	60,148	69,174	9,026
Families subject to participation	215,822	296,975	81,153
	=	=	
Participation rate	27.9%	23.3%	-4.6%

The DSS chart below details the state's work participation rate over the last nine years. The rate dramatically dropped in 2000 after the state removed the two-parent families from the caseload.

All Families Work Participation	**FFY 1997**	**FFY 1998**	**FFY 1999**	**FFY 2000**	**FFY 2001**	**FFY 2002**	**FFY 2003**	**FFY 2004**	**FFY 2005***
Required Participation Rate	25.00%	30.00%	35.00%	40.00%	45.00%	50.00%	50.00%	50.00%	50.00%
Caseload Reduction Credit	5.50%	12.20%	26.50%	32.10%	38.60%	43.30%	44.20%	46.10%	44.90%
Adjusted Required Participation Rate	19.50%	17.80%	8.50%	7.90%	6.40%	6.70%	5.80%	3.90%	5.10%
California's Work Participation Rate	29.70%	36.60%	42.20%	27.50%	25.90%	27.30%	24.00%	23.10%	25.80%

* Preliminary Caseload Reduction Credit and Work Participation Rate

Note: The All Family Work Participation Rate does not include two-parent families

HOW DOES CALIFORNIA COMPARE TO OTHER STATES?

If the DRA requirements had been applied in 2004, 46 States and the District of Columbia would have failed the TANF work participation requirement. California's rate was lower than other large states, but some states had baseline work participation rates as low as 8.6 percent that year. In addition, the federal government has narrowed its definition for work participation activities. This change is expected to have little effect on California, but will likely reduce the work participation rate of several large states.

This change could result in every state failing to meet both requirements in FFY 2006. Some were as low as eight percent.

A table has been added as an addendum to this agenda reflecting the work participation rates across all states. It is worth noting that a General Accounting Office report (05-821) indicates that given that HHS has not exercised oversight of states' definitions and internal controls, states are making different decisions about what to measure, therefore, there is no standard basis for interpreting states' rates, and the rates cannot effectively be used to assess and compare states' performance.

FISCAL IMPACT OF NOT MEETING WORK PARTICIPATION REQUIRMENTS

If a state fails to meet the work participation rates, it is subject to a penalty equal to a 5 percent reduction of its federal TANF block grant. For each successive year of noncompliance, the penalty increases by 2 percent to a maximum of 21 percent. For California, the 5 percent penalty would be approximately $149 million annually, potentially growing by up to $60 million per year. Penalties are based on the degree of noncompliance. For example, if a state is in compliance with the all-families rate, but is out of compliance for the two-parent rate, the penalty would be prorated down based on the percentage of cases that are two-parent cases.

States that fail to meet their work participation requirements are required to (1) backfill their federal penalty with state expenditures and (2) increase their MOE spending by 5 percent. States out of compliance may enter into corrective action plans which can reduce or eliminate penalties, depending on state progress in meeting the negotiated goals of the corrective plan.

Nevada failed to meet the TANF work participation rate (WPR) in FFY 2003 and received official notification of the WPR failure in December 2004. The notification offered three options for the state to respond: 1) the state could dispute the findings, 2) the state could request a reasonable cause determination for failing to meet the WPR, or 3) the state could enter into a corrective compliance agreement. A response for any of the three options was due to the Regional Office within 60 days of the date of the letter. Nevada submitted a request for reasonable cause in February 2005, which was denied in June 2005. Nevada then submitted a corrective compliance plan in July 2005, which was accepted by the federal government in August 2005. Since the state already budgeted 80 percent maintenance of effort and subsequently passed the WPR the following year, no penalty was assessed.

RECENT CALWORKS REFORMS

The Legislature's 2006 (AB 1808) and 2004 (SB 1104) Budget Trailer Bills included reforms designed to improve work participation, assist parents in addressing employment barriers, and aid families in their progress toward self-sufficiency. The results of these efforts will likely result in observable performance in the current year. Both the administration and the LAO assume continued results from prior enactments.

AB 1808 implemented major changes to CalWORKs, to improve the state work participation rate to comply with the requirements of the federal DRA, move more families to work, and continue protections for children. These changes included:

- **County Plan Addenda.** Require counties to develop and submit an update to their CalWORKs plan that details county strategies for increasing work participation while also promoting the goals of the CalWORKs program.

- **County Penalty Pass-On.** Strengthen provisions to require counties to backfill half of any penalties assessed for failing to meet federal work participation requirements.

- **Temporary Assistance Program (TAP).** Transfer CalWORKs cases that are exempt from work requirements into a State program that is not subject to federal work participation provisions.

- **Ending Durational Sanctions.** Removes the statutory requirement on minimum durations for financial sanctions, permitting sanctions to be cured at any time.

- **Data Master Plan.** Adjusts the Pay for Performance so that it takes effect when appropriated in the budget. Creates a master plan for CalWORKs data and a statutory framework for county peer review. Among other changes, the master plan prepared by the state will result in a new monthly report which tracks hourly participation rates in each county. It is anticipated that this will focus case managers and administrators on the work participation status of their caseloads.

- **Expanding Homeless Assistance Eligibility.** Under prior law, CalWORKs recipients were entitled to a once-in-a-lifetime assistance payment if they became homeless. Chapter 75 permits this payment to be provided upon threat of eviction. This should stabilize housing situations, enabling more families to participate in work.

The 2006 Budget Act and 2007-08 Governor's Budget include $90 million for implementation of the TANF reauthorization provisions contained in AB 1808. These investments are estimated to increase the work participation rate by approximately 5 percent in FFY 2007 and an additional 6 percent increase in FFY 2008. The Governor's Budget also proposes to allocate in 2007-08 $40 million from the 2006-07 TANF reserve to counties that meet performance goals for work participation and client income measures. The 2006 Budget Act delayed implementation of the Pay for Performance program.

The FY 04-05 Human Services Budget trailer bill (SB 1104) included enhanced state work participation requirements by mandating CalWORKs families, who are required to participate in work or education activities, to sign a welfare-to-work plan within 90 days of their determination of eligibility for aid, with certain exceptions. Under the new law, these participants are required to participate in at least 20 hours per week of "core work activities" and the balance of their 32/35 hour per week participation requirement can be spent in other non-core activities that will aid participants in obtaining employment. A list of some of these activities includes unsubsidized employment, community service, on-the-job training, vocational education and training, domestic violence services, and substance abuse and mental health treatment.

EXCESS MOE STRATEGY REPLACES AB 1808 CASELOAD TRANSFER

The FY 07-08 Budget assumes that the transfer of exempt and KinGAP cases out of CalWORKs proposed in AB 1808 is not implemented. DSS encountered problems complying with child support and health coverage rules when it attempted to transfer these cases. These challenges could take several years to surmount. Instead, DSS has attempted to undo the transfer and use the resulting General Fund costs to achieve a caseload reduction credit as a result of an "excess MOE" overmatch.

The federal government has recently granted Delaware a caseload reduction credit because that state was able to demonstrate an overmatch of their federally required MOE for TANF. The budget proposes that California attempt to pursue a similar credit and thus accounts for state expenditures that are $203 million in excess of the required level. These excess TANF/MOE expenditures represent funding for the California Department of Education child care and after school programs and are expected to increase California's caseload reduction credit up to five percent. If the federal government approves California's "excess MOE" proposal, the state will have an additional mechanism to meet federal work participation requirements.

In its caseload reduction credit report, California submitted a new methodology for calculating caseload reduction credit that would yield 1.33 percent caseload reduction credit for every $50 million expended in excess MOE. This new methodology is currently under federal approval. However, the only methodology that has been approved, which was submitted by Delaware, would have provided less caseload reduction credit, with .85 percent for every $50 million in excess MOE expenditures. If ACF only allows the Delaware methodology, the proposed caseload reduction credit California anticipates receiving will be cut in half.

PROJECTED IMPROVEMENTS FROM AB 1808

The Department of Social Services estimates that the measures included in AB 1808 and the use of the Excess MOE approach will bring California into compliance with federal work participation requirements in FFY 2008. The chart below illustrates the effects of caseload, the recent reforms, and excess MOE on the overall work participation rates:

Federal Work Participation Requirement (WPR)	**FFY 2007 WPR Requirement**	**FFY 2008 WPR Requirement**	**FFY 2009 WPR Requirement**
Federally Required All Family WPR	50.00	50.00	50.00
less Caseload Reduction Credit (CRC) for caseload decline	3.50	4.10 /1	3.80 /1
Required WPR after CRC is applied	**46.50**	**45.90**	**46.20**
less Base WPR after Federal Regulations /2	23.29	23.29	23.29
Balance of WPR California needs in order to meet 50%	**23.21**	**22.61**	**22.91**
Previous CalWORKs Reform Efforts			
Ending Durational Sanctions	1.00	1.26	1.26
Homeless Assistance	0.24	0.47	0.47
Other CalWORKs Reform Efforts (AB 1808) /3	4.00	10.00	10.00
Additional CalWORKs Proposed Changes			
Full Family Sanctions	NA	3.00	9.00
Modified Safety Net	NA	3.00	4.00
Balance of WPR California needs in order to meet 50%	**17.97**	**4.88**	**-1.82**
Less Potential CRC for MOE Overmatch /4	*1.20* /5	*11.40* /5	*5.40* /5
Balance of WPR California needs in order to meet 50%	*16.77*	*-6.52*	*-7.22*

/1 The CRC is based on projected caseload decline assumed in the FY 2007-08 Governor's Budget. No CRC is assumed for the decreased caseload associated with the proposed CalWORKs changes.

/2 Based on FFY2005 Q5 data.

/3 Includes impact of AB 1808 provisions: publishing data, penalty pass-on, county plan addendum, peer review, Pay for Performance Incentives and funding augmentation and previous reform efforts including SB 1104.

/4 Based on the methodology, as submitted to the Federal Government with the FFY2007 TANF CRC report, the potential increase in the CRC is 1.33% for every $50 million in excess MOE expenditures.

/5 The CRC for the MOE Overmatch is dependent upon achieving the projected level of excess MOE expenditures as identified in the FY 2007-08 Governor's Budget and on the federal government accepting the methodology.

PANELISTS

- Todd Bland, Legislative Analyst's Office
- Charr Lee Metsker, Deputy Director, Welfare to Work, Department of Social Services
- Frank Mecca, Executive Director, County Welfare Directors Association
- Phil Ansell, Director, Bureau of Program and Policy, Los Angeles County
- Cynthia Hinckley, Director, Riverside County Department of Public Social Services

STAFF COMMENT

Unlike the Governor’s Budget proposal, the reform efforts discussed in this section were designed to achieve federal compliance without sacrificing other goals, such as child poverty, child well being, and reducing dependence of needy parents on government benefits by promoting job preparation, work, and marriage. If any of the Governor’s proposed reductions are restored by the Legislature, the state should be able to increase the excess MOE amount for purposes of our federal performance reporting.

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ISSUE 3: GOVERNOR'S CALWORKS REDUCTION PROPOSAL

The subcommittee will consider the Governor's proposals on full family sanctions and time limits in the CalWORKs program and the elimination of grants for families and children affected.

BACKGROUND

The budget includes three proposals, aside from the suspension of the COLA discussed in the subsequent section, designed to achieve $325 million State General Fund savings by changing the programs eligibility rules to eliminate grants for 192,000 children.

The proposals are:

1. **Impose Full-Family Sanctions.** The budget proposes to impose a "full-family" sanction whereby a family's entire grant is eliminated for those families with an adult who does not comply with CalWORKs requirements for more than 90 days. This proposal would result in a General Fund cost of $11.4 million because it assumes 70 percent of sanctioned cases would begin working (or participate in an allowable non-work activity) and need child care, as a result of the change. A statutory change would also be needed to implement this proposal.

   Under current law, when an adult fails to meet CalWORKs requirements, the family's grant is reduced by the amount attributable to the adult, but cash aid continues for the children in the family. This "partial-family" sanction is intended to provide a subsistence allowance to preserve the well-being of the children even if their parents have been sanctioned. Research by the Welfare Policy Research Project at the University of California shows that sanctioned adults face greater barriers to work, such as substance abuse, mental health issues, and education needs. Also, existing research does not support the conclusion that more punitive sanctions will result in increased work participation.

   As part of this proposal, the budget will also propose trailer bill language to count the time the adult is sanctioned toward the 60-month lifetime CalWORKs limit. This would be a significant policy change. Under current law, the time while the adult is sanctioned does not count toward the 60-month limit because he or she is not receiving cash aid for himself or herself during the time under sanction.

2. **Restrict Safety Net Grants.** The budget proposes to eliminate safety net grants for those children whose parents do not work sufficient hours to meet federal work participation requirements after "timing-out." This proposal would be implemented in November 2007 and would result in General Fund savings of $175.8 million. A statutory change would also be needed to implement this proposal. The average monthly grant that these cases receive is $491.21.

CalWORKs adult recipients are limited to 60 cumulative months of cash assistance. Under current law, children continue to receive cash aid until they are 18 years of age, as long as the family meets CalWORKs eligibility guidelines, regardless of how many hours their parents work after timing-out. Although information is still being gathered on the specific characteristics of the safety net caseload, there are an estimated 100,000 children in over 45,000 families receiving safety net cash assistance in 2006-07. This proposal assumes that only 26 percent of the safety net caseload will meet the work participation requirements and remain eligible for safety net grants. There appears to be no research linking the elimination of safety net grants with increased work participation.

3. **Eliminate Grants for Children of CalWORKs Ineligible Parents**. The budget proposes to eliminate after 60 months grants to children whose parents are not eligible for CalWORKs. These parents are ineligible because they are undocumented non-citizens, drug felons, or fleeing felons. The children include US citizen children of undocumented non-citizens. Under current law, the CalWORKs grants provided to children of ineligible parents are not subject to a time limit. This proposal would be implemented in November 2007 and result in General Fund savings of $160 million. There would be no impact to the state's work participation rate because these adults are already excluded from the work participation calculations.

IMPACT ON CHILDREN

The impact of these proposals on children are highlighted in the following table:

Proposal	Estimated Number of Children Who Would Lose Cash Assistance	Estimated State Cost or (Savings) in 2007-08
Full Family Sanction: Elimination of cash assistance for children whose parents don't meet CalWORKs requirements for more than 90 days	21,000 children between November 2007 and October 2008 under the assumption that 70% of families come into compliance as a result of the proposal	$11 million
Safety Net Cases: Elimination of cash assistance for certain children after their parents reach the state's 60-month time limit	98,000 children as of November 1, 2007	($176 million)
Ineligible Parents: Elimination of cash assistance after 60 months for certain children whose parents are ineligible for CalWORKs	73,000 children as of November 1, 2007	($160 million)
Total Impact	192,000 children	($325 million)

ADMINISTRATION'S RATIONALE

To understand the trends resulting from sanction policy changes, the department states that it initially looked at administrative data from Texas, another large state, and found that implementation of full family sanctions resulted in reduced sanction rates and increased work participation rates. California's current sanction rate is 23 percent. The department states that this represents a very high percentage of families that are not pursuing activities to move toward self-sufficiency and now, under the Deficit Reduction Act, will count against the state in the work participation rate calculation. The department estimates that the sanction rate will decrease to approximately 5 percent as a result of the proposed full family sanction policy.

Currently, approximately 45 percent of cases in sanction status come into compliance and cure their sanctions. The department contends that implementation of full family sanctions is anticipated to result in increased compliance. The department estimates that roughly 70 percent of families in sanction status will participate and come into compliance to cure their sanction. The department states that this estimate is consistent with results in other states that have implemented gradual full family sanction policies similar to what is being proposed for California. The administration contends that of recipients who receive an initial partial sanction, 67 percent in Illinois and 60 percent in New Jersey eventually come into compliance with work requirements. Of those who come into compliance, 80 percent in Illinois and 60 percent in New Jersey do so before a full family sanction is ever imposed. This means that of those who come into compliance, only 20 percent in Illinois and 40 percent in New Jersey would have gone to a full family sanction before curing.

RESEARCH ON OTHER STATES

There is research that refutes that administration's assertions around the effectiveness of sanctions to improve work participation in the CalWORKs program. The CBP budget brief on these proposals states that, in fact, research has shown much lower rates of compliance and that substantially more than the administration's estimates for children losing aid will be affected under the full-family sanction proposal. In New Jersey, which eliminates the entire grant if an adult remains sanctioned for more than three months, just 36 percent of adults avoided a full-family sanction by complying with program rules. In both of these examples, adults did not have to meet federal work participation requirements in order to end their sanction. In addition, the CBP asserts that the administration is citing a broader population of recipients who left the program for other reasons.

Research shows that sanctioned families tend to need the most help. Many sanctioned adults face barriers that severely limit their employment prospects. For example, a study of CalWORKs participants found that sanctioned adults face greater barriers to meeting the work requirements than non-sanctioned adults, including having limited work experience, lacking access to a car, or having an ill or disabled household member. In addition, a review of studies from across the US found that sanctioned TANF participants are more likely than their non-sanctioned counterparts to be long-term welfare recipients; have lower educational attainment and less work experience; lack transportation; and experience personal and family challenges, including alcohol and drug problems. The CBP states that continuing aid to children in families with sanctioned adults allows counties to identify and address the needs of the adults, while ensuring that these families have resources to maintain their children's well-being.

Furthermore, the CBP asserts that research does not support the conclusion that full-family sanctions are more effective than partial sanctions at increasing participation in required work activities or moving families toward self-sufficiency. Researchers studying sanction policies in Illinois and New Jersey, which terminate cash assistance if an adult is sanctioned for more than three months, concluded that an initial partial sanction is sufficient to encourage a substantial number of families to participate in program activities. Cash assistance programs in Riverside County and Portland, Oregon, which produced large earnings gains, consistently enforced program rules, but did not use full-family sanctions. Moreover, an evaluation of welfare programs in several states found that a high level of program enforcement, including partial sanctions and active monitoring of participants, tended to increase participation. However, among "high-enforcement" programs, those that sanctioned individuals at high rates "were no more successful in engaging people in activities" than those that used sanctions less frequently. This suggests that more severe sanction policies, such as full-family sanctions, may not result in increased participation by CalWORKs participants.

THE TEXAS EXAMPLE

Research shows that the primary impact of full-family sanctions is to reduce support for families and children. Research indicates that full-family sanctions increase the likelihood that families will be removed from or otherwise leave cash assistance and thus "result in greater caseload declines" than partial sanctions. Recent experience in Texas, which adopted full-family sanctions in 2003, supports this conclusion. The number of adults in the program dropped from approximately 70,000 in 2003 to approximately 23,000 in 2006.

The Center for Public Policy Priorities, based in Texas, concluded in its report entitled "A New Welfare-to-Work Approach for Texas" that implementation of full-family sanctions has not led to compliance with the rules, but to expulsion from the program. The report found that many families leaving TANF do not make the transition from welfare to work. In Texas, most of the recent caseload decline that has occurred is not the result of recipients finding employment. Instead, an increasing number of families that are being sanctioned off the program for failure to comply with TANF program rules. The report states that research consistently shows that the parents in these families face multiple employment barriers and significant hardships after losing cash assistance and that they are more likely to remain jobless. The report makes a number of recommendations to improve sanction policies to help families comply with program requirements and avoid unfair penalties that remove them from all assistance.

PROJECTED IMPACT FOR WORK PARTICIPATION

The following LAO table displays the estimated participation rate without the implementation of the Governor's reforms outlined here.

Estimated Work Participation Shortfall(-)/Surplus

	Federal Fiscal Year (FFY)	
	2007	2008
Federal requirement	50.0%	50.0%
Caseload reduction credit		
"Natural" caseload decline since FFY 2005	3.5%	4.1%
Excess MOE reduction	1.2	12.9
Total Credit	4.7%	17.0%
Net requirement	45.3%	33.0%
Estimated participation rate	28.6%	34.7%
Estimated Participation Shortfall(-)/Surplus	**-16.7%**	**1.7%**

Full Family Sanctions and Its Effect on the WPR. According to sample data from 2005, there are about 36,400 cases that have been in sanction status for three months or more. These cases have an average of 1.9 children, so potentially about 70,000 children could lose cash aid unless their parents met work participation requirements. The Governor's budget assumes that 70 percent of cases facing a full-family sanction would fully participate through unsubsidized employment or a combination of other eligible participation activities so as to avoid the sanction. The budget estimates that it will take 12 months for these changes to occur as recipients may appeal their sanctions. As of November 2008, DSS estimates that 25,450 families would have avoided the sanction through compliance and that 10,950 families would receive the full family sanction. The 10,950 families include about 21,000 children

Based on the Governor's 70 percent assumption, there are two impacts on the state's work participation rate. First, the 70 percent of families meeting work participation raise the numerator in the work participation fraction. Second, the 30 percent of families unable to meet participation will exit the program and reduce the denominator.

Together, the budget estimates that these changes will increase the work participation rate by about 3 percent in FFY 2008, rising to 9.6 percent in FFY 2009. Regardless of the success rate of this policy in encouraging families to work, the policy will increase the work participation rate, because families who experience the full-family sanction will be excluded from the denominator. The only question is the number who will be excluded.

Because of the estimated increase in compliance and work participation, the budget estimates increased child care and welfare-to-work services costs of about $27.8 million in 2007-08. These costs would be offset by grant savings ($16.4 million) from the families that experience the full-family sanction. Thus, the Governor's budget estimates these net costs to be $11.4 million in 2007-08, rising to $81 million in 2008-09.

The LAO believes that the Governor's assumption that 70 percent of those cases already in sanction status will meet the federal participation requirements in a 12-month phase-in period in response to a full-family sanction is substantially overstated. Using sanction data from 1999-00, the administration developed a "sanction cure rate" of 45 percent. It obtained this compliance rate by dividing the average number families ending their sanction by the average number of new sanctions per month. This 45 percent rate is overstated, however, because it is based on aggregate data, not the individual behavior of families returning to compliance. Moreover, "compliance" was not exclusively defined as meeting the federal work requirements (20 to 30 hours per week), but included signing an agreement and completing the required activity, such as attending orientation. It could also mean that the family was found to be exempt.

Based on the LAO's review, although some families coming into compliance would participate sufficiently to meet federal requirements, far less than 45 percent of those ending would be at this high level of participation. Because there are no controlled studies of states that increased their sanction from adult only to full family, it is difficult to generalize about how a full-family sanction might impact families and work participation in California.

Safety Net Elimination and Its Effect on the WPR. The budget proposes to eliminate the safety net grant for children whose parents fail to comply with the federal work participation requirements as of November 1, 2007. Families currently on the safety net would be given 90 days to increase their work hours to remain eligible. Families unable to meet federal requirements would be terminated from aid. Families who are unable to sufficiently increase their work participation within the 90-day window described above would generally be unable to return to the safety net even if they later worked sufficient hours. This is because the income ceiling for families applying for CalWORKs is below the income one would typically earn if one met federal participation requirements. This represents a "catch-22" because the family will be unable to return to the safety net regardless of work effort.

In the current year, the budget estimates that there are 45,100 families in the safety net, rising to about 50,000 in 2007-08. The budget assumes that in 2007-08, 26 percent of these families—13,000 cases—will work sufficient hours to maintain eligibility for the safety net. The DSS bases this 26 percent rate on data indicating that currently about 19 percent of safety net cases are meeting the federal participation requirements, and that when faced with complete benefit termination, an additional seven percent who are working part time would increase their hours so as to remain eligible. The budget estimates that the other 37,000 cases, with 94,400 children, would lose aid as of November 2007, rising to 39,600 cases (101,000 children) by June 2008. The budget estimates that the safety net time limit will result in savings of $176 million in 2007-08 based on part-year implementation, rising to $268 million in 2008-09.

The budget also proposes to limit assistance to five years for most other child-only cases, such as those with parents who are undocumented or ineligible due to a previous felony drug conviction. These time-limit policies are estimated to result in savings of about $336 million in 2007-08. The budget estimates that there are approximately 38,000 child-only cases with undocumented parents or parents with felony convictions making them ineligible for CalWORKs, that have received aid for five or more years. These cases have approximately 73,300 children. As of November 1, 2007, the budget proposes to eliminate the grants for these 73,300 children. The child-only time limit is estimated to result in savings of $160 million in 2007-08 rising to $239 million in 2008-09.

The safety net time limit proposal is assumed to increase participation in two ways. First, it modestly increases the number of families working enough hours to meet federal requirements (the seven percent of families on the safety net who are working part-time and are assumed to reach the federally required levels in response to potential benefit termination). Second, those unable to meet federal participation would have their benefits terminated. By removing these cases from assistance, it reduces the denominator, thus increasing the participation rate. The budget estimates that these combined impacts will raise the work participation rate by 3 percent in FFY 2008, and just over 4 percent in FFY 2009.

Time limiting benefits for other child-only cases (where the parents are ineligible because they are drug felons or undocumented) has no impact on work participation. This is because they are already excluded from the work participation calculation. The LAO indicates that If the Legislature were to reject these time-limit proposals, the CalWORKs budget would increase by $336 million in 2007-08. We note that this increase in expenditures would increase the CRC by approximately nine percent due to the additional excess MOE spending.

FOOD STAMP MOVE-IN AND EFFECT ON WPR

By providing additional state-funded food stamps to families who are working sufficient hours to meet federal participation requirements but are not on CalWORKs, California could increase its work participation rate by nearly 10 percent. Based on data from

Los Angeles County, the LAO estimates that there are approximately 42,000 families statewide who are working enough hours to meet federal participation requirements and are receiving food stamps but no CalWORKs grant. Research indicates that multiple work supports, such as child care and health care, which California already provides, in addition to food benefits, increase stabilization and self-sufficiency for newly working parents. These supports have shown to facilitate employment retention and reduce the return to public support programs.

Some of the 42,000 families are former CalWORKs families while others are not. If California were to increase the food stamps allotment for these families, for example, by $50 per month using MOE funds, these cases would become assistance cases for purposes of calculating the federal work participation rate. By adding them to the calculation, California's work participation rate would increase by approximately 9.5 percent. Adding these cases would increase the caseload, thus reducing the CRC by about 3.5 percent. The net benefit in terms of work participation would be about 6 percent (9.5 percent participation increase less a 3.5 percent reduction in the CRC).

Receiving this benefit, which does not involve a cash grant, but only food stamps, would be seamless to recipients. The benefits would be added to their regular food stamps allotment which is currently provided through Electronic Benefit Transfer (EBT) cards, which work like debit cards at food retailers. Recipients already complete a quarterly report regarding their income and eligibility status in order to receive food stamps. It may be necessary to make minor modifications to this form, but completing the form would not be an additional burden for recipients. Because these are state-funded benefits, there would be no impact on the federal five-year time limit for receiving TANF-funded benefits.

The most significant barrier to implementation of this change is making the necessary programming changes to the EBT system and to the four welfare automation consortia. Costs for reprogramming are unknown. A DSS-sponsored workgroup comprised of state staff, legislative staff, county representatives, and advocates is currently examining these implementation issues. The annual cost of the enhanced benefit would be about $25 million if it were set at $50 per month. The exact food stamp level would be a policy decision for the Legislature.

LAO RECOMMENDATIONS

On Full Family Sanctions. Because the full-family sanction policy is not necessary to meet federal work participation rates and would substantially reduce the income for children in families where the adult is unwilling to participate, the LAO recommends that the Legislature reject the Governor's proposal. Instead, the LAO recommends an in-person engagement strategy for each case that is in sanction status for three or more months. If upon being contacted by a caseworker, the family does not have good cause, cannot meet an exemption criteria, and is unwilling to participate, the LAO recommends reducing the family's grant to one-half of its original total.

In order to engage the adults in these families in work participation, the LAO proposes a reengagement strategy, in part modeled on a sanction prevention project in Los Angeles County. In order to improve compliance with work participation and avoid sanctions, Los Angeles County developed a project designed to engage noncompliant families. Specifically, within ten days of sending the notice of noncompliance, a telephone contact is attempted. If the phone contact fails, a letter notifying them of a home visit is mailed to the recipient. (Recipients may decline the home visit.) Then, by phone or home visit, welfare caseworkers provide information about supportive services, program requirements, program exemptions, and the sanction process. Based on the discussion with the client, the caseworker attempts to resolve the pending sanction. The majority of the cases contacted in this project were able to avoid a sanction because:

- The recipient agreed to participate (20 percent) or went to work (6 percent);
- The caseworker determined that the client met the criteria for good cause for nonparticipation (20 percent), or met an exemption criteria (9 percent); or
- Compliance was met through other means (22 percent).

The LAO suggests a more narrow sanction to target those unwilling to comply and recommends that those in sanction status for over three months be contacted, by phone or home visit, based on the Los Angeles County engagement model described above.

On Safety Net Cases. Because the proposed five-year time limits for safety net cases and other child-only cases are not necessary to meet federal work participation rates and would substantially reduce the income for children in these families, the LAO recommends that the Legislature reject these time limit proposals.

PANELISTS

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- Department of Finance
- Todd Bland, Legislative Analyst's Office
- Mike Herald, Legislative Advocate, Western Center on Law and Poverty
- Celia Hagert, Senior Policy Analyst, Center for Public Policy Priorities
- Phil Ansell, Director, Bureau of Program and Policy, Los Angeles County

STAFF COMMENT

The Governor's CalWORKs proposal appears to both improve the state's federal performance and also save the State $325 million in General Fund in a difficult budget year. However, this improved performance is only "on paper" and it is achieved by amputating the segments of the CalWORKs program that go beyond the federal government's limited view of TANF. Unlike previous reform proposals, the current Governor's proposal would re-prioritize the overall goals and guiding principles of CalWORKs. The Budget suggests that avoiding a possible federal penalty should be the principle goal of California and the State should sacrifice existing goals of the program to achieve only one goal.

The Governor's budget suggests that meeting the requirements of federal law supersedes the other goals, such as child poverty, child well-being, promoting job preparation, and reducing domestic violence. The proposed cuts target segments of the CalWORKs caseload that receive assistance because of deliberate policy choices regarding income stability and self-sufficiency made as part of the original CalWORKs bipartisan agreement. As a result the pursuit of one goal is at the expense of all of the others.

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ISSUE 4: CALWORKS COST OF LIVING ADJUSTMENT

The subcommittee will consider the CalWORKs COLA proposal in the Governor's budget.

BACKGROUND

Current law requires that the CalWORKs grant be adjusted each July based on the change in the California Necessities Index (CNI). From December 2005 to December 2006, the CNI increased by 3.7 percent. For a typical family of three receiving CalWORKs assistance, this COLA would increase the maximum monthly grant by about $27. Suspending the COLA eliminates this grant increase and results in cost avoidance of $124.4 million. The Governor's budget, prepared prior to the release of the final CNI data, estimated the CNI to be 4.2 percent, and scored a cost avoidance of $140.3 million.

Guillen Lawsuit. In 2004, a superior court judge ruled in the *Guillen* court case that the COLA denial violated state law and that the administration must provide the COLA retroactively to October 1, 2003. However, an appellate court case overturned this decision in February 2007. Any appeal to the state Supreme Court must be filed by March 28, 2007.

Governor's Proposed Grant Levels Compared to Current Law. The LAO figure below compares combined cash grant and food stamps benefits under the Governor's proposal to the grant levels required by current law. The top portion of the figure shows the grants if the most recent overturning of the *Guillen* case is upheld. The bottom portion shows grants if the appellate decision is overturned. Combined cash grant and Food Stamps benefits are about $15 less per month under the Governor's proposal than under current law.

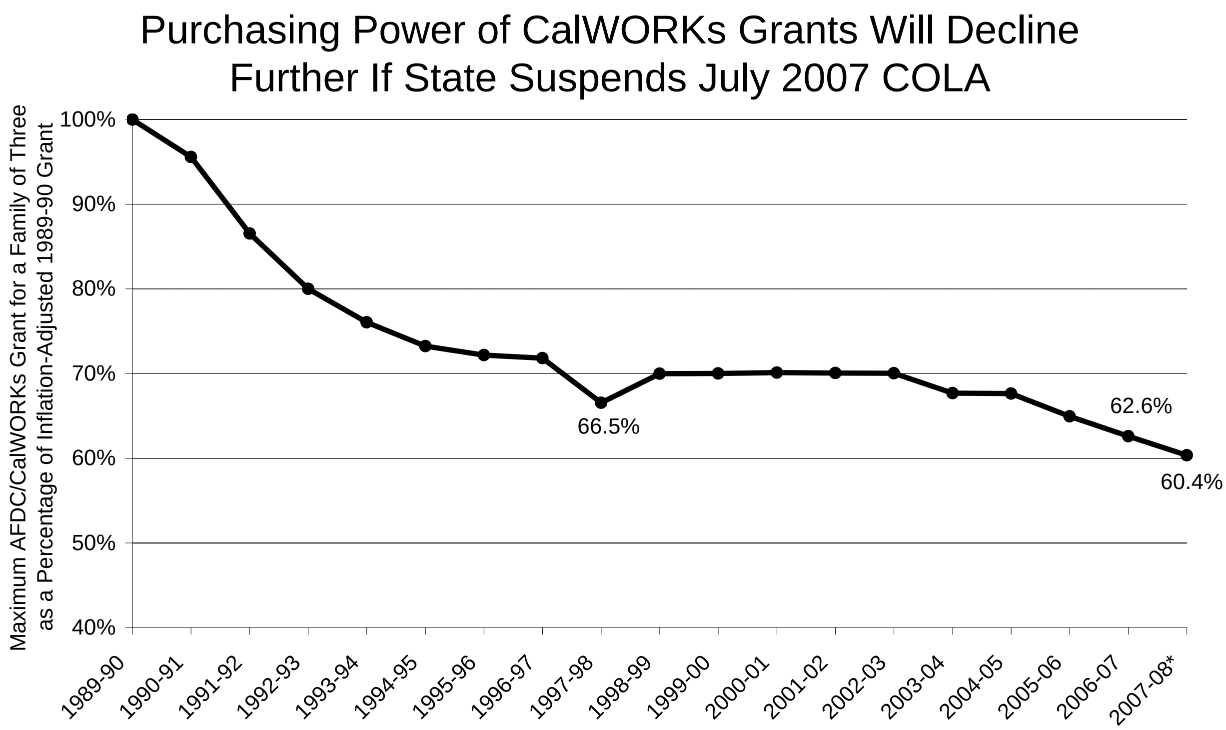
This table also compares the combined grant and food stamp benefits to the federal poverty guideline for 2007. Under the Governor's proposal, the combined cash grant and food stamps benefit would be 74 percent of the federal poverty guideline for a family of three in a high-cost county and 73 percent of the guideline for a family of three in a low-cost county, assuming the *Guillen* appellate decision is upheld. Under current law, combined benefits would be about one percent closer to the federal poverty guideline than the Governor's proposal.

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

2007-08				
			Change From Current Law	
	Current Law	**Governor's Budget**	**Amount**	**Percent**
Scenario 1: Guillen Decision Is Upheld (Governor's Proposal)				
High-Cost Counties				
Grant	$750	$723	-$27	-3.6%
Food stamps	330	342	12	3.6
Totals	$1,080	$1,065	-$15	-1.4%
Percent of poverty	75%	74%		
Low-Cost Counties				
Grant	$714	$689	-$25	-3.5%
Food stamps	347	358	11	3.2
Totals	$1,061	$1,047	-$14	-1.3%
Percent of poverty	74%	73%		
Scenario 2: Guillen Decision Is Reversed				
High-Cost Counties				
Grant	$776	$748	-$28	-3.6%
Food stamps	319	331	12	3.8
Totals	$1,095	$1,079	-$16	-1.4%
Percent of poverty	77%	75%		
Low-Cost Counties				
Grant	$739	$713	-$26	-3.6%
Food stamps	336	347	11	3.3
Totals	$1,075	$1,060	-$15	-1.4%
Percent of poverty	75%	74%		

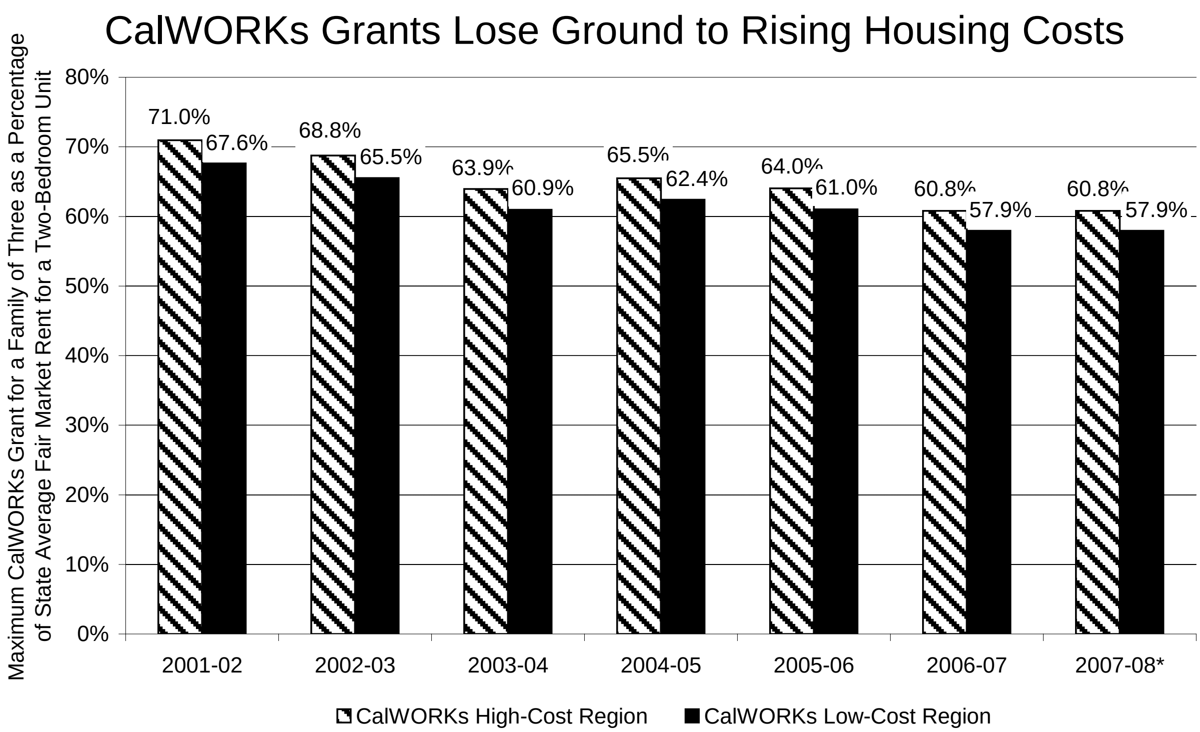
PURCHASING POWER OF GRANTS

Advocates contend that CalWORKs grants have not kept pace with inflation, and that their purchasing power would decline further under the Governor's proposal. Grants lost more than one-third (37.4 percent) of their purchasing power between 1989-90 and 2006-07, due to previous suspensions of COLAs and grant reductions. Grants would purchase 39.6 percent less than in 1989-90 if the state does not provide a COLA in 2007-08.



* 2007-08 proposed.
Source: Department of Finance and Department of Social Services, as included in the March 2007 California Budget Project's CalWORKs Budget Brief

The CBP asserts that CalWORKs grants have lost ground to housing costs, due the decline in the purchasing power of grants and the rising cost of housing in California, as displayed in the following table. In 2001-02, the maximum monthly grant for a family of three in high-cost counties equaled 71.0 percent of the average Fair Market Rent (FMR) for a two-bedroom unit statewide. By 2006-07, the maximum grant had dropped to 60.8 percent of the statewide FMR. In addition, FMRs exceed the maximum grant in more than two-thirds of the state's 58 counties. For example, the FMR exceeds the maximum grant by $748 in Ventura County, $546 in Los Angeles County, and $527 in Alameda County.



* Proposed CalWORKs grant level.
Source: CBP analysis of National Low Income Housing Coalition, Department of Social Services, and Department of Finance data

PANELISTS

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- Department of Finance
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STAFF COMMENT

Advocates contend that CalWORKs families are the least able to afford to have their COLAs suspended or their grant reduced, which has occurred in 12 of the past 18 years. The economic precariousness of families receiving welfare benefits has been well documented, adding to the persistent barriers faced by families attempting to move toward self-sufficiency, including language challenges, lack of employment skills, and transportation inadequacy. The deprivation of a COLA should be viewed in tandem with these dynamic and difficult conditions already faced by families.

ISSUE 5: MOVE FROM QUARTERLY TO SEMIANNUAL REPORTING

The Subcommittee will discuss the Governor's proposal to change reporting for CalWORKs and food stamps from quarterly to semiannual reporting (SAR).

BACKGROUND

Under existing law, the county is required to annually redetermine eligibility for CalWORKs benefits and requires the county to redetermine recipient eligibility and grant amounts on a quarterly basis, using prospective budgeting, and to prospectively determine the grant amount that a recipient is entitled to receive for each month of the quarterly reporting period. Current law requires a CalWORKs recipient to report to the county, orally or in writing, specified changes, such as in income or household composition, that could affect the amount of aid to which the recipient is entitled and requires the quarterly redetermination report form to be signed by the recipient under penalty of perjury.

PROPOSED TRAILER BILL LANGUAGE

The Governor's budget includes proposed trailer bill language to move from the current quarterly reporting system to SAR. California's quarterly reporting federal waiver will expire on September 30, 2007 and the state needs to either move to a semiannual reporting system or revert to a monthly change reporting system.

The trailer bill language requires that recipients report at any time during a semiannual reporting period of an increase or decrease in monthly income of one hundred dollars ($100) or more. The $100 increase or decrease must be reported whether it occurs all at once or accumulates over one or more months of the semiannual period to a point where the recipient's total income has increased or decreased by at least $100. This notification of change constitutes what is termed "change reporting" in the proposed shift to semiannual reporting.

IMPLEMENTATION CHALLENGES

SAR would be implemented January 1, 2009. This implementation timeframe is due to the difficulty of developing new policies and procedures, modifying a large number of forms and notices of action as well as reprogramming the automation systems used in California. Based on their experience to implement the QR/PB system, consortia representatives from the four Statewide Automated Welfare Systems have stated that reprogramming changes of this magnitude will require a minimum of one year. There is also the potential need to obtain federal waivers to make certain changes in the Food Stamp program, and that will need to occur prior to the January 1, 2009 implementation date.

The administration estimates that SAR is expected to result in net savings of $25 million in the first six months of 2009 and $80 million annually thereafter.

REPORTING MECHANISMS

There are three main approaches to the reporting of changes between reviews: change reporting, periodic reporting, and no reporting or continuous eligibility. Under food stamp simplified reporting rules:

- Recipients must submit updated information about the household's circumstances every six months. This updated information can be collected through a semiannual, mail-in report form or through the recertification process. States must recertify food stamp eligibility for families at least every 12 months.

- Between semi-annual reports or recertifications, households only have to report a change if it results in the household's income rising above 130 percent of the poverty line. Households may choose to report other changes, such as loss of income, and may receive increased benefits if those changes so warrant.

FEDERAL FOOD STAMP BENEFITS AND SIMPLIFICATION

Prior to 2001, the federal food stamp reporting rules typically required recipients either to report almost any change in their circumstances within 10 days or to submit monthly reports updating eligibility information, regardless of whether any of a household's circumstances had changed. These federal requirements affected all aspects of a welfare office, including the reporting rules in other programs. Even if a state were interested in less onerous reporting in another program, such as Medicaid, since many participants in those other programs also received food stamps, the Food Stamp Program's rules dominated families' experiences. Administrators often would comment that the food stamp rules constrained simplification in other programs and "drove" the complexity.

The simplified reporting option was added to the Food Stamp Program initially by regulation in 2001 and was expanded as part of the 2002 Farm Bill. Federal and state policymakers were supportive of this approach for several reasons:

- Reduce Unnecessary Paperwork for Food Stamp Recipients: Concerned about falling participation rates among eligible households, particularly working families, policymakers concluded that the "hassle factor" to participating in the program should be reduced.

- Reduce Workload on Agencies: States have been particularly interested in this new option, in part, because it should reduce the time caseworkers must spend processing recertifications or reports of changes in circumstances. In addition, the option can help lower states' payment error rates.

- Provide Work Incentive: Under semi-annual reporting, recipients whose earnings rise typically do not see an immediate reduction in their food stamp benefits because benefits are not adjusted until the six month point. This gives families a modest additional work incentive.

COUNTY PERSPECTIVE

The California Welfare Directors Association (CWDA) reports that when quarterly reporting was established in 2002, it was hoped that administrative costs would decrease due to fewer reports being received from recipients. Unfortunately, the savings did not materialize because quarterly reporting was structured in a way that resulted in recipients often reporting several times during the quarter, and even during the same month. Over a period of several years, despite the continued workload, the budget assumed savings for both CalWORKs and Food Stamps that were far too great. CWDA helped to collect data on actual county experience with the quarterly reporting process, which demonstrated that the estimated savings had not been achieved. Funding was restored to CalWORKs in the 2006-07 Budget Act, in recognition of this fact.

Given this history, the CWDA urges that semi-annual reporting be approached with the following overarching goals:

- Minimizing the number of reports that recipients make in between their regularly scheduled semi-annual reports.

- Minimizing the chance of increased Food Stamp errors that could result in federal corrective action or penalties.

- Ensuring that any savings assumed in the budget are based on actual data.

PANELISTS

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STAFF COMMENT

With California's waiver expected to expire on September 30, 2007, the state faces options for how to structure its reporting and could consider effects in three areas: (1) reduced administrative burden for families and agencies, (2) increased stability and work incentives for recipients, and (3) clients being more likely to understand and fulfill their responsibilities. In addition, under simplified reporting, states can increase food stamp participation among eligible families while at the same time lowering error rates due to better, less frequent reporting, fewer opportunities for paperwork errors, and allowing more time for workers to process cases correctly.