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POLICY RECOMMENDATIONS ON CASH ASSISTANCE

CALIFORNIA WORKING FAMILIES POLICY SUMMIT

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INTRODUCTION

The goal of the state's welfare program (or CalWORKsⁱ) is to insure that all poor families with children have enough cash and food assistance to meet basic needs and to provide opportunities through education, training and employment to become independent and self-sufficient.

In early 2006, Congress required states to substantially increase the number of families that meet TANF work participation requirements. California's was required to roughly double the number of families working at least 32 hours a week. Congress gave states only until October 2007 to meet the new participation requirements or be subject to penalties starting at \$149 million.

As part of the 2006 state budget, California made significant changes to the CalWORKs program to address the changes in federal law. Rather than see the changes as a barrier, advocates, counties, the Legislature and the Administration developed a consensus approach that focused on helping more families meet work participation by expanding education and training opportunities. The state provided \$230 million in additional funding to counties to work more closely with families who have barriers to work, improve upfront engagement with clients, and reduce the use of sanctions as a program tool.

Recent Efforts to Improve TANF Work Participation Rates

The state also attempted to protect vulnerable populations from the federal rules by creating a Temporary Assistance Program (TAP)ⁱⁱ for those unable to work. California could potentially increase its' work participation rate by 10 percent by taking families who were not working out of the federal TANF program and placing them in TAP. But in 2007 and 2008, the federal Administration for Children and Families (ACF) greatly limited the ability of states to create TAP-like programs, exposing California (and many other states) to federal penalties for failing to meet work participation requirements.

In response, welfare stakeholders in California developed a two-part proposal to bring the state into compliance with federal work requirements. First, the state created a new program called the Work Incentive Nutritional Supplement (WINS)ⁱⁱⁱ that provides working families receiving Food Stamps a \$40 a month stipend if the family meets TANF work requirements. WINS gives the state a guaranteed work participation rate increase because each family receiving WINS must meet federal work requirements.

Second, a Pre-Assistance Employment Readiness System (PAERS) was proposed for families entering CalWORKs. PAERS allows families four months to prepare for work or education so that when they transition to CalWORKs they will be more likely to meet TANF work requirements and improve the state's work participation rate. Additionally the state benefited because during the four months in PAERS, the families don't count for federal TANF work participation rate purposes. Together, WINS and PAERS provide enough work participation improvement to keep the state safely away from federal penalties.

But this strategy failed when ACF issued a memo in mid-2008 that "clarified" that the kind of pre-assistance program that California was considering violated federal regulations. While the state did adopt

the WINS program, the Governor blue penciled the start-up funds for WINS meaning it is unlikely to come on line in time to avoid federal penalties.

The Administration's "Denominator" Solution

There is another way for states to meet federal work participation rates and that is by eliminating eligibility for families that are not meeting federal work requirements. This "denominator" approach is so-called because it reduces overall caseload while leaving the "numerator" (those families meeting TANF requirements) intact, thus resulting in a higher work participation rate. This was the approach taken by the Schwarzenegger Administration in both the 2007-8 and the 2008-9 budgets. The Governor made three key proposals both years:

Impose Full Family Sanctions – All cash assistance is eliminated for families where the adult is required to work if the adult fails to meet work requirements for 90 or more days. 17,000 children would be cut off assistance, and **75,000 children would be in imminent danger of losing aid.**

Eliminate Cash Aid for Safety Net Cases – Where the parent has been on CalWORKs for more than 60 months cumulatively (the federal lifetime TANF limit), all aid would be terminated if the adult is not meeting work requirements. 33,000 children would be cut off aid, and **98,000 children would be subject to eventual termination.** County data shows only about 15% of adults work enough to avoid having children cut off assistance.

Create a Time Limit on Cash Aid for Children of Ineligible Adults – Where there is an able-bodied adult who is ineligible to receive CalWORKs (legal status, drug felony, or fleeing felons) but whose children are eligible, the children would be limited to 60 months of cash assistance. **This would cut 38,000 families with 73,000 children off aid, and a total of 82,000 more children would be subject to eventual termination of aid.** This proposal is simply a cost-cutting measure since these parents are not counted for federal work participation purposes.

In the 2008-9 special session, the Administration returned with the same proposals but also proposed to:

- Cut CalWORKs cash grants by 10% – The maximum grant of \$723 a month for the typical family of 3 would be cut by \$72 a month.
- Eliminate the 2009-10 Cost-of-Living Adjustment
- Impose full family sanctions on families who do not participate in "Self-Sufficiency Reviews" every six months. This eliminates cash assistance for 25,000 more children.

While the Administration has characterized elimination of cash assistance as policy reforms, there is little evidence to support the Administration's assertions. In 2007, the Legislature heard testimony on the experience of the state of Texas^{iv} which went to full family sanctions in 2003. Research showed that:

- 155,000 children were cut off all cash aid.
- The number of adults working *declined* from 70,000 to 23,000.
- 45% of Texas' TANF funds now go to child welfare and protection.

In 2008, the Legislature again held hearings on the Administration's proposals and learned that:

- The analysis from the California Department of Social Services (DSS) showed that the Administration's proposal to promote work by cutting off all aid would fail 78% of the time.
- New research^v found that CalWORKs families have trouble meeting TANF work requirements when they have 2 or more barriers like child care, transportation, domestic violence, learning disabilities or caring for family members with disabilities. Cutting off aid to these families doesn't fix these problems.

Federal Assistance Required to Handle Recession-Driven CalWORKs Caseload Growth

Since TANF was created in 1996, caseloads have dropped significantly in California and nationally. While most of the drop in caseloads occurred in the early years of TANF, caseloads continued to decline each year through 2007. But that trend is over. As of September 2008, California's unemployment rate

had climbed to 7.7 percent, the second highest unemployment rate in the country. As jobs disappeared in 2008, applications for CalWORKs rose from 41,477 in September 2007 to 50,782 in September 2008, a 22 percent increase. The estimated maximum CalWORKs caseload of 481,000 for 2008-9 was exceeded in September 2008, just 3 months into the budget year.

The national recession has crippled California's budget leaving it out of balance by an estimated \$41 billion through July 2010. The Legislature and the Governor are contemplating major reductions to state programs, including CalWORKs, despite the increased number of families needing and seeking assistance. California also is facing the prospect of federal penalties for failure to meet federal TANF work participation rates in 2007 and 2008. The maximum state penalty for 2007 is \$149 million, and the 2008 maximum penalty is \$220 million. If states subsequently meet TANF work requirements, the penalties can be waived. One reason the Administration has proposed cutting 225,000 children off CalWORKs assistance is that it will help the state avoid these penalties.

Given the recession and dire nature of state budgets throughout the nation, many states are looking to the federal government for assistance. For example, Congress could change the law to allow states access to the TANF Contingency Fund, which is available to states experiencing high unemployment. States could then receive up to 20 percent of their block grant, or in California's case about \$740 million. But to access the federal funds California, would have to spend \$1.3 billion more than it currently does. States also would benefit from suspension of TANF penalties by the incoming Obama Administration.

POLICY OBJECTIVE # 1

Preserve the State Safety Net.

Oppose proposals that reduce or eliminate cash and food assistance for the lowest income families

Background

For the past two budgets, both Governor Schwarzenegger and Senate Republicans have proposed drastic reductions in cash and food assistance programs. These cuts impact more than 2.3 million Californians, including children, immigrants, senior citizens and the disabled. As proposed by Governor Schwarzenegger in the 2009-10 special session the cuts to CalWORKs, SSI, CFAP and CAPI would eliminate more than \$2.3 billion in benefits for the most needy families in the state. These cuts, if enacted, would not only result in deeper poverty, but would also reduce economic activity at a time when we need to stimulate it.

Recommended Actions

- A. The legislature should oppose the following cuts:
 1. Suspension of CalWORKs and SSI Cost of Living Adjustments
 2. Cuts to Basic CalWORKs and SSI Grant Levels
 3. Elimination of assistance for immigrants through CFAP and CAPI
 4. Full Family Sanctions that cut assistance to children due to the actions of the parent
 5. Self-Sufficiency Review designed to eliminate cash assistance for children.

POLICY OBJECTIVE # 2

Increase investments in CalWORKs: Help families during the economic crisis and help stimulate the economy by increasing spending on CalWORKs.

Background

Over the past two budgets, California has reduced its General Fund Appropriation for CalWORKs by more than \$600 million. In the past budget, Governor Schwarzenegger blue penciled \$71 million in funds that counties use to help families go to work, get an education and provide services like child care and transportation. These reductions make it more difficult for counties to help families move from poverty to self-sufficiency and likely will reduce the state's TANF work participation requirements in 2009.

Every dollar spent by the state to help a family escape poverty is a dollar spent helping the state recover from the economic downturn. Whether it is grants to pay for rent, payments to child care providers, salaries for county employees or classes at the community college, all of these investments stimulate the economy. Reducing expenditures in CalWORKs is exactly the wrong thing to do with a slowing economy. If California is successful in acquiring additional funds from the federal government or the state's voters, it should restore spending that has been eliminated from CalWORKs in previous years.

Recommended Actions

The legislature should take action to ensure the following investments in CalWORKs:

- A. Increase CalWORKs grants by providing Cost-of-Living-Adjustments that have been denied for 5 consecutive years.
- B. Eliminate the maximum family grant so that all children are treated fairly.
- C. Expand vocational education for CalWORKs participants to help prepare families for work when the recession ends and also help the state meet work participation requirements.
- D. Allow families that have been sanctioned to "earn back" the money lost during the sanction period as an incentive for families to end their sanctions and come into compliance,
- E. Fully fund the county Single Allocation Fund so that counties can provide services to CalWORKs participants.

POLICY OBJECTIVE # 3

Federal Recovery Assistance and Regulatory Relief:

Lobby Congress so California can access the federal TANF Contingency Fund, avoid work participation penalties and pursue ECE funding.

Background

California's unemployment rate is about 1 percentage point higher than the national average and expected to exceed 9 percent during 2009. CalWORKs caseload estimates for 2008-9 were exceeded in September 2008 and continue to rise. With the state facing unprecedented fiscal problems of its own, it is unlikely to be able to fund large increases in TANF caseloads. Congress and the Obama Administration can help by waiving state matching requirements to draw down additional federal TANF funds and removing the specter of federal penalties for states which have not met TANF work participation requirements.

Early Care and Education (ECE) is another critical area for investment to support families. It has two purposes. First, ECE makes it possible for parents to work and participate in education and training. Second, ECE, in conjunction with family engagement, contributes to children's well-being, development, and school readiness. An increase in funding for ECE helps stimulate the economy while promoting better outcomes for children.

Recommended Actions

- A. The Legislature should pass a Joint Resolution asking Congress and President-elect Obama to:
 1. Waive the requirements that states increase their state contributions for TANF in order to access TANF Contingency Funds.
 2. Waive state TANF penalties for 2007, 2008 and 2009 using existing ACF regulatory authority.
 3. Augment funding for the Child Care Development Block Grant so states can maintain subsidized care for eligible working parents, and ensure adequate reimbursement rates for center and home-based providers.

ⁱ CalWORKs is the acronym for the California Work Opportunity and Responsibility to Kids Act

ⁱⁱ TAP can be found in AB 1808, the social service trailer bill to the 2006-7 state budget.

ⁱⁱⁱ WINS and PAERS statutory provisions are in AB 1279, Statutes of 2008.

^{iv} See "A New Welfare to Work Approach for Texas, by the Center for Public Policy Priorities

^v "Barriers to Work: CalWORKs Parents Timed-out or Sanctioned in Five Counties" by Richard Spiegelman and Associates, 2008.