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RECOMMENDATIONS ON CALWORKS CALIFORNIA WORKING FAMILIES' POLICY SUMMIT 2002

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Introduction

After four years, the CalWORKs program and the low-income families who rely upon it face serious new challenges.

Even with 48 months of program experience, we do not have a complete picture of the impact of CalWORKs. Available employment data have inherent limitations in determining hourly wages and monthly earnings. The study of early impacts prepared by RAND has not yet been released, but even when it is available there will be many unanswered questions about long-term impacts and effects upon the quality of life of affected families. From what information we do have, however, several phenomena appear evident.

1. The CalWORKs caseload has continued to decline, though at a slower pace than in earlier years. Since its peak in 1995 through April 2001, the caseload has dropped 45%, to about 525,000 families. The rate of decline has slowed in the past year, and it is projected to flatten by 2003-2004.
2. The child poverty rate in California has declined but, at 20%, places the state a disappointing 39th in the nation.
3. More CalWORKs participants are working. Half of those receiving aid in 2000 also worked, compared to only one in five in 1996. Still, wages of those finding work through CalWORKs remain relatively low, even if work generally improves family income, and are concentrated in the services and retail sectors.
4. Receipt of work supports after families leave aid is the exception. Fewer than one in 10 of those leaving CalWORKs receive Food Stamps, even though half of those not receiving them are eligible. Take-up rates for the Earned Income Tax Credit (EITC) and child care range from 20-45%, and client surveys reveal a continued lack of awareness of the availability of these benefits.
5. Progress has been made in identifying and serving persons with barriers to employment. The numbers receiving mental health and substance treatment services nearly doubled between late 1999 and early 2001, as spending quintupled to \$100 million in 2000-2001. A new state protocol offers hope of better addressing the needs of those with learning disabilities. Still, evidence suggests that many more CalWORKs participants suffer such problems than are currently being served. Moreover, persons with barriers constitute a substantial share of the sanctioned

population, suggesting that more needs to be done to identify those needing appropriate referrals at the outset.

Four new realities face the CalWORKs program and the needy families who are served by it:

- a declining economy which especially affects industries in which CalWORKs participants have found employment, potentially increasing the need for income support and more costly job preparation services;
- the depletion of previously unspent TANF program funds and the emergence of a sizeable program deficit, estimated at \$656 million in 2002-03;
- the January 2003 approach of the 60-month time limit for an estimated 100,000 families who began receiving aid at the program's inception; and
- the looming reauthorization by Congress of the Temporary Assistance for Needy Families (TANF) block grant, which expires on September 30, 2002, and which will affect the resources available and the kinds of activities and services the state can offer.

As the second phase of welfare reform approaches, some of the same challenges remain, and new ones are emerging.

I. Increasing support for the working poor

CalWORKs increasingly serves people in the labor market. Yet the rewards of work still leave many struggling to make ends meet. Of those employed and still on aid, average monthly earnings for single-parent families were \$654 in 1999. The limited evidence shows that the earnings from unsubsidized employment for welfare "leavers" may improve the family's economic condition but are not enough to reach a modest level of financial stability, even when income slightly exceeds the poverty level of \$14,630 for a family of three. Tens of thousands of working families will reach the 60-month CalWORKs time limit on January 1, 2003. The resulting loss of the adult's share of aid will cause a working single mother with two children to lose \$121 per month. As noted above, post-assistance supports to help working poor families cope with low wages are often inaccessible. The CalWORKs fiscal crisis limits the ability to use CalWORKs funds to augment the support and services of working families, and thus reliance on other sources – an Earned Income Tax Credit, better wages for unskilled workers, improved unemployment insurance coverage – is imperative

Recommendations:

- A. The Legislature and Governor should enact legislation to stop the CalWORKs 60-month time clock when (a) the parent/caretaker satisfies the weekly work requirement entirely with unsubsidized employment, and (b) the labor market provides insufficient jobs, similar to the federal rule suspending the three-month time limit for able-bodied adults in the Food Stamp program.
- B. The Legislature, Governor and the California Department of Social Services (CDSS) should adopt measures to improve Food Stamp eligibility for working families, such

- as through more accessible food stamp office hours and a six-month transitional Food Stamp benefit as recently authorized by federal law.
- C. The Legislature and Governor should enact legislation excluding one vehicle per household from the CalWORKs/Food Stamps resource limitation so that newly unemployed applicants or recipients buying cars after getting jobs are not forced to dispose of their cars to qualify for subsistence food, shelter and necessities.
 - D. Upon delivery of the study authorized by SB 40, the Legislature and Governor should enact legislation improving unemployment insurance coverage for low-wage and irregular workers, such as through a revision of the base period formula.
 - E. The Legislature and Governor should enact AB 106 (Cedillo), creating a state Earned Income Tax Credit, set at 15% of the federal EITC, providing up to \$600 annually in added income support for working poor families.
 - F. The Legislature and Governor should enact legislation to index the minimum wage to inflation, as is currently contained in AB 181 (Koretz).

II. Preparing participants for better quality jobs

The CalWORKs program utilizes a “work-first” strategy emphasizing immediate job placement over skill development, education and training. While this is appropriate for many CalWORKs participants, others are in need of better preparation prior to entering a labor market which highly values skilled and educated workers. Only 42% of adult CalWORKs recipients possess a 12th grade or better education level. English is not the primary language for 35% of CalWORKs heads of household. Learning disabilities are estimated to affect some 40% of the welfare population.

Of the 180,000 persons participating in work activities in May 2001, only 20% were in some kind of education or training. Existing federal work participation rules give priority to work or work experience activities over education and training. While CalWORKs allows participants to be referred directly to education programs if the county and participant agree that job search would not be beneficial, this is not a commonly used option. The initial appraisal for persons entering CalWORKs is not specifically required to address language proficiency. DSS released a new protocol in October for identifying and serving such clients. Implementation, tracking and monitoring of the requirements, which include screening of all CalWORKs applicants and recipients, will pose a serious challenge.

Recommendations:

- A. CDSS and county welfare departments should utilize screening at appraisal to identify limited English proficient participants.
- B. Counties should make better use of the existing option to bypass job search and undergo a complete assessment.
- C. CDSS should gather data and track the performance of counties in implementing the learning disabilities protocol issued in October 2001.

- D. The state, counties, providers and advocates should urge Congress and the President to count all state-authorized work preparation activities (viz., education, services to remove barriers) for purposes of the federal work participation rate.

III. Maintaining adequate program funding

The CalWORKs program faces serious financial shortfalls in 2002-03 and subsequent years. A \$476 million deficit for 2001-2002 is being paid by prior year unspent TANF dollars. For 2002-03, however, the deficit is projected at \$656 million, and is forecast to be in the \$500 million range for the two years following. There are several hundred million dollars in unspent "performance incentive" funds which have been distributed to counties for past years' incentive allocations. These funds can be used for wider purposes than the basic program and for non-CalWORKs low-income families, and thus present both the possibility of creative and effective use as well as spending for tangential and questionable purposes. Some of these funds could be captured to help cope with the current shortfall. However, unless significantly more funding is appropriated than the minimum state maintenance of effort (MOE) level, services or benefits will have to be reduced, and in part this likely means that employment services will not be fully accessible. First priority for CalWORKs funds should be basic benefits so that the living standards needy families -- most of whom are working or engaged in work activities -- do not erode with inflation. The state's federal TANF block grant is \$3.7 billion, and its maintenance of effort is \$2.7 billion. Both will be the subject of debate during the federal TANF reauthorization struggle.

Recommendations

- A. The Legislature and Governor should appropriate funding consistent with program and client needs, not limited by the arbitrary federal minimum maintenance of effort level.
- B. The Legislature and Governor should preserve the CalWORKs cost-of-living adjustment for payment levels.
- C. The Legislature and Governor should enact legislation providing that the 60-month time clock will not run during months when CalWORKs participants do not have full access to employment and related services.
- D. The Legislature and Governor should capture county performance incentive dollars which are unspent or uncommitted for purposes related to services or benefits for CalWORKs families to cope with the projected funding shortfall.
- E. The state, counties, providers and advocates should urge Congress and the President to enact TANF reauthorization legislation which will (1) maintain TANF funding, provide for annual cost-of-living adjustments, and make available contingency funding to cope with increasing needs during economic downturns; (2) maintain the state's obligations to contribute at least as much of their own funding toward programs for needy families as they have in recent years; and (3) offer performance bonuses for states which demonstrate that its programs reduce family poverty.