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POLICY RECOMMENDATIONS On TANF and CalWORKs

**CALIFORNIA WORKING FAMILIES POLICY SUMMIT
JANUARY 18, 2007**

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 for families 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 must meet TANF work-participation requirements. In California's case, the state will need to nearly double the number of families that are working at least 32 hours a week. The new federal rules also require the federal Health and Human Services Agency to create standardized definitions for work activities. This will greatly limit the flexibility states have had in the first 9 years of the TANF program. Moreover, Congress gave states only until October 2007 to meet the new participation requirements or be subject to penalties of as much as \$185 million.

As part of last year's 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, the stakeholders 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, to improve upfront engagement with clients, and to reduce the use of sanctions as a program tool.

The state also protected vulnerable populations from the federal rules by creating a solely state-funded Temporary Assistance Program (TAP) for those unable to work (persons who are disabled, are caring for a disabled child, or are 55 years or older). TAP is an identical program to CalWORKs, but is funded solely with state funds not counted toward the federal TANF match. By taking families out of the federal program who are not working, California will see a 10 percent improvement in its TANF work participation rate. While TAP provides support to those who cannot work, other vulnerable populations, such as those receiving services for domestic violence, mental health or substance abuse, are not eligible for TAP. Including these populations in TAP would allow the state to see further improvements in its work participation rate.

Despite the work participation improvements to be seen from TAP, there are still lingering concerns about the potential for substantial federal penalties. In some cases, the reforms that were enacted had unanticipated obstacles that could not be resolved without legislation.

For example, the TAP cannot be implemented until the issue of how to treat child support payments is resolved. Under federal law if a family gets assistance in whole or part from TANF funds, the family must sign over the right to collect child support to the state. But if a family is in a program like TAP which does not use federal funds, federal law requires that all child support go directly to the family. The Legislature intended for TAP to operate the same way as CalWORKs, but did not know that a program like TAP would be governed by a different federal child support law. If the state withholds child support funds from TAP families as it does in CalWORKs, it is likely that litigation will ensue.

The state needs TAP to work in order to meet its work participation requirements for TANF. To make TAP work, the state will have to revisit its child support distribution policies. The challenge to the state will be to create a uniform approach to child support distribution that results in greater family income for families on assistance getting child support,

Another key issue for CalWORKs is that the state's ongoing budget deficit makes CalWORKs an inviting target for funding cuts. The Governor's 2007-08 budget proposes \$465 million in cuts to CalWORKs as a way to reduce the state's ongoing deficit. These cuts are not a result of overspending on the program, but reflect the limited choices available to policy makers in attempting to balance the budget.

The cuts to CalWORKs are described by the Administration as an attempt to avoid federal penalties and to motivate families enough to go to work to meet federal work participation requirements. To accomplish this, the Administration takes the path of sanctioning families who do not meet work participation requirements rather than investing in families. Unlike current law for CalWORKs sanctions, which reduce the parent's portion of assistance, the Administration is now proposing to cut off *all* cash aid to any family not meeting work participation rates (including some child-only payments). This proposal would undo the commitment made by former Governor Pete Wilson to protect children even if the parent is not meeting work participation requirements.

Lastly, the CalWORKs grant continues to lose value due to increased costs for housing, food and transportation. At present, the maximum grant for a family of three is \$723 a month. If all Cost of Living Adjustments (COLAs) had been in place since 1989, the grant would now be \$1,180 dollars, near the fair market rent for a two bedroom unit in most of California. In 12 of the past 18 years, the statutory COLA has been suspended or the grant amount reduced. The last time the CalWORKs grant was increased was in December, 2004. The Legislature agreed to suspend the 2005 and 2006 COLAs, and the Governor is now proposing to suspend it for a third consecutive year to cut \$140 million from the budget deficit.

POLICY OBJECTIVE # 1

Implement and protect improvements to CalWORKs that will increase educational opportunities, increase upfront engagement and reduce the number of families sanctioned.

Background

Federal work participation requirement changes and increased regulatory involvement by the federal government are making it harder for states to meet the requirement that 50 percent of recipients work at least 30 hours a week. California responded to the federal changes by making larger financial investments to move families to work and eliminating barriers to participation, such as durational sanctions. The federal government subsequently issued draft regulations that significantly encroach on state authority to determine what activities count for federal work participation purposes. These changes would limit the ability of students to pursue education, including a BA, as is permitted under state law. The regulations fail to provide reasonable accommodations for those with disabilities or those with service needs for domestic violence, mental health or substance abuse.

Recommended Actions

- A. The Legislature should pass a resolution calling for Congress and the President to
 - 1) repeal the authority of federal HHS to define state work activities for TANF;
 - 2) provide a credit to states which move recipients into higher paying employment; and
 - 3) give states more time to meet the new requirements.
- B. The California State Legislature should closely monitor the Administration's implementation of program reforms from 2006 to improve work participation and ensure that funding is not reduced below the Fiscal Year 06-07 budget amount.
- C. The California State Legislature should oppose all cuts to grants to children proposed in the Governor's Fiscal Year 07-08 budget.

POLICY OBJECTIVE #2

Implement and expand the Temporary Assistance Program in a way that permits an increase in child support being passed onto families and results in a net increase in family income.

Background

One way for the state to meet federal work participation rates is by limiting which families are subject to the federal TANF requirements. The state can establish separate state programs not subject to TANF for these families who are unlikely to meet a sufficient number of hours. In the Fiscal Year 2006-07 budget, the state created the Temporary Assistance Program (TAP) for this purpose, but it has not been implemented by the Department of Social Services because of the conflict between rules for TANF and the Child Support Program. To implement TAP, the state would have to forego the established system of collecting child support and instead pass the support directly to families. With federal child support distribution laws changing in federal Fiscal Year 09, there is a unique opportunity to help the state meet federal work participation requirements and improve family income at the same time – if a compromise to the child support issue can be found.

Recommended Actions

- A. The California State Legislature and Governor should allow CalWORKs and TAP recipients to keep all child support up to the new allowable federal maximums and not reduce cash assistance to TANF or TAP families to offset the increased income.
- B. The California State Legislature and Governor should expand TAP to include other vulnerable populations, such as participants receiving services for domestic violence, substance abuse or mental health.

POLICY OBJECTIVE #3

Provide the Fiscal Year 2007-08 statutory CalWORKs cost-of-living adjustment.

Background

To reduce the state budget deficit, the state budget has suspended the cost-of-living adjustment for CalWORKs for the past two budgets. The maximum grant for a CalWORKs family of three has been frozen at \$723 since 2004. While the total amount of funds available to CalWORKs is a steady \$6.3 billion, the state actually spends about \$5 billion annually on the program that goes directly to poor families. The state uses the remainder of the funds for a variety of federally eligible purposes. In recent years, the Legislature has stopped some of the more egregious diversions such as diverting TANF funds for juvenile justice or funding group homes in the foster care system, but the Administration's proposed Fiscal Year 2007-08 state budget would again divert money to other state purposes, rather than provide a cost-of-living adjustment.

Recommended Actions

- A. The Legislature should oppose diversions of TANF and MOE funds that eliminate grants and services for CalWORKs participants
- B. The Legislature and Governor should provide a cost-of-living adjustment for CalWORKs

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