



Statement of Jean Ross, Executive Director, California Budget Project

Testimony Before the Subcommittee on Human Resources of the House Committee on Ways and Means

Hearing on Welfare Reform Reauthorization Proposals April 11, 2002

Mr. Chairman and Members of the Subcommittee:

Good afternoon. My name is Jean Ross, and I am the Executive Director of the California Budget Project (CBP). The CBP is a nonprofit policy research group based in Sacramento, California. Over the past seven years, we have analyzed the impact of state and federal welfare policies and have worked with public and nonprofit organizations throughout the state to develop policies and programs aimed at moving families not only off welfare, but also toward self-sufficiency. My testimony will address the impact of welfare reform in California and the issues that you are considering as part of the reauthorization debate that are important as California strives to move families from welfare to work.

WHAT HAS HAPPENED SINCE 1996?

California is spending available funds. California has used 97 percent of all TANF funds it has received.¹

The CalWORKs program is running a deficit. Combined annual TANF and MOE funds of \$6.4 billion are not sufficient to fully fund CalWORKs, California's TANF program. The Governor's proposed 2002-03 Budget makes spending reductions in cash grants, employment services, and child care to bridge a deficit in excess of \$500 million.

Caseloads have declined, but much faster than poverty rates. Between March 1995 and November 2001, the number of families receiving cash assistance through AFDC/CalWORKs declined by 46 percent. Poverty rates have dropped as well, but not nearly as much as the caseload.

More people are working. California witnessed unprecedented employment growth during the late 1990s and unemployment rates reached historic lows. The strength of the state's labor markets enabled many families to obtain work. However, due to low wages, many continued to combine work and cash assistance. Approximately 60 percent of people who leave CalWORKs are working, though many do not earn enough to support a family.² In 1999, 42.8 percent of adults receiving cash assistance through CalWORKs were employed, much higher than the national average of 27.6

¹ This includes actual reported expenditures, as well as transfers from the TANF block grant to the Social Services Block Grant and the Child Care and Development Fund.

² See, for example, California Department of Social Services, *CalWORKs Leaver Survey: A Statewide Telephone Survey of Former CalWORKs Recipients* (January 2000).

percent.³

Most parents who find work do not earn enough to support a family. County studies suggest that median hourly wages for leavers in the Bay Area are approximately \$9 or \$10. However, total household income for leavers often falls at or below the federal poverty level and far below what it costs to live in California.⁴

Many families do not receive supportive services that facilitate the transition from welfare to work. A recent study based on state administrative data found that half (49 percent) of leavers receive Medi-Cal one year after leaving CalWORKs.⁵ Surveys of Bay Area leavers indicate that approximately one-quarter lack any type of health coverage one year after leaving cash assistance.⁶ Only one in five CalWORKs leavers (19 percent) report receiving food stamps and another 30 percent or more are eligible but do not receive food stamps.⁷

Many families that rely on cash assistance have serious barriers to employment. A study of two California counties found high incidences of mental health issues, domestic violence, and drug dependency among CalWORKs recipients.⁸ Up to one-third have recent mental health or domestic violence problems. Many CalWORKs recipients lack the education and language skills that are linked to employability and earnings. More than half of CalWORKs adults lack a high school degree.⁹ Over one-third of CalWORKs heads of household report a primary language other than English.¹⁰

RECOMMENDATIONS

Congress should, at a minimum, adjust the TANF block grant for inflation, increase funding for the Child Care Development Fund (CCDF), and update the TANF contingency fund.

While California's CalWORKs caseloads have declined by nearly half, program costs exceed available funds from the annual TANF block grant and the minimum MOE spending requirement. This deficit

³ US Department of Health and Human Services, *Temporary Assistance for Needy Families (TANF) Program, Third Annual Report to Congress*, Table 10:20 (August 2000), downloaded from www.acf.dhhs.gov/programs/opre/annual3.doc. 1999 is the most recent year for which data are available.

⁴ R. Mark Gritz et al., *Assessing the Family Circumstances of TANF Applicants and Leavers in Contra Costa and Alameda Counties: Final Report* (Sphere Institute: October 26, 2001); Anne Moses et al., *Examining Circumstances of Individuals and Families Who Leave TANF: Assessing the Validity of Administrative Data: 12-Month Report* (Sphere Institute: December 22, 2000); David Mancuso and Vanessa Lindler, *Examining the Circumstances of Welfare Leavers and Sanctioned Families in Sonoma County* (Sphere Institute: June 29, 2001); and California Budget Project, *Making Ends Meet: How Much Does it Cost to Raise a Family in California?* (September 2001).

⁵ Amy Cox and Jacob Klerman (RAND) and Ingrid Aguirre Hapoldt (Medi-Cal Policy Institute), *Medi-Cal After Welfare Reform: Enrollment Among Former Welfare Recipients* (Medi-Cal Policy Institute: December 2001).

⁶ R. Mark Gritz et al., *Assessing the Family Circumstances of TANF Applicants and Leavers in Contra Costa and Alameda Counties: Final Report* (Sphere Institute: October 26, 2001); Anne Moses et al., *Examining Circumstances of Individuals and Families Who Leave TANF: Assessing the Validity of Administrative Data: 12-Month Report* (Sphere Institute: December 22, 2000); David Mancuso and Vanessa Lindler, *Examining the Circumstances of Welfare Leavers and Sanctioned Families in Sonoma County* (Sphere Institute: June 29, 2001).

⁷ California Department of Social Services, *CalWORKs Leaver Survey: A Statewide Telephone Survey of Former CalWORKs Recipients* (January 2000); R. Mark Gritz et al., *Assessing the Family Circumstances of TANF Applicants and Leavers in Contra Costa and Alameda Counties: Final Report* (Sphere Institute: October 26, 2001); Anne Moses et al., *Examining Circumstances of Individuals and Families Who Leave TANF: Assessing the Validity of Administrative Data: 12-Month Report* (Sphere Institute: December 22, 2000); David Mancuso and Vanessa Lindler, *Examining the Circumstances of Welfare Leavers and Sanctioned Families in Sonoma County* (Sphere Institute: June 29, 2001).

⁸ Sandra Naylor Goodwin et al., *The Prevalence of Mental Health, Alcohol and Other Drug, and Domestic Violence Issues among CalWORKs Participants In Kern and Stanislaus Counties* (California Institute for Mental Health: September 2000).

⁹ California Department of Social Services, *CalWORKs: A Characteristics Survey on Social and Economic Characteristics of Families Receiving Aid* (Federal Fiscal Year 1999).

¹⁰ California Department of Social Services, *CalWORKs: A Characteristics Survey on Social and Economic Characteristics of Families Receiving Aid* (Federal Fiscal Year 1999).

has two causes: (1) program costs rise with inflation, despite stagnant funding levels and (2) the CalWORKs model, which prepares recipients for and supports them in work, is more expensive than the AFDC cash assistance model on which the state's block grant was predicated.

In addition, funding for the Child Care and Development Fund (CCDF) must be increased in order to ensure that families are not forced back on to welfare because they cannot afford the child care they need to remain in the workforce. We estimate that over a quarter of a million California children qualify for child care assistance based on income but do not receive it.¹¹

Congress should also update the TANF contingency fund, which is designed to provide states with additional funds during economic downturns. The original program rules do not reflect the fiscal realities of states and the maintenance of effort requirement makes the fund essentially useless to states when they are most in need.

Congress should retain and expand flexibility for states and counties.

TANF provided states with the ability to craft programs to match diverse local needs. This is particularly important in a state like California that encompasses urban areas with strong, technology based labor markets, as well as rural areas with high levels of poverty and high rates of structural unemployment. Our Legislature took advantage of this flexibility when creating the CalWORKs program by designing a benefit structure that rewards work, allowing recipients with an opportunity to pursue education, and encouraging counties to address barriers to work, such as mental health and substance abuse problems. To limit this flexibility would undermine one of the guiding principles of welfare reform: that states, rather than the federal government, are best situated to identify the needs of local communities.

Families that combine welfare and work should not lose the possibility of future assistance.

California uses earnings disregards to encourage work and raise family income. However, since these families continue to receive grant checks, no matter how small, they "use up" time-limited assistance that might be needed more in the future. Families are thus rewarded by the earnings disregard and punished by the time limit for combining welfare and work. The typical earnings of welfare "leavers" are far below the levels necessary to afford basic necessities, particularly in light of California's high housing costs. In the San Francisco Bay Area, where studies find that leavers typically earn \$9 - \$10 per hour, a family needs to earn \$10.08 an hour in full-time employment to pay the Fair Market Rent on a one bedroom unit, not including the cost of food, transportation, child care and other necessities. We estimate that a single mother with two children needs to earn \$25.99 per hour in full-time work to afford the full complement of basic necessities.¹²

Congress can resolve this conflict by giving states the option to "stop the clock" for recipients who are working and still receiving cash assistance. Alternatively, Congress could designate earnings supplements as "non-assistance," so that they would not apply toward the five-year time limit.

Congress should make poverty reduction an explicit goal of TANF.

TANF reauthorization provides an opportunity to communicate to the public, recipients, and states

¹¹ California Budget Project, *Lasting Returns: Strengthening California's Child Care and Development System* (May 2001).

¹² California Budget Project, *Making Ends Meet: How Much Does it Cost to Raise a Family in California?* (September 2001).

what the goals and priorities of welfare reform will be over the next several years. Currently, the main message received by states is that reducing the number of families that receive cash assistance is the primary measure of success. However, given that many welfare leavers are not working in stable jobs or do not earn wages sufficient to support families, reducing the number of families receiving cash aid should not be the only or primary measure of success. The federal government should place more emphasis on improving family economic well-being, not just moving families off the caseload.

Congress should remove restrictions on education and training as work activities.

Currently, recipients can satisfy federal work requirements by enrolling in vocational education for no longer than 12 months. However, research in the context of welfare reform suggests that higher skill levels and education beyond high school are linked to higher future wages.¹³ A comprehensive evaluation of 11 welfare-to-work programs found that a Portland program that used a “mixed” strategy, assigning some participants to education and training and others to job search, was most successful at increasing employment and family income. Programs that encouraged all recipients to pursue education or training or to get a job as quickly as possible were not as effective as the Portland program.¹⁴ Together, these findings indicate that a 12-month restriction on vocational education may not make sense for recipients. For certain recipients, such as those who are finishing a degree, education alone may be the best way to increase future earnings.

Congress should allow states the option of using TANF funds to serve legal immigrants.

California uses state funds to provide CalWORKs cash assistance and services and food stamps to immigrants who are not federally eligible. Even though essentially all immigrants remained eligible for food stamps and cash assistance through the state’s replacement programs, immigrant participation in these programs fell dramatically in the 1990s.¹⁵ Allowing states to use TANF block grant funds for recent immigrant families would give California flexibility over how to use TANF and MOE funds and would help reduce confusion about eligibility by making all legal immigrants eligible for federal TANF benefits, regardless of date of entry into the US.

Congress should not require states to use block grant funds to implement marriage promotion or other family structure programs.

While evidence exists that growing up in families with married parents has positive economic benefits and effects on child well-being, research by the CBP indicates that working poor families in California are just as likely to be married as all working families.¹⁶ Moreover, in light of the CalWORKs deficit, it is not reasonable to create more demands on the state’s TANF block grant and MOE funds. Policies that may help strengthen families include:

- Encouraging states to remove any barriers in their TANF programs that discriminate against two-parent families.
- Providing income support to working families. A study of a Minnesota TANF program with

¹³ Julie Strawn and Karin Martinson, *Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce* (Manpower Demonstration Research Corporation: June 2000).

¹⁴ Gayle Hamilton, et al., *National Evaluation of Welfare-to-Work Strategies: How Effective Are Different Welfare-to-Work Approaches?* (Manpower Development Research Corporation: December 2001).

¹⁵ California Department of Social Services. Sponsorship or “deeming” rules, which count the resources and income of an immigrant’s sponsor when determining program eligibility, make many recent immigrants ineligible for these programs.

¹⁶ California Budget Project calculations from the Current Population Survey.

an earnings disregard very similar to California's found increases in marriage rates for both single-parent and two-parent families.¹⁷

- Improving child support enforcement and distribution.
- Supporting low-income fathers, with employment training and educational opportunities.

Thank you for the opportunity to testify this afternoon. I would be happy to answer any questions you might have.

¹⁷ Virginia Knox, Cynthia Miller, and Lisa A. Gennetian, *Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program* (Manpower Demonstration Research Corporation: September 2000).