

GOVERNOR'S PROPOSED CALWORKS CHANGES WOULD ELIMINATE AID FOR NEARLY 200,000 CHILDREN

The Governor's Proposed 2008-09 Budget includes three major policy changes that would eliminate cash assistance for nearly 200,000 children in the California Work Opportunity and Responsibility to Kids (CalWORKs) Program for savings of \$514.5 million in 2007-08 and 2008-09 combined. The Governor's plan would undermine California's original bipartisan commitment to provide a minimum level of support for children whose parents have lost or are ineligible for cash assistance. Policymakers should explore alternative approaches to help boost the CalWORKs work participation rate, while maintaining support for children in CalWORKs families, who are among the poorest in the state.

CalWORKs and TANF: An Overview

In 1996, Congress fundamentally restructured the nation's safety net for low-income families with children by replacing the Aid to Families with Dependent Children (AFDC) Program with the Temporary Assistance for Needy Families (TANF) block grant. The new law gave states broad authority to restructure their cash assistance programs for needy families within a framework of federal work participation requirements and a five-year lifetime limit on federally funded aid. For example, adults in at least half of all families receiving cash assistance must work or participate in work-related activities for a minimum number of hours each week.¹ In response to these changes, California created the CalWORKs Program in 1997 with bipartisan support.² CalWORKs established state-specific work participation requirements and imposed a five-year lifetime limit on state-funded aid for adults, within a strong "work-first" framework. A fixed federal allocation of \$3.7 billion and a minimum of \$2.7 billion in state and county "maintenance-of-effort" (MOE) funds provide support for CalWORKs and related programs.³ The policy changes enacted at the state and federal levels shifted the focus of welfare from providing cash assistance to helping low-income families overcome barriers to employment and move toward self-sufficiency.

Most CalWORKs Recipients Are Children

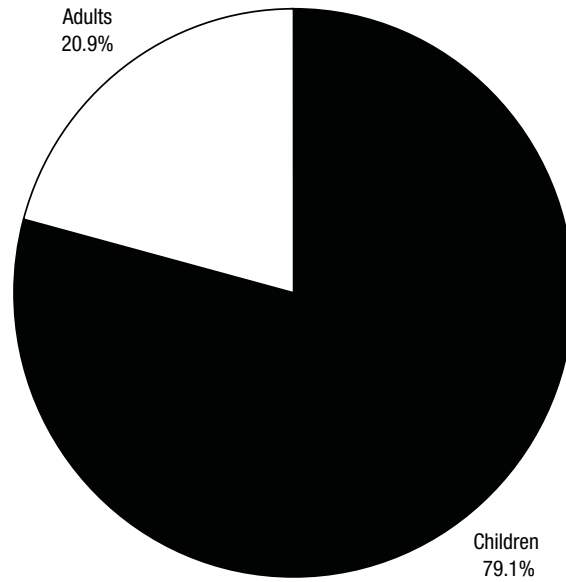
Children comprise nearly four-fifths (79.1 percent) of CalWORKs recipients – more than 900,000 out of 1.2 million Californians who received cash assistance in December 2007 (Figure 1).

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

Spending on cash assistance has declined, while spending on services and child care has increased since the mid-1990s (Figure 2). In 1996-97, the year before CalWORKs was implemented, the state:

- Spent \$7.8 billion for cash assistance, after adjusting for inflation, while the Governor proposes to spend \$2.6 billion in 2008-09 – a 66.2 percent decline. Cash assistance accounted for 84.5 percent of AFDC-related spending in 1996-97, but makes up less than half (45.8 percent) of CalWORKs spending under the Governor's Proposed 2008-09 Budget.
- Spent \$670.6 million on employment services and child care, after adjusting for inflation, while the Governor proposes to spend \$2.7 billion in 2008-09 – a nearly threefold increase. Employment services and child care accounted for less

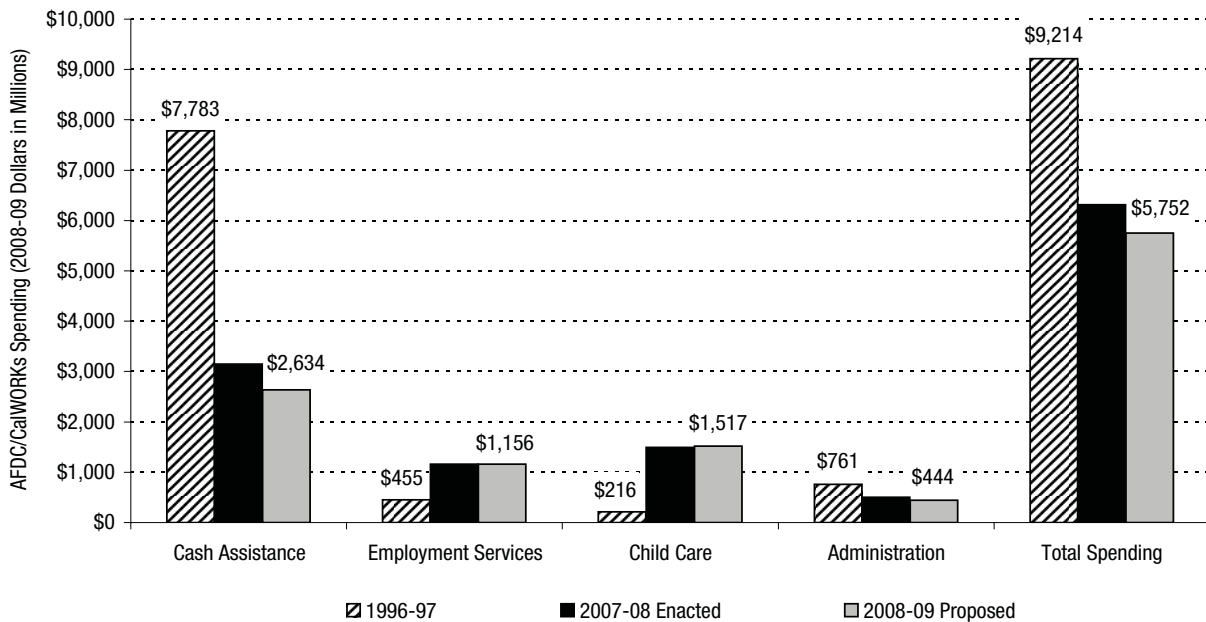
Figure 1: Nearly Four Out of Five CalWORKs Recipients Are Children



Number of Individuals Receiving CalWORKs Cash Assistance in December 2007 = 1.2 Million

Source: Department of Social Services

Figure 2: Spending on Cash Assistance Has Declined Dramatically 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 Finance and Department of Social Services

than one-tenth (7.3 percent) of AFDC-related spending in 1996-97, but comprise nearly half (46.5 percent) of CalWORKs spending under the Governor's Proposed 2008-09 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, find and retain employment, and secure child care.

CalWORKs Spending Has Declined as a Share of the State Budget

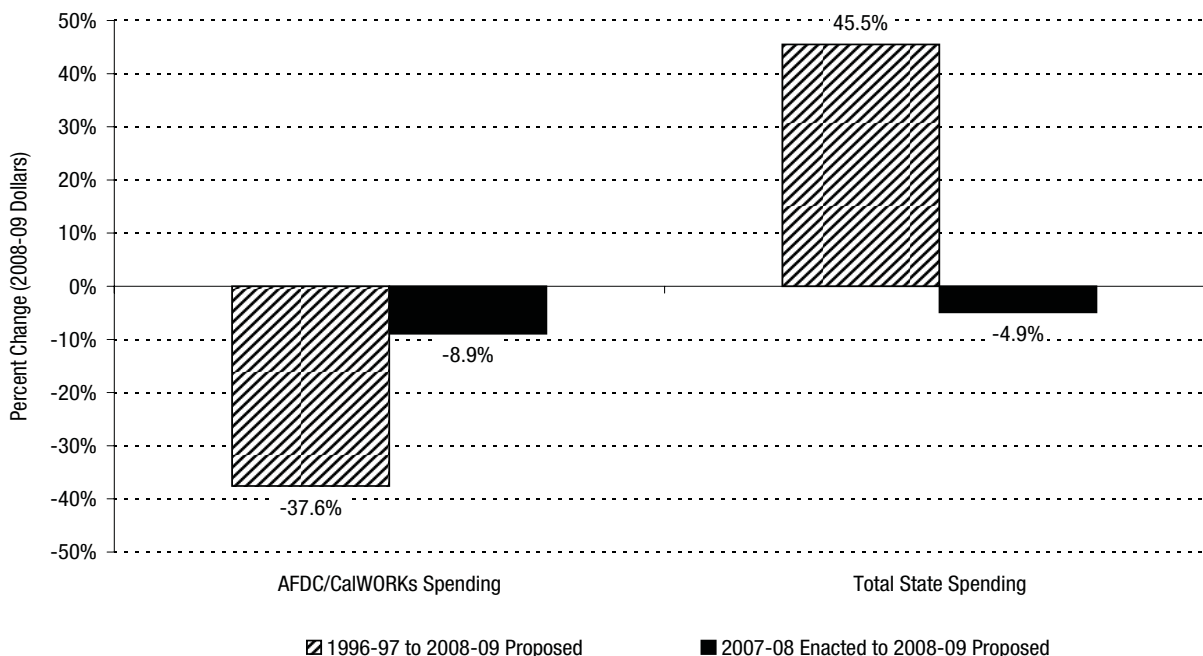
CalWORKs spending has declined as a share of the state budget as the number of families receiving cash assistance dropped from a peak of 932,345 in March 1995 to 462,686 in December 2007 (50.4 percent). California spent \$9.2 billion on AFDC and related programs in 1996-97, after adjusting for inflation, while the Governor proposes to spend \$5.8 billion on CalWORKs in 2008-09 – a 37.6 percent decline (Figure 3). In contrast, total expenditures of state and federal funds increased by nearly half (45.5 percent) over the same period, rising from \$136.5 billion in 1996-97, after adjusting for inflation, to a proposed \$198.6 billion in 2008-09. Consequently, AFDC/CalWORKs spending as a share of total state spending has declined by more than half, dropping from 6.8 percent in 1996-97 to 2.9 percent under the Proposed 2008-09 Budget (Figure 4).

Federal Changes Have Increased Work Participation Requirements and Reduced State Flexibility

The Deficit Reduction Act (DRA) of 2005 and preliminary regulations adopted by the US Department of Health and Human Services (DHHS) in June 2006 increased work participation requirements for states starting in October 2006.⁴ One significant change expanded the number of adults included in a state's work participation rate. As a result, California must include in its work participation rate:

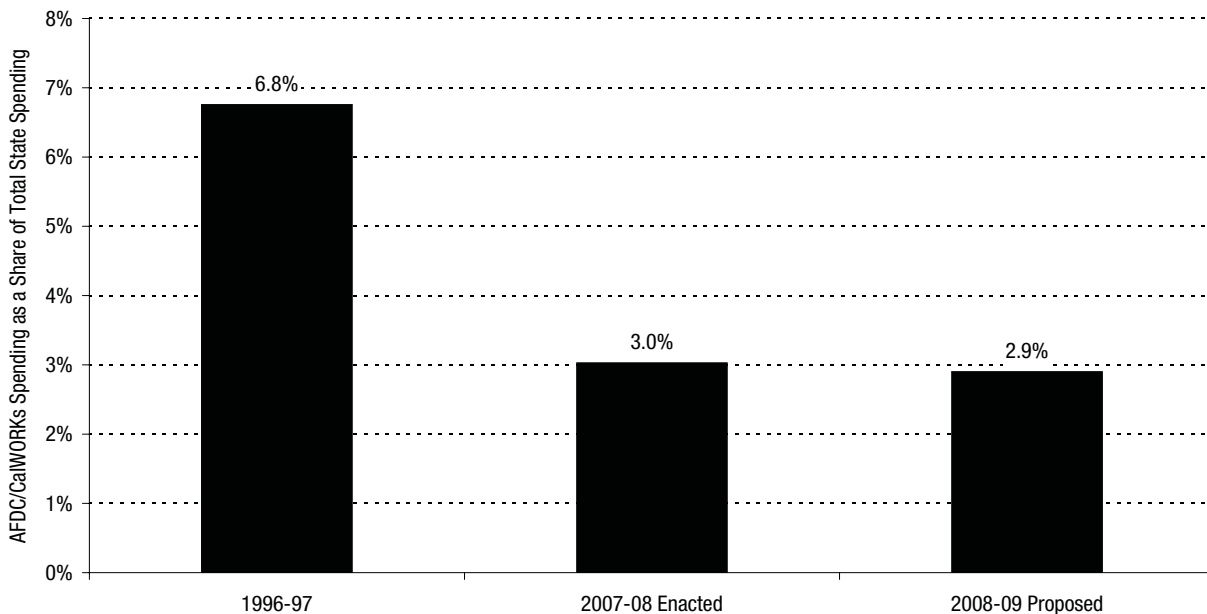
- Parents who have reached the state's 60-month time limit, but whose children continue to receive state-funded safety-net cash assistance. Most of these adults do not work enough hours to meet federal work participation requirements, according to the state Department of Social Services (DSS).
- Parents who have been penalized or "sanctioned" for not complying with CalWORKs Program rules for more than three months. By definition, sanctioned adults do not meet work participation requirements.

Figure 3: Welfare Spending Has Declined by More Than One-Third Since 1996-97



Note: AFDC/CalWORKs spending includes federal, state, and county funds. Total state spending includes federal and state funds.
Source: Department of Finance and Department of Social Services

**Figure 4: Welfare Spending as a Share of Total Spending in California
Would Drop Further Under the Governor's CalWORKs Proposals**



Note: AFDC/CalWORKs spending includes federal, state, and county funds. Total state spending includes federal and state funds.
Source: Department of Finance and Department of Social Services

Moreover, final DHHS regulations adopted in February 2008 limited states' ability to count certain expenditures toward their MOE spending requirement. California currently counts state expenditures for after-school programs and college financial aid toward the MOE requirement, but the new regulations prohibit the state from counting such spending beginning on October 1, 2008.⁵ This change reduces the likelihood that California will receive a credit for "excess MOE" expenditures – those above the minimum threshold – that would lower the state's required work participation rate.⁶

Because California is now prohibited from counting many existing state expenditures toward the MOE, the state likely would lose its excess MOE credit unless it substantially increases spending on the CalWORKs Program.⁷ Loss of the excess MOE credit means that California would have to meet a higher work participation rate, which would make it more difficult for the state to comply with federal requirements. States that fail to comply face potential federal penalties. California's initial penalty would be approximately \$149 million and could increase by up to \$70 million for each year the state fails to meet the rate.⁸

California Is Unlikely to Meet Federal Work Participation Requirements Despite Recent State Policy Changes

In recent years, California has enacted CalWORKs funding and policy changes in order to help meet higher federal work participation requirements. These changes include providing counties with funding to engage more CalWORKs participants in work-related activities.⁹ The DSS estimates that these changes will increase the share of CalWORKs families meeting the federal work participation rate from 21.2 percent in federal fiscal year (FFY) 2007 to 31.2 percent in FFY 2009.¹⁰ Despite these efforts, the Legislative Analyst's Office (LAO) estimates that California did not meet the work participation rate in FFY 2007 and projects that the state will fall short of meeting the rate in subsequent years if no additional policy changes are made.¹¹ For example, the LAO projects that California must meet a work participation rate of 42.8 percent in FFY 2010, while only 31.2 percent of CalWORKs families are expected to meet federal work participation requirements.¹²

The Governor's Proposals Would Drop Nearly 200,000 Children from the CalWORKs Program

The Governor's Proposed 2008-09 Budget includes three major changes to the CalWORKs Program that would eliminate cash assistance for nearly 200,000 children for savings of \$514.5 million in 2007-08 and 2008-09 combined (Table 1). The Governor's proposals would affect more than 90,000 low-income families across the state. For example, the CBP estimates that more than 12,000 children would lose cash assistance in Fresno County and more than 66,000 children would be dropped from CalWORKs in Los Angeles County (Appendix A).

Table 1: Impact of Governor's Proposals to Eliminate Cash Assistance for Many Children in CalWORKs Families

Proposal	Estimated Number of Children Who Would Lose Cash Assistance	Estimated (Savings) or Cost in 2007-08 and 2008-09 Combined
Eliminate "safety-net" cash assistance for certain children after their parents reach the state's 60-month time limit	84,330 children as of June 1, 2008	(\$277.5 million)
Eliminate cash assistance after 60 months for certain children whose parents are ineligible for CalWORKs ("child-only" families)	71,180 children as of June 1, 2008	(\$259.8 million)
Eliminate cash assistance for children if their parents do not meet CalWORKs requirements for 12 months ("full-family sanctions")	44,080 children as of June 1, 2009	\$22.8 million
Total Impact	199,590 children	(\$514.5 million)

Note: Estimates of the number of children who would lose cash assistance are rounded to the nearest 10. Total estimated savings reflects federal, state, and county funds.

Source: Department of Social Services

Specifically, the Governor proposes to eliminate cash assistance for many children whose parents:

- Have stopped receiving CalWORKs cash assistance because they reached the state's 60-month time limit ("safety-net" families),
- Are not eligible for CalWORKs ("child-only" families), or
- Have been sanctioned for not complying with CalWORKs Program rules.

The DSS estimates that these policy changes would increase the state's work participation rate by more than 10 percentage points.¹³ This increase would occur because tens of thousands of CalWORKs families who do not meet work participation requirements would be dropped from the program, while other CalWORKs families would comply in order to maintain their grants. These changes would help California to meet the required federal work participation rate as early as FFY 2009, according to the DSS.¹⁴ However, these proposals mark a significant departure from the state's historic approach to CalWORKs, which combines a strong work incentive for adults with a minimum level of support for children whose parents have lost or are ineligible for cash assistance.¹⁵

The Governor Proposes to Eliminate Safety-Net Cash Assistance for Many Children After Their Parents Reach the State's 60-Month Time Limit

State law limits adult recipients of CalWORKs to 60 cumulative months of cash assistance, but children continue to receive state-funded cash aid as long as the family meets the program's eligibility guidelines, regardless of how many hours their parents work after "timing out." More than 115,000 children in over 45,000 CalWORKs families received such safety-net benefits in December 2007. Federal regulations require California to include the parents in these families in the work participation rate. The Governor proposes to eliminate cash assistance for these children if their parents do not work sufficient hours to meet federal work participation requirements as of June 1, 2008.¹⁶ The DSS estimates that more than 33,000 families would not meet federal requirements. Consequently, this change would eliminate cash assistance for an estimated 84,330 children as of June 1, 2008, for savings of \$277.5 million in 2007-08 and 2008-09 combined.

The Governor's proposal would substantially reduce the number of children who receive safety-net benefits, placing them at risk for hardship. Families in other states who lost their entire grant when they reached the time limit faced an increased level of hardship, such as not having enough to eat.¹⁷

The Governor Proposes to Eliminate Child-Only Cash Assistance After 60 Months for Many Children Whose Parents Are Ineligible for CalWORKs

Currently, California provides child-only cash assistance to children whose parents are not eligible for CalWORKs, including US citizen children of undocumented immigrant parents. These children receive cash assistance without a time limit, because California does not apply a time limit to families in which only the children receive a grant. However, the Governor proposes to terminate grants for US citizen children of undocumented

immigrant parents after 60 months.¹⁸ The DSS estimates that this change would eliminate cash assistance to 71,180 children in approximately 37,000 families as of June 1, 2008, for state savings of \$259.8 million in 2007-08 and 2008-09 combined.

This proposal would impose hardships on families. However, it would not help California meet federal work participation requirements. Federal regulations *already exclude* undocumented immigrants who live with a child receiving cash assistance from the work participation rate calculation.¹⁹

The Governor Proposes to Gradually Eliminate Cash Assistance for Children If Their Parents Do Not Comply with CalWORKs Requirements

Currently, when an adult fails to meet CalWORKs requirements, counties reduce the family's grant by the amount attributable to the adult, while cash aid is continued to the children. This policy, known as a "partial" sanction, is designed to provide a basic subsistence allowance for children, even if their parents have been sanctioned. The Governor proposes to cut the children's grant in half if an adult remains sanctioned for six months and to eliminate cash assistance entirely if an adult does not comply with CalWORKs requirements for 12 months, thereby imposing a "full-family" sanction. The DSS estimates that 45 percent of sanctioned adults would eventually comply with CalWORKs requirements to avoid a full-family sanction. The DSS additionally estimates that 44,080 children in nearly 23,000 families – more than half (55 percent) of all sanctioned families – would lose cash assistance as of June 1, 2009.²⁰ This change would *increase* CalWORKs expenditures by an estimated \$22.8 million in 2007-08 and 2008-09 combined.²¹

Research does not support the conclusion that full-family sanctions would increase participation in required activities or improve outcomes for CalWORKs families. Specifically:

- **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."²² 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.²³ 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.²⁴ These findings suggest that more severe sanction policies, such as cutting the children's grant in half or imposing full-family sanctions, may not result in increased participation by CalWORKs participants.

- **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 work requirements than non-sanctioned adults, including having limited work experience, lacking access to a car, or having an ill or disabled household member.²⁵ 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.²⁶ Continuing aid to children in families with sanctioned adults allows counties to identify and address the needs of the parents, while ensuring that these families have resources to maintain their children's well-being.
- **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.²⁷ Recent experience in Texas, which adopted full-family sanctions in 2003, supports this conclusion.²⁸ The number of adults in the program dropped from approximately 70,000 in 2003 to approximately 23,000 in 2006. One analysis concluded that implementation of full-family sanctions in Texas has not led "to compliance with the rules, but to expulsion from the program."²⁹

Policymakers Should Explore Alternative Approaches to Help Meet Federal Work Participation Requirements

The Legislature likely will have to consider additional CalWORKs changes in order to meet the required work participation rate and thereby minimize or avoid federal penalties. The Governor's

proposals, although partially aimed at helping the state to meet federal work participation requirements, would undermine one of the strengths of the CalWORKs Program – providing aid for children whose parents have lost or are ineligible for cash assistance.³⁰ In contrast, policymakers should explore alternative approaches to help boost the state’s work participation rate, while building on California’s original bipartisan commitment to provide a minimum level of support for children in CalWORKs families, who are among the poorest in the state. A number of organizations, including the DSS, have outlined such policy alternatives.³¹ For example, California could:

- **Count working families who receive food stamp benefits, but not CalWORKs cash assistance, in the state’s work participation rate by providing them with additional benefits.** Many families who receive food stamp benefits, but not CalWORKs cash assistance, are employed for a sufficient number of hours to meet federal work participation requirements. California could include these families in the work participation rate by providing them with state-funded supplemental food stamp benefits.³² The Governor’s Proposed 2008-09 Budget includes a proposal to provide supplemental benefits of \$40 per month to working families in the Food Stamp Program who meet TANF work participation requirements. The DSS assumes that approximately 40,000 families would qualify for this benefit, which is estimated to increase the state’s work participation rate by more than 10 percentage points by FFY 2011.
- **Provide incentive payments to CalWORKs families who meet federal participation requirements through work.** As recently as FFY 2005, more than 31,000 CalWORKs participants were engaged in work activities allowed under federal law, but for too few hours to meet work participation requirements. California could provide a supplemental payment to CalWORKs participants who are employed for a sufficient number of hours to meet federal work participation requirements.³³ Providing incentive payments would increase families’ monthly income and could encourage many individuals to increase their hours of work, thereby boosting the state’s work participation rate. Research indicates that that combining earning supplements, such as incentive payments, with work participation requirements reduces reliance on welfare and increases earnings, employment, income, and children’s school performance.³⁴
- **Implement a four-month “up-front” program for families who qualify for CalWORKs cash assistance.** Federal rules allow states to provide families with short-term aid of up to four months that does not trigger federal TANF time limits, work participation, and other requirements. California could use this flexibility to implement an up-front program

to assist families who are eligible for CalWORKs, but who are not employed sufficient hours to immediately meet federal work participation requirements. Counties could use this four-month period to conduct assessments, provide job-search assistance, and develop employment plans for individuals who might subsequently enter the CalWORKs Program. Individuals who receive such short-term aid would not be counted in the work participation rate, although families could be moved to CalWORKs prior to the end of the four-month period if an adult works sufficient hours to meet federal requirements. The LAO estimates that an up-front program could boost the state’s work participation rate by 1.9 percentage points when fully implemented.³⁵

- **Extend assistance for CalWORKs parents who are meeting federal work participation requirements.** Parents lose CalWORKs cash assistance once they reach the state’s 60-month lifetime limit, even if they are working sufficient hours to meet federal work participation requirements when they “time out.” California could extend time on aid for parents who are working or engaged in other welfare-to-work activities for sufficient hours to meet federal work participation requirements. Parents would be eligible for assistance as long as they continued to meet federal requirements. This change could help to increase the work participation rate by keeping working families in the CalWORKs Program and providing an incentive for additional parents to increase their level of participation before they reach the time limit.
- **Provide additional assistance to CalWORKs safety-net families in order to reward increased work effort.** Parents who have reached the state’s 60-month time limit and whose children continue to receive safety-net assistance are not required to work or participate in work-related activities. In order to encourage parents to increase their work effort, California could provide additional support – such as supplemental cash assistance – to safety-net families in which adults work sufficient hours to meet federal work participation requirements.
- **Allow sanctioned parents who comply with CalWORKs requirements to “earn back” some or all of their lost cash assistance.** Adults who comply with CalWORKs requirements after having been sanctioned permanently forgo all of the cash assistance that they lost while sanctioned. California could allow sanctioned individuals who comply with program rules to earn back some or all of their lost cash assistance through continued participation in welfare-to-work activities.³⁶ This policy would encourage sanctioned adults to meet CalWORKs requirements, which could help to increase the state’s work participation rate.

- **Align state requirements for single parents with young children with federal requirements.** Federal law requires single parents with a child under age 6 to work or participate in work-related activities for at least 20 hours per week. However, state law requires these families to work at least 32 hours per week in order to comply with CalWORKs requirements. This difference means that a CalWORKs parent who works 25 hours per week, for example, could be sanctioned for failure to comply with CalWORKs rules, even though that parent meets the 20-hour federal mandate. California could eliminate the 32-hour requirement for single parents with young children who comply with the 20-hour federal requirement, which could help boost the state's work participation rate.

Conclusion

California's historic, bipartisan approach to CalWORKs combines a strong work incentive for adults with a minimum level of support for children whose parents have lost or are ineligible for cash assistance. The Governor's proposal to eliminate aid for nearly 200,000 CalWORKs children, although partially aimed at helping the state to meet federal work participation requirements, undermines this historic approach. Policymakers should explore alternative policies to help to boost the state's work participation rate, while maintaining support for children in CalWORKs families, who are among the poorest in the state.

Scott Graves prepared this Budget Brief. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at www.cbp.org.

ENDNOTES

- ¹ In addition, states must meet a separate 90 percent participation rate for two-parent families. Federal regulations require single parents with a child under age 6 to participate for an average of 20 hours per week, while other single parents must participate for an average of 30 hours per week. Adults in two-parent families must participate for a combined average of 35 hours per week, or 55 hours per week if they receive federally funded child care. States may earn credits that reduce the required work participation rates, as described below. In addition, federal regulations exclude some adults from the work participation rates, including parents who are ineligible to receive a grant due to their immigration status.
- ² Implementation of CalWORKs began in 1998. See California Budget Project, *CalWORKs: California's Welfare-to-Work Program* (February 2004).
- ³ In addition, California uses federal Child Care and Development Fund dollars for CalWORKs child care, which are included in tabulations of CalWORKs spending in this section. In contrast to prior years, the Governor's Proposed 2008-09 Budget assumes that California must meet an MOE spending level of \$2.9 billion – rather than \$2.7 billion – in 2008-09 because the state likely did not meet the required federal work participation rate in FFY 2007. States that fail to meet the required rate must spend a larger amount of their own resources for MOE-eligible purposes in a subsequent fiscal year.
- ⁴ For an overview of key TANF changes included in the DRA, see California Budget Project, *California's Response to Recent TANF Changes Should Preserve the Strengths of the CalWORKs Program* (May 2006). For an analysis of the June 2006 regulations, see Allegra Baider, et al., *Implementing the TANF Changes in the Deficit Reduction Act: "Win-Win" Solutions for Families and States* (Center on Budget and Policy Priorities and Center for Law and Social Policy: February 2007), chapter 1. The June 2006 regulations were published at 71 Federal Register 37454 (2006).
- ⁵ The June 2006 regulations interpreted the DRA to allow states to count toward their MOE spending requirement all expenditures that are reasonably calculated to reduce nonmarital childbearing or to promote two-parent families, regardless of whether beneficiaries of such spending receive TANF assistance or are otherwise eligible for such assistance. As a result, California has counted state spending for after-school programs and college financial aid toward the MOE requirement. For example, the Governor's Proposed 2008-09 Budget – released before the new DHHS regulations were issued – counts \$770.3 million of such spending toward the MOE in each of 2007-08 and 2008-09. However, the February 2008 DHHS regulations impose a restrictive reading of the DRA that eliminates states' ability to count a broad range of state spending on "non-needy" families toward the MOE beginning in FFY 2009. For an analysis of the February 2008 regulations, see Liz Schott, *Summary of Final TANF Rules Some Improvements Around the Margins* (Center on Budget and Policy Priorities: February 20, 2008). The February 2008 regulations were published at 73 Federal Register 6772 (2008).
- ⁶ This impact would occur in FFY 2010 and subsequent years. Federal regulations outline the methodology that states must use to calculate the excess MOE credit. California would continue to be eligible for a credit for CalWORKs caseload decline that has occurred since FFY 2005, which would help to reduce the required work participation rate below 50 percent – the maximum rate that states must meet for all families receiving cash assistance. For example, the Legislative Analyst's Office (LAO) estimates that California would be eligible for caseload reduction credits of 6.5 percentage points in FFY 2009 and 7.3 percentage points in FFY 2010.
- ⁷ However, the LAO suggests that the state may be able to shift its use of federal TANF funds in order to restore some of the excess MOE funds. In addition, California could attempt to identify alternative sources of state spending that may be counted as MOE under the restrictive provisions of the February 2008 DHHS regulations.
- ⁸ However, federal regulations allow states to avoid or reduce a penalty through a corrective action plan negotiated with the federal government. California could have until FFY 2010 to comply with the requirements of a corrective action plan for failure to meet the required work participation rate in FFY 2007. See Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill* (February 2008), p. C-103.
- ⁹ See California Budget Project, *Legislature Sends 2006-07 Spending Plan to the Governor* (Revised June 29, 2006); Legislative Analyst's Office, *California Spending Plan 2006-07* (September 2006), p. 42; and Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill* (February 2008), p. C-104.
- ¹⁰ As cited in Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill* (February 2008), pp. C-104 to C-105.
- ¹¹ Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill* (February 2008), p. C-105.

- ¹² Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill* (February 2008), p. C-105. The required work participation rate is estimated to be 35.1 percent in FFY 2009 and 42.8 percent in each of FFYs 2010 and 2011, after adjusting for caseload reduction credits allowed under federal law. The FFY 2009 estimate is lower because it assumes that California will receive a credit for spending above the minimum MOE level – the last year for which the state is likely to receive such a credit given the restrictions on such spending included in the DHSS regulations, as discussed above. These estimates additionally assume that California will receive an annual credit of up to 7.3 percent for CalWORKs caseload decline since FFY 2005.
- ¹³ Only the safety-net and sanction proposals may help to increase the state's work participation rate, as discussed below.
- ¹⁴ As cited in Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill* (February 2008), p. C-112. As discussed in the following section, the Governor also proposes to provide supplemental food stamp benefits to certain working families who are not enrolled in CalWORKs, which would allow those families to be counted toward the TANF work participation rate. The DSS estimates that this proposal, along with the safety-net and sanction proposals, would allow the state to meet the required federal work participation rate.
- ¹⁵ California Budget Project, *California's Response to Recent TANF Changes Should Preserve the Strengths of the CalWORKs Program* (May 2006). The state reaffirmed this historic approach in the 2006-07 budget agreement, which included changes designed to increase the number of CalWORKs families who meet work participation requirements, while maintaining support for children. For example, the state allowed adults to end a sanction immediately after complying with program rules, rather than requiring the sanction to last for a specific number of months, as under prior law.
- ¹⁶ Families who are removed from CalWORKs under this policy could return to the safety net within six months if the adult works sufficient hours to meet federal work participation requirements and the family meets income requirements for CalWORKs participants.
- ¹⁷ See, for example, Dan Bloom, et al., *Welfare Time Limits: State Policies, Implementation, and Effects on Families* (Manpower Demonstration Research Corporation: 2002), p. 98.
- ¹⁸ This proposal also would affect families in which a parent is ineligible for CalWORKs due to a felony conviction.
- ¹⁹ Allegra Baider, et al., *Implementing the TANF Changes in the Deficit Reduction Act: "Win-Win" Solutions for Families and States* (Center on Budget and Policy Priorities and Center for Law and Social Policy: February 2007), p. 13.
- ²⁰ The DSS further assumes that 12,060 children in nearly 6,300 families would have their grants restored within six months of losing aid due to a full-family sanction.
- ²¹ This net cost reflects increased service and child care costs for families who comply with CalWORKs rules, offset by grant savings attributable to families who receive a full-family sanction.
- ²² LaDonna Pavetti, et al., *The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina Final Report* (Mathematica Policy Research, Inc.: April 30, 2004), p. 42. The authors note that, "What we cannot tell from these data is whether families would have responded differently if the initial grant reduction was not followed by a full-family sanction."
- ²³ Gayle Hamilton, et al., *National Evaluation of Welfare-to-Work Strategies How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs* (Manpower Demonstration Research Corporation: December 2001).
- ²⁴ Gayle Hamilton, *Moving People from Welfare to Work Lessons from the National Evaluation of Welfare-to-Work Strategies* (Manpower Demonstration Research Corporation: July 2002), pp. 54-55.
- ²⁵ Yeheskel Hasenfeld, Toorjo Ghose, and Kandyce Larson, "The Logic of Sanctioning Welfare Recipients: An Empirical Assessment," *Social Service Review* (June 2004).
- ²⁶ LaDonna Pavetti, Michelle K. Derr, and Heather Hesketh, *Review of Sanction Policies and Research Studies Final Literature Review* (Mathematica Policy Research, Inc.: March 10, 2003).
- ²⁷ LaDonna Pavetti, Michelle K. Derr, and Heather Hesketh, *Review of Sanction Policies and Research Studies Final Literature Review* (Mathematica Policy Research, Inc.: March 10, 2003), p. 25.
- ²⁸ Texas immediately eliminates the family's entire grant when an adult does not comply with program rules, rather than initially reducing the grant.
- ²⁹ Celia Hagert and Don Baylor, *A New Welfare-to-Work Approach for Texas* (Center for Public Policy Priorities: February 2007), p. 5.
- ³⁰ See California Budget Project, *California's Response to Recent TANF Changes Should Preserve the Strengths of the CalWORKs Program* (May 2006).
- ³¹ See California Budget Project, *California Should Provide Incentive Payments to CalWORKs Families Who Meet Federal Participation Requirements Through Work* (October 2006); County Welfare Directors Association of California and California State Association of Counties, *CalWORKs at a Crossroads: The Next Stage of Welfare Reform in California* (April 2006); Department of Social Services, *Report to the Legislature on CalWORKs Options for Increasing Work Participation* (January 2008); and Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill* (February 2008), pp. C-113 to C-117. The DSS report was required by SB 84 (Committee on Budget and Fiscal Review, Chapter 177 of 2007).
- ³² These state expenditures would count toward the state's MOE spending requirement.
- ³³ See California Budget Project, *California Should Provide Incentive Payments to CalWORKs Families Who Meet Federal Participation Requirements Through Work* (October 2006).
- ³⁴ See 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), p. 2, and Lisa A. Gennetian, Cynthia Miller, and Jared Smith, *Turning Welfare into a Work Support: Six-Year Impacts on Parents and Children from the Minnesota Family Investment Program* (MDRC: July 2005), p. 11.
- ³⁵ Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill* (February 2008), p. C-114.
- ³⁶ This "earn back" option could be structured as a one-time opportunity for individuals who comply with CalWORKs rules during a specified period.

Appendix A: Estimated Number of Children Who Would Lose CalWORKs Cash Assistance Through June 2009 Under the Governor's Proposals

County	Eliminate "Safety-Net" Assistance for Certain Children	Eliminate "Child-Only" Assistance for Certain Children	Impose "Full-Family Sanctions" on Certain Families	Total
Alameda	3,860	1,940	1,530	7,330
Alpine	0	1	0	1
Amador	10	30	30	70
Butte	630	490	200	1,320
Calaveras	30	40	20	90
Colusa	10	30	30	70
Contra Costa	1,330	1,150	750	3,230
Del Norte	170	90	40	300
El Dorado	80	110	120	310
Fresno	5,060	3,650	3,780	12,490
Glenn	60	70	60	190
Humboldt	180	220	250	650
Imperial	670	380	750	1,800
Inyo	10	20	10	40
Kern	2,310	3,130	4,130	9,570
Kings	510	370	370	1,250
Lake	130	130	160	420
Lassen	50	40	20	110
Los Angeles	29,180	25,010	11,950	66,140
Madera	550	510	230	1,290
Marin	70	130	130	330
Mariposa	10	20	10	40
Mendocino	110	150	260	520
Merced	1,140	920	1,100	3,160
Modoc	20	20	5	45
Mono	2	10	3	16
Monterey	340	750	500	1,590
Napa	30	100	60	190
Nevada	30	60	60	150
Orange	1,900	3,520	1,760	7,180
Placer	180	160	80	420
Plumas	10	10	*	20
Riverside	3,120	3,620	1,920	8,660
Sacramento	9,720	2,820	500	13,040
San Benito	70	90	60	220
San Bernardino	6,450	5,050	3,200	14,700
San Diego	3,100	3,980	1,860	8,940
San Francisco	900	400	650	1,950
San Joaquin	2,590	1,900	1,300	5,790
San Luis Obispo	70	220	350	640
San Mateo	160	410	90	660
Santa Barbara	400	670	390	1,460
Santa Clara	2,030	2,020	1,300	5,350
Santa Cruz	180	270	200	650
Shasta	260	330	550	1,140
Sierra	1	2	3	6
Siskiyou	90	70	30	190
Solano	990	610	110	1,710
Sonoma	110	430	490	1,030
Stanislaus	1,460	1,340	1,100	3,900
Sutter	190	170	120	480
Tehama	120	170	190	480
Trinity	30	20	20	70
Tulare	2,300	1,930	430	4,660
Tuolumne	40	60	90	190
Ventura	400	910	270	1,580
Yolo	350	230	240	820
Yuba	520	220	270	1,010
Statewide	84,330	71,180	44,080	199,590

* Not available.

Note: Children would lose cash assistance as of June 1, 2008 under the safety-net and child-only proposals and as of June 1, 2009 under the full-family sanctions proposal. Estimates of the number of children who would lose aid statewide under each proposal come from the Department of Social Services. County estimates are based on the number of safety-net, child-only, and sanctioned families in each county's CalWORKs caseload in November 2007. Plumas County did not report the number of families in sanction status in November 2007. All figures are rounded to the nearest 10, except for some estimates for certain small counties. County estimates do not sum to totals due to rounding.

Source: CBP analysis of Department of Social Services data