

CalWORKs

Program and Budget History

State budgets in recent years reflect vast and deep changes in the CalWORKs Program, at the same time that an increased caseload of parents and children have relied on its benefits for basic subsistence expenses, including housing, hygiene, and clothing costs. By way of context, the following is a summary of adopted budget reductions and program policy changes in CalWORKs as a result of past budget negotiations.

State spending has decreased significantly as a result of these multiple, ongoing reductions. Placing this in historical context, according to the California Budget Project, welfare assistance represented 6.8 percent of the state's overall budget (including federal, state, and local resources) in 1996-97, compared with 2.6 percent in 2012-13.

CalWORKs Reductions Adopted as Part of the 2009-10 Budget

- ***Reduction of Grants by 4 Percent*** - For a family of three in a high-cost county, this 4 percent reduction cut the maximum monthly grant from \$723 to \$694, for a monthly loss of \$29. Together with the COLA elimination below, these grant reductions resulted in about \$240 million in program savings.
- ***Elimination of Cost of Living Adjustments (COLAs)*** - COLAs had been suspended in the program for some time; however the 2009 budget deal resulted in the statutory elimination of COLAs for CalWORKs and SSI/SSP, making any possible application of them in the future subject to annual budget negotiations.
- ***Significant Cut to Employment Services (WTW) and Child Care*** - This budget achieved \$420 million in savings by reducing the Single Allocation by \$377 million (\$162 million from welfare-to-work services and \$215 million from Stage 1 child care) and by reverting \$43 million from 2008-09. The negotiated agreement was for a two-year cut of \$375 million to the Single Allocation through the end of 2010-11.
- ***Apply Program Exemptions Associated with the Single Allocation Reduction*** - To allow counties to absorb the Single Allocation reduction, budget legislation exempted families with a child under age two, or with two or more children under the age of six, from work participation requirements, although they are allowed to volunteer. The policy also stopped the 60-month lifetime time clock for those excused due to lack of supportive services.

CalWORKs Reductions Adopted as Part of the 2010-11 Budget

- **Context** – In 2010, Governor Schwarzenegger proposed to eliminate the CalWORKs program, first, subject to a trigger, and then as a stand-alone proposal at May Revision. The Legislature rejected this, along with a massive 15.7 percent grant cut proposal and a proposal to eliminate the CalWORKs Recent Noncitizen Entrants Program (RNE).
- **Continue \$375 Million Single Allocation Reduction** – The final budget agreement instead continued the reduction in WTW and child care services for CalWORKs recipients, with exemptions for adults with young children, with \$376.9 million in savings.

CalWORKs Reductions Adopted as Part of the 2011-12 Budget

Altogether, the changes adopted in the 2011-12 Budget deals (March and June) resulted in savings of approximately \$1 billion in the CalWORKs program.

- **Reduction of Lifetime Time Limit from 60 to 48 Months** - Approved Governor's proposal to cut CalWORKs from 60-months to 48-months for adults effective June 1, 2011, without altering policies regarding those adults' exemptions, for a savings of \$102.6 million General Fund in 2011-12 (\$112.9 million General Fund annually), resulting in the removal of approximately 22,500 adults from aid.
- **Cut Grants by 8 Percent** - Approved a historic 8 percent grant cut effective June 1, 2011 to save approximately \$314.3 million General Fund in 2011-12 and on an ongoing annual basis. The Governor had proposed a deeper reduction of 13 percent. This change reduces the maximum grant for a family of three in a high cost county from \$694 per month to \$638 (lower in actual dollars than the grant level in 1987). It is important to note that the average grant for a family of three is closer to \$474 per month after the 8 percent cut.
- **Further Continuation of the Single Allocation Reduction**- Extended a 2009-10 and 2010-11 reduction of \$376.9 million General Fund in funding for child care, employment services, and administration through 2011-12. Correspondingly, extended exemptions from WTW requirements for parents of very young children (i.e., one child between the ages of 12 and 23 months, inclusive, or two children under the age of six years), which erodes \$7.5 million of those savings.
- **Lower Earned Income Disregard, Reducing Income for Families** - Approved a change to disregard the first \$112 of relevant income, instead of the first \$225 pursuant to current law, and then 50 percent of all other relevant earnings. Savings from the earned income disregard change, effective June 1, 2011, is approximately \$83.3 million General Fund in 2011-12 (\$90.0 million General Fund annually).

- ***Suspend CalLearn for Pregnant and Parenting Teens*** - Suspended, for one year, case management services otherwise available under the CalLearn program for pregnant and parenting teenagers. These teenagers will instead be eligible for regular WTW services that are available in their counties. They will also continue to be eligible for supplements or bonuses related to progress in school, as specified. These changes are anticipated to result in \$43.6 million General Fund savings in 2011-12.
- ***Reduce Substance Abuse and Mental Health Funds, Reduce Funds for Automation*** - Adopted a reduction of \$5 million for substance abuse and mental health services for CalWORKs recipients and a \$5 million across the Statewide Automated Welfare System.
- ***Cut in Stage 1 Child Care*** - Approved savings of up to \$41 million for Stage 1 child care conforming to actions related to reimbursement rates taken in the child care package.
- ***Eliminate Community Challenge Grants*** - Eliminated \$20 million for these grants related to teen pregnancy prevention.

CalWORKs Reductions Adopted as Part of the 2012-13 Budget

Budget Summary

The CalWORKs changes result, as a package, in **General Fund savings of \$469.1 million for 2012-13**, with on-going savings of \$423 million. The savings are net of the various components of the CalWORKs package as outlined below.

- **Continuation of Single Allocation Reduction.** Continues, though phases-out, the reduction of the county single allocation, or the block grant that funds CalWORKs employment services, Stage 1 child care, and administration, by \$444 million General Fund, which is a net reduction reflecting the sunseting of the short-term extensions for parents of young children, adding a new one-time exemption for families with a child between 12 and 24 months, applying a new 24-month services time clock prospectively, and adding an extension to the 24-month clock for up to 20 percent of the caseload. The major components of these program changes are described further below.
- **Change to Annual Reporting for Safety Net Cases.** Change the frequency of reporting from semi-annual to annual for CalWORKs Safety Net cases, serving cases without an aided adult. This produces savings of \$26 million General Fund in the program for 2012-13 and on-going.

- **Cal-Learn Phase-In.** Restores the Cal-Learn Program for pregnant and parenting teens in poverty, but phases the program back in, resulting in one-time savings of \$10 million General Fund in 2012-13. This allows counties to ramp-up to full reinstatement by April 1, 2013.
- **Earned Income Disregard.** Restores the earned income disregard policy to that which existed prior to the enactment of the 2011-12 Budget Act, allowing a participant to retain \$225 and \$.50 of each dollar thereafter of monthly earnings, altering the current policy that allows for a participant to retain \$112 and \$.50 of each dollar thereafter of monthly earnings. This policy will apply to the entire caseload with earnings and will take effect October 1, 2013.
- **Food Stamps Supplement.** Delays the effective date for the Work Incentive Nutritional Supplement (WINS) program until January 1, 2014 and reduces the amount of the WINS benefit, which is an additional food assistance benefit for each eligible food stamp household, from \$40 to \$10 per month. This change increases the state work participation rate (WPR) by 20 percent.
- **Rejects Most Draconian Features of Governor Proposal.** Rejects the Governor's proposal to apply federal rules regarding unsubsidized employment to the entire caseload and to dramatically reduce grants for basic aid for hundreds of thousands of families with children to 24 percent of the federal poverty level.
- **Other Changes.** Costs of \$8.5 million for automation associated with the changes and \$2.5 million for WINS automation are included.

Overall Program Changes

Young Child Exemptions.

- **Extends and then phases out the current temporary exemptions** provided in relation to the reduction in the county single allocation from July 1, 2012 until January 1, 2013, when these exemptions will sunset. These temporary exemptions are provided to a parent or other relative who has primary responsibility for personally providing care to one child who is from 12 to 23 months of age, inclusive, or 2 or more children who are under 6 years of age.
- **Requires counties to reengage recipients** who had received the young child exemption in welfare-to-work activities starting January 1, 2013. The recipient is not required to participate until the county welfare department reengages the recipient in welfare-to-work activities.
- **Creates a similar, one-time young child exemption** for caregivers of a child 24 months of age and younger and would provide that a month during which this exemption applies would not be counted as a month of receipt of aid for the recipient.

Significant Changes to State Rules.

- Modifies the number of welfare-to-work participation hours to conform to certain federal requirements and eliminates the requirement for a participant to participate for at least 20 hours per week in core activities.

New 24 Month Time Limit

Basic Framework

1. **When It Starts** – The effective date is January 1, 2013. The 24-month time limit starts when a recipient signs their welfare-to-work plan.
2. **Who It Applies To** – This is a prospective change only and will not be applied retroactively to current cases.
3. **Requirements** – Within this “floating” first 24 months, applicants and recipients would receive welfare-to-work services and activities under state rules as altered – where the state core/noncore activities are eliminated and hours are aligned to federal requirements. After the expiration of the 24-month time limit, recipients would be required to meet federal work participation requirements through the remainder of their 48-month lifetime time limit, unless they are exempted pursuant to current law.
4. **Floating 24-Months** – The 24 months can start and stop. Any month in which the recipient is meeting federal work and activity requirements shall not count as a month of activities for purposes of the 24-month time limit.
5. **What Months Are Exempt From The 24-Month Clock** -- Months in which the recipient is developing a plan, is in sanction status, has been excused from participation for good cause, qualifies for an exemption pursuant to current law, or is a custodial parent who is under 20 years of age and who has not earned a high school diploma or its equivalent do not count toward the 24-month time limit.
6. **Notice for Recipients** -- Provides for notice requirements to recipients regarding the 24-month time limit that explain the process by which recipients may claim exemptions from, and extensions to, the 24-month time limit when the individual applies for aid, during the recipient’s annual redetermination, and at least once after the individual has participated for a total of 18 months, and prior to the end of the 21st month, that count toward the 24 month time limit.
7. **Implementation Steps** -- Requires the DSS, in consultation with stakeholders, to convene a workgroup to determine further details of the noticing and engagement requirements for the 24 month time limit, and shall instruct counties by way of an all-county letter, followed by regulations, no later than 18 months after the effective date of January 1, 2013.

Extensions Beyond 24 Months

8. **20 Percent Cap** -- Provides that counties may provide extensions of time for recipients upon the expiration of the 24-month time limit equal to or no more than 20 percent of the welfare-to-work eligible caseload who are within their 24th and

48th months of aid. The DSS shall develop and issue instructions on the application of this 20 percent.

9. **Application for Extension** -- Requires a county to grant a six-month extension, which can be renewed, to a recipient who provides evidence to the county that he or she meets any of the following circumstances, allowing for others to be determined by the DSS: a) is likely to obtain employment within six months; b) has encountered unique labor market barriers preventing employment; c) has achieved satisfactory progress in an educational or training program; d) needs additional time to complete a welfare-to-work activity included in the case plan due to a diagnosed learning or other disability; or e) has submitted an application to receive SSI disability benefits with an established hearing date. An extension is subject to the 20 percent limitation and to a determination made by the county that the evidence does not support the existence of the circumstances.
10. **County Granting Extensions** – Provides that a county may, subject to the 20 percent limitation, grant an extension of the 24-month time limit if, as a result of information already available to a county, including the recipient’s welfare-to-work plan and verifications of participation, the county identifies that a recipient meets the circumstances described above.
11. **Legislative Intent** – States that it is the Legislature’s intent that the state work with the counties and other stakeholders to ensure that the extension process be implemented with minimal disruption to the impending completion of welfare-to-work plans for recipients.
12. **Cases That Can’t Meet Requirements After 24 Months** – Provides that for a recipient who is not exempt or granted an extension pursuant to the above, and who does not meet the federal participation requirements between their 24th and 48th month time limits, the same policies regarding the removal of the adult portion of the grant and opportunities for engagement and curing are available pursuant to current law. For purposes of this new policy, states that the procedures referenced shall not be described as sanctions.

Reporting and Oversight

13. Requires the DSS to annually update the Legislature regarding the changes made by this bill to the CalWORKs program, and to contract with an independent, research-based institution for an evaluation and written report, with specified contents, which would be provided to the Legislature by October 1, 2017.