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POLICY RECOMMENDATIONS FOR CASH ASSISTANCE PROGRAMS AND WORK SUPPORTS

CALIFORNIA WORKING FAMILIES POLICY SUMMIT February 25, 2010

Background

Low-income Californians have been hit hard by the national recession. As of December 2009, California's unemployment rate had climbed to 12.4 percent, the fifth highest unemployment rate in the country.¹ As jobs disappeared in 2007 through 2009, the CalWORKs caseload rose from about 450,000 cases in July 2007 to 570,000 cases in May 2009, a 26 percent increase. Other cash aid programs like Supplemental Security Income (SSI) and its state counterparts, State Supplemental Payment (SSP) and Cash Assistance for Permanent Immigrants (CAPI), which serve low-income disabled and elderly people, became even more central to serving these vulnerable populations. Unfortunately, just as more people were relying on cash assistance programs for help during these economic hard times, the state recession has crippled California's budget, leaving it out of balance by an estimated \$19.9 billion through July 2011.

Given the recession and the dire nature of state budgets throughout the nation, California joined many states looking to the federal government for assistance. In February 2009, Congress and the President passed the American Recovery and Reinvestment Act (ARRA) which offered states fiscal relief. Without ARRA funds, California would have had to cut much more deeply into CalWORKs and other ARRA-funded programs. California

California Work Opportunity & Responsibility to Kids

The California Work Opportunity and Responsibility to Kids (CalWORKs) program is California's cash assistance program for very low-income children and their families. It is regulated and funded through TANF, the federal Temporary Assistance for Needy Families Program, which is administered by the Department of Health and Human Services. The goal of CalWORKs is to insure that all poor families with children have enough cash to meet basic needs and to provide opportunities through education, training and employment to become independent and self-sufficient.

To understand California's CalWORKs program, it is important to understand some of the program's history. CalWORKs was established in 1998 as a result of national welfare reform. Prior to that, cash aid to poor families was delivered through AFDC, or Aid to Families with Dependent Children. In 1994, California spent \$3.7 billion in state general funds on the AFDC program. As a result of welfare reform, federal funding was delivered in the form of a block grant. In order to receive the entire block grant, California was initially required to spend \$2.7 billion in state general funds, or "state match," but this was subsequently reduced to the current state fund obligation for CalWORKs of \$2.3 billion.

The \$2.3 billion in CalWORKs state match has, over time, been shifted to non-welfare uses. The flexibility of the federal block grant and maintenance of effort rules has allowed California to count expenses for foster care, developmental services, community college fee waivers and a host of other state programs towards the federally required baseline level of support for CalWORKs, known as the Maintenance of Effort (MOE). As a result, California has reduced the state's General Fund burden by approximately \$1 billion. Meanwhile, though the federal TANF Block Grant remains \$3.7 billion, the amount of state General Funds spent directly on CalWORKs has shrunk to \$1.5 billion annually.

and other states are now pressing federal officials for an extension of these provisions. Even without extended federal assistance, the Western Center on Law and Poverty (WCLP) believes that the budget shortfalls should not be alleviated by cuts to cash assistance or other safety net programs because CalWORKs spending has not and is not causing the shortfall. The savings generated by the cuts would represent a relatively small portion of the solution to the state's budget deficit, but would have a devastating impact on families and the California economy.

Cutting CalWORKs Grants Reduces Federal Funding and Work Participation

In his Fiscal Year 2010-11 budget put forward in January, Governor Schwarzenegger proposed elimination of programs and reductions in services used by millions of Californians. These proposals came on top of draconian cuts to health and human service programs in 2009.

\$269 million in cuts were recommended for the CalWORKs program in FY 2010-11. Moreover, because these cuts trigger a loss in federal TANF funding, the net benefit to the state budget would be only \$120 million. The state would also lose the economic stimulus afforded through these revenues. CalWORKs grant cuts would not only reduce the amount of federal funds flowing into the state, the cuts would also negatively impact the state's work participation rate. Because CalWORKs families at higher grant levels are also more likely to be working, a lower grant level would not only remove these working families from the CalWORKs program, but also from the families used to calculate of the state's "work participation rate," which has ramifications for the federal welfare dollars California can draw down and the penalties we might be subject to.

Under current law, a family is eligible for CalWORKs until they earn twice the amount of the maximum grant by family size plus \$225. A family of three can thus earn $\$694 \times 2 + \225 for a total of \$1,613 before they must exit the program. If grants were to be reduced by 15.7 percent, the exit point would then be lowered to \$1,359 a month. Families with incomes at the higher level are more likely to be meeting CalWORKs work participation requirements – and with grant reductions, many of these working families would no longer be counted towards California's work participation rate.

POLICY OBJECTIVE # 1

Preserve the State Safety Net.

Oppose proposals that reduce or eliminate cash and food assistance for the lowest income families.

Background

For the past two budgets, both Governor Schwarzenegger and Senate Republicans have proposed drastic reductions in cash and food assistance programs. These cuts impact millions of Californians, including children, immigrants, senior citizens and the disabled. As proposed by Governor Schwarzenegger in the 2009-10 special session, the cuts to CalWORKs, Supplemental Security Income (SSI), California Food Assistance Program (CFAP) and Cash Assistance Program for Immigrants (CAPI) Program would eliminate more than \$691 million in benefits for the most needy families in the state. These cuts, if enacted, would not only result in deeper poverty, but would also reduce economic activity and cut jobs at a time when we need them the most.

Recommended Actions

The Legislature should reject the following cuts to cash assistance programs and work supports proposed by the Governor:

- A 15.7 percent cut to CalWORKs grants. This will cut the maximum grant for a family of three from \$694/month to \$586/month, a \$109/month decrease
- A reduction in the rate paid to child care providers.
- A \$123 million cut to Stage 3 child care, which would impact 30 percent of Stage 3 children.
- Elimination of the Recent Non-Citizen Entrants Program, eliminating services to 24,000 people.

- Elimination of CFAP, a food assistance program serving Legal Permanent Residents whom are not yet eligible for federal SNAP benefits.
- \$15 a month reduction in SSI grants for individuals. This would reduce the grant from \$845 a month to \$830 a month.
- Elimination of CAPI, a cash assistance program serving Legal Permanent Residents not yet eligible for federal Supplemental Security Income.
- Additional “trigger” cuts (including elimination of the CalWORKs Program and the Transitional Housing Plus Program for Foster Youth) which take effect if an additional \$6.9 billion in federal fiscal assistance is not secured.

POLICY OBJECTIVE # 2

Extend Federal Fiscal Support.

Ask Congress to support an extension of ARRA provisions and fiscal support to states.

Background

The fiscal relief provided through ARRA in 2009 lessened the severity of the state budget cuts last year and the magnitude of jobs lost in California and provided a stronger safety net for struggling California families. The President’s proposed FFY 2011 budget includes several important provisions that would extend support job development, stabilize the economy, and prevent increases in the state’s poverty rate.

Under the American Recovery and Reinvestment Act (ARRA), California is eligible to receive up to \$1.8 billion in TANF Emergency Contingency Funds (ECF). The TANF ECF is in addition to the regular TANF Contingency Funds and both are meant to support the goal of promoting economic independence and social well-being of individuals and families during economic downturns. The ECF funds need to be encumbered by September 30, 2010.

Many counties are using ECF to implement subsidized employment through partnerships with nonprofits, businesses and local government agencies. Counties are making these services available to families on CalWORKs, and in some counties other low-income families. Jobs are often entry level, with the expectation of building work experience to help land a permanent unsubsidized job. Employers can receive an 80 percent subsidy for new hires. In some counties, unpaid work experiences for CalWORKs clients are being converted to paid jobs. As incomes of CalWORKs families increase, their grants decrease which reduces the amount of state funding needed to pay for grants while increasing work participation rates. The President has proposed that TANF ECF funds be extended and that they be paid for with 100 percent federal funds.

Recommended Actions

The Legislature should join human services advocates in asking Congress to quickly pass legislation that supports provisions in the President’s budget that extend federal fiscal support to states, including:

- Extend authorization for TANF for 12 months – the block grant expires in October 2010 – and allow states to be eligible for up to 50 percent of the state’s TANF Block Grant in FFY 2011 alone, rather than over two years.
- Extend for 12 months the TANF Emergency Contingency Fund and provide \$2.5 billion in FFY 2011.
- Eliminate the 20 percent state match requirement for subsidized employment and permit states to be reimbursed for certain “employment services.”
- Extend enhanced Federal Medical Assistance Percentage (FMAP) for 12 months.

POLICY OBJECTIVE # 3

Simplify delivery of federal assistance to eligible Californians and pass legislation that would increase access to safety net programs for all who are eligible and need them.

Background

California should be seeking ways to simplify and modernize rules for the programs that make up the state's safety net system. Doing so will protect the most vulnerable Californians while creating jobs and generating economic activity. For example, California's low participation in the Food Stamp Programⁱ results in the loss of millions of federal dollars each month and the additional economic activity that they would have generated.

The federal government is offering generous reimbursements for state expenditures in a host of safety net programs, and leading economists have shown that government expenditures in these programs can be a successful strategy in generating economic activity during recessions. In short, investments made to shore up the state's safety net are good for our low-income neighbors and good for the economic vitality of our communities.

Recommended Actions

The Legislature should pass, and the Governor should sign, legislation that would increase access to safety net services for the increasing number of Californian's who need them.

- Adopt all federal options available to keep those participating in safety net programs from being needlessly sanctioned or discontinued. This would reduce the number of eligible participants that unnecessarily exit programs – and then later reapply – and would reduce what is referred to as caseload *churning* and its associated administrative costs.
- Remove costly and inefficientⁱⁱⁱ Statewide Finger Image System (SFIS) requirements from state-administered public benefits eligibility.
- Align reporting and recertification processes for programs serving similar populations.
- Utilize vocational education and training funds available through both CalWORKs and the Food Stamp Program for strategic retraining of our workforce.

ⁱ [Regional and State Employment and Unemployment Summary December 2009](#), United States Department of Labor, Bureau of Labor Statistics.

ⁱⁱ [Reaching Those in Need: State Supplemental Nutrition Assistance Program Participation Rates in 2007](#), The United States Department of Agriculture, Food and Nutrition Services (Nov. 2009).

ⁱⁱⁱ [2003-04 Budget Analysis](#), California Legislative Analysts Office (LAO)