



Recommendations on CalWORKs

California Working Families Policy Summit
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INTRODUCTION

CalWORKs - A Policy and Fiscal Success

CalWORKs is one of the most effective programs operated by the State of California. In the past 13 years, the program has helped tens of thousands of families move from poverty to self-sufficiency while reducing the caseload by nearly fifty percent. CalWORKs not only encourages families to go to work by providing an earnings disregard and child care, but it helps adults improve their employment skills through educational programs.

CalWORKs has been a fiscal success for the State of California as well. In 1994, the state spent \$3.7 billion on the Aid to Families with Dependent Children (AFDC) program. Today the state is required to spend just \$2.9 billion on CalWORKs. In reality, the state spends far less than that since it counts nearly \$1 billion in non-CalWORKs state spending towards the state match. Despite these significant savings, California is still able to help more families than any other state in the country. In the current recession, the CalWORKs program has been there to help families rebuild their lives after losing jobs.

Despite the success of the CalWORKs program, the state has failed to fund it at the level to sufficient to harness its great potential. When CalWORKs was implemented in Fiscal Year (FY) 1997-98, the average annual caseload was 732,176. By FY 2007-08, the average annual caseload had declined to 456,951, a decrease of 37.6 percent. The recent recession has reversed this decline. From August 2007 to September 2010, the monthly CalWORKs caseload increased from 457,657 to 576,881 an increase of 119,226 cases, or 26 percent. Meanwhile, the maximum monthly grant for a family of three was reduced in July 2009 from \$723 to \$694 (the same amount that was provided in 1989). When adjusted for inflation, a CalWORKs grant in 2009 was worth only 54.2 percent of its value 20 years ago. The policy objectives below describe ways that the state can ensure continued success of the CalWORKs program during these drastic economic times.

POLICY OBJECTIVE #1

Restore Stage 3 child care funding immediately.

Background

In October, then-Governor Schwarzenegger blue-penciled \$256 million in Prop 98 funding for child care for former CalWORKs families who are working and no longer on aid. This child care, known as Stage 3, is a crucial to former CalWORKs recipients struggling to retain employment and to protect the investment made by the CalWORKs program.

The courts suspended the elimination of Stage 3 through December 31, 2010, during which time providers and counties worked feverishly to transition as many of the 56,000 Stage 3 families as possible to other child care programs. Some county First Five commissions provided bridge loans to providers. But even with these efforts, there were families that were not able to find replacement child care.

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To reinstate these vital services, AB 1 (Pérez) and SB 12 (Corbett) were introduced in December and seek to restore Stage 3 funding. The restoration can be funded from the appropriated Prop 98 funds that were blue-penciled which are neither in the reserve nor committed to any current program use. If the funding is restored, the Department of Education has agreed that all participants will be returned to their previous child care slots.

Recommended Action

The Governor should sign the Speaker's bill (or SB 12 by Senator Corbett) as soon as possible to maintain the infrastructure of Stage 3.

POLICY OBJECTIVE #2

Repeal AB X4 8 but extend cost savings from AB X4 4 infant exemptions.

Background

In 2009, then-Governor Schwarzenegger signed ABX4 4 and AB X4 8, which make significant reforms to the CalWORKs program in an attempt to secure General Fund savings. The short term reforms enacted by AB X4 4 became effective August 1, 2009 and are to become inoperative on July 1, 2011, when the long-term reforms enacted by AB X4 8 are scheduled to begin.

AB X4 8 contains a host of CalWORKs changes that had been consistently rejected by the Legislature after public hearings demonstrated their flaws. The bill was written without participation by stakeholders. It was poorly drafted, contradictory, wasteful, and certain to inflict the most harm on the most vulnerable families in the CalWORKs program. WCLP supports repealing AB X4 8 and forming a stakeholder group to identify ways to bring California into compliance with TANF work requirements.

We appreciate that, without AB X4 8, assumed savings of nearly \$200 million in FY 2011-12 will disappear. However, after extensive reviews of the provisions of AB X4 8, most believe that the bulk of the assumed "savings" will not materialize. In fact, it would cost nearly \$100 million to implement, require a host of confusing notices to be mailed to families and lead to numerous administrative appeals.

On the other hand, continuing the current practice the short-term reforms already enacted by AB X4 4, which includes exempting families with infant children from mandatory participation in welfare to work activities achieves savings in supportive services, mostly child care. According to the Legislative Analyst Office, AB X4 4 saves the CalWORKs program \$375 million annually. This approach is already fully implemented in all 58 counties and is far more certain to achieve significant savings in FY 2011-12 than the reforms called for in ABX4 8.

Recommended Action

The Governor and Legislature should secure \$375 million annually by extending provisions of ABX4 4 and block the costly and harmful implementation of ABX4 8.

POLICY OBJECTIVE #3

Adopt simplified reporting for CalWORKs and CalFresh.

Background

California is now the only state in the nation that requires recipients of CalWORKs (known as TANF nationally) and CalFresh (known nationally as the Supplemental Nutrition Assistance Program - SNAP) to report changes in their income every three months.

CalFresh benefits are 100% federally funded, but approximately half of the money California is entitled to stays in Washington, DC. If California required income reporting no more than every six months, it would increase the state's drawdown of federal funds, reduce county administrative costs, and give hungry Californians the help they need.

Based on analysis of historical data from the California Department of Social Services, changing to six month reporting would generate \$16 million in CalWORKs grant savings, \$27 million in administrative savings, and brings millions in CalFresh benefits to low-income families. This "win-win-win" was stalled because former-Governor Schwarzenegger demanded that the semi-annual reporting be accompanied by a new report threshold that was unfair and unwise. By reducing the amount of money one could earn without submitting a report, his proposal would have weakened incentives for participants to secure employment and increase the frequency with which county administrators would be required to process reports, reducing the savings. AB 6 (Fuentes), introduced in December, proposes to implement semi-annual reporting for CalWORKs and CalFresh.

Recommended Action

The Legislature should adopt AB 6 (Fuentes) and count the savings towards reducing the 2011-12 budget deficit.

POLICY OBJECTIVE #4

Eliminate finger imaging for CalWORKs and CalFresh.

Background

Another area where the state can save money is by eliminating the \$14 million Statewide Finger Image System (SFIS) used in the CalWORKs and CalFresh programs. California is one of only 4 states in the nation to require finger imaging as a form of duplicate aid fraud detection. It is expensive, duplicative and administratively burdensome.

Fraud in California's main welfare programs is extremely low. Less than one percent of all households are referred for investigation of fraud and just one percent of those investigated are convicted of fraud. That is because, even before SFIS is employed, California operates one of the most sophisticated fraud deterrence programs in the country. No one wants fraud in the welfare system, but in belt-tightening times like these, program features that are ineffective and redundant must be eliminated. AB 6 (Fuentes), introduced in December, does this by ending SFIS for CalWORKs, General Assistance and CalFresh.

Recommended Action

The Legislature should adopt AB 6 (Fuentes) and count the savings towards reducing the 2011-12 budget deficit.

POLICY OBJECTIVE #5

Eliminate lifetime ban in CalFresh and CalWORKs.

Background

Currently, California bans for life adults with a prior drug felony conviction from ever receiving CalWORKs and a smaller class of people with prior drug felony convictions from receiving federally funded CalFresh benefits. The lifetime ban on basic food and housing support not only creates barriers to successful, drug-free integration back into society, it also costs the state of California money. According to a Little Hoover Commission report in 2005, ending the lifetime ban for food stamps (now CalFresh) alone would save the General Fund more than \$700,000 annually due to lower parole returns and re-arrests. In 2010, the Department of Finance estimated that the state pays as much as \$120 million annually in prison costs resulting from the inability of felony probationers to be successfully integrated back into their communities.

Recommended Action

The Legislature should pass legislation ending the lifetime ban in CalWORKs and CalFresh for people with prior drug felony convictions.

POLICY OBJECTIVE #6

Maintain a Single Statewide CalWORKs System.

Background

Resolving the state budget problems may require restructuring the way programs and services are delivered and funded. Allowing local control of some existing state programs may be needed to win support for revenue for those programs.

Last summer the LAO published a white paper on program realignment. In it, the LAO describes the kind of programs which are not suitable for realignment to counties as ones where, *“statewide uniformity is vital, where statewide benefits are the overriding concern, or where the primary purpose of the program is income redistribution.”* CalWORKs fits this description. It is in the state’s interest to ensure that poor families in Modoc are getting the same chance to escape poverty as poor families in Santa Clara County. The state has an equally strong interest in securing a stable environment for each child. The state has long controlled grant levels designed to help families provide for basic necessities such.

Recommended Action

The Governor should craft a budget that does not dismantle the statewide structure of the CalWORKs program.

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