

SB 3 (Leno) and the Impact on Safety Net Programs

Big Income Boost, Substantial State Savings

SB 3 will have a significant positive impact on CalWORKs families who have earnings from work. We estimate that when fully phased in the average income of CalWORKs families with a family member who works will have a net increase of about \$321 a month or \$3,852 annually. We estimate that most households will have a small loss of CalFresh benefits but that it will be offset by a boost in the EITC. We find that for the average working CalWORKs family that there will be little or no impact on CalWORKs caseload or eligibility for supportive services.

Positive Impact on CalWORKs Family Earnings

Based on the most recent data from the Department of Social Services we estimate that when SB 3 is fully implemented that the average CalWORKs family with income from work will experience a \$344 increase in household income per month or about \$4,173 annually.

Impact on CalWORKs Eligibility

The impact on CalWORKs families is not widespread because 81 percent of CalWORKs cases do not have earnings from work. Many cases do not include a parent in the CalWORKs household or have an adult that is ineligible or unable to work. We would anticipate that SB 3 will increase the number of CalWORKs families who do work.

According to our analysis, even after SB 3 is fully phased in at \$15 an hour the typical CalWORKs family with earnings from work will remain on the caseload with a grant of around \$80 a month. Families who work more than 120 hours a month would lose eligibility for CalWORKs services but would receive transitional child care after they leave assistance.

Impacts on eligibility are within the Legislature's discretion to remedy. One simple method to assist families is to increase the amount of earnings from work that can be kept by the family before the CalWORKs grant is reduced. Currently this amount is capped at \$225 a month, an amount that has not been increased since CalWORKs was first created in 1997. AB 1742 (Stone) proposes an increase in this amount.

Impact on CalFresh

According to our estimate, under SB 3 a CalWORKs family will receive about \$93 a month less in CalFresh with the minimum wage increase. Because CalFresh eligibility goes to 200% of the Federal Poverty Level there will be no reduction in the number of CalWORKs parents eligible for CalFresh. But it is important to note that even with this drop in CalFresh

assistance, the family will still have \$321 more a month than they currently receive by working the same number of hours.

Impact on Federal and State EITC

We estimate that in 2022, a single head of household with 2 children on CalWORKs earning the average annual income of \$19,440 will receive \$6,324 of federal EITC. That is the maximum federal EITC that a head of household with two children would be eligible for in 2022. Currently a family of three with the average income of a CalWORKs family receives \$5,493 annually in federal and state EITC. Thus under SB 3 a family will get an increase in EITC of \$831 a month or about \$70 a month. ⁱ SB 3 would lead to some CalWORKs families being phased out of the state EITC which the Legislature may consider adjusting in the future to reflect the higher minimum wage.

SB 3 Will Lead to Higher Family Income and Significant State Savings

Below is an analysis of how working CalWORKs families will be financially impacted by SB 3. It shows that on average the families will experience an increase in income of \$344 a month, nearly a 25 percent boost. As noted above CalFresh benefits will decline by about \$93 a month but EITC will increase by about \$70 a month. Thus the combined average income of working CalWORKs will increase by about \$321 a month or about \$3,852 a year.

According to our analysis as family income increases, the state will also have significant savings in CalWORKs grants of approximately \$276,668,652 annually when SB 3 is completely phased in. As the below data shows the average working CalWORKs families will continue to receive a small CalWORKs grant which will keep the family eligible for key supports like child support and education.

	<i>At \$10 an hour</i>	<i>at \$15 an hour</i>
CalWORKs Grant	\$704	\$777 ⁱⁱ
Income from Wages	\$1,080 ⁱⁱⁱ	\$1,620
After \$225 Disregard	\$855	\$1,395
50% Deduction	\$428	\$697
Net CalWORKs Grant	\$276	\$80
Total Family Income	\$1,356	\$1,700
Annual State Savings ^{iv}	\$440,201,424	\$716,870,076
General Fund Grant Savings Under SB 3		\$276,668,652

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ⁱ Based on an analysis by the Center on Budget and Policy Priorities. All EITC parameters are in 1995 dollars. To estimate parameters for future years, we start by estimating the parameters for tax year 2016 using present CPI-U adjusted to reflect the tax year. For years after 2016, we inflate the estimated 2016 parameters using CBO's inflation projections. Thresholds are then rounded to the nearest \$10 per the tax code.

ⁱⁱ This amount reflects a 2 percent annual increase in CalWORKs grants each year beginning in January 1, 2017 and ending on January 1, 2022. In total it represents a 10% increase which is how much CalWORKs grants have been increased in the past 3 years.

ⁱⁱⁱ The average earnings from work for a CalWORKs recipient is \$971 based on pre-2016 data. With the increase in the minimum wage on January 1, the analysis increased the assumed earnings by a dollar an hour worked per month.

^{iv} Assumes 85,709 CalWORKs families working based on 2015 DSS data.