



CCWRO

Coalition of California Welfare Rights Organizations, Inc.

February 11, 2019

The Honorable Holly J. Mitchell
Chair, Senate Budget and Fiscal Review Committee

The Honorable Philip Y. Ting
Chair, Assembly Committee on Budget

RE: CalWORKs Proposals in the 2019-20 State Budget

Dear Chairpersons Mitchell and Ting,

The Western Center on Law and Poverty (WCLP) and the California Coalition of Welfare Rights Organizations (CCWRO) are writing regarding the Administration's proposed CalWORKs proposals in the 2019-20 budget. Our organizations advocate on behalf of poor families with children and view the Governor's proposals as a positive step toward alleviating deep childhood poverty in the CalWORKs program. We are particularly pleased to see the Administration's focus on addressing adverse childhood experiences which are rampant among the children in CalWORKs.

For many years our organizations have advocated for higher grant amounts for CalWORKs families and to eliminate policies that reduce grant levels for more than half the families. Due to the leadership of the Senate and Assembly in recent years we have seen a series of improvements to the program including, long overdue increases to grants, the elimination of the Maximum Family Grant Rule, the creation of a home visiting program for CalWORKs families, repealing the ban on assistance for persons with prior drug convictions and expanding housing supports to families facing homelessness.

We now look forward to the Governor and the Legislature working together to take the next critical steps to reduce deep childhood poverty and the trauma that children still experience. We think the time is now to take bold steps to modernize the CalWORKs program so that it can address families where they are at and to rid the program of confusing, archaic rules that take time away from case workers being able to help families heal from the trauma they have experienced.

Below is a summary of the budget issues raised in this letter and is followed by more in-depth discussions of each issue. Please do not hesitate to contact us for further information.

Summary of Advocate Budget Proposals

- Eliminate deep poverty in CalWORKs by providing additional grant funding in the 2019-20 budget.
- Restore the 60 Months Welfare to Work Clock for CalWORKs adults
- Increase the CalWORKs Earned Income Disregard to \$450 a month
- Modernize the CalWORKs income eligibility test so families with income receive CalWORKs services.
- Enhance the reach of Home Visiting services to more CalWORKs families who are expecting or parenting a child under age 2, regardless of whether they are a first-time parent or not.
- Fund the Single Allocation Fund to meet the actual needs of CalWORKs families and provide an entitlement to those services.
- Provide legislative oversight of both Cal-OAR and CalWORKs 2.0 and direct the department to report back statutory changes needed to make these two programs effective.
- Eliminate the HAP rule that counts a single day of temporary assistance as 16 days and eliminate the once a year cap on homeless assistance.
- Preserve the current structure of the Safety Net Reserve.

Ending Childhood Deep Poverty

The 2018-19 budget act included the following language:

It is the intent of the Legislature to increase CalWORKs maximum aid payment levels in the 2018–19, 2019–20, and 2020–21 fiscal years, or until the maximum aid payment levels reach 50 percent of the federal poverty level for the family size that is one greater than the assistance unit

We are extremely pleased to see the Governor's budget include a proposal that embraces the spirit of the above language and which takes a major step towards achieving the ending of childhood deep poverty. The proposed 13.1% increase in the CalWORKs grant on October 1, 2019 combined with the 10 percent increase provided in the 2018-19 budget act will increase grants for Region 1 non-child only families of two, three and four above or nearly to 50% of the federal poverty level. These three family sizes constitute 71.5 percent of all cases based on 2017 federal data.ⁱ We estimate that approximately 47,000 CalWORKs families will be lifted either out of deep poverty entirely or lifted within a few dollars of being out of deep poverty

Advocates Proposal

While the twin grant increases will provide significant income boosts to all CalWORKs households, there are an approximately 325,000 cases that will still be living in deep poverty.ⁱⁱ We look forward to working with the Legislature and the Governor to complete the goal established in last year's budget as soon as practicable.

CalWORKs Streamlining and Modernization Proposals

The CalWORKs program has been in existence for more than 20 years but from 2006 through 2012 went through a series of budget crisis, proposals to reduce spending in the program and

proposals intended to increase work participation. At the time, and certainly in retrospect, the wisdom of these program shifts was not grounded in what was best for families but rather what was best for the state budget.

In recent years the Legislature, the Brown Administration, the counties and advocates have moved in the opposite direction as we noted above. In addition to the significant grant increases and eligibility improvement, the state added the Family Stabilization program to address the rising number of families coming to counties in acute crisis, the On-Line CalWORKs Assessment Test (OCAT) to help identify the best paths out of poverty for adults and the CalWORKs outcomes and accountability review system. Nonetheless, the CalWORKs program needs further streamlining and modernization to make it more effective in helping families address their barriers and to find meaningful work. Advocates propose the following three changes to CalWORKs.

Fixing CalWORKs Eligibility Barriers – Repeal the Anti-Work Incentive

Long standing eligibility rules are fundamentally unfair to some poor families and need to be modernized. Under current CalWORKs law, a CalWORKs family that is earning \$1,500 a month is eligible for CalWORKs cash assistance, child care and supportive services. Another family that is earning \$1,500 a month is ineligible for the same CalWORKs benefits or services. The difference? The second family had earnings from work when they applied for CalWORKs and the other family had lower earnings when they applied for CalWORKs. This means that the CalWORKs program has an embedded bias against families with earnings and makes it far harder for them to get the critical services they need like child care and transportation to work. Without these supports, some families quit their job or reduce their hours so they become CalWORKs eligible. Rather than force material hardships on these poor families, we are asking the Legislature and the Governor to change the eligibility rule so that families with earnings from work are treated the same way as families with little or no earnings from work.

For a family to become eligible for CalWORKs, the income eligibility test is as follows. The family may not have income that exceeds the Minimum Basic Standard of Adequate Care (MBSAC) by family size plus \$90. Unlike the CalWORKs grant levels, the MBSAC is a historical income reference point that has been in place since 1971. It is annually recalculated for inflation by the department and currently represents a figure just short of 100 percent of the federal poverty level. For a family of three in Region 1 (higher cost counties) the MBSAC is currently \$1,395 a month. When the \$90 disregard is included the maximum income of a family of three to become eligible for CalWORKs is \$1,485 a month.

A family that was eligible at the time of application for CalWORKs, can later increase their income up to twice the CalWORKs grant amount by family size plus \$225 a month and still be eligible for CalWORKs benefits and services. But families that have earnings that exceed the MBSAC formula are not entitled to cash assistance or any of the following services:

Child Care	Family Stabilization	Homeless Assistance	Transportation
Domestic Violence Services	Homeless Services	Mental Health	Home Visiting
Substance Abuse Services	Education	Diaper Assistance	

Advocates Proposal:

Advocates propose to fix this problem by amending WIC 11450.12 (a) to make the applicant eligibility standard the same as the CalWORKs maximum income threshold. Making this change will make it easier for counties to make eligibility determinations and will mean that all poor California families with incomes below the CalWORKs maximum income threshold will be eligible for CalWORKs grant assistance, child care, educational opportunities and the other services CalWORKs provides.

Restore the 60 Month CalWORKs Clock

California is in a minority of states which do not allow TANF recipients the full 60 months on assistance as provided by federal law.ⁱⁱⁱ 30 states allow for families the full 60 months and 20 states establish a shorter time period. Among the states that allow for the full 60 months provided under federal law are: Mississippi, Alabama, Oklahoma, Texas, Nebraska and Kentucky.^{iv}

This was not always the case in California. Through the end of 2012, CalWORKs adults were permitted the full 60 months provided by federal law. But in the 2012-13 budget, under the duress of a severe budget crisis, the Legislature passed SB 1041 over the objections of advocates and counties. The bill made a number of significant changes to the CalWORKs program including.

- Limiting total time on CalWORKs for adults to 48 months instead of the 60 month period permitted under federal law.
- Establishing two 24 month welfare to work time periods with different work activities.
- Allowing parents with young children to be exempt from welfare to work for up to 12 months.
- Allowing for extensions of the 24 month clock under specific circumstances
- Requiring the department to do a comprehensive evaluation of the changes to the CalWORKs and their impacts on families.

Since the law went into effect in early 2013, advocates have repeatedly heard from recipients that they do not understand the SB 1041 changes and for the most part recipients are being enrolled in the same work first approach that was in effect before SB 1041. These observations are confirmed by a 2016 RAND report on SB 1041 that reported that it resulted in *“very small changes and suggest that the initial effects of the SB 1041 reforms have been modest and that much of the observed trends are likely the result of favorable economic and demographic trends.”*^v A major concern about SB 1041 was that its’ complexity would be hard for recipients to navigate and not result in the outcomes sought by the Brown Administration. The same RAND report confirmed this in finding that *“caseworkers said that while it was difficult for them to understand the changes brought about under the legislation, an even greater challenge was explaining it to participants. Data from the ACS reinforces this finding—93 percent of counties reported that explaining the complexity of SB 1041 to participants was a barrier.”*^{vi}

These findings are consistent with our direct communications with recipients in the years since SB 1041 went into effect. By creating two different clocks and having different rules for work requirements under the two clocks, most workers and recipients did not understand how to take advantage of the “flexibility.” The rules for tracking months on assistance were subject to more

than 40 time clock stoppers, welfare to work exemptions, state time clocks and federal time clocks.

Advocates Proposal

Advocates propose restoring the full 60 months on assistance for adults in the CalWORKs program. We propose to repeal the two twenty four month periods but to retain the county flexibility to design welfare to work programs that fit the needs of families.

Restore the Value of the CalWORKs Earned Income Disregard

Of all the program features in the original CalWORKs design from 1997, the Earned Income Disregard has proven to be the most effective way for families to increase their income. Not to be confused with the federal and state Earned Income Tax Credit program, the CalWORKs disregard allows families to keep the first \$225 that they earn before the state begins to reduce the amount of the CalWORKs grant by \$1 for every \$2 in earnings above \$225.

In the years since California adopted the CalWORKs disregard, there has been substantial research on the benefits of this policy. The Center on Budget and Policy Priorities summarized the research as showing:

“...that income supplements are an effective work incentive, improving employment outcomes for low-income working families, and that the combination of increased earnings and increased assistance reduces poverty.”^{vii}

Unfortunately, the CalWORKs earned income disregard was not indexed to inflation. The California Budget and Policy Center estimates that for the CalWORKs disregard to have the same impact as it did in 1998 to encourage work that the disregard would be \$388 a month. By increasing the disregard, the state will incentivize more adults to seek employment. The timing for the disregard increase will combine with the federal and state earned income tax credit and the annual increases in the minimum wage to encourage people to work and reduce material hardships on families.

Advocates Proposal

Increase the CalWORKs earned income disregard to \$450 a month to account for upcoming minimum wage increases, allow recipients to keep 70 percent of what they earn and index the disregard for inflation so that it does not lose its' value again.

Cal-OAR and CalWORKs 2.0

The CalWORKs Outcomes and Accountability Review (Cal-OAR) system was established by the Legislature as part of the 2017-18 budget act and has two main components. First, it required the department to create a series of process and outcome measures that each county have to track and report annually. This will provide the Legislature and the public more in-depth data of how the program is meeting the needs of recipients. Second, Cal-OAR will require counties to go through an evaluation of their counties performance every three years and to make improvements to their CalWORKs systems in response to the evaluation.

Advocates are generally pleased with the efforts of the department to involve a wide range of stakeholders, including current and former CalWORKs recipients, in work groups. There were,

however, some differences on which measures to include, particularly issues related to delivery of barrier removal services, which have still not been finalized at this writing. Advocates believe that some recipients are not being provided the services they need to address family trauma and that Cal-OAR should focus attention on this issue. In the end, the department had the difficult task of narrowing dozens of proposed measurements down to a smaller list. To the department's credit they were flexible and increased the number of measurements beyond what was initially envisioned but as the Legislature provides oversight of Cal-OAR it will be important to revisit these decisions and adjust as needed.

At the same time the department was developing Cal-OAR, the counties were developing their own re-working of the CalWORKs welfare to work program. Unlike the 1997 enactment of CalWORKs, this process drew on research and the social sciences about what worked to help families overcome their barriers and to "work with families where they are at." While advocates did not participate in the development of CalWORKs 2.0, there have been briefings on the proposal and meetings with recipients who have used the tools developed by the counties.

Advocates are hopeful that CalWORKs 2.0 will mark a turning point in a program that for too long has had only a single path, work first, for recipients even though only a small percentage of recipients benefited from this rigid approach. It is incumbent on the Legislature though to closely monitor CalWORKs 2.0 and to insure that it delivers on its' promises. Here are some of the issues that we believe should be considered:

- Should the Legislature formally recognize and provide encouragement for CalWORKs 2.0 in the Welfare and Institutions Code?
- Are the current welfare to work statutory requirements consistent with the CalWORKs 2.0 theory of working with families where they are at? Should the department be directed to work with stakeholders to identify statutory changes and report them back to the Legislature for consideration?
- Given the significant changes in how recipients are engaged under CalWORKs 2.0, should the state lift all sanctions in place so that recipients get a fresh start?
- How will CalWORKs 2.0 impact the need for child care, housing assistance, family stabilization, and barrier removal services?
- Are the Cal-OAR measures consistent with CalWORKs 2.0? How will the Legislature monitor the progress of CalWORKs 2.0 if they are not reflected in Cal-OAR measures?

Advocates encourage the Legislature to hear from the department in budget hearings on both Cal-OAR and CalWORKs 2.0 and to consider the issues we have raised above for possible trailer bill adoption.

Expand CalWORKs Home Visiting

Advocates are very pleased to see the California Work Opportunity and Responsibility to Kids (CalWORKs) Home Visiting Initiative adopted as part of the 2018-29 budget. By integrating voluntary evidence-based home visiting and the CalWORKs program, the CalWORKs Home Visiting Initiative (HVI) cost-effectively strengthens the youngest Californians and their families, while also enhancing the impacts of the CalWORKs program.

Although unmet basic needs, adverse experiences, and circumstances of economic hardship can undermine families' health and well-being, voluntary evidence-based home visiting programs are backed by decades of research demonstrating that they improve outcomes for both parents and children in myriad ways. When implemented with fidelity to their model standards, these programs can generate public savings by increasing healthy births, boosting positive parenting practices, reducing child maltreatment, and increasing family self-sufficiency in the forms of adult educational attainment, career training and employment.

The CalWORKs Home Visiting Initiative, as currently structured, allows County Health or Human Services Agencies to partner with other public agencies and community providers to offer evidence-based home visiting programs on a voluntary basis to families participating in CalWORKs who are pregnant or parenting a child under two years of age, with priority given to first-time parents. Current funding levels reach only an estimated 8 percent of the eligible population.

Advocates Proposal

Advocates urge the Legislature to build upon the Administration's proposed \$78.9M funding for the CalWORKs HVI in FY 2019-20 and allocate an additional \$25M to extend and enhance the reach of these services to a greater number of CalWORKs families who are expecting or parenting a child under age 2, regardless of whether they are a first-time parent or not.

Single Allocation Stakeholder Work Group

The department was directed in the 2018-19 budget to convene a work group and bring forth recommendations for changes to county funding for CalWORKs services that are provided by the Single Allocation Fund. To date, the department has only convened one meeting though it is understood that additional sessions will be convened before the May Revision.

Advocates believe that the Legislature should be prepared to consider changes to the Single Allocation Fund beginning with its' name. The title of the Fund obscures the important role that CalWORKs services play in assisting CalWORKs families out of crisis and poverty. As a first step, we recommend the fund be renamed the CalWORKs Family Well Being Account. While this change will not improve the effectiveness of service delivery, it will bring home the important role this fund plays in CalWORKs family's lives for elected officials and other policymakers.

Second, we advocate for robust funding for CalWORKs services. This includes providing supportive services for timed out cases which are participating in welfare to work eligible activities. With the CalWORKs caseload declining to record lows, most of the families that can be rapidly assisted have exited the program and the families remaining are experiencing a higher level of need for services. It is particularly important in light of the implementation of Cal-OAR and CalWORKs 2.0 that the state is prepared to meet the demand for services to families. Advocates look forward to reviewing the Administration's funding proposal at the May Revision.

Third, we urge the Legislature to make a fundamental change to state law and to make services an entitlement. Currently, if a family has a need for services such as child care, transportation, or

mental health, the county has a duty to provide the service. There is no requirement about when the service must be provided. If the county cannot provide that service, the client is given good cause for not participating and the county cannot sanction the family for failure to meet work requirements. This long existing policy has two detrimental effects. First, families need these services and often need them immediately. By providing good cause the county has little immediate incentive to deliver the services. Second, while good cause will stop the state time clock, it does not stop the federal time clock. When recipients hit the 60 month limit of TANF assistance, the state can no longer use federal TANF block grant funds to provide grants or services. This then requires the state and counties to fund the entire cost of CalWORKs for these families.

Advocates Proposal

Advocates propose that when a need for a service is identified, that an entitlement to that service shall attach. Like when providing cash assistance, an entitlement will compel counties to provide the service within a specific time frame. Having a legal mandate to provide services will have two positive effects. First, counties will redouble their efforts to have adequate access to services so that recipients do not have to wait. Second, families will get the services they need when they need them not when the county can provide them. In conjunction with adequate funding for services, an entitlement to services will make both Cal-OAR and CalWORKs 2.0 successful and lead to better outcomes for families.

Remove Barriers to Homeless Assistance

We applaud the proposals by the Governor to increase the supply of housing and to do more to provide housing for homeless persons. These proposals, however, will take years before the state begins to increase the availability of housing, particularly for the lowest income families. In recent years the Legislature has taken significant steps to address the continuing housing problems of CalWORKs families. The Legislature adopted the Family Stabilization Program, created the Housing Support Program and enhanced the effectiveness of the Homeless Assistance Program. Yet even with these efforts, far too many recipients are still struggling to find and keep affordable housing.

Advocates Proposal

Advocates again are requesting that state law be changed so that a single time limited use of homeless assistance does not result in the family losing all 16 days of temporary shelter. Further, we propose that the limit on the use of Homeless Assistance payments to once a year be repealed. This money saving provision is inconsistent with the reality that families face and makes it harder for counties to assist families struggling with housing.

Simplify the Earned Income Reporting Threshold

CalWORKs has a confusing system for income reporting that results in some recipients having overpayments of grant funds. First, CalWORKs recipients can only increase earnings by a fixed amount over a six month period before they are required to report an income increase to the county. Second, the recipient is also told of another reporting threshold that they must that represents the exit point for CalWORKs. Finally, recipients have another income reporting requirement for CalFresh. It is normal for all three threshold amounts to be different. As a result,

county offices struggle to explain to clients what they need to do and recipients often struggle to understand information provided by the county, particularly for those with limited English proficiency.

Advocate Proposal

Advocates request supplemental report language directing the Legislative Analyst Office to prepare alternatives to the current system of income reporting that will reduce the number of clients who receive overpayment notices. Specifically, the analyst should investigate the impact of having a single income reporting threshold for both CalFresh and CalWORKs.

Safety Net Reserve

Advocates were encouraged by the inclusion in the 2018-19 budget of the Safety Net Reserve. This fund was established to be a complement to the Rainy Day Fund and to have a separate source of funds to maintain the CalWORKs and MediCal programs in a time of budget shortfalls. We applaud the Administration for increasing funding in the Reserve from \$200 million to \$900 million.

We look forward to seeing the Administration's proposal on the use of the funds. We would urge the Legislature to maintain the original intent of the Reserve and to resist attempts to expand the reserve to additional programs.

Sincerely,



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ⁱ Data of family assistance size drawn from **Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2017, Administration of Children and Families, Office of Family Assistance**, <https://www.acf.hhs.gov/ofa/resource/characteristics-and-financial-circumstances-of-tanf-recipients-fiscal-year-2017>

ⁱⁱ This figure represents the remainder of cases funded by TANF/MOE and the roughly 96,000 cases funded by non-TANF/MOE funds for households that are timed out, have long term sanctions or are fleeing felons.

ⁱⁱⁱ Prior to the passage of the Temporary Assistance for Needy Families in 1996, there was a federal entitlement to aid for all families that were income eligible so long as there were children under age 18. In effect, there was no cap on how long a family with children could receive the AFDC cash assistance. The implementation of a time limit on aid was seen as a major negative outcome from the passage of TANF. Thus further limits on assistance need to be viewed in historical perspective first and then secondarily as an arbitrary cap not based in social science or the actual needs of families.

^{iv} See Council on State Governments, *State Welfare Reforms: TANF Time Limits by the Numbers*, 2016, <http://knowledgecenter.csg.org/kc/content/state-welfare-reforms-tanf-time-limits-numbers>

^v See page xxviii, *Evaluation of the SB 1041 Reforms to California's CalWORKs Welfare-to-Work Program*, Rand Corporation and American Institute for Research, 2016. A follow-up report to these initial findings has been prepared by the same researchers but has not yet been publicly released.

^{vi} *Ibid*, page xxiv.

^{vii} See *Income Supplements for Working Families*, Center on Budget and Policy Priorities, pg. 47, <https://www.cbpp.org/archiveSite/5-9-06tanf-chap3.pdf>