



March 9, 2020

To: The Honorable Dr. Richard Pan
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

From: Frank J. Mecca, Executive Director, CWDA

Martha Guerrero, Legislative Representative, Los Angeles County

**RE: STRENGTHENING THE CALWORKS APPLICANT
EARNED INCOME DISREGARD**

The County Welfare Directors Association of California (CWDA) and Los Angeles County respectfully request an augmentation of \$1.1 million dollars in 2022-21, \$89.5 million in 2021-22, and \$180 million ongoing to be used to strengthen the Applicant Earned Income Disregard (EID) for the CalWORKs program. This funding would allow for an increase in the Applicant Earned Income Disregard (EID) from \$90 to \$550 effective June 2021, and from \$550 to \$600 effective June 2022, commensurate with changes approved to the Recipient EID last year in Senate Bill 80 (Chapter 27, Statutes of 2019). The alignment of the Applicant and Recipient EIDs will allow the Applicant EID to keep pace with inflation and the scheduled increases to the State minimum wage.

The \$90 Applicant EID is the amount subtracted from the monthly income of each employed person in the family applying for CalWORKs. The remaining non-exempt income is then compared to the Minimum Basic Standard of Adequate Care (MBSAC), which is a schedule of dollar amounts intended to reflect the costs of safe housing, minimum clothing, low-cost adequate food budget, utilities, allowance for essential and not otherwise provided medical and related care, and other items. If a family's gross income, excluding the \$90 that was excluded from each employed person's monthly income, exceeds the MBSAC level for that family size, they are ineligible for CalWORKs benefits. The \$90 Applicant EID is the amount that was set when the CalWORKs program was enacted in 1998. Although the state minimum wage has increased over time, and is currently scheduled to be \$15 per hour by January 1, 2022, three times the state minimum wage amount in 1998, the Applicant EID remains unchanged.

Currently, that \$90 amount of earned income that is excluded to determine initial

CalWORKs eligibility is so low that parents must choose between reducing their work hours or working at all in order to access CalWORKs benefits. For new CalWORKs applicants, the EID is far less generous than that for families already on the program. The policy rationale for that difference seems to have been to establish a barrier to entry to the program for working families. However, even with employment, families working at the state minimum wage remain deeply impoverished. Ironically, the recent increases to the state minimum wage have compounded the problem for families applying for CalWORKs. Working full-time at the state minimum wage does not provide a family enough income to afford housing in California and provide for basic needs, but provides far more income than is allowed to qualify for CalWORKs. As a result, more and more working families are being forced to deepen their already precarious financial circumstance and jeopardize their stable housing by reducing their work hours or abandoning their employment altogether in order to become eligible for CalWORKs and be able to access the vital services and supports that CalWORKs provides. Forcing families to get poorer in order to obtain and maintain services is counterproductive to the work incentive of the CalWORKs program and is detrimental to families in their path to self-sufficiency.

As the Governor and Legislature continue to grapple with the state's homelessness and housing issues, many policies have been implemented in order to encourage employment and give our poorest families a better opportunity to create self-sufficiency. Many working poor families already live on the cusp of needing social services and safety net resources. Increasing the CalWORKs Applicant EID to align it with the with the increases already approved for the CalWORKs Recipient EID, will allow more working families to become eligible for CalWORKs and receive supportive services such as childcare, transportation, employment services and homeless prevention services, which in turn will promote economic mobility and housing stability.

For these reasons, we urge your support for this request.

cc: Mareva Brown, Office of the Senate President Pro Tempore
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