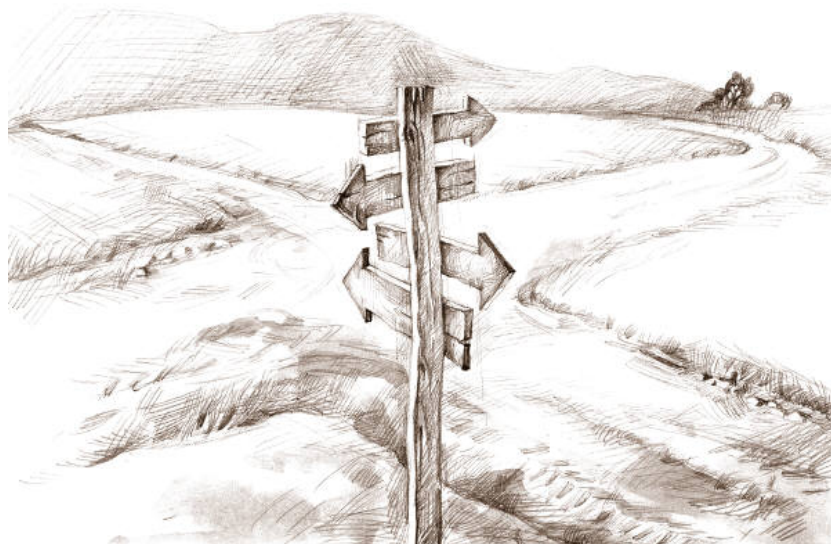




CalWORKs at a Crossroads:

**The Next Stage of Welfare
Reform in California**



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CalWORKs at a Crossroads: The Next Stage of Welfare Reform in California

Executive Summary

Overview of Paper

In February 2006, the federal government reauthorized the Temporary Assistance for Needy Families (TANF) program, originally enacted in 1996 as the cornerstone of federal welfare reform efforts. The first phase of welfare reform was successful in bringing record numbers of parents into the workforce, supported by child care, transportation and other services. California's TANF program – CalWORKs – took a “work-first” approach, with enough flexibility to allow participants to mix work, training and education as appropriate for their individual circumstances, along with behavioral health programs such as substance abuse and mental health treatment and domestic violence services.

Despite the unprecedented success of TANF, the federal Deficit Reduction Act of 2006 made a number of changes to the structure and requirements of the federal program. Nearly all states – including California – will need to re-examine their TANF programs in light of these changes. While states that fail to meet required levels of participation face corrective action and potentially large fiscal penalties, the federal approach to measuring success has a number of limitations.

This paper examines the past, present and future of CalWORKs in the context of the impending federal changes. Reviews of recent program data and research, as well as past program changes designed to increase work participation, indicate a number of promising strategies to engage more CalWORKs clients in welfare-to-work activities. We make several specific recommendations aimed at increasing participation, improving how the state and counties identify and count participation for purposes of the federal rate, identifying and disseminating promising practices, creating state-only programs for three categories of recipients, and developing program budgets based on actual caseloads and costs.

Findings

The paper makes key findings in several areas:

- **The Challenges of Federal Reauthorization.** The federal Deficit Reduction Act, which passed in February 2006, contained a number of changes to the TANF program, most of which take effect on October 1, 2006. In some cases, the Act included surprising changes; in other cases, the Act did not include changes that had been widely expected. Some of the most significant changes that California and other states will face include:
 - Essentially phasing out the caseload reduction credit that had reduced most states' required federal participation rates to single-digits due to the substantial caseload reductions of the late 1990s.
 - Preserving the separate 90 percent participation rate and the associated penalty structure for two-parent families, despite the fact that nearly every TANF reauthorization vehicle considered over the past five years would have eliminated the separate rate and penalty.
 - Requiring states that create separate programs for subgroups of recipients, funded with state funds counted toward the maintenance-of-

effort requirement, to count the individuals in those programs toward their federal work participation rate calculations. In California, two-parent families are currently served through a separate program using state maintenance-of-effort dollars.

- Requiring the U.S. Department of Health and Human Services to issue regulations defining the work activities listed in federal law; to determine which if any cases without an aided adult should be included in the federal participation rate calculation; and to issue instructions to states for verifying participation in work activities.

This paper contains a number of recommendations for California to address these challenges. Counties do not believe that sweeping changes or a dismantling of the CalWORKs program, enacted in 1997 on a bipartisan basis, are necessary.

- **Measuring Program Outcomes.** Success must be measured more broadly than just the federal participation rate. Data show that participants today have greater access to employment services than in 1995 and that working participants earn more today than in 1994, even after accounting for inflation. Finally, several county longitudinal studies indicate that viewing participation over time paints a more complete picture than using point-in-time data.
- **Measuring Fiscal Benefits.** The CalWORKs program has helped the state's financial picture, including absorbing costs previously assumed by Community Colleges and the U.S. Department of Labor, among others. Expenditure data compiled by the California Department of Social Services shows that the program has contributed a projected \$9.4 billion to the General Fund from 1998-99 through 2005-06. In addition, analysis of county expenditure data between 1999-00 and 2004-05 shows that counties have spent program funds prudently.
- **The Current State of CalWORKs.** Caseloads are dynamic, with substantial movement into and out of the program. Applications continue at a relatively high rate and the number of adults enrolled in the Welfare-to-Work portion of the program has declined, at the same time that the number of cases without an aided adult has increased substantially.

With respect to participation, we discuss the implications of several trends. Many recipients are participating part-time and/or mixing state and federal activities. Sanctioned clients, and those facing sanctions, represent a significant portion of the caseload – and they share some common characteristics. One-fifth of the adult caseload is exempt from participating in Welfare-to-Work activities. Finally, the “not participating” group is diverse; just because someone is not participating at a point in time does not mean they are disengaged from the program.

In our fiscal analysis, we note that the methodology used to fund the program no longer reflects actual program caseloads and costs. This has led to a program budget that is not reflective of funding needs or spending abilities across the 58 county CalWORKs programs.

Recommendations

We present recommendations in six general areas. The recommendations are consistent with our caseload analysis and the findings listed above. In some cases, we considered

additional potential changes to the program and decided against recommending them. Each of the changes that was considered, but not recommended, is discussed in some detail.

Overall, counties advise the Legislature and Administration to take a balanced approach in implementing the next stage of welfare reform. The most successful plan will likely involve a number of practice and policy changes that are consistent with the state's existing core CalWORKs program, are sensible from a public policy standpoint and are easily understandable by front-line staff and participants.

Specific recommendations include:

- **Take steps to increase participation while maintaining the core program.**

In response to the 1996 federal welfare reform law, California enacted a bipartisan, flexible, individualized program that rewards work while maintaining a safety net for children. While the federal changes were in many ways inconsistent with California's approach, we find that our approach is, generally, the right one. While policymakers are now grappling with a set of changes to federal law that, in some ways, threaten the state's ability to continue these key elements of the program, we urge that the core of CalWORKs be preserved. Decisions made on a bipartisan basis in California have been shown by researchers to be the most effective program elements throughout the country.

- **Learn from what has, and has not, worked.**

Counties have used the flexibility in CalWORKs to offer creative programs and services tailored to the needs of individual families. Our analysis indicates several groups of recipients for whom engagement may be particularly challenging – including those who are sanctioned or facing sanction, single parents with young children and/or many children in the family, those who have multiple barriers to employment and/or need assistance with services such as child care and transportation, and recipients who are exempt or have good cause for not participating. Counties have begun to identify promising practices for working with these recipients; partnering with the state, we are reviewing county policies and practices to identify strategies that could be used by other counties and to pinpoint training needs and practice changes to improve engagement.

- **Implement the Pay-for-Performance program.**

Pay for Performance, enacted as part of the 2004-05 Budget Act, sets clear performance goals and strikes a balance between the federal participation requirements and the policy decisions made in California. The system offers an well-rounded, easily understandable set of outcome measures, and gives counties the ability to work with individual clients on a case-by-case basis to meet those goals.

Similar to the AB 636 Outcomes and Accountability System that is being implemented with promising results in the child welfare program, Pay for Performance would enable the counties to measure their performance, track improvements over time and make targeted changes to their programs in order to meet the agreed-upon outcome goals.

The Legislature and Administration have an important opportunity to seize and build upon the momentum that the stakeholders built in developing the three measures and designing the Pay for Performance system.

- **Enact focused statutory changes coupled with promising practice changes.**

- Focus on sanctioned cases through the use of home calls, attempts to re-engage during annual face-to-face redeterminations and a one-time “sanction amnesty” to encourage re-engagement and continued participation.
- Engage exempt clients who can participate part-time, for at least 20 hours per week, through a partial exemption system.
- Provide transitional assistance or a work support to working participants leaving CalWORKs.
- Allow more working, two-parent families into the CalWORKs program by eliminating the 100-hour rule that applies only to two-parent applicants.
- Work in partnership across counties and with state staff to disseminate promising practices statewide such as enhancing the initial appraisal and orientation to better identify and address potential barriers to participation and engaging clients who are temporarily in between formally assigned activities in bridging activities.

- **Ensure more accurate reporting/counting of client participation.**

Recent county experience and discussions with representatives from other states and the federal government suggest that the methods counties and the state use for tracking and reporting participation in work and work-related activities can be improved. We recommend that the state and counties partner to make administrative changes to the methodology for identifying and reporting participation. Specific examples include:

- Sharing best practices among the counties that have increased efforts to more fully capture participation.
- Working with the state to improve data collection.

- **Create a state-only CalWORKs program for key groups of recipients.**

Creating a separate program funded with state dollars that do not count toward the state maintenance-of-effort requirement would align the CalWORKs program with the new federal policy requirements, but still provide assistance to the following three groups of families:

- Disabled parents, parents caring for a disabled family member, and other adults who are exempt from welfare-to-work participation under state law, but not under federal law;
- Parents and relative caregivers who are engaged in mental health, substance abuse, or domestic violence services; and
- CalWORKs applicants in the month of application and the month in which they are approved for assistance.

This state-only program could be funded with no increased cost to the state General Fund and by using funds that do not count toward the maintenance-of-effort requirement. As a result, these families would not count in the federal work participation rate calculation.

- **Fund the program using a method that is based on actual caseloads and projected costs.**

Prior to 2001-02, the state required counties to project their needs for the coming year and scrutinized counties' assumptions in order to build the statewide CalWORKs budget. Without this process, the state has continued to fund counties as if it were 2001; state budget staff have no basis for checking assumptions about the cost to implement program enhancements (such as the universal engagement and core/non-core requirements enacted as part of the 2004-05 budget) or the savings associated with program changes like quarterly reporting for CalWORKs clients.

The budgeting methodology no longer represents actual program funding needs and spending abilities across counties. Basing the CalWORKs budget on actual costs is necessary in order for counties to implement the basic program, as well as the policy and practice changes enacted in response to TANF reauthorization.

CHAPTER 1: Introduction and Overview

The reauthorization of the federal TANF law raises a number of critical questions about the characteristics of CalWORKs recipients, including applicants, Welfare-to-Work participants and the sanctioned and non-participating populations. To address increased federal participation requirements, Legislative staff, Administration officials, advocates and counties are considering numerous policy and practice options, as well as accounting changes that could alter the makeup of the CalWORKs caseload. In order to make informed decisions about the options, it is important to understand where the program has been, where it currently stands and where it may be going – both from a practice and policy perspective and a fiscal perspective.

To that end, counties undertook a series of efforts, with the goal of developing a report containing basic, current information about the program and a series of recommendations for policymakers. These efforts have included:

- Reviewing and analyzing selected research on CalWORKs participation, recipient characteristics and sanctions, in order to frame the new data and recommendations contained in this paper.
- Collecting, analyzing and presenting recent county data on participation, non-participation and exemptions among aided CalWORKs adults.
- Surveying counties, including counties chosen for sustained high performance relative to their peers as well as counties that volunteered to participate, regarding their participation reporting practices and promising engagement strategies.
- Launching a joint effort with the California Department of Social Services (CDSS) to visit several county Welfare-to-Work programs and identify potential best practices for improving engagement and participation.
- Developing policy and practice recommendations aimed at increasing participation in CalWORKs Welfare-to-Work activities and increasing the level of engagement among non-participating recipients, in a manner that is consistent with the core elements of the CalWORKs program.

This paper is the second product of the above efforts. The first, a paper on participation reporting and promising engagement strategies based on two in-depth surveys of counties, was published in July 2005 and is available on the CWDA website. The joint CWDA-CDSS on-site participation reviews mentioned above were conducted in April 2006, and are expected to yield additional findings and recommendations regarding participation and engagement. Findings from the reviews will be presented in a supplemental report.

The Challenges of Federal TANF Reauthorization. In February 2006, the federal government reauthorized the Temporary Assistance for Needy Families (TANF) program enacted in 1996 as the cornerstone of federal welfare reform efforts. Despite unprecedented success, the federal Deficit Reduction Act of 2005 made a number of changes to the structure and requirements of the federal program effective October 2006. This legislation:

- Essentially phases out the caseload reduction credit that had reduced most states' required federal participation rates to single-digits due to the substantial caseload reductions of the late 1990s. The caseload reduction credit will be "re-based" to

measure caseload reductions since federal fiscal year (FFY) 2005, rather than FFY 1995 as under the prior law. In California, this will reduce the caseload reduction credit from more than 40 percentage points to a very small number, as statewide caseloads have fluctuated very slightly over the past few years.

- Preserves the separate 90 percent participation rate and the associated penalty structure for two-parent families, despite the fact that nearly every TANF reauthorization vehicle considered over the past five years would have eliminated the separate rate and penalty. This is important because the 90 percent rate is considered to be extremely difficult to meet, despite the generally higher rate of participation among two-parent families.
- Requires states that create separate programs for some recipients funded with state dollars that count toward the state's maintenance-of-effort requirement, to include the individuals in those programs in their federal work participation rate calculations. This is a change from the prior law, which allowed states to exclude such individuals from their participation rates. In California, two-parent families are currently served through a separate program using state maintenance-of-effort dollars. States still can create separate programs in which the individuals do not count toward the work participation rate, but only if they use completely separate state funds for the programs and do not count them toward the state's maintenance-of-effort requirement.
- Requires the U.S. Department of Health and Human Services to issue regulations defining the work activities listed in federal law. The list of work activities contained in federal law has never been further defined by the federal government, leaving states (and, in California, the counties) to create their own definitions. Depending on how the regulations are written, it could restrict the types of activities that are recognized by the federal government as counting toward the participation rate requirement.
- Requires the U.S. Department of Health and Human Services to determine which if any cases with one or more aided children but without an aided adult should be included in the federal participation rate calculation. While the proposed regulations have not been released, it is generally believed that the federal government is likely to require states to count sanctioned families in their participation rate calculations, which states like California are not required to do at this time. To give an example of how including sanctioned cases might impact the state's participation rate, California's federal rate in FFY 2004 would have dropped from 23.1 percent to less than 20 percent if sanctioned families were included in the rate.
- Requires the U.S. Department of Health and Human Services to issue instructions to states for verifying participation in work activities. In California, counties do have verification requirements issued in instructions from the state, so it is unclear whether and how the new federal requirements will impact our state.

California is not the only state that will be impacted by these changes; in Federal Fiscal Year 2004, 38 states reported participation rates below 50 percent, including 9 of the 10 most populous states (Ohio was the only one to meet the 50 percent rate). The 10 most populous states had an average work participation rate of 29.8 percent during that year, ranging from 65.2 percent participation in Ohio to just 7.1 percent participation in Pennsylvania. Out of all 50 states, only 12 reported participation higher than 50 percent.

To some degree, the impacts of all of the federal Deficit Reduction Act changes will depend on the contents of a federal regulations package that is not required to be released publicly until June 30, 2006. What is certain, however, is that nearly all states – California included – will need to re-examine their TANF programs in light of the changes to federal law and regulations. States will also need to consider the impacts of those changes on the programs they developed in response to the original welfare reform legislation.

Welfare reform presents challenges, but research supports California’s approach. Important core elements of CalWORKs program will make it challenging to meet federal performance targets. For example, the state’s broader set of exemptions from Welfare-to-Work participation requirements means that the state is behind on its participation rate from the start. Depending on how the federal regulations are written, the state may also be required to begin counting sanctioned cases – most of whom are not participating for the required number of hours in any federally recognized activity – in its participation rate calculation, which will further lower the state’s starting point. The state also faces challenges due to its changing caseload characteristics, which are discussed in greater detail in Chapter 4.

Despite the challenges, sweeping changes and a dismantling of the CalWORKs program, enacted in 1997 on a bipartisan basis, are neither necessary nor inevitable. While the federal changes were in many ways inconsistent with California’s approach, our approach is, generally, the right one. The Manpower Demonstration Research Corporation (MDRC) conducted a multi-year evaluation of the Minnesota Family Investment Project, with which California’s program shares many characteristics. Some of the findings from the final MDRC report and a follow-up at six years after the project’s implementation¹ include:

- The combination of financial incentives and work requirements led to “strikingly consistent” positive impacts on single-parent families, across a range of outcomes for children, families and adults. This includes a dramatic decline in domestic abuse, a modest increase in marriage rates and better performance in school with fewer behavioral problems for children. At the six-year mark, these improvements continued to be seen in the most disadvantaged families, in several subgroups of single-parent families and among children of long-term welfare recipients.
- Both single-parent and two-parent families saw increased earnings and reduced poverty as a result of the program, with the most positive and long-lasting gains for the most disadvantaged families. A higher percentage of families on the program began to combine work and welfare, rather than relying solely on public assistance.
- Financial incentives such as earned income disregards can lead to long-lasting increases in family income, and even temporary increases in income can benefit children over the long term. The MDRC also found that the positive effects on earnings and family income are largest and most sustained when financial incentives are combined with work requirements, rather than implemented alone – as California’s program does.

¹ Virginia Knox, Cynthia Miller & Lisa A. Gennetian (2000), “Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program,” MDRC; Lisa A. Gennetian, Cynthia Miller & Jared Smith (2005), “Turning Welfare into a Work Support: Six-Year Impacts on Parents and Children from the Minnesota Family Investment Program,” MDRC. Reports available at www.mdrc.org

CHAPTER 2: Measuring the Success of CalWORKs

Since it began in January 1998, the CalWORKs program has helped unprecedented numbers of welfare recipients find and maintain employment and engaged tens of thousands of participants in work and work-related activities each month. Spending on employment services as a percentage of total program expenditures has gone up substantially, as have the average earnings reported by working CalWORKs recipients.

Prior to the 1996 federal welfare reform, most recipients were not required to participate in welfare-to-work activities in order to receive assistance. There were no time limits on assistance, and most recipients did not face sanctions for non-participation. The creation of a 60-month time limit, a weekly participation requirement of 32 hours for single-parent families and 35 hours for two-parent families and a system of sanctions for non-participation – combined with a booming economy – spurred record numbers of recipients to participate, and resulted in caseload declines of nearly 50 percent.

At its peak in 1995, California's welfare program aided nearly one million families. By November 2005, the number of cases had dropped to 483,289. Statewide, caseloads have declined by 44 percent since TANF was enacted in 1996 and 35 percent since CalWORKs was implemented in 1998. The reduction in cases with an aided adult has been even more dramatic: In Federal Fiscal Year 1995, California had a monthly average of 725,000 cases with an aided adult. By FFY 2005, the average number of aided adult cases had declined to just 280,000 a month – a drop of 61 percent.

In reviewing the program's achievements, we found a number of considerations that are not taken into account by the federal participation rate. Specifically, we found that:

- Point-in-time participation measurements ignore many other measures of success.
- Participants today have greater access to employment services than in 1995.
- Working participants earn more today than in 1994, even after accounting for inflation.
- Viewing participation over time paints a more complete picture than point-in-time data.

Each of these findings is discussed in greater detail below.

Point-in-time participation measurements ignore many other measures of success.

The outcomes of CalWORKs can and should be measured in a number of ways. At the federal level, performance is measured in just one way: the percentage of recipients who participate in a set of federally recognized activities for a minimum number of hours, ranging from 20 to 35 hours per week, depending on the family's characteristics. States that fail to meet required participation targets may be subject to corrective action and/or penalized by a loss of federal funds.

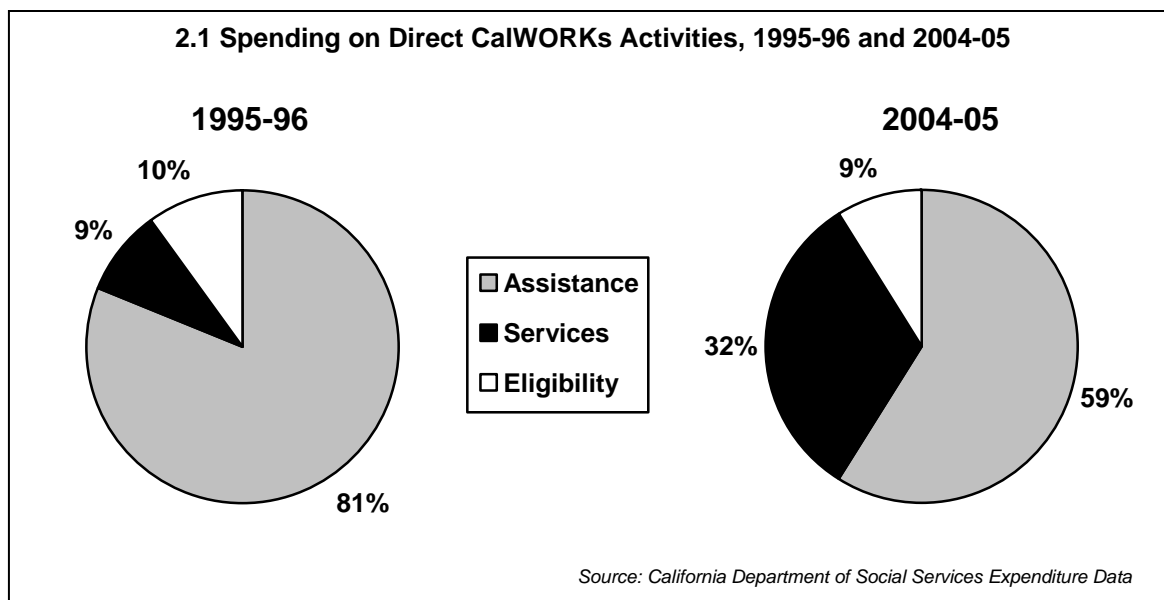
The federal approach to measuring performance has limitations. First, a participation rate is not, by itself, a good measure of whether a state has been effective in helping families get jobs, access employment services and move toward self-reliance. In California, for example, parents in a typical CalWORKs family of three who find full-time jobs paying greater than \$10 an hour leave the CalWORKs program and are no longer counted toward the state's federal participation rate. Second, there is concern that tying potentially substantial penalties to participation in a limited set of federally recognized activities may limit states' flexibility to

judge which activities are the most effective for each family and how families can be helped to enter sustainable employment.² The Legislature and the Governor recognized the need for additional performance measures when they negotiated the Pay for Performance program as part of the 2005-06 budget. This new program contains three measures, including a participation rate measure that is modified to balance the federal work participation requirements with California’s additional allowable activities.

Measuring performance in a more comprehensive way shows how CalWORKs has helped families move from welfare dependency toward greater self-reliance. As an example, measuring improvements in participants’ access to employment services and increases in participant earnings can help to provide insight into the successes of CalWORKs and highlight areas for further improvement. In addition, viewing participation over time – rather than at a single point in time – provides a more complete picture of how the counties engage participants in work and work-related activities; work with recipients to identify potential barriers to participation; and work to re-engage sanctioned clients.

Participants today have greater access to employment services than in 1995.

Prior to the creation of TANF and its flexible block grant structure, the vast majority of program funds were spent on cash assistance payments. Since CalWORKs was created in 1998, direct program spending has shifted away from cash assistance and toward employment services, as shown in the below charts comparing actual spending on cash assistance, services and eligibility operations in 1995-96 and 2004-05. “Services” spending includes child care, transportation, case management, job search, vocational assessment, job training, mental health and substance abuse treatment, services to assist with domestic violence and learning disabilities and other services aimed at helping CalWORKs recipients find and maintain employment.



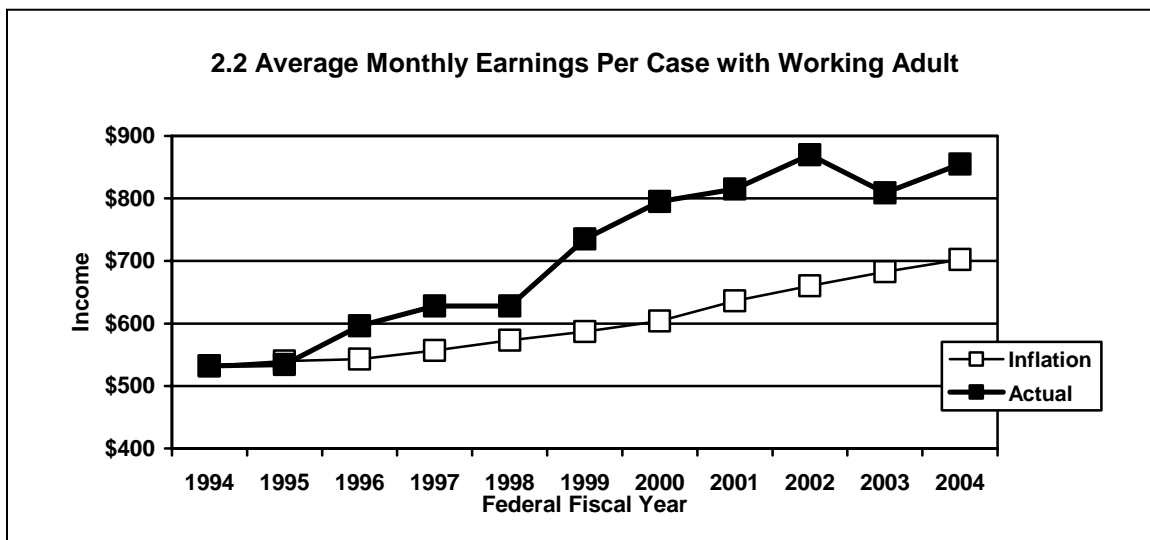
The chart clearly shows a shift in the program’s emphasis, away from cash grants and toward more services for CalWORKs families.

² See for example, Mark Greenberg, Center for Law and Social Policy, “New TANF Requirements Could Result in New Large Costs and Risk of Federal Penalties for California,” January 13, 2006. Available at www.clasp.org.

Working participants earn more today than they did in 1994.

State CalWORKs characteristics reports show an increase in average monthly earnings for cases with a working adult over the past decade. In 1994, these cases earned an average of \$532 per month. By 2004, the average monthly earnings had increased to \$855 – a 36 percent increase over that time period.

Earnings are likely to increase over time naturally, due to inflation. However, as the below chart shows, the earnings of CalWORKs participants outpaced inflation during the past 10 years. The chart compares actual earnings with the expected earnings from federal fiscal year 1994 to federal fiscal year 2004, if the 1994 numbers were increased only by the California Necessities Index during the intervening years. The actual earnings were greater than the inflation-indexed earnings in every year except 1995.



Source: FFY 2003 and FFY 2004 CalWORKs Characteristics Survey, CDSS, Chart 2

Viewing participation over time paints a more complete picture than point-in-time data.

Data suggest that point-in-time snapshots, like the federal measure, provide a lower and less complete participation count than viewing the caseload over time. We reviewed longitudinal analyses in three large counties, Riverside, San Bernardino and Los Angeles, and found several common themes:

- An in-depth data analysis shows that many of the cases seen as “not participating” on a one-time review actually are engaged in the program.
- Over time, most sanctioned cases participate, become exempt, or leave the program.
- Caseloads are dynamic, with a lot of movement into and out of the program.

More information regarding these findings is discussed both below and in Chapter 4.

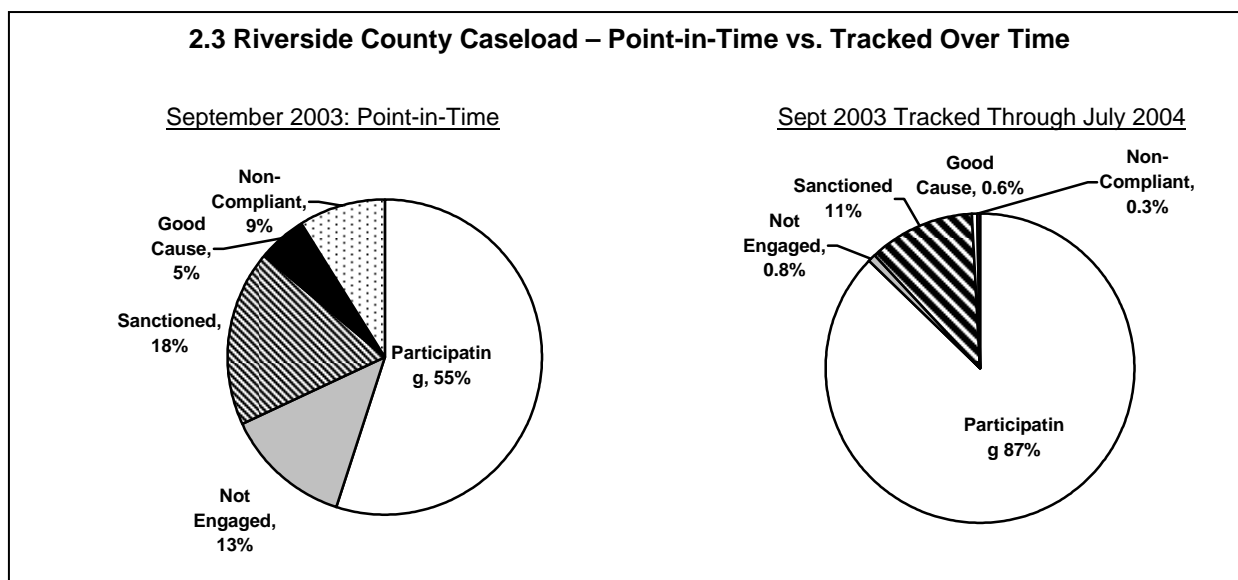
Riverside County

A December 2004 analysis in Riverside County looked at a cohort of recipients over a 10-month period. The county undertook its analysis after September 2003 data suggested that 13 percent of its clients were not engaged in the Welfare-to-Work program, 18 percent were sanctioned and 9 percent were not complying with program requirements, while the remaining 55 percent were participating in some way.

Following the “not engaged” group for 10 months revealed that over half of these recipients had a past history of participation in the program, and more than one-quarter were new recipients of aid who had been on CalWORKs for less than 30 days at the time they were counted as “not engaged.” During the 10-month follow-up period, 82 percent of the individuals who were considered disengaged had participated, became exempt or left CalWORKs altogether.

The county found a similarly dynamic picture with the sanctioned and non-compliant cases. More than half of those sanctioned – 58 percent – became exempt, began participating or left CalWORKs within the following 10 months. Likewise, 68 percent of the non-compliant cases became exempt, participated or left CalWORKs over the same time period.

The charts below paint two very different pictures of program participation. The chart on the left shows point-in-time caseload data; while the chart on the right shows cases tracked over time. As the chart on the right shows, the overwhelming majority of Riverside County’s Welfare-to-Work participants during the study time period were engaged, received an exemption from participation or left the program. Over the 10-month period, only 13 percent of the Welfare-to-Work clients did not participate in the program in any way.

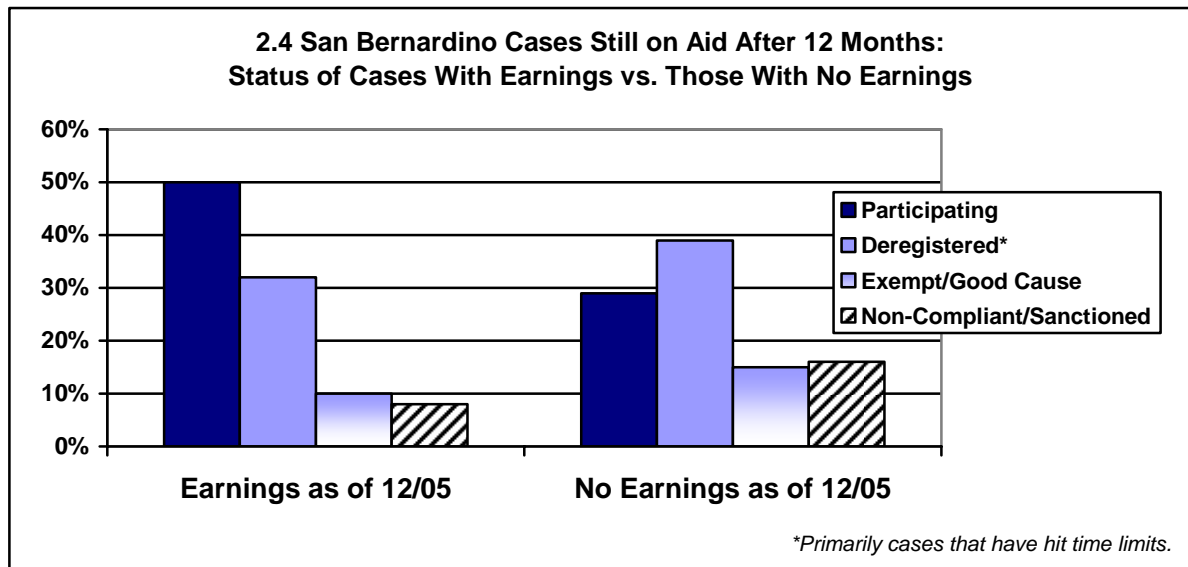


San Bernardino County

To further measure what happens to cases over time, San Bernardino County recently conducted a longitudinal analysis of a group of about 7,900 recipients who were working as of December 2004. Following these cases over 12 months, the county analyzed the clients’ status as of December 2005.

Over the 12-month period, the county found that 56 percent of the recipients had left aid at some point during the year, mostly due to their income being over program limits. Of the 44 percent who received assistance without any discontinuances during the 12-month period, two-thirds (2,341) continued to report earnings, and one-third (1,199) had no earnings at the end of the 12-month period (December 2005).

Chart 2.4 below summarizes the status of the 3,540 participants who remained on the caseload as of December 2005.

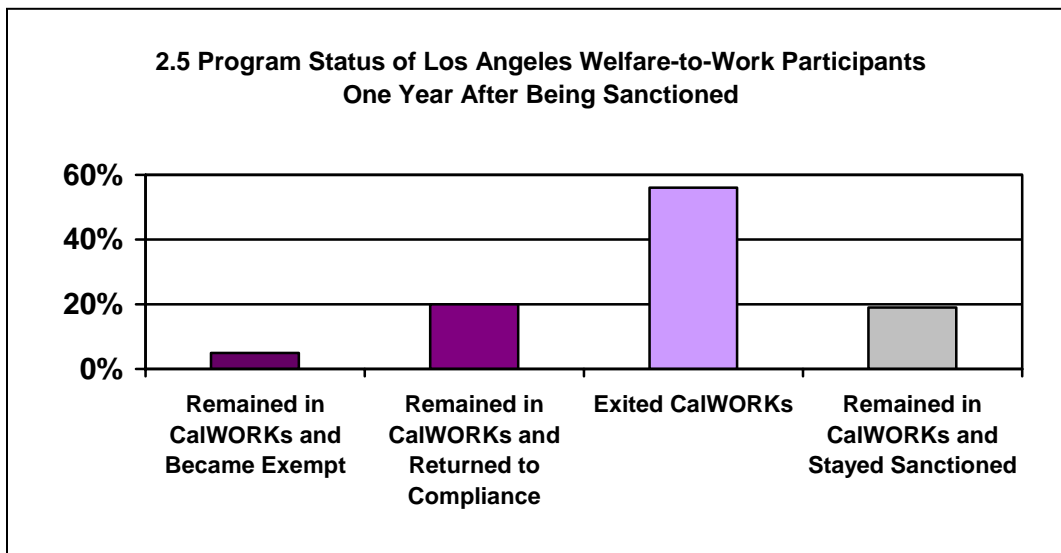


The chart shows that the recipients who remained on aid without any discontinuances and continued to have earnings at the end of the 12-month period were far less likely to be sanctioned than those without earnings. This suggests that participants who remain continuously on the program and maintain consistent employment are more likely to comply with participation requirements and less likely to experience a sanction.

Los Angeles County

In response to concerns about sanctioned participants, Los Angeles County conducted a longitudinal analysis of recipients who entered the program between June and November 2002, following these recipients for 18 months. The county found that most of the sanctioned participants were sanctioned before they participated in any Welfare-to-Work activity at all. Almost two-thirds of those who were sanctioned had failed to attend their scheduled Orientation session. The participants who did attend Orientation were much less likely to be sanctioned than those who did not attend Orientation.

The below chart shows the status of a group of participants who were sanctioned between September 2002 and February 2003, one year after they first became sanctioned.



Similar to the Riverside and San Bernardino studies, the Los Angeles analysis found that over time, most sanctioned participants returned to compliance, became exempt or left the CalWORKs program altogether. The Los Angeles findings also are similar to the Riverside and San Bernardino studies, showing the dynamic nature of the caseload and the large percentage of recipients who leave the program over a given period of time.

Chapter 3: Measuring Fiscal Benefits to the State

As the Administration and Legislature consider how to respond to TANF Reauthorization, discussions of program funding are likely. The changes that counties and other stakeholders will recommend are likely to have both costs and savings associated with them. Additionally, the penalties that the state may face if it fails to meet federally required participation rates could be substantial.

Our analysis of program costs to date finds that CalWORKs has helped the state's financial picture since it began in 1998-99, contributing billions of dollars to the General Fund. In addition, we find that county human services agencies have spent their allocations prudently. Later in the chapter, we discuss a number of reasons that employment services spending per case has increased, while the number of recipients required to participate in welfare-to-work activities has gone down.

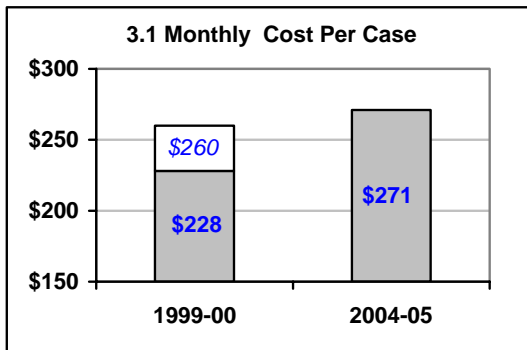
The CalWORKs program has helped the state's financial picture since 1998-99. This is because the reduced caseload has enabled the state to use TANF and State Maintenance of Effort funds in place of state General Fund for various programs. Expenditure data compiled by the California Department of Social Services shows that the CalWORKs program contributed more than \$8.2 billion to the General Fund from 1998-99 through 2004-05, with a projected \$1.2 billion contribution in 2005-06.

The state uses TANF and Maintenance of Effort funds to save General Fund dollars by:

- Taking advantage of federal flexibility to count spending in other program areas toward the state's Maintenance of Effort requirement. The state has counted between \$700 million and \$800 million per year in this manner, translating dollar-for-dollar into General Fund savings. The total savings associated with this accounting tactic (which is allowable under federal law) have exceeded \$7 billion since 1995-96.
- Transferring funds from the TANF block grant to other block grants for use in other programs. These transfers have grown from \$5 million in 2000-01 to an estimated \$188 million in 2005-06, and total more than \$1.3 billion since the inception of CalWORKs.
 - Transfers to the Title XX Block Grant. This includes services for children with developmental disabilities served through the Regional Center system. These transfers are a direct savings to the General Fund, offsetting spending that would otherwise be required for these programs.
 - Transfers to the Child Care and Development Block Grant. These funds offset the General Fund spending that would otherwise be necessary for child care programs administered by the California Department of Education.

In addition to saving the General Fund billions of dollars, the state has received \$157 million in High Performance Bonus funds from the federal government, based on its performance on several work-related and non-work-related measures, such as access to subsidized child care. California received bonus funds every year they were awarded; however, the bonuses were eliminated by the Deficit Reduction Act. These funds have been spent as if they were part of the state's annual block grant funding.

Counties have spent CalWORKs eligibility and service dollars prudently. We analyzed spending for eligibility operations, child care and employment services between 1999-00 and 2004-05, the last full year of available expenditure data. The chart at right compares monthly spending per case in 1999-00 and 2004-05. The 1999-00 amount shows both the actual monthly cost per case (\$228 in 1999-00 dollars) and the inflation-adjusted amount (\$260 in 2004-05 dollars).



After adjusting for inflation of 14.3 percent between these years, the increase per case was 4.03 percent from 1999-00 to 2004-05.

We also looked at the increased expenditures by component, breaking out eligibility, services and child care separately, utilizing appropriate caseload numbers for each component of the caseload (i.e., the number of cases receiving child care and the number of cases enrolled in the Welfare-to-Work program) and adjusting for inflation.³ After making these adjustments, we found that eligibility spending increased by just 1.7 percent above inflation between 1999-00 and 2004-05. Child care expenditures per case increased by 18.6 percent above inflation, growing from \$503/case per month to \$618/case per month.

The employment services picture is a little different. The below chart shows employment services spending between 1999-00 and 2004-05, along with the Welfare-to-Work caseload for these two years. After adjusting for inflation, total employment services expenditures grew by just 4.7 percent above inflation between 1999-00 and 2004-05. However, the average annual cost per case increased by 87.9 percent above inflation. Since 1999-00, the number of Welfare-to-Work cases dropped by 44.3 percent, as shown in the chart.

3.2 Employment Services Spending

1999-00*		2004-05	
Expenditures:	\$613,387,064	Expenditures:	\$642,348,230
		Increase:	4.7 %
Welfare-to-Work Cases:	337,720	Welfare-to-Work Cases:	188,216
		Decrease:	44.3%
Annual Cost Per Case:	\$1,816	Annual Cost Per Case:	\$3,412
		Increase:	87.9%

*1999-00 cost figures are adjusted for inflation

Why has spending increased while caseloads dropped? The increased cost per case for employment services corresponds to the steep decline in the number of cases with an adult in Welfare-to-Work, and is due to a number of factors. These include a decline in other fund sources previously available to counties, new program requirements not funded separately in the budget, the fixed operating costs that counties must continue to fund and the

³ For the purposes of this report we used a 14.3 percent inflation factor to adjust the 1999-00 dollars, based on California Consumer Price Index increases for 2000-01 through 2004-05.

increasing demand for specialized services such as mental health, substance abuse and domestic violence services. Each of these factors is discussed in greater detail below.

Part of the increase in employment services spending is explained by the decline in other funding sources that were available at the beginning of CalWORKs implementation for the same types of services. This includes the one-stop system operated by local workforce investment boards, the U.S. Department of Labor's now-defunct Welfare-to-Work grant program, and services provided through community colleges and regional occupation programs. If the value of these services were taken into account in the early years of our analysis, the cost of all employment services provided to CalWORKs recipients from any source would be much greater than the amount spent by counties. In the community college system, for example, the amount of funding for services to CalWORKs recipients dropped from \$65 million a year in the first four years of CalWORKs implementation to \$8 million for the current fiscal year. The Department of Labor grant totaled \$367 million over two federal fiscal years, and was required to be matched with about \$180 million of state General Fund, including funds used for CalWORKs.

As these other systems have experienced cuts – and total elimination, in the case of the Department of Labor grant – the responsibility for employment and training has shifted to county CalWORKs programs.

Spending also has increased because of requirements added to the program since 1999-00. One example is the requirement that counties screen every CalWORKs recipient for learning disabilities and provide services as needed. While the policy rationale for this requirement is not at issue, screening every recipient and providing services to those in need has created new costs that did not exist in the early days of CalWORKs. Another example is the “universal engagement” and “core/non-core” requirements enacted as part of SB 1104, Statutes of 2004. These new requirements, along with other similar changes to the program over time, help to explain why overall spending has not declined in proportion to caseload decreases.

Another reason that spending has not dropped despite the declining Welfare-to-Work caseload is that many program costs are fixed, rather than variable, meaning that they would not be expected to drop in direct proportion to a caseload drop. Examples of fixed costs in the CalWORKs program would include rent or building maintenance, utilities, classroom space, an on-site child care center, and funds spent to subsidize a new bus route or van service that helps CalWORKs participants reach their jobs. County staff are a semi-fixed cost, as each worker carries a caseload and it takes a substantial reduction of cases before the county could reassign or completely eliminate one or more staff positions.

Finally, there is the question of whether today's CalWORKs caseload is made up of a greater proportion of “hard to employ” cases – those experiencing multiple barriers to employment – than it was several years ago. Researchers have documented a widespread concern, not just in California but across the nation, that many families who remain on the caseload and some who have left may need more in-depth assistance in order to reduce their dependency on public assistance and reach some degree of self-sufficiency. Research suggests that current recipients may or may not be more disadvantaged than the pre-welfare reform caseload, but that nonetheless, many families receiving assistance do face severe barriers to employment.⁴

⁴ LaDonna Pavetti and Deborah Strong (2001) “Work-Based Strategies for Hard-to-Employ TANF Recipients: A Preliminary Assessment of Program Models and Dimensions, Final Report” Mathematica Policy Research, Inc.

The California Institute for Mental Health (CIMH) studied the prevalence, implications and impacts of mental health, substance abuse and domestic violence among CalWORKs recipients since the program's inception. These studies have found “a high prevalence of mental health, substance abuse, and domestic violence in the CalWORKs population. These issues negatively affect participants’ abilities to obtain and maintain employment, and can threaten the well-being of children in the family.”⁵

Prior research done by CIMH documented the prevalence of these issues. In a study of 700 CalWORKs recipients in two California counties, more than half reported that over the previous 12 months, they had experienced domestic abuse, were found to have one or more mental health issues, and/or had abused alcohol or other drugs. About 80 percent reported experiencing domestic violence at some time in their lives, with one-quarter of the respondents identifying domestic violence as a current barrier to employment. In addition to these significant concerns, nearly 44 percent of those interviewed had not achieved a high school diploma, and about half had no driver’s license.⁶

The provision of these services also has increased over time, both in absolute numbers and as a percentage of Welfare-to-Work cases receiving these services. The below chart compares the usage of mental health, substance abuse and domestic violence services among CalWORKS Welfare-to-Work participants in October 1999 and October 2005. The number of participants enrolled in these services tripled over the six-year period.

3.3 Increasing Provision of Behavioral Health Services

<u>October 1999</u>		<u>October 2005</u>	
Mental Health:	1,412	Mental Health:	7,389
Substance Abuse:	1,696	Substance Abuse:	2,167
Domestic Violence:	1,112	Domestic Violence:	2,971
Total:	4,220	Total:	12,527
Welfare to Work Cases:	348,501	Welfare to Work Cases:	180,428
% receiving services:	1.2%	% receiving services:	6.9%

Source: WTW 25 and 25A reports, California Department of Social Services

The chart shows that not only has the usage of services increased over the past six years, it has grown by much more than would have been expected given the drop in Welfare-to-Work caseloads. Whether this is due to an increase in the percentage of clients needing services, a greater willingness of those who need assistance to self-identify or county staff doing a better job screening for services – or some combination of all three – demand for these services appears likely to continue, if not increase, into the foreseeable future.

⁵ California Institute for Mental Health (2005) “Outcomes of CalWORKS Supportive Services in Los Angeles County Policy Implications Report Year Two,” http://www.cimh.org/downloads/Policy_Implications.pdf.

⁶ California Institute for Mental Health (2000), “The Prevalence of Mental Health, Alcohol and Other Drug, & Domestic Violence Issues Among CalWORKs Participants in Kern and Stanislaus Counties,” available at <http://www.cimh.org/calworks>

Chapter 4: The Current State of CalWORKs

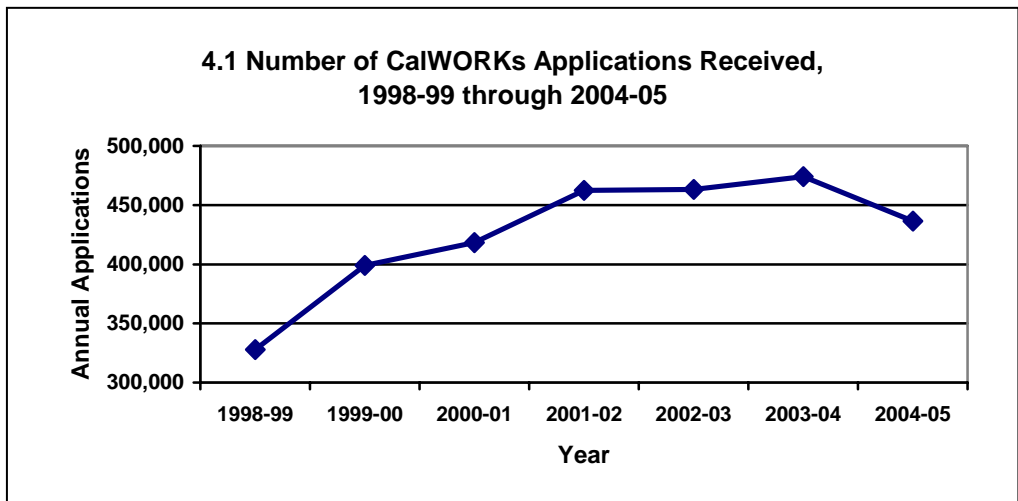
For the purposes of this report, we drew upon several sources to analyze the current state of the CalWORKs caseload. This includes data reports by the California Department of Social Services, such as the CalWORKs Characteristics Surveys submitted annually to the federal government, as well as CWDA’s analysis of county data reports submitted monthly to the state and data collected from counties especially for this paper. We note the following major findings as a result of this analysis:

Caseloads are dynamic, with substantial movement into and out of the program. The Riverside, San Bernardino and Los Angeles studies summarized in Chapter 2 suggest some areas for consideration when thinking about how to increase participation in the program.

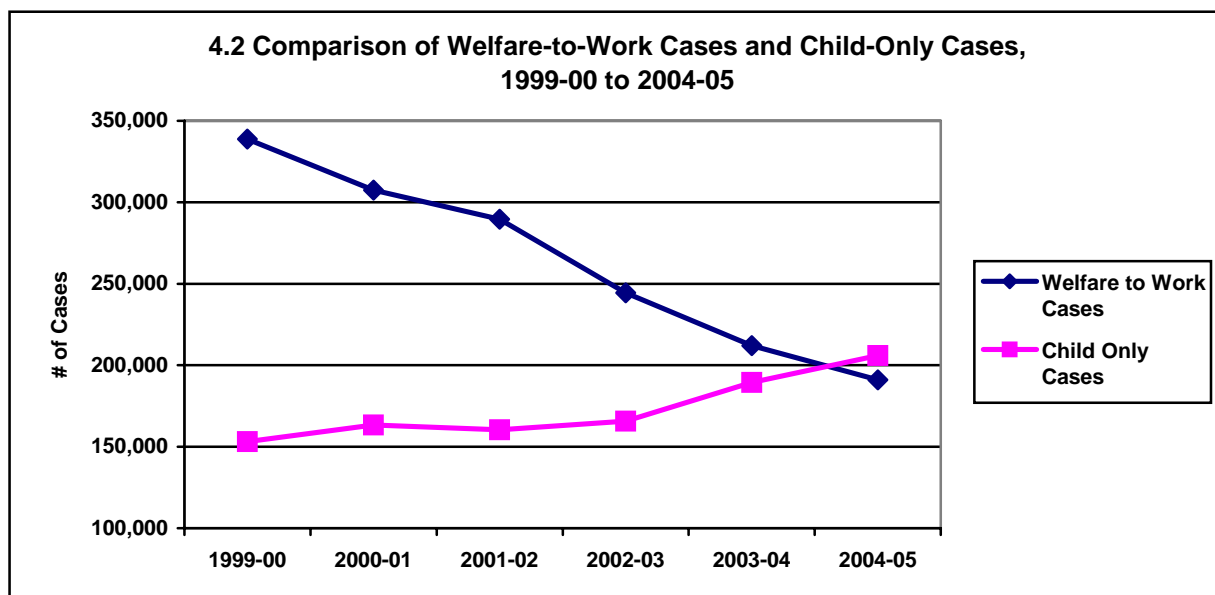
First, a substantial percentage of recipients leave the program over the course of a year. At the same time, overall program caseloads have been relatively steady over the past few years, and the number of participants required to enroll in the Welfare-to-Work program has been declining. This suggests that a relatively large subgroup of CalWORKs cases is dynamic and rapidly shifting; counties do not have a long period of time to engage these clients in the program. Policy and practice changes that help counties target these clients could be useful, though they also could be difficult to develop given the short window of time counties have to engage these recipients.

At any given point in time, it also means that a relatively substantial portion of the caseload will either be just entering or just getting ready to leave the Welfare-to-Work program, and potentially more difficult to engage. How to ensure these recipients understand the program and participate to the fullest extent possible throughout their time on CalWORKs is a key question that we recommend be addressed by counties and the state through efforts to identify and utilize promising practices throughout the state, both for initial engagement and for engagement in between formally scheduled activities.

Applications continue at a relatively high rate. Over the past seven years, the number of applications received for CalWORKs assistance grew, then dropped slightly. Chart 4.1 below shows a rise in applications during the late 1990s, with the annual number of applications continuing to increase (at a slower rate) during the slow economic years of the early 2000s. Starting in 2004-05, applications dropped slightly. Data from the first six months of 2005-06 show about the same number of applications each month as in 2004-05.



The number of adults enrolled in the Welfare-to-Work portion of the program has declined, at the same time that the number of cases without an aided adult has increased substantially. Welfare-to-Work enrollees include adults who are satisfactorily participating as well as those who are determined to be exempt, who have good cause for not participating, who are non-compliant and who are sanctioned. Chart 4.2 below shows the increasing number of child-only cases in the total CalWORKs caseload, compared to the decreasing number of cases with aided adults who are either required to participate in Welfare-to-Work activities or are exempt from participation.



As the chart shows, the decline of adults enrolled in Welfare-to-Work – including those who are participating and those who are not, for whatever reasons – has been substantial. By 2004-05, there were more cases without an aided adult than cases with an adult in the Welfare-to-Work program. “Child only” cases include children whose parents have reached their 60-month time limits on assistance, though these “safety net” cases accounted for just 17 percent of the child-only caseload as of 2004-05.

As policymakers consider how to increase engagement and participation in the CalWORKs program to meet federal requirements, it will be important to remember that a much smaller proportion of the program’s cases are Welfare-to-Work eligible. This is the main reason our analysis of participation is generally based on the aided adult caseload or the Welfare-to-Work caseload – not the total CalWORKs caseload. It also is important to understand why we are not able to provide comparable, county-specific state or federal participation rates at this time. This is for a number of reasons, as documented in the July 2005 participation study published by CWDA. The study reviewed survey responses from 20 counties regarding their calculation of monthly work participation rates provided to the state on the WTW 30 data report.⁷ The report found that:

- County-reported participation data were not comparable or complete.
- Counties participating in the study did not utilize the same methodology when determining whether a case was to be included in the denominator and the

⁷ Participating counties: Alameda, Calaveras, El Dorado, Fresno, Imperial, Kern, Kings, Lake, Mono, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Luis Obispo, Santa Clara, Santa Cruz, Solano, Stanislaus, and Yuba.

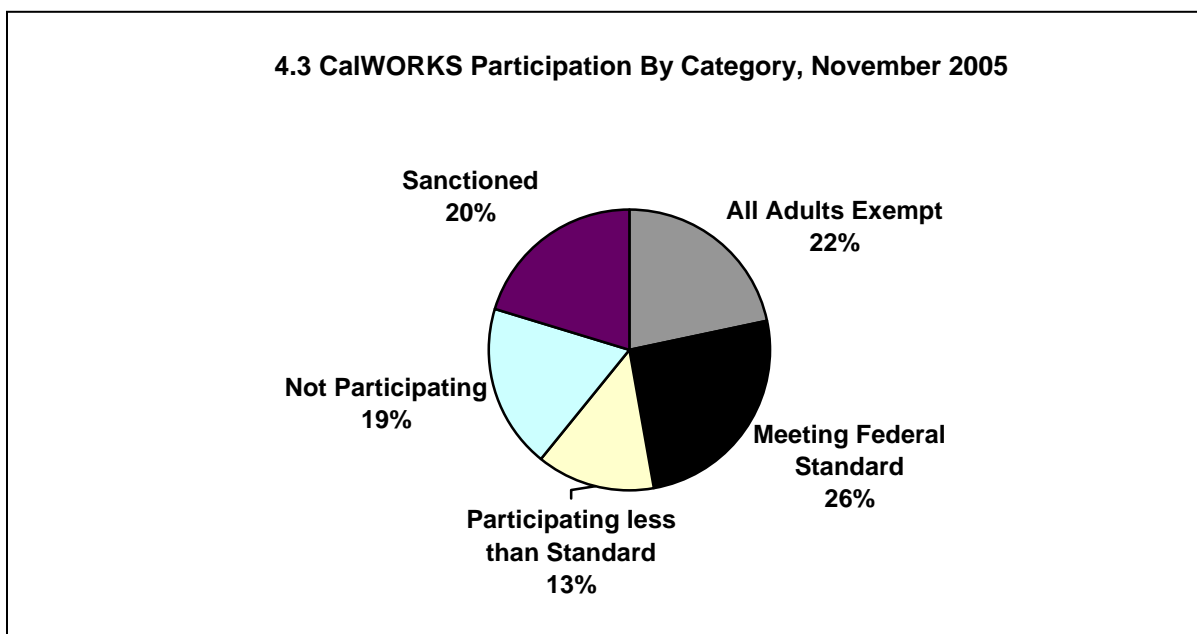
numerator of the work participation rate calculation, due to incomplete and ambiguous instructions for the calculation of the WPR.

- Without clarified instructions, it is not possible to compare rates among counties.

All of the above were found to have a significant impact on the validity of the overall calculation of rates statewide. Based on these findings, the state and county representatives undertook an effort to clarify the instructions and ensure they were complete. Updated instructions were issued by CDSS in March 2006 in All-County Letter 06-06. Counties are now in the process of implementing the new requirements. This will help to ensure the comparability of participation data across counties.

Chart 4.3 on the following page shows the participation levels in the 15 counties surveyed by CWDA for the purposes of this report, as of November 2005.⁸ It shows that 26 percent of the adults required to participate (unless given an exemption or other good-cause reason for not participating) were doing so for enough hours to meet the federal requirements. Another 13 percent were participating for less than the federal standards.

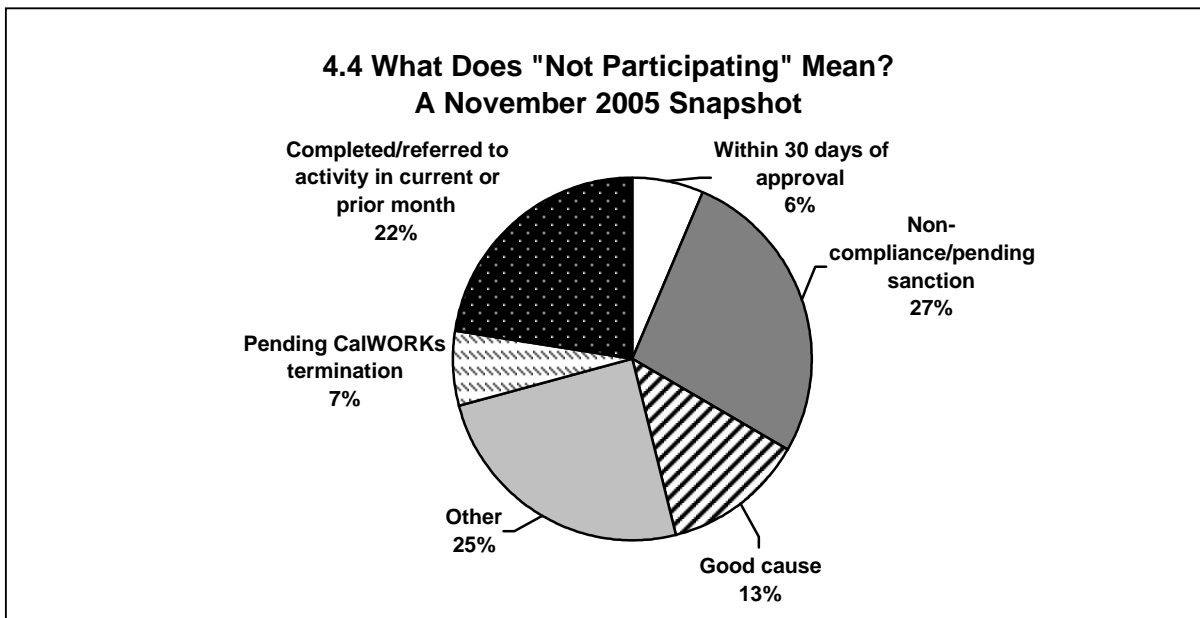
Slightly more adults were exempt from work participation requirements than were sanctioned – 22 percent exempt vs. 20 percent sanctioned. For comparison purposes, these numbers include only cases with an aided or sanctioned adult, not cases where a child is aided with no adult in the caseload.



The “not participating” group is diverse; just because someone is not participating at a given point in time does not mean they are disengaged from the program. The CWDA data review collected more detailed information about the cases that were labeled as “not participating” during the month of November 2005. We found that digging deeper into the reasons for non-participation shows that more than a quarter of recipients are either new to the program (6 percent), are about to leave the program (7 percent), or have been given good cause for not participating (13 percent).

⁸ Participating counties included: Fresno, Humboldt, Kern, Los Angeles, Mendocino, Monterey, Riverside, San Bernardino, San Diego, San Francisco, Santa Barbara, Santa Cruz, Stanislaus, Sutter, and Yuba.

Chart 4.4 demonstrates this diversity, suggesting that any efforts to engage the “not participating” group will need to recognize the subgroups within this category.



The group includes individuals who are new to the program, those who have good cause for not participating, those who completed or were referred to an activity during the current or prior month – but who have not yet begun a new activity – as well as those who will be leaving the CalWORKs program within a short period of time.⁹ It also includes non-compliant participants and those whose sanctions have not yet been activated, but are pending.

Most counties were not able to break their caseloads into finer detail than the categories listed in chart 4.4, which explains the relatively large “other” category (25 percent). Counties that were able to further define their caseloads reduced the “other” category to less than 14 percent of cases not participating. The data from these counties, including Los Angeles County, indicates that a significant percentage of the cases in the “other” category are likely between assigned activities, and therefore would not count as participating for purposes of the state’s federal work participation rate.

Note also that the “good cause” category essentially represents another group of exempt clients, who would not be considered participating for purposes of the federal rate but are not disengaged from the program, as might otherwise be assumed without delving deeper into the data.

The diversity among the “not participating” group and the potentially substantial number of cases who are between activities at any given point in time suggests that strategies to engage clients in useful, temporary activities when they are between their formal assignments could be worthwhile. For example, a person waiting for a particular course to begin at the local community college might be encouraged to enroll in a short-term training program to learn a related software application.

The findings that the “not participating” group includes participants who are already engaged in the program or are likely to become actively engaged in a relatively short period of time

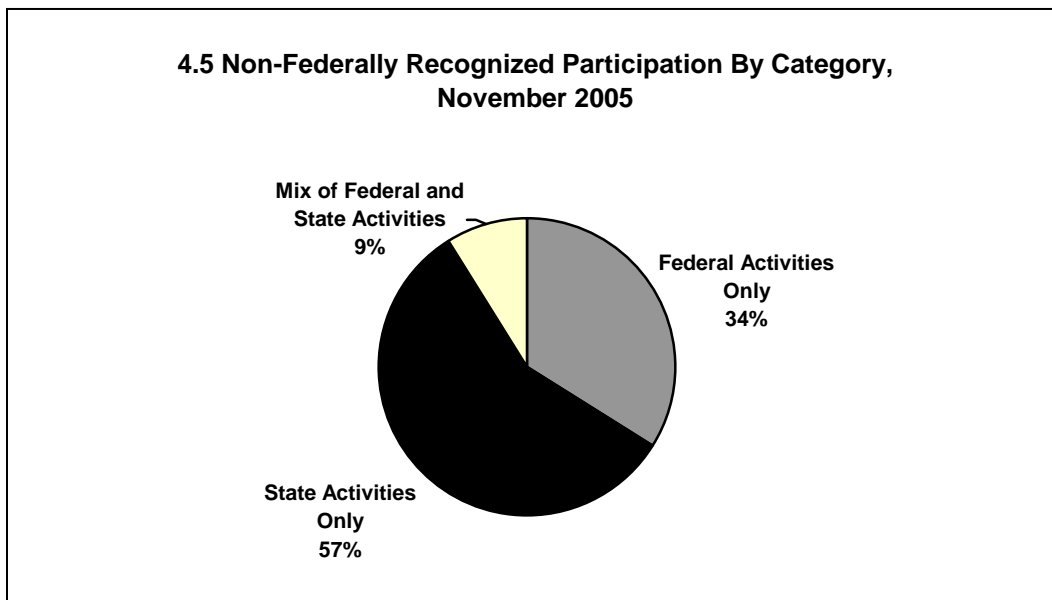
⁹ This latter group is shown as “Pending CalWORKs Deregistration” in Chart 4.4.

further demonstrates the dynamic nature of the caseload, and ties back to the findings from Riverside County's longitudinal analysis of participation presented in Chapter 2. Our recommendations take this dynamism into consideration and make suggestions for policy and practice changes targeting the subgroups of the "not participating" group.

A substantial proportion of recipients are participating part time and/or mixing state and federal activities. The state's 2004 federal work participation data for all families, including both one- and two-parent families, show that 25 percent of cases were meeting federal participation requirements: that is, they were participating for the required number of hours in one or more federally recognized activities. Another 21.3 percent were participating in one or more federally recognized activities, but for insufficient hours to count toward the participation rate. This means that 45.3 percent of the cases that California reports on to the federal government were engaged in some federally recognized activity in Federal Fiscal Year 2004.

One thing the state data do not show is the proportion of cases that are participating in state-recognized activities. Data collected by CWDA from 15 counties, representing 69.6 percent of the statewide caseload for November 2005 indicate similar participation numbers, with 32.4 percent of cases with aided adults meeting the federal participation requirement, and 16.9 percent participating in activities that do not meet the federal participation requirement.¹⁰

These counties provided information on the extent to which those participating but not counted for federal purposes were in federal activities only, state activities only, or a mix of both. This breakdown is shown in chart 4.5 below.



The extent to which CalWORKs recipients are participating part-time in federally recognized activities indicates that partial participation is substantial, and if these participants could increase their activity level they could contribute significantly to the state's overall federal participation rate. As an example, CDSS data for federal fiscal year 2004 show more than 8,800 participants statewide who were single custodial parents with a child under 6 and

¹⁰ For comparability with the state data, this calculation does not include sanctioned cases, though we address the sanctioned cases further below.

were participating for 1 to 19 hours per week, about 9 percent of all single parents with children under 6 and about 4 percent of all recipients who are currently counted in the state's federal work participation rate calculation. Many of these participants could meet the federal 20-hour requirement for single parents with a child under 6 with a relatively small increase in their activity hours.

This analysis suggests that the state and counties should explore ways to engage clients who are participating part-time in a greater number of hours, as appropriate for their individual situations. We also recommend considering whether some single parents who have a child under age 6 and are exempt can participate part-time through a partial exemptions system.

Sanctioned clients, and those facing sanctions, represent a significant portion of the caseload – and they share some common characteristics. The 15 counties surveyed by CWDA reported 31,937 sanctioned cases in November 2005. This represents 10 percent of the total caseload in these counties and 20 percent of cases with an adult who is either expected to participate in Welfare-to-Work activities or exempt from participation.

Los Angeles County's longitudinal study of participants who were sanctioned between September 2002 and February 2003 found that the majority of sanctioned cases either returned to compliance or left CalWORKS within the first three months of being sanctioned. Similar to the San Bernardino findings that employed recipients were more likely to be participating satisfactorily, the Los Angeles researchers noted that sanctioned participants who were unemployed at the time that they entered the Welfare-to-Work program were at a 16 percent higher risk of not returning to compliance than those who were employed when they entered the program.

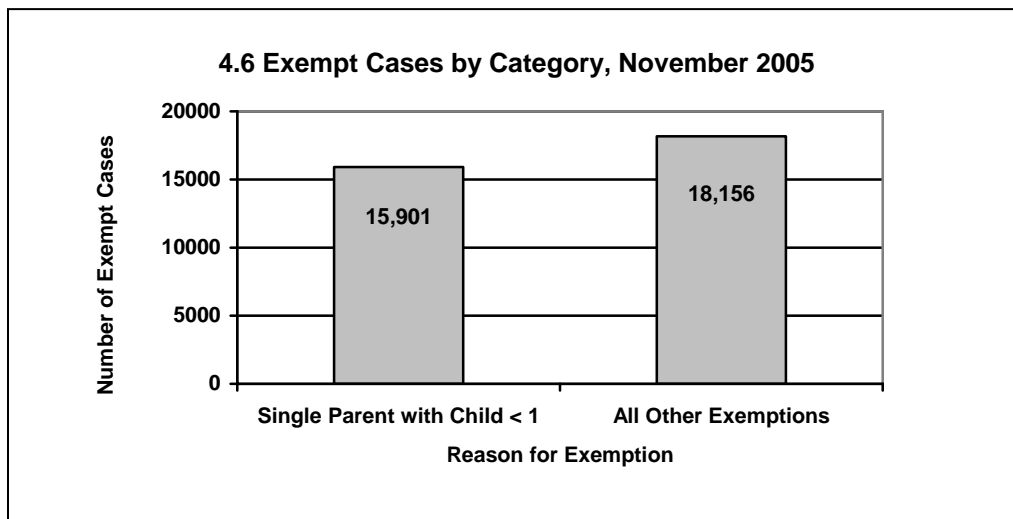
Studies of the characteristics of sanctioned cases also find some commonalities. Generally, both Riverside and Los Angeles counties found that sanctioned CalWORKs recipients were more likely to be single or never married, to be English-speaking and to be non-white. Riverside noted that the more children a parent had, the more likely the parent would become sanctioned. The Los Angeles study indicated that child age plays a role in whether participants return to compliance, finding that sanctioned participants with a child under one year of age were less likely to return to compliance than those with older children.

Finally, the Los Angeles County study indicated that participants who were receiving supportive services such as child care and transportation were less likely to be sanctioned, and those who did not receive such services were more likely to be sanctioned. This illustrates the importance of continuing to provide these supportive services and of identifying the needs of recipients as early as possible in order to ensure they are able to participate in activities such as orientation and job search.

All of these findings indicate that the sanctioned caseload should receive increased attention. Our recommendations include policy changes to require counties to engage clients prior to sanction as well as after sanction, and to encourage sanctioned clients to return to the program in exchange for a partial forgiveness of prior sanctions in exchange for continued satisfactory performance.

One-fifth of the adult caseload is exempt from participating in Welfare-to-Work activities. November 2005 data from the 15 counties showed that 21.6 percent of these counties' adult caseloads were exempt from participation during that month. The below chart

shows that 46.7 percent of the exempt cases met the one federally recognized exemption – single parents with a child under 1 year of age.



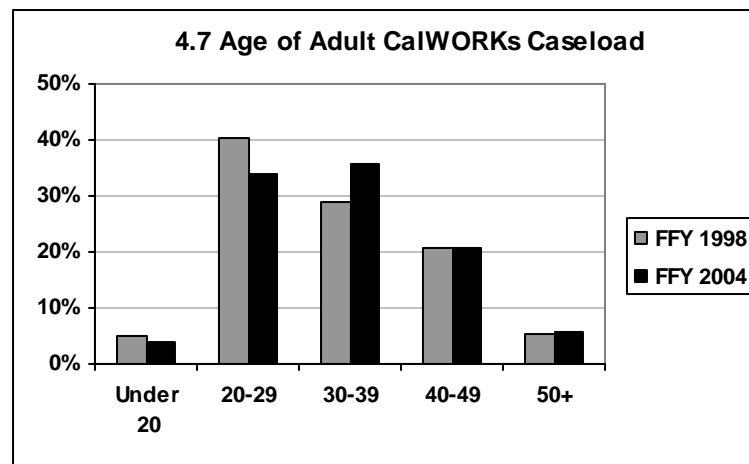
The extent to which cases are exempt under California law, but not exempt under federal law, reduces the number of Welfare-to-Work participants whom counties can attempt to engage in the program. The California exemption criteria are reasonable and are an important part of the core program (see appendix for a list of the California exemption criteria). Given that, we recommend that policymakers consider ways to reduce the impact of exempt cases on the state’s overall federal participation rate and to encourage some participation, when appropriate, among recipients who might otherwise be completely exempted from the requirements. Both strategies would help to mitigate the impacts of California’s state-only exemptions.

Changing caseload characteristics present challenges. The findings of longitudinal studies regarding the characteristics of employed and sanctioned cases and how the status of these cases changes over time – along with some of the changing characteristics of California’s caseload – carry some implications for improving participation and engagement. Additional issues for consideration include:

- Today’s CalWORKs participants are much more likely to be single or never married than they were when the program began. DSS CalWORKs Characteristics Surveys show that 58.1 percent of the caseload was never married in FFY 2004, compared to 46.3 percent in FFY 1998. At the same time, the Los Angeles and Riverside findings suggest that this places a greater proportion of participants at risk of being sanctioned. Strategies to engage single parents, including identification of barriers – possibly a greater need for child care assistance and help finding more flexible child care, for example – likely should be identified.
- Other factors that correlate with a greater likelihood of being sanctioned also are on the rise or are high to begin with. This includes a growing proportion of the adult caseload that is non-white, a larger percentage of children under the age of two and a slightly higher proportion of men in the adult caseload. In addition, the FFY 2004 Characteristics Survey reported that 83.6 percent of the single-parent caseload was English-speaking, a factor correlated with the likelihood of sanction. All of these characteristics indicate a need for individualized services that address the unique

challenges that each participant may face, and the need to identify promising practices for identifying participation barriers, reducing sanctions and increasing engagement.

- Additional changes in the caseload may present new challenges. In particular, a greater percentage of the CalWORKs caseload was over 30 years of age in 2004 than in 1998. Chart 4.7 shows the changing makeup of the adult caseload by age group. A smaller proportion are in their 20s, while more are in their 30s and 50s.



Source: CDSS CalWORKs Characteristics Surveys

It is unclear how the program may need to adapt to serve a larger percentage of recipients in these older age categories, but consideration of this trend is important to ensure that engagement strategies are properly targeted and responsive to the needs of older recipients.

Budgeting methodology no longer reflects actual caseloads or program costs. Before the federal TANF law was enacted in 1996, families received assistance without time limits under the old Aid to Families With Dependent Children program. As calls for welfare reform grew, a number of states – including California – began to require some portion of their caseload to participate in work or work-related activities. A lack of dedicated funding for the services that these participants needed kept these early welfare-to-work programs small. However, early research showed promising results, and states wanted to do more. Two key aspects of TANF grew directly from these early efforts: First, the federal block grant could be used flexibly for services, grants, program operations and for services outside the program – as long as the funds were used for activities meeting one of the four goals of TANF. And second, the block grant gave states a fixed amount of funding each year – there was no guessing as to the amount that the President would recommend or Congress would appropriate during each budget cycle.

When California implemented TANF through the CalWORKs program in 1998, counties initially received similarly flexible funding, budgeted in a manner that attempted to forecast actual program needs. The Proposed County Administrative Budget (PCAB) process was used to develop the annual budget for program operations not just in CalWORKs, but in most of the other county-administered health and human services programs, as well. This process allowed each county to project its operational needs for the coming year and work with the state to refine the estimates. Each county's PCAB request, once vetted by the state, was then added up to arrive at a statewide total for eligibility operations, including initial determinations and ongoing case management in programs such as CalWORKs.

How to budget CalWORKs employment services, however, presented a challenge: No welfare-to-work program of this magnitude had ever been operated in California. Counties took time to ramp up their programs, and thus rolled over substantial amounts of unspent employment services funds in the first few years of the program. In response, the Legislature in 2000-01 directed the state and counties to adopt a new process for budgeting employment services, which would be similar to the county-specific PCAB process already used for eligibility funding. The idea was to budget employment services based on what counties projected they would need, and could spend, in the coming year. The state would work with each county to refine these estimates, and then add them together to arrive at a statewide amount to be used in the budgeting process. This new, county-specific employment services process was used for one year, and then discontinued.

At the same, the state also stopped using the PCAB process to budget county program operations. Since July 2001, counties have received no funding increases to reflect the increased cost of doing business in California. This includes costs that rise on the natural, such as employee health care and workers compensation; rent, energy and utilities for county facilities; and negotiated salary increases for county staff. If the state had provided even basic increases for counties during the past five years, using the California Necessities Index as a guide, annual funding for CalWORKs eligibility operations would be an estimated \$268 million higher to reflect actual cost increases.

Essentially, the state continues to fund county operations as if it were still 2001 – with one major exception: Since California moved from requiring monthly status reports from CalWORKs recipients to requiring only quarterly status reports, county operations budgets have been cut by hundreds of millions of dollars, despite counties' insistence that the savings have been overstated and are offset by increased workload due to the complex quarterly reporting requirements.

For CalWORKs employment services, the picture has been even more uncertain. Employment services funding was never based on projected caseloads, but the fixed amount of funding available for CalWORKs, coupled with the state's increasing use of TANF and Maintenance of Effort funds outside of the CalWORKs program, have made employment services the "balancer," funded with whatever is left after the other priorities are addressed. This uncertainty, coupled with the substantial cuts to program operations, has made counties' potential level of funding extremely uncertain from one year to the next. Over the past several years, multiple state administrations have proposed across-the-board cuts, vetoed funds provided for employment services by the Legislature, and been late to allocate reserve funds to counties that demonstrate a need for more funding during a fiscal year. CWDA has worked with the Department of Social Services to minimize funding swings for each individual county, but the uncertainty has made it difficult for some counties to fully spend their allocated funds, given tight budget times in counties as well as at the state level and an inability to hedge against the availability of funding that may not materialize.

All of these factors have contributed to underspending in some counties and overspending in others. The Governor's proposed budget for 2006-07 further exacerbates the problem by proposing a lower amount of funding for CalWORKs eligibility, employment services and child care than counties spent in 2004-05 (and appear on pace to spend again in the current year). At a time when performance and participation are key areas of scrutiny, the current budgeting methodology – or lack thereof – threatens to undermine any efforts to strengthen spending by counties on services that will improve participation among CalWORKs recipients.

Implications

The findings of our caseload analysis, coupled with the longitudinal studies described in Chapter 2, indicate that:

- Focused policy and practice changes are more likely to increase engagement than are wholesale changes to the core elements of CalWORKs. This is because, with the exception of sanctioned and exempt cases, we appear to have a fluid and dynamic caseload in which recipients cycle on and off of welfare and the vast majority either participate satisfactorily or leave the program over a relatively short period of time. The findings of Los Angeles, Riverside and San Bernardino counties do not suggest that recipients are a static and idle group. On the contrary, the dynamic nature of our caseload points toward the need for the Administration, the Legislature and counties to pinpoint groups of cases that can benefit from heightened, focused engagement efforts, through a combination of policy and practice changes.
- The subgroup of sanctioned cases should be a main focus of any policy and practice changes. Enhancing efforts to engage sanctioned cases and non-compliant cases facing sanction will help to reduce the number of recipients who get sanctioned in the first place and re-engage sanctioned recipients more quickly and effectively. This will help to mitigate the impacts of any requirement at the federal level to count partially sanctioned cases in which the children remain on assistance toward the work participation rate – a change that is widely anticipated to be included in the upcoming federal regulation package.
- The Administration and Legislature should maintain California's reasonable exemption criteria, but take steps to avoid being penalized by exemptions in the federal work participation rate calculation. California's exemption criteria are broader than the federal criteria, as shown in the appendix. These differences never raised a concern for the state until the Deficit Reduction Act eliminated the caseload reduction credit and made the possibility of penalties more imminent. Despite the threat of possible penalties, California's original policy rationale for granting exemptions and good-cause for not participating in work activities is sound. Taking steps to create a state-only program for exempt and good-cause clients does not relegate these recipients to years of non-participation – in fact, we recommend the creation of a partial-exemption process for some of these recipients in order to engage them in part-time activities. A separate state-only program would allow the state to maintain a key component of its program without being penalized by the federal government for making rational public policy decisions that differ from the federal program rules.

Chapter 5: Recommendations

The challenges delineated in the prior chapters suggest ways in which state policymakers and county human services departments could target particular groups of cases for new engagement strategies, such as those sanctioned or at risk of sanction, those with exemptions and those who need services to overcome potential barriers to participation.

Counties are partnering with the state now to identify and disseminate promising practices with these and other groups of recipients. These efforts, coupled with some targeted policy changes, a clear and consistent funding methodology, and efforts to ensure that the state is maximizing its participation count as well as taking full advantage of the flexibility in federal law, would strike an appropriate balance for the state to consider as it responds to the challenges of federal TANF reauthorization.

Recommendation One

Take steps to increase participation while maintaining the core program.

In response to the 1996 passage of federal welfare reform, California enacted a bipartisan program to assist families and children, to promote participation in work activities to help individuals move toward self-sufficiency for themselves and their families. The core elements of the program contain the best features from other states' programs, including features that research has shown to be most effective in helping families pursue a better life.

These core features include:

- A mix of work activities, on-the-job training, educational and training opportunities for participants, as well as behavioral health treatment, English as a second language training, and services to help participants overcome domestic violence and learning disabilities. All of these activities are able to be used in a unique way for each participant, as appropriate, and as indicated by the appraisals and assessments conducted by county Welfare-to-Work program staff and contracted organizations.
- A safety net for children, in the form of continued child-only assistance when parents reach their 60-month lifetime time limit and a partial sanction structure that preserves a basic level of subsistence for children when their parents do not meet program requirements. This is a vital part of the program, in that it also maintains contact between the county and the parent, a linkage that can be used to contact these parents and attempt to re-engage them in the program at numerous points in time.
- A reasonable set of exemptions from participation requirements for persons with disabilities, individuals over 60, those caring for a disabled child or relative, and young recipients in school full time, in addition to the one federally recognized exemption for single parents with a child under 1 year of age.
- Assistance and services to two-parent families, which is not required by federal law and, arguably, is discouraged by the higher federal participation rate for these families (90 percent) and separate penalty structure.

These flexible elements of the program were critical components of the CalWORKs law enacted by the Legislature. While policymakers are now grappling with a set of changes to federal law that, in some ways, threaten the state's ability to continue these key elements of the program, we urge that the core CalWORKs program be preserved. Research on the

Minnesota Family Investment Program, which shares many features of California's program, suggests that strategies combining financial incentives with work participation requirements, providing services such as child care to participants and focusing on entry into the workforce, is an effective approach to reducing welfare dependence and increasing family income, while also having positive effects on both single-parent and two-parent families.

Below, we offer a number of recommendations that will allow the state to increase participation in Welfare-to-Work activities without sacrificing the bipartisan program created by the Legislature and supported by stakeholder groups – including counties – in 1997.

Recommendation Two

Learn from what has, and has not, worked.

Last year, CWDA published a report examining participation across counties and identifying some promising practices for increasing and sustaining participation. The report included two in-depth surveys – one focusing on how counties calculate their work participation rates and the other seeking to learn how some counties have achieved consistently high performance. The report also analyzed county participation data and the impacts of state rules that differ from federal rules.

The report, issued in July 2005, found that:

- Seeking out and disseminating strategies in the following areas could help counties increase participation: early engagement, ongoing participation and re-engagement, participation monitoring and organizational structure
- Data reporting on participation was inconsistent across counties due to incomplete instructions from the state. Five areas of inconsistency were identified, and county staff have worked with the state to address these inconsistencies. The state issued an updated set of instructions to counties in late March 2006, which counties will be implementing over the coming months.
- County participation rates were artificially impacted by differences between state and federal law, including different exemption criteria, different activities that may be counted as participation and different reasons for providing someone with good cause for not participating. This suggests that participation must be viewed more broadly than just the federal participation rate.

The report's findings were disseminated at a one-day Work Participation Symposium sponsored by CWDA in July 2005. The symposium, attended by approximately 200 representatives from three dozen counties, included breakout sessions where county and state representatives discussed the key findings of the report, shared innovative approaches and worked to identify strategies to increase work participation throughout the state. The discussion at each breakout session was summarized by the session leaders and provided to county representatives through the CWDA Self-Sufficiency Committee.

Next Steps. State and county staff teamed up to visit six counties during the month of April 2006. Teams of reviewers interviewed county staff, reviewed selected cases using a series of questions, and focused on particular areas of interest in each county using data reviews conducted prior to the visits. These reviews were used to determine the extent to which the universal engagement and core/non-core requirements enacted in SB 1104 (Statutes of

2004) have been able to increase client participation; to identify promising practices and specific areas for improvement in Welfare-to-Work engagement; and to identify other areas where policy and practice changes may be warranted.

Recommendation Three

Implement the Pay for Performance incentive program.

The final 2005-06 budget included a Pay for Performance program to focus county efforts on a specific set of outcome measures in the CalWORKs program. The outcome measures focus on increasing work participation and measure county success at:

- Increasing the employment rate of county CalWORKs cases;
- Increasing the work participation rate of county CalWORKs cases; and
- Increasing the percentage of county CalWORKs cases who have earned income three months after exiting the program.

Incentive payments to counties would have begun in 2006-07 based on counties meeting the outcome measures; however, the 2006-07 Governor's Budget proposes not to fund this promising program. We recommend that the Legislature and Administration reverse this proposal and implement the program on its original timeframe, for several reasons:

- The Pay for Performance program struck a needed balance between the federal work participation rate and California's additional allowable work activities. The two programs are different, but California's differences are based on sound public policy. The three measures agreed upon by the Legislature and Administration would help counties target their efforts to engage participants in welfare-to-work activities and re-engage sanctioned clients.
- Pay for Performance offered an appropriate and easily understandable set of outcome measures, giving counties the ability to work with individual clients on a case-by-case basis to meet those goals. Similar to the AB 636 Outcomes and Accountability System that is being implemented with promising results in the child welfare program, Pay for Performance would enable the counties to measure their own performance, track improvements over time and make targeted changes to their programs in order to meet the agreed-upon outcome goals.
- The process of developing the Pay for Performance measures involved a number of program stakeholders, including state and legislative staff, county staff and advocates for CalWORKs recipients. The effort yielded significant good will and consensus that the three measures would be an effective way to spur improvement. Delaying the Pay for Performance program will only derail this momentum.

Recommendation Four

Enact focused statutory changes coupled with promising practice changes.

As highlighted above and by the research conducted by counties, especially the longitudinal research following cohorts of participants over time, different subgroups of the CalWORKs caseload have different needs.

Any statutory changes contemplated by the Administration and the Legislature should be reasonably calculated to meet the goals of increasing program participation, including

participation among recipients who are not currently engaged, as well as increasing the involvement of those who are participating part-time.

Focus on sanctioned cases. The following statutory changes show promise for increasing Welfare-to-Work participation among sanctioned individuals, or individuals facing sanctions for non-compliance with program requirements.

- Require counties to attempt a home call before imposing a sanction. Research in various counties indicates that sanctioned participants often have unidentified barriers to participation, and many are eligible to receive an exemption or a finding of good cause for not participating. A home visit program would require an intensive personal effort to engage every participant prior to implementation of a sanction. Prior to visiting the participant's home, the county could make other efforts to contact him or her in order to resolve the noncompliance, such as a letter and/or a telephone call, which may obviate the need for a visit, according to counties that have tested similar approaches.
- Require counties to attempt to engage sanctioned individuals in the Welfare-to-Work program when they come in for annual redeterminations. Currently, annual redeterminations for recipients (including sanctioned recipients) are required to be done in person. Requiring counties to aggressively pursue program participation during the redetermination process could persuade more individuals to engage in the program and have a positive effect both on families and the work participation rates.
- Enable sanctioned individuals who come back into compliance during a specific time period to "earn back" some or all of their sanction over time through continued satisfactory participation, as a means to encourage ongoing participation. Offering a time-limited "sanction amnesty" for a designated period of time, such as January through June 2007, could motivate participants to return to compliance who would not otherwise do so, while also providing a period of intense focus for counties to re-engage sanctioned participants. Re-engaging sanctioned participants for the longest time possible is particularly important if the federal government issues regulations that add sanctioned families into the work participation rate calculation. Reducing the number of sanctioned families will be key to increasing the state's work participation rate.

We considered requiring participation in an orientation session as a requirement of eligibility for CalWORKs assistance. After substantial debate, we decided against recommending this requirement as a policy change for several reasons. First, we were concerned about the significant due process requirements that would almost certainly be required in order for the requirement to be accepted by the Legislature and the advocacy community. For example, an identification of barriers to employment, a consideration of whether an individual applying for aid would qualify for a participation exemption and the provision of services such as child care and transportation would likely be required for these applicants. Knowing that approximately half of the applications counties receive are ultimately denied, we could not recommend this level of activity using scarce resources on behalf of tens of thousands of people each year who would not actually be found eligible for the program.

We also considered recommending full-family and graduated sanctions for recipients in long-term sanction status, but decided against recommending this policy change. Policy research has shown an inconclusive link between full-family and graduated sanctions and

higher participation rates.¹¹ In addition, California's existing partial sanction policy was based on the bipartisan consensus that children should not be punished if their parents failed to comply with CalWORKs program rules. It is difficult to see how the long-term well-being of children would be enhanced by implementing full-family or graduated sanctions. Finally, there is no evidence that partial sanction policies encourage non-compliance.

Engage exempt clients who can participate part-time. Under current law, CalWORKs provides several criteria under which recipients are exempt from the program's work participation requirements. Individuals who meet one or more of these criteria are exempted from participating in Welfare-to-Work activities. County experience indicates that some of those who meet these criteria may be able to participate to some extent, but not for the entire time that is required of non-exempt recipients.

- Implement a partial exemptions system rather than the current all-or-nothing exemption approach, for those who can participate for at least 20 hours per week. If counties were allowed to work with participants to determine their ability to participate for some amount of time, the state would be able to increase its overall work participation rate. The reason for the 20 hour minimum is to enable the participation by these individuals to potentially count toward the federal participation rate, which requires only 20 hours of participation in federally recognized activities for single parents with a child under age 6.

Provide transitional assistance or a work support to former CalWORKs recipients. Those who leave CalWORKs due to employment that exceeds the program's income limits no longer count toward the state's federal participation rate. A number of ideas have arisen for providing some sort of transitional assistance or a work support for these former recipients. This type of support would have the double benefit of helping the family on the road toward self-reliance, while also enabling the state to count the recipient toward the participation rate.

This could be accomplished in various ways, such as:

- Providing a monthly work allowance to help support former recipients who are working and receiving child care. We would propose funding this allowance with state MOE funds, so the individual's federal time clock does not tick, and also enacting state law to ensure the state time clock does not tick. We also believe the work support should be exempt for purposes of child care eligibility. Federal rules would allow the state to count these individuals toward California's federal participation rate.
- Creating a five-month transitional work allowance for CalWORKs recipients who are working enough hours to meet the federal participation rate at the time they exit the program. CalWORKs recipients leaving aid automatically receive five months of Transitional Food Stamps. A transitional CalWORKs allowance of \$100 per month for those who are working as they leave aid would help these families transition from welfare to self-sufficiency by continuing a small amount of aid to them for a short period of time. We would propose the same funding mechanism and structure as the above option, so the individuals would count toward the state participation rate, their

¹¹ See for example, LaDonna Pavetti, Michelle K. Derr, and Heather Hesketh (2003) "Review of Sanction Policies and Research Studies: Final Literature Review" Mathematica Policy Research, Inc.

federal and state time clocks would not tick, and the work allowance would be exempt for purposes of child care eligibility.

We considered recommending changes to the earned income disregard and decided against recommending this policy change for a couple of reasons. First, we believe that reduced dependency on public assistance is a paramount goal of the Welfare-to-Work program. It is difficult to reconcile that position with a recommendation that would effectively keep more working individuals on the full program, with a monthly cash grant to the family, for a longer period of time. We also are concerned about the impact to individuals' time limits on assistance. While the work supports recommended above could be funded in a way that does not "tick" the recipients' time clocks, it would be much more difficult, and perhaps not desirable, to change the earned income disregard in a way that would stop the time clock.

Allow more working, two-parent families into the CalWORKs program. All CalWORKs applicants must meet a "deprivation test," which differs for single-parent and two-parent families. The current rules make two-parent applicants ineligible for CalWORKs if one of the adults in the family worked more than 100 hours in the previous month, irrespective of the amount of income they received. Eliminating the rule would make more working poor families eligible for CalWORKs, subject to income eligibility rules. Because these families are already working, they can more quickly meet the 35-hour participation requirement. Additionally, these families will have no "wait time" between the time that they apply for aid and their first Welfare-to-Work activity, as they are already working when they come into the program.

This recommendation does not raise the same concerns as would changing the earned income disregard. Changing the deprivation requirement would assist families at the point of their entry into the program, when they are at greatest need of assistance. It would not change the income requirements or the point at which working families earned their way off of aid.

Disseminate promising practices statewide. Not every practice identified as promising would work on a statewide basis, and in some cases, it is not yet clear whether a policy change should be required statewide as a part of the CalWORKs statute. However, using the findings of the joint state-county reviews, the CWDA Work Participation Symposium and report, and other best practice efforts to share information about what has, and has not, worked across counties will be a key component of improving participation in every county.

Identifying promising practices and monitoring the implementation and results of these practices also will help to build the knowledge of legislators and state administrators, and perhaps lead to further recommendations for statewide policy change.

In addition to emphasizing the caseload subgroups already identified, discussions among county staff and managers indicate there is currently a particular interest in the following topics:

- Engaging clients who are satisfactorily participating, but temporarily in between their formally assigned activities, in some type of "bridging" activities that would be useful to them and also would allow them to be counted toward the federal participation rate during that time period.
- Enhancing the initial appraisal and orientation process to make it more user-friendly and more focused on identifying and addressing potential barriers to participation

and ensuring that participants are engaged as quickly as possible in Welfare-to-Work activities.

- Assisting counties, especially smaller counties and those in more isolated areas, with the development of community resources that can offer a wider variety of work and work-related activities for CalWORKs participants.

We considered requiring community service or other publicly funded jobs for individuals who were in between formal work and work-related activities. We decided against recommending this approach without a further discussion of the most promising models for short-term employment that would help participants build useful and transferable skills. Some states have created training programs using publicly funded jobs coupled with educational programs; others have utilized more traditional “workfare” type assignments that require only minimal skills and provide little if any training or education for participants.

Because of the delicate balance required to ensure that any community service-type program would help the state’s work participation rate and also help clients, and because of the potentially high cost of a program of this nature, we instead recommend that the consideration of a range of useful, skill-building “bridging” activities be a part of the identification and dissemination of promising practices, rather than creating a new requirement for widespread community service for CalWORKs recipients between activities. As these promising practices are defined and implemented, monitoring of the outcomes and lessons learned would further inform future discussions of statewide statutory changes.

Recommendation Five

Ensure more accurate reporting/counting of client participation.

County experience and conversations with other states suggest that the methods the counties and the state use for tracking participation could be improved. Discussions with federal staff indicate a widespread belief that many states need to do a better job of collecting and calculating work participation information. Prior to the passage of the Deficit Reduction Act, there was less interest in improving these data reporting processes; now that the caseload reduction credit is essentially being phased out for many states, interest in improving data calculation is growing.

We therefore recommend that the state and counties partner in making administrative changes in how participation is identified for purposes of both county reporting to the state and completion of the “Q5” sample by which participation is reported to the federal government on a quarterly basis.

Specific examples of these activities could include:

- Sharing best practices among the counties that have increased efforts to more fully capture participation.
- Working with state to improve data collection, both on county reports and the Q5.

Recommendation Six

Create a state-only CalWORKs program for key groups of recipients.

To align the policies of the CalWORKs program with the new federal requirements while preserving California's approach to supporting families, the Legislature and Administration should consider establishing a state-only, CalWORKs program with state funds that are not counted toward the state's required maintenance-of-effort spending. The creation of such a program would make sense for three groups of families who would not count in the federal work participation numerator:

1. Disabled parents, parents caring for a disabled family member, and other adults who are exempt from welfare-to-work participation under state law, but not under federal law;
2. Parents and relative caregivers who are engaged in mental health, substance abuse, or domestic violence services; and
3. CalWORKs applicants in the month of application and the month in which they are approved for assistance.

This state-only program could be funded with no increase in state expenditures by using federal TANF and/or state Maintenance of Effort funds for various non-CalWORKs expenditures that currently are funded out of the state General Fund, but not counted towards the MOE, and using the resulting available state General Fund dollars for this state-only, non-MOE CalWORKs program.

Recommendation Seven

Fund the program using a method that considers program caseloads, projected costs and county spending capacity.

The old PCAB process worked because it required counties to project their needs for the coming year and subjected counties' assumptions to scrutiny by the state. Without this process, the state has continued to fund counties as if it were 2001; state budget staff have no basis for checking assumptions about the actual cost to implement program enhancements (such as the universal engagement and core/non-core requirements enacted as part of the 2004-05 budget) or the savings associated with program changes like quarterly reporting for CalWORKs clients.

If the PCAB were still in place, counties would be able to work with the state on a case-by-case basis to request adequate funding to effectively administer CalWORKs. Instead, the budgeting methodology no longer represents actual program funding needs. Restoring some semblance of reality to the state's budgeting system is necessary in order for counties to implement any policy or practice changes enacted in response to TANF reauthorization and the Deficit Reduction Act.

Conclusion

Above all, take a balanced approach.

Counties are committed to improving participation and engagement among CalWORKs participants, through the practice and policy changes outlined in this paper. The six recommendations above, taken together, represent a balanced approach for the state's response to federal TANF reauthorization and the Deficit Reduction Act. Some specific changes to improve participation have already been identified, while other promising practices will be identified through the ongoing joint efforts of counties and the state. No one strategy will make the difference – an approach that mixes all of these strategies, while preserving maximum local flexibility to work with participants on a case-by-case basis, will likely be the most successful.

Focusing efforts on groups of CalWORKs recipients for whom engagement is particularly important, and perhaps particularly challenging, is also critical. We have identified several groups of participants for whom a different approach may be warranted: those who are sanctioned or non-compliant, those who are exempt from Welfare-to-Work participation, new program entrants, individuals with barriers to employment, those who are working when they leave the program or apply for aid in the first place, and those who are in between formal activities are several such groups. Fully funding all of these efforts using a sound methodology will ensure that the resources are in place to provide employment services needed to overcome barriers to employment and ensure that child care and transportation are available for participants whenever they are needed.

We also recommend implementation of the Pay for Performance program, with three specific outcome measures developed by consensus among a varied group of stakeholders. Continuing the implementation of Pay for Performance along the original schedule would complement the other efforts contained in the recommendations, and would help counties focus on clearly defined outcomes. These outcomes balance the federal work participation requirements with the public policy decisions that California made on a bipartisan basis in implementing CalWORKs. The Legislature and Administration have an important opportunity to seize and build upon the momentum that the stakeholders built in developing the three measures and the Pay for Performance system.

Finally, we urge the Legislature and the Administration, when considering how to implement the new federal requirements, to preserve the core elements of California's CalWORKs program. The original program was enacted with considerable thought on a bipartisan basis. Elements such as the safety net for children, a reasonable set of exemptions and a mix of activities that can be customized for each participant are the keys to increasing participation rates and successfully moving CalWORKs into the next phase of welfare reform.

Appendix 1

California Exemption Criteria

According to criteria developed by the State of California, the following groups of individuals are exempt from participating in Welfare-to-Work activities:

1. A parent or other relative who has primary responsibility for personally providing care to a child six months of age or under. This exemption is limited to single parents, and is allowed for up to 12 months for the first exemption for the parent. Counties have discretion as to the length of the first exemption – up to 12 months – and subsequent exemptions – up to 6 months. (This is the only exemption that is also federally recognized.)
2. A child under the age of 16.
3. An individual 16, 17, or 18 years of age attending full-time school in twelfth grade or below, or vocational or technical school.
4. An individual who is 16 or 17 years of age who has obtained a high school diploma or GED and is enrolled or planning to enroll in postsecondary education.
5. An individual who is 60 years of age or older.
6. An individual who has a disability that is expected to last at least 30 calendar days and that impairs the individual's ability to be regularly employed or participate in a welfare-to-work activity.
7. An aided non-parent caretaker relative who has primary responsibility and providing care for a child who is:
 - A dependent or ward of the court,
 - Receiving Kin-GAP benefits, or
 - Is a risk of placement in foster care.
8. An individual whose presence is required in the home because of the illness or incapacity of another member of the household.
9. A woman who is pregnant if the pregnancy impairs her ability to be regularly employed or participate in welfare to work activities.
10. An individual who is a full-time volunteer in the Volunteers in Services to America Program (VISTA).

Appendix 2

Comparison of Federal and State Work Activities

Federal Work Activities

Core Activities

Work experience
On-the-job training
Job search and job readiness assistance
Vocational educational training (up to 12 months)
Community Service
Subsidized and unsubsidized employment

Activities beyond 20 hours of core activities

Progress toward high school diploma/equivalent
Education directly related to employment
Job skills training directly related to employment

State Work Activities

Core Activities

Work experience
On-the-job training
Job search and job readiness assistance
Vocational educational training (up to 12 months)
Community Service
Subsidized and unsubsidized employment
Grant-based on-the-job training
Supported work or transitional employment
Work study
Self employment

Activities beyond 20 hours of core activities

Progress toward high school diploma/equivalent
Education directly related to employment
Job skills training directly related to employment
Adult basic education
Domestic violence services
Mental health services
Substance abuse services

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