May 17, 2025

To: The Honorable Dr. Akilah Weber Pierson
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

The Honorable Dr. Corey Jackson
Chair, Assembly Budget Subcommittee No. 2

Honorable Members
Assembly Budget Subcommittee No. 2

From: Carlos Marquez, Executive Director, CWDA
Tiffany Whiten, Senior Government Relations Advocate, SEIU
Justin Garrett, Senior Legislative Advocate, CSAC
Kelly Brooks-Lindsey, Legislative Representative, UCC
Sarah Dukett, Policy Advocate, RCRC

RE: CALWORKS: MAY REVISION RESPONSE

The County Welfare Directors Association of California (CWDA), Service Employees International Union (SEIU), California State Association of Counties (CSAC), the Urban Counties of California (UCC), and the Rural County Representatives of California (RCRC) respectfully submit our response to the CalWORKs-related proposals in the May Revision and continue to urge the rightsizing of the CalWORKs Single Allocation. Specifically, we request a one-time investment of $245 million in FY 2025-26 and a long-overdue update to the administrative budget methodology beginning in FY 2026-27.

Rightsize CalWORKs Administration

County human services agencies administer the CalWORKs program on the state's behalf, serving over 350,000 families, including 650,000 children, each month. To ensure families receive critical support, counties must process applications, complete timely redeterminations, and issue critical benefits such as homeless assistance, among other services. This work is intensive, complex, and must be completed within strict timelines. While counties strive to meet these mandates despite resource constraints, inadequate funding puts timely delivery of basic needs at risk for families living in deep poverty.

The CalWORKs Single Allocation is the primary source of funding for this work. The Single

Allocation is largely comprised of two major components: 1) the Eligibility component, which provides counties funding to process CalWORKs applications, redetermine eligibility, and maintain cases to ensure families receive timely financial support, crucial for meeting basic needs; and 2) the Employment Services component, which provides counties funding to provide services and supports to clients in Welfare-to-Work activities, case management, and job-related supports. Moreover, the Single Allocation is fungible, meaning counties can shift funds between the allocation components as needed. Please see our February 12, 2025, memo for additional background.

Although the methodology was rebased in FY 2018-19, the eligibility component has remained chronically underfunded. It does not reflect actual county workload nor account for annual inflationary costs. As a result, counties overspent the eligibility component of the Allocation by $245 million in FY 2023-24 and were forced to divert funding from employment services to cover the gap. That same year, the California Department of Social Services (CDSS), in partnership with CWDA and counties, reassessed the eligibility budget methodology. The findings confirmed a substantial funding shortfall (approximately $219 million total funds in FY 2025-26) based on updated worker costs and workload data, figures which are already outdated due to rising labor costs and persistent inflation.

Despite this clear acknowledgment of underfunding in both the FY 2024-25 and 2025-26 May Revisions, no new investments have been proposed to address the structural shortfall in eligibility funding nor a timeline for enactment of a new methodology. Without action, counties will continue to face unsustainable trade-offs that undermine their capacity to deliver timely, effective CalWORKs services, and, by extension, the state's ability to meet the needs of families in deep poverty.

Recommendation:

- We request inclusion of **one-time $245 million in the FY 2025-2026 Budget** to make counties whole for the underfunding of the Single Allocation. This request aligns with the eligibility overspending from FY 2023-24, based on actual county expenditures that are unaccounted for in the current budget methodology. This amount would allow counties in the short-term to meet their mandated eligibility workload as well as ensure access to services and supports that help families overcome barriers to employment.

- In addition, we request the Administration **update the Single Allocation methodology for the eligibility component beginning FY 2026-27 and ongoing** to reflect the true costs of eligibility workload. The methodology should be grounded in the reassessment completed by CDSS in FY 2023-24 and FY 2024-25, which determined eligibility administration costs of specified components in the current budget methodology were underbudgeted.

CalWORKs Streamlining Proposals

The May Revision includes several positive CalWORKs streamlining proposals. These efforts aim to simplify the curing of sanctions, expand allowable activities, reassess mandatory participation requirements, and eliminate burdensome county reporting. Collectively, these proposals reflect progress toward a more family-centered CalWORKs program and will allow counties to focus their workforce on building meaningful, supportive relationships with families.

One specific proposal would eliminate county reporting requirements. Counties are currently managing legacy Work Participation Rate (WPR) reporting systems such as RADEP and E2Lite. The May Revision outlines a transition to a different reporting structure. While the Administration's proposal to eliminate these systems would remove a specific reporting duty, the transition will still require counties to conduct data validation and oversight, particularly during the initial implementation phase. Counties have also emphasized that any administrative time savings from eliminating these systems (the Administration estimates $18 million total funds in FY 2025-26) should be redirected to critical eligibility tasks that have been deprioritized due to chronic underfunding.

Despite acknowledging the chronic underfunding of eligibility administration, the Administration has proposed no new funding or methodology to address it. Furthermore, offsetting the CalWORKs Single Allocation by assumed savings of $18 million from the RADEP and E2Lite transition without addressing the broader funding gap, while counties have simultaneously faced significant cost pressures and forced redirection of employment services funding, undermines counties' ability to fulfill core eligibility responsibilities. Preserving this funding is essential to supporting a family-centered service infrastructure and preventing the further erosion of basic services.

Recommendation: Reject the proposed $18 million cut from the Single Allocation. Preserve this funding to support counties' continued efforts to deliver quality services to families.

CONCLUSION

The undersigned organizations fully recognize that the state faces a significant budget shortfall and that difficult trade-offs are necessary. In this constrained fiscal environment, we remain committed to working collaboratively with the Administration and Legislature to explore viable solutions that would help stabilize and strengthen CalWORKs administration. Even incremental investments would help prevent further erosion of critical services and ensure counties have the capacity to meet families where they are, with timely access to benefits, employment support, and a path toward greater stability.

Sincerely,

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