



CWDA

Advancing Human Services
for the Welfare of *All* Californians

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To: The Honorable Holly Mitchell
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

From: Frank J. Mecca, Executive Director

**RE: CALWORKS SUBSIDIZED EMPLOYMENT PROGRAM
SIMPLIFICATION**

The County Welfare Directors Association of California (CWDA) respectfully requests your support for our proposed trailer bill language (TBL) to simplify the two existing CalWORKs subsidized employment programs. Maintaining and operating two separate subsidized employment programs is administratively and programmatically burdensome, and is limiting the overall utilization of subsidized employment by counties.

There are currently two CalWORKs subsidized employment programs, the AB 98 program, named after the bill that established the program in 2012, and Expanded Subsidized Employment (ESE), enacted in 2013. The subsidy that the AB 98 programs authorizes counties to provide participating employers is limited to wages and capped at 50 percent, less \$113, of the total wage cost of the employee up to the CalWORKs grant amount of the assistance unit in the month prior to participation in subsidized employment. The limitation of the subsidy is necessary because the AB 98 statute requires the program to be cost-neutral to the state. The ESE subsidy is more generous and can cover both wage and nonwage costs of the participating employers as well as training participants, recruiting employers, and other ESE-specific supportive activities. There is no cap on the subsidy under ESE and the budget currently includes \$135 million for the ESE program. There are currently 42 counties participating in the ESE Program.

The ESE Program was intended to be an expansion of subsidized employment participation beyond that which already existed in counties as a result of the AB 98 program. To ensure that ESE funding did not supplant existing AB 98 expenditures and to increase the number of participants, the ESE legislation established a maintenance of effort (MOE) requirement. Those counties that operated AB 98 programs in 2012-13 are required to continue to spend the same amount of AB 98 and Single Allocation funding on subsidized employment that they spent in 2012-13, in order to be eligible to receive additional funding under the ESE Program. There are 32 counties subject to the AB 98 MOE under ESE, although three of them are currently not participating in ESE.

To implement the AB 98 MOE requirement, the California Department of Social Services (CDSS) is not just requiring that counties subject to the requirement spend at least their MOE amount, as specified in the statute, and increase the number of participants. The CDSS is requiring the AB 98 MOE counties continue to operate their AB 98 programs at the same level as they existed in 2012-13 and completely separately from their ESE Programs. Operating both programs separately is extremely administratively and programmatically burdensome.

- **Separate contracting, tracking, and reporting is required.**

To keep the programs separate, counties must have two separate contracts with employers, many of which are the same employers for both programs. Participants must be tracked by program because CDSS instructions say that the two funding sources cannot be combined to fund any individual placement. Counties required to continue AB 98 programs to access the ESE funding have to continue to comply with all the AB 98 monthly reporting in addition to the required ESE reporting. Counties have not only got to keep track separately of the numbers of different slots and participants for reporting purposes, but they have got to make sure they are funding their participating employers for the proper slots in any particular billing period. So counties have also got to collect data about which specific slot each participant is in.

- **Program and claiming instructions are contradictory, confusing, and cumbersome.**

CWDA and county fiscal representatives worked closely with CDSS fiscal staff in developing the claiming structure and instructions to ensure that claiming for the ESE program is as simplified as possible. The claim is designed to automatically ensure that each county fulfills its AB 98 MOE funding requirement without counties having to differentiate in the claim between the AB 98 or ESE programs. However, subsequent program instructions that have been issued have undermined that claiming simplicity and been confusing. The latest instructions says that counties can combine the AB 98 MOE base funding and ESE funding for a single subsidized employment program, but the funding sources cannot be combined to fund any individual placement. All guidance also states that ESE funding cannot be used to supplement existing AB 98 slots. This all seems to make some sense on paper, but in practice is difficult. A county could have one “program” but it really in effect is two because the AB 98 slots have certain requirements about what can be funded, while the ESE slots have different ones.

If a county then wants its claim to match what is happening on the program side, the county must claim to its AB 98 MOE base funding and ESE funding separately. Counties must also track county staff time separately between the AB 98 and ESE programs because they cannot claim any AB 98 work toward ESE (or vice versa). Should a county happen to expend their entire AB 98/Single Allocation base in the

middle of the year, then per the instructions, the county cannot turn those AB 98 slots into ESE slots for the rest of the year, and certainly not if any particular participant is in the middle of their AB 98 participation. It is unclear in this situation whether the county is then on the hook to invest more of its own funding to cover those costs even though there is untapped ESE funding to continue the availability of those slots (and therefore is not a supplantation because those AB 98 slots would have just stopped otherwise).

- **The AB 98 MOE funding requirement is getting harder to meet.**

AB 98 and ESE programs are also markedly different from each other in terms of counties' ability to cover employers' costs. Because of the cap on the AB 98 subsidy amount linked to CalWORKs grant levels, the benefit of the AB 98 program to employers is shrinking with increases in the minimum wage because less and less of the wage can be subsidized. The ESE subsidy can also help cover other employer costs in addition to wages, such as unemployment insurance, some employee benefits, and worker's compensation. Employers willing to participate in subsidized employment want to participate in an ESE program and not an AB 98 program. As a result, counties are having an increasingly hard time finding and keeping employers participating in the AB 98 program. Some counties report concerns with being able to hit their AB 98 MOE funding requirement at all because of difficulties holding on to current employers and getting new ones to participate in the AB 98 program.

The ability of counties to expand the use of subsidized employment is limited because of the administrative and programmatic complexities of operating the two separate subsidized employment programs and the decreasing interest of participating and prospective employers in the AB 98 program. At least one county reports it dropped out of subsidized employment altogether because of the requirement that the AB 98 MOE funding requirement be met by continuing to operate a separate AB 98 program. The administrative work required to maintain and operate two separate programs also diverts county staff from the work needed to actually expand the availability of subsidized employment in the county.

CWDA is proposing TBL that will simplify the two subsidized employment programs by consolidating them into one, the ESE Program. The AB 98 MOE funding minimum will still be required. This simplification will enable participating counties to expand existing subsidized employment programs and potentially enable counties not currently participating to begin programs. It will lead to an increase in overall participation of subsidized employment statewide and help counties to better maximize the use of already-available funding. We thank you for your consideration of our proposal.

Attachment: CWDA Trailer Bill Language – Subsidized Employment Program Simplification

cc: Jennifer Troia, Office of the Senate President Pro Tempore
Craig Cornett, Office of the Senate President Pro Tempore
Theresa Pena, Senate Budget Subcommittee No. 3
Chantele Denny, Senate Republican Fiscal
Will Lightbourne, Department of Social Services
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