

SUBCOMMITTEE #3: Health & Human Services

Chair, Senator Mark DeSaulnier

**Senator Elaine K. Alquist
Senator Bill Emmerson**



January 27, 2011

**9:30 AM or
Upon Adjournment of Session**

**Room 4203
(John L. Burton Hearing Room)**

Staff: Jennifer Troia

<u>Item</u>	<u>Department</u>
0530	Office of Systems Integration (Health & Human Services Agency)
5180	Department of Social Services

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. Please see the Senate File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

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Background Information: **Department Overviews**

Office of Systems Integration (OSI): With a total budget of \$212.1 million (OSI Fund, transfers from other mixed sources) in 2010-11 and a proposed budget of \$183 million in 2010-11, OSI procures and manages automation projects for the Departments of Social Services and Employment Development.

Department of Social Services (DSS): With a total budget of \$21.0 billion (\$8.6 billion GF) in 2010-11 and a proposed budget of \$16.6 billion (\$8.7 billion¹ GF) in 2011-12, DSS is responsible for programs that provide aid, service, and protection to children and adults in need of assistance. The Department employs more than 4,000 individuals who oversee the administration of programs like SSI/SSP, CalWORKs, In-Home Supportive Services (IHSS), child welfare services, and the licensing of community care facilities.

¹ Note that this figure does not display the impact of nearly \$1 billion of the \$1.5 billion proposed reduction to CalWORKs, as those funds would still pass through DSS's budget before being transferred to the Student Aid Commission.

Vote-Only Agenda

0530 Office of Systems Integration (OSI) (& DSS)

OSI (& DSS) Issue 1: Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS)

Budget Issue: OSI requests a decrease of \$7.0 million in the 2010-11 budget for LRS as a result of contract finalization. The total 2010-11 budget for LRS, which includes six-months of design, development, and implementation, would thus be \$38.4 million (\$14.3 million GF/TANF). OSI also proposes an increase of \$37 million (\$12.6 million GF/TANF) for a full year of project design, development, and implementation in 2011-12. Including these proposed funds, the 2011-12 budget for LRS would be \$75.5 million (\$27 million GF/TANF).

OSI anticipates total costs for LRS development and implementation of \$370.2 million over four years (\$137.7 million GF/TANF, \$205.7 million federal funds and \$26.8 million county funds) before reaching the Maintenance & Operations (M&O) phase of the project after December 2014. Although the differing functionalities of the systems make direct comparison difficult, it is worth noting that OSI estimates \$63.5 million annual operations costs for LRS (\$24.9 million GF/TANF) or about double the costs for LEADER.

Background on LEADER: With 2010-11 M&O costs of \$30.7 million (\$15.7 million GF/TANF), LEADER is one of four consortia within the Statewide Automated Welfare System (SAWS). The system that is being replaced by LRS has been in its M&O phase since 2001, with its latest Unisys contract scheduled to expire on April 30, 2011. To accommodate the LRS schedule, OSI is seeking approval to again extend that contract for additional years.

Background on LRS Project: According to OSI and Los Angeles (LA) County, LEADER technology is outdated and cumbersome. LRS will streamline LA's business practices, eliminate duplicative data entry, and minimize errors. OSI also indicates that LRS will expand clients and service providers' ability to apply for benefits or report case changes online. In addition, LRS will minimize the state's dependency on one vendor's proprietary hardware and software components to run LEADER. The federal government has previously expressed concerns about the state and county's continued non-competitive use of the same vendor; and OSI has indicated that no other qualified vendors have been willing to enter a bid to operate the LEADER system.

Planning activities are currently wrapping up and design, development, and implementation of the LRS project is scheduled to begin shortly. OSI anticipates that the project could be completed in December 2014.

Subcommittee Staff Comment & Recommendation: Staff recommends approving the proposed 2011-12 funds for LRS.

5180 DSS**DSS Issue 1: CalWORKs - Work Incentive Nutrition Supplement (WINS) Program**

Budget Issue: DSS proposes, in trailer bill language, to repeal statutes requiring the department to create and implement the WINS program. Based on preliminary estimates, the department anticipates that after automation changes costing \$2 million GF in the first year of implementation, costs (countable as Maintenance of Effort [MOE] for the federal Temporary Assistance for Needy Families [TANF] program) for WINS would be \$18 million in the second year and \$28.4 million each year thereafter.

Background on WINS: Under WINS, which was originally authorized in 2008 (AB 1279, Chapter 759, Statutes of 2008), the state would pay 100 percent of the costs of a \$40 per month supplemental food benefit to working families who are receiving CalFresh benefits but are not receiving CalWORKs assistance, if they are participating in sufficient hours of paid employment to meet the TANF work participation rate (WPR). As a result, the state would improve its WPR as measured by the federal government. A related working group was created to explore options for offsetting a potential increase in the state's CalWORKs caseload (and possible resulting decrease in its federal caseload reduction credit) that could result from WINS. As a result of enacted implementation delays, the Department is prohibited from paying WINS benefits prior to October 1, 2012, and is required to fully implement the program by April 1, 2013.

Subcommittee Staff Comments & Recommendations: Staff recommends approval of another one-year delay in the timeline for WINS implementation, rather than an outright repeal of the statutes authorizing the program. This allows for additional time to consider the benefits and costs of the program in light of any further communications with the federal government regarding the state's WPR and any other changes in TANF policies.

DSS Issue 2: CalWORKs - Temporary Assistance Program (TAP)

Budget Issue: DSS proposes, in trailer bill language, to repeal statutes requiring the department to create and implement TAP. Based on preliminary cost estimates, after automation changes of \$5.3 million GF, if excess-MOE funds are available when it is implemented, TAP is effectively cost-neutral to the state because funds needed for the program (\$220 million in recipient benefits) are already included in the CalWORKs budget. GF resources that would otherwise be used to meet the MOE would instead be shifted to fund the solely-state funded TAP (which is not countable as MOE). However, according to the Department, TAP could also result in a revenue loss to the state because of an associated loss of public assistance cost recoupment through child support payments.

Background: TAP was authorized in the 2006 human services trailer bill (AB 1808, Chapter 75, Statutes of 2006) as a voluntary program to provide cash aid and other benefits with solely state funding to a group of current and future CalWORKs recipients who are exempt from state work participation requirements (previously estimated to apply in 24,000 cases). TAP was intended to allow these recipients to receive the same assistance benefits through TAP as they would have under CalWORKs, but without any federal restrictions or requirements. As a result of TAP, California would improve its WPR. To date, implementation complexities, largely due to challenges with child support automation and rules, have prevented TAP from moving forward. As a result, trailer bill language was adopted four years in a row to delay TAP implementation. The Department reports no new progress in overcoming those challenges to implementing TAP.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the proposed repeal of the statutes authorizing the TAP program.

DSS Issue 3: CalWORKs - State and County Peer Review Process

Budget Issue: DSS proposes trailer bill language to continue the inactive status of the CalWORKs state and county peer review process in 2011-12. The process was suspended for 2010-11, but the Department is currently required to implement it statewide no later than July 1, 2012. This proposal would extend that deadline for statewide implementation by two years to July 1, 2014.

Background: A 2006 budget trailer bill (AB 1808, Chapter 75, Statutes of 2006) Originally required DSS to establish a state and county peer review process statewide by July 1, 2007. The purpose was to assist counties in implementing best practices and improving their performances in the CalWORKs program. Prior to last year, eight peer reviews were conducted (three in 2008 and five in 2009).

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the proposed trailer bill language to delay the required statewide implementation of the peer review process.

DSS Issue 4: CalFresh Nutrition Education (CNE) Unit

Budget Issue: DSS requests, in a budget change proposal, \$350,000 (withheld federal funds) to make three existing limited-term staff positions (one Staff Services Manager and two Associate Governmental Program Analysts) into permanent positions in the CNE.

Background: The CNE's goals are to educate low-income CalFresh-eligible individuals regarding healthy lifestyles and how to best use limited food budgets. Its total budget includes \$246 million (\$129 million for a state share, which is paid by school districts, county health departments and other local entities). DSS contracts with two partners, the

University of California-Davis (UCD) and the California Department of Public Health (DPH) to carry out the CNE program. For 2006 through 2008, the federal government disallowed some costs of the program as a result of fraud and embezzlement discovered to have been perpetrated by a UCD employee. The CNE Unit was established in 2009-10 with limited-term positions to provide increased oversight of the CNE program and its contractors.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the requested positions, which will be federally funded.

Discussion Agenda

0530 Office of Systems Integration (OSI)
5180 Department of Social Services (DSS)

OSI (& DSS) Issue 2: Child Welfare Services (CWS)/Web Project

Budget Issue: OSI requests \$2.1 million (\$951,000 GF that is reflected in the DSS budget) for four additional staff and additional contract resources to support its project management role in the development of the new CWS/Web system. These four positions would be in addition to 29 existing OSI positions and another ten OSI-contract staff currently supporting this phase of the project.

DSS requests, in a budget change proposal, \$304,000 (\$139,000 GF) for the extension, for an additional two years, of three limited-term staff who support the child welfare program-side of the project's development. These three staff (in a manager, office technician, and legal counsel position) would be in addition to three existing DSS positions supporting this phase of the project.

Including the requested positions, the total 2011-12 budget for the project would include \$13.2 million (\$6.0 million GF). OSI estimates a total cost of \$351.2 million (\$165.5 million GF) for the project over the decade between 2006-07 and 2016-17. Of this amount, the one-time costs to implement the project are estimated to be \$215.3 million (\$97.5 million GF), with maintenance and operations costs of \$135.9 million (\$68 million GF). According to the current project schedule, the project will be fully implemented by the Fall of 2015.

Background: California's CWS system includes a variety of state-supervised, county-administered interventions designed to protect children. Major services consist of emergency response to reports of suspected abuse and neglect, family maintenance or reunification, and foster care. The Child Welfare Services/Case Management System (CWS/CMS) is the existing automated system that provides case management capabilities for CWS agencies, including the ability to generate referrals, county documents, and case management and statistical reports. The CWS/CMS system was implemented statewide in 1997, and OSI has stated that CWS/Web is necessary because the CWS/CMS technology is outdated. In addition, OSI and DSS report that the CWS/Web system will increase efficiency and better comply with federal system requirements (which are tied to federal

funding). The CWS/Web project is currently in a planning stage, preparing for a full implementation after development ends in 2014. When CWS/Web is completed, the system will rely on a more modern, web-based technical architecture.

According to OSI and DSS, the requested positions are needed to keep pace with critical quality assurance, design, and development tasks. Without the requested resources, OSI indicates that it will be difficult to keep the project on time and within its budget.

Subcommittee Staff Comment & Recommendation: Staff recommends holding these issues open.

Questions for OSI & DSS:

- 1) Please briefly describe the status of the CWS/Web project development and its current and anticipated staffing. What is the rationale for requesting these additional positions at OSI and at DSS at this time?
- 2) If these positions are not approved, what consequences would result? Please provide specific examples.

5180 Department of Social Services (DSS)

**DSS Issue 5: CalFresh - Electronic Benefit Transfer (EBT)
for Farmers' Markets**

Budget Issue: DSS requests, as part of its local assistance estimates, \$1.6 million (\$788,000 GF) to provide EBT services (point-of-sale devices, service, and transaction fees) to over 700 new farmers' markets in 2011-12.

Background: Of the 800 farmers markets in California, 111 markets are currently equipped to accept EBT at 280 locations. Enacted last year, AB 537 (Arambula, Chapter 435, Statutes of 2010) allows, but does not require, groups or associations of produce sellers to operate as Food and Nutrition Service (FNS) agents by accepting EBT.

Subcommittee Staff Comment & Recommendation: Staff recommends holding this issue open.

Questions for DSS:

1. Please briefly describe the provisions of AB 537 and the Department's plan for implementing those provisions.
2. How many of the roughly 700 farmers' markets that currently do not use point-of-sale devices can reasonably be expected to begin doing so during the budget year?

CalWORKs Overview

CalWORKs provides cash assistance and welfare-to-work services to families whose income is inadequate to meet their basic needs for shelter, clothing, and other essentials. The 2010-11 budget for CalWORKs includes \$5.8 billion (\$2.3 billion GF). Based on August, 2010 data, the program serves around 575,000 families with about 1.1 million children.

Eligibility: To be financially eligible for CalWORKs, a family's income must be below a specified income level (for example, \$1,203 per month for a family of three) and they must meet set limits on their other assets (e.g., no more than \$2,000 in savings). Grants vary by family size and county of residence. If an adult has reached the five-year limit on his or her aid, the family's grant is reduced by the amount attributable to the adult, and the children continue to receive aid in a program known informally as the "CalWORKs safety net" (approximately 9 percent of all CalWORKs cases). Children with parents who are ineligible to receive CalWORKs assistance (approximately 35 percent of all CalWORKs cases) receive a "child-only" grant throughout their time on aid. As an example, a parent who is undocumented would be ineligible to receive aid.

Assistance: Currently, the maximum monthly grant for a family of three is \$694 in higher-cost counties (the equivalent of approximately 76 percent of the Federal Poverty Level when combined with CalFresh benefits). Once on aid, a family may remain eligible despite having some additional earnings because of an "earned income disregard," which does not count certain earned income when determining the family's grant. Generally, able-bodied adults are limited to 60 months of cash aid, while children are not subject to such time limits. Under reforms passed as part of the 2009-10 budget, these time limits for adults are scheduled to change, as of July 1, 2011, to 48 months and then a "sit out" period of at least one year before eligibility for an additional 12 months begins.

Work Requirements: Federal law generally requires that states ensure that at least 50 percent of families with adult recipients be working either 20, 30, or 35 hours per week, depending on the age of the youngest child and whether there are one or two parents in the household. Failure to meet the net federal work participation rate may result in federal financial penalties for the state. Able-bodied adults who are required to participate receive child care and other services to help them work, obtain training, or find work.

Governor's 2011-12 Proposals: The Governor's budget proposes a total of approximately \$1.5 billion GF savings as a result of the major reductions to CalWORKs described in the rest of this agenda. This amounts to a 50 percent reduction in net GF costs for CalWORKs compared to the workload budget. To achieve a majority of these savings, \$946.8 million of federal TANF block grant funding would be transferred from DSS to the Student Aid Commission to offset a like amount of GF costs for CalGrants. While some TANF funds have been used for programs other than CalWORKs itself in prior years, the scale of this proposed transfer is unprecedented.

The Governor also proposes trailer bill language to repeal a number of reforms to the CalWORKs program that were enacted as part of the 2009-10 budget and which are scheduled to take effect July 1, 2011. These reforms include the change to the time limits

on adults' eligibility for CalWORKs benefits described above, additional reviews of clients' circumstances ("self-sufficiency" reviews) by case workers, and increases in sanctions for non-compliance with welfare-to-work requirements. The Department estimates that taken together, these reforms would have saved \$104.9 million GF in 2011-12 [\$134.9 million GF savings in the CDSS budget offset by \$34 million GF costs in the Department of Education (CDE) budget for increased child care costs].

DSS Issue 6: Proposals to Extend Reduction of County Block Grant Funding (Single Allocation) & Continue County Flexibility to Move Funds Between Specified Accounts

Budget Issue: The Governor's budget proposes to extend a reduction of \$376.9 million GF to the counties' "single allocation" for CalWORKs (block grant funding for Administration, Child Care, and Employment Services).

The 2009-10 Budget Act (Chapter 4, Statutes of 2009, Fourth Extraordinary Session, AB X4 4) included similar sized reductions for 2009-10 and 2010-11, but also included corresponding short-term reforms to the CalWORKs program (described below). The Governor's current proposal does not include the main policy changes in effect during those years, and is instead an unallocated reduction. According to DSS, counties would therefore "need to re-prioritize the use of the single allocation funds to serve clients in the most efficient and effective manner." The Governor's budget does, however, propose to continue flexibility that counties have had in 2009-10 and 2010-11 to redirect funding for Substance Abuse and Mental Health Services to and from CalWORKs Employment Services funding.

Background on Policies Connected to Prior Reductions: Under AB X4 4, counties may provide time-limit exemptions to adults who have been granted good cause due to lack of supportive services, and may exempt families with young children (i.e., 12-23 months or if two or more children are under the age of six) from welfare-to-work requirements. The Welfare Data Tracking Implementation Project (WDTIP), which counties use to track time on aid, reported that in the quarter ending in September 2010, 46,000 families were granted exemptions that may have resulted from these policies. AB X4 4 also contained statutory provisions like those in the Governor's proposal that allow counties greater flexibility to redirect mental health and substance abuse funding.

Anticipated Impacts: Because the Governor's budget does not offer any direction as to how counties should implement this very large reduction to funding for CalWORKs administration and for welfare-to-work services, including child care and other education and employment-related services, it is very difficult to predict which families and children would be affected by this proposal and in what ways. In general, there will be significantly less funding available for the supports that assist families in obtaining and keeping employment.

LAO Alternative: The LAO's alternative CalWORKs proposals for the Legislature's consideration include the possibility of a reduction to the Single Allocation that is deeper than the one proposed by the Governor's budget. The LAO suggests that such a reduction

should again be accompanied by participant exemptions, or some other form of increased flexibility for counties.

Subcommittee Staff Comment & Recommendation: Staff recommends holding this issue open.

Questions for DSS:

1. Please summarize the impacts of the 2009-10 and 2010-11 reductions to the single allocation to date (on clients, counties, and the overall CalWORKs program). How does the department envision that the results of the proposed reduction would differ or be similar?
2. The proposed reduction does not include the corresponding CalWORKs policy changes that were included in the prior reductions. Why not? And how would implementation and the savings estimates change if those policies were again included?
3. How many counties took advantage of the flexibility to move substance abuse and mental health funding to and from other purposes? What, if any, have been the consequences to the availability of treatment when it may be needed to remedy barriers to employment or education?

DSS Issue 7: CalWORKs Proposal to Establish 48-month Time Limit On Aid to Children and Adults

Budget Issue: The Governor's budget proposes savings of \$832.9 million GF/Temporary Assistance to Needy Families (TANF) to establish, effective July 1, 2011, a 48-month time-limit on the receipt of CalWORKs cash assistance and supportive services. This new time limit would apply retroactively and would apply to both adults and children, with some narrow exceptions for children whose parents continue to meet federal work participation requirements. Previous months of cash aid would count toward the time limit, even if the adult participant had been exempted from welfare-to-work requirements or was temporarily disabled at the time.

Current Time Limits: Currently, able-bodied adults who are eligible to receive CalWORKs assistance are limited to 60 months of cash aid. Under reforms passed as part of the 2009-10 budget, these time limits for adults are scheduled to change, as of July 1, 2011, to 48 months, and then a "sit out" period of one year before eligibility for an additional 12 months begins. If an adult recipient reaches the existing 60-month time-limit, the family's aid is reduced by the portion of the grant that was attributed to the adult and the family's child or children may continue to receive cash assistance until the age of eighteen in what is known as the "CalWORKs safety net".

Children of adults who are not eligible to receive CalWORKs assistance (e.g., parents who are undocumented or who have been convicted of certain felonies) receive cash aid in what are known as “child-only” cases, and there is no time limit on their aid during childhood.

Caseload Characteristics & Anticipated Impacts: The Governor’s budget assumes that 115,000 low-income families with 234,000 children would lose all CalWORKs assistance as of July 1, 2011 as a result of this proposal. A more detailed breakdown based on 2011-12 caseload projections is below:

There are 313,200 CalWORKs assistance families with an eligible adult (including cases in which the adult has been sanctioned or is exempt for other reasons). In 42,900 of these cases (with 77,000 children), the family has been receiving aid for 48 months, but the adult has not yet reached the existing 60-month time limit. The Department estimates that 26,500 of these families (with 47,600 children), would lose all aid on July 1, 2011. The remaining 16,400 families are assumed to meet work requirements and continue to receive aid in the safety net (for children only).

There are around 52,300 families (with 127,600 children) in safety net cases after the parent(s) timed off of aid. The Department estimates that 36,600 of these families, (with 87,800 children), would lose all aid on July 1, 2011. The remaining 15,700 families are assumed to meet work requirements and would continue to receive aid in the safety net.

There are 214,600 families projected to receive CalWORKs assistance in child-only cases. The Department estimates that 51,900 of these families (with 98,600 children) would lose all aid on July 1, 2011. The Department estimates that none of these families would continue to receive aid for children only, as it does not expect the adults (mainly undocumented parents) to meet work requirements or other criteria.

According to the Department, adults who would time off of CalWORKs aid at 48 months under the Governor’s proposal would not be eligible for General Assistance (GA) under California law. However, at this point it is less clear whether children who would lose CalWORKs assistance as a result of the Governor’s proposals would be eligible for some form of assistance at the local level. GA benefits vary significantly from county-to-county, but are generally significantly less than the cash assistance and welfare-to-work services provided by CalWORKs. As an example, the maximum GA grant in Los Angeles County (called General Relief) for a family of 3 was \$450 per month in 2010.

Subcommittee Staff Comment & Recommendation: Staff recommends holding this issue open.

Questions for DSS:

1. Please briefly describe the proposal.

(Continued on next page...)

2. Studies have indicated that the families who remain on aid the longest are often the families with adults who have the greatest barriers to employment (e.g., physical or mental health challenges, less work experience, etc.) Many are already living below the poverty line, and unemployment in the state is over 12 percent. What can we expect to happen when 115,000 of these families lose all assistance on July 1? To the families and their children? To the counties' and other areas of the state's budget (e.g. child welfare services and foster care)? To the economy?
3. How would the savings from this proposal change if the state continued to recognize exemptions to time limits on adults' aid (i.e., exemptions that have already been granted in the past and those that would otherwise be expected to occur in the future)? If the time limits were shortened only for adult recipients?

DSS Issue 8: Proposal to Reduce Grants by 13 percent

Budget Issue: The Governor's budget proposes \$14 million GF savings in 2010-11 and \$405 million in 2011-12 from reducing CalWORKs grants by 13 percent, effective June 1, 2011 (based on enactment in March).

Background & Anticipated Impacts: In 2010-11, the maximum monthly CalWORKs assistance grant for a family of three in high-cost counties is \$694 and in low-cost counties is \$661. The maximum monthly grant was also \$694 (in real dollars, before adjusting for inflation) twenty years ago in 1989. This proposal would impact all families receiving cash assistance through CalWORKs. The Department estimates that by the 2011-12 budget year, 5,300 families would lose all CalWORKs assistance.

For a family of three, the Governor's proposal would reduce maximum monthly grants for basic necessities from \$694 to \$604 in high-cost counties and from \$661 to \$575 in low-cost counties. For families with no other income who also receive CalFresh (food stamp) benefits (which may increase slightly as a result of the families' reduced income under this proposal), this would place their household incomes at approximately \$1,090 or 71 percent of the Federal Poverty Level (FPL) (from the current \$1,155 or 76 percent of the FPL).

Grant Level Comparisons: According to the Department, CalWORKs grants (before the proposed reduction) are the second highest TANF grants in the ten most populous states and the fourth highest in the nation overall. After the 13 percent proposed reduction, the Department states that California's grant level would be the ninth highest in the nation. After adjusting for housing costs, however, the Center on Budget & Policy Priorities found that California's current grant levels were lower than those in 20 other states.

LAO Alternative: The LAO points out that the Legislature has never reduced CalWORKs grants by more than 6 percent at any one time, and suggests that the Legislature might consider phasing in the Governor's proposed reduction over two years. As a result, the 2011-12 GF savings would decrease, but the savings would grow to the same level over time.

Subcommittee Staff Comment & Recommendation: Staff recommends holding this issue open.

Questions for DSS:

- 1) Please briefly describe the proposal and its anticipated impacts.

**DSS Issue 9: LAO Alternative Proposals to Modify
Earned Income Disregard & Subsidized Employment Program**

Budget Issue: The LAO recommends that the legislature consider simplifying the “earned income disregard” for CalWORKs families to a flat 50 percent of all income earned. The resulting savings could be \$200 million GF annually. The LAO also recommends that the Legislature consider expanding the state’s subsidized employment program for CalWORKs recipients (established by Chapter 589, Statutes of 2007, Niello).

Background & Anticipated Impacts: Under current law, California does not count the first \$225 of earned income or unearned disability-based income and 50 percent of each dollar earned beyond \$225 when calculating a family’s monthly grant. The policy is intended to create additional incentives for families to earn income. As a result of the proposed change to the income disregard policy, about 16,500 families who currently earn below \$225 would have their grants reduced by 50 percent of their earnings, and around 125,500 who currently earn above \$225 would have their grants reduced by \$112. Approximately 5,600 families with incomes above \$1,200 per month would lose all cash assistance.

Under AB 98’s subsidized employment policies, counties can receive a match from the state that is capped at 50 percent of the maximum grant costs. When a CalWORKs recipient then receives subsidized wages, his or her grant is reduced (in part offsetting the cost of the subsidy). During 2009-10 and part of 2010-11, AB 98 was suspended while federal stimulus funds for subsidized employment were available. The federal program at the time covered 80 percent of the costs for approximately 20,000 subsidized jobs for CalWORKs recipients (with employers and local entities’ contributions countable for the state’s 20 percent match). However, this enhanced federal funding for subsidized employment expired in September, 2010; and the statutes created by AB 98 again took effect.

Subcommittee Staff Comment & Recommendation: This item is included for informational purposes and no action is required at this time.

Questions for LAO and DSS:

- 1) Please briefly describe these alternative proposals and their impacts.
- 2) What are some advantages and disadvantages of achieving savings by modifying the earned income disregard as proposed?

DSS Issue 10: Proposal to Lower the Age at which Children are Eligible for Child Care (Stage 1 Impacts)

Budget Issue: The Governor's budget proposes \$34.0 million GF savings from eliminating Stage 1 child care for 11 and 12-year-olds and lowering the limit on age-related eligibility to the age of ten. The expected overall Stage 1 child care expenditures for 2011-12 are approximately \$649 million.

Background & Anticipated Impacts: California offers subsidized child care to parents currently participating in CalWORKs (Stage 1); and families transitioning off of (Stage 2) or no longer receiving aid (Stage 3). DSS administers Stage 1 child care, while CDE administers Stages 2 and 3, as well as subsidized care for families with exceptional need who have not been CalWORKs recipients. After adjusting for the reduction to the CalWORKs single allocation (described on page 10), 51,200 children are expected to receive Stage 1 child care in 2010-11. Without that reduction, the caseload would have been larger. As a result of this proposed change in age eligibility, approximately 4,300 children from 2,500 families would lose Stage 1 child care services.

Subcommittee Staff Comment & Recommendation: Subcommittee #1 will consider the impacts of this proposal and other child care-related proposals on Stages 2 and 3 of CalWORKs child care, as well as non-CalWORKs subsidized child care. Staff recommends holding the Stage 1 impacts of these proposals open as those discussions also occur.

Questions for DSS and DOF:

- 1) Please briefly describe the proposal.
- 2) How might families and other state or county services (e.g., the juvenile justice or child welfare systems) be impacted by this proposal?