

CalWORKs: What Do We Know Two Years Later?

The number of families receiving welfare in California, like the rest of the nation, has dropped dramatically over the past five years. While the reduction is often attributed to changes in federal and state welfare laws, enacted in August 1996 and August 1997, respectively, the decline in welfare caseloads began before federal and state welfare reform laws passed. California's welfare rolls began a steep and relatively consistent decline in April 1995. During the period between the peak in the number of families receiving welfare in California (March 1995) and the implementation of the state's CalWORKs law (January 1998), caseloads dropped by 22 percent, and have declined by another 16.5 percent since then.¹

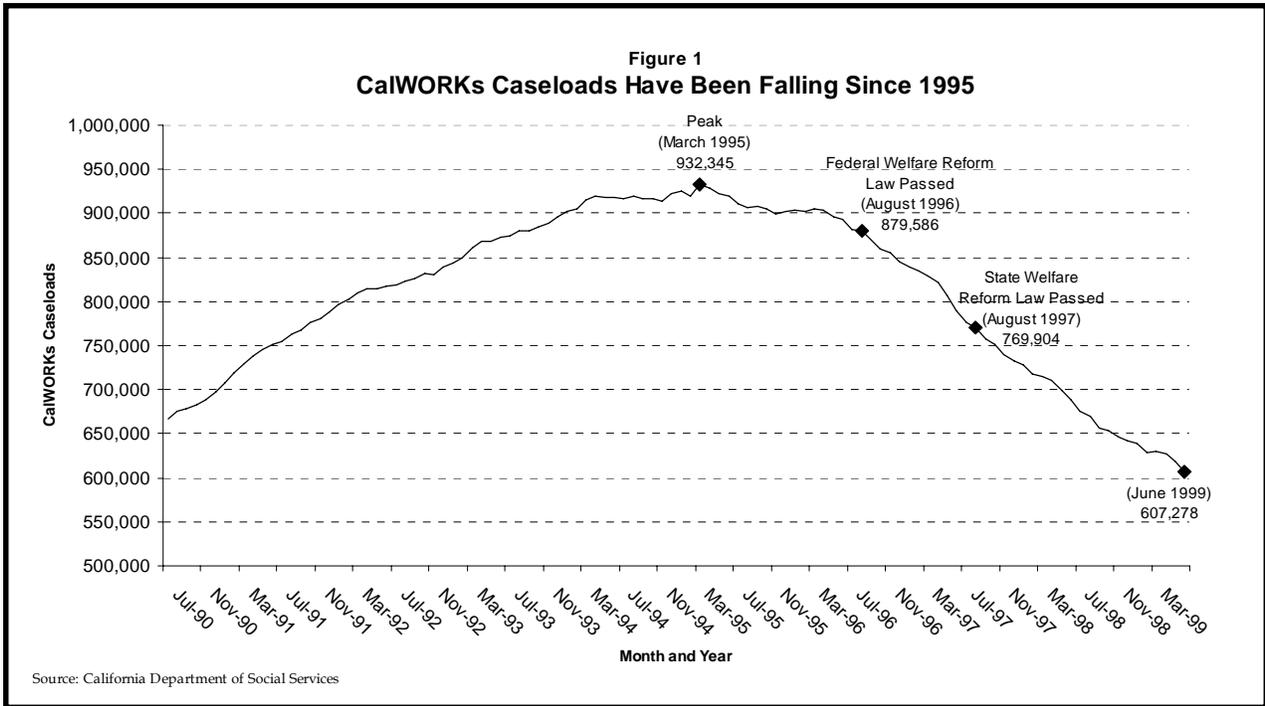
The success of welfare reform is often measured by the reduction in the number of families receiving assistance. Yet it remains unclear how many families are leaving welfare due to rising incomes, and even less clear is how families and children fare once they leave the rolls. Efforts to achieve welfare reform's stated purpose of "ending the dependency of needy parents on government benefits by promoting job preparation, work, and marriage" should include a clear appraisal of what happens to children and families who leave welfare. It may be surprising to some that these questions are not, for the most part, answered by data available from the state and counties.

This report uses data from the state Department of Social Services to assess relationships between changes in the number of children and families receiving welfare and the economic and demographic characteristics of counties, with the aim of answering the following questions:²

- ✓ What county characteristics predict higher or lower declines in the number of families receiving assistance?
- ✓ Is there a link between caseload trends and changes in unemployment rates?
- ✓ Is there a correlation between the percentage of noncitizen legal immigrants in a county and caseload changes?

While the information presented here may help provide an understanding of caseload dynamics in California counties, the central conclusion of this analysis is that there is an overwhelming need for better and more consistent information about what is happening to families – while they receive assistance and after they leave – in all 58 California counties. This information would enable California and California counties to:

- ✓ Strengthen the state's workforce development system with improved information about the types of jobs and wages that welfare recipients are obtaining, as well as the skills necessary to get, keep and advance in those jobs.
- ✓ Plan for future economic downturns and potential caseload increases.
- ✓ Recognize programs and strategies that demonstrate successful outcomes.
- ✓ Identify policies that can help support work among families with children.



CALWORKS TRENDS STATEWIDE

The numbers of people receiving public assistance through California’s CalWORKs, Food Stamps and Medi-Cal programs declined by as much as one-third between January 1995 and April 1999. The number of people in poverty in California has not declined by nearly as much; it dropped by 4.2 percent between 1995 and 1998. More than 7 million Californians are without health insurance and the number of uninsured has grown during the 1990s. Moreover, a decline in Medi-Cal coverage accounts for the entire increase in California’s uninsured population between 1995 and 1998.³

| Persons Receiving | Percent Change January 1995-April 1999 |
|--|---|
| CalWORKs | -32.9% |
| Food Stamps | -32.6% |
| Medi-Cal | -7.5% |
| Unemployment Rate (percent change 1995 to 1998) | -24.4% |
| Persons in Poverty (percent change 1995 to 1998) | -4.2% |

Source: California Department of Social Services, California Department of Health Services, Employment Development Department, US Census Bureau.

AVAILABLE INFORMATION DOES NOT EXPLAIN WHY FAMILIES ARE LEAVING ASSISTANCE

Although the Employment Development Department (EDD) gathers data about employees’ quarterly earnings and data exist showing when people leave CalWORKs, it is difficult to determine what share of the CalWORKs caseload reduction is attributable to earnings. While counties do collect information on why families are terminated from assistance, for the most part, this information does not tell us much. According to state administrative data, most case closures (71.8 percent) are attributed to

| Table 2: Only a Small Percentage of CalWORKs Recipients Leave the Rolls Due to a Reported Increase in Earnings | | |
|--|------------------------------|-----------------------------|
| | Before Welfare Reform | After Welfare Reform |
| Reason for Case Closure | FY 1995 | FY 1999 |
| No eligible child (i.e. child left home, got too old) | 11.6% | 9.4% |
| Not deprived of support or care (i.e. absent parent returns home and is employed, incapacitated parent now able to work) | 1.0% | 0.6% |
| Resources exceed limits (i.e. amount of money in bank or value of vehicle exceeds limits) | 1.6% | 1.6% |
| Income exceeds standards | | |
| Earnings increased | 7.6% | 7.8% |
| Benefits or pension increased | 2.2% | 1.4% |
| Support from person inside home increased (i.e. contribution of stepparent or unrelated adult raised household income) | 1.1% | 0.6% |
| Support from person outside home increased (i.e. contribution of person not in household raised household income) | 0.1% | 0.1% |
| Requirements reduced (i.e. change in state law or policy re: determination of need, decreased need) | 4.4% | 1.4% |
| Moved or cannot locate (i.e. recipient's whereabouts are unknown) | 6.8% | 4.7% |
| Recipient initiative (i.e. recipient ceases to return required monthly forms or forms returned incomplete) | 63.2% | 71.8% |
| Failure to comply with program requirement | 0.1% | 0.4% |

Source: CA Department of Social Services, "Appendix H-Caseload Reduction Report" (ACF-202 form). Report submitted to the Administration for Children and Families for Federal Fiscal Year 2000.

“recipient initiative,” which typically means that the recipient ceased to send in the required paperwork or the paperwork arrives incomplete. A reported 7.8 percent leave assistance due to increased earnings.

PERCENTAGE OF CALWORKS CASES WITH EARNED INCOME INCREASES, BUT LITTLE IS KNOWN ABOUT TYPE OF WORK OR HOURLY WAGES

California’s CalWORKs programs vary from county to county, but generally emphasize a “work first” approach, which encourages recipients to move as quickly as possible into the workforce. The percentage of families reporting earned income more than doubled, from 16.9 percent to 34.5 percent, between October 1996 and federal fiscal year 1998.⁴ While a larger share of welfare recipients now earn income, the data do not indicate that families are leaving welfare because of earnings or that they maintain stable employment after leaving welfare. This is because the California Department of Social Services (DSS) does not compile and disseminate data regarding the number of hours worked by recipients or their wages. Nor does California collect information about individuals’ hourly wages, hours worked, benefits or type of job after they leave the CalWORKs system. The state and some counties have begun using employer reports compiled by the state’s EDD, together with the state’s Medi-Cal files to examine recipients’ and former recipients’ quarterly earnings.⁵

CALIFORNIA MET 1998 FEDERAL WORK PARTICIPATION RATES

Federal welfare law requires that specified percentages of California's welfare recipients work or participate in work activities in each fiscal year.⁶ California met the work participation rate for the most recent year (federal fiscal year 1998). While California fell below the required percentage of adults working or in work-related activities, states are allowed to subtract the overall percentage reduction in caseloads from the required federal work participation rates. (This is referred to as the caseload reduction credit.) California met the overall (*All Families*) participation rate relatively easily, but only managed to meet the two-parent family participation rate because the federal framework for calculating caseload reductions used a definition and a base year that, according to the Legislative Analyst's Office (LAO), "significantly benefited California."⁷

STATE CREATES SEPARATE TWO-PARENT PROGRAM

California's new state TANF plan creates a separate program for two-parent families within CalWORKs.⁸ This new program will be funded entirely with California General Fund and county dollars and expenditures will count toward California's maintenance of effort (MOE) spending requirement. The funding structure for the separate program means that the state is no longer required to meet the federal two-parent work participation rate. State officials suggest that the new program will allow them to better address the diverse needs of the two-parent population, particularly the 55 percent of the two-parent caseload whose primary language is other than English.⁹

CALWORKS CHILD-ONLY CASELOAD ON THE RISE

California's CalWORKs caseload is composed of single parent and two-parent families, as well as child-only cases in which only the child receives a grant.¹⁰ California's share of child-only cases increased from 20.7 percent in October 1996 to 24 percent in federal fiscal year 1998, representing a numerical decrease of 8,177 cases in the number of child-only cases due to overall drops in the number of families receiving assistance.¹¹ The LAO indicates that more recent data show that child-only cases represent one-third of those receiving assistance and that the trend toward more child-only cases is likely to continue as the mandated participation requirements result in more sanctioned adults.¹²

WHAT DO WE KNOW ABOUT CALWORKS IN CALIFORNIA COUNTIES?

California counties differ tremendously with respect to status of local economies and labor markets, caseload size and characteristics, expenditures on welfare-related services, and approaches to program decision-making and implementation. Since state law devolved much responsibility for welfare programs to counties and because of the stark differences across counties, it is increasingly important to look at individual California counties to understand what is happening with welfare reform in California and what welfare reform means for local communities.

At the county level, the drop in the number of families receiving assistance between March 1995 and June 1999 ranged from 14.9 percent in Madera County to 64.9 percent in San Mateo County. Further analysis of county data shows that:

- ✓ Larger caseload reductions are associated with declines in county unemployment rates and lower poverty rates.
- ✓ In general, caseload declines have been larger in suburban counties and smaller in rural/city counties.¹³

| Counties With the Largest Number of Recipients (June 1999) | Counties with the Most Persons Receiving Assistance as a Percentage of the County Population (June 1999) | Counties with the Largest Percentage Caseload Declines (March 1995-June 1999) | Counties with the Smallest Percentage Caseload Declines (March 1995-June 1999) |
|--|--|---|--|
| Los Angeles | Yuba | San Mateo | Madera |
| San Bernardino | Merced | Napa | Kern |
| Sacramento | Tulare | Sonoma | Lake |
| San Diego | Fresno | Colusa | Shasta |
| Fresno | Imperial | Santa Clara | Trinity |

Source: CA Department of Social Services, CA Department of Finance.

- ✓ Counties where a larger share of the population receives assistance tended to experience lower percentage caseload declines between January 1998 and January 1999.
- ✓ Caseload declines are significantly larger in counties with larger proportions of immigrants.¹⁴

Research Shows Steep Declines in Eligible Legal Immigrants' Receipt of Benefits

The federal welfare reform law barred many legal immigrants from receiving Food Stamps and other benefits. However, immigrants' eligibility for CalWORKs (formerly AFDC) or Medi-Cal has not changed. An analysis by the Urban Institute found that the number of approved applications by noncitizens for CalWORKs, Medi-Cal and county General Assistance in Los Angeles County dropped significantly between January 1996 and January 1998. The number of approved applications for citizens remained the same or declined more moderately during the same period.¹⁵ CBP's analysis of county data reveals that counties with higher percentages of immigrant populations show higher Food Stamp recipient declines. This is particularly true after January 1998.

Researchers suggest that steeper declines in noncitizen receipt of public benefits are likely due to the "chilling effect" of welfare reform and other immigrant-related policy change, rather than actual eligibility changes.¹⁶ Observers attribute the phenomena, in part, to a perception among immigrants that they are not eligible for many programs and a fear that they or someone in the household may risk their immigration status if one receives benefits. Language barriers, together with confusion about eligibility, likely discourage eligible immigrants from accessing benefits to which they are entitled.

How Much Are Counties Spending on CalWORKs?

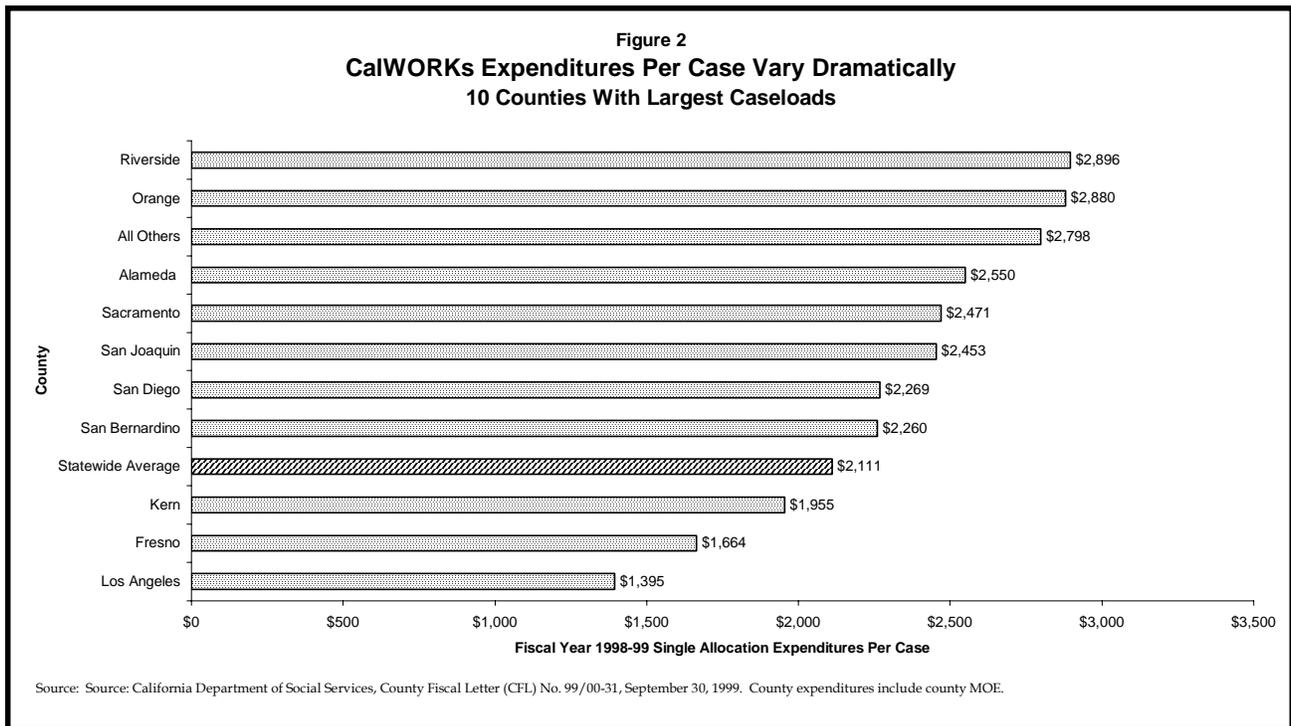
Counties receive funding from the state for welfare-to-work and related services through an annual allocation. After the amounts spent directly on cash grants to families, the bulk of the funds spent in the CalWORKs program consists of this "Single Allocation." Counties may spend the Single Allocation block grant on employment services, administration and some child care.¹⁷ Counties also receive funds for substance abuse and mental health services for CalWORKs eligible families. In addition, counties received performance incentive payments, based on program exits, grant savings and diversion.¹⁸ The amount each county receives in its Single Allocation is based on the number of families receiving CalWORKs and historical expenditures for the GAIN and AFDC programs. Discussions addressing revisions to the allocation methodology for 2000-01 are currently under way between the DSS and County Welfare Directors Association. The Legislature's Welfare Reform Steering Committee

will review the effectiveness of the new methodology and recommend modifications.

The overall amount allocated to counties for the 1998-99 Single Allocation was \$2.169 billion. Counties spent \$1.353 billion, less than 63 percent of the total allocation. County expenditures ranged from 34.4 percent (Del Norte County) to 99.6 percent (Marin County).¹⁹ The statewide average expenditure per case was \$2,111. Average per case expenditures varied substantially from county to county, with Alpine spending \$9,978 per case and Imperial spending \$1,193. Counties spent less than 20 percent of the 1998-99 separate allocation for substance abuse and mental health services for CalWORKs recipients.

CBP's analysis found that:

- ✓ Suburban counties spent the most as a percentage of allocation and in terms of per case expenditures.
- ✓ Rural and rural/city counties spent less than their urban and suburban counterparts.
- ✓ Larger counties tended to spend less of their allocation than smaller counties.
- ✓ Counties with higher caseloads compared to population spent less.



Researchers, including the official evaluators of the CalWORKs program, identify a number of barriers faced by counties in implementing CalWORKs and its more intensive reliance on employment and supportive services. One of the primary barriers is the increased workload and demand for increased capacity at county welfare departments. Despite declines in the number of people receiving CalWORKs, county welfare departments' workloads have increased as they implement new systems and provide more intensive services for those receiving assistance. In many counties, these changes have involved time-consuming hiring and/or contracting processes, slowing implementation and the expenditure of funds.

INITIAL CONCLUSIONS AND NEXT STEPS

Though the improved economy has helped shrink CalWORKs caseloads, it is not clear that former recipients have stable jobs that allow them to support a family. This analysis suggests that:

- ✓ Administrative data tell us that people are leaving welfare, but not whether they are better off or if they are leaving welfare for work.
- ✓ California counties vary with regard to caseload size and change.
- ✓ CalWORKs caseload decline in California counties is positively related to the vitality of local economies.
- ✓ There is clear evidence that counties with large immigrant populations are associated with larger declines in receipt of public benefits.
- ✓ Suburban counties are more likely to have experienced greater CalWORKs caseload declines.

The findings presented here provide an initial examination of some of the factors that may influence welfare caseload trends. However, analyzing the impact of welfare reform more broadly requires answers to deeper and tougher questions:

- ✓ Is caseload reduction the best indication of whether welfare reform is a success? If not, what other measures should be considered in order to measure California's and California counties' success in promoting work and self-sufficiency among low-income families?
- ✓ How are families faring when they leave aid?
- ✓ What types of assistance will families continue to need in order to stay off welfare and move toward self-sufficiency?
- ✓ How have changes in California's welfare system affected vulnerable children, the people the system is designed to protect?
- ✓ What types of services are counties providing that aid recipients in finding and keeping family-supporting employment?
- ✓ What is the appropriate information that should be collected by counties and the state to allow them to answer these questions?

The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective and accessible expertise on state fiscal and economic policy issues. The CBP is committed to improving public policies that influence the economic and social well-being of Californians and their communities. Kate Breslin prepared this update with assistance from Andy Nelson and David Carroll. Publication of this update was supported by grants from the David and Lucile Packard and William and Flora Hewlett Foundations. This publication is the first in a series monitoring the implementation of welfare reform in California. Future publications will examine how California counties have implemented CalWORKs, exploring how some counties are providing services, structuring community service, using fiscal incentive and other funds, and other issues.

ENDNOTES

¹ Prior to January 1998, Aid to Families with Dependent Children (AFDC) provided cash assistance to needy families meeting eligibility requirements. From January 1998 forward, CalWORKs replaced AFDC.

² Regression analysis allows us to examine the strength and nature of the relationship between the values of different variables. The use of regression analysis in this context is limited in that it does not prove that there is a causal relationship between or among variables, only that there is an association. This report categorizes counties as urban, suburban, rural and rural/city, based on data from the California Department of Finance.

³ HH Schauffler and ER Brown, *The State of Health Insurance in California 1999* (Berkeley, CA: Regents of the University of California, January 2000).

⁴ California Department of Social Services Temporary Assistance for Needy Families Characteristics Survey, Federal Fiscal Year 1998. Federal fiscal year 1998 is October 1, 1997 to September 30, 1998. Note: October 1996 information is point in time data for that month only and FFY 1998 data is an average of the 12 months from October 1997 through September 1998.

⁵ A report due in the final months of 2000 from the RAND Corporation is expected to do the same statewide.

⁶ The state risks financial sanctions if it does not comply with federal work requirements.

⁷ Legislative Analyst's Office, *California Meets Federal Work Participation Rates for CalWORKs in 1998*, August 31, 1999. The way that the federal government calculated California's caseload reduction credit - the reduction in CalWORKs caseloads that reduces required work participation rates - was a major factor in the state's meeting work participation rates. The base year calculation included as part of the caseload two-parent families in which the adults were not aided, while post-base year calculation did not include families in which there were no aided adults. Counting those cases in the base and not counting them subsequently resulted in a larger than actual caseload reduction.

⁸ California Department of Social Services, *State Plan for Provision of Public Assistance Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (October 1, 1999).

⁹ *Ibid.*

¹⁰ Child-only cases include those in which the parents are undocumented aliens or sanctioned by the welfare department; the aided child lives with a caretaker relative who does not receive a grant; or the parent is disabled and receiving SSI/SSP.

¹¹ California Department of Social Services, *Temporary Assistance for Needy Families Characteristics Survey Federal Fiscal Year 1998*.

¹² Legislative Analyst's Office, *California's Fiscal Outlook* (November 1999).

¹³ For the purpose of this analysis, the CBP distinguished between rural counties that lacked an urban center and those that were mainly rural with one urban center.

¹⁴ Immigrant data represent total noncitizen immigrants in a county, not those receiving benefits. Data is from 1990 census.

¹⁵ Wendy Zimmerman and Michael Fix, *Declining Immigrant Applications for Medi-Cal and Welfare Benefits in Los Angeles County* (Urban Institute July 1998). Los Angeles County's CalWORKs caseload is the largest in the state, representing 37 percent of the state's caseload (May 1999).

¹⁶ *Ibid.*

¹⁷ Counties also receive other funds for CalWORKs child care, separate from the Single Allocation.

¹⁸ Under the state's welfare law, counties may offer diversion payments, typically a lump sum payment to address an immediate need and keep a family from coming on to the welfare rolls. Incentive payments and expenditures are not analyzed here.

¹⁹ County Fiscal Letter (CFL) No. 99/00-31 (September 30, 1999). Note: expenditure amounts include county maintenance of effort spending.