

CONGRESS' PROPOSED TANF WORK REQUIREMENTS DO NOT WORK FOR CALIFORNIA

Congress is slated to reauthorize the Temporary Assistance for Needy Families (TANF) block grant this year.¹ The House of Representatives passed a TANF reauthorization bill in February 2003.² The Senate Finance Committee approved a TANF reauthorization bill in September 2003 that has not reached the Senate floor.³ Both bills increase work requirements for TANF cash assistance recipients beyond what is required in current law. However, the Senate Finance bill has more flexibility regarding work hours and would allow a broader range of activities to count toward the work participation requirement than the House bill.⁴

The new work requirements proposed in these bills would reduce the flexibility of California and its 58 counties to develop programs that meet the needs of recipients in the California Work Opportunity and Responsibility to Kids (CalWORKs) program and effectively move them into the workforce.⁵ Moreover, these bills would greatly increase costs for states, while freezing TANF block grant funds and providing only a minimal increase in child care funding.

Partly in response to the TANF reauthorization proposals being considered in Congress, Governor Schwarzenegger has proposed more stringent work requirements for the CalWORKs program. The Governor's proposal would impose stricter limits on participation in education, training, and activities such as mental health and substance abuse services, than the House and Senate bills (see box on p. 4).

TANF WORK REQUIREMENTS: SUMMARY OF CURRENT LAW AND PROPOSED CHANGES

Work Participation Rate and Credit

Current Law

The work participation rate is the minimum percentage of families receiving TANF assistance that must participate in federally specified work activities. Current law requires at least 50 percent of families receiving assistance in a state to meet federal work requirements. However, Congress also created a "caseload reduction credit" that allows states to reduce the required participation rate. The credit is based on the percentage decline in a state's TANF caseload since federal fiscal year (FFY) 1995. Since California's caseload has dropped by more than 40 percent, less than 10 percent of CalWORKs families currently have to meet work participation requirements (the "effective" work participation rate).⁶

Proposed Changes

The House bill would increase the work participation rate to 70 percent by FFY 2008.⁷ It would also narrow the caseload reduction credit by basing the credit on recent declines in the caseload, rather than the decline since FFY 1995.⁸ This method would not reduce participation rates for states whose caseloads do not continue to fall. In fact, California's caseload decline has slowed considerably since

2000 and appears to have “bottomed out” at around 475,000 families. Thus, California’s work participation rate would likely increase from the current effective rate of less than 10 percent to the maximum rate of 70 percent in FFY 2008 under the House bill.

The Senate Finance bill would also increase the participation rate to 70 percent by FFY 2008.⁹ However, this bill would replace the caseload reduction credit with an employment credit that reduces work participation rates based on the number of former TANF recipients who are working. In addition, states could receive credit for using TANF funds for child care and transportation subsidies for working families not receiving cash aid. The total credit would be capped at 40 percent in FFY 2004, and would decline to 20 percent in FFY 2008.¹⁰ If California qualified for the maximum employment credit each year, the state’s participation rate would be 10 percent in FFY 2004 and would gradually increase to 50 percent in FFY 2008.

The work participation rates in both bills would be difficult for California to meet over the long term without creating costly “make-work” positions. However, the House bill, with its strict caseload reduction credit, would impose higher costs and create a larger burden for California than the Senate Finance bill.

Work Participation Hours

Current Law

The current participation requirement is 20 hours per week for single-parent families with a child under the age of six and 30 hours per week for other single-parent families. Two-parent families must work a combined total of 35 hours per week, or 55 hours per week if they receive federally-funded child care assistance and an adult in the family is not disabled or caring for a severely disabled child.¹¹ Current law does not allow adults to be partially credited toward the work participation rate if they participate in work activities for less than the minimum required number of hours.

Proposed Changes

The House bill would require all families receiving TANF cash aid to work about 40 hours per week, regardless of the number of parents in the household or the age of their children.¹² The House bill would allow states to receive partial credit for recipients who participate in at least 24 hours of “core” work activities per week, but do not meet the full hourly requirement.¹³

The Senate Finance bill would also increase minimum required work hours, but by less than the House bill. For example, the Senate Finance bill would require single parents with a child under the age of six to work at least 24 hours per week and other single parents to work at least 34 hours per week to fully count toward the work participation rate.¹⁴ The Senate Finance plan would allow states to receive partial credit when recipients work less than the minimum requirement, and extra credit when they work more. For example, states could claim a partial credit for single parents with children older than age six who work between 20 and 33 hours per week. States could claim extra credit if these parents work between 35 and 38 hours per week.

Countable Work Activities

Current Law

Single parents must spend at least 20 hours per week in a core set of work activities to count toward the federal work participation rate. These activities include:

- Subsidized and unsubsidized employment;
- Work experience;
- On-the-job training;
- Community service;
- Job search and job readiness assistance; and
- Vocational educational training for up to 12 months.¹⁵

Three additional activities count toward the federal work participation rate beyond the core 20 hours per week: job skills training directly related to employment; and, for those without a high school diploma or the equivalent, basic education or education directly related to employment.

Proposed Changes

Both bills would increase the number of hours that must be spent in core work activities from 20 to 24 per week. However, the House bill would limit core work activities to subsidized and unsubsidized employment, work experience, on-the-job training, and community service. Participation in substance abuse treatment, rehabilitation services, or job search and job readiness assistance would count toward the 24-hour core work requirement for three months in a 24-month period.¹⁶ In addition, states could count work-related education or training as core work activities for four out of 24 months, but this is substantially less than the 12 months permitted under current law for vocational education.¹⁷

In contrast, the Senate Finance bill would allow a broader range of activities to count toward the 24-hour core work requirement. It maintains current core work activities and allows certain additional activities designed to address barriers to employment, including substance abuse treatment, to count toward the 24-hour core work requirement for three out of 24 months. These activities could count for an additional three months when combined with work or job readiness activities. The Senate Finance bill also allows vocational and postsecondary education to meet the work requirement without a time limit for up to 10 percent of a state's caseload.¹⁸

CONGRESSIONAL PROPOSALS DO NOT REFLECT CALIFORNIA'S NEEDS

The bills being considered in Congress do not reflect California's needs. First, many individuals who receive CalWORKs cash assistance have substantial barriers to employment. Second, the House bill would limit recipients' ability to participate in vocational education. Third, higher participation rates will not necessarily increase the success of CalWORKs. Fourth, the 40-hour work requirement in the House bill exceeds the normal workweek in key industries.

Many CalWORKs Recipients Have Barriers to Employment

Many CalWORKs recipients who remain on the caseload have serious barriers that limit their ability to find and retain stable employment. A study of two California counties, for example, found high incidences of mental health issues, domestic violence, and drug dependency among CalWORKs recipients. Between 15 percent and 19 percent of survey respondents had a diagnosable substance abuse disorder. In addition, about one-quarter of respondents had a diagnosable mental health disorder and between 28 percent and 36 percent of respondents met the criteria for domestic violence.¹⁹

Many CalWORKs recipients also lack the education and language skills that are linked to employability and higher earnings. About 9 percent of CalWORKs adults have six or fewer years of education,

Governor's Work Activity Proposal for CalWORKs Is Unnecessary

Governor Schwarzenegger proposes that CalWORKs recipients spend at least 20 hours per week in a limited set of core work activities to meet state work participation requirements. The Governor's proposal is more stringent than the approaches adopted in the House and Senate Finance bills. Core work activities would be limited to:

- Subsidized and unsubsidized employment;
- Work experience;
- On-the-job training
- Work study;
- Self-employment;
- Community service; and
- Job search and job readiness assistance.

The Governor states that this change would "lead to employment sooner and minimize reliance on public assistance." CalWORKs recipients would be required to participate in additional state-approved activities as necessary to meet the state's work participation requirement of 32 hours per week for single-parent families and 35 hours per week for two-parent families.

The Governor's proposal is stricter than the House and Senate Finance bills regarding participation in education, training, and activities such as mental health and substance abuse services. Under the Governor's plan, vocational education, adult basic education, and education and job skills training directly related to employment would not count as core work activities. This could limit recipients' ability to participate in programs that help them increase their skills and find good jobs. The Governor's proposal would also require recipients who need mental health, substance abuse, and domestic violence services to participate simultaneously in state-approved core work activities. This approach would limit county flexibility and may not be effective in helping CalWORKs recipients overcome barriers to employment.

There is no need to significantly modify CalWORKs work requirements before Congress reauthorizes the TANF block grant. The Legislative Analyst's Office estimates that California would meet new federal work requirements for at least two years under either the House bill or the Senate Finance bill, without adjusting state work rules for CalWORKs recipients. Thus, California would have time to assess the impact of TANF reauthorization and adjust the CalWORKs program to meet the new federal standards, while preserving as much flexibility for counties and recipients as possible.

more than double the national average of 3.9 percent, and more than half of adult CalWORKs recipients lack a high school degree.²⁰ Nearly one-third of CalWORKs heads of household report a primary language other than English.²¹

Those remaining on the caseload are likely to have even greater needs because more "employable" recipients are likely to have already found jobs. Many of these families will need more intensive services, and counties will need greater resources and flexibility to help these families transition into the workforce.

House Bill Would Limit Participation in Education and Training

California's counties adopted a diverse range of programs to train, educate, and move CalWORKs recipients into the workforce following the implementation of welfare reform in 1998. These programs combine activities that meet federal work participation requirements, such as vocational education, with additional state-approved activities to meet the specific needs of families.

However, the House bill would limit recipients' ability to participate in vocational education. Even though vocational education currently counts as a core work activity for only 12 months under federal law, 7.5 percent of CalWORKs participants who meet federal work requirements are participating in vocational education.²²

A study of Los Angeles County's CalWORKs program highlights the importance of education and training. The study concludes that CalWORKs' current "work-first" orientation "may compel welfare participants into low-paying jobs that ultimately limit their ability to leave aid," and suggests that a "greater emphasis on training and education is needed to enable participants to earn" wages above the poverty level.²³ In addition, a rigorous evaluation of welfare-to-work programs across the nation found that a mixed approach that offers both job search and education and training is the most effective.²⁴

A new evaluation finds that CalWORKs recipients who recently left the California Community Colleges experienced significant earnings increases between the year prior to entering college and the second year after leaving college, regardless of the amount of education they received.²⁵ However, the more education that CalWORKs students attained, the greater their earnings, even for those who entered college without a high school diploma or the equivalent. For women receiving CalWORKs cash aid who left college with a certificate, median annual earnings increased by 239 percent, from \$4,779 before enrolling in college to \$16,213 two years after graduating.²⁶ However, for those who left with an associate degree, median annual earnings increased by 403 percent, from \$3,916 to \$19,690.²⁷

To meet the work participation rates proposed in Congress, particularly in the House bill, California would have to find ways to place these CalWORKs students more quickly into jobs, work experience, or community service positions.

Participation Requirements Are Not the Sole Measure of Success

No obvious relationship exists between state work participation rates and program "success." TANF includes a number of "high performance bonuses" for states that achieve specified outcomes, such as job retention and earnings gains for former welfare recipients. California received a bonus for job retention and earnings gains in FFY 2000, when its work participation rate was 27.5 percent. Thirty-seven states had higher work participation rates than California in FFY 2000, but 30 of those states did not receive this bonus.²⁸ In short, higher work participation rates did not automatically lead to higher performance as measured by this award.²⁹

Many Full-Time Workers Work Less Than 40 Hours Per Week

The House bill's approximately 40-hour work participation requirement is apparently intended to make welfare recipients' activities mirror those of the general workforce. However, most former welfare recipients work in the retail trade and service sectors, and data from the Bureau of Labor Statistics indicate that workers in these industries typically work fewer than 40 hours per week.³⁰ Workers in retail trade, for example, work an average of about 31 hours per week. In the leisure and hospitality sector, which includes accommodations and food services, the average workweek is about 26 hours. The average workweek is about 32 hours in education and health services and "other services."³¹ The 40-hour requirement does not match the opportunities available to workers in these growing sectors, which employ more than one-third (34.9 percent) of all workers in the California economy.

HOUSE AND SENATE BILLS DO NOT PROVIDE ADEQUATE FUNDING

The House and Senate Finance bills would increase CalWORKs program costs for employment services and child care, because the proposed work requirements would compel more recipients to find jobs and work longer hours. The nonpartisan Legislative Analyst's Office (LAO) estimates that the House bill, when fully implemented, would cost the state between \$375 million and \$450 million more per year than current law, with most of this impact due to higher employment services and child care costs.³² The LAO expects that annual cost increases under the Senate Finance bill would be less than half those under the House bill.

The House and Senate Finance bills would freeze annual TANF funding, despite imposing higher costs on states. The TANF block grant has lost nearly 15 percent of its purchasing power to inflation since 1997-98, and current federal, state, and county funding does not fully cover program costs. Moreover, while these bills would modestly increase mandatory federal child care funding by a total of \$1 billion over five years, this amount may not cover the full costs of child care associated with the proposed work requirements and is not sufficient for states to maintain current levels of child care assistance to low-income working families, let alone meet the rising demand for child care.

CALIFORNIA HAS ALREADY REDUCED SUPPORT FOR CALWORKS

In response to static TANF and child care funding, rising program costs, and recurrent state budget deficits, California has already reduced or frozen spending on key components of the CalWORKs program. For example, the state:

- Cut funding for adult education and community college services for CalWORKs recipients from \$126.9 million in 2001-02 to \$52.5 million in 2003-04, a 58.6 percent reduction.
- Suspended "cost-of-doing-business" (CODB) increases for county CalWORKs administration for three consecutive years. The Governor proposes to continue this suspension in 2004-05.
- Has not provided, for four consecutive years, "performance incentives" to reward counties that have moved CalWORKs recipients from welfare to work. The Governor's Proposed Budget does not provide performance incentives in 2004-05.

In addition to the proposal to modify CalWORKs work participation requirements, the Governor's Proposed 2004-05 Budget:

- Eliminates the October 2003 cost-of-living adjustment (COLA) for cash assistance, suspends the July 2004 COLA, and reduces grant levels by 5 percent.
- Reduces child-only grants by an additional 25 percent for certain other CalWORKs families.
- Limits former CalWORKs families to a total of three years of subsidized child care through CalWORKs Stages 2 and 3. Currently, a family may receive Stage 2 child care for up to two years after leaving cash aid, and may remain in Stage 3 child care without a time limit to the extent that the family meets eligibility guidelines and adequate funding is available.

A \$17 billion General Fund budget gap constrains the state's ability to increase funding for CalWORKs beyond the federally-required maintenance of effort level of \$2.7 billion per year.³³ A freeze on TANF block grant funding, along with increased federal work requirements and a minimal increase in child care funding, will put California in a tighter fiscal bind.

Scott Graves prepared this Update. 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. Publication of this Update was supported by a grant from the William and Flora Hewlett Foundation. This publication is part of a series monitoring the implementation of welfare reform in California. General operating support for the CBP is provided by foundation grants and individual donations and subscriptions. Visit the CBP at www.cbp.org.

ENDNOTES

¹ Congress did not reauthorize the TANF block grant before it expired on September 30, 2002. However, Congress has passed several continuing resolutions to maintain TANF funding and program rules. The current continuing resolution expires on March 31, 2004.

² HR 4.EH, the "Personal Responsibility, Work, and Family Promotion Act of 2003," as passed by the House of Representatives on February 13, 2003.

³ HR 4.RS, the "Personal Responsibility and Individual Development for Everyone Act," as passed by the Senate Finance Committee on September 10, 2003.

⁴ A side-by-side analysis of the House and Senate Finance bills, "Comparison of Key Provisions in TANF Reauthorization Proposals," is available on the CBP website at www.cbp.org.

⁵ CalWORKs was created in 1997 in response to federal welfare reform and was implemented by counties beginning in 1998.

⁶ California's actual participation rate was 27 percent in FFY 2002, the most recent year for which data are available. Legislative Analyst's Office, *Analysis of the 2004-05 Budget Bill* (February 2004), p. C-251.

⁷ The participation rate would increase to 55 percent in FFY 2005, 60 percent in FFY 2006, 65 percent in FFY 2007, and 70 percent in subsequent fiscal years.

⁸ The caseload reduction credit would be gradually restricted. When fully implemented, the credit would be based on the caseload decline over the most recent four-year period. For example, starting in FFY 2007, the credit would reflect the caseload decline between FFY 2003 and FFY 2006.

⁹ The participation rate would increase to 55 percent in FFY 2005, 60 percent in FFY 2006, 65 percent in FFY 2007, and 70 percent in subsequent fiscal years.

¹⁰ The employment credit would take effect in FFY 2006, although states could delay full implementation of this new credit for one year.

¹¹ California moved two-parent CalWORKs families into a separate, state-funded program in FFY 2000. The two-parent program is not subject to the TANF work participation requirements; however, state spending on the two-parent caseload is countable toward the state's annual \$2.7 billion maintenance of effort (MOE) requirement to receive TANF block grant funding.

¹² While the House bill establishes a 40-hour workweek, it also adopts a formula for calculating a state's work participation rate that would effectively lower the weekly requirement to slightly less than 40 hours.

¹³ Core work activities are described in the following section.

¹⁴ Work hours for two-parent families would increase to 39 per week, but would remain at 55 per week for two-parent families that receive subsidized child care.

¹⁵ Providing child care services to an individual who is participating in community service also counts as a core work activity under current law.

¹⁶ Other state-defined activities could count as core work activities during this limited three-month period if they meet one of the TANF goals described in the 1996 welfare reform legislation.

¹⁷ The House bill allows states to determine which activities fulfill the work requirement beyond the core 24-hour weekly work requirement.

¹⁸ The Senate Finance bill would allow several activities, including substance abuse treatment and adult literacy programs, to count toward the remaining hours of the weekly work requirement.

¹⁹ Daniel Chandler and Joan Meisel, *CalWORKs Project Research: Alcohol & Other Drugs, Mental Health, and Domestic Violence Issues – Need, Incidence, and Services* (California Institute for Mental Health: February 2002), pp. 4-6. This study reports findings from interviews with CalWORKs recipients in Kern and Stanislaus counties during 1999 and 2000.

²⁰ US Department of Health and Human Services, *Temporary Assistance for Needy Families Program (TANF): Fifth Annual Report to Congress* (February 2003), Table 10:26.

²¹ California Department of Social Services, *CalWORKs Characteristics Survey Federal Fiscal Year 2000, October 1999 Through September 2000*, Table 14a.

²² US Department of Health and Human Services, *Temporary Assistance for Needy Families Program (TANF): Fifth Annual Report to Congress* (February 2003), Table 3:6:b.

²³ Manuel H. Moreno, et al., *Employment and Earnings Among Welfare-to-Work Participants in Los Angeles County, 1998-2001* (Service Integration Branch, Chief Administrative Office, County of Los Angeles: April 2003), p. xii.

²⁴ Gayle Hamilton, et al., *National Evaluation of Welfare-to-Work Strategies: How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs* (US Department of Health and Human Services and US Department of Education: December 2001), p. ES-3. Portland, Oregon's program, which used a mixed service approach, "far outperformed the other 10 programs in terms of employment and earnings..." The Portland program emphasized job search as well as education and training, and counseled job search participants to wait for a good job rather than taking the first job offered.

- ²⁵ Anita Mathur, et al., *From Jobs to Careers: How California Community College Credentials Pay Off for Welfare Participants* (Center for Law and Social Policy: April 2004). The study tracked CalWORKs recipients who left a community college in 1999-2000 and did not return to a California community college within one year or transfer to a California university within two years.
- ²⁶ Certificate programs range from six to 60 units and include programs in business, computer science, and health (for example, Certified Nurse Assistant, Medical Office Technician, and Home Health Aide).
- ²⁷ Anita Mathur, et al., *From Jobs to Careers: How California Community College Credentials Pay Off for Welfare Participants* (Center for Law and Social Policy: April 2004).
- ²⁸ US Department of Health and Human Services, *Temporary Assistance for Needy Families Program (TANF): Fifth Annual Report to Congress* (February 2003), Tables 3:1:b and 5:2.
- ²⁹ Other potential measures of the success of welfare reform should include child well-being and the extent to which former cash assistance recipients are able to achieve higher earnings and long-term employment.
- ³⁰ A recent study drawing on national survey data found that in the late 1990s, seven service sector industries, including food service, personnel supply services, child care, retail, hotels, and nursing homes, accounted for employment of more than half (50.7 percent) of former welfare recipients. Heather Boushey and David Rosnick, *Jobs Held by Former Welfare Recipients Hit Hard by Economic Downturn* (Center for Economic and Policy Research: September 5, 2003).
- ³¹ Other services include dry-cleaning and laundry service, personal care services, and temporary parking services.
- ³² Legislative Analyst's Office, *Analysis of the 2004-05 Budget Bill* (February 2004), p. C-252. This estimate does not reflect the Governor's proposed changes to CalWORKs participation requirements.
- ³³ Legislative Analyst's Office, *The 2004-05 Budget: Perspectives and Issues* (February 2004), p. 3.