

CALIFORNIA BUDGET PROJECT

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Cuts and Consequences:

Key Facts About the CalWORKs Program in the Aftermath of the Great Recession

THE CALIFORNIA BUDGET PROJECT
February 2012

Overview

- As a result of the Great Recession, poverty has increased dramatically and California's families face the toughest job market in decades.
- The recession hit single mothers and their children particularly hard and – while California's economy is slowly recovering – women have not shared equally in the state's modest job gains.
- The California Work Opportunity and Responsibility to Kids (CalWORKs) Program is a key part of California's safety net for low-income families with children. More than three out of four Californians who receive CalWORKs cash assistance are children.
- CalWORKs provides modest cash assistance and job-related services to help families move toward self-sufficiency.
- Spending on CalWORKs has declined sharply since the state implemented welfare reform in the 1990s and now accounts for less than 3 percent of the state budget.

Overview (continued)

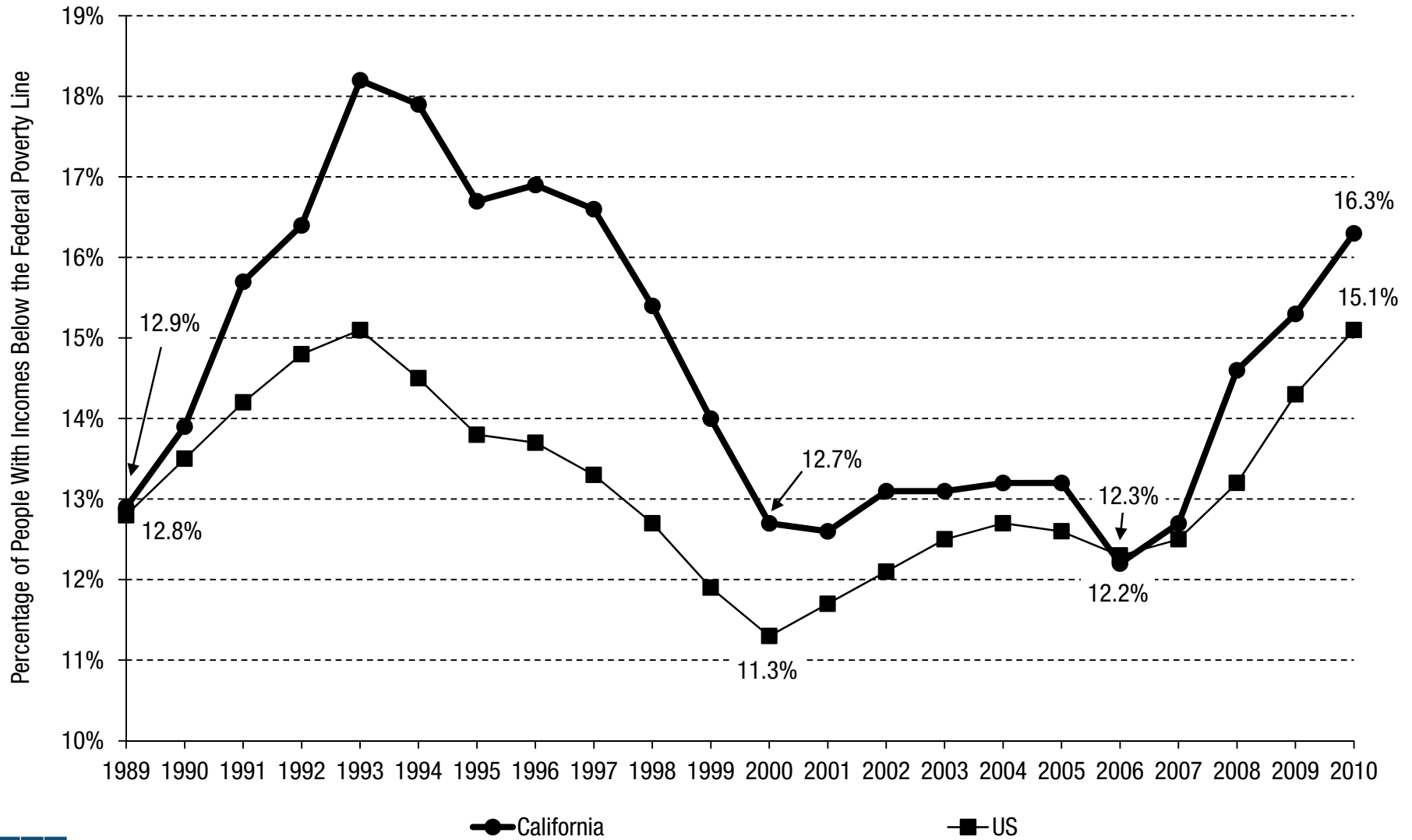
- The number of families in CalWORKs dropped steeply after welfare reform, bottomed out in 2007, and then increased due to the Great Recession.
- State policymakers have repeatedly made deep cuts to CalWORKs in order to help close budget gaps.
- The Governor proposes more deep cuts to CalWORKs, including reducing parents' access to welfare-to-work services and shifting most families to a new Child Maintenance Program, which would sharply reduce cash assistance for children.
- The Governor's proposal implicitly assumes jobs are available for CalWORKs parents, even though California's unemployment rate is projected to remain in double digits for several years.
- Reducing support for low-income children at a time of economic distress and rising poverty could limit California's future.



**As a Result of the Great Recession,
Poverty Has Increased Dramatically
and California's Families Face the
Toughest Job Market in Decades**

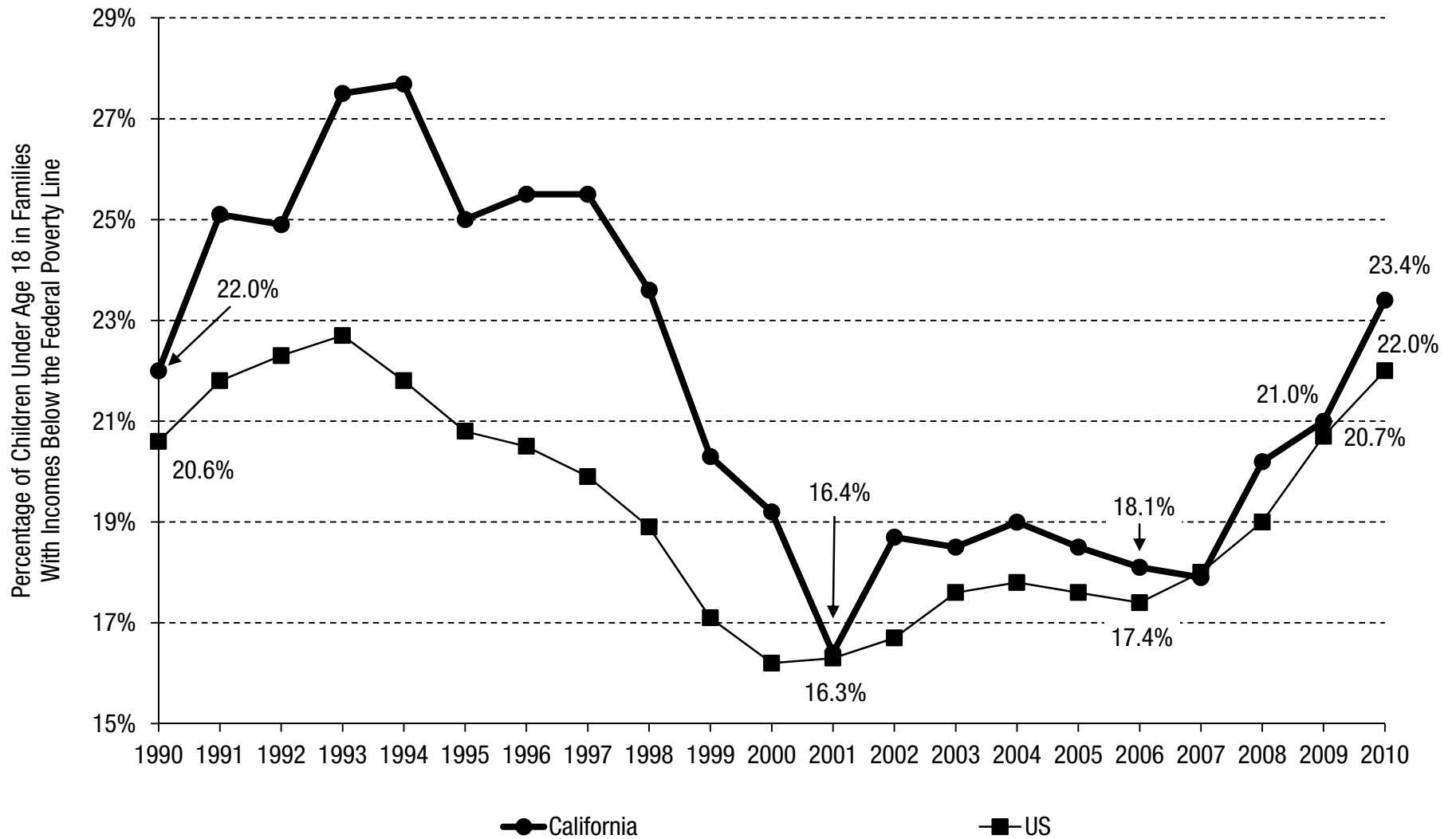
California's Poverty Rate Increased Significantly Between 2006 and 2010

The State's 2010 Poverty Rate Was the Highest Since 1997

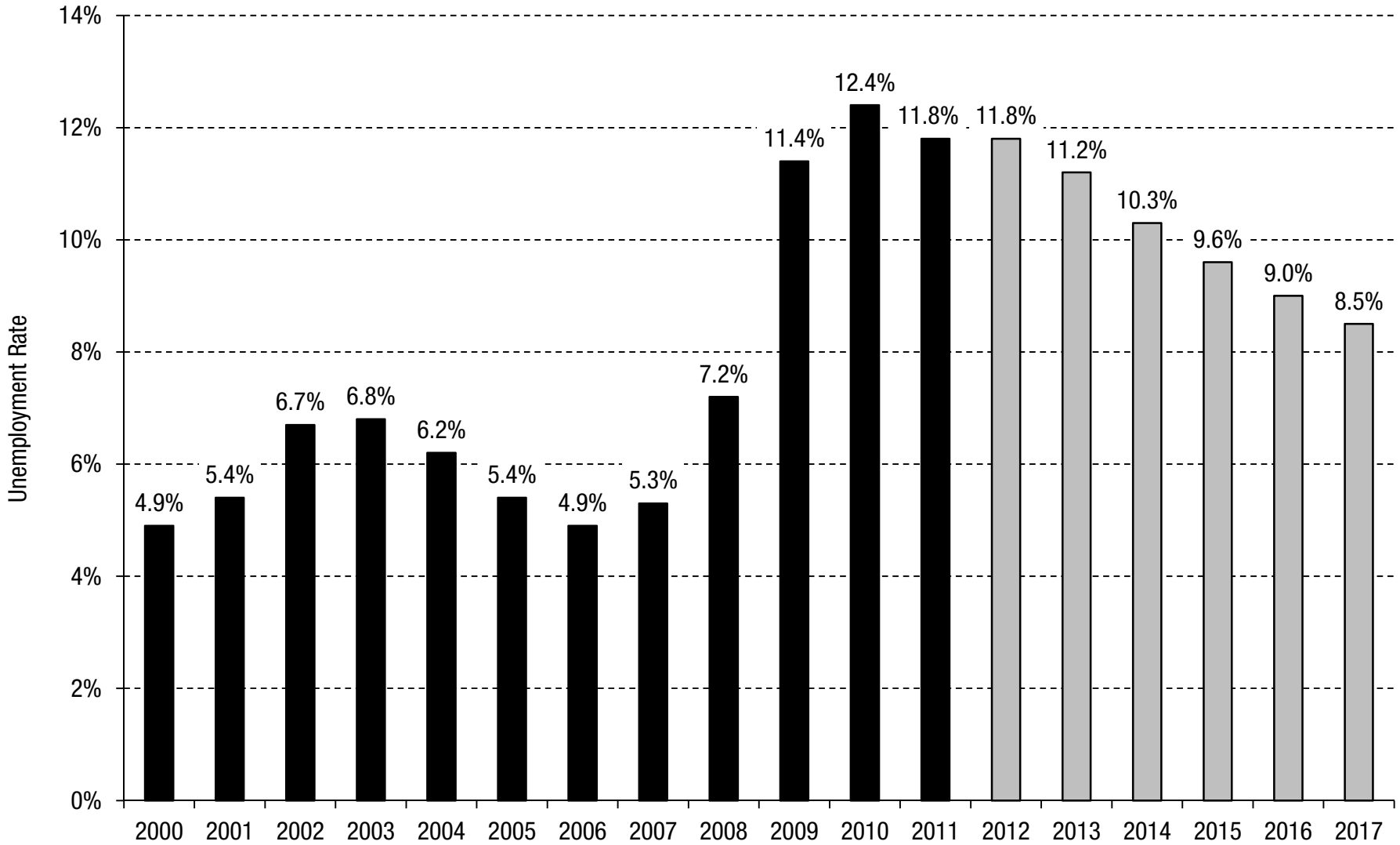


California's Child Poverty Rate Increased Significantly Between 2009 and 2010

Nearly One Out of Four California Children Lived in Families With Incomes Below the Poverty Line in 2010

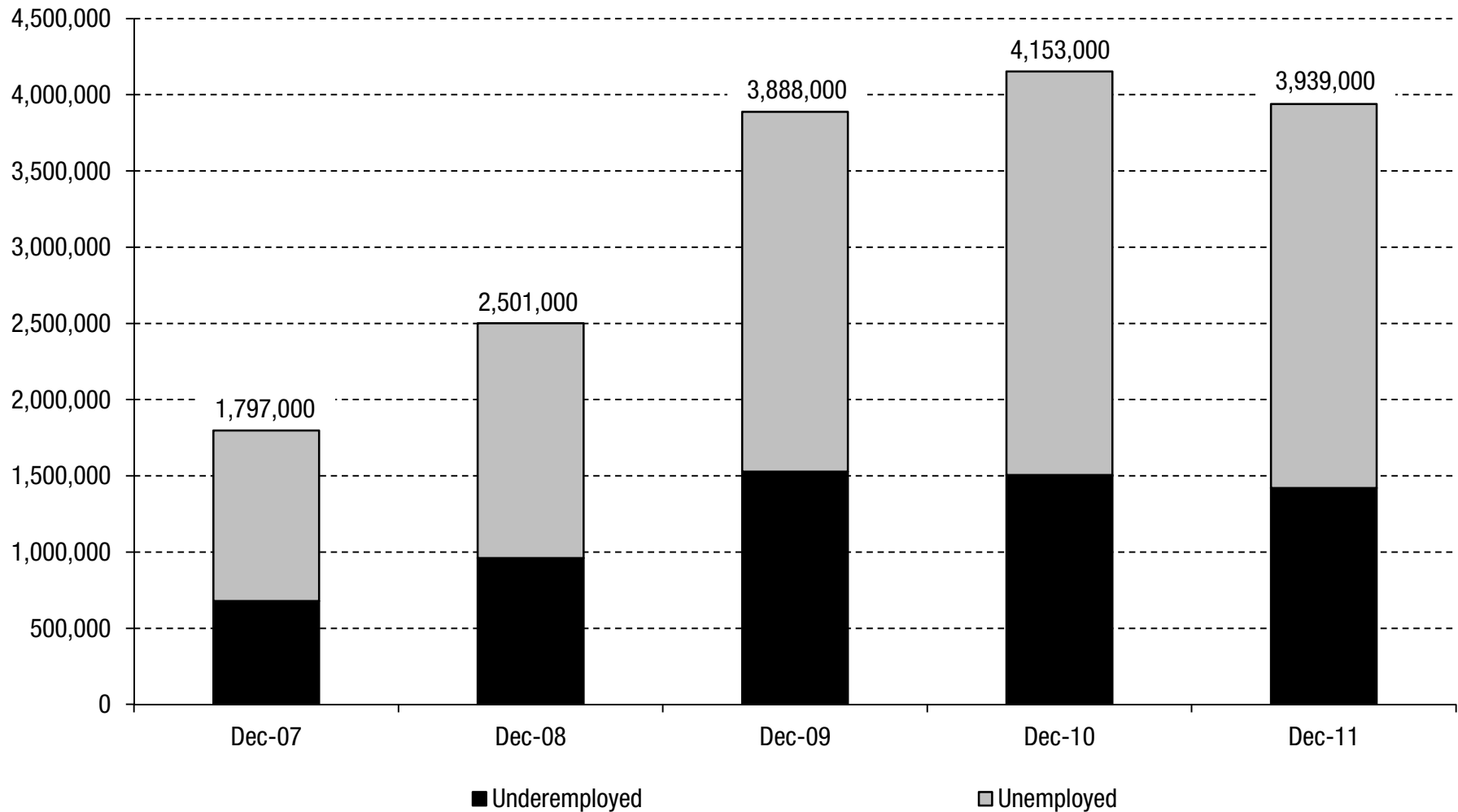


California's Annual Jobless Rate Is Projected To Remain Above 10 Percent Through 2014

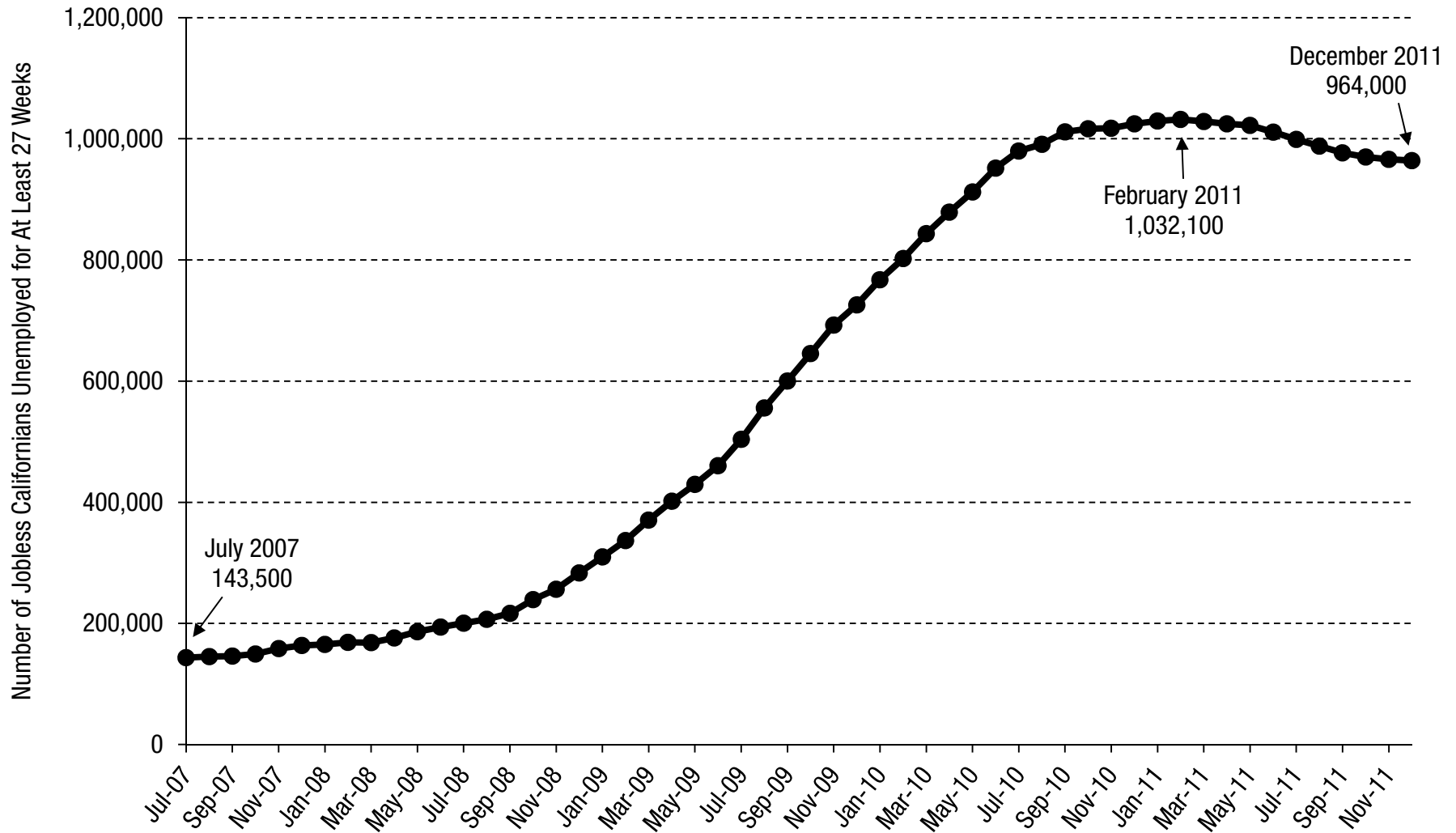


Note: 2012 through 2017 are projected.
Source: Legislative Analyst's Office and US Bureau of Labor Statistics

The Total Number of Unemployed and Underemployed Californians Remains More Than Twice the December 2007 Level

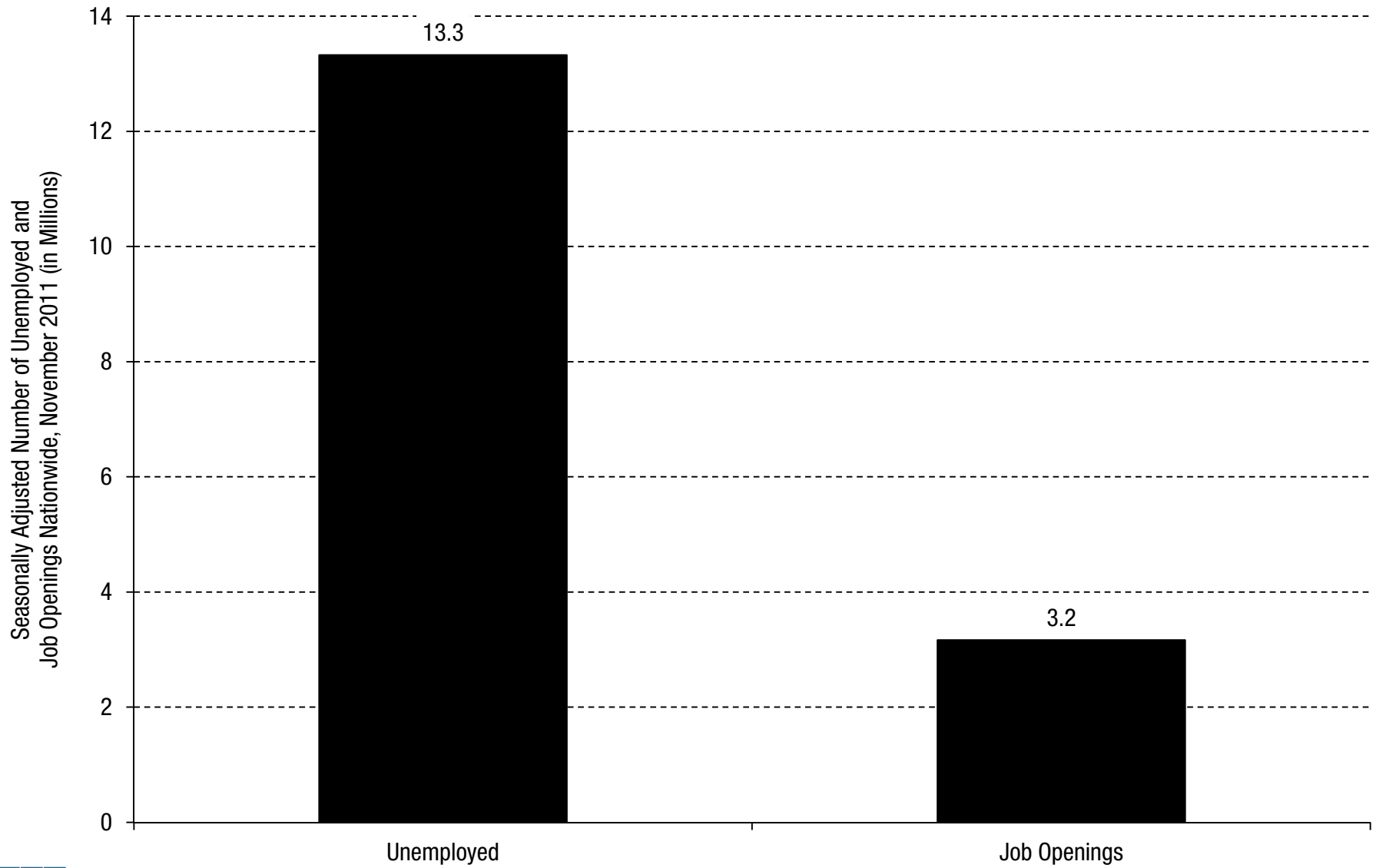


The Number of Californians Who Have Been Jobless for at Least Six Months Is Still Nearly Seven Times Higher Than It Was Before the Recession Began



Note: Data reflect 12-month averages ending in the month displayed.
Source: Employment Development Department

The Number of People Looking for Work Nationwide Exceeds Available Jobs by More Than Four to One



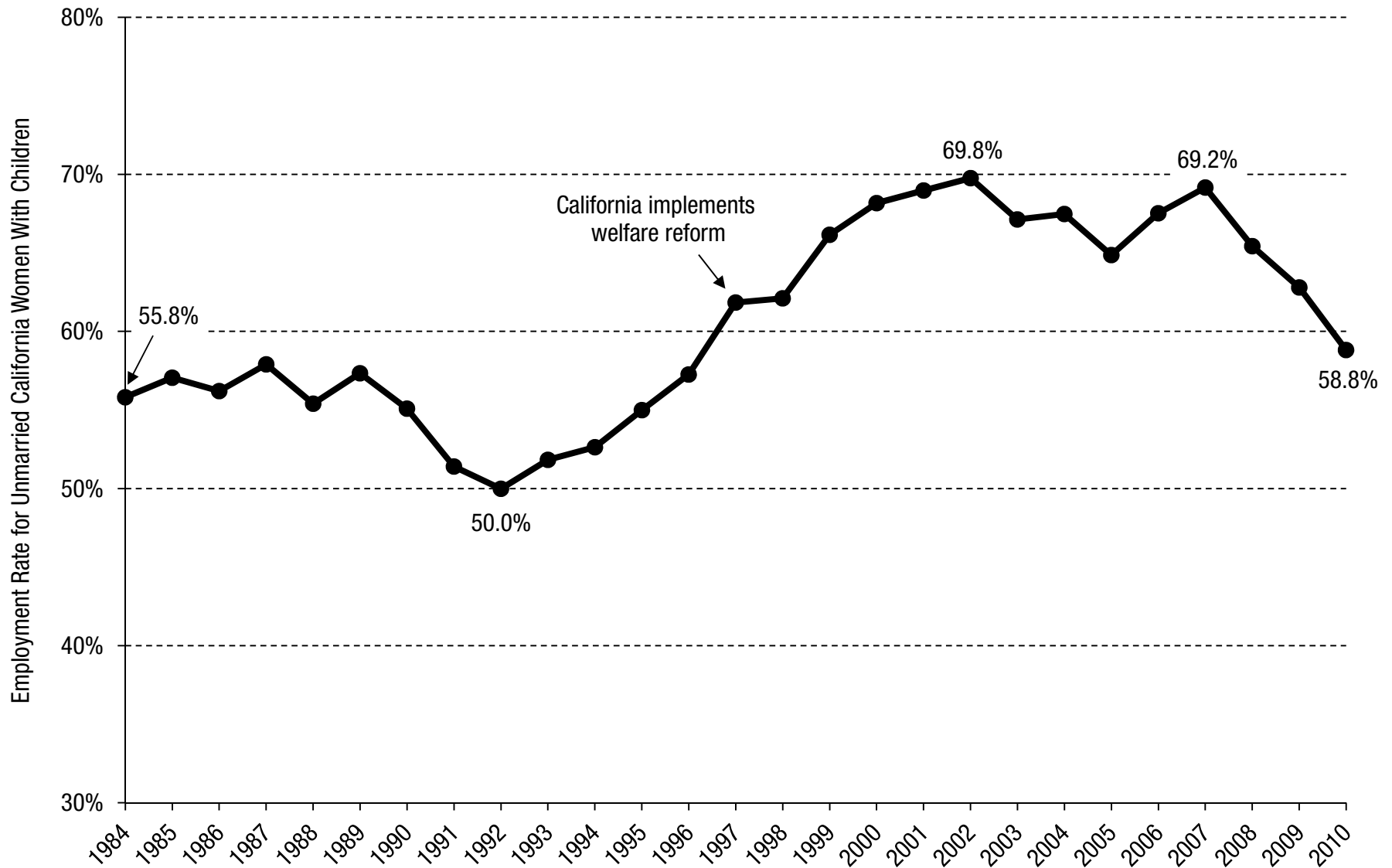


The Recession Hit Single Mothers and Their Children Particularly Hard

The Weak Job Market Has Hit Single Mothers Hard

- The Great Recession significantly reduced employment for women raising children without the help of a spouse.
- The employment rate for California's unmarried mothers – the share of working-age single mothers with jobs – dropped by 10.4 percentage points, from a recent peak of 69.2 percent in 2007 to 58.8 percent in 2010. In just three years, the downturn erased *all* of the employment gains that single mothers made following the implementation of welfare reform, which imposed strict work requirements and lifetime limits on cash assistance at both the state and federal levels in the late 1990s.
- Single mothers' earnings were also affected by a decline in the average workweek. In 2010, single mothers with jobs worked an average of 36.6 hours per week, down from 38.6 hours per week in 2006. That drop represented the largest decline in average weekly hours for single women with children in at least 20 years.

In Just Three Years, the Share of Single Mothers With Jobs Fell by More Than 10 Percentage Points





While California's Economy Is Slowly Recovering, Women Have Not Shared Equally in the State's Modest Job Gains

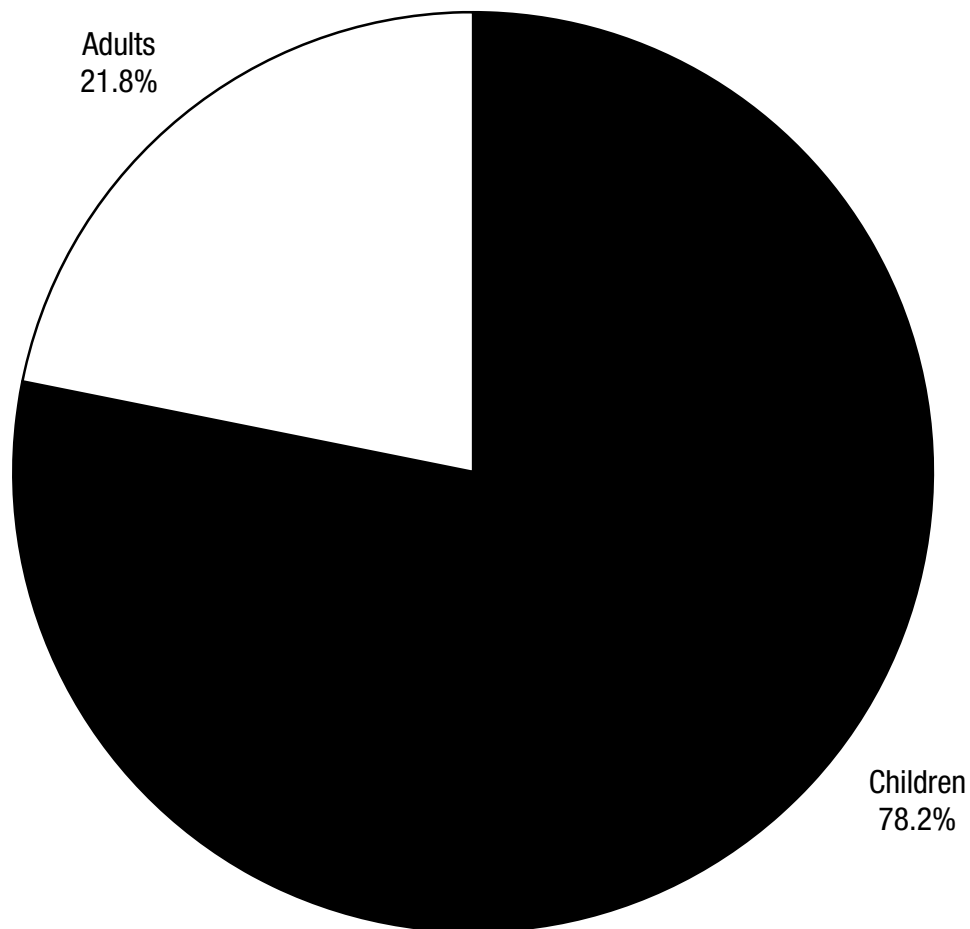
Women Have Not Shared Equally in California's Modest Recovery

- California's job market is slowly recovering from the recession, but women have seen little improvement in their employment situation.
- The employment rate of California's women – the share of working-age women with jobs – declined by 1.2 percentage points between November 2010 and November 2011, from 50.7 percent to 49.5 percent. This decline was comparable to the 1.5 percentage point drop in women's employment rate during the prior 12 months.
- In contrast, the share of California's working-age men with jobs held steady at 62.6 percent in November 2011, the same rate as in November 2010. In other words, men's gains kept pace with growth in the male working-age population – a significant improvement over the prior 12 months, when men's employment rate declined by 1.5 percentage points.



More Than Three Out of Four Californians Who Receive CalWORKs Cash Assistance Are Children

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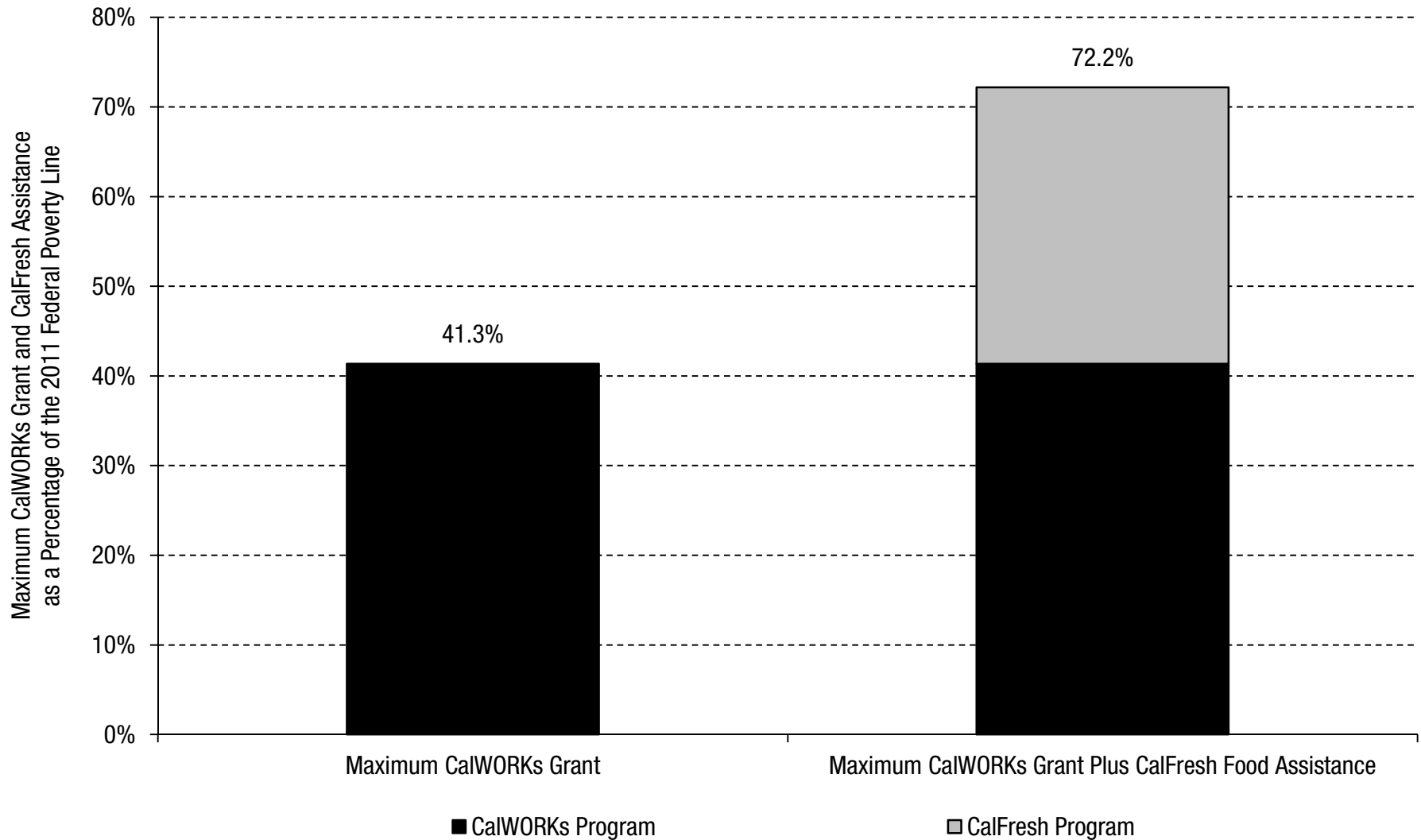


Number of Individuals Receiving CalWORKs Cash Assistance in November 2011 = 1,397,443



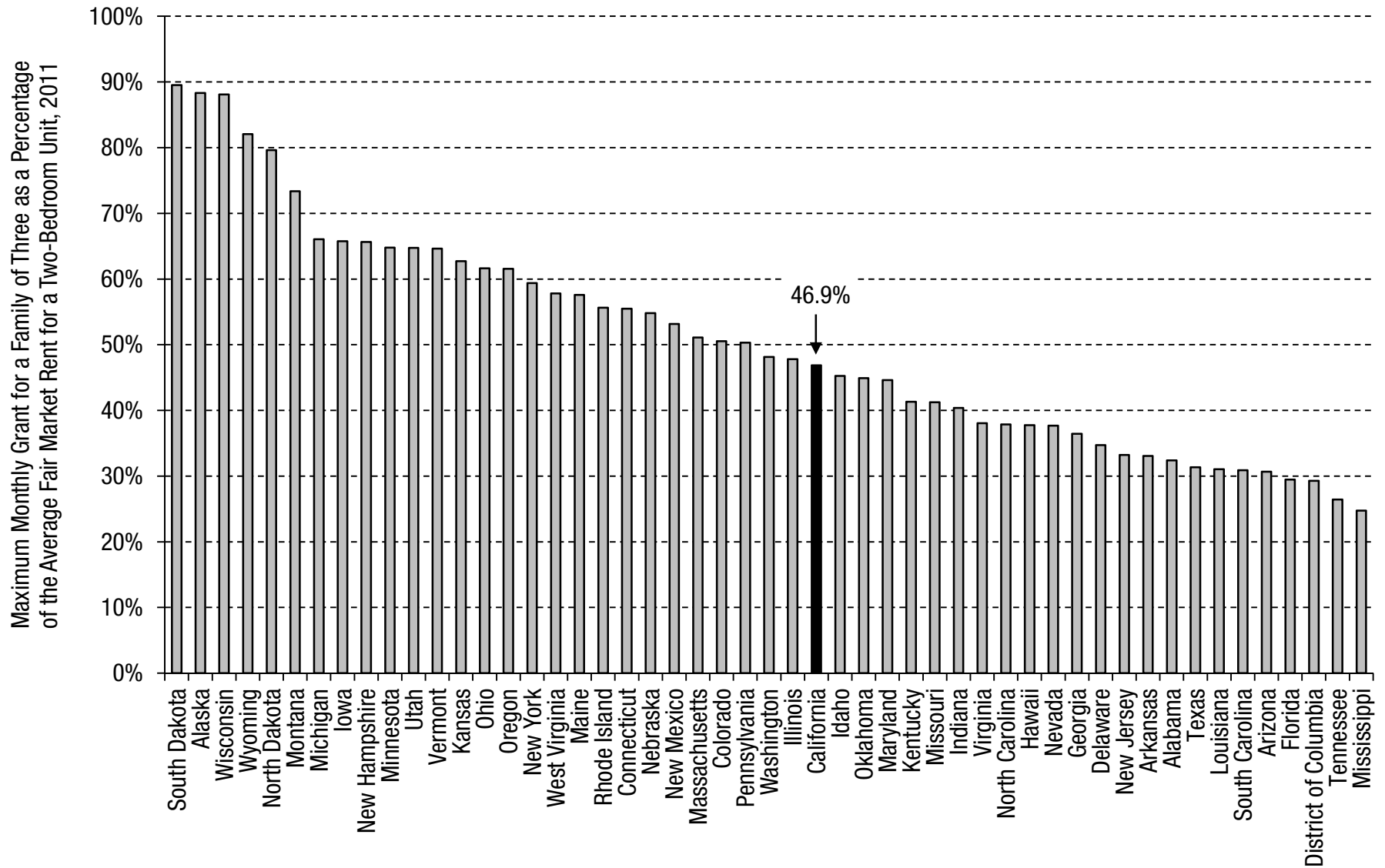
CalWORKs Provides Modest Cash Assistance and Job-Related Services To Help Families Move Toward Self-Sufficiency

Combining CalWORKs and CalFresh Assistance Still Leaves Families Well Below the Federal Poverty Line

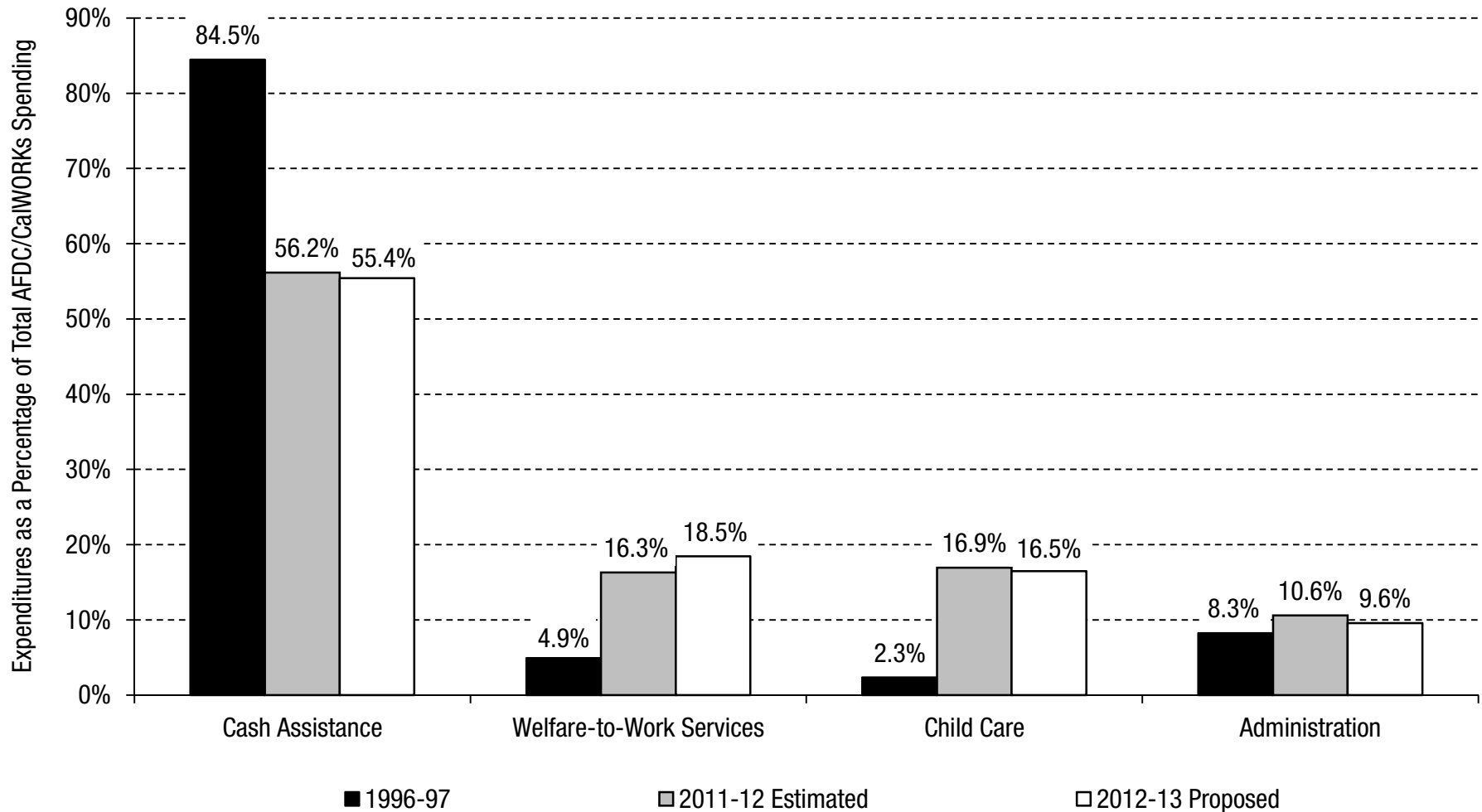


Note: CalWORKs grant is for a family of three living in a high-cost county.
Source: Department of Social Services, Legislative Analyst's Office,
and US Department of Health and Human Services


The CalWORKs Grant Level Is Lower Than TANF Grants in 27 States, After Adjusting for Housing Costs



Cash Assistance Has Dropped Substantially as a Share of Total Welfare Spending Since 1996-97, While Spending on Welfare-to-Work Services and Child Care Has Increased

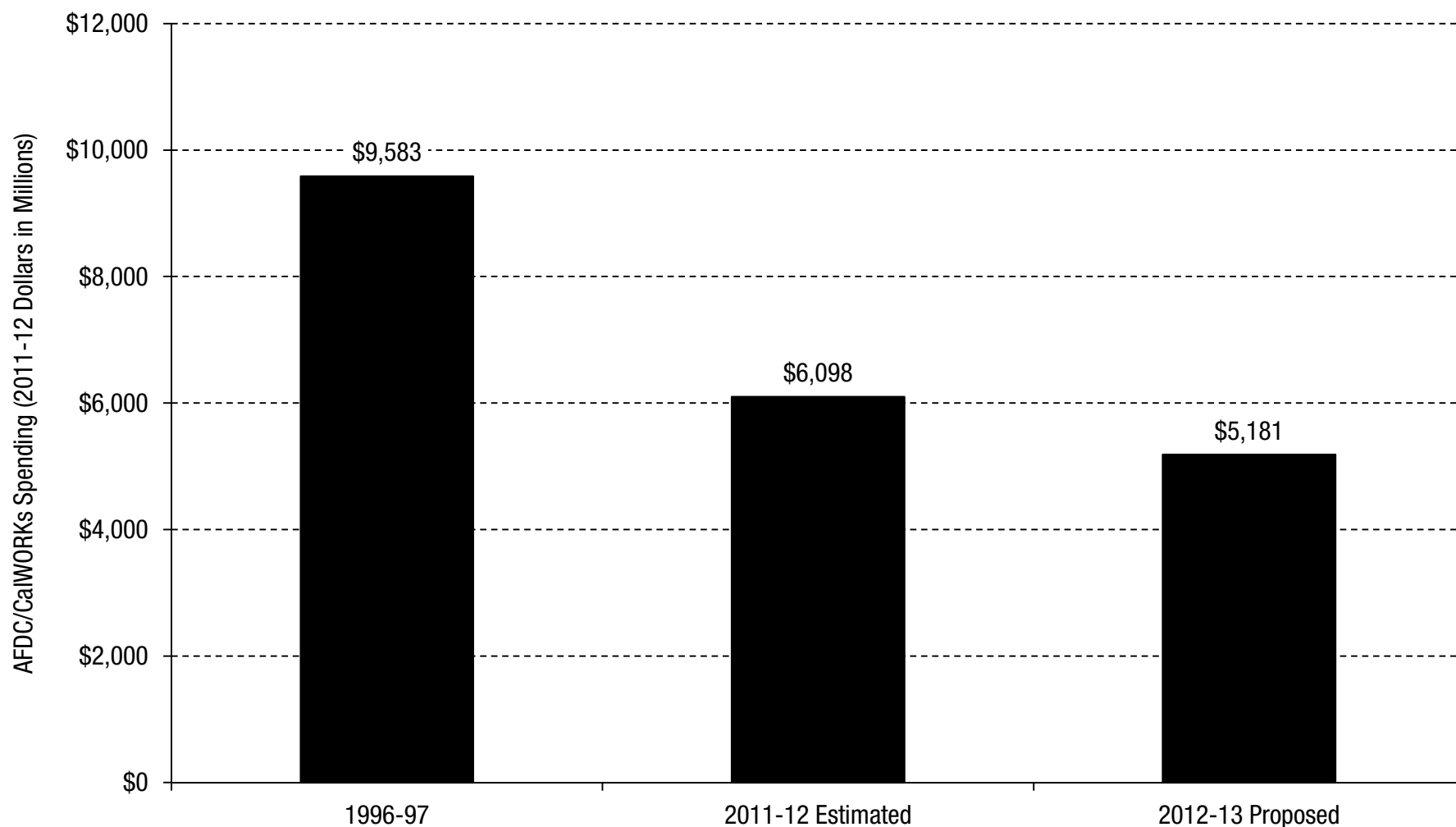


Note: Spending includes federal, state, and county dollars and, in 2012-13, the Governor's proposed Child Maintenance Program.
Source: Department of Finance and Department of Social Services



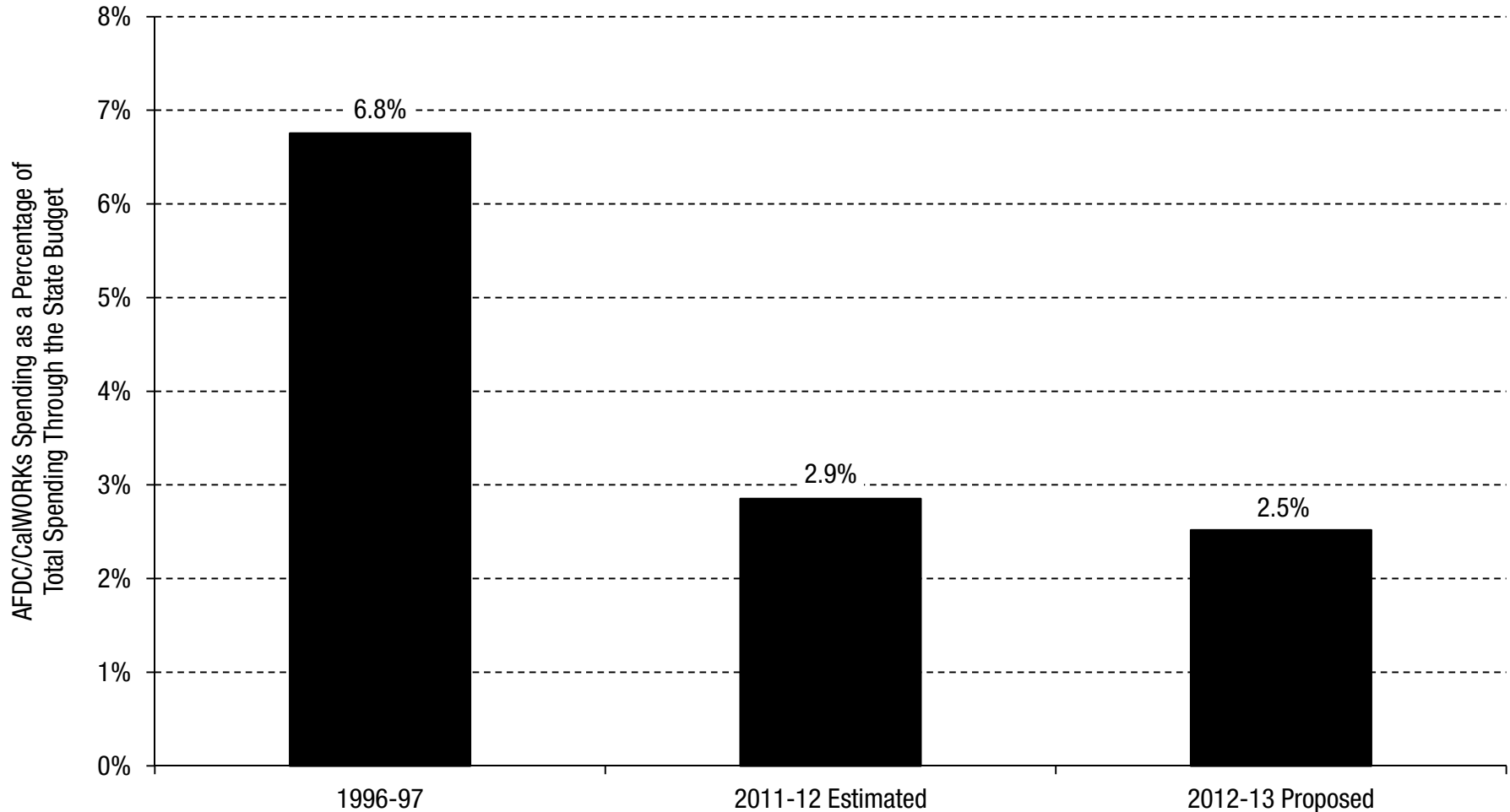
Spending on CalWORKs Has Declined
Sharply Since the State Implemented
Welfare Reform in the 1990s and Now Accounts
for Less Than 3 Percent of the State Budget

Welfare Spending in California Fell by More Than One-Third From 1996-97 to 2011-12, After Adjusting for Inflation, and Would Drop Further Under the Governor's Proposal



Note: Spending includes federal, state, and county dollars and, in 2012-13, the Governor's proposed Child Maintenance Program.
Source: Department of Finance and Department of Social Services

Welfare Spending as a Share of Total State Spending Fell by More Than Half From 1996-97 to 2011-12 and Would Decline Further in 2012-13 Under the Governor's Proposal

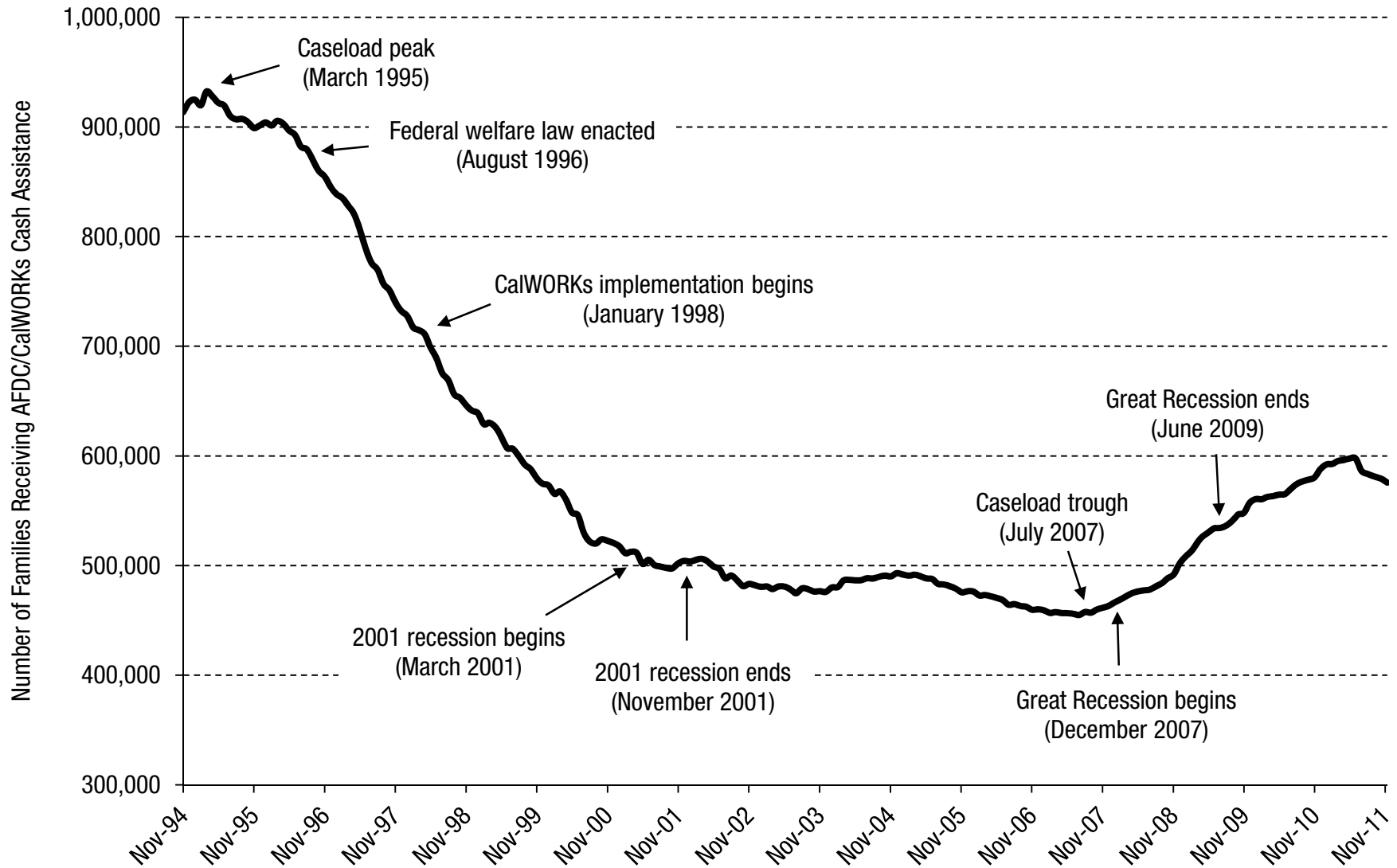


Note: AFDC/CalWORKs spending includes federal, state, and county dollars and, in 2012-13, the Governor's proposed Child Maintenance Program. Total spending includes federal dollars and state General Fund, special fund, and bond fund dollars.
Source: Department of Finance and Department of Social Services



The Number of Families in CalWORKs Dropped Steeply After Welfare Reform, Bottomed Out in 2007, and Then Increased Due to the Great Recession

The Number of CalWORKs Families Increased Starting in Mid-2007, But Has Recently Declined



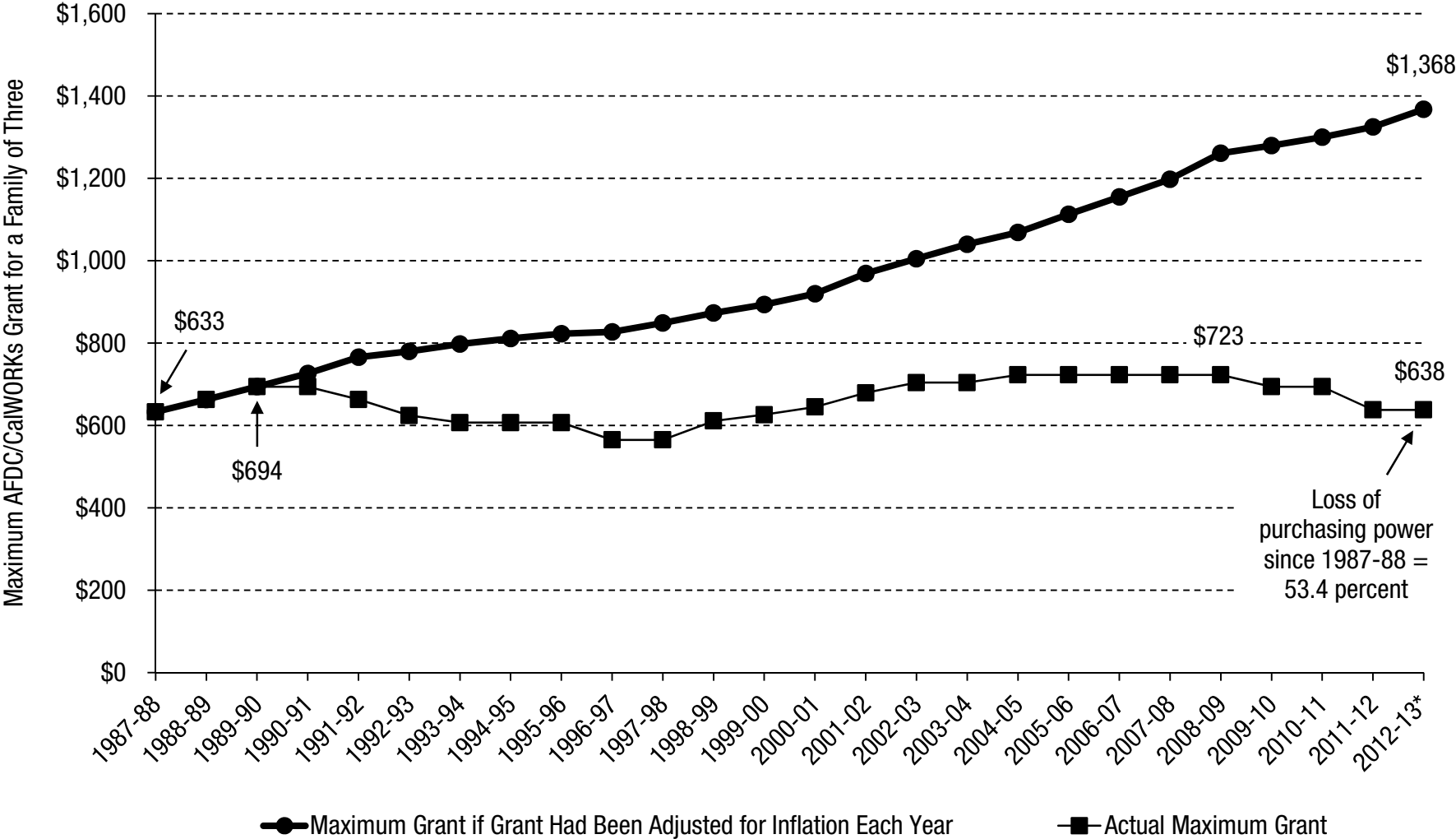


State Policymakers Have Repeatedly Made Deep Cuts to CalWORKs in Order To Help Close Budget Gaps

Policymakers Have Cut CalWORKs Cash Assistance

- State policymakers have repeatedly cut grants and suspended cost-of-living adjustments to help close budget gaps. The Legislature, for example, reduced the maximum grant for a family of three in a high-cost county from \$723 per month in 2008-09 to \$638 per month in 2011-12 – roughly the same amount that a family of three received in 1987-88 (\$633), without adjusting for inflation.
- As a result, CalWORKs grants have not kept pace with inflation. In 2012-13, CalWORKs grants will be worth less than half (46.6 percent) of their 1987-88 value, after adjusting for inflation – assuming that maximum CalWORKs grants remain frozen at their current levels, as the Governor proposes.
- The maximum CalWORKs grant for a family of three in a high-cost county would have to rise to \$1,368 in 2012-13 – more than double the proposed level of \$638 – to have the same purchasing power as it did in 1987-88.


Purchasing Power of CalWORKs Grants Has Dropped by More Than Half Since 1987-88



* Proposed.
 Note: Maximum grants are for high-cost counties beginning in 1996-97.
 Previously, maximum grant levels did not vary by county.
 Source: CBP analysis of Department of Finance and Department of Social Services data

Policymakers Have Made Additional Cuts to CalWORKs

- The Legislature has also:
 - Cut funding that counties use to provide welfare-to-work services and child care by approximately \$375 million in each of 2009-10, 2010-11, and 2011-12.
 - Reduced the lifetime limit on cash assistance for adults from 60 months to 48 months effective July 2011.
 - Reduced from \$225 to \$112 the initial amount of earnings that are not counted – “disregarded” – in calculating CalWORKs cash assistance effective July 2011. As a result, CalWORKs families with earnings now receive lower grants and, as their earnings rise, lose cash assistance more quickly.



The Governor Proposes More Deep Cuts to CalWORKs, Including Reducing Parents' Access to Welfare-to-Work Services and Shifting Most Families to a New Child Maintenance Program

Governor Proposes To End CalWORKs as We Know It

- The Governor proposes to cut state spending by \$985 million in 2012-13 by restructuring the CalWORKs Program.
- The Governor's proposal would:
 - Divide CalWORKs into two sub-programs. CalWORKs Plus would serve families with adults working sufficient hours in unsubsidized jobs to meet federal Temporary Assistance for Needy Families (TANF) work participation requirements. CalWORKs Basic would assist families in which adults are preparing for a job.
 - Cut from 48 months to 24 months the amount of time that adults could receive welfare-to-work services, and reduce the amount of time that adults could count certain services toward their required hours of participation.
 - Create a Child Maintenance Program (CMP) outside of CalWORKs that would provide sharply reduced cash assistance for children in families who would not be eligible for a CalWORKs grant.

The Governor's Proposed CalWORKs Restructuring Would Create Three Programs That Differ Significantly

	CalWORKs Plus	CalWORKs Basic	Child Maintenance Program
Maximum Monthly Grant*	\$638	\$638	\$375
Average Monthly Grant	\$257	\$471	\$392
Eligibility for Cash Assistance	48 months, including any previous months on cash assistance After 48 months, the adult would lose eligibility for cash assistance, but the family would continue to receive a CalWORKs Plus grant on behalf of the children if the adult continues to meet federal work requirements through unsubsidized employment. Otherwise, the family would shift to the Child Maintenance Program, if eligible.	24 months, applied retroactively effective April 1, 2013 After 24 months, the family would shift to the Child Maintenance Program, if eligible. However, if the adult meets federal work requirements through unsubsidized employment, the family would move to CalWORKs Plus, where both the adult and children would receive a grant for up to 24 additional months if the adult continues to work sufficient hours.	Children only, generally until age 18 Children must receive an annual well-child exam to qualify.
Eligibility for Services	Limited employment services, including transportation and counseling, are available so long as the adult continues to meet federal work requirements through unsubsidized employment	24 months of welfare-to-work services, including job search, training, and substance abuse treatment	None
Eligibility for Child Care	Unlimited, provided that the adult continues to meet federal work requirements through unsubsidized employment	24 months	30 cumulative days every six months to attend job search
Earned Income Disregard	First \$200 of earned income plus 50 percent of the remainder	First \$112 of earned income plus 50 percent of the remainder	50 percent of earned income
Projected Caseload (as of April 1, 2013)	25,445	128,938	368,776

* For a family of three living in a high-cost county. The Child Maintenance Program grant assumes a single parent with two children.
Source: Department of Finance and Department of Social Services

CalWORKs Plus Would Serve Families Meeting Federal Work Requirements Through Unsubsidized Jobs

- CalWORKs Plus would serve families with parents working sufficient hours in unsubsidized jobs to meet federal TANF work participation requirements – generally 30 hours per week, or 20 hours per week for families with a child under age 6. These are jobs in which the employer does *not* receive a subsidy through TANF or another public program.
- CalWORKs Plus families would:
 - Receive cash assistance for up to 48 months, and beyond 48 months for only the children so long as the adult continues to work sufficient hours in an unsubsidized job.
 - Receive employment services and child care for as long as the adult continues to work sufficient hours in an unsubsidized job.
 - Qualify for a higher earnings disregard compared to current law.
- The state estimates that approximately 25,000 CalWORKs families would meet CalWORKs Plus requirements as of April 1, 2013.

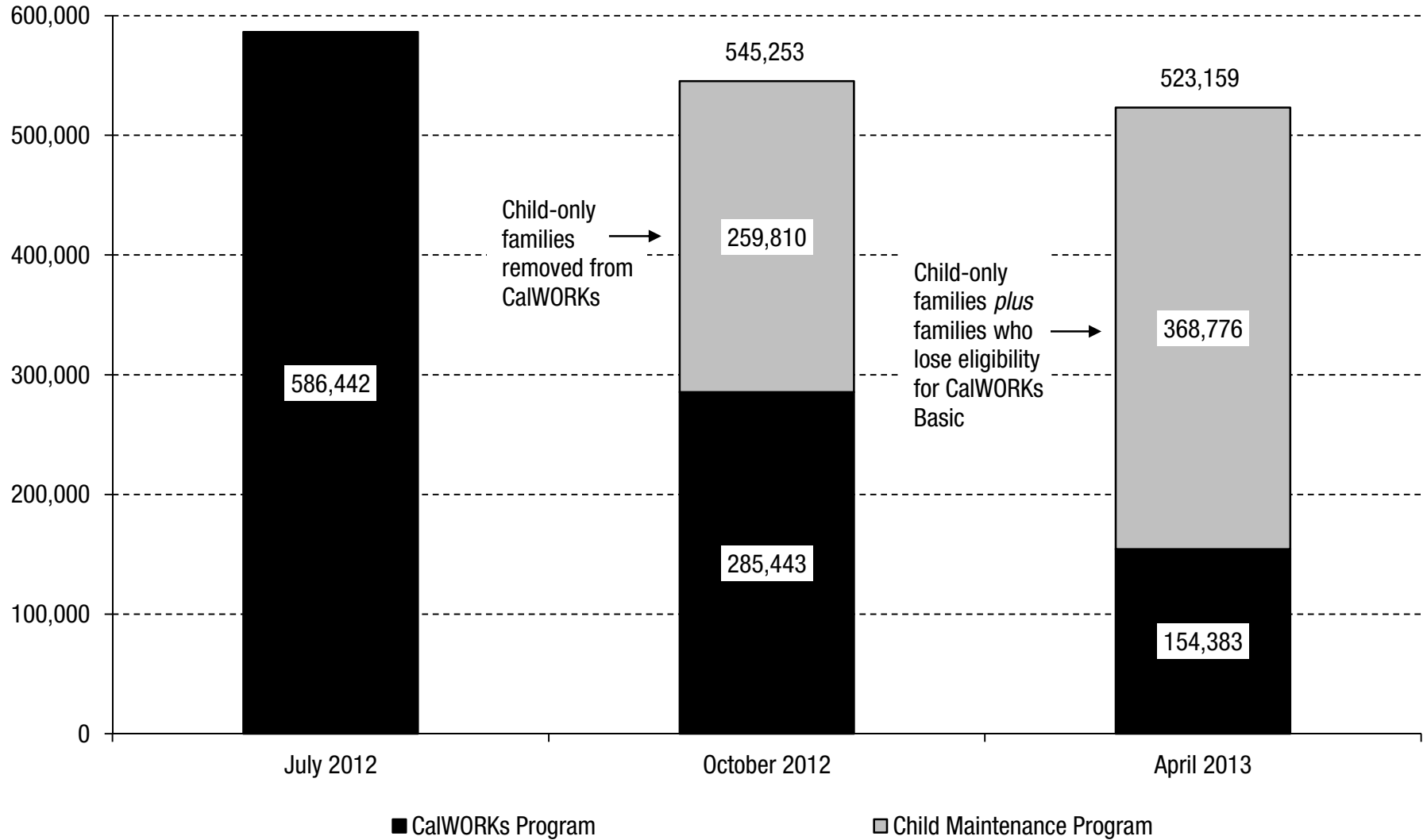
CalWORKs Basic Would Assist Families in Which the Adult Is Preparing for a Job, But for Just 24 Months

- CalWORKs Basic would help parents prepare for and find unsubsidized jobs. Families would be limited to 24 months of welfare-to-work services and child care – half the current limit. Moreover, the amount of time that parents could count vocational education, substance abuse treatment, and other key services toward their required hours of participation would be reduced.
- The new 24-month time limit would be applied retroactively – including to families previously exempted from work participation requirements – as of April 1, 2013. Families with an adult who exceeds the new time limit and is not working sufficient hours in an unsubsidized job to meet federal work participation requirements would lose access to welfare-to-work services.
- The state estimates that 131,000 families would exceed the 24-month time limit as of April 1, 2013. Of these, 109,000 would move to the CMP, where only the children would receive cash assistance. The remaining 22,000 families, which include 41,000 children, would lose all cash assistance since their incomes would exceed the CMP limit.

Most Child-Only Families Would Shift to the Child Maintenance Program as of October 1, 2012

- Effective October 1, 2012, CalWORKs families with adults who are not eligible for cash assistance – broadly defined as “child-only” families – would shift to the CMP if they meet income eligibility requirements. These families include those in which non-needy relatives, such as an aunt or a grandmother, care for the children, as well as “safety-net” families in which the parent has exceeded the lifetime limit on cash assistance, but the children remain eligible for a grant.
- Some families in the CMP could receive child care on a limited basis, but other welfare-to-work services would not be provided.
- The state estimates that there will be 301,000 child-only families in CalWORKs as of July 2012. Of these, 260,000 would be moved – as of October 1, 2012 – to the CMP, where the children would receive reduced cash assistance. The remaining 41,000 families, which include 84,000 children, would lose all cash assistance since their incomes would exceed the CMP limit.

Nearly 370,000 CalWORKs Families Would Shift to the Child Maintenance Program by April 2013 Under the Governor's Proposal





The Child Maintenance Program Would Sharply Reduce Cash Assistance for Children

The Child Maintenance Program Would Provide an Income Substantially Below the Poverty Line

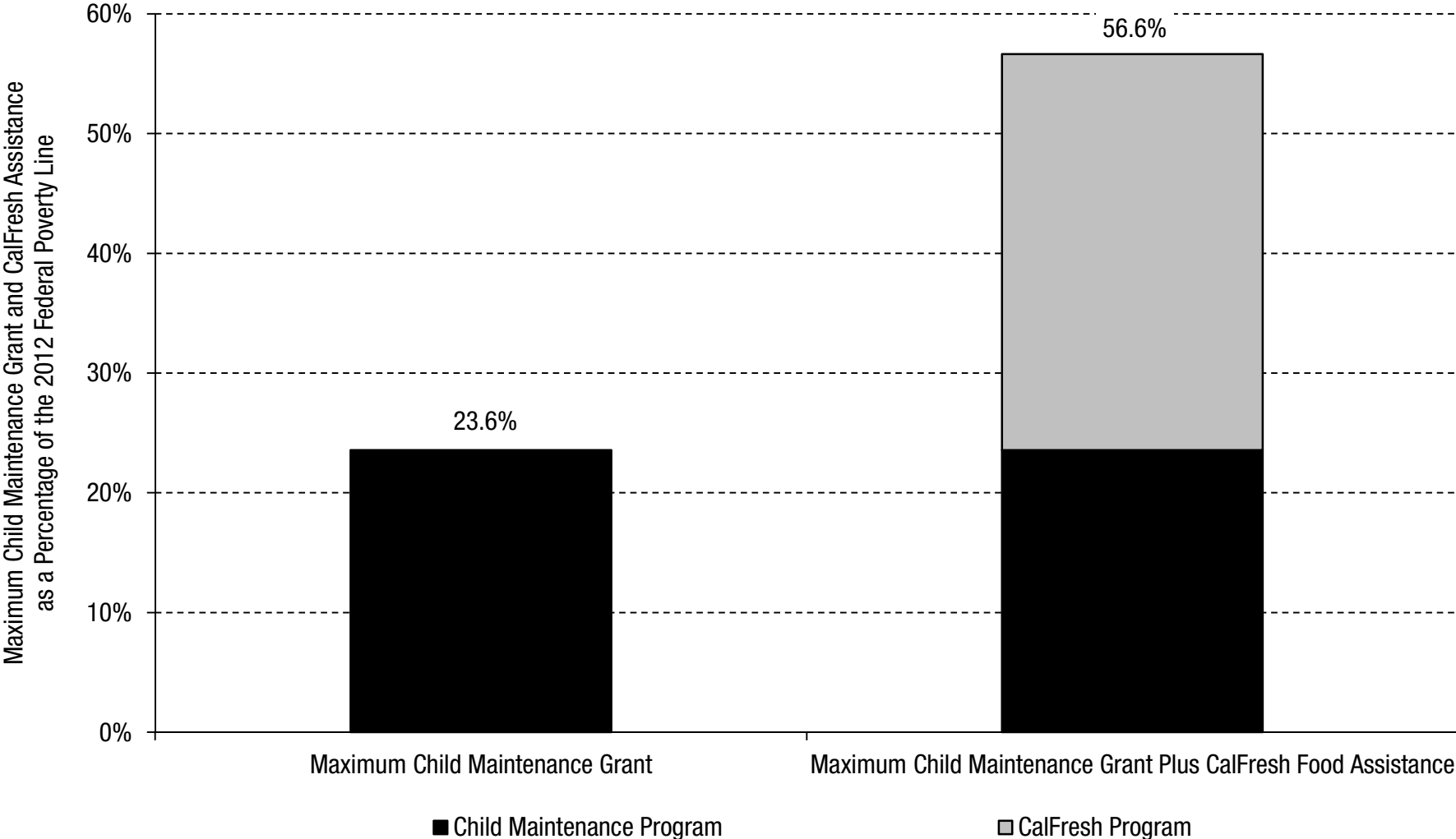
- Currently, the maximum monthly CalWORKs grant for a family of three with two children in a high-cost county generally ranges from \$516 to \$638, depending on the family's circumstances.
- Under the Governor's proposal, a single-parent family with two children shifted to the CMP would be eligible for a maximum monthly grant of \$375 in high-cost counties, less than one-quarter (23.6 percent) of the federal poverty line.
- In addition, a family of three in the CMP would lose all cash assistance if their earnings exceeded \$8,760 per year – less than half (45.9 percent) of the poverty line.

The Governor Proposes Deep Cuts to Cash Assistance for Families Shifted to the Child Maintenance Program

Examples of CalWORKs Families	Current Maximum Monthly CalWORKs Grant	Proposed Maximum Monthly Grant for Families Transferred to the Child Maintenance Program	Dollar Reduction	Percentage Reduction
Families in which the adult has reached the lifetime limit on cash assistance, but the children continue to receive a reduced grant ("safety-net" families)	\$516	\$375	-\$141	-27.3%
Families in which a non-needy relative, such as a grandmother, cares for the children	\$577	\$375	-\$202	-35.0%
Families in which the adult meets work participation requirements, but not entirely through unsubsidized employment as the Governor's proposal requires	\$638	\$375	-\$263	-41.2%

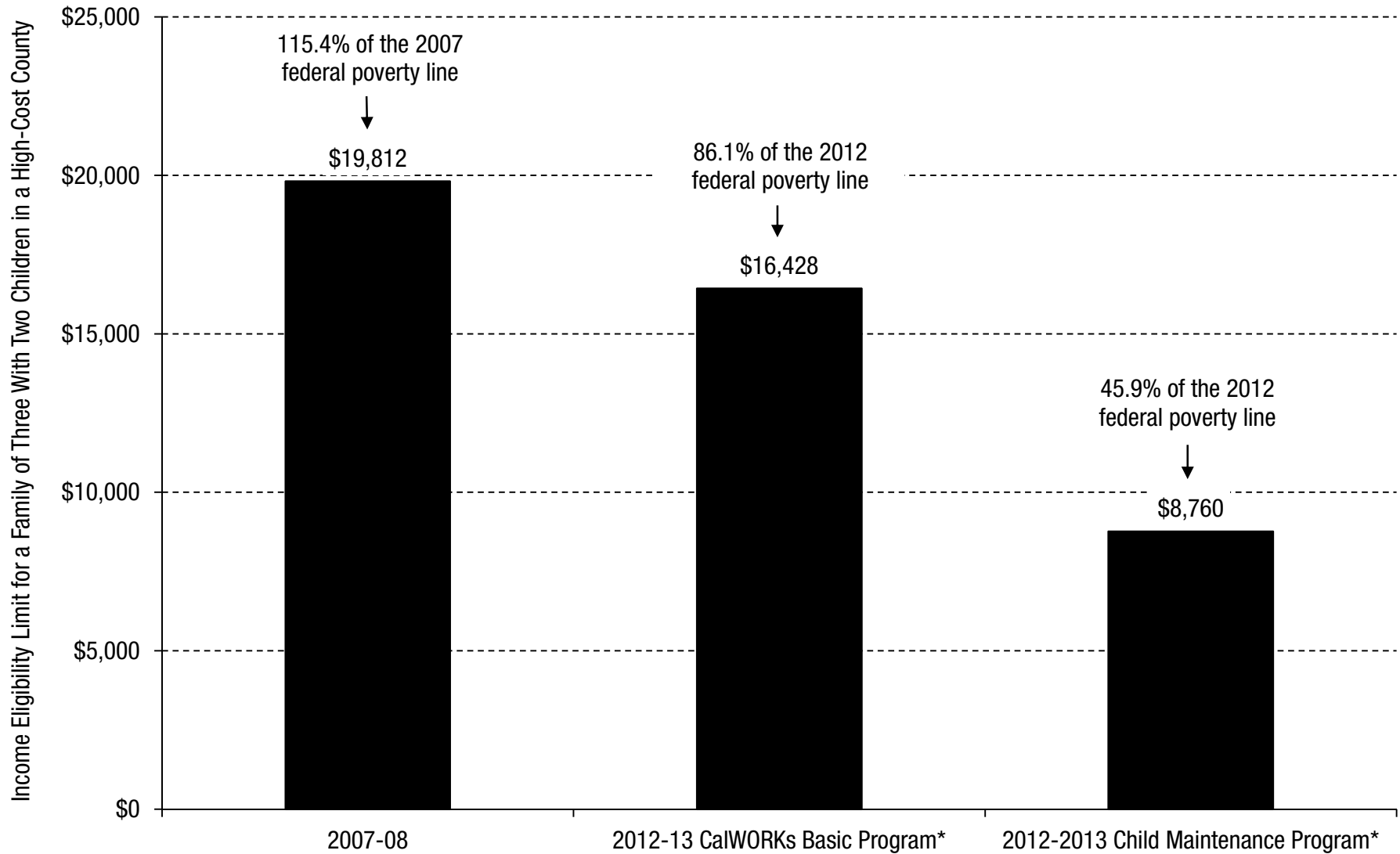
Note: Figures are based on a family of three with two children in a high-cost county.
 Source: Department of Social Services and Legislative Analyst's Office


Even With CalFresh Food Assistance, Families in the Child Maintenance Program Would Have an Income Equivalent to Less Than 60 Percent of the Federal Poverty Line



Note: Child Maintenance Program grant is for a family of three with two children living in a high-cost county.
Source: Department of Social Services and US Department of Health and Human Services

The Child Maintenance Program Income Eligibility Limit Would Be Less Than Half of the Federal Poverty Line





**The Governor's Proposal Implicitly Assumes
Jobs Are Available for CalWORKs Parents,
Even Though California's Unemployment Rate
Is Projected To Remain in Double Digits
for Several Years**

The Governor's Proposal Assumes That Jobs Are Available for CalWORKs Parents

- The Governor's proposal would allow parents to receive cash assistance, limited employment services, and child care for a full 48 months *only if* they meet federal work participation requirements through a single activity – unsubsidized employment.
- In contrast, federal and state law allow parents to meet work participation requirements through an array of welfare-to-work activities besides unsubsidized employment, including subsidized employment, on-the-job training, vocational educational training, and mental health and substance abuse treatment.
- The Governor's proposal would penalize CalWORKs parents for not finding – or not working enough hours in – unsubsidized jobs at a time when such jobs remain scarce and single mothers' average workweek has fallen sharply. The Legislative Analyst's Office, for example, projects that California's unemployment rate will remain in double digits through 2014.



Reducing Support for Low-Income Children at a Time of Economic Distress and Rising Poverty Could Limit California's Future

Rising Poverty Could Limit Our Future

- Poverty imposes steep costs on society through the lost potential of children who grow up in families with very low incomes. Research finds that children raised in poverty:
 - Are more likely to drop out of high school and less likely to get a college degree than their peers with higher incomes.
 - Tend to earn substantially less as adults compared to similar adults whose families had incomes above twice the poverty line when they were children.
- Even “recession-induced” poverty – which is brought about by economic downturns – can have devastating consequences for children. Research shows that children who fall into poverty during a national recession are more than three times as likely to live in poverty when they are adults, compared to their peers whose families do not fall into poverty during the same recession.

Rising Poverty Could Limit Our Future (continued)

- The negative effects of poverty extend beyond the children affected to society as a whole. Since children who grow up in poverty tend to have less education and lower earnings, poverty can diminish workforce productivity and reduce the nation's – and California's – ability to compete in the global economy.
- Estimates suggest that even before the Great Recession began, childhood poverty cost the nation around \$500 billion per year in lost adult productivity and wages, increased crime, and higher health expenditures – equivalent to 4 percent of national Gross Domestic Product (GDP).
- By comparison, US GDP growth averaged 2.5 percent annually over the past 15 years. In other words, economic growth could more than double if none of the nation's children grew up in poverty.