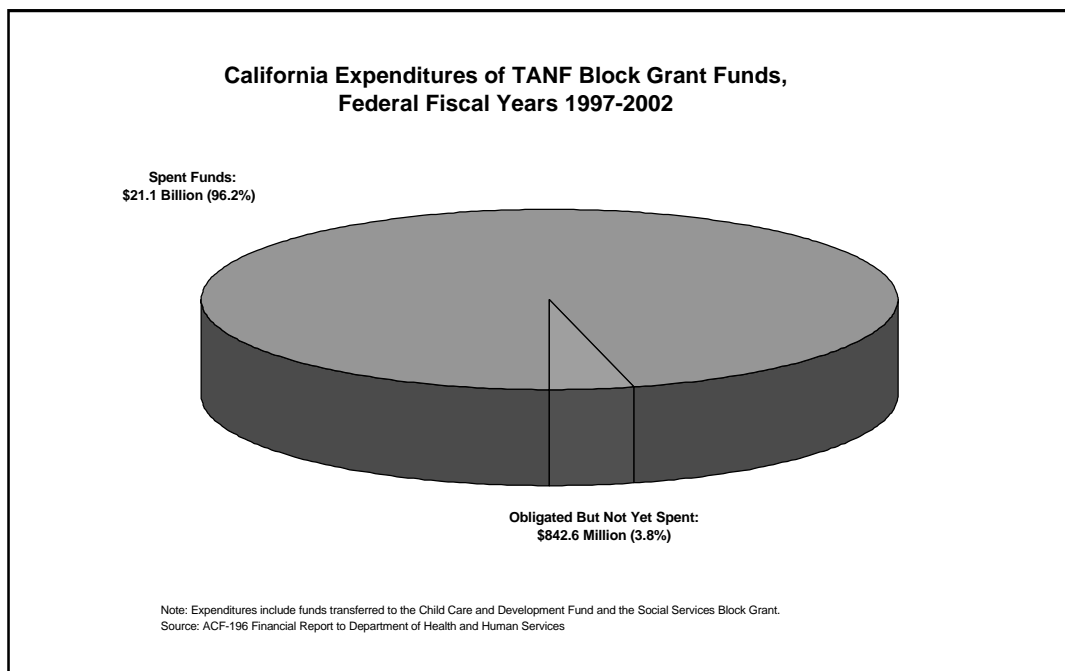


CALIFORNIA EXHAUSTS AVAILABLE TANF FUNDS, CONSIDERS ADDITIONAL WELFARE SPENDING REDUCTIONS

California has spent nearly all of the federal Temporary Assistance for Needy Families (TANF) block grant funds that it has received since block grant funding began in federal fiscal year (FFY) 1997. Moreover, California's annual TANF block grant has remained fixed at \$3.7 billion. In response to static TANF funding, rising program costs, and large budget shortfalls, the state has reduced support for key components of the CalWORKs program. For example, the 2002 Budget Act:

- Delayed the statutory cost-of-living adjustment (COLA) for CalWORKs cash assistance from October 2002 to June 2003, for an eight-month savings of \$99.1 million.
- Reduced funding for county CalWORKs administration by \$47.4 million and suspended "cost-of-doing-business" (CODB) increases for the second consecutive year.¹
- Reduced funding for adult education and community college services for CalWORKs recipients by \$74.0 million.
- Did not provide, for the third consecutive year, bonus payments (known as "performance incentives") to reward counties that have moved CalWORKs recipients from welfare to work.²

Governor Davis has called for additional CalWORKs reductions in his 2003-04 Proposed Budget. For example, the Governor has proposed eliminating child care subsidies to certain families that have left welfare for savings of \$98.8 million, suspending the June 2003 and October 2003 COLAs for savings



of \$264.6 million, and reducing CalWORKs cash assistance payments for savings of \$235.3 million. If these proposals were adopted, about 56,000 children would lose access to subsidized child care and grant levels would drop by 12.5 percent.³ The Proposed Budget also continues to suspend county CODB increases, does not make payments owed to counties for caseload reduction, and reduces state funding for CalWORKs community college services by an additional 10.8 percent in 2003-04.⁴

California can spend its TANF block grant funds in the years in which they are received or in subsequent years. TANF funds are combined with \$2.7 billion in state maintenance-of-effort (MOE) dollars to finance CalWORKs cash grants, child care, employment services, and related expenditures. The state has used 96.2 percent of all TANF funds received between FFY 1997 and FFY 2002.⁵ The remaining funds, \$843 million, have been earmarked for services that have been ordered or contracted, but not delivered (unliquidated obligations).

While the Governor's Budget anticipates a TANF reserve of \$200 million in 2003-04, this reserve assumes that the Governor's proposed cash grant reduction will be enacted. Moreover, the Legislative Analyst's Office indicates that the Governor overbudgeted for CalWORKs costs by \$350 million.⁶ However, these funds are not enough to offset the CalWORKs reductions and freezes proposed in the Governor's Budget. This amount is also likely to be insufficient to fund ongoing additional employment services and child care costs if Congress adopts stricter work requirements when it reauthorizes the TANF block grant. Consequently, California may be faced with the prospect of additional CalWORKs reductions in the years ahead if Congress does not substantially increase TANF block grant or child care funding.

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 engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Publication of this Update was supported by grants from the David and Lucile Packard and William and Flora Hewlett Foundations. This publication is part of a series monitoring the implementation of welfare reform in California. General operating support for the California Budget Project is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's web site at www.cbp.org.

ENDNOTES

¹ The County Welfare Directors Association (CWDA) estimates that the two-year suspension of CODB increases is equivalent to a \$248.0 million reduction to counties. Letter from CWDA to Assembly Budget Subcommittee No. 1 (March 10, 2003).

² The 2002 Budget Act also redirected \$297.0 million in unspent county performance incentives to fund basic CalWORKs program costs, including cash assistance and services. This transfer increased the state's obligation to the counties for previously earned incentives to \$394.0 million. Legislative Analyst's Office, *Analysis of the 2003-04 Budget Bill* (February 19, 2003), p. C-161.

³ In the 2003-04 Proposed Budget, the Governor suspends the statutory COLAs for June and October 2003 and reduces cash assistance grant levels by 6.2 percent. Under current law, the maximum monthly grant for a family of three in a high-cost county would rise to \$728 in October 2003. By contrast, the maximum grant for a family of three in a high-cost county would drop to \$637 per month under the Governor's proposal, a reduction of 12.5 percent.

⁴ The Governor also proposed an additional 10.8 percent reduction in state funding for CalWORKs community college services in 2002-03, but the Legislature rejected that proposal.

⁵ Expenditures include transfers to the Child Care and Development Fund and the Social Services Block Grant.

⁶ Legislative Analyst's Office, *Analysis of the 2003-04 Budget Bill* (February 19, 2003), pp. C-152 - C-153.