



Date March 17, 2017

To: The Honorable Richard Pan
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

From: Frank J. Mecca, Executive Director

RE: PRESERVE CALWORKS FUNDING, REVISE SINGLE ALLOCATION BUDGET METHODOLOGY, AND ENACT A CALWORKS OUTCOMES AND ACCOUNTABILITY REVIEW SYSTEM

The County Welfare Directors Association of California (CWDA) respectfully requests your support of CalWORKs by preserving the state's fiscal investment in the program and developing recommendations for revising the Single Allocation budgeting methodology, as well as establishing a new outcomes and accountability review system to foster continuous quality improvement in the program.

The CalWORKs program experienced considerable change through the Great Recession, including both deep cuts and modest restorations, mass exemptions from participation in welfare-to-work and the elimination of those exemptions. Time limits on services have been shortened, and innovative program components such as the subsidized employment, the creation and expansion of the Housing Support Program and Family Stabilization have provided a more holistic response to the needs of families in the program. Most recently, the Legislature and Governor repealed the Maximum Family Grant rule and enacted a 1.43% increase in grants in the 2016-17 budget. Yet one in five children in California lives in poverty, and at 43% of the federal poverty level, CalWORKs grants remain persistently low. In a state where it takes income nearly three times the federal poverty level to make ends meet, families on CalWORKs are truly the poorest of the poor. As the sixth largest economy in the world, California can do more to help its impoverished citizens escape poverty. In addition to improving the unacceptably low grant levels, CWDA's two requests, one regarding the budget methodology and the state's fiscal investment in the program, and the other, a proposal to establish an outcomes and accountability review system, aim to help accomplish that.

RESTORE SINGLE ALLOCATION FUNDING, REVISIT BUDGET METHODOLOGY

CWDA urges restoration of the \$198 million proposed to be cut from the CalWORKs Single Allocation in the Governor's 2017-18 state budget. In recent fiscal years, particularly when funding for the Single Allocation rapidly increased and for reasons explained below, counties have collectively underspent the Single Allocation. More recently, however, spending has increased, such that with the significant reduction to the Single Allocation in the current year, we anticipate that expenditures statewide will roughly equal the funding provided in 2016-17. This means that the additional \$198 million reduction proposed for 2017-18 will require counties to cut spending well below their current expenditure levels. This will force counties to eliminate positions and lay off existing staff, along with enacting service reductions. In addition to the immediate harm of not being able to provide needed services, there are potential ripple effects of those reductions. For example, some counties report that they will have to cut spending on subsidized employment to the point that they will be unable to meet the base spending requirements to tap into funding for Expanded Subsidized Employment. The result in those counties will be the elimination of subsidized employment as a service option altogether.

Service reductions prolong families' need for public assistance, and have negative impacts on children. When parents have to wait longer for, or entirely lose access to, the welfare-to-work services and supports that would otherwise enable them to gain the skills and education necessary to be competitive in the labor market, they are less able to leave CalWORKs for living-wage jobs. Overwhelming evidence has shown that living in poverty causes changes in brain functioning both adults and children, directly impacting decision-making capacity, self-regulation ability, and a myriad of health and psychological processes. Research further shows that these negative effects have lifetime impacts that compound the longer one remains impoverished.

To avoid these otherwise inevitable service and staffing reductions, CWDA proposes that the \$198 million be restored and targeted toward investments in specific services. These target areas, established in trailer bill language, could include, for example: sanction outreach, enhanced engagement, home visiting efforts, and/or subsidized employment, with supportive services to stabilize families. We recommend that all counties have an opportunity to access these funds, provided they submit expenditure plans describing how they would spend their funds on the targeted activities. After the fiscal year, counties would be required to report on how they actually spent the funding. This proposal would help mitigate the services cuts that counties will otherwise make to absorb a \$198 million cut in 2017-18, while ensuring that the funding supports priority goals and activities for the Legislature and Administration.

Further, CWDA believes that it is time to revisit the two-decade-old caseload-driven budget methodology used for the CalWORKs Single Allocation, which funds eligibility activities,

employment services, and child care. We request adoption of placeholder trailer bill language requiring CDSS to, in consultation with CWDA, develop recommendations for revising the current budget methodology. The CalWORKs caseload is closely tied to the performance of the economy and can grow quickly when the economy declines while dropping equally as fast when the economy improves. The result is huge swings in funding levels for the Single Allocation, with the most recent examples being in the current fiscal year and proposed for next fiscal year. In the current year, the Single Allocation was reduced by \$156 million (7.9 percent) and in the budget year is proposed to be reduced by \$198 million (10.6 percent), an 18.5 percent reduction over two years. In contrast, in 2013-14 and 2015-16, the Single Allocation was increased by \$209 million (12.0 percent) and another \$77 million (4.0 percent), respectively. It is difficult for counties to ramp up quickly in years when funding increases dramatically, and equally difficult for counties to make rapid cuts in years when funding drops.

An additional challenge created by these swings in funding is related to the fact that the Single Allocation funds both fixed and flexible work. Eligibility determinations, processing of paperwork and household changes, and ensuring that the correct benefits are provided are tasks that counties are mandated to complete, many of them within statutory timeframes. While there are some increases and decreases to these administrative activities that correspond to caseload increases and decreases, a greater amount of operational costs are fixed and will exist irrespective of caseload changes. In addition, applications to CalWORKs have not declined in recent years, so that administrative workload has remained consistent even with the recent caseload drops. Quickly hiring or laying off staff (or even redeploying staff) is difficult with human resources requirements. Compounding these challenges to quick changes to administrative spending is the fact that the funding provided in the Single Allocation for those activities has been significantly underfunded for many years, since the Administration stopped providing any cost adjustments to the budget in 2001-02.

In contrast, many welfare-to-work services are quickly scalable when funding increases or decreases. Because counties often contract for these services, the contracts can more quickly be increased or decreased, leading to fluctuation in available services depending on funding. This works well in years when caseloads and funding increases and more families require services. But in years when the when the economy is good and more families can enter the workforce and exit CalWORKs, those who remain on the caseload have greater service needs to move them to greater self-sufficiency. These families require *increased* investment at the precise time that services funding is being proposed for cuts. Such service reductions exacerbate the grinding effects of poverty on families and children.

Given these dynamics and in light of the performance and accountability system that we propose below, CWDA believes it is time to reexamine how the CalWORKs Single Allocation budget is built. Caseload should remain a factor, but funding should also be budgeted to support ongoing administrative workload, as well as the programmatic goals and outcomes

that are desired. Consideration in the budgeting methodology must also be given to account for the service needs of various cases and the resources required to ensure those needs are met.

ENACT A CALWORKS OUTCOMES AND ACCOUNTABILITY REVIEW SYSTEM

County human services departments provide a broad spectrum of welfare-to-work services and supports for low-income parents through the CalWORKs program. These services include not only job search and employment placement assistance, but also crisis resolution, mental health treatment, housing, child care, and educational opportunities, among others. Unfortunately, the only official measure of “success” in CalWORKs today is the federal work participation rate (WPR), which looks only at whether an individual was present in a “countable activity” for the required number of hours each month. This measure tells us nothing about broader measures of success – poor families finding and keeping living-wage work and/or obtaining the education and training they need to be competitive in the labor market, children who are thriving, and county operations that facilitate effective, efficient welfare-to-work service delivery.

While the WPR has flaws, it remains a federal mandate. However, California can and should take a more nuanced approach to measuring success in the CalWORKs program, while counties undertake new ways to better serve families using evidence-based tools. To that end, CWDA is partnering with thought leaders Mathematica Policy Research and the Center on Budget and Policy Priorities to create a forward-thinking approach to service delivery in CalWORKs that draws upon national evidence and cutting edge research on the impact of poverty on adult functioning. Grounded in a goal-achievement framework, the tools and resources being developed for county welfare-to-work staff through this project will help to frame service delivery around setting and achieving meaningful, realistic goals and will create routines that reinforce a systematic process for helping families holistically. This approach can also be implemented at an organizational level, through the identification of explicit programmatic and operational goals, assessment of county performance toward those goals, and use of the information to identify areas for improvement and investment.

To support these efforts and encourage broader thinking about how “success” is defined in the program, CWDA recommends the adoption of placeholder trailer bill language to establish a CalWORKs outcomes and accountability review system, along with the creation of a working group led by the CDSS and including county representatives, legislative staff, and other stakeholders to develop that system and the estimates for the administrative funding needed for the state and counties to implement the process. Consisting of agreed-upon performance measures, a county self-assessment, and the development of system improvement plans, developed and rolled out over the course of several years, this outcomes and accountability review system will standardize a process of collaborative self-examination, goal-setting, and state and local accountability for CalWORKs, while instituting

a process of continuous quality improvement in the program. Additionally, this review process will give the state, counties, and stakeholders more useful program information, and will enable CDSS to provide enhanced oversight, targeted technical assistance to counties, and a more robust process for the collection and dissemination of best practices in welfare-to-work.

An outcomes and accountability review process in CalWORKs can be expected to transform the program in much the same way that the California Child and Family Service Review, established by AB 636 (Chapter 678, Statutes of 2001), did for Child Welfare. In fact, our proposal is very closely tailored to reflect the legislatively-enacted reform to how we evaluate and improve outcomes in the Child Welfare program. The process of clarifying the outcomes of highest importance in CalWORKs and implementing a system of data-driven self-inquiry will lead to programs with greater transparency. Furthermore, it will hold the state and counties accountable for performance through the establishment and tracking of progress measures, and will help drive the program to a more family-focused, efficient, and responsive system of service-delivery.

Establishing an accountability and outcomes framework for CalWORKs will set the program on a path of continuous quality improvement, will help counties and the state to focus on the measures of success that are truly meaningful, and will create a collaborative process of self-reflection and system improvement. At the same time, retaining the state's fiscal commitment to the program by restoring the \$198 million cut proposed for the budget year will enable counties to make targeted investments in key areas to support program changes and help mitigate service and staffing reductions. Finally, revising the budgeting methodology used for the CalWORKs Single Allocation will enable long term programmatic stability and support desired outcomes.

For these reasons, CWDA urges your support of these requests.

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