

Assembly Human Services Committee
Oversight Hearing of the

**CalWORKs Subsidized Employment Programs:
Measuring its Success and Making Improvements to Create More Jobs**

March 22, 2011
Upon Adjournment of the Policy Hearing
State Capitol, Room 437
Sacramento, CA 95814

In December of 2007, the National Bureau of Economic Research officially declared the US economy to be in a recession. Approximately 14 months later, Congress and the President delivered on an emergency economic stimulus to keep the nation from spiraling further down, with the hope of avoiding a depression. With the national unemployment rate more than doubling, from 5% in December of 2007 to a high of 10.1%, and California exceeding that for the same time period, from 5.8% to its current high of 12.4%, the US government responded with the American Recovery and Reinvestment Act of 2009.

Abbreviated as ARRA (Pub.L. 111-5) and commonly referred to as the Stimulus or The Recovery Act, it contained \$787 billion for tax benefits, contracts, grants and loans, and entitlement programs. California received over \$30 billion of this funding. Within ARRA was funding for a program called “TANF ECF” or the Temporary Assistance for Needy Families Emergency Contingency Fund.

Section 2101 of ARRA contained \$5 billion for TANF ECF to help states deal with an increased demand for services during the economic downturn. California received a large portion, amounting to \$1.25 billion. The fund, made available for two years, reimburses states for 80% of the increased expenditures in the following three categories:

- 1) Basic assistance (cash welfare) to support the increased caseload as more families face need,
- 2) Short-term non-recurring benefits designed for a specific crisis situations such as providing for emergency shelter, to buy supplemental food, or pay utilities, and
- 3) Subsidized employment for low-income parents and youth.

This background paper and the purpose of this hearing are to examine category three and measure the counties' efforts to expand their already existing subsidized employment programs.

Purpose and Goals of the Oversight Hearing

- To understand how to improve the operation of the county subsidized employment programs (SE Programs) in order to create more jobs.
- To understand how the state operated the SE Programs before, during, and after ARRA TANF ECF
- To hear about what the state and counties learned from ARRA TANF ECF—what did and did not work.
- To hear from SE Program participants about their experiences in the program.
- To offer recommendations and learn about current plans to improve the SE Programs

What is TANF ECF and Why is it Necessary?

Temporary Assistance for Needy Families (TANF) is the federal name for the country's welfare-to-work program and in California it is known as the California Work Opportunity and Responsibility to Kids program (CalWORKs). TANF ECF is a program borne out of ARRA and created to provide additional funding to states while the economy is in a downturn because caseloads are growing as increased numbers of families fall on hard times.

The extra funding is necessary because during recessions social service programs are "countercyclical"—state revenues decline while their expenditures on social services and support (such as TANF) generally rise. But, since most states need to balance their budgets annually, these economic fluctuations can create serious financial strains. Indeed, without the funding, many states will face an incentive to limit the extent to which they allow low-income women (and men) to enroll in basic needs grant programs, and may use various administrative means of diverting them from doing so. If this occurs to a large extent, the hardships experienced by low-income individuals, particularly women, could be very substantial with long-term detrimental impacts on health and education.

Eligibility and Program Structure

ARRA stipulated that state eligibility for TANF ECF funding would be released based on a state's caseload and/or spending levels. Eligibility under each category of funding is determined separately based on increases in:

Basic assistance: The state must have an increase in assistance caseloads (combined TANF and Separate State Program (SSP)) compared to the equivalent quarter in the base year, FY 2007 or 2008, whichever had the lower average monthly assistance caseload. The state must also have an increase in expenditures on basic assistance compared to the equivalent quarter in the base year.

Non-recurrent short-term benefits: The state must have an increase in expenditures on such short-term benefits compared to the equivalent quarter in the base year, FY 2007 or 2008, whichever had the lower total expenditures on such short-term benefits.

Subsidized employment: The state must have an increase in expenditures on subsidized employment compared to the equivalent quarter in the base year, FY 2007 or 2008, whichever had the lower total expenditures on subsidized employment.

California qualified under each category.

TANF ECF provided much flexibility in the way states could structure their programs. From state to state, the administrative structure of the TANF programs varied. Because of the demographic and geographic nature of California it benefited greatly from this flexibility. Moreover, California has a decentralized structure where each county administers CalWORKs, including the SE Program, to respond in a more customized way to its unique characteristics.

The flexibility could be seen in many ways. TANF ECF allowed for not only California's CalWORKs families to receive SE Program slots but non-CalWORKs families as well. Additionally, California was allowed to set its own income eligibility cut-off and chose families with incomes that fell below 200% of the Federal Poverty Level. Additionally, states were allowed to design the payment to employers in different ways. For example, some states phased in the amount of the subsidized wage payment over time starting with covering 100% of the wage and then reducing it as time went on, capped the wage, or limited the number of hours that an employee could work. These variations stretched the ARRA dollars further and created more slots. California had many different wage subsidy structures that varied from county to county.

Outcomes

Of the \$1.25 billion that California received for the three categories, it received over \$408 million for creating public-private subsidized employment spots. The remainder of this money was spent on the basic assistance and short-term non-recurring costs discussed earlier in this paper. Over 47,000 jobs were created out of these monies over an 18-month period. Almost 33,000 of these job placements were for CalWORKs recipients, over 14,000 were for non-CalWORKs recipients, and over 27,000 of those were for summer youth jobs. While the data to determine how many of these individuals secured permanent employment is not yet available, initial feedback is that many are still working. Moreover, participant job skills improved and their resumes were enhanced—two critical factors in securing future employment as well as providing critical support for their families.

Prior to ARRA TANF ECF only six counties had existing SE Programs. With the additional funding from ARRA, SE Programs were created in an additional 42 counties for a total of 48 out of the 58 counties participating, important experience and foundation for continuing and future SE programs. The Department of Social Services (DSS) reports that relationships with employers have been expanded as many had positive feedback about the program and that there is a strong interest in building on the success of the program in the future.

Testimony

Today you will hear from several of the people involved in coordinating, preparing, monitoring, and participating in California's effort to create as many job placements as possible in such a very short time.

First, Liz Schott from the Center on Budget & Policy Priorities, co-author of a very recent report entitled, *Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund*. She will be giving an overview of the national SE Programs and discussing the findings in her report.

Second, John Wagner and Charr Lee Metsker from DSS will give a California-specific overview on the outcomes of the SE Program from the statewide perspective. On the same panel, Cathy Senderling-McDonald from the California Welfare Directors Association (CWDA) will give an introduction to the county experience from the counties' perspective. CWDA will describe the substantial effort that it took to ramp up these programs in such a short time and what the experience was from their perspective.

Third, you will hear personally from the employers and employees that benefited from the ARRA TANF ECF monies. Employers will discuss how their business was able to expand and how the funds assisted with their bottom line. Employees will discuss how the funds improved their skills and job marketability, and provided for their families at a very critical time.

Lastly, Ms. Senderling-McDonald and Ms. Schott will discuss how these programs can be improved, what is currently being done to improve them, and the future that they see for SE Programs during the next downturn.