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L E G I S L A T I V E A N A L Y S T ' S O F F I C E

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CalWORKS Grants: Relation to Poverty Measures and Recent Changes

Presented to:

Senate Budget and Fiscal Review Subcommittee No. 3

On Health and Human Services

Hon. Holly J. Mitchell, Chair





Background

- Families Enrolled in the California Work Opportunity and Responsibility to Kids (CalWORKs) Program Receive Monthly Cash Grants Intended to Help Meet Basic Needs**

- Grant Amount Varies by Family Size and Earnings, Among Other Factors**
 - Larger families are generally eligible for a higher maximum grant than smaller families.
 - A family’s monthly grant is reduced by the amount of the family’s earnings, such that families with no income receive the maximum CalWORKs grant.
 - A portion of earnings is disregarded when calculating the family’s grant so that the reduction in the grant is less than the amount of the earnings. This means that a family combining earnings with CalWORKs assistance will have greater total resources (grant plus earnings) than if the family has no earnings.

| Effects of Hypothetical Earnings on CalWORKs Grant Amount | | | |
|--|-------------------------|----------------------|---------------|
| | Without Earnings | With Earnings | Change |
| Earnings | — | \$660 | \$660 |
| CalWORKs grant ^a | \$704 | 487 | -218 |
| Totals | \$704 | \$1,147 | \$443 |

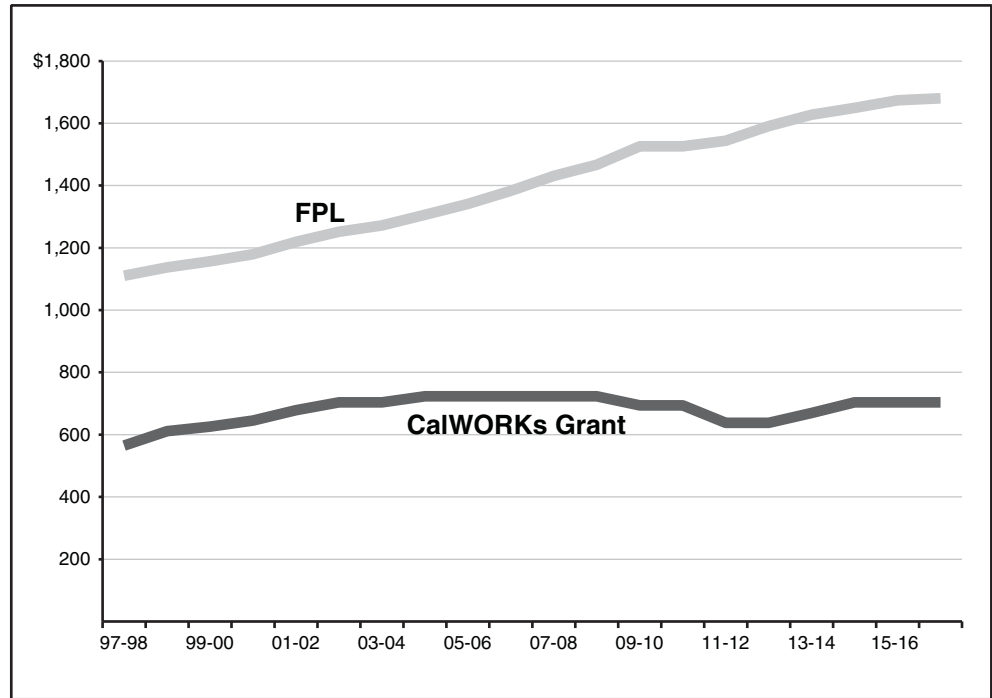
^a Maximum grant for a family of three living in a high-cost county.

- Families Receiving CalWORKs Grant Generally Also Receive CalFresh Food Assistance**



Maximum CalWORKs Grants Have Fallen Over Time Relative to the FPL

Maximum Monthly CalWORKs Grant and Federal Poverty Level (FPL) for a Family of Three in a High-Cost County



Following CalWORKs Implementation, Maximum Grants Initially Tracked Increases in Federal Poverty Level (FPL)

- Prior law provided for annual cost-of-living adjustments (COLA).
- Due to regular grant increases, the maximum grant remained above 50 percent of the FPL until the mid-2000s.



Maximum CalWORKs Grants Have Fallen Over Time Relative to the FPL *(Continued)*

- Maximum Grant Levels Later Leveled Off as FPL Continued to Rise**
 - Beginning in the mid-2000s, annual COLAs were frequently suspended, and during the last recession the maximum grant was reduced. Grants were partially restored following the recession, but remain below pre-recession levels.
 - Under the proposed budget, the maximum grant will be about 42 percent of the FPL in 2016.

- CalFresh Food Assistance Increased as CalWORKs Grants Levelled Off**
 - CalFresh food assistance benefits, which are federally funded, generally receive annual COLAs.
 - The maximum CalWORKs grant combined with CalFresh food assistance was roughly 74 percent of the FPL in 1997.
 - The proposed maximum CalWORKs grant combined with CalFresh food assistance will be roughly 71 percent of the FPL in 2016.

CalWORKs Grants and the SPM



Research Supplemental Poverty Measure (SPM) Differs From Official Poverty Measure

- SPM thresholds are adjusted for regional cost of living, and are higher than the FPL in most parts of the state.
- SPM resource definition is more comprehensive, and includes most major public benefits in family resources, including CalFresh food assistance and refundable tax credits.
- SPM thresholds have been issued only since 2011, making them less useful for comparisons over time.



CalWORKs Grant Relative to SPM Threshold

- For a family of three, the maximum CalWORKs grant proposed for 2016-17 is equal to roughly 31 percent of an average SPM threshold from 2014 (the most recent year for which SPM thresholds have been calculated) for high-cost counties, and 37 percent in low-cost counties.
- The combined maximum CalWORKs grant and CalFresh food assistance for the same family is equal to roughly 53 percent of the average SPM threshold in high-cost counties, and 65 percent in low-cost counties.



Recent Changes to CalWORKs Grant Levels

- Grants Were Reduced During the Recession . . .**
 - Grants were reduced by 4 percent and the statutory COLA was eliminated in 2009.
 - Grants were further reduced by 8 percent in 2010.

- . . . Then Partially Restored**
 - Grants were increased by 5 percent in March 2014.
 - Grants were increased by an additional 5 percent in April 2015.
 - After adjusting for inflation, the CalWORKs grant proposed in the Governor’s budget will have lost roughly \$114 (16 percent) of its purchasing power since before the recession (2007-08).

| Monthly CalWORKs Grant and CalFresh Benefit Pre- and Post-Recession | | | | |
|--|----------------|------------------|--------------|------------|
| | 2007-08 | 2016-17 Proposed | Change | |
| | | | Amount | Percent |
| CalWORKs grant ^a | \$723 | \$704 | -\$19 | -3% |
| CalFresh benefit ^b | 356 | 497 | 141 | 40 |
| Totals | \$1,079 | \$1,197 | \$118 | 11% |

^a For a family of three in a high-cost county with no other income.
^b Based on CalFresh benefit levels in federal fiscal year 2016.



Recent Changes to CalWORKs Grant Levels (Continued)



Current Law Provides for Automatic Grant Increases When Dedicated Funds Are Available.

- Current law dedicates a portion of the growth in certain county realignment revenues to support the ongoing costs of grant increases. The costs of both the March 2014 and April 2015 grant increases are largely paid for from the dedicated funds.
- Each year, if any dedicated funds remain after paying the costs of previous grant increases, current law provides that grants be increased by an amount that can be supported by the dedicated funds.
- Dedicated funds estimated to be available in 2016-17 do not fully cover the cost of the previous two grant increases. As a result, no automatic grant increase will be provided in 2016-17 and the General Fund will cover the shortfall.