



CWDA
Advancing Human Services
for the Welfare of All Californians




URBAN COUNTIES
OF CALIFORNIA



May 18, 2024

To: The Honorable Caroline Menjivar
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

The Honorable Dr. Corey Jackson
Chair, Assembly Budget Subcommittee No. 2

Honorable Members
Assembly Budget Subcommittee No. 2

**RE: OPPOSITION TO CALWORKS CUTS IN THE MAY
REVISION**

The County Welfare Directors Association (CWDA), the California State Association of Counties (CSAC), the Urban Counties of California (UCC), and the Rural County Representatives of California (RCRC) stand in opposition to the draconian cuts proposed to the CalWORKs Program, which total \$759 million (\$487 million ongoing) between the Governor's Budget in January and the May Revision. Cuts of this level will gut the services infrastructure of the CalWORKs program by eliminating vital family crisis supports; access to mental health and substance abuse resources; job readiness, training, and employment supports; and county case worker supports.

The proposed cuts unwind over a decade-worth of investments in the CalWORKs program made by counties, the Legislature, and the Administration in services that have a proven track record of improving families' wellbeing, self-sufficiency, and outcomes. They will undo all of the progress that we collectively have made to shift the culture of the program from a compliance-oriented system to one of improving the well-being of the entire family with a focus on improving outcomes. These cuts decimate the elements of CalWORKs that make California's TANF program a leader among all others in the nation. On the one hand, we are gratified to see that the Administration continues to plan to apply for the federal work participation rate alternative pilot; on the other hand, it begs the question of what we will be testing as the alternative since these cuts will completely undermine counties' ability to provide services and meet performance outcomes.

Specifically, the programs and services impacted by the Administration's proposed cuts and program eliminations are:

- **Family Stabilization (FS) Program Elimination:** While the May Revision reverses the original proposal to eliminate the FS Program retroactive to the beginning of the current fiscal year, it continues to propose complete elimination of the program beginning in 2024-25, for an estimated savings of \$55 million. FS is essential for serving CalWORKs families in crisis by providing intensive case management and services and to remove barriers to meaningful participation in welfare-to-work activities. Services include domestic violence support, behavioral health assistance, education support, and housing aid. Unique to FS is its extension of services to include children. It has the added benefit of offering family-centered case management to prevent CalWORKs families' involvement in the child welfare system.
- **Expanded Subsidized Employment (ESE) Program Elimination:** While the May Revision reverses the proposal to eliminate the ESE Program retroactive to the beginning of the current fiscal year, it continues to propose complete elimination of the program beginning in 2024-25, for a savings of \$134.1 million. ESE offers subsidized employment placement with local employers, crucial for providing training and skills necessary for securing permanent, higher wage employment. For CalWORKs participants lacking meaningful work experience, ESE bridges the gap by cultivating relationships with local employers. The program successfully transitions participants to unsubsidized employment, boosting earnings and opportunities while supporting small businesses.
- **Home Visiting Program (HVP) Cut:** The May Revision proposes to reduce funding for the HVP by \$47.1 million, a 45 percent reduction, beginning in 2024-25. HVP connects new parents with a nurse or other trained professional who regularly visits the family's home to offer guidance and refers them to health and social services. The program provides families with child and family education, assists parents in staying updated on their health screenings and assessments, and offers overall health and safety training. The program has demonstrated success in improving child well-being and preventing involvement with the child welfare system.
- **Mental Health and Substance Abuse (MH/SA) Services Funding Elimination:** The May Revision proposes to eliminate all funding for MH/SA services beginning in 2024-15, for a saving of \$126.6 million. This funding is intended to enable counties to quickly access services to address employment barriers of CalWORKs clients that stem from behavioral health needs. Similar to the other proposed CalWORKs cuts, the funding assists parents by providing support and treatment for various mental health

conditions, such as anxiety and depression, helping individuals cope with challenges and improve their overall well-being. Additionally, these services offer guidance and strategies for fostering healthier relationships. While it is true that many of these services may be eligible to be funded through the Medi-Cal program under the various expansions that have recently been enacted, not all of those services may be. Furthermore, counties will need time to transition CalWORKs clients out of their current MH/SA service arrangements to new, Medi-Cal funded options.

In addition to the proposed CalWORKs program eliminations and reductions described above, the Single Allocation is proposed to be severely cut.

The May Revision proposes a cut to the Single Allocation totaling \$355.3 million, which is a 21.2 percent cut compared to 2023-24 amount. The assertion that this cut will have minimal impact because these are funds that are not being used is completely untrue. Based on current expenditure levels alone, the Single Allocation will be underfunded by over \$300 million next year. With rising caseloads, the shortfall will be the amount of the proposed cut. To achieve a 21.2 percent cut to spending levels, counties will absolutely have to eliminate services and case management supports, and very likely reduce the CalWORKs workforce as well. To absorb a cut of this magnitude, over 1,700 CalWORKs positions statewide would have to be held vacant or eliminated.

Only looking at the overall Single Allocation, however, masks the impacts to the individual components. The actual eligibility costs incurred by counties will be underfunded by over 50 percent under the May Revision proposal, a shortfall of over \$400 million. This means that counties will have to shift \$400 million from the employment services component of the Single Allocation to cover workload associated with state and federally mandated eligibility work to ensure clients receive timely access to CalWORKs benefits. This shift of funding from the employment services component to the eligibility component will in turn result in a reduction of over 50 percent of the funding available for employment services in 2024-25.

Compounding the cuts to the Single Allocation is the fact that the Administration did not include any additional funding associated with the CalWORKs reassessment work in the May Revision. The Eligibility Administration component of the CalWORKs Single Allocation is to be reassessed in consultation with County Welfare Departments and CWDA beginning in FY 2024-25 and every three years thereafter. The Department met with CWDA and county representatives for the work this year. The main issues identified in the workgroup meetings between counties and CDSS is that the eligibility worker rate needs to be updated to reflect current operational costs (this is currently fixed at 2018-19 costs) and that funding for workload associated with all applications (both approved and denied applications) needs to be funded, similar to the CalFresh administration budget methodology that was recently rebased. The Department estimates that eligibility funding would increase by \$160.3 million

if the worker cost is to be updated, and funding for applications would result in an additional \$48.8 million, totaling \$209.1 million.

CWDA, SEIU, CSAC, UCC, and RCRC have several recommendations if the proposed cuts or some portion thereof are included in the final budget agreement.

We strongly object to the proposed cuts, but to sustain even a portion of the cuts, county human services agencies will need statutory relief including the following:

- **Suspend All Cal-OAR Related Work and Performance Requirements** – Counties have invested significant staff time and resources in the continuous quality improvement of the Cal-OAR program, which includes county self-assessments, improvement plans, and ongoing metric monitoring. If counties are forced to reallocate staff due to other requirements, we anticipate a strain on staff resources. Furthermore, counties will not be able to meet the Cal-OAR requirements with the level of services and staff reductions that will need to be enacted because of the cuts. As long as the eligibility component remains significantly underfunded, counties will not be able to fully restore services and case management, even after the one-time reduction to the employment services is restored in 2025-26.
- **Identify Additional Exemptions for CalWORKs Families and Prioritizing Those in Greatest Need:** While we believe that all families can benefit from comprehensive support, we recommend identifying additional exemptions for CalWORKs families and prioritizing those facing the most significant challenges, given the limited resources. We would suggest looking at expanding employment services exemptions for families with young children and prioritizing support to those most in need. engaged in WTW.
- **Suspend the Federal Work Participation Rate (WPR) Penalty Pass-Through** – With the significant cut to employment services and needed exemptions from welfare-to-work participation, counties will not have the necessary tools available to them to ensure that they can meet the federal WPR. It is inappropriate to penalize them for any federal penalties the state may incur for failure to meet the WPR as a result cuts made by the state. Also recognizing that counties will need to prioritize services to families most in need of assistance, we emphasize the importance of this suspension.
- **Apply a Trigger to the HVP Reduction** – While it is true that the program is currently underspent, utilization has been steadily increasing. It has taken time to gain the trust and confidence of CalWORKs families, but word of the benefits of the program is spreading. As mentioned previously, the program is demonstrating success in improving child well-being and preventing child welfare involvement. If this reduction

is adopted in the final budget agreement, we recommend making it one-time for each of 2024-25 and 2025-26 and prioritizing restoration of the funding through a trigger restoration in 2026-27.

Concluding Remarks

We appreciate the time the Legislature has taken during the budget hearings to hear directly from county workers and CalWORKs clients about how the CalWORKs program has assisted families through various obstacles and toward success. We are grateful that the benefit levels themselves have been preserved in this budget, but make no mistake – the proposed cuts will negatively impact eligible Californians’ ability to access those benefits and do represent cuts to core services. While we understand that tough decisions must be made, the ongoing nature of the reductions and eliminations will have detrimental impacts to families on CalWORKs and county workers. We urge the Legislature to reject these cuts.

Sincerely,

Eileen Cubanski, Interim Executive Director
County Welfare Directors Association

Justin Garrett, Senior Legislative Advocate
California State Association of Counties

Kelly Brooks-Lindsey, Legislative Representative
Urban Counties of California

Sarah Duckett, Policy Advocate
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cc: Chris Woods, Office of the Senate President Pro Tempore
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