Income Support and Social Services for Low-Income People in California

Rob Geen
Wendy Zimmermann
Toby Douglas
Sheila Zedlewski
Shelley Waters

The Urban Institute

State Reports
Income Support and Social Services for Low-Income People in California

Rob Geen
Wendy Zimmermann
Toby Douglas
Sheila Zedlewski
Shelley Waters

The Urban Institute

State Reports

Assessing the New Federalism
An Urban Institute Program to Assess Changing Social Policies
This report is part of The Urban Institute’s Assessing the New Federalism project, a multi-year effort to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director and Anna Kondratas is deputy director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, Inc., the project studies child and family well-being.

The project has received funding from the Annie E. Casey Foundation, the Henry J. Kaiser Family Foundation, the W.K. Kellogg Foundation, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the Commonwealth Fund, the Stuart Foundation, the Robert Wood Johnson Foundation, the Weingart Foundation, the McKnight Foundation, and the Fund for New Jersey. Additional funding is provided by the Joyce Foundation and the Lynde and Harry Bradley Foundation through a subcontract with the University of Wisconsin at Madison.

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to The Urban Institute, its trustees, or its funders.

The authors would like to thank our local collaborator, the California Budget Project, and the many Californians from the legislature; state government agencies; Alameda, Los Angeles, and San Diego counties and Oakland, Los Angeles, and San Diego city government agencies; and the nonprofit sector who gave generously of their time to participate in interviews, send us material, and review notes, memos, and earlier versions of this report. The warm welcome we received on our visits and the cooperation forthcoming throughout this rather lengthy process are much appreciated, and your contributions have made the report more accurate and more readable. In addition to the authors, several Urban Institute staff also contributed to this report. Antoinette Mitchell, Stacy Poulos, Nancy Sharkey, and Freya Sonenstein participated in data collection. Freya Sonenstein made many substantive and editorial contributions, from development of the initial outline to review of the penultimate draft; Felicity Skidmore of the Urban Institute Press ably constructed the Highlights of the Report; and core staff of Assessing the New Federalism helped with every aspect of moving the report along to its final form.
Assessing the New Federalism is a multi-year Urban Institute project designed to analyze the devolution of responsibility from the federal government to the states for health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, Inc., the project studies changes in family well-being. The project aims to provide timely nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at the Urban Institute’s Web site. This paper is one in a series of reports on the case studies conducted in the 13 states, home to half of the nation’s population. The 13 states are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Two case studies were conducted in each state, one focusing on income support and social services, including employment and training programs, and the other on health programs. These 26 reports describe the policies and programs in place in the base year of this project, 1996. A second set of case studies to be prepared in 1998 or 1999 will describe how states reshape programs and policies in response to increased freedom to design social welfare and health programs to fit the needs of their low-income populations.

The income support and social services studies look at three broad areas. Basic income support for low-income families, which includes cash and near-cash programs such as Aid to Families with Dependent Children and Food Stamps, is one. The second area includes programs designed to lessen the
dependence of families on government-funded income support, such as education and training programs, child care, and child support enforcement. Finally, the reports describe what might be called the last-resort safety net, which includes child welfare, homeless programs, and other emergency services.

The health reports describe the entire context of health care provision for the low-income population. They cover Medicaid and similar programs, state policies regarding insurance, and the role of public hospitals and public health programs.

In a study of the effects of shifting responsibilities from the federal to state governments, one must start with an understanding of where states stand. States have made highly varied decisions about how to structure their programs. In addition, each state is working within its own context of private-sector choices and political attitudes toward the role of government. Future components of Assessing the New Federalism will include studies of the variation in policy choices made by different states.
Contents

Highlights of the Report 1

Introduction 11

California: A Brief Overview 13
  Population 13
  Economy 15
  Budgetary Landscape 16
  Political Landscape 17

Setting the Social Policy Context 21
  California’s Agenda for Serving the Needs of Low-Income Families 21
  Social Welfare Spending 23
  Organization and Administrative Structure 25

Basic Income Support 29
  The AFDC Program 29
  The General Relief Program 34

Programs That Promote Financial Independence 37
  Employment and Training 38
  Child Care 40
  Child Support 45
  Medicaid and Other Health Insurance 46
  Teen Pregnancy Prevention 47

Last-Resort Safety Net Programs 49
Assessing the New Federalism is a multi-year Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states. This report focuses on the baseline conditions of cash assistance and social services in the state of California in early 1997, as the state prepared to respond to federal welfare reform as specified in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (also known as PRWORA), and in particular to the replacement of Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). Since the report is intended to describe the social safety net for California’s low-income families before the state began its implementation of welfare reform, data provided may not accurately reflect current conditions in the state. The report does not include information about any programs or policies implemented after early 1997 except California’s welfare reform plan, which is discussed toward the end of the report.

State Overview

California’s population (at 31 million) is the largest in the nation, making up 12 percent of the U.S. population. It is a highly urban state with only 14 percent of its residents living in rural areas, half the national average. One-quarter of California’s population consists of immigrants, accounting for over one-third of America’s foreign-born. California is one of the most ethnically diverse states in the country, with a population that is more than 30 percent Hispanic and 10 percent Asian.

California’s child well-being profile is mixed—the state has better indicators of child health combined with a substantially higher proportion of births to teens
(71 per thousand versus 59 per thousand), lower basic reading and math levels, and higher juvenile arrest rates than the nation. Although its per capita income is slightly higher than the nation’s ($24,073 in 1995 compared with $23,208), its child poverty rate is worse (25.6 percent in 1994 compared to 21.7 percent).

Between 1990 and 1993, California experienced its deepest recession since that of the 1930s. Due to the recession and federal defense spending cuts, the state lost over 700,000 jobs, and in 1993 its unemployment rate peaked at 9.2 percent. Since that time, the state’s economy has recovered steadily, though its unemployment rate remains higher than the national average.

Several voter initiatives and state fiscal actions have significantly altered how the state and counties can raise and spend money. In 1978, Proposition 13 constrained state and local governments’ ability to raise revenue by limiting property tax rates and requiring either a two-thirds majority in the state legislature or a referendum to raise taxes. In 1988, Proposition 98 established a minimum state funding guarantee for K–12 schools and community colleges. Intended to create a floor for education funding, Proposition 98 has actually acted as a ceiling on all other spending. In 1991, the state increased the share of funding counties must provide for services in several key areas, including mental health, indigent health, and child welfare. In return, the counties were provided with an increased share of state revenues. This exchange, considered revenue-neutral at the time, turned out to provide the counties with less revenue than anticipated. In addition, a series of property tax shifts further moved responsibility for funding public services to the counties.

Setting the Social Policy Context

As a result of the state’s severe recession and the constitutional constraints on revenue raising and expenditures, California has focused recently more on cost savings than on developing or expanding programs for disadvantaged families. Welfare benefits were particularly targeted for cuts, partly because other large programs were protected either politically or statutorily. In the last year, the state had a budget surplus, which prevented a further reduction in welfare benefit levels.

Political power is split in California, with a Republican governor and Democratic control of the Assembly and the Senate. The power of the current legislature is limited, however, because California law requires a two-thirds majority, which the Democrats lack, to pass a budget bill. The governor, in contrast, has broad discretion to veto any line item in budget bills passed by the legislature. Both sides are active in setting policies for low-income families, but they rarely agree on the direction, setting the stage for drawn-out legislative battles not only on welfare reform but also on taxes, services for immigrants, and indigent health care.
Most social welfare programs in California are state supervised and county administered. State agencies set overall policies, make rules, determine eligibility criteria, and set benefit levels. State agencies also monitor local practices and provide technical assistance to counties to ensure state policies are followed. Within these parameters, counties have varying amounts of administrative flexibility. County decisionmaking authority and fiscal responsibility have been and continue to be contentious issues. The state welfare reform legislation as finally passed provides counties with significantly more discretion in administering their welfare programs.

**Basic Income Support**

California has traditionally provided very generous income support for its low-income population. Its AFDC (now California Work Opportunity and Responsibility to Kids, CalWORKs) benefit levels have been among the highest in the nation. And the state requires counties to provide General Relief (GR) to all indigent individuals who do not qualify for AFDC. Health and welfare’s share of total state spending in California has remained relatively stable over the past five years, at slightly over 30 percent of the total general fund budget.

**AFDC**

California’s AFDC program has changed substantially in recent years to encourage work and employment-focused activities. Along with these changes have come benefit cuts, though not enough to offset the costs of caseload growth. Through federal waivers and state legislation, nominal AFDC benefits declined by almost 11 percent between 1992 and 1996, implying even larger cuts in real purchasing power. The state’s benefit level is still more generous than that of the average state, however, with a family of three eligible for a maximum benefit of $594 a month in 1996, and a joint AFDC-food stamp benefit of $907 a month, 86 percent of the federal poverty level.

California has been at the forefront of state welfare reform experimentation, having been awarded four federal waivers to encourage movement of welfare recipients into the workforce long before federal welfare reform in 1996. In 1992–94, it incorporated these waivers into its Assistance Payments and Work Pays Demonstration, which increased the incentive to work by removing time limits on earned income disregards, increasing allowable savings and durable goods, and removing restrictions on the work of the second adult in AFDC’s unemployed parent provision. In 1994 the state also received a waiver to improve the outcomes of teen mothers on AFDC. This program, Cal Learn, emphasized school attendance and parental responsibility.

California has also incorporated its new work focus into its welfare-related employment and training services program. Until recently, participation in the
state’s JOBS program (Greater Avenues for Independence [GAIN]) averaged only 20 percent of the welfare caseload, due to budget limitations, extensive exemptions, and a welfare office focus on benefit accuracy rather than moving recipients into work. Starting in 1995, the state required counties to emphasize a Work First strategy in their GAIN program, mandating job search as the first activity. This action followed the success of a GAIN experiment in Riverside, which focused on immediate job placements instead of education and training and was able, consequently, to serve many more clients. California has recently provided additional financial assistance to counties for their GAIN programs without a required county match. It has also tightened the exemptions and sanctioning processes. The result has been increased GAIN participation and employment rates, and new county efforts to break down the structural separation between AFDC and GAIN.

General Relief

General Relief (GR) has presented a major challenge to many counties in the 1990s, as those with the largest caseloads have also faced the most economic troubles. State statutes determine the minimum GR benefit, with counties determining actual benefit levels. In 1991, the state minimum was $291 a month, 60 percent of the federal poverty level. In 1993, the state lowered the minimum to $221 a month for counties in significant financial distress. In 1996, the state legislature permitted counties to restrict GR eligibility to 3 months out of any 12-month period for those deemed employable, reduce GR for the value of Medicare up to $40 a month, reduce benefits by 25 percent for those who share housing, and make substance abuse treatment mandatory. Some counties have adopted all the allowed restrictions, others the shared housing and substance abuse provisions but not all of the benefit cuts. And many are ambivalent about time-limiting benefits to a group with major labor force barriers. Many in the advocacy community have actively opposed these new GR limits, constraining counties’ efforts to make reforms.

Programs That Promote Financial Independence

To help promote self-sufficiency, cash assistance programs often need to be supplemented with employment and training, subsidized child care, child support collection efforts, and health insurance coverage.

Employment and Training

Following the national trend, the goal of California’s employment and training system is to become an integrated, seamless delivery model that meets the needs of all low-income, disadvantaged job seekers. Achieving the goal has been difficult, however, because 13 different state agencies and 10 advisory councils administer 22 programs. In addition, the governor has focused on
developing a highly skilled workforce through economic development rather than employment and training for the disadvantaged.

The state has placed high priority on developing a statewide One-Stop center system to serve all population groups seeking employment development services, provide employers and job seekers with choices about information sources, offer a seamless delivery system, and set performance-driven outcome measures. State and local agencies have all supported greater integration, but they do not necessarily agree on what structure and program components the One-Stop vision should have. The almost 100 One-Stops that already exist at the local level vary widely. While local variation is consistent with the state’s vision, the agency is trying to promote a more uniform system across all the Job Training Partnership Act (JTPA) Service Delivery Areas by distributing federal and state grant money competitively on the basis of which counties best meet the state vision.

The state is also faced with a local system in which the degree of coordination between GAIN and JTPA varies greatly. The Department of Social Services (DSS) ensures that counties deliver GAIN services within given parameters. But EDD maintains less policy oversight for JTPA, not only because it is federally driven but also because California officials believe localities best understand the employment and training needs of their clientele. As a consequence, in some areas GAIN and JTPA maintain conflicting program approaches, with some of JTPA’s Private Industry Councils (PICs) worrying that the One-Stop focus will force them to place disproportionate resources on the welfare population, that they will lose resources to welfare departments, and/or that they will be left out of the welfare reform process altogether.

**Child Care**

California has traditionally been highly supportive of subsidized child care and early childhood development programs for low-income families, especially those not on welfare. In 1992, California ranked sixth in the nation in per-child expenditures on child care and early childhood development, and in 1994 it ranked fifth in the percentage of state tax revenues spent on these services. It also promotes quality child care through some of the nation’s toughest regulations.

Even so, different agencies with differing philosophies administer child care programs for welfare recipients and working poor families, causing significant coordination problems. DSS has been responsible for most federally funded AFDC-related child care programs, which are state supervised and county administered. The California Department of Education (CDE) is responsible for all state-funded child care and early childhood development programs and for the federal Child Care and Development Block Grant (CCDBG)—all programs that are state administered. The two agencies view their programs differently. In the simplest terms, DSS views child care as a support service to assist welfare families to become self-sufficient, while CDE views it as a form of education.
Further complicating coordination, the director of DSS is appointed by the governor, while the director of CDE, the state Superintendent of Schools, is independently elected. The programs also vary in eligibility requirements, maximum payment amounts, eligible providers, priority groups for subsidies, and time limits. These inconsistencies make it difficult for families to maintain a stable child care arrangement when moving on and off welfare or from program to program.

Low-income families in California also face major barriers to accessing child care. Welfare recipients are often not sufficiently informed by their case workers of the options available to them, in part because the severe budget cuts in many welfare offices make it difficult for case workers to do more than determine families’ eligibility for welfare. This situation may be changing, as many county welfare offices are increasing their commitment to providing child care in the new Work First environment. Nonwelfare working families—who pay a sliding scale fee that depends on the family’s income—have difficulty accessing services because there is no centralized place to apply and, once they apply, they face long and uncoordinated waiting lists, since the supply of child care providers is inadequate. The state estimates that only 20 percent of eligible families receive subsidies to help pay for child care.

Child Support
Locally elected district attorneys in each county administer child support enforcement through cooperative arrangements with DSS. Since counties have had considerable discretion, local practices and performance cover a wide range. In 1995, for example, the share of cases (instances in which the state has authority to collect child support from an absentee parent) with a child support order was under 30 percent in Los Angeles and nearly 75 percent in Alameda. The corresponding percentages of cases with paternity established in the two counties were under 15 percent in Los Angeles and 56 percent in Alameda.

The governor and state legislature have passed numerous laws to improve performance and standardize collection activities, many of which are now mandated under federal welfare reform. These reforms have begun to affect local decisionmaking. But different caseload sizes and the policies and politics of child support at the county level work against uniformity. In addition, loosely defined quality controls and lack of data have made it difficult for state-level officials to identify and assist poorly performing counties. The federally supported development of California’s State Automated Child Support System (SACSS) has had numerous problems and is still far from complete. Many counties are refusing to use it, and Los Angeles has actually received federal approval to develop its own child support system separate from SACSS.

Medicaid and Other Health Insurance
Medi-Cal, California’s Medicaid program, is the primary health insurance program for low-income families. In addition, counties use a variety of county,
state, and federal funds to provide health care to low-income residents who are not eligible for Medi-Cal.

In general, health care assistance has enjoyed more political support in California than has cash assistance. Thus, Medi-Cal covers many optional groups and more optional services than all but one other state. Among the 15 largest states, California has the highest proportion of families on Medicaid—one in six. Its expenditures per user, however, are the lowest of the 15, primarily because Medi-Cal pays health care providers comparatively little for the services they provide.

Just as they are required to provide cash assistance, counties in California are required by law to provide health services to uninsured individuals who cannot pay for them. In 1993, they served 1.7 million indigent persons at an estimated cost of $2 billion. Funding comes from the state tobacco tax and realignment revenue, federal Medicaid matching disproportionate share funds for hospitals serving high proportions of indigent inpatients, and county general revenue. Counties have been struggling with these costs because all these funding sources have been under increasing pressure in recent years.

**Teen Pregnancy Prevention**

Prior to federal welfare reform, California already had in place an extensive system of teen pregnancy prevention services funded by the state Departments of Health Services and Education and a network of foundations and nonprofit organizations. Together these two departments have provided over $109 million in 1996–97 for teen pregnancy prevention and intervention initiatives. However, no state agency is responsible for coordinating the management or delivery of teen pregnancy prevention services. Despite the governor’s strong support for a comprehensive approach, state-sponsored programs remain largely uncoordinated across departments, and community-based organizations have had difficulty coordinating publicly and privately funded programs at the local level.

**Last-Resort Safety Net Programs**

Although one of the goals of devolution is to promote the well-being of children and families, it is important to consider what might happen to families for whom the new rules and programs do not work as designed. Child welfare, housing, and other emergency services have existed for a long time to “pick up the pieces” when families cannot cope.

**Child Welfare**

California is one of 12 states in which counties administer child welfare services. In all counties except Los Angeles, these offices are housed in the county social services agency. In response to high and increasing numbers of children in
foster care, the state has increased the county share of foster care maintenance payments from 5 percent to 60 percent. In addition, the state has become more active in directing, advocating, and providing resources to implement prevention strategies to reduce out-of-home placements. The state has also expanded its training and technical assistance and its promotion of prevention, protection, and family preservation strategies. Even so, counties, in this as in other areas, retain significant discretion, and practices continue to vary greatly. One of the factors increasing the foster care load is California’s mandate that relatives be given first consideration, since relatives have longer placements and are much less likely to adopt than unrelated caregivers. Recently, California received a federal waiver to use federal foster care funds to provide subsidized guardianships for adolescents placed permanently with relatives.

Emergency Services and Housing

California has no state-level plan for assisting its homeless people. The state provides one-time short-term assistance to its AFDC-eligible homeless families. Otherwise localities have direct responsibility for policy, funding, administration, and delivery of homeless services through federal McKinney funding and Community Development Block Grant dollars. Most have mirrored the federal government in moving toward a continuum of care with strong emphasis on transitional and permanent housing.

Implications of the New Federal Reform Legislation

California was one of the last states to pass legislation (CalWORKs) implementing the reforms specified under TANF—eventual passage of which followed months of contentious debate between the governor and Democratic leaders in the state legislature (who also disagreed among themselves). Federal welfare reform was a catalyst for local planning, however, which started long before the state finalized CalWORKs in late 1997.

CalWORKs alters many key aspects of California’s AFDC/GAIN program and its subsidized child care system. Consistent with federal regulations, it provides time-limited aid, which can be extended up to 60 months if no job is available and the recipient performs community service. Benefits for children continue after a family reaches its time limit. CalWORKs also increases the earnings disregard and calculates the grant so that recipients are always better off working than not. Recipients must work or participate in a sequence of work activities that starts with four weeks of job search, followed by a skills assessment, and then work activity participation as specified in TANF. They must also cooperate fully with child support officials, document appropriate immunizations for all preschool children, and ensure regular school attendance for school-age children.

With respect to child care, CalWORKs replaces all subsidized child care programs with a three-stage system. Stage one, which is administered by the
county welfare department, lasts for up to six months or until the recipient’s situation is stable. Stages two and three, supervised by the Department of Education, serve families continuing on welfare, transitioning families, and former recipients. CalWORKs also establishes a single payment rate, which counties and other administering agencies will be required to pay directly to providers.

The role of the state and counties in providing welfare assistance has also changed. The state still determines benefit levels and eligibility requirements, but counties can change other program requirements and apply for waivers to test alternative ways to deliver CalWORKs services. They also receive a block grant to cover administrative costs (within a maintenance-of-effort requirement). Finally, CalWORKs prohibits recipients who have been sanctioned or have reached their time limit from receiving county-funded General Relief until all children have reached age 18.

The federal restrictions on immigrant eligibility for benefits present one of the most contentious issues in the state’s welfare reform debate. Despite the governor’s historically tough stance, California’s treatment of legal immigrants under PRWORA is relatively generous. The state has opted to keep TANF and Medicaid eligibility for legal immigrants, and the governor has approved provision of state-funded food stamps to some of those who lose eligibility for federal food stamps.

Undocumented immigrants are in a very different position. Governor Wilson has taken an aggressive approach toward barring them from state and local programs, including prenatal care, community health services, and unemployment insurance disability benefits. His efforts have been held up, however, by extensive court challenges. California is out in front on these restrictions, as most other states have not taken any such steps.

CalWORKs continues to carry the state down the path it was on prior to the federal welfare reform legislation, requiring welfare recipients to work and take responsibility for their families. Implementation of the program begins in 1998, as the state is enjoying its strongest economy in nearly a decade. The impact and effectiveness of CalWORKs, however, are likely to depend on the continued strength of California’s economy. If the past is a good predictor, the strength of California’s economy will also have a large role in shaping future state policies toward low-income children and families.
Introduction

This report focuses on the findings of our case study in California, which was designed to provide a broad picture of the state’s social safety net for low-income families with children. The case study examined the goals, policies, practices, organizational structure, funding, and recent changes in a wide variety of programs serving children and their families. Our review covered baseline conditions as of early 1997 and changes occurring in income security programs stemming from state- and county-initiated reforms and the availability of employment and training and child care programs to support low-income families. We also looked at how other programs and services, such as child welfare and emergency services, work to assist the most vulnerable low-income families in the state.

Urban Institute researchers visited Sacramento in January 1997 and conducted interviews concerning state policies and programs. From January to July 1997 we visited Alameda County, San Diego, and Los Angeles to develop a picture of local programs and issues and gain some appreciation of differences within the state. We selected Los Angeles because it is the biggest county in the state and has the largest number of low-income families. San Diego and Alameda counties provide useful contrasts in political and economic culture.

At the time of our visits, California had not yet passed a welfare reform plan. The governor had introduced a plan, and competing proposals were being developed by a variety of other groups, including the Legislative Analyst’s Office and the County Welfare Directors Association. This report, therefore, describes California’s programs and policies before the passage of the state’s welfare reform plan and analyzes the circumstances that were shaping the state’s response to federal changes in major social programs. As a result, data provided in this report may not accurately reflect current conditions in the
state. For example, since our site visit California’s economy has continued to improve, and the state’s unemployment rate has dropped significantly. The report also does not include information about new state programs or policies implemented since our visit, with the exception of a brief discussion of California’s welfare reform plan in the penultimate chapter.

The report begins with an overview of the state in terms of its population, economic conditions, and political environment. The next section describes the state’s agenda for serving the needs of low-income families, and includes a discussion of spending in this area and an overview of the service delivery structure in the state. The following three sections describe the three broad social program areas—supports for basic income needs, policies for moving families toward financial independence, and programs that provide a last-resort safety net for families and children. The next section describes California’s plans for welfare reform. The final section sets forth our conclusions.
California: A Brief Overview

The recession of the early 1990s hit California harder than the rest of the nation, causing revenue shortfalls and increased demand for services. Only in the past few years has the state’s economic recovery substantially improved the budget picture, giving the state greater spending flexibility than it has had for some time. Important constitutional amendments and statutory provisions passed by the voters have also shaped both the state’s and local governments’ fiscal and policy choices. A strong governor and a strong legislature have clashed in recent years on a variety of policy issues, including, most recently, welfare reform and the related issues of state-county devolution and funding of services for immigrants.

Population

California’s population of 31 million is the largest in the nation and makes up 12 percent of the U.S. population (table 1). The state’s population is concentrated in urban areas: about three-quarters live in only five metropolitan areas, each with more than 1 million residents. The metropolitan area of Los Angeles accounts for almost half of California’s population and has a larger population than all but two states. Only 14 percent of the state’s population is classified as rural, less than half of the national average.

California has by far the largest number of immigrants of any state, with over one-third of the nation’s total. One-quarter of California’s residents, about 8 million people, were born outside the United States (table 1). California also has the largest undocumented immigrant population of any state. Its estimated 2 million illegal immigrants make up 40 percent of the U.S. total.1 Forty-three
Table 1  California State Characteristics, 1995

<table>
<thead>
<tr>
<th>Population Characteristics</th>
<th>California</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent under 18</td>
<td>28.7%</td>
<td>26.8%</td>
</tr>
<tr>
<td>Percent Hispanic</td>
<td>30.6%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Percent Non-Hispanic Black</td>
<td>6.4%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Percent Noncitizen Immigrant</td>
<td>25.5%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Percent Rural</td>
<td>14.4%</td>
<td>36.4%</td>
</tr>
<tr>
<td>Growth: 1990–1995</td>
<td>6.2%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Births per 1,000 Women Ages 15–44 (1994)</td>
<td>78.3</td>
<td>66.7</td>
</tr>
<tr>
<td>Percent to Unmarried Women (1994)</td>
<td>35.7%</td>
<td>32.6%</td>
</tr>
<tr>
<td>Percent to Women under 20 That Were Nonmarital (1994)</td>
<td>70%</td>
<td>76%</td>
</tr>
<tr>
<td>Per 1,000 Women Ages 15–19 (1994)</td>
<td>71</td>
<td>59</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State Economic Characteristics</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Capita Income (1995)</td>
<td>$24,073</td>
<td>$23,208</td>
</tr>
<tr>
<td>Percent Change Per Capita Income (1990–95)</td>
<td>13.1%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Percent Poor (1994)</td>
<td>16.2%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Unemployment Rate (1996)</td>
<td>7.2%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Employment Rate (1996)</td>
<td>60.8%</td>
<td>63.2%</td>
</tr>
<tr>
<td>Percent Jobs in Manufacturing (1995)</td>
<td>14.7%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Percent Jobs in Service Sector (1995)</td>
<td>23.1%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Percent Jobs in Public Sector (1995)</td>
<td>14.2%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Family Profile</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Two-Parent Families (1994)</td>
<td>38.4%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Percent One-Parent Families (1994)</td>
<td>14.9%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Percent Mothers with Child 12 or under</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working Full-Time (1994)</td>
<td>33.0%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Working Part-Time (1994)</td>
<td>14.7%</td>
<td>16.1%</td>
</tr>
<tr>
<td>In Two-Parent Families and Working(1994)</td>
<td>35.4%</td>
<td>40.3%</td>
</tr>
<tr>
<td>In One-Parent Families and Working(1994)</td>
<td>12.3%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Percent Children below Poverty (1994)</td>
<td>25.6%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Median Income of Families with Children (1994)</td>
<td>$36,349</td>
<td>$37,109</td>
</tr>
<tr>
<td>Percent Children Uninsured(1995)</td>
<td>12.1%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Political</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor’s Affiliation (1996)</td>
<td>Republican</td>
<td></td>
</tr>
<tr>
<td>Party Control of Senate (1996)</td>
<td>23D-16R-1I</td>
<td></td>
</tr>
<tr>
<td>Party Control of House (1996)</td>
<td>43D-37R</td>
<td></td>
</tr>
</tbody>
</table>

g. CPS three-year average (March 1994–March 1996 where 1994 is the center year) edited using the Urban Institute’s TRIM2 microsimulation model.
i. Employment rate is calculated using the civilian noninstitutionalized population ages 16 years and over.
k. Percent of all families (two or more related persons living in the same household) that include one or more related children and where the head of the family is nonelderly and married and the spouse is present.
l. Percent of all families (two or more related persons living in the same household) that include one or more related children and where the head of the family is not married and is nonelderly.
m. Full time is defined as working at least 1,750 hours per year (50 weeks x 35 hours per week).
n. Part time is defined as working at least 910 hours per year (52 weeks x 17.5 hours per week) and less than 1,750 hours per year (50 weeks x 35 hours per week).
o. Working is defined as working at least 910 hours per year (52 weeks x 17.5 hours per week).
percent of the foreign-born in California are from Mexico, more than double the share for all other states.²

The large number of immigrants coming to California has helped make it one of the most ethnically diverse states. Approximately 31 percent of California’s population is Hispanic, a share almost three times greater than the national average. More than 10 percent of California’s population is Asian, with significant numbers of people of Chinese and Filipino ancestry. California also has the largest population of Native Americans in the United States.³

Although for much of the 1970s and 1980s California had the fastest growing population in the country, population growth slowed during the economic recession of the early 1990s. In 1995 and 1996, population growth again picked up, to a rate slightly higher than the national average.

California’s indicators of child well-being present a mixed picture, with the state ranking better than most on child health and worse than most on teen births, juvenile justice, and education. California ranks 14th best in the United States in the percentage of low-birth-weight babies, 13th in infant mortality, and 16th in child mortality. At the other end of the scale, the state ranks 40th in teen births and 45th in juvenile violent arrests.⁴ In California, 56 percent of fourth-graders scored below basic reading level in 1994, compared with 41 percent in the country as a whole. Similarly, 54 percent of California’s fourth-graders scored below basic math level in 1996, compared with the U.S. average of 38 percent. Overall, California ranks 32nd in a composite rating of 10 selected measures of child well-being.⁵

---

**Economy**

After a long and deep recession in the early 1990s, California’s economy has been recovering steadily, though moderately, in the mid- to late 1990s. The number of jobs has grown in most sectors, unemployment rates have dropped, and per capita income has risen.

Between May 1990 and March 1993, the state experienced its deepest recession since that of the 1930s, losing more than 700,000 jobs. California’s unemployment rate peaked at 9.2 percent in 1993, the year the recession hit hardest.⁶ More than three-quarters of the net jobs lost in the state were the result of federal cuts in defense spending.⁷ After the recession, California’s economy improved in the mid-1990s, benefiting from the state’s size and diversity. Economic growth was led by high-technology manufacturing and services, exports, tourism, and entertainment. In addition, the aerospace and construction industries, which were significantly affected by defense spending cuts and had been lagging during the recent economic recovery, started to show signs of improvement. Meanwhile, the finance, insurance, and real estate sectors continued to lose jobs because of ongoing restructuring in the state’s banking indus-
try. Nonetheless, by 1996 California had recouped the jobs lost during the recession. In the first half of 1997, the state added 374,000 net jobs to its economy. While still higher than the national average, unemployment declined to 7.2 percent in 1996.

California’s per capita income also rose after the recession, but at a much slower rate than the national average (13 percent versus 21 percent from 1990 to 1995). And although California’s per capita income is higher than the national average, families with children fare worse than those in other states: In 1994, 26 percent of children in California were in poverty, compared with 22 percent nationwide.

Budgetary Landscape

California’s fiscal situation has been shaped not only by the recession of the early 1990s but also by a number of voter initiatives and state fiscal actions that have significantly altered the ways in which both the state and counties can raise and spend money. Lagging tax revenues during California’s recession resulted in multi-billion dollar budget gaps from 1990 to 1994. Rising Aid to Families with Dependent Children (AFDC) and Medicaid caseloads during the same period further constrained state spending flexibility, limiting the choices available to policymakers. To address these budgetary problems, the state cut welfare grants, shifted responsibility for funding certain services to the counties, and used local tax revenues to help pay for education. Since the state began to recover economically, however, tax receipts have grown, health and welfare caseloads have dropped, and in 1997 the state had a general fund operating surplus for the first time since 1990.

Understanding California’s fiscal situation requires understanding several key state propositions—constitutional or statutory amendments passed by public referendum—that govern taxing and spending. In 1978, voters approved Proposition 13, a defining feature of California’s budgetary and political landscape. Proposition 13 constrained state and local governments’ ability to raise revenue by limiting property tax rates and assessed values and by requiring either a two-thirds (supermajority) vote in the state legislature or a referendum to increase taxes. It also made the state, rather than the local government, responsible for allocating property tax revenues between competing jurisdictions within a county. A second landmark initiative, Proposition 98, established a minimum state funding guarantee for K–12 schools and community colleges, severely limiting the state’s flexibility in spending for areas outside education. Proposition 98 was intended to create a floor for education funding, but in fact it has acted as a ceiling on all other spending. As a result of Proposition 98, for example, $2.2 billion of the $3.4 billion in additional general fund revenue available in 1996–97 and 1997–98 must be spent on education programs.
The state’s dire financial circumstances during the recession prompted California to rethink the state-county fiscal relationship. The resulting “realignment” of 1991 increased the share of funding counties must provide for services in several key areas, including mental health, indigent health, and child welfare. In return, the state provided counties with an increased share of revenue from the state sales tax and vehicle license fees. This exchange was thought at the time to be revenue-neutral. However, as a result of the recession of the early 1990s, county revenue from these new sources was less than anticipated. In recent years, revenue from these sources has increased.

A series of property tax shifts further moved responsibility to the counties for funding public services. When faced with substantial budget deficits in 1992 and 1993 and the requirements of Proposition 98 for education funding, the state shifted revenues from cities, counties, and special districts to the state budget in order to meet the Proposition 98 school funding requirements. In 1992 and 1993 alone, the state shifted $5.2 billion in property tax revenue.12

A state mandate requiring counties to be “the provider of last resort” for their residents has also affected counties’ fiscal health.13 According to state law, financially needy persons who do not qualify for federally funded assistance (primarily single adults) may receive General Relief (GR), the county-funded cash assistance program. California is the only state in the nation that mandates GR benefits but does not pay any of the costs. As a result, counties bore the brunt of large increases in GR caseloads (a 75 percent increase between 1990 and 1993) that occurred in the early 1990s. County GR expenditures increased from about $300 million to more than $500 million between 1990 and 1993.

The moderate economic recovery of recent years has led to increased tax receipts for the state and, in turn, increased spending flexibility. According to the California Legislative Analyst’s Office (LAO), revenues are expected to increase by 7 percent in 1997–98, enabling “the budget to provide for significant overall program funding increases and tax reductions, while at the same time eliminating the large cumulative deficit built up during the early 1990s’ recessionary period.”14 The economic recovery has not benefited California’s counties to the same extent it has the state. Although General Relief caseloads have declined, and certain county revenues (increased sales tax and license fee receipts) have increased moderately as a result of realignment, counties’ fiscal relief continues to be limited by the state’s shift in revenue allocation and Proposition 13’s restrictions on counties’ ability to raise revenues from taxes.

**Political Landscape**

Although California has both a strong governor in Republican Pete Wilson and a strong legislature with both houses dominated by Democrats, the power of the legislature is limited in several ways. First, even though the Democrats
have a majority in both the Assembly and the Senate, they do not have a two-thirds majority, which California law requires to pass a budget bill. Thus, Democratic state legislators can block a Republican-sponsored budget bill but they cannot pass their own alone. Governor Wilson has also been able to control the budget process through the broad discretion granted to the governor to veto any line item in budget bills passed by the legislature.

Term limits have lessened the relative strength of the state legislature by pushing out many experienced lawmakers, particularly in the Assembly. In 1990, California voters adopted limits of three two-year terms for members of the Assembly and two four-year terms for members of the Senate. The departure of Willie Brown, a successful consensus-builder who was Democratic leader of the Assembly, has also left something of a power vacuum. In October 1997, the 9th Circuit Court of Appeals overturned California’s term limit law on grounds that it is unconstitutional, but this decision will likely be appealed.

The Republican governor and the Democratic-led state legislature are both active in setting policies for low-income families, although they rarely agree on the direction of these policies. This split in political power has led to drawn-out battles over legislation and policy direction, one of the most contentious being the debate over welfare reform.

This debate began well before passage of the federal welfare reform law in August 1996. Governor Wilson has made welfare reform one of his top political issues and has proposed numerous changes to California’s welfare system since the early 1990s. In general, Wilson’s proposals have focused on grant reductions—responding, at least in part, to the budget problems of the early 1990s—and on requirements to alter welfare recipients’ behavior. The legislature, in turn, proposed funding for child care and other supportive services. The governor and the legislature both supported expanding the income disregards—those funds not considered when making income eligibility determinations.

The two branches of government have disagreed on a number of issues, including taxes, services for immigrants, and indigent health care. The governor favored decreasing taxes for businesses, even at a time when state revenues were falling. He also received national attention for his support of Proposition 187, an initiative that sought to curtail a wide range of services, including public education, to illegal immigrants. In the 1997–98 budget, the legislature approved funding for services to legal immigrants losing federal assistance under welfare reform, but the governor vetoed much of that funding. Although the legislature proposed increased funding for community health care clinics, Governor Wilson used his line-item veto power to eliminate this additional funding proposed in the 1997–98 budget.

Compared with counties in many other states, California’s counties have substantial responsibility for administering and funding services to low-income families. Logically, then, the counties also play an important role in policy-
making at the state level. Most recently, the county welfare directors presented to the legislature a welfare reform proposal as an alternative to the governor's proposal, and the final welfare reform legislation passed by the legislature reflected many of the counties' priorities. The diversity of California's 58 counties in terms of population, economy, and political orientation, however, sometimes makes it difficult for them to agree on priorities or reach consensus on specific policy strategies. At the same time, some of California's larger counties, notably Los Angeles, have enough political clout to deal directly with the federal government, playing an important role in federal as well as state policymaking.
Setting the Social Policy Context

This section describes California’s agenda for meeting the needs of low-income families, recent trends in state social welfare spending, and the organizational and decisionmaking structure of the major public programs. As discussed in the previous section, the state’s severe recession in the early 1990s, which resulted in large budget gaps, coupled with a number of state constitutional constraints on raising revenue and expending funds, limited the amount of discretionary funding available for state programs. As a result, over the past five to seven years, California has focused more on finding cost savings and new opportunities to increase revenue than on developing or expanding programs that support disadvantaged families. In 1997–98, the state had a budget surplus, and while it chose not to expand services for low-income families significantly, for the first time in several years the state did not cut welfare benefits. California did, however, extend an existing temporary grant reduction of 4.9 percent that was scheduled to expire in 1997 and suspend the statutory cost-of-living adjustment through October 31, 1998. Nominal benefit levels declined by 10.8 percent between 1992 and 1996.

California’s Agenda for Serving the Needs of Low-Income Families

In the context of the state’s tight fiscal situation, Governor Wilson made two main issues his primary priorities: enhancing economic development and moving families off welfare and into work. In its effort to balance the budget, the state targeted its spending cuts on welfare assistance payments. Welfare was
targeted for cuts mainly because other large programs were protected, either politically or by statute. Education funding is protected by Proposition 98, and health care, child care, public safety, and corrections programs have bipartisan support at the state level. Likewise, as counties have been forced to find savings, they have targeted cuts in programs where they have discretion, such as General Relief (GR).

Governor Wilson has argued that improving the state’s economic environment is the best avenue for improving the lives of low-income families. Concerns over the competitiveness of the state’s business climate prompted California to enact a substantial business tax relief package in 1993. This package expanded tax credits, reduced tax rates, and eliminated business-related fees. In 1996, California reduced corporate taxes by an additional 5 percent. The governor’s 1997 budget included a 10 percent reduction in bank and corporate tax rates over two years and a $200 million bond to help finance infrastructure projects designed to improve business development. Although the state legislature did not approve either of these initiatives, it did pass legislation to eliminate regulations and paperwork requirements that have been burdensome to businesses.

To reduce welfare assistance spending, the governor has attempted to eliminate any incentives that welfare recipients had to stay on the public rolls and has supported efforts to help low-income families not on welfare remain self-sufficient. To provide a greater incentive for welfare families to work, Governor Wilson supported cuts in welfare benefits and new requirements designed to change recipients’ behavior, such as increased income disregards that allow welfare families to retain more of their earned income. In line with the governor’s philosophy that families on welfare should not be treated better than families that are trying to make it on their own, the state has increased funding for subsidized child care and early child development programs for working poor families, especially the state’s Head Start-type preschool program. The governor has also approved legislation to improve collection of child support, support that can help single parents take care of their children without public assistance. Finally, the governor supported a comprehensive Prevention Agenda that includes efforts to improve infant health, reduce unwed and teenage pregnancy, prevent domestic violence, and improve access to preventive health and school-linked health services. Funding for the governor’s Prevention Agenda has been limited, especially early in his term, because of the budget pressures the state has faced.

Faced with similar fiscal constraints, counties have been limited in their ability to design and implement an agenda for serving low-income families. Like the state, many counties faced sizable deficits and, without the ability to significantly increase local revenue, were forced to find areas in which they could cut spending. Given maintenance-of-effort requirements in a variety of health and social services programs, many counties targeted spending cuts in their discretionary programs, such as GR, where they can set benefit levels and impose other requirements. State statutes establish procedures for setting min-
imum GR benefit levels, although some counties under severe economic hardship have applied for and received waivers from these standards, allowing them to further decrease benefit levels.

**Social Welfare Spending**

As a result of the recession in the early 1990s, health and welfare caseloads and expenditures increased significantly, but they began to decline after 1994. Table 2 summarizes 1995–96 funding, caseloads, and benefit levels, as well as recent trends in California’s major social welfare programs. General fund support for health and welfare programs in state fiscal year 1996 totaled $14.4 billion, over 30 percent of the total general fund budget. Health and welfare’s share of total state spending has remained relatively stable over the past five years. Medi-Cal (California’s Medicaid program) spending accounted for $6.9 billion in state fiscal year 1996 state general fund expenditures, or about 48 percent of the total general funds allocated for health and welfare. AFDC, the next largest program at $2.2 billion, accounted for 15 percent of health and welfare general fund spending. In addition to state general funds, counties provide significant funding for social welfare programs. Counties fund the state’s General Assistance program (called General Relief in parts of California) and provide considerable funding for child welfare, juvenile justice, and mental health services.

**Income Security Programs**

State spending on AFDC closely mirrors indicators of the state’s economic well-being and reflects changes in both caseload size and benefit levels. Both AFDC spending and caseload size began to decline in FY 1996 after increasing from 1990 through 1995. AFDC grant amounts in California have been decreasing over the past five years, although at a slower rate than the national average, and California still has higher benefit levels than all but three states. Counties pay 2.5 percent of total AFDC grant costs and 15 percent of total administrative costs.

General Relief expenditures also rose during the early 1990s and began falling after 1994. Counties spent approximately $465 million on GR program costs in 1996, down from $486 million in 1994. While part of the decline resulted from a reduction in the GR benefit levels, the changes in GR expenditures mostly reflect changes in the caseload. Between 1990 and 1993, the GR caseload increased 75 percent. Since 1994 the GR caseload has decreased by 10 percent.

**Other Social Services**

State spending for employment and training programs has increased significantly over the past five years, but California still fails to draw down all the available federal job training funds allocated to the state. In FY 1996, the appropriation for California’s Greater Avenues for Independence program (GAIN),
<table>
<thead>
<tr>
<th>Program</th>
<th>Spending (in millions)</th>
<th>Caseload</th>
<th>Benefit Level</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Security</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFDC Benefits</td>
<td>$5,568 (fed, state, county)</td>
<td>1996</td>
<td>2,600,000</td>
<td>$594 for family of 3</td>
</tr>
<tr>
<td>AFDC Admin.</td>
<td>$232 (fed, state, county)</td>
<td>1996</td>
<td>—</td>
<td>n/a</td>
</tr>
<tr>
<td>General Relief</td>
<td>$465 (county)</td>
<td>1996</td>
<td>160,000</td>
<td>Minimum of $291 for family of 3</td>
</tr>
<tr>
<td>Food Stamps</td>
<td>$2,175 (fed)</td>
<td>1995</td>
<td>3,175,000</td>
<td>$313 for family of 3</td>
</tr>
<tr>
<td>SSI for Children</td>
<td>$419 (fed)</td>
<td>1995</td>
<td>73,680</td>
<td>n/a</td>
</tr>
<tr>
<td>Federal EITC</td>
<td>$2,942 (fed)</td>
<td>1994</td>
<td>n/a</td>
<td>—</td>
</tr>
<tr>
<td><strong>Employment and Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JOBS (GAIN)</td>
<td>$295 (fed, state, county)</td>
<td>1996</td>
<td>20% of eligible</td>
<td>—</td>
</tr>
<tr>
<td>JTPA</td>
<td>$335 (fed)</td>
<td>1995</td>
<td>216,000</td>
<td>—</td>
</tr>
<tr>
<td><strong>Child Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFDC Child Care</td>
<td>$202 (fed, state, county)</td>
<td>1995</td>
<td>21,000</td>
<td>—</td>
</tr>
<tr>
<td>At-Risk Child Care</td>
<td>$39 (fed)</td>
<td>1995</td>
<td>12,000</td>
<td>75%</td>
</tr>
<tr>
<td>CCDBG</td>
<td>$111 (fed)</td>
<td>1995</td>
<td>n/a</td>
<td>100%</td>
</tr>
<tr>
<td>State Child Care</td>
<td>$372 (state)</td>
<td>1995</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>State Preschool</td>
<td>$99 (state)</td>
<td>1995</td>
<td>39,000</td>
<td>—</td>
</tr>
<tr>
<td>Head Start</td>
<td>$381 (fed)</td>
<td>1995</td>
<td>71,000</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$1,204</td>
<td>1995</td>
<td>n/a</td>
<td>—</td>
</tr>
</tbody>
</table>

b. Beginning January 1, 1998, TANF benefits for a family of three are $565 in high-cost counties and $538 in low-cost counties.
c. A county can apply for hardship and lower its benefit level to $221.
e. Estimated number.
which was the state’s unit of the federal Job Opportunities and Basic Skills (JOBS) program, included a federally capped amount of $180 million and $103 million in state funds. This total represented an 84 percent increase in GAIN funding since 1994. The counties were required to match approximately 15 percent of the state GAIN allocations, but many counties did not draw down all available state funding, and GAIN spending frequently fell below its state budgeted levels.

Funding for child care and development programs increased substantially from 1990 to 1996 because of increases in state spending as well as state efforts to increase California’s share of federal funding. During this time, state general fund support for non-AFDC child care and early childhood development programs increased by 60 percent. Funding for the State Preschool Program increased by 210 percent during the same period. California has also significantly increased funding for AFDC child care; between 1993 and 1995, funding increased by 60 percent, with California pulling down an additional $38 million in federal funds. Counties are responsible for 15 percent of AFDC child care costs but do not provide any funding for non-AFDC child care.

Child welfare expenditures have also increased dramatically, at the same time that responsibility for funding child welfare services has shifted from the state to the counties. According to the Legislative Analyst’s Office, California spent about $1.7 billion (including federal, state, and local funds) for child welfare services and foster care in 1995–96. Total expenditures for child welfare services were about $652 million, an 80 percent increase since 1988–89. Total foster care expenditures in 1995–96 are estimated at just over $1 billion and represent an 84 percent increase since 1988–89. In 1995, California spent $96 million on adoption assistance payments. Following the realignment in 1991, the counties’ share of foster care costs increased from 5 percent to 60 percent, and their share of adoption assistance costs increased from zero to 25 percent.

Like the income support programs, health-related costs and caseloads increased sharply between 1991 and 1994, although the rate of increase has started to decline since then. Currently, 5.5 million, or one in six, Californians are enrolled in Medi-Cal, the state’s Medicaid program. Total Medi-Cal expenditures in 1996–97 were $18.4 billion, including $6.9 billion in state general fund spending. Medi-Cal spending has increased 19 percent since 1994–95. Counties do not contribute to Medi-Cal costs.

**Organization and Administrative Structure**

With the exception of non-welfare-related child care and development programs, social welfare programs in California are supervised at the state level and administered at the local level by county welfare departments, county social services agencies, and other local public and nonprofit organizations (table 3). The California Department of Education administers child care for
low-income families not on welfare by contracting with local service providers, including school districts and child care resource and referral agencies. Under welfare reform, the state Department of Education will also administer child care for certain families receiving Temporary Assistance for Needy Families (TANF) benefits. State agencies in California set the overall parameters within which county and other local agencies administer social welfare programs. In general, counties have had limited flexibility in implementing their welfare programs. Moreover, the flexibility counties have in implementing other social ser-

<table>
<thead>
<tr>
<th>Program</th>
<th>State Agency Location</th>
<th>Local Administrative Arrangement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Security</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFDC</td>
<td>Department of Social Services (DSS)</td>
<td>County welfare agencies</td>
</tr>
<tr>
<td>General Relief</td>
<td>DSS</td>
<td>County welfare agencies</td>
</tr>
<tr>
<td>Food Stamps</td>
<td>DSS</td>
<td>County welfare agencies</td>
</tr>
<tr>
<td><strong>Education and Training</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JOBS (GAIN)</td>
<td>DSS</td>
<td>County welfare agencies</td>
</tr>
<tr>
<td>Food Stamps E/T</td>
<td>DSS</td>
<td>County welfare agencies</td>
</tr>
<tr>
<td>JTPA</td>
<td>Employment Development Dept. (EDD)</td>
<td>Local service delivery agencies</td>
</tr>
<tr>
<td>One-Stops</td>
<td>EDD</td>
<td>Local service delivery agencies</td>
</tr>
<tr>
<td>School-to-Work</td>
<td>EDD</td>
<td>Local service delivery agencies</td>
</tr>
<tr>
<td><strong>Child Care/Child Development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFDC Child Care*</td>
<td>DSS</td>
<td>County welfare agencies</td>
</tr>
<tr>
<td>At-Risk Child Care, Child Care</td>
<td>California Dept. of Education (CDE)b</td>
<td>Child care resource and referral agencies, public schools, nonprofits</td>
</tr>
<tr>
<td>and Development Block Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Child Care</td>
<td>CDE</td>
<td></td>
</tr>
<tr>
<td>Head Start</td>
<td>U.S. HHS/CDE (liaison office)</td>
<td>Direct providers</td>
</tr>
<tr>
<td>State Preschool</td>
<td>CDE</td>
<td>Public schools, nonprofits</td>
</tr>
<tr>
<td><strong>Child Support Enforcement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DSS</td>
<td>County district attorneys</td>
</tr>
<tr>
<td><strong>Child Welfare</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Protection/Family Preservation</td>
<td>DSS</td>
<td>County social services agencies</td>
</tr>
<tr>
<td>Foster Care</td>
<td>DSS</td>
<td>County social services agencies</td>
</tr>
<tr>
<td>Adoption Assistance</td>
<td>DSS</td>
<td>County social services agencies</td>
</tr>
<tr>
<td><strong>Emergency Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV-A Emergency Assistance and Homeless Assistance</td>
<td>DSS</td>
<td>County welfare/social services/ juvenile justice agencies</td>
</tr>
<tr>
<td>McKinney, Other Homeless Programs</td>
<td>Department of Housing and Community Development</td>
<td>County or city housing/ community development agencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid (Medi-Cal)</td>
<td>Department of Health Services</td>
<td>County health services depts.</td>
</tr>
</tbody>
</table>

---

a. Including GAIN and Non-GAIN Employment and Training (NET) child care, Transitional Child Care (TCC), AFDC child care disregard, and supplement.
b. The Department of Education (DOE) administers at-risk child care through an interagency agreement with DSS.
services programs is constrained by a lack of discretionary funding that counties can use to express local priorities. In addition, the state is currently attempting to impose standards to reduce county flexibility in key social service programs.

The Department of Social Services (DSS), within the Health and Welfare Agency (HWA) (an umbrella agency with oversight authority for all state-level programs that are under the direct control of the governor), oversees all income security programs as well as related job training and some AFDC-related child care programs. DSS also supervises child welfare services and child support enforcement activities. At the local level, county welfare agencies are generally responsible for all DSS-related functions, with the exception of child support enforcement, which is administered by county district attorney offices. A separate HWA department, the Employment Development Department (EDD), supervises non-welfare-related employment and training programs that Service Delivery Areas (SDAs) and other local organizations administer.

The California Department of Education (CDE) is directed by the State Superintendent of Schools, an independently elected position. Before TANF, CDE directly administered only the nonwelfare child care programs, including the state-funded program, the federal Child Care and Development Block Grant, the At-Risk Child Care Program, and the State Preschool Program. Under TANF, CDE is responsible for overseeing all child care and early childhood development programs, including child care for welfare families.

State agencies set overall policies, make rules, determine eligibility criteria, and set benefit levels. State agencies also monitor local practices and provide technical assistance to counties to ensure that state policies are followed. Within these parameters, counties have varying amounts of flexibility in how they administer programs on a day-to-day basis. County agencies determine how to organize their workloads (worker specialization, for example), payment cycles, and the degree of service centralization or decentralization. AFDC programs vary little structurally and programmatically across California. In contrast, some counties can and do contract out delivery of GAIN services, and programs differ considerably in the types of services offered. Counties have the most discretion in designing their GR programs. Counties have implemented work and minimum residency requirements, screened recipients for substance abuse, acted to deem the income of an immigrant’s sponsor available to the immigrant (making the immigrant in most cases ineligible for benefits), and required GR applicants to apply for Supplemental Security Income (SSI) before they receive aid.

Counties have considerable discretion in administering some social services programs, most notably child welfare and child support programs, although the state is currently attempting to reduce local variation. Within state statutes that define abuse and neglect, and regulations that prescribe certain types of general services that must be provided, county child welfare agencies have wide latitude in determining which families to serve and how to serve them. Although state statutes and guidelines set minimum time frames, counties also have some discretion in determining how long to serve families before terminating
parental rights and placing a child up for adoption. However, over the past five years, the state child welfare agency has become increasingly active in setting policy direction, and it is attempting to increase uniformity in child welfare services. Similarly, child support enforcement is also a county-administered function in which local flexibility has led to great variation, prompting the state to attempt to centralize activities more. State laws have mandated a variety of activities designed to improve local efforts to establish paternity and collect child support from noncustodial parents.

The amount of decisionmaking authority and fiscal responsibility afforded to counties has been and continues to be a contentious issue in California. For the most part, counties are eager for greater authority to design social welfare programs to meet local needs and priorities. Although the governor and other key state policymakers have expressed support for giving additional responsibility to counties, they continue to struggle with the tension that results in devolving authority while maintaining quality control and coordination across local areas. This tension was particularly apparent during the debate over welfare reform, in which county officials were outspoken about their desire for more control over the design of welfare programs.
Basic Income Support

This section discusses California’s income support system in the period before late 1997, when the state adopted California Work Opportunity and Responsibility to Kids (CalWORKs). California has traditionally provided very generous income supports for its citizens. Its AFDC benefit level was one of the highest in the nation. Moreover, the state requires counties to provide General Relief to indigent individuals who do not qualify for AFDC. We describe how the AFDC and GR programs have worked, and how the programs have been shaped by recent state and local policies and the economy. As discussed earlier, severe budget pressures in the state have presented a challenge for both the state and local governments, and many recent income support program changes reflect this environment.

The AFDC Program

California’s AFDC program has undergone considerable change during recent years. The state has restructured the program both to contain public costs and to promote its goal of moving clients from welfare to work. Changes have included benefit reductions, waivers encouraging work, and employment-focused activities. More recently, California has turned its focus to a statewide work-first model for recipients on AFDC because it proved to be a more successful model for reducing caseloads and welfare dependency than earlier programs focused on education and training activities. Under a work-first model, AFDC recipients are required to first search for a job and complete a skills assessment before they are offered any job training or education services. Many local offices have faced administrative and programmatic barriers to moving...
their welfare population into employment. Current initiatives are focused on innovations that would eliminate these barriers.

**Caseloads and Costs**

Of the families receiving AFDC cash assistance payments in fiscal year 1996, 62 percent were single parents, 20 percent were “child-only” families, and 18 percent were two-parent unemployed families. California provided $594 a month for a family of three with no other income in 1996, falling almost 20 percent short of the state’s established Minimum Basic Standard of Adequate Care (MBSAC). However, California’s AFDC benefit provided families with a minimum cash income of 60 percent of the federal poverty level, compared with the national average of 42 percent.

California actually has reduced benefit levels in recent years in response to large caseload growth and the tight state fiscal situation in the early 1990s. Through both state legislation and the federal waiver process, nominal benefit levels declined by 10.8 percent between 1992 and 1996. Benefits declined further in real terms during this period because California suspended its statutory cost-of-living increases in benefits.

Even with these benefit reductions, the dramatic caseload increases over the 1989–95 period more than offset any potential budgetary savings. In 1990, California spent $4.7 billion on cash AFDC benefits (including administrative costs); by FY 1996, the number had increased to $5.8 billion. Between 1989 and 1994, the AFDC caseload grew at an average annual rate of 8 percent, for a total growth of 49 percent compared with total population growth of little more than 6 percent. This rapid growth declined to 2.9 percent in 1995, and in 1996 the caseload decreased by 1.3 percent.

The cost of AFDC represents a significant expenditure for state and county governments. The state’s share of AFDC costs in 1996 was $2.8 billion (a 50 percent match with the federal government). Counties also pay part of the cost of AFDC. Starting in 1991, the required county share of total cash payments was reduced from 5.4 percent to 2.5 percent, and the share of administrative expenses was lowered from 25 percent to 15 percent. Even with these changes, many counties, such as Los Angeles, have not had sufficient revenue to match all their allocated state and federal administrative money. Faced with potentially significant county employee layoffs, Los Angeles applied for a state waiver to change the administrative match to a maintenance-of-effort (MOE) level. The state complied, thus limiting the match that Los Angeles was required to provide to the county’s 1995 match spending level. As of 1997, a dozen counties have received an MOE waiver.

**Recent Waivers and Innovations**

California has been at the forefront of state welfare reform experimentation during the late 1980s and the 1990s. It was awarded four major waivers from the
federal government to test innovations designed to encourage employment and move recipients into the workforce long before federal changes required all states to move in this direction.

From 1992 to 1994, California incorporated these federally approved waivers into its Assistance Payments and Work Pays Demonstration Project (frequently cited as Work Pays). These waivers removed time limits placed on earned income disregards and eliminated a rule requiring unemployed parents to work less than 100 hours per month to maintain assistance. The waivers also increased the limits on clients’ other resources by increasing allowable assets from $1,000 to $2,000; increasing the allowable car value from $1,500 to $4,500; and introducing restricted savings accounts up to $5,000. In part because of these provisions, the proportion of California’s AFDC caseload with some earnings has been above the national average. In 1995, about 15 percent of California’s AFDC caseload had some earnings, compared with a national average of 10 percent.

In 1994, California received a waiver to improve the outcomes of teen mothers on AFDC. This experiment, called Cal Learn, emphasized school attendance, education, and parental responsibility by requiring AFDC mothers (including pregnant women) under age 19 without a high school diploma to participate. The experiment includes monetary incentives for good grades and high school graduation. These services were provided by community-based organizations called Adolescent Family Life Programs (AFLPs). Our respondents in DSS did not view Cal Learn as an integral part of their AFDC programs.

California’s welfare innovations have also occurred through waivers awarded to counties. For example, Los Angeles County initiated an Automated Fingerprint Image Reporting and Match System (AFFIRM), requiring fingerprinting as a condition of AFDC eligibility. San Diego received a waiver that requires nonparenting 16- to 18-year-olds who are part of an AFDC unit to attend school full time.

Client Requirements

In addition to implementing waivers that encourage clients to move into the workforce, California has incorporated this focus into its welfare-related employment and training services. In the early 1990s, most counties were focusing on activities designed to improve the education and job skills of clients to assist them in finding better paid jobs in the future. Since 1995, however, the state has adopted a work-first strategy designed to move clients into jobs very quickly by providing them with job search assistance.

The state’s strategy of requiring AFDC clients to participate in work-related activities predates the federal Family Support Act (FSA) of 1988. FSA required all states to implement a Job Opportunities and Basic Skills (JOBS) training program to provide education, employment, and training services that would help
adults on AFDC move into the labor market. States could offer these services directly through their welfare offices (or through other administrative entities such as Job Training Partnership Act [JTPA] programs, as described in the next section).

California adapted its Greater Avenues for Independence (GAIN) program, which originated in 1986, to the JOBS program. The state gave counties the flexibility to design GAIN programs to meet the needs of their areas. Although county welfare offices were required to conduct client assessments to determine who was required to participate in GAIN, GAIN services were usually delivered in separate offices. Respondents indicated that GAIN offices present quite a different picture from the AFDC office. GAIN offices attempt to look and operate like professional employment placement offices, dramatically different from the stereotype characterizing the welfare offices—long lines, little client/caseworker interaction, and bulletproof glass.

Over the past few years, an average of only 20 percent of AFDC clients have received GAIN services. Participation has been relatively low for a variety of reasons. Many county welfare offices have emphasized benefit accuracy over providing information about employment-focused services; budget constraints have prevented full funding of GAIN programs; and many AFDC recipients have been exempt from GAIN activities. Moreover, the education focus of GAIN in most counties, which kept clients in the program for long periods, combined with budget constraints has prevented many counties from accepting even all voluntary GAIN participants. For example, before 1995, Alameda County had a two- to three-year waiting list for voluntary participation.

In recent years, the state changed the GAIN program to assist counties in increasing participation and employment rates. In 1995, state legislation (A.B. 1371) required all counties to emphasize a work-first strategy in their GAIN programs. The bill mandated job search as the first activity for all new GAIN participants who did not require basic education. While the new mandate actually reduced county policy control over GAIN, the new policy mirrored the movement toward a work-first model already implemented in many counties. County GAIN programs that emphasized education and training found that clients tended to extend the period of education rather than moving into the labor force. In contrast, Riverside County experimented with immediate job placement instead of education and training. Riverside was able to serve more clients in its GAIN program because the speed and cost of job placement were considerably lower than the speed and cost of education and training. The success of the Riverside experiment was widely publicized through the results of a formal evaluation by the Manpower Demonstration Research Corporation, providing further impetus for other counties to adopt this model.

To alleviate the budgetary constraints, the state recently provided additional financial assistance for counties’ GAIN programs. California provided supplementary GAIN funding without a required county match to those counties (including Los Angeles and Alameda Counties) whose funding allocation had
been historically low. The state increased spending in counties where the fiscal situation made it difficult for them to meet the 15 percent required match for GAIN and implemented incentives to increase GAIN funding by allowing the counties to share a portion of AFDC savings attributed to the program.

California also changed the GAIN exemption and sanctioning process. A federal waiver enabled the state to limit the exemption from GAIN. Previously, all parents with children under age three were exempted. Following a waiver, parents could be exempted for this reason only once during a continuous eligibility period. In addition, A.B. 1371 tightened the GAIN sanctioning process by requiring three months of actual participation as a term of compliance. Before this legislation, counties had a difficult time sanctioning AFDC clients who were referred to GAIN but did not participate. The length of the sanctioning process enabled these clients to avoid participating without facing sanctions.

Counties have increased GAIN participation and employment rates as a result of the state budget augmentations and the state and county policy changes. For example, Alameda’s waiting list for voluntary participation has diminished to two to three months. Also, Los Angeles County placed an average of 4,000 people in jobs per month during the first half of 1997, compared with only 100 to 200 clients per month in 1994.

**Administrative Issues**

Differences in state and county control over AFDC and GAIN programs have been a major factor in shaping the success of the programs. While the two programs should work together, their separate administrative structures and physical locations have prevented effective coordination. Counties are now focused on improving this relationship.

Largely because of time and resource constraints, many welfare caseworkers have not sought actively to persuade AFDC recipients to seek employment. State and federal AFDC regulations have required welfare offices to focus on eligibility determination and benefit accuracy. At the same time, county fiscal conditions, as mentioned earlier, have reduced the numbers of welfare caseworkers as caseloads were simultaneously increasing. In addition, county welfare offices must deliver benefits under multiple income support programs (AFDC, GR, and Food Stamps), each of which has its own eligibility and benefit structure. Consequently, many county welfare offices have focused caseworkers’ limited time on quality control issues rather than educating clients about the benefits of employment under California’s new program rules. San Diego is an exception to this rule. County officials there believe they have succeeded in integrating the goals of Work Pays into their AFDC offices and have increased the number of recipients with earned income.

Both Alameda and Los Angeles counties have adopted administrative procedures to deal with the relative shortage of caseworkers that focus on efficient benefit delivery rather than clients’ employment status. They have created a
“banking” system for cases requiring ongoing case management. Cases are banked, and when a transaction is required, the next available caseworker takes care of it. This contrasts dramatically with the old system, in which each case was assigned to a single worker, who would manage all the transactions for that case. Under the banking system, cases remain unassigned until caseworker involvement is needed. While this system allows county agencies to manage a larger number of cases with the same number of staff, it reduces the amount of personal attention each case receives, with the result that less information about work incentives and supportive services is provided.

Some counties are adopting new policies to solve the structural separation of their AFDC and GAIN programs. For example, in April 1997 Los Angeles introduced a system called GAP (GAIN + Basic Assistance Program, BAP) that integrates GAIN services into 11 of its AFDC district offices. New clients can immediately begin participating in GAIN job search activities located in the AFDC office for three to four weeks while receiving a basic assistance check. Clients who do not find work after four weeks are referred to GAIN offices. Los Angeles plans to make GAP mandatory and to implement it in all its offices. Following passage of the federal welfare reform, while waiting for the state to develop its plan for welfare reform implementation, San Diego initiated a pilot program involving 3,000 to 5,000 AFDC cases that required eligible applicants to complete a job search before receiving assistance. This policy attempted to divert clients from entering the welfare rolls in the first place, in contrast to the approach in Los Angeles County, which emphasizes immediate job search but allows welfare assistance at the same time. As of this writing, the San Diego County effort is in the process of being modified to meet the state’s welfare reform requirements.

The General Relief Program

As mentioned, General Relief is a major component of the state and county welfare system. California mandates that counties serve as the provider of last resort for their residents. Under Welfare and Institutions Code Section 17000, financially needy persons who do not qualify for federally funded assistance are eligible for county-funded cash and medical assistance. General Relief has presented a major challenge to many counties. Those with large GR caseloads also experienced the most difficult economic times in the early 1990s, making it difficult to continue to provide the same level of GR benefits. Meanwhile, advocates for the GR constituency have challenged counties’ attempts at cost containment. Counties have pressured the state for fiscal relief and more policy flexibility, and these efforts have been somewhat successful.

Caseloads and Costs

The majority of GR recipients are single, unemployed adults who are not eligible for AFDC or SSI. The majority of GR recipients are men, and many have
mental health, substance abuse, or physical problems or prior criminal convictions. In 1996, three-quarters of the GR caseload resided in three of the 58 California counties—Los Angeles, Alameda, and San Francisco. Los Angeles alone has 61 percent of the state’s caseload, although just under half of the state’s population.29

In 1996, counties provided GR to about 160,000 individuals, down from 177,000 in FY 1994. The GR caseload increased almost twofold—from 98,712 to 172,711—between 1990 and 1993, both as a result of the state’s depressed economy and because of several major court decisions that have expanded GR eligibility.

While state statutes set out procedures for determining the minimum GR benefit, counties control benefit levels. In 1991, minimum benefits were $291—62 percent of the federal poverty level. However, California enacted legislation in 1993 allowing counties to lower their benefit levels to $221, or 40 percent of the federal poverty level, if they are in significant financial distress; a reassessment of their financial status occurs after three years. In 1996, the legislature approved further measures to limit costs by permitting counties to restrict GR eligibility to 3 months out of a 12-month period for those deemed employable, to reduce GR for the value of Medicare up to $40 per month, to reduce benefits by 25 percent for those clients who share housing, and to make substance abuse treatment mandatory as a condition of aid.

The advocacy community has played an important role in maintaining benefits for GR recipients and in limiting counties’ power to reduce costs for this program. Past court decisions favored advocates and GR clients by prohibiting counties from restricting able-bodied recipients from obtaining aid or discriminating on the basis of employability. The courts also decided that counties could not require recipients to have a fixed address. The advocacy community also challenged reductions in benefits for GR clients. Los Angeles County recently lost a case claiming that its policies that reduced cash benefits for the value of medical care had been enacted before the state approved them. Los Angeles was found liable for $135 million in benefits.

Recent Innovations

County officials were quick to point out that the flexibility they have with GR often generates innovations that later are adapted to their AFDC programs. For example, the caseload banking policies and the fingerprinting requirements mentioned above were first used for the GR population.

The counties we visited reacted in different ways to new flexibility within GR. San Diego adopted all of the strictest limitations on benefits. Los Angeles and Alameda adopted the shared housing benefit reduction and mandatory substance abuse treatment but were reluctant to implement the further reductions in the GR benefit. (Alameda County approved the reduction for medical care, but it has not implemented this provision.) Los Angeles approved a five-month
time limit to be implemented in January 1998. Respondents noted that some coun-
ties that made reductions claimed they were following the pack, concerned that
more generous GR benefits would draw more eligible people into the county.

Some county officials were concerned about the new time limits on GR ben-
efits. Many GR recipients have serious impediments to work and may not be
able to secure employment after receiving the short-run job skills training that
will be available to GR recipients. Others thought that the recent statewide
innovation requiring GR recipients to apply for the federal Food Stamp
program, making them eligible for Food Stamp Employment and Training
(FSET) services, would provide enough support to those clients affected by time
limits. In addition, Los Angeles County has a workfare program guaranteeing
placement services for single adults. This will be supplemented by a new job
skills development and motivational program.

While they have been at odds frequently, the counties and the advocate
community have also worked together to implement changes to cut GR costs.
Many counties now require or encourage GR clients to first seek eligibility for
the higher-benefit, federal Supplemental Security Income program. In some
counties, like Alameda, if clients are denied SSI they are required to appeal.
The advocates have been active in this effort, and some counties have paid
them to assist GR clients in re-appealing for SSI.
Programs That Promote Financial Independence

While California has recently implemented measures to reduce welfare benefits and encourage work among recipients, the state has also supported a variety of efforts to help low-income families achieve self-sufficiency. Many of these efforts, however, have faced significant barriers. California has attempted to restructure its complex and relatively fragmented employment and training system into an integrated and seamless delivery structure that meets the needs of all low-income job seekers. However, given the flexibility and discretion afforded to local service delivery agencies, the state has been unable to implement a uniform workforce vision. To allow low-income families to enter and remain in the workforce, California has also provided increased support for subsidized child care. But California’s 18 separate child care programs have implemented inconsistent policies and procedures, and families often have had difficulty gaining access to services, particularly families who have left welfare. As discussed later in this report, CalWORKs redesigns the state’s child care system, addressing many of these issues.

California has also implemented efforts to help low-income families achieve self-sufficiency that are not directly tied to employment. One key source of support for many low-income families is money from child support paid by an absent parent. At the state level, California has implemented many reforms to improve paternity establishment and child support collections. Counties, however, have been inconsistent in their implementation of new regulations. Recognizing that early parenting makes self-sufficiency particularly difficult, California has supported a variety of efforts to prevent teenage pregnancy. However, at both the state and county levels, there does not appear to be much
coordination among programs that use different prevention approaches. Finally, California has consistently supported efforts to improve low-income families’ access to health care services. A large proportion of California’s population is eligible for medical assistance, although the state’s expenditures per user have been considerably lower than expenditures of other large states.

**Employment and Training**

Following the national trend, California’s employment and training system has attempted to move toward an integrated, seamless delivery model that meets the needs of all low-income, disadvantaged job seekers. Achieving this goal, however, has proven difficult. California’s system is large, complex, and relatively fragmented, with 13 state agencies and 10 advisory councils administering 22 programs. In addition, the Wilson administration has not made employment and training services a priority, but has focused instead on developing a highly skilled workforce through improved economic development. Localities have considerable policy and administrative flexibility, and as a result the state has been unable to implement a uniform workforce development vision. Respondents noted that the state’s vision assumes significant local variation because of diversity among counties in the state.

California’s employment and training system seeks to enhance the skills of unemployed workers to meet the needs of the state’s growing employment sector. As California has attracted many new employers in the technology industry and other high-skill fields, employment and training services have placed an emphasis on preparing unemployed persons for these jobs. While non-GAIN state employment and training programs have served a significant number of welfare recipients, services have been designed and targeted to meet the needs of low-income families not on welfare and of dislocated workers. California officials estimate that 40 percent of Job Training Partnership Act (JTPA) clients are welfare recipients.

**State-Level Issues**

At the state level, the Employment Development Department (EDD) and DSS share responsibility for administering the majority of employment and training programs that serve low-income families. EDD primarily focuses on the needs of low-income dislocated and displaced workers. It serves as the administering agency for JTPA funding, which it passes on to the state’s 52 Service Delivery Areas (SDAs—geographic areas that receive federal Department of Labor funds). Within SDAs, Private Industry Councils (PICs) provide policy direction and oversight of SDA activities. In some local areas, PICs also administer and deliver services. EDD also supervises and administers Unemployment Insurance (UI) and Job Services, both of which it delivers through local area offices. These local offices also frequently receive local GAIN and JTPA contracts to provide other employment and training services.
DSS supervises the GAIN and Food Stamp Employment and Training programs, which serve the state’s welfare population. When establishing GAIN, the state decided to place it under the purview of DSS, rather than EDD, because the program was designed to interact closely with AFDC.

While historically EDD and DSS have worked independently on employment and training issues, over the past few years they have made a genuine effort to coordinate. This change in relationship is a result in part of state legislation mandating development of a uniform report card system for all workforce development programs and, more recently, of welfare reform. In addition, a recent Governor’s Executive Order expanding the role of the State Job Training Coordinating Council (SJTCC) has helped initiate further employment and training coordination. This council, which serves as a governor’s advisory body, has attempted to increase collaboration by making recommendations about linking various employment and training programs. However, the SJTCC has had limited success in changing the system because it holds no authority over departments and because Governor Wilson has not made integrating employment and training programs a high priority, focusing instead on job growth and education.

One-Stop System

Beginning in the mid-1990s, the state placed a high priority on developing a statewide One-Stop Center system. EDD has led the development of One-Stop Centers, which are designed to (1) serve all population groups with a wide variety of employment development services; (2) provide employers and job seekers with choices in where and how they can obtain information; (3) offer a seamless approach to service delivery with program integration; and (4) set performance-driven, outcome-based measures. Although state policy would allow any public or private organization to oversee One-Stop Centers, local SDAs, in most cases, administer the centers with assistance from other local employment and training organizations. The governor set aside $15 million in JTPA discretionary money to encourage local development of One-Stop Centers. In addition, the state recently received a federal Department of Labor One-Stop implementation grant of $8 million for three years.

At the local level, the almost 100 existing One-Stops already vary because some developed their systems long before the state became involved in the One-Stop movement. In most cases, One-Stops have concentrated on bringing different employment and training groups to the table in order to provide clients with seamless services. However, some have attempted to achieve this objective by using technology to link up partners, while others have sought to place all groups in a single location.

Although EDD supports local variation, it has attempted to move local One-Stops closer to a unified vision, a vision that was created by both the state and the localities. The state distributes federal and state grant money on a competitive basis to those counties that meet specific requirements, such as incorporat-
ing core partners (welfare departments, local EDDs, local offices of education, the business community, and labor, for example) into their One-Stop systems. But because federal law does not mandate a specific structure, the state-level One-Stop vision continues to be optional for localities to follow.

**Local-Level Issues**

As California attempts to improve state-level coordination and develop a unified One-Stop system, the state is faced with a local-level employment and training system in which the degree to which GAIN and JTPA interact and collaborate varies greatly. DSS supervises the GAIN program, ensuring that counties deliver services within given parameters. However, EDD maintains less policy oversight for JTPA because it is a federally driven program and because California believes localities best understand the employment and training needs of their clientele. EDD does play a role in policy implementation, technical assistance, and oversight.

Because the state provides local flexibility in determining the focus and delivery of JTPA services, PICs vary in the extent to which they target low-income and welfare families. Consequently, GAIN and JTPA at times coordinate their visions, and in other cases they maintain conflicting approaches to workforce development. The Alameda and Oakland PICs have always included low-income and welfare recipients in their workforce development missions. Hence, both have maintained strong relationships with GAIN. In contrast, the San Diego PIC has emphasized economic development and moving clients into high-technology jobs, which has not been the focus of San Diego’s GAIN vision. In Los Angeles, the county and city PICs have shifted their priorities to target the needs of welfare recipients. They have focused on short-term employment and training and quick placement because of GAIN’s movement to a work-first model and in anticipation of higher demand for services as a result of welfare reform.

As they move to a One-Stop focus, some SDAs are concerned with the implications of welfare reform for the employment and training system. The new focus on moving a large number of former welfare recipients into immediate employment will place tremendous pressures on their system. PIC officials expressed three main concerns: (1) they could be forced to focus all their resources toward the welfare population, instead of other low-income skilled workers; (2) they could lose employment and training money to the welfare department; or (3) they could be left out of the welfare reform process. As in the past, these pressures will play out differently depending on the relationships of the various employment and training agencies.

**Child Care**

California has traditionally been very supportive of subsidized child care and early childhood development programs for low-income families, especially
programs for families not on welfare. The state has provided subsidized child care through 18 state and federal programs and administered these programs through two separate delivery systems, one for welfare recipients and another for families not on welfare. As a result, programs have often implemented inconsistent policies and procedures, and many families have had difficulty gaining access to services, particularly families transitioning off welfare. While welfare recipients are entitled to child care, many families are not informed of available supports and these funds are underutilized. Meanwhile, funding for subsidized child care for families not on welfare is sufficient to provide support for only a fraction of the eligible population.

California has demonstrated a strong financial commitment to child care and early childhood development programs. In a 1992 survey, California ranked sixth in per child expenditures on child care and early childhood development programs, and in 1994 it ranked fifth in the percentage of sales tax revenues spent on child care and early education. California is also one of only 10 states that have had a state-funded pre-kindergarten program since 1980. The State Preschool Program ($85 million in FY 1995), modeled after the federal Head Start program, provides a half day of comprehensive educational, health, and social services. All families with income below 60 percent of the state median income are eligible to enroll in the State Preschool Program. In addition, in 1996 California made 24 months of Transitional Child Care (TCC) an entitlement for all families leaving welfare; the first 12 months are funded through the federal TCC program, and the state funds an additional 12 months. Total state spending on child care and early childhood development programs exceeded $400 million in FY 1995.

California promotes quality child care through some of the toughest regulations in the nation. The state regulates family day care homes that serve as few as three children, provides few exemptions from state licensing requirements for center-based care, and requires a low child-to-staff ratio. California also mandates unrestricted parental visitation rights to all child care sites. The state is currently looking at additional regulations that could improve child care quality, including requiring higher standards for license-exempt care. However, several respondents noted that families receiving child care subsidies can choose the type of care they want, and increasingly families are choosing license-exempt providers who are required to meet only minimal regulations.

**Administrative Structure**

Different agencies with different philosophies administer subsidized child care programs for welfare recipients and other low-income families, leading to significant coordination difficulties. At the state level, the California Department of Education (CDE) and the Department of Social Services (DSS) have responsibility for different child care programs. DSS has been responsible for most federally funded AFDC-related child care programs. These programs are state-supervised and county-administered. CDE is responsible for all state-
funded child care and early childhood development programs and the federal Child Care and Development Block Grant (CCDBG). These programs, which make up the bulk of child care funding in California, are state-administered. In addition to administering child care programs separately, CDE and DSS have a fundamental ideological difference. CDE focuses on the child and views child care as a form of education, while DSS has tended to focus more on the family and has viewed child care as a support service to assist welfare families in becoming self-sufficient. As a result, quality standards and payment rates are much higher for CDE programs. CDE and DSS also differ in their relationship to the governor. While the director of DSS is appointed by the governor, the director of CDE (the State Superintendent of Schools) is a separately elected position. State officials noted that this has made it difficult for CDE and DSS to coordinate child care policies and procedures.

Counties generally have a very limited role in child care. Few, if any, county funds are expended for child care subsidies. All non-AFDC child care subsidy programs are administered directly by the state and contracted out to local public and private agencies. Counties are responsible for administering the child care subsidy programs for current and former AFDC recipients, but all major aspects of the programs, such as eligibility requirements, payment levels, and licensing standards, are set by the state and federal governments.

Service Delivery Structure

Current and former welfare recipients are eligible for subsidized child care under GAIN, Non-GAIN Employment and Training (NET), and the TCC programs. Low-income families not on welfare can receive subsidies through the state’s General Child Care and Development (GCCD) and Alternative Payment (AP) programs and through the federal CCDBG and the At-Risk Child Care program. In addition, several other small child care programs are targeted to a specific population (e.g., children in state-owned migrant housing facilities and children with severe handicaps).

As shown in table 4, in addition to being administered by different agencies and at different levels of government, the programs have different eligibility requirements, maximum payment amounts, eligible providers, priority groups for subsidies, and time limits. For example, to be eligible for subsidies under CCDBG, family income must be at or below 75 percent of the state median income, whereas under state-funded child care programs and the federal At-Risk Child Care program, family income must be at or below 85 percent of median income and families maintain eligibility as their income rises until their income equals 100 percent of median income. Families with the lowest income are given top priority under CCDBG (and each county is responsible for establishing additional priority groups), teen parents and former AFDC recipients are given priority under At-Risk Child Care, and children in need of protective services are given priority in state-funded child care programs. The maximum subsidy a family can receive under At-Risk Child Care, TCC, and NET is 75 percent of the market rate, while families participating in GAIN are entitled to a subsidy equal to 93 percent of the market rate. Maximum subsidies under
<table>
<thead>
<tr>
<th><strong>State Agency</strong></th>
<th><strong>Eligibility</strong></th>
<th><strong>Maximum Subsidy</strong></th>
<th><strong>Priority Groups</strong></th>
<th><strong>Time Limits</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Child Care and Development (GCCD) and Alternative Payment (AP) Programs</strong></td>
<td>Department of Education</td>
<td>Income at or below 84% of state median at time of application. Recipients remain eligible until income reaches 100% of state median.</td>
<td>100% of market rate</td>
<td>None</td>
</tr>
<tr>
<td><strong>Child Care and Development Block Grant (CCDBG)</strong></td>
<td>Department of Education</td>
<td>Income at or below 75% of state median</td>
<td>100% of market rate</td>
<td>Children in need of protective services</td>
</tr>
<tr>
<td><strong>At-Risk Child Care</strong></td>
<td>Department of Education</td>
<td>Income at or below 84% of state median at time of application. Recipients remain eligible until income reaches 100% of state median.</td>
<td>75% of market rate</td>
<td>Lowest income</td>
</tr>
<tr>
<td><strong>Greater Avenues for Independence (GAIN)</strong></td>
<td>Department of Social Services</td>
<td>AFDC recipient</td>
<td>1.5 standard deviations of the market rate (equal to 93%)</td>
<td>Teen parents and former AFDC recipients who do not qualify for TCC</td>
</tr>
<tr>
<td><strong>Non-GAIN Employment and Training (NET)</strong></td>
<td>Department of Social Services</td>
<td>AFDC recipient</td>
<td>75% of market rate</td>
<td>Parents under 24 and long-term AFDC recipients</td>
</tr>
<tr>
<td><strong>Transitional Child Care (TCC)</strong></td>
<td>Department of Social Services</td>
<td>Former AFDC recipient; eligibility continues until income reaches 100% of state median.</td>
<td>75% of market rate</td>
<td>Entitlement</td>
</tr>
</tbody>
</table>

**Table 4** Child Care Programs and Requirements
CCDBG and state-funded child care are equal to 100 percent of the market rate. This maze of different and often conflicting requirements makes it very difficult for families to maintain a stable child care arrangement. As family circumstances change, the family must reapply for child care and may lose its subsidy, have its subsidy reduced, or be forced to change child care providers.

In addition to the difficulties of transitioning from one child care program to another, low-income families in California face major barriers to gaining access to child care. These barriers include lack of information about available child care resources, long and uncoordinated waiting lists for subsidies, and an inadequate supply of child care providers.

Welfare recipients. County Social Services Agency officials noted that AFDC recipients often are not informed of the availability of child care subsidies. Until recently, many county social services agencies did not give child care issues much attention. Moreover, given severe budget cuts, many county social services agencies lacked the capacity to do more than determine families’ eligibility for welfare programs. The child care income disregard and the Supplemental Child Care programs are complex, and workers note that they simply do not have the time to explain these programs to AFDC clients. In addition, county officials noted that GAIN, NET, and TCC are also severely underutilized. In Los Angeles, county officials said that, until recently, publicizing the availability of subsidized child care was not a high priority for DSS, and welfare workers did little of it. Some Los Angeles welfare officials said child care was always considered important, but the heavy workloads of front-line staff made it difficult to devote the time required to ensure that welfare recipients obtained subsidies. In San Diego, GAIN workers said that participants often have to ask about child care to receive a subsidy; workers do not automatically inform participants that assistance is available. In Alameda, welfare workers reported that they rarely refer families for TCC. As a result of welfare reform, many county welfare offices are increasing their commitment toward ensuring that welfare recipients have access to subsidized child care. For example, Los Angeles County now funds a child care coordinator for each of its local welfare offices.

Non-welfare families. Low-income families not on welfare who want to apply for subsidized child care also have difficulty gaining access to services because there is no centralized place to apply for subsidies, and once they apply they face a long waiting list. Each provider with whom CDE contracts maintains a separate waiting list. Similarly, all organizations contracted to distribute certificates for subsidized child care maintain separate lists. As a result, providers recommend that families place their names on multiple waiting lists. Since neither the state nor the counties maintain centralized waiting lists, it is impossible to know how many families are waiting to receive subsidized child care. However, the state estimates that only 20 percent of eligible families receive subsidies. Likewise, the State Preschool Program serves only 14 percent of eligible children.

While child care is 100 percent subsidized up to a preset level for families on welfare, families not on welfare that are eligible for subsidized child care pay
a portion of the cost on a sliding scale based on the family income. Families with income below 50 percent of median income are not required to pay a fee. Families with incomes at 75 percent of the state median income pay $5 daily for part-time care and $10 for full time. Families with incomes at 84 percent of state median income pay $6.80 daily for part-time care and $13.60 for full time. At 100 percent of state median income, families would pay $10.40 daily for part-time care and $20.80 for full time.

Low-income families in California often struggle with an inadequate supply of child care providers. The supply of infant child care and care during non-traditional hours is particularly inadequate. A state survey found that only 4 percent of the slots in licensed child care centers serve infants under age two.33 Similarly, only 2 percent of child care centers offer evening care, care on weekends, or care overnight. Many family day care homes are licensed to care for infants and can provide flexible hours of care, but family day care homes account for only 31 percent of California’s licensed day care supply. To increase supply, the state legislature recently passed a bill to increase the number of children family child care homes could care for, from six children for each provider to nine. Some state officials expressed concern that most of the future increase in child care supply will likely be a result of increases in exempt or informal care. Some counties and cities in California are working to increase the supply of center care by providing funds for building and renovating facilities that can be used for child care.

**Child Support**

In California, locally elected district attorneys in each county administer child support enforcement activities through cooperative agreements with the state Department of Social Services. Historically, both the extent and effectiveness of child support activities have varied greatly across counties, prompting the state to implement a number of requirements to increase the uniformity of practices and to improve performance. Although state reforms have begun to affect local decisionmaking, for now, district attorneys maintain a large amount of discretion over the local child support enforcement system.

Since counties have had considerable discretion in administering their child support enforcement programs, local practices and performance in securing orders, establishing paternity, and collecting child support have varied greatly. For example, in 1995 the percentage of cases with a child support order was 27 in San Diego and 30 in Los Angeles, compared with 74 percent in Alameda and a state average of 44 percent. Similarly, paternities were established in 56 percent of cases (instances in which the state has authority to collect child support from an absentee parent) in Alameda, but only 15 percent in Los Angeles. This large variation is the result of a number of factors. First, some counties have a policy of keeping older cases open, inflating the actual number of cases staff are actively pursuing. Second, the politics of child support has
sparked some district attorneys to make enforcement a high priority, while in other counties the issue remains secondary to enforcing “three strikes” laws and addressing criminal prosecution cases. Third, loosely defined quality controls, as well as the absence of adequate data, have made it difficult for officials at the state level to identify and assist poorly performing counties.

The governor and the state legislature have approved numerous laws to improve performance and standardize collection activities, many of which are now mandated under federal welfare reform. The governor signed legislation that required credit bureaus and child support enforcement agencies to exchange information on noncustodial parents who are past due on paying support. The legislation also allowed the blocking of professional and recreational licenses of delinquent parents, and established a new-hire registry to help locate parents and identify income to be withheld. In 1994, policymakers enacted a Paternity Opportunity Program to increase the rate of voluntary in-hospital establishment of paternity. In addition, in 1993 lawmakers initiated a demonstration project that allowed six counties to use the Franchise Tax Board (FTB), a state tax agency, to enforce the collection of delinquent child support payments. In 1994 the legislature approved the voluntary use of the FTB by all counties. As of 1996, approximately 29 counties were using the FTB, and 22 others were scheduled to join over the next few years. More recently, in January 1997, the state passed legislation that moves California toward a commissioner-based system of child support enforcement. This shift could speed up the enforcement process because it allows commissioners to hear child support cases rather than waiting for a scheduled hearing in a superior court.

The federal government, through enhanced funding, has supported the development of statewide automated child support enforcement systems across the country. California’s system, the State Automated Child Support System (SACSS), has been struggling in development for several years, and counties have balked at using the state system, preferring to use current county-based systems instead. Los Angeles is developing its own federally approved child support system separate from SACSS, showing the extent to which local autonomy continues to prevail over initiatives to centralize the child support enforcement system. Altogether, these problems left California’s automated system far from completion as the October 1, 1997, federal deadline for system certification approached. Concerns have been raised that reduced federal funding for automated systems, and potential sanctions that accompany noncertification, will delay California’s ability to reap the benefits of a quality statewide child support enforcement system.

Medicaid and Other Health Insurance

Medi-Cal (California’s Medicaid program) is the primary health insurance program for low-income families, although counties use a variety of state and federal funds to cover the cost of providing health care to the uninsured, indigent population. While the state Department of Health Services administers
Medi-Cal, county welfare departments determine eligibility for program applicants using state guidelines. Medi-Cal covers families with children, the disabled, and the elderly, with the majority of program funds spent on the elderly and the disabled. While the Medi-Cal caseload and total costs have been increasing rapidly, their rates of growth are below the national average.

Because of the recession of the early 1990s, Medi-Cal costs, which are shared by the federal and state governments, have grown significantly faster than the state’s economy has grown. As a result, the share of general fund revenues devoted to Medi-Cal nearly doubled between 1988 and 1995. Total Medi-Cal expenditures have increased by 19 percent annually since 1995 and currently exceed $18 billion.

Health care in general and Medi-Cal in particular have enjoyed more political support in California than have cash assistance programs. California covers a large number of optional groups under Medicaid, and more optional services than all but one other state. California also provides Medicaid services for pregnant women up to 200 percent of poverty, even though federal law requires coverage only up to 133 percent. Among the 15 largest states, California has the highest proportion of families who rely on Medicaid (one in six families are enrolled in Medi-Cal), but its expenditures per user are the lowest.37

By state law, counties are required to provide health services to individuals who lack health insurance and who cannot pay for such services. Counties rely on a variety of state, federal, and county funds to provide this health care safety net. In 1993 (the last year for which data are available), counties in California served 1.7 million indigent persons at an estimated cost of $2 billion. State funds that assist counties in financing indigent health care come from two main sources, a tobacco tax (Proposition 99) and realignment revenue. The federal government provides support for indigent care through the Medi-Cal Disproportionate Share Hospital (DSH) Supplemental Payments program. Safety net hospitals that serve high volumes of Medicaid and uninsured patients receive these payments, which help finance inpatient expense. Until recently, county hospitals had received the bulk of the $2.2 billion available from California’s DSH program. Counties must use county general fund resources for any additional health care costs that are not covered through state or federal sources. Over the past five years, counties have struggled with the cost of indigent care as realignment revenue has been lower than originally projected, the amount of tobacco tax revenue allocated for indigent health care has decreased, and county hospitals have received a declining share of federal DSH payments.

Teen Pregnancy Prevention

Before the passage of federal welfare reform, which emphasizes the need to reduce out-of-wedlock births, California had already implemented many compo-
ponents of an aggressive teen pregnancy prevention program. The state has an extensive system of prevention services funded primarily by the state Departments of Health Services and Education and a network of foundations and non-profit organizations. The Department of Health Services is responsible for most primary prevention initiatives, including funding family planning services. The Department of Education operates teenage parenting programs and focuses resources on keeping minor parents in school and preventing second pregnancies by teen parents. Together, these two state departments provided more than $109 million in 1996–97 for teen pregnancy prevention and intervention. However, no state agency has been responsible for coordinating the management or delivery of teen pregnancy prevention services across the state. To fill in gaps in services and funding, some counties have been able to turn to private foundations and nonprofit organizations as a source of financial support to develop initiatives that envelop multiple approaches to teen pregnancy prevention.

Ever since he was elected, Governor Wilson has been vocal about his support for teen pregnancy prevention programs. In 1996–97, he sponsored Partnership for Responsible Parenting, a new effort funded at $53 million to build a comprehensive approach to preventing teen and unwed pregnancy. His strategy supports community-based service delivery and includes (1) funds for community challenge grants, which provide teen pregnancy prevention funds to community-based and public agencies when they can provide matching funds from private sources; (2) mentoring programs, designed to help youth become productive members of the community while reducing juvenile crime, teen pregnancy, gang association, and the school dropout rate; (3) a statewide media campaign promoting public awareness, community responsibility for teen pregnancy prevention efforts, and, for teens, a message of abstinence, teen and parent communication, and male responsibility; and (4) funds to improve the prosecution of statutory rape. Wilson has also increased the state’s role in providing primary prevention efforts. Recently, he launched a state-funded family planning entitlement program, called Family Planning Access Care and Treatment, managed jointly by California’s Office of Family Planning and Medi-Cal, which will increase access to family planning services for all eligible, low-income individuals. This new program will increase funding for all pregnancy prevention services and will provide low-income teens across the state with better access to contraceptive services. California has also recently applied for Title IV abstinence funds, but state legislation will be needed to provide the required state matching dollars to implement the program.

Despite the governor’s continued support of teen pregnancy prevention programs, it appears that state-sponsored programs remain individualized. The governor’s initiative is working to tie service delivery systems together, but in the sites we visited the results had not yet been realized in terms of local coordination. Respondents commented that community-based organizations have had difficulty coordinating the various teen pregnancy prevention programs that are both publicly and privately funded at the local level. Better coordination would allow organizations to use multiple approaches to preventing teen pregnancy (e.g., abstinence and family planning).
Families unable to achieve self-sufficiency may find themselves reliant on last-resort safety net programs. In this section, we focus on three such programs: child welfare, emergency services, and housing. Child welfare agencies have the responsibility to protect children from abuse and neglect. They may intervene in families in which such behavior is suspected, may offer services or require that families accept services if the need for them is documented, and may remove children from their parents’ care and place them in state-supervised care if the children face imminent harm in the parental home. In response to high and growing numbers of children in foster care, the state has guided counties to increase their focus on prevention activities. However, counties have considerable discretion in delivering child welfare services and, as a result, practices vary greatly across counties. Counties and cities are also primarily responsible for the provision of emergency services, although the state does provide short-term assistance to homeless AFDC families.

Child Welfare

California is one of 12 states in which counties administer child welfare services. The state’s role in child welfare has recently changed from providing primarily fiscal oversight to providing more programmatic oversight and policy guidance. In particular, the state has guided counties to implement and expand child abuse prevention and family preservation services (where efforts are made to keep children in their family’s home). However, because counties
maintain a great deal of discretion as to which families to serve and how to serve them, child welfare practices differ considerably across counties.

Child welfare services are supervised by the state Department of Social Services and administered through 58 county child welfare offices. In all counties other than Los Angeles, these offices are housed in the county social services agency. In Los Angeles, the Department of Children and Family Services (DCFS) oversees all child welfare activities and operates independently of the county’s social services department. The creation of a stand-alone agency in Los Angeles has had a dramatic impact on child welfare services delivery. Since 1984, when DCFS was created and responsibility for child welfare services was transferred from the social services agency, the county has increased its focus on child welfare issues. Separating the responsibility for vulnerable children from the responsibility for families on welfare has increased the political power of DCFS. In addition, many county officials said that moving child abuse and neglect issues away from an agency that focused on eligibility issues and fraud protection helped bring in new leadership that understood the therapeutic model of child welfare.

As part of the realignment implemented in 1991, counties’ share of the cost for foster care maintenance payments increased from 5 percent to 60 percent. The main aim of this shift was to give counties a financial incentive to reduce out-of-home placements. Before realignment, the number of children placed in foster care was rising steadily. Between 1988 and 1990, the number of children in foster care increased by 25.4 percent.39 State officials argued that counties were not focusing enough attention and resources on services to prevent foster care, in large part because the state paid the majority of the foster care costs.

As has occurred in other states, California’s child welfare policy has wavered between placing at-risk and abused children in foster care and keeping families together. In response to high and increasing numbers of children in foster care in the late 1980s and early 1990s, the state has guided counties to implement and expand child abuse prevention and family preservation services. Following realignment, the state became more active in providing counties with policy and programmatic direction, advocating and providing resources to counties to implement prevention strategies to reduce the number of children placed outside the home. In 1991, the state made funds available to all counties to implement family preservation services, intensive services provided to families at risk of having a child placed in foster care. The state has also expanded its training and technical assistance efforts and has focused on promoting child abuse and neglect prevention and preservation strategies.

Recently the state has also focused more on developing standards for counties’ service delivery practices. During the past five years, state legislation has mandated standards for investigation of child abuse and neglect, for visitation of children in foster homes and in the care of relatives, and for the length of time that child welfare agencies must work to reunify a family that has had a child placed outside the home. During the past year, the state has also
attempted to persuade counties to jointly develop and implement a statewide risk assessment instrument that workers would use in determining whether to substantiate reports of child abuse or neglect.

Despite the expanded role of the state in policy and programmatic guidance, counties retain a significant amount of discretion in delivering services, and as a result practices differ greatly across counties. In providing services, child welfare agencies must balance competing priorities. Agencies must decide at what point efforts to preserve families endanger the safety of children. The state has advocated that counties increase the number of families they attempt to preserve, and realignment has provided the financial incentive for counties to prevent foster care placements. As a result, many counties have informally changed the criteria used to determine whether a child should be placed outside the home, making placement much less common. In Alameda and San Diego Counties, workers report that they now recommend removing a child from the home in only the most severe cases of abuse. Moreover, resource constraints have led Alameda child welfare intake workers to screen out many more reports of abuse and neglect without an investigation. In contrast, Los Angeles County has significantly increased the number of families reported to child welfare that are investigated and the number of children placed outside the home. Los Angeles County officials noted that, because of some highly publicized deaths of children who were involved in the child welfare system, policies and procedures have changed so that workers err on the side of child safety. State officials note that the number of children in foster care has been decreasing statewide, with the exception of Los Angeles County. As a result of the large size of Los Angeles’s caseload, the number of children in foster care in the state has been increasing.

Agencies must also balance efforts to reunify families with the need to find a permanent and stable home for children as soon as possible. State policies promote the reunification of children with their birth parents as quickly as possible and set a maximum of 12 months of reunification services. Recently, however, policies have also supported efforts to expedite termination of parental rights when it is clear that reunification cannot be achieved. Child welfare staff in Alameda and San Diego counties note that they make every attempt to reunify families when appropriate. Workers in Los Angeles County, in contrast, said that efforts to reunify families have been significantly curtailed. A new policy mandates that a regional director must approve any reunification that a worker recommends involving a child under the age of five. As a result, fewer families are being reunified.

California mandates that relatives be given first consideration when child welfare must place a child in foster care. California relies on relatives for foster care placements more than any other state. In 1995, more than 46 percent of all children placed outside the home were placed with relatives; in Los Angeles County the rate is more than 55 percent. Since children placed with relatives tend to stay longer than children placed with unrelated caregivers, and relative caregivers are much less likely to adopt, California’s heavy reliance on relative
caregivers has increased the state's long-term foster care caseload. Counties have been pressing the state to develop a funding mechanism to provide relative caregivers with subsidies when they have agreed to be the permanent guardian of a child but refuse to adopt that child. This would allow relative caregivers to receive financial support without requiring ongoing child welfare involvement. In August, California received a federal waiver to use federal foster care funds to provide subsidized guardianships for adolescents permanently placed with relatives.

Emergency Services and Housing

In California, the state has assumed little responsibility for provision of emergency services such as food, shelter, and emergency cash assistance. Since the federal government provides the majority of funding for emergency services, it has the most influence over emergency service policy decisions. While California provides one-time short-term assistance to its AFDC homeless families, it has not attempted to create an overarching state-level vision, goal, or plan for assisting its homeless families. As a result, localities play a very important role in providing emergency services.

The state's primary mechanism for assisting homeless families is its AFDC Homeless Assistance (HA) program. AFDC-eligible families receive HA benefits (a maximum of $30 a day) to cover 3 to 16 days of shelter cost. In addition, they can receive a one-time permanent housing assistance grant. In FY 1996, the state spent more than $42 million on AFDC HA. Citing abuse of the system and increased expenditures, in 1996 the legislature and the governor approved amendments to AFDC HA policy allowing receipt of HA once in a lifetime rather than once in a two-year period. The state also administers the federal Emergency Housing Assistance Program for families and distributed $4.2 million in assistance in 1996.

Since the state primarily provides short-term emergency assistance to AFDC-eligible families, localities rely heavily on federal McKinney funding and Community Development Block Grant (CDBG) dollars to serve their homeless populations with support services in addition to housing assistance. Moreover, eligibility for services funded by these grants is not linked to welfare eligibility. Localities maintain direct responsibility for policy, funding, administration, and delivery of CDBG and McKinney services. In some cases, counties, or cities such as Oakland and San Diego, supplement the federal money with local tax revenue. Local governments administer this federal and local money and contract out the majority of services to nonprofit providers.

While each locality can create its own unique vision for serving homeless families, most have mirrored the federal movement toward a continuum of care by providing a range of different services and placing a strong emphasis on transitional and permanent housing. The three counties we visited have made this
change because of local consensus and because of their reliance on federal McKinney money, which mandates this model. Local areas develop their continuum of care plans through a coordinated government and private nonprofit partnership. These plans include the target population for services, a statement of need, and a plan for coordinating resources to deliver services efficiently. Local government agencies have taken the lead in developing a consolidated plan, relying on input from local nonprofits. Since the federal government has emphasized this seamless system approach, localities have seen increased interaction and coordination among service providers. However, nonprofits believe it has caused greater tension, since decisions about how to distribute federal funds are now made locally instead of at the federal level.

Locally elected public officials have the most influence over emergency services policy, although local agencies and the private nonprofit community can influence decisions. For example, Oakland respondents noted that policymakers and nonprofits maintain a strong relationship, with service providers having considerable influence over policy decisions. In contrast, San Diego and Los Angeles emergency providers did not believe they had much impact on decisions. In San Diego, elected city officials have not supported the nonprofits’ emergency service vision; for example, San Diego officials have restricted expansion of service provider programs. In Los Angeles, emergency nonprofits believed their influence over policy decisions has diminished since the creation of the joint city- and county-administered Los Angeles Homeless Service Authority. They now must deal with numerous city and county government agencies to affect policy.
Welfare Reform Plans

California was one of the last states in the nation to pass legislation implementing the reforms specified under TANF. Passage of the state’s welfare reform bill in 1997 followed months of contentious debate between the governor’s office and Democratic leaders in the state legislature. In addition to implementing the requirements mandated by TANF, California’s welfare reform legislation expands the responsibilities of welfare recipients, significantly alters the delivery of child care services, and provides counties with much greater flexibility in implementing their welfare programs than was afforded under AFDC. California’s new welfare program is entitled California Work Opportunity and Responsibility to Kids (CalWORKs).

The Planning Process

CalWORKs represents a compromise among several welfare reform plans developed by different organizations in California. Along with his FY 1998 budget proposal, Governor Wilson submitted a plan to redesign welfare. Shortly after this plan was introduced, the nonpartisan Legislative Analyst’s Office (LAO), the Center on Western Law and Poverty, the California State Association of Counties (CSAC), and the California Welfare Director’s Association (CWDA) all crafted their own welfare reform proposals. Governor Wilson’s plan included stronger measures to ensure parental responsibilities and promote work. For example, new recipients would have been limited to 12 months of aid in any 24-month period. The Western Center’s proposal emphasized the need for an array of supportive services to help families move off welfare. The CSAC/CWDA proposal advocated greater county discretion and the
integration of welfare and employment services. The LAO plan combined elements of each of the other plans.

The debate over welfare reform was highly politicized, pitting the Republican governor against Democratic leaders in the legislature. The Democrats, although they enjoyed a majority in both houses of the legislature, were unable to reach consensus among themselves on key components of the welfare reform. They were divided into factions that disagreed on how strongly and quickly welfare recipients should be forced to work and what supportive services should be provided to them. As a result, plans for welfare reform were stalled in the legislature for months. The Democrats eventually agreed to support the CalWORKs legislation, which reflects Governor Wilson’s original proposal more than any of the competing proposals introduced. Some observers have suggested that the Democrats agreed to the plan because they feared that a stalemate on welfare reform would hurt their chances in the 1998 elections.

Passage of the federal welfare reform was a catalyst for local welfare reform planning, although some counties had already started to plan for changes before the federal changes came about and long before the state finalized the CalWORKs bill. Many counties conducted extensive and inclusive planning processes that involved multiple county agencies, city leaders, the business community, nonprofits, advocacy groups, and individual citizens. For example, in San Diego the County Board of Supervisors outlined its goals for welfare reform and then held a series of workshops, community forums, and focus groups to get input on what strategies should be employed to achieve these goals.

Welfare reform planning has also led to increased collaboration among county agencies. County welfare offices were often focused almost entirely on eligibility and have not coordinated much with other social service agencies. In preparing for welfare reform implementation, welfare offices have begun to focus more on supportive services, such as child care. In Los Angeles, county officials noted that the broad planning effort for welfare reform was unusual and was the most extensive effort ever made by the county welfare department to collaborate with other county agencies. As a result, county social services offices started to work with child care resource and referral agencies, Private Industry Councils, and local school board officials. Several counties have merged their health and social services departments to improve coordination and to focus on the needs of low-income families from a more holistic perspective. In San Diego, a new Health and Welfare umbrella agency was formed, in part as a result of planning for welfare reform implementation.

During welfare reform planning, counties were particularly concerned about the potential impact of welfare reform on their General Relief case-loads. Many county officials demanded that the state relieve counties of the responsibility for providing GR to all eligible persons or that the state pick up part of the cost. Counties were particularly worried about the number of
legal immigrants who might be forced to apply for GR if they lost or were ineligible for Food Stamps or Supplemental Security Income benefits. Given federal policy changes following the welfare reform legislation, some of these concerns dissipated. In addition, California’s welfare plan makes families who lose CalWORKs benefits because of time limits or sanctions ineligible for GR.

Overview of CalWORKs

As summarized in table 5, CalWORKs alters all key aspects of the AFDC/GAIN program, including eligibility standards, benefit determination, and recipient requirements. CalWORKs also makes major changes in the state’s subsidized child care system.

Consistent with federal regulations, CalWORKs provides time-limited aid. CalWORKs recipients are limited to 24 cumulative months of aid (new applicants are limited to 18 months). Counties can extend the time limit for CalWORKs benefits if the county determines that a job is not available for a recipient and if the recipient performs ongoing community service. All California families are limited to 60 cumulative months of aid, although families who reach this limit may receive a child-only grant for minor children in their care.

CalWORKs simplifies the welfare benefit grant structure and strengthens the work incentives by increasing the amount of earned income that is disregarded in determining a recipient’s TANF grant. Under CalWORKs, recipients are always better off working, because as the amount of earned income increases, the total amount they receive from income and benefits also increases. CalWORKs also allows counties to provide an up-front lump-sum cash payment to welfare applicants to enable them to address a short-term crisis and avoid being placed in the CalWORKs program.

CalWORKs imposes numerous requirements on aid recipients. CalWORKs requires all adult recipients to work or participate in a delineated sequence of welfare-to-work services. These services include four weeks of job search, followed by an assessment of skills and abilities, and finally participation in work activities as defined within the limits of the federal law. In addition to the work requirements, CalWORKs recipients must cooperate fully with child support officials, document that all non-school-age children have received appropriate immunizations, and ensure that all school-age children are attending school regularly.

Before welfare reform, California provided subsidized child care to AFDC recipients through six separate programs and to non-AFDC recipients through several others. In addition, these subsidized child care programs were administered by two different state departments and had many conflicting rules and
Table 5  Comparison of CalWORKs to AFDC and GAIN

<table>
<thead>
<tr>
<th>Category</th>
<th>Provision</th>
<th>Prior AFDC &amp; GAIN Programs</th>
<th>CalWORKs Program (A.B. 1542)</th>
<th>County Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>Time Limits</td>
<td>Recipients participating in GAIN for 22 out of 24 months were required to engage in 100 hours per month of community service experience.</td>
<td>Following passage of a county plan, new applicants will receive aid for 18 cumulative months. Current recipients will receive benefits for 24 cumulative months. Federal law imposes a cumulative 60-month time limit on aid. The state exempts certain recipients (e.g., the elderly and those with disabilities) from the 18-, 24-, and 60-month time limits, after which recipients must work.</td>
<td>Counties may extend new applicants’ assistance without a work requirement for six months. Counties can allow time-limited recipients who perform community service to continue receiving aid beyond the 18- or 24-month limit if they determine jobs are not available. Counties can also decide to reenroll a time-limited client who has left aid for at least one month if they decide jobs are not available.</td>
</tr>
<tr>
<td>Safety Net</td>
<td>Entitlement program; benefits provided for as long as needed.</td>
<td></td>
<td></td>
<td>Counties can decide to provide children with vouchers or a cash grant. They also have the option to continue providing the parents with welfare-to-work services (i.e., community service jobs).</td>
</tr>
<tr>
<td>Income</td>
<td>Families qualified based on income limits. Their gross income could not exceed 185 percent of Minimum Basic Standard of Adequate Care (MBSAC).</td>
<td>Eliminates the requirement that two-parent families applying for assistance must have previously held employment. Eliminates the gross income test for recipients, keeping only the net income test.</td>
<td></td>
<td>No county option.</td>
</tr>
<tr>
<td>Assets</td>
<td>Recipients could have $2,000 in liquid assets, a car valued at up to $4,500, and $5,000 in a restricted savings account.</td>
<td>Uses the Food Stamp program criteria for assessing countable assets and valuing personal property (increases allowable value of a car to $4,650 for applicants and recipients). Recipients can continue to hold up to $5,000 in a restricted savings account.</td>
<td></td>
<td>No county option.</td>
</tr>
<tr>
<td>Income Reporting</td>
<td>Recipients made monthly reports of earnings to county welfare departments.</td>
<td>Continues current reporting system. Also, establishes six pilot projects to test the cost-effectiveness of less frequent reporting.</td>
<td></td>
<td>Six counties can administer this pilot project, which enables them to re-determine eligibility of a recipient every six months with the option of a full redetermination every year. In these counties, recipients will be required to report within 10 days changes in earnings that are in excess of $75.</td>
</tr>
<tr>
<td>Benefits</td>
<td>Aid</td>
<td>Diversion</td>
<td>Disregards</td>
<td>Requirements</td>
</tr>
<tr>
<td>----------</td>
<td>-----</td>
<td>-----------</td>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Families received benefits based on a two-tier regional grant structure. In a high-cost county, a family of three received $565; in a low-cost county they received $538.</td>
<td>Retains the same regional grant structure. Continues the 1995 suspension of COLA and 4.9 percent grant reduction until October 1998.</td>
<td>No permitted state diversion program.</td>
<td>Families could disregard $90 of income, the first $30 of earnings, and then 33 percent of earnings over this amount. Also, they could disregard $30 per quarter for nonrecurring gifts and $50 for child support collection. In addition, families could “fill in the gap” between the standard of need and maximum aid payment (MAP).</td>
<td>Recipients were required to cooperate with child support collection by providing all known information. Recipients retained $50 of child support collection. Proof of child immunization or school attendance was not mandated.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Child support requirements will continue, with noncooperation resulting in a 25 percent grant reduction. Recipients continue to retain $50 of child support. Applicants and recipients must also provide documentation that all non-school-age children have received appropriate immunizations or benefits will be reduced by the parent’s share of the grant. Also, all school-age children must attend school to receive aid.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No county option.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Continued on next page)
<table>
<thead>
<tr>
<th>Category</th>
<th>Provision</th>
<th>Prior AFDC &amp; GAIN Programs</th>
<th>CalWORKs Program (A.B. 1542)</th>
<th>County Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirements</td>
<td>Work Requirements</td>
<td>Only GAIN recipients were required to participate in work-related activities.</td>
<td>Nearly all aided adults must engage in work activities. Single adults will participate in activities for at least 20 hours per week as of January 1998; 26 hours per week as of July 1998; and 32 hours per week as of July 1999. In a two-parent family, one parent must participate in work for at least 35 hours per week.</td>
<td>Counties have the option, starting 1/98, to require parents to work up to 32 hours per week.</td>
</tr>
<tr>
<td></td>
<td>Exemptions</td>
<td>GAIN exemptions included illness or injury, age, care of another individual in the home, incapacity, pregnancy, and care of a child under age three.</td>
<td>Exemption for the care of a child changes to children under six months of age.</td>
<td>Counties can reduce the exemption for care of a child to 12 weeks or expand it to 12 months if they determine, on a case-by-case basis, that a change is necessary.</td>
</tr>
<tr>
<td></td>
<td>Sanctions</td>
<td>GAIN participants who did not meet the work requirements were sanctioned with reductions in benefits equivalent to the adult portion of the grant.</td>
<td>Sanctions will continue with a shorter resolution process between noncompliance and grant cuts. If a client has been sanctioned for over three months, then a county must issue vouchers or vendor payments for at least rent and utilities until the parent is no longer sanctioned.</td>
<td>No county option.</td>
</tr>
<tr>
<td></td>
<td>Employment Services</td>
<td>Only GAIN participants were required to engage in job services. Counties were required to provide these clients with up-front job search activities followed by an array of employment-focused activities.</td>
<td>Requires all adult recipients to participate in a delineated sequence of “welfare-to-work” services. Recipients must participate in at least four weeks of job search. If employment is not found, clients must participate in an assessment of skills and abilities, followed by work activities defined within the limits of the federal law.</td>
<td>Job search can be extended beyond four weeks if the county believes it will lead to employment. The county has the option to allow clients reaching the state time limit to participate in community service activities and continue receiving aid. The county also has the option to provide up to one year of case management to clients leaving assistance due to work.</td>
</tr>
<tr>
<td></td>
<td>Cal Learn</td>
<td>Teen parents were required to attend school through age 18 to earn a high school diploma or GED.</td>
<td>Extends program to targeted teen parents up to age 19.</td>
<td>No county option.</td>
</tr>
<tr>
<td><strong>Supportive Services</strong></td>
<td>Child Care</td>
<td>CDSS and CDE administered over a dozen subsidized child care programs. Each program had different eligibility requirements and targeted distinct populations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Policy and Fiscal Responsibility</strong></td>
<td>Administration</td>
<td>AFDC program structure was supervised at the state level with little county variation. Counties had some flexibility in designing their GAIN delivery structure.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding</td>
<td>Counties also paid 30 percent of the nonfederal AFDC and Food Stamp administration costs and a maintenance-of-effort (MOE) amount for GAIN.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Counties receive block grants to cover administration expenses with a required county MOE. A county will retain 75 percent of any savings it generates. It will also split with the state any federal penalties resulting from nonfulfillment of the federal work requirements. 25 percent of the state's savings from fraud detection activities will be reallocated to the counties.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Counties have the ability to allocate the block grant, in any fashion, for administration of eligibility, work service, and supportive service activities. They can also roll over unexpended funds until July 1, 2000.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Counties will have the option to contract out stage one child care to public or private child care providers. They can also extend stage one child care beyond the six-month maximum if they determine the recipient's situation is too unstable to be moved to stage two. The county can also contract with CDE to perform stage two and part of stage three child care services.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
regulations. CalWORKs replaces the six separate welfare-related child care programs with one three-stage child care system. The system is designed to help a family move smoothly from the immediate, short-term child care needed as a parent starts work or work activities to the stable, long-term child care necessary for the family as it leaves welfare. Stage one, to be administered by county welfare departments, is limited to a maximum of six months or until the recipient’s situation has stabilized. The Department of Education is responsible for administering stages two and three, which include serving families that are continuing to receive assistance, families transitioning off welfare, and former welfare recipients. CalWORKs also established a single payment rate for all subsidized child care, and counties and other administering agencies are required to make payments directly to the provider of child care services. California’s 1997 budget included an additional $106 million for subsidized child care.

State-Local Relationships under Welfare Reform

In addition to changing key aspects of the AFDC program, CalWORKs significantly alters the relationship between the state and counties in administering the welfare program. Historically, federal and state regulations have left counties with minimal flexibility in tailoring their welfare programs to meet local priorities. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and CalWORKs provide counties with much more discretion in administering their programs. While benefit levels and general eligibility requirements will still be determined at the state level, as shown in the last column of table 4, counties can change many of the key aspects of CalWORKs. CalWORKs allows counties to use lump-sum payments to divert welfare applicants and to provide child-only payments to families who reach their time limits. Counties can extend the time limit on benefits for new applicants for up to six months, increase the number of hours recipients must work, extend the period for job search activities beyond four weeks, contract out administration of child care services, and apply for waivers to test alternative ways to deliver CalWORKs activities. Counties also have some latitude in defining the population exempt from CalWORKs requirements.

CalWORKs also changes the fiscal relationship between the state and the counties. Under AFDC, counties paid 30 percent of the nonfederal administrative costs for AFDC. Under CalWORKs, counties will receive a block grant to cover administrative expenses, although they will be required to meet a maintenance-of-effort requirement. Counties can allocate the block grant as they see fit, and they will be able to retain 75 percent of any administrative cost savings. CalWORKs also prohibits recipients who have reached their time limit or have been sanctioned from applying for county-funded General Relief until all children in the family are 18 years of age or older.
Impact of Changes in Food Stamps Program

As part of the federal welfare reform, able-bodied food stamp recipients ages 18 to 50 with no dependents are eligible for assistance for only 3 months in every 36-month period unless they meet a new work requirement. TANF allowed states to request a waiver of this requirement for areas in the state where the unemployment rate is at least 10 percent or where there is not a sufficient number of jobs to provide employment for such individuals. California applied for and received waivers for 42 counties, 1 partial county, 21 cities, and part of the city of San Francisco.

Both state and county officials predicted that the impact of the new food stamp requirements would be less severe in California than in other states. Most counties have required their GR recipients to apply for food stamps and be involved in education and training activities funded through the Food Stamps Employment and Training program (FSET). As a result, California has historically drawn down considerably more FSET funds than most states and is better prepared to ensure that able-bodied adults do not lose food stamps because of a lack of employment and training resources.

Monitoring Program Outcomes

The legislation authorizing CalWORKs requires the state to conduct a comprehensive evaluation of the direct and indirect impacts of the new program on children and families, but to date, California has not implemented any major efforts at assessment. For example, California has historically measured the success of AFDC and GAIN using eligibility, caseload, and fraud measures rather then client outcomes. While individual counties have attempted to assess the impact of AFDC and GAIN on earnings and employment, the state has not implemented any standardized assessment procedures. The state legislature has attempted, unsuccessfully, to enact legislation that would establish a system for assessing broad child well-being outcomes, modeled after efforts in Oregon and Minnesota.

California will face a major challenge in monitoring program outcomes under welfare reform because many key state agencies lack reliable data systems. California has experienced immense difficulties in implementing statewide data systems for its welfare, child welfare, and child support enforcement programs. While statewide data systems have been delayed or even abandoned, counties have proceeded in developing data systems of their own. The state now faces a major challenge in standardizing data collection, linking county-designed systems, and incorporating new elements from the revised federal mandate.
Immigrants and Welfare Reform

The federal restrictions on immigrants’ eligibility for public benefits presented one of the most contentious issues in California’s welfare reform debate. The federal welfare reform law barred legal immigrants from receiving SSI and food stamps and presented states with a number of options regarding qualified (primarily legal) immigrants’ eligibility for other federal and state programs. The welfare law also barred unqualified immigrants (illegal immigrants as well as certain other groups without permanent residence) from most federal, state, and local public benefits. To provide services to unqualified immigrants, states must pass a new law making them expressly eligible.

The impact of the immigrant restrictions on welfare reform will be felt more strongly in California than in any other state. California not only has far more immigrants than any other state, but its immigrants are poorer and have higher rates of welfare use. More than half of California’s poor families with children under 18 contain a foreign-born person, compared with 19 percent for the United States as a whole.\(^42\) The state Department of Social Services estimated that 385,000 people, or about 40 percent of all those expected to lose eligibility for food stamps, live in California. Within California, the impacts of reform will be concentrated in selected counties. Los Angeles County, for example, contains close to 40 percent of those estimated to lose food stamps in California.\(^43\) The costs of providing services to those who lose eligibility for federal benefits will be felt not only by the state and local governments but by the nonprofit organizations serving the immigrant community.

The restrictions on immigrants’ eligibility for benefits have sparked intense debate in California over unfunded mandates—federal and state—and over state and local roles in providing for the poor. The restrictions on Supplemental Security Income eligibility would have made an estimated 190,000 legal immigrants in California ineligible for benefits.\(^44\) Those losing SSI would have been eligible for General Relief—the state-mandated, county-funded cash assistance program—resulting in a potentially large cost shift to counties. The federal Balanced Budget Act of 1997 restored eligibility for SSI benefits for most legal immigrants in the United States when the federal welfare reform law passed, but not before the issue provided a thorough airing of Governor Wilson’s proposal to eliminate the county mandate to provide for the poor and other proposals to shift a portion of the cost of GR to the state.

The intersection of immigration and federalism runs deep in California. Governor Wilson has been in the forefront of national debates over the costs of immigrants—particularly illegal immigrants—and the responsibility of the federal government to pick up those costs. California was one of several states to sue the federal government, demanding reimbursement for the costs of educating, jailing, and providing emergency medical services to illegal immigrants.
Proposition 187 helped raise the national profile of the public cost of immigrants by seeking to bar illegal immigrant children from a wide range of state and local services. These included public elementary and secondary education, which would have been in direct conflict with Supreme Court doctrine.45

Despite Governor Wilson’s historically tough stance on immigration issues, California’s policy choices to date reflect a relatively generous approach toward providing services to legal immigrants. Under the state’s Budget Act of 1997, the governor approved a proposal to provide state-funded food stamps to some of those who will lose eligibility for federal food stamps. The federal government is allowing states to purchase federal food stamps, which they can then provide to otherwise eligible immigrants. The state-funded benefits, however, will be provided only to noncitizens under the age of 18 and over the age of 64 who entered the United States before August 22, 1996. These state-funded food stamps are expected to cover only about one-quarter of those losing federal benefits. The cost is estimated at $36 million for the first year. In addition, the legislature allocated $2 million to a food voucher program serving farm worker families who lose eligibility for food stamps. Both of these programs are temporary, ending on July 1, 2000.

While most other states with large immigrant populations are providing state-funded food stamps to immigrants, California is the only one to provide TANF (CalWORKs) and Medicaid to all immigrants regardless of when they entered the country. The federal welfare reform law gave states the option to provide TANF and Medicaid to current immigrants (those in the United States at the time the law was enacted). Like most other states, California has opted to keep these immigrants eligible. Under the federal law, however, those who enter the country after enactment of the law are barred from those two programs. Thus, if a state chooses to provide future immigrants with TANF or Medicaid, it must use state funds to do so. The governor has included funding in his FY 1999 budget to provide these services to all immigrants, regardless of their date of entry. The state will implement sponsor deeming requirements for CalWORKs, however, under which the income of an immigrant’s sponsor is deemed available to the immigrant, making most immigrants ineligible for benefits.

Since immigrants who naturalize become eligible for federal benefits on the same basis as other citizens, numerous states—but not California—have initiated citizenship projects in an effort to minimize state expenditures on serving immigrants. California’s Budget Act of 1997 did include $12.6 million for the Department of Education in federal adult education funds to be used for naturalization assistance and citizenship education, a $5 million increase over the previous year’s allocation. In followup legislation to the state budget, Governor Wilson vetoed $3 million in state funds for naturalization assistance.46

At the local level, fiscally strapped counties have been reluctant to spend money on naturalization initiatives but have taken other steps to encourage noncitizen residents to become citizens. Using federal and state money for
Adult Protective Services, the Los Angeles Board of Supervisors created a citizenship campaign to conduct outreach on naturalization and to disseminate information on the implementation of the welfare law’s immigrant restrictions. In Alameda County, the Department of Health allocated $100,000 to help start a county citizenship project. At the time of our site visit, the county was attempting to raise additional funds from private foundations. San Diego had not dedicated any county money toward naturalization but had supported community efforts to provide citizenship classes through its federal- and state-funded adult education program to all those who want to enroll in the classes.

A broader set of benefits for immigrants was proposed by Democrats in the state legislature and approved by the legislative committee developing the welfare reform legislation. Many of these proposals—including state funding for naturalization, a food stamp replacement program for all of those who lose federal benefits, and an SSI replacement program—were vetoed by Governor Wilson in the final stages of the 1997 welfare reform and budget debates.

In contrast to his approach to services for legal immigrants, Governor Wilson has taken an aggressive approach to restricting illegal immigrants’ access to public benefits. Before federal welfare reform, illegal immigrants were already ineligible for all major federal public assistance programs. On the day federal welfare reform passed, Wilson issued an executive order requiring state and local agencies to comply with the federal law by barring unqualified immigrants from all state and local programs. Wilson focused first on regulations restricting prenatal and long-term care. As of early 1998, implementation of these regulations had been held up by litigation. In March 1997 Wilson issued a list of more than 200 other programs from which he planned to bar illegal immigrants. The governor also issued proposed regulations barring unqualified immigrants from community mental health services, unemployment insurance disability benefits, and licenses/certificates for administering drug and alcohol programs, and from several federally funded programs, including services related to Community Services Block Grants and the Low-Income Home Energy Assistance Program. California is clearly out front on these restrictions. Most other states have not taken any steps to bar unqualified immigrants from state and local programs.

One state agency not under the governor’s direct control has taken a pro-active approach to ensuring that its services are not denied to legal or illegal immigrant children. California’s Department of Education wrote a legal opinion stating that immigrant children should remain eligible for publicly supported child care and child development services. It states that these services are an integral part of California’s public school system and, according to the Supreme Court’s decision in *Plyler v. Doe*, all children, regardless of immigration status, are eligible for a public education.
Conclusion

California’s large and diverse population and its unique economic and political landscape set the state apart from the rest of the nation. California is one of the most ethnically diverse states and has by far the largest number of legal and undocumented immigrants in the United States. Change and innovation in California are occurring in a partisan political environment amidst term limits (only recently under legal question) and unique citizen-adopted propositions that limit the state's and counties’ ability to raise money. The division of decisionmaking authority and fiscal responsibility between the state and county governments has been and continues to be a contentious issue. The diversity among the state’s 58 counties further challenges the state’s ability to devise and enact new policies.

Only since 1993 has California started to recover from its worst recession since the Great Depression. For much of the 1980s and 1990s, California’s economic woes drove policymaking for low-income children and families. As a result, California has focused more on finding cost savings and new opportunities to increase revenue than on developing or expanding programs that support disadvantaged families. Although California has achieved most of its cost savings through cuts in welfare assistance payments, the state remains relatively generous in providing for its most needy citizens. Cash benefits for low-income families with children are among the highest in the nation, and the state mandates that counties provide assistance to other needy adults.

Just before the passage of the federal welfare reform legislation, California was struggling to adapt a welfare system focused on payment accuracy (in most counties) into a system focused on job placement. State efforts to assist low-income families have also been constrained by a fragmented employment and training system with 13 different state agencies and 10 advisory councils.
administering 22 programs. Similarly, subsidized child care has been administered through 18 different state and federal programs with separate systems for welfare recipients and for families not receiving welfare, and many families have had difficulty gaining access to child care services. In addition, despite generous state funding, subsidized child care has been available to only a small percentage of eligible families.

Other social supports for vulnerable families have also faced organizational difficulties and resource constraints. Child support enforcement activities vary considerably across counties despite increased state efforts to standardize practices. California has implemented many components of an aggressive teen pregnancy prevention program, but these components have not been well coordinated at either the state or the local level. Increasing child welfare caseloads without increases in resources for services have forced many counties to screen out some families they might otherwise have served.

California’s new welfare reform plan, CalWORKs, continues the state in the direction it was taking before the federal legislation, requiring welfare recipients to work and take responsibility for their families. Under CalWORKs, the state will continue efforts to enhance and better coordinate its employment and training and child care systems. In addition, CalWORKs provides counties considerably more discretion in designing their welfare systems to meet local norms and priorities. However, counties will continue to be constrained by state laws and regulations that limit counties’ ability to raise revenues and allocate funds. California is currently enjoying its strongest economy in almost a decade, an economy that has created many new jobs and increased state revenues. Just as in the past, the strength of California’s economy will likely shape the state’s future policies toward low-income children and families.
Notes

4. Although the state fares poorly on teen births overall, it does better than the nation as a whole on the share of teen births to parents who are unmarried (70 percent versus 76 percent). *1997 Kids Count,* Annie E. Casey Foundation.
12. The state shifted $1.3 billion in 1992; in 1993 it shifted the same $1.3 billion and an additional $2.6 billion (California Budget Project, 1997).
18. Child-only units made up 20 percent of the caseload in 1995. These units include families in which the parent is sanctioned (and therefore not receiving benefits); units in which the parent is not eligible because of immigration status, but the child is by virtue of being born in the United States; units in which the parent is on SSI; and units in which an ineligible adult is caring for the children (Sheila Zedlewski and Linda Giannarelli, “Diversity among State Welfare Programs: Implications for Reform,” Urban Institute, 1997).
19. California also provides a separate assistance payment to recipients who have special needs (such as pregnancy or special dietary requirements). These cases receive approximately $45 extra per month. The AFDC Characteristics Survey shows that 3 percent of the caseload receive the extra need payment.
21. Before the waiver, there was a 12-month time limit on disregarding the first $30 of earned income and a 4-month time limit on disregarding one-third of the remaining income.
23. The capped entitlement status of the JOBS program meant that there were not sufficient funds to serve all who were not exempt from GAIN. The federal government provided matching
grants to states to fund JOBS, limited to $1 billion annually nationwide. In general, there was a minimum federal match rate of 60 percent for nonadministrative costs and a 50 percent match for administrative costs (the exact match varied among states depending on their Medicaid match rate and historic spending on the Work Incentive Program [WIN], the employment and training program for welfare recipients that preceded JOBS).

24. The federal legislation exempted many categories of AFDC recipients from JOBS. Persons exempt include those who were ill, those needed in the home because of illness of a family member, the parent of a child under age three, those already employed 30 hours or more a week and receiving aid, and recipients under age 16 and in school.


26. Respondents in Los Angeles County remarked that Riverside’s experiment did not follow the state’s original requirement that counties focus GAIN services on education and training, a requirement to which Los Angeles officials believed they must strictly adhere.

27. Allocations have always been higher for counties that implemented their GAIN programs earlier, which has caused funding inequities relative to caseload size.

28. San Diego respondents noted that they are unable to determine how much of the increase in the number of welfare recipients with earned income is a result of a focus on employment and how much is an outgrowth of the high priority given to fraud detection in the county, which has uncovered many cases of unreported earned income.


31. CDE also administers the At-Risk Child Care program, as the result of an interagency agreement with CSS, and the Non-GAIN Employment and Training program, which provides child care to AFDC recipients not on GAIN who are employed or in an approved training program.

32. AFDC parents who work are entitled to reimbursement for their child care expenses through the child care disregard. Supplemental Child Care helps working AFDC parents pay for child care expenses that exceed the allowable amount under the child care disregard.


36. For more information, see Health Policy in California, Urban Institute, 1998.

37. According to the Legislative Analyst’s Office, California’s low per person costs are a result of a number of factors, including the relatively low cost per person of optional eligibility groups, the high proportion of recipients who are in families with absent or unemployed parents, and implementation of successful cost-containment strategies (including paying low rates to providers).

38. Spending by the Department of Social Services ($87 million for Cal Learn), California Youth Authority ($400,000 for Young Men as Fathers program), and Office of Criminal Justice Planning ($8 million for Vertical Prosecution of Statutory Rape) are not included. Total state spending for 1996–97 was $205,178,323.


40. State statutes (Welfare and Institutions Code chapter 361.5) mandate that court-ordered services shall not exceed 12 months for children ages three years and older, and not longer than
six months for children under age three. Court-ordered services may be extended up to a maximum of 18 months if it can be shown that the objectives of the service plan can be achieved within the extended time period.

41. California’s 1997 budget included an additional $223 million for welfare-to-work services.


45. *Plyler v. Doe*, 1982. This provision of Proposition 187 was found to be unconstitutional.

APPENDIX

List of Interview Sources

State-Level Respondent Agencies/Organizations
California Employment Development Department
California Health and Welfare Agency
California Department of Education
California Department of Finance
California Department of Health Services
California Department of Social Services
California Head Start Association
California State Assembly
California State Association of Counties
California State Senate
California Wellness Foundation
County Welfare Directors Association
Legislative Analyst’s Office
Western Center on Law and Poverty
Western Job Training Partnership Association

Alameda County Respondent Agencies/Organizations
Alameda County Board of Supervisors
Alameda County Health Care Services Agency
Alameda County Social Services Agency
Bananas
Building Opportunities for Self-Sufficiency
Catholic Charities
Catholic Charities of the East Bay
Emergency Services Network of Alameda County
HomeBase
Northern California Coalition for Immigrant Rights
Oakland Housing Authority
Oakland Private Industry Council
Oakland Unified School District
Oakland Office of Health and Human Services
Oakland Office of Neighborhood and Community Development
Salvation Army
Travelers Aid of Alameda County
Los Angeles County Respondent Agencies/Organizations
Asian Pacific American Legal Center
Asian Pacific Older Adults Task Force
Association of Children’s Services Agencies
Beyond Shelter
Bienvenidos Family Services
California Council of Veteran Affairs
Catholic Charities
Chief Administrative Officer
Children’s Planning Council
City of Pasadena Human Services Department
Coalition for Humane Immigrant Rights of Los Angeles
Commission for Children, Youth and Their Families
Community Development Department, City of Los Angeles
Community Development Commission, County of Los Angeles
County Board of Supervisors
Crystal Stairs, Inc.
Eastmont Community Center
Family Planning Council
Fuller & Company, Inc.
His Sheltering Arms
Housing Assistance Program
Housing Authority of the City of Los Angeles
IBM
International Institute of Los Angeles
Jenesse Center, Inc.
Legal Services Program for Pasadena and San Gabriel-Pomona Valley
Los Angeles City Council
Los Angeles County Child Care Advisory Board
Los Angeles County Commission for Children and Families
Los Angeles County Department of Children and Family Services
Los Angeles County Department of Community and Senior Citizens Services
Los Angeles County Department of Public Social Services
Los Angeles Emergency Food and Shelter Program Local Board
Los Angeles Family Housing Corporation
Los Angeles Homeless Services Authority
National Immigration Law Center
Office of the Mayor
Para Los Niños
P.A.T.H.
Proyecto Pastoral at Dolores Mission
Salvation Army
San Fernando Valley Neighborhood Legal Services, Inc.
Shelter Partnership
Triangle Preservation Family Network
United Way of Greater Los Angeles
University of Southern California, School of Social Work
Watts Labor Community Action Committee
San Diego County Respondent Agencies/Organizations
Area Agency on Aging
Catholic Charities
City Manager’s Office, City of San Diego
County Board of Supervisors
Home Start
Legal Aid Society of San Diego, Inc.
Office of the District Attorney
Planned Parenthood of San Diego and Riverside Counties
Policy Studies Associates, Inc.
Polinsky Children’s Center
Probation Department
Regional Task Force on the Homeless
St. Vincent de Paul Village
San Diego City Schools
San Diego Consortium
San Diego County Adoption
San Diego Department of Health Services
San Diego Department of Housing and Community Development
San Diego Department of Social Services
San Diego Employment Development Department
San Diego Health and Human Services Agency
San Diego Housing Commission
San Diego Rescue Mission
San Diego Youth and Community Services
Social Security Administration
Sweetwater Union High School District
Teen Pregnancy Prevention
YMCA Child Care Resource Center
Rob Geen is a research associate in the Urban Institute’s Population Studies Center, specializing in child welfare and related child, youth, and family issues. As part of the Institute’s Assessing the New Federalism project, he has analyzed the potential impact of welfare reform on child welfare financing and conducted a national survey on child welfare agencies’ use of federal, state, and local funds for child welfare services; the extent to which they screen reports of abuse and neglect before an investigation; and their policies, use, and financing of kinship care. Mr. Geen was co-leader of the California case study team.

Wendy Zimmermann is a research associate in the Urban Institute’s Population Studies Center. Her work focuses on immigration and immigrant policy. As part of the Assessing the New Federalism project, she is conducting a study of state policy choices related to the federal welfare reform law’s restrictions on immigrants’ eligibility. Ms. Zimmermann was co-leader of the California case study team.

Toby Douglas is a research associate in the Urban Institute’s Human Resources Policy Center. At the Institute, he has concentrated on fiscal policy and welfare reform issues. Mr. Douglas took lead responsibility for analyzing California’s income support programs and policies as well as the state’s plans for welfare reform implementation under Temporary Assistance for Needy Families.

Sheila Zedlewski is the director of the Urban Institute’s Income and Benefits Policy Center. Her areas of special interest include income security, health benefits, retirement, aging, and taxes.
Shelley Waters is a research associate in the Urban Institute’s Population Studies Center. Her career has focused on issues related to child welfare, child care, and child support enforcement. Ms. Waters took leading responsibility for drafting the child support and teen pregnancy prevention sections of this report.