

**MEMORANDUM
PLACER COUNTY HEALTH AND HUMAN SERVICES
Human Services Division**

TO: Honorable Board of Supervisors
FROM: Richard J. Burton, M.D., M.P.H.
Placer County Health Officer and Director of Health & Human Services
Bob Dunstan, Director, Human Services Division
DATE: December 19, 2006
SUBJECT: TANF Reauthorization

ACTION REQUESTED:

Approve the attached Addendum to the Placer County CalWORKs Plan and a revision to the Transportation Section of the current CalWORKs Plan and authorize the Department of Health and Human Services to sign and submit both plans and any further revisions as required by the State Department of Social Services.

BACKGROUND:

With the implementation of TANF Reauthorization, counties have been instructed to provide an addendum to their County CalWORKs Plan outlining the changes and performance measures planned in order to meet Federal Work Participation Rates. Each County is required to brief its Board of Supervisors and submit the plan to the State by January 3, 2007.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 revamped the nation's program of cash assistance to eligible poor families with children. Welfare reform replaced AFDC (Aid to Families with Dependent Children) with TANF (Temporary Assistance to Needy Families). Welfare reform introduced strict work requirements and imposed a 5-year lifetime limit on receiving TANF assistance. Following the changes in Federal law, the State of California enacted the Welfare-to-Work Act of 1997 (AB 1542), creating the California Work Opportunity and Responsibility to Kids (CalWORKs) program.

The Deficit Reduction Act of 2005 was signed into law on February 8, 2006, with an effective date of October 1, 2006. Included in this Act was the reauthorization of the Temporary Assistance for Needy Families (TANF) program. The most significant changes are:

- Imposes fiscal sanctions on those states that do not meet the participation rate requirements.
- Changes the base year from 1995 to 2005 for calculating the caseload reduction credit to apply towards meeting work participation rates.
- Will impose stricter requirements in what will be considered work activities and the documentation that will be required.
- Includes a "pay for performance" incentive.

The Department is recommending changes to the transportation section of the original CalWORKs plan to improve efficiency and provide flexibility in setting policy. Additionally, the Department anticipates ongoing review and revision to the Plan as state directives are received.

An Executive Summary of the addendum is attached. A complete copy of both the Plan Addendum and the revised CalWORKs Plan are on file with the Clerk of the Board of Supervisors.

FISCAL IMPACT:

Included in this year's statewide CalWORKs allocation is an augmentation of \$90 million. The intent of this augmentation is to increase resources to expand welfare-to-work and other activities targeted at improving work participation rates. However, given that other funding sources for CalWORKs and within Human Services generally have declined, it will be necessary to use this increase to offset this and the annual increases to operating costs.

Placer County CalWORKs Plan Addendum Executive Summary

With the Reauthorization of TANF effective October 1, 2006, Placer County Health and Human Services (Department) is planning a comprehensive approach with its partners to assist its residents in attaining self-sufficiency. This plan addendum highlights several strategies that the Department anticipates will decrease the number of sanctioned individuals and increase the work participation rate, two factors that impact self-sufficiency. Some of the strategies that Human Services (Division) will employ to increase participation include:

- Continuing successful partnerships such as:
 - Collocation of Human Services counselors at the Office of Economic Development to connect clients with employers
 - Participation at the One-Stop at the Employment Development Office (EDD) in Roseville
 - Engaging Families program, a partnership of Human Services, Children's System of Care, and Family Resource Centers
- Encouraging participation of sanctioned and exempt clients by conducting home visits by counselors and investigative staff
- Increasing the work and training opportunities by strengthening our community partnerships
- Engaging adults sooner in the application process by revising internal procedures

Under this plan, Human Services will re-engineer some of its internal processes in an effort to meet the State's new requirements. The Division will hold public forums to solicit input and feedback about new and existing strategies. Additionally, the Division plans to work closely with the advocates, community partners, and other agencies to coordinate meeting the goals described in the plan.

With TANF reauthorization, there is renewed pressure on the State to meet the Federal participation rate of 50% for single parent families and 90% for two-parent families. Complicating this, the population on which the participation rate is based has been revised and now includes families whose parents have timed out and are no longer aided as well as individuals who are sanctioned for non-participation. Including these populations in determining the work participation rate will significantly decrease the current work participation rate for the counties and the State.

If California does not meet the Federal work participation rate, the State will incur a fiscal penalty of up to five percent (\$187 million) of the State's block grant in the first year, depending on the degree of non-compliance. This penalty can increase two percent each year, up to 21 percent. FFY 2009 is the first year California will be at risk of incurring a fiscal penalty based on the State's performance in FFY 2007, which began October 2006. There are several ways in which the State may be able to mitigate penalties, including evidence that its participation rate has improved and developing a corrective action plan. If the State cannot meet the participation requirements and cannot avoid penalties, the State and the counties would be equally responsible for a Federal fiscal penalty. Welfare & Institutions Code Section 10544 requires the State to pass on 50% of the Federal penalties to counties that fail to meet the Federal work participation requirements. A methodology for distributing the penalty to counties has yet to be discussed or determined. However, it is likely to expect the methodology to be performance based. To the extent that Placer County continues to outperform the statewide average, this amount would be mitigated.

On the positive side, the Deficit Reduction Act includes a pay-for-performance incentive. The amount budgeted in the current year is about \$40 million. Earning these funds will be based upon the following three measures:

- Percent of adults that participate
- Percent of former clients (past aid by three months) that have earnings
- Percent of working adults

Additionally, pay-for-performance will consider the County's ranking compared to other counties in the State and whether the County has shown improvement.

Included in this year's statewide CalWORKs allocation is an augmentation of \$90 million. The intent of this augmentation is to increase resources to expand welfare-to-work and other activities targeted at improving work participation rates to minimize the federal financial sanctions for failing to do so. Placer County's share of the \$90 million is \$463,180; however, due to other adjustments within the CalWORKs allocation, Placer actually suffers a net decrease of \$111,262.

CalWORKs Single Allocation Program Components	FY 05/06	FY 06/07
CalWORKs Eligibility Administration	\$1,659,430	\$1,762,538
WTW Employment Services	4,601,240	4,629,032
CalWORKs Childcare	2,330,644	1,726,242
CalLearn	35,870	65,830
Other Performance Incentive *		332,280
Total	\$8,627,184	\$8,515,922

While Placer County is fully committed to the goal of increasing work participation rates and ultimately, reducing the number of County residents in need of public assistance, attempting to do so within existing resources will be very difficult. Thus, this decrease to current level funding could jeopardize Placer's ability to improve its work participation rates. Likewise, an increase would enable the department to work with more clients and in assisting them to address the more challenging issues they face in becoming self-sufficient. However, the department will continue to manage existing resources to maximize our opportunities to meet the enhanced requirements and expectations. Additionally, the department will advocate and pursue options to obtain enhanced funding to better position the County to meet work participation rates, thus mitigating or avoiding financial penalties. It should also be noted that besides funding levels, other variables influence the work participation rates including labor market conditions and the severity of barriers to employment that many our clients face.

* Counties earned performance incentive funds as part of the welfare reform legislation in 1997. Counties such as Placer that have funds remaining are being required to spend them by receiving a corresponding one-time cut to their CalWORKs Single Allocation.

