

Welfare Reform in California

*State and County Implementation of
CalWORKs in the First Year*

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Preface

In response to national welfare reform legislation—the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which was signed in August 1996—California passed legislation on August 11, 1997, that replaced the existing Aid to Families with Dependent Children (AFDC) and Greater Avenues to Independence (GAIN) programs with the California Work Opportunity and Responsibility to Kids (CalWORKs) program. Following an open and competitive bidding process, the California Department of Social Services (CDSS), which administers CalWORKs, awarded a contract to RAND to conduct a statewide evaluation of the CalWORKs program.

This RAND report presents results from the early stages of the process study component of the evaluation. It describes the background leading up to the CalWORKs legislation and the early implementation efforts at the state and county levels. Subsequent reports in February 2000 and February 2001 will describe the continuing implementation of the CalWORKs program at the state and county levels. MR-1051/1-CDSS provides an executive summary of the results documented here.

This document draws on the results of a statewide annual RAND All-County Implementation Survey (ACIS) that is described in two separate documents:

- MR-1052-CDSS, *Welfare Reform in California: Results of the 1998 All-County Implementation Survey*, January 1999
- MR-1052/1-CDSS, *Welfare Reform in California: Results of the 1998 All-County Implementation Survey*, Appendix.

In addition to this process study, there is a parallel impact and cost-benefit study. Preliminary results from that study will be released in October 2000, with the final results to be released in October 2001.

For more information about the evaluation, see <http://www.rand.org/CalWORKs> or contact:

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Summary

Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) fundamentally changed the American welfare system, replacing the Aid to Families with Dependent Children program (AFDC) with the Temporary Assistance to Needy Families (TANF) program. In addition, PRWORA deliberately and decisively shifted the authority to shape welfare programs from the federal government to the individual states. California's response to PRWORA was the California Work Opportunity and Responsibility to Kids (CalWORKs) program—a “work first” program that provides support services to help aid recipients move from welfare to work and toward self-sufficiency. As required by PRWORA, CalWORKs also imposes lifetime time limits. Finally, CalWORKs devolves much of the responsibility and authority for implementation to California's 58 counties, increasing counties' flexibility and financial accountability in designing their welfare programs.

The California Department of Social Services (CDSS)—the state agency responsible for welfare—contracted with RAND for an independent evaluation of CalWORKs to assess both the process and its impact, at both the state and county levels. This report presents the results of RAND's initial analysis of the process component of the evaluation, from the signing of the contract in September 1998 through early December 1998. To conduct the analysis, RAND staff relied on three methods:

1. a review of the pertinent documents and literature surrounding CalWORKs, as well as the relevant secondary literature
2. the fielding (and analysis) of the RAND All-County Implementation Survey (ACIS)—a mail survey developed jointly by RAND, CDSS, and other state agencies—that collected some information on the implementation of CalWORKs in each of the 58 counties
3. a series of 77 semistructured interviews with welfare agency staff at the state level and in each of six preselected focus counties: Alameda, Butte, Fresno, Los Angeles, Sacramento, and San Diego.

Emerging Themes

In conducting the process analysis, RAND staff examined the historical background and context for both the federal and California welfare reform legislation; tracked funding levels; and analyzed the planning process at the state and focus-county levels, the status of the implementation in the counties of the welfare-to-work (WTW) program, and the status of reorganization at the state and focus-county levels in response to the changing responsibilities required by CalWORKs. Out of this analysis, four themes have emerged that provide a baseline and that point to areas for investigation in the coming year.

Organizations Have Changed in Response to the Expanded Mission of CalWORKs, Despite Limited Time for Planning

Implementing CalWORKs entails a profound change in the mission of the counties' welfare agencies. Under CalWORKs, the counties still have the mission of verifying eligibility, but now they also need to verify school attendance, immunization, and living arrangements for minors. Most critically, the counties now must strive to move almost all their caseload toward work and self-sufficiency. This entails arranging a broader range of services for recipients (job search, training, transportation, mental health, substance abuse, domestic violence), often requiring intensive case management. This expanded mission also requires performing assessments and appraisals to match services to the needs of individual recipients and implementing a sanctioning process to deal with recipient noncompliance. Finally, the counties' expanded mission creates a new "client" group to deal with: employers. To succeed, county welfare agencies need to develop positive working relationships with employers—so that they will accept job placements, work through job-placement issues, and come back to the welfare agency for new hires as initial placements move on to new jobs or up to better jobs in the same firm.

The initial implementation of CalWORKs is far from complete. The state passed its legislation later than most other states. The late legislation limited the time available for planning and rushed implementation. State and county officials have worked very hard to meet the short deadlines. In fact, leaders of several county welfare agencies began planning before final regulations were released and often before the final legislation passed. Although such early planning was helpful, these early planners often found that they had to revise their plans to conform to the final legislation and regulations. Revisions occurred at least through late summer of 1998. With some final state regulations still unreleased, counties may be required to make additional revisions.

Similar effects of the late legislation are apparent in implementation. Counties have rushed to have any program in place as of the appropriate deadlines. As a result, there has been little time for reviewing best practices, creating manuals, training staff, or pilot-testing programs. In addition, management structures, quality-assurance systems, exception-handling policies, and data-collection systems are often incomplete. Current programs are often viewed as placeholders. Continuous program quality improvement has barely begun.

Despite the limited planning period, counties are moving forward with programs to address the key implementation requirements: (1) running eligibility and welfare-to-work activities, (2) coordinating operations with other agencies and service providers, (3) apportioning new agency responsibility to the staff, and (4) increasing the use of outsourcing.

Because we were only able to spend a few days in each of the six focus counties and have talked almost exclusively to welfare agencies (and not to allied agencies, community-based organizations, or for-profit firms), we have an incomplete understanding of the programs the counties have implemented and the institutional mechanisms they are using to do so. In the coming year, we will broaden our work in the focus counties, visit a larger set of follow-up counties, and field another ACIS. Our interviews to date have focused on senior staff in the welfare agencies. Over the next year, our investigation will expand to include interviews with caseworkers and recipients. Our investigation will also expand to allied agencies at the state and county levels, to nonprofit organizations, and to for-profit firms. Through these efforts, we hope to gain a better understanding of how CalWORKs is being implemented and of differences across the counties.

Implementation Is Under Way, but Recipient Compliance Is Low

The counties are still putting their CalWORKs programs into place. Enrollment is nearly complete, and job club is getting under way. However, assessment, WTW activities, and community-service activities exist in prototype form, if at all. Nearly all counties told us that they would meet the January 1, 1999, deadline to enroll all the existing AFDC caseload in CalWORKs; now that the deadline has passed, nearly all counties met their goals. In addition, every county appears to have its job club efforts up and running.

For the programs that are in place, compliance has been a major problem. Counties report that half or more of the recipients simply do not show up to the activity for which they are scheduled. Understanding this noncompliance and dealing with it appear to be the most important current implementation issues.

The CalWORKs legislation, like the Greater Avenues to Independence (GAIN) legislation it replaces, specifies sanctions for nonparticipants and a procedure for imposing them. However, overwhelmed by the challenge of enrollment and the sudden swelling in the size of their job club efforts, counties are at various stages in the process of sanctioning no-shows. Some counties are not sanctioning at all; some are just rolling out their sanction programs; and some have sanction programs in operation.

Observers have different perspectives. One perspective posits that work has not yet “hit the street” that participation really is required and that failure to cooperate will lead to sanctions. Once it does, compliance will increase. For other would-be participants, they argue, there are barriers that hinder participation. For example, some recipients do not understand the notices (because they are in a language the recipients do not understand or at a reading level that is too high). Other recipients may have substance abuse or mental health problems that prevent them from participating or even requesting the services they would need to participate. In addition, some recipients do not realize CalWORKs will provide them with transportation or child care to enable them to participate. According to this more sympathetic view of noncompliance, counties need to dedicate staff to help recipients overcome barriers to participation in CalWORKs activities.

Another perspective posits that noncompliance is a deliberate choice not to participate. Those holding this view often suspect that current recipients who do not comply have significant levels of unreported (“under the table”) labor earnings. Those holding this view argue that the details of the CalWORKs legislation actually *encourage* noncompliance. They point, in particular, to the fact that sanctions only reduce the family’s grant by the smaller, adult portion of the grant; the larger, child portion continues, along with MediCal and Food Stamps. Moreover, when the sanction is imposed, the adult’s lifetime time-limit clock stops. Months under sanction do not count toward the new five-year lifetime limit on receipt of cash assistance. Thus, for some recipients, being sanctioned can be desirable: They receive most of the grant; they are not being required to work or participate in WTW activities; and the time-limit clock stops.

Low recipient-compliance levels suggest several follow-on research activities. Our current understanding of implementation is based primarily on anecdotal reports of senior county welfare agency officials about program status and the number of recipients in each activity. Over the coming year, we will analyze the administrative records in the six focus counties to tabulate the distribution of recipients in each activity, how individual recipients move through the statuses, and how the system is changing over time. Key informant interviews in the

follow-up counties, questions on the ACIS, and questionnaires to caseworkers and recipients will provide a richer understanding of what is happening with work activities and sanctions.

Counties Currently Have Sufficient Funds, but This May Change

A variety of factors have led to increased funding, declining caseloads, and slow program rollout. Together, these factors have left most counties with sufficient funds at this time. Whether the counties will continue to have sufficient funds is an open question. Current CalWORKs activities—enrollment and job search—are relatively inexpensive; later program activities—such as training and supported work—are likely to cost much more. As the program matures, more recipients will enter CalWORKs activities, and more recipients will enter the later, more expensive activities. Costs per case are likely to rise, perhaps considerably. Most believe that costs will be even higher because the most difficult-to-serve cases—who will rely on such expensive services and programs as mental-health treatment, substance-abuse treatment, and domestic-violence counseling—will only appear later; it is still unclear how many there will be. Some of this year's funding involves carryover funds unspent in earlier years. Such funds may be consumed, lowering funds available in future years. A downturn in the economy could send the caseload soaring, dramatically increasing costs. Finally, funds could be cut or reallocated at the state or federal level.

It is also possible that California's grant payments will continue to decline. As of June 1998, California's caseload decline was among the smallest in the country. From near its peak in January 1995 to June 1998, California's caseload has declined by 25 percent. While this is a large drop in absolute terms, it is the sixth smallest among all 50 states and the District of Columbia over the same period. The national average decline is 40 percent. Nationally, much of that decline (27 percent) has come in the last 18 months, with the implementation of PRWORA programs and their stronger work requirements and the simultaneously robust national economy. The CalWORKs legislation passed late, and the reformed program is just now being implemented. California's caseload decline over this period is only 19 percent. Perhaps, if the economy continues to be strong and as the CalWORKs program is implemented, California's caseload will decline further along the national pattern. Furthermore, even for people who do not leave the welfare rolls, the cash grant would decline if CalWORKs moves them to work. Under this scenario, counties might find themselves with even more dollars per case than they have today. Such a presumption is consistent with CDSS's official projections as part of the Caseload Analysis for the November

1998 Subvention. Those projections imply an 11-percent decline in the caseload in the 1999–2000 fiscal year.

Given the uncertainty over future funding, the counties are, not surprisingly, taking approaches to implementation that vary in their level of cautiousness. For example, some counties are hiring new staff, while others have resolved to put off hiring new staff. In addition, some counties are initiating new programs, while some are allocating funds to strengthen infrastructure for a “rainy day.”

Statements and actions of some county welfare directors seem to assume that current funding will continue or increase. Some are considering providing intensive job-retention services and training for recent recipients. Some of them are considering using funds to provide such services as home visits that would move departments back toward a social-work model of a one-on-one contact between a recipient and a skilled caseworker. Others are considering expanding their focus from current or even recent recipients to the entire poor population or even to all workers. Whether these expanded roles would survive a tightening of the budgetary situation needs further study.

Indeed, the financial perspective deserves further study. Over the next year, we intend to build a better model of the flow of funds and the costs of specific activities, using official detailed budget data from the state and county levels.

Achieving Earnings Needed to Achieve Self-Sufficiency Before Time Limits Expire Is a Challenge

PRWORA at the federal level and CalWORKs in California make two fundamental changes in welfare programs. First, recipients are expected to work or engage in specified WTW activities. Second, and arguably more important, welfare is no longer an indefinite entitlement. Lifetime receipt of cash assistance for adults is limited to five years. In California, the child portion of the grant can continue indefinitely. Because of this lifetime limit on receipt of cash assistance, recipients need to move decisively toward work and self-sufficiency.

The CalWORKs legislation clearly implies a “work first” approach. The slogan in several of the counties is “A Job; a Better Job; a Career,” where a career is understood to be a job that enables self-sufficiency. Furthermore, while AFDC was criticized for discouraging work, changes in the benefit structure with CalWORKs and the Earned Income Tax Credit mean that work clearly “pays.” For example, a welfare recipient with two children and a job (defined here as half-time work at the minimum wage) keeps about 75 percent of each dollar earned and has total household resources (earned income, welfare grant, Earned

Income Tax Credits, and cash value of Food Stamps, less payroll taxes) 38 percent above the no-work package and 7 percent above the poverty line. A full-time job at minimum wage moves a family of three 32 percent above the poverty line, counting all household resources. Furthermore, this family would still receive some cash welfare payment and supplemental services, including child care and MediCal.

Experience under California's GAIN program, however, suggests that moving almost all the current caseload into the workforce and toward self-sufficiency before time limits are reached will be a major challenge. California's high cash grant and small grant reduction for earnings imply that the cash grant is not zero until labor earnings exceed \$1,447 per month. Thus, to achieve self-sufficiency as defined under CalWORKs, a family of three needs the equivalent of a full-time worker with a job paying \$8.36 per hour. Riverside's GAIN program achieved this level of earnings for only a small fraction of the participants.

At this point, it is too early to know how well counties will meet the challenge of moving recipients to self-sufficiency. It is possible the economy will remain strong and will produce jobs and that the average CalWORKs program—given what has been learned about welfare-to-work programs, given higher funding levels, and given CalWORKs' rich menu of support services—will be much more effective than the Riverside GAIN program. And perhaps the threat of time limits—not present in the GAIN program—will serve as an additional motivator. In addition, the larger declines in states with more mature TANF programs are encouraging.

Still, it seems almost certain that results will be heterogeneous. Some recipients will move quickly and steadily toward self-sufficiency; some will move into the workforce and full-time jobs, but at wages not much above the minimum wage; some will work only part-time, part-year; and some will not work. Some recipients may hit the time limits—for them, the adult portion of the grant will end, but the child portion of the grant will continue, providing a "safety net." Some will voluntarily remove themselves from the welfare rolls before hitting time limits, to maintain their eligibility in the event of future reversals, and some will accept sanctions to stop their time-limit clocks while continuing to receive some cash assistance for their children. The distribution of the caseload into these groups will become apparent over the next few years. The impact analysis should provide preliminary indications of how many families will be in each group.

As was true with the others, this theme suggests clear directions for future analysis—particularly the impact analysis. While one focus of the impact analysis needs to be on evaluating the net effect of CalWORKs relative to some

other policy (e.g., AFDC, TANF in other states, CalWORKs across counties), this theme suggests that there are absolute standards—self-sufficiency, receipt of any cash grant, resources greater than the poverty level—that are arguably as interesting. The impact analysis will track employment, earnings, job tenure, wage growth, and health insurance coverage and will attempt to relate these outcomes to county CalWORKs policy.

Clearly, it is very early in the implementation of CalWORKs itself and of RAND's evaluation. Initial implementation of some program components is still under way; continuous quality improvement has barely begun; and major effects on employment and caseloads are still months away. Similarly, RAND is less than six months into its three-year contract to conduct a statewide evaluation. Given this early stage of the program and of the evaluation, the themes discussed briefly here and in the body of the report are intended to serve as hypotheses to be tested in subsequent evaluation activities.

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Abbreviations

AB	Assembly Bill
ACIS	RAND All-County Implementation Survey
ACL	All-County Letter
AFDC	Aid to Families with Dependent Children
APP	Alternative payment provider
BoS	Board of supervisors
CalWORKs	California Work Opportunity and Responsibility to Kids
CBO	Community-based organization
CDE	California Department of Education
CDSS	California Department of Social Services
COLA	Cost-of-living adjustment
CSAC	California State Association of Counties
CWDA	California Welfare Directors' Association
DHHS	U.S. Department of Health and Human Services
DoL	Department of Labor
EITC	Earned Income Tax Credit
EW	Eligibility worker
FSA	Family Support Act of 1988
GAIN	Greater Avenues to Independence
GAO	General Accounting Office
H.R.	House Resolution
JOBS	Job Opportunities and Basic Skills (training program)
MDRC	Manpower Demonstration Research Corporation
MOE	Maintenance of effort (requirement)
NICHD	National Institute of Child Health and Human Development
OJT	On-the-job training
PIC	Private Industry Council

PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
SB	Senate bill
SEC	Section
SIP	Self-initiated program
TANF	Temporary Assistance to Needy Families
WIC	California Welfare and Institutions Code
WIN	Work Incentive program
Work Pays	California's Assistance Payments and Work Pays Demonstration Project
WTW	Welfare-to-work

1. Introduction

Background

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) fundamentally changed the American welfare system, replacing the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance to Needy Families (TANF) program. In addition, PRWORA deliberately and decisively shifted the authority to shape welfare programs from the federal government to the individual states.

Newly unfettered by changes in federal policy, the states are now engaged in a great experiment in welfare reform. In California, the Thompson-Maddy-Ducheny-Ashburn Welfare-to-Work Act of 1997 (passed August 1997) reformed California's welfare system. The California legislation replaced AFDC with the California Work Opportunity and Responsibility to Kids (CalWORKs) program. CalWORKs is a "work first" program that provides support services to help recipients move from welfare to work and toward self-sufficiency. As required by PRWORA, CalWORKs includes a 60-month lifetime time limit on the receipt of cash assistance to further motivate recipients to make these transitions. Finally, the legislation increases counties' flexibility and financial accountability in designing their welfare programs.

In response to the CalWORKs legislation, California's counties are now (late in calendar year 1998) in the process of implementing their own welfare programs. The counties submitted basic CalWORKs plans early in 1998, were to begin enrolling new applicants into CalWORKs by April 1998, and were to have enrolled all their existing caseload in welfare-to-work (WTW) programs by the end of December 1998.

Beyond these statutory deadlines, CalWORKs represents a major change in the *nature* of welfare in California. Before CalWORKs, the primary responsibility of welfare agencies in California had been to determine eligibility properly and to compute the correct check amount for welfare payments. Now, under CalWORKs, the same agencies are also expected to help recipients make a transition into the workplace and, shortly thereafter, toward self-sufficiency. Doing so is clearly a major implementation challenge—one made all the more difficult because there are no clear model programs to follow. As a result, each

county is “muddling through”: trying to specify its own approach while simultaneously trying to implement it.

Because of the magnitude of these changes, the CalWORKs legislation mandated that the California Department of Social Services (CDSS)—the state agency in charge of welfare—contract for an independent evaluation of CalWORKs. The evaluation was intended to assess both the implementation of CalWORKs and its impact, at both the state and county levels. After an open and competitive bidding process, CDSS awarded the contract for the independent evaluation to RAND.

Objectives and Approach

In this report, RAND presents the results of its initial analysis of the process component of the evaluation—an analysis that ran from the signing of the contract for the evaluation in September 1998 through early December 1998. This report primarily offers a baseline. It describes the policy context and the early implementation. Second and third reports, following in February 2000 and February 2001, respectively, will provide more analysis of implementation, successes, failures, and suggested changes.

The process-analysis component of the evaluation traces the implementation of CalWORKs over time and across counties, examining the unfolding of the various program elements, the efforts each county makes to adapt to the changes imposed by CalWORKs, and how the various aspects of the legislation facilitate and constrain county efforts. Its objectives are to understand the CalWORKs implementation process and the extent of variation across counties in this process and to analyze the impact of the CalWORKs legislation on counties’ efforts to change welfare and achieve the goals of CalWORKs.

What the Process Analysis Must Capture

In conducting this first phase of the process analysis, we have taken an approach that is guided by the model of CalWORKs shown in Figure 1.1. The figure emphasizes that CalWORKs is not a program that just provides cash assistance to recipients. Rather, it provides a range of services that are designed to move people quickly and permanently into the workforce and toward self-sufficiency. These services are provided not only by welfare agencies but also by other governmental agencies, nonprofit organizations, and for-profit firms. The arrows in Figure 1.1 note some, but not all, of the possible intra- and interagency coordination necessary to implement CalWORKs. Our process analysis will

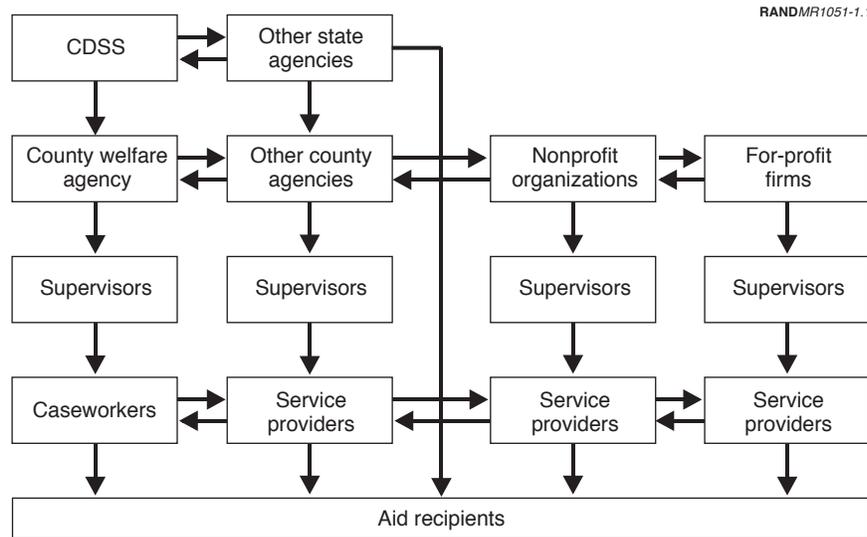


Figure 1.1—CalWORKs Agency Interactions

consider these different forms of service provision and, in particular, the interaction between the various agencies, organizations, and firms involved as they formally or informally coordinate services and payments.

A more-comprehensive analytic framework rooted in the literature on policy implementation (e.g., Mazmanian and Sabatier, 1981, 1983; Palumbo and Calista, 1990; Wilson, 1991) will drive the design, data collection, and analysis components of subsequent process reports. That framework will consider the details of the legislation and the implied interactions across agencies, across levels of government, and within levels of agencies; the causal relations underlying the legislation; and support for the program by state and county politicians, senior officials, and other stakeholders and interest groups. It will also address the organizational structures put in place to implement the legislation (lines of authority, incentives, monitoring, contracting provisions), and the behaviors of line staff and program participants. Subsequent reports will describe this model and its implications in more detail. Furthermore, the model will guide the transition of this primarily descriptive report to subsequent, more-analytic reports.

The process analysis must take into account how CalWORKs has changed interorganizational relationships; it must also examine how CalWORKs is implemented within organizations. Policy may be set at the higher levels of an organization, but it is implemented by caseworkers and service providers through their day-to-day contact with CalWORKs participants. Thus, while this

first process analysis focuses primarily on the effects of CalWORKs within CDSS and county welfare agencies, we are sensitive to the effects of these policies and changes on those who work directly with CalWORKs participants and will examine these effects more directly in future reports. In future reports, we will also study the changes CalWORKs has brought about in other governmental agencies, nonprofit organizations, and for-profit firms working with welfare agencies.

What Methods Were Used

To capture the complexity of the interrelationships shown in Figure 1.1, we used three basic methods. First, we reviewed the pertinent documents and literature surrounding CalWORKs, including public documents, such as the relevant federal and state statutes and regulations; the state's All-County Letters (ACLs), County Fiscal Letters, and All-County Information Notices; county plans; and federal and state budgets. We also reviewed the relevant secondary literature, including reports from the Legislative Analyst's Office, the California Budget Project, the Urban Institute, the General Accounting Office (GAO), and the Manpower Demonstration Research Corporation (MDRC).

Beyond the document and literature review, we also fielded the RAND All-County Implementation Survey (ACIS)—a mail survey developed jointly by RAND, CDSS, and other state employees. The survey collected information on the implementation of CalWORKs in each of the 58 counties. The survey was mailed out in late September 1998. Phone follow-up began in early November 1998. All 58 counties completed and returned the survey. Specific results from the ACIS are included throughout the report.¹

The third method, field interviews, was our major source of information for this report. We used a replicated case-study design. We conducted 77 semistructured interviews with key welfare-agency staff in six focus counties: Alameda, Butte, Fresno, Los Angeles, Sacramento, and San Diego (referred to as the six focus counties). CDSS chose these six counties to ensure that this process analysis would cover the various geographic regions of the state and reflect both urban and rural considerations in implementing CalWORKs.² Table 1.1 provides some basic demographic data about the six counties.

¹See Ebener and Klerman (1999) and Ebener, Roth, and Klerman (1999) for the detailed results of the ACIS.

²Most of the focus counties are veterans of previous studies. For example, MDRC's study of Greater Avenues to Independence (GAIN) included four of our focus counties (Los Angeles, San Diego, Alameda, and Butte); the Work Pays Demonstration included two of our counties (Los Angeles and Alameda).

Table 1.1
Demographic Information for Six Focus Counties

	Population (millions)	Unincorporated area (%)	Unemployment rate, 1996 (%)	Per-capita income, 1995 (\$)	Agricultural employment (%)
Alameda	1.4	9.25	5.0	27,071	3.38
Butte	0.2	52.18	9.0	18,040	3.97
Fresno	0.8	22.79	13.0	18,329	23.26
Los Angeles	9.5	10.46	8.2	23,501	0.19
Sacramento	1.1	60.65	6.0	23,038	0.72
San Diego	2.7	16.02	5.3	23,263	0.09

SOURCES: Department of Finance, Demographic Research Unit; Employment Development Department, Labor Market Information Division; and U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

Together, these counties include nearly 48 percent of the state's population and almost 59 percent of the state's welfare caseload. While they do include both urban and rural counties, the very small rural counties are not represented. Our interviews suggest these small rural counties have unique problems in implementing CalWORKs, including a lack of infrastructure for services, large numbers of seasonal workers, and the lack of a college (often the center for both staff and recipient training).³

How the Site Visit Interviews Were Conducted

To conduct the site visit interviews, we sent two teams of interviewers into each county for a total of two days per county. In each county, the first team focused on overall planning, interviewing the head of the welfare department and the senior staff involved with the planning for, and the implementation of, CalWORKs. Who these people were varied by county, but generally we spoke to the welfare agency director and senior staff persons responsible for planning, CalWORKs, and finance. The second team focused on WTW activities because these activities are the core of the CalWORKs legislation. This team met with the person responsible for WTW activities, the GAIN director, the employment program specialists, and the directors of Private Industry Councils (PICs) and/or MediCal Eligibility Determination System Employment Development Department as warranted.

³Consequently, we do not regard the focus counties as necessarily representative of the state's 58 counties. Indeed, as discussed below, we will expand our sample to an additional ten follow-up counties in spring 1999. These counties, combined with the six focus counties, should give us a clearer picture of CalWORKs implementation across the state.

Interviews were arranged by the coordinator for the evaluation study in each county. This person, whose position is funded by the state to assist the evaluation with its work, provided us with an organization chart and advised us as appropriate on recent changes to it. Using the chart, we selected respondents and worked with the county coordinator to establish agreeable dates for the two sets of visits. Respondents were promised anonymity for the interviews, but not confidentiality. We have attempted to obscure identities to the extent possible, but as we informed respondents, there are limits, given that there are only six focus counties and only one of some types of interviewees in each. Respondents were generous with their time and with the information and insights that they provided.

As the visits progressed, we asked each county coordinator to provide us with copies of any written materials that were discussed in the interviews. We also occasionally requested additional information from each focus county, which we relied on the county coordinators to collect. These requests ranged across a broad spectrum of organizational data. For example, we requested caseloads by month from January 1994 to November 1996, as well as the number of full-time equivalents assigned to CalWORKs. These data enabled us to make more accurate comparisons across focus counties than otherwise might have been possible.

We also spent a total of four days (nine person-days) interviewing senior staff in CDSS and the California Department of Education (CDE). We spoke with each of the four CDSS Regional Advisors; other staff included high-level leadership and unit managers and bureau chiefs who oversee work and relevant services. We also spoke to legislative staff from both political parties and to people outside the state or county bureaucracies whose organizations monitor welfare issues closely.

Given the very short time available to prepare this first report, analysis occurred simultaneously with the fieldwork. At weekly project meetings, site visitors presented the information they had gathered in the past week. Time was also set aside to ask whether the most recent round of visits had identified new issues or questions that needed to be pursued in the next visits or through requests to the county coordinators or the state. When the visits ended on December 16, 1998, we felt that we had a fairly good understanding of the major issues.

Our perceptions were then subjected to careful scrutiny of notes, documents, and relevant data. Interview notes were entered into a software package from QSR designed to support analyses of qualitative data. The output enabled us to analyze responses across counties and interviewees. The results of the site visits to the six focus counties are presented throughout the document.

Scope

Our fieldwork in the fall of 1998 was limited because of the short interval between the signing of the contract (late September 1998) and the required delivery of a draft report (early January 1999). This short interval limited the amount and types of information that could be collected. In the next two years, project staff will be able to devote more time to the site visits and will collect information from additional respondents: supervisors, caseworkers, and recipients in the welfare agencies. In addition, parallel analyses will be conducted of the allied agencies at the state and county levels and of the nonprofit and for-profit organizations delivering services.

Because of time constraints, visits to the follow-up counties were deferred until the spring of 1999. We have tentatively selected the counties—San Francisco, Sutter, Yolo, Contra Costa, Santa Clara, Monterey, San Joaquin, Tulare, San Bernardino, and Riverside—to balance across the urban-mixed-rural continuum and across the geographic regions of the state. We will finalize our selection of the follow-up counties in the spring of 1999, after reviewing the results of the first round of process tasks and in consultation with CDSS. The study of the follow-up counties will be conducted during the second round of the process analysis in the spring and summer of 1999.

Also, the 1998 ACIS was sent only to the county welfare directors. In the two subsequent rounds, the survey will also be sent to other agencies and service providers.

Organization of this Document

This report presents the results of our initial process analysis. In the next section, we provide historical background for and review of both federal and California welfare reform legislation. We also consider the financial implications of the changes. This review provides the context for Section 3, which describes the planning process at the state and then the county levels. Section 4 describes the status of implementation (primarily in the focus counties) of the core of the CalWORKs reforms—the WTW programs—while Section 5 provides the status of the implementation of service-delivery functions. Section 6 discusses the status of reorganization at the state and county levels in response to the changing responsibilities of CalWORKs. Section 7 presents some of the emerging themes from this initial phase of the process analysis and outlines directions for future study.

2. Historical Background and Context for Federal and California Welfare Reform Legislation

To understand the implementation and impact of the CalWORKs legislation, it is crucial to understand the historical context from which the legislation emerges. CalWORKs replaces the AFDC and GAIN programs; that history—both positive and negative—affected the final legislation and the nature of the program at the state and county levels. Therefore, before we turn to implementation, we briefly examine the prereform context, the debate leading up to the final federal and California legislation, the specific provisions of that legislation, and their financial implications.

Background on Federal Welfare Reform Legislation

The federal welfare-reform legislation of 1996 (PRWORA) and the California welfare-reform legislation of 1997 (CalWORKs) are the culmination of a long period of transformation of American welfare programs. The original program, part of the New Deal Social Security Act of 1935, was deliberately defined by the federal government as an entitlement to be administered with only limited state discretion. Furthermore, the program deliberately did not require recipients to work. Beginning in 1960, these characteristics—entitlement, limited state discretion, and no work requirements—were slowly reversed. These changes culminated in PRWORA. CalWORKs, in turn, implemented a new program that is consistent with and uses the new leeway provided by the federal reform legislation.

The Aid to Dependent Children Program—The Origins of Federal Welfare

Modern federal involvement in welfare policy is rooted in the social legislation of the New Deal.¹ Title IV of the 1935 Social Security Act established the Aid to Dependent Children program.² This program was a joint state-federal program

¹This discussion draws on Garfinkel and McLanahan (1986), Chapter 4.

²As part of Truman's Fair Deal, P.L. 81-734, The Social Security Act Amendments of 1950, the program's name was later changed to Aid to Families with Dependent Children (AFDC).

to provide cash assistance to women raising children without income support from a man. The federal government defined the basic program as an entitlement (all eligible individuals who applied had to be enrolled, and sufficient funding had to be found to pay for the benefits) and required certain due-process provisions. The states set the payment levels. Funding was split between the state and federal governments, with Washington paying \$4 for every state dollar.

Consistent with the reality during this period that most mothers did not work, the program was specifically

designed to release from the wage earning role the person whose natural function is to give her children the physical and affectionate guardianship necessary . . . [to] rear them into citizens capable of contributing to society.³

Given this goal, the possibility that the program would discourage work was not a major concern.

Roots of Reform

A series of social changes led to increasing calls for reform. First, the caseload grew rapidly in the mid-1960s, again in the early 1970s, and then again in the early 1990s. In California, the program doubled in size between 1962 and 1967 and again between 1967 and 1971. Then, it increased by 50 percent between 1990 and 1995. A program that had included less than 1 percent of the population nationally in 1940 and about 2 percent of the population in 1960 included nearly 6 percent of the population in 1994.⁴ In 1996, about 12 percent of all children were in AFDC households (Bloom, 1997, Ch. 2). In addition, this growing caseload required a much larger budget to support it. With the end of rapid economic growth in the 1970s, pressure to cut government spending increased at both the federal and state levels.

Second, the composition of the caseload changed. At the inception of the program, almost all births in the United States were to married women, and almost all children receiving aid had been born to married women. These women found themselves receiving welfare because of subsequent divorce, abandonment, or widowhood. In the 1950s, about 40 percent of the caseload were widows and their children. By the 1980s, that societal pattern had changed, with a large share of births to unmarried women. Furthermore, divorce and separation rates were rising. Widows were increasingly covered by the Social

³As quoted in Garfinkel and McLanahan (1986), Chapter 4.

⁴Estimates tabulated from Bloom (1997), Chapter 1.

Security Administration's Old Age, Survivors, and Disability Insurance program, so that less than 2 percent of the cases were families headed by widows. Instead, about half the households in the caseload were headed by never-married women. (Bloom, 1997, Ch. 1). Many more children were being raised by only one parent—almost always the mother. The AFDC program was accused of having caused this social change, with deleterious effects on public morals, child development, and public order.⁵

Third, along with this change in the composition of the caseload came a growing realization of the caseload's dynamic nature.⁶ Most people who entered welfare in a given month left in less than three years. Only about a third stayed on welfare for more than five years. However, these statistics consider only one "spell." Many welfare recipients cycled on and off the rolls. Considering all spells together, about three-quarters of those on AFDC at a point in time would, over their lifetimes, be on it for more than five years, while more than half would be on AFDC for longer than ten years.

Moreover, those who would ultimately be on welfare for several years had clearly identifiable characteristics. They tended to enter welfare first when they were teenagers, without any substantial work experience and without ever having been married. In short, they were the type of people whose behavior raised moral concerns and for whom the welfare system might have induced nonmarital fertility (although the evidence for such inducement is weak). (See Bane and Ellwood, 1994, Ch. 2.)

Fourth, at its inception, AFDC was intended to allow mothers raising children alone to stay home to raise their children, as was then the normative pattern in two-parent households. Over the postwar period, work among mothers increased steadily. By the late 1980s, most mothers of even young children were working. Welfare families were now the exception. Thus, as some people viewed it, government programs were allowing women on welfare to do what lower-middle-class women might have liked to do but could not afford.⁷

Early Work Requirements

In the context of these social changes, the 1960 amendments to the Social Security Act changed the goals of the program to include work.⁸ Going further, in 1967,

⁵See the summary of public opinion surveys in Bloom (1997), Ch. 1.

⁶For an approachable discussion of these complicated and subtle issues, see Ch. 2 of Bane and Ellwood (1994), from which these summary statistics are drawn.

⁷See the similar discussion in Bloom (1997), Ch. 1.

⁸This discussion draws on Bane and Ellwood (1994), Ch. 1.

the Chairman of the House Ways and Means Committee, Rep. Wilbur Mills (D-Ark.), stated: “[We] are not going to continue to put funds into states for the benefit of parents when they refuse to get out of the house and try to earn something.”⁹

Embodying this changing perspective, legislation in 1967 established the Work Incentive (WIN) program, funded child-care services for working parents, and included provisions to allow working welfare mothers to keep more of their earnings (the first \$30 and a third of earnings above that level). Nominally, any mother whose youngest child was at least six years old was expected to participate. However, in practice, while the WIN program enrolled some recipients (1.6 million clients in 1986), funding was meager; only a small group received WIN services (220,000 in 1986); and most WIN programs appeared to have had only minimal success at moving welfare recipients into the workplace and off welfare.

Continuing this line of welfare-policy reform encouraging work, the Omnibus Budget Reconciliation Act of 1981 allowed states to experiment with requiring work in return for welfare benefits. Using randomized assignment, MDRC carefully evaluated 11 of the experiments (Gueron and Pauly, 1991). In contrast to most WIN programs, its report on these experimental WIN programs with strong work requirements (released in February 1986) found that “[w]ork programs make a difference. They increase employment and earnings of recipients and they reduce welfare dependency.”

Family Support Act (FSA) of 1988

The social changes mentioned above and the apparent success of some WIN programs with strong work requirements led to the passage of the Family Support Act of 1988 (FSA). (See Edelman, 1997.) In addition to intensifying efforts to make absent fathers pay child support, the FSA established the Job Opportunities and Basic Skills (JOBS) training program, which required not merely registration but the participation of welfare mothers in work activities. The exemption for having a young child in the household was toughened from six-year-olds under WIN to three-year-olds under JOBS. The programs were to have a strong component of education in basic skills and to provide support services (child care, transportation, and reimbursement for other work-related expenses). The core of the program was supported job search (i.e., a job club) and community-service employment for those who did not find regular employment.

⁹As quoted in Bane and Ellwood (1994), p. 12.

This bold vision, however, did not survive economic, funding, and bureaucratic realities. At the economic level, states attempted to implement the FSA as the recession of the late 1980s and early 1990s was causing caseloads to increase sharply and as state budgets were otherwise strained by falling tax revenues and increasing costs in other programs. Furthermore, FSA programs were expensive per case at a time when expenditures per case would normally have been expected to be cut. In terms of funding, the states found enough matching funds to claim only about 60 percent of the allocation available under the federal legislation (a capped entitlement). Finally, such work-first programs required major changes in state welfare bureaucracies—changes that were difficult to make. (See Bane and Ellwood, 1994, Ch. 1.) In net, only about 7 percent of adult AFDC recipients participated in the JOBS training program in 1992.

Granting Welfare Waivers—The Beginnings of Devolving Authority and Responsibilities to the States

Simultaneous with the FSA, another bureaucratic change had an even greater effect on the welfare system. Under Section 1115, Title IV-A, of the Social Security Act, the Secretary of Health and Human Services was authorized to grant waivers from particular rules and regulations governing state implementation of AFDC.¹⁰ States could petition the Department of Health and Human Services (DHHS) to implement experimental, pilot, or demonstration projects that they believed would more effectively move people from welfare to work. This waiver authority was used only rarely until the late 1980s. During the Bush and Clinton administrations, the waiver authority became a mechanism for major state-led reform of welfare programs. Waivers were provided in a number of categories: JOBS exemptions, JOBS sanctions, time limits on assistance, family-cap policies, modifications to earned-income disregards, asset restrictions, child-care and medical coverage, the Unemployed Parent program, and child support.¹¹

The Clinton administration granted AFDC waivers to 43 states. Among the most common waivers were those allowing work requirements (36 states), modifying grant computations to make work pay (41 states, including California), family-cap provisions (17 states, including California), and time-limited assistance (31 states, but not California).¹²

¹⁰American Public Human Services Association (1998); Williamson, Jackson, and Klerman (1997).

¹¹American Public Human Services Association (1998), p. 1; DHHS (1997b), p. 1; Williamson, Jackson, and Klerman (1997), p. 1.

¹²Administration for Children and Families (1996). See also American Public Human Services Association (1998), p. 1.

The Federal Debate and the Passage of PRWORA

With the 1992 presidential election campaign, federal reform along the lines of the waivers' stricter work requirements and time limits became nearly inevitable. The Republicans had long supported major welfare reform. The center of gravity of the debate shifted when the Democratic nominee, Bill Clinton, ran on a platform to "end welfare as we know it."¹³

From the 1992 election through summer 1996, several proposals were seriously considered. In November 1993, the House Republicans proposed a work requirement for those on aid more than two years and proposed converting AFDC into a block grant (H.R. 3500). In June 1994, President Clinton proposed the Work Responsibility Act (S. 2224, H.R. 4605), which called for full funding of JOBS and a work requirement after two years of aid receipt but did not include a time limit. Congress failed to act on any of the several other welfare-reform bills that were introduced, including the Republican plan and the President's plan.

Instead, during the 1994 election campaign, the Republicans ran on the basis of "The Contract with America" and gained control of the House and the Senate. The contract included an outline of a welfare-reform proposal:

THE PERSONAL RESPONSIBILITY ACT

Discourage illegitimacy and teen pregnancy by prohibiting welfare to minor mothers and denying increased AFDC for additional children while on welfare, cut spending for welfare programs, and enact a tough two-years-and-out provision with work requirements to promote individual responsibility. (Gingrich et al., 1994.)

Following its Contract with America, in 1995, the newly Republican-controlled Congress passed and sent to the president a stronger reform bill (H.R. 4, The Welfare Reform Act), which he vetoed on January 9, 1996, because it contained insufficient funding for child care and insufficient state maintenance of effort (MOE) requirements. Finally, with the 1996 elections looming, Congress sent President Clinton a bill similar to H.R. 4, with slightly increased funding. He signed that bill, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), on August 22, 1996.

The spirit of the final legislation was captured by the President's remarks at the signing ceremony:

Today, we are taking an historic chance to make welfare what it was meant to be: a second chance, not a way of life. . . . Today, we are ending welfare as we know it. But I hope this day will be

¹³As reported in Ifill (1992)..

remembered not for what it ended, but for what it began—a new day that offers hope, honors responsibility, rewards work, and changes the terms of the debate. . . . (Clinton, 1996.)

PRWORA's preamble stated its goals:

(T)o increase the flexibility of States in operating a program designed to:

- (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (4) encourage the formation and maintenance of two-parent families.

The legislation's major provisions were as follows:

- **End to the Entitlement to Welfare:** As of October 1, 1996, federal statutes no longer required states to pay welfare to families with dependent children. Beyond due-process requirements, states were free to design welfare programs as they saw fit.
- **Block Grants:** Along with this new freedom to design programs, most federal welfare dollars were transferred, starting July 1, 1997, from narrowly defined and heavily constrained federal funding streams to a block grant with considerably fewer restrictions on use.
- **Participation Rate Requirements:** Increasing numbers of welfare recipients were required to participate in broadly defined work programs for 20 hours per week. The required participation rates rise from 25 percent to 50 percent from fiscal year 1997 to fiscal year 2002, with higher rates for two-parent families and credit toward participation-rate goals for caseload declines. Participation is broadly defined to include unsubsidized work, subsidized work, training, job search and job readiness assistance, and community service. California and many other states have found the two-parent participation requirement difficult to meet.
- **Maintenance of Effort:** To prevent a "race to the bottom"—that states would compete to make their welfare programs as unattractive as possible to avoid attracting poor families—states were required to continue state welfare

spending at close to prereform levels—80 percent, or 75 percent for states that did not meet the work participation goals.

- **Lifetime Time Limits:** Lifetime receipt of federally funded welfare for most recipients (all but 20 percent of the caseload) was capped at 60 months (five years). State funds (even state MOE funds) may be used to pay benefits past the 60-month federal limit on aid receipt. California will do so for all recipients for all months incurred prior to the state lifetime time limit (January 1998) and indefinitely for children (as a “safety net”).

Democratic liberals strongly opposed the final legislation, as did most of the senior political appointees with responsibility for welfare policy (David Ellwood, Mary Jo Bane, and Peter Edelman), many of whom resigned almost immediately in protest. Sen. Edward Kennedy (D-Mass.) (as quoted in Edelman, 1997) called the legislation “legislative child abuse.” Mary Jo Bane wrote of the “abdication of federal responsibility for the poor.” Sen. Daniel Patrick Moynihan (D-N.Y.) argued that the end of the entitlement and the time limits were not “welfare reform” but “welfare repeal” and that they break “the Social Contract of the 1930s [that indicated that] we would care for the elderly, the unemployed, the dependent children.” Those opposing the legislation interpreted it as premised on the assumption that “the behavior of certain adults can be changed by making the lives of their children as wretched as possible.” (Moynihan, 1996.) Edelman (1997) viewed the legislation’s fundamental premise similarly:

[T]here will be a certain amount of suffering, and . . . the bucket of ice-cold water being thrown on poor people now will result in a future generation that will take much more personal responsibility for itself and its children.

Beyond these fundamental disagreements, those opposing the legislation also worried about some specific provisions. First, since federal funding was fixed in nominal terms, they argued that the legislation’s block grants would be a disaster if and when a recession hit and caseloads increased or even if inflation merely proceeded (eroding the real value of the block grants) or a state’s population increased. Second, the critics argued that—as with the FSA—the legislation did not include sufficient funds to provide the required services—child care, training, and often community-service jobs. Third, they argued that the MOE provisions and the block-grant regulations would allow the states to transfer money that had previously gone to welfare recipients to social-service programs serving a broader set of recipients. Fourth, they argued that work is inappropriate for many current recipients—whether because of their responsibilities to care for disabled children or because of learning disabilities, mental-health problems, or substance abuse. Finally, they argued that there simply were not enough jobs for the large number of welfare recipients who would be pushed into the labor force.

Background on California's Welfare Reform Legislation

In recent years, California has been at the forefront of efforts to infuse welfare programs with the concept of mutual obligation and of making “work pay.” In fact, as we will see, California’s experience influenced federal welfare legislation in certain areas.¹⁴

California's GAIN Program

California had long been a leader in imposing work requirements on welfare recipients. Long Beach had been a site for the Employment Opportunities Pilot Program demonstration, and San Diego has been a site for two of the more successful WIN demonstration projects.

Continuing and extending this tradition, California put in place a statewide “worker” program—GAIN—in September 1985 (prior to the FSA). The GAIN program model was designed to move welfare recipients into the work force through structured job search (“job club”). Those needing English or other basic skills were first enrolled in up to two years of educational training. Those who did not find a job within three months were to be referred to “workfare”—a public-service employment program. Participation in GAIN was to be mandatory for the one-third of the caseload in two-parent families or with no child under six years old. Recipients who refused to participate could face grant reductions and limitations on how they could spend their welfare payments. Finally, continuing an earlier tradition in California’s welfare programs, counties were given considerable discretion in designing their GAIN programs and five years to implement them.

This county discretion and the lack of clear models to follow led to a range of program strategies, from adopting education-first approaches to pushing work-first ones. For example, some counties, Alameda being the prime example, used education and training as much as possible, given the GAIN regulations, as the primary path to help recipients get a job good enough to keep them off welfare. Recipients were encouraged to be “selective about the jobs they accepted and to take advantage of GAIN’s education and training to prepare them for higher paying jobs.”¹⁵

¹⁴See Edelman (1997) for the argument that California’s GAIN program influenced the FSA of 1988.

¹⁵These characterizations of the two GAIN approaches draw on Riccio, Friedlander, and Freedman (1994), p. xxv.

Other counties, Riverside being the prime example, took a “jobs first” approach. Recipients were encouraged to view “almost any job as a positive first step, with advancement to come by acquiring a work history and learning skills on the job.” (See Riccio, Friedlander, and Freedman, 1994.) GAIN staff emphasized moving participants into the labor market as quickly as possible, with the message that any job was a good job.

When the federal FSA legislation passed in 1988, GAIN was still being rolled out in California. Many of the state’s smaller counties had implemented GAIN programs, but programs in the larger counties (in particular, Alameda and Los Angeles) had not begun. With the FSA, the state designated GAIN as its JOBS training program, and program rules were adjusted to meet the JOBS requirements (e.g., the youngest-child exclusion was cut from six to three years).¹⁶

Like JOBS training programs in other states, the GAIN program never reached all those mandated to participate. Initial funding had been low, and the recession of the early 1990s was more severe in California than in the rest of the county. The consequent pressure on state and county budgets led to the underfunding of GAIN and to the failure to enroll more than a quarter of eligible parents.

Nevertheless, GAIN had a lasting effect on the national welfare debate. Starting in 1988, MDRC conducted a large six-county, random-assignment evaluation of the GAIN program. The results were to have a major influence on the ensuing national debate about welfare reform and work requirements.

In five of the six experimental counties (Alameda, Butte, Los Angeles, San Diego, and Tulare), program results were unremarkable.¹⁷ Compared to the control group, experimental-group individuals in most counties had slightly higher earnings and were slightly more likely to work, and their earnings increased by more than the cost of the program. Thus, by a broad social criterion, the programs were effective. Effects on welfare receipt were more modest. The share of women receiving aid barely changed, with aid payments decreasing slightly, but by less than the cost of the program.¹⁸

In 1995, following the publication of the Riverside GAIN results, the state changed the GAIN legislation. Responding to the differential results across the counties, the new legislation (AB 1371) shifted the focus of GAIN away from its

¹⁶However, many counties did not allocate sufficient funds to claim all of their GAIN allocation.

¹⁷This discussion is based on Freedman et al. (1996).

¹⁸Recipients can be either men or women. However, since the overwhelming majority of recipients are women, the, female gender is occasionally used throughout this report.

previous primary focus on human capital and encouraged a work-first approach. The state mandated job search for all new enrollees who did not require basic education.

Furthermore, the new legislation tightened the GAIN exemption and sanctioning rules. Previously, all women with children under three were exempted from work requirements. After the reform, that exemption could be claimed only once. In addition, the new legislation explicitly required two months of actual participation in work activities. Those who did not meet this requirement lost part of their grants.

California's Use of Welfare Waivers

In the early 1990s, California used the federal waiver process to further encourage work and other forms of mutual obligation. Through a series of waivers between 1992 and 1994, the state formulated the Assistance Payments and Work Pays Demonstration Project ("Work Pays," for short). The project made a series of changes that encouraged work. Under the standard AFDC program, during the first four months, the first \$30 of earnings was disregarded. For each \$3 earned above \$30, the welfare payment was reduced by \$2. This policy was known as "30 and a third." During months 5 to 12 of the first year of work, a recipient kept only the first \$30 of earnings. After the first year, a recipient kept nothing. Under the waiver, the "\$30 and a third" policy was in place forever. This new policy encouraged work more than the standard AFDC policy. For AFDC unemployed-parent cases, the waivers removed the limitation on hours worked (100 hours per month). The waivers also raised asset limits. Finally, these waivers allowed recipients who work to turn down AFDC benefits but retain MediCal and other services (including child care). Recent evaluations stated that the Work Pays changes resulted in increased earnings in general and were more effective in two-parent families (Beccerra et al., 1998).

The Work Pays waivers were not the only waivers California received. In 1994, another waiver established CalLearn, a program for teen parents who had not completed high school, which included penalties and bonuses for school attendance. Another waiver, granted in April 1995, provided transitional child care to those who marry and increased fraud penalties. Finally, a waiver granted in February 1996 imposed a family cap—payments would not increase with the birth of a child while the mother was on welfare.

The Impact of the 1990s Recession in California on Welfare Reform

California entered a sharp recession in the early 1990s. Unemployment rose; the welfare rolls grew; tax revenues fell; and the state government experienced a severe budget crunch. Through a combination of state legislation and federal waivers, the nominal benefit level was cut 10.8 percent between 1992 and 1996. In addition, during this period, the regular cost-of-living adjustments (COLAs) were suspended.

California's counties also experienced a severe budget crunch. The budget crunch in the counties was exacerbated by the state's solution to its own budget crunch, which involved transferring some property tax revenues that had previously gone to the counties. In response, the counties cut all their expenditures. In many counties, including Los Angeles and Sacramento, these cuts included not allowing welfare department staffing to increase with the caseload. These hiring freezes and other budget-induced policy changes caused caseloads per worker to soar. The caseloads increased so rapidly and budgets were so tight that several counties were not allocating enough funds to claim all the administrative matching funds. Los Angeles and then several other counties requested that their matching requirement be converted to an MOE requirement. Given the sharp increase in the caseload, an MOE requirement was easy to meet, and the state granted the requests. As of 1997, 12 counties were meeting the MOE requirement rather than the matching requirement.

The California Debate and the Passage of CalWORKs

As discussed above, consistent with the promises of the Republicans' Contract with America, the passage of PRWORA shifted decisionmaking for welfare policy to the states and provided them with considerable additional latitude in the design of their welfare programs. California's nominal welfare plan was submitted to DHHS on October 9, 1996. The plan—and thus the federal five-year time limit, work requirements, and new funding formulas—became effective on November 26, 1996. Federal penalty and data-collection requirements did not become effective until July 1, 1997.

With a preliminary plan approved and in place, complete reform of California's welfare program was deferred until 1997. In spring 1997, the legislature entertained four proposals—one from the counties, one from advocates, one from the Legislative Analyst's Office, and one from the governor's office. The crucial differences among the proposals can be summarized in a single question posed by a CDSS staffer: "How far does the government go to get people on their way, and for how long?" At one extreme, the advocates proposed no time limit for

people actively participating in WTW activities; at the other extreme, the governor proposed a one-year limit on continuous receipt of assistance.

From these proposals, an 18-member conference committee, with members from both parties, convened to discuss options for the state's new welfare program. This conference committee worked through a large number of complex and technical issues. The result of their work was a package of four bills (AB 1006, AB 1501, SB 285, and SB 293). It included a smaller benefit cut (only continuing the 4.9-percent grant reduction and suspension of the COLA for one year), the longest time limit consistent with the federal legislation (five years) with payments for children continuing past five years, two years of WTW services, and no retention of savings by the counties.

Governor Pete Wilson vetoed the first of these bills as soon as it reached his desk. The "Big Five"—the governor and the leaders of each party in the two houses—then held a series of meetings to negotiate the major issues, while four legislators (Senator Mike Thompson [D], Assemblyman Roy Ashburn [R], Assemblywoman Dion Aroner [D] and Senator Ken Maddy [R]) were appointed to develop exact language that the legislature would pass and that the governor would sign. The negotiations continued past July 1—the required date for the approval of a state budget and the beginning of the period for federal penalty and data-collection requirements. Thus, the state was expected to meet the performance goals of PRWORA, and federal time-limit clocks were ticking, even before California reformed its welfare legislation and well before the reformed program was in place and having an effect on recipient behavior.

Governor Wilson signed the final compromise legislation (AB 1542) on August 11, 1997. That legislation, CalWORKs, established California's TANF program. With the final legislation in place, the state and the counties could begin the process of designing their new welfare programs and then begin to implement them in individual welfare offices in interactions with individual welfare recipients. In Section 3, we discuss planning at the state and county levels. In Sections 4 and 5, we discuss implementation. The balance of this section describes the legislation in greater detail and some of its budgetary implications.

The Provisions of CalWORKs

In three ways, CalWORKs is more generous than the TANF programs adopted by other states in response to PRWORA in terms of the following issues¹⁹:

¹⁹This discussion draws heavily on Gallagher et al. (1998).

- **Time Limits and Sanctions:** The federal PRWORA legislation required a 60-month lifetime limit on cash assistance. Eight states have chosen to adopt even shorter lifetime limits, but California was not among them. In addition, at the time limit, most states are terminating the full case, but California is one of only four states (the others being Maryland, New York, and Rhode Island) that cut only the adult portion of the payment, while the payment for the child continues.

Finally, California's five-year lifetime time-limit clock begins in January 1998. Only one state has a later clock start date (Arkansas, July 1998). Similarly, under PRWORA, California could have imposed a full-grant sanction either for the initial sanction or for continued failure to comply with program requirements. After PRWORA, 14 states are imposing a full-benefit sanction for initial failure to comply, and 36 are imposing a full-benefit sanction for continued failure to comply. Following the JOBS and GAIN precedents, California continues to rely on a limited (adult grant only) sanction even for continued failure to comply with work requirements.

However, the final CalWORKs legislation does not allow individuals to collect cash assistance continuously up to the 60-month limit. New recipients were limited to 18 continuous months of receipt; previous AFDC recipients are limited to 24 continuous months of receipt. Counties, however, have the option of extending this period for up to six months "if the extension is likely to result in unsubsidized employment or if local unemployment rates or other conditions in the local economy are such that employment is not available." [Welfare and Institutions Code (WIC), 11454(d)]. This 18- or 24-month clock begins with the signing of the recipient's Welfare-to-Work plan (sometimes referred to as WTW 2) form after the initial period of job search and assessment.

Furthermore, for an individual who "has taken and continues to take all steps to apply for appropriate positions and has not refused an offer of employment without good cause" [WIC 11454(3)(3)], counties may certify that "there is no job currently available for the recipient and the recipient (must participate) in community service activities." [WIC 11454(a)(1)]. Finally, counties may exempt individuals because

[t]hey are incapable of maintaining employment or participating in welfare-to-work activities, as determined by the county, based on the assessment of the individual and the individual has a history of participation and full cooperation in welfare-to-work activities.
[WIC 11454(e)(5)]

In practice, these provisions give the counties the *option* of imposing an 18- or 24-month limit on continuous receipt of the adult portion of the grant, a limit

much shorter than the federal and state mandatory 60-month time limit. The legislation is written loosely enough that counties could continue giving cash assistance in almost all cases (perhaps after a one-month period of being off the rolls) for up to 60 months (but not beyond), if they so chose (and had developed written policies and procedures).

- **Payment Levels:** Despite concerns about a “race to the bottom,” the CalWORKs legislation did not cut benefit levels. Instead, it merely continued the existing 4.9-percent benefit cut and the suspension of COLAs. Furthermore, the fiscal year 1998–1999 budget restored the COLAs (2.84 percent in 1998-1999) and the 4.9 percent benefit cut. Together, these changes leave California with among the highest benefit levels in the country (only Alaska, Hawaii, Massachusetts, Vermont, and New York, but not Maryland, are higher).
- **Income Eligibility Limits:** Extending the changes made in the Work Pays Demonstration Waiver, the CalWORKs legislation moved to make work even more rewarding for the recipient by setting a 50-percent (rather than the 66 percent under AFDC) reduction of the grant for all earnings for as long as the individual is receiving cash assistance (not merely the first four months). Urban Institute calculations indicate that California has the fourth most generous income eligibility limit in the country, with only Alaska, Hawaii, and Delaware having higher limits.

However, the CalWORKs legislation includes a family cap. Under TANF, states may impose a family cap—a provision that the benefit not increase for a child conceived while the mother is receiving cash assistance. California is one of 22 states that have imposed family caps (and five of them are weaker than California’s, providing a partial increase, or payment as a voucher or to a third party).

Also, following the state’s tradition, the CalWORKs legislation leaves many of the decisions in formulating welfare programs to the individual counties. In doing so, California is joined by four other states—Colorado, Minnesota, New York, and Ohio—that devolved decisionmaking to the counties. (Maryland and North Carolina have more-limited forms of county discretion.) In particular, California’s counties have flexibility in the following areas:

- **Diversion:** PRWORA allows the states to provide diversion payments in lieu of providing regular cash assistance. Families receiving diversion payments agree not to reapply for cash assistance within some prespecified time frame. California is one of 22 states that have allowed diversion and has left the details of diversion to the counties. Only Colorado has given such broad

discretion to its counties. In California, if a recipient reapplies, the diversion amount may be recouped or counted toward the time limit.

- **Youngest Child Exemption:** Under the WIN program, mothers of children under 6 years old had been exempted from work requirements. Under the JOBS training program, the cutoff age was moved to three years. Under PRWORA, there is no formal federal requirement, but the rules for work activities favor a cutoff of no more than one year (and then only for one child). The CalWORKs legislation pushed this decision to the counties, who were allowed to choose any cutoff between 12 weeks and one year.
- **Domestic Violence Exemption:** CalWORKs allows the counties to exempt victims of domestic violence from any program requirements that might put the individuals involved at risk of further abuse, including time limits and work requirements.
- **Welfare-to-Work:** Perhaps most important, each county designs its own WTW program. Thus, while the CalWORKs legislation seems to imply a strong work-first approach, the statute is written quite loosely. Counties could stray quite far from a strict work-first approach (e.g., assign a large fraction of their caseload to education and training or not impose strong sanctions for nonparticipation) and not be out of compliance with the language of the legislation.

Along with this flexibility, the CalWORKs legislation imposes financial accountability. If the federal government assesses penalties on failure to meet work requirements, any county contributing to that failure could bear part of the penalty. Conversely, if there are savings from lower caseloads due to employment lasting a minimum of six months, increased earnings of recipients due to employment, or diversion lasting six months in addition to the number of months equivalent to the diversion program, the county gets to keep 75 percent of the savings as a “performance incentive.” In addition, the counties may also receive the remaining 25 percent of the savings for “performing in a manner worthy of recognition.” Any such performance bonuses are to be spent on welfare recipients. Funds from the federal block grant are to be spent as required by the block-grant regulations. Funds from the state General Fund are to be spent so that they are countable against the state’s MOE. Projections issued September 21, 1998, imply a total of \$186 million dollars in performance incentives for calendar year 1998.

Funding Levels for CalWORKs

In subsequent chapters of this report, we discuss how California has implemented CalWORKs at both the state and county levels. Devolution of control and responsibility was a theme of both the federal and state legislation. Consistent with that theme, both the federal and state legislation converted many of the previously targeted funding streams into block grants and simultaneously imposed MOE requirements to prevent major cuts in funding at lower levels of government. This combination of block grants and MOEs, along with several other changes discussed below, has resulted in a considerably *higher* level of per-case funding. This higher level of funding and the consequent expansion of programs are a major moving force behind other changes under CalWORKs, which we describe more fully in the balance of this report. To understand the effect this higher level of funding has had on the counties, the balance of this section briefly recounts how the funding streams have changed with PRWORA.

The higher level of per-case funding was induced by the interaction of several changes. We begin by discussing each change separately:

- **Block Grants:** Before PRWORA, the federal government supplied funds to the states for services to welfare populations in several different funding streams—AFDC, emergency assistance, JOBS, child care, and substance-abuse treatment. Furthermore, the level of funding varied with the state’s caseload and payment level. Consistent with the strong federal control over welfare policy, states were required to use each funding stream only for the specified activities and only according to the corresponding detailed federal regulations. The regulations limited the ability of states to redesign their programs, and the separate funding streams deprived the states of funding for any such redesign.

PRWORA converted the previously separate AFDC, emergency assistance, and JOBS funding into a single TANF block grant. The magnitude of the block grant was based on nominal expenditures from 1992 to 1996 but was not indexed for inflation. Since then, the economy has improved; caseloads have declined; and inflation has been low. As a result, the federal allocation under TANF is higher than it would have been under the prereform rules. In addition, each state was allowed to choose the most favorable of three base periods, further increasing the level of the payment.

- **Other Funding Streams:** In addition to the increase in funds from the block grants, the states also received additional funding streams from PRWORA and follow-on legislation. Insufficient funding for child care had been a stated reason for President Clinton’s original veto of welfare-reform

legislation in January 1996. Additional child-care funds were included in the final (July 1996) legislation.

Similarly, the Balanced Budget Act of 1997 included funding for a new stream of WTW dollars. These funds, administered through the Department of Labor (DoL), were intended to provide training and supported work experience for the hardest-to-employ welfare populations. These funds also further raised federal dollars for CalWORKs.

- **Caseload Decline:** Welfare caseloads throughout the country are declining. While the decline in California was less than the national average from January 1995 to June 1997 (25 percent in California versus 40 percent nationally), it was nevertheless substantial. For fixed dollars, a smaller caseload implies more funding per case.
- **Maintenance of Effort Requirements:** The federal legislation imposed an MOE on the states. This MOE required the states to spend 75 or 80 percent of their funding in the baseline period. The lower figure was to apply to states that satisfied the TANF work requirements; however, most states (including California) have been unable to meet the two-parent work requirements and have therefore been held to the higher MOE requirement. California has allocated sufficient funds to meet the MOE, but no more. This MOE prevented the state from making major cuts in its funding of welfare programs.
- **Opportunities to Divert Funds from the Welfare Population:** Beyond the 80-percent MOE requirement, which gave states the right to cut their welfare expenditures by 20 percent, the states had another opportunity to cut welfare expenditures. Consistent with the spirit of the block grants, states were given additional discretion in how to allocate the block-grant funds.²⁰ However, California has not made any reallocations of the block-grant funds to nonwelfare populations.

Some of these factors increase per-case funds (block grants, new funding streams, caseload decline), and some of these factors decrease per-case funds (80-percent MOE, opportunities to divert funds). The total block grant is higher than the figure would have been under the prereform formula; thus, federal per-case funding is much higher. The 80-percent MOE based on a high spending year kept state expenditures per case approximately constant. The new funding

²⁰The regulations permit transfer of up to 10 percent of the TANF block grant to uses permitted by the broader Title XX Social Service Block Grant to provide services to the nonwelfare poor population. No more than 30 percent of the TANF block grant can be transferred into any combination of other block grants or funding streams. These could include Title XX, the Child Care Development Block Grant, and/or funds used to match transportation resources.

streams and their MOEs further increased total funding; thus, per-case funding increased even more. In net, it appears that funds per case have increased about 10 percent.²¹

While this figure is far from trivial, it arguably understates the total effect of these changes in funding per case. About two-thirds of welfare dollars have traditionally gone to cash welfare payments. These welfare payment levels were set by the state, and per-capita welfare payments were essentially unchanged.²² Only the remaining one-third of expenditures is in any way discretionary for the counties. This one-third funds all the administrative costs of running welfare programs and all the job training and job placement efforts, child care, mental-health and substance-abuse treatment, and any other support services. Therefore, a 10-percent increase in per-case resources is equivalent to approximately a 30-percent increase in per-case noncash benefit resources.

Furthermore, these figures refer to total new funds. Partially because of the late passage of the CalWORKs legislation and the resulting delay in the rollout of the new, more expensive programs, the state did not spend about 10 percent of its block grant in 1996–1997 and about 20 percent in 1997–1998. These funds have been carried over into 1998–1999, in which they represent a more than 10-percent addition to total available dollars and thus approximately another 30-percent increase in program (i.e., noncash aid) dollars.

Together, these factors imply a major expansion in program funds to be allocated by the state and ultimately the counties in 1998–1999. County welfare agencies that had faced tight budgets during the deep recession and ensuing government budget crisis of the early 1990s now find themselves with significant new resources. Agencies that had spent the early part of the decade cutting all discretionary programs and turning down matching funds now find themselves with the ability to create new programs and to fund existing programs (e.g., training, substance-abuse treatment, transportation) in other government agencies to serve CalWORKs participants.

²¹These figures are only very rough approximations. They are based on a variety of figures from official documents (e.g., County Financial Letters) and secondary sources (which include GAO, 1998; Mermin and Steuerle, 1997; Long and Clark, 1997). Nevertheless, the numbers are only approximations because the sources available to us as of the deadlines for this report were incomplete. Information was provided only for some years, only for some levels of government, for inconsistent accounting periods, or sometimes for allocations and other times for expenditures and carryovers; in addition, careful distinctions were sometimes not made about which dollars satisfied MOEs and which did not. It appears that the needed figures exist, but acquiring and interpreting them are part of an ongoing, and as of now incomplete, effort. Next year's report will have a more thorough discussion of these issues.

²²Although they were cut several times in the early and mid-1990s, and COLAs were not made, there was a small increase in the benefit, and the COLA was reinstated in 1998.

The future funding situation is less clear. If caseloads continue to decline—whether because of continuing economic expansion or because of the effects of well-designed and well-funded WTW programs—the funding situation will further improve for the counties. Furthermore, if payments to recipients are cut because the recipients are working (and, thus, receiving lower payments) or because of sanctions, the funds available per case for programs will increase.

However, the funding situation could also worsen. Following the intent, and often the requirement, of the federal and state legislation, the counties are putting comprehensive menus of services into place. Recipients will be eligible for child care, transportation, mental-health treatment, substance-abuse treatment, domestic violence counseling, training, subsidized employment, supported work, and community-service employment. These services and programs have the potential to be very expensive.

As we discuss in detail below, the counties have focused, through late 1998, on relatively inexpensive activities (enrollment, job search) for the most work-ready part of the caseload. They have done so partially because of the mandated sequence of activities, partially because of the conscious choice of the counties, and partially because of the behaviors of recipients. Everyone agrees that the later steps (training and supported work) and the rest of the caseload will be more expensive to serve per case. There is considerable anxiety and essentially no reliable data on how large the expensive-to-serve population will be or just how expensive per case serving them will be. This maturing of the program may result in consumption of the carryover.

In addition to the potential tightening of the funding situation from the maturing of the CalWORKs program, the standard threats to the financial health of welfare programs remain. The economy could worsen. In the same way that the current robust economy has driven caseloads down, a worsening economy would undoubtedly drive caseloads up. In addition, if funding per case remains at present levels or increases, politicians—whether at the federal, state, or county level—might reallocate the funds to other nonwelfare population uses or to “rainy day” funds. Federal and state legislation, regulations, and MOEs limit the scope for such transfers, but there is some latitude.

Presumably, if funds get tight—whether because of the maturing of the CalWORKs program, because of an economic downturn, or because of reallocation of resources—counties will reconsider the menu of services, limiting the availability of some, cutting the per-case resources for others, and eliminating some entirely. Such behavior was observed in earlier episodes of budget tightening.

In the balance of this report, we discuss what the counties are doing with the resources currently available and how they are thinking about possible future changes. We will see that some of the counties are explicitly allocating the available resources in ways that will have long-term benefit (e.g., training staff, purchasing furniture) without incurring a long-term financial obligation (as would be the case, for example, if they increased welfare agency staff). We will also see that some of the counties (sometimes counties that are also taking the steps discussed above) are considering or even planning significant expansions of the vision and activities of their agencies. These expanded visions involve going beyond simply verifying the eligibility of the current caseload (as was true before CalWORKs) or even helping current recipients to find jobs (as is mandated by CalWORKs). These visions include providing intensive job-retention services and training for recent recipients, taking social work approaches to current recipients (i.e., intensive and extensive one-to-one contact between the recipient and a skilled caseworker), and even offering broad services to the working poor.

3. Planning for CalWORKs at the State and County Levels

As we saw in Section 2, California struggled to pass its CalWORKs legislation, ultimately passing and signing the legislation in August 1997, later than almost all the other states. As shown in Figure 3.1, California already faced substantial costs because of the delay by the time the legislation passed: the cost of benefits from the start of the federal five-year time clock in November 1996 until the start of California's five-year time clock in January 1998. In addition, the state faced possible federal penalties for failure to meet the participation requirement in the second half of 1997, before CalWORKs was even in place.

In addition, advocates for recipients noted that it was also clearly in the recipients' interest as well to implement CalWORKs as soon as possible. With recipient time clocks for lifetime assistance running, those who believed that CalWORKs might eliminate barriers to long-term, living-wage employment wanted recipients to be eligible for services for as long as possible.

All this shortened both the state and county planning processes for implementing the new legislation, something we document in this section. The

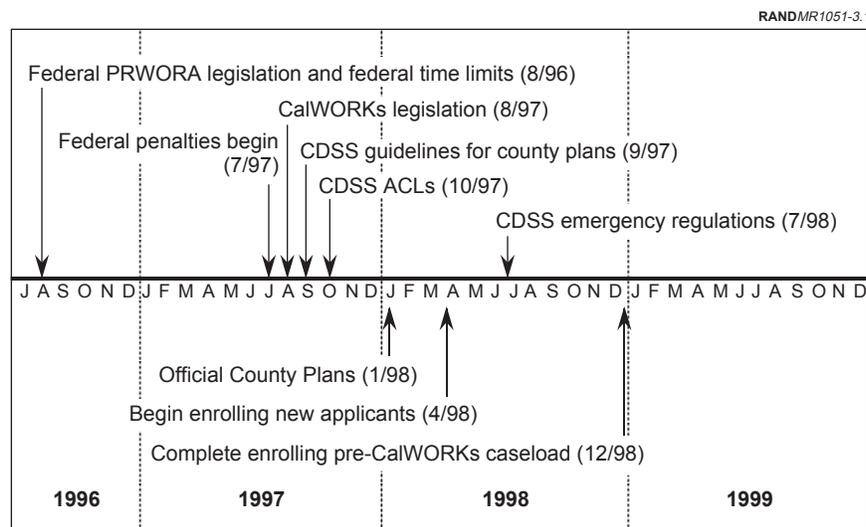


Figure 3.1—Late Legislation Meant Less Time for County-Level Planning

information here is based on review of the ACLs and county plans, site visits at the state and county levels, and the results of the RAND ACIS.

Planning at the State Level

With the passage of the CalWORKs legislation, the center of CalWORKs activity shifted from the legislature to CDSS, which was responsible for providing guidance to the counties and for ensuring county compliance with federal TANF and state CalWORKs requirements. These responsibilities, always challenging, were particularly so in the case of CalWORKs, because the timeline was very short and because the implementation process required the state and the counties to alter their traditional relationship dramatically.

As if the need to alter the relationship between the counties and the state on most aspects of CalWORKs were not challenge enough, the broad scope of CalWORKs required profound changes in interdepartmental relationships at the state and county levels. The goal of removing barriers to work by providing needed services that ranged from child care to domestic-violence, substance-abuse, and mental-health treatment meant that many departments, some with organizational cultures, missions, and service delivery strategies very different from those of CDSS or the county welfare departments, needed to be consulted and involved. Such coordinated relationships are not the norm in welfare agencies. Indeed, CDSS was described as both financially and organizationally “stovepiped,” a term that evokes an image of totally separate, parallel systems.

To support rapid, coordinated implementation, a welfare reform steering committee was created with membership that included CDSS, the California State Association of Counties (CSAC), the County Welfare Directors Association, advocates, and legislators. This group had a major role in early state-level implementation, including writing of ACLs. According to one respondent, this committee was first to discuss how to give counties the flexibility in CalWORKs implementation that the legislation set out.

In most California programs, the state retains fiscal and programmatic responsibility, closely monitoring county plans and their implementation and carefully auditing disbursements. CalWORKs was to be different. As noted in Section 2, lawmakers determined CalWORKs would devolve responsibility for planning to the counties. This meant that each county would be given substantial leeway to develop its own vision of CalWORKs and to write and implement a plan that would reflect that vision. This clear legislative intent posed a challenge to both the state and the counties to redefine their relationship and renegotiate the expectations that each held for the other.

The CalWORKs legislation (SEC 32, Chapter 1.3, Section 10532) required that CDSS “issue a planning allocation letter and county plan instructions to the counties within thirty days of the enactment of the CalWORKs program” (September 10, 1997). Given the limited time available and the desire to make clear to the counties that the state understood their expanded authority under CalWORKs, CDSS minimized the size and complexity of the plans they requested. ACL 97-54 (CDSS, 1997b), dated September 10, 1997, provided a set of templates for the counties to use to organize their plans and present them to the state. Counties were given four months to “submit a plan for the implementation of CalWORKs.”

By special legislative provision, the ACLs through June 30, 1998, served as regulations because of the need to move quickly to implementation; development of regulations is a slow process. While some local advocates complained that these were “underground regulations” that enabled CDSS to avoid the lengthy hearing process associated with the promulgation of regulations, there was advocate representation on the Welfare Reform Steering Committee, which reviewed ACLs. Moreover, it would have been impossible, according to one high-level CDSS staffer, to write regulations and still meet legislative deadlines.

ACL 97-54 relies heavily on the legislative language and indicates in section (a) that the county CalWORKs plan should specify “collaboration with public and private agencies to provide training and supportive services”; in section (b) that there should be partnerships with the private sector to identify jobs; and in section (k) that there should be public input to the county plan. By requiring that the plan describe “the means used to generate public input to the development of the county’s plan,” the legislation clearly sought to ensure an open planning process (SEC 32, Chapter 1.3, Section 10531).

A key aspect of ACL 97-54 was the language about the state’s response to the submissions from the counties. Unlike the procedures typical of legislative initiatives in the past, the state made clear that it would only “certify” county plans, not “approve” them. Such certification would indicate that a county’s plan met the basic requirements of the CalWORKs and TANF legislation and did not propose anything that was not permitted. This language, which, as one senior CDSS staff member noted, gave the counties “unprecedented local flexibility,” was the first formal expression of an altered relationship between the CDSS and the counties under CalWORKs.

Provisions of the state legislation were to be phased in according to the timetable specified in the CalWORKs legislation. Counties were expected to submit their

plans by January 10, 1998, after a four-month planning period, as shown in Figure 3.1; nearly all submitted their plans on time. The state urged the counties to follow the template that was provided in the ACL when developing and submitting their plans, and most did. As a result, CalWORKs plans for our six focus counties are remarkably uniform in appearance. All rely on the same organizing outline, which serves as the table of contents for five of the six plans. Their similar tables of contents also make clear that the counties followed the state's guidance by submitting broadly descriptive plans that did not include implementation guidelines. As discussed below, separate implementation plans were developed in two of the focus counties.

Planning for CalWORKs in the Focus Counties

The ACL of September 10, 1997, came as no surprise to the counties, since they had been following the progress of the CalWORKs legislation closely. Indeed, the California State Association of Counties and the County Welfare Directors' Association wrote one unsuccessful version of the legislation. Counties also were represented on the Welfare Reform Steering Committee, which reviewed ACLs. Once the legislation passed, directors' association and CDSS planning staff asked county welfare directors to come to Sacramento to work with them to develop guidelines for the county plans and for CalWORKs. CDSS staff also sought broader county input prior to the drafting of the ACLs that AB 1542 authorized, which would serve as interim regulations for CalWORKs.

The development of the plan was a collaborative process in all our focus counties, reflecting legislative intent. Community meetings were convened; county staff met frequently with the board of supervisors (BoS); and the welfare head was often called to testify before the BoS during well-attended meetings. Most BoSs and county welfare agency directors seized on the planning process and CalWORKs as an opportunity to express their philosophy about welfare. For the most part, the BoS's philosophy was well-known; what CalWORKs provided was an opportunity to state that philosophy and develop a plan that would operationalize it. For many welfare directors, the CalWORKs plan offered an opportunity to deliver the kinds of services they believed would really help recipients make the transition to work and independence and/or to deliver these services in a manner that had not been possible before CalWORKs, and to integrate community voices more fully in the work of the department. The state's planning guidelines required that the BoS approve the county plan, which established the BoS as the final arbiter at the county level.

The focus counties vary along the political spectrum; for the most part, their plans, despite similarities in structure and content, reflect this variation within the bounds CalWORKs imposed. The bounds figured importantly in the development of the plans: We were told that, in a number of counties, ideas were floated that were clearly outside those bounds. For example, a supervisor in one of the more conservative counties questioned why any services at all had to be provided to recipients. In some cases, the plans set out to push the bounds. The plan for one of the more liberal of our focus counties includes a provision that permits those in self-initiated programs (SIPs)¹ to count time on homework as a work activity. In others, considerable thought was given to the working poor, both as a model for what should be expected of welfare recipients (e.g., new mothers who are working do not get a year off) and as a group that also may need services. For example, some services in One-Stops are now offered to any member of the community but are targeted to the working poor.² One county created a “Jobs for All” committee to address the needs of recipients and the working poor. As one welfare head noted, the department is moving to become “the department of the working poor.”

A key exception to the move toward much greater county authority concerned eligibility determination: The state retained traditional control over criteria for applicants’ eligibility for aid. This exception complicated the planning process and the process of devolving responsibility to the counties because county-state relationships varied by unit. It also constrained county-level planning; unlike other CalWORKs activities, eligibility functions could not be outsourced.

Each focus county described this process of seeking public input in its plan. All conducted town hall meetings that included service providers, business and education representatives, faith community representatives, and interested citizens. Some established new groups, such as Alameda County’s Welfare Reform Design Team, to work with the county on their CalWORKs plans. Sacramento County held three day-long community forums to provide specialized planning inputs. Fresno and Butte Counties conducted client surveys and held client advisory meetings; Los Angeles County conducted client focus groups. San Diego County subjected its plan to a community review process.

¹According to ACL 97-72 (October 29, 1997), a SIP involves a student enrolled in an approvable educational program. The county welfare department and local education agencies are responsible for developing a list of approvable courses that will lead to employment.

²One-Stop Career Centers (“One-Stops”) are a DoL-funded (and DoL-required) program for unemployed and displaced workers using Job Training Partnership Act (JTPA) and other employment and training funds. One-Stop centers provide a range of eligibility, employment, and other services for recipients. They may also serve employers by prescreening applicants for open positions. The ultimate goal is to provide these services in a way that appears “seamless” to users. One-Stops are discussed in more detail in Section 6.

The state made clear to the counties that it wanted a brief plan, as noted above, but some counties felt more was needed. Two of the focus counties created more-detailed CalWORKs implementation plans.

Many of the county implementation plans called for rather dramatic changes in the structure of the welfare department and in the delivery of services, reflecting, in some cases, long-held ideas about the best way to deliver services and, in others, a pragmatic response to the infusion of substantial funds into a department that had recently seen sharp cutbacks in funding.

CalWORKs imposed a performance incentive system that would reward counties for their successes in moving recipients off the rolls and that would force counties that were less successful to share in the penalties the federal government would impose for falling short of these goals, as discussed in detail in Section 2. For the most part, these incentives and penalties did not figure prominently in county plans or in the counties' planning process. There are several reasons for this. First, the counties had no way of knowing what rate of "success" to expect as people began to enter job club and search for work. Neither did they know what it might take to move those who did not meet with immediate success in the job search into jobs. Finally, a state-level interviewee suggested that counties were so occupied with the large-scale, wrenching changes they had committed to make that they really could not focus on the kinds of small-scale tweaking that the incentives and penalties implied.

Since the whole approach to the management of welfare and the treatment of recipients was called into question in a way that had never before been addressed in most counties, the county planning process was naturally somewhat contentious. The infusion of funds raised the profile of CalWORKs well above that of AFDC. This has led to substantial involvement of the county BoS in planning everywhere and in hands-on management in more than one county. In the past, the state had, for the most part, imposed rules and regulations on the counties, and a county's will or its vision of welfare could only be imposed in the "interstices" of those rules and regulations. However, under CalWORKs, each county was permitted, even encouraged, to articulate its own unique vision and to devise a plan to implement that vision within very broad boundaries.

The counties generally welcomed the opportunity to develop a vision and a plan. They were also, at least at the beginning, pleased to have the opportunity to forge their personal visions free of most state rules, since, to varying degrees, the state had been seen as a large bureaucracy that, like most, was unable to understand the unique needs of each county. The strength of CalWORKs, and of the federal

TANF legislation more generally, was that its broad scope and multiple program elements enabled individuals and groups from across the political spectrum to feel that their county's plan, however much it may have deviated in toto from their own vision, provided some service or imposed some limit that met with their approval. The infusion of large amounts of money into the welfare department also helped to allay some of the distrust coming from groups that had long histories of conflict with the welfare department. Conservatives welcomed the idea of time limits and the notion that the government had gotten behind the concept of personal responsibility. Liberals welcomed the availability of funds to support a range of services that might reduce barriers to employment and improve people's lives. According to one welfare head, the "goodies" for each side allowed welfare directors the chance to "go right down the middle," supporting reform and services, working with business and with community-based organizations (CBOs). In a larger sense, the perception and the reality that the overriding goal of CalWORKs was to encourage or even compel work helped those who advocated services for other groups to gain unprecedented support. In one of the more conservative focus counties, we learned that the development of a CalWORKs plan that strongly stressed work and time limits allowed advocates for homeless children to move forward with plans for programs that would have been politically unfeasible before CalWORKs.

The counties' CalWORKs plans reflect the varying views of those who wrote them. They also reflect some consensus about the longevity and stability of the funds now flowing to counties. For example, interviewees in most of our focus counties were skeptical at best about the permanence of the funding about to flood their counties. Given their recent experience of recession in California, most expected that, within two to three years, or in the event of an economic downturn, the funding would be reduced, either through policy change or through caseload increases that would reduce per-case funding. Consequently, all the counties took a cautious approach to providing services, which for most meant substantial outsourcing to community groups. At the same time, some determined to use the money they had to promote lasting changes, such as strengthened neighborhoods.

We found, for example, that most counties responding to the ACIS indicated that behavioral-health services (mental health, substance abuse, domestic violence) were either contracted out or that those who were deemed to need these services were referred to agencies with funding to provide it (presumably CalWORKs funds). For example, 29 percent of responding counties reported that they had contracted out mental-health services; the corresponding figure for substance abuse is 28 percent. Indeed, when these approaches—outsourcing and provision

by other agencies—are combined (some counties offered both options), we found that virtually all counties have made arrangements to provide these services outside the welfare department.

These approaches offered many advantages to the county, including partnerships with the CBOs to which the county would direct clients and funds, a natural match between the cultural and ethnic sensitivities of service providers and clients (where there are multiple service providers) and the immediate availability of services provided by those experienced in delivering them. Issues of scope and caseload for outsourced services were mostly left unresolved in the county plans and contracts with providers. Some interviewees argued that this was another advantage of outsourcing. It was the responsibility of the CBOs, not the county, to increase their capacity, which they would do as the county moved forward in implementing its plan.

A key challenge for counties in the course of plan development was time limits. CalWORKs required enormous changes and rapid implementation of them. Slower implementation in county welfare agencies would decrease the time that recipients would be eligible for assistance, because their time clocks had long been running under TANF rules. State efforts to encourage implementation of county CalWORKs plans meant that counties were facing strong pressures to move forward. At the same time, the opportunity that CalWORKs provided to counties to create successful welfare systems that moved recipients off welfare pushed against rapid implementation. The sorts of consolidated services that county welfare heads around the state envisioned under CalWORKs could not be accomplished overnight, and neither could the retraining of existing staff or the hiring of new staff who could relate to recipients in wholly new ways: as job developers, employment services advisors, and assessors of a range of very personal barriers to successful work. Experience with GAIN had given counties some sense of what needed to be done but no experience with the large numbers CalWORKs envisioned.

CDSS Responses to the County Plans

Those in CDSS who reviewed the county plans had to work hard to keep their own views out of the county-plan certification process. This new approach—whereby the counties were to be permitted to do anything they deemed appropriate within the bounds of state and federal legislation—was difficult for some CDSS staff, who had spent their careers directing counties' operation of state-owned programs. However, for the most part, CDSS staff accepted, at least intellectually, the views of one state staffer: "If CDSS owns this, it will fail."

CDSS review of county plans invariably moved from certification to approval, during which state staff began to question the wisdom and likely efficacy of the approach contained in a county's plan. State staff took turns reminding each other that CDSS's function was much narrowed under CalWORKs: It was not their responsibility to make judgments of efficacy. If a county's approach led it into trouble—for example, failing to move sufficient numbers into jobs, waiving too many families out of work requirements, or finding jobs that do not pay enough to make families ineligible for a grant—the county would be accountable.

Planning Under CalWORKs

Planning was limited because of late passage of the CalWORKs legislation. But if planning time had been ample, the counties would still be facing a challenge: reorganizing the welfare department to meet a much-expanded mission that includes the provision of a wide range of services to a large share of welfare recipients. At the same time, the counties had to develop a very different relationship with CDSS.

The counties have approached the new mission with enthusiasm. BoSs have welcomed the change to design programs consistent with their own vision; welfare departments have welcomed the opportunity to design and provide programs that may help recipients become self-sufficient.

Over the next year, the counties will continue to implement their plans and make the many organizational changes that their individual plans and their expanded mission require. They will also continue to make and alter plans, as their successes and challenges become more apparent.

4. Implementing CalWORKs: County Status in Moving Through the Welfare-to-Work Process

The core of the federal PRWORA and the state CalWORKs legislation is work. The legislation imposes strong work requirements on recipients; provides services to help recipients to work; and expects that, through work, individuals will achieve self-sufficiency within only a few years. In particular, the CalWORKs legislation, following the approach of the Riverside GAIN program and the 1995 revisions to the statewide GAIN program, specifies a sequence of activities for welfare recipients. The sequence of activities is explicitly “work first,” although the legislation is written loosely enough to allow the counties considerable discretion in designing their WTW programs.

This section begins by reviewing the participation requirements of the federal and state legislation. It then considers the status of implementation of each activity. The legislated activities are similar to those that the 1995 revisions to the GAIN program required. Focus counties that were far along in implementing these revisions appear to have made the transition relatively easily to CalWORKs. It appears, however, that many counties were not far along in conforming their GAIN programs to the 1995 revisions. CalWORKs also requires a larger fraction of the caseload to participate and set deadlines by which counties were to enroll recipients in WTW who were not exempt from work requirements. Thus, the issues we repeatedly encountered in our focus county fieldwork were those of schedule and scale: Counties faced considerable operational difficulties enrolling a large fraction of their caseloads in WTW in a limited time frame. Finally, the lack of participation in mandated activities (“no-shows,” for short) has been a major problem. Participation rates are often well below 50 percent. The last subsection discusses approaches to the no-show problem in general and to sanctions in particular.

Participation Requirements

New enrollment and participation requirements posed a major challenge for several of the focus counties. ACL 97-72 requires that all recipients not exempted from the WTW requirements of CalWORKs be enrolled in the CalWORKs WTW program by January 1, 1999. Only 20 percent of a county’s caseload can be

exempted from time limits and still be funded with federal and state welfare dollars, although the state has reserved the right to relax the requirement for state funding. The list of exemptions is short, including only teen parents in school, the disabled, the elderly, caretakers of relatives or of the disabled, and parents of children under 6 months (with county discretion to set this from 3 to 12 months). Recipients, including victims of domestic violence, can also be temporarily excused for “good cause.”

GAIN had enrolled well under one-half of AFDC recipients. In contrast, CalWORKs is expected to enroll nearly everyone; no more than 20 percent may be exempted. Thus, the small GAIN program needed to be expanded significantly. However, higher participation under CalWORKs did not require only a larger number of people. Two additional innovations of both TANF and CalWORKs encourage more intensive participation: hours of work requirements and time limits. Once enrolled, recipients must participate in work or in other specified activities for a minimum number of hours. This hours requirement differs for single-parent and two-parent families on aid and increases every year of program operation, depending on the options selected in county CalWORKs plans. According to the CalWORKs legislation, single parents are currently required to participate in work or in a limited set of acceptable activities for at least 26 hours per week, although counties have the option of requiring up to 32 hours. The state’s standard is higher than the federal standard of 20 hours, and many counties have opted for the highest allowed standard of 32 hours. Also, while the federal legislation sets a different hours standard for parents with children under 6, requiring only a 20-hour week, CalWORKs did not adopt this standard. Finally, after July 1, 1999, the state standard for single parents is raised to 32 hours a week, well above the federal minimum of 25 hours.¹ Required hours are higher for two-parent families. Under federal law, they are required to participate in WTW for 35 hours a week.

Like the hours requirement, time limits were designed to encourage active participation. Under CalWORKs, parents enrolled in WTW face a second time limit in addition to the 60-month lifetime limit set by both federal and state legislation. Recipients can participate in WTW activities other than work for no longer than 18 months for new applicants or 24 months for current recipients.² There is a hardship extension clause that allows counties to extend the 18-month time limit by up to 6 months “if the extension is likely to lead to unsubsidized employment or if local unemployment rates or other conditions in the local

¹The federal legislation does not require 30 hours per week until the year 2000.

²The only additional time limit in the federal legislation is that individuals cannot count more than one year of vocational training as an allowable work activity.

economy are such that employment is not available.” (Section 11454(d).) Nonetheless, a recipient reaching the 18- or 24-month time limit must work or participate in community service or lose the adult portion of his or her grant.

These participation requirements, in terms of both hours and duration, serve to involve recipients more actively in the WTW program. They are designed to reinforce the message that cash aid is temporary and that work is the solution. They also have implications for the workload of county welfare agency staff. Under the GAIN program, once recipients were working, services and support ended; under CalWORKs, the time limits and hours standards require ongoing monitoring of recipients’ activities, even after they are working, as long as they are receiving cash aid. Working participants are also offered support services, such as child care, as well as a range of job-retention services that did not exist under GAIN.

In addition to specifying who must participate in WTW and how intensively they must do so, the state outlines the general structure of the program, including the sequence of activities. The next section outlines each of these components and discusses the status and implementation issues at each stage for the focus counties.

The Components of the CalWORKs WTW Program

Figure 4.1 outlines the steps of the generic legislated WTW program that form a standard set of activities for the counties: orientation and appraisal, job search, assessment, WTW activities, job-retention services, and community-service employment. After being referred by an eligibility worker (EW) to the employment program, a recipient is “enrolled” in CalWORKs by being sent a notice that he or she has been scheduled for a WTW appraisal or that he or she must convert a GAIN contract to a WTW plan (ACL 98-41). The first WTW plan the recipient signs (WTW 1) outlines rights and responsibilities under CalWORKs. If a recipient is working or participating in an approved activity for the requisite number of hours, he or she must sign the WTW 2 plan, which affirms this. For those who are employed, counties are at various stages in this process because the state only clarified in July 1998 that recipients who are employed also needed to sign a WTW 2 plan. Job retention and career-advancement services are offered to employed recipients, and support services, such as child care, are also offered.

If recipients do not meet the hours requirement or are not working, they are scheduled for a job-search program that lasts up to four weeks and begins with a

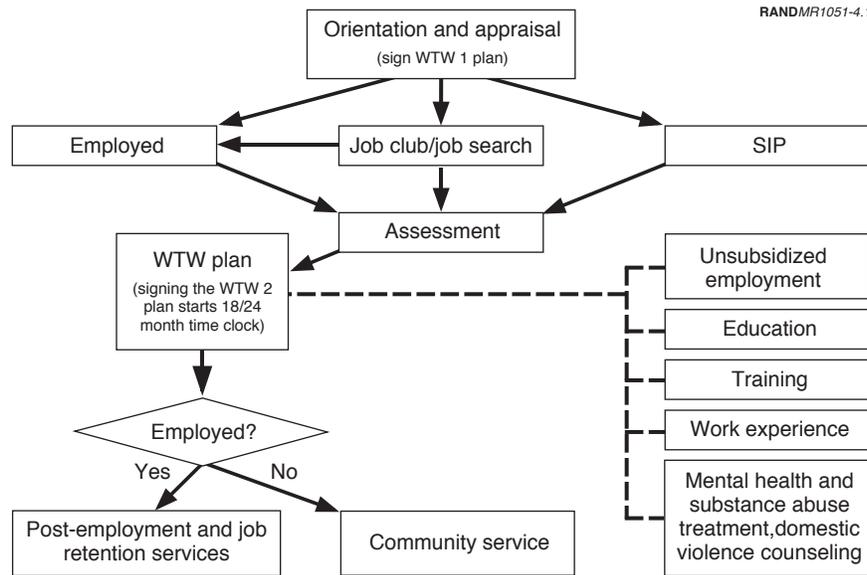


Figure 4.1—Steps of the WTW Program

job club workshop. Job club covers a variety of topics, such as résumé writing, interviewing tips, and self-esteem–building techniques. Participants are required to search for work. Those who find jobs sign their WTW 2 plans.

Those who do not find a job by the end of job club are sent for vocational assessment to evaluate their skills and to embark on approved activities designed to help recipients move into the workforce, including educational services, work experience programs, and behavioral-health services. Work and other activities can be combined to meet the hours requirement. Once the course of activities is agreed upon by recipients and their caseworkers, recipients sign their WTW 2 plans.

The WTW 2 plan outlines the activities a recipient participates in to meet the minimum hours requirement. Signing this plan starts the 18- to 24-month time clock. The time clock also starts if recipients refuse to sign their WTW plans. After their limits expire, able-bodied adults not yet working will be required to perform community service to continue receiving an aid check. Recipients who move off the rolls and into work are eligible for up to a year of case management and transitional services.

Each component, along with the status of the focus counties, is described in more detail below.

Enrollment

The first step for recipients not exempted from the participation requirement is enrollment, which begins with attendance at an orientation. There they are informed of their rights and responsibilities under CalWORKs, including the participation requirements and the available services. Caseworkers collect recipients' employment histories, inventory their skills, and schedule them for job club or, if clients are already meeting the hours requirement through work or through enrollment in educational activities leading to a degree and employability, they are exempted from job club attendance and sign their WTW II plans.³

Clients who disclose mental-health, substance-abuse, or domestic-violence problems are referred to the appropriate treatment providers; receipt of treatment counts as an approved activity toward the state (but not federal) hours requirement. This difference between state and federal law seems not to be an issue so far, since relatively few people are accessing these services through CalWORKs, as discussed in more detail in Section 5.

Counties were given until January 1, 1999, to enroll their nonexempt caseload. All but two counties reported in the ACIS that they will meet this deadline. Meeting the deadline, however, says little about the intensity with which counties have engaged clients in the WTW program, given the definition of enrollment. Nonetheless, although scheduling an appraisal sounds straightforward, it requires considerable coordination with the EWs. Because of capacity constraints and the unpredictability of the client flow (given high no-show rates and frequent rescheduling), clients might wait two weeks to two months before appearing in the welfare office. Some counties kept offices open additional hours on weekends to meet the enrollment requirement, and almost all the counties we visited noted that meeting the January 1 deadline took up most of their attention at this early stage of implementation. As the bulk of the caseload moves through this process, however, counties expect this problem to largely disappear.

Job Club/Job Search

Clients not already meeting the hours requirement are referred to job club/job search, which typically lasts up to four weeks.⁴ Counties can choose to extend

³Caseworkers also make referrals to child care, transportation, and other support services.

⁴Federal legislation allows up to six weeks, with no more than four of them consecutive, or up to 12 weeks in the case of very high state unemployment rates.

the amount of time; however, since only four consecutive weeks count toward the federal participation requirements, most have not done this. The period can also be shortened, if it becomes clear that a client is not going to find a job (for example, because of a serious skill deficiency or a drug problem). For approximately one week, clients attend classes on job seeking and interviewing skills, résumé writing, self-esteem building, and appropriate workplace behavior, while also seeking work. This is followed by up to three weeks of supervised job search.

The job search services offered under CalWORKs are similar to those under GAIN. Phones, typewriters or computers, fax machines, job listings, and job opportunities are provided in a central place, and recipients contact employers to apply for jobs. Information about jobs comes from a variety of sources. The EDD maintains a Web site with job listings that are accessible to clients, and other Web-based listings are available.

Counties have also tried to build direct ties with the business community in a number of ways. Among them are task forces to investigate job development issues. Job creation remains a very important concern for the more rural counties with fewer entry-level jobs and high unemployment rates. Members of these teams included concerned business leaders, representatives of the economic development organizations, the faith community, and chambers of commerce. In many counties, these teams continue to exist to provide ongoing information about job opportunities in the county. These teams were typically charged with identifying jobs available in the county, local labor-market needs, and the training and preparation employers desire. The teams also advised on ways to attract new businesses to the county and on how to overcome barriers to expanding employment opportunities.

Many counties also have created “job developer” positions to serve as intermediaries between employers and welfare recipients. Job developers typically attend chamber of commerce meetings and make other direct contacts with employers; they are oriented toward providing a service for employers seeking staff (as opposed to focusing on employing clients). Job developers screen applicants in advance for firms, combine CalWORKs and JTPA services to address employer needs, and facilitate the use of various tax credits and other employer incentives for hiring CalWORKs recipients. Several of the focus counties also hope to involve private-sector temporary-help agencies in this process. These agencies already prepare their clients for interviews and place them in short-term jobs that can lead to full-time, permanent employment. County welfare agencies hope that temporary help agencies can do the same thing for CalWORKs recipients, although this may prove difficult: These firms

are for-profit entities and not social-service organizations. They may be best suited to helping to place the more employable fraction of the caseload.

Counties are reporting high placement rates out of job club. Of those who attend job club, most (60 to 85 percent) obtain jobs. While these numbers are encouraging, they cannot be taken simply at face value, because, as noted above those who attend are among the most motivated clients. County officials have a number of theories about why no-show rates at this stage are high. Some recipients no doubt were already employed without reporting it and do not have the time to commit to the WTW program. Others may find work before reaching job club in anticipation of having to work. Some may prefer to accept the sanction rather than participate, and still others may face multiple barriers to participation, such as drug problems or domestic violence, that need to be addressed in some way other than job club. The last group falls generally under the heading of the hard-to-serve, and counties recognize that, despite the difficulties inherent in moving their caseloads through the enrollment process, the hardest task—reaching the hard-to-serve—lies ahead. We return to the participation issue in more detail later in this section, in our discussion of the sanction process.

After Job Club

The large number of no-shows has had implications for the activities that occur after job club. Given falling caseloads, high nonparticipation rates, and high placement rates out of job club (so that few recipients complete job club without finding work), few individuals are being referred to the various training and work options. In one county, officials estimated that half of those who attend orientation are already working, that a quarter do not show up for job club, that 2 percent are in training programs that are acceptable under the SIP guidelines, and that another 17 percent will find employment through job club. Thus, only 5 percent of the clients referred to WTW would be sent to training activities. While other counties did not have numbers readily at hand, they confirmed that few recipients are engaged in education and training activities under CalWORKs. This may change as the program matures, for two reasons. First, as counties deal with the nonparticipation issue, the number of people reaching this stage will rise. Second, as the most able leave the aid rolls, the hard-to-serve will make up a larger fraction of the caseload. They are also more likely to require education and training services.

The next step in the WTW process is assessment. Under GAIN, this had been one of the first activities for welfare recipients. Under the work-first approach of

CalWORKs, assessment has moved further back in the queue. As was the case with enrollment, some counties are experiencing bottlenecks trying to process large numbers of clients through this step of WTW activities, but they expect this problem to subside.

Complicating this, counties thought that only clients who emerged from job club without a job for the minimum required number of hours would undergo assessment. However, in July 1998, the state clarified that recipients who fully meet the requirement through work must also be assessed and must sign a WTW plan (ACL 98-41, July 1, 1998). Some counties expressed frustration at this clarification, since it increased the number of people needing assessment and complicated the process. They have found that scheduling a convenient time for assessing clients is difficult: Working parents have many demands on their time and often have somewhat unpredictable work schedules. One approach we heard during our site visits was to move the assessment portion into orientation for the fully employed clients. Scheduling is also complicated for those who are not meeting their hours requirement entirely through work. Counties are considering ways to address this, for example, by encouraging assessment providers (often local educational providers) to operate during evenings and weekend hours.

Clients whose skills have been assessed can be assigned to one or more work activities designed to augment their job skills and, to a limited extent, their more general skills. The activities that count toward meeting the participation requirements are specified in the federal and state legislation, as well as in the county plans. Activities allowed by state law include, but are not necessarily limited to, the following:

- unsubsidized employment
- subsidized private-sector employment
- subsidized public-sector employment
- work experience
- on-the-job training (OJT)
- grant-based OJT
- vocational education and training (12 months only)
- education directly related to employment
- adult basic education
- work study
- self-employment

- community service
- job search and job readiness assistance
- job skills directly related to employment
- supported work
- transitional employment
- mental-health and substance-abuse treatment and domestic-violence treatment and services.

Each of these activities is allowed by the state, but only some of these activities count toward the federal work-participation requirements. For example, the federal legislation does not include behavioral-health or domestic-violence treatment on its list of allowable work activities. The state's commitment to counting these services as allowable activities is also not entirely clear. They are listed in ACL 97-72 as possible "work" activities but did not appear on the state's form for counties submitting their CalWORKs plans. It remains to be seen how extensively such services will be used in the counties and, thus, whether this will ever become a serious issue for meeting federal participation mandates.

Similarly, the state legislation also contains provisions for pilot programs in up to six counties for self-employment training and technical assistance, which are not explicitly mentioned in the activity list from the federal legislation. Again, this is a small program that is unlikely to prevent counties and the state from meeting the federal work participation mandate.

State law specifies that counties cannot simply limit their choices to job search and work-experience programs. This appears to reflect a concern that counties would adopt a "work only" rather than a "work first" strategy, to the exclusion of education and training activities. As mentioned in Section 3, BoS members in some counties had proposed this approach, questioning the need for support services. In future visits, we will explore the interaction of these strategies in more depth.

Considerably more legislative detail at both the state and federal levels is devoted to limiting the amount of education that can be counted as a work activity. Both the federal and state legislation stipulates that recipients can only count one year of education and training toward their work requirement. In addition, not all educational programs are acceptable; the programs must be occupationally relevant and must lead to skills directly applicable to employment. Furthermore, while education is an allowable work activity, students are required to work in an unsubsidized job or in community service for the requisite hours after the 18- or 24-month time limit expires. Federal

legislation also stipulates that no more than 20 percent of the state's caseload can be enrolled in vocational training to fulfill the state's federally mandated participation rate; the state imposed the same provision on the counties.

Despite these restrictions, the list of activities is broad enough to include nearly any activity that a county might want to permit. According to their CalWORKs plans, some of the 58 counties intend to permit all allowable activities; most exclude only those deemed most expensive or difficult to administer. Those excluded typically include employment and OJT programs paying wage subsidies to employers either directly or through an intermediary service provider (for example, grant-based OJT or supported work). Another group of counties offers only the services they consider to have the greatest likelihood of moving the recipient into work. For this reason, for example, Sutter County does not include adult basic education, job-skills training, or the various kinds of subsidized work in its CalWORKs plan.

As shown in Table 4.1, of the six focus counties, Alameda, Sacramento, and San Diego offer or intend to offer all allowable activities. Alameda's plan, in particular, emphasizes the education component, which is not surprising, given the human capital focus of their earlier GAIN program. Butte County will not offer any subsidized employment; Fresno will not offer subsidized public employment; and Los Angeles County will not offer subsidized employment, supported work, or transitional employment.

At this early stage, however, it is premature to characterize the six counties as "work first" or "education focused," as was possible under GAIN. First, this list of allowed activities is likely to be only a weak indicator of what activities recipients are actually assigned. Counties will find that some activities work better than others in their local economy and that recipients will prefer certain activities. Second, everyone we spoke to in this round of interviews adhered to the work-first philosophy. Still, many expressed concern about how to incorporate the hard-to-serve and far-from-employable into the system, since their skill levels might simply be too low to interest employers. Similarly, there is a debate between community colleges and the welfare system about allowable activities, including whether homework counts as a work activity. How counties settle this dispute may be a signal of the county's orientation.

The extent to which counties could deviate from the work-first model is somewhat limited, because few people reach the post-job club part of the WTW system. Caseloads are declining; most people are employed before, or because of, involvement in job club; or people are not showing up for any program

Table 4.1
Key WTW Activities for Six Focus Counties

WTW Activities	Alameda	Butte	Fresno	Los Angeles	Sacramento	San Diego
Unsubsidized employment	x	x	x	x	x	x
Subsidized private employment	x		x		x	x
Subsidized public employment	x				x	x
Work experience	x	x	x	x	x	x
OJT	x	x	x	x	x	x
Grant-based OJT	x	x	x	x	x	x
Vocational education and training	x	x	x	x	x	x
Education directly related to employment	x	x	x	x	x	x
Adult basic education	x	x	x	x	x	x
Work study	x	x	x	x	x	x
Self-employment	x	x	x	x	x	x
Community service	x	x	x	— ^a	x	x
Job search/job readiness assistance	x	x	x	x	x	x
Job skills training directly related to employment	x	x	x	x	x	x
Supported work	x	x	x		x	x
Transitional employment	x	x	x		x	x

SOURCE: Focus county plans.

^aAlthough community service was not included in Los Angeles County's initial plan, it has indicated it will submit a community-service plan.

component. This may change as the no-show rate declines, as time limits approach, and as the hard-to-serve are compelled to participate more fully.

The limited case flow at this stage means that counties are not currently facing the problems with program scale they faced with enrollment and job club. Moreover, many of the subsequent activities under CalWORKs are contracted out, which alleviates some of the pressure on county welfare agencies. County WTW systems rely heavily on funding and services provided outside the county welfare department. Post-job search activity (at least in this early stage of implementation) consists largely of basic and vocational education, work experience, and OJT programs provided through the PICs, regional occupational programs, and CBOs. This was also true under GAIN: Education and training

programs had their own funding, and welfare case managers made referrals to these programs.

OJT programs train people for particular occupations with the idea that there will be a job at the end of it. Some forms of OJT are offered through the PICs under DoL regulations and are therefore subject to the Fair Labor Standards Act. Grant-based OJT programs use recipients' grants to subsidize the wages employers pay. Transitional and supported work are considered forms of grant-based OJT, in which all or part of the cash grant is paid to an intermediary service provider to offset wages. Counties have expressed interest in using temporary agencies in this fashion, but to our knowledge, few had established these relationships as of the end of 1998.

Work experience programs are considered closer to training than to employment. Clients are placed in jobs for up to 12 months to reinforce basic job skills and to strengthen life-management skills, such as adhering to a schedule, arranging regular child care, and productively interacting with supervisors and coworkers. The administrative costs of work experience programs are paid for with CalWORKs funds, and recipients receive no cash other than their grants.

Both OJT and work-experience activities require a great deal of supervision, making them expensive. Positions may also prove difficult to generate in sufficient numbers once everyone is brought into the system. However, it is not clear whether, as participation rates increase, the demand for these more-expensive programs will also increase. Urban Institute researchers found that other states also have relatively small unpaid work-experience programs, which state staff attributed to strong local economies and the availability of entry-level jobs (Holcomb et al., 1998). In addition, the Urban Institute report also observes that state staff found that the threat of requiring recipients to participate in unpaid work activities if they were unable to find employment provided a powerful incentive for recipients to find work. This, too, would reduce demand for these programs.

In the coming year, we will study how changes in the funding streams affect the provision of these services. For example, the Federal Balanced Budget Amendment of 1997 consolidated WTW funding into a block grant administered by the DoL. These funds are allocated to states based on their shares of total poverty and their shares of total TANF recipients. States must match the WTW funds, receiving two federal dollars for every dollar they match. At least 85 percent of the funds must go to PICs, the regional providers of the JTPA funds consolidated into the WTW block grant administered in California through EDD.

The remaining funds can flow to other organizations serving long-term welfare recipients.

The DoL WTW block grant can be used for a fairly standard set of activities: wage subsidies, OJT, job readiness services, job placement services, post-employment services, community service, work-experience programs, and job-retention programs. The definition of the participant pool is more complicated. At least 70 percent of the funding must be spent on long-term, hard-to-serve recipients; recipients who are within 12 months of the 60-month time limit; and noncustodial parents of minors if the custodial parent meets these criteria. The hard-to-serve are recipients who have been on welfare for 30 or more months and who also meet at least two of three additional criteria: (1) They lack a high school diploma or General Equivalency Diploma and have low reading and math skills; (2) they have an unstable work history; and (3) they require treatment for substance abuse. The remaining 30 percent of the funds can be targeted toward shorter-term recipients who share the characteristics of long-term recipients, such as a poor work history.

State and federal law requires county welfare departments to coordinate with organizations receiving WTW funds (PICs, other providers) to ensure that services are not duplicated and that a smooth referral system is in place. CDSS has also required counties to submit addendums to their county CalWORKs plans by February 1999 outlining how referrals will be coordinated between the county welfare department and the service providers (ACL 98-90). In our next round of site visits, we will study how this coordination was achieved.

Additional coordination may occur as a result of the DoL's shift toward consolidating employment and training information into One-Stop Career Centers, known informally as One-Stops, designed to be clearinghouses for both employers and all job seekers (not just welfare recipients). The six focus counties were early recipients of DoL implementation grants to build One-Stops. The centers provide labor market information, employment listings, and resource referral listings (including JTPA adult and dislocated worker services, community college programs, and the EDD Job Service and Food Stamp Employment and Training programs). The centers also process unemployment insurance applications; some are coordinating with county welfare directors to colocate TANF and CalWORKs EWs to process welfare applications as well. One-Stops are designed with self-help in mind, as centralized sources of information for employers and active job seekers, and this is reflected in their culture, as discussed further in Section 6. It remains to be seen how well welfare recipients will integrate into this system.

Community Service

Individuals who have not found a job within the allowed period (18 or 24 months, depending on circumstances) are required to participate in community service. This service is to be performed in the public and nonprofit sectors, in positions that provide participants with the skills they will need to move to unsubsidized employment. The positions are legislatively mandated not to displace current employees, unionized job slots, or contract employees during the term of a contract. Subject to satisfactory participation, recipients continue to receive cash aid through the lifetime 60-month time limit. Counties are still designing and implementing this program, and we anticipate having more to say about this aspect of the WTW system in our next report.

Job Retention

Unlike the GAIN program, CalWORKs offers services to recipients who have found jobs. After three months on the job, CalWORKs participants are considered to have secured stable employment. They then must sign a WTW 2 plan designed to help them achieve better-paying work. County performance standards reflect a state commitment to moving clients toward job stability and self-sufficiency. Counties must report in each month the number of recipients with earnings and the amount of grant savings as a result of earnings. This information will be used to monitor performance relative to state and federal participation requirements and to allocate the performance bonuses discussed in Section 2.

Post-employment services to encourage job retention and improve job quality are just being put into place, with some counties now in the process of issuing requests for proposals and awarding contracts. In our conversations in the counties, it was clear that they sense they are moving into uncharted territory. To provide these services, they are entertaining a wide array of proposals from CBOs and for-profits. These include mentoring programs and support groups, as well as ongoing access to workshops and classes to augment skills. Nonetheless, the general opinion is that the most important of the retention services will be child care and transportation assistance.

A common concern is that job retention is a potentially more difficult issue than job placement, especially in urban counties and in counties whose work-first programs are well-established. This outcome will be examined in the impact analysis, but the literature on job retention is not entirely pessimistic. For example, one study of 1,200 welfare recipients who found jobs between 1994 and

1995 discovered that 60 percent retained their jobs for a year and that most of those who changed jobs moved to higher-paying ones (Rangarajan, 1998).

Self-Sufficiency

Under CalWORKs, work alone is not enough; the programmatic goal is to move recipients to “self-sufficiency.” A common concern arising in our conversations with county officials involved job quality and self-sufficiency. The perception is that aid recipients find work in part-time, short-term, and dead-end jobs that offer little hope of self-sufficiency. This reflects directly on counties’ ability to implement CalWORKs successfully, since moving clients toward job stability and income self-sufficiency is the goal of CalWORKs. It is worth considering even at this early stage of implementation the ultimate goal that counties are trying to achieve. Generally in our conversations, self-sufficiency was defined as earning enough money to disqualify families for cash assistance. As we discuss below, this is a higher standard than earning enough to lift the family out of poverty.

The first step toward this goal was to construct the benefit schedule in such a way as to make work more attractive than welfare, as discussed in Section 2. Figure 4.2 summarizes the effects of these changes for a family of three (after the 1998 increases in the cash payment). The figure shows how total household resources change as household earned income increases. The horizontal axis varies household earned income. The vertical axis varies total household resources—including earned income (the light gray area under the 45 degree line), the welfare grant (the darker gray area), and other government transfers (including Food Stamps, the Earned Income Tax Credit [EITC], less payroll taxes; the hatchmarked band).⁵

Under CalWORKs, work clearly pays. Those not working end up with a package of CalWORKs and other transfers that amounts to total monthly household resources of just below \$722 per month, well below the 1998 poverty line of \$1,094 per month. However, because of the Work Pays and CalWORKs changes, combined with earlier increases in the federal EITC, welfare recipients who work keep about three-fourths of each additional dollar of earnings until almost full-time work at California’s minimum wage (at \$5.75 per hour). Thereafter, the phase-out range of the EITC, the 50-percent decrease in the welfare grant for earnings above \$225, and other taxes imply that a welfare recipient keeps first only about two-fifths and then only one-fifth of each additional dollar earned. With full-time work paying \$8.36 per hour, the welfare payment is zero. At

⁵These computations ignore income taxes, which are trivial for this population.

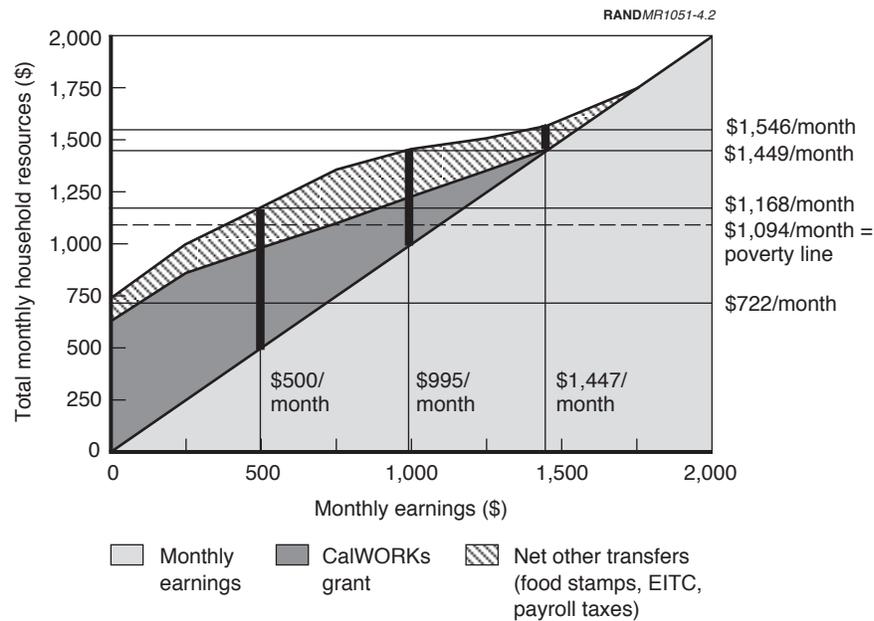


Figure 4.2—With CalWORKs Grant Structure, Work Pays

higher levels of income, a worker again keeps nearly three-quarters of each additional dollar of earnings.

Returning to the figure, we see that the total package implies that even some work—half time at the minimum wage (\$5.75 per hour for total monthly earnings of about \$500)—will lift a family of three out of poverty. At this earnings level, as shown by the vertical line to the left, total monthly household resources amount to \$1,168, as opposed to the poverty line of \$1,094.

Nonetheless, the stated goal of CalWORKs is not only to lift families out of poverty but to move them off of aid altogether through employment. A full-time minimum-wage job, which might have been considered a success prior to CalWORKs, will no longer suffice according to the stated goals of the new program. As shown in the figure, full-time employment at the minimum wage (\$5.75 per hour for total monthly earnings of about \$995) yields total household resources of \$1,449 (shown by the second vertical line), which is 32 percent above the poverty line but not enough to remove the family from the rolls altogether.

As shown on the figure, a family of three will need a full-time job paying \$8.36 (yielding earnings of \$1,447 and total household resources of \$1,546, as shown by the third vertical line) to no longer be eligible for a cash welfare payment (ignoring time limits) and an even higher wage rate to pay for child care and

health insurance (if this is not provided by the employer) once their transitional assistance runs out. This is a high standard indeed.

Perhaps, for most current recipients who are willing to work, the robust California economy will create a job. Moving to full-time employment at several dollars above the minimum wage will be a significant challenge for many recipients. Individuals may also have other barriers to employment. The limited available evidence on these issues is not encouraging. California's Riverside GAIN program has been widely cited as a successful JOBS training program. With strong local political support, Riverside's GAIN program established a work-first orientation, and it made a difference. Analysis of the random-assignment design suggested that, compared to the conventional welfare program over the first three years, Riverside's work-first program raised employment rates (35 percent versus 24 percent), increased earnings (by 50 percent), and lowered welfare payments (by \$1,400 per recipient over two years).

In discussing the three-year results, MDRC attributed Riverside's results to "its particular combination of practices." (See Riccio, Friedlander, and Freedman, 1994.) In particular, the MDRC listed

[t]he pervasiveness of its employment message and job development efforts, a strong commitment to securing the participation of all mandatory registrants (and having adequate resources to meet this objective), quicker reliance on GAIN's formal enforcement mechanisms, and an effort to limit the involvement of registrants' participation GAIN-related activities to primarily to [sic] job search and basic education. (Riccio, Friedlander, and Freedman, 1994.)

The differences in outcomes between Riverside and the other five counties were apparent from the first-year reports. In response, in mid-1993, Los Angeles County restructured its GAIN program to resemble Riverside County's work-first model more closely.⁶ The new program, called Jobs-First GAIN, minimized the provision of basic education while expanding job-search services. It communicated a strong work-first message, including the fact that, under California rules, "work pays." It also provided high-quality job-search assistance. Finally, the program had strong enforcement procedures, including sanctions (grant reductions) for those who failed to participate without "good cause"; 34 percent of the single mothers participating in the program were sanctioned at some point during the first year. (See Freedman, Mitchell, and Navarro, 1998.)

⁶See Freedman, Mitchell, and Navarro (1998) for early results from the Los Angeles County Jobs-First GAIN Evaluation.

The Los Angeles County program appeared to be a success. Since job-search services were less expensive than education, these changes allowed the Los Angeles County Department of Public and Social Services to serve more recipients with the available budget. Compared to the control group, employment and earnings for the experimental group were higher, while welfare participation and payments both decreased.

Along with the change in the GAIN legislation, the level of funding for GAIN was increased. The 1995 reforms increased state funding levels, removed the matching requirement for counties, and included financial incentives for counties to fund GAIN (counties could keep some of the savings from moving recipients to work). However, it appears that these 1995 reforms had not been fully phased in on the eve of the CalWORKs legislation in the summer 1997.

It is important to note, however, that Riverside GAIN and its work-first approach, as well as the early results from Los Angeles County, were impressive because they show *any effect at all* and, in particular, any net governmental savings. These programs are not a panacea. Most effects (experimental versus control, cost per case, earnings, welfare participation) were largest in the first or second year and declined thereafter. This suggests that participation in the program had a one-time short-term positive effect (e.g., the participant got a job) but that the effect was not sustained. That first job often did not launch the participant toward a succession of better paying jobs; when the job ended, the participant often fell back into welfare.

Specifically, for Riverside GAIN, effects on employment were highest in the first year, with employment in the experimental group 14.0 percentage points higher than the control group; however, only 52.1 percent of the experimental group was employed. In subsequent years, both the proportion of the experimentals and the difference between the experimentals and the controls declined. By year 5, the difference was only 9.9 percentage points, and less than 40 percent of the experimental group was employed at any time during the year (39.4 percent in the experimental group versus 33.4 in the control group). Similarly, annual earnings in year 5 were almost 60 percent higher in the experimental group; but they were still only \$2,470. Differences in earnings were sustained over time, and the average level of earnings rose slightly (to \$3,839 in the experimental group versus \$2,917 in the control group). The effect on receipt of AFDC declined quickly. After five years, the difference was only 1.6 percentage points and was not statistically significant. The difference in AFDC payments in year 5 was only \$289 (but is statistically significant). (See Freedman et al., 1996.)

In sum, while the Riverside GAIN program caused statistically and substantively significant effects on household resources and decreases in government

expenditures (relative to the control group), the effects were modest and declined over time.

Clearly, given the goals of CalWORKs, the state and the counties have a great deal of work ahead to design and implement programs that move recipients to self-sufficiency.

Nonparticipation

Once the various program components are in place, the next step is to ensure that recipients mandated to participate in fact do so. We have already noted that participation is far from universal.

County officials we interviewed estimated that no-shows for the initial appraisal in the WTW process ranged from less than one in three to more than four in five. The problem is not unique to CalWORKs: High no-show rates were also apparent under GAIN. Freedman et al. (1998) report that in the first year of “work first” GAIN in Los Angeles County, 62 percent of family grant aid cases and 70 percent of unemployed parent cases did not participate in job club or other work activities in their first year. Eventually, 34 percent of the family grant cases and 29 percent of the unemployed parent cases were sanctioned through a grant reduction at some point. Even the Riverside GAIN program, whose achievements were discussed in Section 2, experienced 40-percent no-show rates. However, Freedman et al. (1998) also noted that most no-shows eventually were deregistered or deferred from GAIN requirements because they were not mandatory cases. They attributed much of the high rate under GAIN in Los Angeles County in the early 1990s to coordination problems between eligibility and employment-services staff trying to determine who was exempt and who had to participate in GAIN.

This is probably not the source of the problem under CalWORKs, since fewer recipients are exempt from participation requirements. Nonetheless, it remains a difficult process because employment-services workers decide if sanctions are warranted but must then refer cases to EWs to process. There has been some effort at the county level to colocate eligibility staff and caseworkers, which may facilitate coordination. Other counties are trying to combine the two positions into a single job, in part to deal with this problem.

Counties are now searching for new strategies for dealing with the no-show problem. Our conversations with counties revealed some suspicion that the participation requirements were revealing people who were already working but not reporting it to their caseworkers. It also seemed to be the case that some

significant fraction of no-shows are not so much avoiding the program as having difficulty with the mechanics of coordinating the several steps in the process (orientation, job club, assessment, and so on). Child-care problems, transportation difficulties, and other barriers were mentioned in this context, as were possible self-esteem issues (e.g., fear of failure). Several of the counties we spoke with reported being generous in attributing “good-faith effort” to clients who miss appointments. For example, by simply calling to explain that a child was ill or that transportation was unavailable, the client was considered cooperative and not in danger of triggering the grant reduction. We return to the issue of using sanctions to motivate better participation below.

Counties are also starting to consider other efforts to boost participation. This may involve building explicit incentives into outsourced contracts, for example, to increase CBOs’ outreach efforts to no-shows. Some counties are considering moving as much activity as possible into the orientation day to cut down on the number of trips a client has to make, such as moving the assessment into the job-search program. While this solution may work, some counties fear this may dilute the work-first message by scheduling other activities simultaneously.

Making work pay is one way to encourage participation, especially if the recipients perceive the components as valuable tools for achieving self-sufficiency. Another way to encourage participation, of course, is through the sanction process.

Sanctions

Nationally, sanctions, in combination with work requirements, have been credited for the dramatic declines in welfare caseloads (GAO, 1997). Sanctions were also important in GAIN. In the first year under GAIN, actual sanction rates were not dramatically high, averaging about 6 percent of the experimental caseload in the MDRC evaluation, although this rose over time (Riccio et al., 1994). However, higher fractions of the caseload were subject to the various steps prior to actual sanction (e.g., conciliation), reinforcing the message that the risk of grant reduction was serious. This message was received: Surveys of recipients indicated that they were aware that work requirements were being enforced. Many experienced the process personally. In Riverside and Los Angeles counties, roughly 33 percent of the caseload had been in conciliation, sanctioned, or scheduled for sanction. However, this was on the high end; in Alameda and Butte, these percentages were 2.2 percent and 10 percent, respectively, while in San Diego, they were 21.5 percent, but their programs were less successful than Riverside’s (Riccio et al., 1994).

The GAIN experience suggests that sanctions will bring people into compliance with the CalWORKs program. This has not happened yet. As discussed above, no-show rates at every stage of the WTW process are high: Counties report that half or more of the recipients do not show up for orientation or job club. However, one explanation we heard in the counties for high no-show rates is that recipients do not yet understand that they face sanctions for not attending appraisal. Once this is made sufficiently clear to them, they reschedule their appointments and appear for appraisal.

The sanction process in CalWORKs works as follows: If clients are considered uncooperative, their cash aid can be reduced by the adult portion of the grant. The process begins with a notice mailed to the client's home address that the county is considering imposing a grant reduction in 30 days and has arranged an appointment within the next 20 days to determine cause. If a recipient does not make a good-faith effort to address the problem with caseworkers over the next 20 days by phoning or by attending the appointment in person, the county begins what is known as the "conciliation process" by sending another notice and attempting telephone contact. If the client still has not redressed the problem 10 days after this letter is mailed, the sanction is applied. The first time the sanction is applied, it lasts only until the recipient cooperates. The second time, the recipient remains sanctioned for three months after the problem is dealt with; the third time (and any additional times), the sanction lasts six months after the problem is addressed.

The focus counties reported very low sanction rates. In at least one focus county, essentially no sanctions are being imposed. Generally, however, the decision to delay sanctions was made because the process is so time-consuming and because staff were so busy trying to implement the more positive aspects of the program.

Data from the ACIS corroborate county reports that sanctions are not in place in many counties. Counties were asked to describe the current stage of implementation for a long list of their program operations. One of these operations was "vendor voucher payment system for sanctioned units." Such a system enables direct payments to landlords, utilities, etc., when cash payments are stopped because of sanctions incurred by a parent. A fully functioning sanctioning system must have such a voucher payment system in place. However, only 26 percent of counties have such a system "fully operational, county-wide." Most counties (57 percent) reported that planning for or design of the voucher payment system is "in progress." Another 12 percent indicated that they have not yet planned or designed this system.

There seem to be a number of reasons sanctions are not more widespread. Each county we spoke with expressed frustration with the sanctioning process as

currently implemented. One issue is the length of time between notification and application of the penalty, along with the related computer problems. Counties have had difficulty implementing the sanctioning system, and this has hampered their efforts to enforce penalties for nonparticipation. Part of the problem is that computer systems are not generating the right types of notices, so the process must be done by hand. Similarly, the computer system is not properly computing the grant if a sanction is imposed, so again, the computation must be done by hand. However, even if the notices were sent more quickly, there would often be a significant delay in imposing them once they do go out. This long delay obscures the relation between compliance and penalty.

Another reason for the limited application of sanctions is the amount of coordination necessary to implement a sanction. Although caseworkers decide whether a sanction is required, they do not apply it but instead refer the case to an EW to process. Some believe the whole process should be in the hands of the caseworker. On the whole, though, this process is cumbersome and expensive in the face of high nonparticipation rates, since multiple attempts by employment caseworkers to contact clients considered uncooperative take time away from other activities.

Because this bottleneck is significant, according to county officials, caseworkers in many counties have been given fairly wide latitude for defining behavior as “in good faith.” If caseworkers are generous in their interpretations, this circumvents the formal sanctioning process and thereby weakens the enforcement mechanism as a whole. However, notifying recipients without ever having to cut their grants may be enough to demonstrate that counties are willing to cut grants to induce cooperation. This in turn will depend on how recipients view the loss of the adult portion of the grant.

An interesting aspect of the regulations is that months on sanction do not count toward the 18- or 24-month time limit (see ACL 98-41), while not participating with good cause does not stop the clock. Although we do not yet know how well recipients understand the new CalWORKs system, recipients concerned with using up their eligibility could choose to accept the sanction for a period. In fact, even apart from sanctions, welfare officials in one county were considering encouraging recipients to decline the adult portion of their grant voluntarily to conserve months of eligibility for periods of extreme hardship.

Some county officials have also expressed concern that the penalty (loss of the adult portion of the grant) is not large enough to induce cooperation. As mentioned in Section 2, unlike most other states, which chose to eliminate the full grant with a sanction, California chose to sanction recipients by cutting only the

adult portion of the grant to provide a safety net for children. The state legislation does, however, ensure that Food Stamp grants do not rise when income is reduced because of sanctions. More recently, a similar arrangement has been made with housing authorities; previously, rent was reduced when residents' income was reduced, thereby undoing some of the sting of the sanction.

The loss of the adult portion of the grant amounts to \$118 per month for a family of three, regardless of how much recipients earn. With no work, the sanction amounts to a 16-percent drop in household resources, a percentage that declines the higher household resources are (for example, due to earnings). In this sense, then, sanctions more heavily penalize individuals who do not cooperate with the program (e.g., they refuse to show up for job club or any other WTW activity). Still, the partial sanction itself is small relative to the full-grant sanctions applied in all but three other states.

This question of how well respondents understand sanctions, both in terms of what it takes to be sanctioned and what they must do to come into compliance with the system, will be an important part of our subsequent analysis. How counties interpret sanctions in the future will also be a continuing focus of our process analyses, because it reflects how counties view welfare reform. For example, some county officials emphasized that the work-first model is and should be a "tough love" approach, in which clients are responsible for showing up and dealing with work requirements. Yet some employees in every county see the CalWORKs program as an opportunity to move toward a social-work model, for example, by conducting home visits to assess families in the context of their environments or by decentralizing services into neighborhoods. This perspective on home visits emphasizes bringing CalWORKs to recipients rather than compelling recipients to appear at a designated and sometimes distant location, which some argue helps prepare recipients to work.⁷ These divergent perspectives on welfare reform—work-first versus the social work model—color how one interprets high sanction rates (GAO, 1997). If sanctions are interpreted as a failure of the program to aid hard-to-serve recipients, it could prompt more intensive case management. If sanctions are the stick that counties use to force compliance, high rates do not imply that intensive intervention is required. The crucial issue will be the relative importance given to each approach. Thus, how counties treat sanctions over the next couple of years will be an important

⁷Some counties conduct home visits using fraud investigators; others employ people with more of a social-work background. This, too, is an important signal of how counties view welfare reform.

indication of how they interpret their roles as part of the social safety net and may affect the overall impact of the program in as-yet-undetermined ways.

WTW Under CalWORKs

Counties are still in the early stages of implementing their WTW programs under CalWORKs. Only now are they beginning to shift their attention from enrolling CalWORKs recipients into the program toward the subsequent service-delivery system. Counties that had established work-first programs under GAIN are farther along this track than counties that needed to reorient their GAIN programs away from education and toward work.

A continuing issue over the coming year will be the high rates of nonparticipation and the divergent views about why they are so high. Sanctions may prove to be an effective way to enforce work requirements, but counties are also concerned that many of the nonparticipants will prove to be the least skilled and least job-ready, for whom the work-first approach will not lead to employment. As counties assess their caseload characteristics and their economic outlooks, we expect to see more variation in the kinds of programs they implement, from education and training to the work-experience and OJT components. In rural areas, concerns about job placement will continue, while in urban areas, job retention and wage growth will be more prominent. Moreover, as discussed above, the standard for success under CalWORKs—self-sufficiency without relying on public assistance—is high. This is an issue that will become increasingly salient as time limits start to force recipients from the rolls. Time limits give a sense of urgency to county welfare departments' attempts design and implement programs that will move families toward self-sufficiency.

5. Implementing CalWORKs: Providing Support Services

As discussed in Sections 3 and 4, one part of the process of implementing CalWORKs entails providing support services to recipients who need such services to be able to attain and maintain employment. In this first round of fieldwork, we focused on CalWORKs background planning and WTW programs, precluding systematic inquiry into the implementation of support services in fall 1998. However, program staff and policymakers with whom we spoke so consistently raised concerns and identified challenges associated with the implementation of support services that a brief discussion synthesizing their observations was warranted in this report. In the next round of field visits, we will examine the issues concerning support services systematically. In particular, we will collect information from multiple perspectives, including departments with primary responsibility for these services and CBOs that provide services to CalWORKs participants and other clients.

We first discuss the legislative requirements for providing these services; then, we turn to interviewee concerns about them. The information for the observations comes from the site visits and from the ACIS results.

In devising a welfare reform initiative that almost universally compels work, policymakers recognized that some portion of the recipient population would have significant barriers to getting and keeping employment. To reduce or eliminate these barriers, both the federal and state welfare reform legislation recognized the need for a set of services, including child care, transportation, substance-abuse treatment, and mental-health and domestic-violence services.¹ Studies estimate that between 5 and 65 percent of the aided population has at least one significant barrier to work (e.g., Raphael and Tolman, 1997).

Under CalWORKs, services that address these barriers are to be provided by the individual counties; counties have significant discretion in determining how, when, and which recipients are screened for support services and who provides the services. In its CalWORKs plan, each county was required to provide assurances that these services would be provided for CalWORKs recipients.

¹Certainly, other barriers to work readiness exist—for example, housing instability, financial emergencies, and lack of health insurance—but CalWORKs does not contain a formal mechanism or requirements for addressing them.

Guidelines for Support Services

Through ACL 97-54, CDSS specified that county plans were to indicate the following:

- how the county will collaborate with other public and private agencies to provide necessary training and support services
- the process the county will use to “provide for the availability of substance-abuse and mental-health treatment services”
- the extent to which and the manner in which mental-health services will be available to recipients after their 18- or 24-month time limits have been reached
- the process the county will use to provide child-care and transportation services
- how the county will train county employees working with CalWORKs recipients who are victims of domestic violence.

Domestic violence services are highlighted in the CalWORKs legislation because of concerns that work requirements might place victims of abuse at further risk or might unfairly penalize victims. Unlike some of the other support services, the CalWORKs legislation outlines the legal definition of domestic violence and the criteria for determining who is a victim, and CDSS issued a separate ACL for domestic violence (ACL 97-71, October 28, 1997).

Before CalWORKs, AFDC-eligible families could receive child-care payments through seven possible programs administered by CDSS: Supplemental Child Care, Transitional Child Care, the California Alternate Assistance Program, the GAIN child-care program, CalLearn Child Care, Non-GAIN Education and Training child care, and an income disregard in the cash grant. The last provided a \$200 disregard per child under 2 and a \$175 disregard per child older than 2 years. CDE provided child care through the At-Risk Child Care Program for families at risk of needing public assistance.

Many AFDC recipients’ child-care needs were served by two agencies and through two methods of payment (subsidies provided through alternative payment providers [APPs] and income disregard in the grant). County welfare departments and local APPs found this double-entry system confusing (Policy Analysis for California Education, 1995). In addition, parents and program administrators in CDE and CDSS found long waiting lists for child care—created by high demand and limited funding—to be frustrating.

CalWORKs abolished the dual and overlapping systems of child care. It created three stages designed to correspond with families' child-care needs as they move from welfare to work under CalWORKs (shown in Table 5.1). The legislation also identified a "lead agency" as the fiscal agent responsible for paying child-care providers directly, replacing the AFDC system of income disregards. Finally, the legislation specified that child care be provided through local APPs.

Even in the legislature's prescribed system, counties were given some choices in operationalizing their child-care systems. In the county plans, each welfare department was required to outline

how child care services will be provided to CalWORKs participants . . . [including] a description of how the county will provide child care for families transitioning from county funded providers [county welfare department] to non-county funded providers [APP] of child care services. . . . (ACL 97-54, September 10, 1997.)

Counties could choose the provider for Stage 1; according to state-level interviews, 31 counties chose to contract these services to local APPs. In addition, each county could define "stable" and thus dictate the timing of movement from Stage 1 to Stage 2. Some counties have defined stability as families whose employment meets the federal work-participation hours-per-week requirements. Because many CalWORKs recipients will start with less than full-time work, this definition could imply a long stay in county welfare department-organized Stage 1 child care.

The passage to Stage 2 is intended to be primarily administrative. Responsibility for child-care payment moves from county welfare department to the APP and CDE funding when the recipient is "stable" in a WTW activity. While the child-

Table 5.1
Three-Stage Child-Care System Under CalWORKs

Stage	Description	Lead Agency	Local Provider
Stage 1	Families in "unstable" work or educational activities; first 6 months of assistance	CDSS	County choice: county welfare department or local APP
Stage 2	Families with "stable" WTW situations; while eligible for aid and for 2 years after leaving aid	CDE	APP
Stage 3	For grant diversion cases and families making the transition off welfare	CDE	APP

care provider is unlikely to change as the recipient moves, for example, from job club to subsidized work, the APP makes the child payment at Stage 2. Families remain in Stage 2 while on cash aid and for up to two years upon leaving cash aid—the duration of the state-imposed time limit on WTW activities.

Stage 2 child care replaces the Transitional Child Care program, administered by CDSS under AFDC for families leaving welfare. Because policymakers recognize that child care accounts for a large part of a low-income family's total income expenditures, this Stage is designed to help recipients maintain some child-care subsidy even when they are no longer eligible for cash assistance.

Stage 3 is part of the larger subsidized child-care programs administered by CDE. Thus far, Stage 3 is funded at a considerably lower level than Stages 1 and 2. Some believe this is justified because few families have reached this point; funding levels can and will shift as more families need Stage 3 child-care services. Others worry that the levels will not change, pointing to historical underestimation of the demand for child care for low-income families and waiting lists at the APPs.

CalWORKs Funding for Support Services

CalWORKs allocates substantial funding for support services. For example, from the state general funds, the legislature earmarked \$54.9 million (which supplements the \$5 million federal allocation) in substance-abuse treatment funds in fiscal year 1998–1999 for CalWORKs recipients; counties can also use TANF-related allocation funds for other support services that substance-abuse clients need. The legislature also allocated \$45.2 million from the state general fund for mental-health services. The legislation gives counties significant discretion to determine the type and duration of behavioral-health services that will be provided to identified CalWORKs recipients.

The mandate to provide these support services under CalWORKs has the potential to create an unprecedented demand for services. To meet the mandate, county welfare departments must form or enhance partnerships with providers, which may include other county agencies that administer these programs for all county residents; CBOs; and private, for-profit firms.

Status of Support Services

Many counties reported working with contractors to deliver services, but neither the relationships nor the services are fully operational. In our limited discussions, we found that services that immediately support the ability to work,

such as child care, appear to be more fully implemented than the behavioral-health services (mental health, substance abuse, and domestic violence) in focus counties. This is probably because of recipients' immediate need for child-care services to engage in CalWORKs activities, because of preparatory guidance about child care from the state, and because of the absence of any onus surrounding this need. For child care, for example, data from the ACIS indicate that nearly all counties (91 percent) report that Stage 1 child care is fully operational countywide; figures for Stages 2 and 3 are smaller but still high: 84 percent and 81 percent, respectively. This suggests that the counties view child care as a priority in implementing CalWORKs.

In contrast, we found limited implementation of behavioral-health services in the six focus counties. For example, according to ACIS results, 38 percent of responding counties do not yet have countywide screening or assessment for domestic-violence services in place; the figures for counties without substance-abuse and mental-health screening are 29 percent and 31 percent, respectively. Similar figures are reported for actual provision of these services (38, 26, and 28 percent, respectively, for domestic-violence, mental-health, and substance-abuse services). In subsequent fieldwork, we will explore why behavioral-health services have lagged behind child-care services.

Program Issues

State and focus-county welfare staff repeatedly expressed two concerns about support services. These concerns will help guide our examination of this aspect of CalWORKs in the next phase of our work.

Extremely Low Levels of Identified Need for Behavioral-Health Services

Focus counties have been surprised by the low demand for behavioral-health services. In some cases, current demand is less than 10 percent of that projected. Some interviewees believe that low levels of identification reflect recipients' discomfort in disclosing their need for behavioral-health services. This discomfort might have multiple causes. The traditional relationship between recipients and county welfare departments has been based on eligibility determination and cash disbursement. Recipients are not used to talking to caseworkers about personal problems. Moreover, the process of eligibility determination in the past has not included time or reasons to disclose behavioral-health problems. Multiple interviewees reported that recipients fear that disclosing the need for behavioral-health services could lead to removal of their children from the home, a fear that many interviewees thought could be valid.

One focus county is planning to meet with Child Protective Services (CPS) to investigate the validity of this concern.

Low demand for mental-health, substance-abuse, and domestic-violence treatments has been a factor in slow-developing systems to support clients with these needs. In one of our focus counties, estimates of demand for substance-abuse services were set at 30 percent of the caseload, based on a reading of the literature and on agency staff experience. However, the county's screening tool has identified only 2 percent of the caseload as needing substance-abuse treatment. Although it is unclear why this huge discrepancy exists, at least one respondent attributed the difference to the fact that the "truly hard-to-serve" population is not yet in the CalWORKs system. County respondents report that service providers are unhappy with the low rate of referrals. Furthermore, the low level of identified need for such services is causing service money to go unspent. This is not yet a major problem, because these funds can roll over until 2000. However, the rollover is not open ended; thus, there is pressure to spend this money.

Interviewees also noted that poor, inadequate, or incomplete screening processes are contributing to low referral rates. Screening for behavioral-health issues has not been fully implemented. Only three of six focus counties reported operational screening and assessment processes to identify behavioral-health problems. Only two focus counties reported that they had a fully operational system of assessment and referral for behavioral health. In most counties, the initial screening falls to the EWs. In one county, the unions are fighting for the ability to screen recipients rather than lose this function to an outside organization. In the focus counties that will rely on EWs to screen, training is under way to teach these staff how to interview with sensitivity and how to protect confidentiality.

The Need to Engage Multiple Service Providers

Contributing to the delays in implementation discussed above is the need to identify and contract with service providers. The CalWORKs legislation encourages counties to arrange for substance-abuse treatment through existing county programs by specifying that substance-abuse services must be provided by the county alcohol and drug program or a nonprofit contractor of that program. The legislation includes no such specificity about providers of domestic-violence or mental-health services. While a few county welfare agencies are providing some services directly, focus counties often rely on referrals to other agencies with funding to provide behavioral-health services. Some counties minimized the complexity of this effort by expanding existing

contracts established under GAIN. Other counties developed and issued RFPs, evaluated the resulting proposals, and then contracted with selected providers. For at least one county, these new contracted services would not become available until January 4, 1999.

Coordination with other organizations can be particularly difficult because of historical differences in mission and programmatic goals. While those concerned with work readiness may be satisfied with a functional level of mental health or control of a substance-abuse problem, many providers focus on long-term counseling measures of success that may not be critical for employment.

When and if demand for services grows, there is concern about whether there will be sufficient capacity. Approximately half of all counties report (on the ACIS) current or anticipated shortfalls in substance-abuse, mental-health, or domestic-violence treatment capacity. Moreover, half of the responding counties report "particular" concerns about barriers to work created by mental illness, substance abuse, and domestic violence.

Support services have yet to come on line in many counties. We expect to see substantial activity in this area in our next round of county visits. The next phase of the process study will explore service issues in interviews with community-based service providers, the staff of county agencies providing these services, county welfare department staff, and both CDSS and CDE about the rollout.

6. Reorganization Status at the State and County Levels

The passage and implementation of CalWORKs is precipitating a fundamental change in the way the state and the counties provide welfare. Responding to this change has required new planning at the state and county levels (Section 3), instituting a new process for moving recipients from welfare to work (Section 4), and providing new services (Section 5). These changes have led to reorganization of welfare institutions that have been in place for generations.

In this section, we examine the status of such reorganization at the state level and at the county level, particularly in the six focus counties. The discussion draws primarily from the state and focus-county site visits and from responses to the ACIS.

State-Level Organizational Change

While CalWORKs was intended to reduce the state's authority over the counties considerably, CDSS policymakers recognized that their new role was important and in some ways more difficult, since it required the state to maintain its traditional role in determining eligibility while changing its relationship with the counties on other aspects of CalWORKs rather dramatically. Moreover, as a high-level CDSS staffer noted: "In the beginning of a new program, there is never less work, only different work." As part of its new role, the state was supposed to ensure that support, expertise, and technical assistance for the counties were in place; to help remove barriers to the implementation of county plans; and to facilitate sharing of best practices, while stepping back and allowing counties to pursue their own visions. Accomplishing these new tasks called for organizational changes in CDSS. Legislative mandates for coordination paired with enormous increases in funding for services necessitated much closer coordination with other state agencies that had been providing these services for many years.

Plans also had to be put in place that would help both the state and the counties understand their changed roles and relationships under CalWORKs and signal the new ways in which the state would assist the counties. Here, we discuss two specific changes along these lines: (1) the creation of regional advisors and (2)

the realignment in the relationship between key state agencies whose missions or services overlap with those that CDSS has taken on under CalWORKs.

Creating the Regional Advisor Position

CDSS's most visible change was the creation of the regional advisor position. This position was established as part of a reorganization in late 1997. The same reorganization also created an assistant deputy director position charged with overseeing and jump-starting the devolution to the counties and the implementation of CalWORKs. Regional advisors are highly experienced CDSS employees who were to smooth implementation and resolve high-level issues that counties encountered. In the words of one high-level CDSS staffer, the purpose of the position is to "help the counties succeed."

Originally, CDSS hoped there would be five regional advisors, but funding limits permitted only four. The first four regional advisors were selected very quickly. Within two weeks after the legislation passed (September 1, 1997), the pioneer regional advisors were tapped to participate, entering their new jobs with enthusiasm. As one regional advisor said, "[CalWORKs] is the biggest public administration game going." Their early involvement was considered critical because they were to serve as the principal contacts and, in the words of one regional advisor, "the resolver of difficult issues (which were expected early and often) with the counties."

Each regional advisor was assigned a set of counties, roughly equivalent in total population, in one region of the state. Regional advisors chose their areas, based on familiarity or preference. The four regional advisors generally spend about half their time in their counties, attending key meetings and dealing with problems. Conducting these tasks may mean that visits to counties with fewer problems or less willingness to ask for help may occur only quarterly. One of their important tasks, according to a current regional advisor, is to support the counties and encourage the use of responsible discretion. Another described his own way of encouraging county autonomy: Typically, when he visits a county, he is peppered with questions for which the county wants answers from the state. His typical response is, "Are you sure you want me to ask that question—it's easier to ask for forgiveness than permission." In this way, he sends the message of county discretion under CalWORKs.

The regional advisor position was, according to a CDSS senior staffer, "the best thing we've done" to promote CalWORKs implementation. There are several reasons this position has been so important. First, creating a new position signaled to CDSS and the counties that the relationship between the state and counties would be different under CalWORKs. Second, appointing experienced,

high-level staff to the position made it clear that the regional advisor had important contacts inside CDSS, so that county questions could and would be answered quickly and with authority. This was particularly important because CalWORKs caused so many changes that county staff would have been uncertain who in CDSS to call for answers to many questions. Third, the fact that regional advisors spend half their time or more in counties meant that CDSS staff had current information about what was going on in the counties and how they were coping with the changes caused by CalWORKs. The regional advisors' quarterly "view from the field" briefings have become much-anticipated, well-attended events at CDSS. Finally, because they work so closely with the counties, the regional advisors have become, in effect, state-level advocates for their counties.

While there is consensus that the regional advisor position has been a positive organizational change, its future is unclear. Some perceive these advisors to be so valuable that CDSS is considering appointing regional advisors in other programs. On the other hand, the current incumbents are high-level, highly paid personnel who are on leave from other positions. The perception is that, as CalWORKs approaches full implementation, the functions filled by these individuals may be less necessary.

Realigning the Relationships Between CDSS and Other State Agencies

A second, far less visible set of changes is a realignment in the relationships between key state agencies whose missions or services overlap with those that CDSS has taken on under CalWORKs. Child care provides an example of the need for and difficulties in creating interdepartmental coordination around delivery of services. Everyone recognizes that, in the words of one senior CDSS staffer, "[CalWORKs] doesn't work without child care." However, the state did not settle on a single kind of care to provide. The legislation set out three levels of care, a compromise approach endorsed by CDE, the counties, child-care advocates, and members of the legislature. It is administered by two different state agencies, CDSS and CDE. The two agencies have very different perspectives. The CDSS views child care as a service provided to parents to enable them to work. From this perspective, availability and reliability of care are key. The CDE, however, views child care as a form of early education, with the child as the client. Based on this perspective, quality—specifically a program of developmental care—is key. These differences are an overlay to differences that inhere because the Superintendent of Public Instruction, who oversees CDE, is independently elected, while the head of CDSS is appointed by and represents the governor.

CalWORKs has exacerbated these differences. Child advocates in the legislature wanted the CDE and its developmental approach to dominate child care under CalWORKs. The CDSS objected, arguing that it should not be subject to another department's vision for child care, a service that would be critical to enabling job search and employment activities. In the view of one observer of the legislative process, the framers of the CalWORKs legislation did not understand these deep-seated differences between the CDE and CDSS on child care. If they had, they would not have forced cooperation as they did. The opposing view, voiced by another person very knowledgeable about the legislative process, was that this cooperation was essential and that the need for the two departments to coordinate was quite intentional. The two departments are trying hard to work together despite their differences. Child-care staff from each department are meeting regularly to coordinate child-care planning and to help facilitate more "seamless" services for recipients.¹

CDSS has not had to work so closely with other agencies in the past or to depend on other agencies for the success of its programs as it now must under CalWORKs. Because these efforts require interagency cooperation, and because they involve, in some cases, deep-seated differences in views about the way in which these services should be organized and delivered and the way in which outcomes should be assessed, progress has not always been easy. But the fact that these discussions are going forward is a testament to the rather substantial changes that the key players recognize must occur to implement CalWORKs successfully.

State-Level Adjustment to Organizational Change

Despite many positive attempts to make the necessary changes at the state level, one can find evidence that the process is not running as smoothly as it could, which is, of course, what one would expect. Based on years of previous interactions with the counties during which the state would meet its perceived obligations by providing a clear "OK" or "not permitted" response, CDSS staff are adjusting to their new role of providing guidance without impeding county discretion. Numerous state-level interviewees told us that, on a day-to-day level, county-level program staff struggle with their new responsibilities under CalWORKs, and CDSS staff receive a daily stream of calls. Many of these calls ask for interpretations of regulations and guidance in programs. Often, the caller is frustrated by a CDSS response that encourages county discretion, such as "You

¹See Section 5 for more discussion about child care.

are asking us about how to implement your own plan—you need to make this decision.”

The state-level CDSS staff to whom we spoke understood that these calls stemmed from a natural desire to get help in decisionmaking. Indeed, several CDSS staffers noted that the first response of many CDSS people is to say “no” to anything out of the ordinary, when the more appropriate response may be “it’s up to you.” Under CalWORKs, these interactions are both more complex and far less straightforward.

County-Level Organizational Change

As the implementing agencies for CalWORKs, the county welfare departments have had to bear the brunt of the responsibility for making CalWORKs work. As a result, the county welfare departments are undergoing some radical restructuring, much of which is still in the early stages. More information about these changes will be available in the next process analysis report; here, we discuss five changes: (1) the coordination of operations with other agencies and service providers, (2) the merging of GAIN and eligibility operations, (3) the changing role of EWs, (4) the increased use of outsourcing, and (5) the development of new leadership.

Coordinating Operations with Other Agencies and Service Providers

One key change at the county level is extensive coordination with other county agencies and CBOs. As was true at the state level, such collaboration was unprecedented. Before welfare reform, aside from an often-small GAIN program, the welfare department was an eligibility determination agency that did not need to work closely with other agencies to achieve its goals. This was fortunate, because, according to one high-level county staffer, no other agency wanted to collaborate with the welfare department. However, under CalWORKs, counties are to provide an array of services; thus, they must collaborate with many other county agencies. There is a need to collaborate to realign delivered services to reduce duplication of effort, increase effective use of resources, and present to clients a seamless service delivery system focused on shared goals. Funding availability has made collaboration appear more attractive to outsiders, but a lack of county welfare agency experience with interagency relationships was described by a county budget person to whom we spoke as “terrifying.” The idea that the welfare department had to rely on other agencies, each with its own political agenda, was making this welfare department staff member very nervous.

At the center of many of the county plans was a major restructuring of the county welfare organization. Of the six focus counties, four did not include reorganization in their CalWORKs plans because, in anticipation of welfare reform, they had already created some partnerships before CalWORKs. The other two counties formed new interagency structures. All the focus counties responded to the new demands by developing a variety of coordinating mechanisms to link agencies. Some counties merged their welfare and employment departments into multifunctional organizations (“One-Stop” shops, which are described in Section 4 in more detail), while others relied on memorandums of understanding to facilitate administrative integration, management, and planning. All the counties created strategic management teams composed of senior-level administrators who were responsible for interfacing with the county BoS, creating and articulating the county’s CalWORKs vision, and aligning the various stakeholders to develop and implement the plan. Counties also used a variety of strategies to coordinate their activities with other county agencies. Some counties used interlocking boards to facilitate cooperation.

The counties also varied in their strategies about how to coordinate activities across divisions within their own welfare departments. For example, in some counties the eligibility and employment divisions remained autonomous but were housed together in a new CalWORKs bureau; in other counties, the two divisions were merged into one work-first division within the welfare department. Divisions that carried out duplicate functions, such as budgeting, personnel, and contracts, were also consolidated into one division, which, according to one state-level interviewee, was a key goal of the interagency cooperation that the legislation required.

Counties use different approaches to streamline the intake process. All counties assess for work history at the front end of the eligibility process. Some counties administer mental-health and alcohol screening tools simultaneously with the eligibility process, while others postpone this activity until job search failure. In some cases, these decisions reflect concerns about preserving resources; in others, they reflect a philosophical position on support services.

Computer Systems. One area of coordination that is not proceeding apace concerns data automation and sharing. The various time limits are central to CalWORKs, but these time limits, according to many, are meaningful only if time on assistance can be tracked. One state-level observer expressed serious concern about the adequacy of data systems.

Numerous county interviewees reported that their counties did not have the ability to share information across agencies within counties; some indicated that

even information sharing *within* the welfare department was not problem free. Moreover, several noted that CBOs can only rarely provide easily managed data. More than one county has considered requiring CBOs to have compatible data systems; more commonly, county information systems staff are trying to find ways—often by simplifying demands—to use data from other agencies. Two are overhauling their entire management information systems, an activity that is slowing recordkeeping.

Data from the ACIS suggest that the counties recognize the problems with automation and data sharing. One-third of responding counties indicated that welfare agency information automation has “greatly hindered” the implementation of CalWORKs in their counties during the past year. Another one-third reported that the state of automation in their welfare agencies had slightly or somewhat hindered CalWORKs implementation in the past year.

Colocation of Offices. As mentioned above, in some focus counties, the vision of seamless services was to be expressed through the development of One-Stops. These offices would provide clients with the major services they needed in one location, delivered in a manner that blurred and hopefully eliminated cross-agency distinctions.

Some counties had also determined that, in combining these services, extending resources to those not receiving welfare department services would be helpful to those nonrecipients and also would improve the image of the One-Stop as something more than a place where only welfare recipients might be found. They hoped this would reduce the opposition to the opening of such centers in several counties. Staying open in the evenings and on weekends to accommodate working clients would send a message that this place was not just about dependency. Doing so would also enable working recipients to comply with CalWORKs requirements, such as signing a WTW plan and, most recently, undergoing an assessment of their service needs. These local goals meshed with DoL requirements that services be delivered in this way. At the time of our visit to one focus county, the idea of the One-Stop had so integrated itself into the welfare department staff’s vocabulary that the welfare department head referred throughout our interview to “my partners” when discussing counterparts at EDD and at PIC.

Data from the ACIS reveal that the development of One-Stops has been occurring in nearly all responding counties. One-Stop centers had been put in place prior to CalWORKs in 50 percent of the responding counties. In another 16 percent, One-Stops have been opened since CalWORKs, and 28 percent of counties reported that development of One-Stops is now under way.

Merging GAIN and Eligibility Operations

One of the more difficult issues that the counties had to face in attempting to meld welfare and work services was what to do with the old GAIN program. The GAIN program, as discussed in Section 2, stressed training, education, and ultimate self-sufficiency. At first glance, blending welfare and GAIN seemed obvious and simple; after all, GAIN had always helped welfare recipients find jobs. However, the different histories of the two made the blend difficult, at least at the outset. Moreover, GAIN and eligibility operations often had no like experience with cooperation, or even communication.

Moreover, GAIN designers had convinced relevant officials that a key component of a successful JOBS training program was to look like a business, not like a welfare office. Consequently, the appearance of GAIN offices was several notches above those at the welfare department—the furniture was newer (“modular,” we heard in the several focus counties where this issue came up); people did not interact through Plexiglas partitions; and the square footage allotted to each GAIN worker was noticeably greater than that allotted to equivalent welfare department staff. In at least one GAIN office, decorum was facilitated by a rule that barred children from the premises.

These realities meant that colocating GAIN and welfare staff, let alone seamlessly blending them, would be a major challenge, and not one that GAIN staff would find difficult to support. Ultimately, counties made very different decisions about how to deal with GAIN, with some deciding to keep GAIN separate, others deciding to merge GAIN into the welfare department, and still others merging GAIN and welfare activities with other departmental agencies or One-Stop or neighborhood centers, as discussed above.

Changing the Role of EWs

Within each county’s welfare organization, a major change CalWORKs imposed was the new demands on EWs. Before CalWORKs, EWs had come, over time, to have a rather rigid gatekeeper function: Their mission was to authorize only the payments for which a family was entitled. The job focused on making sure the grant was correct. “Successful” EWs were known for their low error rates: not allowing payments for which a family was not entitled. Not surprisingly, as this job took on the appearance and reality of a clerkship over time, more-qualified staff moved up or out. New EWs tended to have fewer social-work credentials than in the past and were expected to perform a primarily clerical role.

CalWORKs imposed new responsibilities on EWs and changed the nature of their work, moving it back toward case management. As Bane and Ellwood

(1994) noted, welfare reform requires a “dramatic shift” from an organizational ethos in the welfare department that both clients and workers must comply with strict eligibility rules to one in which clients and eligibility workers work together to find and enable employment.

Under CalWORKs, this EW position clearly had to change. At the same time, it had to stay the same. In addition to determining eligibility as they had always done, EWs would also sign up recipients for job club, educate them about CalWORKs, suggest approaches to finding work, and screen for behavioral health needs, including mental health, substance abuse, and domestic violence. This was a “vastly different” job, according to a high-level CDSS staffer.

How to deal with the new demands imposed by a system that provided services in a context of strict accountability was less clear. Many high-level county staff with whom we spoke told us that, in their view, most EWs simply were not equipped for these tasks. Most EWs had been hired to do the sort of work that defined the EW position—rules-based, straightforward decisionmaking that tilted toward exclusion unless there was clear evidence otherwise. The careful accountability systems in which they worked figured error rates to the hundredths of percentage points. These rates had to be reported to the state and federal governments and in many ways defined the performance of county welfare departments.

Several of the focus counties decided to launch reclassification studies to help them determine the proper pay status and job title for the “new” EW. In so doing, they were convinced that the new level would be higher than the current one. The unions are tracking these studies carefully in some counties out of concern that staff be paid adequately for the work they do. In at least one county, union representatives sat down with CDSS staff for the first time to talk about policy and program issues. In one of the focus counties, the union organized several rolling strikes to express opposition to the changing role of EWs and the outsourcing of job club.

Other counties determined that no amount of training would enable the average EW to combine these tasks. Instead, they decided that it would be the wiser policy to ask for volunteers among current EWs and to train these more motivated people to do the new job. Those who did not volunteer would continue to perform pre-CalWORKs eligibility functions.

Many EWs applied for the new jobs, which came with small salary increases, raising concerns about their reasons for wanting these jobs. Many feared that people drawn to “clerk” positions could not remake themselves into “junior social workers” with any amount of training; others worried about whether and

how much training would be provided to help them do this. Still others were concerned about the inherent inconsistencies in a job that placed social-worker functions on top of eligibility ones. The low error rate that had come to be the gold standard for EWs required a level of attention to detail and, some said, suspicion that would not mesh well with efforts to help recipients negotiate a new system and move smoothly into work. Neither would suspicions integrate comfortably with a third aspect of the new EW job: asking clients about and expecting them to self-disclose serious problems, such as substance abuse, that could lead to treatment but also to a referral to Child Protective Services.

In one county—not among our six focus counties—there was debate over whether to open the new EW job to outsiders. Advocates argued that, if there were ever a time that new blood was needed in the department, this was that time. The welfare department was to become, under CalWORKs, a provider of services and support to people who had not worked for some time. Encouraging their movement into, or back into, the world of work required knowledge and skills that were not part of the selection criteria for the current EW staff. In this case, the position was opened to outsiders. While only a few applied and even fewer were hired, advocates for recipients viewed the fact that outside applications were solicited to be a victory.

These critical staffing issues were overshadowed at times by an even bigger one: the need to hire more staff to serve clients far more intensively than in the past. While some counties committed themselves to a “no new hires” policy, noting declining caseloads, others stressed that, even with outsourcing of services and smaller caseloads, county staff had more to do. Indeed, some counties established goals for caseload per worker that were lower than in the past because of the broader involvement of the county with clients under CalWORKs. In two focus counties, hiring freezes have depleted the workforce. Hiring and training take time, and in one focus county, we were told that even aggressive new hiring is not keeping up with attrition rates that hover around 9 percent per month.

Increasing Use of Outsourcing

The outsourcing arrangements that were developed as part of CalWORKs implementation plans were motivated by a range of concerns. In all counties, lack of capacity in the welfare department and concerns about the stability of funding motivated outsourcing arrangements. In the more-conservative focus counties, another major benefit of outsourcing was perceived to be the opportunity to provide services without increasing the size of the government.

In addition, outsourcing contracts could be written so that the county's fiscal risk was minimal: Poor performance would result in termination of the contract, and providers would be paid only for services actually provided.

The need, as one state-level observer described it, to "marry off partners at the county level who had never met," has resulted in enormous change in every focus county that is manifested in different ways: formal contracts and informal coordination with the community-based service providers, for-profits, and other county agencies that would actually deliver some or all the services newly available to clients of the welfare department. The decision to outsource most or all of these services was a "no-brainer," in the words of one interviewee in one of the focus counties. The welfare department, indeed the county, could not possibly deliver all the services that clients might need as they searched for work, entered training programs, participated in community work-experience activities, and took jobs in the private sector. Indeed, in some counties, it was unclear whether even outsourcing would provide enough slots for child care, in particular, and other services as well.²

CBOs and other county agencies, such as the Department of Mental Health, were pleased to negotiate with county welfare agencies to deliver services to welfare department clients, according to interviewees in those agencies. Traditionally short of funds, these agencies now saw the county welfare department in a new light: as the source of substantial funds that would enable them to address their agency missions and serve more clients than before. Moreover, because some portion of their current clientele was already on welfare, moving these people to county CalWORKs contracts meant that more working poor clients could be served with the agencies' other funds.

In the more-liberal focus counties, the major advantage of outsourcing was perceived to be the ability to increase capacity rapidly and, simultaneously, to provide services in the appropriate cultural settings and in the languages that were most comfortable for recipients. Another advantage of such outsourcing was that CBOs would be strengthened by a steady source of county support.

CBOs signed contracts with focus counties that generally tied payments to the use of services. Providers of substance-abuse treatment, for example, dedicated beds for CalWORKs recipients' use and proceeded to hire staff to provide the services. Unfortunately, welfare recipients did not present for services. As discussed in more detail in Section 5, counties depended for the most part on client self-disclosure as a means of determining who needed what services. Few

²See Section 5 for more discussion of this.

clients chose to reveal drug or alcohol problems, fearing that such revelations might risk their ability to keep their children. Consequently, although both county staff and CBOs expected to refer 20 to 30 percent of CalWORKs participants to support services, referral rates at the time of our focus county visits were running closer to one-tenth that amount. CBOs were receiving just a fraction of the referrals that they had anticipated and staffed to serve.

Developing New Leadership

Leadership is widely agreed to be a key—if not the key—component of successful organizational change (e.g., Mazmanian and Sabatier, 1983; Levin and Ferman, 1986; Allaire and Firsirotu, 1985). CalWORKs required nothing less than reinvention of the county welfare department. As interviewees in several of our focus counties reported, the county BoS decided that the successful implementation of CalWORKs required a new leader who would both symbolize and energize the change process. As one regional advisor noted, some directors were so used to saying, “the state won’t let me,” that supervisors doubted the current director could lead such a dramatic, agencywide change process in the brief time available. Some county welfare directors left of their own accord prior to CalWORKs because they opposed the approach to reform. In each case, the new leader reported support for the change and was described by interviewees as bringing energy, commitment, and relevant past experience (e.g., work with community services) to the job. Some also brought on new senior staff to help with the transition.

Elsewhere, existing leadership had signaled support for the sorts of changes perceived in the county to be required for successful CalWORKs implementation. For example, in one focus county, the head of the welfare department had begun meeting with local EDD and PIC directors well before CalWORKs to talk about merging their efforts to promote employment for welfare recipients. Lack of funds had limited how far these efforts could go in the past, but CalWORKs eliminated that barrier. In another focus county, long involvement with CBOs and openness to the community and to innovative approaches to restructuring welfare services had signaled support for key aspects of CalWORKs.

7. Conclusions and Emerging Themes

As this report has made clear, CalWORKs implementation is just getting under way. We have documented in this volume the challenges, the changes, and the work still to be done. RAND's evaluation is on a parallel track: We have just begun a three-year study that, by design, focused in this first period on the top tiers of the implementing welfare organizations and, by necessity, limited the extent of our analyses.

Nevertheless, our first snapshots have been revealing. We found throughout the system enormous changes playing out in a context of considerable excitement fueled by unprecedented funding, new visions for welfare, and some early successes in getting clients to work. At the same time, many counties are aware that some of the difficult issues have not yet been addressed. We were told by many interviewees that so much time and energy have been devoted to getting CalWORKs up and running and to meeting early deadlines, such as the January 1, 1999, deadline for enrolling current recipients, that many planned changes, such as contracts with CBOs and Stages 2 and 3 of child care, have been put on hold.

Consequently, the excitement that CalWORKs has engendered is tinged by considerable anxiety. Welfare planners everywhere recognize that they are in the "euphoria" stage of CalWORKs, where the clients who are motivated to work are coming forward. The buoyant economy in most counties is helping many of these clients move fairly easily into jobs, although even now, these jobs often do not offer enough hours or high enough wages to make a family ineligible for a cash grant. From here, many senior county welfare department officials believe their task will get harder. As the easier cases leave the rolls, or at least move to employment, the tougher cases will become each welfare department's challenge. In addition, welfare department staff may be trying to place these more challenged recipients in an economy that may be less robust than the one of the last few years. Funding levels that looked enormous in 1998 may seem inadequate to address the needs of the remaining hard-to-serve part of the caseload. Just at this point, many interviewees fear that the state and federal funding will be scaled back.

Is the picture that emerged in each focus county too pessimistic? It is not clear. At least, we must assume that it is affecting the course and nature of change in the counties. As one interviewee told us, this view has led his county to invest in

infrastructure—buildings and supplies—things that will be around when the money goes away. Others are moving forward quickly in hopes that they can serve as many clients as possible under the new plan, before it is altered.

In contrast, our snapshot of the implementation process is much brighter. Many of the key factors necessary for organizational change are clearly in place. Each focus county presented clear, committed leadership; a consensus around plan goals; and a blueprint for change. Efforts to develop supervisors and caseworkers committed to reform have been undertaken in each focus county. But the clock is ticking, and many aspects of CalWORKs have not been implemented or have been implemented only in minimal form. The next year is likely to be key for CalWORKs. All regulations will have been promulgated by the state. It is hoped that the delays occasioned by the sheer size and complexity of the required and desired changes will have been overcome. It is likewise hoped that challenges from unions and other outside groups will have been settled and that staffing issues will have been resolved by reclassification studies. Once the startup challenges are resolved, the next steps will be driven by the different visions. How those visions are realized and engage staff and clients will form the basis of our next report.

Our analysis to date suggests four emerging themes—themes that both provide a baseline for next year's analysis and point to important areas of investigation over the coming year. The remainder of this section discusses these four emerging themes in more detail. For each theme, we summarize the evidence, note alternative interpretations, and discuss the research questions and activities that we will pursue over the next year.

Organizations Have Changed in Response to the Expanded Mission of CalWORKs, Despite Limited Time for Planning

Fully implementing CalWORKs will require several years, and even the initial implementation of CalWORKs is far from complete. California passed its legislation late, leaving little time for detailed planning. In particular, the state and the counties are putting new organizational structures and management innovations into place while rolling out new program elements.

Because we were only able to spend a few days in each of the six focus counties and have talked almost exclusively to senior staff in welfare agencies, we have an incomplete understanding of the programs the counties have implemented and the institutional mechanisms they are using to do so. In the coming year, we will extend our time and broaden our work in the focus counties, visit the larger set

of follow-up counties, and field another ACIS. Activities to date have focused on senior staff in the welfare agencies. Over the next year, our investigation will extend down to welfare offices, caseworkers, and recipients. Our investigation will also expand to allied agencies at the state and county levels, to nonprofit organizations, and to for-profit firms. Through these efforts, we hope to gain a better understanding of what CalWORKs programs are, how they are implemented in practice, and how they differ across the counties.

Implementation Is Under Way, but Recipient Compliance Is Low

The counties are still implementing their CalWORKs programs. Enrollment is nearly complete, and job club is getting under way. Assessment, WTW activities, and community-service activities are not as mature. Everyone agrees that there will be difficult issues in scaling these programs up and that considerable refinement of current implementation plans will be needed.

Even for the programs that are in place, compliance has been a major problem. Counties report that half or more of the recipients simply do not show up to the activities for which they are scheduled.

Understanding this noncompliance and dealing with it appear to be the most important current implementation issues. Overwhelmed by the challenge of enrollment and the sudden swelling in the size of their job club efforts, counties are at various stages in the process of sanctioning no-shows. Some counties are not sanctioning at all; some are just rolling out their sanction programs; and some have sanction programs in place.

Observers have both sympathetic and unsympathetic views about this noncompliance; both views contain elements of truth. A sympathetic view of noncompliance posits that word has not yet “hit the street” that participation really is required and that failure to cooperate will lead to sanctions. Once the word hits the street, compliance will increase. In addition, proponents of this view argue that, in some cases, the requirement to participate was an error; the recipient should have been exempted from the requirement (e.g., the disabled) or had already fulfilled it. For others, they argue that there are barriers that hinder participation. For example, some recipients do not understand the notices (because the notices are in a language the recipients do not understand or at a reading level that is too high). Others have substance-abuse or mental-health problems that prevent them from participating or even requesting the services they would need to participate. In addition, some are not aware that CalWORKs will provide transportation or child care to enable them to participate. Those

holding this view often believe that the counties need to dedicate staff to helping recipients overcome their barriers to participation in CalWORKs activities.

An unsympathetic view posits that noncompliance is a deliberate choice not to participate. Those holding this view often suspect that those who do not comply have significant unreported (“under the table”) labor earnings. Those holding this view argue that the details of the CalWORKs legislation actually *encourage* noncompliance. They point, in particular, to the fact that sanctions only reduce the family’s grant by the much smaller adult portion of the grant; the child portion continues, along with MediCal and Food Stamps. Moreover, when the sanction is imposed, the adult’s five-year lifetime time-limit clock stops. Thus, for some recipients, being sanctioned can be desirable: They receive most of the grant; they are not being required to work or participate in WTW activities; and the time-limit clock stops.

Low recipient-compliance levels suggest several follow-on research activities. Our current understanding of implementation is based primarily on reports of senior county welfare department staff about program status and the distribution of recipients across activities. Over the coming year, we will analyze the administrative records in the six focus counties to tabulate the number of recipients in each activity, how individual recipients move through the system, and how the system is changing over time. Key informant interviews in the follow-up counties, questions on the ACIS, and questionnaires to caseworkers and recipients will provide a richer understanding of what is happening with work activities and sanctions.

Counties Currently Have Sufficient Funds, but This May Change

Increased funding, declining caseloads, and slow program rollout have left most counties with sufficient funds at this time. Whether the counties will continue to have sufficient funds is an open question. Current CalWORKs activities—enrollment and job search—are relatively inexpensive; later program activities—training, supported work, substance-abuse treatment—are likely to be much more expensive. As the program matures, more recipients will enter CalWORKs activities, and more recipients will enter the later, more expensive activities. Costs per case are likely to rise, perhaps considerably. Most believe that costs will be higher still because the most difficult-to-serve cases will only appear later, and it is still unclear how many there will be. The current carryover of unspent funds may be continued. A downturn in the economy could send the caseload soaring, dramatically increasing costs. Finally, funding could be cut at the state or federal levels.

On the other hand, caseloads are declining, and this decline seems likely to continue. Furthermore, if CalWORKs moves participants into jobs, aid payments will decline even for those who continue to receive some cash. These threads, combined with block grants and the MOE, would further raise per-case funding. Given the uncertainty about future funding, the counties are, not surprisingly, taking approaches to implementation that vary in their level of staffing. For example, some counties are hiring new staff, while others have resolved to postpone hiring new staff. In addition, some counties are initiating new programs, while some are allocating funds to strengthen infrastructure for a “rainy day.”

Statements and actions of some county welfare directors seem to assume that current funding will continue or increase. Some of them are considering using funds to provide such services as home visits that would move departments back toward a social-work model. Others are considering expanding their focus from current or even recent recipients to the entire poor population or even to all workers. Whether these expanded roles would survive a tightening of the budgetary situation needs further study.

Over the next year, we intend to build a better model of the flow of funds and the cost of specific activities based on official detailed budget data at the state and county levels. The model will provide a more detailed picture.

Achieving Earnings Needed to Achieve Self-Sufficiency Before Time Limits Expire Is a Challenge

PRWORA at the federal level and CalWORKs in California make two fundamental changes in welfare programs. First, recipients are expected to work. Second, and arguably more important, welfare is no longer an entitlement. Because of this lifetime limit on receipt of cash assistance by an adult, recipients need to move decisively toward work and self-sufficiency.

The CalWORKs legislation clearly implies a “work first” approach. The slogan in several of the counties is “A Job; a Better Job; a Career,” where a career is understood to be a job that enables self-sufficiency. Furthermore, while AFDC was criticized for discouraging work, changes in the benefit structure and the EITC mean that work clearly “pays.” For example, a welfare recipient with two children and a job (defined here as half-time work at the minimum wage) keeps about 75 percent of each dollar earned and has total household resources (labor earnings, welfare grant, EITC, and cash value of Food Stamps, less payroll taxes) 30 percent above the no-work situation and 7 percent above the poverty line. A full-time job at minimum wage moves a family of three more than 30 percent

above the poverty line, counting all household resources. Furthermore, this family would still receive some cash welfare payment, as well as supplemental services, including child care and MediCal.

Before time limits were imposed, getting a recipient a full-time job would have been considered a great success. However, under TANF-CalWORKs, a recipient having and keeping such a full-time, minimum-wage job will bump into the time limit in five years. California's high cash grant and small grant reduction for earnings imply that the cash grant is not zero until work earnings exceed \$1,447 per month. Thus, to achieve self-sufficiency as defined under CalWORKs, a family of three needs the equivalent of a full-time worker with a job paying \$8.36 per hour. Getting almost all CalWORKs recipients such jobs before the time limits expire will be a challenge. Riverside's GAIN program achieved this level of earnings for only a small fraction of participants.

Perhaps the average CalWORKs program will be much more effective than the Riverside GAIN program. Perhaps accumulating experience will result in more effective WTW programs; the economy is currently good, and the threat of time limits will serve as an additional motivator. The large caseload declines in other states (much larger than in California to date), some as they implemented their TANF programs, gives some cause for optimism.

It seems almost certain that the results will be heterogeneous. Some people will move quickly and steadily toward self-sufficiency; some will move into the work force and full-time jobs, but at wages not much above the minimum wage; some will work only part-time, part-year; and some will not work. Some recipients will hit the time limits; for them, the adult portion of the grant will end, but the child portion of the grant will continue, providing a "safety net." Some will voluntarily remove themselves from the welfare rolls before hitting time limits to maintain their eligibility in the event of future reversals; and some will accept sanctions to stop their time-limit clocks while continuing to receive some cash assistance. The distribution of the caseload into these groups will become apparent over the next few years, and the impact analysis should provide preliminary indications of how many families will be in each group.

As was true with the others, this theme suggests clear directions for future analysis—particularly, the impact analysis. While one focus of the impact analysis needs to be on evaluating the net effect of CalWORKs relative to some other policy (e.g., AFDC, TANF in other states, CalWORKs across counties), this theme suggests that there are absolute standards—self-sufficiency, receipt of any cash grant, resources greater than the poverty level—that are arguably as interesting. The impact analysis will track employment, earnings, job tenure,

wage growth, and health-insurance coverage and will attempt to relate these outcomes to county CalWORKs policy.

Looking Ahead

We close this report by repeating the message with which we began. CalWORKs is a new program requiring major changes in welfare programs. As of this writing, counties are still implementing their reformed programs, and some aspects of the initial programs are still being planned. Continuous quality improvement of programs has barely begun. Major program effects on employment and caseloads are still months away.

RAND's Statewide Evaluation is at a similarly nascent stage. This report has established the context for the next phase of our evaluation. It has surveyed the prereform landscape, described the initial planning and implementation by CDSS and county welfare departments, and identified several emerging themes that warrant continued attention.

Work over the next year will broaden and deepen the evaluation. We will visit more counties, visit allied agencies and service providers, revisit state and county welfare officials, and field another ACIS to monitor how implementation and outcomes continue to unfold. In addition, as part of the parallel impact analysis, we will process state and county individual-level computer files and field a household survey to assess the impact of CalWORKs. This joint analysis of the qualitative and quantitative approaches will yield a richer picture of the implementation and impacts of CalWORKs.

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