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TECHNICAL  
REPORT

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# Sanctions in the CalWORKs Program

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Prepared for the California Department of Social Services



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# Summary

## Introduction

Since the implementation of California's Greater Avenues for Independence (GAIN) program in the late 1980s, the state's welfare programs have provided—in addition to cash assistance—welfare-to-work (WTW) services to help current recipients find employment, achieve self-sufficiency, and leave welfare. By statute, these programs are mandatory, and most recipients must participate. Also by statute, if recipients do not participate, their welfare benefit is reduced. This reduction in the welfare benefit is known as a “sanction.”

California Governor Schwarzenegger's January 2004 budget proposed significant changes to California's current welfare program, the California Work Opportunity and Responsibility to Kids (CalWORKs) program. The proposed changes included tightening the participation requirement and increasing the sanction for noncompliance. The legislature adopted a modified version of the proposed changes to the participation requirement but did not adopt the proposed reforms to sanction policy. Instead, California SB 1104 (“Budget Act of 2004: Human Services,” chaptered August 16, 2004) requested a study of the following:

*CalWORKs sanction policy, its implementation, and effect on work participation, including, but not limited to, all of the following research issues:*

- 1) *The characteristics of the persons being sanctioned.*
- 2) *The reason participants are being sanctioned.*
- 3) *The length of time in sanctioned status.*
- 4) *Positive and negative sanction outcomes.*
- 5) *Adequacy of procedures to resolve noncompliance prior to the implementation of sanctions.*
- 6) *County variances in sanction policies, rates, and outcomes.*
- 7) *The relationship between sanction rates and work participation.*
- 8) *The impact of sanctions on families and their ability to become self-sufficient.*

To help fulfill this statutory requirement, the California Department of Social Services (CDSS) contracted with RAND to study CalWORKs' sanction policies and their effects. This report documents the results of that study.

For this Summary, we group these research issues into three broad categories. Issues 2, 5, and 6 concern the implementation of sanctions. Issues 1, 3, 4, and 6 concern the sanctioned population and time under sanction. Issues 7 and 8 concern the effect of sanctions. The available data for California did not support an analysis of the effect of sanctions; however, we do report evidence based on the experience of other

states' sanction policies. A final section of the Summary discusses several possible changes to sanction policy and practice.

## **California's Current Sanction Policy**

With the advent of welfare reform in the 1990s, most states streamlined the process for imposing a sanction and, upon sanction, terminated the entire welfare benefit (this is known as a "full family sanction"). Like many other large states, however, California retained a sanction policy that only eliminates the adult from the aid unit. Payments to the recipient's children continue. In 2005, for a family of three in which the adult is in sanction, the monthly welfare benefit drops \$139, or 19 percent, from a base of \$723.

In addition, California retained much of its pre-CalWORKs protections of clients at risk of sanction. When a client fails to attend a WTW activity, the county welfare department (CWD) is required to mail the client a formal notice. That notice, the NA 840, performs three functions. First, it informs the client that the CWD believes that the client has not complied with program requirements. Second, it informs the client that in the absence of some other determination, the client's welfare benefit will be reduced.

Third, the notice informs the client of steps he or she can take to avoid the sanction. The client may claim "good cause." Good cause consists of some reason why the client could not reasonably have been expected to have attended the WTW activity (e.g., own illness, illness of the child, short-term childcare or transportation issues). If such good cause is granted, the client is scheduled for the next appropriate WTW activity; there are no consequences of the initial noncompliance. Alternatively, the client may sign a Compliance Plan, which specifies what the client must do to avoid a sanction. Noncompliance with the terms of the Compliance Plan, without "good cause," results in immediate sanction. Completion of the terms of the Compliance Plan again returns the client to the original WTW Plan. The client's welfare benefit is restored. Subsequent noncompliance may again be addressed by claiming good cause or entering into another Compliance Plan.

## **Implementation of Sanctions in California's Counties**

To understand the implementation of sanctions in California, we conducted a multi-method qualitative data collection effort. We began with a review of the applicable legislation, regulations, and secondary literature. We then visited six counties (Los Angeles, Orange, Sacramento, San Bernardino, San Joaquin, and Santa Clara), interviewing senior CalWORKs staff and caseworkers. We also spoke to other knowledgeable observers: CDSS staff, Administrative Law Judges (ALJs), advocates (representing recipients), and the senior staff of the California Welfare Directors Association (CWDA). To broaden our perspective, we surveyed the leadership of county welfare departments in each of California's 58 counties (the All County Sanction Survey, ACSS). Fifty-six counties, with over 99.9 percent of the state's welfare caseload, responded. This qualitative effort was also used to explore the reasons sanctions are imposed.

### *The Statutory Noncompliance Process in Practice and How It Varies Across Counties*

Our fieldwork suggested that county welfare caseworkers' implementation of the state's statutory sanction policy<sup>1</sup> makes sanctions weaker in practice than might have been expected given stated policy. Our qualitative field work suggests that both caseworkers and higher-level CWD employees are strongly reluctant to sanction clients. State regulations call for mailing the NA 840 form at the first instance of noncompliance. However, we found that CWD caseworkers gave clients multiple opportunities to comply before sending the NA 840. Only when the client did not contact the caseworker or when multiple reschedulings of the WTW activity did not yield completion of the activity would a caseworker send the NA 840.

Caseworkers gave two explanations for not immediately sending the NA 840 to noncompliant clients. First, caseworkers believe that a cooperative relationship with a client is likely to be more successful than a confrontational relationship. They explain that a successful caseworker-client relationship requires building trust so that a client will share his or her goals, fears, and barriers. Then, the caseworker and client can work together to address the fears and barriers preventing the client from complying.

Second, caseworkers perceive the statutory noncompliance process to be burdensome. Given that caseworkers are busy, they find that rescheduling clients often requires less work than does proceeding with the sanction. Some counties have changed processes to make it easier for the caseworker to sanction (e.g., changing the computer default so noncompliance results in an NA 840 unless the caseworker makes some other entry, shifting some of the effort of sanctioning to specialized caseworkers). Doing so appears to increase the incidence of sanctions.

The way sanction policy is currently implemented in California's counties means that there is usually a lag of many months from initial noncompliance to sanction and, ultimately, to the client's receiving a reduced welfare payment. In our fieldwork, we heard concerns that these multiple opportunities to participate and the long lag from initial noncompliance to sanction lessens the ability of the threat of sanction to induce compliance.

Furthermore, in our fieldwork we heard concerns about the size of the sanction and its ability to induce participation. The participation requirement is 32 hours per week (i.e., 138 hours per month at 4.33 weeks per month). For a family of three, not participating in WTW activities results in a sanction that lowers the monthly welfare benefit by \$139. This reduction implies that clients receive about one dollar in additional welfare benefits for each hour of WTW activity. Alternatively, at California's then current minimum wage, a client could earn the foregone welfare benefit by working "under the table" about five hours per week.

Finally, we found that the implementation of sanction policy varies widely across California's 58 counties. In some counties, caseworkers are quicker to sanction cases; while in other counties, caseworkers are much slower to sanction cases. Differences in standard operating procedures (e.g., computer defaults, staffing structures) appear to account for some of this variation.

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<sup>1</sup> We use the term "statutory noncompliance process" generically to refer to the state-specified noncompliance process. Some of that process is directly mandated by statute, some of that process is mandated by regulations that are authorized by statute, and some of that process is strongly recommended by CDSS policy statements (e.g., ACL 03-59)—deriving authority from the power granted to CDSS by statute.

## *Reasons for Sanction*

In our qualitative fieldwork, we heard evidence for four causes of noncompliance and sanction:

1. **True short-term good cause:** Some noncompliance is due to the short-term barriers to participation (e.g., own illness, transportation breakdowns, childcare issues). The CalWORKs program excuses such noncompliance as “good cause.” The NA 840 process is intended to provide clients with a chance to claim good cause and thereby avoid the sanction.
2. **Serious barriers:** Good cause is by definition short term. Some clients face serious long-term barriers to participating in required WTW activities. Some of those barriers are cause for an exemption (e.g., remote location, young child). For other barriers (e.g., learning disabilities, mental health, substance abuse, domestic violence), the CalWORKs program offers specific programs to remove the barriers.

In the CalWORKs program model, the Orientation/Appraisal process is designed to identify such serious barriers. When a new CalWORKs case is opened, the client is required to participate in a group Orientation followed by Appraisal, an approximately half-hour one-on-one meeting between the client and the caseworker. At this Orientation/Appraisal activity, the caseworker should explore whether the client is exempt from participation in any WTW activity and whether the client has serious barriers that need to be addressed before the client can participate in regular WTW activities. The Orientation/Appraisal activity is also the opportunity for the caseworker to identify whether the client is already doing something that would qualify as a WTW activity (e.g., work or school) and whether the client needs childcare and transportation to participate in a WTW activity. Finally, note that the NA 840 process provides another opportunity for a noncompliant client to claim a serious barrier.

3. **Imperfect casework:** Some people are incorrectly deemed noncompliant and placed in sanction. Such mistakes take three forms. First, caseworkers can make errors. For example, sometimes caseworkers send notices that are incomplete, or in the wrong language, or to the wrong address. Sometimes caseworkers do not arrange childcare and transportation for clients that need them in order to participate in a WTW activity. Sometimes caseworkers do not grant justified good cause or do not identify legitimate exemptions.

Second, noncompliance with Orientation/Appraisal is common. Many clients fail to attend the meeting at which the crucial information could have been conveyed to the caseworker. As a result, the determination of noncompliance and sanction may be incorrect, even though the caseworker did not make an error.

Third, even when the clients do attend Orientation/Appraisal and later meetings, they do not always disclose the reasons why they have trouble meeting the work requirements (e.g., learning disabilities, substance abuse, mental health, domestic



violence). Again, the determination of noncompliance may be incorrect, even though the caseworker did not make an error.

4. **Willful noncompliance:** Even with appropriate casework and without good cause or serious barriers, some clients simply do not participate in WTW activities.

Almost every observer we interviewed acknowledged the importance of each of these four causes. For making policy, we need to understand which ones are most common. Unfortunately, the available evidence in this regard is limited. The best available evidence on the relative importance of these causes comes from CWD home visit programs that, among other things, attempt to determine why sanctioned clients are noncompliant with work activities. Home visits are usually sympathetic to clients, and home visit caseworkers usually receive additional training in the identification of serious barriers to work activities, such as mental health problems, substance abuse, learning disabilities, and domestic violence. Thus, home visits are likely to identify cases in which good cause, serious barriers, or caseworker error lead to noncompliance.

The available evidence precludes a precise quantitative estimate of the fraction of sanctioned clients who are noncompliant for reasons of good cause, caseworker error, or serious barriers, but our fieldwork suggests that home visits would induce roughly a quarter of clients sanctioned more than a few months to come back into compliance and thus end their sanction. Our fieldwork suggests, however, that even after an intensive and sympathetic home visit, the majority of clients in sanction will remain in sanction. We infer from this evidence that willful noncompliance is an important cause of noncompliance overall. We caveat this conclusion by acknowledging that the home visit programs we analyzed visited far from all sanctioned clients.

## **Characteristics of the Sanctioned Population and Time in Sanction**

To understand who is sanctioned and how long they spend in sanction, we analyzed several administrative data sets, most notably the Welfare Data Tracking Implementation Project (WDTIP) matched to data from the Medi-Cal Eligibility Data System (MEDS) and the Employment Development Department (EDD).

### ***Sanction Prevalence and How It Varies Across Counties***

We computed sanction rates using CWD filings with CDSS (specifically, the WTW 25). According to these data, about one in five adult participants is in sanction. Many more have received an NA 840, but have not yet been sanctioned. Based on our fieldwork, we estimate that at a given point in time more than a third of the caseload is either in sanction, has been deemed officially noncompliant (i.e., received an NA 840), or has not participated in a required WTW activity but was rescheduled to do so (with no NA 840 being sent). Sanction rates are slightly higher among one-parent cases and slightly lower among two-parent cases.

There is considerable variation in sanction and noncompliance rates across California's counties. Several counties have sanction rates below 10 percent; several counties have sanction rates above 25 percent.

Sanction rates nearly doubled between 2000 and 2005. Some of the increase in the sanction rate is likely due to the fact that the overall welfare caseload is falling as clients reach the five-year time limit for receipt of cash assistance.

Our database's matching of MEDS and WDTIP data suggests that those in sanction have characteristics similar to those not in sanction. Whites are slightly less likely to be sanctioned. Asians and blacks are slightly more likely to be sanctioned. Clients under age 25 are less likely to be sanctioned than older clients. The likelihood of sanction increases with time on welfare. Those in sanction are less likely to be employed, but about 10 percent of those in sanction appear to be working enough hours to satisfy the work participation requirement.

### ***Sanction Duration***

The WDTIP data suggest that about half of all sanctions end within six months, with approximately equal numbers of those clients either returning to compliance or exiting welfare. Those who remain in sanction past six months are likely to continue in sanction for two or more years. The increase in sanction rates between 2000 and 2005 described above is partly attributable to the accumulation of clients in long-term sanction. Clients in sanction do not accumulate months toward time limits. Thus, once in sanction, a client can remain there until the oldest child becomes an adult.

### **Effects of Sanction**

Data limitations prevented us from assessing the effect of sanctions on work participation and self-sufficiency. However, limited evidence from other states suggests that compliance with participation in WTW activities would be lower in the absence of current sanction policies. Conversely, that evidence suggests that compliance with WTW participation requirements would be higher if sanctions were applied more swiftly and if the sanctions were larger. Evidence from other states also suggests that sanctions lower family income, which could lead to additional material hardship and poorer child outcomes. We emphasize that we have no direct evidence for these effects in California and no estimate of the magnitude of any such effects if they exist.

### **Reforming Sanction Policy**

Our fieldwork suggests three possible directions for reforming California sanction policy and practice. This report describes these three directions—without arguing that California's sanction policy is in need of reform and without advocating any one of these particular directions.

**Swifter Sanctions:** Under current regulations and county practices, many months can pass between the first instance of noncompliance with WTW requirements and when the client is sanctioned. This delay likely diminishes the incentive effect of sanctions. The delay also has the effect of lowering the official federal work participation rate.

The state and the counties have a number of options for reducing the amount of time between noncompliance and sanction. These options include (1) encouraging

caseworkers to mail NA 840s earlier; (2) shortening the interval during which a client may claim good cause or otherwise reply to an NA 840; (3) requiring prompt performance of the required work activity following a claim of good cause; and (4) eliminating the Compliance Plan phase.

**Stronger Sanctions:** The home visit studies and our other field work suggest that the majority of clients in sanction are willfully noncompliant. It is possible that if the financial penalty for noncompliance were larger, some of these clients would choose to comply.

**Safer Sanctions:** A major concern with swifter and stronger sanctions is that clients will be inappropriately sanctioned due to some combination of caseworker error, lack of knowledge of how to remedy the sanction, and the existence of undisclosed serious barriers. As we have noted, some of these causes could be identified at Orientation/Appraisal, but clients frequently fail to attend these activities. One way to address this problem would be to require Orientation/Appraisal before granting cash assistance. This would ensure that every client has been informed of the requirement to participate, how to claim good cause, the possibility of sanction, and how to come into compliance once sanctioned. In addition, this requirement would guarantee that every client has had a chance to claim exemption, to disclose serious barriers, and to claim that current activities (work or school) satisfy the WTW participation requirement.

Home visits offer another approach to minimizing sanctions levied in error. The home visit studies suggest that perhaps as many as one quarter of clients in sanction would return to participation with some additional attention, either because the sanction was in error or because they are now ready to comply but need encouragement or do not know what they need to do in order to comply.

Home visits, however, are very expensive to conduct. A less expensive alternative might be to have a WTW caseworker meet with each sanctioned client during the mandatory in-person annual redetermination meeting. Doing so would ensure that at least once per year each client receives some additional attention from a WTW caseworker. Some counties are already staffing those meetings with WTW caseworkers, with the effect of lowering the sanction rate and, in particular, the rate of erroneous sanctions.