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**DEPARTMENT OF SOCIAL SERVICES**  
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ARNOLD SCHWARZENEGGER  
GOVERNOR

October 1, 2010

ALL COUNTY LETTER NO. 10-43

REASON FOR THIS TRANSMITTAL

- ☐ State Law Change
- ☐ Federal Law or Regulation Change
- ☐ Court Order
- ☐ Clarification Requested by One or More Counties
- ☒ Initiated by CDSS

TO: ALL COUNTY WELFARE DIRECTORS  
ALL COUNTY WELFARE TO WORK COORDINATORS  
ALL COUNTY REFUGEE COORDINATORS  
ALL COUNTY CONSORTIA COORDINATORS

SUBJECT: END OF THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES  
(TANF) EMERGENCY CONTINGENCY FUND (ECF) SUBSIDIZED  
EMPLOYMENT PROGRAMS AND RESUMPTION OF ASSEMBLY BILL  
(AB) 98 PROVISIONS

REFERENCES: ALL COUNTY WELFARE DIRECTOR LETTER DATED AUGUST 18,  
2010, ALL COUNTY INFORMATION NOTICE 1-31-10, ALL COUNTY  
LETTER (ACL) 08-14,08-59, ACL 09-42, ACL 09-71, COUNTY FISCAL  
LETTER (CFL) 99/00-44, CFL 07/08-35, CFL 09/10-03, CFL 09/10-32,  
CFL 10/11-16, WELFARE AND INSTITUTIONS CODE SECTION  
11322.6 and 11322.63, AB X4 4, (CHAPTER 4, STATUTES OF THE  
FOURTH EXTRAORDINARY SESSION OF 2009)

The purpose of this letter is to provide information on the end of the TANF ECF subsidized employment program and to provide guidance to counties on the re-establishment of AB 98 (Chapter 589, Statutes of 2007) funding for wage subsidies paid through a qualifying subsidized employment program.

TANF ECF

The California Department of Social Services (CDSS) would like to acknowledge the great success counties have achieved in establishing and/or expanding subsidized employment programs through TANF ECF funding. Prior to TANF ECF, the average monthly number of recipients in subsidized employment positions for 2008 was 1,023. In July 2010, almost 36,000 low-income individuals were in subsidized employment positions; more placements than in any other state in the nation.

The TANF ECF program ended on September 30, 2010. Since no extension to TANF ECF or additional funding has been approved federally at this time, California will proceed with the close out of TANF ECF as scheduled.

A major portion of the close out procedures involves the correct claiming of expenditures. Please see CFL 10/11-16 for TANF ECF subsidized employment claiming information. A final CFL will be issued. Recent federal guidance allows counties to claim subsidized employment program expenditures that incurred on or before September 30, 2010, in the October through December 2010 quarter. All costs incurred after September 30, 2010 are not eligible for TANF ECF reimbursement.

Counties do have the ability to offer subsidized employment programs for CalWORKs recipients under long-standing welfare-to-work provisions to the extent the county chooses to use its California Work Opportunity and Responsibility to Kids (CalWORKs) Single Allocation or is able to secure alternative funding as described in question six in the attachment of this letter. Counties can also access additional state funding to help pay for CalWORKs recipients wage subsidies through AB 98 funding as described below.

#### AB 98 Funded Subsidized Employment Programs

Beginning October 1, 2010, counties will again be able to claim AB 98 funding for wage subsidies provided through qualified subsidized employment programs, as long as subsidized employment is included in the county's CalWORKs County Plan. There are no new policy or procedural changes to AB 98 funded subsidized employment programs. All of the details and guidance related to AB 98 can be found in ACL 08-14; however, the following information provides some of the key points:

- CDSS will reimburse counties for 50 percent of a CalWORKs recipient's wage subsidy outside of the county Single Allocation when the recipient is participating in a qualifying subsidized employment program.
- AB 98 funds may only be spent on wage subsidies for current recipients participating in the welfare-to-work program.
- Individuals in the Safety Net, former recipients, and families that met the "needy family" definition under TANF ECF do not qualify.
- In order for counties to claim AB 98 toward the cost of wages, the following conditions must be met:
  - The county program must limit wage subsidies to a maximum of six months for each recipient. AB 98 programs are not required to include months a recipient was participating in a TANF ECF subsidized employment program.
  - The amount of wage subsidies claimed outside of the Single Allocation may not exceed 50 percent of the maximum aid payment for the assistance unit of which the recipient is a member.

For wage subsidy programs that do not meet the requirements of AB 98 (e.g., Safety Net families or recipients who are receiving wage subsidies for more than six months), counties must use their Single Allocation, or an alternative funding source available to the county, to pay 100 percent of these costs.

Prior to TANF ECF, many counties did not administer subsidized employment programs in combination with AB 98 funding. To assist these counties and to help transition existing TANF

ECF subsidized employment programs to AB 98 funded programs, CDSS has developed the attached series of questions and answers to provide clarity on how counties can appropriately make use of these funds. CDSS will be issuing a subsequent letter with additional questions and answers in the near future.

#### AB 98 Fiscal Claiming Instructions

ACL 08-14 and CFL 07/08-35 created additional claiming codes for counties to claim AB 98 funds. The codes were suspended by CFL 09/10-03 and CFL 09/10-32 due to TANF ECF fund availability. Restoration of the claiming codes and further claiming instructions will be forthcoming in a subsequent CFL.

#### Data Reporting Requirements

Counties participating in subsidized employment programs under AB 98 must resume reporting on the *Welfare to Work—Assembly Bill 98 CalWORKs Subsidized Employment Claimed Under AB 98* (WTW-AB 98) beginning with the October 2010 report month and ending with the February 2012 report month. No WTW-ARRA data reports should be submitted for months later than September 2010. Please refer to ACL 08-59 for instructions for completing and submitting WTW-AB 98 forms if your county is operating an AB 98 funded subsidized employment program.

CDSS hopes that information provided in this letter is helpful to counties transitioning subsidized employment programs beyond TANF ECF. If you have any subsidized employment policy questions, please contact your CDSS Employment Bureau county consultant at (916) 654-2137. Please direct fiscal policy or claiming questions to the Fiscal Systems Bureau electronic mailbox at [fiscal.systems@dss.ca.gov](mailto:fiscal.systems@dss.ca.gov). For data reporting questions, please contact the Data Systems and Survey Design Bureau at (916) 651-8269.

Sincerely,

#### ***Original Document Signed By:***

CHARR LEE METSKER  
Deputy Director  
Welfare to Work Division

Attachment

## **AB 98 Subsidized Employment Programs**

**Question 1:** Can AB 98 funds be used for work activities such as work study, grant-based on-the-job-training (OJT), paid work experience, or any other activity in which the recipient receives payment for the activity through a county's Single Allocation?

**CDSS Response:** No. AB 98 added Section 11322.63 of the W&I Code. This section restricts funds for work subsidies outside of the Single Allocation to work activities contained in W&I Code section 11322.6 (b), private sector subsidized employment and section 11322.6 (c), public sector subsidized employment. Work activities such as work study, grant-based OJT, and work experience are all listed as separate work activities in statute and are not included or addressed in the language of AB 98. Therefore, work activities beyond those specifically mentioned in AB 98, such as work study or paid work experience, do not qualify for AB 98 funds, because they are listed as separate work activities in statute.

**Question 2:** Can counties utilize AB 98 funding outside of the Single Allocation to augment a grant-based OJT assignment? This would offer a higher subsidy to employers, reduce county Single Allocation costs, and assist recipients in filling the income gap they incur when agreeing to have their grant deferred for purposes of a grant-based OJT program.

**CDSS Response:** No. Grant-based OJT is listed as activity (f) in Section 11322.6 of the W&I Code and is not included in Section 11322.63, which was added by AB 98. Therefore, grant-based OJT does not qualify for AB 98 funds.

**Question 3:** Does AB 98 include reimbursement for county expenses associated with Federal Insurance Contributions Act (FICA), payroll taxes, and Workers' Compensation for subsidized employment participants?

**CDSS Response:** Yes. Workers' Compensation, FICA, and other payroll taxes paid to the employer by the county (e.g. Unemployment Insurance Benefits) are allowable expenditures for AB 98 funds for use in subsidized public and private sector employment. The amount of subsidy claimed for these costs through the AB 98 provision is still limited in accordance with the language of AB 98. Therefore, the state's share of the subsidy cannot exceed 50 percent of the maximum aid payment for the assistance unit and the state's participation in this subsidy is limited to those county programs that provide no more than a six-month wage subsidy for each CalWORKs recipient.

**Question 4:** For CalWORKs recipients who are participating in subsidized employment programs, can Workers' Compensation coverage be accessed through the CDSS contract with the State Compensation Insurance Fund (SCIF).

**CDSS Response:** Yes. The SCIF contract for workers' compensation insurance has a limited amount of funding and should only be used if paying for this benefit is identified as being a barrier for an employer in offering subsidized employment.

**Question 5:** In a situation where there is a temporary employment agency that serves as the employer of record and also charges counties an additional fee for administrative costs, would these administrative costs also be considered AB 98 eligible?

**CDSS Response:** No. Administrative fees are not an allowable cost. CFL 99/00-44, dated December 20, 1999, states that work subsidy only includes payments to employers or third parties to help cover the cost of employee wages, benefits, supervision, or training. Counties are reminded that health benefit costs are not an allowable TANF expenditure.

**Question 6:** Can a county use an alternate funding source (not Single Allocation) for the local share of wages? For example, other public or non-profit funds that would be TANF maintenance of effort (MOE) countable if they were spent on subsidized employment wages for CalWORKs families.

**CDSS Response:** Yes, provided there is a written agreement with the source of third-party funds. The agreement must ensure that the third party is aware of and agrees to allow the state to count the in-kind contribution toward the state's MOE requirement. The agreement must specify that the third party's in-kind contribution is not funded through federal funds or through funds that are used or will be used to satisfy a cost-sharing or matching requirement of another federal program (non-TANF). CDSS will be issuing claiming instructions separately for claiming such costs.