



STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
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EDMUND G. BROWN JR.
GOVERNOR

April 6, 2011

ALL COUNTY LETTER NO. 11-32

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 CALWORKS PROGRAM SPECIALISTS
ALL COUNTY REFUGEE COORDINATORS
ALL COUNTY CONSORTIA COORDINATORS

SUBJECT: CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO
KIDS (CalWORKs) CHANGES TO ASSEMBLY BILL (AB) 98
SUBSIDIZED EMPLOYMENT AS A RESULT OF SENATE
BILL (SB) 72

REFERENCES: ALL COUNTY LETTERS (ACL) 08-14, 08-59, AND 10-43;
COUNTY FISCAL LETTERS (CFL) 07/08-35 AND 10/11-36;
SENATE BILL (SB) 72 (CHAPTER 8, STATUTES OF 2011)

The purpose of this letter is to provide instructions to counties for implementing the changes that have been made to the AB 98 (Chapter 589, Statutes of 2007) subsidized employment program through the enactment of SB 72 (Chapter 8, Statutes of 2011). Effective March 24, 2011, SB 72 expands the eligible population for AB 98 funded wage subsidies, increases the duration of qualifying job placements, and increases the maximum amount of AB 98 funding that the California Department of Social Services (CDSS) will provide counties outside of the Single Allocation. This expansion was possible by designing the program to be cost neutral to the state budget.

Counties achieved overwhelming success in providing subsidized employment opportunities to over 47,000 CalWORKs and other low-income families through the Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund (ECF) program that ended on September 30, 2010. Many lessons were learned and relationships between local social services and workforce development agencies were strengthened through TANF ECF. CDSS encourages counties to use the success of TANF ECF to expand AB 98 subsidized employment and believes that the SB 72 changes will assist counties in doing so.

Prior to SB 72, AB 98 limited the state's contribution outside of the Single Allocation toward a wage subsidy to an amount up to 50 percent of a CalWORKs recipient's wage subsidy, not to exceed 50 percent of the maximum aid payment (MAP) for the assistance unit (AU) of which the participant is a member. In addition, qualifying subsidized employment programs could not exceed six months in length and only wage subsidies provided to current CalWORKs recipients participating in welfare-to-work (WTW) were eligible for AB 98 funding.

Effective March 24, 2011, the following requirements apply to AB 98 subsidized employment programs:

Eligible Wage Subsidies

Wage subsidies provided to the following individuals may be eligible for AB 98 funding only if the individuals are not otherwise employed at the time of entry into the subsidized employment position:

1. Aided CalWORKs recipients participating in the WTW program. These individuals may continue to participate in a county's AB 98 subsidized employment program if the family becomes ineligible for CalWORKs due to the subsidized employment income.
2. Individuals in WTW sanction status who will cure their sanction through the subsidized employment position. These individuals must maintain compliance with WTW to continue in an AB 98 funded subsidized employment position.
3. Individuals who have exceeded CalWORKs time limits and are receiving Safety Net benefits for their eligible children. These individuals may continue to participate in a county's AB 98 subsidized employment program if the family becomes ineligible for CalWORKs due to the subsidized employment income.

AB 98 funding for wage subsidies is limited to a maximum of six months for each participant, unless the county determines that a longer subsidy period is necessary in order to mutually benefit the employer and the participant. If a county makes such a determination, AB 98 funding can be available for up to a total of 12 months.

Counties may provide additional services, including but not limited to case management, supportive services, or mental health and substance abuse services, under the existing job retention services regulations pursuant to Manual of Policies and Procedures (MPP) section 42-717 if provided for in a county's CalWORKs County Plan.

CalWORKs Eligibility for Former Recipients

An individual who applies for CalWORKs after leaving aid due to AB 98 funded subsidized employment income shall be considered a current recipient for the purposes of CalWORKs eligibility income and work requirements if he or she applies within three calendar months of the subsidized employment ending. That means that the county shall apply the recipient earned income disregards rather than the applicant \$90 income disregard, and that the 100-hour work rule shall also not apply. However, if an individual applies for CalWORKs after this three-month period has passed, he or she shall be considered an applicant for the purposes of CalWORKs eligibility income and work requirements.

Maximum State Funding Outside of the CalWORKs Single Allocation

Counties can claim costs outside of the Single Allocation in amount up to 50 percent, less \$56, of the "total wage costs" (defined below) of an employee for whom a wage subsidy is paid, not to exceed 100 percent of the computed grant for the AU in the month prior to participation in subsidized employment. As previously mentioned, the changes that have been made to AB 98 were designed to be cost neutral to the state budget. As such, the \$56 reduction to the amount of the wage cost is necessary to offset the impact of the \$112 earned income disregard, which will become effective on July 1, 2011, of the subsidized wage to a CalWORKs grant.

CDSS' contribution outside of the Single Allocation shall not be recalculated for the duration of the subsidized employment placement, with one exception. The new AB 98 program was designed to be cost neutral to the state budget in conjunction with other changes that are being made to CalWORKs grants through SB 72 that go into effect on July 1, 2011 (eight percent grant reduction, child-only incremental grant reductions, and the 48-month time limit). Therefore, counties need to make a one-time adjustment to the state's maximum contribution in the month of August 2011 to establish cost neutrality beyond that date. This adjustment only needs to be made for individuals who entered the subsidized employment position prior to August 1, 2011, by recalculating the state's maximum contribution to an amount that does not exceed 100 percent of what the grant for that individual's AU would have been in the month of July 2011, if the individual were not engaged in subsidized employment. This recalculation would not consider the subsidized employment income, but would include the other changes identified above.

However, it is important to note that participants in families who continue to be eligible for a CalWORKs cash grant while participating in a subsidized employment program must continue to comply with all CalWORKs eligibility requirements, such as quarterly reporting, and the families' grants will be adjusted or discontinued, as necessary, based on current eligibility rules.

Definition of Total Wage Costs and Use of State Contribution for AB 98 Programs

As previously stated, counties may claim costs outside of the Single Allocation in an amount up to 50 percent of "total wage costs," less \$56, up to 100 percent of the computed grant for the AU in the month prior to participation in subsidized employment. For this purpose, "total wage costs" means the amount of the actual wage paid directly to the participant by the county social service agency (as the employer), the employer, or a third party. For purposes of establishing the state's contribution outside of the Single Allocation, total wage costs do not include other nonwage employment related costs, such as unemployment insurance, employee benefits, worker's compensation insurance, etc.

Counties can claim AB 98 funding outside of the Single Allocation, up to the limit identified above, for wage and non-wage costs of the county's AB 98 subsidized employment program. Nonwage costs include county paid subsidized employment related costs, such as unemployment insurance, employee benefits, and worker's compensation insurance costs associated with the subsidized employment positions. Nonwage costs must also comply with the appropriate rules regarding the allowable use of TANF funds. Counties are reminded that payment for health benefits is not an allowable use of TANF funds.

Fiscal claiming instructions to implement these provisions will be issued through a County Fiscal Letter in the near future.

Community Colleges Work Study Programs

CDSS is aware that counties and California community colleges may be interested in expanding community college work-study programs through AB 98 funding. CDSS will work with counties, the colleges, the California Community College Chancellor's Office, the California County Welfare Directors Association (CWDA), and legal advocates to determine the feasibility of using of AB 98 funding for community college work-study programs and issue guidance in a separate ACL.

Data Reporting

The WTW-AB 98 data reporting form will be revised to incorporate the changes that have been made to the AB 98 subsidized employment program and released in a separate ACL in the near future.

Assessment of Cost Neutrality

Governor Brown's Administration worked closely with the Legislature and CWDA to increase state support for AB 98 subsidized employment programs and expand the population that is eligible for these programs while maintaining cost neutrality for the state budget. To ensure the program's design and intended neutrality, SB 72 requires CDSS to work with county welfare department directors and the Legislative Analyst's Office to assess the cost neutrality of the expanded program. CDSS must inform the Legislature of its findings and make any necessary recommendations during the 2012-13 fiscal year legislative budget hearings.

To obtain the data needed to determine cost neutrality, participating counties will be required to provide CDSS with additional data outside of the WTW-AB 98 data reporting form. More information about the AB 98 cost neutrality assessment process will be issued as soon as possible.

CDSS encourages counties to establish and/or expand subsidized employment programs as a viable method of helping families achieve self-sufficiency. If you have any program policy questions regarding the information in this letter, please contact your CDSS Employment Bureau county consultant at (916) 654-2137. If you have any fiscal questions, please direct them to the Fiscal Systems Bureau electronic mailbox at fiscal.systems@dss.ca.gov.

Sincerely,

Original Document Signed By:

CHARR LEE METSKER
Deputy Director
Welfare to Work Division