



CDSS

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STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES

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EDMUND G. BROWN JR.
GOVERNOR

August 31, 2011

ALL COUNTY LETTER NO. 11-58

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 CalWORKs PROGRAM SPECIALISTS
 ALL COUNTY WELFARE-TO-WORK COORDINATORS
 ALL CONSORTIUM PROJECT MANAGERS
 ALL REFUGEE PROGRAM COORDINATORS
 ALL CHILD CARE COORDINATORS

SUBJECT: CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CalWORKs) PROGRAM: CLARIFYING GUIDANCE FOR CHANGES TO ASSEMBLY BILL 98 (CHAPTER 589, STATUTES OF 2007) SUBSIDIZED EMPLOYMENT RESULTING FROM SENATE BILL 72 (CHAPTER 8, STATUTES OF 2011)

REFERENCE: ASSEMBLY BILL 98, SENATE BILL 72; ALL COUNTY LETTERS 10-43 AND 11-32; COUNTY FISCAL LETTER 10/11-65; WELFARE AND INSTITUTIONS CODE SECTIONS 11322.63 and 11323.25

The purpose of this letter is to provide clarifying guidance to counties for implementing the changes made to the Assembly Bill (AB) 98 (Chapter 589, Statutes of 2007) subsidized employment program through the enactment of Senate Bill (SB) 72 (Chapter 8, Statutes of 2011).

Effective March 24, 2011, SB 72 expanded the eligible population for the AB 98 subsidized employment program wage subsidies, increased the duration of qualifying job positions, and increased the maximum contribution that the California Department of Social Services (CDSS) will provide counties outside of the single allocation. This letter provides CDSS responses (Attachment I) to questions counties have relating to the SB 72 changes to AB 98 subsidized employment implemented by All County Letter (ACL) 11-32, which was released on April 6, 2011. An AB 98 claiming example (Attachment II) is also included in this letter to help guide counties in claiming their AB 98 expenses.

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CDSS hopes the information provided in this letter is helpful to counties in establishing or expanding subsidized employment programs. If you have 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. 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

Attachments

QUESTIONS AND CALIFORNIA DEPARTMENT OF SOCIAL SERVICES' (CDSS) RESPONSES

1. **Question:** Can county funds used for work study positions be eligible for Assembly Bill (AB) 98 reimbursement?

CDSS Response: No. Work study positions do not meet the expanded AB 98 program criteria because work study income cannot be considered when determining the amount of the cash grant (CDSS Manual of Policies and Procedures (MPP) 44-111.24), which would negatively affect the intended cost neutrality of the AB 98 program. The cost neutrality of the program is intended to be achieved by offsetting the cost of the state's contribution outside of the single allocation with grant savings achieved as a result of the subsidized employment income. Governor Brown's Administration worked closely with the Legislature and the California Welfare Directors Association (CWDA) to design the expanded AB 98 program to be cost neutral for the state budget.

Community college students who are current CalWORKs recipients or who have exceeded CalWORKs time limits and are receiving safety net benefits for their eligible children may be eligible to be placed by the counties into AB 98 subsidized employment positions that are not work study positions.

2. **Question:** Are individuals currently participating in work study considered employed for the purpose of being eligible for AB 98 placements?

CDSS Response: No. Work study income cannot be considered earned income for grant and eligibility determination, so participants in work study are not employed for the purpose of determining eligibility for AB 98 subsidized employment placements. Therefore, if the work study participant is not otherwise employed, then the individual may be considered for eligibility for an AB 98 subsidized employment placement.

3. **Question:** Are individuals who were employed and entered an AB 98 subsidized employment placement prior to March 24, 2011 eligible to continue in the SB 72 revised version of the program? Can they remain in their subsidy for up to 12 months based on the date they originally started in AB 98?

CDSS Response: Yes. Counties can continue subsidized employment placements for all AB 98 participants enrolled in the program prior to the passage of SB 72. With the passage of SB 72, individuals cannot be otherwise employed at the time of entry into the AB 98 placement. This requirement does not apply to participants in the AB 98 program prior to the passage of SB 72, as they are not newly entering the program. However, all of the other AB 98 policies since the passage of SB 72 would

apply to these ongoing participants. Participants are limited to a maximum of six months in the AB 98 program unless the county determines that a longer subsidy of up to six additional months is necessary in order to mutually benefit the employer and the participant.

4. **Question:** Are individuals currently participating in grant-based on-the-job training (OJT) considered employed for the purpose of being eligible for AB 98 subsidized employment?

CDSS Response: No. Grant-based OJT has a unique set of regulations that sets it apart from other types of subsidized employment. Grant-based OJT is a grant diversion program, and it is a welfare-to-work activity that clients must volunteer to participate in. Furthermore, since grant-based OJT is a wage subsidy derived from an individual's diverted grant and/or grant savings, it is not considered income in the determination of eligibility for CalWORKs as indicated in MPP section 42-716.75. For these reasons, participants in grant-based OJT are not employed for the purpose of eligibility for the AB 98 program and may participate in AB 98 subsidized employment if they are not otherwise employed.

5. **Question:** What is the difference between what a county can claim for AB 98 participants based on "total wage costs" and what the county can claim as wage and non-wage costs?

CDSS Response: The amount of the state's contribution that counties can access outside of the single allocation is based on 50 percent, less \$56, of the "total wage costs" not to exceed 100 percent of the computed grant in the month prior to entry into subsidized employment. The "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. The "total wage cost"—along with the computed grant—is used to establish the state's maximum contribution (or ceiling) to which a county can claim their AB 98 program costs for a specific participant. Wage and non-wage costs are the types of costs that can then be claimed for that participant. Non-wage costs include county-paid subsidized employment related costs, such as contractor administrative costs, unemployment insurance, or employee benefits associated with the subsidized employment placements. County administrative costs cannot be claimed to AB 98. Attachment II provides an example that illustrates this process.

6. **Question:** Are total wage costs for the purposes of determining AB 98 wage subsidies based on gross or net wages?

CDSS Response: Eligibility for CalWORKs cash aid and grant calculations are determined using gross earned income. AB 98 wage subsidy calculations are also

based on gross income in order to maintain a consistent policy for computing the impact of earned income on grants.

7. **Question:** Do counties need to recalculate the state's contribution outside of the single allocation each time that an AB 98 participant's wages change due to reduced hours, unpaid sick time, etc?

CDSS Response: Yes. As stated in Welfare and Institutions Code (W&IC) 11322.63, the state shall pay the county 50 percent, less \$56, of the total wage costs of an employee for whom an AB 98 wage subsidy is paid, not to exceed 100 percent of the computed grant in the month prior to an individual's entry into AB 98 subsidized employment. Therefore, the county needs to recalculate the state's contribution outside of the single allocation each time the total wage cost changes. However, the maximum amount (or ceiling) that the state will contribute outside of the single allocation is not recalculated if the computed grant changes during the subsidized employment placement, with one exception: 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.

Although the SB 72 changes to AB 98 subsidized employment went into effect on March 24, 2011, the new program is designed to be cost neutral to the state budget in conjunction with the changes that have been made to CalWORKs grants through SB 72 that went into effect on July 1, 2011 (e.g. eight percent grant reduction and 48-month time limit). To establish cost neutrality after the July changes, this adjustment needs to be made for individuals who entered the subsidized employment position prior to August 1, 2011. This adjustment is done by recalculating the state's maximum contribution to an amount that does not exceed 100 percent of what the grant for an individual's assistance unit (AU) would have been in the month of July 2011 if the individual were not engaged in subsidized employment. The recalculation to the state's maximum contribution outside of the single allocation would not consider the subsidized employment income, but would include the other changes that went into effect on July 1, 2011 as identified above.

8. **Question:** In a two-parent household, both parents are participating in AB 98 subsidized employment, but the first parent obtains unsubsidized employment and leaves AB 98 subsidized employment. The AU becomes ineligible for CalWORKs aid due to the unsubsidized employment income. May the second parent stay in AB 98?

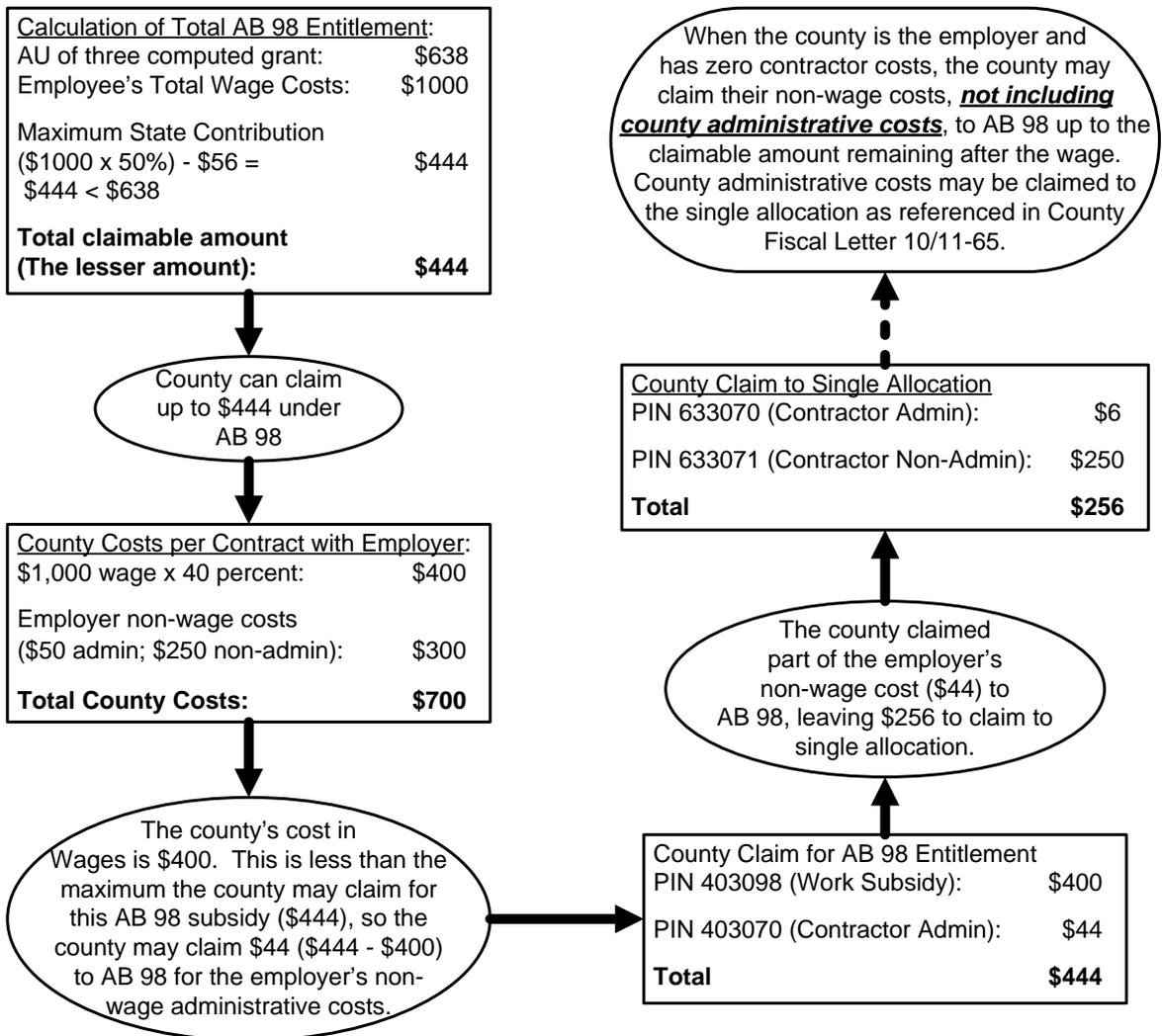
CDSS Response: If the first parent's unsubsidized employment income by itself is sufficient to make the AU ineligible for CalWORKs cash aid, then the second parent is not eligible to continue in the AB 98 subsidized employment program. In this situation, the second parent's AB 98 subsidized employment income was not the

reason the AU became ineligible for CalWORKs cash aid. However, if the family becomes ineligible for aid due to the combination of both parents' income, then the second parent is eligible to continue in the AB 98 program because the AB 98 income contributed to the AU becoming ineligible for CalWORKs cash aid. Individuals may continue to participate in a county's AB 98 subsidized employment program only if the AU becomes ineligible for CalWORKs due to the AB 98 subsidized employment income (W&IC Sections 11322.63(a)(3) and 11323.25). Counties are encouraged to inform two-parent households how the unsubsidized employment income of either parent can impact eligibility to remain in AB 98 subsidized employment after the AU becomes ineligible for CalWORKs cash aid.

AB 98 CLAIMING EXAMPLE

The state's contribution outside of the single allocation is calculated by multiplying the participant's monthly total wage cost by 50 percent less \$56, and it must not exceed 100 percent of the computed grant in the month prior to the participant entering subsidized employment. The allowable costs that can be claimed to the AB 98 codes are the county's wage and non-wage costs as described in CFL 10/11-65. The remaining costs of subsidized employment (other than AB 98) can be claimed to the Single Allocation codes consistent with County Fiscal Letter 10/11-65.

Example: A county and employer have a contract in place for the county to pay 40 percent of the employee's wages and the employer to pay the remaining 60 percent. The county will also pay the employer (contractor) for 100 percent of the non-wage cost necessary to operate a subsidized employment program. The subsidized employee is a federally eligible CalWORKs participant in an AU of three.



Note: For purposes of this example, only the employer's administrative costs were claimed to the AB 98 codes, but counties have the flexibility in claiming either or both of the employer's administrative and non-administrative costs, not to exceed the wage subsidy.