Chapter 2

CHILD POVERTY

I. CONDITION INDICATORS

A. Incidence

As of February 14, 2002, the federal poverty guideline for the benchmark family of three is an annual income of $15,020, a level many scholars consider artificially low nationally.[1] Child advocates contend that this federal line does not reflect the problem of single parents, who face annual child care costs of approximately $4,000 to $6,000 per child in order to work. These parents must add their child care costs to the poverty line amount to net actual income for minimal food, shelter and other necessities which the line represents.

Apart from the national issues of deficient level and exclusion of child care costs, a poverty line refined by state would yield a substantially higher level for California, particularly given the state's higher rents,[2] transportation, and utility costs. According to the U.S. Department of Housing and Urban Development (HUD), the fiscal year 2002 "fair market rent" for a two-bedroom apartment in California's 15 metropolitan areas ranges from $522 per month in Yuba City to $1,747 in San Francisco, with most in the $600 to $1,000 range—among the highest in the nation.[3] Over 90% of California's poor families must pay above the "30% of total income" assumed to be sufficient for shelter in the federal poverty guideline—and 67% of the state's urban poor pay over 50% of their total income for housing.[4]

Early data indicates substantial rent increases in 2001 and 2002 as the real estate market continues to heat up, particularly in the state's metropolitan areas. The vacancy rate in urban centers throughout the state is nil, giving landlords enormous bargaining power to effectuate price increases. According to one recently released study, low income renters outnumber affordable housing units in the state by more than 2 to 1, a shortage of 581,304 units.[5] One national survey during September 2001 found that California is the least affordable state in terms of housing, and that five of the nation's eight least affordable metropolitan area rents for a benchmark two-bedroom apartment were in California.[6] That same survey concluded that a minimum wage earner in California can afford monthly rent of no more than $325; an SSI recipient (receiving $692 monthly) can afford monthly rent of no more than $208; and the housing wage in California (the hourly rate a worker would have to earn in order to be able to work forty hours per week and afford a two-bedroom unit at the areas's fair market rent) is $18.40—294% of the present minimum wage.[7]

The median income for renters with children fell 11% between 1989 and 1999 when adjusted for inflation (from $31,357 to $27,920).[8] Notwithstanding the above, only 9% of California impoverished families receive any federal public housing assistance, the lowest of the fifty states.[9] Only 10% of Temporary Assistance to Needy Families (TANF) recipient families with children receive housing assistance in California.[10] Congressional reductions to these programs is likely to shrink this contribution further. The state had heralded housing subsidy increases during 2000–01 and 2001–02, but when adjusted for inflation and population, it currently remains below 1990–91 levels, and is proposed for reduction in 2002–03.[11]

A National Research Council panel examining regional costs has placed California's proper poverty threshold at 17.8% above the national average.[12] That judgment was made prior to recent rent increases. In addition, the application of the federal poverty line does not account for two other disproportionately high costs for residents. First, a lack of mass transit and a sprawling land use pattern makes automobiles a practical necessity for many adults to maintain employment. Those costs are high in California, which has higher auto insurance and gasoline prices than the national norm. Most recently, the state's energy costs, natural gas and especially electric utility bills, have increased markedly. Although the state has a partial subsidy for low income utility assistance, the scale of recent increases has doubled the bills of many. Air conditioning energy costs are especially problematical for those living more than ten miles from the more temperate coasts in Southern California.

Notwithstanding the substantially higher cost of living for the state, the calculations in this *California Children's Budget* rely on the more conservative federal standard. Under that standard, 3.8 million Californians lived in poverty in 1989; the projected 2002–03 figure is 4.5 million.[13] The number of California children living in poverty rose from 1.9 million in 1989 to a projected 2.7 million in 2002–03. In the current year, those under 19 years of age account for 30.4% of the state's population, but 59.3% of those living in poverty.[14] Only six states have a higher percentage of their citizens living below the federal poverty line than does California; since 1980, the percentage of people living in poverty has grown more than five times faster in California than the rest of the nation.[15]

California's economic recovery has reduced the child poverty rate from its high of 28.2% in 1994 and 1995, but increasing child population has kept the number of impoverished children at approximately 2.6 million. The overall trend over the past twenty years remains markedly up. In 1980, 15.2% of California's children lived below the federal poverty line. By 1986, the figure increased to 21.9%; by 1994 it had reached its zenith of 28.2%, and has leveled back to 24.7% in the current year and to 24.9% as projected for 2002–03.[16] By way of comparison, California's adult poverty rate has fallen to 12.6%.[17] Since 1980, the child poverty rate in California has grown more than three times faster than in the rest of the nation.[18]

A 1998 study from the National Center for Children in Poverty (NCCP) measured, state by state, the poverty rates among young children (up to 6 years of age). It found six states with young child poverty rates "significantly higher" than the national average. Specifically, the large states of California and New York have joined the traditional low income states of Louisiana, Mississippi, New Mexico and West Virginia—all now with a young child poverty rate of 29% or more. Measuring 1992–96 data, the study found California's rate of 29% to represent a rate jump of 24% from a base comparison period of 1979–83.[19] Since that period, California added 433,510 young children to poverty—constituting 30% of the total added nationally. The study places 48.9% of the state's children under 6 years of age at "below or *near* poverty."[20]

In 2000, NCCP released an updated poverty study covering all children under 18. Although it calculates a decrease in poverty rates from 1993–98, the report concludes that California remains among the six states with child poverty rates significantly higher than the national average.[21] The same source reports a poverty rate trend from less than the national average in 1979 (14.4% compared to a U.S. average of 16.2%) to substantially over the national average by 1998 (23.3% compared to a U.S. average of 18.7%).[22]

The 3.5% decline in the child poverty rate since its high point in 1997 represents 225,000 fewer impoverished children. However, that reduction is from a total of 2.8 million children which represented an historical high. Most important, the recent decline in the percentage of impoverished children may overstate improvement because it does not measure how the *degree* of poverty has changed over the same time period among the 2.6 million who remain under the line. Average income appears to have dropped for the families of impoverished children—who rely substantially on the TANF and food stamp safety net provided for children. Substantial cuts to this safety net support since 1989 have lowered food and rent resources for the 1.8 million children subject to its benefits from above the poverty line in 1980, to 89% of the poverty line in 1989, to 70% of the line as proposed.[23]

As discussed below, changes in the last three years affecting degree of poverty include the flight of many immigrant parents from safety net assistance for their qualified children out of deportation or other fears, loss of medical coverage, food stamp declines, the TANF cut-off of immigrants arriving after 1996, and the growing "penalties" now applicable to parents under state implementation of federal welfare reform, and which can reduce TANF support for the benchmark family of three—at $915 per month in current dollars in 1989–90—to $420 per month. From 1993 to 1998 TANF rolls declined by 23.6%, but child poverty fell by only 14.9%.[24] And that measure generously counts the percentage living in families below the poverty line; it does not measure the median income of those living in poverty (how much further below the line it may be), or that income in relation to median rents and utility costs. The groups of concern include families leaving TANF without employment, parents obtaining close to minimum wage jobs and paying more for child care than the extra funds available through work, and declining safety net levels for those receiving TANF. As discussed below, the net effect of all three groups in relation to the previous level of safety net support suggests substantial unreported, unmonitored extreme child poverty. Changes in TANF proposed as a part of year 2003 PRA reauthorization, combined with an economic downturn, will exacerbate extreme poverty incidence, see discussion below.

In February 2001, a Syracuse University study concluded that California and New York had the highest child poverty rates not only in the nation, but among the developed nations of the world. The study adjusted for a number of factors commonly excluded from such comparisons, including the lack of a state earned income tax credit, and concluded that of the children of the remaining 48 states, all of Europe, and Russia, achieved lower child poverty rates. It placed the California poverty rate at 25.7% and the New York rate at 26.3%. Rates in Russian were pegged at 23.2%, Canada at 14.7% and European nations at lower levels, *e.g.*, Germany at 8.7%, Sweden at 2.5%.[25]

A supplemental Census Report released in August of 2001 noted that the California child poverty rate was 15% higher than the national average, while the state—now the fifth largest economy in the world—has a median income 12% higher than the national average.[26]

Increases in child poverty have been driven by a mix of factors: unemployment, wage depression below self-sufficiency for families, increased births to unwed mothers and more single-parent households, continued low rate of child support collection (primarily from absent fathers), and—as noted above—substantial cuts in the safety net for impoverished children. International migration, particularly from Mexico, has also been a factor, in adding to the "income inequality" of the state by adding substantial numbers of impoverished persons. Although significant, research indicates that this immigration contributor is less of a factor than the wage, education, and tax factors noted above.[27]

Child poverty correlates with low birthweights, undernutrition, lower cognitive development and IQ, low height for age, child neglect, and other problems.[28] Its incidence corresponds to difficulties in each of the child-related areas of public spending in the *California Children's Budget*: nutrition, health, disability, child care, education, child abuse, and delinquency.

B. Youth/Adult Unemployment

California's unemployment rate fell more than one-third from an average of 9.2% in 1993 to an average of 4.9% in 2000, but rose back up to an average 5.3% in 2001.[29] The most recent data available puts the figure at 6.2% for January 2002. Unemployment among the "prime adult employment group" (ages 25–64) is at 4.4%. However, as Figure 2-A indicates, youth unemployment stands at 16.4%, almost four times the level applicable to working age (non-senior) adults.[30] The number of Californians aged 16–19 who are seeking employment has decreased much less than has adult unemployment. Moreover, adult unemployment rates are projected to continue to rise in 2002–03, and youth rates historically increase at two to three times the adult rate, suggesting more serious employment shortfalls. As to those jobs which are available to youth jobseekers, increasing numbers are at minimum wage. Notwithstanding the economic recovery for many, California remains among the ten highest states in youth unemployment.

As of early 2002, a total of 1.089 million Californians were unemployed.[31] This number does not include those who have stopped looking for employment, or many of those now receiving TANF and hence obligated under state law to seek work. Without parental employment, almost one million California children face substantial safety net reductions and cut-offs (see data discussed below). Balanced against this still formidable population are an estimated 360,000 new jobs projected for California during calendar 2003.[32] These new jobs will be filled substantially by new job seekers graduating from schools, not from the currently unemployed. The Governor's office projects that there will be just 31,000 fewer unemployed Californians in 2003 than in 2002, bringing the total number of projected unemployed down to 1.058 million.[33]

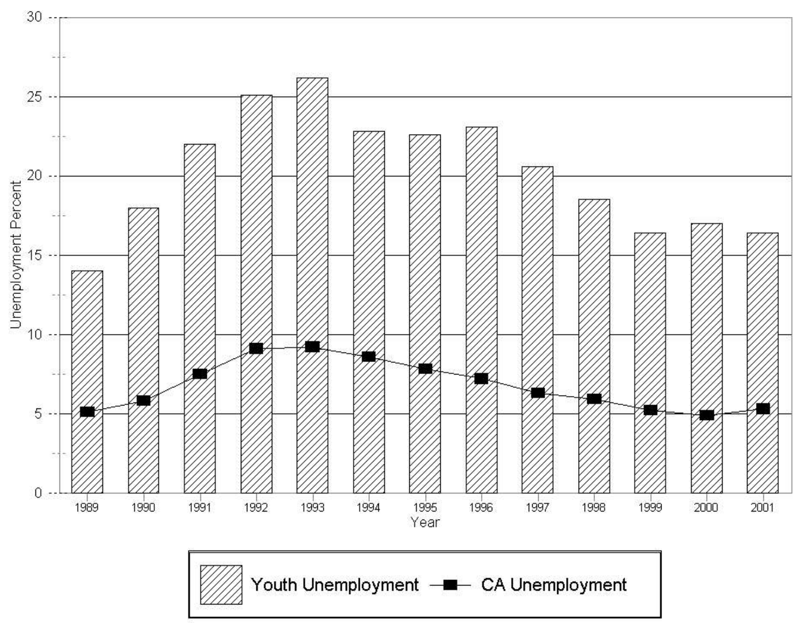

FIGURE 2-A. California Youth Unemployment[34]

Those living below the poverty line with children have disadvantages in competition for these available jobs based on education, work experience, health, English skills, and child care needs. These difficulties are exacerbated by the mismatch between the specific areas of job growth *(e.g.*, technically skilled) and the qualifications of those currently unemployed. The lack of any assured child care assistance after two years of post-welfare employment is a particularly formidable barrier to long term self-sufficiency for single parent families. Impoverished parents who do obtain employment have difficulty keeping a long term job, or in rising above poverty line wages. Any economic downturn will diminish their employed numbers given their lack of seniority and other vulnerability to lay-off. (See discussion of impoverished family statistical profile below.)

C. Minimum Wage

With the 1996 passage of Proposition 210, California's minimum wage increased from $4.75 per hour to $5.00 per hour effective March 1997. Then in October 1997, the federal minimum wage increased to $5.15 per hour. In March 1998, California's minimum wage rose to $5.75 per hour; on January 1, 2001, it rose to $6.25 per hour; and on January 1, 2002, it rose to $6.75 per hour, yielding gross income of $14,040. However, despite the recent increases and the state's minimum above the federal floor, the failure to index to inflation and a pattern of freezing minimum wages for substantial periods between adjustment has exacerbated the poverty of working poor parents. According to a 2000 report, the minimum wage has declined 31% in spending power since 1968. If we had maintained the 1968 level, the minimum wage would have been $8.75 per hour in 2002.[35] From well above the poverty line, the minimum wage has moved to a current level of 93% of the poverty line for a family of three, and 78% for a family of four. Actual take-home pay for minimum wage workers is 8–12% below these levels, given social security and other "payroll tax" deductions which the federal administration and Congress are excluding from prospective tax reductions.

Advocates for the poor and children have argued for a minimum wage which allows a parent who works full-time to reach the poverty level. A minimum of $7.25 per hour would yield gross income close to the poverty line for the benchmark family of a parent and two children.[36] In 2002, the minimum level would have to be approximately $9 per hour to equal the constant dollar value of the minimum wage set in 1968. Objections to the increase to $7.25 center around the impact on economic and job growth. However, from September 1996 to April 1998—during which the minimum wage increased $1.50 from $4.25 to $5.75—the state added a record 701,000 jobs and unemployment dropped from 7% to 4.9% as of 2001. There is no evidence that an increase to the poverty level long urged by child advocates—which would now involve an increase of only one-third the 1996–98 state increase—would materially interfere with job expansion or the continuing recovery. More recent studies confirm that the 1996 to 2000 minimum wage increases did not stimulate the unemployment feared by its opponents.[37]

The beneficiaries of minimum wage increases include the 943,000 California workers earning the $5.75 minimum wage in 2000. This population is not predominantly youth employees: 81% are over 20 and 36% are adult parents supporting children. One study noted that when California welfare recipients did find work, their earnings were meager. Those who found work earned an average annual income of $12,400. Those with very low basic skills averaged less than $10,000 per year; 70% did not earn enough to lift a family of three out of poverty.[38] More recent TANF parents entering employment (post-1998) are achieving somewhat higher wages (up to $14,660) or close to the poverty line for the benchmark family of three.[39] However, payroll taxes push most back below the poverty line in take-home pay. National studies find that single mothers benefit disproportionately from minimum wage increases, making up 5.7% of the total workforce, but 10% of those who would benefit directly. In particular, African American and Hispanic workers would benefit, with 18% and 14% respectively affected by minimum wage hikes. The majority of the 1996–97 raise (58%) went to working, prime age adults in the bottom 40% of income distribution.[40] Experts calculate that in addition to those earning under the minimum wage, those at or near that level also enjoy a boost in earnings (termed "spillover effect").

Such a spillover effect has particular importance given the trend of wage decline at the low end of the spectrum. The California median four-person family income was below the national average in 1998. From 1989 that median income declined in constant dollars by $1,069 in California, while rising $2,477 for the nation as a whole.[41] This drop is attributed by experts to stagnating hourly earnings. Hourly wages at the 20th percentile (from the bottom) fell by 7.5% over the decade, while those earning salaries at higher levels enjoyed increases. In 1989, 24% of Californians earned wages below the poverty line for their families, in 1999 the percentage increased to 28.7%.[42]

In August 2000, the San Francisco Board of Supervisors approved a minimum $9 per hour wage applicable to those with City contracts, with a $10 minimum specified for 2001, to be followed by inflationary adjustments of 2.5% over each of the succeeding three years. If implemented statewide (with some exceptions where competition precludes hiring) such a policy would enable the vast majority of

California's children whose parents work to rise above the poverty line in gross family income. Together with full use of the federal earned income tax credit, and with a state supplemental credit (see discussion below), virtually all children with parents working more than 30 hours a week (with child care assistance where needed) would achieve net income above the poverty line.

D. Tax Policy

The Earned Income Tax Credit (EITC) can provide up to $3,888 per year for a working family with two or more children and up to $2,353 to a family with one child. For a parent with one child, the credit essentially adds about 30% to income to a break point of $7,000; for a parent with two or more children it adds about 40% up to a break point of $10,000. After these levels are respectively reached, the subsidy declines steadily as earned income increases. This assistance puts many working poor parents at least marginally above the poverty line. The total expended federally on California EITC refunds in 1998 was $3.8 million, with $3.93 million projected for 2002. California receives 12.3% of federal EITC assistance.[43]

Critically, the EITC is a "refundable" tax credit. That is, it is an amount payable to those who qualify, not merely an offset against taxes due. Hence, it benefits those too poor to pay substantial personal income taxes. One important additional tax credit also potentially affects child poverty. The federal Child and Dependent Care Tax Credit allows up to $720 in child care costs for one child, and up to $1,440 in total (more than one child). However, it is not refundable, thus depriving the families of most impoverished children from any benefit. However, California has enacted a state version of this child care tax credit which *is* refundable, although at a lower benefit level (see discussion in Chapter 6). Although important, the EITC (and the smaller California child care credit) has been substantially offset by regressive tax policies which assess the poorest one-fifth of adults at a higher rate than that paid by any other quintile, as discussed below.

California's property tax revenues were once five times personal income tax receipts; now they yield a similar amount. More significant has been the imposition of these taxes disproportionately to young families. Proposition 13 locked in assessments at 1975 levels (with annual adjustments capped at 2%)—while raising the assessed value at point of sale to the new market price. Hence, many new families with young children buying after 1990 will pay pay taxes at three, five, and even ten times the amount paid by older taxpayers for the same public services who own comparable houses of the same value.

These policies combine with declining reliance on corporate, banking, and estate taxation as revenue sources in favor of personal income and regressive sales tax collections. California's personal income tax is progressive in its exclusion from tax of the first $19,700 for a single-parent two-child family. However, the substantial reduction of the top bracket over the past seven years, combined with increasing tax deductions and credits, substantially narrows the percentage of income taxed between the wealthy and the working poor.

This flattening of the tax rate paid by the wealthy is achieved through federal and state tax credits and deductions ("tax expenditures") invested off-budget. Federal and state tax expenditures each substantially exceed the EITC investment in working poor parents, and accrue to and benefit primarily the middle class and wealthy.[44] California's such expenditures (taxes foregone) amount to $28 billion annually. Unlike appropriations, these expenditures continue indefinitely unless affirmatively ended, and require a two-thirds legislative vote to eliminate or reduce.[45] Nevertheless, they are rarely examined systematically or with the scrutiny accorded direct expenditures.[46]

After calculation for all major state and local tax programs, the lowest-income 20% in California pays a substantially higher tax rate than any other income group. They pay 12% of their annual income in state and local taxes, while the highest-income 1% pays 8.1%. (See the discussion below of recent and proposed tax changes further affecting wealth distribution.)

E. Unemployment Insurance Coverage

During 2000, Californians filed 2.49 unemployment insurance claims, and received $2.5 billion in benefits. The average duration of claims was 16.1.3 weeks; the minimum benefit payable was $40 per week, and the maximum was $230 per week.[47] Employers are charged a rate of 3.4% to finance the benefits, which are paid only to claimants who are unemployed "through no fault of their own" and who are able to work and are actively seeking it.

Unemployment insurance is designed to cushion the effect of involuntary job loss by providing temporary and partial pay while new employment is sought. A fluid labor market requires job lay-offs, employment changes, and a reserve of unemployed to draw upon. Spreading out the cost of this market benefit so it is not borne disproportionately by those losing jobs helps to stabilize family income and lessen welfare reliance. The coverage does not replace or discourage work. It is temporary, provides only a portion of previously earned income, and requires that (a) the job loss was not the fault of the claimant; (b) each claimant remains available for work; and (c) each claimant is actively seeking new employment.

Threshold amounts, technical base period formulae, and limited time of coverage combine to give only 38%–41% of California's unemployed any contribution,[48] and an even lower percentage of poor parents is covered. The most recent data indicated that only 5% of the AFDC-U group and 2% of the larger AFDC-FG group were receiving any unemployment insurance benefits whatever.[49]

Under current California law, the threshold requirement for unemployment insurance results in the denial of about 18% of California's 1.5 million new claims as of 2000. In particular, part-time workers have difficulty meeting the complex threshold tests to qualify, with 36% of these applicants denied all assistance. One source summarizes the technical problem: "A worker employed for 20 hours a week at $6.25 per hour must work 10.4 weeks to earn sufficient wages to meet the $1,300 earnings (qualifying) test. However, none of those earnings would appear in the employee's base period immediately, due to the four to seven month lag between the time wages are earned and the date they enter base period calculations. Therefore, a half-time minimum wage worker must work at least seven months in order to qualify for (any) UI benefits at the time of separation."[50] Hence, the minimum wage worker must have steady employment at the half-time work level or more. The immediately previous three to six months of earnings before a job is lost does not count toward the required threshold of $1,300 in at least one quarter of work. California's definition of a qualifying "base period" ignores both the current quarter of employment, and the immediately prior quarter.

Impoverished parents have an historical pattern of part-time and episodic work at different jobs, with child care often limiting employment to 16–20 hours per week. The implementation of TANF work requirements will add to the number of parents who will get successive short-term jobs, or jobs interrupted by public service employment. As junior hirees, such parents are the first to suffer lay-offs with business decline.[51] The current unemployment insurance system disproportionately excludes these short-term-job parents. One source who reviewed the applicable literature concluded: "individuals who have left welfare for work have experienced difficulty accessing the unemployment system when they lose their jobs."[52]

Among those who are able to qualify, benefits are low. The national goal for unemployment insurance has been replacement of 50% of the employee's wage for 80% of those losing jobs (the "one-half for four-fifths" standard announced by President Nixon in 1972). California's average replacement percentage of previous wage was the nation's lowest until January of 2002. The state's average weekly benefit had been $161, or 21.6% of average weekly wages, the lowest percentage in the United States.[53] The state's benefit levels had not been increased since January 1, 1992, and suffered concomitant reductions to inflation.

Spurred by the September 11 terrorist attacks and the coextensive economic downturn, on March 9, 2002, the Congress allocated $8 billion in Reed Act funds to the states for unemployment insurance purposes as part of the Administration's stimulus package. California's share was $936.9 million. The Legislature had just previously enacted SB 40 in 2001 to provide an increase of up to $100 per week, which could raise benefits up to 35% of average wages—still relatively low. The post-increase January 2002 numbers show California at an average weekly benefit of $179.45. Only Mississippi and Alabama paid lower levels. Taking into account average rents, the state remains among the most penurious in the nation in unemployment benefits.[54] Of great concern is the Governor's stated intention to allocate $33.2 million in 2002–03 for general fund relief in the guise of paying for "administration of the Unemployment Insurance."[55]

The increase is important given the economic late 2001 downturn, which led to 900,000 claims filed from September through December of 2001, a 20% increase from the prior year.[56] Data from early in 2002 indicates a higher increase of 100% above the prior year 2001 levels—as the downturn combines with the modestly higher benefit.[57]

California provides no supplement based on children needing support. Many states provide a dependent allowance, recognizing the added costs and important societal investment in protecting children while parents are unemployed. The limitations on unemployment compensation are particularly important as the parents of almost one million children in the state approach the five year cut-off in TANF support.

California finances its system with a tax rate on employers loosely tied to the costs each imposes on the system through lay-offs. Although increased somewhat as of 2002, the tax level remains among the lowest in the nation. It is imposed in such a way as to tax employers of low-wage workers at a higher rate than those of highly-paid workers. The tax applies to the first $7,000 paid each worker. A part-time employee earning $7,000 incurs the same tax as does a $28,000 full-time employee— effectively imposing a tax at one-quarter the effective rate for the lower paid employee. Hence, a $70,000-per-year employee contributes but one-tenth the contribution rate as does the $7,000 employee. However, as noted above, the part-time worker is much more likely *not* to qualify for benefits given the qualification formula, and will receive only a fraction of the benefits if she does. The system as a whole works a substantial subsidy from the low-paid, temporary worker to the relief of the higher-paid worker and her employer.

To remedy the current inequities, and to protect involved children given welfare reform, experts agree that the base should be "movable" (*i.e.*, it should not exclude the immediately previous months of work); that $300 per quarter in wages (not $1,300) should qualify for some benefits. These two changes would add to unemployment insurance pay-outs, but according to the California Economic Development Department, these would be substantially offset by a savings of $150 million per year in reduced TANF costs.[58] In addition, benefits should to be set at 50% of previous earnings; and a dependent allowance of $25 per week should be added to protect involved children. These changes would reduce TANF costs, and could be otherwise financed by increasing the taxable wage base to above $15,000 (which then should be indexed to average wage levels as they change in the future).[59]

F. Single-Parent Families, Unwed Births

1. Incidence, Relation to Poverty

Table 2-A presents year 2000 national census data comparing the income of two-parent married households with children with that of single female parent households with children for all races. Although the percentage of single female headed households under the poverty line has fallen over the last five years, it remains at over five times the rate applicable to children living with married parents.

Children living in two-parent families consistently have median household incomes three to five times the amount in female-headed single-parent households. The disparity holds for all ethnic groups.[60] The median income of a married couple with children exceeds that of childless couples (partly reflecting couples waiting to have children a number of years after marriage and as incomes begin to rise).[61] The data indicate poverty for a large proportion of children in single parent households, and extreme poverty (generally defined as below one-half of the poverty line) for most of those single parent households with more than one young child.[62]

Percent Below Federal Poverty Line	Married couples w/ children	Female householder, no husband present, w/ children
Family Income	4.7%	24.7%

TABLE 2-A. Percent of Persons in Poverty by Definition of Income and Selected Characteristics, 2000[63]

All Races	MEDIAN INCOME	
	Married Parents	Female Single Parent
1 child, under 6	$40,938	$11,243
1 child, 6-17	$48,869	$18,050
2 or more children, all under 6	$40,952	$6,948
2 or more children, some under 6, some 6-17	$40,815	$9,742
2 or more children, all 6-17	$47,429	$16,330
No children	$39,766	$27,495

TABLE 2-B. U.S. Income of Families with Children: Married vs. Single Parents

The usually understated Census Bureau Current Population Report recently concluded: "Across all racial and ethnic groups, female householder families contrasted most starkly with married-couple families. Families with a female householder, no husband present had the highest poverty rate [1998: 30%] and comprised the majority of poor families [1998: 53%]. Married-couple families, by contrast, had the lowest poverty rate [1998: 5%]...."[64] Where the census data isolates families with children, the disparity increases further, as Table 2-C below indicates.

	Married Couple with Children	Single Females with Children
White	5.8%	27.5%
African American	6.3%	41.0%
Hispanic	16.9%	41.4%

TABLE 2-C. Percent of Families Below Poverty Line—2000[65]

The percentages of those living below the poverty line go up further where numbers of children living in single parent *vis-a-vis* married couple families are counted (rather than counting numbers of parents or families). Recent 1998 national data[66] finds 48.6 million children living with two parents at a median income of $52,553. Another 16.2 million children are living with only their mother and another 3.1 million are living only with their father. Both single parent levels are record highs. The median income of children's families where only fathers were present is $29,313. The median income of children's families with only mothers present is $16,236. As Table 2-C indicates, the most recent data reveals a poverty incidence among single females with children three to five times that of married couples with children.

In its year 2000 and 2001 publications, the National Center for Children in Poverty has identified "single parenthood" as the most significant single "determinant of young child poverty." The Center notes: "In 1997, children under age six living with single mothers were five times as likely to be poor (56%) as those living with two parents (11%).[67]

2. Exacerbating Factors: Multiple Children, Young Children, Unwed Births

Looking within the single parent population allows us to see which factors most correlate with extreme child poverty. Within the 16.2 million children in mother-only homes, 5.7 million live with mothers who are divorced (at a $21,316 median), 3.6 million with mothers who are married but the father is "absent" (at a $15,297 median), and a record 6.7 million (up 300,000 since 1996) with mothers who never married (at a median of $12,064, about 12% below the poverty line for the benchmark family of 3 persons). Of particular concern, the 1998 data measuring numbers of children (rather than parents or families) finds 57.8% of children living with unwed mothers to be living below the poverty line, and two-thirds are below 125% of the line.[68]

The breakdown by age of child indicates that youngest children—in greatest need of adequate nutrition for developing brains—fare the worst. The median income of unwed single mothers with children under 6 years of age sinks further to $11,687.[69] And, as noted above, the number goes down further where there are two or more younger children in such families—to a median of just over $9,000 per year, to be divided between those additional children. The recent U.S. Census Bureau Population Report, covering data through 1998 concluded: "children under 6 remained particularly vulnerable in 1998, the overall poverty rate...was 20.6%, statistically unchanged from 1997. Even more striking, related children under age 6 living in families with a female householder, no husband present, had a poverty rate (54.8%) that was more than five times the rate for their counterparts in married-couple families (10.1%)."[70]

The close correlation between unwed births and child poverty holds true for all ethnic groups. The poverty rate of white children of single mothers 40%, and for children under 6 the percentage grows to 50.4%. Among African American children of unwed mothers, 55% live under the poverty line, and 60% of those under 6 years of age are below the line. Among Hispanic children living with single mothers, 60% live below the poverty line, and 67% of those under six years of age live in impoverished conditions.[71]

National income trends since 1969 show that income in constant dollars is up 10% for single mothers with children, down 8% for single fathers with children, and up a remarkable 25% for married couples with children—much of it driven by increased work participation of married women.[72]

3. Trends in Single Parent Incidence

Despite the strong correlation between child poverty and single parenthood, the number of parents choosing single parenthood has grown substantially throughout the nation. The percentage of first births to unmarried women was static at 8% to 10% of all births from the 1930s through the 1960s. However, as Table 2-D indicates, the percentage of mothers giving birth to their first child without marriage then almost doubled to 18.4% by 1980, and over the subsequent twenty years, has almost doubled again.[73] These percentages count premarital births; another relatively constant 10% to 12% of births come from sexual acts conceiving children which occur prior to marriage.[74] As of the mid-1990s, the majority of mothers having sex leading to their first children did so prior to marriage.[75]

Parents choosing to have children without a second parent, divorcing, or parenting alone for other reasons more than doubled from 1974 to 1994. While one in seven families with children were headed by a single parent in 1970, by 1998 that number had increased to 28.8%; 40.4% of these were never married and 21.4% had been married but the spouse was absent from the home without a divorce. Only 34% derive from traditional divorces with court ordered child support and visitation rights defining paternal involvement.[76]

	All Women	White	African-American	Hispanic
1970	10.7%	5.5%	37.5%	na
1975	14.3%	7.1%	49.5%	na
1980	18.4%	11.2%	56.1%	23.6%
1985	22.0%	14.7%	61.2%	29.5%
1990	28.0%	20.4%	66.5%	36.7%
1995	32.2%	25.3%	69.9%	40.8%
2000	33.2%	22.1%	68.7%	42.7%

TABLE 2-D. Percent of Live Births to Unmarried Mothers, U.S.[77]

Marriage, traditionally representing a formalized commitment to family, now has markedly lower incidence: in 1970, 71.7% of all adults (over 18) were married; in 1996 the percentage had declined to 60.3%—with the decrease attributable to roughly equal increases in divorce and in decisions not to marry at all.[78] However, the decision not to marry has not influenced substantially the decision to have children—with the incidence of child birth outside of marriage growing markedly. In 1970, 40.3% of all households consisted of a married couple with children; by 1996 that percentage dropped to 25%.[79] The Bureau of the Census projections for the coming decade estimate an increase of single parent households with children from 24% to 28%—from 8 million such families to 9 million, including the addition of 800,000 more single women parent families (from 6.4 to 7.2 million). Two parent families are projected to decline yet further, from 24.8 million in 1998 to 23.1 million by 2010.[80]

By 1996, unwed births accounted for as many single parent families as did divorce.[81] The 1998 to 2000 data show a remarkable growth in unwed-birth caused single parent families, then accounting for one million more children in single parent homes than were caused by divorce.

As Table 2-D indicates, the most recent data from 2000 finds an overall 33.2% unwed birth in the United States. The ethnic breakdown of unwed birth rates indicates that from half to 3/4 of minority births are to unwed mothers.[82] While African Americans have a higher unwed birth rate, the Hispanic unwed birth percentage is increasing faster. Hispanic fertility rates in general are almost double the rates for whites.[83]

The trend has been one of steady and steep increase from 1940 to 1995, with a leveling off over the past seven years. However, that leveling has been at rates near historical highs. The number of live births to unmarried women nationally illustrates the trend: 1970 – 399,000; 1975 – 448,000; 1980 – 666,000; 1985 – 828,000; 1990 – 1,165,000; 1995 – 1,254,000; 2000 – 1,347,043.[84]

The national data presented above generally applies to California, with some adjustment based on its larger Hispanic and immigrant population (discussed below), and a harsher impact from below-poverty existence given California's higher rent and other living costs, discussed above. Table 2-E presents unwed birth rates for California and the United States.

	1996		1997		1998		2000	
	U.S.	CA	U.S.	CA	U.S	CA	U.S.	CA
All Races	32.4%	31.4%	32.4%	32.8%	32.8%	32.8%	33.2%	32.7%
White (non-Hispanic)	21.5%	22.6%	21.5%	21.6%	21.9%	21.4%	22.1%	19.8%
African American	69.8%	60.5%	69.1%	62.3%	69.3%	62.3%	68.7%	62.7%
Hispanic	40.7%	37.6%	40.9%	40.5%	41.6%	40.7%	42.7%	42.1%

TABLE 2-E. Percent of Births to Unmarried Women, 1996–2000[85]

During 1999, the federal Department of Health and Human Services awarded California a $20 million dollar "incentive reward" in additional TANF funding for reducing its unwed birth rate from the 1997 rate above by 5.7%. However, as discussed below, teen pregnancies are a relatively small proportion of such births and the overall incidence of unwed births has not declined, remains at extremely high levels of above 30% and is projected to so remain past 2002.

Supporters of the Republican "Contract with America" have argued that the cut-off of incentives to unwed births by those without employment or means of support would cut such births and curtail "welfare as a way of life." Child advocates decried the collateral harm done to innocent children through safety net reduction and denial as the means to such "incentive removal." Although the data strongly supports the targeting of unwed births, the high unwed birth rates of 1987 to 1996 did not diminish with the substantial reductions in California AFDC (TANF) welfare levels for children over this period. Nor has welfare reform work requirements, time limits, or adult share cut-offs had an appreciable impact. The lack of connection between reproductive decisions and safety net support for impoverished children was affirmed in the major study of Delaware's family cap policy. That policy (those who receive benefits will receive no additional safety net support based on additional children born) was found to have no clear impact on subsequent birth rates. Findings suggested only a limited effect on marriage or cohabitation rates among some (short-term) recipients.[86]

The correlation between public assistance for children and decisions to give birth are not closely connected statistically, despite understandable intuition to the contrary. Child birthing and marriage decisions appear to be more culturally driven, indicating that the substantial safety net support cuts for impoverished children may do gratuitous harm without the deterrent effect which impliedly justify them. And it suggests that cultural acceptance of the simple right of a child to be intended by two parents committed to him or her could accomplish more reproductive responsibility and child poverty reduction without resort to child safety net deprivation. As proposed below, such a campaign of education, public service advertising, direct advocacy through the nation's opinion leaders and media, together with birth control availability, could have substantially more impact on ameliorating child poverty than have safety net cuts, and without collateral harm to children.
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4. Unwed Teen Parents

The most comprehensive study of teen pregnancy nationally to date was released in November 1998, covering the 1990–95 period.[87] The current national teen pregnancy rate is 83.6 per thousand, down 13% between 1990 and 1995. The decrease in pregnancies is attributed to somewhat less sexual activity and increased use of contraceptives.[88] However, pregnancy rates do not correspond to birth rates because of abortions (30% to 40% of teen pregnancies) or involuntary "fetal loss" (12% of teen pregnancies). The study found that the pregnancy reduction resulted in a substantial 21% abortion rate decline, but only a 9% teen birth rate decline.[89] Moreover, most of this decline occurred among married teens; the unwed teen birthrate nationally declined by only 1% during the five-year period.[90] The U.S. birth rate for teenagers (ages 15–19) in 2000 was 48.5, a record low for the country.[91]

The study found almost one in ten teenage females becoming pregnant each of the study years. It found 51% of the women 15–19 years of age had sexual experience, and that 40% were "sexually active," defined as having had sexual intercourse within the prior 90 days.[92] The pregnancy rate within this sexually active group amounts to more than one in five becoming pregnant in 1995, with two-thirds of them now choosing to give birth.[93] The study also noted that 78% of teen births are unintended; acknowledged some increases in contraceptive use, with rate of use at first intercourse increasing from 65% to 76% between 1988 and 1995; and found that 18% are not "current contraceptive users."[94] The data supports the conclusion that the minority not using contraception, or those using it improperly or inconsistently, account for an extraordinary fertility rate notwithstanding lack of pregnancy intent.

Trends to 2000 indicate continued high levels of sexual activity among high school students, notwithstanding a leveling of the early 1990s. In 1997, about one-half of high school students nationally have experience with sexual intercourse and about one-third were "sexually active."[95] Moreover, 90% of those in the "sexual experienced" category had sexual intercourse within the last year, and among those who were sexually active, 56% of males and 38% of women had experienced sex with two or more different partners. All of the high school survey figures discussed above are amplified by the inclusion in the sampled population of 12th grade students—down to very young 9th graders.

The contraceptive use increase of 1982–95 among high schoolers nationally has moderated since 1995, particularly for those teens who are "sexually active."[96] Two other recent related trends also cause concern: an increase in sex by those under the age of 15, and a marked increase in Hispanic sexual activity—a national trend of particular concern given California's demographic growth among the children and youth of that population.[97]

Unwed births to teens raise special problems for involved children, from low birthweights to intractable poverty. Only 50% of teens who got pregnant finish high school by age 30.[98] Within the teen births, two groups are at special risk: those under 18 years of age, and those who are unwed.

California's data is substantially consistent with national trends. The state has had a high teen *pregnancy* rate *vis-a-vis* other states, with one source putting California's rate at 159 pregnancies for every 1,000 girls from 15–19 years of age. However, a somewhat higher abortion rate appears to bring the state's teen birth rate to just below the national average.[99]

	1996	1997	1998	1999
United States	12.9	12.8	12.5	12.2
California	12.0	11.7	11.4	11.1
Selected States:				
Alabama	18.4	17.6	17.1	16.2
Massachusetts	7.3	7.4	7.2	6.9
Mississippi	21.3	20.7	20.0	19.7
New York	9.2	10.7	8.8	8.6
Texas	16.1	16.2	16.1	15.9

TABLE 2-F. Percent of Births to Women Under 20 Years of Age 1996–99[100]

As Table 2-F indicates, 11.1% of the state's births are to teens,[101] at 56,268 births to women under 20 years of age in year 2000.[102] One-quarter of these are second or third babies (about 20% will have subsequent births while still a teen). About 75% of these are to unmarried teens.[103]

Southern states, poor states, and states with high minority populations have rates substantially above the national average. California's rate has declined 31% since 1992, and is now somewhat below the national average in terms of live births.[104] The recent National Vital Statistics Report of the Centers for Disease Control places 1991–97 U.S. teen birth rates down, while California's fell more significantly, from 74.7 births per 1,000 to 62.6 births in 1996, to 48.1 in 2000. African American rates in California have fallen from 99 per 1,000 births to 60 during this period, while Hispanic rates have dropped from 122 per 1,000 births to 90.[105] These reductions have helped to win California a bonus reward from the federal government for unwed teen birth reduction, as a part of national welfare reform, discussed below.

However, as noted above, the birth rate decrease is partly the result of more frequent birth control use among the approximately 25% of teen parents who are married. The actual decrease in teen unwed births is not as significant. It is based on somewhat less sexual activity, higher rates of condom use, and somewhat higher rates of abortion.[106] As discussed above, recent (1995–98) data indicate less condom use among sexually experienced teens, a flattening of sexual activity rather than further decline, and some increases among Hispanic teen populations which are demographically increasing in California, with almost two-thirds of teen unwed births now coming from Hispanic women.[107] The Hispanic rate of 90 per 1,000 is not much higher than rates extant in some third world countries.

5. The Most Critical Factor: Unwed Births to Adult Women

The reduction in unwed teen births is more significant when looking at the longer history. These rates were more than double current rates in the 1960s and 1970s. However, the trend in over-all unwed birth rates has been the reverse. The data make clear that while teen pregnancies remain a serious problem, child poverty is driven substantially beyond the purview of that issue—by births to adult unwed mothers.[108] As Table 2-E indicates, 33.2% of all California births are to unwed mothers, with 68.7% of African American and a rising 42.7% of Hispanic babies so born.[109] The unmarried mother trend applies to all income and age groups.[110]

According to the most recent California data available with age breakdown, the groupings of unwed birth incidence divide as follows:

Age	Number of Unwed Births 1995	Number of Unwed Births 1999	Number of Unwed Births, 2000
under 15	1,250	999	863
15-19	42,537	43,091	42,209
20-24	55,269	56,588	58,756
25-29	37,908	35,441	36,818
30-34	24,778	20,492	21,197
35-39	12,078	10,723	10,918
over 40	2,901	2,776	3,010

TABLE 2-G. Groupings of Unwed Mothers[111]

In terms of trend, surveys of live births to unmarried women over the 1990s finds the California number remaining within the range of 172,000 to 205,000 per year. As discussed above, the national income trend for single parent families has been running about even with inflation over the last decade nationally. In California, however, the income trend over the past decade for single-parent families is down. The California Department of Finance reports that the median income of single-parent families with children peaked in constant dollars in 1988 and has declined since, coextensively with decreasing AFDC (now TANF) support. The Department notes that unlike the "top 20% of households [where] real incomes have stayed constant or improved in the last five years...[single-parent families] have dropped, with the median...actually lower than in the early eighties."[112]

As discussed below, the most recent count of California families with children receiving TANF welfare support revealed that only 0.2% are headed by a mother under 18, another 1.3% are 18 years of age and 1.8% are 19 years of age; one quarter of this 3.3% are married. In fact, 96.7% of TANF parents are over 19 years of age.[113] A somewhat larger percentage receiving support may have had their first child as a teen, thus placing themselves in economic jeopardy for later TANF need, particularly where they have additional children. California's count of the "age of mother at birth of oldest child in assistance unit" reveals that a substantially higher 40% of current parent recipients were under 20 when their first children were born.[114] National TANF surveys breaking down age of mother at first birth find substantially more African American and Hispanic women having their first babies at an earlier maternal age, with 40% of African American women under 20 years of age when giving birth to their first child, and 33.7% of Hispanic women.[115] But women in all groups are giving birth in substantial numbers to their first children, as well as subsequent children, without husbands or other paternal commitment across the spectrum of their child bearing years.

The most recent Centers for Disease Control and Prevention study "Nonmarital Childbearing in the United States, 1940–99" concluded: "Because of steep increases in birth rates for unmarried women aged 20 years and over and in the number of these women...the proportion of all nonmarital births that are to teenagers has dropped considerably."[116]

The rise in Hispanic unwed births is of special concern in California, given its racial demographics. Counting all births—wed and unwed—California now scores second to last among all states in low educational attainment of new mothers, even below traditionally impoverished southern and Appalachian states. The percentage of women giving birth with less than 12 years of education in 1999 is 22% nationally, but 30% in California. Much of this educational disparity is from the Hispanic population, now accounting for 48% of the births in the state.[117]

G. Child Support and Paternal Commitment

Child support formulae are based on a percentage of the income of both parents, adjusted for other factors. The level normally expected to provide minimal food, clothing, and support often ranges from $300–$500 per child per month, although ordered amounts may vary widely.[118]

As of 1997, of California's 1.9 million families known to district attorney child support divisions with one parent absent and owing child support, child support orders were entirely absent for 42% of them—often because the father cannot be found or paternity established.[119] Some collection is forthcoming for just over one-third of the remainder, or for about 17% of the approximately 4 million children involved. Entry of support orders and collection generally has increased somewhat since 1997–98, but more than half of the absent parents remain without a support order in place. Of those subject to a support order, over two-thirds of them have made no payment whatever. As of January 2001, this group includes 834,908 individual obligors who now cumulatively owe $14.4 billion to their children or to the state. The median back-debt owed is now $9,621, the average is $17,288.[120]

From 1996–97 to 1999–00, California collections increased from 10% to 16% per annum. The rate of increase has slowed somewhat, with the annual gain at 9% in 2000–01, 12% in 2002–02, and projected at 7% in 2002–03. Further, about one-half of these increases are real increases per child, with the remainder the product population increase and inflation. Table 2-H presents the total sums collected and distributed from 1996–97. Of these amount, approximately 32% are termed "assistance collections," which means they do not go to families, but to recompense the state for TANF payments tendered for children. Another 7% are deemed "other," and include two categories: amounts collected for other states according to interstate compact, and the $50 income disregard which sends the first $50 collected to families even where the state is owed welfare monies. Taking the current year numbers of $2.3 billion collected, the total paid by this population of absent parents per child per month is $46. Of this amount, families receive about $32 per child per month (including all state distributed collections, plus income disregard sums, plus estimated collection assistance from other states).[121] That number would increase to $34 under current projections for fiscal 2002–03.[122]

Fiscal Year	Total Child Support Distributed Collections (in billions)
1996–97	$1.2
1997–98	$1.4
1998–99	$1.6
1999–00	$1.8
2000–01	$2.1
2001–02	$2.3
2002-03 (estimated)	$2.4

Table 2-H. Total California Child Support Distributed Collections: 1996–2002[123]

Child support collection has increased substantially over the last eight years, spurred by a series of reforms which continue to be implemented (see discussion below). However, the level of paternal commitment represented by these numbers remains a small fraction of the sums necessary to ameliorate child poverty. The typical unwed child receives less than $500 per year in total support from his or her absent parent. The financial contribution of absent parents would have to increase from twelve to fifteen times their current levels to reach the Department of Agriculture's estimates of the incremental cost of providing for a child (see foster care expense discussion in Chapter 8).

Child support advocates point out that (1) collection is not spread uniformly, and many may receive substantial additional support, (2) even where support payments are owed to the government to compensate for prior welfare for children, families do receive the first $50 per child collected; and (3) at the low income levels at issue, small income assistance can make a difference for involved children, particularly given the substantial public safety net cuts imposed on these families over the last decade. Some have suggested that increasingly zealous collection now starting to occur could deter some irresponsible reproductive decisions—both decisions to have sexual intercourse, and the decision to do so without birth control. However, the state curiously has not widely publicized its new remedies and growing efficacy in collecting child support, nor has it tested other deterrent strategies (see discussion of the "Prevention Agenda" below).

H. TANF Grant Reductions

The degree of poverty among those below the poverty line is not measured by the simple percentage of those with income below the line. Scholars refer to this degree of poverty dynamic as the "poverty gap," measured by the amount of money necessary to pull those below the poverty line up to that level.

The gap nationally, before counting government benefits, is estimated at $200 billion. The benefits existing as of 1996 reduce that gap to $61 billion. In other words, government programs reduce the depth of poverty by about two-thirds, or $139 billion nationally.[124] Hence, children below the poverty line rely substantially on government safety net support—its reduction affects them directly and momentously.

Two-thirds of California's children below the poverty line receive TANF assistance as their major safety net income support for minimal shelter and food. TANF public assistance now relied upon by 1.1 million California children has declined to unprecedented levels below the federally set poverty line since the late 1960s. TANF (AFDC) maximum payments and average food stamps combined have fallen from above the poverty line to 89% by 1989 and to an historical low of 70% currently.[125] Calculating average TANF payment (rather than maximum possible payment for the benchmark family of three) plus average food stamp allocation, yields a lower safety net provision amounting to about 60% of the current poverty line.[126]

I. Findings and Correlations

The data support somewhat different conclusions than public discussion generally reflects, as follows:

(1) Child poverty remains high, notwithstanding an extraordinary economic recovery, and is particularly high for the most vulnerable population of young children (under 6 years of age).

(2) The decisions of women to give birth out of wedlock and of men to create biological offspring without paternal commitment are the most significant determinants of child poverty.

(3) Extreme child poverty correlates with single unwed parents having more than one child, and mothers giving birth under 18 years of age.

(4) However, unwed births and resulting child poverty extend beyond the public focus on teen pregnancy and are driven substantially by unwed births to adult women.

(5) Each of these four conclusions correlate particularly with the major minority populations: African American children suffering the highest unwed birth rate and greatest impoverishment, and Hispanic children suffering the largest increase in both over the past decade.

The Urban Institute recently studied impoverished populations in 13 states, including California. Its National Survey of America's Families, released in January 1999, found California to be worse than the national average in ten different variables chosen for comparison. Using 1997 data, the study examined the population below 200% of the poverty line. In addition to the food shortfall and health deficits discussed in Chapters 3 and 4 below, the study found that 39.4% of the state's children and adults lived below the 200% poverty line, as opposed to 33.2% nationally. Measuring all children in the state (living in families at all income levels), California's children are "highly engaged in school" less than the national average, while young (under 5 years of age) are read stories by their parents substantially less than the national average, and live in measurably higher proportion with a "highly aggravated" parent, or with one "whose symptoms suggest poor mental health." The study found that 21.2% of the states current children (0–17) were born to an unmarried mother, as opposed to the national average of 18.2%.[127]

If not driven primarily by welfare levels, what accounts for the rise in unwed births? Sociologists suggest a cultural evolution: value given to male sexual "conquest," the collapse of paternal roles, the disappearance of shame as a moderator, the collapse of marriage as a societal commitment to family and a preoccupation with self-gratification.

Conservative commentators tend to blame moral standards and lack of personal responsibility. Liberal critics blame the failure to live up to the promise of equal opportunity and the isolation of minorities into enclaves of crime, education disinvestment and hopelessness. The former eschew the public safety net as mitigation for reproductive irresponsibility—viewing it as protecting adults from the consequences of their decisions to have children without means or prospects, and thus stimulating more such behavior. The latter view reproductive decisions as an intrinsic adult right superseding the right of any potential child—personal decisions subject to mutual respect and tolerance and inappropriate for judgment by others. They would rely on public investment to provide a safety net for children outside the traditional family structure, and investment in impoverished parents to lift them out of poverty through employment at a higher minimum wage, etc.

Child advocates find both points of view to be adult-centric, reflective of the lack of political power of children, and argue that children require both adult reproductive responsibility *and* public investment in equal and complementary measure—both a strong family and public support.[128]

Cultural influences on personal decisions are momentous, and are substantially driven by the media, the entertainment industry, and commercial discourse—the sources of much public discussion in the modern era. A recent survey found the following self-identified information sources about sex for children 10–12 years of age: Mothers 38%, TV-Movies-Entertainment 38%, Schools and Teachers 38%, Fathers 34%, Friends 31%. For children 13–15 years of age, the five most acknowledged information sources change to: Friends 64%, TV-Movies-Entertainment 61%, Schools and Teachers 44%, Internet 40%, Mothers 38%.[129] The increased reliance on TV-Movies-Entertainment as adolescence begins is significant, particularly given its influence on the other leading source (friends).

A recent Children Now study of the incidence and content of sexual messages during television's "family hour" compared three-week periods of 8:00 p.m.–9:00 p.m. major network programming in 1976, 1986, and 1996, finding sexual content in 43% of the shows in 1976, rising to 65% in 1986, and 75% in 1996. Most important, the study found little mention of the consequences of sex: pregnancy, a new human being with rights, at least 18 years of costs and support, and a lifetime of obligation.[130] Consistent with Children Now's findings, child advocates argue that the underlying problem with television, the entertainment industry, the Internet, and commercial advertising as they have evolved culturally is not that sex is discussed, but that its domination of story lines cumulatively imbalances developing priorities, and that its omissions are irresponsibly misleading.

Child advocates contend that as the culture emphasizes the importance of allure to females, it denigrates the traditional paternal male role—the steady provider, the reliable anchor. Again, the roles of the media, entertainment, and advertising are cited. Forty-three percent of the fathers of the children of teen mothers are 20–24 years of age.[131] Two-thirds of pregnant and parenting teens were sexually abused by men (55% molested, 42% attempted rape, 44% raped).[132] Advocates argue that the problem indicated by these numbers is reflected in the comic book "macho-bravado" values promoted by action adventure entertainment and manifested in youth gang behavior. It is more seriously the failure to portray, expose, discuss, and consider as a legitimate topic the male traits valuable to children, starting with a commitment to marriage and fatherhood.

The impact of the cultural dissonance between how we are entertained and informed and how we should live—particularly *vis-a-vis* our reproductive decisions—is not confined to the adolescent population. The unwed birth rates to older women and paternal abandonment at all ages suggest a similar effect on the older audience. Those making incremental decisions as to what will be the news, entertainment, and advertising subject matter do not consider the cumulative effect of thousands of individual but similar decisions to focus on sexual allure. Child advocates argue that those decisions affect what adults and children think about—a matter arguably of greater import than the transmitted message itself. A subject area which is such a predominant focus of attention stimulates preoccupation.

II. STATISTICAL PROFILE OF CURRENT TANF RECIPIENTS

The budgetary politics of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRA) are necessarily affected by the public's view of the "welfare mother." The popular conception is that of 15- to 17-year-old African American girl, unwed and deliberately impregnating herself to obtain TANF and other public benefits. She views herself as a "professional mother," is interested in no other work, and expects public subsidy as a matter of right. She will stay on TANF most of her adult life, having numerous children by men she knows only casually in order to expand her TANF income. Her children will then repeat the pattern.

There are examples from all ethnic groups matching this pejorative description of TANF claimants. The notion that this profile represents the typical family receiving assistance has been assumed in much welfare reform discussion, and has driven the proposals advanced. Commonly accepted propositions related to this portrait assume that (1) unwed teen mothers are a major part of the caseload (and that teen pregnancy prevention is the key to reducing TANF caseload); (2) additional births by a mother on welfare are encouraged by enhanced TANF cash aid (and a "family cap" which disallows any money for additional children will substantially remove that incentive); (3) high California grants attract the poor from more penurious states (and if grants for the children of new California residents are cut to the level extant in their previous state of residence, in-migration will be discouraged); and (4) enhanced collection of child support by absent fathers can lift most impoverished children out of poverty.

Although some of the conventional wisdom about welfare finds support in objective data, much of it—including the four propositions above—is refuted by objective evidence. The statistical picture of who receives what assistance, when, and how, includes the following elements.

A. Age and Marital Status

- The average age of a California TANF parent is 34.2; the average age of a child in a TANF family is 7.7.[133]

- The percentage of TANF parents under 18 (teen mothers) is 0.3%, another 1.2% are 18 years of age and 2.4% are 19 years of age, and 25% of these are married. Over 96% of TANF parents are over 19 years old.[134] A larger percentage receiving support may have had their first child as a teen (see below) thus placing themselves in economic jeopardy for later need, particularly where they have additional children.

- There is an indirect correlation between TANF and early first births. California's 1999 survey found that 32% of current parent recipients were under 19 when their first children were born, while 50% were over 21 years of age or older.[135] Relative to the overall population, substantially more African American and Hispanic women are having their first babies at an earlier maternal age, with 40% of African American women under 20 years of age when giving birth to their first child, and 33.7% of Hispanic women.[136]

- One study found that 56% of the males impregnating teens are aged 20 and older; only one-third are teenagers themselves. None of the 16,250 families on TANF noted above are headed by more than one teen parent. Two-thirds or more of pregnant minors are the victims of sexual abuse prior to becoming pregnant.[137] Among teen births, 60% are to Latinas, 23% to whites, 11% to African-Americans, and 6% to other minorities.[138]

- Never married mothers make up 42.9% of TANF parents, among children receiving TANF, 34.1% of families receiving assistance have currently married adults heading the household.[139] There is no father living at home in 72.8% of TANF families.[140]

B. Historical Increase/Decrease of AFDC Spending Levels

- The current TANF account makes up 1.5% of the federal budget and 5%–6% of state spending; 70% of this funding is allocated for children. This percentage overstates the true cost because it does not include child support collection revenue, 35% to 40% of which reimburses state and federal governments for TANF grant costs.

- The percentage of poor people receiving welfare has not increased over the past decade.[141] Qualification for welfare is more restrictive than in the past. In 1973, 84% of poor children received AFDC (now TANF) support; in 1998, 49.6% received it, in 2000, 43% received it.[142]

C. Size of Families on TANF; Incentives for Additional Children

- Families receiving TANF have approximately the same number of children as do those who do not receive it. About three-quarters of families on TANF have one or two children,[143] and family size has decreased since 1969. The average number of children per family is 2.2.[144]
- The added expense of a second or third child is not compensated for by benefit increases; prior to the "family cap" policy now in place, TANF amounts increased only $90–$110 per month per additional child.[145]

D. Length of Time on TANF

- Of those now receiving TANF, the median time period of uninterrupted aid is 33 months, with 28.6% on aid for more than five years. However, some recipients obtain work for a period of time and later request aid again when layoffs or other problems occur. The average "instances on aid" is 1.5. Hence, in terms of total time on aid, 1998 TANF recipients have a median of 28 total months of assistance.[146] The TANF population surveyed in 1997, indicated that 34.5% have received more than five years of assistance in their lifetimes.[147] The 1999 CalWORKs Survey found 51.6% of recipients had a total time on aid of more than five years, with a median of 67.4 months – well beyond the 60 month maximum[148]. This calculation may include some breaks in aid, but its numbers are significant given the 60 month maximum of the PRA for federal assistance.

E. Living Expenses

- The average monthly rent payment due in 1998 was $369, a figure which has increased appreciably over the last four years. The average utility bill was $78 in 1995 and is now appreciably higher, although not surveyed since. High percentages of recipients appear to be having difficulty making these payments at their much lower levels in 1998, with a record 17.6% then reporting as not able to make their most recent rental payment, up substantially from 7.8% in 1996, and likely well above 25% at present—before welfare reform penalty cuts.[149]

F. Education

- One study of TANF recipients nationally found that almost half of the adult recipients had not finished high school and less than 10% had any postsecondary degree.[150] A more recent survey found that over 20% had an education at the ninth grade level or lower, a total of 44% did not graduate from high school, 36% are high school graduates, and 20% have taken some post-secondary courses.[151] The most recent survey using 1999 data from the TANF population found that 47.6% had not completed 12th grade.[152]

G. Ethnic Composition

- The largest ethnic group receiving TANF in California is Hispanic (36.4% of adult, and 49.1% of child recipients). Whites are the second largest group (20.3% of adults and 30% of children. The African-American proportion includes 18.6% of adults and 17.4% of children. Asians, Native Americans, and others make up the final grouping.[153]

H. Work

- Among all of California's children living below the poverty line (not just TANF recipients), 51% had parents who worked half-time or more for at least half of the prior year surveyed. Of the state's poor families in general, 58% of their income comes from wages. Of those who are able to find full-time work, public assistance (TANF and food stamps) makes up less than 5% of total income.[154]

- According to 1998 national census data, over two-thirds of the unwed single mother population are in the labor force (4.6 million of the 6.7 million parent population) and 3.9 million of that group are employed, 2.8 million of them on a full-time basis.[155]

- Among current aid recipients, only 17% have never worked and have relied completely on assistance historically.[156] However, layoffs, single parenthood, and parental abandonment have created difficulties in finding or maintaining work for most recipients. Sixty-eight percent of current TANF families rely entirely on TANF and foodstamps for subsistence. Among families receiving TANF, about 32% of adult recipients have earned income, averaging $599 per month, both the percentage and amount are up from 1995.[157]

- The trend over the last decade has been toward increased work and earnings among TANF recipients, *before* PRA implementation. The number of TANF-Unemployed (AFDC-U) cases with earned income has increased from 16% in 1987 to 37% in October 1996. The amount of earnings for those working also increased above inflation levels, with monthly gross earned income rising from $303 in 1987 to $668 in 1996.[158]

I. Post-Welfare Reform Income and Work

- Surveys now tracking those who have "left TANF" find that only 2/3 of them are in fact employed. The fate of the children within the remaining 1/3 has thus far been little examined. National surveys suggest that many of those in the most dire straits are immigrant families, a population disproportionately within California and one which census data may not be measuring fully. Indications are growing of increasing hunger among this population (see Chapter 3 discussion below).

- The "income deficit" or degree of poverty index has increased since welfare reform. That is, the difference between a family's income and the poverty threshold has grown since 1996. The largest such deficit is "among poor families with a female householder with no husband present at $7,071." This means that the children in these families are now living not at the $14,630 per annum for a family of three, or $17,650 for a family of four, but at a figure averaging over $7,000 *below* these poverty line levels amounts. [159]

- Of the 2/3 who are off TANF roles and fully employed, average earnings appear to be just below the poverty line for the benchmark family of 3.[160] Over 2/3 are employed in "services" or in "retail trade."[161]

- Child care remains a serious problem for the working poor, with availability limited in impoverished neighborhoods, and with public subsidy limited to two years (after leaving TANF rolls for employment). See discussion in Chapter 6. Hence, for the two-thirds who have found additional employment (sufficient to leave TANF support) they have generally not pulled their children into income levels appreciably above the poverty line, and most remain below the line. Further, a large number of these persons leaving the rolls have lost Medi-Cal coverage for themselves and their children (see discussion in Chapter 4). Finally, the low pay and uncertain quality of child care is leading to other deficits for the children of those now working full time, including one study linking some early child care to increased aggressiveness, and several studies indicating more serious problems in lessened parental supervision over older children.

J. Causes of TANF Caseload Changes

- Historically, caseloads have not varied closely with grant levels.[162] There has historically been little evidence of immigration to California attracted by welfare levels; most states with the largest AFDC (TANF) caseload increases are paying below the national median in benefits.[163] According to a recent survey, only 1% of (TANF) applicants had lived in another state within the previous twelve months. Of 860,000 families surveyed, only 7,579 include persons living within the state less than twelve months.[164] Data from 1999 indicates that 11.3% of recipients are noncitizens (lawful immigrants). Only 5.3% of child recipients are non-citizens. Even among the small group of noncitizens eligible for and receiving TANF assistance, only 3.7% had been in the United States less than one year, and 48% have resided here for nine years or more.[165]

- Studies indicate that the proportion of women aged 15–44, unemployment rates, and change in family status (*e.g.*, divorce, paternal abandonment, unwed birth rates) most closely correlate to single-parent caseload levels.[166] Two-parent caseload levels correlate closely with state unemployment rates.[167]

- As discussed above, the marked increase in unmarried births has been substantial and society-wide; 70% of unmarried mothers giving birth are *20 years of age or older*; 13% are under 18. Nationally, the single-parent birth rate has risen from just over 10% in 1970 to over 32% currently. Research indicates that unwed birth increases are occurring at all income levels and do not correlate with TANF benefit levels.[168]

- Poverty among children has risen both as a result of single-parent households and also among two-parent families to some extent—due to declining wages and a decline in available higher education. In 1979, 22.2% of parents lacking a high school diploma earned below the federal poverty line for a family of four; by 1993, that figure was 38.1%.[169] TANF recipients who are able to work disproportionately occupy bottom-rung jobs.

K. Summary Profile

The typical TANF family includes a single woman, 34 years of age, and her two children. The family has received little or no child support from the absent parent. The mother is undereducated and, although willing to work, is unable to find or keep steady employment.

Contrary to widely held belief, teen pregnancy is not a major source of TANF caseload. When they occur, teen births are a clear problem,[170] but the brunt of the TANF caseload is driven by (a) unwed births by adult women, and (b) divorce or separation. Dividing a child's parents into two households results in duplicative rent and other living expenses in a high-cost state, and sole custody of children introduces child care barriers to work. This breakdown is the foundation of most child poverty,[171] which is then exacerbated by lack of employment, low wages, and failure to collect (or to provide) child support.

The parents of most impoverished children work at least part-time and did so prior to the 1996 enactment of the PRA. But whether working part- or full-time, elevation from poverty without public subsidy requires substantial alteration of public policies to provide both a safety net floor for children *and* a continuum of incentives to work up to the income needed for self-sufficiency. These needed policy changes involve the still-depressed minimum wage, unemployment insurance, and tax changes (the earned income tax credit.

In addition, other public assistance may be available to facilitate savings and self-investment (for home purchase, savings, education). Various strategies may allow what are termed Individual Development Accounts (IDAs). An example of a particularly promising means to develop IDAs is the "Family Self-Sufficiency Program" available through housing programs. Any agency with a public housing or Section 8 voucher program may (with HUD approval) facilitate special escrow accounts for housing subsidy recipients. Those recipients who are employed and not receiving TANF are eligible. These recipients receive housing at well below market rents but are expected to assign 30% of earnings increases to the agency to bring their payments closer to market levels. However, under a five year contract, that money may be deposited in a special account over five or more years and may then be used by the recipient for any purpose if all program guidelines are followed. Such uses could include down payment on a home, tuition or other self-development investment.[172] This capital formation for the working poor is of special importance given survey results indicating virtually no savings among working poor who have left TANF (see discussion of $400 in total average savings below). And other creative strategies are available to promote income and assets for the working poor, including the Bay Area Collaborative—Lifetime Partnership program in San Francisco, and the Worker Income Security Program (WISP) in Los Angeles.[173]

Political support to create for such a floor and continuum may depend upon the perception of system abuse by individuals. Currently, a majority of children born are not even intended by their parents.[174] Child advocates increasingly acknowledge that if the vast majority of children were intended and planned for in advance by two parents making a marriage commitment, there would be stronger public support for a secure safety net for those who fail after such a *bona fide* attempt—whether the cause be illness, divorce, layoff, or personal tragedy.

III. BEYOND POVERTY: BARRIERS TO SELF-SUFFICIENCY

The minimum wage increases over the past two years, and EITC qualification, will put the benchmark family of three with two children and a full-time working parent $2,258 over the annual income poverty line before child care costs.[175] A family of four—a parent and three children—will yield gross earnings at $762 below the line at the current California $6.75 minimum wage, including the maximum EITC benefit. Both of these levels exclude payroll taxes, reducing gross income another 5% to 8%, and exclude any privately required child care costs.[176]

Many young parents earn somewhat above the current minimum wage. However, the income trend for those working at low-skill levels has been down. Nationally, average hourly wages of females from 15 to 24 years of age who have not completed high school or who have only a high school diploma dropped 16% between 1979 and 1993 in constant dollars. In 1979, 18.5% of all households headed by females from 15 to 24 years of age lived below the poverty line; by 1993, the proportion climbed to 38.1% for all races, and to 63% for young African American women. Over the same 1979–93 period, the top 5% of all income earners increased their income 35% in constant dollars, from $89,000 to $121,000.[177] A more recent study of California wages found that from 1979 to 1998 those earning in the bottom 20% suffered an income decline of 19% in constant dollars, and only the upper 30% in income achieved real economic gain over this 20 year span.[178] Among California men who lack a high school diploma, real wages declined a remarkable 34% from 1979 to 1998. Women lacking a high school diploma fell 21% in average constant dollar wages over the same period. Only those who had "some" college gained in real income from earnings over the last 20 years, with income gains directly proportional to educational attainment. Men with advanced degrees enjoyed a 27% earnings rise and women a 39% increase in constant dollars over the 1979–98 period surveyed.[179]

Data from California amplifies the decline in real wages for the working poor over the past two decades. This decline counters the minimum wage increases, as real wages move closer to the minimum wage line for large numbers of workers.

	Real Hourly Wages (1997 Dollars)		
	1979	1989	1997
Bottom 10% in annual income	$6.72	$6.02	$5.23
10% to 20% in annual income	$8.01	$7.34	$6.41
20% to 30% in annual income	$9.51	$9.03	$7.84
top 10% in annual income	$25.49	$25.56	$26.21

TABLE 2-I. California Wages by Selected Percentile 1979–98[180]

While California family incomes jumped 11.8% in 1999, they returned to the overall trend in 2000 and 2001. Income retention in the face of falling wage levels (in constant dollars) has led to more hours of work, as the average married couple with children worked 185 more hours in 1999 than they did the previous decade. Those in the bottom fifth of income added almost twice as much additional work as those in the top fifth, notwithstanding disproportionate income growth at the upper end.[181]

The overall California data indicate that manufacturing jobs fell from 20.8% of the labor force in 1979 to 14% currently, while low paying service industry jobs have grown from 21.5% to 31% and are projected at 35% by 2005.[182] Overall, 38.5% of new jobs between 1995 and 2002 are at median wages below $10 per hour, and 50.3% are below $12.50 per hour.[183] Substantial growth is also occurring for business executives and general managers and in electronic data processing. As discussed in Chapter 7 below, the state's continuing failure to expand community college, technical, and other higher education enrollment opportunity floods low level jobs with a labor supply which depresses wagers further, and reduces self-sufficient-level employment incidence for parents. At the same time, the middle class is depleted from both below and from above, as the failure to provide labor supply for the new "upper income" level jobs drives compensation there higher. As of 2000, 1.3 million job seekers without college degrees were competing for a 430,000 new jobs (one job for every three seekers), while 108,000 college graduates seek 125,000 job openings requiring a post-high school degree.[184]

The growing disparity between rich and poor discussed in Chapter 1 and above is exacerbated by the failure of employers to provide health insurance for their workers' families. While nationally 66% of employed workers receive employer-sponsored health benefits, California employers provide health coverage for a smaller 56.9% of their workers,[185] although that percentage has climbed somewhat (up to 60% during year 2000). But as important, a smaller percentage provide coverage for dependents. The absence of coverage is concentrated in small businesses and lower paying employment (see Chapter 4).

The California Budget Project updated the self-sufficiency budget in 2000 and 2001. The Budget Project analysis is sophisticated, and divides the state into ten regions with varying costs of rent, child care, etc. Its analysis breaks down the basic costs necessary for housing, utilities, food, basic transportation, health care, taxes, and miscellaneous, and includes child care for families with young children. The 2000 study found that a family of two working parents and two children required $44,857, or a full-time hourly wage for both averaging $10.78.[186] A single parent with two children needed $36,830, or an hourly wage of $17.71.[187]

For family w/1 adult, 1 infant, 1 preschooler	Los Angeles, CA	Fresno, Kern, Kings, Madera, Merced, San J., Tulare
Housing	$782	$549
Child care	$891	$689
Food	$445	$445
Transportation	$274	$274
Medical care	$365	$334
Miscellaneous	$341	$341
Total Taxes (minus EITC and CCTC)	$472	$289
Self-sufficiency wage (monthly)	**$3,570**	**$2,921**
Self-sufficiency wage (hourly)	**$20.60**	**$16.85**

TABLE 2-J. Wages Necessary to Achieve Self-Sufficiency in California—2001[188]

Table 2-J shows the income needed by a single-parent family with two children (one infant and one preschool age) to be economically self-sufficient in two selected regions, Los Angeles and Region V—including Fresno, Kern, Kinds, Madera, Merced, San Joaquin, Stanislaus and Tulare Counties. These two regions were selected to illustrate the recognized cost differences between California's urban and rural settings. The Region V grouping closely reflects the costs the costs in the sparsely populated rural areas of the state. However, the highest cost region remains the San Francisco Bay area Region IV of 10 counties and including a large population. Here, a single parent and two children requires a daunting $54,069 to pay the typical costs of the basics listed in Table 2-J, requiring a full time wage of $25.99.[189] In the least expensive part of the state, a single parent with two children requires $33,897, while the federal poverty line held at $14,630 during 2001, less than half the monies needed.[190]

For those who are able to obtain work, the EITC and higher minimum wage promise to move large numbers of parents and families to the area of $1,000–$1,400 per month in take-home income. But the various subsidies for impoverished parents—some designed to protect children—here interact to create a difficult barrier to income from the poverty line to this "liveable wage" which would allow modest shelter, adequate nutrition, and child care without public subsidy.

As a single mother of two passes $1,000 per month, she sequentially: (a) loses TANF assistance; (b) suffers withholding on income as federal tax liability starts at this low income level; (c) suffers substantial payroll withholding, (d) loses food stamps; (e) progressively loses the EITC; (f) loses eligibility for subsidized school lunches; (g) loses priority for subsidized child care; (h) may lose some support obligation from the absent spouse; and (i) either loses Medi-Cal coverage or gains monthly premium obligations if she qualifies for the new Healthy Families coverage (see Chapter 4). The rate of fall-off of this assistance places many parents in a quandary—additional earnings may not substantially increase net benefits for their children.

Meanwhile, events since the 1995–2000 data currently available exacerbate the plight of impoverished children. As discussed briefly above, rental vacancy rates are at record lows, the real estate market is again highly heated, and rent increases are now being implemented at rates substantially ahead of inflation. In addition, two basic commodities are increasing at unprecedented rates: energy (both electricity and natural gas) and gasoline fuel for automobiles.

IV. PREVENTION AGENDA

A strategy to ameliorate child poverty over the long run must have three elements: (1) a safety net to prevent irreparable harm to children whose parents lack income; (2) the stimulation of self-sufficiency for parents so children can rise above the safety net poverty line minimum; and (3) the reduction of births by unwed parents or any parents unprepared for the obligations involved. This third element was a focus of former Governor Wilson's "Prevention Agenda" over the last five years of his administration, and much of it was laudably retained in Governor Davis' budget for 2000–01 and thereafter. These initiatives are directed at our obligations to intend children, to marry, and to wait until children can be afforded and cared for. However, neither the previous nor current administrations have examined these programs for comparative efficacy and rolled any of them out to meaningful scale.

The major programs possibly warranting evaluation and roll-out include:

◆ **The Family PACT (Planning, Access, Care, and Treatment) Program** was initiated by former Governor Wilson in January 1996. It provides family planning coverage for adults up to 200% of the poverty line within the larger Medi-Cal account who do not have current family planning coverage through Medi-Cal or private insurance. The program provides contraceptives, pregnancy counseling, testing, some infertility services, and screening and treatment of sexually transmitted diseases. It is administered by the Office of Family Planning and Medi-Cal within the Department of Health Services, and involves paying fee for service rates at Medi-Cal levels to private physicians and groups. As of June 1999, there were 1.5 million persons participating, with 61% identifying themselves as Hispanic. Provider participation in family planning programs has also increased significantly under Family PACT, going from 450 provider sites in 1995–96 to 2,650 by June 1999. The Governor's 2001–02 budget authorized $326.2 million ($89 million General Fund) for this program. The 2002–03 proposed budget does not indicate the proposed funding level for the Office of Family Planning. The "Primary Care and Family Health" element includes "family planning services" and was proposed for a reduction from the current $1.609 billion to $1.538 billion. The May Revise proposes additional reductions of $758 million in Medi-Cal overall, with an unspecified amount coming form the element including the Family PACT program. Much of the May reduction will come from overall lower reimbursement rates for providers (including those providing birth control services).

◆ **Community Challenge Grants To Prevent Teen and Unwed Births** Part of Governor Wilson's prevention program, these grants were funded from the $36.1 million federal "high performance" bonus for its welfare to work program. To support California's success in the reduction of out-of-wedlock births, the 2001–02 budget spent $20 million of the bonus on these Community Challenge Grants. The future of the program in 2002–03 is in doubt given the lack of future rewards from the federal administration and the failure of California or any state to appreciably reduce its adult unwed birth rates. Proposed funding is not detailed out in the January or May Revise budgets of the Governor.

In 1999, Governor Davis proposed to continue elements of former Governor Wilson's centerpiece "Partnership for Responsible Parenting" prevention agenda. The agenda would include in addition to the above, the following elements:

- A "Media Campaign" on teen and unwed pregnancy began in March 1997, budgeted at $8.5 million per year. Supplementing it was $7.2 million for "abstinence education" to youth from the U.S. Department of Health and Human Services, to be matched on a 4:3 basis by local jurisdictions voluntarily so committing and producing a possible $12.6 million additional total.[191] In the May Revise to his proposed 2001–02 budget, Governor Davis removed $10 million from the media allocations for teen pregnancy prevention and family planning programs; however, he continued $50 million for various family planning programs. In 2002–03 he proposed two token line items focusing on this problem: $3.55 million for a teen pregnancy disincentive program within the Department of Social Services and $775,000 for a teen pregnancy prevention program within the Department of Health Services.[192]

- "Mentoring At-Risk Youth" (discussed in Chapter 9) links volunteer adults with delinquent or troubled youth. The funds are distributed through a variety of agencies for mentoring purposes. The Department of Alcohol and Drug Programs continues to be responsible for coordinating the State's mentoring effort. The current 2001–02 Budget included $28.4 million ($17.3 million General Fund, including $15 million Proposition 98), an increase of $4.5 million over the 2000 Budget Act, for various state agencies involved in the Mentoring Program. This program has the stated support of the Governor, who has publicly expressed his intention to expand the 250,000 mentors developed by former Governor Wilson into a force of one million.[193]

  However, the promise of mentoring may depend upon the commitment of mentors—which is not achieved through mere numbers. The most common problem is a mismatch or mentor abandonment after two or three visits with a child, often adding to the detachment problems of affected children. Simply assigning adults to children without care, preparation, and realistic expectation compromises the promise of mentors. The proposed 2002–03 budget proposes not an increase in either numbers or support, but a retraction to $23.4 million, only $12.3 million from the general fund.[194]

- The Statutory Rape Vertical Prosecution Program dedicates an assigned deputy district attorney to the vertical prosecution[195] of statutory rape offenses. Approximately six defendants a day were convicted of statutory rape and sentenced during 1998–99, the fourth year of the Governor's Office of Criminal Justice Planning's Statutory Rape Vertical Prosecution Program. Numbers gathered from the 55 counties that participated in the program show that 6,016 cases were referred for prosecution, 2,826 were filed in court and 2,110 were completed with convictions and sentences. The average age of the defendant in the cases filed was 20–24, and the average age of the victim was 14–15. Approximately 70% of the defendants were over the age of 20, while approximately 61% of the victims were 15 or younger.

  Because underage girls cannot consent to sex, it is not a defense under the statute. Prosecutions were rare in the 1980s, but increased to 317 in the first year of the project (1995–96) to 1,053 in 1996–97 and 2,448 in 1997–98.[196] Child advocates generally support increased prosecutions, but are critical of the failure to effectively publicize the change in prosecutorial policy to reinforce the message it represents for deterrent impact.
  The 2000–01 state budget continued funding of this program at $8.36 million from the General Fund; funding for 2001–02 remained constant. Spending for 2002–03 is set at the same level of $8.36 million.[197] Grant awards range from $50,000 to $361,000 depending on the county's population and the teen birth rate.

As with other accounts, Governor Davis' policy in the Prevention area had maintained current funding to the current 2001–02 year, moving general fund monies out wherever possible. Unfortunately, many of the non-general fund substitutes (such as the federal TANF bonus award) are not continuing and the general fund is under extraordinary pressure. Far from rolling out efforts to reduce unintended births, the state is now diminishing its limited previous spending for prevention.

V. MAJOR PROGRAMS AND BUDGETS

Food stamps and other nutrition supplements (see Chapter 3) combine with Temporary Aid to Needy Families (TANF) to provide the basic income safety net for children.[198] Seventy percent of TANF and most food stamp money is allocated for children.[199] Two TANF accounts have dominated state spending for basic sustenance historically: AFDC Family Groups (FG) and AFDC

Unemployed (U) (now often called "CalWORKs-FG" and "CalWORKs-U"). Combined, they amount to $3.1 billion in proposed assistance spending, ten times the amount spent on any other basic account for children outside of education, food stamps, or Medi-Cal.

As outlined below, federal contribution to child poverty related state spending has varied from just under 50% to 100% of amounts spent, depending upon the program or account involved. Overall, the total federal share to provide a safety net for children has exceeded 50% of public funds committed.

Historically, accounts with 50% federal assistance have required a "state match" to federal money contributed. This inducement for state investment in child safety net funding has been substantially altered. The new regime, implemented by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, removes the entitlement of children to cash AFDC support, introduces capped grants to states, and, instead of the previous obligations to provide safety net support in order to receive federal money, imposes on states obligations to cut or bar some recipients from assistance. States may provide safety net support to some of those barred from receiving federal funds from 100% state-only sources.

The state's obligation to spend affirmatively is now grounded in a "maintenance of effort" (MOE) requirement rather than the historical match. This strategy—requiring the continuation of state spending at least at previous levels—is intended to prevent "supplantation" (states taking federal dollars and spending them on programs which were previously state-funded, thus freeing up that state money for discretionary spending wherever desired). The net effect of supplantation is diversion of the federal funds to unintended purposes. "Maintenance of effort" requires states to spend at least what they had been spending for safety net protection and welfare-to-work purposes. In the short run, caseload drops have meant that previous spending levels are rather high—resulting in more maintenance of effort obligation than states feel is warranted, and leading to its evasion in California and elsewhere, as discussed below. However, in the long run, the maintenance of effort approach will produce not high an obligation for the state, but insufficient funds to provide a safety net. This is because the MOE requirements fail to adjust for inflation and population. Assuming flat poverty rates and relatively consistent need, each year the maintenance of effort requirement allows a 2% to 5% diminution in state contribution. Hence, once caseload levels stabilize (or increase), within a decade the state contribution to safety net assurance for children will be cut roughly in half.

As the discussion above indicates, the budgetary options to assure a minimum safety net for children exist within a framework of: (a) spending which a state is required to commit in order to receive federal funds (*e.g.*, required "maintenance of effort"); (b) spending programs which a state may pursue with its own funds only; (c) spending decisions which will yield federal contribution reductions or sanctions; and (d) spending decisions which are prohibited by federal law categorically (*e.g.,* an area of alleged federal preemptive "occupation of the field").

A. Temporary Assistance to Needy Families (TANF)

Since the 1960s, Aid to Families with Dependent Children (AFDC) has provided cash grants to parents too poor to meet their children's basic needs. Until 1997, the federal government has paid 50% of AFDC. California's 50% has been 95% financed from the state general fund and 5% from county designated "realignment funds" discussed in Chapter 1.

AFDC has had three major components: aid to family groups (AFDC-FG), aid to families with unemployed parents (AFDC-U), and aid to children in foster care (AFDC-FC, discussed in Chapter 8 and not appreciably altered by the federal changes discussed below). To receive benefits under the previous AFDC-FG or AFDC-U parts of the new Temporary Assistance to Needy Families (TANF) federal program, a family must have dependent children and assets of no more than $2,000 and an auto allowance (market value) of no more than $4,500.[200]

If qualified, a family may receive monthly cash grants based on family size and income. If a family has earned income, the grant is reduced by the amount of earnings; but to encourage employment, recipients may disregard certain expenses, including actual child care expenses up to $175 per month ($200 for children younger than two), and $90 of work-related expenses.[201] The first $225 in earnings each month plus 50% of what is earned may be kept, with TANF assistance reduced as the counted 50% of earnings raises income. In addition, California had enacted (and maintains) a Greater Avenues for Independence (GAIN) program, through which TANF parents may receive education, training, and child care assistance to achieve independent employment (see below).

1. Federal Changes to AFDC: The PRA and TANF

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the "Act" or the "PRA") dramatically changed the existing welfare system. Title I of the Act eliminated the federal AFDC, JOBS, and Emergency Assistance programs and replaced them with consolidated federal block grants for Temporary Assistance to Needy Families (TANF).[202] The Act removed the thirty-year federally-based entitlement of children to AFDC, effective October 1, 1996. Because of the carryover of the previous system, "AFDC" and "TANF" are used interchangeably; references to "AFDC" after 1996 relate to the previous AFDC program as subsumed within the larger TANF block grant. The PRA changes to AFDC, the treatment of immigrants, and child support are discussed below; other changes and related block grants (*e.g.*, the Social Services and Child Care Block Grants) are discussed in their subject matter chapters.

The annual block grant for California for the five years covered by the Act has equalled the federal AFDC expenditures in California for fiscal year 1995.[203] Since caseloads declined over 35%, a surplus was available from 1997–98 through the 2000–01 year. However, the grant surplus has been largely exhausted by the current 2001–02 year, with 47% expended on cash assistance, 19% on child care, 14% on employment and supportive services, 9% on administration and other departments, only 1% in reserve, and the remaining 10% for emergency assistance (foster care), county jail probation, Kin-GAP, and the California Food Assistance Project (see Chapter 3).[204] The counties do retain about $1 billion in incentive payments paid by the state as discussed below, but such payments were suspended in 2000–01, reduced to a token $20 million in the current 2001–02 year, and the Governor is now tapping most of the accrued sum remaining for general fund relief, as discussed below. All surplus and available funds will likely disappear early within the proposed 2002–03 year, particularly should even a modest economic downturn occur.[205]

Under the PRA, the block grant amount will not be adjusted to inflation or to population gain for the five-year period. There is a population adjustment section, but its formula effectively eliminates California.[206] The block grant cannot be increased for at least five years, accomplishing assured reductions of 3%–5% each year from inflation and population gain—assuming static need for the account. The state must meet an MOE requirement to obtain TANF funding. However, the state contribution is no longer a match of federal monies—themselves based on the safety net needs of children. Instead, both are capped.

The state stands to receive a bonus from the federal jurisdiction if it reduces unwed births.[207] This national fund includes $100 million in the current fiscal year, limited to five states. California has received a $20 million award for its reduction in out-of-wedlock births and it was included in the current 2000–01 budget (see Prevention spending discussion above). However, the unwed birth rate remains close to historical highs, and the state's improvement may partially stem from a pre-1997 method of estimating marital status at birth (last name correlations) which may have overestimated the actual rate slightly.[208] In 2001–02 only three jurisdictions nationally improved unwed birth rates and those gains were marginal. This failure contrasts with teen pregnancy reductions that have been the focus of public discourse (see discussion above).

A bonus is also possible for "high performance" (to be determined by the Secretary of the Department of Health and Human Services), which can vary by size, but which is capped at $200 million per year nationally. California has won $45.5 million from this Fund, also allocated in the current year. This reward is based on the movement of TANF recipients into work. However, see discussion above and below re evidence that substantial portions of those leaving TANF do not find employment, or are employed at wage levels substantially below the poverty line. Note also that the reward is based only on short term movement, disregarding the insecurity of much new employment, and the critical limitation of assured child care to two years.

Although there is a total fund of $2 billion covering the five years of the block grant for contingencies such as disaster or economic downturn with unemployment and increasing need, it is a small fraction of that needed to maintain even the reduced benefits planned should unemployment swell TANF caseload nationally on the scale of the 1989–94 recession.

As Table 2-K outlines, the state must assess the skills, work experience, and employability of each adult recipient. Under the Act, a specific percentage of families must participate in work activities. If it fails to comply, a state may lose up to 5% of its block grant. In addition, families face a five-year lifetime limit on use of block grant funds. The state may exempt up to 20% of families from the five-year limit, and from work requirements for "hardship" (*e.g.*, disabled or abused recipients).

For federal $, a state must comply with the following:	Areas where states have discretion:
State may not reduce nonfederal spending below 80% FY 94 level, or 75% if state meets work participation rates.	State may use state funds to provide assistance after family reaches five-year limit
State must assess skills, work experience and employability of adult recipients.	State may deny assistance to additional children born or conceived while parent is receiving assistance (family cap).
No more than 15% of block grant can be spent on administration. Up to 30% of grant can be used for child care or Title XX programs.	State may apply rules and benefit levels of other states for families relocating from outside the state.
Overall Work Participation Rates (all TANF parents): 25% - FY 1997 30% - FY 1998 35% - FY 1999 40% - FY 2000 45% - FY 2001 50 % - FY 2002 & beyond Work participation rates, two parents: 75% - FY 1997 90% - FY 1999	State may exempt up to 20% of its average monthly number of families from cut-offs under a hardship exemption.
State must reduce family's grant by at least 25% if family is not cooperating in establishing paternity.	State may deny assistance to non-citizens legally residing in state.
Unmarried teen parents with a child at least 12 weeks of age must be working on a high school diploma or GED or be enrolled in alternative education or training program to receive assistance. Teen parents must live at home or in an approved, adult-supervised setting.	

TABLE 2-K. Summary of Major Federal Changes in New TANF Safety Net

Under the Act, teen parents may not receive TANF unless they attend school and live with their parents or in another approved adult setting. A family's grant must be reduced by at least 25% for failure to cooperate in establishing paternity. The state may deny benefits for additional children born while the parent is receiving TANF.

The state may deny cash assistance to non-citizens legally residing in the state. The statute also provided that a state may limit benefits for persons from another state to the grant level of the former state (a provision struck by the U.S. Supreme Court in late 1999, see discussion below).

The Act imposed work requirements on TANF families. For a two-parent family to count as "working," the adults must work at least a combined 35 hours per week. A single parent must work at least 30 hours per week in 2000 and beyond. California has increased this requirement to 32 hours per week by July 1999, as discussed below. A parent is "working" if he/she is employed or participating in on-the-job training, vocational education, job search, or community service. The state may exempt families with children under the age of one from TANF's work requirements.

2. Federal PRA Budget and Child Impacts

The following specific PRA-mandatory changes in safety net support will have substantial budgetary and non-immigrant child impacts.[209]

a. Cooperate in Identification of Father

The statute requires a 25% reduction in TANF benefits, and allows states to cut more or terminate aid, where a parent "fails to cooperate" in identifying and finding the non-custodial biological parent, usually an absent father. A statistical profile of TANF cases found that the absent parent was not identified in 12% of TANF cases.[210] It is not clear what constitutes a "failure to cooperate." The California rules implementing CalWORKs places discretion for that judgment with an assigned deputy district attorney with the assigned task of collecting all available child support due.[211] Approximately 200,000 children are at some risk of a 25% or more family reduction, unless the biological father is identified (to permit paternity identification). And more than 400,000 additional children may be at risk of the same sanction for failure of a parent to assist in *locating* noncustodial parents (*e.g.*, where paternity is established but location is not known for service of process).

b. Work Within Twenty-Four Months

A confusing provision of the PRA requires states to submit a plan to "require a parent...receiving assistance under the program to engage in work [as defined by the State] once the State determines the parent...is ready to engage in work, or once the parent...has received assistance under the program for 24 months [whether or not consecutive], whichever is earlier."[212]

The requirement is a part of the state plan which must be approved to be eligible for federal funds. As read literally, once a parent is "ready" to work, she must do so—the statute does not address the issue of job availability. The "ready to engage" clause indicates that where a TANF parent is able to work and is offered employment, it must be accepted. The second clause requires work after 24 months of total assistance (from January 1, 1998) as an outside limit. However, this requirement is not imposed on individuals, but on states. That is, states must have a mechanism in place to assure employment of all recipients after no more than 24 months of assistance after January 1, 1998.[213]

c. Sixty Months Cumulative Lifetime Limitation

Under the PRA, no federal TANF grant may be given to any family which has received 60 total months of assistance, whether interrupted or continuous. The cut-off is categorical and regardless of circumstance. The clock starts running on this limitation on January 1, 1998.

Historically, employment for AFDC parents has been somewhat episodic (see above for statistical profile of recipients). Their employment is more subject to layoffs, which are often based on seniority. Their jobs are also affected by the temporary nature of opportunistic employment. They often work for marginal employers who may not remain in business for extended periods. Research has confirmed that most parents generally do work when jobs are available. Over 392,500 poor California families with children (51%) have an adult who worked at least one-quarter time during the prior year."[214] However, the TANF population includes all of the poor who have been unable to obtain jobs. As the TANF profile discussion above indicates, most will work to limit their assistance to under 2.5 total years. But about one-third of the current caseload historically will remain or return for assistance for a total of more than sixty months.

The five-year limit (or other time-based limits) does not distinguish between persons who are partly employed and attempting to move toward self-sufficiency and those who make no employment effort and earn no offsetting income. Any public assistance amount claimed in a month counts against the time limit. After January 1998, the five-year cut-off prohibits any federal money expended on TANF assistance after sixty months of aid has been received. Only federal dollars for food stamps at levels below current grants will be available from the block grant. The state may use federal Social Service Block Grant funds for "vouchers" (*e.g.,* for rent to prevent homelessness); however, this fund has been reduced in amount and its use is somewhat problematical. Alternatively, the state may provide assistance from its own resources beyond the five-year mark.

Most criticism of the PRA has focused on this absolute five-year limitation. It will be devastating to many children because, as with most categorical or bright-line rules, it does not allow for individual need or equity. Considering current rates of support to families of children beyond 60 months, about 35% of the 1.2 million present child recipients will need support beyond 2003; hence, approximately 400,000 California children will face these cut-offs, beginning shortly after 2002. That cut-off will apply even where their parents have worked part-time continuously through the five-year period.[215]

d. Federal "Work Participation" Targets

As noted in Table 2-K above, a state may exempt up to 20% of its average monthly number of families under a "hardship" exception. It must then employ 75% of its "TANF-U" caseload (unemployed two parent families) for 1997 and 1998. California received credit for caseload reductions under the federal formula and needed to employ only 68%. It obtained employment for 24% of these adult parents. Many of the uncounted parents are working, but less than the 35 hours needed for credit. Accordingly, California was assessed a $7 million penalty in December of 1998 for this failure. However, the state appealed that assessment and it was rescinded.

California is at a disadvantage under the uniform terms of the federal PRA, because of the state's unusual percentage and number of two-parent unemployed families receiving assistance, about 18% of its caseload. This is double the proportion in any other major state. Over 140,000 California families fell into this TANF-U category in 1996–97; no other major state has more than 16,000.

California has met the lower "overall" TANF employment target (which includes both the TANF-U unemployed parents and the TANF-FG family group single parents) for the prior year. However, meeting this overall target for the current 2001–02 and proposed 2002–03 fiscal years will be more difficult. Success will depend upon continued economic expansion and low unemployment, and success of the CalWORKs plan to impose mandatory public service or public employment on all qualified parents as they respectively reach the two -year mark on assistance after January 1998. However, even with luck on both counts, three problems make compliance difficult:

(1) The TANF-U required percentage jumps to 90% employed for 1999–2000 and thereinafter.

(2) The implementation of workfare by counties (at least to the extent CalWORKs literally would require) is expensive and problematical.

(3) This last resort public employment requirement is imposed on counties to provide without state responsibility. As discussed above, the combination of "everybody all at once" timing during the present fiscal year (shortly after January 2001), the cost of providing work and child care in

addition to paying TANF grants, and the possible diminution of the excess TANF funds after 2001–02, makes it increasingly difficult for counties to meet federal targets even assuming continued economic growth.

The overall work participation rate applicable to all TANF parents is more realistic as initially set (at 25% for 1997), but it then increases at a fast rate of 5% per year, reaching 50% by fiscal year 2002–03. The 30% target for 1998 was met, partly due to TANF flight (discussed below) and the economic upturn. The state may also meet the 40% target for 2000–01. However, the higher targets thereinafter will depend upon continuation of fewer numbers of new families needing help, and successful implementation of county-provided work.

The way the percentage is calculated can soften current year targets. States receive "reduction credits" based on their success already in reducing TANF rolls from the base year of 1995. Hence, the current nominal participation rate required is 40% for all families in fiscal 2000. The credit works like this: If a state has a caseload decline of 25% from FY 1995 to FY 1999, the state would then have an effective participation rate of 15% (40% minus 25%). Hence, it gets full credit for those already removed from TANF rolls, although any reduction from a change in eligibility rules does not count.

Accordingly, as the state calculates it, the effective work rate for fiscal 2000 is as follows: (1) base year (FY 1995) average caseload = 919,471; (2) FY 1999 average caseload = 624,096; (3) basic work requirement = 40%; (4) caseload reduction credit = 32.1%; (4) minimum effective FY 1999 Participation Rate (of current TANF recipients) = 7.9%. Hence, only about 50,000 TANF recipients must receive employment to meet that target. The target for current 2000–01 has not yet been finalized.

There are two *caveats* relevant to these calculations:

(1) Independent of the federal work participation targets, California has enacted a CalWORKs statute which, as it reads, requires employment of all non-exempt recipients (approximately 77% of them) within 24 months of receiving aid from fiscal 1998–99. Where private employment is not provided, community service employment must be offered. This requirement would certainly meet the federal participation targets, but it is unclear how compliance can or will occur. It would literally require the community employment of over 200,000 adults during the current or proposed 2002–03 fiscal year. No major county appears to be moving toward compliance (see discussion below).

(2) The liberalizing impact of the work participation credits has worked only because the economic upturn has reduced TANF rolls. A consensus of studies have found welfare reform to be somewhat of a factor, but economic expansion to be the dominant factor in reducing numbers of TANF recipients. What happens with a leveling of economic growth, as early signs indicate is occurring in 2001? That leveling will combine with another 10% increase in the target to 2002. If there is a downturn rather than merely a leveling, the work participation targets will be well out of reach unless the CalWORKs instructed massive employment command of 200,000 to 300,000 community service jobs is implemented. It is unclear how such a public employment expansion can be financed.

e. CalWORKs/PRA Needed Timing/Hours Amendments

Advocates for the poor argue that although the overall federal participation targets are ambitious, they are more realistically met with a CalWORKs employment formula which does not kick in for all adult participants all at once, but is phased in at 5% more each year and which levels at 50%—consistent with the federal schedule. In addition, they contend that the state should combine that CalWORKs timing adjustment with a waiver for California from meeting the harsher TANF-U percentage requirements given California's different mix of parents who need assistance for their children.[216]

Advocates for TANF families suggest that greater flexibility in the hours of work required, perhaps requiring federal PRA amendment, would facilitate the statute's stated goals. They contend that a 20-hour or more per week job is a sensible standard for single parent families, and 30 hours or more per week for a two-parent unemployed couple (without specifying minimums for each). They note that the income disregard provision provides ample incentive to seek additional work as available, buttressed by several years of minimum wage increases and TANF grant reductions discussed above.

Advocates for children amplify these concerns as to children under the age of 5. The importance of parental contact during the first years of a child's life has been affirmed by research.[217] The federal PRA allows California to waive work participation for the first year of a child's life, and the state has devolved this decision to the counties, where some have required work while a child is only 3 months old. Similarly, the harsh 32-hour work requirement applicable to a single parent should be reduced to 20 hours or more per week—if not universally, as advocates for the poor argue—at least while children are under the age of 5.

Further, parents of children with special needs (*e.g.* who participate in California Children's Services, receive SSI, or qualify for an IEP, see discussion in Chapter 5) should be granted similar dispensation to qualify at 20 hours or more of work. As with infants and toddlers, these children need special parental attention. It might be appropriate to condition dispensation on minimum training to enhance parenting/teaching skills which address their children's disabilities. The advantage to parental assumption of this role where qualification is feasible is clear: in general, no one is more likely to care about a child's improvement than that child's parent.

These exceptions are not easily subsumed within the general "20%" cushion of TANF caseload not required to work at all under the PRA. That qualification is focused on the disability of the parent *vis-a-vis* work qualification, not the needs of involved children. Child advocates argue that seriously disabled children should be a clear basis for non-work qualification within the 20% exempt group, and as important, that the intermediate option of half-time work be allowed where the needs of children as illustrated above are at issue.

The state gains substantially from these exceptions, beyond the benefits to her children, because it reduces outside child care costs—including the enhanced costs which attend infants and special needs children. Those payments may be reduced somewhat where the parent works half time and is available to provide child care. At the same time, the partial income disregard allows the parent to gain income from employment, and to potentially qualify for the earned income tax credit available for the working poor. CalWORKs could further augment these advantages by increasing the income disregard percentage for earned income from 50% to 60%, and by requiring caseworkers to assist parents transitioning off of TANF to (a) fill out requisite tax forms for EITC qualification, and (b) automatically qualify the parents' children for Medi-Cal for at least the first three years after starting work or leaving TANF.[218]

Consistent with these refined incentives, child advocates urge the revision of the PRA's 60-month maximum to a different formula, as follows: a sum of grant assistance equal to the maximum monthly payment eligible, assuming no income, times 60. Such a revision would most equitably reward those TANF parents who work part-time.

Each of the PRA amendments outlined above can take the form of a waiver application to the federal jurisdiction. Such a waiver—which is likely to be granted by the current administration—would allow the study of the revised mix of incentives, and if successful could be the basis for appropriate PRA amendment nationally.

f. An Alternative Strategy to Meet Federal Participation Targets

Lacking the set of amendments listed above, the most realistic alternative to allow the federal targets to be met is to *add* families who partially work and receive TANF aid by helping more families as they move into part-time work—and by characterizing help given to such persons as TANF assistance. Advocates for the poor argue that such a policy has an independent justification apart from the legal effect of avoiding federal penalties.

The strategy works as follows. Every person who is a “work participant” counts in meeting the federal percentage requirements. Anyone receiving help—including state-only help based on income—may be classified as a “participant” who is expected to work. Hence, for example, if there are 500,000 adults who receive TANF aid and must work, 200,000 of them must be “work participants” by fiscal year 2000 (40%). If only 100,000 will be employed, the target will be missed substantially. The state points out that “work participation credits” from the 1995 base year will actually reduce the number which must be employed below the figure which year 2000's 40% would indicate. The state contends that the federal target actually requires some 50,000 new employees, and DSS puts the number at 150,000 for the entire 2001–02 fiscal year. But it is unclear how these targets will be met. And of greater concern, as discussed above, the federal “credit” for progress from the 1995 base year will help less as the target number pushes to 50% in 2002, and will be of even less help if an economic downturn swells TANF rolls again.

So what can the state do to assure federal compliance? One option is for California to add assistance to the working poor (including those who are leaving or who have left TANF) and bring them into the participant pool. Giving assistance under the TANF rubric to 200,000 such persons would increase the participants to 700,000—300,000 of whom are now working, easily meeting the target. By counting them as “in the program and working” the numerator increase raises the percentage.

Such a strategy is not an evasion of the law’s intent given the reality of TANF families—the working poor are subject to reversion to TANF need. Assistance to this population to push toward self-sufficiency serves the “welfare-to-work” legislative intent at issue. The stated purpose is not to reduce welfare rolls for a two-year period, but accomplish a “hand up” so parents could free themselves from the “cycle of poverty.”

Accordingly, increasing assistance to the working poor (not merely recasting current programs) would be a *bona fide* method of meeting federal standards—whether requiring federal waiver or meeting the statute’s terms as now stated. Alternatives here include a state earned income tax credit (EITC) add-on as a “work incentive” grant for parents with children and partially funded from TANF funds—particularly from the excess federal funds accruing due to a drop in the caseload since 1995.[219] Another alternative is adaptation of the Child Support Assurance concept now authorized for pilot counties (discussed below). Such options reward work and marriage and may be the only realistic way to meet the PRA targets. However, two of the projects have failed and funding for the third in the proposed 2002–03 budget is uncertain.

3. The 1997 Balanced Budget Act and the PRA

On August 5, 1997, the President signed the Balanced Budget Act of 1997, amending the PRA as applicable to the California budget beginning in 1998–99.[220] The budget bill added $1.5 billion as a welfare-to-work grant program (see CalWORKs employment assistance discussion below), requiring a 33% state match beyond the Maintenance of Effort total state commitment required.[221]

Another federal change in the Balanced Budget Act allows states to count child support that is passed through to TANF families toward meeting their Maintenance of Effort requirement. This provision has helped to lock in continuation of California's policy of allocating the first $50 per month in collected child support to families (even where repayment of TANF funds to the family is due). However, the net effect of this provision is to reduce California's required Maintenance of Effort *vis-a-vis* previous levels of commitment by $42 million in the prior 1997–98 fiscal year, and $44 to $50 million per year thereinafter.

4. Initial PRA Interpretation by California

Beyond the four major mandatory restrictions (for full federal contribution) listed above, there is room for discretion by states. California made several decisions, starting in the 1997–98 budgetary year, now permitted by the new TANF system.

a. Newcomer Cuts to Levels of State of Origin

Former Governor Wilson implemented his plan, effective January 1, 1997, to cap TANF benefits for those in California less than one year to the levels extant in their previous state of residence. Hence, the 1997 maximum monthly benefit for a mother and two children in Los Angeles of $565 would be capped at $190 if the new arrival were from Louisiana, $188 if from Texas, and $120 if from Mississippi.[222]

The rationale for this restriction is to discourage in-migration of impoverished families seeking the higher TANF amounts California had traditionally offered. Although California ranks approximately 6th in TANF levels, when its higher rent levels and grant reductions since 1989 are factored in, it falls to 27th in grant value among the 50 states. As noted above, studies of TANF populations in California have indicated very little in-migration from other states.

For the those who are newcomers to California, often with legitimate reasons to relocate (*e.g.*, to join extended family), and who fall upon hard times within their first year in the state, TANF assistance needs do not turn on the benefit levels extant in the previous state of residence. Those states with lower TANF levels also generally have lower rental costs, and $500 in California may allow the same square footage apartment that $200 per month in Arkansas would provide.

Prior attempts by the previous Wilson administration to implement this policy were reversed by the courts as in conflict with federal law.[223] The PRA removed that barrier, purportedly allowing a grant keyed to a newcomer's previous grant level. However, on May 17, 1999, the U.S. Supreme Court held the "newcomer cuts" unconstitutional.[224] The 7–2 decision invoked equal protection and "right to travel" standards, agreeing with the district court that "the appropriate comparison is between the treatment of recent residents of California and other residents of California and not a comparison of recent residents of California to residents of other states."[225]

b. Maximum Family Grant

The TANF grant does not increase with family size for children conceived while a parent recipient is receiving cash assistance. The $90–$110 per month increases for additional children traditionally provided do not pay their out-of-pocket costs and provide little rational incentive to produce children for profit or economic comfort. Former Governor Wilson's rate schedule, implemented in January 1997, lowered the add-on for more children to the $70–$80 range each.[226]

The maximum family cap responds to the common misperception that large numbers of welfare mothers are having additional children to enrich themselves (see above for TANF recipient profile discussion). A study of a similar “cap” provision in New Jersey indicated no measurable impact on additional births by AFDC mothers, correcting initial findings to the contrary.[227] More important than the cap is the reapplication time. A mother could have a new and substantially paying job and be on her way off welfare, and then responsibly conceive a child. She could even successfully terminate all public assistance for six months or more after her baby is conceived—only to have an illness, layoff, or divorce occur at some point within two years. Because of this categorical provision, the grant amount excludes any allowance for her new child—unless she waits 24 months. This scenario commonly occurs—particularly within the TANF-U group where there are two parents who are unemployed at the time of initial grant application—and is especially inequitable in California with a highly disproportionate share of the nation’s TANF-U population.

c. Teen Pregnancy Disincentive

The TANF statute requires unwed teen parents to live at home (or in an “adult supervised” setting) in order to receive assistance. California law is currently consistent with this policy, although it is somewhat less flexible, requiring home residency unless Child Protective Services determines that the home is dangerously abusive. States must also require a minor parent to attend school (or training) after her child is twelve weeks old.

5. California’s Post-1998 Implementation of Welfare Reform

Much of the final impact of the TANF changes on impoverished children over the next three years will depend upon (a) the interpretation of the mandatory provisions of TANF listed above; (b) details of state options available under its terms, as indicated by the second column of Table 2-K above; and (c) the willingness of the state to fund children in need from its own sources where cut-downs or cut-offs are implemented.

a. Major Provisions of CalWORKs

The major elements of former Governor Wilson’s proposal were rejected, but others were accepted in a final amalgam of proposals enacted in Assembly Bill 1542 (Ducheny, Ashburn, Thompson, Maddy) (Chapter 270, Statutes of 1997). The current state statute includes the following major provisions.

(1) Sixty-Month Time Limit

With limited exceptions,[228] the adult portion of grant assistance will terminate after a lifetime total of 60 months after January 1, 1998.[229] Receiving any grant amount during a given month counts it against the 60-month maximum. Although the PRA will cut federal funds for grant at the 60-month mark, California will fund “the children’s portion” thereinafter as long as the parent is exempt from or is unable to find work.[230]

(2) Time Limit to Obtain Work

All grantees will sign “welfare-to-work” contracts and must be engaged in “work activity” within 18 months of initially receiving aid (starting on January 1, 1998).[231] Counties may extend this period to 24 months if jobs are unavailable locally. Assistance thereinafter is only possible through “community service” work, which counties must provide and fund.

Temporary exemption from the work participation requirement is available where necessary support services are unavailable (including child care for children under 10 years of age), where employment would interrupt approved education or job training, and for certain inappropriate terms of employment.[232] Those making progress toward a degree or certificate may continue up to the time limit of 18 months—extendable by the county to 24—but postgraduate education is not permitted (except for a teaching credential). Women with newborns are exempt for six months; counties may limit that period to three months or extend it to twelve months, based on local criteria.

To comply with work requirements, single parents must work 20 hours per week, increasing to 26 hours per week by July 1, 1998, and 32 hours per week by July 1, 1999.[233] Adult students must individually meet a 32-hour work requirement with only actual classroom time (with no allocation for study) counting to meet it. For two-parent families (the TANF-U group), CalWORKs requires a combined 35 hours per week minimum. The state includes additional conditions, including denial of child care where one parent remains substantially unemployed.[234]

Allowable work activities include private or public employment, work "experience" (with a 12-month limit), on-the-job training, work-study, self-employment, community service, certain adult education and job training,[235] job search, and treatment services (mental health, substance abuse) necessary to obtain employment.[236]

(3) Other Conditions of Assistance

Grant applicants will suffer parental share cuts if they:

- fail to document the immunization of all preschool age children within 45 days, which may be extended 30 days by the county for good cause;
- fail to prove all children so required are attending school;
- fail to cooperate in paternity establishment of absent fathers;
- suffer any drug related felony conviction after December 31, 1997 (benefits voided for life); and
- own a vehicle with a value of over $4,650 and have more than $2,000 in non-exempt assets (consistent with federal food stamp criteria).

(4) Child Care

Child care is provided by direct payment to providers. Payment is capped at 1.5 standard deviations above the mean child care rate in the local market (see discussion in Chapter 6).

Child care is provided in three stages: stage one for the first six months (or longer if permitted), funded by county welfare departments; stage two during training or work with aid continuing, and for two years after off aid, funded by the State Department of Education (SDE); and stage three for those needing child care to avoid falling back onto welfare (partial subsidies for the working poor).[237] The three stages correspond roughly to historical GAIN, SDE transitional, and at-risk child care.

(5) Job Creation

Welfare-to-Work Program. The State Employment Development Department (EDD) has created an advisory council of former corporate executives to encourage employers to hire TANF parents, established a clearinghouse to assist private employers, and appropriated $20 million for an Employment Training Panel to train current or recent TANF recipients for work.

More substantially, as discussed above, Congress created a new "welfare-to-work" block grant as part of the Balanced Budget Amendment of 1997 to facilitate job creation. Congress appropriated

$1.5 billion nationally per fiscal year from 1998. This fund and effort is separate and apart from other CalWORKs money now taking the form of block grants from the state to the counties. Under the direction of the U.S. Department of Labor (Workforce Development Branch), California's Employment Development Department (EDD) receives these funds directly, and the program is administered in concert with the state Department of Social Services (overseeing CalWORKs). These funds are intended to create jobs through wage subsidies, on-the-job training, job placement, and post-employment services. Most (85%) of these funds go by formula to "Private Industry Councils" (PICs): regional organizations created pursuant to the pre-CalWORKs federal Job Training Partnership Act (JTPA), and now called "Local Workforce Investment Boards." The remaining 15% is allocated by the Governor as local competitive grants.

- At least 70% of grant funds must be spent on TANF recipients who have been on aid for 30 or more months and are allocated between geographic PICs based on (a) incidence of poverty above a specified threshold—to be weighted at least 50%; (b) the number of adults receiving aid for 30 or more months; and (c) the number of unemployed persons.

- Funds must be spent on (a) community service or work experience programs; (b) job creation through wage subsidies to private or public employees; (c) contracts with private providers for readiness, placement, and post-employment services; (d) job vouchers for the same purposes; and (e) job retention or support services.

The PRA theoretically provides that jobs or training for TANF parents cannot displace current workers or reduce their wages or employment benefits.

California received its first year of these funds ($190 million) in the 1997–98 fiscal year—$162 million is going to PICs and the remainder in grants to cities, counties, and community groups to spur employment of TANF parents. California's required $95 million match need not be provided during the year grant funds are received, but may be delayed to the following one or two years. Accordingly, the $95 million required match for the sum already in hand was included in the 1998–99 budget. However, this $95 million match was not funneled through EDD but added to overall state CalWORKs block grants to counties for job-related services. Meanwhile, the second and final year of welfare-to-work federal grants were also in the 1998–99 budget at $173 million, with $146 million going to PICs under the guidelines described above, and the remainder again in direct grants to cities, counties, and community groups. The $86.5 million state match required by this final year of federal help is divided in a "back ended fashion" between the 1999–2000 budget ($25 million) and the 2000–01 budget ($61.5 million). Under the current 2001–02 budget, it is again be added to the state CalWORKs block grants to counties (see discussion of TANF accounts and spending trends below).

Workforce Investment Act Program. General EDD job development had centered around the federal Job Training Partnership Act (JTPA). Currently, JTPA funds programs relevant to the elderly (Title II) and to mitigate plant closure impacts (Title III). It also provides training and other services to economically disadvantaged adults and youth facing employment barriers (Title I). The program includes the Summer Youth Program which provides initial employment for many youth. Starting in July 2000, the entire JTPA was supplanted by the Workforce Investment Act program, which divides into three programs slightly altered from previous format: (1) adult employment and training; (2) youth activities, and (3) dislocated workers. The scope of youth assistance is now broadened somewhat to include "economically disadvantaged youth with training and other services...to obtain unsubsidized employment, completion of secondary or post-secondary education, entrance to military service, or qualified apprenticeship."

At-Risk Youth Demonstration Project. EDD also administers a small $2 million fund to assist at-risk youth to achieve employment.

(6) Grant Terms/Levels

Counties are authorized to grant funds so families can avoid TANF application (*e.g.*, to facilitate employment, such as a car repair, or child care help).[238] And families are allowed to keep up to $5,000 in a savings account for education, job training, new business start-up, or home purchase.

CalWORKs continues the disregard for the first $50 of child support collected each month (it goes to the family rather than to the state as recompense for prior TANF help). The first $225 of earned income (or disability help) is not counted in determining eligibility. As noted above, fifty percent of earned income thereinafter is similarly disregarded.

CalWORKs extended the previous TANF grant reductions and suspended the cost of living freeze for another year, until October 31, 1998. However, the 1998–99 budget restored a 4.9% prior cut, and gave recipients the first cost of living adjustment in nine years—marking the first time since 1989 that impoverished children received a safety net protection real spending increase, rather than decrease. Applicants were required to report income monthly[239] until a 1999 statutory change allowed quarterly reporting, an important paperwork reduction measure effective in January 2000.[240] COLA adjustments were allowed in 1999–00 to 2001–02. However, as discussed above, the maximum grant to the benchmark family of mother and two children of $676 per month for 2001–02 contrasts with over $915 in current dollars provided in 1989. The California safety net for children of maximum TANF and average food stamp grant reached a record low 74% of the 2001–02 federal poverty line for a family of three. Moreover, the average TANF grant received has declined more than the maximum listed payment has fallen. According to Department of Social Services data, the average payment to a qualifying family stood at $647/month in 1990, the average in 1999 to families of the same size averaged $495.[241] Adjusting for inflation, the $495/month in 1999 represents a reduction in 1999–2000 dollars from $854/month in 1990. The proposed 2002–03 budget will deny a COLA increase, effectuating a further reduction to 70% of the current poverty line.

Of critical importance, any family sanctioned to a level below actual rent and utility expenses is entitled to "rent vouchers" necessary to pay rent and utility expenses after 90 days of grant reduction or cut-off, for as long as the sanction is in force.[242] However, the state has violated this intent by refusing to provide vouchers in any amount above the lower penalty level of assistance, regardless of actual rent and utility expenses (see discussion below).

(7) County Incentives

Counties retain 75% of savings from grant decreases, whether in amount or by movement of grantees to work. The remaining 25% is retained by the state Department of Social Services for award to counties which perform well in relation to demographic and economic circumstances. Similarly, federal sanctions imposed for failure to meet work participation targets (above) are also to be absorbed by counties.

b. Facial Advantages/Disadvantages of CalWORKs for Children

In relation to current law and the options available under the PRA, CalWORKs includes some provisions favorable to safety net support for children, and some unfavorable, summarized as follows:

CalWORKs Provisions Favorable to Child Safety Net Support

- The law creates a state entitlement to benefits if a family is eligible, regardless of available funding.
- Continuous aid will be provided until the federal 60-month lifetime limit is reached if the adult "plays by the rules," as defined by each county (looks for work, satisfies the weekly work requirements, and/or participates in work training activities or community service).
- After the 60-month lifetime limit is reached, the child(ren)'s portion of aid may continue at county option.
- The new program includes the "alternative safety net" proposed by California child advocates: Families who are subject to sanction (including assistance reduction or cut-off for inability of a parent to obtain employment, or noncompliance with other program rules) are entitled to a voucher to cover rent and utility expenses 90 days after the sanction is imposed, and for as long as the sanction lasts. However, as discussed below, the state has stood this protective provision on its head, and is interpreting it to impose vouchers instead of cash at the reduced "penalty" level, providing additional sanction rather than minimal safety net protection.
- "Child Support Assurance" pilot projects were to be created in three counties for potential welfare recipients with established child support orders. This program, proven to be cost-effective in New York, guarantees monthly payments of $250 for the first child and $100 for each additional child. These payments are not subject to reduction until income exceeds 150% of the federal poverty line. Counties keep any money collected from child support obligor parents. However, as discussed below, only the San Francisco pilot still survives.
- The new law retains the "child support disregard"—the first $50 of paid child support goes to the family and is not counted against the welfare grant amount.
- Victims of domestic violence may be exempted from the law's otherwise-applicable work requirements.
- Sanctions for noncompliance with the program's rules apply to the parent's portion of the welfare grant rather than the entire grant.
- The child care system has been restructured and enhanced.
- Legal immigrants are eligible for CalWORKs benefits if their sponsors are unable to provide assistance.
- The law creates a state food stamps program to replace lost assistance to legal immigrant children who have been cut off from the federal food stamps program (see discussion below).

Provisions Unfavorable to Safety Net Support of Impoverished Children

- The law eliminates the parent's portion of aid as a punishment for noncompliance with the many new eligibility rules, and after the 60-month time limit is reached. Such a severe reduction in an already reduced grant generally below one-half the median rent/utility levels will increase child homelessness.

- CalWORKs allows counties to force a welfare parent to work once a new child is only twelve weeks old, notwithstanding the high cost of infant child care to the county and research findings concerning the importance of close physical maternal contact with infants during early months.

- If no employment is available, counties must place able-bodied welfare parents in community service "jobs." Counties have limited funds under a state-to-county block grant structure to provide for such employment, which may incur double the cost per family of the previous TANF payments if child care is also provided, as is required by law. County compliance with this employment requirement varies widely and is subject to little state monitoring or check.

- Payment of even the "child's share" after the 60-month limit is reached may depend upon county resources, which are limited and dubious, and requires a county that provides such continuing aid to risk movement of the impoverished from nearby counties that fail to provide assistance.

- Welfare grants may be reduced or aid denied if children are truant or if childhood immunizations are not current. Parents are often not the impediment for either, and support cut-offs for child sustenance are an inappropriate remedy.

- The law restricts the ability of the recipient to resume university or community college education and obtain a degree—the best hope for independence from welfare.

- CalWORKs changes the formula which determines how much employment income a TANF recipient may keep reducing the financial reward for the part time work most available to recipients.

- County welfare-to-work plans—where most of the critical details of welfare reform implementation will be decided—are exempt from the Administrative Procedure Act, which ensures public notice and an opportunity for input prior to adoption.

c. CalWORKs' Actual Effect on Children

(1) "Only the Adult's Share is Cut"

The benchmark family of a mother and two children received in assistance over $900 per month in current dollars in the 1980s. That family can now receive a maximum $645 grant.[243] The CalWORKs sanctions for failure to find work or violation of enumerated conditions, and applicable to all families after 60 months of grant receipt, amounts to further reduction. The $900 family now at $645 is cut to $432, below median rents and below the current levels of rent and utility bills paid by TANF families. As described above, DSS' 1998 TANF Characteristics Survey indicated growing inability to pay rent and utility bills at the then-applicable $594 grant level, even with lower rents. These reductions are characterized by public officials as a "reduction of the parent's share" while "preserving assistance to children."

(2) Discouragement of Part-Time Work

The mathematical findings above are optimistic in a number of respects. Several adjustments must be made based on the details of the PRA, CalWORKs, and the population affected. First, TANF parents now confront the post-July 1999 additional work hours requirement for "employment": 32 hours or more per week for an AFDC-FG parent and 35 hours or more per week for an AFDC-U parent.[244] As noted above, that standard is not met by most TANF parents who are currently employed. Further, as the California budget spending accounts presented below indicate, this expansion of employment would require public spending for child care, job training, and education, which to date has not been provided or proposed.

The part-time and episodic nature of employment opportunities available to this population is not reflected in requirements imposed. There is an "earned income disregard" which allows TANF recipients to keep the first $225 of their earnings per month plus 50% of additional monies earned. But this incentive to work part time rewards part time work less than previous formulae. Moreover, it is then compromised by two policies: (1) considering TANF parents to be "not working" who are employed less than the 32-hour or 35-hour minimum applicable; and (2) rather than allotting an assistance ceiling in dollar amount, the PRA counts every month *any* TANF grant aid is received against the 60-month maximum allotment. Hence, even if a parent is employed for five years at 30 hours per week during the entire period and draws only a small amount per month to assure adequate housing and food for children, she will be cut off at the 60-month mark.

(3) Competition for Jobs

The other realistic adjustment which is properly made is to discount likely TANF recipients' capture of available new jobs *vis-a-vis* competition for those jobs. It is unlikely that TANF parents will obtain a pro-rata share of such jobs as is often assumed because they do not stand on an even footing with other job seekers, particularly given the lack of education/training funds to bring them to competitive levels. These disadvantages should not excuse every effort to obtain employment, but it has implications for the degree and nature of preliminary investment in training, the likelihood of advancement to wage levels above the poverty line, and the prospects for their retention, particularly where an economic downturn occurs and lay-off decisions or more limited hiring is compelled. Their disadvantages include:

(a) Education

As the above statistical profile of TANF recipients indicates, just under half have not completed high school, and only 20% have any education beyond high school. A study by the Bureau of Labor Statistics indicated that three-fourths of the jobs created between 1989 and 1995 were managerial or professional.[245] As discussed above, and as Chapter 7 indicate, education correlates highly with employment and income levels. Those with a college education have one-fifth the unemployment incidence as the rest of the adult population.[246] Moreover, employment studies indicate that an increasing proportion of new jobs available after 2000 will not only be "managerial or professional" in nature, but will require a college degree.[247]

A report by the California Budget Project underlines the dissonance between the make-up of available jobs and the qualifications of TANF parents. Among the four job types where high growth is expected and "that typically pay more than $10 per hour, three require a college or associate degree."[248] The Project's April 2000 employment survey further amplified the relative large numbers of such remunerative jobs facing a labor supply unable to fill them, while the below $10/hour jobs face three applicants per opening (see discussion above).

(b) Language

The primary language spoken in 31.6% of the families receiving TANF is not English. Spanish is the first language of the family for 67.6% of those whose first language is not English. The second largest group at 10.7% is Vietnamese.[249] The criteria employed in the DSS language survey does not imply bilingual skills among these populations; rather, English is not listed as the primary language only if the recipient has substantial difficulty with it. Although foreign language skills can be an advantage in certain jobs and communities, those same communities generally suffer higher unemployment rates than does the state as a whole. "Limited English proficiency" (see discussion in Chapter 7) can be a hindrance to employment when competing with native-born speakers.

(c) Health

Poor health is an impediment to work reliability and the keeping of a job. One DSS survey of single parents currently on aid found 24.7% of them suffering from a health disability, and 45.4% in only fair or poor health. Among two-parent families on TANF (unemployed), 20% have a health disability and 52.3% are in fair or poor health.[250] Recent national studies of the medical/disability status of TANF parents find one-quarter to one-third with a "serious mental health problem."[251] From one-fifth to one-third have learning disabilities, and one-fifth to one-quarter have IQs below 80.[252]

(d) Deportation

At least 61,498 parents of TANF citizen child beneficiaries are undocumented immigrants and subject to deportation. Further, the employer who hires them violates federal law. What will be the success rate in obtaining employment for this group without legislative exemption or change?

(e) Job Experience/Contacts

Much employment comes from "contacts"—having a network of people who know people who know a prospective employer. Where a population lacks such contacts, and is concentrated geographically and socially in discrete areas of high unemployment, additional barriers exist.

(4) Job Availability: Child Care

With 83% of TANF families parented by single adults, many must obtain subsidized child care in order to work. The PRA requires states to make "adequate" child care available to recipients who seek employment. However, even if substantially provided, the natural burdens of parenting—particularly if there is no second parent to share them with—translates into more anticipated work interruptions by employers who may prefer job applicants without such burdens of single parenthood.

As discussed in Chapter 6 and below, child care availability is not matched to demand. Available slots are in short supply where most TANF parents live. And most important, assured child care terminates after two years of employment, with long waiting lists extant to help the working poor.

(5) Job Availability: Training and Education Investment

The CalWORKs-directed investment in training and job development, including the federal funds budgeted for the current year, amount to a total of $370 million over a six year period.[253] The obligation to find or provide jobs is handed off to counties in conjunction with this funding.

As discussed above, the federal welfare-to-work block grant will be substantially channeled (85%) to PICs, regional organizations created pursuant to the now lapsed Job Training Partnership Act, and now called "Local Workforce Investment Boards". At least 70% of the funding must be expended on the most difficult part of the TANF population—those on aid for 30 or more months. The scope of spending is broad, and can include workfare provision, job creation, employment services, wage supplement, job vouchers, or other assistance to the working poor to assist in job retention.

In addition to these funds, the state is obligated to provide a one-third match, funds which are sent to county welfare departments allegedly for complimentary employment stimulation. The sum available from these sources will provide educational upgrading/vocational training or initial employment for less than 10 percent of those persons theoretically obligated to work. Hence, any additional sums must come from the overall CalWORKs block grant going to the counties which constitutes the bulk of employment related and safety net financing and from which the counties are free to allocate for training, child care, or employment.

California has long had a job-facilitating program for TANF recipients. Used as a model for the later federal JOBS program, California's Greater Avenues to Independence (GAIN) program has provided (a) child care, (b) education training, and (c) job placement. As between education and job placement, the state has increasingly eschewed the more expensive investment in skill development in favor of more immediately rewarding and less expensive job placement. Critics charge that this priority "skims the cream," assisting those most likely to get jobs by their own devices, while ignoring the larger population needing skills to qualify for jobs. They contend that the policy leads disproportionately to temporary jobs and does not enhance qualifications for renewed or long-term employment.

An updated study of three welfare-to-work strategies, including that of Riverside County, by the U.S. Department of Health and Human Services with the Department of Education reveals a complicated picture. The report, originally entitled *Two-Year Findings on the Labor Force Attachment and Human Capital Development Programs in Three Sites*, compares what is called the "Labor Force Attachment" (LFA) model with the "Human Capital Development" (HCD) approach.[254] That is, some programs focus on job placement (with some training), while others invest in more basic education to upgrade skills for longer-range employability. The study found that both approaches increased the employment and earnings of participants. Earnings gains were somewhat greater with the "job search" approach, but such results within the first two years are expected.

The nature of the Human Capital Development (or education/training) focus colors some of the results. For example, the Riverside, CA study site provided both models from 1987 into the early 1990s. At that time, it focused on job placement through a "job club" approach. While it continued some basic education, that funding focused on literacy for those with extreme deficiencies. Education to give high school diplomas or their equivalent, two-year community college degrees, or more direct job-related training was not generally included.[255]

Advocates for the poor and educators argue that steady employment and opportunity depend upon going beyond bare literacy; high school diplomas and some specialized training are needed. The study provides support for their view: "In Grand Rapids and Riverside, impacts on total earnings were generated solely by increases in employment, without increasing earnings for those who normally would have worked or leading to longer-lasting jobs."[256] Importantly, savings attributed to the Riverside approach were "explained by reduced payment amounts during months when individuals were still receiving AFDC."[257] This finding of increased part-time work while remaining below the poverty line for those finding employment confirms the transitory nature of jobs obtained.[258] As discussed above, the PRA and CalWORKs are structured contrary to this reality, requiring high minimum hours to count as working, and counting each month where any income is received against TANF's 60-month lifetime maximum.

The three-site study concluded: "It is likely that [both approaches] would have failed to meet the ultimate participation rates specified in TANF...."[259] The study found that the investment of funds in any of the experimental models at the three sites would find employment for about one in five TANF parents otherwise not employed and in the program.[260] The most successful of the three saved $1,338 in AFDC payments, which roughly translated into similar amounts in job pay earned in lieu compared to their control groups. These programs were funded at a rate of $2,082 per LFA sample member in Riverside to $4,406 in Grand Rapids.

Against this background of limited success, the federal and state job development commitment to the TANF population provides funding at one-third of the average per person levels expended at the studied three sites for each of two years after which no funds have yet been authorized. The effort undertaken must address the following questions: (a) How can an expenditure of one-third the level of the welfare-to-work models in the study accomplish more than their results—one in five employed who would otherwise not be? (b) How can expenditures designed to focus on the hardest to employ (those with 30 or more months of assistance, as with the federal block grant) achieve a better record than programs without such an orientation?

Another study noted that 47% of projected jobs require short or moderate on-the-job training. Another 10% require long on-the-job training. And 35% require a degree beyond high school. Those jobs requiring short on-the-job training disproportionately pay at minimum wage or just above minimum wage levels.[261]

The federal study, and others with consistent findings,[262] confirm the estimate above of likely unemployed TANF parents—even with a substantially greater investment than has been provided. An additional 20% can be employed over two years, with more incremental gains thereinafter—if financial commitment is increased substantially. For stable and longer term employment from the Human Capital Development education/training approach, the investment would have to be more than five times current proposed levels (at approximately $5,000 per year per parent). (While such an increase is substantial, it would amount to less than 20% of current annual tuition and expenses for college—which continues for at least four years.) If successful, it amounts to about one-half of the current TANF and food stamp costs for the benchmark mother and two children.

According to a 1999 study of TANF parents by the Educational Testing Service, the bottom third of TANF parents are at least "two years" of expensive educational preparation away from even community college entry. But another two-thirds have underlying skills sufficient to warrant substantial educational investment, an investment which will yield a high return in employment with a career track out of poverty. However, as with many other experts, the ETS finds that the two year TANF limit before work is required, combined with a constricted definition of work, inhibits that investment.[263]

As with other economists, educators and social scientists examining this population, law and regulation changes focusing on opportunity and advancement, rather than on immediate and marginal income is a more effective policy. In practical terms, that refocus would mean that part time work would be recognized as qualifying to enable part time educational enhancement while employed; it also implies more liberal recognition of education as a work-related activity, including the allowance of 4 to 6 years of such education while a student in good standing making progress. In contrast, current policy requires short term training limited to months, and to immediate employment, and rejects part time employment. The result is dead end jobs at just above minimum wage for large numbers of parents who have the potential to lift themselves not only above the poverty line, but to self-sufficiency.

These conclusions receive important support in California in a study by the Los Angeles Economic Roundtable examining California TANF parents (GAIN participants) in Los Angeles County. Although California has provided funding for only 12% to pursue educational and training activities, a statistically significant sample of that group was earning 16% more than their untrained

GAIN counterparts lacking after three years. Importantly, the difference increased over time; they earned 39% more after five years.[264] Other evidence of work advancement potential from training investment is discussed under (9) below—"Evidence of the Empirical Impact of Welfare Reform on Children."

(6) Public Service Jobs

One of the CalWORKs qualifying options available to counties to meet federal work participation targets is public service employment. Arguably, the PRA and CalWORKs statutes can be read to require public service employment opportunity for all qualified TANF parents in lieu of grant reduction sanction where jobs are neither refused nor available. Advocates for both the poor and children have supported public service employment where it is a pathway to full employment. However, there are a number of problems with this option as specified in CalWORKs and as counties are now implementing it.

(a) Cost and Timing

Under CalWORKs, the clock began to run for existing TANF recipients on January 1, 1998, with an 18-month period of preparation and search—extendable another six months. Rather than cycling the TANF population at a steady rate into private employment over the seven to ten years it would take in an optimistic scenario, 60–80% of the caseload (depending on statutory interpretation) must be in a qualified work activity in a small window of time. Exacerbating this problem is the federal timing context. The most recent estimate is that "by June 2002, nearly 60% of the single parent adults in CalWORKs will reach their federal time limit."[265] At this point, state-only funding must kick-in. Will it be available? From where?

The state CalWORKs statute proposes to provide community service employment as a last resort if private sector jobs are not found by any person who has been receiving TANF for more than two years after 1998, a time limit now registering. This public policy of required, sudden and wholesale employment puts the large population of TANF parents in a kind of "holding pattern" in hundreds of thousands of suddenly-created jobs—to last three additional years, at which time the obligation to provide them expires under the statute (on January 1, 2003 for many).

The threshold problems of such a public employment holding pattern include the fact that it will cost well over double the cost of TANF grants: the counties must fund child care, spend to create and arrange the work, and pay recipients at some level. Although the two-year deadline sends the message "assistance requires work," the holding pattern of work it creates is expensive.

Most important, it is unclear how jobs on this scale can be created in the timespan allotted. The calendar year 2001 will theoretically require public service employment of as many as 300,000 TANF parents by counties just as the federal welfare-to-work block grant expires. The surpluses from 1997 through 2000 (estimated to have accumulated to $1.6 billion for California) create an opportunity to invest in training and education on a substantial scale for private employment. To comply with the CalWORKs obligation as written, the counties would have to arrange or provide almost as many jobs as the entire private sector of the state normally creates in a year.

If such jobs are provided, they are likely to be a kind of "makework" and may not include training, apprenticeship, or other lead-in value to private employment—employment preparation which the program's costs could provide to the same population if properly redirected and given longer timing and realistic targets which correspond to private employment absorption capacity. As the statute permits, they would then be terminated after three years with little private employment entry chance, and in large numbers over a short time span. After termination, they would suffer penalty reductions in TANF and after limited additional months, possible complete cutoff in family assistance.

(b) Community Service Employment: Jobs vs. Workfare

Given the time and budgetary pressure, community service jobs may take the form of "workfare." That is, counties will find makework and will condition receipt of the existing TANF grant on its performance. Although, as noted above, such an approach will more than double the costs of the TANF grant program itself (given child care costs, etc.), it may be somewhat cheaper than real public service jobs with minimum wage and benefits.

Such new workfare TANF recipients may not receive the same package of legal protections afforded other private or public workers. First, they will be ineligible for the earned income tax credit.[266] Although the issue is in dispute, participants may not be subject to federal minimum wage protection, nor more likely to California minimum wage standards.[267] It is doubtful that unemployment insurance will apply and uncertain that workers' compensation for injury or death benefits will be available.[268] Nor do such employees have any assured labor rights to organize.[269]

Although advocates for the poor contend that U.S. Department of Labor standards require provision of minimum wage and workers' compensation insurance, the voluntary provision of either by counties is problematical.[270] The clear position of California Department of Social Services is that minimum wage standards do not apply to county workfare, and Governor Davis'previous budget assumes the front end cheaper workfare will be the norm. The state is taking the dubious position that CalWORKs community service employment is subject to the "trainee" exception to minimum wage application, a position contrary to the interpretation of the Legislative Analyst.[271]

The two initial county surveys of CalWORKs implementation indicate that the first three counties to address community service employment characterize it as "work required for TANF grant receipt."[272] The workfare option saves counties a small amount, but costs TANF parents more because of lower compensation, and as noted above, working for minimum wage entitles them to federal refundable earned income tax credits (EITC). The EITC loss is momentous—up to $3,888 per year for a working family with two or more children. In addition, wage-based earnings assure social security contribution and qualification for old age, medicare contribution, and unemployment insurance coverage—of substantial benefit given the junior job status of the newly hired.

As of July 1999, CalWORKs requires a minimum of 32 hours per week of work for each applicant (35 hours for some). This translates to $864 per month in pay at minimum wage ($6.75/hour as of 2002)—25% higher than a TANF grant for the benchmark family of three. Further, pay at minimum wage will require some FICA withholding, social security contribution, etc. However, receipt of the earned income tax credit and additional food stamp eligibility from earned income will give the family a major push up toward the poverty line.

Table 2-L presents the difference for the benchmark family of three. Under the workfare option, a family with two children lives at 74% of the current poverty line of $1,219 per month. A family in Region 2 and receiving a maximum $595 TANF grant will be at 74% of the current line. In contrast, and at comparatively modest state cost, the minimum wage paying job places the projected 1.3 million California children into families at 11% above the poverty line, instead of 26% below it.

	Workfare	Paying Job at Minimum Wage
Grant Income	$645	
Earned Income		$864
Food Stamps	$251	$292
Tax Credit		$324
FICA		($60)
Net Monthly Income	**$896**	**$1,420**

TABLE 2-L. Comparison of Monthly Income: 32 Hours/Week Workfare Versus Minimum Wage Job: 2001–02

The Taxpayer Relief Act of 1997 specified that participants in "community service programs," or "work experience" programs cannot receive the EITC.[273] However, this restriction only applies "to the extent the payments are subsidized under the state's TANF program." If the program provides "subsidized public sector employment" or "subsidized private sector employment"[274] under the PRA, EITC may apply. The difference is that under the latter, employees receive not a TANF grant, but a wage with appropriate FICA contribution.[275] California has fortuitously structured CalWORKs to facilitate such a strategy, distinguishing TANF assistance from CalWORKs "services," and adding its state welfare-to-work federal grant match to county block funds—funds generally available for such wage provision or subsidy. If poverty advocates are correct and workfare recipients must receive minimum wage (federal or state), than the failure to structure employment for EITC receipt becomes a foolish omission, because the additional cost would amount to the FICA and workers' compensation payments, a fraction of the EITC gained and which have their own public benefits. The Legislative Analyst's Office issued a February 1999 report exploring the option of public service employment over workfare, noting its additional cost and the possible EITC advantages.[276]

California allows minimum wage qualification and potential EITC collection under its August of 1990 policy declaration.[277] However, it has done so under a dangerous and legally dubious "workfare" format. That is, it takes the total maximum TANF grant, and then adds in the maximum food stamp assistance allowed, and declares that amount to be the compensation for work. At a 32 hour work week such a formula will work. However, it does not work for single child or child only cases. [Presumably, counties will assign education or training activities to get them to the required 32 hours without additional pay].

The California solution will not work at above 32 hours of employment. Further, it essentially requires CalWORKs families who clearly qualify for food stamps to reject them in lieu of the $800 per month maximum allotment. Accordingly, California essentially allows its "community service" employees, who will number in the hundreds of thousands if the CalWORKs statute were to be complied with, $1,220 per month—the federal poverty line for 2001–02.

After the three years of makework is completed, most recipients will have exhausted their entire lifetime 60-month allocation counting from January 1998. Hence, at the end of 2003, they will be fired *en masse* as the statute now provides. They will be back where they were at the start, except federal contribution will now cease, and at best—because TANF levels will be taken over by the state—with a planned one-third drop (the "parent's share") for the benchmark family. The result will then place these 500,000 to one million children in what public health experts refer to as "extreme poverty"— below 50% of the poverty line.

(c) Less Parental Attention

Welfare reform adherents acknowledge that removal of children from close parental supervision and tendering their care to relatives or child care providers is not an inherent advantage for involved children, who spend less time with the parent(s) to whom they are bonded and instead are supervised by relatives who did not make the decision to have the involved children or by outsiders with commercial concerns.

Limited studies on the subject suggest that children will suffer substantial deficits from the removal of parents to a required regime of 32 to 40 hours of work per week. Studies suggest that the first year of development particularly benefits from strong parental attention.[278]

The unspoken rationale is that such a policy will discourage births by persons unable to provide for resulting children—particularly unwed births. However, as noted above, the evidence does not support a direct connection between welfare levels and unwed birth incidence—which instead appears to be culturally driven. Some even suggest that the effect could be contrary. Advocates for the poor argue that impoverished adults will seize work opportunity where available, noting that the current record disparity in favor of wages *vis-a-vis* TANF grants (created by minimum wage increases and TANF cuts since 1989) further stimulates work motivation. Some contend that placing parents first in line for substantial training, and job placement investment may provide an incentive (to the extent economics drives reproductive decisions) to have children notwithstanding unwed or unemployed status—perhaps for the employment help preferentially offered.

(7) The Problem of County "Devolution," Misincentives, Inadequacy, and Inconsistency

CalWORKs provides counties with a single block grant to decide individually between child care, mental health, substance abuse treatment, job training and education, and employment assistance spending. Counties are free to move funds within a broad range of welfare-to-work related accounts.[279] Such block funds unspent from 1997–2000 could be rolled over by counties until at least July 1, 2000.

(a) County Discretion

The county share of costs for CalWORKs (including employment services) and food stamps administration is capped at their 1996–97 levels. Funding above these levels comes from the state, with no required county match. However, this freedom and the new unrestricted grants come with the delegation of authority to decide who will suffer TANF cuts ("sanctions") within broad guidelines, the terms of child care provision, and—most important—required workfare or other employment costs to assure compliance with federal targets.

Real decisions delegated to counties include:

- who will make up the 20% who are allowed exemption from work due to disability, foster care obligations, or other reasons;
- whether a woman with a newborn will be compelled to work within three months, six months, or twelve months after the birth;
- who is adequately "assisting" in the support collection from absent parents;
- whether an applicant will be required to work within 18 or 24 months;
- whether a grantee has failed to seek or accept work and should be sanctioned;
- whether child care will be provided for children between the ages of 10 and 13;
- precisely what "work activity" options will be provided;
- whether a minimum of 32 hours of work will be required;
- the extent and terms of community service (workfare); and
- how rent/utility vouchers will be given to those sanctioned.

Counties are empowered to cut the "parent's share" or deny entirely assistance under broadly defined criteria. At the same time, they are provided limited resources to provide employment and given substantial incentives (retention of 75% of the savings to use for other purposes) to reduce TANF rolls or TANF grants.

Apart from uncertain preparation, the anticipated costs of a real community service employment program as specified in the CalWORKs statute are momentous and are not reflected in either county plans or the proposed state budget. These costs will not mount immediately, but they will begin to increase during the current 2000–01 fiscal year if counties comply with the law and arrange or provide last resort employment for more than 150,000 parents in calendar 2001 and 2002 , and perhaps 300,000 parents by 2005. They will mount more noticeably during 2001–02 as the roll-over of surplus funds is gone and an economic downturn possible. Although required county contributions are "capped," the obligation to provide a substitute safety net, or to soften the safety net withdrawal for children, or to provide substitute employment for those parents who seek work and who "play by the rules," will give county officials a series of Hobson's choices: Spend money they do not have, or cut parents who are unable to find jobs which do not exist, and reduce aid to families with children to below median rents.

(b) County Implementation

Early surveys of county implementation of CalWORKs indicated wide variation in initial plans, as described in the *California Children's Budget 2000–01.* While the California Department of Social Services conceded that "as many as 150,000 positions may be needed, peaking in May of 2001," the counties remain oblivious to the statutory command. Los Angeles County estimated that it would need "just over 3,000 positions by December of 2000."[280]

In contrast to the workfare approach of most counties, San Francisco initiated a pilot project to afford wage based employment, pegged not at assistance grant levels, but at $6.26 per hour, allowing income at substantially above grant levels as well as clear EITC qualification. Those employees in the program who have transitioned to private employment now average $9.53 in pay and most are working full time and with benefits. Such an outcome, adding the EITC and subtracting payroll taxes, achieves $1,700 per month, more than double the TANF/food stamp grant serving as compensation for almost all community service employees. Successful placements are attributed *et al.*, to job readiness training on point.

One recent survey of early implementation plans from 16 counties reveal the following troubling facts:

- None is using a wage based model (aside from the San Francisco Pilot and one planned for Alameda County);

- Half (8) do not list training and education as complementary investments to help move recipients to private employment;

- Half (8) do not clearly allow education and training hours to count in meeting the 32 hour participation minimum.

- Six do not specify the intended length of placement, and those which do identify it as "three to six months" followed by "reassessment" of a participants' situation.[281]

The Survey also faulted counties for failing to take action to preclude "displacement" of regular public employees by community service jobs. The mandate of CalWORKs and providing meaningful community service public employment predictably conflicts with the instruction not to deprive other potential state employees of county employment. The tension may be reconciled by improperly displacing public employees who are wage based and hence cost more, with subsequent negative impacts to their children. Or it may be reconciled by providing "make work" otherwise not engaged in, and which is unlikely to transition into private sector employment.

It remains unclear how some counties, particularly Los Angeles, will manage to implement the required employment element at the two year mark. During 2000, AB 1233 (Aroner) was enacted to create more local options beyond simply public "make-work" employment.[282] The new legislation allows "grant based on-the-job training" permits "wage-based community service." The new law removes the application of the $225 plus 50% earned income disregard as to wages and requires no stipend to cover mandatory payroll deductions, and allows participants to be assigned to the activity involuntarily. Hence, counties can pay a stipend to cover such mandatory deductions from their single allocation or from fiscal incentive funds (see discussion below), Both San Francisco and Los Angeles have indicated an intention to take advantage of this flexibility. The concept is to provide training in the private sector which can lead to permanent employment. Participants receive a real paycheck and are entitled to the EITC, and payroll taxes are presumably paid through the county provided stipend. The alternative to this option is the "workfare" plan generally in place, which assigns full TANF and food stamp benefits, and then requires TANF recipients to work at minimum wage the number of hours necessary to reach that amount (working for your benefit). If one falls short of the federal 32-hour minimum required to work (as with single child families), additional training hours are prescribed.[283]

It remains unclear how counties will provide community service employment for the hundreds of thousands of TANF parents who will suddenly require it during the 2001–03 fiscal years, even with the additional options afforded by AB 1233. In a recent review of performance, the Legislative Analyst concludes: "Welfare-to-work services are potentially underfunded by as much as $120 million during 2000–01, and 10 counties do not have sufficient funds to provide necessary services for all fammilies needing to become self-sufficient." [284] One of those counties is Los Angeles, allocated only $2,800 per aided adult.[285]

As discussed below, the state is more than 148,000 short of federal requirements for numbers of TANF recipients in qualified work activity, and with the economic downturn of 2002, is likely to be over 250,000 short by 2003. This expansion is above and beyond the underfunding reported by the Legislative Analyst above for 2000–01. The current situation would require substantial county job provision in 2003 to avoid federal penalties just when (a) the $2 billion surplus in TANF funds devolved to counties dissipates (already halved by 2001 according to the GAO, see discussion above), and (b) the state faces a $23.5 billion state shortfall and proposes to cut severely the number of caseworkers.

It will not happen. The question then presented is: What will happen to these recipients? Will they be sanctioned? Will the counties be penalized for diverting $2 billion in surplus TANF funds from 1999 to 2001 to other purposes? Will the federal jurisdiction impose penalties?

(c) Resource Variations Between Counties

The devolution of authority from federal to state, or from state to local, jurisdictions is consistent with the American presumption of government "closest to the people" involved. However, supersession by the larger jurisdiction allows only a minimum national or state standard or policy to apply. Such supersession is accepted where competition among jurisdictions interferes with larger purposes. Different benefits between counties within the state may cause movement of parents needing income to feed and house their children.[286] Those counties with higher assistance or fewer cut-offs may give a "free ride" to the residents of other counties with more restrictive policies. Even if there is little movement of poor families to counties maintaining relatively strong safety net protection for children, the fear of such movement may discourage each county from offering more than other counties—eventually driving the safety net for children to "the lowest common denominator."

These initial fears have been heightened by the February 14, 2001 report of the Office of Legislative Analyst concerning wide variations between counties in providing employment services under CalWORKs. A new allocation system to the counties has been implemented during the current fiscal year (see below) and the Analyst reports that: "the new system for budgeting CalWORKs welfare to work services is flawed. It has resulted in funding allocations per aided adult that range widely among counties from about $2,400 to $11,300."[287]

(8) Federal Penalties: Work Percentage Targets Required of States

As discussed above, two separate federal work percentage targets apply to states under the PRA: one for the TANF-U population of two-parent unemployed families, and a lower overall target for the entire TANF parent population, including the larger TANF-FG population of single parents. The first requirement, effective in October 1997, of 25% of the total caseload to be employed or in job training was met, but the requirement that 75% of the TANF-U population engage in job participation was not.

Fifteen other states also failed to meet this initial target.[288] California's failure did not yield the threatened huge federal penalties of $187 million which were assessable. Rather, altered federal rules allow a state to suffer only the percentage sanction of this amount attributable to the population not meeting target. Since the TANF-U population represents only 17.6% of the total TANF families, the state's exposure was limited to $7 million. The state's percentage requirement was reduced from 75% to 68% because of caseload reductions, but it only employed about 24% of the 140,000 TANF-U parents, and most of them are in job training activities, not CalWORKs arranged employment. Compliance also failed in 1998–99, with a larger penalty of $28 million, as the required percentage is now at 90% for the TANF-U parents, and will be 45% for the overall population in the proposed year, jumping to 50% in 2002. Continued failure is likely under the CalWORKs formula unless it is refined.

The current dilemma is highlighted by the most recent CalWORKs data which found 69.1% of adult recipients required to participate in work activities—representing 369,716 adults. This calculation includes allowance for all PRA permitted exemption, including exempt, exempt-disabled, sanctioned, and single parent with a child under twelve months of age. The same data discloses that of the 535,119 adult recipients 313,490 are unemployed (58.6% of those receiving aid) and 221, 629 are employed. This means that as state unemployment turns up in 2002, the state must somehow retain the employment of each of those in this latter group (although lacking seniority and likely to suffer early lay-offs in an economic downturn), and then employ an additional 148,000 parents.[289] Of great concern, the data reveals 27,877 parents suffering sanctions in 1999,[290] with larger numbers estimated for 2000 and 2001, and a substantial further increase projected for 2002 and 2003.

As discussed above, federal targets may be met by increasing the number of persons receiving CalWORKs help who are working. That is, help the working poor who are at risk of falling into TANF support, and count that help within the participation ratio. Specifically, seek waiver or clarification to (a) excuse the 90% compliance for the TANF-U population given California's unique high TANF-U demographics, (b) increase the percentage of "participants in job activity" by assisting substantial numbers of the working poor currently in danger of TANF re-entry. This last option changes the balance of TANF participants to include a high percentage of those working. By providing help to more parents who are working near the poverty line, job retention and movement toward real self-sufficiency are stimulated, and additions to TANF rolls are reduced combined with substantial additional investment. Providing a state supplemental Earned Income Tax Credit as otherwise recommended, or Stage 3 child care for persons now working (see Chapter 6) could qualify. The result: federal targets are met even at the 70% levels proposed in current PRA reauthorization proposals, and the parents of impoverished children are given substantial help toward self-sufficiency above the poverty line.

These two alterations in public policy should be combined with three other reforms, as indicated above: adequate resources in (a) job training and placement of the existing TANF population, (b) the alteration of CalWORKs' county community service employment requirement to a phased 5%–10% reduction in TANF caseloads each year through remunerative private jobs and limited (feasible) community service employment at minimum wage, and (c) a major public relations and parenting education program geared to promoting responsible reproductive decisions by teens and adults, including extensive publicity directed toward men to encourage enhanced child support collection, inform about statutory rape prosecution, and discuss the consequences of unintended impregnation of women.

(9) Evidence of the Empirical Impact of Welfare Reform on Children

The initial study of New York's TANF population is of great concern to child advocates nationally. The decline in TANF roles there, similar to the reduction reported in California and elsewhere, is only partly driven by employment enhancement from the economic upturn. In fact, only about one-third of those dropped from TANF rolls from July 1996 to March 1997 achieved wages beyond $100 in total over three months after departure; most were driven by sanctions or new qualification or paperwork requirements into deep poverty without any employment whatever—and with portentous implications for involved children.[291]

Studies during 1997 and 1998 confirmed these troubling findings. Summarizing studies from 11 state studies, experts have concluded that approximately 50% to 60% of those who leave welfare find jobs, only slightly higher than the percentage leaving welfare for jobs prior to 1996. Most of the jobs obtained pay between $5.50 and $7 per hour, not enough to lift families out of poverty, and far short of self-sufficiency, as discussed above. Child care and transportation remain major barriers to economic improvement for families.[292]

The Urban Institute's study released in August 1999 found that about two-thirds of those exiting welfare had found jobs, and generally achieved more income than TANF grants in their respective states. However, the average wage for those so employed was $6.61 per hour, still below the poverty line for a family of three.[293] Another study using Census data to compare income trends among single mother households from 1993–95 compared to 1995–97. It found income rising during 1993–95 due to economic expansion and the Earned Income Tax Credit, but it found incomes falling from 1995–97 as welfare reform began to be implemented. The cause of the downturn is the diminution in means tested benefits (income decline from TANF assistance loss exceeded gains from new employment). Welfare is being replaced by working poverty.[294]

The safety net retraction nationally has been momentous. In 1995, 57% of impoverished children received safety net cash assistance, by 1998 the percentage of poor children receiving TANF assistance had fallen dramatically to 40%. Similarly, food stamp participation fell from 88% to 70% of children living below the poverty line.[295] The prime directive of welfare reform: moving parents out of poverty while holding children harmless has thus far failed. Notwithstanding a major economic boom, a relatively small number of children have risen above the poverty line. A recent national study attributes the expansion of the Earned Income Tax Credit in 1993–96 for the substantial mitigation of what would otherwise have been a further deepening of poverty. Nevertheless, the study found that "while the number of poor children decreased modestly between 1995 and 1997, children living in poverty were, on average, somewhat poorer in 1997 than in 1995.[296] As discussed above, the trend from 1997 to 1999 has been toward a yet higher average "deficit below the poverty line," now reaching over $7,000 below the line for single parent families.[297]

Three national studies released in 2001 and 2002 respectively found that parental employment did not harm or benefit infant, toddler or school age children where quality and subsidized child care was available. Studies have also found that programs that increase both income and employment earnings (earnings supplements) benefitted children in terms of academic (school) performance. Adolescent children, however, had negative academic outcomes in each of the programs studied (mandatory employment, earning supplements, and time-limited assistance). Negative impacts included poorer school performance and higher special education enrollment.[298] Another study found that differences between the adolescent children of welfare leavers (working parents) and those remaining on welfare are not significant, although leavers had higher rates of children suspended and expelled from school.[299] It and other studies found that poverty level was a critical component of child success. These conclusions were supported by other studies and commentators over the past two years.[300]

A fourth national study released in May of 2001 found that parental employment does reduce poverty (particularly given low TANF assistance in many states). The study found that children living in married couple families meeting the PRA work standard fared particularly well. It found that earnings opportunities were diminished in single parent households, where educational attainment was low. Importantly, it found that among the working poor who had moved up toward or beyond the poverty line received less health coverage and ancillary public assistance to which they were entitled and which could push their children more substantially above the poverty line.[301] These findings are well supported in the case of California, where food stamp and Medi-Cal disenrollment are associated with CalWORKs parents moving from assistance to employment (see data above and in Chapters 3 and 4 below). As with many studies published in 1999 to 2002, It found that children would likely benefit substantially from four public policies: (1) increases in the Earned Income Tax Credit, (2) increases in the educational level of working poor parents, (3) enhanced child care availability for working parents, and (4) marriage—two parents are a much more viable vehicle to escape poverty.

The California implications of these findings are of special concern. Given California's relatively high rent and living costs, and hence its higher TANF grant, its parents face a substantial loss in assistance. when they trade low wage employment, or less than full-time employment, for TANF coverage. At best, involved children whose parent have found employment will face similar poverty levels, and placement in marginal child care settings (see Chapter 6). Meanwhile, more than 30% of those parents leaving TANF have no employment and recent data suggests that their children are substantially deeper in poverty. In California, this population without TANF support and without employment is larger than most states given its extraordinary immigrant population, and evidence of immigrant family flight from TANF, notwithstanding child eligibility (see discussion below)

These concerns are supported by a major study by the University of California and Yale University, released in February 2000. The study focuses on three states, including California. The California sample involved single mothers in San Francisco and San Jose with young children enrolled in CalWORKs for 6 months. Compared to control groups, the study found: (1) young children are moving into low-quality child care as their mothers move from welfare to work (with an important exception at several center-based programs in California); (2) child care centers are in short supply in the neighborhoods where needed and almost half are compelled to leave children with family or friends; (3) the early development of young children is limited by uneven parenting practices and high rates of maternal depression; (4) although a sizable percentage are moving into jobs, wages are low and income remains below the poverty line, with average hourly wages of $6.36 and a median monthly income of $700 before deductions. About one-third of the California mothers surveyed admitted that they had difficulty buying enough food for their children “often or sometimes.”[302]

The child care deficit is of particular concern. Studies indicate a lack of quality facilities, ignorance about benefits which are available, and most importantly, assured assistance for only the initial two year period after employment, given its substantial costs, that limitation relegates parents who have achieved employment to welfare re-entry. That short time fuse of assistance places a discouraging cloud on the employment hopes of parents seeking to leave welfare rolls (see discussion below and in Chapter 6).

California has avoided the careful measurement of the impact of CalWORKs and TANF cuts on children. However, private studies since 2000 and able to measure the first three years of welfare reform implementation have included samples of impoverished families in California, and indicate the following:

- A study of 100,000 Los Angeles County welfare recipients by the Economic Roundtable found that the majority remain mired in poverty notwithstanding increased rates of employment because their jobs offer insufficient wages or hours for them to progress substantially.[303]

- Over half of the jobs available for TANF recipients in Los Angeles require reading, writing, arithmetic, or the ability to use a computer; almost half were clerical, another quarter service jobs, and one-fifth sales. The jobs filled by former TANF recipients averaged $7.83 per hour, with health insurance provided by 59% of the employers. High turnover and weak performance was a problem for about 30% of the new job holders. Absenteeism was a common problem, often linked to child care and transportation issues.[304] Interestingly, employers rated the former TANF group in overall performance as highly as other employees. However, the report notes that the “hiring rate” is relatively low in Los Angeles where TANF recipients are less likely to have received attention or assistance than in other parts of the nation. It concluded that substantial new investment is warranted in training and in supportive services such as child care and transportation to enable families to work themselves above the poverty line. The 2001–02 California budget does not follow that recommendation.

- A summary of the evidence available in July 2001 of the fate of former CalWORKs Recipients concluded that over half the leavers surveyed were working, but that earnings are above the poverty line, but by a small margin and well below self-sufficiency levels (see below). A four county survey found that the median wage of those employed ranged from

$8.80 to $9.26 per hour, about ½ the level necessary to pay for shelter, utilities, food, transportation, child care and assessed payroll and other taxes. Most leavers are employed in low-wage occupations with few advancement opportunities and uncommon employer health coverage, and many do not receive those available safety net benefits for working poor families, including Medi-Cal, food stamps, child care help, and the EITC. Remarkably, the percentage receiving each of these last three safety net benefits ranges from only 11% to 20%.[305]

- On April 16, 2002, the Wave 2 Findings were released of the respected welfare reform study of the consortium of the University of California at Berkeley, Teachers College, Columbia University, Stanford University, and Yale University. The study included a California sample and California findings of the impact of CalWORKs on families and children. Findings included: (1) Many women have moved into low-wage jobs, which has raised their income significantly, but unlike some of the national studies average income remains at just over $12,000 annually, still below the poverty line for most. (2) Related measures of economic well-being show little improvement. For example, "almost one fifth of all mothers recently cut the size of meals because they didn't have enough money to buy more food—three times the rate reported by all adults nationwide. The average mother reported about $400 in savings." (3) Mothers are spending less time with their pre-school age children. No consistent gains were detected in pro-literacy parenting practices, or sensitivity to children. (4) Participating mothers had twice the adult rate of clinical depression, two in every five. (5) Those low performing children who moved into new child care centers and pre-schools displayed stronger gains in cognitive skills and school readiness—moving about 3 months ahead of children who remained in home based settings.[306]

The four University study above, the most recent and thorough to date, infers that welfare reform as presently constituted is failing affected children. The detailed findings further suggest that PRA reauthorization inflexibility and lack of meaningful investment in working poor families, education and advancement, paternal involvement, and quality child care centers, will exacerbate the detrimental impact on children.

6. Last Resort Safety Valves

a. State-Only Food Stamps

During 1997–98, a separate population of 140,651 legal immigrant children suffered an initial wave of cut-downs, including SSI and food stamp disallowance as a result of the passage of the federal PRA. A state-only food stamps program then kicked in for part of the population which arrived prior to August 22, 1996 (see separate discussion of immigrant population below and Chapter 3 discussion of current status of state-only food stamps).

b. Rent/Utility Voucher Safeguard: State Violation

The eventual CalWORKs bill enacted during 1997 took the form of an omnibus bill (AB 1542, PL 104-193) which consolidated within it numerous specific bills introduced at the time. One of those specific bills was AB 282 (Torlakson) sponsored by the Children's Advocacy Institute. It provided for rent and utility vouchers to TANF parents whose safety net support was being cut as a result of TANF "penalties" imposed by the state or county to reduce grant levels. The concept was to provide a safety net floor of at least rent and utilities to prevent children from being thrown into the streets—a bottom limitation on the penalty to be imposed to minimize impact on children, and to assure that funds go for basic shelter and needs. That provision, with slight alterations, became integrated into the CalWORKs statute, adding § 11453.2 to the California Welfare and Institutions Code. It provides that "a county shall issue vouchers...for at least rent and utilities...[where] any parent...has been subject to sanction of a consecutive period of not less than three months. Vouchers...shall continue until the parent...is no longer subject to the sanction."[307]

The benchmark family of a mother and two children currently receive $645 per month in maximum TANF support. A penalty imposed on the family (see above, *e.g.* the mother is not working at a qualifying job within a specified time period) would cut this sum to $420 in the normal course. However, where rent and utilities hypothetically total $550, the intent of this bill was to reduce aid only to that $550 level, and vouchers would be issued to make certain rent and utilities were covered to protect involved children.

On June 29, 1998, the Department of Social Services adopted sections 40-033 and 40-307, and amended sections 44-303.3 and 44-304.6 of the "Manual of Policies and Procedures" (MPP) guiding CalWORKs implementation. They became effective on June 28, 1998.[308] DSS and the counties have now interpreted the statute and this rule as written to add nothing for rent and utilities where the penalty amount is insufficient, and to turn all existing cash assistance to vouchers. Hence, in our example above, the penalized family cut from $625 per month to $410 per month would receive not $550 to cover at least rent and utilities, but $410—which would then take the form of vouchers. Hence, a safety net protection has been converted into an unauthorized, unintended extra punishment.

The consequences of this erroneous rule are momentous unless judicially corrected. The impoverished single mothers and unemployed families of California were receiving over $1,200 per month in current dollars for TANF safety net assistance as recently as the early 1990s. Rents have risen precipitously as vacancy rates have fallen to nil in most of the state's urban areas (see discussion above). Utilities rates have more than doubled for many consumers, including impoverished families due to the failure of deregulation. The numbers of TANF parents subject to penalties will increase markedly as the other provisions of CalWORKs providing for sanctions increasingly take effect.

c. County Child-Only Assistance After 60 Months

Under CalWORKs, counties are permitted to continue "child-only" assistance after the maximum 60 months of grants have been exhausted. This could provide at most about $420 per month for a family of three, less than half the median rent plus utilities of the state's urban counties. This level of support is approximately one-third the spending power available to impoverished children as recently as 1989. It is unclear what will be the source for such state-only child-only funds when they become necessary during 2003 and thereinafter.

d. County General Assistance

Although not focused on children, California law has long required counties to provide a last failsafe level of "general assistance" to all dispossessed adults.[309] This aid is much more limited, is not designed to assure shelter and nutrition for children, and is increasingly left to county discretion, where funding resources are limited, particularly after implementation of Proposition 13.[310]

e. Charity or Family

Some welfare reform advocates contend that safety net needs can be met through private charity and churches where publicly withdrawn. The CalWORKs delegation to counties was openly intended for "[c]ounties...to design their safety net benefit array,...encouraged to utilize local charities, the faith community and other community resources to provide services."[311]

Ironically, the largest charities capable of help derive most of their resources for that purpose from public funding.[312] Church and charity leaders contend that they do not provide systemic safety net services, and are incapable of doing so. Fred Hammer, president of Catholic Charities, the nation's largest private helper for the poor, testified before Congress that the differences between government help and private charity are momentous. He bemoaned lawmakers' lack of comprehension about the role and limitations of charities, explaining that they are able to provide only a tattered patchwork of services, usually at a crisis point. "What none of us do," he conceded, "is to provide regular income to poor families. I speak here for everybody—Catholic, Protestant, Salvation Army, Jews, evangelicals. None of us has that kind of money." Similarly, in a 1995 letter to lawmakers, 116 of the nation's leading charities noted that even additional tax incentives for private giving "would do precious little" to offset proposed cuts to social programs.[313]

Most people will respond to a family emergency with available resources. However, impoverished populations do not always have networks to the more affluent. Californians in particular are mobile, and do not always live in communities where the condition of a neighbor's children is known. In addition, those who are impoverished tend to be concentrated geographically into areas where their neighbors and family may be similarly without resources. In many cases, relatives are disabled or ill or are themselves seeking help from the parents of children subject to cut-down. As discussed above, a survey of single parents currently on aid found that 24.7% of them suffer from a health disability, and 45.4% are in fair or poor health. Among the two-parent families on TANF-U, 20% have a health disability and 52.3% are in fair or poor health.[314] Grandparents are not likely to be in better health, or substantially less impoverished, than are these parents of TANF children.

f. Child Protective Services/Adoption

The major escape valve advanced by Eloise Anderson, former DSS Director, was juvenile court intervention to take children as neglect victims. In a misunderstanding of current juvenile law, the 1997–98 Governor's Budget Summary outlined her proposal: "If, for whatever reason a parent fails in this program (to obtain employment and leave TANF), the health and safety of the child should be assessed. As recognized in current law regarding the safety of children, the counties should ascertain whether the best interest of the child requires placement with another family member or in foster care."[315]

Director Anderson described this Child Protective Services safety valve as triggered by a special assessment of parental ability to provide for children before or at point of cut-off: "A child health and safety assessment will be required before a family is terminated from aid due to a failure to meet work requirements or prior to reaching their time limit on aid."[316] This description assumes that a juvenile court can assume jurisdiction over a child—supplanting parental authority, before or as aid is cut off to inquire into the financial prospects of the parent. Presumably, if it is in the best interests of the child, the juvenile court will order a child removed for placement with a relative or placed in foster care.

However, juvenile court jurisdiction over children is not based on a "best interests of the child" standard. Rather, parents have a constitutionally grounded "right to parent" their children.[317] That right cannot be terminated except through a finding of parental "unfitness" by clear and convincing evidence.[318] Several U.S. Supreme Court cases have declared it "plain beyond the need for multiple citation that a parent's desire for and right to 'the companionship, care, custody, and management of his or her children' is an important interest that 'undeniably warrants deference and, absent a powerful countervailing interest, protection.'"[319]

Unambiguous abandonment or willful neglect may justify the intervention of the court, its assumption of protective jurisdiction (necessary for substantial removal of a child from parents), placement elsewhere, and eventually the termination of parental rights. But a parent's inability to pay the rent, find a job, provide a meal for a child within the next 24 hours, or even to feed the child nutritious meals during the past week, will not yield court jurisdiction in the normal course.[320] In general, intervention based on "neglect" is rare, and usually involves parents who are "unfit" because of mental defects, alcohol or drug addiction, or home conditions which are unsanitary to the point of infection danger.[321]

The second problem with reliance on the Child Welfare System (dependency court/child neglect) as a "safety valve" protecting children from extreme impoverishment is that the damage which does occur from undernutrition is gradual, systemic, and does not carry the indicia of broken bones or blood. It is often the diminution of potential, the lowering of IQ, *vis-a-vis* what would have been. Exacerbating this problem is the fact that most mandated reporters (*e.g.*, teachers, school nurses) see children from age 5 on, and from birth to 6 years of age is the critical period of permanent brain development (see discussion and citations in Chapter 3). Even if malnourishment were to be visible, who will report it during these critical years? As the TANF data profile above indicates, over one-half of all children receiving TANF are under 8 years of age.

A third problem with employing the dependency court as a safety valve is the remaining federal requirement that the state must demonstrate "reasonable efforts" not to *remove* a child. Will the removal of a child because a parent's assistance has been reduced due to her failure to find employment constitute "reasonable efforts" not to remove the child? Federal and state law on child removal is designed to keep families together where possible, and requires family-by-family efforts to do that. Such an approach conflicts with a categorical and bright-line grant cut-down of persons based on inability to find a job after two years or sixty months.

Similarly, federal and state law independently require "reasonable efforts" to "*reunify*" child and family *after* he or she is removed. Further, parents are normally given twelve months (under federal legislation) to warrant reunification, with the state required by law to provide services to facilitate it.[322] Can the state meet such a "reasonable efforts to reunify" requirement where it cuts down a grant below rent levels, or cuts off a parent if the parent has attempted in good faith to obtain employment and is otherwise fit for parental responsibilities?

The fourth problem is the many-in-a-short-period timing. As described above, the cut-downs are likely to occur during 2001–02, and the major dilemma may be faced in 2003–04 at the 60-month mark for many. How can counties assess the status of such a large number of children over a relatively short period of time?

The fifth problem is the cost. Removal of children by the court and forced placement with others (relatives or not) means the new families become eligible for TANF–Foster Care, which costs substantially more per child per month than does TANF.[323]

The final problem is ethical. The children involved have bonded with their parents, and vice versa. Most of these parents are competent and loving mothers and fathers—the proposed removal is not based on lack of love, attention, or caring devoted to their children. It is simply a proposed removal for poverty and failure to secure employment, which may not be feasible for some involved parents, particularly if there is an economic downturn. Former Governor Wilson seriously suggested voluntary surrender of children by parents for adoption if they are unable to find jobs in time and lack adequate resources to feed their children. His instruction was that recipients "should be offered every assistance in placing their children for adoption, recognizing that such a decision is a courageous, wise, and ultimately unselfish choice by the parent to give the child a home and opportunity which otherwise cannot be offered."[324]

In practical terms, only 5.9% of TANF children are under one year of age,[325] and adoption is difficult for older children.[326] California currently has over 100,000 children in foster care, many of whom would benefit from adoptive parents. Of approximately 10,000 children who seek adoptive parents each year, only 3,500 are successful[327] (see discussion in Chapter 8).

Although Governor Davis does not share the same views as his predecessor regarding safety net provision to impoverished children, the system now in place, with deadlines approaching, reflects in its operational impact the views of the former Governor, which, without decisive redirection, will determine outcomes for hundreds of thousands of children.

7. Using Sensible Economics to Refine CalWORKs

A workable scenario to accomplish the goals of welfare reform could move about 50,000 TANF parents per annum into meaningful employment separate and apart from economic upturn. That rate will grow increasingly difficult as the most employable leave the pool of recipients—which has now partially occurred. Its maintenance depends upon the following events and policies over the short term: (a) avoidance of an economic downturn; (b) substantially fewer incoming births by unwed, impoverished mothers; and (c) up-front investment in education and job training (not merely job placement) to facilitate jobs for the two-thirds of TANF parents with the skills warranting such investment. If each of these contingencies occurs, it will likely take another five to eight years to move the vast majority of TANF parents into meaningful employment, during which time public investment would have to be substantially greater than the AFDC/TANF system has thus far provided, or now plans, but after which the reward in terms of diminution of child poverty, could provide significant long range benefits.

In terms of long term prospects, the numbers portend an implacably large TANF caseload unless two basic societal investments are made, one at the extreme front end and one at the back end. At the front end, the number of births by single unwed women, and impregnations by men uncommitted to the children resulting, must be stemmed. Spending to accomplish that end remains trivial, with parenting education lacking and public education spending both misconfined to the teen birth issue, and at levels largely symbolic in impact. At the back end, as discussed in Chapter 7, youths must complete high school and receive vocational training or other higher education matching the future job market of the nation. That accomplishment requires an enormous increase in higher education which has not occurred, but which the new administration acknowledges in its statements to be a crucial priority.

8. Immigrant Children: Changes and Status

a. The Economics of Immigration

A study of Mexican immigration involved household surveys in six western Mexico states of a sample of 42,000 people conducted between 1982 and 1993. The study found that half of the immigrants returned home within two years; 30% stayed beyond ten years. The undocumented or unemployed leave at a faster rate, with 73% returning to their country of origin within ten years. Only 58,000 undocumented immigrants from western Mexico who entered from 1980 to 1990 have remained or will remain after ten years, and those who remain tend to have higher education and better jobs. Undocumented immigrants come for the jobs, not public benefits—which are largely denied to them anyway. And they leave if there is no work.[328]

Another study of legal and undocumented immigration by the respected National Research Council amplifies these findings, concluding that:

- immigration (at current levels) produces net economic gains for domestic residents and for the domestic economy;
- immigrants do not measurably depress domestic labor wages;
- on average, immigrant-headed households make a small but positive net contribution to the federal government; and
- although there is some public cost from initial immigrants (which is concentrated in California's Latino immigration), the longer-term impact is positive.[329]

The report concludes that in particular "[i]mmigrants arriving at ages 10 to 25 produce fiscal benefits for natives under most scenarios, whereas immigrants arriving in their late sixties generally impose a long-term fiscal burden. In fact, most immigrants tend to arrive at young working ages, which partly explains why the net fiscal impact of immigration is positive under most scenarios."[330]

Given these findings, it is anomalous that the focus of immigration hostility has not been the older newcomers who constitute a net cost (and who have had SSI and other cuts substantially restored), but children—in whom education and other investment will yield a positive return.[331]

b. Passage and Reversal of Proposition 187

Proposition 187, enforcement of which was enjoined by a U.S. District Court,[332] and then effectively voided by the Davis administration, would have denied to undocumented aliens the two major non-emergency services for which they had been eligible: prenatal care for pregnant women and public education for their children. Critics of this measure argue that illegal immigrants are not drawn to California because of these two benefits, but for employment.

Any child born to an undocumented worker after arrival in the United States becomes a citizen based on his/her birth in this nation by operation of the U.S. Constitution. Such a worker may have arrived ten years ago with a two-year-old child, and may have given birth two years later while in the United States.

Her eight-year-old is a U.S. citizen and has all of the rights to assistance and education available to any other citizen. Her twelve-year-old will be expelled from school under Proposition 187, and she would have been denied preventive prenatal care for the eight-year-old citizen she bore.

As with the archetypal "welfare mother" statistically profiled above, there is another vision of the undocumented immigrant—a person who has manipulated the system for selfish ends. This archetype comes to the United States deliberately and specifically to give birth where the child will obtain full citizenship rights. Then the child (or children) apply for TANF and the parents benefit accordingly. Further, they are able to earn unreported income because they operate on a cash basis and without records given their unlawful status and employment. There is a statistical basis for concern about such a population. At least 60,000 immigrant parents are receiving checks for just over 100,000 children who are citizens, generally based on their birth in the United States.[333] However, the data also discloses that legal non-citizens able to claim benefits (immigrants) do not arrive and then seek public assistance for themselves or their children. In fact, among the most recent DSS TANF survey reveals only 1.5% of legal noncitizens claiming benefits have been in the United States less than one year. Another 2.4% have been in the United States between one and two years, and 70.6% have been in residence more than six years or more.[334]

If upheld, the educational ban would have expelled 355,000 students from school.[335]

c. Lawful Immigrants and the PRA

Immigration advocates argue that the safety net cut-off imposed on lawful immigrants is not warranted given that they pay substantial taxes and are eligible to serve in the armed forces. They contend that society's investment in and protection of the children of those awaiting final citizenship approval should not be foreclosed categorically on bases unrelated to the needs of affected children. The eligibility of immigrants for TANF, food stamps, SSI, MediCal and other benefits is a complex subject, turning on when immigrants arrive, status (*e.g.*, refugee), length of time in the United States, deeming calculations from the named sponsor and other factors. Undocumented or illegal aliens are generally barred from benefits, and many of those lawfully in the country are barred from safety net support from federal sources, or from all public sources. Where imposed, these bars block basic assistance to children, often on arbitrary bases unrelated to need or articulated public purpose.[336]

d. Psychological Barriers to Lawful Child Benefits

Apart from legal status, legal immigrants of all categories may be discouraged from seeking help for their children in need. Even where their children are citizens because of their birth in the United States, parents or other relatives who seek citizenship may be afraid that applying for help will jeopardize their citizenship or permanent resident prospects or preclude entry for a relative. This fear is partly grounded in possible labeling as a "public charge" under immigration law.[337] Such a category includes those who have been or will become dependent on public benefits. Contrary to the belief of many immigrants, the label does not preclude naturalization absent fraud in obtaining benefits; the test of whether a person will become a "public charge" is based on future ability to provide for oneself, not based on prior benefits. But there is some relationship between prior need and future sufficiency, and it is exaggerated in the minds of many immigrants such that legitimate, temporary help for the needs of children is sacrificed. That fear was accentuated by the political campaigns of 1986 to 1996 either portraying immigrants negatively, or seeking across-the-board public benefit cut-offs. The INS practice of barring the reentry of some immigrants unless the repaid prior public Medi-Cal or other assistance added to the fear.

On May 25, 1999, the Clinton Administration released its long awaited clarification of the "public charge" barrier to citizenship. That regulation included the following benefits as categorically not "affecting immigration status":

- Using Medicaid (Medi-Cal) or the Children's Health Insurance Program (Healthy Families in California);

- Using food stamps, WIC (pregnant woman/infant nutrition supplements), public housing or other programs not involving cash;
- TANF benefits by family members of an immigrant *(e.g.*, children) will not affect immigration unless the benefits provide sole support for the family.

e. Citizen Children with Undocumented Parents or Siblings

Data indicate that 2,788,399 California children—30.6% of all children in the state—live in families with at least one non-citizen parent or sibling.[338] This population is disproportionately poor, with 1,998,596 of them living below 200% of the poverty line—representing 45.8% of all California children living in that income grouping.[339] An estimated 500,000 of these children are themselves undocumented immigrants—in the United States unlawfully.[340]

Over two million of these children are U.S. citizens, born here, but with non-citizen parents or siblings. Those with legal immigrant family members will fall into poverty where cut-offs or denials of TANF, food stamps, Medicaid, or SSI occur to otherwise qualified legal immigrant parents or siblings. But the impact is different as to those among these where another family member is undocumented.

These citizen children are fully eligible under the law for safety net support if otherwise qualified (*e.g*., poverty status). As discussed above, 1995 DSS survey data indicated 185,667 citizen children with 108,982 undocumented parents were receiving AFDC (TANF) assistance.[341] With the anticipated passage of the PRA, that number has dropped to below 100,000 children. Survey data indicate that the vast majority represent withdrawal of this safety net support from eligible child U.S. citizens. Substantially more parents never apply for their eligible children. The withdrawal of large numbers of eligible children from TANF benefits may be an indicator of a much larger refusal to apply for or withdrawal from other benefits where another family member is undocumented due to a fear of INS reporting and deportation or prosecution.

The demographic studies noted above and other data conflict with the popular impression of undocumented parents: persons who cross the border to have children and live off the welfare their citizen children bring. The AFDC and TANF Characteristics Survey data on residency indicate little movement into California from other states—or other nations —to obtain TANF benefits. Only 0.9% of total applicants have been in the state less than one year before they apply. And as discussed above, among immigrant TANF recipients (*e.g*. refugees and others eligible upon arrival), only 3.7% have been in the state less than one year, and about 70% have been in the state more than six years.[342]

Those undocumented immigrants who fail to find work generally return to their country of origin; those who stay a substantial period of time contribute through taxation more than they cost in governmental services. Most of these persons are attracted by and are performing work at low wages in fields and homes, a large portion taking care of the yards and children of wealthy Californians. An increasing number are being blocked at the border due to the efforts of "Operation Gatekeeper." But immigration advocates argue that those who have been here many years have contributed to the state's economy, benefitted employers, and have relied upon our failure to seriously enforce laws against those employers to bar them. They have had substantial numbers of children while here in the normal course. Given their low wages and uncertain legal status, a disproportionate number fall upon hard times at some point. Where their children are not citizens, there may be little recourse outside of charity when illness or calamity prevents earnings. Child advocates argue that whatever the circumstance of arrival, children born in the United States are citizens and stand in a different legal posture than do undocumented parents; they are entitled to all of the protections and benefits accorded any citizen.

At the same time, the law requires deportation or prosecution of persons unlawfully here. How does an undocumented parent seek benefits for eligible citizen children without revealing undocumented status? What are the duties of a health or welfare agency to inform INS of the undocumented status of persons not seeking their services? [343] Federal law and state practice have allowed benefits without jeopardy to other family members, but policies are in flux. First, Congress has prohibited any state or local bar to agency reportage of possible undocumented immigrants to the INS.[344] However, California agencies are supposed to follow the "food stamp" model for reporting undocumented family members to the INS: Only those persons who are applying for benefits are to be questioned. Specifically, parents may apply for eligible children, with questions directed at the eligibility of the child beneficiary, not the parents' citizenship status.[345]

However, other pending federal rules may change this "don't ask, don't tell" policy.[346] The state is not precluded from sharing such information. California's policy is not entirely settled, but evidence indicates that a large and growing number of citizen children are effectively barred from safety net protections to which they are legally entitled, extending beyond TANF to Medicaid, food stamps, and even special nutrition programs for infants, such as WIC.[347] A report of the U.S. General Accounting Office counting welfare benefit amounts received by families consisting of citizen children with undocumented parents nationally concluded: "The payments represent about 3% of total AFDC benefit costs and about 2% of total Food Stamp benefit costs."[348]

f. Current Immigrant Family Status in California

A 1999 survey of 150 women immigrants in the Bay area from a random search (75 Vietnamese and 75 Mexican) focused on the impact of CalWORKs policies. The Vietnamese sample averaged 38.8 years in age, with 3 children; 51% were married. The Mexican sample averaged 34.1 years of age, averaged 3.6 children, and 9% were married. The study found that virtually all wanted to work, but that they lacked the English or job skills for stable employment. Most of them use their children to translate. And they lacked secure child care and were concerned that their children receive quality parenting. Although most of the women and their children qualify, only 38% receive any CalWORKs services. Of greatest concern, welfare reform has had a severe impact on their ability to provide basics for themselves or their children. The study found overcrowded housing and an inability to provide staples such as eggs, milk, fruit or meat. Those who no longer receive TANF aid are in particularly dire straits, and those who receive assistance use almost all of it on rent and will face untenable financial consequences at the five-year mark.[349]

9. TANF/CalWORKs Funding

Under the traditional AFDC program, cash grants were given for children to provide a minimum level of rent, utilities, and other necessities. Two major categories existed. The "Family Group" (FG) category was invoked where children were deprived of one or both parents due to incapacity, death, or absence. Most are children living with divorced, unmarried, or abandoned mothers. The other traditional category under AFDC has been the smaller AFDC–"Unemployed" (U) group, consisting of a two-parent family, both of whom are unemployed or are earning so little that they qualify for assistance. Table 2-M presents the numbers and trend in each category.

The state's proportion and number in the "Unemployed" category is extremely high, more than double the percentage of any other state. In California, this "U" category traditionally makes up approximately 18% of the families ("assistance units") within the whole. County welfare offices determined qualification, with monthly or quarterly information required and an annual review of eligibility.

As discussed above, California's January 1, 1998 CalWORKs implementation of the PRA replaced the AFDC program with a temporary program for needy children and families based on the requirement that a parent obtain work.[350] Under CalWORKs, the state sets basic program standards, including grant levels, eligibility criteria, and time limits, but the counties have been given flexibility to design and implement the CalWORKs details. The FG and U distinction has been maintained and is referred to as TANF-FG or TANF-U where the two types of recipients are separated out.

	Proposed (in millions)
Department of Social Services:	
Assistance Payments	$3,308
County Grant Program	$1,905
County Performance Incentives	$431
Kin-GAP	$84
DSS Administration	$24
Other CalWORKs Costs in DSS	$438
Total CalWORKs Costs, DSS	$6,190
Other Agencies:	
Child Care California Department of Education $592 California Community Colleges $ 15	$607
CDE/DSS Child Care Reserve	$165
CalWORKs Costs in Other State Agencies	$208
County CalWORKs Expenditures	$156
Total CalWORKs, Other Agencies	$1,229
General TANF Reserve	$40
TOTAL CalWORKs Expenditures	**$7,365**

Source: Governor's Budget Summary, 2002–03.

TABLE 2-M. CalWORKs Program Expenditures 2002–03

Current CalWORKs funding includes the federal TANF block grant, which is set at $3.7 billion per year, and a state maintenance of effort (MOE) requirement of $2.7 billion per year ($1 billion less than the 50-50 match historically made). See Table 2-S below. The current and proposed MOE is lower than the 1999–2000 MOE of $2.9 billion partly because of a $180 million reduction allowed due to state compliance with federal work participation requirements during that year (which allows the MOE to be reduced from 80% to 75% of the federal $3.7 billion grant). Hence, total MOE required from the state and thus budgeted is $2.7 billion in 2002–03, the current year level. It is divided into $2.2 billion for CalWORKs directly, with major other expenditures including: Automation projects at $122.7 million, and Child Care at $322 million, both essentially unchanged from current 2001–02. However, community college spending to expand services and train TANF recipients for quality employment was heralded in 2000–01 as an area of priority expansion, but was cut from $73 million in the current year to $35 million for 2002–03 as revised in May 2002, for an overall cut of $38 million in this high priority account.

As Table 2-P indicates, proposed CalWORKs program expenditures—including federal monies beyond the state required MOE total $7.365 billion. Of that total, $6.19 billion is administered by the Department of Social Services, a reduced $607 million is allocated to the Department of Education and

California Community Colleges for child care, with $165 million set aside as a "child care reserve," and $156 million for county CalWORKs expenditures. The May Revise of 2002 moved $50 million from the child care reserve to the TANF block grant reserve, increasing it to $90 million.

Most important has been the May Revise of 2002 reduction for county administration for CalWORKs and related children's services by $300 million ($98 million in general fund monies). This 20% across-the-board reduction will require the lay-off of substantial numbers of local social workers who administer the CalWORKs, foster care, food stamp and MediCal services.

The effect of these cuts on CalWORKs is of particular importance. The May Revise cut of $88 million for CalWORKs related administration translates into 863 positions (see Chapters 4 and 8 for discussion of cuts for foster care and MediCal administration).[351] The impact of these cuts occur on top of program cuts of $160 million from the January budget proposal and unchanged in the May Revise. These cuts mean that already excessive caseloads for eligibility workers will become exacerbated, leading to delays and obstacles in delivering needed safety net assistance to children. It also further subtracts from the likelihood of CalWORKs participants receiving assistance for children in other categories—food stamps, MediCal, and other benefits for which families qualify and an increasing number of impoverished children do not receive—particularly those who are newly employed but remain near the poverty line.

a. DSS—Assistance Payments

Of the total spending on CalWORKs, the largest reductions have occurred in assistance payments made. Nevertheless, these direct monthly payments remain the largest single subaccount of CalWORKs, at $3.24 billion in the current year, and $3.33 billion as proposed. Table 2-P presents the assistance payment account, which includes local assistance funds for benefit payments and a small allocation to finance state operations.

Adjusted for inflation, assistance amount per child declined substantially each year from 1989 to the 1997–98 fiscal year. The 1999–2000 budget adjusted the amounts for inflation for the first time in the 1990s, and restored a previous cut of 4.9%—the first year of real spending increase in the decade. Governor Davis continued the adjustment for inflation to hold impoverished children even, but proposes in 2002–03 to hold amounts even, effectuating a 3.7% real spending decline in maximum aid payments.

Budgets after 1999 have not redressed the extraordinary reductions over the prior nine years, which carried total safety net support for impoverished children (TANF plus food stamps) from above the poverty line to 74% of the line. The average grant and food stamp allocation projects to a record low 60% of the poverty line for 2002–03.[352]

	1989-90	1991-92	1993-94	1997-98	1998–99	1999-2000	2000-01	2001-02	2002-03 (proposed)	% change, 89–01	% change, proposed
Maximum TANF Grant	$694	$663	$607	R-1 $565 R-2 $538	R-1 $611 R-2 $582	R-1 $626 R-2 $596	R-1 $645 R-2 $614	R-1 $679 R-2 $647	R-1 $679 R-2 $647	R-1 –2.2 % R-2 –6.8%	R-1 0% R-2 0%
Adj. Max. TANF Grant	**$960**	**$831**	**$730**	**R-1 $637 R-2 $607**	**R-1 $677 R-2 $645**	**R-1 $680 R-2 $647**	**R-1 $676 R-2 $644**	**R-1 $679 R-2 $647**	**R-1 $654 R-2 $623**	**R-1 –29.3% R-2 –32.6%**	**R-1 –3.7% R-2 –3.7%**

Sources: Governor's Budgets.
Adjusted to CNI (2001-02=1.00). Adjustments by Children's Advocacy Institute.

TABLE 2-N. Maximum Monthly Aid Payment for Three-Person Family

Table 2-N presents the raw numbers expended for TANF assistance payments, with totals adjusted for inflation. The "R-1" designation in the table refers to "Region 1," the 17 urban counties delineated in 1997. "R-2," referring to "Region 2,"represents the remaining 41 California counties given another reduction based on their somewhat lower rent levels. For those children in urban counties, the adjusted

grant has declined by 29.3% since 1989 to the current year and the 41 less urban counties have suffered an adjusted decline of 32.6% to the current year. As noted above, the proposed budget will add another 3.7% decline to this downward trend.

In 1980, the California grant to the benchmark three-person family was $1,100 in current dollars. From two decades back, and while personal income for the state as a whole has grown substantially in real spending value, children have suffered a percentage reduction of 39% to the current year.[353]

Figure 2-B depicts the adjusted trend in the maximum TANF monthly grant for a family of three from 1989–90 to the current year, and as proposed. The basic safety net for children has long consisted of the sum of AFDC (TANF) grants and food stamps (discussed in Chapter 3). Figure 2-B combines the maximum TANF and average food stamps grant for a three-person family (unadjusted for inflation), and compares it to the federal poverty level for that year to gauge how close the safety net comes to that minimal food and shelter standard year to year. The total approximated the federal poverty line in the 1970s, but fell to 89% of the line by 1989–90. During the Wilson administration, the decline accelerated markedly, to a percentage just above 70% of the poverty line at its nadir in 1997–98. It has not recovered significantly from this low. The proposed 2002–03 assistance levels will yield, together with maximum food stamps, safety net provision at 74% of the poverty line, and at average food stamps about 70%—back to its historical low.

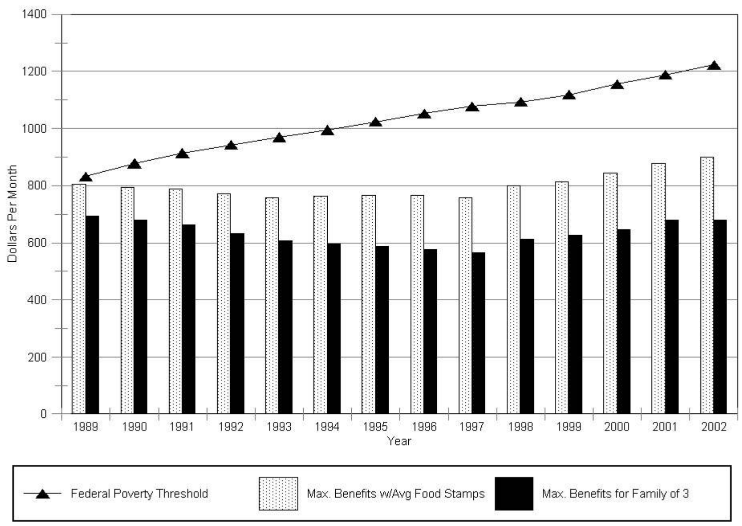

FIGURE 2-B. Comparison of Federal Poverty Threshold and Maximum TANF Benefits plus Average Food Stamps

It is from this historically low level that additional CalWORKs "sanctions" may be imposed on families. Hence, as discussed above, the so-called "parents' share" reduction to which children were exposed starting in January 2000 could take the benchmark family of parent and two children to approximately 50% of the poverty line.

As Table 2-O indicates, caseloads have declined and are projected to decline further, but decline is now slowing. Some of this change comes from California's CalWORKs welfare reform—but studies attribute from 10% to 40% of reduction to changes in welfare policies, and the majority to improved economic conditions.[354] This conclusion is supported by the strong reductions during the economic upturn of 1995 to 1999. These reductions have abated as the economy slowed from 2000 to 2002—notwithstanding the more stringent application of the CalWORKs program from 1999 to the present.

	1996-97	1997-98	1998–99	1999-00	2000-01	2001-02	2002-03 (projected)	% Change, 1996-2002
Family Groups/All Other Families	1,856,276	1,641,191	1,417,635	1,329,063	1,247,204	1,241,229	1,174,754	–36.7%
Unemployed Parent/Two-Parent Families	613,016	509,129	435,997	294,210	251,160	235,765	286,446*	–53.3%
Total	2,469,292	2,150,320	1,853,632	1,623,273	1,498,364	1,476,994	1,461,200	–40.8%

Source: Governor's Budgets.
*Includes 175,655 "Two-Parent Families" and 110,791 child-only recipients in the state's "safety net" category.

TABLE 2-O. Average Monthly Persons Served by CalWORKs

California has the additional factor of "immigrant flight" from coverage, not because children of immigrants do not sometimes need safety net support, but because parents are eschewing that assistance out of fear or ignorance. Available data indicate two substantial causes: withdrawal of legal immigrants from benefits, and the economic upturn. Much of the withdrawal of safety net support derives from the citizen children of immigrants who are eligible for assistance but whose parents are foregoing such benefits for them. Immigrant advocates report widespread fear that receiving cash aid will lead to deportation of undocumented alien parents of eligible citizen children. The precipitous decline in "child only" cases during 1997–99 is consistent with this explanation. [Child only cases are now on the increase, partly as a result of sanction imposition, see discussion below). For lawful immigrants, advocates cite the fear that receiving assistance will produce the "public charge" bar to future citizenship. And the absolute bar on assistance to any lawful immigrant arriving after August 1996 is now approaching its fifth year of implementation and accounts for growth reduction from that source.

In addition, the economic upturn has created new employment and enhanced private income among many impoverished families. However, note that additional work with withdrawal of TANF may not lift children out of poverty without available child care, full time employment, and pay substantially above minimum wage, as discussed above. Hence, while some of the 1.2 million persons leaving TANF rolls from 1996 to the current year (including 800,000 children) represent some important success stories, the state has avoided tracking the actual impact on child poverty with precision. The limited available evidence warrants three conclusions: (1) the enhanced parental employment which has occurred makes possible substantial economic advancement for involved children above and beyond likely prospects from continued TANF dependence; (2) such an advance requires substantial child care and education investment, and removal of barriers for the working poor as discussed above; (3) lacking #2, the current scenario is likely to turn substantially against the interests of children as compared to their pre-welfare reform status. About 40% of parents off TANF are not in fact employed and are in worse—often desperate—financial condition. Those who are working are paying less attention to their children, with now measurable negative impacts on adolescent children. Children above 12 years of age receive no child care subsidy.

Some economic downturn is inevitable and those TANF parents who are working are vulnerable to lay-offs. Finally, the factors driving the underlying caseload: unwed births and paternal abdication, have leveled but not declined, and remain near historically high levels. As discussed above ("Prevention Agenda") the state has avoided any substantial commitment to challenge the cultural factors driving these twin causes.

	Budget Year							Estimated	Proposed	Percent Change	
	1989-90	1995-96	1996-97	1997-98	1998–99	1999-2000	2000-01	2001-02	2002–03	'89-'00	Proposed

General Fund	N/A	$2,730,663	$2,399,082	$1,971,621	$1,948,670	$1,832,397	$1,524,565	$1,433,515	$1,544,917	NA	7.8%
Federal Trust Fund	N/A	$2,834,757	$2,481,552	$2,680,284	$1,371,632	$1,134,702	$1,503,930	$1,807,996	$1,783,254	NA	–1.4%
Reimbursements	N/A	$0	$3	$24	$12	$25	$0	$0	$0	NA	0.0%
St. Legaliz'n Impact Assistance Grant	N/A	$0	$0	$0	$0	$0	$0	$0	$0	NA	0.0%
Total	$4,686,053	$5,565,420	$4,880,634	$4,651,929	$3,320,314	$2,967,124	$3,028,495	$3,241,511	$3,328,171	-30.8%	2.7%
Adjusted Total	**$9,047,225**	**$6,131,931**	**$5,429,431**	**$4,851,241**	**$3,626,709**	**$3,196,140**	**$3,149,021**	**$3,241,511**	**$3,137,381**	**-64.2%**	**–3.2%**
Recipients/month	1,856,691	2,669,916	2,469,292	2,150,320	1,853,652	1,701,933	1,449,653	1,477,000	1,461,200	-20.4%	–1.1%
$/Mo/Recipient (Avg)	$210	$174	$165	$180	$149	$145	$174	$183	$190	–12.9%	3.8%
Adjusted $/Mo/Recip.	**$290**	**$203**	**$190**	**$203**	**$165**	**$157**	**$181**	**$183**	**$183**	**–36.9%**	**0.0%**
Number of children*	1,259,330	1,838,478	N/A	1,511,675	1,297,556	1,246,314	1,075,031	1,066,706	1,122,807	–17.9%	5.2%
Children as % of all recipients	67.8%	68.9%	N/A	70.3%	70%	73%	74%	75%	77%	10.6%	2.7%

Dollar amounts are in $1,000s except per capita or as noted. Sources: Governor's Budgets. Adjusted to 0–19 poverty and CNI (2002–03=1.00). Adjustments by Children's Advocacy Institute. *Estimates of the Children's Advocacy Institute

TABLE 2-P. CalWORKs Assistance Payments

As discussed above, TANF caseload reductions are assumed to represent parents entering the work force to a degree precluding the need for TANF assistance for affected children. And a substantial number of parents are pulling their families to just above the poverty line, and with minimal negative impacts for young children. Those results confirm some of the aspirations of welfare reform proponents. But the *caveats* are serious. What has happened to the 40% who have not found employment? What is the impact of effective amount reductions on the over 1 million children still dependent on TANF safety net assistance. The data indicate that those who have not so reached the poverty line may be further below it than ever before, reaching extreme poverty and dependent on the happenstance of family or charity.

Even for the success stories, three *caveats* apply. First, these working poor families are not receiving the ancillary safety net help from food stamps and medical coverage they need and to which their children may be entitled. Hence, they are impeded from the advances needed to reach the liveable (self-sufficiency) wage levels discussed above. Second, their assistance for child care is assured for one more year. Third, as noted above, this group is the first to be laid off in an economic downturn—now looming.

Studies are confirming the mixed results of parental low-wage employment on children, and on poverty incidence. One study concludes: "imposing a stringent work requirement does not guarantee that a family will escape poverty. In 1996, over 2.7 million children (19% of all poor children) lived in families with incomes below the poverty threshold, although the head of the household worked full-time, full-year."[355]

b. CalWORKs Services, the "Single Allocation"

In contrast to grant assistance payments, funding for CalWORKs welfare-to-work services, child care, and program administration, are now provided to the counties in a block grant known as the "single allocation." This consists of a block grant to counties of state/federal funds, which they may spend as locally determined for child care provision, education and training, community service employment, administration, *et al.*

In addition to this "Single Allocation" to counties, three other funding sources feed county CalWORKs efforts: (a) county performance incentives; (b) carryover (rollover) funds, and (c) federal Department of Labor Welfare to Work funds allocated from the state's Economic Development Department ($370 million over six years) to stimulate employment, see discussion above and account below). As to (a) the counties retain balances cumulatively totaling $1 billion from previous incentive payments but these payments have stopped, and the proposed budget will take most of it back for state general fund diversion. As to (b), rollover funds are now effectively gone, leading the Office of Legislative Analyst to warn: "The loss of rollover funds raised county concerns about the reliability of funding sources for employment services. This uncertainty may have caused counties to hold their performance incentives in reserve as a hedge against potential future reductions in single allocation funding."[356]

After the 2000–01 fiscal year, this "single allocation" for employment services and child care was budgeted (allocated) to counties using a statewide cost model (caseload information and unit cost estimates). Child care allocations remains under this system, but starting in the current year employment services have been placed in another system, determined by a series of "county budget requests" reviewed by DSS, with resulting radical variations in assistance available as between counties (see discussion above).

The total sum budgeted for counties under this "CalWORKs County Program Grant" for 2002–03 is $1.905 billion, of which $1.383 is federal funding. The monies are theoretically allocated in the budget as: employment services: $806 million; eligibility administration: $420 million; child care: $477 million; and juvenile probation: $201 million.

The May Revise of 2002 took $120 million in previously paid incentive funds to counties (and which they had banked anticipating needs in 2002–03) and diverts it to CalWORKs employment services costs, thus assessing the counties for this substantial cost and saving the state a comparable expenditure.

c. Child Care

Child care was reorganized under CalWORKs. Historically, a large number of separate programs were directed at the AFDC (TANF) population and overseen by the Department of Social Services, including GAIN child care for those in job training, transitional child care for those just beginning work, and at-risk child care for those needing it to avoid renewed welfare dependency. In addition, the state Department of Education directed its own set of "child development" programs directed at special populations, and serving the working poor. The PRA included a Child Care Block Grant which subsumed some of these programs (for a more detailed discussion, see Chapter 6).

The PRA requires "adequate child care" as a matter of law, to allow TANF parents to train for work or to work. Sanctions may not be imposed where such care is not available. Under the implementing CalWORKs statute, such child care is provided in three stages: Stage 1 for the first six months, usually during initial assessment for a welfare-to-work plan, and funded by county welfare departments (DSS); Stage 2 during training, while working as aid continues, and for two years after TANF grant aid ends, funded by the California Department of Education (CDE); and Stage 3 for those needing child care to avoid falling back onto welfare (partial subsidies for the working poor). The three-stage format subsumes former GAIN, transitional, at-risk, and CDE child care received by TANF parents or the working poor. However, this assurance applies only for children who are age 10 or younger. In 1998, former Governor Wilson vetoed SB 2177 (C. Wright), which would have raised the cut-off to 13. However, current law allows child care for children ages 11 and 12 to the extent funds are available.

The proposed January budget allocates a reduced $477 million, down from $606 million in the current year. Separate from this allocation is a $607 million allocated to the Department of Education, largely for state pre-school programs (see discussion in Chapter 6). As originally proposed, the appropriation would fund only "Stage one and Stage two child care." That is, they will fund child care for a TANF parent during the CalWORKs initial assessment (stage one) and training and the first two years of employment (stage two). Stage 3 assistance then kicks in to provide assistance where children are of eligible age, need care, and while income is low enough to qualify them.

In his January budget, the Governor proposed a substantial alteration of child care standards. The change attempted to put former TANF recipients on more of an even footing with other working poor parents by eliminating Stage 3 eligibility to former TANF parents, and instead spreading that child care funding to a larger population based on income. The logic behind the proposal is understandable—why should the working poor who have never sought TANF assistance be denied help as persons who were receiving TANF two years ago and now achieve the same income level? In order to make this broadening work, the Governor would lower eligibility for assistance from the current $39,000 in total family income for a family of four to from $31,200 to $34,320, depending upon the county. One source calculated the gap between the new levels and the "basic family budget" for basic necessities without child care help to range from $12,000 to $28,000.[357] This gap is exacerbated by the relatively low spending assigned to child care assistance for the working poor beyond those leaving TANF or four year olds in Department of Education pre-school.

In his 2002 May Revise, the Governor suspended his reforms and reverted to baseline levels from the current year, adjusted for anticipated caseload. The Revise restored $103.7 million to fully fund "Stage 3" child care for those TANF parents who have found jobs and reached the two year mark. They are thus to be given child care help for their third year, with future funding in doubt, and with assistance to working poor parents never on TANF problematical. The 2002 May Revision also assumes a reduction in Stage 2 child care funding of $85.9 million based on anticipated caseload reduction as an estimated 21,400 parents reach the end of their five year period for allowable assistance and are dismissed from public service employment. Note that the Revise does not discuss what will happen to the 45,000 children of these parents who will be without employment and subject to parent share cuts down to below 50% of the poverty line (see discussion of inadequate safety net levels below).

d. Training and Employment Spending

(1) The History: 1989–98 Department of Social Services—Employment Services (GAIN and NET)

The federal Family Support Act of 1988 established a Jobs Opportunities and Basic Skills (JOBS) program: States are required to set up an employment, training, and education program for TANF recipients. At least 11% of a state's TANF families not exempt from work were required to be enrolled by 1992–93. California had already set up such a program—one of the first states in the nation to do so, and a model for JOBS. California's system, "Greater Avenues for Independence" or "GAIN," also gave AFDC recipients (a) child care benefits to free them for (b) education and training programs, and (c) job placement services for employment. This program has traditionally been run by the Department of Social Services (DSS), separate from a somewhat related Employment Development Department (EDD) account. The refusal of the state to include in this program child care costs of parents enrolled in other than state-run training programs led to a court case compelling inclusion of effective job training provided by private employers or trainers who meet state standards, a program termed "NET," included in this account.[358]

About two-thirds of the GAIN account has traditionally been from the federal jurisdiction. The PRA merges the federal funding of this account into the broad TANF block grant, to be frozen for at least five years. California has replicated the block grant pattern to counties, as discussed above.

(2) Employment Development Department (EDD)

In addition, and separate from this "Single Allocation" grant to counties is a separate EDD employment and employment related services program. It takes federal Department of Labor funds and gives it to the state for employment purposes. Traditionally, these funds have been part of a employment stimulation program which is refocused to give priority to TANF parents needing employment and supplements the block grant funds by helping to provide jobs and job placement for those parents. These monies are administered by the Employment Development Department (EDD) of California.

EDD has had an overall annual budget of between $5 billion and $6 billion. Much of this spending has implications for TANF parents and child poverty. For example, EDD administers California's Unemployment Insurance program, and the training of dislocated workers and disadvantaged youths. Table 2-Q presents the employment related services portion of the EDD budget, most relevant to TANF parents. The current budget expends $219 million, and a reduced $212 million is proposed for 2002–03, a decline of an adjusted 7.2%. While the reduction is justified by estimated caseload decline, two factors illuminate the state's commitment to the employment of TANF parents. First, most studies indicate the importance of this education/training and related investment, and the current inadequate level of that spending. Second, the overall trend reflects only an 8.6% adjusted increase from the pre-PRA (pre 1996) levels of spending.

	Budget Year							Estimated	Proposed	Percent Change	
	1994-95	1995-96	1996-97	1997-98	1998–99	1999-2000	2000-01	2001-02	2002-03	'94-'01	Proposed
General Fund	$3,462	$2,536	$2,555	$2,555	$2,533	$3,281	$8,020	$12,096	$5,248	249.4%	–56.6%
Employment Training Fund	$2,601	$2,749	$2,978	$2,580	$2,614	$3,029	$3,036	$3,393	$3,306	30.4%	–2.6%
EDD Contingent Fund	$18,433	$19,761	$20,333	$20,332	$21,315	$22,817	$24,653	$27,544	$23,885	49.4%	–13.3%
Federal	$151,659	$140,676	$130,605	$134,026	$146,658	$155,997	$134,532	$157,941	$161,179	4.1%	2.1%
Reimbursements	$9,554	$11,125	$13,883	$14,968	$14,779	$17,940	$24,114	$18,767	$18,755	96.4%	–0.1%
Federal share	81.7%	79.5%	76.7%	76.8%	78.1%	76.9%	69.2%	71.9%	75.9%	–12.0%	5.6%
Total	$185,709	$176,847	$170,354	$174,461	$187,899	$203,064	$194,355	$219,741	$212,373	18.3%	–3.4%
Adjusted Total	$202,311	$184,816	$178,179	$172,624	$194,687	$209,313	$197,405	$219,741	$203,900	8.6%	–7.2%

Dollar amounts are in $1,000s. Source: Governor's Budgets.
Adjusted to 0–19 poverty and deflator (2001–02=1.00). Adjustments by Children's Advocacy Institute.

TABLE 2-Q. EDD Employment and Employment-Related Services Program

These spending levels support findings that employment gains among TANF parents have been more the result of general economic expansion rather than public investment in the employment of these parents. The Office of Legislative Analyst noted in 2001: "The budget proposes to continue using federal Welfare-to-Work funds largely to replace, rather than augment, regular CalWORKs funding for employment services."

The Governor's budget extends the general abandonment of efforts to focus resources on the TANF population still at risk, and to assist those vulnerable to re-entry. As noted above, the current budget eliminated funding for county fiscal incentive payments. It not only does not include any new funding for fiscal incentives for the counties, but allocates previous incentive payments back to the state to relieve the general fund, as noted above.

The figures of Table 2-Q reflect the removal of the At-Risk Youth Demonstration Project designed to experiment with employment projects in areas of specified chronic youth unemployment. This new program was separated out by the Legislature[359] in the 1998–99 budget at a symbolic $1.25 million and was funded at $2.7 million in 2000–01. It was then cut to a token $250,000 in the current year and is not budgeted for 2002–03.

(3) The 1998 Federal Workforce Investment Act[360]

Separate and apart from Welfare-to-Work funding, the federal Department of Labor also provides funds to EDD through another vehicle, the "Federal Workforce Investment Act." Congress enacted the Workforce Investment Act of 1998 to replace the longstanding Job Training Partnership Act (JTPA). The new law focuses not on a new substantive program, but on compelling states to rationalize and organize existing efforts and enhance accountability through measurement, monitoring, and rewards or sanctions.

	1999-2000	2000-01	2001-02	2002-03
Consolidated Work Program Fund	$517,554	$802,726	$685,490	$604,213

Dollars are in $1,000s. Source: Governor's Budget.

TABLE 2-R. Workforce Investment Act

The new Act was signed into law on August 7, 1998 but states did not have to implement it until July

2000. The basic thrust of the new statute was to require state planning and coordination of existing programs, the creation of "Local Workforce Investment Areas and Boards," and the creation of "One Stop Centers" for citizens searching for employment. States will be held accountable for their performance, with federal intervention and penalties planned where results warrant. Governor Davis has created a "Workforce Investment Initiative" to include the development of a "unified plan" by October 1999, and which the federal Department of Labor received in March 2000.

As Table 2-R indicates, the 1999–2000 budget of $517,554 represents a partial year given its introduction over that period. The fist full year budget of $803 million has been reduced in the current year to $685 million and is proposed for further reduction to $604 million before adjustment. Although the rationale for these reductions is TANF caseload decline, that reduction is flattening and may well suffer increases if unemployment continues its rise through 2002. Nor do appropriation levels reflect any substantial commitment to the working poor for retraining where laid off, or to enhanced training for higher paying jobs to move into self-sufficiency.

(4) The Governor's Proposal: New Labor Agency and Block Grant

In his January 2002 budget proposal, the Governor outlined a proposal to create a new Labor Agency to help coordinate the many disparate job development funds. The new agency would consist of the Economic Development Department (EDD) and the Department of Industrial Relations (DIR) and including the Workforce Investment Board and the Agricultural Labor Relations Board. The Governor would then "block grant" all existing job funds within all of the accounts under the jurisdiction of the new agency. Currently that funding amounts to $2.9 billion. In addition, the block grant would include the current $1.7 billion currently expended for vocational and adult education. The Governor would propose "accountability standards" for programs subject to block grant funding. And finally, the plan would shift the focus from immediate employment at the behest of narrow constituencies to long range employment development—responsive to labor market trends and opportunities.

The Governor's Budget Summary includes a listing of job training programs in California by program, totaling $4.6 billion. Note that of this total, $1.28 billion is CalWORKs Employment under DSS and $669 million is federal TANF related employment development funding ($611 million Workforce Investment Act, $58 million federal Workforce Investment Act.

According to one analysis by a public interest group, the proposal maintains a critical division between the new agency and the substantial employment program subsumed within the county CalWORKs grants and theoretically overseen by the Department of Social Services (which in turn is part of the separate California Health and Human Services Agency). Hence, although the reorganization could improve coordination between many programs, the one area of largest expenditure would continue in disparate administration, a separation exacerbated by the county pattern of full expenditure of CalWORKs funds, while expending only 71% of federal Welfare to Work Grant funds, which the new agency would oversee.[361]

Although the Governor's stated goals have substantial merit, the creation of a block grant structure can be disadvantageous to groups requiring employment services who lack organization and resources to advocate for their just share. Impoverished parents may be in a relatively disadvantageous position *vis-a-vis* other interest groups served by existing programs, particularly specialized vocational and adult programs with organized constituencies.

(5) Major Funding Changes Proposed for 2002–03

Perhaps the most damaging reduction relevant to employment investment is the Governor's proposed a $38 million cut to California Community Colleges for job placement services and education/training of CalWORKs parents as Revised in May. This account is important for meaningful job training leading to employment capable of pulling children above the poverty line. The Governor's January budget claims that "these services can be provided in direct contracts between the CCC and counties."[362] The January cut was $58 million and the May Revise restored $20 million, however, the reduction is substantial and substitute funding is unlikely. As noted above, counties spend only 14% of their direct grants on all job placement, training, and public employment combined, and will have their now surviving $600 million in incentive payment surplus reduced to $430.8 million in 2002–03. Given benefits and child care for 200,000 TANF parents necessary to meet federal work participation targets is imposed, as well as a developing economic downturn and the 20% cut in county administration, it is unclear how counties will replace the $38 million cut. Similarly, the other major reduction proposed is a $36 milion amount form adult CalWORKs training for employment through the Regional Occupational Collaborative Program (involving coordination with employers). Again, the proposed budget implies that these successful programs can be funded from other existing county of Department of Education sources, which is disingenuous given the financial setting.

	1996-97	1997-98	1998–99	1999-2000	2000-01	2001-02	2002-03
Social Services							
Cal-WORKs*	$1,595,600	$2,320,773	$2,338,169	$2,383,209	$2,063,270	$2,064,976	$2,210,597
Child Welfare Services-Basic Costs TANF	1,547	2,611	4,159	1,582	–	–	–
Child Welfare Services-Emergency	36,554	176,127	141,845	48,567	–	–	–
Assistance	–	521	4,035	511	494	3,548	3,548
Teen Pregnancy Disincentive	23,873	37,944	34,072	30,642	–	–	–
$50 State Disregard Payment to Families	–	42,038	48,450	47,024	48,417	57,453	–
California Food Assistance Program	2,208	5,296	4,729	1,281	–	–	–
Juvenile Crime Prevention	10,762	35,133	45,788	12,423	–	–	–
Emergency Assistance-Foster Care Welfare	8,007	–	–	1,141	–	–	–
Kinship Guardianship Assistance Program	–	1,004	–	–	3,033	2,654	2,613
State Operations	–	–	–	2,742	2,363	116,276	122,784
Automation Projects	**$1,678,551**	**$2,621,447**	**$2,621,247**	**$2,529,122**	**$2,117,577**	**$2,230,154**	$2,339,542
Subtotal							
Education							
Adult Education for CalWORKs Eligibles	–	–	7,204	14,084	14,464	26,000	–
Education Services for TANF Recipients	–	40	7,035	5,115	9,770	9,985	–
Child Care	54,219	146,396	175,778	278,264	316,636	322,000	322,000
Subtotal	**$54,219**	**$146,436**	**$190,017**	**$297,463**	**$342,870**	**$357,985**	$322,000
Community Colleges							
Expansion of Services	–	21,000	84,400	62,502	60,533	65,000	15,000
Services for TANF Recipients	–	8171	6,200	8,458	8,211	8,389	–
Subtotal	–	**$29,171**	**$90,600**	**$70,960**	**$68,744**	**$73,389**	$15,000
Employment Development							
Intensive Services Program	–	3,308	2,647	3,477	3,544	3,624	–
Employment Training Panel	–	5,900	103	1,865	5,674	–	–
Subtotal	–	**$9,208**	**$2,750**	**$5,342**	**$9,218**	**$3,624**	–
Health Services							
Community Challenge Grant Program	–	–	770	–	–	–	–
Teenage Pregnancy Prevention Program	–	–	453	643	543	775	775
Subtotal	–	–	**$1,223**	**$643**	**$543**	**$775**	$775
Child Support Services							
$50 State Disregard Payment to Families	–	–	–	–	**$28,392**	**$25,900**	$25,900
Community Services and Development							
Migrant Seasonal Worker Food Program	–	**$1,400**	–	–	–	–	–
Corrections							
Women Parolee & Family Foundation	–	–	–	**$2,500**	–	**$2,500**	–
TOTAL	**$1,732,770**	**$2,807,662**	**$2,905,837**	**$2,906,030**	**$2,567,344**	**$2,709,080**	**$2,703,217**
Maintenance of Effort Requirement	**$1,732,770**	**$2,907,791**	**$2,905,837**	**$2,906,030**	***$2,567,344**	****$2,709,080**	**$2,703,217**

Dollars are in $1,000s.
* Maintenance of Effort of $2,902,982,000 reduced by $335,638,000 for meeting TANF Participation Rate Requirements
**Maintenance of Effort of $2,890,763,000 reduced by $181,663,000 for meeting TANF Participation Rate Requirements
***Maintenance of Effort of $2,884,880,000 reduced by $181,663,000 for meeting TANF Participation Rate Requirements

TABLE 2-S. State Maintenance of Effort

The Governor's May Revise 2002 included a "one time augmentation to CalWORKs employment services of a substantial $120 million. However, it is merely simply the redirection of county incentive payments taken from the counties and then given back to them reduced by one-third. It does not represent net increased investment in education, or job training of CalWORKs parents.[363]

e. CalWORKs: Four Problems

(1) The State CalWORKs Single Grants: Possible County Diversion

The CalWORKs block grants to counties must be spent on training, child care, diversion payments to avoid TANF entry, education, community service, job subsidies, *et al.*—as counties determine. As the discussion concerning state diversion of the federal block grant indicates, the danger of "supplantation" is a common problem which can undermine stated legislative purpose. Similar to the federal requirements on the state, CalWORKs does require counties to maintain their 1996–97 spending levels for TANF-related services so the block grant has an additive impact. Otherwise, counties could use block funding for existing TANF accounts and divert the new money for unrelated purposes.

County manipulation of these funds may be possible given the generic "county administration" category, and now the employment services categories, which can increase or decrease as counties determine. The *Governor's Budget Summary* from 1998–99 conceded the breadth of the block grant and the latitude given to county discretion: "Counties may use these funds for a broad spectrum of services, such as substance abuse prevention, counseling, gang intervention, and training on parenting skills and social responsibility," as well as on "county juvenile camps and ranches."[364] It is unclear whether the Davis administration will allow movement of funds by counties outside the block grant accounts to the degree that increases in accounts apparently outside the welfare-to-work parameters are allowed—including accounts which are not even intended to be funded through the grant itself.

The problem of county decisionmaking without state minimums to protect children is indicated in the recently suspended system of county "incentives," which are subject to possible revival. Under the criteria for these rewards to 2000, counties were allowed to keep all of their TANF savings after CalWORKs implementation. The state allowed each county to retain 75% of its respective savings, and the other 25% is distributed by the state to selected counties performing well notwithstanding adverse conditions *(e.g.*, localized disaster or recession). The incentive payments paid are not limited to TANF safety net spending purposes, but are paid to counties as a reward.

Advocates for the poor argue that counties may be tempted to reduce their TANF assistance costs by (1) liberally sanctioning large numbers of families, (2) limiting new TANF applicants by imposing many-stepped and difficult application procedures, or (3) encouraging TANF parents to relocate to other counties. They contend that the incentive does not reward the movement of TANF parents into higher earned income status with the prospect of further advancement to self-sufficiency. Instead, it focuses on caseload numbers as indicative of "successful exit" from TANF and assistance spending per case reductions as "reduced grants from earnings." The measures of success reward the denial and reduction of safety net assistance legitimately needed by children—and do not directly correspond with the stated goal of welfare reform: the lifting of children out of poverty through the successful employment of their parents.

Advocates are also concerned about the "race to the bottom" problem which occurs when counties compete by pushing their burdens onto each other. A county which provides a protective safety net for children may be punished by the in-migration of claimants from nearby counties with harsh standards. Such movement would stir resentment in giving a free ride to another jurisdiction. Hence, if one county does invest in the optimum solution of child care, and two years of education for job qualification and placement while TANF grants continue, nearby counties may gain from the movement of impoverished parents to such a county to take advantage of that opportunity. The state may use its 25% incentive reserve to reward such a responsible county, but that amount may have to be shared with multiple claimants. Meanwhile, the neighboring counties cutting benefits to below rents, impeding needed benefits, and failing to invest in job preparation, are likely to keep 75% of every dollar they save thereby for discretionary use. This dynamic is what justifies minimum standards imposed statewide, and makes important incentives based on real child poverty reduction, rather than on child poverty increase through help avoidance. Even without incentive payment distortion, counties have generic incentives to not invest in impoverished populations where other uses of the monies are available, including its retention for future years.

According to advocates for the poor, elements are in place for "devolution disaster," combining inadequate funding, block grant discretion, few alternative resources, unrealistically timed objectives, powerless beneficiaries, and direct reward for not spending. The list is cited as equivalent to the current "profit from service denial" incentive structure of HMOs.

(2) Inadequate Funding for Job/Child Care County Obligations

For the first several years of CalWORKs, counties benefitted from declining caseloads and were able to bank part of the state CalWORKs grant, as well as County Incentive payments from the state. However, they are now spending all grant funds and are now nearing the end of prior incentive payment monies received. Current incentive payments from the state stopped during the current year, and are unlikely in the future. In fact, the state is now essentially expropriating such incentive payments already in county hands by "assigning" them in the state budget to state MOE obligations, as the May Revise of 2002 indicates in the use of $120 million in prior payments to fund CalWORKs "employment" costs, discussed above. This is on top of the January proposal to "recoup" $600 million in unspent performance incentives from the counties, of which $169 million will be allocated "to maintain CalWORKs funding."[365] The status of county budgets will mean little reserve should a downturn occur, and allow little opportunity to enhance work opportunities for TANF parents.

Exacerbating the problem is the serious 20% cut in county administrative costs discussed above, and requiring serious local level lay-offs of social workers who are relied upon for CalWORKs administration (as well as cuts in MediCal, foster care, and food stamp administration). The removal of 863 CalWORKs social workers cannot be rectified from other agencies where 4,100 other social workers must be dismissed in areas relevant to child health, abuse, and nutrition.

Even without these constraints, levels appropriated for TANF parents are inadequate, particularly in the child care and employment development areas. The $1.2 billion allocated for TANF child care as augmented in the May Revise sounds impressive. However, it is the same sum budgeted in 2000–01. Assuming that 20% of the 570,000 children whose parents must work close to full-time can be trusted to care for themselves after school or can be supervised by a relative, the cost to care for the remaining children will be well over $2 billion at available market rates.[366] The Assembly Budget Committee confirms this estimate in commenting on the current year budget, stating that "the Governor's budget proposes total expenditures of $1.2 billion, for child care services for 274,500 children in the CalWORKs program."[367] A conservative estimate of the total needing care given the 32-hour minimum work requirement and the disproportionately young children within the TANF caseload would place the total at just above $2 billion. And the current budget proposal represents no substantial new funding for non TANF working poor who need child care to retain employment.

Child advocates argue that in order for CalWORKs to succeed, child care must be available in a seamless system with help beyond the two year period—gradually declining as pay increases. As discussed above, this expenditure is now considered Stage 3 child care; for which long waiting lists of working poor exist who have never taken TANF assistance. Significantly, the large sums announced for Stage 1 and Stage 2 in prior years have not rolled over for Stage 3 funding to assist the working poor parents who make too little to pay for child care and at the same time net sufficient income to reach the poverty line. (See discussion of "self-sufficiency" line above.) Instead, the much heralded child care increases of the past three years have been confined to Stages 1 or 2 or their prior equivalents, and have instead simply been rolled over to the next year where they constitute another and continuing impressive-sounding unexpended total.

Of great concern is the disconnect between the proposed budget's allocations for child care and for employment services and costs and the CalWORKs specified obligation of counties to employ all TANF persons (beyond the 20% exempt from employment obligation) after the two year maximum. Where is the funding to find or create jobs, and to supervise employees if publicly hired directly, to pay them minimum wage, and to provide child care? [368]

As discussed above, current data indicates a conservative number of 200,000 more parents who must be given public service employment within 2002–03, in addition to all currently so employed or subsidized. The provision of that employment, in addition to the child care required, would consume more than double the grant assigned to the counties for 2002–03.

Other federal and state policies may add to welfare-to-work difficulty. For example, California requires adult (non-parent) food stamps recipients to obtain or seek employment after only 90 days of benefits—a requirement historically not closely enforced in many states. But new policies seek to enforce that mandate, and California already has over 100,000 such persons in public employment—deriving from food stamps work requirements. These persons will compete for the same private (and public) jobs sought for TANF parents, and further subtract from those available.

The CalWORKs budget no longer benefits from declining caseloads from economic expansion. Caseload increase and substantial public employment (for 200,000 parents) coalesce at the very time local reserves are exhausted and state funds are unavailable. The counties lack tax generation capacity after passage of Proposition 13 and other revenue limitations. The state must be relied upon to fill the gap and provide for children in need. However, the state budget eschews substantial new revenues under the assumption that they are politically unavailable regardless of need or merit (see Chapter 1 discussion of tax expenditures not subject to this limitation under current media coverage assumptions).

(3) Safety Net Retraction: Sanctions and Levels

The impact of CalWORKs related 2002–03 budget changes on children fall into three categories. First, the 20% cut in administration at the county level will sacrifice 863 social workers, leading to barriers and delay—both in the receipt of benefits and in the facilitation of employment and child care. All of these functions are locally administered.

The second impact is the further reduction in safety net amounts as discussed above. The maximum TANF payment plus the average food stamp allocation will now reach only 70% of the poverty line—a national line that is low given California's high costs for shelter. The failure to increase for cost of living is particularly damaging given recent high rent and utility cost increases. The 70% portion marks an historical low for the state in its safety net for children over the past two generations (since the Johnson Administration's "War on Poverty" in the 1960s).

Third, the 2002 May Revision also assumes a reduction in Stage 2 child care funding of $85.9 million based on anticipated caseload reduction as an estimated 21,400 parents reach the end of their five year period for allowable assistance and are dismissed from public service employment. This anticipated reduction is on top of $92.6 million to be saved in TANF payments for a similar number of parents reaching the 60 month limit as estimated in January. Apart from the 60 month limit, other parents are suffering sanctions of "the parent's share" or are having their cases "closed" (aid denied) in increasing numbers. The latter includes a doubling to 5.500 families of those "not cooperating" with eligibility procedures.[369]

The imposition of sanctions for the reasons discussed above (failure to assist in paternity, refusal to accept employment proffered, *et al*) has increased. Incidence is not tracked directly, but is reflected in the increase in "child only" cases, which now includes 420,000 children, or 30.5% of all children covered. Some of these children have ineligible parents (immigrants, non-needy caretakers) but an increasing number are suffering reduction through parental sanction. Whatever the cause, the reduction for the benchmark family of 3 is from approximately $660 per month to $440 per month, well below rent and utility costs. Nor are food stamp allowances increased to even partially compensate for the reduction (see discussion above). The situation for these children is sustenance at below 50% of the poverty line.

(4) Federal PRA Reauthorization: Punishing the Poor

The Congress is scheduled to reconsider and reauthorize the PRA during late 2002. The measures as introduced in early 2002 promise serious adverse consequences to impoverished children nationally, and for California children in particular. The elements now predicted for enactment include:

◆The current Republican version would allow the states to provide "workfare" at below minimum wage. This change will mean that public employment by counties for TANF parents who have not found a job within two years will pay about $8,000 per year, just over one-half the poverty level and substantially below minimum wage levels. In addition, this addition will deprive these parents of the EITC benefit of up to $3,888. Hence, the difference for children will be momentous, as the discussion of workfare above indicates—a family of mother and two children with full-time work yielding just over one-half the poverty line, versus minimum wage and EITC producing a level just above the poverty line. The difference means possible rent and utility payments without severe nutritional deprivation for involved children.

◆ Under both Republican and Democratic proposals, parents would be required to work more hours. The Bush Administration version would require all parents of children over the age of one to work 40 hours per week. Rather than affording partial credit for the many parents able to find part time work of 20, 30 or 35 hours, such persons would not count as meeting minimum federal work requirements. Such partial work where even small amounts of aid are collected to reach close to the poverty line continue to count against the 60 month lifetime maximum for such parents.

◆ Under the Republican proposal, parents would not be able to engage in full-time work training programs, even if needed to obtain employment.

◆ The current Administration proposal would require states to show that 70% of families receiving TANF have one parent working full-time.

Proposals include a small increase in child care funding. The Republican alternative would allow approximately 20% of the working poor needing such assistance to receive it.

The overall effect of these reauthorization proposals is to exacerbate the inflexible features of current law contrary to realities commonly facing TANF parents. Their net effect will include additional child safety net shortfall. Competing alternatives, although replicating the enhanced work requirement, would add more substantial funding for child care and education/job preparation and increase flexibility in training options.

The President has also proposed a controversial expenditure of $300 million for "marriage incentives." The proposal has been widely criticized by liberals as attempting to legislate a relationship which depends on adult volition. The proposal involves grants to states to attempt a wide variety of incentives and education programs to encourage marriage. While it is unclear how such grant programs will create the kind of loyalty and commitment to family that most benefit children, it is also clear that lack of paternal involvement is a primary factor in the nation's high child poverty incidence. The involvement of fathers has benefits for children beyond the obvious economics of two adults in a household.[370]

Recent surveys indicate that at point of birth a large percentage of biological parents intend to marry, with 50% living together at the time of their child's birth, but only 7% of these parents married during the first year of the child's life.[371] State and local experiments may develop incentives, consciousness, media promotion, education, cultural examination. Compared to the substantially greater sums endorsed reflexively for the social service establishment, such an investment could pay long run dividends for children beyond other investment. Many child advocates would prefer that such spending shift to a central focus: the right of children to be intended by two adults committed to that child, and with both birth control information/availability and abstinence messages a part of that endeavor—a duality that conflicts no more than the message that a friend not ride a motorcycle—but wear a helmet to partly mitigate any harm if he is stupid enough to do so anyway. Mitigation need not be couched as permission. However, even without the most effective likely message for the benefit of children, any adjustment of incentives or attitude or public consciousness that might lead to relatively more participation of males in the financing and raising of children will benefit children, and may potentially do so far more effectively than current child welfare and safety net spending accomplishes.

B. Child Support Collection

When families dissolve, California courts usually order child support from the non-custodial biological parent (usually fathers of children). In contrast, the large number of California's unwed mothers must affirmatively seek such support from biological fathers. Where women claim TANF assistance, the state intervenes to seek such support for its own purposes—to recompense it for the aid it gives for the custodial parent and children. More recently, the state has broadened its focus to seek more aggressively funds for families who are not on TANF but nevertheless lack child support from absent fathers. Five years ago (1996–97), state costs to collect for non-AFDC parents exceeded spending on collection for AFDC cost recoupment for the first time.[372]

California had relied on county district attorneys' offices to establish paternity (where it is contested), to obtain a court order, and to collect upon it. TANF applicants are expected to cooperate in the identification of the other parent so collection may occur. Most of the 58 county offices of district attorney have "family support divisions" to track and collect money due. Just over one-half of funds collected goes to families with children, and the remainder repays state and federal accounts for TANF payments previously made to the families involved.

Of California's 1.9 million families where an absent parent who should be paying child support and subject to possible DA jurisdiction, some funds are now collected from just over 20%. There are approximately 4 million children owed support from these absent parents (usually fathers).

As discussed at the beginning of this chapter, the $2.3 billion collected, the total paid by this population of absent parents per child per month is $46. Of this amount, families receive about $32 per child per month (including all state distributed collections, plus income disregard sums, plus estimated collection assistance from other states).[373] That number would increase to $34 under current projections for fiscal 2002–03.[374]

The significance of this source of revenue will grow substantially for those TANF families penalized by losing the parent's share of TANF funding, a number expected to increase markedly in 2002.

	Budget Year							Estimated	Proposed	Percent Change	
	1989-90	1995-96	1996-97	1997-98	1998–99	1999-2000	2000-01	2001-02	2002-03	'89-'01	Proposed
General Fund	$20,631	$40,410	$47,910	$92,958	$88,171	$109,128	$182,574	$243,733	$252,194	1081.4%	3.5%
Fed. Trust Fund	$33,508	$31,692	$38,777	$43,553	$45,318	$45,629	$63,272	$54,423	$39,990	62.4%	-26.5%
Federal Share	61.9%	44.0%	44.7%	31.9%	33.9%	29.5%	25.7%	18.3%	13.7%	-70.4%	-25.1%
Reimbursements	–	–	–	$127	$0	$0	$0	$0	$0	0.0%	0.0%
Total	$54,139	$72,102	$86,687	$136,638	$133,489	$154,757	$245,846	$298,156	$292,184	450.7%	-2.0%
Adjusted Total	**$87,711**	**$86,030**	**$99,482**	**$153,265**	**$145,585**	**$164,683**	**$252,727**	**$298,156**	**$282,819**	**239.9%**	**-5.1%**
Total Collections	$518,078	$1,089,489	$1,146,088	$1,353,966	$1,466,982	$1,670,422	$2,021,556	$2,257,216	$2,407,969	335.7%	6.7%

Dollar amounts are in $1,000s. Sources: Governor's Budgets.
Adjusted to age 0–19 population and deflator (2001–02=1.00). Adjustments by Children's Advocacy Institute.

TABLE 2-T. Child Support Incentives

Although sums collected in relation to obligation and need are disappointing, the collection trend is up over the past seven years. The $31 per month per child figure was $17 per month per child seven years ago.[375] However, the base amount in the early 1990s and before was trivial and the rate of increase is now slowing. The state has moved up nationally in collection performance, now ranking near the middle among the 50 states.

Child support enforcement involves administrative costs, welfare recoupments, and incentive payments. Administrative costs are paid by the federal government (66%) and county governments (34%). Welfare recoupments are shared by federal, state, and local jurisdictions in direct proportion to the TANF outlays they reimburse (50% federal, 47.5% state, 2.5% county). The 2001–02 total recoupment (TANF reimbursement) will be $757 million in the current year, and $779 million as projected for 2002–03.

Beyond collections, counties receive "incentive payments" from the state and federal jurisdictions to encourage collection, which have increased substantially.[376] Table 2-T arrays these incentive payments trended from 1989. Historically, the federal part of these incentives has been based on the percentage of distributed collections. In California, excess incentive payments were retained by the counties and reinvested in child support collection by local offices of district attorney. However, that discretion led to concerns about the diversion of these funds by counties for other purposes. Federal statutory change, effective in October 1999 changed the federal incentive formula from a straight percentage to a "performance based" model which measures: paternity establishments (where California has achieved major improvement), cases with support orders, collections on current support orders, collections on arrears, and "cost effectiveness."

The new formula will be phased in over a three-year period, with full implementation to occur in federal fiscal year 2002. California moved to a somewhat similar incentive system in its allocation of incentive payments to counties, effective in 1999 (see discussion below).

Child support collection is profitable for the state and local jurisdictions from a variety of sources: 35% of collections go to welfare recompense—half to local and state jurisdictions; another 7% go outside the state. The remaining sums go to families and to some extent lowers TANF grant amounts, facilitates a small number of TANF exits, and prevents a larger number from seeking TANF support. When added to the incentive amounts from the federal government, it pays in direct terms for the state to support substantial child support collection efforts—quite apart from the benefits to involved children.

1. PRA Changes to Child Support Collection

The PRA's child support provisions borrow many provisions from successful state models. The statute requires "new hire reporting" registries so child support withholding can begin quickly when the non-custodial parent changes jobs. It requires states to report delinquencies to credit bureaus without waiting for a request, and requires states to have the authority to withhold, suspend, nonrenew, or restrict use of driver's licenses, recreational licenses, and professional licenses (which California already has in place). It also bolsters federal services to locate parents across state lines, and requires states to have common procedures for paternity to assure mutual recognition ("full faith and credit").

Where back child support is owed to both the state and the family, children must have priority. However, the PRA allows the state to end the previous federal requirement that the first $50 per month collected go to families, after which collections are applied to recompense the state. Former Governor Wilson and his successor both have supported continuation of the $50 "disregard" from state funds. Federal legislation enacted in 1997 allows states to consider this sum a part of state MOE funding, thus effectively subtracting it from sums which would otherwise be spent on services for TANF parents. California budgeted $25.9 million as a $50 child support contribution to impoverished TANF families contribution. It counts as part of its MOE obligation under CalWORKs. The 2002–03 budget includes an identical sum.

2. Important California Changes to Child Support Collection, 1997–01

The most important recent additions to the arsenal of child support collectors have included the following:

- A statute effective in 1997 requiring unwed fathers to sign a paternity declaration in order to have his name on his child's birth certificate;
- In addition to professional license (renewal) denial, the denial of driver's license renewal where child support is owed;
- The payment of federal and state tax refunds to DA family support divisions where sums are owed;

- After October 1, 1997 (pursuant to federal law), arrears that accumulate after families go off aid are payable to the family rather than state;
- After 90 days, delinquent child support orders in most counties are transferred to the Franchise Tax Board (FTB) for collection, and are given the high priority status of "tax liens"[377];
- New "Child Support Assurance" pilot projects authorized in three initial counties, which allow working poor parents with children to assign to the state their right to collect child support, and assure their receipt of a guaranteed payment from the state—although it survives now at only one site;
- A child support commissioner system was created to expedite court processes in a simpler legal forum accessible to affected families (for entry of court orders).[378]
- A new "performance based" incentive system guides payments to local counties. SB 1410 (Burton), enacted in 1998, follows an LAO recommendation to end the previous "flat rate" system in favor of extra reward to better performing counties.
- AB 472 (Aroner), enacted in 1999, creates a Child Support Fair Hearing Process outside of the more cumbersome court process to resolve disputes for both custodial and non-custodial problems, and expanded slightly the important Child Support Assurance model experiment.
- Child support automation and a major restructuring law were also enacted in 1999 (see detailed discussion below).
- The basis for state incentive payments to counties were altered in 1999 through AB 1111 and federal incentive payments to states were altered the same year by P.L. 105-200 (the Child Support Enforcement Act of 1998). The federal incentive payments passed onto counties will not longer be the flat 6% of distributed collections. Pursuant to AB 1111, a flat rate of 13.6% of statewide distributed collections goes into a pool. After the federal portion is distributed according to five criteria (discussed above), the state then distributes the remainder.
- AB 1358 (Shelley) enacted in 2000 harmonizes the 1999 system with other statutes, and makes some substantive changes, including: allows an earnings assignment to be issued even absent identifying information about the obligor's employer, and makes other changes to facilitate enforcement.
- SB 542 required the referral of all child support order delinquent more than 60 days to the Franchise Tax Board for their attention, see discussion below.
- Two court decisions in 2000 strengthened enforcement substantially: On July 13, 2000, the California 6th District Court of Appeal published *Monterey County v. Banuelos,* allowing prosecutors to obtain a "go to work" order under penalty of contempt to require employment to pay off outstanding support debts. On July 18, 2000, the federal 9th Circuit Court of Appeal held in *Santa Cruz County v. Cervantes* that child support arrears could not be discharged in bankruptcy.
- In 2001 AB 1449 (Keeley) was enacted to allow compromise of foster care child support obligations to facilitate reunification. (In terms of financial impact, reunification is substantially less expensive than is foster care).

These and other changes have had some impact. The paternity form as a condition precedent to birth certificate inclusion has helped to increase form submission by 600% between 1996 and 1997, to 111,850—an estimated 66% of the fathers of children born to unwed mothers.[379] Improvement has continued in 1998 and 1999. The tax refund collection has reached substantial numbers of debtors. The FTB collection option gathered $104 million in additional collection in Los Angeles County in 1996 and is now available to almost every office in the state. And the Child Support Assurance experiment promises to give substantial assistance to working poor mothers who need the security of some assured collection and income to support their children.

3. Accounts and Collection Results

The total collections line of Table 2-T represents moneys collected from absent parents for California children.[380] As discussed above, the total has more than quadrupled since 1989–90 to $2.26 billion estimated for current 2001–02 fiscal year, and is projected to reach $2.41 billion in proposed 2002–03. It has warranted and received increasing state support over the past decade, and that investment has helped to stimulate substantially greater returns to both the state and federal jurisdictions, and to impoverished families. However, as discussed below, general fund commitment to child support collection will suffer an extraordinary general fund reduction in proposed 2002–03.

4. Important Program Elements

In addition to the intrinsic functions of establishing paternity, obtaining court orders, and collection, the Child Support program includes the following important program elements:

a. Health Insurance Incentives

Implemented in 1993, counties receive a $50 administrative incentive payment for each "case" where an absent parent's health insurance employee plan covers their children. This coverage saves Medi-Cal costs. The Department sent $2.8 million to counties under this program in the current year, an increase from $2.1 million in 2000–01. The benefits from these county efforts are substantial. The Medi-Cal monies saved are four to five times the incentive payments made, and the employee coverage has substantial advantages over Medi-Cal coverage, including substantially higher compensation to providers—heightened by the Medi-Cal compensation reductions imposed in the 2002–03 proposed budget (see Chapter 4).

Regrettably, the 2002–03 budget suspends all such payments to counties.

b. Foster Parent Training Fund

Some parents who can afford child support for their children who are in foster care are assessed support payments. These oarents are relieved of support costs which the state picks up and they are therefor assessed those costs—at least until parental rights are terminated if that occurs. The total sum collected above a base amount (of $3.75 million) must be deposited in a special account to be used for the training of foster care parents. These courses include instruction in dealing with sibling rivalry, reuniting children with parents, child growth and development, and foster care regulations. In the current year, the fund received $3.688 million. In the proposed 2002–03 year the formula requires $2.944 million. However, the proposed budget allocates only $1.972 million, in order to save the general fund just under $1 million and lessen pressure to raise revenue.

c. Franchise Tax Board Collection

In 1992, the Legislature enacted SB 3589 (Speier) to authorize the state Franchise Tax Board (FTB) to receive referral from the district attorneys of six counties of delinquent and uncollectible child support orders (Chapter 1223, Statutes of 1992). Sponsored by the Children's Advocacy Institute, the legislation was intended to use the specialized offices of the FTB, an agency specializing in collection of sums owed the state and with cooperating agreements with the IRS and established methodologies. The statute also gave these referred debts the status of "tax liens" enhancing collection priority. Collection increased markedly from these delinquent accounts, particularly in Los Angeles, one of the original six county participants. AB 923 (Chapter 906, Statutes of 1994) then rolled out the system to all counties (except for San Diego) effective in 1996.

In 1997, AB 1395 mandated referrals as of 1998 to the FTB of all child support orders after 90 days of delinquency (Chapter 614, Statutes of 1997). In the same year, the legislature enacted AB 702, consistent with federal requirements, and requiring the state to create a "data match" between the FTB and financial institutions to expedite collection (Chapter 697, Statutes of 1997). Finally, in 1999 SB 542 requires referral of all orders after 60 days of delinquency and brings all 58 counties into the FTB collection ambit as of July 1, 2002 (by adding hold-out San Diego).

Under the system as it now exists, after 60 days the FTB sends demand for payment to banks and otherwise levies on delinquent orders. During the current year the FTB has collected $113 million, with $43.2 million going to families (the "non-assistance" share) and the remainder recompensing state and federal agencies for TANF costs. Prior to FTB collection orders more than 90 days delinquent did not produce substantial revenue. The projection for 2002–03 is a similar $113.4 million in collections, with $43.4 million estimated to families.

(d) Child Support Assurance

Originally enacted in 2000, the child support assurance concept is based on a successful New York state model. It guarantees monthly payments of $250 for the first child and $100 for each additional child to custodial parents. These payments are not subject to reduction until income exceeds 150% of the federal poverty line. The notion is similar to the sale of a promissory note in commercial law. The custodial parent is owed a sum, the state assumes the burden of collection and pays a sum for child support in return. Parents do not receive "welfare" but a payment from the state which has purchased their right of collection, as a creditor might pay a discounted amount for a collectible negotiable instrument. These sums are not subject to 60 month lifetime limitations or other restrictions.

California started the experiment by authorizing three pilot sites. However, only the San Francisco pilot remains alive. Effective January 2001, the experiment administration was transferred to the Department of Child Support Services. The San Francisco project time span is January 1, 2001 to June 30, 2005, with Acumen LLC the contractor. Funding will depend on DCSS negotiation of contract terms.

5. The Computer Snafu and Federal Penalties

In 1991, California began its effort to create the State Automated Child Support System (SACSS). It did so in the background of an embarrassing abandonment of a Department of Motor Vehicles computer system costing $50 million. From 1991 to 1997, California spent $82 million on SACSS. Another $72 million was then requested to complete the project. The original 1991 estimate of $99 million had ballooned to $260 million.

Meanwhile, in 1996 the PRA required statewide computer coordination of child support collection. The federal government granted dispensation from the initial deadline, agreeing not to penalize California with a $185 million deduction from its TANF block grant funds after it failed to make a September 30, 1997 deadline to link all 58 counties together. At that point, 22 counties were hooked into the system. Logicon, Inc., a state consultant, cited numerous flaws in the software, estimating the "bugs" to number over 11,000. Finally, after embarrassing hearings in late 1997, the Legislature demanded cancellation of the existing contract—notwithstanding $171 million in expenditures over five years. The Wilson administration complied, and sued the contractor, Lockheed IMS, which in turn blamed six state managers over five years and sabotage by local district attorneys, each insisting on customization to their respective and disparate computer operations.

In order to ameliorate possible federal penalties, state officials then proposed a modified "single" state system, where the state would have seven regional systems which would communicate among themselves. The 1998–99 budget included a $20 million set-aside to pursue this compromise "hybrid system." This system was then altered at DA suggestion into a "consortium" proposal where the 58 counties would not use a single system— but one of four different systems— which would eventually communicate with each other.[381] On April 7, 1999, federal Health and Human Service officials rejected the DA consortium model, and scheduled California for serious financial penalties.

The federal penalties from 1997–98 through 1999–00 totaled $104 million. The state general fund has been compelled to back-fill this deficit. California was assessed another $114 million penalty in 2000–01 and $163 million in current 2001–02, bringing the five-year total to $380 million. The Legislative Analyst notes these scandalous give-backs borne of state official incompetence and local turf intransigence could increase further thereinafter: "[The] child support penalties could approach or exceed $200 million for each of the years during the three year period of 2002–03 through 2004–05. When added to the penalties incurred through 2001–02, this means that California could incur penalties totaling almost $1 billion over this time period."[382]

	1999–2000	2000–01	2001–02	2002–03
Department of Child Support Services				
General Fund	$0	$0	$0	$0
Federal Trust Fund	$0	$10,300	$13,541	$12,918
Total	$0	$10,300	$13,541	$12,918
Franchise Tax Board				
General Fund	$1,398	$3,098	$9,373	$5,100
Reimbursements	$4,322	$9,797	$18,707	$13,742
Total	$5,720	$12,895	$28,080	$18,842

Dollar amounts are in $1,000s.

TABLE 2-U. Child Support Automation

As of 2001, 41 states had complied with the "single child support automated computer system" requirement, and California had a long track record of failure. In 1999, the Legislature enacted AB 150 (Aroner) which requires the Franchise Tax Board to take over the automation task and create a single centralized child support program, abandoning the "consortia linkage" model rejected by the federal jurisdiction. It also appropriated $95.5 million to recompense counties for the federal penalties (which are assessed against funds which would go to them).

Table 2-U presents the separate automation account now created, which amounts to $41.6 million during the current year, and $31.8 million for the proposed 2002–03 fiscal year, most of it from the FTB administrative account. The proposed year reduction is imposed partly to save general fund monies, notwithstanding the risk of federal penalties far in excess of those reductions.

In fact, as of the Governor's May 2002 revise, the federal calculation is for an enormous penalty of $181 million for 2002–03. The Governor contends that legislation will be enacted to change the base year for penalty calculation to reduce this penalty to $89.7 million. Of the $89.7 penalty, the state intends to absorb only one-half of it, assessing counties the remainder[383] Moreover, it is unclear why the federal jurisdiction would grant a $90 million penalty reduction to a state that has almost halved its general fund commitment to the required statewide automated system in order to save $4.3 million general fund monies.

6. State Child Support Restructuring in 2001–03: A New Department

The serious blow to child support collection from federal penalties is apparent from the numbers on Table 2-T summarizing incentive payments The annual penalty amounts listed above exceed by a large margin the entire federal trust fund contribution to California's child support incentive system.

The difficulties which impeded a single state system include complexity of design and task, and inadequate authority to supersede 58 independent offices of district attorney—notoriously resistant to state administration. Elected locally, district attorneys are by constitutional provision independent from other state and local officials because of their law enforcement role and concomitant need for independence.

The political consequence in 1999 was the enactment of major new legislation which removed district attorney jurisdiction. AB 196 (Kuehl) was enacted and was followed by refinements sought by the Governor in SB 542 (Burton and Schiff),.[384] and in year 2000 by further refinements in AB 1358 (Shelley). The new law[385] established a separate Department of Child Support Services (DCSS), effective January 2000, and empowers it to assume control of child support collection from local offices of district attorney by January 2003. Criminal matters will still be referred to DAs, and those currently employed in the child support units of DAs will remain employed, but will be transferred to local county agencies under the direction of the new Department. DCSS will take over paternity determination and collection of child, spousal, and medical support.

	1999–2000	2000–01	2001–02	2002–03
General Fund	$2,446	$164,395	$207,546	$36,292
Federal Trust Fund	$4,651	$132,463	$335,598	$305,436
Reimbursements	$0	$149	$477	$443
Child Support Collection Recover Fund	$0	$0	$344,164	$347,636
Total	$7,097	$297,007	$887,785	$689,807

Dollar amounts are in $1,000s.

TABLE 2-V. Department of Child Support Services, Child Support Administration

Table 2-Y includes the budget for the new Department, which lacks any comparable historical structure for trend presentation. The new system will shift resources out of the Department of Social Services, and will add new personnel to arrange the local agency transition from local district attorneys over the next three years.

The new system was supported by a wide array of child advocates, who argued that other state models indicated likely success from a centralized model.[386] However, it is clear that considerable displacement cost will occur while the new department is formed and local personnel shifted to new agencies. The change is not merely paper at the local level.

Regrettably, the state proposes to cut radically general fund spending for the new Department (an unintended consequence of state agency centralization). That reduction is momentous in an account where additional spending yields important returns to impoverished families, and the state budget over future years. The proposed 2002–03 reduction from $207.5 million to $36.3 million. The Governor's budget explains this $157 million cut as "in anticipation of changes to federal law from the Alternative Federal Penalty which would otherwise increase to $181 million."[387] If that reduction occurs, the state is hoping for a $91.3 million penalty reduction. That reduction is not certain. The Governor then proposes to assess one half of the remaining penalty against the counties, a $45 million additional burden on top of a 20% overall county administration cut, diversion of substantial CalWORKs incentive payments currently held at the local level, *et al.*. These two contingencies would then leave a deficit against current spending of $35 million before adjustment for population or inflation.

C. Summer Youth Employment

As Figure 2-A above indicates, unemployment of youth seeking jobs is at 16.4%, almost three times the current adult unemployment rate. Summer Youth Employment focuses on older children not directed toward higher education. The program is funded by the federal government, channeled through the state EDD, and seeks the placement and subsidy of youth seeking entry into the workforce. This account is part of the federal "Job Training Partnership Act," which is now being supplanted by the Workforce Investment Act, discussed above. Accordingly, this account will be subsumed as part of Table 2-R above. However, federal funds to the current fiscal year for summer employment purposes have declined substantially since 1992–93 when it was funded at $204, to $146 million in 1996–97. The 2000–01 total fell to below $100 million and no line item exists for current or proposed funding.

D. Housing and Homeless Assistance

California's housing costs are among the highest in the nation. Nevertheless, only 10% of the state's impoverished families receive federal subsidy benefits, among the lowest participation rates in the nation. The problem is exacerbated by a number of other factors: soaring real estate prices, environmental concerns limiting housing development, neighborhood opposition to low income housing. These factors are joined by Proposition 13, which caps property taxes at 1% of assessed valuation, and freezes that valuation at a fraction of current market value for older homeowners. Accordingly, a youth who marries to start a family and purchases a house will pay three, five, even ten times the property taxes for local services as will the older and generally wealthier residents who have owned their houses for many years. As discussed below, further subsidies for wealthy homeowners include a massive federal and state mortgage interest deduction, now ratcheted up to current appraisal values. As discussed below, the renter's credit designed to partly compensate poorer renters for these subsidies has been altered to preclude its enjoyment by all renters who live below the poverty line (by making it strictly an offset to taxes, rather than "refundable").

The proposed 2002–03 includes the continuation of approximately $500 million in general fund spending to stimulate housing. The largest three programs are multi-family housing loans ($177 million), homeownership assistance ($82 million) and farmworker housing ($83 million), a housing tax credit ($50 million). And the administration's 2000–01 year budget heralded affordable housing as a major priority. However, as discussed below, most of these programs have been slashed in the 2002–03 budget as Revised in May. For example, the multifamily housing stimulation program above was advertised at $177 million, then to $90 million for the current 2001–02 year, was reduced during the year by over half to only $43.8 million, and was then eliminated from the proposed 2002–03 budget entirely.

The Budget spending through the California Department of Housing and Community Development represents an increase to $165.5 million as proposed in the 2002–03 budget from the Pre-Davis level of $126.5 million. However, the May 2002 revise subtracted $14.4 million to bring the 2002–03 total to $151.1 million. Two problems underline the administration's performance. First, is its focus on middle class assistance over the impoverished. For example, the format for one of the largest remaining programs, "down payment assistance" will confine it to families well above the poverty line. It will essentially finance deferred mortgage second trust deeds, but limited to 3% of the purchase price. Moreover, the two programs selected for the highest percentage reduction for 2002–03 (aside from multi-family housing program above) include: $12.1 million of $17.6 million in the already reduced sum for farmworker housing, and $8 million of the $13.3 million total allocated in the current year for Emergency Housing Assistance for the homeless.

The Governor thus chose for final reduction the two populations most in need of minimal housing help, and with substantial child populations implicated. His May Revise identified a proposed problematical November 2002 housing ballot bond to provide possible substitute funding as the justification for the multi-family and farmworker housing reductions.

The context of the Administration's dismissal of those most in need includes a rising population of homeless families. The Governor has approved $55 million for "wrap around services" to the homeless in three pilot counties, but it will reach a tiny percentage of the population. Aside from this sum, homeless assistance spending stood at an adjusted $146 million in 1989 and declined to $33 million in 1996–97.[388] The number of families serviced, including increasing numbers of families with children, more than halved during this period of increasing need. The current program has been rolled into CalWORKs and is funded by the block grant funds discussed above. Hence, the amounts expended are no longer possible to track. The reason for this obscurity is indicated by the changing rules limiting assistance to this group in need. Families are now eligible for homeless assistance, capped at a maximum of $30 per day for temporary rent, for no more than 16 consecutive days—once in a lifetime. Only certain "eligible" aliens may qualify. Assistance to those rendered homeless by a natural disaster or by domestic violence is more liberally allowed.[389] However, even this expenditure is limited by available resources and spending occurs in the context of block funding with other demands precluding assured provision.

The second problem is the scale of assistance in relation to the problem confronted. For example, one area of increase was provided in 2001 by SB 73 (Dunn) raising the low income housing credit by $20 million. This measure will allegedly create housing for 900 families (by leveraging $66 million in other housing funds). As designed, the Multifamily rental housing sum would stimulate the production of 3,000 to 4,000 units in 2000–01, and 1,100 in the current and budget 2002–03 years, before its elimination. These efforts pale in relation to the meager construction of affordable housing in most of the state.

Underlining this failure are two background realities referred to above: first, real estate prices now escalating to median levels above $250,000 in urban counties. Mortgage payments project to an income in excess of $50,000 to own a minimal home. Second, as noted above, is the state's discriminatory property tax system. As the elderly pay taxes on a real estate value marginally above 1977 values (*e.g.*, commonly $30,000–$100,000), youth seeking to buy homes must find funds for down payment and monthly mortgage due at purchase prices above $175,000—and in some counties at above $250,000 for minimal starter housing. They then are asked to pay two to ten times the property tax amounts as senior citizens for the same local services. This "taking" by the older generation stands in stark contrast to the generosity of previous generations to make home ownership possible for the following generation. That generosity included a long history of homestead rights, land distribution, a GI Bill of Rights, loan assistance, tax benefits, public policies stimulating low real estate prices, equivalent taxation between generations, and other help. As discussed above, California currently has the highest rate of families living in rental housing. The trend is not favorable to home ownership for today's youth. Proposed public spending programs, even prior to retraction, are not on a scale likely to materially change this deprivation of a central opportunity for most of our children not in a position to inherit a home.

VI. FEDERAL TAX CHANGES AND POVERTY

Federal and state budgets affect poverty by spending money directly, and also through tax systems which raise the funds spent. The tax statutes and applicable rules determine who will pay how much, the terms of deductions from tax liability, and the terms of tax credits—sometimes called "tax expenditures." The activity stimulated by a tax deduction or credit may affect child poverty, and the tax expenditure itself is a financial benefit costing the government in money lost, money thus unavailable for direct spending priorities.

More generally, taxes affect income distribution. Taxation policies, including inheritance or estate transfers from the wealthy to their heirs, and tax rates imposed on various income levels, can stimulate equality of opportunity and upward mobility and or impede them.

Tax subsidies are commonly arranged in three ways. The refundable tax credit allows a payment in the specified subsidy amount where the behavior to be subsidized occurs. This type benefits the poor as well as the wealthy.

A non-refundable tax credit does not benefit those who do not pay taxes, but it does benefit equally all taxpayers who owe taxes at or above the level of the credit. Hence, a state tax credit of $1,000 can be subtracted from taxes owed of $1,000 or more. If poverty reduces tax liability to $150 in taxes owed for a parent, he will be able to benefit from only 15% of the subsidy. And those below the poverty line who pay no personal income taxes will receive no benefit.

The third type of tax, which functions as a deduction from taxable income, is the most disadvantageous to the poor. It provides a benefit in direct proportion to the tax bracket of the taxpayer. Hence, a taxpayer subtracting a $1,000 tax deduction from taxable income who is in the 35% bracket receives a $350 benefit and a taxpayer in the 5% bracket receives a $50 benefit.

A. History: 1977–92

Table 2-W compares changes in income before and after federal income taxes from 1977 to 1992 by income group. The lowest 20% by income had pre-tax income of $9,368 in 1977. This poor group's pre-tax income fell to $8,132 in 1992, a reduction of 13% before taxes. Comparing after-tax income of

the bottom 20% from 1977 to 1992 indicates a 12% reduction in income. The average after-tax income of the lowest 20% was $7,434 in 1992. In contrast, the top 1% increased their pre-tax income by an average 115% over the same period, and increased their after-tax income by 136%.

Aside from the Earned Income Tax Credit (discussed above), the federal tax credit most beneficial to children in the 1990s (and reflected in the table above) has been the child care credit, available to the working poor and amounting to approximately $4 billion each year nationally. A family whose income is less than $10,000 annually may claim 30% of their child care costs as a tax credit; a family whose income is over $28,000 annually may claim 20%. The maximum cost for which a credit may be claimed is $2,400 for one child and $4,800 for two or more children.[390] However, studies of the federal system indicate that they benefit some poor families, but benefit more extensively middle class families. This credit is non-refundable. Only those who pay taxes may benefit.[391]

As discussed above, the other major federal tax benefit for children in need is the EITC enacted in 1975 to raise the families of low-income working parents closer to the poverty line. Unlike the child care tax credit, this benefit is "refundable," *i.e.*, it is not merely an offset or reduction in taxes, but a credit which accrues to parents who qualify. Hence, even if parents pay no taxes, they may receive a refund check. However, parents have to work and earn income to qualify. The maximum EITC for families with two or more children is $3,188, as discussed in the beginning of this chapter.

Income Group		1977 Pre-Tax Income	1992 Pre-Tax Income	% Change	1977 After Tax Income	1992 After Tax Income	% Change
Lowest 20%		$9,368	$8,132	-13%	$8,495	$7,434	-12%
Second 20%		22,333	20,094	-10%	18,885	16,955	-10%
Middle 20%		34,505	31,970	-7%	27,788	25,670	-8%
Fourth 20%		46,772	47,692	+2%	36,563	37,094	+1%
TOP	Next 10%	60,073	65,719	+9%	45,660	49,509	+8%
	Next 5%	76,525	84,683	+11%	57,218	62,628	+9%
2 0%	Next 4%	107,945	132,446	+23%	78,820	96,560	+23%
	Top 1%	314,526	675,859	+115%	202,809	477,944	+136%
	Average	**$40,065**	**$44,029**	**+10%**	**$30,948**	**$33,772**	**0.09**

Source: *1991 Green Book*, House Ways and Means Committee. Adjusted in 1992 dollars.

TABLE 2-W. Changes in Income Before and After Federal Taxes: 1977 and 1992

B. Major 1997–00 Changes

From 1992–96, Congress enacted relatively small tax breaks, primarily benefitting businesses, and middle- and upper-income taxpayers. Then in 1997, Congress enacted a major new tax package which:

- Created a non-refundable child tax credit of up to $500 per child.
- Lowered capital gains taxes to 18% on profits on assets held more than five years. Although implementation begins in 2001 and revenue loss will begin in 2006, the long-term impact is a substantial gain for the wealthy, with a tax rate on capital gains lower than at any time in the post-World War II modern era.
- Reduced corporate alternative minimum tax by $20 billion over the next ten years.

- Reduced estate taxes, increasing the exempt amount to $1 million by 2006. Those estates with family farms and businesses escaped taxation on $1.3 million beginning in 1998.

- Raised the income limits so more taxpayers can add on private Individual Retirement Accounts apart from co-existing employer pension plans.

- Allowed a new type of IRA where contributions are not deductible, but earnings on deposits are tax-free.

- Provided a tax credit for up to $1,500 (non-refundable) of tuition and expenses for the first two years of higher education.

- Allowed deduction of interest paid on student loans for five years after interest payments start.

- Created an education "IRA"-type account, allowing up to $500 per family per year to be deposited tax-free into an account for education purposes. However, the incentive is "non-refundable" and disproportionately excludes the large population of children—over 30% of the state's children—most in need of education investment.[392]

- Included limited "empowerment zones" to promote economic growth in low-income communities and increase tax subsidies for employers who hire former TANF recipients. But these provisions are limited and declining in amount, costing $1.2 billion in the first five years, and $400 million in the second five years; by 2007, their total cost will be $20 million per annum.

Budget experts note that these changes continue a regressive trend. Those earning the top one percent of income will receive 32% of the benefit from the changes made; the top 20% of taxpayers will receive 78% of the benefits.[393] Moreover, the cost of the package is "backloaded," with an easy pill for current legislators to swallow and the brunt of reductions to apply for future Congresses. The legislation will cost a total of $95 billion from 1997 through 2002, but cost a total of $180 billion from 2003 through 2007. By 2007, the annual cost will be $39 billion. From 2008 through 2017, the annual cost will average $50 billion.

The first change listed, the widely heralded new $500 child tax credit, has the most potential value for children. But, unlike the Earned Income Tax Credit, it is not a "refundable" tax credit. As noted above, those parents who earn too little to pay taxes receive nothing. Those in the upper middle class with three children will receive $1,500 in reduced taxation. Nationally, 31% of all children—including those below the poverty line and those in working poor families near it—will qualify for no credit. A total of 31 million children, 44% of all children, will receive either no credit or only part of the credit.

The child tax credit does not substantially apply to those parents blocked from advance at the $1,000–$1,600 per month income range—where added earnings currently may not yield net gain for their families. Instead of adding to work incentive and reward for the families where children most need it, the plan delays its full effect until parents have already risen beyond income barriers to self-sufficiency. The higher education account is similarly structured to only reduce tax liability to families with income generating appreciable taxation.

The other changes similarly focus on the upper middle class and wealthy, and continue a trend to provide substantial financial advantage to the children of the wealthy and less investment in and opportunity for children in poorer families. A study of African American families found that inheritance opportunities for that group were a small fraction of the inheritance expected by the children of white Americans,[394] with the average white child standing to inherit $65,000 and the average black child $8,000. Similarly, minority and impoverished children do not live with parents able to take advantage of pension plan subsidies. The focus on pension benefits continues the trend of subsidy increase for older Americans who, as discussed above, benefit from a low poverty rate—currently at about one-third the poverty rate of California's children.

C. Federal Tax and Related Changes Enacted in 2001

During 2001, the new Bush Administration advanced its own new tax policies, which substantially undermine public investment in impoverished youth. The current tax/investment approach as approved includes $1.35 trillion in tax reductions over the succeeding decade. These reductions include an increase of the child tax credit from $500 to $1,000. That change will move the federal tax system to begin taxation at a somewhat higher income level, although a level substantially below California's beginning assessment. However, as noted above, it remains a non-refundable credit and will provide no benefit whatever to those now below the poverty line and most in need of assistance. Nor will the working poor be able to take full advantage of the benefit until well above the poverty line. Rather, the top 20% of families in income would receive 46% of its benefit.[395]

Nationally, 31.5% of all families (24.1 million children, including all of the nation's impoverished children) will not receive any tax benefit whatever from the new tax program as enacted. The majority of minority children in the nation would receive nothing (55% of African-American children, 56% of Hispanic children).[396]

The remaining elements of the tax break inure almost entirely to the middle class and wealthy. Most regrettable is the abolition of federal taxation on estates. As noted above, the Congress already upped the estate amount exempt from any taxation to $1 million. In addition, "living trust" and other devices have allowed attorney-arranged estates to escape substantial taxation. Minority children on average inherit 1/5th the amount obtained by white children. How do the principles of equal opportunity comport with an economic system which gives some children, based entirely on the families of their birth, substantial wealth not available to others, and not earned, without any contribution whatever to society or to others?

The sum total of the enacted long term tax expenditure, deprives the government of resources with which to invest in children and the future and which will be difficult to regenerate politically. It is arranged to potentially increase substantially year by year in revenue otherwise available for such investment.

The tax expenditure has been joined with committed long term spending to benefit the same accounts private pension subsidies, Medi-Care (funding health care for the elderly, particularly a new program of prescription drug subsidies), and social security. For example, IRA limits are more than doubled to $5,000 per annum allowing older adults to deprive the general fund of substantial monies and unavailable for child investment. The only major administration reform applicable to children is in the education area, where "accountability" and testing provisions have been advanced, and substantial additional resources to implement education improvement not advanced (see Chapter 7 discussion).

The balance of benefit is to advance the economic interests of the elderly, now with close to one-third the poverty rate of children, and with substantially more extensive medical insurance coverage. Working poor parents pay taxes which would be unaffected by the reductions, including: sales taxes, excise taxes, and federal payroll taxes. The last alone now amount to $3,825 for a two parent family of four with an income of $25,000 in 2001 (when including both employee and employer shares which must be paid).

California's share of the sums here committed and foregone each year over the next eleven would total over $20 billion per year. Simply taking the sums involved and allocating 50% of it ($10 billion/annum) to children rather than under 5%, with a focus on impoverished children, could substantially implement the *Children's Budget* presented herein. That implementation could include its most expensive and far reaching elements, including: an earned income tax credit at 50% of the federal credit, the lowering of class size in grades 4 through 12 to the national average, adequate higher education slots for future employment of youth, proper care for abused children in foster care, medical coverage for all children, and a major public campaign on the right of children to be intended by two adults.

VIII. STATE TAX CHANGES AND POVERTY

A. State Taxation Progressivity/Regressivity Background

California personal income taxation is mildly progressive, costing the wealthy a higher percentage of their income. However, sales, excise and other taxes are regressive, and work in the opposite direction. Viewing all state and local taxes together, the lowest one-fifth of households pay the highest tax rate. They contribute an average of 12.1% of their income (averaging $15,300). The total tax burden as a percentage of income lessens by quintile to the top 1%, earning over $434,000 per year, and who contribute an average of 7.8%. [397] Moreover, regressivity has been increasing since at least 1985.[398]

The generally progressive inheritance, estate, corporate, and property taxes have declined substantially in relation to personal income and other revenue sources (see Chapter 1). The state has made other adjustments since 1989–90 affecting taxation, income distribution, and poverty, including increased regressive sales and motor vehicle taxes;[399] and the sacrifice of federal matching funds for the poor by refusing to commit required state matching funds.

Discussions of alleged excessive taxation progressivity in prior budgets of former Governor Wilson, and repeated in the first Davis *Budget Summary*, indicate a misunderstanding of the concept.[400] The state personal income tax is structured progressively—the rate of contribution increases as taxable income increases. However, as with the federal personal income tax, that increase in rate of contribution is limited by annual tax expenditures (deductions and credits which generally follow federal precedents) and which act to substantially flatten its percentage assessment of income for wealthier taxpayers.[401]

Apart from disparities between new, younger, and generally poorer homeowning parents and other property taxpayers, is a disparity between all homeowners and renters. All homeowners are given a property tax "homeowner's exemption" for part of the value of their home. Hence, homes are taxed somewhat lower than are apartments or other properties not "owner occupied." The taxation of rental properties occupied by the poor (55% of all renters have incomes below $20,000 per year; virtually all of California's poor children live in rented housing) is passed on to these tenants.[402] In addition, homeowners are allowed to deduct from income home mortgage interest—the state's largest single tax expenditure, now at $2.6 billion per year.[403]

Accordingly, California enacted two renters' credits to provide some equitable balance. The first, a small non-refundable credit, provided relief for taxpayers up to $21,900 in annual income. It was repealed 1991. A second compensatory and more significant "refundable" renters' tax credit has allowed a modest payment of $60 to single renters and $120 to married renters. Unlike the non-refundable credit, this type is not merely an offset to taxes (and unavailable to those too poor to pay taxes) but is an affirmative payment through the tax system. The credit was limited to low-income taxpayers in 1991 and 1992, and suspended temporarily in 1993 to help balance the state budget during the recession. Unlike the other tax expenditures discussed above, the majority of benefit from the renters' tax credit goes to families with incomes below $20,000 per year. However, as discussed below, that tax credit has now been made into a "non-refundable" credit, helping only a fraction of the previous beneficiaries.

B. California Departure From Federal Tax Credits

Although California expends $24 billion annually through tax reductions for selected taxpayers, it has not followed every federal deduction and credit. In 1993, it terminated state replication of the second most important federal tax credit of consequence to children: the child care credit, providing $105 million in tax forbearance to working parents. The state has kept only a small-scale and largely symbolic employer child care incentive.[404] Of greater significance may be California's failure to follow the most important federal tax expenditure for poor working parents: the earned income tax credit discussed above.[405]

C. California-Initiated Tax Expenditures: 1993–95

We list a sample of major historical tax spending measures beginning in 1993 to illuminate its cumulative character. Unlike the general fund spending which invests in children, this spending is not reviewed annually, but continues indefinitely unless affirmatively ended. Further, since ending a tax expenditure is considered a "tax increase," it requires a two-thirds vote of the Legislature to accomplish. Such secure benefits have become high priority targets for economic interests across a wide spectrum. The number created has proliferated over the past thirty years to reduce general fund collections by $24 billion.[406] As a result, the same tax rates feeding the general fund provides a progressively smaller contribution for children as a percentage of corporate and individual earnings (see Chapter 1).

California has enacted major new tax deductions and credits over the past decade, including the following changes since 1993:

1993:

- manufacturer's investment tax credit, allowing businesses a credit of up to 6% of the cost of equipment purchased;
- small business stock capital gains exclusion;

1994:

- limited liability companies, a new form of enterprise that allows reduced taxation of business enterprises allowed for partnerships, while maintaining the liability limitation of the corporate form;

1995:

- business tax incentives: a package of increased research and development tax credits, increased small business deductions.

These and other tax changes affecting corporations from 1988 to 1996, including those adding to tax revenues as well as those reducing taxes, have reduced taxation by a net $3.3 billion per annum over that period, before adjustment for inflation.[407] None of the new credits, except for corporate incentives for child care amounting to $13 million per year, focuses on children. The amount expended per annum on these changes for the middle and upper classes exceeds the total state contribution to TANF, and the heralded education "classroom reduction" initiative of former Governor Wilson.

From 1989 to 1996, child poverty increased markedly, adjusted AFDC grants were cut an adjusted 36%,[408] and tax reductions were enacted—almost exclusively for businesses, the wealthy, and the middle class. The most significant tax *increases* during this period were removal of the state's child care tax credit, a new fee on child care providers (among the lowest paid sectors of the economy), and the retraction of the renters' tax credit discussed above.

D. Tax Changes 1996–2000

As discussed in Chapter 1, effective in 1995–96, the Legislature reduced the California personal income tax rate for the highest bracket from 11% to 9.3% (by failing to extend the sunset date of a previous increase). Those earning more than $100,000 in adjusted income kept $300 million in the previous fiscal year, and had their taxes cut $800 million in the 1996–97 fiscal year, which increased to $1 billion per annum by 1999. The Legislature enacted two-thirds of then Governor Wilson's proposed 15% corporate tax rate, cutting 5% in 1996 and another 5% in 1997, bringing the current corporate tax rate from 9.6% to its current-year level of 8.84%. The lost revenue from the currently-extant 10% reduction arrays roughly as follows:

	1997-98	1998-99	1999-00	2000-01
1997 5% reduction	$230	$290	$300	$320
Proposed 1998 5% reduction	$85	$225	$285	$300
Total Revenue Lost	**$315**	**$515**	**$585**	**$620**

Source: LAO, 1997–98 Budget: Perspectives and Issues, at 182. Dollars are in millions.

Table 2-X. Revenue Lost from Bank and Corporation Tax Reductions[409]

For 1996 to the present, the state has generally followed the federal cuts, reducing taxes by $931 million for 1998, and much more by 2000. Again, the reductions focused on middle income and older taxpayers. Major state conforming changes include:

- **State income tax credit for children**. The state credit increases from $68 to $118 per dependent (with no maximum number) for 1998, and increased again to $222 in 2000. The lost revenue will be $15 million in 1997–98, $295 million in 1998–99, increasing to $780 million in current 1999–2000,[410] and $800 million in 2000–01. Although a child-friendly tax credit, it is non-refundable. Hence, it only benefits fully those who make enough to have a tax liability from which to subtract. Since California's taxation starts at relatively high income levels, those families now most in trouble—TANF children, and the children of most of the working poor—will not benefit substantially. As discussed above, about one-fourth of the state's children are in families living below the poverty line. Another large group live below the income level needed for self-sufficiency. These are the children who most need a hand up.

- **Capital gains tax cuts** for persons who have sold their homes, beginning July 1, 1998. The change exempts up to $250,000 from taxation for single filers and $500,000 for joint filers. Revenue lost in 1998–99 will be $65 million, growing to $70 million by 2000. This tax break disproportionately benefits upper middle class, upper class, and older taxpayers.

- **More IRA deposited money** can be tax-deferred, and new **Roth IRAs** allow $2,000 per year in after-tax money to be invested and its interest and sums withdrawn will not be taxed after retirement. These will cost $31 million by 2000, and will grow substantially in future years. Upper middle class and older taxpayers benefit. Then in 2002, the Governor followed federal law to increase this sum to $5,000 projecting to over $100 million per annum in lost general fund state revenues. This 2002 tax expenditure disproportionately assisting wealthier, older adults, was signed with no negative press attention while $7.6 billion in program reductions—mostly affecting children and the poor—were announced in May 2002. Exclusion of pension contributions and earnings is now the state's second highest tax expenditure, at $2.9 billion annually.[411]

- **Education/Home Purchase IRAs** allow up to $500 per family to be deposited into a separate account and withdrawn without penalty (or taxation) for a child's education or for first-time home purchase. This incentive adds home purchase to the federal education savings tax break. This tax subsidy, given its education aspect, is supported by child advocates as a net gain for children. But it repeats the pattern of ignoring the children most in need. California's impoverished children will need education beyond high school for jobs, but this tax benefit is confined to those who have tax liability against which to subtract.

- The **Alternative Minimum Tax** is lowered, allowing more high income taxpayers with high deductions to escape taxation. The revenue loss here was $8 million in 1998 and will grow to $85 million in 2000.

- **Closely held (subchapter S) corporation tax reductions** amounted to $18 million in 1998 and will grow to $22 million in 2000.

- **Aerospace and high technology research tax credits** amounted to $10 million for 1997, growing to $48 million in 2000.

The most regressive tax cut of all—the increase to $1 million in tax-free estate inheritance—will reduce state inheritance taxes by 24% when fully implemented, or by over $150 million each year. This tax savings will benefit the heirs of those with estates of $1 million or more.[412]

Other changes enacted in 1998–2002 included the following:

Increase in Dependent Credit added another $612 million in foregone revenues for 1998–99, $22 million in 1999–2000, and $23 million in 2000–01. As noted above, this tax expenditure is beneficial to children; however the credit it non-refundable, and hence wholly excludes the children most in need—the 25% living in poverty. The supplemental state earned income tax credit proposed below, would reward work and compensate the impoverished families consistently excluded from tax expenditure benefits.

- **Renter's Credit restoration** was altered to make it "nonrefundable" as well. The former refundable credit—which helped to compensate renters for the massive tax expenditures given to homeowners (mortgage deduction, *et al*.)—provided $525 million in benefit to renters, including the poorest in greatest need. Instead, the restored credit provided only one-third of the previous value, amounting to $133 million in 1998–99, $141 million in the current year, and $144 million in year 2000–01. Most important, it entirely excludes the families of the states impoverished children.

- **Vehicle License Fee reductions/increases.** Proposed reductions cost $561 million in fiscal 1998–99, and $1.1 billion in 1999–2000. The relevant statute reduced the fee 25% starting January 1, 1999, and specifies that the percentage reduction will grow sequentially if certain conditions are met. The LAO believed those conditions would not be met, but was mistaken.[413] This $1.1 billion tax expenditure will increase from population, economic and inflationary growth at from 3% to 6% per annum. (However, note its temporary restoration as proposed in 2002, discussed below).

- **Miscellaneous Special Interest** benefits enacted in 1998-2000 afford a broad range of benefits totaling $72 million in the 1998–99, and $128 million in 1999–2000, increasing thereinafter. These benefits include manufacturer software credits, sales tax exemption for perennial plants, sales tax exemption for post production equipment, and increases in research and development tax credits. The largest single benefit is $40 million in year round license fee reductions for owners of race horses.

As with the federal tax changes enacted in 1997, their California counterparts are heavily "back-ended," meaning they will reduce tax revenues much more in future years. Those provisions enacted in 1997 and in effect in calendar year 1998 cost $189 million in 1997–98, $593 million in 1998–99, and $1.086 billion in 1999–2000, with further increases as years pass.[414] Those enacted in 1998 added another $1.4 billion in 1999–2000, increasing in subsequent years.

Although the proposed budget does not propose the scale of tax benefits consistently included in the budgets of former Governor Wilson's administration, the continuing impact limits opportunity to make the investments in children proposed by child advocates and below. Many of the tax benefits have been sold as necessary to make California attractive to new business. However, two recent studies comparing state tax burdens concluded that California "ranked in the middle to lower half of states studied" in total tax burden relevant to corporations (including substantially lower property taxation than most).[415]

E. State Tax Expenditures 2000–02

In 2000–01 the Legislature enacted ten additional tax benefits, totaling $1.54 billion in additional tax expenditures in that year and $1.064 billion in current 2001–02, and a similar sum for proposed 2002–03. The major measures included:

- Increase in senior citizens' homeowners' and renters tax relief: $154 million;
- Vehicle license fee relief: $887 million in 2000–01, $1.43 billion in 2001–02;
- Increased research and development credit: $20 million in 2000–01, $33 million in 2001–02;
- Long term care credits: $43 million in 2000–01, $38 million in 2001–02;
- Increase in net operating loss carryovers: $1 million in 2000–01, $5 million in 2001–02;
- Natural heritage tax credits: $10 million in 2000–01, $70 million in 2001–02;
- Teacher income tax credits ranging from $250 for teachers with four to five years of experience to $1,000 for teachers with more than twenty years of experience: $218 million in 2000–01 and $188 million in 2001–02.

In addition, the legislature enacted on its own initiative the most important tax provision for impoverished children since 1989. AB 480 (Ducheny) created a refundable tax credit of up to $907 for families with two or more children or dependents (Ch. 114, Stats 2000). A family with one child can qualify for a credit of up to $454. It applies to amounts paid for care of a child under the age of 13 and parents who make such payments and are working (have some income from work, even if not paying taxes) qualify. It is limited to families with adjusted gross incomes of $100,000 or less. However, the scale of child care expenses allows this credit to pay no more than 15% of typical child care costs (see Chapter 6). Ideally, the credit will be refined to increase substantially for families with income below 200% of the poverty line. And it is unclear how many working poor parents know of the credit and are claiming it. However, it is an important precedent for the state in that it is refundable and adds resources to the population most needing assistance for child protection and advancement.

The current 2001–02, budget included the following additional tax expenditures:

- Back to school sales tax holiday (3 day tax holiday on clothing and shoes up to $200 and computers up to $1,000: $27 million;
- Increase to Manufacturers Investment Credit from 6% to 7%: $70 million in 2001–02, growing to $95 million by 2003–04;
- Extension of the sunset for the Manufacturers' Investment Credit and Examption to 2008;
- Addition of software developers to the Manufacturers' Investment Exemption: $500,000/year;
- Space Launch Exemption (aerospace tax exemption): $6.3 million in 2001–02;
- Increase in Capital Gains Exclusion for Small Business Stock: $30 million annually from 2006 on;
- Employer Transit Pass Credit: $3 million per annum;
- Loaned Teacher Credit (a 50% credit to employers who lend employees to public schools to teach math and science): $1 million/annum.

The brunt of monies foregone will inure to business interests, the middle and wealth classes. These augmentations continue the trend of subtracting from the revenue base for child investment. They reduce general fund revenues, avoiding Proposition 98's required 41% investment in education, and most importantly, they continue a long trend of future general fund base reductions.
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The most significant state tax cut over the last three years for impoverished families was the tax rebate of $150 to single taxpayers and $300 to those filling out a joint return, effective in 2000. It is not a refundable credit, which means it merely offsets taxes that were paid. Hence, it allows disproportionate benefit to those who paid taxes above the rebate levels. California's families with children earning under

$15,000 per year (including almost 3 million children) will receive no benefit whatever from the rebate. And 99% of families with income from $15,000 to $26,000 will receive no benefit.[416] These two groups make up the bottom 40% of California families in income, already paying a higher state and local tax rate on their income than the taxpayers in higher brackets, as discussed in Chapter 1. In contrast, 96% of families with incomes between $70,000 and $145,000 will benefit from the rebate, and almost all in its full amount.

The vehicle license fee reduction listed above is proposed for temporary rescission as proposed for 2002–03. The one year suspension of this cut will generate $1.28 billion. Although this reduction yields a broadly applicable benefit, it also is somewhat regressive since the value of automobiles owned by the wealthy and the lower and middle classes is much less disparate than is income or assets. However, the Governor's May 2002 proposal to reinstate the fee is preferred by child advocates as against additional spending cuts for impoverished children.

F. The California Child Care Tax Credit

The one exception to the otherwise lack of tax expenditure benefit to children most in need was the enactment in 2000–01 of the California child care tax credit. Critically, and unlike its federal counterpart, it is a refundable credit, which means that it may be claimed regardless of income or other state income tax liability. The credit will range from $454 for taxpayers with less than $10,000 of income to zero for taxpayers with incomes in excess of $100,000. This will reduce General Fund revenues by $195 million in 2000–01 and $189 million in 2001–02. However, it will provide less than 10% of the cost of a single child's care, assisting the working poor only marginally in amount.

G. Summary

As discussed briefly in Chapter 1 and above, tax expenditures manifest two structural problems. First, unlike appropriations, they are not re-enacted each year but continue automatically unless affirmatively ended—whether their initial rationale continues to apply or not. In fact, they have traditionally not been measured and discussed. Second, California requires a two-thirds legislative vote to approve any new tax. Since creating a tax benefit lowers taxes for its beneficiaries, it can be created by majority vote. But ending a tax deduction or credit is technically a tax increase, and hence requires the supermajority two-thirds vote to terminate—a difficult task where opposed by professional lobbyists. Sacramento now includes a record 1,600 full-time professional lobbyists. The enactment of a tax benefit for their clients is a high priority—an effectively locked in advantage applicable for decades to come.

In general, the state has followed federal tax changes benefitting the middle class, wealthy, and elderly, while failing to replicate the major federal tax subsidies benefitting children: the earned income tax credit. The Legislature has before it in June of 2002 AB 106 (Cedillo) which offers a modest state EITC set at 15% of the federal benefit. It is not expected to pass.

As noted above, the state has enacted a child care tax credit which is refundable, although at a level insufficient to pay for more than a small fraction of costs. At the same time, it has cut by two-thirds the one tax benefit applicable to poor families, the renters' tax credit.

The California tax cross-subsidies begun in 1989 now amount to over $7 billion per annum in reduced taxation, mostly for the middle and upper class—and virtually none for the families of the 2.6 California children living in poverty. This approximates the amount of safety net and education cuts (adjusting for population and inflation) from 1989 to the present.[417] Apart from and in addition to the state regressive tax shift of $7 billion, the Congress has followed a similar course—particularly in its 1997 changes, as discussed above. California's share of federal revenue foregone, and potentially returnable to the state, exceeded $2 billion per year by 2000, and will reach over $4 billion per year after 2002. The year 2001 federal tax reductions will deprive the state of its share of another $20 billion per year lost to child investment.

As discussed in Chapter 1, and indicated in Table 2-Y below, the analyses of California's imposed tax burden by income grouping finds the lowest-income 20% paying the highest overall rate, with the percentage declining steadily and consistently as income rises. This survey, including all state and local taxes presents a classic regressive structure—the poor pay not a lower percentage of their income, nor the same percentage, but a higher percentage.

Regressivity grows further when calculating not for all taxpayers, but for married, non-elderly taxpayers. The population of families more relevant to young children pays a higher 12.1% in the lowest 20% income group, and the highest-income 20% pays 7.9%. The lowest rates of all are paid by the highest 1% income earners.[418]

The 1997–2001 tax changes are superimposed over a state with a growing and destitute underclass. One recent study of California's income distribution concluded that inequality between the wealthy and impoverished is at unprecedented levels. This inequality is not the result of increases in the income of the wealthy; rather, it is from "a precipitous drop in income at the mid-to-lowest levels of the distribution."[419] Nor is the loss of a large part of the lower middle class to poverty simply borne of national demographics: "Until the late 1980s, the trend in California was remarkably similar to the national trend but, since then, inequality has risen much faster in the state than in the nation." In fact, only one state has had more inequality growth over the past decade.[420]

	All Taxpayers
Lowest 20%: under $27,000	12.1%
Second lowest 20%: $27,000–$47,000	9.2%
Middle 20%: $47,000–$67,000	8.5%
Second highest 20%: $67,000–$97,000	8.1%
Next 15%: $97,000–$186,000	7.9%
Next 4%: $186,000 – $434,000	7.8%
Top 1%: over $434,000	7.8%

Source: California Budget Project, 4-15-01, www.cbp.org.

TABLE 2-Y. California Taxes as Percentage of Income By Income Groupings

The population which is dropping in income and wealth is not a small fraction that the state can support easily through future social welfare spending. It consists chiefly of children, and includes those at or just above the poverty line—about one-third of California's children.

VIII. SUMMARY AND RECOMMENDATIONS

California's impoverished children have suffered annual safety net real spending per child reductions since at least 1989. Those below the poverty line are now further below than ever before. Those receiving safety net assistance are down to 70% of the federal poverty line in TANF and foodstamps combined. Many whose parents have left TANF have not risen above the poverty line. A substantial number of children are worse off than before implementation of CalWORKs, many living at under $1,000 in total income per month and warehoused with friends, relatives, or second rate child care placements. The evidence is mounting that California is two nations, one living in extraordinary wealth, and one (including almost half of her young children), living at or near the federal poverty line. Experts point to evidence of increasing child homelessness, child welfare system neglect reports, bill delinquencies, and evidence of nutritional shortfall.[421]

In addition to the underlying grant cut, federal directives have now changed from a national policy of child sustenance to a mandate for its limitation. As discussed above, most severely affected immediately are the children of legal immigrants arriving after August 22, 1996. Next in line are those suffering "sanctions"—reductions in grants by the so-called "parent's share" to below typical rent levels. These cuts may derive from failure to accept work over the next two years, or for other failures under the broad discretion granted to counties under the CalWORKs statute. The fate of those subject to "community service employment" by counties is also unclear given their dubious minimum wage, unemployment insurance, *et al.* status. And the unreality of the economics, scale, and timing of that county employment obligation calls into question county ability to comply and makes uncertain the consequences to the one million children directly affected. Finally, almost one million children in the several years following 2002 are likely to be subject to TANF reductions to extreme poverty levels, below one-half of the poverty line, and well below rent/utility levels. Moreover, unless separate state resources can be found before 2002, it is unclear how even that level of support will be provided—as important current resources (*e.g.*, block grants) phase out.

In addition to safety net lowering or withdrawal, there has been a general failure to invest in poverty prevention—either in stimulating responsible private decisions, or in public intervention to lift children from families above the safety net and toward self-sufficiency. This record contrasts with a national commitment to benefit the elderly. Social security, Medicare, and other programs reduced poverty among senior citizens to 9% to 11% nationally, from a calculated 50% rate without such intervention. Although more than four out of five elderly people who would otherwise be poor are lifted above the line, public intervention only pulls about 8% of the children who would otherwise be poor out of poverty.[422]

Enhanced spending and authority for child support collection are significant improvements flowing from the federal PRA statute, and from increased state and local efforts. But child support from absent parents is at a level such that even a doubling or tripling from its low base would still leave the vast majority of children in unacceptable poverty. Its reform is a necessary but not independently sufficient protection for children. Similarly, programs to discourage teen pregnancy may help, but—as noted above—families with unwed mothers under 19 years of age amount to less than 3% of the TANF caseload, notwithstanding common perception to the contrary.

Similarly, enhanced spending for job development and for child care will provide important opportunities for some families. However, the amount appropriated is substantially below levels necessary for the employment of those who face cut-downs or cut-offs. In addition, the gap between minimum wage levels and resources necessary for a "liveable wage" remains substantial. Unless child care is available to serve newly-employed TANF recipients until they reach above $20,000 or more in annual income, that gap cannot be realistically closed by many. Those who leave TANF for full-time employment will generally not be able to achieve the living wage necessary to assure adequate child health and nutrition at the new minimum wage levels, even with advantageous use of federal earned income tax credits.

A. Long-Term Child Poverty Disinvestment Consequences

The research on poverty and nutrition is finding increasing connection between undernutrition and long-term impacts; these studies are presented in Chapter 3. In addition to the nutrition correlation, another recent study on poverty and child development found serious deficits independently associated with other conditions of poverty—including those impeding parental attention. The 1995 "National Longitudinal Survey of Youth" (NLSY) study looked at the effects of multi-year poverty on child development.[423] The study controlled for diet, and—even without that factor—concluded, "There are substantial developmental deficits among children who, on average, are poor over a number of years relative to those who are not. These deficits are approximately twice as large according to the long-term income measure as compared to those based on the single-year measure, and are not explained by differences in maternal education, family structure, maternal behaviors during pregnancy, infant health, nutritional status, or age of mother at first birth. However, an index of the home environment accounts for one-third to one-half of the developmental disadvantages...."[424]

B. Child Poverty Budget-Related Proposals

1. Private Irresponsibility

Specific abuses led to the new federal Personal Responsibility and Work Accountability Reconciliation Act, and California's CalWORKs implementation of it. A review of California data supports some of the complaints leading to both measures, including the following: (1) many women are having babies without fathers, income, or prospects of either—the unwed birth rate remains above 30%; (2) many fathers are siring children and abdicating responsibility for their children—the amount of money paid by the 1.9 million absent fathers tracked by DA offices, although increasing, averages $32 per month received per child; (3) some among the poor are influenced to have children they cannot afford by TANF grants, have children while on aid, and depend on welfare for too many years; (4) some drug-addicted parents have or keep children due to the TANF funds they bring, which they use for alcohol or drug purchase and neglect their children; (5) some undocumented immigrants have given birth to children in this country with the intention of taking advantage of TANF grants available to citizens by birth; and (6) some legal immigrants have abused SSI claims, which have increased beyond expectation in some categories. The problem with the PRA, and as implemented by CalWORKs, is that the price to be paid for these six groups will be borne disproportionately by parents to whom these critiques do not apply, and—more deeply—by children for whom none of them apply.

That the scale of these problems pales in relation to the abuses and collected public subsidies of corporations is not a sufficient basis for their dismissal. However, the critique has distorted the public view of state spending for children by painting exceptions as the norm, as indicated by the overall data presented in the *California Children's Budget.* And the remedies now being implemented largely miss their intended targets or hit them only indirectly through the serious deprivation of children. Granted that the poor are not to be given a free pass in their decisions to have children without an attempt at two parents and some means of support, can Congressional intent be carried out to hit the intended targets specifically, and without such collateral harm?

2. The PRA and CalWORKs: A Confused Plan

To reduce TANF caseloads and child poverty, two challenges intersect: (1) reduce the incidence of single parents to stop a major cause; at the same time, (2) invest in those children (and their parents) currently in poverty. But many believe that state financial support of impoverished families accommodates single parenthood (divorce and unwed births), thus stimulating it. Hence, the logic has followed that reducing the safety net for children will discourage births by those unable to afford the cost of children. That is, "stop feeding the pigeons" and their population will decline.

Given this underpinning, it is ironic that at the end of four years of debate, the course selected was to maintain the decried TANF false incentive for all poor citizen parents for two to five years, regardless of marital status, health, reason for poverty, or any other variable. Then at some point the amount is cut down to below median rents—to levels which research indicates will assure homelessness and undernutrition damage. Children are not taken at birth when they are adoptable and have not yet bonded to parents—an option which is politically incorrect in its categorical judgment that the poor may not keep their children.

But compare such a draconian course to the road ahead from the child's perspective: The incentive to have children requiring public support is maintained for two years. Then at the two- to five-year mark, the "parent's share" is cut, which will generally mean a one-third to two-thirds cut in already close to historical low safety net support for the family. A TANF–U family with one child will be cut by two-thirds; with two children by one-half. A TANF–FG benchmark mother and two children would be cut by one-third; a mother and child by one-half. Food stamps pay for less than half of the USDA minimum nutrition to feed a child (see Chapter 3), and total TANF support for additional food, rent, utilities, and all other living expenses will then be set at generally from $200–$450 per month. CalWORKs requires rent and utility vouchers for those who are cut for the first five years, but state and county officials have not implemented that safeguard. Instead, the state has adopted a contrary rule that maintains the lower level regardless of rent and utility levels, and pays that sum in vouchers—turning the provision on its head.

Vouchers for rent and utilities will not apply after the 60-month deadline as currently drafted. Hence, in 2003, county officials will face an unprecedented dilemma: Do they intervene to protect affected children subject to such cuts? If so, how? And if successful, as noted above, they now take a child too old for easy adoption, who has bonded to parents (who may be competent and loving as such). After removal, the child is then subject to foster care drift, or to placement with relatives, who will be eligible for foster care assistance—a system substantially more costly than are full-amount TANF grants.

The operating theory behind the PRA is that this tragedy will not occur because there are jobs for TANF parents; they need only to be given child care and agree to work. In theory, impoverished and unwed mothers will be unable to aspire to jobs as professional, publicly-financed mothers. And aggressive child support from biological fathers will exert a similar end to the free ride most of them have enjoyed from siring children the public must finance. The prospect of work, perhaps at a job assigned and not of one's choosing, is the theoretical disincentive to have children without means of support.

Will required work or cut-off of the "parent's share" of TANF at the two- to five-year mark discourage women from having a baby without a father or means of support? Discourage an impoverished teen from having a child? Affect male sexual behavior? Stimulate more employment? Prior research discussed briefly above indicates that the answer is no, that these patterns are culturally determined more than economically driven. A study released on March 24, 1998 by the Manpower Demonstration Research Corporation found that TANF recipients were finding some work after leaving aid, but that the fact of deadlines for aid cut-offs did *not* accelerate or influence new employment.

CalWORKs moderates some of the immediately worrisome consequences of the PRA for children. There is a state-only food stamps program which will cover the parents of many legal immigrant children of pre-1996 families who remain excluded from federal coverage. Counties are commanded to provide training and then community service employment for three years if private jobs cannot be obtained; and sanctions imposed within this five-year period are softened with rent and utility vouchers which must be provided. Some additional money has been added to the state budget for child care. A federal welfare-to-work block grant seeks to develop jobs for the most difficult-to-employ TANF parents, and counties are given block grants to reduce TANF caseloads significantly. And child support collection from biological fathers is beginning to pick up. But these measures do not resolve effectively the critical underlying problems:

- The brunt of public efforts to influence child-friendly reproductive decisions focus on unwed teens. Although a problem, they represent less than 2% of TANF parents. Child poverty is driven more by unwed births to women from 20–35 years of age and who continue to be largely ignored.

- There are not enough private jobs available to allow employment of any more than 15% of TANF parents per year, given non-TANF job seekers; the additional child care funds become a dubious gesture when employment is not available to need it.

- The long-term reduction of TANF caseloads requires (a) stemming unwed births, and (b) a responsible, realistic and extended plan to winnow the TANF caseload into private and public employment at 10%–15% per year.

- Long-term employment of TANF parents requires substantial investment in education to give them a chance at real employment; the welfare-to-work block grant and state-budgeted amounts do not allow for such an investment (amounting to $350 per year per TANF parent), and do not represent a substantial increase over historical job development spending.

- Instead of a gradual movement toward employment, the PRA and CalWORKs unrealistically demand the employment of 200,000 or more parents in a narrow timeframe of 2002–03.

- Much of the funding now being provided to spur employment and provide child care, *et al.* is assured until 2002, after which funding will not increase (the federal block grant) or is in doubt—at the very point counties are required to provide massive community service employment.

- Community service employment will be twice as expensive as the TANF program; creating public jobs will cost money, child care must be provided, and the TANF grant amount (or more if minimum wage is provided) must be funded.

- There is no likely source of funding close to the scale necessary for community service employment as required for proposed 2002–03 in further out years and after the current TANF surplus (from prior incentive payments to counties) is absorbed. There is no identified source of funding for rent/utility vouchers required.

C. *California Children's Budget* Recommendations: Spending Policies to Advance Children

California needs to rethink carefully its budget policies as they affect children in poverty. As of 2002–03, counties are clearly charged with the expensive task of finding community service employment for a large number of TANF parents—for three more years, after which the fate of all concerned is problematical.

There is another approach which involves a refined package of investments and incentives. First, the *California Children's Budget* recommendations seek to address the cultural malaise that denies children their first right: to be intended by two parents making an effort to provide for them. Second, they provide the concomitant assurance to all who make such a *bona fide* effort that their children will be assured shelter, food, and clothing, and that they will receive a measure of public investment in their productive future. Accordingly, the recommendations encompass the working poor who deserve positive encouragement and who have been neglected in nine years of tax subsidies focusing on the wealthy and middle class. They stop nine years of disinvestment and move toward the inclusion of our impoverished children back into our community as educable and employable, as follows.

Recommendation #1. **Fund a massive and continuing public and school-based education campaign on the right of a child to be intended, planned, and saved for by two parents.** ***Estimated cost: $220 million per year***

The major failing among the funded programs addressing birth and poverty issues is their continuing preoccupation with *teen* births. As discussed above, child poverty is driven by factors well beyond this population. Nor is it addressable by the "sampler" programs thus far undertaken. Former Governor Wilson's Prevention Agenda, also rhetorically supported by Governor Davis, warrants substantial widening and resources consonant with its importance. Such an agenda must be substantial enough to have real impact given the large scale of California's population. The suggested funding by the former and present Governors should be increased substantially. We assume funding of $70 million for this purpose in the $220 million total. In addition, two new or expanded elements warrant addition: (a) parenting education in schools from seventh through twelfth grades, and (b) a massive and continuing public campaign on responsible reproduction. The last could be combined with whatever marriage incentive funding may be enacted in the Congress in late 2002. Under current proposals, California's share of that funding would be about $40 million. If approved and combined with this recommended birth control element, a total of $110 million would be available for the consistent promotion of sexual abstinence, birth control, the right of a child to be intended, and the advantages of a *bona fide* marriage commitment, both for its own sake and most importantly, for the children who result.

◆ **Parenting Education (estimated cost: $150 million)**. Ideally, parenting education should not be a single course, but would take the form of curriculum "modules" or "packages," parts of broader required courses. Beginning at least in sixth grade and reinforced and refined as a small but required part of the curriculum, the lessons should be adapted, expanded, and repeated steadily through grade 12. Such education would include information about how children develop, what their well-being and safety require, the difficulties of providing for them, the serious child support implications of impregnation, and the value of two parents—including the importance of fathers, the economic difficulties of single parent households, and the solemn responsibilities of creating and raising a child. These are not messages based in religious belief or cultural bias; they are soundly grounded in the reality of public health and child welfare. Studies of parenting education nationally document the increasing recognition of its importance and track its belated growth.[425] However, meaningful parenting education in California has been repeatedly stymied by the educational bureaucracy, and a lack of leadership from the Department of Education.[426] An initial sum of $150 million should be committed, including incentives to school districts who meet parenting education goals.

◆ **Public Education: A Cultural Sea Change (estimated cost: $70 million)**. Another $70 million should be committed, and considered a base sum for further augmentation in future years. Such an effort should continue until unwed birth rates drop to below 10% of the state's births. Recent research indicates substantial behavioral and attitude changes are possible from more limited public service ad-based campaigns (for example, the "designated driver campaign" begun in 1988 to combat drunk driving, and the Sydney, Australia "quit [smoking] for life" five-month campaign).[427]

The elements of a successful campaign are known and, where the state commits itself to an effort of this magnitude, a critical mass is created. The issue is put on the table repeatedly. Once on the table, it then becomes news and the subject of public discourse by virtue of its common discussion. The decision of what to talk about, the subject matter agenda, determines much public policy. Currently, the popular culture is dominated by sex, violence, celebrities, petty ironies, and maudlin drama. Television and commercial advertising carry a drum beat to boys that sexual conquest is a male achievement, and to girls that sexual allure is a gender goal. Both messages are reinforced without reference to the consequences of unwed sex, pregnancy, and birth. A real cultural counterstroke on behalf of the children who bear the brunt of our cultural dissonance is long overdue. Our system does not countenance state interference or censorship of these messages, but the state is not precluded from having its say as well—and on behalf of future interests whose well-being is our greatest concern.

A conscious counterforce is required, based on factual education about the consequences of irresponsible private reproductive decisions, both for women and men. Such a change requires a budgetary commitment beyond the "boutique" pattern of existing program/press release formatting. Once the right of a child to two parents welcoming him or her into the world is respected, much follows. The rising tide of new births destined for impoverished upbringing, disproportionate abuse and neglect, and foster care removal begins to ebb. Coextensively, such respect secures strong public support for renewed safety net investment in children whose parents have tried but failed due to layoff, divorce, illness, or other misfortune.

Recommendation #2. Provide an assured safety net for children. *Estimated cost: $593 million*

The following four programs, each consistent with the CalWORKs statute, can minimize permanent and irreparable harm to children from extreme poverty.

◆ **Restore the 863 CalWORKs county positions proposed for cut in the Governor's budget (estimated cost: $60 million).** These positions are now experiencing increasing caseloads without the proposed reductions. The cuts are not based on consideration of impact, and will lead to significant delays and obstructions to child safety net protection.

◆ **Increase TANF benefits 8% in addition to the COLA increase for 2002–03 (estimated cost: $200 million).** California has reduced TANF benefits for eight of the last ten years, either by direct cuts or failure to adjust to cost of living increases. The rationale for these cuts has involved an alleged need for "greater incentive to work." Welfare amounts should not be greater than minimum wage recompense. However, since 1989, minimum wage has increased and TANF grant amounts have fallen. As discussed above, the TANF-food stamps safety net for children has fallen from 89% of the poverty line to 70%. As discussed in Chapter 3, nutrition experts contend that safety net levels are now at levels unambiguously jeopardizing ability to pay rent and provide minimum nutrition for a substantial part of the almost 1 million children largely dependent on TANF/food stamps resources.

◆ **An Economic Downturn Reserve Fund (estimated cost: $300 million).** Advocates for the poor have warned about the consequences of another economic downturn —one bound to occur in due course. TANF caseloads correlate most closely with unemployment and economic health indicators.[428] The blessing of preset block grants when a growing economy cuts TANF caseloads can become a curse when caseloads go above anticipated levels. No longer an entitlement, the state must either deny coverage to categories of the needy, reduce grant amounts yet again, or find new money. Further, there is often little time to make an adjustment, and states lack the borrowing or deficit financing capability of the federal jurisdiction.

Further, even without a downturn, there is ample reason to bank substantial sums now for commitment during the 2000 to 2005 period as the counties face the daunting task of finding jobs for or employing a large population. The reduction of TANF rolls will more conform to reality as reality approaches. Hence, the more realistic prospect of gradual winnowing rather than sudden workfare employment will require a sustained investment in education and job preparation over the next seven years. Funds must be available for the back end of that effort.

◆ **Rent/Utilities Voucher Account (estimated cost: $33 million).** The CalWORKs safety net of vouchers for rent and utilities will become increasingly important as time passes. Rather than including it within the county CalWORKs block grant, these funds should be held separately by the state, as with state-only food stamps. Such separate escrowing will prevent the avoidance of this safety net where funds are scarce or incentive payments sought. The $33 million total assumes the possible sanctioning of 25,000 persons statewide and the restoration of part of the parent share cut-off to those persons after 90 days in the form of the specified vouchers up to actual rent and utilities (or county medians, whichever is lower). The estimate assumes an average $110 increase above sanction levels. That is, a typical sanction will reduce a family of 3 from $660/ month to $440, but the vouchers would cushion the reduction to $550 with $110 in vouchers where needed to provide minimal shelter.

Recommendation #3*. Refine CalWORKs to stimulate meaningful employment. *Estimated cost: $1.29 billion

If functioning properly, CalWORKs will cost more than TANF for the first three to five years, after which savings should begin to accrue. Such an investment can protect children while providing the gradual reduction of TANF caseload realistically feasible.

◆ **Adjust TANF design to encourage and reward work (estimated cost: $50 million).** The TANF grant design must be adjusted to recognize the prevalence and merit of part-time work for TANF parents. Hence, any person working more than 20 hours per week should have his or her TANF grant reformulated as a "TANF job assistance payment," which should decline less with initial work to encourage part-time employment. Although DHHS waiver or rulemaking may be needed to clarify the matter, transforming the payment should seek to remove it from TANF "grant" characterization, allowing it not to count against the 60-month maximum under the PRA. It makes no sense to treat someone working hard half-time, with one or more children at home, to the same maximum assistance applicable to a person not working at all.

Similarly, TANF parents who are capable of college degrees or advanced education should be encouraged, and not discouraged—as current disqualification from “work-related activity” implies. The extraordinary costs of higher education become a bar to impoverished parents with child care obligations. Confining public assistance to those in vocational or community college training is not logical. Those who are capable of advanced professional degrees are at least as worthy of investment and will yield commensurate earnings and tax revenues.

◆ **Adequate Child Care Coverage (estimated cost: $950 million).** Child care should be run by the Department of Education, including so-called “stage one” care under CalWORKs (see discussion in Chapter 6). The orientation of SDE child care is “child development,” an important focus given recent findings about the importance of early childhood development, and the problematical performance of some child care providers.

Child care should be arranged in a rational, seamless system which reduces subsidy as earnings increase on a steady and shallow curve. The increase in transitional child care from one to two years after obtaining employment is welcome. But a mother with a one-year-old who obtains a job will be forced back onto TANF in but two years without child care assistance. Even with one child, the $4,500 per annum cost for a preschooler can leave a full-time minimum wage worker with insufficient net income for rent, utilities, and food. Child care aid should be phased out as parents approach the self-sufficiency levels outlined above.

While it is likely that Governor Davis’ proposed budget allocation for child care is adequate to cover all those who will need child care for employment or training, as the number in educational programs and employment increase, the account will have to accommodate additional funding to hold partial subsidies beyond the third year of transition and for the working poor not part of CalWORKs or TANF who need help. The Governor’s proposed reform, abandoned in his May 2002 Revise, would accomplish that expansion, but only at the cost of reaching a small part of the population in need. Two reforms will accomplish adequate resources. First, stage one and two child care funds that are unspent in CalWORKs should rollover to stage 3 care for the working poor generally. This is likely to add substantial funding given unlikely county compliance with public service work provision for the 200,000 parents required to receive it during 2002–03. Second, this proposed $950 million, combined with that roll-over will then reach the total needed to substantially cover the working poor. See Chapter 6 for a discussion of additional tax credits to stimulate the creation of more licensed spaces in high-demand locations where they are lacking.

A more conservative alternative to direct subsidies would be the expansion of the Ducheny child care tax credit enacted in year 2000 (Ch. 114, Stats 2000). As discussed above, that credit allocates up to $454 for one child and $907 for two or more for working parents who pay child care costs for children under the age of 13. Critically, it is a refundable credit, allowed to parents with adjusted gross incomes of up to $100,000. Its current scope only reaches about 10%–15% of current child care costs. This credit could be increased by a factor of four times for those living under 200%of the poverty line, and by eight times for those living under the poverty line, while retracting it from those making over $60,000. Such a revision would provide a meaningful share of expenses incurred for a population otherwise unable to pay it. It would remove a major barrier for child advancement past the poverty line through parental employment. It would also provide indirect resources for child care quality enhancement. The cost would be approximately $1.5 billion, similar to the costs of direct subsidy on a sliding scale for Stage 3 child care ($950 million), as indicated above, plus the costs saved on Stage 2 child care now budgeted at over $500 million. Such a system could be integrated into a state EITC (and with federal EITC forms) to provide a route above the poverty line for children whose parents are willing and able to work. Such a child care refundable tax credit, combined with the proposed state EITC, would represent about 10% the amount currently expended on tax expenditures, now primarily benefitting the middle class and wealthy, the elderly, and business interests.

◆ **TANF Parent Education/Training (estimated cost: existing resources).** California has resolved the conflict between job placement and legitimate education for meaningful employment by opting for the former. It has attempted to "skim the cream" by placing those relatively able to find work without outside help, rather than focusing on more permanent advancement toward self-sufficiency. The vaunted federal welfare-to-work grants are directed at the more difficult-to-employ population, but the flow of EDD funds to PICs is not at a level sufficient to assist more than a handful of TANF parents, and other funding is not markedly above historical (pre welfare reform) levels.

We recommend a dedicated sum of $300 million per annum from *current* EDD and block grant sources be devoted to GED, community college, vocational training, and other underlying education consistent with the aptitude of TANF parents. Such a commitment means tuition and expenses are available on a meaningful scale for 40,000-80,000 TANF parents at a time. Most important, a federal waiver should be sought to not apply the TANF–U work participation % to California given its unusual demographics in this category, and to allow 20 hour work qualification, rather than the current federal PRA reauthorization proposals in the opposite direction. The movement of 5% to 10% of the caseload per annum into real jobs over a longer period of time is a realistic strategy preferable to jobs with little future and apart from areas of likely economic growth and opportunity.

◆ **Public Employment—Not Workfare (estimated cost: $290 million).** As outlined above, where public employment is offered, it should be under the "subsidized public employment" model rather than the "work fare" approach. The former provides minimum wage compensation, rewards work over simple TANF grant receipt, compensates the social security and unemployment compensation systems for general benefit, and allows families to qualify potentially for the EITC. It costs about 25% more than the simple payment of TANF grants for work, but can yield a 20% add-on for TANF parents who are working through EITC qualification—money that is otherwise gratuitously left on the table. These additional EITC sums represent federal tax revenues collected from Californians and allocated to states prudent enough to so configure their systems. The state has chosen a middle ground, adding food stamp benefits to the maximum TANF grant and requiring work at minimum wage for the number of hours needed to reach that sum. While this option may enable EITC qualification, it sacrifices legitimate food stamp qualification for those involved beyond TANF grant amounts, and relegates those working the full 32 hours thusly allocated to the 70% of poverty line status reached by such a "workfare" approach.[429]

◆ **Overall Vocation/Higher Education/Training Commitment (estimated cost: included in Chapter 7)**. The state should invest heavily in education accounts keyed to the prevention of truancy, emphasizing community college and vocational school expansion—including programs for high school seniors. Much of this funding should come from Proposition 98 funding (discussed in Chapter 7). However, the recommended $1 billion should supplement such efforts where Proposition 98 does not apply, particularly for the major bond and admission expansion of the state college and university systems.

Unlike the money included for the recommendations immediately above, this sum would not be directed at the TANF population. Many young persons make a responsible decision to delay marriage and children until after they have the resources. The road out of poverty must include ample opportunity for those who responsibly place their future children above themselves in responsibly deferring parenthood. Future jobs depend upon technical qualification as manual labor is exported to other nations. The state's educational system must prepare its workforce for that market—which will greet present K–12 students. Children who become adults with productive jobs, marry, and then have children do not appear as often on TANF rolls, rarely live in poverty, and their children benefit in turn.

As noted in Chapter 7, California has made halting gestures toward higher education expansion—based on the predicted population growth of the age group projected to graduate from high school over the next decade. But it has not faced the harder issue—the need to substantially increase the proportion of our youth with advanced degrees and training. The recommended spending must be supplemented by substantial increases in the bonds and capital commitment projected for higher education. Increases should be geared to accommodate at least a 10% enrollment growth each year over the next decade.

Recommendation #4*. Give poor children a "lift up" to family self-sufficiency. *Estimated cost: $1.2 billion

The middle and upper class tax and spending policies of the past nine years have created three Californias: a super-rich 1%, a successful middle class 66%, and an increasingly isolated group making up the remaining 33%. The top 1% earners nationally in 1994 received as much after-tax income as the bottom 35% combined.[430] The forgotten group is disproportionately young, minority, and with limited English proficiency (see Chapter 7). It has grown over two decades from one-eighth to more than one-third of our children. Most of the parents of these children work. They include TANF parents and the working poor. They live at or below 150% of the poverty line, well below the self-sufficiency levels described above.

More important than their growing numbers is this group's confrontation of increasingly higher obstacles to advancement. Such a large group cannot be "carried" easily by remaining society; it disproportionately provides adult prison inmates, whose numbers have increased from 19,000 to 160,000 over the last 20 years, each costing $40,000 per year in continuing expense (see Chapter 9).

The alternative is to bring this group into our tribe, to invest in them and give them a stake, by further reward of work, and opportunity toward self-sufficiency. The first element of such an investment is a magnitude jump in community college, advanced education, vocational training, and related spending to assure employability in the fields of the future. The second element should be economic and tax policies which help to bridge the wall into the middle class, including the following four important measures:

◆ **A state Earned Income Tax Credit (estimated cost: $950 million).** The federal Earned Income Tax Credit rewards work by the parents of poor children. As each dollar is earned by a parent, 40 cents is added by way of an affirmative (refundable) tax credit as income rises to $11,610; thereinafter, it is phased out at a rate of 21 cents per dollar earned. Most studies thus far indicate that the federal EITC stimulates work and provides resources needed for the sustenance of involved children.[431] However, as discussed above, the combination and timing of TANF, food stamps, EITC, child care help, and federal tax withholding create a disincentive to work as parents earn above minimum wage and begin to rise above poverty level. At that point, the safety net support drops too suddenly. Transitional child care has been increased from one to two years after leaving TANF, but its withdrawal at that point often means that child care expenses will exceed net income earned in families with two or more children—condemning those lacking child care from some other source to employment for virtually no net income. The consequence is likely to be return to welfare for the full sixty months allowed, and possibly desperate circumstances thereinafter.

The state has eliminated the refundable renters' tax credit (restoring it as a non-refundable benefit at one-third its previous expenditure and excluding those near or below the poverty line). This credit was intended to compensate the poor for the mortgage interest deduction enjoyed by the non-poor. Other federal and state tax changes over the last eight years, as outlined above, have consistently favored wealthy and middle class taxpayers. One result has been the creation of a growing wall blocking advancement for a growing population of children—a group once under 15% of the state and now at 25%. As discussed above, not only has the proportion grown, but the degree of poverty and the disparity between this group and other segments of California have increased as well over the past decade.

A state policy blocking the economic future of children exacts a heavy later price, as discussed in Chapter 9. A contrary policy of public investment in upward mobility opportunity, and reward for work, is compelled. We recommend that a state EITC overlay accompany the federal tax credit, refined to help bridge the disincentive wall. Working parents with children should be eligible for an amount keyed to 20% of the federal EITC until income reaches $1,200 per month, at which time it would increase to 30% of the federal credit. The state credit would be cut off short of the federal credit termination—at $2,000 per month. The highest amount added would be about $80 per month for a typical family with two or more children. The cost of this add-on would be approximately $900 million per year, less than 30% of the funds spent on TANF benefits.[432]

This supplement to the federal investment in working parents would compensate partly for the state's high rents. The extension of the state EITC from $1,000 to $2,000 in monthly income would provide a partial bridge over the obstacle blocking advance into self-sufficiency. It rewards work, does not require a large new bureaucracy to administer, and adds to the economic incentive to marry.[433]

This EITC proposal would directly lift above the poverty line over 100,000 California children.[434]

◆ **Reform of unemployment compensation to cover more parents and to include a child dependent supplement (estimated cost: self-financed).** The minimum prior amount earned should be reachable through alternative base periods, including the six months prior to termination. Benefit floors should provide a minimum of $250 per month, and should include a modest premium of at least $50 per month per dependent. Finally, the taxable wage base which finances the system should be increased to afford these adjustments. Currently, California taxes only the first $7,000 of annual wages, disproportionately burdening small businesses with lower-paid workers. The base should be increased to $15,000, consistent with other states, including neighboring states allegedly in competition for new business location.[435] Many states index this base to average wage levels.

◆ **Expansion of the new Child Support Assurance Model (estimated cost: $250 million).** As outlined above, California authorized Child Support Assurance pilot projects in three counties, only the San Francisco pilot currently survives. But the New York experiment have been positive. Working parents with children owed child support assign child support orders to the state in return for all or most of the monies lawfully due them to provide for their children. The state collects what it can, but assures such parents of at least $250 per month per child in support. The state then collects what it can from the absent parent, as does a creditor who has bought commercial paper at a discount for collection.

The cost will be partially offset by federal incentive payments and the prevention of public costs which are saved because working parents who benefit apply for less child care and are less likely to fall back into TANF dependency, claim food stamps, *et al.* We have estimated a $250 million net cost for the expansion of the system to all 58 counties involving an estimated $600 million in support assurance payments.

◆ **Minimum Wage (estimated cost: non-public).** The minimum wage should be raised in stages to $8 per hour, and then indexed to a conservative measure of the CPI. Further, in combination with the state earned income tax credit add-on and other proposals listed above, parents will have a realistic chance to vault the wall at the $1,000–$1,500 per month earned income level, and toward marginal self sufficiency as discussed above. That status becomes especially important as TANF maximums are reached, and as the two-year timespan for transitional child care post-employment expires for parents able to find and keep jobs.

Recommendation #5*. Leverage state money prudently, with standards. *Estimated cost: none

The PRA affords some new opportunities to fashion some of the incentives discussed above with state funds. Federal law requires California to spend at least 80% of its AFDC, GAIN, and DSS child care spending level on "eligible families." This sum of $2.9 billion for California is a required "maintenance of effort" (MOE) to prevent state abdication to federal funding. However, this requirement is much different than the traditional AFDC "state match." States have broad discretion to define "eligible family," and can spend the money separate from federal funds. Further, many of the restrictions on use of federal money (*e.g.*, the 60-month limit) do not apply to spending of state funds—including this required MOE spending. No more than 15% of this state money may be spent on "administration," but it may be used for child care, education, or incentive payments intended to accomplish TANF grant purposes.

The state can apply these state funds separately to (1) protect children subject to cut-off or cut-down (TANF and legal immigrant); (2) enhance employment; (3) reward work to lift families to self-sufficiency; and (4) satisfy federal TANF employment targets. All four of these goals, and enhanced movement toward the liveable wage, may be possible if all available federal funds are used with available additional state investment.

For example, the state may frame the earned income tax credit (EITC) add-on proposal as TANF "maintenance of effort" state spending. Every family receiving this aid should be considered a TANF "work participant" family, and—since aid is based on families with children who are working—it advances PRA goals. These are families given an incentive to work based directly on the amount of work they do, thus reducing the number likely to fall back into poverty, who would otherwise add to the non-working caseload. All of these families should be countable as part of the base of TANF participants who are working to meet the federal work percentage targets.[436] Hence, the state adds persons receiving state TANF—but all of them are working their way out of dependency—a group which has strong public support for their effort. By 1999, this is the only realistic way the state will meet its required percentage of aid recipients who are employed (except through unconscionable cut-offs of children whose parents are playing by the rules).[437] The use of these required state TANF funds as an additional payment to working poor parents provides an incentive for those not working to seek employment, and helps modestly to move those who are working—and at the blockage point of $1,000–$1,400 per month—up the line and toward real self-sufficiency.

In addition, Stage 3 child care assistance could be counted as assistance to those who have achieved employment, and also assure the meeting of federal participation targets.

Similarly, the Child Support Assurance proposal involves state assistance in lieu or in advance of child support order collection due and owing to involved families. It is structured to provide such payments only to families who are working—not currently receiving TANF standard grants. But if this working group is also included as TANF participants because of advance (TANF categorized) support, federal targets become more attainable. Such a policy is not a subterfuge; again, it involves public help to persons who are working, based on that work and on moneys properly their due. It prevents those receiving it from falling back onto traditional TANF grants.

The overall better course is to bring the working poor into the assistance penumbra—both to achieve federal percentages and to reward work. The state EITC, a seamless system of child care for the working poor, and child support assurance implementation all should qualify. They advance children in poverty toward family self-sufficiency, potentially bridging a growing and corrosive gap between the impoverished and the middle class. Once characterized as part of the TANF program, the number of persons helped by TANF who are employed the minimum hours required increases, and federal targets requiring a given percentage of those receiving aid to be employed are met. Meanwhile, needed additional time is made available to focus on a manageable share of TANF parents for intensive education/training over a five- to ten-year period to winnow down the non-working caseload consistent with the of job market absorption.

The alternative is to suffer a $180 million penalty which further undermines the stated purposes of the PRA and which encourages compliance with federal work participation targets not be assisting the working poor, but by cutting persons off assistance, or to provide expensive child care and workfare for hundreds of thousands for knowingly temporary, expensive and non-productive work status.

Accordingly, we recommend three steps which allow compliance with the PRA—even under the proposed 70% participation rate proposed in the Republican reauthorization proposal: (1) expansion of the TANF "participant" base as described above to allow the more gradual meaningful private employment of 10% of unemployed current TANF parents each year while still meeting overall PRA targets, rather than the current alternative of artificial and expensive child care plus workfare for hundreds of thousands all at once; (2) state standards to assure not merely job placement spending, but enhanced up-front investment in education and training of TANF parents so the smaller number realistically targeted are meaningfully employed in jobs with stability and future prospects; (3) encouragement to counties to provide *modest* public service employment for a small additional number of TANF parents each year (rather than meaningless workfare for a large number), with EITC and without displacing current public jobs; (4) permission to counties (and the state) to rollover surplus CalWORKs block grant funds (and incentive payments) for up to six years so investment and expansion may be spread out; and (5) the strategy outlined above of assisting the working poor through a state EITC add-on, child care for the working poor, and child support assurance—with all such beneficiaries counting as TANF recipients (and who are generally working) and hence qualifying the state under federal work participation targets.

Chapter 2

ENDNOTES

1. This figure is applicable to the 48 contiguous states and the District of Columbia. Note that there are two separate federal measures of poverty. The "poverty thresholds" for various family sizes were the original format developed by Mollie Orshanksy of the Social Security Administration. These thresholds are used for statistical purposes, *e.g.* estimating the number of children in poverty each year.

   In contrast, the "poverty guidelines" are issued each year in the Federal Register by the U.S. Department of Health and Human Services (DHHS). They are a simplification of the more complex "thresholds" above for administrative purposes, including eligibility for income related programs. The guidelines below are in effect as of February 14, 2002 and are popularly referred to as the "federal poverty line." For the 48 contiguous states, they are:

Size of family unit	Poverty guideline
1	$8,860
2	11,940
3	15,020
4	18,100
5	21,180
6	24,260
7	27,340
8	30,420
additional members	add $3,080 each

   Source: Federal Register, Vol. 67, No. 31 (Feb. 14, 2002) at 6931-6933; see also http://aspe.hhs.gov/poverty/02poverty.htm

   Some researchers contend that a National Academy of Sciences Panel approach updated the "Orshansky" method and suggested in the early 1990s is more legitimate, and would set the level at approximately $4,000 to $6,000 above the DHHS levels above. See Mollie Orshansky, *Who's Who Among the Poor: A Demographic View of Poverty*, Social Security Bulletin (July 1965), at 9. Orshansky pointed out that the "thrifty food plan" used to calculate the poverty line was insufficient, and in fact only 10% of non-farm families expended less than the set amount. Although some adjustments have been made since her critique, the food cost allo cation remains low, as do other costs. The NAS recommends using current consumption patterns together with expert estimates of amount necessary to meet basic needs, with expected thresholds at between 30% to 35% of the median costs for food, shelter, clothing, utilities, and a 20% allowance for other consumer needs. In 1999, the NAS method would generate a 3% higher poverty rate nationally. A "family budget" approach yields a much higher poverty line (see discussion of "self-sufficiency" budget below). See discussion of related issues in Jared Bernstein, *Let the War on the Poverty Line Commence*, The Foundation for Child Development, Working Paper Series (New York, NY; June 2001) at 3-16. Bernstein advocates using the NAS method and substitute HUD Fair Market Rents for the Housing component. We estimate that the benchmark family of 3 threshold of $15,020 would be close to $20,000 nationally. A state specific threshold would yield a figure above $22,000 for California.

2. Previous Governors' Budget Summaries have consistently described California's AFDC (now TANF) benefits as among the highest in the nation. However, Professor Michael Wald of Stanford has calculated that when the relative costs of housing are included, TANF and food stamps benefits in California are reduced to thirtieth among the fifty states in spending power. Professor Wald's calculations were based on 1992 assistance levels, prior to the reductions over the past seven years. See Michael Wald, Stanford Center for the Study of Families, Children, and Youth, *Welfare Reform and Children's Well-Being: An Analysis of Proposition 165* (Palo Alto, CA; 1992) (hereinafter "*Welfare Reform and Children's Well-Being*").

3. The "fair market rent" calculation is not a mean or a median, but is set at 40% of the median, thus sampling below the median rent to effectively exclude luxury rentals. See Department of Housing and Urban Development, *Fair Market Rents for the Housing Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program—Fiscal Year 2002*, 66 FR 50024. In metropolitan areas, the survey data indicates that on average a one-bedroom unit is about $175 per month less, and a three-bedroom unit is $330 more than the benchmark median rents for a two-bedroom unit. A survey of census data released on late 2001 found California's median rent to be $765 per month, among the highest in the nation (the national median is $612). See Bureau of the Census, *Housing Prices* (Washington, D.C.; Nov. 2001) (hereafter "*Housing Prices November 2001*").

   Even the non-metropolitan (rural) counties are in the $500 to $800 range for a two-bedroom unit, with a one-bedroom unit averaging $130 per month less, and a three-bedroom unit averaging $220 per month more.

4. California Budget Project, *Still Locked Out: New Data Confirm That California's Housing Affordability Crisis Continues* (Sacramento, CA; March 2001) at 3 (hereinafter "*Still Locked Out*") (see www.cbp.org). See also generally confirming data in Jennifer Daskal, Center on Budget and Policy Priorities, *In Search of Shelter* (June 15, 1998) at 49, arraying percentage of poverty level renters spending for rent over 30% and 50%, respectively,

of total income. Sampled California sites surveyed from 1993 to 1996 include Los Angeles County, Riverside-San Bernardino counties, Sacramento, San Diego, San Francisco-Oakland, and San Jose. More recent studies confirm the problem. A census survey released on November 26, 2001 indicates the 45% of all renters (not merely the poor) spend over 30% of total wages on rent. Over 52% of renters in Los Angeles and Orange Counties paid over this HUD benchmark proportion of income. See *Housing Prices November 2001, supra* note 3. Because of the high cost of home ownership, California has an extraordinarily high percentage of renters, with 42% of the state's householders renting. California now ranks third nationally in percentage of renters who spend more than 50% of their income on shlelter, heat and water (at 21%). The number of Californians who paid more than $1,000 per month for rent more than tripled since 1990, from 451, 233 to 1,263,744 in 2000. See Bureau of the Census, *Housing Prices* (Washington, D.C.; Aug. 6, 2001) at 1. Note that youth seeking housing are now relegated to rental status due to the prohibitive cost of home ownership, now dominated by older citizens. Those existing homeowners enjoy Proposition 13 tax reductions limited to a fraction of market value, build equity with their payments, and benefit from substantial tax deductions.

5. *Still Locked Out*, *supra* note 4.

6. The survey calculated San Francisco, San Jose, Oakland, Santa Cruz-Watsonville, and Orange County as five of the highest eight such metropolitan statistical areas in the nation. See National Low Income Housing Coalition, *Out of Reach* (September 2001) (see www.nlihc.org/oor2001). Note that California is considered to be the most expensive state in the nation in terms of hours of wages necessary to pay rent.

7. *Id.*, see minimum wage discussion below.

8. *Id.*

9. See Robert C. Fellmeth, Children's Advocacy Institute, *California Children's Budget 1995–96* (San Diego, CA; 1995) at 1–6 (hereinafter "*California Children's Budget 1995–96*"); see also Ed Lazere and Robert Greenstein, Center on Budget and Policy Priorities, *California's AFDC Benefit Levels and Expenditures Are Close to Average When Its High Child Poverty Rate and Cost of Living Are Considered* (Washington, D.C.; June 11, 1996) at Table I.

10. See Department of Social Services, *Temporary Assistance for Needy Families Characteristics Survey Federal Fiscal Year 1998* (Sacramento, CA; 1999) at Table 7 (hereinafter "*TANF Characteristics Survey 1998*").

11. See *Still Locked Out, supra* note 4.

12. See Constance Citro, Robert Michael, eds., *Measuring Poverty: A New Approach* (Washington D.C.; National Academy Press; 1995). A 1990 public survey of where the poverty level should be set for a family of four yielded $17,404 from a national sample, more than $3,000 over the actual line at the time. Western urban respondents would have set the poverty line for a family of four at $19,882. See Kathryn Porter and Robert Greenstein, Center on Budget and Policy Priorities and Families USA Foundation, *Real Life Poverty in America: Where the American Public Would Set the Poverty Line* (Washington, D.C.; July 1990).

13. See *infra* Appendix A (Table App.-C); see also Table 1-B.

14. *Id.*

15. John Sladkus, Jean Ross, Kate Breeslin, and Scott Harding, California Budget Project, *Working But Poor, in California* (Sacramento, CA; September 1996) (hereinafter, "*Working But Poor*") at Executive Summary.

16. *Id.*

17. *Id.*

18. See *Working But Poor*, *supra* note 15, at Executive Summary.

19. See Neil G. Bennett and Jiala Li, *Young Poverty in the States—Wide Variation and Significant Change, Early Childhood Poverty Research Brief 1*, National Center for Children in Poverty, Columbia University (July 1998) at 1-4. See esp. Appendix Tables 1-4, at 11-14. See http://cpmcnet.columbia.edu/ dept/nccp/ecp1text.html. The 1979–83 California figure of 23.4 increased to 28.97 during 1992–96. The current figure is close to this level. The

underlying child poverty rate increased substantially from 1992 to 1997 and has now declined slightly to approximate the 1992–97 average level (see Appendix A). See also the updating of these numbers, and some marginal decline in poverty rates from 1993 to 1999 after 15 years of substantial increase at Neil G. Bennett, Jaili Li, Younghwan Song, and Keming Yang, *Young Child in Poverty Statistical Update*, National Center for Children in Poverty, Columbia University (June 1999). The young child poverty rate remains particularly high for blacks and Hispanics, at 40% and 38%, respectively. The percentage of children living below or "near" the poverty line (below 185% of the line) remains at above 40% nationally, and is well above 50% for minority children.

20. *Id.* at Appendix Table 2 at 12. Note that "near poverty" is defined as 185% of the poverty line, close to the minimum necessary for "self sufficiency" as discussed below.

21. See National Center for Children in Poverty, *Child Poverty in the States: Levels and Trends from 1979 to 1998,* Mailman School of Public Health at Columbia University, Research Brief #2 (2000) at 4 (see www.nccp.org) (hereinafter "*Child Poverty in the States*"). Note that the somewhat different methodology of the NCCP places the California rate in 1979 at 14.4% in 1993 at 27.4% and in 1998 at 23.3%.

22. *Id.*, Table 2 at 4.

23. See Office of Legislative Analyst, *Analysis of the 2001–02 Budget Bill* (Sacramento, CA; 2001) at Department of Social Services, Figure 2 at 2 (hereinafter *"LAO 2001–02 Analysis*"). The Office calculates for 2001–02 the maximum TANF grant in the R-1 "high county" at $679 and at $647 in the R-2 "low county" category and calculates maximum food stamps at from $236 to $250, total safety net support as a percentage of the 2001–02 poverty line of $1,219 per month at from 74.8% (R-1) to 73.5% (R-2).

24. *Child Poverty in the States, supra* note 21, at Table F.

25. See Timothy Smeeding, *Child Well-Being, Child Poverty and Child Policy in Modern Nations*, Syracuse University (Syracuse, NY; 2001). Note that the study is based on 1995-97 data and does not use the federal poverty line criterion due to its inapplicability in other nations. It rather defines poverty as those living at under one-half of the net median income within the jurisdiction. Hence, it tends to measure relative income inequality. However, using this surrogate measure produces a percentage for California close to the percentage below the federal poverty line during the data period used. Although the general economic recovery has improved these numbers, the relative ranking of California's children since 1997 is not likely to have altered significantly *vis-a-vis* the other jurisdictions measured.

26. Bureau of the Census, *Year 2000 Supplemental Survey* (Washington, D.C.; Aug. 7, 2001); see also Karen Davis, *California's Rich-Poor Gap Grows,* FRESNO BEE, Aug. 7, 2001. The census reports California median income at $46,499 in 2000, with the national average at $41,343. The child poverty rate, as calculated by the census, is 20% against 17% nationally.

27. See Mary C. Daly, Deborah Reed, and Heather N. Royer, *Population Mobility and Income Inequality in California*, Public Policy Institute of California, California Counts, Vol 2, Number 4 (May 2001) at 1-2. The Institute places the impact of immigration as accounting for one-third of the income inequality growth in California, but adds:"However, other forces explain the bulk of the growth in inequality. The rising value of skills such as schooling and labor market experience has been one of the most important factors behind the growing inequality. Thus, the concern over the economic opportunities available to low- income families, particularly those headed by low-skilled workers, is well-founded" (at 2).

28. See description and citations in *California Children's Budget 1995–96*, *supra* note 9, at 1-46 to 1-47.

29. These percentages represent a twelve-month rolling average, calculated month to month. See California Economic Development Department, *Labor Market Information* (www.calmis.ca.gov) (hereinafter "*Labor Market Information*").

30. *Id*.

31. California Employment Development Department, *California's Unemployment Rate Increases to 6.2%* (Sacramento, CA; Feb. 22, 2002) at 1 (www.edd.ca.gov/nwsrel01.htm) (hereinafter "*California's Unemployment Rate*").

32. Office of the Governor, *Governor's Budget Summary 2002–03* (Sacramento, CA; Jan. 2002) at 98 (derived from the projected change in "civilian employment"),

33. *Id.*

34. *Labor Market Information*, *supra* note 29. Note that youth unemployment includes those aged 16–19 looking for jobs.

35. See data and discussion in California Budget Project, *California's Recent Minimum Wage Increases: Real Wage Gains with No Loss of Jobs, Minimum Wage Remains Inadequate to Meet California's Cost of Living,* Budget Brief (Sacramento, CA; June 2000) at 4 (hereinafter "*California's Recent Minimum Wage*") (see www.cbp.org). See Appendix Table App. A for recent COLA adjustments.

36. For a concise presentation of data supporting a $6.50 minimum wage, see California Budget Project, *Minimum Wage Boosts Earnings Without Job Loss* (Sacramento, CA; July 1998).

37. See research compiled by the Economic Policy Institute at www.epinet.org. See esp. the resources bibliography and the EPI post 1999 publications accessible at this site. See e.g., Edith Rasell, Jared Bernstein and Heather Boushey, *Step Up, Not Out: The Case for Raising the Federal Minimum Wage for Workers in Every State,* EPI (Feb. 2001); Jared Bernstein and John Schmitt, *The Impact of the Minimum Wage: Policy Lifts Wages, Maintains Floor for Low-Wage Market*. See also confirming conclusions in *California's Recent Minimum Wage, supra* note 35, *passim*.

38. Public Policy Institute of California, *Many Welfare Recipients Lack the Basic Skills Needed to Succeed in the Workplace*, Research Brief, Issue #19 (April 1999).

39. See Research Development Division, Department of Social Services, *Characteristics and Employment of Current and Former CalWORKs Recipients: What We Know From Statewide Administrative Data* (June 6, 2000) at 16–17.

40. See Economic Policy Institute, *Minimum Wage Facts at a Glance* (Washington D.C.; 2001) (see www.epinet.org).

41. California Budget Project, *Falling Behind: California Workers and the New Economy* (September 2000) at 1 (see www.cbp.org).

42. *Id.*

43. See Nicholas Johnson, Center on Budget and Policy Priorities, *A Hand Up* (Washington, D.C.; Nov. 2000) at Appendix II.

44. For example, note the substantial impact of home mortgage interest deductibility, enhanced by the recent expansion of credit available and secured by homes. In contrast, the poor generally rent and California's "renters' tax credit"—enacted to create a measure of parity for the poor—was suspended until 1998. When restored, it was transformed into an "unrefundable" tax credit (of use only to reduce tax liability for those paying taxes), thus excluding those below the poverty line, including the working poor. The total benefit from the revised tax credit amounts to a small fraction of the previous, refundable credit.

45. Tax expenditures are not reviewed as part of the budgetary process and, once in place, continue indefinitely unless affirmatively ended. Since ending a tax credit or deduction is technically a "tax increase," ending or even lessening the forbearance requires a two-thirds' vote of the Legislature in California.

46. In 1998, the Assembly Committee on Revenue and Taxation introduced AB 2808, which would have required LAO to report on these expenditures before each new Legislature (every two years). It would also have required the Franchise Tax Board and State Board of Equalization to report on the "distributional impact" of proposed tax changes on taxpayers at different income levels. AB 2808 died in its initially assigned committee (the Assembly Committee on Revenue and Taxation).

47. See California Budget Project, *Making the Unemployment Insurance System Work for California's Low Wage Workers* (Sacramento, CA; April 2001) at 6 (hereinafter "*Making the Unemployment Insurance System Work*").

48. *Working But Poor, supra* note 15, at 40.

49. See Department of Social Services, *AFDC Characteristics Survey: October 1996* (Sacramento, CA; Oct. 1996) at 36 (Chart 18) (hereinafter "*AFDC Characteristics Survey 1996*"). The AFDC unemployed group has varied from 4–7% since 1987. Only 1–2% of the AFDC family group category has received benefits at a given survey point. The overall incidence of compensation from this source approximates 3% of TANF recipients.

50. *Making the Unemployment Insurance System Work, supra* note 47, at 10.

51. *Id*. at 12.

52. *Id.* at 13.

53. *Id.* at 11–12.

54. See *California's Unemployment Rate, supra* note 31, at Summary Data for State Programs.

55. Office of the Governor, *Governor's May Revise, 2002–03* (Sacramento, CA; May 2002) (hereinafter "*May Revise 2002–03*") at 61.

56. Note that the new statute was scheduled to take effect in January 2002, thus missing the very persons (those suffering unemployment due to the events of September 11, 2001) whose benefits would be running out by January. See Marla Dickerson, *Overwhelmed by New Jobless*, L.A. TIMES, Jan. 11, 2002, Part 3, at 1. However, Governor Davis announced his intention to support retroactive coverage for those claims after September 11, 2001 which would have been excluded by the January 2002 starting date.

57. *California's Unemployment Rate, supra* note 47. The EDD reported 80,224 claims filed in January 2002, compared to 41,739 in January 2001.

58. See David Maxwell-Jolly, *Senate Appropriations Committee Fiscal Summary: SB 202 (Solis)* (Sacramento, CA; May 1996).

59. Note that the current overall tax rate for state and federal UI assessment equals only one-half of one percent of wages paid, and extension to a larger base of workers would spread the tax burden more equitably and could allow rate reductions. This small contribution from the many cushions the severe financial consequence of lay-offs to the families involved.

60. U.S. Department of Commerce, Bureau of the Census, *Money Income of Households, Families, and Persons in the United States: 1992* (Current Population Reports, Consumer Income, Series P60-184) (Washington, D.C.; 1993) Table 18 at 68–76 (see www.census.gov).

61. This is partly a reflection of length of time working, because younger couples who have not yet had children are closer statistically to initial entry into the workforce. It also suggests enhanced resources for children where there is such a delay.

62. See description and citations in *California Children's Budget 1995–96*, *supra* note 9, at 1-46 to 1-47.

63. U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States: 2000* (Current Population Reports, Consumer Income) (Washington, D.C.; Sept. 2001) Table A at 2.

64. U.S. Department of Commerce, Bureau of the Census, *Money Income in the United States: 1997* (Current Population Reports P60-200) (Washington D.C.; Sept. 1998) at viii. Note that the updated 1998 numbers are in brackets, source: U.S. Department of Commerce, Bureau of the Census; *Poverty in the United States 1998* (Current Population Reports, Consumer Income, Series P60-207) (Washington, D.C.; Sept. 1999) at Table 2 (hereinafter "*Poverty in the United States 1998*"); see also updated information at www.census.gov.

65. U.S. Department of Commerce, Bureau of the Census, *Consumer Income 2000* (Washington, D.C.; 2001) at Table A.

66. U.S. Department of Commerce, Bureau of the Census, *Marital Status and Living Arrangements: March 1998 (Update)* (Current Population Report P20-514)(Washington, D.C., Dec. 1998) Table 6 at 36 (hereinafter "*Marital Status: March 1998*").

67. National Center for Children in Poverty, *Children in Poverty–A Statistical Update*, Mailman School of Public Health at Columbia University (June 1999) at 6.

68. *Id*. at Table 6.

69. *Id.*

70. U.S. Department of Commerce, Bureau of the Census; *Consumer Income 1998* (Current Population Reports, Consumer Income, Series P60-206) (Washington, D.C.; 2000) at viii, Table A (see www.census.gov).

71. *Poverty in the United States 1998, supra* note 64, at Table 2.

72. U.S. Department of Commerce, Bureau of the Census, *Changes in Median Household Income: 1969 to 1996* (Current Population Report Special Study P23-196) (Washington, D.C.; July 1998) at 2–4. This study used data from the Survey of Current Business of August 1997.

73. U.S. Department of Commerce, Bureau of the Census, *Trends in Premarital Childbearing 1930 to 1994* (Current Population Reports P23-197) (Washington, D.C.; Oct. 1999) Table 1, column 3, at 2 (hereinafter "*Premarital Trends, 1930 to 1994*").

74. *Id*. at Table 1, column 4, at 2.

75. See the 47.2% of "post maritally conceived first births" counted in 1990–94; *id*. at Table 1, column 5, at 2.

76. *Marital Status: March 1998, supra* note 66, at 36, Table 6. Note that the summary on page one does not correspond precisely to the data gathered and arrayed in the tables, which we have relied on for our percentages. Note also that the percentages do not total 100% because of approximately 4% of single parent households with children deriving from the death of a spouse. Where this occurs, median income for widows with children is $23,192, and for male widowers it is $43,575.

77. U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, *Births: Final Data for 2000,* National Vital Statistics Report, Vol. 50, No. 5 (Feb. 12, 2002) at Table 17 (hereafter, *"Final Data for 2000"*). See also National Center for Health Statistics, *Health, United States, 2001* at Table 9 (Nonmarital Childbearing According to Detailed Race and Hispanic Origin of Mother, and Maternal and Age and Birth Rates for Unmarried Women by Race and Hispanic Origin of Mother 9) (hereafter, "*Health, US 2001*").

78. *Marital Status: March 1998, supra* note 66, at 1.

79. U.S. Department of Commerce, Bureau of the Census, *1997 Population Profile of the United States* (Current Population Report Special Study P23-194*)* (Washington, D.C.; 1997) at 24.

80. U.S. Department of Commerce, Bureau of the Census, *Projections of the Number of Households and Families in the United States: 1995 to 2010* (Current Population Report P25-1129) (Washington, D.C., 1996) at 13.

81. U.S. Department of Commerce, Bureau of the Census, *Marital Status and Living Arrangements: March 1996* (Current Population Reports P20-496) (Washington, D.C., March 1998) at Table 6: Living Arrangements of Children Under 18 Years, by Marital Status and Selected Characteristics of Parent: March 1996. The itemization excludes about 4% of single parent families attributed to the death of a spouse (widows and widowers). Nationally, this circumstance accounts for 662,000 single mother and 120,000 single father families with children, with median incomes of $22,591 and $30,741, respectively.

82. U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, *Births: Final Data for 2000,* National Vital Statistics Report, Vol. 50, No. 5 (Feb. 12, 2002) at Table 17. See also *Health USA 2001, supra* note 77, at Table 9. See also discussion and related data in Stephanie Ventura and Christine Bachrach, *Nonmarital Childbearing in the United States, 1940-99,* National Vital Statistics Reports, Volume 48, Number 16 (October 18, 2000) Figure 10 at 7. See also Stephanie Ventura, Robert Anderson, Joyce Martin, Betty Smith, *Births and Deaths: Preliminary Data for 1997,* National Vital Statistics Reports, Volume 47, No. 4 (October 7, 1998) Table 6 at 15 (hereinafter "*Births and Deaths: 1997*").

83. Center on Budget Policy and Priorities, *Welfare, Out-of-Wedlock Childbearing, and Poverty: What is the Connection?* (Washington, D.C.; 1995) at 3-17 (hereinafter "*What is the Connection*?"). See also Senate Office of Research, *Teen Pregnancy and Parenting in California: Background* (Sacramento, CA; March 1996) at 7 (hereinafter "*Teen Pregnancy and Parenting*"). The rate of births to unwed mothers drops substantially for older mothers—from 70% for teens, to 30% for those age 20 and over. However, the 30% rate is historically extraordinary.

84. *Final Data for 2000*, *supra* note 77, at Table 17; Health *U.S. 2001, supra* note 77 at Table 9.

85. *Final Data for 2000*, *supra* note 77, at Table 19;

86. See D.J. Fein, Impacts of Welfare Reform on Marriage and Fertility: Early Evidence from the ABC Demonstration, presented at the annual meeting of the Association for Public Policy and Management (Washington, D.C., Nov. 1997). ABC policies did have some correlation with marriage rates among young, short-term welfare recipients. See also Michael C. Laracy, Annie E. Casey Foundation, *If It Seems Too Good To Be True, It Probably Is*

(Baltimore, MD; June 21, 1995) (hereinafter "*Too Good To Be True*").

87. Rachel Kaufmann, Alison Spitz, Lilo Strauss, Leo Morris, John Santelli, Lisa Koonin, and James Marks, *The Decline in US Teen Pregnancy Rates, 1990–1995*, 102 PEDIATRICS, Nov. 5, 1998, at 1141, 1144 (hereinafter "*The Decline in US Teen Pregnancy Rates, 1990–1995*"). The study uses two sexually related categories: "sexually experienced" meaning there has been at least one past incident of sexual intercourse, and "sexually active" meaning that sexual intercourse has occurred within the immediate three-month period prior to the survey.

88. *Id., passim*.

89. *Id.* at 1144. The percentage of pregnancies resulting in abortions has been declining since 1987.

90. *Id.*

91. *Final Data for 2000, supra* note 77, at 2.

92. Sexual experience among males declined more than it did among females, from 60% in 1988 to 55% in 1995. *Id.* at 1145.

93. *Id.*

94. *Id.*

95. See Centers for Disease Control and Prevention, *CDC Surveillance Summaries* (August 14, 1998) at 47 (No. SS-3).

96. Although contraceptive use at first sex has increased sharply from 1982 to 1995 (from 48% to 76%), much of it has come from increased condom use. Declining pill use and less reliable condom use by those more sexually experienced has led to a decline in contraceptive use among that large group, with "contraception use with most recent sex" declining from 77% in 1988 to 69% in 1995. Elizabeth Terry, MPP and Jennifer Manlove, PhD, *Trends in Sexual Activity and Contraceptive Use Among Teens* (Child Trends Research Brief, Washington, D.C.; March 2000) at Figures 7 and 8 (hereinafter "*Trends in Sexual Activity*"). See full paper at www.teenpregnancy.org; see also www.childtrends.org.

97. Hispanic female sexual experience rates have grown from 49% in 1988 to 55% in 1995; see *Trends in Sexual Activity, supra* note 96, at 2.

98. *Teen Pregnancy and Parenting*, *supra* note 83, at 6. Factors correlating with teen pregnancy include sexual abuse, history of foster care, daughter of a teenage mother, single-parent household, and parents with low educational attainment. Trends correlating with increased teen pregnancy rates include lower age of menstruation onset (now dropping to 11), and increased sexual activity—with more than half of all girls and two-thirds of all boys having sex prior to age 18.

99. *Contraception Counts* data gathered by the Alan Guttmacher Institute (see www.agi-usa.org). The Institute estimates that of California's 159 pregnancies per 1,000 women aged 15–19, 47% result in live births, and 40% result in abortions with data unavailable for the remainder. (See the 12% estimate of involuntary fetal miscarriage in *The Decline in US Teen Pregnancy Rates 1990–1995, supra* note 87, at 1145.) See also Claire D. Brindis, Sara Ann Peterson, Sharon Brown, and Steve Snider (ed.), Center for Reproductive Health Policy Research, Institute for Health Policy Studies, University of California at San Francisco, *Complex Terrain: Charting a Course of Action to Prevent Adolescent Pregnancy* (San Francisco, CA; June 1997). This report acknowledges the 11% decline in teen births from 1991 to 1995, a trend which has continued to 1999.

100. *Births and Deaths: 1997, supra* note 82, Table 5 at 14. See also National Center for Health Statistics, *National Vital Statistics Reports*, Vol. 48, No. 14 (Aug. 8, 2000) at Table 5 (Percent of Live Births to Mothers Under 20 Years of Age by Race and Hispanic Origin of Mother).

101. Note the anticipated problem of the approaching population bulge in California's adolescent population, projected to increase 34% by 2005 (compared to a 13% national increase). Even further decline in birth rates will produce substantially more numbers of newborns with unwed teen parents than is currently the case.

102. Carla Rivera, *State Teen Birth Rate Drops Nearly 1/3 in Decade*, LOS ANGELES TIMES, Apr. 4, 2002.

103. See Kristin Anderson Moore, Ph.D. et al., *CTS Facts at a Glance,* Child Trends (Washington D.C.; Dec. 1999) at Table 1 (hereinafter "*CTS Facts at a Glance*").

104. Prior studies have attempted to calculate teen pregnancy rate rather than live birth rate counted by the National Center for Health Statistics. California has a somewhat higher rates of pregnancy termination than do other states, partially accounting for its extraordinarily high teen pregnancy rate and close-to-national average teen birth rate.

105. Stephanie J. Ventura, M.S., T.J. Mathews, M.S., Sally C. Curtin, M.A., *Declines in Teenage Birth Rates, 1991–97: National and State Patterns*, Centers for Disease Control and Prevention, National Vital Statistics System, Vol. 47, No. 12 (Dec. 17, 1998) at Table 6.

106. Recent data from 1996 places California's teen pregnancy rate at the second highest in the nation (125 against a national average of 97), and with a 36% abortion rate compared to the national figure of 30%. See *CTS Facts at a Glance, supra* note 103, at Table 1.

107. *Id.*

108. One study reached similar conclusions, finding teen pregnancy to be a relatively minor contributor to TANF caseload, but that overall (older) single parenthood was the most correlative single factor for TANF, and correlates even more highly with the "highly dependent" or longer-term population within the TANF recipient group. See Thomas MaCurdy, Margaret O'Brien-Strain, Public Policy Institute of California, *Who Will Be Affected by Welfare Reform in California? (*San Francisco, CA; Feb. 1997) at 96–100 (hereinafter "*Who Will Be Affected by Welfare Reform?*").

109. The most recent percentages are reduced from the 1994 estimate of 35% because of a flaw in the methodology of presuming that different last names of mothers and fathers or of babies and mothers on birth certificates inferred unmarried status. The more recent findings are based on a more sophisticated protocol. A birth is inferred as nonmarital if one of the following factors (in priority order) occurs (1) paternity acknowledgment received, (2) no father's name listed, (3) father and mother surnames are different. Beginning in 1997, California began to adjust for the hyphenated or atypical naming practices possibly inflating the (3) numbers above, particularly in the Asian and Hispanic communities. Beginning January 1, 1997, the marital status is counted based on a new question then added to the birth certificate document concerning mother's maternal status. The enactment of AB 2680 in 1998 adds Section 102426 to the Health and Safety Code, requiring birth registration to "electronically capture the mother's marital status in an electronic file." The information is to be transcribed onto the birth certificate hard copy. The information gathered is confidential except for statistical analysis purposes without name identification.

110. The increase in single-parent births is society-wide. It is occurring among middle class and wealthy populations at the same or higher rates than among the poor; it occurs regardless of welfare level changes over time, and independent of welfare level disparities between states. See research cited and summarized in *What is the Connection?*, *supra* note 83, at viii–x, 3–17 (citing National Center for Health Statistics, *Monthly Vital Statistics Report, Advance Report of Final Natality Statistics, 1983 and 1992)*. Unwed birth increases are also international in scope, with some European rates surpassing American levels.

111. See California Department of Health Services, *Vital Statistics Data Tables 2000* (Sacramento, CA; 2000) at Table 2-44; see also California Department of Health Services, Center for Health Statistics, *Natality Trends 1999* (Sacramento, CA; 1999) at Table 2-4 (available at www.dhs.ca.gov).

112. Melanie Martindale, California Department of Finance, *California Demographics at Mid-Decade* (Sacramento, CA; 1996) at 7.

113. *TANF Characteristics Survey 1998*, *supra* note 10, Tables 18 and 19, at 34.

114. California Department of Social Services, *CalWORKs Characteristics Survey Federal Fiscal Year 1999* (hereinafter "*CalWORKs Characteristics 1999*") (Sacramento, CA; 2001), Table 11 at 23.

115. *Births and Deaths: 1997, supra* note 82; percentages calculated from data presented in Table 2 at 11.

116. Stephanie Ventura and Christine Bachrach, *Nonmarital Childbearing in the United States, 1940-99*, Centers for Disease Control and Prevention, National Vital Statistics Report, Volume 48, Number 16 (October 2000) at 7.

117. Annie E. Casey Foundation, *Kids Count 2002* (Washington, D.C.; 2002) at "California" (www.aecf.org). Note that the Casey report counts 518,508 total births in 1999, with 249,364 to mothers of Hispanic ethnicity. These trends may suggest the assured inclusion of these populations in maternal educational opportunity, paternal responsibility,

and reproductive responsibility—including birth control.

118. *See* CAL. FAMILY CODE § 4055, setting forth the statutory guidelines for child support calculation. In general, the amount will approximate 25–30% of the noncustodial parent's net (after tax) for one child and 35–40% for two children. Actual amounts vary substantially depending upon such factors as the percentage of time spent with a child (during which the non-custodial parent presumably incurs direct expenses), whether there is health insurance coverage through employment, etc. For details, see Legal Services of Northern California, *Child Support: The Basics of California's System* (March 1997). Traditional AFDC and food stamps allocations have been in the $300–$500 range per child, with the amount declining as the number of children in a family increases.

119. See California Department of Social Services, Information Services Bureau, *Child Support Management Information System: Annual Report 1996/97* (1998) (hereinafter "*Child Support Management Information System 1996/97*"); see also California Department of Social Services, *Supporting California's Children: 1996 Annual Report on Child Support Enforcement* (Sacramento, CA;1997) at 16–23.

120. See California Department of Child Support Services, *Restructuring California's Child Support Program, First Year Status* (Sacramento, CA; Jan. 2001) Appendix D at A-13.

121. California Department of Social Services, *November 2001 Subvention Child Support Total Projected Distributed Collections* (Sacramento, CA; Nov. 2001) at Charts 1 and 2 and Table 2 (www.childsup.cahwnet.gov).

122. *Id.*, note that these numbers assume 2.4 million families with absent parents and whose children are legally eligible for support, amounting to 4.6 million total children. These numbers are based on the 1998 count of 2.1 million and 4.3 million, respectively, increased by nominal growth of 2% to 3% per annum.

123. Office of the Governor, *Governor's Budget Highlights 2001–02* (Sacramento, CA; Jan. 2001) at 2; see also Office of the Governor, *Governor's Budget Summary 2002–03* (Sacramento, CA; Jan. 2002) at 190.

124. Center on Budget and Policy Priorities, *Strengths of the Safety Net: How the EITC, Social Security, and Other Government Programs Affect Poverty* (Washington, D.C.; 1998) at 3 (hereinafter "*Strengths of the Safety Net*").

125. The percentage is based upon the highest possible grant for the benchmark family of three set at halfway between the Region 1 and Region 2 levels, plus the average per family food stamp coupon value, divided by the current poverty line for a family of three.

126. The average TANF grant for 1999 was calculated by increasing the 1998 average grant of $479 by the 2.1% grant increase authorized for fiscal 1999–2000. *TANF Characteristics Survey 1998, supra* note 10, at 4.

127. The thirteen states included Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. See Genevieve Kenney, *Snapshots of America's Families* (Urban Institute, Child Trends; Jan. 1999) at "California."

128. *E.g.*, note the Children's Defense Fund's focus on reproductive responsibility in publicity campaigns throughout the 1990s, often directed at young women in the African American community, coupled with support for safety net maintenance.

129. Children Now survey of 880 parents and 348 children (from 10 to 15 years of age), conducted by Princeton Survey Research Associates. See Report of Results in Christine Russell, *The Talk with Kids Should Occur Early, Often*, WASH. POST, April 6, 1999, at Z10.

130. Children Now and the Kaiser Family Foundation, *Sex, Kids and the Family Hour: A Three-Part Study of Sexual Content on Television* (San Francisco, CA; 1996).

131. See California State Board of Education, Policy Publication, *Adolescent Pregnancy and Parenting* (Sacramento, CA) at www.cde.ca.gov/cyfsbranch/lsp/teen/teenpolicy.htm. The average age of an impregnating male is over three years older than the female.

132. *Id.*

133. *CalWORKs Characteristics 1999*, *supra* note 114, Table 9 at 22. See also *TANF Characteristics Survey 1998, supra* note 10, at 24 (Tables 10 and 11). The average adult recipient in the 1998 data survey of all TANF parents is 29.6. The 1996 survey broke down ages by gender and type of TANF family: The average age of a mother in the TANF-Family Group category is 31 years. The average mother in the TANF-Unemployed group is 33 years. The average father (almost all in the latter group) is 37 years.

134. *CalWORKs Characteristics 1999*, *supra* note 114, Table 21 at 40. See also similar numbers in *TANF Characteristics Survey 1998, supra* note 10, Tables 18 and 19 at 34.

135. *Id.,* Table 11 at 24.

136. *Births and Deaths: 1997*, *supra* note 82; percentages calculated from data presented in Table 2 at 11.

137. *Teen Pregnancy and Parenting*, *supra* note 83, at 1–6.

138. *Id.* at 2.

139. See *CalWORKs Characteristics 1999*, *supra* note 114, Table 18 at 16.

140. *TANF Characteristics 1998, supra* note 10, Table O, at 16–17. The 1997 survey found 46% of the children receiving TANF aid were born out of wedlock, 40.5% were born to married couples, and for 13%, the survey was unable to determine marital status of parents. *Id*. at 12 (Figure 9).

141. The percentage of poor people using welfare has remained constant, at 54.6% in 1980 and 54.5% at the most recent count in 1991. See Robert Scheer, *Welfare Debate Driven by Half-Truths, Distortions*, L.A. TIMES, Oct. 28, 1992, at A-1, A-12. The number of cases grew from 636,255 in 1989–90 to a high of 921,011 in 1994–95, only slightly more than the poverty population increase.

142. See Bread for the World, *Welfare Reform Questions and Answers* (Silver Spring; MD; March 1995) at 1. This source cites a somewhat lower 1992 rate of 63%; the 49.6% represents the number of children receiving TANF-FG and U combined (1.293 million) in 1996 divided by the child poverty population of that year. The 43% figure represents the child portion of the estimated caseload as a portion of the 2.6 million children living in poverty. See Office of the Governor, *Governor's Budget Summary 2000–01* (Sacramento, CA; Jan. 2000) at 135.

143. *Welfare Reform and Children's Well-Being, supra* note 2, at 14.

144. *CalWORKs Characteristics 1999, supra* note 133, Table 4 at 12.

145. The California maximum monthly TANF grant by family size changes only marginally with the addition of children. For example, the 1997 effective rates enable a mother and child to receive a maximum of $479 per month. That amount increased to $594 (an increase of $115) with the addition of a second child; after three children, the amount of increase is $113 per month per child, and falls to below $100 per child thereinafter. These rates represent the lowest incremental increases for additional children since at least 1989. See CAL. WELF. & INST. CODE § 11450.

146. See *TANF Characteristics Survey 1998*, *supra* note 10.

147. See *AFDC Characteristics Survey: October 1996, supra* note 48, at 25–26.

148. *CalWORKs Characteristics 1999, supra* note 133, Table 36 at 62.

149. *Id.* at 21–22 for 1996 data; for 1998 data, see *TANF Characteristics Survey 1998*, *supra* note 10, Supplemental Report at Table B at 3.

150. See Kathryn Porter, Center on Budget and Policy Priorities, *Making JOBS Work: What the Research Says About Effective Employment Programs for AFDC Recipients* (Washington, D.C.; March 1990), quoting a 1989 study by the U.S. House Committee on Ways and Means.

151. Rosina Becerra, Welfare Policy Research Group, UCLA School of Public Policy and Social Research, *AFDC Recipient Profiles; California Work Pays Findings* (Los Angeles, CA; Feb. 10, 1997) at Table 5 (hereinafter "*California Work Pays Findings*").

152. *CalWORKs Characteristics 1999, supra* note 133, Table 23 at 42.

153. *Id.,* Table 15 at 32.

154. *Working But Poor, supra* note 15, at 2.

155. *Marital Status: March 1998, supra* note 66, Table 6 at 36.

156. *Who Will Be Affected by Welfare Reform?, supra* note 108, at 70.

157. *TANF Characteristics Survey 1998*, *supra* note 10, Table 28 at 46.

158. *AFDC Characteristics Survey: October 1996, supra* note 48, at 36–37. The percentage of AFDC-FG families (single parents) with earned income has gravitated from 5 to 10%, and rose with the economic recovery in 1996 to a record 12%.

159. U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States—1999* (Current Population Reports P60-210) (Washington, D.C.; Sept. 2000) Table D at xv.

160. See Research and Development Division, Department of Social Services, *Characteristics and Employment of Current and Former CalWORKs Recipients: What We Know from Statewide Administrative Data* (Sacramento, CA; June 2000) at 16–17.

161. *Id.* at 13. The other categories are public administration, finance-insurance-real estate, wholesale trade, transportation - utilities, manufacturing, construction, agriculture. Surprisingly, only about 10% are employed in manufacturing, apparently reflecting the movement of new assembly-line jobs to foreign locales. See also recent data confirming that 41.4% of 1999 TANF recipients worked, and 61.7% of them worked in services or retail trade. See *CalWORKs Characteristics 1999, supra* note 133, Table 45 at 78.

162. See Casey McKeever, Western Center on Law and Poverty, *The Song Remains the Same* (Sacramento, CA; April 1993) at 18–20. See the research summarized and cited in *What is the Connection?, supra* note 83, at viii, 3–17; see also Gregory Acs, Institute for Research on Poverty, University of Wisconsin-Madison, *The Impact of AFDC on Young Women's Childbearing Decisions* (Madison, WI; August 1993). The Acs study found little correlation between AFDC grant levels and incidence of first births, and no correlation whatever between grant levels and the incidence of subsequent births.

163. *Welfare Reform and Children's Well-Being, supra* note 2, at 22–23.

164. *AFDC Characteristics Survey: October 1996, supra* note 48, at Table 38. Note that past residency information was not obtained for 6.6% of the persons receiving assistance. In the 1995 survey, data was missing for 15% of the population. The elimination of most of the unknowns has not increased the 0.9% of claimants less than one year in the state. Those within this 0.9% moving to California would include children moving back to a California parent.

165. *CalWORKs Characteristics 1999, supra* note 133, Tables 25-27 at 44-46.

166. *What is the Connection?, supra* note 83, at 15, n.19.

167. Department of Social Services, *AFDC Characteristics Survey: October 1995* (Sacramento, CA; Oct. 1995) at 27 (Charts 6 and 7).

168. *Id*. at 6.

169. *What is the Connection? supra* note 83, at xiii, 24–26.

170. See American Academy of Pediatrics, *Age of Mother is a Factor in Determining Future Success of Children*, PEDIATRICS (November 1997). This study conducted by a consortium of three universities, including Johns Hopkins, followed 1,700 inner city children born between 1960 and 1965 in relation to "measures of self-sufficiency," including public welfare claims. The study found a correlation between age of mother and self-sufficiency. For example, the daughters of teen mothers are 3.6 times more likely to rely on public support than are the children of mothers 25 years of age or older.

171. See Children's Defense Fund, *What it Costs to Raise a Child* (October 1997). The CDF source is USDA data for the West Coast. As updated in 2000, USDA data places food, housing, child care, health, clothing, etc., over 18 years at a total of $115,020 in cost for a married couple earning under $36,000 per year and a similar $109,350 for a single-parent family at the same income level. Those earning above $36,000 commonly spend approximately double this amount. These estimates are taken from costs compiled by the U.S. Department of Agriculture's Center for Nutrition Policy and Promotion (see www.usda.gov/cnpp). For CDF array of similar but slightly older data in 1997, see www.childrensdefense.org/costs.html.

172. For more information, see Barbara Sard, Center on Budget and Policy Priorities, *The Family Self-Sufficiency Program— HUD's Best Kept Secret for Promoting Employment and Asset Growth* (April 2001) at 3-5.

173. For an excellent resource guide listing many possible strategies, and describing pilot projects and successful examples, see Larry Beeferman and Sandra Venner, *Promising State Asset Development Policies Promoting Economic Well-Being Among Low-Income Households,* Asset Development Institute, Center on Hunger and Poverty, Brandeis University (April 2001) (see www.centeronhunger.org).

174. According to the literature, 54% of all pregnancies in the United States overall are not intended, regardless of age group. See, *e.g*., Institute of Medicine, Division of Health Promotion and Disease Prevention, Committee on Unintended Pregnancy, *The Best Intentions: Unintended Pregnancy and the Well-Being of Children and Families* (S. Brown and L. Eisenberg, eds.) (National Academy Press; Washington, D.C.; 1995) at 25.

175. For example, a full-time worker earning $6.25 per hour will receive $13,000 per year in gross income. However, after Social Security, Medicare, and state SDI deductions, maximum take-home pay would be $11,960. Adding the maximum EITC to gross income yields $16,888, or $15,848 if added to net income after typical payroll deductions. Note that the maximum EITC assumes two children, the maximum is $2,353 for one child, and additional children beyond two do not increase the former ceiling.

176. See *supra* note 1, which lists the current poverty guideline for a family of four at $17,050.

177. Richard May, Center on Budget and Policy Priorities, *1993 Poverty and Income Trends* (Washington, D.C.; March 1993) at 19–20, 61.

178. Jean Ross, Jesse Rothstein, California Budget Project, *Will Work Pay? Job Creation in the New California Economy* (Sacramento, CA; April 2000) at 5 and Table 3 at 15 (hereinafter "*Will Work Pay?*").

179. *Id.*

180. See Economic Policy Institute Analysis of Current Population Survey ORG data presented in California Budget Project, *Unequal Gains: The State of Working California* (Sacramento, CA; Sept. 1998) at 5.

181. California Budget Project, *The State of Working California: Income Gains Remain Elusive for Many California Workers and Families* (Sacramento, CA; Sept. 2001) at 2-3 (see www.cbp.org).

182. *Will Work Pay?, supra* note 178, at 12.

183. *Id.* at 14.

184. *Id.*, Table 8 at 19. Note that these large groupings (educational levels) obscure other imbalances, *e.g.,* the relative undersupply of college degrees in engineering (and other technical skills) in relation to liberal arts graduates for the job candidates with college degrees.

185. *Id.*

186. The regional annual income amounts varied from $38,730 to $53,728. See California Budget Project, *Making Ends Meet, How Much Does it Cost to Raise a Family in California?* (Sacramento, CA; Oct. 1999).

187. *Id.*; needed annual income among the nine regions varies from $31,500 to $44,700. Note that the lowest costs apply to the state's 25 most northern counties, stretching from the Oregon border down to just above Sacramento, and including a small proportion of the state's children.

188. *Id.* at 6–7 and Appendix. The standard is calculated using U.S. Department of Housing and Urban Development annual Fair Market Rents; State Market Surveys of Child Care; U.S. Department of Agriculture, Low-Cost Food Plan; average costs of commuting using public transportation if available or ownership of six-year-old car where public transportation is not available; medical costs based on full-time work with employer-provided health coverage, estimated costs from Families USA, National Medical Expenditure Survey; miscellaneous expenses of 10% of all other costs; taxes include sales tax, state income tax, payroll tax, and federal income tax. *Id.* at 3–5.

189. *Id*, at 24, 28.

190. Id. at 22, see 2001 poverty level discussed in Chapter 2 of Children's Advocacy Institute, *California Children's Budget 2002–03* (San Diego, CA; June 2001) at 2-1.

191. Office of the Governor, *Governor's Budget Summary 1998–99* (Sacramento, CA; 1998) at 21 (hereinafter "*Governor's Budget Summary 1998–99*"). The federal funds are part of $50 million appropriated nationally under Title IX, Section 912 of the 1996 PRA to teach children "sexual abstinence." The DHHS Request for Proposals has caused some controversy because of its insistence on a message supporting traditional marriage given the current diversity of family formats. See Children & Youth Funding Report, *State Officials Will Hold Their Noses and Seek Sexual Abstinence Funds* (CD Publications, No. 97-10; May 20, 1997) at 1.

192. Office of the Governor, *Governor's Budget 2002–03* (Sacramento, CA; Jan. 2002) (hereinafter "*Governor's Budget 2002–03*")at HHS 151.

193. Kathleen Les, Helping Kids Over Life's Hurdles: *Mentors Called Into Action*, CAL. JOURNAL, Aug. 2001, at 20.

194. *Governor's Budget Summary 2002–03, supra* note 192, at 187.

195. "Vertical prosecution" refers to a single prosecutor handling a case from initial filing through trial and sentencing. This account funds the prosecutor, investigative assistance, and victim advocacy.

196. *Id.* at 9.

197. See *Governor's Budget 2002–03, supra* note 192 ,at GG-2.

198. After TANF and food stamps, a third source of financial aid for poor children is housing subsidies. The percentage of California TANF families receiving housing assistance is 9%, the lowest of the fifty states (the national rate is 22.5%). According to the most recent survey, only 1.3% of California families on TANF owned or were attempting to buy a home. See Center on Budget and Policy Priorities, *Cutting Too Deep? An Evaluation of the Proposed California AFDC Reductions* (Washington, D.C.; 1991) at 8, 10; see also U.S. Department of Health and Human Services, *Characteristics and Financial Circumstances of AFDC Recipients, Fiscal Year 1988* (1988).

199. The percentage of child recipients varies from 69–72% for the largest traditional TANF category "family groups"; the percentage of child recipients for the smaller TANF unemployed category is 61–63%. See *California Children's Budget 1995–96*, *supra* note 9, at Tables 1-C and 1-D.

200. Certain assets are exempt from the limitation, including the family home, an automobile worth under $1,500, burial insurance, tools of trade needed for employment, household furniture, and "other items essential for day-to-day living" (such as dishes, flatware, toilet paper, etc.). The state Legislature enacted SB 35 (Chapter 69, Statutes of 1993), which raises allowable assets from $1,000 to $2,000, the auto allowance from $1,500 to $4,500, and permits up to $5,000 in a restricted account (*e.g.*, for a child's care or education). The former Governor supported those increases and they have been approved by the U.S. Department of Health and Human Services.

201. In addition, the first $30 earned each month for up to one year is not counted, and an additional one-third of earnings is disregarded (termed the "30 and one-third rule" to encourage work). If received, the first $50 per month in child support is also not counted.

202. Pub. L. No. 104-93.

203. See *Who Will Be Affected by Welfare Reform?*, *supra* note 108, at 9.

204. California Budget Project, *TANF and CalWORKs: How California Spends the Money*, Welfare Reform Update (Sacramento, CA; Aug. 2001) at 5.

205. See U.S. General Accounting Office, *Welfare Reform: Challenges in Maintaining a Federal—State Partnership*, GAO-01-828 (Washington, D.C.; Aug. 2001) at 38. For levels in 2000–01, see Peter Edelman, *Unspent TANF State Surpluses*, National Campaign for Jobs and Income (Washington D.C.; Feb. 2000); see also Mary Williams Walsh, *Billions in Aid for Poor Sit Idle*, L.A. TIMES, February 25, 2000, at A22.

206. See H.R. 3734 (Pub. L. No. 104-193), 110 Stat. 2105, § 103, requiring that any population-based adjustments are barred unless the state can demonstrate that "the level of welfare spending per poor person by the State for the immediately preceding fiscal year is less than the national average...." Section 403(a)(3)(C)(i)(I). Although California's benefits are now well below the national average when its high housing costs are factored in, the formula makes no adjustments for costs, thus eliminating the state from population adjustment.

207. *Id.* at § 403(a)(2)(B). On March 2, 1998, the Administration for Children and Families within DHHS issued proposed rules in the *Federal Register* for the unwed birth reduction bonus (www.access.gpo.gov/su_docs/aces/aces140.html). As proposed, the bonus will be awarded based on reduced unwed birth and reduced abortion rates for the population as a whole, rather than confined to the TANF population alone. Abortion data is included because of Congressional intent to reduce conception of children by single women, rather than to substitute abortion for abstinence or birth control.

208. The larger bonus available for 1999–2000 makes competition somewhat attractive for California, and is a possible source of some partial recompense for the parenting education and public education campaigns recommended *infra*. Proposed rules for the reward involve use of National Center for Health Statistics data on ratio of out-of-wedlock births to total births for the most recent two-year period (where data are available) compared to the previous two-year period. The five states applying with the best reduction ratio will qualify— if the state submits abortion data for calendar 1995 within two months of selection as among the top five. States may produce data on either the total number of abortions within the state or the total number performed for state residents. The state must then submit the same data for the most recent year for which data is available. If the ratio of abortions to live births is the same or less in the most recent data than in the base year of 1995, the bonus will be awarded. Curiously, only the top five in unwed birth reduction are eligible, and only those holding even or decreasing abortion rates will receive the bonus. Accordingly, if the rules are adopted as written the abortion rate calculation should be made at the outset to determine whether the unwed birth rate application is appropriate.

209. New TANF restrictions on legal immigrants and child support changes are separated out for discussion *infra*. Other changes relevant to nutrition, Medi-Cal, child disability, and child care are discussed in Chapters 3, 4, 5, and 6. A number of these reforms, particularly in the child support area, are beneficial to the interests of children. Other changes (for example, those applicable to teen parents such as prohibiting teen "move-outs" to independent apartments, requiring completion of high school, allowing states to require parental action on the truancy problems of their children, and other changes) could help involved children over the long run. However, these elements of TANF will depend upon the specifics of state implementation, discussed below in relation to the former Governor's proposal—which sought to exercise many of the state options allowed by TANF to restrict grants.

210. *AFDC Characteristics Survey 1995*, *supra* note 167, at 21.

211. See recent adoption of section 12-110 of the MPP to implement related AB 1542 (Chapter 270, Statutes of 1997). See discussion in *Child Support Cooperation*, CH. REG. L. REP., Vol. 2, No. 2, (2000) at 3. Note that new child support legislation effective in 2000 will replace district attorney jurisdiction over local child support collection with state directed local DSS officials, see discussion below.

212. Pub. L. No. 104-193, § 103 of the Act, 42 U.S.C. § 602.

213. The "24-months-or-sooner" requirement is the lead provision of § 402, "Eligible States: State Plan." It requires the state to submit a plan which accomplishes the elements to follow, one of which is to "require a parent receiving assistance under the program to engage in work...." The state is allowed to define "work," but it must create a system so that no person lacks work for more than 24 cumulative months. That is, the state must see to it the parent "engages in work" after no more than 24 months of total TANF aid. This interpretation is supported by the connecting provision which requires a state to provide "community service employment" to all recipients within two months of receiving aid. A state may opt out of this requirement. *Id.* at § 402(a)(1)(B)(iv): "Not later than 1 year after the date of enactment of this Act, unless the chief executive of the State opts out of this provision...a State shall...require a parent...receiving assistance for 2 months [who] is not exempt from work requirements and is not engaged in work...to participate in community service employment, with minimum hours per week and tasks to be determined by the state." California has opted out.

214. *Working But Poor, supra* note 15, at 13.

215. *AFDC Characteristics Survey 1995, supra* note 167, at Table 36.

216. See comments of Casey McKeever of the Western Center on Law and Poverty in Virginia Ellis, *State Fails to Meet U.S. Welfare-to-Work Goal*, L.A. TIMES, Jan. 25, 1999, at 1.

217. See N. Baydar, J. Brooks-Gunn, *Effects of Maternal Employment and Child Care Arrangements on Preschoolers' Cognitive and Behavioral Outcomes: Evidence from Children of the National Longitudinal Survey of Youth*, 27 DEVELOPMENTAL PSYCHOLOGY 932-945 (1991); see also J. Belsky and D. Eggebeen, *Early and Extensive Maternal Employment and Young Children's Socioemotional Development: Children of the National Longitudinal Survey of Youth*, 53 J. MARRIAGE & FAMILY 1083–1110 (1991).

218. The combination of low initial wages and the Healthy Families qualification of children up to 200% of the poverty line makes a three-year period of automatic inclusion sensible. There is no reason for intermediate reapplication or income demonstration or other hurdles given the federal funds available to provide child health coverage which are not being expended (see Chapter 4 discussion).

219. For a discussion of this alternative, see Sharon Parrott, Center on Budget and Policy Priorities, *Designing Policies to Support Working Poor Families and the Implications of Time Limits* (Washington, D.C.; Apr. 27, 1997) at 1.

220. Pub. L. No. 105-33.

221. If not maintained, the entire welfare-to-work grant is subject to federal withdrawal. However, wherever federal law imposes a single choice draconian sanction of assistance withdrawal to a state, the likelihood of its imposition declines.

222. See Virginia Ellis, *Lower Welfare for Newcomers Begins Tuesday*, L.A. TIMES, March 26, 1997, at A-1, A-17.

223. See, *e.g., Beno v. Shalala*, 30 F.3d 1057 (9th Cir. 1994).

224. *Saenz v. Roe*, 1999 DAILY JOURNAL D.A.R. 4559 (May 17, 1999).

225. *Id*. at 1405. The case was appealed to test the preliminary injunction granted by the district court. California (Anderson) contended that it was not proper given the "probability of success on the merits" requirement imposed on movants. Although the holding technically covers a preliminary aspect to the case, it rejects the conceptual argument relied upon by the state—and necessary to its affirmation of the provision.

226. Under the current grant structure, a Region 1 benchmark parent and two children receive a maximum allowable grant of $565. The maximum grant is increased with each additional child as follows: $673, $767, $861, $946, $1030, $1113, $1196. For a Region 2 similar family, the maximum grant is $538 and additional children increase it as follows: $641, $730, $820, $900, $981, $1059, and $1138.

227. *Too Good To Be True, supra* note 86. See also Michael Laracy, Annie E. Casey Foundation, *A Discussion Paper: Reflections on the Conflicting Impact Data for the New Jersey Child Exclusion Law and a Proposal for a 'Tough Love' Alternative that Might Appeal to Reasonable People on Both Sides of the Debate* (Baltimore, MD; Sept. 9, 1995) at 10. Note the author's interesting alternative: pay the TANF parent the child's additional increment only at the end of day-long classes in parenting, family planning, life skills, and work preparation—allow her to "earn" her new child's increment.

228. Exceptions include cases where parents or caretakers (a) are 60 years of age or older; (b) have a work-impairing disability (for which benefits are received); (c) are non-parents providing foster care—*where* the county determines the work would interfere with foster care obligations; (d) are required at home to care for a disabled family member; or (e) are incapable of employment (as determined by the county).

229. CAL. WELF. & INST. CODE § 11320.15.

230. *Id*.

231. *Id*. at § 11320.3. The following are excused from work requirements and do not use the limited 60 months while these excuses apply: (a) teen parents attending school; (b) medically verified disability; (c) advanced age; (d) work would impede nonparent caretaker of abused or delinquent child; (e) required to care of a disabled family member precluding work; (f) medically verified pregnancy precluding employment. *Id*.

232. Other bases for temporary dispensation from work requirements include: where employment conditions violate federal or state law or job does not provide worker's compensation insurance; where participation would violate terms of union membership, or would be detrimental to recipient or family due to domestic violence (*e.g.*, where one parent is needed at home to protect children against an abusive parent); and where hours of work exceed those customary to the occupation, or transportation time exceeds two hours daily round trip.

233. CAL. WELF. & INST. CODE § 11322.8.

234. CalWORKs provides: "[B]oth parents in a two-parent assistance unit may contribute to the 35 hours, if provided in federal law as meeting the federal work participation requirements and if at least one parent meets the federal one-parent work requirement [of 20 hours per week]...." CAL. WELF & INST. CODE § 11322.8(b). To prevent child care costs while one parent is substantially unemployed, the statute adds that both parents must work the required federal level of 35 hours per week to be eligible for subsidized child care. *Id.* at § 11322.8(b).

235. The PRA limits vocational education to 30% of those participating in qualified "work activities." Teen parents attending school are excluded from the 30% maximum until 2000, when they must be included.

236. CAL. WELF. & INST. CODE § 11322.6.

237. *Id*. at §§ 11323.6, 11323.8.

238. *Id*. at § 11266.5. CalWORKs permits counties to provide eligible families with up to three months of aid payments in the form of a lump sum to provide temporary assistance (*e.g.*, an auto repair to get to work) to prevent TANF entry.

239. CalWORKs allows up to six county pilot projects to use six-month income redeterminations.

240. See Chapter 826, Statutes of 1999.

241. Department of Social Services, *CalWORKs Characteristics 2001* (Sacramento, CA; 2001) at 4.

242. CAL. WELF. & INST. CODE § 11453.2.

243. The $626 maximum assistance payment applies to the 17 urban "Region 1" counties; the maximum is a lower $596 per month in the remaining 41 rural counties of "Region 2." An enhancement of $60–$70 is available to a limited number of "exempt" grants. These include (a) families where *all* parents and caretaker relatives are disabled and receiving disability benefits; and (b) families where the caretaker is not a parent, but a relative who receives no grant portion based on his or her presence in the family. Prior to January 1998, the exempt add-on was available where a recipient was taking care of a disabled family member, was in the Cal-Learn program, was exempt from GAIN for incapacity, or was seriously ill or injured. The new definition eliminates the vast majority of exempt-enhanced grant amounts as of 1998.

244. *Who Will Be Affected by Welfare Reform?, supra* note 108, at 155. These percentages are understated because the adults in the TANF-U group are held to an immediate 35-hour per week employment minimum—and, although smaller, this is the group with a much higher employment rate than the TANF-FG category.

245. See J. Pfleeger, U.S. Department of Labor, Bureau of Labor Statistics, *U.S. Consumers: Which Jobs Are They Creating?* (Monthly Labor Review; Washington, D.C.; June 1996) at 7-17.

246. Center on Social Welfare Policy and Law, *Welfare Myths: Fact or Fiction?* (New York, NY; 1996).

247. See M. Gittell, J. Fross, and J. Holdaway, Howard Samuels State Management and Policy Center, *Building Human Capital: The Impact of Post-Secondary Education on AFDC Recipients in Five States* (New York, NY; 1993).

248. California Budget Project, *Are There Enough Jobs For All Those Who Must Work?* (Sacramento, CA; May 1997) at 3-7 (hereinafter "*Are There Enough Jobs*?").

249. *TANF Characteristics Survey 1998*, *supra* note 10, Table M at 14.

250. *California Work Pays Findings*, *supra* note 151, at Table 5. One study contends that disability is not heavily correlated with the chances of working: "the presence of a disability had little effect on the chances of working [among TANF families]." However, the disability reports cited are from "a person" within the family, and do not necessarily pertain to the working adult. More important, there are different kinds of disability, some which impede employment more than others, and many which will hinder competition for employment *vis-a-vis* those without disability. But see *Who Will Be Affected by Welfare Reform?, supra* note 108, at 94–95.

251. Eileen Sweeney, Center on Budget and Policy Priorities, *Recent Studies Indicate that Many Parents Who Are Current or Former Welfare Recipients Have Disabilities or other Medical Conditions* (Washington D.C.; February 29, 2000) at 2–3.

252. *Id.*

253. The budget included a total of $400 million for job training and employment services for 1999–2000, carried over to the current budget year. In addition, $25 million in state funds were allocated in the 1999-2000 year to trigger another $50 million in 2 for 1 matching federal funds administered by the Economic Development Department. The $475 million total amounts to just over $1,000 for the 450,000 parents required to be employed at the two-year mark from initial registration (which began in substantial number after January of 1998). Another $313 million in federal

funds is available in the current 2000–01 fiscal year, but will require an additional $150 million in state funds to secure.

254. The three sites studied were Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California.

255. Gayle Hamilton, et al., U.S. Department of Health and Human Services, Administration for Children and Families, and U.S. Department of Education, *National Evaluation of Welfare-to-Work Strategies* (December 1997) at ES-13 (hereinafter "*National Evaluation*").

256. *Id*. at ES-17.

257. *Id*. at ES-18

258. "Similarly, participants in Riverside County's GAIN program, frequently cited as a model for future welfare-to-work programs, earned an average of $5.78 per hour and worked an average of 32 hours per week and only 28 percent found jobs providing health insurance." James Riccio, Daniel Friedlander, Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program*, Manpower Demonstration Research Corporation (September 1994) at 168–170.

259. *National Evaluation, supra* note 255, at ES-6.

260. *Id*. at ES-18.

261. *Are There Enough Jobs?*, *supra* note 248, at 3–7.

262. See, *e.g.*, Judith Gueron and Edward Pauly, Russell Sage Foundation, *From Welfare to Work* (New York, NY; 1991); Gayle Hamilton and Thomas Brock, U.S. Dep't of Health and Human Services and U.S. Dep't of Education, *Early Lessons from Seven Sites* (Washington D.C.; 1994); Daniel Friedlander and Gary Burtless, Russell Sage Foundation, *Five Years After: The Long Term Effects of Welfare-to-Work Programs* (New York, NY; 1995); Edward Pauly, U.S. Dep't of Education and U.S. Dep't of Health and Human Services, *Adult Education for People on AFDC: A Synthesis of Research* (Washington, D.C.; 1995); Evan Weissman, Manpower Demonstration Research Corporation, *Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients* (New York, NY; 1997); Amy Brown, Manpower Demonstration Project, *Work First: How to Implement an Employment-Focused Approach to Welfare Reform* (New York, NY; 1997).

263. Anthony P. Carnevale and Kathleen Reich, *A Piece of the Puzzle* (ETS; February 2000) at 9-22.

264. Los Angeles Economic Roundtable, *On the Edge: A Progress Report on Welfare to Work in Los Angeles* (Los Angeles, CA; 1999) at 1–12.

265. *LAO 2001–02 Analysis, supra* note 23, at 7.

266. See 26 U.S.C. § 32. Work activity pursuant to the PRA is exempt from calculation of income for purposes of the EITC; see Pub. L. No. 105-34, § 1085(c).

267. In *Johns v. Stewart,* 57 F.3d 1544, 1555–56 (10th Cir. 1995), the court held the minimum wage to be inapplicable because the nature of public workfare is "assistance," not "employment." However, advocates for the poor argue with some force that existing Department of Labor guidelines require "work" as opposed to "vocational help, job search assistance, or school attendance" to abide by the federal Fair Labor Standards Act (including the current $5.25 federal minimum wage). See U.S. Department of Labor, *How Workplace Laws Apply to Welfare Recipients* (May 1997) (hereinafter "*How Workplace Laws Apply to Welfare Recipients*"); see also Maurice Emsellem and Steve Savner, National Employment Law Project, *The Fiscal and Legal Framework for Creating a Community Service Employment Program* (New York, NY; November 1997) at 2–3 (hereinafter "*Fiscal and Legal Framework*").

268. The U.S. Department of Labor has stated that unemployment insurance is generally applicable to welfare workers, but notes that states are permitted to exclude "work relief" employment from coverage. See *How Workplace Laws Apply to Welfare Recipients*, *supra* note 244. Workers' compensation was held applicable in *Los Angeles v. Workers' Compensation Appeals Bd.*, 637 P.2d 681 (Cal. 1981); however, cases in other states since this 18-year-old Los Angeles case have ruled *contra*. See, *e.g.*, *Closson v. Town of Southwest Harbor*, 512 A.2d 1028 (Me. 1986).

269. As public employees, the coverage of federal labor rights statutes do not apply. Workers must find protection in the Meyers-Milias-Brown Act or other state statutes applicable to public employees, and which allow possible loopholing by public employers of organizing, negotiation, or other rights generally applicable.

270. See Bob Newman, et al., Western Center on Law and Poverty, *Minimum Wage for Welfare Work* (Apr. 21, 1998) (memorandum). State DSS and counties are expected to argue that workfare is not "employment," but a form of job training required in return for the TANF grant. In addition, they will argue that food stamps and Medi-Cal are additional benefits—where received—which can offset minimum wage requirements where they do apply. Counties—required to fund workfare—have a clear incentive to keep these employees below minimum wage levels so they may qualify under the 32-hour requirements and still continue to qualify for food stamps, Medi-Cal, and other benefits from other accounts, thus perhaps producing minimum wage level benefits with assistance from federal and state funds.

271. "We question, however, whether DSS's interpretation is consistent with the DOL [Department of Labor] guidance, which lays out several criteria for determining whether a worker is a trainee or an employee... [including] the training must be similar to that given in a vocational school and employers [must] derive no immediate advantage from the trainee's activities." California Office of Legislative Analyst, *CalWORKs Community Service: What Does it Mean for California* (February 4, 1999) at 11 (hereinafter "*Community Service: What Does It Mean*"). In addition to the failure to meet DOL guidelines cited by the LAO, the CalWORKs statute identifies county community service hiring as essentially a last resort measure to meet federal "work participation" percentage targets discussed above, not a training exercise *per se*—identifying separate programs for that latter purpose. Moreover, neither the law nor state rules impose any training elements on such county hiring. Finally, federal law includes specific time limits and restrictions on state use of "training" to meet the work participation targets—recognizing the abuses that attend disingenuous trainee designation in lieu of actual employment—which the three-year period authorized by CalWORKs would clearly violate.

272. Most counties have not yet started to formulate the work activity failsafe option they will offer on January 1, 2000 to recipients who are unable to find private jobs under CalWORKs. However, the first three to comment are the major urban counties of Alameda, San Diego, and San Francisco—which have each described their plan as "wage-based community service, a work activity for which CalWORKs benefits, otherwise received in the form of an aid payment, are diverted and paid as wages." See California Budget Project, *How Are Counties Implementing CalWORKs?* (Sacramento, CA; March 1998) at 3 (hereinafter "*How Are Counties Implementing CalWORKs?*"). In addition, see Virginia Ellis, *Wages for Ex-Welfare Recipients Fuel Dispute*, L.A. TIMES, May 26, 1998, at 1.

273. See Taxpayer Relief Act of 1997, Pub. L. No. 105-34, § 1085(c), which specifies that work experience or community service programs qualify under § 407(d)(4) or (7) of the PRA.

274. See PRA §§ 407(d)(3) or 407(d)(2), respectively.

275. For a discussion of this issue, see *Fiscal and Legal Framework*, *supra* note 267, at 3–4.

276. See *Community Service: What Does it Mean, supra* note 271, *passim*. The LAO report cites two recognized studies of legitimate community service employment, both of which indicate positive results in terms of the stated purpose of welfare reform—moving impoverished families into employment and out of poverty (*i.e.,* above the poverty line). (See at 5, briefly summarizing the Vermont Welfare Restructuring Project, and the New Hope Project in Milwaukee, Wisconsin). The report quotes from the findings of the well-studied New Hope Project providing wage based employment in Milwaukee, Wisconsin, noting that preliminary results "indicate that 43% of participants successfully used the community service position as a bridge from unemployment or unsteady employment to nonsubsidized employment." There is no indication in the literature or prior experience that workfare will move even as many as 10% of impoverished families into steady non-subsidized employment. The families subject to it will instead survive at the same 25% below the poverty line levels now extant, at greater public cost as absent parents are replaced by publicly financed child care.

277. See All-County Information Notice 1-75-00, issued August 21, 2000.

278. See the studies and citations in Martha Zaslow, Kathryn Tout, Christopher Botsko, and Kristin Moore, *Welfare Reform and Children: Potential Implications*, Urban Institute, Number A-23 at 1–7.

279. These funds must qualify as "directly connected" to the CalWORKs program and qualify as meeting the Maintenance of Effort requirements of federal law. See CAL. WELF. & INST. CODE § 10544.1.

280. See the Los Angeles County Department of Public Social Services, *Community Service Implementation Plan, Grant-Baed Model* (Los Angeles, CA; March 2000). Reportedly, Los Angeles has 98,500 enrollees, with 25% working in the private sector in unsubsidized jobs. It is unclear where the remainder are being or will be employed, or how Los Angeles will deal with more than 100,000 additional persons theoretically requireing community service

employment as their 24 month time limits expire through 2001 to 2003.

281. California Budget Project, *CalWORKs Community Service: How Can Counties Make It Work?* (Sacramento, CA; Nov. 2000) at 6 (www.cbp.org).

282. Chapter 933, Stats. 2000.

283. See Western Center on Law & Poverty, *California Welfare Legislation Update* (Oct. 2, 2000) at 1-2, see also *How Are Counties Implementing CalWORKs?, supra* note 272, at 4.

284. Office of Legislative Analyst, *Improving CalWORKs Program Effectiveness: Changing the Employment Services Budget Process*, February 14, 2001, at 1 (hereinafter, "*Improving CalWORKs"),*

285. *Id.*, at 8.

286. This fear is consistent with former Governor Wilson's contentions that California's higher grants historically attract welfare families to the state. Child advocates who dispute such in-migration (citing, *inter alia,* the less than 1% of TANF applicants instate less than 12 months before applying) believe such movement might occur between nearby counties if benefits vary widely. They note that the relatively high California rents which keep out state in-migration affect movement between counties much less, and that the depth of cuts mean continued child nutrition may require parents to move.

287. *Improving CalWORKs, supra* note 284, at 1.

288. See Laura Heckler, *Many States Will Fail First Welfare Test*, S.D. UNION-TRIB., Sept. 29, 1997, at 1 (Associated Press survey of 50 states).

289. *CalWORKs Characteristics 2001, supra* note 241, Tables 41 and 42, at 72, 74.

290. *Id*., Table 42 at 74.

291. See Raymond Hernandez, *Most Dropped from Welfare Don't Get Jobs*, N.Y. TIMES, Mar. 22, 1998, at 1 (survey by New York State Office of Temporary and Disability Assistance) (hereinafter "*Most Don't Get Jobs*").

292. Staff of NGA, NCSL, and APWA, *Tracking Recipients after They Leave Welfare*, July 1998, at 1; see www.nga.org/ welfare/statefollowup.htm.

293. Urban Institute, *Families Who Left Welfare: Who Are They, and How Are They Doing?* (Washington D.C.; August 1999) at 1–5; note that these finding were generally supported by the independent study of the General Accounting Office: "*Welfare Reform: Information on Former Recipients' Status*," released in April 1999.

294. Wendell Primus, Lynette Rawlings, Kathy Larin, Kathryn Porter, Center on Budget and Policy Priorities, *The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families* (August 22, 1999) at 1–3; see www.cbpp.org.

295. *Id.* at 2.

296. *Id.* at 6.

297. U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States—1999* (Washington, D.C.; Sept. 2000) Table D at xv.

298. See G. Hamilton, S. freedman, L. Gennetian, C. Michalopoulos, J. Walter, D. Adams-Ciardullo, A. Gassman-Pines, S. McGroder, M. Zaslow, S. Ahluwaliea, and J. Brooks, *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*, U.S. Department of Health and Human Services (Washington, D.C.; Dec. 2001). See also P.A. Morris, A.C. Huston,, G.J. Duncan, D.A. Crosby, J.M. Bos, *How Welfare and Work Policies Affect Children: A Synthesis of Research*, Manpower Demonstration Research Corporation (March 2001). See also P. Morris, V. Know, L.A. Gennetian, *Welfare Policies Matter for Children and Youth: Lessons for TANF Reauthorization*, MDRC Policy Brief, Manpower Demonstration Research Corporation (March 2002).

299. K. Tout, J. Scarpa, and M Zaslow, *Children of Current and Former Welfare Recipients: Similarly at Risk*, Child Trends Welfare Brief (Washington D.C.; March 2002.) Note that a finding of little difference in the two groups occurs in the acknowledged context that the parental leaver group generally had higher income, more education, and were more likely to be married and have paternal involvement. Given these differences between the two groups, the failure of the children of the leavers to outperform those who remained on welfare appears to suggest some detrimental impacts from increased work on the adolescent population. However, it appears that such disadvantage is overcome for younger children and may be generally softened by increased income in families with adolescents.

300. J.L. Brooks, E.C. Hair, M.J. Zaslow, *Welfare Reform's Impact on Adolescents: Early Warning Signs*, Child Trends Inc. (Washington D.C.; July 2001) (www.childtrends.org/publications.asp); see also G.J. Duncan, P.L. Chase-Lansdale, *Welfare Reform and Children's Well Being*, Brookings Institute Press, 2001, at 390-417; see also M.K. Shields (Editor), *Children and Welfare Reform,* The Future of Children, Vol. 12, No. 1, Packard Foundation (2002) including 8 studies/essays (www.futureofchildren.org); see also M. Zaslow, JU.L. Brooks, K.A. Moore, P. Morris, K. Tout, and Z. Redd, *Impact on Children In Experimental Studies of Welfare-to-Work Programs*, Child Trends (Washington D.C.; 2001) (www.childtrends.org/publicaitons.asp).

301. R. Wertheimer, *Working Poor Families with Children: Leaving Welfare Doesn't Necessarily Mean Leaving Poverty*, Child Trends Research Brief (Washington D.C.; May 2001).

302. Bruce Fuller, Sharon Lynn Kagan, *Remember the Children: Mothers Balance Work and Child Care Under Welfare Reform, Growing Up in Poverty Project 2000, Wave 1 Findings: California, Connecticut, Florida* (University of California at Berkeley and Yale University; February 2000) at 3–6.

303. Mark Drayse, Daniel Flaming, Peter Force, *The Cage of Poverty*, Economic Roundtable (Los Angeles, CA; Sept. 2000) at 163.

304. See Harry Holzer and Michael Stoll, *Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace,* Public Policy Institute of California Research Brief Issue #43 (Jan. 2001) at 1. Note especially the lack of child care slots in impoverished neighborhoods, see Chapter 6.

305. California Budget Project, *What Do We Know About Former CalWORKs Recipients?*, Welfare Reform Update (Sacramento, CA; July 2001) at 1-6.

306. B. Fuller, S.L. Kagan, S. Loeb, *et al., New Lives for Poor Families? Mothers and Young Children Move Through Welfare Reform; Growing Up In Poverty Project*, Wave 2 Findings California, Connecticut and Florida., Poverty Project (April 2002) California Highlights at page 1. See also the nine related papers written by authors and part of the Growing Up in Poverty Project and published in 2000 to 2002, cited at conclusion of Executive Summary. For updated information on child poverty issues, see www.acf.dhhs.gov, www.clasp.org, www.childtrends.org, www.jcpr.org, www.mdrc.org, www.researchforum.org, www.newfederalism.urban.org.

307. CAL. WELF. & INST. CODE § 11453.2.

308. See report on the adoption of this rule in *CalWORKs Special Insert,* CH. REG. L. REP. Vol. 2, No. 2 (San Diego, CA; 1998) at 4-5. The description of the new rule described it as applying as follows: "When computed the [TANF] grant is not sufficient to cover both rent and utilities, the county shall issue a voucher or vendor payment for the full amount of the grant...."

309. *Id.* at § 17000.

310. See Robert C. Fellmeth, *Who Will Pay for the Kids?,* SAC. BEE, Aug. 1, 1995, at B-1.

311. California Department of Social Services, *The California Temporary Assistance Program* (Sacramento, CA; 1997) at 8 (hereinafter "*CalTAP*").

312. Current help for the poor by private charities and churches is predominately government-funded itself. The largest single private source of aid is Catholic Charities USA, which received 65% of its 1993 $1.8 billion budget from public sources; only 13% derived from church and community contributions. Laurie Goodstein, *Churches May Not Be Able to Patch Welfare Cuts*, WASH. POST, Feb. 22, 1995, at A-1, A-6.

313. See *id.*

314. *California Work Pays Findings, supra* note 151, at Table 5.

315. See Office of the Governor, *Governor's Budget Summary 1997–98* (Sacramento, CA; 1997) at 19 (hereinafter "*Governor's Budget Summary 1997–98*").

316. *CalTAP*, *supra* note 311, at 13.

317. *Santosky v. Kramer*, 455 U.S. 745 (1982).

318. See, *e.g.*, *Smith v. Organization of Foster Families*, 431 U.S. 816, 862–63 (1977).

319. *Lassiter v. Department of Social Services*, 452 U.S. 18, 27 (1981), citing *Stanley v. Illinois*, 405 U.S. 645, 651 (1971); see also *Santosky v. Kramer*, *supra* note 255, at 758.

320. See, *e.g.*, *In re Jeannette S.*, 94 Cal. App. 3d 52 (1979).

321. See CAL. WELF. AND INST. CODE § 300 *et seq.* and caselaw interpreting it; see especially §§ 366.2, 396. See also *In re Jack H.*, 106 Cal. App. 3d 257 (1980).

322. *Id.*

323. TANF for single-parent families, before proposed reductions, costs an average of $174 per month per recipient. AFDC-Foster Care, which Director Anderson's proposal would invoke, costs $547 per child per month for foster care in a family setting, and $2,751 per child per month for group home foster care.

324. *Governor's Budget Summary 1997–98, supra* note 315, at 20.

325. *AFDC Characteristics Survey: October 1995, supra* note 167, at Table 9.

326. See California Department of Social Services, *Characteristics of Agency Adoptions in California* (Sacramento, CA; June 1992–93) at Table 5, which includes age profile breakdowns for both public agency and private agency adoptions. The private adoptions reflect the "adoption market demand" more accurately: children are under six months of age when placed with their adoptive parents in 81.2% cases, are under one year in 93.6% of the cases, and are under two years in 98.5%. The public placements involve adoption of older children by foster parents, but even as to this population, of those who find adoptive parents, 83.1% are under seven years of age.

327. During 1994–95, there were 9,941 requests for adoptive placement: 7,738 by county agencies, 537 by state DSS, and 1,666 by private agencies. About 3,500 children are successfully placed for agency adoption and 400–500 for independent adoption each year. See California Department of Social Services, *Adoptions in California; Annual Statistical Report: 1994–95* (Sacramento, CA; 1997) at Executive Summary and Table 1.

328. See Belinda Reyes, Public Policy Institute of California, *Dynamics of Immigration: Return Migration to Western Mexico* (San Francisco, CA; January 1997) at xi, 25, 71.

329. James Smith and Barry Edmonston, eds., Panel on the Demographic and Economic Impacts of Immigration, Committee on Population and Committee on National Statistics, Commission on Behavioral Sciences and Education, National Research Council, *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration* (Washington, D.C.; 1997) at S-4 to S-8.

330. *Id.* at S-9.

331. The Balanced Budget Act of 1997, Pub. L. No. 105-33, restores substantial benefits—not for children, but for elderly and disabled immigrants. The irony extends beyond the exclusion of children who are net contributors, and includes the fact that virtually all of the evidence of SSI abuse focused on excessive claims by the elderly.

332. *League of United Latin American Citizens et al. v. Wilson*, No. CV 94-7569 MRP (U.S.D.C., C.D. Cal., Mar. 13, 1998).

333. Data from fiscal 1998–99 find 169,753 "cases"involving 333,000 children in "child only" assistance units. The largest share of these involves an aided child with ineligible parents, *e.g.*, undocumented immigrants or documented arrivals after 1996 whose children are eligible due to their birth on U.S. soil. However, close to half of child only cases involve an aided child living with a non-needy caretaker, particularly involving a kinship placement, or a parent who receives SSI in lieu of TANF. See *TANF Characteristics Survey 1998, supra* note 9, Table 3 at 9.

334. *TANF Characteristics Survey 1998*, *supra* note 10, Table L at 13.

335. See Office of the Governor, *Governor's Budget Summary 1995–96* (Sacramento, CA; 1995) at 37.

336. For a discussion of historic and current criteria and numbers barred, see Children's Advocacy Institute, *California Children's Budget 2001–02* (San Diego, CA; June 2001) at 2-62 to 2-67. See also National Immigration Law Center, *Major Benefit Programs Available to Immigrants in California* (Jan. 2001).

337. See 8 U.S.C. § 1182(a)(4).

338. See Sheri Brady, National Association of Child Advocates, *One in Ten: Protecting Children's Access to Federal Public Benefits Under the New Welfare and Immigration Laws* (Washington, D.C.; April 1998) at 5 (citing Toby Douglas and Kimura Flores, The Urban Institute, *Federal and State Funding of Children's Programs* (Washington, D.C.; March 1998), a compilation of 1997 Bureau of the Census *Current Population Survey* data).

339. *Id.*

340. Note the common estimate of approximately 355,000 undocumented children of school age who would be affected by the Proposition 187 ban on public education (see discussion and cites above).

341. *AFDC Characteristics Survey 1995, supra* note 167, at Table 26.

342. *CalWORKs Characteristics Survey*, *supra* note 167, Table 27 at 46, see also *TANF Characteristics Survey 1998, supra* note 10, Table L at 13.

343. The issue raises two conflicting questions. From one perspective: Should a state agency report possible violations of law to another agency with applicable jurisdiction? From child advocates: Should the unlawful status of another family member bar protection of children who are themselves fully eligible? Would we place such a barrier blocking the receipt of social security legitimately due the politically powerful elderly?

344. See Pub. L. No. 104-208, § 642 (Sept. 30, 1996).

345. 62 C.F.R. § 61347.

346. In November 1997, the U.S. Department of Justice (which oversees the INS) issued a policy called *Interim Guidance on Verification of Citizenship, Qualified Alien Status and Eligibility Under Title IV of the PRA*, see 62 C.F.R. § 61344, which did not address INS reporting obligations as to non-applicants. However, the Budget Act of 1997, Pub. L. No. 105-53 (August 5, 1997), requires the Attorney General to establish "citizenship verification procedures for state and local benefits" (*id*. at § 5572). Rules have not yet been proposed.

347. See *One in Ten: Protecting Children's Access, supra* note 319, at 1; note also the experience of groups, such as the Maternal and Child Health Access Foundation in Los Angeles, which have reported widespread fear among the undocumented of such consequences.

348. U.S. General Accounting Office, *Illegal Aliens: Extent of Welfare Benefits Received on Behalf of U.S. Citizen Children*, GAO/HEHS-98-30 (Washington, D.C.; Nov. 1997) at 6.

349. Doris Y. Ng, *From War on Poverty to War on Welfare: The Impact of Welfare Reform on the Lives of Immigrant Women,* Equal Rights Advocates (San Francisco, CA; April 1999) at 13-14, 34-36, (www.equalrights.org).

350. AB 1542 (Ducheny) (Chapter 270, Statutes of 1997).

351. Frank Mecca, *Estimated Staff Reductions Related to the May Revision Cuts* (May 15, 2002) at 2.

352. Note the average TANF payment of just under $500 in 1999-2000, with average food stamp payments of $207, both of which have remained relatively static over the past three years. The total of approximately $8,500 per annum represents about 60% of the current benchmark poverty line for a mother and two children. See *CalWORKs Characteristics 1999, supra* note 132, at 4, 54.

353. The calculation takes the current year grant midway between Region 1 and Region 2 at $663 for the benchmark family of three as a percentage of TANF comparable grant levels in 2002–03 dollars.

354. Stephen H. Bell, *Why Are Welfare Caseloads Falling?*, Urban Institute (Washington, D.C.; 2001). Bell summarizes nine studies of welfare caseloads, concluding that there is disagreement over the percentage influence of welfare reform policy, but general agreement that the major factor is the economic upturn and unemployment reduction. Note the substantial evidence that reproductive decisions which feed welfare rolls (*e.g.*, unwed births and paternal abandonment) are only marginally influenced by economic incentives and are more driven by cultural values.

355. Richard Wertheimer, *Working Poor Families with Children*, Foundation for Child Development (Feb. 1999) at 1 (www.childtrends.org/workingpoor.shtml).

356. *Improving CalWORKs*, *supra* note 284, at 4.

357. California Budget Project, *Shifting the Burden on Subsidized Child Care: Will Families Be Able to Afford the Governor's Plan?* (Sacramento, CA; April 2002) Table 2 at 3 (www.cbp.org).

358. In 1993, the separate designation was added into the GAIN account to provide for "Non-GAIN Education and Training" or "NET." The additional account and allocation were compelled by litigation challenging California's practice of limiting GAIN benefits to those AFDC recipients who participated in certain state-specified training programs. Child advocates contended that those with the initiative and enterprise to find their own private training schools and corporate apprenticeships—fully meeting the state's own criteria—should qualify as the federal law reads. The court held that federal law is satisfied by a qualified training program found by the recipient, and that the state unlawfully limited benefits. *Miller v. Carlson*, 768 F. Supp. 1331 (N.D. Cal. 1991).

359. See Chapter 1051, Statutes of 1998.

360. Federal Workforce Investment Act of 1998 (Public Law 105-220).

361. See California Budget Project, *Governor Davis' Proposed Labor Agency Reorganization Plan* (Sacramento, CA; April 2002) at 2 (www.cbp.org).

362. Office of the Governor, *Governor's Budget Summary 2002–03* (Sacramento, CA; January 2002) at 194.

363. *Id.* at 51.

364. *Governor's Budget Summary 1998–99, supra* note 191, at 109.

365. *Governor's Budget 2002–03*, *supra* note192, at HHS 151.

366. See discussion and data in Chapter 6 concerning typical child care costs. Note also that more than half of TANF children are under 9 years of age; see TANF profile discussion *supra*.

367. Assembly Budget Committee, *Preliminary Review of the Governor's Proposed 1999–2000 State Budget* (Sacramento, CA; January 1999) at 55 (hereinafter "*Preliminary Review of the Governor's Proposed 1999–2000 State Budget*").

368. See Legislative Analyst's cautionary note about the expenses here involved and the lack of budgetary preparation at Legislative Analyst's Office, *Analysis of the 1999–2000 Budget Bill* (Sacramento, CA; 1999) at C-110.

369. *CalWORKs Characteristics 1999, supra* note 114, Table 8 at 20.

370. See B. Brown, E. Michelsen, T. Halle, and K. Moore, *Fathers' Activities with Their Kids,* Child Trends Research Brief (Washington D.C., June 2001). The study catalogues the extent and kinds of contact between fathers who live with their children, finding extensive and important contact relevant to school, discipline and rules, religion, modeling, reading/sports/puzzles/conversation. The results indicate that such fathers in the home actively participate in the raising of their children.

371. Maureen R. Waller, *Unmarried Parents, Fragile Families: New Evidence from Oakland*, ISBN 1-58213-035-3, Public Policy Institute of California (San Francisco, CA; 2001) (www.ppic.org).

372. See Office of the Governor, *Governor's Budget 1997–98* (Sacramento, CA; 1997) at HW-135. The non-AFDC spending stood at $38.5 million and the AFDC spending at $40 million in 1995–96. By 1997–98, non-assistance spending jumped to $68 million while AFDC spending increased more modestly to $48 million; projections for 1999–2000 anticipate non-assistance costs at $105.9 million, more than twice the projected TANF related costs of $52 million. See Office of the Governor, *Governor's Budget 1999–2000* (Sacramento, CA; January 1999) at

HHS-159.

373. See California Department of Social Services, *November 2001 Subvention Child Support Total Projected Distributed Collections* (Sacramento, CA; Nov. 2001) at Charts 1 and 2, Table 2 (www.childsup.cahwnet.gov).

374. *Governor's Budget 2002–03, supra* note 192, at HHS143. Note that the per child estimates use the non-assistance totals, since most of the assistance amount goes substantially to county, state and federal agencies as recompense for TANF aid. The estimates assume 2.2 million families with absent parents and whose children are legally eligible for support, amounting to 4.6 million total children. The 1998 numbers of 4.3 million have been increased slightly to reflect population growth..

375. See Robert C. Fellmeth, Children's Advocacy Institute, *California Children's Budget 1996–97* (San Diego, CA; 1996) at Chapter 2 (reporting on 1993 to 1995 data).

376. The payments are based on each county's respective collections. The federal payment is 6–6.5% of both TANF and non-TANF collections, which the state then supplements. During 1992–93, the counties received up to 11% of total collections, a figure set to increase by 1% annually through 1995–96. The precise amount received below this ceiling will depend upon a formula involving the number of paternities and court orders established, as well as collections.

377. See Chapters 599 and 614, Statutes of 1997.

378. See AB 1058 (Speier); pursuant to AB 2498 (Runner), the Judicial Council is required to report to the Legislature by February 1, 2000 on the performance of the commissioner system in achieving its stated goals.

379. See *Recent State Law Has More Dads Claiming Paternity*, L.A. DAILY J., Mar. 10, 1998, at 1; note that filings totaled 20,492 in 1995 and 18,322 in 1996. The percentage of unwed fathers subject to expeditious paternity status increased from 10% to 66%. See also Virginia Ellis, *Fathers' Legal Ties that Bind*, L.A.TIMES, Mar. 8, 1998, at 1.

380. The sum includes just under 7% of its total as money collected for children in other states to assist other jurisdictions. However, it is proper to include this sum, which approximates the sum collected in other states for California children not otherwise included in the collection total and making it an appropriate measure of total sums collected for the state's children.

381. See California State Auditor, *Automated Child Support System: Selection of Interim System Appears Reasonable* (Sacramento, CA; Nov. 1998); this report reflected the Legislature's somewhat hesitant willingness to adopt the district attorney suggested "4 consortia" model which the federal Department of Health and Human Services then rejected outright in April of 1999.

382. Office of Legislative Analyst*, Analysis of the 2001–02 Budget Bill, Department of Child Support Services (5175),* at 1.

383. *Governor's May Revise 2002–03*, *supra* note 55, at 57–58.

384. See Legislative Analyst's Office, *The Child Support Enforcement Program From a Fiscal Perspective: How Can Performance Be Improved?* (Sacramento, CA; April 13, 1999); see also SB 240 introduced by State Senator Jackie Speier, which includes many of the LAO's recommendations.

385. Chapters 478 and 480, Statutes of 1999.

386. See especially the thoughtful testimony of Paula Roberts in *Reforming California's Child Support System*, Joint Hearing of the Assembly and Senate Judiciary Committees and Assembly Human Services and Senate Health and Human Services Committees, January 26, 1999. See also White Paper, testimony of Teresa Myers. Note that DAs contend that California is much more complicated than the models cited, and that local officials are more likely to respond to women and children in need than are distant bureaucrats in Sacramento.

387. *Governor's Budget 2002–03, supra* note 192, at HHS 145.

388. See Robert C. Fellmeth, Children's Advocacy Institute, *California Children's Budget 1997–98* (San Diego, CA; 1997) at 2-78 (Table 2-U) (hereinafter "*California Children's Budget 1997–98*").

389. See CAL. WELF. & INST. CODE § 11450 (f)(2).

390. A separate federal "Wee Tot" Earned Income Tax Credit (EITC) Supplement allowed a credit of 5% of earned income up to $388 for a parent who stays home to care for a newborn and in so doing loses eligibility for straight earned income tax credit benefits. That credit was repealed in 1994.

391. A study by Harvard University's Professor Bruce Fuller surveyed 1,800 child care centers in 36 states and concluded that families with annual incomes over $50,000 pay just 6% of their incomes for child care, while families earning under $15,000 devote 23% of their income for child care. One-third of the annual $4 billion in credits goes to families with incomes above $50,000 per year. For a discussion, see Diego Ribadeneira, *Day Care Credits Said to Favor Well Off*, BOSTON GLOBE, Sept. 18, 1992, at 3.

392. Note the interesting argument of William Gale, The Brookings Institution, *Tax Reform is Dead, Long Live Tax Reform* (Washington, D.C.; 1997) (Policy Brief No. 12), which explores the thesis that deductible savings accounts for higher education will lead to higher tuition and reduced Pell Grants and other financing for poorer students, perhaps actually lowering opportunity for children most needing college assistance. Although such tax incentives may be a net gain for children, they exclude the large impoverished population most in need of opportunity. Making the incentive into a "refundable tax credit," as with the EITC, rewards the behavior sought evenly across society, including those most in need. Although an argument can be made to focus such subsidy on those lacking other resources to obtain employment in the future, it is difficult to understand how their effective *exclusion* can be justified.

393. See, *e.g.,* Iris J. Lav, Center on Budget and Policy Priorities, *The Final Tax Bill: Assessing the Long-Tern Costs and the Distribution of Tax Benefits* (Washington, D.C.; August 1, 1997) at 1.

394. See Tom Shapiro, Northeastern University, *Black Wealth, White Wealth* (1995).

395. Center on Budget and Policy Priorities, *Bush Tax Plan Offers No Benefits to One in Three Families*, (Washington, D.C.; Feb. 7, 2001) at 1 (www.cbpp.org).

396. *Id.*

397. California Budget Project, *Who Pays Taxes in California* (Sacramento, CA; April 15, 2001) at 1 (www.cbp.org); see also Citizens for Tax Justice, *A Far Cry From Fair* (Sacramento, CA; 1991). The quintile comparisons measure average total tax burden for a four-person family.

398. *A Far Cry from Fair, supra* note 397*.* The study found that since 1985, the poorest one-fifth of the population had its tax percentage of income increase by 19%, more than double that of any other quintile, while the tax percentage of the wealthiest one-fifth increased only 1%.

399. Proposition 172, enacted in 1993, authorizes a half-cent sales tax increase and directs that it be reserved for public safety expenditures. Because many counties supplanted these funds for purposes unrelated to law enforcement, the Legislature enacted AB 2788 (Brown) in 1994, requiring "maintenance of effort" for the affected accounts at 1992–93 levels. Failure to maintain the 1992–93 levels, and add Proposition 172 funds to them, results in loss of the additional funds to other local jurisdictions who qualify.

400. The former Governor summarized his discussion of progressivity/regressivity as follows: "The top 4.7% of state taxpayers, those with adjusted gross income of over $100,000, paid 53.3% of the personal income tax." See Office of the Governor, *Governor's Budget Summary 1996–97* (Sacramento, CA; Jan.1996) at 69. The Davis Budget Summary repeats the error, claiming that progressivity is demonstrated by the fact that the top 6.5% of state taxpayers paid 62.2% of the personal income tax. As noted, this analysis ignores the decreases in more progressive taxes discussed in Chapter 1, and the 15% upper bracket reduction obtained post 1995. More important, it measures a variable irrelevant to its thesis. Progressivity or regressivity asks what *percentage of one's income or wealth* is assessed *vis-a-vis* others who are wealthier or poorer; it does not ask what percentage of a *budget* is contributed by a given income group. A progressive system taxes the wealthy at a higher percentage than those who are poorer. Although the personal income tax is relatively progressive *vis-a-vis* other state taxes, it is substantially flatter than the tax rate increases would indicate, and is not measured by the criteria used in the Budget Summary. See Office of the Governor, *Governor's Budget Summary 1999–00* (Sacramento, CA; Jan. 1999) at 74.

401. Theoretically, private spending which generates tax benefits fulfills a public purpose and persons so qualifying may argue that their spending is, in fact, a quasi public contribution. However, most tax credits/deductions tend to benefit the wealthy in terms of the private spending impacts which qualify. Nevertheless, the spending impact stimulated by a tax incentive is properly considered in evaluating the progressive/regressive effect as a whole.

402. Renters live in buildings whose owners do not receive property tax exemption or reduction based on owner-occupied status (as a home). This higher property tax borne by such owners is passed through to renters who pay the property tax expenses of the building owners without market benefit from the savings applicable to homeowners.

403. California Department of Finance, *Tax Expenditure Report 1997–98* (Sacramento, CA; 1998) at Table 3. There have been substantial increases since 1995, some of them driven by the new "home equity loan" market. Consumers, deprived of tax deductibility for credit card interest, can pay off that interest with a home secured loan where interest is allegedly deductible. Although such deductibility is technically dependent on criteria which many homeowners do not meet, both advertising and claims of deductibility are common. Actual use after 1995 is unavailable, but revenue lost will exceed $3 billion by 1998.

404. Until 1993, California had a child care tax credit, set at 30% of the federal credit. In 1992, the credit was taken by 757,000 state taxpayers, costing $105 million in foregone taxes for child supervision. The credit was repealed effective in the 1993 tax year. That reduction in public assistance equals the total 1992 appropriations for all of the federal child care programs combined: DSS GAIN, NET, transitional and income disregard child care programs (*see* discussion in Chapter 6). Other 1993–96 changes in California child care tax policies include:

- A California infant tax credit of $1,000 previously available to a parent who stays at home to care for a newborn has been eliminated.

- Employer-sponsored benefits have been changed by AB 3144 (Hannigan). This law extends employer tax credits for start-up costs and contributions to employee child care expenses until 1998. It also reduces the amount of the credit for contributions to qualified employee child care expenses from 50% to 30%, with a maximum credit of $360 per child; redefines contributions as direct payments to child care providers; and restricts the credit to contributions made for child care provided to dependents under age of 12 (formerly 15). In general, use of these employer-based child care tax credits has been minimal.

405. Iris J. Lav and Edward B. Lazere, Center on Budget and Policy Priorities, *A Hand Up: How State Earned Income Credits Help Working Families Escape Poverty* (Washington, D.C.; 1996) at 25. Minnesota, New York, Vermont and Wisconsin all have refundable earned income tax credits modeled after the federal system.

406. For a listing of major state tax expenditures totaling $21.3 billion, see California Department of Finance, *Tax Expenditure Report 2000–01* (Sacramento, CA; 2002) (hereinafter "*Tax Expenditures 2000–01*") Table 3 at 10–13.

407. Legislative Analyst's Office, *The 1997–98 Budget: Perspectives and Issues* (1997) at 194–95 (hereinafter "*The 1997–98 Budget: Perspectives and Issues*").

408. See *California Children's Budget 1997–98*, *supra* note 388, at 2-67 (Table 2-O).

409. See *The 1997–98 Budget: Perspectives and Issues*, *supra* note 401, at 182.

410. See *Governor's Budget Summary 1998–99, supra* note 191, at 63.

411. *Tax Expenditures 2000–01, supra* note 406, Table 3 at 10.

412. The exempt portion of the estate is increased to $600,000, and then to $1 million over a nine-year period. For financial impact, see *id.* at 71.

413. See Chapter 322, Statutes of 1998; see also Legislative Analyst's Office, *The 1999–00 Budget: Perspectives and Issues* (Sacramento, CA; 1999) at 44.

414. See *Governor's Budget Summary 1998–99, supra* note 191, at 63 (Figure REV-1).

415. Legislative Analyst's Office, *The 1997–98 Budget: Perspectives and Issues* (Sacramento, CA; 1997) at 197 (citing studies by the Wisconsin Department of Revenue, and by KPMG Peat Marwick for North Carolina).

416. For a recent critique of the proposal, see California Budget Project, *Who Would Benefit from the Governor's Proposed Tax Rebate?* (Sacramento, CA; May 2000) at 1 (www.cbp.org).

417. See discussion in Chapter 1 comparing general fund spending as a percentage of personal income in 1989 to recent and current levels and indicating a substantial reduction in overall tax liability generally matching reduction of adjusted child safety net and education spending.

418. California Budget Project (Sacramento, CA; April 15, 1998) (www.cbp.org).

419. Deborah Reed, Melissa Glenn Haber, Laura Mameesh, Public Policy Institute of California, *The Distribution of Income in California* (San Francisco, CA; July 1996) at vi.

420. *Id.* at 24. Only Michigan had a higher rate of inequality gain from 1969 to 1989.

421. See discussion in Chapter 3.

422. *Strengths of the Safety Net*, *supra* note 124, at vii-ix, 6, 29-35.

423. Sanders Korenman, Jane E. Miller, and John E. Sjaastad, *Long-Term Poverty and Child Development in the United States: Results from the NLSY*, 17:1/2 CHILDREN AND YOUTH SERVICES REVIEW (1995) at 127–55.

424. *Id*. at 127.

425. See especially Nick Carter, *See How We Grow, A Report on the Status of Parenting Education in the U.S.* (prepared by Parents, Inc. for The Pew Charitable Trusts; 1996). Note that such educational efforts need not focus on sexual details, and to the extent methods of family planning are covered, can encompass widely disparate views—including natural methods of family planning and responsible parenthood as an option. Favored by many parents based on deeply held values, schools properly respect and acknowledge such preferences in any parenting curriculum.

426. 1992 legislation (SB 1307, Watson), sponsored by the Children's Advocacy Institute (CAI), would have required public schools to offer seventh and eighth grade students a one-semester course in parenting education, including basic child development, parental responsibilities, building and maintaining healthy relationships, child abuse and neglect, personal hygiene, household budgeting, *et al.* Although smaller and discrete modules within existing courses and repeated in grades seven through twelve for reinforcement is a preferred method, the initial course was considered a modest first step. However, the legislation required a small budgetary commitment from the state Department of Education to take effect. Not only was no such commitment forthcoming, but CAI— a private charity with scant resources—was compelled to seek foundation funds to develop the initial curriculum authorized by the statute. When the curriculum was completed, the Institute was forced to solicit funds to print enough copies so that each school district in the state could receive one. The lack of leadership by the Superintendent in this area critical to stemming the flow of unwanted children by ill-prepared parents is reinforced by an educational establishment fiercely resistant to change and to direction from outside—regardless of the external need. It is regrettable that a priority as important to the critical causative force behind child neglect and abuse does not warrant even a $100,000 allocation within a state educational budget exceeding $20 billion.

427. William DeJong and Jay A. Winsten, National Campaign to Prevent Teen Pregnancy, *The Media and the Message: Lessons Learned from Past Public Service Campaigns* (February 1998) at 14–23.

428. See *California Children's Budget 1997–98, supra* note 388, Figure 2-F and discussion at 2-68 to 2-69 and note 196.

429. Note that as discussed above, the state's approach does not work for many families, including those with a single child. In such cases, the state TANF plus food stamp amount will not reach 32 hours at minimum wage. Hence, to reconcile minimum wage and the 32 hour / week minimum federal work standard, such persons must either be paid above minimum wage, or have hours increased substantially above the 32 hour minimum.

430. See Herbert Schaffner, Michelle Bazic, Isaac Shapiro, Center on Budget and Policy Priorities, *Top One Percent of Population Received as Much After-Tax Income in 1994 as the Bottom 35 Percent, Analysis Finds* (Washington, D.C.; 1997). Note that a major increase in disparity between the very wealthy and poor has occurred since 1977. These figures do not include the effects of the additionally regressive 1997 tax changes.

431. See *Strengths of the Safety Net, supra* note 124, at 19–29.

432. One source places the cost of a state EITC pegged at 15% of the federal credit at $605 million and at $805 million for a 20% credit. Our proposed credit would average 22% to 25% of the current federal tax credit. See California Budget Project, *How Can a State Earned Income Tax Credit Help California's Working Poor Make Ends Meet?*, Budget Brief (Sacramento, CA; March 2001) at 4.

433. Although a woman who works and receives an EITC may lose it if she marries a man who earns enough to carry them beyond qualification, that is not the typical scenario. The large and difficult population is the single woman non-working TANF recipient. If most women with children in poverty marry a man who earns above poverty

income, they lose TANF, some food stamps, and possibly Medicaid coverage for at least herself. But an enhanced EITC will allow the couple to make up for these losses in a married, income-earning family setting.

434. See the estimate of the National Center for Children in Poverty that a 25% credit would lift 92,000 California childdren above the poverty line. Setting the state EITC at 50% of the federal credit would elevate 165,000 children above the line directly. See Julian Palmer, *Over 165,000 Children in California Could Be Lifted From Poverty,* National Center for Children in Poverty, Columbia University School of Public Health (April 11, 2001) at 1 (www.nccp.org).

435. See the higher wage bases of Oregon and Nevada.

436. "Eligible" families able to receive state MOE funds may be ineligible for federal TANF funds, or may even be legally foreclosed from federal benefits (such as those past 60 months of benefits, legal immigrant children, or the working poor just above the TANF qualifying line). For a discussion of MOE spending by states, see Jocelyn Guyer, Center on Budget and Policy Priorities, *State Funding Requirements Under the New Welfare Law* (Washington, D.C.; April 15, 1997).

437. The payments may have to be direct grants rather than tax credits, depending upon applicable federal rules—but logically state tax credit benefits should qualify—if refundable in form.