Chapter 2

CHILD POVERTY

I. CONDITION INDICATORS

A. Child Poverty Incidence

As of February 13, 2004, the federal poverty guideline for the benchmark family of three is an annual income of $15,670 (up slightly from the 2003 benchmark of $15,260), 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 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. As discussed below, home ownership is now unrealistic for both the impoverished and the middle class—with only 29% of California households able to afford a median priced home as of July 2002, compared to 57% of households nationally.[3] That foreclosure of home ownership has been magnified to May 2004 when median home prices (including less expensive condo units) increased past $350,000 in the state, with Southern California prices reaching $386,000, and with the median for single family residences reaching $425,000—a 26% increase in one year from 2003.[4]

The working poor are increasingly unable to afford even the rental market, with the median household income of renters with children declining 7.1% in constant dollars between 1989 and 2002.[5] According to the U.S. Department of Housing and Urban Development (HUD), the 2004 "fair market rent" for a two-bedroom apartment in California's 25 metropolitan areas ranges from $571 per month in Yuba City to $1,821 in San Jose, with many in the $900 and above range—among the highest in the nation.[6] In many counties, over 80% of California's poor families pay above the "30% of total income" assumed to be sufficient for shelter in the federal poverty guideline—and over 60% of the state's poor families spend over half of their total income on housing.[7]

Substantial rent increases have occurred recently 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 study, low-income renters in certain California counties outnumber affordable housing units in the state by as much as 3–1.[8] One national survey during 2002 found that California was the second least affordable state in terms of housing (behind only Massachusetts), and that six of the nation's ten least affordable metropolitan area rents for a benchmark two-bedroom apartment were in California.[9] That same survey concluded that a minimum wage earner in California can afford monthly rent of no more than $351; an SSI recipient (receiving $750 monthly) can afford monthly rent of no more than $225; 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 $19.69—292% of the present minimum wage.[10] In California, an extremely low-income household can afford monthly rent of no more than $458, while the fair market rent for a two-bedroom unit is $1,024.[11]

The fair market rent for a two-bedroom apartment exceeds the California Work Opportunity and Responsibility to Kids (CalWORKs) grant for a family of three in 31 counties, and equals at least 80% of the grant level in every California county.[12]

Notwithstanding California's disproportionate housing expense, only 9% of the state's impoverished families receive any federal public housing assistance, the lowest percentage among the fifty states.[13] Only 10% of Temporary Assistance to Needy Families (TANF) recipient families with children receive housing assistance in California.[14] 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 was reduced further in 2002–03,[15] and now essentially collapses in the proposed 2004–05 budget.

A National Research Council panel examining regional costs has placed California's proper poverty threshold at 17.8% above the national average.[16] That judgment was made prior to the recent housing and rent increases discussed above. The recent trend suggests a disparity of well over 25% for most of the state's population *vis-a-vis* national costs. 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 costs than the national norm, and now has gasoline costs above $2.25 a gallon—considered unthinkable several years ago. Most recently, the state's energy costs, natural gas and especially electric utility bills, have increased markedly—with rate increases of over 50% assessed over the last three years. 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 2004–05 figure is 4.7 million.[17] The number of California children living in poverty rose from 1.9 million in 1989 to a projected 2.7 million in 2004–05. In the current year, those under 19 years of age account for 29.8% of the state's population, but 57.3% of those living in poverty.[18] 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.[19]

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 2.7 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 24.8% in the current year and as projected for 2004–05.[20] By way of comparison, California's overall poverty rate has fallen from 18.2% in 1993–2004 to 12.9% currently.[21] Since 1980, the child poverty rate in California has grown more than three times faster than in the rest of the nation.[22]

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.[23] 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."[24]

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.[25] 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%).[26]

The decline in the child poverty rate since its high point in 1995 represents only 100,000 fewer impoverished children. That reduction is from an historical high in rate and number. Most important, the recent decline in percentage of impoverished children does not measure how the *degree* of poverty has changed over the same time period among the 2.7 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 below 65% of the line as proposed.[27]

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 $997 per month in current dollars in 1989–90) to below $500 per month. From 1996–2003, TANF rolls declined by 48%, but the number of children living in poverty fell by only 4.7%.[28] 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 and extreme child poverty. Changes in TANF proposed as a part of year 2004 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%.[29]

A supplemental Census Report released in August 2001 noted that the California child poverty rate was 15% higher than the national average, while the state has a median income 12% higher than the national average, with further increases occurring in 2002 and 2003,[30] and over 5% annual increases projected for both 2004–05 and 2005–06, as discussed in Chapter 1.

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.[31]

Child poverty correlates with low birthweights, undernutrition, lower cognitive development and IQ, low height for age, child neglect, and other problems.[32] 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 6.7% as of February 2004.[33] Unemployment among the "prime adult employment group" (ages 25–64) was at 5.6% in February 2004. However, as Figure 2-A indicates, youth unemployment stands at 18.8%, over three times the level applicable to working age (non-senior) adults.[34] Moreover, adult unemployment rates are projected to continue to rise in 2004–05, 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.

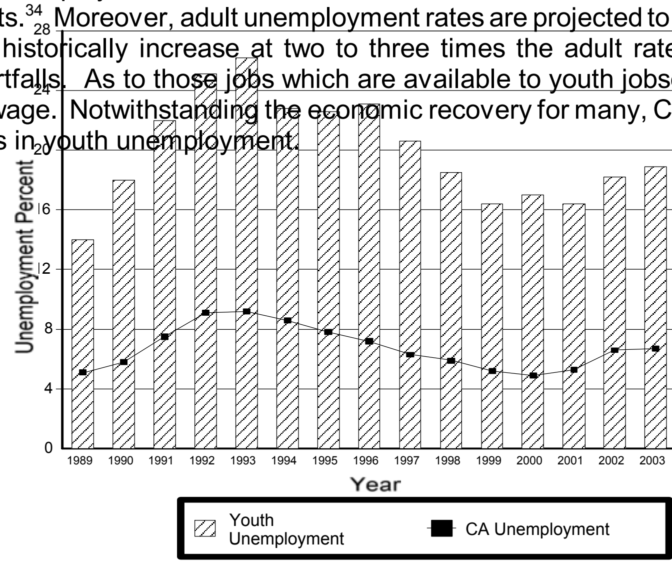

FIGURE 2-A. California Unemployment[35]

As of February 2004, a total of 1.08 million Californians were unemployed.[36] 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, 800,000 California children face substantial safety net reductions and cut-offs (see data discussed below). Balanced against this still formidable population are an estimated 325,000 new jobs projected for California during calendar 2005.[37] 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 4,000 fewer unemployed Californians in 2005 than in 2004.[38]

Those living below the poverty line with children have disadvantages in competition for 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 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 the 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.

C. Minimum Wage

California's minimum wage is currently $6.75 an 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 the 1968 level had been maintained, the minimum wage would have been $8.75 per hour in 2002.[39] From well above the poverty line, the minimum wage has moved to a current level of 89.5% of the poverty line for a family of three, and 74.5% 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 have excluded from tax reductions, and which are planned for draconian increases over the next generation (see discussion of federal unfunded liabilities for the elderly in Chapter 1).

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.[40] In 2004, the minimum level would have to be over $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 noted above, unemployment has increased from 2001 to the present, but does not seem to correlate with minimum wage levels. Studies confirm that the 1996 to 2000 minimum wage increases did not stimulate the unemployment feared by opponents.[41]

The beneficiaries of minimum wage increases include the 943,000 California workers earning the $5.75 minimum wage extant in 2000. This population is not predominantly youth employees: 81% were over 20 and 36% were 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.[42] 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.[43] 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.[44] 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.[45] 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%.[46]

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. In November 2003, 60% of the City's voters approved a generally applicable minimum wage of $8.50 for businesses operating within the City—with a phase-in period to January 1, 2006 allowed for businesses with less than ten employees and non-profits. 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 thirty hours per week (with child care assistance where needed) would achieve net income above the poverty line. These realistic and relatively moderate public policy changes—together with maintenance of TANF grants at 1989 real spending levels, would effectively move 2.7 million children from below to above the poverty line.

As of 2004, the federal minimum wage remained at $5.15, but other western states, although with lower housing costs, have raised levels above the state's current $6.75. For example, the state of Washington has a minimum wage of $7.16, Alaska's minimum is $7.15, and Oregon's is $7.05. Legislation pending in 2004 from Assemblywoman Sally Lieber would raise the California minimum wage from $6.75 to $7.25 an hour on January 1, 2005, and to $7.75 on January 1, 2006.

D. Tax Policy

The Earned Income Tax Credit (EITC) can provide up to $4,140 per year for a working family with two or more children and up to $2,506 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 1999 was $3.9 million, with $4.2 million estimated for 2003; California receives 12.3% of federal EITC assistance.[47]

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 and lifts substantial numbers of children to at least marginally above the poverty line. However, the IRS is proposing new bureaucratic barriers to qualification that may impede as many as 30% of eligible recipients from receiving the promised benefit (see discussion in Taxation section below).

Another recent tax change has possible benefits for children of the working poor. The federal Child Tax Credit (CTC) amounts to $600 per child. However, the credit was not refundable as advocated by advocates for children and the impoverished. It only applies for dependents living with the taxpayer who are 16 years old or younger, and more important, does not apply until earned taxable income reaches $10,000—and then it is capped at 10% of the earned income above that figure. In other words, a taxpayer with three children earing $12,000 per year will be able to claim only $200 (10% of the amount over $10,000). However, a wealthier taxpayer with $28,000 in income will be able to claim the entire $1,800.[48] The CTC does not reach those lacking basic resources for child nutrition or who are otherwise in dire need. Advocates for children and the poor argue that instead of capping the benefit for the poor, it could be capped for the wealthy—phased out at adjustable income reaches above $80,000, and with those revenues used to provide the full specified "dependent" allowance to those earning below $30,000.

In May 2003, the Bush Administration's second major tax cut proposal was enacted, at a level of $350 billion nationally over the next decade. This sum is added to the over $1 trillion enacted in 2001. The total expended for both are beyond these levels where including the substantial deficits they produce, requiring additional interest payments (see discussion of tax policy below and in Chapter 1). The major benefit to impoverished and lower middle class children promised to be the expansion of the CTC from $600 per child to $1,000 per child. That reach of the benefit to lower income families required a change in the 10% floor noted above. However, to the surprise of child advocates, the planned increase of the floor from 10% of income over $10,000 to 15% was eliminated. The effect of the constricting 10% benefit ceiling goes beyond common complaints about the regressive nature of tax deductions, or the failure of credits to be refundable and reach the poor who do not pay taxes. This design prevents the credit from offsetting income based on income—not taxes paid. For example, a family with four children earning $60,000 and paying $8,000 in taxes will get a $4,000 tax credit. The same family earning $34,000 and paying $4,000 in taxes can claim only $2,400—the same amount available prior to the 2003 increase. A family earning $20,000 can claim only $1,000. These income based limits are not based on taxes nor on numbers of children. Their imposition removes virtually any benefit from the increase reaching families with children under $20,000, and very little benefit for families with two children under $30,000 or three or more children above $40,000 (see discussion of federal tax changes below).

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. California has enacted a state version of this child care tax credit which *is* refundable, but at a lower benefit level (see 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. 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, as discussed in Chapter 1, the disproportionate impact on young families is significant; many new families (with young children) buying homes after 1990 will pay taxes at three, five, and even ten times the amount paid by older taxpayers 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.[49] 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.[50] Nevertheless, they are rarely examined systematically or with the scrutiny accorded direct expenditures.[51]

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 discussion below of recent and proposed tax changes further affecting wealth distribution).

E. Unemployment Insurance Coverage

The state Employment Development Department pays out more than $5.4 billion in unemployment insurance benefits and processes over 2.9 million new claims each year.[52] For new claims beginning on or after January 5, 2003, the minimum benefit payable is $40 per week, and the maximum is $370 per week.[53] Employers are charged a rate of 3.4% to finance the benefits, which are paid to claimants who are unemployed "through no fault of their own" and who are able to and actively seeking work.

During one survey week in February 2004, 470,489 people were receiving regular unemployment insurance benefits; this compares with 494,526 in January 2004 and 578,877 in February 2003. At the same time, new claims for unemployment insurance were 48,874 in February 2004, compared with 49,756 in January and 57,863 in February 2003.

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.

The amount for benefits available is based on the claimant's earnings in the base period. To qualify for benefits in California, a claimant must have (1) earned at least $1,300 in the highest quarter of the base period, or (2) have earned at least $900 in the highest quarter and earned total base period earnings of at least 1.25 times the high quarter earnings. For example, if the claimant has $900 earnings in the highest quarter, he/she is also required to have earned a total of $1,125 in the base period ($900 x 1.25 = $1,125). The maximum amount of a regular UI claim is either 26 times the claimant's weekly benefit amount or one-half of the claimant's base period wages, whichever is less.

Threshold amounts, technical base period formulae, and limited time of coverage combine to give only 38%–41% of California's unemployed any contribution,[54] and an even lower percentage of poor parents is covered. A 1996 DSS study indicated that only 5% of the AFDC-U group and 2% of the larger AFDC-FG group were receiving any unemployment insurance benefits whatever.[55]

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."[56] 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.[57] 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."[58]

For those 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 2002. The state's average weekly benefit had been $161, or 21.6% of average weekly wages, the lowest percentage in the U.S.[59] 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.[60] Regrettably, the Governor allocated $33.2 million in 2002–03 for general fund relief in the guise of paying for "administration of the Unemployment Insurance."[61]

The state fund needs additional funding given the economic late 2001 downturn, which led to 900,000 claims filed from September through December 2001, a 20% increase from the prior year.[62] 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.[63]

Another limitation on the program comes from a federal program rule that prohibits a second thirteen-week period of coverage where the unemployed rate among covered workers is below 4%. While California's overall unemployment rate has climbed to above 6% (as discussed above), the rate among covered workers has fallen below the threshold as of late 2002, disqualifying hundreds of thousands of beneficiaries from a second thirteen-week period of benefits.

California offers 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.[64] 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).[65]

F. Single-Parent Families, Unwed Births

1. Incidence, Relation to Poverty

Table 2-A presents national 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.

	Married couples w/ children	Female householder, no husband present, w/ children
Percent Below Federal Poverty Line	4.9%	26.4%

TABLE 2-A. Percent of Persons in Poverty by Selected Characteristics, 2001[66]

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.[67] 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).[68] 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.[69]

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%]...."[70] 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	4.5%	22.4%
African American	7.8%	35.2%
Hispanic	13.8%	37.0%

TABLE 2-C. Percent of Families Below Poverty Line—2001[71]

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[72] 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 2000 to 2002 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%).[73]

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.[74]

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.[75] 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%)."[76]

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.[77]

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.[78]

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.[79] These percentages count premarital births; another relatively constant 10% to 12% of births come from sexual acts conceiving children which occur prior to marriage.[80] As of the mid-1990s, the majority of mothers having sex leading to their first children did so prior to marriage.[81]

The number of parents raising children without a second parent, divorcing, or parenting alone for other reasons more than doubled from 1974–94. While 14% of 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% had traditional divorces with court-ordered child support and visitation rights defining paternal involvement.[82]

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.[83] 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%.[84] 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.[85]

By 1996, unwed births accounted for as many single parent families as did divorce.[86] 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 2002 finds an overall 33.8% unwed birth in the United States. The ethnic breakdown of unwed birth rates indicates that from half to two-thirds of minority births are to unwed mothers.[87] 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.[88]

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; 2001 – 1,349,249.[89]

	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%

2001	33.5%	22.5%	68.6%	42.5%
2002	33.8%	23.0%	68.4%	43.5%

TABLE 2-D. Percent of Live Births to Unmarried Mothers, U.S.[90]

The national data presented above generally applies to California, with approximately one-third of all births to unwed mothers. The consequences of such unwed births are somewhat harsher in California given four factors demarking it: (1) high transiency and a lack of geographically available family ties to help with child care and facilitate single parent employment; (2) a lack of child care facilities in the neighborhoods with high unwed births; (3) high transportation costs; and (4) high housing costs, discussed above. Table 2-E presents unwed birth rates for California and the U.S.

	1996		1997		1998		2000		2001		2002	
	U.S.	CA	U.S.	CA	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%	33.5%	32.7%	34.0%	33.0%
White (non-Hispanic)	21.5%	22.6%	21.5%	21.6%	21.9%	21.4%	22.1%	19.8%	22.5%	20.0%	23.0%	20.1%
African American	69.8%	60.5%	69.1%	62.3%	69.3%	62.3%	68.7%	62.7%	68.6%	62.7%	68.4%	62.6%
Hispanic	40.7%	37.6%	40.9%	40.5%	41.6%	40.7%	42.7%	42.1%	42.5%	41.5%	43.5%	42.2%

TABLE 2-E. Percent of Births to Unmarried Women, 1996–2002[91]

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.[92]

Public assistance for children and decisions to give birth are not closely connected statistically, despite 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/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.

4. Unwed Teen Parents

The most comprehensive study of teen pregnancy nationally to date was released in November 1998, covering the 1990–95 period.[93] The 1995 national teen pregnancy rate is 83.6 per thousand, down 13% from 1990. The decrease in pregnancies is attributed to somewhat less sexual activity and increased use of contraceptives.[94] 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.[95] Moreover, most of this decline occurred among married teens; the unwed teen birthrate nationally declined by only 1% during the five-year period.[96] The U.S. birth rate for teenagers (ages 15–19) in 2001 was 48.5, a record low for the country.[97]

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.[98] 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.[99] 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."[100] 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 2002 indicate continued high levels of sexual activity among high school students, despite a leveling from the historical high point in the early 1990s. In 1997, about one-half of high school students nationally had experience with sexual intercourse and about one-third were "sexually active."[101] 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."[102] 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.[103]

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.[104] 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.[105] According to the California Department of Health Services, the statewide teen birth rate has declined from 53.2 for every 1,000 girls aged 15–19 in 1998 to 45.1 in 2001.

	1996	1997	1998	1999	2001	2002
United States	12.9	12.8	12.5	12.2	11.3	10.8
California	12.0	11.7	11.4	11.1	10.2	9.5

Selected States:						
Alabama	18.4	17.6	17.1	16.2	na	na
Massachusetts	7.3	7.4	7.2	6.9	na	na
Mississippi	21.3	20.7	20.0	19.7	na	na
New York	9.2	10.7	8.8	8.6	na	na
Texas	16.1	16.2	16.1	15.9	na	na

TABLE 2-F. Percent of Births to Women Under 20 Years of Age 1996–02[106]

As Table 2-F indicates, 10.8% of the state's births are to teens,[107] with 53,776 births to women under 20 years of age in year 2001.[108] 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.[109]

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.[110] 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.[111] 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.[112] 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.[113] The Hispanic rate of 90 per 1,000 is not much higher than rates extant in some third world countries.

Two recent studies of California teen births found the following:

(1) Unmarried incidence among pregnant teens has increased markedly. In 1970 only 29% of teen mothers were unmarried; by 2000 the percentage grew to 78%.[114]

(2) The average age of the father of a baby to a teen is almost four years older than the mother.[115]

(3) Two of every three babies born to teen mothers are Hispanic, with the highest rate in the San Joaquin Valley.[116]

(4) Although California teen pregnancies have declined, they remain between four to twelve times higher than other western democracies. Nearly 5% of all teens in the state between 15 and 19 years of age give birth each year.[117]

(5) High teen birth rates statistically follow poverty rate increases in the previous year. The seven year decline in child poverty rates started to reverse back in 2001, and the Department of Finance predicts a 23% increase in the number of teen births per year by 2008.[118]

(6) California teen births cost taxpayers $1.5 billion annually, with a calculated societal cost of $3.3 billion per year.[119]

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.[120] As Table 2-E indicates, 33% of all California births are to unwed mothers, with 62.6% of African American and 42.2% of Hispanic babies so born.[121] The unmarried mother trend applies to all income and age groups.[122]

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	Number of Unwed Births, 2001	Number of Unwed Births, 2002
under 15	1,250	999	863	773	719
15–19	42,537	43,091	42,209	39,882	38,130
20–24	55,269	56,588	58,756	59,464	60,808
25–29	37,908	35,441	36,818	36,464	38,271
30–34	24,778	20,492	21,197	21,623	22,113
35–39	12,078	10,723	10,918	11,194	11,269
over 40	2,901	2,776	3,010	3,224	3,314

TABLE 2-G. Groupings of Unwed Mothers, California[123]

In terms of trend, surveys of live births to unmarried women to 2002 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."[124]

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.[125] 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.[126] 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.[127] 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.

A recent Centers for Disease Control and Prevention study entitled "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."[128]

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.[129]

6. Unintended Births

Underlying the unwed birth rate is the related dynamic of "unintended births." Child advocates argue that the simple acceptance of a child's right to be "intended" in advance by two parents would substantially ameliorate child poverty, as well as abuse. The literature as of March 2003 indicates that one-half of all pregnancies are unintended by the female. The percentage is highest among women younger than 20 or over 40 years of age, unmarried women, those living below the poverty line, and African American women.[130] Between 34% to 52% of unintended pregnancies result in a live birth, with most of the remainder terminated by abortion.[131]

Some advocates of welfare reform argue that safety net aid for impoverished children stimulates "welfare as a way of life" among single, impoverished women, particularly minorities. While economic incentives may have some marginal influence on such pregnancies and births, the data suggests that many pregnancies are genuinely unintended by the accused population. The decision to avoid birth control, or not to abort, appear to be largely driven by cultural/psychological factors outside of the direct costs/revenues anticipated from the prospective baby. The factors include use of some degree of force and deception regarding commitment by impregnating males. Such influence is enhanced for younger women by the median age of impregnating men of approximately four years older than the women involved. Other cultural factors include preoccupation with sex and allure for women and sexual conquest for men, lack of self-esteem or perceived opportunities outside of a maternal role for many women, tendency for some men to reject condoms as "unmanly," the lack of acceptance of marriage as the proper setting for procreation, and the tendency of men to abandon their biological children sometime during the first year after birth—particularly where the infant is a female.

The importance of an involved father (or any second parent) on poverty amelioration is clear from basic economics; however, research also indicates serious advantages for children beyond direct economics. As discussed in Chapter 9, paternal involvement correlates with lower juvenile arrest records. Recent research suggests that boys are not the only beneficiaries and that it may have reproduction behavior implications helpful in reducing child poverty related to teen births. On June 5, 2003 Duke University's Center for Child and Family Policy released findings based on a longitudinal study of 762 girls in over 13 years. The study documented a strong correlation between paternal involvement and reduced and later sexual activity/pregnancies. It found that girls whose fathers left the family earlier in their lives—before the age of 6—had the highest rates of both early sexual activity and adolescent pregnancy, followed by those whose fathers left at a later age, followed by girls whose fathers were present.[132]

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.[133]

In 2000–01, only 35.9% of total eligible cases had a support order in place (700,000 of the total caseload of just over 1.9 million, excluding medical support cases).[134] 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. Child support payments were being collected in only 53.4% of the cases subject to a support order. As of January 2001, 834,908 individual obligors cumulatively owed $14.4 billion to their children or to the state. The median back-debt owed was $9,621, and the average amount $17,288.[135]

Table 2-H presents the total sums collected and distributed from 1996–97. Of these amounts, 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 $48. Of this amount, families receive about $34 per child per month (including all state distributed collections, plus income disregard sums, plus estimated collection assistance from other states).[136]

From 1996–97 to 2000–01, California collections increased by 40%, or about 10% per annum. Further increases were anticipated from the legislative addition of important collection authority and automatic levies discussed below. Further, child support reform centralizing all collection within a new state Department of Child Support Collection held out the promise of further gains. However, the rate of increase slowed markedly after 2000–01, and now increases at about the rate of inflation and population gain—essentially a static level.

The stasis in collections may partly be attributed to the transition to a new statewide agency/system. That transfer from local offices of district attorney was driven largely by the embarrassing failure of local county DA's to forswear parochial territory and agree on a statewide computer system—leading to serious federal penalties. However, a local office of district attorney has the important cachet of authority. Deputy DA's are well known by the courts, and their function as criminal prosecutors gives their collection activity considerable attention and authority. That advantage has been traded for the benefits of statewide efficiency and leadership. Although sponsors of the reform legislation, including the Children's Advocacy Institute, gambled on a state coordinated effort to outweight the loss of collection by the local district attorney—one risk was not considered: The benefits flowing from the natural resistance of 58 local offices to staff reductions preferred by a Governor or Legislature focused on preserving or extending tax cuts. The single state department faces serious reductions in personnel ordered by the Governor's budget and that his appointee directing that agency is powerless to resist in public. Serious reductions in the current fiscal year now extend into even more debilitating cuts as proposed for 2004–05, as discussed below.

These cuts are reflected in the acknowledged concession of collection adjusted decline noted above. They save public funds in the short term, but even the public recovery portion of collections provides a substantial net gain. In other words, such resource reductions for child support collections work a double harm—they lessen support for children in poverty for whom such extra dollars have meaning, and they cost the state and federal governments substantially more in loss of their share of the collections than the sum saved. However, there may be savings from such cuts in the immediate year in which they are made. Forswearing such reductions may turn on a vision that includes impact on impoverished children and a time horizon beyond the current and next fiscal year.

Fiscal Year	Total Child Support Distributed Collections (in billions)
1996–97	$1.2
1997–98	$1.4
1998–99	$1.5
1999–00	$1.7
2000–01	$2.0
2001–02	$2.1
2002-03	$2.3

2003-04	$2.3
2004–05 *(projected)*	$2.4

Table 2-H. Total California Child Support Distributed Collections: 1996–2004[137]

The level of paternal commitment represented by current collection levels remains a small fraction of the sums necessary to ameliorate child poverty. The typical unwed child receives less than $400 per year in total support from his/her absent parent. The financial contribution of absent parents would have to increase from 12–15 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 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, has eschewed parenting education—especially for boys, nor has it tested other deterrent strategies (see "Prevention Agenda" discussion below).

H. Historical 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.[138] 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 have traditionally received TANF assistance as their major safety net income support for minimal shelter and food. TANF public assistance now relied upon by one 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 74% currently and to a proposed level of approximately 70% (see discussion below).[139] Calculating average TANF payment (rather than maximum possible payment for the benchmark family of three) plus average Food Samp allocation, yields a lower safety net provision amounting to about 60% of the current poverty line.[140]

I. Gambling and Child Poverty

Private spending on gambling has disproportionate impact on impoverished children. The impoverished and lower middle class spend a disproportionate share of their income on gambling—money that is lost for the nutrition, shelter, clothing and care of their children. The state has traditionally limited private gambling by outlawing it, representing the ethic that reward should come to those who work and contribute, not based on a roll of the dice. Some opposition from the body politic comes from an understanding of its addictive nature for many and its tragic consequences for those who depend upon the victims of its excesses—chiefly children. Until the 1980s, gambling in California was an unlawful enterprise and its incidence was minor, confined to those engaging in the "card room" gambling narrowly allowed and at relatively regulated horse tracks. Heavy gambling took place in Las Vegas and was thus confined to wealthier operators, or those on episodic ventures or vacations. However, with the 1984 passage of the California State Lottery Act, California government lost its high ground on the subject and sought to partake itself—justifying its own participation by allocating a portion of winnings to education. Chapter 7 discusses the minor contribution of revenue from this source for public schooling.[141]

Since that development, Indian tribes have developed an in-state gambling mecca. Reservation casinos have proliferated to a degree unthinkable a decade ago. Moreover, the Native Americans arranging these many gambling venues have become major political players in Sacramento, contributing an estimated $120 million to candidates and causes over the past four years (and seeking exemption from reporting requirements under state law).[142] They enjoy momentous profits to fund these political expenditures, as well as voter propositions and television public relations. Statistical surveys of gamblers indicate that revenues obtained by the state from the lottery, and the enormous sums generated by Native Americans, disproportionately come from those below median income. The poor spend a greater percentage of their income on gambling than the wealthy, giving gambling the same effect on incomes as regressive taxes.[143]

Funds expended on gambling constitutes a substantially regressive taking from persons who lack discretionary income and can ill afford its loss. Child advocates contend that the ultimate price is paid by the children of those who gamble excessively—where families lose discretionary income for proper nutrition, for medical care for the one million children in the state who are uncovered either publicly or through employers, and for the higher education fund children increasingly need as living expenses and education costs increase. Notwithstanding the growing scale of long-range impact on children, the state has responded to the political influence of Native Americans with widening license, and continues to promote its own gambling ventures (the Lottery and horse racing, including the expansion of off-track betting), and does not effectively interfere in a now burgeoning third avenue of gambling—the Internet market of sports and other betting (on-line casinos). Child advocates argue that the combination and growth of these gambling venues threatens substantial private child disinvestment. They contend that California has not limited abuse, nor has it studied the impact on its children—in particular on its impoverished children. Instead, the state has joined the enterprise.

Regrettably, the Governor's current pronouncements indicate state support or acquiesence in the radical expansion of native american gambling. Some tribes propose "land swaps" where reservation land is traded for a commercial lot in an urban setting, or are otherwise allowed special dispensation to locate near population centers. The local revenue obtainable from such decisions makes local approval of such facilities predictable—and without clear limitation. The sovereign state has the unique role of drawing lines above the lowest common denominator of such local competition. Child advocates argue that if such decisions are to be deferred to local jurisdictions the result will be momentous increase in gambling. Is the short term assessment of gambling profit worth the cost borne by impoverished children?

J. Findings and Correlations

Regarding child poverty, the data support somewhat different conclusions than public discussion generally reflects, as follows:

(1) Child poverty remains high, 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's National Survey of America's Families studied impoverished populations in 13 states, including California; the report, 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%.[144]

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.[145]

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%.[146] The increased reliance on TV-Movies-Entertainment as adolescence begins is significant, particularly given its influence on the other leading source (friends).

A 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.[147] 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.[148] Two-thirds of pregnant and parenting teens were sexually abused by men (55% molested, 42% attempted rape, 44% raped).[149] 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 8.0.[150]

- The percentage of TANF parents under 18 (teen mothers) is 0.3%, another 1.1% are 18 years of age and 2.6% are 19 years of age, and 25% of these are married. Thus, 96% of TANF parents are over 19 years old.[151] 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.[152] 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.[153]

- 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.[154] Among teen births, 60% are to Latinas, 23% to whites, 11% to African Americans, and 6% to other minorities.[155]

- Never married adults make up 49.3% of TANF parents; 30.4% of families receiving assistance have currently married adults heading the household.[156] There is no father in the assistance unit in 84.8% of TANF families.[157]

B. Historical Increase/Decrease of Spending Levels

- The current TANF account makes up just over one percent of the federal budget and 4%–5% 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 people receiving welfare has not increased over the past decade,[158] as qualification 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 2003–04, 37% will receive it.[159]

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,[160] and family size has decreased since 1969. The average number of children per family is 2.2.[161]
- 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.[162]

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.[163] The TANF population surveyed in 1997, indicated that 34.5% have received more than five years of assistance in their lifetimes.[164] 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 sixty-month maximum.[165] This calculation may include some breaks in aid, but its numbers are significant given the sixty-month maximum of the PRA for federal assistance.

E. Living Expenses

- The average monthly rent payment in 2000 was $382, 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 are 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.[166]

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.[167] Another 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.[168] The most recent survey using 2000 data from the California TANF population found that 48.8% had completed twelve or more years of education.[169]

G. Ethnic Composition

- The largest ethnic group receiving TANF in California is Hispanic (32.4% of adult, and 43.6% of child recipients). Whites are the second largest group (30.3% of adults and 21.9% of children. The African American proportion includes 20.9% of adults and 20.3% of children. The Asian population includes 14.9% of adults and 11.9% of children. Native Americans, Pacific Islanders, and others make up the final grouping.[170]

H. Work

- Among all of California's children living below the poverty line (not just TANF recipients), 49.7% have 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.[171]

- 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.[172]

- Among current aid recipients, only 17% have never worked and have relied completely on assistance historically.[173] 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.[174]

- 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.[175]

I. Post-Welfare Reform Income and Work

- Surveys now tracking those who have "left TANF" find that only two-thirds of them are in fact employed. The fate of the children within the remaining one-third 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).

- 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. [176]

- Of the two-thirds who are off TANF roles and fully employed, average earnings appear to be just below the poverty line for the benchmark family of three.[177] Over two-thirds are employed in "services" or in "retail trade."[178]

- 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.[179] There is little evidence of immigration to California because of welfare levels; most states with the largest AFDC (TANF) caseload increases are paying below the national median in benefits.[180] According to one 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.[181] 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 U.S. less than one year, and 48% have resided here for nine years or more.[182]

- 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.[183] Two-parent caseload levels correlate closely with state unemployment rates.[184]
- 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.[185]

- 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%.[186] 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,[187] 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,[188] 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 (an expanded earned income tax credit and a larger and redesigned refundable child care 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.[189] 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.[190]

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.[191] 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 (two children and a full-time working parent) $2,920 over the annual income poverty line.[192] A family of four—one working parent and three children—will yield gross earnings at

$3,140 below the line at the current California $6.75 minimum wage, including the maximum EITC benefit. Both of these levels exclude payroll taxes (Social Security, Medicare) reducing gross income another 5%–8%, and exclude any privately required child care costs.[193]

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 15–24 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 15–24 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.[194] 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.[195] 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.[196]

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[197]

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.[198]

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.[199] 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.[200] 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.[201]

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,[202] 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 2001 study found that a family of two working parents and two children required $52,034, or a full-time hourly wage for both averaging $12.51.[203] A single parent with two children needed $43,443, or an hourly wage of $20.89.[204]

Table 2-J shows the California Budget Project's estimates of basic household income needed by a single-parent family, statewide and for the following selected regions: Region IV (including San Francisco County), Region VIII (including Los Angeles County) and Region V (including Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare counties). These 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. The highest cost region remains the San Francisco Bay area and the other nine counties encompassed in Region IV. There, a single parent requires a daunting $61,986 to pay the typical costs of the basics listed in Table 2-J, requiring a full time wage of $29.80.[205] Even in the least expensive part of the state (Region VI, encompassing Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, and Tuolumne counties) a single parent requires annual income of $35,894.

Single Parent	Statewide	Region IV (San Francisco)	Region VIII (Los Angeles)	Region V (Fresno, etc.)
Housing/Utilities	$1,026	$1,509	$967	$622
Child care	$922	$1,114	$954	$739
Food	$465	$465	$465	$465
Transportation	$290	$290	$290	$290
Health care	$495	$475	$495	$500
Miscellaneous	$342	$342	$342	$342
Taxes	$539	$970	$528	$295
Monthly Total	**$4,080**	**$5,166**	**$4,041**	**$3,254**
Annual Total	**$48,962**	**$61,986**	**$48,490**	**$39,044**
Basic Family Wage (hourly)	**$23.54**	**$29.80**	**$23.31**	**$18.77**

TABLE 2-J. CBP's Basic Family Budgets—2003[206]

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 available data (post-2001) 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 initially retained in former Governor Davis' budgets; however, funding for these programs have undergone gradual atrophying in the past few years. 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. In fiscal year 2001–02, the program served 1.44 million persons participating. Two-thirds of the client's programs identified themselves as Hispanic; 70% were adult females; and 74% fell between 0–100% of the federal poverty line. Provider participation in family planning programs has also increased significantly under Family PACT, going from 450 provider sites in 1995–96 to 2,048 in 2001–02. However, as discussed below, these and related programs are not expanding, and most are now contracting or in jeopardy post-2002.

◆ **Community Challenge Grants To Prevent Teen and Unwed Births** Part of former Governor Wilson's Partnership for Responsible Parenting Initiative established in 1996, this program promotes community-based partnerships for the development of effective local prevention programs targeting teen and unwed pregnancies and fatherlessness resulting from these pregnancies. The major goals of the program are to reduce the number of teenage and unwed pregnancies; reduce the number of children growing up in homes without fathers as a result of these pregnancies; and promote responsible parenting and the involvement of the father in the economic, social, and emotional support of his children.

◆ The **Male Involvement Program (MIP)** began in 1995 and provides local assistance funds to increase the involvement of adolescent and young males in the prevention of teen pregnancy and unintended fatherhood. MIP was the first statewide effort in the nation to develop and implement teen pregnancy prevention strategies for males. Each year $2.5 million is distributed to approximately 25-local projects and agencies receiving three-year grants to conduct prevention activities. MIP focuses on male adolescents and young men 12–24 years of age that reside in counties with high teen birth rates. The goals of the program are to reduce teen pregnancy through community engagement, youth leadership and increased responsibility of adolescent boys and young men, and to prevent teen pregnancy and early-unintended fatherhood.

◆ The **Statutory Rape Vertical Prosecution Program (SRVP)**, now part of the Office of Emergency Services, provides funds to district attorney's offices to vertically prosecute[207] statutory rape offenses. Funding is provided for prosecutors, investigative services, victim advocacy, and other costs to support the SRVP prosecution efforts. In 2003, $6.7 million was allocated to SRVP programs in 52 counties.

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.[208] 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.

V. MAJOR PROGRAMS AND LEGAL/ECONOMIC CONTEXT

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.[209] Seventy percent of TANF and most Food Stamp money is allocated for children.[210] 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 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 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%–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.[211]

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.[212] 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).[213] 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 annual block grant for California since 1996 is frozen at the federal AFDC expenditures in the state for fiscal year 1995.[214] Since caseloads have declined 56% to current 2003–04, that static sum would appear to exceed what is required. Indeed, grant surpluses in the early years of the PRA were received by counties, and rolled over to cushion succeeding years. However, as discussed below, proper execution of the reform concept involves employing parents, which in the short term will cost more than welfare on a per capita basis. The grants must now pay for child care (at a cost often in excess of the previous AFDC grant). Additional sums must be expended for training and to continue benefits until employment is obtained. Where employment cannot be found at the two-year mark of assistance, the state is theoretically obligated to provide public service jobs or direct public employment. In sum, the cost to remove a family from the rolls may be 2–3 times the previous cost of safety net maintenance—at least until a significant number of parents obtain reliable private employment. By 2001–02 the grant surplus had been largely exhausted and little rollover was available for the 2002–03 fiscal year. In 2001–02, 47% of grant funds were 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).[215] The counties retained at one time $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 2001–02 year, and the remaining sum has since been diverted to general fund relief. All surplus and available funds have disappeared prior to or during the current fiscal year.[216]

The federal block grant has not been adjusted for inflation or population gain for the six years of the block grant initial period, and has been effectively frozen as the statute has been carried forward essentially unchanged for 2002–03 and into the current 2003–04 fiscal year. Reauthorization with possible number changes remains pending in May 2004, as discussed below. There is a population adjustment section, but its formula effectively eliminates California.[217] 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. Even a small economic downturn, as the higher unemployment rates of 2003 and 2004 may suggest, can mean serious safety net shortfall. The first to be laid off tend to be the most recently hired—disproportionately TANF workers. In addition, child care assistance for those who have obtained employment is doubtful beyond the second year of employment, and is unlikely beyond the third year.

The TANF caseload for 2003–04 and as projected for 2004–05 is falling at a much slower rate—with 90,000 fewer TANF recipients predicted in each of those years, below the more than 200,000 moved off the rolls annually over the first five years of the PRA. In addition, the 2004 federal reauthorization of the PRA as proposed would increase work requirements to an unrealistic minimum of a 40 hour week to qualify as employed. And local jurisdictions are now facing unprecedented cuts. As discussed in Chapter 4, Los Angeles is closing basic medical facilities serving the poor. The City of San Diego has announced a 32% reduction in social service spending. Counties throughout California are laying of thousands of child related service providers (see Chapter 1 discussion). This combination of factors is now leading to (a) the lowest TANF benefit levels (as a percentage of the poverty line) in the modern era, (b) insufficient resources for job training and (c) inadequate child care supply and cut-offs of those TANF recipients who have successfully found employment (see Chapter 6).

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 TANF Safety Net

The state stands to receive a bonus from the federal jurisdiction if it reduces unwed births.[218] This national fund includes $100 million per 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 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.[219] 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. This reward is based on the movement of TANF recipients into work. However, see discussion above and below on 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.

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).

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 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. As noted above, the 2003 Bush Administration PRA reauthorization proposal would raise that minimum to 40 hours per week. The state may exempt families with children under the age of one from TANF's work requirements.

2. Federal PRA Mandates and Child Impacts

The following specific PRA-mandatory changes in safety net support have substantial budgetary and non-immigrant child impacts.[220]

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.[221] 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.[222] 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."[223]

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.[224]

c. Sixty Months Cumulative Lifetime Limitation

Under the PRA, no federal TANF grant may be given to any family which has received sixty 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."[225] 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 amount of 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 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. States vary in the sanction imposed. Although the Bush Administration favors a total cut-off of families from safety net support at the sixty-month mark, some states have taken a somewhat more charitable view and have instead reduced the grant by the "parents' share." Such a reduction is momentous where total family income at full grant levels is well below the poverty line—now the case. Although the characterization of the reduction as merely the "parents' share" is the commonly used spin in those states—including California—as an attempt to deemphasize or avoid the impact on effected children, such a reduction affords more protection than the option of complete cut-off. New York and California are the two states unable to fulfill the zero assistance model—the former because of a state constitutional provision assuring a minimum safety net for children, and the latter because of a state mandate to the counties to provide for indigent basic needs. A federal mandate to cut-off would countermand the policies of both states and federal legislation allows exemption for both from the 100% TANF cut-off favored by the Bush Administration.

As discussed below, the "parent share reduction" approach will nevertheless take most families with less than three children to below one-half of the poverty line, a level of extreme poverty and given California's extraordinary rents and lack of extended family support, will produce increases in homeless children. Of additional concern, the more limited funds provided after the sixty-month period must be "state only" and do not yield a federal match. Hence, their future levels are in doubt given the gravity of the budget deficit discussed in Chapter 1.

The exact number of children facing the sixty-month cut-down is in dispute. The California Budget Project estimates that 64,518 adults will time out over the sixty-month TANF lifetime allocation between January and June 2003. That total would involve about 140,000 children living in those families. The Department of Social Services places the total at 116,571, which would implicate 240,000 children.[226] Additional families will suffer the sixty-month sanction during the current fiscal year. These reductions are on top of the almost 100,000 children already or to be effected by similar sanctions under Welfare to Work, discussed below. The 2004–05 budget assumes a $22.8 million savings from additional families reaching their sixty-month maximum beyond previous estimates during that fiscal year.

Of the 1.8 million children receiving assistance in 1996, how many are at-risk of needing support beyond 2003 at some point? Historical rates of support to families of children beyond sixty months have been at about 35% of total caseload levels. Assuming substantial permanent employment success and a reduction of that rate by one-third, approximately 430,000 California children would face these cut-downs— most to below one-half of the poverty line—during 2003 to 2006. If the current economic downturn continues or exacerbates, the total could easily surpass 500,000 children. That cut-off will apply even where their parents have worked part-time continuously through their months of aid receipt[227] (see discussion below of problems in the notice of cut-down and the common and unlawful debiting from recipients of months where child support was received from an absent parent to mitigate the grant payment or where counties do not provide required welfare-to-work opportunity).

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) of 50%, but now faces a triple threat, as follows:.

(1) Work Participation Percentage Increase

The overall work participation rate applicable to all TANF parents is realistic at its initial level of at 25% (for 1997), but it then increased at 5% per year, reaching 50% by fiscal year 2002–03. The state met that target for 2002–03 and for the current fiscal year. However, it did so primarily because of the starting point of the calculation—1996 caseload levels. They are now 56% lower due to the economic upturn, perhaps some beneficial effect from welfare reform employment investment, and some immigrant flight, as discussed below. As long as full credit is given for caseload reductions—and those persons are presumed to be "working", the state may permanently satisfy this requirement (unless caseload trends turn up). However, the 2004 reauthorization proposal of the Bush Administration will move the overall participation requirement to 70%, requiring substantially more participation than is currently extant.

(2) Changing the Formula for Participation Credit

As the second threat, the now pending 2004 PRA federal reauthorization would abandon the 1996 starting point to calculate percentage participation and instead interpose a rolling average of the immediately prior three years of caseload. Under the existing rule, California has benefitted by the removal of 56% of its caseload as noted above. But the new starting point will not be the 2.4 million on the TANF rolls in 1996, but the 1.4 million average of the prior three years. If 70% must participate, that means almost 200,000 California adults on the rolls will have to be moved into CalWORKs training and employment—well over half of the adults now receiving assistance—in a single year. The state would have to employ over 60% of its TANF recipients in 2005 and 70% by 2007. And this number would go up if an economic downturns adds new applicants.

(3) Forty-Hour Week Minimum

The above scenario is further complicated by the Bush Administration proposal for a forty-hour minimum work requirement (and the stricter definition of "work" to meet that standard). That standard removes many from qualified participation. Indeed, in some industries regular employment involves 32 or 36 hour weeks. The demographics of CalWORKs participant employment indicate that much available work is less than traditional full-time. Only two small states are likely to qualify under these criteria. California and the major states will suffer participation drop-offs to 35%–40% at the required forty-hour week level, and will not come close to the required participation targets.[228]

The three requirements in combination mean that 250,000 parents must be newly-employed and another 60,000 parents must somehow increase hours up to forty. That goal could be reached only through the required last resort measure of public employment and child care for over 300,000 parents. Such an extraordinary expense would be imposed over a short period of time, and would increase substantially in 2005–06 and 2006–07 as the rolling average diminishes. This imposition is timed to coincide with county expenditure of their prior CalWORKs surpluses, diversion of their incentive payments by the state, and unprecedented budget shortfall (see Chapter 1 discussion)—making compliance unlikely and exposing the state budget to federal sanctions or cut-offs.

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 adult participants all at once, but which is phased in at an incremental reduction of 10% of the caseload each year from a starting point that adjusts for population change, and perhaps for underlying economic conditions. Such a refined track does not surrender the principle of required work, but allows real and permanent employment to be arranged consistent with private market absorption and resources available for training and child care. 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.[229]

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 twenty-hour or more per week job is a sensible standard for single parent families, and thirty 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 discussed above and TANF grant reductions discussed below.

Child advocates amplify these concerns as to children under the age of five. The importance of parental contact during the first years of a child's life has been affirmed by research.[230] The 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 three months old. Similarly, the 32-hour work requirement applicable to a single parent should be reduced to twenty hours or more per week—if not universally, as advocates argue—at least while children are under the age of five.

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 twenty 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%–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.[231]

Consistent with these refined incentives, child advocates urge the revision of the PRA's sixty-month maximum to a different formula, as follows: a sum of grant assistance equal to the maximum monthly payment eligible, assuming no income, times sixty. 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

As discussed in detail below (see "Federal Penalties—Work Participation Targets"), the state can meet the 70% target by kicking parents out of participation entirely—even if children need safety net support, or by increasing assistance to the working poor. The last strategy is not an evasion of the law's intent given the reality of working poor vulnerability to TANF reversion, a status the old AFDC program termed "at-risk." Assistance to this population to push these families toward self-sufficiency serves the "welfare-to-work" legislative intent, turns those achieving "self-sufficiency" income levels into strong contributors to the public weal. And research consistently confirms strong child benefit accruing from such family income gain into the lower middle class. The stated purpose of welfare reform was not to reduce welfare rolls for a two-year period, but accomplish a "hand up" so parents and their children could free themselves from the "cycle of poverty" (see discussion below of state EITC supplement or child care tax credit or subsidy as one means of meeting a high percentage participation target).

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.[232] 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.[233]

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. 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.[234]

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.[235] 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.[236] 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."[237]

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 $90–$120 range, declining as children are added.[238]

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.[239] 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 PRA 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 1997 CalWORKs Enactment—Major Provisions

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.

a. Sixty-Month Time Limit

With limited exceptions,[240] the adult portion of grant assistance will terminate after a lifetime total of sixty months after January 1, 1998.[241] Receiving any grant amount during a given month counts it against the sixty-month maximum. Although the PRA will cut federal funds for grant at the sixty-month mark, California will fund "the children's portion" thereinafter as long as the parent is exempt from or is unable to find work.[242]

b. 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).[243] 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.[244] 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.[245] 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.[246]

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,[247] job search, and treatment services (mental health, substance abuse) necessary to obtain employment.[248]

c. 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).

d. 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. However, the 2004–05 proposed budget would lower compensation substantially below this line (see discussion in Chapter 6).

CalWORKs 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 California Department of Education (CDE); and stage three for those needing child care to avoid falling back onto welfare (partial subsidies for the working poor).[249] The three stages correspond roughly to historical AFDC GAIN, CDE transitional, and at-risk child care.

e. 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), 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 $190 million in its first year of these funds in 1997–98 fiscal year—$162 million 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). From the 2001–02 budget forward, the sum is added to the state CalWORKs block grants to counties and expended amounts for job training purposes will depend on county discretion.

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.

f. TANF Roll Reduction Versus Employment Success

Somewhere between 35% and 60% of those leaving TANF rolls between 1996 and 2000 appear to have achieved enhanced employment and income—broadly regarded as an indicator of reform success. However, as to this cited population, four *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. Those who leave TANF rolls also leave contact with social workers who normally assure that coverage. Second, as noted above, this group is the first to be laid off in an economic downturn—now occurring. Third, the first to be hired tended to be those most easily employed—leaving an increasingly difficult population to employ on rolls. And fourth, public investment in child care and training has been static and is now declining markedly as proposed. This last consideration is not likely to be a temporary withdrawal of child care investment given the debt obligations assumed through deficit bonds and other borrowing and obligation deferral—to inhibit future resources for such child related investment, as discussed in Chapter 1.

g. 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).[250] 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[251] until a 1999 statutory change allowed quarterly reporting, an important paperwork reduction measure effective in January 2000.[252] Cost-of-living adjustments (COLA) were allowed only sporadically since 1989, cutting *seriatim* the real spending power over the last decade. In 1989, TANF recipients received $1,022 in current dollars, enough to cover minimal rent and utilities— fulfilling the homelessness safeguard purpose of the TANF grant. And during the 1970s and 1980s AFDC (now TANF) and Food Stamps exceeded the poverty line for California children. That safety net for the benchmark family of three reached a record low of 74% of the federal poverty line in the current fiscal year and will fall to about 70% under the proposed 2004–05 budget, a record low over the last generation. The TANF grant of $1,022 in 1989 is now at $704 in the urban counties and $671 in rural counties, a 32% real spending reduction. It is proposed at $645 and $614, respectively, for 2004–05—another 8% cut.

The average amount received by recipients has gone from $310 per month in 1989 to $188 currently in constant dollars, and is proposed for further cuts to $158. A $30 per month reduction at $188 per month is substantially more costly in terms of child sustenance than a $30 cut from the $310 level of 1989. Sanctions below such reduced levels will take most families to below one-half the poverty line of special concern to child health experts (see discussion of hunger effects and incidence in Chapter 3).

h. County Incentives

Counties were to 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) were promised to counties. However, during 2002–03, the budget redirected $297 million of these incentive funds for basic program costs (to reduce demand on the general fund). Theoretically, this capture of county funds by the state incurs a future unpaid obligation that totaled $394 million for the current year. However, the 2003–04 budget did not backfill that deficit. Neither grant savings nor federal incentives are available to counties for the 2004–05 fiscal year.

6. 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 sixty-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 sixty-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 ninety 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 somewhat 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 and in Chapter 3).

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 sixty-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 sixty-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.

7. State CalWORKs Implementation of Welfare Reform

a. Sanction Incidence "Only the Adult's Share is Cut"

The benchmark family of a mother and two children received in assistance a maximum of $1,022 per month in current dollars in 1989 (see Table 2-N). The 2003–04 budget implemented a reduction to $704 in the higher grant urban counties. CalWORKs' sanctions for failure to find work or violation of enumerated conditions, and applicable to all families after sixty months of grant receipt, amounts to further reduction to a maximum of about $570 a month for a family of three. The proposed 2004–05 budget will reduce that total to below $550—well below climbing median rents excluding utilities. The Governor's budget proposal then subtracts another 25% for such sanctions—moving families to maximum grants of just over $400 per month. The proposed safety net level will provide less than 50% of poverty line income with Food Stamps included, and about 40% by itself—both record lows for safety net child support in the modern era.

As discussed above, between 140,000 and 240,000 children will cumulatively face such a cut-down during the last half of the current fiscal year. And as discussed below, additional numbers are being sanctioned for failing to meet one of the requirements listed above. Among the 172,072 adults in the Welfare-to-Work (WtW) program of CalWORKs, 58,980 adults, representing over 120,000 children are suffering these "sanction" reductions as of June 2002. The proportion of WtW participants sanctioned has increased to 34% of all WtW participants, up from 25% a year earlier.[253]

As discussed below, any family sanctioned to a level below actual rent and utility expenses is theoretically by law 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.[254] 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.

b. 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.[255] 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. That problem is exacerbated by the baffling proposal of the Bush Administration in 2004 to not count as "working" any person employed less than a full forty-hour week, as discussed below.

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 sixty-month maximum allotment. Hence, even if a parent is employed for five years at thirty 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 sixty-month mark.

c. 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:

(1) 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.[256] 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.[257] 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.[258]

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."[259] 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.

(2) Language

The primary language spoken in 31.6% of the families receiving TANF is not English; Spanish is the first language of 67.6% of those families, with Vietnamese the language of 10.7%.[260] 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" can be a hindrance to employment when competing with native-born speakers.

(3) 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.[261] Recent national studies of the medical/disability status of TANF parents find one-quarter to one-third with a "serious mental health problem."[262] From one-fifth to one-third have learning disabilities, and one-fifth to one-quarter have IQs below 80.[263]

(4) 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?

(5) 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.

d. 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.

e. 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.[264] 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 provides educational upgrading/vocational training or initial employment for less than 10% of 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 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.[265] 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.[266]

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."[267] Importantly, savings attributed to the Riverside approach were "explained by reduced payment amounts during months when individuals were still receiving AFDC."[268] This finding of increased part-time work while remaining below the poverty line for those finding employment confirms the transitory nature of jobs obtained.[269] 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 sixty-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...."[270] 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.[271] 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, 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.[272]

The federal study, and others with consistent findings,[273] 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.[274]

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 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.[275] Other evidence of work advancement potential from training investment is discussed under (9) below—"Evidence of the Empirical Impact of Welfare Reform on Children."

f. 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.

(1) Cost and Timing

Under CalWORKs, the clock began to run for existing TANF recipients on January 1, 1998, with an eighteen-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 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. Were compliance to the statutory scheme to occur as written, the state would be required to provide wholesale employment to a 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 (during current 2003–04 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 a short time span. The surpluses from 1997 through 2001 (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—and with the federal participation requirements as proposed in 2004—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.

This nightmare scenario has been averted to date by two ameliorating factors: the non-enforcement of the registration and two-year CalWORKs deadline for employment, and the non-application of the 50% overall work participation requirement. As discussed above, the proposed change to 70% and the alteration of the formula measuring participation to an average of the prior three years of TANF enrollment will impose an impossible burden of providing employment and child care for about 300,000 parents over a short period of time—at more than double the cost of TANF. As noted above, this population will be carried for that period and then in a similarly short period will be laid-off, cut from child care help, and then will hit the sixty-month lifetime federal limit. Both the scale of the burden on counties and the telescoped timing pose difficulties, now exacerbated by the coextensive financial shortfall burdening both state and local jurisdictions. To add to these dangers, the Governor proposes to require all TANF recipients to participate in CalWORKs not within the first 12–24 months, but at the two-month mark. Such a requirement is inconsistent with the budget levels proposed for training, employment, and child care.

(2) 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.[276] Although the issue is in dispute, participants may not be subject to federal minimum wage protection, nor more likely to California minimum wage standards.[277] It is doubtful that unemployment insurance will apply and uncertain that workers' compensation for injury or death benefits will be available.[278] Nor do such employees have any assured labor rights to organize.[279]

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.[280] The clear position of California Department of Social Services is that minimum wage standards do not apply to county workfare, and the budgets of former Governor Davis assumed that cheaper workfare would be the norm. The state has taken the 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.[281]

The two initial county surveys of CalWORKs implementation indicate that counties addressing community service employment characterize it as "work required for TANF grant receipt."[282] 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) for which they do not qualify. The EITC loss is momentous—up to $4,140 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—are of substantial public long range benefit.

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)—26% higher than a TANF grant for the benchmark family of three. 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 67% of the current poverty line of $1,306 per month. A family in Region 2 and receiving a maximum $607 TANF grant will reach be at 65% 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 8% above the poverty line, instead of 33% below it.

	Workfare	Paying Job at Minimum Wage
Grant Income	$637	
Earned Income		$864
Food Stamps	$240	$292
Tax Credit		$324
FICA		($60)
Net Monthly Income	**$877**	**$1,420**

TABLE 2-L. Comparison of Monthly Income: 32 Hours/Week Workfare Versus Minimum Wage Job: 2004

The Taxpayer Relief Act of 1997 specified that participants in "community service programs," or "work experience" programs cannot receive the EITC.[283] 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"[284] 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.[285] California 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. LAO issued a February 1999 report exploring the option of public service employment over workfare, noting its additional cost and the possible EITC advantages.[286] Child advocates argue that the Schwarzenegger Administration's promise to collect all federal monies due, if applied for the benefit of impoverished children, could add over $4,000 of federally provided safety net income to impoverished working parents through EITC qualification for public service-employed TANF parents.

California allows minimum wage qualification and potential EITC collection under its August 1990 policy declaration.[287] 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 would number in the hundreds of thousands if the CalWORKs statute were to be complied with or the Schwarzenegger Administration sixty-day deadline for work registration to apply, $1,220 per month—6% below the 2004 federal poverty line for the benchmark family of three.

After the three years of makework is completed, most recipients will have exhausted their entire lifetime sixty-month allocation counting from January 1998. Hence, as the statute now provides, they may be fired *en masse* at the end of their two year term (presumably occurring for many during 2004–05). 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 further reduction (the "parent's share") for the benchmark family, plus a 2004–05 further 25% penalty. The result will then reduce these 350,000 to 500,000 children to below 50% of the poverty line.

8. Problems of County CalWORKs "Devolution" — 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.[288]

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 (assuming these due sums are paid).

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 began to increase during the current fiscal year and portend greater hardships as the 2004–05 fiscal year passes.

b. County Implementation

Early surveys of county implementation of CalWORKs indicated wide variation in approaches, as described in previous editions of the California Children's Budget. While the California Department of Social Services conceded that "as many as 150,000 positions may be needed, peaking in May 2001," the counties remain oblivious to the statutory command. Los Angeles County estimated that it would need just over 3,000 positions by December 2000.[289] 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.[290]

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.

The use of the 1996 TANF roll level as the starting point for calculating "work participation" levels has allowed general evasion of state CalWORKs technically required public service employment without federal penalty. But if any of the three pending federal 2004 changes is implemented (40 hour work week, 70% participation, base period the prior three years, see discussion above), compliance failure should produce federal penalties. During 2000, AB 1233 (Aroner) was enacted to create more local options beyond simply public "make-work" employment.[291] 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.[292]

Few counties are in a position to provide community service employment for the hundreds of thousands of TANF parents who will suddenly require it during the 2004–05 fiscal years as CalWORKs reads or as the 2004 federal PRA reauthorization may require—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 families needing to become self-sufficient." [293] One of those counties is Los Angeles, allocated only $2,800 per aided adult.[294] Funding has not increased during 2002–04, and as the budget figures below indicate, are slated for reduction rather than increase.

Questions presented by these problems include: What will happen to recipients who are required to obtain employment by a given deadline and public employment is not offered as an alternative? Will they be sanctioned? Will the counties be penalized for diverting $2 billion in surplus TANF funds from 2000 to 2003 to other purposes? Will the federal jurisdiction impose penalties? What will happen to the 140,000 to 240,000 children whose parents reach the sixty-month mark during 2004–05 and shortly thereafter? What has happened to the 120,000 children whose parents who have already been sanctioned? What has happened to the many children—especially those of immigrant parents—who have left TANF rolls without employment?

Of special concern is the county implementation of the sixty-month cut-off. AB 2116 (Aroner) was introduced in 2002 in order to provide an escape valve for those parents who have played by the rules but are unable to obtain employment for reasons clearly beyond their control. The measure allowed the "clock to stop" on the sixty-month deadline where (a) a recipient satisfies the Welfare to Work requirement with unsubsidized employment but remains eligible for some support (usually because of a large number of children); (b) a recipient is not offered employment or supportive services due to local or state funding shortfall; or (c) a sufficient number of jobs are not available—using the same criteria that excuses employment as a precondition for Food Stamps (see Chapter 3). The measure died in Assembly Appropriations based on a Department of Finance estimate of an extremely large cost. That estimate implicitly acknowledges the failure of current funding levels for employment training, assistance and child care. It advances the following proposition: We shall cut-down the TANF grant for you and your children although you have made every effort and are blocked by circumstances beyond your control; we shall enforce that reduction to 61% of the poverty line, or lower, even where we have failed to provide what was statutorily required under the federal PRA of 1996.

Perhaps influenced by the persons populating television talk shows, or by welfare reform promoted stereotypes, much of the public regards the typical parent facing a sixty-month cut-off as an African American lady in her early 20s with four or more children, no husband, no work experience or interest and who has adopted welfare as a "way of life." As discussed in the "Profile of the TANF recipient" discussed above, DSS and census data contradict popular assumptions about those who receive TANF in general. The demographics pertaining to those facing the sixty- month cut-off is similarly at variance from popular conceptions. County by county data indicates that from 60% to 90% of adults expected to time-out are employed full-time or part-time with an average monthly income of just over $1,000.[295] Many of these recipients are two-parent Asian families with a substantial number of children. They work at available jobs, but do not earn enough money to break the poverty line given their large families and difficulties (see detailed statistical profile of recipients above).[296] The children in these families will be disproportionately cut to levels well below 50% of the poverty line.

Procedurally, it is unclear how the counties will implement the sixty-month reductions. As discussed immediately below, counties have latitude to vary in their approach. A "Notice of Action" is supposed to be sent to persons facing these timing-out sanctions. The notice is supposed to inform the recipients of the number of months remaining at least two months prior to the cut-down date. The most recent survey of procedures suggested that the notices will not inform recipients of factors that should allow months not to count. The most important may be the fact of child support receipt by the state to compensate it for TANF payments. Where the state has been so recompensed on behalf of the child, debiting that month from the custodial parent is unlawful. However, it is unclear that these months of credit are being calculated, or that parents will know of their proper application.[297]

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.[298] 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 was implemented over the last two years, 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."[299]

Counties are also free to vary their treatment of parents who time-out beyond sixty months (see discussion above). They are able (but not required) to provide welfare to work services for these persons. One recent survey of twelve populous counties found six providing some job help post time limit, while another six intend to leave those persons and their children to whatever fate awaits them.[300]

d. County Compliance with Federal Work Percentage Requirements

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.[301] 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 it rose to 50% as of 2002, as discussed above. Continued failure is likely under the CalWORKs formula unless it is refined, with the federal proposals discussed above making compliance virtually impossible without 2004–05 spending for job training and public service employment substantially above proposed levels.

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 if state unemployment turns up in 2004, 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.[302] Of great concern, the data reveals 27,877 parents suffering sanctions in 1999,[303] with the number climbing to 58,980 by June 2002 and projected to 85,000 during 2004–05—a figure translating to about 170,000 children.

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. Note that child care in particular should count for participation purposes since it is the Administration's position that such subsidy is "aid" and that such recipients should therefor be counted as among the population required to work. While a Democratic alternative reauthorization proposal would remove such child-care-only recipients from the so-called "welfare rolls" triggering work requirements, such exemption is not currently federal law.

The result of expanding both numerator and denominator is compliance with federal targets—even at the 70% required level of work participation proposed by the Bush Administration in its 2004 PRA reauthorization. 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; 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.[304]

Studies during 1997 and 1998 confirmed these troubling findings. Summarizing studies from eleven 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.[305]

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.[306] 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.[307]

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.[308] The prime directive of welfare reform (move parents out of poverty while holding children harmless) has thus far failed, as 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.[309] As discussed above, the trend from 1997 to 1999 has been toward a yet higher average "deficit below the poverty line," now reaching over $6,000 below the line for single parent families.[310]

Three national studies released in 2001–03 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.[311] Several studies released in 2002 confirmed problems for school age children and especially teens.[312] 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.[313] 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.[314]

A fourth national study released in May 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.[315] 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 give up TANF assistance for low wage employment, or less than full-time employment. 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."[316] Many children whose parents 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; and (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."[317]

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.[318]

- 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.[319] 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 one-half 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%.[320]

- 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 three months ahead of children who remained in home based settings.[321]

The evidence of some general detriment to teens may be offset by some advantages both in terms of a working parent as a role model, enhanced self-sufficiency and pride, and the benefits that flow from higher family income. But the proponents of welfare reform tend to focus on the statistical diminution of welfare rolls and often anecdotal success stories of employment pulling parents and their families above the poverty line. And as noted above, the evidence supports some important benefits where child care is of high quality and income enhancement occurs. But what are the consequences where such child care is lacking—particularly where children are latchkeyed at home or left with relatives lacking parental skills or interest (see Chapter 6 for evidence and consequences).

Perhaps of greatest concern is the fate of those who leave welfare rolls without employment or higher income, but suffer the loss of basic safety net support. The more than 50% decline in California's TANF caseload is not properly cited to commend such reform where a large percentage of the children affected are living not at 90% or 80% of the poverty line, but below 75% of the line. The evidence is growing that a large number are so condemned. Child advocates argue that neither they nor latchkeyed children tend to draw media attention and seem to be absent from the public policy table. But the data infers that they exist in large numbers.

Two sub-populations are especially vulnerable to such severe poverty: infants and toddlers, and the children of immigrants. In July 2002, the Children's Sentinel Nutrition Assessment Program looking at the effects of sanctions concluded: "The results of this research indicate that some of the extensive changes implemented under welfare reform are associated with unforeseen and unintended health consequences for young children."[322] The Report cites nutritional concerns and Chapter 3 discusses the importance of early nutrition on the development of young brains. Assistance is particularly lacking for children from 2–5 years of age—too old for WIC assistance and too young for school lunch help or where malnutrition symptoms may be observed.

National studies of poverty levels among immigrants are of special importance to California—where almost one-half of them settle. First generation immigrants with two parents are four times more likely to be living in poverty than are later generation immigrants, and among one parent families, the poverty rate of first generation immigrant children is an alarming 53%. And ethnically, Hispanic immigrant population has the highest poverty rate—at 45% for the children of first generation arrivals, and 34% for those of later arrivals.[323] As the discussion of this immigrant population below indicates, many have left TANF rolls for their U.S. born (and hence citizen children) out of fear of immigration sanctions—not because of employment success. These children are not always considered in the evaluation of welfare reform impact.

One important source of data about welfare reform impact was provided in the summer of 2002 by the Economic Roundtable (a Public Policy Research Organization) surveying 8,536 impoverished parents in Los Angeles County from April 25, 2002 through May 15, 2002 at 124 different locations, and augmented the survey with 22 focus groups. Fifty percent of respondents were in CalWORKs, 8% were former CalWORKs participants, and 41% were non-recipients. Twenty-six percent of the CalWORKs recipients were employed at the time of the survey and 43% had worked during the prior year. The average duration of employment of those who had jobs was 30 weeks. The respondents overwhelmingly cited a decent paying job as their primary concern and aspiration. The six leading barriers they cite to self-sufficiency are: (1) lack of childcare (44%); (2) limited education (38%); (3) limited job experience (37%); (4) lack of housing (36%); (5) lack of transportation (35%); and (6) limited job skills (33%).[324] As discussed below, public investment in all six of these elements declined in 2002–03 and the current year, and are proposed for additional cuts in 2004–05.

10. 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."[325]

The benchmark family of a mother and two children currently receive $704 per month in maximum TANF support. A penalty imposed on the family (*e.g.*, the mother is not working at a qualifying job within a specified time period) would cut this sum to $568 and the Governor's proposed 25% reduction of this remaining "children's share" would lower the grant to $426 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.[326] 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 corrected. The impoverished single mothers and unemployed families of California were receiving over $1,000 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). Utility rates have increased more than 50%. Gasoline, often necessary for work access in California, has risen to above $2.25 a gallon in the state by May 2004. 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 Sixty Months

Under CalWORKs, counties are permitted to continue "child-only" assistance after the maximum sixty months of grants have been exhausted. This could provide at most about $514 per month for a family of three, substantially less than the median rent plus utilities of the state's urban counties. This level of support is less than one-half 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.[327] 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.[328]

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."[329]

Ironically, the largest charities capable of help derive most of their resources for that purpose from public funding.[330] 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.[331]

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.[332] 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."[333]

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."[334] 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.[335] That right cannot be terminated except through a finding of parental "unfitness" by clear and convincing evidence.[336] 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.'"[337]

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.[338] 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.[339]

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.[340] 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 now occurring in large numbers from the current year forward—particularly as the sixty-month mark is reached. How can counties assess the status of such a large number of children (200,000 to 350,000) 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.[341] The average monthly cost for TANF is $185 per child, while the average cost of a child in foster care is $1,762—with group home placements costing $3,000 to $4,000 per month.[342]

In practical terms, only 5.9% of TANF children are under one year of age,[343] and adoption is difficult for older children.[344] 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[345] (see discussion in Chapter 8).

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."[346] While current Republican Governor Schwarzenegger is too politically astute to make such callous statements about impoverished children, it is unclear whether his budget proposal may compel more serious consequences than did the response of the Wilson Administration to a similar budget shortfall in 1992. Indeed, while the Wilson Administration authorized additional collection of $4 billion in needed new revenues, the Schwarzenegger administration, facing a larger shortfall and the absence of surplus monies for CalWORKs protection, proposes affirmative reductions in TANF grants, and instead of adding to state revenues, reduces them by over $3 billion.

11. Immigrant Children: Changes and Status

a. The Economics of Immigration

A study of Mexican immigration involved 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.[347]

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.[348]

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."[349]

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.[350]

b. Passage and Reversal of Proposition 187

Proposition 187, enforcement of which was enjoined by a U.S. District Court,[351] 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 U.S. specifically to give birth where the child will obtain full citizenship rights, in order to allow the child (or children) to apply for TANF and benefitting the parents 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 some limited 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 U.S.[352] However, the data also discloses that many legal non-citizens able to claim benefits (immigrants) do not arrive and then seek public assistance for themselves or their children. In fact, a recent DSS TANF survey reveals that only 1.5% of legal noncitizens claiming benefits have been in the U.S. less than one year. Another 2.4% have been in the U.S. between one and two years, and 70.6% have been in residence more than six years or more.[353] If upheld, the educational ban would have expelled 355,000 students from school.[354]

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, Medi-Cal 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.[355]

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.[356] 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.[357] 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.[358] An estimated 500,000 of these children are themselves undocumented immigrants— in the U.S. unlawfully.[359]

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.[360] 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.[361]

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 were 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 U.S. 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? [362] Federal law and state practice have allowed benefits without jeopardy to other family members, but policies are in flux. First, the Congress has prohibited any state or local bar to agency reportage of possible undocumented immigrants to the INS.[363] 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.[364]

However, other pending federal rules may change this "don't ask, don't tell" policy.[365] 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.[366] 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."[367]

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.[368]

VI. PROPOSED 2004–05 BUDGET FOR CHILD POVERTY ACCOUNTS

A. 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.

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.

Table 2-M presents the proposed CalWORKs program expenditures numbers for 2004–05. 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 at just over \$2.7 billion per year (\$1 billion less than the 50/50 match historically made). Table 2-M below summarizes the Schwarzenegger 2004–05 budget proposal to spend the \$6.4 billion total.

Beyond cuts in county administration discussed in the "Problems" section below, the proposed 2004–05 budget promises substantial reductions in all three major aspects of safety net provision and employment assistance important to impoverished children: (1) benefit levels; (2) child care assistance; and (3) job training and qualification help.

1. 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 $2.7 billion as proposed for 2004–05, down from $3.25 billion in 2002–03. Table 2-P below 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.

Former Governor Davis proposed and the Legislature agreed to continue adjusting for inflation to hold impoverished children even in 2000–01 and 2001–02, but then declined to make an adjustment for 2002–03, effectuating a 3.7% real spending decline in maximum aid payments. In 2003–04, the administration promised two COLA adjustments, one for that year and one to make-up for the missed 2001–02 adjustment. Only one of these two occurred. However, the Legislature promised to make up for the missed year, and to include a COLA for 2004–05. These two COLA adjustments connected with the Vehicle License Fee (VLF) cuts. The state legislative intent in enacting the “offset” or over $2 billion in VLF reductions was to share with taxpayers some of extra revenues arising from the year 2000 capital gains and options state income tax collections increase (see discussion in Chapter 1). The legislative history of this over $2 billion in revenue reductions expresses the explicit connection that the reduction would not come before, or instead of, the much smaller cost of COLA adjustment for TANF recipients. *I.e.*, the Legislature reasoned that if California could afford to reduce the VLF from 1998 levels by over $2 billion, it could implicitly afford to hold the safety net for impoverished children at least level—with the cost of both COLA adjustments at under $200 million, or less than 10% of the VLF reductions.

	Proposed (in millions)
In DSS Budget	
Assistance Payments	$2,712
Employment Services	$1,033
Administration	$292
Child Care	$495
Juvenile Probation	$67
Tribal TANF	$43
Kin-GAP	$77
DSS Administration	$27
Total	**$4,746**
Other CalWORKs Expenditures:	
Statewide Automated Welfare System	$126
Child Welfare Services	$253
CWS Redesign Program Improvement Plan	$18
California Food Assistance Program	$4
State Supplementary Payment Program	$10
Foster Care	$56

CDE Child Care	$749
CCC Education Services	$20
DCSS Disregard Payments	$29
Department of Developmental Services	$48
County Expenditures	$148
Total	**$1,475**
CDE/DSS Child Care Holdback	$52
General TANF Reserve	$158
TOTAL CalWORKs Expenditures	**$6,431**

Source: *Governor's Budget Summary, 2004–05* at 124.

TABLE 2-M. CalWORKs Program: Proposed Expenditures, 2004–05

When Governor Schwarzenegger cut the VLF back to only 25% of its 1998 levels—effectuating a $3 billion cut—advocates for children and the impoverished noted that the 2004–05 COLA (as well as arguably the missed 2003–04 COLA) was protected and must be granted. Instead, the Governor's 2004–05 budget does not make up the missed year's COLA, does not make a COLA adjustment for 2004–05, and then imposes a 5% raw number reduction on top.

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 31.1% since 1989 to the current year and the 41 less urban counties have suffered an adjusted decline of 34.4% to the current year. The proposed budget will further reduce the grant payments by another 8%.

	1989-90	1991-92	1997-98	1998–99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (proposed)	% change, 89–03	% change, proposed
Max TANF Grant	$694	$663	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 $704 R-2 $671	R-1 $669 R-2 $637	R-1 1.4% R-2 –3.3%	R-1 –5.0% R-2 –5.1%
Adjusted Max TANF Grant	**$1,022**	**$885**	**R-1 $678 R-2 $646**	**R-1 $722 R-2 $687**	**R-1 $724 R-2 $690**	**R-1 $720 R-2 $685**	**R-1 $732 R-2 $697**	**R-1 $704 R-2 $671**	**R-1 $704 R-2 $671**	**R-1 $645 R-2 $614**	**R-1 –31.1% R-2 –34.4%**	**R-1 –8.5% R-2 –8.4%**

Sources: Governor's Budgets.
Adjusted to CNI (2003-04=1.00). Adjustments by Children's Advocacy Institute.

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

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

Figure 2-B depicts the adjusted trend in the maximum TANF monthly grant for a family of three from 1989–90 to 2003. 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 exceeded the poverty line during the 1970s and 1980s, and approximated the federal poverty line in 1989. It fell to 89% of the line in the early 1990s to 77% of the line during the Wilson Administration. The safety net percentage now projects to a record low 69%–71% of the federal poverty line for fiscal 2004–05.[369] It is from this historically low level that additional CalWORKs sanction" may be imposed on families. Hence, 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 61% of the poverty line, and to below 50% of the line for some families (*e.g.*, two parents with 1–2 children).

	1996-97	1997-98	1998–99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (projected)	% Change, 1996-2004
Family Groups/ All Other Families	1,856,276	1,641,191	1,417,635	1,329,063	1,247,204	1,155,995	1,086,188	1,001,732	928,089	– 50.0%
Unemployed Parent/ Two-Parent Families	613,016	509,129	435,997	294,210	251,160	222,286	192,427	174,111	156,065	– 74.5%
Total	2,469,292	2,150,320	1,853,632	1,623,273	1,498,364	1,378,281	1,278,615	1,175,843	1,084,154	– 56.1%

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

TABLE 2-O. Average Monthly Persons Served by CalWORKs

As discussed briefly above, 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 1997–00 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 seventh year of implementation and accounts for growth reduction from that source.

The economic upturn in the late 1990s created new employment and enhanced private income among many impoverished families. However, as discussed above, that additional work in lieu 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; and (3) lacking #2, the current scenario is likely to turn substantially against the interests of children as compared to their pre-welfare reform status. Between 30%–40% of parents off TANF are not 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. The Governor's important after-school initiative remains unimplemented and his refusal to countenance new revenues makes its meaningful implementation problematical into the foreseeable future.

Some economic downturn is inevitable, and TANF parents who are employed are disproportionately vulnerable to lay-offs given their lack of seniority. 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 of poverty and long-term TANF caseload. Child advocates argue that, rather than address directly and honestly the impact of self-centered reproductive decisions of adults, the state attempts to influence those decisions through work requirements enforced through safety net diminution for involved children.

	Budget Year								Estimated	Proposed	Percent Change	
	1989-90	1996-97	1997-98	1998–99	1999-00	2000-01	2001-02	2002–03	2003-04	2004-05	'89-'03	Proposed
General Fund	N/A	$2,399,082	$1,971,621	$1,948,670	$1,832,397	$1,524,565	$1,521,966	$1,610,058	$1,698,198	$1,525,251	NA	**–10.2%**
Federal Trust Fund	N/A	$2,481,552	$2,680,284	$1,371,632	$1,134,702	$1,503,930	$1,596,083	$1,380,042	$1,321,314	$1,186,749	NA	**–10.2%**
Reimbursements	N/A	$3	$24	$12	$25	$0	$0	$0	$0	$0	NA	**0.0%**
Total	$4,686,053	$4,880,637	$4,651,929	$3,320,314	$2,967,124	$3,028,495	$3,118,049	$2,990,100	$3,019,512	$2,712,000	**–35.6%**	**–10.2%**
Adjusted Total	**$9,818,172**	**$5,892,289**	**$5,263,962**	**$3,935,466**	**$3,538,049**	**$3,607,319**	**$3,535,378**	**$3,162,107**	**$3,019,512**	**$2,573,288**	**–69.2%**	**–14.8%**
Recipients/month	1,856,691	2,469,292	2,150,320	1,853,652	1,701,933	1,449,653	1,438,932	1,406,262	1,342,000	1,375,541	**–27.7%**	**–2.5%**
$/Mo/Recipient (Avg)	$210	$165	$180	$149	$145	$174	$183	$177	$188	$164	**–10.6%**	**–12.8%**
Adjusted $/Mo/Recip.	**$310**	**$202**	**$216**	**$176**	**$168**	**$194**	**$197**	**$184**	**$188**	**$158**	**–39.3%**	**–16.0%**
Number of children*	1,259,330	N/A	1,511,675	1,297,556	1,246,314	1,075,031	1,066,706	1,068,759	1,033,340	1,059,167	**–17.9%**	**2.5%**
Children as % of all recipients	67.8%	N/A	70.3%	70%	73%	74%	74.1%	76%	77.0%	77.0%	**13.5%**	**0.0%**

Dollar amounts are in $1,000s except per capita or as noted. Sources: Governor's Budgets. Adjusted to 0-19 poverty and CNI (2003–04=1.00) (per capita benefits adjusted only to CNI (2003–04=1.00). Adjustments by Children's Advocacy Institute. *Estimates of the Children's Advocacy Institute

TABLE 2-P. CalWORKs Assistance Payments

Table 2-P presents the raw and adjusted numbers relevant to assistance payments. The 2004–05 budget projects a $300 million reduction and 32,000 more recipients. However, anticipated recipients are projected to decrease in the traditional single parent (TANF-FG) and two parent unemployed (TANF-U) categories by 90,000—an unlikely scenario. More important, the budget numbers assume such a reduction while not accounting for the projected 62,600 increase in the "child only" ("safety net") category—most representing children of adults suffering sanctions or sixty-month lifetime cut-off. The "average monthly number" in this category was 17,475 in 2002–03, increasing to 78,096 in the current year, and projected to reach 130,593 in 2004–05—implying close to 200,000 in this category by the end of the fiscal year.[370] In fact, these cut-off parents remain in need of help to support their children. The administration's analysis is that once assistance is stopped and such persons are no longer on the welfare rolls, they are no longer of public concern. They are not counted as part of legitimate demand for employment assistance or child care so they may obtain jobs. The focus of CalWORKs is not children or poverty, but TANF rolls. Child advocates contend that it is irrational to count hundreds of thousands of parents not in prospect of cut-offs as fully eligible for assistance while effectively abandoning children in homes now at what are often extreme poverty levels. From the perspective of involved children, the caseload is properly measured by counting those receiving TANF funds, and those who do not receive such funds but who live below the poverty line with parents who want to and are able to work.

The former Davis Administration projected the excision of 116,000 parents from the rolls as they reach the sixty-month cut-off, to be added to the 58,980 Welfare to Work parents suffering sanction as of June 2002. The reductions reflected in Table 2-P substantially derive from the reduction of benefits to all recipients in amount, and the further "sanction" removal of parents ("parental share") from the families of 200,000 to 350,000 children including those cut-off in the past and current fiscal years. Child advocates argue that pointing to such diminution as "success" is inconsistent with the stated intent of welfare reform advocates to move children out of poverty through parental employment.

2. CalWORKs Welfare-to-Work Services

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."[371] As discussed above, the surplus and federal incentive monies have essentially been expropriated for general fund reduction in order to preserve tax reductions.

After the 2000–01 fiscal year, the "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 remain under this system, but starting in 2001–02 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" includes the non-assistance payment entries under Direct CalWORKs expenditures of Table 2-M.

The January Budget proposal for 2003–04 of former Governor Davis included $8.2 billion of "realignment"—similar in concept to the realignment arranged by Governor Wilson in 1991 when the state faced its last major budget deficit crisis. The Davis proposal would have expanded the mental health and other accounts realigned to counties to the brunt of social services, including alcohol and drug programs, child care, child welfare (child abuse protection and foster care) and CalWORKs. The former Governor withdrew the proposal in his 2003 May Revise, but such realignment remains a tempting tactic for Sacramento; substantial reductions are delegated to the local level where the consequences are more directly felt but whose officials have little discretion but to choose between competing accounts for reduction. The state-level officials with substantial revenue raising powers are removed from direct accountability for the results of tax cut decisions on child-related investment. The former Governor's final 2003–04 budget proposal involved requiring counties to pick-up substantial CalWORKs costs and assigning them additional funds from a new personal income tax bracket and higher tobacco taxes. However, those changes were not enacted into the current budget. Similar measures are being floated in the consideration of the 2004–05 budget.

The Schwarzenegger 2004–05 budget, as revised in May, does defer additional burdens to counties, with substantially less resources and required reductions across a range of services. As discussed in Chapter 1, these reductions tend not to focus on law enforcement or fire protection—or other areas where service providers are well organized. They disproportionately hit child-related accounts, particularly in the social services area.

The proposed 2004–05 budget provides no new revenues except for substantially enhanced fees—primarily for youth (tuition and fee hikes) and child care and foster care licensees. No significant aspect of the CalWORKs account enjoys an increase, some are held even and several others carry small increases where entirely caseload driven. But most accounts involving discretion are scheduled for substantial reductions. The decreases include the grant level cuts discussed above, with reductions of $178 million from the 5% grant cut, and $98.5 million from the refusal to increase for the cost of living in July, as the state had promised impoverished families in 2003. It includes $23 million in savings from the cut-down of families reaching the sixty-month maximum during 2004–05. And it includes $26 million less from the imposition of the additional 25% penalty coming from the child's share of TANF for sanctions. This $49 million will be taken from children already 30% below the federal poverty line, and will move most of them to the extreme poverty status of one-half of the poverty line. Other significant changes are also all reductions, including:

- CalWORKs monies going to juvenile probation services is cut $134 million (from $201 million to $67 million). Although prior *California Children's Budgets* have been critical of the diversion of CalWORKs monies for probation functions, the cut-off of these funds is not backfilled and must be absorbed by counties not in a position to do so. During May 2004, county officials from throughout California testified before legislative committees that such a draconian cut will mean the substantial collapse of probation monitoring of juvenile offenders, with some immediate public safety consequences, and momentous long-term costs.

- A reduction of $42 million in Stage 1 child care costs, based on "reforms" discussed in Chapter 6, most of which involve cutting compensation for child care providers—persons supervising young children for much of the day and already one of the lowest paid sectors of the economy.

- A reduction of $109 million in Stage 1 child care "caseload." This is joined by a cut of $110 million in EDD job funding (from $155 million to $45 million). Although a part of this reduction may be backfilled from elsewhere, at least $25 million represents lost available resources. Child advocates argue that Stage 1 child care caseload and EDD cannot be so reduced while the number of TANF applicants is leveling. Advocates for the poor contend that such retraction is inconsistent with the coextensive additional sanctions penalty being proposed on those who fail to find employment or otherwise do not comply with CalWORKs.

- Stage 2 child care declines from $612 million to $530 million. This reduction impacts those CalWORKs parents who have fulfilled requirements, obtained training, and secured employment.
- County administration is reduced from $612 million to $530 million. This reduction occurs with co-extensive radical reductions throughout county government (see Chapter 1). Local officials protest that its imposition has harsh consequences given the $350 million "loan" to the state's general fund applicable for 2004–05 and 2005–06, as well as other loss of local revenues. The result of these reductions is already being felt in lay-offs and caseload increases throughout the state. One result will be substantial delays for safety net qualification.

- The proposed budget also includes one of the "accounting tricks" used to defer obligations in the previous and current budgets. Notwithstanding the floating of up to $15 billion in bond indebtedness, the budget will also engage in "prospective budgeting" to save $12 million, and consists of paying bills due in June during July to shove them into the next fiscal year.

3. Proposed 2004–05 Child Care Element

Child care was reorganized under CalWORKs. Historically, a large number of separate programs were directed at the AFDC (now 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" 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 and Stage 3 for those needing child care to avoid falling back onto welfare (partial subsidies for the working poor). Stages 2 and 3 are now funded through allocation to the California Department of Education (CDE). 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 11–12 to the extent funds are available.

Former Governor Davis, as with Governor Schwarzenegger, proposed ending or limiting Stage 3 child care. The rationale is as follows: Why should the working poor who have never sought TANF assistance be denied help as opposed to persons who were receiving TANF two years ago and now achieve the same income level? Why should a parent who did not accept TANF assistance and is working at the same income as a parent who received TANF assistance be less eligible for child care subsidy? The issue is complex because many of those who took TANF grants did so because of the unavailability of relatives or other support to allow them to work without child care help. The withdrawal of that help for a population with a concentrated and demonstrated need for it as a condition precedent to work is defensible. Every parent denied such help and forced out of employment as a result requires more TANF coverage until the sixty-month mark. And such surrender of employment or sixty-month reach exacerbates child poverty.

Table 2-S covering the state CalWORKs “maintenance of effort” spending for 2004–05 seems to indicate a $335 million increase for child care by counting more Department of Education child care funds under the CalWORKs account. It is does not represent a net increase in spending. In fact, adjusted spending is reduced. Governor Schwarzenegger’s proposal contained in the May Revise would provide that (a) parents who begin to receive earned income (eligible for Stage 2 or Stage 3) may put their names on waiting lists for assistance along with the working poor for receipt of “general child care” assistance; (b) those in Stage 1 and 2 as of June 30, 2004 will have one year of assured care in Stage 3; (c) new entrants to CalWORKs no longer receiving TANF cash assistance after June 30, 2004 will be assured two years of assistance in Stage 3.

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.[372] The Assembly Budget Committee confirms this estimate in commenting on the current year budget, stating that “the (former) Governor’s budget proposes total expenditures of $1.2 billion, for child care services for 274,500 children in the CalWORKs program.”[373] 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 2004–05 budget proposal represents no substantial new funding for non TANF working poor who need child care to retain employment. The cost at the forty-hour per week minimum in the Bush Administration’s 2003 PRA reauthorization proposal would exacerbate the shortfall.

To proposed 2004–05 budget shifts $249 million from Stage 3 to the general child care alternative payment program. Translated, these changes mean that the “adequate child care” assured in federal law for TANF recipients will last no more than two years post-employment. After that, child care help will depend upon budgeted amounts, income level, and waiting list status. Currently, waiting lists are long, only a small percentage of the working poor theoretically qualified for Alternative Payment assistance receive it, and the 2004–05 budget decreases rather than increases this spending (see discussion of spending levels and cuts in compensation for child care services in Chapter 6). Wages do not increase sufficiently to pay for child care after two years of employment.

The Schwarzenegger 2004–05 budget maintains after-school care and preschool monies for 4-year-olds. But it does not increase with population or inflation gain the large CalWORKs and general Alternative Payment programs—the latter of particular importance given the Governor’s philosophical reliance on its resources to allow TANF parents (and other low income working parents) to remain employed and to protect children from latchkey abandonment. California currently has one of the highest percentage of such latchkey children (see discussion in Chapter 6, which outlines the adjusted trend for general CDE child care from $2.898 billion in 2001–02 to the 2004–05 proposed level of $2.733 billion). Importantly, the demand for this assistance runs substantially ahead of such general population adjusters. For they include not only the underlying working poor, but the new entrants to the workplace proudly announced by welfare reform supporters. As noted above, a disturbing proportion of those leaving rolls are not obtaining employment, but over 250,000 parents have obtained such employment, covering 500,000 children. That addition to subsidized child care demand is significant and is not reflected in the essentially level raw number child care investment of the state over the last four years and as proposed.

4. Training and Employment Spending

(a) 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, which requires states 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 was 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.[374]

About two-thirds of the GAIN account was 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.

(b) 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 EDD.

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 account reached an adjusted $380 million during the initial stages of the 1996 PRA implementation and have fallen substantially, to $217 billion in 2000–01, a low of $184 million last year, $215 million currently, and $201 million as proposed for 2004–05.

	Budget Year									Projected	Percent Change	
	1994-95	1996-97	1997-98	1998–99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	'94-'03	Proposed
General Fund	$3,462	$2,555	$2,555	$2,533	$3,281	$8,020	$9,461	$0	$0	$0	– 100.0%	0.0%
Employment Training Fund	$2,601	$2,978	$2,580	$2,614	$3,029	$3,036	$3,317	$3,259	$0	$0	– 100.0%	0.0%
EDD Contingent Fund	$18,433	$20,333	$20,332	$21,315	$22,817	$24,653	$23,740	$0	$0	$16,100	–100.0%	0.0%
Unemployment Fund	$0	$0	$0	$0	$0	$0	$5,700	$27,814	$33,725	$0	na	–100.0%
Reimbursements	$9,554	$13,883	$14,968	$14,779	$17,940	$24,114	$15,738	$12,636	$14,857	$14,931	55.5%	0.5%
Federal	$151,659	$130,605	$134,026	$146,658	$155,997	$134,532	$128,331	$134,404	$166,915	$176,950	10.1%	6.0%
Total	$185,709	$170,354	$174,461	$187,899	$203,064	$194,355	$186,287	$178,113	$215,497	$207,981	16.0%	–3.5%

Adjusted Total	$212,978	$187,616	$181,744	$204,964	$224,765	$217,847	$202,285	$184,473	$215,497	$201,215	1.2%	–6.6%

Dollar amounts are in $1,000s. Source: Governor's Budgets.
Adjusted to 0–19 poverty and deflator (2003–04=1.00). Adjustments by Children's Advocacy Institute.

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

Most studies indicate the importance of this education/training and related investment, and the current inadequate level of that spending. The population adjuster used for Table 2-Q is overall child poverty, while TANF caseloads have declined. Hence, because TANF caseload has fallen more than 50% from 1996, spending per TANF enrollee may be fairly constant where adjusting for just inflation. However, several factors suggest that spending per TANF enrollee needs to increase, not remain constant, as follows: (a) the TANF population as winnowed includes parents needing a larger training/job help per capita investment; (b) a large percentage of those no longer on the rolls are in fact not employed and their children now face incomes unprotected by TANF assistance; and (c) an increasing number of persons not on TANF rolls represent parents suffering sanctions or who have reached their lifetime sixty-month limit. The last two groups are arguably more in need of EDD assistance than are those remaining on TANF rolls—whose children receive more substantial safety net protection. Given the overall maintenance of child poverty levels, with numbers of children relatively undiminished, a decrease of almost 50% in overall parent employment assistance, adjusted for overall child population, suggest an overall disinvestment policy, however gradually implemented. The Governor's budget extends the general abandonment of efforts to focus resources on the TANF population still at risk, and does not assist or "count" those vulnerable to re-entry.

The historical spending levels support the finding 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."

(c) The 1998 Federal Workforce Investment Act[375]

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.

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Consolidated Work Program Fund	$517,554	$802,726	$636,220	$528,740	$473,035	$448,655

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. Former Governor Davis 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 sequentially reduced in raw numbers to $473 million in the current year and to $449 million as proposed.

(d) Employment Development Funding Changes 2002–04

	1996-97	1997-98	1998–99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Social Services									
Cal-WORKs	$1,595,600	$2,320,773	$2,338,169	$2,383,209	$2,063,270	$2,179,448	$2,258,501	$2,191,426	$1,849,330
Child Welfare Services-Basic Costs TANF	1,547	2,611	4,159	1,582	–	–	–	–	–
Child Welfare Services-Emergency Assist.	36,554	176,127	141,845	48,567	–	–	–	–	–
Teen Pregnancy Disincentive	–	521	4,035	511	494	–	–	–	–
$50 State Disregard Payment to Families	23,873	37,944	34,072	30,642	–	–	–	–	–
California Food Assistance Program	–	42,038	48,450	47,024	48,417	51,732	39,656	7,227	3,874
Juvenile Crime Prevention	2,208	5,296	4,729	1,281	–	–	–	–	–
Emergency Assistance-Foster Care Welfare	10,762	35,133	45,788	12,423	–	–	–	–	–
Kinship Guardianship Assistance Program	8,007	–	–	1,141	–	–	–	–	–
State Operations	–	1,004	–	–	3,033	3,350	3,589	2,766	2,766
Automation Projects	–	–	–	2,742	2,363	–	–	3,515	3,536
Minor Parent Services and Investigations	–	–	–	–	–	368	449	3,548	3,548
State Supplementary Program	–	–	–	–	–	–	3,751	10,575	10,130
Subtotal	**$1,678,551**	**$2,621,447**	**$2,621,247**	**$2,529,122**	**$2,117,577**	**$2,234,898**	**2,305,855**	**$2,219,057**	**$1,873,184**
Education									
Adult Education for CalWORKs Eligibles	–	–	7,204	14,084	14,464	15,591	–	–	–
Education Services for TANF Recipients	–	40	7,035	5,115	9,770	10,550	–	–	–
Child Care	54,219	146,396	175,778	278,264	316,636	337,884	326,862	397,145	731,216
Subtotal	**$54,219**	**$146,436**	**$190,017**	**$297,463**	**$342,870**	**$364,025**	**$326,862**	**$397,145**	**$731,216**
Community Colleges									
Expansion of Services	–	21,000	84,400	62,502	60,533	60,533	35,000	34,580	34,580
Services for TANF Recipients	–	8171	6,200	8,458	8,211	8,210	–	–	–
Subtotal	–	**$29,171**	**$90,600**	**$70,960**	**$68,744**	**$68,743**	**$35,000**	**$34,580**	**$34,580**
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	4,424	355	155	45
Subtotal	–	**$9,208**	**$2,750**	**$5,342**	**$9,218**	**$8,048**	$355	**$155**	**$45**
Health Services									
Community Challenge Grant Program	–	–	770	–	–	–	–	–	–
Teenage Pregnancy Prevention Program	–	–	453	643	543	402	277	0	0
Subtotal	–	–	**$1,223**	**$643**	**$543**	**$402**	**$277**	**$0**	**$0**
Child Support Services									
$50 State Disregard Payment to Families	–	–	–	–	**$28,392**	**$27,535**	**$28,527**	**$28,456**	**$28,526**
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**	**$2,703,651**	**$2,696,876**	**$2,679,393**	**$2,667,551**
Maintenance of Effort Requirement	**$1,732,770**	**$2,907,791**	**$2,905,837**	**$2,906,030**	**$2,567,344**	**$2,885,314**	**$2,696,876**	**$2,679,393**	**$2,667,551**

Dollars are in $1,000s.

TABLE 2-S. State Maintenance of Effort

One damaging recent cut relevant to employment investment was the $24 million reduction to California Community Colleges for job placement services and education/training of CalWORKs parents in 2002–03 (see Table 2-S). This account is important for meaningful job training leading to employment capable of pulling children above the poverty line. The former Governor's January 2002–03 budget claimed that "these services can be provided in direct contracts between the CCC and counties."[376] The reduction was substantial and was retained in the current budget and as proposed. Substitute funding is problematical. As noted above, counties spend only 14% of their direct grants on all job placement, training, and public employment combined, and have had their surviving $600 million in incentive payment surplus reduced to $430.8 million in 2002–03, and all of it diverted in 2003–04. Given benefits and child care for over 200,000 TANF parents necessary to meet federal work participation requirements under the Bush Administration's planned 2003 PRA Reauthorization, as well as a possible economic downturn and the cuts in county administration, counties are unable to replace this cut.

Another major reduction implemented in 2002–03 was a $36 million amount from adult CalWORKs training for employment through the Regional Occupational Collaborative Program (involving coordination with employers). As Table 2-S indicates, additional reductions in Employment Development have been relegated to block grant coverage by counties under increasing financial pressure. The actual reductions include the $25 million in EDD funding cuts noted above, as well as the local block grant diversion that may be anticipated from local financial pressures and local assistance cuts.

B. CalWORKs Funding: Seven 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."[377] It is unclear how liberally the Davis administration will allow movement of funds by counties outside the block grant account purposes, or the extent to which such funding discretion excuses state law minimums or mandates.

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: lifting 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.

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 Child Care

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.

On April 13, 2003, CDE announced a categorical freeze on any new Stage 2 child care services to any additional CalWORKs participant or applicant. Reflecting an immediate financial shortfall, CDE issued formal notice that all CalWORKs contractors were to immediately cease enrollment of new families for Stage 2 child care because the "funds appropriated for Stage 2 are insufficient."[378] Two aspects to the announcement underline the alarm. First, this freeze is not to the more discretionary Stage 3 discussed above, but to the earlier stage allowing the parent to obtain the training necessary for employment. Second, this cut-off was implemented before the 20% child care cuts in 2003–04 (see Chapter 6). The current policy is to give a temporary reprieve for CalWORKs parents, as described above—but to essentially throw them into the general category of working poor alternative payment applicants after one year in Stage 3 (post employment). Spending for this category is increased only to the extent current Stage 2 or 3 recipients are moved over into the Alternative Payment program, bringing their current funding with them. But will the underlying total be increased in 2005–06 to reflect this added base of need? Or will it slide back to the same level it has remained since 2000–01? Even if it does carry over to the AP account, will that account be increased sufficiently to help more than 20% of the eligible working poor currently served?

It is uncertain what will happen to the vast majority of CalWORKs parents at the one- or two-year mark of employment where they make just above the poverty line and do not qualify for medical care for themselves, nor for the Earned Income Tax Credit, but have the following common dilemma: too much income to be moved up the long waiting list for Alternative Payment help, but after payroll deductions not enough income to pay for child care. Such circumstances would force the increasingly common Hobson's choice: (a) work and latchkey young children home alone, or (b) quit work to care for them. The former is dangerous for involved children; the latter occurs in the context of a sixty-month lifetime limit of total safety net help at 70% of the poverty line. Reductions at that point preclude both rent payment and adequate nutrition for involved children. Advocates contend that relegating former TANF parents to Alternative Payment coverage within one or two years of initial employment condemns most to welfare re-entry or their children to dangerous latchkey status. Such a relegation of all the working poor into one account sounds an equitable note, but only if the coverage line extends high enough along family income to allow working families net income above the poverty line. That means an alternative payment sliding scale would have to provide substantially more funds than is anticipated for 2005–06.

As discussed above, the federal PRA requires all recipients required to work to receive "adequate child care" so they can train and accept employment. *Query*, can the state lawfully count as expired months against the lifetime sixty-month limit the time period where a parent is denied that required child care to participate in the Welfare to Work program? To date, California has not provided for any clear credit or exemption based on its own violation of federally required assistance.

3. Inadequate Funding for Job Training or Public Employment

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? [379]

As discussed above, current data indicates that 200,000 to 300,000 parents would require either child care or additional child care to meet the forty-hour week/70% work participation requirement by 2007, most of them by 2005. As the law reads, they must be offered public or public service employment. The provision of that employment, in addition to the child care required, would consume more than double the grant assigned to the counties in current 2003–04.

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.

CalWORKs funding for job training is reduced under the 2004–05 budget, largely under the false assumption that TANF caseloads are "declining." As argued above, those now suffering cut-downs in safety net protection through "removal" from TANF rolls are hardly dismissed as removed from job assistance demand. Involved children need employment help for this population in extremis, for the alternative for them is not sustenance at 70% of the poverty line, but 40%–50% of the line.

4. Personnel Cuts at State and County Levels

The overall budget crisis has elicited a state "hiring freeze" policy to cut immediate expenses. Once such a freeze is applied, those state employees who retire or leave for other employment or pass away are not replaced. The state has a vacancy rate of 10% to 12% of its positions at any point in time.[380] The state has retained an effective freeze on most hiring for almost two years—excepting primarily law enforcement. Further, under civil service rules any position vacant for more than six months is terminated. This method of budget cutting results in personnel reductions based on the happenstance of death and departure—unrelated to citizen need for the services offered. Of the eight major budget areas (general government, legislative/executive/judicial, state and consumer services, resources, corrections, business/ transportation/housing, education, and health and human services) the last two embody most direct state investment in children. Statewide in all areas, the freeze accomplished the elimination of 6,000 positions by November 2002. The Heath and Human Services has suffered the most state-level losses—losing 1,200 positions by November 2002, including state DSS and DHS positions. That number has grown substantially over the last 18 months.

In 1978–79, the number of state employees per 1,000 population was 9.9, one of the lowest rates in the nation. It reached 9.3 in 2000–01, was reduced to 9.1 in 2002–03, to 8.9 in 2003–04 and is proposed at 8.7 for 2004–05, among the lowest such ratios in the nation.[381]

More significant than the relatively visible cuts to state staff is the reduction of county staff who interact directly with impoverished children and their carekeepers. County administrative positions have been frozen since fiscal 2001–02. Since June 2001, total cuts to county administered health and human services amount to $1.2 billion ($716 million lower general fund, $500 million in lost federal matches)—before the reductions imposed in 2003–04[382] and the even larger cuts proposed for 2004–05. CalWORKs' "county administration" was cut $50 million for 2002–03, and folded into the overall cut in CalWORKs block grants to the counties for employment services and Stage one child care. Most of the $1.2 billion reduction since 2001, cited by the California Association of (county) Welfare Directors who administer CalWORKs, represents the denial of "Cost of Doing Business" increases normally granted to counties. These allowances to locals carrying out state mandates reflect subsequently negotiated pay and other elements of inflation. The most substantial such cuts have occurred in CalWORKs program administration, at $297 million (see discussion below of substantial parallel cuts in Medi-Cal and child welfare administration in Chapters 4 and 8, respectively). Such failures to adjust for required pay increases necessarily produce reductions in county staffing. Such a reduction translates to about 720 fewer positions at the local level.[383] It appears that 2004–05 shortfalls, including the $350 million "loan" from counties to the state for the proposed and following fiscal years, will add to that total.

Advocates for the poor and county administrators contend 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, Medi-Cal, 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. Ironically, the budget proposal cynically couples that administration reduction with new paperwork and security requirements from recipients they are expected to review—leading to practical barriers to safety net coverage for legally eligible children.

5. Safety Net Retraction: Lower Benefit Levels and Sanction Reductions

The direct impact of CalWORKs-related 2003–04 budget changes on children fall into three categories: (1) cuts to county infrastructure exacerbated by realignment where future revenues fall (as may be anticipated with the tobacco excise tax source); (2) further reduction in safety net amounts—with maximum TANF payment plus the average Food Stamp allocation will now reach only 67% to 69% of the poverty line; and (3) substantial increases in children subject to sanction, from the 120,000 whose families are sanctioned as of June 2002, to 260,000 to 360,000 by 2004–05 as their parents hit the sixty-month lifetime cut-off. This population will be cut to below 61% of the poverty line, many to below 50% of the line.

6. Children Removed from the Safety Net Without Parental Employment

Apart from reductions to those remaining on TANF rolls is the plight of the many who have left TANF. The budget does not deal with this group, nor is the state studying the fate of involved children. California does cover some immigrant children from state-only funds. And does maintain child-only reduced TANF support whereas some states entirely cut-off families at the sixty-month mark or where sanctioned. But a large proportion of those leaving TANF are not doing so for employment, or for employment at levels above the poverty line. As discussed above, California's demographics places two groups of children at special risk: children of immigrants and children under the age of five uncovered by nutrition programs.

7. Federal PRA Reauthorization: Punishing the Poor

The Congress is scheduled to reconsider and reauthorize the PRA during 2004, having failed to implement proposed changes in 2003. The measures as advanced promise serious adverse consequences for impoverished children nationally, and for California children in particular. The elements now predicted for enactment include:

- Permission to 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 $4,140. 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.

- As discussed above, both Republican and Democratic proposals require parents to work more hours. The Bush Administration version would require all parents of children over the age of one to work forty hours per week. Rather than affording partial credit for the many parents able to find part-time work of 20–35 hours per week, such persons would not meet 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 sixty-month lifetime maximum for such parents.

- Under the Republican proposal, parents would not be able to engage in full-time or half-time work training programs, even if needed to obtain employment; at least 24 of the 40 hours required must be compensable employment. The measure denies state flexibility to allow job training or occupational enhancement to extend beyond its 16-hour limit.

- The current Administration proposal would require states to show that 70% of families receiving TANF have one parent working full-time. And related to that requirement is a critical redefinition of how the "work participation" state percentage is calculated—eliminating the current allowance of credit for prior caseload reduction from 1996. Instead, it would be based on a rolling average of the prior three years of TANF caseload. Hence, as discussed above ("federal work participation"), the state would lose credit for much of the 40% in caseload decline since 1996. Currently, it can meet the 50% overall participation requirement with the participation of 10% of its caseload—a level it meets. If welfare rolls continue to flatten—as appears likely—the increase to 70% combined with the definition change in 2004 would mean that about 30% of recipients would have to be participating by 2004, and 60% by 2005. All past credit would be exhausted by 2007 and the state would have to more than double the current rate—an unlikely achievement without prohibitively expensive public employment and child care, as discussed above.

Proposals also 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. The detailed requirements to be applied to the states does not seem consistent with the respect for states' rights and deference to state discretion ethic propounded in other contexts. 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 budget item 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.[384]

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.[385] State and local experiments may develop incentives, consciousness, media promotion, education, and cultural examination; 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.

In California, SB 1479 (Morrow) passed the Legislature in 2002 and would have allowed counties to offer a $6 discount on the public marriage license fee where a couple has completed (at their own expense) a premarital preparation course within the prior year. The Governor vetoed the measure on the stated grounds that an evaluative report from DHS was insufficiently specific, and the possible budgetary cost of $1.4 million if all counties participated.[386] Although the incentive in the measure was largely symbolic, many child advocates supported its intent as a first step toward elevating marriage as a serious relationship, and have argued the merits of a much more extensive system of preparation and family planning (as reflected in the Family Pact public interest advertising appearing in recent years).

The data in the condition indicator discussion above indicate the significance of reproductive decisions, including marriage and intending a child, that correlate profoundly with child poverty, neglect, *et al.* Child advocates increasingly argue that the politically correct dismissal of reproductive responsibility as violative of adult prerogative is preferably addressed directly, rather than through the unspoken disincentive of child safety net withdrawal *post hoc*. Criticism of such marriage incentive measures as inherently ineffective or an inappropriate role for the state has parallels to the "you can't legislate feelings or morality" interposed by the opponents of civil rights legislation throughout the 1950s and 60s. The state educates, informs, provides incentives and disincentives across a host of behaviors—many of them involving personal feelings and decisions (ranging from obsessive behavior by boy friends to an employer insulting a person based on his sexual preference). Child advocates contend that the balance to be struck includes the importance of the acts addressed, the degree of intrusion and coercion of the public measure proffered, and its likely efficacy. These proposals have encountered a measure of reflexive and categorical opposition, while both data and research support its relevance to child welfare and commend its exploration and attempt,[387]as the proposals below include.

C. 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. Seven years ago (1996–97), state costs to collect for non-AFDC parents exceeded spending on collection for AFDC cost recoupment for the first time.[388]

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 had "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 in the beginning of this Chapter, the projected number of $2.34 billion collected from absent parents amounts to about $48 per child per month. Of this sum, families receive about $34 per child per month (including all state distributed collections, plus income disregard sums, plus estimated collection assistance from other states).[389] The strong collections increases from 1996–97 to 2000–01 have now leveled, and have proceeded from 2000–01 at barely above inflation and population gain—or are essentially static as so adjusted—with only marginal increases compared to the 1980s and 1990s. Rather than this leveling, substantial increases were anticipated from the legislative addition of important collection authority and the new statewide department. That has not happened. Further, as noted above, the transfer of authority from local district attorneys sacrifices their relative insulation from tax cut protection evident in Sacramento. It is relatively easy for the Governor and Legislature to accomplish short-term reductions by ordering a state department (headed by a director serving at the pleasure of the Governor) to do so. No powerful interest exists to contest such cuts.

	Budget Year										Percent Change	
	1989-90	1995-96	1996-97	1997-98	1998–99	1999-00	2000-01	2001-02	2002-03	2003-04*	'89-'02	Proposed
General Fund	$20,631	$40,410	$47,910	$92,958	$88,171	$109,128	$182,574	$238,699	$244,824	na	1086.7%	na
Fed. Trust Fund	$33,508	$31,692	$38,777	$43,553	$45,318	$45,629	$63,272	$54,423	$48,095	na	43.5%	na
Federal Share	61.9%	44.0%	44.7%	31.9%	33.9%	29.5%	25.7%	18.6%	16.4%	Na	–70.0%	na
Reimbursements	–	–	–	$127	$0	$0	$0	$0	$0	na	na	na
Total	$54,139	$72,102	$86,687	$136,638	$133,489	$154,757	$245,846	$293,122	$292,919	na	441.0%	na
Adjusted Total	**$90,945**	**$89,194**	**$103,200**	**$158,953**	**$150,970**	**$169,470**	**$260,131**	**$301,387**	**$292,919**	**na**	**231.4%**	**na**
Total Collections	$518,078	$1,089,489	$1,146,088	$1,353,966	$1,466,982	$1,670,422	$2,021,556	$2,124,224	$2,250,544	$2,336,165	334.4%	3.8%

Dollar amounts are in $1,000s. Sources: Governor's Budgets.
Adjusted to age 0–19 population and deflator (2002–03=1.00). Adjustments by Children's Advocacy Institute.
* Effective 2003–04, child support incentives are reflected in Child Support Administration (see Table 2-V).

TABLE 2-T. Child Support Incentives and Collections

Child support may become more significant for families as TANF grants decline in value and as large numbers of families with children suffer sanctions, as discussed above. Although sums collected in relation to obligation and need are disappointing, the collection trend is up over the past ten years. The $34 per month per child figure was $17 per month per child eight years ago.[390] The state has moved up nationally in collection performance, now ranking near the middle among the 50 states. However, the increase has been from such a low base that it amounts to another $17 per month per child—hardly enough to ameliorate overall child poverty. And collection is leveling at relatively trivial contribution from absent parents for the upbringing of 4 million children (about 30% of the state's total and corresponding to the continuing high unwed birth rate). A disproportionate number of these children live below the poverty line, as discussed at the beginning of this Chapter.

Child support budget accounts include 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). Child support collection is profitable for the state and local jurisdictions. About 35% of collections go to welfare recompense—half to local and state jurisdictions; another 7% go outside the state. The remaining 58% goes to children owed support— most of them below or near the poverty line. This sum received by families itself helps state budgets because some children receive more than the average amount and are pulled above the poverty line, or their custodial parent is able to afford child care and hence secure work.

Adding to the collections going directly to state and local agency pockets are "incentive payments" from the federal government and included in Table 2-T. These payments are intended to encourage collection, which have increased substantially.[391] 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 was phased in from 1999 to 2002–03. California moved to a somewhat similar incentive system in its allocation of incentive payments to counties, effective in 1999 (see discussion below). For current 2003–04, the incentive payments listed in Table 2-T have been folded into the expenditures of Table 2-V discussed below.

It is clearly penny and pound wise for the state to invest heavily in child support collection, not only for its assistance to involved children, but because it returns more than $3 in state/local revenue for every general fund dollar invested.

1. 1996 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 two successors 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.

2. Important California Changes to Child Support Collection, 1997–03

The most important recent additions to the arsenal of child support collectors include 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"[392];
- 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).[393]
- 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 sixty days to the Franchise Tax Board for their attention, see discussion below.
- Two court decisions in 2000 strengthened enforcement substantially: *Monterey County v.*

Banuelos allows prosecutors to obtain a "go to work" order under penalty of contempt to require employment to pay off outstanding support debts, and *Santa Cruz County v. Cervantes* holds that child support arrears cannot 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.[394] Improvement has continued to 2004. 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, was then made available to almost all counties, and is now applied statewide. 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.

The major legislative initiative in 2002 was AB 2240 (Wright), a measure designed to address the uncommon but serious problem of an erroneous assessment of child support from a non-biological father. The worst case scenario is an innocent male identified by error or malevolence by a female, who does not know of the child or never seeks paternal status. He is served by mail—perhaps not actually receiving service of process to establish paternity or a court order—and then is hit without warning or easy remedy with a large child support arrearage. Where unable to afford legal counsel, such errors can work great injustices, particularly given all of the additional collection remedies listed above (including professional and other license non-renewal). However, the measure as originally drafted would define child support obligation purely in biological terms. The law has a status called "presumptive fatherhood" applicable to children conceived while a man is married to the mother or where a man in fact holds himself out as the father and functions as such. Under these circumstances, the child often relies on the father. Moreover, where such a father seeks to claim paternal rights—he is awarded that status. AB 2240 as drafted would have used the bright-line simplistic test of biology—and then only in the direction to allow avoidance of obligation. Hence, in the counter-scenario cited by the bill's opponents, a father holds himself out and functions as a father for five or ten years; he knows he is not the biological father but relied upon his presumptive status to claim his children on his income taxes and to otherwise avail himself of paternal benefits. Then after a bitter divorce, he walks out and seeks to use the lack of biology to avoid support obligations for a child who may now be without other support.

Even more important, the bill requires personal service for paternity actions and disallow categorically service by mail—the normal method. Such a change would undermine collection given the cost and ease of avoiding personal service by those evading responsibility. And mothers must fill out an intrusive "paternity questionnaire" detailing their sexual history. Some of the measure's problems were moderated by amendments and many of its provisions, *e.g.*, set aside of default judgments where error is alleged and notice was not received, and the right to interplead an alleged biological father to substitute as the obligor, among others—were supported by child advocates. Former Governor Davis vetoed the measure, noting the service problems and questionnaire requirement—which would have applied even if the mother was deceased and unable to comply, or refused to comply and the child was in foster care and would be the major party suffering from such a refusal.[395]

In May 2003, the 4th District Court of Appeal decided *In re Marriage of Pedregon*.[396] Shawn Pedregon married David's mother 22 months after David's birth; after nine years of marriage and a divorce, Pedregon contested an assessed child support obligation. The court held that a non-biological father who raises a child must pay child support, applying presumptive fatherhood status symmetrically.

3. Collection Results

The total collections line of Table 2-T represents moneys collected from absent parents for California children.[397] As discussed above, the total has more than quadrupled since 1989–90 to $2.3 billion for the current year, and projected at $2.4 billion for 2004–05. General fund commitment to child support collection has not increased markedly since 2002–03. As discussed below, the increased projection for 2004–05 is unlikely given the proposed and ongoing retraction of resources throughout the state for collection. The increases indicated in Table 2-T apply to rectifying the computer debacle (see below); actual spending for local collection efforts has and will decline substantially. Anticipating substantial cuts at the county offices charged with collection, serious lay-offs started during April and May 2003 and further lay-offs are anticipated. These particular reductions will mean both less money in the hands of impoverished children and smaller recovery for the state of TANF payments from this source. The record suggests that from $3–$5 is collected by public authorities for every new $1 invested in collection.

4. Program Elements/Issues

In addition to the intrinsic functions of establishing paternity, obtaining court orders, and collection, the Child Support program's functioning raises the following issues:

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 2000–01, 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 budget, and now in the 2003–04 (see Chapter 4). Regrettably, the 2002–03 budget suspended these 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 parents are relieved of support costs that the state has picked up through its provision of foster care—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 2001–02, the fund received $3.688 million. In 2002–03, the formula required $2.944 million. However, the budget allocated only $1.972 million, in order to save the general fund just under $1 million. It was terminated in the current year.

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 2001–02 the FTB 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. Year 2002–03 yielded a similar $113.4 million in collections, with $43.4 million estimated to families. Regrettably, this account was reduced substantially in 2003–04 and is not proposed for restoration—a failure that underutilizes an existing bureaucracy devoted to the collection of monies.

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 sixty-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.

e. Private Collection Option

One strategy to deal with declining public commitment is to provide the option of private collection. Currently, child support orders do not take the form of privately enforceable judgments. In contrast, commercial creditors commonly use such judgments to facilitate collection. A substantial industry of private debt collection has arisen, subject to regulation but with some history of collection success. One proposed option is to give the spouse providing for children a private option. Perhaps after some period of public collection failure, the order would take the form of an enforceable civil judgment that may be privately collected. Such private collection may allow the parent owed help to "sell the paper" at discount and be assured some payment for the benefit of her children. Many child advocates have interest in this option—assuming that any public debt for TANF payments is protected, safeguards are in place to prevent public/private double collection, and discount percentages are subject to a ceiling to prevent exploitation of a vulnerable population.[398]

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.

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. Nor was the state not given ample warning. The federal requirement was enacted in 1988. 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).

In order to ameliorate continuing 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.[399] 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 2001–02, bringing the five-year total to $380 million. This trend fed the political fire to remove the squabbling local offices of district attorney from their enforcement role in lieu of a singe state agency, discussed below. The Legislative Analyst notes the penalty give-backs could increase further after 2001 unless decisive action was forthcoming: "[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 is likely to incur penalties totaling almost $1 billion over this time period."[400] In fact, this alarming prognostication understated the penalties subsequently imposed.

On December 11, 2002, the California State Auditor released her review of the computer snafu problem—as required by California's 1999 legislation responding to the federal penalties. The Report noted that the state is likely to reach a $1.3 billion total in penalties by 2006. The Report recounts the persistence of erroneous decisions. Shortly before the final proposal deadline of February 28, 2002, the state's "Project Team" "decided to significantly change the scope" of the request for proposals.[401] The solicitation as altered led to the withdrawal of all bidders except one—IBM Group. The system cost bid by the single competitor amounted to $1.3 billion over ten years. The contract was to be awarded in July 2002, but was then extended to February 2003—partly due to the need for a cost reasonableness review of the bid (given its single source character). The deadline was then extended again to July 2003[402] and was renegotiated at a reduced but still daunting figure of $801 million. Governor Schwarzenegger has added more funds proposed for 2004–05 and in his 2004 May Revise to implement a single statewide system as federally required, and announced in May that Washington D.C. had agreed to at least waive the next wave of federal penalties (running at $220 million per annum) past the 2004–05 fiscal year—with the possibility of waiver. Child advocates agree that gubernatorial success in implementing a workable computer system that has eluded two prior Governors and six legislative sessions, and achieving the forgiveness of this and future sums, would be a momentous executive accomplishment for children.

Table 2-U presents the separate automation account now created, which amounts to $107 million in the current year and a proposed increase to $136 million for 2004–05, including $57.6 million in general fund spending.

	1999–2000	2000–01	2001–02	2002–03	2003–04	2004–05
Department of Child Support Services						
General Fund	$0	$0	$0	$0	$1,997	$10,220
Federal Trust Fund	$0	$10,300	$12,515	$11,939	$70,044	$93,204
Total	$0	$10,300	$12,515	$11,939	$72,041	$103,424
Franchise Tax Board						
General Fund	$1,398	$3,098	$5,317	$6,271	$36,502	$47,331
Reimbursements	$4,322	$9,797	$12,883	$12,250	$70,393	$88,477
Total	$5,720	$12,895	$18,200	$18,521	$106,895	$135,808

Dollar amounts are in $1,000s.

TABLE 2-U. Child Support Automation

6. State Child Support Restructuring in 2001–04: A New Department

The serious blow to child support collection from federal penalties is apparent from the numbers in 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 former Governor Davis in SB 542 (Burton and Schiff),[403] and in 2000 by further refinements in AB 1358 (Shelley). The new law[404] 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 has now taken over paternity determination and collection of child, spousal, and medical support.

	1999–2000	2000–01	2001–02	2002–03	2003–04	2004–05
General Fund	$2,446	$164,395	$203,966	$218,960	$466,744	$489,052
Federal Trust Fund	$4,651	$132,463	$287,053	$348,992	$408,040	$398,275
Reimbursements	$0	$149	$58	$30	$122	$443
Child Support Collection Recover Fund	$0	$0	$328,720	$297,828	$298,955	$298,063
Total	$7,097	$297,007	$819,797	$865,810	$1,173,861	$1,185,833

Dollar amounts are in $1,000s.

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

The new system was supported widely by child advocates, who argued that other state models indicated likely success from a centralized model.[405] 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 in many counties. Further, the new system will lack the advantages accruing from collection by a "deputy district attorney"—a position with substantial credibility in local communities, able to bring criminal charges where non-payment is willful or otherwise unlawful, and part of an office with considerable credibility before the courts. The new state agency is at best maintaining adjusted collection levels—and now into its fifth year of operation is not fulfilling its promise.

7. The Schwarzenegger 2004–05 Budget Proposal for Child Collection

Part of the reason for recent and projected flattening in collections relates to reduced state spending. Spending prior to current 2003–04 may not be helpful for trend analysis because of the phase-in over three to four years from local district attorney administration to a single state agency. The system shifted resources out of the Department of Social Services, and added new personnel to arrange the local agency transition from local district attorneys. Because of this transition, the increases appearing in Table 2-V represent phased state assumption of tasks rather than actual increases. Further, the general fund and total numbers incorporate the incentive numbers from Table 2-T for the current and proposed years—but in prior years these totals were separated out, inhibiting direct trend analysis. When combining sums consistently, the raw number totals for collection array: 2001–02: $1.12 billion, 2002–03: $1.17 billion, 2003–04: $1.17 billion, 2004–05: $1.186. Further, most of the increases in 2003–04, and all of the increase proposed for 2004–05 relate to the computer system fix. In fact, the key account determining collection success are "local assistance basic costs and other premises." These two accounts are currently funded at $861 million and are proposed at $843 million. Finally, these numbers are not adjusted for inflation or population. Actual adjusted spending—excluding computer system capital commitment— has declined more than 10% since 2001–02. The evidence suggests that this temporary savings of about $100 million in proposed 2004–05 will cost the state over $300 million in lost revenue, and about $400 million in reduced assistance to impoverished children.

As discussed above, these reductions mean substantial lay-offs of those who collect and support collections. Those expenditures produce a substantial return not only for children, but for the state's own recompense. A disproportionate number of children receiving child support help live below the poverty line, and are concomitantly subject to the TANF reductions and CalWORKs sanctions now occurring. In June 2003, San Bernardino county announced lay-offs of sixty child support positions. Los Angeles County laid-off as many as 300 child collection workers in 2003.[406] Moreover, lay-offs now underway in 2004 appear to be larger and more pervasive than during 2003 (see discussion of recent lay-off announcements in Chapter 1).

D. Summer Youth Employment

As Figure 2-A above indicates, unemployment of youth seeking jobs is at 18.8%, more than 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, and then to below $100 million for 2000–01. No separate line item is present after the 2001 budget, including either current or proposed budgets.

E. Housing and Homeless Assistance

As discussed in the introductory portion of this Chapter, California's housing costs are high, particularly in urban areas. Nevertheless, only 10% of the state's impoverished families receive federal subsidy to assist their housing needs—among the lowest participation rates in the nation. The problem is exacerbated by a number of 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 Davis Administration's 2000–01 year budget heralded affordable housing as a major priority. And the budget for the successive two years allocated some new monies to that end. The 2002–03 budget proposal of January 2002 allocated $500 million in general fund spending to stimulate low-income 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). However, as discussed below, these programs have since been eviscerated and are not a significant part of the 2004–05 budget.

The most successful low income housing program currently extant is arguably the monies assessed for that purpose through redevelopment district local property taxes. The concept involves a spreading of the burden across high income property owners to help contribute to the housing of those most in need.

In December 2002, the former Governor proposed—as part of his mid-year cuts during 2002–03—to shift all unexpended sums from the $500 million collected statewide for low income housing subsidy purposes to the state general fund—on the apparent understanding the most of it was not being used locally and lay unused in accounts. Actually, all but $101 million was expended or committed. Even as to that remaining sum, expenditure for housing was feasible—there is normally a long lead-in time before these monies are expended since they apply at point of sale or after, not up-front at the design stage. These funds promised for housing assistance have essentially been diverted for general fund relief.

Beyond amount retraction, efforts to stimulate low income housing suffer from focus more on middle class buyers than on working poor parents. 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. 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 3,000–4,000 units in 2000–01, and 1,100 in 2001–02 and in 2002–03, before its elimination in the current fiscal year. Even if continued, these efforts pale in relation to the meager construction of affordable housing in most of the state.

Underlining these two problems is the background reality referred to above. First, real estate prices now escalating to median levels above $400,000 in urban counties; mortgage payments project to an income in excess of $70,000 to own a minimal home. The second factor 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 $40,000–$90,000), youth seeking to buy homes must find funds for down payment and monthly mortgage due at purchase prices above $350,000 for minimal starter housing or a condominium unit—with homeowner fees. They then are asked to pay from five to ten times the property tax amounts paid by older adults 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 generations to follow, including a 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 nation's 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 their retraction by the Davis Administration, are not on a scale likely to materially change this deprivation of a central opportunity for children unable to inherit a home.

Beyond the retraction of home ownership opportunity for most youth is the orally troublesome withdrawal of help for the homeless—ranging from the criminalization of "vagrancy" to the reduction of assistance for the mentally ill—many of whom are homeless and some of whom have children (see discussion of local realignment and harsh current year and proposed cuts in Chapters 1 and 5). The thrust of local policies has been one of "moving them" either out of sight, or out of the relevant jurisdiction's geographic territory. At the state level, California requires—in theory—that counties serve as providers of last resort to the indigent. However, the state has not provided earmarked and adequate funding, and has reduced its own assistance. The two programs selected for the highest percentage reduction from 2001–02 to proposed 2004–05 are farmworker housing, and Emergency Housing Assistance for the homeless.

The context of the dismissal of those most in need includes a rising population of homeless families. As the number of homeless families has increased since 2001, shelters are finding a growing number with children. In 2002–03, former Governor Davis did approve $55 million for "wraparound 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, declined to $33 million in 1996–97,[407] and is currently at trivial levels.

Rather than assure a minimal safety net for this often troubled population, funding to help them 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 ground 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.[408] However, even this expenditure is limited by available resources and spending occurs in the context of block funding with other demands precluding assured provision.

Traditionally, the last resort help for those facing homelessness has been Welfare and Institutions Code section 12550 *et seq*., authorizing a "Special Circumstances" grant for emergency housing (as well as replacement of clothing and basic furniture). This longstanding program has long been the "good samaritan" vehicle to allow thousands facing unexpected lay-off, sudden illness of a child without health coverage, even fire and personal tragedy with some help. That help often prevented homelessness, or lessened its severity, especially where children were involved. During the fiscal shortfall of 1991 the program was suspended. Although the shortfall was resolved by 1994, this helpless constituency lacked the political power for its restoration. Finally redressing this abnegation, AB 1111 (Aroner), a 2001–02 budget trailer bill, restored the Special Circumstances grant and appropriated $5 million for that fiscal year. However, it was suspended for the current year and receives no funding for the current or proposed 2004–05 fiscal year.

VII. FEDERAL TAX CHANGES AND POVERTY

Federal and state budgets influence 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 and credits from tax liability—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%.

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

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.[409] 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.[410]

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.

B. Major Changes, 1997–2000

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.[411]
- 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.[412] 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 1997–2002, but cost a total of $180 billion from 2003–07. By 2007, the annual cost will be $39 billion; from 2008–17, 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. As discussed below, its design—particularly after the controversial changes in 2003—largely exclude not just the poor who would require a refundable credit, but the lower middle class who are inexplicably barred from its benefit.

The other changes 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,[413] 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 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. The top 20% of families in income would receive 46% of its benefit.[414]

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).[415]

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 one-fifth 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, Medicare (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 year, 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 nine total over $26 billion per year. Less than 5% of it focuses on impoverished children.

D. Federal Tax Changes Enacted in 2003

In May 2003, the Congress enacted another round of tax cuts. Although the popularly advertised national cost of the reductions was "$350 billion," experts place its actual cost at "$800 billion to $1 trillion." The lower figure is obtained by technically placing a "sunset" date on seven of the eight tax reductions in 2004, 2005 or 2008.[416] The eighth reduction extends to at least 2013—the presumed ten-year term as with the year 2001 reductions. It is unlikely that the Congress will not extend the tax benefits beyond these interim dates, since ending tax benefits is a rare and difficult political act—particularly where the beneficiary is organized and politically powerful. When adding increased interest payments from national deficit growth and extending all of the changes through 2013, the total cost grows to $1.9 trillion.[417]

Taking the more conservative estimate of $807 million, the average annual reduction for California taxpayers is $10.5 billion per year—a level assured through 2004—and unless some reductions are terminated, will persist through to 2013. Moreover, as with many tax benefits, their value tends to increase over time. Unlike budgeted sums, they are keyed to a portion of income and hence automatically adjust for population and inflation.

The total of the 2001 and 2003 federal reductions is $36.5 billion per year in reduced taxes for California's adults. This *California Children's Budget 2003–04* proposes taking one-half of that gain ($18 billion) and sharing it with the children of California—with assurances that it would be so invested and be properly subject to independent outcome measurement. A surcharge on state personal income levels at one-half the reduction at the federal level would come close to such an allocation. That sum could largely hold children harmless from the revenue crisis, and with modest pushing forward of some costs as the economy improves, allow implementation of many of its elements, including a modest earned income tax credit, the lowering of class size in grades 4–12 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. Those monies would be expended on the state rather than the federal level and adult taxpayers would still enjoy a substantial tax reduction. As discussed in Chapter 1, that 50% sharing would bring the total general fund monies expended for children to the same percentage of personal income our parents committed in 1979.

The 2003 changes benefit children and in particular impoverished and lower middle class children even less than did the cuts of 2001 discussed above. The reformulation did expand to a minor degree the lowest tax bracket, and reduced slightly two income joint return rates (the so-called marriage penalty revision). And it confers a one-time grant of $20 billion for "state fiscal relief." California's share would approximate $2.6 billion. However, these benefits total about 15% of the reduction value. As the upper middle class and elderly were the major beneficiaries of the 2001 federal tax revision, the same groups— with multi-national corporations added—were the major beneficiaries in 2003. The most costly three changes are: the capping of dividend income and capital gains profits, top-income bracket rate reductions, and immediate deduction of a whopping 50% of new investment in equipment and facilities through 2004. Tax filers with incomes above $1 million will average $93,500 in reductions. Those in the middle fifth of income will average $217 in benefit, those in the bottom fifth will gain, on average, $1. The 53% of households at the lower end of the income spectrum will receive a tax cut of from $0–$100.[418]

Perhaps the most troubling aspect of the 2001 tax legislation was its design for increasing the federal Child Tax Credit (CTC). The $600 per child tax credit extant in 2002 (applicable for dependents living with the taxpayer who are 16 years old or younger) was effectively non-refundable—it did not apply until taxable earned income reached $10,000 and even at that point the credit benefit was capped at no more than 10% of income above that level. In other words, a taxpayer with three children earning $12,000 per year could claim only $200 (10% of the amount over $10,000). However, a taxpayer with income of $28,000 could claim $1,800 for his/her three children.[419] Advocates for children and the poor argued that this design failed to reach those lacking basic resources for child nutrition or who are otherwise in dire need. The working poor thus excluded have only the EITC as an offset for the substantial increases through the 1990s in payroll deductions for disability insurance, Medicare and Social Security—deductions that the working poor disproportionately pay. And the EITC is reduced as income passes the poverty line, leaving the children of the working poor earning between the poverty line and the "self-sufficiency" levels discussed above as the primary excluded population from tax benefit—this is the same group feeling the full brunt of payroll deduction increases and across the entire range of their annual income (Social Security deductions stop once income passes above $60,000 per annum).

The major benefit for children of the working poor promised in 2003 was to come from the increase in tax credits for dependent children from the $600 level above to $1,000 and the inclusion of lower income households in its benefits. The House version accomplished this by raising the income ceiling imposed on the credit from 10% of taxable income over $10,000 to 15% over $10,000. That simple change statistically still prevents the credit from becoming a pure refundable credit, but it at least allows almost all taxpayers to benefit from the credit.

Since the $10,000 ceiling starting point was indexed to inflation, it reached $10,500 by 2003—another argument for increasing the percentage. Without such a ceiling change, the tax credit not only fails to be refundable, but it affirmatively skips taxpayers who pay taxes of above the credit amount— including much of the working poor—and especially excluding families with three or more children. For example, a taxpayer with three children earning $12,000 per year will receive a $150 tax credit, while a similar taxpayer at $20,000 per year will receive $950, and a taxpayer at $28,000 will receive $1,750—with a regressive impact. These amounts are the same each would have received at $600 per child before the 2003 increase. That three child taxpayer must earn above $28,500 to gain *any* additional tax benefit from the 2003 increase to $1,000 per child. Only three child families with taxable income over $40,000 per year will be able to fully take the $3,000 in credit available under the 2003 Act. Even a taxpayer with two children and taxable income under $22,500 is excluded from any benefit from the $400 increase. Equivalent benefit from the increase for such two child families hits at $32,500 in annual taxable income.

Some supporters of tax reductions argue against refundable credits and contend that any cut will necessarily benefit those who pay taxes the most. They note that the poor do not benefit from tax credits as much as wealthier taxpayers because they can only offset the taxes they pay. But the design of the CTC ceiling at 10% discriminates against working poor families *regardless* of taxes paid. As noted in this Chapter's introductory taxation discussion, a family with four children earning $60,000 and paying $7,000 in taxes will be able to take the full $4,000 tax credit. The same family earning $34,000 and paying $4,000 in taxes can claim only $2,350—the same amount available prior to the 2003 increase. A family earning $20,500 can claim only $1,000. These income based limits are not based on taxes nor on numbers of children. Their imposition removes virtually any benefit from the increase reaching families with children under $20,000, and very little benefit for families with two children under $30,000.

To reiterate, a family with five children would be eligible for a $5,000 Child Tax Credit. That family earning above $60,500 could take all of it. The family earning $40,500 will only receive $3,000 of the credit. The two families have the same number of children, and could theoretically have the same tax bill (given other deductions/credits), and could pay the same in child care. But this credit—unlike any other tax credit extant—is slashed simply as income decreases. The family earning $30,500 will be able to receive only a maximum $2,000 credit—less than $600 per child and receiving no benefit whatever from the credit increase from $600 to $1,000 per child. More than two million California children are wholly excluded from marginal benefit from the CTC increase as enacted.

In May 2004, the House voted to extend the $1,000 credit, but did not solve its non-refundable discrimination against the working poor paying insufficient taxes to benefit. Rather, the approved version expanded coverage marginally at the lower income end, but added substantial new coverage at the high end—now extending use fo households up to $300,000 in adjusted gross income. The House also extended all of the previous tax cuts that were schedule to sunset early. That sunset allowed tax cut sponsors in 2001 and 2003 to portray the reductions much more modestly than their impact if continued. That continuation would be approved and makes accurate the higher estimates of total cost and of future costs discussed above.

The House voted in May 2004 to stop the growth of the alternative minimum tax as inflation gradually brings less wealthy payers within its range. Child advocates comment that such inflation effects are not as assiduously applied to child related accounts and that this and other tax increases will add yet more to a budget now projected at above $4 trillion for current children to bear (see discussion in Chapter 1).

E. 2004 Proposed Impediments to EITC Qualification

Adding to concern over distributional equity is a threatened access barrier to the single tax policy benefitting the children of the working poor, the Earned Income Tax Credit discussed above. The Internal Revenue Service is now proposing paperwork barriers to receive the credit. Pending rules would impose "pre-certification" requirements, including provision of "marriage certificates" that occurred decades ago— and in some cases between persons other than the credit applicant. And in some cases a birth certificate for persons other than the applicant must be produced. Such documentation for marriages or births outside of the U.S. may prove difficult. Many applicants subject to "precertification" would have to provide a notarized affidavit signed under penalty of perjury that the applicant and the claimed child lived together and at a specific address for the time period at issue. Moreover, the rules list only certain kinds of persons permitted to so swear: clergy, employers, landlords, school officials, certain child care providers, or a social worker. Such persons may or may not know of the residence circumstances of applicants and children as a matter of direct personal knowledge. Beyond this sometimes difficult specific documentation are additional forms to document the "relationship of the child" to the filer and verifying that the child lived with the claimant for more than the requisite six months, and other requirements.

As of June 2004 these proposed rules remain in flux.[420] As argued by the Center for Budget and Policy Priorities and suggested by the General Accounting Office, the initially proposed requirements are not easily met and may act to effectively bar the eligible families of many children from the credit.[421] It is unclear why this one taxpayer group is selected out for pre-qualification proof. Corporations and wealthy taxpayers whose claims do not involve their personal details, claim millions of dollars in deductions and credits with a single page form, or a single entry on a form. The IRS is structured to trust taxpayer representations, subject to audit where facially suspect or at random. Child advocates note that a "tax amnesty" covering unlawful tax shelters by corporations and wealthy individuals that was predicted to add $90 million in revenue during 2004 is producing over $1.2 billion—indicating a misfocus on public benefit/taxation abuse (see Chapter 1). The imposition of government created red tape barriers and white collar crime enforcement may have more opportune targets than the under $5,000 tax credit available to the working poor.

F. Resources, Priorities and Deficits

Apart from regressive impacts, or other distributional issues, child advocates are concerned about adequate public resources for child investment, and about fairness between generations. One research center has calculated that the federal tax changes over the past three years will bring federal public revenues, as a share of gross domestic product (GDP, considered a neutral and relevant indicator of societal commitment) to its lowest level since 1959. Federal income tax receipts as a percentage of GDP have now fallen to their lowest level since 1943.[422] Such reductions force difficult priority choices. Exacerbating that difficulty is the nation's unprecedented commitment to military and security spending. After falling with the demise of the cold war, defense spending has increased to extraordinary levels. Even before the action in Iraq, the military budget of the U.S. has grown to such an extent that it approximates the military expenditures of the rest of the world combined.[423] The attacks of September 11 warrant a serious national response. And a strong defense may be in the interests of the nation's children. But few dispute that the nation's children constitute a major asset those efforts are intended to protect. Child advocates contend that investment in their sustenance, health, education and employment prospects thus far lacks the patriotic cachet attaching to military hardware and combat drama. Beyond a seeming inability to use the flag for federal funds, children lack the campaign finance and lobbying assets of defense contractors and other beneficiaries of the federal budget. The President's central child-benefit programs (the education reform No Child Left Behind Act), and the effort to medically cover all children of impoverished and working poor parents (State Child Health Insurance Program) were both well intended federal initiatives—and constitute the major national public investment commitment to children over the past decade. Each has some positive features and results. But regrettably, funding for the former is a fraction of advertised and promised amounts and education reform relies primarily on the "stick" rather than the carrot (see Chapter 7). And much of the promised SCHIP monies are being returned and retracted federally as states interpose barriers to child coverage and fail to provide their one-third match (see discussion in Chapter 4).

The combination of defense and security spending increases and tax cuts produces a deficit. Child advocates argue that were the extent of current military spending to be justified, it is properly funded by today's adults, and not extended to burden future generations with interest payments—particularly current children whose payroll taxes will have to fund the still higher Social Security and Medicare bills of present adults. As discussed in Chapter 1, the unfunded liability quietly accruing from federal deficit financing, and an even larger liability from pension subsidy, Medicare and Social Security commitment for current adults and the elderly will burden today's youth—disproportionately the working poor who will face increases in the regressive payroll deduction of 25% or more of gross income before tax withholding. According to experts, a liability equivalent to $100,000 for each child now reaching toward adulthood to provide many times the sum contributed by elderly recipients is in prospect. Notwithstanding its size and the inter-generational ethical implications of that liability, neither it nor the Proposition 13 assessment inequity between young and old, receive substantial media coverage or public discussion.

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%.[424] Moreover, regressivity has been increasing since at least 1985.[425]

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;[426] 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.[427] 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.[428]

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.[429] 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.[430]

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 $30 billion annually through tax reductions for selected taxpayers, it has not followed every federal deduction and credit. California has failed to follow the lead of states such as New York, Vermont, Wisconsin and Minnesota in enacting a state earned income tax credit to replicate the federal counterpart and more fully compensate the working poor for the substantial increases in payroll taxes they are disproportionately assessed.[431] It is noteworthy that this is one of the very few tax expenditures not replicated by California.

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.[432] 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:

<u>1993</u>:
- 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;

<u>1994</u>:
- limited liability companies, a form of enterprise that allows reduced taxation of business enterprises allowed for partnerships, while maintaining the liability limitation of corporations;

<u>1995</u>:
- 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.[433] 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%,[434] 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

	1997-98	1998-99	1999-00	2000-01
1997 5% reduction	$230	$290	$300	$320
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[435]

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 are set forth in Table 2-X above.

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 1999–2000,[436] 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, and grew 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. The cost was $31 million by 2000, and grew substantially since. 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, now at over $3 billion annually.

- **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 grew to $85 million by 2000.

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

- **Aerospace and high technology research tax credits** amounted to $10 million for 1997, and grew to $48 million by 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.[437]

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 1999–00, and $144 million in year 2000–01. It entirely excludes the families of the state's impoverished children.

- **Vehicle License Fee reductions/increases.** Proposed reductions cost $561 million in fiscal 1998–99, and $1.1 billion in 1999–2000. The subtraction grew to over $3 billion by 2004, and was actualized by Governor Schwarzenegger's refusal to rescind the "offset" notwithstanding the absence of alternative revenue upon which it was premised.

- **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.[438] Those enacted in 1998 added another $1.4 billion in 1999–2000, increasing in subsequent years.

Although the proposed budget does not include new tax benefits consistently included in budgets over the last decade, their continuing impact limits opportunity to make the investments in children proposed by child advocates. 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).[439]

E. State Tax Expenditures and Reductions 2000–03

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 2001–02, and a similar sum for current 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, $188 million in 2001–02, $195 million in 2002–03. Perhaps the most beneficial tax incentive for children, the Governor proposes its suspension for at least 2003–04.[440]

The 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 Exemption 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 Capital Gains Exclusion for Small Business Stock: $30 million annually from 2006 on;
- Employer Transit Pass Credit: $3 million per annum; and
- Loaned Teacher Credit (a 50% credit to employers who lend employees to public schools to teach math and science): $1 million per annum.

The 2003–04 budget did see the sunset of the Manufacturer's Investment Credit amounting to $250 million in lost revenue. This tax expenditure was enacted with the explicit purpose of bolstering manufacturing employment, and in an unusual provision was sunsetted (automatically terminated unless affirmatively re-enacted) unless it fulfilled that purpose. Economic data suggests that manufacturers are collecting the credit and then exporting jobs to Mexico and the Far East—with California suffering a net loss of manufacturing jobs apparently unabated by the expenditure. It has not to date been extended, although four bills pending in 2004 would extend it.

Much of the $30 billion in tax expenditures and the revenue reductions inure to the middle and wealthy classes, business interests and the elderly. The tax reductions and new tax expenditures of over $9 billion since 1996 cut into Proposition 98's percentage floor for education, and reduce general fund resources—the base funding source for child investment.

Aside from the child care tax credit discussed below, the most significant state tax benefit for benefitting impoverished families from 1999 was the year 2000 tax rebate of $150 to single taxpayers and $300 to those filling out a joint return. However, it was not a refundable credit, merely offsetting taxes paid. California's families with children earning under $15,000 per year (including almost 3 million children) will receive no benefit from the rebate. And 99% of families with income from $15,000 to $26,000 will receive no benefit.[441] 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, almost all receiving its full amount.

F. The California Child Care Tax Credit

The most beneficial recent state tax policy change favoring children 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. AB 480 (Ducheny) created a refundable tax credit of up to $907 for families with two or more children or dependents (Chapter 114, Statutes of 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; parents who make such payments and are working will qualify. It is limited to families with adjusted gross incomes of $100,000 or less. Although an important precedent, the scale of child care expenses allows this credit to pay 10%–15% of typical child care costs (see Chapter 6). It reduces general fund revenues by about $195 million. Reducing the ceiling down to $80,000 in adjustable income might allow a higher percentage of costs to be covered at the low end, where such help can mean the difference between employment and TANF dependency with projected sanction reduction for involved children to below 50% of the poverty line.

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 1,300 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. In June 2002, the Legislature had before it AB 106 (Cedillo) which offered a modest state EITC set at 15% of the federal benefit. It did not 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 $9 billion per annum in reduced taxation, mostly for the middle and upper class—and virtually none for the families of the 2.7 California children living in poverty. This accounts for most of the safety net and education cuts (adjusting for population and inflation) from 1989 to the present.[442]

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.[443]

	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 1997–2003 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."[444] 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.[445]

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.

IX. SUMMARY AND RECOMMENDATIONS

California's impoverished children have suffered substantial safety net real spending reductions since 1989. Those below the poverty line are now further below than ever before. Those receiving safety net assistance are down to 69%–71% of the federal poverty line in TANF and Food Stamps 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 homeless. The evidence is mounting that California is two nations, one living in extraordinary wealth, and one (including almost half of her young children), living below 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.[446]

In addition to the underlying TANF 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, or for other failures under the broad discretion granted to counties under the CalWORKs statute.

In terms of where the cuts are to be applied, impoverished children are particularly hurt by Medi-Cal cuts, contraction of Healthy Families, cuts in local safety net staffing, reductions in generic benefit levels, and sanctions below those levels. As discussed above, children are disproportionately cut in all four respects. Of particular concern are three populations: (1) the over 800,000 children no longer receiving TANF assistance, but whose parents remain without substantial employment and who may suffer income diminution to below 50% of the poverty line; (2) the 650,000 children who continue to receive TANF and Food Stamp assistance, but who are now to be cut to a record low (69%–71%of the federal poverty line); and (3) the record number of over 200,000 children whose parents are now suffering or will shortly suffer Welfare to Work sanctions or the sixty-month limitation cut-off.

California is a relatively high-cost state; in terms of rent and housing, gasoline, transportation, utilities, and milk, it ranks at or near the nation's most costly. At the same time, per capita personal income is among the highest nationally as well. Child advocates argue that the consequences of reductions to impoverished children to the levels now proposed do not include attention-getting drama and are little discussed in the media. Decisionmakers are not presented with political or campaign finance pressure or influential lobbyist remonstration. But available data indicate their long-range effects are profound.

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 8%–10% 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.[447] Over the last decade, current adults have added new funding, tax breaks and liability extension to future taxpayers for the benefit of private pensions, Medicare costs—including new prescription benefits and Social Security. Although covering the elderly with universal health coverage, they have left almost one million California children uncovered—nothwithstanding a two-thirds available federal match (see Chapter 4). And they have cut education spending for impoverished children subject to the public school system, with the second largest class sizes in the nation, what appears to be the lowest cost-adjusted spending per child among the fifty states, and declining commitment to higher education capacity and assistance (see Chapter 7).

Enhanced authority for child support collection and a new commitment to resolve the central computer failure leading to over $200 million in annual federal penalties are important. 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.[448] 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....”[449]

B. Child Poverty Budget-Related Proposals

1. Private Responsibility

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 $34 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 incentive for all poor 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 the current public policy "splits the baby" by maintaining public support for reproductive decisions by parents to have unintended children or to have children knowing their cost will be borne by others. At the five-year mark, the "parent's share" is cut in California (all federal funds stop), which will generally mean a one-third to two-thirds cut in already close to historical low safety net support for the family. Those funds after sixty-months must come from state-only sources—now under distress for the next two to five years given obligations pushed forward in the current fiscal year and as proposed. 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. The proposed 2004–05 budget adds to this mix the blunt instrument of grant reductions and another 25% sanction penalty. 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.

Hence, county officials will face an unprecedented dilemma: Do they intervene to protect affected children subject to sanction 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 minus another 25% at the 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. Work rates confirm the intuitive conclusion that assistance is low enough and basic rent and other costs high enough to give recipients a strong natural incentive to work—if jobs and child care are available.

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 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 3% of TANF parents. Child poverty is driven more by unwed births to women from 18–35 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 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 250,000 or more parents in a relatively narrow timeframe of 2004–06—particularly under the Republican 2003 PRA reauthorization proposal including a forty-hour minimum work week, a 70% overall work participation requirement, and a formula change removing most of the credit for removals from 1996 to 2000, as discussed above.

- Much of the funding now being provided to spur employment and provide child care, *et al.* is now problematical and both cuts and service freezes are now occurring. Federal funding will not increase and roll-over surpluses are gone just at the point counties are theoretically required to provide massive community service or public employment.

- Community service or public 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 under the CalWORKs guaranteed job backstop and under federal likely work participation terms after 2004. And there is no identified source of funding for required rent/utility vouchers, nor are they being provided as legislatively intended.

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

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. Thus, 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, middle class, and elderly. They stop a general trend of child disinvestment (with some sporadic exceptions discussed in Chapters 3–9 below) and facilitate inclusion of our impoverished children 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: $290 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 former 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 Governors should be increased substantially. We assume the present funding of $70 million for this purpose and propose a major addition of $290 million, divided between three accounts:

(a) A considerable and continuing public education campaign focusing on the right of a child to be intended by two adults. The campaign should include the benefits that flow from such a commitment and the costs (including child support obligation for males) that flow from its failure. 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).[450] 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. Women in four different widely watched prime time shows in 2004 feature single women having children without resulting poverty or serious difficulties for involved children. Such messages are repeated and reinforced without reference to the consequences of unwed sex, pregnancy, and birth. A conscious counterforce to produce a cultural sea change shift 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 and should exceed $100 million per year. 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

(b) A program of required parenting education, not in the form of a single "home economics" course attended disproportionately by females, but in short "modules" introduced and repeated in 8th through 12 th grades. That education would reinforce the "child intended" right noted above, and the consequences of its breach, and also provide basic information about the challenges and difficulties of parenting that are not taught and contribute to child abuse/neglect rates among the highest in the developed world. The proposed education is not based in religious belief or cultural bias; but rather on recognized public health and child welfare information. Studies of parenting education nationally document the increasing recognition of its importance and track its belated growth.[451] However, meaningful parenting education in California has been repeatedly stymied by the educational bureaucracy, and a lack of leadership from the Department of Education.[452]

(c) State funds to attract available federal funds from the President's $300 million marriage strengthening proposal. 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— including expansion of the Family PACT program—and the advantages of a *bona fide* marriage commitment, both for its own sake and most importantly, for the children who result.

Recommendation #2*. Provide a minimum safety net for children. *Estimated cost: $450 million

The *California Children's Budget* separately proposes the reversal of the $3 billion in child spending reductions included in the proposed 2004–05 budget, as revised in May. That reversal includes the cancellation of the TANF 5% reduction, the restoration of the two promised grant COLAs, and the rescission of the 25% extra sanctions penalty proposed by the Schwarzenegger Administration. It also restores level funding for child support collection and CalWORKs employment and child care purposes. But to this restoration, the state should add $500 million in additional public investment. That expenditure is likely to yield substantial long-term benefits in productivity and tax revenue. They include:

- **Add county positions for CalWORKs and child support collection (estimated cost: $70 million general fund).** The investment in additional local positions will reduce delays for safety net coverage, increase ancillary medical and Food Stamp inclusion, and enhance child support collection. The last is likely to return substantially more in increased state revenues than is additionally invested. An increase rather than a decrease in child support local staffing also yields a substantial return for impoverished children most in need, and adds societal disincentive to irresponsible paternal decisions to sire children without preparation or capacity.

- **Increase TANF benefits by 8% (estimated cost: $220 million general fund).** Rather than the reductions (COLA retraction and 5% outright cut), California should increase TANF grants by 8%. The cost would be approximately $440 million, one half attributable to federal funds. Such an increase will leave grants substantially behind constant dollar value from 1989. Indeed, they will remain about 20% below such previous levels, but will stem homelessness and undernutrition increasingly in evidence (see Chapter 3). Such an increase makes up for a part of the gradual erosion in safety net spending power over the past 15 years. Such grants will still place recipients below 85% of the poverty line and will not work a serious disincentive to work. Since 1989, minimum wage has increased and TANF grant amounts have fallen. Moreover, such an increase is justified by the extraordinary costs above and beyond inflation that afflict impoverished parents as outlined above and in Chapter 1.

- **Economic Downturn Reserve Fund (estimated cost: $100 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.[453] 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.

- **Rent/Utilities Voucher Account (estimated cost: $60 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 $60 million total assumes the possible sanctioning of 80,000 families (160,000 children) before the end of 2004–05 who would qualify for them. Since this growth will occur gradually through the fiscal year, we estimate an eight-month average term of such benefits, 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 $90 increase above sanction levels to dampen reductions below the minimal amount needed for rent/utilities.

Recommendation #3*. Refine CalWORKs to stimulate meaningful employment. *Estimated cost: $280 million

If functioning properly, CalWORKs will cost more than TANF for the first 3–5 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: $80 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 on a sliding scale as work income increases. 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 sixty-month maximum under the PRA. Treating a parent who works hard half-time based on child care or job availability the same as a parent who works not at all is inequitable. Working half-time should yield some reward, working full time a greater reward.

  Similarly, TANF parents who are capable of college degrees or advanced education should be encouraged, and not discouraged—as current and proposed federal 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 limits opportunity to the long-

- **Adequate Child Care Coverage (estimated cost: included in Chapter 6) .** Child care should be under the auspices of 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 one to two years without child care assistance—unless she happens to be at the top of an Alternative Payment waiting list. 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.

  A more conservative alternative to direct subsidies would be the expansion of the Ducheny child care tax credit enacted in 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 three times for those living under 200% of the poverty line, and by six times for those living under the poverty line, while retracting it from those making over $70,000. 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 $1.2 billion over current child care investment. An alternative would be the allocation of a similar amount for alternative payment coverage for the working poor.

- **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%–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: $200 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 another 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. This option does not yield EITC collection, and precludes recipients from collecting Food Stamps beyond their compensation from the state. They in fact will qualify for those Food Stamps, and it also represents federal funds left on the table. The current system relegates county "workfare" parents working the full 32 hours to family income at no more than 70% of the poverty line while unnecessarily eschewing federal EITC and Food Stamp assistance that could move involved children—at no additional state cost—to above the poverty line.[454]

- **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

California is increasingly divided into a wealthier upper middle class, and a growing group living at or below subsistence levels—and represented by the 35% of the state's children living below or near the poverty line. 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.

The budget should invest and facilitate their movement to self-sufficiency levels. 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, $0.40 is added by way of an affirmative (refundable) tax credit as income rises to $11,610; it is thereafter phased out at a rate of $0.21 per dollar earned. Most studies thus far indicate that the federal EITC stimulates work and provides resources needed for the sustenance of involved children.[455] 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.

  We recommend that a state EITC overlay accompany the federal tax credit, refined to help bridge the wall from the poverty line to self-sufficiency. Similar to New York's plan, 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.[456]

  his 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.[457] This EITC proposal would directly lift above the poverty line over 100,000 California children.[458]

- **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.[459] 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 $2.6 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 sixty-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.[460] 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. This strategy will be the only method for California to meet its required percentage of aid recipients who are employed under proposed federal work participation ratios, as discussed above. 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. This interpretation is supported by current federal law—which broadly defines "participant" to include one receiving child care assistance. If one adds substantially to those receiving this help who are working, the work participation targets—even as radically increased under the federal 2004 PRA reauthorization now proposed, may be within reach.

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 optimum course is to bring the working poor into the assistance penumbra equitably, reducing gradually as income rises toward self-sufficiency—not merely to the poverty line. Such a policy may meet anticipated federal percentages, will reward work, and will benefit children. 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. Meanwhile, needed additional time is made available to focus on a manageable share of TANF parents for intensive education/training over a 5–10 year period to winnow down the non-working caseload consistent with the reality of job market absorption.

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 13, 2004 and are popularly referred to as the "federal poverty line." For the 48 contiguous states, they are:

Size of family unit	Poverty guideline
1	$9,310
2	12,490
3	15,670
4	18,850
5	22,030
6	25,210
7	28,390
8	31,570
additional members	add $3,180 each

   Source: Federal Register, Vol. 69, No. 30 (Feb. 13, 2004) at 7336-7338; see also http://aspe.hhs.gov/poverty/04poverty.shtml

   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 Stamp 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).

3. California Budget Project, *Locked Out 2004: California's Affordable Housing Crisis* (Sacramento, CA; January 2004) at 10 (hereinafter "*Locked Out 2004*"). *See also* Daryl Strickland, Housing Affordability Plummets, Los Angeles Times, July 13, 2002; see also California Budget Project, *Locked Out 2002: California's Affordable Housing Crisis Continues* (Sacramento, CA; October 2002) at 8.

4. See DataQuick Information Systems compilation at DQNews.com, reported in Roger Showley, *Median Price of Housing In County Hits $439,000,* SAN DIEGO UNION TRIBUNE, May 20, 2004 at A-1 and A-10.

5. See *Locked Out 2004, supra* note 3 at 2.

6. 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, *Schedule B-Fair Market Rents 2004 for Existing Housing, California,* at www.huduser.org. In metropolitan areas, the survey data indicates that on average a one-bedroom unit is about $190 per month less, and a three-bedroom unit is $360 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) (hereinafter "*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 $230 per month more.

7. *Locked Out 2004, supra* note 3. *See also* 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 6. Because of the high cost of home ownership, California has an extraordinarily high percentage of renters, with 40% of the state's householders renting. California now ranks third nationally in percentage of renters who spend more than 50% of their income on shelter, 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.

8. *Locked Out 2004*, *supra* note 3, at 6.

9. The survey calculated San Francisco, San Jose, Oakland, Santa Cruz-Watsonville, Orange County, and Santa Rosa as six of the highest ten metropolitan statistical areas in the nation. See National Low Income Housing Coalition, *Rental Housing for America's Poor Families: Farther Out of Reach Than Ever* (Washington, D.C.; 2002) (see www.nlihc.org/oor2002).

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

11. *Id.*

12. *Locked Out 2004*, *supra* note 3, at 7.

13. 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 ChildPoverty Rate and Cost of Living Are Considered* (Washington, D.C.; June 11, 1996) at Table I.

14. 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*").

15. See *Still Locked Out, supra* note 7.

16. 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 AmericanPublic Would Set the Poverty Line* (Washington, D.C.; July 1990).

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

18. *Id.*

19. 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.

20. See *infra* Appendix A (Table App-C).

21. *Id.*

22. See *Working But Poor*, *supra* note 19, at Executive Summary.

23. See Neil G. Bennett and Jiala Li, *Young Poverty in the States—Wide Variation andSignificant 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.

24. *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.

25. 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). 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%.

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

27. See analysis of total safety net provided for children (TANF plus Food Stamps) below. This record reduction is applicable to the overall child population. Those subject to sixty-month or "sanction" cut-off of the "adult share" suffer family income levels below one-half of the poverty line, which experts designate as "extreme poverty" and is commonly associated with severe nutrition and health shortfall, as discussed below and in Chapter 3.

28. See Appendix A, Table App.-C.

29. 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.

30. 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.

31. 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).

32. See description and citations in *California Children's Budget 1995–96*, *supra* note 13, at 1-46 to 1-47.

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

34. *Id.*

35. *Id.* Note that youth unemployment includes those aged 16–19 looking for jobs.

36. California Employment Development Department, *California's Unemployment Rate Declines to 6.4 Percent* (Sacramento, CA; Dec. 13, 2002) at 1 (www.edd.ca.gov/nwsrel12.htm) (hereinafter "*California's Unemployment Rate*").

37. Office of the Governor, *Governor's Budget Summary 2004–05* (Sacramento, CA; Jan. 2004) at 23 (derived from the projected change in "civilian employment").

38. *Id.*

39. 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.

40. 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).

41. 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 39, *passim*.

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

43. 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.

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

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

46. *Id.*

47. Nicholas Johnson, Center on Budget and Policy Priorities, *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2001* (Washington, D.C.; Dec. 2001) at Appendix II.

48. See *Facts About the New Child Tax Credit*, Center on Budget and Policy Priorities, Washington, D.C., 2003, at 3-6, see www.cbpp.org.

49. 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.

50. 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.

51. 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).

52. California Employment Development Department, *EDD History* (Sacramento, CA; 2004), available at wwwedd.cahwnet.gov/eddgen3.htm#Today-22.

53. California Employment Development Department, *Unemployment Insurance Benefits Table for New Claims With a Beginning Date of January 5, 2003 or After* (Sacramento, CA; October 2002). See also 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*").

54. *Working But Poor, supra* note 19, at 40.

55. 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.

56. *Making the Unemployment Insurance System Work, supra* note 53, at 10.

57. *Id.* at 12.

58. *Id.* at 13.

59. *Id.* at 11–12.

60. See *California's Unemployment Rate, supra* note 36, at Summary Data for State Programs.

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

62. 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, then-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.

63. *California's Unemployment Rate, supra* note 36. The EDD reported 80,224 claims filed in January 2002, compared to 41,739 in January 2001.

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

65. 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.

66. U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States: 2001* (Current Population Reports, Consumer Income) (Washington, D.C.; Sept. 2002) at Table 1.

67. 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).

68. 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.

69. See description and citations in *California Children's Budget 1995–96, supra* note 13, at 1-46 to 1-47.

70. 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.

71. U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States: 2001* (Current Population Reports, Consumer Income) (Washington, D.C.; Sept. 2002) at Table 1.

72. 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*").

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

74. *Id.* at Table 6.

75. *Id.*

76. 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).

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

78. 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.

79. 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.

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

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

82. *Marital Status: March 1998, supra* note 72, 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. 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.

83. *Marital Status: March 1998, supra*note 72, at 1.

84. 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.

85. 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.

86. 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.

87. 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 National Center for Health Statistics, *Health, United States, 2001* at Table 9 (hereinafter "*Health U.S. 2001*"). 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*").

88. 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.

89. U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, *Births: Final Data for 2001,* National Vital Statistics Report, Vol. 51, No. 2 (Dec. 18, 2002) at Table 17 (hereafter, *"Final Data for 2001"*) at Table C; see also *Health U.S. 2001, supra* note 87, at Table 9.

90. Centers for Disease Control, *Births: Final Data for 2002* (Hyattsville, MD; 2003); *Final Data for 2001*, *supra* note 88, at Table 17. See also *Health, U.S. 2001*, *supra* note 87, at Table 9.

91. *Final Data for 2002, supra* note 90, at Table 19; *Final Data for 2001*, *supra* note 89, at Table 19.

92. 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*").

93. 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.

94. *Id., passim.*

95. *Id.* at 1144. The percentage of pregnancies resulting in abortions has been declining since 1987.

96. *Id.*

97. *Final Data for 2001, supra* note 89, at 2.

98. Sexual experience among males declined more than it did among females, from 60% in 1988 to 55% in 1995. *Id.* at 1145.

99. *Id.*

100. *Id.*

101. See Centers for Disease Control and Prevention, *CDC Surveillance Summaries* (August 14, 1998) at 47 (No. SS-3).

102. 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.

103. Hispanic female sexual experience rates have grown from 49% in 1988 to 55% in 1995; see *Trends in Sexual Activity, supra* note 102, at 2.

104. *Teen Pregnancy and Parenting supra* note 88, 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.

105. *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 93, 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.

106. *Births and Deaths: 1997, supra* note 87, 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).

107. 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.

108. Center for Health Statistics Birth Records, *Live Births by Age of Mother, 2001* (available at http://www.applications.dhs.ca.gov/vsq/screen_age_birtha.asp?cnty_cd=AA&YEAR_DATA=2001&Criteria=1&Res_occ=Residence&Birth_Death=Birth&stats=2).

109. 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*").

110. 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.

111. 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.

112. 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 109, at Table 1.

113. *Id.*

114. Hans P. Johnson, Mothers So Young, Public Policy Institute of California, Vol. 4, No. 3, February 2003, at 4.

115. *Id.*, at 5.

116. *Id.*, at 1, 11.

117. Norman Constantine, Carmen Nevarez, *No Time for Complacency: Teen Births in California*, Public Health Institute, Berkeley, California, 2003, at 1.

118. *Id.*, at 10-12.

119. *Id.*, at 20-21.

120. 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?*").

121. 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.

122. 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 88, 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.

123. See California Department of Health Services, *Vital Statistics Data Tables 2002* (Sacramento, CA; 2003) at Table 2-5; California Department of Health Services, *Vital Statistics Data Tables 2001* (Sacramento, CA; 2002) at Table 2-5; 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).

124. Melanie Martindale, California Department of Finance, *California Demographics at Mid-Decade* (Sacramento, CA; 1996) at 7.

125. *TANF Characteristics Survey 1998*, *supra* note 14, Tables 18 and 19, at 34.

126. California Department of Social Services, *CalWORKs Characteristics Survey Federal Fiscal Year 1999* (hereinafter "*CalWORKs Characteristics 1999*") (Sacramento, CA; 2001), Table 11 at 23.

127. *Births and Deaths: 1997, supra* note 85; percentages calculated from data presented in Table 2 at 11.

128. 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.

129. 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.

130. Santelli, John; Rochat, Roger; Hatfield-Timajchy, Kendra; Gilbert, Brenda Colley; Curtis, Kathryn; Cabral, Rebecca; Hirsch, Jennifer S.; Schieve, Laura, "*Perspectives on Sexual and Reproductive Health*", Alan Guttmacher Institute, March 1, 2003, citing data from the National Survey of Family Growth. Note that the 1987 survey reported 57% of pregnancies as unintended by the female. The percentage fell to 49% in the 1995 survey.

131. The percentage of such pregnancies resulting in live births is based on 1999 PRAMS survey data. See esp. Centers for Disease Control and Prevention (CDC), *Prevalence of selected maternal behaviors and experiences*, PREGNANCY RISK ASSESSMENT MONITORING SYSTEM (PRAMS), 1999, Morbidity and Mortality Weekly Report, 2002, 51(SS-2):1-27. California-specific data is not available, but is unlikely to vary substantially from national numbers. *E.g.*, California's unwed birth rate is generally within 3% of the national rate, see discussion below.

132. Bruce J. Ellis, John E. Bates, Kenneth A. Dodge, David M. Fergusson, L. John Horwood, Gregory S. Pettit, and Lianne Woodward, *Does Father Absence Place Daughters at Special Risk for Early Sexual Activity and Teenage Pregnancy?*, CHILD DEVELOPMENT, May/June 2003, at 1-5; see summary at http://www.pubpol.duke.edu/centers/child/speakers_etc/absent_fathers.html. Findings were similar between the two samples tested— one from the New Zealand and one from the United States.

133. *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.

134. See California Department of Child Support Services, *Program Performance and Statistical Report, Annual Report 2001* (Sacramento, CA; 2002) at 50. See also 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.

135. 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.

136. 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).

137. Office of the Governor, *Governor's Budget 2004–05* (Sacramento, CA; January 2004) at HHS 149; Office of the Governor, *Governor's Budget 2003–04* (Sacramento, CA; January 2003) at HHS 146. 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.

138. 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*").

139. The percentages are based upon the highest possible grant for the benchmark family of three for Regions 1 and 2 respectively, plus the average per family Food Stamp coupon value, divided by the current poverty line for a family of three.

140. See average inflation adjusted grant per recipient as projected for 2004–05 above, plus the approximately $240 average Food Stamp grant (increased due to the TANF decrease) as a percentage of the 2004 monthly poverty line level.

141. See also Elisa D'Angelo, *The California State Lottery's Contribution to Education:The State Learns to Deceive*, 11 CAL. REG. L. RPTR. 1 (Winter 1991) at 1 for a critique of California's lottery advertising and self-promotion.

142. See *Fair Political Practices Commission v. Agua Caliente Band of Cahuilla Indians*, Sacramento County Superior Court Case No. 02AS04545, filed July 31, 2002; see also Gregg Jones, *Lobbying Rules for Tribe Upheld*, L.A. TIMES (February 28, 2003) at Part 2, page 1.

143. See, *e.g.,* Judy Zelio, "The Fat New Buffalo," State Legislatures (June 1994) 38-41.

144. 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."

145. *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.

146. 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.

147. 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).

148. 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.

149. *Id.*

150. California Department of Social Services, *CalWORKs Characteristics 2000* (Sacramento, CA) at v (hereafter "*CalWORKs Characteristics 2000*"). See also *CalWORKs Characteristics 1999*, *supra* note 126, Table 9 at 22; *TANF Characteristics Survey 1998, supra* note 14, at 24 (Tables 10 and 11). The average adult recipient in the 1998 data survey was 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 was 31 years. The average mother in the TANF-Unemployed group was 33 years. The average father (almost all in the latter group) was 37 years old.

151. *CalWORKs Characteristics 1999*, *supra* note 126, Table 21 at 40. See also similar numbers in *TANF Characteristics Survey 1998, supra* note 14, Tables 18 and 19 at 34.

152. *Id.,* Table 11 at 24.

153. *Births and Deaths: 1997*, *supra* note 85; percentages calculated from data presented in Table 2 at 11.

154. *Teen Pregnancy and Parenting supra* note 88, at 1–6.

155. *Id.* at 2.

156. *CalWORKs Characteristics 2000*, *supra* note 150, at v and Table 8a. See also *CalWORKs Characteristics 1999*, *supra* note 126, Table 18 at 16.

157. *CalWORKs Characteristics 2000*, *supra* note 150, at Table 6c. See also *TANF Characteristics 1998, supra* note 12, 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).

158. 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.

159. 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 37% figure represents the child portion of the estimated caseload as a portion of the 2.6 million children living in poverty. See See Appendix, Table App-C projecting 2.685 million impoverished children and the CalWORKs caseload data below as a percentage of that population.

160. *Welfare Reform and Children's Well-Being, supra* note 2, at 14.

161. *CalWORKs Characteristics 1999, supra* note 126, Table 4 at 12.

162. 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.

163. See *TANF Characteristics Survey 1998*, *supra* note 14.

164. See *AFDC Characteristics Survey: October 1996, supra* note 55, at 25–26.

165. *CalWORKs Characteristics 1999, supra* note 126, Table 36 at 62.

166. *Id.* at 21–22 for 1996 data; for 1998 data, see *TANF Characteristics Survey 1998*, *supra* note 14, Supplemental Report at Table B at 3.

167. 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.

168. 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*").

169. *CalWORKs Characteristics 2000, supra* note 150, at v; see also *CalWORKs Characteristics 1999, supra* note 126, Table 23 at 42.

170. *CalWORKs Characteristics 2000, supra* note 150, at Table 13a.

171. *CalWORKs Characteristics 2000*, *supra* note 150, at v; *Working But Poor, supra* note 19, at 2.

172. *Marital Status: March 1998, supra* note 70, Table 6 at 36.

173. *Who Will Be Affected by Welfare Reform?, supra* note 120, at 70.

174. *TANF Characteristics Survey 1998*, *supra* note 14, Table 28 at 46.

175. *AFDC Characteristics Survey: October 1996, supra* note 55, at 36–37. The percentage of AFDC-FG families (single parents) with earned income has gravitated from 5%–10%, and rose with the economic recovery in 1996 to a record 12%.

176. 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.

177. 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.

178. *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 126, Table 45 at 78.

179. 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 88, 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.

180. *Welfare Reform and Children's Well-Being, supra* note 2, at 22–23.

181. *AFDC Characteristics Survey: October 1996, supra* note 55, 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.

182. *CalWORKs Characteristics 1999, supra* note 126, Tables 25-27 at 44-46.

183. *What is the Connection?, supra* note 88, at 15, n.19.

184. Department of Social Services, *AFDC Characteristics Survey: October 1995* (Sacramento, CA; Oct. 1995) at 27 (Charts 6 and 7).

185. *Id.* at 6.

186. *What is the Connection? supra* note 88, at xiii, 24–26.

187. 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.

188. 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.

189. 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.

190. 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).

191. 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.

192. A full-time worker earning $6.75 per hour will receive $14,040 per year in gross income. Adding the $4,140 maximum EITC in effect in 2003 yields $18,180 and above the $15,260 poverty line. However, after Social Security, Medicare, and state SDI deductions, maximum take-home pay would be just above the poverty line. In addition, the family may not qualifly for the maximum EITC, which is conferred on a sliding scale. A family with one child and a parent working full time at minimum wage will net just over the poverty line, one with two children close to the line, and those with three or more children will be substantially below the line.

193. See *supra* note 1, which lists the current poverty guideline for a family of four at $18,850.

194. Richard May, Center on Budget and Policy Priorities, *1993 Poverty and Income Trends* (Washington, D.C.; March 1993) at 19–20, 61.

195. 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?*").

196. *Id.*

197. 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.

198. 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).

199. *Will Work Pay?, supra* note 195, at 12.

200. *Id.* at 14.

201. *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.

202. *Id.*

203. See California Budget Project, *Making Ends Meet, How Much Does it Cost to Raise a Family in California?* (Sacramento, CA; Oct. 2003).

204. *Id.*

205. *Id.*

206. *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.

207. "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.

208. *Id.* at 9.

209. 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).

210. 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 11, at Tables 1-C and 1-D.

211. 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.). SB 35 (Chapter 69, Statutes of 1993) raised 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, which were approved by the U.S. Department of Health and Human Services.

212. 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.

213. Pub. L. No. 104-93.

214. See *Who Will Be Affected by Welfare Reform?*, *supra* note 120, at 9.

215. California Budget Project, *TANF and CalWORKs: How California Spends the Money*, Welfare Reform Update (Sacramento, CA; Aug. 2001) at 5.

216. See U.S. General Accounting Office, *Welfare Reform: Challenges in Maintaininga 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.

217. H.R. 3734 (Pub. L. No. 104-193), 110 Stat. 2105, § 103, requires 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.

218. *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.

219. 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.

220. 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.

221. *AFDC Characteristics Survey 1995*, *supra* note 183, at 21.

222. 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.

223. Pub. L. No. 104-193, § 103 of the Act, 42 U.S.C. § 602.

224. 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.

225. *Working But Poor, supra* note 19, at 13.

226. *Timing Out: CalWORKs Recipients Fact the State's Five-Year Time Limit*, California Budget Project, December 2002, at1-3. Note that the CBP argues that the DSS has overestimated the number timed out as of January 2003, but then undercounts the number to be added from February to June. See www.cbp.org

227. For 35% figure, see *AFDC Characteristics Survey 1995, supra* note 183, at Table 36. For caseload data, see below.

228. 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. A state gets full credit for those already removed from TANF rolls (unless removed through a change in eligibility). Current participation for California is just above 35% under the more difficult 40 hour per week test.

229. 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.

230. 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).

231. 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).

232. Pub. L. No. 105-33.

233. 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.

234. See Virginia Ellis, *Lower Welfare for Newcomers Begins Tuesday*, L.A. TIMES, March 26, 1997, at A-1, A-17.

235. See, *e.g., Beno v. Shalala*, 30 F.3d 1057 (9th Cir. 1994).

236. *Saenz v. Roe*, 1999 DAILY JOURNAL D.A.R. 4559 (May 17, 1999).

237. *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.

238. Under the current year (2003–04) grant structure, a Region 1 a parent and one child receive a maximum allowable grant of $568. The maximum grant is increased with each additional child as follows: $704, $839, $954, $1,072, $1,178, $1,283. For a Region 2 similar family, the maximum grant is $540 and additional children increase it as follows: $671, $799, $909, $1,021, $1,119, and $1221.

239. *Too Good To Be True, supra* note 92. 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.

240. 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).

241. CAL. WELF. & INST. CODE § 11320.15.

242. *Id.*

243. *Id.* at § 11320.3. The following are excused from work requirements and do not use the limited sixty 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.*

244. 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.

245. CAL. WELF. & INST. CODE § 11322.8.

246. 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.*

247. 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.

248. CAL. WELF. & INST. CODE § 11322.6.

249. *Id.* at §§ 11323.6, 11323.8.

250. *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.

251. CalWORKs allows up to six county pilot projects to use six-month income redeterminations.

252. See Chapter 826, Statutes of 1999.

253. For DSS data presentation covering WtW participants and numbers sanctioned for each month of fiscal 2001–02, see *Recipient Impact Statement—2003–04 CalWORKs Proposed Budget,* Coalition of California Welfare Rights Organizations (Sacramento, CA; 2003) Figure 5, at 6.

254. CAL. WELF. & INST. CODE § 11453.2.

255. *Who Will Be Affected by Welfare Reform?, supra* note 120, 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.

256. 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.

257. Center on Social Welfare Policy and Law, *Welfare Myths: Fact or Fiction?* (New York, NY; 1996).

258. 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).

259. 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?*").

260. *TANF Characteristics Survey 1998*, *supra* note 14, Table M at 14.

261. *California Work Pays Findings*, *supra* note 168, 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 120, at 94–95.

262. 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.

263. *Id.*

264. The budget included a total of $400 million for job training and employment services for 1999–2000, carried over to 2000–01. 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 was made available in 2000–01.

265. The three sites studied were Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California.

266. 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*").

267. *Id.* at ES-17.

268. *Id.* at ES-18

269. "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.

270. *National Evaluation, supra* note 266, at ES-6.

271. *Id.* at ES-18.

272. *Are There Enough Jobs?*, *supra* note 259, at 3–7.

273. 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).

274. Anthony P. Carnevale and Kathleen Reich, *A Piece of the Puzzle* (ETS; February 2000) at 9-22.

275. Los Angeles Economic Roundtable, *On the Edge: A Progress Report on Welfare to Work in Los Angeles* (Los Angeles, CA; 1999) at 1–12.

276. 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).

277. 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 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*").

278. 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 277. 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).

279. 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.

280. 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.

281. "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, 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.

282. 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.

283. 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.

284. See PRA §§ 407(d)(3) or 407(d)(2), respectively.

285. For a discussion of this issue, see *Fiscal and Legal Framework*, *supra* note 277, at 3–4.

286. See *Community Service: What Does it Mean, supra* note 281, *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.

287. See All-County Information Notice 1-75-00, issued August 21, 2000.

288. 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.

289. See the Los Angeles County Department of Public Social Services, *Community Service Implementation Plan, Grant-Based 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 requiring community service employment as their 24 month time limits expire through 2001–03.

290. California Budget Project, *CalWORKs Community Service: How Can Counties Make It Work?* (Sacramento, CA; Nov. 2000) at 6 (www.cbp.org).

291. Chapter 933, Stats. 2000.

292. 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 282, at 4.

293. Office of Legislative Analyst, *Improving CalWORKs Program Effectiveness: Changing the Employment Services Budget Process* February 14, 2001, at 1 (hereinafter, "*Improving CalWORKs"),*

294. *Id.*, at 8.

295. California Budget Project, *Timing Out: CalWORK's Recipients Face the State's Five-Year Time Limit*, WELFARE REFORM UPDATE (December 2002) at 2-3 (hereafter "*Timing Out*").

296. *Id*, at 4-5.

297. *Id.*, at 8-11.

298. 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.

299. *Improving CalWORKs, supra* note 293, at 1.

300. See *Timing Out, supra* note 295 at 9, finding some services offered in Alameda, Los Angeles, Riverside, Sacramento, San Francisco and Santa Clara, while none are planned for Kern, Orange, San Bernadino, San Diego, San Joaquin, or Tulare Counties.

301. 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).

302. Department of Social Services, *CalWORKs Characteristics 2001* (Sacramento, CA; 2001) at Tables 41 and 42.

303. *Id.*, Table 42 at 74.

304. 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).

305. Staff of NGA, NCSL, and APWA, *Tracking Recipients after They Leave Welfare*, July 1998, at 1; see www.nga.org/welfare/statefollowup.htm.

306. 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.

307. 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.

308. *Id.* at 2.

309. *Id.* at 6.

310. U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States—1999* (Washington, D.C.; Sept. 2000) Table D at xv.

311. 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).

312. See J. Grogger, L. Karoly and J. Klerman, *Consequences of Welfare Reform: A Research Synthesis*, RAND, Washington, D.C., July 2002, see www.acf.dhhs.gov/programs/opre/welfare_reform/rand_report.pdf; see also L. Gennetian, G. Duncan, V. Knox, *How Welfare and Work Policies for Parents Affect Adolescents*, Manpower Demonstration Research Corporation (New York, NY; May 2002), available at www.mdrc.org/Reports2002 /ng_adocsyn_full.pdfGennetian et al.

313. 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.

314. 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/publications.asp); see also L. Gennetian, V. Knox, W. Vargas, E. Clark-Kauffman, and A. London, *How Welfare and Work Politics for Parents Affect Adolescents,: A Synthesis of Research*, New York, MDRC, May 2000, see www.mdrc.org/Reports2002/ng_adolescent/ng_adolescentsynthesis _overview.htm.; see also J. Brooks-Gunn, Child Development and Working Mothers, Child Development Journal (July - August 2002) showing slightly lower cognitive scores at 36 months of age.

315. R. Wertheimer, *Working Poor Families with Children: Leaving Welfare Doesn't Necessarily Mean Leaving Poverty*, Child Trends Research Brief (Washington D.C.; May 2001).

316. Richard Wertheimer, *Working Poor Families with Children*, Foundation for Child Development (Feb. 1999) at 1 (www.childtrends.org/workingpoor.shtml).

317. 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.

318. Mark Drayse, Daniel Flaming, Peter Force, *The Cage of Poverty*, Economic Roundtable (Los Angeles, CA; Sept. 2000) at 163.

319. 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.

320. California Budget Project, *What Do We Know About Former CalWORKs Recipients?*, Welfare Reform Update (Sacramento, CA; July 2001) at 1-6.

321. 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.newfederalism.urban.org, and www.researchforum.org.

322. The Impact of Welfare Sanctions on the Health of Infants and Toddlers, A Report from the Children's Sentinel Nutrition Assessment Program, July 2002, at 13. Note that the Program contributors include multiple investigators at 6 medical centers throughout the nation, including Harbor-UCLA Medical Center.

323. *Children of Immigrants—A Statistical Profile*, National Center for Children in Poverty, Columbia University, New York (September 2002) at 2-3. The study averaged census data from 1994–2001.

324. D. Flmaing, P. Kwon, P. Burns, *Running Out of Time*, Economic Roundtable, Los Angeles, California, Summer 2002, at 1-3, see www.economicrt.org.

325. CAL. WELF. & INST. CODE § 11453.2.

326. 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...."

327. *Id.* at § 17000.

328. See Robert C. Fellmeth, *Who Will Pay for the Kids?,* SAC. BEE, Aug. 1, 1995, at B-1.

329. California Department of Social Services, *The California Temporary Assistance Program* (Sacramento, CA; 1997) at 8 (hereinafter "*CalTAP*").

330. 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.

331. See *id.*

332. *California Work Pays Findings, supra* note 168, at Table 5.

333. See Office of the Governor, *Governor's Budget Summary 1997–98* (Sacramento, CA; 1997) at 19 (hereinafter "*Governor's Budget Summary 1997–98*").

334. *CalTAP*, *supra* note 329, at 13.

335. *Santosky v. Kramer*, 455 U.S. 745 (1982).

336. See, *e.g.*, *Smith v. Organization of Foster Families*, 431 U.S. 816, 862–63 (1977).

337. *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 335, at 758.

338. See, *e.g.*, *In re Jeannette S.*, 94 Cal. App. 3d 52 (1979).

339. 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).

340. *Id.*

341. TANF for single-parent families, before proposed reductions, costs an average of $191 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.

342. Note that the $191 is an average of amounts received rather than maximum grant levels (see TANF budget tables below). The foster care data is presented in Chapter 6.

343. *AFDC Characteristics Survey: October 1995, supra* note 183, at Table 9.

344. 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.

345. 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.

346. *Governor's Budget Summary 1997–98, supra* note 333, at 20.

347. 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.

348. 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.

349. *Id.* at S-9.

350. 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.

351. *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).

352. 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 14, Table 3 at 9.

353. *TANF Characteristics Survey 1998, supra* note 14, Table L at 13.

354. See Office of the Governor, *Governor's Budget Summary 1995–96* (Sacramento, CA; 1995) at 37.

355. 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).

356. See 8 U.S.C. § 1182(a)(4).

357. 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).

358. *Id.*

359. 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).

360. *AFDC Characteristics Survey 1995, supra* note 183, at Table 26.

361. *CalWORKs Characteristics Survey, supra* note 124, Table 27 at 46, see also *TANF Characteristics Survey 1998, supra* note 14, Table L at 13.

362. 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?

363. See Pub. L. No. 104-208, § 642 (Sept. 30, 1996).

364. 62 C.F.R. § 61347.

365. 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)..

366. See *One in Ten: Protecting Children's Access, supra* note 365, 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.

367. 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.

368. 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).

369. The 2004–05 federal poverty line for the benchmark family of one parent and two children is $15,670, or $$1,306 per month. The average Food Stamp grant is $84 per month per person. Accordingly, the high county percentage of total safety net support, measured by average Food Stamp grant and maximum TANF grant is 71% for the high cost counties and 69% for the low cost (lower TANF grant) counties .

370. Office of the Governor, *Governor's Budget 2004–05* (Sacramento, CA; January 2004) at HHS-158.

371. *Improving CalWORKs*, *supra* note 293, at 4.

372. 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.*

373. Assembly Budget Committee, *Preliminary Review of the Governor's Proposed 1999–2000 State Budget* (Sacramento, CA; January 1999) at 55.

374. 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).

375. Federal Workforce Investment Act of 1998 (Public Law 105-220).

376. Office of the Governor, *Governor's Budget Summary 2002–03* (Sacramento, CA; January 2002) at 194.

377. Office of the Governor, *Governor's Budget Summary 1998–99* (Sacramento, CA; Jan. 1998) at 109.

378. See ACL 03-16 at www.dss.cahwnet.gov/getinfo/ltrnotice/.

379. 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.

380. Note that the vacancy incidence was 11.5% in November 2002 according to the State Controller's Office, see California Budget Project, *The Vacancy Game Revisited; Spotlight on State Operations*, Sacramento, California, March 2003, at 1.

381. *Budget Summary 2004–05, supra* note 37, Schedule 6 at Appendix 25.

382. Frank Mecca, *Cuts to County-AdministeredPrograms Since June 2001*, California Welfare Directors Association of California, October 18, 2002.

383. Frank Mecca, *Estimated Staff Reductions Related to the May Revision Cuts* (May 15, 2002) at 2. Mecca estimated 863 lost positions from the total anticipated cut of $248 million following the 2002 May Revise. We are using a more conservative assumption of $40,000 per employee, somewhat above the average cost assumed above.

384. 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.

385. 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).

386. Governor Gray Davis, *Re Veto of SB 1479*, September 30, 2002, see www.leginfo.ca.gov, enter 2002, Senate, and search 1479.

387. See e.g., Kristin Moore, Ph.D., Rosemary Chalk, Juliet Scarpa, Sharon Vandivere, M.P.P., *Family Strengths Often Overlooked, But Real,* Child Trends Research Brief (Washington, D.C.; 2002), summarizing findings from the National Longitudinal Survey of Youth, 1997 and discussing the family characteristics contributing to mental health and self-confidence, *et al.* See www.childtrends.org. This research concerning older youth is supplemented by the more obvious reality of child poverty arising from single parent homes. Such poverty for involved children is implicit in a society with high real estate costs, substantial child care costs, lack of extended family for such care. Beyond the longitudinal study and the economic difficulty of single parenthood is the psychological advantage of two parents—including the clear import of paternal involvement (see citations and discussion in Chapter 9). While opponents of marriage encouragement note the disadvantage to children of forcing an unhappy marriage or of facilitating involvement of destructive parents, such objections beg the question. Child advocates increasingly recognize that failure or exacerbation warrants vigilance and measurement, not dismissal of public policies that stimulate marriage, children who are intended and prepared for, and commitment to family.

388. 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.

389. 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).

390. 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).

391. 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.

392. See Chapters 599 and 614, Statutes of 1997.

393. 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.

394. 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.

395. See Governor Gray Davis, *Veto Message re AB 2240* (Sacramento, CA; September 26, 2002), available at www.leginfo.ca.gov/pub/01-02/bill/asm/ab_2201-2250/ab_2240_vt_20020926.html.

396. *In re Marriage of Pedregon*, 107 Cal.App.4th 1284, 132 Cal.Rptr.2d 861 (2003).

397. 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.

398. See, for example, SB 656 (Corbett), which would provide that every child support order issued by the court on or after January 1, 2004, and that every support agreement providing for the payment of child support approved by a court on or after January 1, 2004, include a separate obligation owed by the support obligor for the cost of collection of past due child support collected by a private child support collector, as defined, payable as a private child support collector fee of 25% on any past due child support collected by a private child support collector pursuant to a contract with the support obligee as his or her agent. The bill would also provide that the fee may be enforced by the private child support collector by any remedy available to the obligee for enforcement of the child support order without the requirement of additional action or order by the court. SB 656 is pending in the Senate Judiciary Committee.

399. 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.

400. Office of Legislative Analyst, *Analysis of the 2001–02 Budget Bill, Departmentof Child Support Services (5175)* (Sacramento, CA; 2001) at 1.

401. California State Auditor, *Child Support Enforcement Program: The Procurement ofa Single, Statewide Automated Child Support System is Taking Longer Than Initially Estimated, with Several Challenges Remaining* (Sacramento, CA; December 11, 2003) at 1–2; see www.bsa.ca.gov/bsa.

402. *Id.*

403. 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.

404. Chapters 478 and 480, Statutes of 1999.

405. 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.

406. Hugo Martin, Sue Fox, *Layoffs Put Support for Kids at Risk*, LOS ANGELES TIMES, June 8, 2003, at B-1.

407. 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*").

408. See CAL. WELF. & INST. CODE § 11450 (f)(2).

409. 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.

410. 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.

411. 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.

412. 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.

413. See Tom Shapiro, Northeastern University, *Black Wealth, White Wealth* (1995).

414. 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).

415. *Id.*

416. See Robert Greenstein, Richard Kogan, Joel Friedman, *New Tax Cut Uses Gimmicks to Mask Costs*, Center on Budget and Policy Priorities, June 1, 2003, at 1-3, hereafer "Tax Cut Uses Gimmicks").

417. *Id.*, at 7.

418. *Id.*, at 2-3; see also cited study of the Urban Institute-Brookings Institution Tax Policy Center.

419. See Center on Budget and Policy Priorities, *Facts About the New Child Tax Credit* (Washington, D.C., 2003) at 3-6, see www.cbpp.org.

420. Robert Greenstein, *The New Procedures for the Earned Income Tax Credit,* Center on Budget and Policy Priorities (Washington, D.C., May 20, 2003) at 2–5. Note the citation by Greenstein of the statement of Michael Brosteck of the General Accounting Office outlining inconsistencies in IRS review of these documents. See GAO-03-732T (May 7, 2003).

421. *Id.*

422. Isaac Shapiro, *Bush Tax Cuts to Send Revenues, as aShare of GDP, to Lowest Level Since 1959*, Center on Budget and Policy Priorities, June 4, 2003, at 1.

423. Military spending is projected at just under $400 billion, in addition to substantial "War on Terror: and Iraqi war expenses. Russia, the next largest defense establishment, spends just over $60 billion. The largest 47 nations of the world combined spent $420 billion on defense as of 2001. The U.S. total does not include veterans' benefits, nor indirect defense costs. See Christopher Hellman, *Last of the Big Time Spenders*, Center for Defense Information, 2002 at www.cdl.org/issues/wme/spendersFY03html; see also Center for Defense Information, *Military Almanac 2001–02* (2002) at 34 www.cdl.org.

424. 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.

425. *A Far Cry from Fair, supra* note 442. 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%.

426. 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.

427. 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.

428. 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.

429. 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.

430. 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.

431. 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.

432. 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.

433. Legislative Analyst's Office, *The 1997–98 Budget: Perspectives and Issues* (1997) at 194–95 (hereinafter "*The 1997–98 Budget: Perspectives and Issues*").

434. See *California Children's Budget 1997–98*, *supra* note 407, at 2-67 (Table 2-O).

435. See *The 1997–98 Budget: Perspectives and Issues*, *supra* note 433, at 182.

436. See *Governor's Budget Summary 1998–99, supra* note 377, at 63.

437. 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.

438. See *Governor's Budget Summary 1998–99, supra* note 377, at 63 (Figure REV-1).

439. 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).

440. *Budget Summary 2003–04, supra* note 218, at 53.

441. 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).

442. 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.

443. California Budget Project (Sacramento, CA; April 15, 1998) (www.cbp.org).

444. 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.

445. *Id.* at 24. Only Michigan had a higher rate of inequality gain from 1969 to 1989.

446. See discussion in Chapter 3.

447. *Strengths of the Safety Net, supra* note 138, at vii-ix, 6, 29-35.

448. 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.

449. *Id.* at 127.

450. 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.

451. 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.

452. 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.

453. See *California Children's Budget 1997–98, supra* note 407, Figure 2-F and discussion at 2-68 to 2-69 and note 196.

454. 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.

455. See *Strengths of the Safety Net, supra* note 138, at 19–29.

456. 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.

457. 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.

458. See the estimate of the National Center for Children in Poverty that a 25% credit would lift 92,000 California children 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 CouldBe Lifted From Poverty,* National Center for Children in Poverty, Columbia University School of Public Health (April 11, 2001) at 1 (www.nccp.org).

459. See the higher wage bases of Oregon and Nevada.

460. "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 sixty 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).