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Rethinking the State-Local Relationship: Social Services

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Summary

Realignment—the shift of responsibilities from the state to local governments—has attracted a great deal of policymaker attention in California. In 2011, state lawmakers realigned substantial aspects of criminal justice, child welfare, and certain other responsibilities. Lawmakers may soon consider whether and how to further decentralize one or several of the state's largest social safety net programs, which include CalFresh, CalWORKs, child care subsidies, and child support services.

A specific federal factor—the upcoming expansion of public health insurance under the federal Patient Protection and Affordable Care Act (ACA)—is spurring this debate in the social services arena. The consequent reduction in the number of uninsured residents will sooner or later prompt a reshaping of state-county relations in the county-run health safety net. Depending on how it is crafted, this realignment could have implications for intergovernmental relationships in one or several social safety net programs.

Currently, the state delegates substantial responsibilities to counties to administer social safety net programs. Counties also have a role in policymaking and in funding, although these roles are more limited. Any discussion of realignment will touch on these three aspects of the state-county relationship. An incremental approach to realignment would simply redesignate certain funds currently directed toward the health safety net to one or several social safety net programs—a funding "swap," so to speak.

In contrast, a more far-reaching approach would involve consideration of bigger changes. These include entrusting counties with greater revenue-raising responsibilities, providing counties with additional policymaking authority, and reconsidering administrative responsibilities. The feasibility of these moves depends in part on federal constraints present in the different programs.

This report examines elements of a comprehensive approach. We conclude that CalWORKs provides the most apparent prospect for additional delegation of policymaking authority, for two reasons. First, its federal support is flexible, and second, counties already have a policymaking role. However, CalWORKs has seen substantial changes in program policies, funding levels, and funding sources in the past several years, and it is unclear whether additional major changes are warranted. In addition, CalWORKs is tied in practice to child care subsidies and, historically, to CalFresh. This means some consideration of governance roles in those programs is an important corollary of any thoroughgoing examination of CalWORKs realignment.

In addition, we conclude that that the most practicable opportunity for delegating revenue-raising responsibilities to counties is in child support services. This program currently raises revenues for the state and federal government. State decisionmakers could instead redirect some revenues to counties, and even consider giving counties leeway in how they raise revenues in this program. In this way the counties could be expected to run more autonomous programs. But the state would need to consider whether and how to encourage counties to balance revenue-raising with the program goals of increasing family self-sufficiency and child well-being.

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Abbreviations

ACA	Affordable Care Act
APP	Alternative Payment Provider
CDE	California Department of Education
CDSS	California Department of Social Services
CalWORKs	California Work Opportunity and Responsibility to Kids
EITC	Earned Income Tax Credit
FNS	Food and Nutrition Service
IRS	Internal Revenue Service
LCSA	Local Child Support Agency
MOE	Maintenance of Effort
OCC	Office of Child Care
OCSE	Office of Child Support Enforcement
OFA	Office of Family Assistance
SNAP	Supplemental Nutrition Assistance Program
SSI	Supplemental Security Income
TANF	Temporary Assistance for Needy Families
DHHS	U.S. Department of Health and Human Services
USDA	U.S. Department of Agriculture

Introduction

This report is part of a PPIC series that examines realignment—that is, the reshaping of state and local governance responsibilities in California. We focus here on four human services programs designed to assist the state's residents when they are at their most vulnerable: the CalWORKs cash assistance program, child care subsidies for working families, the CalFresh nutrition assistance program, and child support services provided to families with a non-resident parent. These are four of California's largest safety net programs, and the degree to which they are efficient, effective, and equitable in both design and operation is of fundamental concern.

California's 58 counties play key roles in administering these programs. In fact, the counties have long held significant administrative responsibilities that are handled at the state level in most other states.[1] At the same time, California's counties have historically received the lion's share of policy direction and funding from the federal and state governments.

California has realigned government functions in the social services policy area in the past—notably in 1991, when state and county roles in CalWORKs and CalFresh (and other programs) were altered (Legislative Analyst 2001).[2] More recently, the 2011 public safety realignment (for which funding is now constitutionally protected under Proposition 30) may not have exhausted the appetite for shifting government functions from the state to the counties.[3]

Moreover, as California begins to implement key provisions of the federal Patient Protection and Affordable Care Act (ACA), it is likely that social services realignment will be a focus of attention. California policymakers are currently reassessing the state-local partnership that delivers health insurance coverage and health services to low-income residents.[4] In his January 2013 budget proposal, the governor set out two potential paths for reshaping state-county relations in health; one of these paths would likely result in the redirection of state-origin funds for county health programs to county social services programs (Brown 2013). It is also the case that certain of the federal mandates laid out in the ACA—those aimed at insuring the most universal possible health insurance coverage—will very likely have implications for eligibility and enrollment in social services programs that have administrative ties to Medi-Cal, the state's main public health insurance program.

No matter the modifications realignment might make to governing relationships, the programs will continue to function as partnerships among federal, state, and county governments. The state will continue to act as an intermediary between the federal and county governments and will provide the additional oversight and coordination prescribed by state lawmakers. The federal government will continue to provide funding and require accountability, although realignment could prompt the state to request waivers for certain aspects of

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[1] By several yardsticks, California delivers its largest safety net programs in a more decentralized way than almost every other state. Rogers-Chapman and Danielson (2012) discuss these measures of devolution in greater detail. See Silva and Barbour (1999) for historical context about state-county governing arrangements in California.

[2] In reality CalWORKs, which came into being in 1998, inherited the changes made in 1991 to California's predecessor cash and work services programs. The more recent Public Safety realignment in 2011 included a funding swap that affected the CalWORKs program. We discuss this change below.

[3] For more detail about the 2011 realignment, see Danielson (2011); Legislative Analyst (2011b); Legislative Analyst (2012b); Misczynski (2012).

[4] Rethinking the State-Local Relationship: Health Care discusses potential changes to the current state-county division of responsibilities in health care provision in more depth.

program requirements for some or all of its counties. Counties will continue to operate programs, receiving most program funds from the federal and state governments, and will continue to be accountable in some form to the state.

There are a number of directions that state lawmakers could take in a further realignment of social safety net programs. Generally speaking, it is likely that they would designate one or several funding streams to support programs or aspects of programs, thereby removing the realigned programs or program functions from the state General Fund on a long-term basis and insulating them from some aspects of year-to-year state-level decisionmaking. The complexity—and the major consequences—lie in the shaping of those funding arrangements, the degree to which policymaking authority is necessarily or by choice transferred to counties along with the shift in funding, and whether and how to alter administrative responsibilities.

In an effort to inform realignment discussions, we first review the goals and basic characteristics of the CalWORKs, CalFresh, child care subsidies, and child support programs. We then discuss these programs in terms of funding and policymaking authority, identifying some important challenges likely to arise in any realignment plan. Finally, we consider the governance themes of efficiency, access, and service delivery in order to call attention to the broader premise of realignment: its potential to improve programs.

Program Goals and Characteristics

CalWORKs grants and services, child care subsidies, CalFresh grants, and child support services are safety net programs that serve mainly (although by no means exclusively) children. As Table 1 indicates, the various programs' target populations and goals overlap in part. Families *may* be involved in all four programs—because they are CalWORKs recipients, and that program connects them to the other three programs—but this is far from being universally the case. And although CalWORKs has loomed large in state budget discussions in recent years, the program is next to smallest in terms of number of children served (Table 1). County human services departments administer CalWORKs, a portion of child care subsidies, and CalFresh, and they have an IT infrastructure shared across programs to do so.[5] Separate county departments administer child support services.

TABLE 1
Program background

	CalWORKs	Child care subsidies	CalFresh	Child support services
Target population	Low-income families with children	Low-income families with children age 12 and younger; parent must be a current or former CalWORKs participant who is working or in specified types of work training/ preparation	Low income individuals and families	Families with children and non-custodial parent (no income restriction)
Program goals	Support child well-being Improve family self-sufficiency through parental employment	Support parental employment and child development.	Support an adequate and nutritious diet	Increase family self-sufficiency and child well-being Repay governments for cost of welfare cash assistance to single-parent families
Total monthly recipients (2011)	1,117,000 children 324,000 adults	133,000 children	2,341,000 children 1,497,000 adults	1,555,000 children
Average monthly payment per recipient (2011)	$200	Not applicable	$147	$122

SOURCES: California Department of Social Services (CW115, CW115A, CA237, DFA246, and PAFF reports, available at www.cdss.ca.gov/research/); California Department of Education (CD 801A reports, available at www.cde.ca.gov/sp/cd/re/); California Department of Child Support Services (CS1257 reports, available at www.childsup.ca.gov/Reports.aspx).

NOTES: Numbers of recipients are annual averages rounded to the nearest thousand; however, caseload concepts differ somewhat across programs. For CalWORKs and CalFresh, counts represent those who received a benefit during the month. For child care subsidies, number of children served is a point-in-time count of enrollment (across all three stages of the program). For child support, it is a point-in-time count of children served (regardless of whether a child support order is in place or child support has been collected). Monthly child support payments are amounts distributed to families divided by the number of children served. The monthly amount distributed to families among cases with any collections was $260.

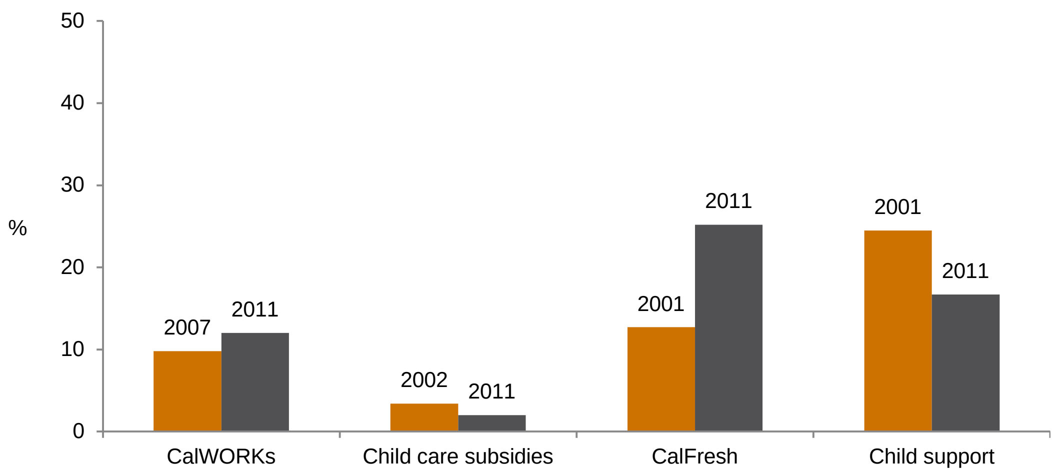
[5] County human services departments also administer Medi-Cal, as well as other programs. For a recent discussion of the shared IT infrastructure from the point of view of the Medi-Cal program, see Rosenstein, Davis, and Fosdick (2012). For additional background on California's health and social safety net programs, see Legislative Analyst (2010).

CalWORKs

CalWORKs provides monthly cash-based income assistance to low-income families with children; it has the twin goals of buffering children against extreme poverty and helping parents work toward self-sufficiency. Eligibility is determined on a family basis, although program rules and other factors often mean that certain family members—usually adults—are ineligible.[6] State lawmakers determine monthly grant amounts (they have reduced the amounts in two of the past three years). In 2011, grants averaged $200 per recipient, with an average of 2.4 family members receiving grants. For some parents, CalWORKs also provides work services such as job search assistance and subsidized child care.[7]

The CalWORKs caseload began growing in mid-2007 as California's economy weakened, reaching a decade-high peak in spring 2011 when approximately 12 percent of California children received CalWORKs in any one month (Figure 1). The number of recipients is now declining: Between 2011 and 2012, the number of children receiving CalWORKs dropped by approximately 100,000, equivalent to a 9 percent decline from the recent caseload peak.

FIGURE 1
The decade-low and decade-high percentages of California children served varied significantly across programs (2001–2011)



SOURCES: California Department of Social Services (CW 115, CW 115A, CA 237 and DFA 246 reports, available at www.dss.cahwnet.gov/research/); California Department of Education, (CalWORKs caseload reports, available at www.cde.ca.gov/sp/cd/re/); California Department of Child Support Services (Quarterly Performance reports, available at www.childsup.ca.gov/Reports.aspx); U.S. Bureau of the Census population estimates for California (available at www.census.gov/popest/); FNS-USDA annual participant characteristics reports (available at www.fns.usda.gov/ora/MENU/Published/snap/SNAPPartHH.htm).

NOTES: Year above each bar indicates the year in which the average share of children served was lowest or highest across the decade. We divided child program participants by Census population estimates for ages 0–17, except in the case of child care subsidies, where we used the population estimates for ages 0–12. In actuality, the eligible age range differs for a minority of program participants. In the case of child care subsidies, children with special needs who are over age 12 are eligible. In the case of CalWORKs, those age 19 and younger who are enrolled in school and living with their parents are counted as children. Teen parents living separately from their parents are counted as adults, no matter their age.

From its very beginning in 1998, CalWORKs was structured to allow counties substantial flexibility in designing services to help parents find and retain employment—counties submitted plans to the state laying

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[6] The program is known federally as Temporary Assistance for Needy Families (TANF). As is the case with the Supplemental Nutrition Assistance Program (SNAP), certain groups of legal, non-citizens are ineligible for federally funded benefits; however, California can and does use state funds to provide assistance to these immigrants.

[7] Eligibility rules for CalWORKs are complex and have undergone substantial revisions in the past several years. See Brown (2012), Danielson (2012), and Legislative Analyst (2012a).

out their approaches for providing such support. This policymaking role grew out of innovative county programs developed during the period leading up to the creation of CalWORKs. Later, in the mid-1990s, the federal government devolved considerable welfare policymaking authority to the states, which California passed along in part to its counties (Hamilton 2002; Zellman et al. 1999).

Child Care Subsidies

California has several types of subsidized child care and child development programs. One of the largest is supported with both state and federal funding and is aimed at helping parents who are currently receiving or who have recently received CalWORKs to work or prepare for a job. These child care subsidies also aim to advance child development by increasing low-income children's access to early childhood education. However, parents must be working and have a current or recent connection to CalWORKs to qualify. Those who do qualify receive a voucher they can use to purchase child care of their choice from a range of providers, including day care centers, school-based programs, family day care providers, and relatives.[8] State lawmakers have made these and other policy choices relating to family eligibility, eligible providers, and care reimbursement rates. As is the case with CalWORKs, federal law gives states considerable policymaking flexibility in this program.

This subcategory of government-supported child care is particularly complex in California because it is conceptualized as three stages that correspond to parents' expected progression through three phases of involvement with CalWORKs:

- Participating in welfare-to-work activities or newly employed;
- Stably employed (and possibly transitioning off CalWORKs); and
- No longer receiving CalWORKs assistance but still in need of subsidized child care.

Currently, the California Department of Social Services (CDSS) oversees stage one as part of CalWORKs, while the California Department of Education (CDE) administers stages two and three, contracting with 86 nonprofits and local government entities known as Alternative Payment Providers (APPs).[9] At the present time 61 of the APPs are nonprofits, 10 are county human services departments, and the remaining 15 are other local government entities (most often county offices of education). In addition, 30 county human services departments sub-contract with APPs to provide stage one child care. Thus only 10 of the 58 counties currently handle all three stages of child care subsidies. An additional 18 administer stage one child care only, and the remaining 30 contract out all three stages to APPs.

In 2012, Governor Brown proposed to partially consolidate California's subsidized child care programs by redirecting state funds for child care subsidies (including certain non-CalWORKs subsidy programs) to county human services departments via CDSS; his proposal was not enacted into law.[10] A report by the Legislative Analyst (2012a) discusses the governance considerations raised by this proposal. These include how narrowly the state should define county uses of child care funds and the extent to which the program

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[8] Voucher amounts vary by county (and sometimes within counties), based upon the type of care and the child's age and special needs. In 2010, a third of the parents who received a child care voucher had a small copayment. Parents are also responsible for any difference between the voucher amount and the provider's monthly fee. The choice of provider is up to the parent, although state-funded child care referral organizations in every county can help parents identify child care options.
[9] Eight of these APPs operate in two counties.
[10] A stakeholder group is currently considering options for restructuring stages one through three child care subsidies.

might be better integrated (and the twin goals of subsidized child care appropriately advanced) if all stages were supervised by CDSS or by CDE.

These child care subsidies fit within a broader spectrum of government-supported programs that encourage child development and school readiness (Karoly et al. 2007). These programs include federal initiatives such as the long-standing Head Start program, state-funded preschool, and child care programs supported by county First Five commissions. Approximately 5 percent of California children are served across these programs (child care subsidies included).

In 2011, only 2 percent of California children were supported by stages one through three of subsidized child care, down from more than 3 percent of children in the early 2000s (Figure 1). Policy changes that temporarily curtailed work requirements in the CalWORKs program during the recession and simultaneously restricted funds for child care subsidies are a plausible reason for this decline. Of the four social services programs, subsidized child care is the only one that does not enroll all who apply and are eligible: if appropriated state and federal funds are exhausted, families are placed on waiting lists.[11]

CalFresh

The Supplemental Nutrition Assistance Program (SNAP) is one of the largest safety net programs and *the* largest U.S. food assistance program. It is known in California as CalFresh.[12] The program's core goal is to help low-income households afford an adequate and nutritious diet. Households receive a monthly amount on a debit card that can be used only to purchase groceries or seeds and plants for growing food. (In certain counties, recipients who are homeless, elderly, or disabled are also able to purchase meals in approved restaurants.) Grant amounts are set—and, with a limited exception, entirely paid for—by the federal government and are typically adjusted for inflation each year.[13] In 2011, these monthly grants averaged $147 per recipient.[14]

Eligibility is determined for households whose members prepare and eat meals together, although certain members can be excluded (for example, unauthorized immigrants) without disqualifying the entire household. While having eligible children in the household is not a requirement, a majority of CalFresh recipients are children. The program has grown strikingly since the mid-2000s—partly due to the Great Recession. In 2011 about 25 percent of California children received CalFresh assistance in any one month (Figure 1). Several decades ago, most of those participating in CalFresh also participated in CalWORKs, but this is no longer the case, even for children: roughly 51 percent of households with children that benefit from CalFresh do not receive CalWORKs.

Consistent with its primary role in funding—described in more detail below—the federal government maintains robust policymaking and oversight roles in CalFresh. Relative to CalWORKs and child care subsidies, the state has more limited—although still significant—flexibility in designing policies within the program.

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[11] Between 2005 and 2011 the state provided funding to maintain one waiting list per county. State funding ended in 2011, and 15 counties continue to maintain such centralized waiting lists (See http://www.cde.ca.gov/sp/cd/ci/cdcelbackground.asp).
[12] Until recently, this program was known as the Food Stamp Program at both the federal and state levels.
[13] About one percent of CalFresh participants are part of an entirely state-funded program, the California Food Assistance Program (CFAP). The 2009 American Recovery and Reinvestment Act (ARRA) raised family benefits by an average of about 13 percent and temporarily suspended the automatic inflation adjustment; these changes are set to end in October 2013.
[14] In addition, counties operate employment and training programs for certain CalFresh recipients, although participation is voluntary for most.

Child Support Services

Children who live primarily with one parent can obtain government assistance in securing financial support and health insurance coverage from non-resident parents. Child support agencies assist any custodial parent who requests help with all aspects of obtaining child support: establishing legal paternity, obtaining a child support order, and collecting current and past due amounts. If a custodial parent (usually a mother) seeks income support through CalWORKs, she is required to cooperate with the local child support agency (LCSA)—typically a county child support department—in establishing legal paternity and obtaining and enforcing a child support order.[15]

Unlike the other three social services programs discussed in this report, child support programs are intended to generate revenues for the state and federal governments. California's share of child support collections in 2011 amounted to 93 percent of state expenditures for child support services (California Department of Child Support Services 2012c). Revenues are potentially of two types:

- A portion of child support paid to CalWORKs parents is owed to the government. California can decide how much in child support payments to return to parents, although the federal government requires California to reimburse the federal government's share if the state returns more than a specified amount to CalWORKs parents.[16] Currently in California, all but the first $50 of child support paid to CalWORKs parents is returned to the federal and state governments.
- Families can be charged fees. The federal government currently requires the state to reimburse it $25 annually for every family not on CalWORKs that receives at least $500 a year in child support payments. The state began collecting this fee from custodial parents in October 2011. California could also collect other fees from parents, although at the present time it does not do so.[17]

In 2011, counties provided child support services on behalf of 1.5 million children, or 17 percent of California's children, in an average month (76% of assisted families were current or former CalWORKs recipients). The state collected at least one payment over the year in 52 percent of child support cases. Among all children served (including those with no payments), amounts distributed to families averaged $122 per month (California Department of Child Support Services 2012a).

The share of California children served by this program has declined since early in the decade, when 25 percent received child support services (Figure 1). The reasons for this substantial reduction in the child support caseload are unclear, although it is probable that budget constraints were a contributing factor. State support for LCSAs was largely flat between their formation in 2000 and 2009, and flat budgets likely translated into service reductions as personnel and other county costs rose.

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[15] Twelve counties have grouped themselves into 5 regional LCSAs; the other 46 counties each have their own LCSA.

[16] This amount is currently $100 a month for one child, and $200 a month for two or more children. For those no longer participating in CalWORKs, there is no such limit. Any amounts "passed through" to current CalWORKs recipients are not counted when calculating a family's grant amount.

[17] Between 2008 and 2011, the state reimbursed the federal government this fee rather than undertake the expense of the reprogramming required to bill parents. The state could require either the custodial parent, the non-custodial parent, or both to pay the federally required fee.

Other federal, state, and county social safety net programs

The social safety net is complex and heterogeneous, and it includes a number of programs not discussed in this report because they fall outside the scope of any potential upcoming realignment discussions. These programs include:

- School meals run by the USDA, CDE, and school districts;
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) managed by the USDA, California Department of Public Health, and local WIC agencies;
- The Earned Income Tax Credit (EITC) overseen by the Internal Revenue Service; and
- Supplemental Security Income (SSI) grants for blind, disabled, and elderly residents run by the Social Security Administration (and augmented with a state-supported payment).

According to U.S. Census Bureau Supplemental Poverty Measure estimates for 2011, these are the programs that reduce children's poverty by the largest amounts nationwide (Short 2012). Depending upon how one thinks about it, unemployment insurance and social security are also social safety net programs (social security very substantially reduces poverty among the elderly).

Other, smaller programs that operate statewide include energy assistance and weatherization assistance. A number of counties offer General Assistance (also called General Relief) cash assistance programs for childless adults. A few counties and cities have their own minimum wage ordinances, provide tax credits for low-income working families, or offer other county-funded and county-run safety net programs.

California residents in need can piece together assistance from a patchwork of programs. Decisionmakers' awareness of the scope of the social safety net can help ensure appropriate access across its range and improve the functioning of the safety net as a whole. Examples of existing state and federal policies that aim to integrate programs include annual notification to CalWORKs adults about their potential eligibility for the EITC, and automatic school meals enrollment for children in families receiving CalFresh benefits.

The social services programs discussed in this section have some overlap of purpose and populations served but are at present substantially different in a number of ways. CalWORKs is the most complex program, with both cash payment and service delivery elements; it also allows the most county discretion when it comes to setting priorities for services. Subsidized child care has the most complex administrative structure, with two state departments overseeing subsidies at the state level and multiple local bodies interacting with client families. CalFresh is the largest program and is supported almost entirely by federal funds; it shares administrative structures at the county level with CalWORKs. The child support program is unique among the four programs in that it can be—and historically has been—structured to generate revenues that return to federal and state coffers.

Existing Funding and Policymaking Arrangements

In this section we discuss funding and policymaking arrangements. We highlight two issues that would need attention in a further realignment of the state's major social safety net programs: adequate funding in good and bad economic times and statewide equity.

Federal, State, and County Funds

Substantial funding flows to counties to support their operations and through counties to provide program benefits to their residents. As shown in Table 2, federal, state, and county funding for the four programs discussed in this report totaled more than $15 billion in 2011–12. Counties originate a share of the funding for CalWORKs, CalFresh, and child support services, but the amounts are small in percentage terms. Given the substantial amount of funding provided by the state and federal governments, counties obviously and justifiably seek guaranteed, adequate sources of state and federal funding to administer the mandated programs and provide the services that the state delegates to them.

TABLE 2
Federal, state, and county funds for program benefits and operations, 2011–12

		CalWORKs	Child care subsidies	CalFresh	Child support services
Total (billions)		$5.44	$1.02	$8.16	$0.86
$ (billions) and shares (%) by level of government	Federal	$3.20 (59%)	$0.51 (50%)	$7.30 (90%)	$0.58 (67%)
	State (General Fund)	$1.06 (19%)	$0.50 (50%)	$0.61 (7%)	$0.27 (31%)
	State (special funds)	$1.09 (20%)	–	–	–
	Counties (own source)	$0.09 (2%)	–	$0.23 (3%)	$0.01 (2%)

SOURCES: California Department of Child Support Services detail tables (available at www.childsup.ca.gov/Portals/0/home/docs/2012–2013budget.pdf); California Department of Social Services detail tables (available at www.dss.cahwnet.gov/cdssweb/entres/localassistanceest/Jan12/DetailTables.pdf); California Department of Education budget appropriations (available at www.cde.ca.gov/sp/cd/re/cddbudget.asp); U.S. Department of Agriculture, Food and Nutrition Services program statistics (available at www.fns.usda.gov/pd/snapmain). Governor's Enacted Budget, 2011–2012.

NOTES: Amounts are November estimates for the CalWORKs, CalFresh, and child support programs and are appropriations for child care subsidies. CalWORKs amounts exclude funding for stage one child care subsidies, which are included in the child care subsidies column instead. Child care subsidies include only amounts for stages one, two, and three.

As shown in Table 2, federal support for each of these programs is considerable, ranging from 50 percent to 90 percent of total funds. Funding is provided either as a block grant or as reimbursement for approved expenditures. To qualify, the state must comply with certain federal requirements. Generally speaking, block grants are more flexible but are also capped. For example, federal funds for CalWORKs, known as the TANF block grant, need not be spent entirely (or even mostly) on recipients of cash assistance.[18] At the same time, this block grant has not increased—even to the extent of accounting for inflation—since 1996. (The federal American Recovery and Reinvestment Act of 2009 did make additional funds temporarily available to states

[18] For examples of how states have chosen to spend their TANF block grants, see Hahn, Golden, and Stanczyk (2012).

to support increased caseloads and subsidized employment programs.) The primary federal block grant that supports child care subsidies shares the basic characteristics of the TANF block grant, although the funds must be spent more narrowly on child care services and related activities.[19]

On the other hand, federal reimbursements for CalFresh and for child support services must be based on documented expenditures for specified program purposes. At the same time, the federal government shares administrative costs with the state and counties in both programs (and funds the entire amount of benefits in CalFresh), and there is no cap on the level of reimbursement the state may claim.[20] The administrative cost-sharing arrangement does have the implication that cutbacks in state spending for such purposes—as has happened in CalFresh over the past several years—bounds federal reimbursements.

At the state level, California currently uses its General Fund to support county operations in all four of these programs; CalWORKs is also supported by a special fund established by the 2011 realignment, which redirected funds designated since 1991 for county mental health programs to CalWORKs cash grants. The intent of this redirection was not to tie these funds to the size of county CalWORKs caseloads but to change the purpose of a predetermined amount of funds (Legislative Analyst 2011b). In other words, it did little to stabilize program funding (to say nothing of broader goals of aligning county fiscal incentives with desired program outcomes).

A particularly salient issue in the present moment is the countercyclical resilience of social safety net programs. As demonstrated during the recent, prolonged economic downturn, a faltering economy tends to generate considerable tension between cyclical state budgets and countercyclical safety net programs, designed to expand when unemployment rises and economic need is greater.

CalWORKs and CalFresh grew during and after the Great Recession, incurring both additional administrative costs and benefit payments. At the same time, policymakers limited the growth in costs and caseload in CalWORKs both by altering program policies and by reducing funding for grants, services, and administration (Danielson 2012). CalFresh also experienced constrained growth in state funding for administration (Rothstein, Davis, and Fosdick 2012). The fact that child care subsidies and child support shrank in absolute terms is more likely due to policy decisions than to reductions in need.

Realignment represents an opportunity to give serious attention to developing strategies for managing the tension between reduced revenues and increased need for safety net programs during recessions. Like the state, counties must find ways to balance their budgets. Like the state, they face particular hurdles in increasing general-purpose revenues. In sharp contrast to state and local governments, the federal

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[19] The primary federal source for child care subsidies is the Child Care and Development Block Grant. However, states are also allowed to transfer a portion of two other federal fund sources (the TANF block grant and the Social Services Block Grant) into their subsidized child care programs. The state must provide a "maintenance of effort" (MOE) level of funding in order to be eligible for the full TANF and child care block grants. In the case of child care subsidies, this amount is relatively small ($85 million), and in the case of CalWORKs the state may count a number of types of expenditures by the state, by counties, and even by nonprofits as part of its MOE requirement (Schott, Pavetti, and Finch 2012). The state has an incentive to identify a wide range of permissible MOE spending because such "excess MOE" partly fulfills federal performance measures. In addition, the child care MOE requirement can be satisfied with TANF MOE spending (i.e., double counted) if the children served are eligible for both CalWORKs and child care subsidies.

[20] About 1 percent of California recipients are ineligible for federal benefits. This group includes most permanent resident working-age adults whose legal stay in the United States is shorter than five years (see www.fns.usda.gov/snap/applicant_recipients/immigrant_eligibility.htm). CFAP, a state-funded program, provides CalFresh benefits to this small group. Federal legislation in the 1990s limited the eligibility of legal immigrants; however, it allowed states to provide federal benefits to excluded categories of immigrants if the states reimbursed the federal government for the cost of those benefits. A number of categories of recent legal immigrants are eligible for federal SNAP benefits: children, the elderly, refugees, and domestic violence survivors.

government can and does engage in deficit spending during recessions. During the recent recession, the American Recovery and Reinvestment Act of 2009 (ARRA) added roughly $23 billion in federal funds to California state and local government budgets. Even so, these funds were not enough to avert reductions in state support for social safety net (and other) programs over the past three years.

The primary state or county strategies for sustaining countercyclical programs are to build up rainy day funds in favorable economic times, to temporarily divert funds from other programs, to raise taxes (temporarily or permanently), to borrow from the future by issuing bonds, and to cut programs when demand on the part of the state's residents outstrips current-year resources. The state has engaged in all of these strategies, and policymakers may want to consider the extent to which the state and counties are equally well-positioned to engage in these activities. If state lawmakers delegate some or all of the responsibility for safety net programs to the counties, then they will also need to consider appropriate oversight of county plans for accommodating safety net program growth during difficult economic times.

Policymaking Authority

Federal funds are accompanied by accountability measures.[21] Federal oversight differs by program and often includes measures of payment accuracy as well as measures for determining whether the state is meeting, for example, the work and job training goals of CalWORKs or the paternity establishment goal of the child support program.[22] Depending on the program, the state may receive incentive payments for noteworthy performance or financial penalties for deficient performance. Whatever the oversight standards, the state is responsible for orchestrating their measurement and creating a plan for meeting specific targets if California fails to measure up to the standards. The state can share incentive payments with the counties (as has been done in the past for child support services) or require them to pay a share of assessed penalties (as is currently the case with regard to the CalWORKs work participation rate). The state, in turn, can implement its own oversight mechanisms, as it has for child support services (see, for example, California Department of Child Support Services 2012b).

Although the federal government sets certain eligibility criteria—which vary by program—and holds states accountable, there has been a general trend in the past several decades toward increased state decisionmaking authority. California has broad leeway to set eligibility and benefit levels in the CalWORKs and child care subsidy programs, it can modify certain eligibility requirements in the CalFresh program, and it can make decisions about balancing family self-sufficiency and government revenues in the child support program. A next step may be to consider how much of this decisionmaking authority the state should devolve to the counties.

As was the case during the 2011 realignment, any social services realignment will need to factor in the state constitution's prohibition on requiring local governments to take on new or enhanced responsibilities without providing funds to carry them out (Graves and Sellers 2012; Legislative Analyst 2012b). In this context, identifying a dedicated funding stream for realigned programs implies limiting—or at least creating

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[21] The latitude the federal government has to impose requirements on states in exchange for providing program funding is sometimes subject to debate. Recently, the Supreme Court ruled that the federal government could not require states to expand their Medicaid programs (as envisioned by the ACA) in order to continue to remain eligible for any federal Medicaid funding at all (*National Federation of Independent Business v. Sebelius, No. 11-393*).

[22] For an overview of TANF work participation rates, see Government Accountability Office (2010). Solomon-Fears (2006) reviews federal child support oversight mechanisms.

additional hurdles for—policymaking at the state level. For example, over the past decade federal farm bills have made it possible for the state to ease access to CalFresh—with associated increased administrative costs. These changes would have been more complicated if they had required the state to revisit realignment arrangements.

To assess whether and how extensively to delegate policymaking authority to the counties, state lawmakers need more information about the extent to which counties differ now in the ways they serve clients, whether these differences are of apparent concern, and whether additional flexibility would enable counties to build on these differences in positive ways or result in inequities. Under realignment, applicants and recipients could encounter substantially different programs, depending on where they live, and a framework for identifying troubling differences would be important for sustaining statewide equity and for indicating the appropriate scope of county flexibility. To this end, reviewing the state's oversight and coordination roles seems central to any consideration of realignment.

Improving Governance

Apart from the funding and policymaking matters just discussed, a hoped-for long-term outcome of realignment is improved programs. In the context of safety net programs, this implies operating programs more efficiently, increasing appropriate access, and improving service delivery.

Administrative Efficiency

Of the many ways to improve administrative efficiency, realignment offers two in particular: creating economies of scale and improving fiscal incentives.

Counties currently administer social safety net programs, but it is possible to reframe aspects of the realignment discussion in terms of functions rather than programs. Thus realignment may provide an opportunity for rethinking state-local responsibilities in administration. A natural way to think about a division of functions is to allocate immediate responsibilities such as face-to-face contact, outreach, and community liaising to counties, and have the state deal with aspects of administration for which there may be economies of scale. Examples of functions that might be centralized or further centralized include data systems, portals for online applications or renewals, and call centers. Prompted by the federal government, the state has already created a statewide data system for child support services. It has moved in this direction in the case of CalFresh and CalWORKs (Legislative Analyst 2012c). The status quo is also in flux as the state responds to federal imperatives embedded in the Affordable Care Act to expand the IT infrastructure for enrolling residents in health insurance.

With regard to improving fiscal incentives, state lawmakers could explore ways to provide greater incentives for counties to more efficiently administer eligibility and enrollment processes and manage services. Consideration of appropriate incentives has often been preempted by a near-term focus on budgets—for example, in the case of child support, the suspension of incentive payments to LCSAs. In designing effective incentives, policymakers will need to clearly lay out their goals for the various programs. For example, there is a long-standing concern that counties do not absorb the full cost of enrolling residents in safety net programs, so they may not have an adequate incentive to manage caseloads as efficiently as they might (Legislative Analyst 2001). Of course, it would be easy to tilt in the other direction, incentivizing counties to discourage eligible applicants in an effort to save money. Establishing a clear set of goals would serve to guide the design of fiscal incentives.

Appropriate Access

Eligibility rules obviously limit access to the four safety net programs discussed in this report, and child care subsidies are explicitly constrained by available program funding. However, in the CalWORKs, CalFresh, and child support programs, enrollment is lower than it could be (even taking into account recent CalWORKs policy changes that restricted eligibility). CalFresh is the only program for which we have firm estimates of the so-called participation rate—these estimates are not indicative of access to the CalWORKs and child support programs. In CalFresh, an estimated 53 percent of those eligible participated in 2009, the most recent year for which estimates are available. The nationwide estimate for the same year is roughly 20 percentage points higher (Cunnyngham, Castner and Sukasih 2012). Although the state incorporated substantial policy changes between 2009 and 2011 that would be expected to increase the state's participation rate, there is undoubtedly still room for improvement (Danielson 2011).

The ACA also compels states to develop the capacity to ascertain social safety net program eligibility for individuals and families who seek health insurance coverage through state-run health benefit exchanges (Administration for Children and Families 2012). The extent to which this capacity will mature into a changed dynamic around safety net program enrollment remains unclear. Certainly, there has been a push toward centralization in IT systems that support program administration, and this should facilitate greater participation. As mentioned above, this centralization has already occurred in the case of child support and is currently under way in the CalWORKs and CalFresh programs. In part due to the split oversight in administering child care subsidies, decentralized data systems are the norm for this program.

Within the context of realignment, lawmakers might consider ways of streamlining families' experience of the safety net so that they are more likely to apply for programs for which they are eligible, receive appropriate services, and maintain coverage as long as they remain eligible. To the extent that program take-up is a goal, state or local policymakers may also need to make difficult choices about restricting eligibility or maintaining waiting lists—especially in the case of the federal block grant programs (CalWORKs and child care subsidies), where the potential to outrun resources that policymakers have been willing to provide has been evident.

Service Delivery

Individuals and families obviously need services appropriate to their particular situations, and their particular needs may be more likely to be met by referrals to local, community-based organizations. Also, outreach to families that are unaware of their eligibility for a program may be more effective at local levels of government, where officials are more familiar with local environments and existing networks.[23] It is reasonable to believe that counties are generally better positioned than the state to carry out these tasks, although the extent to which counties are, strictly speaking, small-scale governments obviously varies widely across the state.

Even if state lawmakers expand county flexibility to deliver programs, state government remains ultimately responsible for ensuring equity across programs throughout the state. As already discussed, clear program goals accompanied by accountability measures and fiscal incentives that align with these goals are means of advancing statewide equity while allowing scope for county variation.

[23] A very useful example of statewide tracking of county operations and outreach efforts in CalFresh is California Department of Social services (2012).

Conclusion

Ultimately, counties are creatures of the state, as are all local governments: only states are acknowledged in the U.S. Constitution, the document that defines our basic governing structure. Nonetheless, in practice local governments can have substantial, longstanding autonomy. This is certainly the case in California: the state's 58 counties play a key role in administering multiple safety net programs, including those discussed here.[24] Further realignment of these programs from the state to the counties is possible, and perhaps likely, given the interest at present in shifting some of the state's responsibilities to local governments. There is an additional force driving such realignment: the upcoming rollout of the ACA makes the near-term reconsideration of state and local roles in California's most significant social safety net programs probable. This reconsideration could include identifying dedicated funding streams for programs, but also providing counties with additional policymaking or revenue-raising authority. Furthermore, it could result in a reassessment of certain aspects of counties' administrative role.

As the foregoing discussion has suggested, California has the most leeway to realign programs supported with federal block grants—in this context, CalWORKs and child care subsidies. In addition, counties have historically had a substantial policymaking role in CalWORKs. At the same time, CalWORKs is a complex program that has undergone substantial changes in recent years, mainly due to budget cutbacks, and policymakers may want to consider whether additional major changes are warranted. Child care subsidies and CalFresh have historical linkages to CalWORKs, so any consideration of realignment will involve discussion of whether to more closely tie the administration of child care subsidies to CalWORKs, and whether to disengage the administration of CalFresh from CalWORKs.

Child support services could be realigned in a wholly different manner: counties could be empowered to raise revenues for their own programs, with leeway to decide how they would do so. Although the state might need to obtain a federal waiver to implement substantial county autonomy along these lines, such self-sufficiency could provide counties with appropriate incentives to manage their programs successfully. However, the child support program also has important ties to CalWORKs, and it would be critical to anticipate the repercussions of such a realignment on the latter program.

If they engage in realignment, lawmakers should remain mindful of opportunities to improve realigned programs. There are important tradeoffs to consider: providing more funding stability to counties for programs that can be vulnerable to the annual budget process could mean relinquishing hands-on authority. Policymakers can also consider whether additional efficiency and equity would emerge from the state retaining control over aspects of programs that can be centrally managed but giving counties authority to make decisions about types of outreach and service. Finally, given the recent macroeconomic and budget context, lawmakers should think through what it will take to make programs "recession-resilient" going forward, and lay out clearly how to accomplish this as part of any realignment plan.

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[24] California law also deems counties and cities to be "providers of last resort," making them entirely responsible for funding and administering last-resort programs that include indigent health care and General Relief cash assistance.

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