

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, Sacramento, California 95814



August 25, 2000

ALL COUNTY LETTER NO. 00-57

TO: ALL COUNTY WELFARE DIRECTORS  
ALL CalWORKs PROGRAM SPECIALISTS  
ALL COUNTY FISCAL OFFICERS  
ALL COUNTY WELFARE TO WORK MANAGERS

**SUBJECT: AB 2876 PERFORMANCE INCENTIVES/NEEDY FAMILY DEFINITION**

REFERENCE: County Fiscal Letter No. 98/99-54, 98/99-72

This letter is to inform counties about the changes in the final state budget for State Fiscal Year (SFY) 2000-01 regarding the computation of performance incentives and the new definition of needy families. The legislative language is attached.

**Background**

Counties are allowed to expend their federal incentive funds in any way allowable under federal law. Federal law allows for expenditure of funds in any manner that can be reasonably calculated to accomplish the goals of the Temporary Assistance for Needy Families (TANF) program. The goals, as provided in federal law, are:

1. To provide assistance to **needy** families so that children may be cared for in their own homes or in the home of a relative;
2. End the dependence of **needy** parents on government benefits by promoting job preparation, work, and marriage;
3. Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. Encourage the formation and maintenance of two-parent families.

It is important to note that TANF goals three and four are not tied to **needy** and any program designed to meet either of these two goals does not require an income test.

**Performance Incentive Funds**

Assembly Bill (AB) 2876, Chapter 108, Statutes of 2000, makes the following changes to the Performance Incentive provisions:

- Adds intent language that the counties are to use these funds to:
  - Improve the quality of jobs provided to recipients.
  - Help individuals attain long-term self-sufficiency.
  - Prevent the need for CalWORKs benefits for those families making the transition from the CalWORKs program.
- Eliminates the 25 percent pool (i.e., the state share of savings that was designated to go to counties that performed in a manner “worthy of recognition” based on standards developed by the California Department of Social Services (CDSS) in consultation with the counties).
- Adds a provision that the decision by a county to accept incentive funds beginning with the FY 2000-01 shall constitute a waiver of any claim filed with respect to performance incentives from the 25 percent pool that were earned through SFY 1999-00 but not allocated to counties by CDSS.
- Establishes a requirement in state law that the methodology for valuing the county share of incentives shall be the same method that was used in fiscal years 1998-99 and 1999-00 except that increased earnings by recipients due to employment shall be valued at 50 percent of actual grant savings instead of 100 percent. The method for computing savings due to diversion and exits has not changed. The method shall be adjusted as appropriate in consultation with stakeholders to account for any changes made to the TANF program requirements or block grant funding levels as a result of Congressional reauthorization of the program in Fiscal Year (FY) 2002.
- Limits county performance incentive payments to an amount appropriated in the annual Budget Act.

### **Needy Family Definition**

Effective October 1, 2000, AB 2876 also defines “needy families” as those families not receiving aid under CalWORKs in which the minor child is living with a parent or adult relative caregiver and the family’s income is less than 200 percent of the official federal poverty guidelines applicable to a family of the size involved. This definition is exclusively for the purposes of providing **nonassistance** services using federal performance incentives pursuant to federal regulations. The legislation allows up to 25 percent of the federal portion of a county's performance incentives to be expended on families meeting the expanded definition. The 25 percent will be calculated based on all performance incentive funds previously allocated but not expended, along with new allocations.

The intent of this legislation is to provide flexibility for counties to design services with their federal TANF incentive funds to families not covered under the current definition of needy families. Counties will benefit from the expanded definition as follows:

- Linkage between CalWORKs and other human services programs will be enhanced as programs are developed using funding from both programs, e.g., Child Welfare Services.
- Counties will be able to provide services to families who may be at risk of needing CalWORKs or other government benefits.
- Counties will be able to tailor services and benefits to better address the needs of individual clients.

CWDs will be able to provide **nonassistance** services using 25 percent of their federal performance incentive funds to families with income above the CalWORKs level but at or below 200 percent of the federal poverty level. Nonassistance is anything that is not considered assistance in accordance with the TANF laws and regulations. Attached is a list of examples of nonassistance services along with the federal definition of assistance. In addition counties may obtain copies of the TANF regulations and other guidance on the use of funds by visiting the Office of Family Assistance Home Page at <http://www.acf.dhhs.gov/programs/ofa/>.

Also attached is a chart with the official 2000 federal poverty levels (FPL) and 200 percent of FPL. The 200 percent of FPL is provided as a maximum income threshold for needy families. CWDs may set lower financial thresholds for providing services as appropriate within their counties and several thresholds may exist within one county as different programs are developed. This expanded definition does not mean that families at or below 200 percent of the federal poverty level are eligible for CalWORKs or any other TANF or Maintenance of Effort (MOE) funded program unless they also meet existing income and property criteria for the program.

The expanded definition of needy family applies solely to the use of 25 percent of the performance incentives. The allowable uses of the remaining 75 percent of performance incentives are not affected by the new definition and may be expended in any way previously allowable. Thus, 75 percent of performance incentives may be expended for families or individuals whose income is at or below CalWORKs levels, as long as the service is consistent with the TANF goals.

### **County Plans and Reporting Requirements**

AB 2876 requires counties to submit plans to CDSS on the intended use of their performance incentive funds. The plan is required to describe:

- How the county intends to expend its incentive funds.
- How the benefits and services relate to the issue of sustaining self-sufficiency.
- How these services will be coordinated with other services within the community that are funded from sources such as the county's single allocation, Welfare-to-Work grants, and community college funds.

Counties will also be required to report quarterly on expenditures of funds and complete an annual self-evaluation on the services provided. CDSS is required to evaluate the

programs that have been supported by county incentive funds to determine the extent to which the goals of the TANF program and the goals specified in the state statute regarding incentive funds are achieved.

Instructions regarding the county plans and reports are being developed and will follow under separate cover. Counties may continue to expend performance incentive funds in any way previously allowed until further instructions are received.

If you have any questions regarding this letter, please call Audrey Escarzaga at (916) 654-3062.

Sincerely,  
***Original signed by  
Bruce Wagstaff on  
8/25/00***  
BRUCE WAGSTAFF  
Deputy Director  
Welfare to Work Division

Attachments

c: CWDA  
CSAC

**Excerpt from Assembly Bill 2876  
Chapter 108, Statutes of 2000**

SEC. 24.5. Section 10544.1 of the Welfare and Institutions Code is amended to read:  
10544.1.

- (a) It is the intent of the Legislature to provide counties with grant savings as defined in subdivisions (d) and (e) subject to the amounts appropriated in the annual Budget Act.
- (b) It is the intent of the Legislature that the counties use the funds, when appropriated, to do all of the following:
  - (1) Improve the quality of jobs provided to recipients.
  - (2) Help individuals attain long-term self-sufficiency.
  - (3) Prevent the need for CalWORKs benefits for those families making the transition from the CalWORKs program.
- (c) It is further the intent of the Legislature to evaluate the efforts of counties in using the funds to improve the state's understanding of how best to assist families in attaining long-term and sustained self-sufficiency.
- (d) In order to provide counties with additional incentive to move CalWORKs recipients to employment, each county shall receive the state share of savings, including federal funds under the Temporary Assistance for Needy Families block grant subject to the amounts appropriated in the annual Budget Act, resulting from the following outcomes:
  - (1) Recipients exiting the program due to employment that has lasted a minimum of six months.
  - (2) Increased earnings by recipients due to employment.
  - (3) Diversion of applicants from the program pursuant to Section 11266.5 for six months in addition to the number of months equivalent to the diversion payment.
- (e)
  - (1) For purposes of subdivision (d), the department, shall apply the method for valuing the outcomes to determine county share of savings that was utilized in fiscal years 1998-99 and 1999-2000, except that increased earning by recipients due to employment shall be valued at 50 percent of actual grant savings instead of 100 percent.
  - (2) The method shall be adjusted as appropriate, and determined in consultation with program stakeholders, to account for any changes made to the Temporary Assistance to Needy Families program requirements for block grant funding levels as a result of Congressional reauthorization of the program in 2002.
- (f) The funds allocated to counties pursuant to subdivisions (d) and (e) that are federal Temporary Assistance for Needy Families block grant funds shall be used only for purposes for which these federal funds may be used. The funds that are state General Fund dollars shall be expended for purposes directly connected to the CalWORKs program and countable towards the state maintenance of effort level required by federal law, unless the Director of Finance determines that all or part of the funds are not needed in that fiscal year to meet the required maintenance of effort. Any unexpended funds may be retained by each county for expenditure in subsequent fiscal years for purposes consistent with this subdivision.
- (g)
  - (1) Notwithstanding Section 11250 or any other provision of law, commencing October 1, 2000, exclusively for purposes of county performance incentives provided under this section and exclusively for purposes of providing nonassistance services pursuant to Section 42 U.S.C. Sec. 601(a)(1) and (2) to families not receiving aid under this chapter, "needy families" also includes any family in which the minor child is living with a parent or adult relative caregiver and the family's income is less than 200 percent of the official federal poverty guidelines applicable to a family of the size involved.
  - (2) A county shall not expend more than 25 percent of its performance incentive funds for purposes of this subdivision.
  - (3) For purposes of this subdivision, "nonassistance services" means services that do not constitute assistance as defined in applicable federal law and regulations governing the Temporary Assistance for Needy Families program.

- (h) Each county shall submit a plan to the department describing how it intends to expend its fiscal incentive funds and how the benefits and services relate to the issue of sustaining self-sufficiency. The plan shall also describe how these services will be coordinated with other services within the community that are funded from sources such as the county's single allocation, Welfare-to-Work grants, and community college funds.
- (i) Each county shall report quarterly on the actual expenditure of funds under this section and shall complete a self-evaluation report annually on the results of the benefits and services provided and any lessons the county has learned from the approach it has taken.
- (j) The department shall evaluate the programs that have been supported by county incentive funds to determine the extent to which the goals of the TANF program and the goals specified in this section are achieved.
- (k) Acceptance of incentive funds beginning with the 2000-01 fiscal year shall constitute a waiver of any claim, cause of action, or action whenever filed, with respect to fiscal incentives earned through the 1999-2000 fiscal year under subdivision (c) of this section as enacted by Chapter 270 of the Statutes of 1997, but not allocated to counties by the department.
- (l) This section shall not be interpreted to entitle any individual or family to assistance or services under any program created and funded under this section.