

NOTICE OF PROPOSED CHANGES IN REGULATIONS OF THE
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS)

ITEM # 1 AB 98 Subsidized Employment as amended by SB 72 and AB 106

The CDSS hereby gives notice of the proposed regulatory action(s) described below. Any person interested may present statements or arguments orally or in writing relevant to the proposed regulations at a public hearing to be held August 29, 2012, as follows:

Office Building # 8
744 P St. Room 103
Sacramento, California

The public hearing will convene at 10:00 a.m. and will remain open only as long as attendees are presenting testimony. The purpose of the hearing is to receive public testimony, not to engage in debate or discussion. The Department will adjourn the hearing immediately following the completion of testimony presentations. The above-referenced facility is accessible to persons with disabilities. If you are in need of a language interpreter at the hearing (including sign language), please notify the Department at least two weeks prior to the hearing.

Statements or arguments relating to the proposals may also be submitted in writing, e-mail, or by facsimile to the address/number listed below. All comments must be received by 5:00 p.m. on August 29, 2012.

Following the public hearing CDSS may thereafter adopt the proposals substantially as described below or may modify the proposals if the modifications are sufficiently related to the original text. With the exception of nonsubstantive, technical, or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption to all persons who testify or submit written comments during the public comment period, and all persons who request notification. Please address requests for regulations as modified to the agency representative identified below.

Copies of the express terms of the proposed regulations and the Initial Statement of Reasons are available from the office listed below. This notice, the Initial Statement of Reasons and the text of the proposed regulations are available on the internet at <http://www.dss.cahwnet.gov/ord>. Additionally, all the information which the Department considered as the basis for these proposed regulations (i.e., rulemaking file) is available for public reading/perusal at the address listed below.

Following the public hearing, copies of the Final Statement of Reasons will be available from the office listed below.

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CHAPTERS

CDSS Manual of Policies and Procedures (MPP), Eligibility and Assistance Standards Manual, Chapter 41-400 (Deprivation of Parental Support or Care), Section 41-440 (Unemployed Parent Program); Chapter 42-700 (Welfare-to-Work), Sections 42-716 (Welfare-to-Work Activities) and 42-717 (Job Retention Services); and Chapter 44-200 (AU Composition and Need) Section 44-207 (Income Eligibility).

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Senate Bill (SB) 72 (Chapter 8, Statutes of 2011) and Assembly Bill (AB) 106 (Chapter 32, Statutes of 2011) amended the California Work Opportunity and Responsibility to Kids (CalWORKs) Welfare-to-Work (WTW) Program. The CalWORKs WTW program is the employment and training component of CalWORKs, California's version of the federal Temporary Assistance for Needy Families (TANF) Program.

Federal welfare reform enacted the TANF program through the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, limiting federally funded cash aid to a family with an adult to a total of five years. The intent of the WTW program is to provide employment and training services to the maximum possible number of the adult CalWORKs population to aid them in achieving economic self-sufficiency within this time frame.

Subsidized employment is a WTW activity, and one category of subsidized employment is provided through the AB 98 subsidized employment program. AB 98 was originally implemented on January 1, 2008 and then suspended in 2009 due to the availability of subsidized employment funding from the TANF Emergency Contingency Fund (ECF) under the American Recovery and Reinvestment Act of 2009. At the conclusion of the TANF ECF program, AB 98 subsidized employment was re-implemented effective October 1, 2010. Effective March 24, 2011, SB 72 expanded the AB 98 subsidized employment program in order to encourage counties to establish or expand AB 98 subsidized employment programs to assist CalWORKs families with the goal of self-sufficiency.

The Legislature designed the AB 98 subsidized employment program to be cost neutral to the state budget by redirecting existing resources without increasing funding. The cost neutrality of the program is intended to be achieved by offsetting the cost of the state's contribution toward AB 98 wage subsidies outside of the single allocation, with grant savings achieved as a result of the subsidized employment income.

Following the implementation of the SB 72 changes to AB 98 subsidized employment, the eligible populations for the AB 98 subsidized employment program are current CalWORKs recipients, individuals who cure their sanctions through participation in the AB 98 program, and individuals who have exceeded CalWORKs time limits and receive Safety Net benefits for their eligible children. Current recipients and Safety Net individuals may continue in an AB 98 program if their families become ineligible for CalWORKs due to AB 98 income. Safety Net participants in the AB 98 program can continue to participate in AB 98 subsidized employment instead of participating in community service to receive job retention services.

AB 98 wage subsidies are limited to six months for each participant upon entry into the AB 98 program, unless the county determines a longer subsidy will benefit the employer and the participant,

in which case AB 98 wage subsidies can be available up to a total of 12 months. Individuals who apply for CalWORKs after leaving aid due to AB 98 income shall be considered current recipients for determining CalWORKs financial eligibility and work requirements if the individual applies within three calendar months of the subsidized employment ending.

AB 106 changes the 60-month time limit for CalWORKs cash aid to 48 months. Additionally, AB 106 expands WTW job retention services for CalWORKs individuals who exceed the 48-month time limit and are receiving Safety Net cash-aid benefits for their eligible children. Safety net individuals may enter or continue participation in AB 98 subsidized employment instead of participating in community service.

Additionally, the proposed regulations will make other technical, conforming changes, such as adding and renumbering of sections and amending cross references as necessary.

This regulatory action will benefit the health and welfare of California residents by providing increased subsidized employment opportunities for CalWORKs clients. Worker safety and the state's environment will not be impacted by these amended regulations. This regulatory action does not make changes to regulations involving worker safety or the state's environment.

The Department finds that these proposed regulations are compatible and consistent with the intent of the Legislature in adopting SB 72 and AB 106, as well as with existing state regulations.

COST ESTIMATE

1. Costs or Savings to State Agencies: Results in a net state fund savings of \$773,000 in FY 2011-12 and \$1,384,000 annually. These savings are already reflected in the 2012 May Revision of the FY 2012-13 Governor's Budget. In total, this policy is assumed to be cost neutral as these grant savings offset the services costs of providing the AB 98 employment subsidy.
2. Costs to Local Agencies or School Districts Which Must Be Reimbursed in Accordance With Government Code Sections 17500 - 17630: None
3. Nondiscretionary Costs or Savings to Local Agencies: Savings of approximately \$360,000 in FY 2011-12 and \$645,000 annually. These savings are already reflected in the 2012 May Revision of the FY 2012-13 Governor's Budget. In total, this policy is assumed to be cost neutral as these grant savings offset the services costs of providing the AB 98 employment subsidy.
4. Federal Funding to State Agencies: Services costs are offset by grant savings, resulting in a net cost in federal funding of \$1,133,000 in FY 2011-12 and \$2,029,000 annually. These costs are already reflected in the 2012 May Revision of the FY 2012-13 Governor's Budget. This policy is assumed to be cost neutral as the total costs of providing the AB 98 employment subsidy are fully offset by total grant savings.

LOCAL MANDATE STATEMENT

These regulations do not impose a mandate upon local agencies or on school districts. There are no "state-mandated local costs" in these regulations which require state reimbursement under Section

17500 et seq. of the Government Code because these regulations do not mandate that local agencies implement the AB 98 subsidized employment program or welfare-to-work services for CalWORKs recipients who exceed the 48-month time limit. Any costs associated with the implementation of these regulations are costs mandated by the federal government within the meaning of Section 17513 of the Government Code.

STATEMENT OF SIGNIFICANT ADVERSE ECONOMIC IMPACT ON BUSINESS

CDSS has made an initial determination that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. This determination was made based on the proposed regulatory action, which is for a statutory program that provides monetary incentive for employers wanting to participate in the AB 98 subsidized employment program to hire CalWORKs clients. Furthermore, the program as amended by SB 72 was designed to be cost neutral so that any costs associated with AB 98 subsidies would be offset by equal decreases to the costs for CalWORKs cash grants. Cost neutrality avoids impact on the state budget and the impact that additional costs to the state might have on business.

STATEMENT OF POTENTIAL COST IMPACT ON PRIVATE PERSONS OR BUSINESSES

The CDSS is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. Businesses that choose to participate in the AB 98 subsidized employment program will have standard employment costs associated with voluntarily hiring CalWORKs clients that will be partially covered by the AB 98 subsidy.

SMALL BUSINESS IMPACT STATEMENT

CDSS has determined that there is no impact to small businesses as a result of filing these regulations. These regulations are mandated by Senate Bill 72 and are only applicable to CalWORKs program recipients; therefore, they do not have a cost impact on the private sector, including small businesses.

STATEMENT OF RESULTS OF ECONOMIC IMPACT ASSESSMENT

The adoption of the proposed amendments may create but will not eliminate jobs in the State of California nor result in the elimination of existing businesses or create or expand businesses in the State of California.

This regulatory action will benefit the health and welfare of California residents by providing increased subsidized employment opportunities for CalWORKs clients. Worker safety and the state's environment will not be impacted by these amended regulations. This regulatory action does not make changes to regulations involving worker safety or the state's environment.

STATEMENT OF EFFECT ON HOUSING COSTS

The proposed regulatory action will have no effect on housing costs.

STATEMENT OF ALTERNATIVES CONSIDERED

In developing the regulatory action, CDSS did not consider any other alternatives because no alternatives were proposed. Additionally, the Legislature mandated that regulations be adopted for these amendments and additions to the Welfare and Institutions Code Sections 11320.15, 11322.63 and 11323.25 by SB 72 (Section 42).

CDSS must determine that no reasonable alternative considered or that has otherwise been identified and brought to the attention of CDSS would be more effective in carrying out the purpose for which the regulations are proposed or would be as effective as and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

AUTHORITY AND REFERENCE CITATIONS

CDSS adopts these regulations under the authority granted in Sections 10553 and 10554 of the Welfare and Institutions Code. Subject regulations implement and make specific Sections 11320.15, 11322.63, and 11323.25, Welfare and Institutions Code [SB 72 (Chapter 8, Statutes of 2011) and AB 106 (Chapter 32, Statutes of 2011)].

CDSS REPRESENTATIVE REGARDING THE RULEMAKING PROCESS OF THE PROPOSED REGULATION

Contact Person: Everardo Vaca (916) 657-2586
Backup: Zaid Dominguez (916) 657-2586

EMERGENCY STATEMENT

These regulations are to be adopted on an emergency basis. In order to allow interested persons an opportunity to submit statements or arguments concerning these regulations, they will be considered at public hearing in accordance with Government Code Section 11346.4.