

Welfare Recidivism and Use of Non-Cash Aid by Welfare Leavers in California

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R. Mark Gritz
Charles J. Lieberman
David C. Mancuso
Akiba T. Scroggins

The SPHERE Institute



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U.S. Department of Health and Human Services
Assistant Secretary for Planning and Evaluation
Office of Human Services Policy, Room 404E
Hubert H. Humphrey Building
200 Independence Ave., SW
Washington, DC 20201

Project Officer:

Audrey Mirsky-Ashby

Submitted by:

The SPHERE Institute
1415 Rollins Road
Suite 204
Burlingame, CA 94010

Principal Investigator:

R. Mark Gritz

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Executive Summary

Welfare recidivism has always been an important public policy issue, but has taken on greater significance in recent years due to concerns that welfare reform may be moving families off cash aid¹ before they are able to achieve self-sufficiency. Another major concern about the nationwide impact of welfare reform has been that families who leave cash aid may lose other benefits for which they remain eligible. This concern has been heightened because, at the same time that welfare caseloads have fallen nationwide, there also have been declines in Medicaid and Food Stamps caseloads, even though most families who leave cash aid continue to qualify for these programs. Another potential impact of welfare reform is that there may be an increase in transitions from cash aid to SSI, as the intensified employment preparation activities of welfare-to-work programs lead to the identification of adults or children with qualifying SSI disabilities. The objective of this report is to add to our understanding of cash-aid recidivism and the take-up of other forms of public assistance by welfare leavers in California, with particular emphasis on differences in aid use outcomes before and after CalWORKs implementation in January 1998.

We use statewide administrative data from California's Medi-Cal Eligibility Data System (MEDS) to examine post-exit aid use and welfare recidivism for different groups of families leaving cash aid. In our analysis we distinguish between three main types of welfare cases: one-parent, two-parent, and child-only. The one-parent type consists of cases with single aided parents, usually mothers, with one or more children. Two-parent cases have two resident parents and their children, with at least one parent receiving welfare. In child-only cases, a child is aided

¹ We use the terms "welfare" and "cash aid" throughout to refer to AFDC/CalWORKs. CalWORKs, or the California Work Opportunity and Responsibility to Kids Program, is the welfare reform program that replaced AFDC in California.

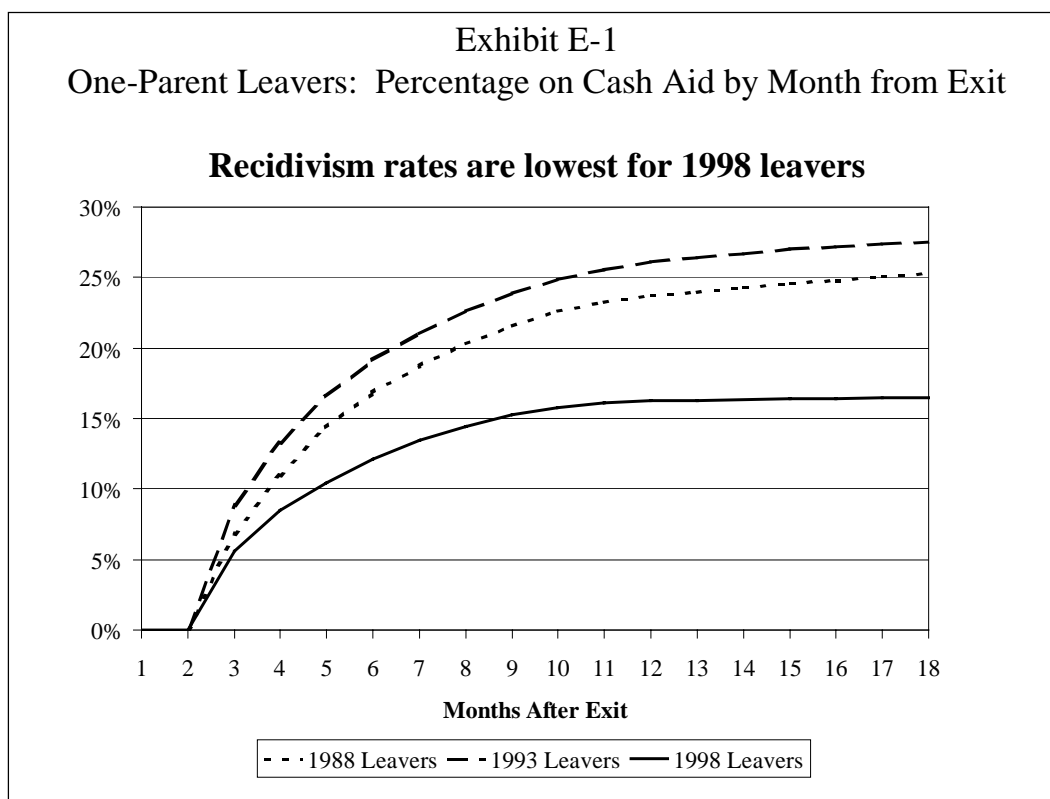
but his or her parents are not. In California, the most common reason that parents are not aided is that they are ineligible non-citizens.

To conduct our review, we examine trends for three separate cohorts of families – those leaving welfare in 1988, 1993, and 1998 – by tracking them for a period of 18 months following their exit from the program. We chose these three cohorts because of the timing of changes in welfare policies and economic conditions. CalWORKs implementation began in January 1998, so the 1998 leavers represent the first 12 months of CalWORKs leavers. We chose the 1988 leavers cohort as a comparison group because economic conditions in the late 1980s – as measured by the state unemployment rate – were similar to those experienced a decade later. The post-exit period examined for the 1988 leavers ends in June 1990, just before the onset of a recession in the second half of the year. Therefore, the comparison of outcomes between 1988 and 1998 leavers cohort is unlikely to be strongly affected by differences in economic conditions between the two time periods. The 1993 cohort was chosen because the post-exit period for this group represents a period of high and rising caseloads and high unemployment.

Key Findings

Recidivism Is Lower For Recent Welfare Leavers. Exhibit E-1 shows the percentage of one-parent leavers in each cohort with at least one member receiving AFDC/CalWORKs during the 18-month follow-up period.² The most recent cohort of leavers had significantly lower rates of recidivism. For example, only 17 percent of 1998 leavers were on cash aid one year after exit, compared to about 25 percent of the 1988 leavers and 27 percent of the 1993 group. Although not shown in the exhibit, the recidivism rates for the cohorts of two-parent leavers show a similar

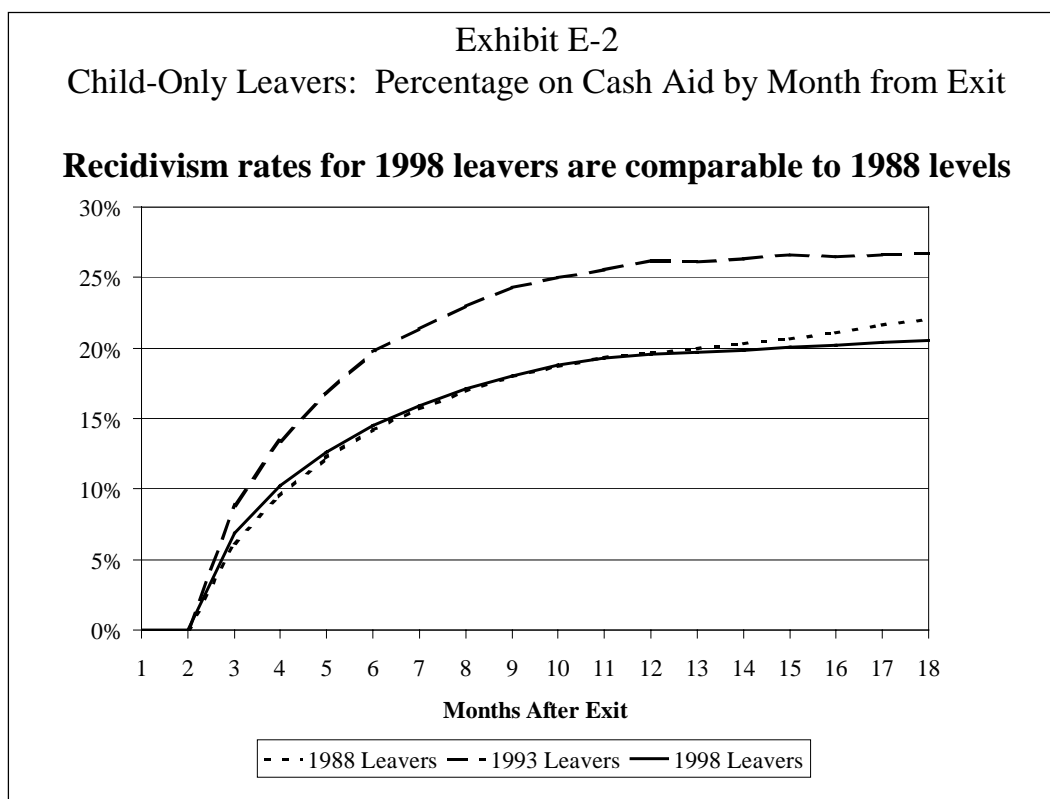
² The exhibit shows the proportion of each leaver subgroup with at least one member receiving cash aid, by month relative to the exit month. Month 1 is the first month off aid, month 2 is the second month off aid, and so on.



pattern. However, when examining child-only cases (Exhibit E-2), we find that recidivism for the 1998 cohort is lower than the 1993 group, but is about the same as the 1988 cohort.

To help explain the lower recidivism rate for the 1998 one-parent and two-parent leavers, we note that California’s economy during the post-1998 period was much stronger than in the 1993-94 period. However, there was not much difference between economic conditions in 1998-99 and 1988-89, at least as measured by the state unemployment rate, which suggests that differences in economic conditions do not fully account for differences in recidivism between the 1988 and 1998 cohorts.

A possible explanation for the lower recidivism rates observed in 1998 is that CalWORKs – with its greater emphasis on work, expansion of employment services (including job club programs to better prepare recipients to find and retain work), and the implementation of time limits – could have an effect on job retention as well as finding employment in the first



place. The fact that *child-only* recidivism rates are comparable for the 1988 and 1998 cohorts, while one-parent and two-parent recidivism rates are much lower for the CalWORKs cohort, is consistent with this explanation. This is because most of California’s child-only caseload is either exempt from, or failing to participate in, aspects of the CalWORKs program that might improve employment outcomes for the exiting assistance unit.

It is also possible that CalWORKs – and welfare reform more generally – may have led to behavioral effects that help to explain the lower recidivism rates. Welfare reform, for example, may have increased the stigma associated with welfare receipt and reduced the likelihood that leavers will choose to reapply for aid. However, it is important to note that sanction and time limit policies are unlikely to have had a large direct effect on welfare recidivism in California. This is because California has implemented maximum partial grant sanctions and has maintained CalWORKs eligibility for children beyond the five-year federal

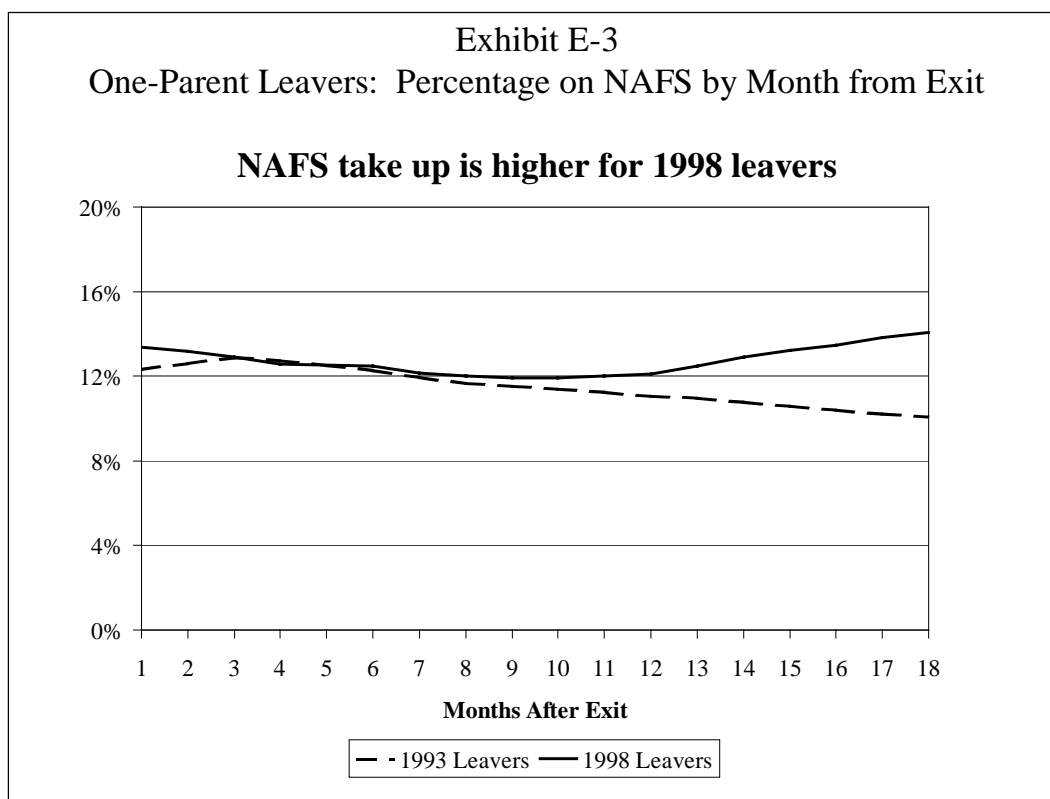
time limit on TANF receipt. Coupled with California's benefit structure, these policies result in a very small financial penalty, relative to the remaining partial grant, for families under sanction or hitting time limits in California. Sanctions and time limits are likely to play a much more important role in reducing welfare recidivism in states implementing full-family sanctions and hard time limits for all members of the TANF assistance unit.

Differences in the use of other forms of public aid by welfare leavers may also help explain the lower recidivism rate for the 1998 cohort. As we discuss below, the 1998 group had significantly higher take-up rates for Medi-Cal. While we do not have data on levels of private health insurance coverage for the three cohorts, this finding suggests that access to Medi-Cal may have played a role in reducing the incentives for the 1998 leavers to return to CalWORKs.

Low Take-Up Rate for Non-Assistance Food Stamps. We next examine the take-up of Non-Assistance Food Stamps (NAFS) by AFDC/CalWORKs leavers. Exhibit E-3 shows the percentage of one-parent leavers in the 1993 and 1998 cohorts (data for the 1988 group are not available) who received NAFS following exit from AFDC/CalWORKs.³ We can see that, although higher for 1998 leavers, take-up rates are low, never reaching 15 percent. Beginning about 12 months after exit, the gap between the two cohorts increases because the take-up rate for the 1998 leavers increases, whereas the rate for the 1993 cohort continues to decline. At 18 months after exit, 14 percent of 1998 one-parent leavers are receiving NAFS, compared to 10 percent of 1988 leavers. The pattern for two-parent and child-only leavers is similar, with the take-up rate somewhat higher for two-parent families and substantially lower for child-only cases (not presented in a separate exhibit).

The relatively low take-up rate for NAFS among all the case types may be due, in part, to the stigma sometimes associated with welfare and Food Stamps in particular because of its

³ The rate is calculated among families not receiving AFDC/CalWORKs or SSI/SSP.



visibility compared to cash grants and public health insurance. Another possible explanation is insufficient information regarding eligibility for this benefit for persons leaving cash aid. We note, in this respect, that the county welfare departments face difficulties in transmitting post-exit benefit eligibility information to leavers because, in many cases, the only indication of the exit is when a recipient fails to submit the required forms to continue eligibility.

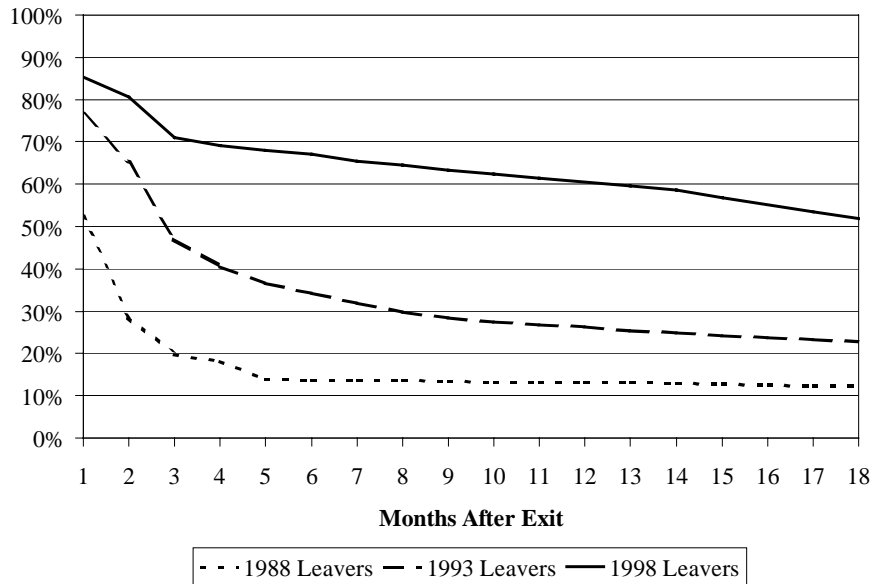
The low take-up rate for NAFS among the child-only cases may be due to the unique characteristics of this caseload. Parents who are undocumented immigrants, for example, may be reluctant to apply for additional government benefits or may be less likely to be aware of their eligibility for these benefits, due to less direct contact with the county welfare departments and language barriers.

Significant Increases in Medi-Cal Enrollment Among Recent CalWORKs Leavers.

Families leaving AFDC/CalWORKs are eligible for Medi-Cal under the Transitional Medi-Cal

Exhibit E-4
One-Parent Leavers: Percentage on NAMC by Month from Exit

NAMC take up is highest for 1998 leavers



Program if they leave due to work, increased child support, or marriage, and may also be eligible if they meet the income requirements under certain other Medi-Cal categories. Exhibit E-4 shows the percentage of one-parent leavers in the three cohorts who were enrolled in Non-Assistance Medi-Cal (NAMC) by month relative to exit from cash aid.⁴ We can see that the earliest cohort had the lowest take-up rate, and the most recent cohort the highest. About 60 percent of the 1998 one-parent leavers were enrolled in Medi-Cal twelve months after exit from CalWORKs, which is more than double the rate of the 1993 leavers and more than four times the rate of the 1988 leavers. The patterns for the two-parent and child-only cases are similar to the one-parent leavers, with the two-parent rates a little higher and the child-only rates somewhat lower.

⁴ The rate is calculated among families not receiving AFDC/CalWORKs or SSI/SSP.

The relatively high enrollment rates in the first month following exit, and the subsequent sharp declines, are due to implementation of procedures pursuant to the *Edwards v. Kizer* court decision which granted continuing Medi-Cal eligibility to families leaving AFDC/CalWORKs until completion of a formal redetermination of each family's eligibility status by the county. We note that the rate drops less sharply for the 1998 leavers, which may be explained by the fact that during this period, redetermination of eligibility was delayed for a large number of cases (referred to as "Edwards Hold" cases), due to difficulties encountered in implementing new Section 1931(b) eligibility rules that became effective January 1998.

The changes in Section 1931(b) eligibility and the Edwards Hold phenomenon help to explain the higher take-up rate among the 1998 leavers. First of all, Section 1931(b) represented an expansion of eligibility for families not on CalWORKs (although to some extent it overlaps with the Medi-Cal Medically Needy category). Second, the automatic extension of eligibility for Edwards Hold cases tends to inflate Medi-Cal enrollment during the 18-month follow-up period for the 1998 leavers, compared to the earlier cohorts, because some of these cases will not be eligible once the redeterminations are completed.

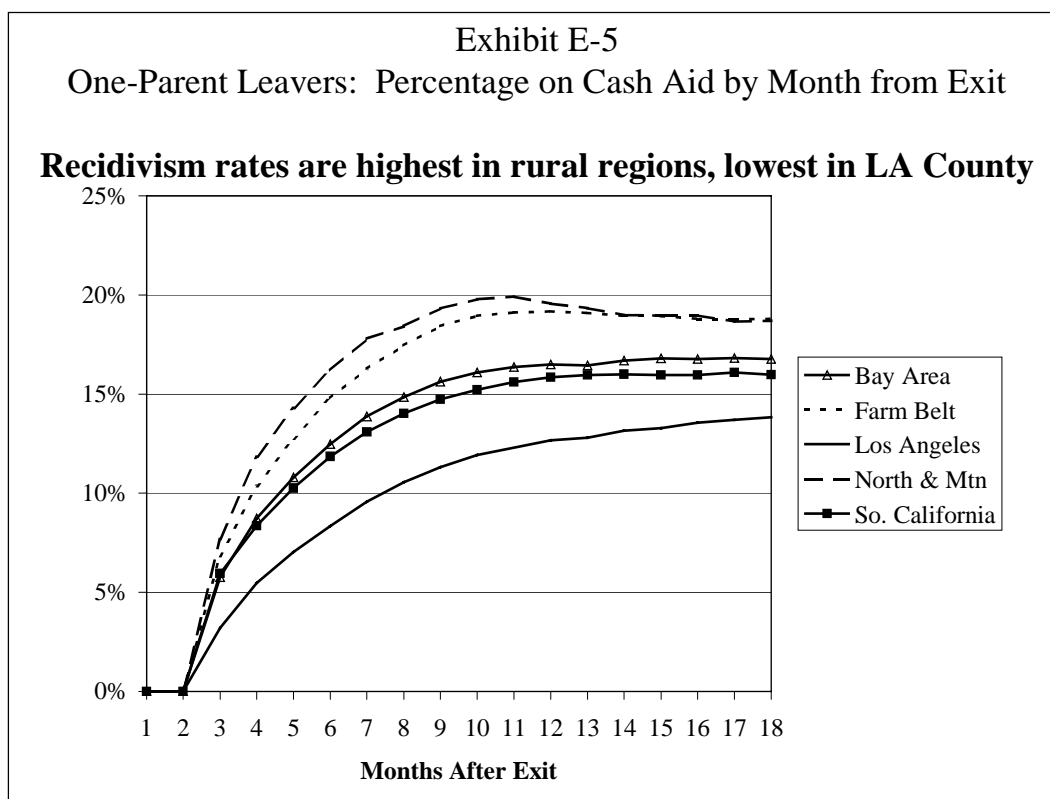
The higher take-up rate for the 1998 leavers may also be partly due to various actions implemented between 1996 and 1998 to increase participation in the Medi-Cal Program. These include legislative provisions to expand eligibility and administrative actions to expand outreach and encourage enrollment.

Finally, we note that in 1993-94 the state began to phase in a shift of Medi-Cal beneficiaries from fee-for-service enrollment to managed care plans. This was partly designed to address problems in access to health care under Medi-Cal because many physicians chose not to participate in the program. While many physicians continue to choose not to participate in Medi-

Cal, it is possible that improved access under managed care may have encouraged additional families in the 1998 cohort of welfare leavers to retain Medi-Cal coverage in those instances where they were eligible to do so.

SSI/SSP Take-Up Rate Is Lowest for Most Recent Welfare Leavers. We also reviewed the take-up rates for SSI/SSP, primarily to examine whether the implementation of more intense employment preparation activities under CalWORKs has led to the identification of adults or children with qualifying SSI disabilities. We find that the take-up rates for SSI are relatively low (under 5 percent for most cohorts and case types), and the 1998 leavers had the lowest rate among the three cohorts. Thus, there does not appear to be any support for the hypothesis that the expanded employment preparation activities under CalWORKs led to an increase in transitions to SSI.

CalWORKs Recidivism Highest in Rural Regions. As part of our analysis, we reviewed the regional variation in post-exit use of public assistance among 1998 leavers. The five regions consist of three urban areas – the Bay Area, Los Angeles and Other Southern California – and two rural areas – the Farm Belt and North and Mountain regions. As shown in Exhibit E-5, CalWORKs recidivism was highest in the rural regions, where high unemployment and “seasonal” use of cash aid probably played the biggest role. Recidivism was lowest in Los Angeles County, which may be partly explained by the relative changes in caseload composition leading up to 1998, whereby caseloads in the Bay Area and Southern California counties (excluding L.A.) may have shifted more towards families with significant barriers to work due to more rapid earlier caseload declines. Another possible explanation is the higher rate of enrollment in non-assistance Medi-Cal among leavers in Los Angeles County.



Food Stamps Take-Up Highest in Rural California. As Exhibit E-6 indicates, take-up of NAFS by welfare leavers is highest in the rural parts of California. It is possible that leavers in the rural areas had lower incomes due to the relatively weak economies in these regions, and therefore were more likely to be eligible for Food Stamps. Also, because a larger proportion of rural welfare leavers cycle on and off aid (reflecting the seasonal nature of economic activity in the rural regions), rural leavers may also tend to be more aware of the availability of NAFS benefits.

Medi-Cal Take-Up Highest in Counties With “Edwards Hold”. As Exhibit E-7 shows, Los Angeles County had the highest enrollment rate for non-assistance Medi-Cal (NAMC), followed by the Bay Area, due largely to the high proportion of “Edwards Hold” cases in the large urban counties. It is also possible that the implementation of managed care in these

Exhibit E-6

One-Parent Leavers: Percentage on NAFS by Month from Exit

NAFS take-up rates highest in rural regions, lowest in LA County

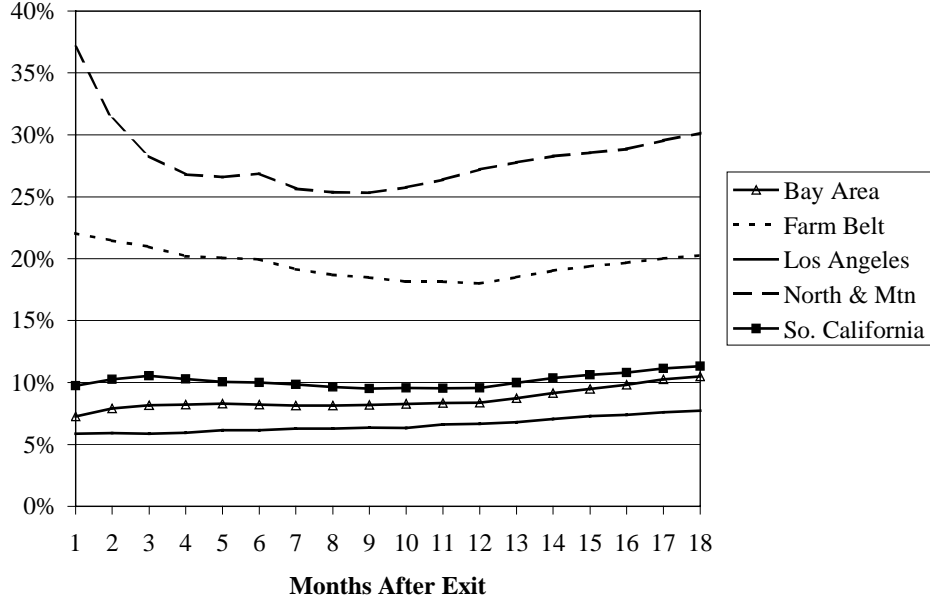
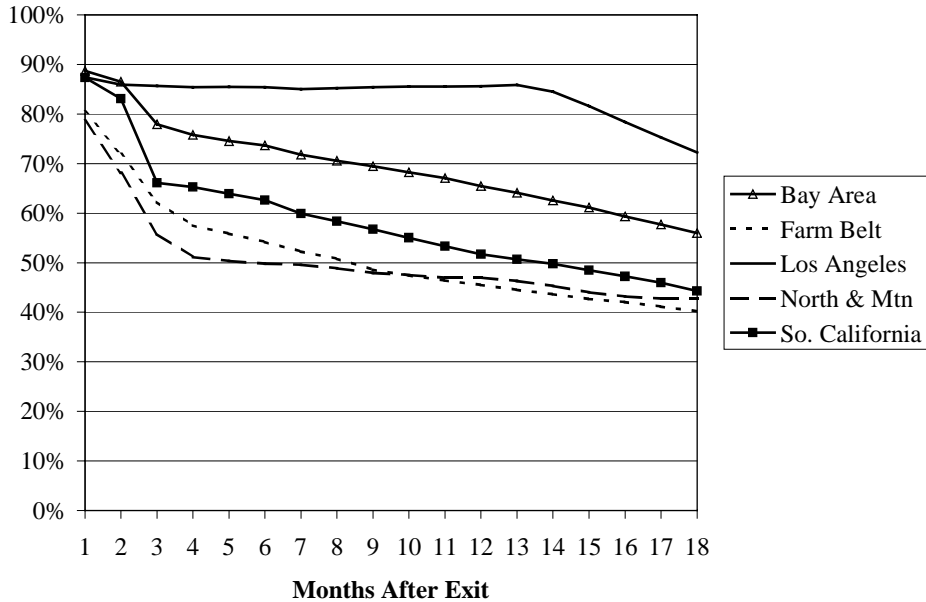


Exhibit E-7

One-Parent Leavers: Percentage on NAMC by Month from Exit

NAMC take-up rates highest in LA County, lowest in rural regions



counties may have improved access to Medi-Cal and indirectly led to a higher take-up rate of non-assistance Medi-Cal among leavers.

Post-Exit Aid Use Varies By Case Demographic Characteristics. We also analyzed the relationship between cash-aid recidivism and post-exit take-up of Food Stamps, Medi-Cal, and SSI/SSP and case demographic characteristics for the 1998 cohort of leavers. To summarize the major findings:

- CalWORKs recidivism is inversely related to the age of the case head, positively related to the higher number of children in the family, and positively related to the presence of younger children in the family. Families with African-American case heads are the most likely to return to aid, followed in order by Hispanic/Latino, White, and “other” (primarily Asian) families.
- Families with older case heads and more children are more likely to take up non-assistance Food Stamps.
- Families with older case heads and with Spanish-speaking, Hispanic/Latino case heads are more likely to take up non-assistance Medi-Cal benefits.
- Families in the “other” language (primarily Asian and Eastern European) and “other” ethnic (primarily Asian) categories have much higher post-exit rates of receipt of SSI/SSP.

Policy Implications

Our findings suggest that there may be a link between the lower recidivism rates and the higher Medi-Cal enrollment rates among the 1998 leavers. To the extent that this link is significant, it adds support for policy actions that would facilitate the provision of health

insurance for those leaving CalWORKs. While the Section 1931(b) rules represent one such policy that has already been adopted, we note that part of the increase in the enrollment rate among the recent cohort of leavers was the result of a temporary phenomenon – the Edwards Hold. Thus, some attention could be given to the development of additional policies that would facilitate Medi-Cal enrollment by CalWORKs leavers. We note, in this respect, that recent state policy initiatives move in this direction,⁵ but additional measures could be considered. One such policy, for example, would be to move from a required redetermination of Medi-Cal eligibility for CalWORKs leavers to a system that instead requires notification by the family if any eligibility-related circumstances have changed, similar to the process that exists for other non-CalWORKs families who qualify for Medi-Cal under Section 1931(b).

The potential link between managed care implementation (and its effect on improving access to primary care physicians) and higher Medi-Cal take-up rates among leavers is a finding that requires further research. If validated, it would provide an argument for making this transition from the fee-for-service delivery system, a policy that is currently being implemented in California.

The low take-up rates for Non-Assistance Food Stamps is consistent with our findings in other studies of CalWORKs leavers in selected counties in California, where it appeared that many of those leavers who had not applied for Food Stamps would have been eligible. This points to the need for improved means of transmitting information about this benefit to CalWORKs families, perhaps through the use of targeting strategies based on profiles of those most likely to fall into this category of recipients. Our findings suggest that such targeting include child-only cases. State policymakers may also want to consider adoption of the recently

⁵ Chapter 1088, Statutes of 2000 (SB 87) requires the Department of Health Services to adopt procedures to facilitate continued Medi-Cal coverage for former CalWORKs recipients, and the state is submitting a waiver request to the federal administration to expand health coverage to families up to 200 percent of poverty.

promulgated federal option to establish a Transitional Food Stamps Program for TANF leavers. Under this option, the benefits (Food Stamps coupons) would be fully funded by the federal government, while the administrative costs would be shared by the federal and state governments in the same manner as the existing Food Stamps Program.

1 Introduction

One of the major concerns about the nationwide impact of welfare reform has been that families who leave Temporary Assistance for Needy Families (TANF) may lose other benefits for which they remain eligible. This concern has been heightened because, as welfare caseloads have fallen nationwide, there also have been substantial declines in Medicaid and Food Stamps caseloads, even though most families who leave TANF continue to qualify for these programs. There has also been concern that, because of potential state and local fiscal incentives to shift costs from TANF to SSI, and the greater emphasis in TANF on the assessment of the recipient's ability to be involved in work activities, adult TANF recipients may be transitioning to receipt of SSI in substantial numbers. The objective of this report is to add to our understanding of cash-aid⁶ recidivism and the take-up of other forms of public assistance in the welfare reform era in California. This report is part of a broader research project examining welfare caseload dynamics in California, which also will assess the relationship between caseload dynamics and economic, demographic, and welfare policy factors in California. Our findings in this area will be presented in a separate report.

In this report we assess cash-aid recidivism and the uptake of Medi-Cal, Food Stamps, and SSI/SSP benefits by families leaving AFDC/CalWORKs in California, focusing on the following sets of research questions:

- What proportion of families leaving CalWORKs return within 18 months of exit from cash aid (i.e., what is the CalWORKs recidivism rate)? How does the recidivism rate vary among one-parent, two-parent, and child-only cases? Is the recidivism rate under CalWORKs higher or lower than was observed under AFDC? How does recidivism vary across the diverse regions of California? How does recidivism vary by case characteristics, including ethnicity, language, number of children, age of youngest child, and age of case head?

⁶ Throughout this report we use the term "cash aid" to refer to AFDC/CalWORKs.

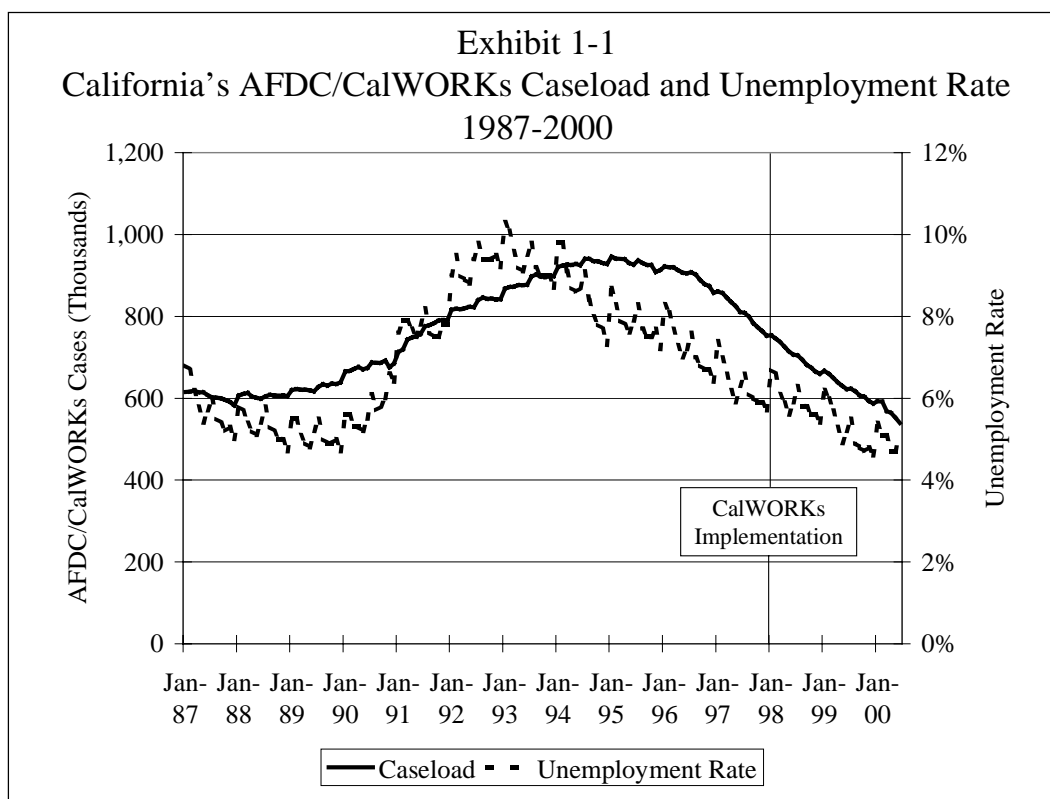
- How does uptake of Non-Assistance Medi-Cal, Non-Assistance Food Stamps, and SSI/SSP vary among exiting one-parent, two-parent, and child-only cases? How do these rates differ from the pre-reform experience? How do they differ across California's regions, and among different demographic groups? Are counties with faster caseload declines more or less likely to have high take-up of Non-Assistance Medi-Cal and Food Stamps? Is take-up of post-CalWORKs benefits negatively or positively related to CalWORKs recidivism rates?

The next three chapters of this report are devoted to answering these questions. In the remaining sections of this chapter, we provide some context for the analysis by examining recent aggregate trends in California's cash aid, Medi-Cal, Food Stamps, and SSI/SSP caseloads. We then describe our data sources and the case-type decomposition used in the subsequent chapters of this report.

1.1 Caseload Trends Under Welfare Reform in California

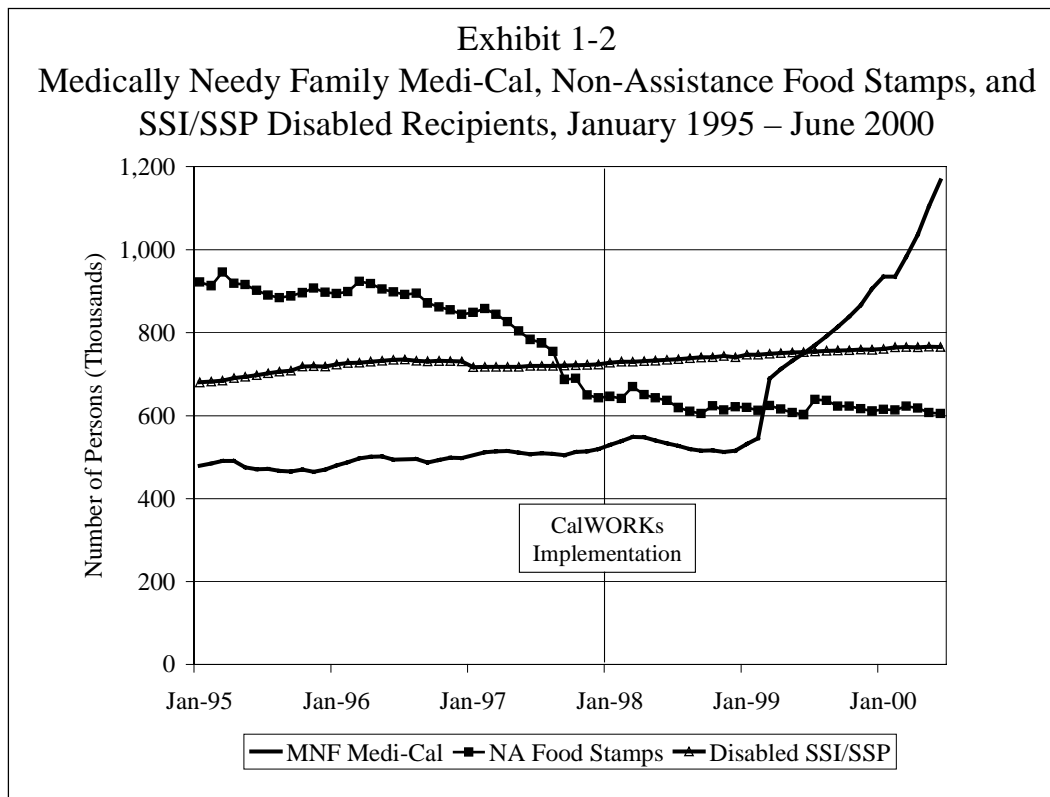
In response to the federal welfare reform legislation of 1996, which replaced the Aid to Families with Dependent Children (AFDC) program with the TANF program, California created the California Work Opportunity and Responsibility to Kids (CalWORKs) program in 1997. Like the AFDC program, CalWORKs provides cash grants to low-income families with children. Also, the program provides employment preparation services to adults in the assistance unit, similar to the services provided under the predecessor Greater Avenues for Independence (GAIN) program; but unlike GAIN, CalWORKs has been fully funded to accommodate all eligible participants. Other changes under the CalWORKs program include participation mandates, community service employment for able-bodied adult recipients on aid more than two years, and a grant reduction (elimination of the adult from the assistance unit) for families on aid more than five years.

How does the statewide cash-aid caseload trend differ under CalWORKs, compared to the experience under AFDC? Exhibit 1-1 graphs California's cash aid caseload trend from



January 1987 through June 2000, along with the state unemployment rate. Welfare caseloads increased by more than 50 percent in the first half of the 1990s, rising from an average monthly caseload of just over 600,000 in 1989 to over 900,000 cases in 1994 and 1995. Caseloads began declining in 1995, and have fallen by 28 percent since CalWORKs was implemented in January 1998. Caseloads are now below the pre-recessions levels experienced in the late 1980s. Because the state's population has grown over this period, if we expressed caseloads in terms of reciprocity rates (that is, cases per 1,000 women aged 15-44), we would find that the CalWORKs reciprocity rate in June 2000 is now *substantially* below the AFDC reciprocity rates observed in the late 1980s.

How do recent cash-aid caseload trends compare to trends in Medi-Cal, Food Stamps, and SSI/SSP? Exhibit 1-2 compares trends in the number of individuals eligible for Medi-Cal in



the eligibility categories referred to as the Medically Needy Families⁷ group, as well as the number of persons receiving Non-Assistance Food Stamps (NAFS) and SSI/SSP (within the disabled categories). Although we will examine more rigorously differences over time in the take-up of post-exit benefits in the next chapter, a review of these raw caseload trends is suggestive of what our findings will be.

Exhibit 1-2 shows that NAFS caseloads fell sharply in 1997, and have drifted gradually lower in the subsequent three years, at the same time that there have been large declines in cash aid caseloads. Although many families on NAFS in 1997 may have experienced increases in income that made them ineligible for Food Stamps, the large decline in cash aid caseloads since 1997 has probably been associated with increases in the population eligible for NAFS.⁸ These

⁷ This includes the new Section 1931(b) category, Transitional Medi-Cal,

⁸ One reason for the decline in NAFS caseloads in 1997 was the implementation of eligibility restrictions for certain groups of legal immigrants. The California Food Assistance Program (CFAP) was created to provide food

trends suggest that concerns may be justified that families leaving cash aid are not taking up Food Stamps benefits for which they remain eligible.

With respect to Medi-Cal coverage, however, the story is quite different. The number of individuals covered in the Medically Needy Family (MNF) categories has exploded since early 1999, almost entirely due to growth in the Section 1931(b) category of coverage. In fact, the growth in the MNF categories since January 1998 has been somewhat larger than the decline in the number of individuals receiving CalWORKs. This finding suggests that we should see high rates of Medi-Cal coverage for families leaving cash aid under CalWORKs.

The disabled SSI/SSP caseload has grown at an average annual rate of about 3 percent since early 1997. This rate of growth is much lower than the rate experienced in the first half of the decade, in part due to certain restrictions in eligibility that took place in the mid-1990s.⁹ This trend does not suggest that adult CalWORKs recipients have been shifted in large numbers to the SSI/SSP program.

Based on these caseload trends, we expect to see quite different patterns of post-exit receipt of NAFS, NAMC, and SSI/SSP. In particular, we expect to find high rates of Medi-Cal coverage for CalWORKs leavers, but low and perhaps declining rates of take-up of NAFS. We will see whether these expectations hold in Chapter 2.

1.2 Methodology

Throughout this report we use statewide administrative micro-data from California's Medi-Cal Eligibility Data System (MEDS) to examine post-exit aid use and cash-aid recidivism for different groups of families leaving AFDC/CalWORKs. One of the principal features of our analysis is that we stratify families into one-parent, two-parent, and child-only case types based

assistance to children and elderly immigrants who lost NAFS eligibility. Individuals enrolled in CFAP are not included in the NAFS trend presented in Exhibit 1-2.

⁹ We discuss these changes in more detail in Chapter 2.

on family structure and the composition of the cash aid assistance unit. In this section we define “leavers” for purposes of our research and describe the MEDS data set and the case-type definitions used in this report.

Definition of Leavers. We define “leavers” as those families exiting from the CalWORKs Program and remaining off aid for a period of at least two months. Thus, by definition none of the leaver families in our sample receives cash aid in the first two months after exit.

MEDS. MEDS provides statewide individual-level data on monthly participation in Medi-Cal and Food Stamps from January 1987 through June 2000.¹⁰ MEDS identifies the programmatic basis for Medi-Cal eligibility, county of aid receipt, and demographic information including ethnicity, age, gender, and language. Family members¹¹ can be identified by a common case serial number. Because recipients of AFDC/CalWORKs and SSI/SSP are categorically eligible for Medi-Cal, MEDS data can be used to identify receipt of cash aid and SSI/SSP. We use the information available in MEDS to identify families leaving AFDC/CalWORKs, and then to track subsequent aid use by members of the exiting assistance unit. The unit of observation in all subsequent analyses is the exiting cash-aid assistance unit.

Case Types. In the analyses that follow, we stratify families of “leavers” into three groups on the basis of their case type. *One-parent* cases are the most typical welfare cases; these are cases with single aided parents, usually mothers, with one or more children. *Two-parent* cases have two resident parents and their children, with at least one parent receiving welfare. In

¹⁰ Data on Food Stamps participation are available from January 1989 forward. We note that because counties are not required to enter Food Stamps participation data into the MEDS system, there is some variation across counties in the accuracy of such data in MEDS. However, our analysis indicates that the main Food Stamps findings presented in this report are not artifacts of variation in the accuracy of the underlying MEDS data.

¹¹ Technically, we can identify members of a common assistance unit. Throughout this paper, “family” will be used to refer to members of a common AFDC/CalWORKs assistance unit.

child-only cases, a child is aided but his or her parents are not. In California, the most common reason that parents are not aided is that they are ineligible non-citizens. Cases with sanctioned parents, parents receiving SSI/SSP, and non-needy caretaker relatives comprise most of the remainder of the child-only caseload.¹²

One of the principal reasons for stratifying the cash aid caseload into the three major case types is that there may be important differences across case types in the impact of welfare reform on cash aid recidivism and post-exit aid use. In particular, because the child-only caseload consists of families that are either exempt from, or choosing not to participate in, employment services programs, there may be differences in the impact of CalWORKs on cash aid recidivism among child-only cases, relative to cases with aided adults.

1.3 Outline of Report

In Chapter 2, we examine variation in post-exit aid use over time by comparing cash aid recidivism and take-up of NAMC, NAFS, and SSI by families leaving AFDC/CalWORKs in 1988, 1993, and 1998. In Chapter 3, we examine regional variation in post-exit aid use, focusing on differences among the 1998 CalWORKs leavers. In Chapter 4 we consider variation in post-exit aid use by case demographic characteristics, again among the 1998 cohort of leavers. Chapter 5 summarizes the key findings and policy implications of this report.

¹² For readers familiar with CalWORKs aid codes, the child-only case type includes cases with a zero-parent aid code, as well as cases with one-parent (all families) and two-parent aid codes in which all eligible adults are inactive due to sanction.

2 Differences in Receipt of Public Assistance Among Three Cohorts of Leavers

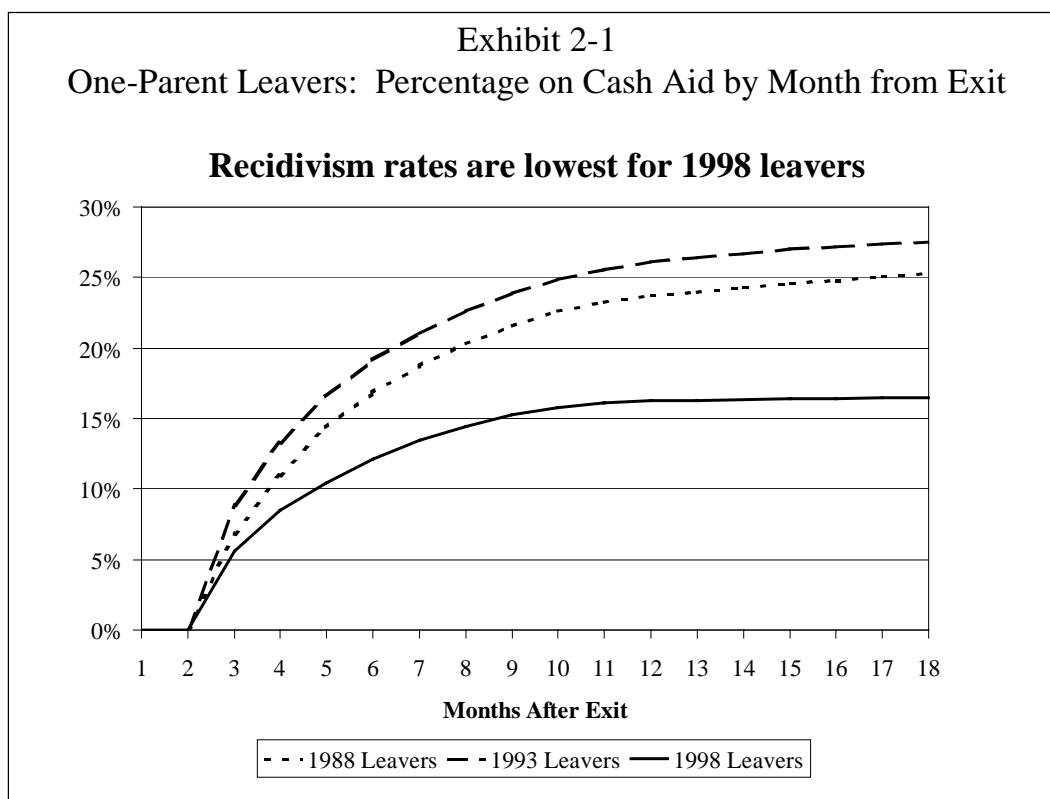
In this chapter, we examine how cash aid recidivism and take-up of Non-Assistance Medi-Cal, Food Stamps, and SSI/SSP have changed over time, with particular emphasis on differences in take-up and recidivism rates before and after CalWORKs implementation in January 1998. To conduct this review, we show the trends for three separate cohorts of families – those leaving AFDC/CalWORKs in 1988, 1993, and 1998 – by tracking them for a period of 18 months following their exit from the program. Trends are plotted separately for one-parent, two-parent, and child-only cases.

We chose to examine outcomes for these three cohorts because of the timing of changes in welfare policies and economic conditions, as well as data availability issues. CalWORKs implementation began in January 1998, and currently available MEDS data extend through June 2000. Therefore, 1998 leavers represent both the first 12 months of CalWORKs leavers, and the most recent group of leavers that can be tracked for a full 18 months after exit. We chose the 1988 leavers cohort as a comparison group because – as indicated by a review of Exhibit 1-1 – economic conditions in the late 1980s were similar to those experienced a decade later, at least as measured by unemployment rates. The post-exit period examined for the 1988 leavers ends in June 1990, just before the onset of a recession in the second half of the year. Therefore, the comparison of outcomes between 1988 and 1998 leavers cohort is unlikely to be strongly affected by differences in economic conditions between the two time periods. The 1993 cohort was chosen because the post-exit period for this group represents a period of high and rising cash aid caseloads and relatively high unemployment.

2.1 AFDC/CalWORKs Recidivism

The exhibits presented in this section report the proportion of each leaver subgroup with at least one member receiving cash aid, by month relative to the exit month. Month 1 is the first month off aid, month 2 is the second month off aid, and so on. There are several aspects of the construction of these figures that should be noted. First, the case type is based on the status of the *exiting* AFDC/CalWORKs assistance unit, not the assistance unit that receives aid after exit. Second, if *any* member of the exiting assistance unit receives cash aid in a particular month after exit, the leaving assistance unit is considered to have returned to cash aid in that month. Third, the exhibits report the proportion of leavers with a family member receiving cash aid in month X, not the proportion *ever* receiving cash aid from month 1 through month X. Fourth, because our “leaver” definition requires a two-month break in welfare receipt, by construction no families receive cash aid in the first two months after exit. Finally, to more precisely determine a “true” recidivism rate, we excluded the effects of inter-county migration – that is, families that move from one county to another without a break in welfare receipt. Without excluding these families, the recidivism rate would be somewhat overstated.

Exhibit 2-1 shows the percentage of one-parent leavers in each of the three cohorts with at least one member receiving AFDC/CalWORKs during the 18-month follow-up period. We see that the recidivism rates increase sharply in the first six to eight months after exit, and then plateau over the next ten months. More important, we see that the most recent cohort of leavers – the 1998 group – had significantly lower rates of recidivism than the other two cohorts, reaching a level of about 17 percent one year after exit, compared to about 25 percent for the 1988 leavers and 27 percent for the 1993 group.



The recidivism rates for the cohorts of two-parent leavers show a pattern similar to the one-parent group (Exhibit 2-2). Recidivism rates rise sharply over the first six to eight months after exit, and then flatten out over the next ten months. Again, recidivism rates are substantially lower for 1998 two-parent CalWORKs leavers (14 percent at 12 months) than for two-parent families leaving AFDC in 1993 and 1988 (25 percent at 12 months). We also note that, whereas recidivism rates for one-parent and two-parent leavers were comparable in the 1988 and 1993 cohorts, in the 1998 cohort recidivism is somewhat lower for two-parent families. For example, at one year from exit 14 percent of 1998 two-parent leavers are back on cash aid, compared to 17 percent of 1998 one-parent leavers.

Exhibit 2-3 shows the recidivism rates for the three cohorts of child-only cases. Although recidivism for the 1998 cohort is lower than the 1993 group, it is about the same as the 1988 cohort. It is interesting to note that the recidivism rate of the 1988 child-only cohort is

Exhibit 2-2
Two-Parent Leavers: Percentage on Cash Aid by Month from Exit

Recidivism rates are lowest for 1998 leavers

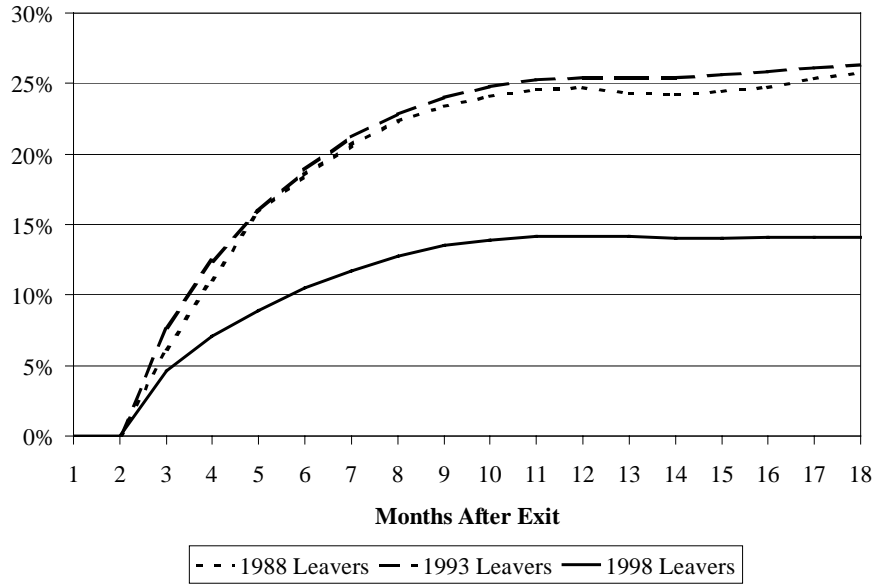
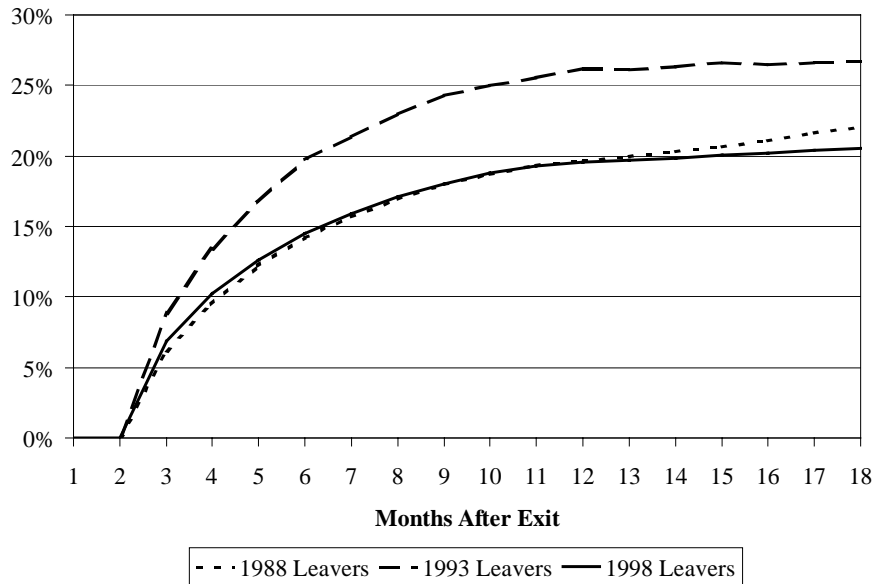


Exhibit 2-3
Child-Only Leavers: Percentage on Cash Aid by Month from Exit

Recidivism rates for 1998 leavers are comparable to 1988 levels



lower than the rates for the one-parent and two-parent leavers in that year, but the rate of the 1998 child-only cohort is *higher* than the rates for the 1998 one- and two-parent cases.

To help explain the lower recidivism rate for the 1998 one-parent and two-parent leavers, we note that California's economy during the post-1998 period was much stronger than in the 1993-94 period; however, there was not much difference between the 1998-99 and 1988-89 economies, at least as measured by the state unemployment rate. Specifically, California's unemployment rate averaged 5.5 percent in 1998-99, compared to 9.0 percent in 1993-94 and 5.2 percent in 1988-89, which suggests that differences in economic conditions do not account for differences in recidivism between the 1988 and 1998 cohorts.

We also note that the 1998 one-parent and two-parent cohorts left aid after a period of three years of substantial declines, while the 1988 leaver cohorts left aid in a period that followed several years of relatively stable caseload levels. Under the premise that families with the fewest barriers to self-sufficiency would be the first families to leave aid, it is plausible that the period of prolonged caseload decline *prior to 1998* may have shifted the composition of the cash aid caseload *in 1998* towards a higher proportion of families with more significant barriers to self-sufficiency. If this inference is correct, we would expect recidivism to be *higher* for the 1998 cohort than for families leaving aid a decade earlier, in the absence of other intervening factors.

A possible explanation for the lower recidivism rates observed in 1998 is that CalWORKs – with its greater emphasis on work, expansion of employment services (including job club programs to better prepare recipients to find and retain work), and the implementation of time limits – could have an effect on job retention as well as finding employment in the first place. The fact that *child-only* recidivism rates are comparable for the 1988 and 1998 cohorts, while one-parent and two-parent recidivism rates have declined, is consistent with this

explanation. In California, most child-only cases are associated with non-needy adult caretaker relatives, disabled adults receiving SSI/SSP, or non-citizen parents who are not required (or allowed) to participate in employment services programs. The child-only group also includes families with adults under sanction for failure to participate in employment services. In other words, most of California's child-only caseload is either exempt from, or failing to participate in, aspects of the CalWORKs program that might improve employment outcomes for the exiting assistance unit.

It is also possible that CalWORKs – and welfare reform more generally – may have led to behavioral effects that help to explain the lower recidivism rates. Welfare reform, for example, may have increased the stigma associated with welfare receipt and reduced the likelihood that leavers will choose to reapply for aid. However, it is important to note that sanction and time limit policies are unlikely to have had a large direct effect on welfare recidivism in California. This is because California has implemented maximum partial grant sanctions and has maintained CalWORKs eligibility for children beyond the five-year federal time limit on TANF receipt. Coupled with California's benefit structure, these policies result in a very small financial penalty, relative to the remaining partial grant, for families under sanction or hitting time limits. Sanctions and time limits are likely to play a much more important role in reducing welfare recidivism in states implementing full-family sanctions and hard time limits for all members of the TANF assistance unit.

Differences in the use of other forms of public aid by welfare leavers may also help explain the lower recidivism rate for the 1998 cohort. As we discuss below, the 1998 group had significantly higher take-up rates for Medi-Cal. While we do not have data on levels of private health insurance coverage for the three cohorts, this finding suggests that access to Medi-Cal

may have played a role in reducing the incentives for the 1998 leavers to return to CalWORKs. We also note that the Healthy Families Program (under the federal Children’s Health Insurance Program) expanded access to public health insurance for children, beginning in 1998-99. The hypothesis that there is a link between access to health insurance and lower rates of recidivism would be consistent with one of the findings from a recent study of selected welfare-to-work programs in various locations in the U.S., where there was a strong correlation between the use of transitional Medicaid and success in sustaining employment.¹³

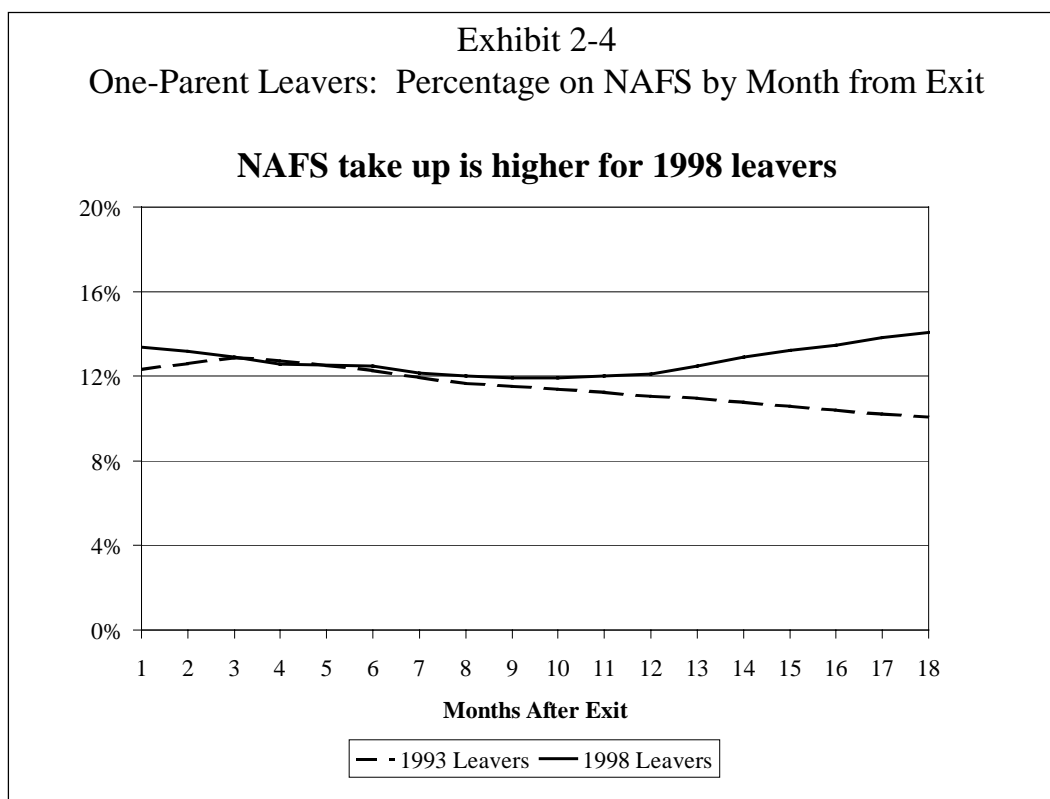
2.2 Food Stamps

We next examine the take-up of Non-Assistance Food Stamps (NAFS) by AFDC/CalWORKs leavers. We calculate the proportion of leavers (excluding those families where a member has returned to AFDC/CalWORKs or SSI/SSP) who have at least one member receiving NAFS.¹⁴ We exclude families receiving AFDC/CalWORKs because the vast majority of these families are receiving *assistance* Food Stamps, and our focus is on the take-up rate for NAFS. Similarly, we exclude families with SSI/SSP recipients because California’s SSI/SSP grant includes a cash “buyout” of Food Stamps benefits.

Exhibit 2-4 shows the percentage of one-parent leavers in the 1993 and 1998 cohorts (data for the 1988 group are not available) who received Non-Assistance Food Stamps following exit from AFDC/CalWORKs. We can see that the take-up rates are relatively low, never reaching 15 percent. Beginning about 12 months after exit, the gap between the two cohorts increases because the take-up rate for the 1998 leavers increases, whereas the rate for the 1993

¹³ Martinson, Karin, “The National Evaluation of Welfare-to-Work Strategies Evaluation: The Experience of Welfare Recipients Who Find Jobs,” Manpower Demonstration Research Corporation, December 2000, p. 28.

¹⁴ To clarify the methodology, consider a hypothetical leaver family that has a member return to cash aid in the fourth month after exit. In this month, the family will *not* be included in the group used to calculate the NAFS take-up rate.



cohort continues to decline. At 18 months after exit, 14 percent of 1998 one-parent leavers are receiving NAFS, compared to 10 percent of 1993 leavers.

The pattern for two-parent families is similar, although the take-up rate is somewhat higher (Exhibit 2-5). About one in six of both groups of two-parent leavers have at least one family member receiving NAFS in a typical month in the first year after exit, increasing to one in five families at 18 months after exit for 1998 leavers, but falling to one in seven families at 18 months for 1993 leavers.

Although the pattern for child-only cases is similar (Exhibit 2-6), the take-up rate is substantially lower for child-only cases than for cases with aided adults. In the first ten months after exit, receipt of NAFS declines gradually from 10 to 9 percent of 1998 child-only leavers, and from 8 to 7 percent of 1993 leavers. Over the next eight months, receipt of NAFS increases to 11 percent of 1998 leavers, but falls to just above 6 percent of the 1993 group.

Exhibit 2-5
Two-Parent Leavers: Percentage on NAFS by Month from Exit

NAFS take up is higher for 1998 leavers

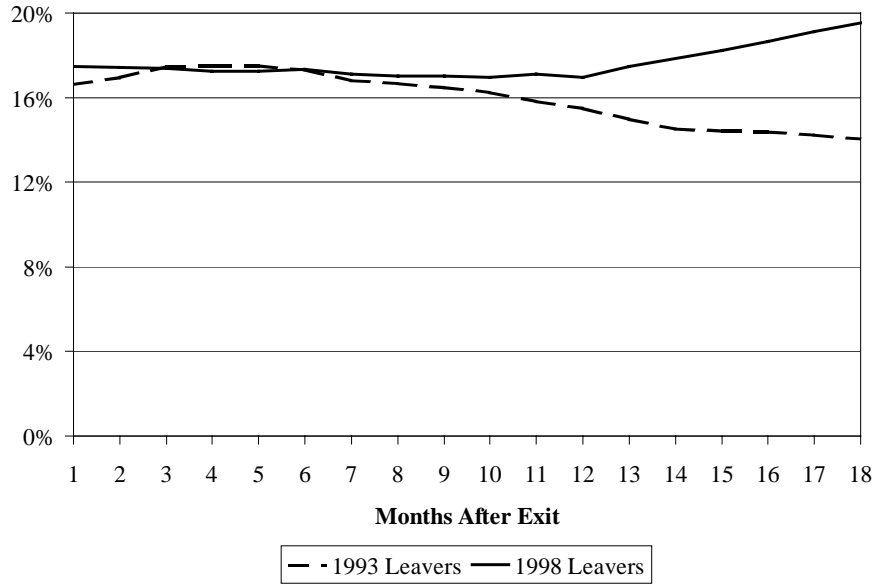
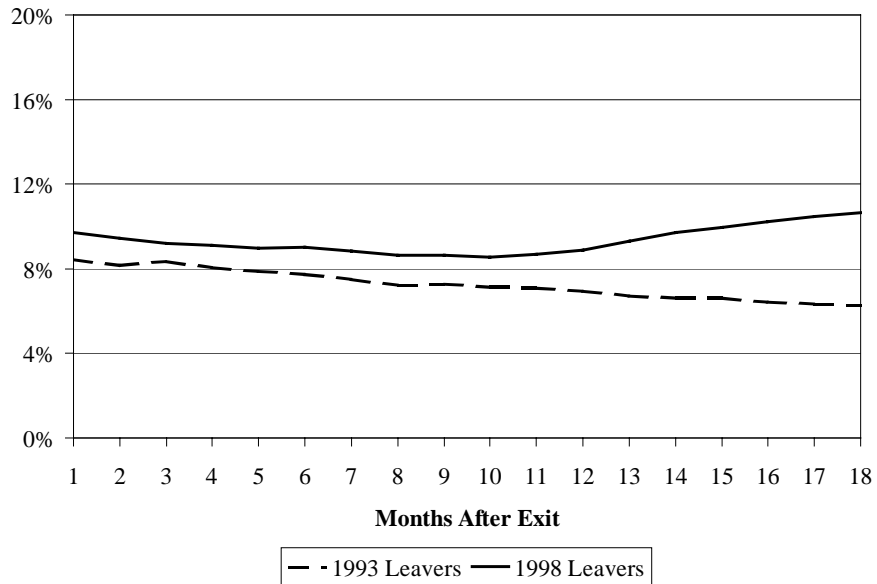


Exhibit 2-6
Child-Only Leavers: Percentage on NAFS by Month from Exit

NAFS take up is higher for 1998 leavers

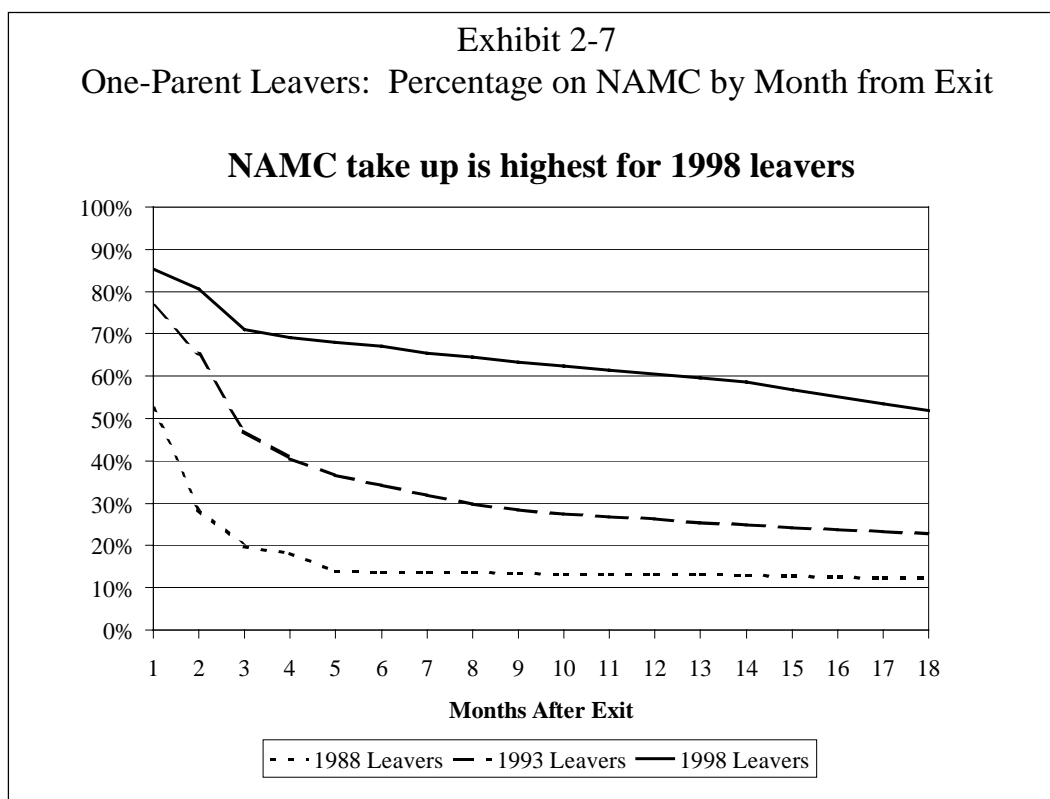


The relatively low take-up rate for Food Stamps among all the case types may be due, in part, to the stigma sometimes associated with welfare and Food Stamps in particular because of its visibility compared to cash grants and public health insurance. Another possible explanation is insufficient information regarding eligibility for this benefit for persons leaving AFDC/CalWORKs. We note, in this respect, that the county welfare departments face difficulties in transmitting post-exit benefit eligibility information to leavers because, in many cases, the only indication of the exit is when a recipient fails to submit the required forms to continue eligibility.

The low take-up rate for NAFS among the child-only cases may be due to the unique characteristics of this caseload. Parents who are undocumented immigrants, for example, may be reluctant to apply for additional government benefits or may be less likely to be aware of their eligibility for these benefits, due to less direct contact with the county welfare departments and language barriers.

2.3 Medi-Cal

Families leaving AFDC/CalWORKs are eligible for Medi-Cal under the Transitional Medi-Cal Program if they leave due to work, increased child support, or marriage, and may also be eligible if they meet the income requirements under certain other Medi-Cal categories. We calculate the proportion of leavers (excluding those families where a member has returned to AFDC/CalWORKs or SSI/SSP) who have at least one member receiving Medi-Cal, by month relative to the month of exit from cash aid. We exclude families receiving AFDC/CalWORKs because each member of the cash aid assistance unit is categorically eligible for Medi-Cal. Similarly, we exclude families with a member receiving SSI/SSP because SSI/SSP recipients are also categorically eligible for Medi-Cal. In other words, we calculate the proportion of leavers



with a family member receiving NAMC, among leavers who are potentially eligible for this *non-assistance* benefit.

Exhibit 2-7 shows the percentage of one-parent leavers in the three cohorts who were enrolled in the Medi-Cal Program by month relative to exit from cash aid. We can see that the earliest cohort had the lowest take-up rate, and the most recent cohort the highest. About 60 percent of the 1998 one-parent leavers were enrolled in Medi-Cal twelve months after exit from CalWORKs, which is more than double the rate of the 1993 leavers and more than four times the rate of the 1988 leavers. The patterns for the two-parent and child-only cases are similar to the one-parent leavers, with the two-parent rates a little higher and the child-only rates somewhat lower (Exhibits 2-8 and 2-9).

The relatively high enrollment rates in the first month following exit, and the subsequent sharp declines, are due to implementation of procedures pursuant to the *Edwards v. Kizer* court

Exhibit 2-8
Two-Parent Leavers: Percentage on NAMC by Month from Exit

NAMC take up is highest for 1998 leavers

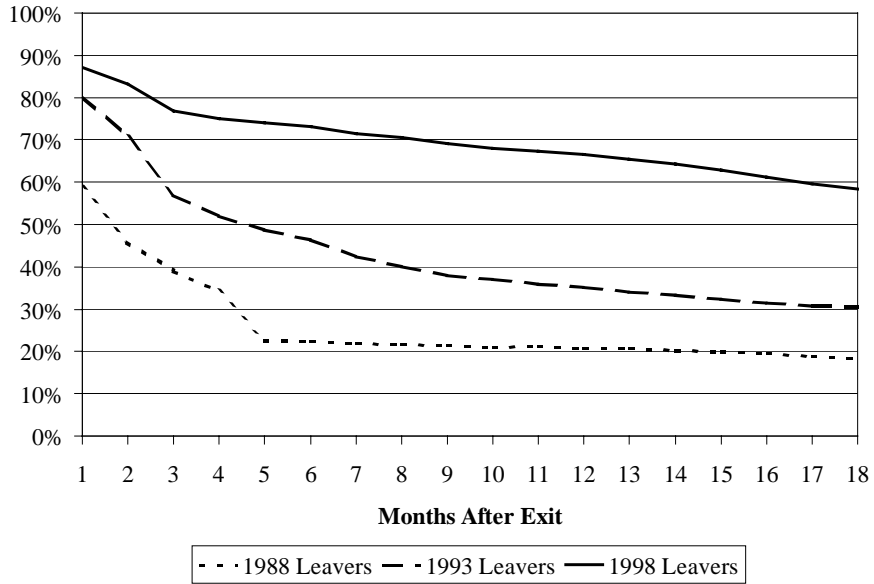
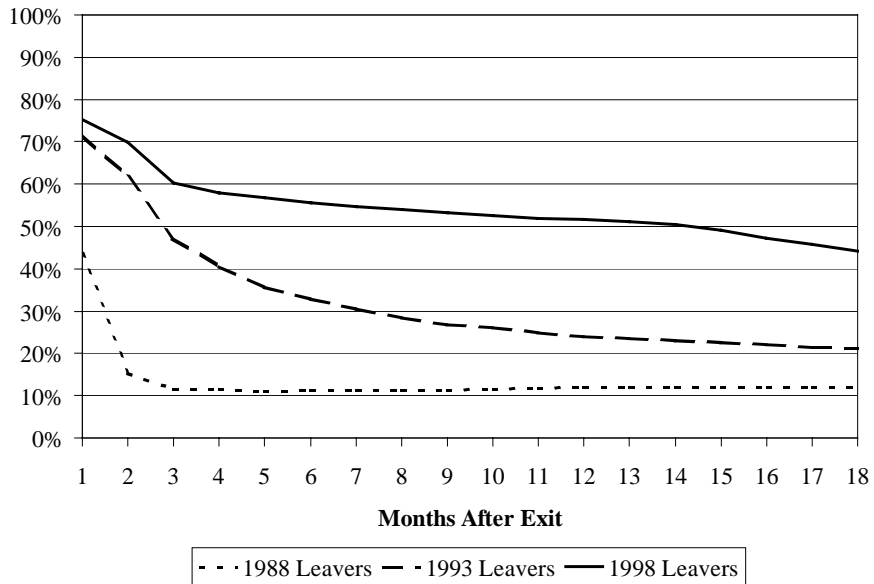


Exhibit 2-9
Child-Only Leavers: Percentage on NAMC by Month from Exit

NAMC take up is highest for 1998 leavers



decision which granted continuing Medi-Cal eligibility to families leaving AFDC/CalWORKs until completion of a formal redetermination of each family's eligibility status by the county. We note that the rate drops less sharply for the 1998 leavers, which may be explained by the fact that during this period, redetermination of eligibility was significantly delayed for a large number of cases (referred to as "Edwards Hold" cases), due to difficulties encountered in implementing new eligibility rules pursuant to Section 1931(b) of Title XIX of the Social Security Act, effective January 1998.

The *Edwards* decision, fully implemented in California in 1990, and the federal budget reconciliation legislation in 1989 – which included certain Medicaid expansions – help to explain the increase in the take-up rate from 1988 to 1993.

The changes in Section 1931(b) eligibility and the Edwards Hold phenomenon also help to explain the higher take-up rate among the 1998 leavers. First of all, Section 1931(b) represented an expansion of eligibility for families not on CalWORKs (although to some extent it overlaps with the Medi-Cal Medically Needy category). Second, the automatic extension of eligibility for Edwards Hold cases tends to inflate Medi-Cal enrollment during the 18-month follow-up period for the 1998 leavers, compared to the earlier cohorts, because some of these cases will not be eligible once the redeterminations are completed.

The higher take-up rate for the 1998 leavers may also be partly due to various actions designed to increase participation in the Medi-Cal Program. These include (1) federal and state legislation that, beginning in 1996-97, made more children (through age 13 initially and later expanded through age 18 in California) in families with somewhat higher incomes¹⁵ eligible for Medi-Cal, (2) state legislation in 1997-98 that eliminated the asset limit for the "poverty-group"

¹⁵ More specifically, these children were shifted from the Medically Indigent category to the 100 percent of poverty category. The maximum monthly family income in the latter category was about \$200 higher than in the Medically Indigent category (family of four) for coverage without a share of cost.

category of children and simplified the application procedures for pregnant women and poverty-group children, (3) expansion of outreach efforts and simplification of eligibility procedures implemented in 1997-98 for the Transitional Medi-Cal Program, and (4) expansion of Transitional Medi-Cal from 12 to 24 months implemented in California in 1998-99.

Finally, we note that in 1993-94 the state began to phase in a shift of Medi-Cal beneficiaries from fee-for-service enrollment to managed care plans. This was partly designed to address problems in access to health care under Medi-Cal because many physicians had chosen not to participate in the program. Under the managed care plans, each beneficiary is assigned to a participating primary care physician. It is possible that improved access under managed care may have encouraged additional families in the 1998 cohort of welfare leavers to retain Medi-Cal coverage in those instances where they were eligible to do so.

2.4 SSI/SSP

We also reviewed the take-up rates for SSI/SSP, primarily to examine whether the recent implementation of more intensified employment preparation activities under CalWORKs has led to the identification of adults or children with qualifying SSI disabilities.

Exhibit 2-10 shows the trends for the three cohorts of one-parent families. The take-up rates for SSI are relatively low (under 5 percent), and the 1998 leavers had the lowest rate among the three groups. The patterns for two-parent and child-only cases are similar to the pattern for the one-parent families (Exhibits 2-11 and 2-12). Thus, there does not appear to be any support for the hypothesis that the expanded employment preparation activities under CalWORKs (or

Exhibit 2-10
 One-Parent Leavers: Percentage on SSI/SSP by Month from Exit

SSI/SSP take up is lowest for 1998 leavers

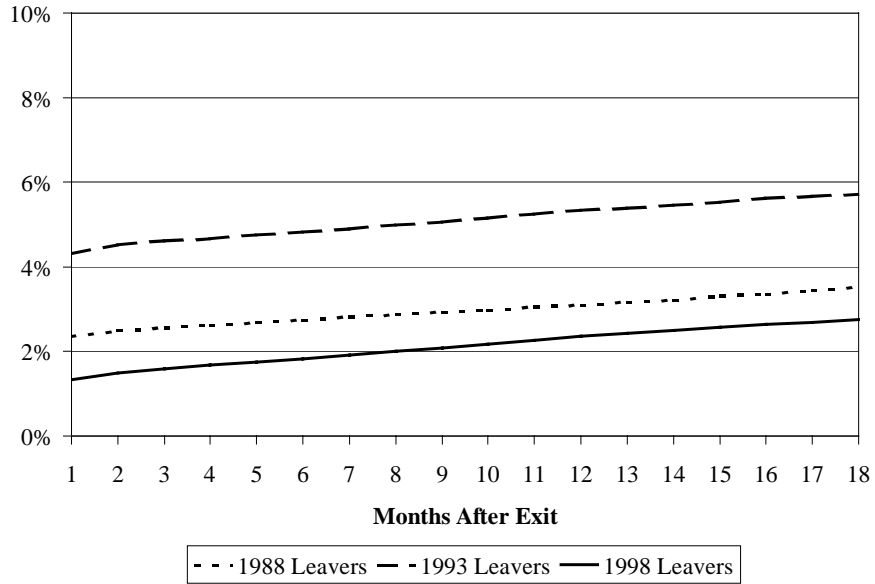


Exhibit 2-11
 Two-Parent Leavers: Percentage on SSI/SSP by Month from Exit

SSI/SSP take up is lowest for 1998 leavers

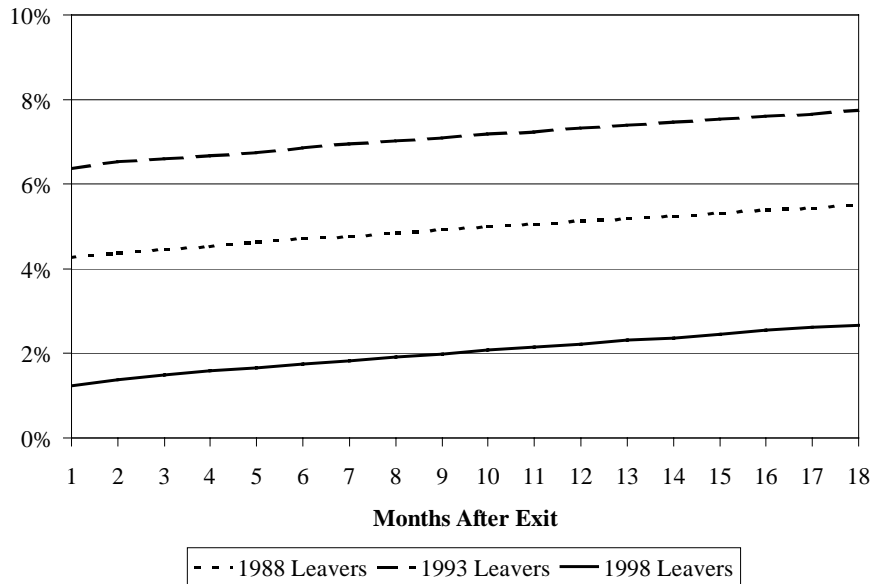
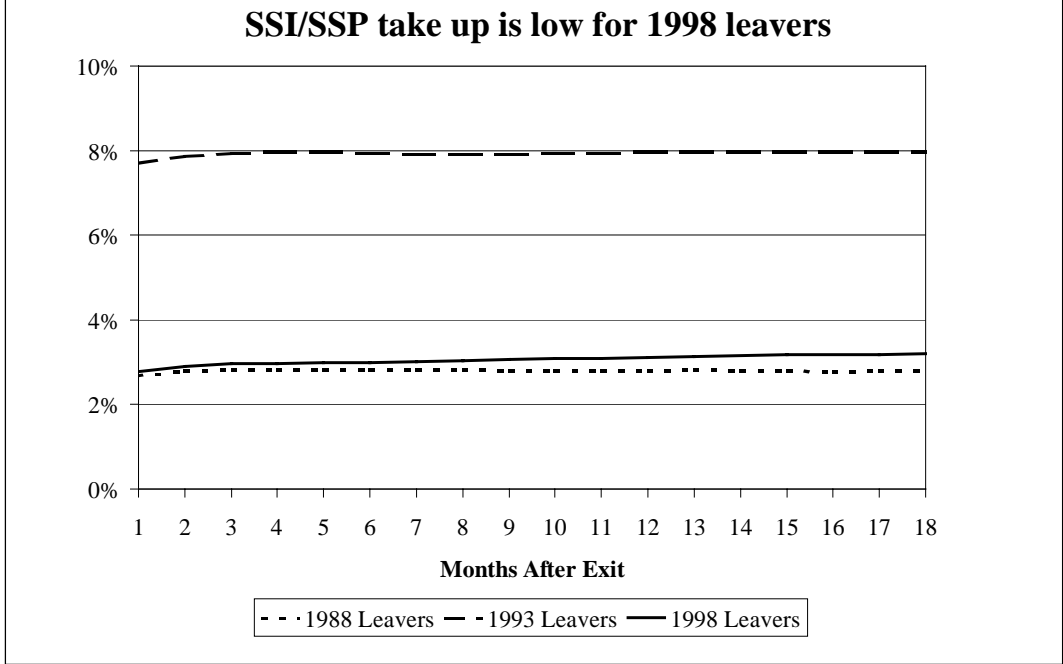


Exhibit 2-12
Child-Only Leavers: Percentage on SSI/SSP by Month from Exit



incentives to shift costs from CalWORKs to SSI/SSP) led to an increase in transitions to SSI.¹⁶ We also note that the higher rate in 1993 may be associated with the SSI caseload growth that occurred in the early 1990s, which was due to several factors, including an expansion of the mental impairment disability category and an expansion in qualifying childhood disabilities resulting from a court decision (*Sullivan v. Zebley*). The drop in the SSI take-up rate among the 1998 leavers may be due to the elimination of substance abuse as a qualifying SSI disability in 1996 and the adoption of a more restrictive definition of qualifying childhood disabilities in 1997-98.

2.5 Summary

To summarize the major findings:

¹⁶ We also examined the trend in the number of AFDC/CalWORKs cases in which an adult transitioned to SSI/SSP while other members of the AFDC/CalWORKs assistance unit continued to receive cash aid. We found an average of 200-300 such transitions per month statewide over the 1996-2000 period, with no significant increase after the implementation of CalWORKs. This finding also supports the conclusion that CalWORKs has not led to an increase in transitions to SSI.

- CalWORKs recidivism for the 1998 one- and two-parent leavers was significantly less than the earlier cohorts. Possible explanations include the effects of the economy, the CalWORKs Program, and access to Medi-Cal.
- The recidivism rate for the 1998 child-only group was lower than the 1993 group, but about the same as the 1988 group.
- The take-up rate for non-assistance Food Stamps was relatively low (below 15 percent for one-parent leavers in all three cohorts), particularly among the child-only cases. The low take-up rate may be due, in part, to the stigma associated with Food Stamps, insufficient information about program eligibility, and, in the case of the child-only cohort, a reluctance or lack of awareness on the part of undocumented immigrants with respect to Food Stamps benefit application.
- The take-up rate for non-assistance Medi-Cal increased substantially with each successive cohort, with 60 percent of the 1998 one-parent leavers enrolled one year after exit from CalWORKs. Potential explanatory factors include various legislative actions to expand Medi-Cal eligibility, the *Edwards v. Kizer* court decision to provide limited-term continuing eligibility for AFDC/CalWORKs leavers, the recent extension of such eligibility for many cases in the “Edwards Hold” category, and the indirect effects of the shift toward managed care in the Medi-Cal program.
- The take-up rate for SSI/SSP was low for all three cohorts, and the 1998 cohort had the lowest rate among the three groups. This suggests that the expanded employment preparation activities under CalWORKs did not lead to the identification of more recipients with qualifying SSI/SSP disabilities.

3 Regional Variation in Receipt of Public Assistance By the 1998 Leavers

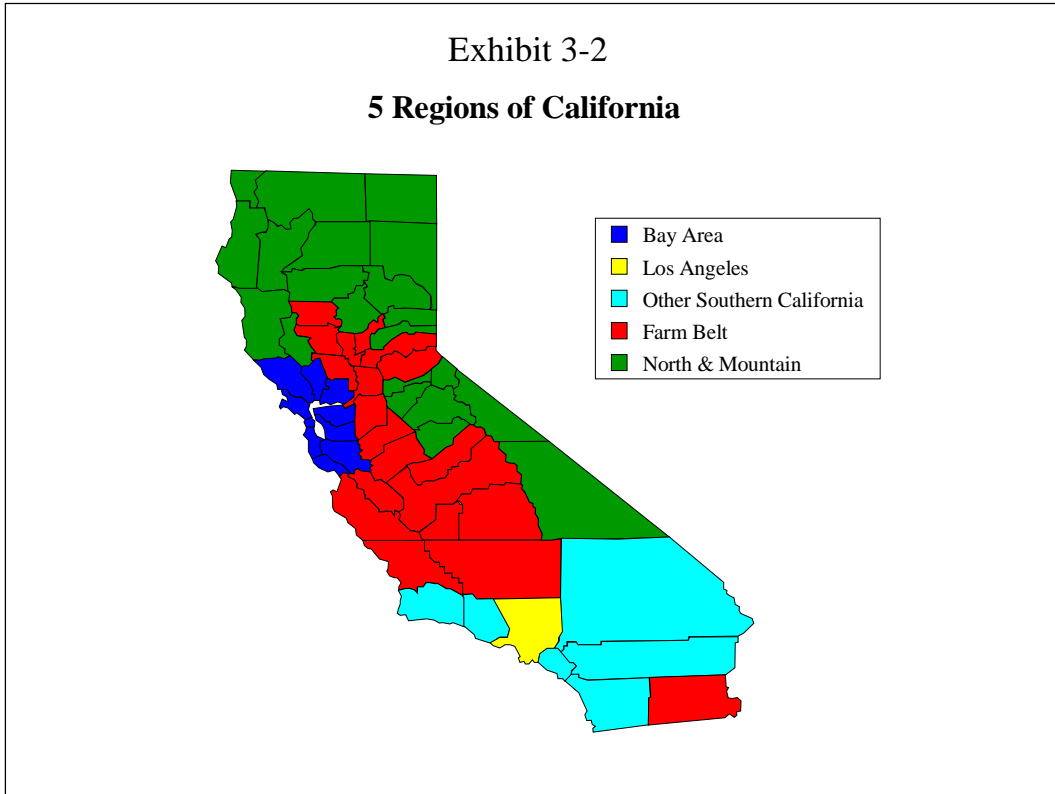
In this chapter, we review the regional variation in the post-exit use of public assistance among 1998 leavers. We group California’s 58 counties into the five regions listed in Exhibit 3-1. The regions are also mapped in Exhibit 3-2. Although there are many ways the state can be divided, we believe this mapping defines regions that differ along characteristics that matter for the receipt of public assistance. Three of the five regions – the Bay Area, Los Angeles and Other Southern California – are large, densely populated urban areas with a mixture of industries.¹⁷ The Farm Belt and North and Mountain regions have much more resource-based economies. Within the urban group, Los Angeles County is separated out because this single county accounts for over one-third of the state CalWORKs caseload. Within the resource-based regions, the Farm Belt and North and Mountain counties differ both demographically and in the mix of agricultural products.

Exhibit 3-1
Counties Included in Each of the Five Regions

Bay Area	Los Angeles	Other Southern California	Farm Belt		North & Mountain	
Alameda	Los Angeles	Orange	Colusa	Placer	Alpine	Modoc
Contra Costa		Riverside	El Dorado	Sacramento	Amador	Mono
Marin		San Bernardino	Fresno	San Benito	Butte	Nevada
Napa		San Diego	Glenn	San Joaquin	Calaveras	Plumas
San Francisco		Santa Barbara	Imperial	San Luis Obispo	Del Norte	Shasta
San Mateo		Ventura	Kern	Stanislaus	Humboldt	Sierra
Santa Clara			Kings	Sutter	Inyo	Siskiyou
Santa Cruz			Madera	Tulare	Lake	Tehama
Solano			Merced	Yolo	Lassen	Trinity
Sonoma			Monterey	Yuba	Mariposa	Tuolumne
					Mendocino	

¹⁷ We refer to “Other Southern California” as “Southern California” throughout the text. It is important to bear in mind that this region excludes Los Angeles County.

Exhibit 3-2
5 Regions of California



3.1 CalWORKs Recidivism

The exhibits presented in this section report the proportion of each leaver subgroup with at least one member receiving cash aid, by month relative to the exit month. In each of the three case types – one-parent (Exhibit 3-3), two-parent (Exhibit 3-4), and child-only (Exhibit 3-5) – we find that CalWORKs recidivism was lowest in Los Angeles and highest in the two most rural regions. The greatest variation occurs among two-parent families, as illustrated in Exhibit 3-4, where the recidivism rate one year after exit ranges from about 8 percent in Los Angeles County to just over 20 percent in the North and Mountain region. We note that there is more variation across regions in recidivism in the 1998 leaver cohort than in the 1988 and 1993 cohorts (not presented in a separate exhibit), although recidivism rates tend to be higher in the state’s rural regions in each cohort.

Exhibit 3-3

One-Parent Leavers: Percentage on Cash Aid by Month from Exit

Recidivism rates are highest in rural regions, lowest in LA County

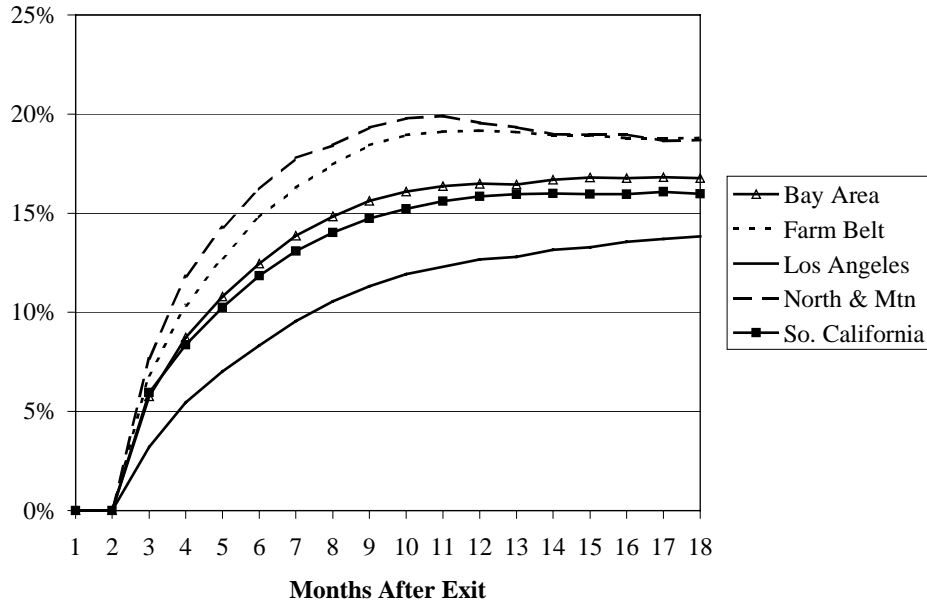
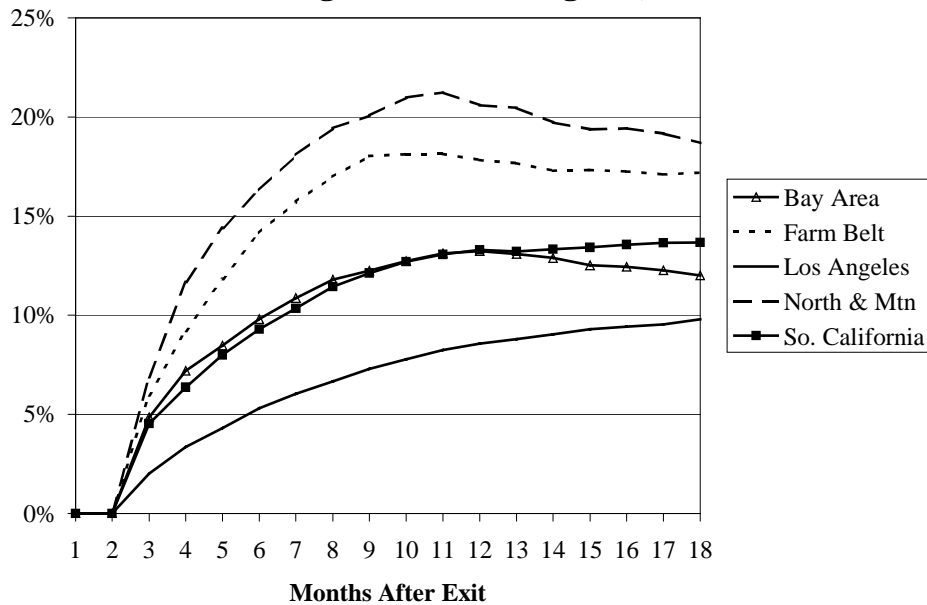
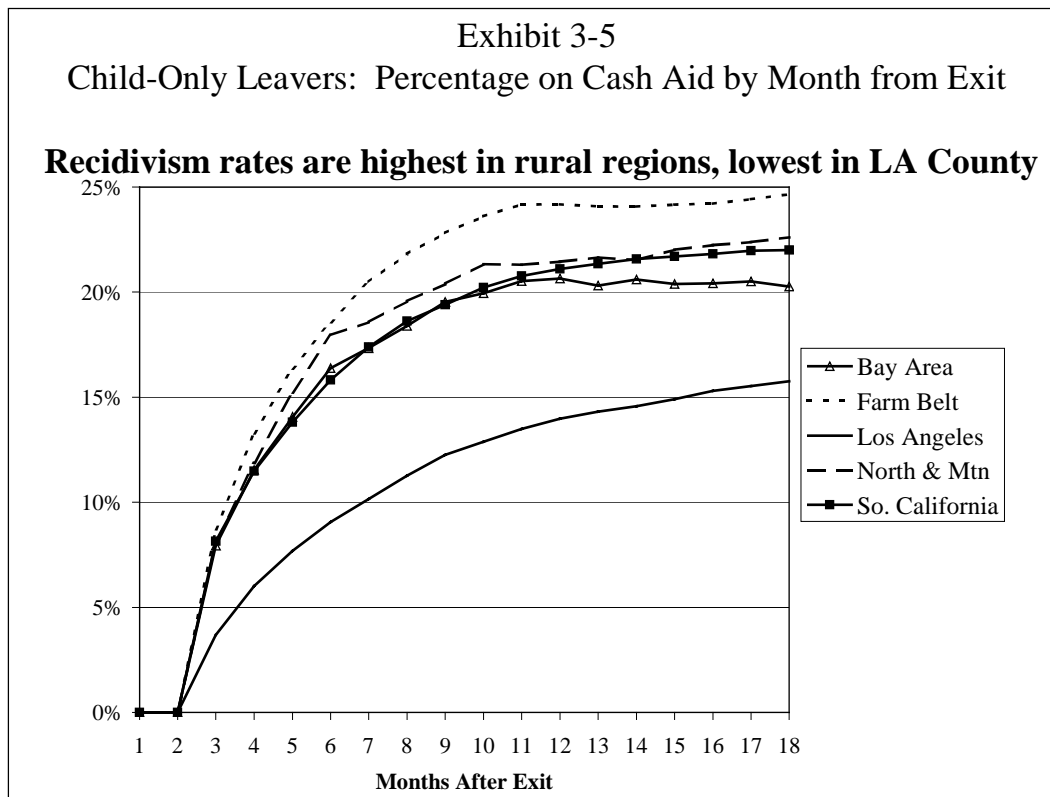


Exhibit 3-4

Two-Parent Leavers: Percentage on Cash Aid by Month from Exit

Recidivism rates are highest in rural regions, lowest in LA County





One explanation for the higher recidivism rates in rural parts of the state is the difference in the economies in these regions. The Farm Belt and North and Mountain regions have the highest average unemployment rates of the state’s five regions, and they also have highly seasonal economies. High recidivism rates in these regions are in part the product of “seasonal” use of cash aid.

Among the state’s three urban regions, differences in rates of caseload decline may help to account for the relatively low recidivism rates in Los Angeles County. The Bay Area and Southern California regions experienced substantially higher percentage caseload declines from the mid-1990s peak to January 1998. Specifically, the one-parent caseload declined by 33 percent and 26 percent from the peak to January 1998 in the Bay Area and Southern California, respectively, compared to a decline of 17 percent in Los Angeles County. The disparity was even more striking for the two-parent caseload, with declines of 38 and 39 percent in the Bay

Area and Southern California, respectively, compared to only 17 percent in Los Angeles County. Under the premise that families with the fewest barriers to self-sufficiency would be the first families to leave aid, we expect that the period of prolonged caseload decline prior to 1998 may have shifted the composition of the cash aid caseload towards a higher proportion of families with significant barriers to self-sufficiency. If this premise is correct, then more rapid caseload declines in the Bay Area and Southern California may have resulted in a greater shift in the composition of families on aid in 1998 in these two regions. Furthermore, the Bay Area and Southern California experienced larger percentage caseload declines in calendar year 1998 than Los Angeles County. Taken together, these findings suggest that the Bay Area and Southern California may have had 1998 leaver populations with more significant barriers to self-sufficiency than leavers in Los Angeles County, which may account for the differences in recidivism rates among the three regions.

Finally, as we discussed in the preceding chapter and will examine in more detail below, regional differences in Medi-Cal enrollment among the leavers may help to explain the differences in the recidivism rate: Enrollment in non-assistance Medi-Cal was highest in Los Angeles (where the recidivism was the lowest) and lowest in the two rural regions (where recidivism was the highest).

3.2 Food Stamps

Exhibits 3-6, 3-7, and 3-8 report regional variation in the post-exit receipt of Non-Assistance Food Stamps (NAFS) among the 1998 one-parent, two-parent, and child-only leavers, respectively. We calculate the proportion of leavers (excluding those families where a member has returned to CalWORKs or SSI/SSP) who have at least one member receiving NAFS. We exclude families receiving CalWORKs because the vast majority of these families are receiving

Exhibit 3-6

One-Parent Leavers: Percentage on NAFS by Month from Exit

NAFS take-up rates highest in rural regions, lowest in LA County

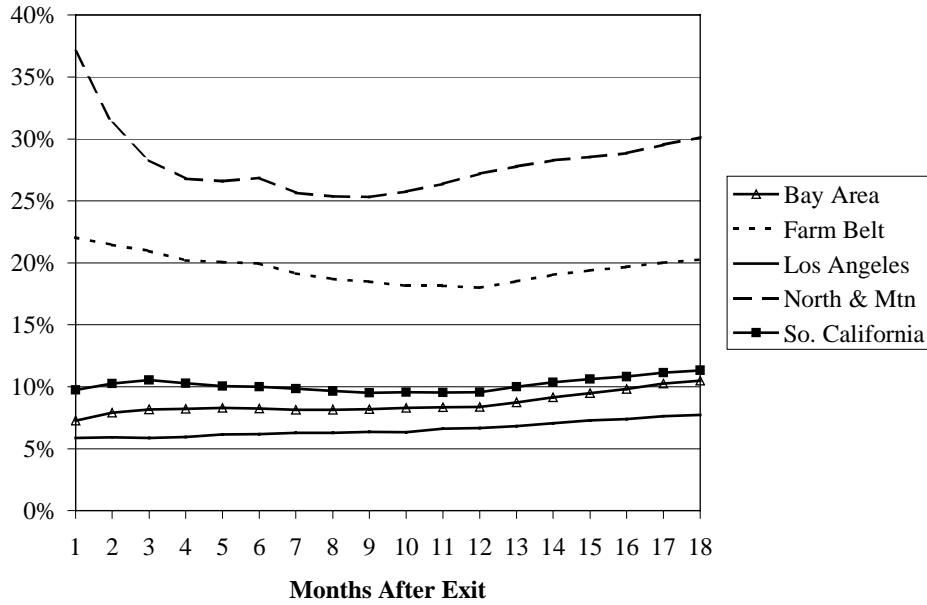


Exhibit 3-7

Two-Parent Leavers: Percentage on NAFS by Month from Exit

NAFS take-up rates highest in rural regions, lowest in LA County

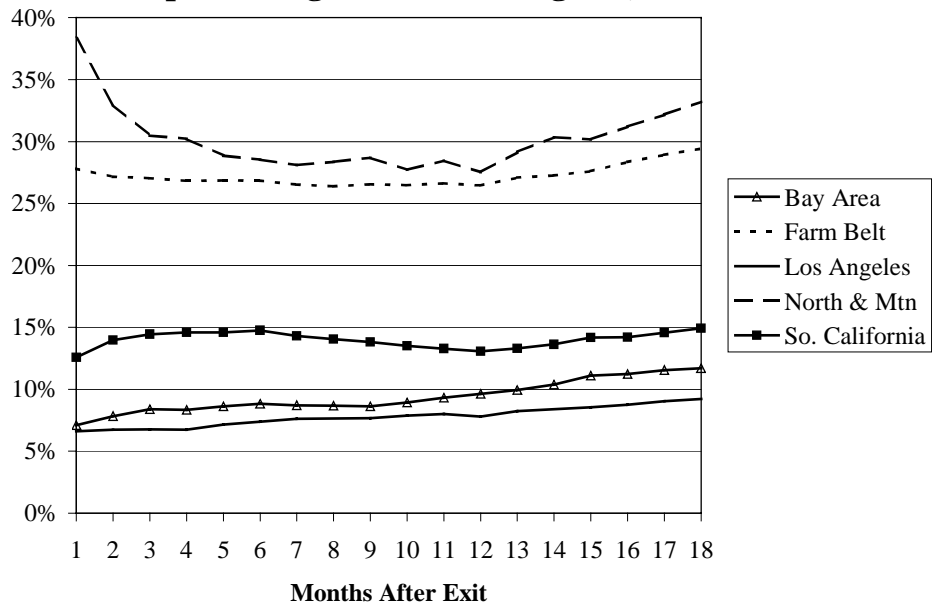
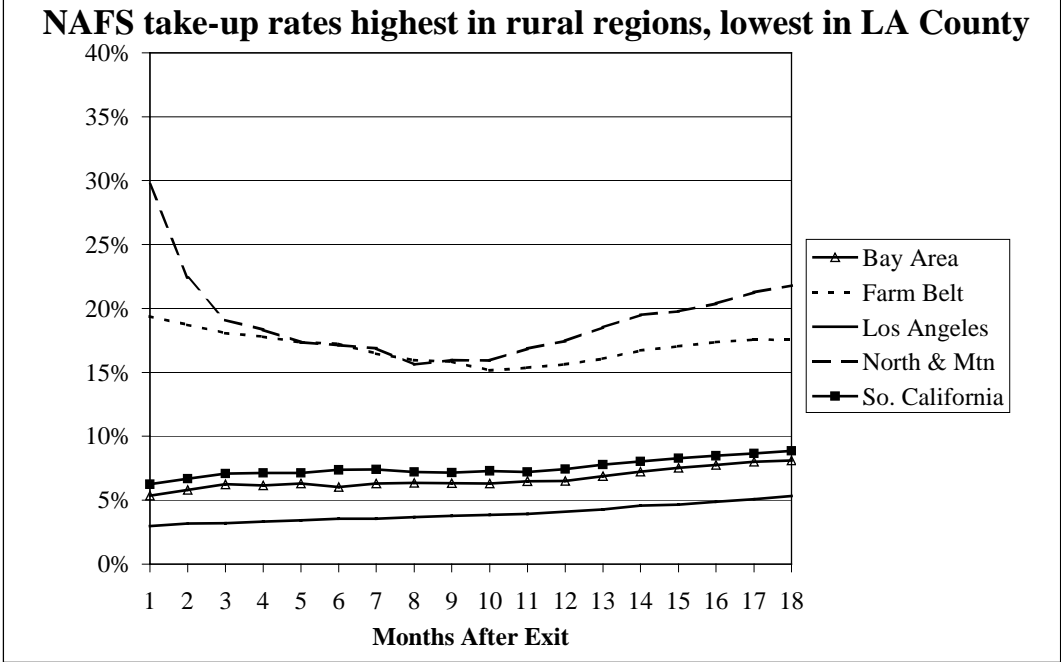
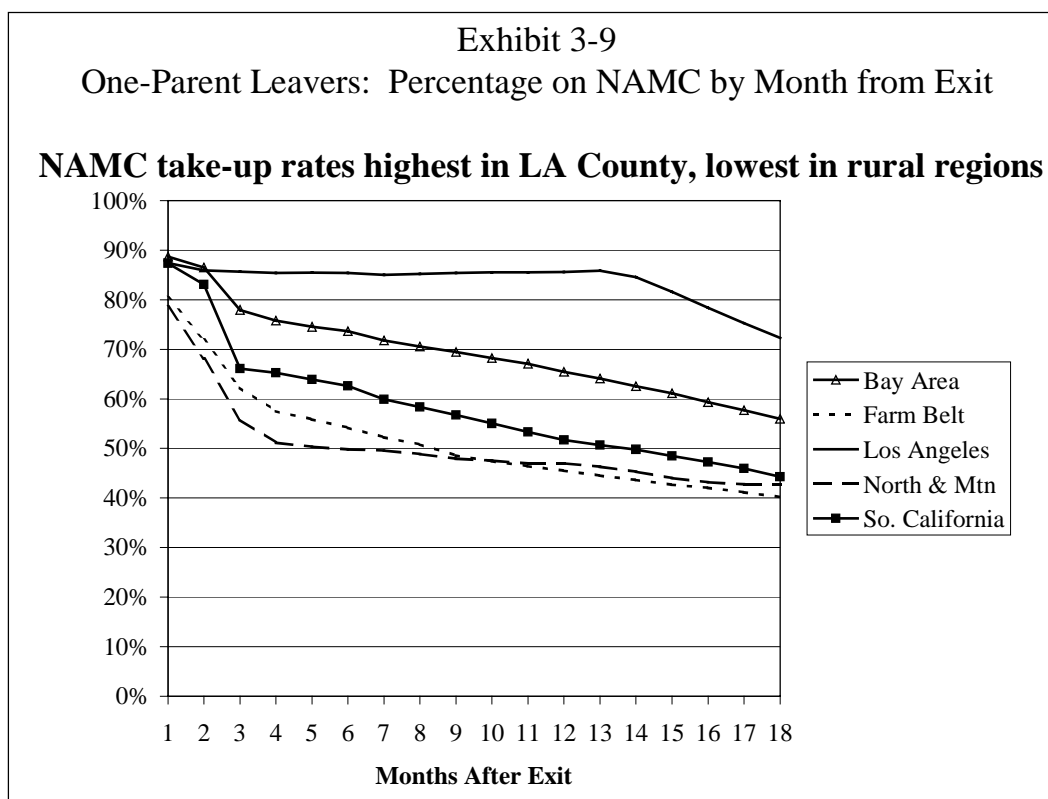


Exhibit 3-8
Child-Only Leavers: Percentage on NAFS by Month from Exit



assistance Food Stamps, and our focus is on the take-up rate for NAFS. Similarly, we exclude families with SSI/SSP recipients because California’s SSI/SSP grant includes a cash “buyout” of Food Stamps benefits.

For each case type, take-up of NAFS was far higher in the rural parts of the state. In each case, take-up is highest in the North and Mountain region, followed by the Farm Belt, Southern California, the Bay Area, and Los Angeles County. It is possible that leavers in the rural areas had lower incomes due to the relatively poorer economies in these regions, and therefore were more likely to be eligible for Food Stamps. In addition, because a larger proportion of welfare leavers in California’s rural regions appear to cycle on and off aid (reflecting the seasonal nature of economic activity in these regions), rural leavers may also tend to be more aware of the availability of NAFS benefits.



3.3 Medi-Cal

Exhibits 3-9, 3-10, and 3-11 report regional variation in the post-exit receipt of Non-Assistance Medi-Cal (NAMC) among the 1998 one-parent, two-parent, and child-only leavers, respectively. We calculate the proportion of leavers (again excluding those families where a member has returned to CalWORKs or SSI/SSP) who have at least one member receiving Medi-Cal, by month relative to the month of exit from cash aid.

For each case type, Los Angeles County had the highest percentage receiving NAMC, with very little drop-off after the second month, and the Bay Area had the next highest rate of enrollment. These differences are due in large part to regional variation in the proportion of cases in the Edwards Hold category, as discussed in the preceding chapter. The large urban counties – notably Los Angeles – had the highest proportions of Edwards Hold cases, which automatically remained on Medi-Cal pending determination of their eligibility status.

Exhibit 3-10

Two-Parent Leavers: Percentage on NAMC by Month from Exit

NAMC take-up rates highest in LA County, lowest in rural regions

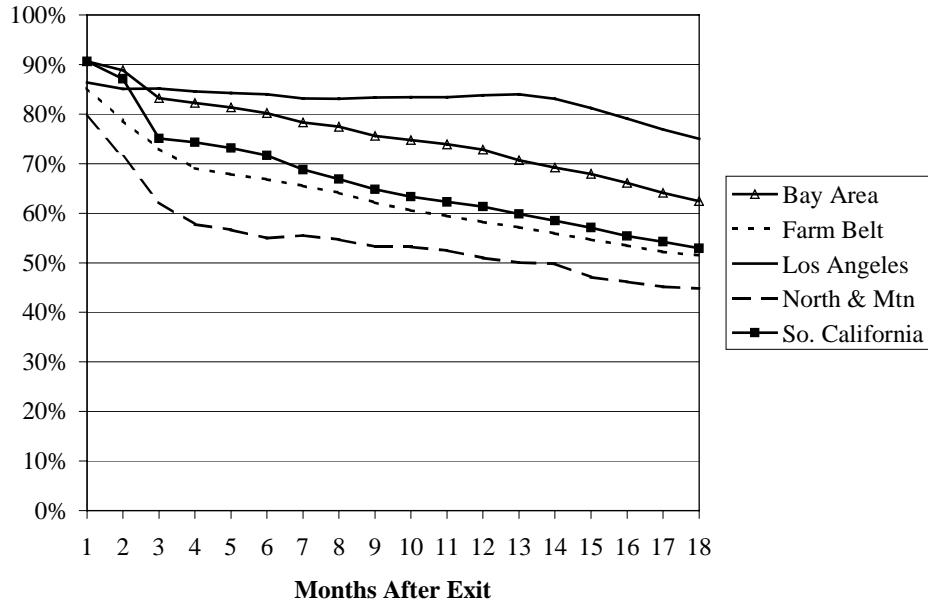
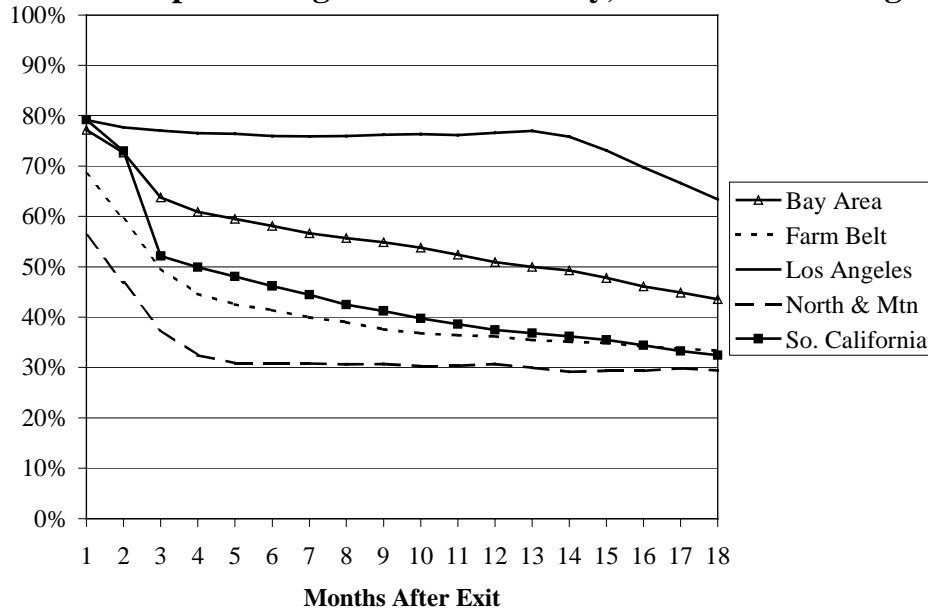


Exhibit 3-11

Child-Only Leavers: Percentage on NAMC by Month from Exit

NAMC take-up rates highest in LA County, lowest in rural regions



We also note that Los Angeles, most of southern California, and most of the Bay Area counties had completed their implementation of Medi-Cal managed care by 1998-99. As we hypothesized in the preceding chapter, it is possible that improved access to primary care physicians under Medi-Cal managed care may have indirectly led to a higher take-up rate of Medi-Cal by welfare leavers.

3.4 Summary

To summarize the major findings related to regional variation for the 1998 leavers:

- CalWORKs recidivism was highest in the rural regions, where high unemployment and “seasonal” use of cash aid probably played an important role.
- Recidivism was lowest in Los Angeles County, which may be partly explained by the relative changes in caseload composition leading up to 1998, whereby caseloads in the Bay Area and other Southern California counties may have shifted more towards families with significant barriers to work. Another possible explanation is the higher rate of enrollment in non-assistance Medi-Cal among leavers in Los Angeles County.
- Take-up of NAFS was highest in the rural parts of California. It is possible that leavers in the rural areas had lower incomes due to the relatively poorer economies in these regions, and therefore were more likely to be eligible for Food Stamps. Also, because a larger proportion of rural welfare leavers cycle on and off aid (reflecting the seasonal nature of economic activity in the rural regions), rural leavers may also tend to be more aware of the availability of NAFS benefits.
- Los Angeles County had the highest take-up rate for non-assistance Medi-Cal, followed by the Bay Area, due largely to the high proportion of “Edwards Hold” cases in the large urban counties. It is also possible that the implementation of managed care in these

counties may have improved access to Medi-Cal and indirectly led to a higher take-up rate of non-assistance Medi-Cal among leavers.

4 Variation in Post-Exit Aid Use by Case Demographic Characteristics

In this chapter we relate cash-aid recidivism and post-exit take-up of Food Stamps, Medi-Cal, and SSI/SSP to case demographic characteristics, using the full population of the 1998 cohort of leavers. We construct dichotomous (0/1) variables measuring four aid use outcomes for each exiting family:

1. *CalWORKs recidivism* – at least one member of the exiting assistance unit receives CalWORKs *at any time in the first 12 months after exit*;
2. *NA Food Stamps receipt* – at least one member of the exiting assistance unit receives NAFS *in the 12th month after exit*;
3. *NA Medi-Cal receipt* – at least one member of the exiting assistance unit receives NAMC *in the 12th month after exit*; and
4. *SSI/SSP receipt* – at least one member of the exiting assistance unit receives SSI/SSP *at any time in the first 12 months after exit*.¹⁸

For each of the three case types, we estimate four linear probability models relating each type of post-exit aid receipt to a set of dichotomous variables measuring family demographic characteristics, including county of residence, month of exit from cash aid, age of case head¹⁹ (except for the child-only case type), age²⁰ of youngest person in the assistance unit, number of children, case head language, and case head ethnicity.

Regression results for one-parent families are presented in Exhibit 4-1, while the results for two-parent and child-only families are presented in Exhibits 4.2 and 4.3, respectively.²¹

¹⁸ It is important to note the relatively subtle difference between the two types of aid use outcomes used as dependent variables in the regressions in this chapter. For CalWORKs and SSI, we are measuring whether anyone in the exiting family receives such assistance in any of the first 12 months after exit. For NAMC and NAFS, we are measuring whether anyone in the exiting family receives such assistance in specifically the 12th month after exit.

¹⁹ For cases with aided adults, the case head is the oldest aided adult female. If no adult female is aided on the case, then the case head is the oldest aided adult male. For child-only cases, the case head is the oldest aided child.

²⁰ Age of case head and age of the youngest person in the assistance unit are calculated relative to the end of the last month on cash aid.

²¹ Coefficient estimates are identified by imposing on each group of demographic variables (e.g., the group of four ethnicity variables) the linear restriction that the coefficient estimates for the variables in each group sum to zero.

Exhibit 4-1				
Linear Probability Model Estimates				
1998 One-Parent Leavers				
Variable	CalWORKs	Food Stamps	Medi-Cal	SSI/SSP
Intercept	0.245	0.213	0.492	0.075
Case Head Age:				
• Less than 21	0.040	-0.033	0.000	-0.034
• 21-30	0.005	-0.013	-0.023	-0.005
• 31-40	-0.013	0.012	-0.011	0.007
• 41+	-0.032	0.034	0.034	0.031
Number of Children:				
• 0	-0.091	0.014	-0.013	0.048
• 1	0.022	-0.025	0.005	-0.013
• 2	0.019	-0.009	0.012	-0.016
• 3+	0.050	0.020	-0.004	-0.018
Primary Language:				
• English	0.003	-0.029	-0.026	-0.057
• Spanish	-0.027	-0.012	-0.010	-0.054
• Other	0.024	0.041	0.036	0.111
Ethnicity:				
• African-American	0.055	0.027	0.010	-0.002
• White	-0.018	-0.005	-0.019	-0.007
• Hispanic/Latino	0.015	0.016	0.041	-0.015
• Other	-0.051	-0.038	-0.032	0.025
Youngest Person Age:				
• 0-2	0.052	0.010	0.000	0.015
• 3-5	0.007	-0.001	0.015	0.008
• 6-11	-0.002	-0.012	0.010	0.000
• 12-16	0.000	-0.012	-0.010	-0.012
• 17+	-0.056	0.015	-0.015	-0.011
N	163,276	133,609	133,609	163,276
Dependent Mean	0.216	0.110	0.573	0.024

Exhibit 4-2				
Linear Probability Model Estimates				
1998 Two-Parent Leavers				
Variable	CalWORKs	Food Stamps	Medi-Cal	SSI/SSP
Intercept	0.228	0.211	0.531	0.042
Case Head Age:				
• Less than 21	0.057	-0.023	-0.013	-0.029
• 21-30	0.002	-0.008	-0.020	-0.005
• 31-40	-0.026	0.005	-0.011	0.006
• 41+	-0.033	0.026	0.044	0.028
Number of Children:				
• 0	-0.056	0.009	-0.053	0.082
• 1	0.016	-0.028	0.017	-0.025
• 2	0.009	-0.009	0.025	-0.028
• 3+	0.031	0.028	0.011	-0.029
Primary Language:				
• English	0.015	-0.023	-0.025	-0.018
• Spanish	-0.003	0.032	0.014	-0.017
• Other	-0.012	-0.009	0.011	0.035
Ethnicity:				
• African-American	0.051	0.002	-0.016	0.001
• White	-0.009	-0.012	-0.036	-0.009
• Hispanic/Latino	0.007	0.020	0.055	-0.013
• Other	-0.049	-0.010	-0.003	0.021
Youngest Person Age:				
• 0-2	0.044	0.027	0.006	0.016
• 3-5	0.012	0.019	0.021	0.008
• 6-11	-0.001	0.004	-0.007	-0.004
• 12-16	-0.007	-0.012	-0.001	-0.015
• 17+	-0.048	-0.038	-0.019	-0.005
N	41,309	34,689	34,689	41,309
Dependent Mean	0.195	0.156	0.628	0.024

Exhibit 4-3 Linear Probability Model Estimates 1998 Child-Only Leavers				
Variable	CalWORKs	Food Stamps	Medi-Cal	SSI/SSP
Intercept	0.279	0.174	0.390	0.136
Number of Children:				
• 1	-0.033	-0.026	-0.019	0.021
• 2	0.004	0.002	0.012	-0.009
• 3+	0.029	0.024	0.007	-0.012
Primary Language:				
• English	0.034	-0.012	-0.007	-0.106
• Spanish	-0.020	0.021	0.035	-0.092
• Other	-0.014	-0.009	-0.028	0.198
Ethnicity:				
• African-American	0.053	0.008	-0.005	-0.009
• White	-0.023	-0.006	-0.042	-0.038
• Hispanic/Latino	0.037	0.007	0.054	-0.060
• Other	-0.067	-0.009	-0.007	0.107
Youngest Person Age:				
• 0-2	0.046	-0.004	-0.017	0.009
• 3-5	0.014	-0.009	0.004	0.009
• 6-11	0.002	-0.011	-0.013	0.016
• 12-16	0.004	0.000	-0.017	-0.006
• 17+	-0.066	0.024	0.043	-0.028
N	73,534	56,983	56,983	73,534
Dependent Mean	0.246	0.087	0.508	0.032

Because regressions are estimated using the *full population* of leavers in the 1998 cohort (as opposed to a *sample* of leavers), t-statistics are not relevant to the discussion and are not reported.

There are three important issues to note in interpreting the results presented here. First, in estimating the NAFS and NAMC equations, we drop from the analysis families that have at least one member receiving CalWORKs or SSI/SSP in the 12th month after exit. This procedure is employed because the vast majority of these families include individuals receiving *Assistance*

Food Stamps and Medi-Cal, and our focus is on the take-up rates for the *non-assistance* forms of these benefits.

Second, although 58 county and 12 month-of-exit dichotomous variables are included in the estimated equations, we do not report the associated coefficients here. We note that we did not find a strong relationship between month of exit and post-exit use of public assistance. Results with respect to the county dummy variables reflect the regional differences identified in the last chapter. For example, the Los Angeles County coefficients in the cash aid recidivism equations are large and negative – and the coefficients in NAMC equations are large and positive – as we expected given the low recidivism and high NAMC take-up rates observed for this county in the exhibits presented in Chapter 3.

Third, the nature of cases without aided children (zero-child cases) in the exiting assistance unit warrants some discussion. For the purposes of our analysis, children are defined to be aged 17 or younger. Therefore, cases that include an 18-year old who is enrolled in school and who qualifies for aid as an eligible “child” will be classified as a zero-child case. In addition, there are some CalWORKs cases associated with children receiving SSI/SSP (who are barred from simultaneously receiving CalWORKs) that have no aided children in the CalWORKs assistance unit.

Finally, in our analysis of the case demographic characteristics, we did not control for family income. Thus, it is important to note that there is likely to be a relationship between income and some of the demographic variables that we found to be significantly related to post-exit aid use.

4.1 CalWORKs Recidivism

In this section we summarize the relationships identified between caseload demographic characteristics and cash aid recidivism.

Case Head Age. For both one-parent and two-parent cases, the likelihood of returning to cash aid is inversely related to the age of the case head. For one-parent cases, families with a case head aged less than 21 are seven percentage points more likely to return to cash aid within 12 months than families with a case head aged 41 or more. For two-parent cases, the comparable difference is nine percentage points.

Number of Children. Among leavers *with* aided children in the exiting assistance unit, families with three or more children have higher recidivism rates than families with one or two children. This relationship is strongest among child-only cases, where families with three or more children are six percentage points more likely to return to cash aid than families with one child. These findings suggest that CalWORKs leavers with larger families are finding it more difficult to achieve economic self-sufficiency.

Among one-parent and two-parent cases, those without aided children in the exiting assistance unit are less likely to return to cash aid than cases with children. For example, among one-parent leavers, families without aided children are 11 percentage points less likely to return to cash aid than families with one aided child. For two-parent leavers, the difference in recidivism rates between these two groups is seven percentage points. There are two main reasons why the zero-child group has a low CalWORKs recidivism rate. First, the zero-child group includes many cases in which the youngest aid recipient in the exiting assistance unit is an 18-year old through whom the family had met the deprivation standard for CalWORKs eligibility. It is likely that a high proportion of these cases left aid because this person ceased to

be an eligible child, and, without an eligible child in the home, the family cannot return to CalWORKs. Second, the zero-child group has a high SSI/SSP take-up rate, a finding we discuss further in Section 4.4. Therefore, the low CalWORKs recidivism rate observed for this group is related to the fact that a relatively high proportion of the adults in these families take up SSI/SSP, and therefore are not eligible for CalWORKs.

Primary Language. Our regression results do not identify strong or consistent patterns in the relationship between CalWORKs recidivism and the case head’s primary language. Among one-parent leavers, families with a Spanish-speaking case head are three percentage points less likely to return to cash aid than families with an English-speaking case head, and five percentage points less likely to return than families with a case head who speaks a language other than English or Spanish.²² However, among two-parent leavers, English and Spanish speakers are slightly more likely to return to cash aid than families with case heads who speak a different language. Further, among child-only cases, English speakers are five percentage points more likely to return to cash aid than families with non English-speaking case heads.

Ethnicity. The relationship between ethnicity and cash aid recidivism is consistent across all three case types: families with African-American case heads are most likely to return to cash aid, followed in order by Hispanic, White, and other families.²³ Among one-parent leavers, for example, African-American families are four percentage points more likely than Hispanics, and seven percentage points more likely than Whites, to return to aid.

Age of Youngest Person. Leavers with a child aged 0-2 are substantially more likely – and leavers with a youngest person aged 17+ are substantially less likely – to return to cash aid than leavers with a youngest child aged 3-16. This relationship is common to all three case

²² The most common other languages are Southeast Asian languages, Chinese languages, Armenian, and Russian.

²³ The “other” ethnicity group consists primarily of Asian ethnic groups.

types, with a difference in recidivism rates between the two extreme age groups of about 10 percentage points. It is not surprising that leavers with a youngest child aged 17 are less likely to return to cash aid in the first 12 months after exit, given the greater likelihood that these families will not have an eligible child in the home before the end of the first year after exit.

4.2 Non-Assistance Food Stamps

For one-parent and two-parent leavers, families with older case heads are more likely to take up NAFS. For example, one-parent leavers with a case head aged 41+ are seven percentage points more likely to be receiving NAFS in the 12th month after exit, compared to one-parent leavers with case heads aged less than 21. This is opposite to the relationship between cash aid recidivism and case head age discussed in the previous section. Among leavers with children, there is a strong direct relationship between the number of children in the exiting assistance unit and take-up of NAFS. For each case type, the difference between the take-up rate for leavers with 1 child, compared to leavers with 3+ children, is about five percentage points. The relationships between other case demographic characteristics and NAFS take-up are weaker and less consistent across the case types.

4.3 Non-Assistance Medi-Cal

As we observed with NAFS, one-parent and two-parent leavers with older case heads are more likely to have a family member eligible for NAMC in the 12th month after exit. NAMC take-up is also higher for one-parent and two-parent leavers without children in the exiting assistance unit. Among families with children in the exiting assistance unit, there is no consistent relationship between the number of children and the likelihood that at least one member receives NAMC. Neither is there a consistent relationship between the age of the youngest child in the assistance unit and take up of NAMC.

However, the relationship of NAMC take-up to language and ethnicity is stronger. For example, leavers with Spanish-speaking and Hispanic case heads are much more likely to receive NAMC than other ethnic and language groups. Among child-only cases, leavers with Hispanic/Spanish case heads are 14 percentage points more likely to receive NAMC than leavers with White/English case heads. The comparable difference between two-parent leavers with Hispanic/Spanish and White/English case heads is 13 percentage points, while the difference between the two corresponding groups of one-parent leavers is eight percentage points.

4.4 SSI/SSP

Our regression estimates imply substantial differences between different ethnic and language groups in the likelihood of taking up SSI/SSP. Leavers in the “other” language group and “other” ethnicity category (primarily Asian) have higher rates of receipt of SSI/SSP, particularly among one-parent and child-only leavers.

We also find high rates of take-up of SSI/SSP among one-parent and two-parent leavers without children in the exiting assistance unit. These exiting “adult-only” cases often are associated with a child who concurrently receives SSI/SSP (and therefore is not eligible for CalWORKs). The higher rate of take-up of SSI/SSP by this group may be related to greater awareness of potential eligibility for this program.

Finally, among one-parent and two-parent leavers there is a direct relationship between the age of the case head and the likelihood that the family has a member receiving SSI/SSP in the first year after exit from cash aid. This relationship holds when we compare case heads in the three younger age categories, so it is not simply due to the fact that some in the oldest age group may qualify for SSI/SSP in the “Aged” category. This finding may, therefore, reflect an underlying relationship between age and the case head’s disability status.

4.5 Summary

To summarize the major findings of our analysis of the variation in post-exit receipt of public assistance, as related to case demographic characteristics:

- CalWORKs recidivism is inversely related to the age of the case head, positively related to a higher number of children in the family, and positively related to the presence of younger children in the family. Families with African-American case heads are the most likely to return to aid, followed in order by Hispanic/Latino, White, and “other” (primarily Asian) families.
- Families with older case heads and more children are more likely to take up non-assistance Food Stamps.
- Families with older case heads and with Spanish-speaking and Hispanic/Latino case heads are more likely to take up non-assistance Medi-Cal benefits.
- Families in the “other” language (primarily Asian and Eastern European) and “other” ethnic (primarily Asian) categories have much higher post-exit rates of receipt of SSI/SSP. There is also a direct relationship between SSI/SSP receipt and the age of the case head.

5 Conclusion

Below we summarize the findings that we believe are the most significant or policy-relevant from the preceding chapters:

5.1 CalWORKs Recidivism

- Recidivism for the 1998 one- and two-parent leavers was significantly less than the earlier cohorts. Possible explanations include the effects of the economy, the CalWORKs Program, and access to Medi-Cal.
- Recidivism was lowest in Los Angeles County, which may be partly explained by the relative changes in caseload composition leading up to 1998, whereby the Bay Area and Southern California counties (excluding L.A.) caseloads may have had more of a shift toward families with significant barriers to work. Another possible explanation is the higher rate of enrollment in non-assistance Medi-Cal among leavers in Los Angeles County.

5.2 Non-Assistance Food Stamps

- The take-up rate for NAFS was relatively low (below 15 percent for one-parent leavers in all three cohorts), particularly among the child-only cases. The low take-up rate may be due, in part, to the stigma associated with Food Stamps, insufficient information about program eligibility, and, in the case of the child-only cohort, a reluctance or lack of awareness on the part of undocumented immigrants with respect to Food Stamps benefit application.
- Take-up of NAFS was highest in the rural parts of California. It is possible that leavers in the rural areas had lower incomes due to the relatively poorer economies in these regions, and therefore were more likely to be eligible for Food Stamps. Also,

because a larger proportion of rural welfare leavers cycle on and off aid (reflecting the seasonal nature of economic activity in the rural regions), rural leavers may also tend to be more aware of the availability of NAFS benefits.

5.3 Non-Assistance Medi-Cal

- The take-up rate for non-assistance Medi-Cal increased substantially with each successive cohort, with 60 percent of the 1998 one-parent leavers enrolled one year after exit from CalWORKs. Potential explanatory factors include various legislative actions to expand Medi-Cal eligibility, the *Edwards v. Kizer* court decision to provide limited-term continuing eligibility for AFDC/CalWORKs leavers, the recent extension of such eligibility for many cases in the “Edwards Hold” category, and the indirect effects of the shift toward managed care in the Medi-Cal program.
- Los Angeles County had the highest take-up rate for non-assistance Medi-Cal, followed by the Bay Area, probably due largely to the high proportion of “Edwards Hold” cases in the large urban counties. It is also possible that the implementation of managed care in these counties may have improved access to Medi-Cal and indirectly led to a higher take-up rate of non-assistance Medi-Cal among leavers.

5.4 SSI/SSP

- The take-up rate for SSI/SSP was low for all three cohorts, and the 1998 cohort had the lowest rate among the three groups. This suggests that the expanded employment preparation activities under CalWORKs did not lead to the identification of more recipients with qualifying SSI/SSP disabilities.

- Families in the “other” language (primarily Asian and Eastern European) and “other” ethnic (primarily Asian) categories have much higher post-exit rates of receipt of SSI/SSP.

5.5 Policy Implications

The potential link between lower recidivism rates and higher enrollment in non-assistance Medi-Cal is one of the findings that have policy implications. Given that the increase in the Medi-Cal take-up rates were probably due, in large part, to a temporary phenomenon – the Edwards Hold build-up – this finding suggests that consideration be given to policies that would facilitate Medi-Cal enrollment among CalWORKs leavers. This could include broadening eligibility for transitional Medi-Cal by making it more “automatic” – similar in effect to Edwards Hold.

The potential link between managed care implementation (and its effect on improving access to primary care physicians) and higher Medi-Cal take-up rates among leavers is a finding that requires further research. If validated, it would provide an argument for making this transition from the fee-for-service delivery system, a policy that is currently being implemented in California.

The possible link between the CalWORKs Program and the lower recidivism rate among the 1998 leavers also warrants additional research, possibly a comparative analysis that would include other states.

The low take-up rates for Non-Assistance Food Stamps is consistent with our findings in other studies of CalWORKs leavers in selected counties in California, where it appeared that many of those leavers who had not applied for Food Stamps would have been eligible. This points to the need for improved means of transmitting information about this benefit to

CalWORKs families, perhaps through the use of targeting strategies based on profiles of those most likely to fall into this category of recipients. Our findings suggest that such targeting include child-only cases. State policymakers may also want to consider adoption of the recently promulgated federal option to establish a Transitional Food Stamps Program for TANF leavers. Under this option, the benefits (Food Stamps coupons) would be fully funded by the federal government, while the administrative costs would be shared by the federal and state governments in the same manner as the existing Food Stamps Program. Making an inference from the apparent impact of Edwards coverage in increasing ongoing Medi-Cal enrollment rates, it is possible that implementing a Transitional Food Stamps Program would lead to persistent increases in enrollment in NAFS by CalWORKs leavers beyond the transitional period.