WORKING PAPER

Program Take-Up Among CalWORKs Leavers

Medi-Cal, Food Stamps, and the EITC

An Evaluation of Participation in Work-Support Programs by CalWORKs Leavers

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WR-730

December 2009

This paper series made possible by the NIA funded RAND Center for the Study of Aging (P30AG012815) and the NICHD funded RAND Population Research Center (R24HD050906).

RAND LABOR AND POPULATION

This work was completed in 2004 for the Welfare Policy Research Program. They were in the process of publishing it with that date when all of their funding was terminated in 2008.

About the Welfare Policy Research Project

The Welfare Policy Research Project (WPRP) is a nonpartisan, legislatively mandated program. It is administered by the Office of Research in the Office of the President of the University of California.

This report is one of two from a research study commissioned from RAND by WPRP's advisory board on behalf of the State of California. The views and recommendations expressed in this report are those of the authors and do not necessarily represent the opinions of the sponsors and funders or the Regents of the University of California.

Welfare reform of the mid-1990s was intended to encourage recipients to leave cash assistance while continuing their participation in other work-support programs, in particular, the Food Stamp, Medi-Cal, and Earned Income Tax Credit (EITC) programs. Early reports suggested that participation in, or "take-up" of, such programs was low. In response, WPRP issued a Request for Proposals (RFP), "Employed Former Recipients' Use of Income Support Programs," to study the use of Food Stamps, Medi-Cal, and the federal EITC among Californians who left cash assistance. The RFP focused on people who left cash aid with paid employment and who remained eligible for one or more of the three programs.

About the Authors

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ACKNOWLEDGMENTS

The Welfare Policy Research Project (WPRP) commissioned this study and provided funding for these analyses. Its staff, in particular Drs. Rikki Baum and Caroline Danielson, have been helpful and encouraging throughout this effort.

In addition, the analyses reported here are partially based on site visits to several of California's counties. Help from county staff in setting up the visits and interpreting the results has been invaluable. They include Denise Dotson, Butte County; Judy Pisel, Sacramento County; Jolie Ramage, San Diego County; Althea Shirley and Dr. Henry Felder, Los Angeles County; Ben Blank and Betty Arne, Orange County. At the state level, we have benefited from the assistance of Bill Walsh at the California Department of Health Services and Richton Yee and Pat Sutherland at the California Department of Social Services.

In addition, we have had the pleasure of interviewing a large number of county and state employees at various levels. To us, they were almost uniformly helpful, cheerful, and frank; to their clients, they are clearly caring and hard working in the face of often very high caseloads, a very difficult program, and little support. The confidentiality of human subjects prevents us from naming them, but we appreciate their contributions.

Franchise Tax Board FTB analyses reported in Chapter 5 of this report are part of a broader research agenda of Hotz, Mullin, and Scholz. Other funding for that effort has been provided by the CDSS and grant 95ASPE270A from the Office of the Assistant Secretary for Policy and Evaluation at the U.S. Department of Health and Human Services (US DHHS—ASPE). Those analyses are based primarily on tabulations of tax return data provided by the Franchise Tax Board. We wish to thank George Ramsey of the California Franchise Tax Board and his staff for their help with this project.

The research for this effort is in part an extension of work begun under the RAND Statewide CalWORKs Evaluation. The constructive comments and guidance provided by CDSS employees during that effort have benefited this effort greatly (although those employees have not always agreed with our findings). They include Werner Schink, Los van Beers, Nikki Baumrind, Wilistine Sayas, Aris St. James, and Paul Smilanick.

Finally, at RAND this work proceeded within the Labor and Population Program's Center for the Study of Social Welfare Policy. More information about these organizations can be found at /www.rand.org, /www.rand.org/labor, and /www.rand.org/socialwelfare. The strong support of RAND, the Labor and Population Program and its Directors, Lynn Karoly and Arie Kapteyn, and Assistant Director, Rebecca Kilburn, for this effort is gratefully acknowledged.

Within RAND, this report draws on the efforts of a team of programmers led by Jan Hanley. They include Christine DeMartini, Rodger Madison, Laurie MacDonald, Beth Roth, and Debbie Wesley. Florencia Jaureguiberry and Arkadipta Ghosh served as research assistants. This report has also benefited from the secretarial support of Christopher Dirks and Natasha Kostan. Finally, three anonymous reviewers provided technical review that has improved the final product. We wish to thank Oscar Mitnik and Eduardo Fajnzylber for their able research assistance.

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ABBREVIATIONS

Abbreviation	Definition
AB	(California) Assembly Bill
ACIN	All County Information Notice (CDSS)
ACL	All County Letter (CDSS)
ACWDL	All County Welfare Directors Letter (CDHS)
AFDC	Aid to Families with Dependent Children
AO	Adults Only
BIC	Benefits Identification Card
CalWORKs	California Work Opportunities and Responsibility to Kids Act of 1997
CBO	Community-Based Organization
CDHS	California Department of Health Services
CDSS	California Department of Social Services
CEC	Continuing Eligibility for Children (Medi-Cal subprogram)
CHIP	California Children's Health Insurance Program
CHSSS	California Health and Social Services Survey
CMS	Centers for Medicare and Medicaid Services
CO	Children Only
CWD	County Welfare Department
DHHS	U.S. Department of Health and Human Services
DPSS	(Los Angeles County) Department of Public and Social Services (welfare agency)
EBT	Electronic Benefits Transfer (Food Stamp)
EDD	(California) Employment Development Department
EIC	Earned Income Credit (same as Earned Income Tax Credit)
EITC	Earned Income Tax Credit
EW	Eligibility Worker
FBU	Family Budget Unit
FFY	Federal Fiscal Year
FPL	Federal Poverty Level
FSP	Food Stamp Program
FTB	Franchise Tax Board
HCFA	Health Care Financing Administration
HF	Healthy Families
IEV	Income and Earnings Verification System
IRS	Internal Revenue Service
LAO	Legislative Analyst's Office
Abbreviation	**Definition**

MEB	Medi-Cal Eligibility Bureau (CDHS)
MEDS	Medi-Cal Eligibility Determination System
MMC	Medi-Cal Managed Care
MN	Medically Needy
MNP	Medically Needy Program (Medi-Cal)
MRMIB	Managed Risk Medical Insurance Board (administers HF)
NAFS	Non-Assistance Food Stamps
NEC	Notice of End of Certification
NOA	Notice of Action
PA	Public Assistance
PAFS	Public Assistance Food Stamps
PP	Percent Programs (Medi-Cal)
PRWORA	Personal Responsibility and Work Opportunities Reconciliation Act of 1996
QC	Quality Control Program (Food Stamp)
QSR	Quarterly Status Report
RV	Reinvestigation (Medi-Cal)
SB	(California) Senate Bill
SFIS	Statewide Fingerprint Imaging System
SOC	Share of Cost
SSI	Supplemental Security Income
TANF	Temporary Assistance for Needy Families
TBD	To be determined
TMC	Transitional Medi-Cal
UI	Unemployment Insurance
USDA	United States Department of Agriculture
WPRP	Welfare Policy Research Project
WTW	Welfare-to-Work

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EXECUTIVE SUMMARY

INTRODUCTION

Welfare reform at both the federal level (the Personal Responsibility and Work Opportunities Reconciliation Act of 1996, "PRWORA") and the state level (the California Work Opportunities and Responsibility to Kids Act of 1997, "CalWORKs") had dual goals: reduce the number of poor families with children relying on cash welfare assistance, but maintain support for poor children. Ron Haskins, the leading Republican staffer on the House Ways and Means Committee at PRWORA's passage, has described the reforms as attempting to replace a system that discouraged work and encouraged dependency with a "work support system."

To cut dependency, states were required to engage able-bodied adult recipients in paid work or activities likely to lead to paid work. In addition, both to signal the end of long-term welfare use and to reduce dependency, PRWORA placed strict limits on the use of federal funds for adults who had received federally subsidized cash assistance for more than five years.

Towards the goal of maintaining support for poor children, Congress expressly preserved or expanded several other non-time-limited public assistance programs. This project has considered participation of welfare leavers in three of these programs: Medi-Cal (California's Medicaid program, providing health insurance), Food Stamps (providing vouchers for the purchase of food), and the Earned Income Tax Credit (EITC; providing a refundable federal tax credit on qualified earnings). The rate at which former CalWORKs recipients participate in, or "take up," these non-time-limited programs has important consequences for both recipients and the state. For recipients, take-up of these programs potentially provide important household resources. For the state, take-up of these programs may further reduce the CalWORKs caseload as families learn that they will remain eligible for these programs even after leaving cash aid.

MEDI-CAL AND PRIVATE HEALTH INSURANCE

Medicaid (Medi-Cal in California) provides health insurance to families receiving cash assistance and to some other families. County welfare departments determine eligibility under the supervision of the California Department of Health Services. The state and the federal governments share administrative and benefit costs. Some pre-reform research evidence suggested that fear of losing their health insurance through Medicaid was trapping families on cash assistance.

Under PRWORA's Section 1931(b) provisions, states were required to offer Medicaid to all families who would have qualified for cash assistance under the pre-PRWORA rules, and states were offered federal matching funds to expand eligibility beyond that level. With these matching funds, California expanded eligibility for the 1931(b) program significantly. In addition, the state's SB 87 legislation, enacted into law in 2000, significantly streamlined the process of qualifying welfare leavers for Medi-Cal. Neither reform was implemented swiftly, but once in place, the net effect is that almost all persons are eligible for Medi-Cal when they leave cash assistance.

Our analyses of Medi-Cal take-up, and more broadly, of health insurance coverage, draw on official administrative data and on survey data. The administrative data come from the Medi-Cal Eligibility Data System (MEDS), matched to earnings information from the Unemployment Insurance program. The survey data come from the California Health and Social Services Survey (CHSSS), which interviewed current and recent welfare recipients in six counties as part of the RAND Statewide CalWORKs Evaluation.

By early 2002, about 72 percent of those off cash aid for six months were enrolled in Medi-Cal. This figure represents a sharp increase over the pre-CalWORKs period, when 33 percent were enrolled (1996) and even a sharp increase over pre-SB 87 levels. Although the initial increase appears to have been related to administrative issues in the implementation of the 1931(b) program, the results reported here reflect a continued increase in enrollment after implementation was complete. In particular, subsequent program changes expanded eligibility and simplified take-up procedures for recipients. Rates are similar for children and adults.

The increase in Medi-Cal enrollment occurs at all durations after leaving cash aid. Although enrollment declines as time off cash aid grows, the decline is less steep since welfare reform. For example, among those who left CalWORKs near the end of 1999, 68 percent were still enrolled in Medi-Cal six months later, but only 37 percent were still enrolled 30 months later (i.e., in early 2002). In comparison, among those who left cash aid in early 1995, 31 percent were still enrolled in Medi-Cal six months later, while only 16 percent were still enrolled 30 months later (i.e., in late 1997, on the eve of CalWORKs).

Despite these increases, many CalWORKs leavers do not take up Medi-Cal, leading to the question: If Medi-Cal is free and almost all welfare leavers are eligible, why isn't everyone enrolled? Part of the answer is private health insurance. Survey evidence suggests that about a quarter of adult welfare leavers have health insurance through their employers and a few more have private health insurance through some other source. Thus, while in the survey sample 52 percent of all adult female CalWORKs leavers do not have Medi-Cal, only 20 percent are uninsured. Again, rates for children are similar to those for adults – 47 percent do not have Medi-Cal, but 18 percent are uninsured.

Nearly half of those working full-time (35 or more hours a week) have employer-sponsored health insurance. Furthermore, a third of those who do not have employer-sponsored health insurance were offered it and declined, reporting cost as a primary reason. In net, only 16 percent of those working full time are uninsured. Private health insurance levels are much lower for those working less than full-time, but Medi-Cal rates are higher for this group, so their insurance rates are similar to those working full-time.

In summary, contrary to the fears of some observers but consistent with the goals of federal and California welfare reforms, Medi-Cal coverage rates among welfare leavers have risen sharply since CalWORKs was implemented and those with Medi-Cal are more likely to stay on Medi-Cal for a long time. Medi-Cal is not the only possible source of health insurance for welfare leavers. For a survey sample in six of the larger counties in 2003, we have additional information on other sources of health insurance and can therefore infer lack of insurance. In as much as that survey evidence generalizes to the state as a whole and to other time periods, it suggests that despite this improvement over time, about one in five CalWORKs leavers is uninsured. When asked why they were uninsured, about half of uninsured leavers reported that private health insurance was too expensive or gave other responses suggesting that they were unaware of their eligibility for free (no share of cost) Medi-Cal. The administrative burden of applying for Medi-Cal appears to be less of an issue than lack of understanding; it is cited by about a quarter of the uninsured. Thus, there seems to be room for some improvement in reaching out to CalWORKs leavers and informing them of their continued eligibility for Medi-Cal.

FOOD STAMPS

The Food Stamp Program (FSP) provides coupons (or increasingly an Electronic Benefits Card) for the purchase of food. County welfare departments determine eligibility under the supervision of the California Department of Social Services (CDSS). The federal government pays all of the benefit costs and half of the administrative costs. For a family of three with no other income, the Food Stamp benefit in early 2004 was worth about $366 per month. The benefit declines with income, so a mother with two children, working full time at the minimum wage ($6.75 per hour) earning $1,170 monthly and no longer receiving cash aid would have seen her monthly benefit decline to $224. The benefit would have dropped to zero for a family of three with monthly earnings above $1,563 (full-time work at a wage of about $9.40 per hour).

To encourage enrollment of welfare leavers, the 2002 federal Farm Bill offered the states several options—permitting recipients to report their incomes less frequently than monthly, raising vehicle valuation limits, and/or providing transitional Food Stamp benefits. As of mid-2003, the period covered by our fieldwork, administrative data, and survey data, California had adopted none of these new options. In October 2003, state Assembly Bill 231 adopted the Transitional Food Stamp Benefit, raised vehicle valuation limits, and encouraged waiving the requirement for an in-person recertification interview.

Our analyses of Food Stamp take-up draw on the official administrative data used for federal quality control standards, the Food Stamp Universe File, matched to the MEDS and earnings information from Unemployment Insurance records. They also draw on the survey of current and recent welfare recipients conducted as part of the RAND Statewide CalWORKs Evaluation.

After leaving CalWORKs, many fewer people continue their Food Stamp benefits than continue Medi-Cal. Six months after leaving CalWORKs, 16 percent of leavers retained Food Stamps in early 2002, compared to the 72 percent that retained Medi-Cal. Also unlike Medi-Cal, Food Stamp enrollment has remained relatively stable since CalWORKs began in 1998.

Why are take-up rates so low? Eligibility is only part of the reason. We estimate that about half (44 percent) of the former CalWORKs recipients in the survey remain eligible for Food Stamps, and the vast majority appear to remain eligible for sizeable amounts of Food Stamps.

Two other explanations have some support from the household survey. First, many CalWORKs leavers do not even realize they are eligible (38 percent of all leavers—whether or not they were eligible; nearly 60 percent of those who did not apply for Food Stamps). Second, during the period covered by our survey and administrative data, the Food Stamp program continued to require a burdensome and intrusive Monthly Status Report. Nearly a third of all leavers reported that applying for (and presumably remaining eligible for) Food Stamps is "too much hassle." Even with these low rates, there is variation across different groups of recipients. By race/ethnicity, Anglo whites participated at the lowest rates, those in the "other" racial-ethnic group participated at the highest rates, and African Americans experienced a steep decline in participation. In addition, adults and those in two-parent cases are more likely to receive Food Stamps than children and those in single-parent cases. Finally, as with Medi-Cal, there are large variations across the counties in the percentage of people who have Food Stamps after they leave CalWORKs.

EARNED INCOME TAX CREDIT

Finally, the Earned Income Tax Credit (EITC) operates like a negative income tax or wage subsidy. For tax year 2002, a family of three could have received a wage subsidy of $40 for every $100 earned (exact amounts are indexed for inflation and therefore vary from year to year) up to annual earnings of $10,350. The maximum credit ($4,140 per year) would have remained constant until earnings exceeded $13,500 (roughly the equivalent of full-time work at the California minimum wage of $6.75 per hour) and then declined at about $20 per $100 earned, reaching zero when annual earnings reached $33,150. The program is purely federal and is administered by the Internal Revenue Service. The CDSS and local governments have programs of varying intensity to inform poor families (including current and recent CalWORKs leavers) about the program's value and to offer assistance in filling out the appropriate tax forms.

Our analyses of EITC take-up draw on aggregate tabulations of tax return data from California's Franchise Tax Board (matched to the MEDS and to earnings information from Unemployment Insurance records). They also draw on the survey of current and recent welfare recipients conducted as part of the RAND Statewide CalWORKs Evaluation.

Federal legislation sharply increased EITC benefits in the early 1990s.Welfare recipients' and leavers' employment and earnings rose sharply, both because of welfare reforms and the improving economy. Together these changes appear to have induced a sharp increase in the fraction of people receiving the EITC and the amount received. Since the mid-990s, however, these rates have been relatively stable.

To be eligible for the EITC, a family must have earned income that does not exceed a specified threshold, and the head of household must file a tax return on which he or she claims the credit. About two-thirds of those receiving cash aid have earnings. Rates for filing tax returns for those without earnings are nearly identical to rates for those with earnings. If a household appears to be eligible for the EITC but the filer does not claim it, the Internal Revenue Service sends a notice encouraging him or her to file an amended return. About half of those who file tax returns, whether they are cash aid recipients or recent leavers, receive the EITC. Among those with earnings, 81 percent of CalWORKs recipients receive the credit. The rate declines to 78 percent for those off aid one year, 69 percent for those off two years, and 61 percent for those off three years.

As expected, CalWORKs leavers have much higher earnings than current recipients. On average, those off aid one year earn $15,204 annually, with higher earnings in subsequent years, while current recipients average annual earnings of only $6,793. Nevertheless, among those who receive any earned income tax credit, the average credit is similar whether or not the family received cash assistance: Cash aid recipients receive an average credit of about $2,307. This is 33 percent of earnings and near the maximum credit of 40 percent. Leavers receive a credit that is slightly smaller (about $2,000), but since their earnings are much higher, the credit represents only 11 to 6 percent of earnings, declining with time off cash assistance.

We conclude that the EITC is a major component of household income for current and recent CalWORKs recipients. Take-up rates are the highest of the three programs we discuss here, but are not universal. Some additional outreach—encouraging eligible parents to file tax returns and helping them to fill out the forms—might be useful.

SUMMARY

We have analyzed the rate at which apparently eligible CalWORKs leavers enroll in, or “take-up,” benefits from three non-time-limited income support programs. In none of the programs is take-up universal.

About half of CalWORKs leavers are covered by Medi-Cal, and about half of the rest have private health insurance. Medi-Cal enrollment rose sharply after the state adopted federally permitted policy changes that broadened eligibility and streamlined the enrollment process. Nevertheless, about one in five former CalWORKs recipients remains uninsured, often due to lack of understanding of their eligibility for Medi-Cal.

Food Stamp take-up rates among CalWORKs leavers are much lower, ten to 17 percent. There appear to be two key reasons. Many who appear to be eligible for food stamps do not know that these benefits are available to them, and many are deterred by the burden of filing monthly status reports. During the period covered by this analysis, continued enrollment for CalWORKs leavers was burdensome. In October 2003, California adopted policy changes that should ease the burden (waiving in-person interviews) and broadened eligibility (increasing the asset limitations on the value of recipients' automobiles, and providing Transitional Food Stamps).

In the 1990s, Congress greatly expanded the value of the EITC, and about four-fifths of those CalWORKs leavers with earnings receive the intended tax credit; and the credit is large for most families. However, the longer they are off cash aid, the less likely CalWORKs leavers are to receive the credit (78 percent, 69 percent, and 61 percent one, two, or three years after leaving CalWORKs, respectively).

Taken together, these findings suggest that public policies do, indeed, influence the use of these safety-net programs. When federal and/or state policymakers expanded eligibility, streamlined program enrollment procedures, or increased benefits, the intended beneficiaries responded by "taking up" the benefits in greater numbers (Medi-Cal and the EITC). In contrast, when qualifying for program benefits remained largely unchanged and required more extensive reporting requirements (the Food Stamp Program), enrollment remained steady, but much lower. This is noteworthy, given that the effects of social policies are often difficult to discern or are not intended.

1. INTRODUCTION

BACKGROUND

Before the welfare reforms of the 1990s, the financial safety net for poor families with children in the United States consisted of three main programs: Aid to Families with Dependent Children (AFDC) provided cash assistance to poor families with children, usually headed by single mothers; the Food Stamp Program (FSP) provided coupons ("stamps") for the purchase of food; and Medicaid (Medi-Cal in California) provided health care. This set of programs, particularly AFDC, was criticized for discouraging employment and making it difficult for a recipient to earn enough to leave public assistance. When AFDC recipients obtained jobs, their earned income caused their cash assistance and Food Stamps to decline rapidly. The federal Family Support Act of 1988 permitted low-income households exiting AFDC to continue to qualify for transitional Medicaid benefits for up to two years

The welfare reforms of the 1990s intended, among other things, to accelerate the move from cash assistance to work. Cash assistance programs were modified to encourage, enable, and reward employment. The Medicaid program continued to serve those leaving welfare and was extended to some low-income, but non-welfare, children. Congress established the State Child Health Insurance Program to provide health insurance to children in families with incomes slightly above the Medicaid limits. The Earned Income Tax Credit (EITC), first established in 1975, was again increased, and then massively expanded, so that it lifted out of poverty a family working full-time at slightly above the minimum wage (i.e., household income would be about the federal poverty level (FPL) for a family of three in 2003, $15,260).

These reforms culminated in the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 and the California Work Opportunity and Responsibility to Kids Act (CalWORKs) of 1997. This reform legislation radically changed the welfare system based on dual goals: (1) Cut dependency (i.e., the welfare caseload), while (2) maintaining support for poor children. Ron Haskins (2001), the leading Republican staffer on the House Ways and Means Committee, described the reforms as attempting to replace a system that discouraged work and encouraged dependency with a "work support system."

In order to cut dependency, states were required to engage welfare recipients in unsubsidized employment or activities likely to lead to unsubsidized employment. In addition, both to signal the end to long-term reliance on welfare and to directly advance that goal, PRWORA placed strict limits on the use of federal funds for adults who had received cash aid for more than five years.

In order to maintain support for poor children, other non-time limited programs were continued and expanded. This report concerns the three most important of these programs: Medicaid (Medi-Cal in California), Food Stamps, and the EITC. We provide a brief discussion of each of these programs in the next section.

The robust economy of the late 1990s, together with the legislative reforms led to a sustained and large drop in the AFDC/TANF caseload, both nationally and in California. However, despite the claims that the rest of the non-time-limited programs should continue to be available to families after they left cash assistance, there was limited evidence of low levels of participation (or "take-up"), which generated considerable concern. Greenstein and Guyer (2002, p. 336) are representative:[1]

Although eligibility for neither program [Food Stamps or Medicaid] is dependent on welfare receipt, the dramatic declines in cash assistance rolls appear to have resulted in large numbers of eligible working families failing to receive Medicaid or food stamp assistance for which they qualify, including many families that have moved from welfare to work.

Low take-up of these programs is of concern because of its impact on the recipients and because of its impact on the welfare system. With respect to recipients, the rates suggest that families in need are not receiving benefits for which they are eligible. Increasing take-up would improve the life circumstances of low-income families and low-income children. The low-wage jobs held by many welfare leavers often provide insufficient income for a family's total expenses. More Medicaid/Medi-Cal take-up would mean more health insurance coverage and thereby more health care utilization and improved health status. Similarly, more cash from Food Stamps and the EITC would increase household resources. Such increases in household resources have been shown to improve child outcomes. (See especially the discussion of the Minnesota Family Investment Program in Grogger, Karoly, and Klerman, 2002). However, such improvements will not be realized unless "welfare leavers" (those who stop receiving cash benefits) participate in the programs.

As for impact on the welfare system itself, if welfare leavers do not realize they are eligible for these non-time-limited benefits after they leave cash aid, they may continue to rely on cash assistance out of the (incorrect) fear of losing health benefits and Food Stamps. Conversely, increased knowledge of these programs among current cash aid recipients would be expected to induce more current recipients to exit cash assistance (Quint and Widom, 2001). Some empirical evidence supports this expectation (Moffitt and Wolfe, 1992; Yellowitz, 1995; Blank, 1998). While this was the intent of the policy

[1] For a survey of this literature, see Pavetti, Maloy, and Schott (2002). See also USDA (1999) and Zedlewski and Gruber (2001). The early national literature on Food Stamps includes: Zedlewski and Brauner (1999); Wilde et al. (2000); and Acs and Loprest (2000). Zedlewski and Gruber (2001) provide a more recent national discussion of Food Stamps. The early national literature on Medicaid/Medi-Cal includes: Dion and Pavetti (2000); Ku and Bruen (1999); Ellis and Smith (2000); Garrett and Holahan (2000a, 2000b); and California Budget Project (2001).

changes, such reductions in the caseload will not be realized if current recipients are unaware of their eligibility for the non-time-limited programs after they cease receiving cash benefits.

The evidence on whether use of these non-time-limited programs is associated with a lower probability of returning to cash aid is ambiguous. National survey evidence on the direction of the correlation is mixed. Analyzing the National Survey of America's Families, Loprest (2002, 2003) finds that families using Medicaid are less likely to return to cash assistance. However, MaCurdy, Marrufo, and O'Brien-Strain's (2003) analysis of survey data for six (California) Bay Area counties finds that those using Food Stamps and Medicaid are more likely to return to cash aid.

On the one hand, one might expect households that use these non-time-limited programs to have less need to return to cash aid (as in Loprest, 2003). On the other hand, families in a poorer economic position might both be more likely to be eligible for (and therefore participate in) public assistance programs and also be more likely to suffer financial reversals that would push them back onto cash aid. Survey evidence simply cannot tell us whether the availability of these non-time-limited programs cause more or less reliance on cash aid.

OBJECTIVE

In response to concerns about the potentially low take-up rates of non-time-limited programs and possible reasons for such low rates among recent welfare leavers, the Welfare Policy Research Project (WPRP) asked RAND to analyze the utilization of Medi-Cal, Food Stamps, and the federal EITC among former AFDC/CalWORKs recipients who leave AFDC/CalWORKs monthly cash aid with paid employment and who remain eligible for Medi-Cal, Food Stamps, and/or the EITC. This report forms the core of that analysis, estimating take-up of Medi-Cal (alone and in the context of other sources of health insurance), Food Stamps, and the EITC.[2]

THE PROGRAMS

This report considers the three most important of these "work support programs." Here we provide brief descriptions of the programs and how they have changed over the last decade.[3]

Medicaid (Medi-Cal in California) provides health insurance to welfare families and to some other low-income families. The county welfare department (CWD) determines

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[2] A second report (Klerman and Cox, 2004) describes the roles of the state and counties in the process of continuing Medi-Cal and Food Stamp enrollment for welfare leavers and the relevance of these roles for program take-up

[3] For more information on Medi-Cal and Food Stamps, how they are administered at the state and county level, and how this affects participation in these programs, see our companion report (Klerman and Cox, 2004).

eligibility under regulations provided by the California Department of Health Services (CDHS). The state and the federal governments share administrative and benefit costs. Households that qualified for AFDC/CalWORKs were automatically eligible for Medcaid/Medi-Cal. As noted earlier, some pre-reform research evidence suggested that fear of losing their health insurance through Medicaid was trapping families on cash aid. Under PRWORA's Section 1931(b) provisions, states were required to offer Medicaid to all families who would have qualified for cash aid under the pre-PRWORA rules and were offered federal matching funds to expand eligibility beyond that level. California significantly expanded eligibility for the 1931(b) program at that time. Later, the California Senate Bill (SB) 87 significantly streamlined the process of enrolling in Medi-Cal for welfare leavers. Neither reform was implemented swiftly, but today both reforms are in place, with the net result that almost all welfare leavers remain eligible for Medi-Cal, at least for the first year after ending cash assistance and sometimes for longer.[4]

The FSP provides coupons (or increasingly, an Electronic Benefits Card) for the purchase of food. CWDs determine eligibility under the supervision of the California Department of Social Services (CDSS). The federal government pays all of the benefit costs and half of the administrative costs. For a family of three with no other income, the Food Stamp benefit is worth about $366 per month (in early 2004), but the benefit declines with income. For full-time work at the minimum wage, the benefit is $224 per month; the benefit is zero for families with earnings above $1,627 (full time work at a wage of about $9.40 per hour).

Building on previous legislation, the 2002 Farm Bill offered the states several options for streamlining the FSP and increasing the enrollment of working families and welfare leavers (permitting recipients to report their incomes less frequently than monthly, raising vehicle valuation limits, providing transitional food stamp benefits, and conducting annual redeterminations of eligibility that did not require in-person interviews). California had not adopted any of these new options as of the period covered by this report, however, in October 2003, California enacted an omnibus hunger bill (AB 231, 2003, Steinberg) that included each of these options.

The EITC operates like a negative income tax or wage subsidy. For tax year 2002, a family of three with income below $10,350 could receive a wage subsidy of $40 for every $100 earned (exact amounts are indexed for inflation and therefore increase from year to year). The credit held constant at this level ($4,140 per year) until earnings passed

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[4] Any family that would have qualified for welfare—i.e., having a qualifying child and income below the cutoff (about $1,563 per month)—would remain eligible for 1931(b), whether or not they were actually receiving cash assistance. Furthermore, any family in which the welfare leaver had any earnings could qualify for Transitional Medi-Cal, which had no earnings limit for at least the first year. Together these two programs should have covered almost all welfare leavers. There would, however, be exceptions. (1) A family losing its qualifying child—e.g., the child ages out of eligibility (i.e., turns 19) or the child leaves the household (perhaps for another parent or guardian), or (2) a family has income above the CalWORKs limit, but not due to their own earnings (e.g., a new high earning spouse or non-labor income). We have no quantitative evidence on the prevalence of these conditions, but in our qualitative interviews, these issues were never raised. See Klerman and Cox (2004) for a more complete discussion.

$13,500 per year (approximately full time work at the California minimum hourly wage of $6.75) and then would have declined at about $20 per $100 earned, reaching zero at $33,150 per year. The EITC program is purely federal, operated as part of the Internal Revenue Service's tax collection and auditing responsibilities. The CDSS and local governments have programs of varying intensity to inform low-income families (including current and recent welfare leavers) about the program's value and offers assistances with filling out the appropriate tax forms.

APPROACH

The primary analytic method in this report is dynamic tabulations of administrative data. These data include individual records from the CDHS' Medi-Cal Eligibility Data System (MEDS) for Medi-Cal and from the CDSS Universe File for Food Stamps, and custom aggregate tabulations from California's Franchise Tax Board's file of federal tax returns for the EITC.

We augment this information on program take-up with information on earnings from the state Employment Development Department's (EDD) compilation of quarterly earnings data from employers for the federal Unemployment Insurance (UI) program. Matching these earnings data with the administrative data for each program enables us to review program take-up by employment status. The EDD data exclude federal government jobs, self-employment, and under-the-table jobs. The result is that EDD estimates of the number of former welfare recipients who are employed are lower than estimates that include some of these other sources of income (e.g., household surveys). However, these data are more reliable than survey data because they have larger samples, including more counties, and track an individual's prior, as well as current earnings. By matching EDD data with MEDS data and the (Food Stamp) Universe File data, we can follow individual welfare leavers' earnings, Medi-Cal coverage, and Food Stamp use.

We note that the EDD data are at an individual level. We construct our earnings measure based on the household composition when the individual last received cash assistance. In as much as household composition changes with or after cash assistance, our earnings measures will be imperfect.

In addition, we provide some tabulations from the second wave of the California Health and Social Services Survey (CHSSS)—conducted in 2000-2001—as part of the CDSS-funded RAND Statewide CalWORKs Evaluation. The survey gathered information from more than 2,000 current and former welfare recipients in six focus counties in the state: Alameda, Butte, Fresno, Los Angeles, Sacramento, and San Diego. The survey included approximately equal samples in each of the six counties and over-sampled two-parent cases. The analyses reported here are weighted to be representative of the entire caseload in the six counties. Because the survey only included six counties, the results do not represent outcomes for the entire state; however, the six counties surveyed did account for 58 percent of the state's welfare families in January 2001.As in all surveys, the data are subject to sampling variability and other sources of error. Each of the contrasts discussed in this report is significant at least at the p=0.05 level.[5]

Finally, our discussion here draws on the qualitative analyses, including document analyses, key informant interviews, focus groups with caseworkers, semi-structured interviews with recipients, review of relevant social science and policy literature.[6]

LIMITATIONS

The analyses reported here are subject to several important limitations. First, they rely primarily on administrative data. While administrative data are often of higher quality than survey data, such data are often far from perfect. In particular, our data cover only individuals living in California. We treated anyone who left the state as not participating in any programs and having no earnings. Our data do allow us to track inter-county, but not inter-state, moves. California is a large state, so out-of-state migration is less of a problem than in smaller states. Nevertheless, the reader should interpret the results cognizant of the fact that program participation estimates and earnings are understated because we could not capture behavior outside of California.

Second, some of our analyses use EDD data to stratify by earnings. The EDD data exclude federal government jobs, self-employment, and under-the-table jobs. The result is that EDD estimates of the number of former welfare recipients who are employed are lower than estimates that include some of these other sources of income (e.g., household surveys). However, these data are more reliable than survey data because they have larger samples, include more counties, and track an individual's prior and current earnings. By matching EDD data with MEDS data and the (Food Stamp) Universe File data, we can follow individual welfare leavers' earnings, Medi-Cal coverage, and Food Stamp use.

We note that the EDD data are individual-level data. We construct our earnings measure based on the household's composition when the individual last received cash assistance. In as much as household composition changes with or after cash assistance, our earnings measures will be imperfect.

Finally, some parts of the analysis draw on a survey in six counties. In addition to the standard issues about low response rates among welfare populations, this survey has several other issues. It is unclear to what extent results for the six counties generalize to the state as a whole. The sample was not drawn to be representative of the entire state. Furthermore, the survey was only administered in English and Spanish. Those speaking

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[5] The point estimates and standard errors are weighted to represent all leavers in the sampled counties. They include an adjustment for differential non-response. They do not correct for any clustering (e.g., at the county level). For more information on the survey, see Reardon, DeMartni, and Klerman (2004).

[6] See Klerman and Cox (2004) for a discussion of the methods and results of that qualitative fieldwork.

other languages (as recorded in the statewide administrative data or as discovered during the interview) were excluded from the sampling frame.

ORGANIZATION OF THIS DOCUMENT

This document presents results in five chapters. The second chapter considers Medi-Cal take-up. The third chapter considers Medi-Cal in the context of private health insurance coverage. The fourth chapter considers FSP take-up. The fifth chapter considers EITC take-up.

Several appendices provide additional detail on methods and results. Appendix A provides some county-level tabulations. Appendix B describes the methods for the EITC analyses in more detail.

2. MEDI-CAL TAKE-UP

The Medi-Cal program (Medicaid in California) pays for health care for welfare recipients and some other low-income children and adults. The number of Medi-Cal target populations is extensive; each has its own eligibility rules, and caseworkers must follow a particular program sequence when determining someone's eligibility.[7]

With federal and state welfare reforms, five major changes to California's Medi-Cal broadened eligibility and accessibility for welfare leavers, while complicating CWD staff's enrollment task. The first major change to Medi-Cal was the Section 1931(b) program, which was mandated by the 1996 federal welfare reform, PRWORA. The Section 1931(b) provisions required states to make Medi-Cal available to anyone who would have been eligible for cash assistance under the state's pre-1996 welfare eligibility rules, and permitted states to further broaden eligibility. California used this discretion to also extend Medi-Cal to all welfare leavers with incomes that qualified them for CalWORKs cash benefits under the new rules. In 2003, a family of three could have qualified with income of $1,563 per month, the equivalent of working full time at nearly $9 per hour. With time limits, many families leave cash assistance while they remain eligible. These families would clearly retain eligibility for Medi-Cal under Section 1931(b).

In California, implementation of 1931(b) was significantly delayed; first because CDHS took over a year to release draft regulations for the program and then because of the time required for staff training, increases in county labor needs, outdated computer systems, and repeatedly changing policy regulations. In the interim, counties were instructed to stop processing Medi-Cal for discontinued CalWORKs recipients and temporarily hold them in the Medi-Cal program until the release of 1931(b) regulations. Some counties followed these instructions, and an enormous backlog of cases developed while they waited for the regulations. Other counties did not hold new welfare leavers pending the new regulations, but continued processing them through Medi-Cal under the outdated regulations.[8]

There were consequences to both approaches. In counties that "held" cases, reported take-up rates rose sharply. In addition, the state paid health care costs for some people who were ineligible for Medi-Cal under the new rules and for others who were not aware that they were still enrolled because notification was inconsistent. Further, individuals (and their dependents) who did not realize they were still enrolled may have deferred needed medical care. In counties that did not "hold" cases, families lost coverage if they were ineligible under the old rules but would have been eligible under the new rules

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[7] Klerman and Cox (2004) presents a detailed discussion of the target populations, the subprograms that serve them, and the procedures for establishing and maintaining eligibility.

[8] See Klerman and Cox, 2004, for a discussion of Section 1931(b) implementation.

because these counties continued to process cases as they had before 1931(b) was enacted. Furthermore, county attempts to contact people who lost coverage prematurely appear to have been uneven. Thus, the short-term failure to continue coverage sometimes resulted in a long-term lack of coverage.

The second significant change in Medi-Cal policy for welfare leavers involved mail-in redeterminations. California had required recipients to have annual face-to-face interviews in order to recertify their eligibility for Medi-Cal. In 1998, this requirement was replaced by a written form that could be mailed back to the local welfare office. The new form was simpler, though still long and dense.

Third, the 1998 trailer bill (AB 2780) provided state funds for a second year of Transitional Medi-Cal (TMC) for adults (children are eligible for other programs). This provision extended the one-year of TMC required by federal statute, which is available to any family with earnings, regardless of the level of those earnings.

The net result of the TMC expansion and Section 1931(b) was that almost all welfare leavers remained eligible for some free Medi-Cal program. Families with relatively low income were eligible for Section 1931(b). Families with higher earnings were eligible for (at least one year of) TMC. A few families would, nevertheless, not be eligible for Medi-Cal. They would include families that no longer had qualifying children (e.g., the child reached majority or went to live in another household) and households with high non-wage incomes or other sources of earnings (e.g., the former welfare recipient marries someone with substantially higher earnings). We do not have direct evidence of the prevalence of these conditions, but they were never mentioned in our qualitative field-work. We infer that almost all welfare leavers were eligible for Medi-Cal.

The fourth change in Medi-Cal policy was the elimination of quarterly status reporting—the requirement that recipients report their earnings every three months. AB 2877 (2000) abolished this requirement in 2001, after which only the annual mail-in redetermination was required. (Since the period covered by this analysis, the state has returned to semi-annual redetermination.)

Finally, SB 87 mandated *ex parte* review on September 30, 2000. Under *ex parte* review, for the purposes of establishing eligibility after leaving cash aid, caseworkers use information already at the CWD and do not require additional information from recipients until their regular annual redeterminations. Prior to SB 87, welfare leavers were placed in Edwards/Aid Code 38 for one to two months, while they reapplied. SB 87 made welfare leavers presumptively eligible for Medi-Cal. That is, leavers are assumed to remain eligible for Medi-Cal in the absence of clear evidence to the contrary.[9] The net result is to make it much easier for welfare leavers to retain Medi-Cal eligibility until their next annual redetermination. However, SB 87 does not eliminate the federal requirement for individuals to recertify their eligibility by mail at least once per year.

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[9] On this issue see the discussion in Klerman and Cox (2004).

METHODS

For our analysis of Medi-Cal take-up, we identify welfare leavers and their subsequent take-up of Medi-Cal from the CDHS's Medi-Cal Eligibility Data System (MEDS). That file contains monthly administrative records for each person enrolled in Medi-Cal (including all persons who have received welfare). Our analyses are based on a stratified 20 percent sample of all persons receiving welfare in California. The stratification attempts to preserve approximately equal numbers of people in each county, allowing some county level analysis. The analysis in this chapter considers data from the first quarter of 1994 through the first quarter of 2002. We followed people who left cash aid for their first three years after they exited AFDC/CalWORKs. We followed anyone who returned to the cash assistance program within three years until the month of return. In March 2002, this sample consisted of 155,206 former recipients, representing 891,027 former recipients in the state.[10]

AFTER CALWORKS, MEDI-CAL ENROLLMENT AMONG FORMER RECIPIENTS ROSE

We begin by tracing the trends in former welfare recipients' Medi-Cal enrollment. As shown in Figure 2.1, Med-Cal enrollment among former welfare recipients has risen sharply and nearly continuously since CalWORKs was implemented in California in January 1998. Similar to previous studies, our data show that enrollment declines the longer people are away from the cash aid program (i.e., those off cash aid for 18 months are about half as likely to be enrolled in Medi-Cal as those off cash aid only six months).[11]

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[10] This is not a 20 percent sample of leavers. We first sampled those on welfare at rates that vary by the county in which they were first observed on welfare. The sampling weights were intended to—as much as possible—yield equal sample sizes by county (i.e., a lower sampling rate in Los Angeles County and a higher sampling rate in Alpine County).

[11] E.g., Cox, Klerman, and Aguirre-Happoldt (2002) and Cox and Klerman (2002).

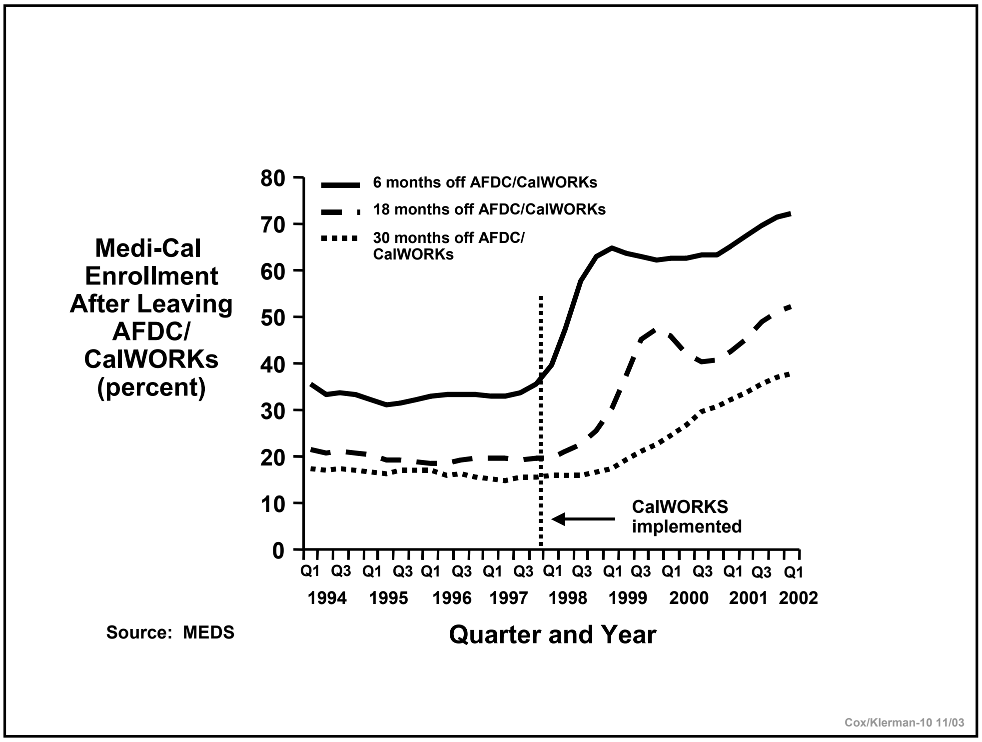

Figure 2.1
Percent of Employed Former Cash Aid Recipients in Medi-Cal, by Year and Months Since Leaving CalWORKs

As Figure 2.1 shows, prior to welfare reform, only about one third of the people off cash aid for six months (who had not returned to welfare) were enrolled in Medi-Cal, and less than one quarter of those who had been away for eighteen or thirty months remained enrolled. With welfare reform, Medi-Cal enrollment rose dramatically among all groups. In 1999 and 2000, there was a slight decline in enrollment as the counties processed the backlog of cases that had developed during the delay in implementing 1931(b). Thereafter, Medi-Cal enrollment again increased. In 2001 and into 2002, Medi-Cal enrollment rose gradually to levels above the earlier peaks for all three groups of former cash aid recipients.

This recent increase in enrollment suggests that, at least through the beginning of 2002, welfare reform did not have an adverse effect on many former AFDC/CalWORKs recipients' Medi-Cal coverage. Rather, these results suggest that *former* CalWORKs recipients are considerably *more* likely to be enrolled in Medi-Cal at the beginning of 2002 than their AFDC-era counterparts had been prior to 1998. In the conclusion to this chapter, we consider whether this trend is likely to continue.[12]

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[12] It is important, however, to note our analysis pertains to the probability of Medi-Cal enrollment among welfare leavers. It does not refer to total Medi-Cal enrollment, which has a more complicated time path (see Cox and Klerman 2002). In particular, total enrollment in CalWORKs is down sharply (by more than

MEDI-CAL ENROLLMENT VARIES BY RACE/ETHNICITY, BUT NOT BY AGE

Figure 2.2 considers variation in Medi-Cal across racial-ethnic groups. In the pre-CalWORKs period, enrollment rates for Anglo-Whites, African Americans, and Latinos are quite similar. The exception is the "other" group, primarily Asian Americans, who had much higher enrollment rates.

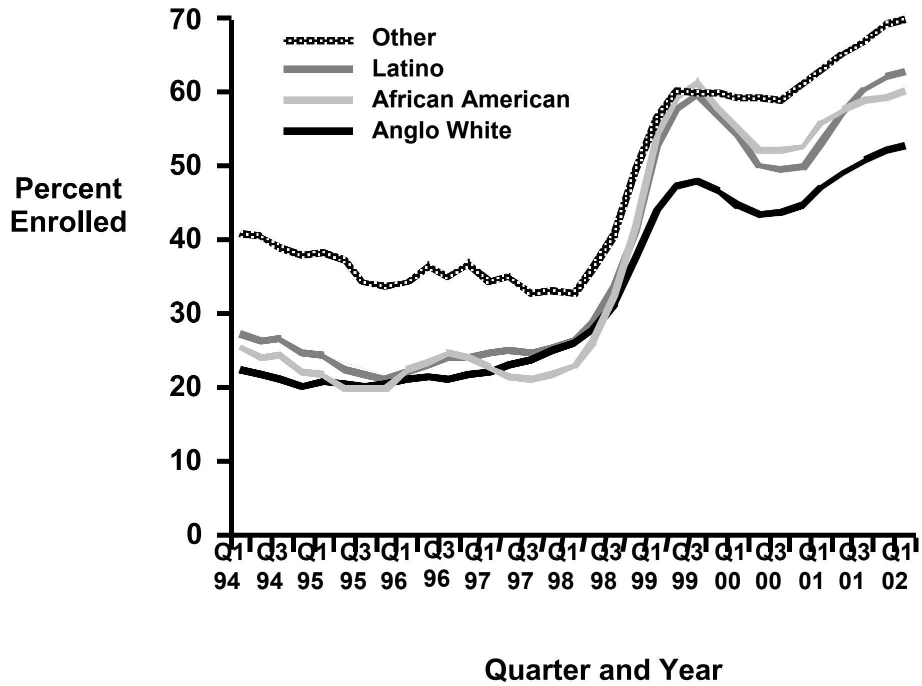

Figure 2.2
Medi-Cal Enrollment by Race/Ethnicity and Calendar Time Among Those 12 Months Away from AFDC/CalWORKs

After the temporary 1931(b) surge, rates temporarily fell for all groups but the Asian Americans. Enrollment rates then resumed their climb, so that at the beginning of 2002, they are at the levels of the 1931(b) surge and are clearly higher for the "other" racial-ethnic group.[13]

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half), which pushed down total Medi-Cal enrollment. Section 1931(b) broadened eligibility, pushing total Medi-Cal enrollment up. It is also important to note that some of the observed change may have been due to changes in the characteristics of those leaving welfare (perhaps those leaving later were "pushed off," and therefore got worse jobs which were less likely to provide health insurance) or to changes in the private health insurance market (less likely to offer health insurance overall, less likely to offer health insurance to later leavers). Our analysis is not informative about either of these conjectures.

[13] At the end of the period, Medi-Cal rates for whites are below those for the other groups. In the next chapter, we consider the role of employer sponsored health insurance (ESHI). It seems plausible that Medi-Cal rates are lower for whites than for other groups because they are more likely to get ESHI. However,

Figure 2.3 compares rates for adult and child welfare leavers, which are nearly identical throughout the period.[14] Despite some Medi-Cal subprograms that are open only to children, enrollment rates for adults and children move together and at almost identical levels before, during, and after welfare reform.

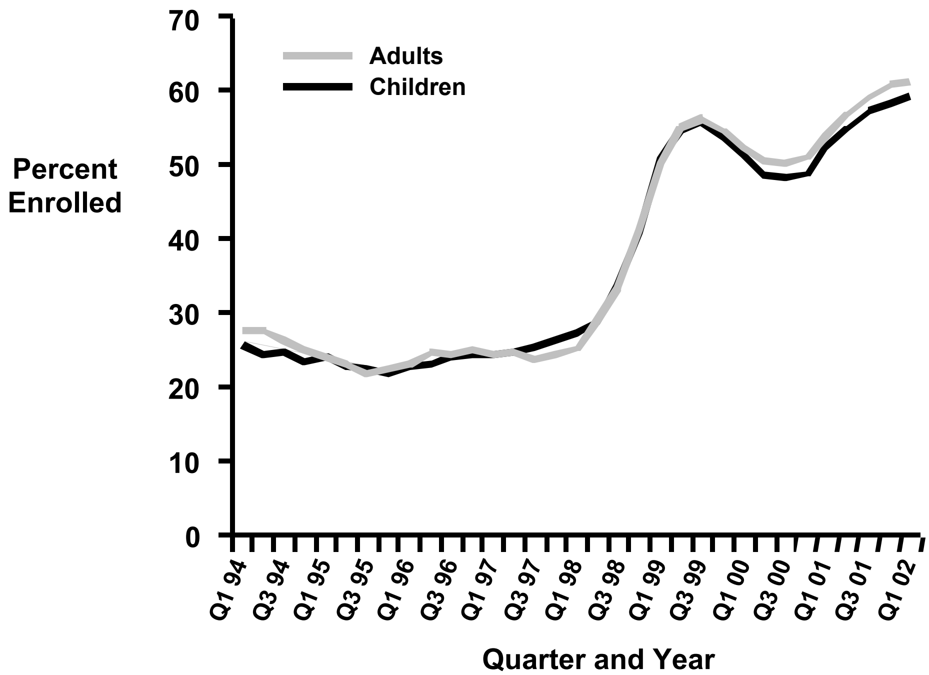

Figure 2.3
Medi-Cal Enrollment by Age and Calendar Time
Among Those 12 Months Away from AFDC/CalWORKs

PEOPLE WITH LOW EARNINGS ARE MORE LIKELY TO REMAIN ENROLLED IN MEDI-CAL

Is this overall post-reform increase evident for different groups of former cash-aid recipients? CalWORKs requires able-bodied adults to work and expects families to increase their earnings, thereby ending their reliance on cash benefits. Nevertheless, welfare leavers and their families remain eligible for Medi-Cal at least until they reach the CalWORKs income limit ($1,563 a month for a family of three in 2003) or obtain health insurance through a job. In addition, for the first year after leaving cash assistance, families remain eligible for Medi-Cal regardless of their own earnings level. Thus, how Medi-Cal enrollment varies with employment is of particular interest.

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our survey-based tabulations of ESHI do not support that conjecture. Thus, this pattern of Medi-Cal coverage rates across the race groups remains a puzzle.

[14] Figure 2.3 plots Medi-Cal take-up rates for adults and children; not rates for cases with and without adults.

Figure 2.4 shows Medi-Cal enrollment rates 12 months after people left cash-aid, by calendar year and earnings. For earnings, we consider “none,” “part-time” (i.e., some, but less than the equivalent of full-time work at the minimum wage), and “full-time” (i.e., full-time or more than full-time work at the minimum wage). Levels of earnings rise rapidly over this period. At the end of the period, the group with no earnings includes about three-fifths of all leavers; those with earnings split about equally between part-time and full-time earnings (see Klerman and Cox, 2004, Figure D.6).

The pattern over time for all groups is similar to that of Figure 2.1: a dramatic increase after welfare reform followed by a slight decrease and, most recently, by a further increase. Enrollment rates differ by earnings/employment status. Those whose earnings were equivalent to part-time minimum-wage work had the highest rates of Medi-Cal enrollment. In contrast, those whose earnings were equivalent to full-time minimum wage work had lower rates of Medi-Cal coverage. This finding is consistent with research that finds employers are more likely to offer health insurance to those (including former welfare recipients) in full-time jobs (see the next chapter).

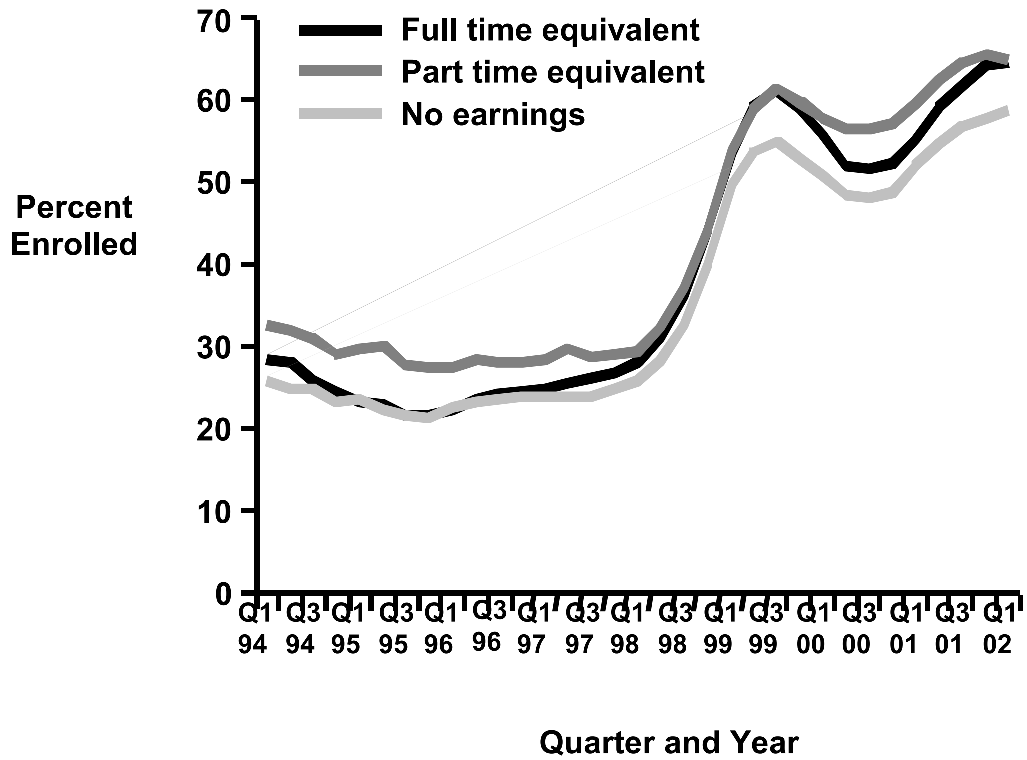

Figure 2.4
Medi-Cal Enrollment, by Employment Status and Calendar Time Among Those 12 Months Away from AFDC/CalWORKs

Since welfare reform, Medi-Cal enrollment rates for full-time workers have risen to the rates for part-time workers. One possible explanation for this is the expansion in coverage at higher income levels provided by Section 1931(b) and the gradual roll-out of

Section 1931(b) throughout the state. Another possibility is that private health insurance has become less available or less affordable to full-time workers. In addition, it is possible that the unobserved characteristics of leavers have changed over time.

Finally, former cash-aid recipients with no earnings reported in the EDD data have the lowest rates of Medi-Cal enrollment. These low rates of coverage may be driven by several factors: Some former recipients may have lost touch with the welfare office and may be unaware, therefore, of their continued eligibility for Medi-Cal. Others may be employed in federal government jobs or be self-employed and, as a consequence, may not be included in the EDD data at all. Some may have married and obtained health insurance through their spouses' employers. Finally, some former recipients may have moved out of the state. Thus, this zero-earnings group is probably heterogeneous, and some portion likely has been offered health insurance through work (i.e., those in federal government jobs).

MEDI-CAL ENROLLMENT VARIES BY ELIGIBLE TARGET POPULATION

The pattern of Medi-Cal enrollment observed since CalWORKs was implemented can be understood more clearly when stratified by eligible target populations. Over time, Congress has broadened eligibility for Medicaid and, over the years, California has adopted many of these federal changes or been required to expand Medi-Cal eligibility by the courts. Each of these target populations is subject to its own eligibility rules, although only a few cover most former cash aid recipients.[15] For our analyses, the most important of these target populations, and the subprograms that serve them, are:

- *Edwards/Aid Code 38*. Named after a court case (Edwards vs. Kizer), this ruling temporarily extends Medi-Cal eligibility to anyone leaving AFDC/CalWORKs while eligibility for further Medi-Cal coverage is determined (usually the temporary extension is for a period of one to three months).

- *Medically Needy*. Prior to TANF/CalWORKs, this designation provided Medi-Cal eligibility to families with children who did not qualify or no longer qualified for AFDC; its eligibility criteria are slightly less strict than those for AFDC. Its role for families diminished with the addition of the 1931(b) provisions.

- *Transitional Medi-Cal (TMC)*. Individuals leaving AFDC/CalWORKs or 1931(b) coverage because of increased earnings were provided temporary Medi-Cal coverage for up to 12 months. (Between 1998 and 2003, the coverage lasted up to 24 months for adults.)

- *Section 1931(b).* Legislated federally in 1996 as a part of federal welfare reform and implemented in 1998, section 1931(b) provides Medi-Cal coverage to those

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[15] See Klerman and Cox, 2004, for a more detailed discussion of the various Medi-Cal target populations and the subprograms that serve them.

who are currently eligible for CalWORKs or who would have been eligible for AFDC (using its July 16, 1996 rules), regardless of whether they receive such cash assistance. Thus, individuals who stopped receiving AFDC or CalWORKs cash aid but had financial resources still within the AFDC or CalWORKs eligibility limits remain eligible.

Prior to the CalWORKs program, almost all welfare leavers were initially enrolled through Edwards/38. Then, if they filed the required paperwork and were deemed eligible, they were rolled into the Medically Needy or TMC programs. After January 1998 in California, the 1931(b) provisions were to begin, but, as noted earlier, implementation was severely delayed. During this delay, the state instructed counties to hold people leaving CalWORKs in the Edwards/38 or some other program until the 1931(b) regulations were made final. Although not all counties followed this direction (depending largely on the county's computer systems), the large counties did.[16] As a result, Medi-Cal enrollment rates soared as more and more people were held in Edwards/38 awaiting eligibility determination for 1931(b). In the fall of 1998, counties were given initial 1931(b) guidelines, and they began to process the backlog of cases awaiting 1931(b) eligibility determinations. As the backlog was processed, enrollment rates declined slightly, before rising again as 1931(b) and other expansions of Medi-Cal took full effect. This is the pattern seen in Figure 2.1.

Figure 2.5 shows these same changes by Medi-Cal subprogram among those off cash aid for exactly twelve months. Prior to welfare reform, the total enrollment rate was about 25 percent (the first column), with most people enrolled in the Medically Needy program and some enrolled in Transitional Medi-Cal. Almost no one was enrolled through Edwards/38 as they had been moved out of that program. After CalWORKs began (the second column), Edwards/38 enrollment increased steadily, even among those who had exited cash aid one year earlier. (Edwards/38 normally ends within a couple of months after leaving cash aid.) By 1999, 1931(b) implementation had begun. As it progressed, 1931(b) absorbed many of the people held in Edwards/38, but not all of them. Finally, in the last year of data (shown in the third column), the percentage of people enrolled through Edwards/38 decreased almost to its pre-reform level, and 1931(b) had become the principle means of covering former cash aid recipients. Total enrollment has expanded again, as 1931(b) was fully implemented and combined with other policy expansions (namely, the elimination of quarterly status reports and the *ex parte* review process of SB 87).

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[16] See Klerman and Cox (2004) for a discussion of inter-county heterogeneity in initial implementation of the 1931(b) program.

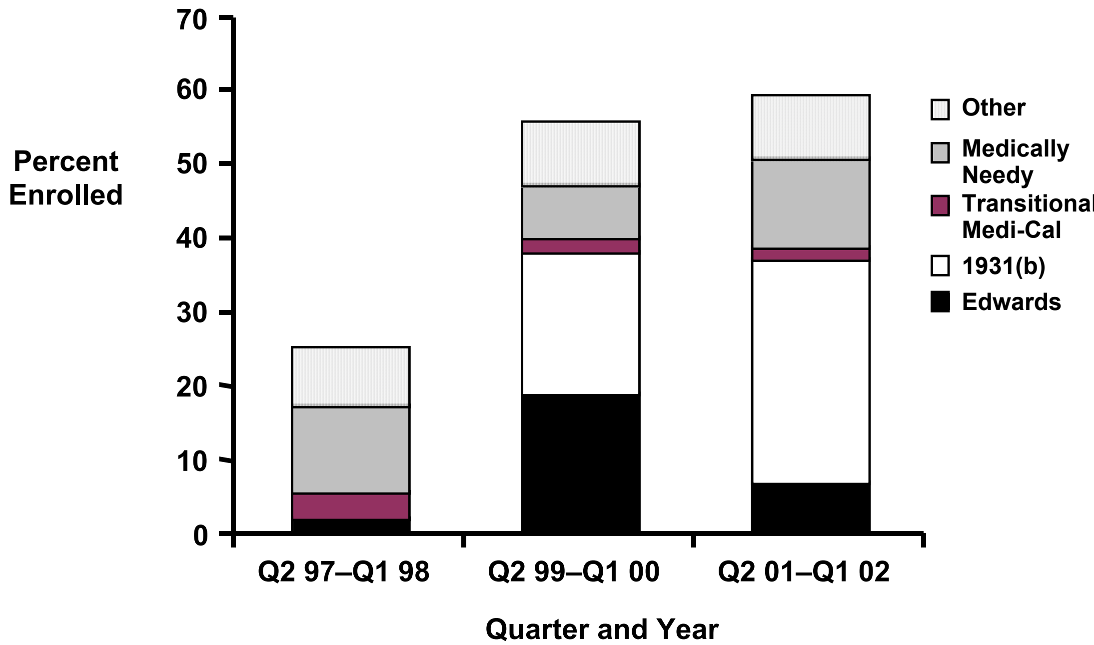

Figure 2.5
Enrollment by Medi-Cal Subprogram and Calendar Time Among Those 12 Months Away from AFDC/CalWORKs

MEDI-CAL ENROLLMENT CONTINUES TO VARY WIDELY BY COUNTY

Earned income is not the only characteristic related to Medi-Cal enrollment; county of residence matters as well. Although the federal and state governments determine Medi-Cal policy and funding, in California, counties translate policy into the administrative procedures that manage and deliver Medi-Cal benefits. Our earlier studies showed wide variation in Medi-Cal enrollment among counties, but we expected differences in the speed with which counties implemented 1931(b) to be the likely cause.[17] However, the findings from our current research show that county enrollment rates have only partially converged, despite 1931(b) provisions having now been fully implemented by all counties.

Using four quarters of data between April 2001 through March 2002, we examined take-up rates by county among those off cash aid for 12 months (see Appendix Table A.1). Across counties, the take-up rates ranged from below 40 percent in four counties (Alpine, Modoc, Mono, San Bernardino) to over 70 percent in three counties (Alameda, Los Angeles, San Francisco). The range has narrowed only slightly from the previous year (30 percent to 86 percent, not shown), and it is nearly as wide as the range for those who exited cash aid 24 months earlier (25 percent to nearly 61 percent). Counties do differ on some factors related to Medi-Cal, such as labor market opportunities and health care

[17] Cox and Klerman (2002) and Cox, Klerman, and Aguirre-Happoldt, (2002).

systems (e.g., the use of managed care for the Medi-Cal population), but the wide range of Medi-Cal enrollment rates suggests that differences in the management or implementation of Medi-Cal may also be affecting enrollment. Indeed, other research that describes inconsistencies within the Medi-Cal program supports this inference.[18]

CONCLUSIONS

Our analysis suggests several conclusions. First, Medi-Cal enrollment among former cash aid recipients increased after federal and state welfare reforms were implemented. Although this does not necessarily mean that every former recipient who needs Medi-Cal is receiving it, it does mean that many more people leaving cash aid remain enrolled in Medi-Cal than before welfare reform, just as the federal legislation intended. What remains to be seen is whether higher Medi-Cal enrollment rates can be sustained during fiscal downturns. The data presented in this chapter reflect a period of budget surpluses and expanding programs. California has since entered a period of budget deficits and significant program cuts. On the one hand, enrollment among former AFDC/CalWORKs recipients is likely to remain relatively stable as long as eligibility for the 1931(b) program is not restricted (since most former recipients are enrolled in this Medi-Cal subprogram). On the other hand, new policies and proposals, including the recent return of semi-annual reporting requirements, may reduce former recipients' enrollment. (More frequent reporting requirements and other administrative requirements tend to discourage some otherwise eligible individuals from applying for, or recertifying their eligibility for benefits).[19]

Second, the fraction of former cash aid recipients who remain enrolled in Medi-Cal is related to their employment and earnings. Among those who leave CalWORKs with employment, enrollment has been higher for those employed part time. Their earned income is lower than that of full-time workers, so they are more likely to remain eligible for Medi-Cal. However, we now find that the rates of Medi-Cal enrollment for part-time workers and full-time workers are converging. Over time, Medi-Cal enrollment could be expected to remain high if these conditions persist or if the weak economy or jobless recovery continues, resulting in a dearth of full-time jobs—especially jobs that provide health benefits.

Finally, the wide variation in Medi-Cal enrollment across California counties is a persistent challenge to state and county policymakers. Although counties are to administer the same Medi-Cal policies and have all now fully implemented the most recent federally mandated program modifications (e.g., the Section 1931(b) requirements), Medi-Cal enrollment continues to vary widely by county. Many things might explain this inter-county variation, such as differences in coverage by private health insurance. More troubling, however, is the likelihood that some of this disparity is caused by differing administrative practices among counties – such that a person's

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[18] See Klerman and Cox (2004).

[19] See the next chapter and the detailed discussion of these issues in Klerman and Cox (2004).

chance of obtaining needed health insurance depends on the county in which he or she lives.

3. HEALTH INSURANCE COVERAGE

In the previous chapter, we considered Medi-Cal coverage. We showed that Medi-Cal coverage has risen sharply since welfare reform, though the timing is not uniform. However, only slightly more than half the welfare leavers are covered by Medi-Cal, and this rate falls with time off welfare.

How many former recipients might be expected to continue their Medi-Cal? Not all, because some will obtain employer-sponsored health insurance (ESHI) and will, therefore, not need Medi-Cal. Most Americans receive their health insurance through their employers, and some former CalWORKs recipients will do the same, as families leave cash aid for employment. However, Medi-Cal administrative data do not provide information on whether welfare leavers are receiving ESHI or whether they remain uninsured altogether.

METHODS

In this chapter, we report analyses of the second wave of the California Health and Social Services Survey. (See Chapter 1 for a more in-depth description of the survey.) The CHSSS collected information on all sources of health insurance coverage for the respondents, allowing us to characterize more fully the health insurance coverage of welfare leavers. The CHSSS collected the most detailed information for the survey respondents themselves and more limited information for other household members. Most of the survey respondents are women, because almost all single-parent families (who make up the majority of welfare recipients) are single-mother families and because in the two-parent families, women nearly always answered the survey. Therefore, unless otherwise noted, results in the chapter describe findings for 633 female former cash aid recipients. They are divided approximately equally between those off CalWORKs 1–12 months, 13–24 months, and 25–36 months (32, 40, and 28 percent, respectively).

These survey results provide a useful complement to the administrative data presented in the previous chapter. It is, however, important to note the limitations of these survey data. The administrative data cover the entire state, over a long period of time, for a sample large enough to reliably disaggregate.. In contrast, the survey data capture a point in time (early-2002), for only six of the state's 58 counties, and with sample sizes generally too small to disaggregate. The survey data have been reweighted to represent the six counties—Alameda, Butte, Fresno, Los Angeles, Sacramento, and San Diego. Together, these counties represent about three-fifths of the state's welfare caseload during this period. (Los Angeles County alone includes more than a third of the state's caseload.) Nevertheless, the survey is not a proper sample of the state's welfare leavers.

MOST CALWORKS LEAVERS ARE INSURED, BUT ONE-FIFTH ARE STILL UNINSURED

As shown in Figure 3.1, for adult female CalWORKs leavers, Medi-Cal take-up is slightly less than half. This confirms the concerns generated by previous research (including the previous chapter). However, if we consider all sources of health insurance, our findings are more nuanced. About a quarter of female former recipients receive health insurance from their employers (ESHI) and another eight percent are covered through some other private or public source. Of the latter, 63 percent are covered through a spouse's employer; and the remainder through Medicare, military coverage (Tri-Care), the Veterans Administration, or some other purchased plan. Nevertheless, 20 percent of female former recipients report that they are without health insurance.

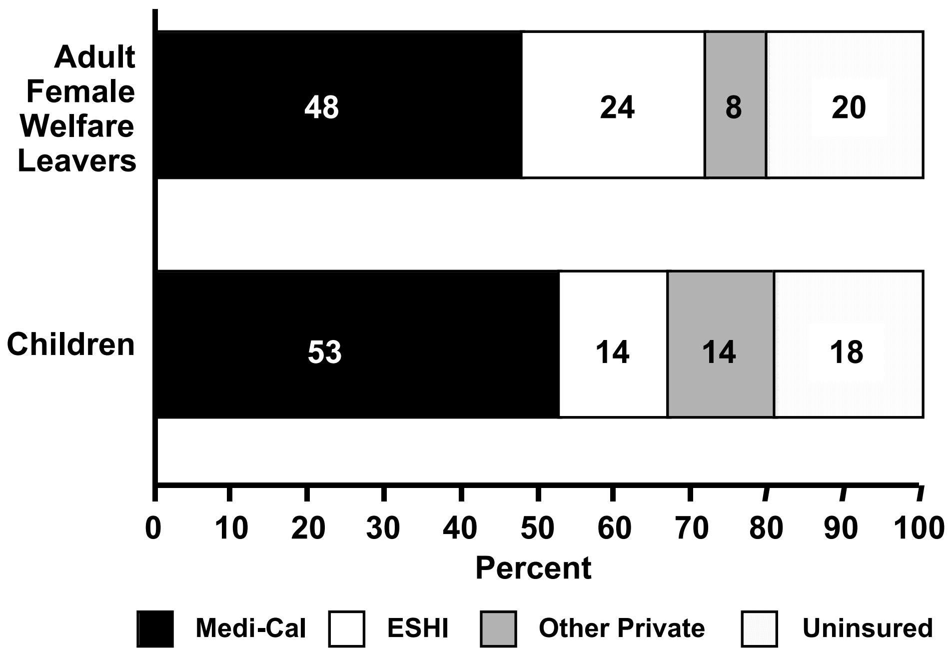

Figure 3.1
Health Insurance Enrollment Among Adult Female CalWORKs Leavers and Children

The survey data also provide this information for children. Figure 3.1 suggests that children's overall health insurance rates after leaving cash assistance are similar to those of their mothers. Children have slightly more Medi-Cal, a lot less ESHI, and a lot more "other public/private" health insurance. "Other public/private" insurance often includes coverage from a non-resident father's ESHI and, for a few families, coverage through the Healthy Families program. The latter is a government program which provides coverage to children with family incomes below 250 percent of the federal poverty level. There are slightly fewer uninsured children than uninsured mothers (18 percent versus 20 percent).

DIFFERENCES IN HEALTH INSURANCE ENROLLMENT BY RACE/ETHNICITY

Results from the survey also showed differences in health insurance rates across racial-ethnic groups, which are shown in Figure 3.2. Latinos and (non-Latino) whites are the least likely to report having any insurance (26 percent and 24 percent, respectively), followed by 17 percent of those in other racial-ethnic groups (mostly Asian Americans; but note that we only interviewed in English and Spanish), and by 12 percent of African Americans. These differences in being uninsured can largely be traced to differences in Medi-Cal enrollment: Latinos and whites reported the lowest rates of Medi-Cal (41 percent and 45 percent, respectively), followed by African Americans (51 percent) and the "other" racial-ethnic group (58 percent). Whites, Latinos, and African Americans all reported similar rates of ESHI (from 23 percent to 26 percent), while those in the "other" racial-ethnic group reported slightly lower rates (19 percent).

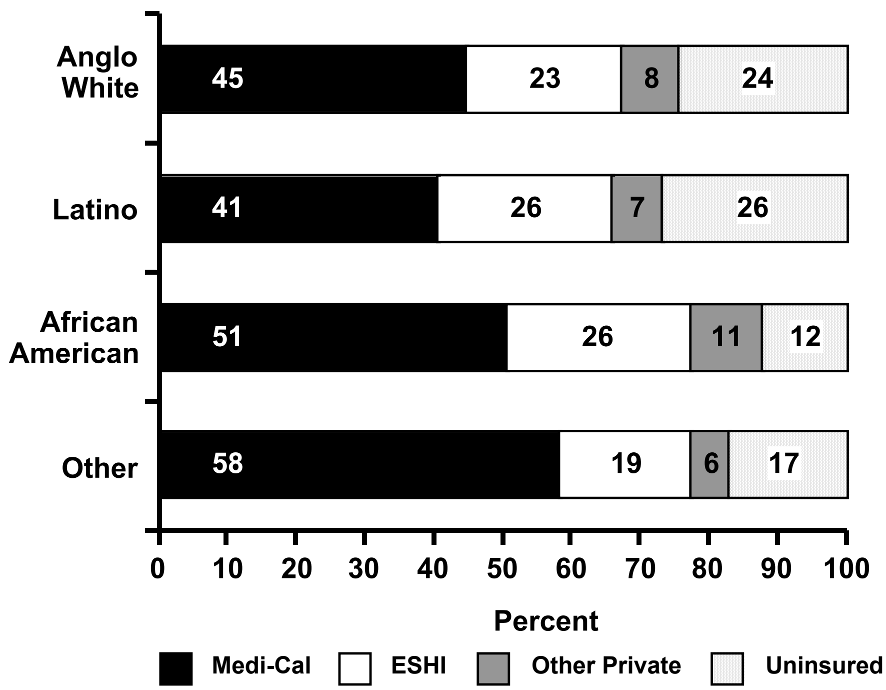

Figure 3.2
Health Insurance Enrollment Among Former CalWORKs Recipients, by Race/Ethnicity

Survey results also varied by the composition of the CalWORKs households: One-parent FG/Family Group versus two-parent UP/Unemployed Parent (not plotted). Two-parent families reported having more private health insurance from the respondents' employers or from the spouses' employers compared to respondents from the more common one-parent families (33 percent vs. 25 percent). Two-parent families reported having less Medi-Cal than one-parent families (47 percent vs. 52 percent). Overall, two-parent families are slightly less likely than one-parent families to be uninsured (20 percent vs. 23 percent).

INSURANCE STATUS VARIES SHARPLY WITH HOURS WORKED

As is true for most Americans, ESHI is an important source of health insurance for welfare leavers. However, ESHI is not distributed evenly among welfare leavers. ESHI becomes more common with time off cash aid. Of those off aid for less than one year, 14 percent are covered through their employers; this fraction increases to 23 percent for those off aid for one to two years; and to 30 percent for those off aid for more than two years. While ESHI increases with time off cash aid, Medi-Cal decreases, so overall health insurance enrollment does not generally change.

ESHI is also strongly related to hours worked. It is most common among those employed full-time (35 or more hours per week), and about half of welfare leavers (47 percent) are working full-time. In this group, about two-thirds (65 percent) are offered ESHI by their employers, almost half (46 percent) enroll in ESHI, and another 2 percent will be offered ESHI at the end of a waiting period. Among welfare leavers working less than full time, both offers of ESHI (22 percent) and actual ESHI enrollment (12 percent) are much lower than for those with full-time work. As Figure 3.3 shows, some of the difference is made up by greater Medi-Cal take-up among those employed part-time (55 percent) or not at all (61 percent). Overall, compared with those working full time, health insurance enrollment rates are lower for those working part time, and lowest for those not working at all.

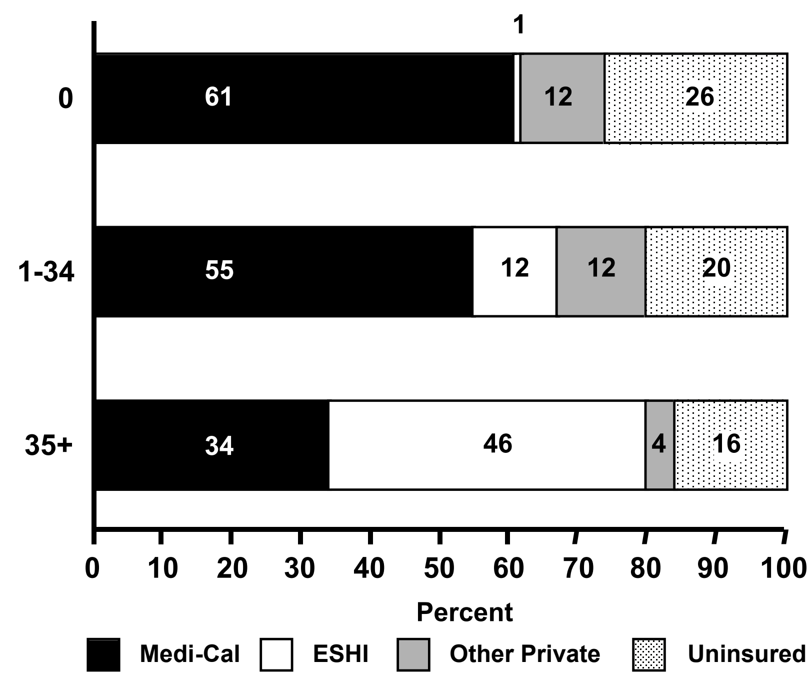

Figure 3.3
Health Insurance, by Hours Worked for Adult Female CalWORKs Leavers

COST IS THE MOST COMMON REASON FOR NOT ENROLLING IN ESHI

We asked those female former welfare recipients who declined an offer of ESHI about their main reason for doing so. Over half of the respondents who reported turning down an offer of ESHI said that they did so because the offered plan was too expensive (Figure 3.4). Fewer than one in ten reported that they did not need or did not want the coverage. Another quarter reported that they already had health insurance (largely Medi-Cal). These results suggest that the availability of ESHI alone will not meet health care needs; affordability must also be taken into account.

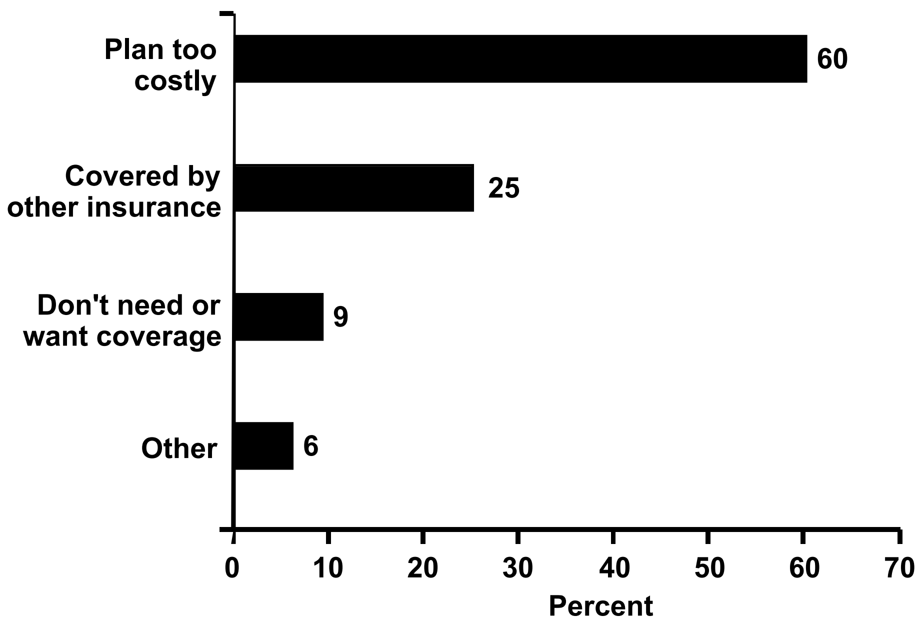

Figure 3.4
Reasons for Declining ESHI Among Female Former CalWORKs Recipients

MOST OF THE UNINSURED ARE CONFUSED ABOUT, OR LACK UNDERSTANDING, OF MEDI-CAL

Most CalWORKs leavers are eligible for Medi-Cal, about a quarter have ESHI, and about four in five have some form of health insurance. So why do some remain uninsured? We asked leavers directly, and Figure 3.5 reports the responses from uninsured adult female former recipients (multiple responses allowed).

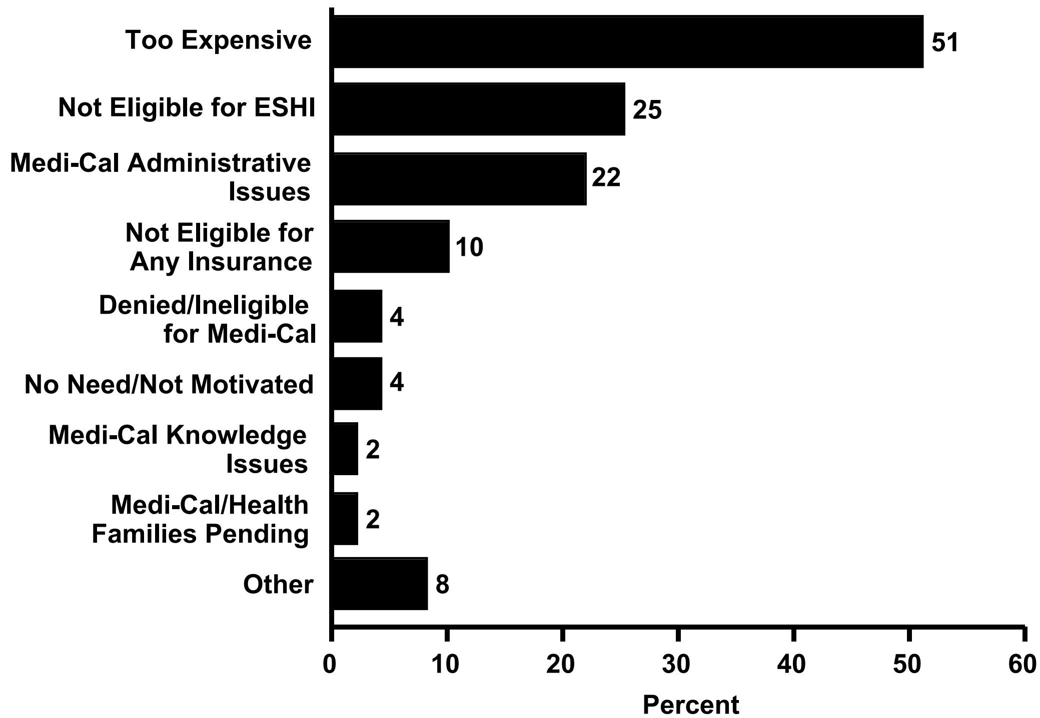

Figure 3.5
Reasons for Remaining Uninsured among Adult Female CalWORKs Leavers (multiple responses allowed)

Few of the uninsured adult female CalWORKs leavers report that they do not want health insurance (4 percent). A few report that their applications for Medi-Cal are pending (2 percent) or that they remain uninsured for other reasons (8 percent).

In contrast to these expected responses, half of the uninsured explain that they are uninsured because insurance is too expensive, and a quarter explain that they are not eligible for ESHI. Finally, nearly a quarter report some problem or administrative hassle with enrolling in Medi-Cal, suggesting some barrier(s) to Medi-Cal enrollment.

These results are troubling. Our analysis suggests that almost all recent CalWORKs leavers should be eligible for some form of Medi-Cal, so neither the availability of ESHI nor its cost should be a barrier to some health insurance coverage. We infer that a sizable fraction of leavers are unaware that they remain eligible for Medi-Cal.

CONCLUSIONS

Keeping in mind the limitations of the underlying survey data, we draw several conclusions from these analyses. First, looking at Medi-Cal enrollments alone results in a significant underestimate of the fraction of CalWORKs leavers who have some form of health insurance. About one in four adult female leavers has ESHI and a few more have other forms of health insurance. In addition, it seems likely that some are otherwise ineligible (for example, they have left the state, entered an institution, or have no minor child at home). Thus, even if Medi-Cal outreach were perfect, Medi-Cal take-up rates are unlikely to rise above about 65 percent under current conditions.

Second, there is a great deal of variation in type of insurance coverage by hours worked. About half of all CalWORKs leavers are working full-time. Within this group, nearly two-thirds are offered ESHI and most accept. Thus, while some have expressed concern that CalWORKs leavers are stuck in jobs without benefits, our survey results suggest that at least among those leavers working full-time, most are offered ESHI. These results emphasize the importance of helping CalWORKs recipients obtain and keep full-time employment.

Third, and in contrast, a sizable fraction (20 percent) of adult female former CalWORKs recipients remains uninsured. They are not uninsured by choice. Instead, most of them appear not to understand that they remain eligible for Medi-Cal, and a sizeable fraction report that enrolling in Medi-Cal is either too great a hassle or that they encountered problems when trying to enroll. These results highlight the potential role of information and outreach efforts to current and former recipients about their continued eligibility for Medi-Cal after they exit CalWORKs.

4. FOOD STAMP PROGRAM TAKE-UP

The Food Stamp Program (FSP) is a federally funded, state- (and in California, county-) administered program that provides coupons (or increasingly Electronic Benefits) for the purchase of food. The size of the benefit declines with total income, including both earnings and unearned income such as cash assistance. In 2003, a parent with two children and no other income could receive Food Stamp benefits worth about $366 per month. A parent with two children working full-time at the minimum wage and receiving no cash assistance could receive food stamp benefits of $224 per month. At the income at which this family becomes ineligible for CalWORKs ($1,564), the food stamp benefit declines to $137. Finally, the benefit is zero when earnings rise above $1,627; i.e., full-time work at a wage of about $9.40 per hour.

The basic structure of the FSP, including its eligibility criteria, has been stable for many years. However, extending and expanding earlier pilot programs, the 2002 Farm Bill offered the states several options for streamlining the FSP and increasing the enrollment of working families and welfare leavers (permitting recipients to report their incomes less frequently than monthly, raising vehicle valuation limits, providing transitional food stamp benefits, and conducting annual redeterminations of eligibility that did not require in-person interviews). California had not adopted any of these earlier pilot programs or these new options during the period covered by our qualitative field-work and the administrative and survey data that we analyze.

While the Medi-Cal application and reapplication process has been streamlined with a simplified, annual, mail-in form, the Food Stamp process remains burdensome and intrusive. To continue receiving Food Stamps, a family must file the same detailed, monthly income statement as is filed for cash assistance (the CW 9). Given that the Food Stamp benefit varies with earnings, there would appear to be a need for monthly reporting. However, federal Food Stamp regulations allow less frequent reports and payments based on estimates of earnings.[20] California has made several attempts to move towards less than monthly reporting, but as of 2003, the monthly requirement remains in place.

In October 2003, the Governor signed AB 231 into law, which contains provisions that are likely to increase Food Stamp enrollment. First, it includes a Transitional Food Stamp Benefit that should automatically enroll most CalWORKs leavers in Food Stamps for five months without requiring monthly reporting. Second, it provides for disregarding the value of most cars in applying the Food Stamp assets test. Finally, it strongly encourages county welfare departments to waive the requirement that the annual recertification meeting be held in person. The results reported here refer to the period before these changes were implemented.

[20] See the discussion in Klerman and Cox (2004).

METHODS

To tabulate Food Stamp participation after leaving cash aid, we used the CDSS Universe data, the administrative records of Food Stamp receipt used to determine error rates for the federal government. By combining these data with the MEDS and the EDD files, we were able to calculate Food Stamp participation rates specifically among former CalWORKs recipients, both with and without earnings. The Universe files are available for most counties from January 1998 (when CalWORKs was implemented) forward. We analyzed only the 17 counties using the Case Data System (CDS) computer system (see Appendix Table A.2 for a list of the counties), because these were the only counties that retained the same case identification numbers as individuals converted from Assistance Food Stamps (i.e., while receiving CalWORKs benefits) to Non-Assistance Food Stamps (i.e., after leaving CalWORKs), which allowed us to track leavers. Together, these 17 CDS counties represent about a third of the state's caseload. In general, they are the larger counties, but they do not include Los Angles County (with about a third of the caseload). Counties operating with the Interim State Automated Welfare System (ISAWS) changed case numbers after households left CalWORKs, making it impossible to track these households' potential Food Stamp use. Procedures for the remaining five counties (which use unique computer systems) were not clear. We supplement the administrative data with survey data from the CHSSS, described in Chapter 1.

OVERALL FOOD STAMP TAKE-UP RATES ARE LOW AND HAVE REMAINED STABLE

Our findings show a stark contrast between the percentage of former CalWORKs recipients receiving Food Stamps and the percentage taking up Medi-Cal. At the start of 2002, 16.5 percent of former recipients had Food Stamps six months after leaving CalWORKs, compared to the 72.2 percent that had Medi-Cal. Figure 4.1 shows the percentage of people receiving Food Stamps at 6, 18, and 30 months after leaving CalWORKs. As people are away from cash aid longer, participation in the FSP declines. Among those 18 months away from CalWORKs, 12.5 percent received Food Stamps, and among those 30 months away from CalWORKs, 9.1 percent received Food Stamps.

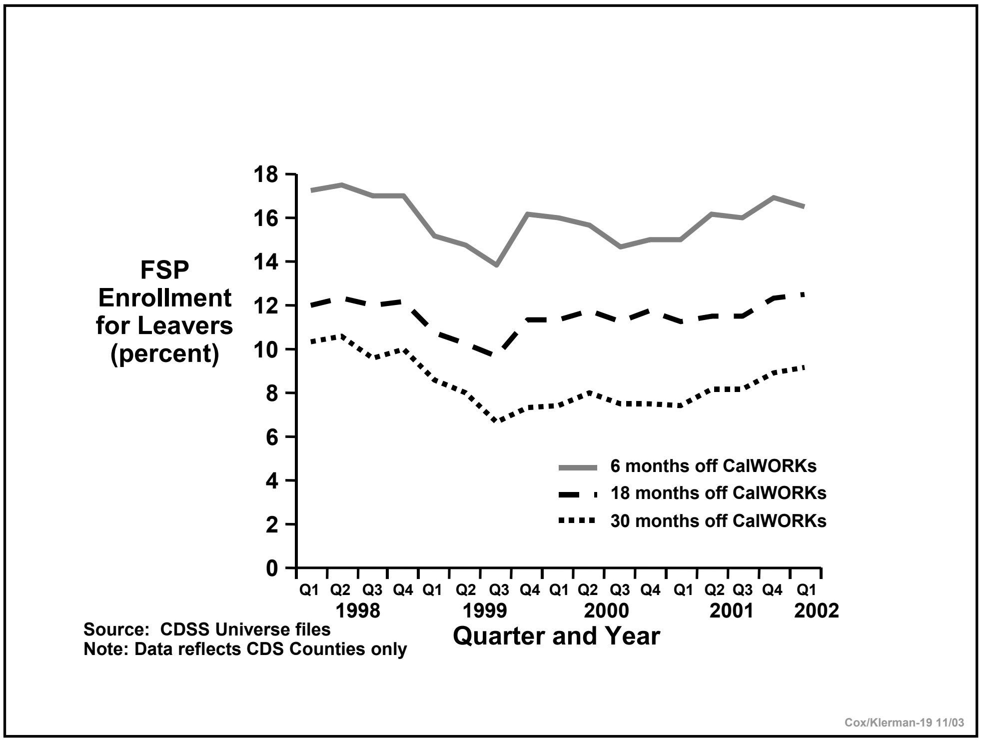

Figure 4.1
Enrollment of Former CalWORKs Recipients in the Food Stamp Program

Unlike Medi-Cal, these Food Stamp participation rates have remained relatively stable since CalWORKs began in the first quarter of 1998. At that time, 17.2 percent of former recipients had Food Stamps six months after leaving cash aid, 12.0 percent had Food Stamps at 18 months, and 10.3 percent had Food Stamps at 30 months. Thus, the rates at these two points in time—1998Q1 and 2002Q1—are relatively stable. This constancy in Food Stamp take-up rates is consistent with relatively stable Food Stamp regulations over this period. In contrast, Medi-Cal take-up rates rose as eligibility was broadened by the provisions of 1931(b) and a regulatory transition that effectively pushed take-up rates even above their long-term levels in some of the larger counties.

DIFFERENCES IN FOOD STAMP TAKE-UP RATES ACROSS GROUPS OF RECIPIENTS

As with Medi-Cal, differences exist across groups of former CalWORKs recipients. First, by employment status, those who left CalWORKs with earnings equivalent to part-time work have been the most likely to receive Food Stamps. However, their rates have converged with the rates of those with no employment in the most recent year for which we have data. In the first quarter of 1998, 26.0 percent of part-time earners had Food Stamps 12 months after leaving aid, compared to 20.3 percent of those with no EDD-recorded earnings (Figure 4.2). The take-up rates among part-time earners declined somewhat, such that by the first quarter of 2002, 21.1 percent of part-time earners received Food Stamps, compared to 22.1 percent of those with no EDD-recorded earnings. Take-up rates have been lower among those with earnings equivalent to a full-time job, which is not surprising given their higher earnings. In the first quarter of 1998, 10.7 percent of full-time earners had Food Stamps 12 months after leaving CalWORKs, and this rate remained relatively stable through the first quarter of 2002.

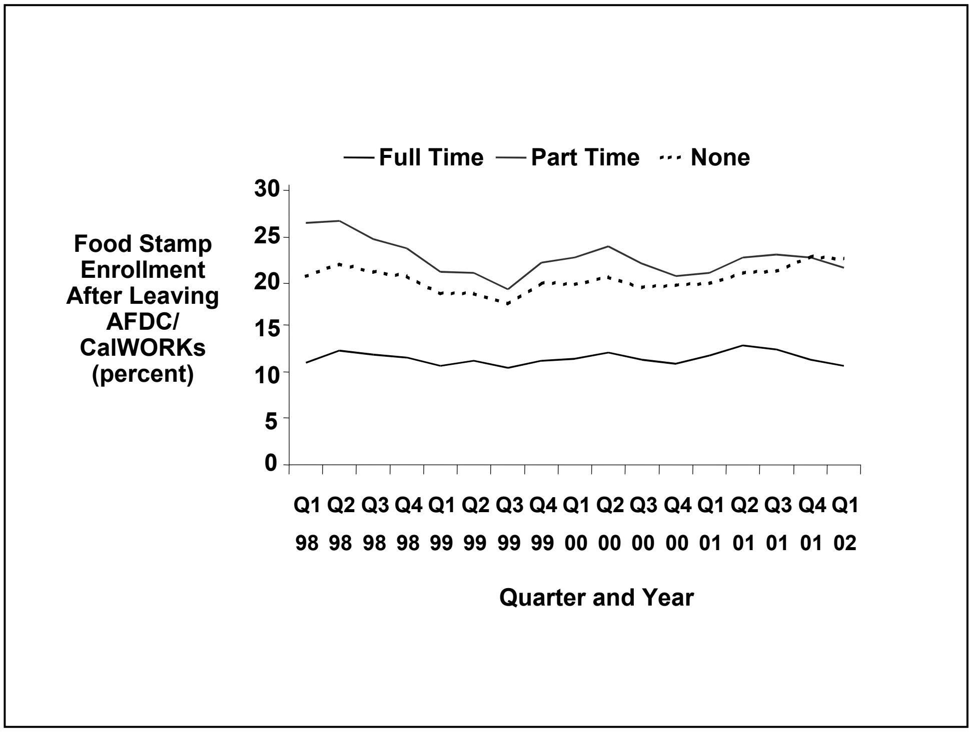

Figure 4.2
Enrollment in the Food Stamp Program, by Calendar Time and Employment Status 12 Months After Leaving CalWORKs [

Figure 4.3 shows the differences in Food Stamp participation by race/ethnicity 12 months after people leave cash aid. Those in the “other” racial/ethnic group have higher Food Stamp take-up rates, by about 10 percentage points in 2002, than African Americans, Latinos, and Anglo Whites. In addition, those in the “other” racial/ethnic group had the highest rates throughout the period, and their rates rose from 17.8 percent in Quarter 1, 1998, to 24.2 percent in Quarter 1, 2002. Take-up rates fell somewhat among African Americans, from 17.2 percent to 13.3 percent between Quarter 1, 1998, and Quarter 1, 2002. Latinos had a similar level of take-up, although it remained relatively stable during the period, 15.0 percent in both Quarter 1, 1998, and Quarter 1, 2002. Finally, Anglo Whites had the lowest rates of FSP participation, 11.4 percent in Quarter 1, 2002, up from 9.3 percent in Quarter 1, 1998.

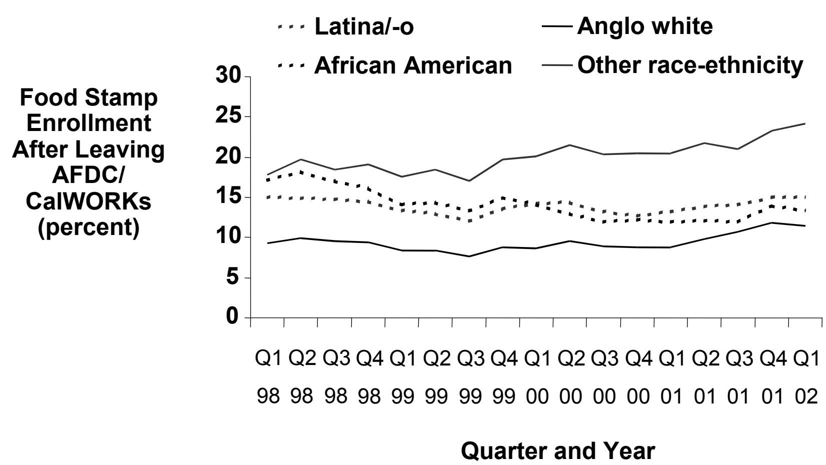

Figure 4.3
Enrollment in the Food Stamp Program, by Calendar Time and Race/Ethnicity 12 Months After Leaving CalWORKs

The data also show higher rates of Food Stamp receipt among adults than among children. In Quarter 1, 2002, 18.9 percent of adults had Food Stamps 12 months after leaving cash aid, compared to 12.1 percent of children (Figure 4.4). Adults' higher take-up rates are evident within all groups (by employment status, race/ethnicity, number of adults in the family), although they are most apparent in the "other" racial/ethnic group. In Quarter 1, 2002, 32.5 percent of adults and 18.2 percent of children in the "other" racial/ethnic group received Food Stamps.

This divergence between adult and child take-up is puzzling. Since we are looking at former CalWORKs recipients – low-income parents with children – we would expect to see the same rates for adults as for children. The pattern here—higher take-up rates among adults—could be explained by lower take-up rates among families with more children.

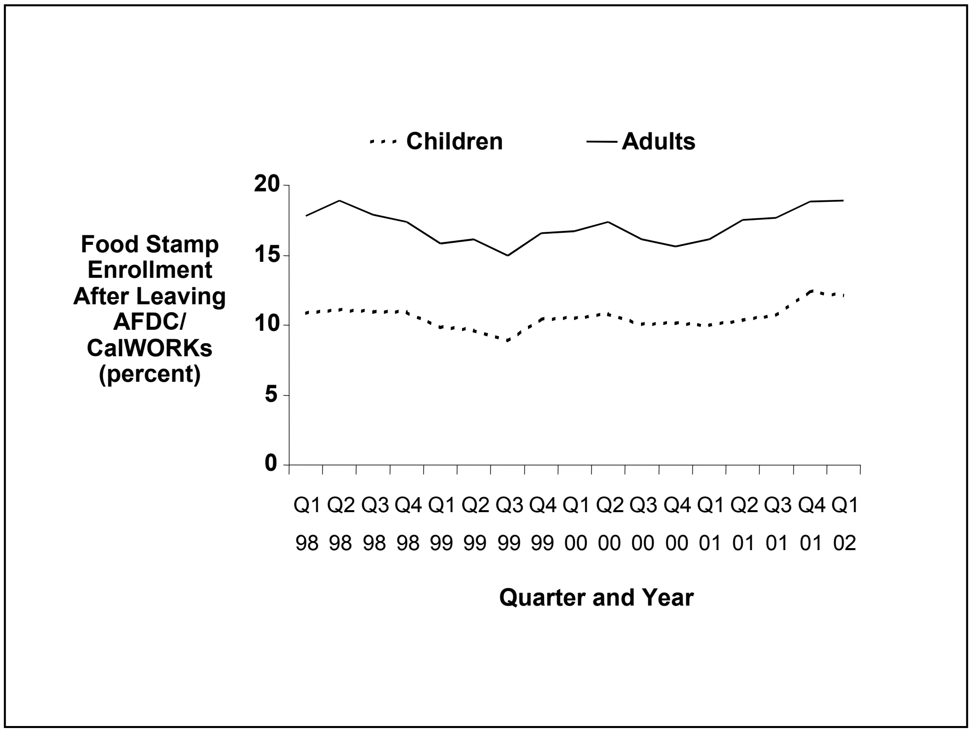

Figure 4.4
Enrollment in the Food Stamp Program, by Calendar Time and Age 12 Months After Leaving CalWORKs

Food Stamp take-up is also more common among persons in two-parent (UP) cases (labeled “multiple adult” in Figure 4.5) than among those in single-parent (FG) cases (Figure 4.5). Note that this family structure refers to living arrangements in the last month that people received CalWORKs. In Quarter 1, 2002, 18.2 percent of people in two-parent cases continued to receive Food Stamps 12 months after leaving cash aid, compared to 13.8 percent of people in single-parent cases. These rates remained relatively stable during the period; they were 16.3 percent among two-parent cases and 12.9 percent among single-parent cases, respectively, in Quarter 1, 1998.

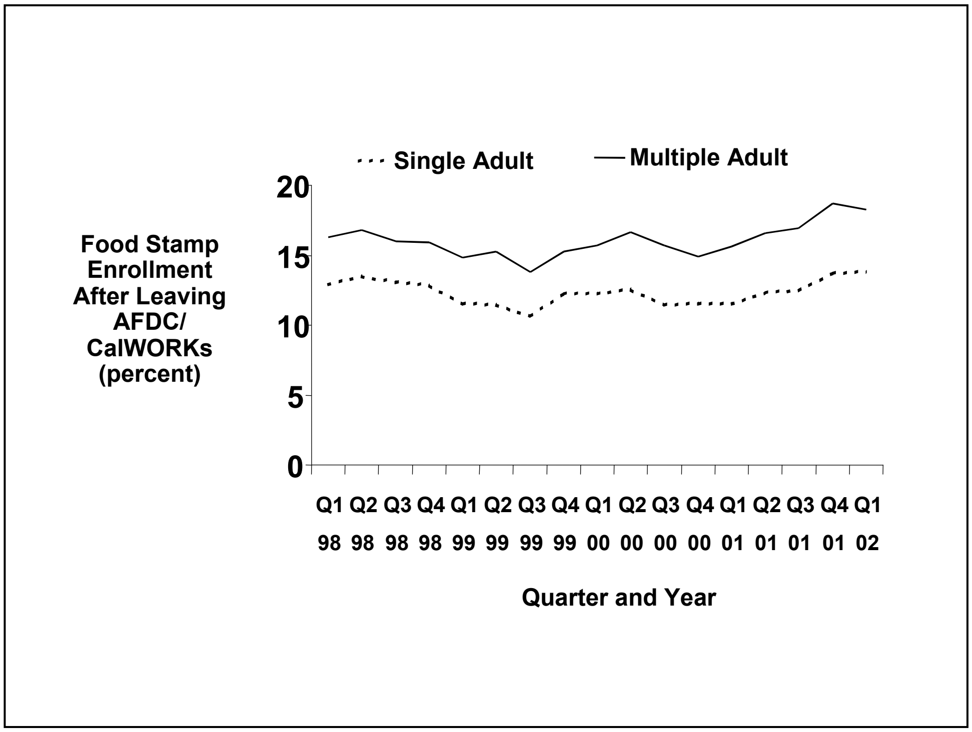

Figure 4.5
Enrollment in the Food Stamp Program, by Calendar Time and Family Structure 12 Months After Leaving CalWORKs

Finally, all of these statewide trends hide considerable variation across counties in Food Stamp participation. Because Food Stamp participation is low and the number of people in any one county is small exactly twelve months after leaving cash aid, we tabulated county-specific rates for people anywhere in their first, second, and third years after leaving CalWORKs (i.e., one to 12 months after leaving, 13 to 24 months after leaving, and 25 to 36 months after leaving). In the most recent data, average first year, participation across the 17 counties in our micro-data sample is 16.5 percent. The range, however, is quite large—from 5.6 percent (in Placer County) to 25.9 percent (in Fresno County). This range was nearly as wide as when CalWORKs began in 1998. At that time, between 0.3 percent to 30.5 percent of former cash aid recipients retained Food Stamps. Detailed rates for the counties for which we had individual-level data are provided in Appendix Table A.2.

REASONS FOR NOT APPLYING FOR FOOD STAMPS

Why are take-up rates so low? One might think that the issue was eligibility. In 2002, a family of three became income-ineligible for cash aid at earnings of $1,564 per month and ineligible for Food Stamps at $1,627 per month. This is a relatively narrow window. If families left only CalWORKs when they became income-ineligible, we might expect few such leavers to be eligible for Food Stamps. However, many families leave cash aid while they remain income-eligible, some to avoid the stigma, some to avoid the administrative burden of monthly income reporting, and some, perhaps, to “bank” months of eligibility relative to the 60-month CalWORKs time limit. These leavers remain eligible for sizable Food Stamp payments.

From the survey data, we built a Food Stamp eligibility and benefit model. For each surveyed household, we extracted information on family size, earned and unearned income, rent, and the value of a car.[21] We then computed eligibility for Food Stamps and the amount of the benefit using the Food Stamp Program rules in effect in FY 2001 (corresponding to our survey data from late 2000 and early 2001).

Applying this eligibility and benefit computation model to our sample of leavers, we find that nearly half of all CalWORKs leavers (44 percent) were eligible for Food Stamps, but only about a quarter of them (22 percent) actually received Food Stamps.[22] The average eligible family would qualify for a monthly benefit of about $217, which is about ten percent of average household income—a non-trivial amount. Table 4.1 shows the percentage of CalWORKs leavers eligible for and receiving food stamps, by the amount of Food Stamp benefits for which they were eligible. Table 4.1 also shows that take-up rates do not appear to be strongly related to the amount of the Food Stamp benefit. Rates are only slightly lower among those eligible for up to $100 of Food Stamps per month (20 percent) than among those eligible for over $300 of Food Stamps per month (23 percent).

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[21] Use of actual information on rent paid and car value makes this simulation of eligibility and benefit amount more sophisticated than many similar models (e.g., those based on the Current Population Survey) that must impute such information. Note also that the survey data covers only six of the state’s 58 counties, but that those counties include about three-fifths of the caseload.

[22] Take-up rates among those the model deems ineligible are much lower, four percent. Given the nature of the eligibility model, this low take-up rate is satisfactory.

Table 4.1

Food Stamp Eligibility and Enrollment Among CalWORKs Leavers, by Amount of Food Stamps

Monthly Food Stamp Benefit	*Percent Eligible*	*Of Those Eligible, Percent Receiving*
\$1 - \$99	13	20
\$100-\$199	11	20
\$200-\$299	9	23
\$300 and up	11	23

This analysis shows that CalWORKs leavers' eligibility for Food Stamps, and the amount of benefits for which they remain eligible, do not adequately explain low take-up rates. Instead, tabulations from the CHSSS provide some support for two other hypotheses – former CalWORKs recipients did not know they remained eligible for the program and/or found the reporting requirements too burdensome (the "hassle" factor).

To begin with, Figure 4.6 (multiple answers were allowed) shows that 64 percent of all leavers reported that they did not even apply for food stamps after leaving cash aid. In addition, the figure shows the reasons respondents cited for failing to apply for Food Stamps. Reporting requirements appear to be an important reason why eligible leavers did not continue their Food Stamp benefits. We heard this from staff in welfare offices, and it was confirmed by the survey responses. In the survey, we asked former CalWORKs recipients who did not apply for Food Stamps why they did not apply. One-third (32 percent) of all leavers reported that it was "too much hassle" to apply for and, presumably, to remain eligible for Food Stamps.

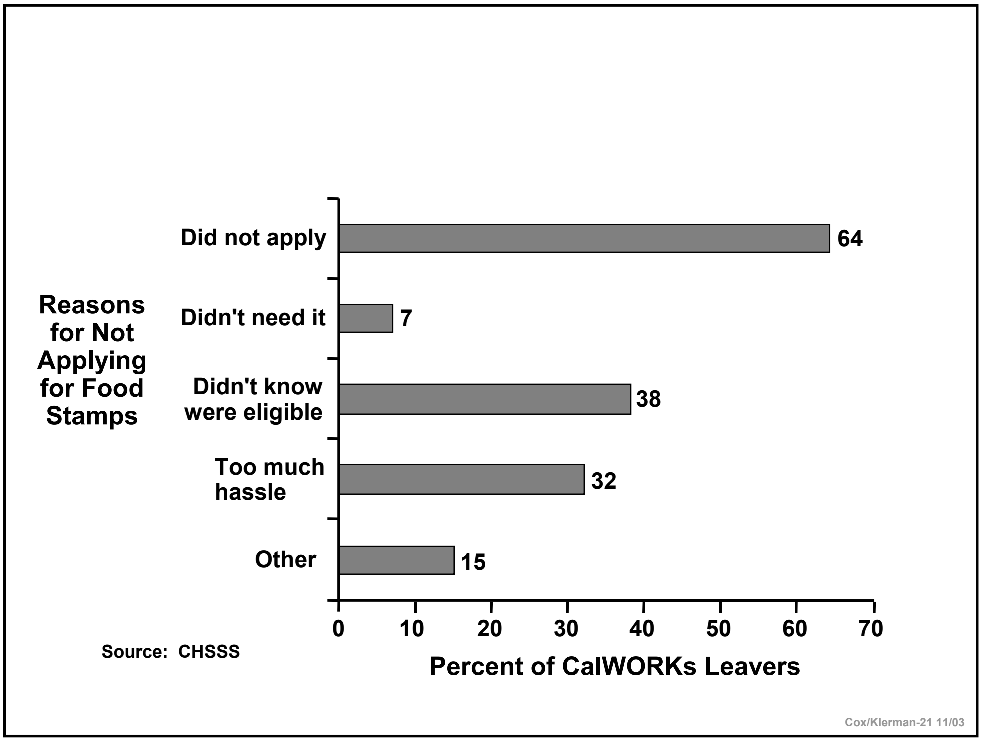

Figure 4.6
Former CalWORKs Recipients' Reasons for Not Enrolling in the Food Stamp Program, CHSSS (Note: Multiple answers allowed)

This "too much hassle" response is consistent with families leaving cash aid while still income eligible. It seems unlikely that the parent (and his or her dependents) that left CalWORKs because of stigma or administrative burden would continue to file the monthly CW 7 form in order to continue receiving Food Stamps when he or she was unwilling to file the same form to continue receiving cash assistance. Consistent with this perspective, caseworkers frequently report such recipients simply want to be free of having to interact with the "welfare system."

In addition, it appears that many leavers do not realize that if they continued to file the CW 7 form they could elect to continue receiving food stamps even if they choose to forgo cash aid. This group represents 38 percent of all leavers and nearly 60 percent of those who did not apply for Food Stamps.

Informing CalWORKs leavers that they can continue to receive Food Stamps after they exit cash aid is difficult. Most families leave CalWORKs passively – that is, the parents simply fail to file CW 7 forms.[23] Failing to file the CW 7 form in any month triggers the formal Notice of Action (NOA) process, which includes formal language notifying the

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[23] See Klerman and Cox (2004) for a discussion of the ways in which recipients leave cash assistance and the implications for informing welfare leavers about continued eligibility for Food Stamps.

parent of his or her family's potential continued eligibility for Food Stamps, but the forms are far from user friendly. Apparently, leavers who exit in this fashion often do not see or understand the notice. If parents formally told their caseworkers that they wish to leave CalWORKs, they would automatically be notified of their continued eligibility for Food Stamps in a more straightforward fashion. However, parents who exit CalWORKs voluntarily rarely make such announcements.

CONCLUSIONS

These take-up rate results for Food Stamps are in striking contrast to those for Medi-Cal. In the case of Medi-Cal, program eligibility was significantly expanded and take-up rates increased markedly. In the case of Food Stamps, during the same period of time, there were no major changes to eligibility and take-up rates remained relatively constant.

Furthermore, Food Stamp take-up rates were much, much lower than the Medi-Cal take-up rates. In early 2002, fewer than 17 percent of former CalWORKs recipients retained Food Stamps six months after leaving cash aid, and this percentage falls the longer people are away from cash aid. Continued eligibility explains only part of the "take-up" gap because about one-half (44 percent) of leavers remain eligible for – often sizable – Food Stamp benefits. Our survey data analysis suggests that of the nearly two-thirds of CalWORKs leavers who did not enroll in the Food Stamp Program (64 percent), 32 percent reported the Food Stamp reporting requirements were too burdensome and 38 percent did not know they might still be eligible.

We also found variation in Food Stamp take-up rates across different groups of recipients. By race/ethnicity, Anglo whites had the lowest rates, those in the "other" racial/ethnic group had the highest rates and their rates rose, African Americans experienced a modest decline in participation, and Latinos had stable rates. In addition, adults and those in two-parent cases are more likely to receive Food Stamps than children and those in single-parent cases. Finally, as with Medi-Cal, there are large variations across the counties in the percentage of people who retain Food Stamps after they leave CalWORKs.

5. EARNED INCOME TAX CREDIT TAKE-UP

Established in 1975 and significantly expanded in the late 1980s and again in the early 1990s, the EITC provides a potentially large wage supplement to families with low earnings. Formally, the EITC is a refundable tax credit, meaning that it is paid out by the U.S. Treasury regardless of whether the taxpayer has any federal income tax liability. To receive the earned income credit, taxpayers file regular tax returns and fill out the six-line Schedule EIC that gathers information about qualifying children.

The size of the payment is automatically adjusted for inflation and varies with earnings and the number of children. For tax year 2002 (i.e., tax returns filed in early 2003; corresponding figures for tax year 1999, the most recent year for which we have data are in parentheses), a single parent with two children gets $40 for every additional $100 earned up to the maximum credit of $4,140 ($3,186) – that is, until annual earnings reach $10,350 ($9,540). The credit stays at $4,140 ($3,186) until annual earnings reach $13,500 ($12,500). Above that level, the credit declines by about $21 per $100 of earnings, reaching zero for a family with annual earnings of $33,214 ($30,580). Thus, at the California minimum wage ($6.75 per hour), a single mother with two children working 35 hours per week would earn $12,285 and also qualify for the maximum earned income credit, increasing her annual income by about a third.

To be eligible for the credit, a taxpayer must have both earned income and adjusted gross income that are below a threshold that varies by year and by family size. Most EITC payments go to taxpayers with at least one “qualifying child.” A qualifying child needs to meet age, relationship, and residence tests. The age test requires the child to be younger than 19 (younger than 24 if a full-time student), or any age if totally disabled. The relationship test requires the claimant to be the parent, grandparent, or foster parent of the child. The residence test requires that the qualifying child live with the taxpayer claiming the credit for at least six months during the year.

This chapter provides information on EITC receipt. Unlike the previous chapters, this chapter includes information on both welfare leavers and those still receiving cash aid. Current CalWORKs recipients are not included in the earlier chapters because all current recipients are automatically enrolled in Medi-Cal and Food Stamps. Thus, take-up rates are 100 percent. In contrast, even current recipients of cash assistance must apply for the EITC in order to receive it. Thus, among those with earnings, take-up rates are well below 100 percent. Given that this chapter explores how EITC take-up rates vary with time since leaving CalWORKs, take-up rates while still receiving cash aid provide a useful baseline.

Note also that the manner in which we define receipt of cash assistance in this chapter differs slightly from the definition we used in the previous chapters. In the prior chapters, we referred to the number of months that had elapsed since receipt of the last cash (CalWORKs) benefit payment. In this chapter, to be consistent with the annual nature of tax filing, we observe whether recipients received cash assistance in the fourth quarter of the year. A parent who did not receive CalWORKs cash benefits in the fourth quarter of a prior year is deemed to be off cash assistance in that prior year.

DATA AND METHODS

We use data from three sources for this analysis: The primary sources are the federal and state tax return data maintained by the California Franchise Tax Board (FTB), matched to data on earnings maintained by the California Employment Development Department (EDD), for the operation of the state Unemployment Insurance (UI) system. The tabulations were provided to the project team in aggregate form by the FTB after disclosure review (to assure that no confidential information could be inferred from the tabulations).

The wage and salary earnings of adults in households receiving CalWORKs benefits are drawn from the EDD UI base-wage file. We aggregated all tax returns for individuals in a CalWORKs household or case into a “case-level” return. That is, if anyone in a CalWORKs household files a tax return or claims the EITC, then the entire household or case filed a return or claimed the EITC. The size of the earned income credit received by the case is the sum of the credits received by individuals in the case. Joint returns, common in Unemployed Parent (UP) cases, were not double counted. Finally, all of the statistics we report in the accompanying tables are weighted by the case-level weights.

We note that the “families” we construct in this fashion are imperfect. We implicitly impute family structure information based on the family’s composition when it last received CalWORKs benefits. However, it is possible that the family has subsequently split, such that one member has earnings and another has custody of the children. In that case, we might impute EITC eligibility based on earnings but, in fact, such a family would not be eligible for the EITC.

Finally, we draw on the household survey (the CHSS), qualitative fieldwork, and document analysis at state agencies and in the welfare departments of several counties.

Appendix B reports supplemental information on how the annual samples, sampling weights, and variables we analyzed were constructed.

INFORMING CURRENT AND FORMER CALWORKS RECIPIENTS ABOUT THE EITC

Unlike some other non-time-limited programs (e.g., Medi-Cal and Food Stamps), the EITC is administered through the federal tax code by the federal Internal Revenue Service. Neither the California Department of Social Services (CDSS), the California Department of Health Services (CDHS), nor the county welfare departments (CWDs) have a formal role.

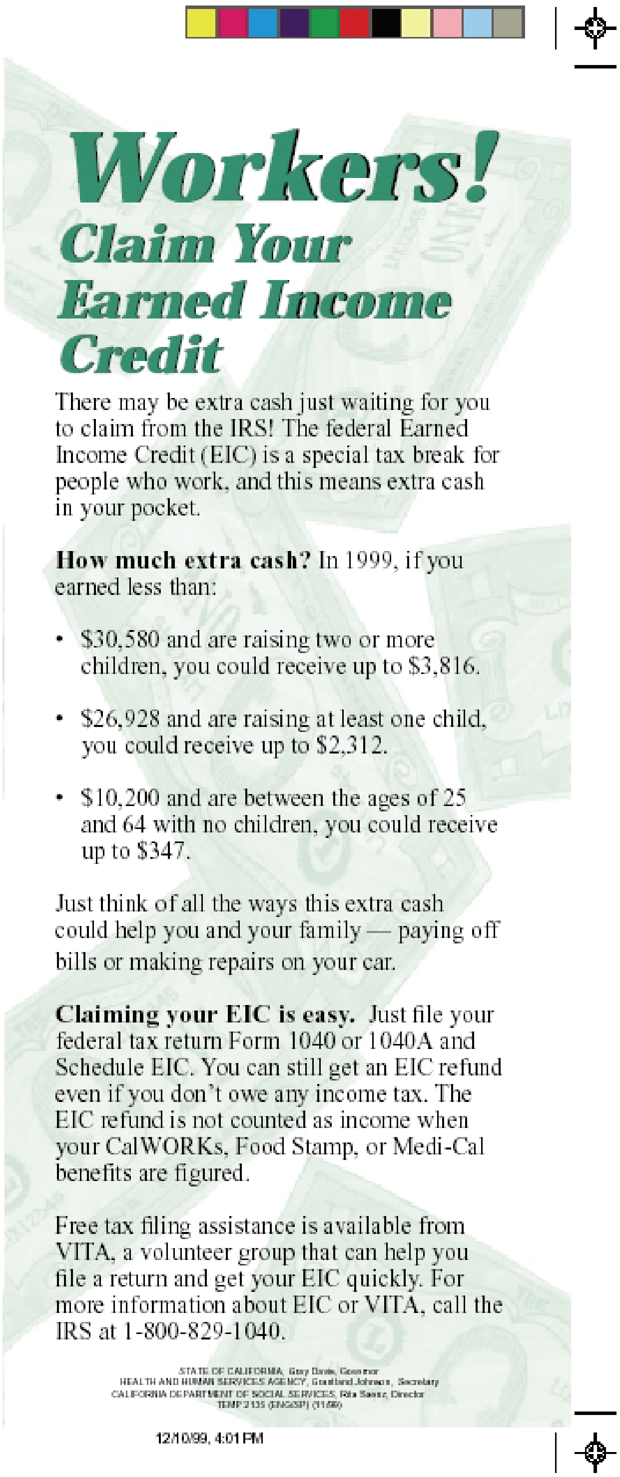
The potential benefit, funded entirely by the federal government, is substantial. It has the effect of significantly increasing the net return to work (i.e., take home pay per hour worked). If people knew about this additional payment for work, they might work more, get lower welfare benefits, and leave welfare faster. Consequently, it is in the interest of CDSS and the CWDs that current and recent CalWORKs recipients be made aware of the EITC, that they file tax returns, and that they receive any credits for which they are eligible. CDSS has made a series of attempts to inform CWDs and current CalWORKs recipients about the EITC. All County Information Notice (ACIN) I-54-99 ("CalWORKs Informing Document: Work Pays, Supportive and Transitional Services, and Time Limits," August 12, 1999) discusses the benefits of working, the availability of Medi-Cal, and briefly mentions the EITC:

> EARNED INCOME TAX CREDIT (EITC)
> When you work and have low income, you can usually get the EITC. You must file a federal income tax return to get the EITC. The money you get from the EITC will not lower your cash aid grant. If you would like to know more about the EITC, ask your worker.

CDSS sent this notice to all current recipients in mid-August 1999, and encouraged the CWDs to continue distributing it. In this notice, the EITC appears to be something of an afterthought, with little explanation of the credit's value to low-wage earners. The timing of the mailing was not ideal: while amended tax returns claiming the EITC could still be filed, it would probably have been more effective had CDSS sent such a mailing in mid-February (prior to the April 15 tax-filing deadline) rather than in mid-August. In addition, the language is not very informative. If a recipient did not know what the EITC was, it is not clear that they would understand this text. Finally, the language is not particularly enticing; there is no mention of the potentially significant value of the EITC.

This notice was followed by another joint mailing by CDHS and CDSS in February of 2000 (ACIN I-93-99, "Earned Income Credit Outreach Campaign," December 10, 1999). That mailing sought to rectify the shortcomings of the prior mailings (see Figure 5.1). The state's ACIN also stressed the importance of the credit in its message to county officials:

> The purpose of the EIC outreach is to encourage welfare clients to continue to work by making them aware of this special tax benefit available from the federal government for low-income working families. The EIC refund is not counted as income when benefits are figured in the CalWORKs Welfare-to-Work, Food Stamp and Medi-Cal programs. Therefore, the effect of the tax benefit may be significant to families in our current welfare system or even after they leave welfare due to employment.
>
> Research shows that many people do not claim the EIC because they are either unaware of the credit or they complete the wrong tax form.



Workers!

Claim Your Earned Income Credit

There may be extra cash just waiting for you to claim from the IRS! The federal Earned Income Credit (EIC) is a special tax break for people who work, and this means extra cash in your pocket.

How much extra cash? In 1999, if you earned less than:

- $30,580 and are raising two or more children, you could receive up to $3,816.
- $26,928 and are raising at least one child, you could receive up to $2,312.
- $10,200 and are between the ages of 25 and 64 with no children, you could receive up to $347.

Just think of all the ways this extra cash could help you and your family — paying off bills or making repairs on your car.

Claiming your EIC is easy. Just file your federal tax return Form 1040 or 1040A and Schedule EIC. You can still get an EIC refund even if you don't owe any income tax. The EIC refund is not counted as income when your CalWORKs, Food Stamp, or Medi-Cal benefits are figured.

Free tax filing assistance is available from VITA, a volunteer group that can help you file a return and get your EIC quickly. For more information about EIC or VITA, call the IRS at 1-800-829-1040.

STATE OF CALIFORNIA, Gray Davis, Governor
HEALTH AND HUMAN SERVICES AGENCY, Grantland Johnson, Secretary
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES, Rita Saenz, Director
TEMP 2135 (ENG/SP) (11/99)

12/10/99, 4:01 PM

Figure 5.1 – February 2000 EITC Mailing

Other CDSS notices have also mentioned the EITC. See, for example, the Food Stamp notice (ACIN I-57-00, "Continuing Food Stamp Benefits," June 20, 2000), which describes the EITC, Food Stamps, and Transition Medi-Cal as benefits "to help as you move from welfare to work."

Furthermore, some counties have mounted their own EITC informational campaigns. Several counties sent out special mailings, included information about the EITC in the regular materials, and/or provided help with preparing tax returns.

Los Angeles County's efforts appear to be particularly intense. The county's "Earned Income Tax Credit Partnership Campaign" is an aggressive and multi-pronged EITC outreach program dating back to 1997.

The City of Los Angeles leads the program with the Los Angeles County Department of Public Social Services (DPSS; the county's welfare agency), other county departments, the state EDD, and the federal IRS. DPSS's contributions are significant, including: handouts in DPSS offices, a mailer to everyone receiving public assistance (CalWORKs, General Relief, Medi-Cal, and/or Food Stamps) at tax time (usually February), posters in DPSS offices (discontinued in 2003 because of budget cutbacks), lapel pins for DPSS staff (discontinued in 2003 because of budget cutbacks), a telephone hotline to help individuals prepare their tax returns, and a seven-minute training video, "Earned Income Tax Credit--Spread the Word," for all DPSS staff. Other members of the campaign produce other materials, including a three-color, four-fold flyer with pictures, bus placards, and public service announcements. Finally, the Los Angeles Volunteer Tax Assistance Program (VITA) helps eligible individuals fill out the necessary tax forms.

Los Angeles County DPSS monitors the Campaign's progress by conducting a simple survey of CalWORKs recipients in welfare offices. Using a one-page questionnaire, DPSS staff collect "before data" in early March from GAIN (i.e., CalWORKs welfare-to-work) participants completing orientation sessions, and "after data" in mid-June from GAIN participants attending interviews for subsequent program activities. This sampling strategy should capture approximately the same cohort of recipients. The questionnaire asks recipients about their knowledge of the EITC, the source of that knowledge, whether they ever claimed the EITC, whether they ever claimed the "advance EITC,"[24] and about their income in 2001. DPSS reports that the survey found "a substantial increase in awareness of the EITC program among program participants [and] significant increase in the utilization of EITC by our participants on their tax returns."[25]

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24 The advance EITC permits an individual to receive the credit on a pro-rata basis in each pay check throughout the year rather than in a single lump-sum as part of a tax refund after filing a tax return.

25 DPSS Newsletter, "Update on the Earned Income Tax Credit (EITC) Campaign," September 2001, p. 7.

TAKE-UP OF THE EITC

We now turn to our analysis of take-up of the EITC based on tax return data. Our presentation proceeds in three parts. We begin with an analysis of the prevalence of earnings, filing tax returns, and claiming the EITC. We then consider the amount of earnings, the amount of the EITC, and the implied size of the wage subsidy. Finally, we consider trends through time.

RATES OF EARNINGS, TAX FILING, AND EITC RECEIPT

From tax return data, we can measure actual EITC receipt. Figure 5.2 presents the basic results. According to UI program filings to the California Employment Development Department (EDD), about two thirds of current CalWORKs households reported some earnings in 1999 (the last year for which we have tax data; see the far left bar in the far left block of bars labeled "% w/Earnings"). About three-quarters of those last receiving cash aid in 1998 (i.e., the previous year) had earnings, with the fraction approximately constant for those last on aid in 1997 and falling slightly for those last on aid in 1996 (as shown in the three right bars in the far left block of bars).

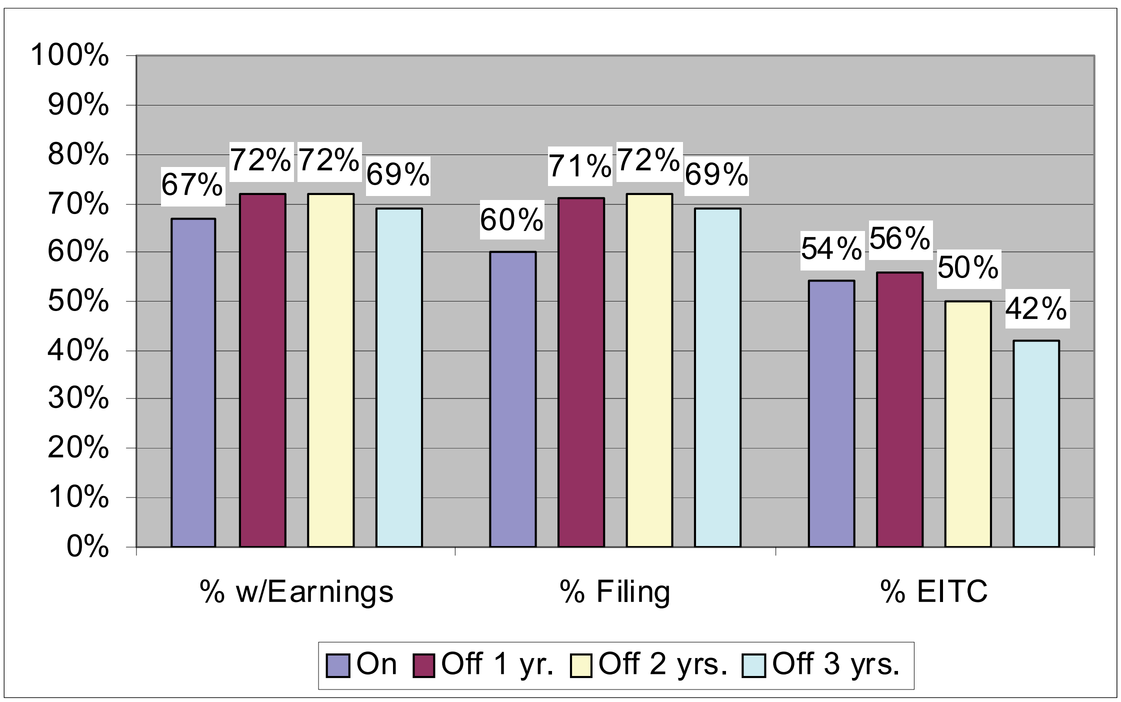

Figure 5.2
EITC Claims in 1999

A household must file a tax return in order to receive an EITC payment. For the four groups of current and former recipients, the middle group of bars shows the percentage actually filing tax returns. The tabulations suggest that 60 percent of current recipients and about 70 percent of recent leavers filed tax returns (see the middle block of bars in Figure 5.2, labeled “% Filing”).[26] Among those with any earnings reflected in the EDD data, 79 percent of current recipients and 88 percent, 90 percent, and 90 percent of those off aid one, two, and three years filed tax returns. The increase in filing rates after exiting cash aid is consistent with the sharply higher earnings among those off aid (see Figure 5.3 below).

Finally, the group of bars to the far right of Figure 5.2 (labeled “% EITC”) show the percentage of current and former recipients claiming the EITC: 54 percent of everyone on cash aid, 56 percent of those off aid one year, 50 percent of those off aid two years, and declining to 42 percent among those off aid three years.

Only those with earnings are potentially eligible for the EITC. Recomputing the rates as a percentage of those with earnings suggests that approximately 81 percent of current recipients received the EITC. For those off aid, the comparable figure drifts down from 78 percent for those off one year to 61 percent for those off three years.[27]

We conclude that among those with earnings, EITC receipt is common, but not universal. Why do we find that EITC receipt is less than universal among those with earnings? We do not have direct answers to this important question, but several considerations seem plausible. Among leavers about 90 percent of those with EDD earnings file tax returns, so filing a tax return does not appear to be a major issue.

However, for at least three reasons, not everyone filing a tax return actually receives an EITC payment. First, some households have such high incomes that they are ineligible for the EITC. Our analysis of the distribution of earnings from tax returns suggests that

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[26] The comparisons of CalWORKs recipients to leavers and between leavers by time since last receipt of cash aid need to be interpreted with some caution. They refer to all CalWORKs recipients or all leavers. Some of the differences across the groups may be due to differences in household composition between those still receiving cash assistance and those who have left.

[27] These numbers are probably slightly higher than the true conditional rates (i.e., EITC filing given EDD earnings). The estimate in the text is in the spirit of Hill, Hotz, Mullin, and Scholz (1999). It is the ratio of the number of people claiming the EITC to the number of people with EDD earnings. It is not the fraction of those with EDD earnings who claim the EITC. In particular, some people with no EDD earnings in fact claim the EITC. For example, our EDD earnings measure only includes the earnings of those in the CalWORKs case. So, if after leaving cash aid, a woman with no EDD earnings marries a man with earnings, we will not include the EDD earnings of the new husband in our measure of EDD earnings. Thus, the family would be eligible for the EITC and might actually claim it. Using the same FTB data, but samples of CalWORKs recipients in the previous year (rather than leavers), Hotz, Mullins, and Scholz (2003) compute both concepts. The ratio of those claiming the EITC to those with EDD earnings is 81 percent (56 percent/69 percent). The conditional measure—EITC claiming given EDD earnings—is 73 percent, about 11 percent lower. Alternatively, we can approximate the claming rates among those with EDD earnings using the percentage of those with EDD earnings who file and the percentage of those who file and claim the EITC. This alternative approximation suggests that about 72 percent of current recipients and 70, 63, and 55 percent of those off cash aid one, two, or three years claim the EITC.

this group is trivial for those receiving CalWORKs benefits. For those off cash aid one year, households with incomes too high to qualify for the EITC represent about three percent of those filing tax returns, rising to about eight percent for those off aid three years.[28]

Second, qualifying for the EITC requires satisfying the complicated rules concerning the presence of a qualifying child. Given our data, it is not possible to identify which households satisfy this criterion.(See Appendix B for a discussion of the methods we employed in our EITC analysis.) Broadly, we begin with households receiving cash aid at a point in time. Any child qualifying a family for cash aid would also have qualified the family for the EITC. We then follow all members of the family forward and create a composite household. This method will be imperfect because it will include some households without qualifying children. In some families, the youngest child will "age out," disqualifying the family for cash aid and for the EITC. In other families, the child will be young enough, but may no longer reside with the adult who has EITC-eligible earned income.[29] Because of the way we aggregate tax returns, it is possible that this "household" will appear to qualify for the EITC even though the qualified earnings and the qualified child are found in separate households, with neither actually eligible for the EITC. Finally, some households will have earnings from household members not included in our EDD data.

It seems plausible that these potential errors with imputing the presence of qualifying children will increase along with time off cash aid. More children will age out of eligibility. Household structure will change as single women marry, couples separate, and children circulate. As a result, the data on which we base our imputation (household composition at time of exiting cash aid) become less accurate over time. Our denominator likely includes a growing number of ineligible households. This may help to explain our finding that rates of claiming the EITC declined with time off cash aid.

Third, the IRS has a program to send notices to those who appear eligible for the EITC but have not claimed it. The notices suggest filing an amended tax return that does claim the EITC. If this process worked perfectly, everyone who filed a tax return and was eligible for the EITC would receive it. In practice, it seems likely that the notice does not reach all who should get it. Moreover, some of the households who do receive the notice may not understand it. Finally, some households may decide (perhaps incorrectly) that

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[28] We approximate the size of this high-income group by the fraction of families with income greater than $30,000, approximately the point at which the EITC phased out completely in 1999. Using this definition, 0.2 percent of current recipients and 2.9, 3.3, and 5.3 percent of those off cash aid one, two or three years have household income too high to qualify for the EITC, implying that, among those filing tax returns, 0.3, 2.8, 4.6, and 7.7 percent are income ineligible.

[29] We constructed tax households by combining tax returns from anyone in the cash assistance household at the time the household exited aid. However, household composition may change after exiting cash aid. For example, the adults may split, forming separate households and filing two separate returns. One adult may have EITC-eligible earnings, but the other adult may have primary custody of the child.

the EITC payments they might receive are so small as to not be worth the effort of filing amended tax returns.

AMOUNT OF EARNINGS AND EITC PAYMENTS

How large are earnings and the corresponding EITC payments? The left block of bars in Figure 5.3 shows earnings. We saw that similar fractions of current CalWORKs recipients and recent leavers have earnings. However, their earnings differ greatly. Among current recipients, average EDD-reported earnings were $6,793; among those off cash aid one year, average earnings were more than twice as high, $15,204, rising to $20,272 for those off cash aid three years.

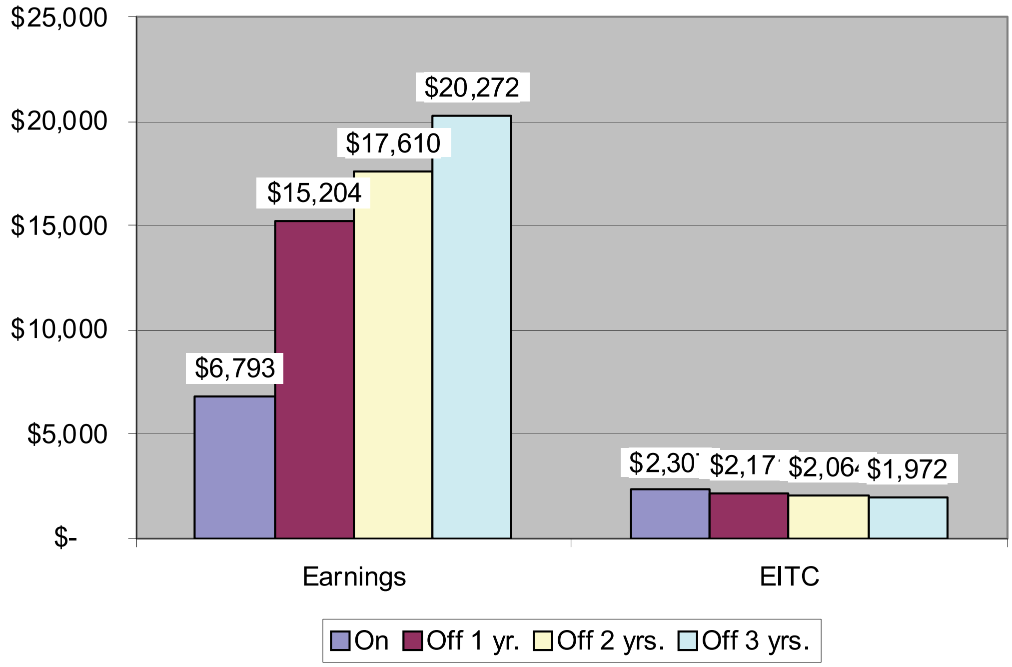

Figure 5.3
Amount of Earnings and EITC Payment

Despite this wide variation in earnings, the average EITC payment among those with earnings was nearly constant across the three groups: $2,307 among current recipients, $2,171 among those off cash aid one year, drifting down to $1,972 among those off cash aid three years.

How large is the EITC as a fraction of earnings? For every family receiving the EITC, we can compute the EITC as a percentage of EDD-reported earnings. For current recipients in 1999, that figure was 39 percent. This is to be expected given that, in 1999, the EITC was 40 percent of all earnings below $9,540 and few CalWORKs families had earnings above that amount.

For families off cash aid, the EITC as a fraction of earnings was much lower: 20 percent among those off aid one year and 18 percent among those off aid two or three years. This is also as expected given the nature of the EITC schedule. At low levels of earnings (below $9,540 in 1999), the EITC payment is 40 percent of earnings and higher earnings yield a higher EITC payment. At higher levels of earnings (above $12,500 in 1999) the EITC payment as a fraction of earnings and the total payment fall with earnings. Thus the increase in earnings at welfare exit pushes households into parts of the EITC schedule where the EITC payment as a fraction of earnings is lower, and the total payment is approximately constant. [30]

TRENDS

Additional tabulations (see Tables A.4 and A.5 in Appendix A) suggest that considerable change took place from Tax Year 1996 to Tax Year 1999. Among current recipients, rates of employment rose sharply (from 52 percent in 1996 to 67 percent in 1999), as did the fraction of those receiving the EITC (from 39 percent to 54 percent).[31] Most of this increase in EITC stems from increased employment. Nevertheless, among current recipients of cash aid, the fraction of those employed who file also rose (from 86 percent to 90 percent), as did the fraction of those employed receiving the EITC (from 75 percent to 81 percent). As a result, the average EITC payment (in 1999 dollars) among those receiving any payment rose from $2,022 to $2,307.

Similar, though less dramatic, patterns are apparent for those off cash aid one year (see Table A.5 in Appendix A). Over the same time period, their employment rates rise (61 percent to 72 percent); their filing rates rise (59 percent to 71 percent), and the fraction receiving the EITC also rises (43 percent to 56 percent). The average EITC payment among those receiving any payment rose (in 1999 dollars) from $2,007 to $2,171.

It seems likely that the improving economy in California and changes in the CalWORKs program to encourage work and welfare exit explain much of this increase in earnings, and therefore in eligibility for the EITC. Except for inflation adjustments, the EITC schedule has been constant for the period considered here (1996 to 1999). Nevertheless,

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[30] Note that these figures are considerably higher than the ratio of EITC payments to total EDD earnings (i.e., the two sets of bars in Figure 5.3). That ratio is 28 percent of earnings for current recipients, 21 percent of earnings for those off cash aid one year, 14 percent of earnings for those off cash aid two years, and 10 percent of earnings for those off cash aid three years. The discrepancy is partially due to two factors. First, the ratio in the text includes only those who claim the EITC. The ratio in this footnote includes EDD-reported earnings of those who do not file a tax return or claim the EITC. Second, the ratio in the text is the average of the ratios; the ratio in this footnote is the ratio of the averages. The former gives each family an equal weight; the latter gives more weight to families with higher EDD-reported earnings.

[31] Again, these comparisons across time need to be interpreted with care. The characteristics of current recipients and leavers have shifted over the period considered here. The text reports raw differences with no controls for differences across groups in the characteristics of the families being tabulated.

some of the earnings increase may be due to slow adjustment of taxpayers and tax-filers to the large increases in the EITC schedule approved by congress earlier in the 1990s. Finally, some of the increase may be due to differences in the characteristics of the households over time.

These results are consistent with, but not identical to, the analyses reported in Hotz, Mullin, and Scholz (2003).[32] They use the same data, but different samples, covering a much longer time period. Their results suggest that the trends reported here—increasing earnings, rising rates of filing tax returns, and growing EITC payments—continue trends dating back to the early-1990s. Over the longer period, the increase is likely to be due to a combination of the improving California economy, changes in welfare programs, changes in the characteristics of those receiving and leaving cash aid, and expansion of the EITC.

SURVEY RESULTS

These results from tax data are broadly consistent with the results from the CHSSS. Among all respondents, 73 percent had filed or expected to file a tax return. Overall (including those who do not expect to file a tax return), 78 percent had received or expected to receive the EITC (55 percent of all households). These responses include those not working at all and those in irregular employment for which a tax return would probably not be filed (see Table 5.1). Among those with regular employment (56 percent of the sample), 91 percent had filed or expected to file a tax return, and 71 percent had claimed or expected to claim the EITC (whether or not they had filed a tax return).

Table 5.1

Percent of Tax Returns and EITC Claiming, by Type of Employment

	All	No Employment	Regular Employment	Irregular Employment	Self-Employment
All	100	26	56	12	5
Files/Expects to File a Tax Return	73	42	91	61	71
Received/Expects to Receive EITC	55	22	71	49	65

[32] Specifically, Hotz, Mullin, and Scholz (2003) consider a sample of people on welfare in the last quarter of the year before the corresponding tax year. Furthermore, they consider both the measure we use here (the ratio of the number of families filing a tax return or receiving the EITC to the number of families with earnings) and a more specific measure (the fraction of families filing a tax return or receiving the EITC among families with earnings).

SOURCE: Tabulations from CHSSS II. “Receives/Expects to Receive EITC” is unconditional on filing/expecting to file a tax return (i.e., it includes those who have not and do not expect to file a tax return).

These survey estimates might diverge from the true filing rates for at least two reasons. First, some people who plan to file may not file, and vice versa. Second, if the tax return is prepared by someone else (a paid preparer or a friend), the family may not even realize that it has benefited from the EITC.

Finally, we can use the survey data to crosscheck our estimates of EITC eligibility. We find that about 14 percent of households have income greater than $3,000 per month and thus might have income too high to qualify for the EITC.

CONCLUSIONS

In this chapter, we reviewed the extent to which current and recent cash aid recipients claimed the EITC. We used aggregated tabulations from tax records from the 1996 through 1999 tax years. We find that almost everyone with earnings filed a tax return. About four in five current recipients with earnings actually received an EITC payment. Rates of receipt for those off cash aid one year are similar, but drift down to about three in five by three years off cash aid. Furthermore, the payments are large, averaging about $2,000 for current recipients and recent leavers. For those receiving cash aid and claiming the EITC, is the credit was a 39 percent wage supplement. Leavers have higher earnings than current recipients, so the EITC – which declines as incomes rise above a certain threshold – provides a smaller percentage of income: 20 percent in the first year off cash aid and 18 percent in the second and third years.

APPENDIX A: COUNTY-SPECIFIC RESULTS

In this appendix we provide selected county-specific results for the three programs and some additional tabulations for the EITC analysis.

Table A.1
MEDI-CAL

Percent of Medi-Cal Enrollment by County and Time Since Leaving Cash Aid, MEDS Qtr 2, 2001 through Qtr 1, 2002.

County	12 months	24 months	36 months
California	58.7	42.4	31.8
Alameda	72.7	48.8	34.6
Alpine	32.0	43.6	30.3
Amador	52.7	37.4	25.0
Butte	59.6	43.3	32.0
Calaveras	65.5	50.1	40.8
Colusa	59.0	60.7	35.7
Contra Costa	55.8	34.3	25.7
Del Norte	62.3	45.3	24.1
El Dorado	42.6	27.6	20.8
Fresno	62.2	47.6	36.3
Glenn	52.5	42.6	35.9
Humboldt	52.9	41.5	28.5
Imperial	59.7	44.1	34.3
Inyo	56.5	36.0	33.8
Kern	49.4	33.7	27.7
Kings	48.0	37.4	30.0
Lake	47.7	35.8	25.2
Lassen	54.9	41.0	17.6
Los Angeles	75.1	52.9	41.3
Madera	46.3	33.7	27.2
Marin	56.4	31.6	20.6
Mariposa	68.4	32.8	34.2
Mendocino	47.4	41.4	28.7
Merced	57.2	36.5	31.5
Modoc	38.4	31.5	22.2
Mono	38.1	29.7	21.7
Monterey	46.1	35.4	29.8
Napa	49.0	41.2	27.7
Nevada	51.7	36.7	24.0
Orange	55.9	39.4	28.2
Placer	45.4	29.8	26.4
Plumas	59.1	42.5	27.9
Riverside	43.8	37.1	26.7
Sacramento	54.0	39.4	24.5
San Benito	47.6	28.0	20.3
San Bernardino	39.0	30.6	24.1
San Diego	49.1	35.5	27.2
County	**12**	**24**	**36**

	months	months	months
San Francisco	77.0	60.8	44.0
San Joaquin	46.5	34.3	24.2
San Luis Obispo	52.5	42.5	27.0
San Mateo	47.9	34.0	27.3
Santa Barbara	59.6	42.0	36.4
Santa Clara	49.1	31.4	27.7
Santa Cruz	47.2	33.5	27.1
Shasta	55.0	38.1	27.7
Sierra	47.1	25.0	20.0
Siskiyou	49.8	37.3	32.5
Solano	51.2	33.4	27.2
Sonoma	48.4	33.9	25.3
Stanislaus	47.8	41.1	30.7
Sutter	52.1	41.4	31.5
Tehama	53.1	37.8	25.6
Trinity	46.3	30.4	22.7
Tulare	51.9	40.9	32.3
Tuolumne	42.7	34.4	26.9
Ventura	55.3	40.6	34.9
Yolo	50.3	32.2	25.6
Yuba	48.4	32.5	23.3

Table A.2
FOOD STAMPS

Percent of Food Stamp Enrollment by County and Time Since Leaving Cash Aid, MEDS Qtr 2, 2001 through Qtr 1, 2002

County	1-12 months	13-24 months	25-36 months
All CDS Counties	16.5	12.0	9.7
Alameda	15.7	10.7	10.1
Contra Costa	11.4	7.1	5.6
Fresno	25.9	19.4	17.9
Orange	14.4	10.0	8.0
Placer	5.6	4.5	3.2
Sacramento	18.9	15.8	11.7
San Diego	13.2	13.7	6.8
San Francisco	15.7	11.0	9.4
San Luis Obispo	13.0	8.1	7.0
San Mateo	8.3	6.0	4.1
Santa Barbara	15.3	11.0	9.2
Santa Clara	15.5	10.7	9.0
Santa Cruz	10.9	7.4	6.6
Solano	8.5	5.1	4.8
Sonoma	10.8	7.4	5.8
Tulare	23.8	19.4	15.3
Yolo	12.3	9.3	6.9

EARNED INCOME TAX CREDIT

This section presents more detailed results on earnings and EITC receipt, tabulated by the California FTB from federal Income Tax returns. Specifically, the appendix provides additional disaggregations of the results in the body of the paper. For each disaggregation, the appendix reports:

1. LFP: The fraction of AFDC/TANF assistance units that had adults employed in—had positive wage and salary earnings from—jobs covered by California's Unemployment Insurance and Disability Insurance (UI/DI) system that is administered by the California Economic Development Department (EDD);

2. FILED: The fraction of these adults that were in tax filing units that filed federal tax returns in a given tax year (from the FTB data);

3. POSEIC: The fraction of those filing a tax return that claimed the federal EITC (from the FTB data);

4. EARNINGS: The average annual wage and salary earnings recorded in the EDD base wage files for adults in an assistance unit (in 1999 dollars);

5. EARNINGS/LFP: Earnings per case with positive earnings (in 1999 dollars);

6. EIC/POSEIC: Average EITC credits among those claiming the credit (in 1999 dollars);

7. FILED/LFP: Ratio of the number of cases filing a tax return to the number of cases with positive earnings.

8. POSEIC/LFP: Ratio of the number of cases receiving any EITC payment to the number of cases with positive earnings.

9. EIC/EARNINGS: Ratio of EITC payment to earnings (in 1999 dollars).

Table A.3
Tax Year 1999, by Time Off Cash Aid

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
on welfare	67%	60%	54%	$4,522	$6,793	$2,307	90%	81%	28%
off 1 year	72%	71%	56%	$11,001	$15,204	$2,171	98%	78%	11%
off 2 years	72%	72%	50%	$12,608	$17,610	$2,064	100%	70%	8%
off 3 years	69%	69%	42%	$13,893	$20,272	$1,972	100%	61%	6%

Table A.4
Current Recipients, by Tax Year

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
1996	52%	44%	39%	$2,775	$5,373	$2,022	86%	75%	28%
1997	57%	50%	45%	$3,365	$5,872	$2,140	87%	79%	28%
1998	63%	53%	49%	$4,269	$6,800	$2,245	85%	77%	26%
1999	67%	60%	54%	$4,522	$6,793	$2,307	90%	81%	28%

Table A.5
One Year Off Cash Aid, by Tax Year

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
1996	61%	59%	43%	$9,144	$14,892	$2,007	97%	71%	10%
1997	69%	68%	50%	$10,212	$14,893	$2,073	99%	74%	10%
1998	73%	69%	54%	$11,059	$15,090	$2,184	94%	74%	10%
1999	72%	71%	56%	$11,001	$15,204	$2,171	98%	78%	11%

Table A.6
Off Cash Aid One Year for Tax Year 1999, by Race

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
Asian	63%	67%	53%	$10,947	$17,274	$2,082			
Black	71%	66%	56%	$10,849	$15,226	$2,051	93%	78%	11%
Hispanic	82%	81%	68%	$12,371	$15,165	$2,349	99%	84%	13%
Other	47%	42%	32%	$5,810	$12,429	$2,107	91%	69%	12%
White	69%	67%	49%	$10,246	$14,922	$2,051	97%	72%	10%

Table A.7
Off Cash Aid One Year for Tax Year 1999, by Region

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
Bay Area	79%	73%	54%	$13,369	$16,928	$2,003	92%	69%	8%
Southern CA (excluding LA)	71%	69%	57%	$10,389	$14,559	$2,244	97%	80%	12%
Los Angeles	71%	74%	60%	$11,086	$15,626	$2,115	105%	84%	11%
Central/Southern Farm	73%	70%	58%	$10,241	$14,023	$2,357	96%	79%	13%
Northern and Mountain	67%	62%	49%	$8,718	$13,038	$2,148	93%	74%	12%
Central Valley	70%	67%	50%	$11,481	$16,336	$1,965	95%	71%	9%

Note: See Research and Development Division & Data Analysis and Publications Branch, *The Regions of California: Recommended Grouping of the Counties for Regional Studie*s, CDSS, August 2002, for a discussion of how this regional classification system was derived.

The six regions, and the counties that comprise them, are:
Bay Area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Sonoma counties);
Southern California, excluding Los Angeles (Orange, Riverside, San Bernardino, San Diego, Santa Barbara, Ventura counties);
Los Angeles County;
Central/Southern Farm (Fresno, Imperial, Kern, Kings, Madera, Merced, Monterey, San Benito, San Joaquin, San Luis Obispo, Stanislaus, Tulare counties);
Northern and Mountain (Alpine, Butte, Calaveras, Del Notre, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama, Trinity, Tuolumne counties);
Central Valley (Colusa, El Dorado, Placer, Sacramento, Sutter, Yolo, Yuba counties).

Table A.8
Off Cash Aid One Year for Tax Year 1999, by Aid Type

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
Family Group	71%	69%	56%	$9,813	$13,834	$2,105	97%	78%	12%
Other	68%	69%	53%	$10,202	$14,907	$2,356	101%	77%	12%
Unemployed Parent	81%	80%	62%	$16,196	$20,076	$2,289	99%	77%	9%

Table A.9
On Cash Aid for Tax Year 1999, by County

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
Alameda	66%	56%	49%	$4,435	$6,710	$2,155	84%	74%	24%
Alpine	67%	76%	71%	$3,112	$4,668	$3,144	114%	107%	72%
Amador	68%	64%	57%	$4,215	$6,186	$2,166	94%	83%	29%
Butte	61%	58%	53%	$4,347	$7,155	$2,099	96%	88%	26%
Calaveras	67%	56%	47%	$4,886	$7,285	$2,169	83%	70%	21%
Colusa	66%	57%	47%	$4,264	$6,489	$2,200	87%	71%	24%
Contra Costa	68%	54%	47%	$4,101	$6,053	$2,096	80%	70%	24%
Del Norte	59%	47%	42%	$3,126	$5,288	$2,036	80%	71%	27%
El Dorado	69%	56%	48%	$4,295	$6,218	$2,161	81%	70%	24%
Fresno	66%	57%	53%	$4,328	$6,557	$2,283	87%	80%	28%
Glenn	72%	64%	56%	$4,907	$6,795	$2,183	88%	78%	25%
Humboldt	58%	50%	45%	$3,320	$5,764	$1,985	86%	77%	27%
Imperial	68%	61%	57%	$4,552	$6,700	$2,201	90%	83%	27%
Inyo	75%	54%	49%	$3,707	$4,956	$2,051	73%	66%	27%
Kern	65%	57%	53%	$4,059	$6,248	$2,308	87%	81%	30%
Kings	67%	58%	53%	$4,249	$6,386	$2,177	87%	80%	27%
Lake	68%	54%	48%	$4,277	$6,326	$2,164	80%	72%	24%
Lassen	69%	61%	56%	$4,238	$6,154	$2,140	89%	81%	28%
Los Angeles	64%	60%	55%	$4,580	$7,180	$2,386	94%	86%	28%
Madera	65%	55%	50%	$3,957	$6,115	$2,179	84%	77%	27%
Marin	65%	61%	48%	$3,809	$5,818	$2,065	93%	73%	26%
Mariposa	60%	52%	46%	$3,038	$5,106	$1,891	87%	78%	29%
Mendocino	66%	56%	50%	$4,489	$6,850	$2,115	86%	76%	23%
Merced	65%	60%	53%	$4,282	$6,618	$2,245	92%	82%	28%
Modoc	71%	65%	56%	$5,817	$8,208	$2,385	92%	79%	23%
Mono	67%	69%	56%	$3,763	$5,643	$2,159	104%	83%	32%
Monterey	73%	66%	59%	$5,230	$7,180	$2,337	90%	81%	27%
Napa	70%	59%	50%	$4,791	$6,813	$2,116	83%	71%	22%
Nevada	71%	60%	52%	$4,143	$5,834	$2,047	84%	73%	26%
Orange	75%	69%	62%	$5,935	$7,957	$2,548	93%	83%	27%
Placer	73%	64%	56%	$4,596	$6,338	$2,222	88%	77%	27%
Plumas	64%	59%	54%	$3,192	$4,977	$1,862	93%	84%	32%
Riverside	71%	60%	55%	$4,343	$6,098	$2,310	85%	77%	29%
Sacramento	70%	62%	56%	$4,888	$6,972	$2,267	89%	80%	26%
San Benito	79%	69%	61%	$6,558	$8,340	$2,300	88%	78%	21%
San Bernardino	66%	60%	56%	$4,333	$6,537	$2,334	90%	84%	30%
San Diego	72%	62%	56%	$4,585	$6,386	$2,294	87%	78%	28%
San Francisco	71%	61%	55%	$4,944	$6,941	$2,176	86%	77%	24%
San Joaquin	68%	58%	52%	$4,291	$6,314	$2,106	85%	76%	25%
San Luis Obispo	68%	62%	55%	$4,810	$7,027	$2,226	90%	81%	26%
San Mateo	73%	60%	51%	$4,940	$6,774	$2,154	82%	70%	22%
Santa	68%	59%	52%	$4,206	$6,214	$2,171	88%	77%	27%

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
Barbara									
Santa Clara	67%	60%	52%	$4,855	$7,225	$2,397	89%	78%	26%
Santa Cruz	64%	58%	51%	$3,943	$6,173	$2,108	91%	80%	27%
Shasta	65%	57%	51%	$4,066	$6,267	$2,080	88%	79%	26%
Sierra	58%	76%	61%	$4,215	$7,281	$1,429	131%	106%	21%
Siskiyou	62%	55%	49%	$3,451	$5,589	$2,055	88%	79%	29%
Solano	74%	61%	55%	$4,428	$5,996	$2,153	82%	74%	27%
Sonoma	69%	55%	47%	$4,336	$6,254	$2,146	80%	68%	23%
Stanislaus	61%	55%	48%	$3,549	$5,771	$2,128	89%	78%	29%
Sutter	68%	59%	54%	$4,390	$6,499	$2,188	88%	80%	27%
Tehama	65%	57%	51%	$4,462	$6,860	$2,234	88%	79%	26%
Trinity	61%	54%	48%	$2,623	$4,283	$1,751	88%	79%	32%
Tulare	65%	57%	53%	$4,099	$6,304	$2,304	87%	81%	30%
Tuolumne	68%	55%	51%	$3,980	$5,857	$2,099	82%	75%	27%
Ventura	73%	62%	55%	$4,753	$6,482	$2,283	84%	75%	26%
Yolo	68%	63%	56%	$4,872	$7,166	$2,251	92%	83%	26%
Yuba	64%	55%	48%	$4,275	$6,703	$2,176	86%	76%	25%

Table A.10
Off Cash Aid One Year for Tax Year 1999, by County

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
Alameda	77%	75%	55%	$13,346	$17,223	$2,035	96%	71%	8%
Amador	75%	70%	66%	$9,037	$11,997	$1,749	93%	87%	13%
Butte	66%	63%	49%	$9,717	$14,735	$2,083	96%	74%	10%
Calaveras	78%	72%	43%	$10,741	$13,823	$2,111	92%	56%	9%
Colusa	61%	74%	68%	$9,258	$15,056	$2,484	120%	110%	18%
Contra Costa	80%	70%	53%	$13,681	$17,015	$1,883	88%	66%	7%
Del Norte	51%	49%	45%	$5,365	$10,537	$2,441	97%	88%	20%
El Dorado	80%	71%	60%	$8,758	$10,934	$2,120	88%	75%	15%
Fresno	74%	70%	61%	$10,258	$13,955	$2,444	95%	83%	15%
Glenn	83%	74%	59%	$10,808	$13,075	$2,232	90%	71%	12%
Humboldt	69%	68%	58%	$8,824	$12,705	$2,244	99%	84%	15%
Imperial	78%	79%	67%	$11,412	$14,665	$2,316	102%	86%	14%
Inyo	64%	58%	33%	$8,896	$13,941	$2,885	90%	52%	11%
Kern	73%	70%	58%	$9,980	$13,586	$2,373	96%	78%	14%
Kings	79%	74%	65%	$11,487	$14,468	$2,296	93%	81%	13%
Lake	63%	54%	47%	$7,915	$12,540	$2,327	85%	75%	14%
Lassen	55%	64%	54%	$6,680	$12,058	$2,124	116%	97%	17%
Los Angeles	71%	74%	60%	$11,086	$15,626	$2,115	105%	84%	11%
Madera	68%	69%	56%	$9,873	$14,441	$2,523	101%	82%	14%
Marin	69%	75%	52%	$10,363	$14,968	$1,989	109%	76%	10%
Mariposa	79%	68%	40%	$8,468	$10,780	$2,069	86%	51%	10%
Mendocino	73%	60%	51%	$11,187	$15,406	$2,004	83%	70%	9%
Merced	79%	75%	62%	$11,538	$14,662	$2,276	95%	79%	12%
Modoc	52%	48%	39%	$8,720	$16,713	$1,854	92%	75%	8%
Mono	---	---	---	---	---	---	---	---	---
Monterey	76%	71%	58%	$11,246	$14,746	$2,280	93%	76%	12%
Napa	84%	73%	64%	$11,694	$13,898	$2,272	86%	76%	12%
Nevada	66%	67%	53%	$8,564	$13,013	$2,226	102%	80%	14%
Orange	79%	75%	58%	$12,876	$16,398	$2,071	96%	74%	9%
Placer	84%	77%	58%	$15,149	$18,135	$1,946	92%	70%	8%
Plumas	93%	80%	67%	$14,063	$15,059	$2,031	86%	72%	10%
Riverside	71%	68%	56%	$9,568	$13,395	$2,421	95%	78%	14%
Sacramento	70%	67%	49%	$12,189	$17,407	$1,876	96%	71%	8%
San Benito	72%	63%	49%	$11,862	$16,407	$2,293	87%	68%	9%
San Bernardino	64%	66%	55%	$9,344	$14,655	$2,199	103%	87%	13%
San Diego	72%	68%	59%	$9,893	$13,713	$2,268	95%	81%	13%
San Francisco	81%	77%	54%	$15,821	$19,495	$1,965	95%	66%	7%
San Joaquin	70%	67%	51%	$10,184	$14,556	$2,215	95%	73%	11%
San Luis Obispo	65%	57%	45%	$7,781	$11,981	$1,969	88%	70%	11%
San Mateo	84%	76%	57%	$14,071	$16,689	$2,084	90%	68%	8%
Santa Barbara	79%	75%	55%	$12,785	$16,170	$2,317	94%	70%	10%

	LFP	FILED	POSEIC	EARNINGS	EARNINGS / LFP	EIC/ POSEIC	FILED/ LFP	POSEIC/ LFP	EIC/ EARNINGS
Santa Clara	80%	71%	52%	$14,154	$17,585	$2,031	88%	64%	7%
Santa Cruz	83%	74%	59%	$11,730	$14,214	$2,093	90%	72%	11%
Shasta	65%	59%	46%	$8,359	$12,799	$2,075	91%	71%	12%
Sierra	---	---	---	---	---	---	---	---	---
Siskiyou	60%	56%	46%	$5,997	$10,035	$2,331	93%	77%	18%
Solano	75%	70%	55%	$11,453	$15,349	$1,925	94%	74%	9%
Sonoma	77%	69%	53%	$11,518	$15,045	$2,066	91%	70%	10%
Stanislaus	71%	71%	56%	$9,282	$13,011	$2,276	100%	78%	14%
Sutter	71%	64%	50%	$9,180	$12,939	$2,063	91%	71%	11%
Tehama	68%	56%	41%	$9,623	$14,055	$1,631	82%	60%	7%
Trinity	37%	63%	42%	$1,932	$5,239	$1,757	171%	114%	38%
Tulare	70%	67%	56%	$9,861	$13,996	$2,521	95%	80%	14%
Tuolumne	79%	80%	54%	$10,829	$13,627	$2,307	100%	68%	12%
Ventura	74%	71%	61%	$10,338	$14,011	$2,235	97%	82%	13%
Yolo	75%	71%	52%	$11,339	$15,135	$2,231	95%	70%	10%
Yuba	56%	54%	41%	$8,345	$14,822	$2,151	95%	72%	10%

Note: Results for the smallest counties suppressed by FTB to preserve confidentiality.

APPENDIX B: METHODS FOR EITC ANALYSIS

This appendix provides additional detail on the methods and concepts used in constructing the tabulations of FTB tax return data summarized in this report.

SAMPLES USED

The data used to produce the estimates in this report are for individuals and assistance units drawn from California's Medi-Cal Eligibility Data System (MEDS). All analyses are based on annual samples of adults who were on AFDC/TANF in the 4th quarter of Year *t*-1. For these samples, county-level averages were calculated for various variables as of Year *t*, which we refer to as Tax Year *t*. We refer to these annual samples as "Past Cash Aid Recipient" samples, given that they consist of individuals who were receiving cash aid in Quarter 4 in the year prior to the Tax Year for which the outcome variables we analyze are recorded. However, it is important to note that the adults in these annual samples may have been on aid (on AFDC or TANF) in Tax Year *t*; our strategy for constructing these annual samples ensures that they were receiving cash aid in the last quarter of the year prior to the Tax Year.

The annual Past Cash Aid Recipient samples are, themselves, derived from an overall sample drawn from the MEDS population. The latter sample, referred to as the "MEDS Sample," was drawn as follows:

1. Individuals who were adults in the MEDS population are the unit of analysis in the MEDS Sample. These adults were at risk for being selected into the sample only in the first month in which they were on aid (AFDC-FG or AFDC-UP aid codes). The data are left censored in January 1987. Thus, in January 1987, a random cross-section of the data was selected. Then, in each month, a random sample of first-time entrants is added. This sampling scheme leaves the data representative of the MEDS population at each point in time. Once an individual is selected into the sample, the individual remains in the sample throughout the rest of the sampling period.

2. The sampling probabilities used to draw the MEDS Sample varied by counties in the state. These sampling probabilities were chosen to obtain approximately equal sample sizes from each of the counties. However, in 36 of the 58 counties, the 100% sampling rate utilized still leaves the sample size smaller than that attained in the remaining 22 counties. Since individuals are at risk for sampling only in the first month observed, their sampling probability corresponds to the county in which they first receive aid. Realized sampling rates slightly differ from the sampling probabilities because a true random sample was drawn. Sampling weights were constructed to adjust for the realized sampling rates.

3. Three criteria we used for selecting individuals and cases for inclusion in the MEDS sample:

- We included/excluded cases from our MEDS sample based on the quality of the information available for the case. In particular we included the following types of cases in our analysis sample: (a) Family Group (FG) cases that contained only one adult—most typically a female—and those UP cases that contained exactly two adults and (b) FG and UP cases that contained extra adults who were not on aid in the fourth quarter of the previous year. We excluded those cases from our analysis for which there were too many adults or which had conflicting aid codes. For example, one FG adult and two UP adults in the same case or cases that had five adults were excluded. The latter cases were excluded because we lack confidence in our ability to construct households that correspond to tax filing units in such cases.[33]

- Cases were also included/excluded cases based on having valid Social Security numbers (SSNs), including only those cases from the MEDS that had SSNs that had been verified with the Social Security Administration (SSA). Excluding cases without valid SSNs was necessary, given our need to match adults in the MEDS assistance units to EDD wage and salary data and to federal tax returns. Eliminating unverified SSNs and cases with too many adults (described above), we derive our MEDS sample.

- Based on the wage and salary data from EDD Base Wage Files (described below) on individuals, we excluded cases that had reported wage income from a large number of different employers.[34]

SAMPLE WEIGHTS

We construct two distinct sets of weights for the observations in the MEDS sample (and, thus, the annual Past Cash Aid Recipient samples). The first set is individual-based weights intended to make the sample representative of the MEDS populations when performing analysis at the individual level. These weights are the inverse of individuals' sampling probabilities. In particular, let p_i be the sampling probability of the ith individual. Then, $1/p_i$ is the ith individual's weight.

The second set of weights are case-based. These latter weights make the sample representative of the MEDS population when performing analysis at the case level. They are the inverse of the probability that the case was sampled. For a case with n individuals, the following equation gives the probability the case is sampled:

$$p^c = 1 - \prod_{i=1}^{n} \left(1 - p_i\right).$$

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[33] We believe that most of the excluded cases represent multiple households (assistance units) that fall under a common serial number in the MEDS database. However, counties differ in their use of assistant unit codes and MEDS lacks documentation on these codes. Therefore, we are unable to disaggregate assistance units within a serial number.

[34] For example, some people have 200+ employers over a calendar year. In these cases, it is likely that multiple people are using the same SSN.

Therefore, the appropriate weight for case-level analysis is $1/p^c$. These weights adjust for both the over-sampling of cases from small counties and the over-sampling of cases containing many members.

DATA SOURCES USED, MATCHING PROCEDURES, AND VARIABLES ANALYZED

In this section, we discuss the sources of our data, how we matched the data, and the specific variables used.

Wage and Salary Earnings Variables:

To obtain wage and salary earnings data for the sampled adults, and other adults in the sampling unit at the time of inclusion in the annual Past Cash Aid Recipient samples, quarterly wage and salary earnings data from the California EDD Base Wage Files were matched for these individuals by SSNs. We constructed case-level earnings for the annual Past Cash Aid Recipient samples based on the individual-level earnings recorded in the EDD Base Wage files for all of the adults in the assistance unit on aid in Quarter 4, Year t-1. These case-level earnings were used to determine whether anyone in the associated assistance unit had positive EDD earnings. We present estimates of both the incidence of positive EDD earnings and average levels of earnings, in 1999 dollars, by year and region of the state.

Federal Tax Return Information, including Incidence of EITC Claiming and Credit Amounts

To obtain information on the rates of tax return filing, claiming of the EITC, and amounts of the credit received by adults in our samples, the California FTB matched information from federal tax returns to the individuals in the assistance units in our annual Past Cash Aid Recipient samples based on SSNs and performed all of the analyses involving tax return data. All tax returns for individuals in these cases were aggregated into a case- or assistance-unit-level return. If anyone in an assistance unit filed a tax return or claimed the EITC, then the case was recorded as filing a return and/or claiming the EITC. Finally, the size of the credit received by the case is the sum of the credits received by individuals in the case (joint returns, common in UP cases, were not double counted). The FTB provided only summary statistics from analyses of these individual- or assistance-unit-level data.

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