March 13, 2006

TO:  Chief Student Service Officers  
     Chief Business Officers  
     CalWORKs Program Directors/Coordinators  
     CalWORKs District Coordinators  

FROM: Linda Michalowski, Vice Chancellor  
       Student Services and Special Programs  

SUBJECT: Clarification on CalWORKs Supplantation Prohibition  

The purpose of this letter is to provide clarification and guidance to colleges on the legal requirement prohibiting the use of CalWORKs funds to supplant existing funding and services. Please use the following to aid you in developing your college’s CalWORKs budget and ensuring that all expenditures are allowable and not in violation of this prohibition. For additional information regarding allowable expenses, please refer to the CalWORKs Program Handbook’s Allowable Costs Guidelines. Districts that follow these guidelines will be regarded by the Chancellor’s Office as being in compliance with the prohibition against supplantation.

Background  
The annual State Budget Act appropriates funding to colleges to provide services for CalWORKs recipients to assist these students in reaching their educational and employment goals and transition from welfare into employment. The requirements for the use of funds set aside for this purpose in the budget Act for 2005-06 are delineated in Provision 14 of Item 6870-101-0001. This provision of the State Budget Act states that funds “are for the purpose of assisting welfare recipient students and those in transition off of welfare to achieve long-term self-sufficiency through coordinated student services offered at community colleges, including: work-study, other educational related work experience, job placement services, child care services, and coordination with county welfare offices to determine eligibility and availability of services...These funds shall be used to supplement and not supplant existing funds and services provided for CalWORKs recipients attending community college.”

Based on our review of the law, we have determined that CalWORKs funds can only be used to meet the needs of the CalWORKs student population if the service provided is:

1) new and did not exist prior to 1997-98;
2) different than what was provided in 1997-98 or enhanced to meet the needs of the CalWORKs student population; or
3) expanded to meet the needs of an increased number of CalWORKs students using the service.

The following provides additional detail on how a college can determine if any of the aforementioned criteria on the use of CalWORKs funds is being met.

**What is Supplantation?**
The Random House College Dictionary defines supplantation (to supplant) as, “to take the place of... to replace (one thing) by something else.” As used in the annual State Budget Act provision relating to community college CalWORKs funding, the prohibition on supplantation further stipulates that “funds shall be used to supplement, not supplant existing funds and services...” In this context, we have determined that colleges cannot supplant service or funding levels provided to welfare recipients, whether separately or through a general college program or service (like job placement or counseling), that existed prior to 1997-1998, the fiscal year the CalWORKs program was first implemented.

In most instances, if a college has implemented a distinct CalWORKs program to provide services identified in the State Budget Act (work-study, etc.) to the CalWORKs student population, there would be no risk for violating the supplantation prohibition; provided that the program’s services are different than those provided prior to 1997-98 and specifically target the intended population.

When CalWORKs funds are used to provide the same services, without differentiation, to any group of students, including CalWORKs students, the risk for violating this prohibition is significantly greater. The college then assumes the responsibility for demonstrating and documenting that services were not provided to welfare recipients before 1997-98 or that the number of welfare recipients being served has increased. If a district can show that it did not provide a service prior to 1997-98 then it can pay for the full cost of providing that service to CalWORKs recipients, even if the same service is also provided to other students. However, if the service was provided to welfare recipients prior to 1997-98, then even if the district can demonstrate that the number of welfare recipient students has increased since that time, it can only claim the cost of providing that service to the increased number of CalWORKs students.

**Assumptions**
The foregoing discussion is based on two assumptions about services to CalWORKs students.

1. Prior to 1997-1998, most colleges served welfare recipient students through general college services, like general counseling, as part of the existing services available to all students.
2. Because the CalWORKs statewide population data shows that the number of CalWORKs recipients attending college has dropped dramatically since the onset of welfare reform in 1997-1998, most colleges cannot justify using CalWORKs funds to expand existing general college services based on an increasing welfare-recipient population and numbers of welfare-recipient students served.
These assumptions may not apply in all cases, but if a district believes they are inapplicable to its situation, the Chancellor's Office will expect the district to provide documentation to support such an assertion.

**General Criteria on Use of Funds**

To ensure that the use of CalWORKs funds is not in violation of this prohibition, CalWORKs funded services should normally target the CalWORKs student population and either be different, specialized, enhanced or increased in comparison to service and funding levels for the general student and welfare recipient-student populations prior to 1997-98.

**Questions to answer to determine whether CalWORKs funds are being used appropriately (in accordance with the anti-supplantation rule):**

1) Is the service one of the allowable activities identified in law and by the CalWORKs Program Allowable Costs Guidelines? If yes, please continue to question #2. If no, CalWORKs funds cannot be used to pay for the service (or contact the System Office CalWORKs program for further clarification).

2) Was the college providing the service prior to 1997-1998?
   a) If the answer is "no," then a supplantation issue does not exist.
   b) If the answer is "yes," then the college must demonstrate that:
      i) It is serving an increased number of welfare recipient-students and can then only pay for the difference in the increased cost of expanding an existing service. Or...
      ii) The college can show that the service is somehow different than what was provided prior to 1997-98 or enhanced for CalWORKs students. In this case, CalWORKs funds could only be used to pay for the prorated share of the cost of serving CalWORKs students for providing the enhanced service or service level. It is important then that the college track the numbers of all students served in comparison to the number of CalWORKs students served.

**Example 1:** If a college provided job placement services to all students prior to 1997-98 and now wants to use CalWORKs funds to do so, the college could not use CalWORKs funds to pay for the cost of providing the same job placement service levels that existed prior to that time, nor could the college prorate a share of the cost based on the numbers of CalWORKs students using this service. Only if the college can demonstrate that the number of CalWORKs students now being served exceeds the number of welfare recipients served prior to 1997-98 could any costs be charged to CalWORKs, and then only for the cost of serving those additional students.

Otherwise, the college could only use funds for this purpose if the job placement service was enhanced, specialized or increased to meet the specific needs of the CalWORKs student population. In that case, if additional staff members are hired or the job placement staff time is focused on meeting the needs of this population specifically, then CalWORKs funds could be used to pay for a part of this service.

**Example 2:** A college, prior to 1997-98, had four general counselors to serve all students and now wants to use CalWORKs funds to pay for one of their general counseling positions. Assuming the college cannot demonstrate that there has been an increase in
the number of welfare recipients served by the counseling program, then the only way it can justify using CalWORKs funds is to show that the counselor is now dedicating specific time to providing specialized counseling services for CalWORKs students that were not previously offered (for example, coordinating with the County Welfare Department to ensure the student’s education plan supports their approved welfare to work plan). In this case, the counselor would need to carefully track his or her caseload to ensure that CalWORKs funds are used to only pay for the time dedicated to providing the specialized counseling service for CalWORKs students.

**Action**
The CalWORKs program is being added to the District Audit Manual in May 2006 and will be a part of the annual audit process. This information is for your review and reference and should be used to guide you in determining how CalWORKs funds can be used appropriately. In the near future, CalWORKs program staff plan to provide additional training workshops on this subject. For additional information on the CalWORKs supplantation prohibition or to discuss the issues addressed in this letter, please contact Sonia Ortiz-Mercado, CalWORKs Program Statewide Coordinator, at (916) 324-2353 or via email at sortiz@cccco.edu.

Thank you for your attention to this matter.

**cc:** Aiden Ely, Dean Student Access and Retention  
Sonia Ortiz-Mercado, CalWORKs Statewide Coordinator  
Ralph Black, Legal Counsel  
James Kong, Fiscal Services