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WHAT WOULD THE HOUSE BUDGET PLAN'S PROPOSED CUTS TO MANDATORY PROGRAMS MEAN FOR CALIFORNIA?

On March 17, the House of Representatives approved a budget resolution that would cut funding for federal “mandatory” programs nationally by a total of \$68.6 billion between federal fiscal years (FFY) 2006 and 2010. About half of these cuts (\$30 billion to \$35 billion) would likely come from health care programs, nutrition assistance, and other forms of aid for low-income children and families, seniors, and people with disabilities. Mandatory programs are not subject to annual appropriations and include Medicaid, the Food Stamp Program, the Temporary Assistance for Needy Families (TANF) block grant, and the State Children’s Health Insurance Program (SCHIP).

The Senate budget resolution, also passed on March 17, does not include cuts to most mandatory programs serving low-income populations. The Senate plan would require the Agriculture Committee to make \$2.8 billion in cuts over five years to farm and nutrition programs, a portion of which is expected to come from food stamps. However, the Senate budget resolution would protect funding for key programs that assist low-income families and individuals, including Medicaid, child care assistance, and the Earned Income Tax Credit (EITC). The cuts to mandatory programs under the House budget plan would be at least 10 times larger than under the Senate budget plan.

The House and Senate budget resolutions do not show how the proposed reductions would be achieved. Congressional committees can select which of the mandatory programs under their jurisdiction to cut and which program rules should be changed to achieve savings. However, a new analysis by the Center on Budget and Policy Priorities (CBPP) estimates the impact of the House budget plan’s proposed cuts to key mandatory programs on individual states, including California.¹

HOUSE BUDGET PLAN’S PROPOSED CUTS WOULD AFFECT PROGRAMS THAT ASSIST LOW-INCOME FAMILIES AND INDIVIDUALS

Federal funds for several mandatory programs in California would be reduced substantially under the House budget resolution, according to the CBPP analysis. Total federal funding for a range of programs that assist California’s low-income children and families, seniors, and people with disabilities could be cut by \$4.2 billion to \$4.9 billion between FFY 2006 and FFY 2010, depending on the level of reductions made to particular programs. A reduction of the proposed magnitude would require cuts to service levels and/or an increase in state or local revenues to offset the proposed federal cuts.

Key mandatory programs for low-income families and individuals in California would be affected by the House budget plan's proposed federal reductions between 2006 and 2010. For example:

- Cuts to federal Medicaid and/or SCHIP funding for California could total between \$1.6 billion and \$2.1 billion, depending on whether Medicaid and/or SCHIP cuts make up some or all of the targeted savings for a subset of mandatory programs.
- Food stamp cuts could total \$213 million, if the Food Stamp Program absorbs half of the House Agriculture Committee's cuts, or \$426 million, if all of that committee's assigned cuts come from the Food Stamp Program.
- Low-income California seniors and people with disabilities could lose \$1.0 billion in benefits provided through the state-federal Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program. Governor Schwarzenegger has already proposed suspending the state cost-of-living adjustment (COLA) and withholding the federal COLA for SSI/SSP grants in 2005-06.²
- Low-income, working families in California could see their EITC cut by \$460.6 million, resulting in a tax increase for working-poor households.
- Federal funding for key human services programs in California could be reduced by \$894.1 million, reflecting a:
 - \$537.7 million cut in TANF and child care funds;
 - \$228.1 million cut in foster care and adoption assistance funds;
 - \$103.1 million cut in child support enforcement funds; and a
 - \$25.1 million cut in the Social Services Block Grant.

HOUSE BUDGET PLAN'S PROPOSED CUTS WOULD AFFECT LARGE NUMBERS OF VULNERABLE CALIFORNIANS

If Congress adopts cuts at or near the levels required by the House budget resolution, low-income working families would likely face cuts in key work supports; poor seniors and people with disabilities could face cuts in income assistance and health care; and poor children could face cuts in services such as foster care and adoption assistance. The number of California families and individuals who would potentially be affected by the proposed cuts to mandatory programs would be large:³

- 6.6 million low-income children, parents, seniors, and people with disabilities will receive health coverage through Medi-Cal, California's version of Medicaid, each month in state fiscal year (FY) 2004-05.
- 774,100 children will receive health coverage through the Healthy Families Program, California's version of SCHIP, by the end of FY 2004-05.
- 2.3 million low-income, working California families received the EITC in 2003.

- 1.2 million California seniors and people with disabilities will receive modest income assistance through the SSI/SSP Program each month in FY 2004-05.
- 1.9 million Californians received food stamps each month in FFY 2004.
- About 490,000 California families will receive cash assistance through the California Work Opportunity and Responsibility to Kids (CalWORKs) Program each month in FY 2004-05. CalWORKs, which provides employment services and child care for families transitioning from welfare to work, is funded primarily with federal TANF block grant and state General Fund dollars.
- 106,000 California children received federally-funded foster care and adoption assistance each month in FFY 2003.

HOUSE AND SENATE BUDGET PLANS CONTAIN LARGE TAX CUTS AIMED PRIMARILY AT UPPER-INCOME AMERICANS

While differing sharply in their treatment of low-income mandatory programs, the House and Senate budget resolutions call for significant tax cuts that largely benefit higher-income Americans. The House plan contains \$106 billion in tax cuts over five years. The Senate plan contains \$129 billion in tax cuts over five years, more than President Bush called for in his FFY 2006 budget. In fact, because both budget resolutions include these tax cuts and sizeable defense spending increases, both plans would increase the deficit by more than would occur under current federal fiscal policy.

Scott Graves prepared this Budget Brief. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at www.cbpp.org.

ENDNOTES

¹ The CBPP provides state-by-state estimates of the impact of proposed funding cuts to mandatory programs only for the House budget resolution. For an explanation of the methodology behind these estimates, see Sharon Parrott, Arloc Sherman, and Bradley Hardy, *House Budget Resolution Would Require Much Deeper Cuts in Key Low-Income Programs Than Senate Budget Plan* (Center on Budget and Policy Priorities: March 30, 2005).

² See California Budget Project, *Governor Proposes to Suspend State COLA and Withhold Federal COLA for SSI/SSP Grants* (February 2005).

³ Figures for Medi-Cal, SSI/SSP, and CalWORKs represent average monthly caseload estimates for FY 2004-05. Figures for food stamps and foster care/adoption assistance represent average monthly caseloads for prior federal fiscal years.