

GOVERNOR PROPOSES TO SUSPEND STATE COLAS FOR SSI/SSP GRANTS

Governor Schwarzenegger's Proposed 2008-09 Budget would suspend state cost-of-living adjustments (COLAs) for Supplemental Security Income/State Supplementary Payment (SSI/SSP) grants in 2008 and 2009. These actions would eliminate \$328.9 million in grant payments to 1.3 million low-income seniors and people with disabilities and further erode the purchasing power of SSI/SSP grants. In February, the Governor signed legislation delaying the June 2008 state COLA to October 2008. This action will eliminate \$91.1 million in payments to SSI/SSP recipients, but retains the state COLAs in 2008 and 2009.

What Does the Governor Propose and What Action Has the Legislature Taken?

In January, Governor Schwarzenegger proposed to suspend the state COLAs for SSI/SSP grants scheduled for June 2008 and June 2009.¹ Suspending these COLAs would eliminate \$328.9 million in payments to 1.3 million low-income seniors and people with disabilities between June 2008 and June 2009. In February, the Legislature voted to delay the June 2008 state COLA to October 2008 in order to help close the state's budget gap.² This action will eliminate \$91.1 million in payments to SSI/SSP recipients – approximately one-quarter (27.7 percent) of the reduction under the Governor's proposal – but retains the state COLAs in both 2008 and 2009.

Individual SSI/SSP recipients currently receive \$870 per month and couples receive \$1,524 per month.³ Under current law, monthly grants are scheduled to increase in three steps to \$935 for individuals and to \$1,640 for couples between October 2008 and June 2009 (Table 1). Under the Governor's proposal, SSI/SSP recipients would receive a federal COLA in January 2009, but no state COLA in 2008 or 2009. As a result, monthly grants would be \$50 lower for individuals and \$93 lower for couples as of June 2009 compared to current law.⁴

Table 1: SSI/SSP Monthly Grants Under Current Law and Governor's Proposal

	January 2008	October 2008	January 2009	June 2009
Individuals				
Current Law	\$870	\$888	\$903	\$935
Governor's Proposal	\$870	\$870	\$885	\$885
Reduction Under Governor's Proposal	\$0	\$18	\$18	\$50
Couples				
Current Law	\$1,524	\$1,558	\$1,581	\$1,640
Governor's Proposal	\$1,524	\$1,524	\$1,547	\$1,547
Reduction Under Governor's Proposal	\$0	\$34	\$34	\$93

Note: Current law reflects the Legislature's delay of the June 2008 state COLA to October 2008. Governor's proposal reflects the suspension of the 2008 and 2009 state COLAs, but the "pass through" of the January 2009 federal COLA. Monthly grant levels reflect grants for recipients who are elderly or have disabilities. Recipients who are blind receive higher monthly grants. Grant levels for January 2009 and June 2009 are Legislative Analyst's Office estimates. Source: Legislative Analyst's Office

How Do SSI/SSP Payments Work?

The SSI/SSP Program provides combined federal (SSI) and state (SSP) cash payments to low-income persons who are elderly, blind, or have disabilities to help them meet basic needs and living expenses. The federal COLA is applied annually to the SSI portion of the grant and the state COLA is applied to the entire SSI/SSP grant.⁵ The state funds the difference between the cost of the state COLA on the combined SSI/SSP grant and the increase attributable to the federal COLA, which applies only to the SSI portion. For example, if the cost of the state COLA on the SSI/SSP grant is \$10 per beneficiary per month and the cost of the federal SSI COLA is \$4 per beneficiary per month, the state would fund the difference of \$6 per beneficiary. Delaying or suspending the state COLA results in General Fund savings because the state does not provide its share of an SSI/SSP grant increase.

Purchasing Power of SSI/SSP Grants Would Decline Further Under Governor's Proposal

The state has suspended SSI/SSP COLAs, delayed SSI/SSP COLAs, and/or reduced SSI/SSP grants in 14 out of the last 19 years, including in each of the last six years. If the Legislature

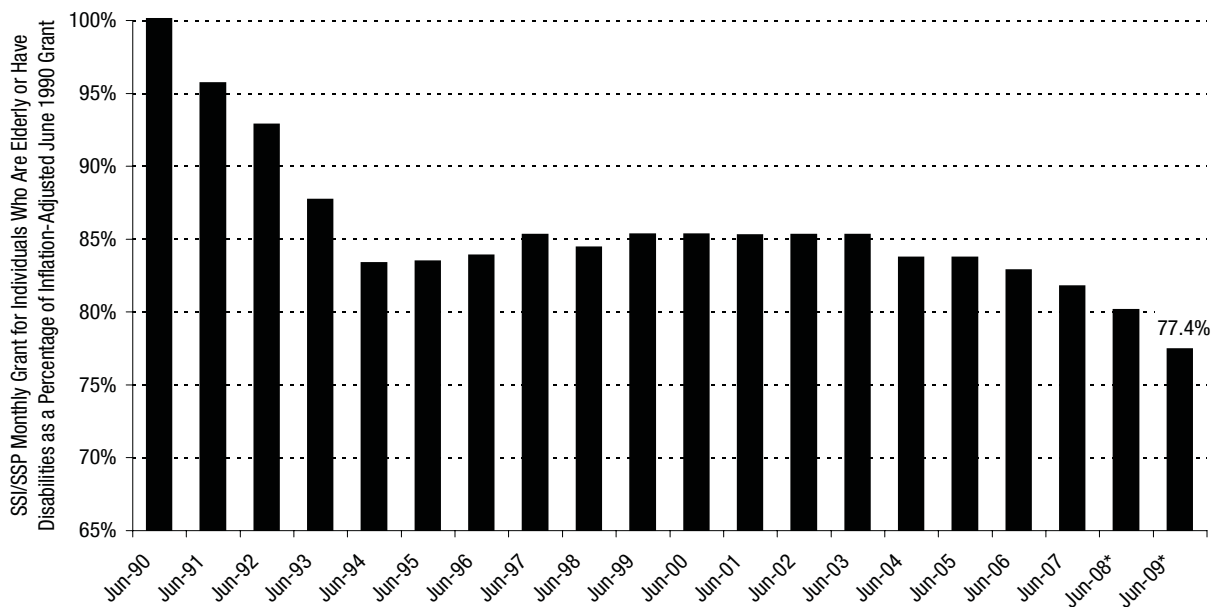
adopts the Governor's proposal to suspend the 2008 and 2009 state COLAs, SSI/SSP grants for individuals would be 22.6 percent lower beginning in June 2009 than if state and federal COLAs had been provided every year since 1990 (Figure 1).

The Governor's proposal would affect some of California's poorest residents, reducing their ability to meet basic needs. For example, SSI/SSP grants have failed to keep up with California's cost of housing. The Fair Market Rent (FMR) for a studio apartment exceeds half the SSI/SSP grant for individuals in all 58 counties and exceeds the entire grant in 12 counties (Appendix A).⁶ In Riverside and San Bernardino counties, for example, the studio FMR of \$896 exceeds the SSI/SSP grant by \$26. The disparity between grant levels and housing costs increases the risk that individuals will become homeless.

Loss of SSI/SSP Funds Would Affect Local Communities

The loss of SSI/SSP funds due to the Governor's proposal would reduce the incomes of 1.3 million Californians.⁷ Because these recipients spend their grants in local communities, local economies also would be affected (Appendix B). For example, Los Angeles County would lose \$111.2 million in payments to approximately 419,000 SSI/SSP recipients and Butte County would lose \$2.8 million in payments to about 11,000 recipients.

Figure 1: Purchasing Power of SSI/SSP Grants Would Decline Further Under the Governor's Proposal to Suspend the State COLAs in 2008 and 2009



* Proposed.

Note: In February 2008, the Governor signed legislation delaying the June 2008 state COLA to October 2008.

Source: Department of Social Services and Legislative Analyst's Office

Conclusion

The Governor proposes to help close the state's budget gap by suspending the 2008 and 2009 state COLAs for SSI/SSP grants, which would eliminate \$328.9 million in grant payments to low-income seniors and people with disabilities. The proposal to suspend state COLAs should be weighed against the impact on the state's 1.3 million SSI/SSP recipients.

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.cbp.org.

ENDNOTES

- ¹ However, the Governor proposes to "pass through" the federal COLA in January 2009. The 2007-08 budget agreement permanently rescheduled the state COLA for SSI/SSP grants from January to June of each year. As a result, SSI/SSP recipients received a federal COLA in January 2008, but were not scheduled to receive the state COLA until June 2008.
- ² The Governor signed AB X3 6 (Committee on Budget, Chapter 4 of 2008) on February 16, 2008.
- ³ Monthly grant levels reflect grants for recipients who are elderly or have disabilities. Recipients who are blind receive higher monthly grants.
- ⁴ SSI/SSP recipients are not eligible for food stamp benefits in California. SSI/SSP recipients receive a higher SSI/SSP payment instead of food stamps. Therefore, food stamps would not help to offset the loss of grant payments that would occur if the Legislature suspends the state COLAs in 2008 and 2009. In contrast, food stamps provide a cushion for many low-income families in other programs; when their incomes drop, food stamp benefits increase.
- ⁵ The federal COLA is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers and the state COLA is based on the California Necessities Index.
- ⁶ The federal Department of Housing and Urban Development determines FMRs for federal housing assistance purposes. The FMR estimates the dollar amount below which 40 percent of standard-quality rental housing units are rented in a given area. In recent years, some FMRs have been set at the 50th percentile to reflect an insufficient number of low-rent units and a concentration of individuals who receive federal rental assistance. FMRs are based on the distribution of rents paid by "recent movers" – renter households that have moved within the past 15 months. FMRs include the cost of shelter and utilities, excluding telephone service, cable or satellite television service, and Internet service. FMRs are set for studio, one-bedroom, two-bedroom, three-bedroom, and four-bedroom housing units and are updated annually.
- ⁷ In addition, the Governor's proposal would apply to the Cash Assistance Program for Immigrants (CAPI), which provides state-funded cash assistance to approximately 9,500 legal immigrants who are not eligible for SSI/SSP payments due to their immigration status. CAPI maximum monthly grants are set at \$10 less than SSI/SSP grants for individuals and \$20 less than SSI/SSP grants for couples.

Appendix A: Percentage of an SSI/SSP Grant for an Individual Needed to Rent a Studio Apartment*

County	SSI/SSP Grant for an Individual	Studio Fair Market Rent	Percentage of Grant Needed to Rent Studio	County	SSI/SSP Grant for an Individual	Studio Fair Market Rent	Percentage of Grant Needed to Rent Studio
Alameda	\$870	\$866	99.5%	Orange**	\$870	\$1,185	136.2%
Alpine	\$870	\$594	68.3%	Placer	\$870	\$708	81.4%
Amador	\$870	\$642	73.8%	Plumas	\$870	\$533	61.3%
Butte	\$870	\$551	63.3%	Riverside**	\$870	\$896	103.0%
Calaveras	\$870	\$655	75.3%	Sacramento	\$870	\$708	81.4%
Colusa	\$870	\$597	68.6%	San Benito	\$870	\$694	79.8%
Contra Costa	\$870	\$866	99.5%	San Bernardino**	\$870	\$896	103.0%
Del Norte	\$870	\$585	67.2%	San Diego**	\$870	\$978	112.4%
El Dorado	\$870	\$708	81.4%	San Francisco	\$870	\$1,035	119.0%
Fresno	\$870	\$619	71.1%	San Joaquin	\$870	\$650	74.7%
Glenn	\$870	\$511	58.7%	San Luis Obispo	\$870	\$746	85.7%
Humboldt	\$870	\$543	62.4%	San Mateo	\$870	\$1,035	119.0%
Imperial	\$870	\$562	64.6%	Santa Barbara	\$870	\$1,065	122.4%
Inyo	\$870	\$538	61.8%	Santa Clara	\$870	\$928	106.7%
Kern	\$870	\$528	60.7%	Santa Cruz	\$870	\$970	111.5%
Kings	\$870	\$592	68.0%	Shasta	\$870	\$541	62.2%
Lake	\$870	\$538	61.8%	Sierra	\$870	\$629	72.3%
Lassen	\$870	\$522	60.0%	Siskiyou	\$870	\$465	53.4%
Los Angeles	\$870	\$863	99.2%	Solano	\$870	\$883	101.5%
Madera	\$870	\$595	68.4%	Sonoma	\$870	\$740	85.1%
Marin	\$870	\$1,035	119.0%	Stanislaus	\$870	\$664	76.3%
Mariposa	\$870	\$594	68.3%	Sutter	\$870	\$510	58.6%
Mendocino	\$870	\$600	69.0%	Tehama	\$870	\$486	55.9%
Merced	\$870	\$534	61.4%	Trinity	\$870	\$526	60.5%
Modoc	\$870	\$518	59.5%	Tulare	\$870	\$471	54.1%
Mono	\$870	\$700	80.5%	Tuolumne	\$870	\$579	66.6%
Monterey	\$870	\$860	98.9%	Ventura	\$870	\$1,012	116.3%
Napa	\$870	\$834	95.9%	Yolo	\$870	\$783	90.0%
Nevada	\$870	\$673	77.4%	Yuba	\$870	\$510	58.6%

* Reflects SSI/SSP grant level effective January 2008 and Fair Market Rents (FMRs) for federal fiscal year 2008.

** FMR set at 50th percentile to reflect an insufficient number of low-rent units and a concentration of individuals who receive federal rental assistance. In general, the US Department of Housing and Urban Development sets FMRs at the 40th percentile, meaning that 40 percent of an area's rents are lower than the FMR.

Source: CBP analysis of Department of Finance and US Department of Housing and Urban Development data

**Appendix B: Estimated Impact of Governor's Proposal to Suspend State COLAs for SSI/SSP Grants,
June 2008 Through June 2009**

County	Number of Recipients Affected	Loss of Funds	County	Number of Recipients Affected	Loss of Funds
Alameda	53,310	\$14,586,000	Orange	69,080	\$17,968,000
Alpine	30	\$8,000	Placer	4,950	\$1,187,000
Amador	640	\$156,000	Plumas	800	\$182,000
Butte	11,080	\$2,769,000	Riverside	53,360	\$12,713,000
Calaveras	1,100	\$264,000	Sacramento	60,580	\$16,991,000
Colusa	630	\$124,000	San Benito	890	\$178,000
Contra Costa	24,930	\$6,661,000	San Bernardino	67,820	\$17,085,000
Del Norte	2,130	\$559,000	San Diego	84,680	\$21,024,000
El Dorado	3,020	\$717,000	San Francisco	48,140	\$13,198,000
Fresno	42,510	\$10,940,000	San Joaquin	29,350	\$7,742,000
Glenn	1,230	\$280,000	San Luis Obispo	5,510	\$1,264,000
Humboldt	7,400	\$1,978,000	San Mateo	13,570	\$3,290,000
Imperial	10,810	\$2,311,000	Santa Barbara	10,280	\$2,363,000
Inyo	510	\$111,000	Santa Clara	47,490	\$12,812,000
Kern	33,580	\$8,316,000	Santa Cruz	5,940	\$1,393,000
Kings	5,050	\$1,178,000	Shasta	9,720	\$2,474,000
Lake	3,910	\$947,000	Sierra	90	\$18,000
Lassen	1,100	\$284,000	Siskiyou	2,710	\$667,000
Los Angeles	418,840	\$111,157,000	Solano	11,500	\$2,977,000
Madera	4,980	\$1,130,000	Sonoma	10,150	\$2,442,000
Marin	3,950	\$994,000	Stanislaus	21,250	\$5,331,000
Mariposa	610	\$137,000	Sutter	3,660	\$850,000
Mendocino	4,060	\$1,045,000	Tehama	3,290	\$790,000
Merced	11,100	\$2,724,000	Trinity	780	\$190,000
Modoc	470	\$112,000	Tulare	19,650	\$4,538,000
Mono	110	\$26,000	Tuolumne	1,750	\$401,000
Monterey	9,660	\$2,165,000	Ventura	16,490	\$3,755,000
Napa	2,450	\$580,000	Yolo	5,350	\$1,337,000
Nevada	1,880	\$451,000	Yuba	4,070	\$1,029,000
			Total	1,274,000	\$328,900,000

Note: Estimated number of recipients affected is based on the estimated 2008-09 SSI/SSP caseload. Estimated loss of funds represents the estimated aggregate grant loss to SSI/SSP recipients in 2007-08 and 2008-09 combined under the Governor's proposal to suspend the June 2008 and June 2009 state COLAs. On February 16, 2008, the Governor signed legislation delaying the June 2008 state COLA to October 2008, which will eliminate \$91.1 million in grant payments to SSI/SSP recipients. County estimates of affected recipients are rounded to the nearest 10 and county estimates of loss of funds are rounded to the nearest 1,000. Estimates are based on counties' share of the SSI/SSP caseload and payments in December 2006, the most recent month for which county data are available. Estimates may not sum to totals due to rounding.

Source: Assembly Budget Committee and CBP analysis of Department of Social Services, Legislative Analyst's Office, and Social Security Administration data