

CALIFORNIA BUDGET PROJECT

Proposed Budget Cuts Come at a Time of Growing Need

1107 9th Street,
Suite 310
Sacramento,
California 95814
(916) 444-0500
www.cbp.org
cbp@cbp.org

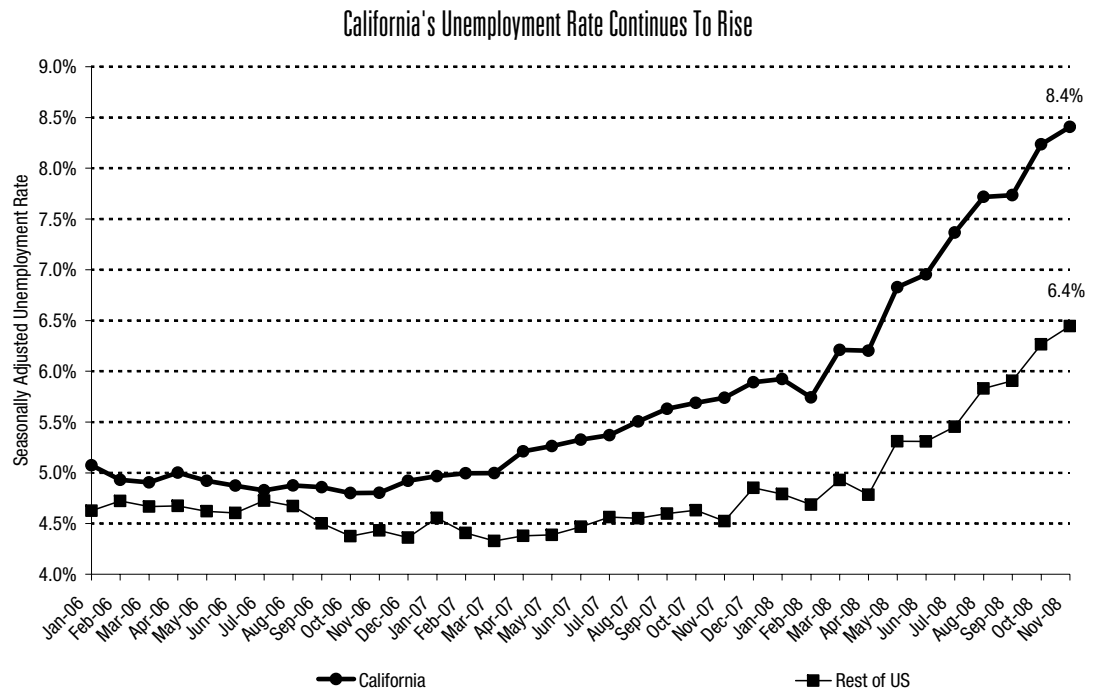
CALIFORNIA BUDGET PROJECT
December 2008

Proposed Budget Cuts Come at a Time of Growing Need

- As the state's economy continues to deteriorate, many low- and middle-income Californians are finding it increasingly difficult to make ends meet.
- Consequently, more Californians are turning to income support and related programs, such as Food Stamps, WIC, Healthy Families, Medi-Cal, and CalWORKs for assistance.
- Increased demand for public programs comes at a time when policymakers have proposed deep cuts to health and human services programs to close the state's budget gap.
- However, prominent economists argue that carefully chosen tax increases are preferable to spending cuts during a recession because “steep budget cuts will exacerbate the economic downturn and harm vulnerable low- and moderate-income” families.

In November, California's Unemployment Rate Reached Its Highest Level in 14 Years

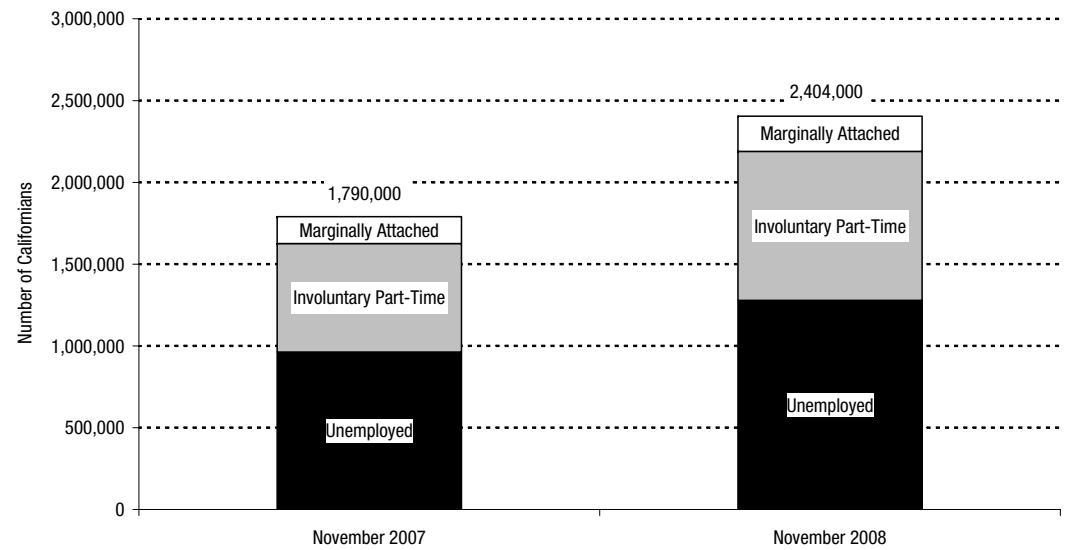
- California's unemployment rate has increased steadily since early 2007, reaching 8.4 percent in November 2008 – its highest level in 14 years. The state's unemployment rate is now 2.0 percentage points higher than that of the rest of the US and the third-highest rate in the nation – tied with South Carolina.
- One out of five unemployed Californians (20.2 percent) has been without work for 27 weeks or more, up from 16.6 percent one year ago. An additional 17.1 percent of the unemployed have been jobless for 15 to 26 weeks.
- The Legislative Analyst's Office projects that California's unemployment rate will rise to 8.8 percent in 2009 and 9.3 percent in 2010.



More Than 900,000 Californians Are Underemployed, Up by Nearly 250,000 From One Year Ago

- The official unemployment rate fails to provide a full picture of the economy because it excludes the 911,000 Californians who are underemployed – those who work part-time even though they usually work or want to work full-time. The number of underemployed Californians increased by 37.4 percent (248,000) between November 2007 and November 2008.
- The official unemployment rate also fails to capture the 215,000 Californians who want to work and are available to work, but who are not counted as unemployed because they have not searched for a job in the past four weeks. The number of these so-called “marginally attached” Californians rose by 31.1 percent (51,000) between November 2007 and November 2008.

The Number of Unemployed and Underemployed Californians Increased by More Than 600,000 Between November 2007 and November 2008

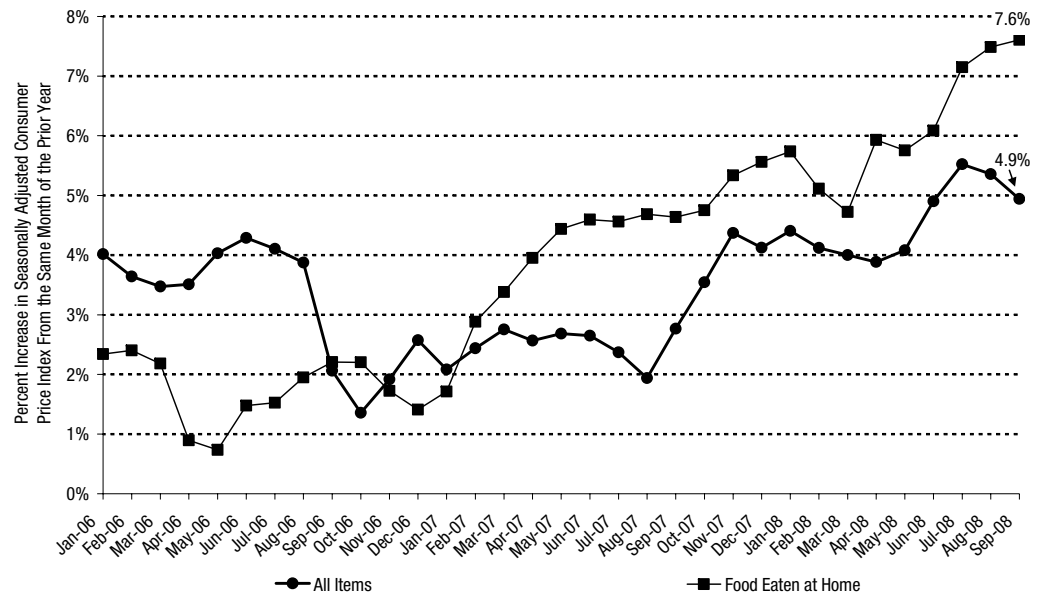


Note: Data reflect 12-month averages ending November 2007 and November 2008. "Marginally attached" Californians are those who want to work, are available for work, and have searched for work within the past 12 months, excluding the most recent four weeks.
Source: Employment Development Department

Food Prices Increased by 7.6 Percent Between September 2007 and September 2008

- In addition to facing a declining economy, Californians face a sharp rise in food prices. Nationally, the price of food eaten at home increased by 7.6 percent between September 2007 and September 2008 – greater than the increase in prices overall (4.9 percent) and the highest year-over-year increase in food prices since February 1990.
- The prices of certain basic foods have increased by even more. Between September 2007 and September 2008, the price of cereals and bakery products jumped by 12.3 percent, the price of fruit and vegetables increased by 10.3 percent, and the price of meat, poultry, fish, and eggs rose by 5.9 percent.
- Food prices facing low-income households have increased to a greater extent than food prices overall. The cost of food in the US Department of Agriculture’s Thrifty Food Plan for a family of four with young children – a plan intended to provide adequate nutrition at a minimal cost – increased by more than 10 percent between September 2007 and September 2008.

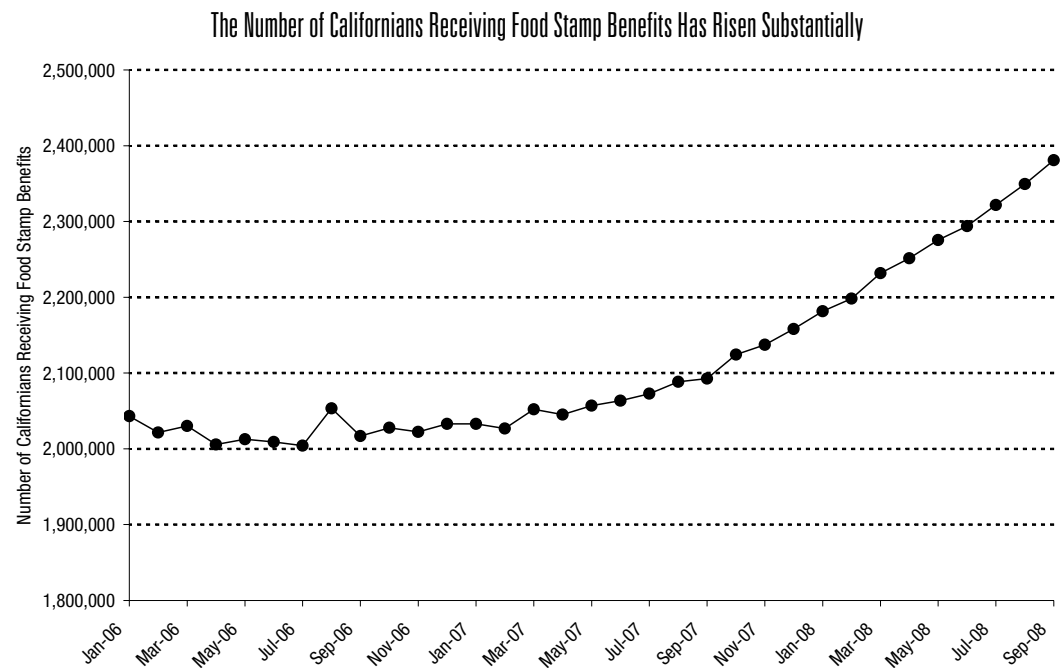
Food Prices Increased by 7.6 Percent Between September 2007 and September 2008



Source: US Bureau of Labor Statistics

The Number of Californians Receiving Food Stamp Benefits Has Risen Substantially

- The number of Californians receiving food stamp benefits increased by 13.8 percent (288,212) between September 2007 and September 2008 – nearly four times the increase during the prior 12 months (3.7 percent).
- Food stamp applications have risen even more rapidly, suggesting that many more Californians are having difficulty making ends meet. The number of applications for food stamp benefits jumped by 33.0 percent between September 2007 and September 2008, up from 6.5 percent during the prior 12 months.

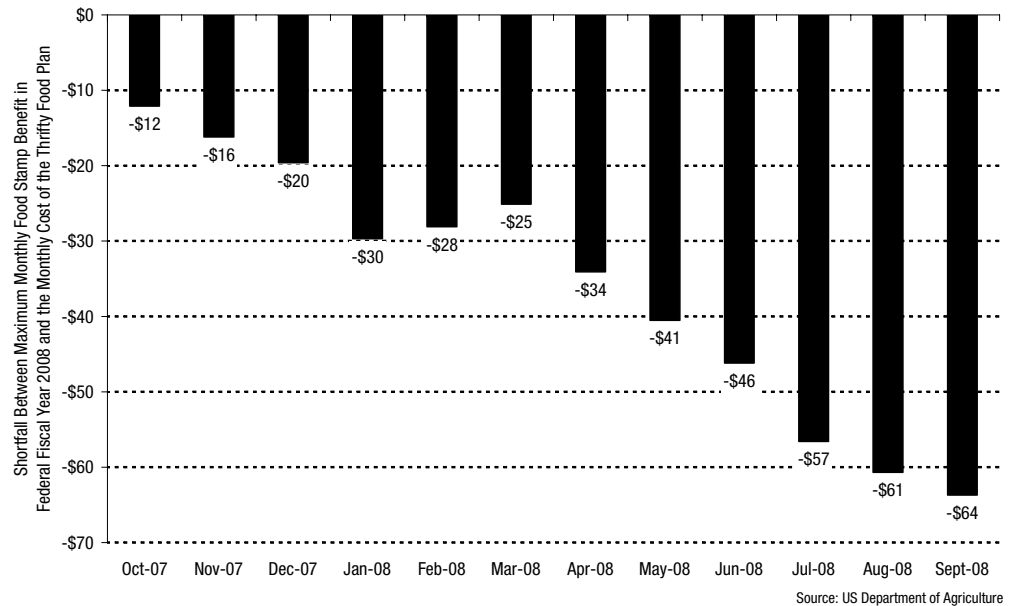


Source: Department of Social Services

Rising Food Prices Mean Food Stamp Benefits Fall Short

- Each October, the US Department of Agriculture adjusts the maximum monthly food stamp benefit to reflect the cost of the Thrifty Food Plan (TFP) – a plan intended to provide adequate nutrition at a minimal cost – in June of that calendar year.
- However, because of rapidly rising food prices, the maximum food stamp benefit has fallen short of providing adequate food assistance. In October 2007, the monthly cost of the TFP for a family of four with young children was \$554 – \$12 below the maximum monthly food stamp benefit. By September 2008, the monthly cost of the TFP had increased to \$606 – \$64 less than the maximum food stamp benefit.

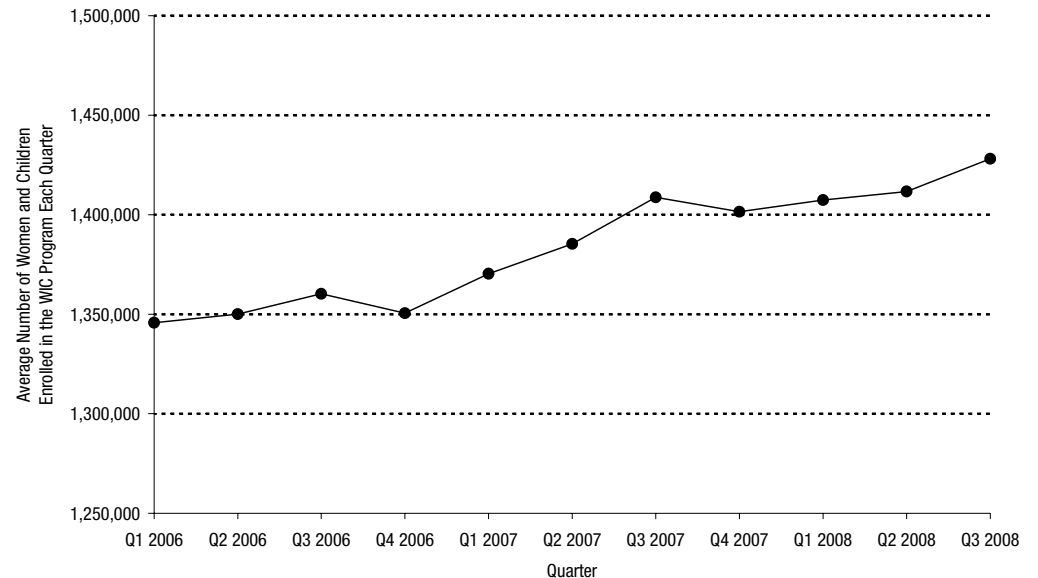
Rising Food Prices Mean Food Stamp Benefits Fall Short of Providing Adequate Food Assistance



The Number of Women and Children Enrolled in the WIC Program Has Increased Steadily in Recent Years

- The number of Californians enrolled in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) – which provides food assistance and other services to low-income pregnant and postpartum women, infants, and children – increased by 1.4 percent (19,421) between the third quarters of 2007 and 2008, and by 3.6 percent (48,453) between the third quarters of 2006 and 2007.
- According to the California WIC Association, “Local agencies continue to describe a new kind of WIC participant appearing in local clinics – families who have never been eligible before but have lost their jobs or have had their hours drastically reduced.”

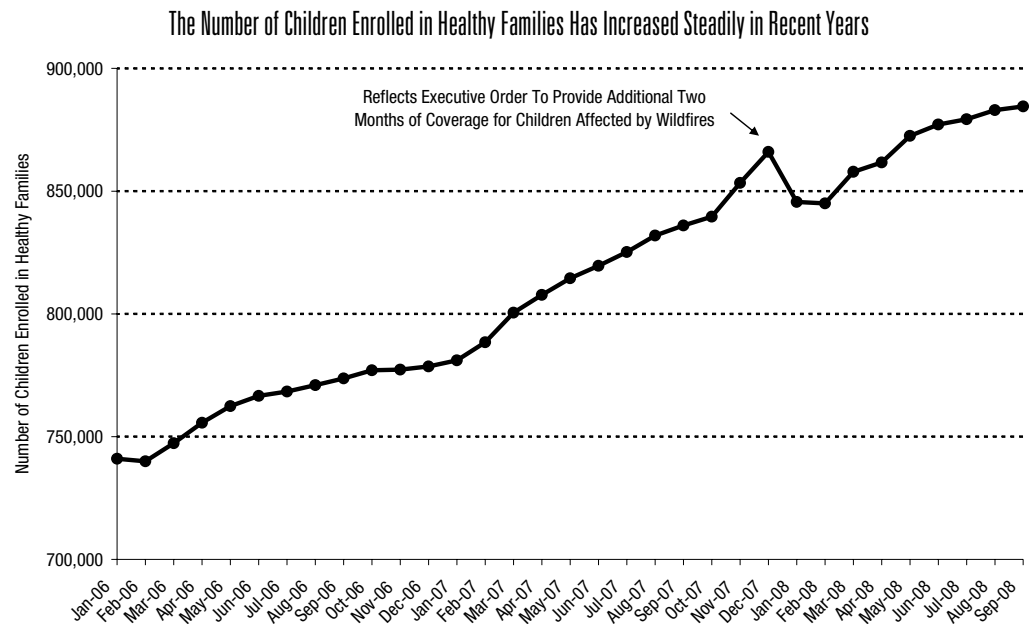
The Number of Women and Children Enrolled in the WIC Program Has Increased Steadily



Source: Department of Public Health

The Number of Children Enrolled in Healthy Families Has Increased Steadily in Recent Years

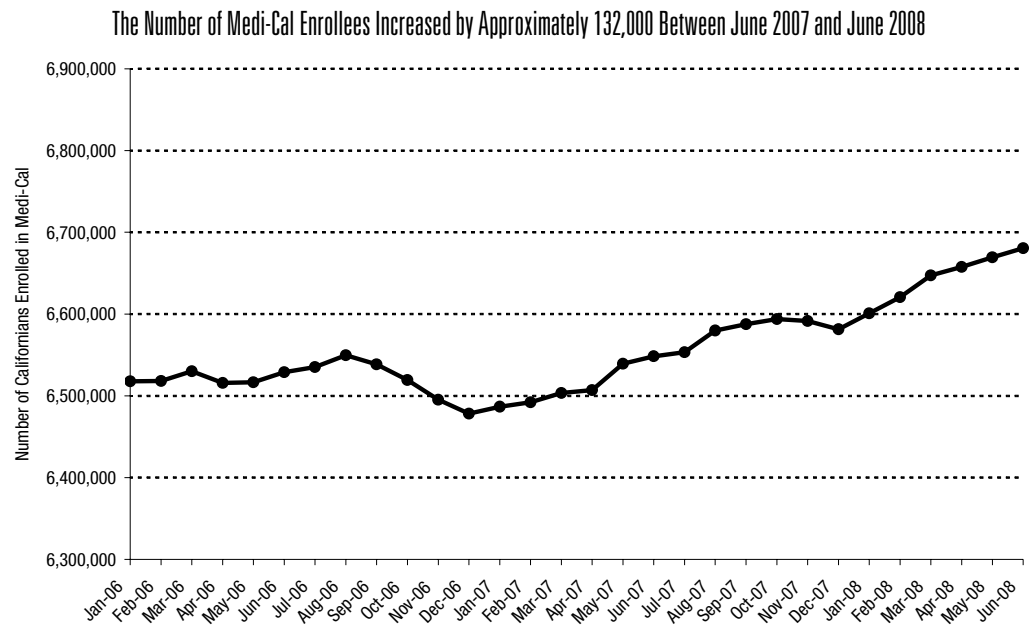
- The number of children enrolled in the Healthy Families Program, which provides health coverage to children whose family incomes are above the maximum level for Medi-Cal, increased by 5.8 percent (48,544) between September 2007 and September 2008, and by 8.0 percent (62,242) during the prior 12 months.
- The UCLA Center for Health Policy Research expects a “dramatic decline in employment-based coverage” due to the deteriorating economy. This anticipated decline would compound the three-decade-long trend of falling coverage rates in California.
- In recent years, Healthy Families – along with Medi-Cal – has played an important role in offsetting the erosion of job-based coverage, particularly for California's children.



Source: Managed Risk Medical Insurance Board

The Number Californians Enrolled in Medi-Cal Increased by Approximately 132,000 Between June 2007 and June 2008

- The number of Californians enrolled in Medi-Cal has been rising since early 2007. Between June 2007 and June 2008 – the most recent month for which complete data are available – the number of people enrolled in Medi-Cal rose by 2.0 percent (132,267), compared to a 0.3 percent increase in enrollment during the prior 12 months.
- This increase is not surprising given the declining economy. The Center for Children and Families at Georgetown University estimates that 1.2 million children and 2.9 million adults nationwide have lost job-based health coverage during the past year. While the Center estimates that most of these children have enrolled in public health coverage programs, approximately 1.9 million adults are likely to have joined the ranks of the uninsured.

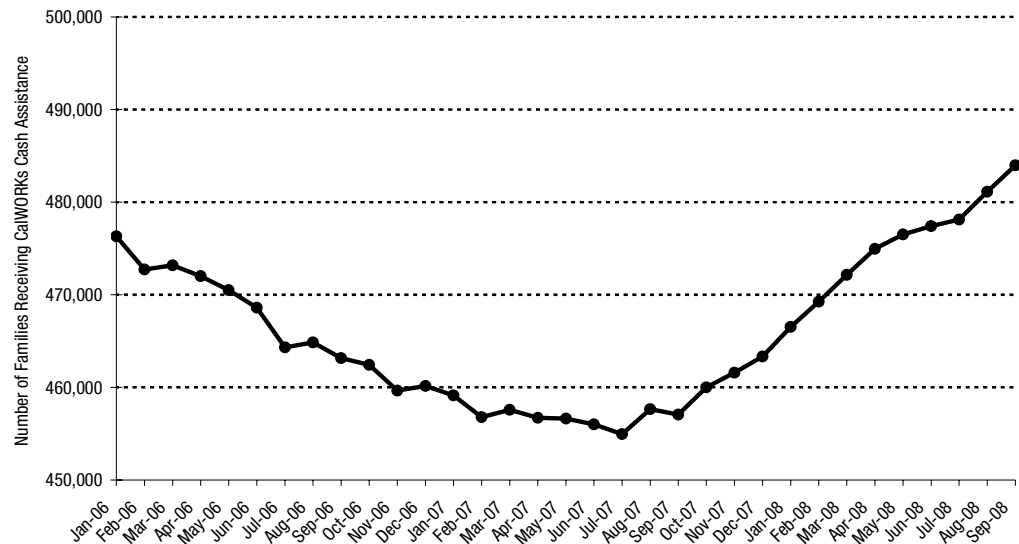


Source: Department of Health Care Services

The Number of Families Receiving CalWORKs Cash Assistance Increased by Nearly 27,000 in 12 Months

- The number of families receiving cash assistance through the California Work Opportunity and Responsibility to Kids (CalWORKs) Program increased by 5.9 percent (26,914) between September 2007 and September 2008, marking a reversal from the prior year's trend, when the September caseload declined by 1.3 percent (6,091).
- On average, 2,243 families were added to the CalWORKs caseload each month between September 2007 and September 2008, compared to an average monthly decline of 508 families during the prior 12-month period.
- CalWORKs applications have risen even more rapidly, suggesting that many more families are having difficulty making ends meet. The number of families applying for CalWORKs cash assistance increased by 22.4 percent between September 2007 and September 2008 – four times the increase in applications during the prior 12-month period (5.5 percent).

The Number of Families Receiving CalWORKs Cash Assistance Increased by Nearly 27,000 Between September 2007 and September 2008



Source: Department of Social Services

Carefully Chosen Tax Increases Are Preferable to Spending Cuts During a Recession

- Increased demand for public programs comes at a time when policymakers are proposing deep cuts to health and human services programs to close the state's budget gap.
- However, according to a group of 117 economists that span the ideological spectrum, “Economic theory and historical experience [clearly show that] it is economically preferable to raise taxes on those with high incomes than to cut state expenditures” during a recession.
- This group of prominent economists recently made this argument in a letter to New York's governor and expressed concern “that steep state budget cuts will exacerbate the economic downturn and harm vulnerable low- and moderate-income” families.