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CIPC UPDATE **GOVERNOR'S MAY BUDGET REVISION**

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GOVERNOR'S REVISED BUDGET CONTAINS CUTS TO PROGRAMS FOR LOW-INCOME CALIFORNIANS

On May 14, 2007, Governor Schwarzenegger released the May Revision of his budget proposal for the 2007-2008 fiscal year. Despite a recent slump in revenues, the administration insists on increasing payments on bonds in hopes of getting the state out of debt more quickly. In order to achieve this, the budget moves to cut funding for vital programs and privatize state assets. Under the proposed budget, the state would sell EdFund, a state operated fund that insures loans for approximately half of California's college students, bringing the state an additional \$1 billion in revenue. The administration also plans to encourage privatization of the state-run lottery.

In January, the administration proposed \$600 million in cuts to human services, including proposals to make significant changes to CalWORKs that will cut aid to some of California's poorest families with children. Now, the governor is also proposing to cut \$185 million from programs serving low-income seniors and persons with disabilities. Some of the May Revision proposals affecting low-wage families are described below.

SOCIAL SERVICES

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP) - The Governor's May Revision suspends the January 2008 state Cost of Living Adjustment (COLA) in the SSI/SSP program, effectively cutting \$185 million from the program. The Revision, however, leaves the smaller federal COLA untouched, giving individuals a seven dollar increase on their monthly grant of \$856 and couples a twelve dollar increase on their \$1502 grant. This assistance is often the only income for seniors and persons with disabilities. Given California's rapidly rising cost of living and the rate of inflation, the real value of SSI/SSP payments over the years has diminished drastically.

In addition, the following proposals remained unchanged from the Governor's January budget proposal:

CALWORKS - California's version of Temporary Assistance for Needy Families (TANF), this program provides cash grants to adults for a maximum of five years while promoting work participation and self-sufficiency. Currently, when the state sanctions a parent by cutting or suspending their aid for failing to comply with work requirements, the state continues to provide aid to children in the household. The governor proposes to make several policy changes to the CalWORKs program that, if enacted, would for the first time terminate the safety net for children.

- **FULL FAMILY SANCTIONS** - When a parent falls out of compliance with work requirements, California removes the parent from the CalWORKs cash grant but continues to provide a safety net benefit for children. This proposal terminates assistance to children unless the parent can come into compliance within 90 days.

- **CUT CHILD SAFETY NET FOR PARENTS OUT OF COMPLIANCE** – Once a parent has reached the 5-year lifetime limit of aid, California removes the parent from the cash grant but continues to provide assistance for children. This proposal cuts the child safety net unless the parent who is no longer receiving assistance continues performing the program's required work activities.
- **CUT CHILD SAFETY NET FOR INELIGIBLE PARENTS** – This proposal terminates cash assistance to the children of parents who are ineligible for CalWORKs, including the children of immigrants. This measure does nothing to improve the state's work participation rates or avoid fiscal penalties since these parents are not part of the federal work participation calculation.

These proposed changes will result in a \$324 million reduction in CalWORKs expenditures by effectively kicking families out of the program. The administration states that this will encourage families to achieve self-sufficiency. However, research indicates that parents on aid face significant barriers to employment and sanctioned families need services and counseling. Such punitive policies only punish children who depend on this aid to meet their most basic needs. Continuing aid to children allows counties to identify and address the needs of the adults while ensuring that these families have the resources necessary to maintain the well-being of their children. Finally, the governor proposes to cut an additional \$140 million from CalWORKs by suspending the COLA, thereby depriving working poor families of a much needed increase in aid that would only serve to keep up with the rising cost of living in California.

NATURALIZATION SERVICE PROGRAM (NSP) - NSP provides funding to local governments and community-based organizations to assist immigrants through the naturalization process. The Administration proposes to maintain NSP funding at \$3 million for 07-08. California has nearly 3 million immigrants who are eligible to apply for citizenship and this level of funding is simply too low to keep up with the waiting list of people who are eligible and eager to begin the path towards citizenship.

EMERGENCY FUNDING FOR FOOD BANKS – Earlier this year, the state provided food banks with \$4.7 million in order to respond to last winter's citrus freeze by purchasing and distributing food to affected individuals. Last month, the federal government began to fulfill its commitment to provide 1500 truckloads of federal commodities. The governor proposes allocating an additional \$4.45 million in order to store and distribute these additional food resources.

PUBLIC HEALTH

MEDI-CAL MANAGED CARE - The May revision includes \$107 million to provide rate adjustments to Medi-Cal managed care plans in order to provide a transition period to plans that would have otherwise received rate reductions. This transition period is essential to help ensure that the 3.2 million Medi-Cal recipients continue to receive care.

IMPLEMENTATION OF THE DEFICIT REDUCTION ACT - The May revision includes a \$39.4 million increase to counties for administration and implementation of the new federal Deficit Reduction Act (DRA) citizenship verification requirements.

CIPC will provide updates as budget negotiations continue. For more information regarding the 2007-2008 State Budget and the May Revise, please visit www.dof.ca.gov. If you have any questions regarding this update, contact Layla Razavi at 916.448.6762, ext. 202.