



California Budget
& Policy Center

Implications of Federal Policies for California

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Budgets are statements about our values and priorities.

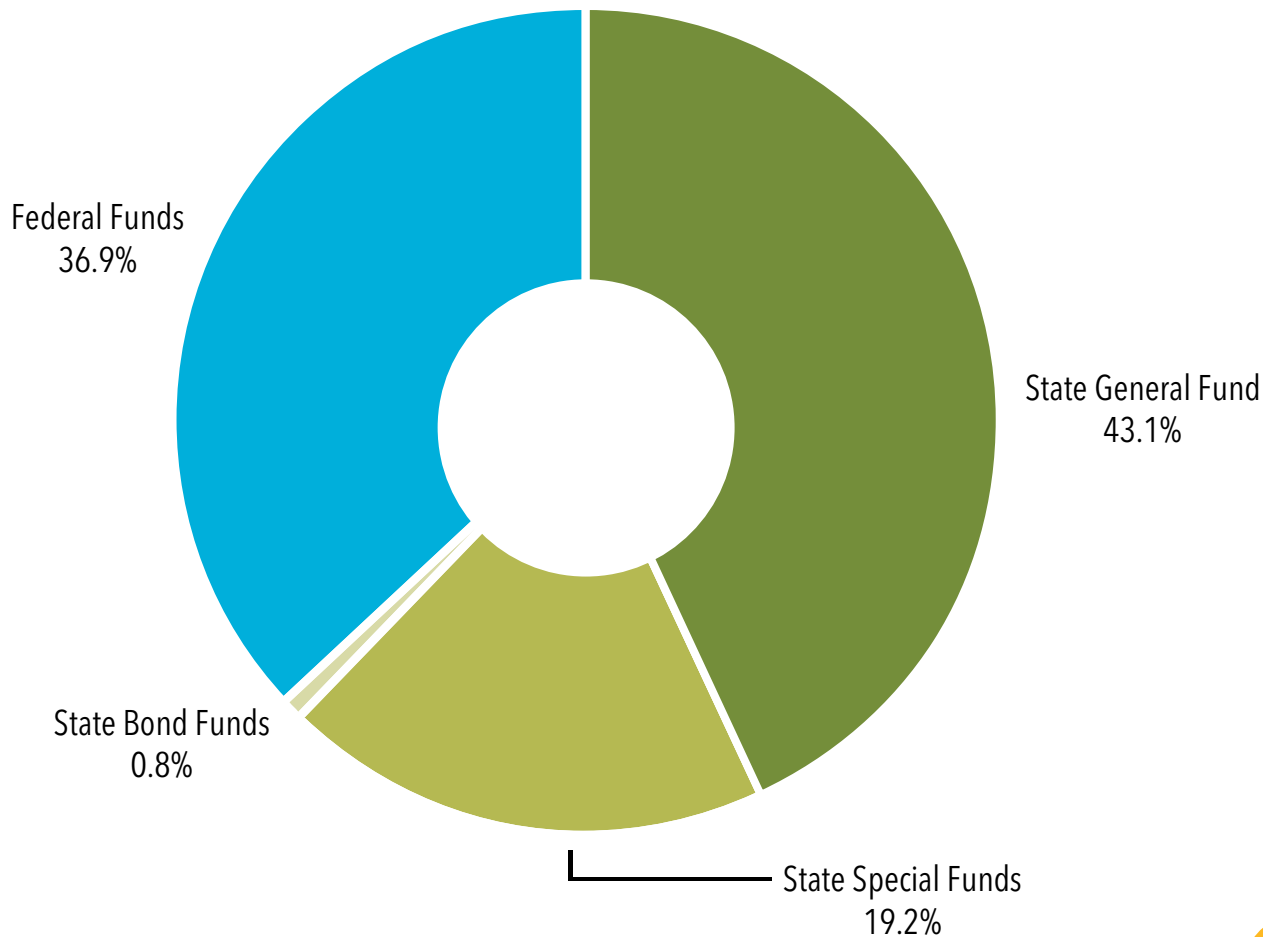


Part I **Federal Budget Policies: Context, Timelines, and Key Proposals**



Federal Funds Account for More Than One-Third of California's State Budget

Total Proposed 2017-18 Expenditures = \$284.5 Billion

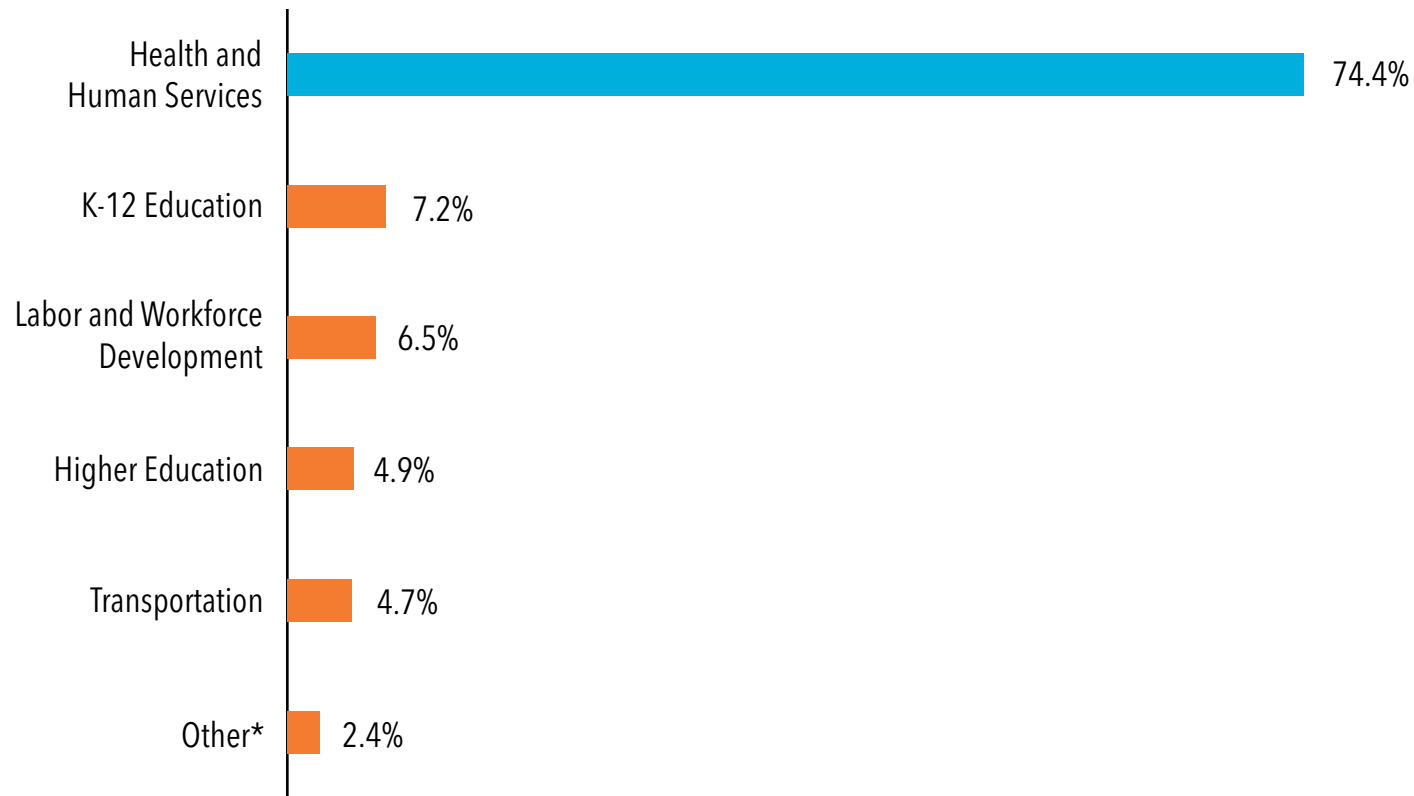


Source: Department of Finance



More Than 7 in 10 Federal Dollars Spent Through the State Budget Support Health and Human Services

Federal Funds Projected to Be Spent Through the State Budget in 2017-18 = \$105.0 Billion



* Includes Environmental Protection; Legislative, Judicial, and Executive; Corrections and Rehabilitation; and other state budget categories that account for relatively small shares of federal funds.

Note: Percentages do not sum to 100 due to rounding.

Source: Department of Finance



Federal Proposals That Could Impact This Year's Budget Debates

- Repealing the Affordable Care Act (ACA), including Medicaid (Medi-Cal), with no real replacement
- Dismantling the current safety net through block grants and caps on Medicaid and SNAP (food assistance)
- Deep federal budget cuts to other discretionary program and entitlements
- Major federal tax cuts that would force deeper cuts



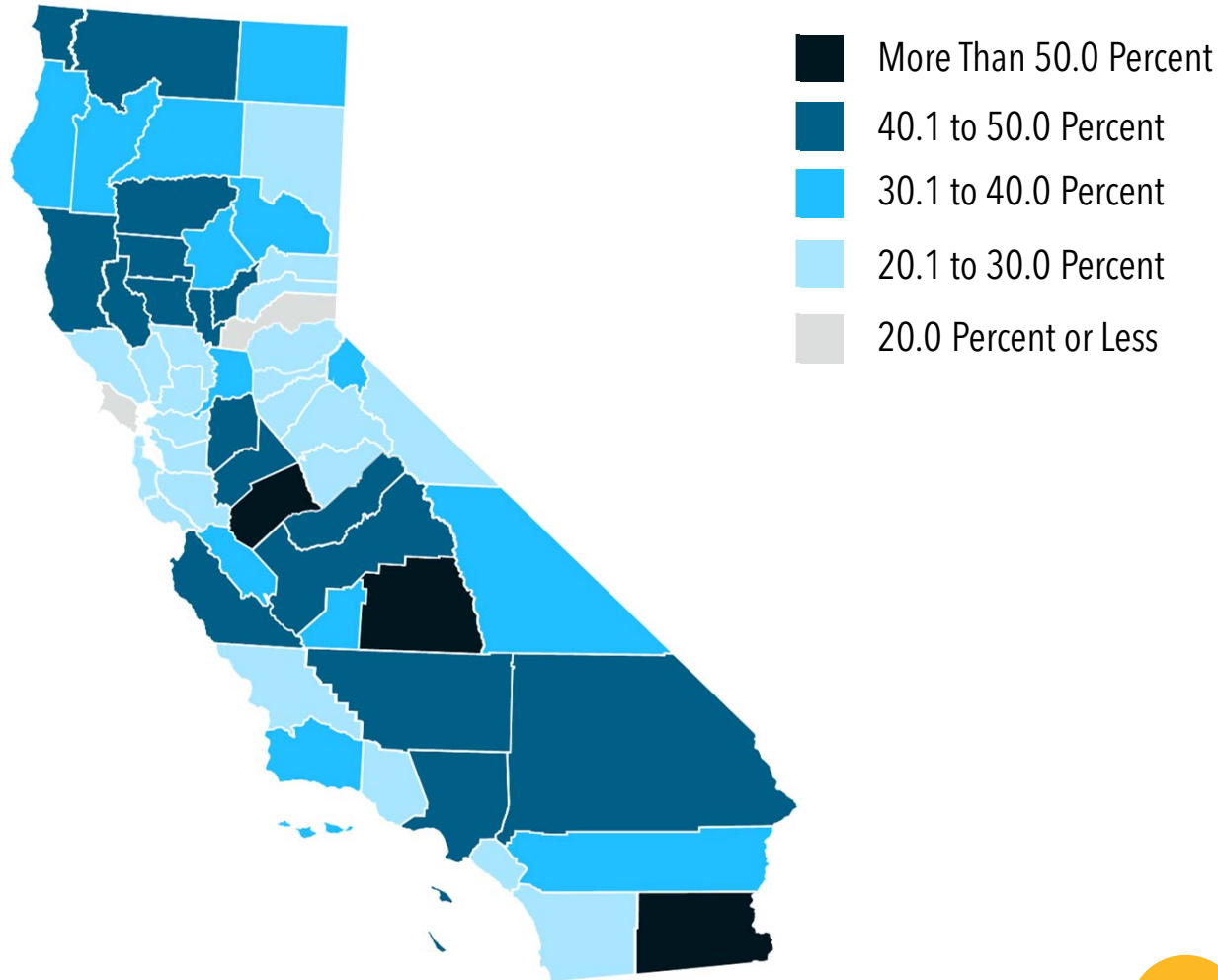
Federal Timelines and Uncertainty Leading Up to Fiscal Year 2018 (Oct. 1)

- May – June
 - Congress adopts/extends FY 2017 appropriations.
 - House acts on FY 2017 reconciliation bill to repeal ACA.
 - President releases proposed FY 2018 budget
 - Congress adopts FY 2018 budget resolutions and begins process of making FY 2018 appropriations?
- July – September
 - Senate may act on ACA repeal and replacement?
 - House-Senate conference on ACA repeal and replacement?
 - Congress raises the federal debt ceiling?
 - House begins to move tax cut/reform bill?



The Share of Residents Enrolled in Medi-Cal Exceeds 40 Percent in 20 Out of 58 Counties

Medi-Cal Enrollees as a Percentage of the Population, January 2016



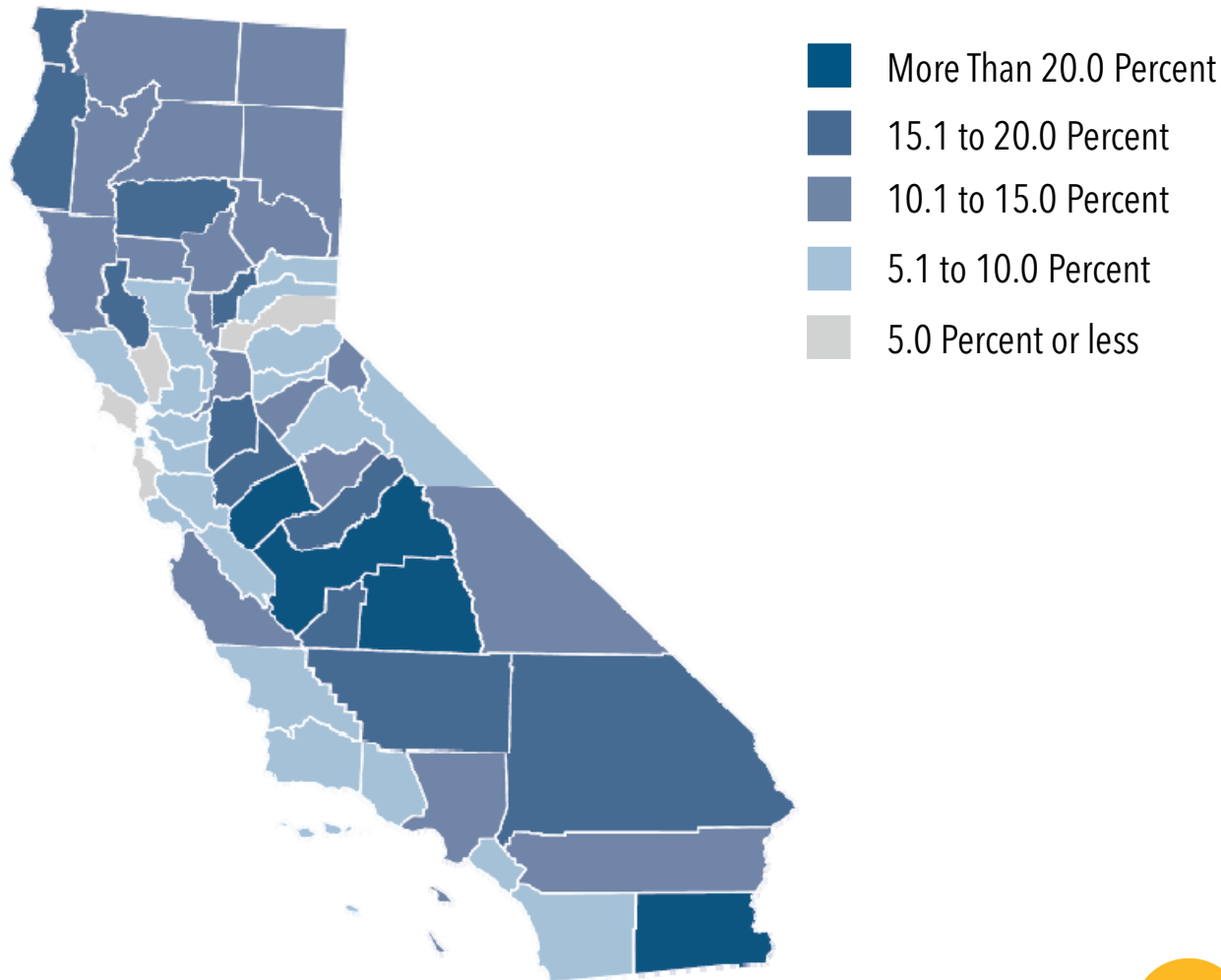
Note: Percentages are estimates.

Source: Department of Finance and Department of Health Care Services



Use of Food Assistance Varies Across California, but Is the Highest in the San Joaquin Valley

Estimated CalFresh Participation as a Share of the Population, 2016-17



Note: Estimates are based on CalFresh participation during the first four months of the 2016-17 state fiscal year.

Source: Budget Center analysis of data from the Department of Finance and Department of Social Services



Part II The Proposed 2017-18 State Budget: Context and Key Proposals



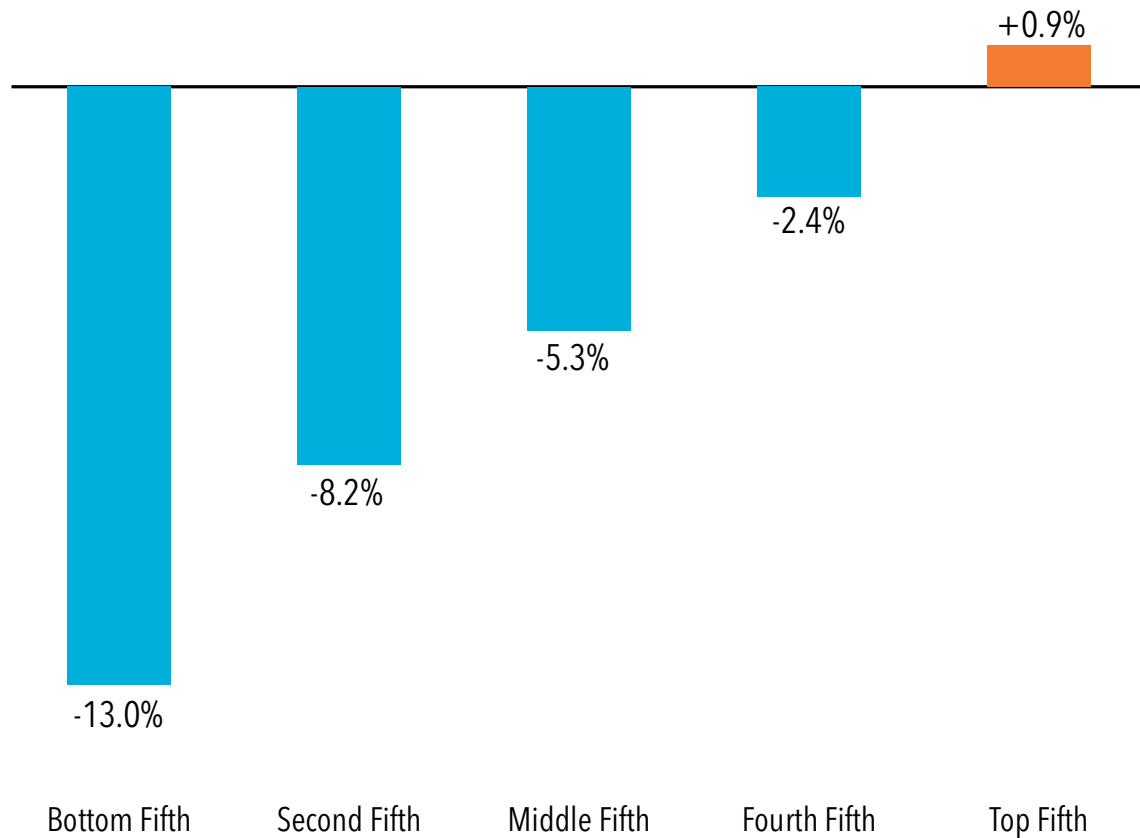
The Social and Economic Context of the State Budget

Despite nearly eight years of sustained economic growth, the recovery remains uneven and elusive for many Californians.



Only the Highest-Income California Households Have Seen Their Incomes Rebound From the Great Recession

Percent Change in Average Inflation-Adjusted Household Income, 2007 to 2015

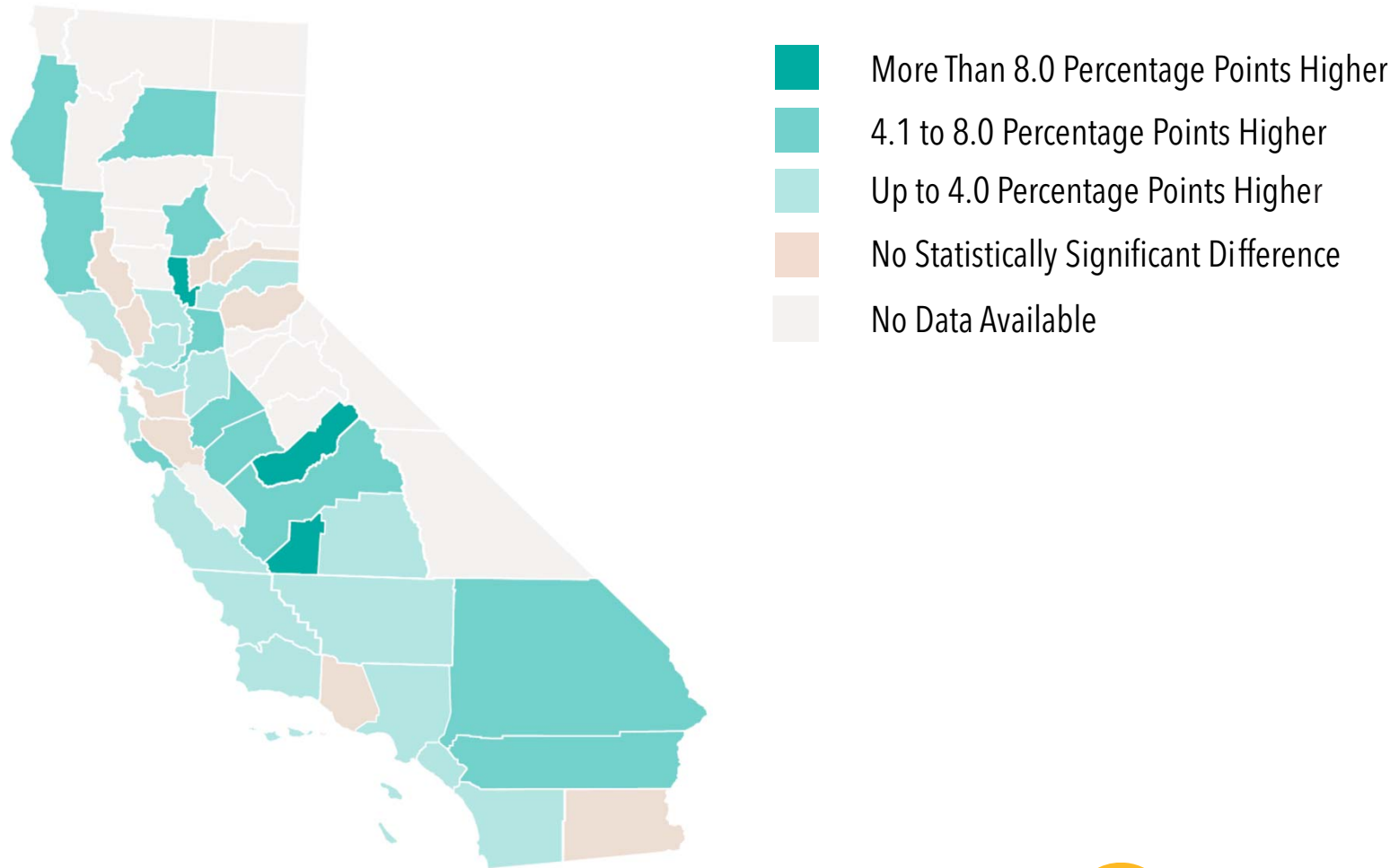


Source: Budget Center analysis of US Census Bureau, American Community Survey data



Poverty Rates Remain High in Many Parts of the State, Even in Places Where Job Gains Have Been Strong

Percentage-Point Difference in Official Federal Poverty Rate Between 2007 and 2015

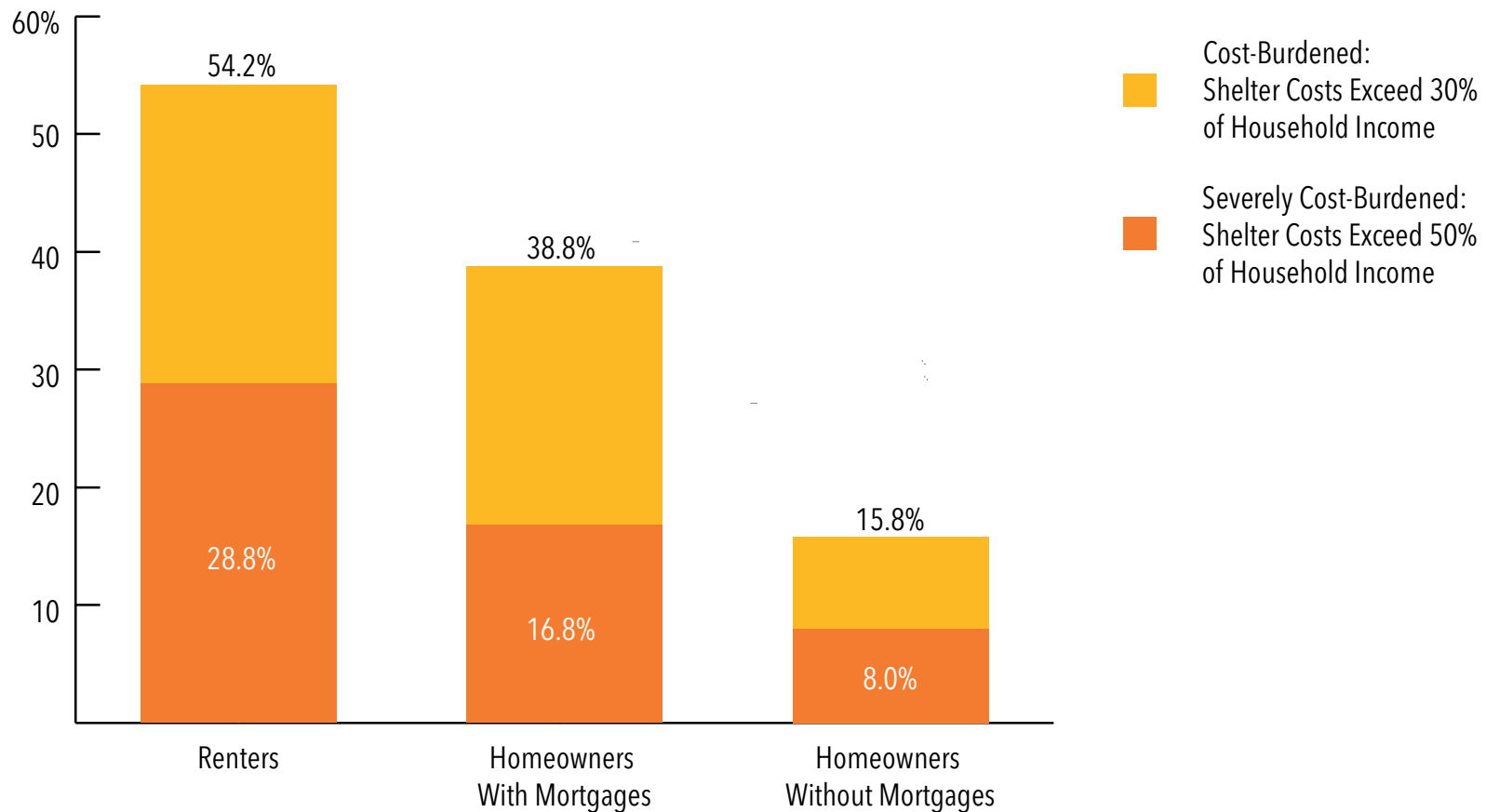


Source: Budget Center analysis of US Census Bureau, American Community Survey data



More Than Half of California's Renters and Over a Third of Homeowners With Mortgages Have High Housing Costs

Percentage of Households With Housing Cost-Burden or Severe Housing Cost-Burden, 2015



Note: Definitions of housing cost-burden are from the US Department of Housing and Urban Development.

Source: Budget Center analysis of US Census Bureau, American Community Survey data



State Timelines: What happens next?

- **May Revision (May 12):** Governor Brown released his revised Proposed 2017-18 Budget.
- **Legislative hearings:** Legislative budget committees propose changes. Likely joint budget committee hearing (early June).
- **Legislative spending plan by June 15th:** The Legislature must send the Governor their spending plan by midnight on June 15th.
- **Governor must sign/enact a budget by June 30.**



The Governor's May Revision: Top Lines

- Forecasts revenues that are more than \$2 billion higher (over three-year period) than projected in January, but still lower than projected last summer
- Supports K-14 education at a level above what is required by the Proposition 98 minimum funding guarantee
- "Un-pauses" multiyear plan to reinvest in child care and preschool, as included in last summer's budget package
- Includes funds to lessen impact of In-Home Supportive Services "cost-shift" to counties
- Contains no new investments in many key services that help families make ends meet and advance



May Revision calls for “modestly improved fiscal outlook.”

General Fund revenues over the three-year “budget window” (2015-16 to 2017-18) are expected to be \$2.5 billion higher than projected in January — but still \$3.3 billion below what was projected last summer.



Governor's revised budget continues emphasis on building reserves, partly as required by Prop. 2 (2014).

Total state reserves would be a projected \$10.1 billion at end of 2017-18, including \$8.5 billion in the "rainy day fund."



May Revision boosts funding for K-12 schools and community colleges above the Prop. 98 minimum funding level.

May Revision assumes a Prop. 98 funding level of \$74.6 billion for 2017-18, \$1.1 billion more than that assumed in the January proposal.



**May Revision reflects
“cost-shift” to counties of
nearly \$600 million for
In-Home Supportive Services
– but provides funds to
reduce impact.**



Prop. 56 will raise a projected \$1.8 billion through June 2018, with over \$1.3 billion allocated to Medi-Cal.

May Revision maintains plan to use these new tobacco-tax revenues to pay for typical, year-to-year Medi-Cal cost increases, rather than “improved payments” for health care services as Prop. 56 requires.



In change from January proposal, May Revision “un-pauses” multiyear plan to reinvest in early care and education.



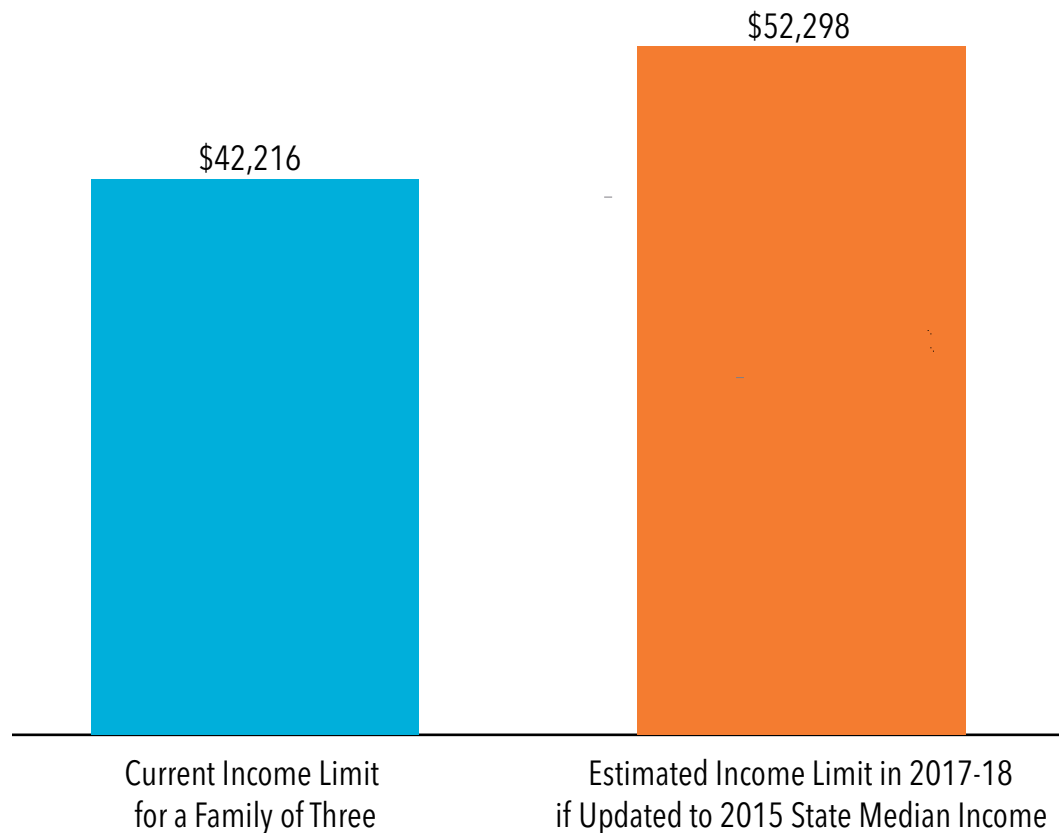
The Child Care and Development System in the 2017-18 May Revision

- Provides \$160.3 million to increase the reimbursement rate for providers that *contract directly* with the state.
- Provides \$42.2 million to update the payment rates for *voucher-based* providers.
- Provides \$7.9 million to add 3,000 full-day state preschool slots beginning April 1, 2018, as scheduled in the original multiyear plan.
- But—does not update income eligibility limits, which are currently based on data that are a decade old.



The Income Eligibility Limit Would Increase by 24 Percent if Updated for the Most Recent State Median Income

Income Limit for a Family of Three for Subsidized Child Care and the State Preschool Program



Note: The estimated income limit for 2017-18 is based on the state median income for a four-person family in 2015, adjusted to reflect a three-person family using the methodology applied by the California Department of Education (CDE) as part of the latest update to the income limit in 2007-08. Source: Budget Center analysis of data from CDE and US Census Bureau



Governor notes various effects of the state's affordable housing crisis, but calls for no new state investment.

Revised budget for 2017-18 continues to rescind the \$400 million for affordable housing programs set aside in last year's budget agreement.



May Revision includes no new investments in the California Earned Income Tax Credit (CalEITC).

Governor's revised budget — like January proposal — does not include the \$2 million provided in this year's budget for CalEITC outreach and education.



As in January, Governor proposes no new investments in various supports for Californians with low incomes.

May Revision does not propose to increase CalWORKs grants or time limits, boost state support for SSI/SSP, or restore optional Medi-Cal benefits that had been eliminated to address recession-era budget shortfalls.



Part III Issues and Questions to Watch



Some Key Questions Likely to Shape the Coming Weeks' Budget Debate

- What will the effect of the proposed federal budget cuts have on California's budget deliberations?
- What will the State Assembly prioritize in the final budget negotiations with the Governor?
- What will the State Senate prioritize in the final budget negotiations
- What will we see in the 2018 statewide elections – Governor's race and ballot measures?



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