

Summary of Major 2015-16 Budget Actions Impacting Low-Income Californians

The Legislature has approved the 2015-16 state budget which now moves to the Governor who is expected to sign it. This budget has \$14 billion more in revenue than anticipated last year. This is due to higher than anticipated revenue from both the 2103-14 and 2014-15 budgets as well as higher anticipated revenue for the 2015-16 budget. Since January, combined revenue estimates increased over the three years by \$6.7 billion.

Despite this windfall of revenue there is little new investment in programs that serve low-income persons. That is primarily because public schools received the lion's share of the increased revenue based on the Legislature's and the Administration's interpretation of Proposition 98, the school funding guarantee formula. The 2015-16 budget provides about \$6 billion in new funding for schools under Proposition 98. On top of this, schools will receive an additional \$3.8 billion in funds owed to them from prior years when funding under Proposition 98 was reduced due to the recession.

In addition to significant new funding for K-14 education programs, much of the rest of the revenue increase was stored away in the state's Rainy Day Fund that was established by last year's Proposition 2. About \$1.85 billion went to the Budget Stabilization Account and a similar amount was set aside to pay down "budget" debts which consists mostly of borrowing from special funds during the recessionary years.

Though these revenue increases are significant, the Legislative Analyst Office found that the Governor's revenue estimates were too conservative and suggested that the Legislature could safely budget for at least \$2 billion more than the Governor projected. The difference in revenue projections and the method for increasing child care funding proved to be pivotal issues in settling the 2015-16 budget. On the revenue estimate, the Governor prevailed and his lower revenue assumptions were adopted.

A Senate proposal that would have funded child care slots out of Proposition 98 (as was done prior to the recession) was not adopted by the two-house Budget Conference Committee. The child care funding was shifted to include more General Fund revenue. This left little funding available for increases to the non-education side of the budget such as health, welfare, courts and housing. Therefore, many of the proposals to increase funding for safety net programs were eliminated or reduced in the final budget agreed to by the Governor and the Legislature. So despite a \$14 billion revenue increase, the 2015-16 budget has done less to reduce poverty and provide services than the prior two budgets. It is a disappointing outcome though there were some notable victories as described below.

This overview is a quick snapshot of the major provisions and actions impacting

low-income Californians in the 2015-16 budget act. Western Center will provide deeper analysis of many of the budget provisions in the coming weeks.

Significant Anti-Poverty Components Included in the 2015-16 Budget

Creates a State EITC -The budget includes the Governor's \$380 million refundable state earned income tax credit (EITC). The credit will lift incomes for approximately 825,000 low-income California workers, many of whom have earnings below 50% of the Federal Poverty Level (FPL).

Expands Medi-Cal for All Children - The budget provides \$40 million to provide an entitlement of Medi-Cal for all children up to age 19, regardless of immigration status, with family income up to 266% FPL (\$53,440 per year for a family of three), effective no sooner than May 1, 2016.

Increases Dental Provider Payment - A previous budget reduced payments by 10% to certain Medi-Cal providers in September 2013. This budget eliminates the 10% Medi-Cal payment reductions for dental providers effective July 1, 2015.

Provides for Traffic Fine Amnesty - More than four million Californians have a suspended license because they cannot afford to pay traffic tickets. The budget includes the Governor's traffic amnesty program that will allow Californians to pay off a reduced debt, get their driver's license restored and get back to work.

Increases Funding for the CalWORKs Housing Support Program - The budget includes a \$15 million augmentation to the highly effective rapid re-housing program adopted as part of last year's budget. The increased funding will help thousands of CalWORKs families avoid homelessness and help parents begin their welfare-to-work programs more quickly. This funding level is half of what the Legislature sought.

Funds Immigrant Legal Assistance - The budget includes \$15 million in funding to provide education, outreach, and legal services for DACA, DAPA, and naturalization services by legal service organizations and other community organizations.

Expands Access to Child Care - The budget begins to address the shortage of affordable child care for low-wage working families by adding 15,000 pre-school and child care slots and by providing long overdue rate increases for child care providers. This funding level is far less than advocated for by both the Assembly and Senate.

Major Anti-Poverty Proposals Not Included in the Final Budget

The final budget package did not include many high priority items that advocates sought, particularly in the human services area. All of the following proposals that were included in the Budget Conference Committee report were eliminated in the final budget.

Repealing the CalWORKs Maximum Family Grant Rule - The Conference Committee budget repealed the Maximum Family Grant rule that denies public benefits to *children* solely because they were born into a family already on cash assistance.

Reinstating the CalWORKs and SSI/SSP COLAs - In 2009 the Legislature, under the urging of then-Governor Arnold Schwarzenegger, repealed the cost of living adjustments to public assistance grants for CalWORKs and the state portion of the SSI/SSP. Since those repeals, both grant amounts have lost ground to inflation. The Conference Committee budget restored the CalWORKs COLA on July 1, 2019 and restored the SSP COLA on January 1, 2020.

Suspending the 24-Month Welfare to Work Clock - In 2012 Governor Brown insisted that the Legislature include a major change to CalWORKs welfare-to-work requirements. New estimates show the Governor's reform will increase deep poverty for hundreds of poor families. The Conference Committee budget suspended the 24-month welfare to work clock.

Increasing Monthly SSI/SSP Grants by \$10 for Individual Recipients - Grant cuts and elimination of the SSP Cost of Living Adjustment dropped nearly 1 million SSI/SSP individual recipients below the poverty level. After a vigorous campaign by SSI recipients and advocates the Conference Committee budget would have increased SSI/SSP grants by a modest \$10 a month for individuals.

Funding for the State Emergency Food Assistance Program - The Conference Committee budget provided \$3 million to Food Banks in California to help address the continuing impacts of the recession and California's high poverty rate.

Restoring Adult Dental and Other Medi-Cal Benefits - The Conference Committee budget restored adult dental and other critical Medi-Cal benefits including glasses, podiatry, speech therapy, audiology, incontinence cream and washes, and acupuncture, that were cut in 2009.

Funding for Rural Housing - The Conference Committee budget contained over \$20 million for various rural housing programs, including funding for the Serna farmworker program and the Self-Help Housing program, neither of which have been funded for years. The final agreement eliminated appropriations for those two programs, leaving just \$3.4 million in increased spending for the state's migrant services centers.

Funding for Seismic Retrofitting. The Conference Committee budget included \$15 million to fund various seismic retrofit programs, which would have put a dent in shoring up the state's housing stock, including multifamily rental housing, which is sorely at risk when the next earthquake strikes.

The Legislature and Governor considered but did not act on two issues which have a significant impact on affordable housing funding. It is expected that the Legislature and Governor may revisit these issues before the Legislature recesses in September.

Redevelopment

The Governor proposed a number of changes to the dissolution process for redevelopment agencies as part of the Budget. The current version of this proposal allows the proceeds from all housing bonds that were issued prior to June 28, 2011, to be used for their intended purpose, which would mean over \$170 million for affordable housing projects. The Legislature did not act on this proposal but it may come up for a vote later in the year.

Cap and Trade

Under the formula established in last year's budget that continuously appropriates 20% of cap and trade revenues to the Affordable Housing and Sustainable Communities (AHSC) program, AHSC is tentatively set to receive \$400 million this year, of which at least \$200 million must go to affordable housing projects. The current proposal also includes \$140 million for energy efficiency retrofits for low-income households. Negotiations on the cap and trade expenditure plan are ongoing, with a final plan likely to be adopted in August.

Special Sessions on Health and Transportation Called By the Governor

On the day that the budget agreement was announced, the Governor issued proclamations for two special sessions to deal with budget-related matters. One special session will be on health care. The Governor is concerned that there is inadequate funding to restore rates for Medi-Cal fee-for-service providers and developmental disability service providers as well as inadequate funding to support the restoration of IHSS hours to consumer. In addition, recent federal guidance indicates that California cannot renew a tax on Medi-Cal managed care plans that dates back to 2005 due to the narrow target of the tax. The special session will attempt to broaden the application of the managed care tax to all managed care plans to address federal concerns.

The Governor also called a special session on transportation funding to deal with the backlog of highway maintenance. The state says it needs to spend \$8 billion a year for highway maintenance but has only \$2.3 billion available. The special session will consider ways to increase funding to bridge this gap.

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Western Center leads the fight
in the courts, counties and capital
to secure housing, healthcare and a strong safety net
for low-income Californians.