

CALIFORNIA BUDGET PROJECT

Poverty and the State and Federal Budgets

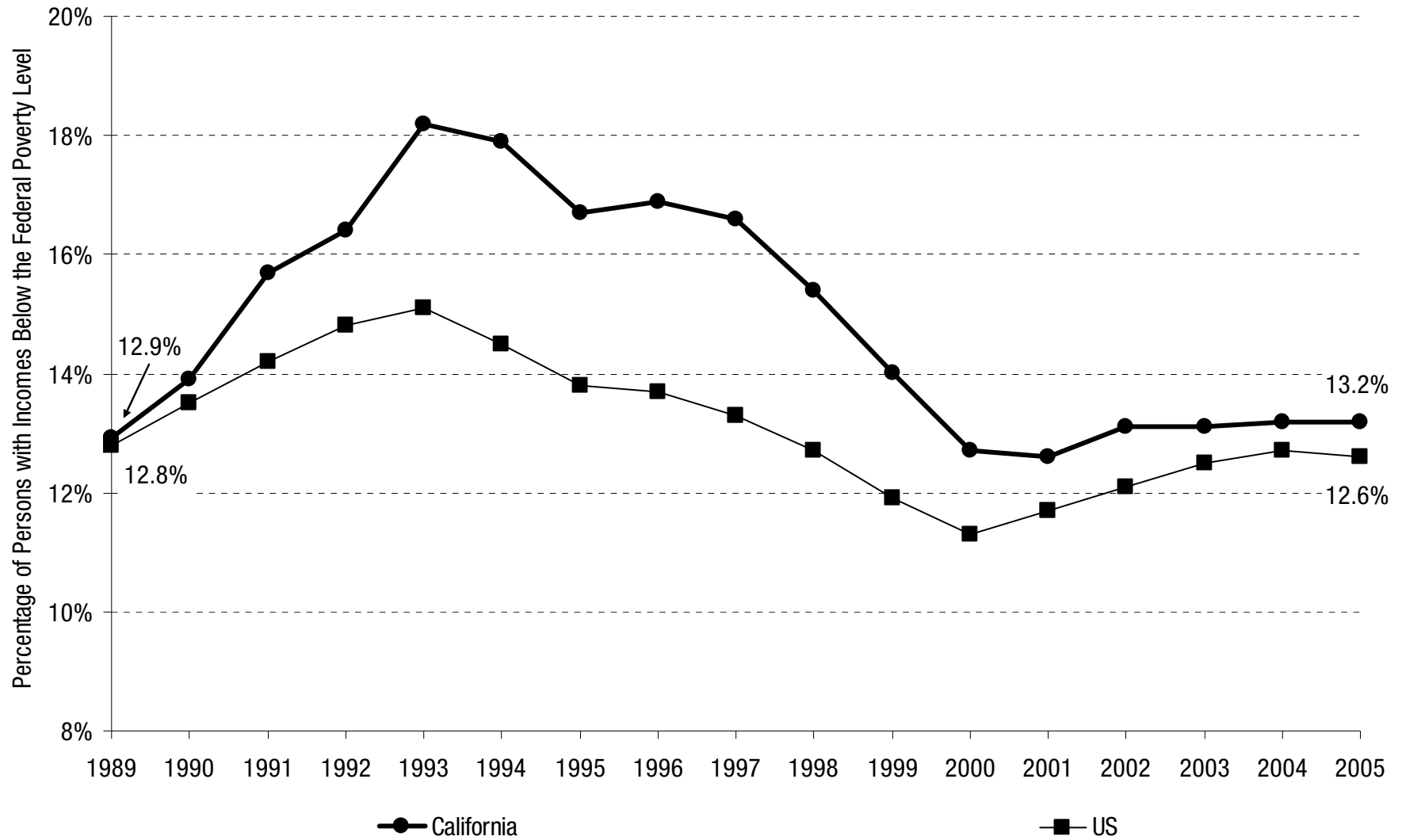
1107 9th Street,
Suite 310
Sacramento,
California 95814
(916) 444-0500
www.cbp.org
cbp@cbp.org

A PRESENTATION BY
SCOTT GRAVES, SENIOR POLICY ANALYST
April 11, 2007

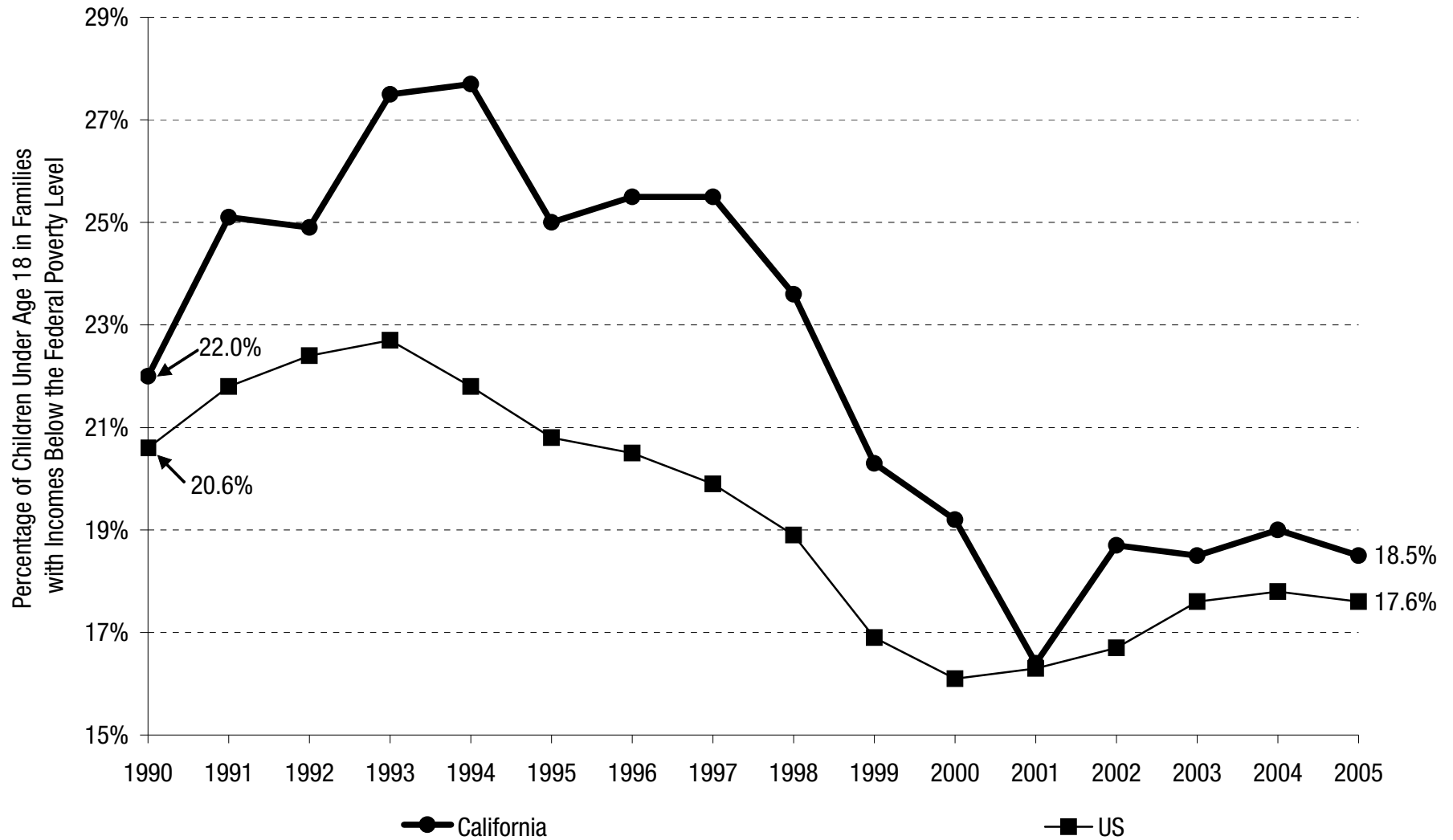


Poverty, Income, Earnings, and Taxes in California: Recent Trends

The Share of Californians in Poverty Has Been Stagnant Since 2002



California's Child Poverty Rate Has Been Relatively Flat Since 2002



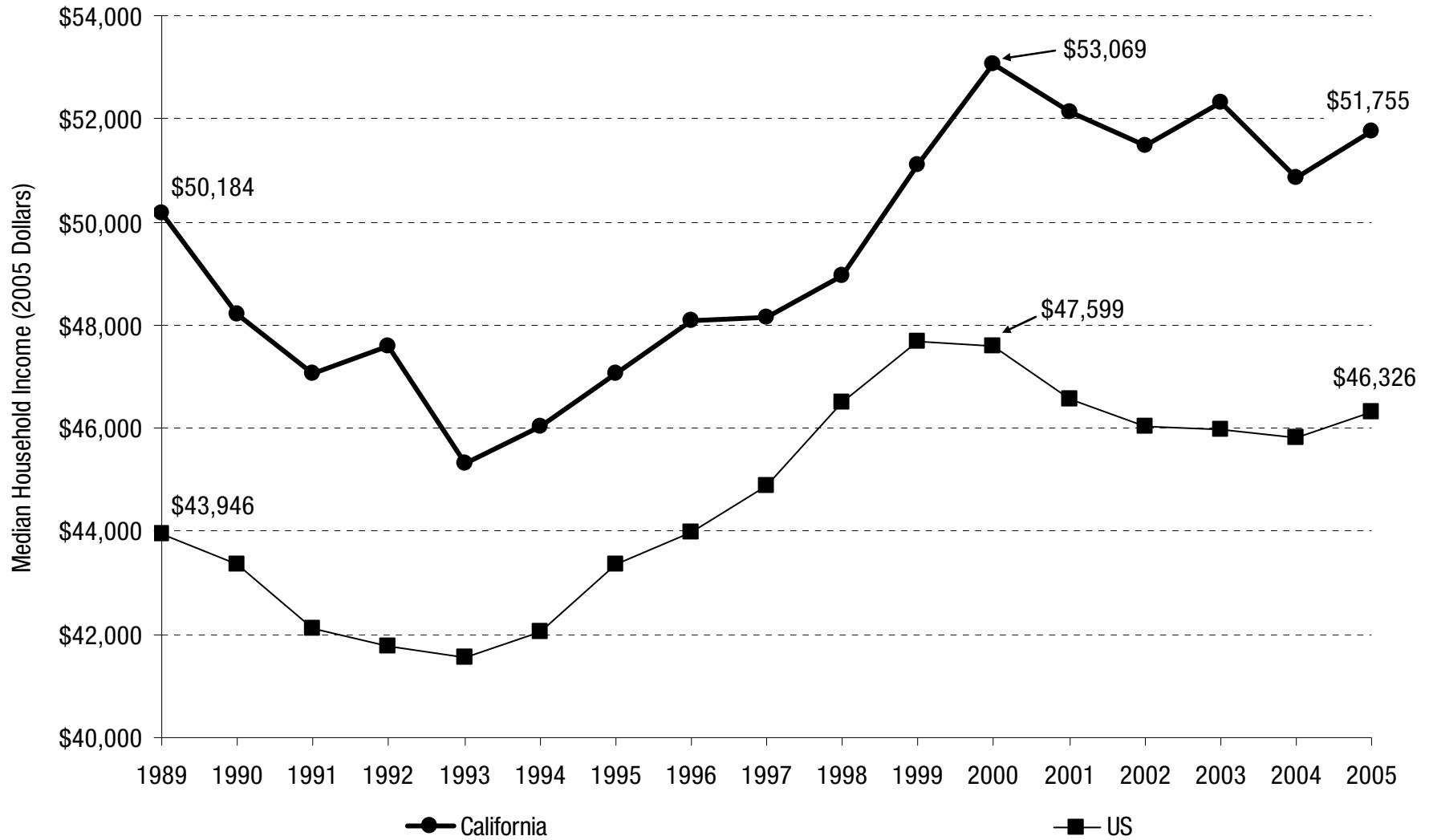
Source: US Census Bureau

Change in California's Poverty Rate After Recessions

Change in Poverty Rate During First Four Years of Economic Recoveries			
Four-Year Period:	Poverty Rate at End of Recession	Poverty Rate Four Years Later	Percentage Point Change
1982 to 1986	14.1%	12.7%	-1.4
1991 to 1995	15.7%	16.7%	1.0
2001 to 2005	12.6%	13.2%	0.6

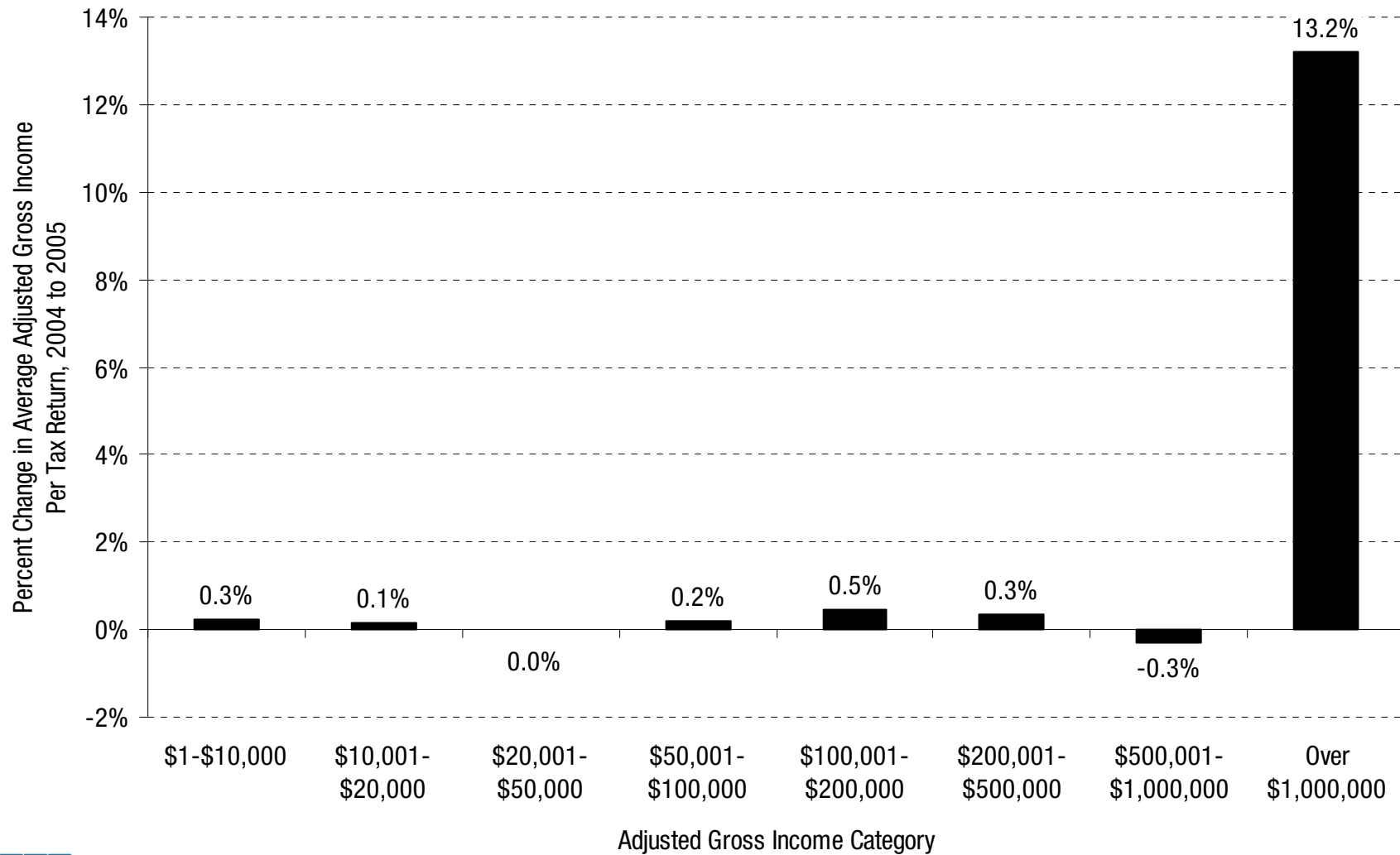
Change in Child Poverty Rate During First Four Years of Economic Recoveries			
Four-Year Period:	Poverty Rate at End of Recession	Poverty Rate Four Years Later	Percentage Point Change
1991 to 1995	25.1%	25.0%	-0.1
2001 to 2005	16.4%	18.5%	2.1

2005 Median Household Income Remained Below That of 2000

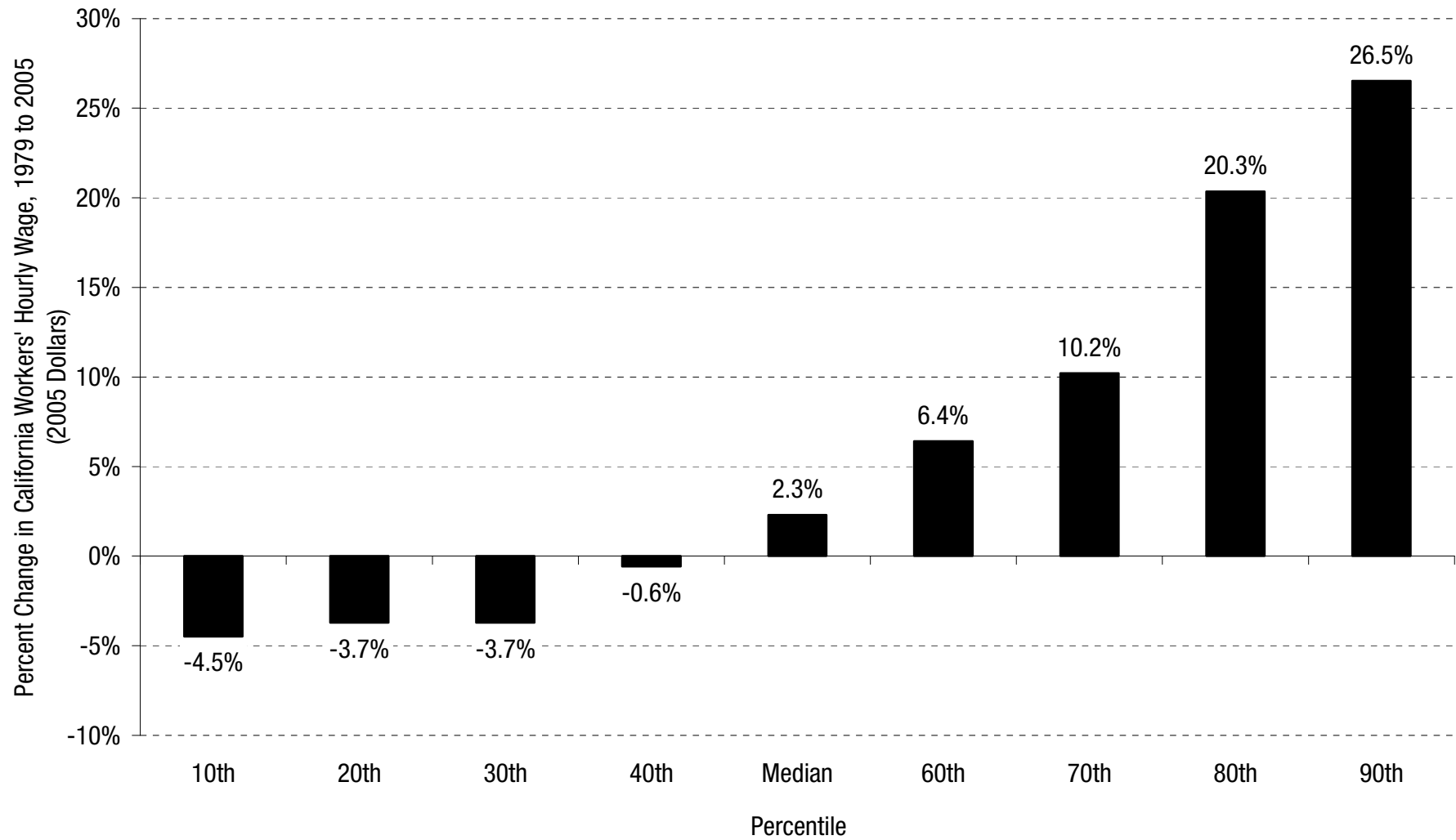


Source: US Census Bureau

Wealthy Californians' Incomes Posted the Largest Gains in 2005

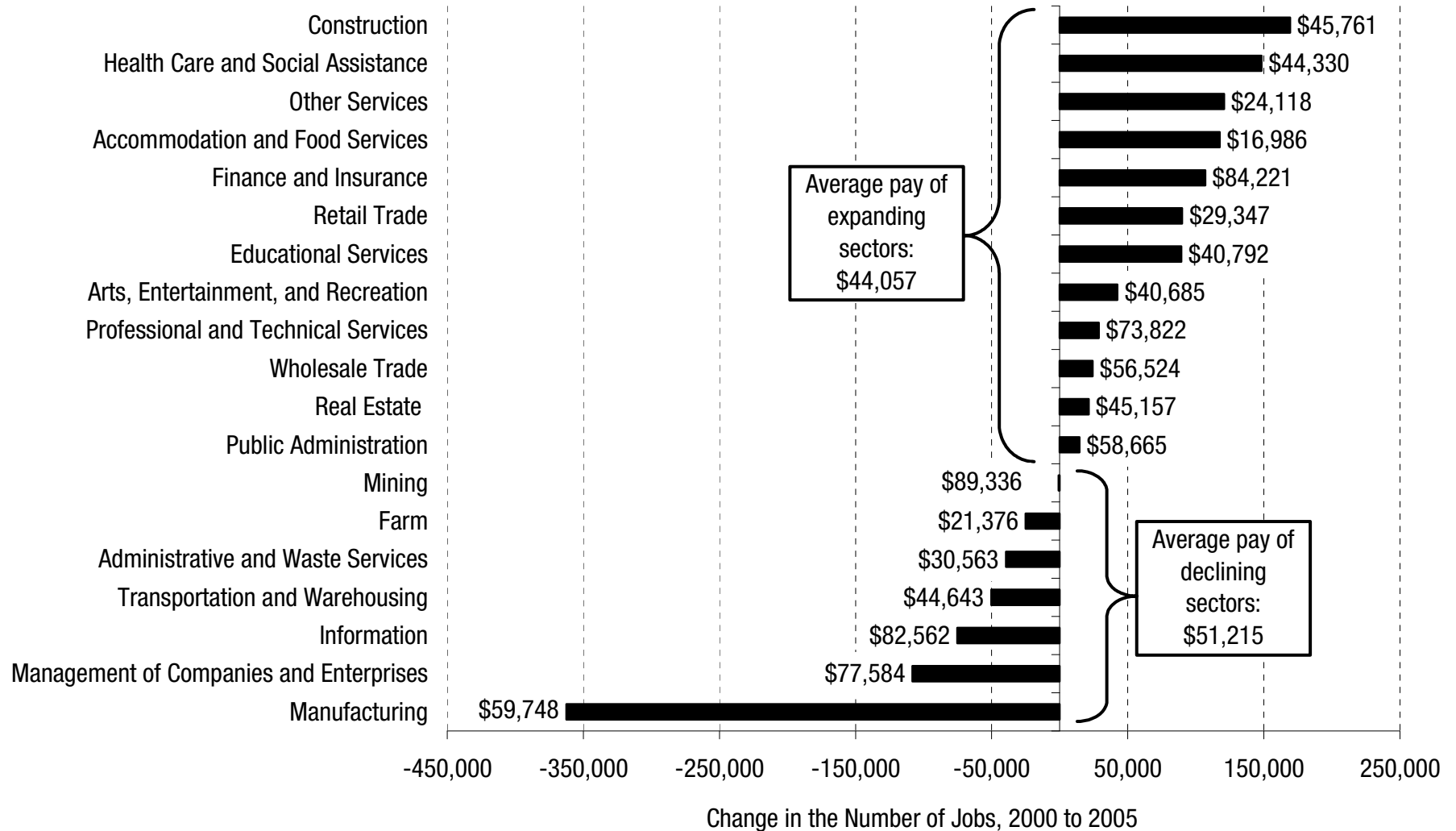


Low-Wage Workers' Wages Lost Purchasing Power Between 1979 and 2005



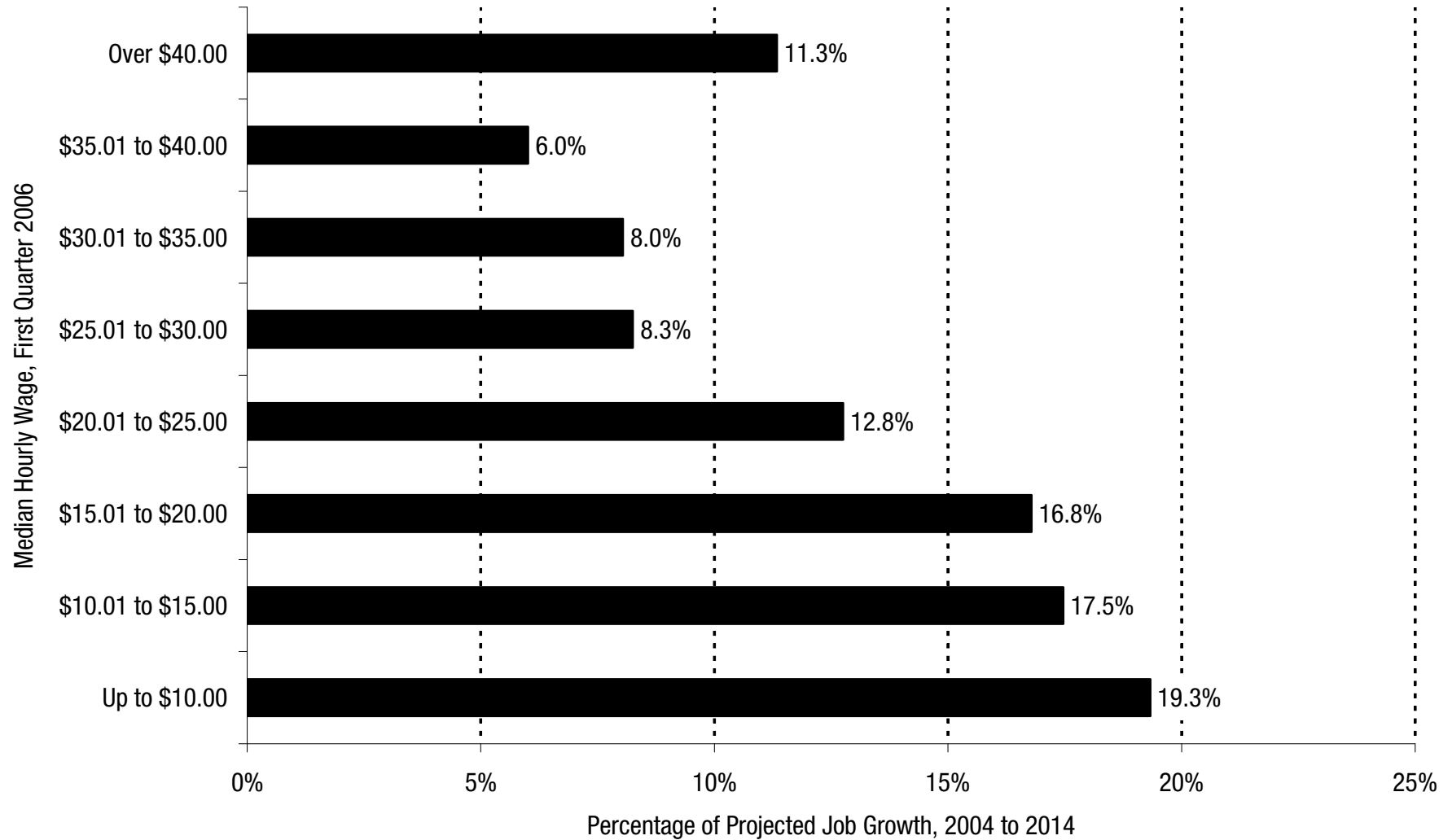
Source: CBP analysis of Current Population Survey data

Average Pay of Expanding Sectors Was Lower Than That of Declining Sectors



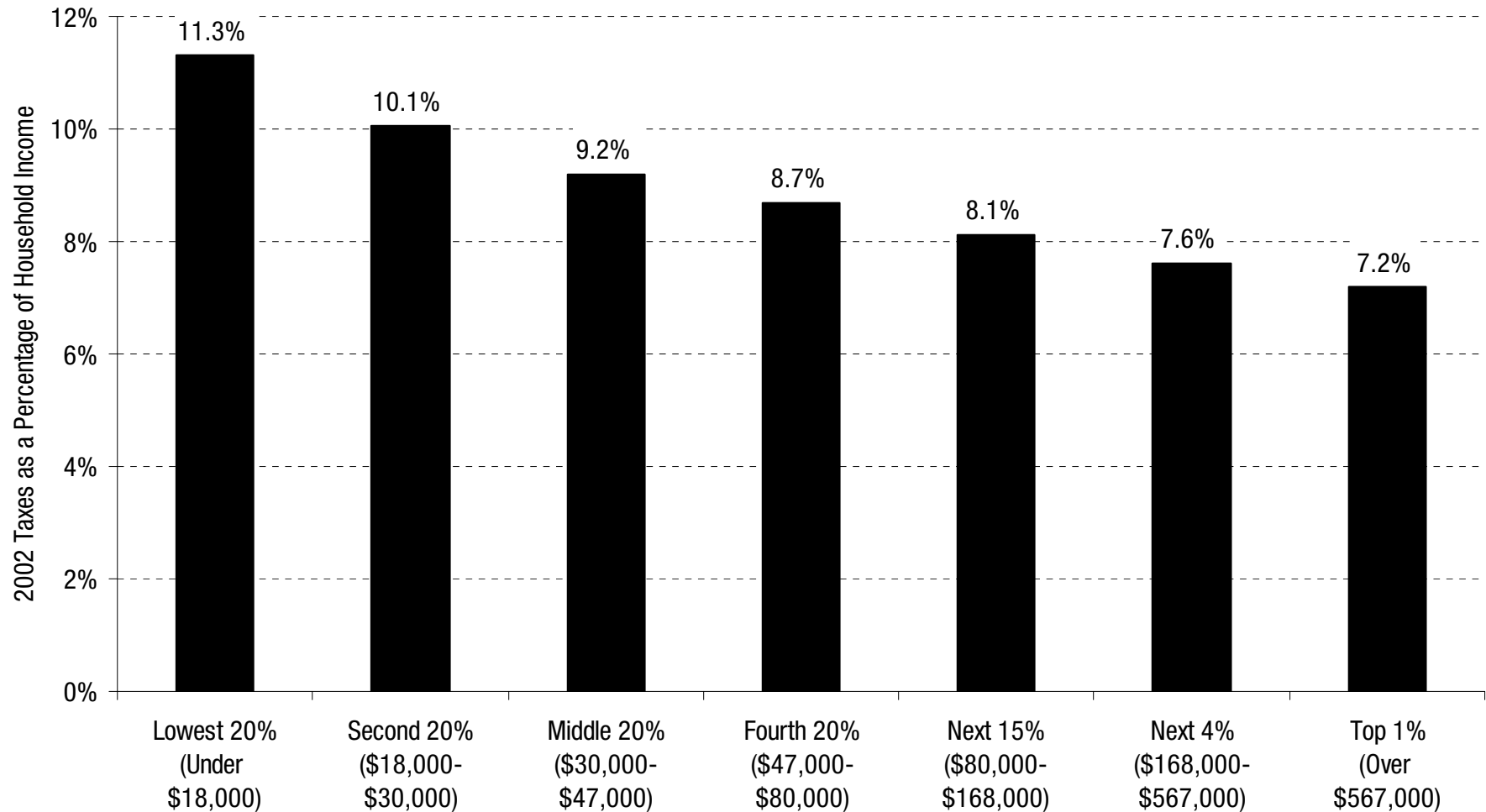
Source: CBP analysis of Employment Development Department data

Nearly One-Fifth of Projected New Jobs Typically Pay \$10 Per Hour or Less



Source: CBP analysis of Employment Development Department data

Lowest-Income Households Pay the Largest Share of Their Income in State and Local Taxes



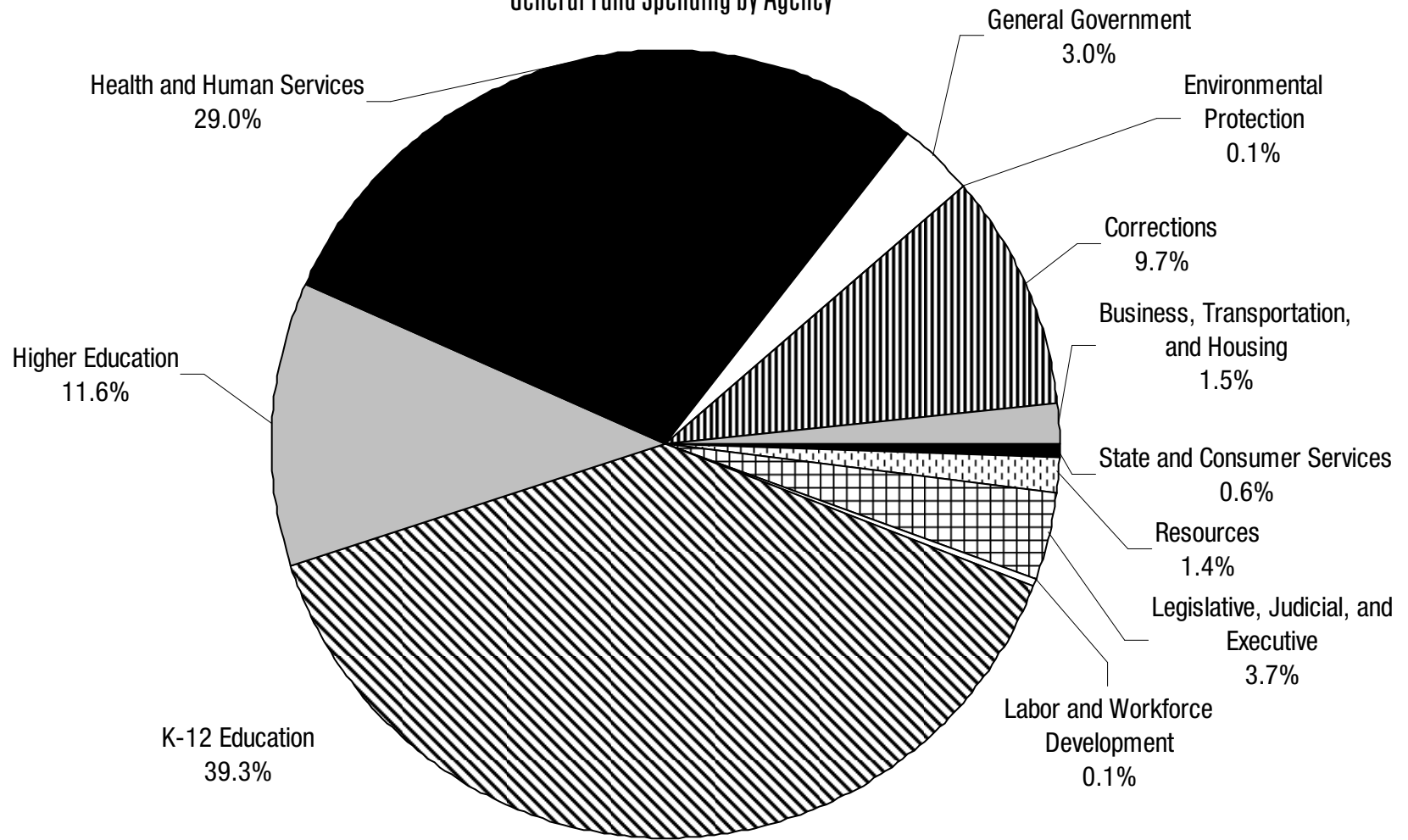
Note: Calculated for non-elderly, married couples. Includes offset for federal deductibility of state taxes.
Source: Institute on Taxation and Economic Policy



The Governor's Proposed 2007-08 Budget: Overview and Impact on the CalWORKs Program

Education Accounts for the Largest Share of 2007-08 Spending

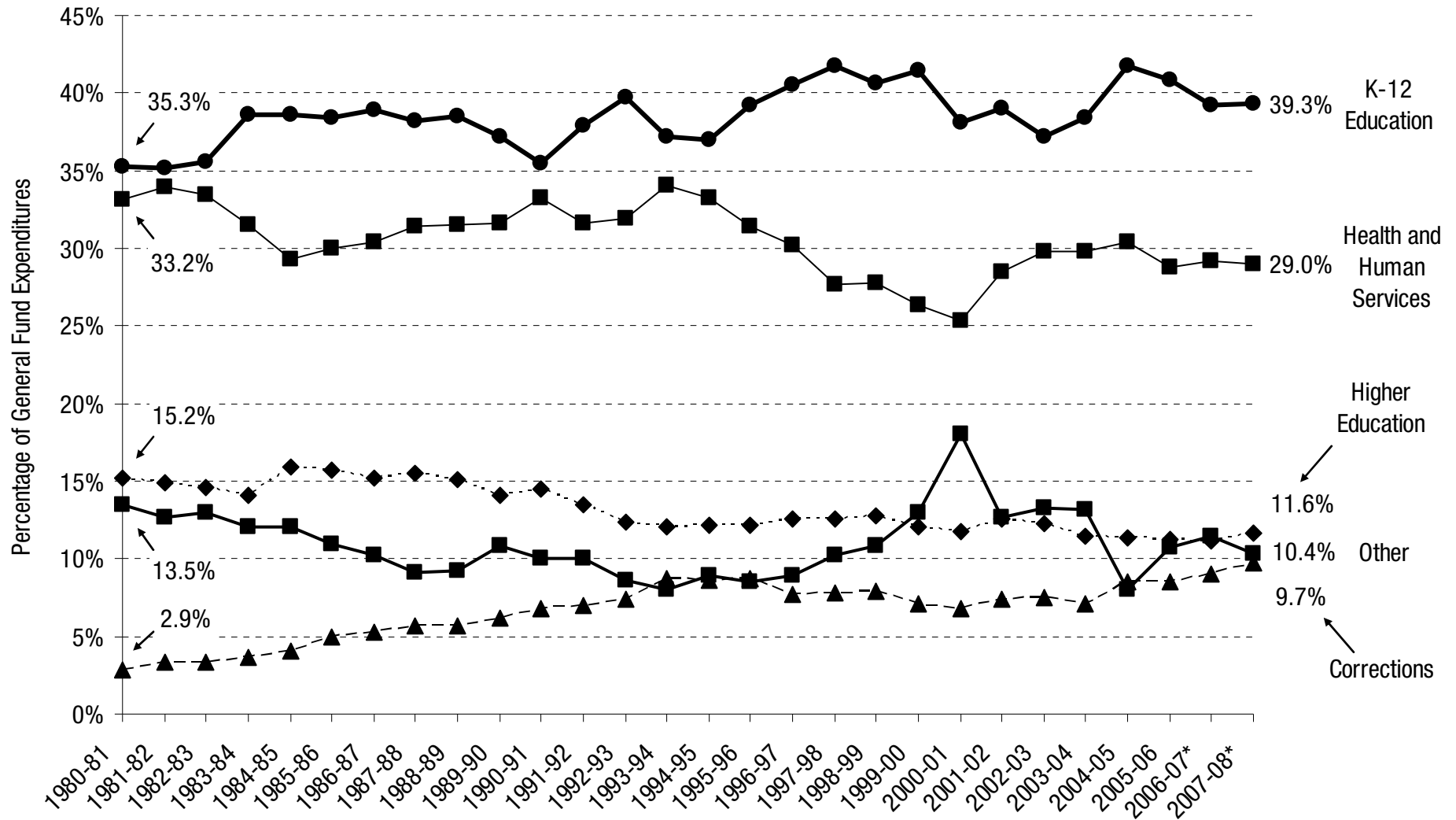
General Fund Spending by Agency



Proposed 2007-08 General Fund Expenditures = \$103.1 Billion

Source: Department of Finance

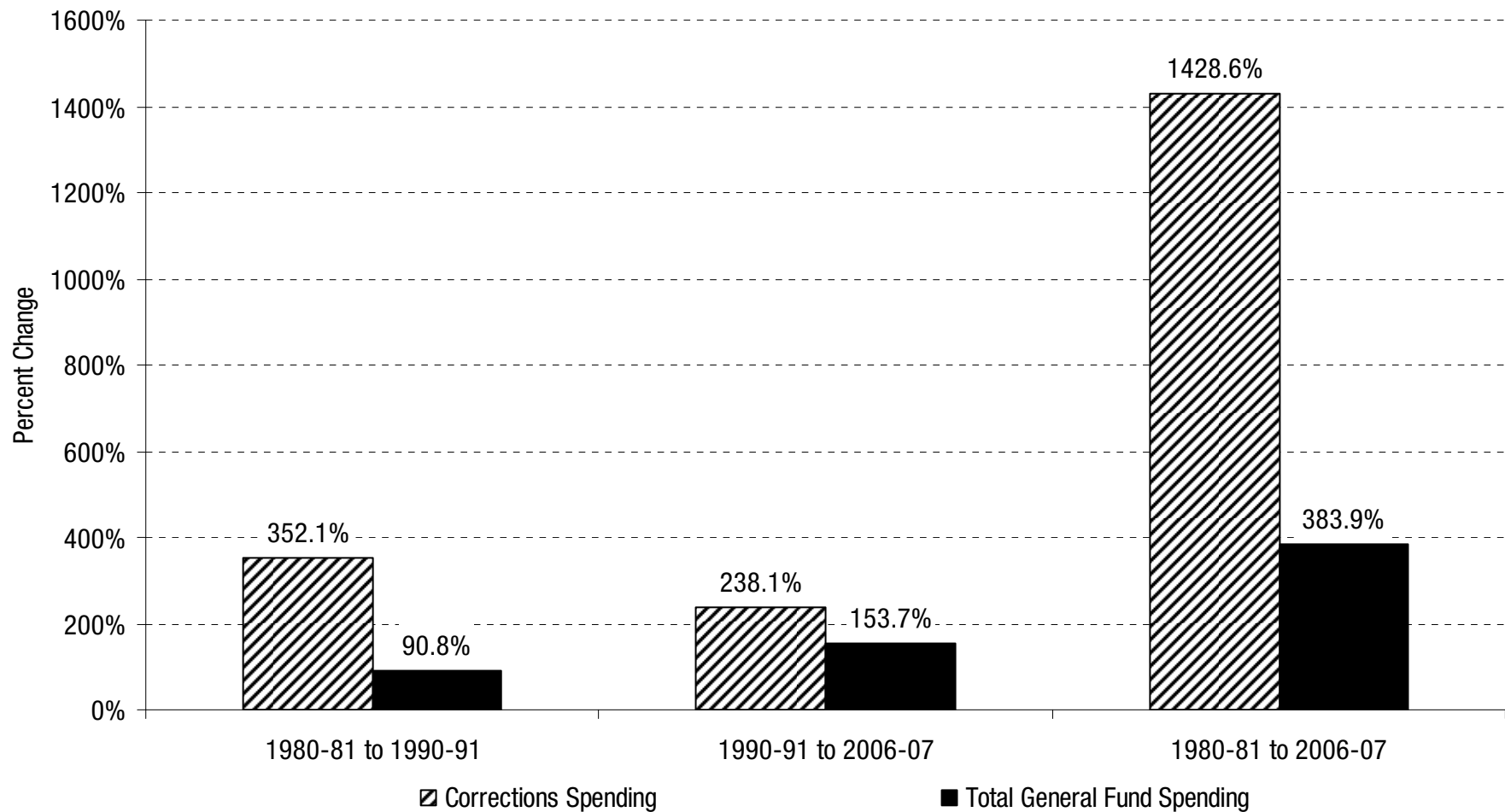
K-12 Education Accounts for the Largest Share of State General Fund Spending



* 2006-07 estimated and 2007-08 proposed.

Source: Department of Finance

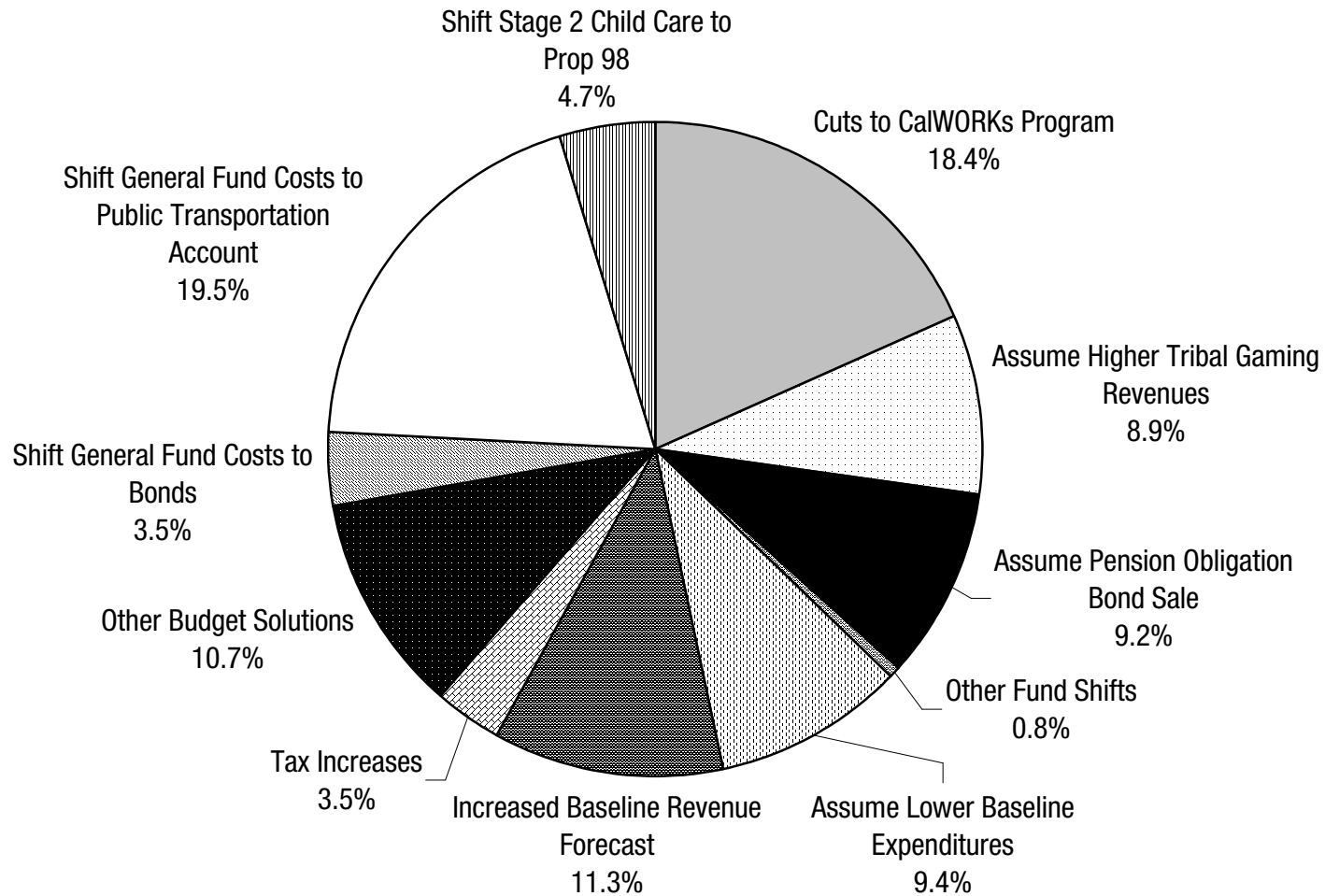
Corrections Spending Has Grown at More Than Three Times the Rate of General Fund Spending as a Whole



Note: 2006-07 is estimated.
Source: Department of Finance

How Does the Governor Propose to Balance the Budget?

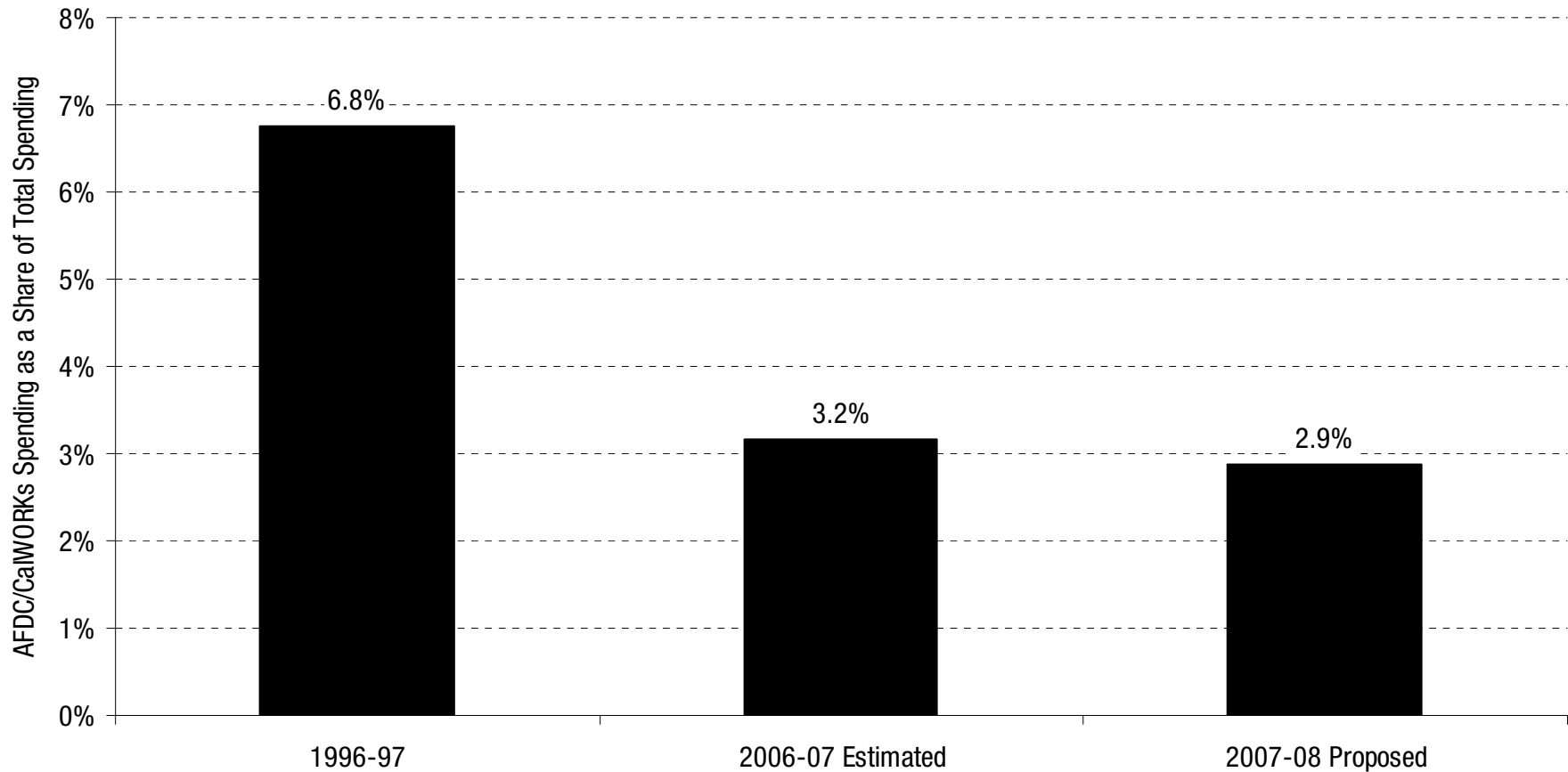
Percentage of Proposed Budget "Solutions"



The Governor Proposes Significant CalWORKs Cuts

- The Governor proposes to:
 - Eliminate cash assistance for nearly 200,000 children in CalWORKs families for savings of \$325 million in 2007-08.
 - Freeze grants for a third consecutive year for savings of \$124 million in 2007-08.

Welfare Spending as a Share of Total Spending in California Would Drop Further Under the Governor's CalWORKs Proposals

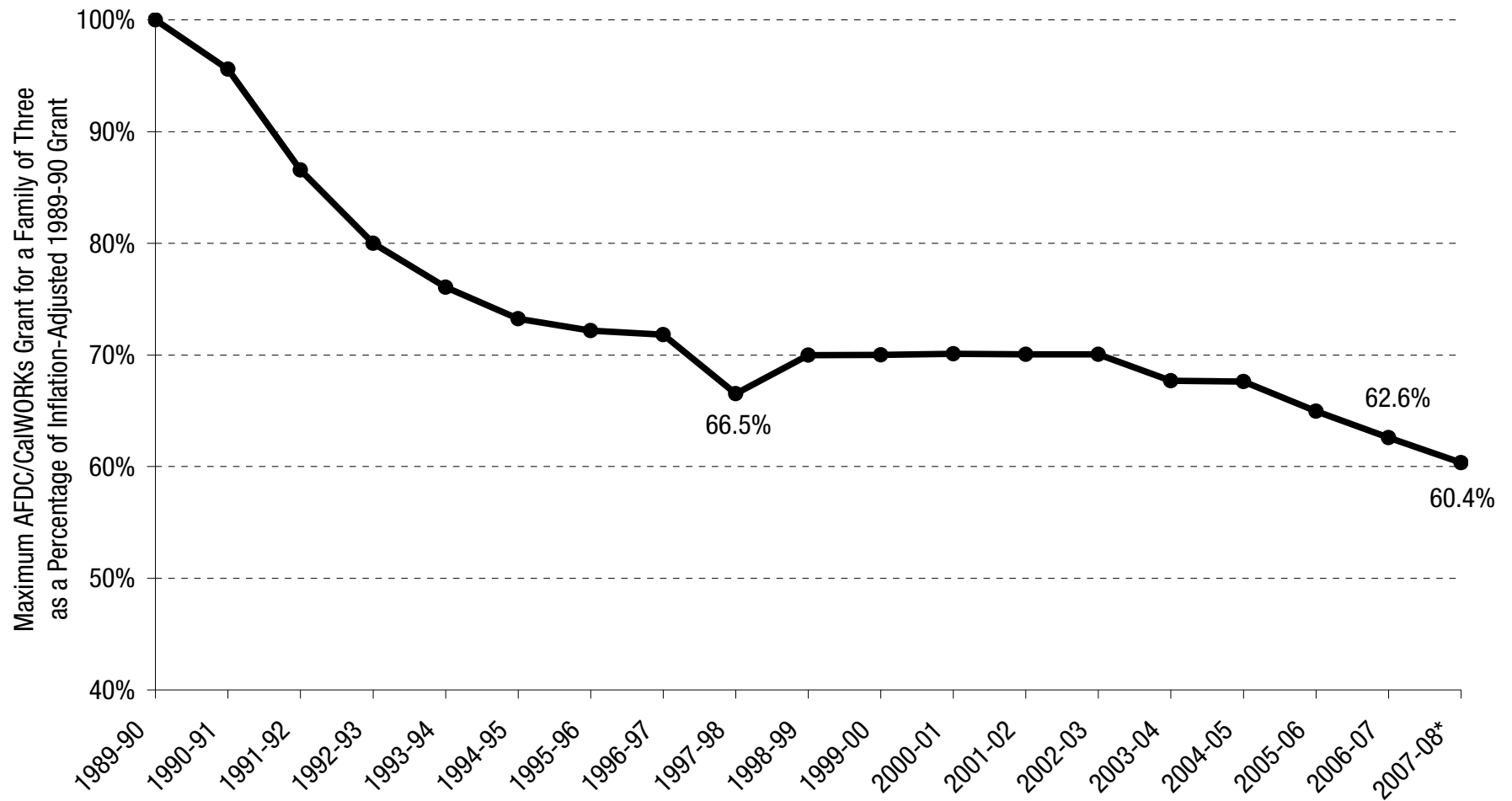


Note: AFDC/CalWORKs spending includes federal, state, and county funds.

Total spending includes federal and state funds.

Source: Department of Education, Department of Finance, and Department of Social Services

Purchasing Power of CalWORKs Grants Will Decline Further If State Suspends July 2007 COLA



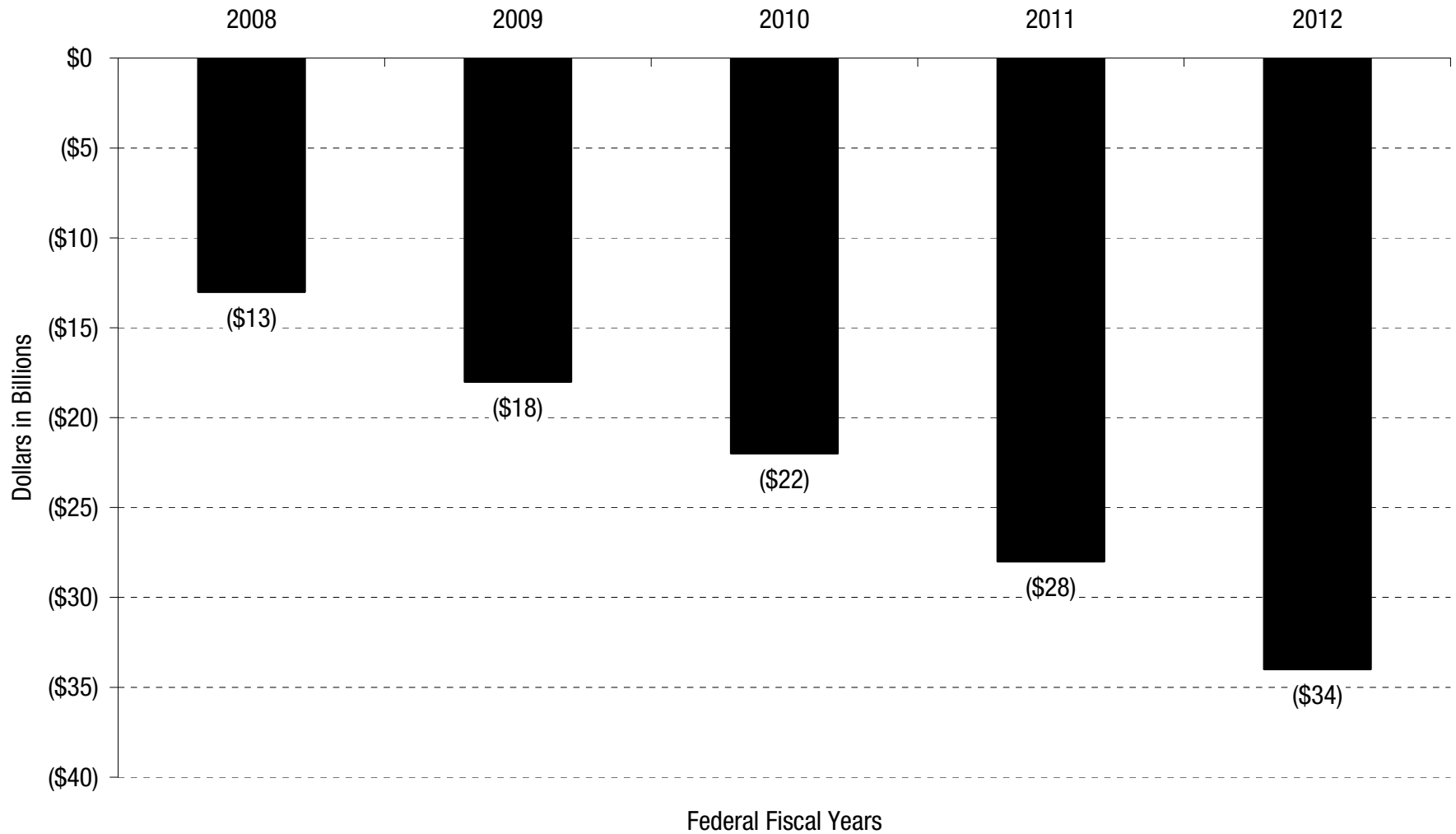
* 2007-08 proposed.

Source: Department of Finance and Department of Social Services



Impact of the President's Proposed Cuts to "Discretionary" Spending in Federal Fiscal Year 2008 and Beyond

President's Proposed Cuts to Domestic Discretionary Funding Grow Deeper over Five Years



Source: Center on Budget and Policy Priorities

Cuts in Federal Funding for California Under the President's Proposed FFY 2008 Budget

Selected Domestic Discretionary Programs

Program	Five-Year Funding Cut (FFY 2008 - 2012)	Funding Cut in FFY 2012 Alone
Elementary and Secondary Education	\$635.8 million	\$205.9 million (5.8 percent)
Community Development Block Grant	\$567.9 million	\$125.0 million (26.0 percent)
Head Start Program	\$306.0 million	\$79.8 million (8.7 percent)
Community Services Block Grant	\$295.5 million	\$61.2 million (100.0 percent)
Low Income Home Energy Assistance Program	\$118.1 million	\$25.6 million (22.2 percent)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	\$105.4 million	\$39.2 million (4.1 percent)
Child Care and Development Block Grant	\$51.7 million	\$14.3 million (5.7 percent)

Note: Cuts are measured relative to the FFY 2007 funding level, adjusted for inflation.
Source: Center on Budget and Policy Priorities



An Overview of California's Low-Income Working Families

How Much Do California's Families Need to Earn to Make Ends Meet?

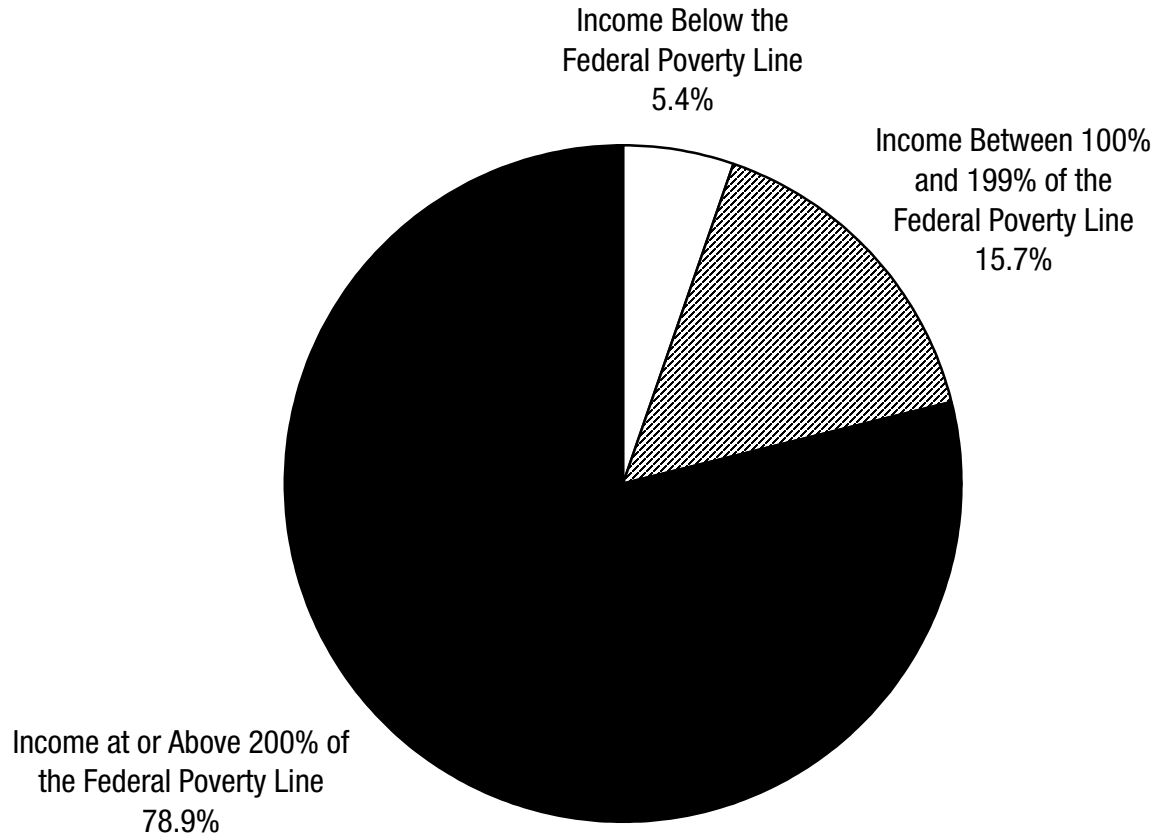
The Federal Poverty Line Compared to a Basic Family Budget for a Family of Three, 2005

Federal Poverty Line	Twice the Federal Poverty Line	Basic Family Budget
\$15,735	\$31,470	\$53,987

Note: Assumes that a family of three is composed of a single parent and his or her related children under age 18.

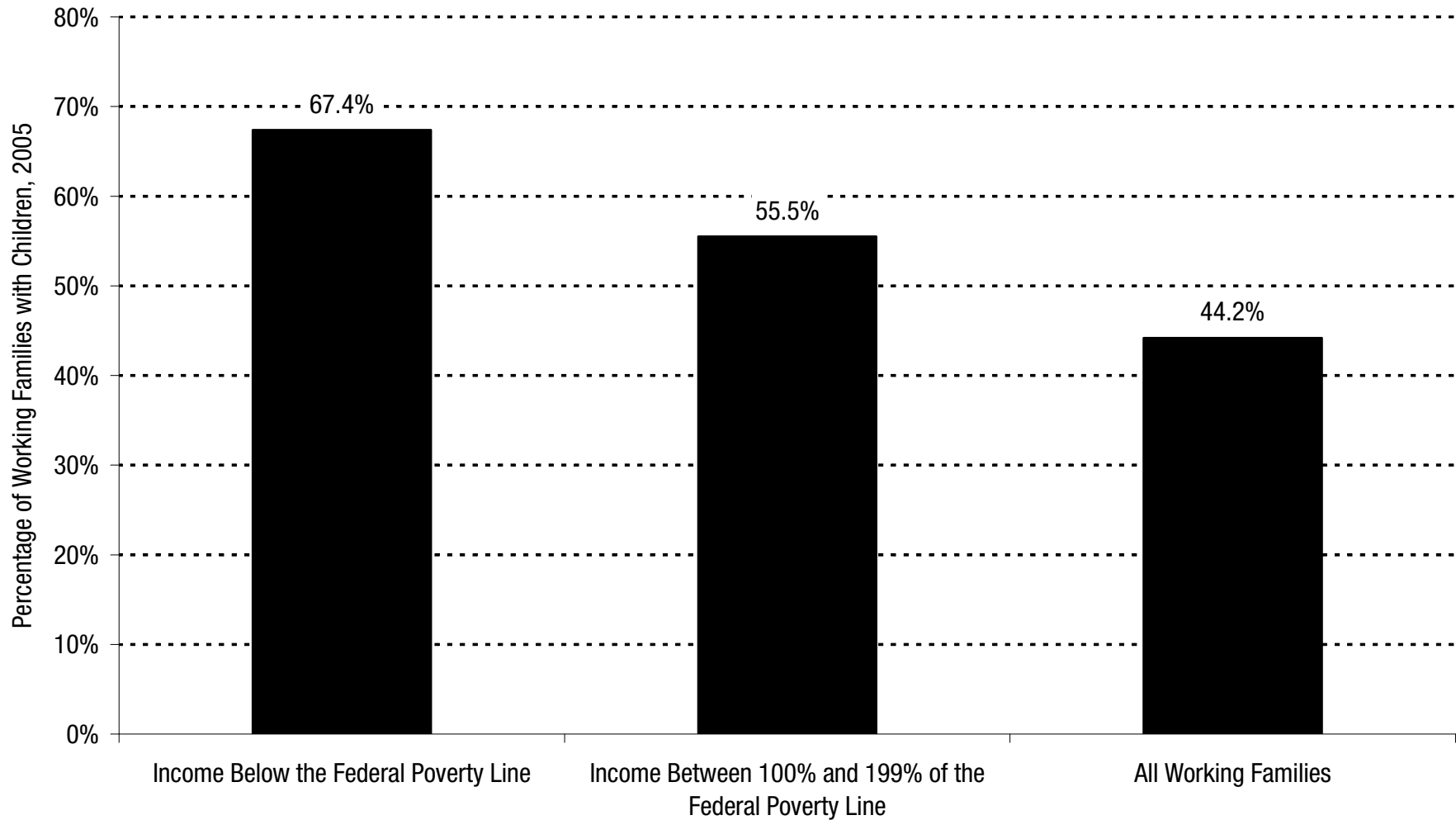
Source: US Census Bureau and California Budget Project, *Making Ends Meet: How Much Does It Cost to Raise a Family in California?* (November 2005)

More Than One-Fifth of California's Working Families Have Low or Very Low Incomes



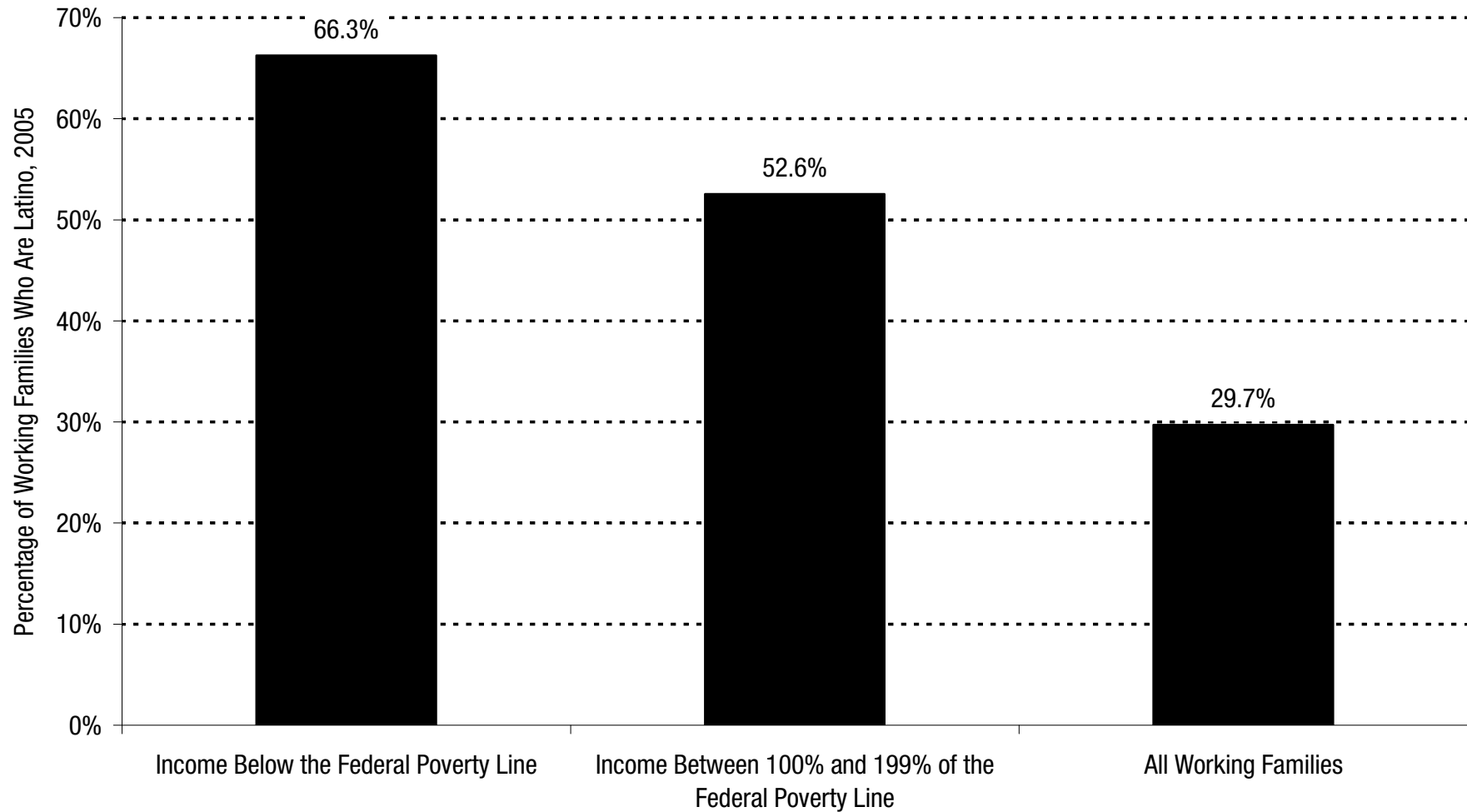
Total Number of Working Families in California in 2005 = 9.3 Million

A Majority of California's Low-Income Working Families Have Children



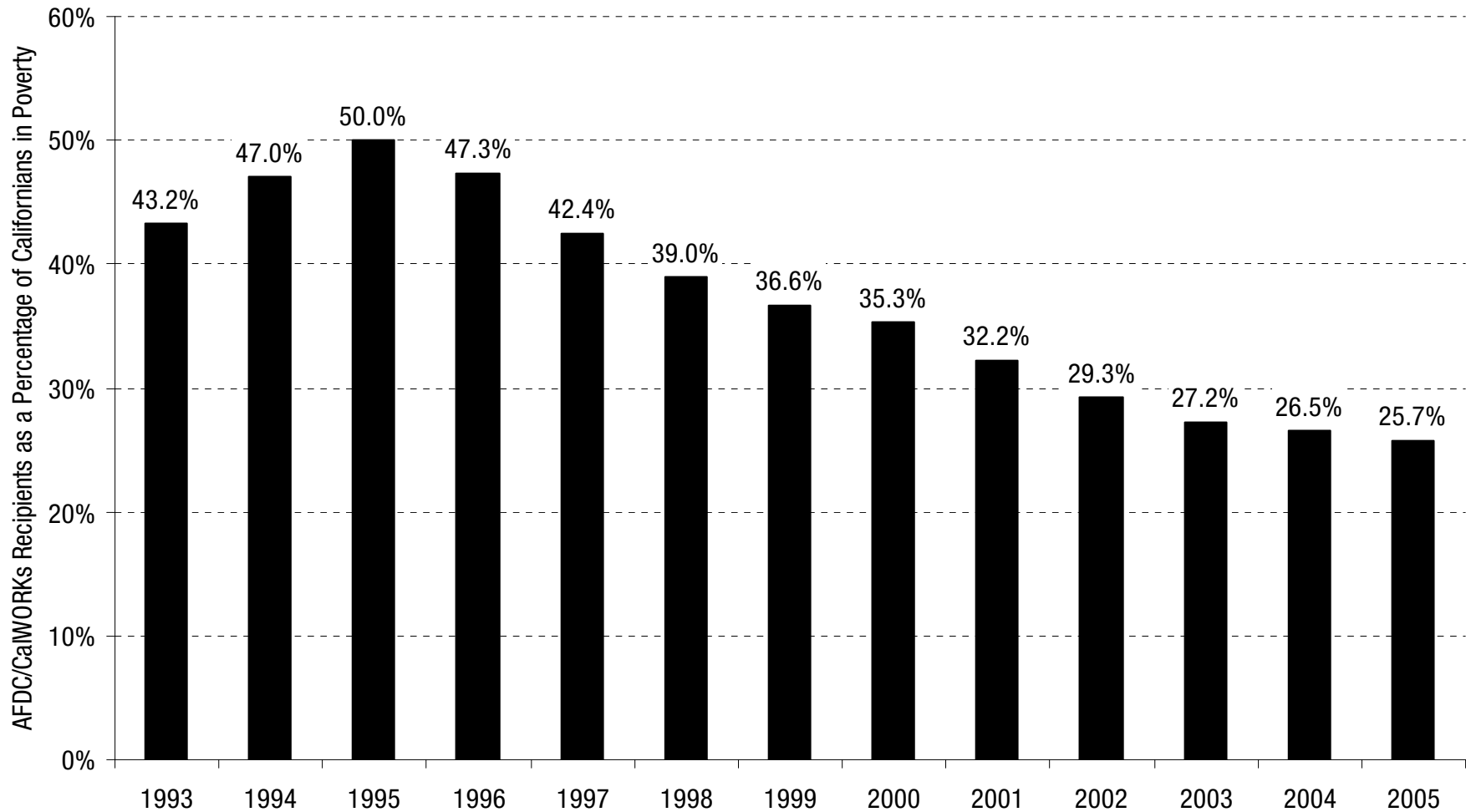
Source: CBP analysis of Current Population Survey data

A Majority of California's Low-Income Working Families Are Latino



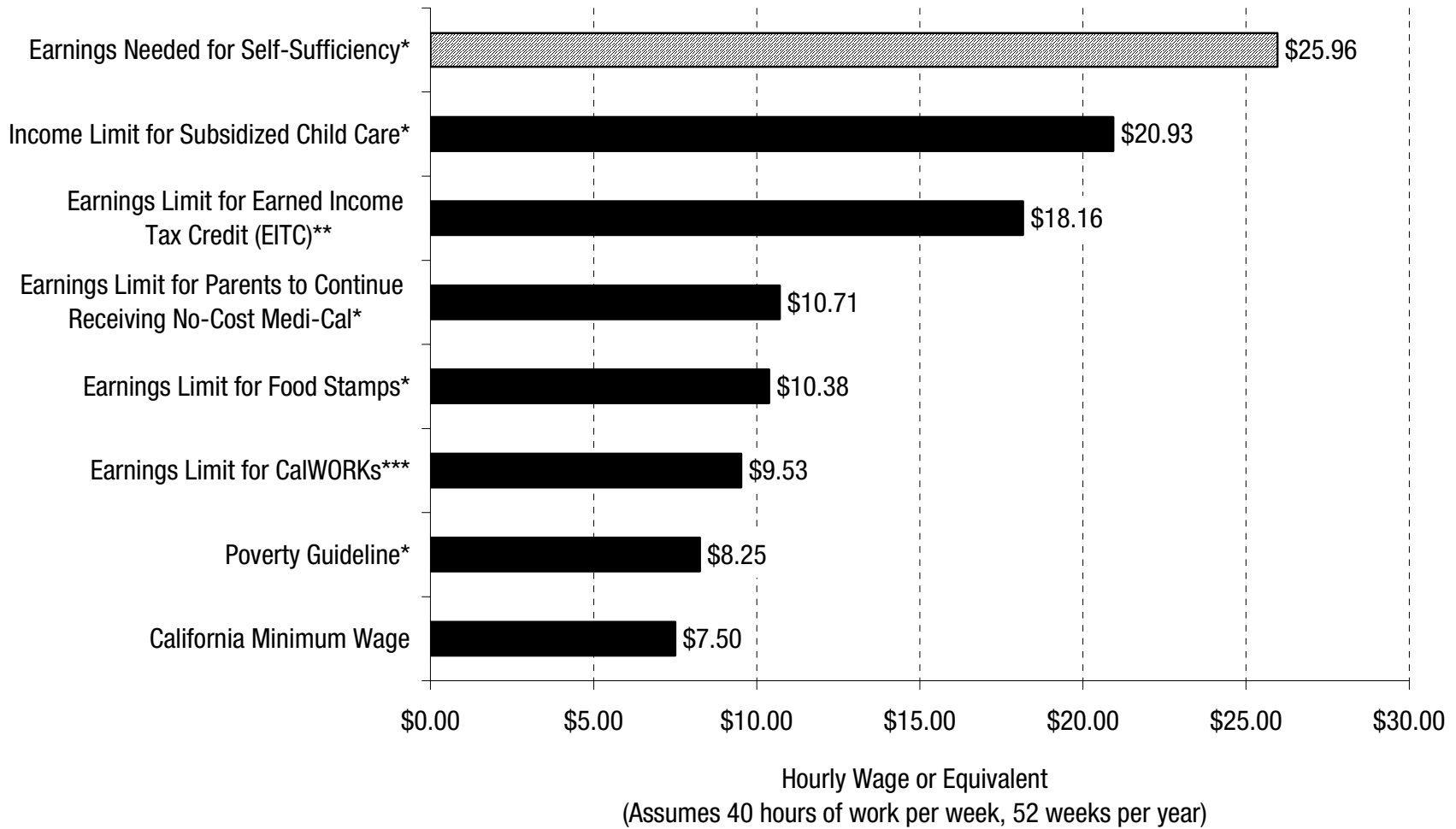
Source: CBP analysis of Current Population Survey data

Californians in Poverty Are Less Likely to Receive Cash Assistance



Source: US Census Bureau, Department of Social Services, and US Department of Health and Human Services

Supports for Working Families End Before Families Reach Self-Sufficiency



* Family of three.

** One-parent family with two or more children.

*** Family of three in a high-cost county.

Public Policies Can Help Low-Income Working Families

- Public policies can help low-income working families by:
 - Increasing families' income;
 - Improving and increasing access to public programs;
 - Helping families build and protect “assets,” such as a savings or retirement account; and
 - Increasing opportunities for education and training.

Examples of Policy Options to Help Low-Income Working Families Make Ends Meet

- Create a state Earned Income Tax Credit.
- Increase access to food stamps (for example, by simplifying the food stamp application process).
- Expand funding for the state's child care programs.
- Help families build and protect assets:
 - Reduce or eliminate “asset tests” in public programs.
 - Create universal children's savings accounts.

For More Information

- Watch for the CBP's forthcoming report on policy options that can help low-income working families.
- Visit www.cbp.org to access the CBP's publications.
- Sign up for the CBP's email list to receive announcements of new publications and other information.