

Analysis of the Impact of the Governor's Proposed Budget on Nutrition

Governor Arnold Schwarzenegger released his proposed budget on January 10. More comprehensive analyses of the Governor's \$101 billion budget can be found at www.cbpp.org and www.lao.ca.gov. This brief analysis examines the impact of the proposal on the nutritional status of low-income Californians.

Broad Overview of Budget

The Governor's budget seeks to address a \$14 billion shortfall largely through spending cuts. A principal feature of the budget is an across the board cut of 10% for most state departments. Other key features are the request for new, broad gubernatorial authority to make mid-year cuts and the establishment of a spending cap. Human services programs take a substantial hit. Overall this budget, if passed, would make it even harder for families in California to afford a healthy diet and, when coupled with actions in recent years, undoes much of the progress made on nutrition earlier by this administration. In his State of the State address Governor Schwarzenegger admits that this is a "difficult" budget; however it is made more difficult by his refusal to examine revenue options.

► The Governor's Proposed Budget Stabilization Act

As part of his "Budget Stabilization Act," the Governor seeks new budget powers, including some that he sought through failed ballot initiatives in 2005. Among the components of this Act would be:

1. Establishment of A Spending Cap: The state would only be permitted to spend up to a limit which would be the average revenues over the last 10 years. Any revenues collected over that limit would be placed in a Revenue Stabilization Fund.
2. Revenue Stabilization Fund. And in the future when revenue growth dips below this average, money would then be transferred from this fund to the state's General Fund.
3. Midyear spending cut authority. The act would allow state agencies to make cuts without legislative approval when the fiscal outlook worsens.

The act would require approval by both the Legislature and a vote of the people.

► Across the Board Cuts

With the expressed desire to spread the reductions as evenly as possible across programs and departments, the Governor is proposing an across the board cut in most areas. Some areas are not subject to cuts such as health care for inmates, health care for retired public employees, juvenile justice programs, and others where limited by law (though many of his proposed reductions require statutory changes) or practicality.

Note: The 10% reductions are not based on last year's appropriations but on "projected" appropriations for the coming year.

The Governor is asking that these across the board reductions be implemented March 1st and is calling a special legislative session for that purpose.

Analysis of Specific Areas

► School Nutrition

Though school nutrition once was an area targeted by the Governor for increased investment and attention, school nutrition also faces reductions. The Governor's proposed budget includes a reduction in child nutrition program reimbursement rates, a reduction in nutrition start-up grant funding, and other cuts.

- **Child Nutrition Reimbursement Rates:** The budget allocates \$130,420,000 for child nutrition in 2008-09. Contained in the budget is a \$14.2 million cut to the reimbursement for free and reduced price meals. This reduces the rate by about 2 cents a meal and (from the 7 cent increase in 2007) brings the total state meal reimbursement rate down to 19 cents.
- **Child Nutrition Start-up:** The budget detail contains the same funding level of \$1,017,000 for breakfast start-up funding. However, a \$111,000 cut has been reported. This would mean that approximately 10 fewer schools would receive funding to start up or expand breakfast programs in the coming year.

► Food Stamps

The Governor's proposed budget cuts administrative funding for Food Stamps and cuts benefit levels for recipients of the California Food Assistance Program (CFAP).

- **County Food Stamp Administration:** The Governor is proposing to reduce county administration funding for food stamps by 4%. This equates to a \$14.9 million cut.
- **Cuts to CFAP:** The budget proposes a 10% cut to benefits in the California Food Assistance Program (which provides food stamp benefits to legal immigrants not served by the federal food stamp program). This \$2.5 million cut would reduce the average monthly grant of \$91 a month down to \$82 a month.

► Cash Aid Programs

As anticipated, cash aid programs are targeted for significant cuts, however there are a few surprises.

- **CalWORKs Cost-of-Living Adjustments:** Though withholding cost of living adjustments has been a frequently employed budget cutting strategy, it is not part of the Governor's proposal. The maximum benefit in CalWORKS will increase from \$723 a month to \$754.
- **Full-Family Sanctions:** The budget once again proposes full family sanctions for the CalWORKS program. Families not in compliance after 6 months would see their benefits cut in half. After 12 months benefits would cease for the entire family.
- **Time Limits:** Child-only cases with an ineligible parent would now be subject to a 60-month limit. An estimated 75,000 families would lose all their cash assistance. The state would "save" \$476 million from this action.
- **Nutritional Supplement:** This intriguing proposal is one that the LAO had been proposing for some time. Families not receiving cash CalWORKS benefits would receive a \$40 nutrition supplement on their Electronic Benefit Cards each month. The \$40 is per household, regardless of household size. These families would then have a smoother transition to the workforce while still being counted toward the state's welfare work participation rate. An estimated 41,000 families would receive this supplement.

▶ **Cash Assistance: SSI/SSP**

- **Cost-of-Living Adjustments for Seniors and Disabled:** While past budget proposals have sought to withhold the federal COLA for SSI recipients, the budget proposal does seek to pass on the two scheduled federal COLAs to recipients. It does however withhold both June 2008 and the 2009 state COLAs. This action would “save” \$323 million.
- **Cash Assistance Program for Immigrants (CAPI)** – COLAs for this program would be withheld in a manner similar to SSI/SSP.

▶ **Work Supports: Child Care and Health Care**

Despite the Governor’s commitment to health care reform, there are very substantial cuts to health care.

Although we are still analyzing this area, there is one item that immediately caught our eye:

- **Reinstatement of Quarterly Reporting.** *Parents in the MediCAL program would return to reporting every 3 months (previously at a 6 month level). This will cut households off the program and “save” \$184 million. It also makes efforts to raise the food stamp and CalWORKS reporting requirement to 6-months - a little more challenging, even though such a move would save the state money.*

▶ **Senior Nutrition**

- **Department of Aging:** There is a \$2 million reduction in funding for nutrition. We read this cut to come from reductions in home delivered meals. We are waiting for confirmation.

We will provide more specific human impact from the budget in the coming days as we learn more.