

## GOVERNOR PROPOSES TO FURTHER DELAY FEDERAL COLA FOR SSI/SSP RECIPIENTS

**G**overnor Schwarzenegger's Proposed 2006-07 Budget would delay a federal cost-of-living adjustment (COLA) for Supplemental Security Income/State Supplementary Payment (SSI/SSP) grants. The Governor proposes to withhold the federal January 2007 COLA for 15 months longer than the three-month delay included in the 2005-06 budget agreement, for state savings of \$48.1 million in 2006-07 and approximately \$185 million in 2007-08. The Governor's proposal would lead to a further loss of purchasing power for 1.0 million Californians who are elderly, blind, or have disabilities, and who depend on SSI/SSP grants for support.

### How Did the 2005-06 Budget Agreement Affect SSI/SSP Grants?

The 2005-06 budget agreement suspended the state January 2006 and January 2007 COLAs for SSI/SSP grants. The budget agreement also delayed the federal January 2006 and January 2007 COLAs by three months each. As a result, SSI/SSP grants did not increase as scheduled in January 2006. Moreover, when SSI/SSP grants increase in April 2006, the increase will be smaller than if the state COLA had been provided because the federal COLA will increase the federal portion of the grant, but the state COLA would have applied to the entire grant (see below). These changes will result in combined state savings of an estimated \$739.2 million in 2005-06, 2006-07, and 2007-08.

### What Is the Governor's Proposal?

The Governor proposes to delay the federal January 2007 COLA for SSI/SSP grants until July 2008, 15 months longer than the delay included in the 2005-06 budget agreement. Under the Governor's proposal, the state-funded SSP portion of the grant would decrease to offset the federal COLA for additional state savings of \$48.1 million in 2006-07 and approximately \$185 million in 2007-08. Therefore, recipients would see no change in their grant levels, even though the federal government will

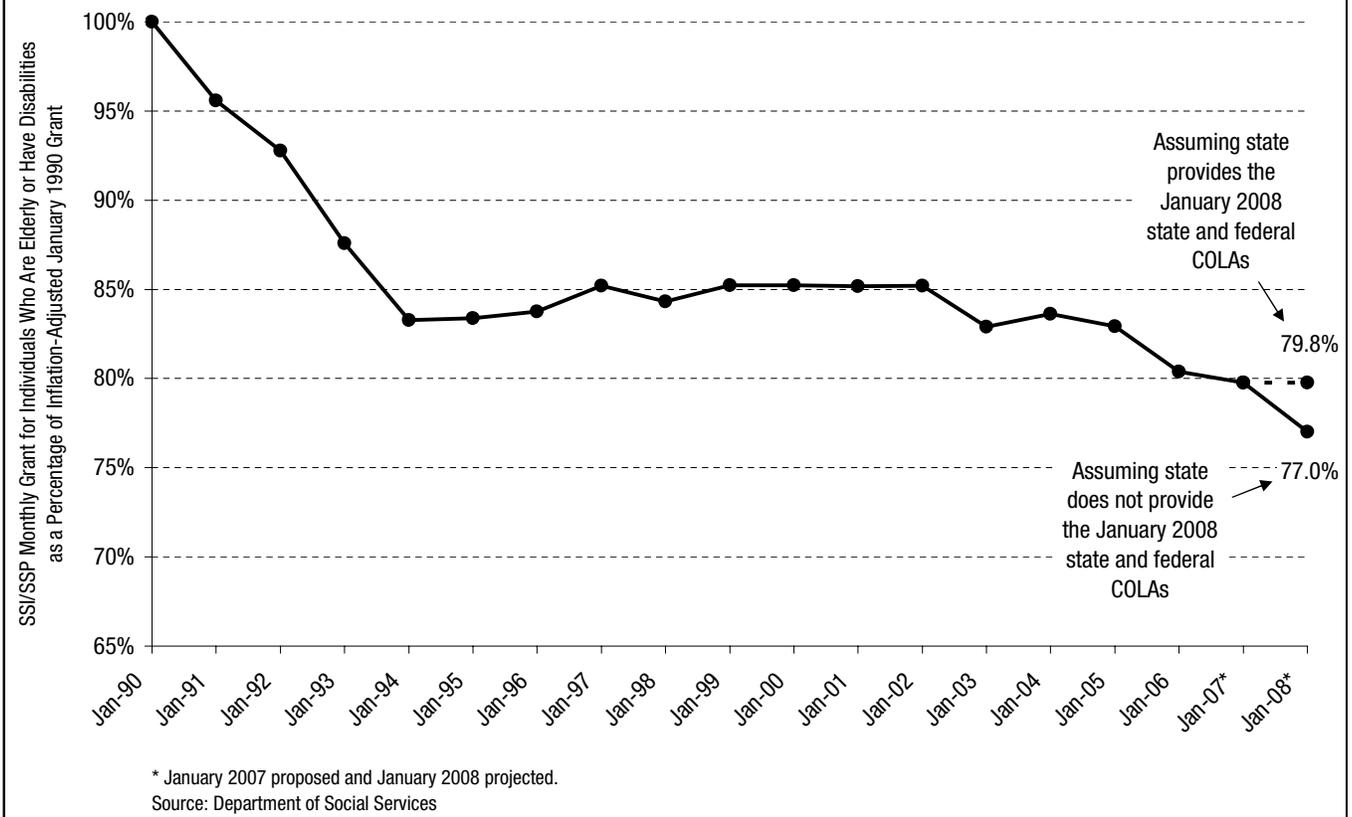
provide the funds to support a COLA. In addition, the Governor's budget proposal retains the suspension of the state January 2006 and January 2007 COLAs. Although the Governor proposes to delay the federal January 2007 COLA until July 2008, he does not propose to suspend or delay the state or federal January 2008 COLAs.

Individual SSI/SSP recipients currently receive \$812 per month and couples receive \$1,437 per month.<sup>1</sup> In April 2006, the SSI/SSP grant will increase to \$836 for individuals and to \$1,472 for couples. Under current law, the monthly grant would increase to \$850 for individuals and to \$1,494 for couples in April 2007. The Governor's proposal would eliminate this increase and, instead, would maintain monthly grants at the April 2006 levels (Table 1).<sup>2</sup>

Table 1: SSI/SSP Monthly Grants Under Current Law and Governor's Proposal

Recipients Who Are Elderly or Have Disabilities	January 2006	April 2006	April 2007: Current Law	April 2007: Governor's Proposal	Difference Under Governor's Proposal
Individuals	\$812	\$836	\$850	\$836	(\$14)
Couples	\$1,437	\$1,472	\$1,494	\$1,472	(\$22)

Figure 1: Purchasing Power of SSI/SSP Grants Has Declined Since 1990 and Would Fall Further Under Governor's Proposal



## Purchasing Power of SSI/SSP Grants Would Decline Further Under Governor's Proposal

The state has suspended SSI/SSP COLAs, delayed SSI/SSP COLAs, and/or reduced SSI/SSP grants in 12 out of the last 17 years, including in each of the last four years. If the Governor's proposal is adopted, SSI/SSP grants for individuals would be 20.2 percent lower during 2007 than if state and federal COLAs had been provided every year since January 1990 (Figure 1). The CBP estimates that this loss of purchasing power would increase to 23.0 percent in 2008 if the Governor's proposal is adopted and the state does not provide the state and federal COLAs in January 2008.

The Governor's proposal would affect some of California's poorest residents, reducing their ability to meet basic needs such as food and housing. In many counties, the proposed SSI/SSP grant for individuals would be below the Fair Market Rent for a studio apartment.<sup>3</sup> Under the Governor's proposal, the cost of a studio apartment would exceed the SSI/SSP grant for individuals in nine counties and exceed 50 percent of the grant in 56 counties (Appendix 1). For example, studio apartment rent would exceed the SSI/SSP grant for individuals by \$198 per month in Orange County and by \$162 per month in San Mateo County (Appendix 2).

## Loss of SSI/SSP Funds Would Affect Local Communities

The loss of SSI/SSP funds due to the Governor's proposal would reduce the incomes of 1.0 million Californians.<sup>4</sup> Because these recipients spend their grants in local communities, local economies would also be affected. For example, Los Angeles County would lose \$80.0 million in payments to about 346,000 SSI/SSP recipients and Butte County would lose \$2.0 million in payments to about 9,000 recipients (Appendix 3).

## Conclusion

The Governor proposes to use federal funding designed to increase SSI/SSP grants to help solve the state's budget problem by further delaying the federal January 2007 COLA. At the same time, the Governor proposes substantial funding increases for a range of programs and services, even though the state continues to face a substantial deficit. The proposal to delay the federal COLA should be weighed against its impact on 1.0 million SSI/SSP recipients.

## How Do SSI/SSP Payments Work?

The SSI/SSP Program provides combined federal (SSI) and state (SSP) cash payments to low-income persons who are elderly, blind, or have disabilities to help them meet basic needs and living expenses. The federal COLA is applied annually to the SSI portion of the grant and the state COLA is applied to the entire SSI/SSP grant.<sup>5</sup> The state funds the difference between the cost of the state COLA on the combined SSI/SSP grant and the increase attributable to the federal COLA, which applies only to the SSI portion. For example, if the cost of the state COLA on the SSI/SSP grant is \$10 per beneficiary per month and the cost of the federal SSI COLA is \$4 per beneficiary per month, the state would fund the difference of \$6 per beneficiary.

Delaying or suspending COLAs for SSI/SSP grants results in state General Fund savings. Delaying or suspending the state COLA results in savings because the state does not provide its share of an SSI/SSP grant increase. The federal COLA, however, automatically increases the SSI portion of the grant. In order for California to achieve savings by delaying a federal COLA, the state must reduce the SSP portion of the grant by an amount equal to the SSI increase. For example, if the federal COLA is \$4 per beneficiary per month, the state would reduce the SSP portion of the grant by \$4 to offset the increase in the SSI portion, so that the total grant would remain constant. In short, the state reduces its SSP grant costs by lowering the amount of the SSP portion of the grant.

*David Carroll and Scott Graves prepared this Budget Brief. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at [www.cbp.org](http://www.cbp.org).*

## ENDNOTES

- <sup>1</sup> Monthly grant levels reflect grants for recipients who are elderly or have disabilities. Recipients who are blind receive higher monthly grants.
- <sup>2</sup> SSI/SSP recipients are not eligible for food stamp benefits in California. SSI/SSP recipients receive a higher SSI/SSP payment instead of food stamps. Therefore, food stamps would not help to offset the proposed grant reduction. In contrast, food stamps provide a cushion for many low-income families in other programs; when their incomes drop, food stamp benefits increase.
- <sup>3</sup> The Fair Market Rent (FMR) estimates the dollar amount at or below which 40 percent of standard quality rental housing units are rented; in recent years, FMRs for some higher cost counties have been set at the 50th percentile.
- <sup>4</sup> The Administration projects an SSI/SSP caseload of 1.2 million recipients in 2006-07. However, 16.6 percent of recipients receive only the SSP portion of the grant, according to the most recent data available. As a result, 1.0 million recipients who receive the SSI portion of the grant would be affected by the Governor's proposal to delay the federal COLA by an additional 15 months. In addition, the Governor's proposal would apply to the Cash Assistance Program for Immigrants (CAPI), which provides state-funded cash assistance to persons who are not eligible for SSI/SSP payments due to immigration status. CAPI maximum monthly grants are set at \$10 less than SSI/SSP grants for individuals and \$20 less than SSI/SSP grants for couples.
- <sup>5</sup> The federal COLA is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers and the state COLA is based on the California Necessities Index.

Appendix 1: Studio and One-Bedroom Apartment Rent as a Percentage of SSI/SSP Grants Under Governor's Proposal

County	Studio Rent as a Percentage of Proposed SSI/SSP Grant for Individuals	One-Bedroom Apartment Rent as a Percentage of Proposed SSI/SSP Grant for Couples	County	Studio Rent as a Percentage of Proposed SSI/SSP Grant for Individuals	One-Bedroom Apartment Rent as a Percentage of Proposed SSI/SSP Grant for Couples
Alameda	103.5%	71.0%	Orange	123.7%	78.9%
Alpine	59.6%	38.0%	Placer	82.7%	53.4%
Amador	64.2%	42.7%	Plumas	53.2%	35.4%
Butte	56.6%	38.2%	Riverside	85.5%	53.1%
Calaveras	65.6%	37.2%	Sacramento	82.7%	53.4%
Colusa	59.8%	34.1%	San Benito	73.4%	56.5%
Contra Costa	103.5%	71.0%	San Bernardino	85.5%	53.1%
Del Norte	58.6%	33.7%	San Diego	90.9%	59.1%
El Dorado	82.7%	53.4%	San Francisco	119.4%	83.4%
Fresno	64.6%	40.4%	San Joaquin	72.0%	46.6%
Glenn	51.2%	29.8%	San Luis Obispo	76.7%	51.5%
Humboldt	54.4%	36.2%	San Mateo	119.4%	83.4%
Imperial	56.3%	36.2%	Santa Barbara	99.0%	62.8%
Inyo	53.8%	32.0%	Santa Clara	109.3%	71.9%
Kern	58.0%	35.6%	Santa Cruz	104.4%	70.0%
Kings	59.2%	35.8%	Shasta	55.5%	36.7%
Lake	53.7%	35.8%	Sierra	63.0%	41.8%
Lassen	52.3%	34.9%	Siskiyou	46.5%	31.7%
Los Angeles	94.4%	64.7%	Solano	95.2%	58.2%
Madera	59.3%	35.4%	Sonoma	89.6%	62.0%
Marin	119.4%	83.4%	Stanislaus	67.5%	42.3%
Mariposa	59.6%	38.0%	Sutter	52.3%	33.5%
Mendocino	60.0%	42.1%	Tehama	48.7%	31.5%
Merced	54.8%	35.5%	Trinity	52.8%	31.5%
Modoc	51.9%	32.5%	Tulare	57.5%	36.5%
Mono	70.1%	47.9%	Tuolumne	57.9%	39.1%
Monterey	98.9%	63.2%	Ventura	117.5%	73.6%
Napa	90.2%	57.4%	Yolo	81.2%	48.8%
Nevada	67.3%	44.6%	Yuba	52.3%	33.5%

Note: Reflects Fair Market Rents for a studio apartment and a one-bedroom apartment in 2006.

Source: Department of Finance and US Department of Housing and Urban Development

**Appendix 2: Difference Between SSI/SSP Grants Under Governor's Proposal and Studio Apartment Rents**

County	Proposed SSI/SSP Grant for Individuals	Studio Apartment Rent	Grant Level Minus Studio Apartment Rent	County	Proposed SSI/SSP Grant for Individuals	Studio Apartment Rent	Grant Level Minus Studio Apartment Rent
Alameda	\$836	\$865	(\$29)	Orange	\$836	\$1,034	(\$198)
Alpine	\$836	\$498	\$338	Placer	\$836	\$691	\$145
Amador	\$836	\$537	\$299	Plumas	\$836	\$445	\$391
Butte	\$836	\$473	\$363	Riverside	\$836	\$715	\$121
Calaveras	\$836	\$548	\$288	Sacramento	\$836	\$691	\$145
Colusa	\$836	\$500	\$336	San Benito	\$836	\$614	\$222
Contra Costa	\$836	\$865	(\$29)	San Bernardino	\$836	\$715	\$121
Del Norte	\$836	\$490	\$346	San Diego	\$836	\$760	\$76
El Dorado	\$836	\$691	\$145	San Francisco	\$836	\$998	(\$162)
Fresno	\$836	\$540	\$296	San Joaquin	\$836	\$602	\$234
Glenn	\$836	\$428	\$408	San Luis Obispo	\$836	\$641	\$195
Humboldt	\$836	\$455	\$381	San Mateo	\$836	\$998	(\$162)
Imperial	\$836	\$471	\$365	Santa Barbara	\$836	\$828	\$8
Inyo	\$836	\$450	\$386	Santa Clara	\$836	\$914	(\$78)
Kern	\$836	\$485	\$351	Santa Cruz	\$836	\$873	(\$37)
Kings	\$836	\$495	\$341	Shasta	\$836	\$464	\$372
Lake	\$836	\$449	\$387	Sierra	\$836	\$527	\$309
Lassen	\$836	\$437	\$399	Siskiyou	\$836	\$389	\$447
Los Angeles	\$836	\$789	\$47	Solano	\$836	\$796	\$40
Madera	\$836	\$496	\$340	Sonoma	\$836	\$749	\$87
Marin	\$836	\$998	(\$162)	Stanislaus	\$836	\$564	\$272
Mariposa	\$836	\$498	\$338	Sutter	\$836	\$437	\$399
Mendocino	\$836	\$502	\$334	Tehama	\$836	\$407	\$429
Merced	\$836	\$458	\$378	Trinity	\$836	\$441	\$395
Modoc	\$836	\$434	\$402	Tulare	\$836	\$481	\$355
Mono	\$836	\$586	\$250	Tuolumne	\$836	\$484	\$352
Monterey	\$836	\$827	\$9	Ventura	\$836	\$982	(\$146)
Napa	\$836	\$754	\$82	Yolo	\$836	\$679	\$157
Nevada	\$836	\$563	\$273	Yuba	\$836	\$437	\$399

Note: Reflects Fair Market Rents for a studio apartment in 2006.

Source: Department of Finance and US Department of Housing and Urban Development

Appendix 3: Two-Year Impact of Governor's Proposal to Further Delay the Federal January 2007 COLA

County	Estimated Number of Recipients Affected	Estimated Loss of Funds	County	Estimated Number of Recipients Affected	Estimated Loss of Funds
Alameda	43,570	\$10,388,000	Orange	55,240	\$12,592,000
Alpine	30	\$5,000	Placer	4,010	\$827,000
Amador	460	\$91,000	Plumas	650	\$132,000
Butte	9,030	\$1,988,000	Riverside	41,250	\$8,593,000
Calaveras	870	\$177,000	Sacramento	48,940	\$11,891,000
Colusa	520	\$109,000	San Benito	750	\$131,000
Contra Costa	19,770	\$4,595,000	San Bernardino	54,560	\$12,055,000
Del Norte	1,770	\$411,000	San Diego	70,080	\$15,148,000
El Dorado	2,390	\$487,000	San Francisco	40,090	\$9,467,000
Fresno	34,230	\$7,587,000	San Joaquin	23,620	\$5,389,000
Glenn	880	\$185,000	San Luis Obispo	4,600	\$922,000
Humboldt	5,940	\$1,340,000	San Mateo	11,140	\$2,339,000
Imperial	8,460	\$1,581,000	Santa Barbara	8,450	\$1,698,000
Inyo	410	\$83,000	Santa Clara	38,170	\$8,929,000
Kern	26,730	\$5,857,000	Santa Cruz	4,920	\$1,017,000
Kings	3,840	\$783,000	Shasta	8,040	\$1,741,000
Lake	3,270	\$700,000	Sierra	80	\$14,000
Lassen	920	\$195,000	Siskiyou	2,200	\$461,000
Los Angeles	345,780	\$80,006,000	Solano	8,980	\$1,995,000
Madera	3,990	\$815,000	Sonoma	8,340	\$1,711,000
Marin	3,190	\$711,000	Stanislaus	17,320	\$3,773,000
Mariposa	360	\$71,000	Sutter	2,980	\$616,000
Mendocino	3,440	\$765,000	Tehama	2,410	\$492,000
Merced	9,060	\$1,933,000	Trinity	560	\$126,000
Modoc	320	\$62,000	Tulare	15,350	\$3,079,000
Mono	90	\$19,000	Tuolumne	1,510	\$304,000
Monterey	7,780	\$1,531,000	Ventura	13,230	\$2,636,000
Napa	1,970	\$406,000	Yolo	4,390	\$968,000
Nevada	1,510	\$314,000	Yuba	3,320	\$752,000
<b>Total</b>			<b>1,036,240</b>	<b>\$233,100,000</b>	

Note: Estimated number of recipients affected includes recipients whose county of residence is unknown and is based on the estimated 2006-07 SSI/SSP caseload, adjusted to exclude recipients who receive only the SSP portion of the grant. Estimated loss of funds represents the estimated aggregate grant loss to SSI/SSP recipients in 2006-07 and 2007-08 combined. County estimates of affected recipients are rounded to the nearest 10 and county estimates of loss of funds are rounded to the nearest 1,000. Estimates are based on counties' share of the SSI/SSP caseload and payments in December 2004, the most recent month for which data are available. Estimates do not sum to totals due to rounding.

Source: CBP analysis of Department of Social Services and Social Security Administration data