



CALIFORNIA BUDGET PROJECT

# Proposed Budget Cuts Come at a Time of Growing Need

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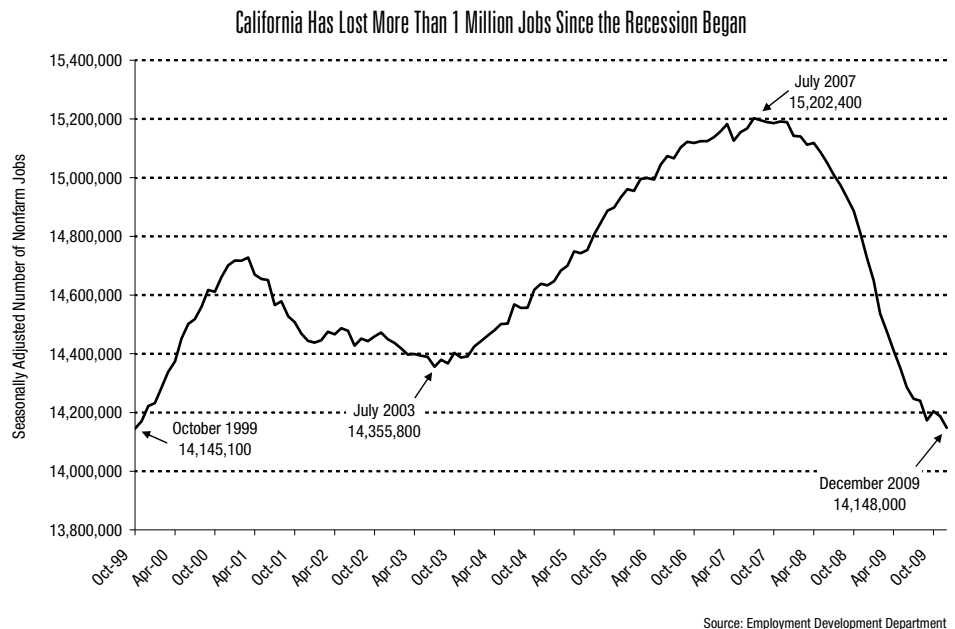
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February 2010

# Proposed Budget Cuts Come at a Time of Growing Need

- California's workers and their families face the toughest job market in decades, battered by the longest and most severe national recession in the post-World War II era.
- Millions of low- and middle-income Californians are struggling to make ends meet in the face of job loss or reduced hours of work.
- Consequently, more of California's families are turning to public programs such as Food Stamps, Healthy Families, Medi-Cal, and CalWORKs for assistance.
- Increased demand for public programs comes at a time when recent budgets have made deep cuts to health and human services programs, and the Governor has proposed more reductions to close the state's budget gap.
- However, prominent economists recently warned that state budget cuts will further weaken the economy and potentially impede the national recovery. According to more than 100 prominent economists that span the ideological spectrum, "It is economically preferable to raise taxes on those with high incomes than to cut state expenditures [during a recession]... Steep state budget cuts will exacerbate the economic downturn."

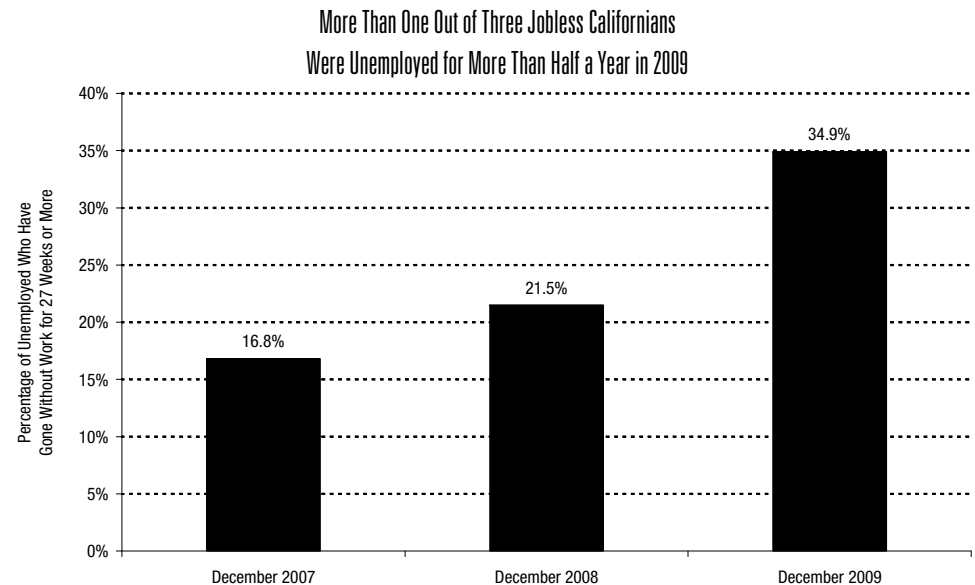
# California Has Lost More Than 1 Million Jobs Since the Recession Began

- California lost 1,054,400 nonfarm jobs between July 2007 – when employment last peaked – and December 2009, the most recent month for which data are available. This means that California now has approximately the same number of jobs as it did 10 years ago, when the state was home to 3.6 million *fewer* working-age individuals.
- California continues to lose jobs, although the pace of job loss has moderated in recent months. The state lost an average of 22,900 jobs per month between June 2009 and December 2009, down from 62,850 jobs lost per month between February 2009 and June 2009 and 87,475 jobs lost per month between October 2008 and February 2009.



# More Than One Out of Three Jobless Californians Were Unemployed for More Than Half a Year in 2009

- More than 2.2 million Californians were unemployed in December and the state's jobless rate was 12.4 percent.
- More than one out of three jobless Californians (34.9 percent) went without work for over half a year in 2009, and more than half (54.1 percent) were unemployed for at least three months.
- Nationally, there were 12.9 million more unemployed Americans than available jobs in November – the most recent month for which data are available – equivalent to 6.4 job-seekers for each job opening.

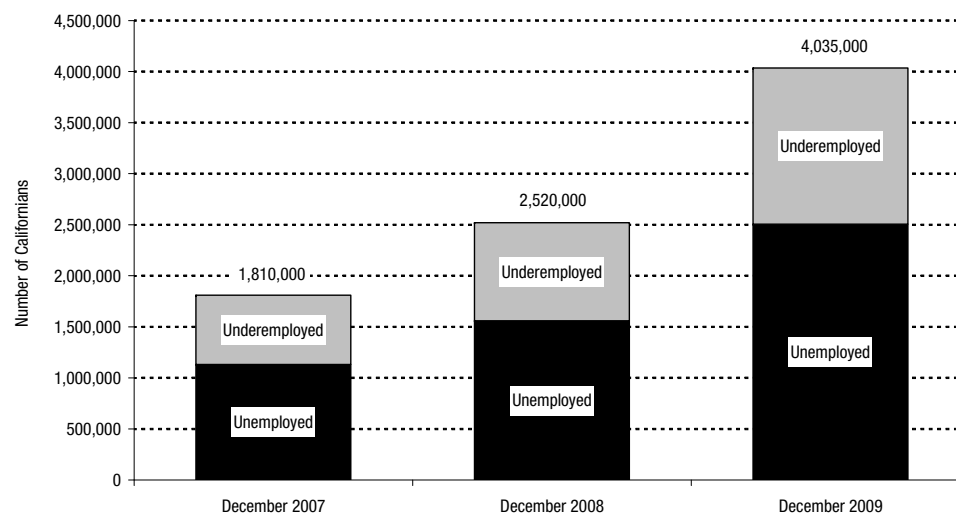


Note: Data reflect 12-month averages ending in December of each year.  
Source: Employment Development Department

# More Than One Out of Five Californians Are Unemployed or Underemployed

- More than 1.5 million Californians were *underemployed* in December, working part-time “involuntarily” either because their employers reduced their hours of work or because they could not find full-time jobs. The number of underemployed Californians has more than doubled over the past two years.
- Together, more than one out of five working-age Californians (21.4 percent) were either unemployed or underemployed in December. This figure includes 354,000 jobless Californians who want to work and are available to work, but who are not counted in official unemployment statistics because they have not searched for work in the last month.

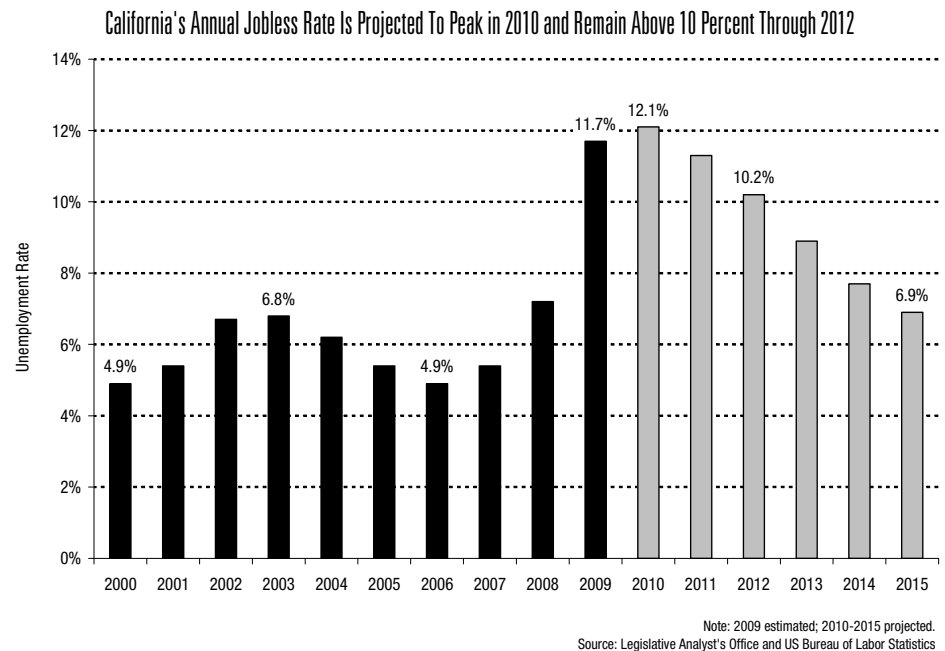
The Number of Unemployed and Underemployed Californians  
More Than Doubled Between December 2007 and December 2009



Note: Data reflect 12-month averages ending in December.  
Source: Employment Development Department

# Recovery From the Recession Is Likely To Be Long and Slow

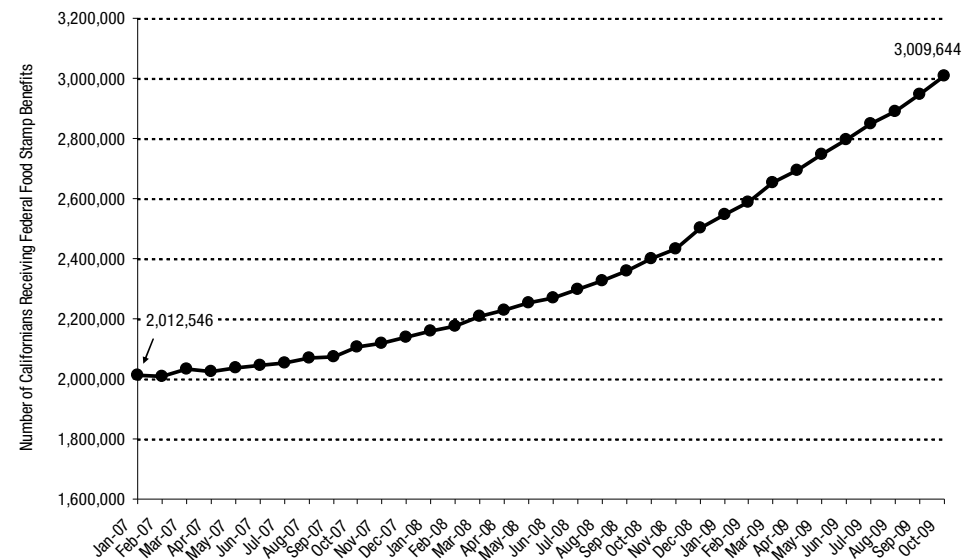
- Many experts believe the national recession ended in the third quarter of 2009, and some forecasters believe that the downturn ended in California at the end of 2009. While the general consensus among economists is that the worst of the downturn is over, job growth during the first couple of years of recovery is expected to be too weak to substantially reduce unemployment.
- Both the Legislative Analyst's Office (LAO) and the Department of Finance (DOF) project that California's annual jobless rate will remain above 10 percent through 2012. The LAO, which examines a longer forecast period than the DOF, projects that by 2015, the state's unemployment rate will fall to 6.9 percent. This is relatively high by recent historical standards. During the last recession, the jobless rate *peaked* at 6.8 percent.



# The Number of Californians Receiving Food Stamp Benefits Increased by More Than 900,000 in Two Years

- The number of Californians receiving food stamp benefits began to increase steeply in mid-2007, when the unemployment rate began to rise. Enrollment in the Food Stamp Program increased by 43.0 percent (905,218) between October 2007 and October 2009. In contrast, enrollment increased by just 6.4 percent between October 2001 and October 2003, as unemployment continued to rise in the wake of the 2001 downturn.
- Food stamp applications have risen rapidly in recent years as well, suggesting that many more Californians are having difficulty making ends meet. The number of applications for food stamp benefits jumped by 36.1 percent between October 2007 and October 2009, which followed a 28.7 percent increase between October 2005 and October 2007.

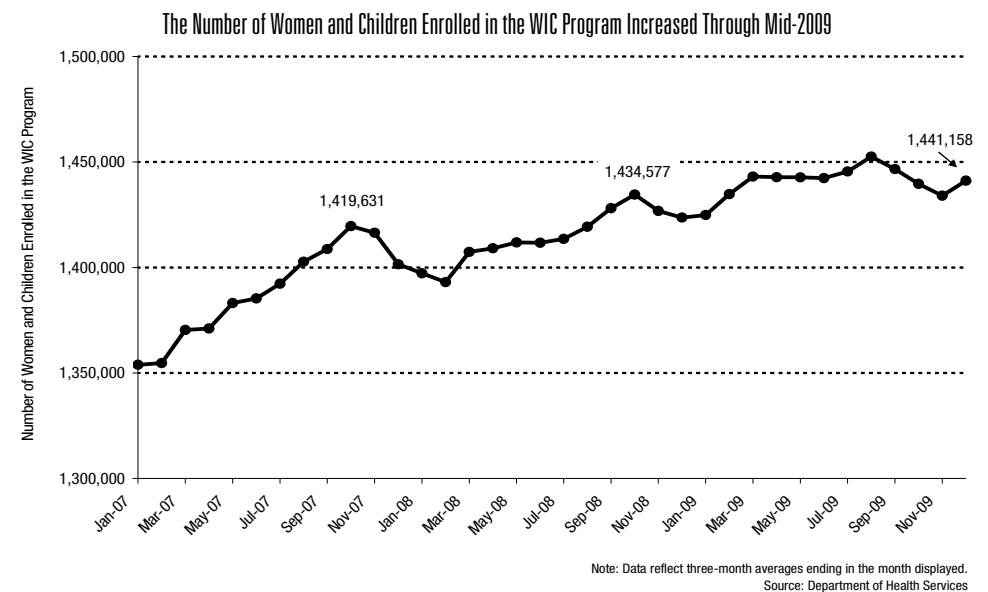
The Number of Californians Receiving Food Stamp Benefits Has Risen Substantially Since Mid-2007



Source: Department of Social Services

# The Number of Women and Children Enrolled in the WIC Program Increased Through Mid-2009

- The number of Californians enrolled in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which provides food assistance and other services to low-income pregnant and postpartum women, infants, and children, increased by 2.8 percent (39,657) between December 2007 and December 2009. In contrast, enrollment rose by 5.0 percent (66,440) during the prior 24 months.
- According to the California WIC Association, the relatively modest recent increase in enrollment may reflect the fact that a larger share of Californians who are eligible to receive WIC services are already enrolled in the program, as compared to the Food Stamp Program.





# The Number of Children Enrolled in Healthy Families Rose Until a Temporary Enrollment Freeze Was Imposed

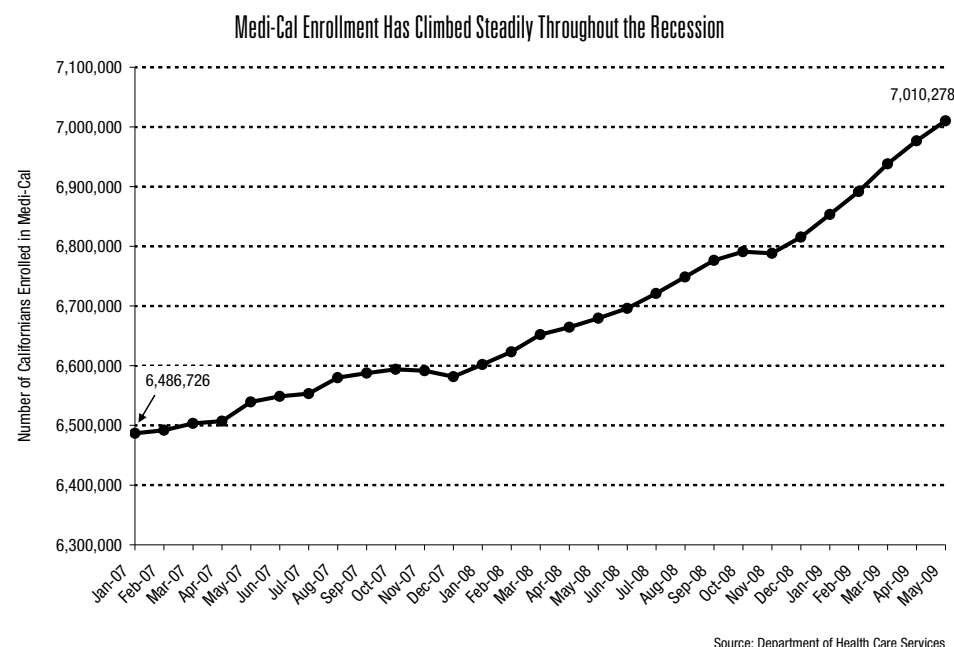
- The number of children enrolled in the Healthy Families Program, which provides health coverage to children whose family incomes are just above the poverty line, increased by 1.9 percent (16,403) between December 2007 and December 2009. This modest increase reflects the fact that enrollment fell by approximately 57,000 between July 2009 and October 2009, the result of a temporary enrollment freeze due to budget cuts. Since October, enrollment has begun to rebound.
- Prior to the enrollment suspension, the number of children receiving coverage through Healthy Families had increased steadily, rising by 11.8 percent (97,172) between July 2007 and July 2009.
- In recent years, Healthy Families – along with Medi-Cal – has played an important role in offsetting the erosion of job-based coverage, particularly for California's children.



Source: Managed Risk Medical Insurance Board

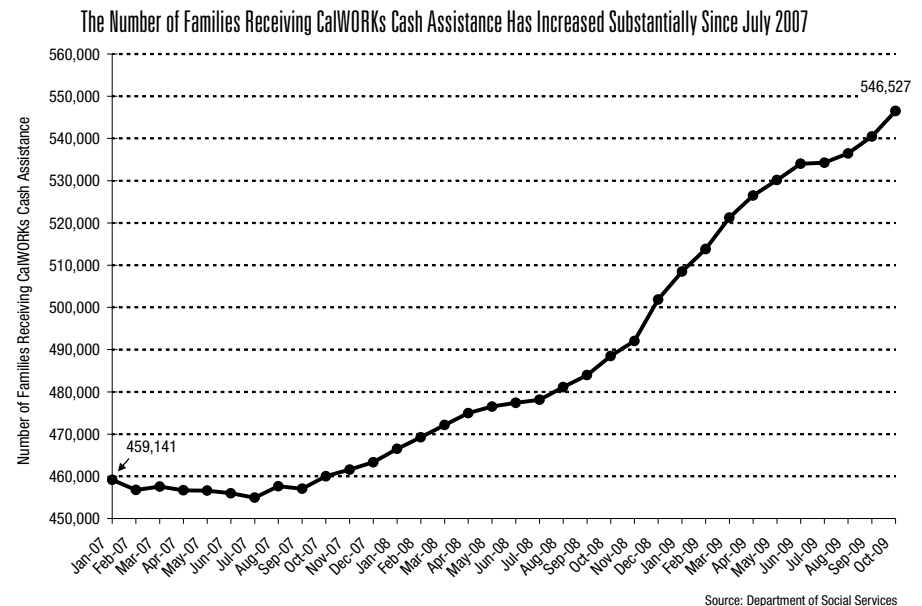
# The Number of Californians Enrolled in Medi-Cal Increased by Nearly Half a Million in Two Years

- The number of Californians enrolled in Medi-Cal began rising in early 2007. Between May 2007 and May 2009 – the most recent month for which complete data are available – the number of Californians enrolled in Medi-Cal rose by 7.2 percent (470,965), compared to a 0.2 percent decrease in enrollment between May 2005 and May 2007.
- This increase in Medi-Cal enrollment is not surprising given the substantial rise in unemployment during the recession. One analysis found that for every 1 percentage point increase in the nation's unemployment rate, 1.1 million Americans join the ranks of the uninsured and an additional 1 million enroll in publicly supported health coverage programs.



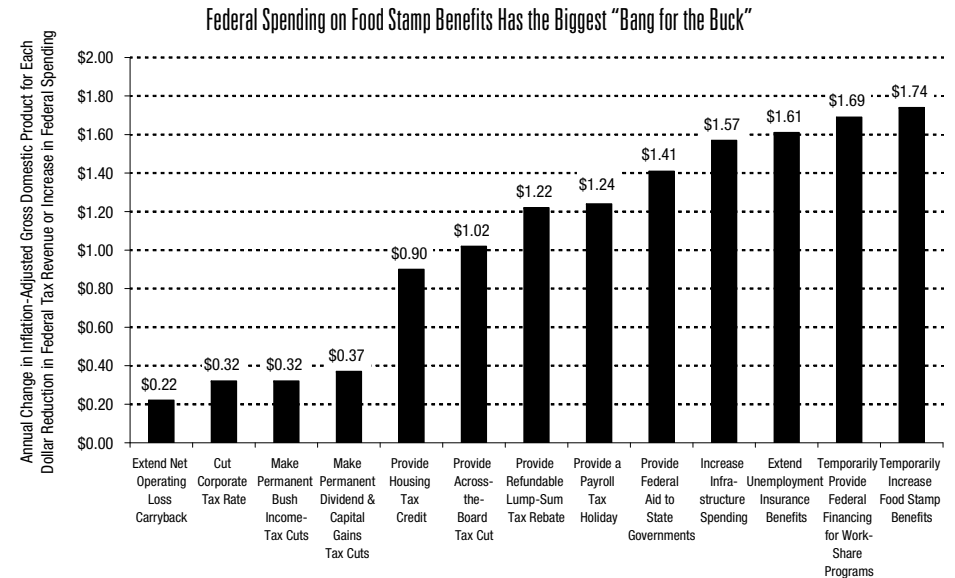
# The Number of Families Receiving CalWORKS Cash Assistance Increased by More Than 86,000 in Two Years

- The number of families receiving cash assistance through the California Work Opportunity and Responsibility to Kids (CalWORKs) Program increased by 18.8 percent (86,524) between October 2007 and October 2009, marking the first substantial rise in caseload since the enactment of federal and state welfare reform.
- This recent increase comes after more than a decade of decline, in which the CalWORKs caseload dropped by more than half, largely due to welfare reform. Consequently, the caseload remains relatively low by historical standards. More than half a million families received cash assistance in October 2009 (546,527), compared to 932,345 when the caseload peaked in March 1995.
- CalWORKs applications have risen as well. The number of families applying for CalWORKs rose by 13.3 percent between October 2007 and October 2009.



# Federal Spending on Food Stamps and Unemployment Insurance Boosts the Economy

- Every dollar spent on food stamp benefits increases economic activity by \$1.74 – the biggest “bang for the buck” of more than a dozen policy alternatives examined. Food stamp benefits free up income that families would otherwise likely spend on food, thereby allowing them to increase their purchases of other necessities. This injects money directly into local communities.
- Extending Unemployment Insurance (UI) benefits also provides a substantial boost to the economy. Each dollar used to extend UI benefits increases economic activity by \$1.61 by putting money directly into the pocketbooks of jobless individuals and their families.
- Tax cuts result in a much smaller “bang for the buck” than spending increases. In fact, in many cases, each dollar reduction in taxes produces far less than a dollar gain in economic activity.



Source: Moody's Economy.com