

CALWORKS IN THE GOVERNOR'S PROPOSED 2014-15 BUDGET: ASSISTANCE FOR LOW-INCOME FAMILIES IS LEFT FAR BELOW THE POVERTY LINE

This is the third in a series of briefs from the California Budget Project examining key components of Governor Brown's proposed 2014-15 budget, which was released last month. This *Budget Brief* looks at the California Work Opportunity and Responsibility to Kids (CalWORKs) Program and shows that – even with the state's improving fiscal outlook – the Governor's proposed budget would leave cash grants for low-income families near the significantly diminished levels to which they were cut during the Great Recession.

Recent Cuts Pushed CalWORKs Cash Assistance Below the "Deep Poverty" Threshold

CalWORKs provides modest cash assistance to more than half a million low-income families with children, while helping parents overcome barriers to employment and find jobs. Children account for nearly four in five CalWORKs recipients (79.1 percent). In order to help close budget gaps in recent years, state policymakers made deep cuts to CalWORKs, including reducing the level of cash assistance. The maximum monthly grant for a family of three in high-cost counties was cut by 12 percent, from \$723 in 2008-09 to \$638 in 2011-12. As a result, the value of CalWORKs grants dropped well below the deep-poverty threshold, defined as less than half the federal poverty level (Figure 1).

The 2013-14 budget agreement – approved in mid-2013 – took a step toward reversing this cut. Policymakers reallocated certain special fund revenues to provide a 5 percent increase to CalWORKs grants effective March 2014. The maximum grant for a family of three will rise to \$670 on March 1, providing a critical boost of more than \$30 per month for families who continue to struggle in the aftermath of the recession. Yet even with this increase, grants will equal little more than 40 percent of the poverty line and will remain more than \$50 per month below the 2008-09 level. The Governor's proposed budget assumes that –

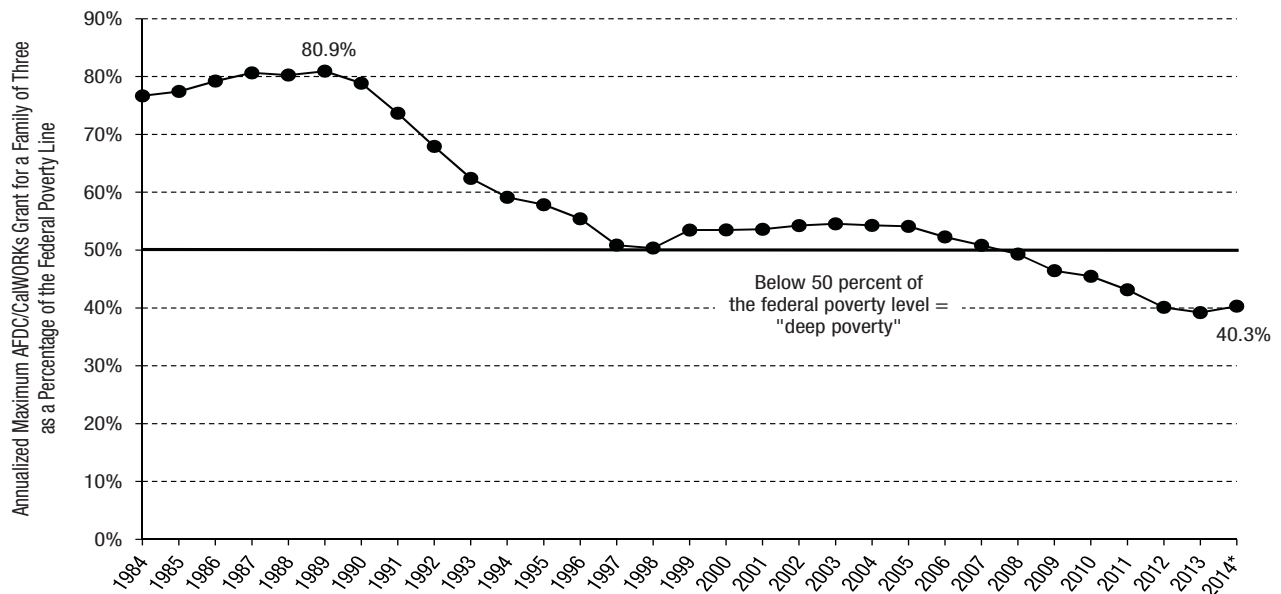
while the March 1 increase will continue into 2014-15 – there will be insufficient special fund dollars to boost CalWORKs cash assistance any further. Moreover, despite the state's significantly improved revenue outlook, the Governor does not propose to use General Fund dollars to further increase grant levels in 2014-15.

Poverty Imposes Steep Costs on Children, Families, and Society

More than one in five California children (22.5 percent) live in poverty. Children are affected by poverty in many ways, and those who live in *deep* poverty are particularly susceptible to the effects of economic hardship.¹ Low-income children tend to lag behind higher-income children in terms of academic achievement, and children living in poverty often experience greater emotional and behavioral problems – such as acting out, depression, and anxiety – compared to their higher-income peers.² In addition, low-income children are more likely to face a variety of health problems, such as low birth weight, obesity, and chronic health conditions like asthma and hearing, vision, and speech problems.³

The effects of poverty often follow low-income children into adulthood, affecting both their health and their economic prospects. Research shows that low-income children are more likely to have health problems as adults, to have less education

Figure 1: Under the Governor's Proposal, CalWORKs Grants Would Remain Far Below the Deep-Poverty Threshold in 2014



* Grant level reflects a 5 percent increase scheduled for March 1, 2014. The Governor's proposed 2014-15 budget assumes that no additional grant increase will be provided in 2014.
 Note: Maximum grants are for high-cost counties beginning in 1996.
 Source: CBP analysis of Department of Social Services and US Social Security Administration data

and lower earnings, and to live in poverty later in life, compared to children who did not grow up in poverty.⁴ The negative effects of poverty can extend beyond the individuals affected to society as a whole in the form of lost productivity and wages, higher health care spending, and other social costs.

Policy Options That Invest in the Future

State policymakers can take steps to raise the incomes and boost the life chances of the more than 1 million low-income children who rely on CalWORKs. Specifically, policymakers can:

- Provide a cost-of-living adjustment (COLA) for CalWORKs grants in 2014-15, using General Fund dollars if there are insufficient special fund dollars to provide an increase.
- Create a multiyear plan for raising CalWORKs grant levels above the deep-poverty threshold. This could include reinstating the annual state COLA, which was eliminated beginning in 2010-11.
- Adopt policies that help low-income families build toward economic security, such as increasing job training opportunities and creating a state earned income tax credit (EITC).

CalWORKs provides substantial benefits for the state's low-income children and families and also offers economic benefits to the state. Greater investment in CalWORKs is fiscally sound

policy that helps lay the foundation for broadly shared prosperity in California.

ENDNOTES

- 1 Jeanne Brooks-Gunn and Greg J. Duncan, "The Effects of Poverty on Children," *The Future of Children* 7 (1997), pp. 55-71.
- 2 See Jeanne Brooks-Gunn and Greg J. Duncan, "The Effects of Poverty on Children," *The Future of Children* 7 (1997), pp. 55-71 and Selcuk R. Sirin, "Socioeconomic Status and Academic Achievement: A Meta-Analytic Review of Research," *Review of Educational Research* 75 (2005), pp. 417-453.
- 3 Janet Currie and Wanchuan Lin, "Chipping Away at Health: More on the Relationship Between Income and Child Health," *Health Affairs* 26 (2007), pp. 331-344 and Gopal K. Singh et al., "Rising Social Inequalities in US Childhood Obesity, 2003-2007," *Annals of Epidemiology* 20 (2010), pp. 40-52.
- 4 See Greg J. Duncan et al., "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," *Child Development* 81 (2010), pp. 306-325 and Rucker C. Johnson and Robert F. Schoeni, "Early-Life Origins of Adult Disease: National Longitudinal Population-Based Study of the United States," *American Journal of Public Health* 101 (2011), pp. 2317-2324.

Scott Graves and Kristin Schumacher prepared this Budget Brief. The CBP was established in 1995 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, subscriptions, and individual contributions.