

GOVERNOR'S BUDGET PROPOSES SUSPENDING CALWORKS COLAS

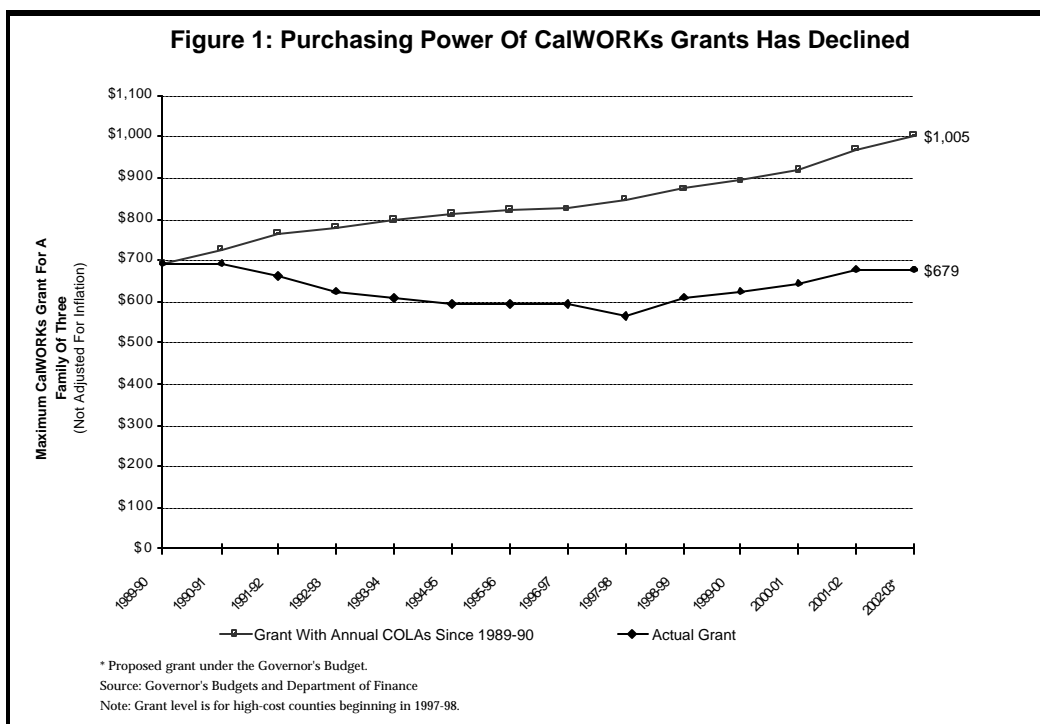
Governor Davis' 2002-03 Budget proposes suspending the statutory cost-of-living adjustment (COLA) for CalWORKs grants to help address the program's deficit of several hundred million dollars. While suspending the COLA would result in a savings of \$112 million for the CalWORKs program, it would lead to a loss of purchasing power for families that depend on CalWORKs for cash assistance.

COLA SUSPENSION WILL HAVE LONG-TERM IMPACT

The current maximum CalWORKs grant is \$679 per month for a family of three, and it would increase by \$25 to \$704 in October 2002 under current law.¹ While a one-year suspension of the CalWORKs COLA appears to be a one-time spending reduction, suspending the COLA will impact the value of CalWORKs grants in the future by reducing the grants' base, absent an additional adjustment. Even if the COLA is reinstated next year, CalWORKs grants will be 3.74 percent lower than they would have been in the absence of the suspension.

CALWORKS GRANTS HAVE LOST VALUE

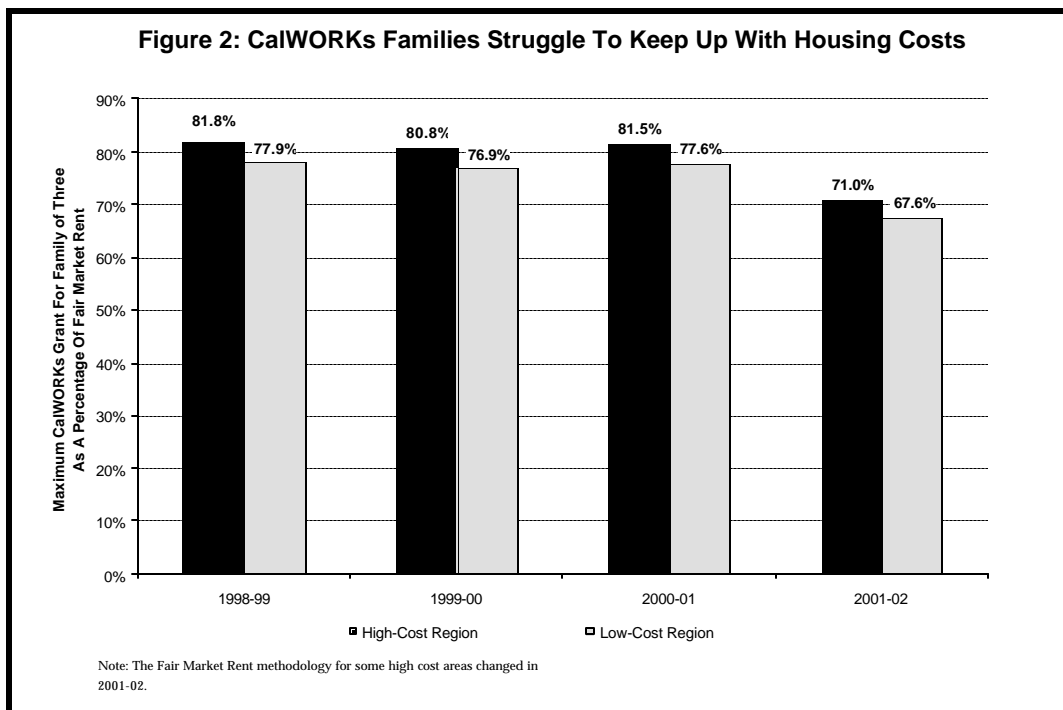
Although the COLA is required under law, the Legislature suspended the COLA from 1990-91 through 1997-98, and reduced grants several times during this period (Figure 1). Even though the COLA was reinstated in 1998-99, the purchasing power of today's grants is substantially lower than it was in 1989-



90. Grants are about one-third (32 percent) lower than what they would be if COLAs had been implemented every year since 1989-90. The 1989-90 maximum grant was 83 percent of the federal poverty level (FPL) for a family of three, while the maximum grant under the 2002-03 Governor's Budget would be 54 percent of the FPL.

HOUSING COSTS OUTPACE CALWORKS GRANTS

Even with COLAs, CalWORKs families have not been able to keep up with rising housing costs in recent years. In 1998-99 the maximum CalWORKs grant for a family of three was 81.8 percent of the Fair Market Rent in high-cost counties. However, by 2001-2002 the grant dropped to 71 percent of the Fair Market Rent (Figure 2).



COLA SUSPENSION WOULD AFFECT POOREST FAMILIES

The proposed COLA suspension would affect about half a million of California's poorest families, reducing their ability to meet basic necessities such as food and housing. To the extent that these families would spend this money in their communities, local businesses would also be affected. In Los Angeles County, the COLA suspension would represent a loss of about \$44 million for about 200,000 families (see Appendix 1).

FOOD STAMP BENEFITS WOULD PARTIALLY OFFSET A COLA SUSPENSION

Food stamp benefits would help to buffer stagnant grant levels. Without the COLA, CalWORKs families would be eligible for higher food stamp benefits than they would be with the COLA. If the COLA is suspended, the combined maximum CalWORKs grant and food stamp benefits for a family of three would be \$964, as compared to \$978 with the COLA.²

CONCLUSION

Given the fiscal constraints of the CalWORKs program, the savings of \$112 million from a COLA suspension should be weighed against the impact on CalWORKs families. On the one hand, food stamp benefits would help compensate for stagnant grant levels. On the other hand, CalWORKs grants have significantly lower purchasing power than in 1989-90 and families are unable to keep up with housing costs. Moreover, a one-year COLA suspension will have long-term consequences by reducing the CalWORKs grant base.

ENDNOTES

¹ For counties in the high-cost region. The statutory COLA is based on the California Necessities Index (CNI) and would be 3.74 percent this year.

² Legislative Analyst's Office, *Analysis of the 2002-03 Budget Bill*, p. C-189.

Sarah Steinheimer prepared this Update. 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 is committed to improving public policies that influence the economic and social well-being of Californians and their communities. Publication of this Update was supported by grants from the David and Lucile Packard, William and Flora Hewlett, and Streisand Foundations. General operating support for the California Budget Project is provided by grants from the James Irvine, Ford, Charles Stewart Mott, Friedman Family, David and Lucile Packard, and California Wellness Foundations, the Penney Family Fund, and individual donations and subscriptions. Visit the CBP web site at www.cbpp.org.

Appendix 1: Impact Of Suspended CalWORKs COLA By County

County	Number Of Families Affected*	Estimated Loss Of Funds**	County	Number Of Families Affected*	Estimated Loss Of Funds**
Alameda	16,661	\$3,792,355	Orange	19,024	\$4,330,142
Alpine	29	\$6,205	Placer	1,207	\$261,202
Amador	230	\$49,859	Plumas	171	\$36,943
Butte	4,235	\$916,731	Riverside	19,450	\$4,210,251
Calaveras	411	\$88,895	Sacramento	28,644	\$6,200,506
Colusa	194	\$41,994	San Benito	474	\$102,677
Contra Costa	7,679	\$1,747,884	San Bernardino	35,332	\$7,648,082
Del Norte	743	\$160,762	San Diego	26,448	\$6,020,135
El Dorado	1,102	\$238,545	San Francisco	5,102	\$1,161,386
Fresno	21,666	\$4,689,866	San Joaquin	12,770	\$2,764,191
Glenn	439	\$95,100	San Luis Obispo	1,595	\$363,052
Humboldt	2,232	\$483,223	San Mateo	1,596	\$363,355
Imperial	4,047	\$876,107	Santa Barbara	3,564	\$811,309
Inyo	131	\$28,429	Santa Clara	10,566	\$2,404,943
Kern	16,188	\$3,504,141	Santa Cruz	1,626	\$370,184
Kings	2,308	\$499,602	Shasta	3,529	\$763,906
Lake	1,574	\$340,716	Sierra	25	\$5,484
Lassen	450	\$97,337	Siskiyou	784	\$169,781
Los Angeles	193,862	\$44,126,688	Solano	3,960	\$901,294
Madera	2,986	\$646,438	Sonoma	2,264	\$515,329
Marin	690	\$156,981	Stanislaus	8,548	\$1,850,418
Mariposa	178	\$38,459	Sutter	1,073	\$232,267
Mendocino	1,464	\$316,833	Tehama	1,170	\$253,264
Merced	5,795	\$1,254,417	Trinity	198	\$42,860
Modoc	180	\$39,036	Tulare	11,239	\$2,432,854
Mono	51	\$10,968	Tuolumne	902	\$195,180
Monterey	4,190	\$953,646	Ventura	5,276	\$1,200,916
Napa	407	\$92,717	Yolo	2,135	\$462,081
Nevada	496	\$107,367	Yuba	1,962	\$424,705
			Total	501,252	\$111,900,000

* Department of Social Services. Average monthly CalWORKs caseload, October through December 2001.

** Estimated aggregate grant loss to CalWORKs recipients. Calculated from monthly caseload data, adjusting for different grant levels in high-cost and low-cost regions.