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## **GOVERNOR PROPOSES TO SUSPEND STATE COLA AND WITHHOLD FEDERAL COLA FOR SSI/SSP GRANTS**

Governor Schwarzenegger's Proposed 2005-06 Budget would suspend the state cost-of-living adjustment (COLA) and withhold the federal COLA for Supplemental Security Income/State Supplementary Payment (SSI/SSP) grants, both of which are scheduled for January 2006. The Governor's proposal would result in General Fund savings of \$258.9 million in 2005-06 and \$517.8 million annually thereafter. The proposal would lead to further loss of purchasing power for 1.2 million recipients who are elderly, blind, or have disabilities and who depend on SSI/SSP grants for support.

### **How Do SSI/SSP PAYMENTS WORK?**

SSI/SSP 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>1</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.

### **WHAT IS THE GOVERNOR'S PROPOSAL?**

The Governor proposes to suspend the January 2006 state COLA for SSI/SSP grants, for General Fund savings of \$174.2 million in 2005-06. The Governor also proposes to withhold the January 2006 federal COLA from recipients.<sup>2</sup> Instead, the state would use the federal COLA increase to reduce the state-funded SSP portion by an equal amount, resulting in General Fund savings of \$84.7 million in 2005-06. Thus, recipients would see no change in their grant levels, even though the federal government will provide the funds to support a COLA. Suspending the state COLA and withholding the federal COLA in January 2006 would result in \$517.8 million General Fund savings annually, beginning in 2006-07.<sup>3</sup>

### **GOVERNOR'S PROPOSAL WOULD HAVE LONG-TERM IMPACT**

Individual SSI/SSP recipients currently receive \$805 per month and couples receive \$1,422 per month.<sup>4</sup> In April 2005, the SSI/SSP grant will increase to \$812 for individuals and \$1,437 for couples.<sup>5</sup> Under current law, the monthly grant would increase to \$849 for individuals and \$1,503 for couples in January 2006. The Governor's proposal would maintain monthly grants

at the April 2005 levels, or 4.6 percent lower than they would be in the absence of his proposals (Table 1).

<b>Recipients Who Are Elderly or Have Disabilities</b>	<b>January 2005</b>	<b>April 2005</b>	<b>January 2006: Current Law</b>	<b>January 2006: Governor’s Proposal</b>	<b>Difference Under Governor’s Proposal</b>
Individuals	\$805	\$812	\$849	\$812	-\$37
Couples	\$1,422	\$1,437	\$1,503	\$1,437	-\$66

This change would have an ongoing impact on SSI/SSP grants by reducing the base used for calculating future grant levels, absent an additional adjustment. For example, even if the state provides an SSI/SSP COLA in 2006-07, the SSI/SSP grants would be lower than they would have been in the absence of the Governor’s proposals.

SSI/SSP recipients are not eligible for food stamp benefits in California.<sup>6</sup> 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.

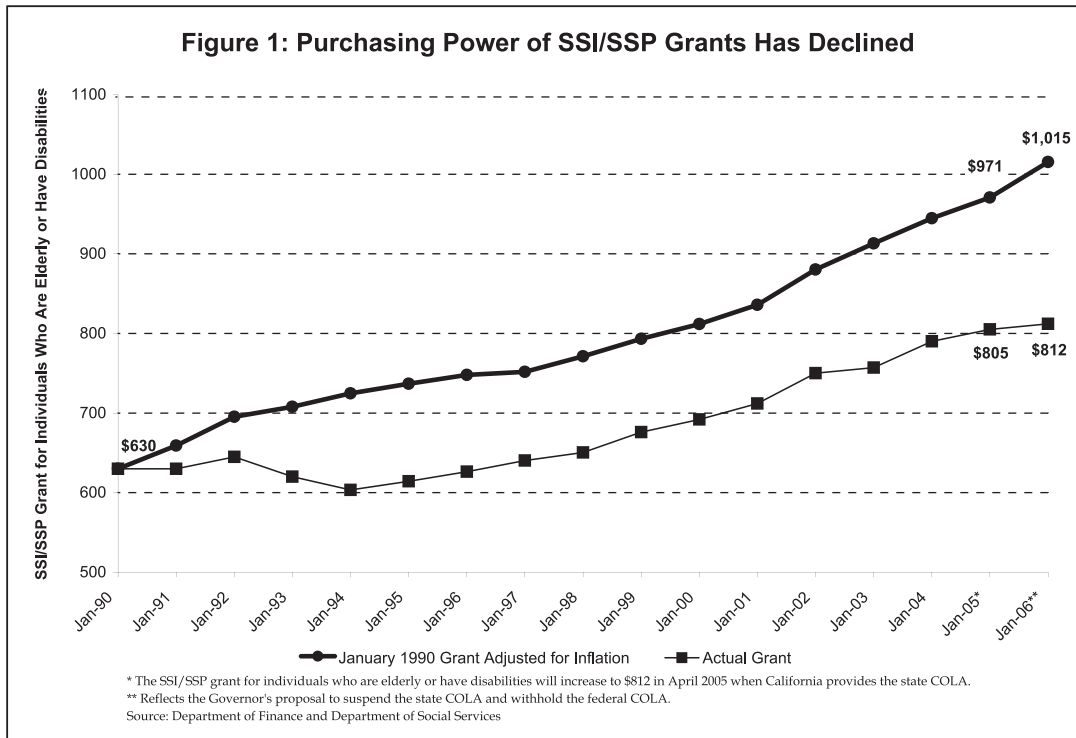
**PURCHASING POWER OF SSI/SSP GRANTS WOULD DECLINE FURTHER UNDER GOVERNOR’S PROPOSAL**

The state has suspended SSI/SSP COLAs, delayed SSI/SSP COLAs and/or reduced SSI/SSP grants in 11 out of the past 16 years. If the Governor’s proposal is adopted, SSI/SSP grants for individuals would be \$203 (20 percent) lower in January 2006 than if the state and federal COLAs had been provided every year since January 1990 (Figure 1).

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 California counties, the proposed SSI/SSP grant for individuals would be below the fair market rent for a studio apartment. Housing costs for a studio apartment would exceed the proposed SSI/SSP grant for individuals in 10 counties and exceed 50 percent of the grant in 56 counties. For example, housing costs for a studio apartment would be 123.2 percent of the SSI/SSP grant for an individual in San Mateo County (Appendix 1).

**REDUCTION WOULD AFFECT LOCAL ECONOMIES**

The loss of SSI/SSP payments due to the Governor’s COLA proposals would reduce the incomes of 1.2 million Californians at an estimated cost of \$517.8 million in 2006-07. Because these recipients spend their grants in local communities, local economies would also be affected. For example, Los Angeles County would lose \$178.5 million in payments to about 406,000 SSI/SSP recipients and Shasta County would lose \$3.8 million in payments to about 9,300 SSI/SSP recipients (Appendix 2).



## CONCLUSION

The state faces a deficit of significant magnitude. The Governor's proposal to achieve \$517.8 million in annual General Fund savings should be weighed against the impact on 1.2 million SSI/SSP recipients. Moreover, suspending the state COLA and withholding the federal COLA would have long-term consequences by reducing the grant base. Alternatively, the state could achieve a smaller amount of savings by delaying, rather than suspending, the state COLA and/or passing through the federal COLA to recipients.

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*Agnes Lee 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 California Budget Project is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's web site at [www.cbp.org](http://www.cbp.org).*

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## ENDNOTES

- <sup>1</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.
- <sup>2</sup> For January 2006, the state COLA would be 4.6 percent and the federal COLA would be 2.3 percent.
- <sup>3</sup> The Governor's proposal would also apply to Cash Assistance Program for Immigrants (CAPI) grants, which provide state-funded cash assistance to those who are not eligible for SSI/SSP payments due to immigration status.
- <sup>4</sup> Monthly grant levels reflect grants for recipients who are elderly or have disabilities. Recipients who are blind receive higher monthly grants.
- <sup>5</sup> The 2004-05 Budget delayed the state COLA until April 2005, but passed through the federal COLA to recipients as scheduled in January 2005.
- <sup>6</sup> California is the only state in which SSI/SSP recipients are not eligible for food stamp benefits. SSI/SSP recipients in California receive a higher SSI/SSP payment instead of food stamps.

**Appendix 1: Percentage of SSI/SSP Grants Needed to Cover Housing Costs Under Governor's Proposal**

<b>County</b>	<b>Studio Rent as a Percentage of Proposed SSI/SSP Grant for Individuals</b>	<b>One-Bedroom Apartment Rent as a Percentage of Proposed SSI/SSP Grant for Couples</b>	<b>County</b>	<b>Studio Rent as a Percentage of Proposed SSI/SSP Grant for Individuals</b>	<b>One-Bedroom Apartment Rent as a Percentage of Proposed SSI/SSP Grant for Couples</b>
Alameda	116.4%	78.8%	Orange	120.6%	76.4%
Alpine	59.4%	37.6%	Placer	87.1%	56.5%
Amador	63.9%	42.4%	Plumas	53.1%	35.1%
Butte	56.3%	37.9%	Riverside	71.4%	44.4%
Calaveras	65.3%	37.0%	Sacramento	87.1%	56.5%
Colusa	59.6%	33.8%	San Benito	72.5%	55.5%
Contra Costa	116.4%	78.8%	San Bernardino	71.4%	44.4%
Del Norte	58.4%	33.4%	San Diego	105.2%	67.9%
El Dorado	87.1%	56.5%	San Francisco	123.2%	85.5%
Fresno	58.4%	36.1%	San Joaquin	64.3%	41.4%
Glenn	51.0%	29.6%	San Luis Obispo	76.4%	51.0%
Humboldt	54.2%	35.8%	San Mateo	123.2%	85.5%
Imperial	56.2%	35.9%	Santa Barbara	98.6%	62.3%
Inyo	53.6%	31.7%	Santa Clara	116.0%	77.0%
Kern	57.9%	35.3%	Santa Cruz	107.9%	71.9%
Kings	59.0%	35.5%	Shasta	55.3%	36.4%
Lake	53.6%	35.5%	Sierra	62.8%	41.4%
Lassen	52.1%	34.5%	Siskiyou	46.3%	31.4%
Los Angeles	91.9%	62.6%	Solano	96.6%	59.6%
Madera	58.4%	36.1%	Sonoma	92.5%	63.6%
Marin	123.2%	85.5%	Stanislaus	67.2%	42.0%
Mariposa	59.4%	37.6%	Sutter	52.1%	33.2%
Mendocino	59.9%	41.8%	Tehama	48.5%	31.2%
Merced	54.7%	35.2%	Trinity	52.6%	31.2%
Modoc	51.7%	32.3%	Tulare	57.3%	36.2%
Mono	69.8%	47.5%	Tuolumne	57.8%	38.8%
Monterey	98.6%	62.7%	Ventura	121.4%	76.1%
Napa	96.6%	59.6%	Yolo	81.0%	48.4%
Nevada	67.1%	44.3%	Yuba	52.1%	33.2%

Note: Reflects Fair Market Rents for a studio apartment and a one-bedroom apartment in 2005.

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

## Appendix 2: Impact of Governor's SSI/SSP COLA Proposal

County	Number of Recipients Affected	Estimated Loss of Funds	County	Number of Recipients Affected	Estimated Loss of Funds
Alameda	51,698	\$23,170,460	Orange	64,077	\$27,932,368
Alpine	28	\$12,875	Placer	4,564	\$1,780,542
Amador	538	\$198,134	Plumas	736	\$277,821
Butte	10,392	\$4,219,074	Riverside	47,207	\$18,488,001
Calaveras	1,039	\$377,493	Sacramento	56,730	\$25,974,561
Colusa	598	\$193,749	San Benito	869	\$286,311
Contra Costa	23,082	\$10,002,078	San Bernardino	62,120	\$25,820,013
Del Norte	1,896	\$787,814	San Diego	84,722	\$34,734,960
El Dorado	2,805	\$1,092,337	San Francisco	50,036	\$22,570,857
Fresno	40,488	\$16,964,717	San Joaquin	27,814	\$12,033,529
Glenn	991	\$365,110	San Luis Obispo	5,764	\$2,187,543
Humboldt	6,805	\$2,893,017	San Mateo	13,473	\$5,373,560
Imperial	9,489	\$3,323,511	Santa Barbara	10,217	\$4,009,432
Inyo	472	\$166,500	Santa Clara	44,670	\$19,959,536
Kern	29,884	\$12,066,490	Santa Cruz	5,703	\$2,192,133
Kings	4,752	\$1,833,857	Shasta	9,274	\$3,816,468
Lake	3,854	\$1,558,343	Sierra	83	\$32,488
Lassen	1,069	\$415,218	Siskiyou	2,503	\$971,634
Los Angeles	405,844	\$178,480,514	Solano	10,921	\$4,603,058
Madera	4,613	\$1,728,943	Sonoma	9,952	\$3,823,913
Marin	3,726	\$1,524,473	Stanislaus	20,747	\$8,542,504
Mariposa	357	\$127,373	Sutter	3,496	\$1,346,532
Mendocino	4,109	\$1,681,331	Tehama	2,759	\$1,048,770
Merced	10,355	\$4,201,481	Trinity	565	\$216,342
Modoc	383	\$142,430	Tulare	17,652	\$6,641,537
Mono	101	\$38,816	Tuolumne	1,744	\$666,035
Monterey	9,581	\$3,546,498	Ventura	15,591	\$5,833,401
Napa	2,074	\$821,174	Yolo	5,016	\$2,062,902
Nevada	1,780	\$713,876	Yuba	3,899	\$1,648,065
<b>Total</b>				<b>1,216,388</b>	<b>\$517,800,000</b>

Note: "Estimated Loss of Funds" represents the estimated annual aggregate grant loss to SSI/SSP recipients. Total recipients based on 2005-06 estimated caseload. Total includes recipients whose county of residence is unknown.

Source: CBP analysis of Department of Social Services data