

HOW MUCH DOES CALIFORNIA SPEND ON PROGRAMS AND SERVICES FOR CHILDREN AND YOUTH?

Introduction

California's General Fund is the primary source of state funding for an array of state programs.¹ Much of this funding supports programs and services for children and youth through age 21, who comprised nearly one-third (32.0 percent) of California's population of 36.9 million in 2005.² State budget documents, however, do not quantify how much state spending supports programs and services for young Californians. This Budget Backgrounder analyzes 2004-05 expenditures to estimate how much spending supports programs and services for Californians age 21 and younger.³

California Spends Nearly 60 Cents Out of Every State Dollar on Programs and Services for Children and Youth

California spent an estimated \$46.6 billion on programs and services for children and youth in 2004-05, 58.3 percent of state General Fund spending of \$79.9 billion (Figure 1).⁴

Most State Spending for Children and Youth Supports K-12 Education

More than 70 cents out of every state dollar spent on children and youth in 2004-05 supported K-12 education (Figure 2). The remainder supported health and human services programs, higher education, and youth correctional services.⁵ Estimated 2004-05 state spending for children and youth included:

- \$33.1 billion for K-12 education (71.1 percent);⁶
- \$8.3 billion for health and human services programs (17.9 percent);

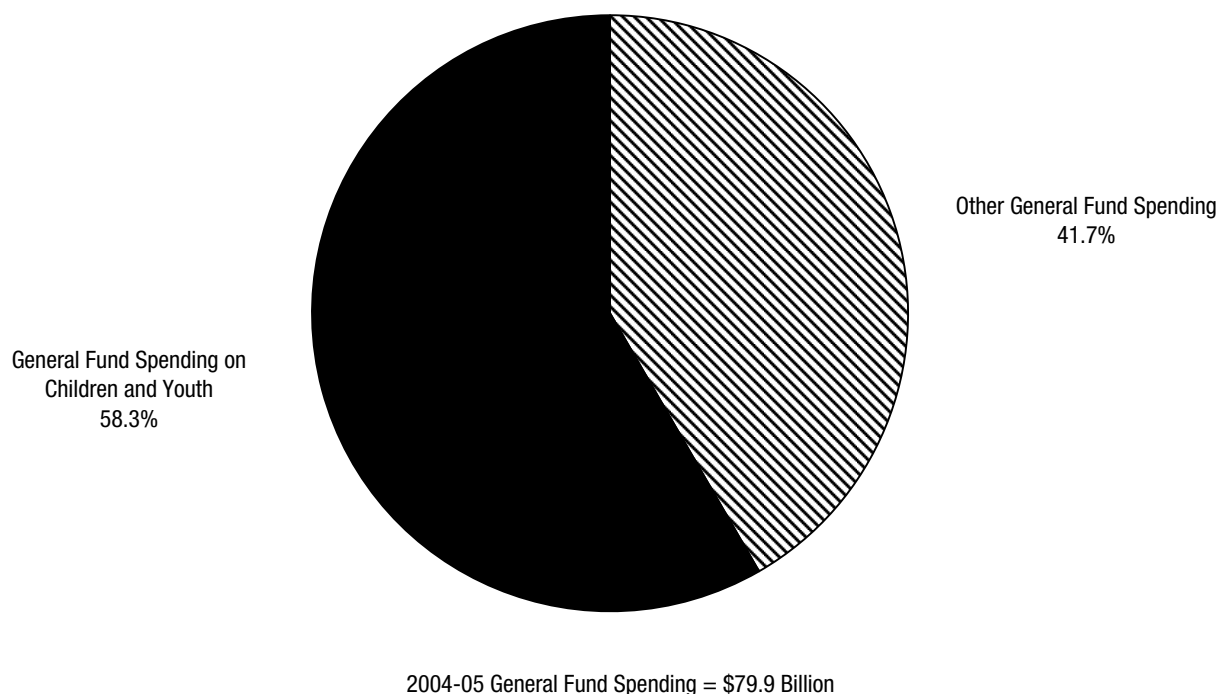
- \$4.5 billion for higher education (9.6 percent); and
- \$643.3 million for youth correctional services, including juvenile probation activities (1.4 percent).

Health Programs and Human Services Programs for Children and Youth Receive About Equal Amounts of State Funding

State spending on health and human services for children and youth totaled \$8.3 billion in 2004-05, with spending about evenly divided between health programs (\$4.1 billion) and human services programs (\$4.3 billion) (Figure 3).⁷ Spending for health and human services for children and youth in 2004-05 included:

- \$2.6 billion for Medi-Cal benefits;⁸
- \$2.0 billion for the CalWORKs welfare-to-work program, which provides cash assistance and services to needy families with children;
- \$609.9 million for the Child Welfare Services Program;
- \$469.3 million for the Foster Care Program;
- \$466.7 million for services to children with developmental disabilities provided through Regional Centers and Developmental Centers;
- \$294.7 million for Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program grants for children with disabilities; and

Figure 1: California Spends Nearly 60 Cents Out of Every State Dollar on Programs and Services for Children and Youth



- \$288.4 million for the Healthy Families Program, which provides low-cost health coverage for children with family incomes too high to qualify for the Medi-Cal Program.⁹

Federal Funds and Special Funds Also Support Programs for California’s Children and Youth

In addition to the state’s General Fund, federal funds and state special funds provide substantial support for programs and services for California’s children and youth.¹⁰

Federal Funds

California spent \$52.1 billion in federal funds through the state budget in 2004-05. Health and human services programs received \$27.8 billion (53.3 percent) of this amount, primarily for Medi-Cal and other programs administered by the Department of Health Services. Another \$14.3 billion in federal funds supported K-12 and higher education.

In addition, the federal government provides funds outside of the state budget. In federal fiscal year (FFY) 2004, for example, Californians received \$2.0 billion in federal food stamp benefits, which provided nutrition assistance to approximately 723,000

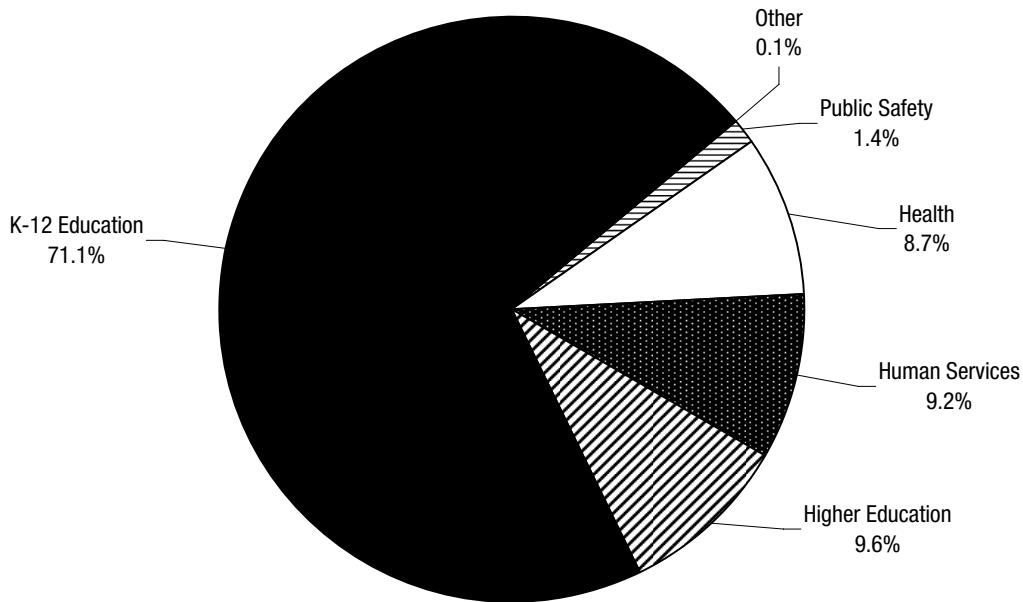
California households, including 569,000 households with children.¹¹ The federal government also provided \$823.7 million for the Head Start Program, which serves eligible California children from birth to age 5 to increase the school readiness of children in low-income families.¹²

State Special Funds

Special funds receive revenues from taxes, licenses, and fees, “where the use of such revenues is restricted by law for particular functions or activities of government.”¹³ California spent \$22.2 billion from special funds in 2004-05, accounting for 21.7 percent of total state spending.¹⁴ Special fund expenditures that are earmarked for services that support California’s children and youth include:

State-Local Realignment. In 1991, the state increased counties’ share of responsibility for several health and human services programs, many of which serve children and youth. For example, the state shifted responsibility for community-based mental health services to counties. In addition, the state increased counties’ share of nonfederal costs for several human services programs, including the Adoption Assistance, Child Welfare Services, Foster Care, and In-Home Supportive Services

Figure 2: Most State Spending for Children and Youth Supports K-12 Education



Estimated 2004-05 General Fund Spending on Children and Youth = \$46.6 Billion

Note: Other includes the California Conservation Corps and the California Science Center. Percentages do not sum to 100 due to rounding.

programs. In order to fund this “realignment” of responsibility, the state increased two statewide taxes – the sales tax and the Vehicle License Fee – and dedicated the increased revenues to the realigned programs.¹⁵ Counties received \$4.2 billion in realignment revenues in 2004-05 to support these programs.

California Children and Families Act. The California Children and Families Act (Proposition 10 of 1998) increased the tax on cigarettes and other tobacco products to fund early childhood development programs overseen by a new statewide First 5 California Children and Families Commission and 58 county First 5 commissions.¹⁶ The state commission receives 20 percent of available revenues to be spent for media campaigns, educational materials, research, and other purposes. The remaining 80 percent of revenues are allocated to the county commissions for programs and services relating to early childhood development, children’s health, and related issues. The state and county commissions spent \$558.0 million in 2004-05 on a range of programs and activities.¹⁷

Mental Health Services Act. The Mental Health Services Act (Proposition 63 of 2004) imposed an additional 1 percent tax on the portion of individuals’ taxable income above \$1 million to provide dedicated funding to expand mental health services

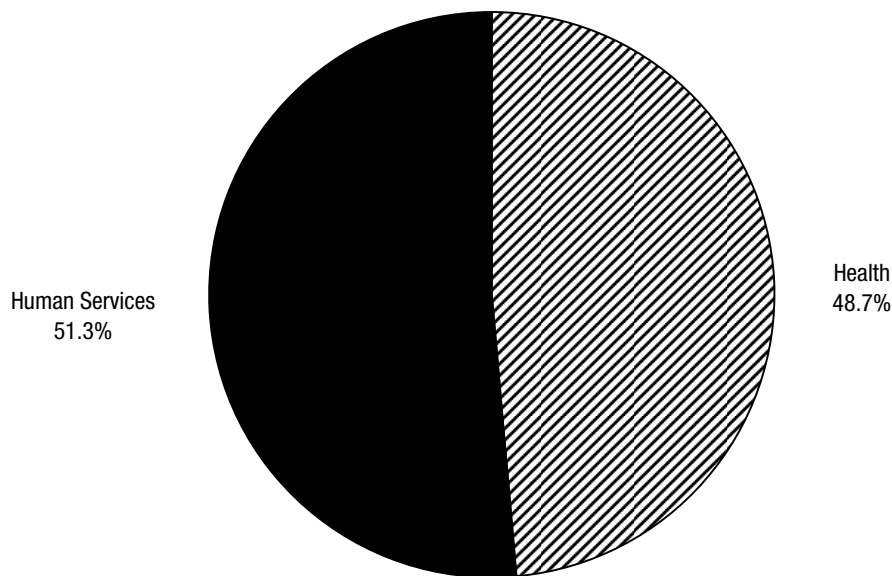
for Californians, including children and youth.¹⁸ For example, a portion of the new revenues must be used to provide services for children with severe mental illness through the existing Children’s System of Care model.¹⁹ The state and counties spent \$16.9 million for Proposition 63-related planning purposes in 2004-05. Expenditures are estimated to increase to \$375.3 million in 2005-06 and to \$1.2 billion in 2006-07. County mental health programs will receive most of these funds, which must be used to expand mental health services consistent with state-approved local plans, rather than to replace existing state or local funds for mental health services.

Methodology

Definition of Children and Youth

This *Budget Backgrounder* analyzes state expenditures in 2004-05 to estimate how much General Fund spending supports programs and services for children and youth. This analysis defines “children and youth” as Californians age 21 and younger and uses this age range in estimating state spending for children

Figure 3: Health Programs and Human Services Programs for Children and Youth Receive About Equal Amounts of State Funding



Estimated 2004-05 General Fund Spending on Health and Human Services Programs for Children and Youth = \$8.3 Billion

Note: Health includes mental health services and services for children and youth with developmental disabilities.

and youth in programs that serve adults as well, such as higher education.

Data Sources

The estimate of General Fund spending for children and youth is based on an analysis of state budget data from:

- The Governor's Proposed 2006-07 Budget;²⁰
- The online data bank maintained by the Legislative Analyst's Office;²¹
- Local assistance estimates prepared by the Department of Health Services (DHS) and the Department of Social Services (DSS); and
- State departments, including the Department of Alcohol and Drug Programs (DADP), the DHS, the Department of Mental Health (DMH), and the DSS. These departments provided budget data not publicly available.

2004-05 Expenditures Included in the Analysis

This analysis includes:

- **Actual 2004-05 expenditures, when available.** Actual expenditures were not readily available for certain programs administered by the DADP, the DHS, the DMH, and the DSS. In these cases, this analysis relied on budget data provided by departments as well as estimated 2004-05 expenditures.²²
- **Expenditures for local assistance and state operations.** However, spending for state operations was generally included only when it comprised most or all of a program or department's total General Fund spending. For example, California State University (CSU) and University of California (UC) spending is classified as state operations; thus, all General Fund expenditures for the CSU and the UC attributable to youth age 21 and under were included in the analysis. In contrast, nearly all Department of Education General Fund spending is classified as local assistance; the small amount of General Fund spending for state operations (\$118.1 million) was excluded from the analysis.²³ Moreover, this analysis includes the pro rata share of General Fund spending for general obligation bonds attributable to children and youth.
- **Expenditures for programs that primarily or exclusively serve children and youth.** This includes General Fund

spending for youth correctional services, health services provided by the California Children's Services Program and the Healthy Families Program, child support services, child welfare services, foster care, adoptions, and K-12 education.²⁴ In these cases, it was not necessary to estimate the share of General Fund spending attributable to children and youth.

- **Estimates of expenditures related to children and youth in programs that serve adults as well.** Many programs, such as SSI/SSP, higher education, and services for people with developmental disabilities, serve children and youth as well as adults. Data showing expenditures for children and

youth through age 21 were not available for most of these programs.²⁵ As a result, this analysis estimated spending for children and youth based on the proportion of a program's caseload or enrollment attributable to children and youth through age 21, when such data were available. For example, youth through age 21 comprised 38.75 percent of California Community Colleges enrollment in 2004, according to the most recent data available. Therefore, this analysis assumed that youth through age 21 comprised 38.75 percent of CCC expenditures in 2004-05.²⁶

Scott Graves prepared this Budget Backgrounder. 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.

ENDNOTES

- ¹ In 2004-05, General Fund expenditures accounted for 78.3 percent of total state spending, excluding expenditures from bond funds. This report uses the terms "General Fund spending" and "state spending" interchangeably, because General Fund dollars provide the main source of support for state programs and are flexible – that is, spending from General Fund dollars is not restricted to a particular purpose.
- ² CBP analysis of 2005 data included in Department of Finance, *Race/Ethnic Population with Age and Sex Detail, 2000-2050* (May 2004), downloaded from http://www.dof.ca.gov/html/Demograp/DRU_datafiles/Race/RaceData_2000-2050/Year2005.txt on November 22, 2004.
- ³ However, data were not always available for this age range. For example, data used to estimate spending for services provided to children and youth in the In-Home Supportive Services (IHSS) Program is available only for children and youth through age 17, rather than through age 21. See below for a description of the methodology used in this analysis.
- ⁴ In this analysis, General Fund spending in 2004-05 includes \$60 million appropriated in the 2005-06 Budget to reimburse counties for mental health care provided to children who required special education services in 2004-05.
- ⁵ A small amount of General Fund spending (\$46.8 million) supports other programs, including the California Science Center and the California Conservation Corps.
- ⁶ The K-12 education category includes funding for child care and after-school programs.
- ⁷ Subtotals for health programs and human services programs do not total to \$8.3 billion due to rounding.
- ⁸ This figure, provided by the Department of Health Services (DHS), reflects General Fund expenditures for Medi-Cal beneficiaries through age 17 for calendar year 2004.
- ⁹ Total funding for several of the programs cited in this section includes both federal and county dollars, in addition to state General Fund dollars.
- ¹⁰ This *Budget Backgrounder* does not quantify what proportion of federal funds and state special funds supports programs and services for California's children and youth.
- ¹¹ Food stamp benefits are 100 percent federally funded. State and county governments share the cost of operating the Food Stamp Program with the federal government. The food stamp participation figures represent the average monthly number of California households that received federal food stamp benefits in FFY 2004. "Households with children" is defined as households with at least one member age 17 or less.
- ¹² The Head Start Program also provides services to pregnant women.
- ¹³ Department of Finance, *Governor's Budget Summary 2004-05*, Appendix 6.
- ¹⁴ Total state spending excludes expenditures from bond funds.
- ¹⁵ Legislative Analyst's Office, *Realignment Revisited: An Evaluation of the 1991 Experiment in State-County Relations* (February 6, 2001).
- ¹⁶ Proposition 10 increased the state excise tax on cigarettes by 50 cents per pack as of January 1, 1999.
- ¹⁷ For an overview of state and county commission activities, see California Children and Families Commission, *Annual Report: Fiscal Year 2004-05*, downloaded from <http://www.cffc.ca.gov/fiscal.htm> on March 3, 2006.
- ¹⁸ See California Budget Project, *What Would Proposition 63, the Mental Health Services Act, Mean for California?* (September 2004).
- ¹⁹ This model requires interagency collaboration to improve the planning and delivery of services to children with mental illness.
- ²⁰ The Governor's Proposed 2006-07 Budget, which shows actual expenditures for 2004-05, estimated expenditures for 2005-06, and proposed expenditures for 2006-07, is available at <http://www.ebudget.ca.gov/agencies.html>.

- ²¹ Legislative Analyst's Office, *State of California Expenditures, 1984-85 to 2006-07* (updated January 2006), available at http://lao.ca.gov/LAOMenus/lao_menu_economics.aspx.
- ²² For example, the Primary Care and Family Health Division of the DHS provided 2004-05 Budget Act appropriation levels, rather than actual or estimated 2004-05 expenditures. In addition, the DADP provided estimated expenditures for 2005-06, rather than for 2004-05.
- ²³ This analysis also excludes the state's General Fund contribution to the California Public Employees' Retirement System for state employees who oversee programs that provide services to children and youth. This analysis, however, includes the state's General Fund contribution to the California State Teachers' Retirement System in the K-12 education category and the share of the General Fund contribution to California Community Colleges (CCC) retirement costs attributable to CCC students age 21 and under in the higher education category.
- ²⁴ This analysis excludes \$509.0 million in K-12 education expenditures for educational services provided to adults. This analysis includes all General Fund spending for the state's CalWORKs welfare-to-work program. CalWORKs provides cash assistance and services to adults, as well as children and youth. Adults, however, may receive assistance only if they are caring for children. In addition, more than 40 percent of the CalWORKs caseload consists of families for which grants are provided to children, but not to the adults who care for them. This analysis also includes General Fund spending for certain programs that serve pregnant women and their children, including the Access for Infants and Mothers Program and the drug and non-drug Medi-Cal perinatal programs operated by the DADP.
- ²⁵ The Department of Developmental Services was able to provide age-specific expenditure data for children and youth served by Regional Centers, which provide services to people with developmental disabilities. These expenditure data did not include spending for overhead, administration, and contracted work.
- ²⁶ Caseload data for the SSI/SSP, IHSS, and adult education programs were not available for children and youth through age 21; therefore, this analysis used caseload data through age 17 for the SSI/SSP and IHSS programs and through age 20 for the adult education program to estimate spending for children and youth. In addition, the DMH and the DHS' Preventive Services Division provided their own estimates of spending attributable to children and youth in certain programs, while the DHS provided actual expenditures for Medi-Cal benefits for children and youth through age 17 in calendar year 2004.