The California Perspective: Major Budget and Policy Shifts

CHRIS HOENE, EXECUTIVE DIRECTOR
JANUARY 11, 2018
CENTER FOR NONPROFIT MANAGEMENT
ECONOMIC SUMMIT
calbudgetcenter.org
Current and near-term economic conditions in California
**Figure 1**

**Slower Job Growth Expected**

*Payroll Jobs in California, Percent Change From Prior Year*

**Figure 3**

**Stock Market Stagnation Anticipated**

*S&P 500 Index, Average Level by Quarter*
Figure 2

Healthy Wage and Salary Growth Likely

California Wages and Salaries,
Percent Change From Prior Year

Projected
Earnings for low- and midwage workers have generally declined or stagnated for decades. In 2016, earnings for the lowest-paid workers surpassed their 1979 level for the first time in 37 years.

This pay bump is largely due to the rising state minimum wage. California increased the minimum wage from $8 to $10 per hour between 2014 and 2016.

Policy choices can help ensure that all workers along the income spectrum are better able to achieve economic security. Beginning January 1, 2018, the state’s minimum wage increased to $11 per hour and will rise annually until reaching $15 per hour, boosting hourly pay for low-wage workers. At the same time, additional policies are needed to promote economic security for low- and midwage workers.

California has the highest poverty rate in the nation when we account for the costs of basic needs.
California’s Poverty Rate Is Higher Under a More Accurate Measure of Hardship

Supplemental Poverty Rate and Official Federal Poverty Rate, 2014-2016

Source: US Census Bureau
Official Poverty Measure

• Poverty threshold based on 1960s food expenditures

Supplemental Poverty Measure

• Poverty threshold based on current spending on basic needs
Official Poverty Measure

• Same threshold for all parts of the country

Supplemental Poverty Measure

• Threshold adjusted for cost of living in different areas
What does it really cost to make ends meet in California?
What does it cost to make ends meet in your county?

California, $65,865

### Single-Parent Family

#### Statewide Average

<table>
<thead>
<tr>
<th>Annual Total</th>
<th>$65,865</th>
</tr>
</thead>
</table>

#### Basic Monthly Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and Utilities</td>
<td>$1,568</td>
<td>28.6%</td>
</tr>
<tr>
<td>Food</td>
<td>$577</td>
<td>10.5%</td>
</tr>
<tr>
<td>Child Care</td>
<td>$1,300</td>
<td>23.7%</td>
</tr>
<tr>
<td>Health Care</td>
<td>$500</td>
<td>9.1%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$428</td>
<td>7.8%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$463</td>
<td>8.4%</td>
</tr>
<tr>
<td>Taxes</td>
<td>$652</td>
<td>11.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,489</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Download State Fact Sheet
Official Poverty Thresholds Are Much Lower Than the Basic Cost of Living for Families in California

Annual Basic Family Budget for a Single-Parent Family With Two Children, 2017

Note: Assumes one preschool-age and one school-age child and a single parent working full-time.

Source: Budget Center Making Ends Meet 2017 analysis and US Census Bureau
Two-Working-Parent Family Budget

Statewide Average Annual Total = $75,952

Note: Statewide average family budget calculated by averaging all county family budgets, weighted by county population. Source: Budget Center Making Ends Meet 2017 analysis.
Workers’ Earnings Have Not Kept Pace With Rents in California

Percent Change in Inflation-Adjusted Median Rent and Median Annual Earnings Since 2006

Note: Median annual earnings for individuals working at least 35 hours per week and 50 weeks per year. Excludes workers with $0 or negative total earnings.
Source: Budget Center analysis of US Census Bureau, American Community Survey data
Public Supports Lift Many Californians Out of Poverty Each Year

Average Annual Number of People Lifted Above the Poverty Line Between 2009 and 2012

Note: This analysis is based on the US Census Bureau’s Supplemental Poverty Measure after correcting for underreported public supports using administrative data.

Source: Center on Budget and Policy Priorities
In recent years, California policies have sought to invest in broadening economic growth.
California Policies Enacted 2011-16
Policies by Category and Year Enacted

Source: UC Berkeley Labor Center
Total Employment Growth
Indexed to 100 as of 2011

Source: UC Berkeley Labor Center
Employment and GDP Growth
2011-2016

Source: UC Berkeley Labor Center
Federal budget and tax policies create uncertainty, threaten California’s progress, and target the most vulnerable.
Federal Budget Cuts Outlined in the U.S. House and U.S. Senate Budget Resolutions for Fiscal year 2018

<table>
<thead>
<tr>
<th>Programs</th>
<th>Congressional Budget Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>$1.3 trillion</td>
</tr>
<tr>
<td>Medicare</td>
<td>$473 billion</td>
</tr>
<tr>
<td>Other “income security” programs (entitlement)</td>
<td>$653 billion</td>
</tr>
<tr>
<td>Non-Defense Discretionary Programs</td>
<td>$800 billion</td>
</tr>
</tbody>
</table>
The Share of Californians Without Health Care Coverage Has Dropped by More Than Half Since 2013

California Fully Implemented Federal Health Care Reform in January 2014

Note: Estimates are based on survey respondents’ health care coverage status at the time of the interview.
Source: US Census Bureau, American Community Survey
The Share of Residents Enrolled in Medi-Cal Exceeds 40 Percent in 20 Out of 58 Counties

Medi-Cal Enrollees as a Percentage of the Population, January 2016

Note: Percentages are estimates.
Source: Department of Finance and Department of Health Care Services
Richest California Taxpayers Receive the Largest Average Tax Cuts under the Final GOP-Trump Tax Bill in 2027, Lower-Income Groups Face Tax Hikes

Includes impact of ACA Individual Mandate Repeal

Poorest 20%: $+270
Second 20%: $+250
Middle 20%: $+170
Fourth 20%: $−80
Next 15%: $−370
Next 4%: $−1,440
Richest 1%: $−14,170

INSTITUTE ON TAXATION AND ECONOMIC POLICY • ITEP.ORG
How will California respond and what does all of this mean for the Proposed 2018-19 California Budget?