



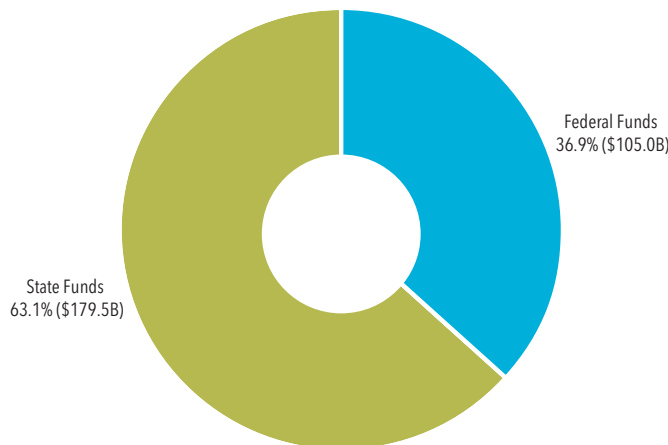
BY SCOTT GRAVES

Federal Funds Comprise Over One-Third of California’s State Budget, Supporting a Broad Range of Public Services and Systems

Federal dollars support a wide array of public services and systems that touch the lives of all Californians – from Social Security and health care to highway construction and public schools. A large share, but less than a majority, of this federal funding flows through California’s state budget.¹ The Governor’s proposed state budget for 2017-18 – the fiscal year that begins this coming July 1 – includes \$105.0 billion in federal funds. This is more than one-third (36.9%) of the total state budget, which also includes nearly \$180 billion in state funds for the 2017-18 fiscal year.

Federal Funds Account for More Than One-Third of California’s State Budget

Total Proposed 2017-18 Expenditures = \$284.5 Billion



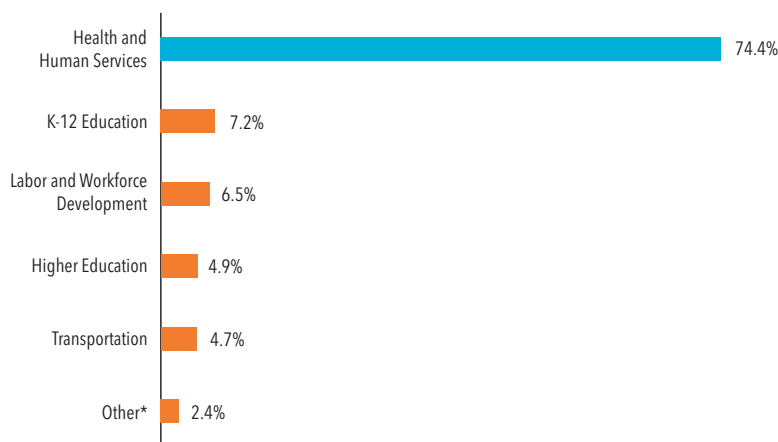
Note: State funds reflect General Fund, special fund, and bond fund dollars.
Source: Department of Finance

More than 7 in 10 federal dollars that flow through California’s state budget – a projected **\$78.1 billion** in 2017-18 – support health and human services (HHS) for children, seniors, and many other Californians. Most of these federal dollars, roughly \$67 billion, go to Medi-Cal (California’s Medicaid program), which provides health care services to more than 13 million Californians with low incomes. The second-largest share of federal funding for HHS programs – \$7.5 billion – goes to the state Department of Social Services. These funds support child welfare services, foster care, the CalWORKs welfare-to-work program, and other services that assist low-income and vulnerable Californians.

(Continued)

More Than 7 in 10 Federal Dollars Spent Through the State Budget Support Health and Human Services

Federal Funds Projected to Be Spent Through the State Budget in 2017-18 = \$105.0 Billion



* Includes Environmental Protection; Legislative, Judicial, and Executive; Corrections and Rehabilitation; and other state budget categories that account for relatively small shares of federal funds.

Note: Percentages do not sum to 100 due to rounding.

Source: Department of Finance

The remaining federal funds that flow through the state budget – a projected **\$26.9 billion** in 2017-18 – support a broad range of public services and systems. This includes \$7.5 billion for K-12 education; \$6.8 billion for labor and workforce development programs, primarily for unemployment insurance benefits for jobless Californians; \$5.2 billion for higher education (the California State University and the University of California); \$5.0 billion for transportation, primarily to improve state and local transportation infrastructure; and \$2.5 billion for additional public services and systems, including environmental protection, the state court system, and state corrections.

The outcome of the November 2016 national election portends major cuts to federal funding for key public services. For example, Republicans have vowed to repeal the Affordable Care Act (ACA), which would include rolling back the recent expansion of Medicaid coverage to low-income parents and childless adults. This change alone would reduce annual federal funding for Medi-Cal by more than \$17 billion. Other services are also at risk, including some that are funded with federal dollars that flow directly to Californians *outside* of the state budget – such as federal food assistance provided through the state’s CalFresh program and federal Supplemental Security Income (SSI) payments for low-income seniors and people with disabilities. Republicans are likely to succeed in scaling back federal support in a number of policy areas. If so, state policymakers will face difficult choices about how to fill the resulting funding gaps in order to prevent the erosion of public services and systems that promote economic security and opportunity for millions of Californians.

¹ Most federal dollars that come to California go directly to Californians *without* passing through the state budget. These “direct” federal dollars are provided through a number of funding streams, including Social Security, Medicare, the federal Earned Income Tax Credit, contracts with businesses that provide goods and services to the federal government, and the wages and salaries of federal employees. Federal fiscal year (FFY) 2010 is the last year for which the federal government compiled all federal expenditures, by state, in a single report. For an analysis of the FFY 2010 data, see Scott Graves, *How Are Federal Dollars Spent in California?* (California Budget & Policy Center: November 2011).