Budgets are statements about our values and priorities.
Federal Policy Environment: Key Proposals, Context, Timelines, What Happens Next?
Federal Funds Account for More Than One-Third of California’s State Budget

Total Proposed 2017-18 Expenditures = $284.5 Billion

Federal Funds: 36.9%
State General Fund: 43.1%
State Bond Funds: 0.8%
State Special Funds: 19.2%

Source: Department of Finance
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

- Health and Human Services: 74.4%
- K-12 Education: 7.2%
- Labor and Workforce Development: 6.5%
- Higher Education: 4.9%
- Transportation: 4.7%
- Other*: 2.4%

* 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
Federal Proposals – Overall Approach and the Threats in 2017

Overall goals and approach: Cut taxes, increase defense spending, reduce “non-defense discretionary” spending.

- Repealing the Affordable Care Act (ACA), including Medicaid (Medi-Cal), with no real replacement
- Dismantling the current safety net through block grants and caps on Medicaid and SNAP (food assistance)
- Deep federal budget cuts to other discretionary program and entitlements
- Major federal tax cuts as “tax reform”
Federal Proposals – Biggest Threats to Children and Children’s Health

- Repealing the Affordable Care Act (ACA), including Medicaid (Medi-Cal), with no real replacement

- Dismantling the current safety net through block grants and caps on Medicaid and SNAP (food assistance)

- Deep federal budget cuts to other discretionary programs and entitlements
  - Education cuts and neo-vouchers expansion

- Other major concerns: CHIP Reauthorization
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
Use of Food Assistance Varies Across California, but Is the Highest in the San Joaquin Valley
Estimated CalFresh Participation as a Share of the Population, 2016-17

Note: Estimates are based on CalFresh participation during the first four months of the 2016-17 state fiscal year.
Source: Budget Center analysis of data from the Department of Finance and Department of Social Services
Underlying budget strategies to watch for in current and future debates

- Block grants and per capita caps
  - Cap the total available federal funds.
  - Not usually adjusted for inflation and demographic changes; more likely to be cut than increased.

- Cutting federal spending and shifting costs to states
  - Potential threat for SNAP and CHIP.
  - Forces states to cut funding and restrict eligibility.

- Restricting eligibility for certain populations (a particular threat for immigrant children).

- Regulatory uncertainty and interference...
Federal Timelines and Uncertainty Leading Up to Fiscal Year 2018 (Oct. 1)

• **ACA**
  – House approved 2017 reconciliation bill to repeal ACA.
  – Senate fails on 2017 reconciliation bill to repeal ACA.

• **Federal Budget**
  – Congress adopts/extends FY 2017 appropriations.
  – President releases proposed FY 2018 budget
  – Congress has not yet adopted FY 2018 budget resolutions or started appropriations process.

• **Federal Tax and Debt Issues**
  – President released “skinny” tax reform proposal
  – Congress has to raise the federal debt ceiling by 9/29
Key issues to watch in August and September

- Congress has 12 working days left in FY 2017

- A FY 2018 budget must be passed to avoid a government shutdown – most likely scenario is a “continuing resolution” (CR).

- The debt ceiling must be raised by 9/29 according to the U.S. Treasury – will likely require a bipartisan vote.

- Federal tax “reform” is unlikely – but we may see efforts to pass a budget and tax package that cuts taxes on corporations and higher-income individuals.