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GOVERNOR'S 2003-04 BUDGET PROPOSES TO REDUCE SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP) GRANTS

Governor Davis' 2003-04 Budget proposes to reduce Supplemental Security Income/State Supplementary Payment (SSI/SSP) grants by 6.5 percent and suspend the June 2003 and January 2004 state cost-of-living adjustments (COLAs).¹ The reduction and COLA suspensions will result in General Fund savings of \$1.1 billion. The Legislature has delayed action on a measure that would suspend the June 2003 COLA; action on the grant reduction and January 2004 COLA suspension will be considered as part of the 2003-04 Budget.

How Do SSI/SSP PAYMENTS WORK?

SSI/SSP provides combined federal (SSI) and state (SSP) cash payments to low-income aged, blind, and disabled persons 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.² The state funds the difference between the cost of the state COLA on the combined SSI/SSP grant and the federal COLA, which applies only to the SSI portion. The 2002 Budget Act delayed the January 2003 state COLA until June 2003.

REDUCTION AND COLA SUSPENSIONS WOULD REDUCE PAYMENTS BY 10 PERCENT

Individual SSI/SSP recipients currently receive \$757 per month. Under current law, SSI/SSP payments would increase to \$805 for individual recipients in January 2004. The Governor's proposal would maintain grants at the current level in June by suspending the state COLA, reduce grants by 6.5 percent to \$708 in July, and suspend the January 2004 state COLA. This would result in a monthly grant of \$722 in January 2004, 10.3 percent lower than the grant level would be under current law.³ This reduction would lower the SSP portion from \$239 to \$156, the federal minimum. Absent a subsequent adjustment, payments would be lower in future years due to the reduction in the SSI/SSP grant base. Even if the statutory state COLA takes effect in 2005, grants would be 10.3 percent lower than they would have been in the absence of the reduction and COLA suspensions.

SSI/SSP recipients are not eligible for food stamp benefits in California.⁴ Therefore, food stamps would not help to offset the proposed grant reduction. In contrast, food stamps serve as a buffer for many low-income families in other programs; when their incomes drop, food stamp benefits increase.

REDUCTION WOULD AFFECT POOREST CALIFORNIANS AND LOCAL ECONOMIES

The loss of SSI/SSP payments due to the COLA suspensions and the grant reduction would affect 1.1 million recipients. The total loss would be an estimated \$1.1 billion and would affect some of California's poorest residents, reducing their ability to meet basic needs such as food and housing. To the extent that these recipients would spend this money in their communities, local economies would

also be affected at a time when the state has yet to emerge fully from the recession. For example, Los Angeles County would lose \$355 million in payments to about 373,000 SSI/SSP recipients (Appendix 1).

CONCLUSION

The state faces a deficit of unprecedented magnitude. The Governor's proposal to achieve \$1.1 billion in General Fund savings should be weighed against the impact on 1.1 million SSI/SSP recipients. Moreover, any reduction to the SSI/SSP grants would have long-term consequences by reducing the grant base. Alternatively, the Legislature could achieve a smaller amount of savings by suspending one or both COLAs without accepting the proposed 6.5 percent grant reduction.

Jacqueline Hills prepared this Brief with assistance from David Carroll. 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 web site at www.cbp.org.

ENDNOTES

¹ These adjustments will 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.

² 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.

³ The federal COLA will be applied to the SSI portion of the payment in January 2004 even if the state COLA is suspended.

⁴ SSI/SSP recipients in California receive a higher SSI/SSP payment instead of food stamps.

Appendix 1: Impact of SSI/SSP COLA Suspensions and Grant Reduction

| <u>County</u> | <u>Number of Recipients Affected*</u> | <u>Estimated Loss of Funds**</u> | <u>County</u> | <u>Number of Recipients Affected*</u> | <u>Estimated Loss of Funds**</u> |
|---------------|---------------------------------------|----------------------------------|-----------------|---------------------------------------|----------------------------------|
| Alameda | 47,556 | \$45,833,803 | Orange | 58,943 | \$57,761,575 |
| Alpine | 25 | \$22,159 | Placer | 4,199 | \$3,968,522 |
| Amador | 495 | \$439,286 | Plumas | 677 | \$606,297 |
| Butte | 9,559 | \$8,880,962 | Riverside | 43,425 | \$39,229,281 |
| Calaveras | 956 | \$814,019 | Sacramento | 52,186 | \$50,096,369 |
| Colusa | 550 | \$499,334 | San Benito | 799 | \$717,972 |
| Contra Costa | 21,233 | \$20,027,065 | San Bernardino | 57,144 | \$51,677,693 |
| Del Norte | 1,744 | \$1,591,634 | San Diego | 77,935 | \$73,593,141 |
| El Dorado | 2,580 | \$2,429,639 | San Francisco | 46,027 | \$46,847,968 |
| Fresno | 37,245 | \$34,206,480 | San Joaquin | 25,586 | \$23,934,065 |
| Glenn | 911 | \$825,851 | San Luis Obispo | 5,303 | \$4,886,770 |
| Humboldt | 6,260 | \$5,919,305 | San Mateo | 12,393 | \$11,848,289 |
| Imperial | 8,729 | \$7,904,418 | Santa Barbara | 9,399 | \$8,837,268 |
| Inyo | 434 | \$388,473 | Santa Clara | 41,092 | \$40,586,531 |
| Kern | 27,490 | \$25,094,714 | Santa Cruz | 5,246 | \$5,049,088 |
| Kings | 4,371 | \$3,964,977 | Shasta | 8,531 | \$7,853,056 |
| Lake | 3,545 | \$3,221,741 | Sierra | 77 | \$66,681 |
| Lassen | 983 | \$888,764 | Siskiyou | 2,303 | \$2,109,144 |
| Los Angeles | 373,332 | \$354,870,832 | Solano | 10,046 | \$9,554,727 |
| Madera | 4,244 | \$3,810,777 | Sonoma | 9,155 | \$8,431,765 |
| Marin | 3,427 | \$3,353,614 | Stanislaus | 19,085 | \$17,953,112 |
| Mariposa | 328 | \$276,040 | Sutter | 3,216 | \$3,009,519 |
| Mendocino | 3,780 | \$3,534,232 | Tehama | 2,538 | \$2,280,116 |
| Merced | 9,525 | \$8,673,331 | Trinity | 520 | \$463,087 |
| Modoc | 353 | \$312,707 | Tulare | 16,238 | \$14,839,232 |
| Mono | 93 | \$84,463 | Tuolumne | 1,605 | \$1,441,964 |
| Monterey | 8,814 | \$8,092,914 | Ventura | 14,342 | \$13,430,963 |
| Napa | 1,908 | \$1,904,002 | Yolo | 4,614 | \$4,370,431 |
| Nevada | 1,637 | \$1,554,015 | Yuba | 3,586 | \$3,353,874 |
| | | | Total*** | 1,118,942 | \$1,058,800,000 |

* Department of Social Services. Average monthly SSI/SSP recipients, July 2002 through September 2002.

** Department of Social Services. Estimated aggregate grant loss to SSI/SSP recipients.

*** Total includes recipients whose county of residence is unknown.