



California Hunger Action Coalition

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Governor's Proposed Cuts Mean Double Trouble: Families and Counties Lose Out

**A County-by-County Report on Dollars That Will Be Lost in Federal
Benefits and Sales Taxes as a Result of Proposed Budget Cuts to the Food
Stamp and CalWORKs Programs**

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California Hunger Action Coalition (CHAC) www.hungeraction.net is a broad-based membership organization of food program providers, consumers and anti-hunger advocates from throughout the state. United in their belief that access to adequate, nutritious and safe food is a fundamental human right, the coalition advocates for freedom from hunger for all Californians.

Background

In January 2004, facing a looming deficit, newly elected Governor Arnold Schwarzenegger submitted his proposed budget to the people of California. The budget included more than \$4 million in losses in revenue from the suspension of the Vehicle License Fee (VLF) and millions in proposed cuts to programs that provide a safety net for all Californians. Included in these proposed cuts were the following:

- A suspension of the annual Cost of Living Allowance (COLA) for all CalWORKs households,
- A percent reduction in the monthly stipend for CalWORKs households that receive a full family grant – including the parent’s portion of the grant.
- A percent reduction in the monthly stipend for CalWORKs households that do not receive a parent’s portion of the stipend because they may have reached their five-year limit of assistance, been unable to meet work or work training requirements, or never applied to receive assistance for the parent portion.
- The repeal of laws passed in 2003 by Assembly Bill 231, which enhanced the federally funded Food Stamp Program by eliminating the auto resource rule and allowing for transitional food stamp benefits for families leaving welfare. These rule changes were aimed at increasing the participation in this federally funded program and addressed barriers that inhibit low-income working families from participating in the program.

While the proposed cuts will save the state of California money, they will also cost families and local municipalities much more. Due to these cuts, low-income families should expect to lose \$673,503,000 in benefits and California’s counties can expect to lose \$6,819,218 in sales taxes as a result of the lost revenue to low-income families through the CalWORKs and Food Stamp programs. This same loss in sales tax would result in \$15,153,817 less for the State General Fund. Attached is a worksheet detailing how much each county and its residents can expect to lose due to the governor’s proposed cuts.

Methodology

According to the California Legislative Analyst’s Office, research from the University of California shows that low-income households, on average, spend about 45 percent of their income on taxable goods. For every dollar spent on a taxable good, the state General Fund receives about 5 cents in revenue. The remainder of the sales tax revenue, which is generally about 2.25 percent, goes to local governments and special funds. The California Hunger Action Coalition (CHAC) used these formulas to calculate both the loss in revenues to the state’s General Fund and the total loss in revenues to counties.

The Food Stamp Program participation data is from the Department of Social Services’ DFA 256 – Food Stamp Program Participation and Coupon Issuance Report from November 2002. The CalWORKs Program participation used for this report is a calculated average from the Department of Social Services’ CA 237 CW Report data from October to December 2003.

About the Food Stamp Program

The Food Stamp Program is a federally funded nutrition program that provides monthly allowances to eligible, low-income individuals and families in need of food assistance. This monthly allowance must be used specifically for the purchase of food. The Food Stamp Program is the nation’s largest and most comprehensive hunger relief program. In California, only half of all eligible families are currently participating in the program.

Whether an individual is working, unemployed or retired, he or she may be eligible for food stamps. To qualify for food stamps, an applicant's income must be below 130 percent of poverty. In California, food stamps come in the form of a plastic card called "Golden State Advantage Card" or EBT (Electronic Benefit Transfer) that is used like a bank card.

About the CalWORKs Program

The California Work Opportunity and Responsibility to Kids (CalWORKs) Program is a cash assistance program assisting families with children. The majority of funding for this program comes through the federal Temporary Assistance for Needy Families (TANF) Program.

Federal regulations require a 5-year lifetime limit on the adult portion of the CalWORKs grant and stipulate that the parent(s) be working or enrolled in work training activities at least 30 hours per week. The average monthly benefit for a family of three with one parent is \$679.