



**18-19 BUDGET  
IMPACTS ON THE POOR**

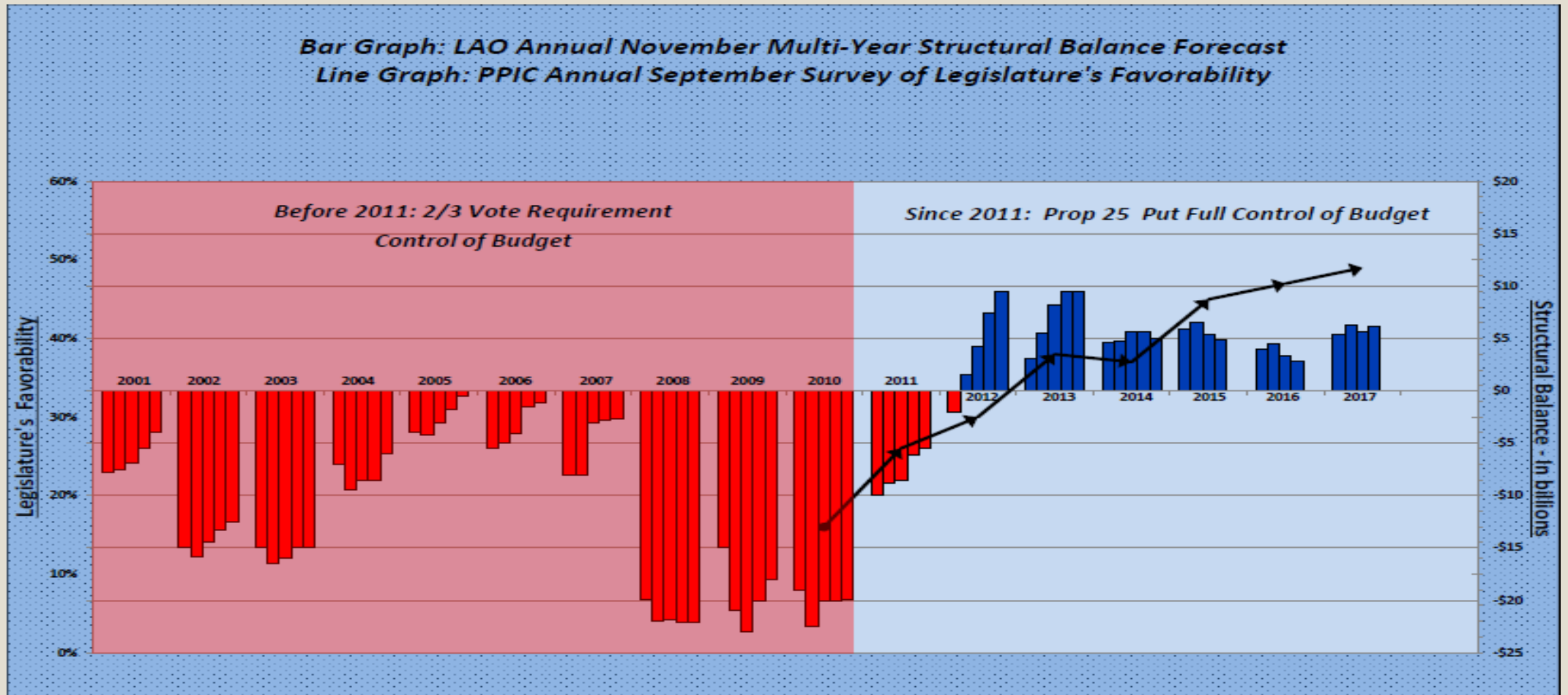
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# Let the Good Times Roll

- CA in its' 9<sup>th</sup> year of Economic Growth
- Multi-Billion Deficits a Blip in the Rear View Mirror
- Three Year General Fund Revenue \$4.2 Billion Higher Than Expected
- \$5 Billion More in Prop 2 Rainy Day Fund
- \$1.5 Billion to Pay State Debts
- Rainy Day Fund Now Maxed out at 10% of General Fund (\$13.5 Billion)
- Local Control Funding Formula Fully Funded Two Years Early

# Before and After



# But Never Too Early to Worry

- Governor and DOF see looming threats
- Economic Good Times Won't Last Forever
- Impact of New Federal Tax Bill
- Possible Changes to the ACA
- Potential Federal Budget Cuts
- Stock Market Crash
- President is Crazy

# Where's The Money Going?

## Education

- 2018-19 Prop 98 Forecast is now \$78.3 Billion
- 2017-18 Prop 98 Forecast \$688 Million Higher Than Expected
- \$2.9 Billion More for LCFF
- \$175 Million for Community Colleges
- \$167 Million for Inclusive Early Education Expansion Program
- \$161.5 Million for CC COLAs
- \$120 Million for New "On-line" Community College
- \$92 Million Each for UC and CSU

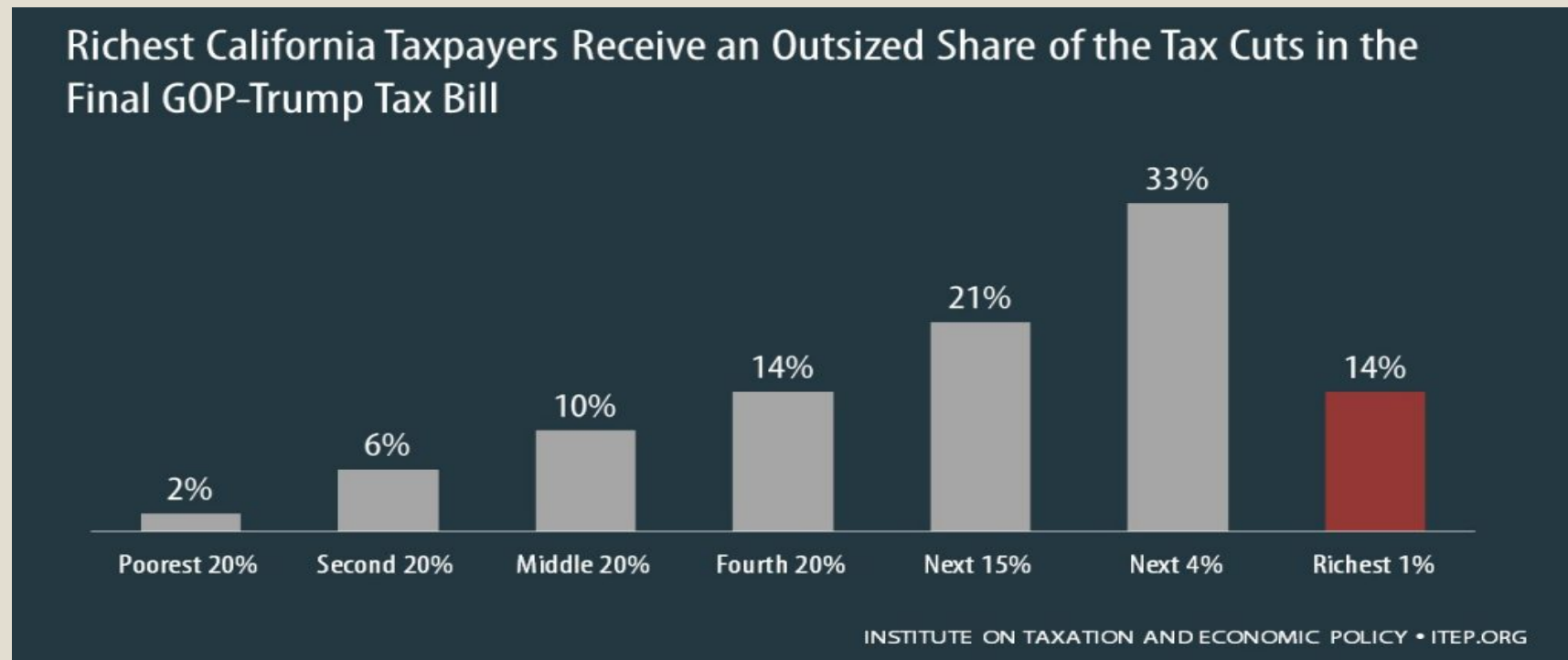
# Where's The Money **Not** Going

## **Reducing Poverty**

- No CalWORKs Grant Increase – Still At 42% of FPL
- No Increase in state payments for SSI - \$77 a month cut for 7<sup>th</sup> Straight Year
- No Increase in the EITC to Offset Federal Tax Changes
- No Funding for Affordable Housing
- No Proposal to Reduce High Cost of Traffic Tickets

# Who Benefits From Federal Tax Bill?

- Nearly Half of Tax Cuts go to Top 5% of Californians



# Federal Tax Impacts

- 2.5 Million Californians will pay more Federal Taxes due to cap on deductibility of state and local taxes.
- Cap on deductibility of Mortgage interest at \$750,000 disproportionately impacts CA and may impact new single family construction
- Tax cuts for high earners reduces value of federal housing tax credits and bonds reducing the number of new units and their affordability.



# Federal Budget Cuts

- Budget Deficit Will Increase by \$1.45 Trillion Over 10 Years Due to Tax Bill
- Defense Budget just Increased by \$80 Billion, \$26 Billion more than White House requested.
- According to CBPP - By 2027, funding for non-defense discretionary (NDD) programs under the congressional budget plan would be 18 percent below its 2017 level and 29 percent below its 2010 level, after adjusting for inflation.
- White House seeking 47% cut to Medicaid funding by 2027. \$1.3 to \$1.5 Trillion
- Under the congressional budget plan, by 2027 roughly 80,000 fewer children would receive child care assistance than in 2017.
- The Trump budget would cut SNAP by at least \$140 billion over the decade; the cuts would reach about 30 percent in 2027.

# State Landscape

- As Governor points out there are many uncertainties at the federal level.
- Fears of recession due to rising interest rates could negatively impact state budget
- State may consider changes to state tax rules including shifting from income to payroll taxes or allowing charitable contributions in lieu of state income taxes.
- CA may consider tax increases, particularly on corporations, to prepare for potential federal budget cuts.
- ACA funding could require states to limit eligibility, reduce services or provide billions to backfill lost federal funds.
- An ACA backfill would put pressure on the non-98 portion of the budget such as child care, corrections, CalWORKs, SSI, higher education, worker protection and environmental programs.

# What's on Tap for 2018?

- Ending Deep Poverty for Children – Increase all CalWORKs grants to at least 50% of the federal poverty level.
- Restore SSI/SSP grants to 100% of the Federal Poverty Level
- Start a Home Visiting Program for CalWORKs families with very young children.
- Increase state EITC benefits and expand to younger workers, older workers and immigrants.
- Expand availability of child care vouchers substantially