

CALIFORNIA BUDGET PROJECT

SPECIAL REPORT

FALLING BEHIND:

THE IMPACT OF THE GREAT RECESSION
AND THE BUDGET CRISIS ON
CALIFORNIA'S WOMEN
AND THEIR FAMILIES

February 2012

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California Budget Project

The 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 the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, subscriptions, and individual contributions. Please visit the CBP's website at www.cbp.org.

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INTRODUCTION

The Great Recession hit California early and hit the state hard. What began as a “mancession” rippled out through the economy, taking a significant toll on California’s women and their families. In fact, this downturn was the first in recent history in which women experienced substantial job loss. Single women supporting families were particularly hard-hit: The economic downturn reduced employment for single mothers far more than it did for married parents, and single mothers who remained employed saw the largest decline in their average workweek in at least two decades.

California’s prolonged budget crisis, itself largely a product of the economic downturn, left the state’s public structures and programs ill-equipped to respond to heightened unemployment and stagnating wages. Recent budget actions have targeted programs that low-income women rely on to support their families, gain the education and skills they need to find and retain jobs, and – for those who are elderly or have disabilities – remain safely in their own homes. Budget cuts have also affected women who work in child care, in-home care for the aged and those with disabilities, teaching, and other professions that rely on public funds, resulting in job loss, reduced hours of work, and/or lower rates of pay.

The Great Recession caused state revenues to plummet. Estimates peg 2012-13 current year revenues at \$46.8 billion below the level forecasters anticipated in the fall of 2007, shortly before the burst of the housing bubble and turmoil in financial markets dragged the global economy into a downturn. Lawmakers cut deeply into virtually all areas of the budget in order to close a gap that, at one point, exceeded the annual sum of state spending for all health and human services programs and colleges and universities. As a result of repeated, significant spending cuts and the prolonged downturn, state general purpose revenues – the dollars that support our public schools, colleges and universities, and health and human services programs – are lower today as a share of the state’s economy than in all but two of the past 40 years. While recent estimates show that the gap between revenues and expenditures has narrowed, this has occurred largely through deep, ongoing spending cuts, rather than through a balanced approach that combines prudent reductions and additional revenues. Moreover, forecasters anticipate continued shortfalls for the foreseeable future, further threatening the programs and services that California’s women and their families depend on.

This paper examines the impact of the economic downturn and California’s budget crisis on the state’s women and their families,

with a particular focus on low-income women and their families. It begins by reviewing data documenting a sharp increase in joblessness that hit single mothers particularly hard and contributed to a sharp increase in poverty among female-headed families with children. While the state’s older women were less likely to lose a job, they, too, experienced a significant rise in poverty at the same time that the financial crisis eroded the value of their retirement savings, causing many women to remain in the workforce to rebuild their savings to make ends meet. Both of these groups of women – low-income parents and older women – bore the brunt of repeated rounds of budget cuts to programs that provide income support or essential services such as health, child, or in-home care. Budget cuts have also reduced access to higher education for women seeking to gain the skills they need to obtain higher-wage jobs and increased security in a highly competitive job market.

WOMEN HAVE NOT SHARED EQUALLY IN THE RECOVERY

California’s job market is slowly recovering from the Great Recession, yet recent data suggest that women have not equally shared in the state’s modest employment gains. The employment rate for California’s men – the share of working-age men with jobs – held steady at 62.6 percent in November 2011, the same rate as in November 2010 (Figure 1).¹ In other words, men’s job gains during the past year exactly kept pace with growth in the male working-age population – a significant improvement over the prior 12 months, when men’s employment rate fell by 1.5 percentage points. In contrast, California’s women saw little improvement in their employment situation. The share of working-age women with jobs declined by 1.2 percentage points between November 2010 and November 2011, from 50.7 percent to 49.5 percent – comparable to the 1.5 percentage point drop in women’s employment rate during the prior 12 months. The continued decline in the share of women with jobs at a time when men’s employment situation has improved marks a reversal from employment trends during the depths of the downturn. Between November 2007 and November 2009, men’s employment rate fell by 6.1 percentage points – three times the decline in women’s employment rate (2.1 percentage points).

Recent California employment patterns mirror trends in the nation as a whole, where data also show that women are recovering from the recession more slowly than men are. As of November 2011, US women had gained back fewer than two

out of 10 (19.1 percent) of the 2.8 million jobs they lost during the downturn, while US men had gained back more than three out of 10 (31.4 percent) of the 6.2 million jobs they lost.² In fact, the nation's women continued to lose jobs in six of the 12 major sectors of the economy over the past year – including four sectors where men made substantial gains.³ The majority of women's job losses were in the public sector and were largely driven by a decline in employment with K-12 public schools and community colleges as well as with cities and counties – collectively called “local government” employment.⁴ Much of the drop in the number of women working in this sector is likely attributable to recent state and local budget cuts.

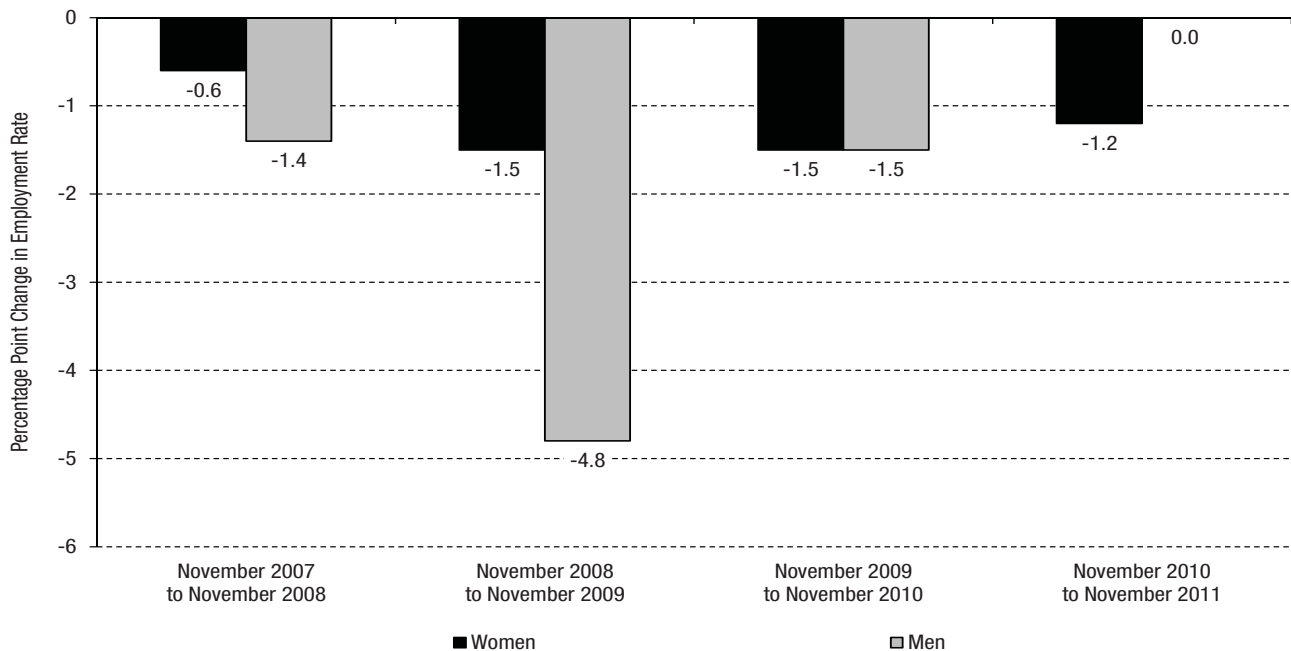
The Weak Job Market Hit Single-Mothers Particularly Hard

The recession significantly reduced employment for women raising children without the help of a spouse – women who were also disproportionately affected by recent state budget cuts. The employment rate for California's unmarried mothers dropped by 10.4 percentage points, from a recent peak of 69.2 percent in 2007 to 58.8 percent in 2010 (Figure 2).⁵ In fact, in just three years, the downturn erased *all* of the employment gains single mothers made following the implementation of welfare reform, which imposed strict work

requirements and time limited cash assistance payments, at the state and federal levels in the late 1990s. Fewer than six out of 10 unmarried mothers had jobs in 2010 – the smallest share since 1996. Recent reductions in state support for child care, as well as cuts to California Work Opportunity and Responsibility to Kids (CalWORKs) – particularly to dollars that counties use to provide job training and other work-related services – have already limited resources available to these women as they seek to find and retain employment in the aftermath of the recession.

Single women's earnings were also affected by a substantial decline in the average workweek. In 2010, unmarried mothers who remained employed worked an average of 36.6 hours per week, down from 38.6 hours per week in 2006.⁶ That drop of two hours per week represented the largest decline in average weekly hours for single women with children in at least 20 years. Job loss and reduced hours of work for single mothers are of particular concern given that these families, which represent nearly one out four California families with children, largely depend on women's earnings alone to make ends meet.⁷ Moreover, the reduction in the average workweek may make it difficult for women in the CalWORKs Program to fulfill the work requirements imposed by welfare reform, while changes to the CalWORKs “earnings disregard” – which have reduced the amount of cash assistance that working families may receive – will magnify the impact of recent labor market trends.

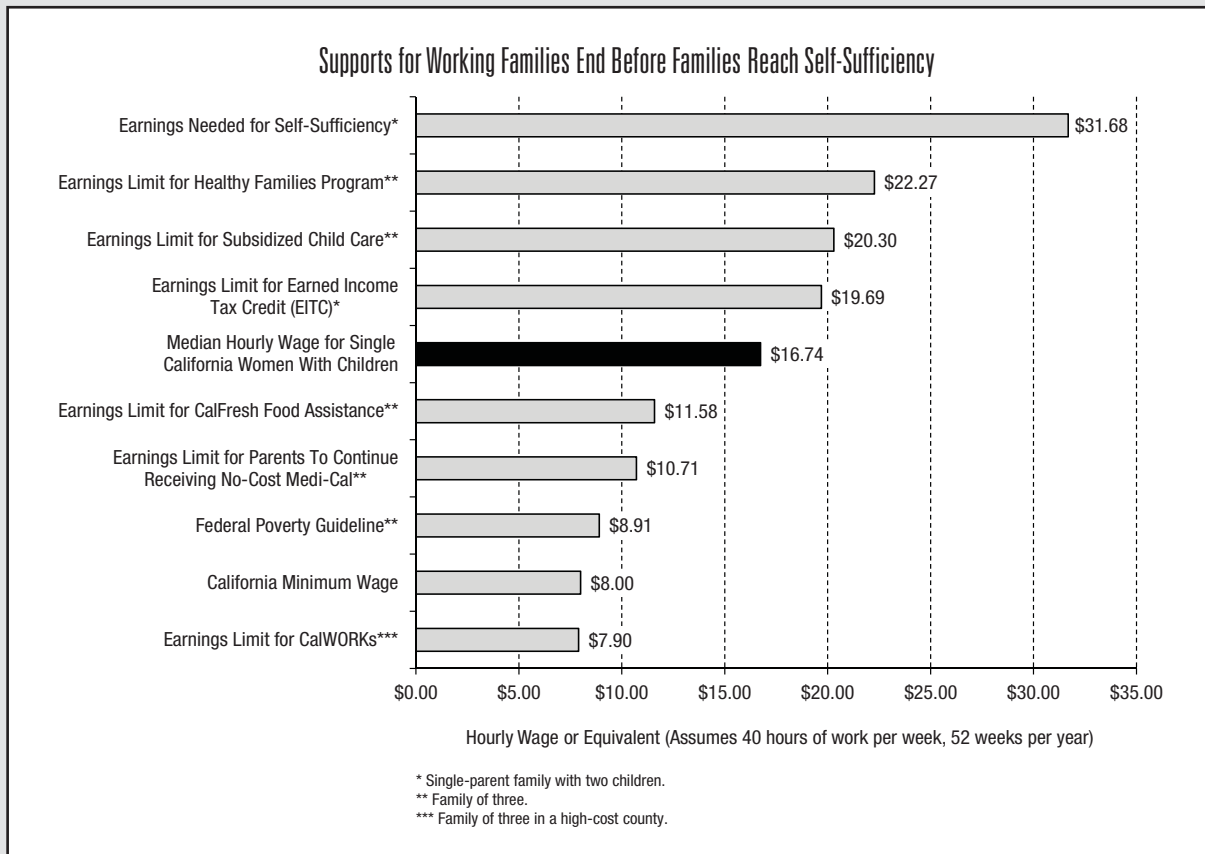
Figure 1: The Share of Women With Jobs Dropped Over the Past Year, While the Share of Men With Jobs Was Flat



Note: Employment rates reflect 12-month averages ending in November.
Source: Employment Development Department

Many Women Earn Too Much To Qualify for Work Support, But Too Little To Make Ends Meet

Many low-income women and their families struggle to make ends meet because they earn too much to qualify for policies designed to support working families, such as CalFresh or Medi-Cal, but too little to afford basic necessities. In 2010, the single California mother at the midpoint of the earnings distribution earned \$16.74 per hour, equivalent to \$34,819 for full-time, full-year work. In contrast, the CBP estimates that a single parent with two children working full-time needed to earn \$31.68 per hour to afford even a minimal standard of living.⁸ Many Californians get by on far less than the CBP's estimate of the amount needed to make ends meet. Some live on less because they receive health coverage from their jobs or are able to leave their children with family or friends while at work, or because they cut costs to make ends meet. Others, including many working families, rely on public programs such as CalFresh, subsidized child care, Medi-Cal, or Healthy Families in order to make ends meet; others rely on private charities or go into debt because their income is insufficient to pay for basic needs.



The Share of Single-Parent Families Living in Poverty Increased Substantially

Many families' incomes lost purchasing power and the share of families living in poverty increased substantially due to rising unemployment and declining earnings from work during the past four years. California's single-parent families experienced particularly steep income drops and increased rates of poverty. The inflation-adjusted income for the typical single-mother family dropped by 8.7 percent between 2006 and 2010, from

\$29,247 to \$26,711, and the share of these families with incomes below the federal poverty line increased by 3.7 percentage points, from an already-very-high 31.7 percent to 35.4 percent (Figure 3).⁹

California's married-couple families with children experienced considerably smaller income drops and rises in poverty over the past four years. The typical inflation-adjusted family income for married-couple families with children declined by 4.8 percent, from \$82,562 to \$78,628.¹⁰ In addition, the poverty rate for these families increased by just 2.3

Who Is Middle-Income?

Who Is Wealthy?

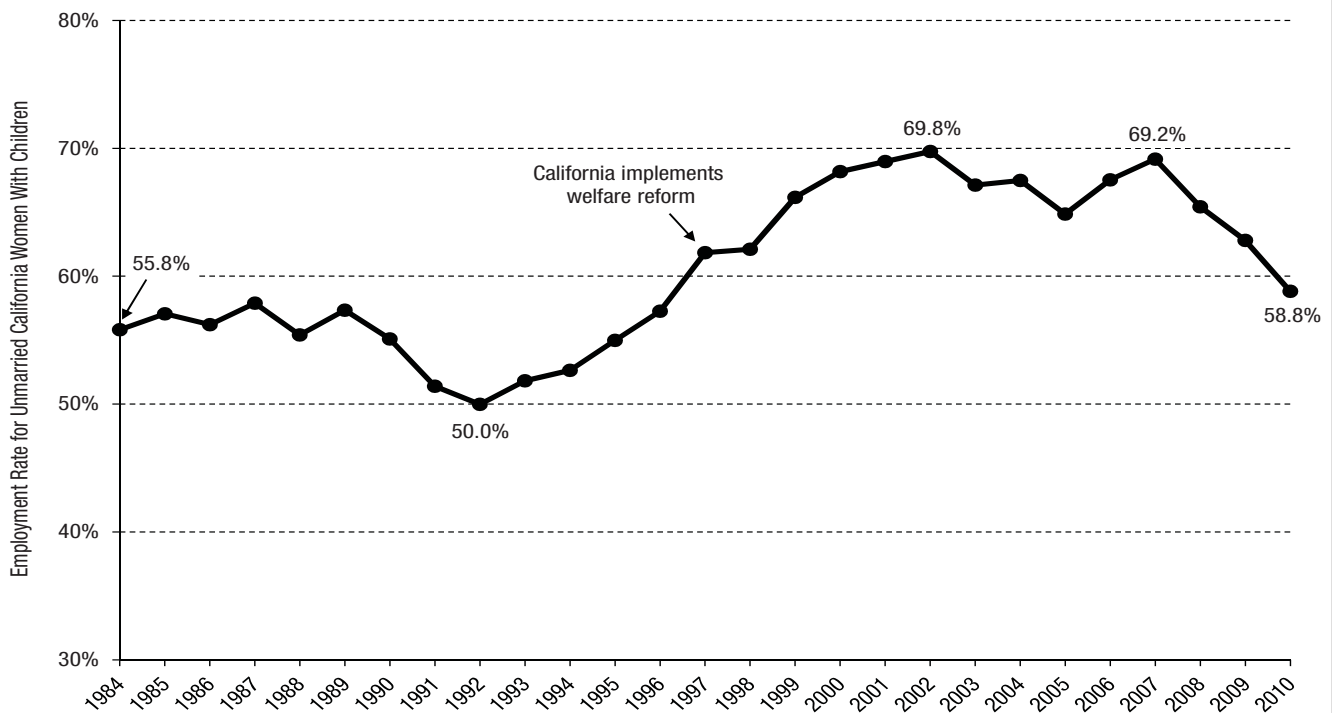
California's taxpayers with incomes in the middle fifth of the distribution had adjusted gross incomes – incomes reported for tax purposes – between \$26,103 and \$45,376 in 2009, the most recent year for which data are available. Those in the middle 60 percent of the distribution had incomes between \$13,081 and \$83,561. The top 10 percent had incomes of at least \$126,077. The top 1 percent had incomes of \$400,635 or more.

percentage points during that period, from 8.3 percent to 10.6 percent.¹¹ Since married-couple families tend to have substantially higher incomes and many have two working parents, they are less vulnerable to falling into poverty when the job market is weak.

Older Women Remained in the Workforce, But Were More Likely To Live in Poverty

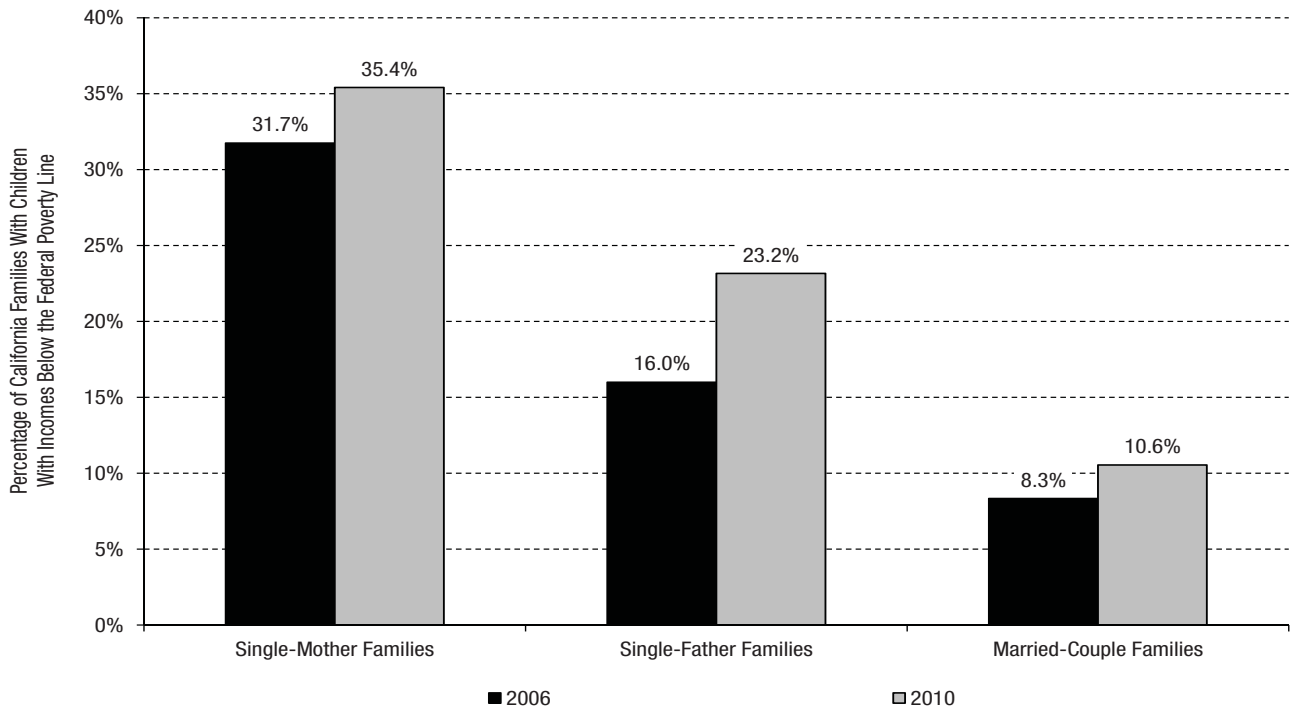
The employment rate for California women at or near retirement age held up during the past four years, even while it declined for other workers. In 2010, 47.2 percent of women ages 55 to 69 had jobs – 0.8 of a percentage point higher than in 2006 (Figure 4).¹² In contrast, the share of men in the same age group who were working fell by 4.3 percentage points between 2006 and 2010.¹³ Older California women may have been less vulnerable to job loss in recent years because large shares of these women work in private education and health services – the one major sector of the economy that continued to expand throughout the recession. In addition, an increased share of women in their late 50s and 60s may have delayed retirement in order to accumulate additional savings.¹⁴ The sharp decline in stock values during the downturn took a toll

Figure 2: In Just Three Years, the Share of Single Mothers With Jobs Fell by More Than 10 Percentage Points



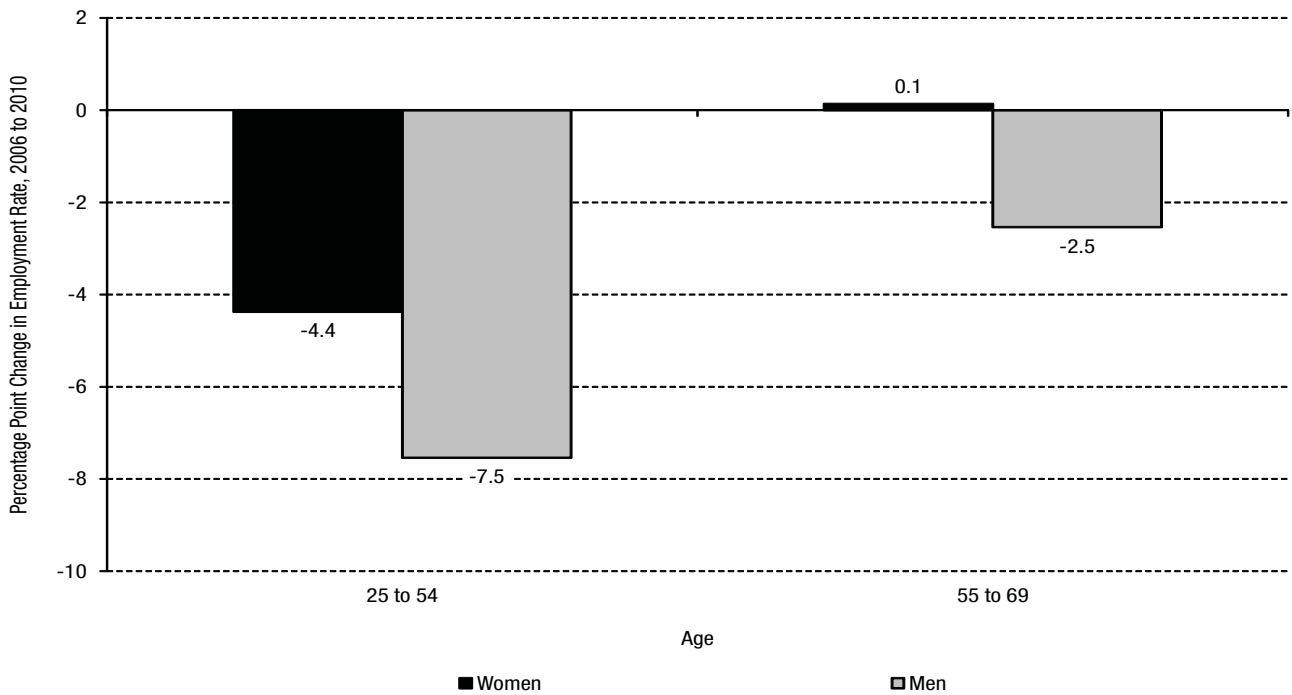
Source: CBP analysis of US Census Bureau data

Figure 3: The Poverty Rate for Single-Parent Families Increased Substantially in Recent Years



Source: US Census Bureau

Figure 4: A Slightly Larger Share of Older Women Were Employed in 2010 Than in 2006

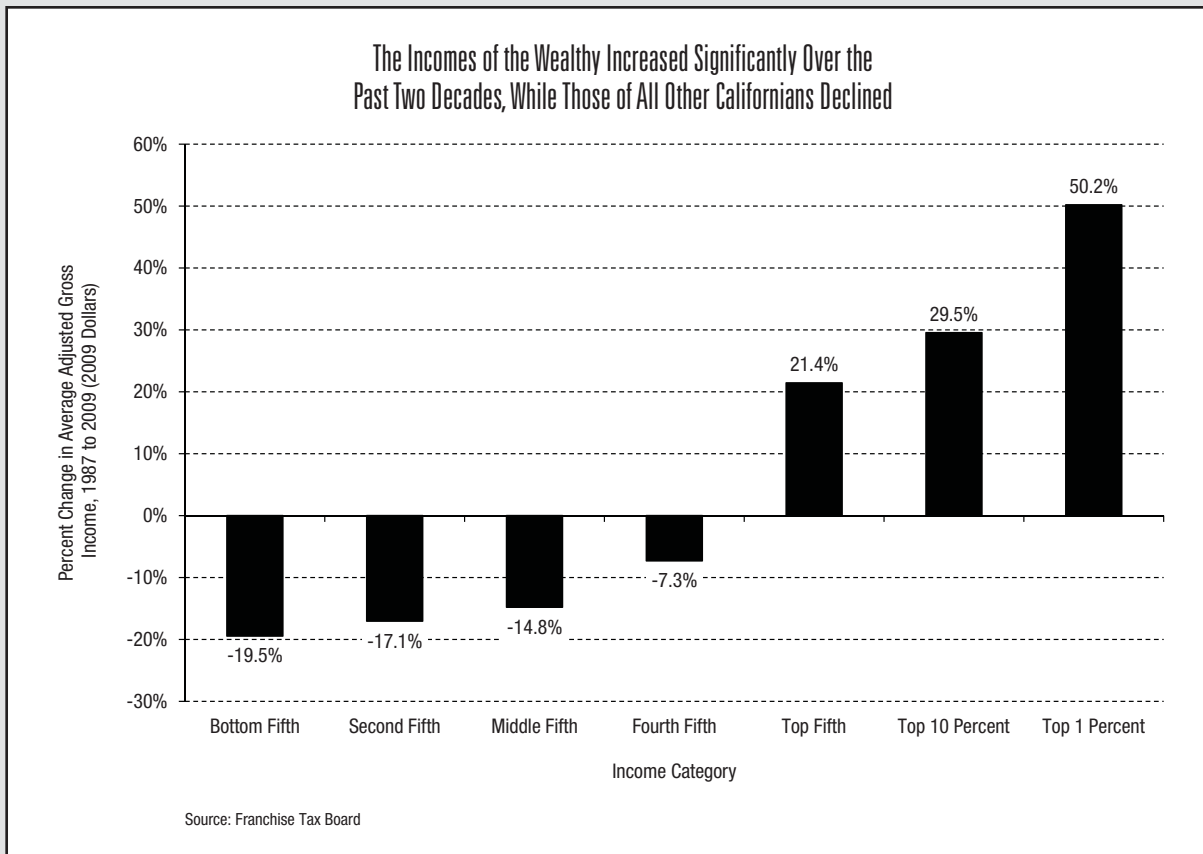


Source: CBP analysis of US Census Bureau data

The Widening Gap Between Low- and Middle-Income Californians and the Very Wealthy

Americans are increasingly concerned about the growing gap between the very wealthy and middle- and low-income families. A recent study by the Pew Research Center found that 66 percent of those surveyed believe there are “strong” or “very strong” conflicts between the country’s rich and poor.¹⁵ The growing concern over inequality stems from the widening gap between low- and high-income households and the fact that the incomes of the vast majority of Americans are failing to keep pace with the cost of living.

The gap between California’s rich and poor is the seventh widest in the nation.¹⁶ In 2010, 6.1 million Californians (16.3 percent) had incomes below the federal poverty line – \$22,113 for a family of four with two children. The gap between the wealthiest Californians and those in the middle and bottom of the income distribution has widened over the past generation. The average inflation-adjusted income of the top 1 percent of California personal income taxpayers increased by 50.2 percent between 1987 and 2009, while the average income of taxpayers in each of the bottom four fifths of the distribution lost purchasing power over the same period of time.¹⁷ The average inflation-adjusted income of Californians in the middle fifth of the income distribution dropped by 14.8 percent, falling to approximately \$35,000 in 2009, the most recent year for which data are available, the lowest level since at least 1987.



Current public policies are less effective at narrowing the gap between the nation’s rich and poor than were those of a generation ago. According to the Congressional Budget Office, “Shifts in the distribution of government transfer payments and federal taxes also contributed to the increase in after-tax income inequality.”¹⁸ This occurred because the share of government transfer payments going to the bottom fifth of households declined substantially, reflecting an increase in spending on programs targeting the elderly, such as Medicare and Social Security – the benefits of which are not limited to low-income households – and because the federal tax system became less progressive. Public policies, such as government transfer payments, including CalWORKs cash assistance, and the value of in-kind benefits, such as CalFresh food assistance, can reduce after-transfer income gaps by boosting the incomes of households at the low end of the income distribution. Tax policies can also narrow after-tax income gaps by taxing the incomes of those at the top of the distribution at higher rates than those at the bottom of the distribution.

on many individuals' retirement savings, requiring many at or near retirement age to continue working to rebuild their savings and make ends meet.

Older California women were more likely than older men to fall into poverty during the downturn, widening the gap between the poverty rates of older men and women. The share of women age 65 or older with incomes below the poverty line increased by 1.7 percentage points, from 9.5 percent in 2006 to 11.2 percent in 2010 (Figure 5).¹⁹ In contrast, the poverty rate for men in the same age group rose by 1.0 percentage point, from 6.9 percent in 2006 to 7.9 percent in 2010. Consequently, the poverty rate for California women at or above the traditional retirement age was a substantial 3.3 percentage points higher than that of their male counterparts in 2010, compared with 2.6 percentage points higher in 2006.²⁰

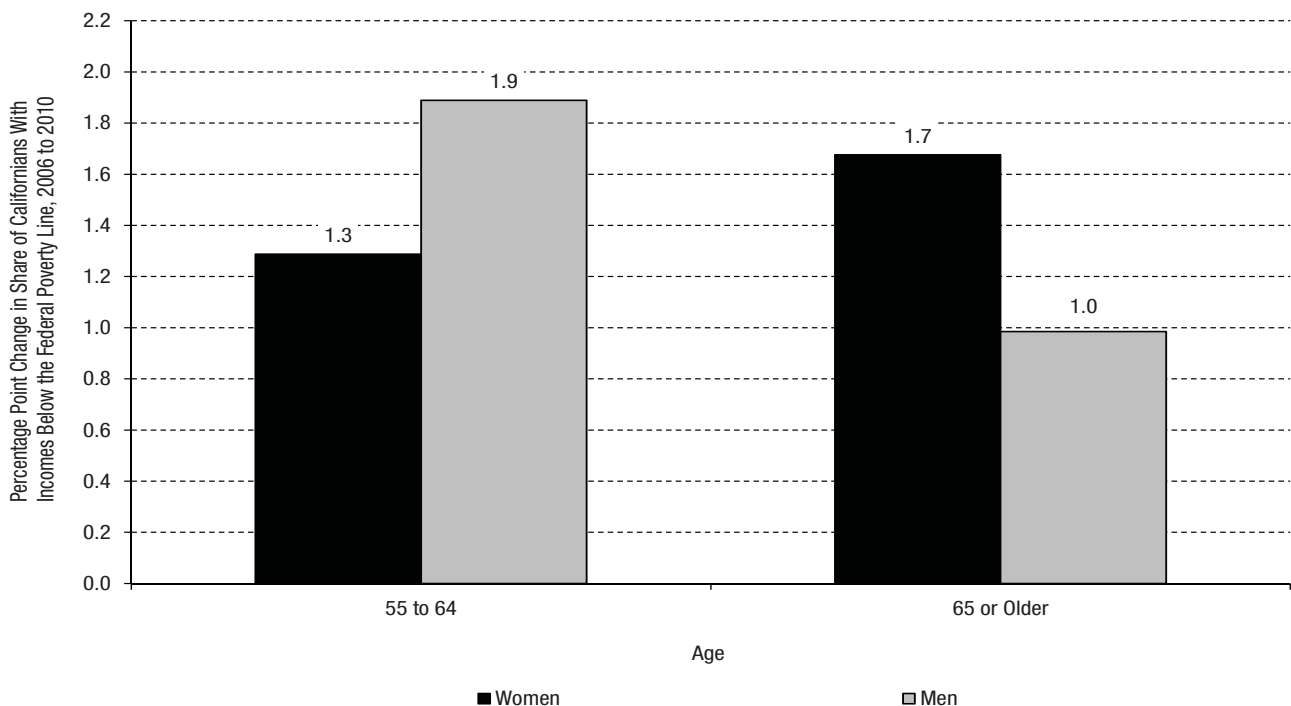
Research shows that older women are more likely than older men to live in poverty because they tend to have lower lifetime earnings, which result in lower retirement benefits.²¹ Married women ages 65 to 69 are much less likely than unmarried women to have incomes below the poverty line since they often rely on their husbands' retirement benefits in addition to their own benefits. However, since women tend to live longer than men, most married women end up widowed, and when their husbands die, their retirement income tends to fall significantly. According to one study, "of all the factors

associated with poverty in old age, the most critical is to be a woman without a husband."²² Unmarried women comprise a large share of older Californians: close to one-quarter (23.0 percent) of those ages 55 to 64 and more than one-third (35.7 percent) of those age 65 or older.

A TATTERED SAFETY NET AND AN ENDANGERED FUTURE

In response to sizeable budget shortfalls, California lawmakers have repeatedly cut state spending in recent years. Lawmakers cut General Fund spending from \$103.0 billion in 2007-08 to \$86.5 billion in 2011-12 – a drop of 16.6 percent – as policymakers responded to the dramatic decline in revenues caused by the most severe economic downturn since the 1930s.²³ Repeated rounds of budget cuts affected virtually all public services, reducing spending by an amount that exceeds state spending for colleges and universities, CalWORKs, Supplemental Security Income/State Supplementary Payment (SSI/SSP), and environmental protection. Recent cuts have reversed longstanding policies and have left public systems and programs ill-equipped to meet the needs of California's women who have been hard hit by the Great Recession, and

Figure 5: The Poverty Rate for Older Women Increased Between 2006 and 2010



Source: US Census Bureau

threaten the state's ability to succeed in an increasingly competitive global economy.

California was not alone in facing sizeable budget gaps – 42 states closed deficits in 2011-12, and at least 29 project shortfalls in the upcoming year. However, California's fiscal challenges were larger than those of most other states due to the impact of the economic downturn on the state's economy and restrictive budget rules that constrained lawmakers' ability to raise the revenues to help fill a budget gap.²⁴ In the early years of the crisis, funds from the American Recovery and Reinvestment Act of 2009 helped balance the state's budget and protected low-income Californians' access to several key safety-net programs. These funds are now largely gone, as are the revenues from temporary tax increases adopted in February 2009 and that remained in effect through 2010-11.

The State Has Scaled Back Support for Low-Income Families With Children

Programs that help low-income parents meet basic living expenses, move into the workforce, and stay employed have also been cut deeply in recent budgets. The Legislature and Governor have made deep cuts to the CalWORKs Program, which provides cash assistance to low-income families with children while helping parents find work and overcome barriers to employment. Nearly four out of five CalWORKs recipients are children, and women account for approximately three-quarters of adults who receive CalWORKs cash assistance. Since 2008-09, the state has made multiple cuts to CalWORKs that have reduced families' income and scaled back services designed to help parents prepare for and find a job. The cumulative impact of these cuts amounts to \$3.3 billion between 2008-09 and 2011-12, according to a CBP analysis of state data. This reduction is equivalent to a loss of roughly \$3,000 for each of the 1.1 million children in the CalWORKs Program.

Cuts to CalWORKs mean that low-income families will have a harder time keeping a roof over their heads and making ends meet in a tough economy. Lawmakers, for example, have reduced CalWORKs grants by 12 percent and suspended two cost-of-living adjustments since 2008-09.²⁵ Due to these changes, the maximum monthly grant for a family of three in high-cost counties – where more than half of CalWORKs families live – dropped to \$638 in 2011-12, a cut of \$85 per month compared to the maximum grant of \$723 in 2007-08. In addition, despite the state's double-digit unemployment rate, the state also rolled back the CalWORKs lifetime limit for adults from five years to four years, meaning adults will lose cash assistance and employment services after 48 months. Furthermore, lawmakers have cut – for several consecutive years – funding that counties use to provide job training, job

search assistance, and other services designed to help parents move from welfare to work. These cuts have jeopardized counties' ability to help families transition to self-sufficiency.

These reductions come in the wake of the landmark 1996 federal welfare law, which time limited cash assistance payments and imposed strict work requirements on families seeking assistance. These changes shifted the focus of, and the allocation of dollars spent by, the state's welfare program from cash assistance to child care and services aimed at helping families move from welfare into the workforce. Cash assistance payments dropped from 84.5 percent of pre-welfare-reform spending to an estimated 56.2 percent in 2011-12. At the same time, the share of poor California families with children receiving assistance dropped by nearly one-third (29.0 percent). State spending for CalWORKs as a share of the budget has dropped by over half since the enactment of federal welfare reform. In 1996-97 – just prior to California's implementation of the CalWORKs Program – just under seven cents of every dollar spent through the state budget was spent for cash assistance, child care, and services through the Aid to Families with Dependent Children (AFDC) Program (Figure 6). In the current year's spending plan, slightly less than three cents of each dollar is spent on CalWORKs, which the Governor targets for massive cuts in his Proposed 2012-13 Budget.

Recent Budgets Have Made Deep Cuts to Child Care

State child care and preschool programs have also faced the budget ax in recent years. These programs help prepare children for school and provide affordable supervision so that low- and moderate-income parents can stay employed. The cumulative impact of these cuts amounts to \$1.5 billion between 2009-10 and 2011-12, according to a CBP analysis of state data. Cuts of this magnitude hinder the ability of low-income parents, particularly single mothers, to keep their jobs or get back into the workforce in the aftermath of the Great Recession. The Legislature, for example, cut funding for preschool and most child care programs by 15 percent in 2011-12.²⁶ Lawmakers also reduced the top income at which families may qualify for child care and preschool programs. Consequently, a family of three now loses eligibility when their income exceeds \$3,518 per month – \$251 less than the previous limit of \$3,769 per month. Combined, these cuts are expected to eliminate services for well over 35,000 children in 2011-12. In addition, the state has significantly cut payments to "license-exempt," or unlicensed, child care providers – typically friends or relatives who provide care during nontraditional hours so that parents can work the night shift or weekends. As a result, a license-exempt provider in

Los Angeles County caring for an infant or toddler saw her maximum monthly payment decline from \$602 to \$482 starting July 2011 – a drop of \$120 per month. This cut is likely to make it more difficult for working parents to find affordable child care that can accommodate their work schedules.

The State Has Made Deep Cuts to Medi-Cal, Impairing Access to Health Care

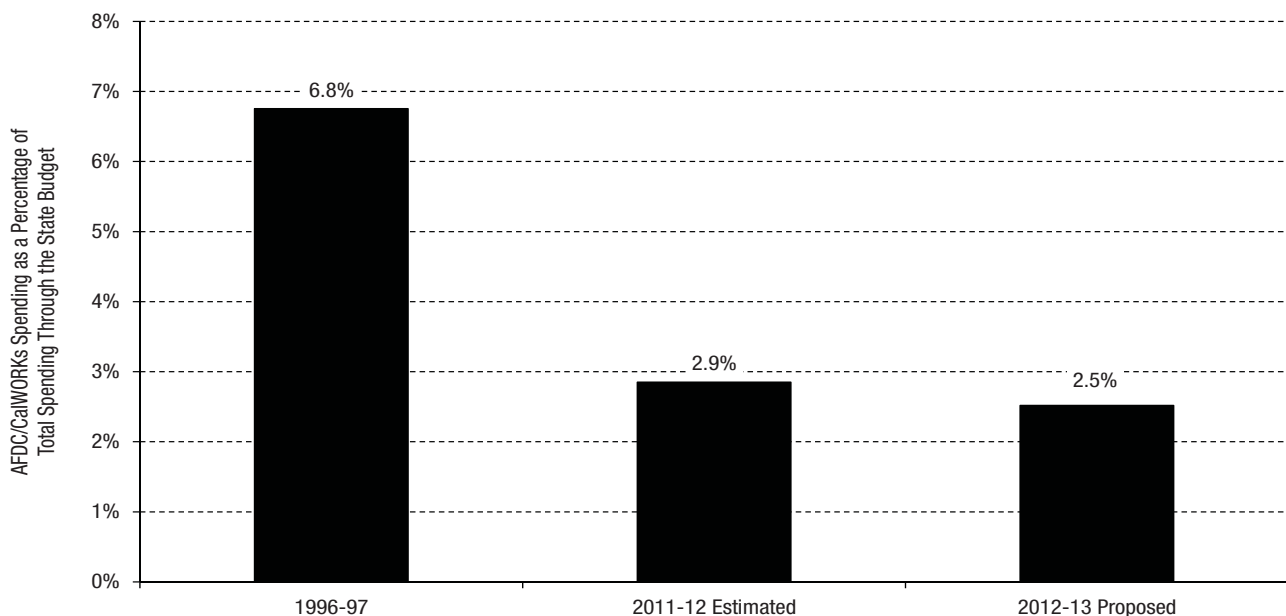
Millions of California women who cannot afford or do not have access to private health insurance rely on the Medi-Cal Program for essential health care services. Medi-Cal is California’s version of Medicaid, a federal-state program that provides comprehensive health coverage – including reproductive and prenatal care – for more than 7.7 million low-income Californians. Roughly two-thirds of adults in Medi-Cal are women, and more than half of women in the program are in their peak reproductive years.²⁷ Medi-Cal is also an important source of coverage for unmarried women and their children: Nine out of 10 single parents enrolled in the program are women.

Because women comprise most of the adults enrolled in Medi-Cal, they have been disproportionately affected by recent state cuts to the program. The cumulative impact of reductions to Medi-Cal amounts to \$2.4 billion between 2008-09 and

2011-12, according to a CBP analysis of state data.²⁸ The Legislature and Governor, for example, eliminated a number of Medi-Cal services for adults, including dental care, podiatry, and psychology services, as part of the 2009-10 budget agreement.²⁹ Women who need these services must now pay for them out of pocket, rely on low-cost care provided by clinics and other safety-net providers who have already been stretched thin in recent years, or go without care, increasing the risk that a relatively minor medical condition will worsen and turn into a severe problem.

State policymakers also cut payments to a range of Medi-Cal providers – including doctors, dentists, and clinics – by 10 percent in 2011-12, a reduction that recently received federal approval.³⁰ California’s payments to primary care physicians in Medi-Cal are already among the lowest in the nation, ranking 46th out of 49 states that have fee-for-service Medicaid. Research suggests that California’s low payments discourage health care providers from serving Medi-Cal patients. In 2008, for example, 62 percent of obstetrician-gynecologists participated in Medi-Cal, compared to 77 percent in Medicare, and only 56 percent of obstetricians were accepting new Medi-Cal patients.³¹ While state and federal officials suggest that cutting provider payments will not impair low-income Californians’ access to services, health care providers have sued to block the cut, arguing that it will cause even more doctors to stop treating Medi-Cal patients.³² Under another

Figure 6: Welfare Spending as a Share of Total State Spending Has Dropped by More Than Half Since 1996-97 and Would Drop Further in 2012-13 Under the Governor’s CalWORKs Restructuring Proposal



Note: 2012-13 includes the Governor’s proposed Child Maintenance Program, which would provide reduced support to families in which only the children qualify for cash assistance. AFDC/CalWORKs spending includes federal, state, and county dollars. Total spending includes federal dollars and state General Fund, special fund, and bond fund dollars.

Source: Department of Finance and Department of Social Services

recently approved reduction, Medi-Cal enrollees will potentially face copayments ranging from \$3 to \$100 for prescription drugs, hospitalization, and other services in 2012.³³ Research shows that low-income individuals who are charged more for health care tend to reduce their use of essential services and may subsequently end up in the emergency room.³⁴

The State Has Reduced Support for Older Women and Women With Disabilities

State budget cuts have targeted critical safety-net programs that assist older women and women with disabilities, jeopardizing their ability to make ends meet and live safely in their own homes. Recent budgets, for example, have made deep cuts to the SSI/SSP Program, which provides modest cash assistance to help nearly 1.3 million low-income seniors and people with disabilities – approximately half of whom are women – meet basic living expenses. SSI/SSP payments are particularly important for low-income women, who are less likely to have the work history and earnings needed to qualify for Social Security. Since 2008-09, lawmakers have cut SSI/SSP grants multiple times and suspended three cost-of-living adjustments.³⁵ The cumulative impact of these cuts amounts to \$4.6 billion between 2008-09 and 2011-12, according to a CBP analysis of state data. This reduction is equivalent to a loss of roughly \$3,600 for each of the nearly 1.3 million Californians who will receive SSI/SSP assistance in 2011-12. Due to multiple years of cuts, the maximum monthly SSI/SSP grant for individuals dropped to the federal minimum of \$830 in July 2011, a reduction of \$77 per month (8.5 percent) compared to the maximum grant of \$907 in January 2009.³⁶ SSI/SSP grants now provide individuals with an annual income of up to just \$9,960 – \$930 below the federal poverty line of \$10,890.

Cuts to SSI/SSP have compromised the ability of California's low-income older women and women with disabilities to afford necessities, such as housing and groceries. For example, the federal government estimates that an elderly woman living alone has to spend approximately \$180 per month on food in order to maintain a minimally adequate diet. By this standard, the \$77-per-month cut represents nearly two weeks of groceries. SSI/SSP recipients are not eligible for food assistance through the CalFresh Program, formerly known as food stamps. Therefore, SSI/SSP recipients will continue to face difficult choices about how to manage their reduced income, such as eating less and/or relying on food banks or other charities.

Recent cuts have also taken a toll on the In-Home Supportive Services (IHSS) Program. IHSS helps approximately 439,000 low-income seniors and people with disabilities – nearly two-thirds of whom are women and girls – to live safely in

Budget Cuts Targeted Women in the Workforce

Women were affected by the California's budget crisis both as recipients and as providers of public services. Women comprise a majority of the workers in local government, a sector that includes K-12 schools and community colleges and has continued to lose jobs even as the labor market as a whole begins to slowly make gains. Budget cuts have also directly affected the economic well-being of women employed in programs where policy changes translated into lower earnings or who experienced reduced hours of work, lower pay, or higher shares of cost for health or retirement benefits. Women have or will experience reduced earnings or reduced employment opportunities due to spending cuts including:

- The across-the-board reduction in hours of service provided through the In-Home Supportive Services Program as part of recently announced “trigger” reductions. Women comprise nearly four out of five workers in the IHSS program, as well as nearly two-thirds of those who receive services through the program.³⁷
- Reductions in the maximum payment level for license-exempt care – largely home-based child care. The lower reimbursement rate directly affects the already-low pay of care providers – an overwhelmingly female workforce – and come on top of significant reductions in program funding levels, resulting in the loss of an unknown number of jobs in the child care workforce.
- A significant reduction in per pupil spending in California's public schools. Budget cuts since the 2007-08 school year have reduced per student spending by nearly \$1,500, after adjusting for inflation, and have pushed the state's spending level to 46th among the 50 states.³⁸ Since 84 cents of every dollar spent by California's public schools goes to salaries and benefits, budget cuts translate directly into lower employment. In fact, there were 23,392 fewer teachers employed in the state's schools in 2010-11 than there were in 2007-08.³⁹
- Changes adopted as part of recently negotiated collective bargaining agreements. Most state workers will be required to take a day of unpaid leave each month during the first year of the recently signed agreements and will be required to make larger contributions toward the pensions and their health care costs.⁴⁰

Many economists now identify state and local budget cuts and the resulting loss of public jobs as a threat to the struggling economic recovery. Spending cuts affect the economy in the short run, by causing job loss and reducing the flow of dollars through local communities, and endanger the state's long-term prosperity by limiting the investments needed to foster a well-educated workforce and quality infrastructure.

their own homes, thereby preventing more costly out-of-home care.⁴¹ In 2010, for example, the Legislature and Governor cut hours of service for IHSS recipients by 3.6 percent. This change not only reduced in-home assistance for seniors and people with disabilities, but also decreased the incomes of home care providers, most of whom are women who already struggle to make ends meet. Hours were scheduled to be cut by an additional 20 percent on January 1, 2012, one of the automatic "trigger" cuts included in the 2011-12 budget agreement. However, a federal judge blocked implementation of that reduction due to pending litigation.⁴² Lawmakers also cut IHSS worker compensation and program eligibility in 2009, although federal court injunctions prevented those reductions from taking effect.⁴³

Budget Cuts Have Diminished Women's Access to Higher Education

A college degree increasingly provides the ticket to higher earnings and economic security. Over the past three decades, the hourly earnings of women with a bachelor's degree or more have increased by 36.7 percent, while those of female high school graduates have risen by just 1.9 percent. Yet, recent spending reductions will make it tougher for California women to obtain a degree or enroll in courses needed to keep or find work in a still weak economy.

Since 2007-08, California has repeatedly cut funding for publicly supported colleges and universities. Between 2007-08 and 2011-12, state support for the University of California and California State University systems was reduced by nearly one-third, while community colleges lost nearly one-fifth of their state support. At the same time the state cut funding for higher education, student fees rose dramatically. Annual undergraduate fees for state residents at the University of California jumped from \$6,636 in 2007-08 to \$12,192 in 2011-12, an increase of 83.7 percent, while during the same period undergraduate fees for state residents at the California State University nearly doubled from \$2,772 to \$5,472, a 97.4 percent increase. Fees at California community colleges more

Federal Budget Cuts Will Further Weaken Programs That California's Women Depend On

The Budget Control Act (BCA) of 2011, adopted as part of a compromise between Congress and the President during negotiations over raising the federal debt ceiling, establishes a process for reducing federal spending by \$1.2 trillion over the next decade. Half of the reductions would apply to defense spending and half to nondefense programs.⁴⁴ The process, known as sequestration, would impose across-the-board reductions of approximately 9 percent in so-called "discretionary" programs and 8.2 percent in "mandatory" programs in Federal Fiscal Year (FFY) 2013.⁴⁵ The BCA requires proportionate cuts to nondefense programs beginning in FFY 2014 sufficient to achieve specified spending targets. Preliminary estimates suggest that California could lose \$1.3 billion as a result of cuts to nondefense grant programs in FFY 2013 relative to FFY 2011 funding levels. Among the federal programs that would be subject to the BCA's across-the-board reductions are:

- The Women, Infants, and Children supplemental nutrition program;
- Grant programs administered by the Office on Violence Against Women, Rape Prevention and Education Grants, and support for Battered Women's Shelters;
- Funding for the Residential Substance Abuse Treatment Program that supports treatment programs for state prisoners and former prisoners;
- Adult and vocational education;
- State grants to support English Literacy and Civics Education;
- College Work-Study programs;
- Workforce Investment Act support for training programs for adults, dislocated workers, and older Americans;
- The Maternal and Child Health Block Grant;
- The Ryan White – HIV/AIDS Grant Program;
- Funding for public housing and the Emergency Food and Shelter Program;
- Funding for Refugee Assistance grants and services; and
- Funding for "meals on wheels" and other senior nutrition and support services.

In some instances, the reductions will reduce funding allocated through the state's budget, while other cuts will affect dollars that flow to local governments. Cash-strapped state and local governments are ill-equipped to make up for the loss of federal funds, endangering support for key programs that assist women and their families.

than doubled from \$20 per credit in 2008-09 to \$46 per credit beginning with the 2011-12 winter term.

While student fees skyrocketed, the share of California high school graduates attending a publicly supported college or university declined. In the fall of 2007, more than half (52.7 percent) of the state's high school graduates attended a California public college or university, up from 47.6 percent in the fall of 2003. However, by the fall of 2009, the most recent year for which data are available, the college-going rate for California's high school graduates dropped to 48.3 percent. Increased competition resulted in a sharp drop in the acceptance rate for women applying for first-time freshman admission to the University of California, from 78.2 percent to 71.9 percent between 2007 and 2010.

California's community colleges, which help students prepare to transfer to four-year institutions as well as achieve training

and skills for immediate employment, have been hard hit by repeated rounds of budget cuts. Enrollment in California's community colleges dropped by 129,612 between 2007-08 and 2010-11, with women accounting for a full 81.6 percent of the reduced enrollment. The most significant drops occurred among younger women – those age 19 or below – and older women – those age 35 or above. While the reasons for the sharp drop in women's enrollment are unknown, experts suggest that budget cuts have taken a disproportionate toll on programs serving re-entry students and on skills-based programs for historically female occupations. The significant decline in college enrollment stands in stark contrast to research that identifies a lack of college-educated workers as “a serious impediment to an economically successful future” for California, as well as for the futures of those individuals who have relied on community colleges to provide access to the skills and education that provide a ticket to higher paid employment or a four-year degree.⁴⁶

The Governor's Proposed 2012-13 Budget Would Make Further Cuts to Programs That Women and Their Families Depend On

The Governor's Proposed 2012-13 Budget includes \$10.3 billion in “solutions” to close a \$9.2 billion gap and provide a \$1.1 billion budget reserve. The Governor's proposals include deep cuts to health and human services programs, as well as to student aid and child care. Health and human services and child care programs would be targeted for \$2.5 billion of the \$4.2 billion in proposed spending reductions. The Governor also proposes \$301.7 million of cuts to the Cal Grant Program, which provides financial aid to lower-income students pursuing post-secondary education. If enacted, the cuts would have a significant impact on the state's women.

Cuts that would have a significant impact on low- and middle-income women include the Governor's proposals to:

- Restructure CalWORKs and reduce CalWORKs spending by \$946 million. The Governor proposes to cut the average monthly cash grant from \$463 to \$392, a 15.3 percent decrease, for families in which cash assistance is provided only on behalf of the children (“child-only” families) and move child-only families into a new program outside of CalWORKs – the Child Maintenance Program – beginning in October 2012. The Proposed Budget estimates that 296,000 families will be enrolled in the new program in 2012-13. The Governor would also divide the existing CalWORKs Program into two subprograms: CalWORKs Basic, which would provide welfare-to-work services for adults who do not have sufficient hours of unsubsidized employment to meet federal work requirements; and CalWORKs Plus, which would serve adults meeting federal work participation requirements – 30 hours a week for most families; 20 hours a week for families with children younger than six – through unsubsidized employment. Savings would be achieved by cutting the maximum period that CalWORKs participants can spend in welfare-to-work activities from 48 months to 24 months. CalWORKs Basic participants who do not move into unsubsidized employment that meets federal work participation requirements within 24 months would no longer receive welfare-to-work services and their grant payment would be reduced by the amount attributable to the adult. The children, however, would shift into the Child Maintenance Program.
- Cut spending for programs that provide child care assistance and preschool for low-income families through changes in eligibility criteria and reimbursement formulas, eliminating an estimated 62,000 child care slots. Specifically, the Governor proposes to require all families to meet federal work participation requirements applicable to the CalWORKs Program as a condition of eligibility for child care assistance; lower the income eligibility limit from 70 percent of the state median income (SMI) to 200 percent of the federal poverty line (for a family of three, this new limit would equal 61.5 percent of SMI and would

lower the income eligibility limit to \$37,060); and make three changes to child care reimbursement formulas: eliminate the statutory COLA for child care programs serving non-CalWORKs families and for part-day preschool programs; lower the maximum reimbursement rate for voucher-based child care programs; and lower the reimbursement rate for child care and preschool centers that contract directly with the state by 10 percent.

- Eliminate “domestic and related services” – which include housework, shopping, and meal preparation – for approximately 254,000 IHSS recipients. The Governor’s proposal would affect, with some exceptions, recipients whose need for any domestic or related service is “met in common” with other household members, including children under age 18 who live with a parent. The Governor also proposes to implement an across-the-board 20 percent reduction in hours of service for the IHSS Program on April 1, 2012. The “trigger cuts” in the 2011-12 budget agreement imposed this reduction on January 1, 2012. A court injunction has thus far prevented the state from reducing hours. The Governor’s proposal would also reduce the earnings of IHSS providers who are paid at or modestly above the state’s minimum wage. The weekly earnings of the predominantly female IHSS workforce would drop by up to 20 percent to reflect the reduced hours of work.
- Increase costs imposed on Californians who participate in the AIDS Drug Assistance Program (ADAP), which provides medication to uninsured or underinsured individuals who are living with HIV and AIDS. The Governor’s proposal would increase ADAP participants’ share of cost for medication to the maximum allowed by federal law, with average monthly copayments ranging from \$28 to \$385. This change is designed to discourage ADAP participants with private insurance from remaining in the program “because their cost-sharing obligation will exceed their private insurance out-of-pocket costs,” according to the Administration.
- Reduce the maximum Cal Grant award for students attending independent, nonprofit colleges and universities to the maximum amount awarded to California State University students and raise the minimum grade point average required for Cal Grant eligibility. The Governor would also phase out funding for Assumption Program of Loans for Education (APLE) and the State Nursing Assumption Program of Loans for Education for Nursing Faculty (SNAPLE NF).
- Maintain current restrictions imposed on independent, nonprofit and private, for-profit colleges and universities seeking to qualify as Cal Grant-eligible institutions. As part of the 2011-12 budget agreement, higher education institutions where 24.6 percent of students or more default on student loans were excluded from Cal Grant Program participation. Absent the Governor’s proposal, the maximum student loan default rate for Cal Grant Program participation will increase to 30 percent in 2012-13.
- Raise the earnings threshold needed to qualify for Unemployment Insurance benefits when an individual loses a job through no fault of his or her own. Raising the threshold would reduce the number of individuals who qualify for unemployment benefits and would particularly affect low-wage and part-time workers or those who recently obtained a job and were subsequently laid off. The Employment Development Department estimates that 40,000 workers would lose eligibility for benefits under the Governor’s proposal.

CONCLUSION

California is at a crossroads. Experts project that demands on the state budget will continue to exceed the revenues that flow into the state budget. Without significant additional revenues, the public policies and structures women and their families depend on face devastating spending reductions that threaten the economic security of women and their families by undermining the supports they depend on, while limiting their future opportunities by restricting access to job training and higher education. In order to encourage and not weaken California's tentative economic recovery, the state must invest in programs and policies that help low-income women prepare for and remain successfully in the workforce. At the same time, increased poverty heightens the importance of a safety net for those in need.

There are signs that the California economy is finally on the mend from the Great Recession, but the pace of recovery has been slower than many forecasters anticipated. The state gained nearly three times as many jobs per month in 2011 as it did in the prior year, and recent job growth – while still relatively modest – has outpaced that of the US as a whole. The prospects for California's women are more tentative. Women have been slow to re-enter the workforce, and wage growth will likely remain modest until unemployment drops to a normal level.

California faces critical policy choices. Years of delay have only made the state's fiscal challenges greater. The outcome of these choices will determine whether California promotes economic opportunity and well-being for the state's women and their families and builds towards a healthy economy. While the cost of doing something is significant, the cost of doing nothing is far greater.

ENDNOTES

- ¹ Employment Development Department. Working-age Californians are those age 16 or older. At the time of the analysis, November 2011 was the most recent month for which data were available. Data reflect 12-month averages ending in November. These figures are not publicly reported for individual months.
- ² US Bureau of Labor Statistics. Unless otherwise specified, the number of jobs refers to nonfarm jobs.
- ³ Women gained jobs in five sectors of the economy over the past year and saw no change in their employment in one sector. However, men's gains far outpaced those of women in half of these sectors. At the time of the analysis, the number of jobs by sex and industry was only available through October 2011. Therefore, trends "over the past year" refer to the change in the number of jobs between October 2010 and October 2011. It is not possible to analyze California employment trends by industry and gender because the number of men and women working in each sector of the economy is only available at the national level.
- ⁴ US Bureau of Labor Statistics. Women also lost a large number of federal government jobs largely due to a drop in US Postal Service employment, as well as a small number of state government jobs. US men also experienced steep declines in public-sector employment during the past year.
- ⁵ CBP analysis of US Census Bureau, Current Population Survey data. The weak job market reduced married parents' employment to a much lesser extent than it did for single mothers. The share of married mothers with jobs fell by just 2.4 percentage points, from 59.5 percent in 2007 to 57.1 percent in 2010 – less than one-quarter of the decline in single mothers' employment rate during that period. In addition, the share of married fathers with jobs dropped by 5.9 percentage points between 2007 and 2010, from 91.4 percent to 85.5 percent – just over half the decline in single mothers' employment rate. Due to data limitations, employment trends for unmarried men with children cannot be reported.
- ⁶ CBP analysis of US Census Bureau, Current Population Survey data.
- ⁷ In 2009, an unmarried woman headed 23.6 percent of California's families with children under age 18, up slightly from 22.3 percent in 1980. In addition, unmarried mothers' earnings from work made up nearly three-quarters (74.1 percent) of their total family income. CBP analysis of US Census Bureau, Current Population Survey data.
- ⁸ California Budget Project, *Making Ends Meet: How Much Does It Cost To Raise a Family in California?* (June 2010).
- ⁹ US Census Bureau, American Community Survey.
- ¹⁰ US Census Bureau, American Community Survey.
- ¹¹ US Census Bureau, American Community Survey.
- ¹² CBP analysis of US Census Bureau, Current Population Survey data.
- ¹³ Women in their late 50s and 60s also fared considerably better than prime working-age women and men. The employment rate for women ages 25 to 54 declined by 3.4 percentage points between 2006 and 2010, while that of men in the same age group dropped by a substantial 7.7 percentage points.
- ¹⁴ Falling home prices during the downturn also contributed to diminished retirement security for homeowners. See California Budget Project, *How the Other Half Fared: The Impact of the Great Recession on Women* (May 2010).
- ¹⁵ Rich Morin, *Rising Share of Americans See Conflict Between Rich and Poor* (Pew Research Center: January 11, 2012), p. 1.
- ¹⁶ California Budget Project, *A Generation of Widening Inequality* (November 2011), p. 39.
- ¹⁷ California Budget Project, *A Generation of Widening Inequality* (November 2011), p. 15.
- ¹⁸ Congressional Budget Office, *Trends in the Distribution of Household Income Between 1979 and 2007* (October 2011), p. 19.
- ¹⁹ US Census Bureau, American Community Survey.
- ²⁰ The poverty rate for California women ages 55 to 64 also increased in recent years, but to a lesser extent than that for similarly aged men. Consequently, the gap between the poverty rates of women and men approaching the traditional retirement age narrowed, but women in this age group remained more likely than their male counterparts to live in poverty in 2010.
- ²¹ Women's lifetime earnings tend to be lower than those of men because they typically earn lower hourly wages, are more likely to work part-time, and spend fewer years in the labor force. Alicia H. Munnell, *Why Are So Many Older Women Poor?* (Center for Retirement Research: April 2004).
- ²² Alicia H. Munnell, *Why Are So Many Older Women Poor?* (Center for Retirement Research: April 2004), p. 1.
- ²³ The 2011-12 budget agreement included a shift, or "realignment," of \$6.3 billion of responsibility for certain public safety and social services programs from the state to local governments. Adjusting for this transfer, General Fund spending dropped to \$92.2 billion, a 10.5 percent drop. During the same period, the state added 1.026 million residents, thus spreading fewer dollars over substantially more Californians. The state's General Fund supports education, higher education, health and human services, and other core programs and services. General Fund dollars can be spent on any purpose. For an overview of the state budget, see California Budget Project, *Where Do California's Tax Dollars Go?* (July 2011).
- ²⁴ California is one of just 12 states that require a supermajority vote of its legislature to approve any state tax increase. See National Conference of State Legislatures, *Legislative Supermajority to Raise Taxes – 2008* (2008).
- ²⁵ Lawmakers also eliminated the statutory requirement to provide a COLA effective in 2010-11.
- ²⁶ This cut reflects both an 11 percent reduction that took effect on July 1, 2011 and a 4 percent reduction that was part of the automatic "trigger" cuts that took effect January 1, 2012.
- ²⁷ Approximately half of Medi-Cal enrollees are adults.
- ²⁸ This figure only reflects reductions that have been both enacted and implemented since 2008-09. One policy change intended to reduce state spending on Medi-Cal – requiring enrollees to make mandatory copayments for using various health care services – has not been implemented because the federal Centers for Medicare and Medicaid Services (CMS) has not yet approved it. The 2011-12 budget agreement assumed that mandatory copayments would result in state General Fund savings of approximately \$500 million per year.
- ²⁹ Adult optometry, which was one of the 10 benefits originally eliminated from Medi-Cal coverage as part of the 2009-10 budget agreement, was subsequently restored as required by federal law.
- ³⁰ The federal government approved the provider-rate reductions in October 2011. However, a federal judge subsequently blocked the state from implementing the rate cuts to pharmacy services, hospital-based skilled nursing facilities, and non-emergency medical transportation providers in response to lawsuits filed by pharmacies, hospitals, and transportation providers.
- ³¹ Kevin Grumbach and Andrew B. Bindman, *Physician Participation in Medi-Cal, 2008* (California HealthCare Foundation: March 26, 2010).
- ³² California Healthline, *Calif. Medical Groups File Lawsuit Challenging Medi-Cal Payment Cuts* (November 22, 2011).
- ³³ The Legislature imposed mandatory copayments for a range of health care services as part of the 2011-12 budget agreement. However, as noted above, this policy change has not yet received the required federal approval and therefore has not been implemented.
- ³⁴ Leighton Ku and Victoria Wachino, *The Effect of Increased Cost-Sharing in Medicaid: A Summary of Research Findings* (Center on Budget and Policy Priorities: Revised July 7, 2005).
- ³⁵ Lawmakers also eliminated the statutory requirement to provide a state COLA for SSI/SSP grants effective in 2010-11.
- ³⁶ Lawmakers also reduced the maximum monthly SSI/SSP grant for couples to the federal minimum in 2009. Because SSI/SSP grants for both individuals and couples are now at the federal minimum, California cannot further reduce grant levels without triggering the elimination of all federal funding for the Medi-Cal Program.
- ³⁷ California Budget Project, *The Governor's Proposed Cuts to Key Safety-Net Programs Would Disproportionately Affect Low-Income Women and Their Families* (May 2010), p. 3.

- ³⁸ Per student spending based on CBP calculations of Legislative Analyst's Office (LAO) data. California spending ranking among the 50 states based on CBP analysis of National Education Association data.
- ³⁹ CBP analysis of California Department of Education data and CBP estimate of reduction in teacher employment based on California Department of Education data and survey results from the Legislative Analyst's Office, *The 2011-12 Budget: Year-Two Survey, Update on School District Finance in California* (February 27, 2011), p. 29.
- ⁴⁰ Legislative Analyst's Office, *The Budget Package: 2011-12 California Spending Plan* (August 2011), p. 72.
- ⁴¹ IHSS services include assistance with dressing, bathing, and medications as well as domestic tasks such as cleaning, shopping, and meal preparation.
- ⁴² California Healthline, *Federal Judge Continues To Block In-Home Supportive Services Cuts* (January 20, 2012).
- ⁴³ California appealed both federal injunctions. The US Supreme Court agreed to hear the case related to IHSS worker compensation – Dominguez et al. v. Schwarzenegger et al. – with a decision expected in 2012. The lawsuit related to IHSS eligibility – Oster et al. v. Wagner – was “withdrawn until several lawsuits that are now in the US Supreme Court are decided, or until further order of the court.” UDW Homecare Providers Union, *Lawsuits & Litigation Impacting IHSS Providers*, downloaded from <http://www.udwa.org/lawsuits-litigation-impacting-ihss/> on December 29, 2011.
- ⁴⁴ The BCA exempts a number of programs, including Social Security, Medicaid, Children's Health Insurance Program, Supplemental Nutrition Assistance Program (formerly known as food stamps), child nutrition, Supplemental Security Income, veterans' compensation, refundable tax credits such as the Earned Income Tax Credit, and federal retirement benefits. Payments to Medicare providers could be cut by up to 2 percent.
- ⁴⁵ For additional information on how the across-the-board cuts will be applied, see Richard Kogan, *How the Across-the-Board Cuts in the Budget Control Act Will Work* (Center on Budget and Policy Priorities: December 2, 2011).
- ⁴⁶ See, for example, Hans Johnson and Ria Sengupta, *Closing the Gap: Meeting California's Need for College Graduates* (Public Policy Institute of California: April 2009), p. 3.

