University of California, Berkeley
Center for Labor Research and Education

Policy Brief

The Economic Consequences of Proposed California Budget Cuts

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May 2010

When it comes to jobs and the economy, not all solutions to California's budget shortfall are equal. Most measures designed to reduce the deficit will have a depressing effect on employment and economic growth in the state, but the magnitude of that impact will vary significantly depending on which measures are enacted. In this brief, we estimate the economic impact of Governor Schwarzenegger's proposed 2010–2011 budget using IMPLAN 3.0, an industry-standard input-output modeling software package. We further compare the economic impacts of these cuts with an alternative approach that mixes spending cuts with targeted revenue increases sufficient to avoid cuts in programs that bring in a federal match.

We estimate that the Governor's proposed budget would result in a loss of 331,000 full-time equivalent jobs, increasing the unemployment rate by 1.8 percentage points.[1] More than half of the jobs lost would be in the private sector. Because many of the jobs lost are part time, the actual number of Californians affected would be much greater. **The number of jobs estimated to be lost is much greater than the entire employment growth for the state projected by the Legislative Analyst's Office for 2011**.[2]

An alternative approach that mixed spending cuts with $5.4 billion in targeted revenue increases would save an estimated 244,000 jobs compared with the Governor's proposal.

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The greatest part of the job loss due to the Governor's budget would result from cuts to major health and human service programs that bring in significant federal matching funds. These cuts would result in the loss of:

- 261,000 full-time equivalent jobs, increasing the unemployment rate by 1.4 percentage points. **This is fifteen times greater than the number of jobs that would be lost through an equivalent sized revenue increase**.

- $21 billion in economic output, compared to a loss of $3 billion through an equivalent revenue increase.

- $1.3 billion in state and local tax revenue, compared to a loss of $0.2 billion for an equivalent revenue increase. **This means that potentially close to one-quarter of the budget savings would be negated due to the loss in economic activity**.

Figure 1.

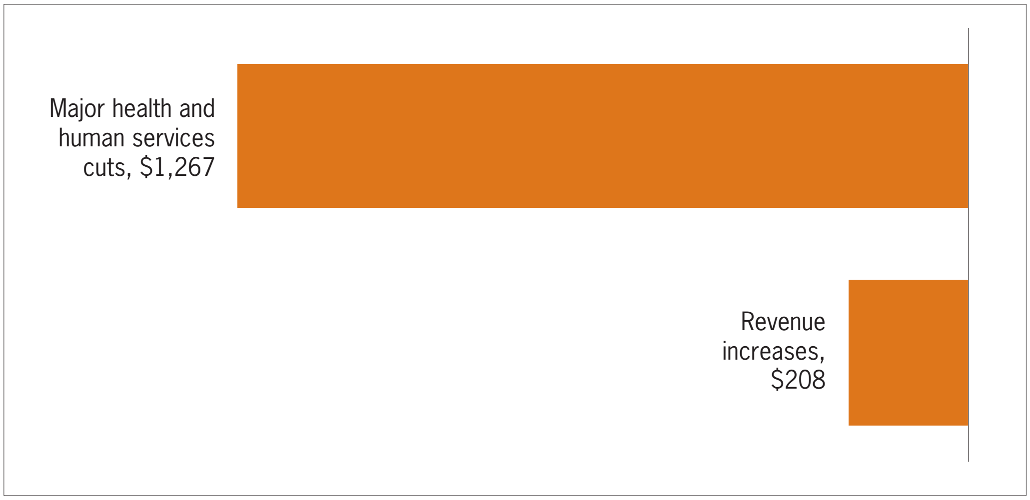
Jobs Lost from $5.4 Billion in Budget Solutions (Full-Time Equivalents)

Source: Authors' analysis of IMPLAN 3.0, 2008 California State Package for one year change.

Note: Results reflect impact of cuts or revenue increases for the purpose of deficit reduction.

Figure 2.

State and Local Tax Revenue Lost from $5.4 billion in Budget Solutions ($ millions)



Source: Authors' analysis of IMPLAN 3.0, 2008 California State Package for one year change.
Note: Results reflect impact of cuts or revenue increases for the purpose of deficit reduction.

In this brief, we use the detailed data on industry and household spending patterns in IMPLAN 3.0 to determine the economic output multipliers associated with different spending cuts or tax increases which, in turn, tell us how each proposed budget solution will impact the state's economy. IMPLAN allows us to compute not just the direct impact of a policy change, but also the indirect impact on suppliers and the induced effect resulting from changes in household income and resulting spending patterns. For example, a cut to Medi-Cal would not only result in fewer jobs in hospitals and clinics, but would also result in fewer jobs at medical supply companies and fewer jobs at the stores in which health care workers shop. IMPLAN estimates not only the first round of effects, but also the subsequent rounds of effects as the dollars cycle through the economy, continuing until all of the money is leaked from the state.

Many of the health and human services programs targeted for cuts bring in significant federal matching dollars which provide a stimulus to the state's economy. In addition, low-income residents spend a greater share of their earnings and spend more locally than do higher-income residents. For this reason, the multipliers for programs like CalWORKs and In-Home Supportive Services (IHSS) are particularly high since most of the funds go to low-income families,[3] while the multipliers for tax cuts to upper-income taxpayers are relatively lower.[4] The impact on employment also varies significantly based on the specific measures. IHSS cuts have a particularly large employment impact because 85 percent of program funds go directly to paying the wages for the approximately 360,000 IHSS workers, whose average wage is roughly $10 an hour.[5]

The economic impacts measured in this brief reflect the effect of budget cuts for the purpose of deficit reduction without corresponding reductions in taxes, and revenue increases without corresponding increases in spending. If spending cuts are offset with tax cuts, or spending increases are offset with tax increases, the economic impacts of both sides of such policy decisions need to be taken into account.

Economic Impact of Spending Cuts

All of these estimates are for a one-year change in Fiscal Year 10-11.

CalWORKs. The Governor proposes to eliminate the entire CalWORKs program for a General Fund savings of $1.6 billion and a loss of $3.5 billion in federal funds including the TANF block grant and funds from the Recovery Act.[6] We estimate that eliminating CalWORKs would result in the loss of 61,000 jobs in California, primarily due to private sector job loss resulting from decreased spending by low-income households in the state, but also due to the loss of jobs for 14,000 county and 170 state employees who work within the program. This estimate is conservative in that it does not take into account the employers who might otherwise avert layoffs or expand their workforce through the 15,000 subsidized employment slots. In addition, the cuts will affect the ability of CalWORKs beneficiaries to remain in the workforce. The cuts in CalWORKs funding combined with the loss in federal dollars would result in $7.4 billion in lost economic activity in the state and $533 million in lost state and local tax revenue. As a result, we estimate that one-third of the budget savings from cuts to CalWORKs would be negated due to the loss in economic activity from eliminating the program.

Child care. In addition to eliminating child care services funded by CalWORKs, the proposed budget would eliminate all other state funding for child care for a General Fund savings of $1.4 billion and an estimated loss of $150 million in federal matching funds. The cuts would result in an estimated loss of 38,000 full-time equivalent jobs. The total number of providers affected could be significantly greater because many providers work part-time and providers who maintain their jobs could experience a reduction in income. The cuts would result in the loss of an estimated $3.1 billion in economic output and $157 million in state and local tax revenue. These figures are conservative as we did not model the effect of workers who leave the labor market due to the loss of child care. Without access to these child care services, many parents, especially single mothers, may be unable to maintain employment.[7]

Medi-Cal. The proposed budget would reduce Medi-Cal General Fund expenditures by $900 million, resulting in a loss of $1.4 billion in federal matching funds including Recovery Act funds, 32,000 full-time equivalent jobs, $5.0 billion in economic output and $257 million in state and local tax revenue.

IHSS. The Governor proposes to cut $637 million from IHSS, determining the exact nature of the cuts through a stakeholder process. California would lose $1.6 billion in federal matching funds including Recovery Act funds, $3.3 billion in economic output, and $228 million in state and local tax revenues. As many as 121,000 full-time equivalent jobs would be lost, including 101,000 direct IHSS jobs and 20,000 jobs lost due to reduced spending by IHSS workers.[8] The 101,000 direct jobs are held by 167,000 workers, most of whom work part-time.[9] The program is the sole source of employment for 61 percent of IHSS workers.[10]

Healthy Families. The proposed budget would reduce Healthy Families General Fund expenditures by $38 million, resulting in a loss of $71 million in federal matching funds, 1,000 full-time equivalent jobs, $233 million in economic output and $12 million in state and local tax revenue.

Mental health. The proposed budget would reduce state spending on county mental health services by $602 million, resulting in a loss of 7,000 full-time equivalent jobs, $1.2 billion in economic output and $60 million in state and local tax revenue.

SSI. The proposed budget would reduce State Supplemental Payment grant amounts to the federal minimum, saving $133 million in General Fund dollars and resulting in a loss of 1,000 full-time equivalent jobs, $195 million in economic output and $14 million in state and local tax revenue.

Food stamps. The budget would eliminate the California Food Assistance Program that provides benefits to immigrants who do not meet the regular Food Stamp Program eligibility requirements, saving $43 million. This program elimination would result in a loss of 400 jobs, $76 million in economic output and $5 million in state and local tax revenue.

General spending cuts. We modeled the remaining $7.1 billion in proposed spending cuts as general cuts to government spending, not specific to any industry or program. These spending cuts would result in a loss of $15.5 billion in economic output, $649 million in state and local tax revenue and 70,000 full-time equivalent jobs.

Table 1.

Economic Impact of Spending Cuts, Fiscal Year 10–11

	$ Billions				FTE Jobs
	General Fund	Federal Matching Dollars	Economic Output	State and Local Tax Revenue	Employment
Major Health and Human Service Cuts					
CalWORKS	1.60	3.54	7.43	0.53	61,000
Child care	1.40	0.15	3.11	0.16	38,000
Medi-Cal	0.90	1.44	5.04	0.26	32,000
IHSS	0.64	1.57	3.28	0.23	121,000
Healthy Families	0.04	0.07	0.23	0.01	1,000
Mental health	0.60	–	1.20	0.06	7,000
SSI	0.13	–	0.19	0.01	1,000
Food stamps	0.04	–	0.08	0.01	400
Total	***5.35***	***6.77***	***20.56***	***1.27***	***261,000***
General spending cuts	**7.05**	**–**	**15.54**	**0.65**	**70,000**

Source: Authors' analysis of IMPLAN 3.0, 2008 California State Package for one year change.
Note: Results reflect impact of cuts or revenue increases for the purpose of deficit reduction.

Economic Impact of Revenue Increases

We modeled several potential revenue increases that are currently under consideration in California that would provide sufficient revenue to offset the cuts in health and human service programs. Increasing taxes on certain household income groups, corporations, or businesses in selected industries may reduce private sector economic activity—and ultimately employment— through reduced consumption, investment, and/or production. To make an apples-to-apples comparison of the job impacts of revenue increases we use key features of IMPLAN to generate accurate multipliers for each proposal.

Tax on upper income households. AB 1836, under consideration in the Assembly, would raise the income tax rate from a maximum of 9.55 percent to 10 to 11 percent for single filers with incomes of greater than $250,000 and married couples with incomes greater than $500,000. Such a tax increase would result in an additional $2.1 billion in state tax revenue annually,[11] a $2.1 billion loss in economic output and a loss of $154 million in state and local income taxes and 13,000 full-time equivalent jobs.

Oil severance tax. An oil severance tax could raise $1.4 billion annually, based on Assembly analysis of AB 1604.[12] We estimate such a tax would reduce economic output by $128 million, decrease state and local tax revenue by $9 million and result in the loss of 400 full-time equivalent jobs.[13] California is the only major oil-producing state without a severance tax. The proposed severance tax rate of 10 percent in California compares to a rate of 25 percent in Alaska.[14]

Corporate income tax. A $1.9 billion increase in corporate income taxes, applied proportionally across-the-board to all industries, would reduce economic output by $593 million, decrease state and local tax revenue by $44 million and result in the loss of 4,000 full-time equivalent jobs. These estimates are based on national multipliers. The actual effects on California are likely to be smaller since affected shareholders and consumers are not confined to the state.

Table 2.

Economic Impact of Revenue Increases, Fiscal Year 10–11

	$ Billions				FTE Jobs
	General Fund	Federal Matching Dollars	Economic Output	State and Local Tax Revenue	Employment
Tax on Upper Income Households*	2.10	–	2.10	0.15	13,000
Oil Severance Tax*	1.40	–	0.13	0.01	400
Corporate Income Tax	1.85	–	0.59	0.04	4,000
Total	**5.35**	**–**	**2.82**	**0.21**	**17,000**

* General Fund savings are estimated for FY 11-12, the first full year of implementation.

Source: Authors' analysis of IMPLAN 3.0, 2008 California State Package for one year change; Moody's Economy.com multiplier used for corporate income tax increase.

Note: Results reflect impact of cuts or revenue increases for the purpose of deficit reduction.

Economic Impact of Governor's Proposal Compared to Mixed Approach

We compared the impact of the Governor's proposal to an alternative budget approach that combines general government spending cuts with a mix of revenue solutions, including some options currently under consideration in the legislature. The Governor's proposal includes $5.4 billion in major health and human services cuts plus $7.1 billion in general spending cuts. The mixed approach assumes that current spending levels are maintained for the major health and social services programs receiving federal matching funds, and that California reduces general spending by $7.1 billion and increases revenues by $5.4 billion as shown in Table 2 above.

We find that the economic impact of a mixed approach would be significantly less severe than the Governor's proposal. While both approaches would raise $12.4 billion, the mixed approach would result in half the reduction in economic output, save $1.1 billion in state and local tax revenue, and save nearly 244,000 jobs.

Table 3.
Economic Impact of Governor's Proposal versus Mixed Approach, Fiscal Year 10–11

	$ Billions				FTE Jobs
	General Fund	Federal Matching Dollars	Economic Output	State and Local Tax Revenue	Employment
Governor's Proposal	12.40	6.77	36.10	1.92	331,000
Mixed Approach	12.40	–	18.36	0.86	87,000
Difference	–	6.77	17.74	1.06	244,000

Source: Authors' analysis of IMPLAN 3.0, 2008 California State Package for one year change.
Note: Results reflect impact of cuts or revenue increases for the purpose of deficit reduction.

Impact on Health Insurance Coverage

Under the Governor's proposed budget, 270,000 adults would be expected to lose job-based health care coverage for themselves and their family members as a result of the increase in unemployment. This includes 35,000 IHSS workers who would lose coverage as a result of losing their jobs.[15] An additional 123,000 children would be expected to shift from job-based coverage to public coverage. By comparison, 62,000 adults and 33,000 children would lose job-based coverage under a mixed approach, approximately one-quarter of the loss from the Governor's proposal. Loss of job-based coverage will result in greater demand on safety net providers and emergency room services. These costs can be projected to translate into higher health care premiums as the cost of uncompensated care is passed on to consumers.[16] Medical debt is a leading cause of bankruptcy and home foreclosures.[17]

Discussion

The effects of cuts in health and social service programs would go well beyond the impact on jobs and health insurance coverage. Cuts to CalWORKs and child care programs could create barriers for parents to stay in the workforce.[18] Cuts to Medi-Cal, Healthy Families and IHSS could result in delays in necessary care for adults and children[19] and a higher number of nursing home placements among elderly and disabled Californians who want to remain at home.[20] Elimination of CalWORKs could result in greater homelessness.[21] More children will experience food insecurity as a result of the elimination of CalWORKs and the California Food Assistance Program.[22]

Along with the immediate economic impact, budget measures may also affect the state's ability to attract skilled workers and firms. Empirical research on the effect of business taxes on business location is mixed but suggests that, overall, tax rates have a small effect on a firm's choice of state or region in which to locate. The greatest effects, whether positive or negative, are seen where taxes are significantly divergent from the norm.[23, 24] California's tax rate is not atypical—the overall state and local tax rate is only slightly higher than the national average as a percentage of personal income.[25] Studies suggest that educational opportunities and crime rates play a larger role in states' abilities to attract skilled workers than do tax rates, and that California's state income tax rate has not deterred high-income households from locating in the state.[26]

With an unemployment rate of 12.6 percent and 2.3 million Californians out of work,[27] a loss of jobs on the scale of that in the Governor's proposal would have a detrimental impact on the California economy. In order to keep pace with growth in population and workforce, California needs to produce approximately 180,000 jobs a year to stay even.[28] The estimated job loss from the proposed budget cuts is greater than the job growth projected in the state by the Legislative Analyst's Office for 2011.[29] A sharp increase in unemployment can also be expected to increase home foreclosure rates in the state.[30] The Governor and state legislature should take care to minimize the negative impact of the budget measures on employment when choosing between alternative proposals to close the budget gap.

Methodology

Developing Model Inputs of Budget Cuts

- Eliminating the CalWORKs program as of October 1, 2010, would result in savings of $1.6 billion in Fiscal Year 2010–2011.[31]
- Eliminating state-funded child care would reduce state funding by $1.4 billion in Fiscal Year 2010–2011, compared to the current fiscal year allocation.[32]
- The proposed budget would result in approximately $900 million in Medi-Cal reductions, according to the Legislative Analyst's Office.[33]
- The Governor proposed $637 million in cuts to IHSS, according to the Governor's Budget May Revision 2010–2011.
- Healthy Families cuts of $38 million include increasing premiums for children in families with income of 150 to 250 percent of the Federal Poverty Level, eliminating vision benefits and increasing emergency room co-pays.
- The Governor proposed $602 million in reductions to state mental health spending, according to the Governor's Budget May Revision 2010–2011.

- Reducing maximum monthly SSI/SSP grants to the federal minimum as of October 1, 2010, would result in savings of $133 million in Fiscal Year 2010–2011.[34]
- Elimination of the California Food Assistance Program is projected to save $43 million in Fiscal Year 2010–2011, assuming an October 1, 2010, implementation date, according to the Governor's Budget May Revision 2010–2011.

Losses in Federal Revenue

We assumed a federal matching rate of 65.00 percent for Healthy Families, and 61.59 percent for Medi-Cal and for IHSS. The federal matching dollar amount for IHSS is higher than for Medi-Cal because the federal government also matches the share of IHSS expenditures paid by the counties.[35] We assumed that the increased American Recovery and Reinvestment Act (ARRA) federal match rate for Medi-Cal and IHSS would continue through June 30, 2011, as is under consideration in Congress.

We assumed that California would lose 75 percent of its entire $3.7 billion TANF block grant in Fiscal Year 2010–2011 due to the proposed October 1 program elimination date, and would lose the full amount in future years. We assumed that California would lose an additional $735 million in Recovery Act funds if those funds are extended through October 1, 2011, as proposed in President Obama's Fiscal Year 2011 budget.[36]

We assumed that California could lose $150 million in federal matching dollars as a result of the elimination of state-funded child care services, based on the midpoint of a range estimated by the Legislative Analyst's Office.[37]

Development of Model Inputs and IMPLAN Activities for Spending Cuts

To determine the economic impacts of each of the spending cut options we used IMPLAN 3.0 modeling software (using 2008 California state data) which generated the projected impacts on employment, economic output, and state and local taxes. To model the CalWORKs and IHSS indirect and induced impacts we treated the spending as household income. We allocated across IMPLAN's four standardized household income groups following the methodology of Haveman et al. (2009).[38] To determine the direct IHSS employment impact we took the total IHSS hours for 2009[39] and divided by 2,080 hours to convert to full-time equivalents, and adjusted based on the proportion of the program the proposal would cut. The direct CalWORKs employment impact was based on estimates reported by the Assembly Budget Subcommittee on Health and Human Services.[40] SSI cuts were treated as a reduction in the spending among households with income of $10,000 or less, generally the approximate income limit for eligibility.

To model Medi-Cal and Healthy Families, we treated the funding as flowing to a set of IMPLAN industry sectors rather than households, using the default 432 IMPLAN industry sector system. We distributed the total budget amount, including the federal match, across five health care related IMPLAN sectors. We weighted the distribution of these funds across these five sectors according to the relative share of economic output in the state of California in 2008. Child care and mental health cuts were models based on their respective industry sectors.[41]

To model the impact of the elimination of the California Food Assistance Program, we used an institution spending pattern activity imported from the IMPLAN library. Specifically we used the vector "NIPA1111-Food purchased for off-premise consumption." This resulted in reduced purchasing statewide on a pre-set bundle of household grocery items. The resulting reductions in indirect and induced spending were calculated by IMPLAN in the standard SAM method.

To determine the proportion of jobs lost from the private sector, we assumed that all jobs lost would be in the private sector except all direct IHSS and CalWORKs jobs, all direct jobs lost due to general spending cuts, and half of the direct jobs lost due to Medi-Cal, Healthy Families and mental health cuts.

Development of Model Inputs and IMPLAN Activities for Revenue Increases

Using IMPLAN 3.0, we modeled a tax of $2.1 billion on households with greater than $150,000. Assembly Bill 1836, the bill on which this option is based, would raise the income tax for single filers with incomes of greater than $250,000 and married couples with incomes greater than $500,000, however the highest household income category available in IMPLAN is $150,000 and above.

For the oil severance tax, we followed the State Assembly Analysis for AB 1604 that estimated that a 10 percent oil severance tax would generate $1.4 billion in revenue.[42] We used the average one-year price elasticity of supply for oil production from Sterner (1992) of 0.052.[43] We modeled this figure using IMPLAN industry sector 20, "oil and natural gas extraction." Estimates for long-term price elasticity of supply range from 0.162 to 0.85. Using the long-term elasticity produces job impacts well below each of the other budget options tested.

IMPLAN is not typically used for modeling corporate tax changes, as corporate profits are treated as "leakage" in most input-output models. Income to corporations after expenses can be used for a wide variety of activities including providing dividends to investors or making investments within the company. IMPLAN has no "a-priori" way of measuring the distribution of corporate income earned in California to shareholders who may be located all across the globe. Similarly there is no reliable data source to indicate how much income—on average—corporations pay to shareholders compared to other activities. Thus, without a clear way of modeling a corporate income tax increase within IMPLAN, we instead used a corporate income tax cut multiplier of 0.32 from Moody's Economy.com to estimate the impact on economic output.[44] In order to estimate the employment impact, we divided the economic output estimate by $168,000, which is the average output per job across all of the IMPLAN industry sectors. To estimate the impact on state and local tax revenue, we divided the economic output by 13.5, which is the ratio of economic output to state and local tax revenue for the tax on upper-income households and the oil severance tax. This was a conservative assumption because applying a ratio from the other budget options would have yielded a lower tax revenue impact. In addition, because the 0.32 multiplier from Moody's is for the United States as a whole, the amount of income that gets "leaked" outside of California (e.g., to shareholders who live elsewhere) is likely to be greater than for the nation as a whole. Thus the true job impacts are likely to be smaller than those reported here, making the 4,000 jobs an upper bound.

Health Insurance Coverage

The estimates for health insurance coverage were derived from the Kaiser Commission on Medicaid and the Uninsured analysis of the impact of increased unemployment on health care coverage. Applying their rates to California and adjusting for California's lower share of workers with employer-sponsored insurance, we found that each 1 percent increase in unemployment resulted in 129,600 more uninsured adults and 67,700 more children covered through public health programs.[45] We assumed that an additional 35,000 direct IHSS workers would lose coverage as a result of losing their jobs. This estimate is based on the assumption that 21 percent of IHSS workers receive health coverage through their IHSS job.[46]

Endnotes

[1] Estimated increase in unemployment rate based on a labor market of 18,314,600, according to California Employment Development Department website, April 2010, http://www.edd.ca.gov/About_EDD/Quick_Statistics.htm.

[2] LAO predicts employment growth of 1.5 percent in 2011, according to "The 2010–11 Budget: California's Fiscal Outlook," November 18, 2009, http://www.lao.ca.gov/2009/bud/fiscal_outlook/fiscal_outlook_111809.aspx.

[3] Jon Haveman, Eric O'N. Fisher and Fannie Tseng, "Spending on County Human Services Programs in California: An Evaluation of Economic Impacts," presented to Child and Family Policy Institute of California, March 17, 2009.

[4] Written testimony of Mark Zandi, Moody's Economy.com, before the U.S. Senate Budget Committee, "The Economic Outlook and Stimulus Options," November 19, 2008.

[5] Legislative Analyst's Office, "Economic Impact of Human Services Budget Reductions," March 9, 2010.

[6] These estimates reflect partial-year savings due to the proposed October 1, 2010, implementation date. In Fiscal Year 2011–2012, the reduction in state and federal funding and the economic impact would be even greater: a reduction of $2.1 billion in state spending, $4.0 billion in federal funding, $8.8 billion in economic output, $631 million in state and local tax revenue and 69,000 full-time equivalent jobs. This assumes that Congress extends the Recovery Act funds through October 1, 2011, as proposed in President Obama's Fiscal Year 2011 budget.

[7] Peter S. Goodman, "The New Poor: Cuts to Child Care Subsidy Thwart More Job Seekers," *New York Times*, May 23, 2010.

[8] This estimate assumes that the cuts to IHSS are entirely implemented through hours or eligibility reductions. A pending lawsuit is adjudicating the legality of 2009 California legislation that reduced or eliminated IHSS services, which has been enjoined pending that determination.

[9] The number of IHSS workers is based on the Legislative Analyst's Office (January 21, 2010) estimate of 360,000 total IHSS workers, adjusted by the percentage of total spending proposed to be cut.

[10] Personal communication from Candace Howes, based on IHSS Homecare Worker Survey conducted in July 2004 and July 2005, for a project supported by a grant from the Robert Wood Johnson Foundation and Atlantic Philanthropies under the auspices of the Better Jobs Better Care Program, June 10, 2009.

[11] California State Assembly, Bill Analysis: AB 1836 (Furutani)–As Amended: April 5, 2010, http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1801-1850/ab_1836_cfa_20100507_112521_asm_comm.html.

[12] California State Assembly, Bill Analysis: AB 1604 (Nava)–As Amended: February 17, 2010, http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1601-1650/ab_1604_cfa_20100507_112329_asm_comm.html.

[13] These are short run (one-year) estimates. Mid-term (ten-year) and long-term (forty-year) estimates would be higher, but still well below the alternatives.

[14] Michael Hiltzik, "A California Tax on Oil Drilling? Why Not?" *Los Angeles Times*, June 15, 2009.

[15] The average benefits participation rate of IHSS workers was 21 percent in 2005, according to a study by RTZ Associates, "The State of IHSS Health Benefits in California: A Survey of Counties," May 2005, http://www.rtzassociates.com/publications/issue_brief2005.pdf.

[16] Peter Harbage and Len Nichols, "A Premium Price: The Hidden Costs All Californians Pay in Our Fragmented Health Care System," New America Foundation Issue Brief No. 3, 2006.

[17] Christopher Tarver Robertson, Richard Egelhof, and Michael Hoke, "Get Sick, Get Out: The Medical Causes of Home Mortgage Foreclosures," *Health Matrix*, Vol. 18:65, 2008.

[18] Legislative Analyst's Office, "The 2010–11 Budget: Overview of the May Revision," May 18, 2010. Jean Kimmel, "Child Care Costs as a Barrier to Employment for Single and Married Mothers," *The Review of Economic and Statistics*, Vol. 80, No. 2, pages 287-299, May 1998.

[19] An increase in premiums constitutes a significant portion of the Healthy Families cuts. A 2007 study found that the introduction of SCHIP premiums in Arizona and Kentucky resulted in higher disenrollment and lower re-enrollment of children, leaving some children uninsured which could reduce access to care. (Genevieve Kenney et al., "Assessing Potential Enrollment and Budgetary Effects of SCHIP Premiums: Findings from Arizona and Kentucky," *Health Services Research,* Vol. 42, Issue 6p2, August 16, 2007, Pages 2354-2372.) We assume an increase in premiums could have a similar effect.

[20] Candace Howes, "Costs and Benefits of In-Home Supportive Services for the Elderly and Persons with Disabilities: A California Case Study," Connecticut College, April 28, 2010.

[21] County CalWORKs officials have predicted that elimination of the program could increase homelessness; see for example County of San Diego, "2009-10 Proposed Budget Impacts, Elimination of the CalWORKs Program," http://www.co.san-diego.ca.us/cnty/bos/sup2/press/CalWORKs_Final_09-10_Budget.pdf.

[22] Caroline Ratcliffe and Signe-Mary McKernan, "How Much Does SNAP Reduce Food Insecurity?" The Urban Institute, March 2010, http://www.urban.org/uploadedpdf/412065_reduce_food_insecurity.pdf.

[23] T. F. Buss, "The effect of state tax incentives on economic growth and firm location decisions: An overview of the literature," *Economic Development Quarterly*, Vol. 15, Issue 1, pages 90–105, 2001.

[24] Robert W. Wassmer and Katherine Chalmers, "What Really Determines Whether a Manufacturing Firm Locates and Remains in California," November 25, 2007, http://ssrn.com/abstract=1088485.

[25] California Budget Project, "Policy Points: Who Pays Taxes in California?" April 2010, http://www.cbp.org/pdfs/2010/100412_pp_who_pays_taxes.pdf.

[26] Public Policy Institute of California, "Just the Facts: Are the Rich Leaving California?" July 2009, http://www.ppic.org/content/pubs/jtf/JTF_LeavingCAJTF.pdf. Center for Continuing Study of the California Economy, "Numbers in the News: Are Businesses and High-Income Residents Fleeing California?" July 2009, http://www.ccsce.com/PDF/Numbers-July09-Fleeing-Calif.pdf.

[27] California Employment Development Department website, April 2010, http://www.edd.ca.gov/About_EDD/Quick_Statistics.htm.

[28] Economic Policy Institute, "Economic Performance," http://www.epi.org/issues/category/economic_performance/. EPI's national estimate of the number of jobs needed to keep pace with population growth was adjusted based on California's share of the national labor force according to the April 2010 Current Population Survey.

[29] LAO predicts employment growth of 1.5 percent in 2011, according to "The 2010-11 Budget: California's Fiscal Outlook," November 18, 2009, http://www.lao.ca.gov/2009/bud/fiscal_outlook/fiscal_outlook_111809.aspx.

[30] Ben Bernanke "Mortgage Delinquencies and Foreclosures," speech at the Columbia Business School's 32nd Annual Dinner, New York, New York, May 5, 2008, http://www.federalreserve.gov/newsevents/speech/Bernanke20080505a.htm.

[31] California Budget Project, "Governor Releases May Revision With, As Promised, 'Absolutely Terrible Cuts,' No Tax Increases," May 14, 2010.

[32] California Department of Education testimony to Assembly Budget Committee, May 19, 2010.

[33] Legislative Analyst's Office, "The 2010-11 Budget: Overview of the May Revision," May 18, 2010.

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Acknowledgments

Our thanks to Michael Reich for his helpful feedback and comments, and to Jenifer MacGillvary for her help in the preparation of this policy brief.

The views expressed in this policy brief are those of the authors and do not necessarily represent the Regents of the University of California, the UC Berkeley Institute for Research on Labor and Employment, or collaborating organizations or funders.

This brief was funded by the Service Employees International Union.