

# JERICHO *Newsletter*

May, 2004

## Schwarzenegger's Budget Repairs Safety Net—But Leaves Gaping Holes

On Thursday May 13, 2004, Governor Schwarzenegger released his Revised Budget, also called the May Revise. In many ways it was better for the working poor families in our State than the original January edition. Various cuts to services for the working poor were **taken off the table** including:

- Enrollment Caps and Co-payments for Healthy Families Program, Aids drug programs, Breast and Cervical Cancer & Prostate Cancer programs, among others.
  - Cuts to those providing medical services (which would have driven more doctors away from serving working poor families)
  - Shifting responsibility for several Immigrant programs to the Counties through a Block Grant
  - Healthy Families Tiered Benefits (read “reduction in benefits”)
  - Termination of In Home Supportive Services (IHSS) where family members are care takers (called Residual Benefits)
  - Termination of transitional food stamp benefits
- It is a tribute to JERICHO members, staff and our allies that the Governor changed these proposals.

However, there is more to be done.

### *Budget Balanced on Backs of the Poor*

In the May Revised Budget Governor Schwarzenegger notes a 4.5% increase in personal income at the end of 2003. Yet in the same budget he says that it is “necessary” for the poorest of the poor (those on CalWORKS and SSI/SSP) to take a 5% cut in benefits and to forego a cost of living adjustment (COLA) in

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**The care of human life and happiness, and not their destruction, is the first and only object of good government.**

**Thomas Jefferson**

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order to balance the Budget. He does this without asking the wealthy of our State to contribute one more dime to solve the State's fiscal problems.

At the same time the Governor is reducing revenue to the poorest families he is adding cost burdens to those same households:

- CalWORKs parents will have increased work requirements.
- Families who are receiving “child only” CalWORKS will have a 25% reduction in benefits.
- Very low income families must pay increased share of child care services while reimbursement rates for child care providers are reduced.
- Child Care for CalWORKs recipients who are students and those who are working at low wage jobs

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# Editorial

By Sister Marti McCarthy

Several articles in the past few months have addressed the amount of state taxes that those in the upper 2% tax bracket are collectively paying. The implication has been that this group plays a major part in supporting the public services upon which low-income people depend. At the same time, those of us in the middle class have a sense that *we* are doing the lion's share of supporting those less fortunate than ourselves.

It was one of my Republican friends who framed the discussion of "who supports the economy" in a different way. "It is the low-wage workers who subsidize the rest of us," she said. "Think about it. If we had to pay for a hamburger at our local fast food restaurant what that hamburger would cost if everyone from the farmer to the person waiting on you were paid a living wage, we wouldn't be paying \$2 for a hamburger."

**JERICHO Newsletter** is published quarterly for members of JERICHO's two organizations.

*JERICHO: Education for Justice* educates faith communities and others about California public policy as it affects poor people. .

*JERICHO: A Voice for Justice* through its registered lobbyist in Sacramento and informed members actively engages in the development of legislation that promotes economic fairness.

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The difference in cost is made up by those who work for amounts far less than it takes to provide the basics for their families. Their underpaid work, I suggest, is a hidden subsidy for our purchases that we take for granted.

However, we pay in other ways. Much of the social safety net for health care, child care, housing and social services come as a result of the inadequate income that low-wage working people are paid. If a family can afford to purchase health care, for example, they would not need to use publicly funded health care programs. In fact, at least 80% of those who are uninsured are working or in a family of a worker who cannot afford to buy health insurance.

Employers who do not pay a living wage are also subsidized by the public "safety net" since tax-paid support services make up the difference between what is paid in low wages and government help the family actually needs to survive. Those employers who *do* pay living wages, including health care, are put at a disadvantage in pricing goods and services by those employers who don't.

In California, for example, the minimum wage is currently \$6.75 per hour. To put that in perspective: annual family earnings would be \$14,040 (for a full 52 weeks). You would be hard put to find a two bedroom apartment in the Bay Area for \$800 per month (or \$9,600 a year) but even that would leave only \$370 per month for food, transportation, child care (for a single parent), utilities, telephone, etc. The costs are greater than the income.

The population of America's working poor has grown because the wage floor has failed to keep pace with the cost of living over the last three decades. The federal minimum wage, which in 1968 stood at 86% of the wage necessary to lift a worker and his or her family of four to the official poverty line, today represents income less than 57% of the federal poverty definition. The current federal minimum wage of \$5.15 an hour would need to be raised to \$9.06 an hour *simply to meet the federal poverty level.*

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# WHO IS POOR AND HOW POVERTY IS MEASURED?

Kathy and Rick Jones just know that each month they get farther and farther behind. Kathy works part-time at \$6.75 per hour for a total of \$585 per month. The rest of the time she is at home caring for her two children, ages 3 and 5. Mark's full-time job at \$8 per hour—or \$1386 per month—and Kathy's income provide an annual income of \$23,652 or \$1,971 per month. Rent, utilities, child care at a neighbor's house during Kathy's work-time, and transportation take \$1840 of their income.

The Jones family does qualify for some food stamps and health insurance through California's

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*“I work two jobs—about 65 hours a week—and my wife works about 20 hours. Every day I hope that we won't have an emergency or that the kids don't have something to buy for their school supplies.”*

*Ben Carter, Father of 3*

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Healthy Families Program. They would also qualify for subsidized day care and subsidized housing but none is available. Depending in which area of the state they lived, it would take an additional \$6-8 per hour of full-time work to allow the Jones family to be free of public services and live a very modest life-style.

The Jones family is considered to be about 125% of the federal poverty guidelines. They are well below the Self-Sufficiency Standard (see below) and would be considered “poor” using that measure because of their inability to meet their basic needs on their own.

## *How is Poverty Measured?*

The United States has two tools for measuring who is considered “poor”: poverty thresholds and poverty guidelines. **Poverty thresholds** are used for statistical purposes such as calculating the number of people liv-

ing in poverty, and are issued each year by the Census Bureau. **Poverty guidelines** are a simplified version of poverty thresholds, and are issued by the Department of Health and Human Services to determine financial eligibility for certain federal programs.

In most cases, guidelines and thresholds can be used interchangeably. Both are also outdated and don't reflect various regions of the country, the ages of family members, and they exclude some necessary items, like child care costs.

In 1963-64, Molly Orshansky of the Social Security Administration developed poverty thresholds based on the “thrifty food plan”, which was the cheapest of four food plans developed by the Department of Agriculture. The plan was designed “for temporary or emergency use when funds are low,” according to the USDA. At that time, families of three or more persons spent about one third of their after-tax income on food. Orshansky multiplied the cost of the USDA economy food plan by three to arrive at the minimal yearly income a family would need. She arrived at \$3,100 a year (\$1,033 x3) as the poverty threshold for a family of four in 1963.

In 1969, the thresholds became wedded to the Consumer Price Index rather than the per capita cost of the thrifty food plan and is adjusted annually for inflation. Thus, the 2004 threshold value of \$18,850 for a family of four generally represents the purchasing power of \$3,100 in 1963.

A **living wage** is usually viewed as the wage a fulltime worker would need to support a family at or above the federal poverty line—ranging from 100% to 130% of the federal poverty guideline. The rationale behind living wage proposals is that jobs should pay enough so that families do not need government assistance.

The **Self-Sufficiency Standard** was developed to

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and no longer receiving cash aid will have reduced availability.

- Children enrolled in the Health Families Program whose family income is above 200% of federal poverty level will have higher premiums.
- Community clinics are having their funding significantly cut..
- State paid wage for IHSS workers will be reduced from \$10.10 per hour to minimum wage (\$6.75 per hour)—sending more people below the poverty level.
- Fees, costs and enrollment at State colleges and universities will be reduced as well as decreased funding for Kindergarten through Community College.

JERICHO is working with other advocates to change these provisions in any budget that will be enacted. Please contact your legislator and let your views be known.

**Long Term Budget Situation Grim**

Not only has Governor Schwarzenegger put together a Budget once again built on borrowing, temporary measures and cuts to the Social Safety Net, he is also making deals that will jeopardize our future as a

***"I don't know how I could afford to work without my child care subsidy. I barely make it now."*** Sara Fremont

State. The Governor has made agreements with the California Teachers' Association, the Cities and Counties of California and the University and State College systems to accept reduced spending *now* in return for the promise of increased revenue two years out.

This means that in 2006-07 there will be a large political debt to pay—performing on all these promises. Without significant structural reform in the way in which California is financed, it is unlikely that the economy will have grown sufficiently to provide new revenue for these promises. Given the Governor's

neo-Republican aversion to having the wealthy contribute to the common good of our State through taxation, it is difficult to see how these promises can be met. Only further cuts and more borrowing are options as long as he is unwilling to address the need for new revenue.

It is also important to note that the Governor is not talking to anyone about future restoration of the cuts in the social safety net. He is just cutting. This underscores the lack of "political clout" that the working poor have in our State. Without money, there is no access. This business as usual approach emphasizes the importance of groups such as JERICHO.

JERICHO is working with others to develop responsible budgeting—a process which is not based on borrowing, transfers and cuts, but rather one that produces a Budget that has appropriate revenue for the programs that are needed in the wealthiest State in the wealthiest country in the history of our planet. We are working for responsible programming and responsible revenues to pay for them.

*Sister Simone Campbell*

**CalWORKS—Do the Math...**

*The CalWORKS maximum grant for a family of three is currently \$704 per month (for up to 60 months). The Governor's Revised Budget reduces it to \$669. See if you can plan their monthly budget.*

Rent	_____1
Utilities	_____
Food	_____2
Telephone	_____
Transportation	_____
Car Insurance	_____
Child Care	_____3
Clothing	_____
School Supplies	_____
Medical	_____4
Savings	_____

- 1 The Fair Market Rent in 31 counties exceeds the CalWorks grant**
- 2 Food Stamps, meant only to supplement, are approximately \$371 for this family**
- 3 Care is subsidized while mom receives cash aid**
- 4 Provided through Medi-Cal**

## Major Changes Planned for California's Largest Health Care Program Medi-Cal Redesign To Go Before Legislature in August

*Medi-Cal provides vital health and long-term care coverage to low-income children, their parents, elderly, and disabled Californians. Medi-Cal is the largest source of federal funds to California, and its effect is felt throughout the health care delivery system.*

On May 13, 2004, the Health and Human Services Agency culminated a 3 month process toward redesigning Medi-Cal, the health program created over the past 40 years which serves almost 7 million Californians. Medi-Cal Redesign, one of Governor Schwarzenegger's key initiatives, was originally to be part of the budget process but will be submitted to the legislature on August 2 after more time to work on the complexities. This will require advocates to be on deck for quick work in August.

In preparation for passing the Redesign, the Administration held "stake-holder meetings" in March and April on 5 topics in Los Angeles and Sacramento. JERICHO participated in the sessions on Eligibility Simplification and Benefits & Cost Sharing. The Agency repeatedly stated that they did not have a specific plan for the Redesign and were seeking in-input from the various participants.

What became clear very quickly was that while the Administration might not have the specifics of a Redesign worked out, they have the broad outline of what they want to do. The Administration seeks to do the following:

- Create a tiered benefit structure in which beneficiaries with lower incomes would receive all core and optional benefits with no additional payments, while those with incomes between 100% and 200% of the poverty level would access the non-core benefits with cost sharing.
- Develop a system of increased co-payments, premiums and co-insurance for Medi-Cal beneficiaries with disposable incomes; increase the current co-

payments; initiate premiums and add co-insurance on optional benefits.

- Narrow the scope of services for Early Periodic, Screening, Diagnosis and Treatment (EPSDT) for children
- Expand managed care statewide to larger numbers of people, including possible mandatory enrollment of people with disabilities and seniors.

To date they have not been very responsive to the suggestion that this outline might be detrimental to the people of the State and might need to be reconsidered.

In April Budget hearings in both the Assembly and the Senate Committees, advocates made it abundantly clear that the Administration's plans would not be good for the people and institutions affected by them. The Legislature decided that any Administration proposal would be considered first as a *policy* issue and only then as a *financial* issue because of the broad impact of Redesign on healthcare in our State.

Therefore, the Administration decided to separate the Budget and the Redesign and to submit the proposed Redesign to the Legislature on August 2 to be passed by the end of session on August 31. This is a very short time frame for the legislature to act with adequate in-input from the people of the State.

The Governor says that "if legislative approval of programmatic and financing reforms are not secured by the end of the legislative session, the Administration will work with the federal government in September to secure any necessary plan amendments or waivers and return to the Legislature in January 2005 for its concurrence." (May Revised Budget, page 41) In other words, if the legislature does not finish the work on Redesign in one month to the Governor's satisfaction, then the Administration will go ahead without them!

*If you want to join JERICHO's advocacy on this issue, please send us your e-mail address and we will add you to our alert system on this issue that will be activated in August.*

*(Continued from page 2) Editorial*

Using the federal poverty standard as a measure, it appears as if poverty has declined in the past few decades. The measure is deceiving in that it doesn't adequately reflect the impact on families by the wide geographical variation of housing costs and the rising cost of health care, child care, and transportation.

It used to be a value in the United States that a person that worked fulltime ought to earn enough to provide essentials for his or her family. The classic story is that of Henry Ford who believed it was good business to have workers who could afford to buy the cars they made. Good wages created a strong middle class that built and maintained roads, schools and universities, libraries and parks through their taxes.

Attempts over the past few years to decimate the safety net that was expanded in the sixties raise a number of questions about the kind of society we want to be. If we are not willing to pay for social support through our taxes for a broadening group of people whose wages do not support them, are we willing to

pay more for goods and services based on employers paying a livable wage? If we are not willing to pay either way, how do we understand our nation's pledge of "liberty and justice for all"?

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determine how much money working adults need to meet their basic needs without subsidies of any kind—such as public housing, food stamps, Medicaid or child care—or private/informal subsidies—such as free babysitting by a relative or friend, food provided by churches or local food banks, or shared housing.

Unlike the federal poverty standard, the Self-Sufficiency Standard accounts for the costs of living and working as they vary by geographic location. The wage range varies from about \$11.50 to \$17 an hour, depending on where in California you live.

**SUPPORT Minimum Wage Increase**

**AB 2832 (Lieber) Minimum Wage Increase.**  
Would increase minimum wage from current \$6.75 per hour to \$7.25 per hour on January 1, 2005 and \$7.75 per hour on January 1, 2006.

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