How do California’s fiscal health and policies like cashout affect food banks and the people we serve?

What can we do about it?

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What are the implications for food banks when state resources are limited?

- Why does California’s revenue problem always seem to result to cuts to human services programs?

- What is the state of our safety-net and how are food banks being impacted by depleted and denied resources?

- What can we do about it?
How many of us have seen a significant increase in demand for services over the last five years?

What’s driving the increase in demand?

- Depressed economy
- Higher unemployment
- Increased cost of living
There is another trend that is increasing demand on private charities that provide basic-needs services...

The dismantling of our public safety-net.

To end hunger, government must do its part, but instead, just the opposite has been happening.
Fact: California has experienced significant budget shortfalls since 2001.

Question: Do we have a spending problem or do we have a revenue problem?
Fact: Inflation-adjusted per-capita state spending has declined

- State spending in 2011-12 = $122 billion
- This is about the same as spending in 2006-07 ($124 billion)
- Adjusted for inflation and population this represents an 18% decrease.
Why does our revenue problem always seem to result in cuts to programs that serve our clients?

• About half of state funds go to education because of voter-approved, minimum state funding guarantees (prop 98)
• Various other voter approved propositions also have major fiscal implications:
  • Prop 42 – transportation
  • Prop 63 – mental health
  • Prop 49 – after-school programs
When the state faces a deficit, what is left to cut?
What have we seen happen?

Example: CalWORKS
State policy makers have repeatedly made deep cuts to this program to close budget gaps

• Grant cuts
• Cuts to childcare and employment services
• Reduced time-limits for adults

Between 2008 and 2001 $3.5 billion was cut from this program!
What have we seen happen?

Example: Supplemental Security Income (SSI)
Since 2008, lawmakers have repeatedly cut SSI/SSP
• Reduced grants
• Suspended 3 cost of living adjustments

Between 2008 and 2012 $4.6 billion has been cut from this program.

These reductions in SSI/SSP underscore the pain of cashout for seniors who are living alone.
When SSI dropped to the federal minimum amount of $830 in July, 2011 this represented a $77/month cut.

The state Legislative Analyst points out that cuts to SSI have compromised the ability of 1.3 million low-income seniors and people with disabilities to afford necessities such as housing and groceries.

If an elderly woman living alone has to spend $180 per month on food to maintain a minimally adequate diet, then $77 represents 2 weeks of groceries.

Hunger among senior is a growing concern and cashout will continue to loom larger. We need to restore this program.
Is the budget the biggest threat to food security that our state faces?

When a family experiences an economic crisis, food is the first place they cut back.

To the extent that we do not address our revenue problem, human services programs will continue to be targeted and the work of helping people meet basic needs will fall more heavily on us.
What can we do?

• Follow the leadership of CAFB
• Support the California Hunger Action Coalition
California’s Cashout Policy
What Is Cashout?

1974:

- SSI was established to support the blind, elderly, or disabled populations.
- SSI and the State Supplementary Payment (SSP) income was substantial enough that SSI/SSP recipients would likely receive small SNAP (CalFresh) benefits.

“Cashout” created as an option for efficiency:

- States could evaluate the value of the SNAP benefit and directly add that benefit to existing SSI/SSP payments, saving administrative costs while still providing benefits.
- CA assessed caseload and increased SSI/SSP by $10.
Why Does Cashout Exist In CA?

In 1974:

• Significant administrative costs of CalFresh exceeded low anticipated benefits for SSI/SSP recipients

Cashout was an efficient way of delivering SSI/SSP benefits without incurring significant administrative costs.
What Has Changed Since 1974?

Cost Of Living

- As SSI/SSP benefits have risen and fallen. Relative to today’s cost of living, SSI/SSP benefits are significantly lower.

Calfresh Minimum Benefits Increased

- In 1974 minimum CalFresh benefit was $10. Now it is $16.
- If Cashout were to end, some SSI/SSP recipients would be eligible for the $16 minimum, not the $10.

→ SSI/SSP recipients no longer receive substantial benefits, often struggle to make ends meet
Why Hasn’t Cashout Been Removed?

Old Fiscal Obstacles Remain:
• High administrative costs of CalFresh
• Low anticipated benefits for SSI/SSP recipients

Low Senior Participation:
• CA has no way of ensuring that newly-eligible SSI/SSP recipients would enroll in CalFresh given current low senior participation

Negative Impact on Certain Households:
• Some households would become newly ineligible for benefits
Who would be hurt by removing Cashout?

“Mixed” households with an SSI/SSP recipient and non-recipients:

- Non-recipients can still apply for CalFresh and exclude the SSI/SSP recipient from their CalFresh household calculation - the income from the SSI/SSP recipient is not counted towards eligibility.

- If Cashout were removed, these households would have to apply for CalFresh as one household, and by including income from SSI/SSP, their monthly income would be relatively high, and their benefits would likely go down.

→ These “mixed” households would receive smaller, if any, CalFresh monthly benefits because the income from SSI/SSP would count towards household income.
<table>
<thead>
<tr>
<th>Helped</th>
<th>Harmed</th>
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<tbody>
<tr>
<td><strong>Newly eligible households</strong></td>
<td><strong>Newly ineligible households</strong></td>
</tr>
<tr>
<td>455,00 households</td>
<td>61,000 households</td>
</tr>
<tr>
<td>- 81% single person</td>
<td>- 63% contain 2+ persons</td>
</tr>
<tr>
<td>- 60% contain seniors</td>
<td>- 56% contain children</td>
</tr>
<tr>
<td>- Avg. monthly benefit: $39</td>
<td>- Avg. monthly benefit: $136</td>
</tr>
<tr>
<td><strong>Households with increased benefits</strong></td>
<td><strong>Households with lower benefits</strong></td>
</tr>
<tr>
<td>26,000 households</td>
<td>134,000 households</td>
</tr>
<tr>
<td>- 71% single person</td>
<td>- 60% contain 2+ persons</td>
</tr>
<tr>
<td>- Avg. monthly benefit: $336</td>
<td>- 79% contain children</td>
</tr>
<tr>
<td>- Avg. monthly benefit: $314</td>
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</tbody>
</table>

Gain $20 million/month in benefits  Lose $21 million/month in benefits

Other Options?

2010 CA applied for federal waiver:

• Maintain Cashout for “mixed” SSI/SSP households
• Remove Cashout for SSI/SSP households (all members receiving SSI/SSP)

USDA denied waiver request, noting no authority to remove Cashout for some households but not all.
What Now?

Action now can make progress toward changing the fiscal barriers and policies that lead to Cashout:

• Reducing CalFresh administrative costs:
  High administrative costs make eliminating Cashout fiscally unsound. Lowering costs could make removing Cashout more feasible.

• Improving senior CalFresh participation:
  increasing senior participation in CalFresh can help ensure that should Cashout end, we have a way of reaching those newly-eligible senior households.

Advocacy to strengthen SSI/SSP payment can directly help current victims of Cashout:

• Increasing SSI/SSP payment
Taxes and revenue in California: Policy and Strategy for the short and long-term

LENNY GOLDBERG
CALIFORNIA TAX REFORM ASSOCIATION
WWW.CALTAXREFORM.ORG
APRIL 23, 2013
Prop. 30 and some recent history

- “California is back”: why and how much?
- Revenue picture: pre-Prop 30
  - Car tax cut (Schwarzenegger) took $6 billion annually out of revenue stream
  - Cumulative revenue losses about $40-50 billion
  - Two years temporary revenues: 9-10, 10-11
  - Permanent corporate tax cut starting ‘11: single-sales factor (loss continues even with Prop. 39)
- Cuts: $10’s of billions, up to $60 billion (difficult to measure)
- Deficits: $20 billion in 2011-12
Prop. 30: taxing the rich works

- Rate up from 10.3 to 13.3% on income over $1m
- Raises taxes on all joint returns over $500k
  - $250k bracket is misleading, taxes 1%
- Tax on rich expires 2018
- ¼ cent sales tax expires end of 2016
- Raises $9 billion initially, $6 billion on-going
- Rush of revenue--$5 billion more than expected in recent returns—and how to think about it
The revenue problem and the U.S. economy

- Since 2009 nationally
  - State jobs declined by 160,000
  - Local government jobs declined by 560,000
- California:

![Change in Jobs Dec 09--Feb 12 chart]

- Government: -64.8 thousand
- Construction: -9.9 thousand
- Financial Activities: -0.9 thousand
- Manufacturing: 9.6 thousand
- Wholesale Trade: 29.6 thousand
- Retail Trade: 53.6 thousand
- Leisure & Hospitality: 59.4 thousand
- Health Care & Social Assistance: 62.5 thousand
- Prof., Sci. & Technical Services: 80.4 thousand
Short term tax issues (13-14)

- 2/3 in legislature? Not quite yet
- Ballot measures to be put on by legislature: changing local vote requirements
  - Transportation
  - Parcel taxes for schools
  - Local government (police, libraries, etc)
  - Revisiting “special” and “general” taxes
- SCA 11 (Hancock): one uniting measure (lesson of 30)
Oil Severance Tax for Higher Education

- Sen. Noreen Evans: to be introduced Feb 12
- 9.9% rate
- Only state without oil production/severance tax
- Generates $1.5-2 billion yearly
- For UC, CSU, Community Colleges
- Subject to Prop 98: K-14
- Monterey shale: potential 15 billion barrels more
- Issues?
  - No tuition increases
  - Accountability
  - Capital outlay
  - Allocation of revenues
- Organizing: Students, faculty, administrators, chancellors, presidents, Regents, Trustees: can they get the votes?
Other tax issues, 13-14

- **Enterprise zones:** $700 million
  - Brown reforms: up to $400 million or more
  - Regulatory reforms: 10’s of million
- **Off-shore tax havens:** $200 million
  - Strategic issue: Beneficiaries are Apple, Google, big Pharma
- **Tax-free exchanges of commercial property:** $350 million
  - Out-of-state exchanges (pure loophole): $50 million
- **Tobacco for health care:** $1 billion
- **Commercial property change of ownership (AB 188, Ammiano):** $10’s of million, growing to billions when we get to...
Commercial property tax reform: 15-16

- Commercial property assessment system
  - Biggest hole in the tax system
  - Irrational and indefensible
  - Potentially $10-12 billion by 15-16

- Strategy for change emerging: planning grant
  - California Calls
  - California Tax Reform Association
  - Program on Environmental and Regional Equity (PERE/USC)
Failure at every level

- **Economics**: taxes new investment, fails to tax windfall land rents, **anti-competitive**—bad for business and the economy
- **Law**: **loophole-ridden**, “change of ownership” fails to capture complexity of commercial property ownership, difficult to enforce and track
- **Land use**: promotes speculation and sprawl: **bad for environment**
- **Fiscal policy**: fails to capture revenue from growth, harms infrastructure, shifts burden to residential: **inequitable and inefficient**
It’s Bad for Business (!)

- **Burden on New Development & Investment**
  - Inflated cost of land: worst aspect for growth
  - Taxed at full market value
  - Taxed on all business property every year
  - Sales tax on new equipment as well

- **Hostile regulatory Climate**
  - Fees, exactions, mitigations, easements
  - Still doesn’t pay for itself, infrastructure
Shifts the burden to residential properties: 55 of 58 counties
Share of Los Angeles County Property Tax Burden: Residential vs. Non-Residential Property

- Residential %
- Non-Residential %

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential %</th>
<th>Non-Residential %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>52.00%</td>
<td>48.00%</td>
</tr>
<tr>
<td>1980</td>
<td>60.00%</td>
<td>40.00%</td>
</tr>
<tr>
<td>1985</td>
<td>60.00%</td>
<td>40.00%</td>
</tr>
<tr>
<td>1990</td>
<td>60.00%</td>
<td>40.00%</td>
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<tr>
<td>1995</td>
<td>60.00%</td>
<td>40.00%</td>
</tr>
<tr>
<td>2000</td>
<td>70.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>2005</td>
<td>70.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>2009</td>
<td>67.00%</td>
<td>33.00%</td>
</tr>
</tbody>
</table>
Contra Costa: Commercial to Residential

Share of Contra Costa County Property Tax Burden: Residential vs. Non-Residential Property

- Residential%
- Non-Residential & Commercial

Graph showing the share of Contra Costa County property tax burden from 1970 to 2009, with the y-axis ranging from 10 to 80. The graph indicates a significant increase in the share of property tax burden from commercial to residential properties over the years.
## Dramatic Disparities between Similar Commercial Properties

<table>
<thead>
<tr>
<th>DISPARITIES</th>
<th>LOOPHOLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intel pays $800/acre</td>
<td>Hilton hotels get bought out but not reassessed.</td>
</tr>
<tr>
<td>Yahoo pays $45,000/acre (next to Intel)</td>
<td>Private equity buyouts (Toys R Us) IPO’s (Google) avoid change of ownership</td>
</tr>
<tr>
<td>Google pays $400 acre to $58,000/acre</td>
<td>Properties transferred without reassessment, continually (Trusts, LLC’s, partnerships)</td>
</tr>
</tbody>
</table>
Simple solutions

- Periodically Assess non-residential property at market value
- Re-assess land values first—greatest disparity
- Eliminate business personal property tax: relief for small business, high-tech
- Assess oldest properties first: pre-1990 property is roughly 1/3 of the total
Results of reform

- $$$ Billions in Revenue for cities, counties, schools
- Infrastructure Finance Revitalized (redevelopment for all!)
- Land values lowered/land use improved
- Better regulatory environment: Capture rising land values from growth
- Business equipment tax relief for small business
- Simpler Tax System
- Not “Split Roll” but “Smart Roll”
- Smart Roll = Smart Growth
## Indefensible: No real arguments

<table>
<thead>
<tr>
<th>Opposition Arguments</th>
<th>Rebuttals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs Lost?</td>
<td>Misleading “Study” used revenue to pay down debt</td>
</tr>
<tr>
<td>Rising Prices?</td>
<td>No Change in Prices</td>
</tr>
<tr>
<td>Commercial Rents Increased?</td>
<td>Rents at Market Rate &amp; Property Tax Irrelevant</td>
</tr>
<tr>
<td>Assessors Overwhelmed?</td>
<td>Start with the oldest (20+ years) first!</td>
</tr>
</tbody>
</table>
How do we get there?

PPIC polling is favorable: 58-34, Republicans evenly split

What are the building blocks?
- Research Reports: USC/PERE
- Local exposure—making it real!
  - ACCE, PICO, CaCalls, Unions
- Public Education & Organizing
- Coalition-Building: outreach
- Communications & Polling
- Force issue to the table as part of tax reform: 2015 and beyond