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## THE IMPACT OF REAGAN'S BUDGET CUTS ON CALIFORNIA

by Julie Hansen

According to a recent study by state legislative analyst William Hamm, federal budget cuts and program changes that went into effect on October 1 will cost Californians a minimum of \$1.3 billion in government aid this fiscal year. Direct losses to individuals are expected to reach at least \$382 million, while losses through cuts to the state and to local governments will total over \$1 billion. Coming at a time when state and local budgets are being squeezed by the effects of Proposition 13 and the current recession, the federal cuts will hit hard, particularly on low-income Californians.

Social Services. Federal cuts and program changes will reduce social service benefits to low-income individuals in California by a total of \$175 million. First of all, the state will lose \$59 million, or 22% of its funding, for provision of domestic services for the elderly, blind or disabled, children's services, foster care and day care. The specific impact of these cuts on individual recipients will depend on their county of residence.

Secondly, thousands of families who receive welfare aid or food stamps will find their monthly benefits either reduced or eliminated entirely. Although the federal government has not withdrawn its support for these two programs, it recently threatened to do so unless the state conformed to federal changes in program regulations which determine eligibility and benefit levels. In a special session of the California legislature in early November, the state changed five welfare regulations; food stamp regulations have not yet been changed in California.

The new state welfare regulations will reduce total payments by \$25 million. This will mean an actual savings for the state at the expense of low-income individuals. The new law will drop more than 30,000 people from state welfare rolls, and reduce benefits to 40,000 others. Beginning December 1, instead of being able to deduct actual work-related expenses from the amount of earned income used to calculate benefit amounts, work-related deductions have been limited to \$75 a month. In addition, a family of three with gross income of over \$759 a month (or 150% of the current California need standard of \$506 a month) will no longer be eligible for any benefits. Further changes in state regulations are expected, and will jeopardize benefits for 41,000 more people including pregnant women, students over 18, and striking workers.

Changes in food stamp regulations, which have not yet been enacted, may cost recipients more than \$40 million. As many as 16,500 families could have their food stamp benefits totally eliminated. Changes could include limits on gross income, reduction of allowed deductions and again, restriction of benefits for striking workers.

Employment and Manpower. Federal budget cuts have also affected the duration of unemployment insurance benefits. The cuts eliminated the national trigger which gave unemployed workers up to thirteen additional weeks of benefits if the national economy was doing poorly. The cuts also made it more difficult for states to extend their unemployment insurance benefits if their state economy is doing poorly. Because of these changes, unemployed workers could lose up to \$159 million in unemployment insurance benefits during this fiscal year alone.

Elimination of CETA public service jobs and some reductions in CETA employment and training programs will result in losses of \$311 million. This means the elimination of 800 jobs at the state level and 31,700 jobs at local levels. Many workers have already been laid off, and their prospects for obtaining employment in the private sector are not good.

Housing. Most of the losses from federal cuts in this category will fall on low-income families who qualify for rental housing assistance. Cuts of \$43 million to local governments this fiscal year will stop the construction of 8,000 new subsidized housing units. This will create a greater shortage of subsidized housing and will force needy families to live in lower quality housing. In addition, a \$5 million reduction in subsidies this fiscal year (and a \$74 million reduction by fiscal year 1987) will make housing more expensive for families currently living in subsidized units.

California will also lose all federal funding (\$24 million) for local housing rehabilitation loan programs. This money was used to provide low-interest rate loans for improvement of single family owner-occupied or multi-family rental housing in neighborhoods targeted for redevelopment. Loss of this money means that housing quality in these neighborhoods will continue to deteriorate and along with it the standard of living of the residents.

Resources. Federal cuts will eliminate \$290 million, or 75% of the funding for construction of new waste treatment plants in California. Funding will resume in fiscal year 1983, but at substantially reduced levels. For Californians, this means fewer waste treatment plants and more water pollution in the years to come.

Californians should expect to see fewer new state and local parks and recreation areas, as well as a slowdown in the development of existing parks, due to a 68% reduction in federal funding. Also, efforts to preserve rare and endangered species of wildlife in California will be set back by the elimination of all funding in these areas, totalling \$24 million.

Cuts in federal assistance will affect several other programs in California, ranging from aid to small businesses to Medi-Cal and student aid. Overall, this fiscal year, Californians will lose over a billion dollars in government aid, and this is not the end. Reagan supporters in Washington are fighting for more cuts, including the reduction or elimination of urban renewal and all CETA job training programs.

Proponents of Reagan's economic policies argue that cuts in federal aid will be offset by increased state and local revenues resulting from a general economic expansion. However, rising state unemployment rates and declining economic indicators suggest that such an expansion will not be forthcoming. Projecting that losses of \$1.3 billion and more can be offset is simply unwarranted optimism.

In conclusion, the Reagan budget cuts will mean the following for Californians: more water pollution, fewer parks, fewer jobs, fewer housing units, and a lower standard of living for low-income people. If the Reagan administration continues present policies, these losses will be only the beginning.

- Julie Hansen

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