

CALIFORNIA'S FUTURE

 CRIMINAL JUSTICE

 ECONOMY

 EDUCATION

 SAFETY NET

 WATER AND A CHANGING CLIMATE



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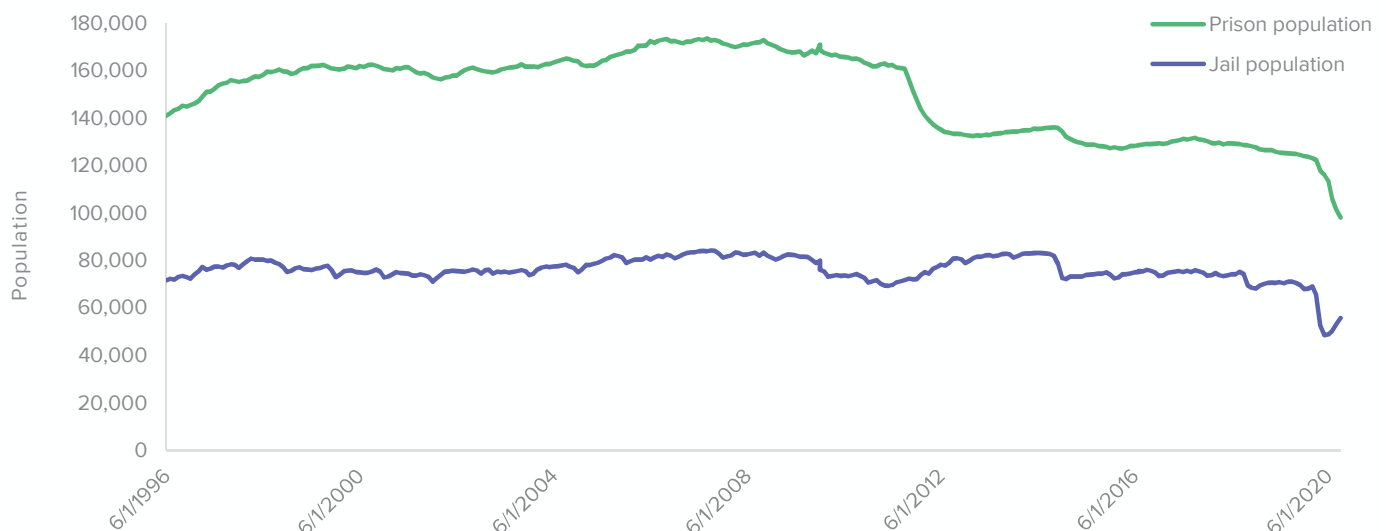
Criminal Justice

JANUARY 2021

The COVID-19 pandemic has accelerated California's recent efforts to reduce incarceration. Along with widespread protest after the killing of George Floyd, the pandemic has intensified discussions about policing reforms.

- ▶ As of December 2020, the state prison population was about 97,000, with about 92,000 inmates housed across 35 institutions. In 2019, California's prison incarceration rate was 310 per 100,000 residents, well below the national average of 371. State spending on the prison system in 2020–21 is expected to be \$13.4 billion, the highest amount in the nation and almost 10% of California's General Fund expenditures.
- ▶ The state parole system supervises inmates after they are released from state prison. As of December 2020, more than 55,000 individuals were under state parole supervision. Another 200,000 individuals were under supervision by county probation departments. Almost all counties run their own county jail systems. There were about 56,000 county jail inmates across the state as of September 2020.
- ▶ Statewide, law enforcement agencies employ more than 121,000 individuals; nearly 80,000 are sworn officers (able to make arrests); 48% of sworn officers work for police departments, 39% for sheriff departments, and the remaining 13% work for the California Highway Patrol and other agencies (such as UC and CSU campus police and BART).
- ▶ Some types of crime have increased during the pandemic, but in recent years overall crime rates have been near historic lows. In 2019, California's property crime rate—which includes larceny, burglary, and motor vehicle thefts—reached its lowest level since 1960; the violent crime rate (homicide, rape, robbery, and aggravated assault) was roughly in line with rates in the late 1960s.
- ▶ California's rearrest and reconviction rates remain among the highest in the nation. The most recent three-year rearrest rate—for inmates released from prison between July 1, 2014 and June 30, 2015—was 69.5%, and the most recent three-year reconviction rate was 46.5%.
- ▶ Racial/ethnic disparities in criminal justice outcomes in California—from **arrests** to **incarceration** and **correctional supervision**—have been well documented. Californians' perceptions of police treatment and race relations have shifted—dramatically, in some cases—in the wake of nationwide protests over police brutality and systemic racism. But these changes are far from uniform and reflect deep cleavages in public opinion.

CALIFORNIA'S PRISON AND JAIL POPULATIONS HAVE DECLINED SUBSTANTIALLY



SOURCE: California Department of Corrections and Rehabilitation (CDCR) monthly population reports and Board of State and Community Corrections (BSCC) monthly jail population surveys.

NOTE: The total prison population includes inmates in fire camps, community correctional facilities, and facilities outside California.

COVID-19 has further reduced incarceration, and overall crime rates remain relatively low

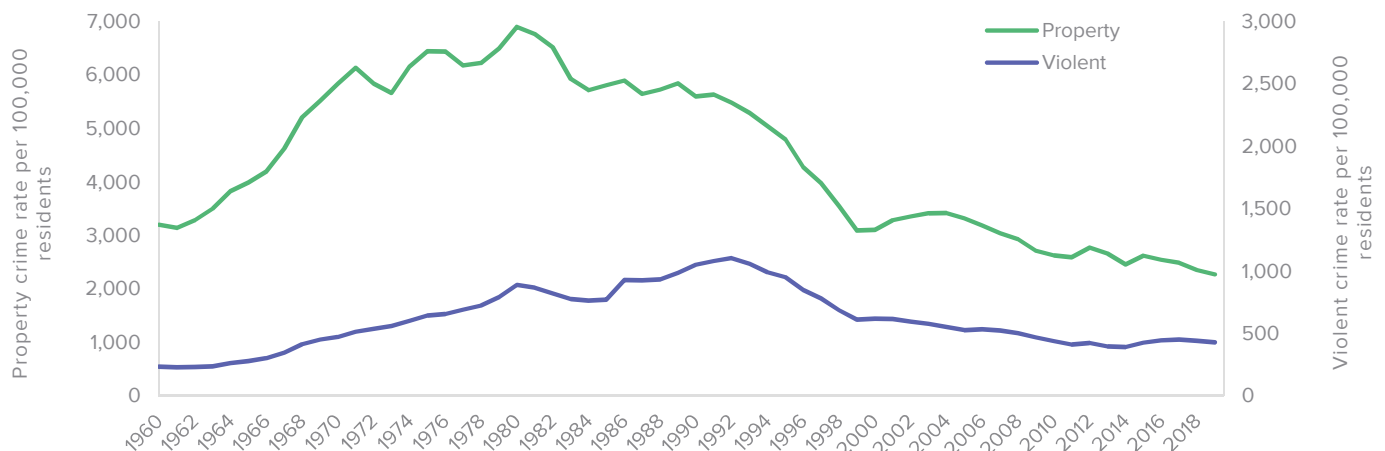
COVID-19 continued the downward trend in the prison population. By early December 2020, the state prison population had dropped by 26,200, or about 21%, compared to February. County jail populations dropped by 13,500, or almost 19%, between February and September (latest data available). Since reaching a peak in 2006, the state's prison and jail populations have dropped from about 256,000 to 157,400 in September 2020, a decrease of 38.5%.

Overall crime rates remain low but some types of crime increased during the pandemic. Reported property and violent crimes dropped by about 23% and 16%, respectively, in four of California's major cities—Los Angeles, Oakland, San Diego, and San Francisco—at the beginning of the pandemic. The overall property crime rate then plateaued, while violent crime gradually returned to early 2020 levels. Reports of robberies and rapes in these cities dropped by about 20%, but assaults rose about 5% and homicides increased by about 30%. And while larcenies dropped about 39% and residential burglaries fell roughly 11%, motor vehicle theft rose by about 22%, and commercial burglaries went up by 19%.

Criminal justice reforms have narrowed some racial disparities. Proposition 47, which reclassified a number of drug and property offenses from felonies to misdemeanors in 2014, led to a 10% decrease in bookings and an 8% decrease in the African American–white bookings gap over the next two years. Notably, these gaps in arrest and booking rates for drug felonies decreased by about 36% and 55%, respectively. Prop 47 did not meaningfully change disparities in arrest and booking rates between Latinos and whites, which remain much smaller than the African American–white gaps.

Criminal justice programs and services continue to expand. Proposition 47 has shifted some funding to evidence-based programs to reduce recidivism and incarceration. In the first five years, over \$350 million was redirected to mental health and substance abuse programs, K–12 education, and services for crime victims. The first 23 grants awarded by the Board of State and Community Corrections will end in 2021.

STATEWIDE VIOLENT AND PROPERTY CRIME RATES ARE AT OR NEAR TO HISTORIC LOWS



SOURCE: Author calculations based on FBI Uniform Crime Report, 1960–2002 and the California Department of Justice's Criminal Justice Statistics Center, California Crimes and Clearances Files, 2003–19.

NOTE: Violent crime includes homicide, rape, robbery, and aggravated assault. Property crime includes burglary, motor vehicle theft, and larceny theft (including nonfelonious larceny theft).

California voters rejected a pretrial reform law and declined to reverse an earlier sentencing reform. Voters rejected Proposition 25, overturning legislation that would have replaced money bail with assessments of public safety and flight risk. Voters also restored voting rights to parolees and rejected Prop 20, signaling limited interest in reversing California's efforts over the last decade to lower penalties for some offenses and move toward alternatives to incarceration.

Inequities persist in California's criminal justice system

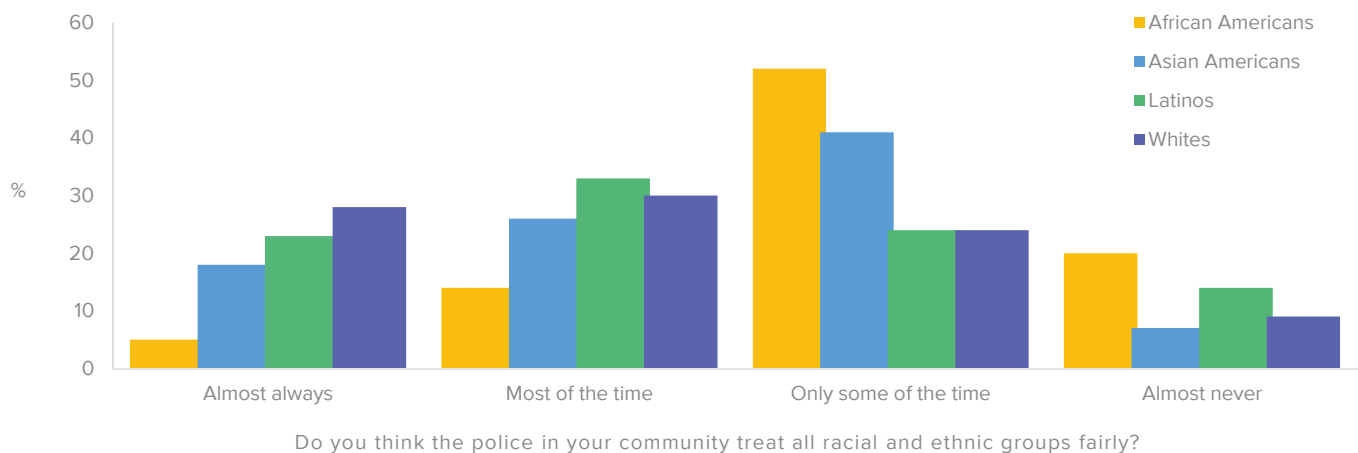
Racial inequities throughout the criminal justice process are increasingly stark. Despite California's relatively small Black population (6%), about 15% of all stops made by the state's eight largest law enforcement agencies are of African Americans. Roughly 16% of all arrests are of African Americans, and African Americans account for 25% of the jail population, 26% of the state's probation population, and about 29% of the prison population.

Preventing the spread of COVID-19 in prisons and jails has been challenging. Outbreaks at San Quentin and elsewhere highlighted crowded prisons and jails. Despite a drop in inmate populations, most prisons remained far above the 50% level recommended by public health experts, and about one-third of California's 35 prisons were more than 25% over capacity—in part because **91% of prisoners have serious or violent convictions**, which can preclude early release. While **about half of county jail populations dipped under 50% of rated capacity** at the beginning of the pandemic, only 11 counties had populations below 50% as of October 2020.

Racial disparities in incarceration remain significant. Recent reforms have narrowed—but far from eliminated—disparities in incarceration rates between African Americans and whites. The prison incarceration rate for Black men is 4,180 per 100,000. White men are imprisoned at a rate of 420 per 100,000, and imprisonment rates for Latino men and men of other races are 1,028 and 335 per 100,000, respectively. Black women are imprisoned at a rate of 171 per 100,000—more than five times that of white women. Rates for Latina women and women of other races are 38 and 14 per 100,000, respectively.

Many Californians see bias in the criminal justice system. The PPIC Statewide Survey finds that at least half across California regions and demographic groups view the criminal justice system as biased against African Americans. There are partisan differences: strong majorities of Democrats (84%) and independents (66%) but only 30% of Republicans say there is racial bias. A slight majority of Californians think all racial and ethnic groups are treated fairly by local police either “always” (24%) or “most of the time” (29%). Fewer than two in ten African Americans and about four in ten Asian Americans hold this view.

VIEWS ON POLICING DIFFER SIGNIFICANTLY ACROSS DEMOGRAPHIC GROUPS IN CALIFORNIA



SOURCE: PPIC Statewide Survey, September 2020.

California has work to do on recidivism and disparities

The state has enacted laws that require data collection on law enforcement stops and establish statewide standards for police use of force, and is moving toward rigorous evaluation of in-prison programming. But the pandemic has posed many challenges, and civil unrest has highlighted the need to address racial inequity.

Monitor crime rates. The unprecedented drop in the incarcerated population, high unemployment rates, and increased gun ownership during the pandemic, as well as tension between law enforcement and communities of color, may put upward pressure on California's relatively low crime rates. It is essential to watch these rates across regions and crime categories.

Understand the impact of COVID-19 on criminal justice spending. Although reducing jail and prison populations during the pandemic may have created budget savings, the need for re-entry and community-based services for released individuals returning to their communities may have increased. The uncertain future of local and state revenues could make it difficult to continue some criminal justice services, but this uncertainty could also prompt policymakers to closely examine spending decisions and criminal justice outcomes.

Identify and implement cost-effective interventions to reduce recidivism. Tight local and state budgets, housing shortages, and poor labor market conditions heighten the importance of cost-effective, evidence-based programming and services that reduce recidivism. To identify effective and successful interventions, the state will need to support programming evaluation and the collection of high-quality, integrated data from both state and county correctional systems.

Analyze new data to address disparities and improve outcomes. A starting point for discussions and eventual identification of reforms that effectively and safely address the stark racial disparities in the criminal justice system requires research and information around the extent to which law enforcement interactions with community members differ across race and ethnicity. Available data on police stops and use of force should be used to understand the factors that contribute to disparities and outcomes, as it is essential for productive discussions and effective responses.

Assess local efforts to improve community-police relations. Cities around the state are considering and enacting new law enforcement response policies. Cities such as Berkeley and Oakland are considering the transfer of parking and traffic enforcement and/or responses to calls about people experiencing homelessness or mental illness to civilians. In November 2020, voters in Los Angeles passed a measure requiring county officials to spend more on jail diversion programs, mental health, and housing. In San Francisco, voters approved measures that increase oversight of the sheriff and undo a minimum size requirement for the police department—a rule that some had seen as a barrier to broader changes.

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Sources: Board of State and Community Corrections; California Department of Corrections and Rehabilitation; Federal Bureau of Investigation; OpenJustice, California Department of Justice; United States Bureau of Justice Statistics.



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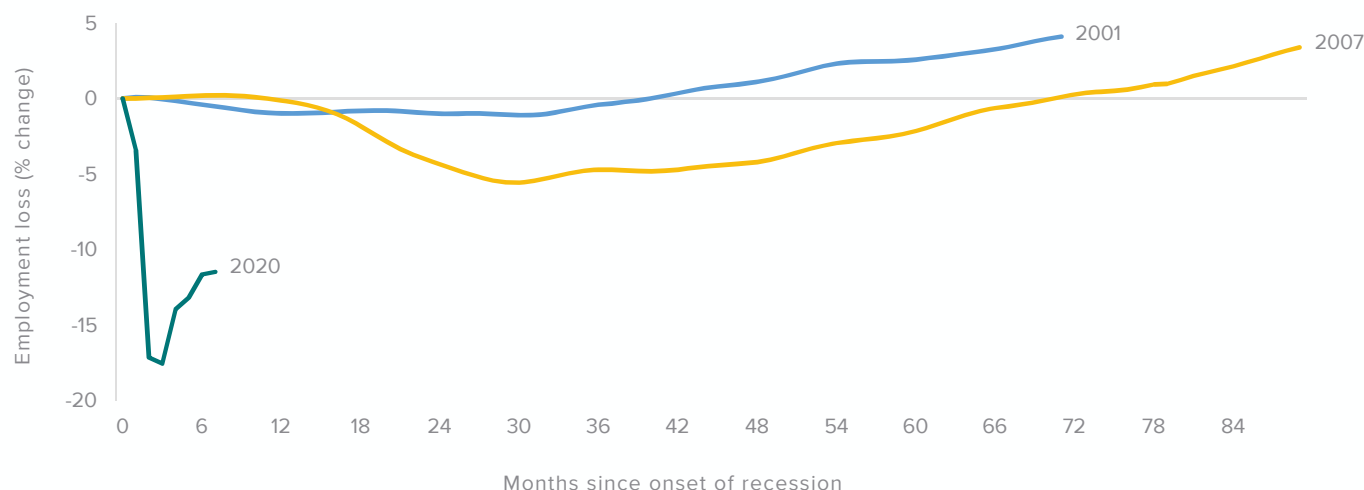
Economy

JANUARY 2021

California's economy has been hit hard by COVID-19. Between February and May 2020, the state lost more than 3 million jobs, largely erasing gains from a decade of continuous growth. The economic consequences have been severe but also unevenly distributed, exacerbating economic inequality.

- ▶ California's economy is huge—before the pandemic, it was the fifth largest in the world—and diverse. Health, government, and retail are the biggest sectors (10%–15% of jobs), with leisure and hospitality, manufacturing, and professional and technical service sectors close behind (8%–9%). Sectors that rely on in-person interaction—especially leisure and hospitality—have experienced severe declines due to COVID-19.
- ▶ The California economy generally moves with the US economy, but tends to swing more widely in recessions. For example, unemployment rose more dramatically in California than in all but two other states during 2020. And consumer spending in California declined 37% last April, compared to 32% nationwide; it was down 8% in November, compared to 2% nationally.
- ▶ Even in good economic times, California has long faced the economic challenges of stubbornly high poverty rates, income inequality, high housing costs, and polarization of job opportunities by education level.
- ▶ Income polarization in California is severe: families at the 90th percentile of income made 9.8 times more than those at the 10th percentile before the pandemic. Recent recessions have widened economic inequality, as recovery has been slower to reach the lower end of the income spectrum. The COVID-19 crisis is particularly likely to widen income gaps.
- ▶ The pandemic is likely to exacerbate existing racial/ethnic income disparities. In 2019, median annual earnings in California were \$80,440. For households headed by Asian or white Californians, median earnings were \$90–\$100,000. Households headed by African Americans or Latinos earned \$55,000 and \$63,000, respectively.
- ▶ Federal stimulus in 2020 injected billions into California's economy through unemployment insurance expansions, stimulus checks to tax filers, business grants and loans, and funding to state government. While not all of this aid targeted the most-impacted households and businesses, research suggests that it prevented a rise in poverty, at least through the fall.

RECENT RECESSIONS HAVE HIT CALIFORNIA HARD, BUT COVID-19 JOB LOSSES HAVE BEEN UNPRECEDENTED



SOURCE: California Employment Development Department.

NOTE: Total civilian employment, seasonally adjusted, is plotted relative to the first month of each recession. Prior recessions are tracked until recovery to prior level of employment or for 90 months.

The COVID-19 downturn hit the state hard and is abating slowly

Several factors make the recession worse in California. A relatively large share of the state economy involves in-person interaction or travel, which was mostly shut down in March 2020 and has been slow to recover. At the same time, because a large share of jobs can be done remotely, incentives to relocate from high-cost regions have increased, while city centers and the businesses that support them are struggling as many employees work at home.

The first few months were brutal. California lost more than 3 million jobs between February and May 2020—an 18% decline. All major labor market indicators (employment, unemployment, and labor force participation) saw bigger changes than in any economic crisis over the past three decades.

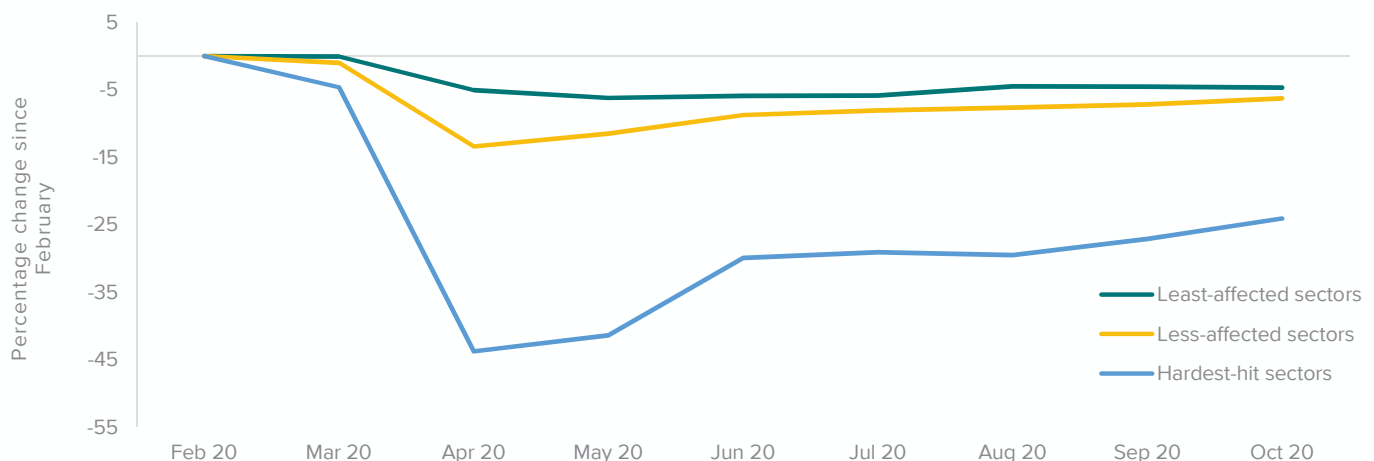
The unemployment picture is probably worse than it looks. California's unemployment rate was 9.3% as of October 2020, but an estimated 15.7% were unemployed, working reduced hours, or had given up looking for work. In the first seven months of the crisis, 8.6 million workers—roughly 44% of the labor force—filed for unemployment insurance benefits. That does not include undocumented immigrants, who are not eligible for benefits; these workers comprise **9% of California's labor force** (including large shares in sectors hit hardest by the pandemic). As of mid-October, just over a million workers had applied for long-term unemployment, indicating they had been unemployed for more than six months.

Labor force participation is a concern. For the full unemployment story, we need to look at labor force participation: the share of the population working or actively looking for work. In May, labor force participation fell to its lowest rate in at least four decades (59.3%). Many returned to the labor force in fall, but concerns remain. National research suggests that some workers retired early and young adults have had trouble entering the workforce. Some women seem to be leaving the labor force to care for children and dependents.

The sizeable job losses in the hardest-hit sectors may take many months to shrink. COVID-19 has had the greatest impact on sectors that rely on in-person interactions. Labor market data from October underscores the continued challenges facing these sectors: recovery in the hardest-hit sectors stalled in the summer, with October employment levels still 24% lower than they were in February 2020.

Other sectors made only modest gains. In industries that were moderately affected (such as construction, retail, health, and manufacturing) or saw relatively small declines (including professional services and information), employment rose modestly; as of October 2020 levels remained 6% and 5% below February levels, respectively.

CALIFORNIA JOB GROWTH IN THE FALL WAS LED BY IMPROVEMENTS IN THE HARDEST-HIT SECTORS



SOURCE: California Employment Development Department.

NOTES: Hardest-hit sectors (leisure and hospitality, other services) had declines greater than 25% between February and April 2020. Less-affected sectors (e.g., construction, retail, health, manufacturing) had 10%–25% declines. Least-affected sectors (e.g., professional services, information) had declines less than 10%.

The economic impact of COVID-19 in California exacerbates underlying, long-term disparities

Unemployment has been especially high among women and African Americans. More than 15% of Black Californians were unemployed as of fall 2020, compared to 12% of Latinos and 9%–10% of whites and Asian Americans. Unemployment has been slower to decline for Black and Latino workers since last summer. In addition to widening racial/ethnic disparities, the recession opened a gender divide. Unemployment was nearly identical for men and women in February 2020, but women were much more likely to be unemployed for much of 2020 (April–September).

Differences in COVID-19's impact across income and educational levels are stark. Unemployment is 26% among workers with family incomes under \$30,000—roughly the poverty line for a family of four, according to the [California Poverty Measure](#). By contrast, 5% of workers in high-income families are unemployed. Unemployment is about twice as high for workers without a college degree than for those with at least a bachelor's degree; the large job losses among less-educated workers during COVID-19 have heightened long-standing disparities.

COVID-19 WIDENED SEVERAL LONG-STANDING UNEMPLOYMENT DISPARITIES AND OPENED A GENDER GAP



SOURCE: Basic Monthly CPS, California sample for January–October 2020.

NOTES: Chart shows average unemployment rate over three-month periods due to limited sample size. January–March reflects the economy prior to the pandemic and August–October reflects the most recent data available. Income levels reflect family income over the previous 12 months.

Some small businesses and self-employed Californians fared worse than others. At least half of small businesses reported “large negative” effects of the pandemic in the spring and many had to take drastic measures (layoffs, closure, missed payments). Small businesses in hard-hit sectors are more likely to be owned by women, Asians, Latinos, and African Americans, and early evidence suggests that these businesses were more likely than others to close.

Some regions have seen larger declines than others. The high statewide unemployment rate has been driven largely by the Los Angeles metro, where unemployment was 12.1% as of October. A few inland areas have been above the statewide rate—including Stockton at 10%, Bakersfield at 10.6%, and Visalia at 10.9%—a pattern similar to previous recessions. In line with past recessions, unemployment has been lowest in the Bay Area and far northern metros, including Redding, San Francisco, San Jose, and Napa (below 7%).

As California recovers from COVID-19, state leaders must confront long-standing challenges

State policymakers must monitor economic developments so that they can address long-term inequities and effects of COVID-19.

Federal policy will continue to be key. Federal expansions to unemployment insurance, economic stimulus, and business protections have been a critical backstop so far. Future support will also be needed, given the likelihood of prolonged state revenue shortfalls and the necessity of balancing state and local budgets.

An equitable recovery requires investment in areas with the most need. As California's economy recovers, state policy should focus on the groups, regions, and sectors hit hardest by this recession. Not only are the hardest-hit workers typically the last to benefit from recoveries, but the impact of this recession was unusually bifurcated: many workers did not experience job or income losses. Policymakers need to prioritize direct support for struggling workers and industries.

The state should also invest strategically, given the future of work. This recession could shift patterns of work and business in some sectors permanently—for example, as service delivery shifts away from in-person and toward online, or as more workers work partially or fully from home. Business models for sectors most impacted by the crisis—retail, leisure and hospitality, tourism, and personal services—may shift most. But long-standing forces like automation that affect job opportunities for many low-wage workers may also accelerate. Investments, particularly in education and training, must account for these realities.

The pandemic has highlighted the multi-dimensional factors that support work. The COVID-19 crisis underlines the importance of child and dependent care for many California workers, especially women. These supports need to be put in place quickly, especially for workers who were detached from the labor force during the crisis. This recession also emphasizes the protective role of education during economic downturns. Access to and success in higher education and job training for all Californians is critical.

An expanded and efficient support system could help more workers and families. Means-tested safety net programs have helped many Californians who lost income during the crisis. Even more benefited from unemployment insurance at the onset, when federal legislation increased benefits and expanded coverage to gig workers, the self-employed, and those with limited earnings histories. To better serve workers and employers (who pay into the trust fund or repay its loans), addressing systemic inefficiencies and inequities is critical.

The high cost of living in California remains a key challenge. High housing costs have always strained household budgets, and many are now struggling to meet rent or mortgage payments. Relocation due to the pandemic—both in and out of the state—will have long-term consequences if it persists. However, decades of underinvestment in housing mean that supply shortages will continue to put upward pressure on prices in most areas of the state.

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Sources: California Employment Development Department and Bureau of Labor Statistics data on employment, unemployment, labor force participation; Current Population Survey Basic Monthly microdata on unemployment; Bell et al., *An Analysis of Unemployment Insurance Claims in California during the COVID-19 Pandemic* (California Policy Lab, 2020); American Community Survey 2019 income estimates; Census Pulse survey on small businesses; Robert Fairlie, "Impact of COVID-19 on Small Business Owners," *Journal of Economic Management Strategies* (August 2020).



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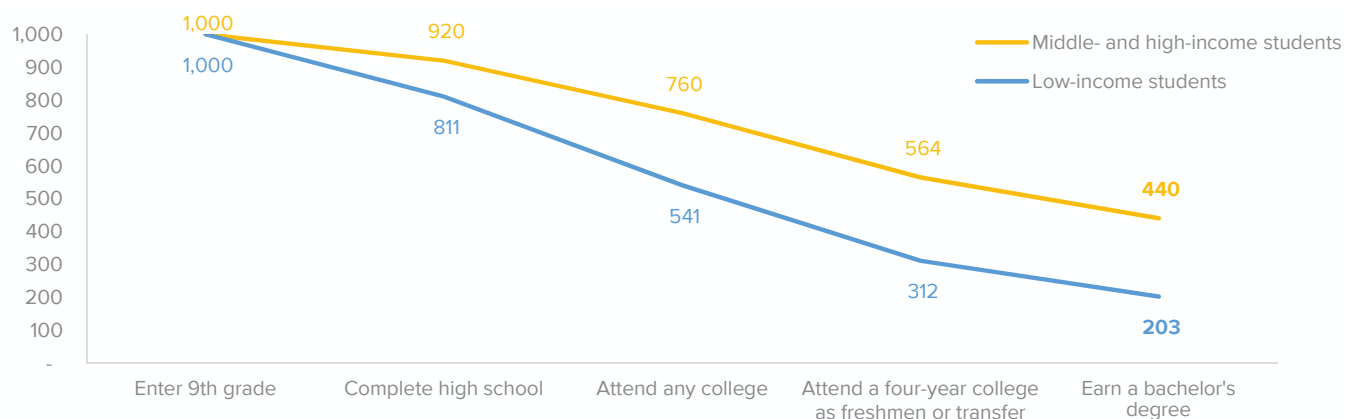
Education

JANUARY 2021

California has begun moving toward a “cradle to career” approach that connects early childhood, K–12, and higher education more closely. But COVID-19 has disrupted learning, funding, and progress toward improving student outcomes and has exacerbated racial and economic equity gaps.

- ▶ A majority of the 6 million students educated in California’s public schools are “high need”—low-income, English Learner (EL), homeless, or foster youth. More than half come from low-income households and 19% are English Learners, compared to 8% nationwide.
 - ▶ Over the past decade, California has adopted several reforms aimed at improving K–12 outcomes and narrowing equity gaps—including a new school funding formula, new statewide standards in math, English, and science, and a revamped assessment system. In addition, the state released a new master plan for early education and child care in 2020. COVID-19 has disrupted many of these reforms.
 - ▶ California ranks 4th nationwide in the share of recent high school graduates who enroll in community colleges and 41st in the share who start at four-year schools.
- But most California students do not stay on the pathway to obtain a bachelor’s degree.
- ▶ California’s higher education system is the largest—and one of the most diverse—in the nation. Eight in ten college students attend the three public segments—the California Community Colleges (CCCs), the California State University (CSU), and the University of California (UC).
 - ▶ In each of the state’s largest racial/ethnic groups, average earnings for full-time, year-round workers are about twice as high for college graduates as for high school graduates. But the “college wage premium” varies by family income and race/ethnicity.
 - ▶ California is one of only a handful of states without a comprehensive, longitudinal data system that links student progress from K–12 through college and into the workforce. The governor and the legislature have taken steps toward creating such a system.

MOST CALIFORNIA 9TH GRADERS WILL NOT OBTAIN A BACHELOR’S DEGREE



SOURCE: Author calculations based on current rates of transition per CDE, CCCCCO, UCOP, CSU, and IPEDS data.

NOTE: Chart shows how many out of 1,000 9th graders will reach key milestones, based on current completion rates. See H. Johnson and M. Cuellar Mejia, *Higher Education and Economic Opportunity in California*, Technical Appendix A (PPIC, 2020).

California has made progress on some student outcomes

The state is investing in early childhood education. The state released its Master Plan for Early Learning and Care in 2020 to reshape early childhood education and dramatically expand public preschool. Universal preschool, which enrolls children from all socioeconomic backgrounds, would do more to improve outcomes for low-income children than income-targeted programs.

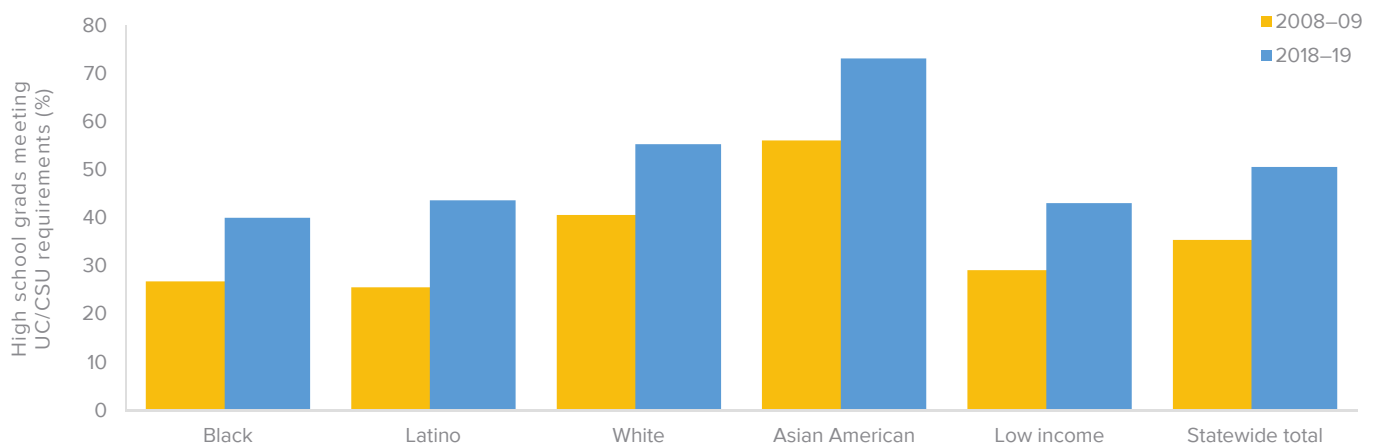
Prior to the COVID-19 disruption, K–12 test scores had been improving. The shares of students meeting proficiency standards rose 5 to 10 percentage points (depending on the grade) between 2015—when new tests were rolled out—and 2019. However, proficiency rates in math have been lower for African American (21%), Latino (28%), low-income (27%), EL (13%), and disabled (13%) students. The persistence of equity gaps has prompted many to call for greater transparency—in particular, better information on school-level spending.

More high school graduates than ever are eligible for UC and CSU. The proportion of high school graduates completing a college preparatory curriculum (known as the A–G requirement) has grown. A state study found that about 14% of the 2015 graduating class are eligible for UC, and about 41% are eligible for CSU. These shares are higher than the 12.5% and 33% eligibility levels recommended by the state’s Master Plan for Higher Education.

Most college students are now enrolling successfully in college-level courses. The community colleges have implemented major reforms to remediation assessment, placement, and coursework. CSU discontinued remediation as of 2018, enrolling all entering students in college-level courses and providing support for underprepared students.

On-time graduation rates have been improving at UC and CSU. On-time graduation rates are increasing at both UC and CSU, and CSU has seen notable increases in six-year graduation rates. Rates in both systems have continued to improve even during the pandemic.

COLLEGE PREPARATION AMONG HIGH SCHOOL GRADUATES HAS IMPROVED, BUT EQUITY GAPS REMAIN



SOURCE: Author calculations based on California Department of Education data.

NOTES: Figure shows the shares completing all A–G courses with grades of C or better. Some of the increase may be due to changes in CDE definitions. The 2018–19 data is based on following a cohort of 9th graders for four years, while the 2008–09 data is based on a single year (grade 12 to graduation). In 2016–17, when both measures were available, the share meeting UC and CSU requirements was 3 percentage points higher under the newer approach. Low-income includes students eligible for free and reduced-price lunch or whose parents did not graduate from high school.

COVID-19 has intensified the state’s education challenges

California’s digital divide continues to impede learning. The state has invested in a patchwork of efforts to address disparities and mitigate learning loss during the pandemic. These investments have improved student access to digital devices at home, but internet access remains a challenge for many families. Forty percent of low-income children lacked reliable internet or devices in fall 2020, and 13% of college students do not have broadband at home.

COVID-19 has underlined opportunity gaps in the K–20 pipeline. African Americans, Latinos, low-income students, English Learners, and students with disabilities are less likely to be proficient in English, math, and science, complete the A–G requirement, graduate from high school on time, and enroll in postsecondary institutions.

The COVID-19 fallout isn’t just about academics. Learning loss is likely to affect students throughout their lifetimes, negatively impacting their college, career, and income prospects. Material hardship is widespread. Nationwide, schools served 43% fewer meals than during

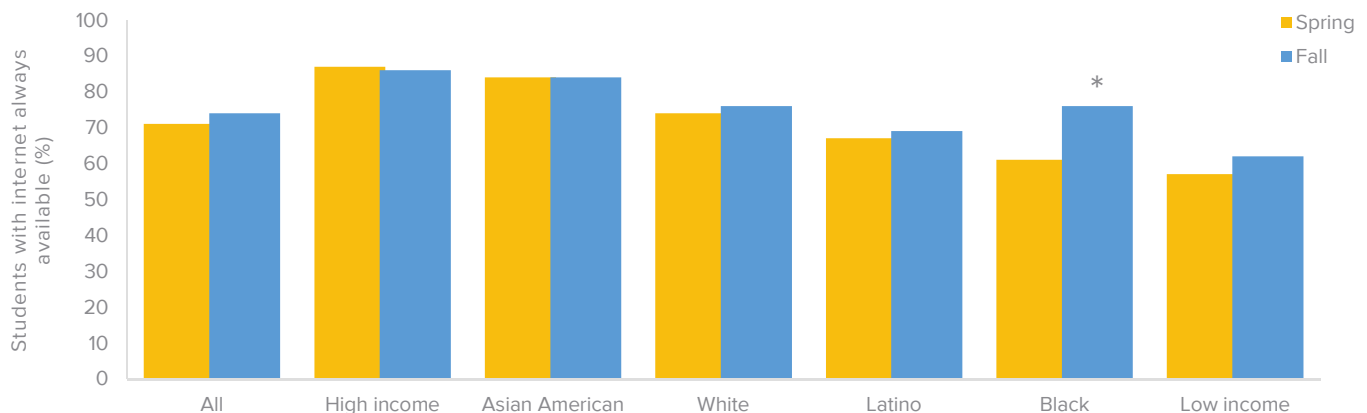
the 2018–19 school year. In California, nearly 40% of Black families reported not having sufficient food and a third of low-income families missed rent or mortgage payments last spring. Many students and their families are also struggling with mental health and social and emotional well-being.

Many public K–12 facilities are in poor condition. Nearly 40% of students attend schools that do not meet the minimum facility standards and 15% attend schools with extreme deficiency such as water damage, power failures, and structural damage. Districts with lower capital spending and smaller tax bases report higher levels of deficiencies. COVID-19 brought additional challenges, as many schools do not have sufficient building space, adequate ventilation systems, and cleaning supplies.

The COVID-19 crisis adds uncertainty to K–12 budgets. COVID-19 has halted recent growth in state funding that brought spending per pupil up to roughly the national average in 2017–18. The 2020–21 state budget avoided cuts to K–12 education, and better-than-expected revenues may prevent fiscal distress over the next year. However, future revenues are highly uncertain. The state also projects declines in public K–12 enrollment—a key determinant of funding—in most counties over the coming decade. COVID-19 may exacerbate enrollment declines, if parents shift to private or home schooling, especially at the earlier grade levels.

UC and CSU face budget challenges. To make up for state funding cuts during the Great Recession, the systems increased tuition and increased out-of-state enrollment. But the COVID-19 downturn requires different strategies, given travel restrictions, health concerns, and a cap on nonresident enrollment at UC. Moreover, the cost of online learning resources and training coupled with a drop in revenues from auxiliary enterprises such as housing and food services increased budget challenges.

CALIFORNIA'S DIGITAL DIVIDE CONTINUES TO IMPEDE STUDENT LEARNING



SOURCE: Census Household Pulse Survey, 2020.

NOTES: Asterisk estimate is statistically distinguishable at or below 5%. Sample includes 102,514 Californians surveyed April 23–June 2 (spring) and August 19–September 28 (fall). Children in surveyed households attend public or private schools in California. Households with missing/non-reported responses are excluded from analyses. Household income is based on 2019 income: low income < \$50,000; high income > \$100,000. Race/ethnicity is based on the household member who completed the Pulse survey.

Connecting California's education systems will improve outcomes and opportunities

As California recovers from the COVID-19 crisis, state leaders should embrace and invest in the interdependence of educational systems, from pre-K through higher education.

Create a statewide education data system. Stakeholders are working on a statewide education data system, which would make it much easier to assess student progress from one system to the next. Connecting existing databases across preschool programs, schools, colleges, employment, and social services, and making the data accessible, could help policymakers coordinate, assess, and improve early childhood, K–12, and higher education programs. In addition, it will allow the state to set and pursue educational and workforce goals.

Expand quality preschool and early childhood education. The long-awaited Master Plan for Early Learning and Care was released in December 2020, positioning California to capitalize on any new federal initiatives to improve early education. The plan aims to increase access to programs such as paid family leave and state-funded preschool; it also includes a reformed funding system to improve the educator workforce and enhanced data-driven decision-making. Improving educational outcomes for young children—especially those who are low-income, English Learners, and students with disabilities—will narrow opportunity gaps throughout the education system.

Improve college pathways for underrepresented students. K–12 schools should improve college readiness among underrepresented students, including African Americans, Latinos, low-income students, English Learners, and students with disabilities. High schools could leverage dual enrollment programs to expand student access to rigorous courses. Coordination between the K–12 system and public universities should begin before students reach high school. Many of UC’s SAPEP (Student Academic Preparation and Educational Partnerships) programs show promise, but they serve relatively few students in the face of massive need.

Increase community college transfers. California relies on its community colleges more than most states, but most community college students who express interest in transfer never enroll at a four-year college. Systemwide transfer agreements between community colleges and the state’s four-year institutions can remove barriers. Developing and tracking progress toward statewide goals for transfer will help the state focus on this important pathway to a four-year degree, which can be especially valuable for lower-income and underrepresented students.

Close the digital divide. The pandemic has driven home the importance of equitable access to internet and devices—and not just for students. Last August, the governor issued an executive order directing state agencies to accelerate efforts to connect all K–12 students with high-speed internet, and many have called for a state-level “broadband for all” plan. The economic recovery plan developed by the incoming Biden administration prioritized universal broadband and infrastructure modernization. Coordination between the federal and state governments will be critical.

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Higher education sources: California Community Colleges Chancellor’s Office; California Department of Education; California State University Office of Analytics; Integrated Postsecondary Data System; US Department of Education College Scorecard; University of California Office of the President Information Center.

K–12 sources: California Department of Education; California Department of Finance; Census Household Pulse Survey; National Center for Education Statistics.



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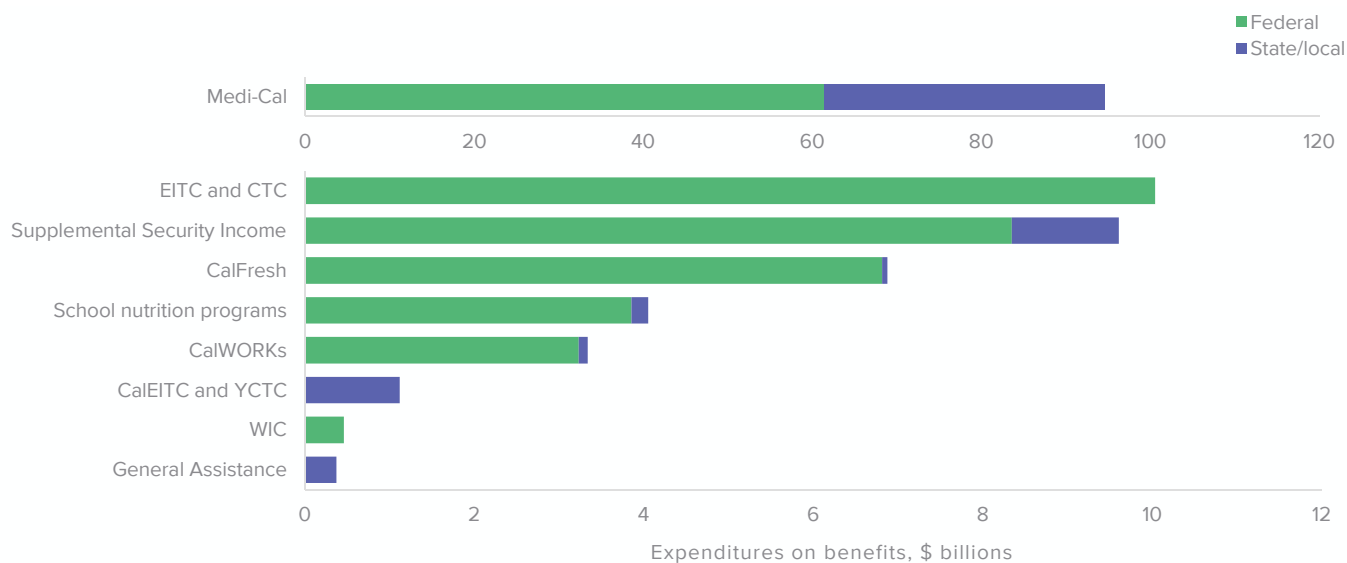
Safety Net

JANUARY 2021

The COVID-19 pandemic has underlined the importance of California's safety net, which helps millions of low-income adults and children meet basic needs. It has also highlighted disparities in health and economic well-being across racial/ethnic groups.

- ▶ The safety net operates through a complex network of programs, including public health insurance, cash and food assistance, and tax credits. Three of the largest programs, Medi-Cal health insurance, CalFresh food assistance, and CalWORKs cash assistance, together serve about 13.6 million Californians.
- ▶ The safety net reduces both poverty and inequality; in 2018 the safety net lowered child poverty by 12.8%. Without safety net resources, California's economic divide would be 48% wider. Even so, there are long-standing income and health disparities, which the pandemic has compounded: people of color have borne the brunt of the virus and its economic fallout.
- ▶ With the exception of Medi-Cal, the largest safety net programs include work requirements for most nondisabled adults. Nearly 80% of poor families in California include at least one working adult. The COVID-19 crisis has caused large job losses that have disproportionately affected low-wage workers in retail and service jobs.
- ▶ Federal funds are essential to California's safety net. The state covers some program costs and expands some benefits; it also provides oversight and shapes program rules. Counties administer programs and cover General Assistance benefits and some administrative costs.
- ▶ For the most part, federal funding for safety net programs cannot support the over 2 million undocumented immigrants in California. This creates gaps in the safety net for families with undocumented members.
- ▶ Need and funding for safety net programs are mostly counter-cyclical—need is highest during economic downturns, when the state budget is strained. The state reserve created to support CalWORKs and Medi-Cal during downturns provides some flexibility but may not prevent budget cuts during the COVID-19 crisis.

THE FEDERAL GOVERNMENT PROVIDES MOST PROGRAM FUNDING



SOURCES: California Department of Education; California Department of Health Care Services; California Department of Social Services; California Franchise Tax Board; US Department of Agriculture Food and Nutrition Service; Internal Revenue Service.

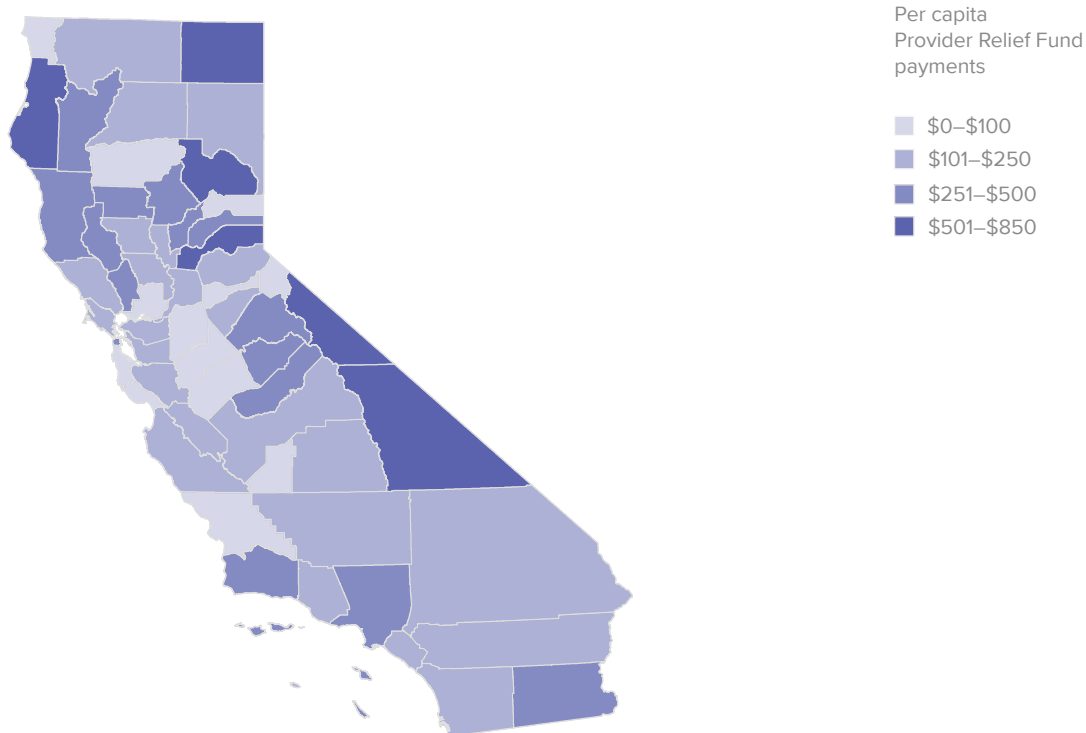
NOTES: Federal Earned Income Tax Credit (EITC) and refundable portion of the Child Tax Credit (CTC) amounts for tax year 2018 (received in 2019). Medi-Cal, CalFresh, CalWORKs, General Assistance, SSI/SSP, school nutrition, and WIC amounts for state fiscal year 2019–2020; CalEITC and Young Child Tax Credit (YCTC) for 2019 tax year (received in 2020). Medi-Cal benefit amount based on May 2020 estimate. State Supplementary Payments (SSP) are combined with SSI. State CalWORKs expenditures include amounts for the Cash Assistance Program for Immigrants (CAPI), and CalFresh expenditures include amounts for the California Food Assistance Program (CFAP) and the Work Incentive Nutrition Supplement (WINS). School nutrition programs include school breakfast and lunch, the first round of Pandemic EBT, and the Child and Adult Care Food Program (CACFP). Some CalWORKs funds are devoted to work services and supports, including child care vouchers, and to Cal Grants. WIC amounts exclude infant formula rebates. School nutrition amounts are estimated from national data; WIC and school nutrition are annualized from partial-year data.

COVID-19 has highlighted the importance of the safety net during economic downturns

The safety net expanded at the onset of the COVID-19 crisis to meet increased need.

CalFresh enrollment rose from 4.1 million to 4.8 million Californians between February and June 2020. The Pandemic EBT program provided up to \$365 to 3.7 million children to replace school meals in spring 2020. And COVID-related federal aid has delivered more than \$8 billion to California health care providers, including safety net hospitals, community clinics, and COVID treatment for uninsured residents, although these dollars have not been evenly distributed across the state.

DISTRIBUTION OF FEDERAL AID TO PROVIDERS HAS BEEN UNEVEN



SOURCE: US Health and Human Services COVID-19 Funding, Provider Relief Fund.

NOTE: Figure shows aggregated payments received by California providers as of December 1, 2020, under the federal CARES Act and the Paycheck Protection Program and Health Care Enhancement Act. Included are funds for individual providers, clinics, hospitals, and long-term care facilities.

The federal and state Earned Income Tax Credits (EITCs) are key poverty reduction programs.

The CalEITC and Young Child Tax Credit (YCTC) provided \$1.1 billion in benefits to 3.8 million tax filers in 2020. Although based on income earned in 2019, these credits came as welcome relief in spring and summer 2020. Because the YCTC is fully available to the lowest-income workers with children under age six, it will likely prove to be a robust support in 2021 as well. And, as of the 2020 tax year, tax filers without a social security number (the majority of whom are undocumented) are eligible for both credits, providing much needed financial relief to a group largely excluded from federal pandemic aid.

Public programs and subsidies help millions of Californians secure health coverage. Most seniors are covered by Medicare, a federal insurance program. Many low-income Californians rely on Medi-Cal, while those with moderate incomes can get government subsidies to help pay for private insurance through Covered California.

Medi-Cal serves about 13 million Californians—about 30% of the state population. Children and parents account for nearly half (48%) of the total Medi-Cal caseload. Adults under 65 who gained eligibility under the ACA are the second-largest group (27%), followed by seniors and people with disabilities (16%). The rest of the caseload includes undocumented adults (for emergencies or pregnancy care) and other groups, such as those in foster care or long-term care.

Safety net health providers are critical for Medi-Cal enrollees and uninsured Californians.

County hospital systems, located in 12 large counties, provide primary and specialty care to millions of low-income Californians and train many of the state's doctors. About 7.3 million Californians were treated at 1,340 state-licensed primary care clinics in 2019; 70% of these clinics' net revenue is from Medi-Cal. Emergency departments—the “safety net of the safety net”—handle millions of visits each year and have been on the front lines of the pandemic.

The pandemic has intensified the challenges faced by low-income Californians

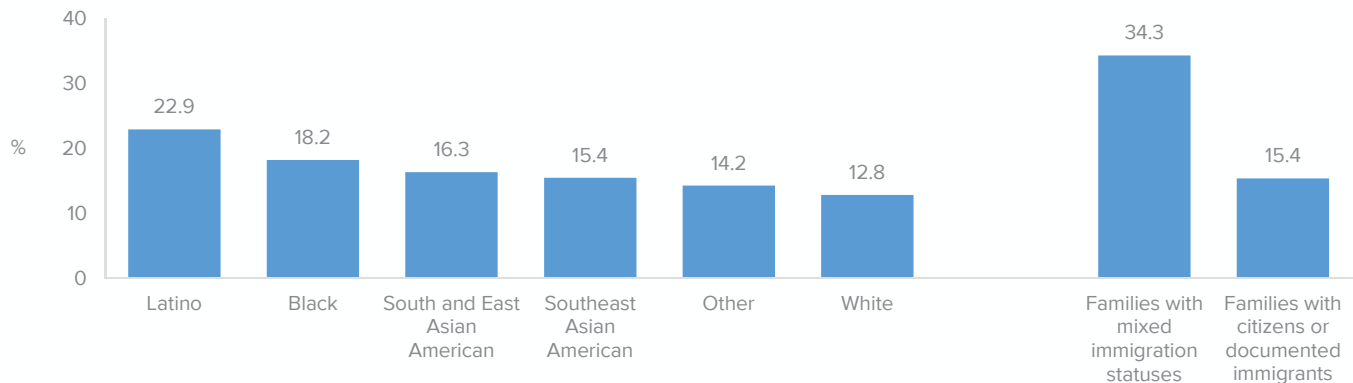
COVID-19 hit low-income workers hard. Low-income Californians often have low-wage jobs with no paid leave or other benefits. Many of these jobs—in sectors such as accommodation and food services—were lost at the beginning of the pandemic, as businesses shut down in order to avoid in-person interaction.

COVID-19 has underscored demographic variations in poverty and health outcomes.

Poverty has long varied across racial/ethnic groups, with the highest rates among Latinos and the lowest among whites. The share of Latino COVID-19 deaths in California, particularly at younger ages, is much larger than the Latino share of California's population.

Undocumented immigrants face particular challenges. Only citizens and documented immigrants who meet certain requirements are eligible for federal safety net programs. This creates gaps for families with undocumented members, and the poverty rate for these families is more than double that of other families. California has addressed some of these gaps. For example, the state provided \$500 to about 150,000 undocumented immigrants who were ineligible for federal stimulus payments. The state also covers most of the cost of extending Medi-Cal to undocumented children and young adults.

POVERTY VARIES WIDELY ACROSS DEMOGRAPHIC GROUPS



SOURCE: 2018 estimates of the California Poverty Measure, a joint effort involving researchers at PPIC and the Stanford Center on Poverty and Inequality.

NOTES: South and East Asian: Bangladeshi, Bhutanese, Chinese, Indian, Korean, Mongolian, Nepalese, Pakistani, Sri Lankan, Taiwanese. Southeast Asian: Burmese, Cambodian, Filipino, Hmong, Laotian, Malaysian, Thai, Vietnamese. Other: Alaskan Native, Native American, other Asian, Pacific Islander, multiracial.

Federal policies have created gaps and uncertainty. Federal support during the pandemic relief has been a patchwork of policies and funding. The first pandemic relief package excluded families with undocumented immigrants, and an impasse over further emergency relief created hardships for all Californians. More generally, ongoing federal uncertainty makes it difficult for the state to plan how best to leverage funds and fill in gaps.

COVID-19 has underlined the need for coordination among safety net programs. The pandemic highlighted the hardship created by the state's fragmented safety net system. For example, while CalFresh responded quickly at the onset of the crisis, some need went unmet, partly due to gaps in program enrollment: 16% of households with children who reported food scarcity in late summer 2020 also reported relying on CalFresh and 13% relied on school meals, but only 6% reported participation in both.

The COVID-19 crisis could ultimately strengthen the safety net

The pandemic has highlighted the role of publicly supported programs in supporting health, economic well-being, and education. Improving systems and processes to ensure access is critical, as is monitoring how the safety net serves communities with particularly high poverty levels.

In the near term, the state may need to reduce safety net spending. The 2020–21 state spending plan did not include major reductions to the state’s safety net programs and protected counties from large increases in administrative costs they incur when enrolling new participants. However, absent major new federal support for state and local budgets, the state may need to consider cutbacks.

Funding the health care safety net is more critical than ever. There is nothing like a pandemic to highlight the importance of widespread access to health care. Additionally, learning that preexisting health conditions increase the risk of serious complications or death from the coronavirus has underscored the importance of preventative care. Minimizing gaps in insurance coverage and ensuring access to care for uninsured individuals will be a critical challenge for policymakers. And despite the infusion of federal funds, it will be essential to address the financial viability of key safety net providers such as clinics and county hospital systems, which saw big revenue reductions as visits plummeted during the pandemic.

Supporting work can help foster economic stability. The safety net could align more closely with labor force policies and programs to reduce inequities and economic insecurity. Recent examples of state efforts to support work include the CalEITC, restructuring of CalWORKs, planned expansions to subsidized preschool, paid family leave, paid sick leave, and minimum wage policy. The pandemic has put some of these plans on hold, perhaps providing an opportunity to examine how policies and programs can be more streamlined and integrated to serve Californians in need more effectively.

Schools need adequate resources for the many roles they play in family well-being. The closure of schools has brought the multiple roles that schools play into sharp focus. In addition to their educational role, schools operate health clinics, oversee vaccinations, feed children, and provide supervision while parents are working. They are key locales for delivering the safety net to children. Ensuring schools’ ability to play these roles—and to rebound from setbacks—is essential.

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Sources: CalFresh Data Dashboard; California Poverty Measure; California Health and Human Services Dashboard; California Pandemic EBT; Income Inequality in California; US HHS CARES Act Provider Relief Fund Data.



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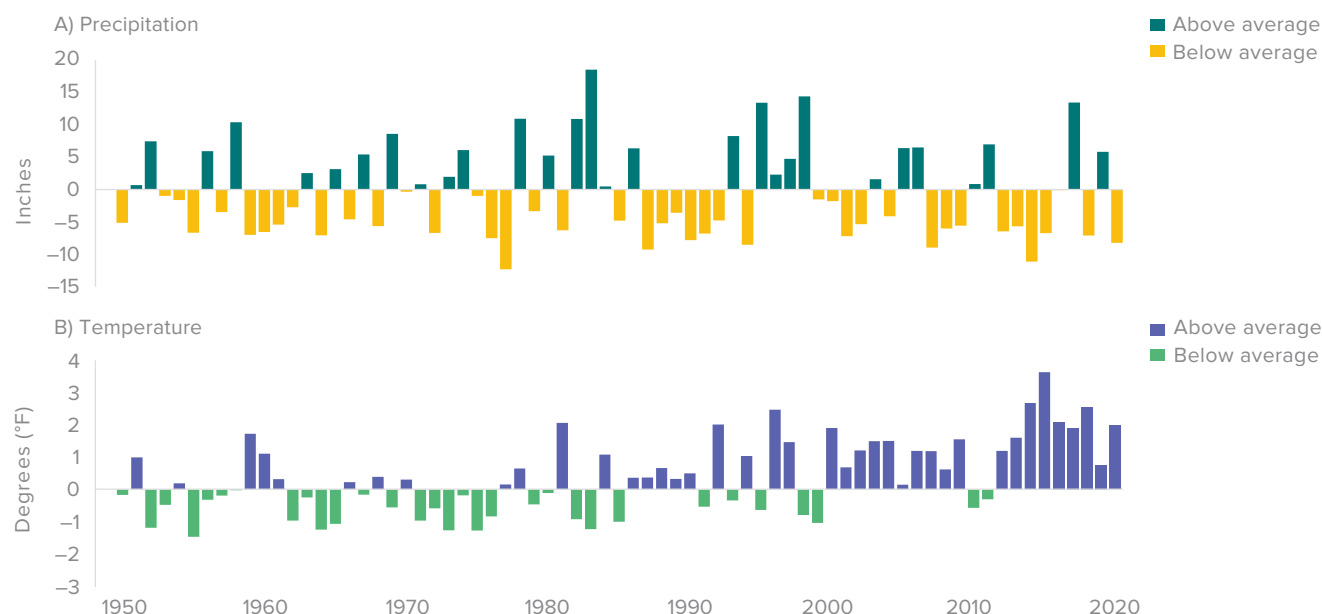
Water and a Changing Climate

JANUARY 2021

The pandemic and its economic fallout are affecting many aspects of water management, while climate change has major implications. And a much-needed national conversation about racism has illuminated water equity issues—such as how we address climate change, safe drinking water, and water scarcity.

- ▶ California's water managers have been busy keeping water systems safe and operational during the COVID-19 pandemic. But the fiscal consequences of the economic recession are just beginning to be felt.
- ▶ Some California communities—especially those served by small systems lacking resources and economies of scale—did not have safe drinking water before the pandemic, and the recession has made affordability of water and wastewater an urgent crisis.
- ▶ California's climate is warming and becoming more variable. Rising temperatures are making droughts more intense, and dry years are occurring more frequently. At the same time, winter storms are becoming warmer—with less snow and more rain—leading to larger floods.
- ▶ Freshwater ecosystem health has been declining for decades—a trend made worse by long-term drought and rising air and water temperatures. The pandemic and resulting downturn have made this even harder to manage.
- ▶ Headwater forests are a critical part of the state's natural infrastructure, but tree die-offs and rising wildfire intensity—fueled by a warming climate—have heightened the need to better manage these forests.
- ▶ Agriculture has faced many challenges from the pandemic—particularly regarding worker safety and market disruptions. But its grand challenge is to manage groundwater sustainably for the benefit of the economy, local communities, and the environment—a task made harder by the changing climate.

CALIFORNIA HAS BEEN HOT AND DRY FOR THE PAST 20 YEARS



SOURCE: *California Climate Tracker*, Western Regional Climate Center.

NOTES: Bars in the top panel show the number of inches above and below the 1950–2000 statewide average of 24.3 inches, based on October–September water years. Bars in the lower panel show the annual difference in average temperature from 1950–2000 average (57.2°F). The 2020 precipitation anomaly is based on cumulative precipitation from October 2019 through May 2020, and is compared to the cumulative precipitation for the same months in the 1950–2000 period (23.5 inches). Temperature anomaly for October 2019 through May 2020 was extrapolated through September 2020. The 1950–present range was chosen based on higher-quality climate data suitable for close comparison.

Climate change has major implications for managing water

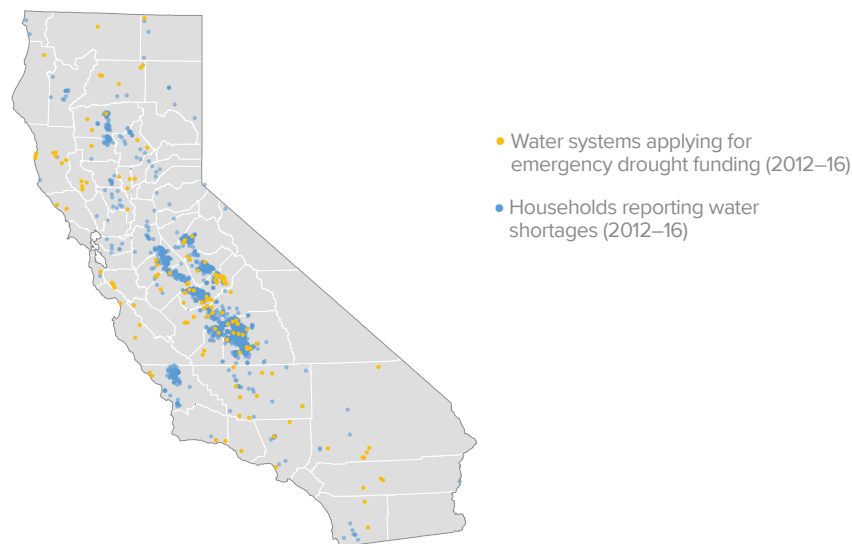
Increasing drought intensity and frequency makes it hard to manage aquifers. The state relies heavily on groundwater as a drought reserve. More intense and frequent droughts increase demand for groundwater and reduce the opportunity for recharge. This makes supplies for agriculture and many rural communities more expensive and less reliable.

The state's flood control infrastructure is inadequate for 21st-century conditions. Most efforts to manage flood risk—including planning, dams, levees, and other structures—are based on past climate conditions rather than a future with floods that are likely to be more intense. Adapting to these changes will be costly and disruptive. Low-income communities are disproportionately at risk and will need more assistance with adaptation.

Sea level rise will affect water quality and flood risks. Estuaries and coastal aquifers will see declines in water quality as sea level goes up. This will also increase the risks of coastal flooding and the costs of wastewater and stormwater management.

Climate stress is affecting the state's fragile freshwater ecosystems and headwater forests. California's plant and animal communities are adapted to occasional drought, but water and forest management practices—combined with a warming climate—have made these communities much more vulnerable.

DURING DROUGHTS, RURAL COMMUNITIES ARE MORE LIKELY TO SUFFER WATER SHORTAGES



SOURCE: *Managing Drought in a Changing Climate* (PPIC, 2018). Developed by the authors using data from the Department of Water Resources (household water shortages) and the State Water Board (small water systems).

The COVID-19 recession has made it harder to manage water and ecosystems

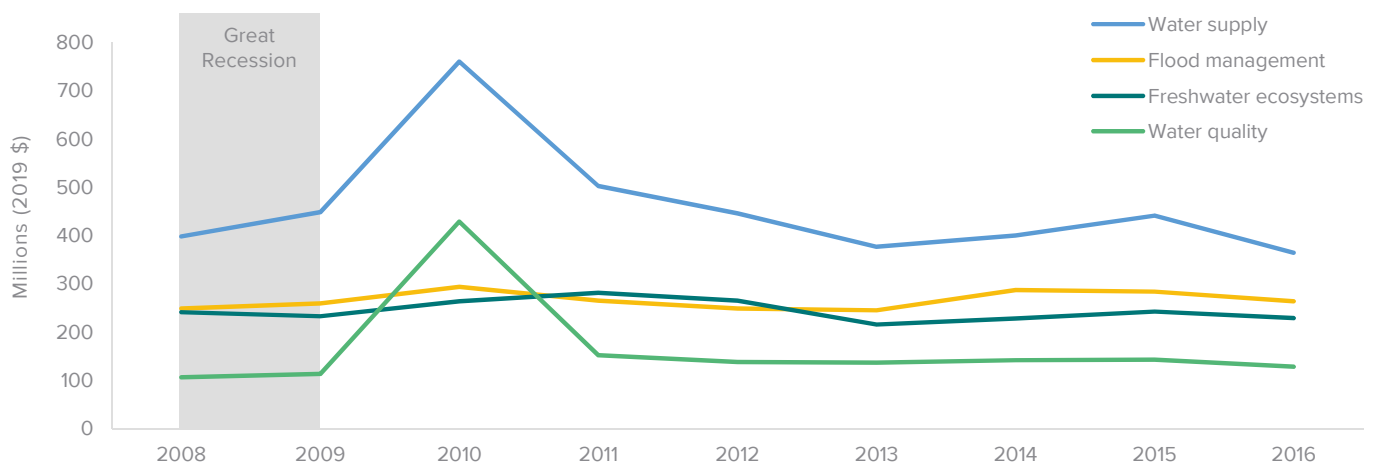
The pandemic could have lasting effects on utility finances, affecting their ability to maintain safe and resilient systems. A moratorium on shutoffs helped ensure access for residents who lost income during the pandemic, but also reduced revenues. Utility managers are worried about a longer-term rise in nonpayment, and the Great Recession of the late 2000s showed that water and wastewater revenues can be significantly impacted. Stimulus funds can play an important role in filling revenue gaps, helping utilities maintain and upgrade aging infrastructure.

Hundreds of mostly small, rural water systems—and thousands of domestic wells—do not provide safe drinking water. Many more water systems are on the brink of failure. This problem disproportionately affects low-income communities of color. The Safe and Affordable Funding for Equity and Resilience (SAFER) program was created in 2019 to help tackle these problems, but its revenue source is at risk and a more stable source may be needed.

The recession is not likely to impair funding for wildfire suppression, but funding for forest management to reduce wildfire risk is now less certain. Management on the scale needed to reduce the risk of severe wildfire in the headwater forests region requires a robust funding portfolio. The downturn provides an opportunity to reexamine funding strategies and consider options that are better suited to the urgent need to manage forests.

The recession could set back critical freshwater ecosystem programs for years. Ecosystem management is expensive, and years of investment are needed to achieve results. Yet most funding comes from state bonds and is vulnerable to cutbacks during downturns. We estimate that roughly \$700 million is spent annually on aquatic ecosystems in California—but an additional \$400–\$700 million is needed to address existing gaps. The key is finding ways to put ecosystem management on a better footing for an uncertain future.

FEDERAL SPENDING BOOSTED WATER AND WASTEWATER INFRASTRUCTURE DURING THE LAST ECONOMIC RECOVERY



SOURCE: Updated from *Paying for Water in California* (PPIC, 2014).

NOTES: Water quality includes wastewater and stormwater spending. Deflated using Consumer Price Index. The Great Recession began in December 2007 and the recovery started in July 2009.

Prioritizing urgent needs can help avoid higher long-term costs

California will be addressing the fallout of the COVID-19 crisis for some time to come. But failure to address other critical issues now can result in bigger, harder-to-solve problems in the future.

Ensure safe and affordable drinking water. In areas with unsafe or unreliable water supply, promoting consolidation of small, at-risk water systems with larger systems is an important approach. Safeguarding existing state funding (for example, the SAFER program) is critical. Addressing the affordability of both water and wastewater must avoid incentivizing non-payment of bills, which could hinder upkeep of water systems and create new public safety risks. A broader array of funding to support lifeline rates for poor households is needed. To expand local funding options, Californians should consider reforming Propositions 218 and 26, which currently limit the use of water lifeline rates. A federal water lifeline program, similar to one that helps with energy bills, would be valuable in California and nationally.

Make groundwater sustainability planning work. Getting to groundwater sustainability, as required by the state's Sustainable Groundwater Management Act, calls for a concerted effort to balance water accounts, mitigate the undesirable effects of overdraft, and prepare for increasing drought intensity. There are no simple, inexpensive solutions. Sustainability will require major reductions in demand; improvements in supply; investments in infrastructure, trading, and banking of water; and strategic land fallowing. More cooperation is needed to develop alternative supplies, manage demands effectively, and address undesirable effects of pumping, including on drinking water for poor rural communities. Federal stimulus funds and state grants could support planning, piloting, and water infrastructure that provides multiple benefits.

Change how we prepare for droughts and floods to reflect a changing climate. Enhancing groundwater storage is a top priority for building a more drought-resilient water supply. This will require managing surface- and groundwater storage as one system to increase their combined potential. Improving drought planning, especially for communities served by small, vulnerable water systems and domestic wells, is also key. And as the potential for large-scale flooding increases with climate warming, California should expand efforts to steer new development away from high-flood-risk areas. The state also needs to continue improving emergency preparations and encourage those who live in areas at risk of flooding to purchase insurance. Finally, expanded investments in flood management planning and infrastructure are sorely needed. It will be important to design policies to protect lower-income communities from the losses they disproportionately incur.

Steward the environment. Efforts to arrest environmental decline are often sidelined during crises such as the pandemic. But healthy ecosystems are part of California's natural infrastructure and integral to human health and well-being. Failing to address ecosystem decline makes it more difficult and expensive to tackle in the future, especially given climate trends. California needs new strategies that make the most of resources dedicated to improving the environment. This includes increasing investment in forest health to reduce wildfire risk and maintain the benefits forests provide, and adopting new approaches—including restoring more-natural variability of river flows and simplifying permitting—that improve the health of freshwater ecosystems.

Make every drop and dollar count. Money is a perennial issue, but it's even more of a brake on progress now. To be more efficient and effective with limited resources, priority should be given to approaches that yield multiple benefits. For example, managing high spring flows for the combined purposes of flood protection, groundwater recharge, and habitat can broaden cooperation and leverage more funding sources. Similarly, federal stimulus funds can support economic recovery and jobs while boosting the resilience of our natural and built water systems.

Collaboration and leadership are key. Durable and equitable solutions to California's water problems take much more than better planning and money. Coalition-building and the adoption of cooperative approaches will be necessary. Multi-benefit approaches can help bring together these coalitions. But perhaps most important, this cannot happen without strong leadership that is committed to collaborative solutions, innovation, and risk-taking.

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Sources: For more details, see Hanak et al., *Priorities for California's Water* (PPIC, 2020) and Mount et al., *Managing Drought in a Changing Climate* (PPIC, 2018).



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