

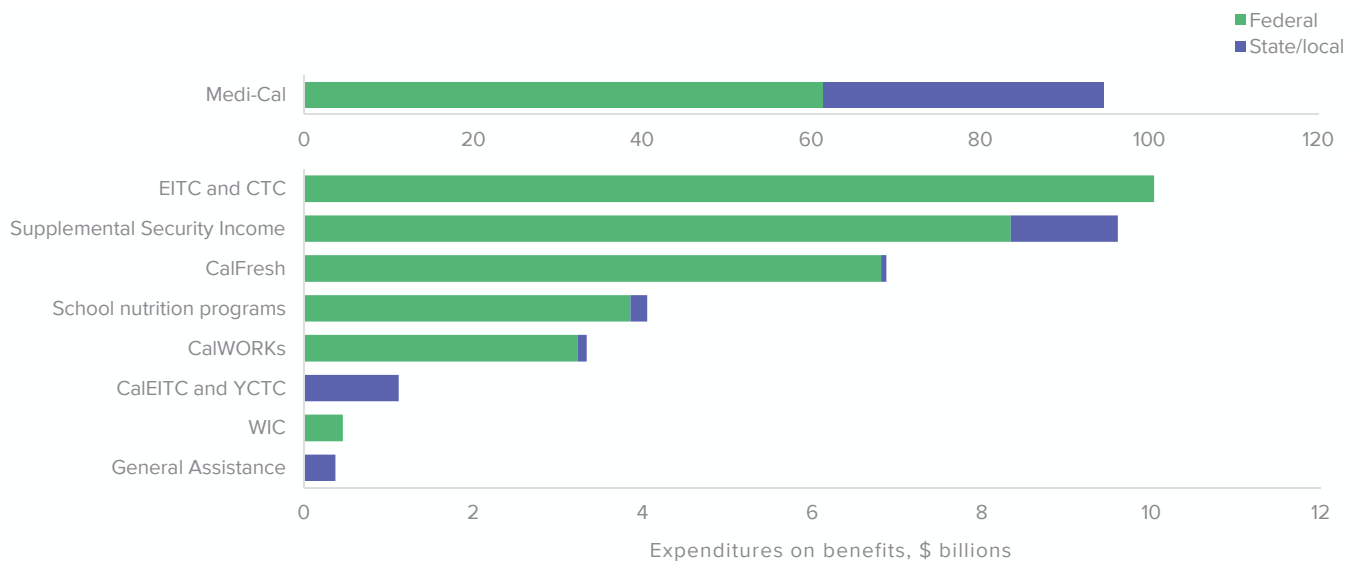
Safety Net

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.

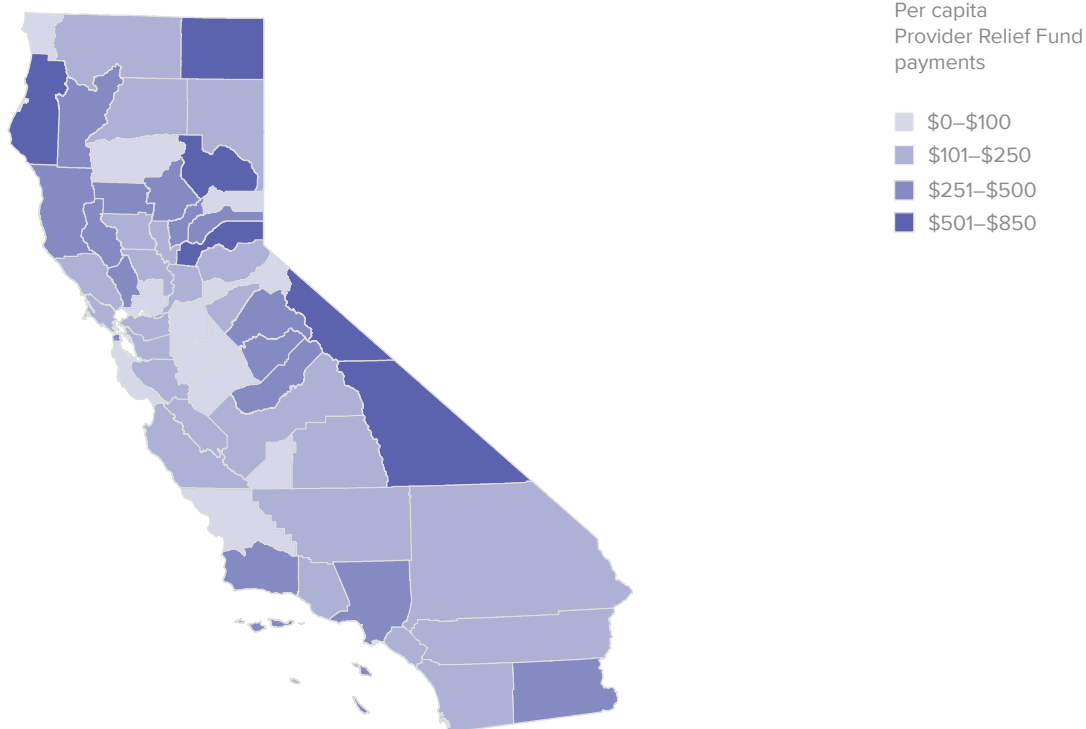
NOTES: Federal Earned Income Tax Credit (EITC) and refundable portion of the Child Tax Credit (CTC) amounts for tax year 2018 (received in 2019). Medi-Cal, CalFresh, CalWORKs, General Assistance, SSI/SSP, school nutrition, and WIC amounts for state fiscal year 2019–2020; CalEITC and Young Child Tax Credit (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

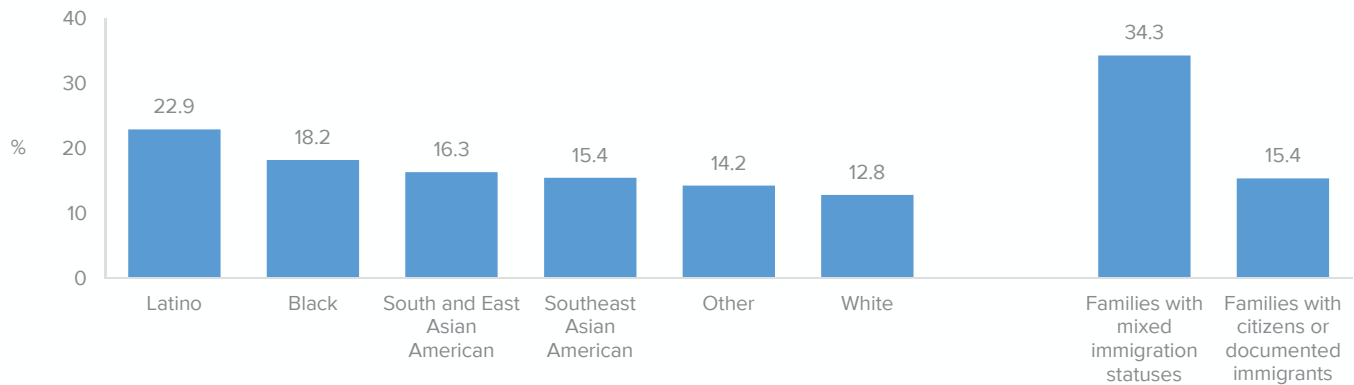
COVID-19 hit low-income workers hard. Low-income Californians often have low-wage jobs with no paid leave or other benefits. Many of these jobs—in sectors such as accommodation and food services—were lost at the beginning of the pandemic, as businesses shut down in order to avoid in-person interaction.

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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