

Appendix A

METHODOLOGY

California's state budget year runs from July 1 through the following June 30. While we usually refer to the year by including this range (e.g., the current year is 2003–04), at times it is referred to as a single year. When that is done, the single year refers to the start of the budget year (e.g., 1997 refers to fiscal year (FY) 1997–98, July 1, 1997 through June 30, 1998).

Budget Data

Most of our budget data comes from the *Governor's Budgets* presented to the state legislature each January. Each *Governor's Budget* proposal presents three years of information, for the prior year (actual spending), the current year (estimated spending), and the budget year (proposed funding). Our program budget figures generally come from these documents, as follows:

Fiscal Year Data for	From Governor's Budget for Year
1989–90	GB 1991–92
1990–91	GB 1992–93
1991–92	GB 1993–94
1992–93	GB 1994–95
1993–94	GB 1995–96
1994–95	GB 1996–97
1995–96	GB 1997–98
1996–97	GB 1997–98
1997–98	GB 1998–99
1998–99	GB 1999–00
1999–2000	GB 2000–01
2000–01	GB 2001–02
2001–02	GB 2002–03
2002–03	GB 2003–04
2003–04	GB 2004–05 (estimated)
2004–05	GB 2004–05 (proposed)

Over this time period, the *Governor's Budgets* have varied somewhat in the level and amount of detailed program information they have included. In particular, the 1993–94 version had much less detailed program information than did the others, in part because the 1992–93 budget was not passed

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until September. Therefore much of the data for 1991–92 came from department budget spreadsheets from the Department of Finance (DOF).

In most cases, especially for large programs, we report main sources of funds as well as the program's totals. We particularly tried to include information on contributions from the federal government, the state general fund, and the most significant other funding sources. Since we do not try to list funds from every source, the totals from lines of the tables for the sources that are included will not necessarily match the program total.

County funds are not part of the state budget for programs when they do not come through that program as Local Assistance appropriations. However, county contributions are sometimes listed in the budgets, particularly when the county–state balance of share of costs has changed or is proposed to be changed through a realignment of funding responsibilities and sources, and the state provides funds to the counties, but not directly through the program's budget line. Where such county funding data are available, we have listed them in parentheses, and generally have included them in program totals for purposes of consistency and comparability when calculating adjusted spending levels.

We could not always reliably track the dollars for a number of the program accounts included here in the *Governor's Budgets* from 1989–90 continuously through to 2004–05. Program additions and deletions, changes in functions and/or titles, department reorganizations, funding shifts to counties, changes in accounting methods (Medi-Cal), changes in format of presentation of the *Governor's Budget* itself over the years—all have contributed to the difficulty of tracking money going to the same purpose for some children's programs since 1989–90. Where we found such discontinuities in the data for a given line since 1989–90, we report comparable figures if such were available to us. Where we do not have figures we believe to be comparable, we leave cells blank, or in some cases exclude lines we otherwise would have reported. Where continuous and comparable data were not available from the Budgets, in some cases we used data provided by the Department of Finance or the departments, which could be considered comparable over the time period (this was done, e.g., with AFDC/TANF benefits data).

Budget figures, including federal funding figures used in budget account tables, come from state sources: the *Governor's Budget* and *Governor's Budget Summary*, the Department of Finance, and department fiscal forecasting, budget, and program branches.

Adjustments

In order to compare funding levels over time periods marked by changes in the value of the dollar and the size of the population to be served by programs, in addition to the actual or nominal dollars, we also show the dollar levels adjusted for changes in both cost of living and population. This adjusted figure allows comparison of other years' funding to the current year's spending level, given the buying power of the dollar in other years compared to 2003–04, and as if that real dollar level was applied to the same size population to be served as this year.

In prior years, our *California Children's Budgets* took 1989–90 as the baseline year and made adjustments from then. We now use the current year, 2003–04, as the baseline year, in order to have the adjusted spending levels for the current year match the budgeted amounts. The principle of the adjustments and the percentage changes over the years remain the same, however.

Cost-of-Living Adjustors

The cost-of-living or inflation component of the adjustment allows for comparisons of spending levels by correcting for the changes in the value or purchasing power of the dollar at different times. It corrects earlier and later year dollars to the value of 2003–04 dollars.

We used four cost-of-living (COL) adjustors (Table App.-A), choosing the most appropriate or most commonly used for each particular program. The CPI-U (consumer price index) is the most general overall index of changes in consumer prices. Two specialized CPI indexes are the consumer necessities

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index (CNI), specifically tailored to the purchasing needs of the poor (and therefore used for AFDC), and the medical CPI (CPI-Med), which tracks changes in health care sector prices. The CNI is used to adjust the value of direct benefits, such as AFDC/TANF, received by families to support low-income children. The CPI-Med is used for health care services costs. The fourth COL indicator is the national deflator, used particularly to reflect costs to government. The deflator, which is our most commonly used indicator, is specifically used in education.

	Year														Estimated 2003-04*	Projected 2004-05*
	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03		
California Necessities Index (CNI)																
Percent Change	4.61%	4.62%	5.49%	1.81%	2.37%	1.69%	1.48%	1.41%	1.93%	1.67%	2.08%	3.7%	3.5%	3.9%	3.74%	3.8%*
Index (2003-04=1.00)	1.4731	1.4081	1.3348	1.3111	1.2807	1.2594	1.2411	1.2238	1.2006	1.1809	1.1569	1.1156	1.0779	1.0374	1.0000	0.9634
Uses: Poverty, welfare needs																
Consumer Price Index (CPI) (California)																
Percent Change	5.0%	5.3%	3.6%	3.20%	1.8%	1.7%	1.4%	2.3%	2.0%	2.5%	3.1%	4.3%	3.0%	2.4%	1.9%	2.7%
Index (2003-04=1.00)	1.4609	1.3874	1.3392	1.2977	1.2747	1.2534	1.2361	1.2083	1.1846	1.1557	1.1210	1.0748	1.0435	1.0190	1.0000	0.9737
Uses: General consumer inflation																
Deflator																
Percent Change	4.2%	4.3%	4.0%	2.8%	2.6%	2.4%	2.5%	2.3%	1.0%	1.7%	1.2%	2.3%	1.7%	1.6%	1.6%	1.8%
Index (2003-04=1.00)	1.3714	1.3149	1.2642	1.2298	1.1987	1.1706	1.1420	1.1164	1.1053	1.0868	1.0739	1.0498	1.0323	1.0160	1.0000	0.9823
Uses: Government purchases; education, child care																
Medical CPI (CPI-Med)																
Percent Change	8.5%	9.6%	7.8%	6.7%	5.4%	4.9%	3.9%	3.0%	2.8%	3.4%	3.7%	4.2%	4.7%	5.0%	3.5%*	4.0%*
Index (2003-04=1.00)	1.9494	1.7786	1.6499	1.5463	1.4671	1.3986	1.3461	1.3069	1.2713	1.2294	1.1856	1.1378	1.0868	1.0350	1.0000	0.9615
Uses: Medical care costs																

"Percent Change" represents the change over 12 months of FY; CNI and CPI-U are prior Dec. to Dec. change.

"Index" is cumulative difference in value from specified base year (2003-04=1.00).

Index is calculated as [Year x-1 index = (1 + year x % change) * year x index].

Budget figure is multiplied by appropriate index to adjust for inflation.

Sources: DOF, Financial and Economic Research. Indexes by Children's Advocacy Institute. *Projected by Children's Advocacy Institute.

TABLE App.-A. Cost of Living Adjustors

The annual percent changes for these adjustors are shown in Table App.-A, along with the cumulative percentage change index for each. The change index reflects the cumulative effects of the adjustor's annual percent changes, compared to the 2003-04 base value of 100%. For example, an index of 1.27 in 1992-93 means that each \$100 spent in 2003-04 would have purchased 27% more or the equivalent of \$127 in 1992-93. Table App.-A, which shows the cumulative cost-of-living change indexes, makes it apparent both that inflation has had a significant cumulative effect regardless of which index is used to measure it, and also the extent to which inflation in health care costs has outstripped the others. It also shows the extent to which holding spending level in nominal terms actually constituted a real cut in purchasing power.

Population Adjustors (POP)

Just as the COL adjustor allows comparison of funding across years in constant value (*i.e.*, 2003-04) dollars, the population component of the adjustment allows comparison of spending across years as though there was a constant (2003-04) population level to be served, by applying to each year's spending level the ratio of that year's population to the current year population applicable to the program.

Since public programs exist to meet needs in the population, we must be able to examine them in relation to the size of that need. Population adjustors can be seen as either direct measures or proxy indicators of changes in the level of need for the program over time. They allow comparisons of spending levels across changes in the size of the population affected.

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Spending for any given year could buy a certain level of services for the population existing at the time. The combination of COL and population adjusted figures tells us what that same spending level would be if applied to the 2003–04 population, given the buying power of 2003–04 dollars. If it is higher, more of that population's need was met; if lower, less.

Each *California Children's Budget* program account is adjusted by the available population adjustor best reflecting the age group it serves. Some program accounts are designed to serve children defined by criteria other than just age, such as income level or existence of a specific condition. In such cases, adjustment for need in the population should be based on both the overall number of children in the age group, and also on the proportion of those children meeting those additional criteria.

Foremost among these are safety net programs to help ameliorate the effects of poverty for children in low-income families. Poverty rates come from the March Current Population Survey (CPS) conducted by the U.S. Bureau of Labor Statistics and reported annually by the state Department of Finance. The CPS report provides poverty rates for the whole state and for children under age 18, for the prior year. For our 2004–05 projection, we calculated the percentage of TANF recipients leaving the rolls during 2003–04 and adjusted it for an “immigration” withdrawal factor. That factor was conservatively based on the contraction of “child only” cases—indicative not of rise from poverty, but of undocumented parents withdrawing from TANF due to ancillary factors discussed in Chapter 2. The respective rate percentages are applied to the DOF population figures (shown in Table App.-B); the resulting numerical estimates of poor children, and the associated cumulative change indexes by age group, are shown in Table App.-C.

Other surveys have consistently found younger children to have had a higher poverty rate, by 3% or more, than all children under age 18 or 20, so our CPS-based method is likely to underestimate poverty among children age 0–4.

Joint Adjustment Effects

Each of these adjustment elements standardizes for one of the two main factors affecting how far a budget appropriation will go: inflation, reflecting changes over time in the value of what each dollar can buy; and population need, reflecting changes over time in the number of children needing to be covered by a given amount of dollars. Both must be applied to evaluate the extent to which program budgets over time are providing less, more or the same coverage for the children they serve.

The *California Children's Budget*'s adjustments account for the joint effects of changes in both inflation and population. These joint effects represent the real levels by which programs funded at the same nominal dollar level would have fallen over the years shown.

By using these adjustments, we underline the importance of considering changes in both the real purchasing power of the program dollars spent, and also in the needs of the population, in evaluating the real direction we have been going in funding programs that serve children over the period being considered. However, these comparisons of up-or-down trends do not tell us about the adequacy of funding. There was nothing intrinsically “right” or adequate about 1989–90 funding levels; they’re useful to anchor a look at the state’s recent funding direction. In fact, it is also important to evaluate the absolute level of funding with respect to need. A small new program that meets a very small part of the need—the type all too many politicians love to attach their name to and publicize, without spending much on it—may show a steep percentage increase since 1989–90, but still only meet a very small part of the need. By contrast, a huge program that serves very many children may show a smaller percentage drop, that could in fact be much more important to many more children in the state—though that dip may look undramatic on a table or graph. (Transferring \$10 million from a \$1 billion program to a \$10 million program will decrease the former by 1% and increase the latter by 100%.)

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The reader is advised to go beyond percentage changes and to consider the level of support for programs in terms of how well they meet the needs they are there to address. We should not focus on dramatic increases in small new “boutique” programs serving a few children at the expense of tolerating significant cuts to or underfunding of the basic, important programs serving most children. We urge all users of the *California Children’s Budget* to consider the effect of budget decisions on children, immediately as well as in the future. Are our spending priorities for California’s present and future needs adequately reflected in the decisions which, taken together, comprise the state’s budget?

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	YEAR															Projected	
	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	
K-12 ENROLLMENT																	
K-12 Enrollment	4,668,495	4,842,174	5,001,670	5,089,808	5,166,261	5,242,078	5,367,926	5,512,155	5,633,646	5,748,344	5,865,057	5,967,170	6,068,928	6,176,698	6,246,193	6,308,289	
Change Index	1.338	1.290	1.249	1.227	1.210	1.192	1.164	1.133	1.109	1.087	1.065	1.047	1.029	1.011	1.000	0.9902	
STATE POPULATION																	
CA Population	29,142,279	29,828,000	30,458,000	30,987,000	31,314,000	31,523,000	31,711,000	31,962,000	32,452,000	32,862,000	33,417,000	34,040,000	34,727,000	35,336,000	35,934,000	36,474,000	
Change Index	1.233	1.205	1.180	1.160	1.148	1.140	1.133	1.124	1.107	1.093	1.075	1.056	1.035	1.017	1.000	0.9852	
ages 0-4	2,425,480	2,533,525	2,663,183	2,750,896	2,805,151	2,809,823	2,753,496	2,712,417	2,689,023	2,677,063	2,678,091	2,486,981	2,518,583	2,550,587	2,582,997	2,615,819	
ages 5-9	2,171,932	2,250,292	2,295,486	2,313,232	2,342,312	2,485,978	2,590,067	2,672,803	2,719,961	2,722,918	2,716,465	2,725,880	2,735,328	2,744,808	2,754,321	2,763,867	
ages 10-14	1,897,823	2,016,612	2,088,434	2,141,590	2,193,730	2,256,835	2,300,590	2,333,416	2,377,896	2,443,433	2,530,110	2,570,822	2,612,189	2,654,222	2,696,931	2,740,327	
ages 15-19	2,148,611	2,076,825	2,007,765	1,996,897	1,996,752	2,058,514	2,129,892	2,214,550	2,275,548	2,331,958	2,380,978	2,450,888	2,522,851	2,596,926	2,673,177	2,751,666	
Pop'n 0-19	8,643,846	8,877,254	9,054,868	9,202,615	9,337,945	9,611,150	9,774,045	9,933,186	10,062,428	10,175,372	10,305,644	10,234,571	10,388,851	10,546,543	10,707,426	10,871,679	
Chng Index, 0-19	1.239	1.206	1.183	1.164	1.147	1.114	1.096	1.078	1.064	1.052	1.039	1.027	1.031	1.015	1.000	0.9849	
Pop'n0-14	6,495,235	6,800,429	7,047,103	7,205,718	7,341,193	7,552,636	7,644,153	7,748,636	7,786,880	7,843,414	7,924,666	7,783,683	7,866,100	7,949,617	8,034,249	8,120,013	
Chng Index, 0-14	1.237	1.181	1.140	1.115	1.094	1.064	1.051	1.037	1.032	1.024	1.014	1.032	1.021	1.016	1.000	0.9894	
Pop'n 0-9	4,597,412	4,783,817	4,958,669	5,064,128	5,147,463	5,295,801	5,343,563	5,385,220	5,408,984	5,399,981	5,394,556	5,212,861	5,253,911	5,295,395	5,337,318	5,379,686	
Chng Index, 0-9	1.161	1.116	1.076	1.054	1.037	1.008	0.999	0.991	0.987	0.988	0.989	1.024	1.016	1.008	1.000	0.9921	
Pop'n 0-4	2,425,480	2,533,525	2,663,183	2,750,896	2,805,151	2,809,823	2,753,496	2,712,417	2,689,023	2,677,063	2,678,091	2,486,981	2,518,583	2,550,587	2,582,997	2,615,819	
Chng Index, 0-4	1.065	1.020	0.970	0.939	0.921	0.919	0.938	0.952	0.961	0.965	0.964	1.039	1.026	1.0127	1.000	0.9875	

Population figures are for July 1 of each year. * Projection estimated by CAI.

Change Index compares given year's population figure to baseline population figure for 2003-04, with 2003-04=1.00.

Sources: California Dept. of Education, State Totals, K-12 Public School Enrollment; Dept. of Finance Official Population Projections; Population Estimates Program, Population Division, U.S. Bureau of the Census (Washington, D.C.; 2003). All %s and indexes calculated by CAI.

TABLE App.-B. State Population Data

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	Year														Estimated	Projected
	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04*	2004-05*
CA Population	29,142,279	29,828,000	30,458,000	30,987,000	31,314,000	31,523,000	31,711,000	31,962,000	32,452,000	32,862,000	33,417,000	34,040,000	34,727,000	35,336,000	35,934,000	36,474,000
CA Poverty Rate	12.9%	13.9%	15.7%	16.4%	18.2%	17.9%	16.7%	16.9%	16.6%	15.4%	14.2%	12.8%	12.6%	13.1%*	12.9%*	12.9%*
No. in Poverty	3,759,354	4,146,092	4,781,906	5,081,868	5,699,148	5,642,617	5,295,737	5,401,578	5,387,032	5,060,748	4,745,214	4,357,120	4,375,602	4,629,016	4,635,486	4,705,146
Poverty index	1.2331	1.1180	0.9694	0.9121	0.8134	0.8215	0.8753	0.8582	0.8604	0.9159	0.9567	1.0639	1.0594	1.0014	1.0000	0.9852
CA Child Poverty Rate*	21.6%	21.9%	23.8%	24.9%	26.5%	28.2%	28.2%	27.1%	28.0%	26.0%	25.0%	24.3%	24.3%	24.7%	24.8%	24.8%
0-19 population	8,643,846	8,877,254	9,054,868	9,202,615	9,337,945	9,611,150	9,774,045	9,933,186	10,062,428	10,175,372	10,305,644	10,234,571	10,388,851	10,546,543	10,707,426	10,871,679
# 0-19 in poverty	1,867,071	1,944,119	2,155,059	2,291,451	2,474,555	2,710,344	2,756,281	2,691,893	2,817,480	2,645,597	2,576,411	2,487,000	2,524,490	2,604,996	2,655,442	2,696,176
0-19 Pov. index	1.4223	1.3659	1.2322	1.1588	1.0731	0.9797	0.9634	0.9865	0.9425	1.0037	1.0307	1.0677	1.0519	1.0194	1.0000	0.9849
0-4 population	2,425,480	2,533,525	2,663,183	2,750,896	2,805,151	2,809,823	2,753,496	2,712,417	2,689,023	2,677,063	2,678,091	2,486,981	2,518,583	2,550,587	2,582,997	2,615,819
# 0-4 in poverty	523,904	554,842	633,838	684,973	743,365	792,370	776,489	735,065	752,928	696,036	669,523	604,336	612,016	629,995	640,583	648,723
0-4 pov. index	1.2227	1.1545	1.0106	0.9352	0.8617	0.8084	0.8250	0.8715	0.8508	0.9203	0.9568	1.0600	1.0467	1.0168	1.0000	0.9875
% of pop'n < 19	29.7%	29.0%	29.0%	29.7%	29.8%	30.5%	30.8%	31.1%	31.0%	31.0%	30.8%	30.0%	29.9%	29.8%	29.8%	29.8%
% of poor < 19	49.7%	45.6%	43.9%	45.1%	43.4%	48.0%	52.0%	49.8%	52.3%	52.3%	54.3%	57.0%	57.7%	56.3%	57.3%	57.3%
AFDC/TANF Caseload																
Cases	636,255	706,510	790,406	844,393	898,378	921,011	916,869	913,831	732,318	651,351	589,000	521,000	520,300	511,000	479,000	481,000
Caseload Index	0.7528	0.6780	0.6060	0.5673	0.5332	0.5201	0.5224	0.5242	0.6541	0.7354	0.8132	0.9194	0.9206	0.9374	1.0000	0.9958
Recipients	1,856,691	2,048,470	2,266,263	2,414,713	2,603,104	2,679,517	2,669,916	2,661,345	2,163,172	1,839,940	1,685,000	1,482,000	1,477,000	1,438,932	1,261,000	1,266,000
Recipient Index	0.6792	0.6156	0.5564	0.5222	0.4844	0.4706	0.4723	0.4738	0.5829	0.6853	0.7484	0.8509	0.8538	0.8763	1.0000	0.9961

TABLE App.-C. State Poverty

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