Budgets, Taxes, and Spending

The Promise and The Challenge in California

Department of Finance
- Governor
- Assembly Floor
- Senate Floor
- Assembly Budget Committee
- Senate Budget & Fiscal Review Committee
- Assembly Floor
- Senate Floor
- Joint Budget Conference Committee
- Assembly Floor
- Senate Floor
- Governor

Civics Model
California’s Population Has Increased Dramatically Over Time

California’s Civilian Population

[Graph showing population increase from 1850 to 1990]
California’s Diverse and Changing Ethnic Mix

Population Distribution by Ethnicity

California’s Population Growth Will Continue to Outpace the Nation’s Annual Average Percent Change
California Is Becoming Increasingly Urban

Population Density per Square Mile

San Francisco Bay Area | Southern California | Central Valley

- 1960
- 1990
- 2020

California’s Economy Is Highly Diversified

Wage and Salary Jobs in 2000, by Sector

- Services
- Trade
- Manufacturing
- Agriculture
- Construction
- Government
- Finance, Insurance, Real Estate
- Other
California Is the World’s Eighth Largest Economy

Gross Product in 1997 (In Trillions)

- United States
- Japan
- Germany
- France
- Italy
- United Kingdom
- China
- California
- Brazil
- Mexico

Growth in Personal Income By Major California Economic Region

Billions of 1997 Dollars
1960 Versus 1997

- Southern California
- Bay Area
- Central Valley

Gross Product in 1997:
- United States: 8
- Japan: 3
- Germany: 2
- France: 1
- Italy: 1
- United Kingdom: 0
- China: 0
- California: 1
- Brazil: 0
- Mexico: 0

Growth in Personal Income:

- Southern California: $400
- Bay Area: $200
- Central Valley: $100
High-Tech, Services, and Construction Lead California’s Current Economic Expansion

Annual Average Percent Change in California Jobs

- Computer Software
- Motion Picture Production
- Construction
- Other Services
- Electrical Manufacturing
- All Other Industries

Income Gains—Widespread But Greatest at the High End

Percent Change in Average Real Income, By Quintile 1993 Through 1998
Share of Total State Expenditures By Major Program Area

2000-01 (As Proposed in Governor’s Budget)

- K-12 Education
- Health and Social Services
- Higher Education
- Business, Transportation, and Housing
- Youth and Adult Corrections
- Resources
- Tax Relief
- Courts
- State and Consumer Services
- Environmental Protection
- Other

Changes in the Mix of State Expenditures Over Time

Total State Expenditures, 1960-61 and 2000-01 (Proposed)
State Expenditures Relative to the Economy

Total State Expenditures Per $100 of Personal Income 1963-64 Through 2000-01

Significant Changes Over Time in the State-Local Fiscal Relationship

- Increased Voter Oversight of Revenue
- Shifts in Program and Funding Responsibility
- Reduced Local Flexibility
Relative Importance of Different Revenue Sources Over Time

General Fund Revenues

1964-65 2000-01

California’s Relative Tax Burden—About Average

State and Local Taxes per $100 of Personal Income
Underlying General Fund Revenue Growth

1989-90 Through 1999-00

Recent General Fund Revenue Performance by Source

Average Annual Revenue Growth
1994-95 Through 1999-00

Personal Income Growth
(6.3 Percent)

-5 5 10 15 20%

Personal Income Tax
Sales and Use Tax
Bank and Corporation Tax
Other Revenues
Significant Upward Revisions Made To Projected Revenue Growth

Projected Percent Growth in 1999-00 General Fund Revenues

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<tbody>
<tr>
<td>Percent Growth</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>20</td>
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Prevalence of Low-Income Persons Differs by California Region

Percent of Households Relative to Poverty Measures

- **Bay Area**: 5%
- **Southern California**: 10%
- **Central Valley**: 15%

Legend:
- Red: Percent of persons below poverty level
- Green: Percent of persons below 200 percent of poverty level
Housing Affordability Is a Major Issue In California

Households That Can Afford Payments on Median-Priced Homes by Region 1990

- Sacramento
- Riverside/San Bernardino
- Los Angeles
- Statewide Average
- Orange County
- San Diego
- San Francisco Bay Area

National Average 54%

Health Insurance Coverage for Nonelderly Californians

By Family Income, 1997

- Income (Percentage of Poverty Level)
- <100
- 100 to 200
- 200 to 300
- >300%

- Uninsured
- Medi-Cal
- Private or job-based coverage
Funding for K-12 and Higher Education Per Student

1978-79 to 2000-01
Constant 2000 Dollars

Growth in Total Public Funding For K-12 and College-Age Students

Percent of 1978-79 Funding Level (Adjusted for Inflation)
8th Grade Reading Proficiency Levels By Race/Ethnicity

Grade Level

All Students White Black Hispanic

California National Average

8th Grade Math Proficiency Levels By Race/Ethnicity

Grade Level

All Students White Black Hispanic

California National Average
8th Grade Proficient Readers

Percent of Students Reading at a Proficient Level

- All Students
- White
- Black
- Hispanic

California National Average

California Public Higher Education Participation Over Time

Percent of Californians Attending College by Age Cohort 1977 to 1998

- 18 - 19
- 20 - 24
- 25 - 29
- 18 and Over
State and Student Shares of College Institutional Costs

2000-01 Budget Proposal

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<tr>
<th>Institution</th>
<th>State Share</th>
<th>Student Share</th>
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<td>UC</td>
<td>86%</td>
<td>15%</td>
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<tr>
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Trends in State Capital Outlay Spending Over Time

1966-67 Through 2000-01

- Per Capita Spending
- "Real" Per Capital Spending
Ten-Year Infrastructure Needs Exceed $80 Billion

Program Area

- Business, Transportation, and Housing
- Higher Education
- Youth and Adult Corrections
- Resources and EPA
- K-12 Education
- Other

Steady Growth in Transportation Demand Foreseen

Demand Factors:
- Vehicle miles traveled on state highways
- Population

Projected vehicle miles traveled and population growth.
Growing Water Demands to Put Pressure on Supply

- In Million Acre-Feet

The Problems in California’s State-Local Relationship

- Jumbled assignment of responsibilities.
- Counterproductive fiscal incentives.
- Lack of accountability for program outcomes.
- Unproductive competition for resources.
- Erosion of local control.