



CALIFORNIA BUDGET PROJECT

# Uncharted Waters:

## Navigating the Social and Economic Context of California's Budget

1107 9th Street,  
Suite 310  
Sacramento,  
California 95814  
(916) 444-0500  
www.cbp.org  
cbp@cbp.org

A PRESENTATION BY  
THE CALIFORNIA BUDGET PROJECT

June 2009

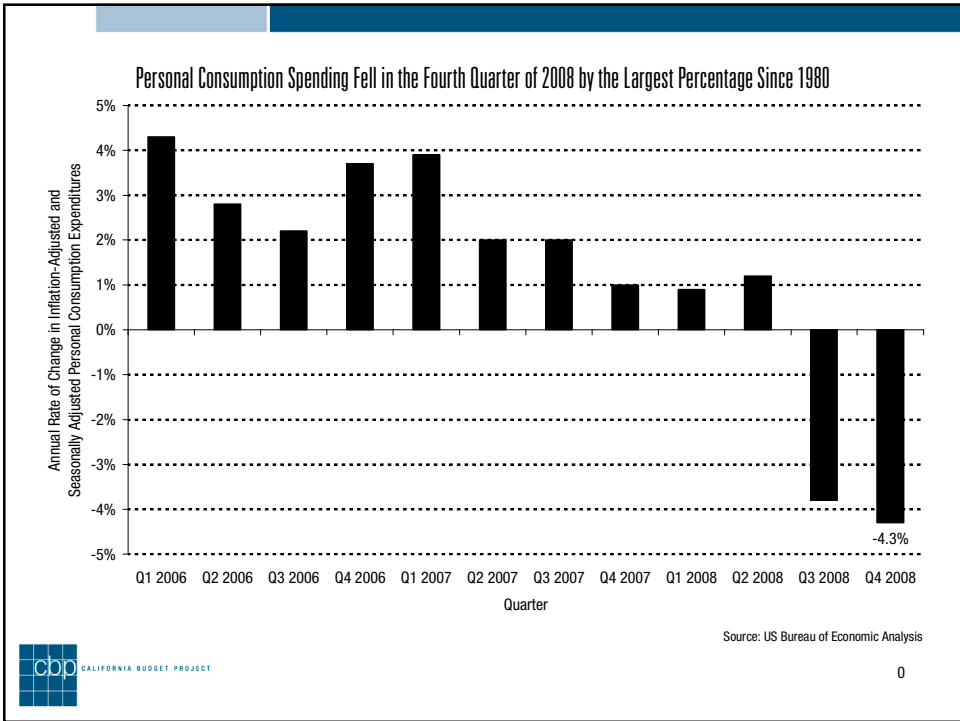
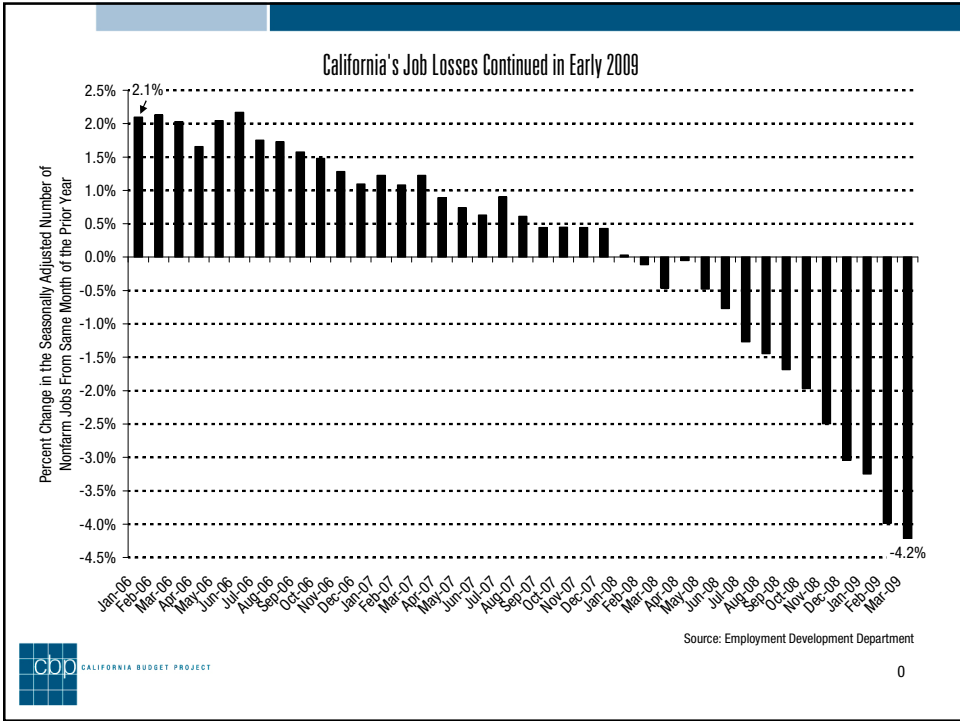
### California's Median Home Price Has Plunged Since Peaking in Spring 2007

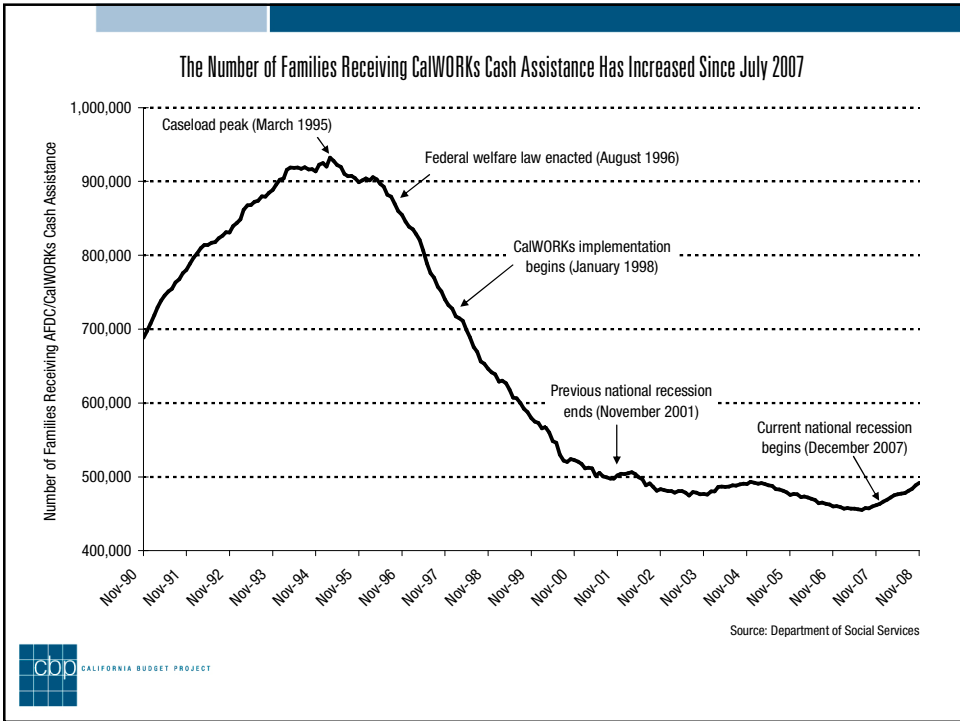
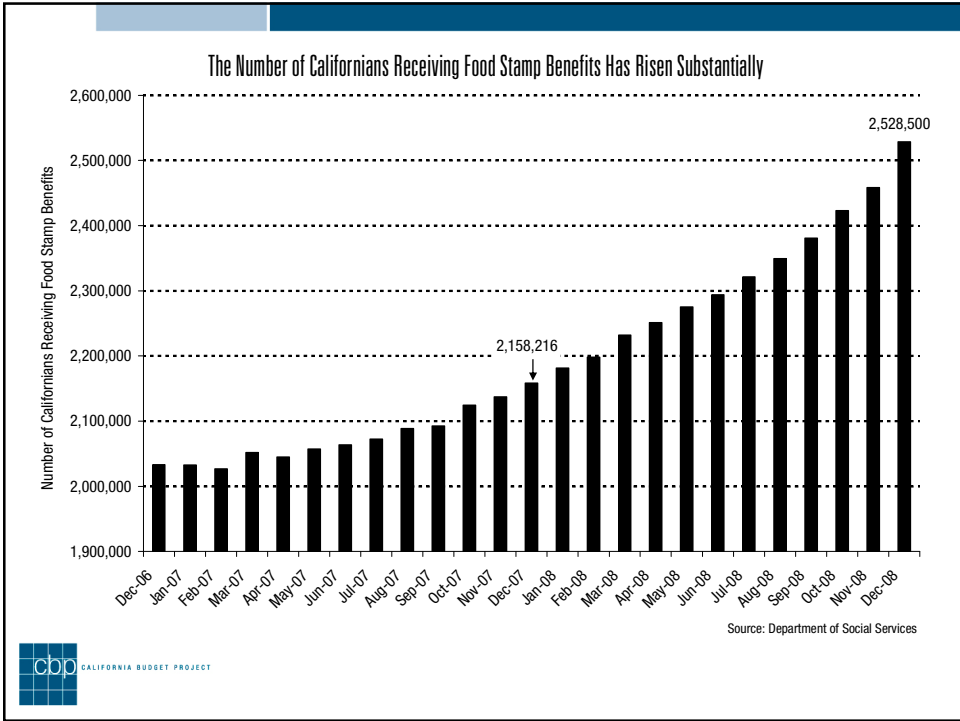


Note: Includes new and resale condominiums and single-family detached homes.  
Source: MDA DataQuick



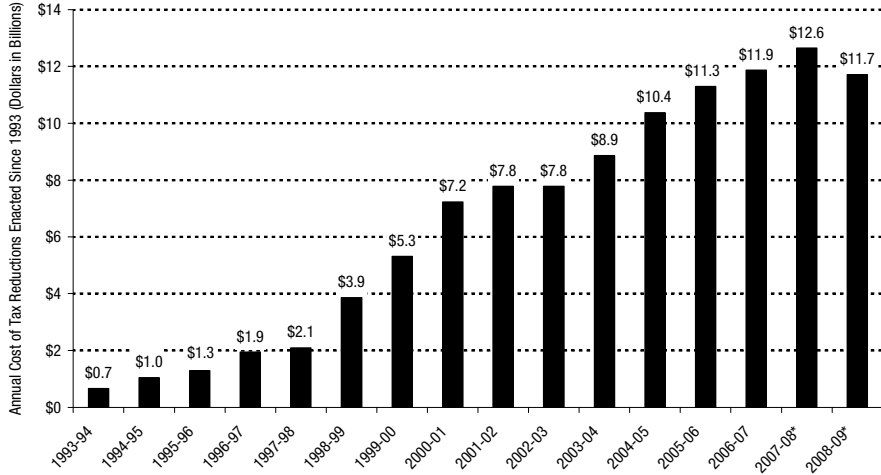
CALIFORNIA BUDGET PROJECT





### Tax Cuts Enacted Since 1993 Will Cost \$11.7 Billion in 2008-09

2008-09 Drop Reflects Suspension of Net Operating Loss Deductions

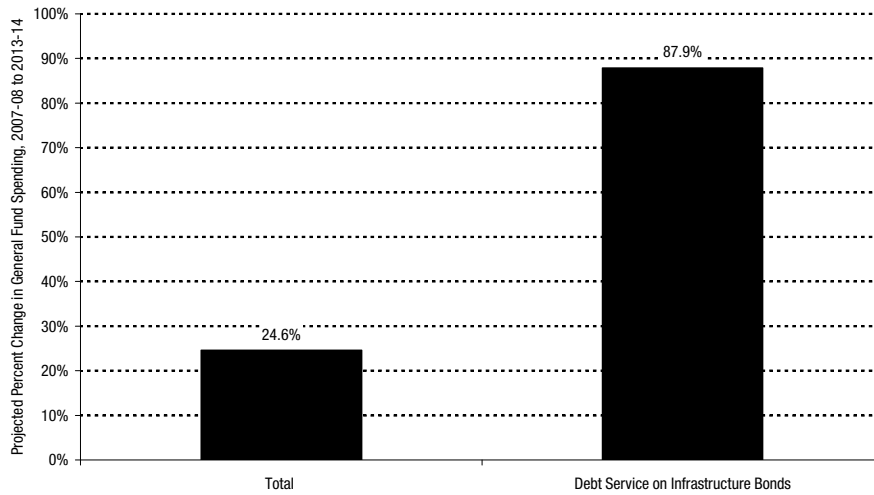


\*2007-08 and 2008-09 estimated.

Source: Assembly Revenue and Taxation Committee, Board of Equalization, Department of Finance, Franchise Tax Board, and Legislative Analyst's Office



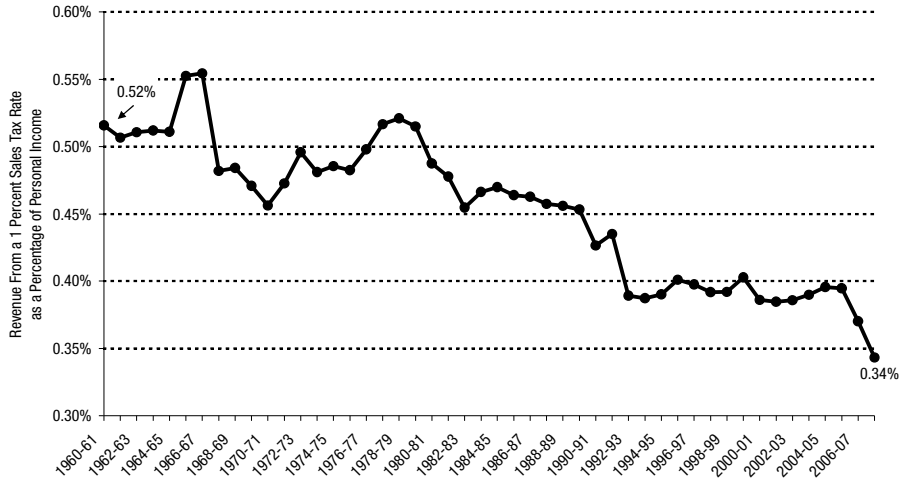
### Infrastructure Debt Service Costs Expected To Rise at More Than Three Times the Rate of Overall Spending



Source: Legislative Analyst's Office



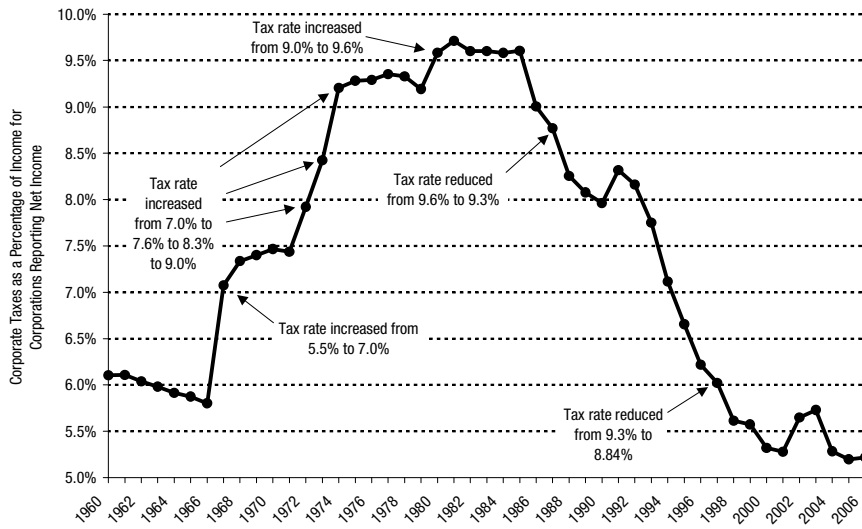
### Sales Tax Collections Have Declined as a Share of Personal Income



Source: Board of Equalization, Department of Finance, Legislative Analyst's Office, and US Bureau of Economic Analysis



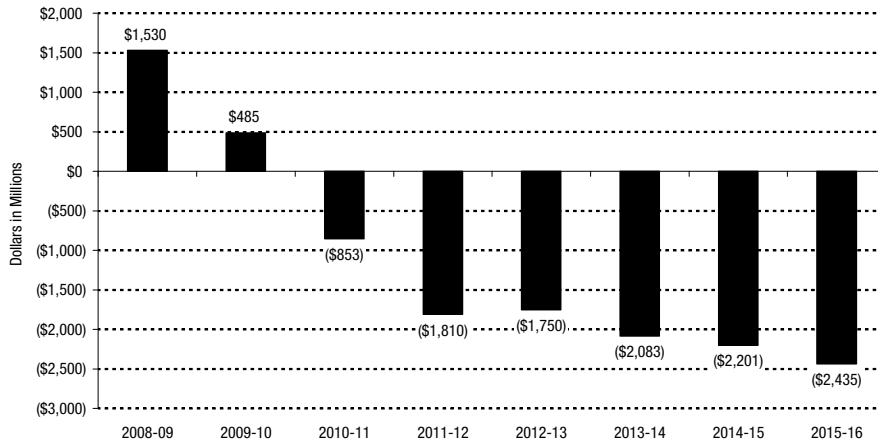
### The Share of Corporate Income Paid in Taxes Has Fallen by Nearly Half Since 1981



Source: Franchise Tax Board



### 2008 and 2009 Tax Deals Will Lose More Than \$9 Billion Over Eight Years Losses Will Continue Permanently

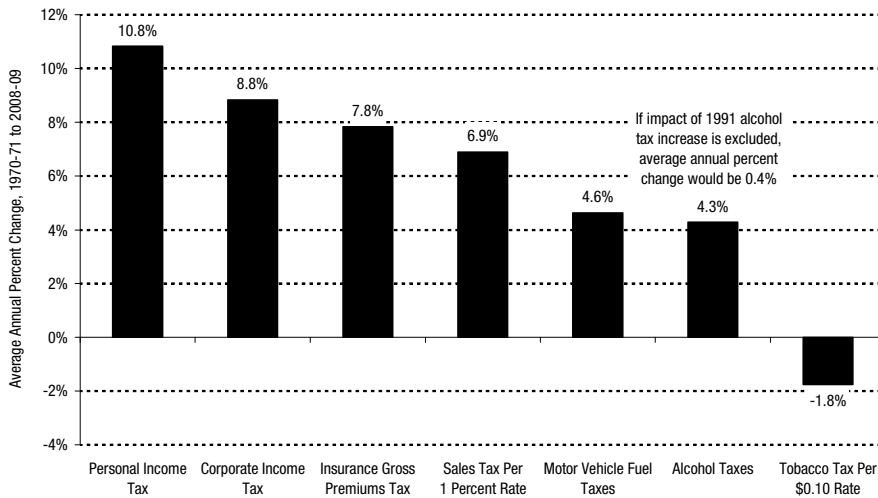


Net Cost of Business Tax Cuts in the 2008 and 2009 Budget Agreements

Note: Assumes full loss due to Single Sales Factor apportionment occurs in 2015-16.  
Source: Franchise Tax Board and Senate Floor Analysis



### Personal Income Tax Posts the Highest Average Annual Growth Rate Over Time

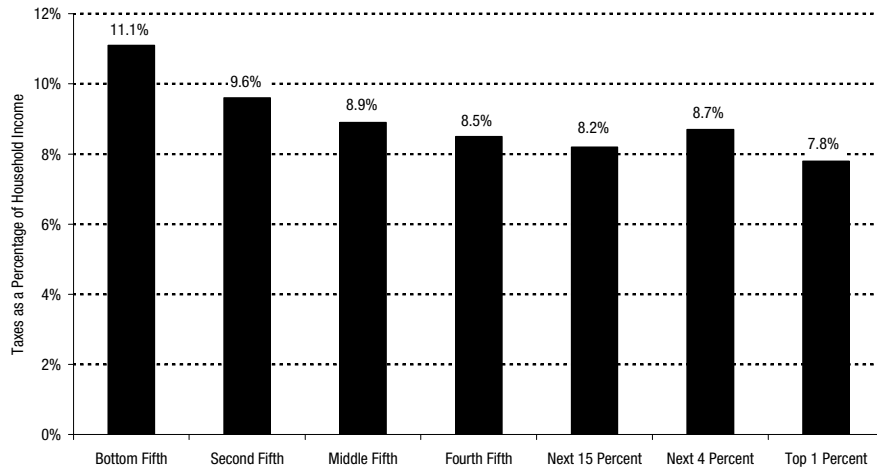


Note: 2008-09 revenues estimated.  
Source: CBP analysis of Legislative Analyst's Office data



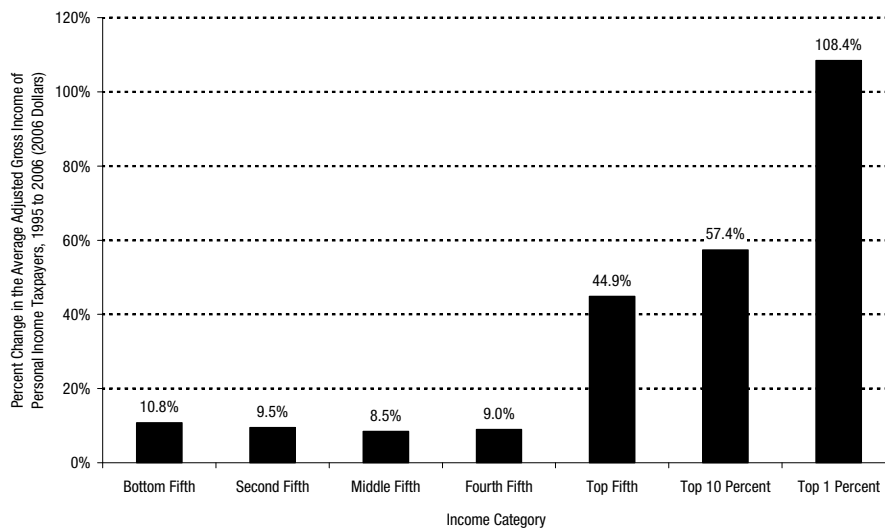
### The Lowest-Income Households Pay the Largest Share of Their Income in State and Local Taxes

Includes the Temporary Tax Increases Enacted in the February Budget Agreement



Source: Institute on Taxation and Economic Policy

### The Gains of High-Income Taxpayers Far Outpaced Those of Other Taxpayers, 1995 to 2006



Source: Franchise Tax Board

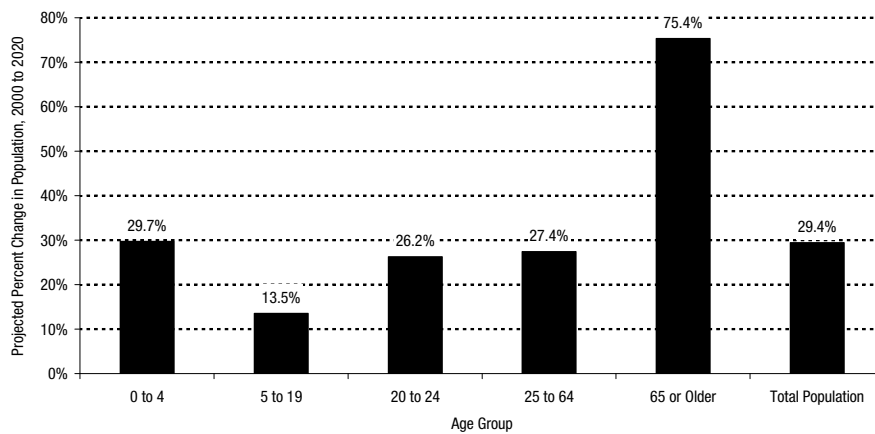
### How Does California Compare? Revenues as a Percentage of Personal Income

	California Rank	California	US
Total State and Local Own Source (2005-06)	17	16.96%	16.29%
Total State and Local Taxes (2005-06)	13	11.73%	11.23%
State Taxes (2007-08)	13	7.57%	6.60%
Local Taxes (2005-06)	32	3.76%	4.52%
State Individual Income Tax (2007-08)	4	3.60%	2.37%
State Corporate Income Tax (2007-08)	5	0.76%	0.44%
State and Local General Sales Taxes (2005-06)	16	2.89%	2.65%
State General Sales Tax (2007-08)	26	2.06%	2.03%
State and Local Property Tax (2005-06)	36	2.67%	3.37%
State Motor Fuels Taxes (2007-08)	45	0.22%	0.31%
State Tobacco Tax (2007-08)	46	0.07%	0.14%
State Alcoholic Beverage Sales Taxes (2007-08)	41	0.02%	0.04%



Source: US Bureau of Economic Analysis and US Census Bureau

### Californians Age 65 or Older Are Projected To Be the Fastest Growing Age Group Between 2000 and 2020



Source: Department of Finance



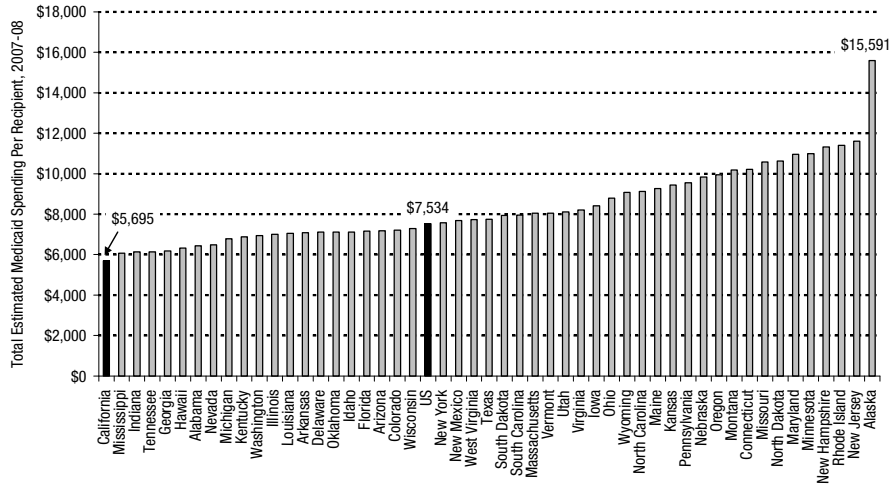
### How Does California's Spending Compare? Spending as a Percentage of State Personal Income, 2007-08

	California Rank	California	US
Total Expenditures	22	15.06%	13.78%
General Expenditures	25	12.81%	12.00%
Corrections	4	0.52%	0.39%
Education	29	4.70%	4.34%
Health	8	0.74%	0.49%
Highways	46	0.59%	0.87%
Hospitals	23	0.40%	0.41%
Natural Resources	12	0.31%	0.19%
Parks and Recreation	37	0.03%	0.05%
Police Protection	36	0.09%	0.11%

Source: US Bureau of Economic Analysis and US Census Bureau



### California Spends Less Than Any Other State Per Medi-Cal Enrollee



Note: Number of recipients is for December 2007.

Source: Kaiser Family Foundation unpublished data and National Association of State Budget Officers



**Still Stretched Thin: Counties Failed To Receive Nearly \$1 Billion in 2008-09  
To Cover the Rising Cost of Operating Health and Human Services Programs**  
Dollars in Millions

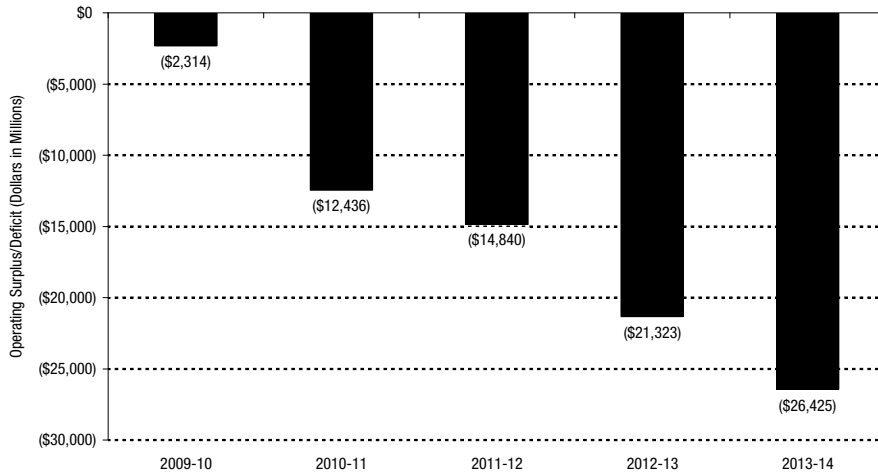
	State Funds	Total State and Federal Funds
Adoptions Program	\$16.8	\$22.1
Adult Protective Services Program	\$16.5	\$20.9
CalWORKs Program*	\$250.6	\$250.6
Child Welfare Services Program	\$206.9	\$486.4
Food Stamp Program	\$19.5	\$49.0
Foster Care Program	\$8.2	\$12.5
In-Home Supportive Services Program	\$24.8	\$59.6
Medi-Cal Program**	\$32.3	\$64.6
<b>TOTAL</b>	<b>\$575.6</b>	<b>\$965.7</b>

\* State and federal funds are used interchangeably in the CalWORKs Program.  
 \*\* Prior to 2008-09, the state had provided funding for counties' Medi-Cal operating-cost increases every year since 2003-04.  
 Note: Except for the Medi-Cal Program, figures reflect amounts that counties would have received in 2008-09 if the state had consistently provided funding for counties' operating-cost increases every year since 2000-01.  
 Source: County Welfare Directors Association of California and Department of Health Care Services



CALIFORNIA BUDGET PROJECT

**Significant Budget Shortfalls Are Expected  
To Continue Regardless of the Outcome of the May Election**



Note: Assumes passage of Propositions 1A through 1F.  
 Source: Legislative Analyst's Office



CALIFORNIA BUDGET PROJECT

