
CAL FACTS

California's Economy and Budget in Perspective



December 2000

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With a state as big, as populous and as complex as California, it would be impossible to quickly summarize how its economy or state budget works. The purpose of *Cal Facts* is more modest. By providing various "snapshot" pieces of information, we hope to provide the reader with a broad overview of public finance and program trends in the state.

Cal Facts consists of a series of charts and tables which address questions frequently asked of our office. We hope the reader will find it to be a handy and helpful document.

Elizabeth G. Hill
■ *Legislative Analyst*



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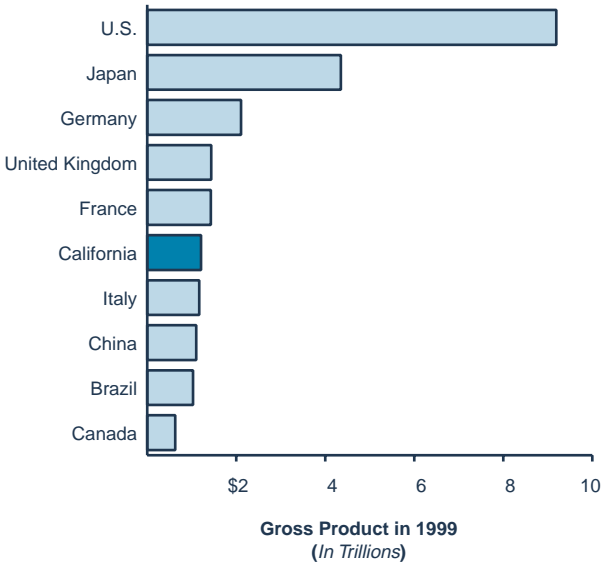
The logo consists of the Roman numeral 'iii' in a white, serif font, centered within a dark blue square.

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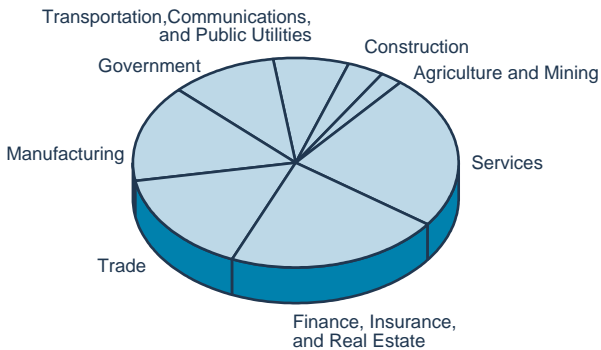
California Is the World's Sixth Largest Economy



- California's gross state product exceeds \$1.2 trillion, making it one of the world's largest economies.
- California accounts for 13 percent of the nation's output and trails only Japan, Germany, England, and France.
- Our nation's next largest state economy—New York—is about 70 percent the size of California's.

California's Economy Is Highly Diversified

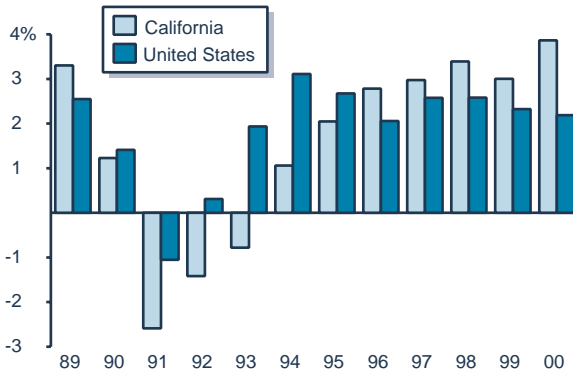
Share of Gross State Product in 1999



- Because of California's economic diversification, it is not overly dependent on any one industry.
- The largest single industry sector in California is services. It accounts for nearly one-fourth of all output, and includes many high-paying jobs involving computer and software design, motion picture production, engineering, and legal work. It also includes many low-paying positions involving personal services, child care, landscaping, and restaurant and hotel services.
- Its next largest sectors—finance, trade, and manufacturing—reflect such elements as banking activities, venture capital financing, and the manufacturing and sale of high-tech goods.

California Regains Growth Margin Over Nation

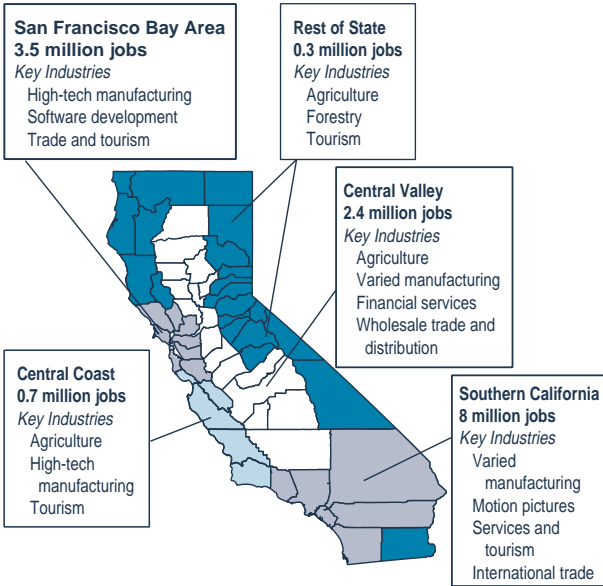
Annual Percent Change in Wage and Salary Jobs



- The early 1990s' recession hit California especially hard, with employment, output, and incomes falling more than the nation.
- California also lagged behind the nation in the early stages of the subsequent recovery, as declines in aerospace, banking, and certain other industries dominant in the state held California's growth down through the middle the decade.
- Thereafter, however, the pace of the state's economy accelerated, with job growth exceeding the nation in each of the past five years. Economic growth was particularly strong in 2000, with jobs and incomes increasing at their strongest pace since the early 1980s.

Economic Activity Differs by Region

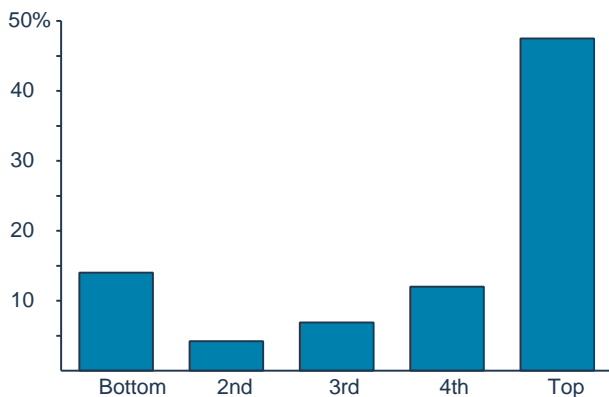
2000



- California can be divided into five major regions, each having somewhat distinct economic and geographic characteristics. For example, the largest and most diverse region is Southern California, with workers in virtually all industries; the Bay Area is known for high-tech activities and high average income; and the Central Valley is highly agricultural, but becoming more diversified.

Recent Income Gains Largest at Top End

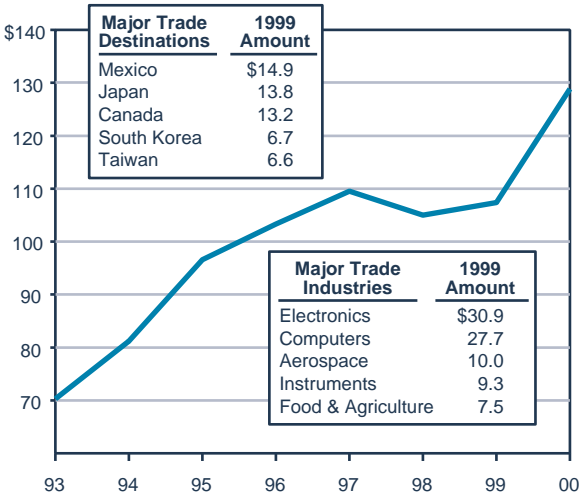
*Percent Change in Average Real Income
Joint Returns By Quintile
1993 Through 1998*



- The current economic expansion has benefitted households at all income levels, but especially those at the top.
- The rapid gains at the top reflect large returns to education and high investment earnings.

Foreign Trade Is an Important Element of California's Economy

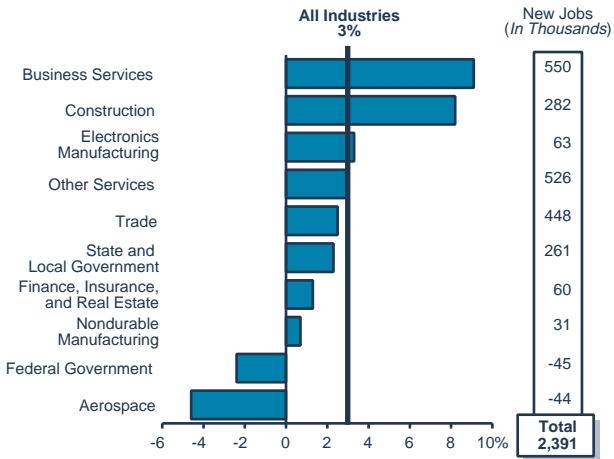
Total California Exports (In Billions)



- California has one of the world's largest trade sectors. Exports of California products topped \$125 billion in 2000, accounting for over 11 percent of the state's total economic output.
- After pausing in 1998 and 1999, sales to foreign markets jumped by more than 20 percent in 2000, as demand from Asia's markets rebounded and trade with Mexico soared. Mexico is now California's largest export market, having surpassed Japan in 1999.
- High-tech goods account for the majority of California's exports, with electronics, computers, aerospace, and instruments accounting for over three-fourths of shipments abroad.

Business Services and Construction Have Led the 1990s' Expansion

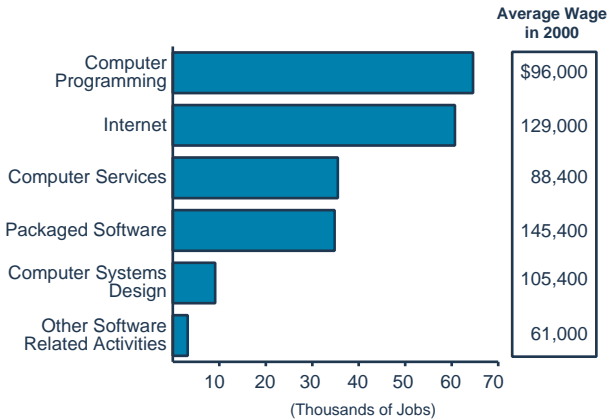
Annual Average Percent Change in California Jobs, 1994 Through 2000



- The single strongest sector leading California's 1990s' expansion has been business services, especially the segments associated with the high-tech "new economy."
- Construction recorded the next strongest percentage job gains, reflecting rapid increases in nonresidential construction and remodeling activity, along with moderate growth in single-family housing. Electronics manufacturing also registered solid growth, led by increases in computers, telecommunications, and instruments.
- Lagging industry categories have included aerospace and federal government employment, both of which have been adversely affected by defense cutbacks.

The State's Software Industries Have Boomed During the Decade

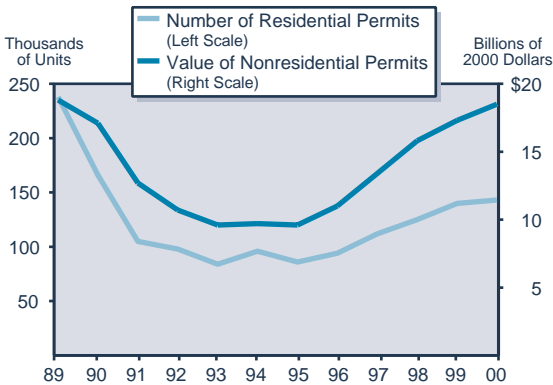
New Jobs, 1994 to Early 2000



- The most dramatic aspect of California's economic expansion in the 1990s has been the growth in the state's computer-related services industries.
- These industries, which include businesses involved in development of computer systems, software, and the Internet, have increased from less than 130,000 jobs in 1994 to nearly 340,000 by early 2000.
- Employee compensation in these industries also has grown dramatically, with several subsectors paying average annual incomes in excess of \$100,000. These high payments partly reflect stock options and bonuses granted to many employees in these industries.

Nonresidential Construction Has Led California's Building Rebound

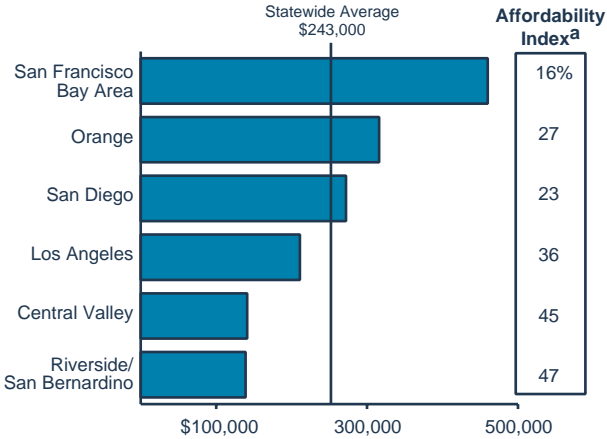
Construction Permits, 1989 Through 2000



- Construction was one of the state's fastest growing employment sectors in the second half of the 1990s, with all industry segments experiencing gains—residential, nonresidential, and additions/alterations.
- The rebound in the residential sector has been moderate by historical standards, with permits currently well below the 1980s' average. This reflects such factors as local building controls and lengthened times for the issuance of new permits.
- In contrast, nonresidential construction activity has soared in recent years, with total permit valuations nearing all-time highs.

High California Home Prices Have Driven Down Affordability

Median Home Prices in July 2000

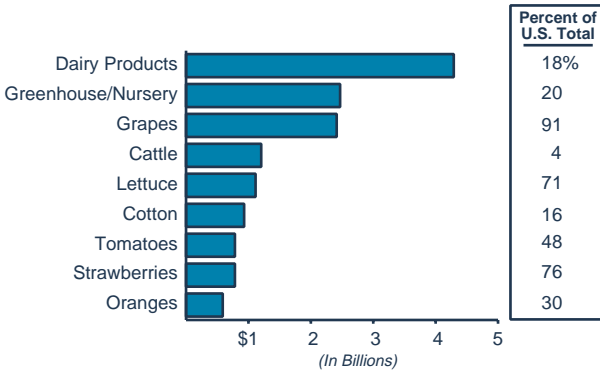


^a Percent of households that can afford to purchase a median-priced home in a given area.

- Strong economic growth has put significant upward pressure on housing prices in California, particularly in coastal regions. This has especially eroded affordability in the Bay Area, Orange County, and San Diego.
- The statewide median price of a single-family home has risen from \$175,000 in 1996 to about \$245,000 as of mid-2000. Currently, less than one-third of California households have sufficient income to purchase such a home.
- By far, the highest cost region is the San Francisco Bay Area, which had a median home price of \$460,000 in mid-2000. At the other extreme, the median price was \$140,000 in the Inland Empire and the Central Valley.

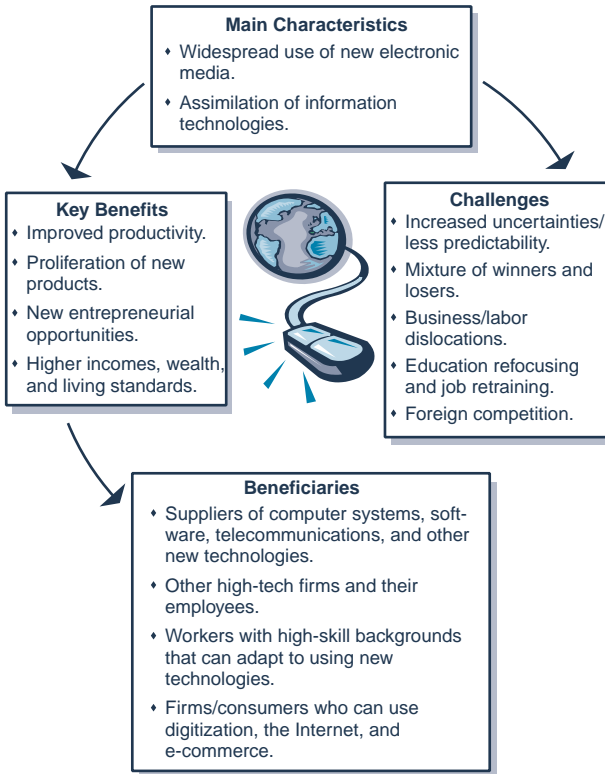
California Is The Nation's Leading Agricultural Producer

*Top Agricultural Products by Cash Receipts
1999*



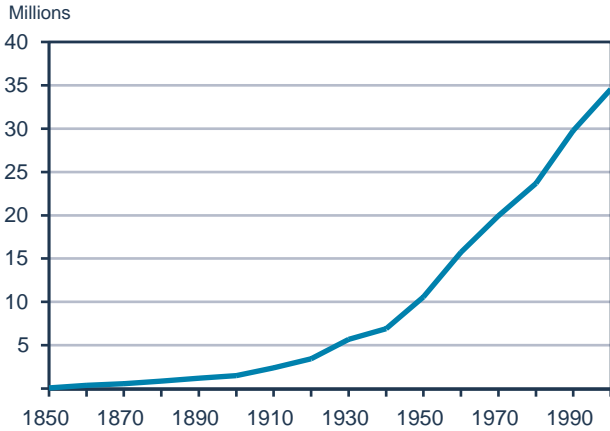
- California is the largest agricultural producer in the nation.
- Total receipts from farming were nearly \$25 billion in 1998, accounting for one-eighth of the national total and greater than Texas and Iowa combined—the second and third largest agricultural states.
- Major commodities in California include dairy and nursery products, grapes, cattle, and lettuce.
- The state also is a dominant producer of many specialty crops, such as strawberries, oranges, kiwis, and artichokes.

Features of the "New Economy"



- California is a primary beneficiary of the "new economy," given its emphasis on high-tech activities.
- For example, the state has roughly one-fifth of the nation's workforce in industries such as computers, software, and the Internet.

California's Population Has Increased Dramatically Over Time

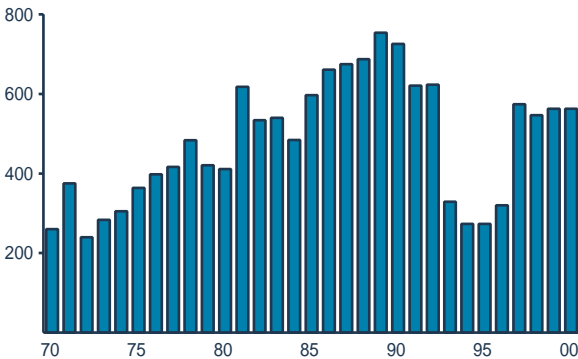


- California is now home to roughly 35 million people, a 15 million increase over the past 30 years.
- It took about 100 years to reach the 10 million mark, but since then California has been adding 10 million people every 20 years.

California Is Adding a Half-Million People Annually

Annual Population Growth

(In Thousands)

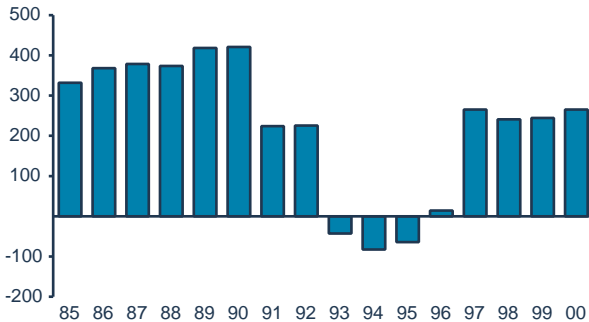


- Population is growing by roughly 1.6 percent annually—well above the nation's annual growth of about 1 percent.
- California's population was growing over 2 percent annually prior to the recession of the early 1990s. However, during the recession population growth slowed considerably.
- Currently, the state is adding about 560,000 persons annually—roughly equal to a city the size of Bakersfield or a state the size of Vermont.
- Of the annual growth, about half is from "natural increases" (births minus deaths) and half from net immigration.

More People Again Moving To California

Total Foreign and Domestic Net In-Migration

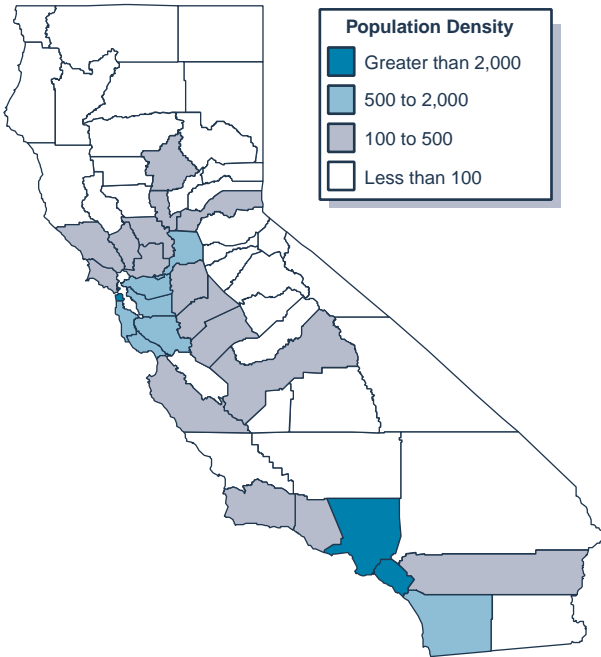
(In Thousands)



- California net in-migration (defined as persons entering California minus those leaving) totals more than a quarter million persons annually.
- *Foreign* net in-migration accounts for the majority of total in-migration. It is consistently in the 200,000-to-300,000 range annually.
- In contrast, *domestic* net in-migration is volatile, being positive when our economy is strong and negative when it is weak. Outflows exceeded 300,000 annually during the recession, but modest inflows now exist.

Most Californians Live in Densely Populated Areas

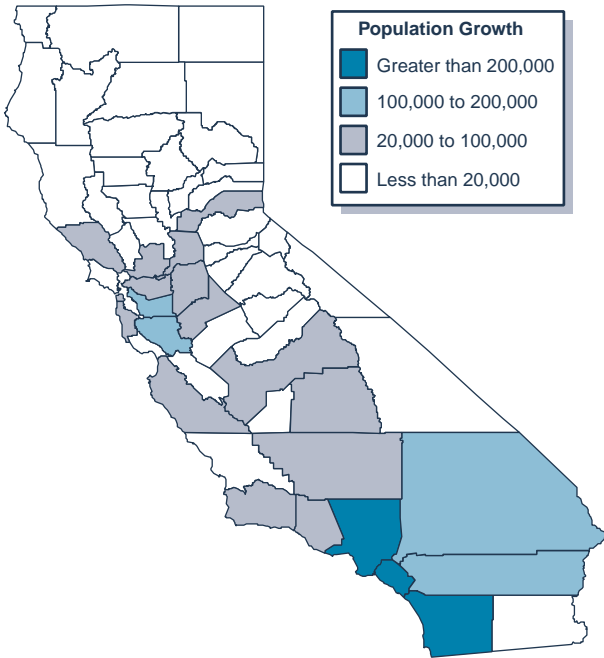
Persons Per Square Mile



- California is more densely populated than the United States as a whole—220 versus 78 persons per square mile. Density varies widely by county, however.
- California also is more urbanized than any other state. Over 90 percent of its people live in urban areas.
- San Francisco is the most densely populated California county—17,000 people per square mile.

How Fast Are Different Counties Growing?

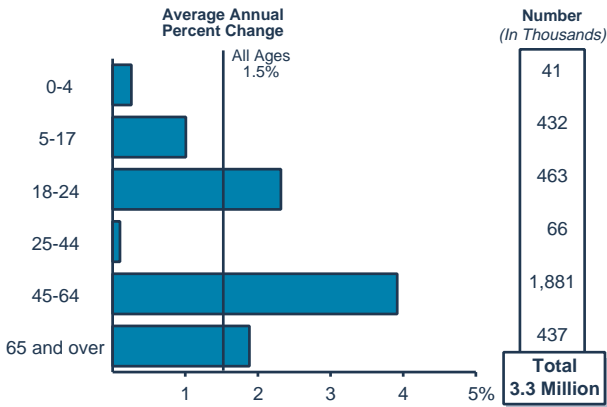
Changes in Populations—1995 Through 2000



- Over the past five years, California's population grew by 2.4 million.
- Although less-dense inland counties tend to be growing the most in *percentage* terms, the larger, more urbanized counties are adding the most people. For example, Los Angeles, Orange, and San Diego Counties accounted for 43 percent of statewide growth since 1995.

Californians' Average Age Rising As Baby Boomers Grow Older

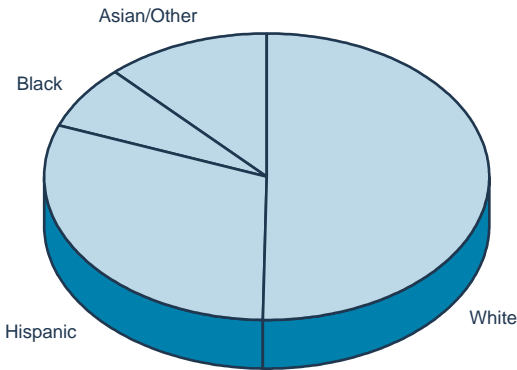
Population Change—2000 Through 2006



- Californians' average age is increasing, as baby boomers enter their 50s and continue to cause rapid growth of the 45-64 age group.
- The K-12 school-age population will grow at a rate slower than the general population over the next several years. The number of preschoolers is projected to grow even less—indicating that the K-12 population's growth will continue slowing.
- In contrast, projected college-age population growth is above average, portending an upsurge in college enrollments.

No Single Ethnicity to Dominate California's Population

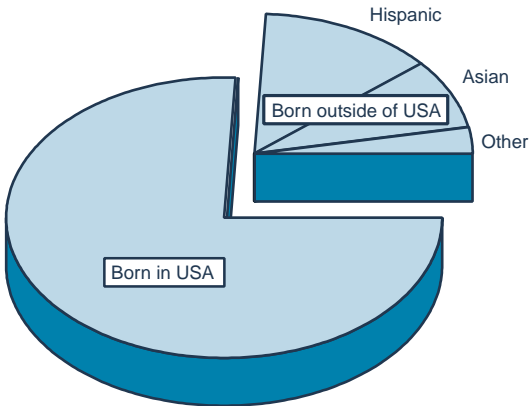
California's Ethnic Mix in 2000



- No single ethnicity will dominate California in the 21st century.
- Currently, the white population accounts for half of Californians. However, its share has been declining and will continue to do so as its growth trails that for other ethnicities.
- The Hispanic and Asian populations are growing most rapidly. Their average annual growth rate of nearly 3 percent is seven times faster than that for whites.

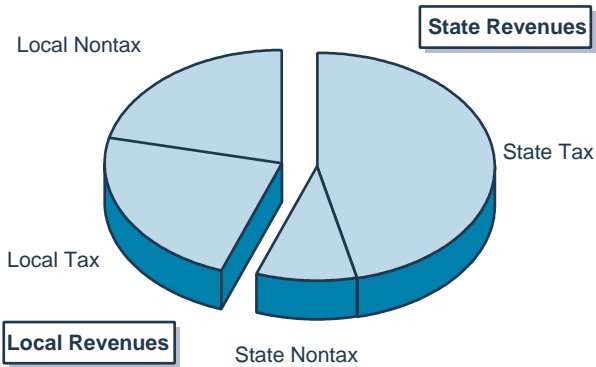
A Quarter of Californians Are Foreign Born

1997



- One-in-four of California's current residents—8.1 million people—were born outside of the United States. This compares to one-in-ten nationally.
- Over three-fourths of foreign-born Californians live in the metropolitan areas of Los Angeles (4.8 million) or San Francisco (1.4 million).
- About half of foreign-born Californians are Hispanic, while another third are Asian.

State and Local Revenues Stem Principally From Taxes



- Taxes account for over three-fourths of state revenues and over half of local revenues.
- Half of state revenues are from the personal income tax, while 30 percent are from sales and use taxes.
- The largest share of local taxes is from the property tax. Other local taxes include the business license tax, transient occupancy tax, motor vehicle license fee, and utility users' tax.

California's Governments Rely on a Variety of Taxes

State Taxes	Current Rate	Comments/Description
Personal Income	Marginal rates of 1% to 9.3% (7% AMT ^a)	Married couples with gross incomes of \$21,798 or less need not file. The top rate applies to married couples' income in excess of \$71,584.
Sales and Use	5.75% ^b	Applies to final purchase price of tangible items, with exemptions for food and certain other items.
Bank and Corporation <i>General Corporations</i> <i>Financial Corporations</i>	8.84% ^c (6.65% AMT) 10.84% (6.65% AMT plus adjustment factor)	Applies to net income earned by corporations doing business in California. For financial corporations, a portion of the tax is in lieu of certain local taxes.
Vehicle Fuel	18¢ per gallon of gasoline or diesel fuel	Tax is collected from fuel distributors or wholesalers with equivalent taxes levied on other types of vehicle fuels.
Alcohol and Cigarette <i>Wine and beer</i> <i>Sparkling wine</i> <i>Spirits</i> <i>Cigarettes</i>	20¢/gallon 30¢/gallon \$3.30/gallon 87¢/pack	Tax is collected from manufacturers or distributors. Equivalent taxes are collected on sale of other tobacco products.
Estate ^d	0.8% to 16%	The estate tax is a "pick-up" tax to take advantage of the maximum state credit allowed against the federal estate tax, at no net cost to taxpayers.

continued

California's Governments Rely on a Variety of Taxes *(Continued)*

State Taxes	Current Rate	Comments/Description
Horse Racing License Fees	0.4% to 2%	Fees/taxes are levied on amounts wagered. Rate is dependent on type of racing and bet, and where the wager is placed.
Insurance	2.35%	Insurers are subject to the gross premiums tax in lieu of all other taxes except property taxes and business license fees.
Local Taxes	Current Rate	Comments/Description
Property	1% (plus any rate necessary to cover voter-approved debt)	Tax is levied on assessed value (usually based on purchase price plus the value of improvements and a maximum annual inflation factor of 2%) of most real estate and various personal and business property.
Local Sales and Use	1.25% to 2.5%	Collected with state sales and use tax. Revenues go to cities, counties, and special districts.
Vehicle License Fee	0.65%	Tax is applied to depreciated purchase price. It is collected by the state and distributed to cities and counties.
Other Local	Varies by jurisdiction	Types of taxes and rates vary by jurisdiction. Includes utility users tax, business license tax, and transient occupancy taxes.

^a Alternative Minimum Tax.

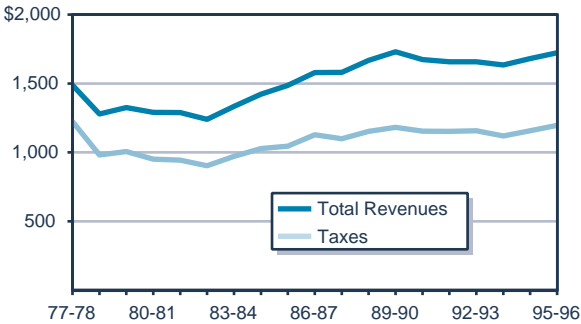
^b Reflects the 0.25 percent reduction in effect for 2001 calendar year. Includes rates levied for state-local program realignment and local public safety.

^c A 1.5 percent rate is levied on net income of Subchapter S corporations.

^d Inheritance and gift taxes have been repealed but still apply to gifts and deaths prior to 1982.

Per Capita Revenues and Taxes— Some Upward Drift Over Time

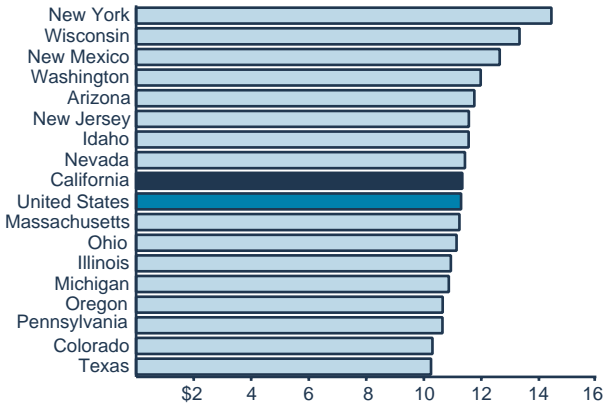
Constant 1977-78 Dollars



- Real per capita state/local revenues and taxes dropped after Proposition 13, and hit a low in 1982-83.
- They then steadily increased throughout the remainder of the 1980s.
- The recession caused them to again decline in the early 1990s, but they recovered by the mid-1990s and have drifted upward since then—largely due to California's strong economy.

California's Tax Burden Is About Average

Taxes Per \$100 of Personal Income



Note: 1995-96 Census of Government, U.S. Census Bureau.

- California's overall tax burden—a bit over \$11 per \$100 of personal income—is close to the average for other states.
- Compared to other western and industrial states, California's overall tax burden also is similar—although differences exist for individual types of taxes.
- Nontax collections add an additional \$5 to the overall revenue burden in California per \$100 of personal income—again similar to the average for other states.

Initiative Measures Have Had Major State-Local Fiscal Implications

Measure/ Election	Major Provisions
Proposition 13/ June 1978	<ul style="list-style-type: none"> • Limits general property tax rates to 1 percent. • Limits increases in assessed value after a property is bought or constructed. • Makes Legislature responsible for dividing property tax among local entities. • Requires two-thirds vote for Legislature to increase taxes, and two-thirds voter approval of new local special taxes.
Proposition 4/ November 1979	<ul style="list-style-type: none"> • Generally limits spending by the state and local entities to prior-year amount, adjusted for population growth and inflation (now per capita personal income growth). • Requires state to reimburse local entities for mandated costs.
Proposition 6/ June 1982	<ul style="list-style-type: none"> • Prohibits state gift and inheritance taxes except for "pickup" tax qualifying for federal tax credit.
Proposition 7/ June 1982	<ul style="list-style-type: none"> • Requires indexing of state personal income tax brackets for inflation.
Proposition 37/ November 1984	<ul style="list-style-type: none"> • Establishes state lottery and dedicates a portion of revenue to education. • Places prohibition of casino gambling in State Constitution.
Proposition 62/ November 1986	<ul style="list-style-type: none"> • Requires approval of new local general taxes by two-thirds of the governing body and a majority of local voters (excludes charter cities).
Proposition 98/ November 1988	<ul style="list-style-type: none"> • Establishes minimum state funding guarantee for K-12 schools and community colleges.

continued

Initiative Measures Have Had Major State-Local Fiscal Implications

(Continued)

Measure/ Election	Major Provisions
Proposition 99/ November 1988	<ul style="list-style-type: none"> • Imposes a \$.25 per pack surtax on cigarettes and a comparable surtax on other tobacco products. • Limits use of surtax revenue, primarily to augment health-related programs.
Proposition 162/ November 1992	<ul style="list-style-type: none"> • Limits the Legislature's authority over PERS and other public retirement systems, including their administrative costs and actuarial assumptions.
Proposition 163/ November 1992	<ul style="list-style-type: none"> • Repealed "snack tax" and prohibits any future sales tax on food items, including candy, snacks, and bottled water.
Proposition 172/ November 1992	<ul style="list-style-type: none"> • Imposes half-cent sales tax and dedicates the revenue to local public safety programs.
Proposition 218/ November 1996	<ul style="list-style-type: none"> • Limits authority of local governments to impose taxes and property-related assessments, fees, and charges. • Requires majority of voters to approve increases in all general taxes, and reiterates that two-thirds must approve special taxes.
Proposition 10/ November 1998	<ul style="list-style-type: none"> • Imposes a \$.50 per pack surtax on cigarettes, and higher surtax on other tobacco products. • Limits use of revenues, primarily to augment early childhood development programs.
Proposition 39/ November 2000	<ul style="list-style-type: none"> • Allows 55 percent of voters to approve local general obligation bonds for school facilities.

Approval Requirements for State and Local Revenues

State Level	Legislative Approval	Voter Approval
Taxes	2/3	None
General obligation bonds	2/3	Majority
Other debt ^a	Majority	None
Fees	Majority	None
Local Level	Governing Body Approval	Voter Approval
City or county "general" taxes (revenues used for unrestricted purposes)	2/3 (Majority for charter cities)	Majority
City or county "special" taxes (revenues used for specific purposes)	Majority	2/3
All school or special district taxes	Majority	2/3
General obligation bonds	Majority	2/3 ^b
Other debt ^c	Majority	None
Property assessments	Majority	Majority of affected property owners. Votes weighted by assessment liability
Property-Related fees	Majority	2/3 of voters, or majority of affected property owners ^c
Fees—All other	Majority	None

^a Includes revenue and lease payments bonds and certificates of participation.

^b Exception: The Constitution specifies that a majority of voters can approve bonds used for repairing or replacing unsafe public school buildings, and 55 percent of voters can approve bonds for new school facilities under certain conditions.

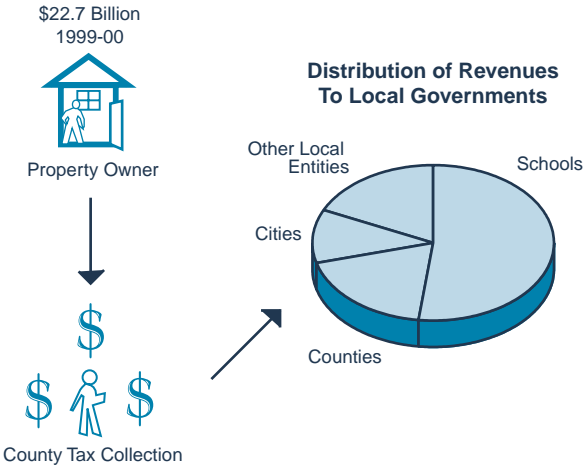
^c No vote required for gas, electric, water, sewer, refuse, or developer fees.

Californians Are Served by Over 6,000 Local Entities

Counties	58
Cities	474
Redevelopment agencies	400
Special districts	4,787
K-12 school districts	986
Community college districts	72
Total	6,777

- Most Californians are governed by several overlapping local governments: a city, county, school, and community college district, *plus* one or more special districts. Special districts provide specialized services, such as firefighting, water delivery, or flood control.
- About 60 percent of special districts have independently elected or appointed boards. Other special districts are governed by a board of supervisors or (less frequently) a city council.
- Measured on a per capita basis, California tends to have fewer cities, counties, and special districts than other states.

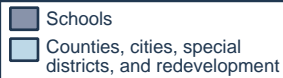
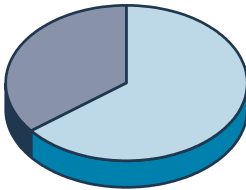
Property Taxes Are Distributed to Many Entities Within a County



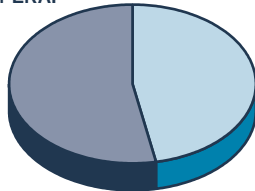
- Property taxes are collected by each county government. The revenues are then distributed to a variety of governments, including the county, cities, school districts, redevelopment agencies, and special districts.
- The property tax rate is limited to 1 percent by the Constitution, plus any additional rate necessary to pay for voter-approved debt. The average tax rate across the state in 1998-99 was 1.069 percent.
- Property tax revenues collected in a county can only be distributed to a governmental entity within that county.

Schools' Share of the Property Tax Has Changed Over the Years

Before ERAF^a



After ERAF



^aEducational Revenue Augmentation Fund

- After passage of Proposition 13 in 1978, the state shifted property taxes from schools to other local governments—and backfilled schools' losses with increased state aid. This property tax shift to cities, counties, and special districts reduced local governments' revenue losses resulting from Proposition 13's limit on the property tax rate.
- Beginning in 1992, the state modified the formulas for allocating property taxes again. Specifically, the state shifted property taxes from cities, counties, and special districts to schools. This shift is commonly called "ERAF," after the name of the fund into which the taxes are deposited. In 2000-01, about \$4.2 billion of property taxes are subject to this shift. About 76 percent of this amount is attributable to counties.
- The share of property taxes now allocated to schools is about the same as before Proposition 13.

How Much Property Taxes Do Counties and Cities Receive?

1997-98

Large Counties	Per Capita Property Taxes	Large Cities	Per Capita Property Taxes
Los Angeles	\$127	Los Angeles	\$133
Santa Clara	108	Oakland	129
Contra Costa	105	Sacramento	104
Sacramento	90	San Diego	101
Riverside	85	Long Beach	99
San Diego	79	Fresno	79
San Bernardino	64	San Jose	69
Fresno	63	Anaheim	53
Orange	44	Santa Ana	50
Statewide County Average	\$113	Statewide City Average	\$81

- Four factors explain the large differences among property tax receipts. Cities and counties tend to receive more property taxes if they:
- Have many valuable buildings, manufacturing plants, and other developed property within their borders.
 - Received a large share of countywide property taxes before Proposition 13.
 - Provide many municipal services, instead of relying upon other local governments to provide some services.
 - Have few large redevelopment projects within their borders.

Major Changes in the State-County Relationship During Past Decade

Property Tax Shifts

- 1992** *Ongoing Revenue Shifts.* State shifted property taxes from counties and other local entities to schools to reduce state costs. Subsequently, these reduced county revenues were in the aggregate mostly offset by various mechanisms, including funding for public safety (Proposition 172 sales tax revenues, COPS funding, and changes to trial court funding) and general assistance mandate relief.

Health and Social Services

- 1991** *Realignment.* Shifted authority from the state to counties, and increased counties' share of costs, for many health and social services programs. Provided new revenue sources to counties to offset increased county costs.
- 1997** *Welfare Reform.* Provided counties with more flexibility regarding (1) delivery of welfare-to-work services and (2) recipient participation requirements. Provided fiscal incentives for counties to assist recipients in getting jobs.

Trial Court Funding

- 1988** *Brown-Presley Act.* Increased state funding for county-operated trial courts through the establishment of block grants.
- 1991** *Realignment.* Increased state funding of trial courts as well as increased state revenues from court fines.
- 1997** *Spending Cap.* Placed cap on county expenditures for trial courts, resulting in future increases in state costs.
- 1998** *Reduced County Share.* Further reduced the required county contributions for trial court funding.

Transportation

- 2000** *Traffic Congestion Relief Program.* Authorized \$6.9 billion in new funds over six years for congestion relief and local streets and roads.

Major County Programs—2000-01

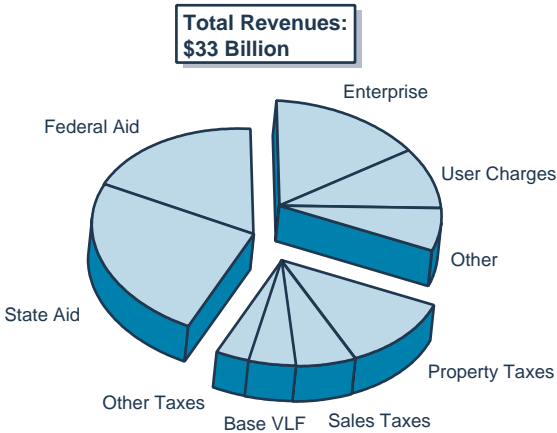
Program	Policy Control	Funding ^a
CalWORKs	State/Federal	
Child Welfare Services	State/Federal	
General Assistance	State/Counties	
Indigent Health Care	Counties/State	
Mental Health	Counties/State/Federal	
Public Health	Counties/State	
Jails	Counties/State	
Probation	Counties/State	
Sheriff	Counties/State	
Trial Courts	State	
Libraries	Counties	
Parks and Recreation	Counties	
Roads	Counties	

Federal
 State
 County

^aAll funding distributions are LAO estimates.

An Overview of County Finance

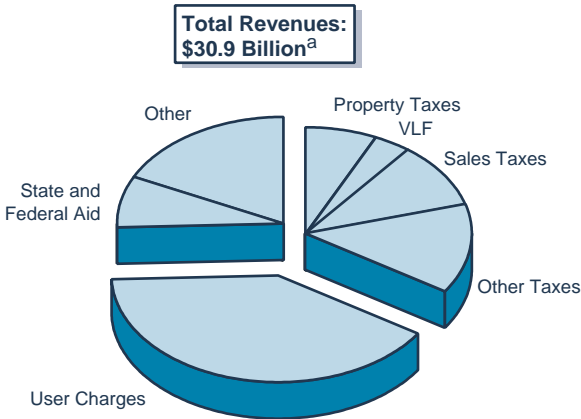
1997-98



- About one quarter of counties' spending comes from tax revenues. These are the counties' discretionary general purpose revenue sources. State and federal aid represent the largest sources of county revenues.
- About half of county spending is on various health and social service programs. An additional 30 percent of county spending is for public protection, including police and fire services.

An Overview of City Finance

1997-98



^aExcludes San Francisco.

- About one-third of city spending comes from discretionary general purpose revenues. The largest general purpose revenue for cities is the sales tax.
- About 40 percent of city revenues are from user charges (for electric, water, and other services) which offset the cost of providing these services.
- Cities spend about one-fourth of their revenues on public safety expenditures, such as police and fire services.

Total State Revenues

2000-01 (In Billions)

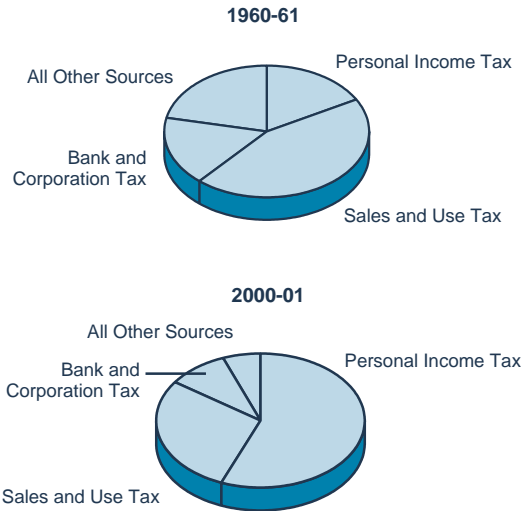
General Fund Revenues	Total State Revenues \$90.4 Billion	Special Funds Revenues
Personal Income Tax \$41.3		Motor Vehicle-Related Levies \$8.4
Sales and Use Tax 21.3		Sales and Use Tax ^a 2.9
Bank and Corporation Tax 6.8		Tobacco-Related Taxes 1.1
All Other ^b 4.5		All Other ^b 4.1
Total \$73.9		Total \$16.5

^a Consists of amounts for Local Revenue Fund and transportation-related purposes. Excludes \$2.2 billion allocated to Local Public Safety Fund, which is not shown in the budget totals.

^b Includes transfers and loans.

- General Fund revenues account for over 80 percent of total state revenues.
- Personal income taxes are the largest single revenue source, accounting for 56 percent of General Fund revenues and 46 percent of total revenues.
- Sales and use taxes and bank and corporation taxes are the second and third largest General Fund sources, accounting for 29 percent and 9 percent, respectively.
- Special funds are used for specific purposes, with motor vehicle-related levies the largest component.

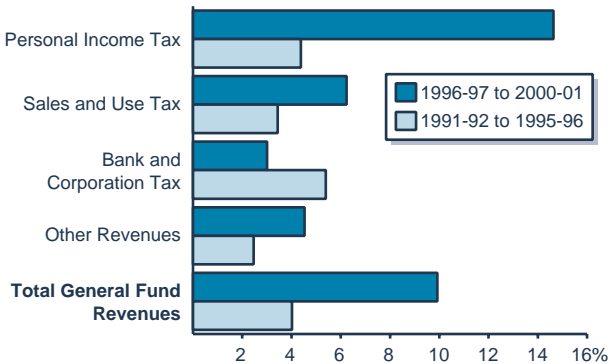
The Composition of Revenues Has Changed Over Time



- Over the past four decades the importance of the personal income tax has increased dramatically—rising from 17 percent of General Fund revenues in 1960-61 to 56 percent in 2000-01.
- This growth is due to healthy growth in real incomes, the state's progressive tax rate structure, and increased capital gains.

Income Taxes Have Surged In Recent Years

Average Annual Percentage Growth, By Source

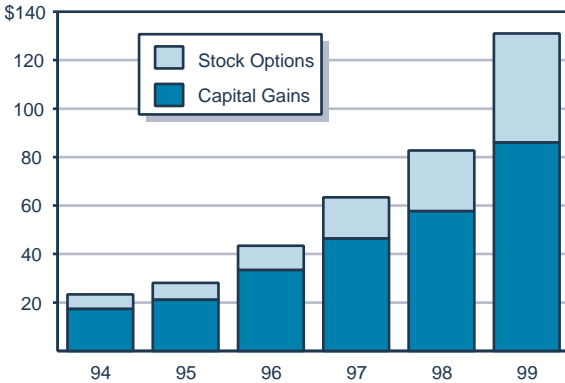


- Compared to the first half of the 1990s, General Fund revenues have grown relatively rapidly in the past five years.
- The strongest performer in the latter 1990s has been the personal income tax, which grew more than three times faster than it did in the first half of the decade.
- Recently, income tax growth has averaged over 25 percent annually, largely due to strong capital gains realizations.
- Other revenue sources have shown more restrained growth in the latter half of the 1990s. In fact, for corporation taxes, average annual percentage growth was below that of the first half of the 1990s.

Capital Gains and Stock-Option Income Have Increased Dramatically

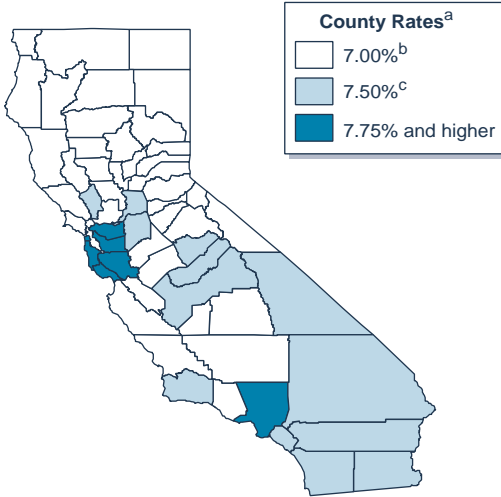
Income Reported on California Tax Returns

(In Billions)



- California's taxable capital gains and stock-option income were relatively flat during the first half of the 1990s.
- From 1994 to 1999, however, they exploded—their combined total rising from \$22 billion to over \$130 billion. This largely reflects the strong stock market.
- These increases have boosted income tax revenues, especially since capital gains and stock-option income accrue disproportionately to high-income taxpayers who pay higher-than-average marginal income tax rates.

Sales Tax Rates Vary by County



^aReflects 0.25 percent reduction in state portion of rate for the 2001 calendar year.

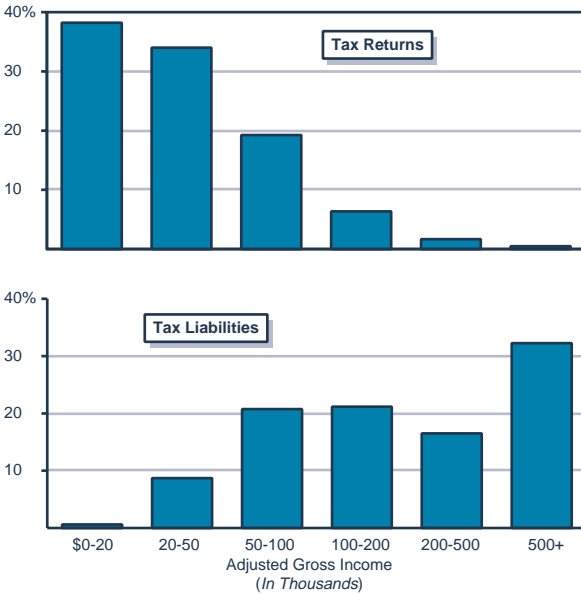
^bIncludes Stanislaus, Nevada, and Solano (7.125%), and Sonoma (7.25%).

^cIncludes Fresno (7.625%).

- Sales taxes vary from county to county, because of the optional sales taxes that counties can choose to levy.
- Sales tax rates can vary within a county as well, to the extent cities and/or special districts adopt additional optional taxes.
- County sales tax rates range from 7 percent in counties with no optional taxes, to 8.25 percent for the City and County of San Francisco. The statewide average county rate (weighted by sales) is about 7.7 percent.

Distribution of Income Tax Returns and Liabilities by Income

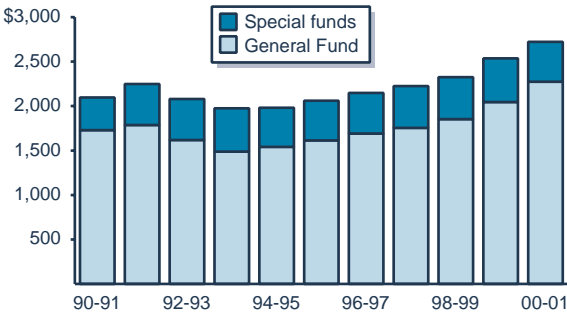
1998



- California has a highly progressive personal income tax structure—that is, taxes as a percent of income rise as one's income increases. Marginal personal income tax rates range from 1 percent to 9.3 percent.
- Taxpayers with income over \$500,000 account for less than 0.5 percent of returns, but almost one-third of tax liabilities. In contrast, those with incomes under \$20,000 represent roughly 40 percent of returns, but less than 1 percent of liabilities.

State Spending Has Been Trending Upward

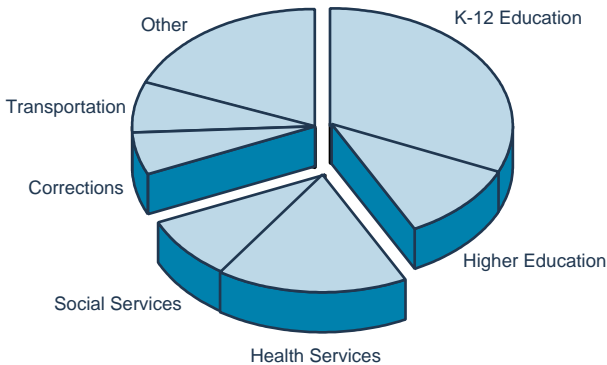
Real Per Capita Spending (2000-01 Dollars)



- For 2000-01, real (that is, inflation-adjusted) per capita state spending will be \$2,723.
- This spending declined in the early 1990s due to the recession.
- Since then, however, real per capita spending has grown relatively rapidly—averaging nearly 5.5 percent for all spending and 6.7 percent for General Fund spending.
- This increased spending has been supported by the strong revenue performance associated with the current economic expansion.

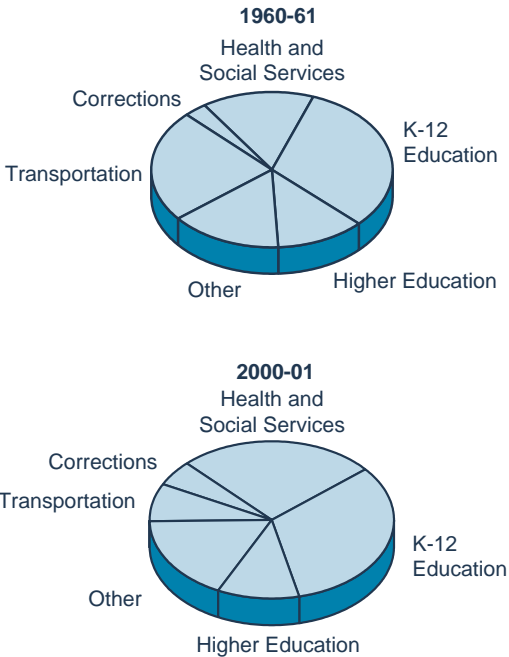
Education and Health and Social Services Dominate Spending

2000-01



- Together, education and health and social services account for 69 percent of total state spending in 2000-01.
- Education's share of total spending is about 43 percent (\$40.8 billion). Its share of General Fund spending is higher—around 51 percent.
- Health and social services represent the next largest share of total spending at 26 percent (\$24.5 billion).

The Mix of State Expenditures Has Shifted



- The composition of state spending has evolved over time, with the most striking changes being the growth in health and social services programs and the decline in capital outlay in such areas as transportation.
- K-12 education also has grown, and remains the largest program area accounting for almost a third of total spending.
- The shares for other areas of the budget, including higher education, have not dramatically changed.

Annual Cost Per Participant Varies Widely Among Major Programs

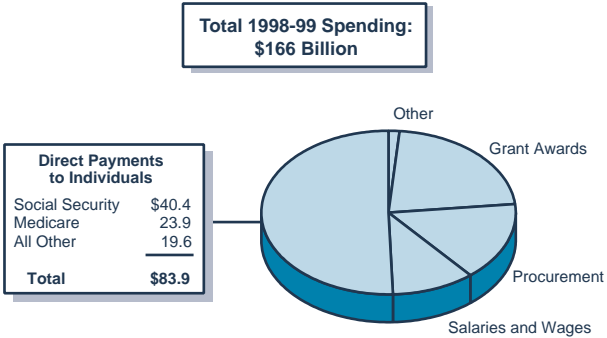
2000-01

	Number of Participants (In Thousands)	Average Cost Per Participant	
		General Fund	Total Government
Corrections			
Prison	154	\$23,136	\$23,136
Youth Authority	7	41,000	41,000
Education—Students^a			
K-12	5,682	\$5,332	\$7,680
UC	171	18,794	18,794
CSU	292	8,470	8,470
Community Colleges	1,025	2,623	4,264
Health and Social Services—Beneficiaries			
Medi-Cal	5,390	\$1,347	\$2,833
Healthy Families	500	407	1,140
CalWORKs	1,491	1,736	4,392
SSI/SSP	1,094	2,420	6,296
Foster Care	83	4,745	18,249
Developmental Centers	4	99,133	171,260

^a Does not include federal funds or lottery funds.

- The costs shown are average amounts. The range of individual costs is especially large in the Medi-Cal program. For example, children can cost around \$700 a year, while disabled nursing home patients cost about \$63,000 annually.

Most Federal Spending Occurs Outside the State Budget

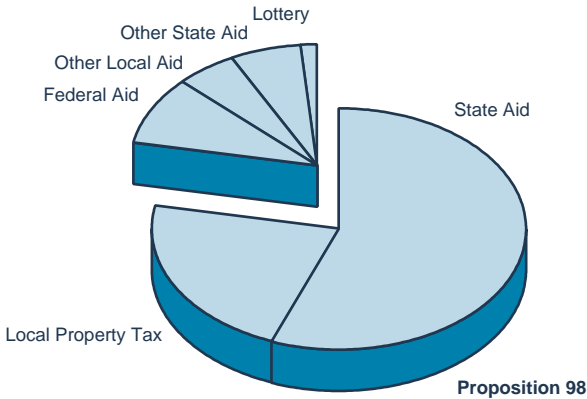


- About half of all federal spending in California is for direct payments to individuals, with nearly 80 percent of this amount for Social Security and Medicare.
- About 20 percent (\$34 billion) flowed through the state budget to support state programs. Most of these monies are reflected in the "Grant Awards" category in the chart.
- Health and social services spending comprises roughly two-thirds of the federal spending that passes through the state budget.



K-12 School Revenues

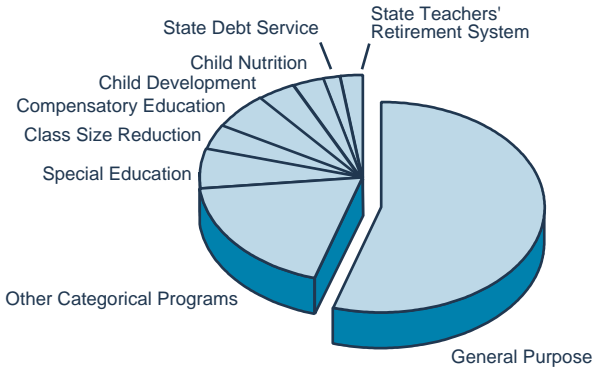
2000-01



- Proposition 98 is the shorthand term for the state's constitutional minimum funding requirement for K-14 education. This annual spending guarantee is met from two revenue sources: state aid and local property taxes.
- The state will provide 62 percent of all school revenue in 2000-01, while local government sources (property taxes and other local income) will contribute 27 percent. The federal government will provide 9 percent.
- The state lottery provides less than 2 percent of total school revenues, around \$125 per pupil.

K-12 School Spending

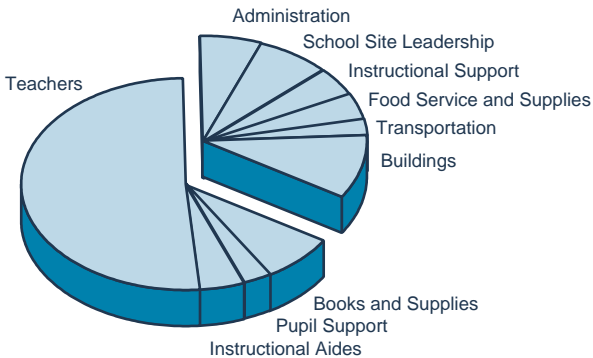
2000-01



- School “revenue limits” are general purpose funds—supported by both state funds and local property taxes—that provide the resources for basic school programs. These funds account for 53 percent of all school expenditures. Lottery revenues provide another source of general purpose funds, but account for less than 2 percent of all school expenditures.
- Remaining school expenditures provide for specific educational needs—such as special education, transportation, and class size reduction. These “categorical” funds constitute 45 percent of school spending.
- Over the past decade, general purpose funds have declined as a percentage of overall school funding.

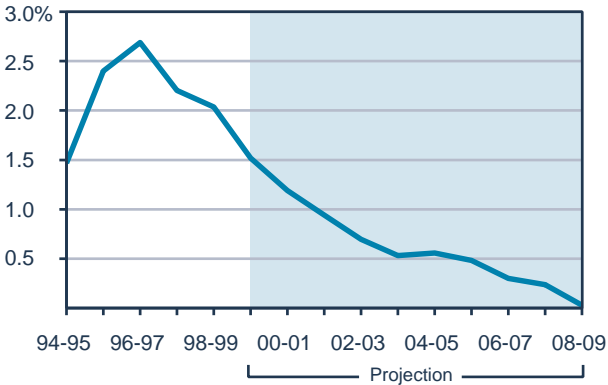
The Average Cost of a California School

1997-98



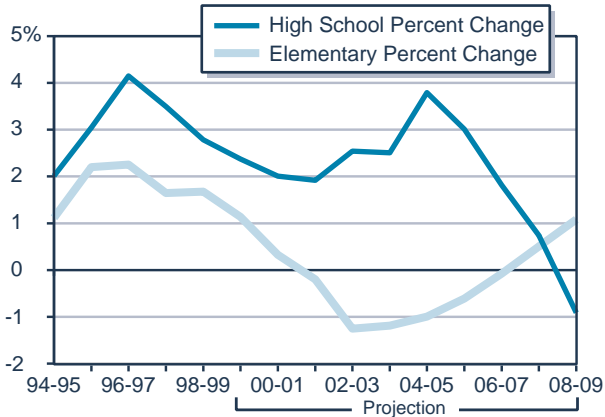
- The costs of services delivered in the classroom account for about two-thirds of K-12 costs. Over half of the total costs are for teachers, with an additional 16 percent for instructional aides, pupil support personnel (counselors, psychologists, nurses), books, and supplies and equipment.
- Nonclassroom school site costs comprise 28 percent of school spending. These costs consist of school site leadership (administrators and clerical support), building maintenance, instructional support, and other expenses.
- Administration, which consists of district administration and county and state oversight, accounts for 6 percent of the costs of an average school.

Growth in K-12 Enrollment Will Slow Significantly



- K-12 enrollment is projected to increase by 1.2 percent in 2000-01, bringing total K-12 enrollment to 5.9 million students.
- Over the next eight years, enrollment growth is expected to slow, approaching zero growth in 2008-09. At that point, there will be 225,000 more pupils in the K-12 system than today (3.8 percent).
- Each 1 percent increase in K-12 enrollment requires an increase of approximately \$300 million (General Fund) to maintain annual K-12 expenditures per pupil.

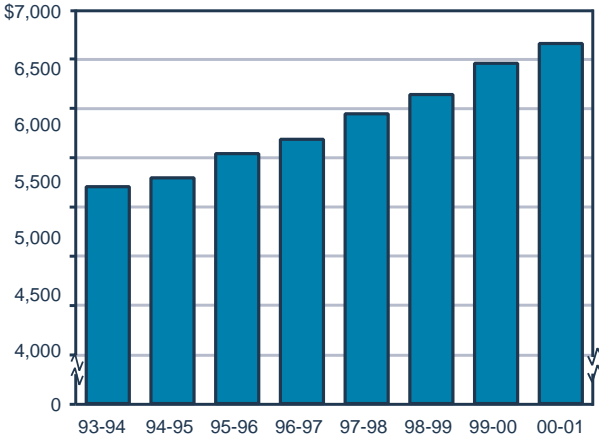
Divergent Trends in Elementary and High School Enrollments



- Elementary school enrollment growth has gradually slowed since 1996-97. Growth rates are expected to become negative in 2001-02 and remain negative through 2006-07. Over this period, elementary school enrollments are expected to decline by 140,000 pupils (4.3 percent).
- In contrast, high school enrollment growth is expected to accelerate in the short term, reaching a 3.8 percent annual growth rate in 2004-05. Then, growth is expected to slow sharply, becoming negative in 2008-09. Expected growth over the next eight years is almost 300,000 pupils (18 percent).
- These divergent trends have significant budgetary and policy implications for issues such as class size reduction, teacher demand, and facilities investment.

Proposition 98 Funding Per Student Has Risen Sharply

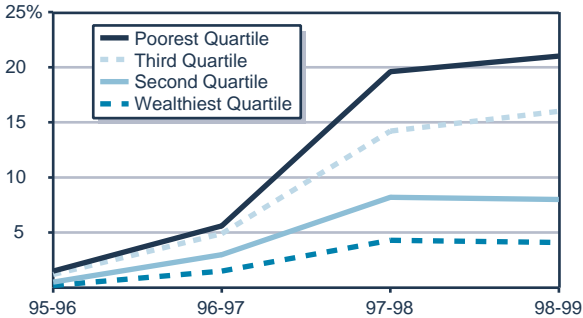
Constant 2000-01 Dollars



- California's spending per pupil (adjusting for inflation) has rebounded significantly since the recession.
- In 2000-01, Proposition 98 spending per pupil will be \$6,701. This represents an increase of \$676, or 11 percent, above the level funded in the *1999-00 Budget Act*.
- After adjusting for the effects of inflation and changes in attendance accounting, Proposition 98 spending per pupil increased \$1,472, or 28 percent, between 1993-94 and 2000-01.

Increase in Noncredentialed Teachers Varies Widely Among Schools

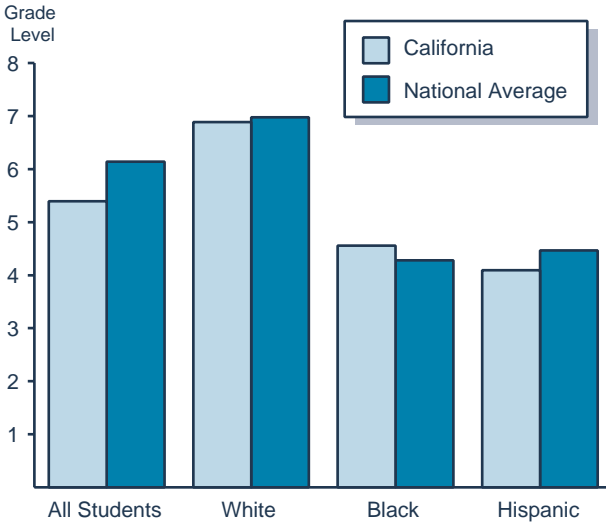
K-3 Schools, by Quartile



- The percent of K-3 teachers lacking a credential has increased dramatically in schools serving the largest proportion of low-income students (from 3.2 percent in 1995-96 to 21 percent in 1998-99).
- By comparison, the percent of K-3 teachers lacking a credential in schools serving primarily affluent students increased from 0.4 percent to 4 percent.
- The 2000-01 budget provided a \$118 million block grant, as well as funds for several new and expanded programs, to help schools serving primarily low-income students recruit and retain credentialed teachers.

Eighth Grade Reading Proficiency Levels by Race/Ethnicity

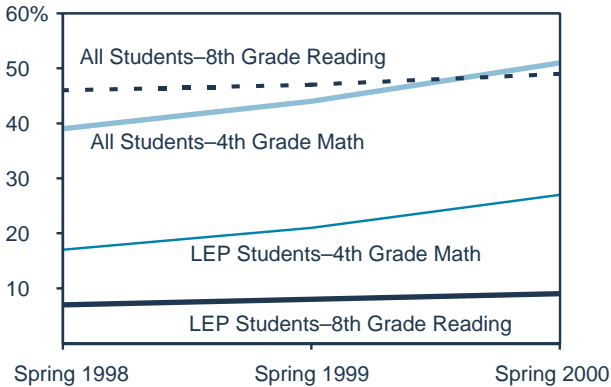
1998



- Based on tests given in the National Assessment of Education Progress (NAEP), California ranked 35th out of 38 in 8th grade reading proficiency compared to other participating states.
- California's poor NAEP performance was similar across grade levels and subject areas.
- Although California's NAEP scores are very low on an all-student basis, when white, African-American, or Hispanic pupils are compared to the same ethnic groups in other participating states, California students score relatively close to students from other states.

K-12 Pupil Scores Have Improved

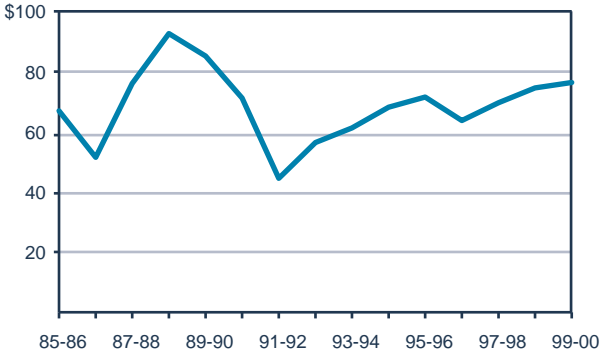
Standardized Testing and Reporting (STAR)



- Scores on the Stanford-9 (a nationally normed referenced test) have improved since the test was first administered in 1998. Gains were made by all subgroups (race/ethnicity, socioeconomic, or English proficiency).
- Pupils with limited English proficiency (LEP) significantly trail other students in all measured subject areas (math, English, science, and social science).
- In each grade level, the same test has been administered for each of the three years, so at least part of the gains could result from increasing familiarity with test format and questions.
- The Stanford-9 test is not aligned to the state academic content standards.

Lottery Sales Per Capita

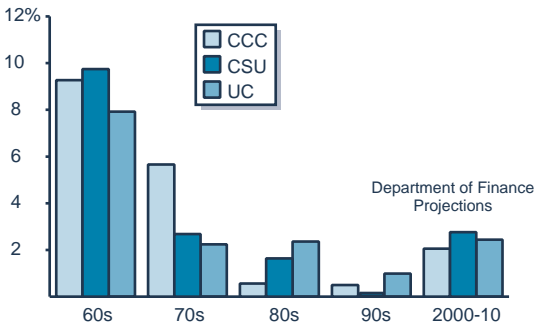
1985-86 Through 1999-00



- Annual lottery sales in 1999-00 totaled \$2.6 billion. Since the first year of lottery operations in 1985-86, annual sales have ranged from a low of \$1.4 billion in 1991-92 to a high of \$2.6 billion in both 1988-89 and 1999-00.
- About one-third of all lottery proceeds go to education.
- Since the first year of lottery operations, per capita spending has averaged from a low of \$44.46 in 1991-92 to a high of \$92.59 in 1988-89.
- On a per capita basis Californians on average spent \$76.33 on the lottery in 1999-00. In inflation-adjusted dollars, Californians' spending on the lottery is about 20 percent less than it was in the 1980s.

Higher Education Enrollment Growth Rate to Be Moderate and Sustained

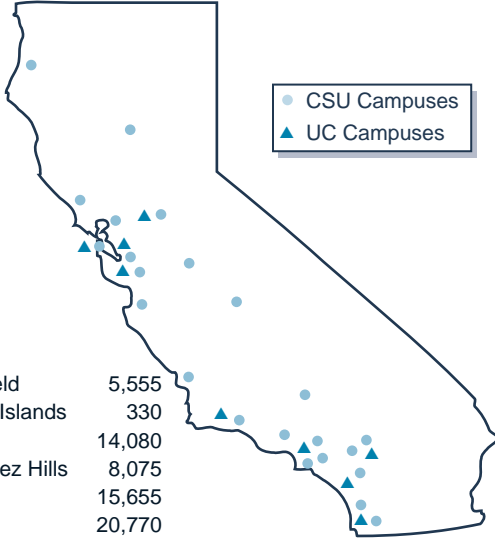
Average Annual Headcount Growth, by Decade



- The Department of Finance projects that total headcount enrollment at UC, CSU, and the community colleges in 2010 will be 620,000 higher than in the prior peak enrollment year of 1990. This would represent an annual increase of 1.3 percent from 1990 to 2010.
- By comparison, enrollments grew by an average of 4.9 percent per year in the three previous decades.
- By historical standards, projected enrollment growth in the coming years will be moderate and sustained.

California Public Universities

2000-01 Full-Time Equivalent Students



CSU

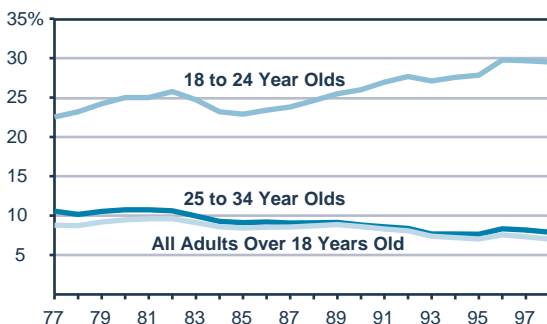
Bakersfield	5,555
Channel Islands	330
Chico	14,080
Dominguez Hills	8,075
Fresno	15,655
Fullerton	20,770
Hayward	11,475
Humboldt	7,450
Long Beach	22,825
Los Angeles	15,375
Maritime Academy	745
Monterey Bay	2,565
Northridge	20,820
Pomona	16,100
Sacramento	19,370
San Bernardino	11,485
San Diego	25,240
San Francisco	21,200
San Jose	19,920
San Luis Obispo	16,010
San Marcos	4,700
Sonoma	6,145
Stanislaus	5,500
Total CSU	291,390

University of California

Berkeley	28,860
Davis	21,800
Irvine	17,805
Los Angeles	29,227
Riverside	11,503
San Diego	18,500
San Francisco	12,266
Santa Barbara	18,869
Santa Cruz	11,736
Total UC	170,566

Participation Rate Among College Age Population Near All-Time High

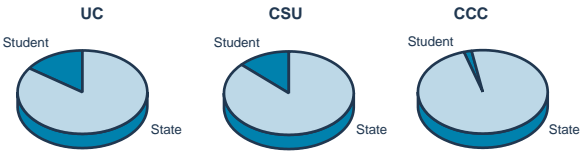
Percent of Population in Public Higher Education



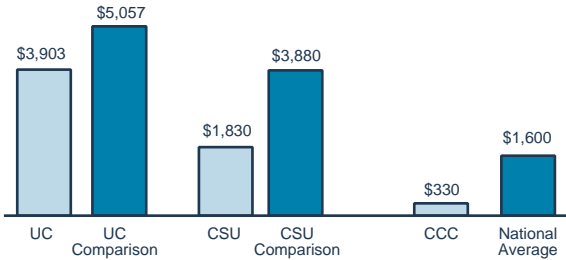
- Californians of prime college-going ages (between 18 and 24) are attending UC, CSU, and the community colleges at historically high rates.
- Participation rates also are at or near historic highs for all ethnic groups.
- Participation rates among older adults (25 to 34 year olds) have steadily declined—primarily because a higher percentage of older adults today obtained college degrees when they were of prime college-going age. (Almost twice as many 25 to 34 year olds today have degrees compared to 20 years ago.)

Two Perspectives on Student Fees

Student Fee Revenue Share of State and Local Support



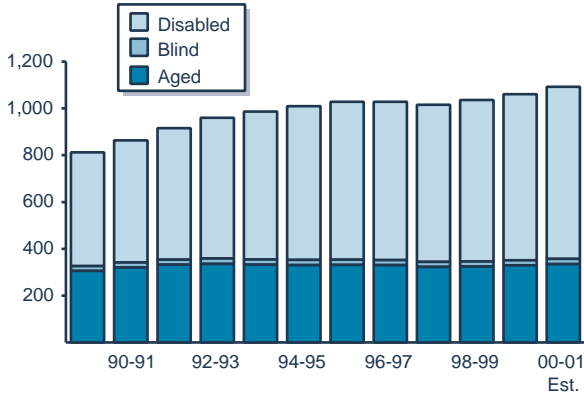
California Annual Student Fees vs. National Comparisons



- Students pay a small share of education costs.
- California student fees are among the lowest in the nation.
- Substantial financial aid helps needy students cover education costs. (For example, almost 40 percent of community college students do not pay any fees.)

SSI/SSP Caseload Growing Again

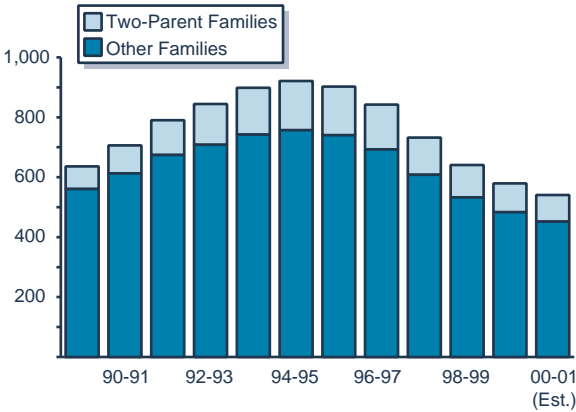
(Cases in Thousands)



- The SSI/SSP program provides cash assistance to low income persons who are elderly, disabled, or blind.
- The caseload leveled off in the mid-1990s, in part because of federal law changes that restricted eligibility for disabled children and certain noncitizens. Subsequent to these changes, caseload growth has resumed, with most of the growth being in the disabled component.
- About 7,000 recipients of the state-only program for certain legal noncitizens (created in 1998) are not included in this figure.

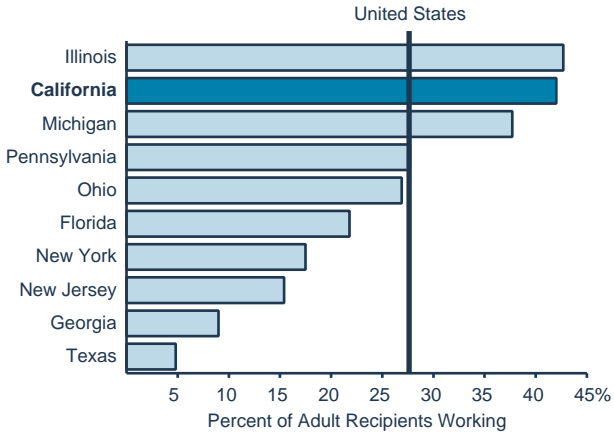
CalWORKs Caseload Declining, But More Slowly Than National Average. . .

(Cases in Thousands)



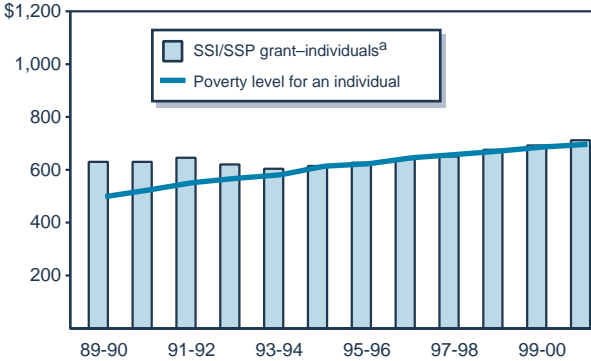
- After peaking in 1994-95, the caseload declined 37 percent by 1999-00 and is projected to decline an additional 7 percent in 2000-01.
- The caseload decline resulted from a combination of demographic trends (such as birth rates for young women), the economic expansion, and welfare reform.
- Since the 1996 enactment of welfare reform, the U.S. caseload declined by 47 percent (August 1996 to December 1999), as compared to 35 percent in California. (California's position, relative to other states, reflects policies discussed on the next page.)

However, More CalWORKs Families Working Than in Other States

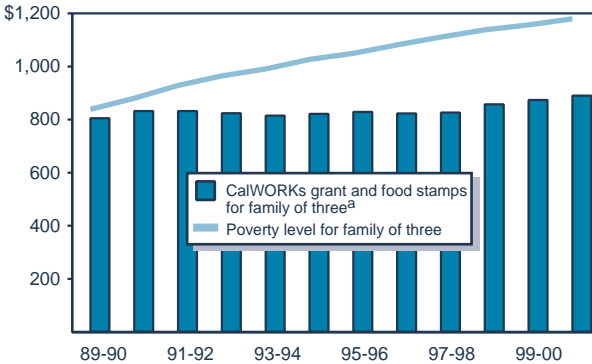


- In California, 42 percent of adult CalWORKs recipients are working in unsubsidized jobs.
- Among the ten largest states, California's percentage of adult welfare recipients in unsubsidized employment is second only to that of Illinois.
- California's relatively low caseload decline (as pointed out on the prior page) and relatively high rate of unsubsidized employment reflect CalWORKs policy. Specifically, California's higher benefit levels, combined with a generous earnings disregard, allow recipients to work without immediately removing them from the caseload.

SSI/SSP Grant Is Just Above Poverty Level. . .

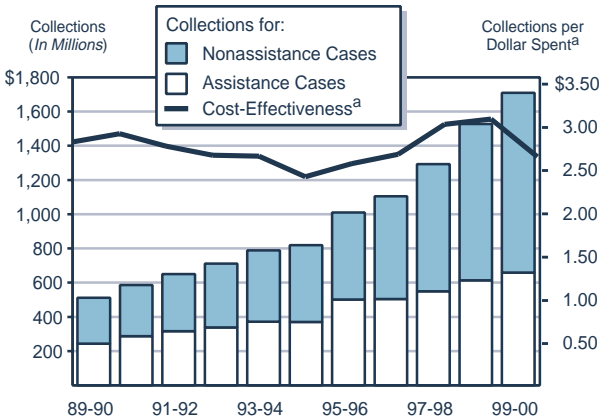


While CalWORKs Grant Is Significantly Below Poverty Level



^a Maximum monthly grant.

Child Support Collections Rising but Cost-Effectiveness Flat



^a The federal government defines cost effectiveness as collections per administrative dollar spent.

- Child support collections for assistance (CalWORKs) and nonassistance families have increased steadily each year, from \$511 million in 1989-90 to \$1.7 billion in 1999-00.
- State savings (recoupment) in CalWORKs grants due to the collection of child support increased from \$102 million General Fund in 1989-90 to \$298 million General Fund in 1999-00.
- For every dollar California spends on administration, it has collected between \$2.50 and \$3 in child support payments. By comparison, the 1999 national average was approximately \$4 collected for this measure of cost-effectiveness.

Most Foster Care Placements Are In Foster Family Homes

Placement Type/Description	Caseload ^a 2000	Monthly Grant Per Child 2000-01
Foster Family Homes	68,800^b	\$405-\$569

- Provides 24-hour care and supervision to no more than six foster children in the foster parent's home.
- Foster care grant may be supplemented for care of children with special needs.

Foster Family Agency Homes	19,000	\$1,467-\$1,730
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- Foster parents are affiliated with nonprofit foster family agencies which provide professional support.
- These placements are intended to serve as an alternative for group home placement.

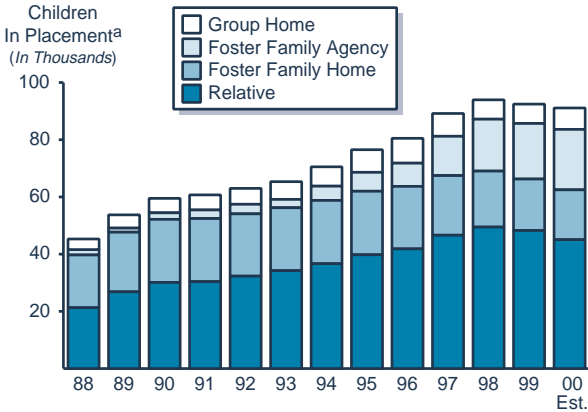
Group Homes	11,700	\$1,353-\$5,732
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- A facility of any capacity that provides 24-hour nonmedical care, supervision, and services to children.
- Generally serve children with higher emotional or behavioral problems who require a more restrictive environment.
- May vary from small, family-like homes to larger institutional homes.

^a Excludes approximately 4,400 foster children placed in county shelters, medical facilities, specially licensed small family homes, and specialized pilot projects.

^b Includes children placed with relatives who may receive CalWORKs rather than AFDC-FC grants.

Foster Care Caseload Levels Off

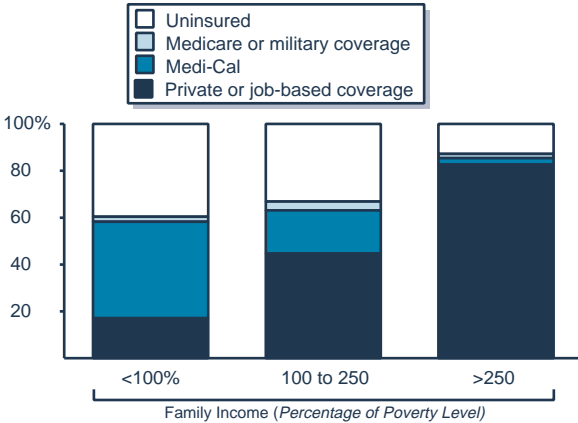


^a Excludes approximately 6,000 foster youth supervised by county probation departments.

- The total foster care population grew steadily throughout the 1990s, from almost 44,000 in 1988 to a peak of over 94,000 in 1998. Since then, the caseload has started to decline, partially due to the advent of Kin-GAP, which allows children to exit the foster care system to family caregivers.
- Since 1988, foster family agency placements increased more than twenty-fold while costly non-relative foster family home placements declined slightly.

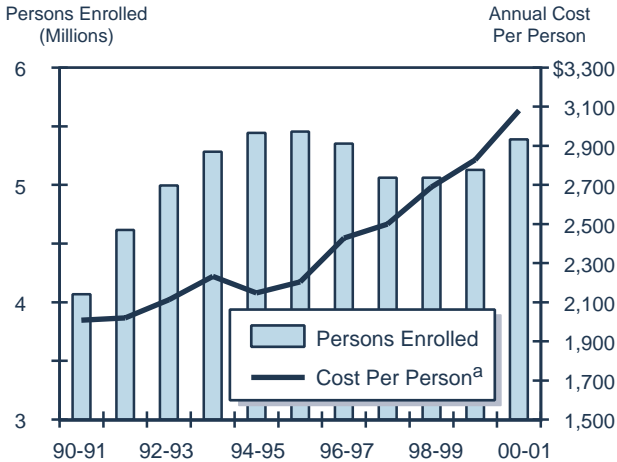
Health Insurance Coverage Increases With Income

1999



- The uninsured generally are low-income working individuals or families—under 250 percent of the federal poverty level.
- Job-based health insurance coverage increases with income for low-income workers, while the number covered by Medi-Cal declines.
- Almost 90 percent of nonelderly Californians with incomes *above* 250 percent of poverty have health insurance coverage.

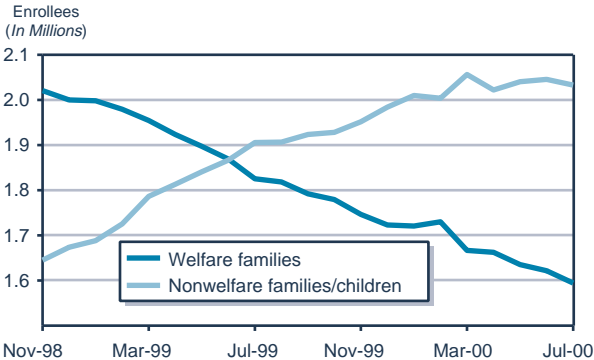
Medi-Cal Caseload Growth Resumes And Cost Increases Continue



^aIncludes federal funds. Excludes disproportionate share hospital payments and most pass-through funding for related programs.

- Medi-Cal caseload grew rapidly during the early 1990s as a result of (1) eligibility expansions and (2) increased welfare caseload during the recession, and then declined in the mid-1990s as the economy recovered.
- Current caseload growth results from (1) actions to expand and simplify eligibility for children and working families and (2) increased outreach efforts.
- The annual cost increase per person for Medi-Cal benefits has averaged 6.9 percent since 1995-96 due to provider rate increases, increased spending on drugs, and other factors.

Most Medi-Cal Families/Children No Longer on Welfare

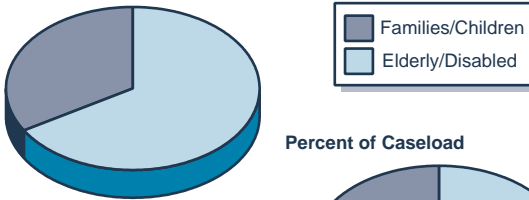


- By July 1999, for the first time in the history of the Medi-Cal Program, welfare (CalWORKs) recipients accounted for less than half of the families (including pregnant women) and children enrolled in the program. This trend has continued and Medi-Cal enrollment of nonwelfare families and children now exceeds those on welfare by more than 400,000.
- The reduction in the welfare component of the Medi-Cal caseload is generally attributable to welfare reform and a strong job market. The growth in the nonwelfare component is due to recent legislative changes that have expanded and simplified Medi-Cal eligibility for low-income working families.
- Most elderly or disabled Medi-Cal enrollees continue to be welfare recipients who receive benefits under the Supplemental Security Income/State Supplementary Program.

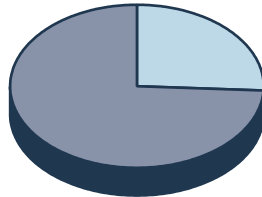
Most Medi-Cal Spending Is for Elderly/Disabled

2000-01

Percent of Spending



Percent of Caseload



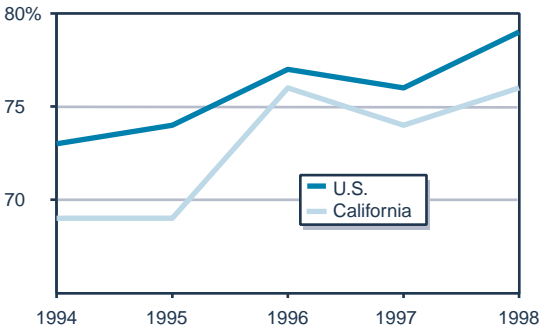
- The average cost of health care for elderly and disabled Medi-Cal beneficiaries is much higher than that for families and children, most of whom generally are healthy.
- Although elderly and disabled persons comprise only one-fourth of the Medi-Cal caseload, they account for two-thirds of the costs of Medi-Cal health benefits. These figures do not include costs paid for by the federal Medicare Program, which also covers most elderly and some disabled Medi-Cal beneficiaries.

California Relatively Healthy According to Some Key Measures

	California	U.S.
Infant mortality rate, 1998 (deaths per 1,000 live births)	5.8	7.2
Child mortality rate, 1997 (deaths per 100,000 children ages 1 to 14)	21.0	25.0
Low birth-weight births (%), 1998	6.2	7.6
New AIDS cases (rate), 1999 (per 100,000)	16.4	16.7
Persons with asthma (%), 1998	6.8	7.8
Adult smokers (%), 1998 (age 18 and over)	18.4	24.0

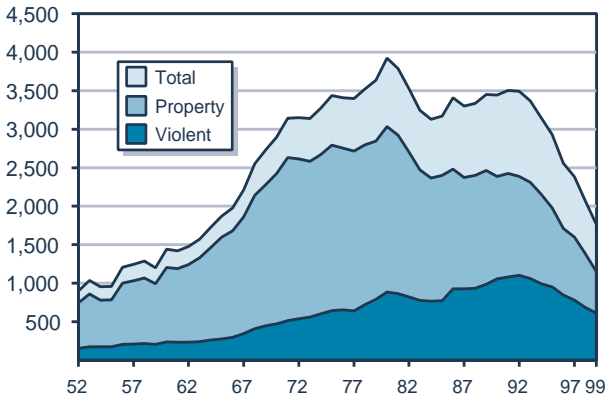
- The state fairs well in comparison with the nation on a number of statistical measures of health, as shown above.
- In 1998 (the most recent data available), the U.S. and California experienced historically high rates of pre-school immunizations. However, these rates remain below the federal goal of having 90 percent of all two-year-olds fully immunized by 2000.

Immunized Children 19 to 35 Months



California's Crime Rate Is at a 35-Year Low

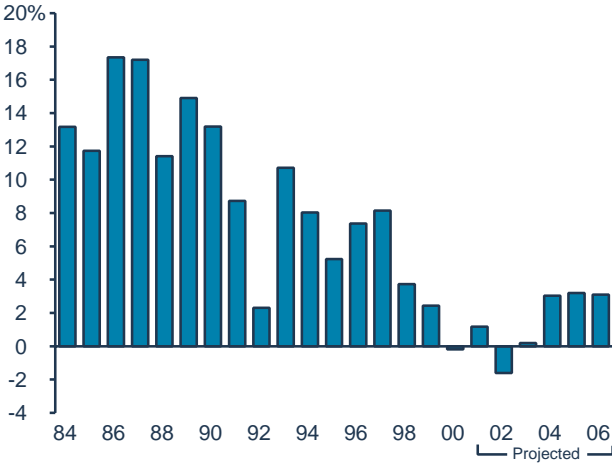
Rate Per 100,000 Population



- The crime rate reached its peak in 1980, declined for several years, increased slightly in the late 1980s, and has declined significantly each year since 1991. The 1999 California Crime Index (CCI) is now roughly equivalent to the rate in 1964.
- No one knows for sure why crime has declined so dramatically in recent years. Most researchers believe that there are many reasons, including the aging of the population (particularly the aging of “baby-boomers”), the decline in the use of certain drugs (particularly “crack” cocaine), incapacitation and deterrent effects of recently enacted criminal penalties, improved economy (and thus, more jobs), better policing techniques (such as “community-oriented” policing), and relatively peaceful gang situations in some urban areas.

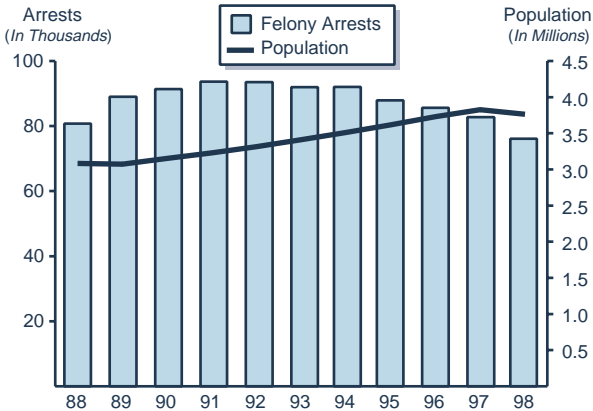
Prison Inmate Population Growth Has Slowed

Annual Increase in the Population



- Although California's prison inmate population has increased substantially over the past 17 years and is expected to continue to grow, the growth has slowed in recent years.
- The prison population increased from about 37,000 inmates in 1983 to about 162,000 in 2000. We project that the population will grow to about 177,000 by 2006.
- The growth in the prison population has largely been attributable to changes in law that increased the length of prison sentences. The recent slowdown in the growth is probably primarily due to the decrease in crime in California. The decline in 2002 and the relative small increases are also due to the voters approval of Proposition 36 in the November 2000 election, which will redirect some drug offenders into treatment rather than prison.

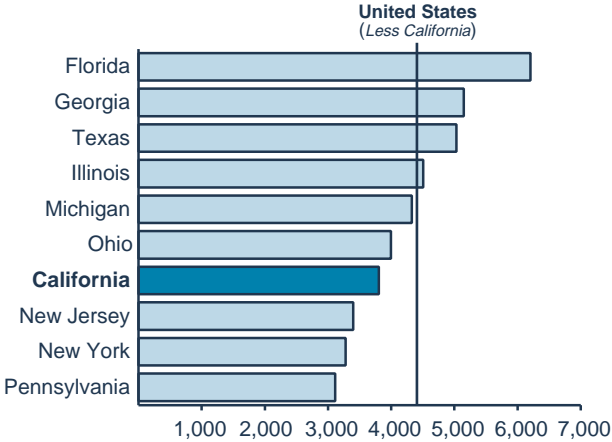
Juvenile Arrests Decline as Youth Population Increases



- California's juvenile population (ages 10 to 17) has increased about 22 percent over the past ten years. Over the same period, however, the number of felony juvenile arrests actually declined by about 6 percent.
- The number of felony juvenile arrests peaked in 1991 and has declined by about 19 percent since that time.
- The decline in juvenile arrests in California reflects a nationwide trend. The reasons probably include the improved economy (and thus more job opportunities for young people), the decline in the use of certain drugs, and the relatively peaceful gang situation in urban areas.
- Historically, juveniles have had a higher arrest rate than adults. In recent years, however, the rates for juveniles and adults have become about equal.

California's Crime Rate Is Lower Than Most Large States

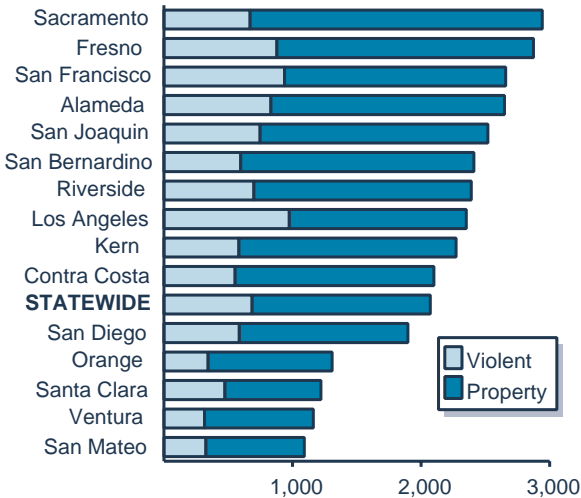
1999 Rates Per 100,000 Population



- Using measures of crime employed by the federal government, California's 1999 crime rate is about 14 percent below the rate for the rest of the nation and is the fourth lowest among the 10 largest states.
- Florida's 1999 rate was the highest among the large states and was about 63 percent higher than California's rate.
- As in California, the national crime rate and the rates of the ten largest states have declined substantially in recent years.

Crime Rates Vary Widely Among Large Counties

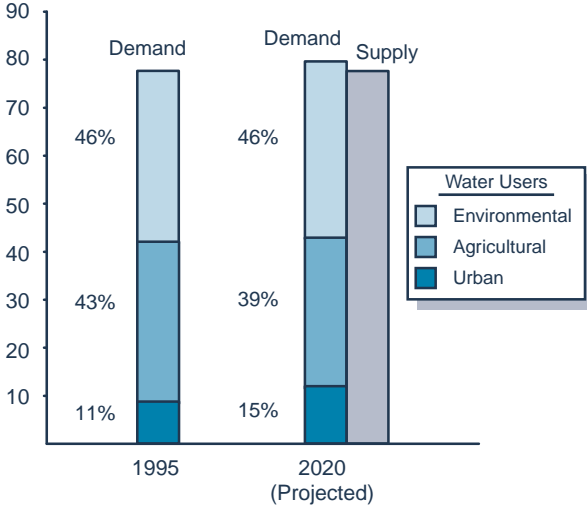
1998 Rates Per 100,000 Population



- Among the counties with populations of 500,000 or more, Sacramento had the highest crime rate in 1998—about 42 percent higher than the statewide rate. San Mateo's rate was the lowest and was about half the statewide rate.
- Variations among county crime rates are probably explained by factors such as demography (areas with larger populations of young men tend to have higher crime rates), wealth (and thus, availability of jobs and crime-fighting resources), degree of urbanization, and location of certain factors associated with crime (such as gangs and drug manufacturers and sellers).

Environment Is Biggest Water User

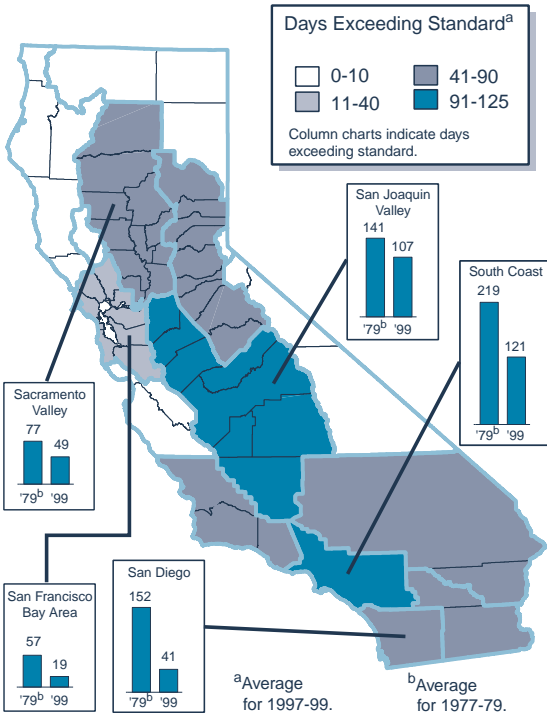
(In Million Acre-Feet^a)



^a Data from Department of Water Resources, California Water Plan (November 1998), reflecting "average" (nondrought) conditions. One acre-foot of water supplies about two three-person households for one year.

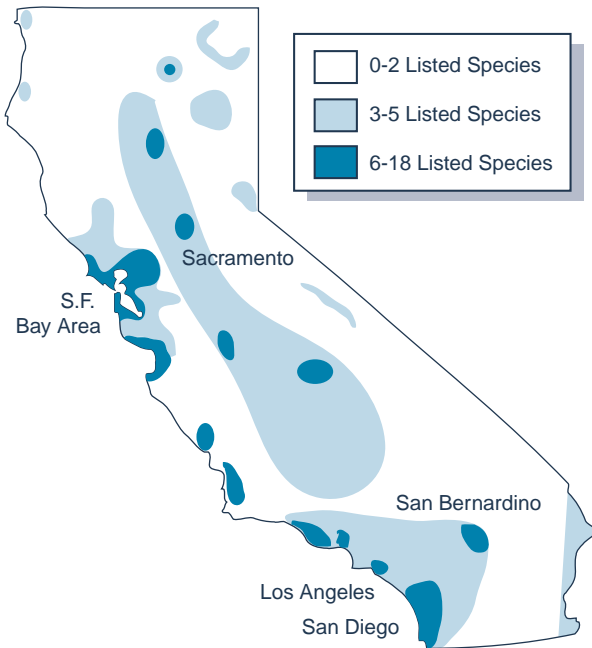
- The Department of Water Resources (DWR) projects that the greatest demand for water in 2020 will, as today, be for environmental uses (such as wetland habitats, fisheries, and dedicated wild and scenic rivers). However, most of the *growth* in demand between 1995 and 2020 will come from the urban sector.
- Assuming nondrought water conditions, DWR projects that there will be a water shortfall in 2020 of 2.9 million acre-feet absent further actions to increase water supplies and/or reduce demand.

State Failing Ozone Standard, But Air Quality Is Improving



- Most of the state did not attain the state's air quality standard for ozone (a key component of smog) in 1999. Ozone levels vary regionally, with the highest concentrations in the San Joaquin Valley and the South Coast air basins.
- However, ozone concentrations have decreased substantially in most air basins since 1979, reflecting increasingly stringent air pollution controls.

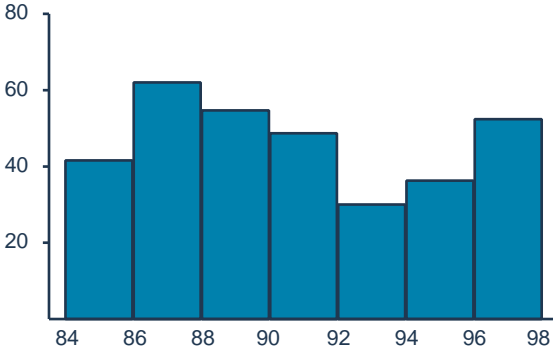
Threatened/Endangered Species Concentrated in Developed Areas



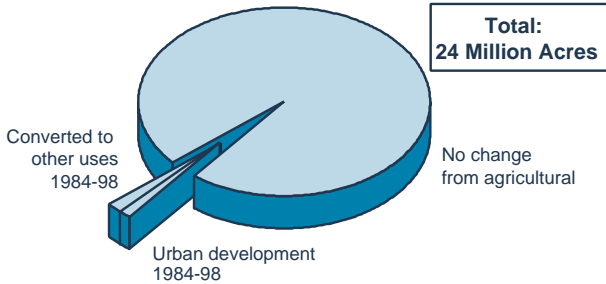
- Plant and animal species can be listed as threatened or endangered under the federal and state endangered species acts. The laws prohibit the “take” or harming of listed species. The “incidental take”—unintentional harming—of species may be permitted under certain requirements.
- In 2000, a total of 335 species are listed. While listed species occur throughout the state, they are most concentrated in the Sacramento River, San Francisco Bay Area, and the coastal and interior areas of Southern California.

Development Takes 46,000 Acres of Agricultural Land Every Two Years. . .

Acres Converted (Thousands)



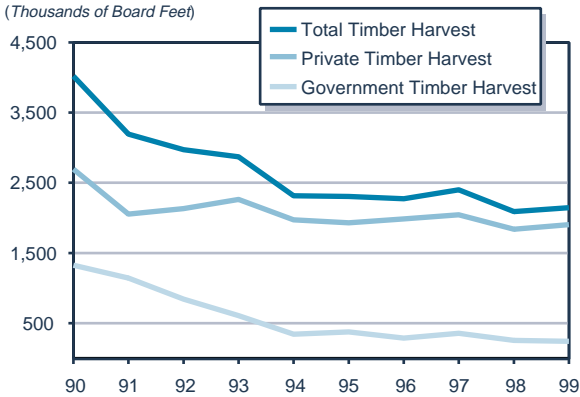
But, Results in Annual Loss of Less Than 1 Percent of Agricultural Land



- Although agricultural land lost to development is relatively small on a statewide basis, these acres are often concentrated in certain regions of the state.

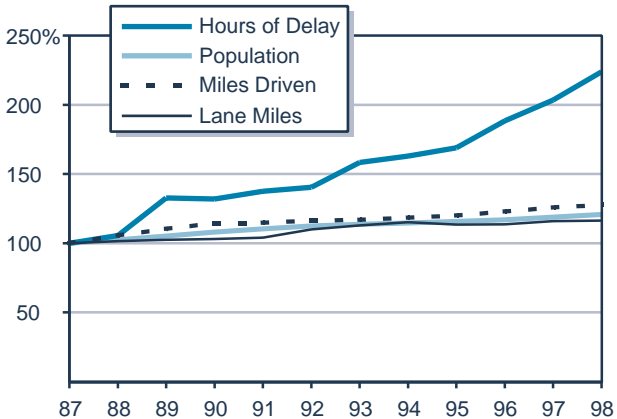


Timber Harvesting in State Reduced Significantly



- There are 17 million acres of commercial forestland in the state, 45 percent privately owned and 55 percent public-owned.
- From 1990-1999, timber harvesting (logging) has decreased almost 50 percent in California. The decrease is due in large part to a reduction in harvesting on federally owned lands which declined by about 80 percent since 1990.
- Timber harvesting on private lands declined by about 27 percent between 1990 and 1994. Since then, the volume of harvesting has remained relatively constant.
- California's forests yielded on average about \$900 million worth of timber annually over the last ten years.

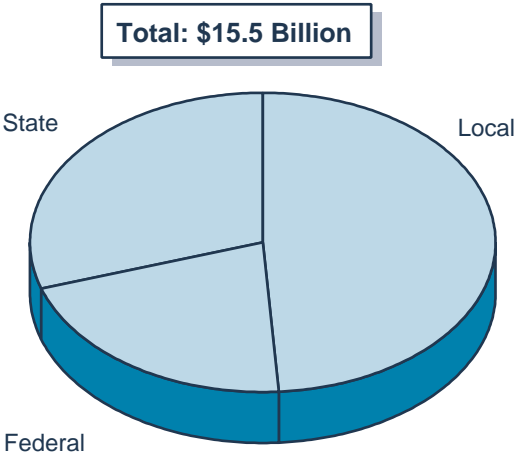
Traffic Delay Increases as Driving Outpaces Highway Capacity



- Between 1987 and 1998, the number of miles driven on state highways in California grew faster than the state's population. Specifically, vehicle miles driven grew by approximately 28 percent, while population grew by about 21 percent.
- During the same time frame, the number of lane miles added to urban freeways grew by an estimated 16 percent.
- Due to this imbalance between demand for driving and supply of freeway capacity, the number of hours that Californians spent delayed in traffic on the state highway system more than doubled over the last decade.

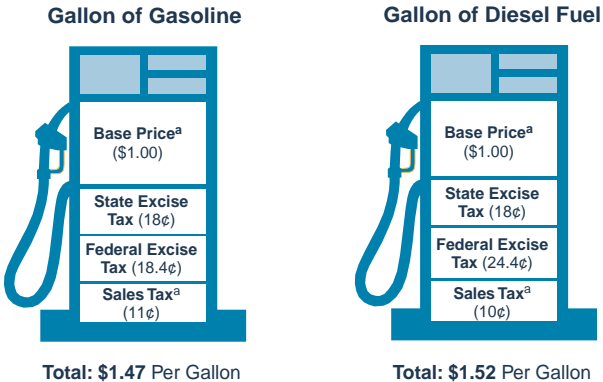
Local Funds Account for Half of Transportation Revenues

1999-00



- State funds consist primarily of the state per gallon tax on gasoline, diesel fuels, and truck weight fees. From 2000-01 through 2005-06, the Traffic Congestion Relief Program provides an additional \$6.9 billion from the General Fund and gasoline sales tax revenues.
- Federal transportation funds are apportioned to California based on the state's contribution to federal fuel taxes.
- Over one-third of local funds for transportation are from optional local sales taxes, dedicated for transportation purposes. Other local funds include local general funds, transit fares, and the 25-cent uniform sales tax dedicated to transit purposes.

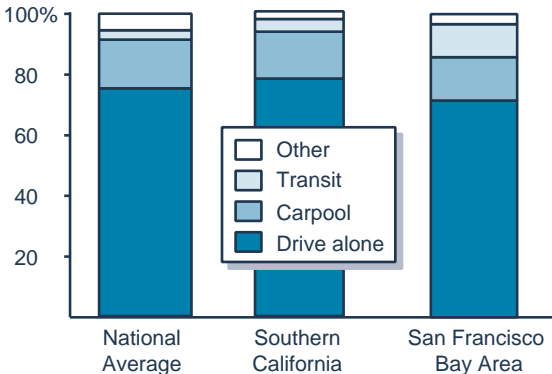
Most State and Federal Transportation Revenues Come From Fuel Taxes



^aFor illustration purposes, assumes base price of \$1.00 and sales tax of 7.5 percent.

- State and federal transportation revenues are collected primarily from per gallon taxes on gasoline and diesel fuel.
- Californians pay the following taxes at the pump:
 - 18 cents in *state* "gas" tax for each gallon of gasoline and diesel fuel.
 - 18.4 cents in *federal* tax for each gallon of gasoline and 24.4 cents for each gallon of diesel fuel.
 - 7 percent minimum *state* and *local* sales tax (as of January 1, 2001), *plus* optional local sales taxes for transportation or other purposes varying by county. The majority of the state and local sales tax proceeds are *not* used for transportation purposes.

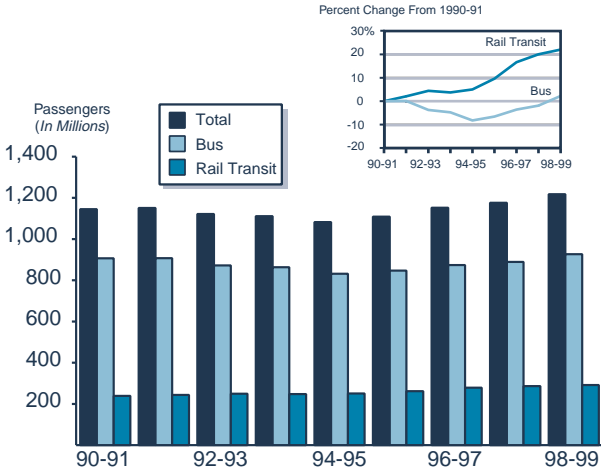
How Californians Commute Varies Little From National Average



Regional data is from 1998; national data is from 1995.

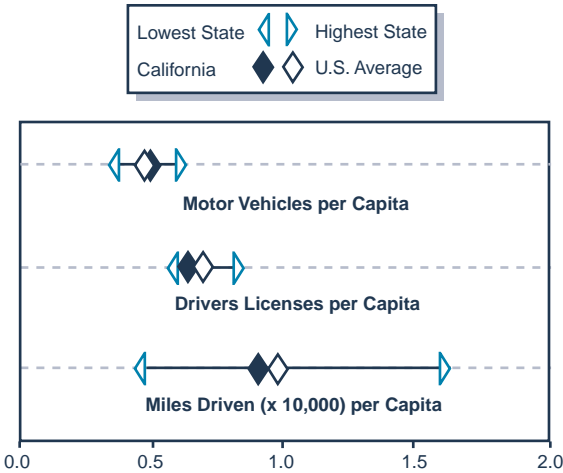
- In Southern California, 78 percent of commuters drove alone to work in 1998, while in the San Francisco Bay Area 71 percent of commuters drove alone to work. This is relative to the national drive alone rate of 75 percent for 1995, the most recent year for which national data are available.
- In the San Francisco Bay Area, 11 percent of commuters used transit to get to work in 1998, while only 4 percent used transit for commuting in Southern California. Nationwide, 3 percent of commuters rely on transit as their primary mode of transportation.
- Carpooling is somewhat more common in Southern California where 15.5 percent of commuters shared a ride to work compared to the San Francisco Bay Area where 14.3 percent carpooled.

Rail Transit Passengers Grow While Bus Ridership Remains Unchanged



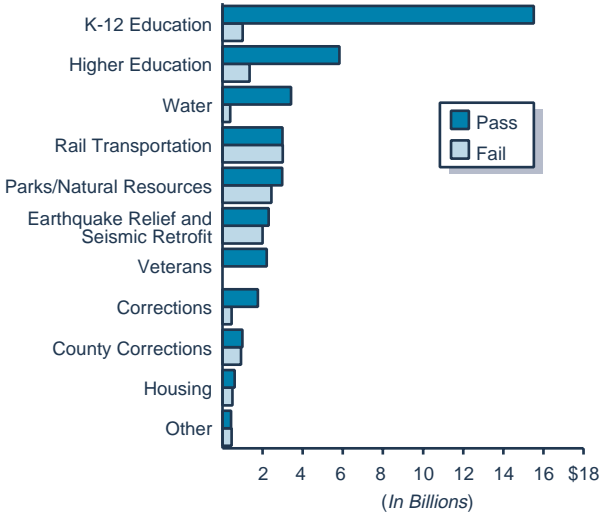
- Between 1990-91 and 1998-99, total ridership on public transportation has grown about 6 percent. The majority of the ridership growth, however, has been on urban and commuter rail due in part to new systems that came on line.
- Over the nine-year period, ridership on commuter and urban rail systems grew by approximately 22 percent from 1990-91 levels. Ridership on bus systems grew by about 2 percent from 1990-91 levels, but it was not until 1998-99 that bus ridership exceeded the 1990-91 total.

Are Californians Really in Love With Their Cars?



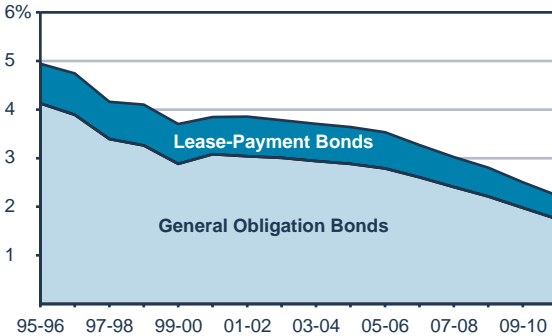
- While the conventional wisdom is that Californians are infatuated with their automobiles, some data suggest that this is not the case.
- For instance, when compared to the average American, Californians own the same number of vehicles per person, drive *fewer* miles per capita and are *less* likely to have a driver's license.
- However, because the state's transportation infrastructure has not kept pace with the growth in population and growth in vehicle miles traveled, Californians are above the national average in terms of how intensively they use existing roads (miles driven per lane mile and proportion of major urban highways that are congested).

Voter Action Since 1986 on State General Obligation Bonds



- Voters have approved \$39 billion in bonds since 1986 and rejected \$12 billion.
- About 40 percent of all approved bonds (\$15.5 billion) have been for K-12 school facilities.
- In addition to voter-approved general obligation bonds, the Legislature has authorized nearly \$9 billion in lease-payment bonds since 1986 for higher education facilities, prisons, and state office buildings.

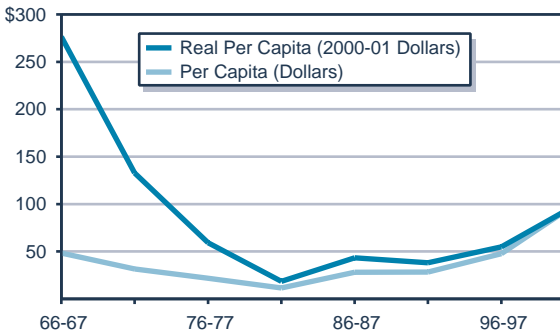
Share of General Fund Revenue Needed for Bond Payments



- The state's debt service ratio reflects the estimated costs to pay principal and interest on currently authorized state bonds as a percentage of projected state General Fund revenues.
- After reaching about 5 percent in the mid-1990s, the debt ratio declined to 3.7 percent in 1999-00, will increase to 3.9 percent in 2001-02, and decline thereafter. Authorization and sales of new bonds would increase these debt ratios.
- Debt payments will increase from \$2.9 billion in 2000-01 to \$3.5 billion in 2005-06 and decline thereafter if no additional bonds are approved.

Trends in State Capital Outlay Spending Over Time

1966-67 Through 2000-01



- Real per capita spending on infrastructure declined rapidly in California between 1966-67 and 1981-82. This decline reflected a reduction in spending on major programs such as transportation and higher education.
- Per capita spending has increased moderately, but steadily, since the early 1980s, with the increase in 2000-01 spending due largely to added funds for transportation and resources.
- The state will spend about \$93 per Californian on state infrastructure in 2000-01. In real terms this is about one-third the spending level of the mid-1960s.



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