January 31, 2014

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Harris:

As required by Section 9005 of the Elections Code, this letter analyzes the proposal (A.G. File No. 13-0063) to end the existing State of California and replace it with six new states, subject to approval of the United States government. The text of the proposal states that it is an initiative measure, which would amend the California Constitution and the state's Government Code.

BACKGROUND

California's Existing Boundaries

History of Current Borders. The current borders of California are specified in the California Constitution and a few other state laws. These borders resulted from: (1) an 1848 treaty with Mexico that ceded California to the United States and (2) the decision of delegates at California's 1849 constitutional convention to set the state's eastern boundary near the crest of the Sierra Nevada Mountains and along the Colorado River. Congress and President Fillmore agreed to admit California to the union as a "free state" as part of the Compromise of 1850. Proposals to split California into two separate states were not approved at that time.

Efforts to Split California Since Statehood. Discussions of splitting California into two or more states continued after statehood and have emerged periodically ever since. In 1859, the Legislature passed a measure consenting to the separation of areas south of the Tehachapi Mountains (including Los Angeles County and San Diego County, among others) into a separate territory or state. The measure conditioned California's approval for this split on two-thirds of Southern California voters agreeing to it. In an election, three out of four of those voters approved separation. Congress, however, never acted on the separation plan, so it was never implemented.

Since the early 1940s, some residents of far northern California have suggested that their counties—along with a few counties in southern Oregon—separate from the two states to create a new state called Jefferson. Recently, Boards of Supervisors in Glenn, Modoc and Siskiyou Counties approved measures supporting separation from California.

Relationship Between Existing State and Local Governments

This measure also contains provisions concerning the relationship between the existing State of California and its local governments. This section provides background on those issues.

State Reimbursements for Mandates Imposed on Local Governments. When the state government mandates that a local government provide a new program or higher level of service, the California Constitution generally requires the state to reimburse the local government. If a new law is determined to be a reimbursable mandate, the Legislature must fund local government costs for the mandate, suspend the mandate, or repeal the mandate. Suspending or repealing the mandate does not eliminate the state's obligation to reimburse local governments for any costs incurred in prior years during which the mandate was active, although doing so allows the state to defer payments to future years.

Cities and Counties May Adopt Charters. State law generally defines the roles and responsibilities of cities and counties. The California Constitution, however, allows cities and counties to adopt or amend charters—subject to approval by local voters—that supersede state law on certain issues. Of California's 58 counties, 14 currently are charter counties, including some of the largest ones, such as Los Angeles County, San Diego County, and Orange County. Charter cities generally have authority over their "municipal affairs." Although the Constitution does not define municipal affairs, case law suggests that they include municipal elections, land use and zoning, contracting, and budgeting. Despite this authority of charter cities, state laws concerning city municipal affairs may be controlling if necessary to further a significant statewide interest.

PROPOSAL

Establishes Process to Split California Into Six New States. This measure amends the State Constitution to allow a statute to consent to the splitting of California into two or more new states. The measure also amends state statutes to provide California's legislative consent—pursuant to the relevant section of the U.S. Constitution—for the creation of six new states within the current boundaries of California. The measure keeps intact existing county boundaries and assigns each county to one of the six new states shown in Figure 1. The measure specifies that the names of the six new states will be Jefferson, North California, Central California, Silicon Valley, West California, and South California. As shown in Figure 2 (see page 4), West California—including Los Angeles—would be the most populous of the six states, with a population similar to that of Ohio. West California's population would be less than one-third of today's California. Jefferson—including the northernmost counties—would be the least populous of the six states with 1 out of every 40 residents of today's California and a total population somewhat smaller than Montana's.

Figure 1

Six States Proposed by This Measure

Figure 2

Population and Largest Cities of the Six Proposed New States

State	Population	Largest Cities
West California	11,563,717	Los Angeles, Long Beach, Santa Clarita
South California	10,809,997	San Diego, Anaheim, Santa Ana
Silicon Valley	6,828,617	San Jose, San Francisco, Oakland
Central California	4,232,419	Fresno, Bakersfield, Stockton
North California	3,820,438	Sacramento, Santa Rosa, Elk Grove
Jefferson	949,409	Redding, Chico, Eureka
Existing State of California	**38,204,597**	**Los Angeles, San Diego, San Jose**

Source: California Department of Finance estimates as of July 1, 2013.

Power of Counties Over Municipal Affairs. Effective immediately upon voter approval of this measure, the California Constitution would be amended to allow more authority for charter counties over municipal affairs that now may be controlled by city governments. In cases where existing county charters do not address such municipal affairs, voter approval of amendments to those charters would be required. For example, a county charter could be amended under this measure to delegate authority over municipal affairs to a regional association consisting of several counties. In addition, the measure may be interpreted as prohibiting the state from delaying payment of reimbursements to counties for state mandates concerning municipal affairs. These provisions relating to county governments would remain in effect so long as the State of California continued to exist. If Congress never approves the proposed plan to split California, these provisions relating to county governments would remain in place in the California Constitution.

Process to Implement Proposal

Procedures Specified in the Measure

Under the measure, California's existing state government would continue until each new state is organized and established—presumably including congressional approval—and has its own state constitution in place. The measure specifies a number of steps that would be undertaken by local and state officials after approval of the measure.

Creates Board of Commissioners to Guide State Separation Process. The measure states that a Board of Commissioners to provide for California's division would be created "upon enactment of this section" (which would occur the day after the measure is approved by voters). The measure provides for 24 commissioners: (1) 12 commissioners to be appointed by the Legislature (six by the State Assembly and six by the State Senate) and (2) two commissioners chosen by all of the members of county Boards of Supervisors in each of the six new states. Each of the 24 commissioners would serve for a "term not to exceed" two years. (While the measure requires the Legislature's 12 commissioners to be chosen within six months after Congress approves the creation of the six new states, it does not prohibit an earlier selection of commissioners.)

The Board of Commissioners would be required to "settle and adjust the property and financial affairs" between the existing state and the six new states. This likely would require disposing of each of the State of California's physical and other assets—as well as splitting the state's financial and other liabilities—among the six new states. If the commissioners fail to reach resolution "before the end of their terms," the measure states that California's state debts would be distributed among the new states based on population and the assets of California within each new state's boundaries would become an asset of that new state. The measure requires the California Legislature to provide financial and staff resources to the Board of Commissioners as needed.

Process to Reassign Counties Among the Six States. Through November 15, 2017, the measure would allow any county—subject to approval of county voters—to adopt an ordinance allowing it to be reassigned from the state in which it is placed by this measure to one of the other five proposed states. This could only occur, however, if the reassigned state's borders are immediately adjacent to those of the county in question and if a majority of the county Boards of Supervisors in the reassigned state approve of the change.

Congressional Approval for State Split Plan Sought by January 1, 2019. The measure requires the Governor of California to transmit the state-splitting proposal to Congress for its consideration on January 1, 2018. The Governor would be required to request that Congress act on the proposal by January 1, 2019.

Other Steps Required Before Splitting California

In addition to the steps described above, additional steps would be required—assuming voters approve this measure—before California could split into six new states.

Potential Court Challenges. Litigants likely would bring a variety of challenges to California's separation in federal and state courts. These challenges could involve various issues, including ones related to the distribution of California's assets and liabilities, the provision of public services among the six states (some of which are discussed later in this analysis), and constitutional issues related to congressional approval of the new states. Court cases related to California's split could persist for a long time. Legal disputes between Virginia and West Virginia, for example, concerning the latter's share of state debt lasted for about 50 years after West Virginia statehood (including several cases before the U.S. Supreme Court). In addition, a possible suit would concern whether this is an initiative measure (as the text of this measure states) or a revision of the California Constitution. A revision is generally broader in scope than an initiative measure—for example, a change that substantially alters the basic governmental framework of the state is a revision. Under the California Constitution, revisions may be proposed only by the Legislature or a constitutional convention.

Congressional Approval Required. Assuming voters approve this measure, California would not be split unless the federal government enacted a law approving the separation. The bill to create the new states would have to be approved by a majority of the U.S. House of Representatives and the U.S. Senate. Finally, the measure would have to be approved by the President of the United States, unless his or her veto were overridden by Congress.

FISCAL EFFECTS ON STATE AND LOCAL GOVERNMENTS

If approved and implemented in full, this measure eventually would terminate tax and fee collections and spending by the existing State of California. A specified process would divide California's assets and liabilities among six new states. To the extent that the new states continue existing local governments, local entities (and the new state governments) would face a number of budgetary, economic, and other issues summarized in this section.

The Six States' Different Income Levels and Tax Bases

At least initially—and perhaps for many decades after their creation—the six proposed new states would have widely varying income levels. The varied income levels would have important effects on each state's tax base. This section considers the three largest state and local tax sources: the personal income tax (PIT), sales taxes, and property taxes.

Significant Income Differences Among the Proposed States. Personal income is a broad measure of the size of the economy, which includes wages and salaries, proprietors' income, rental income, dividends, interest income, and transfer receipts such as payments by governments to individuals. When measured on a per-person (or per capita) basis, personal income data can show which areas tend to have higher-income (generally, wealthier) or lower-income (generally, less wealthy) individuals and households. As shown in Figure 3 (see next page), per capita personal income (PCPI) in today's California is $46,477, which ranks 12th among the 50 U.S. states. Wealth in today's California, however, is disproportionately concentrated among households in the San Francisco Bay Area, including Silicon Valley, which benefits from a concentration of technology firms. For this reason, if California is split into six states as proposed by this measure, two of the six states (Silicon Valley and North California) would have PCPI above that of today's California, while the other four states would have lower PCPI based on 2012 data.

Silicon Valley's PCPI—$63,288—currently would rank as the highest among U.S. states ($3,600 above Connecticut, but still below the District of Columbia). Central California would rank as a leading agricultural producer. Its PCPI and that of Jefferson, however, would be notably lower than the PCPI of the other four new states. Currently, Central California's PCPI would rank last among all U.S. states (about $150 below Mississippi).

The data in Figure 3 assume that no counties reassign themselves to one of the other states as allowed under the measure. If, for example, Marin County—just north of the Golden Gate Bridge—opted to join Silicon Valley instead of North California, Silicon Valley's PCPI would climb by about $1,000, while North California's PCPI would fall below that of West California.

California's PIT Base Concentrated in Bay Area. California's state General Fund provides most state support for public schools, universities, health and social services programs, and prisons. Currently, PIT is the primary tax revenue source for state government, making up about two-thirds of the state's General Fund revenues. Today's California relies upon a progressive PIT rate structure—one in which higher-income individuals pay a higher effective tax rate on their income—and taxes capital gains income from stock and home sales when realized by

Figure 3

Per Capita Personal Income Varies Widely Among the Six Proposed States

State	Per Capita Personal Income	Share of California's Total Personal Income	Share of California's Population
Silicon Valley	$63,288	24.3%	17.8%
North California	48,048	10.4	10.0
West California	44,900	29.2	30.2
South California	42,980	26.2	28.4
Jefferson	36,147	1.9	2.5
Central California	33,510	8.0	11.0
Existing State of California	**$46,477**	**100.0%**	**100.0%**

Source: U.S. Bureau of Economic Analysis data as of 2012, including federal population estimates.

taxpayers. In 2011, as illustrated in Figure 4, about 28 percent of the adjusted gross income reported on state tax returns originated from the proposed Silicon Valley state, despite it having 18 percent of California's total population. This is a direct result of Silicon Valley being a higher-income area than elsewhere in California. Owing as well to California's progressive PIT rate structure—in which higher-income taxpayers pay higher effective tax rates—Silicon Valley paid one-third of all PIT assessed by California in 2011. Just as Silicon Valley has disproportionately high PIT totals, Jefferson and Central California have lower PIT totals, with per capita PIT assessed in those areas far below levels in the other four proposed states.

Figure 4

Personal Income Tax (PIT) Base Across the Six Proposed States

2011 Data

State	Per Capita PIT Assessed	Total Tax Assessed (Billions)	Total Adjusted Gross Income (Billions)	Average Effective Tax Rate
Silicon Valley	$2,168	$14.5	$271.5	5.3%
West California	1,116	12.7	288.2	4.4
North California	1,044	3.9	97.4	4.0
South California	944	10.0	251.6	4.0
Central California	472	2.0	64.6	3.0
Jefferson	463	0.4	14.8	3.0
Existing State of California	**1,159**	**$43.6**	**$988.1**	**4.4**

Source: Franchise Tax Board 2012 Annual Report.

Silicon Valley Leads State in Per Capita Taxable Sales. The sales tax is the second-largest General Fund revenue source for the state government and is also a major local government revenue source. California taxes most physical goods purchased in the state, but not most services. Currently, the statewide sales tax rate of 7.5 percent generates tax revenue that is divided among state and local government programs. (Many localities charge an additional rate on top of the 7.5 percent statewide rate, such that the average sales tax rate paid by California consumers currently is around 8.4 percent.)

As shown in Figure 5, Silicon Valley leads all of the proposed six states in per capita taxable sales, while Jefferson and Central California have less taxable sales per person than the other four states. Nevertheless, the disparities between Silicon Valley and the other states are not as great for this measure as they were for per capita PIT revenues. Part of the reason for this is that lower-income consumers spend a greater portion of their income on taxable goods. In Central California—the region with the lowest PCPI—per capita taxable sales total 38 percent of PCPI, the highest level for this measure of any of the six proposed states. While South California has ranked fourth among the six states in the income measures cited previously, it ranks second in per capita taxable sales as a result of its residents spending more of their income on taxable goods than any other area except Central California. In some cases, the data in Figure 5 may be influenced by "interstate" consumer activity—for example, by a Los Angeles County (West California) resident purchasing a car, clothes, or large appliances in the Inland Empire or Orange County (South California).

Figure 5

Sales Tax Base Across the Six Proposed States

2011-12 Data

State	Per Capita Taxable Sales: Amount	Per Capita Taxable Sales: As Percent of Per Capita Personal Income	Total Taxable Sales (Billions)
Silicon Valley	$16,536	26%	$110.7
South California	14,773	34	157.5
North California	14,248	30	53.8
West California	13,369	30	152.6
Central California	12,870	38	53.7
Jefferson	12,127	34	11.5
Existing State of California	**14,337**	**31**	**$540.0**

Source: State Board of Equalization Annual Report 2011-12.

Per Capita Assessed Property Value Highest in Silicon Valley. Property taxes are a major local government revenue source and directly influence the existing state budget since higher distributions of property taxes to schools typically reduce the amount of money the state must provide to local school districts under Proposition 98, a state constitutional provision passed in 1988. As shown in Figure 6 (see next page), the existing California property tax base is also somewhat concentrated in the Bay Area, with per capita assessed value (AV) considerably higher in the proposed Silicon Valley state than in any other region. Per capita AV in Central California and Jefferson lags the other four states by a considerable margin. Housing in these two proposed states tends to be less costly than housing in Silicon Valley and coastal areas in Southern California.

Figure 6

Property Tax Base Across the Six Proposed States

2012-13 Data

State	Per Capita Assessed Value (AV)	Net AV (Billions)
Silicon Valley	$157,056	$1,063
North California	116,032	441
West California	114,284	1,314
South California	112,670	1,210
Jefferson	91,431	87
Central California	78,141	329
Existing State of California	**$117,053**	**$4,444**

Income and Wealth Differences Would Affect Policy Decisions. In summary, Silicon Valley would have the highest income levels of the six proposed states and Central California and Jefferson would have the lowest, according to the standard economic measures discussed above. Considering the major taxes that now fund California governments—personal income, property, and sales taxes—these disparities in incomes (and related disparities in wealth) translate into very different tax bases for the proposed states. Mainly because Silicon Valley residents have higher incomes, they pay more per person in income taxes, sales taxes, and property taxes under the existing California tax system. By the same token, Central California and Jefferson residents are, on average, less well-off and pay less per person for each of these major taxes. The other three proposed states—North California, West California, and South California—rank in between. The regional disparities in income and wealth would affect various fiscal and policy decisions of the six new states.

Issues Concerning Public Schools and Higher Education

According to Census data, California governments spend over $100 billion per year on education, more than on any other area of public services. The large majority of this money goes to fund public schools and community colleges. Most of the rest goes to fund the state's two university systems, the University of California (UC) and the California State University (CSU). The different tax bases and other characteristics of the six states would force each to make major decisions about these areas of public spending.

Different Regions Rely Differently on State Aid for Schools. Figure 7 (see next page) shows the level of per-pupil state and local property tax general purpose funding for public schools as of 2012-13. (This excludes certain categories of federal and other funding.) By this measure, combined state and local property tax funding ranged from an average of $6,330 per pupil in South California to $6,921 in Jefferson—a less than 10 percent spread, despite the income and wealth disparities among the regions. The reason for the relatively small disparity in per-pupil school funding is that the existing State of California provides state funding to supplement resources of districts that receive relatively less in property taxes. In other words, state funding serves to equalize disparities in property tax wealth across school districts and regions. As a result of the state's funding policies, the two proposed states with the lowest level of per-pupil property taxes—Central California and West California—receive more state funding per pupil than the other four states. By contrast, Silicon Valley—in which school districts receive far more property taxes per pupil—receives far less in state funding per student.

Figure 7

State Funding and Local Property Tax Funding for K-12 Schools Across the Six Proposed States

2012-13 Per Pupil Data

State	State Funding	Property Tax Funding	Combined State and Property Tax Funding[a]
Central California	$5,321	$1,308	$6,629
West California	4,787	1,650	6,438
Jefferson	4,415	2,506	6,921
North California	4,093	2,465	6,558
South California	3,934	2,396	6,330
Silicon Valley	3,031	3,817	6,848
Existing State of California	**$4,263**	**$2,252**	**$6,515**

[a] Consists of general purpose funding for K-12 schools, including the portion of local property taxes used for special education.

Decisions Concerning School Funding. As shown in Figure 7, Silicon Valley's schools already are funded significantly from local property tax sources. As described earlier, state tax revenues of the existing California are paid disproportionately by Bay Area residents, such that a significant portion of their state tax payments essentially is used to subsidize funding for schools and other public services in lower-income regions like the Central Valley. If Silicon Valley becomes a state, its state tax revenues presumably would not be used to fund Central Valley, Los Angeles, and other schools with less property tax funding. By contrast, some of the other proposed states—especially Central California and West California—could find themselves in the opposite situation, no longer able to benefit from a state tax system disproportionately funded by California's higher-income regions.

Higher Education Across the Six States. California's public higher education system consists of 72 local community college districts, the 23 campuses of the CSU system, and the 10 campuses of the UC system. If California splits into six new states, each new state's leaders could face a variety of choices about how to fund and organize the campuses in their jurisdictions (see Figure 8, next page).

Figure 8

Distribution of UC and CSU Campuses Among the Six Proposed States

New State	CSU Campuses	UC Campuses
Central California		
	Bakersfield	Merced
	Fresno	
	Stanislaus	
Jefferson		
	Chico	
	Humboldt	
North California		
	Maritime Academy	Davis
	Sacramento	
	Sonoma	
Silicon Valley		
	East Bay	Berkeley
	Monterey Bay	San Francisco
	San Francisco	Santa Cruz
	San Jose	
South California		
	Fullerton	Irvine
	San Bernardino	Riverside
	San Diego	San Diego
	San Marcos	
West California		
	Channel Islands	Los Angeles
	Dominguez Hills	Santa Barbara
	Long Beach	
	Los Angeles	
	Northridge	
	Pomona	
	San Luis Obispo	

As currently stands, Central California and Jefferson do not have a full array of professional programs, such as law and medical schools, at public universities within their boundaries. Federal research funding also is not evenly distributed among the six proposed states. Finally, because the state General Fund currently provides a much larger per-student subsidy at UC, the proposed states with more UC campuses—such as Silicon Valley and South California—might have more costly higher education systems, at least initially.

A 1992 State Assembly report on splitting California suggested that the university systems—along with a few other state functions—could be reorganized as multistate entities. Establishing multistate universities would be an option for the Board of Commissioners (the entity established to dispose of California's assets and liabilities) and the new states' leaders, but multistate university systems would require choices to be made—both initially and over time—about the appropriate share of funding to be provided by each of the six proposed states, among other issues.

Issues Concerning Health and Social Services Programs

Key Health and Social Services Programs Across the Six States. Currently in California, state and local governments jointly fund various health and social services programs—in some cases, with additional support provided by funding from the federal government. According to Census data, state and local governments in California now spend around $80 billion per year on public welfare and health programs, primarily to assist poor and disabled individuals in the state. Figure 9 shows that, in 2012, the caseload of the Medi-Cal Program—the state's primary health care program for the poor—was not distributed evenly across the six proposed states. For example, Central California had 16 percent of the statewide Medi-Cal caseload, or about 1.5 times its 11 percent share of California's statewide population. Figure 10 (see next page) shows that per-resident spending on the California Work Opportunity and Responsibility to Kids program—the program that provides cash assistance and welfare-to-work services to very low-income families—is considerably higher in Central California than the other proposed states.

Changes in the socioeconomic status and policies of the new states could increase the level of federal funding, particularly for the poorer new states. Such changes in federal funding could offset part or most of any change in state and local funding for certain health and social services programs.

Figure 9

Enrollment in Medi-Cal Program Across the Six Proposed States

December 2012 Data

State	A Share of Statewide Medi-Cal Caseload	B Share of California's Population[a]	Ratio of A/B
Central California	16.2%	11.1%	1.5
Jefferson	2.9	2.5	1.2
West California	34.5	30.3	1.1
South California	24.5	28.3	0.9
North California	8.4	10.0	0.8
Silicon Valley	13.5	17.8	0.8

[a] Department of Finance population estimates as of January 2013.

Figure 10

CalWORKs Program Spending Across the Six Proposed States

2012-13 Data, Total Spending

State	Estimated Spending Per State Resident	Share of Statewide CalWORKs Caseload	Share of California's Population
Central California	$208	19%	11%
Jefferson	160	3	3
West California	145	34	30
North California	131	9	10
South California	111	25	28
Silicon Valley	93	10	18
Existing State of California	**132**	**100%**	**100%**

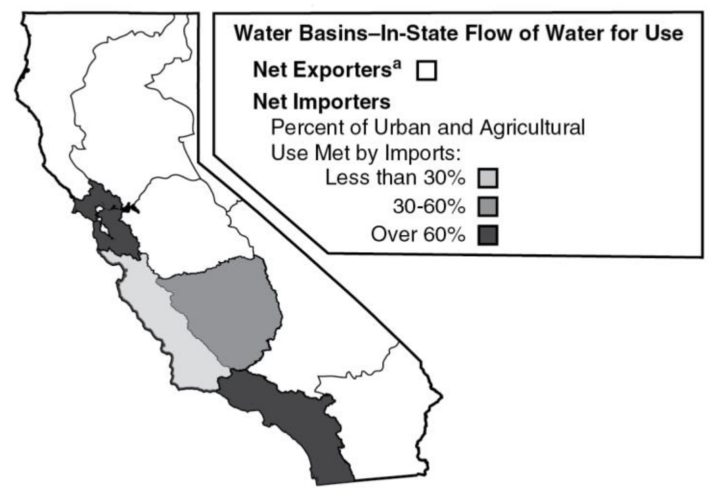
Issues Concerning Water Supply and Delivery

Complex Water System in Today's California. California's existing system of water supply and delivery is one of the most complex in the world. One reason for this complexity is that water does not naturally appear in California where demand is highest. Much of California's rainfall and snowfall occurs in the north, while much of the demand for water is in the south. Water flowing through the Sacramento and San Joaquin Valleys—originating in part from the Sierra Nevada snowpack—is the main source of water into the Sacramento-San Joaquin River Delta. Two major California water delivery projects, the State Water Project (SWP) and the federal Central Valley Project, supply all or part of the drinking water for most Californians from these sources. In addition, at least one quarter of the state's cropland uses water that flows through the Delta, and various habitats and species rely on the flow of water into and through the Delta.

Silicon Valley and West California Are Net Importers of Water. As shown in Figure 11 (see next page), four of the state's ten water basins depend significantly on water imported from other regions of the state. These four basins, which are largely urbanized and agricultural regions in central and coastal California, account for a large portion of urban and agricultural water use statewide. The state's water basins in Figure 11 are marked by natural boundaries, not the new state boundaries specified in this measure. In general, however, the areas of Silicon Valley and West California currently appear to be net importers of water from the other states established by this measure. For example, the San Francisco Public Utilities Commission (Silicon Valley) delivers water from the Hetch Hetchy Reservoir in Yosemite National Park (Central California) to 2.5 million Bay Area customers. The Metropolitan Water District of Southern California, which supplies water utilities in West California and South California, derives its supplies from the northern part of California via the SWP and from the Colorado River. (The Colorado River borders only one of the proposed states: South California.)

At least three of the proposed states—Central California, North California, and South California—contain parts of at least one water basin that is currently a net importer and another

Figure 11
West California and Silicon Valley Would Be Net Water Importers



[a] While the Colorado River region is a net exporter of water within California, its main source of water is imported from the Upper Colorado River Basin.

basin that is a net exporter. Jefferson—location of the largest artificial water reservoirs in California—currently is a net exporter of water.

Decisions Concerning Water. The proposed Board of Commissioners would have to consider how to divide California's water and related hydroelectric resources among the six proposed states. In addition, Congress might have to consider water issues for the six proposed new states—as well as other states bordering the Colorado River—when considering the statehood proposal. Some issues likely would have to be addressed in the courts. The development of multistate water and power arrangements seems likely after California's split into six states. The details of these arrangements—their organization, their funding, and the disposition of current water and power supplies—would depend on decisions by all of these entities and the new states' leaders.

Issues Concerning Prisons

Distribution of Prison Beds Among the Six Proposed States. Currently, certain higher-level felons—generally, those with a current or prior conviction for a violent, serious, or sex offense—are sentenced to one of 34 state prisons managed by the California Department of Corrections and Rehabilitation (CDCR). Figure 12 (see next page) shows that about three of every four prisoners in the CDCR system comes from West California, South California, and Silicon Valley. These three areas combined, however, currently house only a little more than one-third of the state's prison inmates. By contrast, only about one of every four prisoners comes from Central California, North California, and Jefferson, while these three states currently house over

60 percent of the state's prison inmates. Prisons in Central California alone house nearly 40 percent of CDCR inmates. The Board of Commissioners would have to consider these issues when making decisions about prison facilities near the time of statehood, and these issues could affect decisions by the new states' leaders over the long term concerning prison operations, prison funding, and criminal justice policies generally.

Figure 12

Distribution of Prisoners and Prison Space Across the Six Proposed States

2012-13 Data

	Where Do State Prisoners Come From?	Where Are the Prisons at Which They Serve Time?
West California	37%	7%
South California	26	20
Central California	14	39
Silicon Valley	11	7
North California	9	14
Jefferson	3	8
Other/out of state	—	6

Other Issues

Outcomes Would Depend on Decisions Made by New States' Leaders. For all of the issues described above, the effects that California's split would have on the new state and local governmental entities would depend on decisions made by the Board of Commissioners, the new states' leaders, Congress, and, in some cases, the courts. In addition to issues related to education, health and social services, water, and prisons, the new states' leaders would have to make decisions concerning many other issues that could affect public spending, such as:

- The new states' tax structures, including whether to continue the provisions of California's Proposition 13 (1978).
- Laws and regulations concerning environmental quality and economic development.
- How to finance transportation and other infrastructure and whether to complete California's planned high-speed rail system as a multistate system.
- How to compensate public employees—including their health and retirement benefits—and how to address unfunded liabilities of California's existing public employee retirement plans.
- Laws related to marriage and families.
- Various other policies related to criminal justice and public safety, including ones concerning gun ownership and use.

Decisions Could Result in Demographic and Economic Changes. The decisions made in all of the areas discussed in this analysis could result in changes to the six states' demographics and economy, both initially and over time. For example, differing policies could result in migration or different settlement patterns initially. Over the longer term, the states' economic development and other policies could alter their respective economies. The exact nature of these changes, both initially and over time, is unknown.

One-Time Costs to Transition From One State to Six New States. The State of California and the six new state governments, collectively, would have to pay various one-time costs in the decade or so after approval of this measure. For example, the measure requires funding the work of the Board of Commissioners, which could total tens of millions of dollars per year in some of the years soon after this measure's passage. In addition, some of the new states could choose to spend money on new buildings, such as new state capitols, to house their new state governments in the early years after congressional approval of their statehood. Depending on decisions made during the transition period, some of these costs could perhaps be offset by selling existing State of California buildings. These one-time costs would be minor compared to the other long-term public spending changes likely to result from the creation of the new states.

Summary of Fiscal Effects

This measure would have the following major fiscal effects:

- If the federal government approves the proposed creation of six new states, all tax collections and spending by the existing State of California would end, with its assets and liabilities divided among the new states.
- Decisions by appointed commissioners and elected leaders would determine how taxes, public spending, and other public policies would change for the new states and their local governments.

Sincerely,

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Mac Taylor
Legislative Analyst

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Michael Cohen
Director of Finance