



# CAL FACTS

DECEMBER 2014

LAO 

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.

*Mac Taylor*  
*Legislative Analyst*

## LEGISLATIVE ANALYST'S OFFICE STAFF

### Legislative Analyst

Mac Taylor

#### State and Local Finance

##### Jason Sisney

Marianne O'Malley

Chas Alamo

Justin Garosi

Seth Kerstein

Ryan Miller

Nick Schroeder

Brian Uhler

Brian Weatherford

#### Corrections, Transportation, and Environment

##### Anthony Simbol

Brian Brown

Drew Soderborg

Ashley Ames

Ross Brown

Virginia Early

Aaron Edwards

Anton Favorini-Csorba

Jeremy Fraysse

James Hacker

Helen Kerstein

Sarah Larson

Anita Lee

Jessica Peters

#### Support

Tina McGee

Izet Arriaga

Sarah Scanlon

Jim Stahley

Anthony Lucero

#### Education

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Edgar Cabral

Carolyn Chu

Natasha Collins

Jason Constantouros

Rachel Ehlers

Paul Golaszewski

Judy Heiman

Kenneth Kappahn

Jameel Naqvi

#### Health and Human Services

##### Mark Newton

Shawn Martin

Amber Didier

Rashi Kesarwani

Lourdes Morales

Ginni Bella Navarre

Felix Su

Ryan Woolsey

#### Administration and Information Services

Larry Castro

Sarah Kleinberg

Karry Dennis-Fowler

Michael Greer

Vu Chu

Douglas Dixon

Sandi Harvey

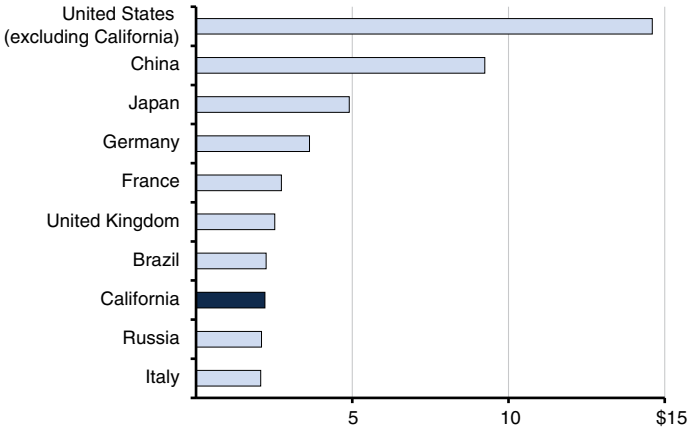
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## California's Economy Is Eighth-Largest in the World

*2013 Gross Domestic Product (In Trillions)*



- California's gross domestic product (GDP)—the value of goods and services produced here—totaled \$2.2 trillion in 2013.
- With 34 percent of the population, the Los Angeles/Orange County region produces 36 percent of California's economic output. With only 17 percent of the population, the Bay Area produces 25 percent of the state's output.
- The GDP of Texas, the next-largest state economy, was \$1.5 trillion.

## California's Job Mix Similar to the U.S. in Many Sectors

(Nonfarm Jobs)

Percentage of  
California Jobs    Percentage of  
U.S. Jobs

### California and the U.S.: Sectors With Equal Shares of Jobs

Retail and wholesale trade	15	15
Health care and social assistance	13	13
Food services and hotels	9	9
Construction	4	4
Federal government	2	2

### Sectors In Which California Has Larger Share of Jobs

Professional/business services and information <sup>a</sup>	19	16
Local government	11	10

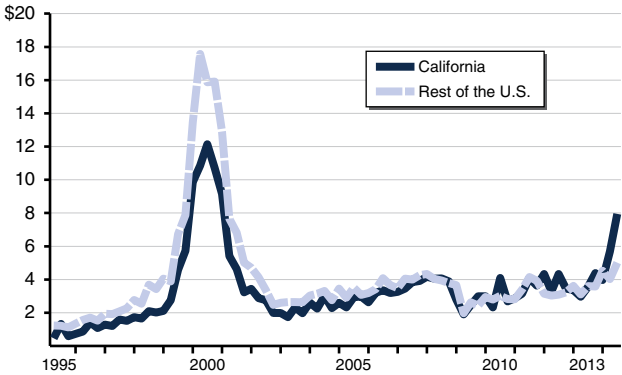
### Sectors In Which California Has Smaller Share of Jobs

Manufacturing	8	9
Finance, insurance, and real estate	5	6
Transportation and utilities	3	4
State government	3	4

<sup>a</sup> Includes most technology and entertainment industry jobs, among others in this category.

## California Firms Get Large Share of Venture Capital Funding

(In Billions)



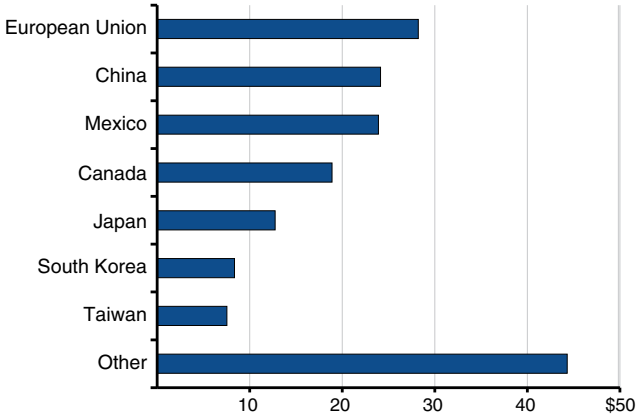
- Venture capital provides investment funding for new technology firms that may not have access to conventional bank loans. Historically, the level of this funding has affected job growth in California's technology industries.
- In many recent years, venture capital funding to California firms often has equaled or exceeded that for firms in the other 49 states combined. Overwhelmingly, this funding goes to firms in the Bay Area.



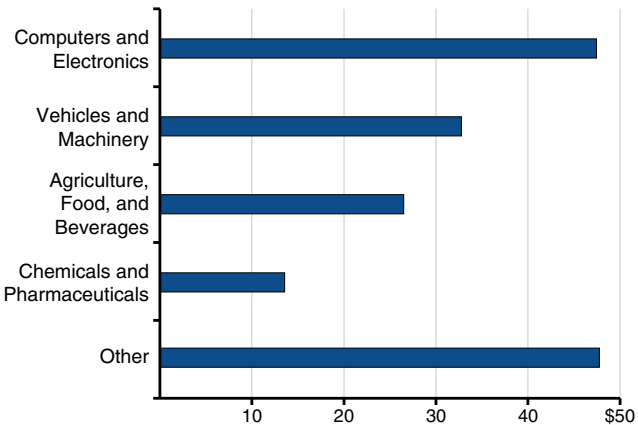
## International Trade Is Important to California's Economy

2013 International Goods Exports<sup>a</sup> (In Billions)

### California Exports by Destination



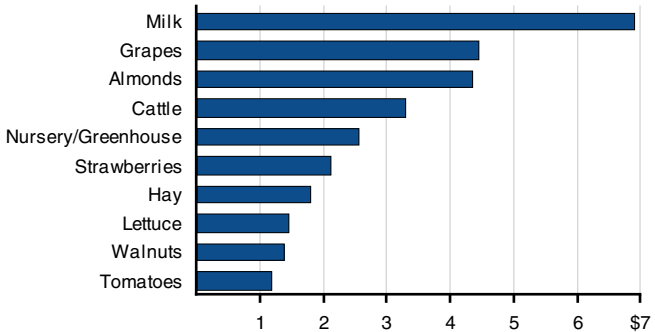
### California Exports by Product



<sup>a</sup> Excludes exports of services. Nationwide, services account for about 30 percent of total exports.

## Milk Is California's Top Farm Commodity

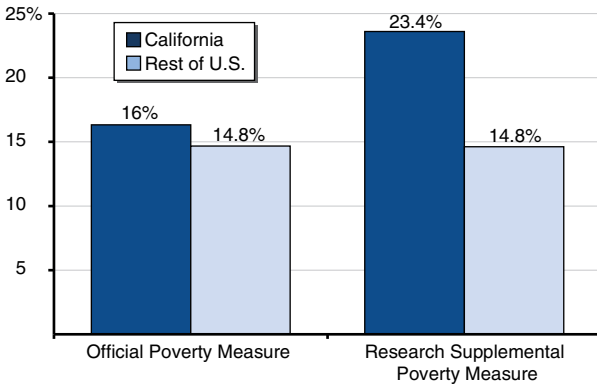
*Top 10 Commodities by Billions in Sales, 2012*



- California is the nation's leading farm state. Its farm commodities generated \$45 billion of sales in 2012—far surpassing the \$32 billion generated by farms in Iowa (the second-ranked state). Milk is, by far, California's top farm commodity.
- Across the U.S. and around the world, consumers often eat agricultural products that are almost exclusively California grown. For example, California accounts for about 99 percent of U.S. production of almonds and walnuts. Almonds are the state's leading agricultural export.
- In 2012, the top five counties by sales volume of farm commodities were Fresno, Kern, Tulare, Monterey, and Merced.

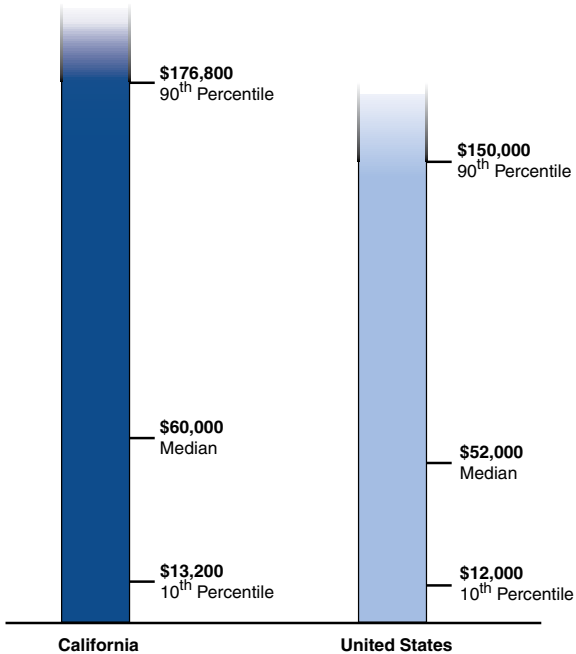
## Poverty Much Higher in California Under Alternative Measure

*Percentage of Population Living Below Poverty Threshold From 2011 Through 2013*



- The Official Poverty Measure (OPM) defines a family as poor if their pretax cash income is less than a poverty threshold that is standard across the continental U.S.
- In contrast, the Research Supplemental Poverty Measure (SPM) accounts for forms of public assistance not included in the OPM and adjusts poverty thresholds for a number of factors, such as the cost of housing.
- From 2011 through 2013, California's OPM poverty rate was somewhat higher than the in the rest of the U.S. California's SPM poverty rate—at 23.4 percent—was much higher than in the rest of the U.S., primarily due to the state's higher housing costs. This rate is equivalent to about 9 million Californians being considered poor.

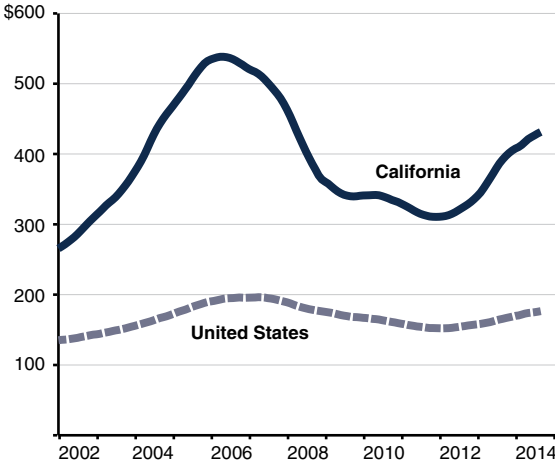
## Incomes Higher in California Than U.S., and More Spread Out



- In 2013, median household income in California was \$60,000, compared to \$52,000 for the nation as a whole. As shown above, the gap between high-income households (for example, the 90th percentile of households by income) and very low-income households (such as those at the 10th percentile) is greater in California than in the U.S. as a whole.

## California Home Prices Rising Again

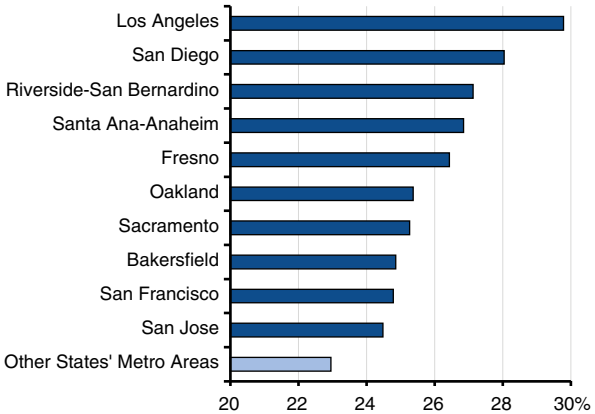
*Estimated Median Home Price (In Thousands)*



- In California, 2013 was the first year since 2006 in which home prices increased significantly.
- The median home price in California has continued to rise in recent months, reaching \$431,400 by September 2014. This was roughly the same as it was ten years ago in 2004.

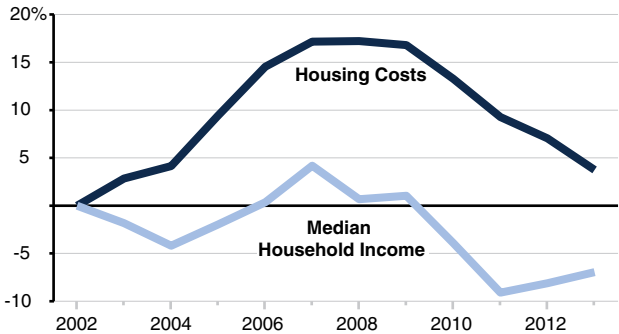
## Californians Spend More of Their Income on Housing

*Share of Household Income Spent on Housing, 2013*

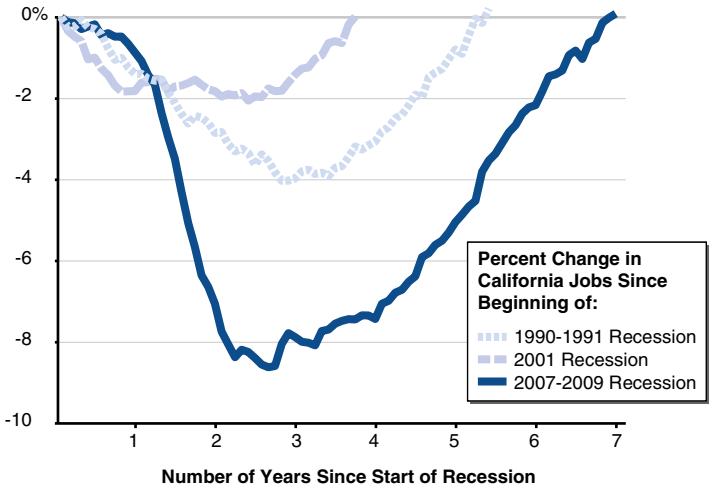


## Housing Costs Have Grown Faster Than Incomes

*Total Inflation-Adjusted Change Since 2002*



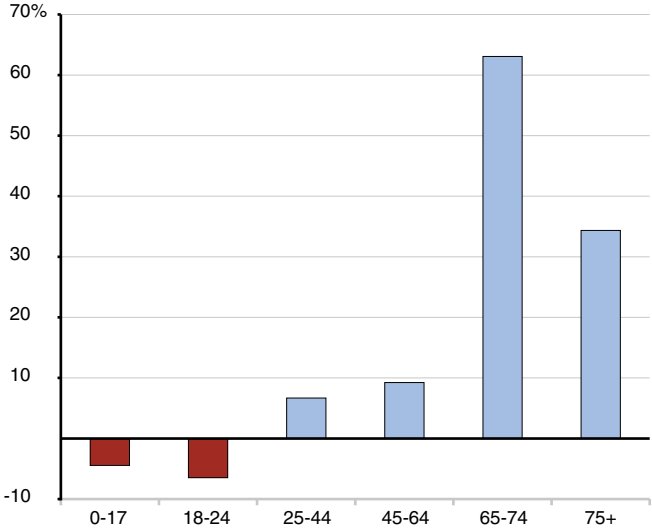
## Great Recession: More Lost Jobs, Longer Recovery Than Past Downturns



- California lost 1.3 million net jobs between July 2007 and early 2010. These job losses were much bigger than those of recent recessions. Also, the time it took California to recover the lost jobs—nearly seven years—was much longer.
- California's population and labor force have grown since the Great Recession began. Therefore, even with the job recovery described above, the state's unemployment rate as of August 2014 (7.4 percent) remained above pre-recession levels. In late 2006, before the recession, California's unemployment rate fell as low as 4.8 percent.

## California's Changing Population

*Rapid Elderly Population Growth...*



LAO Projected Growth by Age Group, 2010-2020

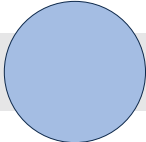







*...And a New Hispanic Plurality*

	Percent of California Population (LAO Estimates)	
	2010	2020
Hispanics	38%	<b>39%</b>
Whites	<b>40</b>	38
Asian-American	13	14
African-American	6	6
Other	3	4





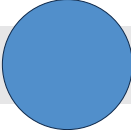





## California Governments Rely...

STATE		
Tax	Rate	Revenue
<b>Personal Income</b>	Marginal rates of 1% to 13.3%	
<b>Sales and Use:</b> General Purpose State Rate for Local Programs	4.19% 2.06%	
<b>Corporation</b>	8.84% of California net income	
<b>Fuel</b>	36¢ per gallon of gasoline	
<b>Insurance</b>	2.35% of gross premiums	
<b>Vehicle License Fee</b>	0.65% of depreciated value	
<b>Cigarettes</b>	87¢ per pack	
<b>Alcoholic Beverage</b>	Varies—20¢/gallon for beer and wine to \$6.60/gallon for spirits	

### Amount of Revenue Raised



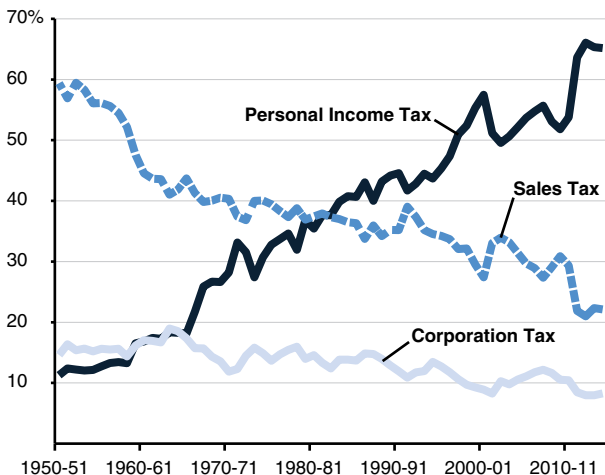
## ...On a Variety of Taxes

LOCAL		
Tax	Rate	Revenue
<b>Property</b>	1% of assessed value, plus rate for voter-approved debt	
<b>Sales and Use:</b> Levied Statewide Levied Locally	1.25% 0.94% (average)	
<b>Utility</b>	Commonly, 5% of utility charges	
<b>Hotel</b>	Commonly, 10% of hotel charges	
<b>Business</b>	A flat amount or based on business' gross receipts	
<b>Property Transfer</b>	Typically 0.11% of transferred property value	

**Amount of Revenue Raised**

## Personal Income Tax Is the Dominant State Revenue Source

*All General Fund Revenues*

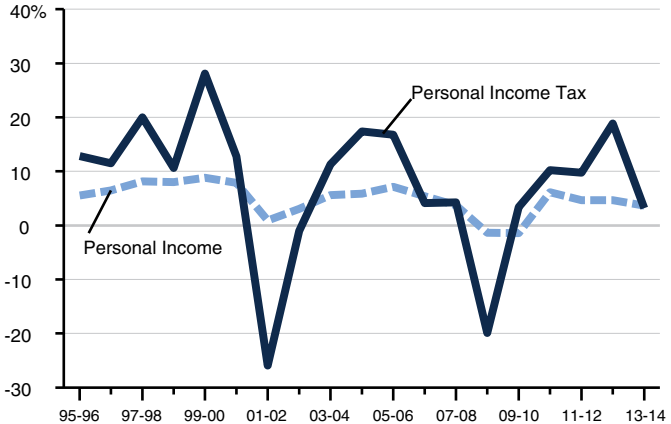


Note: Excludes transfers and bond proceeds.

- Over the past several decades, the personal income tax (PIT) has replaced the sales tax as the predominant source of General Fund revenue.
- The increase in the PIT is due to growth in real incomes, the state's progressive tax structure, and increased capital gains.
- The decline in the sales tax is largely due to an increase in spending on services, which generally are untaxed. Prices of taxable goods have increased little in recent decades. In addition, the portion of sales tax revenues that are deposited outside of the General Fund has increased.

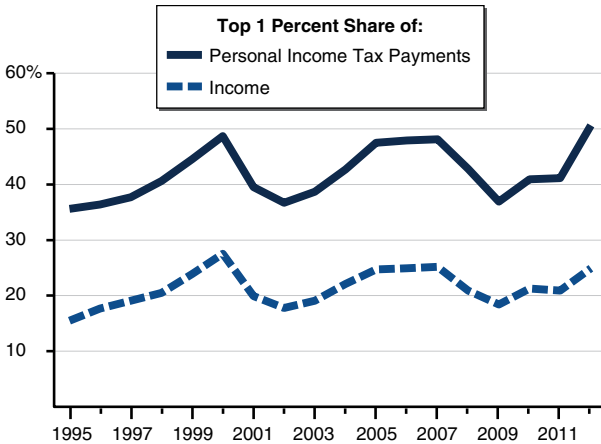
## Personal Income Tax Much More Volatile Than Economy

*Percent Change From Prior Year*



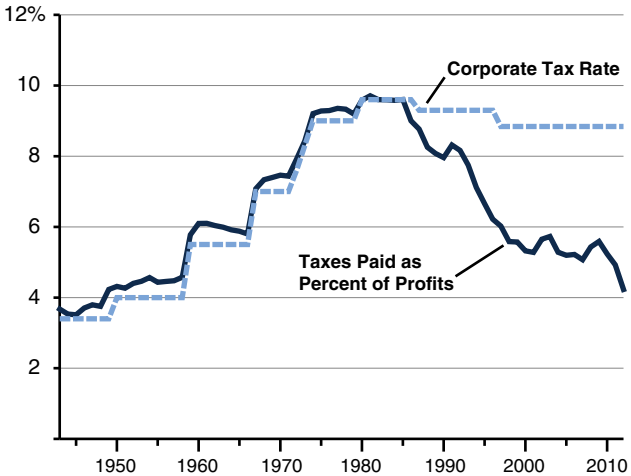
- Personal income is a broad measure of economic activity in California. It measures wages and salaries and various other types of income, but it excludes capital gains (income resulting from sales of assets, such as stocks and homes).
- Personal income taxes are the largest state revenue source. As shown above, these taxes are much more volatile than statewide personal income. This is partly because California taxes capital gains, which are especially volatile and mainly go to high-income taxpayers who pay the highest tax rates. These taxpayers' other income also tends to be volatile.

## Top 1 Percent of Income Earners Paid Half of Income Taxes in 2012



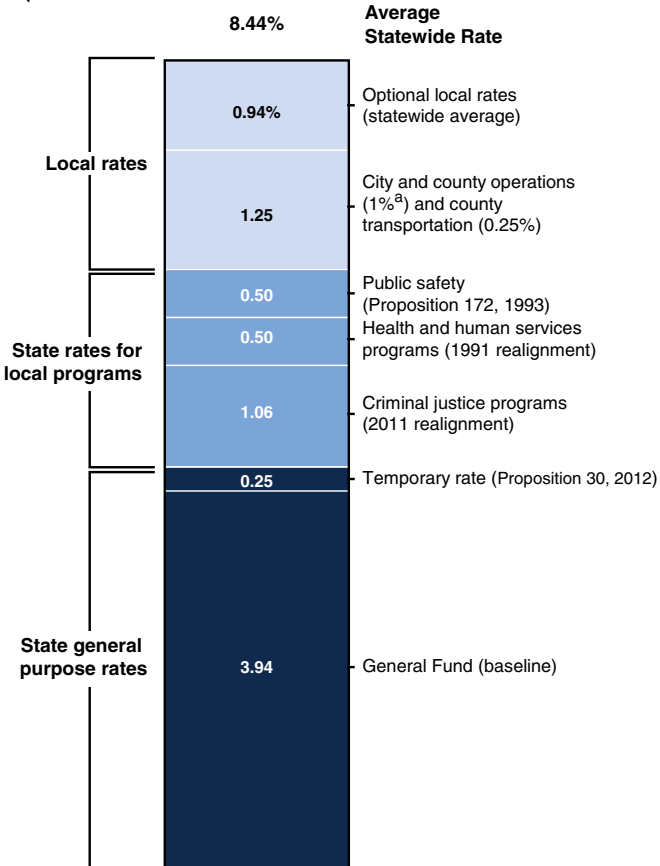
- The share of California's personal income tax (PIT) paid from the 1 percent of PIT returns with the most income is highly volatile—driven by rises and falls in stock and other asset prices.
- In 2012, the top 1 percent of PIT return filers paid a higher share of these income taxes than in any other recent year—just over 50 percent. Proposition 30 took effect in 2012 and temporarily raises PIT rates for these filers.
- Overall, the PIT provides around two-thirds of state General Fund revenues. As such, income fluctuations among the top 1 percent can cause state revenues to rise or fall by billions of dollars each year.

## Corporation Tax Liability As Percent of Profits Has Declined



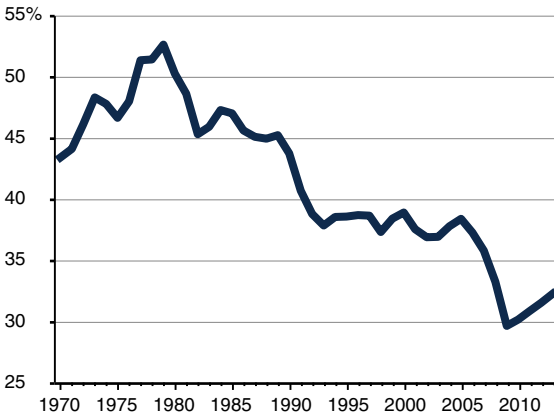
- Using various provisions of state tax law, such as tax credits, corporations may reduce their tax liability. This can result in the firms' final tax liabilities—as a percent of their California profits—being less than the main 8.84 percent corporate tax rate in state law.
- The state has made various major changes in corporate tax law in recent decades. These include expansions of some tax credits and other changes. Such changes have contributed to a sharp decline in corporation tax liabilities as a percent of profits. In prior decades, these tax liabilities were closely linked with the state tax rate.

## Sales and Use Taxes Levied for State and Local Purposes



<sup>a</sup> Until the state pays off its deficit-financing bonds in mid-2015, the city and county operations rate is 0.75%, with the remaining 0.25% dedicated to state deficit financing bond payments.

## Consumers Are Spending a Declining Share of Income on Taxable Goods



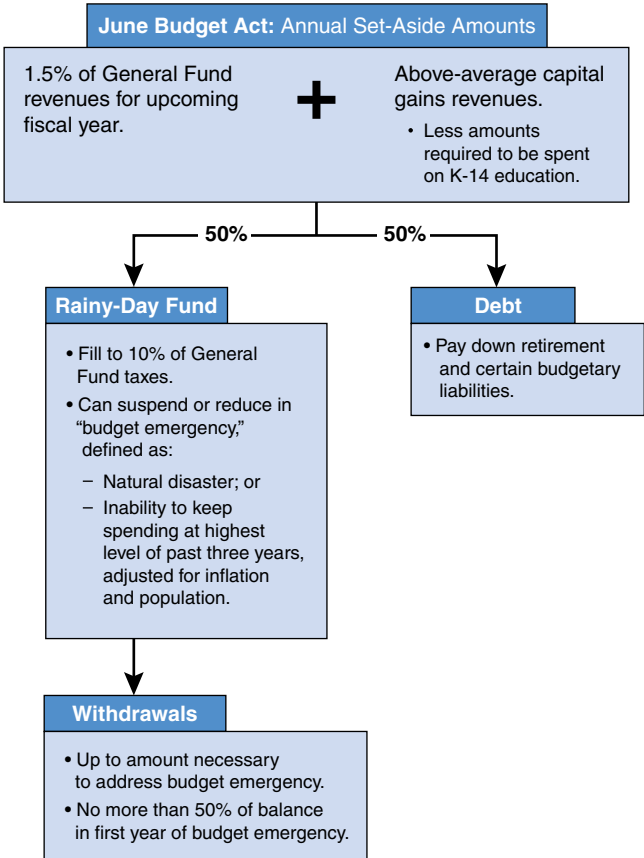
- Since 1970, the state's sales tax base, "taxable sales," has grown 6.3 percent per year, while personal income—the total income earned by businesses and individuals in California—has grown 7 percent per year. Californians are spending more of their income on housing, health care, and other services not subject to the sales tax.
- Total state and local sales tax revenue has grown 7.4 percent per year since 1970. Revenue growth has outpaced taxable sales growth because the average sales tax rate has increased from 5 percent to 8.4 percent.



## Ballot Measures Have Had Major State-Local Fiscal Implications

Proposition (Year)	Key Provisions
13 (1978)	Limits property tax rates and assessment increases. Requires two-thirds vote of Legislature for state taxes and two-thirds voter approval for certain local taxes.
4 (1979)	Sets annual state and local spending caps. Requires state to reimburse local governments for some state mandates.
98 (1988)	Establishes minimum funding requirement for schools and community colleges.
172 (1993)	Imposes half-cent sales tax for local public safety programs.
218 (1996)	Limits local government authority to impose certain taxes, fees, and assessments.
39 (2000)	Lowers voter approval requirements to 55 percent for certain local school bonds.
1A (2004)	Restricts state from reducing local property tax, sales tax, and vehicle license fee revenues.
22 (2010)	Reduces state's authority to use or redirect state fuel and local property taxes
25 (2010)	Lowers Legislature's vote requirement for state budget to a simple majority.
26 (2010)	Broadens definition of taxes to include some additional fees and charges.
30 (2012)	Temporary state tax increases. Guarantees certain funding for 2011 local realignment.
2 (2014)	Sets new rules for state and school budget reserves and debt payments.

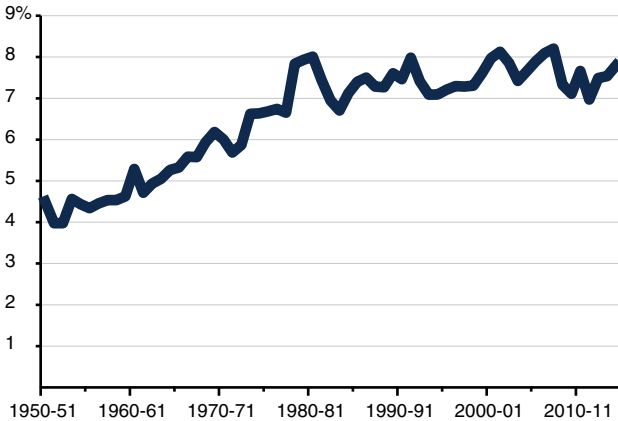
## Key State Budget Provisions of Proposition 2 (2014)



Note: Excludes provisions likely inactive for next few years, such as state reserve for schools.

## State Spending Relatively Flat as Share of Economy Since Late 1970s

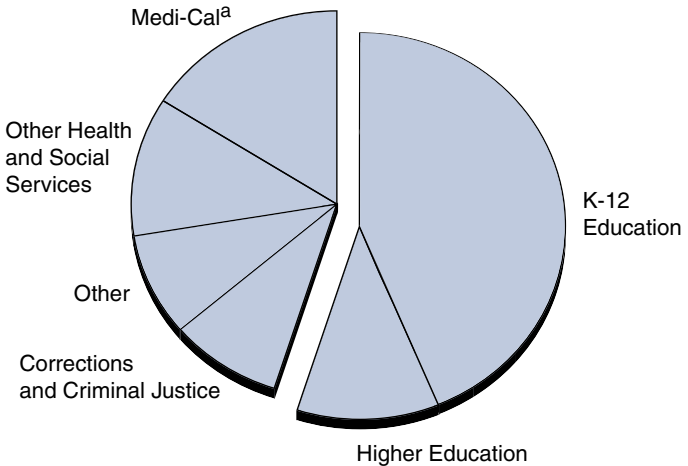
*General Fund and Special Funds  
As Percent of Personal Income*



- State spending as a percent of personal income increased steadily from the late 1950s through the mid-1970s. Since the late 1970s, spending generally has ranged between 7 percent and 8 percent of personal income. (Personal income is one broad measure of the overall size of the California economy.)
- By a different measure—adjusted for inflation and population growth—spending generally grew steadily throughout the period displayed. By this measure, spending tripled over the second half of the 20<sup>th</sup> century, but is now about the same as it was in 2000.

## Education Makes Up Over Half of \$108 Billion State Budget

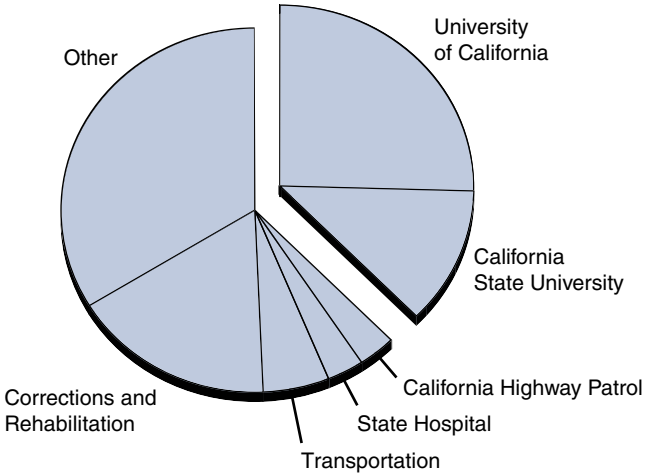
2014-15 General Fund



<sup>a</sup> Includes local assistance portion of Medi-Cal spending.

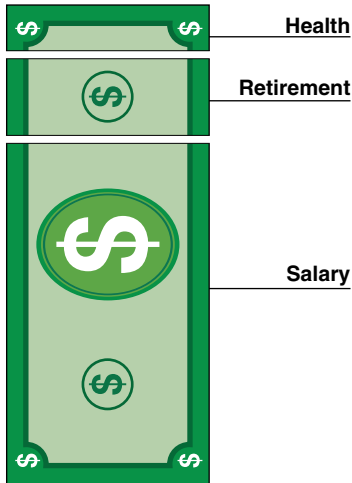
- Funding for school districts, community colleges, and universities makes up \$58 billion of the state's \$108 billion General Fund budget in 2014-15. Health and human services spending, including that for the Medi-Cal Program, totals \$30 billion.
- \$78 billion of the 2014-15 budget—72 percent of the total—was paid to local governments, such as school districts and counties. State personnel costs, excluding university employees, accounted for about 13 percent of the budget.

## Universities Represent One-Third of State Government Jobs



- In 2013-14, the state employed about 354,000 full-time staff at a salary cost of roughly \$26 billion (all funds).
- The state long has had many positions that are authorized but not filled. The current vacancy rate across state departments is about 13 percent.
- Over the past 30 years, state employment has averaged 9.0 state employees per 1,000 population. In 2013-14, there were about 9.3 employees per 1,000 population. On this basis, California ranked 46<sup>th</sup> among the states in 2012.

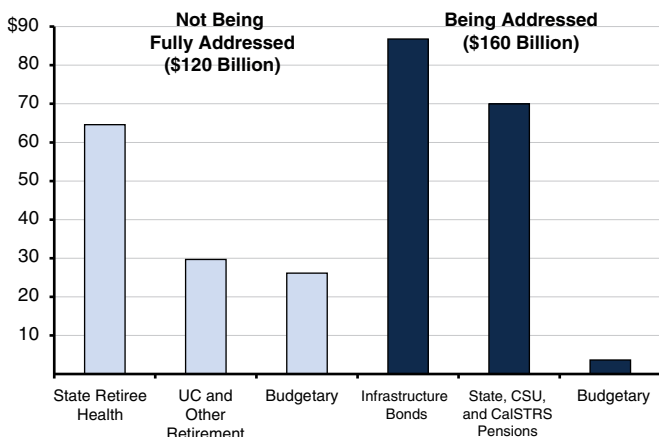
## State Costs for Employee Compensation Include Benefits



- Excluding university, legislative, and judicial employees, the state spent about \$20 billion (all funds) in employee compensation costs in 2012-13. About 30 percent of these costs were for retirement benefits (including pensions, Medicare, and Social Security) and health benefits (including vision and dental).
- Over the last two decades, state costs for pensions have grown faster than state costs for salaries or health care. Over the next few decades, recent legislation that decreased pension benefits for new hires is likely to reduce state pension costs.

## Most State Liabilities Now Being Addressed

(In Billions)



- The state's \$280 billion in key liabilities are summarized above. The state has budgeted funds or scheduled payments to address about \$160 billion of these liabilities.
- Under a 2014 law, the state will pay for about \$20 billion of the \$74 billion unfunded liability of the state's teacher pension system known as CalSTRS. School and community college districts and teachers will pay for the remaining \$54 billion.

## Voting Requirements to Increase Taxes, Fees, Assessments, or Debt

Measure	Governing Body	Voters
<b>State</b>		
Tax	2/3	—
Fee	Majority	—
General obligation bond	2/3	Majority
Lease revenue bond	Majority	—
Initiative proposing revenue or debt	—	Majority
Constitutional amendment proposed by the Legislature	2/3	Majority
<b>Local</b>		
Tax:		
Funds used for general purposes	2/3 <sup>a</sup>	Majority
Funds used for specific purposes	2/3 <sup>a</sup>	2/3
Property assessment	Majority	Majority <sup>b</sup>
Fee	Majority <sup>c</sup>	—
General obligation bond:		
K-14 districts	2/3	55 percent
Cities, counties, and special districts	2/3	2/3
Revenue bond	Majority	Majority <sup>a</sup>
Other debt	Majority	— <sup>d</sup>
<sup>a</sup> For most local agencies. <sup>b</sup> Votes weighted by assessment liability of affected property owners. <sup>c</sup> Fees on property (excluding water, sewer, refuse collection, gas, and electric fees) require voter approval. <sup>d</sup> Enhanced infrastructure financing district debt requires approval by 55 percent of the district's voters.		



## Paying for County, City, and Special District Services

2012-13 (Dollars in Billions)

	Counties	Cities	Special Districts
<b>Total Revenues</b>	<b>\$61.0</b>	<b>\$68.3</b>	<b>\$43.3</b>
<b>Sources of Revenues</b>			
Property taxes	19%	16%	11%
Sales and other taxes	3	19	1
User charges and enterprise revenues	22	40	55
Intergovernmental transfers	48	9	15
Other revenues	7	16	18

- Counties receive nearly half of their revenues from the state and federal government and must spend these funds for specific purposes, primarily health and social service programs.
- Cities and special districts receive a significant share of their funding from various user charges. Cities and special districts use these funds to pay for electric, water, and other municipal services.
- The property tax is the largest source of local tax revenue for all local governments. Other local taxes—such as sales, hotel, utility, and business taxes—make up about one-fifth of city revenues.

## Allocation of Property Tax Has Varied Over Time

(Dollars in Billions)

Selected Years	Revenue	Tax Revenue Distribution			
		Schools	Counties	Cities	Other
1977-78	\$10.3	53%	30%	10%	6%
1979-80	5.7	39	32	13	16
1993-94	19.1	51	21	11	18
2012-13	49.9	40	25	19	16

Information includes debt levies.  
"Other" includes redevelopment agencies and special districts.

### 1978

Proposition 13 caps property tax rate at 1 percent and shifts control of its allocation to the state. Schools receive a smaller share of property taxes and are backfilled for their losses with state aid.

### 1992 & 1993

State modifies property tax distribution to give a greater share of revenues to schools, thereby reducing state school spending.

### 2004

State increases the share of property taxes to cities and counties to offset (1) reduced vehicle license fees and (2) the state's use of local sales taxes to repay deficit financing bonds.

### 2012

State dissolves redevelopment agencies. Property taxes that once went to these agencies begin to flow back to other local governments in the area.

### 2015

Local sales taxes will be returned to cities and counties after the state retires its deficit financing bonds in 2014-15. Accordingly, city and county shares of property tax revenue will decline (and the schools' share will increase).

## California's Public Education System Is Extensive

2013-14



### K-12 Education

949 Districts  
 10,134 Schools  
 6.2 Million Students  
 539,000 FTE Faculty and Staff<sup>a</sup>  
 \$51 Billion Proposition 98 Support



### California Community Colleges

72 Districts  
 112 Colleges  
 1.1 Million FTE Students  
 62,000 FTE Faculty and Staff  
 \$6.4 Billion Proposition 98 Support



### California State University

23 Campuses  
 352,000 Resident FTE Students  
 38,000 FTE Faculty and Staff  
 \$2.8 Billion State General Fund Support



### University of California

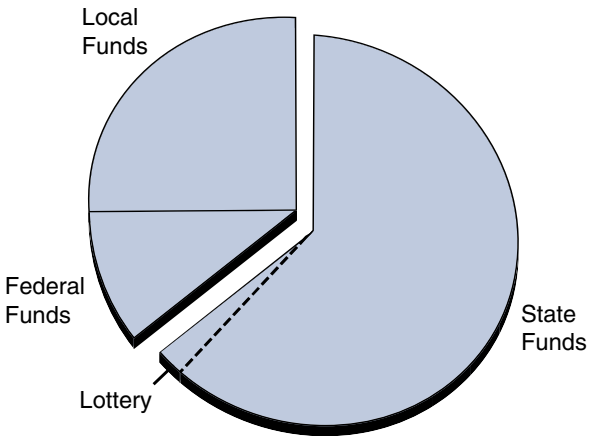
10 Campuses  
 5 Medical Centers  
 3 National Labs  
 211,000 Resident FTE Students  
 142,000 FTE Faculty and Staff  
 \$2.8 Billion State General Fund Support

<sup>a</sup> Reflects 2012-13 data (latest available).

FTE = full-time equivalent.

## State Is Primary Source of Operating Revenue for Schools

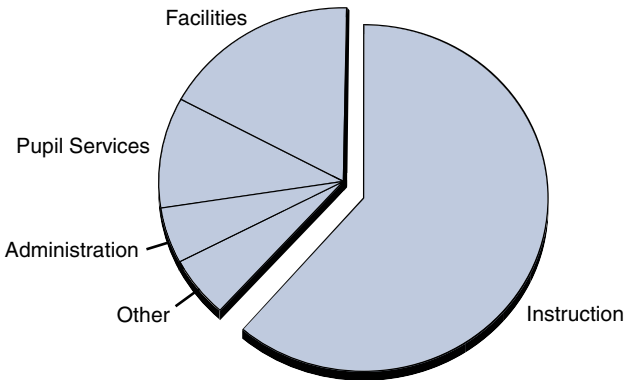
2013-14



- The state contributes the largest share of funding for school operations (63 percent). A small share of state funding comes from the California Lottery.
- Local funding (26 percent) comes primarily from property taxes. A relatively small amount comes from various other sources, including parcel taxes and fees for certain district services (such as transportation).
- The federal government contributes funding for several specific purposes, such as supporting low-income students and educating students with disabilities (11 percent).

## Most School Spending Is for Instruction

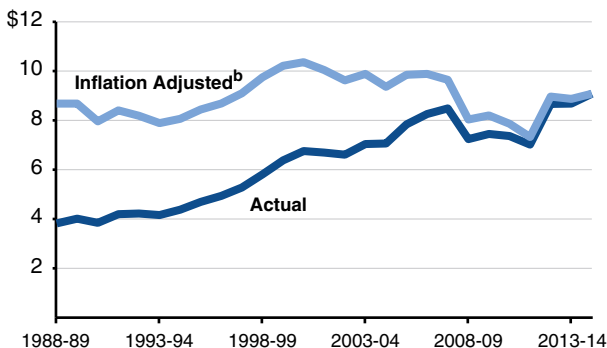
2012-13



- More than \$6 of every \$10 is spent on instruction and instructional support—largely paying teacher salaries and benefits.
- Almost \$2 of every \$10 is spent on facilities, including land acquisition, construction, and maintenance.
- About \$1 of every \$10 is spent on pupil services, including school meals, pupil transportation, counseling, and health services.
- Less than \$1 of every \$10 is spent on central administration, including the compensation of superintendents as well as central business, legal, and human resource functions.

## Proposition 98 School Funding Recovering

*Funding Per Pupil, (In Thousands)<sup>a</sup>*



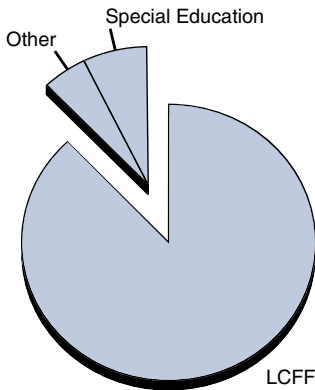
<sup>a</sup> Excludes funding provided for the California Community Colleges.

<sup>b</sup> In 2014-15 dollars. Adjusted using state and local government price index.

- State revenues and school funding dropped in 2008-09. (Schools received federal stimulus funding and special fund monies to offset some of this reduction.)
- School funding increased quickly in 2012-13 as the state economy recovered from the recession and voters approved state income and sales tax increases.
- Proposition 98 funding in 2014-15 was \$9,080 per-pupil—about \$400 above the inflation-adjusted 1988-89 level.

## Most School Funding Provided Through LCFF

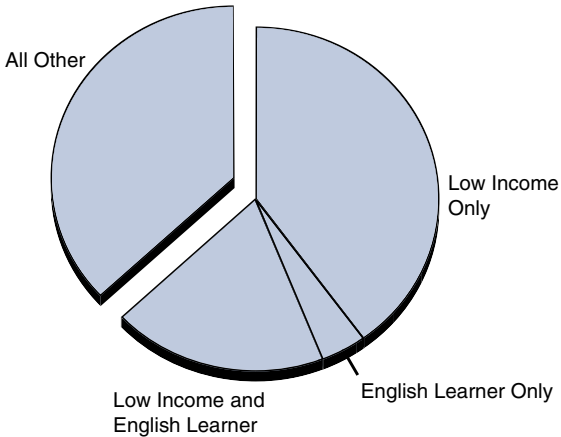
*Proposition 98 K-12 Funding by Program, 2014-15*



- The 2014-15 budget provided \$54 billion for schools from a combination of state General Fund and local property tax revenues. The state provides the vast majority of funding—\$47 billion—through the Local Control Funding Formula (LCFF).
- The state created the LCFF in 2013-14, replacing dozens of previous formulas and programs. The LCFF has a base rate for each grade span, with higher grades generally funded at higher rates. On top of these base rates, the LCFF provides additional funding for certain students (see next page).
- Because the LCFF has target rates that are much higher than existing funding levels, the state intends to phase in the formula over the next several years. In 2014-15, the state was funding 80 percent of full-implementation costs. Closing the gap entirely in 2014-15 would have cost an additional \$11 billion.

## LCFF Provides Additional Funding for Certain Students

### *K-12 Students by Type*



- More than 60 percent of K-12 students are low income, English learners, or foster youth (which are counted as low income).
- Under the Local Control Funding Formula (LCFF), these students generate supplemental funding equivalent to 20 percent of the base rate.
- If these students comprise more than 55 percent of a district's enrollment, the district also receives concentration funding equal to 50 percent of the base rate for each student above the threshold.
- For more information on how the formula works, please see our report, *An Overview of the Local Control Funding Formula* (December 2013).



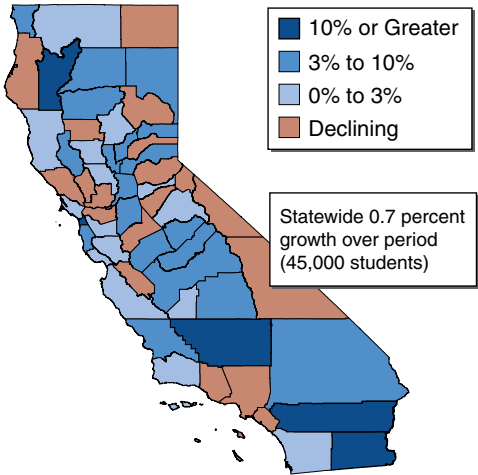
## California Has Smaller but Better Paid Teacher Workforce Than Nation

2011-12<sup>a</sup>

	California	United States
<b>Overall</b>		
Total Number	285,366	3,209,672
Student/Teacher Ratio	19.8	15.4
<b>Gender</b>		
Female	73%	76%
Male	27	24
<b>Experience</b>		
Less than 3 Years	9%	9%
3 to 9 Years	29	33
10 to 20 Years	42	36
More than 20 Years	19	21
<b>Education</b>		
Less than Bachelor's	5%	4%
Bachelor's Degree	43	40
Master's Degree	39	48
Education Specialist or Doctorate	13	9
<b>Salary</b>		
Average Teacher Salary <sup>b</sup>	\$62,010	\$46,340
Median Salary, All Bachelor's Degree Holders (2012) <sup>c</sup>	53,033	49,157
<b>Salary by Years of Experience<sup>b</sup></b>		
2 or Fewer Years	\$47,310	\$38,330
6 to 10 Years	58,570	44,040
More than 20 Years	73,980	56,620
<sup>a</sup> Most recent data from the National Center for Education Statistics.		
<sup>b</sup> Reflects data for teachers with bachelor's degrees only.		
<sup>c</sup> American Community Survey, U.S. Census Bureau.		

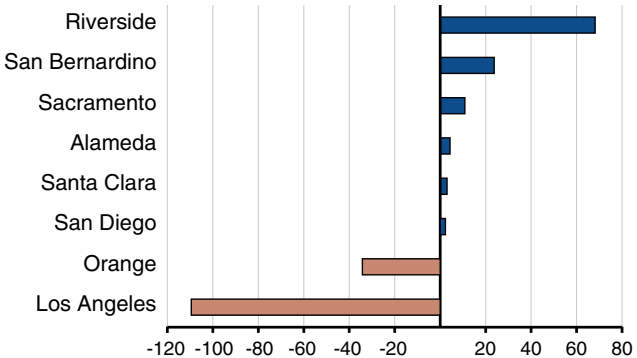
## K-12 Enrollment Trends Vary Greatly Across State

*Projected Change, 2013-14 Through 2022-23*



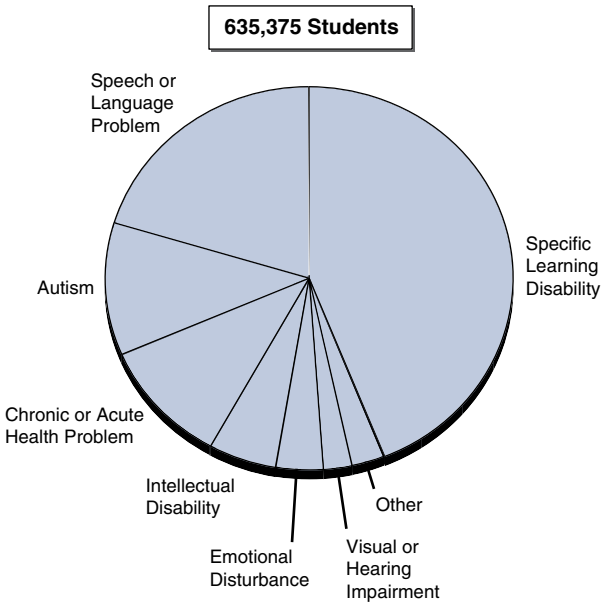
## Big Differences in Eight Largest Counties

*Projected Change (In Thousands), 2013-14 to 2022-23*



## 10 Percent of State's K-12 Students Receive Special Education

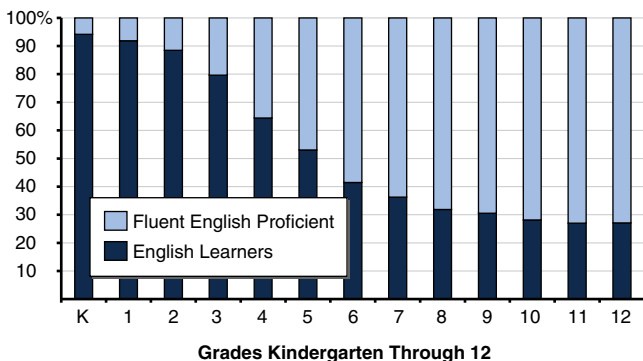
*Share of Students by Disability, 2013-14*



- Schools must develop individualized plans to meet the educational needs of students with disabilities. In addition to extra academic supports in a classroom setting, special education services can include language, occupational, and behavioral therapies.
- Spending for special education services totaled \$10 billion in 2012-13, comprising 15 percent of K-12 expenditures in California. These costs were paid with a combination of local general purpose (50 percent), state (38 percent), and federal (12 percent) funds.

## California Has Many English Learners

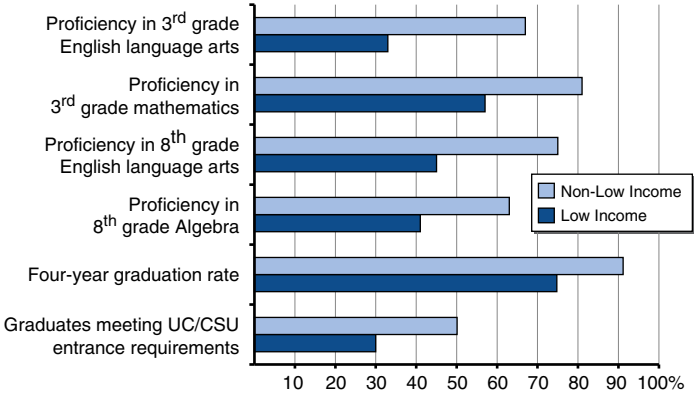
### *Second Language Students by Classification*



- More than four in ten California students—almost 2.7 million students overall—speak a primary language other than English at home. The vast majority of these students (79 percent) speak Spanish.
- Overall, about half of these students are classified as English learners whereas half are considered Fluent English Proficient (FEP). Elementary students, however, are much more likely to be classified as English learners than secondary students.
- In California, reclassification from English learner to FEP is determined by school districts based on assessments of language and academic proficiency, teacher evaluation, and parental consultation.
- Almost one-third of all English learners in the nation live in California.

## Student Achievement Gap Is Notable

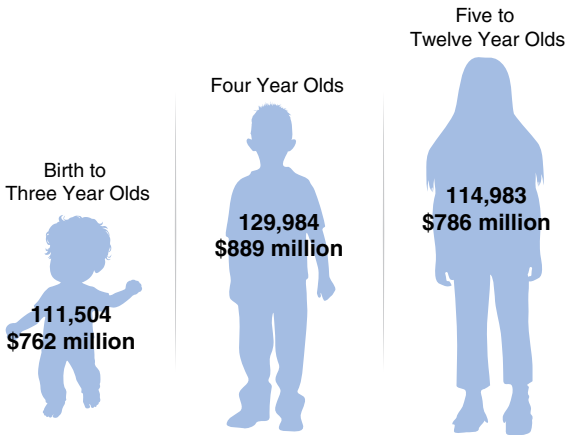
2012-13



- California's low-income students perform significantly below non-low-income students in 3<sup>rd</sup> grade and 8<sup>th</sup> grade English language arts and math.
- Seventy-five percent of low-income students graduate within four years. (Some students who do not graduate within four years enroll in a fifth year and graduate later.)
- Low-income students are less likely to complete the minimum coursework necessary to be accepted into universities (30 percent, compared with half of non-low-income students).
- California ranks 46<sup>th</sup> in the country in national assessments of 4<sup>th</sup> grade reading and math. California students perform only slightly better in 8<sup>th</sup> grade. Both low-income and non-low-income students perform lower than their peers in other states.

## State Subsidizes Child Care and Preschool

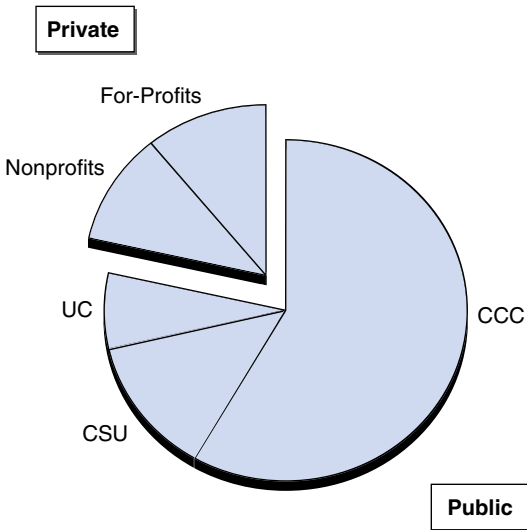
*Slots and Funding by Age of Child, 2014-15*



- About 356,000 children will receive subsidized child care or preschool in 2014-15, costing over \$2.4 billion. The state is providing 62 percent of total funding, with the federal government providing the remainder.
- Low-income families (up to roughly \$42,000 per year for a family of three) are eligible for subsidized child care and preschool programs. With the exception of State Preschool, programs require the parents to be working.
- All families participating in California Work Opportunity and Responsibility to Kids are guaranteed subsidized child care. In addition, the state serves a small share of other low-income, working families.

## Most College Students in California Attend Public Institutions

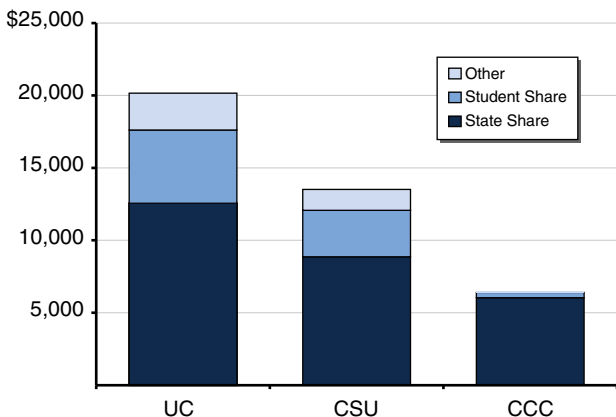
*Headcount Enrollment, 2012-13*



- The share of students enrolled in public colleges and universities is higher in California than in the nation (79 percent and 70 percent, respectively). California's share of students in nonprofit colleges is lower, while the share in for-profit schools is similar.
- Another way to measure enrollment is by full-time equivalent students (FTES). About 72 percent of the state's FTES are in the public sector compared with 66 percent nationally. (This is smaller than the share of students using headcount due to a disproportionately large number of part-time students in the community colleges.)

## State Continues to Cover Large Share of Education Costs

*Per-Student Education and Student Services Spending, 2014-15*

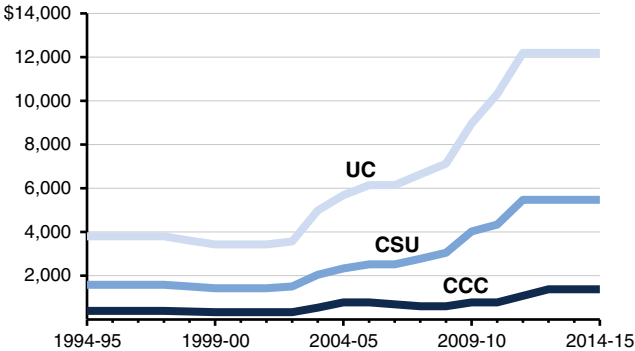


- State support (consisting of direct appropriations to the segments as well as Cal Grants and Middle Class Scholarships) accounts for 62 percent, 66 percent, and 93 percent of educational costs at the University of California, California State University, and California Community Colleges, respectively.
- The student and family share of these costs is about 25 percent at the universities and 6 percent at the community colleges.
- Other sources of support include interest earnings, federal contract and grant overhead, patent royalties, and private gifts.



## Tuition Has Leveled Off Following Steep Increases

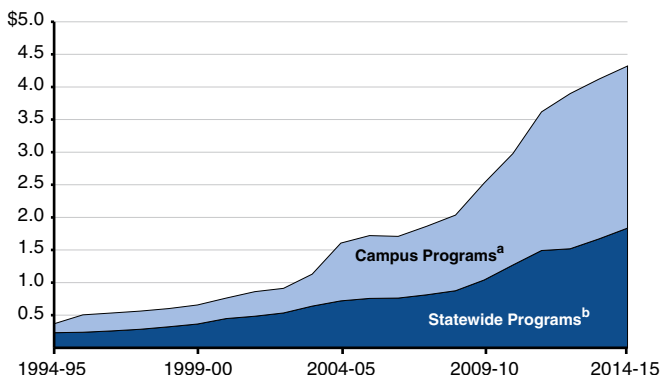
*Systemwide Tuition and Fees for Full-Time Undergraduate California Residents*



- Changes in tuition and fees have been irregular, with periods of flat or even falling tuition alternating with periods of steep increases.
- Compared with 20 years ago, tuition levels have more than tripled in actual dollars but less than doubled in inflation-adjusted dollars.
- Currently, California Community Colleges fees are lowest among the 50 states. Undergraduate tuition and fees at the California State University are lower than all 15 of its public comparison universities and at the University of California are below three of four public comparison institutions.
- About half of California students currently enrolled in the public sector receive grants or waivers that fully cover systemwide tuition and fees.

## State Financial Aid Spending Continues to Grow

*(Dollars Awarded in Billions)*

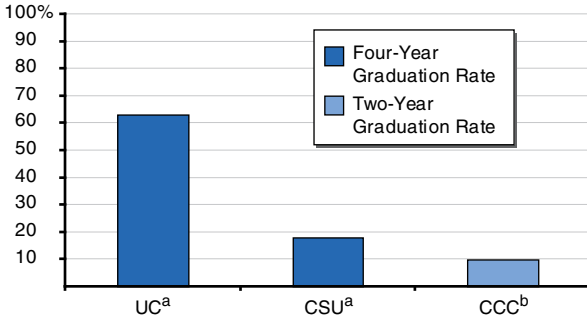


<sup>a</sup> Includes need-based tuition aid, fee waivers, and university grants.

<sup>b</sup> Includes Cal Grants and Middle Class Scholarships administered by the California Student Aid Commission.

- Over the last 20 years, total state aid has increased more than 12-fold in actual dollars and 6-fold in inflation-adjusted dollars.
- Growth in state financial aid spending has been related to increases in tuition at the public segments (which increase costs of Cal Grants and fee waivers), increases in the number of students receiving aid, and state policy changes.
- In addition to state aid, many students receive federal financial aid, including Pell Grants and federal tax deductions and credits.

## Most College Students at Public Segments Do Not Graduate on Time



<sup>a</sup> Percentage of first-time, full-time freshmen enrolling in fall 2009 who graduated within four years (2013).

<sup>b</sup> Percentage of degree-seeking, first-time, full-time students enrolling in fall 2011 who completed a degree, a certificate, or a transfer program within two years (2013).

- Some students not graduating on time graduate later. At the University of California and the California State University (CSU), six-year graduation rates rise to 83 percent and 52 percent, respectively. At the California Community Colleges, the three-year graduation rate rises to 25 percent.
- A student can take longer to graduate because he/she (1) enrolls in less than 15 credits some terms, (2) cannot find space in required courses, (3) changes major, or (4) pursues a double major.
- As time goes on, increases in graduation rates drop off. For example, after ten years at CSU, graduation rates rise to 60 percent. Virtually all of the remaining 40 percent of students have left the system.

## What Are the Major Human Services Programs?

2013-14 (In Billions)

Program	Funding	
	Total Funds	General Fund
<b>SSI/SSP.</b> Cash assistance to low-income aged (65+), blind, or disabled individuals.	\$9.9	\$2.8
<b>CalFresh.</b> Food assistance to low-income individuals and families. (Formerly known as the Food Stamp Program.)	9.6	0.7
<b>IHSS.</b> In-home personal care and domestic services to low-income aged (65+), blind, or disabled individuals.	6.4	2.0
<b>CalWORKs.</b> Cash assistance and welfare-to-work services to very low-income families with children.	5.4	1.1
<b>DDS—Community Services.</b> Wide range of services in community settings for individuals with developmental disabilities.	4.4	2.5
<b>DDS—Developmental Centers.</b> Wide range of services in an institutional setting for individuals with developmental disabilities.	0.6	0.3
<b>Foster Care.</b> The temporary placement of children in a foster home when they have been removed from their families' home due to maltreatment.	1.9	—

IHSS= In-Home Supportive Services and DDS= Department of Developmental Services.

## Varied Caseload Growth in Major Human Services Programs

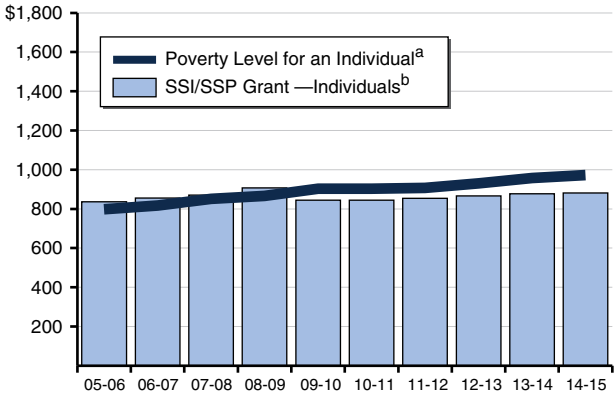
(Caseloads in Thousands)

Program	Caseload		Percent Change
	2003-04	2013-14 <sup>a</sup>	2003-04 to 2013-14
CalFresh	1,839	4,332	136%
IHSS	318	473	49
DDS— Community Services	190	265	40
SSI/SSP	1,158	1,299	12
CalWORKs	1,251	1,325	6
Foster Care	90	65	-28
DDS— Developmental Centers	3	1	-62

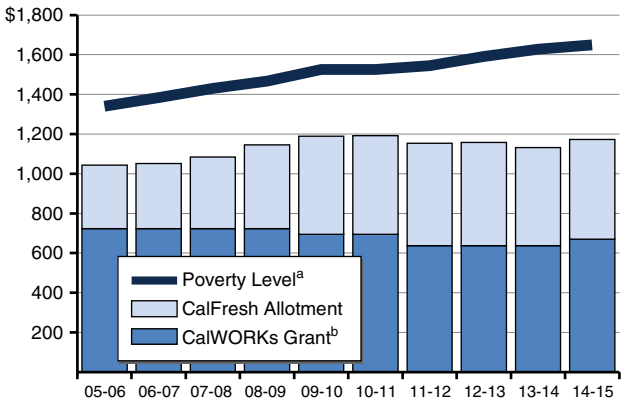
<sup>a</sup> Estimated.  
IHSS = In-Home Supportive Services and DDS = Department of Developmental Services.

- Between 2003-04 and 2013-14, the caseloads for some major human services programs grew while others declined.
- The DDS—Developmental Centers and Foster Care caseloads are the only major human services programs to experience a caseload decline over the time period. This decline is primarily due to policy decisions to rely on alternative services for these individuals.
- During the recent economic downturn, unemployment rates increased and income decreased—causing the CalFresh and CalWORKs caseloads in particular to increase. While CalWORKs peaked in 2010-11 and has been declining since, CalFresh continues to grow.

## SSI/SSP Grant Recently Fell Below Poverty Level. . .



## . . .While Combined CalWORKs/ CalFresh Assistance Remains Significantly Below Poverty Level<sup>c</sup>



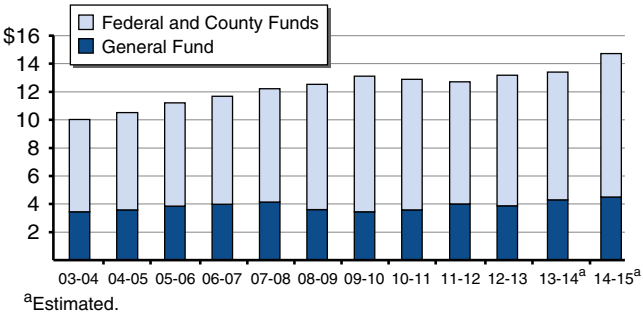
<sup>a</sup> Based on Official Poverty Measure.

<sup>b</sup> Maximum monthly grant.

<sup>c</sup> Based on a family of three.

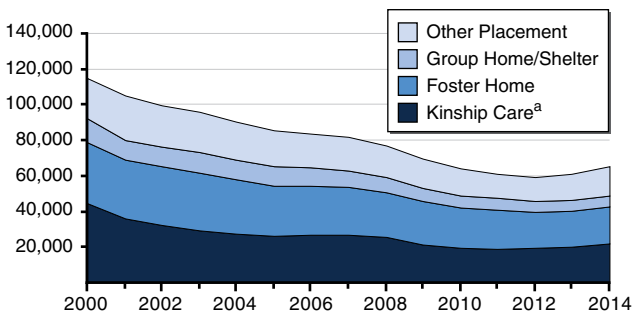
## IHSS Cost Per Consumer Increases Again After Recent Plateau

*Average Annual Cost Per Consumer (In Thousands)*



- Between 2003-04 and 2009-10, the cost to provide services to an In-Home Supportive Services (IHSS) consumer increased by an average of 5 percent annually—from about \$10,000 to \$13,100. Between 2010-11 and 2013-14—during a period of budget reductions that reduced consumers' authorized service hours—the cost per IHSS consumer increased by an average of only 1 percent annually from \$12,900 to \$13,400.
- The increased cost per consumer estimated for 2014-15 is due primarily to new federal requirements to pay overtime compensation to IHSS providers who work more than 40 hours per week and for other newly compensable work activities that increase the cost of delivering IHSS to consumers.

## Recent Uptick in Foster Care Caseload Reverses Historical Trend



<sup>a</sup> Kinship care is where foster children are placed with relative caregivers. Kinship care is the most frequently used placement option, which is consistent with state policy requiring foster children to be placed in the most family-like setting possible.

- Between 2000 and 2012, the number of children in foster care steadily declined. Foster care caseloads began increasing in 2013.
- Despite the recent uptick, the caseload today is still 43 percent less than it was in 2000. This overall decline can be attributed in part to a focus on providing services that support family maintenance and the creation of a program that provides financial assistance to relative caregivers who become legal guardians—outside of the foster care system.
- Although it is early to tell, the uptick in caseload is likely to be due, in part, to a recent law change which allows children to remain in the foster care system longer (until age 21 rather than 18).



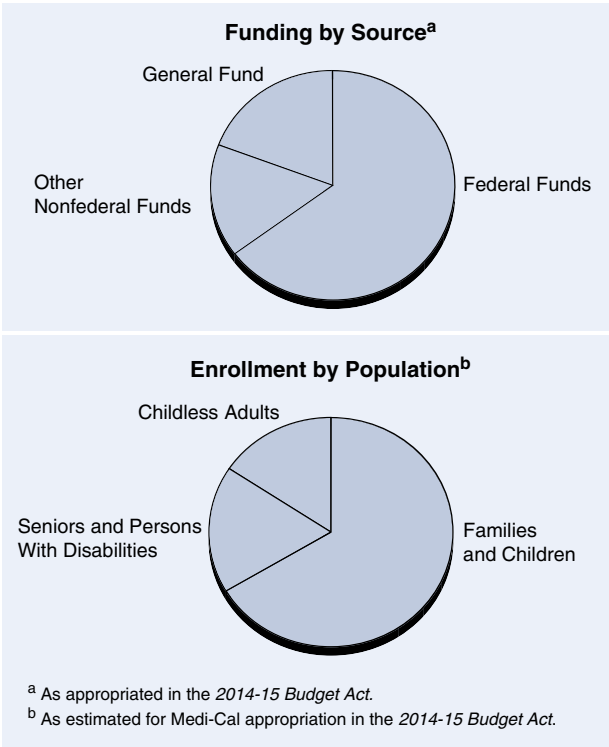
## Health of California's Population Compared to the Nation

2011-12

	California	Nation
<b>Overall Health Status</b>		
Percent of persons self-reporting less than good health	16.1	10.3
<b>Adult Health Risk Factors</b>		
Percent of adults aged 18 or older who smoke	13.6	16.7
Percent of adults aged 20 or older who are obese	26.0	35.7
Percent of adults aged 20 or older who report ever being diagnosed with hypertension	28.2	28.3
<b>Infant, Child, and Adolescent Health</b>		
Percent of low-weight births	6.7	8.0
Infant deaths per 1,000 births	4.5	6.0
Percent of children ages 19 to 36 months who did not complete a set of recommended childhood vaccinations	33.2	31.6
Percent of adolescents aged 12 to 19 who are obese	15.8	20.5
<b>Mortality</b>		
Deaths per 100,000 population	636.6	807.3
Top two leading causes of death	Heart Disease, Cancer	Heart Disease, Cancer

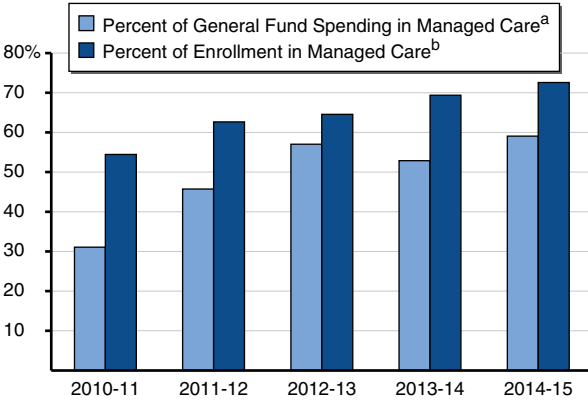
- In the figure above, lower values are better. On all indicators except self-reported overall health status and vaccination rates for children ages 19 to 36 months, California is doing better than the nation as a whole.

## Medi-Cal at a Glance



- The Medi-Cal Program provides health coverage to more than 10 million low-income people, and is by far the largest health program in the state budget (\$17.4 billion General Fund in 2014-15).
- In the past, Medi-Cal mainly covered (1) families and children and (2) seniors and persons with disabilities. Beginning 2014, the state expanded Medi-Cal to cover new populations, mainly childless adults.

## Majority of Medi-Cal Enrollment and Spending Now in Managed Care



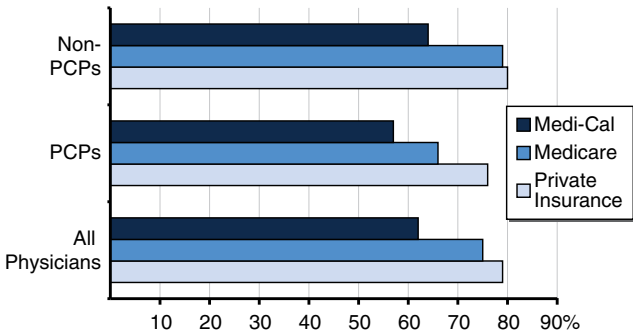
<sup>a</sup>As appropriated in annual budget act.

<sup>b</sup>Actual for 2010-11 through 2012-13, estimated for 2013-14 and 2014-15.

- Medi-Cal provides health care services under two arrangements: (1) fee-for-service (providers are paid for each service delivered) and (2) managed care (health plans are paid a fixed monthly rate per enrollee regardless of the number of services delivered).
- While managed care has covered the majority of Medi-Cal enrollees over the past decade, until recently, the majority of General Fund spending was for fee-for-service. This is because the most expensive populations and services—such as seniors and persons with disabilities (SPDs) and long-term care—remained in fee-for-service.
- Since 2011-12, the state has shifted SPDs from fee-for-service to managed care. In some counties, long-term care is now provided through managed care.

## Physician Participation in Medi-Cal Is Relatively Low

*Percent of California Physicians Accepting New Patients by Coverage Source, 2013*



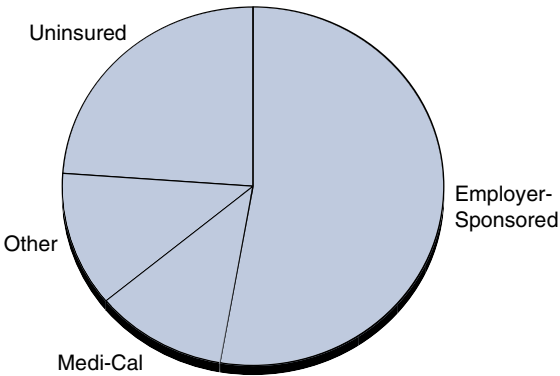
PCP = primary care physician.

Source: California HealthCare Foundation, "Physician Participation in Medi-Cal: Ready for the Enrollment Boom?"

- In 2013, physicians were less likely to accept new Medi-Cal patients than new patients with private insurance or with Medicare. The state's lower Medi-Cal reimbursement rate structure is likely one key factor.
- In 2013, there were 35 to 49 full-time equivalent (FTE) primary care physicians with Medi-Cal patients per 100,000 Medi-Cal enrollees. This ratio is lower than the federally recommended standard of 60 to 80 FTEs per 100,000 population.
- Starting in 2014, the Medi-Cal expansion under federal health care reform will likely increase the number of new enrollees seeking physician services.

## Health Insurance Coverage in 2013, Before Covered California Opened for Enrollment

*Adults, Aged 18-64*

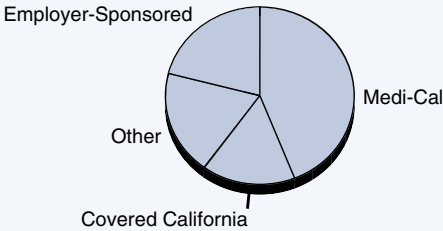


- At a given point in time during 2013, 24 percent of Californians aged 18 to 64, or about 5.7 million people, did not have health insurance coverage.
- The Patient Protection and Affordable Care Act expanded health coverage through Medi-Cal and subsidies as of January 1, 2014. Medi-Cal eligibility was expanded to include previously ineligible adults with incomes up to 138 percent of the federal poverty level (FPL). Subsidized health insurance coverage, available through Covered California (the state's Health Benefit Exchange), also became available to certain qualifying citizens and legal residents with incomes between 100 percent and 400 percent of FPL.

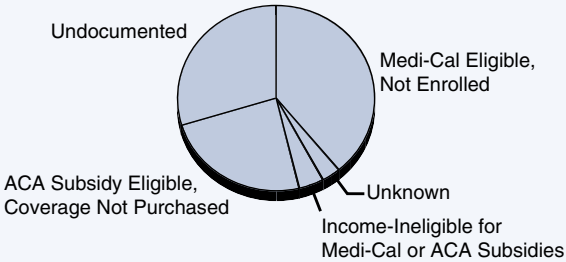
## Recent Significant Decline In State's Uninsured Population<sup>a</sup>

*Adults, Aged 18-64*

### 3.4 Million (58%) Gained Health Coverage



### 2.5 Million (42%) Remain Uninsured<sup>b</sup>



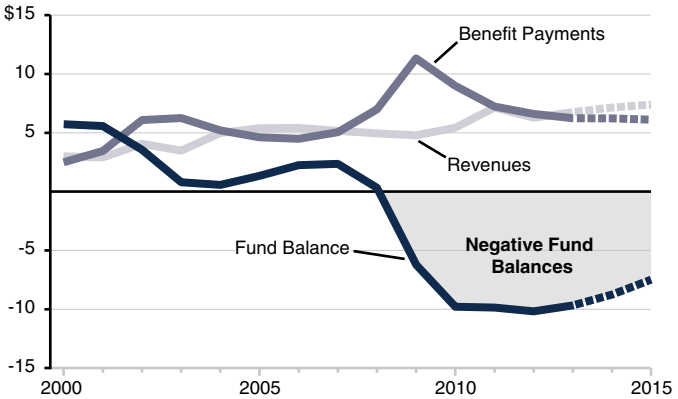
ACA = Patient Protection and Affordable Care Act

<sup>a</sup> Based on a Kaiser Family Foundation survey tracking the changes in the uninsured population between summer 2013 and spring 2014.

<sup>b</sup> The remaining uninsured do not include Californians who became uninsured during the first ACA open enrollment period.

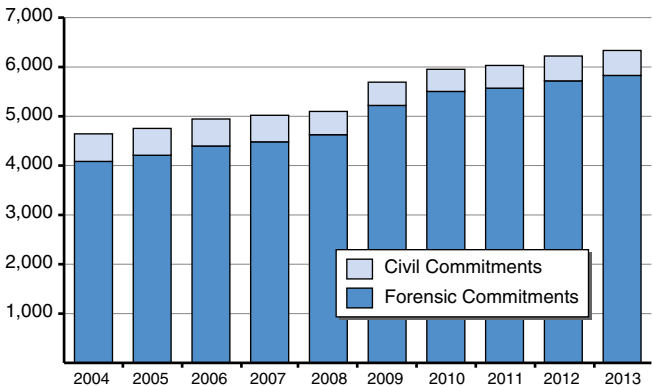
## The Unemployment Insurance Trust Fund Insolvency Continues

(In Billions)



- The Unemployment Insurance Trust Fund has been insolvent since 2009, as high levels of unemployment during the recession resulted in the state paying more in unemployment benefits than it collected in revenues.
- While the trust fund is insolvent, the state receives federal loans to finance unemployment benefits. At the end of 2013, the loan balance was \$9.7 billion, with an annual interest payment of \$259 million.
- Revenues began to exceed benefit payments in 2013, but without an increase in revenues and/or a reduction in benefits, the trust fund is projected to remain insolvent until 2019 and risks returning to insolvency in a future recession.

## Growth in State Hospital Population Due to Expanding Forensic Population

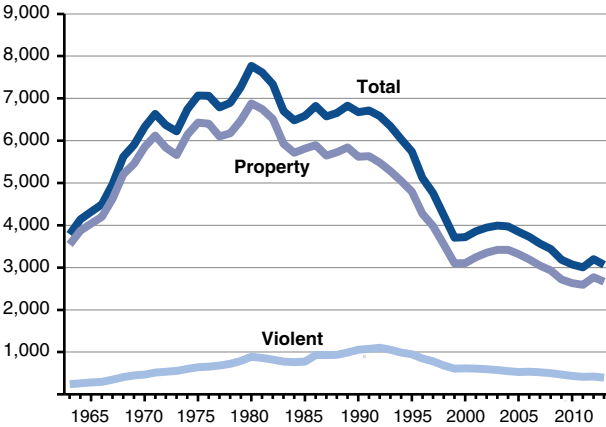


- In 2013, the Department of State Hospitals (DSH) provided inpatient mental health treatment to a caseload of about 6,300 patients in one of two broad categories: (1) civil commitments, who are generally referred for treatment by the counties, or (2) forensic commitments, who are referred from the criminal justice system (primarily the courts). About 90 percent of patients are forensic commitments.
- Over the past decade, the population in DSH has increased by about 1,700 patients, or about 30 percent. This growth is due to an increase in the number of forensic patients admitted to DSH.
- The 2014-15 budget provides the department with \$1.5 billion from the General Fund, or about \$229,000 per forensic patient. Civil commitments are paid for by the counties and do not receive state support.



## California Crime Rate at Historic Low

*Crimes per 100,000 Population*

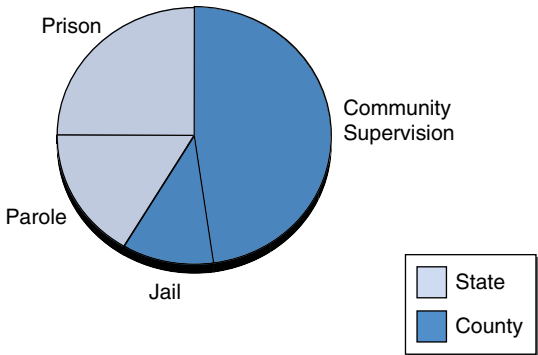


- California has experienced a decline in both property and violent crime rates since the early 1990's. Between 1993 and 2013, the state's overall crime rate declined by half. This trend is similar to declines in crime patterns in the rest of the United States.
- In 2013, about 3,000 crimes were committed in California per 100,000 residents—a total of about 1.2 million incidents. This is down from a high of over 2 million crimes reported annually in the early 1990s.
- The state's property crime rate is lower than the nationwide rate. However, the rate of violent crime (such as murder, rape, and assault) in California remains somewhat higher than the United States as a whole.

## 2011 Realignment Shifted More Adult Offenders to Counties

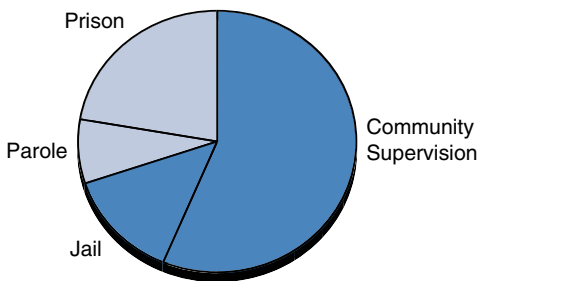
2010 Adult Offender Population

Total: 653,000



2013 Adult Offender Population

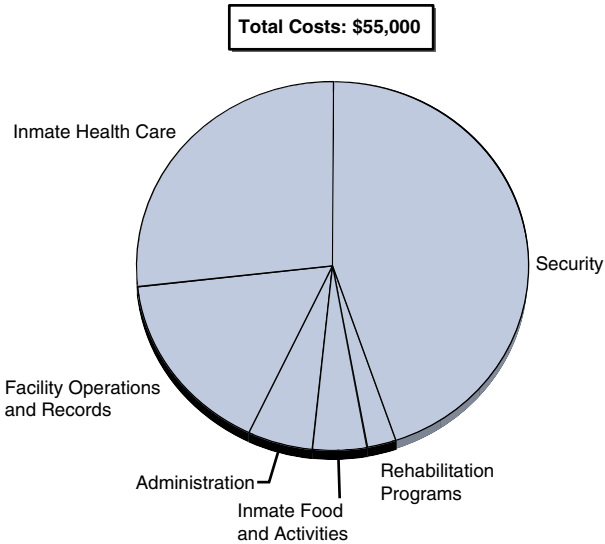
Total: 603,000



- The number of adult offenders under state jurisdiction declined by about 88,000 since the 2011 realignment, from about 271,000 in 2010 to 182,000 in 2013. The number of offenders under county jurisdiction increased over the same period by about 39,000, from about 382,000 in 2010 to 421,000 in 2013.



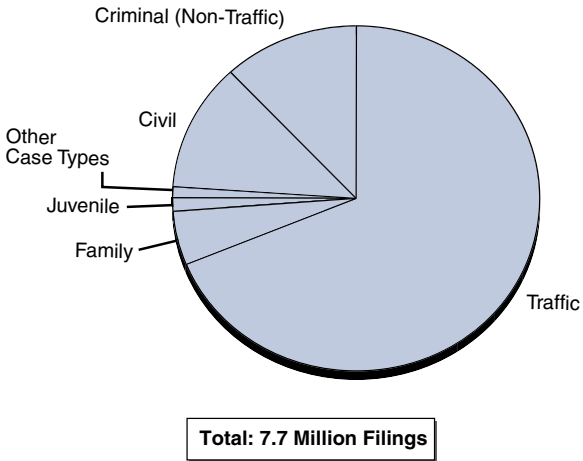
## Most Inmate Costs Related to Security and Health Care



- In 2012-13, the average cost to incarcerate an inmate was about \$55,000. The primary cost drivers for the state's prison system are security (such as correctional officer pay)—which accounts for 48 percent of the total cost—and health care—which accounts for 29 percent.
- Other states typically spend around \$30,000 per inmate per year. The difference is primarily due to the relatively high salaries of California's correctional officers, as well as California's high cost of inmate health care. California's per inmate health care spending increased substantially after a federal court appointed a receiver in 2006 to directly manage the state's prison medical care delivery system.

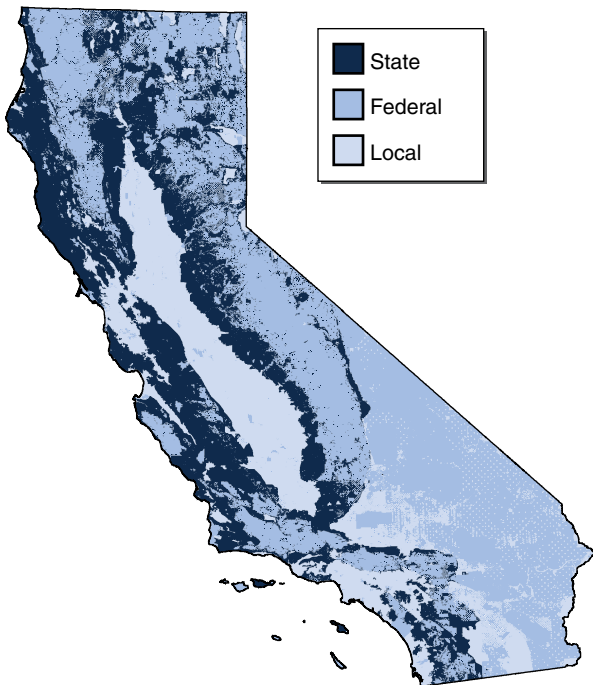
## Most Filings in Trial Courts Involve Traffic Cases

2012-13



- In 2012-13, trial courts received about 7.7 million submissions to the court (“filings”). Of these, an estimated 70 percent were traffic cases.
- While most court filings involve traffic cases, such cases are resolved relatively quickly and do not require significant court resources. Rather, most court resources (more than two-thirds) support non-traffic criminal, civil, or family law cases.
- In 2012-13, only 7 percent of filings were resolved through trial. The remaining were resolved in other ways, such as through settlements or hearings.

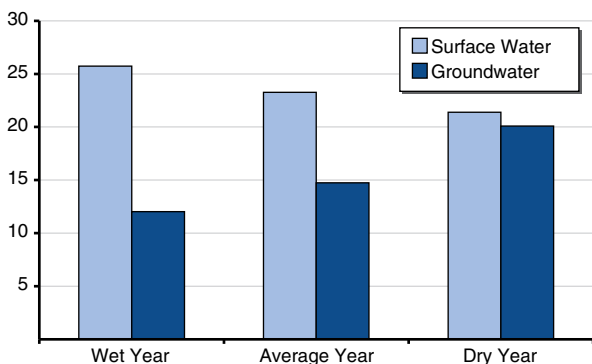
## Responsibility Areas for Wildland Fire Protection



- The California Department of Forestry and Fire Protection (CalFire) has primary responsibility for wildland fire protection on more than 31 million acres of mostly privately owned lands, referred to as State Responsibility Areas (SRA). Local and federal agencies are responsible for the rest of the state.
- Funding for SRA fire protection has generally been increasing, but it varies significantly each year depending on the number, severity, and location of wildfires.

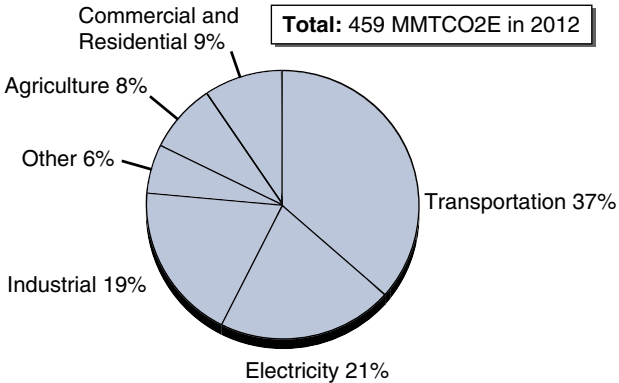
## Groundwater Use Significantly Increases in Dry Years

*(Millions of Acre-Feet Per Year)*



- Water supplies for drinking, irrigation, and industrial uses in California mainly come from surface water and water available underground (referred to as “groundwater”). Groundwater is used significantly more in dry years, when less surface water is available. For example, groundwater use almost doubled in 2009 compared to 2005, while surface water use declined.
- Groundwater use varies widely across different parts of the state. Over 70 percent of the state’s groundwater use occurs in the Central Valley.
- Groundwater levels have dropped rapidly in recent years and reached historic lows in many parts of the state due to drought. This groundwater depletion can cause several problems—wells that run dry, subsidence (sinking land), damage to infrastructure, groundwater contamination, and permanent loss of groundwater storage.

## Greenhouse Gas (GHG) Emissions Come From Various Sources

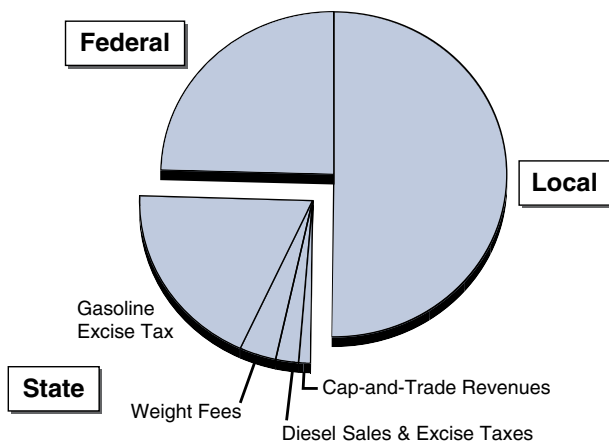


MMTCO<sub>2</sub>E = Million Metric Tons of Carbon Dioxide Equivalents.

- Transportation, electricity generation, and industrial activities—such as oil refinement and cement production—account for about three-quarters of GHG emissions in California.
- In 2006, AB 32 established the statewide goal of reducing GHG emissions to 1990 levels—431 MMTCO<sub>2</sub>E—by 2020. Most of the reductions are expected to come from regulations that are focused on certain types of emissions, including reducing the carbon intensity of fuels, energy efficiency programs, and a requirement that 33 percent of electricity come from renewable sources by 2020.
- A cap-and-trade program is expected to generate the remaining GHG reductions. Under this program, the state limits the amount of GHGs that can be emitted and requires large emitters to obtain emission permits (“allowances”) equal to their emissions.

## Transportation Funding Comes From Multiple Sources

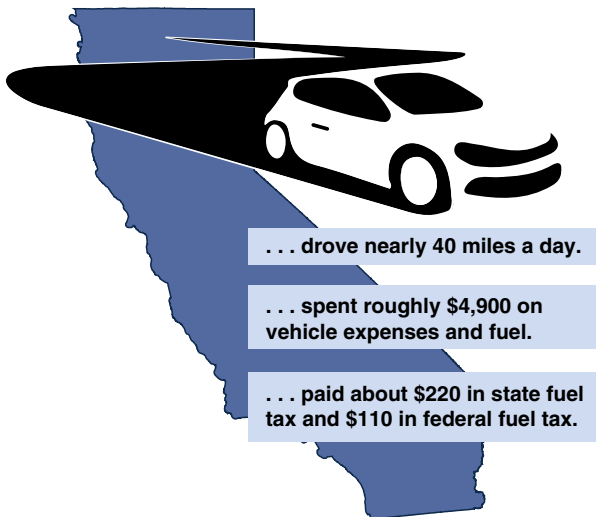
2014-15



- Total transportation funding in the state will be roughly \$28 billion in 2014-15.
- Local governments provide half of all transportation funding in California. Local transportation funding sources include local sales taxes, transit fares, development impact fees, and property taxes.
- About one-fourth of the state's transportation funding comes from the federal government, supported primarily by federal excise taxes on diesel and gasoline.
- The remaining one-fourth of transportation funding comes from a variety of state revenue sources—primarily excise taxes on gasoline.



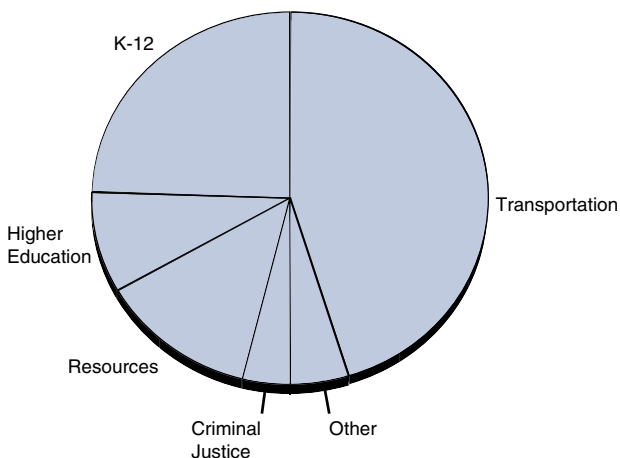
## Average California Driver in 2013...



- There are 25 million licensed drivers in California, which is about 80 percent of Californians over the age of 16.
- Traffic crashes remain a leading cause of preventable death in California. In 2012, 2,995 people were killed in crashes. California had the ninth lowest fatality rate in the nation—0.88 fatal injuries for every 100 million miles driven.
- Roughly 85 percent of Californians drive to work alone or in a carpool, while about 5 percent of Californians use transit and about 4 percent walk or use a bicycle to reach their jobs.
- Roughly 1 in every 35 passenger vehicles registered in California is a hybrid or electric vehicle.

## Most State Infrastructure Spending Is for Transportation and Education

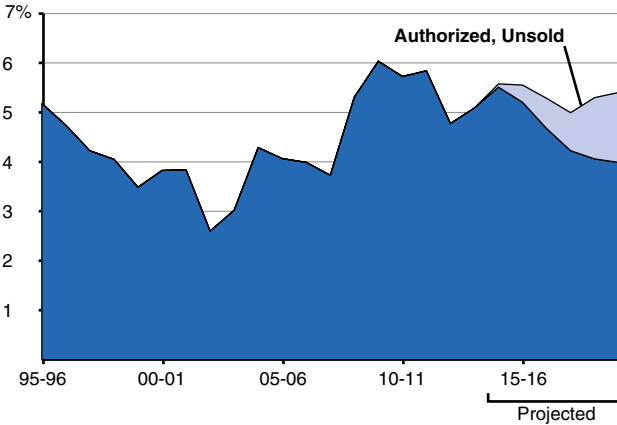
*Infrastructure Spending, 2003-04 to 2012-13*



- Over the past ten years, the state spent about \$100 billion on infrastructure. More than 75 percent of this spending was for transportation projects and educational facilities (K-12 and higher education).
- More than half of state infrastructure spending was for local infrastructure projects (such as local schools and roads) versus state projects (such as prisons and highways).
- About two-thirds of the state's infrastructure spending was financed using bonds. The remaining third of its infrastructure spending was paid up-front, almost all from special fund revenues, such as taxes on gas.

## Debt-Service Ratio Expected to Remain Under 6 Percent

*Percent of General Fund Revenues Spent on Debt Service*



- The state's debt-service ratio—the percent of the state's General Fund revenues and transfers spent to pay interest and principal on its bonds—is one indicator of the state's debt burden.
- The debt-service ratio is currently about 5.6 percent and is projected to stay near that level over the next few years. This is because the state's General Fund revenues and General Fund debt service are expected to grow at similar rates.
- The debt-service ratio varies over time based on how many bonds the state sells, the interest rates the state pays on those bonds, and the amount of revenue the state collects, among other things.

## Major State Information Technology (IT) Projects Under Development

(In Millions)

Project Description	Estimated Completion Date	Estimated Total Cost
Integrated statewide financial information system ("FI\$Cal")	July 2017	\$672.6
Tax return processing, collections, and data analytics system for Franchise Tax Board	December 2016	\$537.8
Eligibility, enrollment, and case management system for various public assistance programs	April 2017	\$472.4
Payments processing system for Medi-Cal fee-for-service providers	September 2017	\$458.6
Statewide case management system for child welfare services	April 2019	\$449.0
<b>Total</b>		<b>\$3,087.1</b>

- Currently, there are 44 state agency IT projects approved by and under the oversight of the Department of Technology in various phases of development. The total cost, should the state complete all IT projects as currently envisioned, is estimated to be about \$4.1 billion.

## Gambling in California



### Tribal Gaming

60 casinos  
26 counties  
\$7 billion in revenue after winnings



### CA Lottery

Around 21,000 retailers  
All 58 counties  
\$1.8 billion in revenue after winnings



### Cardrooms

89 cardrooms  
32 counties  
\$850 million in revenue after winnings



### Horse Racing

38 temporary and permanent facilities  
19 counties  
\$640 million in revenue after winnings



### Charitable Organizations

Bingo  
Card night fundraisers



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