

# California Budget Choices Our State. Our Future.



Does someone you know attend public school? How much time do you spend on roads or public transit? Do you think about health care or social services? The environment? Do you pay taxes?



How the state of California spends money affects our lives each day.



At Next 10, we believe everyone should have information about the critical state budget choices we face. Today's decisions shape the California of tomorrow.

Next 10 is an organization that educates, engages and empowers Californians to improve the state's future.



[www.next10.org](http://www.next10.org)

## Who we are

- California has over 38 million people, with 5 million new people added in the past ten years.
- One in four Californians was born in another state.
- One in four Californians was born in another country.

## A quick look at California



## What we do

- California has one of the largest economies in the world, over \$1.5 trillion dollars
- Californians create 20,000 new inventions per year, more than the next four states combined.
- Californians invented the movies, the first blue jeans, the Frisbee, the beginning of the computer and many high tech products.
- Famous companies started in California include Levi's, Disney, Wells Fargo, MGM, Hughes Aircraft, Apple and Google.
- California has 350 different crops; 1 out of every 5 glasses of milk consumed in the U.S. is from California.
- One-fifth of all U.S. trade with other countries passes through a port in California.

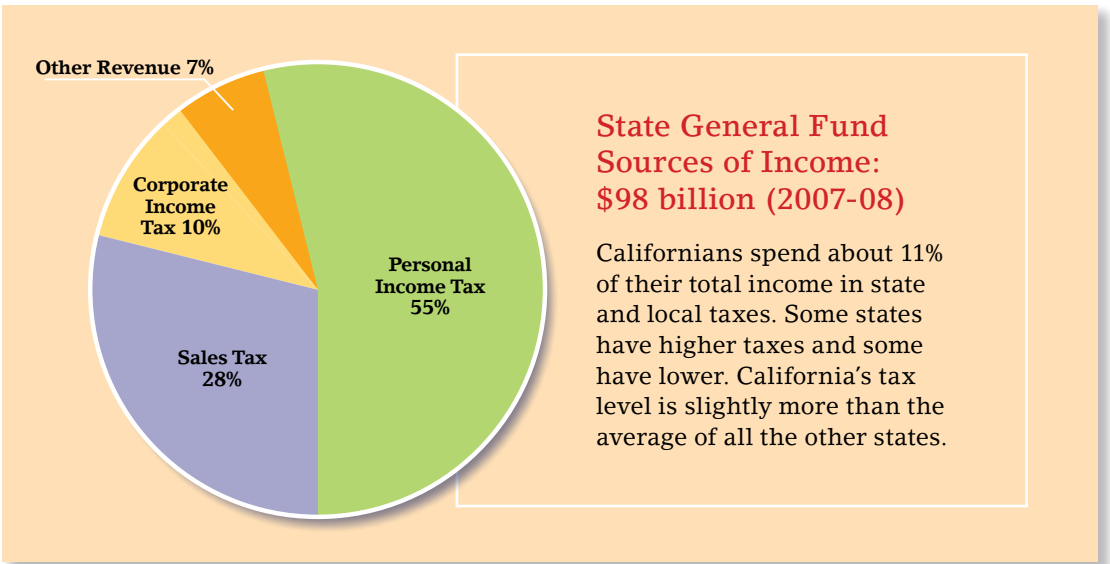
People are drawn to California to pursue their dreams and have built one of the strongest economies in the world. We can use our collective wisdom to build a state budget that helps make a great state even better.

## 1 How the state budget gets money:

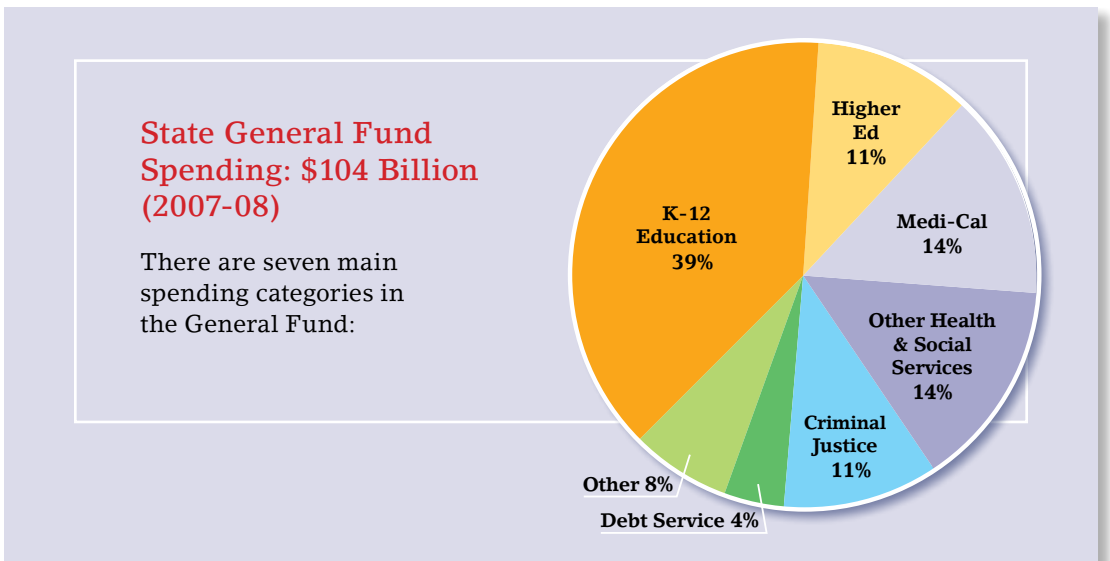
*For July 2007 through June 2008, the state budget spent \$133 billion, which is nearly \$6 billion greater than income received. The state budget has two main parts:*

**General Fund** — Money comes in from income taxes from people and businesses, sales taxes, and other taxes on things like insurance and alcohol. The General Fund is spent on programs like education, health and prisons.

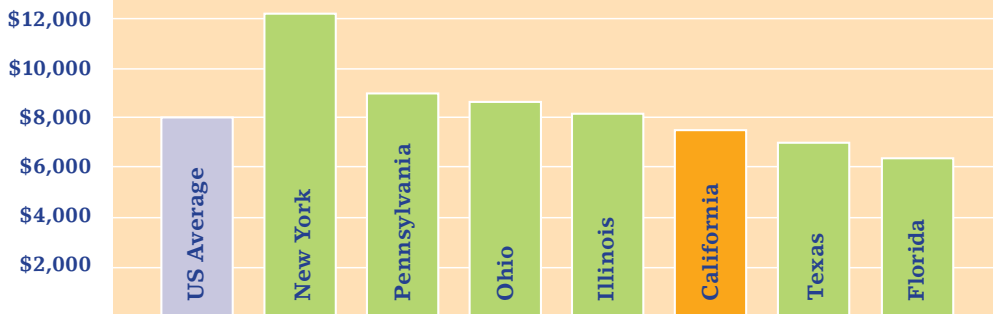
**Special Funds** (\$29 billion) — This money is from taxes reserved for special purposes like transportation, and local health and public safety programs.



## 2 How we use state spending:



Education Spending Per K-12 Student (2004-05, 7 largest states)



### K-12 – \$39.9 billion, *spent in local school districts:*

- Teachers and books for 6.3 million students
- State and local spending per student is about \$7,800 each year
- Does not include buildings which are supported by bond funds



### Higher Education – \$11.0 billion

- U.C. Universities (220,000 students), State Universities (450,000 students) and Community Colleges (1.7 million students)



### Medi-Cal & Healthy Families – \$14.5 billion

- Health care to low-income families, seniors and disabled residents



### Other Health & Social Services – \$14.7 billion

*Mostly for county programs:*

- CalWorks (the welfare to work program for families); child services; mental health
- Cash grants (SSI) for low-income seniors and disabled; in-home support services



### Criminal Justice – \$11.5 billion

- State prisons (with over 170,000 inmates), trial courts and the juvenile justice system



### Debt Service – \$4.1 billion

- To pay off the state's bonds used to build roads, schools and other infrastructure



### Other – \$7.8 billion

- Other public services, including consumer protection and natural resources
- State employee pensions and health care

### 3 How the state budget gets out of balance

Since 2001, California has had problems making sure that what the state spends stays in line with the income the state receives. Spending more than we take in means there is a “deficit.” Many states are having difficulty balancing their budgets because of the slowdown in the economy. But, in California, we have additional problems for reasons like these:

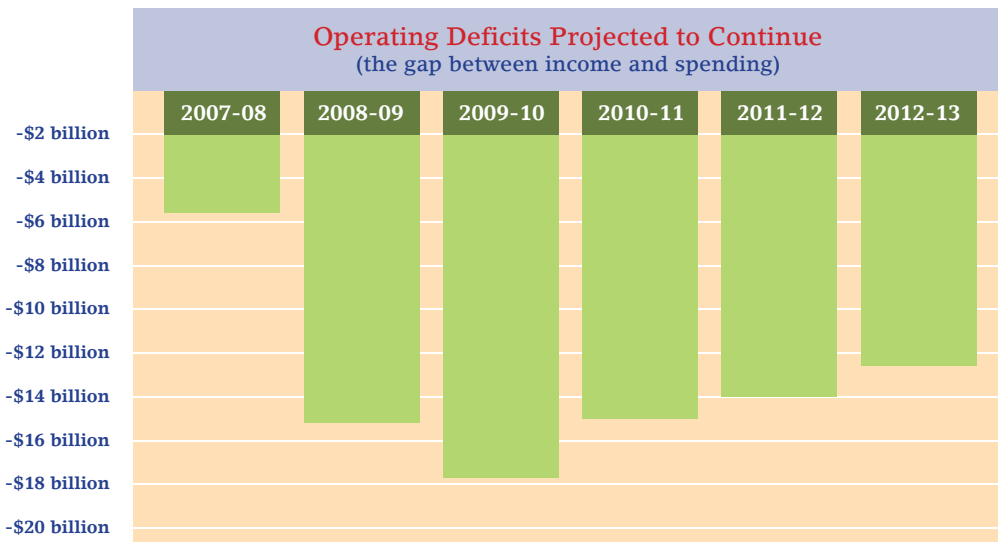
#### On the income side:

- Our state income depends more heavily on income tax, making us more sensitive to changes in the economy.
- Some temporary tax credits made when the economy was stronger became permanent, reducing state income.
- The annual vehicle license fee was reduced, bringing in less money to the state.

#### On the spending side:

- Required spending created by voter initiatives “locks in” spending for certain programs.
- Many programs have spending increases that are linked to population growth and cost of living; these keep going up even if state income goes down.
- Program additions made in boom years became mandated spending even during lean years.

If we do not take steps to close the gap between spending and income, California will continue to have large ongoing deficits, which will impact the quality of life for everyone in the state.



Together, we can discover what we value and find a fair way to pay for it.

## 4 Budget choices:

California lawmakers are responding to public pressure when they make choices about our state budget. For example, many people protest tax increases, yet many people also ask lawmakers not to cut services. For the past few years, the Governor and Legislature have found one-time savings and new ways to borrow money. But a long-term solution to balancing the budget will require a different approach.

### These are some choices we can decide together:

- Which types of spending will help create the kind of California we want for ourselves and our children?
- Are there some programs that should keep growing? Are there others that could shrink or stop?
- Should we raise taxes? If so, which ones?
- What should we do to keep the state economy growing?



These are not easy choices. And, California is one of only a few states that requires two-thirds of the Legislature to agree on the budget. Other states need just half of the Legislature to agree. This is why the support of the public is essential in coming up with solutions we can all live with.

## 5 What can we do?

Getting informed about the issues you care about is a great first step for a stronger California. You can find others who share your concerns and work together.

- **Visit [www.next10.org](http://www.next10.org)** for more information about state spending and income. This website has a step-by-step “Budget Challenge” that lets you create your own budget for California’s future.
- **Talk with family and friends** about what you want for California.
- **Contact your elected officials** to let them know your thoughts on some of the tough trade-offs they must make.
- **Vote in the next election** and ask others to join you.
- **Look for groups** that are active on the issues you care about.

Today’s ideas and choices paint the picture for tomorrow.  
The budget is just the beginning...

Next 10 creates tools that empower Californians through deeper understanding of critical issues affecting our future economy and quality of life.



[www.next10.org](http://www.next10.org)



This booklet and related publications are being distributed across California in partnership with libraries, schools and colleges, the League of Women Voters and other organizations committed to nonpartisan education. Call, e-mail or visit us online to place an order.

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Sources for information are from the California Department of Finance, the Legislative Analyst's Office, and the National Center for Education Statistics. Numbers have been rounded. Design by Common Knowledge ([www.ckgroup.org](http://www.ckgroup.org)) and Leah Prahm.