



KEY FACTS: CALIFORNIA'S STATE BUDGET PROCESS

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California's budget process is near-sighted and fails to ensure improved state outcomes.

- California's one-year budget system designates how much money will be spent on programs each year but does not include long-term goals or performance measures.¹
- California received a grade of D+ on money management from the Pew Center on the States' Government Performance Project in 2008 – only one other state (Rhode Island) received as low of a grade in this area.²

California's spending obligations grow faster on average than revenue.

- California has a chronic structural deficit and faces a \$27.8 billion shortfall through June 2010.³
- California's state spending has increased in all but four of the past 20 years.⁴
- In the past 20 years, lawmakers have overspent the state's General Fund roughly half of the time.⁵
- The greatest single-year spending increase in the past 20 years was in fiscal year 2000-1 when spending grew by 17 percent or \$12 billion over the prior year. That year, lawmakers overspent the General Fund by \$6.6 billion dollars, making up the difference by borrowing or through other cost shifts.⁶

California's General Fund revenue is unreliable.

- California's dependence on a highly progressive personal income tax results in General Fund revenues that are more volatile than in most states.⁷
- Since 1990, revenues in California have fluctuated from a decrease of 5 percent to an increase of 23 percent.⁸
- A November 2008 economic forecast predicts the state's three major revenue sources – sales taxes, income taxes, and corporate taxes – will fall by over 11 percent over the next two years. It will take an additional two years before revenues climb back above the peak they hit in fiscal year 2007-08.⁹

The unstable state budget cripples essential programs.

- Budget cuts for the 2008-09 fiscal year will result in fewer students admitted to state colleges and universities.¹⁰
- The Governor's 2008-09 budget will result in more than 250,000 children losing health coverage by 2011.¹¹
- County officials face nearly \$700 million in budget cuts for the 2008-09 fiscal year; further cuts could mean fewer police officers, delays in road improvements, reductions in health and employment programs and less money for parks and libraries.¹²



Californians do not trust the state budget process.

In six day-long discussions with randomly selected representative samples of Californians across the state:

- 77 percent said the state budget process needs major changes.
- 79 percent said longer term budgets/planning (3-5 years) are needed.
- 73 percent believe it is more important to invest in programs that benefit all Californians (like education and transportation) than it is to keep taxes low, and agree they would be willing to pay more taxes themselves for such investments – with 82 percent of liberals and 61 percent of conservatives in agreement.
- 81 percent believe citizens should have an active role in setting priorities and reviewing the results of government programs (vs. 18 percent who thought people don't have the time and energy to spend on reviewing government programs).
- 65 percent oppose lowering the 2/3 vote threshold required to raise state taxes.
- 58 percent oppose lowering the 2/3 vote threshold required to pass the state budget.¹³

¹ *Money Performance Grades*, The Pew Center of the States Government Performance Project, 2008, <http://www.pewcenteronthestates.org/uploadedFiles/Money%20Performance.pdf>.

² Ibid.

³ *Overview of the 2008 Special Session Proposals*, Legislative Analyst's Office, Sacramento, CA, Nov. 10, 2008.

⁴ *State of California Expenditures, Historical Data 1984-85 to 2008-09*, Legislative Analyst's Office and Department of Finance, Sacramento, CA, Updated Sept. 2008, http://www.lao.ca.gov/laoapp/laomenus/lao_menu_economics.aspx.

⁵ Ibid.

⁶ Ibid.

⁷ *Money Performance Grades*, The Pew Center of the States Government Performance Project, 2008, <http://www.pewcenteronthestates.org/uploadedFiles/Money%20Performance.pdf>.

⁸ *State of California Revenues, Historical Data 1950-51 to 2008-09*, Legislative Analyst's Office and Department of Finance, Sacramento, CA, Updated Sept. 2008, http://www.lao.ca.gov/laoapp/laomenus/lao_menu_economics.aspx.

⁹ *An Economic Backdrop for Fiscal Reform in California*, Beacon Economics, Los Angeles and San Rafael, CA, Nov. 2008.

¹⁰ *UC Regents warn freshman enrollments will be curtailed without sufficient funding, adjust budget to clarify no student fee increase assumed*, University of California Office of the President, Oakland, CA, Nov. 20, 2008. *California State University Declares Systemwide Impaction*, CSU Trustees, Nov. 20, 2008. *Governor's Mid-Year Budget Reductions Include Major Cuts to the Community Colleges*, California Community Colleges System Office, Nov. 7, 2008.

¹¹ *Health Care Budget Cuts Scorecard*, Health Access, Sacramento, CA, Sept. 25, 2008.

¹² *Threat of further California budget cuts hangs over counties*, The Sacramento Bee, Sacramento, CA, Nov. 4, 2008.

¹³ *When the Government Listens: Engaging Californians on State Budget Reform*, Viewpoint Learning, Inc., San Diego, CA, Nov. 2008, <http://www.caforward.org/files/Budget/viewpoint%20learning%20report%20final.pdf>.