

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.

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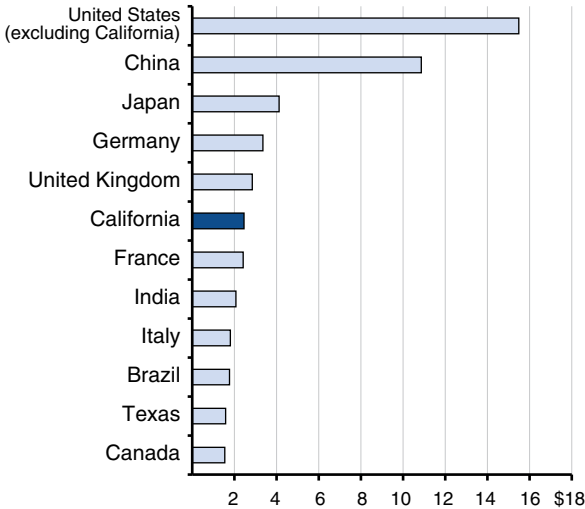
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California's Economy: One of the Largest in the World

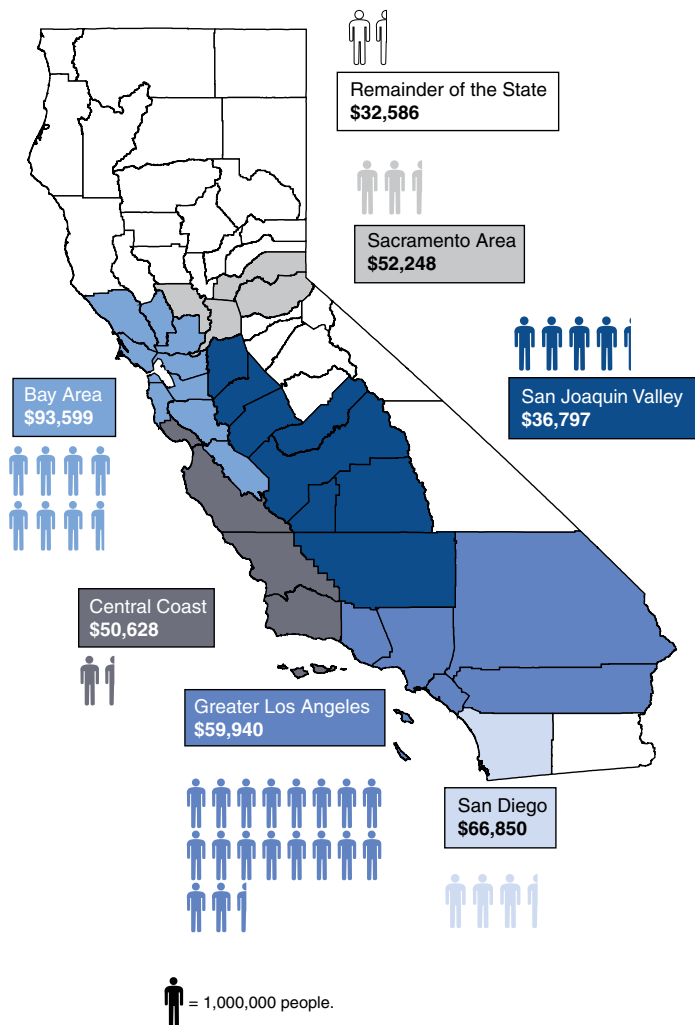
Gross Domestic Product (In Trillions)



- Gross domestic product (GDP) is the value of goods and services produced in a country or state.
- Measured in U.S. dollars, only five countries had a GDP larger than California's \$2.5 trillion GDP in 2015. Weakness in the value of European currency caused France's GDP to be just a bit smaller than California's that year.
- With 34 percent of California's population, the Los Angeles/Orange County region produces 38 percent of California's economic output. With only 17 percent of the population, the Bay Area produces 27 percent of the state's output.

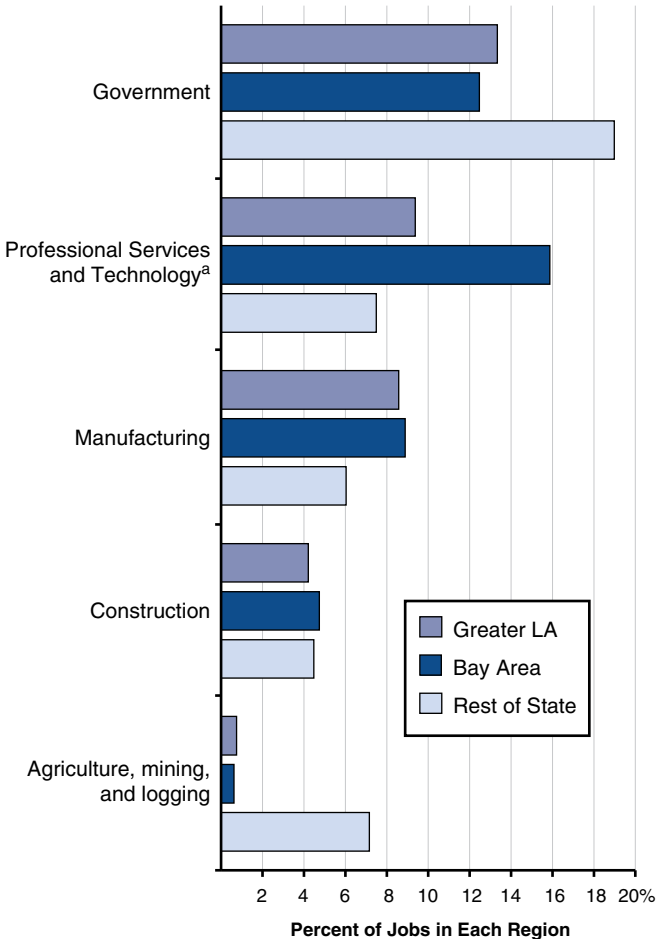
Economic Output Varies Throughout the State

Population and Per Capita Gross Domestic Product



Job Mix Varies in Different Regions of California

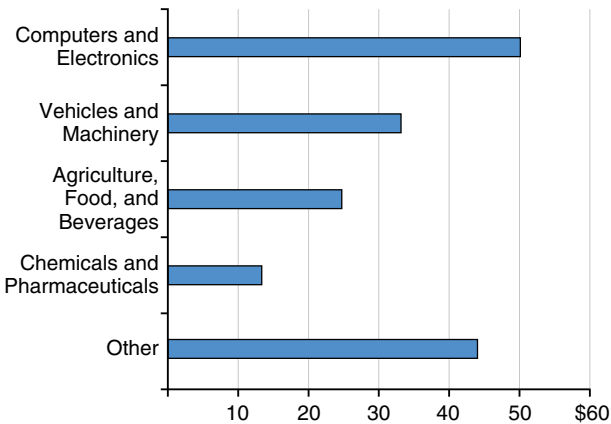
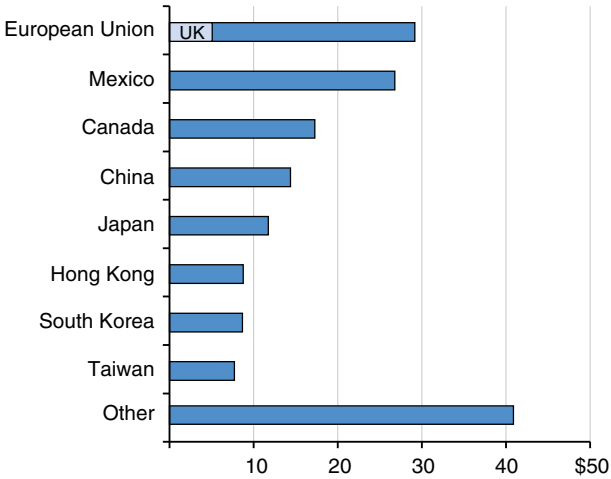
Employment Concentration in Selected Sectors, 2015



^a Includes information sector and professional, scientific, and technical services sector.

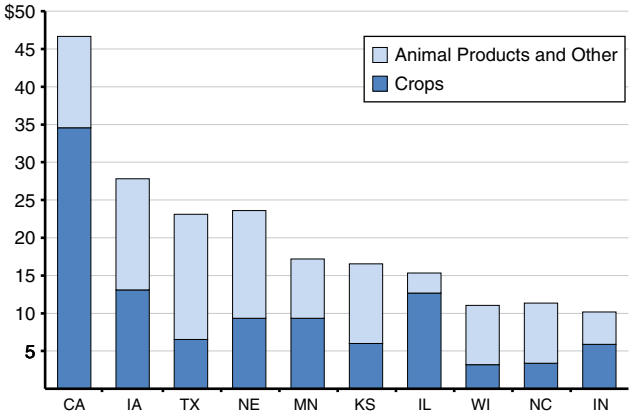
International Trade Is Important to California's Economy

2015 International Goods Exports (In Billions)

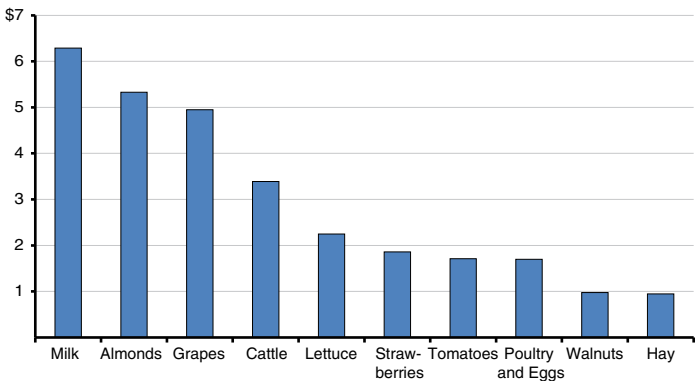


California Is the Nation's Leading Farm State

2015 Value of Farm Production (In Billions)

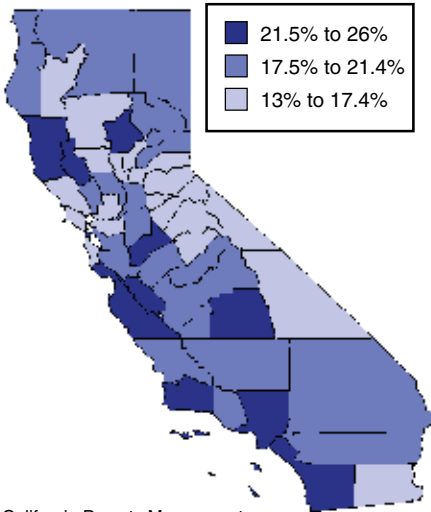


California's Top Ten Valued Commodities in 2015 (In Billions)



Poverty Varies Across Counties, Driven in Part by Housing Costs

Poverty Rate^a, 2011 Through 2013



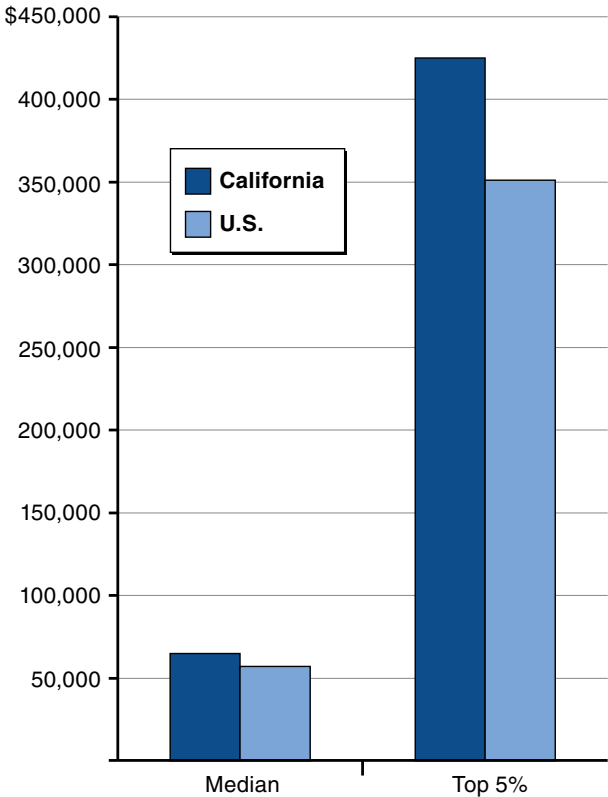
^a California Poverty Measure rates.

Source: Public Policy Institute of California and Stanford Center on Poverty and Inequality.

- Unlike the federal Official Poverty Measure, the California Poverty Measure (CPM) accounts more comprehensively for certain household costs and government assistance and adjusts for regional differences in housing costs. High housing costs in a county are one factor that contributes to a high poverty rate under this measure.
- Under the CPM, from 2011 through 2013, poverty rates varied across counties from a low of 13 percent to a high of 26 percent. Over this same period, the statewide CPM rate was 21.2 percent, equivalent to 8 million Californians being considered poor.

Top Incomes Higher in California Than in the U.S.

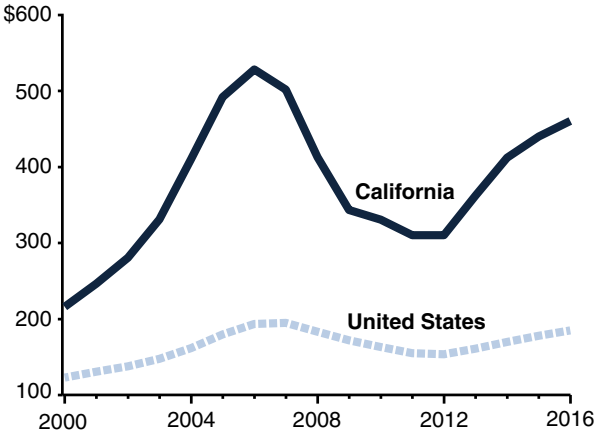
2015 Household Incomes



- “Top 5%” refers to the mean of the top 5 percent of incomes. California has the fifth-highest “Top 5%” among the 50 states. (Other estimates of the highest incomes, such as the 99th percentile, are not available.)

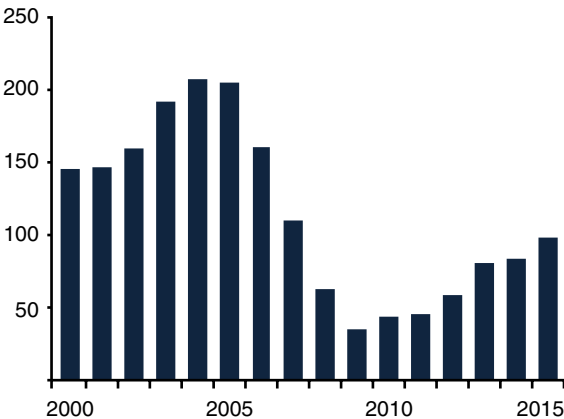
California Home Prices Rising Faster Than U.S.

Median Home Price (In Thousands)



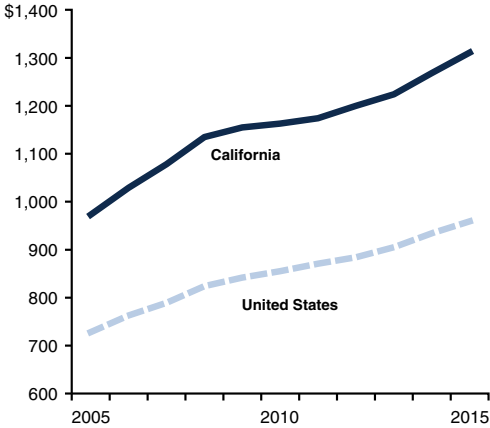
Home Building Below Historical Norm

Residential Building Permits (In Thousands)



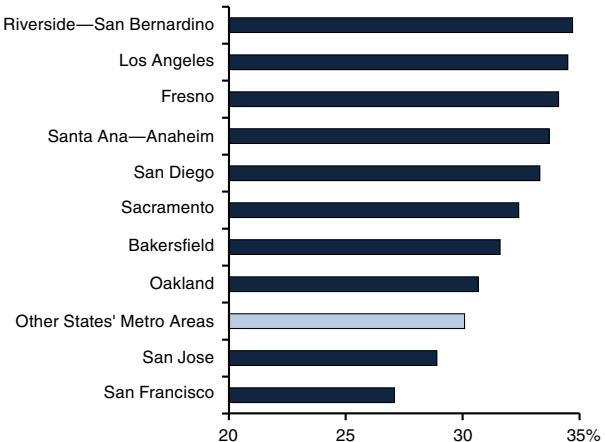
Rents Higher in California

Median Monthly Rent

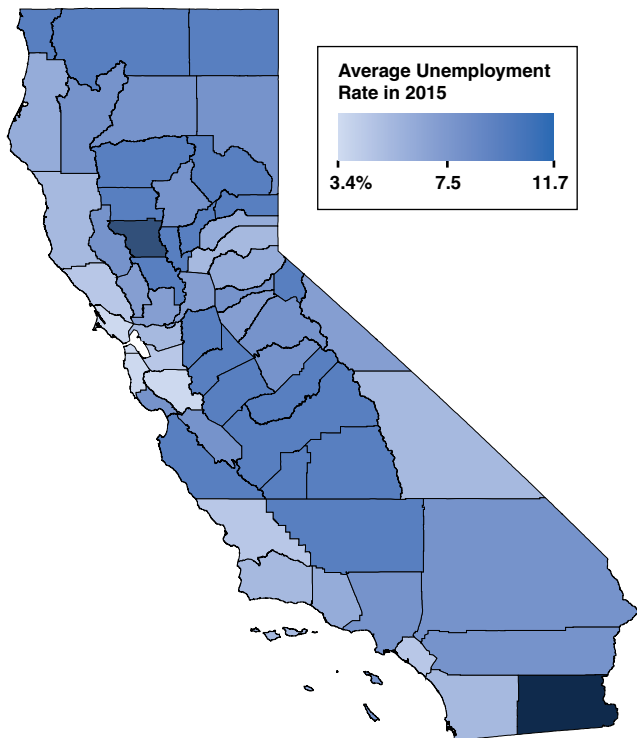


Many Pay More Than One-Third of Their Income in Rent

Share of Income Spent on Rent, 2015



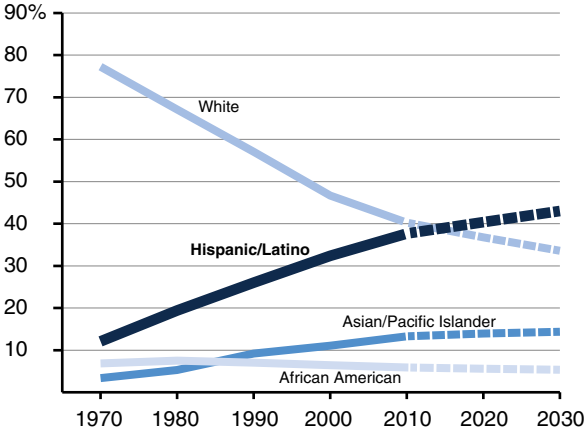
Unemployment Rates Generally Highest in Central Valley



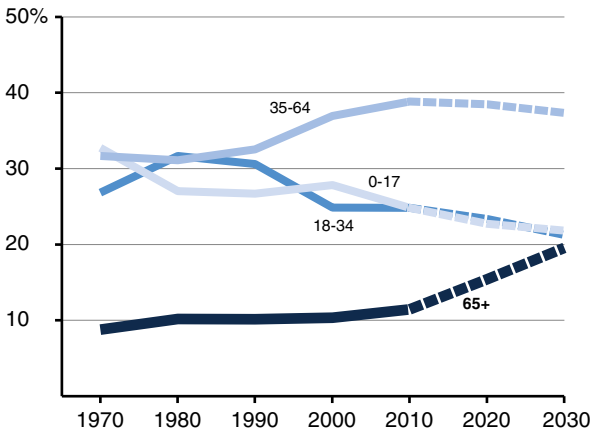
Note: Average unemployment rate in 2015 in Colusa and Imperial counties was 15.5 percent and 24 percent, respectively.

California's Changing Population (As Percent of Actual or Projected Population)

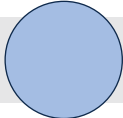







Growing Latino Population



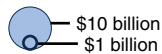
Growing Elderly Population



California Governments Rely . . .







| STATE | | |
|--|--|---|
| Tax | Rate | Revenue |
| Personal Income | Marginal rates of 1% to 13.3% |  |
| Sales and Use: General Purpose State Rate for Local Programs | 3.94% 2.06% |  |
| Corporation | 8.84% of California net income |  |
| Fuel | 28¢ per gallon of gasoline |  |
| Insurance | 2.35% of gross premiums |  |
| Vehicle License Fee | 0.65% of depreciated value |  |
| Cigarettes^a | 87¢ per pack |  |
| Alcoholic Beverage | Varies—20¢/gallon for beer and wine to \$6.60/gallon for spirits |  |

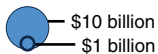
Amount of Revenue Raised



^a Proposition 56 increases the cigarette tax to \$2.87 starting April 2017.

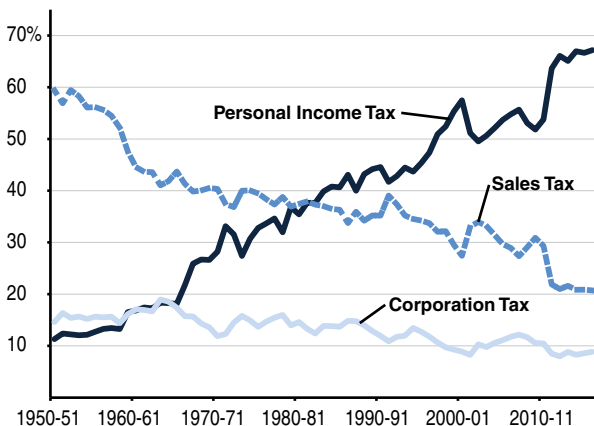
... On a Variety of Taxes

| LOCAL | | |
|---|---|---|
| Tax | Rate | Revenue |
| Property | 1% of assessed value, plus rate for voter-approved debt |  |
| Sales and Use: Levied Statewide Levied Locally | 1.25% 0.91% (average) |  |
| Utility | Commonly, 5% of utility charges |  |
| Hotel | Commonly, 10% of hotel charges |  |
| Business | A flat amount or based on business' gross receipts |  |
| Property Transfer | Typically 0.11% of transferred property value |  |

Amount of Revenue Raised


Personal Income Tax Is the Dominant State Revenue Source

Share of General Fund Revenues



- Although revenues from all big three tax sources have grown 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 rapid growth in incomes (including capital gains) of high-income people who are taxed most heavily under the state's progressive tax structure.
- Throughout the period, the prices of services (such as housing and healthcare) have grown faster than the prices of goods. Unlike goods, services are not subject to the state's sales tax.

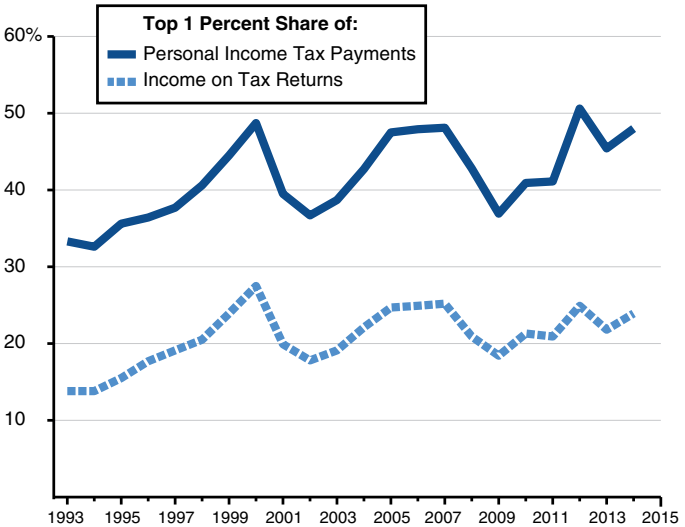
Personal Income Tax Is More Volatile Than Economy

Percent Change From Prior Fiscal Year



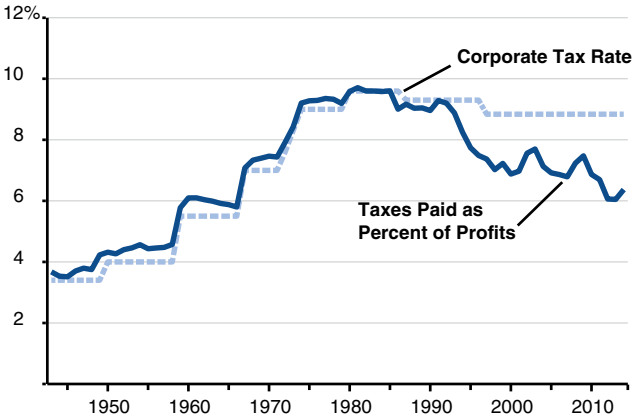
- Personal income is a broad measure of economic activity in California. It measures wages and salaries and various other types of income.
- The personal income tax (PIT), the state's largest state revenue source, is more volatile than personal income. This is in part because the PIT is levied on relatively volatile components of personal income. In addition, the state taxes especially volatile types of income not included in the measure of personal income—in particular, capital gains (income resulting from sales of assets, such as stocks). PIT is also volatile because the state's progressive tax structure taxes higher-income taxpayers—whose incomes are volatile—at higher rates.

Top 1 Percent of Income Earners Pay Up to Half of State Income Taxes



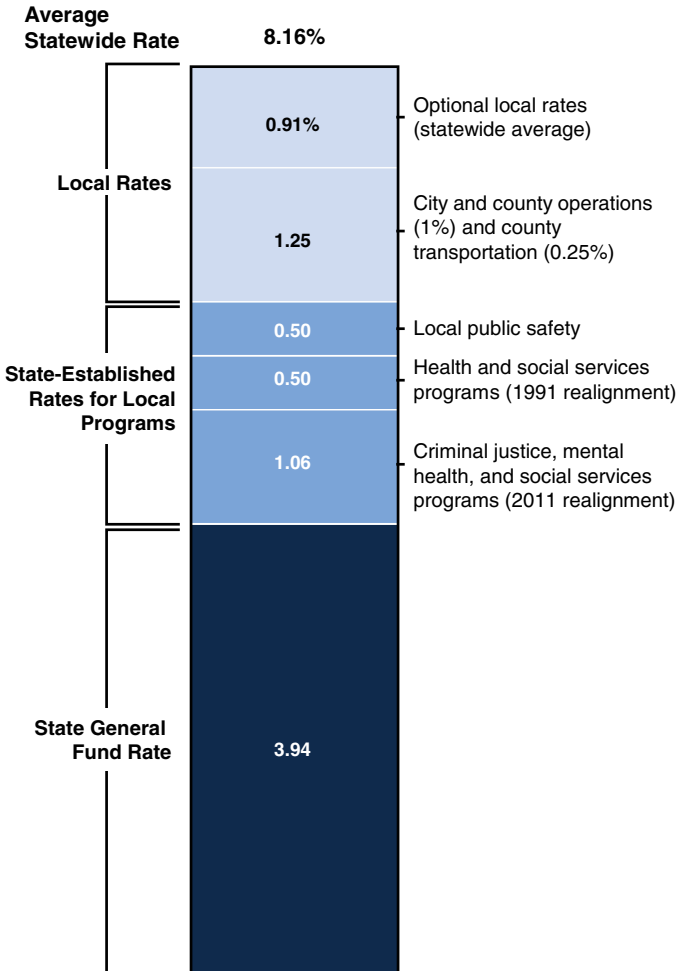
- The share of California's personal income tax (PIT) paid by the top 1 percent of tax returns is highly volatile. This share goes up and down with changes in stock and other asset prices, as well as business income.
- With the PIT now providing over two-thirds of state General Fund revenue, income fluctuations among these high-income taxpayers can contribute to state revenues rising or falling by billions of dollars per year.

Corporation Tax Liability as Percent of Profits Has Declined

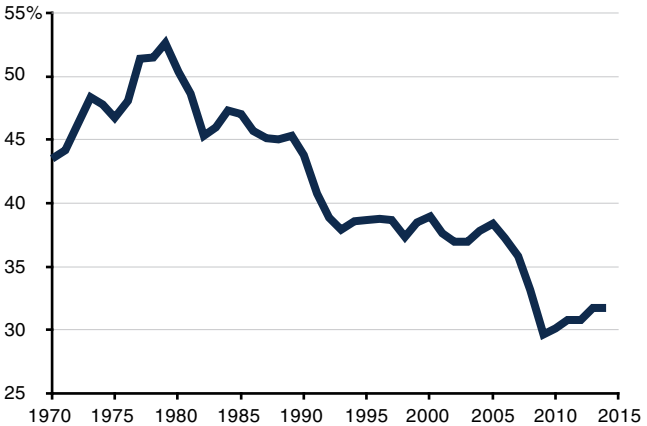


- Using various provisions of state tax law, such as tax credits, corporations may reduce their tax liability. This can result in the firms' final tax liabilities—as a percent of their California profits—being less than the main 8.84 percent corporate tax rate in state law.
- The state has made various 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



Consumers Are Spending a Declining Share of Income on Taxable Goods



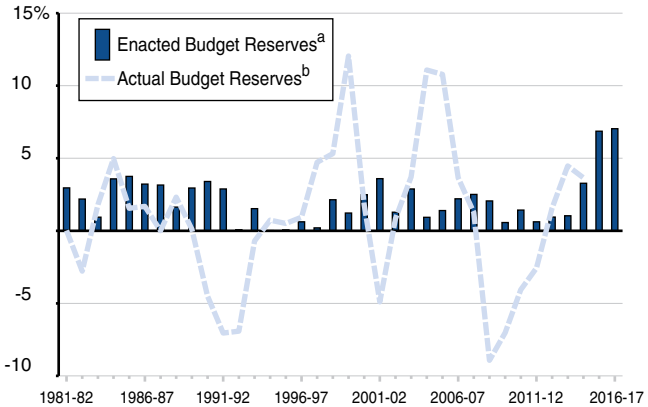
- Since 1970, the state's sales tax base, "taxable sales," has grown 6.2 percent per year, while personal income—the total income earned by businesses and individuals in California—has grown 7 percent per year. Californians are spending more of their income on housing, health care, and other services 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 8.2 percent.

Ballot Measures Have Had Major State-Local Fiscal Implications

| Proposition (Year) | Key Provisions |
|--------------------------|---|
| 13 (1978) | Limits property tax rates and assessment increases. Establishes vote requirement for certain 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) & 55 (2016) | Temporary state tax increases. Proposition 55 extends the income tax increases through 2030. |
| 2 (2014) | Sets new rules for state and school budget reserves and debt payments. |

Historical Budget Reserve Balances

Percent of Revenues and Transfers



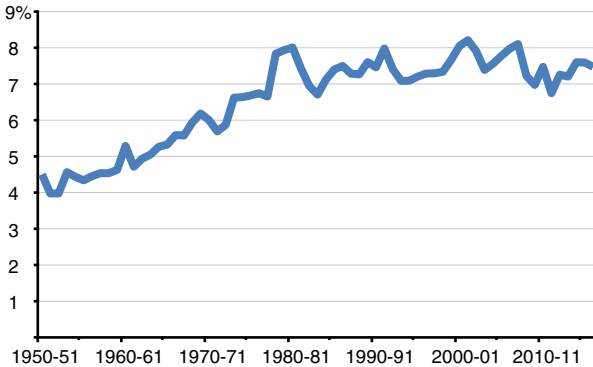
^a Estimates of budget-year Special Fund for Economic Uncertainties (SFEU) and Budget Stabilization Account (BSA) balances at budget act.

^b Revised estimates of SFEU and BSA balances after budget enactment. In some years, reflects proceeds of certain bond funds.

- Each year, the Legislature passes a budget with some reserves to cover unanticipated revenue shortfalls or higher costs. In the last two fiscal years, reserve balances have been considerably higher than historical averages. These reserve levels reflect both mandatory reserve deposits under Proposition 2 (2014) and additional, discretionary deposits.
- Actual reserve balances have differed—sometimes substantially—from reserves assumed in the budget act. Differences between enacted and actual reserve balances generally result when economic conditions are worse (or better) than assumed.

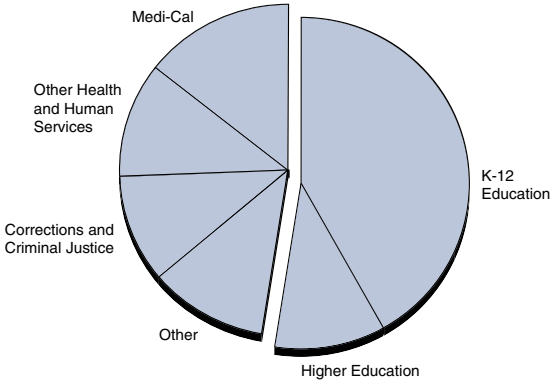
State Spending as Share of Economy Relatively Flat Since Late 1970s

General Fund and Special Funds as Percent of Personal Income



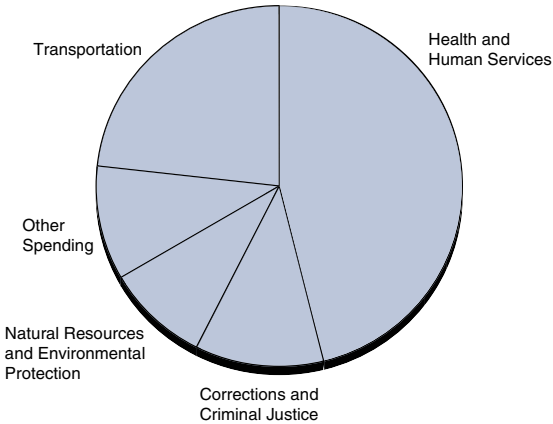
- State spending as a percent of personal income increased steadily from the late 1950s through the mid-1970s. Since the late 1970s, spending generally has ranged between 7 percent and 8 percent of personal income. (Personal income is one broad measure of the overall size of the California economy.)
- By a different measure—adjusted for inflation and population growth—state spending has generally increased since the 1990s.

Education Makes up Over Half of General Fund Spending



Note: At the time of the 2016-17 budget, General Fund spending was \$123 billion.

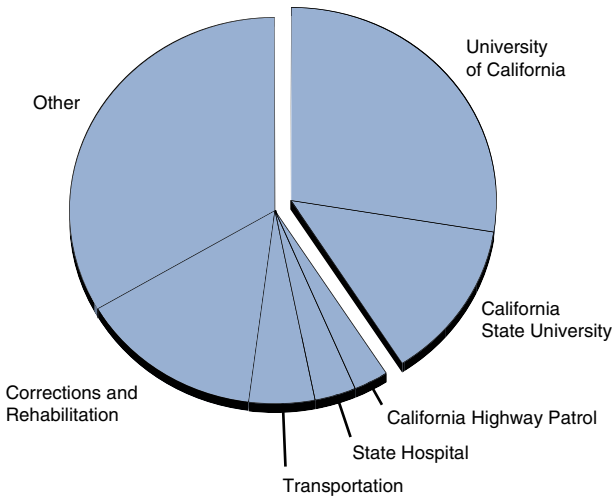
Health and Human Services Is Close to Half of Special Fund Spending



Note: At the time of the 2016-17 budget, special fund spending was \$45 billion.

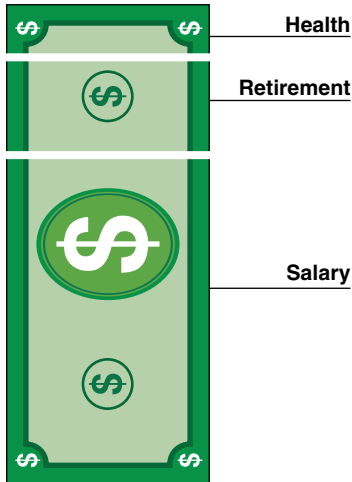


Universities Represent One-Third of State Government Jobs



- In 2015-16, the state employed more than 350,000 full-time staff at a salary cost of roughly \$28 billion (all funds).
- The state has long had many positions that are authorized but not filled. Across state departments, about 13 percent of positions are vacant. Departments hold many of these positions vacant in order to pay for other personnel and operating costs.
- Over the past 30 years, state employment has averaged 8.9 state employees per 1,000 population. In 2015-16, there were about 9.0 employees per 1,000 population.

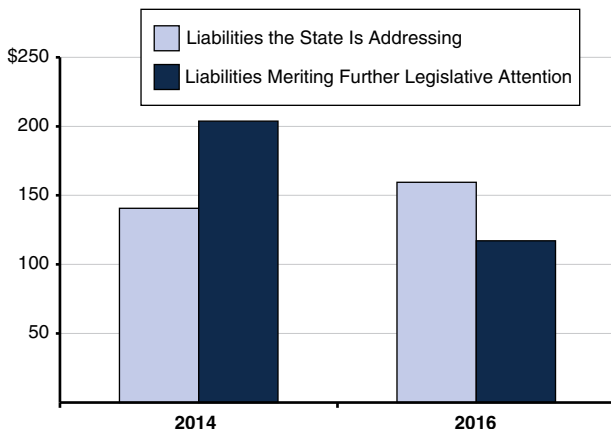
State Costs for Employee Compensation Include Benefits



- Excluding university, legislative, and judicial employees, the state spent about \$23 billion (all funds) in employee compensation costs in 2015-16. About 30 percent of these costs were for retirement benefits (including pensions, Medicare, and Social Security) and health benefits (including vision and dental).
- Annual state costs to provide health benefits to retired state employees are not included in the above graphic. These costs rise each year and were \$1.8 billion in 2014-15.

The State Is Addressing More of Its Liabilities

(In Billions)



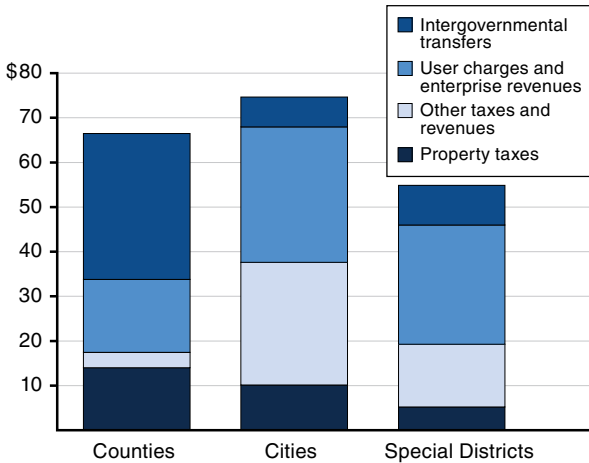
- The state now has plans in place to pay down nearly 60 percent of its \$277 billion in budgetary, infrastructure, and retirement liabilities. These plans include paying down pension unfunded liabilities and making regularly scheduled payments on infrastructure bond debt service.
- Legislation passed in 2014 aims to fully fund the teacher pension system (CalSTRS). The plan assigns responsibility for \$62 billion of the \$76 billion total unfunded liability to school and community college districts, thereby reducing state liabilities by a like amount (shown as a reduction between 2014 and 2016).
- By contrast, the state does not yet have plans to fully address unfunded liabilities for retiree health benefits for state and University of California employees. Without further state action, those liabilities will continue to grow.

Voting Requirements to Increase Taxes, Fees, Assessments or Debt

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

Paying for County, City, and Special District Services

2014-15 (In Billions)



- 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.

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 |
| 2014-15 | 55.5 | 40 | 25 | 18 | 17 |

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

Cities' and counties' property tax shares declined after the state retired deficit financing bonds issued in 2004.

California's Public Education System Is Extensive

2015-16



K-12 Education

946 Districts
 10,021 Schools
 6.2 Million Students
 570,000 FTE Faculty and Staff^a
 \$60.2 Billion Proposition 98 Support



California Community Colleges

72 Districts
 113 Colleges
 1.2 Million FTE Students
 64,000 FTE Faculty and Staff
 \$8.0 Billion Proposition 98 Support



California State University

23 Campuses
 371,000 Resident FTE Students
 41,000 FTE Faculty and Staff
 \$3.3 Billion State General Fund Support



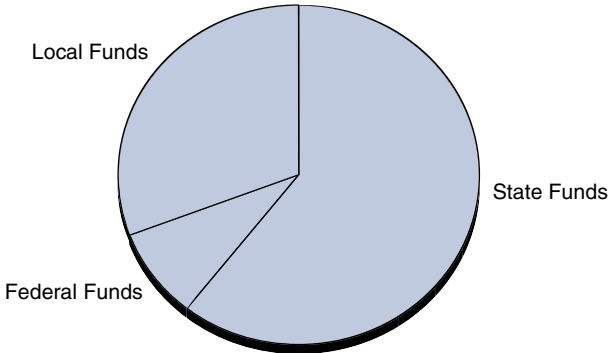
University of California

10 Campuses
 5 Medical Centers
 3 National Labs
 211,000 Resident FTE Students
 153,000 FTE Faculty and Staff
 \$3.3 Billion State General Fund Support

^a Reflects 2014-15 data (latest available).

FTE = full-time equivalent.

State Is Primary Source of Revenue for K-12 Education 2015-16

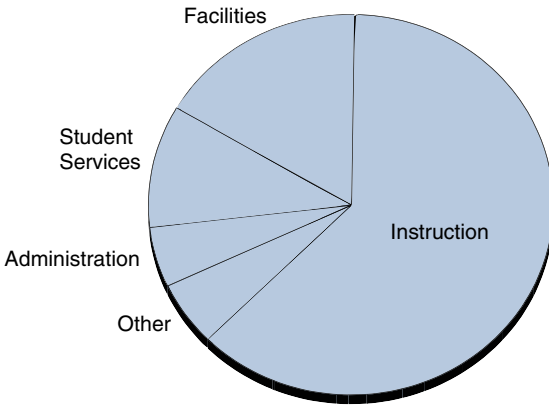


- Slightly more than 60 percent of school funding comes from the state. The California Lottery accounts for less than 2 percent of all school funding.
- About 30 percent of school funding comes from local sources—primarily property taxes.
- Slightly less than 10 percent of school funding comes from the federal government. This funding supports specific activities—primarily special services for low-income students and students with disabilities.



Most K-12 Spending Is for Instruction

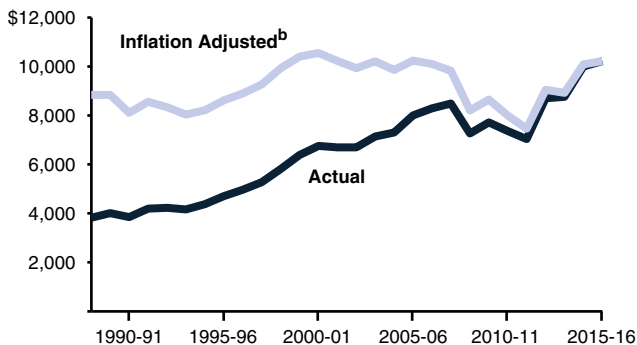
2014-15



- More than 60 percent of school spending is for classroom instruction and instructional support, including teacher salaries and benefits.
- Almost 20 percent of school spending is for facilities, including the construction and renovation of school buildings and ongoing maintenance.
- About 10 percent of school spending is for student services, including school meals, home-to-school transportation, and counseling.
- Less than 10 percent of school spending is for administration, including the compensation of district superintendents, and other activities related to accounting, legal, and human resource services.

Inflation-Adjusted Proposition 98 School Funding Near All-Time High

Funding Per Student^a

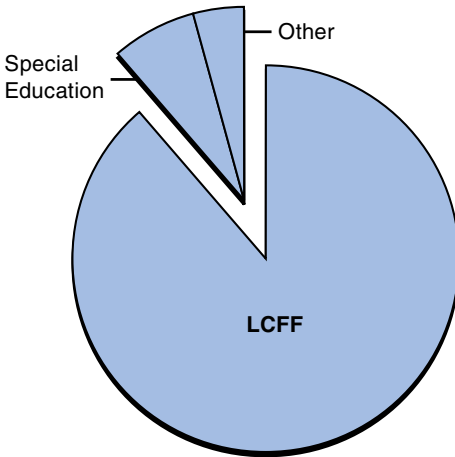


^a Includes all Proposition 98 funding except the amount going to the California Community Colleges.

^b In 2015-16 dollars. Adjusted using state and local government price index.

- School funding tends to fluctuate based on the condition of the state budget and the economic cycle.
- Corresponding with the most recent economic and fiscal cycle, school funding dropped notably during the 2008-09 through 2011-12 period and increased notably during the 2012-13 through 2015-16 period.
- Proposition 98 funding in 2015-16 was \$10,217 per student—about \$1,400 (16 percent) above the inflation-adjusted 1988-89 level.

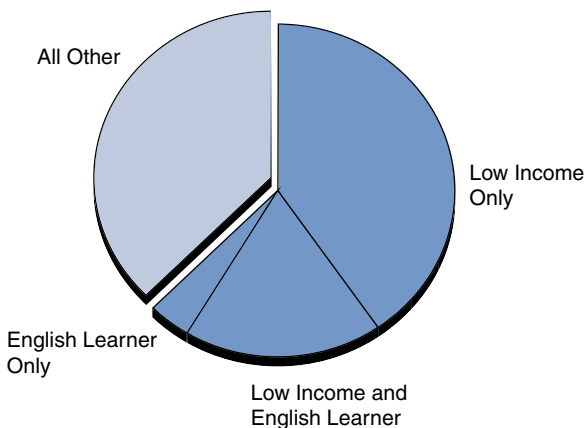
Most K-12 Funding Provided Through Student-Based Formula



- The 2016-17 budget provided \$63 billion for schools from a combination of state General Fund and local property tax revenues. The state provides the vast majority of funding—\$56 billion—through the Local Control Funding Formula (LCFF).
- Under the LCFF, each student generates a base funding amount. The base rate varies by grade span, with higher grades generally funded at higher rates. The LCFF provides additional funding for low-income students, English learners, and foster youth.
- The state has set LCFF target funding rates and is working towards those targets. In 2016-17, the state was funding 96 percent of the target rates.

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.

California Has Almost 300,000 Public School Teachers

2014-15



Compensation

Average salary: \$74,090

Average benefits^a: \$12,206

Average total compensation: \$86,296



Experience

Average years teaching: 15

Less than 5 years: 15 percent

More than 25 years: 14 percent



Education

Bachelor's degree or higher: 100 percent

Master's degree or higher: 48 percent



Class Size

Enrollment: 6,235,580 students

Workforce: 295,800 teachers

Student/teacher ratio = 21



Gender

Female: 73 percent

Male: 27 percent



Race/Ethnicity

White: 68 percent

Hispanic: 20 percent

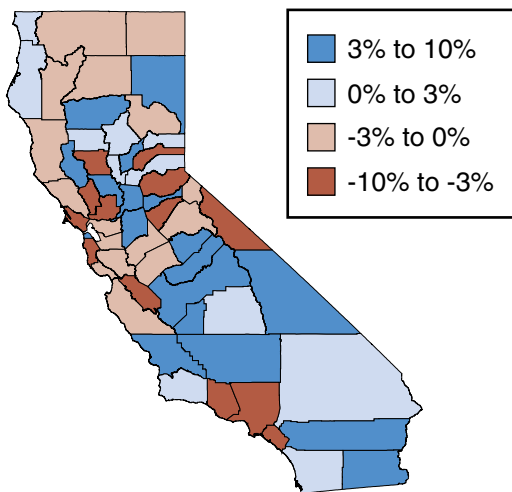
Asian/Pacific Islander: 8 percent

African American: 4 percent

^a Reflects health, dental, and vision benefits.

K-12 Enrollment Trends Vary Greatly Across State

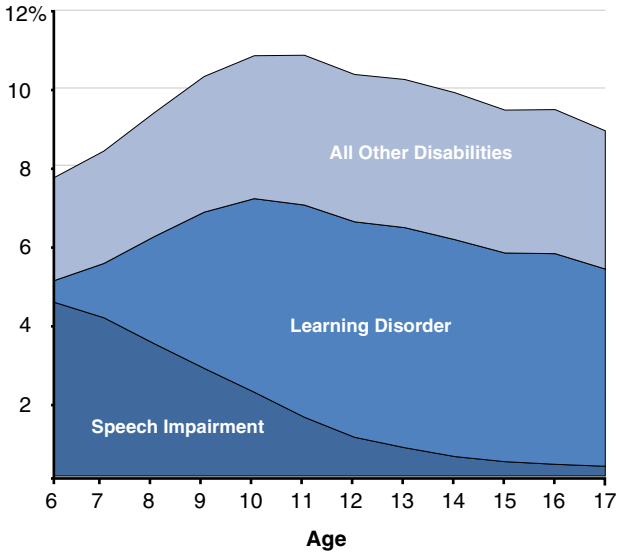
Projected Change, 2015-16 to 2024-25



- Statewide K-12 enrollment is projected to decline by 1 percent from 2015-16 to 2024-25. Enrollment is projected to increase in half of the state's counties and decrease in the other counties.
- Riverside and Kern Counties are projected to experience the greatest enrollment increases, with gains over the period of 5 percent (23,000 students) and 10 percent (18,000 students), respectively.
- Los Angeles and Orange Counties are projected to experience the greatest enrollment decreases, with declines over the period of 6 percent (89,000 students) and 8 percent (41,000 students) respectively.

Schools Provide Some Students With Special Education Services

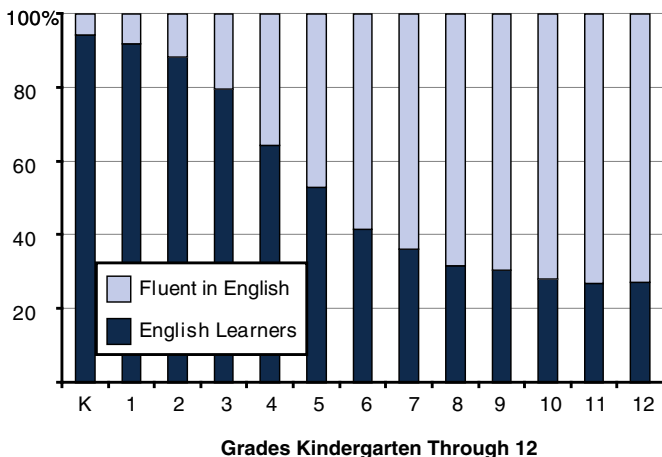
Percentage of California Children, 2015-16



- Roughly 10 percent of school-aged children in California have disabilities affecting their education.
- Young students are most likely to have speech impairments, whereas older students are most likely to have learning disorders such as dyslexia.
- For students with disabilities, schools must develop individual education plans that set forth the extra support (such as language therapy) to be provided.
- About half of students with disabilities spend most of their day in mainstream classrooms, whereas the other half are in classrooms with only other special education students.

California Has Many English Learners

Second Language Students by Classification

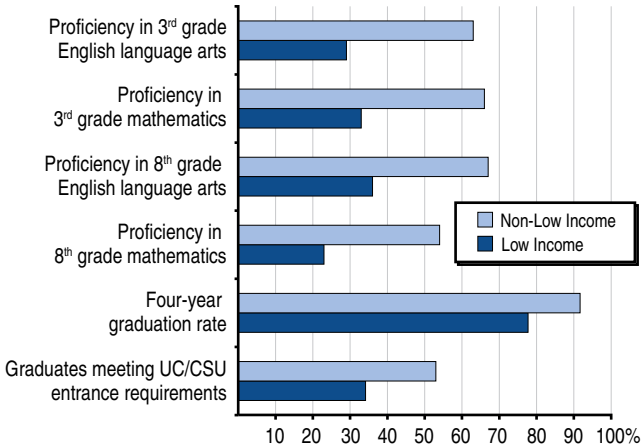


- About 40 percent of California students—almost 2.7 million students overall—speak a primary language other than English at home. The vast majority of these students (78 percent) speak Spanish.
- About half of these students (1.4 million) are classified as English learners whereas half are considered fluent in English.
- As reflected in the graph, students are much more likely to be classified as English learners in the early grades.
- Almost one-third of all English learners in the nation live in California.

Updated on 2/10/17

Student Achievement Gap Is Notable

2014-15



- California's low-income students perform significantly below non-low-income students in English language arts and math.
- Low-income students also are less likely to graduate within four years and complete the minimum coursework necessary to be accepted into universities.
- Student outcomes also vary by race/ethnicity. For example, among low-income students, four-year graduation rates are 69 percent for African Americans, 77 percent for Hispanic/Latinos, 78 percent for Whites, and 89 percent for Asians.

State Subsidizes Child Care and Preschool

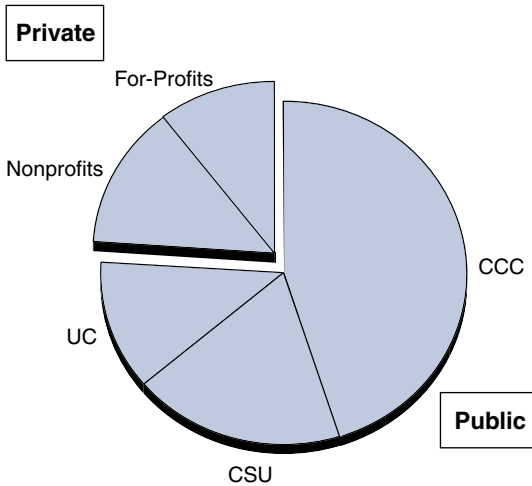
2016-17 (Dollars in Millions)

| Program | Funding | Slots |
|---------------------------|----------------|----------------|
| CalWORKs Child Care | \$1,146 | 128,848 |
| Non-CalWORKs Child Care | 620 | 62,519 |
| State Preschool | 1,074 | 163,603 |
| Transitional Kindergarten | 719 | 85,500 |
| Totals | \$3,559 | 440,470 |

- To be eligible for state-subsidized child care, families must be low income and working. Currently, a family of three making up to roughly \$42,000 per year is eligible.
- Only families participating in California Work Opportunity and Responsibility to Kids, or CalWORKs, are guaranteed child care. All other eligible families are prioritized based on income.
- Neither State Preschool nor Transitional Kindergarten require families to be working. State Preschool is for children from low-income families whereas Transitional Kindergarten serves all children turning five between September and December regardless of family income.
- CalWORKs child care funding, which depends on the number of families participating in welfare-to-work, is \$296 million (21 percent) lower in 2016-17 than 2007-08. By comparison, funding for non-CalWORKs child care and State Preschool, which tends to increase when the state budget is strong, is \$121 million (7 percent) higher today than 2007-08.

California Has Large Public Higher Education Sector

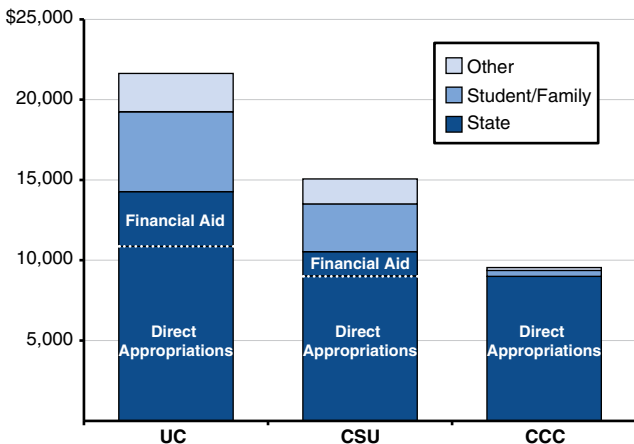
Full-Time Equivalent Enrollment, 2014-15



- Seventy six percent of higher education instruction in the state occurs at public colleges and universities. This share is higher than the rest of the nation (66 percent).
- California's share of students in nonprofit colleges is lower than the rest of the nation, whereas its share in for-profit colleges is similar.
- Within California's public sector, community colleges account for more than half of enrollment. For the rest of the nation, community colleges account for a quarter of public sector enrollment.

State Covers Large Share of Education Cost

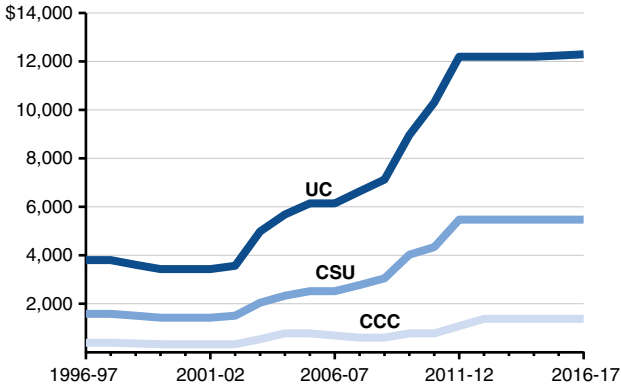
Average Per-Student Education and Student Services Spending, 2016-17



- State support (consisting of direct appropriations to the segments as well as state-funded student financial aid) on average accounts for 65 percent, 70 percent, and 95 percent of the educational cost at the University of California, the California State University, and the California Community Colleges, respectively.
- The student and family share of these costs on average is slightly over 20 percent at the universities and 4 percent at the community colleges. The average masks significant differences, with the share for a particular student and family depending on the amount of financial aid they receive.
- Other sources of support include nonresident supplemental tuition, endowment income, federal contract and grant overhead, and patent royalties.

Tuition Has Leveled Off Following Steep Increases

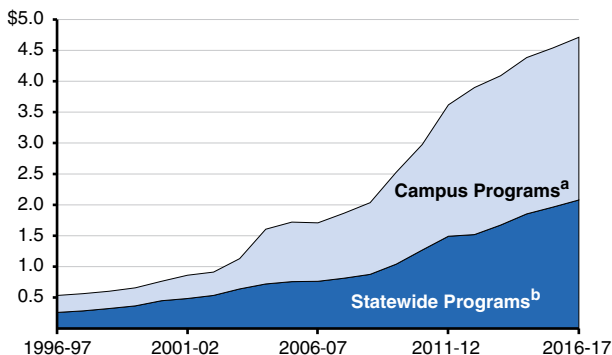
Systemwide Tuition and Fees for Full-Time Undergraduate California Residents



- 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 at each segment have more than tripled in actual dollars and almost doubled in inflation-adjusted dollars.
- Currently, tuition at the California Community Colleges is lowest in the nation. At the California State University, tuition is in the lowest one-sixth of public masters-level universities, whereas tuition at the University of California is in the highest one-sixth of large public research universities.
- 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)



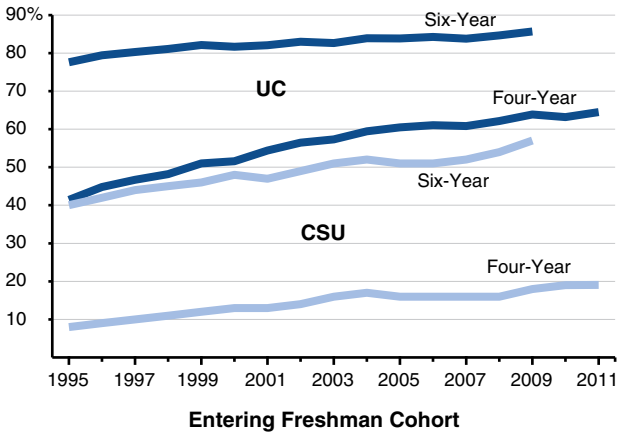
^a Includes need-based tuition aid, fee waivers, and university grants.

^b Includes Cal Grants and Middle Class Scholarships administered by the California Student Aid Commission.

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

Graduation Rates Gradually Increasing at UC and CSU

Entering First-Time, Full-Time Freshmen



- Among recent cohorts, slightly more than 60 percent of UC freshmen and slightly less than 20 percent of CSU freshmen have graduated within four years. These rates are up notably from 15 years ago.
- Some students not graduating on time graduate within the next couple of years. Beyond six years, graduation rates taper off considerably, with increases of only a few percentage points thereafter.
- At UC, transfer students are as likely as freshmen to graduate, but they are less likely to graduate on time. At CSU, transfer students are more likely both to graduate and graduate on time compared to freshman.

College-Preparedness Linked With CCC Student Outcomes



75 percent

of CCC students are identified (primarily through placement tests) as unprepared for college English and math.



45 percent

of students who take remedial English and 33 percent who take remedial math go on to complete a college-level course in that subject within six years.



40 percent

of students initially identified as unprepared complete a certificate, degree, or transfer program within six years, compared to 70 percent for their prepared peers.



5.2 years

is the average number of academic years an unprepared student enrolled full time takes to complete a certificate, degree, or transfer program, compared with 2.8 years for a prepared student.



To improve

these outcomes, some colleges are placing many more students directly into college-level English and math courses, giving more of them extra support, and finding that these students can pass these courses at rates comparable to other students.

What Are the Major Health and Human Services Programs?

2016-17 (In Billions)

| Program | Funding |
|--|---------------------------------|
| | TF (GF) |
| Medi-Cal. Provides health care services to low-income Californians. | \$84.0 (\$17.8) ^{a, b} |
| SSI/SSP. Cash assistance for low-income seniors and persons with disabilities (SPDs). | 10.0 (2.9) ^a |
| IHSS. In-home personal care services for low-income SPDs. | 9.8 (3.5) ^{a, c} |
| CalFresh. Food assistance for low-income individuals and families. | 8.9 (0.8) ^a |
| Developmental Services. Services for individuals with developmental disabilities. | 6.7 (4.0) ^c |
| Child Welfare. Services for children who have experienced abuse or neglect. | 6.0 (0.4) |
| CalWORKs. Cash assistance and welfare-to-work services for very low-income families. | 5.4 (0.7) ^a |
| State Hospitals. Mental health services at state-run hospitals and prisons. | 1.7 (1.7) |
| WIC. Nutrition services for pregnant women, new mothers, and young children. | 1.3 (—) |

^a Local assistance only.
^b Total funds amount is approximate and amounts exclude Medi-Cal spending for IHSS and developmental services.
^c Includes cost of Medi-Cal benefits.

TF = total funds; GF = General Fund; IHSS = In-Home Supportive Services; and WIC = Special Supplemental Nutrition Program for Women, Infants, and Children.

How Many People Are Served in Major Health and Human Services Programs?

| Program | Change in Last Five Years | Estimated Caseload in 2016-17 ^a |
|-------------------------------------|---------------------------|--|
| Medi-Cal ^b | 86% | 14.1 million |
| CalFresh | 10% | 4.3 million |
| SSI/SSP | 1% | 1.3 million |
| CalWORKs | -14% | 1.2 million |
| WIC | -16% | 1.2 million |
| IHSS | 13% | 0.5 million |
| Developmental Services | 22% | 0.3 million |
| Child Welfare Services ^c | -1% | 0.2 million |
| State Hospitals | 23% | 8 thousand |

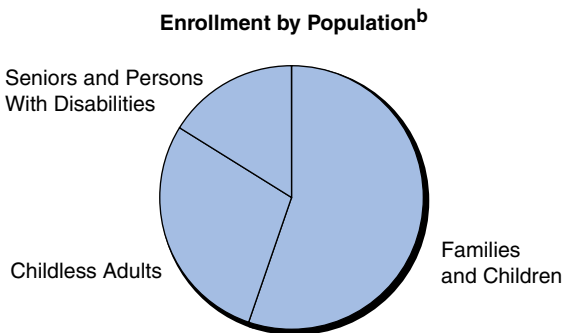
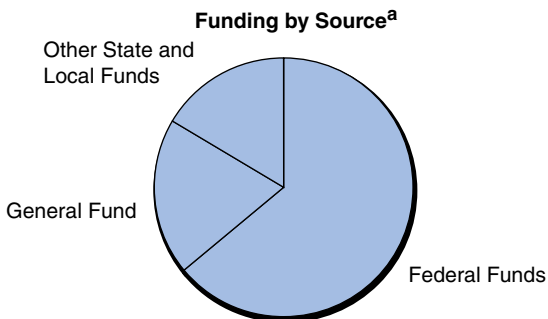
^a Average number served at a point in time during the fiscal year.

^b Includes individuals receiving Medi-Cal covered services through the Department of Developmental Services and IHSS.

^c Includes family maintenance, foster care, Kinship Guardianship Assistance Payment, and Adoption Assistance Program caseloads.

WIC = Special Supplemental Nutrition Program for Women, Infants, and Children and IHSS = In-Home Supportive Services

Medi-Cal at a Glance

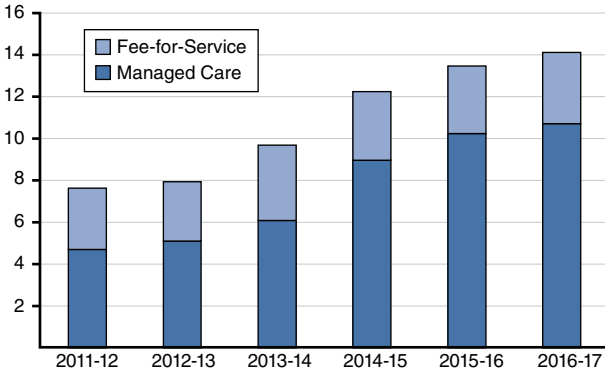


^a Medi-Cal local assistance as appropriated in the *2016-17 Budget Act*.

^b As estimated in the Medi-Cal appropriation in the *2016-17 Budget Act*.

- The Medi-Cal program provides health coverage to approximately 14 million low-income Californians, and is by far the largest health program in the state budget (\$17.8 billion General Fund in 2016-17).

Significant Growth in Medi-Cal Enrollment (In Millions)

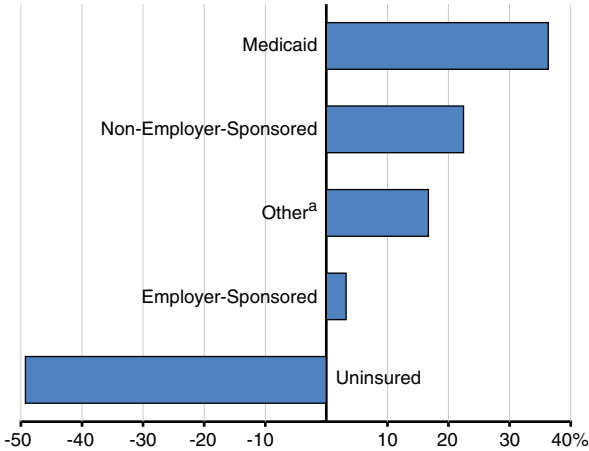


Note: Enrollment is estimated for 2015-16 and projected for 2016-17.

- Medi-Cal has grown from 8 million enrollees in 2011-12 to 14 million in 2016-17. Growth in Medi-Cal can be attributed to many factors, including (1) implementation of the Patient Protection and Affordable Care Act, and (2) the transition of the Healthy Families population into Medi-Cal.
- Nearly 3.5 million childless adults are estimated to have gained eligibility for Medi-Cal through California's optional Medicaid expansion, which extended eligibility to childless adults with incomes up to 138 percent of the federal poverty level.
- In 2011-12, approximately 60 percent of Medi-Cal enrollees were enrolled in managed care. Since 2011-12, the state transitioned seniors and persons with disabilities into managed care and expanded managed care to California's rural counties. As a result, in 2016-17, over 75 percent of Medi-Cal enrollees are estimated to be enrolled in managed care.

Significant Decrease in Uninsured Population Between 2013 and 2015

*Percent Change in Enrollment,
Californians Aged 0-64*



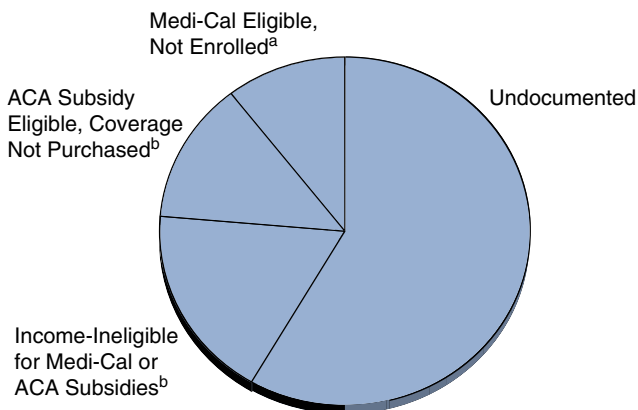
^a Includes Medicare and public health plans available to current and former military members.

Source: 2013 and 2015 American Community Surveys.

- Between 2013 and 2015, over 3 million Californians gained health coverage, reducing the number of uninsured adults under the age of 65 to approximately 3 million people. This reduction is driven in part by the expansion of Medi-Cal and by individuals obtaining subsidized health coverage through the state's Health Benefit Exchange, Covered California.

Undocumented Persons Projected To Be Majority of State's Remaining Uninsured Population in 2017

Californians Aged 0–64



^a Excludes undocumented children who are eligible for Medi-Cal, but not enrolled.

^b ACA subsidies are received through Covered California.

ACA = Patient Protection and Affordable Care Act.

Source: UC Berkeley and UCLA California Simulation of Insurance Markets, August 2016.

- In 2017, 1.8 million (58 percent) of the remaining 3.1 million uninsured statewide under age 65 are projected to be undocumented individuals.
- Most of the remaining uninsured, undocumented population are adults because undocumented children under the age of 19 became eligible for full-scope Medi-Cal in 2016. The administration estimates 250,000 undocumented children are eligible, out of whom 137,000 are enrolled as of August 2016.

Health of California's Population Compared to the Nation

2014, Unless Otherwise Specified

| | California | Nation |
|--|-------------------------|-------------------------|
| Overall Health Status | | |
| Percent of adults aged 18 years and older reporting fair or poor health status | 17.0 | 12.6 |
| Mortality | | |
| Deaths per 100,000 population | 633.8 | 823.7 |
| Top two leading causes of death: | Cancer Heart Disease | Heart Disease Cancer |
| Adult Health Risk Factors | | |
| Percent of adults aged 18 or older who smoke | 11.7 | 17.0 |
| Percent of adults aged 20 or older who are obese | 27.5 | 37.9 ^a |
| Percent of adults ever diagnosed with diabetes | 8.9 | 9.1 |
| Infant, Child, and Adolescent Health | | |
| Percent of low-weight births | 6.7 | 8.0 |
| Infant deaths per 1,000 births | 4.3 | 5.8 |
| Percent of children ages 19-35 months who did not complete a set of recommended childhood vaccinations | 22.1 | 28.4 |
| Percent of obese adolescent students | 14.6 ^b | 20.6 ^b |

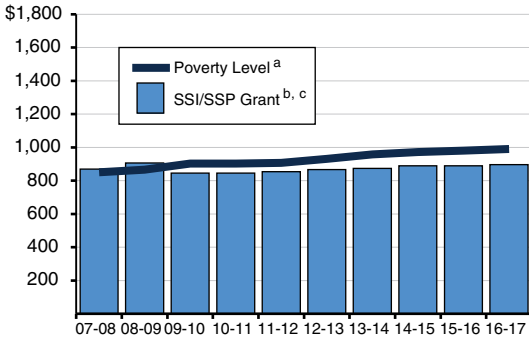
In the figure above, lower values are better. On all indicators except self-reported overall health status, California is doing better or about the same as the nation as a whole.

^a Data from 2013-14.

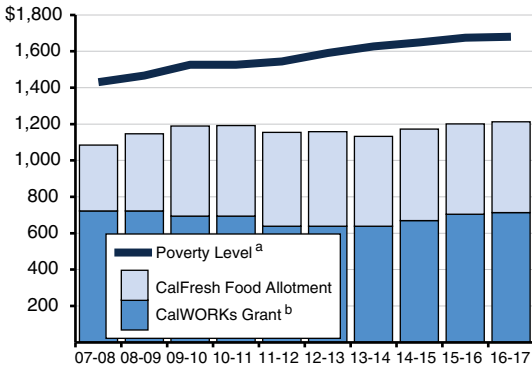
^b California data is from 2015 covering ages 12-17. Federal data is from 2013-14 covering ages 12-19.

SSI/SSP Grant and Combined CalWORKs/CalFresh Assistance Remain Below Poverty Level

SSI/SSP Grant for Individuals Residing in Own Household



CalWORKs Grant and CalFresh Allotment for a Family of Three



^a Consistent with federal poverty guidelines published by the U.S. Department of Health and Human Services.

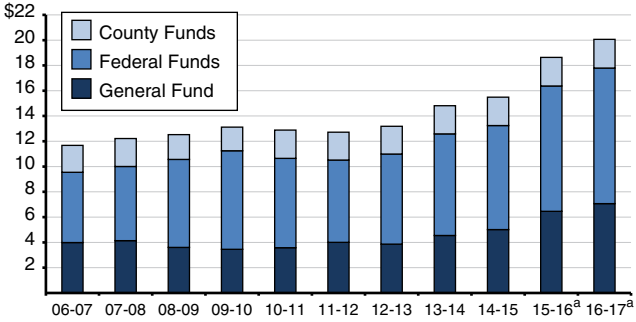
^b Maximum monthly grant.

^c SSI/SSP recipients are not eligible for CalFresh food assistance.



Increases in IHSS Cost Per Consumer Accelerating

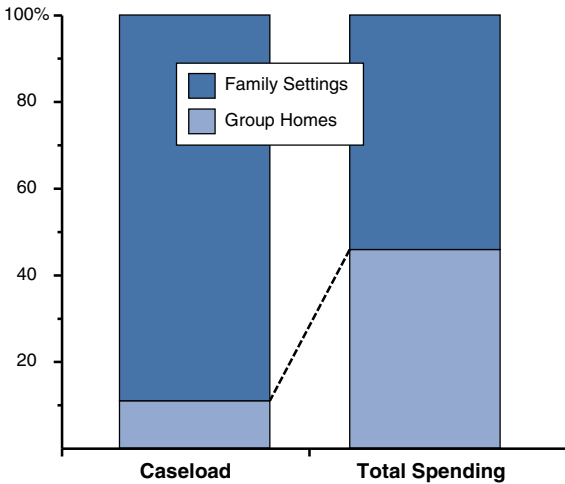
Average Cost Per Consumer (In Thousands)



^a Estimated.

- Over the past decade, the average annual cost of providing personal care services to In-Home Supportive Services (IHSS) recipients has grown by 76 percent, from \$11,387 per consumer in 2006-07 to an estimated \$20,066 per consumer in 2016-17.
- The IHSS cost per consumer grew annually by an average of 5 percent between 2006-07 and 2009-10, slowing to an average of 3 percent per year through 2014-15. Since then, IHSS cost per consumer has grown significantly at an estimated average of 15 percent per year.
- The increased IHSS cost per consumer estimated for 2015-16 and 2016-17 is due, in part, to the implementation of new federal overtime regulations, rising wages, and increased hours per consumer.

State Aims to Reduce Reliance on Costly Group Home Foster Care Placements

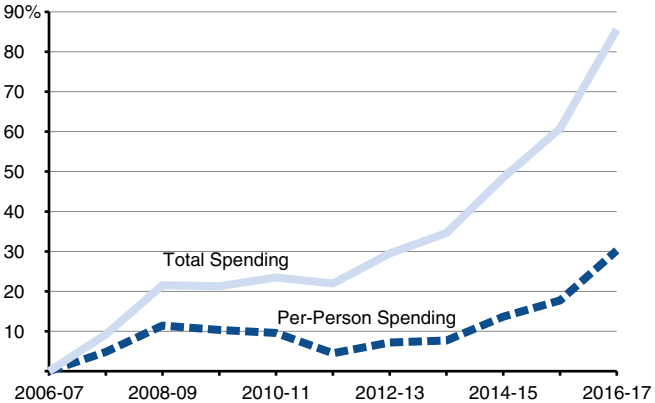


Note: Family Settings include relative homes, Foster Family Homes, and Foster Family Agency homes.

- While foster children living in family settings outnumber foster children living in group homes by approximately 9 to 1, total spending (all funds) is split roughly equally between the two groups. State policy gives preference to placement in home-based family settings.
- Recent legislative changes known as the Continuum of Care Reform aim to reduce the number of children living in group homes by increasing capacity in home-based family placements, reducing lengths of stays in group home settings, and improving access to mental health and other supportive services.

Community Developmental Services Spending Up Significantly

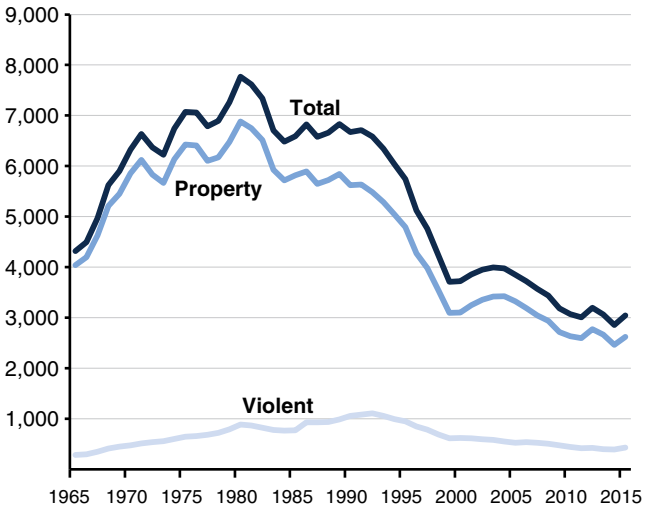
Percent Change Since 2006-07



- California provides community-based services to over 300,000 developmentally disabled individuals through 21 nonprofit corporations known as regional centers (RCs). Between 2006-07 and 2016-17, total spending is estimated to grow by 86 percent, while average per-person spending is estimated to go up about 30 percent.
- The underlying reasons for the cost growth in the community services system are not fully understood. In addition to caseload growth, these reasons could include factors such as (1) an aging RC population, (2) individuals moving out of state developmental centers to the community who require more intensive services and supports relative to the average consumer, and (3) comparatively higher costs of treating the growing autistic population.

California Crime Rate Near Historic Low

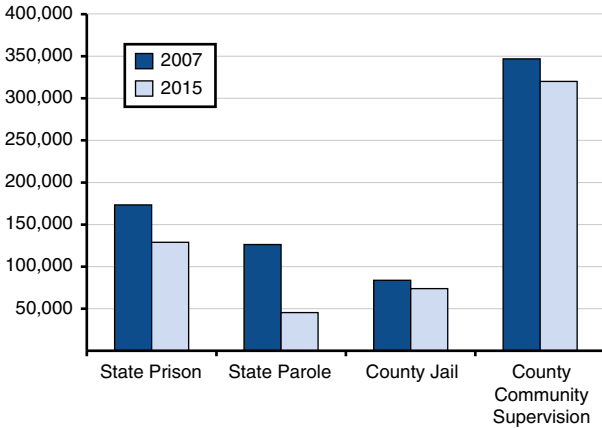
Crimes Per 100,000 Population



- California has experienced a decline in the property crime rate since 1980 and in the violent crime rate since 1992. Between 1980 and 2015, the state's overall crime rate declined by about 60 percent. This decline is similar to trends in crime patterns in the rest of the United States.
- In 2015, about 3,000 crimes were committed in California per 100,000 residents—a total of about 1.2 million incidents. Of these crimes, 86 percent were property and 14 percent were violent crimes.
- California's property crime rate is 5 percent higher than the nationwide rate and its violent crime rate is 14 percent higher than the nationwide rate.

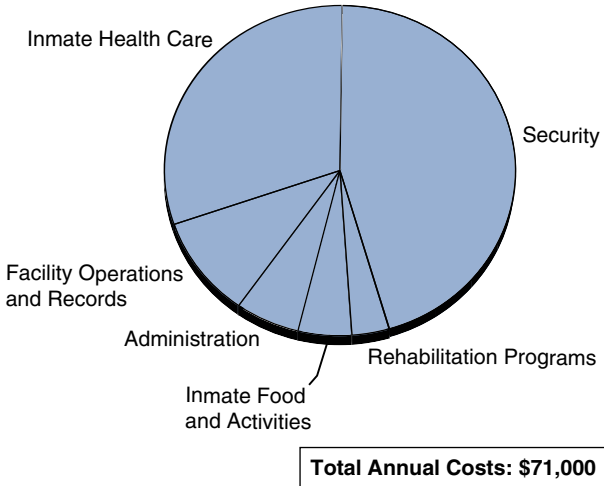
State and County Correctional Populations Have Declined

Number of Offenders



- California's total correctional population has declined by 22 percent, from a high of over 730,000 offenders in 2007 to 568,000 offenders in 2015. This is primarily due to a decline in state prison and parole populations.
- While the county jail and community supervision populations have declined somewhat, the share of total offenders under county jurisdiction has increased from 59 percent to 69 percent over the same time period.
- The changes in the size and makeup of the correctional population are largely related to various changes in sentencing law. For example, the 2011 realignment shifted responsibility for housing and supervising some felons from the state to the counties. In contrast, Proposition 47 (2014) changed some crimes from felonies to misdemeanors, reducing both state and county correctional populations.

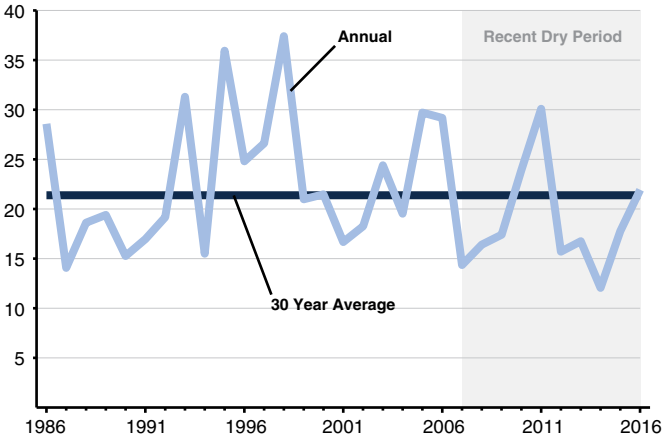
Most Inmate Costs Related to Security and Health Care



- In 2016-17, the average annual cost to incarcerate an inmate in prison is estimated to be about \$71,000. The primary cost drivers are security (such as correctional officer pay)—which accounts for 45 percent of the total—and health care—which accounts for 30 percent.
- Since 2006-07, the average annual cost to incarcerate an inmate has increased by \$29,000, or about 70 percent. This increase has been driven by various factors, including (1) employee compensation, (2) increased inmate health care costs, and (3) operational costs related to additional prison capacity to reduce prison overcrowding.

State Experiencing Multiyear Dry Period

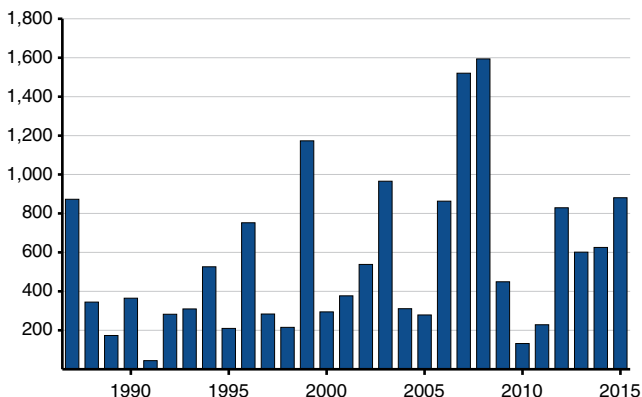
Statewide Precipitation in Inches



- Precipitation has been at or below average for nine of the last ten years, with only one particularly wet year. The years 2012 through 2015 are the driest consecutive four-year stretch since the state started keeping records in 1896.
- This lack of precipitation has caused drought conditions around the state. Drought effects have included fallowed farm fields, groundwater depletion from increased pumping, dry residential wells, degraded habitats for fish and wildlife, and high rates of tree mortality in the state's forests.
- State drought responses have included temporary water conservation requirements, emergency assistance (such as drinking water and fish rescues), and long-term projects to increase future water supplies.

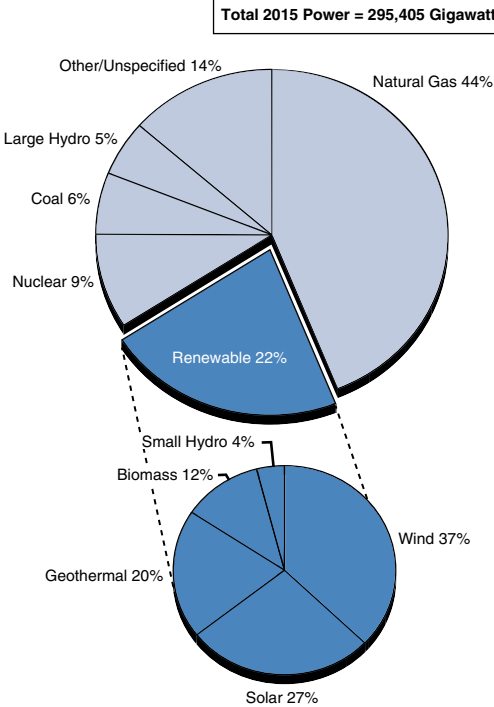
Acres Burned by Wildfire Vary Over Time

(Acres In Thousands)



- The number of acres burned by wildfire in California varies significantly each year based on the number and size of wildfires. Weather, forest health, fire history, human activity, preventative measures, and response times all influence wildfire occurrences and severity.
- The threat of wildfire varies throughout the state. Communities that face the highest risk of losing lives or homes to wildfire include the populated areas around the coastal and interior ranges of Southern California, the hillsides surrounding the San Francisco Bay, and the foothills of the Sierra Nevada.
- The California Department of Forestry and Fire Protection is responsible for wildland fire protection on more than 31 million acres of mostly privately owned lands, referred to as State Responsibility Area. Local and federal firefighting agencies are responsible for the rest of the state.

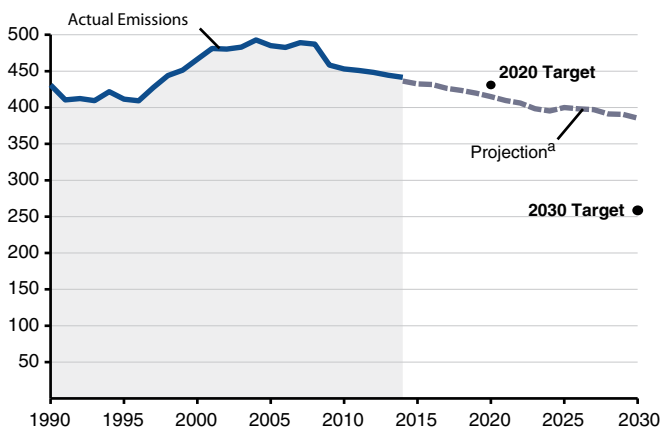
Electricity Comes From Various Sources



- About two-thirds of California's electricity comes from natural gas and renewable sources. California uses a greater share of natural gas and renewables (excluding large hydroelectric), and less coal and nuclear, than the national average.
- The percentage of renewable resources almost doubled from 2009 to 2015, largely driven by increases in wind and solar. Under state law, at least 33 percent of retail electricity must come from renewable sources by 2020 and 50 percent by 2030.

Recent Legislation Requires More Greenhouse Gas Reductions by 2030

MMtCO₂e



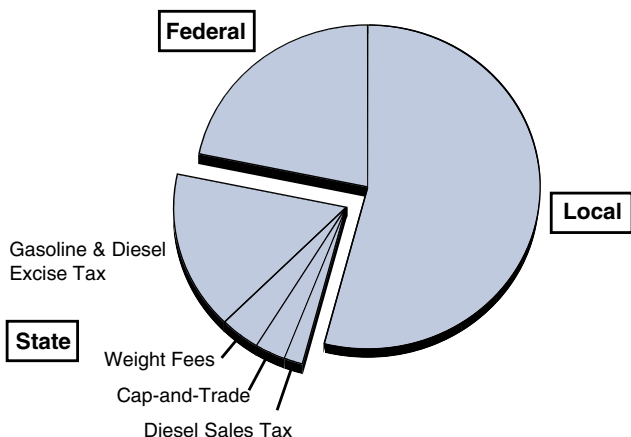
^a Projection from Air Resources Board as of October 2016 based on actions that have been taken to achieve the 2020 target.

MMtCO₂e = million metric tons of carbon dioxide equivalent.

- The Global Warming Solutions Act of 2006, commonly referred to as AB 32, established a target of reducing greenhouse gas (GHG) emissions statewide to 1990 levels by 2020.
- The state developed a wide variety of regulations and programs intended to help meet the 2020 target, including a cap-and-trade program and a requirement to produce 33 percent of electricity from renewable sources. Under these policies, the Air Resources Board (ARB) projects emissions will be below the AB 32 target in 2020.
- Chapter 249 of 2016 (SB 32, Pavley) established the target of reducing GHG emissions to 40 percent below 1990 levels by 2030. At the time of this report, ARB is developing a plan to achieve the new 2030 target.

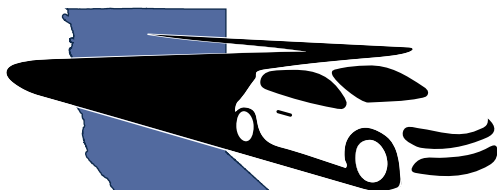
Transportation Funding Comes From Multiple Sources

2016-17



- Total transportation funding in the state will be roughly \$28 billion in 2016-17.
- Local governments provide more than 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-fifth of the state's transportation funding comes from the federal government, supported primarily by federal excise taxes on diesel and gasoline.
- The remainder of transportation funding comes from a variety of state revenue sources—primarily excise taxes on gasoline and diesel.

Average California Driver in 2015 . . .



... drove 35 miles a day.

... used roughly 700 gallons of fuel.

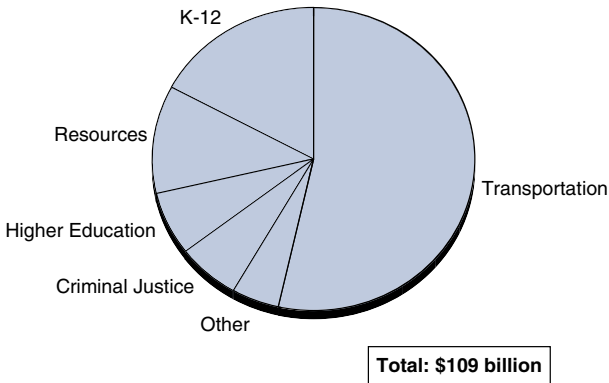
... paid about \$200 in state fuel tax, and \$135 in federal fuel tax.

... paid about \$150 in state registration and licensing fees for each registered vehicle.

- In 2015, there were 26 million licensed drivers in California, which is about 85 percent of Californians age 16 and older.
- Traffic collisions remain a leading cause of preventable death in California with 3,074 people killed in crashes in 2014. California had the 16th lowest fatality rate in the nation—0.92 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 20 passenger vehicles registered in California is a hybrid, electric, or alternative fuel vehicle.

Most State Infrastructure Spending Is for Transportation and Education

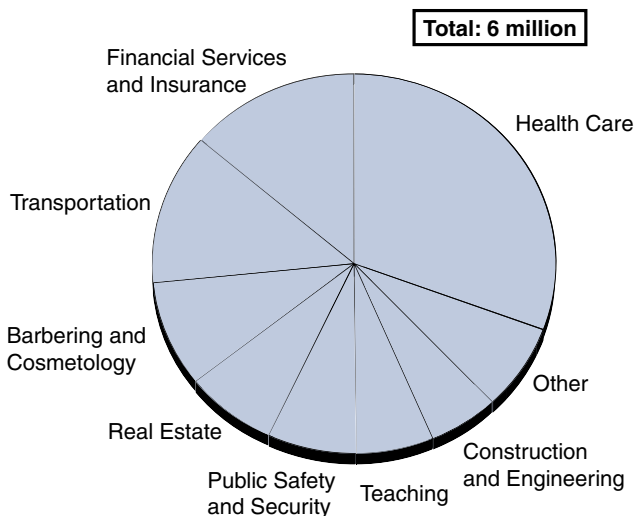
Infrastructure Spending, 2005-06 to 2014-15



- Over the past ten years, we estimate the state spent over \$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 60 percent of the state's infrastructure spending was financed using bonds. The remaining 40 percent was paid up front, almost all from special fund revenues, such as taxes on gas.

California Licenses Professionals In a Wide Variety of Fields

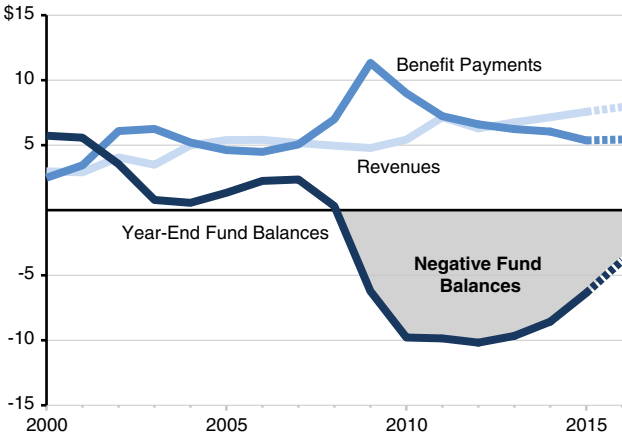
Total Number of Licenses



- We estimate that Californians hold about 6 million state licenses or similar certifications to perform their jobs. About 19 million Californians are in the workforce.
- Nearly a third of the state's occupational licensees are in the health care field, such as for nurses, physical therapists, and dental hygienists. Other professionals licensed by the state include commercial drivers, insurance agents, cosmetologists, teachers, and security guards.
- Nationally, the percent of the workforce licensed by state and local governments is estimated to have increased from less than 5 percent in the early 1950s to 25 percent in 2008.

The Unemployment Insurance (UI) Trust Fund Insolvency Continues

(In Billions)



- The UI Trust Fund exhausted its reserves in 2009, requiring the state to take on federal loans to continue benefit payments. The balance of the fund's federal loans, shown as negative fund balances above, is estimated to be roughly \$4 billion at the end of 2016.
- The state makes annual interest payments while a loan balance remains. In 2016, the state paid \$111 million in interest costs from the General Fund.
- The federal loans are estimated to be repaid in 2018, in part due to temporarily increased revenues from federal UI taxes paid by employers. However, absent an ongoing increase in revenues and/or reduction in benefits, the trust fund risks returning to insolvency in a future economic downturn.

Major State Information Technology (IT) Projects Under Development^a

(In Millions)

| Project Description | Estimated Completion Date | Estimated Total Cost |
|--|---------------------------|----------------------|
| Integrated statewide financial information system ("FI\$Cal") | July 2019 | \$910.0 |
| Statewide case management system for child welfare services | May 2020 | 420.8 |
| Electronic health record system for corrections system | January 2020 | 386.5 |
| Integrated revenue information system for Board of Equalization | November 2020 | 343.4 |
| Management information system for food assistance program serving women, infants, and children | March 2021 | 90.3 |
| Total | | \$2,151.0 |

^a The IT project to process payments for Medi-Cal fee-for-service providers is being revised following the termination of the vendor contract and is not reflected in this table. Prior to the contract termination, the project was estimated to cost several hundreds of millions of dollars. It is unknown what the cost will ultimately be or when the project will be completed.

- Currently, there are 29 state 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 \$2.5 billion.

Gambling in California



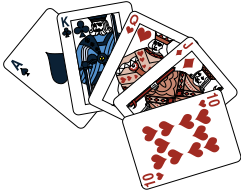
Tribal Gaming

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



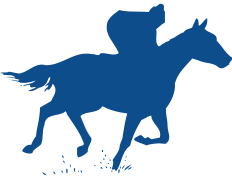
CA Lottery

Around 22,000 retailers
All 58 counties
\$2 billion in revenue after winnings



Cardrooms

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



Horse Racing

40 temporary and permanent facilities
21 counties
\$640 million in revenue after winnings



Charitable Organizations

Bingo
Card night fundraisers