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Realignment of State & Local Programs

Should the state transfer responsibility for certain programs to the counties along with the revenues to run the programs? (select one)

Budget Impact

- Status Quo: Do not transfer responsibility for programs to local government along with revenues. — $7.3B

- Extend the 1 percent sales tax increase and 1/2% vehicle license fee increase for five years as part of a shift of responsibility for low-level offenders, adult parole supervision, juvenile offenders, mental health, substance abuse, foster care, child welfare, adult protective services and other smaller public safety programs to the counties, reducing the deficit by $7.3 billion in 2015-16.* — **73.1% of respondents chose this**

BUDGET METER

5 YEAR PROJECTION

	STARTING DEFICIT	YOUR BUDGET
5 YEAR PROJECTION	-$19.4B	-$12.1B

TAKE ACTION!

*As proposed by Governor Brown

Background

- As part of the 2011-12 Budget, Governor Brown has proposed that responsibility for certain programs currently administered by the state be shifted to counties. Along with program responsibility, the state would provide funding to pay for the programs. These funds would be generated by extending for 5 years sales tax and vehicle license fee increases enacted as part of the 2009-10 budget that will otherwise expire at the end of June 2011.

- The programs the budget proposes to transfer include various public safety programs, including responsibility for low-level offenders, adult parole supervision, juvenile offenders, mental health, substance abuse, foster care, child welfare and adult protective services.

- Many counties believe that they are better equipped to run these programs more efficiently with better outcomes, but are concerned about whether the state will actually provide funding and whether they have the capacity to deal with, for example, additional inmates.

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K-12 Education

How much should California spend per K-12 student? (select one)

	Budget Impact
Status Quo: K-12 per pupil spending in 2015-16 will be about $10,900, 23% below the projected national average.	↑ $2.5B
Hold growth in total funding below the required Proposition 98 growth rate at 1.6% per year, which saves $2.5 billion in 2015-16. K-12 per pupil spending will be 26% below the national average.	↑ $5.0B
Increase K-12 per pupil spending by a little more than $400 and pay for it with an income tax increase extension, worth about an additional $2.5 billion in spending for schools, raising per pupil spending to 20% below the national average.*	↑ $2.5B
Increase K-12 per pupil spending by about $800, worth an additional $5 billion for schools. This would put per pupil spending 17% below the national average.	27.3% of respondents chose this

BUDGET METER

5 YEAR PROJECTION	-$19.4B	-$14.6B
	STARTING DEFICIT	YOUR BUDGET

Prop 98

TAKE ACTION!

*As proposed by Governor Brown

Background

- California schools employed 299,000 teachers in 2008-09 at an average salary of about $68,000. (Read More)
- Funding for K-12 schools and community colleges is governed by Proposition 98, which makes school funding keep pace with enrollment and economic growth. K-12 enrollment is expected to grow by under 1% per year over the next five years.
- Significant reductions in funding for schools have been made over the last several years. But under Proposition 98, over time school and community college funding must be increased by $9.6 billion to restore it to where it would have been.
- For the 2007-08 school year, California ranked 44th in per pupil spending at $8,883, or about $1,700 below the national average. (Read More)
- Some studies argue that providing more money without additional reforms may not improve student performance. (Read More)

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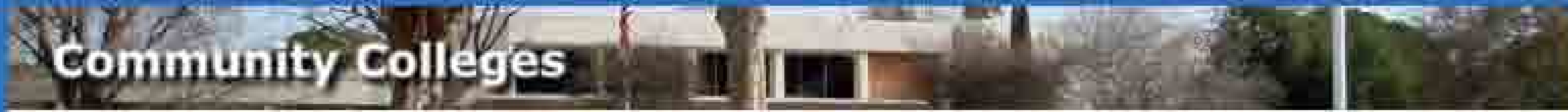

What level of funding and fees should community colleges have?
(select one)

Budget Impact

- Status Quo: Community college funding in 2015-16 will be about $5,700 per student and fees would be $26 per unit. — ↑ $0.4B
- Reduce General Fund support for the community colleges by $400 million and increase fees from $26 to $36 per unit, for a net reduction in support of $290 million, or a little more than $200 per student.* — ↑ $0.8B
- Reduce General Fund support for the community colleges by $400 million and increase fees from $26 to about $62 per unit, for no net reduction in funding. — ↑ $0.8B
- Increase community college funding funding by $400 million and leave fees at $26 per unit. — **21.3% of respondents chose this**

BUDGET METER

5 YEAR PROJECTION

	STARTING DEFICIT	YOUR BUDGET
5 YEAR PROJECTION	-$19.4B	-$15.0B

TAKE ACTION!

As proposed by Governor Brown

Background

- Funding for K-12 schools and community colleges is governed by Proposition 98, which generally makes school funding keep pace with enrollment and economic growth.
- The Governor's Budget proposes to increase student fees from $26 to $36 per unit. Over 50% of community college students' fees are waived because they are low income and, even with the increase, community college fees would still be the lowest in the country.
- The budget also proposes to reduce funding for community colleges by $400 million (about $290 million after counting the additional income from fees). Community college funding per full-time student was about $5,600 in 2009-10 but would decline to about $5,100 per student under the proposed budget.
- The community college system serves about 1.2 million full-time equivalent students. Many community colleges serve more students than they get funding for, partly due to reduced funding and partly because the slow economy increases demand for classes.

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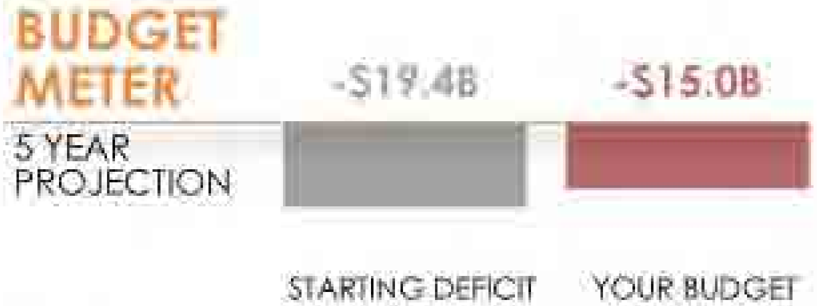
Redevelopment

Should California change the way in which it finances local economic development? (select one)

	Budget Impact
○ Status Quo: Keep redevelopment funding as is by using local property taxes to fund economic development.	**No change**
● End the use of local property taxes for redevelopment, thereby providing local schools with more than $1 billion by 2015-16.	**No change**
○ End the use of local property taxes for redevelopment, thereby providing local schools with more than $1 billion by 2015-16, and allow voters at the local level to approve local bonds with a 55% vote to fund local economic development.*	**No change**

Background

- Local redevelopment agencies use incremental growth in property taxes generated in a redevelopment project area to finance local economic development.
- Because these incremental property tax revenues would normally be shared with local governments, including schools and counties, these other local agencies lose revenues to the extent that property tax revenues would have grown anyway. Because local property taxes sometimes offset the state's cost for schools, the diversion of property tax revenue to redevelopment results in a cost to the state.
- The Budget proposes to eliminate redevelopment agencies while ensuring that any debt obligations are honored. The Budget also proposes that the vote requirement for local bonds for economic development purposes be reduced from the current 2/3rds requirement to 55%.
- Redevelopment agencies are required to set aside 20% of revenues for low- and moderate-income housing, but compliance with this requirement has been uneven.



TAKE ACTION!

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*As proposed by Governor Brown

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University of California & California State University

What level of support should the state provide for UC and CSU?
(select one)

	Budget Impact
Status Quo: The state should provide full funding for enrollment and other costs at UC and CSU.	↑ $1.0B
The budget should reduce funding for UC and CSU by $500 million each.*	↑ $2.0B
The budget should reduce funding for UC and CSU by $500 million each but increase tuition to make up the loss to the universities.	↑ $2.0B
The budget should reduce funding for UC and CSU by $1 billion each.	↑ $3.0B
The budget should increase funding by $500 million each for UC and CSU to enable them to roll back recent fee increases and fund additional enrollment.	29.1% of respondents chose this

BUDGET METER

5 YEAR PROJECTION

STARTING DEFICIT	YOUR BUDGET
-$19.4B	-$16.0B

TAKE ACTION!

*As proposed by Governor Brown

Background

- General Fund spending on UC and CSU was $6.5 billion in 2010-11, or 7% of the budget. UC & CSU also get funding from fees, federal funds and grants. (Read More)
- Including an additional planned 8% increase in fees for UC for 2011-12, student fees will have increased by 67.6% since 2007-08. Including a planned 10% increase in fees for CSU for 2011-12, student fees will have increased by 76.2% since 2007-08.
- Even with these increases, fees for California residents at California's public colleges are at or still below the national average and cover roughly between 20% and 50% of total costs. Out-of-state and foreign students pay significantly more. Financial aid is available, primarily for low-income students. (Read More)
- The Master Plan for Higher Education, adopted in 1960, established a broad framework for higher education in the state that defined responsiblities for each of the three public higher education segments and established an admissions principle of universal access and choice.

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Health and Human Services: Health Care

Should California scale back or expand health care coverage provided through the state's Medi-Cal program? (select one)

	Budget Impact
Status Quo: Do not expand or reduce funding for the Medi-Cal program.	↑ $0.6B
Reduce funding for Medi-Cal by about $2 billion in 2015-16 by reducing benefits and provider payments and charging copayments for services.	↑ $2.6B
Eliminate Adult Day Health Care.	↑ $0.9B
Make Medi-Cal reductions and eliminate Adult Day Health Care.*	↑ $2.9B
Expand Medi-Cal eligibility for working families with two children from the current annual income level of about $22,000 to $44,000, as well as expand eligibility for the Healthy Families program at a cost of about $600 million in 2015-16.	**20.1% of respondents chose this**

BUDGET METER

5 YEAR PROJECTION	-$19.4B	-$16.6B
	STARTING DEFICIT	YOUR BUDGET

TAKE ACTION!

*As proposed by Governor Brown

Background

- California's Medi-Cal program provides health services to almost 7.7 million eligible low-income and disabled residents, including nursing home care for poor elderly residents.
- The Healthy Families program provides health coverage for children in low- to moderate-income families who are not eligible for Medi-Cal. (Read More)
- These programs employ nearly 3,000 staff at the state level. (Read More)
- Even with these programs, 8.2 million Californians were without health insurance sometime during 2009, prompting calls for universal health care coverage.
- The passage of health care reform at the federal level will significantly affect health care service delivery in California in the future. (Read More)
- Because of the state's budget problem, the 2009-10 budget eliminated certain services, such as dental care for adults, but the courts have stopped some of these reductions. (Read More)

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Human Services

Should spending for human services programs be reduced in order to close the budget deficit? (select one)

Budget Impact

30.8% of respondents chose this

- ● Status Quo: Do not reduce human services programs.
- ○ Save $200 million in 2015-16 by reducing the SSI/SSP grant for individuals to the minimum amount required by federal law. — ↑ $0.2B
- ○ Save about $600 million in funding for In-Home Supportive Services by reducing hours of service, eliminating domestic services for certain clients, and requiring certification that services are necessary. — ↑ $0.6B
- ○ Save about $1.3 billion by reducing the time limit on aid, imposing a 13% grant reduction, and reducing funding for services for CalWORKs recipients. — ↑ $1.3B
- ○ Make reductions in all three programs -- SSI/SSP, In-Home Supportive Services and cash assistance for children and families.* — ↑ $2.1B

BUDGET METER

5 YEAR PROJECTION	STARTING DEFICIT	YOUR BUDGET
	-$19.4B	-$16.6B

TAKE ACTION!

*As proposed by Governor Brown

Background

- Other health and human service programs are expected to cost about $13.9 billion in 2010-11, about 15% of the budget.
- These programs include SSI/SSP (for the aged and disabled), CalWORKS (welfare for single parent families and children), In-Home Supportive Services (IHSS), mental health, programs for the developmentally disabled, and other programs for children and adults.
- Nearly 29,000 staff work in these programs at the state level, many in the state's mental hospitals or developmental centers. (Read More)
- The Budget proposes to reduce spending for in-home care services by reducing service hours and eliminating services for those without a doctor's certification. (Read More)
- The Budget proposes to reduce cash grants by 13% and limit eligibility for assistance to 48 months. (Read More)

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Other Reductions/Funding Shifts

Should other funding sources be used to help balance the budget along with reductions to services for the developmentally disabled?
(select one)

	Budget Impact
Status Quo: Do not make these reductions or shift these funds.	$1.8B
Use Proposition 10 reserves and some ongoing revenues for children's programs.	$1.6B
Use Proposition 63 funds on an ongoing basis for community mental health programs.	$0.9B
Reduce developmental center and regional center spending for services for the developmentally disabled by about $700 million.	$1.1B
Make all of the above reductions and transfers.*	**52.7% of respondents chose this**

BUDGET METER

5 YEAR PROJECTION	-$19.4B	-$14.8B
	STARTING DEFICIT	YOUR BUDGET

TAKE ACTION!

*As proposed by Governor Brown

Background

- Proposition 10, passed by the voters in 1998, increased the cigarette tax by 50 cents a pack. The revenues from the tax are used to fund early childhood development. The Governor's Budget proposes to use half of the revenues from the tax to fund Medi-Cal services for children through age 5. This requires voter approval.
- Proposition 63, approved by the voters in 2004, imposes a 1% income tax surcharge on incomes over $1 million to be used to support local mental health services. The Governor's Budget proposes that $900 million of these revenues be used each year to fund certain local mental health services.
- The state provides services for the developmentally disabled through the state developmental centers and through contracts with regional centers. The Governor proposes to save $750 million for these services by reducing regional center and service provider administrative expenses and by implementing statewide service standards. The budget states that these standards would be developed with input from stakeholders.

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Other Spending Reductions 2

Should reductions be made in other programs to help close the budget gap? (select one)

9.2% of respondents chose this

- Status Quo: Don't make these reductions.
- Pay for a portion of transportation debt service costs by using truck weight fees. ↑ $0.8B
- Reduce state employee salary and medical costs. ↑ $0.4B
- Make various other reductions, including funding for state mandates, state operations costs and funding for the courts. ↑ $1.2B
- Make all of the above reductions/transfers, thereby saving $2.4 billion in 2015-16.* ↑ $2.4B

Background

- Last year's budget assumed that the state would save money under a fuel tax swap enacted by the Legislature, but passage of Propositions 22 and 26 last November has called that into question. The Budget now proposes that roughly $800 million in State Highway Account monies primarily from weight fees be used to pay transportation debt costs instead of the General Fund.
- The Budget assumes that collective bargaining agreements with the remaining 6 state employee units without agreements will generate $308 million in General Fund savings – equivalent to a 10 percent salary reduction. The Budget also proposes a new state employee health plan that provides somewhat less comprehensive coverage at reduced cost to employees and the state.
- The Budget proposes other reductions, including (1) unallocated reductions of $200 million each for state operations and the trial courts, (2) a reduction in inmate medical care costs of $200 million, (3) repeal or suspension of $300 million worth of state mandates on local government and (4) other reductions of $300 million.

BUDGET METER

5 YEAR PROJECTION	-$19.4B	-$14.8B
	STARTING DEFICIT	YOUR BUDGET

TAKE ACTION!

*As proposed by Governor Brown

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State Employee Pensions

Should state employee pension benefits be reduced and/or employees contribute more toward the cost of pensions? (select one)

13% of respondents chose this

- Status quo: No additional changes.
- Negotiate higher employee contributions toward pension benefits for the remaining bargaining units, for a savings of about $100 million in 2015-16.* — ↑ $0.1B
- Negotiate additional existing employee contribution increases and further reductions in benefits for new employees for an immediate savings of $400 million and more significant long-term savings. — ↑ $0.4B
- Negotiate additional existing employee contribution increases and shift new state employees to "401(k)" type retirement plans, resulting in significant long-term savings but minimal savings in 2015-16. — ↑ $0.4B

BUDGET METER

5 YEAR PROJECTION	STARTING DEFICIT	YOUR BUDGET
	-$19.4B	-$14.8B

TAKE ACTION!

*As proposed by Governor Brown

Background

- Retired state employees receive pension benefits based on their age, how long they worked, their salary and whether they had a public safety job. The current General Fund cost is approximately $2.1 billion.
- Unlike retiree health care benefits, the state puts money away for future pension costs, but recently this cost has increased because (1) pension fund assets declined during the recession anc (2) legislation adopted a decade ago increased pension benefits.
- CalPERS reports that the average pension benefit currently provided is about $25,000 per year. CalPERS provides benefits to over 500,000 retirees or survivors.
- Last year most state employee collective bargaining units negotiated new contracts that increase employee contributions toward pensions, from 5% of salary to up to 10% for current employees, and a reduction in pension benefits for all newly hired employees. Higher employee contributions will generate savings immediately, but savings from lower benefits for new employees will take longer to be realized.

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Should money be set aside for future health care benefits for state employees and/or reductions in health benefits be made? (select one)

Budget Impact

- Status quo: Do not set aside funding for future health benefits for retired state workers or reduce benefits. — **25.2% of respondents chose this**
- Add $1 billion per year to start pre-funding future health benefits for retired state workers. — $1.0B
- Reduce health benefits for current and/or future state workers and increase employee and retiree shares of premium costs for state workers. These changes would lower future costs, but yield minimal savings in 2015-16. — No change
- Add $1 billion per year to help pre-fund future health benefits for retirees and also reduce health benefits for current and future state workers. — $1.0B

BUDGET METER

5 YEAR PROJECTION	-$19.4B	-$14.8B
	STARTING DEFICIT	YOUR BUDGET

*As proposed by Governor Brown

TAKE ACTION!

Background

- Retired state employees get health care coverage paid for, in part, out of General Fund revenues. The current cost per year is approximately $1.4 billion.
- The state pays for health benefits for current retirees but does not put away money for the future costs of benefits for future retired workers. In February 2010, the State Controller released an updated report that estimated the cost of future state retiree health benefits at $51.8 billion in today's dollars.
- The Public Employee Post-Employment Benefits Commission, appointed by the Governor and legislative leaders to propose a plan for addressing unfunded post-employment benefits, recommended that all public agencies prefund them. (Read More)
- Last year, Governor Schwartzenegger proposed requiring new employees to work for 25 years, rather than 20, before becoming eligible for free lifetime health benefits. State employees and retirees could also be required to pay a larger share of premium costs.

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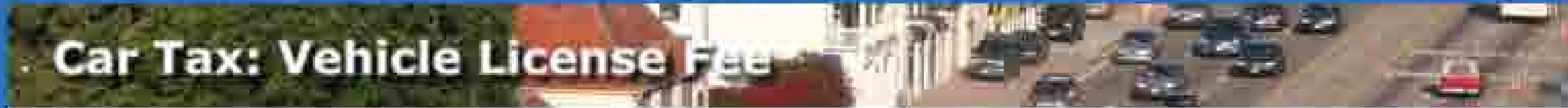

What would you like the vehicle license fee (VLF) level to be?
(select one)

Budget Impact

- Status Quo: You already chose to pay for transfer of certain programs to counties with revenues from extending the 0.5% VLF increase for 5 years. Make no further changes. — ↓ $2.9B
- Increase the car tax by an additional 0.85% to the 1997 fee level of 2%, saving $2.9 billion in 2015-16. — **80.3% of respondents chose this**

TAKE ACTION!

*As proposed by Governor Brown

Background

- From 1948 through 1997 the Vehicle License Fee (VLF - part of what you pay each year when you register your car) in California was 2% of the vehicle's depreciated value.
- In 1998 the Legislature began a process of cutting the VLF rate from 2% to 0.65%, or by more than two-thirds (Read More), which reduced revenues from the VLF by $4.5 billion in 2006-07.
- In 2009 the Legislature increased the VLF to 1.15% and directed most of the higher revenues to the state General Fund, but dedicated a portion of the increase for local law enforcement programs. However, this increase expires at the end of 2010-11 and the rate drops back to 0.65%.
- Governor Brown's budget proposes to extend the increase in the VLF for 5 years to help pay for programs that would be shifted from the state to counties.
- State General Fund spending is increased to pay local governments for lost VLF revenues. If the VLF is increased, the state would not have to cover this cost.

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Income Tax

Should California raise or lower the income tax? (select one)

Budget Impact

- Status Quo: You already chose to pay for an increase in K-12 education by extending the 0.25% income tax increase for 5 years. Make no additional changes. — $3.8B
- In addition to the 0.25% increase, raise income taxes by $3.8 billion on upper-income families by reinstating the 10% and 11% brackets. — **72.1% of respondents chose this**

Background

- Income taxes are the state's largest revenue source, accounting for more than 50% of General Fund revenues.
- In the early 1990s two new income brackets (10% and 11%) were added temporarily as part of a bipartisan agreement to help balance the state budget. When those brackets expired, the top rate was 9.3%.
- In 2004, the voters approved an income tax surcharge of 1% on taxpayers with annual incomes of more than $1 million, to be used to expand county mental health programs.
- Last year the Legislature raised the tax rate for each bracket by 0.25% through the 2010 tax year, so now the top rate (except for the surcharge) is 9.55%.
- Governor Brown's budget proposes to extend this rate increase for 5 years to provide additional funding for education.
- Estimating the impact of changing tax rates raises the issue of "dynamic" versus "static" estimating. (Read More)

BUDGET METER

5 YEAR PROJECTION

	STARTING DEFICIT	YOUR BUDGET
5 YEAR PROJECTION	-$19.4B	-$8.1B

Prop 98

TAKE ACTION!

*As proposed by Governor Brown

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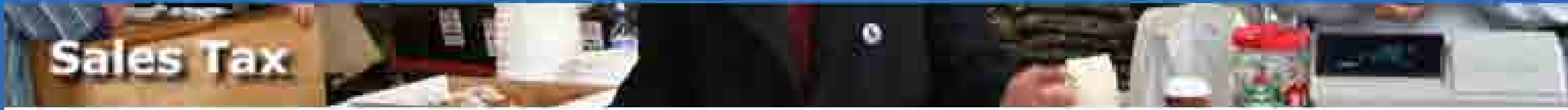

Sales Tax

Would you like to raise or lower the sales tax rate or extend the sales tax to a selected set of services? (select one)

Budget Impact

	Budget Impact
Status Quo: You already chose to pay for transfer of certain programs to counties with revenues from extending the 1% sales tax for 5 years. Make no further changes.	**32.4% of respondents chose this**
In addition to extending the 1% sales tax increase that funds realignment, expand the sales tax base to certain services, increasing revenues by $2.85 billion per year by 2015-16.	↑ $2.8B
Expand the sales tax base to certain services, but use the money to lower the rate by 0.5%, resulting in no additional revenue increase.	No change
Reduce sales tax revenues for the General Fund by $2.85 billion by reducing the state tax rate by 1/2%.	↓ $2.9B

*As proposed by Governor Brown

Prop 98

TAKE ACTION!

Background

- The sales tax is applied to most sales at stores. Necessities of life including food, medicine, and utilities are exempt from tax.
- Spending on services, which are mostly not subject to taxation, is growing faster than the overall economy. As a result, sales tax revenues have grown slower than the overall economy. (Read More)
- In 2009 Governor Schwartzenegger proposed to broaden the sales tax base to include some services -- appliance repair, vehicle repair, amusement parks, sporting events, and golf. The Legislature did not adopt this change. (Read More)
- Instead, the Legislature approved an increase in the state sales tax of 1%, taking the state sales tax from 5% to 6% through June 2011. (The total sales tax rate also includes sales taxes imposed by cities and counties.) California has the highest sales tax rate in the country.
- Governor Brown's budget proposes to extend the 1% rate increase for 5 years to pay for programs that would be shifted from the state to the counties.

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Corporation Tax

Should the corporation tax be raised or lowered? (select one)

Budget Impact

- Status Quo: The corporation tax rate should be left at its current level -- 8.84%. — ↓ $0.9B
- Increase the corporation tax rate to its prior peak of 9.6%, raising about $900 million in 2015-16. — 53.8% of respondents chose this
- Reduce the corporation tax rate to 8.1%, which would reduce revenues by about $900 million in 2015-16. — ↓ $1.8B

Background

- Currently corporations pay an 8.84% tax on their California taxable profits.
- The percent of corporate income paid in corporation taxes has declined from 9.7% in 1982 to roughly 5.4% recently.(Read More)
- There are several reasons for this decline, including two rate reductions (from a peak of 9.6% to 8.84%), the use of certain credits for investment and research, the shift of tax liability to the income tax as a result of S-corporation treatment.
- As part of the last two budget agreements, the Legislature provided several new corporate tax breaks. (Read More)
- According to the California Budget Project, California ranked 4th in the country in 2008-09 in terms of corporate income tax collections as a percent of personal income (0.60%), compared to the national average of 0.33%. Nevada and Washington do not impose corporation taxes and Oregon's and Arizona's corporation tax collections are at or below the national average.

*As proposed by Governor Brown

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Tax Credits

Should California restrict or eliminate tax breaks as part of the effort to close the budget deficit? (select one)

	Budget Impact
Status Quo: Don't change any of the state's tax credits or deductions.	$2.4B
Replace the mortgage interest deduction with a tax credit equal to 5% of mortgage interest, saving about $1 billion in 2015-16.	$1.4B
Eliminate the ability of investors to avoid capital gains on the increased value of similar properties by trading rather than selling those properties, saving $400 million in 2015-16.	$2.0B
Prohibit multi-state corporations from being able to choose which method of assigning income to California each year, increasing revenues by $1 billion in 2015-16.*	$1.4B
Reduce all three tax breaks, saving about $2.4 billion in 2015-16.	47.6% of respondents chose this

BUDGET METER

5 YEAR PROJECTION

STARTING DEFICIT	YOUR BUDGET
-$19.4B	-$4.8B

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Background

- Tax expenditure programs (TEPs) are special provisions in the law that attempt to encourage certain behavior or that target tax relief to specific groups of people or businesses through the use of exemptions, deductions, and credits.
- The elimination of antiquated or ineffective tax credits is seldom accomplished because it requires a two-thirds vote of the Legislature to eliminate a tax expenditure - even though it only takes a majority vote to create it.
- The Mortgage Interest Deduction costs $5 billion annually, but may stimulate little additional home buying. (Read More)
- State law allows investors to trade similar (or like-kind) properties without paying income taxes on the capital gains that have accrued. (Read More)
- A recent change by the Legislature permits multi-state corporations to choose how to apportion their income to California for tax purposes. The Governor's Budget proposes to instead require them to apportion income based on the percent of sales in different states. Proposition 24 on last November's ballot would have made this change, along with others, but was it defeated by the voters.

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Property Tax

Would you like to change the property tax system with one of these options? (select one)

Budget Impact

- Status Quo: Keep the current rules. — $2.2B
- Require annual reassessment of non-residential property values. Revenue would be split between the General Fund (+$2.2 billion) and local governments (+$3.8 billion). (Read More) — **58.5% of respondents chose this**
- Allow assessed values of all property in California to increase at a rate of 4% per year instead of the current 2%. — $1.0B
- Keep the Proposition 13 assessment rules but amend the state Constitution to reduce the tax rate by 10%. State revenues would be reduced by $1.5 billion and local governments would lose $2.8 billion in 2015-16, for a total reduction of $4.3 billion. — $3.7B

Background

- In 1978 voters passed Proposition 13, which states that the assessed value of property for tax purposes can increase by only 2% per year unless the property is sold.
- As a result, much of the property in California is assessed at far less than current market value.
- Non-residential properties (factories, office buildings and stores) tend to be reassessed less often than homes because they are sold less often.
- Read more about non-residential property taxes.

BUDGET METER

5 YEAR PROJECTION

-$19.4B — STARTING DEFICIT

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Cap & Trade Program

How should revenues from the auction of greenhouse gas (GHG) emissions allowances under the AB 32 cap and trade program be allocated? (select one)

	Budget Impact
○ Status Quo: Budget projections do not account for revenue from allowances.	↓ $1.7B
○ GHG emissions allowances revenue should be used to help close the General Fund budget deficit, resulting in a revenue gain of about $3.5 billion in 2015-16.	↑ $1.8B
● Half of the GHG emissions allowances revenue should be used to help close the General Fund budget deficit and half should be paid to low-income taxpayers in the form of income tax rebates.	12.6% of respondents chose this
○ Half of the GHG emissions allowances revenue should be paid to low-income taxpayers in the form of income tax rebates and half should be used to support alternative energy research.	↓ $1.7B

BUDGET METER

5 YEAR PROJECTION

STARTING DEFICIT	YOUR BUDGET
-$19.4B	-$0.9B

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Background

- Under AB 32, California's effort to reduce greenhouse gas emissions, the state will create a "cap and trade" program. Under this program a cap on GHG emissions will be imposed by issuing tradable allowances equal to the cap. These allowances permit industries to emit GHG based on the number of allowances they have. Over time the overall cap will decline.
- Individual emitters of GHG do not have specific emissions limits. Trading allowances will enable industries to make the most cost-effective reductions to emissions.
- Initially, the allowances will be allocated at no cost. Over time more allowances will be auctioned, generating revenues. A price of $15 per ton would generate roughly $3.5 billion in revenues by 2015-16.
- Some have suggested using a portion of the new revenues to offset the cost to low-income consumers of higher energy prices. Others have suggested using the revenues to compensate communities that are particularly affected by higher pollution levels or for clean energy research. Read more

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Other Taxes

Should California Raise Other Taxes to Help Close the Deficit?
(select one)

	Budget Impact
Status Quo: California should not raise additional revenue from these sources.	↓ $2.3B
Impose a 12.5% oil severance tax, raising $1.5 billion per year by 2015-16.	↓ $0.8B
Increase the cigarette tax by $1 per pack, raising $800 million for cancer research by 2015-16.	↓ $2.3B
Increase the cigarette tax by $1 per pack, raising $800 million for the General Fund by 2015-16.	↓ $1.5B
Raise both taxes for the General Fund: oil severance and cigarette, raising about $2.3 billion by 2015-16.	45.8% of respondents chose this

BUDGET METER

5 YEAR PROJECTION

STARTING DEFICIT	YOUR BUDGET
-$19.4B	$1.4B

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Background

- From time to time, some participants in the budget process argue that the state should raise taxes on certain activities in order to generate additional revenue.
- Currently, relatively small fees are imposed on each barrel of oil produced in the state to support regulatory programs. However, the state does not impose a severance tax on the production of oil and is the only oil-producing state not to do so.
- As a result of initiatives previously approved by the voters, California imposes a tax of $0.87 per pack on the sale of cigarettes and tobacco products. These revenues are used to support various programs, including research, anti-smoking, various health care programs, and for the so-called "First 5 Commission" programs – education, health services and childcare.
- A measure that would impose an additional $1 per pack tax on cigarettes and would dedicate the proceeds to cancer and other medical research has qualified for the next statewide ballot.

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Other Revenues

Should other revenue raising options be considered in order to balance the budget? (select one)

	Budget Impact
Status Quo: Do not impose any of these tax increases.	↓ $1.4B
Impose sales tax on internet sales where the retailer has a business connection to California, raising about $200 million in 2015-16.	↓ $1.2B
Impose 5 cents per drink on alcoholic beverages to help close the budget gap, raising about $700 million in 2015-16.	↓ $0.4B
Stop providing tax breaks in enterprise zones, raising about $600 million in 2015-16.*	↓ $0.8B
Impose all three tax changes - internet sales, alcoholic beverages and the elimination of enterprise zones, raising about $1.5 billion in 2015-16.	30.7% of respondents chose this

BUDGET METER

5 YEAR PROJECTION

STARTING DEFICIT	YOUR BUDGET
-$19.4B	$2.8B

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Background

- The courts have determined that states do not have authority to impose sales tax on mail order or internet sales unless a retailer has a "presence" in the state. Some states have defined presence to include affiliate arrangements where someone in the state refers purchasers to out-of-state retailers, thereby imposing a requirement on those retailers to collect sales taxes on purchases by persons in that state.
- Beer, wine and other alcoholic beverages are taxed in California, though generally the tax rates have not increased with inflation. For 2009-10, alcoholic beverage taxes raised a little more than $300 million.
- Enterprise zones are economically depressed areas of California that qualify for various special tax credits, such as credits for hiring people into jobs. Some analysts, including the Legislative Analyst and the Public Policy Institute of California, have questioned whether the tax credits provided for in enterprise zones have much of a positive impact on the state's economy.

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General Fund Budget

Spending categories	2010-11 Adopted budget	Year 5 budget projections (2015-16) Status quo	Your choices
K-14 Education	37.9	45.5	51.0
UC & CSU	6.5	7.1	8.1
Medi-Cal & Healthy Families	17.6	24.5	25.1
Human Services	13.9	18.1	9.0
Criminal Justice	10.6	13.4	13.4
Other Spending	5.0	8.3	8.3
Debt Service	6.1	8.7	8.7
Offsets from Federal Funds & Property Taxes	-4.8	0.0	0.0

Revenue categories			
Income Tax	45.5	57.5	66.2
Corporate Tax	10.8	10.0	10.9
Sales Tax	26.7	31.6	31.6
Other Revenue	7.7	7.1	17.7
Prior-Year Balance	-5.3	0.0	0.0

Spending	92.8	125.6	123.6
Revenue	85.4	106.2	126.4
Deficit/Surplus	-7.4	-19.4	2.8

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$13.4
14.4%
10.7%
$8.3
6.6%
$8.7
6.9%
$24.5
0.0%
$0.0
$7.1
$45.5
Status Quo
$9.0
$13.4
7.3%
10.8%
$8.3
$25.1
20.3%
6.7%
$8.7
7.0%
0.0%
$0.0
6.6%
$8.1
$51.0
Your Choice
K-14 Education
UC & CSU
Medi-Cal & Healthy Families
Human Services
Criminal Justice
Other Spending
Debt Service
Offsets from Federal Funds & Property Taxes
Revenue
$31.6
29.8%
$10.0
$7.1
6.7%
0.0%
$0.0
54.1%
$57.5
Status Quo
$31.6
25.0%
$10.9
$17.7
14.0%
0.0%
$0.0
52.4%
$66.2
Your Choice
Income Tax
Corporate Tax
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