

California Budget Choices Our State. Our Future.



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



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



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

Next Ten is an independent nonpartisan organization that educates and engages Californians so that, together, we can improve our future economy and quality of life.

NEXT TEN
www.NextTen.org

Who we are

- California has 37 million people, with 5 million new people in the past ten years.
- One in four Californians was born in another state.
- One in four Californians was born in another country.

A quick look at California



What we do

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

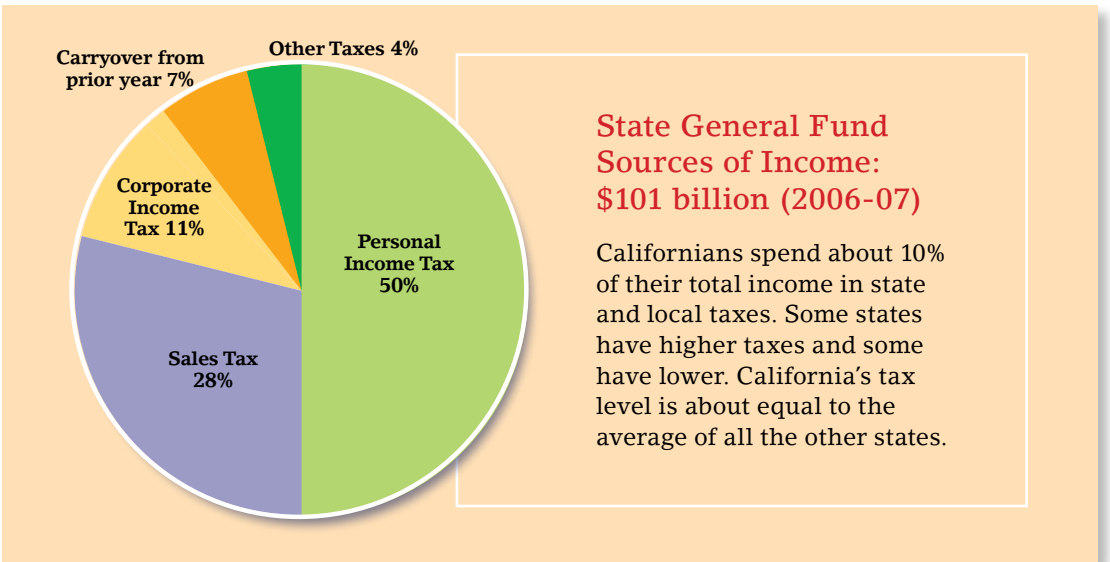
People are drawn to California to pursue their dreams and have built one of the strongest economies in the world. We can use our collective wisdom to build a state budget that helps make a great state even better.

1 How the state budget gets money:

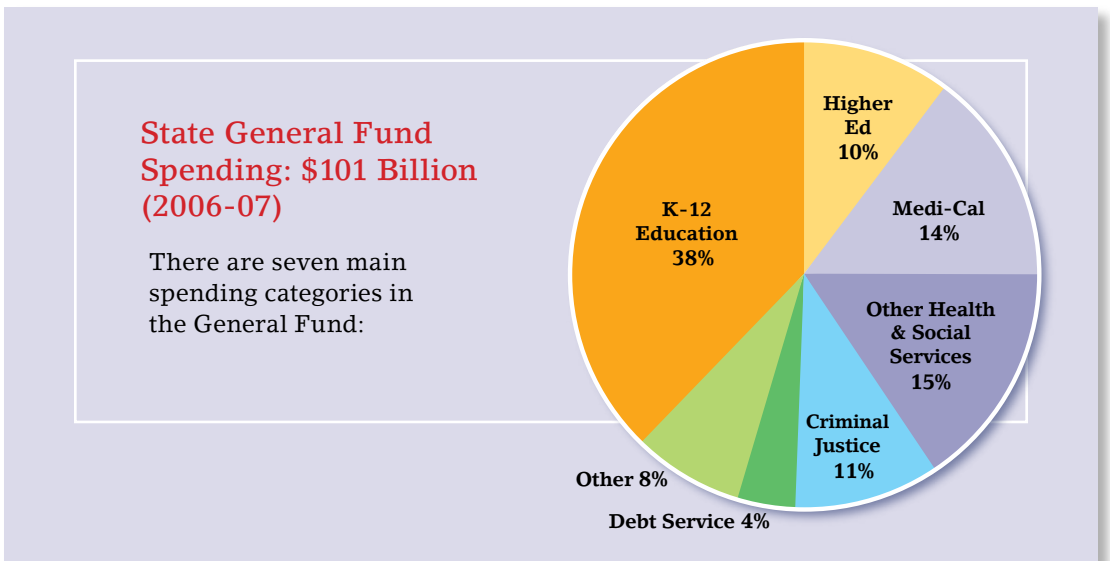
For July 2006 through June 2007, the state budget plans \$128 billion in income and spending. The state budget has two main parts:

General Fund (\$101 billion) – Money comes in from income taxes from people and businesses, sales taxes, and other taxes on things like insurance and alcohol. The General Fund is spent on programs like education, health and prisons.

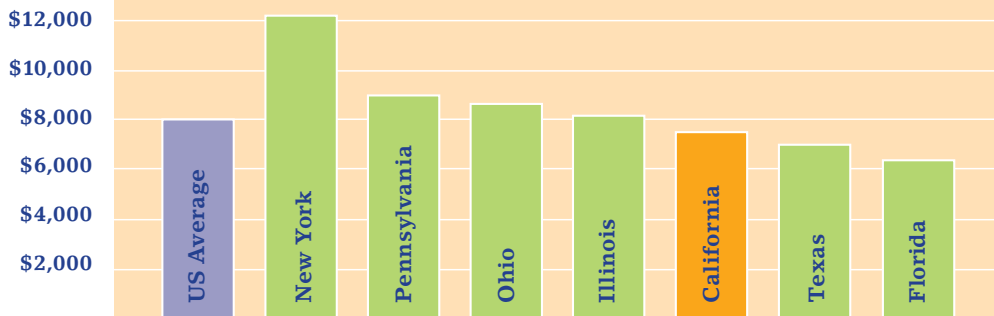
Special Funds (\$27 billion) – This money is from taxes reserved for special purposes like transportation, and local health and public safety programs.



2 How we use state spending:



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



K-12 – \$39 billion, *spent in local school districts:*

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



Higher Education – \$11 billion

- U.C. Universities (208,000 students), State Universities (400,000 students) and Community Colleges (1.7 million students)



Medi-Cal – \$14 billion

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



Other Health & Social Services – \$15 billion

Mostly for county programs:

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



Criminal Justice – \$11 billion

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



Debt Service – \$4 billion

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



Other – \$8 billion

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

3 How the state budget gets built:

First, how much income our state government has each year depends on how well the economy is doing and how much is collected in taxes. Then, spending is based on choices by lawmakers and the Governor, plus laws requiring that services like education and health care are provided.

The amount spent on programs depends on:

How many people are served

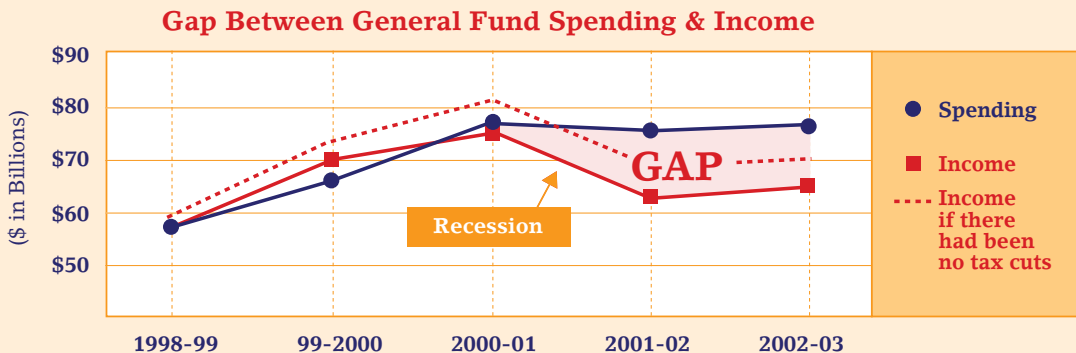
The level of services that people receive

The cost of providing these services

Even if the state's income from taxes falls, the number of people served may keep increasing because of population growth. This makes it hard for the state to reduce costs during tough economic times.

4 How the budget got out of balance:

The state has had budget problems since 2001. In 1998 through 2000, the state's tax income rose quickly due to a strong economy. State lawmakers decided to increase spending for education and health care and make tax cuts at the same time.



Then, in 2001, the stock market dropped and there was an economic recession. The state's income from taxes dropped a lot. Spending did not drop and the tax cuts remained. That created a gap that was as large as \$15 billion a year. The Legislature and Governor have taken steps to narrow this gap, but it is still estimated to be between \$4.5 and \$5 billion each year.



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

5 Budget choices:

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

These are some choices we can decide together:

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



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

6 What can we do?

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

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

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

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

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Next Ten, 209 Hamilton, Suite 250, Palo Alto, CA 94301 • 650-321-5417 • info@nextten.org

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