

HOW DOES CALIFORNIA COMPARE?

July 1996

EXECUTIVE SUMMARY

- California's economy is, by far, the largest in the nation and the eighth largest in the world. On a per capita basis, California's gross state product ranks 11th among the states.
- By nearly all measures, California is an average tax state. As a percentage of personal income, California ranked 27th in total state tax revenues in 1992-93, 20th in income tax revenue and 21st in sales tax revenue in 1993-94. While California ranked relatively high (8th) in corporate taxes per \$1,000 personal income in 1993-94, the state ranked relatively low (34th) in total property taxes in 1992-93.
- State and local revenues fell 23.2% in California between 1974-75 and 1992-93. Most of this decline is attributable to Proposition 13, which reduced property tax revenues as a share of personal income by 52.2% between 1976-77 and 1992-93.
- The burden of financing California's public services has shifted from the local to the state level. In 1974-75, state revenues constituted 52.0% of combined state and local revenues. In 1992-93, state revenues equaled 77.3%.
- Contrary to popular perceptions, the size of California's state and local government as measured by the number of public employees per 10,000 population is quite small. California had the fewest state employees of any state in 1992 and fourth fewest total state and local employees.
- Corrections witnessed the most dramatic growth in expenditures. Between 1984-85 and 1992-93, state corrections spending as a percentage of personal income increased 27.5%. California ranked eighth in corrections spending as a percentage of General Fund spending in 1993-94.
- The state's ranking in other spending areas has remained fairly constant in recent years. California ranked 49th in elementary-secondary school spending per \$1,000 personal income in 1992-93, and 46th in 1979-80. The state ranked 49th in highway spending in 1992-93, and 46th in 1974-75.
- Between 1990-91 and 1994-95, California's percent of state spending dedicated to higher education decreased nearly twice as much as that of the nation overall: 18.1% versus 10.7%.
- California ranked second among the states in AFDC spending per \$1,000 personal income as the recession continued in 1994-95, and unemployment was high. However, California's benefit levels rank 16th when AFDC benefits are adjusted by Fair Market Rent to account for interstate differences in the cost of living. California's relatively high

spending levels reflect the state's high cost of living and high percentage of families living in poverty.

- In 1994, 17.9% of Californians lived below the poverty line (\$11,821 for a family of three). Since 1980, the percentage of people living below the poverty line has grown over five times faster in California than in the rest of the nation.
- Almost 24% of California residents had no public or private health coverage in 1994. The percentage of uninsured Californians rose 15% between 1988 and 1994. Only two states had a higher percentage of residents without health coverage of any kind.