

## 2005-06 BUDGET CUTS SCHOOL AND HUMAN SERVICES FUNDING — STATE WILL STILL FACE GAP IN 2006-07

Governor Schwarzenegger signed the 2005-06 Budget into law on July 11, 2005. The new spending plan addressed a \$4.9 billion operating shortfall, down from the estimated \$8.6 billion gap in the Governor's January proposed budget. The 2005-06 Budget spends \$90.0 billion from the state's General Fund and assumes \$84.3 billion in General Fund revenues. A \$7.5 billion carry-in balance makes up the gap between revenues and expenditures. A combination of spending reductions, higher than previously anticipated revenues, and borrowing balanced the budget.

The 2005-06 budget agreement reduces, but does not eliminate, the state's ongoing imbalance between revenues and expenditures. The Legislative Analyst's Office (LAO) estimates that the state will face a \$6.1 billion gap between revenues and expenditures in 2006-07, excluding the transfer to the Budget Stabilization Account required by Proposition 58 of 2004.

### How Was the Budget Balanced?

*Spending Cuts.* The final budget agreement adopted the Governor's proposal to fund K – 14 education in both 2004-05 and 2005-06 based on the level appropriated in the 2004-05 Budget Act, rather than the revised level based on the target set in the 2004-05 budget agreement. In May, the LAO estimated that

this proposal would reduce state spending by \$3.1 billion. Other significant spending reductions in the budget agreement include:

- \$135.5 million from suspending the cost-of-living adjustment (COLA) for CalWORKs cash assistance payments in 2005-06. The Legislature voted to suspend not only the July 2005 COLA, but the July 2006 COLA, as well.
- \$179.9 million from suspending the state COLA for SSI/SSP grants and delaying the pass through of the federal COLA in 2005-06. Again, the Legislature approved a two-year suspension and delay of the COLAs.
- \$39.9 million in General Fund savings from reducing the number of holidays for state workers, changing the method of calculating overtime pay, and allowing certain workers to opt out of the Public Employees Retirement System (PERS).
- \$60 million from eliminating the Property Tax Administration grant program. This program provided grants to counties to boost property tax collections that result in lower state costs for schools and higher local revenues.
- Capping dental benefits for adults in the Medi-Cal Program beginning January 1, 2006 and expanding the number of Medi-Cal enrollees in managed care plans.
- Transferring \$63.1 million from the CalWORKs Program to the Foster Care and Child Welfare Services Programs.
- \$100 million in unallocated reductions to state departments. The Administration would have the authority to reduce spending during the fiscal year.

*Borrowing.* While press announcements touted the fact that the Budget included no "new" borrowing, it does assume that the state will receive:

- \$525 million from the sale of Pension Obligation Bonds. The courts have previously blocked issuance of these bonds, which were assumed, but not sold, in 2003-04 and 2004-05.

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- \$525 million from restructuring bonds backed by the state's payments from the national tobacco settlement.
- \$428 million in loans to finance payments as a result of litigation relating to damage in 1986 floods.
- \$1 billion from the sale of bonds backed by revenues from tribal gaming. Bond funds would repay loans from the Traffic Congestion Relief Fund to the state's General Fund. Legal challenges have, to date, blocked the sale of these bonds.

*Fund Shifts.* The final budget restored the transfer of sales taxes paid on fuel sales to transportation programs, as proposed in the Governor's May Revision. However, the budget does:

- Keep \$380 million of other transportation-related sales taxes in the General Fund. This amount results from higher than anticipated revenues due to rising gas prices and, absent the shift, would be dedicated to mass transit.
- Save \$191.7 million by obtaining federal funding for a portion of the cost of pre-natal care for certain immigrants.

*Deferrals.* The budget defers a number of costs to future years including:

- \$300 million in school mandate costs. The LAO notes that the state will owe schools approximately \$1.6 billion in outstanding mandate claims after 2005-06. The budget agreement also deferred \$1.1 billion in payments owed to schools in June 2006 to the 2006-07 fiscal year.
- \$223 million in penalties owed to the federal government related to the state's failure to implement an approved child support collection system.

## PROPOSALS DROPPED IN THE FINAL AGREEMENT

The final budget adopted many of the proposals contained in the Governor's May Revision with some notable exceptions (a detailed description of the May Revision is available at [www.cbp.org](http://www.cbp.org)). The final budget agreement also dropped the Governor's proposals to:

- Reduce state contributions for In-Home Supportive Services (IHSS) workers' wages to the minimum wage. Instead, the agreement makes no change to laws that require the state to contribute to payments of up to \$11.10/hour beginning July 1, 2005, up from \$10.10/hour in the prior fiscal year.
- Reduce cash assistance payments to poor families with children in the CalWORKs Program by 6.5 percent. As noted above, maximum grant levels were instead frozen for two years.
- Shift a portion of teacher pension costs to local school districts. Instead, the budget reduced the amount of one-time "settle-up" funds provided to schools.

## HIGHER THAN ANTICIPATED REVENUES HELP BRIDGE THE GAP

The final budget assumes that 2005-06 General Fund revenues will be \$1.035 billion higher than was assumed in January and that 2004-05 revenues would be \$1.792 billion above the January estimate. In addition to higher than expected revenues due to improved economic conditions, the state also received \$4.4 billion in payments related to a tax amnesty program offered earlier this year. (The amnesty program required the state to waive penalties due on unpaid tax liabilities and to forego criminal action against individuals who failed to pay taxes owed.) However, only \$380 million of this amount is "new money," that is, revenues the state would not have received without the amnesty program. The remainder represents either amounts the state would have collected through its regular audit programs or amounts paid by taxpayers who expect to receive refunds in the future.

## ADDITIONAL SPENDING IN THE FINAL BUDGET

The final budget included funding for several new initiatives. In addition, the budget fully repays the \$1.2 billion the state owes to counties and cities for the Vehicle License Fee (VLF) "gap loan" a year earlier than required. The loan dates from 2003-04 and is attributable to a period when local governments did not receive backfill payments. The budget also included:

- \$5.9 million in state funds to increase enrollment of children in the Healthy Families and Medi-Cal programs. Notably, the budget reinstates funding for Certified Applicant Assistants to help families accurately complete application forms.
- \$18.2 million in one-time funds to increase the amount of fruits and vegetables served in school breakfast programs.
- \$10.6 million in support for community colleges and the CSU to expand nursing education programs. The budget agreement would also expand eligibility for financial aid for students who enter nursing education.

As required by Proposition 1A, approved by the voters in November 2004, the budget funds costs related to mandates imposed by the state on local governments. The Legislature also voted to suspend, rather than fund, 31 mandated programs in 2005-06. Proposition 1A requires that the state either reimburse local governments (excluding schools) for mandated costs or vote to suspend operation of the mandated responsibility during the budget year.

## THE GOVERNOR'S VETOES

The Governor vetoed \$190 million in spending contained in the budget bill. Notable vetoes include:

- A total of \$74.5 million in carryover funds added by the Legislature for the Comprehensive School Reform and

Title 1 programs, which were included in the No Child Left Behind Act flexibility proposal. The Governor stated his intention to pursue future legislation to redirect these funds to low-performing schools and districts to improve academic performance.

- \$20.0 million for the purchase of supplemental materials for English language learners. The Governor states that he will set aside these funds for appropriation in future legislation for other Proposition 98 K - 14 education priorities.
- \$3.8 million in funding added by the Legislature for the University of California Institute for Labor and Employment, a labor-oriented research center.
- \$57.1 million for county administration of social services programs, including CalWORKs and the Food Stamp Program. The state has withheld operating increases for county-run social services programs for several years, and counties argue that county administration costs are underfunded.
- \$3.0 million for the state's prostate cancer program for low-income men, eliminating the program.
- \$1.4 million the Legislature added for the state's Community Care Licensing Division, which conducts periodic visits to licensed facilities to ensure they comply with required health and safety regulations.
- A control section requiring the Department of Finance to report to the Legislature regarding the impact of unallocated reductions included in the 2005-06 Budget Act, because "this language is an infringement on the Executive Branch's budget

The 2005-06 Budget and Related Legislation

| Bill   | Chapter | Topic                               |
|--------|---------|-------------------------------------|
| SB 77  | 38      | The Budget Act                      |
| SB 62  | 76      | Transportation                      |
| SB 63  | 73      | Education                           |
| SB 64  | 77      | State Boards and Commissions        |
| SB 68  | 78      | Human Services                      |
| SB 71  | 81      | Resources                           |
| SB 76  | 91      | Energy                              |
| SB 80  | 39      | Revisions to the Budget Act         |
| SB 88  | 14      | Health Care Funding: Proposition 99 |
| SB 91  | 79      | Contingencies and Emergencies       |
| AB 131 | 80      | Health Care                         |
| AB 138 | 72      | State Mandates                      |
| AB 139 | 74      | State Government                    |
| AB 145 | 75      | Civil Filing Fees                   |
| AB 794 | 23      | Prenatal Care                       |

Copies of bills and analyses of legislation are available at [www.leginfo.ca.gov](http://www.leginfo.ca.gov).

## MYTH VERSUS FACT

Myth: Most minimum wage workers are teens.

The Facts: Counter to popular stereotypes, California's low-wage workers are predominantly adults working full-time. In 2003, more than six out of 10 California workers earning within one dollar per hour of the state's minimum wage (\$6.75 per hour) were age 25 and older, while only about one out of six (16.9 percent) were teens.

## MYTH VERSUS FACT

Myth: California has too many public workers.

The Facts: Adjusted for population, California has among the lowest numbers of state employees in the nation - and most work in education and public safety. In 2003, California ranked 47<sup>th</sup> among the 50 states in the number of state employees per 10,000 people. Moreover, California ranked 42<sup>nd</sup> among the 50 states in the combined number of state and local government workers per 10,000 residents in 2003.

development process.”

For more details on the budget agreement and the Governor’s vetoes, see *2005-06 Budget Signed* at [www.cbp.org](http://www.cbp.org).

## STATE TO FACE SPECIAL ELECTION

Governor Schwarzenegger has called a special election for November 8, 2005. Voters will be asked to weigh in on a number of ballot measures, including several measures supported by the Governor. The exact number of measures that will appear on the ballot was uncertain as this newsletter goes to print, since legal challenges may disqualify one or measures from the ballot. Measures that appear certain to appear on the ballot and their primary sponsors or supporters include:

- Proposition 73: Parental Notification Prior to Abortion (Paul and Barbara Laubacher)
- Proposition 74: Waiting Period for Permanent Teacher Status (Assemblymember Bonnie Garcia/the Governor)
- Proposition 75: Public Employee Union Dues (Lew Uhler)
- Proposition 76: Live Within Our Means Act (Bill Hauck and Allan Zarembeg/the Governor)
- Proposition 78: Prescription Drug Discounts (Ashlee Brown/ pharmaceutical industry)
- Proposition 79: Prescription Drug Discounts and Rebates (Health Access California)
- Proposition 80: Regulation of Electric Service Providers (TURN)

Proposition 77, which changes the method used for redistricting, was disqualified from the ballot after it was determined that signatures were submitted on a different version of the initiative than was submitted to the Attorney General for preparation of the title and summary that appears on the petition. However, a court order has allowed the Secretary of State to proceed with preparation for the measure to appear in the ballot pamphlet pending further hearings.

Brief analyses of Propositions 74, 76, 78, and 79 are provided below.

## PROPOSITION 74 WOULD INCREASE THE PROBATIONARY PERIOD FOR TEACHERS

Proposition 74 would increase the length of time required for a probationary teacher or other certificated school employee to become a permanent employee from two to five years. Certificated employees are primarily teachers, but also include instructional specialists, counselors, and librarians. Proposition

74 also modifies the process by which permanent employees may be dismissed.

Proposition 74 would extend the probationary period required of certificated employees from two to five years. This change would apply to employees whose probationary period began during or after the 2003-04 fiscal year. Currently, certificated employees are required to serve an initial two-year probationary period. Existing law also allows districts to dismiss probationary employees at the end of a school year without specifying reasons. These employees are granted permanent status at the start of their third year. Proposition 74 would grant employees permanent status at the start of their sixth year.

Under Proposition 74, California would have one of the longest probationary periods for teachers in the country. Only two states, Indiana and Missouri, have a probationary period of five years. The majority of states (33) have a three-year probationary period. California is currently one of 12 states that require teachers to serve a probationary period of up to two years.

Proposition 74 would also allow districts to dismiss permanent employees who receive two consecutive unsatisfactory evaluations. Currently, permanent employees who receive an unsatisfactory evaluation must be evaluated annually until they achieve a satisfactory evaluation or are dismissed. Current law also requires school districts that intend to dismiss an employee to provide him or her with a written notice of its intent specifying the reasons for dismissal. In addition, existing law requires districts that intend to dismiss employees for unsatisfactory performance to provide employees with at least 90 days to improve their performance. Proposition 74 would consolidate the dismissal and evaluation processes by using performance evaluations solely as an employee’s dismissal notice. Under Proposition 74, school districts would no longer be required to provide employees with 90 days to improve their performance.

The Legislative Analyst’s Office (LAO) notes that the costs of Proposition 74 would vary from district to district. School districts might experience a modest reduction in salary costs due to higher teacher turnover – as more experienced, higher-salaried teachers are replaced with less experienced, lower-salaried teachers. These savings, however, would be offset by the likelihood that school districts would incur additional hiring and training costs to fill increased teacher vacancies. The LAO also indicates that the simplified dismissal process may lead to increased costs due to additional appeal hearings. Proposition 74 could also increase evaluation costs since administrators would now have to assess probationary teachers annually for five years instead of two.

Proposition 74 is sponsored by Assemblymember Bonnie Garcia (R-Cathedral City). The measure is also supported by Governor Schwarzenegger.

# PROPOSITION 76 WOULD LIMIT STATE SPENDING, RESTRUCTURE BUDGET PROCESS

A business-backed coalition, Citizens for California, with the support of the Governor, has proposed an initiative that would dramatically change the rules governing the state's budget process. Proposition 76 would impose a new state spending limit, give the governor broad authority to cut spending if revenues fall below forecast levels, and make changes to the Proposition 98 school spending guarantee and to transportation funding authorized by Proposition 42.

In brief, the proposed initiative:

- Establishes a new limit on state spending that would be in addition to, not a substitute for, the existing State Appropriations Limit (SAL). The new limit would apply to expenditures supported by fees, as well as taxes, and to spending from special funds, as well as the state's General Fund. The measure would also limit expenditures from voter-approved taxes, such as Proposition 10's tobacco tax rate that supports early childhood programs. The measure also provides a formula for allocating the proceeds of any revenues that exceed the new limit.

The new cap would limit spending based on revenue growth in the three prior years. This formula would have the effect of allowing deficit spending during an economic downturn when revenue growth slows or revenues decline. The same formula would prevent the state from restoring spending reductions made during a downturn when the economy shifts into recovery, since the cap would be based on years when revenue growth was slow or negative. The result is a spending cap that runs counter to the impact of a business cycle - allowing spending to increase during a downturn, while limiting the rise in spending when revenue growth improves.

While proponents argue that the new cap is designed to "smooth" state spending, analysis by the CBP suggests that it would substantially reduce spending over time. Had Proposition 76 been enacted in 1990, for example, allowable 2005-06 spending would be \$12.6 billion below the level in the budget signed into law by Governor Schwarzenegger. The size of the reduction needed to reach the allowed spending level would exceed state General Fund spending for Higher Education (\$10.2 billion) or combined General Fund spending for Business, Transportation, and Housing; Resources; Environmental Protection; and Social Services (\$11.8 billion).

If Proposition 76 had been enacted in 1995, allowable 2005-06 spending would be \$5.9 billion below that in the budget signed into law by the Governor. Reaching this target would require cuts roughly equivalent to eliminating General Fund

support for the University of California, California State University, and the Department of Forestry and Fire Protection (\$6.0 billion).

The Legislative Analyst's Office analysis of Proposition 76 observes that, "Over time, we believe the operation of this limit would likely reduce state expenditures relative to current law."

- Allows the governor to declare a fiscal emergency and cut General Fund spending if revenues fall 1.5 percent or more below forecast levels, based on a forecast prepared by the governor's Director of Finance. The governor would also gain the power to cut if he or she determines that the state will spend more than half of the funds in the Budget Stabilization Account. The governor would gain this authority unless legislation is passed and signed into law by the governor within 45 days. The authority to cut would apply even in years when the state is running a surplus

The governor could "reduce items of appropriation on an equally proportionate basis, or disproportionately, at his discretion." Cuts could be made to any appropriation except for debt service, appropriations necessary to comply with federal laws and regulations, or appropriations that would result in the violation of a contract to which the state is a party. However, the governor would have the authority to cut appropriations supporting contracts signed after the effective date of the proposed measure.

The governor would have similar authority to reduce spending if the legislature fails to enact a budget by July 1. If a budget is not enacted by July 1, spending would continue at the level provided in the prior year's budget. Spending would only be adjusted to reflect changes in state debt service obligations. If revenues are below forecast and a fiscal emergency is declared, the governor would have unilateral authority to cut spending if measures are not enacted to remedy the emergency within 30 days.

Proposition 76 provides only minimal limits on the governor's spending reduction authority. The governor could reduce spending "notwithstanding any other provision of the constitution," except for spending needed to comply with federal laws and regulations, fulfill the state's debt service obligations, or fulfill contracts entered into before the effective date of Proposition 76. Spending related to contracts signed after the effective date of the proposed measure could be reduced.

The governor's authority to cut spending could also be triggered by tax cuts enacted after the budget that reduce state revenues, such as those passed at the end of the legislative sessions in 1996 and 1997.

- Substantially changes the Proposition 98 school spending guarantee. Proposition 76 eliminates “test 3” and the maintenance factor provisions of the Proposition 98 school spending guarantee, as well as the state’s obligation to restore the guaranteed funding level to reflect repayment of outstanding maintenance factor obligations. Instead, the measure requires the state to make one-time payments totaling outstanding maintenance factor obligations over 15 years. The measure would also exclude any “overappropriations” from the base used to calculate future years’ funding guarantees. Elimination of the state’s obligation to restore outstanding maintenance factor obligations would reduce the long-term Proposition 98 school spending guarantee by \$3.84 billion per year, a reduction of slightly less than \$600 per student for K - 12 education.
- Locks in transportation spending. Proposition 76 eliminates the legislature’s ability to suspend the transfer of sales tax revenues paid on motor vehicle fuel sales - the Proposition 42 transfer - to the Transportation Investment Fund (TIF) and prohibits transfers from state special funds to the General Fund on other than a short-term, cash-flow basis. This provision would “lock in” an additional spending obligation, thereby making it more difficult to balance future years’ budgets.
- Require participants to pay an annual fee of \$15.
- Require the state to “attempt to negotiate drug rebate agreements” with drug manufacturers in order to reduce drug prices for Cal Rx cardholders. Companies would not face penalties for failing to provide discounts.
- Allow, but not require, the state to seek additional discounts from pharmacies that participate in Cal Rx.
- Require the state to conduct outreach to raise public awareness of Cal Rx.
- Allow the state to terminate Cal Rx under several circumstances, including if there are “insufficient discounts to participants to make Cal Rx viable.”
- Allow Cal Rx to be administered by a third-party vendor under contract with the state.

Proposition 79 would:

- Establish a new drug discount program, Cal Rx Plus, for California residents whose family income is at or below 400 percent of the FPL (\$64,360 for a family of three in 2005) and who do not have prescription drug coverage through the Medi-Cal or Healthy Families programs. Individuals enrolled in Medicare could participate in Cal Rx Plus for drugs not available through the Medicare Program. In addition, individuals in families whose medical expenses are at or above 5 percent of their family income would also be eligible to participate in Cal Rx Plus.
- Require participants to pay an annual fee of \$10.
- Require the state to “negotiate drug rebate agreements with drug manufacturers” in order to reduce prescription drug prices for Cal Rx Plus cardholders. The drug rebates must “result in a net price that is comparable to or lower than” the best price for drugs covered by the federal Medicaid Program.
- Allow the state to decline to enter into a new Medi-Cal contract or to extend an existing Medi-Cal contract with a drug company that fails to provide discounts to Cal Rx Plus. The state could also subject a company’s drugs to “prior authorization” in the Medi-Cal Program if the company does not sell its drugs at a reduced price to Cal Rx Plus. (Prior authorization means that doctors must receive state approval before prescribing a drug to a Medi-Cal patient.) However, the state would not be able to deny continued use of a drug to Medi-Cal beneficiary if the drug is part of a prescribed therapy.
- Require the state to release the names of the drug manufacturers that do not provide discounts through Cal Rx Plus.

A detailed look at Proposition 76, *Limiting the Future? What Would the “Live Within Our Means Act” Mean for California?*, is available on the CBP’s website at [www.cbp.org](http://www.cbp.org).

## PROPOSITIONS 78 AND 79: DUELING DRUG DISCOUNT PROPOSALS

Two initiatives on the November 8, 2005 ballot take different approaches to lowering drug costs for low- and moderate-income Californians. Proposition 78, the “California State Pharmacy Assistance Program (Cal Rx),” would require the state to “attempt to negotiate” discounts with drug companies, but would not penalize companies that fail to provide discounts. Proposition 79, the “Cheaper Prescription Drugs for California Act (Cal Rx Plus),” would require the state to negotiate discounts with drug companies and would allow the state to exclude an uncooperative manufacturer’s drugs from the Medi-Cal Program.

Proposition 78 would:

- Establish a new drug discount program, Cal Rx, for California residents whose family income is at or below 300 percent of the federal poverty level (FPL – \$48,270 for a family of three in 2005) and who do not have prescription drug coverage through private health insurance or a publicly-funded program. However, individuals enrolled in Medicare could participate in Cal Rx for drugs not available through the Medicare Program.

- Allow, but not require, the state to seek additional discounts from pharmacies that participate in Cal Rx Plus.
- Require the state to conduct outreach to raise public awareness of Cal Rx Plus.
- Create a Prescription Drug Advisory Board to review prescription drug pricing and access issues.
- Make “profiteering” in prescription drugs illegal and establish a civil penalty of at least \$100,000 for drug manufacturers that violate this provision.

The state would incur “significant” start-up costs, as well as ongoing costs, for administration and outreach activities related to each of the proposed drug discount programs, according to the Legislative Analyst’s Office. However, the proposed drug discount programs could also reduce state and county costs. For example, the cost of county indigent care could decrease to the extent that prescription drugs become more affordable to low-income persons, who may then be less likely to use county clinics or hospitals.

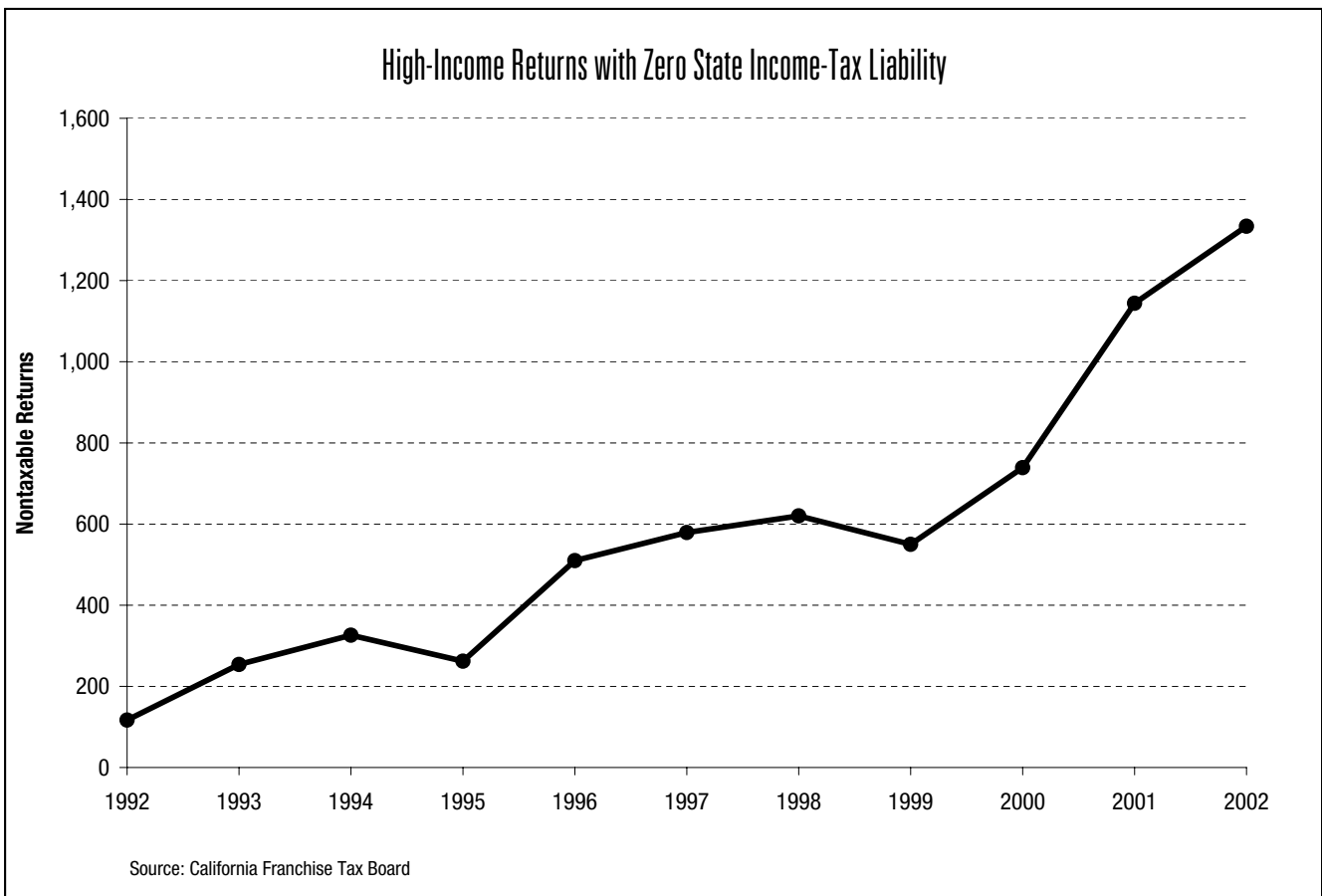
Proposition 78 is sponsored by major pharmaceutical manufacturers. Proposition 79 is sponsored by Health Access California, a statewide health care consumer advocacy coalition.

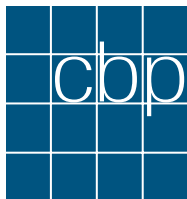
## NUMBER OF HIGH-INCOME, “NO TAX” CALIFORNIANS ON THE RISE

Commentators and policymakers often claim that the wealthy pay a disproportionate share of taxes relative to other Californians. In fact, households with income below \$18,000 - those in the lowest fifth - paid the largest share of their income (11.3 percent) in state and local taxes, while the top one percent paid just 7.2 percent of their income in taxes, after taking the deductibility of state and local taxes into account.

Moreover, some high-income households - defined as those with incomes of \$200,000 or more - have no state income-tax liability. Indeed, the number of Californians with no such tax liability has increased notably in recent years. These high-income households attain zero tax liability by claiming a variety of tax credits and deductions. The largest tax breaks claimed by “no tax” households include Enterprise Zone Credits, the Manufacturer’s Investment Credit, the Prior Year Alternative Minimum Tax Credit, and miscellaneous deductions.

California’s Franchise Tax Board received 347,189 full-year resident returns with reported Adjusted Gross Incomes (AGIs) of





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at least \$200,000 for the 2002 tax year. Of that number, 1,334 (0.4 percent) had no net tax liability, an increase of 17 percent over 2001, when 1,144 high-income returns (0.3 percent of high-income returns) had no tax liability.

That increase reflects a longer-term growth in high-income returns that owe no taxes. Over a 10-year period, the number of high-income returns with no tax liability increased more than tenfold, from 117 in 1992 to 1,334 in 2002. Although the volume of high-income returns increased as well, this change nevertheless represents a fourfold increase in the share of high-income returns with no tax liability. Whereas 0.1 percent of high-income returns had no tax liability in 1992, 0.4 percent of those returns had no tax liability in 2002.

This trend mirrors a long-term growth in the number of returns with no federal tax liability. Using the AGI measure, the number of high-income returns with no US income-tax liability more than tripled, increasing from 909 in 1992 to 2,959 in 2002.

## OUR NEW "LOOK"

This issue of Budget Watch introduces the California Budget Project's new look. This new format is just one of our recent changes. Earlier this summer, we moved to our new offices at 1107 9th Street, Suite 310, Sacramento, CA 95814. Our phone, fax, and email addresses remain the same.

## JOIN US

Please join us on August 22<sup>nd</sup> from 5:00 p.m. to 7:00 p.m. at a reception and open house to celebrate 10 years of independent budget and policy analysis. RSVP to [cbp@cbp.org](mailto:cbp@cbp.org) and check "Upcoming Events" at [www.cbp.org](http://www.cbp.org) for additional information.

*The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants and individual donations and subscriptions.*

*The CBP can be reached at 1107 9th Street, Suite 310, Sacramento, CA 95814, by phone at (916) 444-0500, by fax at (916) 444-0172, or by email at [cbp@cbp.org](mailto:cbp@cbp.org). Budget Watch is published periodically throughout the year. Subscriptions are \$25/year. Visit the CBP's website at [www.cbp.org](http://www.cbp.org).*