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## WHERE DO CALIFORNIA'S TAX DOLLARS GO?

California's state budget supports an array of programs and services that touch the lives of all Californians – from schools and colleges to health care and public safety to highways and environmental protection.<sup>1</sup> The state budget is primarily a local budget: Most state dollars go to local communities, health care providers, and individuals throughout the state. The largest share of state spending goes to education – more than 50 cents out of every state dollar supports California's public schools, community colleges, and public university systems. The next largest share of state spending – 29 cents out of every dollar – supports a range of health and human services that assist low-income children, families, seniors, and people with disabilities. More than 10 cents out of every dollar goes to the state's prison system. The balance of the state budget supports other key public services as well as the institutions that comprise the state's system of governance.

### The State Budget Is a Local Budget

More than 70 cents out of every dollar spent through the state budget goes to local communities, health care providers, and individuals (Figure 1). This spending – known as “local assistance” in “budget-speak” – includes state dollars that go to:

- Public schools and community colleges.
- Counties for health and human services programs and public safety.
- Health care providers who participate in the Medi-Cal Program, which serves 7.4 million low-income Californians, is the source of health care coverage for one out of three California children, and pays for two-thirds of nursing home costs in the state each year.
- 1.3 million low-income seniors and people with disabilities who receive cash assistance through the Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program.

The remainder of the state budget, nearly 29 cents out of every dollar, provides funding for what is called “state operations.”

These dollars support services and activities for which the state has complete or primary responsibility. Nearly all state funding for the California State University (CSU), the University of California (UC), the state's prison system, and the Department of Veterans Affairs, for example, falls into this category. State operations dollars – like local assistance dollars – are generally spent in local communities as support for university campuses, prisons, state parks, and other activities and institutions.

### More Than 50 Cents Out of Every State Dollar Goes to Education

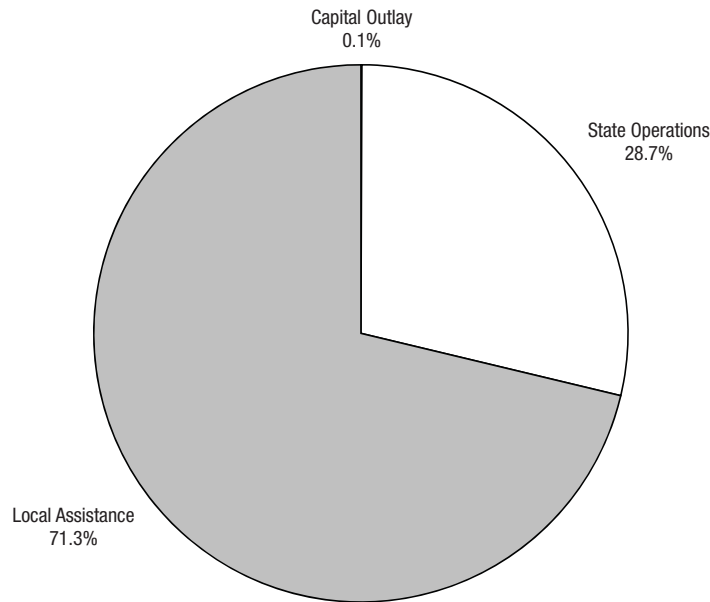
In most years, slightly more than half of the state budget supports public schools and higher education, including community colleges, the CSU, the UC, and student financial aid.<sup>2</sup> In 1980-81, for example, California spent \$10.7 billion on education, equal to 50.5 cents out of every state dollar (Figure 2). In 2010-11, the state spent an estimated \$47.5 billion on education, equal to 51.9 cents out of every state dollar (Figure 3). Specifically:

- 39.2 cents out of every dollar – \$35.8 billion – supported elementary and secondary education in 2010-11, up from 35.3 cents out of every dollar – \$7.4 billion – in 1980-81.
- 12.7 cents out of every dollar – \$11.6 billion – supported higher education in 2010-11, down from 15.2 cents out of every dollar – \$3.2 billion – in 1980-81.

### Nearly 30 Cents Out of Every State Dollar Goes to Health and Human Services

State spending on health and human services for low-income children, families, seniors, and people with disabilities has declined as a share of total state spending over the past generation.<sup>3</sup> In 1980-81, for example, California spent \$7.0 billion on health and human services, equal to 33.2 cents out of every state dollar. In 2010-11, the state spent an estimated \$26.5 billion

Figure 1: Most State Dollars Go to Local Communities and Individuals  
Estimated 2010-11 General Fund Spending



Source: Department of Finance

on health and human services, equal to 29.0 cents out of every state dollar. Major health and human services expenditures in 2010-11 included:

- \$12.6 billion for the Department of Health Care Services, primarily to support Medi-Cal.
- \$8.6 billion for the Department of Social Services, primarily to support:
  - The Adult Protective Services, Child Welfare Services, and Foster Care programs, which protect vulnerable seniors and children from abuse and neglect.
  - The Adoption Assistance Program, which provides monthly payments to families who adopt foster children with special needs.
  - SSI/SSP cash assistance for low-income seniors and people with disabilities.
  - Cash assistance, child care, and other services for the state's 1.5 million CalWORKs welfare-to-work recipients, more than three-quarters of whom are children.
  - The In-Home Supportive Services Program, which helps more than 430,000 low-income seniors and people with disabilities live safely in their own homes.
- \$2.5 billion for the Department of Developmental Services, which assists 240,000 Californians who have developmental disabilities or are at risk of developmental delay.
- \$1.9 billion for the Department of Mental Health.

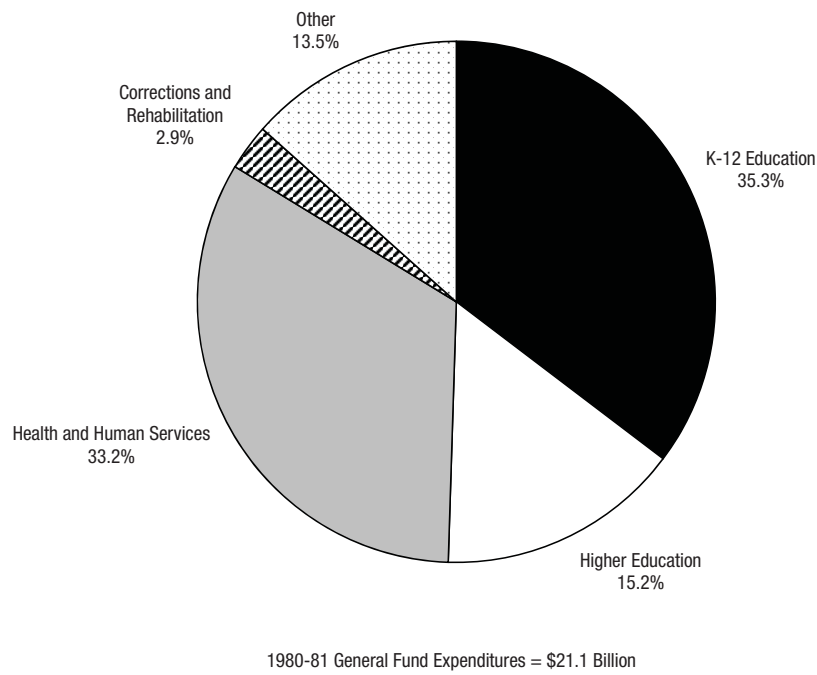
## More Than 10 Cents Out of Every State Dollar Goes to Corrections

The state corrections budget primarily supports the cost of incarcerating adult felons in state prisons and providing inmates with health care and rehabilitation services, such as substance abuse treatment and vocational education. State spending on corrections has increased significantly as a share of total state spending over the past generation. In 1980-81, for example, California spent \$604.2 million on the state's prison system, equal to 2.9 cents out of every state dollar. In 2010-11, the state spent an estimated \$9.6 billion on corrections, equal to 10.5 cents out of every state dollar. Corrections spending increased by nearly 1,500 percent between 1980-81 and 2010-11, more than four times the rate of General Fund spending as a whole (Figure 4).

## Nearly 9 Cents Out of Every State Dollar Supports Other Key Services and Institutions

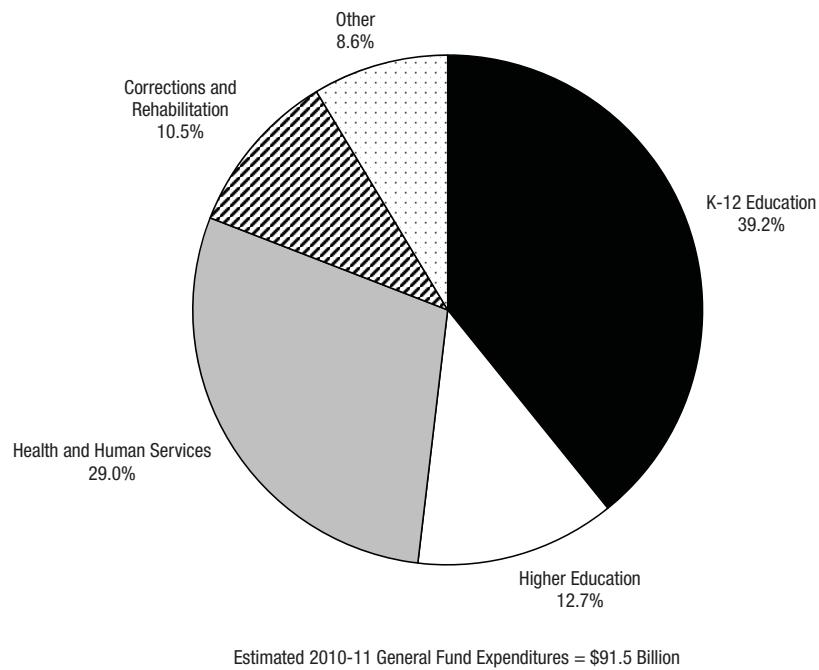
The balance of the state budget supports other key public services – including wildland fire prevention and control, environmental protection, and state parks – and the institutions that comprise the state's system of governance, such as the courts, the Legislature, the Governor's Office, and other statewide

Figure 2: Slightly More Than Half of State Spending Supported K-12 and Higher Education in 1980-81



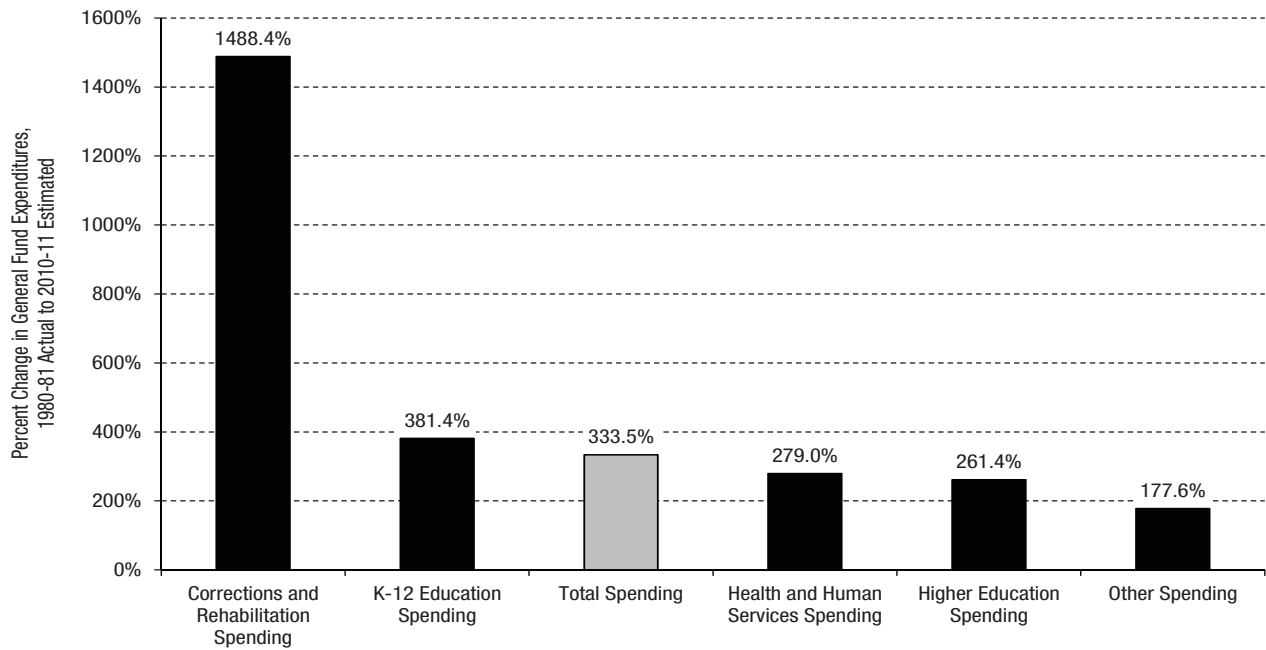
Source: Department of Finance

Figure 3: Slightly More Than Half of State Spending Supported K-12 and Higher Education in 2010-11



Source: Department of Finance

**Figure 4: Corrections Spending Has Grown at More Than Four Times the Rate of General Fund Spending as a Whole Since 1980-81**



Source: Department of Finance

constitutional offices. California spent 8.6 cents out of every state dollar – \$7.9 billion – on these services and institutions in 2010-11, down from 13.5 cents out of every dollar – \$2.8 billion – in 1980-81. Key 2010-11 expenditures in this category included:

- \$1.9 billion for the judicial branch;
- \$729.6 million for the Department of Forestry and Fire Protection;
- \$540.0 million for the Franchise Tax Board;
- \$322.1 million for the Legislature;
- \$292.0 million for the Department of Justice;
- \$271.7 million for the State Board of Equalization;
- \$210.1 million for the Department of Veterans Affairs;
- \$124.1 million for the Department of Food and Agriculture;
- \$121.2 million for the Department of Parks and Recreation;
- \$99.4 million for the Secretary of State;
- \$71.7 million for the State Controller;
- \$61.2 million for the Department of Fish and Game;
- \$24.4 million for the Department of Toxic Substances Control;
- \$16.3 million for the Governor’s Office;
- \$10.4 million for the California Coastal Commission; and
- \$4.7 million for the State Treasurer.

*Scott Graves prepared this Policy Basics. 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, subscriptions, and individual contributions. Please visit the CBP’s website at [www.cbp.org](http://www.cbp.org).*

## ENDNOTES

- <sup>1</sup> Spending data in this *Policy Basics* reflect expenditures from the state’s General Fund, rather than *total* state expenditures, which also include special funds and bond funds. General Fund revenues are the primary source of state funding for programs and services and are flexible – that is, they are not restricted to a particular purpose. General Fund expenditures reported for 2010-11 are estimated.
- <sup>2</sup> California spent more than half of its General Fund dollars on public schools and higher education in all but eight fiscal years between 1980-81 and 2010-11. Education’s share of General Fund spending never dropped below 48.6 percent during that period.
- <sup>3</sup> Since 1980-81, the share of General Fund spending allocated to health and human services each year has fluctuated between 25.4 percent and 34.1 percent, but has generally declined since the mid-1990s. The state allocated at least 30 percent of General Fund dollars to health and human services in nearly every fiscal year between 1980-81 and 1996-97, but in only two fiscal years between 1997-98 and 2010-11.