

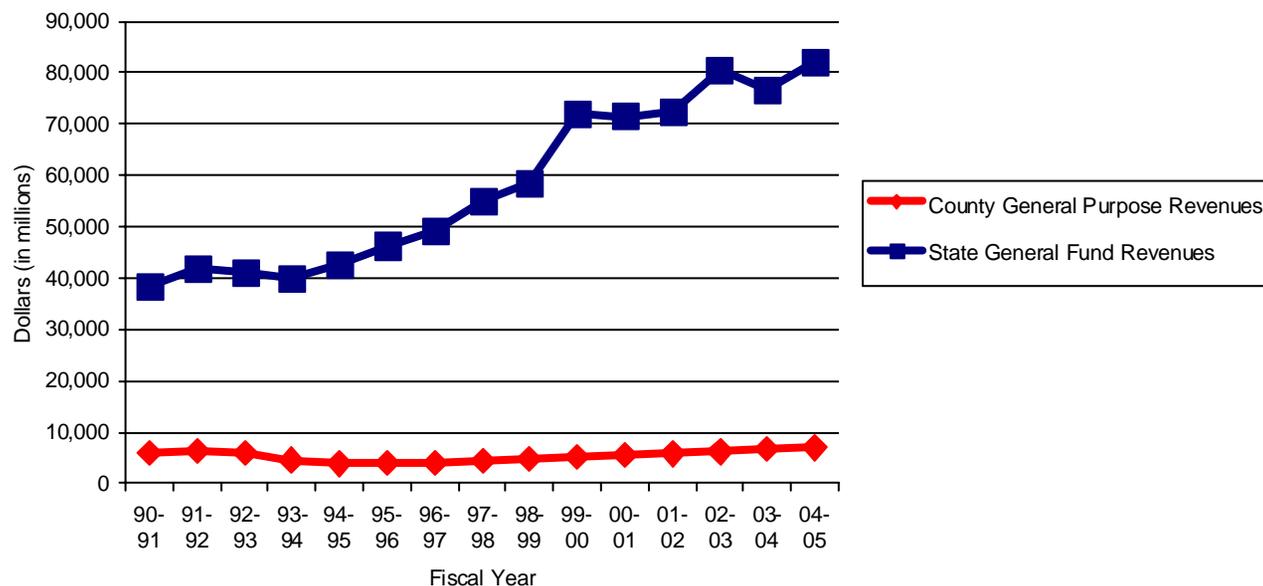


The Real Story: County General Purpose Revenues 1990-2005

In response to interest in county revenues by the Legislature and the Administration, CSAC reviewed state and county revenues over the last 15 years. During that time period, county general purpose revenues have grown approximately 18.0%, according to State

Controller's Office Annual Reports. Over the same time period, the state's general fund revenue growth has reached the significant number of 114.5%, according to data provided by the Department of Finance.

State and County Revenue Growth



Given the state's rapidly growing population, increasing cost of services, and rising caseloads, counties do not assert that the state's revenue growth is extraordinary or inappropriate; in fact, we recognize the difficult fiscal constraints facing the state in the coming years. We only point out the comparison to illustrate the differences in revenue growth between the two levels of government.

County general purpose revenues have just in recent years reached the level they were prior to the ERAF shifts of the early 1990s.

Some counties still have not been able to replace services such as clinics and libraries that were cut back or eliminated in the 1990s. Despite the passage of Proposition 1A (2004), counties along with other local governments, continue to shift property tax revenues to ERAF of \$5.5 billion, as of 2004-05. Counties' share of that total is \$4.2 billion, or 76 percent.

Property Taxes: Up, Down, Flat

Certainly, the state's recent real estate boom has resulted in notable revenue growth for both the state and local governments. On a statewide basis, property tax revenues have grown significantly over the past five or so years. This has benefited local governments, as property tax revenues are now constitutionally protected as a result of Proposition 1A. Property tax growth has also benefited the state, as increased local property tax revenues means reduced state general fund contributions to schools under Proposition 98 (Tests 1 and 2). Of course, property tax revenue growth has varied considerably by region.

Conversely, the recent real estate slowdown will likely mean significantly constrained local budgets. Property tax revenue growth has dropped considerably in many parts of the state and will continue to decline as the housing market slows. Many counties are adjusting their revenue growth projections downward to half of the previous year's growth due to the dwindling real estate market.

Counties Experience Cost Pressures

Counties in particular face similar expenditure pressures to the state in terms of caseload growth for public services, rising health care costs (counties are both employers and providers of health care), and infrastructure costs due to growth. As the economy declines, the need for services such as mental health, health care, and human services always increases.

More County Revenue Facts

Beginning in 2004, counties and cities received property taxes from ERAF in exchange for Vehicle License Fee (VLF) revenues received from the state. In budget years 2004-05 and 2005-06, counties, cities, and special districts contributed to a one-time, two-year additional ERAF payment of \$1.3 billion per year. This shift, known as ERAF III, ended in 2006-07. Counties and cities continue to receive property tax revenues in lieu of VLF.

State and County Revenue Growth
(dollars in millions)

	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	Total Growth
State General Fund (\$)	38,213	42,026	40,946	40,095	42,710	46,296	49,219	54,972	58,615	71,930	71,428	72,238	80,563	76,774	81,974	
% Change	0	10.0	-2.6	-2.1	6.5	8.4	6.3	11.7	6.6	22.7	-0.7	1.1	11.5	-4.7	6.8	114.5%
County General Purpose (\$)	5,910	6,336	5,989	4,612	3,870	3,976	4,151	4,344	4,858	5,050	5,504	5,770	6,151	6,751	6,975	
% Change	0	7.2	-5.5	-23.0	-16.1	2.7	4.4	4.6	11.8	4.0	9.0	4.8	6.6	9.8	3.3	18.0%

Source, State Data: California Department of Finance, http://www.dof.ca.gov/Budgeting/Budget/FAQs/Budget_FAQs.asp#3

Source, County Data: State Controller's Annual Reports, <http://www.sco.ca.gov/ard/local/locprep/index.shtml#publications>

Note: County general purpose revenues include property taxes, sales taxes, and other taxes. Due to the variable receipts of Vehicle License Fee revenues in 2003-04 and 2004-05, VLF was not included in the calculations. It is unlikely that its inclusion would have altered the results significantly.