

California

From 2002 to 2008, California's spending increased the most in the debt service (66%), corrections (58%), and hospitals (58%) categories. The increases in corrections and highway spending were each the seventh-highest in the nation in terms of percentage. The state's per-capita spending on corrections, health, natural resources and welfare each rank among the top 10 in the nation. The spending categories that saw the least growth were health (+23%), police (+19%), and parks and recreation (-49%). The reduction in parks and recreation spending was the fourth-highest in the nation. The state's overall general spending increase of 32% put it slightly below the state average, ranking 34th highest, yet the 38% increase in direct spending, the category over which the legislature has the most control, was slightly higher than the state average (24th).

California's total tax revenue growth of 51% ranked 14th for the period, and its total overall revenue growth of 33% ranked 40th. Corporate income taxes were the fastest growing tax revenue category, increasing 122% and ranking 23rd-highest. Relative to other states, California saw its greatest revenue growth in personal income taxes, increasing 69% and ranking sixth highest.

Spending (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	5,596,427	12	8,829,940	5	+7	58%	7
Education	53,610,067	13	73,276,865	19	-6	37%	35
Government Administration	6,933,060	14	8,838,202	15	-1	27%	30
Health	9,714,786	8	11,992,534	9	-1	23%	33
Highways	7,898,554	48	12,173,649	34	+14	54%	7
Hospitals	4,356,641	21	6,888,770	22	-1	58%	18
Interest on Debt	3,404,946	30	5,650,752	24	+6	66%	14
Natural Resources	3,184,490	15	4,885,087	7	+8	53%	10
Parks and Recreation	949,480	17	483,692	39	-22	-49%	47
Police Protection	1,376,082	23	1,642,063	24	-1	19%	32
Public Welfare	42,965,482	7	60,191,685	10	-3	40%	26
Salaries and Wages	19,938,389	36	27,788,543	32	+4	39%	14
Direct Expenditures	83,548,067	40	115,138,857	38	+2	38%	24
General Expenditures	158,235,437	11	208,782,657	15	-4	32%	34
Total Expenditures	184,927,602	11	246,683,951	13	-2	33%	30

Taxes (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax ¹	33,046,665	6	55,745,970	4	+2	69%	6
General Sales Tax ²	23,816,406	17	31,972,874	18	-1	34%	22
Corporate Income Tax ³	5,333,036	5	11,849,097	6	-1	122%	23
Total Taxes	77,755,376	8	117,361,976	12	-4	51%	14
Total Revenue	151,245,388	15	201,069,818	24	-9	33%	40

¹ Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

² General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

³ Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

Comparison to Baseline Growth

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and California’s population increased by 5%. This yields a “baseline” growth of 25% for the period. The figure below compares the difference in California’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

