

California

Federal Policies Have Cost California \$21 Billion over the Past Four Years

Federal Policies Affect California Revenue and Spending Levels, 2002-2005

*Cost to
California*

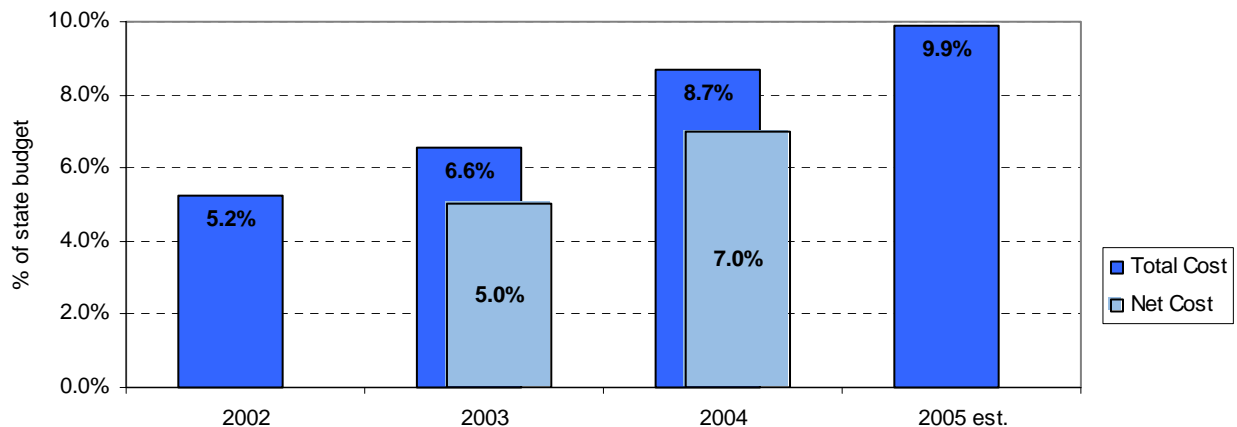
➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$2.3 billion
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$8.0 billion
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$822 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$8.4 billion
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$4.0 billion
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$2.4 billion)
	TOTAL COST (net of fiscal relief), 2002-2005:	\$21 billion

Federal Policies Have Worsened California's Fiscal Problems

*Ranking among 50
states plus D.C.*

➤	Total cost as percent of General Fund budget (2002-2005):	7.6%	30th
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	6.8%	29th

Net Cost of Federal Policy to California as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.