

**COMMUNITY DEVELOPMENT ASSESSMENT
FOR
THE STATE OF CALIFORNIA**

**A GUIDE TO CALIFORNIA'S
COMMUNITY DEVELOPMENT ENVIRONMENT**

COMMUNITY AFFAIRS DEPARTMENT
FEDERAL RESERVE BANK OF SAN FRANCISCO

FOREWORD

Anne McDonough-Hughes

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The Community Affairs Department of the Federal Reserve Bank of San Francisco has developed a new series of reports for the nine states in the Twelfth District that both detail the demographic, economic, governmental, and institutional underpinnings of each state and provide an analysis of the various community development needs within each state. These reports, which we are calling “Environmental Assessments,” are meant to provide a framework for the array of community development activities that the department undertakes across the District. The hope is that the reports will not only provide a helpful compilation of existing community development needs and resources for each state, but will also allow us to target our time and resources to those areas that both show the greatest need and offer the opportunity for the most meaningful role.

We hope that you will find these Environmental Assessments useful and that the information presented will enhance your understanding of the state of community development in each location.

We look forward to your comments and suggestions.

Joy Hoffmann
Vice President
Community Affairs Department

Jack Richards
Senior Community Affairs Manager
Community Affairs Department

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METHODOLOGY

In an attempt to provide a framework for performing our own community development work, the Community Affairs Department of the Federal Reserve Bank of San Francisco has produced separate reports entitled “environmental assessments” for each of the nine states which comprise the Federal Reserve’s Twelfth District: Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, and Utah. Each report is divided into two sections: one covering the overall “Community Development Environment” in the state, and the other covering the “Community Development Needs and Resources” in the state. These environmental assessments are intended to bring together available research and information in both of these areas.

Specifically, the chapters in the “Community Development Environment” section cover the demographic, economic, governmental, and institutional underpinnings in each state, providing detail such as each state’s industrial structure, economic outlook, banking system, nonprofit groups, and government departments involved in community development. In the second section, each report delves into four separate areas of “Community Development Needs and Resources:” affordable housing, small business, poverty and asset accumulation, and issues specific to native people and immigrants.

A key resource for both the data and the approach taken in this effort was the *2002 State Asset Development Report Card*, published by an influential research and advocacy organization, CFED (formerly known as the Corporation for Enterprise Development). CFED’s report analyzes a great deal of data on a range of factors affecting asset accumulation and poverty for each state in the nation. The CFED report divides its analysis into separate evaluations of “Asset Outcomes” and “Asset Policies” for each state, producing an overall grade (A, B, C, D, or F) for each. Not only do our reports reference virtually all of the individual rankings which feed into CFED’s two overall grades, but they also follow a somewhat similar approach in dividing each of the community development areas in each state (affordable housing, small business, poverty and asset accumulation, and native people and immigrant issues) between “needs” and “resources” in a manner similar to CFED’s “Asset Outcomes” and “Asset Policies.”

The reports then build on these CFED comparisons by drawing on the considerable resources already produced by a variety of national and local organizations in these subject areas for each state, pulling together their major data, analyses, and conclusions into one single report. The reports were designed by Scott Turner, who managed the project, with additional oversight and editing by Jack Richards. This California Environmental Assessment was written by a second year student from the Goldman School of Public Policy at the University of California, Berkeley, Anne McDonough-Hughes. The California Environmental Assessment was also supported by significant data and material gathering by a member of the Community Affairs Department’s field staff, Melody Winter Nava, and Kathryn Ton, a graduate student intern during the summer of 2004. Websites referenced in this report were accessed between September and December of 2004, and we have attempted to provide accurate links to content referenced, although content and/or location may change over time. We should note here

that while the Federal Reserve Bank of San Francisco sponsored these environmental assessments, they reflect only the views of the author.

We gratefully acknowledge the community development practitioners in each state who agreed to review drafts of these reports and provide helpful feedback. In addition, we have attempted to ensure there are no errors or omissions in this report, but encourage you to contact us if you believe important changes are warranted. Please contact us by the end of February 2005, and we will be pleased to make appropriate revisions and post an edited version of the reports on our website in March 2005.

CONCLUSIONS

COMMUNITY DEVELOPMENT ENVIRONMENT

1. Demographics

California is the third largest state in the U.S. in total area¹ and, based on its 2003 population of approximately 35.5 million people, **the largest overall in terms of population.**² The state's **population has been increasing relatively quickly in the past few years**, growing 4.8% between 2000 and 2003, the ninth-fastest growth rate in the country during that time period.³ In terms of race and ethnicity, California has much lower proportions of White and Black/African-American residents and much higher proportions of Asian residents and residents of Hispanic or Latino origins than the U.S. as a whole.⁴

2. Economy

California's economy is the largest in the U.S. and the sixth largest in the world.⁵ The state's gross state product (GSP) in 2003 exceeded \$1.4 trillion, with the largest shares of GSP contributed by services, finance and real estate, and manufacturing.⁶ **California's economy appears to be improving, although it is still feeling the effects of the recession of 2001-2002.** Signs of improvement include increases during FY 2004 in taxable sales, personal income, permits for new construction, and company profits.⁷ However, **job growth continues to be a problem for the state.** In the second quarter of 2004, California ranked 33rd nationally for job growth, although, as a whole, it has stopped losing jobs. Job growth has been concentrated in central and rural California, while the San Francisco Bay Area continues to lose jobs, albeit at a slower pace.⁸

3. Governmental and Financial Sectors

The State of California's financial position was damaged by the recent recession, and has yet to fully recover.⁹ Despite higher-than-expected tax revenues in FY 2004, California's Legislative Analyst's Office (LAO) has forecast that, **assuming present spending and revenue policies continue, the state will face a nearly \$10 billion structural budget shortfall by 2006-07.**¹⁰ In California's financial sector, there are 329

¹ Netstate.com, *The Geography of CA*, http://www.netstate.com/states/geography/ca_geography.htm.

² U.S. Census Bureau, *Statistical Abstract of the United States: 2003*, <http://www.census.gov/statab/www/ranks.html>.

³ Ibid.

⁴ U.S. Census Bureau, Census 2000 Data, <http://www.census.gov/main/www/cen2000.html>.

⁵ LAO, *CAL Facts*, December 2004, http://www.lao.ca.gov/2004/cal_facts/2004_calfacts_toc.htm, p. 1.

⁶ Bureau of Economic Analysis, *2003 and 2001 Gross State Product*, <http://www.bea.doc.gov/bea/regional/data.htm>.

⁷ LAO, *California's Fiscal Outlook: LAO Projections, 2004-05 through 2009-10*, November 2004, p. 13.

⁸ FDIC, *California State Profile*, Fall 2004.

⁹ California State Controller, *Popular Annual Financial Report for the Year Ended June 30, 2003*, p. 8.

¹⁰ LAO, *California's Fiscal Outlook*, p. 1.

separately chartered banks and thrifts, though nearly half of the FDIC-insured deposits in the state are controlled by three of them.¹¹ There are also 589 credit unions, which together control 9.1% of combined bank/credit union assets, slightly higher than the national average.¹² California also has 60 certified Community Development Financial Institutions,¹³ which together had \$450 million in financing outstanding to more than 34,500 customers in the state at the end of FY 2002.¹⁴

COMMUNITY DEVELOPMENT NEEDS AND RESOURCES

1. Affordable Housing

Housing supply in California remains tight, which has contributed to a serious shortage of affordable housing in the state. **California has the third-lowest homeownership rate** in the country, with only 58% of households owning their own home. This situation does not seem likely to change in the near future, as **only 19% of California households were able to afford the median-priced home in the state in September 2004, down five percentage points from September 2003.**¹⁵ Rental housing is not much more affordable for lower-income individuals and families, as **California has the most unaffordable rental housing in the country.** A recent analysis by the state's Department of Housing and Community Development suggests that California's housing woes will likely plague the state well into the future and that aggressive action will be necessary to address them.¹⁶

2. Small Business

Small business is important to California's economy, with **10.6% of the state's employment attributable to firms with fewer than 10 employees.** California receives relatively positive reviews for certain non-cost related aspects of its business climate and small business resources, **earning praise for its job growth due to new business, entrepreneurship rate, and resource efficiency,**¹⁷ and **ranking third overall on its transformation from a traditional economy to an economy based on ideas and innovation.**¹⁸ However, the cost of doing business in California is among the highest in the country,¹⁹ and the state has been rated as having the least-friendly policy environment for entrepreneurship.²⁰

¹¹ FDIC, *Deposit Market Share Report: California*, June 2004.

¹² CA Credit Union League, *Credit Union Fact Sheet*, http://www.cuna.org/download/california_fs.pdf.

¹³ CDFI Fund, U.S. Department of the Treasury, *Certified CDFI's – Alphabetical by State and County*, November 2004.

¹⁴ CDFI Coalition, *CDFIs in California: 2004 Fact Sheet*, <http://www.cdfi.org/states/California2004.pdf>.

¹⁵ California Association of Realtors, *California Housing Affordability Index at 19% in September, Down 5 Points from Year Ago*, November 2004.

¹⁶ Department of Housing and Community Development, *California's Deepening Housing Crisis*, October 2004, www.hcd.ca.gov/hpd/hc100704.pdf.

¹⁷ CFED, *2004 Development Report Card for the States*, <http://drc.cfed.org/grades/california.html>.

¹⁸ Robert Atkinson, Progressive Policy Institute, *The 2002 State New Economy Index*, June 2002, tables.

¹⁹ Milken Institute, *State of the State 2004 Conference Briefing Book*, October 2004, pp. 50-56.

²⁰ Small Business & Entrepreneurship Council, *Small Business Survival Index 2004*, October 2004.

3. Poverty and Asset Accumulation

Overall, California ranks somewhat below average on measures of poverty and asset accumulation. California's mean net worth is relatively high, ranking the state 11th nationally on that measure.²¹ However, this strong ranking masks other troubles. The state's **poverty rate is slightly higher than the nation's as a whole, and is the 16th highest of all the states.** The state also has the third-highest asset poverty level and the eighth-highest percentage of households with zero or negative net worth.²² **Poverty rates in California vary widely by county**, ranging from 5.8% in Placer and San Mateo Counties to 23.9% in Tulare County.²³ In contrast to its relatively weak asset outcomes, the state is credited with a number of supportive asset accumulation and preservation policies, particularly its support for affordable homeownership, its low income tax threshold, and its expansion of Medicaid coverage.²⁴

4. Native Americans and Immigrants

California has the largest **Native American population in the nation,**²⁵ **although it ranks only 16th nationally in terms of Native Americans as a percentage of state population.** Despite widespread attention to tribal gaming in recent years, fewer than half of California's 107 federally-recognized tribes operate gaming facilities, and **Native Americans in California have higher rates of poverty, lower household incomes, less education, and higher rates of unemployment than non-California reservation Indians.**²⁶ California's state government has made some legislative efforts to help Native Americans in the past several years, but there are still significant challenges to be addressed.²⁷

Approximately **26% of California's population is foreign born**, the highest proportion among the states. More than half of foreign-born residents hail from Latin America, and another third come from Asia.²⁸ **Nineteen percent of California's immigrants live below the poverty level**, slightly higher than the national average for immigrants. **The state does provide more generous TANF benefits to legal immigrants than many states, but additional resources are required** to meet the needs of this population.²⁹

²¹ CFED, *State Asset Development Report Card (SADRC)*, 2002, p. 36.

²² Ibid.

²³ U.S. Census Bureau, Census 2000 Data.

²⁴ CFED, *SADRC*, p. 36.

²⁵ U.S. Census Bureau, Census 2000 Data.

²⁶ Alliance of California Tribes, *Background and Questions & Answers*, <http://www.allianceofcatribes.org>.

²⁷ Ibid.

²⁸ U.S. Census Bureau, Census 2000 Data.

²⁹ California Immigrant Welfare Collaborative, *California Update*, August 10, 2004.

STATE OF CALIFORNIA
SELECTED COMMUNITY DEVELOPMENT INDICATORS

<i>Affordable Housing</i>	<i>Rate</i>	<i>State Rank</i>
Homeownership Rate ³⁰	58.0%	48 th
Rental Affordability Rate ³¹	--	50 th
Severely Cost Burdened Renter Households ³²	25.3%	46 th
<hr/>		
<i>Small Business</i>		
Small Business Employment Rate ³³	10.6%	31 st
Entrepreneurship Rate ³⁴	14.3%	11 th
Level of Private Loans to Small Businesses ³⁵	--	26 th
<hr/>		
<i>Poverty and Asset Accumulation</i>		
Poverty Rate ³⁶	12.9%	35 th
Households with Zero Net Worth ³⁷	16.7%	43 rd
Personal Bankruptcy Rate ³⁸	11.1	19 th
<hr/>		
<i>Native Americans and Immigrants</i>		
Native American Population ³⁹	1.0%	16 th
Native American Poverty Rate ⁴⁰	21.9%	--
Foreign-Born Population ⁴¹	26.2%	1 st
Foreign-Born Poverty Rate ⁴²	19.1%	--

³⁰ U.S. Census Bureau, *U.S. Statistical Abstract 2003*; represents the percentage of housing units that are occupied by owners, ranked from highest percentage (1st)

³¹ NLIHC; rank is calculated based on a weighted average of the state's median gross rent, renter market affordability ratio, and percent of severely cost-burdened renters, ranked from most affordable (1st)

³² NLIHC; *Up Against a Wall*, November 2004; represents the percentage of renter households in the state spending more than 50% of their income on rent in 2003, ranked from lowest percentage (1st)

³³ U.S. Census Bureau, *County Business Patterns 2001*; represents the share of total state employment attributable to firms with fewer than 10 employees, ranked from highest share (1st)

³⁴ CFED, *SADRC*; represents the percentage of the labor force that owns employer and non-employer firms as of 2000, ranked from highest percentage (1st)

³⁵ *Ibid*; represents the amount of private business loans under \$1 million per worker, ranked from highest amount (1st)

³⁶ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2003*; represents the average percent of people living below the federal poverty level during the period from 2001 to 2003, ranked from lowest percentage (1st)

³⁷ CFED, *SADRC*; represents the percentage of households with zero or negative net worth, ranked from lowest percentage (1st)

³⁸ American Bankruptcy Institute; represents personal bankruptcy filings in 2003 per thousand households in the state, ranked from fewest filings (1st)

³⁹ U.S. Census Bureau, *Census 2000*; represents the percentage of the state's population composed of Native Americans and Alaska Natives (only) ranked from highest percentage (1st)

⁴⁰ *Ibid*; represents the percentage of Native American/Alaska Native (only) individuals living below the federal poverty level at any time in 1999

⁴¹ *Ibid*; represents the percentage of the state's population composed of foreign-born individuals, ranked from highest percentage (1st)

⁴² *Ibid*; represents the percentage of foreign-born individuals living below the federal poverty level at any time in 1999

I. DEMOGRAPHICS

1. Geography

California has a land area of 155,959 square miles⁴³ and is the **third-largest state in the U.S. in total area**. It shares borders with Oregon, Mexico, Nevada, and Arizona. The state is very diverse topographically, with an 840 mile coastline, numerous mountain ranges, vast stretches of desert, and large areas of fertile plains.



Source: Infoplease.com

Geographically and topographically speaking, California can be divided into eight regions: 1) the Klamath Mountains, in the northwest corner of the state; 2) the Coastal Ranges, extending from the Klamath Mountains to Santa Barbara; 3) the Sierra Nevada, running from north to south in the Eastern part of the state; 4) the Central Valley, between the Coastal Range and the Sierra Nevada Range; 5) the Cascade mountains,

⁴³ U.S. Census Bureau, *California QuickFacts*, <http://quickfacts.census.gov/qfd/>.

which extend north from the Sierra Nevada mountain range; 6) the Basin and Range Region, which includes the southeastern deserts of California; 7) the Los Angeles Ranges, a group of small mountains between Santa Barbara and San Diego Counties; and 8) the San Diego Ranges, in the southwestern corner of the state.⁴⁴

2. Population

California is the most populous state in the nation, and was home to approximately 35.5 million residents as of July 2003.⁴⁵ Between 2000 and 2003, the state's population increased by 4.8% (as compared to a 3.3% increase in the U.S. overall), ranking the state ninth-highest nationally in population growth during this time. The increase from 2000 to 2003 came on top of a 13.6% increase between 1990 and 2000 (on par with the national increase of 13.1%).⁴⁶ California's population growth between 1990 and 2000 was led by Placer County (44% increase) and Madera County (40% increase), although, as the table below indicates, all but three counties in the state saw an increase in population during this time.⁴⁷ The highest population growth rates in more recent years have occurred in the Central Valley and Foothill counties and in Riverside and San Bernardino Counties in Southern California. **The five Southern California Counties of Los Angeles, Orange, Riverside, San Bernardino, and San Diego accounted for 55% of the state's population as of 2004 and 59% of the total increase in population since 1999.**⁴⁸

1990 and 2000 Population by County

<i>County</i>	<i>1990 Population</i>	<i>2000 Population</i>	<i>% Change</i>
Alameda	1,276,702	1,443,741	13.1%
Alpine	1,113	1,208	8.5%
Amador	30,039	35,100	16.8%
Butte	182,120	203,171	11.6%
Calaveras	31,998	40,554	26.7%
Colusa	16,275	18,804	15.5%
Contra Costa	803,732	948,816	18.1%
Del Norte	23,460	27,507	17.3%
El Dorado	125,995	156,299	24.1%
Fresno	667,490	799,407	19.8%
Glenn	24,798	26,453	6.7%
Humboldt	119,118	126,518	6.2%
Imperial	109,303	142,361	30.2%
Inyo	18,281	17,945	-1.8%
Kern	544,981	661,645	21.4%
Kings	101,469	129,461	27.6%

⁴⁴ Netstate.com, *The Geography of California*,

http://www.netstate.com/states/geography/ca_geography.htm.

⁴⁵ U.S. Census Bureau, *Statistical Abstract of the United States: 2003*,

<http://www.census.gov/statab/ranks/contents.html>.

⁴⁶ U.S. Census Bureau, *California QuickFacts*.

⁴⁷ U.S. Census Bureau, Census 2000 Data.

⁴⁸ California Legislative Analyst's Office (LAO), *CAL Facts*, December 2004,

http://www.lao.ca.gov/2004/cal_facts/2004_calfacts_toc.htm, p. 8.

Lake	50,631	58,309	15.2%
Lassen	27,598	33,828	22.6%
Los Angeles	8,863,052	9,519,338	7.4%
Madera	88,090	123,109	39.8%
Marin	230,096	247,289	7.5%
Mariposa	14,302	17,130	19.8%
Mendocino	80,345	86,265	7.4%
Merced	178,403	210,554	18.0%
Modoc	9,678	9,449	-2.4%
Mono	9,956	12,853	29.1%
Monterey	355,660	401,762	13.0%
Napa	110,765	124,279	12.2%
Nevada	78,510	92,033	17.2%
Orange	2,410,668	2,846,289	18.1%
Placer	172,796	248,399	43.8%
Plumas	19,739	20,824	5.5%
Riverside	1,170,413	1,545,387	32.0%
Sacramento	1,041,219	1,223,499	17.5%
San Benito	36,697	53,234	45.1%
San Bernardino	1,418,380	1,709,434	20.5%
San Diego	2,498,016	2,813,833	12.6%
San Francisco	723,959	776,733	7.3%
San Joaquin	480,628	563,598	17.3%
San Luis Obispo	217,162	246,681	13.6%
San Mateo	649,623	707,161	8.9%
Santa Barbara	369,608	399,347	8.0%
Santa Clara	1,497,577	1,682,585	12.4%
Santa Cruz	229,734	255,602	11.3%
Shasta	147,036	163,256	11.0%
Sierra	3,318	3,555	7.1%
Siskiyou	43,531	44,301	1.8%
Solano	339,471	394,542	16.2%
Sonoma	388,222	458,614	18.1%
Stanislaus	370,522	446,997	20.6%
Sutter	64,415	78,930	22.5%
Tehama	49,625	56,039	12.9%
Trinity	13,063	13,022	-0.3%
Tulare	311,921	368,021	18.0%
Tuolumne	48,456	54,501	12.5%
Ventura	669,016	753,197	12.6%
Yolo	141,210	168,660	19.4%
Yuba	58,228	60,219	3.4%

Source: California Department of Finance, Official State Estimates.

At the city level, Los Angeles is by far the state's largest city, with a population of slightly more than 3.9 million, more than three times greater than that of the next largest city, San Diego. Other cities in California with a population of at least 300,000 include

San Jose, San Francisco, Long Beach, Fresno, Sacramento, Oakland, Santa Ana, and Anaheim.⁴⁹

The population of California is slightly younger than that of the U.S. as a whole, with a median age of 33.3, compared to 35.3 for the U.S. Individuals under age 18 account for 27.3% of California's population, as compared to 25.7% of the U.S. overall. The proportion of California's population that is 65 and over (10.6%) is also somewhat lower than that of the U.S. (12.4%).⁵⁰

3. Metropolitan Statistical Areas

Geographically, **California is divided into 26 metropolitan statistical areas (MSAs)**, three of which are new as of the 2000 Census: El Centro, Hanford-Corcoran, and Madera.⁵¹ The Los Angeles-Long Beach-Santa Ana MSA is the largest MSA in California and the second largest in the U.S., home to nearly 13 million people. The table below ranks California's MSAs by population as of July 2002.

California's Metropolitan Statistical Areas

<i>MSA</i>	<i>Counties Included</i>	<i>2002 Population</i>
Los Angeles-Long Beach-Santa Ana	Los Angeles and Orange Counties	12,745,084
San Francisco-Oakland-Fremont	Alameda, Contra Costa, Marin, San Francisco, and San Mateo Counties	4,179,500
Riverside-San Bernardino-Ontario	Riverside and San Bernardino Counties	3,515,184
San Diego-Carlsbad-San Marcos	San Diego County	2,906,660
Sacramento--Arden-Arcade--Roseville	El Dorado, Placer, Sacramento, and Yolo Counties	1,930,191
San Jose-Sunnyvale-Santa Clara	San Benito and Santa Clara Counties	1,739,443
Fresno	Fresno and Madera Counties	834,632
Oxnard-Thousand Oaks-Ventura	Ventura County	783,920
Bakersfield	Kern County	694,059
Stockton	San Joaquin County	614,302
Modesto	Stanislaus County	482,440
Santa Rosa-Petaluma	Sonoma County	468,386
Salinas	Monterey County	413,408
Vallejo-Fairfield	Solano County	411,072
Santa Barbara-Santa Maria-Goleta	Santa Barbara County	403,084
Visalia-Porterville	Tulare County	381,772
Santa Cruz-Watsonville	Santa Cruz County	253,814
San Luis Obispo-Paso Robles	San Luis Obispo County	253,408
Merced	Merced County	225,398
Chico	Butte County	209,203
Redding	Shasta County	171,799
El Centro	Imperial County	146,248

⁴⁹ California Department of Finance, *City/County Population Estimates with Annual Percent Change*, May 2004, <http://www.dof.ca.gov/HTML/DEMOGRAP/E-1table.xls>.

⁵⁰ U.S. Census Bureau, *California QuickFacts*.

⁵¹ White House Office of Management and Budget, *OMB Bulletin 03-04 Attachment: Metropolitan Statistical Areas, Micropolitan Statistical Areas, Combined Statistical Areas, New England City and Town Areas, and Combined New England City and Town Areas -2003*, http://www.whitehouse.gov/omb/bulletins/b03-04_attach.pdf.

Yuba City-Marysville	Sutter and Yuba Counties	144,919
Hanford-Corcoran	Kings County	135,043
Napa	Napa County	130,268
Madera	Madera County	130,265

Sources: White House Office of Management and Budget (OMB) and Proximity (<http://proximityone.com>)

4. Race and Ethnicity

When it comes to the racial and ethnic composition of its population, California varies substantially from the U.S. as a whole. California has **much lower proportions of White and African American residents** and **much higher proportions of Asian residents and residents of Hispanic or Latino origins** than the U.S., as shown in the table below. More than one quarter (26.2%) of California residents are foreign born, compared to just 11.1% of U.S. residents, and 39.5% speak a language other than English at home, compared to only 17.9% in the U.S. as a whole.⁵²

California Population by Race

<i>Race</i>	<i>Number in California Population</i>	<i>% of California Population</i>	<i>% of U.S. Population</i>
White (only)	20,170,059	59.5%	75.1%
Black/African American (only)	2,263,882	6.7%	12.3%
Asian (only)	3,697,513	10.9%	3.6%
American Indian/Native Alaskan (only)	333,346	1.0%	0.9%
Native Hawaiian/Pacific Islander (only)	116,961	0.3%	0.1%
Some other race (only)	5,682,241	16.8%	5.5%
Two or more races	1,607,646	4.7%	2.4%
Persons of Hispanic or Latino Origin*	10,966,556	32.4%	12.5%

Source: U.S. Census Bureau, Census 2000 Data.

*Persons of Hispanic or Latino Origin may be of any race

Population by Race for California's Four Largest Cities

<i>Race</i>	<i>% of Los Angeles Pop.</i>	<i>% of San Diego Pop.</i>	<i>% of San Jose Pop.</i>	<i>% of San Francisco Pop.</i>
White (only)	46.9%	60.2%	47.5%	49.7%
Black/African American (only)	11.2%	7.9%	3.5%	7.8%
Asian (only)	10.0%	13.6%	26.9%	30.8%
American Indian/Native Alaskan (only)	0.8%	0.6%	0.8%	0.5%
Native Hawaiian/Pacific Islander (only)	0.2%	0.5%	0.4%	0.5%
Some other race (only)	25.7%	12.4%	15.9%	6.5%
Two or more races	5.2%	4.8%	5.0%	4.3%
Persons of Hispanic or Latino Origin*	46.5%	25.4%	30.2%	14.1%

Source: U.S. Census Bureau, Census 2000 Data.

*Persons of Hispanic or Latino Origin may be of any race

⁵² U.S. Census Bureau, Census 2000 Data.

5. Educational Attainment

Educational attainment for adults in California is mixed compared to that for the U.S. as a whole—only 80.2% of California adults have completed at least through high school, as compared to 83.6% nationwide, but 29.1% have a bachelor’s degree or higher, as compared to 26.5% nationwide. As of 2003, California ranked 12th nationally for the percentage of residents age 25 or over with at least a bachelor’s degree, but only 42nd nationally for the percentage of adults who had completed high school.⁵³

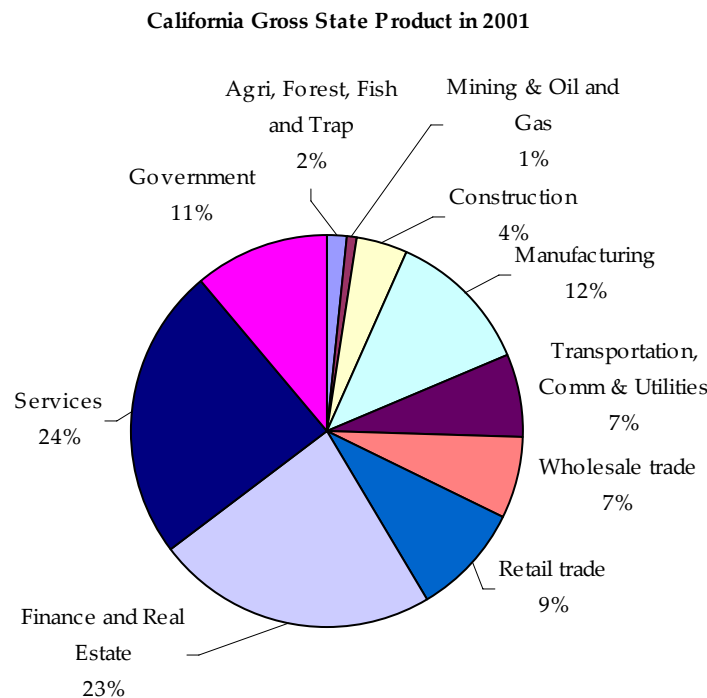
⁵³ U.S. Census Bureau, 2003 American Community Survey Data, <http://www.census.gov/acs/www/>.

II. ECONOMY

A. ECONOMIC STRUCTURE

1. Major Industries

Gross state product (GSP) is one of the most-frequently used comprehensive measures of an economy. It is defined as the value added in production by the labor and property located in a state, and is derived as the sum of the GSP originating in all industries in the state. The Bureau of Economic Analysis reports GSP estimates approximately 18 months after the end of each year. **California's GSP for 2003, the most recent year available, was approximately \$1.45 trillion, ranking the state first in the nation.** The state's per capita GSP for the same year was \$40,762, 10.6% greater than the U.S. average, ranking the state 11th highest in the U.S. on that measure.⁵⁴ The chart below shows the breakdown of California's 2001 GSP by sector.



Source: Bureau of Economic Analysis

Leading sectors in California's economy include manufacturing, high technology, agriculture and food processing, and tourism, each of which is explained in more detail in the following pages.

⁵⁴ Bureau of Economic Analysis (BEA), *2003 and 2001 Gross State Product*, <http://www.bea.doc.gov/bea/regional/data.htm>.

a. Manufacturing

Manufacturing accounts for 12% of California's GSP⁵⁵ and approximately 11% of its employment.⁵⁶ Within the manufacturing industry, the largest sector in the state overall is electronic equipment, followed by industrial machinery, instruments, and chemicals. However, **different regions in the state depend on very different manufacturing activities to sustain the local economy.** Examples of manufacturing emphases in different regions include:⁵⁷

- **San Diego:** biotechnology, electronic components, aircraft and parts, toys and sporting goods, and communication equipment
- **Orange County:** electronic components, women's and misses outerwear, medical instruments and supplies, and plastic products
- **Los Angeles:** women's and misses' outerwear, aircraft and parts, search and navigation equipment, and commercial printing
- **San Jose:** electronic components, computers and office equipment, measuring and controlling devices, and communications equipment
- **San Francisco:** women's and misses' outerwear, computer and office equipment, drugs, and measuring and controlling devices
- **Oakland:** electronic components, computers and office equipment, petroleum refining, and commercial printing
- **Sacramento:** computer and office equipment, electronic components, ophthalmic goods, and millwork and plywood

California's manufacturing industry presently faces several challenges, including increased competition from globalization and the rising costs of doing business in the state.⁵⁸ **Over the past few decades, indicators of manufacturing vitality have slipped.** As of 2003, approximately 1.5 million workers were employed in the manufacturing industry, down 15.7% from 1983. During the same time period, estimates are that manufacturing's share of state GSP declined from 16% to 10%.⁵⁹

However, the most recent data suggests that **manufacturing activity in the state may be picking up.** Employment in manufacturing showed year-over-year growth in the second quarter 2004 for the first time since the beginning of the 2001 recession, and employment in the sector had been rising since March 2004. Economy.com also notes that California's industrial production growth rate is up by over 8%, ahead of the U.S. as a whole. The firm attributes the growth in California's manufacturing sector to increased spending in the defense and commercial aerospace sectors, improving exports, increased

⁵⁵ BEA, *2001 Gross State Product*.

⁵⁶ Economy.com, *California State Profile*, August 2004.

⁵⁷ Milken Institute, *Manufacturing Matters: California's Performance and Prospects*, August 2002, http://www.cmta.net/turning_california_around/milken/ManufacturingMatters.pdf, pp. 3-5.

⁵⁸ Milken Institute, *State of the State 2004 Conference Briefing Book*, October 2004, p. 7.

⁵⁹ *Ibid*, p. 56.

amounts of venture capital in the state, and recovering demand for electronics and telecom equipment.⁶⁰

b. High Technology

High-technology industries, including such industries as motion pictures, computers, computer system design, software publishers, pharmaceuticals, and medical labs, play a large part in California's economy. **California's high-technology industry employed approximately 1.29 million people in 2003, down from a high of 1.38 million in 1998.** The sector lost nearly 80,000 jobs between 2002 and 2003, accounting for more than half of the jobs lost in California during that time period. During the same time period, real GDP for the technology industry in California declined 2%, from approximately \$163 billion to less than \$160 billion.⁶¹

c. Agriculture and Food Processing

California is the largest agricultural producer and exporter in the United States, producing \$27.9 billion in agricultural commodities in 2003⁶², and Fresno is the nation's leading agricultural county, producing \$3.4 billion in agricultural products in 2002. California's other top-ranked agricultural counties include Tulare, Monterey, Kern and Merced.⁶³ Farms and farm-related jobs account for 13.8% of employment in the state as a whole and 19.3% of employment in rural areas. As of 2002, 27.6% of California's total land area, or 27.59 million acres, was being used as farmland. The majority of California's farms are small farms, with 72% of California's 78,500 farms measuring smaller than 100 acres and 67% bringing in sales of less than \$50,000. The state's top agricultural crops in 2003 were dairy products, greenhouse/nursery products, grapes, lettuce, and almonds. In the same year, the state's top exports were vegetables and preparations, fruits and preparations, tree nuts, other crops, and cotton and linters.⁶⁴

d. Travel and Tourism

Travel and tourism is a significant source of revenue and employment for California. **In 2003, travel and tourism expenditures totaled approximately \$78 billion, and the industry employed 894,000 Californians,** more than either information or electronics, making the industry the fourth-largest employer in California.⁶⁵ Approximately 309 million domestic tourists and seven million international tourists traveled to or within the state in 2002, led by California residents, who accounted for approximately 86% of trips

⁶⁰ Economy.com, *California State Profile*, August 2004.

⁶¹ Milken Institute, *State of the State 2004*, pp. 78-79.

⁶² USDA Economic Research Service, *California State Fact Sheet*, Updated December 2004, <http://www.ers.usda.gov/statefacts/CA.htm>.

⁶³ Milken Institute, *State of the State 2004*, p. 95.

⁶⁴ USDA Economic Research Service, *California State Fact Sheet*.

⁶⁵ California Tourism, *California Fast Facts 2004: Statewide and Regional Tourism Facts and Figures*, p. 1, <http://gocalif.com/tourism/pdfs/FastFacts.pdf>. For more information about the effects of tourism on California's economy, visit the "Travel Industry: Research & Statistics" section of the California Tourism website (http://www.gocalif.com/state/tourism/tour_homepage.jsp).

during the year. California's domestic travel was affected by several events during 2003, including the Iraq war, the SARS outbreak in Asia and Canada, and the October 2003 Southern California wildfires, which combined to result in a slowdown for the state of 3% over the previous year as of June 2003. California's lagging travel statistics in 2003 were in contrast to the overall improvement of domestic travel nationwide.⁶⁶ In 2004, California saw rising numbers of international visitors and improved lodging occupancy rates, outperforming the U.S. for lodging occupancy from January through July. However, at least in the area of international visitors, California had still not reached pre-September 11th levels. **Predictions for 2005 were that the travel industry would continue to improve.** The summer 2005 leisure travel forecast is up 3.7% over 2004, and international and business travel are predicted to increase due to the weakened U.S. dollar and increasing corporate profits.⁶⁷

The most popular tourism pursuits in California include sightseeing, visiting theme and amusement parks, and beach and waterfront activities, while the most popular expenditure-based activities are dining, shopping, and entertainment. California Tourism, the state's tourism promotion agency, notes that **tourism within the state helps to stabilize and diversify rural economies**, with the average county in the state earning approximately \$1.3 billion per year in direct travel expenditures. However, travel expenditures vary widely between counties, with the largest share of spending going to Los Angeles County (\$17.6 billion), followed by San Diego County (\$8.6 billion) and San Francisco County (\$7.5 billion).⁶⁸

2. Labor Force and Employment

As of 2003, California had approximately 17.2 million residents in its labor force, which equals roughly 65% of the 16 and over population in the state. Of California's labor force participants, 99.5% is in the civilian labor force and 0.5% is in the armed services. Men outnumber women in the state's labor force, accounting for 55% of workers.⁶⁹ As of 1999, median earnings for male full-time, year-round workers were \$40,627, and for female full-time, year-round workers, \$31,722.⁷⁰

No single industry dominates employment in California, and employment trends by industry generally follow the same pattern as trends for the U.S. as a whole. As of 2003, the industry with the largest percent of total employment was government (16.8%), followed fairly closely by professional and business services (14.6%), retail trade (11.0%), manufacturing (10.7%), and education and health services (10.7%). California's largest employers include Kaiser Permanente, the University of California, SBC Communications, the Boeing Company, and California State University.⁷¹

⁶⁶ Ibid.

⁶⁷ Tiffany Urness, *California Tourism: Review of 2004 and Outlook for 2005*, 16th Annual Southern California Visitor Industry Outlook Conference, November 2004.

⁶⁸ California Tourism, *California Fast Facts 2004*, p. 5.

⁶⁹ U.S. Census Bureau, 2003 American Community Survey Data.

⁷⁰ U.S. Census Bureau, Census 2000 Data.

⁷¹ Economy.com, *California State Profile*, August 2004.

Industry Employment (% of total employment, 2003)

<i>Sector</i>	<i>% of CA Employment</i>	<i>% of U.S. Employment</i>
Construction	5.5%	5.2%
Manufacturing	10.7%	11.2%
Transport/Utilities	3.3%	3.7%
Wholesale Trade	4.5%	4.3%
Retail Trade	11.0%	11.5%
Information	3.3%	2.5%
Financial Activities	6.2%	6.1%
Professional & Business Services	14.6%	12.3%
Education & Health Services	10.7%	12.8%
Leisure & Hospitality Services	9.7%	9.3%
Other Services	3.5%	4.2%
Government	16.8%	16.6%

Source: Economy.com, *California State Profile*, August 2004.

3. Economic Diversity

According to the California Legislative Analyst's Office (LAO), California's economy is highly diversified. The LAO bases its assessment on the fact that California jobs and businesses are divided between a large number of industries, and that its largest economic sectors—services, finance, trade, and manufacturing—include a wide range of subsectors.⁷² Other measures of diversity place California approximately in the middle of the states in its industrial diversity. Economy.com gives the state a rating of .63 on industrial diversity, where a 0 is the least diverse and a 1.0 is the most diverse (reflecting the U.S. as a whole).⁷³ **CFED ranked the state 13th best (most diverse) nationally in industrial diversity in its 2004 Development Report Card for the States, up from 21st in 2003.**⁷⁴

4. Trade

In 2003, California exported \$94 billion worth of goods outside of the U.S., accounting for 13% of U.S. total exports. California was the second largest exporting state in the country in 2003, behind only Texas.⁷⁵ California's top export was digital monolithic integrated circuits (accounting for 6.2% of exports), followed in importance by: 1) parts and accessories for automatic data processing machines; 2) parts of airplanes or helicopters; and 3) automatic data processing units.⁷⁶ The top country California exported to in 2003 was Mexico, which accounted for 15.8% of the state's exports. Rounding out the top five export countries for California were Japan (12.5%), Canada (11.9%), China (5.8%), and South Korea (5.1%).⁷⁷ During 2003, California's exports to

⁷² LAO, *CAL Facts*, December 2004, p. 2.

⁷³ Economy.com, *California State Profile*, August 2004.

⁷⁴ CFED, *2004 Development Report Card for the States*, <http://drc.cfed.org/grades/california.html>.

⁷⁵ Milken Institute, *State of the State 2004*, p. 36.

⁷⁶ U.S. Census Bureau, Foreign Trade Division, *Total U.S. Exports (Origin of Movement) via California Top 25 Commodities Based on 2003 Dollar Value*, <http://www.census.gov/foreign-trade/statistics/state/hs/2003/ca.pdf>.

⁷⁷ U.S. Census Bureau, Foreign Trade Division, *Total U.S. Exports (Origin of Movement) via California*

China and Hong Kong increased by 21.9% and 13.4%, respectively, while exports to Taiwan experienced the largest decrease, falling by 17.6%.⁷⁸ Exports to Asia account for more than 40% of California's exports, linking California's economic performance closely to Asian economic performance.⁷⁹

B. ECONOMIC PERFORMANCE

1. Historic Economic Performance

California's modern economic history is generally considered to have begun with the gold rush of 1848, when thousands of Americans came to California hoping to find riches. Many gold-seekers returned home, but those who stayed created the beginnings of California's modern economy. At its origins, California's economy relied heavily on agriculture. By 1929, California crops were valued at over \$1 billion, and farming was dominated by large, corporate-owned farms. At the same time California agriculture was growing, the state's financial sector was also expanding, largely due to the capital needs of farmers.

The dependence of California on agriculture led the state to develop large-scale irrigation projects, which, in addition to providing the needed water for agriculture, enabled the state to increase its population and diversify its economy into other sectors. One of the first industries to come to California was aerospace, attracted by the state's warm weather. During this time, California also came to dominate the U.S. entertainment industry, beginning with films and moving into TV through the remainder of the century.

Through a combination of the Great Depression and the drought in the Southern Plains from 1928 to 1935, California attracted many migrants from the East Coast and the "Dust Bowl" states, which included Oklahoma, Texas, and Arkansas. Although these migrants were initially impoverished and lived in difficult conditions in labor camps, the advent of World War II improved economic conditions in the state substantially. California attracted 45% of all new war-related manufacturing plants and, as a result, its manufacturing output more than tripled during the war. California companies also developed many electrical products for the military during the war, setting the stage for the state's modern electronics industry.

After World War II, California continued to rely on federal defense-related manufacturing spending for economic growth. Civilian payrolls from the Department of Defense and support services provided to military bases in the state were also an important source of economic strength for the state. However, the end of the Cold War lessened federal defense spending greatly, forcing California to focus on the civilian aspects of its electronics industry. High-technology innovation and manufacturing grew in the state through the 1980s, but did not come into full bloom until the 1990s.

Top 25 Countries Based on 2003 Dollar Value, <http://www.census.gov/foreign-trade/statistics/state/country/2003/ca.pdf>.

⁷⁸ Milken Institute, *State of the State 2004*, p. 37.

⁷⁹ *Ibid*, p. 41.

In the early 1990s, California endured a particularly bad recession, which was longer and more severe than that experienced by the rest of the nation. By the mid-1990s, however, California's economy picked up substantially as the boom in high technology began to pay off for the state. This expansion led to **high levels of employment, income growth, and wealth accumulation through the end of the 1990s.**⁸⁰

2. Recent Economic Performance

Overall, as of the end of 2004, **California's economy appears to be continuing to improve, although it is still feeling the effects of the recession of 2001.** Signs of improvement include: a) the state's housing market, which has remained strong despite recent increases in mortgage rates; b) improved consumer confidence in current economic conditions and future economic conditions in most regions in California; c) improving company earnings and stock values, particularly among the state's high-tech companies; and d) recent monthly revenue gains from withholding and taxable sales are up significantly from the prior year.⁸¹ **The improving market for exports has also been an important factor in growing California's economy.** During the first half of 2004, exports increased to a quarterly level of over \$27 billion, greater than 20% growth. This growth resulted from improving Asian economies and the decline in the value of the U.S. dollar, which made California's goods more competitive in its overseas markets.⁸²

Growth in number of businesses is also on the upswing in California. The number of firms in the state increased by 4% during 2003, as compared to only 0.3% growth nationwide. At the same time, the number of business bankruptcies in California during 2003 was at its lowest point in more than a decade, with only 4,500 firms filing for bankruptcy during the year.⁸³ And, increases in commercial lending suggest that business growth is likely to continue—the median annual commercial and industrial loan growth rate and the rate of small business lending both increased in 2004.⁸⁴

However, **despite improvements, recent economic performance in California has lagged that of the nation as a whole**, both in terms of GSP growth and unemployment.⁸⁵ Job growth continues to be a problem for California. In the second quarter of 2004, the state ranked 33rd nationally for job growth, although it has stopped losing jobs. **Job growth in the state has been concentrated in central and rural California**, where the number of jobs increased by 2.1% in the second quarter, led by the Merced MSA, which has the second highest job growth of any MSA nationally. Southern California has also seen some job growth, with a 0.8% increase in the second

⁸⁰ California Department of Finance, *A Brief History of the California Economy*, http://www.dof.ca.gov/HTML/FS_DATA/HistoryCAEconomy/index.htm.

⁸¹ LAO, *The 2004-05 Budget: Perspectives and Issues*, February 2004, http://www.lao.ca.gov/analysis_2004/2004_pandi/pandi_04.pdf.

⁸² LAO, *California's Fiscal Outlook: LAO Projections, 2004-05 Through 2009-10*, November 2004, http://www.lao.ca.gov/2004/fiscal_outlook/fiscal_outlook_04.pdf.

⁸³ FDIC, *California State Profile*, Fall 2004.

⁸⁴ Ibid.

⁸⁵ Milken Institute, *State of the State 2004*, p. 9.

quarter, but the San Francisco Bay Area continued to lose jobs, albeit at a slower pace than in previous quarters.⁸⁶

3. Economic Outlook

California's economy is expected to continue on the path to recovery in the near future. **The Legislative Analyst's Office (LAO) forecasts that the state will see continued economic growth in 2005, although at a slower pace than in 2004.** It predicts that strong business investment nationally will contribute to the growth of many of the state's industries, but warns that high energy prices and rising interest rates may slow consumer spending and the state's housing market.⁸⁷ Specifically looking at employment in the state, the LAO predicts that job growth will improve from 0.9% in 2004 to 1.4% in 2005 and that it will average 1.7% per year from 2006 through 2010, keeping pace with expected increases in the adult population.⁸⁸ Growth in personal income, on the other hand, is expected to slow down somewhat in 2005, although the LAO forecasts that growth will average above 6% for the remainder of the decade.⁸⁹ Similarly, export growth is expected to continue in 2005 and 2006, but at a slower pace than in 2004.⁹⁰ The LAO reported in February 2004 that **it expects the improvements in the economy to extend to all regions of the state**, although the San Francisco Bay Area will recover more slowly than other regions. It also expects the recovery to encompass most sectors of the economy, including services, trade, finance, construction, and manufacturing.⁹¹

Consulting firm Economy.com generally shares the LAO's views on California's future, citing a positive short-term outlook for California, with the state's job growth expected to exceed that of the nation in early 2005. However, Economy.com notes that **there are risk factors that could stand in the way of the state's economic growth**, including slow growth among service-producing industries, possible power shortages in the future, and high workers' compensation costs.⁹²

⁸⁶ FDIC, *California State Profile*, Fall 2004.

⁸⁷ LAO, *California's Fiscal Outlook*.

⁸⁸ *Ibid.*, p. 13.

⁸⁹ *Ibid.*, p. 14.

⁹⁰ *Ibid.*, p. 15.

⁹¹ LAO, *The 2004-05 Budget: Perspectives and Issues*.

⁹² Economy.com, *California State Profile*, August 2004.

III. STATE AND LOCAL GOVERNMENT

A. STRUCTURE

1. State and Local Governments

As of June 2002, California had 4,409 active local governments, ranking it fourth among all states in the number of local governments. California is subdivided into 58 counties, 57 of which have an elected board of supervisors to carry out a variety of state-mandated functions. The only exception is the City and County of San Francisco, which has a consolidated city and county government. The state also has 475 municipal governments, each of which provides direct services to city or town residents. In addition, California has 1,107 public school systems, including 1,047 school district governments and 60 school districts dependent on county governments or municipal governments. California statutes also authorize the creation of a wide variety of special districts or authorities that are classified as governments. California has 2,830 of these special governments, including such agencies as airport districts, geologic hazard abatement districts, recreation and park districts, and resource conservation districts, among many others. California also has numerous subordinate agencies and special areas that possess some governmental features but are not counted as separate government agencies, such as natural resource conservation districts, housing authorities, and municipal airport authorities.⁹³

Regional government in the state takes the form of multiple Councils of Governments (COGs) that serve as policy-making bodies for a particular region. These COGs also carry out federal and state statutory duties, such as serving as the regional transportation planning agency under state law and as the federal metropolitan (transportation) planning organization. In addition, COGs provide the allocations of regional housing needs to all cities and counties within their boundaries. The Association of Bay Area Governments and the Southern California Association of Governments are two of the larger COGs in the state.⁹⁴

2. Educational System

California's public primary and secondary education system is divided into 1,056 school districts. Together, the districts serve nearly 6.3 million students. Additionally, there are 609,483 primary and secondary school aged children in private schools in the state and 460 charters schools.⁹⁵ California also has a wide range of post-secondary educational offerings. The state has a robust public higher education system, including nine campuses in the University of California system, 23 campuses in the California State

⁹³ U.S. Census Bureau, 2002 Census of Governments, *Preliminary Profile of California*, <http://ftp2.census.gov/govs/cog/gc0212ca.pdf>.

⁹⁴ California Association of Councils of Government, *What Are COGs?*, <http://www.calcog.org/cogs.calcog.htm>.

⁹⁵ California Department of Education, *Fact Book 2004: Handbook of Education Information*, <http://www.cde.ca.gov/re/pn/fb/documents/factbook2004.pdf>.

University system, and more than 100 community college campuses. All together, the three university systems served more than 2.2 million students as of 2003.⁹⁶ California also has numerous private colleges and universities, including well-known schools such as Stanford University and the University of Southern California.

B. GOVERNMENT FINANCES

State revenue receipts in California derive primarily from taxes (64%) and federal receipts (33.6%). Within the tax category, personal income tax accounts for the largest proportion (41% of tax revenues), with the other taxes contributing as follows: sales and use taxes, 34%, other taxes, 17%, and corporation tax, 9%.⁹⁷ Leading sources of city revenues in California include service charges (42%), state and federal aid (9.3%), sales and use tax (10.2%), and property tax (6.5%). **City reliance on property tax has declined significantly since the passage in 1978 of Proposition 13**, which limited the amount of property tax that could be collected.⁹⁸

California's budget troubles have made headlines in the state for the past several years. **The economic recession that occurred during 2001 and 2002 caused a substantial decrease in state tax revenues**, particularly personal income tax revenues.⁹⁹ In the summer of 2004, the California legislature passed a state budget that attempted to make up for a \$15 billion budget shortfall through a combination of measures, including borrowing, a diversion of property tax revenues, savings in education, fee increases in higher education, and other targeted revenue increases and funding shifts.¹⁰⁰ However, despite higher-than-expected tax revenues since the budget was enacted, the LAO recently warned that California's budget troubles are far from over. **The LAO has forecast that, assuming present spending and revenue policies continue, the state will face a nearly \$10 billion structural budget shortfall by 2006-07.**¹⁰¹ In order to attempt to address future shortfalls in the present, the LAO recommends four budget strategies to lawmakers: 1) avoid using the remaining \$3.5 billion in authorized deficit bonds in 2005-06; 2) avoid making additional deferred spending or revenue commitments; 3) consider maintaining 2004-05 Proposition 98 spending (state K-12 education financing) at the existing level; and 4) adopt other ongoing budget solutions such as suspension of cost-of-living adjustments throughout the budget and reduction of general fund support for transportation, among others.¹⁰²

California's credit ratings were downgraded in 2003 by the major credit rating agencies based on the state's budget crisis. In December 2003, Fitch Ratings lowered the state's

⁹⁶ California Post-Secondary Education Commission, *Student Enrollment Data*, 2003, <http://cpec.ca.gov/OnLineData/GenerateReport.ASP>.

⁹⁷ California State Controller, *Popular Annual Financial Report for the Year Ended June 30, 2003*, June 2004, <http://www.sco.ca.gov/ard/pafr/pafr03.pdf>, p. 8.

⁹⁸ League of California Cities, *Financing Cities*, January 2004 Edition, http://www.californiacityfinance.com/FinancingCities_PUB.pdf.

⁹⁹ California State Controller, *Popular Annual Financial Report*, p. 5.

¹⁰⁰ LAO, *California's Fiscal Outlook*, pp. 1-2.

¹⁰¹ *Ibid*, p. 1.

¹⁰² *Ibid*, pp. 7-8.

GO bond rating from an A to a BBB and Moody's lowered the state from an A3 rating to an A2 rating. Standard & Poor's also lowered the state's rating from an A to a BBB in July 2003. However, based on California's improving financial position, all three agencies did raise their ratings in 2004. Current ratings are: **Fitch Ratings, A-, Moody's Investors Services, A3, and Standard & Poor's, A.**¹⁰³

As of July 2004, California had a total of approximately \$33 billion outstanding in voter authorized general obligation bonds and \$6.4 billion outstanding in General Fund supported lease revenue bonds. The state also has substantial amounts of bonds that have been authorized by voters but not issued.¹⁰⁴ **California debt levels are above the national average, but relatively on par with those of the other nine most populous states in the country.** The state has a per capita debt burden of \$1,060 (excluding the state's Economic Recovery Bonds), compared to \$701 for all states and \$925 for the 10 most populous states. As a percentage of personal income, California's debt is 3.2% (excluding the state's Economic Recovery Bonds), the same as the median level for the 10 most populous states.¹⁰⁵ The California State Treasurer reports that the state's intended issuance of a combined \$11.7 billion in General Fund net-tax supported bonds during fiscal years 2004-05 and 2005-06 is expected to increase General Fund supported debt service by \$58.8 million in FY 2004-05 and \$642.4 million in FY 2005-06.¹⁰⁶

C. MAJOR GOVERNMENT AGENCIES INVOLVED IN COMMUNITY DEVELOPMENT

California's leading state agency for housing issues is the **Department of Housing and Community Development**, housed within the Business, Transportation, and Housing Agency. The agency has four primary responsibilities: 1) advocate and support housing development for all Californians; 2) develop, administer and enforce building codes, manufactured housing standards, and mobile home park regulations; 3) administer State and federal housing and community development finance programs; and 4) compile and disseminate critical information on housing, planning, financing, and community and economic development issues. The **California Housing Finance Agency** is also an important player in housing issues in the state, acting as the state's affordable housing bank. The agency offers a variety of homeownership programs, mortgage insurance, and financing for multifamily rental housing.

Resources for small business within the California state government are concentrated within the California's Business, Transportation, and Housing Agency's **Commerce & Economic Development Program**. The program provides resources such as the Small Business Assistance & Advocacy Program. **The State Treasurer's Office** also provides financial resources to small businesses through programs such as its Capital Access

¹⁰³ California State Treasurer, *The State of California 2004 Debt Affordability Report*, October 2004, <http://www.treasurer.ca.gov/publications/2004dar.pdf>, p. 3.

¹⁰⁴ Ibid, p. 4.

¹⁰⁵ Ibid, pp. 5-6.

¹⁰⁶ Ibid, p. 4.

Program, which encourages banks to make loans to small businesses that fall outside of their conventional underwriting standards.

Responsibility for poverty-related issues is concentrated in three divisions of the California Health & Human Services Agency: the **Department of Community Service & Development**, the **Department of Social Services**, and the **Department of Health Services**. The Department of Community Services administers state and federal funds that provide programs and services for California's low-income residents via a network of local agencies. The Department of Social Services has responsibility for managing and funding programs for food stamps, child welfare, refugees, and civil rights, among many others. The Department of Health Services administers the state's medical program, and has responsibility for many other public and clinical health programs.

Responsibility for issues related to immigrants and Native Americans is scattered throughout the state government. The **Department of Social Services** administers many social programs for which immigrants are eligible, including California's main cash grant system for immigrants, the Cash Assistance Program for Immigrants (CAPI). Within the California Department of Justice is an **Office of Immigrant Assistance**, which provides education and outreach services to immigrant communities, directs complaints to appropriate law enforcement agencies, and helps immigrant communities to understand and use the legal system to seek redress. The **Division of Community Affairs within the Department of Community Service & Development** focuses on areas such as farm worker housing, Native American issues, and childcare. There is not a specific department responsible for Native American issues in the state government.

IV. NONPROFITS AND FINANCIAL INSTITUTIONS

A. NONPROFITS

The **Institute for Nonprofit Organization Management** at the University of San Francisco provides information on the number of nonprofits in the state. **As of 2002, there were 139,496 nonprofit organizations in California that had obtained tax exempt status with the IRS**—75,039 in Southern California, 9,662 in the Central Valley, and 54,124 in Northern California. Approximately 73% of these nonprofits were public charities, with the remainder designated as membership organizations and trusts. California accounts for 11.4% of the total number of charities in the U.S. and has more charities than New Jersey, North Carolina, Massachusetts, Virginia, and Hawaii combined. While a large number of nonprofits exist in California, most are relatively small—77% have revenues under \$100,000 and 65% employed fewer than 10 people in 2000.¹⁰⁷

Total revenues for California nonprofits were \$121 billion in 2002. The largest nonprofit subsector in California, based on revenues, is health services, which accounted for 40.7% of total nonprofit revenue in the state in 2002. The chart below shows a breakdown of 2002 revenues by type of nonprofit organization.¹⁰⁸

2002 California Nonprofit Revenues by Type of Organization

<i>Subsectors</i>	<i>Number of Organizations</i>	<i>2002 Revenue (Millions)</i>	<i>% of Total Revenue</i>
Health	3,682	\$49,194	40.7%
Unknown/Unclassified	34,857	\$15,102	12.5%
Educational	25,598	\$14,448	11.9%
Membership	11,269	\$12,573	10.4%
Community Service	12,024	\$8,700	7.2%
Religion	20,685	\$5,197	4.3%
Arts, Culture, & Recreation	13,709	\$3,742	3.1%
Business Service	6,114	\$3,078	2.5%
Grantmaking	5,042	\$2,760	2.3%
Social Service	2,144	\$2,329	1.9%
Housing and Community	2,105	\$2,002	1.7%
Legal & Advocacy	2,051	\$1,172	1.0%
Scientific Research	216	\$725	0.6%
Total	139,496	\$121,027	100%

Source: Institute for Nonprofit Organization Management at the University of San Francisco.

¹⁰⁷ Institute for Nonprofit Organization Management at the University of San Francisco, *Facts About the California Nonprofit Sector*, <http://www.inom.org/research/NPfacts.html>.

¹⁰⁸ Ibid.

In 2000, **nonprofits in California employed 889,614 workers, accounting for one out of every 17 paid workers in the state.** Not surprisingly given its large proportion of nonprofit revenues in California, the health services sector dominates nonprofit employment in the state, employing 37% of all nonprofit employees. Other subsectors that employ large numbers of nonprofit workers include social services (21% of employees) and education (15% of employees). As of 2000, **nearly half of all nonprofit jobs (44%) were located in the Los Angeles—Riverside—Orange Country region,** while another 28% were located in the San Francisco Bay Area.¹⁰⁹

As would be expected for a state of its size, California has a large number of foundations, with 5,929 registered in the state as of 2002. Of these, 5,222 are independent, 143 are corporate, 45 are community, and 519 are operating foundations. California's foundations account for 9% of the nation's total number of foundations, and with total assets of more than \$60 billion, they account for 14% of total foundation assets in the U.S. Together, **California's foundations ranked second in total giving in 2002,** behind only New York's foundations.¹¹⁰

In 2002, the top grant-awarding foundation in California was the California Endowment, which awarded more than \$181 million during the year. The David and Lucille Packard Foundation, the William and Flora Hewlett Foundation, the Bill and Melinda Gates Foundation, and the James Irvine Foundation rounded out the top five foundations for the state.¹¹¹ In the Los Angeles Metropolitan area, the top grant-awarding foundations, in descending order, were the California Endowment, the Weingart Foundation, and the Righteous Persons Foundation,¹¹² and in the San Francisco Bay Area, the top foundations were the California Endowment, the Marin Community Foundation, and the Bill and Melinda Gates Foundation.¹¹³

Charitable giving in California is not all done by foundations and nonprofit organizations—individual donors also play a large role. A 1999 study by the Institute for Nonprofit Organization Management at the University of San Francisco found that 90% of California households reported making donations to charitable organizations, donating approximately 3% of their household incomes on average. This suggests that **Californians give more than the average American,** as only 70% of U.S. households report giving, and the average amount given is 2% of family income. **Californians are also active volunteers,** with 50% of Californians reporting that they volunteer for

¹⁰⁹ Ibid.

¹¹⁰ The Foundation Center, *Fiscal Data of Grantmaking Foundations by Region and State*, 2002, http://fdncenter.org/fc_stats/pdf/01_found_fin_data/2002/01_02.pdf.

¹¹¹ The Foundation Center, *Top 50 U.S. Foundations Awarding Grants in the State of California*, 2002, http://fdncenter.org/fc_stats/pdf/03_fund_geo/2002/50_found_states/f_ca_02.pdf.

¹¹² The Foundation Center, *Top 50 U.S. Foundations Awarding Grants in the Los Angeles, CA, Metropolitan Area*, 2002, http://fdncenter.org/fc_stats/pdf/03_fund_geo/2002/50_found_msa/f_losangeles_02.pdf.

¹¹³ The Foundation Center, *Top 50 U.S. Foundations Awarding Grants in the San Francisco, CA, Metropolitan Area*, 2002, http://fdncenter.org/fc_stats/pdf/03_fund_geo/2002/50_found_msa/f_sanfrancisco_02.pdf.

charitable organizations. Interestingly, charitable behavior in California is much less clearly associated with age, income, educational attainment, marital status, and religious affiliation and activity than is the case for Americans generally.¹¹⁴

B. FINANCIAL INSTITUTIONS

CFED's data on bank access reveals mixed ratings for California, with the state ranking relatively high on checking account access and relatively low on savings account access. Specifically, 40% of the state's households have a checking account and 58% of households have a savings account. These percentages yield national rankings on these measures of 12th and 36th, respectively.¹¹⁵

California currently has 329 separately-chartered banks operating in the state, down from 382 just four years ago.¹¹⁶ **California led the nation in 2003 in the number of new banks in the state**, with 17 banks opening, but 20 banks previously located in the state also disappeared during 2003 due to mergers and acquisitions. Of the new banks, 13 are headquartered in Southern California, with the remaining four headquartered in Northern California.¹¹⁷

As of June 2004, nearly half of the deposits in California were controlled by three banks: Bank of America (21%), Washington Mutual (15%), and Wells Fargo (13%).¹¹⁸ These banks are also dominant within the state's largest MSAs: in the Los Angeles-Long Beach-Santa Ana MSA, they control 44% of deposits, and in the San Francisco-Oakland-Fremont MSA, they control 53% of deposits. There are also 589 credit unions active in California, which together control 9.1% of credit union/bank assets in the state, a market share greater than the market share of all U.S. credit unions (6.5% of total assets).¹¹⁹

C. CDFIs

As of November 2004, California had 60 organizations that had been certified by the Community Development Financial Institutions (CDFI) Fund.¹²⁰ To achieve certification, an entity must have a primary mission of promoting community development, must principally serve and maintain accountability to an eligible target market, be a financing entity, provide development services, and not be either a

¹¹⁴ Michael O'Neill, Institute for Non-Profit Organization Management, University of San Francisco, *Giving and Volunteering in California: Study Summary*, 1999, <http://www.jhu.edu/~istr/conferences/dublin/abstracts/oneill.html>.

¹¹⁵ CFED, *State Asset Development Report Card (SADRC)*, 2002, pp. 114-115.

¹¹⁶ FDIC, *Deposit Market Share Report: California*, June 2004 and June 2000.

¹¹⁷ California Bankers Association & Carpenter and Company, *State of the Industry, Joint Report on the Condition of California Commercial Banking*, 2004.

¹¹⁸ FDIC, *Deposit Market Share Report: California*, June 2004.

¹¹⁹ California Credit Union League, *Credit Union Fact Sheet*, http://www.cuna.org/download/california_fs.pdf.

¹²⁰ CDFI Fund, U.S. Department of the Treasury, *Certified CDFI's – Alphabetical by State and County*, November 2004.

government entity or controlled by a government entity.¹²¹ CDFIs in California serve primarily low-income and minority individuals, and provide much-needed funding to rural areas. At the end of FY 2002, CDFIs in California had over \$450 million in financing outstanding to 34,500 customers. The largest proportion (45%) of outstanding CDFI financing in California is for housing-related projects, with another 20% for personal development, 17% for business, and the remainder for various other community development activities.¹²²

CDFIs in California are also supported through the state **Tax Credit and Certification Program**, originally enacted in 1997. The program, administered by the California Organized Investment Network (COIN), provides for a 20% tax credit for qualified deposits of \$50,000 or more in CDFIs.¹²³

Certification as a CDFI also enables entities to apply for various awards from the CDFI Fund. A complete list of award recipients is available from the CDFI Fund website (<http://www.cdfifund.gov/>). 2003 awardees in California include the following:¹²⁴

- **Neighborhood Housing Services of Orange County** was awarded a \$500,000 award from the CDFI program to lower its loan interest rate to borrowers and leverage needed additional capital.
- **Foothill Independent Bank** of Glendora received an award of \$34,500 through the BEA program for providing \$350,000 in financial support to Inland Empire Lenders Community Development Corporation, a CDFI.
- The **Yukon Indian Housing Authority**, located in the extreme northwest corner of California in the city of Klamath, was awarded a Native American CDFI Development grant of \$100,000 to support its formation of a CDFI.
- **Neighborhood National Bank** of National City received an award of \$538,041 through the BEA program for increasing its financing activities in economically distressed areas in the State of California.
- The **Low Income Investment Fund**, a national nonprofit with primary California service areas of the San Francisco Bay Area and the Los Angeles metropolitan area, received an award of \$1.3 million through the CDFI financial assistance program to be used to fund a loan loss reserved for lending in Hot Zones.
- **People's Community Partnership Federal Credit Union**, which serves residents of Oakland's low- and moderate-income flatlands, received a \$149,500 award through the CDFI financial assistance program that will be used to market to and provide financial services to its predominately minority membership with the ultimate goal of moving its members toward homeownership. Approximately 97% of this award will be targeted to Hot Zones.

¹²¹ CDFI Fund, U.S. Department of the Treasury, *CDFI Fund Overview*, <http://www.cdfifund.gov/overview/index.asp>.

¹²² CDFI Coalition, *CDFIs in California: 2004 Fact Sheet*, <http://www.cdfi.org/states/California2004.pdf>.

¹²³ California Organized Investment Network, *California CDFI Tax Credit and Certification Program*, <http://www.insurance.ca.gov/COIN/CDFIs.htm>.

¹²⁴ CDFI Fund, U.S. Department of the Treasury, *Awardee Profiles by State – California*, <http://www.cdfifund.gov/awardees/pdf/states/california.pdf>.

- The **California Bank & Trust** of San Diego received an award of \$638,828 through the BEA program for increasing its financing and service activities in economically distressed areas in California.
- **Northern California Community Loan Fund**, which operates in the 42 northern-most counties in California, received an award of \$800,000 in financial assistance to support the combination of its Nonprofit Space Capital Fund through which subordinated investments and technical assistance is provided to nonprofits that are seeking to acquire or expand their program and office space. Approximately 59% of the financial assistance will support projects in Hot Zones.
- **Pacific Community Ventures Investment Partners** of San Francisco received a \$1 million financial assistance award that it plans to use as equity investment capital targeted toward business development in underserved communities and Hot Zones in California.
- **Neighborhood Housing Services Silicon Valley** received a \$1 million financial assistance award that it plans to use to support its new fully-amortized third mortgage product to reduce the amount of deferred financing needed by homebuyers and help most homebuyers avoid private mortgage insurance.
- **Northern Trust Bank of California**, in Santa Barbara, received a \$53,550 award through the BEA program for increasing its financing activities in economically distressed areas in California.

V. AFFORDABLE HOUSING

Housing supply in California remains tight, which has contributed to a serious shortage of affordable housing in the state. **California has the third-lowest homeownership rate** in the country, with only 58% of households owning their own home. This situation does not seem likely to change in the near future, as **only 19% of California households were able to afford the median-priced home in the state in September 2004, down five percentage points from September 2003.**¹²⁵ Rental housing is not much more affordable for lower-income individuals and families, as **California has the most unaffordable rental housing in the country.** A recent analysis by the state's Department of Housing and Community Development suggests that California's housing woes will likely plague the state well into the future and that aggressive action will be necessary to address them.¹²⁶

A. AFFORDABLE HOUSING NEEDS

1. Overall Housing Market

As of 2003, California had a total of 12.7 million housing units, of which **6.3% were vacant (compared to a 10.3% vacancy rate in the U.S).** Of occupied housing units, 58% are occupied by owners and 42% are occupied by renters. The majority of California's housing units (64%) are single-unit structures, although 31% are located in multi-unit structures and 4% are mobile homes. Seventeen percent of California's housing units were built since 1990.¹²⁷ As of 2003, the median housing value of owner-occupied units with a mortgage in California was \$334,426. The median monthly housing cost for mortgaged owners was \$1,660, for nonmortgaged owners, \$329, and for renters, \$890.¹²⁸ **A substantial portion of California residents, renters in particular, spend more than 30% of their monthly household income on housing**—as of 2003, 42% of owners with mortgages, 10% of owners without mortgages, and 51% of renters in the state fell into this category.¹²⁹

Tight housing supply in California has contributed to the state's high home prices and rents, and it does not appear that the problem of short supply is poised to lessen over the next several years. Estimates from the California Department of Housing and Community Development (HCD) show that **the state needs to add 220,000 housing units per year to keep up with population growth,¹³⁰ but in actuality, many fewer are being built each year.** In the 1980s, 2.1 million units were built, but by the 1990s, that number dropped to just 1.1 million units. In 2004, 201,000 units were projected to

¹²⁵ California Association of Realtors, *California Housing Affordability Index at 19% in September, Down 5 Points from Year Ago*, November 2004.

¹²⁶ Department of Housing and Community Development (HCD), *California's Deepening Housing Crisis*, October 2004, www.hcd.ca.gov/hpd/hc100704.pdf.

¹²⁷ U.S. Census Bureau, 2003 American Community Survey Data.

¹²⁸ Ibid.

¹²⁹ Ibid.

¹³⁰ HCD, *Raising the Roof: California Housing Development Projections and Constraints 1997-2020*, May 2000, <http://www.hcd.ca.gov/hpd/hrc/rtr/chp2r.htm>.

be built, the highest level since 1989, but even this level is still below the need in the state.¹³¹ **Multifamily housing is a particular problem**, as multifamily development accounted for only approximately 25% of new housing units during the 1990s, a decline of nearly 70% from the 1980s. The number of units of multifamily housing being built has increased somewhat during the last few years, now accounting for 28% of new units,¹³² but further improvement will be needed to begin to address California's housing crisis.

Another result of California's increasingly tight housing supply has been an increase in the number of households living in overcrowded homes. As of 2000, more than 15% of households were overcrowded, up from 12.3% in 1990 and 6.9% in 1980. Overcrowding is particularly frequent among low-income households and most prevalent in rental households, with approximately 24% of rental households overcrowded.¹³³

2. National Low Income Housing Coalition's Analyses of Rental Housing Affordability

The National Low Income Housing Coalition (NLIHC) has for several years produced a report entitled *Out of Reach* that analyzes the country's wage-rent disparity. Specifically, the NLIHC calculates the amount of money a household must earn in order to afford a rental unit in a range of sizes at the area's Fair Market Rent (FMR), based on the generally-accepted limit of paying no more than 30% of income for housing costs. The required income is then compared to the Area Median Income (AMI), the minimum wage, and the incomes of extremely low-income households (less than 30% of AMI). In addition, in 2004, the NLIHC released a report entitled *Up Against a Wall: Housing Affordability for Renters*, analyzing the rental-housing related data from the 2003 American Community Survey.

Taken together, the reports indicate that **California suffers from a serious lack of affordable rental housing.** Using an index that takes into account the state's median gross rent, a ratio of rental costs to incomes, and the percentage of renter households in the state spending more than 50% of income on rent, **the NLIHC ranked California as having the least affordable rental housing in the country.** Looking at the individual measures, California's median gross rent in 2003 was \$890, ranking the state as the most expensive state, and its renter affordability ratio rank was poor, at third-least affordable. And, one quarter of renters in the state spend more than 50% of their income on rent, ranking the state fifth worst on that measure.¹³⁴

In California, the **"housing wage,"** which is **the amount a full-time** (40 hours per week) **worker must earn in order to afford a two-bedroom unit at the area's FMR, is**

¹³¹ HCD, *California's Deepening Housing Crisis*.

¹³² Ibid.

¹³³ Ibid.

¹³⁴ NLIHC, *Up Against A Wall: Housing Affordability for Renters*, Ranking Tables, 2003 ACS Renter Affordability Measures, November 2004, <http://nlihc.org/pubs/uaw04/newrankingtables.pdf>.

\$21.24. This wage is more than triple the state's minimum wage of \$6.75 per hour. Put differently, based on the FMR, a minimum-wage worker **must work 126 hours per week in order to afford the rent on the average two-bedroom unit** in California.¹³⁵ Comparing the FMR to the wages of renters in California, an estimated **58% of renters were unable to afford the two-bedroom FMR as of 2003.** In the most expensive locations in the state, this figure was even higher, coming in at 64% in Alameda County, 63% in the Oakland and San Diego MSAs and San Diego County, and 61% in the Los-Angeles-Long Beach MSA, Contra Costa County, Los Angeles County, and San Francisco County.¹³⁶

3. Homeownership Statistics

California ranks well below average in its rate of homeownership, but well above average in the median value of homes in the state. As of 2002, 58% of California households owned their own homes, up slightly from 57% in 2000.¹³⁷ **California's current homeownership rate places it 48th (third worst) in the nation.**¹³⁸ This is perhaps not surprising given that California's **median home value is the highest in the nation,** likely putting homeownership out of financial reach for many households.¹³⁹

California receives mixed rankings when it comes to the disparity of homeownership rates among race, gender, and income. Specifically, California **has the 14th-smallest gap in homeownership rates between White-headed households and non-White-headed households,** but has not **been as successful in terms of narrowing the gap between gender or income levels, ranking only 34th and 44th, respectively,** on these measures.¹⁴⁰

4. Housing Affordability Index

As of September 2004, only 19% of California households were able to afford the median priced home in the state, a decrease of five percentage points from September 2003. California's housing affordability index is much lower than that of the nation as a whole, where 55% of households can afford the median priced home, down only one percentage point from September 2003. **The minimum household income needed to purchase the median-priced home in California was \$107,880 as of September 2004, an increase of \$16,850 since September 2003.** Housing affordability varies a great deal around the state: the state's most affordable area is the High Desert region (northern L.A. county), where 42% of households can afford the median priced home, followed by the Central Valley (26%), Sacramento (25%), Santa Clara (23%), and Riverside/San Bernardino (22%), while the least affordable region is Santa Barbara County, where only

¹³⁵ NLIHC, *Out of Reach 2004*, <http://nlihc.org/oor2004/>.

¹³⁶ NLIHC, *Out of Reach 2003*, <http://nlihc.org/oor2003/>.

¹³⁷ U.S. Census Bureau, Census 2000 Data.

¹³⁸ U.S. Census Bureau, *Statistical Abstract of the United States: 2003*.

¹³⁹ U.S. Census Bureau, 2003 American Community Survey Data.

¹⁴⁰ CFED, *SADRC*, pp. 95-97.

6% of households can afford the median priced home, followed by San Diego (11%) and the Monterey Region (12%).¹⁴¹ The table below provides median home prices by region.

California Median Home Prices by Region

<i>California Association of Realtors Region</i>	<i>Median Home Price September 2004</i>	<i>Median Home Price September 2003</i>	<i>Percentage Change</i>
Statewide	\$465,540	\$384,690	21.0%
Central Valley	\$293,770	\$231,950	26.7%
High Desert	\$238,340	\$169,280	40.8%
Los Angeles	\$459,660	\$369,740	24.3%
Monterey Region	\$628,660	\$511,940	22.8%
Monterey County	\$575,000	\$463,750	23.9%
Santa Cruz County	\$645,000	\$545,000	18.4%
Northern California	\$374,810	\$299,860	24.9%
Northern Wine Country	\$505,290	\$438,200	15.3%
Orange County	\$633,340	\$515,110	22.9%
Palm Springs/Lower Desert	\$341,460	\$245,790	38.9%
Riverside/San Bernardino	\$306,180	\$226,730	35.0%
Sacramento	\$337,520	\$256,160	31.8%
San Diego	\$573,080	\$433,820	32.1%
San Francisco Bay	\$642,360	\$564,270	13.8%
San Luis Obispo	\$483,900	\$370,940	30.5%
Santa Barbara County	\$756,250	\$450,000	68.1%
S. Barbara South Coast	\$949,000	\$950,000	-0.1%
N. Santa Barbara County	\$432,650	\$339,230	27.5%
Santa Clara	\$630,000	\$558,000	12.9%
Ventura	\$613,200	\$494,470	24.0%

Source: California Association of Realtors

5. Regional Affordability Data

In its 2004 report on housing in California entitled *Locked Out 2004: California's Affordable Housing Crisis*, the California Budget Project provides a snapshot of the homeownership situation in the state's major regions. The data for each region is presented in the table below.

Wages Needed to Purchase a Home by Region

<i>Region</i>	<i>Median-Priced Home (Q2 2003)</i>	<i>Income Needed to Purchase Median-Priced Home*</i>	<i>Median Annual Wage (Median Income)</i>	<i>Median Annual Wage (Low-Income)</i>	<i>Median Annual Wage (Very Low-Income)</i>
San Francisco Bay Area	\$560,240	\$123,697	\$76,600	\$64,100	\$40,050
Monterey Area	\$489,430	\$108,063	\$55,600	\$45,700	\$28,550
San Diego Area	\$406,950	\$89,852	\$60,100	\$51,050	\$31,900
Orange County	\$471,400	\$104,082	\$75,600	\$56,500	\$37,800
Northern California	\$278,380	\$61,464	\$45,400	\$36,300	\$22,700

¹⁴¹ California Association of Realtors, *California Housing Affordability Index at 19% in September, Down 5 Points from Year Ago.*

Los Angeles	\$337,200	\$74,452	\$55,100	\$45,100	\$28,200
Central Valley	\$220,140	\$48,605	\$45,400	\$36,300	\$22,700
Inland Empire	\$212,560	\$46,932	\$51,000	\$40,800	\$25,500
Sacramento Area	\$243,630	\$53,792	\$59,800	\$47,850	\$29,900

Source: California Budget Project, *Locked Out 2004: California's Affordable Housing Crisis*.

* with 5% down payment

As the table above indicates, in two of the nine regions (the Inland Empire and the Sacramento Area), median income actually exceeds the income needed to purchase a median-priced home with a 5% down payment. **As a result of the relative affordability of these areas, many residents commute long distances from these regions to work in less affordable cities** (from the Inland Empire, workers commute to Orange County and Los Angeles, and from Sacramento, workers commute to the San Francisco Bay Area). **The willingness of individuals to endure long commutes in order to own their own homes is likely to continue to increase home prices** in these currently affordable areas.

The two regions in the state with the largest gap between median income and the income needed to purchase a median priced home are the San Francisco Bay Area (with a gap of \$47,097) and the Monterey Area (with a gap of \$52,463).¹⁴²

6. Housing for Special Populations

Homeless

Precise estimates of the homeless population in California are not available, but the most recent estimates provided by the state suggest that **in 1997, there were approximately 360,000 homeless individuals in California**. Approximately 80,000 to 95,000 of these individuals are estimated to be children, meaning that the percentage of homeless children in California is greater now than it has been at any point since the Great Depression.¹⁴³

Farmworkers

Due to its large agricultural sector, **California is home to a large number of farmworkers**—during 2000, the number of agricultural employees ranged from 312,600 to 486,000 (depending on the time of year),¹⁴⁴ with the state's total farmworker population (including family members) estimated to exceed 900,000.¹⁴⁵ **Many of these farmworkers and their families live in substandard housing**, and often live out of sight in undeveloped canyons, fields, squatter camps, and back houses in order to avoid harassment. California does license some privately-owned employee housing to house farmworkers, but the amount of housing licensed decreased by nearly half between 1976

¹⁴² California Budget Project, *Locked Out 2004: California's Affordable Housing Crisis*, January 2004, <http://www.cbp.org/2004/lockedout2004.pdf>.

¹⁴³ California Housing Law Project, *Homeless Children*, www.housingadvocates.org/default.asp?ID=170.

¹⁴⁴ Rural Migration News, *Farm Worker Housing, Employment Development Department, Monthly Data*, 2000, http://migration.ucdavis.edu/rmn/rural_data/housing/housing.html.

¹⁴⁵ HCD, *California's Deepening Housing Crisis*.

and 2000, down from 45,000 farmworkers and family members housed in 1976 to just 23,000 in 2000.¹⁴⁶

7. **Future Affordability Challenges**

Currently, **households in California eligible for rental subsidies and public housing face a very long wait for assistance.** Research in 2000 focused on 20 local jurisdictions around the state found that there were 465,340 families on waiting lists for assistance, while just 130,000 households were receiving assistance in those same locations.¹⁴⁷

However, as bad as the current situation is, affordable housing availability is likely to get much worse in the future as a result of owners of existing affordable housing converting that housing into market-rate housing. The California Housing Partnership Corporation reports that since 1996, California has lost more than 29,000 affordable units due to owners electing to opt-out and make prepayments, a rate triple that of any other state. Going forward, **the state expects that if California's tight rental markets continue, between 15% and 20% of owners of Section 8 inventory will opt-out and terminate their relationship with HUD** unless new incentives are put into place to retain Section 8 assistance.¹⁴⁸

B. AFFORDABLE HOUSING RESOURCES

1. **CFED's Affordable Homeownership Program Rankings**

Despite California's poor homeownership rankings, CFED recognizes in its report that the state has attempted to put in place assistance programs to boost its homeownership rate. **California ranks very high (sixth) among the states on its percentage of state allocations of private activity bonds for mortgage revenue bonds.** The state also has several other assistance programs, including:

- a **state housing trust fund**, which provides it with a dedicated source of funds for housing activities;
- a **property-tax circuit breaker program** to provide property tax relief to elderly owners and renters; and
- a **variety of first-time homebuyer assistance programs**, including:
 - homeownership counseling;
 - funds for second mortgages;
 - funds for construction assistance; and
 - direct grants for down payments.

¹⁴⁶ Ibid.

¹⁴⁷ A. Kevin Williams, Corporation for Supportive Housing and Housing California, *The Long Wait, The Critical Shortage of Housing in California*, June 2000, http://www.novoco.com/Research_Center/housingcareport.pdf.

¹⁴⁸ HCD, *California's Deepening Housing Crisis*.

However, California **does not offer direct lending for homeownership or a lease-purchase arrangement**, two other programs that CFED feels would increase the ranks of first-time homebuyers.¹⁴⁹

2. State Five-Year Plan

The State of California's *FY 2000-2005 Consolidated Plan* sets out its strategies to achieve its objective of “maximizing the use of federal resources to meet the housing needs of the many diverse communities in the state eligible for the nonentitlement funds administered by the State.” Specifically, the state lists four broad objectives for addressing housing challenges:

- meet the housing needs of low-income renter households, including providing homeownership opportunities for first-time homebuyers;
- meet the housing needs of low-income homeowner households;
- meet the housing and supportive housing and accessibility needs of the homeless and other special needs groups, including prevention of homelessness; and
- remove impediments to Fair Housing.

3. Public Housing Units

Public housing in California is administered through local Public Housing Agencies (PHAs). According to the HUD’s website, California has 116 PHAs.¹⁵⁰ For those counties that do not have their own PHA, HCD administers Section 8 programs through its Housing Assistance Program (HAP). Counties without housing agencies include: Alpine, Amador, Calaveras, Colusa, Glenn, Inyo, Modoc, Mono, Sierra, Siskiyou, Trinity, and Tuolumne.¹⁵¹

HUD’s *Resident Characteristics Report* summarizes general information about households in the state that reside in Public Housing, Indian Housing, or who receive Section 8 assistance. According to the report, **California has 44,328 available units based on the qualifications above**, of which 39,488 were occupied. The average annual income for residents in these units was \$14,546, with 60% of occupants qualifying as “extremely low income” (below 30% of median income).¹⁵² Housing authorities with the highest number of low-rent units under their jurisdiction included Los Angeles City, San Francisco, Oakland, Los Angeles County, and Sacramento.¹⁵³

¹⁴⁹ CFED, *SADRC*, pp. 129-133.

¹⁵⁰ HUD, *Housing Authority Profiles, CA List*, <https://pic.hud.gov/pic/haprofiles/haprofilelist.asp>.

¹⁵¹ HCD, *State of California Consolidated Plan 2000-2005: FY 2000-2001 Annual Action Plan Executive Summary*, May 2000, <http://www.hcd.ca.gov/hpd/hrc/rep/fed/exec-sum00-01.pdf>.

¹⁵² HUD, *Resident Characteristics Report for California*, October 2004, <http://www.hud.gov/offices/pih/systems/pic/50058/rcr/index.cfm>.

¹⁵³ HUD, *Housing Authority Profiles, CA List*.

4. Affordable Housing Programs Using Federal Funds

The State of California applies for and receives federal grants to be distributed to non-entitlement areas in the state (defined as a city with a population under 50,000 and/or a county with a population under 200,000). All other areas in the state (entitlement areas) receive HUD funding directly.

As a whole, including entitlement and non-entitlement jurisdictions, **California received the following funds in 2004: \$555 million in CDBG (Community Development Block Grant) funds, \$271 million in HOME funds, \$20.5 million in ESG (Emergency Shelter Grant) funds and \$31.6 million in HOPWA (Housing Opportunities for Persons with AIDS) funds.**¹⁵⁴

To better understand California's allocation of federal funds in non-entitlement areas on an annual basis, it is useful to examine the state's Annual Action Plan for FY 2004-05. The Plan anticipates \$60.3 million in HOME funds, which will be used for a variety of projects, including implementing several administrative measures to increase rental housing production, making funds available to meet the housing needs of low-income first-time homebuyer households and new owner occupied units, acquiring, rehabilitating, or constructing transitional housing for homeless individuals or providing tenant-based rental assistance to prevent homelessness. The state also anticipates receiving \$49.9 million in CDBG funds, which will be allocated to jurisdictions within the state for activities including development of housing, public works, community facilities, and public services, planning and technical assistance, and economic development activities. The State also expects to receive \$6.7 million in ESG funds for 2004 and will utilize them to move towards its objective of preventing homelessness in California. Three million dollars in HOPWA funds were also expected in 2004, most of which will be allocated to fiscal agents or selected HIV/AIDS nonprofit service agencies with existing HOPWA contracts for the facilitation of housing development activities, including the development of long-term housing plans, the creation of linkages among housing providers, funding agencies, and identification of housing resources.¹⁵⁵

In addition to federal HOME, CDBG, ESG, and HOPWA funds, California utilizes a variety of other federal funds to address the need for affordable housing including **Section 184 loans, Section 8 Vouchers, and Section 202/811 Capital grants**, among others. California also benefits from **federal Low Income Housing Tax Credits** and was allocated approximately **\$67.5 million** in credits **for 2005**, providing an important source of equity for affordable housing projects.¹⁵⁶ The **U.S. Department of Agriculture's (USDA) Rural Development Division** also offers a number of affordable

¹⁵⁴ HUD, *Community Planning and Development Program Formula Allocations for FY 2004*, <http://www.hud.gov/offices/cpd/about/budget/budget04/index.cfm>.

¹⁵⁵ HCD, *FY 2004-2005 Annual Action Plan*, July 2004, <http://www.hcd.ca.gov/hpd/hrc/rep/fed/apf04-05.pdf>.

¹⁵⁶ *Tax Credits & Tax-Exempt Bonds: State by State Preview*, Affordable Housing Finance, December 2004, p. 20.

housing programs in California focused on rural areas including loans, grants, and loan guarantees.¹⁵⁷

5. Non-Federal Affordable Housing Programs

a. California Housing Finance Agency

The **California Housing Finance Agency (CalHFA)** was created as the State's **affordable housing bank** in 1975. The mission of CalHFA is to provide below market rate and beneficial financial products to assist California's low- to moderate-income homebuyers in achieving the dream of homeownership, and to create safe, decent, and affordable rental housing. **CalHFA's divisions include First-Time Homebuyer Lending, Homeownership, Mortgage Insurance, and Multifamily Lending Divisions.**

Within its Homeownership Division, CalHFA offers a wide variety of loan programs through approved private lenders. Programs offered through the division include:

Mortgage Loan Programs:

- Homeownership Mortgage Loan Program
- Builder-Lock (BLOCK) Program
- Energy Efficient Mortgages
- Partnership with Southern California Home Financing Authority (SCHFA)

Mortgage Loan Programs with Down Payment Assistance:

- Affordable Housing Partnership Program (AHPP)
- CalHFA Housing Assistance Program (CHAP)
- Extra Credit Teacher Home Purchase Program (ECTP)
- High Cost Area Home Purchase Assistance Program (HiCAP)
- HomeChoice Program Information
- Oakland Teacher Program
- Self-Help Builder Assistance Program (SHBAP)

Stand Alone Down Payment Assistance Programs:

- California Homebuyer's Downpayment Assistance Program (CHDAP)
- Homeownership In Revitalization Areas Program (HIRAP)
- School Facility Fee Down Payment Assistance Program (SFF)

Within its Mortgage Insurance Services Division, the agency provides primary mortgage insurance to hard-to-serve borrowers at favorable rates through the California Housing Loan Insurance Fund.

Within its Multifamily Division, CalHFA lends directly to developers and sponsors of multifamily projects. To date, CalHFA has made \$1.65 billion in multifamily loans, financing 415 projects with a total of 33,371 units.¹⁵⁸

¹⁵⁷ California USDA Rural Development, <http://www.rurdev.usda.gov/ca/>.

¹⁵⁸ California Housing Finance Authority (CalHFA), <http://www.calhfa.ca.gov/>.

b. HCD Loans, Grants, and Enterprise Zone Programs

HCD (the Department of Housing and Community Development) administers more than 20 programs that award loans and grants for the construction, acquisition, rehabilitation, and preservation of affordable rental and ownership housing, homeless shelters and transitional housing, and public facilities and infrastructure. These programs include the following non-federal programs:

- Building Equity and Growth in Neighborhoods Program (BEGIN)
- CalHome Program
- California Indian Assistance Program (CIAP)
- CalHome Self-Help Technical Assistance Allocation (CHSHTAA)
- Code Enforcement Grant Program
- Downtown Rebound Capital Improvement Program
- Downtown Rebound Planning Grants Program
- Emergency Housing and Assistance Program Capital Development (EHAPCD)
- Emergency Housing and Assistance Program Operating Facility Grants (EHAP)
- Exterior Accessibility Grants for Renters (EAGR)
- Jobs-Housing Balance Incentive Grants
- Joe Serna, Jr. Farmworker Housing Grant Program (JSJFWHG)
- Local Housing Trust Fund Matching Grant Program
- Mobilehome Park Resident Ownership Program (MPROP)
- Multifamily Housing Program (MHP)
- Office of Migrant Services (OMS)
- Predevelopment Loan Program (PDLP)
- Preservation Interim Repositioning Program (PIRP)
- Workforce Housing Reward Program

For a full description of these programs, refer to the June 2004 *Loan and Grant Program Directory* published by the Department of Housing and Community Development, available online at http://www.hcd.ca.gov/ca/program_dir.pdf.

c. Proposition 46

Many of the CalHFA programs were funded, in part, through Proposition 46, the Housing and Emergency Shelter Fund Act of 2002, a \$2.1 billion bond measure passed by California voters to fund the construction, rehabilitation, and preservation of affordable rental housing, emergency shelters and homeless facilities, as well as to provide for downpayment assistance to low- and moderate-income first-time homebuyers. Through the use of grants and loan programs, seniors, families with children, teachers, disabled persons, veterans, and working people are intended to benefit from the bond. As of June 2003, \$178 million in Prop 46 funds had been committed to affordable housing projects and programs in Los Angeles, Imperial, San Diego, Alameda, San Francisco, Tulare, Ventura, Riverside, Contra Costa, and Sacramento Counties.¹⁵⁹

¹⁵⁹ CalHFA, *Proposition 46: An Overview*, <http://www.calhfa.ca.gov/prop46.htm>.

6. Other Sources

The **California Community Reinvestment Corporation (CCRC)** is a nonprofit multi-bank lending consortium founded in 1989 to respond to the statewide shortage of affordable housing. CCRC has provided over \$200 million in financing to developers of affordable housing for low-income families and seniors throughout the state. CCRC provides long-term mortgage and bond financing for construction, acquisition and rehabilitation, and direct equity investments to acquire housing at risk of going to market rate rents. These programs are available for family and senior housing, mixed-use projects and special needs housing throughout California. CCRC is funded by over 40 member financial institutions in California.¹⁶⁰

The **Federal Home Loan Bank of San Francisco (FHLB)** also contributes to affordable housing in California through several programs, including its **Access to Housing and Economic Assistance for Development Program (AHEAD)**, **Community Investment Program (CIP)**, and **Affordable Housing Program (AHP)**.

The AHEAD Program provides grants to support economic development and housing projects during the conception and early development stages. The new recoverable grant program will fund projects that provide housing, services, or other benefits to low- to moderate-income households, that result in the creation or retention of jobs in the community, or that facilitate public or private infrastructure projects. Lists of recent grant recipients are at http://www.fhlbsf.com/ci/grant/ahead/gp_recipients.asp.

The CIP provides FHLB members with lower-cost funding for a variety of uses, including first-time homebuyer programs, small business loans, community and economic development loans, and affordable housing. CIP is designed to support FHLB members' efforts to undertake community-oriented mortgage lending and economic development in the communities they serve.

The AHP provides competitive grants and subsidized loans to create affordable rental and homeownership opportunities. The Bank holds AHP funding competitions twice a year, with deadlines in April and October. Grants are often used to fill a gap in available financing. AHP funds may also be used to provide downpayment or closing cost assistance or to cover the cost of homebuyer pre- or post-purchase counseling. Lists of recent grant recipients are at <http://www.fhlbsf.com/ci/grant/ahp/grantrecipients.asp>.¹⁶¹

Another source of investments for affordable housing in California is the **California Organized Investment Network (COIN)**, established in 1995 as a collaborative effort between the insurance industry, the Commissioner of Insurance, and advocates for investment in low-income communities. COIN's mission is to match entrepreneurs, non-profit groups, and local governments either directly or through intermediaries with insurance industry investment capital, with the ultimate goal increasing the level of

¹⁶⁰ <http://www.e-ccrc.org/>

¹⁶¹ The Federal Home Loan Bank of San Francisco, *Community Investment*, <http://www.fhlbsf.com/ci/default.asp>.

insurance industry investment in safe and sound investments for economic development and affordable housing in or benefiting low-income and rural communities.¹⁶²

¹⁶² COIN, *Application Procedures & Guidelines*,
http://www.insurance.ca.gov/COIN/COIN_App&Guide.pdf.

VI. SMALL BUSINESS

Small business is important to California's economy, with **10.6% of the state's employment attributable to firms with fewer than 10 employees**. California receives relatively positive reviews for certain non-cost related aspects of its business climate and small business resources, **earning praise for its job growth due to new business, entrepreneurship rate, and resource efficiency**,¹⁶³ and **ranking third overall on its transformation from a traditional economy to an economy based on ideas and innovation**.¹⁶⁴ However, the cost of doing business in California is among the highest in the country,¹⁶⁵ and the state has been rated as having the least-friendly policy environment for entrepreneurship.¹⁶⁶

A. SMALL BUSINESS NEEDS

1. General Background

As of 2001, California was estimated to be home to 509,370 firms that employed fewer than 10 workers, accounting for 76% of all firms in the state. This proportion is lower than the national average of 78%, but California still has the **14th-largest proportion of small firms in the country**. **Businesses with fewer than 10 employees employed 10.6% of California's workers in 2001**, approximately equal to the national average for small firms, **ranking California 31st-highest nationally on this measure**.¹⁶⁷ However, this is not to imply that small business is not critical to California's economy; between 1999 and 2000, business with fewer than 500 employees were responsible for 80% of the increase in net non-farm employment in the state, hiring a net total of 428,607 employees.¹⁶⁸ California also had over 2.1 million nonemployer businesses (businesses with an owner and no paid employees) in 2000, with these businesses being particularly dominant in the industries of information technology, scientific and technical services, and arts and entertainment services.¹⁶⁹ With regard to microenterprise in California, data indicates that, **as 2001, more than three million individuals in California were either self employed or working for a microenterprise**, which represented 18% of employment in the state at that time.¹⁷⁰

¹⁶³ CFED, *2004 Development Report Card for the States*, <http://drc.cfed.org/grades/california.html>.

¹⁶⁴ Robert Atkinson, Progressive Policy Institute, *The 2002 State New Economy Index*, June 2002, <http://www.neweconomyindex.org/states/2002/>.

¹⁶⁵ Milken Institute, *State of the State 2004*, pp. 50-56.

¹⁶⁶ Small Business & Entrepreneurship Council, *Small Business Survival Index 2004*, October 2004, http://www.sbsc.org/Media/pdf/SBSI_2004.pdf.

¹⁶⁷ U.S. Census Bureau, *County Business Patterns 2001*, <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>.

¹⁶⁸ U.S. Small Business Administration, *2003 State Small Business Profile: California*, <http://www.sba.gov/advo/stats/profiles/03ca.pdf>.

¹⁶⁹ *California Small Business Facts*, 2002, <http://www.commerce.ca.gov/ttca/pdfs/detail/ersi/SmallBusFacts2002.pdf>.

¹⁷⁰ California Association for Microenterprise Opportunity, *Microenterprise: California Fast Facts*, http://www.microbiz.org/ca_quick_sheet0404.pdf.

In 2003, California had 113,500 formations of new employer firms, down 13.3% from 2002, but at the same time, it had only 140,435 employer firm terminations during 2003, down 10.5% from 2002. The state had 4,501 business bankruptcies in 2003, down 12.4% from 2002.¹⁷¹

2. CFED's Entrepreneurship Data from their Asset Development Report Card

California is strong on entrepreneurship in comparison to the rest of the nation, **ranking 11th overall for its small business ownership rate**. Fourteen percent of the labor force in California owns employer and non-employer firms, compared to only 9% in Nevada, the lowest-ranked state. When small business ownership data is cut by race and gender, the state continues to stack up well, coming in at **10th in its minority entrepreneurship rate** and also relatively high, at **17th, in women's business ownership rate**. **California particularly stands out for the size of its women-owned businesses, ranking sixth in average sales volume for these businesses**. However, this trend does not hold when it comes to average sales volume for minority owned businesses. **It is important to note that California ranks just 47th in size for minority-owned businesses**. Lastly, in contrast to its strong ranking in entrepreneurship, California ranks only 26th-best in the nation in private loans to small businesses.¹⁷²

3. CFED's Data from their Development Report Card for the States

CFED's other report that ranks the 50 states, the *2004 Development Report Card for the States*, examines each state's "Performance," "Business Vitality," and "Development Capacity." While not explicitly focused on small business, this CFED report does provide insight into the health and vitality of the overall business sector in the state. In 2004, **California received grades of a "C" in Performance, a "B" in Development Capacity, and an "A" in Business Vitality**. Looking more closely within the categories, California displays a mix of a very high rankings and relatively low rankings.

Within the Performance category, **California shows particular strength in resource efficiency**, displaying top 10 rankings on all measures except vehicle miles traveled (12th). The state also ranks well in average annual pay (fifth), disparity between rural and urban areas (third), and infant mortality (fifth). California's trouble spots within Performance include mass layoffs, average annual pay growth, involuntary part-time employment, homeownership, and voting rate. Within the Business Vitality category, **California ranks best in the nation on job growth due to new businesses, and also holds top 10 rankings on technology industry employment and initial public offerings**. The state's biggest problem within this category is change in new companies, where it ranks second worst. Within the Development Capacity category, California shows strengths in some sub-categories, including financial resources, infrastructure resources, and innovation assets. Particular high points for the state include venture capital investments (second best nationwide), patents issued (fifth best), and electronic

¹⁷¹ SBA, *Small Business Economic Indicators for 2003*, August 2004, <http://www.sba.gov/advo/stats/sbei03.pdf>.

¹⁷² CFED, *SADRC*, pp. 107-112.

public services (fifth best). However, **California receives a “D” in the human resources sub-category and an “F” in the amenity resources and natural capital subcategory**, and ranks near or at the bottom for several other measures in this category, including K-12 education expenditures, high school attainment, highway performance, and energy costs.¹⁷³

CFED also tracks changes over time for selected measures within each category. Positive trends for the state include strong rankings in change in employer health coverage and change in poverty rate. Negative trends for the state include poor rankings on five-year change in new companies, change in high school attainment, change in venture capital investments, and change in health professional shortage areas.¹⁷⁴

4. Progressive Policy Institute’s 2002 State New Economy Index

Another report, *The 2002 State New Economy Index*, released by the Progressive Policy Institute, attempts to use a relatively new set of economic indicators to measure the transformation of a state from a traditional manufacturing economy to a newly emerging economy based on ideas, innovation, and technology. The index is composed of 17 economic indicators summarized under five primary categories: Knowledge Jobs, Globalization, Economic Dynamism and Competition, the Transformation to a Digital Economy, and Technological Innovation Capacity. In the Progressive Policy Institute’s index, **California ranks third overall**, earning a score of 85.50, compared to a U.S. average score of 60.32. Among the specific rankings that contributed to California’s high overall ranking were: **Economic Dynamism (second)**, **Digital Economy (second)**, and **Innovation Capacity (second)**. Additionally, subcategories on which California ranked particularly high include education level of the workforce (third), initial public offerings (third), jobs in “gazelle” companies (third), commercial internet domain names (first), broadband telecommunications (second), and venture capital (second). **California’s lower scores came in education-related categories**, with the state ranking 50th in technology in schools and 28th in workforce education.¹⁷⁵

5. Small Business Survival Index

Each year, the Small Business & Entrepreneurship Council publishes its *Small Business Survival Index*, which ranks each state on its policy environment for entrepreneurship. In the most recent report, released in October 2004, **California ranked last among the states, meaning it has the least friendly policy environment for entrepreneurship**. California’s 2004 ranking was a decline from its 2003 rating of 46th (fifth-least friendly) nationally. On individual categories provided in the appendices to the report, California’s rankings were as follows:¹⁷⁶

- Top personal income tax rate: 3rd highest (worst)

¹⁷³ CFED, *2004 Development Report Card for the States*.

¹⁷⁴ Ibid.

¹⁷⁵ Robert Atkinson, Progressive Policy Institute, *The 2002 State New Economy Index*.

¹⁷⁶ Small Business & Entrepreneurship Council, *Small Business Survival Index 2004*.

- Top capital gains tax rate: 2nd highest (worst)
- Top corporate income tax rate: 11th highest (worst)
- Property tax as a share of personal income: 16th lowest (best)
- Sales, gross receipts, and excise tax: 22nd highest (worst)
- Adjusted unemployment tax rate: lowest (best)
- Per capita health care spending: 14th lowest (best)
- Electric utility costs: 6th highest (worst)
- Workers compensation premiums: highest (worst)
- Crime rate: 23rd lowest (best)
- Number of state and local government employees: 7th lowest (best)
- State gas tax: 13th lowest (best)

6. Needs of California Microenterprise Programs

A 2003 survey of microenterprise practitioners, supporters, and policymakers in California by the California Association of Microenterprise Opportunity revealed that in order to increase and improve microenterprise development in California, the field needs:

- improved access to funding;
- better public awareness of microenterprise development; and
- increased training and technical assistance for emerging and established programs.¹⁷⁷

7. California Reinvestment Committee - Small Business Access to Credit

The California Reinvestment Committee (CRC), a Community Reinvestment Act advocacy coalition of more than two hundred community-based organizations, has published three reports in recent years analyzing small business lending by California's largest lenders. The Committee's most recent report, published in 2003, examined whether small businesses in lower income neighborhoods had an equal access to loans. Based on the data that it analyzed and the stories that it heard from small business owners, **the CRC concluded that banks were not lending to small businesses in lower-income communities on an equal basis.** More specifically, the CRC assessed bank lending based on an equality measure through which it assumed that lending should be done proportionally (i.e., if 30% of small businesses in Los Angeles were in low-income neighborhoods, 30% of small business loans should be originated in low-income neighborhoods). The report found that none of California's major small business lenders met this threshold in all five counties analyzed (Alameda, Fresno, Los Angeles, Sacramento, and San Diego) in 2000, 2001, or 2002. **The report also found that some of the state's largest banks had the worst records,** while smaller community banks had better records.¹⁷⁸

¹⁷⁷ National Economic Development & Law Center, *California Microenterprise Financial Intermediary Project: Research Phase*, April 2003, http://www.microbiz.org/Financial_Inter_Project.pdf.

¹⁷⁸ California Reinvestment Committee, *Small Business Access to Bank Credit: The Little Engine that Could*, December 2003, <http://www.calreinvest.org/pdf/smallbizreport3.pdf>.

CRC made three specific recommendations to attempt to rectify the difficulty that small businesses in low income and minority neighborhoods have in accessing bank credit:

- major financial institutions should be scrutinized by federal financial regulators to ensure that there is an even playing field for entrepreneurs of color and business owners in lower income communities;
- the federal Fair Trade Commission should scrutinize credit card lenders that advertise themselves as small business lenders but do not have a record of lending to smaller businesses; and
- the Federal Reserve should allow financial institutions to voluntarily collect race data on business borrowers.

8. Milken Institute Cost of Doing Business Index

The Milken Institute publishes a yearly *Cost of Doing Business Index* comparing business costs in each state. On the Institute's 2003 Index, California's business costs were 28.5% above the national average, **making California the second most expensive state in the country in which do to business**, behind only Hawaii.

The Index is made up of five sub-indexes: wage cost, tax burden, electricity cost, office (real estate) cost, and industrial (real estate) cost. On these five sub-indexes, California fares worst on electricity cost, where it ranks as the second most expensive state, with energy costs 89% above the national average. California ranks fifth worst on wage cost, office (real estate) cost, and industrial (real estate) cost, but only 17th worst on tax burden.¹⁷⁹

B. SMALL BUSINESS RESOURCES

1. CFED's Small Business Development Policy Rankings

CFED credits California with having very strong small business development policies. California ranks fourth highest in the amount of small business investment company (SBIC) financing provided to business. In addition, **the state has in place nearly all of the key programs and policies that CFED recommends to encourage the development of small businesses**, including: a) a capital access program; b) funding for microenterprise from several different state sources; c) programs or initiatives in support of a state CDFI industry; d) a self-employment option for unemployment insurance; and e) an employee ownership policy.¹⁸⁰

¹⁷⁹ Milken Institute, *State of the State 2004*, pp. 50-56.

¹⁸⁰ CFED, *SADRC*, pp. 143-149.

2. Commerce & Economic Development Program

Resources for small business within the California state government are concentrated within California's Business, Transportation, and Housing Agency's **Commerce & Economic Development Program**. The program provides resources such as the Small Business Assistance & Advocacy Program. **The State Treasurer's Office** also provides financial resources to small businesses through programs such as its Capital Access Program, which encourages banks to make loans to small businesses that fall outside of their conventional underwriting standards.

The state's **Small Business Loan Guarantee** program, begun in 1999, currently has more than \$200 million in outstanding financing. The program guarantees bank loans to small businesses that would otherwise not qualify for loans, and the state credits the program with having created and retained 51,700 jobs since 1999. The state also notes that the program generates \$2 in tax revenue for every \$1 in program costs.¹⁸¹ In addition to loan guarantees, the Commerce & Economic Development Program provides several direct loans for specific purposes through 11 nonprofit Financial Development Corporations.¹⁸²

The Commerce & Economic Development Program also coordinates the state's **Enterprise Zone** Program, which provides special state and local incentives to encourage business investment and promote the creation of new jobs in economically distressed areas throughout California. There are 39 Enterprise Zones located throughout California. Enterprise Zones last 15 years from their original date of designation. Related programs/designations include Local Agency Military Base Recovery Area (LAMBRA) designations, which are similar to Enterprise Zones but focus on closed or downsized military facilities, and a Targeted Tax Area in Tulare County and two Manufacturing Enhancement Areas in Imperial County, which are also similar to the Enterprise Zone program. In addition, The Los Angeles Revitalization Zone (LARZ) was established to stimulate economic growth, create jobs, and rebuild business within portions of Los Angeles County.¹⁸³

3. The Small Business Development Center (SBDC) Network

California's small business owners and entrepreneurs can access a wide variety of services through the state's network of 45 Small Business Development Centers (SBDCs) and SBDC satellite offices. The network is designed to reach small businesses in rural and metropolitan areas, and provides such services as management, marketing, financing, accounting, strategic planning, regulation, taxation, capital formation, procurement, human resource management, production, operations, economic development, production analysis, plant layout and design, agribusiness, computer application, limited business

¹⁸¹ Commerce & Economic Development Program, *TTCA's Small Business Loan Guarantee Program Reaches \$200 Million Loan Milestone*, January 2003.

¹⁸² Commerce & Economic Development Program, Small Business Loan Guarantee Program, <http://www.commerce.ca.gov/>.

¹⁸³ Commerce & Economic Development Program, *California Enterprise Zones: Capitalizing on a Community's Resources*, http://commerce.ca.gov/state/ttca/ttca_homepage.jsp.

law assistance, exporting, office automation, site selection, or any other areas of assistance required to promote small business growth, expansion, and productivity within the state. Depending on the needs of the surrounding community, regional centers may specialize in a certain field, such as high technology resources, export assistance, or disaster relief assistance. California's SBDC network's is funded by the California Community Colleges and the U.S. Small Business Administration.¹⁸⁴ Within California, there are six lead SBDCs, each one responsible for numerous SBDCs in their area. Lead SBDCs in California are: Santa Ana Regional SBDC, San Diego/Imperial Counties SBDC, Northern California SBDC, Golden State SBDC, Los Angeles Regional SBDC, and Fresno Regional SBDC.¹⁸⁵

Economic impact figures for California SBDCs in **2003** indicate that **the centers served 22,846 clients, provided 106,906 hours of counseling, 2,946 training seminars, created 2,893 jobs, and retained 2,805 jobs.**¹⁸⁶

4. U.S. Small Business Association

The SBA has six district offices in California, each focused on a particular small business niche, such as women, minorities, veterans, and international trade. The six offices are located in Fresno, Los Angeles, Sacramento, San Diego, San Francisco, and Santa Ana.¹⁸⁷ Working through local financial institutions, the Small Business Administration (SBA) operates its usual loan guarantee programs in California, including the 7(a) and 504 programs.

The SBA also supports several Women's Business Centers in California, which are funded to provide financial counseling and other management and technical assistance to women entrepreneurs. Centers in California include: Women's Initiative for Self Employment (Oakland), Women's Economic Venture of Santa Barbara, West Company – Ukiah Center, West Company – Fort Bragg Center, Renaissance Entrepreneurship Center (San Francisco), National University Women's Business Center of California (San Diego), Inland Empire Women's Business Center (San Bernardino), and CHARO Community Development Corporation (Los Angeles).¹⁸⁸

5. Service Corps of Retired Executives (SCORE)

The SCORE Association is a nonprofit organization dedicated to providing counseling to individuals interested in starting a small business. The organization partners with the SBA to provide its services. The California SCORE district has volunteer counselors organized into twenty-one chapters around the state. Services provided include seminars

¹⁸⁴ Commerce & Economic Development Program, *The Small Business Development Center Program*, http://commerce.ca.gov/state/ttca/ttca_homepage.jsp.

¹⁸⁵ U.S. Small Business Administration, *SBDC Locations*, <http://www.sba.gov/sbdc/sbdcnear.html>.

¹⁸⁶ Interview with Tri-County Lead SBDC Director Vi Pham, Summer 2004.

¹⁸⁷ U.S. Small Business Administration, *California Local Offices*, <http://www.sbaonline.sba.gov/ca/>.

¹⁸⁸ U.S. Small Business Administration, *List of Women's Business Centers*, <http://www.onlinewbc.gov/wbc.pdf>.

and workshops on various business topics, as well as free one-on-one counseling with business professionals.¹⁸⁹

6. California Capital Access Program

The California Capital Access Program (CalCap) was created by the California Pollution Control Financing Authority (CPCFA) to encourage banks and other financial institutions to make loans to small businesses that fall just outside of most banks' conventional underwriting standards, including minority-owned and women-owned businesses in low-to-moderate income communities. Financing is used for start-up and working capital purposes. The program includes a guarantee provision where lenders and borrowers contribute to a reserve fund to which the state provides an equal match. Since 1994, the program has provided funding of \$300 million and made more than 2000 loans.¹⁹⁰

7. California Association for Microenterprise Opportunity (CAMEO)

CAMEO is a statewide association of organizations, agencies, and individuals, headquartered in Oakland. It was founded in 1993 to increase opportunities for low-income people and communities by providing support to microenterprise organizations throughout California. CAMEO provides a variety of services aimed at achieving its mission, including:¹⁹¹

- educating the public about microenterprise development;
- providing training and technical assistance for microenterprise service providers;
- providing information on microenterprise program funding, research, resources, and partnerships; and
- advocating for microenterprise at the federal, state, and local levels.

8. Minority Business Development Centers

The U.S. Department of Commerce has established the Minority Business Development Agency (MBDA) to support the establishment and growth of minority-owned businesses throughout the United States. MBDA does this by drawing on public- and private-sector resources to provide assistance to minority businesses and entrepreneurs. It provides funding for a network of Minority Business Development Centers (MBDCs), Native American Business Development Centers (NABDCs), and Business Resource Centers (BRCs) across the country. These centers provide a wide variety of services, including assistance with business plan preparation, marketing, management and technical assistance, and financial planning.

¹⁸⁹ SCORE, <http://www.score.org/>.

¹⁹⁰ California State Treasurer, *California Capital Access Program*, <http://www.treasurer.ca.gov/cpcfca/calcap.htm>.

¹⁹¹ CAMEO, *About CAMEO*, <http://www.microbiz.org/html/faq.htm>.

The following MBDCs are located in California:

- Los Angeles Metro MBDC
- University of Southern California
- Northern California Regional Headquarters (Oakland)
- Central Valley Satellites in Fresno and Bakersfield
- Small Business Growth Institute/Business Resource Group, Inc.
- Inland Empire MBDC
- CHARO Community Development Corporation

There is also a California Statewide Native American Business Development Center in El Monte and a Minority Business Opportunity Committee in Los Angeles.¹⁹²

9. California Economic Development Lending Initiative

California financial institutions established the California Economic Development Lending Initiative (CEDLI) in 1995 to provide investment capital to small businesses and community organizations across the state. CEDLI is a for-profit corporation with offices in Oakland and Los Angeles, and its investors include four corporations (The Kaiser Foundation Health Plan, SBC Communications, Pacific Life Insurance Company, and the Development Fund) and 45 financial institutions of a wide range of sizes. CEDLI's programs include co-lending for small businesses, direct real estate lending, child care facilities financing, and loans to lenders. CEDLI places a high priority on providing loans to minority and women-owned businesses.¹⁹³

¹⁹² U.S. Department of Commerce, Minority Business Development Agency, *San Francisco Region*, http://www.mbda.gov/index.php?section_id=1&parent_bucket_id=151&content_id=2264#sanfran.

¹⁹³ California Resources and Training (CARAT), *California Economic Development Lending Initiative*, <http://www.caratnet.org/CEDLI.htm>.

VII. POVERTY AND ASSET ACCUMULATION

Overall, California **ranks somewhat below average on measures of poverty and asset accumulation.** California's mean net worth is relatively high, ranking the state 11th nationally on that measure.¹⁹⁴ However, this strong ranking masks other troubles. The state's **poverty rate is slightly higher than the nation's as a whole, and is the 16th highest of all the states.** The state also has the third-highest asset poverty level and the eighth-highest percentage of households with zero or negative net worth.¹⁹⁵ **Poverty rates in California vary widely by county,** ranging from 5.8% in Placer and San Mateo Counties to 23.9% in Tulare County.¹⁹⁶ In contrast to its relatively weak asset outcomes, the state is credited with a number of supportive asset accumulation and preservation policies, particularly its support for affordable homeownership, its low income tax threshold, and its expansion of Medicaid coverage.¹⁹⁷

A. POVERTY AND ASSET ACCUMULATION NEEDS

1. Poverty Statistics

The number of persons at or below poverty level in California is approximately 4.6 million, or 12.9% of the population. This percentage is higher than the U.S. average of 12.1%. Using a three-year average for 2001-2003, **California had the 16th-highest percentage of residents at or below the poverty level in the U.S.** Additionally, 18.7% of California residents, or 6.5 million individuals, lacked health insurance during the same time frame (2001-2003), compared to 15.1% of the U.S. population. Using a three-year average for 2001-2003, **California had the fourth-highest percentage of residents with no health insurance coverage.**¹⁹⁸

Poverty rates in California vary widely by county, as illustrated by the table on the following page. As of 1999, the last year for which county-level poverty level data is available, the counties with the lowest poverty levels included Placer (5.8%), San Mateo (5.8%), Marin (6.6%), El Dorado (7.1%), and Santa Clara (7.5%) Counties, and the counties with the highest poverty levels included Tulare (23.9%), Fresno (22.9%), Imperial (22.6%), Merced (21.7%), and Modoc (21.5%) Counties.¹⁹⁹

If low-income individuals are defined as those living below 200% of the Federal Poverty Level (FPL), estimates by the Urban Institute and the Kaiser Commission on Medicaid

¹⁹⁴ CFED, *SADRC*, p. 36.

¹⁹⁵ *Ibid.*

¹⁹⁶ U.S. Census Bureau, Census 2000 Data.

¹⁹⁷ CFED, *SADRC*, p. 36.

¹⁹⁸ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2003*, pp. 23, 25, 68-69.

¹⁹⁹ U.S. Census Bureau, Census 2000 Data.

and the Uninsured suggest that 39% of California's population would have qualified as low-income during 2002-2003.²⁰⁰

1999 Poverty Levels in California by County

<i>County</i>	<i>% of Individuals Below Poverty Level</i>	<i>County</i>	<i>% of Individuals Below Poverty Level</i>
Alameda	11.0%	Orange	10.3%
Alpine	19.5%	Placer	5.8%
Amador	9.2%	Plumas	13.1%
Butte	19.8%	Riverside	14.2%
Calaveras	11.8%	Sacramento	14.1%
Colusa	16.1%	San Benito	10.0%
Contra Costa	7.6%	San Bernardino	15.8%
Del Norte	20.2%	San Diego	12.4%
El Dorado	7.1%	San Francisco	11.3%
Fresno	22.9%	San Joaquin	17.7%
Glenn	18.1%	San Luis Obispo	12.8%
Humboldt	19.5%	San Mateo	5.8%
Imperial	22.6%	Santa Barbara	14.3%
Inyo	12.6%	Santa Clara	7.5%
Kern	20.8%	Santa Cruz	11.9%
Kings	19.5%	Shasta	15.4%
Lake	17.6%	Sierra	11.3%
Lassen	14.0%	Siskiyou	18.6%
Los Angeles	17.9%	Solano	8.3%
Madera	21.4%	Sonoma	8.1%
Marin	6.6%	Stanislaus	16.0%
Mariposa	14.8%	Sutter	15.5%
Mendocino	15.9%	Tehama	17.3%
Merced	21.7%	Trinity	18.7%
Modoc	21.5%	Tulare	23.9%
Mono	11.5%	Tuolumne	11.4%
Monterey	13.5%	Ventura	9.2%
Napa	8.3%	Yolo	18.4%
Nevada	8.1%	Yuba	20.8%

Source: U.S. Census Bureau, Census 2000 Data.

2. Personal Bankruptcy Filings

On personal bankruptcy, California ranks better-than-average nationally, and its rate of personal bankruptcy filings has declined over the past year and a half.²⁰¹ For the 12-month period ended March 31st, 2004, California's personal bankruptcy rate was 11.1 filings per thousand households, compared to a national average rate of 13.7 filings per

²⁰⁰Henry J. Kaiser Family Foundation. *Distribution of Total Population by Federal Poverty Level, State Data 2002-2003, U.S. 2003*, <http://www.statehealthfacts.kff.org>.

²⁰¹Economy.com, *California State Profile*, August 2004.

thousand households. During this time period, **California had the 19th-lowest (best) rate of filings.**²⁰²

3. Child Poverty in California

In August 2002, the National Center for Children in Poverty released a report entitled *The Changing Face of Child Poverty in California*, which provided a comparison of child poverty in California during two time periods. The findings of the study are detailed below.

Based on data obtained from the Census Bureau's Current Population Survey between 1979-1983 and 1996-2000, **the number of low-income children in California has increased by almost 1.6 million over the past two decades, from 2.8 million to 4.4 million, and the number of children in poverty has increased by 850,000 from 1.3 to 2.1 million during the same time period.** As of the second data collection time period (1996-2000) one in six poor children in the U.S. lived in California, compared to about one in ten two decades prior. Between the two measurements, the number of poor children in California grew at a faster pace than the total number of children in the United States, with California's child poverty rate increasing by more than 10%.

During the same time period, the poverty rate for Hispanic children increased by 14%, from 30% to 34%, the rate for African-American children decreased from 32% to 24%, and the share of poor children in California who are Hispanic increased by almost one half, to 61%. For white children, the poverty rate has remained steady at 11%, and for Asian American children, the rate was 19% between 1996-2000, but was not measured in the earlier time period.

Increased immigration to California has greatly impacted the changing demographic profile of California's low-income families. **Immigrants account for nearly half of all children in California (46%), and nearly three-fifths of the poor children in California.** The poverty rate for immigrant children is 29%, compared to just 17% for nonimmigrant children.²⁰³

4. CFED Asset Outcome Ranking

In CFED's *State Asset Development Report Card*, California **ranked only average in asset outcomes, receiving a grade of "C" and a rank of 25th overall in the U.S.** CFED assigned its grade of "C" to California based on a mix of very strong performances on some measures and weak performances on other measures. Most notably, **CFED gives California credit for having relatively high mean net worth and small gaps in net worth by race or gender, but criticizes the state for its large percentages of asset-poor families and families with zero net worth.**²⁰⁴

²⁰² American Bankruptcy Institute, *Households Per Filing, Rank During the 12 Month Period Ended March 31, 2004*, <http://www.abiworld.org/statcharts/HouseRank.htm>.

²⁰³ National Center for Children in Poverty, *The Changing Face of Child Poverty in California*, August 2002, <http://www.nccp.org/media/cpc02-text.pdf>.

²⁰⁴ CFED, *SADRC*, p. 36.

a. CFED’s Net Worth and Asset Poverty Statistics

California’s mean net worth—valued at \$131,913 per household—places it 11th in the nation. In addition, when the data for mean net worth is cut by race and gender, California comes out near the very top. It has the **second smallest gap in mean net worth between white and non-white headed households, and the third smallest gap between male and female headed households.**

In contrast however, California’s **asset poverty level**—the percentage of the population without sufficient net worth to subsist at the poverty level for three months without other support, which in the state is 28.5%—gives it a **ranking of 47th, or fourth worst in the nation.** The state ranks similarly poorly, at **43rd, on the proportion of households in the state with zero net worth.** Relative to most other states, this means that California has a much higher share of vulnerable households. On a positive note, however, California does fare well when the gaps in asset poverty between white and non-white headed households and male and female headed households are compared—the state has the **seventh lowest asset poverty gap by race and the 10th lowest asset poverty gap by gender.**²⁰⁵

b. CFED’s Human Capital and Insurance-Related Statistics

California’s rankings on human capital outcomes generally follow its rankings on human capital policies—relatively strong on higher education, but weaker on K-12 education. California ranks **ninth best among the states on its college attainment rate**, with 29% of household heads in the state having attended at least four years of college. California also **ranks 14th best on attainment of associate’s degrees**, with 7% of its population having received such degrees. However, California **ranks only average on measures of equality in college attainment by race, income, and gender.** The state is ranked 26th in the nation in terms of the gap by race, 15th in terms of the gap by income, and 24th by gender.

On the other hand, **California’s K-12 education attainment is below average**, with California children ranking 36th and 34th, respectively, on attainment of basic proficiency in reading and math. These below-average rankings may be at least partially brought about by California children’s lack of preparation for elementary school, as **the state ranks 48th (third worst) nationally in the percentage of children in poverty that are served by a Head Start program.**²⁰⁶

California also ranks near the bottom nationally on insurance-related comparatives. The state is ranked 46th in the percentage of non-elderly covered by employer-based health plans, 40th in the percentage of low-income children without health insurance, and 44th in the percentage of low-income parents without health insurance.²⁰⁷

²⁰⁵ Ibid, pp. 85-91.

²⁰⁶ Ibid, pp. 99-105.

²⁰⁷ Ibid, pp. 117-119.

5. The Asset Development Institute's Asset Index

In September 2002, the Asset Development Institute at Brandeis University published a report entitled *The Asset Index: Measuring The Progress Of States In Promoting Economic Security And Opportunity*. The report presents state-by-state data on individual outcomes for job-based and related income assets, human capital, and financial assets. These outcomes are the primary indicators of the economic security people have and the opportunity they enjoy. For each of these three categories, the report presents a cluster of indicators that point to important related asset-based outcomes and provides the numerical outcome for residents on each indicator as well as a national rank on each indicator (for all indicators, 1st is “best” and 50th is “worst”).

For California, the research indicates that **the state ranks among the top 10 best states for two of the 39 measured indicators, but ranks among the worst 10 states on 13 of the indicators**, representing one third of indicators. The state's **best rankings are in the areas of average wages and inequality in ownership of dividend-paying assets, while its worst rankings are in the areas of housing insecurity, income inequality, housing insecurity, and education** (dropping out before high school). The study's authors conclude that “residents of California, compared to those of other states, have had relatively much less success in gaining job-based and related income assets and building human capital, and less success in accumulating financial assets.”²⁰⁸

B. POVERTY AND ASSET ACCUMULATION RESOURCES

1. State Income Support Programs

Most Californians in poverty are served by the California Health and Human Services Agency, the Department of Social Services, and the Temporary Assistance to Needy Families (TANF) program administered through the California Work Opportunity and Responsibility to Kids program (CalWORKS). CalWORKS provides temporary cash assistance to meet family basic needs, and education, employment and training programs to assist families to move toward self-sufficiency.

As of 2002, California accounted for 22.6% of U.S. TANF grant expenditures, receiving an allotment of \$3.7 billion. The state was also contributing \$2.7 billion per year for maintenance of effort (MOE) compliance from its own funds to remain eligible for the federal TANF grant. After the 1996 welfare reforms, California's caseload has declined, although not as much as the nationwide average. Between 1995 and 2001, California's family caseload dropped 50% and its total recipient caseload dropped 56%, compared to national average declines of 58% and 62%, respectively.²⁰⁹ A study by the Public Policy Institute of California suggests that the slower-than-average decline in

²⁰⁸ The Asset Development Institute, *The Asset Index: Measuring The Progress Of States In Promoting Economic Security And Opportunity*, September 2002, <http://www.centeronhunger.org/pdf/ASSETINDEX.pdf>, pp. 26-27.

²⁰⁹ Tim Ransdell & Shervin Bolorian, Public Policy Institute of California, *Federal Formula Grants: TANF and Welfare Programs*, December 2002, http://www.ppic.org/content/pubs/FF_1202TRFF.pdf, pp. 3-4.

caseloads in the state is due to more generous benefits and less-severe sanction policies than other states.²¹⁰

California's caseload has continued to drop in recent years, although the rate of decline has slowed. As of December 2003, there were approximately 449,132 families in California receiving assistance through the program, a 0.1% increase from December 2002, but a decrease of more than 15,000 families from December 2001.²¹¹

2. California Department of Community Services & Development (CSD)

CSD is California's primary anti-poverty agency, and it accomplishes its mission (to work in collaboration with communities and utilities to improve the quality of life of the poor, promote energy efficiency, provide fiscal and programmatic accountability, and distribute resources wisely) through four main programs:

- 1) **The Community Services Block Grant (CSBG) Program** is designed to provide a range of services to assist low-income people in attaining the skills, knowledge, and motivation necessary to achieve self-sufficiency.
- 2) **The Low-Income Home Energy Assistance Program (LIHEAP)** provides financial assistance to low-income persons to offset the costs of heating and/or cooling dwellings, and provides installation of weatherization measures that increase the energy efficiency of dwellings occupied by low-income persons.
- 3) **The Energy Low-Income Weatherization Assistance Program (DOE-LIWAP)** provides installation of weatherization measures that increase the energy efficiency of dwellings occupied by low-income persons.
- 4) CSD also provides **certification/verification services for several utility companies that administer a Reduced Rate Program.** These programs provide 15% to 25% monthly discounts on gas and electric charges for low-income customers.

3. CFED's Asset Policy Rankings

In contrast to California's "C" grade and average ranking for asset outcomes, CFED gives the state **an overall grade of "A" for asset policies, ranking it fifth in the U.S.** In assigning a top grade to California's asset policies, CFED noted in particular the state's support for affordable homeownership, its low income tax threshold, and its expansion of Medicaid coverage, but noted that the state also needs to strengthen policies to reduce asset poverty.²¹²

a. IDA Policy

²¹⁰ Ibid.

²¹¹ U.S. Department of Health & Human Services, Administration for Children & Families, *Change in Numbers of TANF Families and Recipients from December 2002 to 2003*, http://www.acf.hhs.gov/TANF_data.htm and *Total Number of Families and Recipients for 1st Quarter FY 2002*, <http://www.acf.dhhs.gov/news/stats/tanf.htm>.

²¹² CFED, *SADRC*, p. 36.

CFED credits California with including **an IDA program within the state TANF plan**, but criticizes it for not operating a state IDA program as of 2002 and for not appropriating at least \$1 million in support for IDAs.²¹³

b. Other CFED Financial Asset Building Policy Rankings

In other financial asset building policies, California receives credit for **having a state minimum wage higher than that mandated by the federal government. In the area of public assistance, however, CFED finds fault with many of the state's policies.** California is one of only 12 states that do not earn points from CFED on any of its four measures of good policy for asset limits on public assistance. California's TANF asset limit is \$2,000, well under the \$10,000 limit that CFED suggests is good policy. The state also excludes only \$4,650 in vehicle value from the asset limit under TANF, has an asset test for Medicaid recipients, and does not go above federal standards in determining the countable asset limit for food stamps.²¹⁴

c. CFED's Human Capital Development Policy Rankings

California's rankings in the CFED report for its human capital development policies are mixed. The state ranks **well below average, at 48th (third worst) in the nation, on per-pupil expenditures for K-12 education.** And, the state's expenditures on education are not particularly well distributed, as it **ranks only 26th best in school spending equalization.** California also does not provide supplemental funding for Head Start programs, although it does provide state funding for pre-kindergarten. California is somewhat stronger on education-related measures outside of K-12 education, ranking **sixth in funding for customized job training** and **13th for providing need-based financial aid for undergraduates.**²¹⁵

d. CFED's Wage Protection Policy Rankings

California's wage protection policies are relatively weak, although CFED notes that policies enacted during the 2002 legislative session should improve California's position.²¹⁶ At the time of the CFED rankings, California ranked 35th in the nation in its workers' compensation coverage and 48th in its workers' compensation benefits. On top of its poor workers compensation ratings, California also ranked last among the states for its unemployment insurance benefit level.²¹⁷

However, California has been in the forefront in enacting reforms to unemployment insurance and family leave benefits. It has two of three possible reforms to its unemployment insurance scheme described in the CFED report (eliminating the

²¹³ Ibid, p. 121.

²¹⁴ Ibid, pp. 125-127.

²¹⁵ Ibid, pp. 135-140.

²¹⁶ Ibid, p. 36.

²¹⁷ Ibid, pp. 154-156.

restriction on part-time work and changing eligibility rules to require a minimum number of hours worked rather than an earnings threshold), and has **enacted three of four possible family leave benefits that CFED describes in its report**: a) temporary disability insurance; b) allowing public employees to use sick leave to care for sick family; and c) requiring private employers to allow employees to use sick leave to care for sick family.²¹⁸

e. CFED’s Health Insurance Policy Rankings

In contrast to its poor outcome rankings on health insurance related measures, California ranks relatively well on health insurance policies. CFED ranks California **11th best in its efforts to expand SCHIP and Medicaid for low-income parents.** It also credits California for providing transitional medical assistance for 24 months rather than for the minimum of 12. However, **CFED indicates in its report that California could be doing more.** It has not expanded Medicaid for low-income adults without children, and does not have a state subsidy for small business health care coverage.²¹⁹

f. CFED’s Property Protection Policy

Within the property protection policy arena, CFED praises California for having both of the policies it included as measures of state success in this area: a) anti-predatory lending legislation; and b) a state disclosure requirement for property insurers to guard against redlining.²²⁰ CFED notes that California is one of only a few states that have put in place these types of policies.²²¹

4. Asset Policy Initiative of California (APIC)

The Asset Policy Initiative of California (APIC) is a statewide policy initiative funded by the Ford Foundation and facilitated by the Earned Assets Resource Network (EARN). The goal of the initiative is to develop a policy agenda for California that is oriented towards long-term asset building among low-wealth households. During 2003 and 2004, APIC was engaged in a planning process led by a taskforce composed of individuals from many different industries, including housing, government, philanthropy, banking, community development, business, and microenterprise. During this time, the Taskforce developed a vision for APIC’s efforts going forward, and is currently working to refine its policy priorities. The four components of the APIC framework are accumulation, leveraging, preservation, and creation, which are distinct, yet integrated, areas of asset development.²²²

5. IDAs in California

²¹⁸ Ibid, pp. 157-160.

²¹⁹ Ibid, pp. 162-165.

²²⁰ Ibid, pp. 167, 169.

²²¹ Ibid, p. 36.

²²² Asset Policy Initiative of California, *About APIC: A Brief History*, <http://www.assetpolicy-ca.org/index.php?history>.

California legislators have been interested in promoting IDAs since 1994, when they included language in the 1994 welfare reform bill allowing AFDC recipients to establish the accounts without affecting their eligibility for receiving AFDC benefits. **The current IDA legislation in the state was passed in 2002, requesting state general funds to support an IDA program. However, despite passage, the bill not yet been funded.**²²³

As of January 2003, there were over 40 community-based IDAs in California either implemented or being developed.²²⁴ **The largest IDA providers in the state are the Earned Assets Resource Network (EARN), United Way of Greater Los Angeles (UWGLA), and Lenders for Community Development (LCD).** Each of these is discussed in more detail below.

a. Earned Assets Resource Network

The Earned Assets Resource Network (EARN) was founded in 2000 by several organizations in the San Francisco Bay Area, including the United Way of the Bay Area, the San Francisco Foundation, Goodwill Industries, the San Francisco Department of Human Services, the Corporation for Enterprise Development, and SFWorks, in order to help improve the financial position and security of San Francisco's working residents. EARN also founded and manages the Asset Policy Initiative of California (discussed above). EARN's primarily tool for helping Bay Area residents to gain financial assets is an IDA that it calls the EARN 2-for-1. The IDA account provides funds to match the savings of accountholders. Matching funds are provided by a variety of sources, including Federal and local governments, foundations, corporations, and private citizens. All EARN IDA account holders are required to attend eight hours of financial training, and also have access to ongoing monthly financial workshops. EARN's partners include Citibank, the City and County of San Francisco Department of Human Services, Jewish Vocational Service, Juma Ventures, San Francisco Goodwill Career Advancement Center, San Francisco Works, and the Women's Initiative for Self Employment.²²⁵ Since 2002, EARN has opened 650 IDAs, and had 78 withdrawals investing \$150,000. These funds have leveraged over \$4 million in capital in the form of first-time home mortgages, educational grants and loans, and small business capital.²²⁶

b. United Way of Greater Los Angeles (UWGLA)

United Way of Greater Los Angeles (UWGLA) manages an integrated system of 16 Agency Partners and a single, countywide Financial Literacy Partner (MainStream) with demonstrated expertise in personal financial planning, budget counseling, and educational guidance. Through this model of a countywide IDA system, UWGLA provides extensive monitoring of compliance with AFIA regulations regarding IDAs with

²²³ Center for Social Development, Washington University in St. Louis, *California: IDA Legislative History*, January 2003, http://gwbweb.wustl.edu/csd/policy/states/history/california_history.pdf.

²²⁴ Ibid.

²²⁵ Earned Assets Resource Network, *What is the Story Behind Earn*, <http://www.sfearn.org/what.htm>.

²²⁶ Ben Mangan, Executive Director, EARN, information provided via email, December 2004.

its current Agency Partners to insure quality programming and fiscal management. The UWGLA uses matching grant funds received from various organizations to provide 2-to-1, 3-to-1, or 5-to-1 grants to savers under its Saving for the American Dream program to achieve homeownership or micro-enterprise business ownership.²²⁷

c. Lenders for Community Development (LCD)

The eBay Foundation, through the MicroE Initiative, is funding LCD's IDA account program and money management training to low-income people interested in saving toward goals like education, a home, a small business, or a retirement account. LCD's IDA program is one of the largest and most effective in the country, with over 1,100 accounts. Thirty-three program participants have already used their savings to start or grow a small business, and hundreds more have used their savings to pay for education, purchase a home, or open a retirement account.²²⁸

6. Assets CAN

Assets CAN is a central source of information and other resources focused on development, expansion, and effective practices for Asset Building programs in California. This network of community based organizations, financial institutions, and local government agencies throughout the state look to the Assets CAN staff for information on how to start an Individual Development Account (IDA) program, the roles of Community Based Organizations and financial institutions, and suggestions on how to fund this type of important asset building activity. Assets CAN is a resource for policy makers, and a forum for consumer issues and economic policy that impact the working poor. Its goals are to:

- promote practitioner development, efficient uses of resources and the dissemination of information;
- develop public education and public policy strategies; and
- encourage member organizations and others throughout the State to grow community leadership.²²⁹

²²⁷ United Way of Greater Los Angeles, *Saving for the American Dream*, <http://www.unitedwayla.org/pfdfiles/sfad2003.pdf>.

²²⁸ Lenders for Community Development, *IDA Program*, <http://www.l4cd.com/clients/IDAProgram.html>.

²²⁹ California Community Economic Development Association, <http://www.cceda.com>.

VIII. NATIVE AMERICANS AND IMMIGRANTS

California has the largest **Native American population in the nation**,²³⁰ **although it ranks only 16th nationally in terms of Native Americans as a percentage of state population.** Despite widespread attention to tribal gaming in recent years, fewer than half of California's 107 federally-recognized tribes operate gaming facilities, and **Native Americans in California have higher rates of poverty, lower household incomes, less education, and higher rates of unemployment than non-California reservation Indians.**²³¹ California's state government has made some legislative efforts to help Native Americans in the past several years, but there are still significant challenges to be addressed.²³²

Approximately **26% of California's population is foreign born, the highest proportion among the states.** More than half of foreign-born residents hail from Latin America, and another third come from Asia.²³³ Nineteen percent of California's immigrants live below the poverty level, slightly higher than the national average for immigrants. **The state does provide more generous TANF benefits to legal immigrants than many states, but additional resources are required** to meet the needs of this population.²³⁴

A. NATIVE AMERICAN NEEDS

1. Statistics on Native Americans

California ranks first in the nation in total Native American/Alaska Native population, with a total population of 333,346 as of 2000.²³⁵ Native Americans in California make up 1.0% of the state's population, ranking the state **16th-highest nationally in terms of percentage of population.**²³⁶ California is also home to the city with the second-largest Native American population nationally, Los Angeles (Native American population of 29,412).²³⁷ California's Native Americans are members of the state's 107 federally-recognized tribes.²³⁸ As the table below shows, **California's Native Americans are widely disbursed around the state.**

²³⁰ U.S. Census Bureau, Census 2000 Data.

²³¹ Alliance of California Tribes, *Background and Questions & Answers*, <http://www.allianceofcatribes.org>.

²³² *Ibid.*

²³³ U.S. Census Bureau, Census 2000 Data.

²³⁴ California Immigrant Welfare Collaborative, *California Update*, August 2004, <http://www.nilc.org/ciwc/nwsltr/caup4-04.htm>.

²³⁵ U.S. Census Bureau, Census 2000 Data.

²³⁶ *Ibid.*

²³⁷ U.S. Census Bureau, *The American Indian and Native Alaskan Population: 2000*, <http://www.census.gov/prod/2002pubs/c2kbr01-15.pdf>, p. 8.

²³⁸ Alliance of California Tribes, *Questions & Answers*, <http://www.allianceofcatribes.org/qa.htm>.

Geographic Distribution of California's Native American Population

<i>County Name</i>	<i>Total American Indian and Alaska Native (only) Population</i>	<i>Percent of County Population</i>
Los Angeles County	76,988	0.8%
San Diego County	24,337	0.9%
San Bernardino County	19,915	1.2%
Orange County	19,906	0.7%
Riverside County	18,168	1.2%
Sacramento County	13,359	1.1%
Fresno County	12,790	1.6%
Santa Clara County	11,350	0.7%
Kern County	9,999	1.5%
Alameda County	9,146	0.6%
Humboldt County	7,241	5.7%
Ventura County	7,106	0.9%
San Joaquin County	6,377	1.1%
Contra Costa County	5,830	0.6%
Tulare County	5,737	1.6%
Stanislaus County	5,676	1.3%
Sonoma County	5,389	1.2%
Santa Barbara County	4,784	1.2%
Shasta County	4,528	2.8%
Monterey County	4,202	1.0%
Mendocino County	4,103	4.8%
Butte County	3,866	1.9%
San Francisco County	3,458	0.4%
Madera County	3,212	2.6%
San Mateo County	3,140	0.4%
Solano County	3,110	0.8%
Imperial County	2,666	1.9%
Merced County	2,510	1.2%
Santa Cruz County	2,461	1.0%
San Luis Obispo County	2,335	0.9%
Placer County	2,199	0.9%
Kings County	2,178	1.7%
Yolo County	1,953	1.2%
Inyo County	1,802	10.0%
Lake County	1,772	3.0%
Del Norte County	1,770	6.4%
Siskiyou County	1,726	3.9%
Yuba County	1,569	2.6%
El Dorado County	1,566	1.0%
Sutter County	1,225	1.6%
Tehama County	1,178	2.1%
Lassen County	1,104	3.3%
Marin County	1,061	0.4%
Napa County	1,045	0.8%
Tuolumne County	992	1.8%
Nevada County	814	0.9%

Calaveras County	705	1.7%
Trinity County	631	4.8%
Amador County	626	1.8%
San Benito County	616	1.2%
Mariposa County	602	3.5%
Glenn County	552	2.1%
Plumas County	530	2.5%
Colusa County	439	2.3%
Modoc County	398	4.2%
Mono County	309	2.4%
Alpine County	228	18.9%
Sierra County	67	1.9%

Source: U.S. Census Bureau, Census 2000 Data.

2. Poverty and Economic Opportunities for Tribes

Most attention within California on economic activities on Indian tribes has been focused on gaming. **Large-scale tribal gaming in California gained momentum with the 1987** Supreme Court case of *California v. Cabazon*, which recognized the right of Indian tribes to offer gaming on tribal lands. That case was followed in the next year by the passage of the Indian Gaming Regulatory Act (IGRA), which provided the statutory framework for tribal gaming. The first set of 58 tribal governments signed tribal-state agreements on gaming with the California state government on September 10th, 1999. Since then, three additional tribes have signed contracts, **for a total of 61 tribal gaming contracts**. The tribes are required by the IGRA to use the proceeds for governmental or charitable purposes, and tribes in California have used revenues for building public infrastructure, such as schools and roads, funding health care and education, and funding additional economic development activities. Gaming tribes are also required to share some revenues with non-gaming tribes in California.²³⁹ **Current California Governor Arnold Schwarzenegger has been actively working to negotiate new compacts with California tribes** that are designed to provide additional revenue to the state while guaranteeing exclusive rights to gaming for tribes.²⁴⁰

Gaming and other economic development activities have helped some California tribes to become more economically independent and to provide governmental services such as health care, housing, and education to tribal members, but **more assistance is needed to ensure the success of Native American efforts to achieve self-sufficiency**.²⁴¹ **Native Americans in California exhibit higher-than-average poverty levels**—18.6% of Native American families and 21.9% of individuals live below the poverty level, and the median household income for Native Americans is only \$36,547, compared to \$47,493 for all California households. As of 2000, Native Americans also exhibited above-average unemployment and lower educational attainment. College attainment rates for Native Americans are less than half of the overall rates for California (11.5% of Native

²³⁹ California Nations Indian Gaming Association, *Overview*, <http://www.cniga.com/overview/index.php>.

²⁴⁰ Office of the Governor, *Governor Schwarzenegger Signs Renegotiated Gaming Compacts with Five Indian Tribes*, June 21, 2004.

²⁴¹ Alliance of California Tribes, *Background*.

Americans over age 25 in the state have a college degree, compared to 26.6% of the total population). **Native Americans are also more likely to live in overcrowded or substandard housing**—21.2% of Native American households in California are overcrowded, 4.7% have no phone, 2.1% lack complete kitchen facilities, and 1.7% lack complete plumbing facilities, compared to 15.2% of total households in the state being overcrowded, 1.5% lacking telephone service, 1.0% lacking complete kitchen facilities, and 0.7% lacking complete plumbing facilities.²⁴²

B. NATIVE AMERICAN RESOURCES

1. Bureau of Indian Affairs

The Bureau of Indian Affairs (BIA), a federal agency under the Department of the Interior, maintains five offices within California: the Sacramento Area Office, the Northern California Agency in Redding, the Southern California Agency in Riverside, the Central California Agency in Sacramento, and the Palm Springs Field Office. The BIA administers and manages land held in trust by the United States for American Indians, Indian tribes, and Alaska Natives, as well as providing some educational and tribal economic development services.²⁴³

2. Tribal TANF

The **welfare reforms of 1996 allowed Native American tribes to offer Tribal TANF in lieu of traditional TANF programs.** Tribal TANF programs can be designed to meet the needs of a specific community, and often include a wider range of services than state-run TANF programs. Typical tribal TANF programs provide cash benefits, job training, job search assistance, language classes and other cultural programs, and assistance with finding other programs and organizations that can help recipients. Indian families living in counties where tribal TANF is available can choose to receive assistance through CalWORKS or tribal TANF.²⁴⁴ **As of 2002, three tribal TANF programs were in existence**—Southern California Tribal Chairmen’s Association (SCTCA), Torres-Martinez Tribal TANF, and the Owens Valley Career Development Center—and four more proposals for the initiation or expansion of Tribal TANF programs were in progress.²⁴⁵

3. California Indian Assistance Program

The California Indian Assistance Program (CIAP) is administered through the California Department of Housing and Community Development. The primary purpose of the program is to provide assistance to tribal governments with obtaining and managing state

²⁴² U.S. Census Bureau, Census 2000 Data.

²⁴³ Bureau of Indian Affairs, <http://www.doi.gov/bureau-indian-affairs.html>.

²⁴⁴ California Indian Legal Services (CILS), *At a Glance: What is Tribal TANF?*, September 2003, http://www.calindian.org/legalcenter_tanf.htm.

²⁴⁵ CILS, *Tribal TANF Making Great Strides in California*, CILS News, Volume 10, Fall 2002, http://www.calindian.org/nl_fall2002.11.htm.

and federal funds for tribal projects in the areas of housing, infrastructure, community and economic development, and governance enhancement. Assistance is provided by CIAP staff and includes consultant and grant writing services.²⁴⁶

4. Native American Legislation and Legal Issues

Over the past several years, cooperation has begun to increase between the California state government and California's Indian tribes. The following legislation was passed during these years:

- 1998 - Governor Wilson signs legislation to authorize all state agencies to cooperate with California tribes on non-gaming economic development
- 2000 - Governor Davis signs legislation reflecting an agreement with Blue Cross and Blue Shield health insurance companies to directly market their group coverage health plans to members of California tribes
- 2000 - The California Legislature and Governor Davis support, and the people of California adopt, Proposition 12, granting California tribes the right to apply for State Clean Drinking Water Act bond funds
- 2001 - The state recognizes California Indian tribes as eligible to participate in \$700 million of energy conservation programs and also authorizes tribes to participate in activities funded by the California Power Authority, totaling \$5 billion for all applicants²⁴⁷

Current issues of legislative interest to California's Native American community include: a) funding for tribal TANF; b) BIA leasing regulations; and c) the State of California Revenue Sharing Trust Fund.

5. HUD Resources for Native Americans

HUD offers a range of programs, assistance, and loans specifically for Native American tribes, organizations, and individuals, including the Section 184 Native American Loan Guarantee Program, the Title VI Loan Guarantee Program, Lease-Purchase Loans, the Indian Community Development Block Grants, the Indian Housing Block Grant, and the Native American Conventional Lending Initiative.

Several California tribes are active participants in HUD's Section 184 Indian Housing Loan Guarantee program, which provides loan guarantees for home ownership, property rehabilitation, and new construction opportunities for eligible tribes and members seeking to own a home on their native lands. The program primarily serves higher-income families, and allows for private finance mortgages. In order to participate in the mortgage process, tribes must adopt codes and ordinances that incorporate foreclosure, land lease agreements, and eviction through tribal courts. As of November

²⁴⁶ California Department of Housing and Community Development, *California Indian Assistance Program*, <http://www.hcd.ca.gov/ca/ciap/>.

²⁴⁷ Alliance of California Tribes, *Background*.

2004, HUD lists 21 California tribes as eligible participants and 12 participating lenders in the state. As of December 2004, California had the sixth highest number of Section 184 loans, 65, with a total dollar value of \$15.2 million.²⁴⁸

6. Northern California Indian Development Council

The Northern California Indian Development Council was founded in 1976 as a youth education program provider with a focus on American Indians residing in Del Norte, Humboldt, and Siskiyou Counties. It soon branched out into other activities and expanded its service area. The NCIDC now provides services such as education, employment and training services; statewide disaster assistance programs, food and nutrition program awareness and assistance; housing development and rehabilitation services; transportation assistance; child care; youth education, career exploration and recreational services; anadromous fish rearing and habitat enhancement on the Klamath River; and community development and enhancement projects. It provides services to approximately 14,000 to 15,000 clients annually. Its primary focus area remains in Northern California, but it provides some services statewide through federal contracts such as the Community Service Block Grant - American Indian Set-Aside (CSBG) Program services, which as of Program Year 1998 included 57 counties and 102 reservations and rancherias, and a statewide Low-Income Housing Energy Assistance Program (LIHEAP) and a disaster assistance program serving Indian communities throughout the state.²⁴⁹

7. Southern California Indian Center, Inc

Southern California Indian Center, Inc. (SCIC) is a non-profit 501 c(3) community-based organization serving the American Indian, Native Alaskan, and Native Hawaiian communities of Los Angeles, Orange, Kern and Riverside Counties of Southern California, which covers over 5,000 square miles and hosts the largest concentration of urban American Indian/Native Alaskans in the nation.

8. The Alliance of California Tribes

The Alliance of California Tribes (ACT) is a statewide organization comprised of federally-recognized Indian tribes in California that was founded to advance the cultural, economic, political, and social agendas of California tribes. ACT's primary goal is to work with local, state, and federal governments to affect change in the legislative and regulatory arena on issues that affect the lives of California tribes. It also provides assistance with tribal economic development. ACT members are both gaming and non-gaming tribes and include the following 11 tribes: Auburn Rancheria, Big Sandy Rancheria, Blue Lake Rancheria, Bridgeport Indian Colony, Cortina Rancheria, Cuyapaipe Band of Mission Indians, Greenville Rancheria, Jackson Rancheria, Mesa

²⁴⁸ HUD Office of Native American Programs, *Section 184 Loans Across the Nation*, http://www.codetalk.fed.us/OLG_184_stats.htm.

²⁴⁹ Northern California Indian Development Council, *NCIDC Agency History and Description*, <http://www.ncidc.org/hist.htm>.

Grande Band of Mission Indians, Pala Band of Mission Indians, and Rumsey Indian Rancheria. These tribes include members from Amador, Colusa, Humboldt, Fresno, Mono, Placer, Plumas, San Diego, and Yolo Counties.²⁵⁰

9. California Rural Indian Health Board, Inc.

The California Rural Indian Health Board (CRIHB) was founded in 1969 in order to centralize planning, advocacy, funding, training, technical assistance, coordination, fund-raising, education, and development in the Indian health field in California. The CRIHB membership consists of 11 tribal health programs that provide primary health care services to approximately 63,000 American Indians in rural California. These clinics provide services in 21 counties, including: Amador, Butte, Calaveras, Del Norte, El Dorado, Humboldt (excluding Hoopa Reservation), Inyo, Lassen, Madera, Mariposa, Mendocino (Manchester-Pt. Arena Rancheria only), Modoc, Mono, Siskiyou, Shasta, Sonoma, Sutter, Tuolumne, Trinity, Tulare, Yuba.²⁵¹

10. California Indian Legal Services

California Indian Legal Services (CILS) is the first Indian-controlled law firm organized to provide specialized legal representation to Indians and Indian tribes. CILS has offices in Bishop, Escondido, Oakland, Eureka, Santa Rosa, and Washington DC. The firm is funded through grants and contracts from California tribes, the Federal Legal Services Corporation, the State Bar of California, private foundations, and individual and corporate contributors, and provides representation on matters that fall within the priorities set by its Board of Trustees, which include the following:²⁵²

- preserve and enhance the Indian land base in California;
- secure self-determination and Indian control of reservations and reservation programs;
- secure restoration and improvement of services that federal agencies have provided to Indians outside of California, but that those agencies have either failed to provide or have provided on a severely limited basis to California Indians;
- secure bureaucratic accountability for governmental policies, actions, or omissions that significantly and adversely affect California Indians;
- secure and protect the full civil rights of California Indians; and
- protect and encourage the growth of Indian heritage.

²⁵⁰ Alliance of California Tribes, *Questions & Answers*.

²⁵¹ California Rural Indian Health Board, *Organizational Profile*, <http://www.crihb.org/news.htm>.

²⁵² CILS, *About CILS*, <http://www.calindian.org/aboutcils.htm>.

11. California Nations Indian Gaming Association

The California Nations Indian Gaming Association (CNIGA) was founded in 1988 to protect Indian gaming on tribal lands in California. CNIGA is a non-profit organization made up of 61 federally-recognized tribal governments, and its primary role is to serve as a planning and coordinating agency for legislative, policy, legal, and communication efforts on behalf of its members. It also provides technical assistance related to Indian gaming to tribes and the federal government, and disseminates information to the Indian gaming community, the general public, and federal and state governments.²⁵³

12. California Indian Manpower Consortium

The California Indian Manpower Consortium, Inc. (CIMC) is a non-profit organization that was founded by state law in 1978 to work for the social welfare and educational and economic advancement of its member tribes, groups, organizations and other Native Americans living in California.²⁵⁴

CIMC currently operates the following ongoing programs:

- employment and training programs funded under Title I of the Workforce Investment Act (WIA) and the Indian and Native American Welfare-to-Work (INA WtW) Grant Program, both funded through the U.S. Department of Labor;
- an emergency services program funded under the Community Services Block Grant (CSBG) Program;
- a senior nutrition and information and assistance program funded under Title VI of the Older Americans Act; and
- the Native Employment Works (NEW) Program and the Child Care and Development Block Grant (CCDBG) Program funded through the U.S. Department of Health and Human Services, Administration for Children and Families.

13. California Native American Business Development Center

Native American Business Development Corporations are an effort of the Minority Business Development Agency of the U.S. Department of Commerce designed to focus on the needs of Native American business owners. Within California, the California Native American Business Development Center (CANABDC) is operated by the National Center for American Indian Enterprise Development. The CANABDC provides management and technical assistance for Native Americans residing in the state of California. Services provided include financial and loan packaging, SBA bond guarantee packaging, minority certification assistance, business plan preparation, research, SBA 8(a) and SDB application assistance, and SBA HubZone application assistance.²⁵⁵

²⁵³ California Nations Indian Gaming Association, *Overview*, <http://www.cniga.com/overview/index.php>.

²⁵⁴ California Indian Manpower Consortium, *History and Performance*, <http://www.cimcinc.org/history.htm>.

²⁵⁵ California Native American Business Development Center, *About Us*, <http://www.canabdc.com/>.

C. IMMIGRANT NEEDS

1. Immigrant Totals

According to Census 2000 data, **26.2% of California's population is foreign born**, which translates into 8.9 million foreign-born residents. **California ranks first nationally in the number of foreign-born residents and in the proportion of foreign-born residents in its population.** Thirty-seven percent of these residents entered the U.S. between 1990 and 2000, and 39.2% are naturalized citizens, on par with the national average of 40.3%.²⁵⁶

As the table below indicates, **the concentration of foreign-born residents within California counties varies widely**, ranging from nearly 37% in Los Angeles and San Francisco Counties to less than 2% in Trinity County.²⁵⁷ Four of California's largest cities, including Glendale, Santa Ana, Daly City, and El Monte, have majority immigrant populations.²⁵⁸

California Foreign-Born Population by County

<i>Geography</i>	<i>Total population; Percent foreign born</i>	<i>Foreign-born population; Number</i>	<i>Foreign-born population; Percent entered 1990 to March 2000</i>
California	26.2%	8,864,255	36.9%
Alameda County	27.2%	392,656	42.3%
Alpine County	3.2%	39	46.2%
Amador County	3.4%	1,180	23.3%
Butte County	7.7%	15,668	38.9%
Calaveras County	3.0%	1,219	13.2%
Colusa County	27.6%	5,181	42.4%
Contra Costa County	19%	180,488	36.7%
Del Norte County	5.7%	1,579	45.5%
El Dorado County	7.2%	11,183	34.2%
Fresno County	21.1%	168,717	39.8%
Glenn County	17.8%	4,719	39.9%
Humboldt County	4.5%	5,749	33%
Imperial County	32.2%	45,783	31.5%
Inyo County	7.6%	1,367	36.7%
Kern County	16.9%	111,944	37.3%
Kings County	16%	20,757	38.7%
Lake County	6.6%	3,822	33.6%

²⁵⁶ U.S. Census Bureau, Census 2000 Data.

²⁵⁷ Ibid.

²⁵⁸ Public Policy Institute of California, *Just the Facts: Immigrants in California*, July 2002, http://www.ppic.org/content/pubs/JTF_ImmigrantsJTF.pdf.

Lassen County	2.3%	789	19.9%
Los Angeles County	36.2%	3,449,444	34.8%
Madera County	20.1%	24,753	43.3%
Marin County	16.6%	41,160	39.3%
Mariposa County	2.8%	475	18.3%
Mendocino County	10.2%	8,833	42.4%
Merced County	24.8%	52,184	36.1%
Modoc County	5.9%	556	32.4%
Mono County	12.4%	1,598	49.4%
Monterey County	29%	116,559	40.8%
Napa County	18.1%	22,487	42%
Nevada County	4.4%	4,065	22.7%
Orange County	29.9%	849,899	39%
Placer County	7.1%	17,562	34.2%
Plumas County	2.5%	526	22.8%
Riverside County	19%	293,712	31.3%
Sacramento County	16.1%	197,195	44.2%
San Benito County	18.8%	10,026	40.6%
San Bernardino County	18.6%	318,647	30.8%
San Diego County	21.5%	606,254	35.5%
San Francisco County	36.8%	285,541	37.2%
San Joaquin County	19.5%	109,812	37.1%
San Luis Obispo County	8.9%	22,016	35.1%
San Mateo County	32.3%	228,118	36.5%
Santa Barbara County	21.2%	84,826	38.5%
Santa Clara County	34.1%	573,130	46.3%
Santa Cruz County	18.2%	46,502	37.2%
Shasta County	4%	6,488	28.7%
Sierra County	3%	107	31.8%
Siskiyou County	5.4%	2,382	27.7%
Solano County	16.9%	66,496	30.8%
Sonoma County	14.3%	65,726	41.2%
Stanislaus County	18.3%	81,615	33.9%
Sutter County	19.3%	15,228	44.5%
Tehama County	7.9%	4,424	38.5%
Trinity County	1.6%	206	17%
Tulare County	22.6%	83,124	38.1%
Tuolumne County	3.2%	1,724	20.5%
Ventura County	20.7%	155,913	33.6%
Yolo County	20.3%	34,171	48.2%
Yuba County	13.2%	7,931	43%

Source: U.S. Census Bureau, Census 2000 Data.

INS also estimates that **California had 2.2 million unauthorized immigrants within state borders as of 2000, up from approximately 1.5 million in 1990.**²⁵⁹ According to the U.S. Bureau of Citizenship and Immigration Services, California's unauthorized immigrants account for approximately 32% of the total U.S. population of unauthorized immigrants and about 6.5% of California's total population.

California is also home to sizable numbers of refugees—in FY 2003, there were 4,174 new refugee arrivals in the state.²⁶⁰ San Diego has the third largest refugee population in the country.²⁶¹

2. Origin of Immigrants

A majority of California's foreign-born residents (55.6%) were born in Latin America, with the next largest groups coming from Asia (32.9%) and Europe (7.9%).²⁶² **By country, 44.3% of foreign born were born in Mexico**, with the next largest groups born in the Philippines (7.5%) and Vietnam (4.7%).

California's foreign born reported their race on the 2000 Census as follows: 34.1% white (only), 1.2% black or African American (only), 0.5% American Indian and Alaska Native (only), 27.9% Asian (only), 0.3% Native Hawaiian and other Pacific Islander (only), 30.6% some other race (only), and 5.3% two or more races. **Hispanic or Latino origin was reported by 54.4% of California's foreign born, compared to 45.5% of foreign-born residents nationally.**

Eighty-nine percent of California's foreign-born residents report speaking a language other than English at home, and, of this 89%, 38% report speaking English "not well" or "not at all."

3. Poverty Levels Among Immigrants

According to Census 2000 figures, **19.1% of California's foreign-born population has incomes that put them below poverty levels, slightly higher than the comparable national figure, 17.9%**. Among non-citizens, this figure rises to 24.5% (compared to only 10.6% of foreign-born citizens in California).²⁶³ California's immigrants also have less formal education on average than U.S. natives in the state—42% of immigrants have not completed high school, compared to only 12% of U.S. natives. Immigrants from

²⁵⁹ U.S. Immigration and Naturalization Service, Office of Policy Planning, *Estimates of the Unauthorized Immigrant Population Residing in the United States: 1990-2000*, January 2003, http://uscis.gov/graphics/shared/aboutus/statistics/Imm_Report_1211.pdf.

²⁶⁰ California Department of Social Services – Refugee Programs Bureau, *Refugee Arrivals into California Counties, Federal Fiscal Year 2003*, http://www.dss.cahwnet.gov/refugeeprogram/Res/pdf/RptCtr/ArrivalsFFY2003_Sept.pdf.

²⁶¹ International Rescue Committee, <http://www.theirc.org>.

²⁶² U.S. Census Bureau, Census 2000 Data.

²⁶³ Ibid.

India tend to be among the most highly educated, while immigrants from Mexico are among the least educated.²⁶⁴

An analysis by non-profit organization Children Now shows that **in 2001, 35% of children in immigrant families were living below the federal poverty level, compared to only 11% of children in non-immigrant families.**²⁶⁵ Children Now also cites a stark difference in poverty levels based on the English-speaking abilities of parents in immigrant families. Ninety-six percent of children in immigrant families where the parent was unable to speak English were either living in poverty or were low-income, compared to only 32% of children in immigrant families where the parents spoke English very well.²⁶⁶

D. IMMIGRANT RESOURCES

1. CalWORKS and Other State Aid Programs

After the 1996 welfare reforms, when federal funding for aid to legal immigrants through TANF was eliminated, **California chose to continue providing benefits to legal immigrants using state funds.** While welfare assistance to immigrants in the U.S. overall declined 62% between 1997 and 1999, welfare assistance to immigrants within California actually increased between 1996, when 26.3% of legal immigrants received assistance, and 2000, when 26.7% of legal immigrants were covered by CalWORKS.²⁶⁷

The California Immigrant Welfare Collaborative provides a summary table of benefit programs available to immigrants on its website (http://www.nilc.org/ciwc/tbls_other-mats/Cal_Benefits_Table_9-22-04.pdf). Benefits for which immigrants may be eligible include Supplemental Security Income & State Supplemental Payment (SSI/SSP), State Cash Assistance Program for Immigrants (CAPI), federal and state food stamps, child nutrition programs, CalWORKS, Medi-Cal, Healthy Families, and Medicare.

Since 2002, California state law has also allowed qualified immigrants to attend public colleges and universities at the in-state tuition rate. Those qualified include undocumented residents who attended high school in California for three or more years, graduated from a California high school, and filed an affidavit stating that they have applied for a lawful immigrant status or will apply as soon as they are eligible to do so.²⁶⁸

²⁶⁴ Public Policy Institute of California, *Just the Facts: Immigrants in California*.

²⁶⁵ Children Now, *California Report Card 2004: Focus on Children in Immigrant Families*, May 2004, <http://www.childrennow.org/california/rc-2004/reportcard04.cfm>, p. 5.

²⁶⁶ *Ibid*, p. 7.

²⁶⁷ Tim Ransdell & Shervin Bolorian, Public Policy Institute of California, *Federal Formula Grants: TANF and Welfare Programs*, December 2002, http://www.ppic.org/content/pubs/FF_1202TRFF.pdf, p. 7.

²⁶⁸ California Immigrant Welfare Collaborative, *Immigrants & Higher Education in California*, April 2002, http://www.nilc.org/ciwc/ciwc_ce/AB_540_Qs_As-4.15.02.PDF.

2. Refugee Programs Bureau

California's Refugee Programs Bureau (RPB) is housed in the state's Department of Social Services. **The RBP is responsible for managing and coordinating the delivery of benefits and services to the refugee and entrant populations in California.** Its work includes administering the Refugee Resettlement Program (RRP) and the Cuban/Haitian Entrant Program and providing state-level leadership and coordination of refugee programs and services to achieve successful refugee resettlement and self-sufficiency in California.²⁶⁹

3. Los Angeles Department of Health Services – Local Diversity Operations Council

The Los Angeles Department of Health Services has been recognized as providing innovative services to immigrants through the Local Diversity Operations Council. The Council offers a variety of health-related programs and services for immigrants in the Los Angeles area. Some of the programs include:²⁷⁰

- the Rancho Los Amigos National Rehabilitation Center, which is a newly funded initiative that expands access to language resources for immigrants. The resources focus on cultural influences on health, wellness, and disease prevention;
- the Courage to Change program, which seeks to expand and improve services to better meet the needs of ambulatory patients in predominantly immigrant communities of Los Angeles; and
- the Disability Awareness program, which provides a series of trainings for patients, employees, and consumers at nearby community hospitals around services available for the disabled immigrant population.

4. California Immigrant Welfare Collaborative (CIWC)

The California Immigrant Welfare Collaborative (CIWC) was founded in 1996 to coordinate a statewide response to the welfare challenge facing immigrants in California. The CIWC is a collaborative effort of the Asian Pacific American Legal Center of Southern California (APALC), Coalition for Humane Immigrant Rights of Los Angeles (CHIRLA), National Immigration Law Center (NILC), and Services, Immigrant Rights, and Education Network (SIREN). The organization focuses its efforts on three program areas: 1) policy analysis and advocacy; 2) technical assistance and training to state providers; and 3) community education and outreach. CIWC works both directly with immigrant communities and with others in the state, such as politicians and the media. Issue areas that the organization works on include Cash Assistance Program for

²⁶⁹ California Department of Social Service, *Refugee Programs Bureau*, <http://www.dss.cahwnet.gov/refugeeprogram/>.

²⁷⁰ Welfare Information Network, *Immigrants and Poverty: A Look at Vital Resources for Immigrant Families and Children*, <http://www.financeprojectinfo.org/Publications/immigrantsandpovertyRN.htm>.

Immigrants, health care, language access, SSI, food stamps, CalWORKs, public charge, and affidavits of support.²⁷¹

5. Northern California Citizenship Project (NCCP)

The Northern California Citizenship Project (NCCP) was developed in 1997 in response to the immigrant provisions of the 1996 Welfare Reform Act, which made citizenship a necessity in order to qualify for public assistance benefits. NCCP is made up of private and community foundations, county governments, and 70 community organizations in Northern California. The organization's goal is to provide assistance to community organization and other groups to allow those groups to empower their immigrant constituents. NCCP does this by providing training, technical assistance, networking and funding opportunities for Northern California Organizations.²⁷²

6. Coalition for Humane Immigrant Rights of Los Angeles

The Coalition for Humane Immigrant Rights of Los Angeles (CHIRLA) was founded in 1986 to advance the human and civil rights of immigrants and refugees in Los Angeles. Programs and services provided by CHIRLA include: educating the public about issues that affect immigrants and refugees, organizing immigrants for action on social issues, providing legal representation and support networks for immigrants and refugees, participating in national, state, and local political advocacy, and providing referral services to the immigrant community, service providers, and community leaders. Through these actions, CHIRLA aims to foster greater understanding of the issues that affect immigrant communities, provide a neutral forum for discussion, and unite immigrant groups to more effectively advocate for positive change.²⁷³

7. Interfaith Coalition for Immigrant Rights

The Interfaith Coalition for Immigrants Rights (ICIR) was founded in 1993 by California religious leaders, whose primary objective was to educate and organize people of faith in order to affirm and defend the rights and dignity of all immigrants and refugees. ICIR's activities include advocating for humane immigration laws, educating faith communities and the public about the contributions of immigrants to society, building immigrant leadership, and increasing immigrants' levels of civic engagement.

ICIR has more than 2,200 individual and organizational members, which represent a constituency of more than 25,000 congregants statewide, including members of the Latino, Sudanese, Samoan, Burmese, Haitian, Filipino and Tongan communities, among many others. ICIR has four regional chapters: San Francisco Bay Area, Los Angeles, San Diego, and San Bernardino.²⁷⁴

²⁷¹ CIWC, *Information about CIWC*, http://www.nilc.org/ciwc/ciwc_info/index.htm.

²⁷² NCCP, *About Us*, <http://www.immigrantvoice.org/>.

²⁷³ Coalition for Humane Immigrant Rights of Los Angeles, *About Us*, <http://www.chirla.org/aboutus.htm>.

²⁷⁴ Interfaith Coalition for Immigrant Rights, <http://www.icironline.org/>.