Two New Californias: An Equal Division, Historical and Financial Analysis

Assembly Office of Research
TWO NEW CALIFORNIAS:

AN EQUAL DIVISION

Historical and Financial Analysis

STATE DEPOSITORY
LAW LIBRARY

MAR 26: 1993

GOLDEN GATE UNIVERSITY

0431-A
TWO NEW CALIFORNIAS: AN EQUAL DIVISION

Historical and Financial Analysis

Assembly Office of Research
California State Legislature
Sacramento, California

March 1992
<table>
<thead>
<tr>
<th>CHAPTERS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SUMMARY AND CONCLUSIONS</td>
<td>1</td>
</tr>
<tr>
<td>2. HOW IS A STATE DIVIDED?</td>
<td>7</td>
</tr>
<tr>
<td>3. WHAT OTHER STATES HAVE BEEN DIVIDED?</td>
<td>9</td>
</tr>
<tr>
<td>4. PAST EFFORTS TO DIVIDE CALIFORNIA</td>
<td>11</td>
</tr>
<tr>
<td>5. REASONS GIVEN FOR DIVIDING THE STATE</td>
<td>29</td>
</tr>
<tr>
<td>6. GEOGRAPHICAL DISTRIBUTION OF STATE INCOME AND EXPENDITURES</td>
<td>31</td>
</tr>
<tr>
<td>7. ALTERNATIVE BOUNDARIES: THE IMPACT ON THE BUDGET OF EACH STATE</td>
<td>63</td>
</tr>
<tr>
<td>8. OTHER QUESTIONS</td>
<td>75</td>
</tr>
</tbody>
</table>
## LIST OF FIGURES AND TABLES

### FIGURES

<table>
<thead>
<tr>
<th>FIGURE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Straight Line Boundary</td>
<td>4</td>
</tr>
<tr>
<td>2. Proposal at Constitutional Convention, 1850</td>
<td>13</td>
</tr>
<tr>
<td>3. Proposal in U.S. Congress, 1850</td>
<td>14</td>
</tr>
<tr>
<td>4. Santa Barbara Proposal, 1851</td>
<td>15</td>
</tr>
<tr>
<td>5. Senate Committee Proposal, 1852</td>
<td>16</td>
</tr>
<tr>
<td>6. Proposal by Assm. Hunt of San Bernardino, 1855</td>
<td>17</td>
</tr>
<tr>
<td>7. Proposal by Assembly Committee, 1855</td>
<td>17</td>
</tr>
<tr>
<td>10. Assembly Votes on the Pico Bill, 1859</td>
<td>20</td>
</tr>
<tr>
<td>12. Proposal by the People's Association, 1915</td>
<td>23</td>
</tr>
<tr>
<td>16. Populations of the Counties</td>
<td>33</td>
</tr>
<tr>
<td>17. Percent Population Growth Over Ten Years</td>
<td>34</td>
</tr>
<tr>
<td>18. Per Capita State Personal Income Tax</td>
<td>35</td>
</tr>
<tr>
<td>19. Per Capita State Sales Tax</td>
<td>38</td>
</tr>
<tr>
<td>20. Public and Private Schools Total K-12 Students per 1,000 Population</td>
<td>42</td>
</tr>
<tr>
<td>21. Private K-12 Students as a Percentage of Public K-12 Students</td>
<td>43</td>
</tr>
<tr>
<td>22. K-12 Public School Enrollment Per Capita, Fall 1990</td>
<td>44</td>
</tr>
<tr>
<td>23. Per Capita State Expenditures on K-12 Education</td>
<td>45</td>
</tr>
<tr>
<td>24. State K-12 Expenditures Per Student</td>
<td>46</td>
</tr>
<tr>
<td>25. Total K-12 Spending Per Student</td>
<td>47</td>
</tr>
<tr>
<td>26. University of California Enrollment Per Capita</td>
<td>49</td>
</tr>
<tr>
<td>27. California State University Enrollment Per Capita</td>
<td>50</td>
</tr>
<tr>
<td>28. California Community Colleges Enrollment Per Capita</td>
<td>51</td>
</tr>
<tr>
<td>29. Number of Persons on AFDC Per 1,000 Population</td>
<td>54</td>
</tr>
<tr>
<td>30. AFDC Payments Per Capita</td>
<td>55</td>
</tr>
<tr>
<td>31. Medi-Cal Users Per 1,000 Population</td>
<td>56</td>
</tr>
<tr>
<td>32. Medi-Cal Payments Per Capita</td>
<td>57</td>
</tr>
<tr>
<td>33. Number of Persons on SSI-SSP Per 1,000 Population</td>
<td>58</td>
</tr>
<tr>
<td>34. State Prison Inmates Per Capita</td>
<td>60</td>
</tr>
</tbody>
</table>
FIGURES

36. California Youth Authority Wards Per Capita ............. 61
37. Straight Line Boundary Proposal ............................ 65
38. Eight South Counties Proposal ............................... 68
39. Watershed Boundary Proposal ................................. 71

TABLES

1. North/South: Income and Expenditure Split .............. 66
   (Straight Line)
2. North/South: Various Data Split ....................... 67
   (Straight Line)
3. North/South: Income and Expenditure Split ............. 69
   (Eight South Counties)
4. North/South: Various Data Split ....................... 70
   (Eight South Counties)
5. North/South: Income and Expenditure Split ............. 72
   (Watershed Boundary)
6. North/South: Various Data Split ....................... 73
   (Watershed Boundary)
This report focuses on four aspects of dividing the state:

1. The process,
2. The national and state history of dividing states,
3. The geographic source of the state's General Fund income and the geographic distribution of the state's General Fund expenses, and
4. The impacts of alternative boundary lines on the budget of each new state.

Subsequent reports will evaluate other issues.

The U.S. Constitution allows a state to be divided into two states if "consent" is given by the state legislature and by the Congress. Four new states have been divided from "mother states:" Vermont from New York, Kentucky from Virginia, Maine from Massachusetts, and West Virginia from Virginia.

When California proposed that it be granted statehood, the people of southern California objected, preferring their own government. Thus, the idea of two Californias was born, an idea that has periodically reemerged.

While there have been many attempts in the California State Legislature to grant legislative consent for a division, there were only two periods when the issue was taken seriously enough to place
a "divide-the-state" measure before the voters: in 1859 and in 1992.

The 1859 legislation by Assemblyman Andres Pico of Los Angeles proposed a division at the Tehachapi Mountains. This legislation was approved by the California Legislature and signed by the Governor. The bill gave the state's consent for a division of the state if the voters in the South approved, which they did by a "yes" vote of 75 percent. Congressional committees recommended that the division be approved, but the Civil War interceded, and no further action was taken by the Congress.

The strongest argument for dividing the state in 1992 is that California has become too large and too complex to be managed efficiently as a single unit. For many years, California had the magical ability to resolve its problems and to forge ahead. In the last dozen years or so, California has had greater difficulty in resolving its problems. With two states, the executive and legislative branches of each could concentrate all of their efforts on solving the unique problems of their respective smaller state. Essentially, the goal would be to revitalize California and help restore California's role as an educational, economic, and technological leader.

A second advantage of two states is that California's representation (voting power) in the U.S. Senate would be doubled. Today, California has about 12.0 percent of the country's population, but only 2.0 percent of the votes in the U.S. Senate. The 22 smallest states have the same population as California, but they have 44 U.S. Senators compared with California's two.

A third advantage of dividing the state is that state legislators would represent fewer people and have a more reasonable working relationship with their constituents. Each state Assemblyperson represents almost 400,000 people. A state Senator
represents almost 800,000 people. California legislators represent three times as many people as do legislators in any of the large states, eight times more than the average state legislator, and 134 times more people than in the best-represented state, New Hampshire.

If California is to be split into two new states, a major concern would be whether the income of each new state would be sufficient to support the services required by the people living in that state. In more explicit terms, would one state be richer and the other poorer?

To evaluate the financial effect of alternative dividing lines, we collected data on the state's major General Fund income and expenses on a county-by-county basis. Sales taxes and AFDC payments are examples. Since some income and expenses cannot be tied to particular counties, we prorated those revenues and expenses on a per-capita basis. The data covered 81 percent of the state's General Fund income: personal income taxes, sales taxes, and horse racing fees. The data covered 73 percent of General Fund expenses: K-12 education, higher education, AFDC payments, Medi-Cal payments, SSI-SSP payments, adult corrections (prisons), and the Youth Authority (youth offenders).

We evaluated alternative boundaries creating two states which would have the following interrelated characteristics:

- Each state's revenues would be sufficient to meet state expenditures under current state tax and expenditure policies,
- Neither state would have to raise taxes or cut programs because of imbalances in revenues and expenses, and
- The boundary would have some logical basis.
The boundary line that best satisfies these three characteristics is the "straight line" boundary shown in Figure 1.

![Fig. 1 Straight Line Boundary](image)

With this straight line boundary neither state becomes richer or poorer. Expressed another way, the data demonstrates that there is essentially no subsidy North-to-South or South-to-North across this boundary. The North would have slightly higher state income per capita, but it would have slightly higher state expenses. The South would have slightly lower per-capita income, but would have slightly lower expenses.

With the straight line boundary, the two states have strikingly similar per-capita income and expense characteristics. For example, the number of K-12 students in public school would be 166.5 per 1,000 population in the North and 166.2 in the South. The 1990 sales taxes per capita are almost the same: $448 in the North and $435 in the South. The North has slightly higher social costs per capita, but the South has a slightly higher number of prisoners per capita.
Because of the relatively small number of people who live near the boundary compared with the rest of the state, the location of the boundary could be moved somewhat and not eliminate the conclusion that the two states could stand on their own, each paying their own way. For example, San Luis Obispo, Santa Barbara, Kern, Inyo, and Mono counties could be in the North or in the South without creating significant shortfalls-surpluses in state budgets. Rather than using existing county boundaries, the boundary could be the Tehachapi Mountains.

We also conclude that a new state encompassing the 27 northernmost counties (mostly north of Sacramento) would be financially viable. Following discussions with experts in government finance, we conclude that this state could balance its budget. The very much larger southern state would have a slight advantage on a per-capita basis.

We evaluated other two-state and three-state boundaries, but each resulted in at least one state being worse off financially, and in some cases substantially.

If the California Legislature begins focusing on a particular boundary, more detailed financial analyses should be prepared. With a specified boundary, departmental expenses based on geographical regions, such as used by the Air Resources Board, could be incorporated into the data.
2. HOW IS A STATE DIVIDED?

Article IV, Section 3 of the U.S. Constitution specifies the requirements for the splitting of a state:

*New States may be admitted by the Congress into this union; but no new state shall be formed or erected within the jurisdiction of any other state; nor any state be formed by the junction of two or more states, or parts of states, without the consent of the legislatures of the states concerned as well as the Congress.*

Thus, one or more new states may be created from part of California with the consent of the California Legislature and the consent of the Congress. The U.S. Constitution does not specify how consent must be given, but the U.S. Constitution does not require the consent of the governor or the President. Consent could be given by the enactment of state and federal statutes (laws), which would then require the signatures of the governor and the President (or some forms of non-veto approval). Since the language of the U.S. Constitution only requires the consent of the legislature and the Congress, then any form of legislative or congressional consent, such as a resolution, should be sufficient to satisfy the requirements of the U.S. Constitution.

The U.S. Constitution does not specify the procedures for splitting a state, thereby leaving the legislatures and the Congress to determine their own procedures.
The California Constitution does not include any procedures or limitations on dividing the state.

At one time, the California Constitution specified the external boundaries of the state. As a result, some people in the past thought that it would be necessary to amend the state boundaries in the California Constitution before the California Legislature and the Congress could consent to the splitting of the state. Others thought that an amendment of the California Constitution would not be necessary, since it would be overridden if the state boundaries were changed pursuant to the U.S. Constitution. The question of the need for a constitutional amendment was important in the state’s early discussions about dividing the state, but the current California Constitution does not specify the state’s external boundaries.
3. WHAT OTHER STATES HAVE BEEN DIVIDED?

Congress approved the creation of four states which were previously part of a "mother" state.

Vermont was split out of New York in 1791 after the New York Legislature passed a statute which (1) created a commission to negotiate with the proposed state and (2) granted state authority for the split if the commission approved.

Kentucky was split out of Virginia in 1776 after a statute was enacted granting state permission.

Maine was split out of Massachusetts in 1820 after a statute was enacted granting state permission.

After Virginia seceded from the Union in 1861, citizens in the western part of the state held a constitutional convention and drafted a new constitution. Subsequently, a new legislature was formed, one that was loyal to the Union rather than the Confederacy. The new legislature granted approval to itself for the split with Virginia. Since there was no governor yet, the governor obviously did not approve the measure. There was heated debate in the Congress over the issue of whether the new Legislature could give itself permission for the split. Nonetheless, the Congress approved the admission of West Virginia, subject to the addition of an emancipation (anti-slavery) provision to the West Virginia Constitution. The emancipation provision was added, and West
Virginia became a state in 1863. The legality of the admission was challenged, but the Supreme Court upheld the admission without discussion, thereby implying that the Congress has substantial discretion in dividing a state.
4. PAST EFFORTS TO DIVIDE CALIFORNIA

Spanish Era

During the Spanish era, the Catholic Church divided California into two ecclesiastical jurisdictions, granting Baja California to the Dominicans and "Alta" California to the Franciscans. The Franciscans suggested that the dividing line be at the Tehachapis.¹

Mexican Era

In 1821, the Mexican Revolution succeeded in forcing Spain out of the country. California was then governed by a series of self-serving governors appointed by Mexico City.² From 1825 to 1846, there was an intermittent struggle over whether the capital should be located in Monterey, San Diego, or Los Angeles. On several occasions, small armies marched north or south to recapture the capital.³

At the end of the Mexican-American War, the 1848 Treaty of Guadalupe Hidalgo gave what is now California to the United States.


California Constitutional Convention

In 1849, a constitutional convention was convened in Monterey to develop a state constitution for submission to the Congress as the first step toward statehood. At the time of the convention, the North was populated by many recent immigrants whose primary economic pursuit was related to gold mining. The "older," Mexican-American South was sparsely populated with an agricultural economic base.

The southern delegates to the convention strongly objected to a single state because:

- The older, settled portions of the state were fearful of the larger population of newcomers, who would have most of the political and economic power.

- The South was fearful that the costs of state government would be financed by property taxes, which would result in the South paying vastly more than its fair share since most of the privately-held property was in the South. The miners in the North were most often operating on public, non-taxed lands.

- The South believed it did not have the ability to support the high costs of statehood, thus preferring to become a federal territory.

Delegate Sr. Jose Carrillo of Santa Barbara proposed that the state of California be created in the North and a Territory of Southern California be created in the South, with the boundary being an east-west line running from San Luis Obispo through what

---

is now Bakersfield, as shown in Figure 2. The northern delegates rejected Carrillo's plan.

The delegates initially approved an eastern border that would be the Rocky Mountains. This eastern border was supported by some delegates in the belief that the state's huge size would result in the Congress dividing the state. A subsequent vote by the delegates established the state's current eastern borders to reduce the possibility of the Congress dividing the state.6

The delegate's vote on the proposed California Constitution was 28-8, with all six southern delegates voting "no."7

The proposed California Constitution included a provision outlawing slavery.8

**Congressional Hearings to Admit California as a State**

President Zachary Taylor openly supported statehood for California.9

---

6 Ibid., p.104.
7 Ibid., p.104.
8 Ibid., p.107.
9 Ibid.
At the time of the Congressional hearings, there were 15 slave states and 15 non-slave states.\textsuperscript{10} Admitting California would have tipped the balance in favor of the non-slave states. Since there was only one request before the Congress for admission, the Congress could not admit two states: one slave and one free. Thus, the pro-slave forces, primarily headed by Mississippi Senator Foote, attempted to split California into a northern slave-free state and a southern territory. Foote wanted a southern territory in order to preserve the option of converting the southern territory into a slave state in the future. Two proposed dividing lines were suggested, as shown in Figure 3. The first dividing line was an east-west line through Monterey. The second dividing line was further south, an extension of the latitude line used in the Missouri Compromise of 1850, which established a general boundary between slave and non-slave states. California, with its originally proposed boundaries, was admitted to the Union on September 9, 1850.

It should be kept in mind that slavery was primarily a federal issue rather than a state issue.\textsuperscript{11}

\textsuperscript{10} Dillon, p.24.

\textsuperscript{11} Ellison, pp.137-139.
At a "meeting" in Santa Barbara in 1851, Southern Californians urged the separation of the South from the North, with the South to become a federal territory, as shown in Figure 4. The southerners concluded that the union of the two regions was:

...in contradiction to the eternal ordinances of nature who herself, has marked with unerring hand the natural boundaries between the ... north ... and ... the south.\(^1\)

In his 1852 message to the California Legislature, Governor John McDougall called for a constitutional convention to remedy specific problems with the California Constitution, one of which was the unequal levels of taxation in the South as compared to the North. While the Governor did not call for a division of the state, his message raised the issue.\(^2\) Legislative measures calling for a constitutional convention were introduced in 1852 and 1853, but none were approved by the California Legislature.\(^3\) In an 1853 Assembly report on a constitutional convention, Assemblyman Crabb from San Joaquin County argued for a split of the state into three parts.

---

\(^1\) Dillon, p.25.


\(^3\) In 1852, measures were introduced by Assemblymen Graham of Solano County, Wall of San Francisco County, and Boggs of Sonoma County. In 1853, a measure was introduced by Assemblyman Myres of Placer County.
In 1852, residents of Carson Valley (in what is now Nevada) petitioned California to add their area to California. The senate select committee that considered this request concluded that the state's eastern border did not make much sense since the border splits the inhabitable area between the crest of the Sierra Mountains and the Nevada Desert. The committee suggested a new boundary line, as shown in Figure 5. The California Legislature then asked Congress to add these lands to California. California withdrew the request in 1859.

In 1853, Senator Kurtz of San Diego introduced a joint resolution calling for the division of the state into two or more states, but it was promptly laid on the table (killed).

In 1855, Assemblyman Hunt from San Bernadino County introduced a bill suggesting a North-South split along a line from Santa Cruz to Lake Tahoe, as shown in Figure 6. The new southern state was to be called "Columbia." An Assembly committee considering the bill subsequently issued a report recommending that the state be expanded to include parts of eastern Nevada (not yet a state) and the resulting area be split into three states, as shown in

---

15 Senate Journal 1853, p.90.
16 Chapter 193, Statutes of 1852.
17 Chapter 186, Statutes of 1859.
18 Senate Journal 1853, p.150.
The northern state was to be called "Shasta," the middle state "California," and the southern state "Colorado."  

In 1855, Assemblyman Douglass of San Joaquin County introduced a bill to split the state into three parts.  

In 1856, Senator Cosby of Trinity and Klamath counties introduced a bill to split the state into three parts.  

In 1859, Assemblyman Watkins from Siskiyou County introduced legislation proposing the creation of a new state north of California.  

---

19 Assembly Journal 1855, pp. 359 and 613.  
20 Ellison, pp. 126-129.  
21 Assembly Journal 1855, p. 460.  
22 Senate Journal 1856, pp. 390 and 571.
40 degrees latitude, as shown in Figure 8.

In 1859, Assemblyman Andres Pico of Los Angeles introduced Assembly Joint Resolution 22 to divide the state.\(^{23}\) Pico apparently concluded that a Legislative resolution was all that was necessary for the California Legislature to give its consent to divide the state.

The Assembly Special Committee considering the Pico bill (Pico was the Chairman) recommended in favor of the division, but expressed its desire for a bill rather than a resolution.\(^{24}\) A minority report held that the proposed separation could only take place by the same manner in which states are created: by amending the state constitution or by a constitutional convention, with a vote of the electorate being required in both cases. The minority report recommended that the issue be postponed indefinitely.\(^{25}\)

Pico then introduced Assembly Bill 223\(^{26}\) which proposed a division of the state, as shown in Figure 9. The bill directed the governor to call an election in the South. If the split was approved by at least two-thirds of the southern voters casting their

\(^{23}\)Assembly Journal 1859, p.230.

\(^{24}\)Assembly Journal 1859, p.342.

\(^{25}\)Assembly Journal 1859, pp.350-352.

\(^{26}\)Assembly Journal 1859, pp.790-791, shows that Pico was the author of Assembly Bill 223.
ballots, the bill specified that the California Legislature's consent to divide the state would become operative.

Figure 10 (page 20) shows how the Assembly voted on the Pico bill, which was approved by a vote of 34-25. Note that both the North and the South voted for the bill, with many counties having split votes, i.e., for and against. Note also that county boundaries were notably different than they are today, since the following counties had not yet been created: Imperial, Riverside, Orange, Kings, Inyo, Mono, Alpine, Butte, Lassen, San Benito, and Modoc. Also, the county of Klamath no longer exists. The Pico bill passed the Senate by a vote of 15-12. Governor Weller signed the bill.

The public vote in the South on the Pico bill was approved by a "yes" vote of 75 percent. Thus, the state's consent to divide the state had been given.

The Governor advised Congress by letter that the state had given its consent for a division of the state. The Governor expressed his view that the legislative act was the only state action necessary to grant consent to divide the state. Thus, the Governor was declaring that a public vote by all the state's voters was not

---

27 Assembly Journal 1859, p.474.

28 Senate Journal 1859, p.744.
Figure 10
ASSEMBLY VOTES ON THE PICO BILL, 1859

Assembly Votes by County

- YES
- SPLIT VOTES
- NO
- ABSENT or NOT VOTING

SOURCE:
Assembly Journal, 1859.
necessary and that a change in the California Constitution was also not necessary.

The letter from the Governor was referred to the U.S. House Committee on Federal Relations. The committee's majority report concurred with the Governor's view that the legislative act was sufficient and that division of the state was needed. The minority report argued that a public vote by the entire state was needed because states should be split in the same manner that they are created, notwithstanding the fact that there were no public votes in any of the prior four states that had been divided. The majority report was approved by the committee 37-26. A bill was introduced in the U.S. House of Representatives to divide the state, but it never came to a vote.

In the U.S. Senate, the divide-the-state request was reported out of committee, but there was no further action, primarily due to the start of the Civil War. Technically, the Pico request of 1859 is still before the Congress.

If the Congress had given its consent to divide the state, the Pico bill specified that a four member commission (two from California and two from the southern government) would "settle and adjust the property and financial affairs" between the two states based on the proportionate number of votes cast in the general election of 1858. If the commission was unable to agree, a fifth commissioner would be selected.

1870 to 1921

The issue of dividing the state was revived in the 1870s, mainly by Los Angeles newspapers.29

29Dillion, p.27.
An 1881 southern California "convention to split the state" failed to recommend dissolution, mainly because of the fear of domination in the southern state by populous Los Angeles County.30

In 1888, Congressman William Vandever of Ventura County introduced a bill to split the state, but the bill was not reported out of committee.31

In 1891, state Senator McComas of Los Angeles proposed a North-South split along the Tehachapi Mountains, as shown in Figure 11.

In 1907, State Senator Robert Bulla of Los Angeles called for the division of the state by the creation of a southern state called Los Angeles. Bulla claimed the state should be divided because southern Californians wanted a separate, more accessible state government. Separate states would reduce the influence of the railroads, lessen the jealousy between North and South, and increase the Pacific Coast representation in Congress by the addition of two U.S. Senators. Bulla wanted the Congress to approve the Pico Act, but Bulla could not find any way to add Inyo County to the South,

---

30 Ibid., p.27.
31 Ibid., p.27.
something Bulla felt necessary because of the newly authorized Los Angeles Aqueduct.\textsuperscript{32}

In 1909, a new plan was considered in the very northernmost part of the state to create a "State of Siskiyou" from parts of California and Oregon.\textsuperscript{33}

In 1915, a northern organization, called the "Peoples Association for Changing the Boundary of California by Amending the Constitution," was created. The association wanted to split off the eight southern counties, as shown in Figure 12. The association wanted the split because:

- The South was trying to force its will on the North,
- Legislative measures supported by the South discouraged out of state investments in the North,
- Northern mining interests were being hurt by the South-supported laws,
- The South supported prohibition, and
- There would be two new U.S. Senators.


\textsuperscript{33} Ibid., pp.42-43.
The association gathered 10,000 signatures on an initiative petition, but sufficient signatures were not obtained.\textsuperscript{34}

In 1921, Assemblyman W. F. Beal of Imperial County introduced a bill to create the state of Southern California from the eight southern counties (same as shown previously in Figure 12). The Beal bill never left its committee of origin.\textsuperscript{35}

\textbf{Population Considerations}

Northern and southern Californians periodically revived the idea of dividing the state until about 1920 when it became clear that southern California's population would exceed that of the North, with a concomitant shift of political power to the South. After 1920, the strongest desire to split the state shifted to the North.

Because of concerns about the growing political power of San Francisco, Los Angeles, and Alameda counties, a constitutional amendment was enacted in 1926 which changed the reapportionment mechanism for the California Senate from a "one-person-one-vote" system to the "federal" system where senators represent geographical areas, which in California were the counties. State Senators were to represent not less than one county and not more than three. The ballot argument in favor of the amendment alleged that under the one-person-one-vote system, the urban population living on three percent of the state's land would control the remainder of the state. The approval of this amendment gave rural counties, of which many are in the North, control of the California Senate.

\textsuperscript{34}\textit{Ibid.}, p.43.
\textsuperscript{35}\textit{Ibid.}, p.44.
There were two secondary results of this amendment: (1) it dampened the desire by the North to divide the state since the North retained part of its previous political control, and (2) the South focused its efforts on eliminating this new reapportionment system rather than on dividing the state. Propositions on the ballot to overthrow the federal plan method were rejected by the voters:

- In 1928 to prohibit implementation of the federal plan,
- In 1948 to allow up to 10 senators in a county,
- In 1960 to have 20 senators from the North and 20 from the South, and
- In 1962 to increase the California Senate from 40 to 50, distributing the increase to the populous counties.\(^\text{36}\)

In 1941, some of the northernmost counties proposed that a new northern state be created. The state was to be called "Jefferson" and would have consisted of parts of the northernmost counties and the southernmost counties of Oregon. The major complaint that led to this proposal was the lack of investment by the state into the area’s roads and mines. This proposal died when the United States entered World War II.

**1964 to the Present**

In 1964, the U.S. Supreme Court found California’s 1926 reapportionment amendment to be unconstitutional. The court required that state senate districts be reapportioned by population.

\(^{36}\) Berding, pp.181-188.
As the result of the U.S. Supreme Court's action in 1964, State Senator Richard Dolwig of San Mateo proposed legislation for a North-South split, as shown in Figure 13. Dolwig's bill and constitutional amendment were approved by the North-dominated State Senate, but there was no action in the South-dominated State Assembly. Dolwig reintroduced his "package" in 1967, 1968, and 1970, but there was no action on his measures after the California Senate was reapportioned.

In 1971, State Senator Randolph Collier introduced legislation to divide the state urban-rural, producing a highly urbanized and industrialized western state and a sparsely populated agrarian eastern state, as shown in Figure 14. Collier's proposal was founded on the concept that the rural segments of the state would fare better if they were detached from the populous and, thereby, powerful urban counties. Collier introduced a similar package in 1975. There are no recorded legislative votes on any of the measures.
In 1978, Assemblyman Barry Keene introduce a bill (to approve the split) and a joint resolution (to ask the Congress) to split the state, as shown in Figure 15.

In 1992, Assemblyman Stan Statham requested that each of the 58 counties place measures on their ballots asking: (1) whether the state should be divided into two new states, and (2) if the state is divided, whether the county should be in the North or the South.

Fig. 15 Proposal by Assm.
Keene, 1978
5. REASONS GIVEN FOR DIVIDING THE STATE

From 1848 to the late 1970s, the impetus for dividing the state has usually been the dissatisfaction by one area of the state with the actions or potential actions of another more dominant area of the state. The following reasons have typically been used, regardless of which area of the state is advocating the division:

- The area of the state advocating the division believes that its "destiny" is being politically dominated by the rest of the state.

- The area of the state advocating the division believes that its economic problems are being ignored by the rest of the state.

- There is a belief that the different areas of the state have different cultures, traditions, values, and problems, which would result in different governmental actions.

- The state was created " . . . in contradiction to the eternal ordinances of nature who herself, has marked with unerring hand the natural boundaries between the . . . north . . . and . . . the south."\(^{37}\)

- The State Capitol is too far away from people living in southern California, thereby limiting their ability to participate in state government.

- California would receive two additional U.S. Senators if the state is divided.

\(^{37}\) Santa Barbara Convention of 1851, as cited in Ellison, p.115.
In recent years, there has been a concern that California has become too large and too complex to be managed efficiently as a single unit, given that the state is so geographically diverse. Dividing the state is a potential solution to the structural problems of size and complexity. With two states, the executive and legislative branches of each could concentrate all of their efforts on solving the unique problems of their respective smaller state. Essentially, the goal would be to revitalize California and help restore California’s role as an educational, economic, and technological leader.
California state government currently has a single tax collection mechanism and a single expenditure mechanism. If the state is divided into two new states, each state will have its own revenues and expenditures. A key issue in "where to divide the state" will be whether the revenues from each new state will be sufficient to pay for that state's expenditures. In more explicit terms, the issue is whether one state will be richer and the other poorer.

To answer this "rich-poor" question, the state General Fund's principal revenues and expenditures were allocated to the county which was the source of income or the location of the expenditure. Then, alternative "state division" boundaries were evaluated by combining the revenues and expenditures for the counties in each new state.

There are two technical problems with this approach:

1. Only part of the state's revenues and expenditures can be easily tied to a particular county. For example, corporate income tax and insurance tax cannot be allocated to individual counties.

2. Some tax revenues should be allocated to a different county than state data indicate. For example, most people include their home address on their personal income tax returns, rather than the county where they work, which is the relevant data for a division of the state.
Population and Employment

Figure 16 shows the 1990 populations of the counties. Figure 17 shows the projected population growth rates for 1990-2000. In general, the figure shows that the largest percentage increase in population will be occurring in the inland counties.

Figure 18 shows the unemployment rate in 1990. This figure, in general, shows that the northernmost counties, the San Joaquin Valley counties, and Imperial County have higher unemployment rates.
Figure 16
POPULATIONS OF THE COUNTIES
In Thousands

FOR EXAMPLE: Lassen County's population was 27,000.

12% of the state's population resides in this area

17%

4%

58%

SOURCE:
California Department of Finance, 1990 data.
Figure 17
PERCENT POPULATION GROWTH OVER TEN YEARS
1990 -- 2000 (projected)

FOR EXAMPLE: Lassen County's population is projected to grow 20% in ten years.

Population 1990: 30.0 million
Population 2000: 36.3 million (projected)

Statewide average: 21% growth over 10 years

Percent Growth
- Greater than 40%
- 30% - 40%
- 20% - 30%
- 10% - 20%
- Less than 10%

SOURCE:
California Department of Finance.
HIGH: above 6.6%
AVERAGE: 4.6% - 6.6%
LOW: below 4.6%

FOR EXAMPLE: Lassen County had an 8.9% unemployment rate.

SOURCE:
Department of Finance, CALIFORNIA STATISTICAL ABSTRACT, 1991, p.22.
(Original source, Employment Development Department.)
State Revenue Sources

Personal Income Taxes

Personal income taxes comprised 43.8 percent of the state General Fund revenues, as reported in the 1991-92 proposed Governor's Budget.

Figure 19 compares the per-capita state personal income taxes for each county compared to the statewide average, using 1987 data which are the most recent data available. Several observations can be made from this figure:

- The Bay Area pays the highest per-capita personal income taxes, with the top five counties located in the Bay Area.
- Coastal southern California pays the next highest per-capita personal income taxes.
- Only nine counties pay more per-capita than the statewide average, indicating the economic strength of these counties as compared with the other 49 counties.
- The northernmost counties, counties in the San Joaquin Valley, and Imperial County pay the lowest per-capita income taxes.
- Los Angeles and Alameda, which are often viewed as having high social costs, pay more per capita than the statewide average.
- There is a nine-fold range in per-capita personal income taxes, with a high of 215 percent of the statewide average being paid in Marin to a low of 23 percent being paid in Alpine.

State Sales Taxes

The state sales tax comprised 36.7 percent of the state General Fund revenues.
Figure 20 compares the uniform rate per-capita state sales tax
collected from each county compared to the statewide average. Sev-
eral observations can be made from this figure:

- Only 14 counties produce more per-capita sales taxes than
  the statewide average, indicating the economic strength
  of these counties as compared with the other 44 counties.

- The northernmost counties and counties in the San Joaquin
  Valley pay the lowest per-capita sales taxes.

- There is a three-fold range in per-capita sales taxes,
  with a high of 160 percent of the statewide average being
  paid in Alpine to a low of 44 percent being paid in
  Trinity.

Horse Racing Taxes and Fees

Horse racing fees represent a tiny 0.2 percent of the state
General Fund. Most of the horse racing fees are generated by a
relatively small number of major thoroughbred, harness, and quarter
horse tracks, which are mostly in urban southern California and the
Bay Area. If the state is divided, these horse racing revenues
would go to the state in which the tracks are located.
Figure 19

PER CAPITA STATE PERSONAL INCOME TAX

FOR EXAMPLE: The state personal income tax paid by Lassen County tax filers, per capita, was 42% of the statewide average.

Percent of State Average

- Greater than 120%
- 100% - 120%
- 80% - 100%
- 60% - 80%
- Less than 60%

SOURCE:
Tax data: California Franchise Tax Board, 1987 (most recent available).
Figure 20
PER CAPITA STATE SALES TAX
(Uniform Rate)

FOR EXAMPLE: The state sales tax collected per capita in Lassen County was 80% of the statewide average.

Percent of State Average
- Greater than 120%
- 100% - 120%
- 80% - 120%
- 80% - 80%
- Less than 80%

SOURCE:
Tax data: California Board of Equalization, 1989-90.
Population data: California Department of Finance.
State Expenditures

K-12 Education

K-12 funding represents 37.6 percent of the state General Fund budget.

Because of the complexity of K-12 funding, a number of figures will be used to describe K-12 funding.

The total number of private plus public K-12 students per 1,000 population is shown in Figure 21. The figure shows that the inland Bay Area and the coastal counties from Marin to San Diego have a relatively low number of K-12 students, probably due to family demographics.

Figure 22 shows the number of private K-12 students as a percentage of the public K-12 students. The figure shows that the Marin-to-San Diego coastal counties and the greater Bay Area-to-Sacramento region have relatively high numbers of private K-12 students. This is probably due to higher-wealth parents, perceived problems with inner-city schools, and a high enough concentration of families to support private schools.

The number of public K-12 students per 1,000 population is shown in Figure 23. For the Marin-to-San Diego coastal counties and Bay Area-to-Sacramento, the figure shows the results of (1) low numbers of total K-12 age children, and (2) high numbers of K-12 students in private school. The highest numbers of K-12 students per 1,000 population are in the northernmost counties, the San Joaquin Valley, and the desert areas.

Figure 24 shows the data which are important if California is divided into two states. This figure shows state funding for K-12 public schools for each county on a per-capita basis, i.e., state
spending on public K-12 education in each county divided by the county population. Several observations can be made from the figure:

- Marin-to-San Diego and Bay Area-to-Sacramento are receiving low per-capita payments for K-12.
- The highest per-capita amounts are being received in the northernmost counties, the southern San Joaquin Valley counties, and in Imperial County.
- The range in per-capita state K-12 payments is almost a factor of five: from $201 per capita in Santa Clara to $981 per capita in Sierra.

To answer some of the questions raised by the previous figures on K-12, two more K-12 funding figures are included; although, they are not directly related to dividing the state. Figure 25 shows state spending per public K-12 student. Figure 26 shows the total funding per public K-12 student from all funds (federal, state, and local).
Figure 21
PUBLIC AND PRIVATE SCHOOLS
TOTAL K-12 STUDENTS PER 1,000 POPULATION

FOR EXAMPLE: Lassen County has 109% of the statewide average public and private K-12 students per 1,000 population, or 9% more than expected.

Statewide average: 177 students per 1,000 population

Percent of State Average
- Greater than 115%
- 105% - 115%
- 95% - 105%
- 85% - 95%
- Less than 85%

SOURCE:
School enrollment data: California Department of Education (CBEDS), 1989-90 (private school), and 1990-91 (public school).
Population data: California Department of Finance.

42
FOR EXAMPLE: Lassen County had 2.7% as many private school students as public school students.

SOURCE:
California Department of Education (CBEDS).

NOTE: Data are based on 1989-90 private K-12 schools (the most recent available) and 1990-91 public K-12 schools.
Figure 23
K-12 PUBLIC SCHOOL ENROLLMENT PER CAPITA, FALL 1990
As a Percent of the Statewide Average

FOR EXAMPLE: Lassen County had 14% more students per 1,000 population than the statewide average.

Statewide average: 163 students per 1,000 population

Percent of State Average
- Counties with HIGH Per Capita Enrollment (105% and above)
- Counties with AVERAGE Per Capita Enrollment (95% thru 104%)
- Counties with LOW Per Capita Enrollment (less than 95%)

SOURCES:
K-12 enrollment data: California Department of Education (CBEDS), Fall 1990.
Figure 24
PER CAPITA* STATE EXPENDITURES ON K-12 EDUCATION

FOR EXAMPLE: The state spent 122% of the state average, per capita, in Lassen County for K-12 public schools, or 22% more than expected.

SOURCE:

* State expenditures in the county divided by the county population.
25

STATE K-12 EXPENDITURES PER STUDENT

Percent of State Average

- Greater than 110%
- 100% – 110%
- 90% – 100%
- Less than 90%

FOR EXAMPLE: Lassen County receives 109% of the state average per student in Lassen County.

SOURCE:
Figure 26
TOTAL K-12 SPENDING PER STUDENT
(federal, state, and local)

FOR EXAMPLE: Total expenditures were 104.6% of the per student average in Lassen County.

Percent of State Average
- Greater than 108%
- 104% - 108%
- 98% - 104%
- 94% - 98%
- Less than 94%

SOURCE:
California Department of Education:
Student data: CBEDS, 1990-91.
Higher education represents 13.6 percent of the state General Fund budget.

As shown in Figure 27, students graduating from high schools in the Bay Area and coastal southern California have a higher utilization of the University of California. Note that the figure only shows undergraduate students. Utilization tends to be correlated with proximity to a UC campus.

As shown in Figure 28, students graduating from high schools in the Bay Area, coastal southern California, and where CSU campuses are located have a higher utilization of the State University system. Note that the figure only shows undergraduate students. Also, please note that the Postsecondary Education Commission only has high school of origin data for 39 percent of CSU students; therefore, the data for Figure 28 are of limited value.

As shown in Figure 29, students graduating from rural high schools have a higher utilization of community colleges; although, the utilization pattern is more varied than for UC or CSU. Please note that the Postsecondary Education Commission only has high school of origin data for 59 percent of community college students; therefore, the data for Figure 29 are of limited value.
Figure 27
UNIVERSITY OF CALIFORNIA ENROLLMENT PER CAPITA
by High School of Origin

Fall 1990

FOR EXAMPLE: Lassen County had 32% of the statewide average per capita enrollment in U.C. as undergraduates.

UC Campus Locations
Davis
Berkeley
San Francisco
Santa Cruz
Santa Barbara
Los Angeles
Riverside
Irvine
San Diego

Percent of State Average
- Greater than 150%
- 100% - 150%
- 50% - 100%
- Less than 50%

SOURCE:
UC data: California Postsecondary Education Commission, November 1991.
Population data: Interpolated from California Department of Finance.
Figure 28
CALIFORNIA STATE UNIVERSITY ENROLLMENT PER CAPITA
by High School of Origin

Fall 1990

FOR EXAMPLE: Lassen County had 41% of the statewide average in the state university system, or 59% less (100% - 41%) than expected.

NOTE: Chart shows high school of origin for 115,002 students. Origins of 175,081 students are unknown.

SOURCE:
CSU data: California Postsecondary Education Commission, November 1991.
Population data: Interpolated from California Department of Finance.
Figure 29
CALIFORNIA COMMUNITY COLLEGES ENROLLMENT PER CAPITA
by High School of Origin

Fall 1990

FOR EXAMPLE: Lassen County had 156% of the statewide average, or 55% more than expected.

NOTE:
Chart shows high school of origin for 617,266 students. Origins of 433,079 students are unknown.

SOURCE:
CCC data: California Postsecondary Education Commission, November 1991.
Population data: Interpolated from California Department of Finance.
Health and Welfare

Health and welfare represents 32.3 percent of the state General Fund budget. We analyzed the portions attributable to AFDC, Medi-Cal, and SSI-SSP.

AFDC

The number of persons on AFDC per 1,000 population are shown in Figure 30. There are several observations:

- Marin-to-San Diego has a low number of persons on AFDC per 1,000 population, with only Alameda and Los Angeles counties being slightly above the statewide average.
- The highest numbers of persons on AFDC per 1,000 population are in the northernmost counties, the San Joaquin Valley counties, and Imperial County.
- There is an 11-fold range in the number of persons on AFDC per capita, from 15 per 1,000 in Marin to 170 per 1,000 in Yuba.

Figure 31 shows the per-capita payments for AFDC.

Medi-Cal

Medi-Cal is California's name for the federal Medicaid program which was authorized under the federal Social Security Act. Medi-Cal provides reimbursements for medical care for low income persons and families. Figure 32 shows the number of Medi-Cal users per 1,000 population for 1990. The statewide average was 54 per 1,000 population. The Medi-Cal distribution is very similar to the AFDC distribution.

The per-capita cost (state share) for Medi-Cal payments is shown in Figure 33.
SSI-SSP

The federal government provides cash assistance to aged, blind, and disabled persons who meet certain criteria. This program is administered by the Social Security Administration; although, the federal funds are separate from the Social Security Trust Fund. States may supplement the federal payment. In California, the state provides $2.3 billion per year in supplemental payments. Figure 34 shows the number of persons on SSI-SSP per 1,000 population. Consistent with AFDC and Medi-Cal, the highest utilization areas are the northernmost counties and the Central Valley counties. SSI-SSP payment data by counties are not available.
Figure 30
NUMBER OF PERSONS ON AFDC PER 1,000 POPULATION

FOR EXAMPLE: Lassen County had 90 people on AFDC per 1,000 population.

Statewide average: 67.5 per 1,000 population

Percent of State Average
- Greater than 90
- 75 - 90
- 60 - 75
- 45 - 60
- Less than 45

SOURCE:
AFDC data: California Department of Social Services, fiscal year 1990-91.
Population data: California Department of Finance.
FOR EXAMPLE: Lassen County’s per capita AFDC payments were 140% of the statewide average, or 40% more than expected.

Statewide average: $90 per capita

SOURCE:
AFDC data: California Department of Social Services, fiscal year 1989-90.
Population data: California Department of Finance.
Figure 32
MEDI-CAL USERS PER 1,000 POPULATION

FOR EXAMPLE: Lassen County had 74 Medi-Cal users per 1,000 population.

Statewide average: 54 per 1,000 population

Medi-Cal Users per 1,000 population

- Greater than 70
- 60 - 70
- 50 - 60
- 40 - 50
- Less than 40

SOURCE:
Medi-Cal data: California Department of Health Services.
Population data: California Department of Finance, 1990 calendar year.

56
FOR EXAMPLE: Lassen County's per capita Medi-Cal payments were 120% of the statewide average, or 20% more than expected.

Percent of State Average

- Greater than 130%
- 110% - 130%
- 90% - 110%
- 70% - 90%
- Less than 70%

SOURCE:
Data: California Department of Health Services, California Department of Finance, 1990 calendar year.
Figure 34
NUMBER OF PERSONS ON SSI-SSP per 1,000 Population

FOR EXAMPLE: Lessen County had 34 people on SSI-SSP per 1,000 population.

Statewide average: 29 per 1,000 population

Persons on SSI-SSP per 1,000 Population

SOURCE:
SSI-SSP data: California Department of Social Services.
Population data: California Department of Finance.
Adult and Youth Corrections (prisons)

Corrections expenditures represent 7.5 percent of the state General Fund budget.

Figure 35 shows the number of persons in state prison per 1,000 population by the county of sentencing. Several observations can be made:

- The highest state prison incarceration rates per 1,000 population are from San Francisco and five counties in the Central Valley.
- The mountain counties from Nevada to Mariposa have very low incarceration rates.
- There is a seven-fold range in per-capita incarceration rates, from a low of 24 percent of the statewide average in Mariposa to a high of 180 percent in Kern.

Figure 36 shows Youth Authority incarceration rates per 1,000 population. There is somewhat greater range in the Youth Authority incarceration rate than for state prison rates, but the pattern is about the same: high in the Central Valley and low elsewhere.
Figure 35
STATE PRISON INMATES PER CAPITA
by County of Sentencing

FOR EXAMPLE: Lassen County has 103% of the state average, i.e., 3% more than expected.

Statewide average: 3.28 inmates per 1,000 population

Percent of State Average

- Greater than 140%
- 110% - 140%
- 90% - 110%
- 60% - 90%
- Less than 60%

SOURCE:
Inmate data: California Department of Corrections, inmates as of 09/30/91.
Population data: Interpolated from California Department of Finance, Report 91 E-1.

Inmate data: California Department of Corrections, inmates as of 09/30/91.
Population data: Interpolated from California Department of Finance, Report 91 E-1.
Figure 36
CALIFORNIA YOUTH AUTHORITY WARDS PER CAPITA
by County of Sentencing

FOR EXAMPLE: CYA wards from Lassen County were 283% of the statewide, per capita average, or 163% more than expected.

Statewide average: 0.26 wards per 1,000 population

Percent of State Average

Greater than 200%

120% - 200%

80% - 120%

50% - 80%

Less than 50%

SOURCE:
Ward data: California Youth Authority, wards as of 09/91.
Population data: Interpolated from California Department of Finance, Report 91 E-1.
We evaluated alternative boundaries creating two states which would have the following interrelated criteria:

- Each state's revenues would be sufficient to meet state expenditures under current state tax and expenditure policies,
- Neither state would have to raise taxes or cut programs because of imbalances in revenues and expenses, and
- The boundary would have some logical basis.

The only boundaries that will satisfy these criteria, given the state's distribution of incomes and expenses, are in the vicinity of Kern County. The details on three alternative "Kern County" boundaries are described later in this chapter.

Because of the relatively small number of people who live near the three proposed boundaries compared with the rest of the state, the location of the boundaries could be moved somewhat and not affect the conclusion that the two new states could stand on their own, each paying their own way. For example, San Luis Obispo, Santa Barbara, Kern, Inyo, and Mono counties could be in the North or in the South without creating significant shortfalls-surpluses in state budgets. Rather than using existing county boundaries, the boundary could also be the Tehachapi Mountains.
We also conclude that a new state encompassing the 27 northernmost counties (mostly north of Sacramento), would be financially viable. Following discussions with experts in government finance, we conclude that this state could balance its budget. The very much larger southern state would have a slight advantage on a per-capita basis.

We evaluated several other two-state and three-state boundaries, but each resulted in at least one state being worse off financially, and in some cases substantially.

The data used in developing the budgets for the new states are based on the 1991-92 proposed Governor’s budget for California. When actual dollar expenditures for 1991-92 by county were not available, the estimates of by-county expenditures were calculated as follows: (1) using actual dollar expenditures from a prior year, or (2) using by-county caseload (prisoners, students, etc.). For non-major programs and for programs where by-county data were not available by dollars or caseload, the state budget was allocated to counties by population.
The Straight Line Division

Under this alternative, the boundary would run along the top of San Luis Obispo, Kern, and San Bernardino counties, as shown in Figure 37. The new southern state would consist of 10 counties and 61 percent of the population, while the new northern state would consist of 48 counties and 39 percent of the population.

This is the approximate boundary specified in the 1859 Pico Act, the only divide-the-state measure approved by the California Legislature.

As a beginning reference point, the 1991-2 General Fund budgets of the two states, based solely on an allocation by population would be:

<table>
<thead>
<tr>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>$17.667 billion</td>
<td>$28.104 billion</td>
</tr>
</tbody>
</table>
Based on actual revenue sources and expenditures by county, the two states' incomes and expenditures would be:

TABLE 1
NORTH/SOUTH: INCOME and EXPENDITURE SPLIT
(Straight Line)

<table>
<thead>
<tr>
<th></th>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$17.822 billion</td>
<td>$27.949 billion</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$17.807 billion</td>
<td>$27.964 billion</td>
</tr>
<tr>
<td>Difference</td>
<td>+$0.015 billion</td>
<td>-$0.015 billion</td>
</tr>
</tbody>
</table>

Compared to the population-based allocation, the North has a slightly higher per-capita income and slightly higher per-capita expenditures. The South has slightly lower per-capita income and slightly lower per-capita expenditures. The difference between income and expenditures of $15 million is trivial, being less than 1/10 of one percent of the budgets of the North and South. This is undoubtedly less than the accuracy of the data.

The data show that dividing the state at this line would create two states that are equally well off financially, with each state having sufficient revenue to pay expenses. Expressed another way, the data show that the North does not subsidize the South, and the South does not subsidize the North.

The data on the new states are presented in Table 2. The data clearly demonstrates that the two states would be quite similar in per-capita characteristics.
<table>
<thead>
<tr>
<th></th>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td>12.0 mil.</td>
<td>19.1 mil.</td>
</tr>
<tr>
<td></td>
<td>(38.6%)</td>
<td>(61.4%)</td>
</tr>
<tr>
<td><strong>Per-capita Income (1989)</strong></td>
<td>$20,215</td>
<td>$19,610</td>
</tr>
<tr>
<td><strong>Per-capita Personal Income Tax Paid (1987)</strong></td>
<td>$406</td>
<td>$401</td>
</tr>
<tr>
<td><strong>Per-capita Sales Taxes Collected (1990)</strong></td>
<td>$448</td>
<td>$435</td>
</tr>
<tr>
<td><strong>Per-capita Assessed Value (1990-91)</strong></td>
<td>$52,112</td>
<td>$51,649</td>
</tr>
<tr>
<td><strong>K-12 Public School Students per 1,000 population</strong></td>
<td>166.5</td>
<td>166.2</td>
</tr>
<tr>
<td><strong>Per-capita K-12 State Expenditures</strong></td>
<td>$483</td>
<td>$506</td>
</tr>
<tr>
<td><strong>UC Students per 1,000 population (by H.S. of known origin)</strong></td>
<td>3.65</td>
<td>3.36</td>
</tr>
<tr>
<td><strong>Persons on AFDC per 1,000 population</strong></td>
<td>74</td>
<td>64</td>
</tr>
<tr>
<td><strong>Per-capita AFDC Grants</strong></td>
<td>$98</td>
<td>$85</td>
</tr>
<tr>
<td><strong>Medi-Cal Users per 1,000 population</strong></td>
<td>61</td>
<td>49</td>
</tr>
<tr>
<td><strong>Per-capita Medi-Cal Dollars Expended as Grants</strong></td>
<td>$116</td>
<td>$106</td>
</tr>
<tr>
<td><strong>SSI-SSP Users per 1,000 population</strong></td>
<td>32</td>
<td>27</td>
</tr>
<tr>
<td><strong>Felons in State Prison per 1,000 population</strong></td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>CYA Wards per 1,000 population</strong></td>
<td>0.24</td>
<td>0.28</td>
</tr>
</tbody>
</table>
The Eight South Counties

Under this alternative, the South state would consist of the eight south counties and 59 percent of the population, while the new northern state would consist of 50 counties and 41 percent of the population (see Figure 38).

The rational for this boundary is:

- It follows existing county boundaries,
- The relatively lower income Central Valley is combined with the Bay Area, the highest per-capita wealth area of the state, and
- The entire Central Valley is in the North, nearly following natural air-shed and watershed boundaries.

As a beginning reference point, the 1991-2 General Fund budgets of the two states, based solely on an allocation by population would be:

<table>
<thead>
<tr>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>$18.846 billion</td>
<td>$26.925 billion</td>
</tr>
</tbody>
</table>
Based on actual revenue sources and expenditures by county, the two states' incomes and expenditures would be:

TABLE 3  
NORTH/SOUTH: INCOME and EXPENDITURE SPLIT  
(Eight South Counties)

<table>
<thead>
<tr>
<th></th>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$18.750 billion</td>
<td>$27.021 billion</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$19.020 billion</td>
<td>$26.751 billion</td>
</tr>
<tr>
<td>Difference</td>
<td>-$0.270 billion</td>
<td>+$0.270 billion</td>
</tr>
</tbody>
</table>

Compared to the population-based allocation, the North has a slightly lower per-capita income and slightly higher per-capita expenditures. The South has slightly higher per-capita income and slightly lower per-capita expenditures. The difference between income and expenditures of $270 million is small, providing a shortfall of about 1.4 percent for the North and a surplus of about 1.0 percent for the South. These differences are modest, especially in comparison to the budget deficits of 1991-92 and 1992-93.

The data on the new states are presented in Table 4. The data clearly demonstrates that the two states would be quite similar in per-capita characteristics.
<table>
<thead>
<tr>
<th></th>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td>12.8 mil. (41%)</td>
<td>18.3 mil. (59%)</td>
</tr>
<tr>
<td><strong>Per-capita Income (1989)</strong></td>
<td>$19,909</td>
<td>$19,798</td>
</tr>
<tr>
<td><strong>Per-capita Personal Income Tax Paid (1987)</strong></td>
<td>$395</td>
<td>$408</td>
</tr>
<tr>
<td><strong>Per-capita Sales Taxes Collected (1990)</strong></td>
<td>$445</td>
<td>$436</td>
</tr>
<tr>
<td><strong>Per-capita Assessed Value (1990-91)</strong></td>
<td>$52,999</td>
<td>$51,008</td>
</tr>
<tr>
<td><strong>K-12 Public School Students per 1,000 population</strong></td>
<td>168.5</td>
<td>164.8</td>
</tr>
<tr>
<td><strong>Per-capita K-12 State Expenditures</strong></td>
<td>$487</td>
<td>$504</td>
</tr>
<tr>
<td><strong>UC Students per 1,000 population (by H.S. of known origin)</strong></td>
<td>3.51</td>
<td>3.44</td>
</tr>
<tr>
<td><strong>Persons on AFDC per 1,000 population</strong></td>
<td>74</td>
<td>63</td>
</tr>
<tr>
<td><strong>Per-capita AFDC Grants</strong></td>
<td>$98</td>
<td>$84</td>
</tr>
<tr>
<td><strong>Medi-Cal Users per 1,000 population</strong></td>
<td>61</td>
<td>49</td>
</tr>
<tr>
<td><strong>Per-capita Medi-Cal Dollars Expended as Grants</strong></td>
<td>$114</td>
<td>$106</td>
</tr>
<tr>
<td><strong>SSI-SSP Users per 1,000 population</strong></td>
<td>32</td>
<td>27</td>
</tr>
<tr>
<td><strong>Felons in State Prison per 1,000 population</strong></td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>CYA Wards per 1,000 population</strong></td>
<td>0.25</td>
<td>0.27</td>
</tr>
</tbody>
</table>
The Watershed Boundary

Under this alternative, the boundary would be as shown in Figure 39. The new southern state would consist of 11 counties and 60 percent of the population, while the new northern state would consist of 47 counties and 40 percent of the population.

The rational for this boundary is:

- It follows existing county boundaries,
- The relatively lower income Central Valley is combined with the Bay Area, the highest per-capita wealth area of the state, and
- The entire Central Valley is in the North, nearly following natural air-shed and watershed boundaries.

As a beginning reference point, the 1991-2 General Fund budgets of the two states, based solely on an allocation by population would be:

<table>
<thead>
<tr>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>$18.479 billion</td>
<td>$27.292 billion</td>
</tr>
</tbody>
</table>
Based on actual revenue sources and expenditures by county, the two states' incomes and expenditures would be:

**TABLE 5**
**NORTH/SOUTH: INCOME and EXPENDITURE SPLIT**
(Watershed Boundary)

<table>
<thead>
<tr>
<th></th>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$18.445 billion</td>
<td>$27.326 billion</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$18.762 billion</td>
<td>$27.009 billion</td>
</tr>
<tr>
<td>Difference</td>
<td>-$0.317 billion</td>
<td>+$0.317 billion</td>
</tr>
</tbody>
</table>

Compared to the population-based allocation, the North has a slightly lower per-capita income and slightly higher per-capita expenditures. The South has slightly higher per-capita income and slightly lower per-capita expenditures. The difference between income and expenditures of $317 million is small, providing a shortfall of about 1.7 percent for the North and a surplus of about 1.1 percent for the South. These differences are modest, especially in comparison to the budget deficits of 1991-92 and 1992-93.

The data on the new states are presented in Table 6. The data clearly demonstrate that the two states would be quite similar in per-capita characteristics.
<table>
<thead>
<tr>
<th></th>
<th>NORTH</th>
<th>SOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>12.6 mil. (40%)</td>
<td>18.6 mil. (60%)</td>
</tr>
<tr>
<td>Per-capita Income (1989)</td>
<td>$19,980</td>
<td>$19,751</td>
</tr>
<tr>
<td>Per-capita Sales Taxes Collected (1990)</td>
<td>$445</td>
<td>$436</td>
</tr>
<tr>
<td>Per-capita Assessed Value (1990-91)</td>
<td>$52,517</td>
<td>$51,362</td>
</tr>
<tr>
<td>K-12 Public School Students per 1,000 population</td>
<td>169.0</td>
<td>164.6</td>
</tr>
<tr>
<td>Per-capita K-12 State Expenditures</td>
<td>$491</td>
<td>$500</td>
</tr>
<tr>
<td>UC Students per 1,000 population (by H.S. of known origin)</td>
<td>3.55</td>
<td>3.42</td>
</tr>
<tr>
<td>Persons on AFDC per 1,000 population</td>
<td>74</td>
<td>63</td>
</tr>
<tr>
<td>Per-capita AFDC Grants</td>
<td>$99</td>
<td>$84</td>
</tr>
<tr>
<td>Medi-Cal Users per 1,000 population</td>
<td>62</td>
<td>49</td>
</tr>
<tr>
<td>Per-capita Medi-Cal Dollars Expended as Grants</td>
<td>$115</td>
<td>$106</td>
</tr>
<tr>
<td>SSI-SSP Users per 1,000 population</td>
<td>32</td>
<td>27</td>
</tr>
<tr>
<td>Felons in State Prison per 1,000 population</td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td>CYA Wards per 1,000 population</td>
<td>0.26</td>
<td>0.27</td>
</tr>
</tbody>
</table>
Dividing the state will raise some simple and some complex questions that must be addressed. A subsequent report will discuss alternative answers and recommendations. Some questions are:

1. How will the state’s debt be shared?
2. How much will the state’s assets (buildings, cars, computers, money, etc.) be shared?
3. Will the University of California, which has independent legal authorities specified in the California Constitution, be split, or will it operate as a two-state university?
4. Will the State University system be split, or will it operate as a two-state university?
5. Will current state employees be eligible to transfer back and forth between the two states and still retain their civil service rights and priorities?
6. Will the Public Employee Retirement System operate as a two-state system?
7. How will state departments, agencies, and the judicial system be divided?
8. If there is an imbalance in prison capacity between the two states, how will this be equalized?
9. How will existing and future water supplies be met and under what guarantees?
10. How long a transition period will be needed: 5, 10, 15 years?
11. Will each new state have a new state constitution?
12. Where will the new state’s capital be located?