

OCTAX

Orange County
Taxpayers
Association

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To: Directors and Members, Orange County Taxpayers Association

From: Reed Royalty, President

Subject: Sales Tax

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In Orange County, we pay sales tax of 7.75¢ per dollar on every purchase except groceries, pharmaceuticals, dairy products, and certain services. Ever wonder where the money goes? Here's an update.

• State general fund	4.75¢	
• Cities and unincorporated county general fund	1.00	(1)
• Local public safety (Proposition 172)	0.50	(2)
• Health and welfare realignment	0.50	(3)
• Local transportation, road maintenance	0.25	
• State option - temporary	<u>0.25</u>	(4)
Statewide sales tax	7.25¢	
• Local option - transportation (Measure M)	<u>0.50¢</u>	(5)
Total sales tax in Orange County	7.75¢	

(1) Based on the point of sale, cities in Orange County receive 97.3% of the one-cent city/county general fund tax. The County of Orange receives 2.7%.

(2) 95.4% of Proposition 172 public safety money goes to the county. The basis is the 1993-94 Educational Revenue Augmentation Fund (ERAF) property tax shift from the cities and counties to the state, with some adjustments. The other 4.6% goes to cities. The Board of Supervisors allocates the county's share to the Sheriff (80%) and the District Attorney (20%).

(3) The health and welfare fund helps pay for the county's Health Care and Social Services agencies. In addition, the Probation Department receives about 2%. The state "realigns" this money to the counties based on a complex formula that includes the 1990-91 funding levels, caseload growth, and equity adjustments.

(4) The state option tax is a "temporary" supplement to the state's general fund, put in place in 1991. It can be suspended for one year when the state's "economic uncertainty" reserve rises to 4% of general fund revenue for two consecutive years. Don't count on it. Do you really think state government spenders can resist finding new "needs" to absorb any surplus? In the spending orgy of the past four years, our leaders in Sacramento have taken us from a state surplus of

\$12 billion to a deficit of \$35 billion, with annual structural deficits of \$10 billion or more for the foreseeable future. That “temporary” state option tax looks to be very permanent; in fact, Governor Davis now proposes adding another 1%.

(5) In 1990, OCTax supported Orange County’s Measure M, the local-option half-cent sales tax for transportation improvements. It meets OCTax’s four-way definition of a “good” tax:

- It is fair (everyone pays it, in proportion to how much he or she spends);
- It is understandable (we know exactly how the money is used, and none of it is diverted to other programs);
- It is cost-effective (it is spent on useful services); and
- It is good for business (it improves transportation infrastructure).

OCTax thanks Gary Burton (chief financial officer) and Steve Dunivent (manager, budget office) of the County of Orange, who provided updated figures for this report.