



THE CENTER FOR GOVERNMENT ANALYSIS  
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# An Analysis of Public Sector Health Care Costs in California

The Center for Government Analysis  
September 2006



## **Table of Contents**

<b>Section</b>	<b>Page Number</b>
Introduction	3
Executive Summary	5
Methodology	7
Section I: Health Care Data Statewide	9
Section II: Health Care Data by Government Type	17
Section III: Pension Data	39
About the Center	45

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## **Introduction**

This report was commissioned by the California HealthCare Foundation. This report analyzes the cost to state and local governments in California of providing health care benefits to retired employees. The report puts these expenditures in context of other state and local government expenditures. These other expenditures include state and local government payroll expenditures, pension system expenditures and, especially, expenditures related to the cost of providing health care benefits for current employees. In addition, the cost of providing selected services (such as police protection, recreational and cultural services, public assistance and other such expenditures) is analyzed where appropriate to put expenditures for current and retired employee health care benefits in perspective. To provide further perspective about the expenditures for current and retired employee health care benefits, such expenditures are also compared to selected revenue levels for various local governments.

Because of this complexity, an estimated range of the cost to local governments of providing health care benefits for both current and retired employees is provided. The data sources and calculation methodology are described for each table in this report. Some of the more general aspects of this data development process are covered in the methodology section on Page 7.

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## Executive Summary

1. The midrange estimated total statewide health care benefit cost for current government employees was over \$11.5 billion in Fiscal Year (FY) 2003-04 (see pages 10 and 11).
2. The midrange statewide estimated cost for retiree health care benefits in FY 2003-04 was over \$2.9 billion (see pages 12 and 13).
3. The midrange projected total statewide cost for retiree health care benefits increases from over \$4.5 billion in FY 2006-07 to almost \$31.5 billion in FY 2019-20, if present trends continue (see pages 14 and 15).
4. Statewide estimated cost of retiree health care benefits for counties was over \$491 million in FY 2004-05. If current trends continue, this estimated cost for retiree health care benefits will exceed \$1 billion by FY 2008-09 and \$2.1 billion by FY 2012-13 (see pages 18 and 19).
5. County cost per retiree for retiree health care benefits grew from an estimated \$2,482 in FY 2000-01 to an estimated \$4,591 in FY 2004-05 (see pages 22 and 23).
6. The midrange statewide estimated cost to cities for retiree health care benefits grew from over \$487 million in FY 2003-04 to over \$656 million in 2005-06. If current trends continue, these costs will exceed \$1 billion in FY 2008-09 and \$2 billion in FY 2013-14 (see pages 26 and 27).
7. The estimated midrange statewide cost to school districts for retiree health care benefits exceeded \$1 billion in FY 2005-06. If current trends continue, these costs will exceed \$2 billion in FY 2009-10 and \$3 billion in FY 2012-13 (see pages 30 and 31).
8. The estimated midrange statewide cost to special districts for retiree health care benefits was over \$304 million in FY 2003-04 (see pages 34 and 35).
9. Expenditures for public employee pensions in California exceeded \$39 billion in FY 2004-05. This was a substantial increase from total expenditures of a little over \$8.5 billion in FY 2000-01 (see pages 40 and 41).

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## **Methodology**

Data utilized in this report were obtained from a number of different sources. Financial data, including budgets and Comprehensive Annual Financial Reports (CAFRs), were reviewed and analyzed from a representative sample of each category of government (i.e. state, University of California system, cities, counties, school districts and special districts). In certain cases, most notably with counties, recent survey data about government spending on retiree health benefits were available and utilized. In addition to these sources, data were obtained from State Controller Annual Reports, the California Department of Finance, the California Public Employees Retirement System (CalPERS), and the United States Bureau of the Census.

The calculations necessary to generate the individual tables and charts presented in this report involved multiple manipulations of data from several sources. For this reason, a brief description of the specific sources and the calculation methodology accompany most of the tables and charts presented. In certain instances, when it is clearly the case that a particular table is derived from data presented in a previous table, a repeat of the calculation methodology is omitted.

In the next 24 months, state and local governments in the United States will be required to conform with newly promulgated Governmental Accounting Standards Board (GASB) rules concerning presentation of clear, precise data about the costs of providing health benefits to retired employees. In the meantime, this report offers a refined estimate of those costs to governments in California.

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## Section I: Health Care Data Statewide

Table 1-1 shows estimated statewide costs for health benefits for current employees by category of government for FY 2003-04. School districts, with the largest number of employees, have by far the highest expenditure of this sort.

Source: Health costs were calculated by using CalPERS population and health costs to derive a per-recipient health cost; this data was then multiplied by total statewide FTE for FY 2003-04. Salary data were taken from the United States Census Bureau, *Census of Governments* for the years 1992, 1997 and 2002. An annual rate of change was calculated based upon available data, and FY 2003-04 data were extrapolated from 2002 data and this calculated rate of change.

Table 1-1: Total Statewide Healthcare Cost for Current Employees by Government Type, FY 2003-04

	Low	Mid	High
Schools	\$4,160,816,932	\$4,895,078,744	\$5,629,340,556
County	\$2,014,679,231	\$2,370,210,860	\$2,725,742,489
State	\$1,832,599,700	\$2,155,999,647	\$2,479,399,594
Cities	\$1,351,034,273	\$1,589,452,086	\$1,827,869,899
Special District	\$480,397,325	\$565,173,323	\$649,949,321
<b>Total</b>	<b>\$9,839,527,461</b>	<b>\$11,575,914,660</b>	<b>\$13,312,301,859</b>

Chart 1-1: Total Statewide Healthcare Cost for Current Employees by Government Type, FY 2003-04

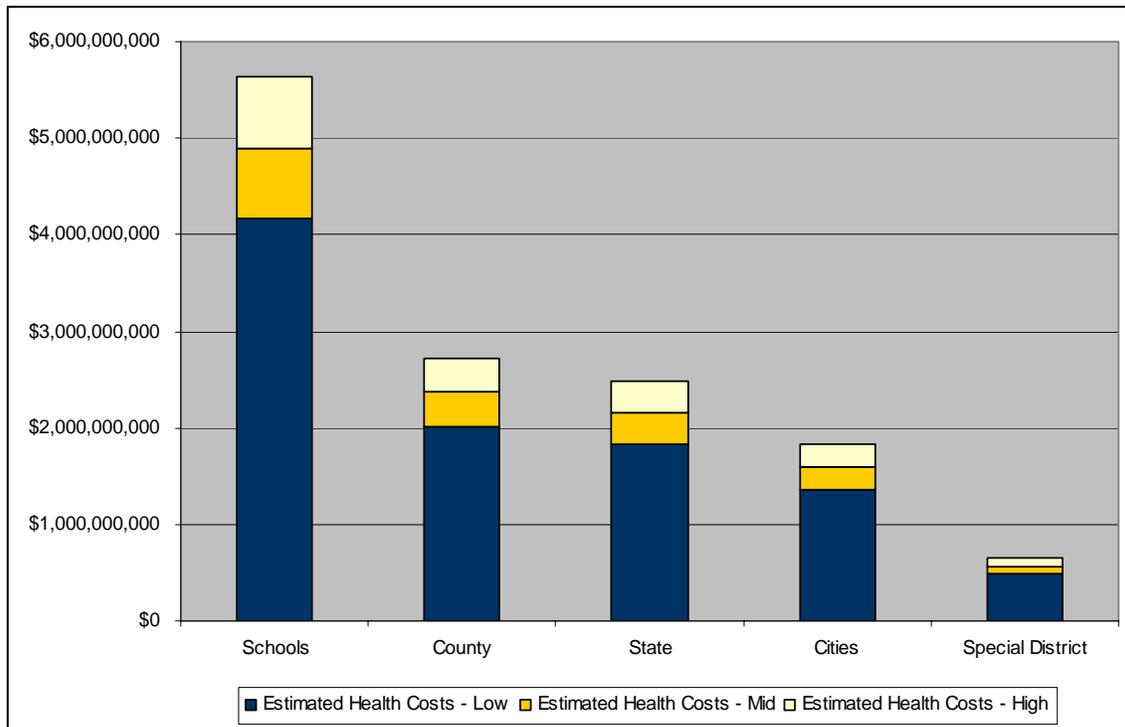


Table 1-2 shows the estimated range of expenditure by all local governments, the University of California system, and the state government, which includes the California State University system and the Community College system, for retiree health benefits in FY 2003-04. For each level of government listed, with the exception of the state government and the University of California system, estimated cost ranges (low, mid and high) are shown. Subsequent sections of this report will address in more detail how these estimated ranges were calculated. For the state government expenditures, and for the University of California system expenditures, actual audited expenditure data were available, hence the consistent cost figures in each cell, and the solid blue bars representing “state” and “UC System” expenditures in Chart 1-2.

Total statewide expenditures for retiree health benefits in FY 2003-04 range from a low estimate of over \$2.7 billion and a mid range estimate of over \$2.9 billion to a high of over \$3.1 billion. Note that estimated school district expenditures for retiree healthcare benefits are the largest, by a substantial margin.

Table 1-2: Statewide Estimated Cost of Retiree Healthcare, FY 2003-04

Area	Estimated Retiree Health Costs - Low	Estimated Retiree Health Costs - Mid	Estimated Retiree Health Costs - High
State	\$695,000,000	\$695,000,000	\$695,000,000
Cities	\$439,009,259	\$487,788,065	\$536,566,872
Counties	\$387,697,011	\$430,774,457	\$473,851,902
School Districts	\$739,528,949	\$821,698,832	\$903,868,715
Special Districts	\$273,820,484	\$304,244,982	\$334,669,480
UC System	\$185,000,000	\$185,000,000	\$185,000,000
<b>Total</b>	<b>\$2,720,055,703</b>	<b>\$2,924,506,336</b>	<b>\$3,128,956,969</b>

Chart 1-2: Statewide Estimated Cost of Retiree Healthcare, FY 2003-04

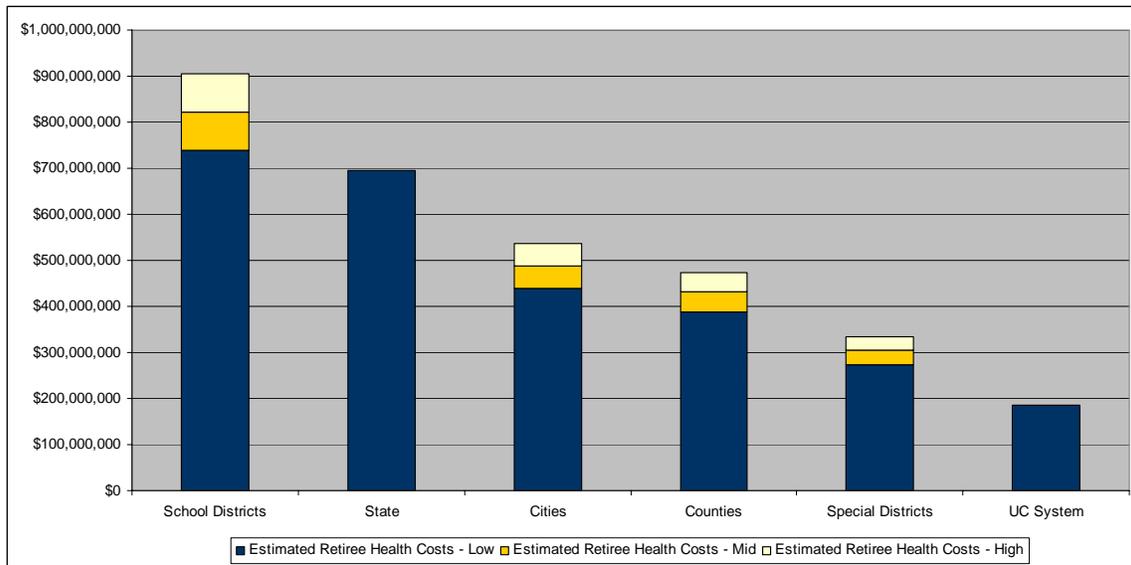


Table 1-3 and Chart 1-3 show estimated annual projected expenditures by all governments in California for retiree health care benefits from FY 2003-04 through FY 2019-20. The low estimate for such expenditures in FY 2003-04 is \$2,720,055,703. The mid range estimate for the same year is close to \$3 billion (\$2,924,506,336). The high range estimate is \$3,128,956,969.

The estimated future annual expenditures for retiree healthcare accelerate rapidly, with the mid range estimate over \$4.5 billion by FY 2006-07, and increasing annual in roughly \$1 billion annual increments through the rest of the decade.

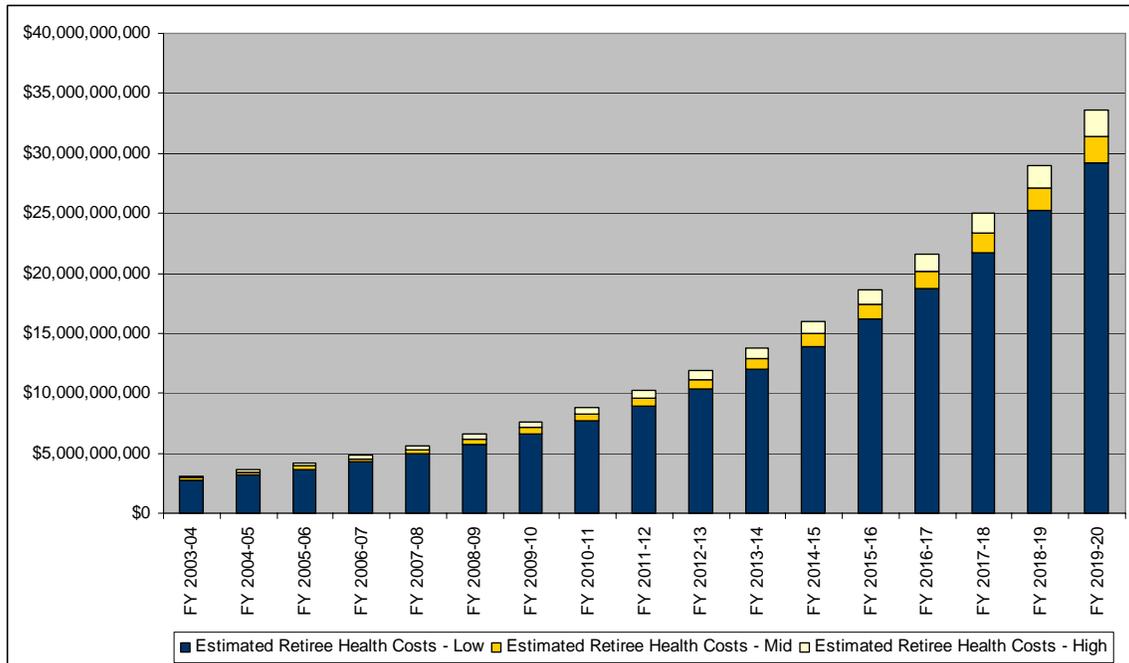
Future projections of this sort, of course, do not provide absolute certitude. Nevertheless, these projections offer a cautionary guideline for current policy makers and give some idea of the potential magnitude of future costs if current trends continue.

Source: These data incorporate the total estimated cost of five levels of government: the State of California, cities, counties, school districts, and special districts. Projections for years after FY 2003-04 are extrapolated from the FY 2003-04 retiree healthcare figure using an average annual rate of growth of 16%. This figure was derived from longitudinal data provided in the 2005 California State Association of Counties *Survey of County Officials on Retiree Health Benefits*.

Table 1-3: Total Statewide Estimated Cost of Retiree Healthcare, FY 2003-04 to FY 2019-20

Fiscal Year	Estimated Retiree Health Costs - Low	Estimated Retiree Health Costs - Mid	Estimated Retiree Health Costs - High
FY 2003-04	\$2,720,055,703	\$2,924,506,336	\$3,128,956,969
FY 2004-05	\$3,155,264,616	\$3,392,427,349	\$3,629,590,084
FY 2005-06	\$3,660,106,954	\$3,935,215,725	\$4,210,324,498
FY 2006-07	\$4,245,724,067	\$4,564,850,241	\$4,883,976,418
FY 2007-08	\$4,925,039,917	\$5,295,226,280	\$5,665,412,645
FY 2008-09	\$5,713,046,304	\$6,142,462,485	\$6,571,878,668
FY 2009-10	\$6,627,133,713	\$7,125,256,482	\$7,623,379,254
FY 2010-11	\$7,687,475,107	\$8,265,297,520	\$8,843,119,935
FY 2011-12	\$8,917,471,124	\$9,587,745,123	\$10,258,019,125
FY 2012-13	\$10,344,266,504	\$11,121,784,342	\$11,899,302,185
FY 2013-14	\$11,999,349,144	\$12,901,269,837	\$13,803,190,534
FY 2014-15	\$13,919,245,007	\$14,965,473,011	\$16,011,701,020
FY 2015-16	\$16,146,324,209	\$17,359,948,693	\$18,573,573,183
FY 2016-17	\$18,729,736,082	\$20,137,540,484	\$21,545,344,892
FY 2017-18	\$21,726,493,855	\$23,359,546,961	\$24,992,600,075
FY 2018-19	\$25,202,732,872	\$27,097,074,475	\$28,991,416,087
FY 2019-20	\$29,235,170,131	\$31,432,606,391	\$33,630,042,661

Chart 1-3: Total Statewide Estimated Cost of Retiree Healthcare, FY 2003-04 to FY 2019-20



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## Section II: Health Care Data by Government Type

Table 2-1 and Chart 2-1 show the estimated cost statewide for counties to provide medical benefits to retirees. If the cost of providing these medical benefits accelerates at the same rate it has for the last five years (approximately 16% per year), it is quite apparent that these costs will soon become very large indeed. If current trends continue, counties will spend over \$1 billion on retiree medical benefits by FY 2008-09, and will spend more than \$2 billion by FY 2012-13. The \$3 billion plateau will be reached by 2014-15, and then the amount will rapidly shoot past \$4 billion, \$5 billion, \$6 billion and \$7 billion in subsequent fiscal years.

Source: Total county retirees were estimated by calculating the ratio of FTE to retirees for a sample of counties. This ratio was then applied to the total number of FTE for all county governments, a figure provided by the United States Census Bureau's *Census of Governments* for 1992, 1997, and 2002. As with all numbers taken from this source, 2003-04 figures were projected by calculating an average annual rate of change between 1992 and 2002, and then using this figure to estimate FY 2003-04 figures. Future years' expenditures were projected by using an average annual rate of growth of 16%. This figure was derived from intra-year changes in the representative sample of counties.

Table 2-1: Statewide Estimated Cost of Retiree Healthcare for Counties,  
FY 2000-01 to FY 2019-20

Fiscal Year	Total Statewide Cost
FY 2000-01	\$244,959,136
FY 2001-02	\$280,601,478
FY 2002-03	\$364,781,406
FY 2003-04	\$430,774,457
FY 2004-05	\$491,892,769
FY 2005-06	\$589,875,956
FY 2006-07	\$707,377,026
FY 2007-08	\$848,283,866
FY 2008-09	\$1,017,258,818
FY 2009-10	\$1,219,892,944
FY 2010-11	\$1,462,891,026
FY 2011-12	\$1,754,293,410
FY 2012-13	\$2,103,742,052
FY 2013-14	\$2,522,799,548
FY 2014-15	\$3,025,331,719
FY 2015-16	\$3,627,966,406
FY 2016-17	\$4,350,643,654
FY 2017-18	\$5,217,275,489
FY 2018-19	\$6,256,537,122
FY 2019-20	\$7,502,815,760

Table 2-1: Statewide Estimated Cost of Retiree Healthcare for Counties,  
FY 2000-01 to FY 2019-20

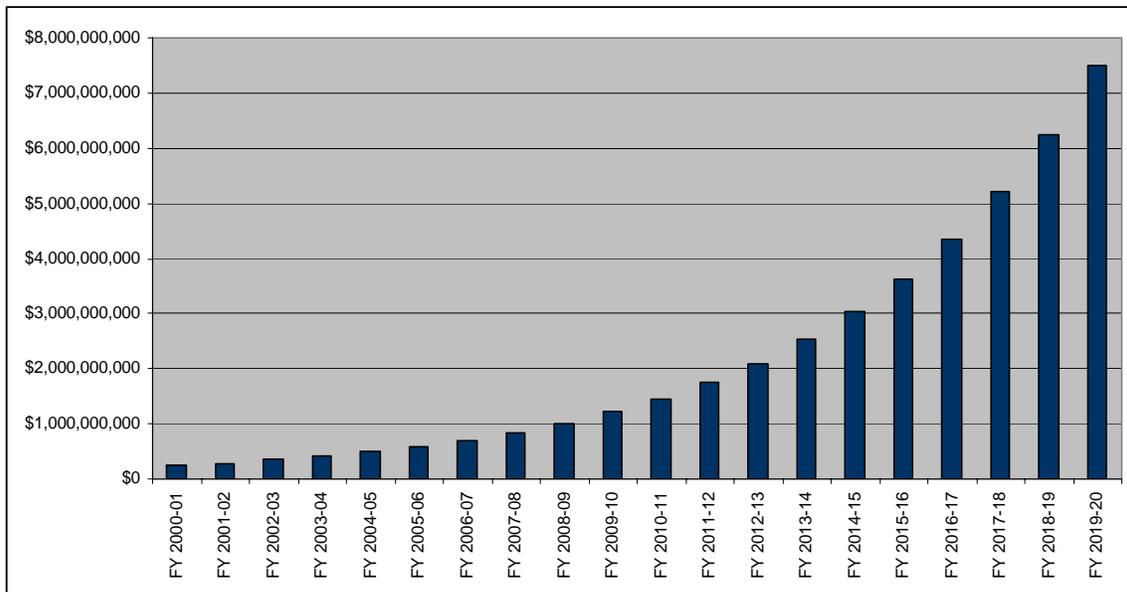


Table 2-2 and Chart 2-2 show the cost of providing health care benefits per retiree for selected counties in California for which data were available for both fiscal years 2000-01 and 2004-05. It is interesting to note that these numbers are substantial in almost every instance. In only two counties, Sierra and Napa, did the expenditure per retiree decrease. Neither of these counties have a large number of employees. In most of the counties, the expenditure per retiree increased very rapidly.

Source: 2005 California State Association of Counties *Survey of County Officials on Retiree Health Benefits*.

Table 2-2: Benefits per Retiree, Selected Counties

County	2000-01	2004-05
Alpine	\$6,078.75	\$10,090.46
Sierra	\$9,167.00	\$6,153.85
Placer	\$2,595.09	\$5,734.97
Los Angeles	\$2,765.08	\$5,444.74
Marin	\$2,724.33	\$4,667.40
Stanislaus	\$4,122.14	\$4,625.00
Trinity	\$1,719.04	\$4,364.80
Santa Clara	\$1,982.90	\$4,252.27
Santa Barbara	\$2,911.93	\$3,758.49
Merced	\$2,758.50	\$3,710.91
Shasta	\$1,740.55	\$3,688.06
Orange	\$2,331.31	\$3,377.65
Colusa	\$2,861.13	\$3,018.52
Butte	\$1,212.21	\$3,017.66
Santa Cruz	\$1,322.99	\$2,952.64
Napa	\$3,030.03	\$2,762.83
Nevada	\$1,641.72	\$2,753.68
San Mateo	\$951.88	\$1,779.45
Glenn	\$1,066.50	\$1,754.36
Kern	\$909.28	\$1,351.19
San Luis Obispo	\$535.11	\$665.98
Solano	\$46.81	\$444.85
Tuolumne	\$59.57	\$284.93
Sutter	\$192.00	\$192.00

Chart 2-2: Benefits per Retiree, Selected Counties

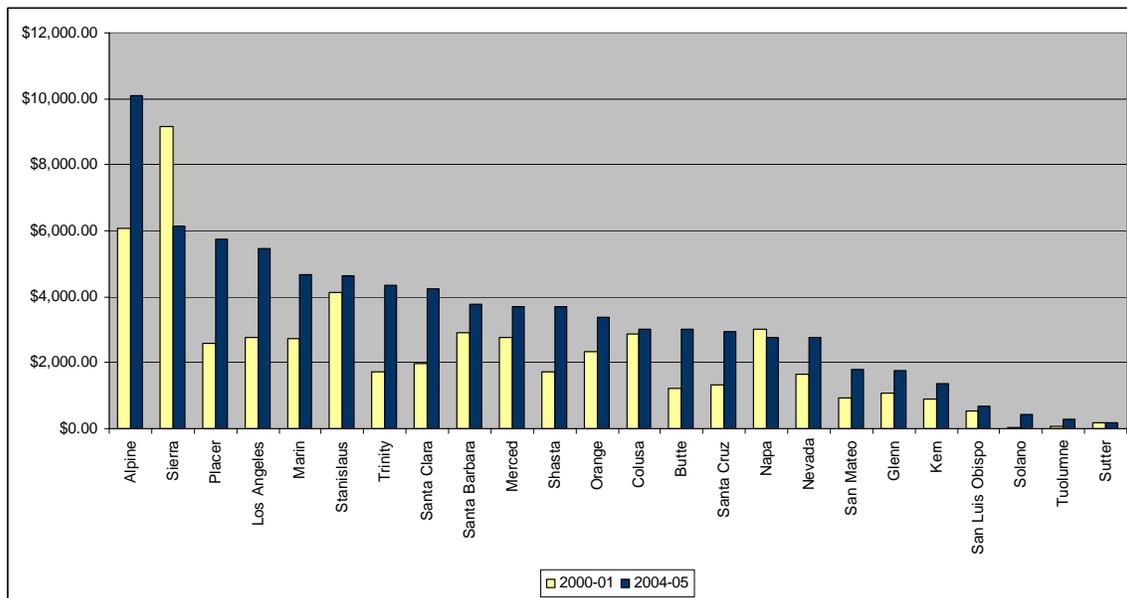


Table 2-3 shows the estimated total cost per retiree for county retiree medical expense. As is apparent from Table 2-3 and Chart 2-3, the estimated cost per retiree for counties to provide medical benefits for retired county employees has grown very sharply since Fiscal Year 2000-01. The estimated cost for providing such benefits per county retiree in FY 2004-05 approached \$4,600.

Source: The estimated cost of retiree health care for California county employees was derived from a representative sample of county retiree medical expenses found in the 2005 California State Association of Counties *Survey of County Officials on Retiree Health Benefits*. These data provided a per-retiree cost for health benefits.

Table 2-3: Total Cost per Retiree, County Retiree Medical Expense

Fiscal Year	Cost/Retiree
2000-01	\$2,482.95
2001-02	\$2,785.62
2002-03	\$3,546.68
2003-04	\$4,103.75
2004-05	\$4,591.38

Chart 2-3: Total Cost per Retiree, County Retiree Medical Expense

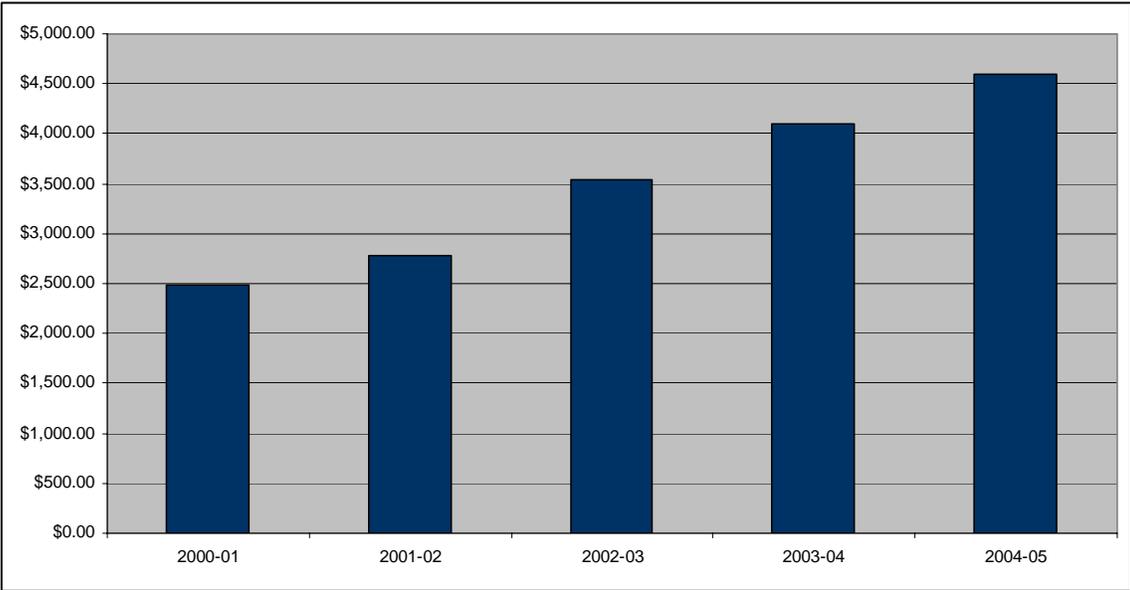


Table 2-4 and Chart 2-4 track the estimated number of county retirees statewide receiving medical benefits. As can be seen from the data in Table2-4, the total number of beneficiaries has increased, but not nearly as rapidly as the cost of retiree medical benefits per retiree (as shown in the previous table).

Total county retirees were estimated by calculating the ratio of FTE to retirees for the sample of counties found in the 2005 California State Association of Counties *Survey of County Officials on Retiree Health Benefits*. This ratio was then applied to the total number of FTE for all county governments, a figure provided by the United States Census Bureau's *Census of Governments* for 1992, 1997, and 2002. As with all numbers taken from this source, 2003-04 figures were projected by calculating an average annual rate of change between 1992 and 2002, and then using this figure to estimate FY 2003-04 figures.

Table 2-4: Total Number of Retirees, California Counties

Fiscal Year	Retiree Estimate
2000-01	98,657
2001-02	100,732
2002-03	102,852
2003-04	104,971
2004-05	107,134

Chart 2-4: Total Number of Retirees, California Counties

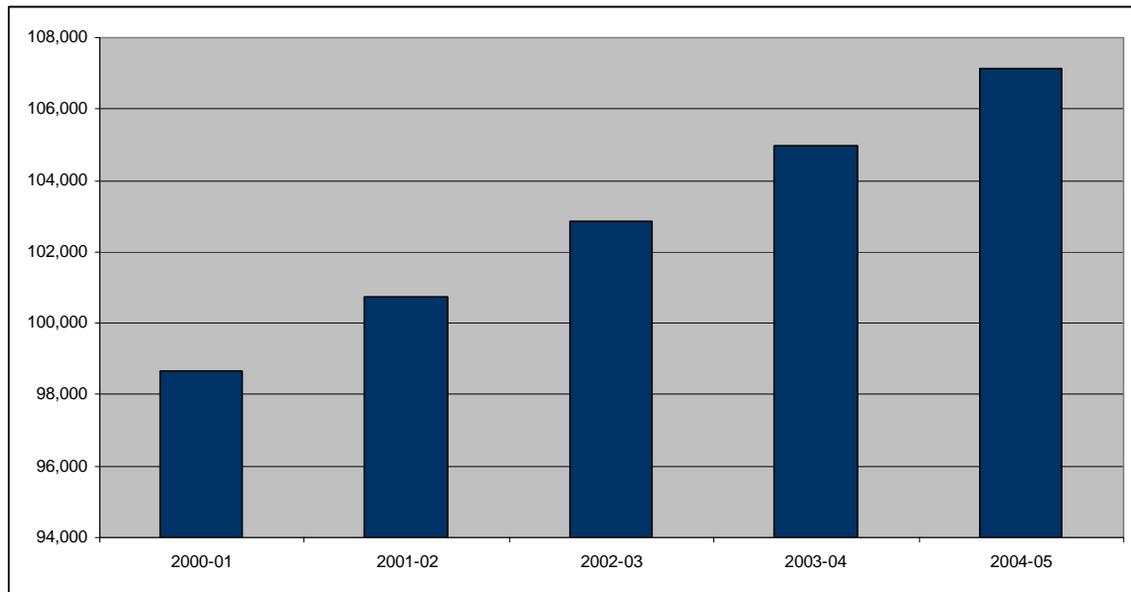


Table 2-5 and Chart 2-5 show the estimated cost to all cities in California for providing retiree health care benefits from FY 2003-04 through FY 2019-20. Note that by FY 2008-09 the mid range estimated cost for such benefits exceeds \$1 billion. By FY 2014-15, even the low range estimate exceeds \$2.25 billion, while the high range is almost \$2.75 billion. By FY 2019-20, the low range estimate is over \$4.7 billion, the mid range is over \$5.2 billion, and the high range estimate is well over \$5.7 billion.

Of course, projecting such trends this far into the future is an imprecise art. Nevertheless, if retiree health care costs and the number of retirees continue to grow at current rates, costs of this magnitude will be involved.

Source: The estimated cost of retiree health care for all employees of California cities was derived from a selected sample of city retiree medical expenses and taken from each City's respective CAFR. These data provided a per-retiree cost for health benefits, which was multiplied by total estimated city retirees. Where FY 2003-04 figures were unavailable, available data were used to compute an FY 2003-04 figure based upon an average annual rate of change of 16%.

Total city retirees were estimated by calculating the ratio of FTE to retirees for the sample of cities. This ratio was then applied to the total number of FTE for all city governments, a figure provided by the United States Census Bureau's *Census of Governments* for 1992, 1997, and 2002. As with all numbers taken from this source, 2003-04 figures were projected by calculating an average annual rate of change between 1992 and 2002, and then using this figure to estimate FY 2003-04 figures. Data were projected forward assuming an average annual growth rate of 16%.

Table 2-5: Statewide Estimated Cost of Retiree Healthcare for Cities,  
FY 2003-04 to FY 2019-20

Fiscal Year	Total Cost - Low	Total Cost - Mid	Total Cost - High
FY 2003-04	\$439,009,259	\$487,788,065	\$536,566,872
FY 2004-05	\$509,250,740	\$565,834,156	\$622,417,571
FY 2005-06	\$590,730,859	\$656,367,621	\$722,004,383
FY 2006-07	\$685,247,796	\$761,386,440	\$837,525,084
FY 2007-08	\$794,887,444	\$883,208,271	\$971,529,098
FY 2008-09	\$922,069,434	\$1,024,521,594	\$1,126,973,753
FY 2009-10	\$1,069,600,544	\$1,188,445,049	\$1,307,289,554
FY 2010-11	\$1,240,736,631	\$1,378,596,257	\$1,516,455,882
FY 2011-12	\$1,439,254,492	\$1,599,171,658	\$1,759,088,824
FY 2012-13	\$1,669,535,211	\$1,855,039,123	\$2,040,543,035
FY 2013-14	\$1,936,660,844	\$2,151,845,383	\$2,367,029,921
FY 2014-15	\$2,246,526,580	\$2,496,140,644	\$2,745,754,708
FY 2015-16	\$2,605,970,832	\$2,895,523,147	\$3,185,075,462
FY 2016-17	\$3,022,926,165	\$3,358,806,850	\$3,694,687,535
FY 2017-18	\$3,506,594,352	\$3,896,215,947	\$4,285,837,541
FY 2018-19	\$4,067,649,448	\$4,519,610,498	\$4,971,571,548
FY 2019-20	\$4,718,473,360	\$5,242,748,178	\$5,767,022,995

Chart 2-5: Statewide Estimated Cost of Retiree Healthcare for Cities,  
FY 2003-04 to FY 2019-20

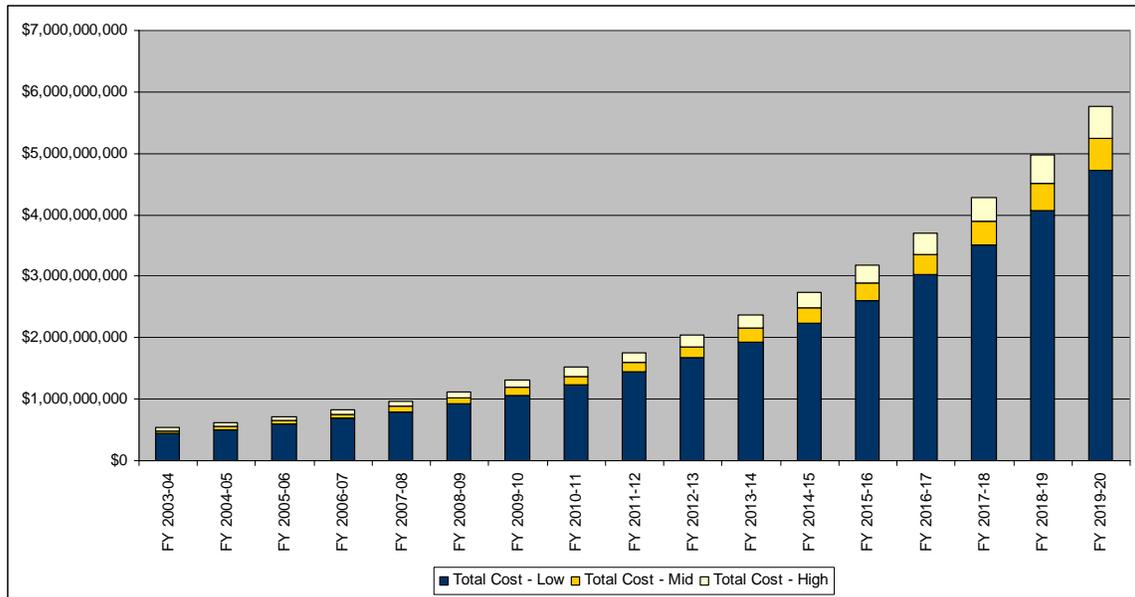


Table 2-6 shows city expenditures for retiree health benefits for selected cities in FY 2003-04. San Francisco had by far the largest amount of such expenditures, over \$113 million. At the other end of the scale, Loma Linda only spent \$5,302 for retiree medical benefits in FY 2003-04.

Source: All data taken from the Comprehensive Financial Annual Report (“CAFR”) for each city. Where FY 2003-04 figures were unavailable, available data were used to compute an FY 2003-04 figure based upon an average annual rate of change of 16%.

Table 2-6 – City Retiree Health Care Costs, FY 2003-04

City	Cost - 2003-04	Cost per Retiree - 2003-04
San Francisco	\$113,700,000	\$5,756
San Diego	\$13,049,310	\$4,233
Stockton	\$8,179,000	\$12,468
Sacramento	\$7,388,040	\$3,143
Long Beach	\$6,795,280	\$8,051
Palo Alto	\$3,199,000	\$5,422
Oakland	\$2,755,579	\$2,944
Sunnyvale	\$2,754,418	\$5,237
Corona	\$2,478,746	\$9,215
Fremont	\$1,212,158	\$2,331
Gardena	\$1,166,232	\$8,575
Redding	\$1,150,594	\$4,938
Redwood City	\$1,036,634	\$4,430
San Mateo	\$841,000	\$2,249
Berkeley	\$777,960	\$4,549
Costa Mesa	\$656,112	\$2,635
Brea	\$634,875	\$4,503
Barstow	\$626,920	\$5,914
Colton	\$543,886	\$7,770
Signal Hill	\$501,071	\$7,262
El Monte	\$412,282	\$5,154
Bellflower	\$277,576	\$6,168
Lompoc	\$180,935	\$2,918
Santa Cruz	\$98,239	\$1,694
Palm Desert	\$95,857	\$4,793
Oxnard	\$92,932	\$484
Santa Clarita	\$79,191	\$4,949
Campbell	\$41,596	\$2,080
Mission Viejo	\$14,645	\$2,929
Loma Linda	\$5,302	\$530

Table 2-7 shows estimated statewide school district costs for retiree health benefits from FY 2003-04 through FY 2019-20. Note that by FY 2005-06, the mid range estimate exceeds \$1.1 billion. By FY 2010-11, the low range estimated exceeds \$2 billion. By FY 2012-13, the mid range estimate exceeds \$3.1 billion. By FY 2019-20, the low range estimate is almost \$8 billion, while the mid range estimate is well over \$8.8 billion and the high range estimate is over \$9.7 billion. Of course, long range projections of this sort are an imprecise art. Nevertheless, Table 2-7 and Chart 2-7 afford a picture of the possible future growth in retiree health benefit costs.

Source: The estimated cost of retiree health care for all employees of California school districts was derived from a selected sample of school district retiree medical expenses taken from each school district's respective CAFR. Where FY 2003-04 figures were unavailable, available data were used to compute an FY 2003-04 figure based upon an average annual rate of change of 16%. These data provided a per-retiree cost for health benefits, which was multiplied by total estimated school district retirees.

Total school district retirees were estimated by calculating the ratio of FTE to retirees for the sample of school districts. This ratio was then applied to the total number of FTE for all school districts, a figure provided by the United States Census Bureau's *Census of Governments* for 1992, 1997, and 2002. As with all numbers taken from this source, 2003-04 figures were projected by calculating an average annual rate of change between 1992 and 2002, and then using this figure to estimate FY 2003-04 figures. Data were projected forward assuming an average annual growth rate of 16%.

Table 2-7: Statewide Estimated Cost of Retiree Healthcare for School Districts,  
FY 2003-04 to FY 2019-20

	Retiree Health Expenditures - Low	Retiree Health Expenditures – Mid	Retiree Health Expenditures – High
FY 2003-04	\$739,528,949	\$821,698,832	\$903,868,715
FY 2004-05	\$857,853,581	\$953,170,645	\$1,048,487,710
FY 2005-06	\$995,110,153	\$1,105,677,948	\$1,216,245,743
FY 2006-07	\$1,154,327,778	\$1,282,586,420	\$1,410,845,062
FY 2007-08	\$1,339,020,223	\$1,487,800,247	\$1,636,580,272
FY 2008-09	\$1,553,263,458	\$1,725,848,287	\$1,898,433,116
FY 2009-10	\$1,801,785,611	\$2,001,984,013	\$2,202,182,414
FY 2010-11	\$2,090,071,309	\$2,322,301,455	\$2,554,531,600
FY 2011-12	\$2,424,482,719	\$2,693,869,688	\$2,963,256,656
FY 2012-13	\$2,812,399,954	\$3,124,888,838	\$3,437,377,721
FY 2013-14	\$3,262,383,946	\$3,624,871,052	\$3,987,358,157
FY 2014-15	\$3,784,365,378	\$4,204,850,420	\$4,625,335,462
FY 2015-16	\$4,389,863,838	\$4,877,626,487	\$5,365,389,136
FY 2016-17	\$5,092,242,052	\$5,658,046,725	\$6,223,851,397
FY 2017-18	\$5,907,000,781	\$6,563,334,201	\$7,219,667,621
FY 2018-19	\$6,852,120,906	\$7,613,467,673	\$8,374,814,440
FY 2019-20	\$7,948,460,251	\$8,831,622,501	\$9,714,784,751

Chart 2-7: Statewide Estimated Cost of Retiree Healthcare for School Districts,  
FY 2003-04 to FY 2019-20

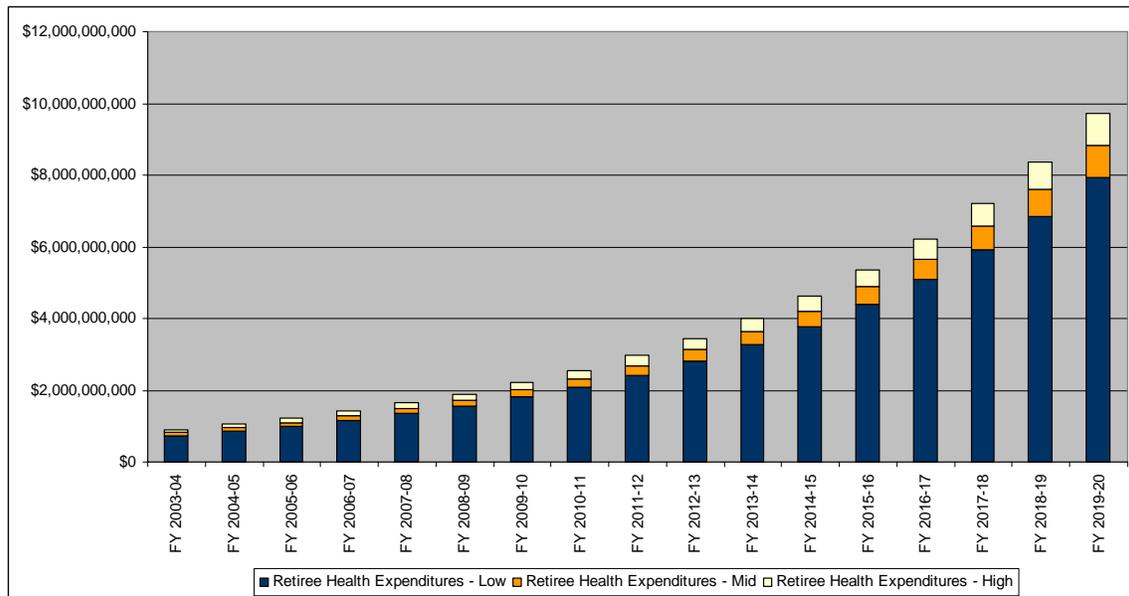


Table 2-8 shows school district expenditures per retiree for retiree health care benefits in selected California school districts for FY 2003-04. At the top of Table 2-8 is Manteca Unified School District, which spent \$8,602 per retiree for retiree health benefits in FY 2003-04. At the bottom of the table, the San Jose Unified School District spent \$780 per retiree for retiree health benefits in FY 2003-04. Chart 2-8 shows the data from the table in graphic form.

Table 2-8: FY 2003-04 School District Retiree Health Care Expenditure per Retiree

District	Expenditure per Retiree
Manteca Unified School District	\$8,602
Santa Ana Unified School District	\$8,004
Los Altos Elementary School District	\$5,982
West Contra Costa Unified School District	\$5,521
Mount Diablo Unified School District	\$5,252
Desert Sands Unified School District	\$4,981
Los Angeles Unified School District	\$4,895
Banning Unified School District	\$4,692
Burbank Unified School District	\$4,654
Oakland Unified School District	\$4,639
San Bernardino City Unified School District	\$4,170
San Juan Unified -- Sacramento County	\$4,075
Sacramento City Unified School District	\$3,728
Pleasant Valley Unified School District	\$3,600
Fairfield-Suisun Unified School District	\$2,873
Hemet Unified School District	\$2,618
Pacific Grove Unified School District	\$2,150
Riverside Unified School District	\$1,862
San Diego City Unified School District	\$1,456
San Jose Unified School District	\$780

Table 2-9 and Chart 2-9 show the estimated statewide expenditure by special districts for retiree health benefits for Fiscal Year 2003-04. The low range estimate is substantially more than \$270 million. The mid range estimate is slightly over \$304 million. The high range estimate is well over \$334 million.

Source: The estimated cost of retiree health care for all employees of California special districts was derived from a selected sample of special district retiree medical expenses, and taken from each special district's respective CAFR. Where FY 2003-04 figures were unavailable, available data were used to compute an FY 2003-04 figure based upon an average annual rate of change of 16%. These data provided a per-retiree cost for health benefits, which was multiplied by total estimated special district retirees.

Total special district retirees were estimated by calculating the ratio of FTE to retirees for the sample of special districts. This ratio was then applied to the total number of FTE for all special districts, a figure provided by the United States Census Bureau's *Census of Governments* for 1992, 1997, and 2002. As with all numbers taken from this source, 2003-04 figures were projected by calculating an average annual rate of change between 1992 and 2002, and then using this figure to estimate FY 2003-04 figures.

Table 2-9: Estimated Statewide Special District Retiree Health Costs, FY 2003-04

Statewide Special District Retiree Health Costs	FY 2003-04
Retiree Health Costs - Low	\$273,820,484
Retiree Health Costs - Mid	\$304,244,982
Retiree Health Costs - High	\$334,669,480

Chart 2-9: Estimated Statewide Special District Retiree Health Costs, FY 2003-04

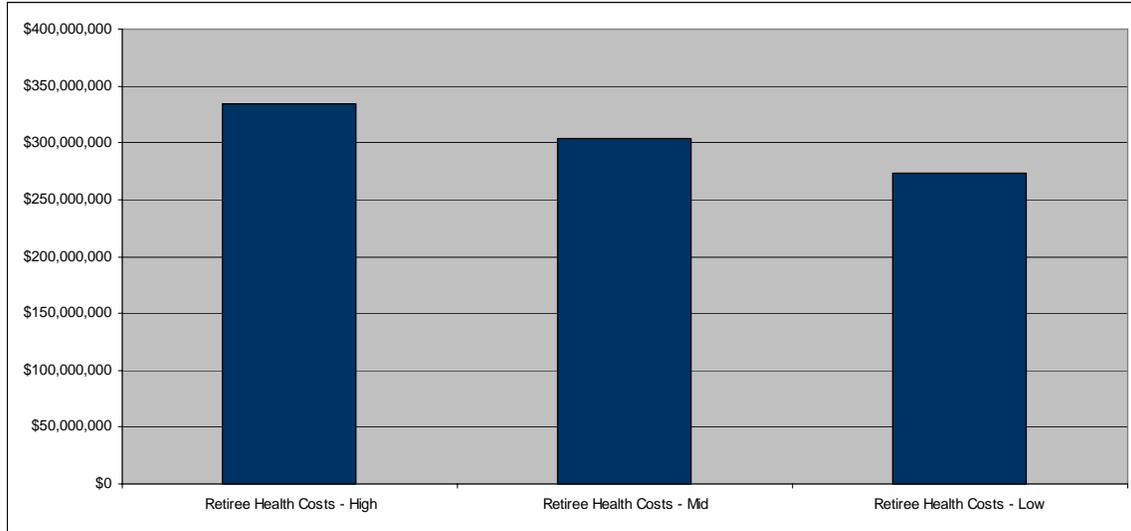


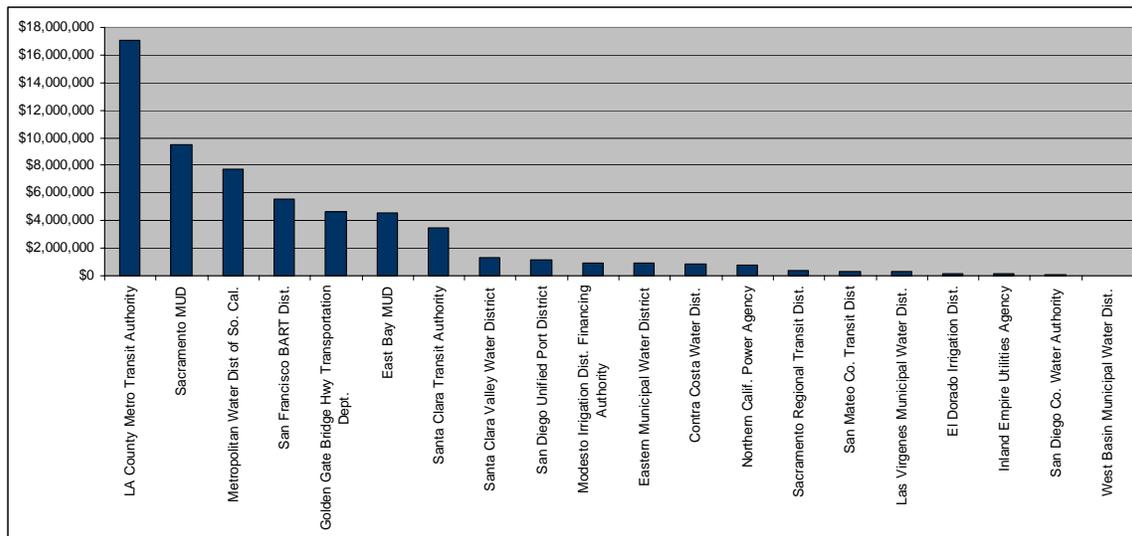
Table 2-10 and Chart 2-10 show the retiree health benefit cost for a variety of selected special districts in California. The Los Angeles County Metropolitan Transit Authority, for example, spent over \$17 million on such benefits in FY 2003-04. On the other hand, some of the water districts, most notably the San Diego County Water Authority and the West Basin Municipal Water District, spent comparatively little on retiree health care benefits.

Source: Data taken from each special district's respective Comprehensive Financial Annual Report ("CAFR"). Where FY 2003-04 figures were unavailable, available data were used to compute an FY 2003-04 figure based upon an average annual rate of change of 16%.

Table 2-10: FY 2003-04 Retiree Health Benefits, Selected Special Districts

Area	Retiree Health Benefits
LA County Metro Transit Authority	\$17,049,000
Sacramento MUD	\$9,500,000
Metropolitan Water Dist of So. Cal.	\$7,742,000
San Francisco BART Dist.	\$5,525,000
Golden Gate Bridge Hwy Transportation Dept.	\$4,630,000
East Bay MUD	\$4,577,000
Santa Clara Transit Authority	\$3,493,000
Santa Clara Valley Water District	\$1,295,000
San Diego Unified Port District	\$1,177,078
Modesto Irrigation Dist. Financing Authority	\$926,000
Eastern Municipal Water District	\$913,662
Contra Costa Water Dist.	\$821,949
Northern Calif. Power Agency	\$756,824
Sacramento Regional Transit Dist.	\$350,000
San Mateo Co. Transit Dist	\$337,100
Las Virgenes Municipal Water Dist.	\$280,265
El Dorado Irrigation Dist.	\$160,473
Inland Empire Utilities Agency	\$127,002
San Diego Co. Water Authority	\$55,000
West Basin Municipal Water Dist.	\$35,262

Chart 2-10: FY 2003-04 Retiree Health Benefits, Selected Special Districts



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## Section III: Pension Data

Table 3-1 and Chart 3-1 show data about public employee pension system finances in California from FY 2000-01 through FY 2004-05. The first column shows employer (i.e., government agency) contributions to public employee pension systems from FY 2000-01 through FY 2004-05. Early in the century, these employer contributions were, comparatively speaking, low starting at over \$3.4 billion in FY 2000-01. This was due to the still lingering windfall created by the stock market boom of the late 1990s, and because the huge increases in public employee pension benefit payments to retirees that were awarded during this period had not yet been fully funded. As is apparent from the data, employer contributions rapidly increased and then exploded upward to over \$14.3 billion in FY 2003-04 (a 121.36% increase over the previous fiscal year, as noted in column 2), and further shot up to almost \$19.5 billion in FY 2004-05.

The third column shows employer contributions to public employee retirement systems for the same years, which almost doubled from about \$5.2 billion in FY 2000-01 to over \$10 billion in FY 2004-05. Note that for many public employees, their employer actually pays the “employee contribution,” and that even if the employee pays, it is ultimately financed by the employer which pays the individual public employee.

Source: Contribution data for FY 2000-01 through FY 2002-03 were collected from California State Controller’s Office *Public Retirement Systems Annual Report* for these years, respectively. Contribution rates for FY 2003-04 and FY 2004-05 are based upon FY 2002-03 data from the California State Controller’s Office and the actual rate of change from CalPERS contribution rates for these years.

Table 3-1: Total Statewide Employer and Employee Contribution Pension Contributions

	Employer Contribution	Employer Contribution (% change)	Employee Contribution	Employee Contribution (% change)
2000-01	3,440,275,000	-	5,196,089,125	-
2001-02	3,894,008,000	13.19%	5,862,455,000	12.82%
2002-03	6,490,561,000	66.68%	5,987,905,000	2.14%
2003-04	14,367,742,984	<b>121.36%</b>	7,188,450,995	<b>20.05%</b>
2004-05	19,468,272,333	<b>35.50%</b>	10,075,748,680	<b>40.17%</b>

Chart 3-1: Total Statewide Employer and Employee Contribution Pension Contributions

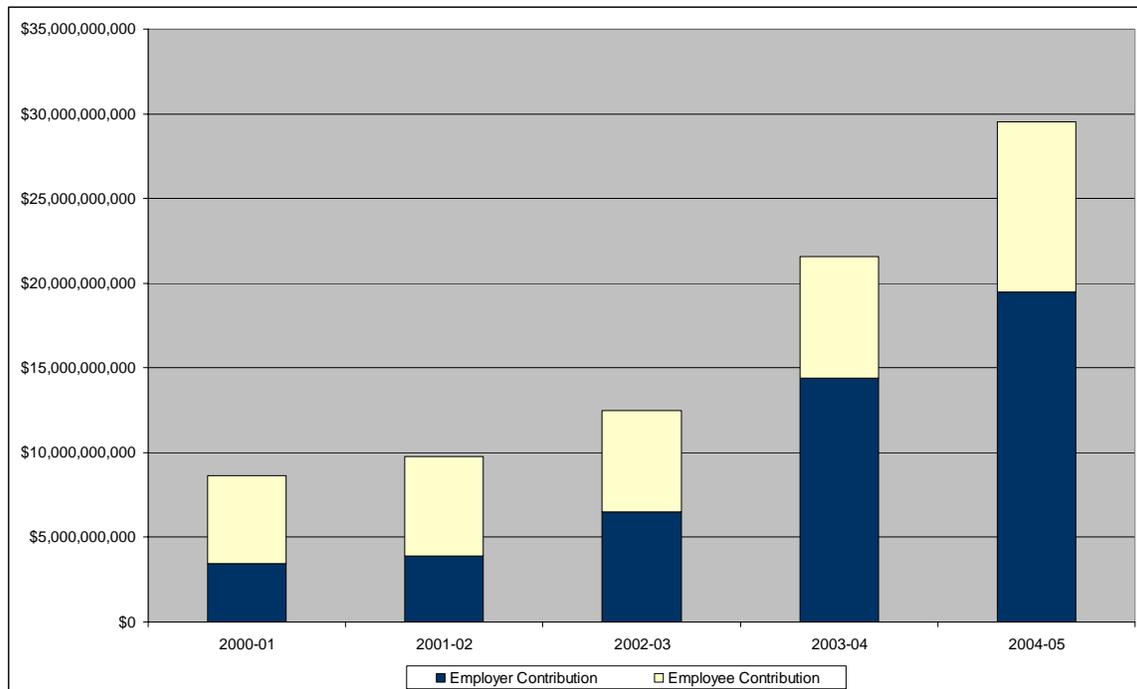


Table 3-2a shows data about the number of government employees in each category of state or local government (i.e., cities, counties, etc.) In FY 2003-04, there were an estimated 1,758,456 full time equivalent (“FTE”) state and local government employees in California. School districts had, by far, the largest number of employees, 745, 594, or 42.29% of the total.

Table 3-2b displays total pension cost (both employer and employee contributions), by type of government for FY 2000-01 through FY 2004-05. This same information is shown in graphic form in Chart 3-2.

Source: Contribution data for FY 2000-01 through FY 2002-03 were collected from California State Controller’s Office *Public Retirement Systems Annual Report* for these years, respectively. Contribution rates for FY 2003-04 and FY 2004-05 are based upon FY 2002-03 data from the California State Controller’s Office and the actual rate of change from CalPERS contribution rates for these years.

The percentage of FTE by type of government, as shown in Table 3-2a, is used to estimate the proportionate share of total pension cost for each type.

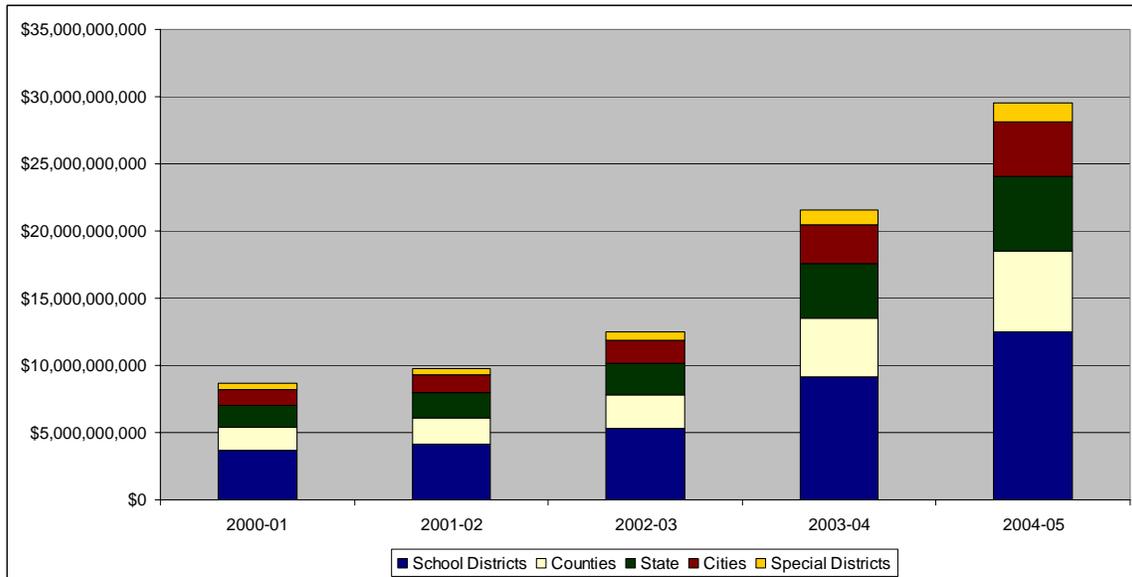
Table 3-2a: Estimated FTE and Percentage of Total FTE Statewide, FY 2003-04

	FTE	Percentage of FTE
Cities	241,448	13.73%
Counties	360,050	20.48%
School Districts	743,594	42.29%
Special Districts	85,853	4.88%
State	327,510	18.62%
Total	1,758,456	100.00%

Table 3-2b: Total Pension Cost by Government Type

	2000-01	2001-02	2002-03	2003-04	2004-05
School Districts	\$3,652,038,191	\$4,125,691,665	\$5,276,738,421	\$9,115,415,066	\$12,493,207,962
Counties	\$1,768,327,142	\$1,997,671,483	\$2,555,011,553	\$4,413,709,558	\$6,049,246,359
State	\$1,608,512,030	\$1,817,129,047	\$2,324,098,705	\$4,014,814,202	\$5,502,537,009
Cities	\$1,185,831,735	\$1,339,628,955	\$1,713,378,544	\$2,959,812,549	\$4,056,595,715
Special Districts	\$421,655,027	\$476,341,850	\$609,238,777	\$1,052,442,604	\$1,442,433,968

Chart 3-2: Total Pension Cost by Government Type



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## About the Center

The Center for Government Analysis was established in 2003 to provide any interested citizen with readily accessible data regarding state and local government finances in the United States. As an independent corporation, the Center for Government Analysis is not influenced or controlled by any financial contributor or special interest.

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