State Controller Betty T. Yee reported the state received $9.69 billion in revenue in November, exceeding projections in the 2018-19 fiscal year budget by 15.1 percent, or $1.27 billion.

Personal income tax (PIT), sales tax, and corporation tax — the state’s “big three” revenue sources — all were higher than expected in the enacted budget.

For the fiscal year, revenues of $44.97 billion are 5.4 percent ($2.29 billion) higher than projected in the budget enacted at the end of June. Total revenues for FY 2018-19 thus far are 9.8 percent ($4.02 billion) higher than through the same five months of FY 2017-18.

For November, PIT receipts of $5.96 billion were 22.3 percent ($1.09 billion) more than expected in the FY 2018-19 Budget Act.

Sales tax receipts of $3.52 billion for November were 12.4 percent ($388.4 million) greater than anticipated in the FY 2018-19 budget.

November corporation taxes of $26.9 million were 2.8 percent higher than FY 2018-19 Budget Act estimates.

For more details, read the monthly cash report.
Study after study shows Americans are losing confidence in their ability to retire. Far too many workers do not contribute to a retirement plan because their employers do not offer them.

While there are other options – such as individual retirement accounts and standard savings or brokerage accounts – they are underutilized. Many people are discouraged by the fees and contribution requirements; others feel they cannot afford to save because they live paycheck to paycheck; and still others simply do not take the time to set up an account.

According to a 2018 study by Northwestern Mutual, one-third of baby boomers (who now range in age from 54 to 72) have somewhere between zero and $25,000 saved for retirement. One in three Americans has less than $5,000 saved for retirement, and one in five has no savings at all.

In California, nearly half of middle-income workers are at risk of retiring into economic hardship, with each generation on track to retire poorer than the last. Having such a large percentage of the population financially unprepared for retirement undoubtedly will increase the burden on already-strapped safety-net programs such as food stamps and housing assistance.

While no employer is legally required to offer a retirement plan, most small businesses do not offer them due to their administrative and regulatory complexity, high implementation costs, and liability risks. More than one-third of all employees work for a company that does not offer a 401(k) plan or pension, according to Pew Charitable Trusts. In California, there are 7.5 million workers whose employers do not offer retirement plans.

A National Model

California was the first state in the nation to enact legislation to address this personal savings crisis, providing a model for others. Nine states – Maryland, Connecticut, New Jersey, New York, Washington, Vermont, Massachusetts, Oregon, and Illinois – now are in various stages of creating similar programs for private sector employees. Nearly all other states are considering options. The federal government is working on regulations and policies to make it easier for small businesses to partner with each other to offer multi-employer 401(k) plans, which would give private sector workers another option to save.

California’s program, CalSavers, is designed to make it easy for

7.5 Million Californians Work for Employers Who Do Not Offer a Retirement Plan

Source: AARP

(See CALSAVERS, page 4)
It certainly is understandable why most of the media attention regarding the November 6 General Election has focused on the shift of power in the U. S. House of Representatives and huge changes in California’s congressional delegation.

However, it is worth remembering that California voters also weighed in on 11 ballot propositions, five of which will have an effect on the pocketbooks of most Californians.

**Ballot Measures Approved**

**Proposition 1** will permit the state to sell $4 billion in general obligation bonds to fund a number of existing housing programs including:

- $1.5 billion for multi-family housing program (for low-income residents)
- $1 billion for loans to help veterans purchase farms and homes
- $450 million for infill and transit-oriented housing projects
- $300 million for farmworker housing program
- $300 million for manufactured and mobile homes

The cost to taxpayers to pay off the bonds will average about $170 million a year over the next 35 years, totaling $5.9 billion to pay off both the principal and interest. An additional $1 billion in principal will be paid off by veterans who receive home loans.

The nonpartisan Legislative Analyst’s Office estimates the bonds will provide assistance to as many as 30,000 multi-family and 7,500 farmworker households each year, not to mention down-payment assistance to approximately 15,000 homebuyers and home loans to 3,000 veterans.

**Proposition 2** ratifies the state’s No Place Like Home Program, which helps people who are mentally ill and homeless, or at risk of becoming homeless, find housing. The measure permits up to $2 billion in bonds to be sold to provide housing for these Californians. The annual cost to taxpayers to pay off the bonds will average $120 million a year over the next 30 years, totaling $3.6 billion to pay off both the principal ($2 billion) and interest ($1.6 billion).

**Proposition 4** authorizes $1.5 billion in bonds to build, expand, renovate, and equip 13 children’s hospitals that focus on treating infants and children with severe illness or injuries, or complex chronic health conditions that require specialized care. Many of the children served come from families with low incomes. The total cost to taxpayers will end up being $2.9 billion to pay off both the principal ($1.5 billion) and interest ($1.4 billion), with payments averaging about $80 million a year for the next 35 years.

**Ballot Measures Rejected**

**Proposition 3**, which was opposed by many of the state’s largest newspaper editorial boards, was defeated by voters by a margin of 51 to 49 percent. The measure would have authorized $8.877 billion in bonds to fund a number of water-related projects. Had the measure been approved, the total cost would have been $17.3 billion to pay off both the principal ($8.9 billion) and interest ($8.4 billion), costing taxpayers about $430 million a year over the next 40 years.

Since 2000, voters have approved about $31 billion in general obligation bonds to pay for a variety of water and environmental projects, as recently as the

(See PROPOSITIONS, page 4)
millions of workers – from Generation Z to baby boomers – to save for their retirement. It will give employees access to a voluntary, low-cost, portable retirement savings program with professionally managed investments.

CalSavers will be administered by Ascensus College Savings Recordkeeping Services, LLC, and mutual fund investment options will be offered by State Street Global Advisors Trust Company. The program will not be supported by taxpayers; it will be fully funded by participant fees likely to be among the lowest in the industry. Ascensus will answer all employee registration, contribution, and investment questions through their website and a toll-free customer service center staffed with licensed representatives. Investment elections and beneficiary designations can be made through the website, a mobile app, the toll-free line or by mail. Participants will receive educational materials and regular updates on their investments.

The role of employers will include registering with the administrator, providing basic employee information, processing and withholding employee contributions, and remitting contributions to CalSavers. Employers have no responsibility to endorse the program, encourage participation, or provide any financial or investment advice or fees.

Employee information packets will be distributed within 30 days of enrollment. The packet will outline the risks and benefits of participation and explain how employees can opt out of participation.

**Strictly Voluntary**

At any time, employees can opt out, change contribution rates or investment choices, or pause contributions. Those who choose to participate must tell their employers what portion of their wages to withhold and forward to CalSavers. If a participating employee does not specify what percentage to withhold, the default contribution rate of five percent will be applied. That amount will automatically increase by one percent every six months until it reaches eight percent, though this escalation also is voluntary.

Automatic enrollment is expected to help increase participation in CalSavers. According to AARP, workers with a payroll deduction savings option are 15 times more likely to be on a path to retirement security; those with automatic enrollment are 20 times more likely.

The first $1,000 in contributions will default automatically into a conservative, low-risk money market fund to preserve capital by avoiding losses. Subsequent contributions will default into target date funds where asset allocations will be based on age and automatically will shift to more conservative investments as an employee nears retirement age. Employees also can choose from other types of mutual funds such as an aggregate bond fund or a global equity fund that combines domestic and international stocks. The state soon will add traditional IRAs for higher income earners.

**Pilot Program Underway**

The CalSavers pilot program officially launched on November 19, with a diverse group of 25 employers from across the state. The program will open fully for enrollment in July 2019. Employers with 100 or more employees who do not already offer a retirement plan will have until June 2020 to register. Employers with 50 or more employees will be required to register by June 2021, and those with five or more employees will have until June 2022. After the pilot period, employers of any size will be able to register at any time. The state plans to open
$4 billion bond in June 2018
(Proposition 68).

In its editorial opposing the measure, the *Los Angeles Times* reasoned “...the problem is not the short time since the last bond... The problem is what’s in [Proposition 3]: too much spending by all Californians for the benefit of a few, with too little oversight on projects. This is exactly how not to do a bond.” The bond would have required all of the state’s taxpayers to shoulder that which, as the *Times* noted, should primarily be borne by private landowners and regional districts.

**Proposition 6** was not a bond measure, but had it been approved it would have had a negative impact on California’s transportation corridors. Voters decided to keep the legislatively adopted gas tax and vehicle license fee (VLF) increases in place, defeating Proposition 6 on a 57- to 43-percent “no” vote.

Specifically, Proposition 6 would have rolled back the 2017 laws that created the 12-cent tax increase on gasoline, the 4 percent diesel sales tax hike, and VLF increases that range from $25 to $175 per year. Collectively, the increases mean $5.1 billion more to improve California’s neglected highway, road, and public transportation system, which is critical to the success of the state’s economy.

As CalSavers partners, the Small Business Majority and the United Ways of California were given grant funding by the Laura and John Arnold Foundation. The state’s two largest public employee unions, the California Teachers Association and the Service Employees International Union, each contributed $100,000 to help support the rollout of CalSavers. These funds will be used to educate small business owners and other stakeholders about how they can participate in CalSavers and provide feedback as the program is implemented.

Further marketing and outreach will educate a huge number of employers and employees throughout California about the benefits of saving for retirement. As people become more comfortable with the state’s basic program, they may pursue their own private sector options. For now, many are welcoming the state’s move to provide a basic retirement IRA that to date has not been so easily available.