MEMORANDUM

To: Interested Parties

From: Blue Sky Consulting Group

Date: May 14, 2024

Re: Feasibility and Fiscal Impacts of Secession - County of San Bernardino

In November 2022, San Bernardino County voters approved Measure EE, which directed County officials to study options the County could pursue to ensure that it is receiving its "fair share" of state and federal funding. One of the options contemplated by the measure is the County's secession from the State of California. This report provides an overview of the requirements that must be met for regions to secede from states and along with an analysis of the likely fiscal impacts of secession on the County.

Secession is Rare and Faces Several Political Hurdles

Not since 1861, when West Virginia seceded from Virginia following the outbreak of the Civil War, has a new state been created by the partition of an existing state. In California, several recent efforts to partition the state—including "Cal 3," "Six Californias," and the "State of Jefferson"—have failed to due to a combination of legal challenges and political opposition. Secession requires the approval of a state's legislature, the approval of Congress and the President, and—if the seceding region seeks to join a neighboring state—the approval of that state as well. In California, a 2018 state supreme court ruling removing the Cal 3 initiative from the November ballot suggests that the approval of the state Legislature—and not just the state's voters—will be necessary. At the federal level, Congressional approval would require the support of a majority of the House of Representatives and likely at least 60 of the nation's 100 Senators to prevent a filibuster in the event of opposition to the proposed secession.

If the County Secedes, it Will Be Difficult to Replace the State Funding California Provides

Secession would trigger a wide variety of economic impacts countywide alongside fiscal impacts on the County government, local municipal governments, and school districts. The new state that would result from secession—whether an independent State of San Bernardino, or an enlarged Arizona or Nevada—would impose laws and regulations different from California's, while County residents and businesses would be subject to a new state tax regime.

Many of these impacts are uncertain or difficult to quantify. It is possible, for example, that a change in the regulatory environment would strengthen the local economy. Similarly, a new state bureaucracy may prove able to provide government services more cost-effectively. The opposite (i.e. a weaker economy and higher costs) is also a possibility.

Though these changes are difficult to predict, the fiscal impacts of secession on available budgetary resources are more straightforward, as they ultimately depend on how the available state tax base would change post-secession. State fiscal data shows that, on a per capita basis, the tax revenues generated in San Bernardino County are likely less than half the revenues generated statewide. This gap is attributable to the state's progressive personal income tax—which derives nearly half its annual

revenue from Californians earning more than $1 million annually. If the County were to secede to create its own independent state, the newly formed state government, its local governments and residents would lose access to their share of this revenue, which is generated across the existing State of California. Even if this new state were to impose the same taxes as California at the same rates, per capita state revenues would likely fall dramatically.

Similarly, Arizona and Nevada's tax bases are also smaller (on a per capita basis) than California's, given that residents in these neighboring states are on average less affluent. Moreover, while these states impose lower average per capita tax burdens overall, it is unlikely that the average San Bernardinan would benefit substantially from a change in their state's tax regime, as relatively few County residents are subject to California's higher marginal income tax rates, and the sales and property taxes imposed in Arizona and Nevada are substantially like California's. In other words, California's *average* tax burden is so much higher largely because of the revenues collected from the state's richest residents, many of whom live outside of San Bernardino County.

Legal and Historical Background

Under the Admissions Clause of United States Constitution, the secession of a county or region from a state can only occur if the following requirements are met: "[N]o new State shall be formed … 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 of the Congress."[i] County secession thus explicitly requires at least two separate voter or legislative approvals: that of the state from which the region is seceding and that of Congress. Additionally, if the region is seeking to join a neighboring state, that neighboring state's legislature must approve as well.

Despite numerous state partition or secession attempts both in California and in other states, secession has occurred only three times in the United States' history. In 1791, shortly following the ratification of the U.S. Constitution, the State of Kentucky seceded from the State of Virginia. In 1820, the State of Maine seceded from the State of Massachusetts. And finally, in 1861, following the outbreak of the Civil War and the State of Virginia's secession from the United States, the State of West Virginia voted to secede from Virginia in order to remain a part of the Union.

Political Steps to Secession

County Approval

While not referenced explicitly by the Admissions Clause, a county's secession effort would first likely require some form of approval of a county's elected leadership and/or voters. Not only is a county's elected leadership unlikely to seek secession from the state without its residents' consent, but the state would also presumably be far less likely to approve this petition if the County's voters were not supportive.

Approval of California Legislature or Voters

Following the approval of a county's voters (or potentially its elected leaders), a county's secession effort would next require the approval of the state Legislature. Though previous secession efforts in California have sought to use the ballot measure process to bypass a legislative vote, such an effort may not be allowed by the state's supreme court.

In advance of the November 2018 election, proponents of "Cal 3" introduced Proposition 9 (Prop 9), which if enacted by the state and approved by the federal government, would have divided California into three separate states. Prop 9's supporters attempted to file the initiative as an "amendment" to the state's constitution, which would have allowed the measure to bypass state legislative approval and appear on the ballot so long as supporters were able to gather enough voter signatures in advance of

the election. Cal 3's opponents filed suit, however, arguing that the Prop 9 was not an amendment of the state constitution, but was rather a "revision," and would therefore first require approval of two-thirds of each house of the state Legislature.[ii] Given the consequences that would follow from the measure's possible approval, the Court decided in a July 2018 order that opponents' argument was likely to succeed if fully litigated. By this date, however, there was not sufficient time to hold a full trial on the issue prior to the November election. The court thus ordered that Prop 9 be removed from the ballot, and proponents of the measure thereafter abandoned the effort.

Cal 3 is not the only recent attempt to partition the state, and its outcome, along with previous attempts, shows the significant obstacles that secession efforts face. Previously, in 2013, the measure's proponent had introduced the "Six Californias" ballot measure, which would have divided California into six new states. Six Californias also failed to make the November ballot. Additionally, several counties in northern California have sought together to create the State of Jefferson. As of 2016, 21 counties had joined the effort, though the state Legislature has never taken up the issue.[iii]

Arizona's Or Nevada's Approval (if Applicable)

If a county seeks only to secede from California to create a new state, only approval from California and the federal government is necessary. If a county instead attempts to join one of its neighbors—Arizona or Nevada, for example—those states' legislatures or voters would also need to first approve this action.

The relative difficulty of this step in the secession process is uncertain, as there is no precedent for it. All previous state partitions led to the creation of new states; a pre-existing state has never gained new territory as the result of another state's partition.

Congressional Approval

Finally, secession requires a simple majority vote of both the U.S. House of Representatives and U.S. Senate and the approval of the President. In practice, the Senate's approval of an attempted secession would likely require a 60-vote "filibuster-proof" supermajority. The recent Democratic-led effort in 2021 to establish statehood for the District of Columbia, for example, passed a party-line vote in the Democratic-led House of Representatives only to fail in the Senate—despite the Democratic party's control of the body—as the Republican party's opposition provided more than the 40 votes necessary, under current Senate rules, to use the filibuster to prevent the bill's passage.

The Fiscal and Economic Impacts of Secession for San Bernardino County

Under any secession scenario, the County's residents and businesses would be subject to new laws, regulations, and taxes—either those established by a new independent state or those of a neighboring state (i.e., Arizona or Nevada). The collective impact of these changes on the County's governments, residents, and businesses depends on a wide range of factors. For example, it is possible that in a new "State of San Bernardino"—or in Arizona or Nevada—regulations in key areas are better (or worse) suited to driving economic growth, protecting the environment, or reducing the regional homeless population. Similarly, the state-level agencies in a new or neighboring state may provide higher-quality services to residents at lower per capita costs. Conversely, it is also possible that, due to its much larger population, California achieves significant economies of scale in providing services to businesses and state residents or otherwise manages to provide higher quality services at a lower cost.

A future secession measure would additionally specify how the state's debts and assets would be apportioned to the County's new state following secession. Cal 3, for instance, would have allocated state debt to each of the three new states in proportion to its population, and each new state would also have retained any state assets in its territory.[iv]

Absent a specific secession measure, however, these social and economic impacts cannot be precisely determined. Nevertheless, this report assesses the direct fiscal impacts that would likely result. Specifically, following secession, the County's residents and businesses would no longer pay California taxes, but instead the taxes established by a new independent State of San Bernardino or imposed in Arizona or Nevada. Similarly, the County's residents would lose access to the services that California's state agencies provide directly (e.g., Medi-Cal, the state university system) and gain access to new state services. The County, its cities, special districts and school districts would no longer receive their share of the state transfer payments that fund local programs.

Whether the County could effectively maintain the equivalents of these services for its residents and funding for its local governments largely depends on whether its new state could generate per capita state tax revenues equal to those generated in California. A state's fiscal capacity depends on the taxes imposed (e.g., sales taxes, income taxes, property taxes) and the size of the tax base to which these taxes apply. A region's tax base, in turn, is a function of the incomes of its residents and businesses and the value of its assets. Personal incomes can directly generate tax revenue (as with the individual income tax) and are also the basis for consumer spending subject to state and local sales taxes. Similarly, revenue collected through a state corporate income tax will depend on corporations' business activities in the state. Finally, in states where property values are higher, more property tax revenue is generated at any given property tax rate.

Broadly, the economic and fiscal data available for California, Arizona, Nevada, and San Bernardino County, suggest that California—due to its size and affluence—offers benefits to County residents that would be difficult to replace post-secession. The state imposes a progressive personal income tax and relatively high corporation tax. Moreover, the state's approach to K-12 school district funding results in larger state transfers to districts where property tax revenues are lower. As a result, the state's tax code effectively transfers much of the income and wealth that is concentrated in the state's very affluent regions to the state's middle and lower-income communities.

In the sections that follow, the two secession scenarios discussed—i.e., the creation of a new independent state and the joining of a neighbor—are assessed separately.

As an Independent State, it is Unlikely that the County Could Maintain the Services that California Provides

State economic and fiscal data shows that, on a per capita basis, San Bernardino County residents contribute less to state's personal income and sales taxes than the average Californian statewide. As a result, the County benefits from state-supported services that are disproportionately paid for by residents and businesses in the state's more affluent areas.[v] Moreover, because the property tax revenues generated in the County fall short of the statewide average, the County's school districts receive more state aid (per-pupil) for K-12 education than the average district statewide.

The Income and Sales Tax Base in the County and Statewide

As of 2022, as shown in Figure 1 (below), the per capita income statewide was 56% higher than the average in San Bernardo County. Statewide GDP per capita—an alternative measure of a region's available tax base[vi]—was two-thirds higher than the County's. The gap between median household incomes is narrower, as the median statewide income ($91,905) is roughly 19% more than the typical San Bernardino household income ($77,423.[vii]

Figure 1 – Economic Metrics – San Bernardino vs California (2022)[viii]

	San Bernardino	California
Median household income	$77,423	$91,905
GDP per capita	$55,865	$93,305
Per capita personal income	$49,270	$77,036

Data made available by the Franchise Tax Board (FTB), which oversees the collection of the state personal income tax (PIT), and the state Department of Tax and Fee Administration (CDTFA), which administers the sales tax, confirm that the County's residents, on average, incur lower tax burdens than the average Californian. As shown in Figure 2 (below), consistent with the disparity between the County and state with respect to per capita GDP and incomes, per capita PIT collections were over three times higher ($3,279 vs. $1,066) in counties outside San Bernardino County in 2021. This disparity is largely due the PIT's highly progressive structure, with rates starting at 1% and topping out at 13% on incomes over $1 million. As a result, for the 2021 tax year, taxpayers earning over $1 million generated roughly $62 billion in PIT, or 49% of the total PIT revenue.[ix] Though the County accounts for 5.5% of the statewide population, the tax returns from County residents earning over $1 billion accounted for only 1.1% of the $62 billion generated from this cohort statewide.

As to the sales tax, while the data in Figure 2 shows the County generating higher per capita revenues for the state's General Fund than the average resident statewide ($990 per San Bernardinan vs. $833 for residents of other counties), this difference is largely attributable to the growth of online retail, and does not reflect greater consumer spending in San Bernardino. Under the state's situs method for apportioning sales taxes, sales are generally sourced to the seller's location (and not to where the buyer receives the purchased item) with the result that online purchases of items warehoused in San Bernardino County generate sales tax revenue for the County regardless of the purchaser's county of residence. As of 2013, according to CDTFA data, San Bernardino ranked 25th among counties in taxable sales per capita. By 2019, the County's rank had climbed to 17th, and as of Calendar Year 2022, had reached 8th.[x] Were the County to secede, however, California would collect taxes on sales generated by out-of-county residents and delivered from San Bernardino warehouses. Goods shipped from out-of-state are subject to the state's use tax, which is allocated to the county where the good is delivered.

Overall, across both PIT and sales tax revenues, the County generated $2,055 per capita for the state's General Fund in the most recent years for which PIT and sales tax data are available. The average Californian outside the County generated double this amount ($4,112). Together, these two revenue sources accounted for 74% of total General Fund collections as of the 2022-2023 Fiscal Year. The remaining General Fund revenue comes from the Corporation Tax (21% of the General Fund) and other small taxes, such as the alcohol and cigarette taxes (5%). The state does not provide data allocating these revenue sources to individual counties, though the GDP and personal income data shown above (see Figure 1) suggest that the County is unlikely to generate higher per capita revenues than the statewide average in these categories.[xi]

Figure 2 - State General Fund Per Capita Tax Contributions - San Bernardino vs Other Counties[xii]

	San Bernardino	Other California	Tax Share of General Fund Revenue
Personal Income Tax	$1,066	$3,279	56%
Sales Tax	$990	$833	18%
Reported Total	**$2,055**	**$4,112**	**74%**
Corporation Tax	Not Reported		21%
Other Taxes			5%

The Property Tax Base in the County and Statewide

In addition to the taxes that contribute directly to the state's General Fund, differences in property tax collections across counties indirectly contribute to differences in the state's support of local K-12 education. As shown below in Figure 3, total assessed value in San Bernardino County is roughly $66,000 lower per capita than in other counties. As a result, property tax revenues generated by County properties provide less support (per capita) for the County's school districts.

Under the state's system for funding public schools, the state ensures that total per pupil funding—i.e., including both state and local (property tax) contributions—is roughly equal across local school districts. The state therefore provides more aid, on a per pupil basis, to districts receiving lower levels of local support, such as those within San Bernardino County. Local district apportionments data from the state Department of Education (CDE), summarized in Figure 3, shows that for FY 2022-2023, districts in the County received 34% more per pupil state aid than the average district in other counties statewide.

Figure 3 – Property values and K-12 school funding – San Bernardino vs Other California (FY 22-23)[xiii]

	San Bernardino	Other California
Assessed Value per capita	**$151,018**	**$217,347**
Local funding per pupil	$2,055	$4,710
State funding per pupil	$11,333	$8,455
Total funding per pupil	**$13,388**	**$13,166**

Conclusion – Impact of Establishing a New State of San Bernardino

While a new state of San Bernardino could decide for itself what taxes to impose, the economic and state fiscal metrics presented above show that if the County enacted a tax system identical to California's—i.e., the same taxes imposed at the same tax rates—the revenues generated would be much lower per person than the current system in California.

Both Arizona and Nevada Generate Less in Per Capita Revenue than California

Were the County to join Arizona or Nevada instead of establishing a new state, the County would of course not have the ability to set its own state-level taxes. Estimating the fiscal impact of this decision requires analysis of differences between the California, Arizona, and Nevada economies (and the corresponding size of the tax base in each state) as well as any differences in the tax systems in place at the state and local levels.

Figure 4 (below) summarizes findings from the U.S. Census Bureau's survey of state and local governments— which tracks the amounts and types of revenues collected—along with the Tax Foundation's analysis of the incidence of the state and local taxes in each state. Total state and local tax *collections*, as compiled by the Census, represent all revenues received by the state and local governments in each state as of 2022, regardless of the taxpayer's state of residence or headquarters. Since much state and local tax revenue is generated by businesses and persons residing out of state, the Tax Foundation analysis provides separate estimates of a state residents' "own-state" state and local tax burdens—i.e., the share of state and local tax revenues collected that were paid by the state's own residents (and not residents of other states).[xiv]

As shown in Figure 4, California collects much more tax revenue than its neighbors. As a result, the state is also able to provide more support to its residents and local governments. In Arizona and Nevada, on the other hand, while the total revenue generated is lower, a higher share of this total derives from out-of-state persons and businesses. California's state and local governments collected an estimated[xv] $10,491 per Californian in 2022, and the Tax Foundation determined that $8,711 (or 83%) of this amount was paid by Californians. Arizonans contributed $3,997 (or 77%) of the total $5,217 per capita

collected, while Nevadans paid $3,932 (or 67%) of the state's $5,830 total. Broadly, these data suggest that that the typical Californian's tax burden would fall if they were to move to Arizona or Nevada.

Figure 4 – Taxes rates and burdens in California, Arizona, and New Mexico (2022)[xvi]

	California	Arizona	Nevada
Total State + Local Tax Collection (per capita, estimated*)	**$10,491**	**$5,217**	**$5,830**
Own-state* State + Local Tax Burden (per capita)	**$8,711**	**$3,997**	**$3,932**
Own-state Share of Total Revenues	**83.0%**	**76.6%**	**67.4%**

As discussed above, however, with respect to its residents' and businesses' contributions to state tax revenues, the County is not representative of Californian more broadly. County residents pay substantially less, on average, in personal income and property taxes than the average Californian. Therefore, the relative differences in own-state per capita tax burdens shown in Figure 4 do not fully reflect how San Bernardino County residents' tax burdens and state transfer payments would change post-secession.

Cross-state economic comparisons show that in terms of the County's personal incomes and economic output, it is more like Arizona and Nevada than California. Figure 5 (below) expands the economic comparison in Figure 1 (above) to include GDP per capita and personal income per capita data for Arizona and Nevada. As shown, California's per capita GDP is 67% higher than San Bernardino County's, while per capita GDP in Arizona and Nevada are 15.7% and 25.6% higher, respectively. Similarly, California's personal income per capita is higher than the County's by 56.4%, while Arizona's and Nevada's are 18.6% and 26.0% higher, respectively. In other words, while the data shown in Figure 4 establish that average total tax burdens are higher in California than in Nevada or Arizona, the gap between the Arizona or Nevada average and the average in San Bernardino is likely much smaller.

Figure 5 – GDP and Personal Income Per Capita – San Bernardino vs. California, Arizona, Nevada (2022)[xvii]

	San Bernardino	California	Arizona	Nevada
GDP	**$55,865**	**$93,305**	**$64,634**	**$70,156**
	% Above County	67.0%	15.7%	25.6%
Personal Income	**$49,270**	**$77,036**	**$58,442**	**$62,085**
	% Above County	56.4%	18.6%	26.0%

Just as comparisons of average net tax burdens across states do not account for possible differences between a region's per capita tax base and the average statewide (as in Figure 5), these simple comparisons also do not account for how states may rely to greater or lesser extents on different types of taxes to generate revenue, and how these differences affect how tax burdens rise or fall in relation to a resident's income.

Figure 6 (below) shows, for each of these three states, the average or effective tax rates paid across five tax types (see left-hand columns, "Tax Rates") as well as the share of total state and local tax revenue attributable to each category (right hand column, "Share of Total Revenues"). Effective property tax rates[xviii] are higher in California, though this tax type accounts for the largest share of revenue in Arizona (29.2% versus 27.9% in California and 24.0% in Nevada).

Figure 6 –Share of State and Local Revenue by Tax Type – California, Arizona, Nevada (2022)[xix]

	Tax Rates			Share of Total Revenues		
	California	Arizona	Nevada	California	Arizona	Nevada
Property Tax (Effective Rate*)	0.70%	0.60%	0.56%	27.9%	29.2%	24.0%
Sales and Gross Receipts Tax*	8.75% (sales)	8.37% (sales)	8.24% (sales) .05% - 0.33% (GR)	21.4%	42.1%	42.1%
Individual Income Tax	1.0% - 13.3%*	2.5%		30.5%	15.3%	0.0%
Corporate Income Tax	8.84%	4.90%		3.6%	1.8%	0.0%
Other Taxes	N/A	N/A	N/A	16.6%	11.7%	33.9%

Combined (state and local) sales tax rates are similar across all three states, though California is far less reliant on this tax category (i.e., 21.4% of total revenues in California versus about 42% in both Arizona and Nevada). Conversely, Nevada does not impose a personal or corporate income tax, while Arizona's rates are far below California's. As a result, while these two taxes together account for over 34% of total state and local revenue in California, they account for just 17.1% in Arizona and provide no revenue for Nevada. Nevada generates over one-third its revenues from the "Other Taxes" category, which includes a variety excise taxes (e.g., alcohol, tobacco, and motor fuel) and severance taxes, and fees (e.g., license fees for motor vehicles or businesses), compared to just 16.6% in California and 11.7% in Arizona.[xx]

These differences across rates and revenue-shares provide further context to the differences in total tax burdens summarized in Figure 4 (above). Even though California is a high-tax state relative to Arizona and Nevada, much of the difference in per capita tax burdens is attributable to its progressive personal income tax, which generates significant revenue from the state's highest-income residents, and its high corporate tax rate (also progressive to the extent corporate shareholders are higher-income, on average). For middle-income San Bernardinans, therefore, becoming a resident of Arizona or Nevada would provide only modest savings on household tax bills.

Summary Impact – Joining Arizona or Nevada

Opting to join Arizona or Nevada may offer a fiscal benefit to the County—at least relative to the County's option to create its own new state—as the economies in these neighboring states would provide a larger per capita tax base to fund state services. Still, for two reasons, the extent of state transfers to residents of the former San Bernardino County likely would fall relative to the status quo. First, per capita incomes and GDP in California are higher than in Arizona or Nevada. Second, these states' tax systems result in far less redistribution from higher-income regions and individuals.

Conclusion

Though secession could generate some benefits for San Bernardino County, a secession faces significant political challenges, and if accomplished, would likely result in a significant reduction in the level of government services currently enjoyed by County residents.

Secession first requires California's consent. The state Legislature has thus far been unwilling to approve secession proposals, and it is unlikely that the County could bypass the Legislature by submitting this measure directly to the state's voters. Potential congressional opposition to the County's secession is also a significant obstacle, at least to the extent the end goal was a new state.

Secession would also result in financial disruptions for the County. Counties in California receive a significant amount of revenue from the state in the form of transfers and subventions to fund services including health, mental health, and criminal justice. In addition, school districts and community colleges in the County receive significant amounts of revenue from the State of California. Secession would deprive the County of its share of California's relatively large state budget, which is disproportionately funded by the state's wealthiest residents—most of whom live outside the County's borders. The creation of a new state would allow the County to set its own tax rates, but even if the County were to adopt a regime identical to California's, per capita revenues would fall sharply. In this respect, San Bernardino County is not unique, as many counties (especially non-coastal counties where residents earn lower incomes) receive more in state transfers than they contribute in state taxes. If instead the County were to join neighboring Arizona or Nevada, the state taxes imposed in these states are also insufficient to replace the County's current share of state revenue. The result would therefore be significantly less revenue available to fund state-supported services.

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[i] Article IV, Section 3, United States Constitution.
[ii] See https://verdict.justia.com/2018/04/19/california-voters-focus-voting-tim-drapers-cal-3-initiative
[iii] Jonathan Vankin, "State of the State of Jefferson: How this Secessionist Movement Started and Where it Stands Today," California Local (March 24, 2023). Available at: https://californialocal.com/localnews/statewide/ca/article/show/31200-state-of-jefferson-california-north-counties-sisikiyou-oregon/
[iv] "Initiative Analysis: Splitting California into three new U.S. states," California Legislative Analyst's Office (October 9, 2017). Available at: https://www.lao.ca.gov/BallotAnalysis/Initiative/2017-018.
[v] State aid that is transferred directly to the County and other local governments—such as 1991 and 2011 realignment funding—is distributed according to funding formulas set in statute. Additionally, for various large budget categories—such as Medi-Cal and K-12 education—funding in any region is proportional to the number of recipients and the level of need. As a result, as shown in Figure 3, for example, lower-income counties statewide typically receive greater per capita funding than higher-income counties.
[vi] Though both GDP and total personal income are broadly measures of the size of an economy, technical differences in these measures' definitions will mean that a county's GDP is not equal to the personal income received by all its residents and that the difference between the two will itself vary across counties. Largely because GDP includes corporate income and certain taxes paid, it is typically greater in any region than total personal income. See "GDP and Personal Income by County," Bureau of Economic Analysis (May 5, 2023). Available at: https://apps.bea.gov/scb/issues/2023/05-may/0523-county-gdp.htm.
[vii] As of 2022, San Bernardino ranked 29th in per capita GDP out of the 58 counties statewide. While this rank puts the County in the middle of the distribution, the gap between the County and those ranked at the top end is far larger than the gap between the County and those with low per capita GDP. Moreover, the 28 counties ranking above San Bernardino account for a far larger share (75%) of the total statewide population than the 29 counties ranking below.
[viii] Median household incomes are reported as 5-year estimates (2018 – 2022) from the *American Community Survey*, United States Census Bureau, accessed March 1, 2024. Accessed at: https://www.census.gov/quickfacts/fact/table/sanbernardinocountycalifornia,CA/INC110222. Personal income and GDP per capita are from "CAGDP2 Gross domestic product (GDP) by county and metropolitan area," Bureau of Economic Analysis, accessed March 1, 2024. Available at: https://www.bea.gov/data/gdp/gdp-county-metro-and-other-areas.
[ix] "Personal Income Annual Reports," State of California Franchises Tax Board (FTB) (2019 – 2021 tax years), accessed March 1, 2024. Available at: https://data.ftb.ca.gov/stories/s/2it8-edzu. This cohort's share of total PIT revenue reached a high in 2021, up from 39% in 2019 and 45% in 2020. Data for tax years 2022 and 2023 are not yet available.
[x] "Taxable Sales - By County (Taxable Table 2)," State of California Department of Tax and Fee Administration CDTFA, accessed March 1, 2024. Available at: https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=TaxSalesByCounty
[xi] Just as the concentration of higher individual earners explains other counties' greater per capita contributions to the state PIT, to the extent that corporate income generated in California is more concentrated in counties outside San Bernardino, these counties would also generate higher per capita Corporation taxes, on average.

[xii] "Personal Income Annual Reports," FTB (see Note ix); "Net Cash Receipts - General Fund," CDTFA (see Note x).
[xiii] Assessed values are based on "County Assessed Property Values, by Property Class and County (Table 7)," California State Board of Equalization, accessed March 1, 2024. Available at: https://www.boe.ca.gov/dataportal/dataset.htm?url=PropTaxAssessedValueCounty. Per pupil funding levels are from "Statewide LCFF Summary Data," California Department of Education, accessed March 1, 2024. Available at: https://www.cde.ca.gov/fg/aa/pa/lcffsumdata.asp.
[xiv] For example, sales taxes paid by tourists, or corporate income taxes effectively paid by the corporation's shareholders. See "State and Local Tax Burdens, Calendar Year 2022," Tax Foundation (April 7, 2023). Available at: https://taxfoundation.org/data/all/state/tax-burden-by-state-2022/#trends.
[xv] Blue Sky Consulting Group analysis of *Annual Survey of State and Local Government Finances*, U.S. Census Bureau, 1977-2021 (compiled by the Urban Institute). Available at: https://state-local-finance-data.taxpolicycenter.org. As of the date of this report, the Census Bureau had only published state and local revenue data as of Calendar Year 2021. For this analysis, 2021 amounts were inflated to reflect estimated 2022 values because the Tax Foundation's analysis of "own-state" tax burdens are based on 2022 tax burdens (see Note xvi, which explains how the Tax Foundation's analysis distinguishes between "own-state" tax burdens and total tax collections, and why the own-state burden cannot be used to estimate total per capita tax revenues in a given state). To inflate the 2021 collections, we applied the growth rate in the Tax Foundation's estimated own-state state and local tax burden between 2021 and 2022 to the total tax revenue estimate for 2021 published by the Census Bureau.
[xvi] Tax Foundation (see Note xiv); U.S. Census Bureau (see Note xv).
[xvii] San Bernardino data from "CAGDP2 Gross domestic product (GDP) by county and metropolitan area," Bureau of Economic Analysis (BEA), accessed March 1, 2024. Available at: https://www.bea.gov/data/gdp/gdp-county-metro-and-other-areas. Data for California, Arizona, and Nevada from "Personal Income by State," BEA, accessed March 1, 2024. Available at https://www.bea.gov/data/income-saving/personal-income-by-state.
[xviii] Property taxes are a function of both the tax rate applied and the assessed value of properties subject to the tax. Within and across states, assessed values may differ significantly from market values. In California, for example, the baseline property rate is 1.0% of assessed value, though voters may approve increases to fund local investments. Since Proposition 13 limits the extent to which a property's assessed value may increase each year, the property tax assessment share of a property's market value is, on average, 0.70%.
[xix] "Unpacking the State and Local Tax Toolkit: Sources of State and Local Tax Collections (FY 2020)," Tax Foundation (August 25, 2022). Available at: https://taxfoundation.org/data/all/state/state-local-tax-collections/. Notes: California imposes a progressive personal income tax rate that starts at 1% on the first $10,000 of taxable income and tops out at a 13.3% marginal rate on income earned in excess of $1 million for single-filers. Local sales tax rate for California set equal to the typical combined rate for most cities in San Bernardino County. While Nevada does not impose a personal income tax or corporate income tax, the state imposes a gross receipts tax on businesses that varies from 0.05% - 0.33%, depending on the business's industry category.
[xx] Though the Tax Foundation analysis does not segregate the Other Tax category for each state, Nevada's high share in this category may owe to the tax imposed on gambling revenues at casinos in the state, which now generates over $1 billion annually.