



GOVERNOR'S BUDGET SUMMARY 2008-09



ARNOLD SCHWARZENEGGER, GOVERNOR
STATE OF CALIFORNIA

TO THE CALIFORNIA LEGISLATURE
REGULAR SESSION, 2007-08



GOVERNOR ARNOLD SCHWARZENEGGER

January 10, 2008



To the Senate and Assembly of the Legislature of California:

In accordance with Article IV, Section 12 of the California Constitution, I submit to you the Governor's Budget for 2008-2009.

Two challenges require our immediate attention as we begin 2008. First, we must close a shortfall of \$3.3 billion in the current fiscal year, which will grow to \$14.5 billion next year without swift and decisive action. And second, we must take steps to avoid a potential shortfall in the state's cash reserves this July and August, and potentially in March.

These problems are not the result of a fundamental crisis in California's economy. Indeed, we remain a diverse and dynamic economic powerhouse that will continue to grow and lead the world in innovation. These problems are the result of a budget system where there continues to be no linkage between revenues and spending. If we are to avoid these kinds of fiscal crises in the future, and if we truly want to bring fiscal health to this state for the long term, we must resolve to fundamentally fix the budget system this year – once and for all.

In order to close the gap, my budget proposes two actions.

First, I propose to reduce spending by implementing a 10-percent across-the-board reduction to nearly every General Fund program, and to have those reductions take effect on March 1st. While these reductions are unquestionably difficult and challenging, this across-the-board reduction approach is designed to protect essential services by spreading reductions as evenly as possible, so that no individual program is singled out for severe reductions. I am today proclaiming a fiscal emergency and calling for a special session of the Legislature to begin early implementation of these necessary budget reductions.

Second, I am using the authority given to me under Proposition 58 to suspend next year's pre-payments for the Economic Recovery Bonds and to sell the remaining bonds to rebuild this year's budget reserve.

In order to ensure long-term balance, I am proposing a Constitutional Amendment to reform the state budget process. The Budget Stabilization Act will prevent over-budgeting based on extraordinary revenue gains, and give the state the tools it needs to quickly reduce spending when necessary to avoid a deficit.

The challenges we face are substantial, and the decisions we face are difficult. But if we fail to address them swiftly, the problem will only get larger and the consequences even more severe. If we can work together, we can solve our immediate budget problems. But more importantly, we can finally give California a budget system that is fiscally responsible and avoids future budget deficits.

Sincerely,

Arnold Schwarzenegger

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January 10, 2008



Dear Governor:

This budget proposes the difficult but necessary steps needed to bring the state's chronic structural deficit under control, not only for this fiscal year but permanently. This is accomplished by (1) imposing strict spending restraint in the current and budget years while protecting and preserving essential state services and (2) proposing a Constitutional Amendment to reform the budget process, so that state government has the tools to avoid spending more than it has in revenue in the future.

Since you signed the Budget Act of 2007, the budget situation has deteriorated significantly, resulting in a projected \$3.3 billion deficit in the current year that would grow to \$14.5 billion deficit in 2008-09 if left unchecked.

In order to close the \$14.5 billion budget gap, your budget proposes a 10-percent across-the-board reduction to most General Fund departments and programs, including the legislative and judicial branches, the Department of Finance and your own office.

In addition, today you are declaring a fiscal emergency and calling a special session of the Legislature to enact the necessary statutory changes to reduce spending immediately. At your direction, I will commence the process of selling the remaining \$3.3 billion in Economic Recovery Bonds to restore the reserve and avoid a potential cash shortfall.

Despite the necessity of closing the budget gap, the state must still continue to invest in its infrastructure to maintain and improve its quality of life and continue its economic growth. To accomplish that, the budget proposes to augment the existing Strategic Growth Plan with additional bond measures to be placed on the 2008 and 2010 general election ballots.

In the fall of 2007, California suffered one of its worst disasters in recent history when approximately 23 fires burned in southern California during October and November. This event highlighted the need to improve our fire prevention and suppression system, as indicated in the Governor's Blue Ribbon Fire Commission Report. Your budget proposes to establish the Wildland Firefighting Initiative to provide an additional \$100 million to fund firefighting efforts at the Department of Forestry and Fire Protection, Office of Emergency Services, and the California National Guard. This will be funded through a 1.25-percent surcharge on fire insurance policies.

Under your leadership, we can work with the Legislature to establish a responsible budget system that does not return the state to spending beyond its means. Please join me in expressing my sincere thanks to the women and men of the California Department of Finance and their families. Without our staff's dedication and hard work and the sacrifices of their families, this budget would not have been possible.

Sincerely,

Michael C. Genest
Director of Finance

2008-09 BUDGET SUMMARY

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INTRODUCTION

This budget proposes the difficult but necessary steps needed to bring the state's chronic structural deficit under control, not only for this fiscal year but permanently. This is accomplished by (1) imposing strict spending restraint in the current and budget years while protecting and preserving essential state services and (2) proposing a Constitutional Amendment to reform the budget process so that state government has the tools needed to avoid spending more than it has in the future.

ORIGIN OF THE STRUCTURAL DEFICIT

For the last three decades the state's budget has swung in and out of balance. The enactment of Proposition 13 in 1978 dramatically reduced local property tax revenues, resulting in equally dramatic increases in the state's fiscal obligations to programs formerly financed mainly by local government, such as schools, social services, health and mental health care and law enforcement. This set off a round of recalibrations of the state budget during periods of strong economic growth punctuated by several recessions. By 1998, however, the state's fiscal house appeared to be in good order. Long-term projections showed spending in line with revenue for years to come.

Between 1998-99 and 1999-2000, however, revenues jumped 23 percent due to a stock market and dot-com boom that drove unprecedented increases in stock option and capital gains income. These were magnified from a state revenue perspective because the state's income tax system relies disproportionately on the very high-end earners most

INTRODUCTION

likely to receive such gains. In 2005, California taxpayers with incomes over \$119,000, who constituted 10 percent of all taxpayers, paid 78.3 percent of the personal income tax.

The structural deficit was created when the state added new, permanent spending increases that relied on these one-time revenue gains. In addition to major new commitments, costs in many state programs have been driven up by spending formulas, caseload and population growth, wage and provider rate increases and court orders. Figure INT-01 displays the major components of General Fund spending growth since 1998. Specifically, it compares the General Fund workload budget for 2008-09 to actual spending in 1998-99. The workload budget is what it would cost the state to operate government in 2008-09 in the absence of any changes in law or policy to restrain spending growth.

Figure INT-01
Major General Fund Spending Growth Since 1998-99
(Dollars in Millions)

	1998-99 Actual	2008-09 Workload Budget	Average Annual Percentage Growth
Proposition 98--K-14 Education	(\$24,672)	(\$44,418)	(6.1%)
Base Program	\$24,672	\$38,271	4.5%
VLF Tax Cut Impact	0	6,147	NA
Medi-Cal	7,471	14,798	7.1%
In-Home Support Services	530	1,758	12.7%
Developmental Services	714	3,002	15.5%
Healthy Families	16	432	39.4%
Other Health and Human Services	7,332	11,864	4.9%
Corrections and Rehabilitation	4,547	10,503	8.7%
Debt Service, Lease Payments, and Revenue Anticipation Notes Interest Costs	1,974	4,890	9.5%
Proposition 42	0	1,485	NA
Courts	907	2,467	10.5%
Higher Education (excluding Community Colleges)	5,142	7,001	3.1%
Contribution to State Teachers Retirement System	293	1,279	15.9%
Proposition 58 Transfers to Retire Economic Recovery Bonds	0	1,509	NA
Health and Dental Benefits for Retirees	310	1,263	15.1%
Other	3,918	5,092	2.7%
Total	\$57,827	\$111,761	6.8%

THE FISCAL CRISIS OF 2003-04 AND THE WORKOUT PLAN OF 2004-05

When the revenue boom of 2000 turned to bust in the recession of 2001, the higher rates of state spending enacted during the boom years resulted in one of the worst deficits in the state's history. In response, the budget of 2003-04 borrowed money to cover the deficit of the prior year and closed the budget gap with over \$5 billion in one-time solutions, leaving the state facing a \$14 billion budget gap in the subsequent year.

The Governor's Budget for 2004-05 proposed a workout plan for the state's budget by proposing to refinance the borrowing begun in the previous year and restrain spending growth, thus buying time for normal revenue growth to catch up with spending demands and bring the state back to long-term fiscal balance. Had this plan been fully implemented, the state would not have a structural deficit today.

However, the plan was never fully implemented. Shortly after the workout plan was proposed, state General Fund revenues experienced another unanticipated growth spurt. The unanticipated revenues built a large reserve, which made it possible to balance the budgets for 2005-06 and 2006-07 without making major program reductions. Given the improved revenue picture and the difficulty of the choices that would have had to have been made to restrain spending growth rates in the long term, the Legislature declined to enact the statutory changes necessary to slow overall spending. In other words, the most important element of the workout plan – spending restraint – was never put in place.

While revenue growth slowed somewhat in 2006-07, spending continued to grow. This was not because of any major new commitment, but because not enough had been done to change the underlying statutory programs that were driving spending increases. While 2005-06 and 2006-07 budgets were enacted with a prudent reserve, the structural deficit remained. Our projections in both of those years showed that the deficit would re-emerge in 2007-08.

REFORMING THE BUDGET PROCESS, THE BUDGET STABILIZATION ACT

The state's budget history shows that there are two shortcomings in the budget process that have led to recurring budget deficits. First, the state tends to spend all the money it takes in during years of high revenue growth or when it has a large available reserve. Thus, high-growth years lead to unsustainable levels of spending for the long run.

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Second, the state has not been able to slow spending growth fast enough to bring it back in line with a realistic projection of future revenues.

In order to address these two problems and restore the state to long-term balance, the Governor's Budget proposes the Budget Stabilization Act, a Constitutional Amendment to reform the state budget process. The reform would prevent over-budgeting based on extraordinary revenue gains and give the state the tools it needs to quickly reduce spending when necessary to avoid a deficit.

AVOIDING OVER-BUDGETING BASED ON EXTRAORDINARY REVENUE GAINS

In order to prevent reliance on unsustainably high revenue gains, the Budget Stabilization Act will require that excess revenues – revenues above a reasonable, long-term average rate of growth—be deposited in the Revenue Stabilization Fund. In years of below-average rates of revenue growth, monies will be transferred from the Revenue Stabilization Fund back into the General Fund in an amount not to exceed the shortfall. When the Revenue Stabilization Fund exceeds an amount equivalent to 10 percent of General Fund revenues in a given year, the excess will be available for one-time spending for schools (in proportion to the Proposition 98 share of total General Fund revenues) and providing one-time tax rebates, investing in one-time infrastructure projects, or paying off debt.

The Act allows transfers from the Revenue Stabilization Fund back into the General Fund only in years when revenue grows at a rate less than the long-term average. Transfers would NOT be allowed simply to avoid deficits, not even in emergencies. The state already has mechanisms for addressing emergencies, including the ability to temporarily raise taxes with a two-thirds vote of the Legislature.

GIVING THE STATE THE TOOLS TO QUICKLY REDUCE SPENDING WHEN NECESSARY

To ensure that the state quickly reduces spending to sustainable levels, the Budget Stabilization Act will provide for automatic reductions. These reductions will be triggered whenever the Governor projects that the state will be in deficit. The Governor will be required to estimate the year-end balance in the General Fund three times each year – in November, January and May. When this estimate shows a likely General Fund deficit of one percent or less, the Governor will reduce appropriations, on an annualized basis, by 2 percent and when it shows a deficit of greater than one percent of appropriations will

be reduced by 5 percent. Given the difficulty of achieving actual savings during the fiscal year, the reductions will be pro-rated for the amount of time remaining in the year.

The Act will also require the Legislature and the Governor to enact statutory changes in all state entitlement programs that allow for reductions in service levels or rates of payment sufficient to achieve the targeted reductions of 2 and 5 percent. In order to ensure that a full year of savings is achieved by these program reductions, they will remain in effect, once triggered by a projected deficit in a particular year, not only for the remainder of that year, but until the Legislature takes a subsequent action, either in the next Budget Act or in separate legislation to restore the prior levels of service. In the event that the Legislature fails to enact a schedule of program reductions in a given program, or if the reductions authorized by the Legislature are insufficient to achieve the required annualized savings goals, the Governor will be authorized to waive any state law or regulation necessary to achieve the full amounts of the reductions.

Not all state appropriations could be reduced under the Act. For example, debt service will not be subject to reduction. To ensure that reductions are not inconsistent with the United States or California Constitutions, the Governor will be required to exempt appropriations from reduction if the reduction would be constitutionally unenforceable.

The Budget Stabilization Act will not change any vote threshold. Tax increases, urgency measures and most General Fund appropriations will still have to be enacted by two-thirds majorities in both houses of the Legislature.

THE STATE FACES A \$14.5 BILLION DEFICIT IN 2008-09

The Budget Act of 2007 projected a reserve of \$4.1 billion, the largest planned reserve in the state's history. It also showed that the deficit would re-emerge next year with spending exceeding revenues by \$6.1 billion.

Since those projections were made, the budget situation has deteriorated dramatically. Figure INT-02 displays the major changes that have resulted in a projected shortfall of \$14.5 billion by the end of 2008-09, in the absence of any changes to state law or policy to reduce spending.

Figure INT-02
\$14.5 Billion General Fund Deficit
Workload Budget^{1/}
(Dollars in Billions)

	2007-08	2008-09
2007 Budget Act Reserve	\$4.1	
Changes in Beginning Balance/ Carryover from 2007-08	-0.5	-\$3.3
2007-08 Operating Deficit		-\$6.7 ^{2/}
Major Revenues Decrease/Increase (-/+)	-4.2	4.6
Other Revenues	-0.7	-1.4
Expenditure Increases:		
Proposition 98	-0.6	-2.3
All Others	-1.4	-5.4
2008-09 Operating Deficit		-\$11.2
2008-09 Governor's Budget	-\$3.3	-\$14.5
Workload Budget Deficit		
Operating Deficit	-\$6.7 ^{2/}	

^{1/} Workload budget reflects the projected costs of state government if no corrective actions are taken.

^{2/} The operating deficit for 2007-08 reflects spending more in that year than the revenues collected that year. This operating deficit carries forward into 2008-09 and is increased by projected spending increases partially offset by revenue increases.

ACHIEVING BALANCE IN 2007-08 AND 2008-09

If the Budget Stabilization Act had been in effect since 1998, the state would not have developed a structural budget deficit. It is possible, even likely, that there would be some deficit in years such as this one. However, in that event the Act would have triggered automatic reductions in spending early in the year. Because such mid-year reductions do not usually achieve a full year's worth of savings, under the provisions of the Act, they would remain in effect into the subsequent year, or until superseded by a new budget or other statutory change enacted by the Legislature.

The Budget proposes a very similar approach to achieving balance this year and next. Specifically, the Budget proposes numerous statutory changes to reduce spending to take effect by March 1, 2008. In order to achieve this ambitious timeline and to avoid a

PROPOSITION 58

Proposition 58 was approved by the voters in 2004. It requires the Legislature to enact a balanced budget and it authorizes the Governor to declare a fiscal emergency and call a special session of the Legislature to address it when a significant budget shortfall looms. The Governor declared such an emergency this year. The measures he is proposing to address the emergency are described below. Under the Proposition, the Legislature has 45 days to act on these measures or they are prevented from acting on other bills or adjourning.

current-year cash shortfall, the Governor has declared a fiscal emergency and called a special session pursuant to Proposition 58 (see textbox for background).

In addition to the ten-percent reductions, the budget also proposes to sell the \$3.3 billion of authorized Economic Recovery Bonds (ERB's) and to suspend the pre-payment of ERBs scheduled for 2008-09. Figure INT-03 summarizes the major changes proposed to balance the budget.

Figure INT-03		
How We Closed the Budget Gap		
(Dollars in Millions)		
	<u>2007-08</u>	<u>2008-09</u>
Workload Reserve	-\$3,318	-\$14,479
Impact of 2007-08 Solutions on 2008-09 Beginning Reserve		4,190
10-Percent Reductions	217	9,132
Sell Economic Recovery Bonds	3,313	
Proposition 58 Suspension		1,509
Reduce Proposition 98 Overappropriation	400	
Other Special Session Reductions	200	96
Accrual of June Personal Income Tax and Corporate Tax		2,001
Franchise Tax Board and Board of Equalization collection and enforcement enhancements	60	329
Reserve at Governor's Budget	\$872	\$2,778

BUDGET-BALANCING REDUCTIONS

In order to close the \$14.5 billion budget gap, the proposed Governor's Budget includes 10-percent across-the-board reductions to all General Fund departments and programs, Boards, Commissions, and elected offices-including the legislative and judicial branches-except where such a reduction is in conflict with the state constitution or impractical. This statewide across-the-board reduction approach touches nearly every General Fund program in every department within each branch of state government. While these reductions present numerous challenges to implement, this across-the-board reduction approach is designed to protect essential services by spreading reductions as evenly as possible so that no single program is singled out for severe reductions. Reductions to General Fund budgets not under the control of the Administration are proposed as unallocated reductions. The unallocated General Fund reductions apply to the judicial and legislative branches of government and other entities such as the University of California and some very small executive branch entities.

The amount of the reductions by entity was determined by first establishing the workload budget for 2008-09 pursuant to Government Code Section 13308.05 and existing policies, and reducing the amount for exempt programs, establishing a base for the across-the-board reduction from which a 10-percent reduction amount was calculated. Many of the reductions will require statutory and/or regulatory changes for implementation. Many of the reductions require early implementation in 2007-08 to achieve a full 10-percent reduction in 2008-09.

BUDGET-BALANCING REDUCTIONS

MAJOR EXEMPT PROGRAMS

Constitutional Restrictions

- Debt Service/Lease Payments
- Homeowners Exemption
- Health and Dental Benefits for Retirees
- Proposition 42
- Contributions to Public Employees, Judges and Teachers Retirement Systems

Impractical to Implement

- Medi-Cal Rates for Certain Long-Term Care Facilities
- State Hospitals
- Major Revenue Generating Departments (Franchise Tax Board and Board of Equalization)
- CalGrant High School and Community College Entitlement Grants
- Juvenile Justice Programs
- Health Care for Inmates
- Proposition 58 Budget Stabilization Account Transfer (fully suspended)
- Capital Outlay
- Undistributed Employee Compensation
- Non-Proposition 98 Mandates

BUDGET-BALANCING REDUCTIONS

Within the entire state budget, some programs cannot be reduced for constitutional or practical reasons. See text box “Major Exempt Programs” for a list of exempt programs due to constitutional restrictions or where program reductions are not practical. Through the allocation process described above as implemented by Control Section 4.44, total savings of \$216.6 million in 2007-08 and \$9.1 billion in 2008-09 are proposed.

Figure BBR-01 summarizes the reductions in General Fund amounts and personnel years by agencies. Control Section 4.44 provides a listing of the reduction amount by department. A new statewide display (under item 9944) is provided in the Governor’s Budget. This new display reflects the amount of reductions by agency, department, program, and component, if applicable.

Figure BBR-01
Budget-Balancing Reductions by Agency
(Dollars in Thousands)

Agency	2007-08		2008-09	
	Reductions	Personnel Years	Reductions	Personnel Years
Legislative, Judicial, and Executive	-\$6,568	-8.5	-\$362,847	-34.1
State and Consumer Services	-1,179	0.0	-5,345	-34.2
Business, Transportation, and Housing	-200	0.0	-2,028	-4.1
Resources	-4,204	0.0	-89,271	-296.5
Environmental Protection	-1,600	0.0	-8,338	-16.5
Health and Human Services	-181,062	-11.2	-2,661,209	-367.5
Corrections and Rehabilitation	-17,882	-200.0	-378,901	-5,854.0
K-12 Education	0	0.0	-4,357,251	0.0
Higher Education	0	0.0	-1,132,903	0.0
Labor and Workforce Development	-150	-1.8	-2,055	-16.4
General Government	-3,788	-27.6	-131,947	-213.6
Total Reductions ^{1/}	-\$216,633	-249.1	-\$9,132,095	-6,836.9

^{1/} The dollars and personnel years are included in the General Government agency in the applicable Summary Schedules; therefore, not included in the other agencies in those schedules.

NEED FOR A PRUDENT CASH RESERVE

When the 2007-08 Budget was enacted, the cash flow projected for the state estimated the fiscal year would end with a healthy cash balance of \$11.6 billion after fully repaying \$7 billion of Revenue Anticipation Notes (see text box) issued in November 2007. The \$11.6 billion would be more than sufficient to fund July and August 2008 cash needs. However, since enacting the budget, the budget reserve has deteriorated significantly because of lower-than-expected revenues and higher expenditures. The current year reserve is now projected to have deteriorated from \$4.1 billion to a negative \$3.3 billion, absent corrective actions. The deterioration in the budget reserve has also resulted in a projected cash shortage in March, July, and August 2008 unless swift and significant cash management solutions are put in place.

The Constitution makes payment of Debt Service on General Obligation Bonds one of the state's two highest fiscal priorities (second only to payments to local school districts). The Administration is firmly committed to managing cash flow to ensure that timely payment of the state's debts will never be jeopardized. Without prompt action by the Legislature, the state would face a potential cash flow crisis in March, July, or August. Therefore, the Governor's Budget proposes cash management solutions totaling \$8.7 billion. The major cash management solutions proposed are:

- \$3.313 billion—Sell Economic Recovery Bonds by the end of February 2008. Proposition 57 authorizes the sale of these bonds. Therefore, no legislative action is needed to achieve this cash flow solution in time to avoid a problem in March.
- \$1.300 billion—A two-month delay in disbursement of deferred apportionments for K-12 schools and community colleges.

REVENUE ANTICIPATION NOTES (RANs)

- The state routinely issues RANs to overcome cash flow imbalances during a fiscal year. Because receipts and disbursements occur unevenly throughout the fiscal year, the General Fund needs to borrow for cash flow purposes even when the budget is balanced.
- RANs cannot be issued until the budget is enacted and it takes a number of weeks after budget enactment to issue and close the transaction.
- RANs must be repaid within the same fiscal year.
- In 2007-08, \$7 billion of RANs were sold in November 2007.

BUDGET-BALANCING REDUCTIONS

- \$814 million—A two-month delay in disbursements for programs in the Department of Social Services.
- \$584 million—Split the STRS Supplemental Benefit Maintenance Account payment and delay the payment from July to November and April.
- \$500 million—A one-to-five-month delay in gas tax disbursements for local streets and roads, increasing borrowable resources.
- \$454 million—A delay of the four weekly checkwrites for Medi-Cal fee-for-service institutional providers in August until September.
- \$400 million—A delay of \$400 million in advances to regional centers.
- \$400 million—Reduction in 2007-08 Proposition 98 overappropriation.
- \$232 million—A one-month delay in the Medi-Cal Managed Care Plan payment and Delta Dental Plan payment.
- \$200 million—A two-month delay of the mental health managed care program advance.
- \$165 million—A delay in disbursement for Medi-Cal fee-for-service checkwrite from June to July.
- \$164 million—A one-to-two-month delay in making first quarterly payment to counties for Medi-Cal administration.
- \$92 million—A two-month delay in the quarterly advance to counties for the Early and Periodic Screening, Diagnosis, and Treatment Program.
- \$113 million—Other issues.

SUMMARY CHARTS

This section provides various statewide budget charts and tables.

Figure SUM-01
2008-09
Total Revenues and Transfers
(Dollars in Millions)

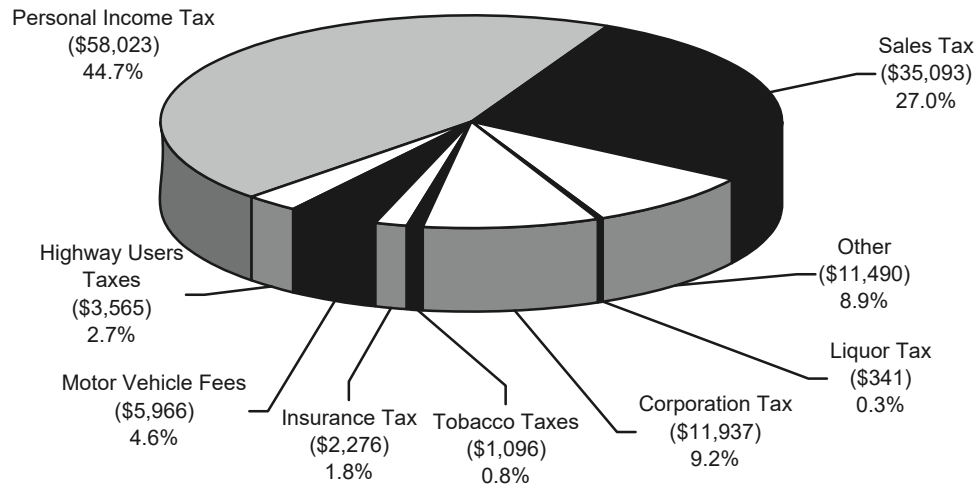


Figure SUM-02
2008-09
Total Expenditures
(Including Selected Bond Funds)
Includes Budget-Balancing Reductions
(Dollars in Millions)

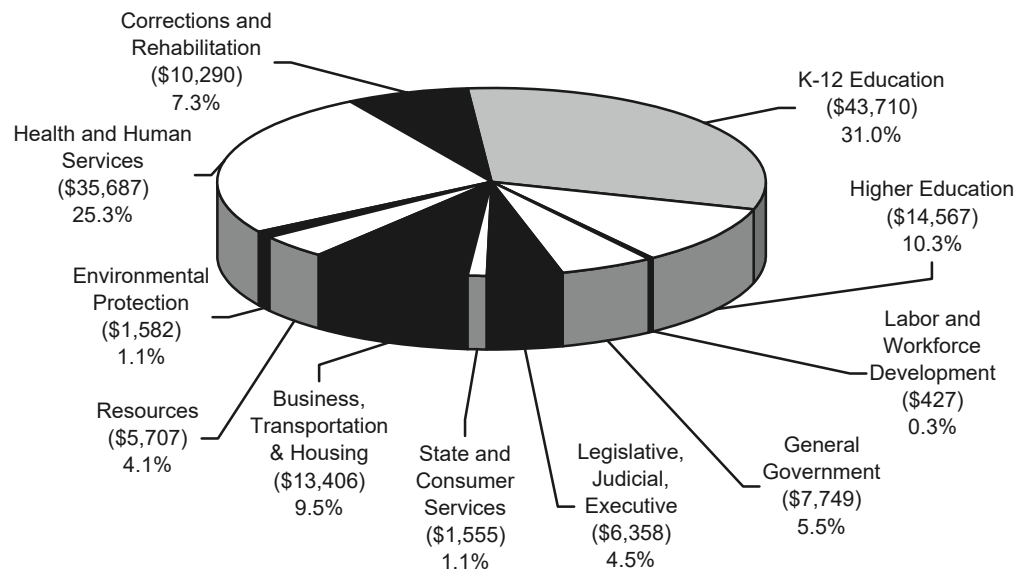


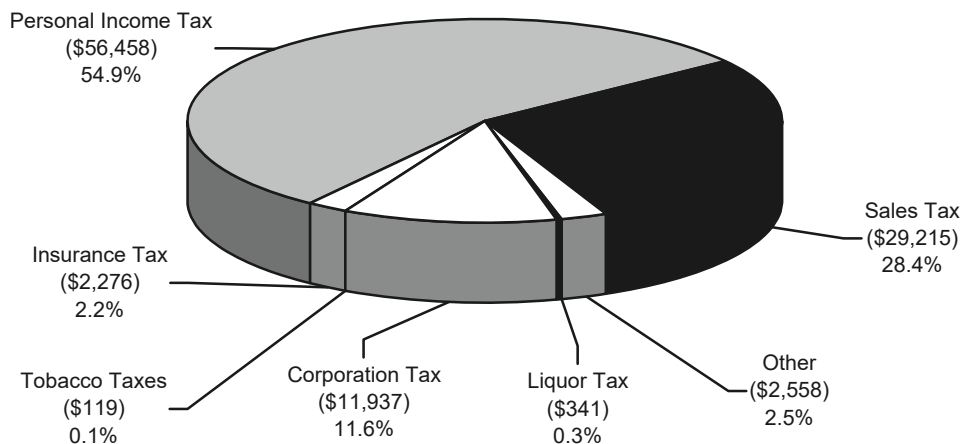
Figure SUM-03
2008-09 Governor's Budget
General Fund Budget Summary
(Dollars in Millions)

	2007-08	2008-09
Prior Year Balance	\$3,900	\$1,757
Revenues and Transfers	\$101,230	\$102,904
Total Resources Available	\$105,130	\$104,661
Non-Proposition 98 Expenditures	\$61,666	\$61,405
Proposition 98 Expenditures	\$41,707	\$39,593
Total Expenditures	\$103,373	\$100,998
Fund Balance	1,757	3,663
Reserve for Liquidation of Encumbrances	\$885	\$885
Special Fund for Economic Uncertainties	\$872	\$2,778
Budget Stabilization Account ^{1/}	-	-
Total Available Reserve	\$872	\$2,778

^{1/} In 2007-08, includes the transfer of \$1,494 million from Budget Stabilization Account back to the General Fund under Control Section 35.60.

In 2008-09, reflects the suspension of Proposition 58 transfer to the Budget Stabilization Account.

Figure SUM-04
2008-09
General Fund Revenues and Transfers
(Dollars in Millions)



SUMMARY CHARTS

Figure SUM-05
2008-09 Revenue Sources
(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2007-08
Personal Income Tax	\$56,458	\$1,565	\$58,023	\$3,849
Sales Tax	29,215	5,878	35,093	1,916
Corporation Tax	11,937	-	11,937	1,262
Highway Users Taxes	-	3,565	3,565	61
Motor Vehicle Fees	29	5,938	5,967	639
Insurance Tax	2,276	-	2,276	201
Liquor Tax	341	-	341	7
Tobacco Taxes	119	976	1,095	26
Other	2,529	8,962	11,491	-4,203
Total	\$102,904	\$26,884	\$129,788	\$3,758

Note: Numbers may not add due to rounding.

Figure SUM-06
2008-09
General Fund Expenditures
Includes Budget-Balancing Reductions
(Dollars in Millions)

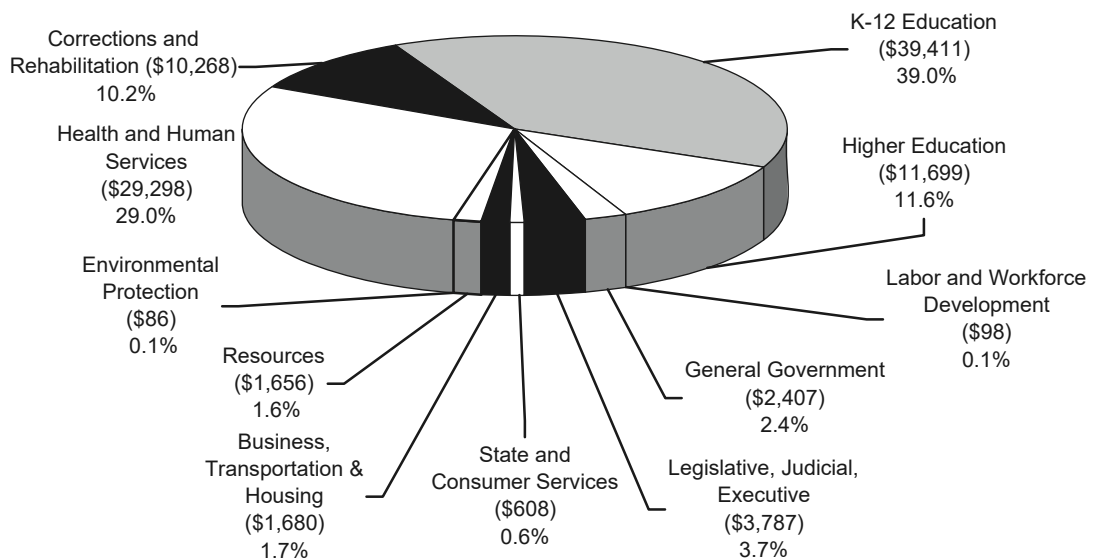


Figure SUM-07
General Fund Expenditures by Agency
(Dollars in Millions)

	2007-08	2008-09	Change	%
Legislative, Judicial, Executive	\$3,920	\$4,150	\$230	5.9%
State and Consumer Services	598	613	15	2.5%
Business, Transportation & Housing	1,526	1,682	156	10.2%
Resources	1,809	1,746	-63	-3.5%
Environmental Protection	92	94	2	2.2%
Health and Human Services	29,758	31,959	2,201	7.4%
Corrections and Rehabilitation	10,114	10,647	533	5.3%
K-12 Education	42,045	43,768	1,723	4.1%
Higher Education	11,803	12,832	1,029	8.7%
Labor and Workforce Development	105	100	-5	-4.8%
General Government	1,820	2,539	719	39.5%
Budget Before Reductions	\$103,590	\$110,130	\$6,540	6.3%
Budget-Balancing Reductions ^{1/}	-217	-9,132	-8,915	
Total	\$103,373	\$100,998	-\$2,375	-2.3%

^{1/} For a detailed listing of reductions by agency, department, and program; please view the special display (Budget-Balancing Reductions) within organization 9944 in the Governor's Budget.

Note: Numbers may not add due to rounding.

Figure SUM-08
General Fund Expenditures by Agency
Includes Budget-Balancing Reductions
(Dollars in Millions)

	2007-08	2008-09	Change	%
Legislative, Judicial, Executive	\$3,914	\$3,787	-\$127	-3.2%
State and Consumer Services	597	608	11	1.8%
Business, Transportation & Housing	1,526	1,680	154	10.1%
Resources	1,804	1,656	-148	-8.2%
Environmental Protection	91	86	-5	-5.5%
Health and Human Services	29,577	29,298	-279	-0.9%
Corrections and Rehabilitation	10,096	10,268	172	1.7%
K-12 Education	42,045	39,411	-2,634	-6.3%
Higher Education	11,803	11,699	-104	-0.9%
Labor and Workforce Development	104	98	-6	-5.8%
General Government	1,816	2,407	591	32.5%
Total	\$103,373	\$100,998	-\$2,375	-2.3%

Figure SUM-09

2008-09 Total Expenditures by Agency^{1/}
(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$4,150	\$2,120	\$473	\$6,743
State and Consumer Services	613	864	83	1,560
Business, Transportation & Housing	1,682	7,410	4,316	13,408
Resources	1,746	2,274	1,733	5,753
Environmental Protection	94	1,099	397	1,590
Health and Human Services	31,959	8,105	150	40,214
Corrections and Rehabilitation	10,647	22	--	10,669
K-12 Education	43,768	149	4,428	48,345
Higher Education	12,832	44	2,236	15,112
Labor and Workforce Development	100	329	--	429
General Government	2,539	5,312	31	7,882
Budget Before Reductions	\$110,130	\$27,728	\$13,847	\$151,705
Budget-Balancing Reductions ^{1/}	-9,132	-1,535	--	-10,667
Total	\$100,998	\$26,193	\$13,847	\$141,038

^{1/} For a detailed listing of reductions by agency, department, and program; please view the special display (Budget-Balancing Reductions) within organization 9944 in the Governor's Budget.

Note: Numbers may not add due to rounding.

Figure SUM-10

**2008-09 Total Expenditures by Agency
Includes Budget-Balancing Reductions**
(Dollars in Millions)

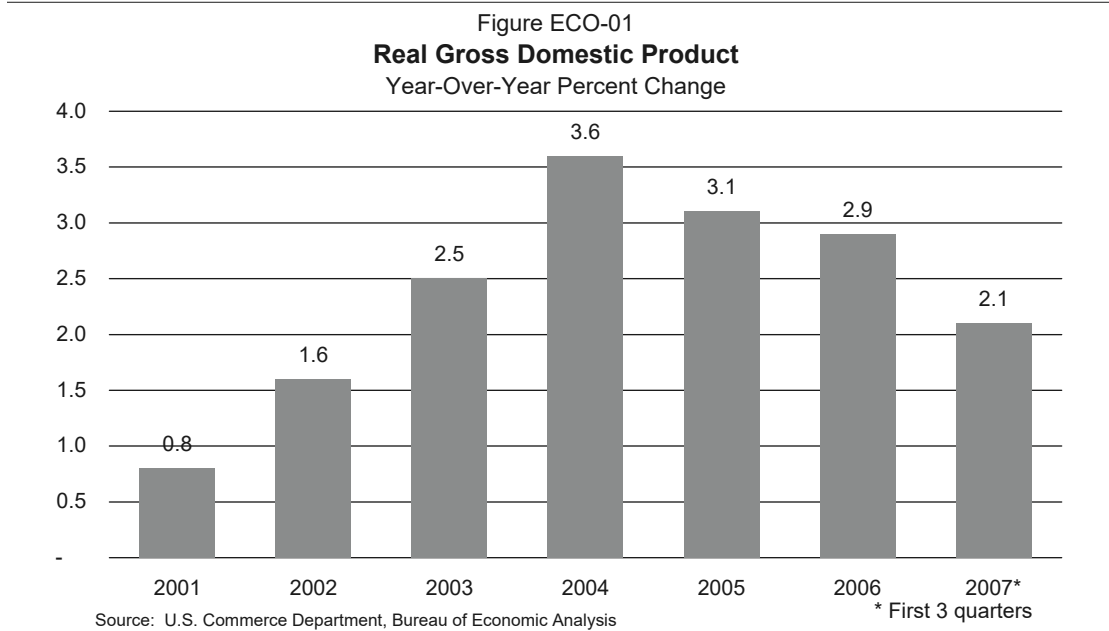
	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$3,787	\$2,098	\$473	\$6,358
State and Consumer Services	608	864	83	1,555
Business, Transportation & Housing	1,680	7,410	4,316	13,406
Resources	1,656	2,318	1,733	5,707
Environmental Protection	86	1,099	397	1,582
Health and Human Services	29,298	6,239	150	35,687
Corrections and Rehabilitation	10,268	22	0	10,290
K-12 Education	39,411	-129	4,428	43,710
Higher Education	11,699	632	2,236	14,567
Labor and Workforce Development	98	329	0	427
General Government	2,407	5,311	31	7,749
Total	\$100,998	\$26,193	\$13,847	\$141,038

ECONOMIC OUTLOOK

The California and national economies faced considerable headwinds in 2007—a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally.

The effects of the housing slump are evident in a broad range of measures of the national economy. New home sales will likely be down between 35 and 40 percent in 2007 from their peak level in 2005 and new single-family home building, about 25 percent from the peak level in 2006. Total job growth will be the smallest since 2004, and unless future revisions change the historical numbers significantly, real GDP growth will be the lowest since 2002 (Figure ECO-01).

In California, where the housing slump has been deeper than the vast majority of other states, single-family housing permits in the third quarter of 2007 were only about one-third of their level in the third quarter of 2005 and existing home sales, about half



of their level two years ago. Personal income has held up well, but taxable sales have slowed considerably.

The outlook for the national economy is for slower growth in 2008 and improved growth in 2009 and 2010:

- Real GDP is projected to grow 1.9 percent in 2008, and 2.9 percent in 2009 and 2010, as compared to 2.1 percent in 2007.
- Nonfarm payroll employment is forecast to increase 0.8 percent in 2008, 1.2 percent in 2009 and 1.3 percent in 2010, as compared to 1.3 percent in 2007.

The outlook for the California economy is also for slower growth in 2008 followed by improved growth in 2009 and 2010:

- Personal income is projected to grow 4.8 percent in 2008, 5.2 percent in 2009, and 5.4 percent in 2010, as compared to 5.6 percent in 2007.
- Nonfarm payroll employment is forecast to increase 0.7 percent in 2008, 1.0 percent in 2009 and 1.6 percent in 2010, as compared to 0.8 percent in 2007.

THE NATION—SLOWING GROWTH

The struggling housing sector continued to slow the national economy in the first 11 months of 2007. Home building, home sales, and related retail sales all declined. The slowdown in home building alone reduced national output growth by almost one percentage point, on average, in the first three quarters of the year. As 2007 closed, there was little evidence that the housing downturn is abating. The problems with subprime mortgages have raised financial market volatility and have spurred a credit tightening that not only could delay a housing recovery, but hurt parts of the economy outside the housing sector as well.

The contraction in residential construction and mortgage finance and a slide in housing-related retailing have cooled labor markets in the nation. Through November, job gains averaged 118,000 per month, a sharp drop from a year ago when the average monthly gain was 185,000. In addition, the nation's unemployment rate trended up from 4.5 percent in June 2007 to 4.7 percent in September, October, and November.

Fortunately, American consumers continue to spend freely, and foreigners are enjoying how much more American goods and services a Euro, a British pound, or a Canadian dollar will buy. American consumers increased their spending by 3.6 percent in 2004, 3.2 percent in 2005, 3.1 percent in 2006 and 3 percent, on a year-over-year basis, in the first three quarters of 2007. The growth in U.S. exports was even more impressive: 9.7 percent in 2004, 6.9 percent in 2005, 8.4 percent in 2006, and 8 percent, on a year-over-year basis, in the first three quarters of 2007. Without the contribution of exports, output growth would be sluggish.

Energy prices increased in the first 11 months of 2007, with the average price for regular-grade gasoline about 8 percent higher than a year ago. Prices of light, sweet crude oil almost reached \$100 per barrel in November before sliding back. The average price in the first 11 months was about 9 percent higher than a year earlier. These increases boosted measures of overall inflation in the economy, but measures of inflation that exclude energy prices remained relatively stable.

CALIFORNIA—SLOWING GROWTH AS WELL

Total personal income has held up surprisingly well in California during the housing slump. This broad measure of the economy was 5.8 percent higher than a year earlier in the first half of 2007, which is not much lower than the 6.5 percent growth in both 2005 and 2006.

PERSONAL INCOME

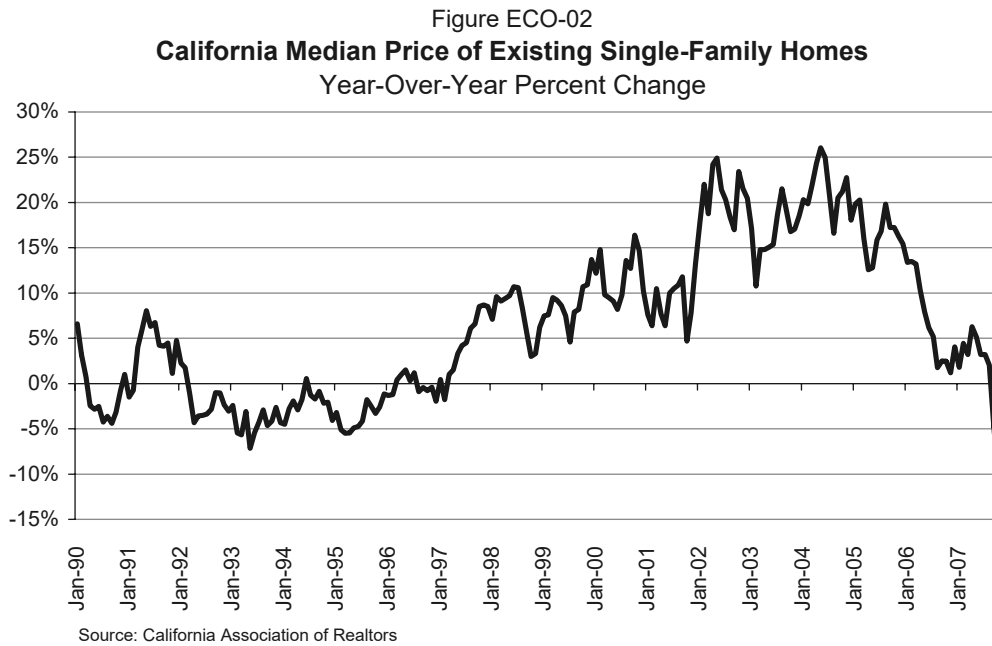
- California personal income, as defined by the U.S. Bureau of Economic Analysis, is the total of all Californians' earnings, including wages and salaries, supplements to wages and salaries, proprietors' income, rental income, dividends, interest income, and personal current transfer receipts (e.g., retirement and disability insurance benefits, medical payments, unemployment insurance benefits, veterans benefits), less contributions for government social insurance. Capital gains are not included.
- California personal income grew by 6.5 percent in 2006 to \$1.43 trillion.
- Personal income and payroll employment are the most important broad and timely measures of state economies.

However, the housing slump and higher energy prices have taken a significant toll on taxable sales, another broad measure of the economic performance. After growing by 7.4 percent in 2005, taxable sales increased by only 4 percent in 2006 and 0.8 percent in the first three quarters of 2007. While industry detail on taxable sales is not available yet, weaker vehicle sales and sales at home improvement outlets likely played a significant role in the deceleration of taxable sales. New vehicle registrations fell 2.3 percent in 2006 and 7.3 percent from a year ago in the first nine months of 2007. And, no doubt, some of the declines in sales of national home improvement chains were in California.

California home building and residential real estate markets continued to slow in 2007. Single-family residential permits were down 36 percent from a year ago in the first ten months of 2007, and existing single-family home sales, 25 percent. In October, the number of unsold homes on the market amounted to 16.3 months of sales at the October sales rate. A year earlier, inventories amounted to 7.2 months of sales. The median price of existing single-family homes sold in October, \$497,000, was 9.9 percent lower than the median price a year earlier (Figure ECO-02).

Growing private-sector nonresidential building offset some of the drag of residential construction on the California economy in 2007. The value of private-sector nonresidential building permits issued in the first ten months of 2007 was 4.2 percent higher than the year-ago value. But the value of public works construction was down 3.9 percent.

Monthly job gains slowed considerably in the state in the first ten months of 2007, averaging just 5,800. Gains averaged 20,900 in the first ten months of 2006. The state's unemployment rate increased from 4.8 percent in March 2007 to 5.6 percent in September and October 2007.



THE FORECAST

The state and national economies will continue to face the same headwinds—a struggling housing sector, problems in mortgage markets, tighter credit, more volatile financial markets, and high energy prices—in 2008 and, to a lesser extent, in 2009, but economic growth should start to pick up in late 2008 (Figure ECO-03).

Figure ECO-03

Selected Economic Data for 2007, 2008, and 2009

United States	2007 (Est.)	2008 (Projected)	2009 (Projected)
Real gross domestic product (2000 CW* \$, percent change)	2.1	1.9	2.9
Personal consumption expenditures	2.9	2.0	2.7
Gross private domestic investment	(5.0)	(3.9)	4.5
Government purchases of goods and services	2.1	2.1	0.6
GDP deflator (2000=100, percent change)	2.6	1.6	1.7
GDP (current dollar, percent change)	4.7	3.6	4.6
Federal funds rate (percent)	5.04	4.27	4.57
Personal income (percent change)	6.5	4.9	5.0
Corporate profits before taxes (percent change)	4.8	(2.1)	3.3
Nonfarm wage and salary employment (millions)	138.0	139.2	140.9
(percent change)	1.3	0.8	1.2
Unemployment rate (percent)	4.6	5.0	5.0
Housing starts (millions)	1.35	1.02	1.29
(percent change)	(25.7)	(24.1)	26.9
New car sales (millions)	7.5	7.4	7.5
(percent change)	(3.6)	(1.8)	1.3
Consumer price index (1982-84=100)	207.1	211.7	215.8
(percent change)	2.8	2.2	2.0
California			
Civilian labor force (thousands)	18,187.2	18,454.3	18,709.0
(percent change)	1.6	1.5	1.4
Civilian employment (thousands)	17,227.1	17,402.8	17,659.9
(percent change)	1.2	1.0	1.5
Unemployment (thousands)	960.1	1,051.4	1,049.1
(percent change)	10.0	9.5	(0.2)
Unemployment rate (percent)	5.3	5.7	5.6
Nonfarm wage and salary employment (thousands)	15,177.4	15,283.4	15,443.7
(percent change)	0.8	0.7	1.0
Personal income (billions)	1,515.8	1,588.5	1,670.3
(percent change)	5.6	4.8	5.2
Housing units authorized (thousands)	117.0	95.0	104.0
(percent change)	(28.4)	(19.1)	10.1
Corporate profits before taxes (billions)	187.7	188.6	196.2
(percent change)	5.6	0.5	4.0
New auto registrations (thousands)	1,742.0	1,750.5	1,758.0
(percent change)	0.2	0.5	0.4
Total taxable sales (billions)	563.1	582.5	609.1
(percent change)	0.9	3.4	4.6
Consumer price index (1982-84=100)	217.3	223.0	229.0
(percent change)	3.3	2.6	2.7

* CW: Chain Weighted

Note: Percentage changes calculated from unrounded data.

REVENUE ESTIMATES

As 2007 progressed, economic problems had an increasingly negative effect on California's revenue collections. Baseline revenues in 2007-08 are now expected to total \$96.4 billion—\$4.8 billion below the forecast that was used for enactment of the 2007 Budget. For 2008-09, baseline revenues are expected to grow to \$99.1 billion, a 2.8-percent increase from 2007-08. With the Administration's revenue proposals for addressing the budget problem, revenues are estimated to be \$101.2 billion in the current year and \$102.9 billion in budget year.

Figure REV-01 summarizes the forecast for 2007-08 and 2008-09 and provides a preliminary report of actual receipts for 2006-07, compared to the 2007 Budget Act forecast. The Governor's Budget forecast was prepared in early December, before individuals and corporations made final withholding and estimated payments for the 2007 tax year, and before consumers completed their December purchases. The strength of this late December and early January activity can have a large impact on state revenues. This forecast will be revised in early May when these data and April income tax receipts are available.

The state's tax system is outlined in Figure REV-02. Tax collections per capita and per \$100 of personal income are displayed in Schedule 2 in the Appendix. The revenue generated from each state tax from 1970-71 through 2008-09 is displayed in Schedule 3 in the Appendix.

REVENUE ESTIMATES

Figure REV-01

**2008-09 Governor's Budget
General Fund Revenue Forecast
Summary Table
Reconciliation with the 2007-08 Budget Act**
(Dollars in Millions)

Source	Budget Act	Governor's Budget	Change Between Forecasts	
Fiscal 06-07				
Personal Income Tax	\$52,243	\$51,943	-\$300	-0.6%
Sales & Use Tax	27,787	27,445	-\$342	-1.2%
Corporation Tax	10,717	11,158	\$441	4.1%
Insurance Tax	2,166	2,178	\$12	0.6%
Alcoholic Beverage	321	334	13	4.0%
Cigarette	119	115	-4	-3.4%
Other Revenues	2,224	2,261	\$37	1.7%
Transfers	<u>-36</u>	<u>-19</u>	<u>\$17</u>	47.2%
Total	\$95,541	\$95,415	-\$126	-0.1%
Fiscal 07-08				
Personal Income Tax	\$55,236	\$52,681	-\$2,555	-4.6%
Sales & Use Tax	28,820	27,689	-\$1,131	-3.9%
Corporation Tax	11,055	10,675	-\$380	-3.4%
Insurance Tax	2,181	2,075	-\$106	-4.9%
Alcoholic Beverage	325	334	9	2.8%
Cigarette	120	116	-4	-3.3%
Other Revenues	3,804	6,440	\$2,636	69.3%
Transfers	<u>-302</u>	<u>1,220</u>	<u>\$1,522</u>	--
Total	\$101,239	\$101,230	-\$9	0.0%
Change from Fiscal 06-07	\$5,698	\$5,815		
% Change from Fiscal 06-07	6.0%	6.1%		
Fiscal 08-09				
Personal Income Tax	\$58,710	\$56,458	-\$2,252	-3.8%
Sales & Use Tax	30,545	29,215	-\$1,330	-4.4%
Corporation Tax	11,175	11,937	\$762	6.8%
Insurance Tax	2,246	2,276	\$30	1.3%
Alcoholic Beverage	326	341	15	4.6%
Cigarette	121	119	-2	-1.7%
Other Revenues	2,281	2,501	\$220	9.6%
Transfers	<u>-1,895</u>	<u>57</u>	<u>\$1,952</u>	--
Total	\$103,509	\$102,904	-\$605	-0.6%
Change from Fiscal 07-08	\$2,270	\$1,674		
% Change from Fiscal 07-08	2.2%	1.7%		
Three-Year Total			-\$740	

Figure REV-02
**Outline of State Tax System
as of January 1, 2008**

Major Taxes and Fees	Base or Measure	Rate	Administering Agency	Fund
Alcoholic Beverage Excise Taxes:				
Beer	Gallon	\$0.20	Equalization	General
Distilled Spirits	Gallon	\$3.30	Equalization	General
Dry Wine/Sweet Wine	Gallon	\$0.20	Equalization	General
Sparkling Wine	Gallon	\$0.30	Equalization	General
Hard Cider	Gallon	\$0.20	Equalization	General
Corporation:				
General Corporation	Net income	8.84% ¹	Franchise	General
Bank and Financial Corp.	Net income	10.84%	Franchise	General
Alternative Minimum Tax	Alt. Taxable Income	6.65% ¹	Franchise	General
Tobacco:				
Cigarette	Package	\$0.87 ²	Equalization	See below ²
Other Tobacco Products	Wholesale price	45.13% ³	Equalization	See below ³
Energy Resources				
Surcharge	Kilowatt hours	\$0.0002	Equalization	Energy Resources
Horse Racing License	Amount wagered	0.4-2.0%	Horse Racing Bd.	Surcharge Fund
Estate	Taxable Fed. Estate	0%	State Controller	See below ⁴
Insurance	Gross Premiums	2.35% ⁷	Insurance Dept.	General
Liquor License Fees	Type of license	Various	Alc. Bev. Control	General
Motor Vehicle:				
Vehicle License Fees (VLF)	Market value	0.65% ⁸	DMV	Motor VLF, Local Revenue ⁹
Fuel—Gasoline	Gallon	\$0.18	Equalization	Motor Vehicle Fuel ¹⁰
Fuel—Diesel	Gallon	\$0.18	Equalization	Motor Vehicle Fuel
Registration Fees	Vehicle	\$40.00	DMV	Motor Vehicle ¹¹
Weight Fees	Gross Vehicle Wt.	Various	DMV	State Highway ¹²
Personal Income	Taxable income	1.0-9.3%	Franchise	General
Proposition 63 Surcharge	Taxable income > \$1 million	1.0%	Franchise	Mental Health Services
Alternative Minimum Tax	Alt. Taxable Income	7.0%	Franchise	General
Private Railroad Car	Valuation	¹³	Equalization	General
Retail Sales and Use	Sales or lease of taxable item	5.75% ¹⁴	Equalization	See below ¹⁴

¹ Min. tax \$800 per year for existing corporations. New corporations are exempt from the min. tax for the first two years

² This tax is levied at the combined rate of 10 cents/pack of 20 cigarettes for the General Fund, 25 cents/pack for the Cigarette and Tobacco Products Surtax Fund, 2 cents/pack for the Breast Cancer Fund, and 50 cents/pack for the California Children and Families First Trust Fund.

³ A tax equivalent to the tax on cigarettes. The rate reflects the 50 cents/pack established by the California Children and Families First Initiative, with funding for Cigarette and Tobacco Products Surtax Fund and California Children and Families First Trust Fund

⁴ The Fair and Exposition Fund supports county fairs and other activities, the Satellite Wagering Account funds construction of Satellite Wagering Facilities and health and safety repairs at fair sites. Wildlife Restoration Fund and General Fund also receive monies.

⁶ The Economic Growth and Tax Relief Reconciliation Act of 2001 phases out the federal estate tax by 2010. As part of this, the Act eliminates the State pick-up tax beginning in 2005. The federal Act sunsets after 2010; at that time, the federal estate tax will be reinstated along with the State's estate tax, unless future federal legislation is enacted.

⁷ Ocean marine insurance is taxed at the rate of 5 percent of underwriting profit attributable to California business. Special rates also apply to certain pension and profit sharing plans, surplus lines, and nonadmitted insurance.

⁸ Department of Motor Vehicles. Beginning January 1, 1999, vehicle owners paid only 75 percent of the calculated tax, and the remaining 25 percent (offset percentage) was paid by the General Fund. Chapter 74, Statutes of 1999, increased the offset to 35 percent on a one-time basis for the 2000 calendar year. Chapters 106 and 107, Statutes of 2000, and Chapter 5, Statutes of 2001, extended the 35-percent offset through June 30, 2001, and provided for an additional 32.5-percent reduction, which was returned to taxpayers in the form of a rebate. Beginning July 1, 2001, the VLF offset was set at 67.5 percent. From June 30, 2003, through November 18, 2003, the VLF reduction was suspended. On November 17, 2003, Governor Schwarzenegger rescinded the suspension, thereby reinstating the offset. Effective January 1, 2005, the VLF rate is 0.65 percent.

⁹ For return to cities and counties. Trailer coach license fees are deposited in the General Fund.

¹⁰ For administrative expenses and apportionment to State, counties and cities for highways, airports, and small craft harbors.

¹¹ For support of State Department of Motor Vehicles, California Highway Patrol, other agencies, and motor vehicle related programs.

¹² For State highways and State Department of Motor Vehicles administrative expense. Chapter 861, Statutes of 2000, replaced the fee schedule for trucks, based on the unladen weight of commercial trucks and trailers, with a new schedule based on the gross weight capacity of trucks alone, in order to comply with the International Registration Plan standards. Chapter 719, Statutes of 2003, increased weight fees to achieve revenue neutrality as specified in Chapter 861.

¹³ Average property tax rate in the State during preceding year.

¹⁴ Includes a 5 percent rate for the State General Fund, a 0.25 percent rate for the Economic Recovery Fund, and a 0.50 percent rate for the Local Revenue Fund.

MAJOR REVENUE PROPOSALS

- Sell \$3.3 billion of Economic Recovery Bonds in the current year.
- Transfer \$1.5 billion from the Budget Stabilization Account to the General Fund in the current year and eliminate the \$1.5 billion transfer to the Budget Stabilization Account in the budget year.
- Accrual of \$2.0 billion in June personal income tax and corporate tax in 2008-09.
- Reinstate the 12-month use tax requirement for vehicles, vessels, and aircraft.
- Augment the Franchise Tax Board's budget in order to help address the tax gap, prevent fraudulent refund claims, and address growth in the audit workload.
- Augment the Board of Equalization's budget to help improve tax compliance.

GENERAL FUND REVENUE

General Fund revenues and transfers represent 79 percent of total revenues reported in the Governor's Budget. The remaining 21 percent are special fund revenues dedicated to specific programs.

PERSONAL INCOME TAX

The personal income tax is the state's largest single revenue source, representing 54.9 percent of all General Fund revenues and transfers in 2008-09. Income tax revenues are expected to increase by 1.4 percent for 2007-08 and 7.2 percent for 2008-09. The estimate includes \$28 million in additional revenues from redirecting Franchise Tax Board rent savings to revenue generating purposes in both 2007-08 and 2008-09. Budget year revenues also include a one-time acceleration of \$1.2 billion from bringing the tax revenue accruals into conformity with Generally Accepted Accounting Principles, \$52 million in additional revenues from Franchise Tax Board revenue enhancing measures and \$22 million from additional efforts to reduce the "tax gap." Tax professionals define the tax gap as the difference between what taxpayers should pay and what is actually paid.

Modeled closely on the federal income tax law, California's personal income tax is imposed on net taxable income: that is, gross income less exclusions and deductions.

The tax is steeply progressive, with rates ranging from 1 percent to 9.3 percent. Figure REV-03, which shows the percent of total returns and tax paid by adjusted gross income class, illustrates the progressivity. In 2005, the top

14 percent of state taxpayers, those with adjusted gross incomes over \$100,000, paid 83 percent of the personal income tax. Changes in the income of a relatively small group of taxpayers can have a significant impact on state revenues.

Income ranges for all tax rates are adjusted annually by the change in the California Consumer Price Index. This prevents taxpayers from being pushed into higher tax brackets by inflation without a real increase in income. Tax rates apply to total taxable income, after which taxpayers can reduce their gross tax liability by claiming different credits.

An alternative minimum tax, imposed at a rate of 7 percent, ensures that income taxpayers do not make excessive use of deductions and exemptions to avoid paying a minimum level of tax.

Capital gains and stock options have a substantial impact on state revenues. Capital gains reported by taxpayers increased 47 percent in 2005 and 4 percent in 2006; they are expected to be flat in 2007 and then decrease 3 percent in 2008. Figure REV-04 shows the portion of General Fund revenues from capital gains and stock options.

Some personal income tax revenue is deposited into a special fund. Proposition 63, passed in November 2004, imposes a surcharge of 1 percent on taxable income over \$1 million in addition to the 9.3-percent rate. Revenue from the surcharge is transferred to the Mental Health Services Fund for county mental health services. The Proposition requires that 1.76 percent of all income tax revenues received each month be transferred to this fund. Once all tax returns are submitted and verified, the Franchise Tax Board determines how much revenue was

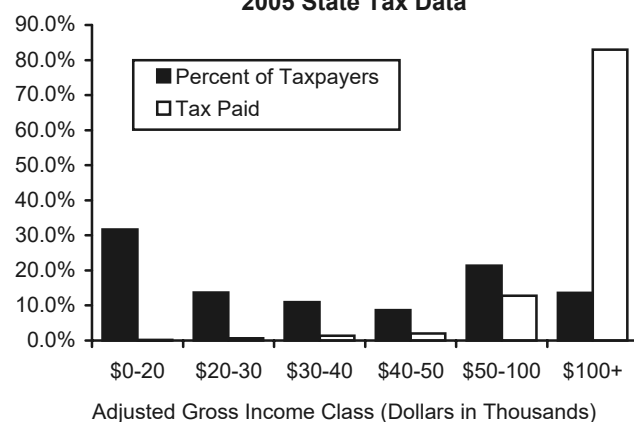
PERCENT OF GENERAL FUND REVENUES AND TRANSFERS

Personal income tax	54.9 percent
Sales and use taxes	28.4 percent
Corporation tax	11.6 percent
All other	5.1 percent

PERSONAL INCOME TAX REVENUE (IN BILLIONS)

2006-07 (Preliminary)	\$51.943
2007-08 (Forecast)	\$52.681
2008-09 (Forecast)	\$56.458

Figure REV-03
**Percent of Taxpayers and Percent of Tax
Paid by
Adjusted Gross Income Class
2005 State Tax Data**



REVENUE ESTIMATES

generated by this surcharge; if additional funds are due to the Mental Health Services Fund, a transfer is made from the General Fund. On July 1, 2007, \$424 million for 2005-06 was transferred to the Mental Health Services Fund. It is estimated that

ADDITIONAL INFORMATION

The Franchise Tax Board, which administers the personal income tax and corporation tax, prepares an annual report providing information on income subject to tax, tax rates, tax collections, and taxpayer characteristics. Its website, www.ftb.ca.gov, includes this annual report. Information on personal income tax and corporation tax exclusions, deductions, and credits is also available in the Department of Finance's Tax Expenditure Report, published annually on the Internet at www.dof.ca.gov in "Reports and Periodicals."

Figure REV-04

Capital Gains and Stock Options As a Percent of General Fund Revenues (Dollars in Billions)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 p</u>	<u>2007 e</u>	<u>2008 e</u>
Capital Gains	\$91.0	\$117.6	\$50.7	\$35.5	\$47.6	\$76.3	\$112.4	\$116.9	\$116.9	\$113.4
<u>Stock Options</u>	<u>\$42.4</u>	<u>\$79.3</u>	<u>\$44.0</u>	<u>\$26.1</u>	<u>\$25.9</u>	<u>\$30.9</u>	<u>\$34.7</u>	<u>\$40.6</u>	<u>\$45.4</u>	<u>\$51.1</u>
Total	\$133.4	\$196.9	\$94.6	\$61.6	\$73.6	\$107.2	\$147.1	\$157.5	\$162.3	\$164.5
Tax at 9%	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Capital Gains	\$8.2	\$10.6	\$4.6	\$3.2	\$4.3	\$6.9	\$10.1	\$10.5	\$10.5	\$10.2
<u>Stock Options</u>	<u>\$3.8</u>	<u>\$7.1</u>	<u>\$4.0</u>	<u>\$2.3</u>	<u>\$2.3</u>	<u>\$2.8</u>	<u>\$3.1</u>	<u>\$3.7</u>	<u>\$4.1</u>	<u>\$4.6</u>
Total	\$12.0	\$17.7	\$8.5	\$5.5	\$6.6	\$9.6	\$13.2	\$14.2	\$14.6	\$14.8
Total General Fund Revenues & Transfers	\$71.9	\$71.4	\$72.3	\$71.3	\$74.9	\$82.2	\$93.5	\$95.4	\$101.2	\$102.9
Capital Gains and Stock Options as % of General Fund	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>
Capital Gains	11.4%	14.8%	6.3%	4.5%	5.7%	8.3%	10.8%	11.0%	10.4%	9.9%
<u>Stock Options</u>	<u>5.3%</u>	<u>10.0%</u>	<u>5.5%</u>	<u>3.3%</u>	<u>3.1%</u>	<u>3.4%</u>	<u>3.3%</u>	<u>3.8%</u>	<u>4.0%</u>	<u>4.5%</u>
Combined	16.7%	24.8%	11.8%	7.8%	8.8%	11.7%	14.2%	14.9%	14.4%	14.4%

^p Preliminary

^e Estimated

Note: Totals may not add due to rounding

2002-03 revenues do not include \$9.242 billion in economic recovery bonds.

2003-04 revenues do not include \$2.012 billion in economic recovery bonds.

\$436 million for 2006-07 will be transferred to the Mental Health Services Fund on July 1, 2008. The actual amount of the transfer will not be known until Spring 2008, when final 2006 tax return data are available. (See the Health and Human Services section for information on expenditures from the Mental Health Services Fund.)

The General Fund and the Mental Health Services Fund shares of personal income tax revenues for 2006-07 through 2008-09 are shown in Figure REV-05.

Figure REV-05

Personal Income Tax Revenue
(Dollars in Thousands)

	2006-07 Preliminary	2007-08 Forecast	2008-09 Forecast
General Fund	\$51,943,287	\$52,681,000	\$56,458,000
Mental Health Services Fund	1,375,000	1,493,000	1,565,000
Total	\$53,318,287	\$54,174,000	\$58,023,000

SALES AND USE TAX

Receipts from sales and use taxes, the state's second largest revenue source, are expected to contribute 28.4 percent of all General Fund revenues and transfers in 2008-09. Figure REV-06 displays sales and use tax revenues for the General Fund, as well as special state funds, for 2006-07 through 2008-09.

The sales tax applies to sales of tangible personal property in California; the companion use tax applies to property purchased outside the state for use within California. Most retail sales and leases are subject to the tax. Exemptions from the tax for necessities such as food for home consumption, prescription drugs, and electricity make the tax less regressive. Other exemptions provide tax relief for purchasers of particular products — e.g., farm equipment, custom computer programs, or materials used in space flights.

The largest single component of the sales tax base is new motor vehicle sales, accounting for 11.5 percent of all sales in 2005. Other transportation purchases and fuel sales represented 19.7 percent and 8.6 percent of all sales, while building-related purchases accounted for 14.3 percent. Detailed taxable sales data by component is not yet available for all of 2006.

Figure REV-06

Sales Tax Revenue
(Dollars in Thousands)

	2006-07 Preliminary	2007-08 Forecast	2008-09 Forecast
General Fund	\$27,444,661	\$27,689,000	\$29,215,000
Sales and Use Tax-Realignment	2,862,308	2,886,611	3,012,890
Public Transportation Account	625,814	535,992	888,733
Mass Transportation Fund	0	621,967	454,571
Transportation Debt Repayment	200,000	0	0
Bay Area Toll Account	125,000	0	0
Economic Recovery Fund	1,411,392	1,443,000	1,522,000
Total	\$32,669,175	\$33,176,570	\$35,093,194

SALES AND USE TAX REVENUE
(IN BILLIONS)

2006-07 (Preliminary)	\$27.445
2007-08 (Forecast)	\$27.689
2008-09 (Forecast)	\$29.215

Taxable sales grew by an estimated 4.0 percent in 2006 (fourth quarter 2006 sales tax data is preliminary). Preliminary data for the first three quarters indicate that taxable sales for the year are expected to grow by only 0.9 percent in 2007. The slowdown in 2007 is attributed primarily to the weak housing market. Taxable sales are anticipated to recover somewhat in 2008 as the housing market begins to improve, increasing by 3.4 percent over 2007 sales. In 2009, growth of 4.6 percent is expected.

ADDITIONAL INFORMATION

The Board of Equalization, which administers the sales and use tax, tobacco tax, alcoholic beverage taxes, and fuel taxes provides additional information in its annual report, which is available on its website, www.boe.ca.gov. Information on sales tax exemptions is included in the Department of Finance's Tax Expenditure Report, published annually on the Internet at www.dof.ca.gov in "Reports and Periodicals."

Sales and use tax revenues are forecast relating taxable sales to economic factors such as income, employment, housing starts, new vehicle sales, and inflation. The estimate for 2008-09 includes \$21 million in additional General Fund revenues from making permanent the use tax on vessels, vehicles, and aircraft brought into the state less than one year from purchase. Another \$57.7 million in General Fund revenue will result from certain measures adopted by the Board of Equalization intended to increase tax revenues and reduce the tax gap.

Current law requires that a portion of the sales tax on gasoline and diesel fuel go to the Public Transportation Account (PTA) and the Mass Transportation Fund

(MTF). (The transportation community refers to the gasoline tax portion of this as “spillover” sales tax revenues.) In 2007-08, the first \$622 million of spillover revenues that would otherwise be transferred to the PTA will be transferred to the MTF. Starting in 2008-09, half of all spillover revenues, or an estimated \$455 million in 2008-09, will be transferred to the MTF. Including the sales tax on diesel fuel, an estimated \$1.158 billion in sales tax revenue will go to the PTA and MTF in 2007-08, and an estimated \$1.343 billion in 2008-09. Spillover revenues have increased substantially in recent years as gasoline prices have risen.

Figure REV-07 displays the individual elements of the state and local sales tax rates.

Figure REV-08 shows combined state and local tax rates for each county.

Figure REV-07

State and Local Sales and Use Tax Rates

State Rates

General Fund	4.75% or 5.00%	Pursuant to Sections 6051.3 and 6051.4 of the Revenue and Taxation Code, this rate is 5%, but may be temporarily reduced by 0.25% if General Fund reserves exceed specified levels. During 2001, the rate was 4.75%, and during 2002 and thereafter, this rate is 5.00%.
Local Revenue Fund	0.50%	Dedicated to local governments to fund health and social services programs transferred to counties as part of 1991 state-local realignment.
Economic Recovery Fund	0.25%	Beginning on July 1, 2004, a new temporary 0.25% state sales tax rate was imposed, with a corresponding decrease in the Bradley-Burns rate. These revenues are dedicated to repayment of Economic Recovery Bonds. Once these bonds are repaid, this tax will sunset and the Bradley-Burns rate will return to 1%.

Local Uniform Rates¹

Bradley-Burns	0.75% ² or 1.00%	Imposed by city and county ordinance for general purpose use. ³
Transportation Rate	0.25%	Dedicated for county transportation purposes.
Local Public Safety Fund	0.50%	Dedicated to cities and counties for public safety purposes. This rate was imposed temporarily by statute in 1993 and made permanent by the voters later that year through passage of Proposition 172.

Local Add-on Rates⁴

Transactions and Use Taxes	up to 2.00%	May be levied in 0.125% or 0.25% increments ⁵ up to a combined maximum of 2.00% in any county. ⁶ Any ordinance authorizing a transactions and use tax requires approval by the local governing board and local voters.
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¹ These locally-imposed taxes are collected by the State for each city and county and are not included in the State's revenue totals.

² The 1 percent rate was temporarily decreased by 0.25 percent on July 1, 2004, and a new temporary 0.25 percent tax imposed to repay Economic Recovery Bonds. Cities and counties will receive additional property tax revenues equal to the 0.25 percent local sales tax reduction.

³ The city tax constitutes a credit against the county tax. The combined rate is never more than 1 percent in any area (or 0.75 percent during the period when Economic Recovery Bonds are being repaid).

⁴ These taxes may be imposed by voters in cities, counties, or special districts. The revenues are collected by the State for each jurisdiction and are not included in the State's revenue totals.

⁵ Increments imposed at 0.125 percent are only allowed when revenues are dedicated for library purposes.

⁶ An exception to the 2 percent maximum is Los Angeles County, which may impose up to 2.5 percent.

Figure REV-08
Combined State and Local Sales and Use Tax
Rates by County
(Rates in Effect on April 1, 2007)

County	Tax Rate	County	Tax Rate	County	Tax Rate
Alameda	8.75%	Madera	7.25%	San Joaquin ^{17/}	7.75%
Alpine	7.25%	Marin ^{8/}	7.75%	San Luis Obispo ^{18/} ..	7.25%
Amador	7.25%	Mariposa	7.75%	San Mateo	8.25%
Butte	7.25%	Mendocino ^{9/}	7.25%	Santa Barbara	7.75%
Calaveras	7.25%	Merced ^{10/}	7.25%	Santa Clara	8.25%
Colusa ^{1/}	7.25%	Modoc	7.25%	Santa Cruz ^{19/}	8.00%
Contra Costa ^{2/}	8.25%	Mono	7.25%	Shasta	7.25%
Del Norte	7.25%	Monterey ^{11/}	7.25%	Sierra	7.25%
El Dorado ^{3/}	7.25%	Napa	7.75%	Siskiyou	7.25%
Fresno ^{4/}	7.975%	Nevada ^{12/}	7.375%	Solano	7.375%
Glenn	7.25%	Orange ^{13/}	7.75%	Sonoma ^{20/}	7.75%
Humboldt ^{5/}	7.25%	Placer	7.25%	Stanislaus	7.375%
Imperial	7.75%	Plumas	7.25%	Sutter	7.25%
Inyo	7.75%	Riverside	7.75%	Tehama	7.25%
Kern	7.25%	Sacramento	7.75%	Trinity	7.25%
Kings	7.25%	San Benito ^{14/}	7.25%	Tulare ^{21/}	7.75%
Lake ^{6/}	7.25%	San Bernardino ^{15/}	7.75%	Tuolumne ^{22/}	7.25%
Lassen	7.25%	San Diego ^{16/}	7.75%	Ventura	7.25%
Los Angeles ^{7/}	8.25%	San Francisco	8.50%	Yolo ^{23/}	7.25%
				Yuba	7.25%

^{1/} 7.75% for sales in the City of Williams.

^{2/} 8.75% for sales in the City of Richmond and the City of Pinole.

^{3/} 7.50% for sales in the City of Placerville and 7.75% for sales in the City of South Lake Tahoe.

^{4/} 8.275% for sales in the City of Clovis.

^{5/} 8.25% for sales in the City of Trinidad.

^{6/} 7.75% for sales in the City of Clearlake and the City of Lakeport.

^{7/} 8.75% for sales in the City of Avalon and the City of Inglewood.

^{8/} 8.25% for sales in the City of San Rafael.

^{9/} 7.75% for sales in the Cities of Fort Bragg, Point Arena, Ukiah, and Willits.

^{10/} 7.75% for sales in the City of Merced and the City of Los Banos.

^{11/} 7.75% for sales in the City of Salinas and Sand City and 8.25% in the City of Del Rey Oaks.

^{12/} 7.875% for sales in the City of Truckee.

^{13/} 8.25% for sales in the City of Laguna Beach.

^{14/} 8.00% for sales in the City of San Juan Bautista.

^{15/} 8.00% for sales in the City of Montclair and the City of San Bernardino.

^{16/} 8.25% for sales in the Cities of El Cajon and Vista and 8.75% for sales in National City.

^{17/} 7.75% for sales in the Cities of Arroyo Grande, Morro Bay, Grover Beach, and San Luis Obispo.

^{18/} 8.00% for sales in the City of Stockton and 8.25% for sales in the City of Manteca.

^{19/} 8.25% for sales in the Cities of Watsonville and Capitola. 8.50% for sales in the Cities of Scotts Valley and Santa Cruz.

^{20/} 8.00% for sales in the City of Sebastopol and the City of Santa Rosa.

^{21/} 8.00% for sales in the City of Visalia. 8.25% for sales in the Cities of Farmersville, Porterville, and Tulare.

8.50% for sales in the City of Dinuba.

^{22/} 7.75% for sales in the City of Sonoma.

^{23/} 7.75% for sales in the City of Woodland, the City of West Sacramento, and the City of Davis.

CORPORATION TAX

Corporation tax revenues are expected to contribute 11.6 percent of all General Fund revenues and transfers in 2008-09. After growth of 8.2 percent in 2006-07, corporation tax revenues are expected to decline 4.3 percent in 2007-08, and grow 11.8 percent in 2008-09. The 2008-09 estimate includes a one-time acceleration of \$847 million from bringing the tax revenue accruals into conformity with Generally Accepted Accounting Principles and \$14 million from additional efforts to reduce the tax gap.

CORPORATION TAX REVENUE (IN BILLIONS)

2006-07 (Preliminary)	\$11.158
2007-08 (Forecast)	\$10.675
2008-09 (Forecast)	\$11.937

Corporation tax revenues are derived from the following sources:

- The franchise tax and the corporate income tax are levied at a rate of 8.84 percent on net profits. The former is imposed on corporations that do business in California, while the latter is imposed on corporations that derive income from California sources without doing business in the state. For example, a corporation that maintains a stock of goods in California to fill orders taken by independent dealers would be subject to the corporate income tax.
- Corporations that have a limited number of shareholders and meet other requirements to qualify for state Subchapter S status are taxed at a 1.5-percent rate rather than the 8.84 percent imposed on other corporations.
- Banks and other financial corporations pay the franchise tax plus an additional 2-percent tax on net income. This "bank tax" is in lieu of local personal property and business license taxes.
- The alternative minimum tax is similar to that in federal law. Imposed at a rate of 6.65 percent, the alternative minimum tax ensures that corporate taxpayers do not make excessive use of deductions and exemptions to avoid paying a minimum level of tax.
- A minimum franchise tax of \$800 is imposed on corporations subject to the franchise tax, but not on those subject to the corporate income tax.
- A fee is imposed on limited liability companies (LLC) based on total income. The fee ranges from \$900 for LLCs with income between \$250,000 and \$499,000,

REVENUE ESTIMATES

to \$11,790 for LLCs with income of \$5 million or more. LLCs with total income of less than \$250,000 do not pay this fee.

The corporation tax forecast is based on an analysis of California taxable profits, employment rates, proprietors’ income, and actual cash receipts.

From 1943 through 1985, corporation tax liability as a percentage of profits closely tracked the corporation tax rate. Since 1986, tax liability as a percentage of profits has dropped below the expected level of 8.84 percent. Increasing S-corporation activity and use of credits have been the primary factors contributing to a divergence between profit and tax-liability growth. Businesses that elect to form as S-corporations pay a reduced corporate rate, with the income and tax liability on that income shifted to the personal income tax.

INSURANCE TAX

Most insurance written in California is subject to a 2.35-percent gross premiums tax. This premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. In general, the basis of the tax is the amount of “gross premiums” received, less return premiums.

The Department of Finance conducts an annual survey to project insurance premium growth. Responses were received this year from a sample representing more than 40 percent of the dollar value of premiums written in California.

In 2006, \$124.8 billion in taxable premiums were reported, an increase of 5.4 percent over 2005. The most recent survey indicates that total premiums will increase by 4.1 percent and 5.3 percent in 2007 and 2008, respectively. As reforms in workers’ compensation insurance continue to take effect, taxable premiums from workers’ compensation insurance continue to decrease: survey respondents reported declines of 27 percent in 2007 and 9 percent in 2008.

INSURANCE TAX REVENUE (IN BILLIONS)

2006-07 (Preliminary)	\$2.178
2007-08 (Forecast)	\$2.075
2008-09 (Forecast)	\$2.276

ALCOHOLIC BEVERAGE TAXES

In addition to the sales tax paid by retail purchasers, California levies an excise tax on distributors of beer, wine, and distilled spirits.

Alcoholic beverage revenue estimates are based on projections of total and per capita consumption for each type of beverage. Consumption of alcoholic beverages is expected to remain relatively flat over the forecast period.

ALCOHOLIC BEVERAGE TAX RATES PER GALLON

\$0.20 for beer, dry wine, and sweet wine

\$0.30 for sparkling wine

\$3.30 for distilled spirits

Revenues forecasted for 2007-08 and 2008-09 and preliminary 2006-07 collections are shown in Figure REV-09.

Figure REV-09
Beer, Wine, and Distilled Spirits Revenue
(Dollars in Millions)

	2006-07 Preliminary	2007-08 Forecast	2008-09 Forecast
Beer and Wine	\$169.7	\$164.2	\$166.0
Distilled Spirits	<u>164.1</u>	<u>170.0</u>	<u>175.2</u>
Total	\$333.8	\$334.2	\$341.2

CIGARETTE TAX

The state imposes an excise tax of 87 cents per pack of 20 cigarettes on distributors selling cigarettes in California. An excise tax is also imposed on distribution of other tobacco products such as cigars, chewing tobacco, pipe tobacco, and snuff. The rate on other tobacco products is calculated annually by the Board of Equalization based on the wholesale price of cigarettes.

Revenues from the tax on cigarettes and other tobacco products are distributed as follows:

- Ten cents of the per-pack tax is allocated to the state General Fund.
- Fifty cents of the per-pack tax, and an equivalent rate levied on non-cigarette tobacco products, goes to the California Children and Families First Trust Fund for distribution according to the provisions of Proposition 10 of 1998.

REVENUE ESTIMATES

- Twenty-five cents of the per-pack tax, and an equivalent rate levied on non-cigarette tobacco products, is allocated to the Cigarette and Tobacco Products Surtax Fund for distribution as determined by Proposition 99 of 1988.
- Two cents of the per-pack tax is deposited into the Breast Cancer Fund.

Projections of cigarette tax revenues are based on total and per capita consumption of cigarettes while revenue estimates for other tobacco products rely on wholesale price data. The cumulative effect of product price increases, the increasingly restrictive environments for smokers, and state anti-smoking campaigns funded by Proposition 99 revenues and revenues from the Master Tobacco Settlement has considerably reduced cigarette consumption.

Annual per capita consumption (based on population ages 18-64) declined from 123 packs in 1989-90 to 84 packs in 1997-98 and 49 packs in 2006-07. The long-term downward trend in consumption should continue to reduce cigarette tax revenues. Estimated revenues for 2008-09 include \$3.78 million from increased collection efforts at the Board of Equalization.

Figure REV-10 shows the distribution of tax revenues for the General Fund and various special funds for 2006-07 through 2008-09.

Figure REV-10

Tobacco Tax Revenue

(Dollars in Millions)

	2006-07 Preliminary	2007-08 Forecast	2008-09 Forecast
General Fund	\$115.4	\$116.3	\$119.4
Cigarette and Tobacco Products Surtax Fund	334.6	327.0	335.0
Breast Cancer Fund	23.0	23.0	24.0
California Children and Families First Trust Fund	603.4	601.0	616.0
Cigarette and Tobacco Products Compliance Fund	2.2	1.3	1.2
Total	\$1,078.6	\$1,068.6	\$1,095.6

PROPERTY TAXES

Article XIII A of the State Constitution (Proposition 13) provides that property is assessed at its 1975 fair market value until it changes ownership. When ownership changes, the assessed value is redetermined based on the property's current market value. New construction is assessed at fair market value when construction is completed. A property's base year value may be increased by an inflation factor, not to exceed two percent annually.

Although the property tax is generally considered a local revenue source, the amount of property tax generated each year has a substantial impact on the state budget because local property tax revenues allocated to K-14 schools offset General Fund expenditures. Assessed value growth is estimated based on twice-yearly surveys of county assessors and evaluation of real estate trends. Assessed value is estimated to grow 9.3 percent in 2007-08 and 7.1 percent in 2008-09.

Property taxes received by school districts and reflected in the Department of Education and Community Colleges budgets are significantly below projections used for the 2007-08 Budget. While a recent audit performed by the State Controller (SCO) indicates local allocations of revenues are being performed correctly, the audit did not provide clear indications regarding the reasons why school property tax receipts are less than estimated using assessed value growth. Comparing actual 2006-07 revenues to estimates show supplemental roll revenues (new assessments added after the March 1 lien date) were \$181 million less than estimated, but prior year tax collections made up \$97 million. The SCO audit indicated that \$100 million in more Educational Revenue Augmentation Fund in three counties was shifted to cities and counties than was estimated. The remaining gap is as yet unexplained.

ESTATE/INHERITANCE/GIFT TAXES

Proposition 6, adopted in June 1982, repealed the inheritance and gift taxes and imposed a tax known as "the pick-up tax," because it was designed to pick up the maximum state credit allowed against the federal estate tax without increasing total taxes paid by the estate. The pick-up tax is computed based on the federal "taxable estate," with tax rates ranging from 0.8 percent to 16 percent.

The Economic Growth and Tax Relief Reconciliation Act of 2001 phases out the federal estate tax by 2010. The Act reduced the state pick-up tax by 25 percent in 2002, 50 percent in 2003, 75 percent in 2004, and eliminated it beginning in 2005.

REVENUE ESTIMATES

The provisions of the federal Act sunset after 2010, at which time the federal and state estate taxes will be reinstated.

Some revenues from this tax continue to be collected from estates established prior to 2005.

OTHER REVENUES

INDIAN GAMING: \$430.4 MILLION

The Governor's Budget includes \$430.4 million in General Fund revenue from Indian Gaming in 2008-09. Revenue of \$33.6 million is attributable to compacts already in place. This estimate also includes \$396.8 million from compacts approved in 2007, and assumes that the referenda on the February 5, 2008 statewide ballot result in confirmation of the Legislature's ratification of the four compacts that are subject to referenda.

Revenues of \$100 million from five compacts approved in 2004 are anticipated to be deposited in the State Highway Account in 2008-09. Revenues from these compacts will be securitized by the issuance of bonds and be made available to repay internal transportation borrowings, if litigation preventing the issuance of bonds is resolved favorably.

SPECIAL FUND REVENUE

The California Constitution and state statutes specify into which funds certain revenues must be deposited and how they are to be spent. Special fund revenues consist of

- Receipts from tax levies allocated to specified functions, such as motor vehicle taxes and fees.
- Charges such as business and professional license fees.
- Rental royalties and other receipts designated for particular purposes, such as oil and gas royalties.

Taxes and fees related to motor vehicles comprise about 35 percent of all special fund revenue. The principal sources are motor vehicle fees (registration, weight, and vehicle license fees) and motor vehicle fuel taxes. During 2007-08, it is expected that \$8.8 billion in revenues will be derived from the ownership or operation of motor vehicles, a 2.9 percent increase from 2006-07. About 40 percent of all motor vehicle taxes and fees will be returned to local governments, and the remaining portion will be used for state transportation programs.

MOTOR VEHICLE FEES

Motor vehicle fees consist of vehicle license, registration, weight, and driver's license fees, and other charges related to vehicle operation. Figure REV-11 displays revenue from these sources from 2006-07 through 2008-09.

The Budget proposes an increase of \$11 per vehicle to the registration fee that provides support for the California Highway Patrol, as well as imposing penalties on those who are late in paying this fee, in line with penalties required under current law for the base registration fee. This will generate approximately \$385 million in revenue in 2008-09 year for partial year implementation, increasing to \$522 million for full-year implementation in 2009-10.

Figure REV-11			
Motor Vehicle Fees Revenue			
(Dollars in Thousands)			
	2006-07 Preliminary	2007-08 Forecast	2008-09 Forecast
Vehicle License Fees	\$566,900	\$581,208	\$596,391
Realignment	1,701,119	1,748,363	1,793,670
Registration, Weight, and Other Fees	<u>2,852,340</u>	<u>2,971,232</u>	<u>3,547,551</u>
Total	\$5,120,359	\$5,300,803	\$5,937,612

The vehicle license fee (VLF) is imposed on vehicles that travel on public highways in California. This tax is imposed instead of a local personal property tax on automobiles and is administered by the Department of Motor Vehicles. Revenues from this tax, other than administrative costs and fees on trailer coaches and mobile homes, are constitutionally dedicated to local governments.

The number of vehicles in the state, the ages of those vehicles, and their most recent sales price affect the amount of VLF raised. The total number of vehicles in California —autos, trucks, trailers, and motorcycles as well as vehicles registered in multiple states —is estimated to be 32,218,000 in 2007-08 and 32,619,000 in 2008-09. The forecast assumes that there will be 2.427 million new vehicles in 2008-09.

The VLF is calculated on the vehicle's "market value," adjusted for depreciation. The motor vehicle schedule is based on an 11-year depreciation period; for trailer coaches it is an 18-year period. A 0.65-percent rate is applied to the depreciated value to determine the fee. Prior to 2005, the rate was 2 percent.

Chapter 87, Statutes of 1991, revised the VLF depreciation schedule and required the Department of Motor Vehicles to reclassify used vehicles based on their actual purchase price each time ownership is transferred. Revenue from this base change is transferred to the Local Revenue Fund for state-local program realignment.

REVENUE ESTIMATES

Chapter 322, Statutes of 1998, established a program to offset a portion of the VLF paid by vehicle owners at the 2 percent rate. The state paid or “offset” a portion of the amount due and taxpayers paid the balance. This General Fund offset gave taxpayers significant tax relief and compensated local governments. A permanent offset of 25 percent of the amount of the VLF owed became operative in 1999. Chapter 74, Statutes of 1999, increased the offset to 35 percent on a one-time basis for the 2000 calendar year. Chapters 106 and 107, Statutes of 2000, and Chapter 5, Statutes of 2001, extended the 35 percent offset through June 30, 2001, and provided an additional 32.5 percent VLF reduction, which was returned to taxpayers in the form of a rebate. Beginning July 1, 2001, the VLF was reduced by 67.5 percent. As the amount paid by taxpayers decreased, the amount backfilled by the General Fund increased.

The VLF reduction was suspended for a 141-day period beginning July 1, 2003. Executive Order S-1-03, issued November 17, 2003, rescinded the offset suspension and directed the Department of Motor Vehicles to reinstate the offset as soon as administratively feasible. Although vehicle owners received refunds that restored the VLF tax relief, there was a gap in payments to local government. This \$1.186 billion loss to local governments was repaid in the 2005 Budget Act.

Chapter 211, Statutes of 2004, eliminated the VLF offset and reduced the VLF tax rate to 0.65 percent so that taxpayers continue to receive the same tax relief they had previously received. Local governments now receive property tax revenues to compensate them for the loss of VLF revenue. In 2004-05 and 2005-06, that replacement revenue was reduced by \$1.3 billion to assist the state.

The Department of Motor Vehicles administers the VLF for trailer coaches that are not installed on permanent foundations. Those that are installed on permanent foundations (mobile homes) are subject to either local property taxes or the VLF. Generally, mobile homes purchased new prior to July 1, 1980, are subject to the VLF. All trailer coach license fees are deposited in the General Fund.

In addition to the VLF, commercial truck owners pay a fee based on vehicle weight. Chapter 861, Statutes of 2000, and Chapter 719, Statutes of 2003, revised the fee schedules to conform to the federal International Registration Plan.

MOTOR VEHICLE FUEL TAXES

The motor vehicle fuel tax, diesel fuel tax, and the use fuel tax are the major sources of funds for maintaining, replacing, and constructing state highway and transportation facilities. Just over one-third of these revenues is apportioned to local jurisdictions for street and highway use.

Gasoline consumption fell by 0.4 percent during 2006-07, due primarily to substantially higher pump prices. Gasoline consumption is expected to increase 2.2 percent in 2007-08 and 1.2 percent in 2008-09.

Because most diesel fuel is consumed by the commercial trucking industry, consumption is affected most significantly by general economic conditions. Diesel fuel consumption grew 3.7 percent in 2006-07, and is expected to rise 4.3 percent in 2007-08 and 4.0 percent in 2008-09.

Motor vehicle fuel tax collections are shown in Figure REV-12.

The motor vehicle fuel tax (gas tax) is collected from distributors when fuel is loaded into ground transportation for transport to retail stations. This fuel is taxed at a rate of 18 cents per gallon. Fuels subject to the gas tax include gasoline, natural gas, and blends of gasoline and alcohol sold for use on public streets and highways.

Figure REV-12
Motor Vehicle Fuel Tax Revenue
(Dollars in Thousands)

	2006-07 Preliminary	2007-08 Forecast	2008-09 Forecast
Gasoline ¹	\$2,848,624	\$2,907,271	\$2,944,094
Diesel	580,896	593,645	618,201
Total	\$3,429,520	\$3,500,916	\$3,562,295

¹ Does not include jet fuel.

Distributors pay the diesel fuel tax, which applies to both pure diesel fuel and blends, at the fuel terminal. Diesel fuel for highway use is taxed at a rate of 18 cents per gallon. Dyed diesel fuel, which is destined for off-highway uses such as farm equipment, is not taxed.

The use fuel tax is levied on sales of kerosene, liquefied petroleum gas (LPG), liquid natural gas (LNG), compressed natural gas (CNG), and alcohol fuel (ethanol and methanol containing 15 percent or less gasoline and diesel fuel). These fuels are taxed only when they are dispensed into motor vehicles used on the highways. Current use fuel tax rates are 18 cents per gallon for kerosene, 6 cents per gallon for LPG and LNG, 7 cents per 100 cubic feet for CNG, and 9 cents per gallon for alcohol fuel. Users of LPG, LNG, or CNG may elect to pay a flat rate of tax based on vehicle weight instead of the per-gallon tax.

REVENUE ESTIMATES

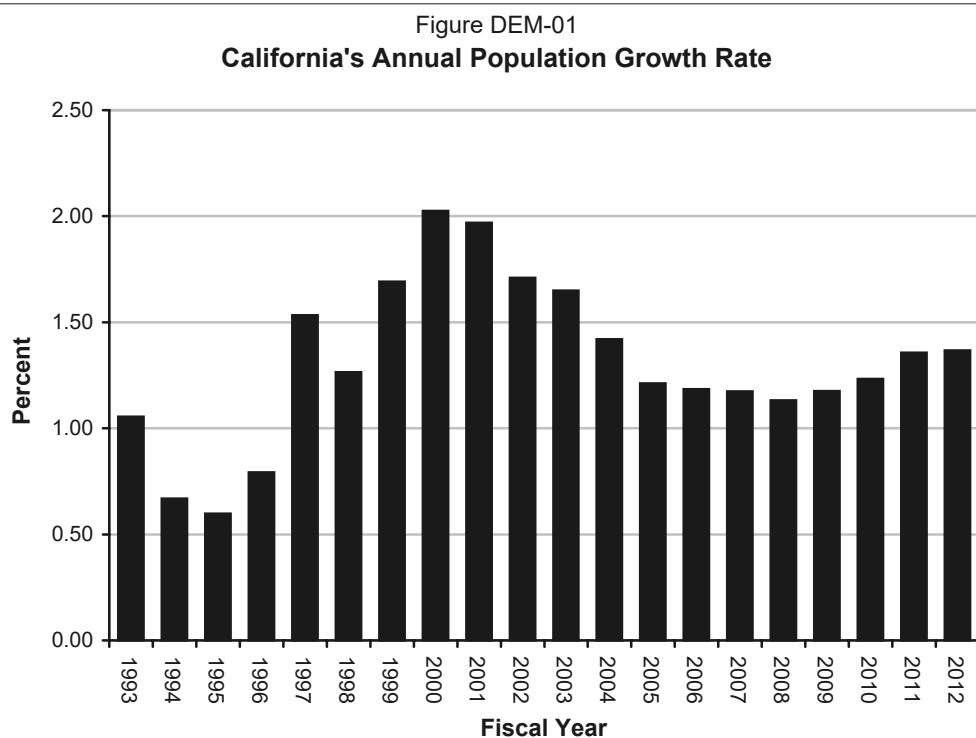
An excise tax of 2 cents per gallon is levied on aircraft jet fuel sold at the retail level. This tax does not apply to commercial air carriers, aircraft manufacturers and repairers, and the U.S. armed forces.

Local transit systems, school and community college districts, and certain common carriers pay 1 cent per gallon on the fuel they use instead of the tax rates described above.

DEMOGRAPHIC INFORMATION

POPULATION OVERVIEW

With nearly 38 million people as of mid-2007, California's population continues to experience strong growth. Despite a slowdown in the mid-1990s, the state has grown in excess of 1 percent per year since 1997 (see Figure DEM-01).



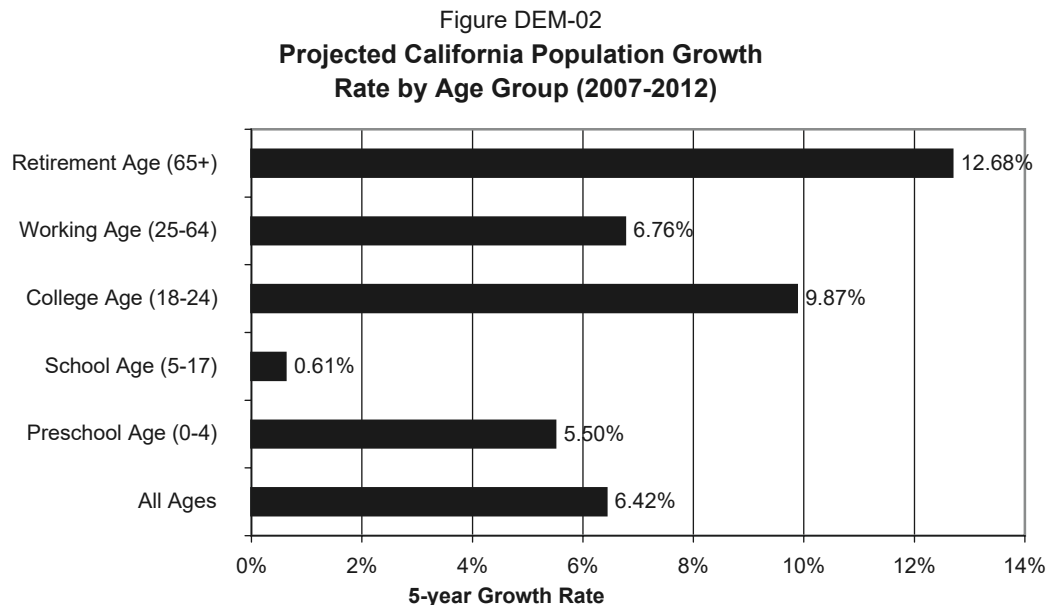
DEMOGRAPHIC INFORMATION

- The July 1, 2007, estimate of the population is 37,771,000.
- It is forecast to be 38,199,000 in 2008 and 38,648,000 in 2009. This reflects a short-term annual growth rate of almost 1.2 percent.

Through the next five years, the state will grow by an average of 485,100 people each year. Natural increase (more children being born than people dying) will account for twice as much growth (67 percent vs. 34 percent) as net migration (people moving to California from other states and other countries, less those moving out).

By July 2012, California will add nearly 2.4 million people to exceed 40 million, a five-year growth rate of 6.4 percent. This compares to the 6.8 percent overall population growth over the five-year period since 2002.

- Population growth rates vary significantly by age group. The state's projected total five-year population growth of 6.4 percent is slightly higher than the 5.5 percent growth in the preschool age group. By far, the slowest growing age group over the next five years is the school-age group with a growth rate of 0.6 percent. On the other hand, the college-age group will grow 9.9 percent. The working aged population will grow by 1.4 million, or nearly 7 percent and retirement-age group will soar more than 12 percent (see Figure DEM-02).



- In fall 2006, K-12 public school enrollment was a little less than 6.3 million students. Starting in 2003 and continuing through 2012, school enrollment growth will be slower than that of the general population because the number of births in the state declined in the 1990s. However, it should be noted that births increased again in 2006 for the fifth year in a row.
- Beginning in 2003 and continuing in 2004, K-12 public school enrollment growth was below 1 percent. Prior to these years, enrollment growth had not been less than 1 percent since 1983—more than 20 years earlier. School enrollment growth rates turned negative in 2005 and are expected to continue to decline through 2010 and then turn positive. There was a slight jump in school enrollment in fall 2006, but this was due to a change in reporting rather than an actual increase in school enrollment.

THE CALIFORNIA STRATEGIC GROWTH PLAN

In January 2006, an ambitious rebuilding of California was launched with the Strategic Growth Plan (SGP), which was designed to restore and maintain our roads, schools, ports, and water supply. By investing and leveraging billions of dollars in the state's infrastructure over the next 20 years, California can maintain its economic sustainability and high quality of life. In November 2006, the voters approved the first installment of that 20-year vision to rebuild California. Then, in 2007, the Legislature authorized \$7.7 billion in lease-revenue bond authority for the California Department of Corrections to address prisons and jail overcrowding, and to improve the delivery of mental, dental, and medical services within the correctional system.

Much progress will be made with these initial funding pieces. Work on dozens of critical levee improvements is already underway, thousands of new and renovated classrooms will be built throughout the state, and transportation construction projects will begin to reduce congestion of goods and traffic. Homes for those who could not previously afford them will be available and our state's universities and colleges are expanding to meet the continued growth in enrollment.

However, additional investments over the next ten years in the state's infrastructure are still needed if California is to maintain and improve its highly valued quality of life and continue its economic growth. Many programs are still in need of funding, partnerships with the private sector should be leveraged, and a more coordinated effort of state agencies to promote sustainability and collaboration is needed. To address these critical gaps that remain in California's infrastructure, the Administration proposes the following:

- The creation of a Strategic Growth Council to coordinate the activities of state agencies to promote sustainability and to coordinate the investment of funds in state-owned and state-funded infrastructure so that those investments can have years of lasting benefits.
- The establishment of Performance Based Infrastructure (PBI) California to provide a center of excellence of specialized experts for the delivery of PBI. This expertise will be used in a manner that will allow projects to be delivered in an innovative yet efficient manner and to ensure those projects are built to achieve the greatest life cycle benefits.
- Legislation to place a bond before the voters to expand the state's water supply and management systems to meet the needs of population growth and manage the effects of climate change on California's hydrology and water delivery systems for decades.
- Legislation to place a bond before the voters to continue funding of the state's K-12 schools beyond the three years of financing provided by the current bonds to prepare for enrollment growth, reduce overcrowding, and repair dilapidated classrooms in compliance with the settlement agreement in *Williams v. State of California*.
- Legislation to place a bond before the voters to continue funding of the state's higher education systems beyond the two years of financing provided by the current bonds to prepare for future enrollment growth and maintain their world renowned research capabilities. The bond measure proposes to provide an additional \$50 million per year above the compact level for University of California and California State University.
- Modifications to the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, currently scheduled for November 2008 ballot to ensure that appropriate financing is available to begin building the project.
- Legislation to place a bond before the voters to expand and repair the infrastructure for California's court system to address significant caseload increases and reduce delays.

As reflected in Figure INF-01, \$48.1 billion of new general obligation bonds are proposed to augment the existing funds for the SGP through 2016. The SGP proposes that the new general obligation bonds be placed on the ballot in the 2008 and 2010 general elections and that all bonds be issued and spent over the next ten years in a manner that maintains a prudent debt ratio.

Figure INF-01
Strategic Growth Plan
2006-2016
Election Year Proposals
General Obligation Bonds
(Dollars in Billions)

	2008	2010	2012	2014	Totals
Program					
Education-K-12	\$6.4	\$5.2			\$11.6
Education-Higher Ed	7.7	4.6			12.3
Water	11.9				11.9
High Speed Rail	10.0				10.0
Judiciary	2.0				2.0
Other Public Service Infrastructure	0.3				0.3
Total	\$38.3	\$9.8	\$0.0	\$0.0	\$48.1

STRATEGIC GROWTH COORDINATION AND SUSTAINABILITY

It is increasingly apparent that many of the statewide challenges, from greenhouse gas reduction to congestion relief, from flood protection to affordable housing, include a strong land use and resource planning component as part of the solution. In addition, the majority of bond funds recently approved by the people of California have either a direct or indirect relation to land use and resource planning through infrastructure development. The current challenge facing state agencies involved in resource management or infrastructure development is to meet the above goals and achieve the high level of accountability that the public expects, whether they are distributing bond resources or just carrying out routine statutory functions.

There is growing awareness among state agencies and departments that they cannot meet the challenges facing them if they continue to operate in isolation: the challenges are too great and the solutions are too multi-dimensional to address without a coordinated effort. The state has little direct say in land use planning, since it is a local government activity, but by coordinating infrastructure bond expenditures, grant monies, and state planning and development activities, state agencies can provide leadership and guidance so that those investments of funds supply benefits that last decades. While these efforts will be undertaken over the next many years, by doing so, this Administration can accomplish more for less.

Therefore, the creation of the Strategic Growth Council (Council) is proposed to coordinate the activities of state agencies to promote environmental sustainability,

economic prosperity, and quality of life for all residents of California. The Council would perform the following tasks:

- Coordinate the activities of state agencies to best improve air and water quality, improve natural resource protection, increase the availability of affordable housing, improve transportation, meet the goals of AB 32, and encourage sustainable land use.
- Recommend policies to the state agencies and the Legislature that will encourage the development of sustainable communities consistent with the intent of Proposition 84. Manage and award grants and loans of funds provided in Proposition 84 to support planning and sustainable communities.
- Collect, manage, and provide data and information to local governments that will assist local governments in developing and planning sustainable communities.

PROVIDING PERFORMANCE BASED INFRASTRUCTURE (PBI)

Over the last few years a number of nations have been turning to the private sector to help deliver an increasing number of infrastructure projects. By partnering with the private sector, these governments can harness the advantages of technology knowledge, management efficiencies and entrepreneurial spirit with the social responsibility, environmental awareness and job generation concerns of the public sector to leverage and build infrastructure. This partnering approach results in a shared responsibility for the delivery of infrastructure and also when appropriate and cost effective, the service of maintaining and managing those assets. The results are lower initial costs, lower life cycle costs, faster delivery, better service or lower risk and importantly improved customer satisfaction.

Nations such as the United Kingdom (UK), France, Australia, and Canada are all utilizing these partnerships. The UK has procured 221 primary, secondary schools and colleges, 181 hospitals, 62 transportation projects, 36 government buildings, 16 prisons, 9 court facilities and numerous other facilities in this manner. France's highway program and High Speed Train (worth an estimated \$58 billion) have been realized because of these partnerships. Australia has built schools, prisons, courthouses, power stations and hospitals using this method. In two short years Ontario, Canada has procured 47 major projects and since 2005 British Columbia has procured nearly \$5 billion in projects.

In the United States, the federal government has provided more than \$25 billion of high quality military housing at Camp Pendleton and other bases using PBI, leading to higher tenant satisfaction and lower costs. The City of Miami recently approved a new tunnel using PBI to speed goods movement, reduce congestion and improve the environment, and the State of Missouri is in the process of employing PBI for the widespread rehabilitation/replacement of 802 bridges.

While this trend of procurement is still new and growing, governments are consistently reporting successes and benefits in terms of construction savings, faster delivery times and reduced operating costs.

Given the opportunities California has over the next ten years to invest billions of bond funds into our own communities, assurances should be made so that all available means of project delivery, including this partnership approach, are available to our state and local governments including accountability measures to maximize public benefit and service. Not all projects can benefit from this delivery method so to that end, PBI projects will only be undertaken if they can add value or reduce costs.

Broad authorization is proposed for state and local governments in California to use these partnerships for the planning, design, development, finance, construction, reconstruction, rehabilitation, improvement, financing, operation or maintenance of their infrastructure needs. Since all levels of California governments do not have the expertise to undertake this type of procurements, *PBI California* is proposed to be established to assist in the effort to achieve the best financing, procurement, risk allocation, delivery, operation and maintenance of private partnerships in a performance based approach.

PBI California will provide expertise to manage and implement public-private partnerships and provide the ability for the leveraging of resources and to generate economies of scale. PBI California would contract with governmental entities (local and state) to provide advice on how to enter into, and receive favorable terms from public-private partnerships and act as a repository of knowledge, understanding, expertise, and practical experience in relation to these partnerships. Partnering with the private sector will only be undertaken on those projects that can demonstrate a benefit in terms of cost, delivery time or long-term operational costs.

FLOOD CONTROL AND WATER SUPPLY

As a result of the Governor's emergency declaration for California's levee system in February 2006 and funding provided by the Legislature in the 2006 Budget, key repairs to 33 critical erosion sites protecting Central Valley communities were completed in record time. The state is now advancing funds and working with the federal government to repair 71 additional levee erosion sites damaged in the floods of 2006. An unprecedented effort to evaluate 350 miles of urban levees and 1,250 miles of non-urban levees for hidden defects has begun, and the state is leading a coordinated effort involving federal and local agencies to avoid a major flood disaster in California.

In 2005, the Administration published the California Water Plan Update, which called for implementation of two initiatives to ensure reliable water supplies: integrated regional water management and improved statewide water management systems. In January 2005, eight months before Hurricane Katrina flooded New Orleans, the Department of Water Resources published Flood Warnings: Responding to California's Flood Crisis, calling for a variety of flood management improvements and reforms to reduce the potential for such disasters in California. In 2006, the Administration published Progress on Incorporating Climate Change Into Management of California's Water Resources, the first detailed analysis of the effects that climate change is expected to have on water and flood management in the state.

The infrastructure package approved by the voters in November 2006 includes \$4.59 billion for levee repair and flood management (Proposition 1E) and approximately \$1.5 billion for integrated regional water management including wastewater recycling, groundwater storage, conservation, and other water management actions (Proposition 84). Together, these investments will provide substantial funding to address California's flood challenges for years to come.

However, two critical areas remain unaddressed that are vital to ensuring California has reliable water supplies to cope with the effects that climate change will have on water supply and flood protection: storage and conveyance. None of this will happen overnight and will take many years to accomplish which is why it is necessary that this begin now.

Over the next ten years, California must expand its water management and delivery system, including surface storage, groundwater storage and conveyance facilities. In this phase of the Strategic Growth Plan, the Administration proposes a total of \$11.9 billion general obligation bonds that will provide benefits in water supplies for decades. The proposal consists of the following parts:

- **Water Storage—\$ 3.5 billion.** This funding will be dedicated to the development of additional storage, which, when combined with the Regional Water Management investments of Proposition 84 and the flood system improvements of Proposition 1E, will help to offset the climate change impacts of reduced snow pack and higher flood flows. Eligible projects for this funding include the three most likely locations for surface storage in the state, Sites, Temperance Flat and Los Vaqueros reservoirs, as well as groundwater storage, reservoir re-operation, and regional storage projects that provide benefits to the state. In addition to this increased water supply, the projects will provide other benefits, such as enhanced flood management capability, improved Delta water quality, and improved wildlife habitat. The costs of new water storage would be shared between state taxpayers and non-state water suppliers. The state would provide up to 50 percent of total costs, funded by general obligation bonds. The state's investment reflects the statewide benefits of flood control, ecosystem restoration, and water quality improvement. The non-state costs would be funded by the water suppliers who would benefit from the new storage.
- **Delta Sustainability—\$2.4 billion.** Leveraging anticipated federal and local funding sources, this funding will be dedicated to implementing a resource management plan for the Delta consistent with the Bay Delta Conservation Plan currently in development and the findings of the Delta Blue Ribbon Task Force. To assure the reliability of the state's major water supply systems, investments will be made in improving water conveyance, water quality, the Delta ecosystem, and Delta levees. These investments will reduce the seismic risk to water supplies derived from the Delta, protect drinking water quality and reduce conflict between water management and environmental protection.
- **Water Resources Stewardship—\$1.1 billion.** This funding will support implementation of Klamath River restoration, provide for elements of Salton Sea restoration identified in the Salton Sea Restoration Act and related legislation enacted in 2003, contribute to restoration actions on the San Joaquin River, and supplement successful restoration projects on the Sacramento River and its tributaries as well as in the Delta.
- **Water Conservation—\$3.1 billion.** This funding will augment \$1 billion in funding provided by Proposition 84 and support the Integrated Regional Water Management (IRWM) program. IRWM is designed to encourage integrated regional strategies for management of water resources that will protect communities from drought, protect and improve water quality, and improve local water security by reducing

dependence on imported water. The proposed funding will provide targeted water conservation grants to local communities that coordinate the planning of their shared water resources. These investments in water conservation will increase water use efficiency and protect water quality, and will reduce energy use, urban and agricultural runoff, and urban effluent.

- **Water Quality Improvement—\$1.1 billion.** This funding will support efforts to reduce the contamination of groundwater used for drinking water supplies, assist local community wastewater treatment projects, provide grants for stormwater management projects, and help the Ocean Protection Council protect and improve water quality in areas of special biological significance.
- **Other Critical Water Projects—\$700 million.** This funding will provide \$250 million for grants and loans for water recycling projects to enhance regional water self-sufficiency. In addition, this funding will provide \$150 million to restore hillsides and other areas devastated by fire and to prevent future watershed damage from wildfires. Lastly, the funding will provide \$300 million to remove fish barriers on key rivers and streams, including removal of obsolete dams.

K-12 EDUCATION

K-12 schools will experience net increases in student enrollment of approximately 42,000 students by 2015-16. While some schools are experiencing declining enrollments, many other high-growth areas lack the schools necessary to accommodate increased enrollment. Some large declining enrollment districts have very overcrowded sites requiring new construction to adequately house students. Most notably, in order to meet the requirements of the Williams settlement, the Los Angeles Unified School District, along with any other remaining school districts, must relieve the most critically overcrowded schools (also known as “Concept 6” schools) by 2012. Thus, the need for new schools will continue to exceed net student growth projected during this period. As our system of approximately 9,600 school sites continues to age, the need for modernization assistance to keep classrooms modern continues during this period. Finally, because our primary and secondary school system helps develop tomorrow’s workforce, it is important to both ensure facilities for charter schools to stimulate innovation and for Career Technical Education to ensure all students have the opportunity to participate in the high skill technical jobs that will fuel the economy of the future. Because Career Technical Education (CTE) has languished in the public school system

for many years and the demand for charter schools is growing, the SGP continues the emphasis on assisting schools in meeting these special facility needs.

TOTAL K-12 PROGRAM PROPOSES \$11.6 BILLION

The SGP proposes \$11.6 billion of additional general obligation bonds to provide state bond funding for schools into 2012-13. The \$11.6 billion is proposed to be split between the 2008 and 2010 elections. This total amount of funding, when combined with the \$7.3 billion contained in Proposition 1D, approved by the voters in November of 2006, is estimated to provide for approximately 39,000 new classrooms to house approximately 1 million students and almost 60,000 renovated classrooms providing state-of-the-art facilities for over 1.5 million students.

2006 BOND PROVIDED \$7.3 BILLION

Proposition 1D, designed to meet modernization needs through 2010-11 and other school facility program needs through 2008-09, will provide approximately 10,300 new classrooms housing almost 260,000 students and approximately 46,700 renovated classrooms to serve 1.2 million students through the following components:

- New Construction—\$1.9 billion
- Modernization—\$3.3 billion
- Charter Schools—\$500 million
- Career Technical Education—\$500 million
- Overcrowding relief in certain districts—\$1 billion
- Incentives to meet high performance school design standards—\$100 million
- Joint use facilities—\$29 million

Of the amounts for new construction and modernization above, up to \$200 million is available for the Small High School Program and up to \$200 million is available for seismic safety projects. However, there has been minimal participation in the Small High School Program, with only one application approved for this program to date. Therefore, the Administration will explore options to address the impediments for district participation in this program.

CHARTER SCHOOL FACILITY PROGRAM CHANGES

Although charter schools have been provided access to almost \$900 million in bond funds beginning with Proposition 47 in 2002 and continuing through Proposition 55 and Proposition 1D in 2006, there are significant barriers in the existing Charter School Facility Program that have prevented charters from being able to use these bond funds to construct new facilities or renovate existing buildings to serve charter school facilities needs. The Administration will work to remove these barriers and provide a climate for innovation to accommodate the needs of charter schools.

2008 EDUCATION BOND MEASURE PROPOSES \$6.43 BILLION FOR K-12

The next bond measure, proposed for the 2008 election cycle, is estimated to fund construction through 2010-11 and provide approximately 18,300 new classrooms housing approximately 472,000 students and over 400 renovated classrooms providing state-of-the-art capacity for approximately 10,700 students. The bonds are proposed to be allocated as follows:

- New Construction—\$4.430 billion to assist high-growth school districts that are projected to have increases in enrollment through 2010-11. This amount is predicated on grant reductions calculated to revise the traditional 50 percent state / 50 percent local cost-sharing ratio to 40 percent state / 60 percent local. This amount assumes the state's assistance for acquisition of sites will be restricted to a participation level assuming 150 percent of current site density planning standards.
- Chapter 691, Statutes of 2007 (AB 1014) alters the calculation methodology for determining school district eligibility for new construction funding by allowing districts to submit 10-year enrollment projections and utilize modified weighting mechanisms, birth rates, and residency data. The fiscal effect this bill may have on new construction eligibility is unclear due to uncertainty as to how many districts will utilize the new methods. However, the changes authorized by this bill could result in hundreds of millions of dollars in additional new construction eligibility, which will create pressure on current and future bond funds beyond the \$11.6 billion proposed in the SGP.
- Modernization—Last year, a total of \$1.539 billion to address rehabilitation needs was proposed in the SGP for buildings that are over 20 to 25 years old, in recognition that teaching techniques, building codes, and technology have changed over time. However, due to less-than-anticipated modernization apportionments over the past year and changes in projected funding allocations, we are not proposing any additional modernization funds until the 2010 bond measure.

- Charter School—\$1 billion to provide dedicated funding for charter schools as a part of addressing the educational needs of K-12 students and housing enrollment growth. Charter schools provide an added dimension to parental choices in ensuring an appropriate environment for their child’s education. These funds are predicated on a 50 percent state / 50 percent local sharing ratio because Charters do not have the ability to levy local bonds. Instead, state bond funds are used to advance the local share and are paid back with operating or other revenue over time.
- Career Technical Education Facilities—\$1 billion to provide a dedicated fund source for matching grants to provide state-of-the-art technical education facilities to ensure our comprehensive high schools can provide the cutting-edge skills essential to the high-wage technical sectors of our state economy. These funds are predicated on a 50-percent state / 50-percent local sharing ratio to provide added incentive to build these high cost classrooms.

2010 BOND MEASURE PROPOSES \$5.17 BILLION FOR K-12

The revised plan proposes a subsequent bond measure for K-12 schools in 2010 to address needs extending into 2012-13. This increment will provide for the same purposes as the 2008 bond and is predicated on continuation of the cost containment measures described previously. This level of funding is estimated to provide almost 10,400 new classrooms serving 268,000 students and almost 12,700 renovated classrooms serving about 328,000 students.

- New Construction—\$2.335 billion
- Modernization—\$835 million
- Charter Schools—\$1 billion
- Career Technical Education Facilities—\$1 billion

NEEDS BEYOND 2012-13

Competing statewide infrastructure needs make current funding policies for K-12 school construction unsustainable within a prudent debt service ratio. While the proposed SGP provides state general obligation bond assistance for funding the needs into 2012-13, assuming specified state cost containment measures, it will be necessary for schools to plan for additional bond measures and alternative financing strategies for financially troubled districts to ensure every student is housed in an appropriate classroom. Finally, the Administration proposes to review the overall financing structure for schools, including consideration of public-private partnerships, to ensure sustainable long-term funding of school facilities.

HIGHER EDUCATION

The Higher Education Compact calls for state funding of \$345 million per year, per segment, for the University of California (UC) and the California State University (CSU). The voters approved this level of infrastructure funding for the UC and the CSU through 2007-08 by approving Proposition 1D. Proposition 1D also provided \$750 million per year for the California Community Colleges (CCC), which resulted in a total of \$3.1 billion for all of the higher education segments for a two-year period.

Proposition 1D included \$200 million for UC's Telemedicine program. The UC has committed approximately \$160 million for Telemedicine projects. This will be used to implement a systemwide program for improving health care delivery to underserved populations and regions by providing diagnostic and health care advice via videoconferencing, in conjunction with an expansion of medical student enrollment through the Programs in Medical Education (PRIME) program.

The new funding will provide for construction of new facilities at five UC medical schools and affiliated clinics located regionally and throughout the state. New facilities would be constructed and fully equipped to provide the University's health care professionals with videoconferencing capability and instruction and research space to accommodate expanded medical student enrollment in the PRIME program. The balance of funding (\$40 million) will be used in future years to expand telemedicine capabilities in community hospitals or clinics and to improve community health services in selected areas such as UCLA/Charles Drew University of Medicine and Science and UCLA/UC Riverside medical education programs.

Proposition 1D is in the second year of funding and nearing exhaustion, consequently, the SGP proposes funding beyond the two years of financing provided by the current bonds. The SGP includes an additional \$50 million per year for UC and CSU, on top of the compact funding of \$345 million per year, to continue state support for the UC, CSU and CCC beyond 2008-09 through additional bond measures on the 2008 and 2010 ballots, totaling \$12.3 billion. These funds will be used to meet an increased student enrollment of approximately 130,000 at the UC and CSU campuses and to continue the current level of CCC support.

Proposed new general obligation funding for higher education includes:

- University of California—\$3.2 billion. This funding will help the UC system accommodate an increased enrollment of approximately 50,000 students over the

ten-year vision of the SGP. Facilities must be built or renovated to meet this high level of demand.

- California State University—\$3.2 billion. This funding will help the system accommodate an increased enrollment of approximately 80,000 students over the ten years.
- California Community Colleges—\$6 billion. This funding will help the 72 districts who provide services at 110 colleges and 65 off-campus centers provide services to their approximately 2.5 million students.

While this funding will be allocated over the next couple of years, it will take many years to construct and complete all projects.

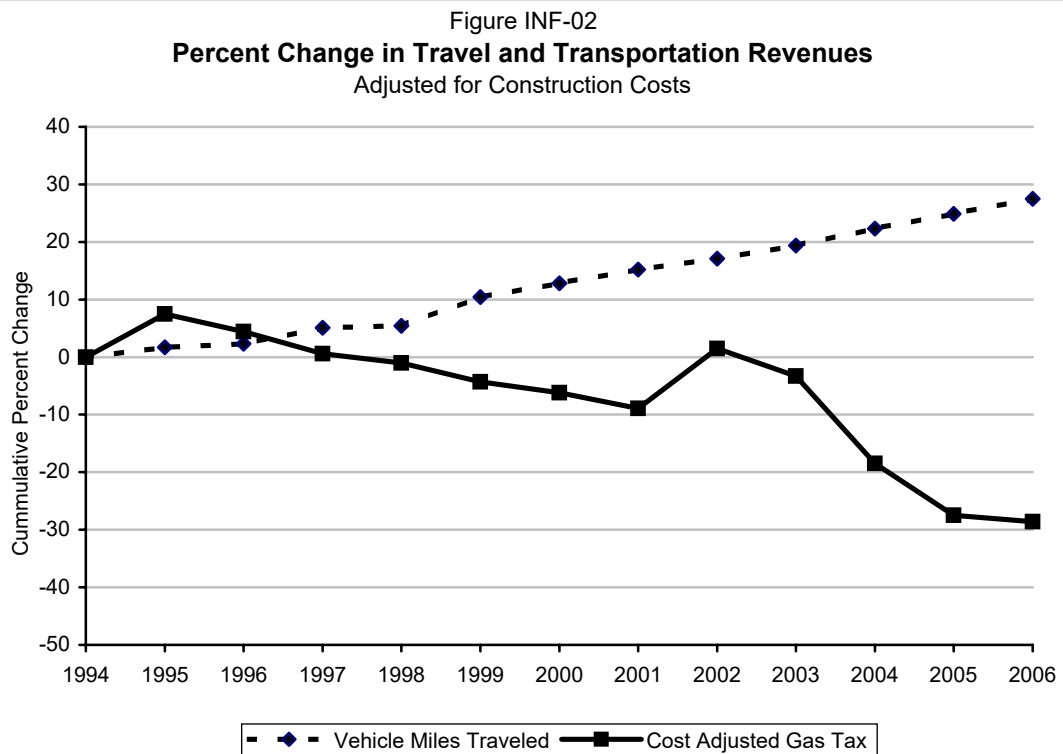
TRANSPORTATION

Boosted by voter approval of Propositions 1A and 1B in 2006, investment in long-overdue transportation improvements will help overcome decades of chronic underinvestment in one of the state's most important economic assets.

The inadequacies of California's current funding methods have contributed to the underinvestment in the state's transportation network. Per-gallon taxes on gasoline and diesel fuel and truck weight fees are the dominant sources of funding for transportation system maintenance and expansion. While increasing vehicle efficiency over the years provides valuable energy and environmental benefits, declining revenues per vehicle mile traveled, coupled with inflation and skyrocketing construction costs, have caused revenue sources to fall short of the state's transportation system's needs. Consequently, chronic underinvestment has increased congestion and has resulted in California having some of the most distressed highway and road conditions in the United States.

Part of the gap has been filled with voter-approved local-option sales taxes and the Proposition 42 sales tax on gasoline. In addition, passage of Proposition 1A by California voters in November 2006 ensures that Proposition 42 revenues will be directed solely for transportation purposes. However, these sources are far from sufficient. Between 1994, when gas tax rates were last adjusted, and 2005-06, travel on the State Highway System increased by 27 percent, from 144.2 billion to 183.4 billion vehicle miles traveled. Similarly, vehicle miles traveled on local streets and roads increased 12 percent over the same period from 127.6 billion to 143 billion. Collectively, state highways and local streets and roads support nearly 20 percent more traffic today than just 12 years ago.

Over the same time frame, while state gas tax revenues have increased about 21 percent, transportation system construction costs have far exceeded inflation. The California Highway Construction Cost Index compiled by Caltrans shows that actual construction costs have increased by 200 percent in the same period. As shown in Figure INF-02, the ongoing revenue shortfall for both new construction and maintenance at the state and local levels has caused the state's transportation system to fall further and further behind each year relative to needed improvements.



The approval by voters of Proposition 1A and the \$19.9 billion transportation bond measure of Proposition 1B in November 2006 provides a substantial down payment on meeting California's long-term transportation needs over the next ten years.

PROPOSITION 1B AUTHORIZES THE FOLLOWING PROGRAMS:

- Congestion relief (corridor mobility)—\$4.5 billion to expand capacity and improve travel times in high-congestion travel corridors.

- Local transit and intercity rail—\$4.0 billion for public transit, intercity and commuter rail, and waterborne transit operations.
- Goods movement—\$3.1 billion to relieve traffic congestion along major trade corridors, improve freight rail facilities, and enhance the movement of goods from port to marketplace. This includes \$1.0 billion for air quality improvements that will reduce emissions and greenhouse gases from activities related to port operations and freight movement. \$100 million is for port security improvements. The SGP proposes that these goods movement funds be used to attract at least \$10 billion of private investment and other funding.
- State Transportation Improvement Program—\$2.0 billion to augment funds for this existing program that provides capital funding allocated on a formula basis to every region of the state.
- State Route 99—\$1.0 billion for improvements to this 400-mile highway through the heart of the Central Valley.
- Local streets and roads—\$2.0 billion for improvements to local transportation facilities to construct, repair and rehabilitate streets and roads.
- Transit safety, security, and disaster response—\$1.0 billion to improve protection against security and safety threats and to increase the capacity of transit operations to move people, goods, emergency personnel, and equipment during and after a disaster.
- State-Local Partnership—\$1.0 billion to match local agencies that raise new funds for transportation projects.
- Highway rehabilitation and operational improvements—\$750 million for highway safety, rehabilitation, and pavement preservation projects. This amount includes \$250 million for traffic light synchronization projects and other technology-based improvements to enhance safety operations and the capacity of local streets and roads.
- School bus retrofit and replacement—\$200 million to reduce air pollution and minimize children's exposure to diesel exhaust.
- Local bridge seismic projects—\$125 million to complete seismic retrofits or replacements of local bridges, ramps, and overpasses.
- Railroad grade crossings—\$250 million for improvements to railroad crossings and the construction of bridges over rail lines.

Chapters 181, 313, and 314, Statutes of 2007 (SB 88, AB 193, and AB 196), 2007 Budget Act trailer bills, provided the statutory framework for most of these Proposition 1B bond programs. The 2007 Budget Act and related trailer bills appropriated a total of \$4.2 billion in Proposition 1B funding, and the 2008-09 Governor's Budget proposes a total of \$4.7 billion in appropriations. The California Transportation Commission has already scheduled resources for projects under four of the major bond programs, and has adopted guidelines that will enable projects to be scheduled in the near future for two others.

These new resources will be used in conjunction with existing transportation revenues from state and federal gas taxes, weight fees, tribal gaming funds, and Proposition 42 funds totaling \$9.96 billion in capital spending in 2008-09. In the next ten years, the transportation component of the SGP is projected to result in 550 new High Occupancy Vehicle lanes, 750 new highway lane-miles, 9,000 miles of rehabilitated lanes, 600 miles of new commuter lines, 310,000 more transit riders, and a 150-percent increase in intercity rail riders.

MAINTAINING WHAT WE BUILD

While the bonds and the funds they can leverage will provide substantial congestion relief, state and local needs for maintenance, rehabilitation and operation cannot be adequately funded with currently available resources. State-owned highway miles needing repair have increased from roughly 21 percent of the total system in 2001 to 27 percent in 2007, and could increase to 40 percent by 2015-16 unless planned efforts to focus existing resources on pavement rehabilitation are undertaken. Even when these planned actions are implemented, however, about a third of the State Highway System will remain in distress unless additional resources are identified. Local street and road maintenance backlogs of many billions of dollars reportedly exist and are growing. The CalTrans State Highway Operations and Protection Program (SHOPP) does not have sufficient resources to adequately and effectively operate and preserve the State Highway System. Most of the funds made available under Proposition 1B and Proposition 42 cannot be used for these purposes. Fuel tax revenues, which are the primary source of funding for these purposes, are likely to increase slowly or actually decline with the growing use of alternative fuels and increasing fuel efficiency in new vehicles. As the SGP is implemented, the Administration will work with interested parties and the Legislature to develop more information about the scope of the problem and long-term solutions.

HIGH SPEED RAIL

The High-Speed Rail Authority is charged with planning the development and implementation of an intercity high-speed rail service. The Budget proposes to continue the current level of funding of \$1.2 million for basic staff support.

High speed rail in California can ultimately provide a network of ultra-fast rail lines that is a viable and important transportation alternative to address the transportation concerns of California in the next 20 to 30 years. California has been working on high-speed rail for more than ten years now, and to date California taxpayers have borne 100 percent of the project costs, even though their ultimate participation should not exceed 33 percent of the total project cost. In fact, California taxpayers have already spent more than \$40 million on planning, consultants and other costs. The plan placed before the voters must demonstrate the financial feasibility of the project and the commitment of federal, state, local, and private participants.

JUDICIAL

The Trial Court Facilities Act of 2002 provided for the transfer of local court facilities to the state to ensure consistency in the provision of justice and to ensure that facilities are managed in a way that provides safe and secure courts. Since that time, the Judicial Branch has worked to complete the transfers and to create an organization that will be responsible for the design, construction and operation of a unified statewide court system. As of July 2007, the Judicial Council had completed 120 court facility transfers from 31 counties. The Administrative Office of the Courts (AOC) is working with the Legislature to extend the deadline to transfer court facilities to the state through December 2009. This would enable the AOC to work with the counties to transfer approximately 180 additional court facilities over the next year, with the remaining facilities estimated to transfer to the state by December 2009.

The state's court system is supported by a substantial infrastructure inventory, including 451 trial court facilities, 11 appellate court facilities and 3 Supreme Court facilities. A significant number of these facilities do not meet current guidelines for efficient and safe court environments and, overall, the facilities are overcrowded with no capacity to handle growth in judicial workload. The AOC estimates that \$9.6 billion is needed to bring all the courts up to secure and safe standards and accommodate growth. It is proposed that \$2 billion of new general obligation bonds be provided to address these infrastructure issues. While this amount will not fund all facility needs identified by the

AOC, it will provide immediate funding to handle the most critical infrastructure issues over the next ten years. In addition, this funding will enable the courts to leverage private funding through public-private partnerships. These partnerships might include (but not be limited to) arrangements such as:

- Exchanging outdated and inefficient court facilities located on valuable urban property for new court facilities on less prominently-located property.
- Co-locating revenue-generating commercial space (e.g., law offices) in newly constructed court buildings.
- As demonstrated in Canada, the UK and elsewhere, design-build-operate contracts in which the private sector constructs and operates a court building in exchange for lease payments.

With an asset inventory as large as the court system's, there are very likely many opportunities for successful partnerships that would increase the resources available to the court system for its facility needs. Because of the formative nature of the court system's public-private partnership efforts, it is difficult to estimate the amount of resources that will be leveraged.

In addition, the court system receives about \$125 million per year from certain fine and fee revenues that are dedicated to addressing facility needs. The ongoing nature of this revenue stream will continue to be an important part of the court system's multiple funding approach to addressing its infrastructure needs.

HOUSING

California has had high housing prices for many years and lags the nation in affordability. Restrictions on land available for development and additional costs imposed by government are the primary reasons for these high prices. This has led to a chronic undersupply of housing affordable to most Californians. State bond funding, tax credits and redevelopment funds are used to help create additional housing, primarily for low-income Californians.

Proposition 1C, provides \$2.85 billion for housing-related programs.

- Affordable housing loans and grants—\$1.4 billion. This funding will provide for multifamily housing (\$345 million), homeless youth housing (\$50 million),

emergency housing (\$50 million), supportive housing (\$195 million), farm worker housing (\$135 million), CalHome (\$300 million), down payment assistance (\$200 million), and the Building Equity and Growth in Neighborhoods (BEGIN) program (\$125 million). These are existing programs and funding started being allocated from many of them in 2006-07. Over their life these programs are projected to assist in the creation of over 31,000 new housing units and 2,350 shelter spaces.

- New Housing Incentive Programs—\$1.45 billion. This funding will support new programs to provide incentives to permit housing development and to stimulate innovation in housing creation. These programs will require further legislative and administrative program development. The Administration is proposing that these funds be granted on a competitive basis, with priority given to localities that increase housing production over recent trends, produce more affordable housing, and do so with less negative impacts by siting housing near transit and within existing urbanized areas. Several of these programs provide funding for parks and other community infrastructure needed for new housing. These programs will incentivize construction of housing; expected to result in 87,000 additional housing units.

PROPOSITION 1C:

\$771 million in bond allocations for:

- Affordable homeownership – \$188 million
- Multifamily rental housing – \$194 million
- Joe Serna Jr. Farmworker Housing – \$40 million
- Emergency Housing Assistance – \$24 million
- Infill Incentives Grant program – \$200 million
- Transit-Oriented Development – \$95 million
- Housing Urban-Suburban-and-Rural Parks – \$30 million
- Affordable homeownership – \$188 million

PROPOSITION 46

The Budget includes the remaining \$36 million of Proposition 46 funding. This bond has assisted in the creation or permitting of over 100,000 housing units.

PUBLIC SAFETY

The historic passage of AB 900 in 2007 provided the California Department of Corrections and Rehabilitation (CDCR) \$7.7 billion to help address California's prison overcrowding crisis. The Legislature approved these funds for the following purposes:

- Expand capacity at existing facilities—\$2.7 billion (\$1.8 billion in Phase 1 and \$600 million in Phase 2, \$300 million General Fund). This funding will add up to 16,000 additional prison beds at existing facilities and expand existing power, water, and wastewater treatment facilities to handle a larger population.
- Local jail facilities—\$1.2 billion (\$750 million in Phase 1 and \$470 million in Phase 2). This will help local governments expand statewide jail capacity for adult offenders by constructing as many as 13,000 new jail beds.
- Re-entry facilities—\$2.6 billion (\$975 million in Phase 1 and \$1.625 billion in Phase 2). In coordination with local governments, re-entry facilities will be constructed to provide about 16,000 new beds to house and program short-term offenders and parole violators.
- Health Care facilities—\$1.1 billion (\$857 million in Phase 1 and \$286 million in Phase 2). This is for the construction of facilities to provide medical services as directed by the court-appointed Receiver in *Plata v. Schwarzenegger*, and mental health care, and dental services.

Given that much of AB 900 funding is tied to performance and construction goals that CDCR will be working to meet over the next several years prior to accessing the second phase of funding, the Budget proposes that \$2.5 billion that is currently appropriated for the second phases for infill, re-entry and medical facilities be redirected to provide the federal receiver with funds to construct medical beds. It is anticipated that this funding will be available to meet the department's needs for mental health care beds as agreed to with the Coleman Court in a manner that will provide efficiencies consistent with the courts' consolidation directions. When the department has met the goals of AB 900 and is ready for additional funding for the second phase, the department will pursue additional funding at that time.

The CDCR is currently working on establishing the scope and cost for several projects to be funded through AB 900 and will present these plans in early 2008. At that time it is anticipated that more detailed cost estimates will be developed to complete the needs of the Coleman bed plan.

OTHER PUBLIC SERVICE

State government provides many services to California's citizenry. Delivery of these services depends upon a variety of capital facilities such as general office space, forest fire stations, homes for veterans, crime labs, beds for mental health patients, agricultural inspection stations and special schools for the deaf, to name only a few. This broad array of facilities must provide adequate functionality and capacity to enable the delivery of services to the public. A \$300 million general obligation bond is proposed to be placed on the November 2008 ballot so that the seismic renovation of 29 various state facilities can be completed. These facilities were identified as deficient during the surveys that were completed as a result of the last seismic safety bond and still need renovation to be completed.

Details underlying public infrastructure needs for additional state services, such as CALFIRE, Department of Mental Health, and other state agencies, as well as the larger infrastructure components discussed in this chapter will be laid out in the 2008 Five-Year Infrastructure Plan. That plan will be published by March 1, 2008.

ACCOUNTABILITY

To assure that public funds are used as efficiently as possible and in a manner consistent with the stated intent of already authorized and proposed future bond measures Executive Order S-02-07 was issued. That Executive Order required that prior to any funding being expended from existing or future bonds, the responsible state agencies develop accountability plans that include criteria for awarding, managing, and auditing of programs and projects that would be funded from the bonds. In addition, each program will have regular, independent audits conducted to ensure that funds are being allocated according to those outcome criteria identified in its accountability plan and that the implemented programs and projects did in fact achieve the intended outcomes.

As it is imperative that the public be able to access this information, all departments utilizing these bond funds are participating in a website where the public can review its accountability plan for each program, search for projects throughout the state, and monitor the status of the project. The voters have an absolute right to know how the bonds they authorized are being spent. Therefore, outcome and performance criteria, as well as audit results, when completed, are readily available to the public on this website that can be accessed via the following link: <http://www.bondaccountability.ca.gov/>.

AFFORDABILITY

The single most important indicator of a state's creditworthiness and ability to carry debt is the existence of a balanced budget capable of handling its debt load without the need to cut other existing programs to pay debt service. While the SGP will increase the state's debt load over the next 10 years, under this plan state debt service will remain within prudent bounds into the foreseeable future. Figure INF-03 displays the state's debt payments and debt ratio into the future under the SGP.

Figure INF-03
Strategic Growth Plan
Debt Affordability
(Dollars in Millions)

Year	Revenue	Base		Strategic Growth Plan	
		Debt Service	Debt Service Ratio	Debt Service	Debt Service Ratio
2007 - 08	101,230.0	4,435.9	4.38%	4,435.9	4.38%
2008 - 09	102,904.0	5,200.3	5.05%	5,202.1	5.06%
2009 - 10	105,008.0	6,097.2	5.81%	6,144.8	5.85%
2010 - 11	114,771.0	7,063.1	6.15%	7,268.2	6.33%
2011 - 12	119,765.0	7,570.9	6.32%	8,099.9	6.76%
2012 - 13	129,273.0	7,770.2	6.01%	8,783.8	6.79%
2013 - 14	138,074.0	8,031.1	5.82%	9,598.6	6.95%
2014 - 15	146,159.0	8,160.8	5.58%	10,215.7	6.99%
2015 - 16	153,467.0	8,141.7	5.31%	10,481.9	6.83%
2016 - 17	161,140.3	8,443.8	5.24%	10,953.1	6.80%
2017 - 18	169,197.3	8,491.2	5.02%	11,124.3	6.57%
2018 - 19	177,657.2	8,205.5	4.62%	10,949.8	6.16%
2019 - 20	186,540.0	8,218.7	4.41%	11,047.0	5.92%
2020 - 21	195,867.0	7,976.0	4.07%	10,883.6	5.56%
2021 - 22	205,660.4	7,978.1	3.88%	10,960.6	5.33%
2022 - 23	215,943.4	7,934.6	3.67%	10,987.4	5.09%
2023 - 24	226,740.6	7,878.6	3.47%	10,988.7	4.85%
2024 - 25	238,077.6	7,866.4	3.30%	10,998.4	4.62%
2025 - 26	249,981.5	7,873.5	3.15%	11,026.1	4.41%

Assumptions:

Sales are based on the estimated needs or evenly spread if no needs data was available.

Assumes an interest rate of 5.75%.

Maturity life of a General Obligation Bond is 30 years.

Maturity life of a Lease Revenue Bond is 25 years.

LEGISLATIVE, JUDICIAL, AND EXECUTIVE

Governmental bodies classified under the Legislative, Judicial, and Executive section of the Governor's Budget are either established as independent entities under the California Constitution or are departments with a recognized need to operate outside of the administrative oversight and control of an agency secretary. Constitutionally established bodies include the Legislature, Judicial Branch, Governor's Office, and Constitutional Officers. This section also includes such independent entities as the Inspector General, the Office of Emergency Services, and the California State Lottery.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, and federal and court-ordered mandates.

adjustments, the Governor's Budget includes \$8.4 billion (\$3.8 billion General Fund) and 16,932.5 positions, which reflects a minimal increase of \$930,000 (reduction of \$126.8 million General Fund) above the revised 2007-08 Budget to support the various departments within the Legislative, Judicial, and Executive branches of government. Change Table LJE-01 illustrates the major changes proposed to the Legislative, Judicial, and Executive section of the Governor's Budget.

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- Growth Factor Increase for Trial Courts—The Governor's Budget proposes an augmentation of \$126.2 million General Fund for the Trial Courts based on the year-over-year change in the State Appropriations Limit.
- Phoenix Information Technology (IT) Project—The Governor's Budget includes \$6 million General Fund and 35.6 positions to enhance the Judicial Branch's administrative infrastructure by implementing a statewide human resource and financial system, consistent for all trial courts, that would provide the Administrative Office of the Courts with unified reporting capabilities for all aspects of trial court administrative functions. These enhancements to the courts' enterprise-wide IT system will likely result in ongoing cost-avoidance and operational efficiencies in the out years. This is a continuation of efforts started in 1997 by the Judicial Branch to implement its long-term fiscal responsibility and accountability plan.
- Regional Operational Readiness—The Governor's Budget proposes \$1.6 million General Fund, \$1.6 million in federal funds, and 18.1 positions to increase staff at the Office of Emergency Services' (OES) three regional offices to enhance the coordination of emergency preparedness, response, and recovery operations. Increasing staffing at the Inland, Coastal, and Southern regions will provide for better coordination of mutual aid and other emergency-related resources and activities.
- Operational Area Satellite Information System (OASIS)—The Governor's Budget includes \$2 million General Fund for the OES to increase the capability of the OASIS, a satellite-based communications system that provides the ability to communicate between various operational areas and regions during an emergency or disaster. This funding will allow for additional OASIS units to be simultaneously active, and allow for additional information and data to be transmitted between various state and local agencies responsible for providing disaster emergency assistance.

Change Table LJE-01

Legislative, Judicial, and Executive Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$3,791,501	\$4,369,322	16,417.7	\$3,791,501	\$4,268,624	16,417.7
Workload Adjustments						
Augmentation Based on Estimated State Appropriations Growth Rate for Trial	—	—	—	126,181	—	—
Employee Compensation/Retirement	30,683	16,876	—	33,466	19,314	—
Expiring Programs or Positions	—	—	—	-59,743	-33,370	-167.5
One-Time Cost Reductions	—	—	—	-43,989	-19,539	—
Full-Year Cost of New Programs	—	—	—	74,294	19,951	8.9
Other Workload Adjustments	98,071	75,197	99.5	196,016	145,728	368.8
Infrastructure Adjustment	—	-5,710	—	963	183,436	—
Totals, Workload Adjustments	\$128,754	\$86,363	99.5	\$327,188	\$315,520	210.2
Policy Adjustments						
E-Services Expansion	—	—	—	1,738	2,932	2.8
Establish Ongoing Funding for OCIO	—	—	—	6,691	-6,691	—
General Fund Tax Collection Program Funding Shift	—	—	—	2,122	-2,122	—
Statewide Compliance and Outreach Program	—	—	—	7,528	4,053	106.4
Tax Gap Initiatives	—	—	—	9,045	4,871	129.4
Wildland Firefighting Initiative	—	—	—	—	10,210	8.7
Other Policy Adjustments	—	1,984	15.1	3,880	9,843	91.4
Totals, Policy Adjustments	\$0	\$1,984	15.1	\$31,004	\$23,096	338.7
Total Adjustments	\$128,754	\$88,347	114.6	\$358,192	\$338,616	548.9
Budget Prior to Reductions	\$3,920,255	\$4,457,669	16,532.3	\$4,149,693	\$4,607,240	16,966.6
Budget-Balancing Reductions^{1/}	-\$6,568	\$0	-8.5	-\$362,847	-\$21,800	-34.1
Governor's Budget	\$3,913,687	\$4,457,669	16,523.8	\$3,786,846	\$4,585,440	16,932.5

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

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- **Replacement of Obsolete Radio Equipment**—The Governor's Budget proposes \$3 million General Fund to replace the inventory of OES radios that are at least five years old. Replacing this outdated communication equipment will enhance OES and other first responders' ability to communicate and transmit critical information in the event of a disaster or emergency situation.
- **Office of Gang and Youth Violence Policy**—The Governor's Budget includes \$1.3 million General Fund and 6.7 positions to establish the Office of Gang and Youth Violence Policy per Chapter 459, Statutes of 2007 (AB 1381). This Office will be responsible for identifying and evaluating state, local, and federal gang and youth violence suppression, intervention, and prevention programs, as well as strategies and funding sources. This funding is in addition to the resources provided for the California Gang Reduction, Intervention and Prevention Program included in the 2007 Budget Act, and will be used to reduce gang and youth violence in the state of California, thereby increasing public safety.
- **California Multijurisdictional Methamphetamine Enforcement Team (Cal-MMET) Program**—The Governor's Budget proposes a continuation of \$20.1 million General Fund to fund the OES Cal-MMET Program on a permanent basis. This funding, in addition to the \$9.5 million of existing funds, will provide the resources for additional investigators and prosecutors specializing in methamphetamine offenses to curtail the production and distribution of the illegal substance in California.
- **Gang Suppression Enforcement Teams**—The Governor's Budget includes \$5.3 million General Fund and 31.9 positions to fund the Department of Justice's four existing Gang Suppression Enforcement Teams on a permanent basis. These teams provide a dedicated force with specialized knowledge of gang activities across multiple jurisdictions to curtail the threat of gangs.
- **Workers' Compensation Insurance Fraud**—The Governor's Budget includes \$4 million Insurance Fund for the Department of Insurance (DOI) to provide increased local assistance to district attorneys to aid in the prosecution of workers' compensation fraud.
- **Border Protection Station Tax Leads Program**—The Governor's Budget includes \$800,000 General Fund to extend 16 limited-term positions assigned to the Border Protection Station Tax Leads Program, which detects property brought into the state without payment of applicable use taxes. The Program will generate \$4 million in General Fund revenues in 2008-09.

PROPOSED BUDGET-BALANCING REDUCTIONS

- Total budget-balancing reductions for the Legislative, Judicial, Executive section of the Governor's Budget amount to \$6.6 million and 8.5 positions in 2007-08 and \$362.8 million and 34.1 positions in 2008-09. These reductions assume necessary statutory changes will be enacted by March 1, 2008.
- Programs exempted from reductions include lease payments securing lease revenue bonds, Office of the Inspector General's Bureau of Independent Review, and the Judges' Retirement System.
- The major reductions are described below:
 - \$1.7 million and 10.2 positions in 2008-09 for the Office of the Inspector General's Bureau of Audits and Investigations and Executive and Administrative Units. The Office will achieve this reduction by reducing the total number of audits and investigations to be completed per year.
 - \$44,000 in 2007-08 and \$431,000 in 2008-09 for the Office of Planning and Research's (OPR) State Planning and Policy Development Program. This reduction will impair the OPR's ability to provide policy and research support to the Governor's Office, slow operations related to the California Environmental Quality Act, and affect the statewide outreach activities of the Small Business Advocate.
 - \$42,000 in 2007-08 and \$127,000 in 2008-09 for OPR's California Volunteers Program. This will reduce the amount of funding available to contract for marketing expertise and activities related to the California Volunteer Matching Network which could decrease the effectiveness of this tool in engaging the public in volunteering opportunities.
 - \$500,000 in 2008-09 for the Cesar Chavez Day of Service and Learning Program. This reduction will decrease the amount of grant funds available for after-school service learning programs for middle school students.
 - \$100,000 in 2007-08 and \$665,000 in 2008-09 for the OES' Fire and Rescue Mutual Aid Response Program. However, the reduction in 2008-09 will be offset by the property insurance surcharge included in the Wildland Firefighting Initiative proposed in the Governor's Budget.
 - \$100,000 in 2007-08 and \$1.2 million in 2008-09 for OES' Warning Center/Information Technology/Telecommunications Program. However, the reduction

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in 2008-09 will be offset by the property insurance surcharge included in the Wildland Firefighting Initiative proposed in the Governor's Budget.

- \$400,000 and 2 positions in 2007-08 and \$824,000 and 6.1 positions in 2008-09 for OES' Plans and Preparedness Program. This reduction will impact the OES' administrative regions' ability to serve as the conduit for information to local and regional areas to provide efficient and effective support to local disaster response.
- \$2.4 million and 3 positions in 2007-08 and \$9 million and 10.4 positions in 2008-09 for OES' Disaster Assistance Program. This reduction will delay the processing and payment of disaster reimbursement claims from local governments.
- \$3.1 million and 2 positions in 2007-08 and \$8.1 million and 4.5 positions in 2008-09 for OES' local criminal justice grant programs such as Domestic Violence, War on Methamphetamine, Vertical Prosecution Block Grant, High-Tech Theft Apprehension, Rural Crime Prevention, and Sexual Assault Felony Enforcement. This reduction will result in a lesser amount of grant funding being distributed to local agencies.
- In lieu of a 10-percent (\$22 million) reduction, the Governor's Budget proposes that the Board of Equalization's (BOE) budget be augmented to collect additional General Fund revenues. A \$22 million reduction would have resulted in the loss of a significantly greater amount of General Fund revenues in 2008-09. Therefore, \$7.5 million is proposed for 79 new positions for the Statewide Compliance and Outreach Program (SCOP), and the continuation of 33 existing limited-term positions. The positions will generate \$38 million in General Fund revenues in 2008-09, increasing to \$51 million in 2009-10. These revenues will exceed BOE's 10-percent reduction amount, while also helping to close the state's tax gap. The SCOP identifies and registers businesses that sell goods without a seller's permit, and thereby evade payment of sales and use taxes. The additional resources will allow the SCOP to expand statewide.
- \$105,000 in 2008-09 for the Scholarshare Investment Board's Governor's Scholarship Programs. This reduction in program administration would not adversely impact these programs, given that no new awards are being granted and workload associated with current awards is anticipated to diminish on the natural in 2008-09 and future years as award accounts are closed out or terminated due to expired eligibility.

- The Governor will lead by example and find ways for his office to continue providing excellent service to the state while tightening its belt. Therefore, the Budget includes a \$2.1 million reduction in 2008-09 for the Governor's Office. The Governor is proposing that other Constitutional Officers and independent entities also find ways within their budgets to reduce the cost of state government. As such, the Budget includes an unallocated reduction in 2008-09 for the following entities:
 - \$26.5 million for the Legislature.
 - \$8.8 million for the Legislative Counsel Bureau.
 - \$245.9 million for the Judicial Branch.
 - \$453,000 for the Commission on Judicial Performance.
 - \$307,000 for the Lieutenant Governor's Office.
 - \$41.6 million for the Department of Justice.
 - \$9 million for the State Controller's Office.
 - \$3.5 million for the Secretary of State.
 - \$715,000 for the State Treasurer's Office.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions to ensure a balanced Budget, the Governor's Budget includes these major program enhancements in the Legislative, Executive, Judicial section of the Budget.

WILDLAND FIREFIGHTING INITIATIVE

In the fall of 2007, California suffered one of its worst disasters in recent history in the Southern California Wildfires when approximately 23 fires burned between October 20, 2007 and November 9, 2007. According to the OES, these fires

FACTS FOR SOUTHERN CALIFORNIA WILDFIRES

- A total of 23 fires burned from October 20 to November 9, 2007.
- 10 confirmed fire-related fatalities.
- 139 injured.
- 517,267 acres burned.
- 3,204 structures destroyed (2,233 homes, 5 businesses, 966 outbuildings).
- Approximately 322,000 people were evacuated—the largest mandatory evacuation in California history.

resulted in the largest evacuation in California's history of approximately 322,000 mandatory evacuees.

This event highlighted the need for additional firefighting staff, equipment, and resources to aggressively position our state against future fires by improving our fire prevention and suppression system, as indicated in the Governor's Blue Ribbon Fire Commission report. While many of the Commission's recommendations have been implemented, the Governor's Budget proposes a more aggressive plan to purchase additional firefighting equipment over the next six years and increase staffing including seasonal firefighters and emergency services personnel for the Department of Forestry and Fire Protection (CAL FIRE), OES, and the California National Guard (Guard).

GOVERNOR'S BLUE RIBBON FIRE COMMISSION

- After the October 2003 Southern California wildfires, the Governor's Blue Ribbon Fire Commission was established by then Governor Gray Davis and Governor-elect Arnold Schwarzenegger on November 2, 2003.
- The Commission was broadly representative of the firefighting community and local, state and federal stakeholders and affected communities.
- The Commission was tasked to hear testimony on what worked and what did not work in the efforts to fight the wildfires and to review and provide recommendations on what is needed to improve and enhance wildfire response and operational relationships between the local, state and federal planning agencies.

To fund this plan, the Governor's Budget proposes to implement a significant recommendation of the Governor's Blue Ribbon Fire Commission regarding the establishment of a secure funding stream to enhance the state's firefighting capabilities. As such, the Governor's Budget proposes to assess a surcharge of 1.25 percent on all residential and commercial property insurance statewide to fund the additional resources that would improve California's ability to respond to wildland fires throughout the state. Since homeowners, on average, pay approximately \$900 per year to insure their home, a 1.25-percent surcharge would result in an average cost of \$11.25 per household to fund this initiative. Due to timing of implementation, based on ten months of billing, this surcharge is expected to generate approximately \$104.9 million Insurance Fund in 2008-09 to fund the following programs for CAL FIRE (\$77.8 million), the OES (\$12.1 million), and the Guard (\$9.2 million).

To help quell wildfires before a catastrophic event occurs, the Governor's Budget includes the following proposals to enhance the state's fire response and firefighting capabilities:

CAL FIRE

- Additional Firefighters—\$28.9 million and 1,100 seasonal firefighters to staff all 336 state fire engines with full four-member crews during peak and transition fire seasons.
- GPS Tracking—\$4.2 million and 3.8 positions to install GPS tracking on key pieces of equipment, such as fire engines and aircraft, linked to computer-aided dispatching.
- State-of-the-Art Helicopters—A multi-year expenditure plan to enable CAL FIRE to purchase eleven new, all-weather, 24-hour firefighting helicopters over the next six years.
- Backfill Budget-Balancing Reductions—\$44.7 million in 2008-09 to backfill the budget balancing reductions CAL FIRE is taking to its fire protection budget. Restoring these budget-balancing reductions will prevent the closing of 20 one-engine fire stations, 11 conservation camps, and 1 helitack base.

OFFICE OF EMERGENCY SERVICES

- Fire Engines—\$8.1 million in 2008-09 to purchase 26 fire engines as part of the first year of a five-year cycle to purchase and maintain a total of 131 additional fire engines. These engines will be housed at local fire agencies and utilized to fight fires throughout the state.
- Firefighting Personnel—\$1.6 million and 9.2 positions in 2008-09 to enhance OES' response to wildland fires throughout the state.
- Increased Maintenance and Fuel Costs—\$480,000 to fund the increased maintenance and fuel costs of OES' existing fleet of fire engines and vehicles.
- Backfill of Budget-Balancing Reductions—\$1.9 million in 2008-09 to backfill the budget-balancing reductions OES is taking to its Fire and Rescue Mutual Aid Response section and its Warning Center/Information Technology/Telecommunications section. Restoring these budget-balancing reductions will ensure that OES' ability to respond to fires and utilize its Warning Center to notify emergency first responders will not be compromised.
- Telephone Emergency Notification—The Office of Homeland Security will make grant funding available to ensure that telephone emergency notification, a system

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where the public is notified of emergency situations via telephone calls, is available in each and every county.

CALIFORNIA NATIONAL GUARD

- Four-Hour Response Time—\$4.4 million in 2008-09 and 36 positions to provide 24-hours-a-day, seven-days-per-week coverage and full-time helicopter crews to be able to respond to any emergency situation in California in a matter of four hours or less. One helicopter and crew would be stationed in northern California, and one helicopter and crew would be stationed in southern California.
- Modular Airborne Fire Fighting Systems (MAFFS)—\$2.6 million in 2008-09 to purchase the first of two MAFFS over two years for the Military Department's C-130J aircraft. The MAFFS will enhance wildland firefighting capabilities by enabling the Military to provide airborne delivery of fire retardant to be dropped accurately and safely on a designated target.
- Firehawk Fire Fighting Systems—\$2.2 million in 2008-09 to purchase the first of three Firehawk firefighting systems over three years. These new systems will enhance the Military Department's ability to fight wildland fires by providing more accurate water dropping dispersion and increased efficiency in existing helicopters.

GENERAL FUND TAX COLLECTION

- The Governor's Budget includes a shift of \$2.122 million from the DOI's Insurance Fund to the General Fund for General Fund tax collection activities. In 2006-07, \$2.161 billion in General Fund taxes was collected by DOI from insurance companies and transferred to the General Fund. Providing General Fund for this program is consistent with other General Fund tax collection programs.

BOARD OF EQUALIZATION

- \$9 million and 129 new positions are proposed to address tax compliance issues. The positions will generate \$20 million in General Fund revenues in 2008-09, increasing to \$38.4 million in 2009-10. The positions will concentrate on audit and collection program improvements, businesses that purchase qualifying goods without paying applicable use taxes, and expedited filing of tax liens for out-of-state debtors who file for bankruptcy.
- \$1.7 million to expand the E- Services Program information technology effort. The expansion will allow on-line filing of returns for selected special tax programs. Currently, the Program is limited to on-line filing of sales and use tax returns.

STATE AND CONSUMER SERVICES

The State and Consumer Services Agency's (SCSA) mission is to help educate consumers and make government more efficient, effective, and accountable for all California taxpayers. SCSA entities are responsible for civil rights enforcement, consumer protection, and the licensing of 2.4 million Californians in more than 255 different professions. SCSA entities provide oversight and guidance for the procurement of more than \$9 billion worth of goods and services; management and development of state real estate; operation and oversight of two state employee pension funds; collection of state taxes; hiring of state employees; provision of information technology services; adoption of state building standards; and administration of two state museums. In addition, the Secretary for the State and Consumer Services Agency is the Chair of the California Building Standards Commission and the Victim Compensation and Government Claims Board, and operates the California Office of Information Security and Privacy Protection.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget proposes \$26.7 billion (\$613.2 million General Fund) and

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, and federal and court-ordered mandates.

STATE AND CONSUMER SERVICES

16,719.8 positions for the various entities within the SCSA. This represents an increase of \$1.8 billion (\$11.3 million General Fund) from the revised 2007-08 and an increase of 500.8 positions. This reflects an increase of 7.1 percent over the revised 2007-08 Budget. Change Table SCS-01 illustrates the major changes proposed to the SCSA in the Governor's Budget.

Change Table SCS-01

State and Consumer Services Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$576,862	\$24,618,405	16,019.6	\$574,537	\$24,350,013	16,019.6
Workload Adjustments						
Health Program Receivables	—	—	—	—	352	2.8
Increase in Claim Payments	—	28,016	—	—	28,016	—
Enrollment/Caseload/Population	—	-303,140	—	—	877,421	—
Employee Compensation/Retirement	10,096	23,049	—	11,738	25,162	—
Expiring Programs or Positions	—	—	—	-390	-9,668	-118.9
One-Time Cost Reductions	—	-9,060	—	-8,195	-66,241	—
Full-Year Cost of New Programs	—	—	—	3,888	17,077	24.0
Other Workload Adjustments	10,838	50,589	197.5	13,169	735,255	463.4
Infrastructure Adjustment	—	-55,836	—	2,203	114,009	—
Totals, Workload Adjustments	\$20,934	-\$266,382	197.5	\$22,413	\$1,721,383	371.3
Policy Adjustments						
Compliance Enhancement Measures	—	—	—	9,860	—	131.5
Contractors State License Board - Economic and Employment Enforcement Coalition Continuation	—	—	—	—	919	10.4
Private Postsecondary Education Reform	—	—	—	—	8,195	57.9
Tax Gap Enforcement	—	—	—	6,438	—	65.1
Unlicensed Activity Pilot Program	—	—	—	—	1,210	—
Other Policy Adjustments	—	234	1.9	—	38,630	98.2
Totals, Policy Adjustments	\$0	\$234	1.9	\$16,298	\$48,954	363.1
Total Adjustments	\$20,934	-\$266,148	199.4	\$38,711	\$1,770,337	734.4
Budget Prior to Reductions	\$597,796	\$24,352,257	16,219.0	\$613,248	\$26,120,350	16,754.0
Budget-Balancing Reductions^{1/}	-\$1,179	\$0	—	-\$5,345	-\$100	-34.2
Governor's Budget	\$596,617	\$24,352,257	16,219.0	\$607,903	\$26,120,250	16,719.8

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- California Child Support Automation System—The Governor's Budget includes \$7.9 million General Fund for Franchise Tax Board's (FTB) California Child Support Automation System implementation costs.
- Encoder Replacement—The Governor's Budget proposes \$1.6 million General Fund to replace FTB encoders that identify checks and money orders submitted for tax payments, and to replace the Withhold at Source System, which processes non-wage withholding payments from sources such as real estate transactions, and out-of-state entertainers and athletes.
- Space Planning—The Governor's Budget includes \$2.5 million Service Revolving Fund and 28.4 positions to support anticipated increases and workload growth at the Department of General Services (DGS) in space planning for both state-owned buildings and leased space. These resources will be critical to assisting state agencies that are addressing budget reductions through consolidation of existing space or securing new space at lower cost to the state.

PROPOSED BUDGET-BALANCING REDUCTIONS

- Total budget-balancing reductions for the SCSA amount to \$1.2 million in 2007-08 and \$5.3 million and 34.2 positions in 2008-09. These reductions assume necessary statutory changes will be enacted by March 1, 2008.
- Programs exempted from reductions include lease payments securing lease revenue bonds for the California Science Center (CSC) and tax collection activities of the FTB.
 - The FTB \$52 million General Fund reduction would have resulted in the loss of approximately \$450 million in General Fund revenues in 2008-09.
- The major reductions are described below:
 - \$306,000 in 2008-09 for the Secretary for State and Consumer Services. This will reduce legislative reporting, customer service, and privacy protection consumer outreach.
 - \$1.5 million and 11.3 positions in 2008-09 for the CSC. This will reduce maintenance and development of facilities and exhibits.

STATE AND CONSUMER SERVICES

- \$249,000 in 2008-09 for the California African American Museum. This will reduce maintenance and development of the museum and exhibits.
- \$1.8 million and 17.2 positions in 2008-09 for the Department of Fair Employment and Housing. This will delay processing of employment and housing complaints, and accusation issuances.
- \$117,000 and 0.8 positions in 2008-09 for the Fair Employment and Housing Commission. This will reduce the number of hearings held by the Commission throughout the state.
- \$1.2 million in 2007-08 and \$794,000 in 2008-09 for the DGS. This will limit funding for infrastructure projects at the State Capitol.
- \$540,000 and 4.9 positions in 2008-09 for the State Personnel Board. This will delay processing and approval of budget materials, contracts, and purchasing documents, as well as exacerbate the current backlog in merit appeals.
- In lieu of a 10-percent reduction, an increase of \$9.9 million is proposed for the FTB to support 131.7 new revenue-generating positions. The positions will generate \$71 million in General Fund revenues in 2008-09, increasing to \$125 million in 2009-10. These revenues will exceed FTB's 10-percent reduction amount, while also helping to close the state's tax gap. The positions will concentrate on registered owners of luxury vehicles who do not file tax returns, following up on non-filers with bad addresses, persons who file federal income tax returns without filing a state return, additional revenue-generating activities in the FTB Collection Program, and requiring persons with personal income tax liabilities over \$20,000 to submit their payments electronically.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions to ensure a balanced budget, the Governor's Budget includes these major program enhancements:

DEPARTMENT OF CONSUMER AFFAIRS

- The Governor's Budget proposes \$1.3 million various special funds for a public education pilot program regarding the risks of conducting business with unlicensed practitioners and service providers.

- The Governor's Budget continues \$919,000 Contractors' License Fund and 10.4 positions to support the Contractors' State Licensing Board's (CSLB) participation in the Economic and Employment Enforcement (Triple E) Coalition.
- The Governor's Budget also provides \$758,000 Contractors' License Fund and 6.6 positions to establish a Statewide Investigative Fraud Team in the Central Valley. This program expansion is needed to better address complaints that originate in the 16 counties that comprise the Central Valley region. These complaints represent approximately 12 percent of the total complaints received by the CSLB.

FRANCHISE TAX BOARD

- The Governor's Budget proposes \$6.4 million for 65.1 new revenue-generating positions. The positions will generate \$22 million in General Fund revenues in 2008-09, increasing to \$39 million in 2009-10. The positions will concentrate on filers who fraudulently claim tax refunds or credits, and will also address workload growth in the Audit Program.

BUSINESS, TRANSPORTATION, AND HOUSING

The Business, Transportation, and Housing Agency (BTH) oversees programs that promote the state's business and economic climate, transportation infrastructure, affordable housing, and patients' rights. The Agency also promotes public safety through the Department of Motor Vehicles, the California Highway Patrol and the Department of Alcoholic Beverage Control. Funding for all programs exceeds \$19.9 billion, which is largely derived from special fund revenues, federal funds, and the proceeds of bonds.

PROPOSED WORKLOAD BUDGET

The proposed Budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments were made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget provides close to \$20 billion and nearly 45,000 positions to fund California's Business, Transportation and Housing programs. Change Table BTH-01 illustrates the major spending changes proposed in the Governor's Budget.

BUSINESS, TRANSPORTATION, AND HOUSING

Change Table BTH-01

Business, Transportation, and Housing Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$1,567,294	\$18,057,803	44,224.0	\$1,567,294	\$11,678,895	44,224.0
Workload Adjustments						
Change in Expenditures to Reflect Updated Prop 42 Sales Tax Revenue Forecast	-42,559	—	—	4,320	—	—
General Obligation Debt Service - Housing	—	—	—	108,872	—	—
General Obligation Debt Service - Transportation	2,535	-6,289	—	2,606	14,711	—
Proposition 1C Housing Bond Funding Plan	—	165,000	—	—	-162,000	—
Savings for Anticipated Vacant CHP Officer Positions	—	—	—	—	-40,000	—
Statutory and revenue driven increases in State Transit Assistance funding	—	-11,545	—	—	427,112	—
Employee Compensation/Retirement	123	226,260	—	152	248,999	—
Restore Zero-Based Transportation Capital Outlay and Re-estimate of Expenditures	—	37,255	—	—	5,676,355	—
Expiring Programs or Positions	—	—	—	—	-23,341	-6.6
One-Time Cost Reductions	—	—	—	-1,028	-74,142	—
Full-Year Cost of New Programs	—	—	—	—	26,650	101.2
Other Workload Adjustments	-1,014	130,412	-15.2	142	319,745	174.8
Infrastructure Adjustment	—	-5,331	—	—	14,297	—
Totals, Workload Adjustments	-\$40,915	\$535,762	-15.2	\$115,064	\$6,428,386	269.4
Policy Adjustments						
Housing Urban-Suburban-and-Rural Parks Program	—	—	—	—	30,583	1.9
New Clean Renewable Energy Bonds (CREB) to Fund Photovoltaic Installation	—	—	—	—	20,000	—
Statewide CHP Officer Augmentation	—	—	—	—	21,592	112.3
Other Policy Adjustments	—	—	—	169	17,707	13.2
Totals, Policy Adjustments	\$0	\$0	—	\$169	\$89,882	127.4
Total Adjustments	-\$40,915	\$535,762	-15.2	\$115,233	\$6,518,268	396.8
Budget Prior to Reductions	\$1,526,379	\$18,593,565	44,208.8	\$1,682,527	\$18,197,163	44,620.8
Budget-Balancing Reductions^{1/}	-\$200	\$0	—	-\$2,028	-\$100	-4.1
Governor's Budget	\$1,526,179	\$18,593,565	44,208.8	\$1,680,499	\$18,197,063	44,616.7

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

The major workload adjustments required by law for 2008-09 include the following:

- Proposition 42 is fully funded at \$1.5 billion, including \$83 million for loan repayment pursuant to Proposition 1A of 2006.
- Caltrans will receive an additional \$460.3 million in federal funding in 2007-08 from both reimbursement for emergency funds expended in past years and from federal funding that other states were unable to use. These funds will be used to complete additional pavement rehabilitation work.
- The change table for the BTH reflects updated 2008-09 local assistance and capital outlay expenditures as well as carryover from past year appropriations.
- The budget reflects the passage of Chapter 733, Statutes of 2007 (SB 717), which shifted \$74 million annually in Proposition 42 revenues from the state to local transit agencies funded through the State Transit Assistance Program.
- The budget includes an additional \$18.5 million for the third year of a five-year CHPERS Enhanced Radio System project to replace and upgrade CHP's system.
- The budget also includes an additional \$3.2 million to fund workload increases associated with the implementation and administration of Proposition 1B bond funds.

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

PROPOSED BUDGET-BALANCING REDUCTIONS

- Budget-balancing reductions for BTH total \$0.2 million in 2007-08 and \$2.03 million and 4.1 personnel years in 2008-09.
- Programs exempted from reductions include Proposition 42 transportation transfers and general obligation debt service.

The major reductions are described below:

- \$481,000 in 2008-09 for the Small Business Loan Guarantee Program. This reduction will result in fewer loan guarantees available to small businesses in California.
- \$343,000 in 2008-09 for the Office of Migrant Services. This reduction will require four centers to be closed, resulting in fewer housing opportunities for migrant agricultural workers in California.
- \$401,000 in 2008-09 for the Emergency Shelter Program. This reduction in assistance to local homeless emergency shelters would result in approximately 1,900 fewer shelter spaces annually.

OTHER SPECIAL SESSION ISSUES

Trailer bill language is being proposed to postpone until September 2008 the monthly transfer of excise tax revenues from the Highway Users Tax Account to cities and counties for local streets and roads maintenance for the months of April through August of 2008. This will meet General Fund cash needs by providing additional borrowable cash.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Major budget changes for BTH are described under the general headings of Transportation, Highway Safety, and Business and Housing.

PROPOSITION 1A

Proposition 1A of 2006 amended the Constitution to provide that transfers of sales taxes on gasoline under Proposition 42 may be suspended, but if that is done, the suspended amount must be repaid within three years. Thus, the state cannot achieve budgetary savings from Proposition 42 and therefore no budget balancing reduction to Proposition 42 is proposed. Proposition 1A also provides that an equal share of any remaining debt related to the suspension of the Proposition 42 transfer in 2003-04 and 2004-05 be repaid in every year starting in 2006-07. The Budget Act of 2007 provided a total of \$1.415 billion from the General Fund to repay the majority of these suspensions. The Governor's Budget reflects \$82.7 million being repaid in every subsequent year from "spillover" sales tax revenues deposited into the Transportation Debt Service Fund.

TRANSPORTATION PROGRAMS

STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)

The STIP Fund Estimate is an approximation of all resources reasonably expected to be available for the STIP and other transportation priorities over a five-year period. The 2006 STIP Fund Estimate and STIP Augmentation cover 2006-07 through 2010-11, totaling \$8.3 billion. The Budget reflects expenditures of \$2.1 billion in 2007-08 and \$1.5 billion in 2008-09 for STIP projects, a decrease of 29 percent. The reduction is due primarily to an unusually high one-time increase in capital funding for public transportation projects in 2007-08 and statutory changes in SB 79 and SB 717 that specify that a significantly larger share of the Public Transportation Account revenues now go to local transit agencies to fund operating costs. The reduction also reflects the temporary increase in capital expenditures in 2006-07 and 2007-08 associated with the \$1.4 billion Proposition 42 loan repayment in 2006-07.

STATE HIGHWAY OPERATION AND PROTECTION PROGRAM (SHOPP)

The 2006 STIP Fund Estimate reflects \$7.9 billion in resources for SHOPP projects from 2006-07 through 2009-10. The Governor's Budget reflects expenditures of \$2 billion in 2007-08 and \$1.6 billion in 2008-09, a decrease of 20 percent due to a one-time increase of \$460 million in 2007-08 in reimbursements for past emergency expenditures and the redistribution of federal funds that other states were unable to use.

LOCAL ASSISTANCE PROGRAMS

Caltrans provides state and federal transportation funds to local agencies for local capital improvement projects on the state highway system, mass transit capital improvement projects, and local bridge improvement projects. The Governor's Budget proposes \$3 billion for local transportation in 2008-09, including \$156 million for local mass transportation projects.

LOCAL MASS TRANSPORTATION

The Governor's Budget includes funding for the following transit, rail, and planning programs, as reflected in Figure BTH-02. This reflects a continuation of the funding allocation priorities set in Chapter 181 (SB 88), Statutes of 2007.

STIP

The STIP is the state's transportation enhancement program. It includes the addition of highway lane miles as well as expansion of intercity rail projects. Statutorily, the state determines projects for 25 percent of STIP funds, while regional transportation planning agencies program the remaining 75 percent. STIP is funded primarily from Proposition 42 resources in the Transportation Investment Fund, though some resources are provided from Proposition 1B bonds, federal funds, the Public Transportation Account, and Proposition 42-related loan repayments.

Figure BTH-02
Public Transportation
(Dollars in Millions)

Public Transportation Account (PTA) Funding	2007-08	2008-09
Planning	\$ 23	\$ 23
Intercity Rail Operations	\$ 112	\$ 106
Rail Projects	\$ 36	\$ -
Local Transit Grants	\$ 304	\$ 743
Local Transit Projects	\$ 566	\$ 53
Traffic Congestion Relief Program Funding		
Local Mass Transportation Projects	\$ 66	\$ 59
State Rail Projects	\$ 12	\$ 5
Proposition 1B		
Transit	\$ 600	\$ 350
Rail	\$ 188	\$ 73
Transit Security	\$ 101	\$ 101
Total	\$ 2,008	\$ 1,513

- \$141 million to continue funding transportation services administered by Regional Centers.
- \$1.1 billion for local transit agencies for operating and capital purposes through the State Transit Assistance Program. This amount includes \$350 million in Proposition 1B funds for capital transit projects and \$742.9 million from sales tax revenues, including a \$74 million increase in Proposition 42 revenues resulting from passage of SB 717. Operating funds from sales tax revenues are growing from \$304 million in 2007-08 to \$743 million in 2008-09.

SHOPP

The SHOPP includes a range of rehabilitation projects that are intended to reduce hazardous road conditions, preserve bridges and roadways, enhance and protect roadsides, and improve operation of the state highway system. The SHOPP is funded primarily from the State Highway Account from the state's two-thirds share of fuel excise tax revenues, weight fees, and federal funds.

STATE OPERATIONS

- The Governor's Budget proposes \$4.2 billion in state operations funding to support Caltrans in 2008-09, including \$2.9 billion from the State Highway Account, \$362 million in federal funds, and \$990 million from other special funds, a \$14 million increase from currently estimated 2007-08 expenditures.
- A new \$20 million bond program is being proposed for Caltrans for the sale of Clean Renewable Energy Bonds (CREBs). The resources will be utilized to fund up to 70 photovoltaic (i.e., solar energy) projects at maintenance facilities, equipment shops, transportation management centers, materials labs, and office buildings.

MAINTENANCE

The Budget includes \$1.2 billion and 5,922 positions to maintain approximately 15,000 centerline miles of highway, over 230,000 right-of-way acres, and over 12,000 state highway bridges and to inspect over 12,000 local bridges. This is an increase of \$21 million over 2007-08.

STATE RAIL OPERATIONS

The Budget includes \$106 million and 178 positions to manage and coordinate intercity rail passenger services that provide commuters with a range of transportation options, help improve the state's air quality, and reduce highway congestion and fuel consumption. Caltrans manages two state-supported routes operated by Amtrak, the San Joaquin and Pacific Surfliner, and financially supports the Capitol Corridor.

CAPITAL OUTLAY SUPPORT

Funding for Caltrans capital outlay projects is zero-based each year and submitted as part of the May Revision once better workload estimates become available and actual project allocations are known. Because the capital outlay support workload is much less for public transportation projects, and because a larger proportion of STIP projects will be public transportation projects, it is anticipated that growth in capital outlay support workload will not be as strong as previously anticipated because more projects are likely to be delivered by local agencies than previously predicted.

HIGH-SPEED RAIL AUTHORITY

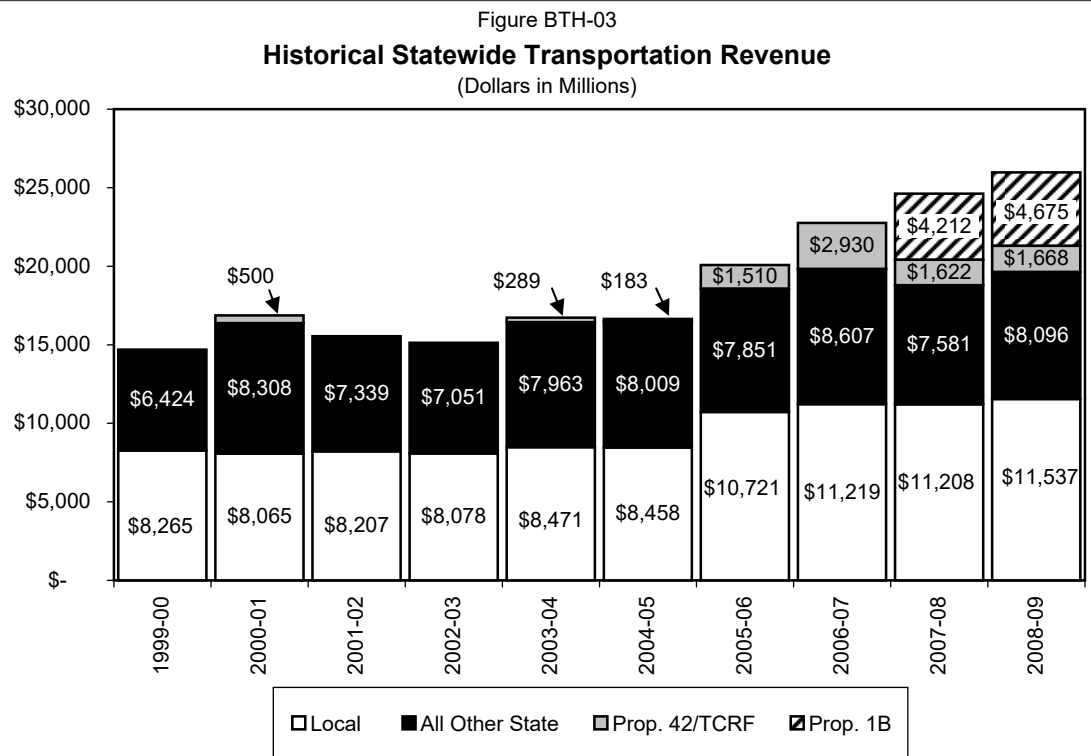
The High-Speed Rail Authority is charged with planning the development and implementation of an intercity high-speed rail service. The Budget proposes to continue the current level of funding of \$1.2 million for basic staff support.

TRANSPORTATION REVENUE

Figure BTH-03 displays total statewide transportation resources, which are estimated to be approximately \$21.2 billion in 2008-09, an increase of \$289 million over 2007-08. Local gas tax distributions for local streets and roads are shown in the General Government section of the Budget in Item 9350 (Shared Revenues).

FUEL TAXES

Transportation programs in California are funded largely from fuel taxes, including federal funds derived from the federal excise tax collected by the Internal Revenue System. State fuel taxes include an excise tax on gasoline and diesel fuel, sales tax on gasoline and



diesel fuel, truck weight fees and motor vehicle fees. These revenues total \$8.5 billion in 2008-09 and are deposited in special funds as follows:

State Highway Account—\$1.049 billion

Highway Users Tax Account—\$3.569 billion

Public Transportation Account—\$0.888 billion

Mass Transportation Account—\$0.455 billion

Motor Vehicle Account—\$2.5 billion

PROPOSITION 1B BONDS

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bonds Act of 2006 authorizes \$19.925 billion over the next 10 years to fund existing and new statewide transportation-related infrastructure programs and projects. Most Proposition 1B programs are administered by either the California Transportation Commission or Caltrans, with the exception of Local Streets and Roads and Local Transit (State Controller's Office),

Trade Infrastructure Air Quality and School Bus Retrofit (Air Resources Board), Port Security (Office of Emergency Services), and Transit Security (Office of Emergency Services and Homeland Security).

Funds for these programs will be disbursed as construction and other project activities occur, which will help manage the impact on the state's debt limit. The Governor's Budget proposes to appropriate \$4.7 billion to continue implementation of the transportation programs.

PROPOSITION 42

The Governor's Budget proposes to fully fund the \$1.485 billion Proposition 42 transfer and the Proposition 1A loan repayment for fiscal 2008-09. Funding is allocated under statutory formula as follows: \$82.7 million to the Traffic Congestion Relief Fund (TCRF), \$594.2 million to the State Transportation Improvement Program (STIP), \$297.1 million to the Public Transportation Account, and \$594.2 million to cities and counties for local streets and roads maintenance.

TRIBAL GAMING FUNDS

- The Budget assumes the tribal compact cash will continue to be spent as it comes in annually until the date that the bonds for the original five gaming compacts can be sold is known. \$100 million is assumed to be spent in both 2007-08 and 2008-09 and will be deposited in the State Highway Account and the Public Transportation Account consistent with current law.

PROPOSITION 1B:

\$4.7 billion in bond allocations for:

\$1,547 million—Corridor Mobility

\$350 million – Local Transit Program

\$1,186 million – State Transportation Improvement Program

\$500 million – Trade Corridors

\$200 million – State/Local Partnerships

\$216 million – State Highway Operations and Protection Program

\$65 million – Grade Separation Program

\$108 million – Highway 99

\$21 million – Local Seismic

\$73 million – Intercity Rail

\$0.4 million – School Bus Retrofit

\$250 million – Air Quality

\$101 million – Transit Security

\$58 million – Port Security

MOTOR VEHICLE ACCOUNT

Vehicle registration fees and driver's license fees are deposited into the Motor Vehicle Account to be used for the administration and enforcement of laws regulating the use, operation, and registration of vehicles on California public streets and highways, including the enforcement of traffic and vehicle laws by state agencies and the mitigation of the negative environmental effects of motor vehicles. The California Highway Patrol, Department of Motor Vehicles, and Air Resources Board receive 98 percent of the funding.

MOTOR VEHICLE ACCOUNT

Current and projected program costs have increased beyond current revenue levels. Absent a correction, the Account would become insolvent in 2008-09.

The Budget proposes an increase of \$11 per vehicle to the fee that provides support for the California Highway Patrol, as well as imposing penalties on those who are late in paying this fee, in line with penalties required under current law for the base registration fee. This will generate approximately \$385 million in revenue in 2008-09 year for partial year implementation, increasing to \$522 million for full-year implementation in 2009-10. These revenues will support continued public safety initiatives, such as the California Highway Patrol staffing and radio system upgrade, while maintaining a prudent reserve.

CALIFORNIA HIGHWAY PATROL

The Department of California Highway Patrol (CHP) patrols over 105,000 miles of freeways, state highways, and county roads, with a primary focus in traffic law

enforcement, investigation of vehicle collisions, homeland security, Capitol and dignitary protection, air operations and support, and services to motorists. The Budget proposes \$1.9 billion and 11,196 positions. This is an increase of \$35.7 million and 227.1 positions above the 2007-08 Budget.

PATROL STAFFING EXPANSION

The Budget proposes funding to add 120 uniformed positions and 44 support positions (\$21.6 million Motor Vehicle Account) to address workload growth associated with population growth, including the increased number of licensed drivers, and development of new communities and the resulting increased traffic congestion and number of collisions.

The CHP projects this statewide staffing augmentation will enable an increase in proactive patrol hours by approximately 68,000 hours when positions are filled. Proactive road patrol provides a significant deterrent to motorists who violate the law and enhances

security through increased officer presence. Increased staffing also reduces response times to major collisions and persons needing assistance on state highways. The Budget also reflects limited-term savings reflecting the time it will take to graduate enough officers from the CHP Academy to fill all 6,973 positions by 2012-13.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The Budget proposes \$959.7 million, all from non-General Fund sources, and 8,250 positions. This represents a decrease of \$73.5 million and 39.4 positions from the 2007-08 Budget.

REAL ID ACT

The federal REAL ID Act requires states to establish minimum standards for the creation and issuance of driver's license and identification (DL/ID) cards that will be acceptable for official deferral purposes, such as commercial air travel and entering federal buildings. These requirements are currently required to take effect May 11, 2008. According to the U.S. Department of Homeland Security (DHS), the final regulations implementing the Act are expected to be issued by February 2008. At that time, the California DMV will be in a better position to quantify resource needs for the budget year and submit a spring budget request.

The preliminary REAL ID regulations, released in March 2007, mandated states to fully implement the Act within five years, or by 2013. In response, the Administration raised concerns over federal funding for this effort and the time requirements for certifying the state's 24 million DL/ID cardholders. As a result, states were informed that the final regulations will provide for a substantially longer implementation period. This extension will help reduce the significant costs associated with the requirement that residents appear in-person at DMV offices to establish identity and obtain REAL-ID compliant cards. The DMV also is scheduled to award a new DL/ID card contract in 2008-09 that will provide for best practices in card issuance and security features, and also enable California to satisfy the REAL ID requirements.

OFFICE CONSOLIDATIONS

The Budget includes \$4.5 million to establish a Central California Telephone Service Center and Driver Safety Office in Bakersfield, which will allow DMV to reuse vacated space for field office space, and to establish a Consolidated Commercial Driver License

Center in Central California to alleviate overcrowding and unsafe testing areas in several field offices.

BUSINESS AND HOUSING

The Business, Transportation, and Housing Agency includes the departments of Real Estate, Real Estate Appraisers, Managed Health Care, Financial Institutions, Corporations, and Alcoholic Beverage Control, which ensure efficient and fair markets for the real estate industry, health care plans, alcoholic beverage industry, and certain financial businesses. The Department of Housing and Community Development and the California Housing Finance Agency help communities expand the availability of affordable housing. Agency programs assist the state’s infrastructure, small business finance, and economic development by encouraging and promoting economic activity and investment within the state.

**DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT**

The Department of Housing and Community Development (HCD) administers housing finance, rehabilitation, and community development programs, oversees the state’s housing planning and code-setting processes, and regulates manufactured housing and mobile home parks. The Budget proposes \$1.1 billion (\$15.9 million General Fund and \$1.0 billion other funds) and 626 positions. This represents a decrease of \$246.5 million and an increase of 48.8 positions from the revised 2007-08 Budget.

In 2008-09, expenditures from Proposition 46 bond funds are estimated to be \$36.8 million, which will fully expend the bond. Proposition 1C expenditures are expected to total \$771 million, a decrease of \$202 million from 2007-08.

PROPOSITION 1C:

\$771 million in bond allocations for:

\$188 million—Affordable Homeownership

\$194 million—Multifamily Rental Housing

\$40 million—Joe Serna Jr. Farmworker Housing

\$24 million—Emergency Housing Assistance

\$200 million—Infill Incentives Grant program

\$95 million—Transit-Oriented Development

\$30 million—Housing Urban-Suburban-and-Rural Parks

PROPOSITION 1C IMPLEMENTATION

Proposition 1C, the Housing and Emergency Shelter Fund Act of 2006, was approved in November 2006 to promote housing programs in California through the investment of \$2.85 billion in General Obligation Bonds in existing housing programs, as well as to fund investment in innovative housing programs, housing infill construction, and housing-related parks.

RESOURCES

Resources Agency programs protect and restore California's natural resources for current and future generations. The state's diverse natural attributes include stunning coastlines and lakes, spectacular forests, vast fish and wildlife habitats, rich farmlands, and extensive mineral resources. Agency programs also protect the public by suppressing wildfires, constructing flood control levees, and permitting safe power plants. These programs not only contribute to the state's unique quality of life, but are also critical to sustaining a vibrant economy.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget provides approximately \$13.1 billion and 17,020.9 positions to protect and manage California's natural resources in 2008-09. Change Table RES-01 illustrates the significant changes to the Resources Agency's budget.

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

Change Table RES-01

Resources Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$1,674,007	\$11,517,427	16,557.0	\$1,595,121	\$10,230,692	16,557.0
Workload Adjustments						
Alternative and Renewable Fuel and Vehicle Technology Program (AB 118)	—	—	—	—	100,891	5.7
California Energy Resources Scheduling (CERS) Adjustments	—	-53,297	—	—	-264,805	—
E-Fund Deficiency	136,000	—	—	—	—	—
Proposition 1E	—	—	—	—	323,100	11.3
Proposition 84	—	—	2.8	—	785,381	78.8
Updated Expenditure Estimates - Beverage Container Recycling Funds	—	96,633	—	—	194,814	—
Carryovers/Reappropriations: Resources Bond Funds	—	265,612	—	—	-72,435	—
Employee Compensation/Retirement	10,766	27,959	—	13,023	31,117	—
One-Time Cost Reductions	—	-1,187	—	-66,544	-878,486	-20.0
Full-Year Cost of New Programs	—	198	2.8	2,261	23,969	101.3
Other Workload Adjustments	4,147	395,716	17.7	157,027	-118,463	72.6
Infrastructure Adjustment	-16,435	757,965	—	39,247	979,427	—
Totals, Workload Adjustments	\$134,478	\$1,489,599	23.3	\$145,014	\$1,104,510	249.7
Policy Adjustments						
Wildland Firefighting Initiative	—	—	—	—	33,113	387.6
Other Policy Adjustments	—	12,611	—	5,475	-3,791	123.1
Totals, Policy Adjustments	\$0	\$12,611	—	\$5,475	\$29,322	510.7
Total Adjustments	\$134,478	\$1,502,210	23.3	\$150,489	\$1,133,832	760.4
Budget Prior to Reductions	\$1,808,485	\$13,019,637	16,580.3	\$1,745,610	\$11,364,524	17,317.4
Budget-Balancing Reductions^{1/}	-\$4,204	\$0	—	-\$89,271	\$44,200	-296.5
Governor's Budget	\$1,804,281	\$13,019,637	16,580.3	\$1,656,339	\$11,408,724	17,020.9

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- One-Time Cost Reductions—The Budget reflects decreases of \$66.5 million General Fund and \$878.5 million in other funds, including the following significant reductions:
 - General Fund: \$47.3 million to remove 2007-08 funding for lining of the All-American Canal.
 - Various reductions related to numerous expiring one-time bond fund appropriations for Resources Agency departments.
- E Fund Deficiency—The Budget reflects a current year increase of \$136 million General Fund to reflect the Department of Forestry and Fire Protection's (CAL FIRE) emergency fire suppression expenditures during the October 2007 Southern California wildfires.

PROPOSED BUDGET-BALANCING REDUCTIONS

Total budget-balancing reductions for the Resources Agency amount to \$4.2 million in 2007-08 and \$89.3 million and 296.5 positions in 2008-09. These reductions assume necessary statutory changes will be enacted by March 1, 2008.

Programs exempted from reductions include Paterno judgment payments, Colorado River Quantification Settlement Agreement projects, lease payments securing lease revenue bonds, and CAL FIRE's emergency fire suppression expenditures.

The major reductions in 2008-09 are described below:

- \$1.2 million in 2007-08 and \$3.8 million and 5.7 positions in 2008-09 for the California Conservation Corps' Training and Work Program. This reduction will eliminate 75 of 1,310 existing corpsmember slots.
- \$44.7 million and 361 positions for CAL FIRE's Fire Protection Program. This reduction will shift funding for 20 one-engine fire stations, 11 conservation camps, and 1 helitack base from the General Fund to the Insurance Fund, and will be supported by a surcharge on commercial and residential property insurance policies.

RESOURCES

- \$3.0 million and 20.9 positions for CALFIRE's Resource Management Program. This reduction will reduce funding for fuel treatment activities and the review of timber harvest plans.
- \$1.4 million in 2007-08 and \$3.6 million and 20.9 positions in 2008-09 for the Department of Fish and Game's (Fish and Game's) Biodiversity Conservation Program. This reduction will reduce funding for habitat restoration projects and the review of timber harvest plans.
- \$2.6 million for Fish and Game's Enforcement Program. This reduction will eliminate 38 fish and game warden positions, out of 370 existing enforcement positions. These wardens are responsible for enforcing fish and game laws, inspecting vessels for quagga mussels, and protecting sensitive populations of marine species.
- \$1.0 million in 2007-08 and \$13.3 million and 129.2 positions in 2008-09 for the Department of Parks and Recreation's (Parks) state park system. This reduction will close 48 state parks out of 278 existing parks and reduce seasonal lifeguards at state beaches in Orange, San Diego, and Santa Cruz Counties by a minimum of 50 percent. See Figure RES-01 on the following page.
- \$5.4 million for the Department of Water Resources' (DWR) Flood Management Program. This reduction will be partially offset because Proposition 1E and Proposition 84 funds are available for erosion repair, sediment removal, and Delta levee projects.

OTHER SPECIAL SESSION ISSUES

The Governor has called a Special Session of the Legislature to immediately address the budget and cash shortfall. Included in the Special Session is a proposal to revert \$30 million General Fund for deferred maintenance at state parks. Parks is currently spending \$75 million on deferred maintenance projects. These funds were originally appropriated in the Budget Act of 2006 and were made available for expenditure until June 30, 2012. A portion of the funds have not yet been spent. Consequently, Parks will disencumber and revert a total of \$30 million as a budget-balancing current-year reduction. Proposition 84 provides \$400 million for various state park improvements, and this reversion will be backfilled with a \$30 million augmentation from these Proposition 84 funds.

Figure RES-01



PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions to ensure a balanced budget, the Governor's Budget includes the following major program enhancements to protect the natural resources of the state.

IMPROVING FIRE PROTECTION

The 2007 fire season was one of the worst on record. The October 2007 Southern California wildfires burned 517,267 acres, destroyed 3,204 structures, and resulted in 10 deaths and 139 injuries. The total cost of fire suppression efforts for the Southern California wildfires is estimated at \$139.4 million.

To prevent catastrophic fires from occurring in the future, the Budget proposes \$33.1 million Insurance Fund and 387.6 positions to enhance CAL FIRE's fire protection capabilities, including:

- \$28.9 million and 1,100 seasonal firefighters to staff all 336 state fire engines with full four-member crews during peak and transition fire seasons. The current standard is a three-member crew per engine. The additional firefighters will increase fire-fighting effectiveness by improving deployment, reducing fatigue, and accelerating equipment movement.
- \$4.2 million and 3.8 positions to install GPS tracking on key pieces of equipment, such as fire engines and aircraft, linked to computer-aided dispatching. GPS permits real-time monitoring of equipment position and movements and enables instant dispatching and faster redeployment of resources.

Additionally, the Budget proposes a multi-year expenditure plan to enable CAL FIRE to purchase eleven new, all-weather, 24-hour firefighting helicopters over the next six years. These new helicopters will replace CAL FIRE's existing fleet of Vietnam-era helicopters, which are restricted to daytime and mild weather conditions. These helicopters will improve CAL FIRE's ability to effectively respond to intense and frequent wildland fires, as well as other disasters such as earthquakes and floods.

These CAL FIRE proposals are components of a comprehensive Wildland Firefighting Initiative. For additional information, see the Wildland Firefighting Initiative discussion in the Legislative, Judicial, and Executive Chapter.

The Budget also includes \$3 million General Fund and 28.5 park ranger positions to improve the detection and prevention of fires in state parks. According to several documented reports, the November 2007 Malibu fire appears to have started in Malibu

Creek State Park. Additional park ranger patrols will reduce the risk of catastrophic fires starting in fire-prone state parks.

FLOOD PROTECTION

The devastation resulting from the failed levees in New Orleans during and after Hurricane Katrina in 2005 called attention to California's aging levees. To prevent a Katrina-like event from occurring in California, Governor Schwarzenegger has made improving flood protection a high priority. In 2006, new general obligation bonds (Proposition 1E) for flood control system improvements and levee repairs was one of the primary components of the Governor's Strategic Growth Plan. In 2007, the Governor signed legislation that requires the development of a comprehensive Central Valley Flood Protection Plan by 2012.

To address the state's urgent flood control needs, the Budget includes \$598.3 million from Proposition 1E and Proposition 84 bond funds and 14.2 new positions for the following activities:

- \$461.1 million and 14.2 positions for the Flood SAFE California Program. This program will provide subventions to help local governments protect their communities from flooding, enhance emergency preparedness and flood response, and provide grants to local governments for urgent repairs and improvements of levees in the Central Valley and the Delta.
- \$126.5 million for levee evaluations and the repair of critical levee erosion sites.
- \$10.7 million for five flood control capital projects: Mid-Valley Area Levee Reconstruction, South Sacramento County Streams, West Sacramento Project, Merced County Streams, Sutter Bypass, and for feasibility studies on additional projects.

The Budget also provides \$2 million General Fund to establish a new Central Valley Flood Protection Board within DWR, as specified by Chapters 365 and 366, Statutes of 2007. The new board will assume the

PROPOSITION 1E

The Disaster Preparedness and Flood Prevention Bond Act of 2006 (Proposition 1E) provides \$4.1 billion in general obligation bonds for the following levee repair and flood control activities:

- \$3.0 billion—Central Valley and Delta flood control system repairs and improvements.
- \$500 million—Flood control subventions outside the Central Valley.
- \$300 million—Stormwater flood management outside the Central Valley.
- \$290 million—Flood protection corridors and bypasses and floodplain mapping.

responsibilities of the former State Reclamation Board, approve a Central Valley Flood Protection Plan by July 1, 2012, and ensure that cities and counties consider flood risks when making land use and development decisions.

PROPOSITION 84

In recent years, California's voters have approved a series of bonds to protect and enhance the state's natural resources. Propositions 12, 13, 40, and 50 have made available a total of \$10.1 billion dollars that has been used by local governments and state agencies for a wide variety of activities such as water conservation, acquisition of land to protect wildlife habitats, and restoration of damaged ecosystems.

Most recently, the voters approved Proposition 84, which authorizes an additional \$5.4 billion in general obligation bonds for water, flood control, natural resources, park, and conservation projects. The Governor's Budget proposes the expenditure of \$1 billion in Proposition 84 funds for natural resources programs in 2008-09, including:

- \$350 million and 9.5 positions for DWR for regional projects that increase water supplies, encourage water conservation, improve water quality, and reduce dependence on exported water.
- \$89.1 million for the State Coastal Conservancy to restore coastal wetlands and watersheds and promote public access to the coast.

PROPOSITION 84

The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) provides \$5.4 billion in general obligation bonds for the following activities:

- \$1.5 billion—Drinking water and water quality projects
- \$800 million—Flood control
- \$65 million—Statewide water planning and project design
- \$928 million—Protection of rivers, lakes, and streams
- \$450 million—Forest and wildlife conservation
- \$540 million—Protection of beaches, bays, and coastal waters
- \$500 million—Parks and nature education facilities
- \$580 million—Sustainable communities and climate change reduction

- \$26.4 million for the Ocean Protection Council to develop marine protected areas and enhance habitat for marine species.
- \$33.3 million for the California Conservation Corps and local conservation corps for public safety and watershed restoration projects, as well as grants to local corps for acquisition and development facilities to support local corps programs.
- \$16.7 million for Parks for deferred maintenance, interpretive exhibits, and cultural and natural stewardship projects at state parks.
- \$15.8 million and 10.5 positions for DWR to complete feasibility studies for surface water storage projects, evaluate climate change impacts on the state's water supply and flood control systems, and develop a strategic plan for the sustainable management of the Sacramento-San Joaquin Delta's water supplies and ecosystem.
- \$10.8 million and 2.8 positions for Fish and Game for environmental and ecosystem restoration activities at the Salton Sea.

ALTERNATIVE AND RENEWABLE FUEL AND VEHICLE TECHNOLOGY PROGRAM

The Budget includes \$100.9 million Alternative and Renewable Fuel and Vehicle Technology Fund and 5.7 positions for the California Energy Commission to prepare guidelines and provide grants, loans, and other appropriate measures to public agencies, public-private partnerships, and other entities to develop alternative fuels and related technologies, including electricity, ethanol, renewable diesel, natural gas, hydrogen, and biomethane, among others. The development of these fuels and technologies will help reduce California's dependence on petroleum-based fuels.

ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency (Cal/EPA) administers the state's environmental protection programs, which focus on restoring, preserving, and enhancing California's environmental quality and protecting public health.

The Secretary for Environmental Protection oversees the six boards, departments, and offices within Cal/EPA:

- Air Resources Board—The Air Board sets statewide air quality standards and regulates emissions from motor vehicles, fuels, and consumer products. The Board, along with the 35 local air quality districts that regulate other sources of air pollution, monitors air pollution and administers regulatory and incentive programs to improve air quality. The Board is also the lead for implementation of the Global Warming Solutions Act of 2006.
- Integrated Waste Management Board—The Waste Board's mission is to reduce solid waste, encourage recycling and reuse of materials, and regulate the disposal of solid waste. The Board oversees the local enforcement agencies to ensure the proper operation and closure of solid waste landfills.
- Department of Pesticide Regulation—The Department of Pesticide Regulation evaluates the effectiveness and potential health risks of pesticide products, licenses pesticide applicators, and oversees local agricultural commissioners' enforcement of pesticide laws.

ENVIRONMENTAL PROTECTION

- State Water Resources Control Board—The Water Board, which includes nine regional water quality control boards, protects water quality by regulating pollutants discharged into the state's ground water, rivers, lakes, and the Pacific Ocean. The Board issues water rights permits and licenses to ensure that water resources are put to beneficial use.
- Department of Toxic Substances Control—The Department of Toxic Substances Control (DTSC) protects public health and the environment by reducing exposure to hazardous substances. The Department regulates handling and disposal of hazardous wastes, oversees cleanup of contaminated sites, and promotes pollution prevention.
- Office of Environmental Health Hazard Assessment—The Office of Environmental Health Hazard Assessment conducts scientific evaluations of the risks posed by chemicals. Their assessments are the scientific foundation of the state's environmental regulatory programs.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget includes \$1.8 billion (\$85.3 million General Fund and

\$1.7 billion other funds) and 4,963.7 positions for Cal/EPA (shown in Change Table ENV-01). Agency funding supports efforts to reduce greenhouse gas emissions that cause climate change, promote clean alternative fuels, improve water quality, reduce risk from pesticides and hazardous chemicals, and encourage the reuse of recyclable materials and brownfield sites.

WORKLOAD BUDGET AND GOVERNOR'S BUDGET FUNDING LEVEL

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following;

Ongoing Implementation of the Global Warming Solutions Act of 2006 (AB 32) – The Budget includes \$5.6 million Air Pollution Control Fund and 25.8 positions for additional staff and resources to

Change Table ENV-01

Environmental Protection Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$90,449	\$1,990,142	4,812.0	\$86,486	\$1,989,142	4,812.0
Workload Adjustments						
Employee Compensation/Retirement	3,084	26,241	—	3,258	28,841	—
Expiring Programs or Positions	—	—	—	—	-5,000	—
One-Time Cost Reductions	—	—	—	—	-206,673	—
Full-Year Cost of New Programs	—	—	—	—	1,268	17.2
Other Workload Adjustments	-958	213,297	4.6	655	-90,626	37.9
Infrastructure Adjustment	-376	—	—	3,235	—	—
Totals, Workload Adjustments	\$1,750	\$239,538	4.6	\$7,148	-\$272,190	55.1
Policy Adjustments						
California Education and the Environment Initiative	—	—	—	—	1,167	0.9
Green Chemistry and Pollution Prevention	—	—	—	—	772	5.7
Ongoing Implementation of the California Global Warming Solutions Act of 2006	—	—	—	—	5,579	25.8
Regulatory Implementation and Enforcement	—	—	10.5	—	8,522	44.1
Water Quality and Water Rights Investigations and Enforcement	—	—	—	—	1,314	8.5
Zero-Emission Vehicle and Infrastructure Implementation Support	—	—	—	—	6,000	—
Other Policy Adjustments	—	—	—	3	6,090	28.1
Totals, Policy Adjustments	\$0	\$0	10.5	\$3	\$29,444	113.1
Total Adjustments	\$1,750	\$239,538	15.1	\$7,151	-\$242,746	168.2
Budget Prior to Reductions	\$92,199	\$2,229,680	4,827.1	\$93,637	\$1,746,396	4,980.2
Budget-Balancing Reductions^{1/}	-\$1,600	\$0	—	-\$8,338	\$0	-16.5
Governor's Budget	\$90,599	\$2,229,680	4,827.1	\$85,299	\$1,746,396	4,963.7

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

ENVIRONMENTAL PROTECTION

continue implementation of programs and strategies to reduce greenhouse gas emissions and other contributing factors to global warming. These resources include 24.0 positions to accelerate the development of additional early action measures, both regulatory and non-regulatory, to reduce greenhouse gas emissions, primarily from the trucking and port industries, cement, semi-conductor, and consumer product industries.

- Regulatory Implementation and Enforcement – The Budget includes \$8.5 million Motor Vehicle Account and 44.1 positions to focus on the Air Resources Board's implementation and enforcement efforts related to controlling toxic diesel particulates from on- and off-road mobile sources. These include regulations relative to in-use off-road diesel vehicles, composite wood formaldehyde emissions, and diesel auxiliary engines for port and ocean-going vessels.
- Proposition 84—The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006, approved by California's electorate in November 2006, provides \$5.4 billion to address water supply needs and protect natural resources. The Governor's Budget proposes \$100.5 million local assistance for the State Water Resources Control Board to continue water quality programs, including:
 - \$46.1 million for the Clean Beaches Grant Program. This program provides grants to public agencies for water quality projects in coastal waters, estuaries, and bays. Projects include upgrading septic systems, storm water pollution reduction programs, and clean beach projects in Santa Monica. Proposition 84 specifies that 20 percent of the funds for clean beaches be allocated to the Santa Monica Bay Restoration Commission.
 - \$44.8 million for the Urban Stormwater Grant Program. This program provides grants to local public agencies for projects that mitigate stormwater runoff, such as diverting the runoff to treatment facilities.
 - \$7.8 million for the Agricultural Water Quality Grant Program. This program provides grants for public agencies or nonprofit organizations to improve agricultural water quality, including projects related to research and construction of agricultural drainage water improvements.
 - \$1.7 million for the State Water Pollution Control Revolving Fund Program. This program provides low interest loans or grants to construct municipal wastewater treatment facilities, storm water pollution control projects, non-point

LEADERSHIP IN ADDRESSING GLOBAL WARMING

The Governor and the California Legislature have taken significant steps to move California and the nation towards policies that will reduce the emission of greenhouse gases (GHGs).

- In June 2005, Governor Schwarzenegger issued Executive Order S-03-05, setting a goal of reducing California's GHG emissions to 1990 levels by 2020.
- In 2006, the Legislature enacted and the Governor signed AB 32, the California Global Warming solutions Act, which lays out a plan and procedure for the state to follow to address climate change.
- More than 150 positions in nine state agencies have been funded to carry out activities intended to reduce GHG emissions.
- Funding for climate change activities will be provided by loans for the first three years of AB 32 implementation. These loans will eventually be repaid with revenues that will be designed by the Air Resources Board to be consistent with its AB 32 scoping plan. The plan is scheduled to be considered by the Board in November 2008.

source pollution projects, and estuary enhancement projects. This funding includes the state share needed to match federal funds.

- One-Time Cost Reductions—The Governor's Budget reflects a \$234.8 million (\$1.2 million General Fund) reduction in one-time funding for 2007-08 , including:
 - \$192.2 million Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund used to replace pre-1987 school buses and retrofit old diesel school buses.
 - \$1.2 million General Fund for the DTSC to purchase equipment for the implementation of the Biomonitoring Program.
 - Other adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments below.

PROPOSED BUDGET-BALANCING REDUCTIONS

Total budget-balancing reductions for the Environmental Protection Agency amount to \$1.6 million in 2007-08 and \$8.3 million and 16.5 personnel years in 2008-09. The major reductions are described below:

- \$4.3 million and 12.0 personnel years in 2008-09 for the State Water Resources Control Board. These reductions will result in delays to the Board's capacity to issue permits for pollutant discharge elimination systems that regulate the discharge of wastewater to surface waters in the state. The reduction will also decrease contract funding for Total Maximum Daily Load (TMDL) action plans to restore clean water. The federal Clean Water Act requires that states identify water bodies—bays, rivers, streams, creeks, and coastal areas—that do not meet water quality standards, and identify the pollutants that impair them, and develop solutions. The contracts support scientific research, assessment, and monitoring as part of TMDL development.
- \$1.3 million in 2007-08 and \$2.4 million in 2008-09 for the Department of Toxic Substances Control's Site Mitigation and Brownfields Reuse Program. This reduction will decrease the annual number of drug lab cleanups performed by the state.
- \$0.1 million in 2007-08 and \$1 million and 4.5 personnel years in 2008-09 for the Office of Environmental Health Hazard Assessment (OEHHA). This adjustment will reduce funding available for scientific evaluations of the effects of fuels on human health and the state's environment and will reduce the number of air toxic contaminant evaluations that OEHHA can perform annually.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions to ensure a balanced budget, the Governor's Budget includes these program enhancements to restore, preserve, and enhance California's environmental quality and protect public health.

WATER QUALITY AND WATER RIGHTS INVESTIGATION AND ENFORCEMENT

The Budget includes \$790,000 Waste Discharge Permit Fund, \$524,000 Water Rights Fund, and 8.5 positions to fund investigators and enforcement personnel for the State Water Resources Control Board. The program enhancements will improve the Water Boards' ability to enforce state laws.

CALIFORNIA EDUCATION AND THE ENVIRONMENT INITIATIVE

The Budget includes \$1,167,000 and 0.9 positions one-time for 2008-09 and \$917,000 and 0.9 positions one-time for 2009-10 from the California Beverage Container Recycling Fund to implement the California Education and the Environment Initiative. The California Integrated Waste Management Board will assist in the development of the K-12 classroom curriculum for core subjects incorporating environmental principles and concepts, and will educate students in how their personal consumption and recycling choices affect the environment.

GREEN CHEMISTRY AND POLLUTION PREVENTION

The Budget includes \$772,000 and 5.7 positions to expand the existing Pollution Prevention program in the area of green chemistry. These resources will focus on product design and industrial innovation that reduces the use of harmful chemicals in products and generates fewer emissions and less waste, thereby moving California towards safe and sustainable industrial chemistry.

GREEN CHEMISTRY INITIATIVE

Green chemistry consists of a set of coordinated strategies intended to identify more effective approaches for dealing with the hazardous effects of many industrial chemicals. These strategies include:

- Developing a consistent method for comparing and evaluating the hazards and risks associated with the use of various chemicals.
- Identifying safer alternatives for use in both production processes and in the products themselves.
- Encouraging, and, in some cases, requiring the use of non-toxic or less hazardous alternatives.
- Developing a cradle-to-cradle approach to the use of hazardous chemicals, in order to reduce if not eliminate the need to manage and control waste at the end of a production cycle.

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency (HHSA) oversees twelve departments and one board, which provide essential medical, dental, mental health and social services to California's most vulnerable populations. HHSA programs provide access to short- and long-term services and supports that promote health, well-being and independent living. As the state's population continues to grow and diversify, a strong and responsible network of services that is responsive to the needs of the state's at-risk residents must be maintained. Programs and services must be structured and delivered to promote improved outcomes as cost-effectively and efficiently as possible.

The proposed budget was constructed first by computing the workload budget level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget balancing reductions. With these adjustments, the revised 2007-08 budget for all HHSA budgets totals \$79.5 billion in combined state and federal funds. This total includes expenditures for approximately 33,000 state employees. Change Table HHS-01 displays budgetary adjustments in 2007-08 and 2008-09 by broad categories. The 2008-09 total is \$1 billion, or 1.3 percent, less than the revised 2007-08 budget.

Change Table HHS-01

Health and Human Services Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$29,718,647	\$49,213,957	32,955.5	\$29,706,731	\$49,150,338	32,955.5
Workload Adjustments						
Enrollment/Caseload/Population	105,819	776,904	-71.7	1,606,894	1,756,350	-365.5
Employee Compensation/Retirement	88,552	43,135	—	94,390	47,117	—
Statutory Cost-of-Living Adjustments	—	—	—	432,413	—	—
Court Orders/Lawsuits	—	—	—	364	711	0.9
Expiring Programs or Positions	—	-516	-1.9	-5,027	-9,604	-169.6
One-Time Cost Reductions	-96	-95	—	-12,726	-37,569	—
Full-Year Cost of New Programs	—	—	—	4,144	5,407	15.7
Other Workload Adjustments	12,657	144,283	108.4	73,770	107,125	407.8
Infrastructure Adjustment	-2,091	-33,613	—	31,355	25,100	—
Totals, Workload Adjustments	\$204,841	\$930,098	34.8	\$2,225,577	\$1,894,637	-110.7
Policy Adjustments						
CalWORKs Performance Monitoring and Data Validation	—	—	—	—	2,254	18.9
Delay Current Year Medi-Cal Checkwrite for One Week (Special Session)	-165,000	-165,000	—	—	—	—
Other Policy Adjustments	—	-878	0.9	27,077	-19,245	20.7
Totals, Policy Adjustments	-\$165,000	-\$165,878	0.9	\$27,077	-\$16,991	39.6
Total Adjustments	\$39,841	\$764,220	35.7	\$2,252,654	\$1,877,646	-71.1
Budget Prior to Reductions	\$29,758,488	\$49,978,177	32,991.2	\$31,959,385	\$51,027,984	32,884.4
Budget-Balancing Reductions^{1/}	-\$181,062	-\$65,500	-11.2	-\$2,661,209	-\$1,865,600	-367.5
Governor's Budget	\$29,577,426	\$49,912,677	32,980.0	\$29,298,176	\$49,162,384	32,516.9

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

Figure HHS-01 displays the revised 2007-08 estimates of caseloads for major health and human services programs, along with the proposed 2008-09 caseload estimates for these programs.

Figure HHS-01 Major Health and Human Services Program Caseloads			
	2007-08 Revised	2008-09 Estimate	Change
California Children's Services (CCS) ^a (treatment of physical handicaps)	43,273	44,830	1,557
Medi-Cal Eligible CalWORKs	6,637,700	6,563,800	-73,900
Average monthly individuals served	1,123,900	962,000	-161,900
Average monthly cases (families)	451,600	377,000	-74,600
Foster Care	71,100	67,800	-3,300
SSI/SSP (support for aged, blind, and disabled)	1,247,600	1,274,000	26,400
In-Home Supportive Services	390,000	407,900	17,900
Child Welfare Services ^b	133,600	132,100	-1,500
Non-Assistance Food Stamps	596,100	636,700	40,600
State Hospitals			
Mental health clients ^c	5,978	6,448	470
Developmentally disabled clients ^d	2,620	2,449	-171
Community Developmentally Disabled Services			
Regional Centers	221,655	232,125	10,470
Vocational Rehabilitation	80,447	80,584	137
Alcohol and Drug Programs ^e	203,275	216,786	13,511
Healthy Families Program ^f			
Children	888,450	954,252	65,802

^a Represents unduplicated quarterly caseload in the CCS Program. Does not include Medi-Cal Eligible CCS clients.

^b Represents Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement service areas on a monthly basis. Due to transfers between each service area, cases may be reflected in more than one service area.

^c Represents the year-end population. Includes population at Vacaville and Salinas Valley Psychiatric Programs.

^d Represents average in-center population. Reflects the impact of Agnews Developmental Center closure.

^e Represents Drug Medi-Cal Clients.

^f Represents the year-end population.

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- Enrollment, Caseload, and Population Adjustments—\$3.1 billion (\$1.3 billion General Fund) including:
 - \$607.4 million (\$427.3 million General Fund) in the Department of Social Services;

- \$1.7 billion (\$413.8 million General Fund) in the Department of Health Care Services, which includes federal funds for which the match is provided by other departments;
- \$511.9 million (\$337.6 million General Fund) in the Department of Developmental Services; and
- \$190.6 million (\$130.5 million General Fund) in the Department of Mental Health.
- Statutory Cost-of-Living Adjustments (COLAs): \$301.4 million General Fund for statutory payment increases in the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program and \$131 million General Fund for statutory grant increases in the CalWORKs program.
- \$258 million General Fund backfill due to a lack of sufficient federal Temporary Assistance for Needy Families (TANF) block grant funds to support the CalWORKs program.
- \$72.7 million (\$36.4 million General Fund) to restore funding for savings that were recognized in the 2007 Budget Act for switching the basis used to establish the drug reimbursement component of pharmacy claims in Medi-Cal. Due to federal implementation delays and recent court actions, it is unlikely that these savings will be available in either 2007-08 or 2008-09.
- An increase of \$31.4 million (\$18.4 million General Fund) to reflect the full-year cost of foster care rate increases that became effective January 1, 2008 and increased reimbursement rates in the Private Adoption Agency Reimbursement Payments Program that become effective February 1, 2008.
- Decreases of \$187.4 million in 2007-08 and \$15.8 million in 2008-09 for baseline adjustments in the State-Local Realignment budget due to changes in projected sales tax and vehicle license fee revenues.

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

PROPOSED BUDGET-BALANCING REDUCTIONS

Total budget-balancing reductions for the HHSA amount to \$246.6 million (\$181.1 million General Fund) and 11.2 positions in 2007-08 and \$4.5 billion (\$2.7 billion General Fund) and 367.5 positions in 2008-09. These reductions assume necessary statutory changes will be enacted by March 1, 2008.

Programs exempted from reductions include emergency medical assets, food borne illness and lead testing, Department of Mental Health state hospitals, funding for the California Child Support Automated System (CCSAS) to minimize unnecessary added risk to the project, funding to local child support agencies due to the nexus between local agency funding and support to the CCSAS project, certain Children's Outreach Initiative activities, and various areas within Medi-Cal (including audits and investigations, third-party liability, and long-term care rates for certain nursing facilities).

The major reductions are described below:

DEPARTMENT OF HEALTH CARE SERVICES

- \$33.4 million in 2007-08 and \$602.4 million in 2008-09 from reducing Medi-Cal provider rates for physicians and other medical and service providers. A proportionate reduction will be made to managed care rates.
- \$34.4 million in 2008-09 by shifting federal Safety Net Care Pool payments from designated public hospitals to the portions of the California Children's Services (CCS), the Genetically Handicapped Persons, the Medically Indigent Adult-Long-term Care, and the Breast and Cervical Cancer Treatment programs, which are eligible for these funds. This shift will allow a corresponding reduction in General Fund for these programs.
- \$30 million in 2008-09 by reducing reimbursement rates for hospitals that do not contract with Medi-Cal.
- \$56.8 million in 2008-09 payments from a reduction in the payments to certain long-term care facilities.
- \$24 million in 2008-09 from reduced Medi-Cal Disproportionate Share Hospital replacement payments for private hospitals. These payments are allocated to hospitals based on their uncompensated Medi-Cal and uninsured care costs.
- \$10 million in 2007-08 and \$134 million in 2008-09 by eliminating certain Medi-Cal optional benefits for adults including incontinence creams and washes,

HEALTH AND HUMAN SERVICES

acupuncture, dental, audiology, optometry, optical, chiropractic, podiatry, psychology, and speech therapy.

- \$4.2 million in 2007-08 and \$50.1 million in 2008-09 related to stopping the payment of Medicare Part B premiums for Medi-Cal share-of-cost beneficiaries who do not become Medi-Cal certified by meeting their share-of-cost during the month. These individuals are Medi-Cal eligible but have adjusted income that exceeds 129 percent of the Federal Poverty Level and have not spent down their excess income. They will have the option to pay their own premiums to maintain their Medicare Part B benefits.
- \$92.2 million in 2008-09 by reducing the 12 month Medi-Cal eligibility period for children and restoring quarterly status reports for both children and parents. Currently, children's eligibility is determined annually, while parent's eligibility is determined semi-annually. This proposal would reinstate quarterly status reports, which would allow an evaluation of the person's eligibility for Medi-Cal on a quarterly basis.
- \$75.8 million in 2008-09 in Medi-Cal payments to counties. Adjustments include: elimination of the California Necessities Index-based cost-of-living adjustment that would be provided to county eligibility, administrative, and support positions; elimination of caseload growth funding that is used to hire additional county staff to address increased workload due to increases in Medi-Cal eligibles; a reduction of the county administration base, which provides funding for staff, support, and staff development costs associated with the Medi-Cal eligibility process; and reductions in funding for administration of the CCS and Child Health Disability Prevention programs.

DEPARTMENT OF PUBLIC HEALTH

- \$11 million in 2008-09 for AIDS programs. This reduction will be achieved by reducing state support and local assistance for various programs, including AIDS Education and Prevention, AIDS Epidemiology Studies and Surveillance, AIDS Drug Assistance, and HIV Counseling and Testing. At this reduced level of funding, the state will continue to meet the federal maintenance-of-effort requirement for receipt of Ryan White Act funds.
- \$5.4 million for family health programs. This will result in a reduced level of state support and local assistance funding for case management services for at-risk teens, domestic violence prevention activities, and education activities including breastfeeding, nutrition, and Sudden Infant Death Syndrome risk reduction.

- \$3.3 million for local chronic disease programs. This will result in a reduced level of state support and local assistance funding for cancer and injury prevention surveillance activities, developing public health interventions, and monitoring environmental contaminants.

MANAGED RISK MEDICAL INSURANCE BOARD

- \$41.9 million in 2008-09 by reducing rates for Healthy Families Program plans, increasing premiums and co-pays, and instituting an annual cap on dental benefits.

DEPARTMENT OF DEVELOPMENTAL SERVICES

- \$348.3 million (\$235.1 million General Fund) in 2008-09 through extension of existing Regional Center cost containment measures, including rate freezes on targeted program categories that are scheduled to sunset June 30, 2008.
- \$18.3 million (\$14.2 million General Fund) in 2008-09 to freeze rates negotiated by regional centers for all provider types not yet frozen and to set parameters or limits on the rates for new providers with whom the regional centers may negotiate.
- \$0.8 million General Fund in 2008-09 to expand the Family Cost Participation Program (FCPP) by assessing a share of the cost of respite, day care, and camping services to parents of Early Start consumers and by expanding the share of cost scale so that families between 400 percent of the Federal Poverty Level (FPL) and 500 percent of the FPL will pay 10 percent of the cost of these services and families at 2,000 percent of the FPL or above will pay 100 percent of the cost of these services.

DEPARTMENT OF MENTAL HEALTH

- \$8.2 million General Fund in 2007-08 and \$23.8 million General Fund in 2008-09 for managed care primarily by eliminating the annual cost-of-living increase and reducing the non-inpatient State Maximum Allowance (SMA).
- \$6.7 million General Fund in 2007-08 and \$46.3 million General Fund in 2008-09 for the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. The savings would be achieved primarily by requiring prior authorization by mental health providers for EPSDT day treatment that exceeds six months, eliminating the annual cost-of-living increase, and reducing the non-inpatient State Maximum Allowance (SMA).

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DEPARTMENT OF SOCIAL SERVICES

- \$73.7 million in 2007-08 and \$389.1 million in 2008-09 for the CalWORKs program. The savings would be achieved as part of a reform proposal intended to improve the state's work participation rate, as necessary to avoid federal sanctions. The proposal combines work incentives with sanctions for not meeting work requirements.
- \$83.7 million in 2008-09 in reduced Child Welfare Services allocations to counties. Counties will decide how to apportion the reduced allocation.
- \$6.8 million in 2007-08 and \$81.5 million in 2008-09 for foster care and adoptions programs. The proposal would reduce rates for Foster Family Agencies, foster family homes, group homes, Adoptions Assistance, and Kin-GAP recipients.
- \$23.3 million in 2007-08 and \$300.3 million in 2008-09 for the SSI/SSP program, achieved by suspending the June 2008 and June 2009 state COLAs. Recipients will still see increased benefit payments in both years due to provision of the federal COLAs.
- \$109.4 million in 2008-09 for the In-Home Supportive Services (IHSS) program by reducing the hours allocated to IHSS recipients for non-medical services.
- \$3.4 million in 2007-08 and \$44 million in 2008-09 by eliminating the Interim Statewide Automated Welfare System (ISAWS) Migration project. The current ISAWS system remains fully operational and eliminating the ISAWS Migration project prevents the need to make reductions and introduce significant risk in other critical projects.
- \$2.3 million in 2008-09 by reducing community care licensing random visits. Under this proposal, 14 percent of facilities would receive random inspections annually. No reduction will be made to follow-up inspection schedules for facilities that have previously been found to be out of compliance with licensing standards.

OTHER SPECIAL SESSION ISSUES

The Governor has called a Special Session of the Legislature to immediately address the budget and cash shortfalls. Included in the Special Session are the following proposals that help to address the state's cash shortage:

- \$814.2 million by delaying the July and August payments and advances to counties for programs in the Department of Social Services budget until September. Payments for the SSI/SSP and IHSS programs would not be impacted.
- \$454 million delay in payments to Medi-Cal institutional fee-for-service providers in 2008-09. This proposal temporarily delays the August weekly payments to September.
- \$400 million change in disbursement pattern to Regional Centers in 2008-09. The Governor's Budget proposes to reduce the amount of advance payments the Regional Centers receive in July and August by \$400 million. In September, this funding would be restored. This modified disbursement will preserve the Regional Centers' ability to pay providers in a timely manner.
- \$232 million by delaying the August payments to Medi-Cal managed care plans and Delta Dental until September.
- \$199.7 million by delaying the mental health managed care program advance from July until September.
- \$165 million savings in 2007-08 by delaying a June payment to Medi-Cal fee-for-service providers into July. This same transaction would occur in subsequent fiscal years.
- \$164.3 million by delaying the first quarterly payment to counties for Medi-Cal administration from August to September.
- \$92 million by delaying the quarterly advance to counties for the Early and Periodic Screening, Diagnosis, and Treatment program from July to September.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The Governor's Budget includes significant reductions necessary to address the state's fiscal shortfall. However, the Administration remains committed to supporting improved outcomes for children and youth in foster care, ensuring more children are enrolled in no-

HEALTH AND HUMAN SERVICES

and low-cost health coverage programs, better linking the needs of seniors and persons with disabilities with appropriate services, protecting the health and safety of Californians served by HHSA-licensed facilities, and ensuring the state's public health system is ready to respond to natural and manmade disasters and incidents.

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

The Department of Alcohol and Drug Programs (DADP) leads the state's efforts to reduce alcoholism, drug addiction, and problem gambling. The department is responsible for administering funding to local governments; certifying, licensing, monitoring and auditing alcohol and other drug programs; and developing and implementing prevention programs and strategies.

The Governor's Budget includes \$662.5 million (\$286.9 million General Fund) for the DADP in 2008-09, a net decrease of \$5 million (\$10.3 million General Fund) from the revised 2007-08 budget and \$17.4 million (\$6.9 million General Fund) below the 2007 Budget Act level. Major General Fund adjustments include an increase of \$25 million in Substance Abuse Services Coordinating Agencies contract funding passed through to the Department of Corrections and Rehabilitation.

Major budget-balancing reductions to the 2008-09 General Fund workload budget include the following:

- \$2.5 million in 2007-08 and \$16.1 million in 2008-09 for Alcohol and Other Drug Programs primarily resulting from a reduction in Drug Medi-Cal provider rates.
- \$3.3 million in 2007-08 and \$10 million in 2008-09 for the Substance Abuse Crime Prevention Act of 2000 (Proposition 36). This reduction in the amount of state funding will not change sentencing law requirements under Proposition 36.
- \$667,000 in 2007-08 and \$2 million in 2008-09 for the Substance Abuse Offender Treatment Program. This program serves offenders eligible for treatment under Proposition 36 and is contingent upon a Budget Act appropriation.

DEPARTMENT OF HEALTH CARE SERVICES

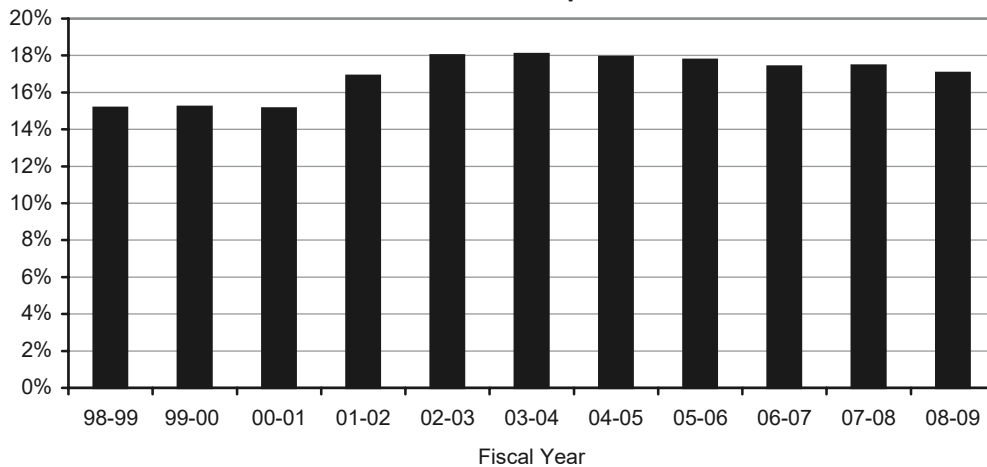
The Department of Health Care Services (DHCS) works to ensure that eligible persons and families receive comprehensive health services. By ensuring the appropriate and

effective expenditure of public resources to serve those with the greatest health care needs, DHCS promotes health and well-being.

MEDI-CAL

Medi-Cal, California's Medicaid program, is a health care entitlement program for low-income individuals and families who receive public assistance or lack health care coverage. Medi-Cal serves an estimated 6.6 million people each year, or more than one in six Californians (see Figure HHS-02).

Figure HHS-02
**Average Monthly Medi-Cal Eligibles as a Percentage
of California Population**

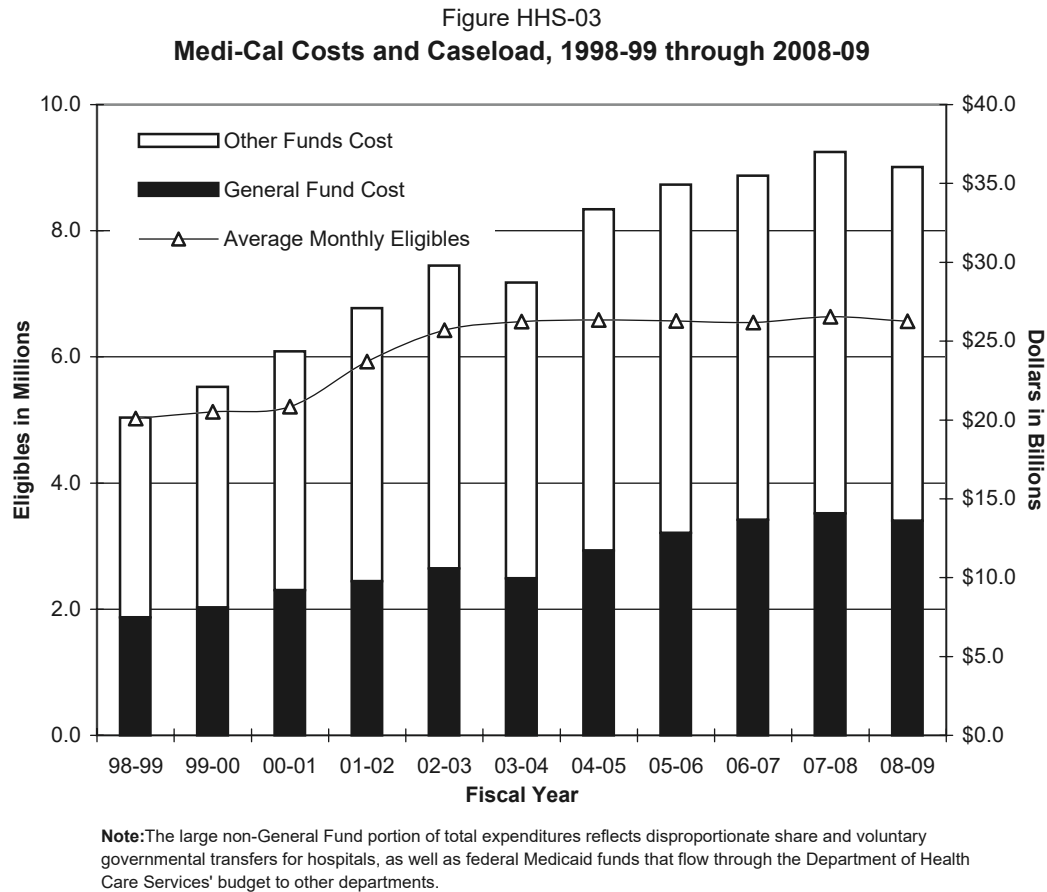


Federal law requires Medi-Cal to provide basic services, such as doctor visits, laboratory tests, x-rays, hospital inpatient and outpatient care, hospice, skilled nursing care and mental health screening, diagnosis and treatment services for children until age 21. A wide range of public and private providers and facilities deliver these services. Providers are reimbursed by the traditional fee-for-service method or by payments from managed care plans.

2007-08 Expenditures

Medi-Cal expenditures are estimated to be \$37 billion (\$14.1 billion General Fund), a General Fund increase of 3.2 percent above the budgeted 2006-07 level. This increase is due primarily to increased caseloads and costs for services. General Fund

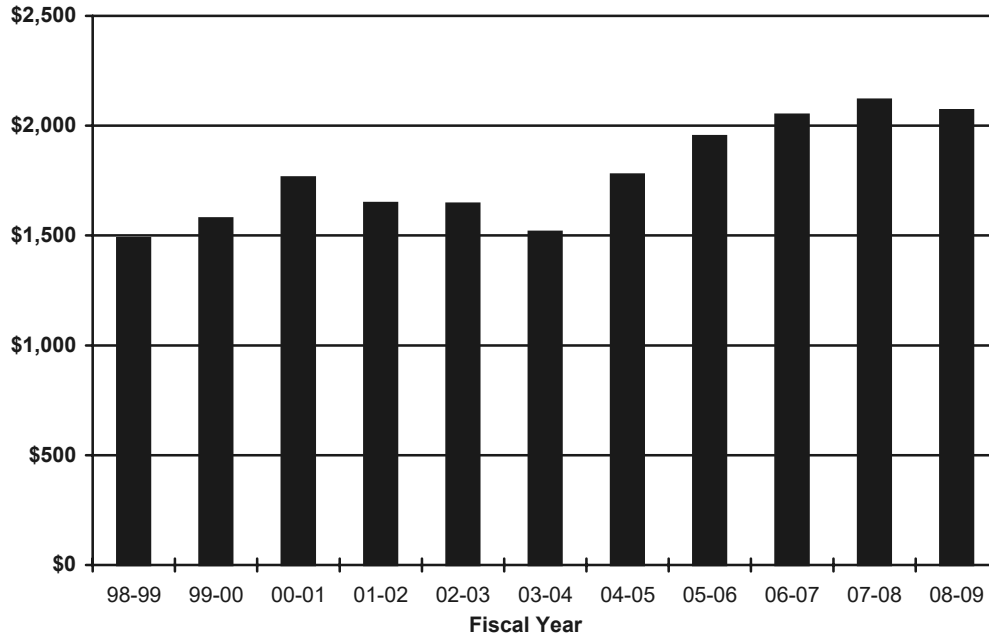
expenditures for 2007-08 are estimated to be \$206.5 million less than the Budget Act of 2007, due mainly to the proposed additional one-week delay in the fee-for-service provider payments. Figure HHS-03 displays year-to-year comparisons of Medi-Cal costs and caseload.



2008-09 Expenditures

The Governor's Budget includes \$36 billion (\$13.6 billion General Fund), a decrease of \$962.3 million (\$472.1 million General Fund) from the revised 2007-08 budget and a decrease of \$915.9 million (\$678.7 million General Fund) from the Budget Act of 2007. The General Fund decrease primarily reflects implementation of quarterly status reports and reductions in benefits and provider rates. Figure HHS-04 displays annual General Fund costs per average monthly eligible person.

Figure HHS-04
**Annual Medi-Cal General Fund Cost per Average Monthly
 Eligible Beneficiary**



Other departments, such as the Department of Developmental Services, have programs that are eligible for federal Medicaid reimbursement. Federal funding for these programs is included in Medi-Cal expenditure totals, but state and local matching funds of more than \$5.6 billion appear in the budgets for the other state agencies or local governments.

Caseload

Average monthly caseload is forecasted to be 6.6 million persons in 2008-09, a decrease of approximately 73,900 people, or 1.1 percent, compared to 2007-08. This overall decrease compares to an expected 1.2 percent increase in the state's population for the same period. This decrease is due primarily to the proposed implementation of the quarterly status reports for children and parents.

OTHER DEPARTMENTS WITH MEDI-CAL MATCHING FUNDS (DOLLARS IN MILLIONS)

- Department of Social Services . . . \$2,617.9
- Department of Mental Health . . . \$1,433.5
- Department of Developmental
 Services \$1,275.5
- Other \$129.9

The number of families enrolled in Medi-Cal through their public assistance cash grant eligibility had been declining since 1995 but is now showing a slight increase. These enrolled individuals will represent 18 percent of all Medi-Cal enrollees in 2008-09. In addition, the share of enrollees comprised of seniors and persons with disabilities is expected to increase by 1.7 percent, to approximately 1.4 million beneficiaries in 2008-09. Figure HHS-05 reflects Medi-Cal caseload by eligibility category.

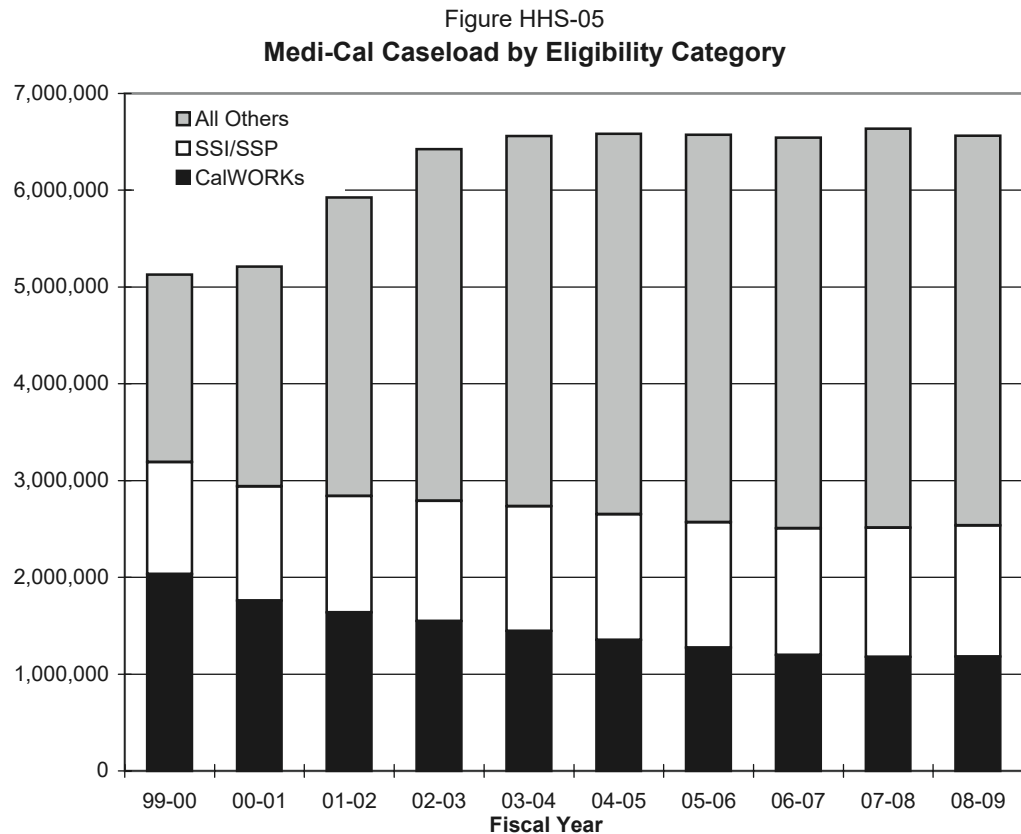


Figure HHS-06 shows federal data from 2006-07 (the most recent information available) for the ten most populous states. By percentage of state population, California served 17.7 percent of state residents, exceeded only by New York, which served 21.7 percent.

California has one of the lowest average cost-per-beneficiary rates in the nation: \$5,535 per beneficiary, versus a national average of \$7,257 per beneficiary. California has achieved this relatively low-average cost primarily through negotiated hospital and drug rebate contracts, a high level of utilization review, extensive prepayment controls, extensive anti-fraud efforts and conservative provider rate reimbursements. Further, some program expansion populations, such as working parents and children, have resulted in a lower cost per eligible person.

Figure HHS-06
Federal Medicaid Program - Interstate Comparisons
Ten Most Populous States
Fiscal Year 2006-07

	Medicaid as a Percentage of State's Budget	Average Monthly Eligibles as a Percentage of Total Population	Expenditures, Total Funds (Dollars in Millions)	Medicaid Enrollment, June 2006 (Thousands)	Expenditures Per Eligible	Federal Sharing Ratio (FMAP)
All States	21.1	14.2	\$308,801	42,555	\$7,257	
California	18.4	17.7	\$35,488	6,411	\$5,535	50.0
Texas	26.4	12.0	\$19,841	2,801	\$7,084	60.7
New York	28.7	21.7	\$32,388	4,177	\$7,754	50.0
Florida	19.8	12.1	\$14,574	2,185	\$6,670	58.9
Illinois	28.4	14.1	\$13,686	1,805	\$7,582	50.0
Pennsylvania	31.1	15.1	\$17,671	1,877	\$9,414	55.1
Ohio	25.9	14.0	\$14,137	1,601	\$8,830	59.9
Michigan	21.4	14.5	\$9,233	1,460	\$6,324	56.6
Georgia	20.8	14.2	\$7,219	1,326	\$5,444	60.6
North Carolina	26.2	13.3	\$9,614	1,179	\$8,154	63.5

Sources: National Association of State Budget Officers, the US Census Bureau, and the Kaiser Commission on Medicaid and the Uninsured.

Pharmaceuticals

The cost of drugs continues to increase dramatically, and pharmaceutical costs are a significant growth factor of all health care costs. Technological advances in the development of new drugs and increased advertising of new and more expensive drugs have contributed to rising costs. To control costs, Medi-Cal utilizes contracts for drugs and has a state rebate program. Medi-Cal will spend \$1.463 billion General Fund in 2007-08 and \$1.442 billion General Fund in 2008-09 for drugs. Rebates are projected to secure approximately \$533.4 million General Fund savings in 2007-08 and \$587.6 million General Fund savings in 2008-09. Net drug costs in the program are projected to be \$929.5 million General Fund in 2007-08 and \$854.6 million General Fund in 2008-09.

To limit the increase in prescription drug costs and align the program with federal requirements, the 2007 Budget Act included a savings proposal to switch the basis used to establish the drug reimbursement component of pharmacy claims in Medi-Cal from the Average Wholesale Price (AWP) to the Average Manufacturer Price (AMP). The first step in this process was to be the publishing of AMP data for generic pharmaceuticals in January 2008 by the Centers for Medicare and Medicaid Services (CMS). However,

the United States District Court for the District of Columbia issued a preliminary injunction on December 14, 2007 barring CMS from releasing the AMP data or imposing any reductions in the Federal Upper Payment Limit for generic pharmaceuticals.

Because of the uncertainty regarding when, or if, CMS can release the necessary AMP data, no savings are being assumed for 2007-08. In 2008-09, savings are projected to be \$4.7 million (\$2.3 million General Fund) based on the anticipated settlement of a lawsuit with First Data Bank, which will result in a reduction of the selling price for brand name drugs. The settlement with First Data Bank was the second step in the savings proposal and is not impacted by the recent injunction regarding AMP data.

Managed Care

The Medi-Cal Managed Care Program is a comprehensive, coordinated approach to health care delivery designed to improve access to preventive primary care, improve health outcomes and control the cost of medical care. Approximately 3.3 million Medi-Cal beneficiaries (half of the people receiving Medi-Cal benefits and services) are currently enrolled in managed care plans. Managed care enrollment is projected to remain at 3.3 million enrollees through 2008-09. Funding for managed care plans will be \$5.8 billion (\$2.9 billion General Fund) in 2008-09.

As initiated in the Budget Act of 2005, the state is scheduled to transition the first 3 of 13 additional fee-for-service counties to managed care beginning in early 2008 with Marin, Placer and San Luis Obispo counties.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Adult Day Health Care Reform—The Governor's Budget includes \$2.4 million (\$1 million General Fund) and 19 positions to continue program reforms and develop a new rate methodology to increase California's ability to retain federal funding and help ensure services remain available for qualified beneficiaries, as required by Chapter 691, Statutes of 2006 (SB 1755).

Provider Enrollment Automation Project—The Governor's Budget includes \$2.4 million (\$0.6 million General Fund) to purchase and implement a provider enrollment case and document tracking system. This system will streamline the provider enrollment process, thereby shortening the time it takes to enroll providers in Medi-Cal.

Money Follows the Person Demonstration Grant—The Governor's Budget includes \$0.2 million (\$0.1 million General Fund) and 1.9 positions to begin implementation of

MANAGED CARE MODELS

Managed care includes three major health care delivery systems: the Two-Plan Model, Geographic Managed Care (GMC) and County Organized Health Systems (COHS):

- Approximately 2.4 million Californians, or 72.7 percent of Medi-Cal managed care beneficiaries, are enrolled in the Two-Plan Model, which offers the choice between a commercial plan selected through a competitive bidding process or the county-sponsored local initiative. The local initiative plan emphasizes providers who have traditionally served the Medi-Cal population. This model ensures continued participation by “traditional” providers and provides options for beneficiaries.
- The GMC model allows the state to contract with multiple managed care plans within a single county. The first GMC system was implemented in Sacramento in 1994. A second GMC system began operation in San Diego County in 1998-99. Approximately 340,000 beneficiaries are expected to be enrolled in GMC plans in 2008-09.
- The COHS model administers a prepaid, comprehensive case-managed health care delivery system. This system provides utilization controls, claims administration and health care services to all Medi-Cal beneficiaries residing in the county. There are five COHS currently in operation serving eight counties. Approximately 586,000 beneficiaries are expected to be enrolled in COHS in 2008-09.

the California Community Transitions (CCT) program as part of the Money Follows the Person Demonstration Grant. The goal of this program is to transition Medi-Cal eligibles from high-cost institutions such as acute hospitals and nursing facilities, into lower-cost home- and community-based care settings.

Medi-Cal Eligibility Data System (MEDS) Security Fixes – The Governor’s Budget includes \$1.8 million (\$0.6 million General Fund) and 15.2 positions to enhance data security of MEDS and implement changes contained in the remediation plan signed with the federal Social Security Administration in June 2007.

Implementation of Chapter 328, Statutes of 2006 (SB 437) – The Governor’s Budget includes \$26.4 million (\$13.1 million General Fund) and 1.9 positions to continue the simplification and acceleration of enrollment in Medi-Cal as well as to establish a two-county pilot program that will allow Medi-Cal beneficiaries to self-certify their income and resources at their initial application and during their redetermination process.

Provider Payment Reductions – As part of the budget balancing reductions, the Governor’s Budget proposes to reduce 2007-08 by \$66.8 million (\$33.4 million General Fund) and 2008-09 by \$1.4 billion (\$704.3 million General Fund) through a 10-percent provider payment reduction on most fee-for-service and managed care providers, non-contracted hospitals, and certain long-term care facilities for services provided to Medi-Cal beneficiaries and participants in the California Children’s Services program and the Genetically Handicapped Persons program. This proposal will not reduce specific reimbursement rates for individual services, but will be applied at the end of the payment cycle.

Reduction of Certain Optional Medi-Cal Benefits for Adults – As part of the budget balancing reductions, the Governor’s Budget proposes to reduce 2007-08 by \$20.2 million (\$10 million General Fund) and 2008-09 by \$268.2 million (\$134 million General Fund) by reducing the number of optional benefits provided for adults over the age of twenty-one who are not in a nursing facility. The eliminated optional benefits include incontinence creams and washes, acupuncture, adult dental, audiology, optometry, optical, chiropractic, podiatry, psychology, and speech therapy. The elimination of adult dental benefits accounts for \$115 million of the total \$134 million in General Fund savings. The elimination of these optional benefits will mean the loss of access to these services through the Medi-Cal program.

Elimination of Continuous Eligibility and Reinstatement of Quarterly Status Reports —As part of the budget balancing reductions, the Governor’s Budget proposes to reduce 2008-09 by \$184.4 million (\$92.2 million General Fund) by reducing the 12 month eligibility period for children and the semi-annual eligibility period for parents in Medi-Cal and reinstitute quarterly status reports. This proposal would not change the income or asset limits for program eligibility, but would require beneficiaries to report income every three months so that they can be disenrolled if their income or assets are above the maximum. The family will be referred to share-of-cost Medi-Cal or the children bridged to the Healthy Families Program if they appear to meet income eligibility requirements for those programs.

CHILDREN'S MEDICAL SERVICES

Children's Medical Services includes the California Children's Services (CCS) program, the Child Health and Disability Prevention (CHDP) program, and the Genetically Handicapped Persons Program (GHPP). Expenditures for 2007-08 are projected to decrease \$5.5 million (an increase of \$1 million General Fund) from the 2007 Budget Act, primarily due to a reduction in Medi-Cal cases and an increase in non-federally eligible cases. This potential deficiency will be included in a Supplemental Appropriations Bill.

For 2008-09, expenditures for these programs are projected to be \$287.5 million (\$109.6 million General Fund), a decrease of \$28.3 million General Fund, or 20.5 percent from revised 2007-08 expenditures. This net decrease is primarily the result of anticipated implementation of the budget balancing reductions that include a provider rate reduction and the transfer of federal Safety Net Care Pool funds to the CCS and GHPP programs, which will free up an equivalent amount of General Fund. Program enrollment is projected to grow from 74,956 children by year-end 2007-08, to 76,094 children by year-end 2008-09, for a total increase of 1,138 children, or 1.5 percent.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health (DPH) is charged with protecting and promoting the health status of Californians through programs and policies that use population-wide interventions. The Governor's Budget includes \$3.1 billion (\$368.9 million General Fund) for the DPH in 2008-09, a decrease of \$246.2 million (\$26 million General Fund) from the revised 2007-08 budget and a \$2.9 million (\$21.7 million General Fund) net decrease from the 2007 Budget Act level.

HIV/AIDS TREATMENT AND PREVENTION

The Office of AIDS administers programs that provide local assistance funding for HIV education and prevention services, HIV counseling and testing, early intervention to prevent transmission, epidemiological studies, therapeutic monitoring, housing, home and community-based care, and HIV/AIDS drug assistance to low-income persons statewide.

The Governor's Budget includes \$404.1 million (\$165.8 million General Fund) for the Office of AIDS' Treatment and Prevention Program. This is a total decrease of \$24.4 million, or 5.8 percent below the revised 2007-08 budget. The 2008-09 expenditure plan includes decreases of \$13.4 million to reflect the removal of one-time adjustments and \$11 million as part of the budget-balancing reductions.

LICENSING AND CERTIFICATION

Consistent with the requirements of Chapter 895, Statutes of 2006 (SB 1312), the DPH conducted a thorough comparison of state and federal standards for long-term health care facilities to determine the staff requirements necessary to ensure compliance with the legislation. Based on the outcome of the study, the Governor's Budget includes 68.0 positions and \$8.9 million from the Licensing and Certification Program Fund that will allow the DPH to conduct periodic licensing surveys of long-term care facilities to assess compliance with state standards of safety and care. Although increases in provider fees are necessary to support these expenditures, the additional funding will ensure that California provides long-term care residents with a higher quality of medical care than required by federal law.

PROPOSITION 99 EXPENDITURES

Smoking rates in California continue to decline, due in part to the effectiveness of the Tobacco Tax and Health Protection Act of 1988 (Proposition 99), the California Children and Families First Initiative (Proposition 10), and California's tobacco control programs. The Governor's Budget projects Proposition 99 revenue of \$335.3 million in 2008-09, \$8 million more than the revised 2007-08 budget. This estimated increase is attributable to a Board of Equalization proposal to better recover state tax revenues from cigarette and tobacco sales. However, the revised 2007-08 revenue estimates are \$9.7 million below the 2007 Budget Act level. Historically, Proposition 99 revenues have declined annually as a result of declining smoking rates. Figure HHS-07 reflects the declining trend of revenue.

Due to statutory restrictions on Proposition 99 revenue allocations, the decline in revenues adversely impacts health programs funded within the Hospital Services, Physician Services, and Unallocated accounts. In addition, expenditures for the Access for Infants and Mothers (AIM) program are expected to increase by 14 percent, or \$8.3 million, in 2008-09. As a result, Proposition 99 funding to other health programs is decreased as follows:

- 2007-08 Expenditures – The Governor's Budget includes \$228.2 million for health programs. This includes reductions of \$778,000 for the California Healthcare for Indigents Program (CHIP) and \$100,000 for Rural Health Services, and a one-time increase of \$10 million for the Expanded Access to Primary Care program pursuant to Chapter 261, Statutes of 2007.
- 2008-09 Expenditures – The Governor's Budget proposes total expenditures of \$330.7 million for all programs supported by Proposition 99 revenues (see

Figure HHS-07
**Cigarette and Tobacco Products Surtax Fund
Proposition 99 Revenues
1989 to 2009**
(Dollars in Millions)

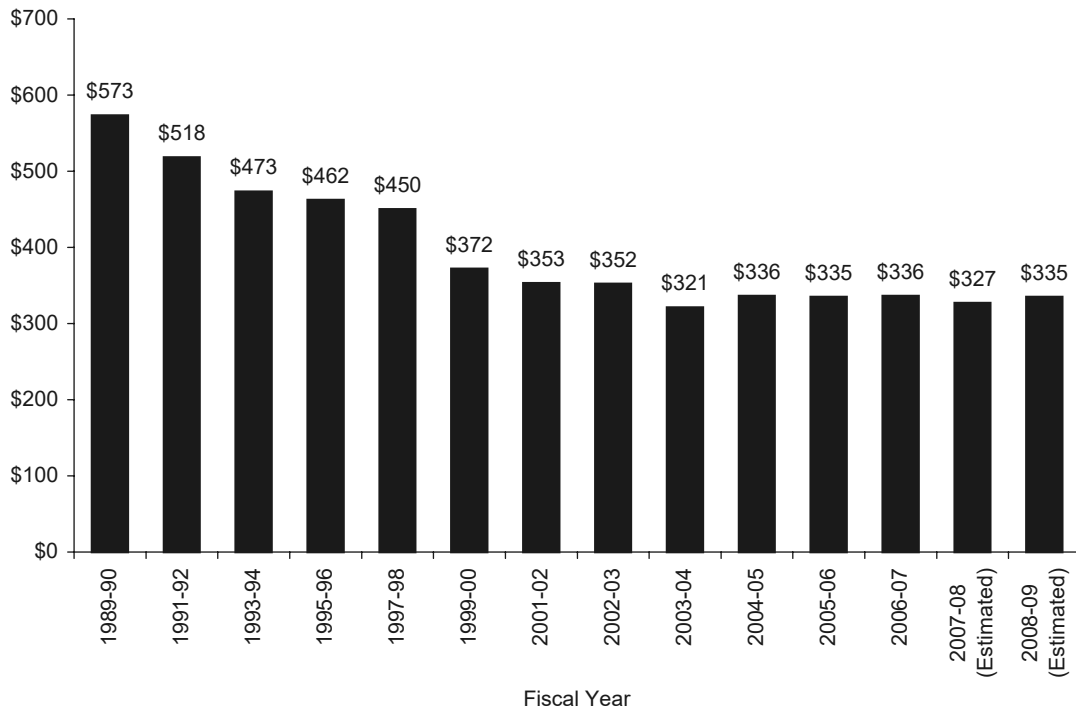


Figure HHS-08
Cigarette and Tobacco Products Surtax Fund (Proposition 99)
Revenues and Expenditures - 2008-09
(Dollars in Thousands)

	Board of Equalization	Health Education Account	Hospital Services Account	Physician Services Account	Research Account	Public Resources Account	Unallocated Account	Total
REVENUES:								
Beginning Balance	-	\$13,451	\$0	\$0	\$2,186	\$1,297	\$11	\$16,945
Projected Revenues	7,373	65,583	114,771	32,792	16,396	16,396	81,980	\$335,291
Prop 10 Backfill	-	12,200	0	0	3,000	0	0	\$15,200
Interest	-	1,178	361	79	657	39	497	\$2,811
Totals, Revenues		92,412	115,132	32,871	22,239	17,732	82,488	\$370,247
Transfers:								
Hab Cons Fund/Prop 117	-	-	-	-	-	-	-\$8,248	-\$8,248
Net Resources	\$7,373	\$92,412	\$115,132	\$32,871	\$22,239	\$17,732	\$74,240	\$361,999
EXPENDITURES:								
Dept. of Public Health	-	\$54,613	\$32,414	\$2,152	\$5,821	-	\$32,576	\$127,576
Dept. of Health Care Services	-	-	\$18,000	\$774	-	-	\$32,640	\$51,414
Dept. of Education	-	23,080	-	-	-	-	-	23,080
University of California	-	-	-	-	14,553	-	-	14,553
Calif. Conservation Corps	-	-	-	-	-	\$317	-	317
Dept. of Forestry	-	-	-	-	-	433	-	433
Dept. of Fish and Game	-	-	-	-	-	2,850	-	2,850
Secretary for Environmental Protection	-	-	-	-	-	68	-	68
Dept. of Parks and Recreation	-	-	-	-	-	10,432	-	10,432
Water Resources Control Bd.	-	-	-	-	-	2,518	-	2,518
Board of Equalization	7,373	-	-	-	-	-	-	7,373
Managed Risk Medical Ins. Bd.	-	-	62,065	29,791	-	-	5,592	97,448
State Controller's Office	-	4	-	-	3	24	-	31
Total Expenditures	\$7,373	\$77,697	\$112,479	\$32,717	\$20,377	\$16,642	\$70,808	\$338,093
Reserves	\$0	\$14,715	\$2,653	\$154	\$1,862	\$1,090	\$3,432	\$23,906

Figure HHS-08). Of this amount, \$216 million is for health programs. Due to lower revenues, overall funding for health programs declines by 4.9 percent from the 2007 Budget Act level. Major reductions include \$12.8 million for the CHIP, \$4.2 million for the Breast Cancer Early Detection Program, \$4.3 million for the Major Risk Medical Insurance Program, and \$1.2 million for the Expanded Access to Primary Care program.

MANAGED RISK MEDICAL INSURANCE BOARD

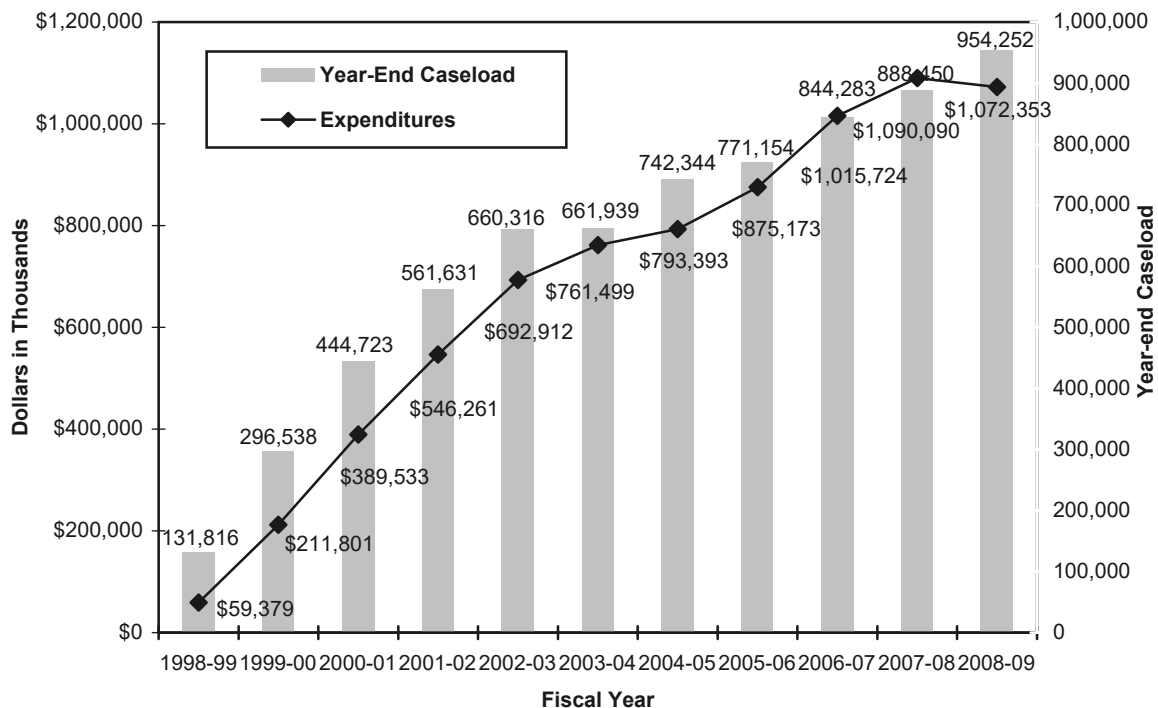
The Managed Risk Medical Insurance Board (MRMIB) administers the Healthy Families Program (HFP), the Access for Infants and Mothers (AIM) program, the Major Risk Medical Insurance Program (MRMIP) and the County Health Initiative Matching Fund Program. These four programs provide health care coverage through private health plans to certain populations without health insurance. The MRMIB also develops policy and recommendations on providing health care insurance to the approximately 6.5 million Californians who are estimated to go without health coverage at some point during each year.

The Governor's Budget includes \$1.3 billion (\$390.4 million General Fund) for MRMIB in 2008-09, a decrease of \$2.3 million (\$5.6 million General Fund) from the revised 2007-08 budget and \$20.4 million (\$10.7 million General Fund) below the Budget Act of 2007. This decrease is due primarily to application of the budget balancing reductions.

HEALTHY FAMILIES PROGRAM

The HFP is a subsidized health coverage program for eligible children in families with low- to moderate-income who are ineligible for no-cost Medi-Cal. This program provides low-cost medical, dental and vision coverage to eligible children from birth to age 19. HFP expenditures are projected to decline from revised expenditures of \$1.1 billion (\$393.6 million General Fund) in 2007-08 to \$1.1 billion (\$387.8 million General Fund) in 2008-09, a decrease of \$5.8 million General Fund, or 1.5 percent. This decline is primarily the result of anticipated implementation of the budget balancing reductions which include a rate reduction for plans, institution of an annual cap on dental benefits, and increases in premiums and co-pays. The increase in premiums and co-pays will vary by income level and are within the percentage of family income allowed under federal law. Program enrollment is projected to grow from 888,450 by year-end 2007-08 to 954,252 by year-end 2008-09, for a total increase of 65,802 children, or 7.4 percent. Figure HHS-09 displays historical caseload and funding growth for the HFP.

Figure HHS-09

Healthy Families Program Caseload and Expenditures

The Governor's Budget includes \$5.9 million (\$2.1 million General Fund) and 2.8 positions for implementation of Chapter 328, Statutes of 2006 (SB 437) that will simplify and accelerate enrollment in the Healthy Families Program as well as allow families to self-certify their income during eligibility redetermination.

ACCESS FOR INFANTS AND MOTHERS PROGRAM

The AIM program provides low-cost, comprehensive health coverage to uninsured pregnant women with family incomes between 200 and 300 percent of the federal poverty level. This coverage extends from the date of enrollment in the program to 60 days postpartum. Eligible children born to AIM mothers are enrolled in the HFP if they have no other insurance coverage. Expenditures for this program are projected to increase from \$134.6 million (\$60.2 million Perinatal Insurance Fund) in 2007-08 to \$153.7 million (\$68.8 million Perinatal Insurance Fund) in 2008-09, for a total increase of \$19.2 million, or 14.3 percent. This change in total expenditures primarily is due to increased enrollment of women from 13,859 in 2007-08 to 15,836 in 2008-09, an increase of 1,977 women, or 14.3 percent.

MAJOR RISK MEDICAL INSURANCE PROGRAM

The Governor's Budget includes \$36 million for MRMIP, which provides health care coverage to medically high-risk individuals and the medically uninsurable who are denied coverage through the individual health insurance market. This funding level reflects a \$4 million reduction from the \$40 million historical level due to a continuing decline in Proposition 99 revenues. Program enrollment is "capped" at the level of annual funding provided. The program currently provides benefits to a total of 8,043 people, with 65 people on the waiting list as of December 1, 2007.

Chapter 794, Statutes of 2002, required MRMIP participants who had been in the program for 36 months to be disenrolled, but provided for guaranteed-issue coverage offered by health plans in the individual insurance market. This statute sunset on December 31, 2007. Therefore, MRMIB is no longer disenrolling members from MRMIP.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that more than 220,000 persons with developmental disabilities (consumers) receive the services and support they need to lead more independent and productive lives and to make choices and decisions about their lives.

The Governor's Budget includes \$4.5 billion (\$2.7 billion General Fund) for the DDS in 2008-09, a net increase of \$53.3 million (\$59.8 million General Fund) above the revised 2007-08 budget and \$143 million (\$81 million General Fund) above the Budget Act of 2007.

DEVELOPMENTAL CENTERS

Developmental centers are licensed and certified 24-hour, direct-care facilities that provide services to consumers. In 2007-08, there is an increase of \$34.5 million (\$23.1 million General Fund, \$11.4 million reimbursements) from the Budget Act of 2007 primarily due to adjustments for employee compensation and the current status of the closure of Agnews Developmental Center. The time required for acquisition and completion of housing has resulted in a more gradual transition into the community both for consumers and state employees who provide direct care services. Available savings in the regional centers' budget will be transferred to fund higher developmental center costs for the additional staffing to support the increase in the developmental center average population of 10 residents during the current year.

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The Governor's Budget proposes \$667.1 million (\$354.8 million General Fund) and 6,520.1 positions, a net decrease of \$87.6 million (\$59.8 million General Fund) and 804 positions from the revised 2007-08 budget. The change primarily reflects the Agnews closure and a reduction in the developmental center population as consumers transition into the community, as well as reductions of \$29.4 million (\$22.1 million General Fund) to the developmental centers budget. These reductions include maintaining current capacity at Porterville Developmental Center's Secure Treatment Program, thereby generating savings by reducing staffing needs associated with the previously proposed expansions, and reducing operating expenses and equipment for all developmental centers. As a result of not fully staffing forensic beds at Porterville, it will take longer for consumers in county jails to enter the Secure Treatment Program. Reductions in operating expenses and equipment will require that preventative maintenance and non-critical purchases be deferred.

Agnews Developmental Center Closure

The Governor's Budget includes a decrease of \$62.1 million (\$38.7 million General Fund) due to the closure of Agnews effective June 30, 2008. This decrease includes the reduction of 819 positions at Agnews DC. The Governor's Budget includes an increase of \$4.0 million (\$192,000 General Fund, \$3.8 million reimbursements) and 24 positions to provide medical, dental and other professional services through a Primary Care Clinic to individuals residing in the community and to facilitate smooth transition of consumers to community health care providers. The 24 positions are included as part of the 200 Agnews employees working in the community.

REGIONAL CENTERS

The 21 regional centers throughout California are nonprofit corporations contracted by DDS to purchase and coordinate services mandated under the Lanterman Act for persons with developmental disabilities. Services include assessment of needs, coordination of services, resource development, residential placement and monitoring, quality assurance and individual program planning assistance. In 2007-08, there is a net increase of \$54.7 million (decrease of \$2.3 million General Fund and an increase of \$57.0 million reimbursements) from the Budget Act of 2007 for regional centers due primarily to an increase in the caseload, and the cost of services provided to consumers, especially older more medically fragile consumers and those with autism. These costs include a supplemental reimbursement to provide federal financial participation for day program and transportation services for consumers residing in intermediate care facilities.

There is a projected increase of 2,425 consumers in the community caseload in 2007-08, from 219,230 to 221,655 consumers.

For 2008-09, the Governor's Budget proposes \$3.8 billion (\$2.3 billion General Fund) to support the regional centers, a net increase of \$141.5 million (\$119.8 million General Fund) from the revised 2007-08 budget. The change reflects increases in regional centers caseload. The regional center community population is projected to increase by 12,895 consumers, to 232,125 consumers in 2008-09, which includes an increase of 176 developmental center residents who will move into the community.

Increased Access to Mental Health Services

Consistent with the requirements of the Mental Health Services Act, the DDS proposes an expenditure of \$1.1 million from the Mental Health Services Fund to increase access to mental health services for consumers who are dually diagnosed with a developmental disability and a mental illness. Through the identification of best practice models and training, DDS will improve clinical capacity and effectiveness of direct services to dually diagnosed consumers.

Continuation of Cost Containment Measures

The temporary cost containment measures already in effect, such as rate freezes on targeted program categories will continue in 2008-09. It is expected that these cost containment measures will reduce costs by approximately \$348.3 million (\$235.1 million General Fund).

Family Cost Participation Program (FCPP)

The FCPP will be expanded to assess a share of the cost of respite, day care, and camping services to parents of Early Start consumers. The Early Start Program provides early intervention services to infants and toddlers with a developmental disability. The share of cost scale will also be expanded so that families between 400 percent of the Federal Poverty Level (FPL) and 500 percent of the FPL will pay 10 percent of the cost of these services and families at 2,000 percent of the FPL or above will pay 100 percent of the cost of these services. These changes will result in cost reductions of \$0.8 million General Fund in 2008-09.

Negotiated Rate Freeze

Rates negotiated by regional centers for providers in 38 specified service codes have been frozen since 2003-04. The Governor's Budget proposes to freeze all other provider types where the regional center negotiates rates and to set parameters on the rates for new providers with whom the regional centers may negotiate. This proposal would not apply to providers whose rates are currently linked to those set by the Department of Health Care Services' Schedule of Maximum Allowance or to providers whose rates and services are primarily for the general public. This proposal will result in savings of \$18.3 million (\$14.2 million General Fund).

Supported Employment Program (SEP)

The SEP will be reduced by \$9.5 million (\$7.7 million General Fund). This will reduce the hourly rate for SEP job coaching services from \$34.24 to \$30.82. This reduction is not expected to reduce the number of consumers participating in the SEP.

DEPARTMENT OF MENTAL HEALTH

The Department of Mental Health (DMH) ensures that a continuum of care exists throughout the state for children and adults who are mentally ill by providing oversight of community mental health programs and direct services through state mental hospitals. The Governor's Budget includes \$5 billion (\$2.1 billion General Fund) for the DMH in 2008-09, a net increase of \$144.4 million (\$143.8 million General Fund) from the revised 2007-08 budget and an increase of \$159.4 million (\$168.3 million General Fund) from the Budget Act of 2007.

This net change primarily reflects continued growth in the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, fully funding AB 3632 mental health services program mandates, employee compensation adjustments including funding for Coleman classifications, growth in the state hospitals including continued compliance with the Civil Rights of Institutionalized Persons Act (CRIPA), and the continued activation of Coalinga State Hospital.

CIVIL RIGHTS OF INSTITUTIONALIZED PERSONS ACT

The federal CRIPA authorizes the U.S. Attorney General to conduct investigations and litigation relating to confinement in state or locally operated institutions. Since June 2, 2006, California's state hospitals have operated under a Consent Judgment with the U.S. Department of Justice (USDOJ) in order to address deficiencies in patient treatment and care which were deemed to be violations of CRIPA. The DMH has agreed to bring all four

of the hospitals that fall under the direction of the Consent Judgment into compliance by June 30, 2009.

In order to ensure that the state hospitals meet the wide-ranging treatment and performance requirements of the Consent Judgment, the Governor's Budget includes \$5.2 million General Fund and 28.0 positions in 2008-09. These additional resources include positions dedicated to monitoring hospital compliance and to the continued implementation of the Wellness and Recovery Model Support System project, an expansive information technology network that will ensure state hospital compliance with CRIPA.

CONDITIONAL RELEASE PROGRAM

The Forensic Conditional Release Program (CONREP) mandates responsibility to the DMH for outpatient treatment and supervision of judicially committed patients including Mentally Disordered Offenders, individuals found Not Guilty By Reason of Insanity, Mentally Disordered Sex Offenders, and Sexually Violent Predators (SVPs). The Governor's Budget includes \$1.8 million General Fund for an incremental 4-percent rate increase to cover the cost of clinical care incurred by county and private providers and to fund an estimated increase of 4 SVPs into the program. The rate increase will offset rising provider costs so that caseload within the program can be maintained.

STATE HOSPITALS

State hospitals operated by DMH provide long-term care and services to the mentally ill. The General Fund supports judicially committed, Penal Code, and SVP patients, while counties fund other civil commitments. In 2007-08, there is a decrease of \$7.4 million General Fund and 89.3 positions to reflect a downward adjustment to the hospital population in the current year. The Governor's Budget includes \$1.2 billion General Fund and 11,686.2 positions for 2008-09, an increase of \$78.8 million and 559.5 positions from the revised 2007-08 budget, due primarily to the implementation of Phase IX of the Coalinga State Hospital activation plan and resources to comply with CRIPA. The patient population is projected to reach a total of 6,448 in 2008-09.

Continued Activation of Coalinga State Hospital

Coalinga State Hospital opened in September 2005 and began admitting SVP patients transferred from Atascadero State Hospital. However, patient transfers have been slower than anticipated due to difficulty in filling staff positions at Coalinga. The DMH has been working to address the delayed hiring of level-of-care staff necessary for bed activation

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by continuing aggressive recruitment efforts throughout California and the United States, using recruitment and retention differentials where appropriate, and contracting for nursing registry services as needed. As patient transfers to Coalinga increase, additional patients currently awaiting transfer from local jails will be admitted to the state hospital system. The Administration estimates that the population at Coalinga will be 1,257 patients in 2008-09, an increase of 360 patients over the population level included in the 2007 Budget Act.

Metropolitan State Hospital School Closure

The Governor's Budget reflects a decrease of \$3.8 million General Fund to reflect closure of the school that currently provides education services to adolescents at Metropolitan State Hospital. Due to the declining adolescent population, coupled with efforts to place youth in the community, the DMH will cease operating this unit when all children are placed in the community. This is anticipated to occur in January 2008.

COMMUNITY MENTAL HEALTH SERVICES

The Administration recognizes the value of providing mental health services in communities to prevent commitment to a state hospital or incarceration. The Governor's Budget includes \$3.6 billion (\$815 million General Fund) for 2008-09, an increase of \$61.5 million (\$58.7 million General Fund) compared to the revised 2007-08 budget.

Early and Periodic Screening, Diagnosis and Treatment Program

The EPSDT Program is an entitlement program for children and adults under age 21. The program provides services to approximately 193,735 Medi-Cal-eligible children and young adults to correct or ameliorate diagnosed mental illnesses.

In 2007-08, there is a decrease of \$5.5 million (\$3.6 million General Fund) due to a reduction in estimated Mental Health Services Act (MHSA)-driven EPSDT costs. In 2008-09, there is an increase of \$105.4 million (\$51.4 million General Fund) above the Budget Act of 2007 attributable to increases in the cost and volume of claims, including the effect of the MHSA on EPSDT services. The EPSDT Program also is being reduced by \$13.4 million (\$6.7 million General Fund) in 2007-08 and by \$92.6 million (\$46.3 million General Fund) in 2008-09 as part of the budget balancing reductions.

Mental Health Managed Care

As part of the budget balancing reductions, the mental health managed care program is being reduced by \$8.2 million General Fund in 2007-08, and by \$46.7 million (\$23.8 million General Fund) in 2008-09. These reductions will reduce the amount paid to county mental health plans.

Mental Health Services Act (Proposition 63)

Revenues to the Mental Health Services Fund are projected to decrease over previous estimates by \$177.2 million in 2007-08 and \$105.2 million in 2008-09, for total estimates of \$1.6 billion in 2007-08 and \$1.7 billion in 2008-09.

These funds are continuously appropriated to the DMH for county implementation of the MHSA. Almost all counties have completed their community planning processes. Counties are in the process of implementing the Community Services and Supports component of the MHSA, which provides additional mental health services to individuals with serious mental illness. The other four components (Prevention and Early Intervention, Workforce Education and Training, Capital Facilities and Technology Needs, and Innovation) are expected to be implemented by the end of 2007-08.

DEPARTMENT OF CHILD SUPPORT SERVICES

To provide enhanced fiscal and programmatic direction and oversight of child support enforcement activities, Chapters 478 and 480, Statutes of 1999, established the Department of Child Support Services (DCSS). These measures authorized the implementation of a single, statewide child support system comprised of local child support agencies under the supervision of the new department. The DCSS assumed responsibility for child support enforcement activities in January 2000. The child support program promotes the well-being of children and the self-sufficiency of families by assisting both parents in meeting the financial, medical, and emotional needs of their children through the delivery of quality child support establishment, collection, and distribution services.

The DCSS is designated as the single state agency to administer the statewide program to secure child, spousal, and medical support and to determine paternity. The primary purpose of the DCSS is to collect child support payments for custodial parents and their children. The Governor's Budget includes \$1 billion (\$300.8 million General Fund), a decrease of \$204.9 million (\$50.9 million General Fund) below the revised

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2007-08 budget. This decrease is primarily associated with a reduction of one-time payments and system automation costs incurred in 2007-08, and proposed budget balancing reductions.

STATE ADMINISTRATION

The Governor's Budget proposes total expenditures of \$41.5 million General Fund and 503 positions for state administration of the program. Departmental staff ensures an effective program through expanded state-level direction and supervision of local child support agencies. Specific mandates require increased oversight of local program and fiscal operations.

COUNTY ADMINISTRATION

The Governor's Budget proposes \$196.9 million General Fund to fund local agency administrative costs, which includes the same level of funding for local program expenditures provided in 2007-08. The Governor's Budget also continues to provide \$20 million in federal funds to be matched by \$10 million in voluntary county funding for the support of local child support agency staff and program services.

CHILD SUPPORT COLLECTIONS

The child support program establishes and enforces court orders for child, spousal, and medical support from absent parents on behalf of dependent children and their caretakers. For display purposes only, the Governor's Budget reflects the total collections received, including payments to families and collections made in California on behalf of other states. The General Fund share of assistance collections is included in statewide revenue projections. Child support collections for 2007-08 are estimated to be \$2.2 billion (\$225.9 million General Fund). Collections for 2008-09 are projected to be \$2.2 billion (\$201.7 million General Fund).

CHILD SUPPORT AUTOMATION

The Franchise Tax Board (FTB) is the agent of DCSS for the procurement, development, implementation, maintenance, and operation of the California Child Support Automation System (CCSAS). The CCSAS project consists of two components: the Child Support Enforcement (CSE) component provides the core automated functionality to manage child support cases, and the State Disbursement Unit (SDU) interfaces with the CSE and processes payments to custodial parties. The state is responsible for developing and implementing the CCSAS and transitioning all counties onto this new system. Implementation began in May 2007 and eighteen counties have successfully implemented the system. The state expects to complete statewide implementation in 2008-09.

As full implementation of the CCSAS project nears, the state is planning to consolidate responsibility for the project within the DCSS. A forthcoming transition plan will detail the transfer of all resources and responsibilities for the continued maintenance of the CCSAS system from the FTB to the DCSS with the transition to begin in 2008-09.

INCREASE CHILD SUPPORT PASS-THROUGH

Effective October 1, 2008, the federal Deficit Reduction Act of 2005 (DRA) provides for federal participation at the 50 percent level in child support that is passed through to CalWORKs families. When child support is collected for families receiving CalWORKs benefits, a portion of child support payments collected are remitted to state, federal and county governments to help offset the costs of providing public assistance benefits to these families. Of the state portion of recoveries, California currently passes through \$50 per month to CalWORKs families. These funds are disregarded for CalWORKs benefit calculation purposes. The Governor's Budget proposes to establish federal participation at the 50 percent level in the current \$50 disregard which will result in increased General Fund revenues of \$3.9 million for the period between October 1, 2008 and January 1, 2009. Additionally, the Governor's Budget proposes to increase the amount of child support passed through to CalWORKs families from \$50 to \$100 per month effective January 1, 2009. Due to federal participation, the increase from \$50 per month to \$100 per month will be revenue neutral to the General Fund.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) provides aid, service, and protection to children and adults in need of assistance. DSS programs are aimed at promoting the well-being of children, strengthening families, and helping adults and parents achieve their potential for economic self-sufficiency and independence.

The Governor's Budget includes \$19 billion (\$9.1 billion General Fund) for the DSS in 2008-09, an increase of \$55.8 million General Fund from the revised 2007-08 budget and \$75.9 million General Fund from the Budget Act of 2007.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

Total California Work Opportunity and Responsibility to Kids (CalWORKs) program expenditures of \$7 billion (state, local, and federal funds) are proposed for 2008-09, including TANF and maintenance-of-effort (MOE) countable expenditures. The amount budgeted includes \$4.7 billion for CalWORKs program expenditures within the DSS budget, \$108 million in county expenditures, \$2.2 billion in other programs,

DESCRIPTION OF CALWORKS

The CalWORKs program is California's version of the federal Temporary Assistance for Needy Families (TANF) program. CalWORKs is California's largest cash aid program for children and families, and is designed to provide temporary assistance to meet basic shelter, food, and clothing needs. While providing time-limited assistance, the program promotes self-sufficiency through work requirements and encouraging personal accountability. The program recognizes the different needs of each county and affords them program design and funding flexibility to ensure successful implementation at the local level.

and \$133.4 million for a CalWORKs program reserve. Figure HHS-10 displays 2008-09 CalWORKs expenditures and includes a breakdown of CalWORKs expenditures in other programs. The \$2.2 billion in other programs includes MOE expenditures in excess of the required level. Recent federal changes expanded MOE-eligible spending to include certain expenditures for non-assistance benefits and services. This allows additional expenditures of \$349.2 million for the State Department of Education's after school programs and the Student Aid Commission's CalGrants to be counted towards the CalWORKs MOE, reducing California's work participation requirement by an estimated 5.1 percent.

The Governor's Budget includes \$131 million to provide a statutory COLA for assistance payments. This COLA, scheduled to become effective July 1, 2008, is estimated to increase monthly grant levels for a family of three from \$723 to \$754.

After many years of decline, caseload has been flattening over the last five years. Absent the program changes described below, the average monthly caseload in this program is estimated to be 450,900 families in 2008-09, a 1.4-percent decrease over the 2007-08 projection. The proposed changes to CalWORKs are estimated to reduce the 2008-09 caseload projection to 377,000 families, a 16.5-percent decrease from the 2007-08 projection.

Because many recipients are not working sufficient hours to meet the federal work participation requirements, California's work participation rate has ranged from a high of over 40 percent in 1999 to less than 22 percent now under new federal rules. In the past, California met the federal requirements due to the significant caseload reduction credits allowed under the original federal welfare reform legislation. The federal Deficit Reduction

Act of 2005 (DRA) reauthorized the TANF program, adjusted the base year, and made other changes that will require California to increase work participation rates of individuals receiving assistance funded with TANF and matching MOE resources or face substantial fiscal penalties.

Current policies are not expected to increase work participation rates enough to meet the federal requirement for at least 50 percent work participation among all families. Although the rates have not yet been finalized, California will fail to meet the work participation rate for federal fiscal year (FFY) 2007, the first year for which the DRA's changes were effective. As a result, California's MOE will be 80 percent of FFY 1994 historic expenditures rather than the 75 percent MOE level California has been required to meet. The Governor's Budget increases MOE spending by \$179.5 million in 2008-09, to \$2.9 billion, to reflect this penalty.

In place of a budget balancing reduction, the Governor's Budget proposes to implement changes that promote personal responsibility and hold recipients accountable for the consequences of their actions, strengthen the work focus of the program, and improve California's ability to meet federal requirements and avoid fiscal penalties. The following key policy objectives serve as a foundation for the Administration's CalWORKs proposal:

- Emphasize the shared responsibility of government and participants to help families prepare for and achieve self-sufficiency through work.
- Continue to focus on employment to maximize participation in the workforce and decrease dependence upon aid.

Figure HHS-10

2008-09 CalWORKs Program Expenditures¹
(Dollars in Millions)

CalWORKs Program Components	2008-09
<u>In DSS Budget:</u>	
Assistance Payments	\$2,379
Employment Services	1,119
County Administration	426
DSS Child Care	554
Kin-GAP	121
Tribal TANF	92
DSS Administration	30
Subtotal	\$4,721
<u>Other CalWORKs Expenditures:</u>	
Statewide Automated Welfare System	60
Child Welfare Services	305
California Food Assistance Program	6
State Supplementary Payment Program	7
State Department of Education Child Care	795
After School Programs	462
California Community Colleges Child Care	15
CCC Education Services	29
CCC Fee Waivers	86
Cal Grants	223
DCSS Disregard Payments	21
Department of Developmental Services	56
County Expenditures	108
Subtotal	\$2,173
General TANF Reserve	133
Total CalWORKs Expenditures	\$7,027

¹ Detail may not add to totals due to rounding.

- Create incentives for counties to utilize available resources more effectively and efficiently and reward the achievement of welfare-to-work goals.
- Maintain the support services necessary to transition recipients to the workforce.
- Maintain a statewide safety net for low-income families who meet work requirements.
- Maximize available federal block grant funds.

Major programmatic changes that place greater emphasis on work participation and reduce reliance upon public assistance are necessary to significantly improve the ability of the state and counties to meet federal work requirements in the TANF program. Failure to do so will result in substantial additional federal penalties to the state and counties. California must change its welfare policies while maintaining CalWORKs' core goals to minimize the risk of penalties and improve program outcomes. Key components of this effort include:

- **Implement Graduated Full Family Sanctions**—This proposal strengthens work requirements and recipient accountability by reducing grants by 50 percent when adults have been sanctioned for not participating and have remained in sanction status for an accumulated total of six months. Adults who have been sanctioned for not participating for a second accumulated total of six months will receive a full family sanction. Adults could remedy their sanction at any time by complying with appropriate work activities. Prior to any graduated sanction, counties will contact the adult to ensure that he or she understands the participation requirements and to urge program compliance, as well as connect adults to resources in order to remove barriers to participation. These contacts will consist of a combination of phone calls, letters, and home visits. This graduated full family sanction policy will reduce prolonged noncompliance while providing a reasonable timeframe to achieve compliance during which time benefits are still available.
- **Work Incentive Nutritional Supplement**—This proposal promotes self-sufficiency through work by providing supplemental food stamp benefits to certain working families. Working families who are receiving food stamps, but not also receiving CalWORKs assistance, would be eligible for this benefit if they work sufficient hours to meet federal TANF work participation requirements. This supplement provides a further bridge to self-sufficiency and better ensures that families who previously received CalWORKs assistance will not fall back into the program. This benefit would be set at a flat amount of \$40 per month and each

food stamp household may be eligible for one supplemental work incentive benefit per month.

- **Continue County Efforts** – This proposal continues to support and promote county efforts to increase work participation by implementing county peer reviews, publicizing individual county performance outcomes, and continuing funding for county implementation of strategies to engage CalWORKs recipients early in the program, maintaining full engagement, preventing recipients from becoming sanctioned, and encouraging sanctioned individuals to re-engage in the program.
- **Modify the Safety Net Program**—This proposal rewards working families by continuing safety net benefits for families beyond their 60-month time limit if they meet federal work participation requirements. The current safety net program minimizes the incentive for families to become self-sufficient.
- **Ensure Consistent Child-Only Benefits** – This proposal provides cash aid for families receiving child-only benefits that are consistent with other CalWORKs families. Under this proposal, aid to families receiving child-only benefits will be limited to 60 months. These families include parents or caretakers who are undocumented non-citizens, drug felons, or fleeing felons.

These reform measures are estimated to provide net savings of \$73.7 million General Fund in 2007-08 and \$476 million (\$389.1 million General Fund) in 2008-09. With these reforms, the Governor's Budget proposes to maintain the \$230 million included in the Budget Acts of 2006 and 2007 to support CalWORKs program improvements, including \$90 million for counties to implement program improvements that lead to better outcomes and increased work participation rates for CalWORKs recipients and \$140 million to support county administration. The Governor's Budget eliminates \$40 million in Pay for Performance incentive funds in 2007-08, but makes available \$40 million in 2008-09 for those counties that achieve improved program outcomes during 2007-08. The combination of CalWORKs reforms and state and county efforts will position the state and counties to increase work participation rates, meet federal requirements, avoid penalties, and successfully move families from welfare to work.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT

The federal Supplemental Security Income (SSI) program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In California, the SSI payment is augmented with a State

HEALTH AND HUMAN SERVICES

Supplementary Payment (SSP) grant. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration administers the SSI/SSP program, making eligibility determinations, grant computations, and issuing combined monthly checks to recipients.

The Governor's Budget proposes \$3.7 billion General Fund for the SSI/SSP program in 2008-09. This represents a 2.9-percent increase from the revised 2007-08 budget. The caseload in this program is estimated to be 1.3 million recipients in 2008-09, a 2.1-percent increase over the 2007-08 projected level. The SSI/SSP caseload consists of 30 percent aged, 2 percent blind and 68 percent disabled persons. Absent the reductions described below, the overall General Fund contribution to SSI/SSP is projected to grow in 2008-09 by \$384.1 million, or 10.5 percent, from the revised 2007-08 expenditure level.

The proposed SSI/SSP program budget-balancing reductions include \$23.3 million in 2007-08 and \$300.3 million in 2008-09, achieved by suspending the June 2008 and June 2009 state COLAs. Under this proposal, recipients will still see increased payments in total benefits in both years due to provision of the federal COLAs. In January 2008, SSI/SSP monthly payments for aged and disabled individuals increased from \$856 to \$870, and monthly payments for aged and disabled couples increased from \$1,502 to \$1,524. In January 2009, the monthly payment for aged and disabled individuals is estimated to further increase to \$881, while the monthly payment for aged and disabled couples is estimated to further increase to \$1,540.

IN-HOME SUPPORTIVE SERVICES

The In-Home Supportive Services (IHSS) program provides support services, such as house cleaning, transportation, personal care services, and respite care to eligible low-income aged, blind, and disabled persons. These services are provided in an effort to allow individuals to remain safely in their homes and prevent institutionalization.

The Governor's Budget proposes \$1.6 billion General Fund for the IHSS program. The average monthly caseload in this program is estimated to be 407,900 recipients in 2008-09, a 4.6-percent increase over the 2007-08 projected level.

Total IHSS expenditures continue to grow much faster than IHSS caseload. Absent the reductions below, General Fund expenditures for the IHSS program are projected to have grown by approximately 194 percent from 1999-00 to 2008-09, while caseload is estimated to have grown by less than 80.5 percent during the same period.

The proposed IHSS program budget-balancing reductions include \$361 million (\$119.6 million General Fund) in 2008-09. This is realized from an across-the-board reduction in service hours for non-medical domestic and related services to IHSS recipients. These services include meal preparation, meal clean-up, laundry, food shopping, and errands. In addition, county administrative funding would be reduced, along with a corresponding reduction in county workload. Specifically, the Administration proposes to change the timeframe for re-assessing the condition of IHSS recipients from every 12 months to every 18 months. These reductions should not impede the IHSS recipients' ability to remain safely in their own homes and avoid institutionalization.

CHILD WELFARE SERVICES

The child welfare system in California provides a continuum of services through Child Welfare Services (CWS), Child Abuse Prevention, Foster Care, Adoption Assistance, and adoptions to children who are either at risk of or have suffered abuse and neglect. The Governor's Budget includes \$4 billion (\$1.6 billion General Fund) to provide assistance payments and services to children and families under these programs. This is a \$151.3 million (\$95.9 million General Fund), or 3.6 percent, decrease from the revised 2007-08 budget.

CWS has evolved into an outcome-focused program with the implementation of the federal Child and Family Services Review and the California Outcome and Accountability System. These protocols establish a comprehensive process to measure program performance and track improvement in California's child welfare services delivery system. Program success is measured in terms of improving the safety, permanence, and well-being of children and families served.

The proposed CWS program budget-balancing reductions include \$264.5 million (\$168.1 million General Fund) in 2008-09. Included in this proposal is a reduction to the basic care, specialized care, and clothing allowance rates for the Foster Care, Kin-GAP, and Adoption Assistance programs. The proposal also includes a reduction to maintenance payments for Foster Care, Group Homes, and Seriously Emotionally Disturbed placements. Rates paid to Foster Family Agencies (FFA) will be reduced as well, but by a lesser amount, as FFA placements are the only foster care category that did not receive a statutorily authorized 5 percent rate increase effective January 1, 2008. This proposal also includes an \$83.7 million reduction to the allocation to counties for CWS. Counties will choose how to apportion the reduced allocation to ensure the health and safety of vulnerable children and their families, while minimizing the risk of failing to meet federal outcome requirements.

COMMUNITY CARE LICENSING

The Community Care Licensing program directly licenses and monitors approximately 75,000 community care facilities and provides oversight, direction, and training to counties that license approximately 11,000 additional facilities. These facilities include child daycare, children's residential, and elderly residential and day support facilities and serve approximately 1.4 million clients statewide. The Governor's Budget includes \$118.2 million (\$37.3 million General Fund) in 2008-09 for licensing activities that promote the health, safety, and quality of life of each person in community care facilities. This is a \$1.7 million (\$1.3 million General Fund) increase from the revised 2007-08 budget.

The proposed Community Care Licensing program budget-balancing reductions include \$2.7 million (\$2.3 million General Fund) in 2008-09 by reducing community care licensing random visits. Under this proposal, 14 percent of facilities would receive random inspections annually, equating to a visit for each facility approximately once every seven years. To mitigate health and safety impacts, no reduction will be made to follow-up inspection schedules for facilities that have previously been found to be out of compliance with licensing standards. Even with this reduction, the frequency of visits will surpass the level occurring when the Administration took office in 2003.

STATE-LOCAL PROGRAM REALIGNMENT

In 1991-92, State-Local Program Realignment restructured the state-county partnership by giving counties increased responsibilities for a number of health, mental health, and social services programs. Realignment also provided an ongoing revenue source for counties to pay for these increased responsibilities by establishing a new one-half cent sales tax and an increase in the motor vehicle license fee (VLF). The one-half cent sales tax is a dedicated funding stream for realignment. Chapter 322, Statutes of 1998, established a program to offset a portion of the VLF paid by vehicle owners. The amount of the offset has increased from the original 25 percent reduction in 1999 to the current 67.5 percent reduction that resulted from Chapter 5, Statutes of 2001. The amount of VLF revenue available for realignment is not affected by the 67.5 percent reduction in VLF because the amount of total VLF collections dedicated to realignment was increased by Chapter 211, Statutes of 2004, from 24.3 percent to 74.9 percent, effective July 1, 2004 to backfill this reduction.

Realignment revenues in 2007-08 are estimated to total \$4.6 billion, an increase of \$71.5 million compared to 2006-07. The \$4.6 billion is comprised of \$2.9 billion in sales

tax revenues and \$1.7 billion in VLF. The projected \$24.3 million in sales tax growth and \$47.2 million in projected VLF growth will be distributed pursuant to current statute.

For 2008-09, realignment revenues are estimated to total \$4.8 billion, an increase of \$171.6 million above revised 2007-08 estimates. The \$4.8 billion total includes \$3 billion in sales tax revenues and \$1.8 billion in VLF. The projected \$126.3 million in sales tax growth and \$45.3 million in estimated VLF growth will be distributed pursuant to current statute (see Figure HHS-11, Figure HHS-12, and Figure HHS-13).

Figure HHS-11
1991-92 State-Local Realignment
2006-07 Estimated Revenues and Expenditures
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	\$841,749	\$399,521	\$1,576,261	\$2,817,531
Vehicle License Fee Account	361,346	1,158,408	62,385	1,582,139
Total Base	\$1,203,095	\$1,557,929	\$1,638,646	\$4,399,670
Growth Funding				
Sales Tax Growth Account:	—	—	44,298	44,298
Caseload Subaccount	—	—	(44,298)	(44,298)
County Medical Services Subaccount	—	—	—	—
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	37,315	63,292	7,213	107,820
Total Growth	\$37,315	\$63,292	\$51,511	\$152,118
Total Realignment¹	\$1,240,410	\$1,621,221	\$1,690,157	\$4,551,788

¹ Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

Figure HHS-12
1991-92 State-Local Realignment
2007-08 Estimated Revenues and Expenditures
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	\$841,749	\$399,521	\$1,620,559	\$2,861,829
Vehicle License Fee Account	398,660	1,221,700	69,599	1,689,959
Total Base	\$1,240,409	\$1,621,221	\$1,690,158	\$4,551,788
Growth Funding				
Sales Tax Growth Account:	—	—	24,251	24,251
Caseload Subaccount	—	—	(24,251)	(24,251)
County Medical Services Subaccount	—	—	—	—
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	16,344	27,723	3,160	47,227
Total Growth	\$16,344	\$27,723	\$27,411	\$71,478
Total Realignment¹	\$1,256,753	\$1,648,944	\$1,717,569	\$4,623,266

¹ Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

Figure HHS-13
1991-92 State-Local Realignment
2008-09 Estimated Revenues and Expenditures
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	\$841,749	\$399,521	\$1,644,810	\$2,886,080
Vehicle License Fee Account	415,005	1,249,423	72,758	1,737,186
Total Base	\$1,256,754	\$1,648,944	\$1,717,568	\$4,623,266
Growth Funding				
Sales Tax Growth Account:	39,985	55,699	30,610	126,294
Caseload Subaccount	—	—	(22,995)	(22,995)
County Medical Services Subaccount	—	(5,086)	—	(5,086)
General Growth Subaccount	(39,985)	(50,613)	(7,615)	(98,213)
Vehicle License Fee Growth Account	17,183	24,807	3,322	45,312
Total Growth	\$57,168	\$80,506	\$33,932	\$171,606
Total Realignment¹	\$1,313,922	\$1,729,450	\$1,751,500	\$4,794,872

¹ Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

CORRECTIONS AND REHABILITATION

The mission of the Department of Corrections and Rehabilitation (CDCR) is to enhance public safety through safe and secure incarceration of offenders, effective parole supervision, and rehabilitative strategies to successfully reintegrate offenders into communities. These strategies include providing safe and secure detention facilities for adults and juveniles, educational opportunities, services such as food, clothing, health care, direct supervision, surveillance, and when necessary apprehension of the state's parolee population. The CDCR is organized into 12 programs: Corrections and Rehabilitation Administration; Corrections Standards Authority; Juvenile Operations; Juvenile Education, Vocations, and Offender Programs; Juvenile Parole Operations; Juvenile Health Care Services; Adult Operations; Adult Parole Operations; Board of Parole Hearings; Community Partnerships; Adult Education, Vocations, and Offender Programs; and Correctional Health Care Services.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget includes \$11.4 billion (\$10.3 billion General Fund

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, and federal and court-ordered mandates.

CORRECTIONS AND REHABILITATION

and \$1.1 billion other funds) for CDCR. This reflects an increase of \$646.7 million (\$172.4 million General Fund) or six percent over the revised 2007-08 budget. Change Table DCR-01 illustrates the major changes proposed to the CDCR in the Governor's Budget.

Change Table DCR-01

Corrections and Rehabilitation Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$9,836,311	\$588,396	66,627.4	\$9,753,804	\$330,029	66,627.4
Workload Adjustments						
AB 900 Implementation	2,509	—	20.6	35,382	—	166.9
Enrollment/Caseload/Population	17,054	-416	60.2	20,351	-1,445	-829.8
Employee Compensation/Retirement	217,523	822	—	230,911	952	—
Court Orders/Lawsuits	17,683	—	24.2	8,981	—	814.0
Expiring Programs or Positions	—	—	—	-10,400	—	-87.6
One-Time Cost Reductions	—	—	—	-66,581	-1,951	—
Full-Year Cost of New Programs	—	—	—	248,352	-2,800	511.1
Other Workload Adjustments	-36,760	-11,834	25.2	67,370	-4,454	-288.4
Infrastructure Adjustment	55,995	71,834	—	350,116	777,805	—
Totals, Workload Adjustments	\$274,004	\$60,406	130.2	\$884,482	\$768,107	286.2
Policy Adjustments						
Population Adjustment - Female	2,927	—	16.2	30,407	—	86.2
Rehabilitative Community Correctional						
Other Policy Adjustments	727	—	6.5	-21,353	25,000	10.1
Totals, Policy Adjustments	\$3,654	\$0	22.7	\$9,054	\$25,000	96.3
Total Adjustments	\$277,658	\$60,406	152.9	\$893,536	\$793,107	382.5
Budget Prior to Reductions	\$10,113,969	\$648,802	66,780.3	\$10,647,340	\$1,123,136	67,009.9
Budget-Balancing Reductions^{1/}	-\$17,882	\$0	-200.0	-\$378,901	\$0	-5,854.0
Governor's Budget	\$10,096,087	\$648,802	66,580.3	\$10,268,439	\$1,123,136	61,155.9

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

PROPOSED WORKLOAD BUDGET

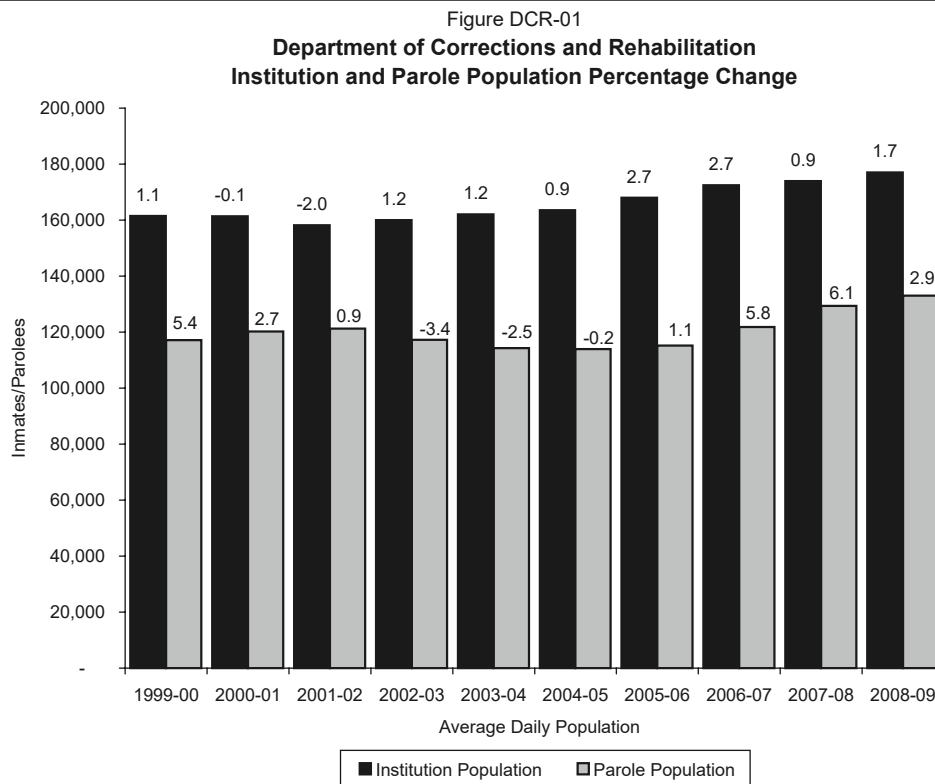
The major workload adjustments required by law for 2008-09 include the following:

- AB 900 Implementation-The Budget includes \$2.5 million in 2007-08 and \$35.4 million in 2008-09 to implement AB 900 (Chapter 7, Statutes of 2007). Resources are provided to expand substance abuse treatment capacity, conduct inmate risk and needs assessments, provide day treatment and crisis care services for mentally ill parolees, create an administrative structure for the rehabilitative adult programs, and train CDCR staff on effective rehabilitation principles and programs.
- Enrollment/Caseload/Population-The Budget includes \$17.1 million in 2007-08 and \$20.4 million in 2008-09 to address changes in adult and juvenile population and parolee caseloads.
- Court Orders and Lawsuits-The Budget includes \$17.7 million in 2007-08 and \$9 million in 2008-09 to comply with court orders and lawsuits, including activities of the federal Receiver in the case of *Plata v. Schwarzenegger*.
- Employee Compensation and Retirement-The Budget includes \$217.5 million in 2007-08 and \$230.9 million in 2008-09 for employee compensation costs and adjustments to the retirement contribution rate.

ADULT POPULATION ADJUSTMENTS

Under existing law, the average daily inmate population is projected to increase from 173,993 in 2007-08 to 177,021 in 2008-09, an increase of 3,028 inmates, or 1.7 percent. This change is due primarily to the projected increase in the number of parole violators returned to prison because they committed a specific parole violation. This is partially offset by a small decline in new admissions from the court. The 2007 Budget Act assumed an average daily inmate population of 174,300. (See Figure DCR-01) Included within these totals is an average daily population of 6,935 inmates who are projected to be housed in out-of-state correctional facility beds.

Similarly, under existing law the average daily parole population is projected to increase from 129,343 in 2007-08 to 133,061 in 2008-09, an increase of 3,718 parolees, or 2.9 percent. The projected increase is due to fewer discharges from parole and more releases to parole from prison than expected. The 2007 Budget Act assumed an average daily parole population of 124,862.



The fiscal impact of these population changes in 2007-08 is an increase of \$14 million General Fund and a reduction of \$45,000 in other funds. In 2008-09, the fiscal impact is an increase of \$77.2 million General Fund and a reduction of \$459,000 other funds.

JUVENILE POPULATION ADJUSTMENTS

The Division of Juvenile Justice (DJJ) projects a juvenile institution average daily population of 2,294 youthful offenders in 2007-08, 78 more than anticipated in the 2007 Budget Act. The fiscal impact in 2007-08 is an increase of \$5.6 million General Fund. In 2008-09, the juvenile institution average daily population is expected to decrease by 508 wards, or 22.2 percent, to 1,786. The population decrease is primarily due to shifting responsibility for housing non-serious and non-violent juvenile offenders to local jurisdictions beginning September 1, 2007. The fiscal impact in 2008-09 is a decrease of \$48.8 million General Fund and a decrease of \$986,000 other funds. The total General Fund expenditures are partially offset by revenues from the sliding scale fees paid by counties. In 2007-08, these revenues are estimated to be \$12.4 million, a decrease of

\$922,000 from the revenue expected at the time of the 2007 Budget Act. In 2008-09, these revenues are estimated to decrease to \$8.2 million as a result of the population shift.

The juvenile parole average daily population is expected to be 2,415 in 2007-08, a decrease of 148 from the 2007 Budget Act. In 2008-09, the juvenile parole average daily population is expected to decrease by 452 paroles, or 18.7 percent, to 1,963. However, costs will increase due to a higher number of reentry caseload parolees, which require a lower ratio of parolees to parole agents. The fiscal impact of the change in the juvenile parole population in 2007-08 is an increase of \$76,000 General Fund. In 2008-09, the fiscal impact is a decrease of \$1.7 million General Fund.

The population adjustment proposed in the Governor's Budget for the Juvenile Education Program reflects staffing ratios consistent with the requirements of the Education Remedial Plan. General Fund Proposition 98 funding is projected to decrease by \$2.6 million in 2007-08 and \$6.3 million in 2008-09.

HOUSING AND SUPERVISION OF JUVENILE OFFENDERS

On September 1, 2007, local jurisdictions became responsible for housing and supervising non-serious and non-violent juvenile offenders. In order to provide resources to local jurisdictions for housing and supervising these additional juvenile offenders, the Youthful Offender Block Grant was established and provides local assistance funding of approximately \$24 million in 2007-08, \$66 million in 2008-09, and \$92 million in 2009-10 and ongoing. In addition, the 2007 Budget Act included \$100 million in lease-revenue bonds to finance the acquisition, design, renovation, or construction of local juvenile facilities to ensure that counties have adequate capacity and program space to house and serve juvenile offenders.

IMPLEMENTATION OF AB 900

In May of 2007, the Governor signed AB 900 (Chapter 7, Statutes of 2007), also known as the Public Safety and Offender Rehabilitation Services Act of 2007, which provided \$7.3 billion in lease revenue bond financing to add 53,000 prison, reentry, and jail beds in two phases, and fundamentally shifts how the CDCR approaches rehabilitation for California's prisoners. AB 900 also appropriated \$50 million General Fund for additional rehabilitative programming activities and \$300 million General Fund to make infrastructure improvements at state prisons. The Budget proposes a total of \$2.5 million in 2007-08 and \$35.4 million in 2008-09 to implement the rehabilitation components of AB 900. Of this amount, \$2.5 million in 2007-08 and \$31.4 million in 2008-09 is funded from the AB 900 appropriation, consistent with the requirements of SB 81 (Chapter 175, Statutes of 2007).

REHABILITATION STRIKE TEAM AND PATHWAYS TO REHABILITATION

Following the enactment of AB 900, the Governor convened a Rehabilitation Strike Team charged with evaluating existing education, training and substance abuse programs; exploring ways that services can best be delivered to inmates and parolees in order to improve public safety; and putting into action rehabilitative programming recommendations made by the Expert Panel on Corrections Reform in accordance with the performance benchmarks mandated in AB 900. The Budget includes \$5 million for a comprehensive integrative case management demonstration project which will showcase the pathway of rehabilitative programming for a group of inmates. A full continuum of assessment and rehabilitative programming will begin with an initial risk and needs assessment in the reception center at intake. A comprehensive assessment will be conducted at the general population level to determine needs-based programming, and intensive programming efforts will continue within prisons and reentry centers up to the time of release. Aftercare and follow-up will be provided by CDCR's partners in the community to maximize opportunities for successful reintegration.

INMATE RISK AND NEEDS ASSESSMENTS INCLUDING CLASSIFICATION SERVICES

AB 900 requires the CDCR to implement an inmate assessment at reception centers, and use the assessment to assign inmates to rehabilitation programs. The 2007 Budget Act includes \$4.7 million for the CDCR to implement risk and needs assessments at reception centers. Building upon the Department's current efforts to meet the mandates of AB 900, the Governor's Budget includes an additional \$483,000 General Fund in 2007-08 and \$5.2 million General Fund in 2008-09 to continue the implementation of the risk and needs assessments at reception, and to create behavior management plans for inmates identified as a high risk to recidivate.

SUBSTANCE ABUSE TREATMENT EXPANSION

AB 900 requires the CDCR to expand substance abuse treatment services in prisons to accommodate at least 4,000 additional inmates who have histories of substance abuse. To meet this mandate, the Governor's Budget includes \$308,000 General Fund in 2007-08 and \$8.1 million General Fund in 2008-09 to provide evidence-based substance abuse treatment services for 2,000 inmates and continuing care for 1,330 parolees. This augmentation will fund the first phase of the 4,000-bed expansion, and provide an additional 2,000 in-custody treatment slots, continuing care, and training for the substance abuse staff.

REHABILITATION STAFF SKILLS TRAINING

The Governor's Budget includes \$1.4 million General Fund in 2007-08 and \$5.4 million General Fund in 2008-09 to provide training on effective rehabilitation, cognitive behavioral intervention, interviewing, and other skills to approximately 1,900 prison staff who will provide specific communication skills and techniques designed to reduce offender resistance, increase offender motivation to change, and reduce individual criminal risk. The CDCR will begin by training existing staff at reception centers that are directly responsible for administering the risk and needs assessments. During those initial training sessions, the CDCR will also train new correctional counselors to serve as department-wide trainers, who will then travel the state in teams and train staff at all the institutions. Ultimately, this rehabilitation training will be added to the academies where it will be required for all participants.

DAY TREATMENT AND CRISIS CARE SERVICES FOR MENTALLY ILL PAROLEES

AB 900 requires the CDCR to obtain day treatment, and to contract for crisis care services, for parolees with mental health problems. To meet this mandate, the Governor's Budget includes \$6 million General Fund for the CDCR's Division of Adult Parole Operations to enhance mental health rehabilitative and stabilization services initiated under the Department's Reducing Recidivism Strategies. This augmentation will expand services and provide more intensive treatment for severely mentally ill parolees who currently receive outpatient services through the Parole Outpatient Clinics. The CDCR will work with county providers to ensure that parolees receive the necessary services when in mental health crisis, and can step-down to the day treatment programming or other care services as appropriate.

ADULT PROGRAMS REALIGNMENT AND OFFICE OF RESEARCH FUNDING

The Governor's Budget includes \$301,000 General Fund in 2007-08 and \$4.7 million General Fund in 2008-09 to provide critical program infrastructure so that the CDCR can meet the AB 900 mandates and more fully integrate rehabilitative programming into the correctional setting. This augmentation will provide funding for the newly-established Office of Program and Policy Development, facilitate and implement the Prison-to-Employment Plan, staff the newly established Local Government Liaison Unit, and provide staffing for the new Office of the Undersecretary for Adult Programs. This augmentation also funds enterprise data system enhancements and expansion of data analysis and reporting capacity and capability to effectively implement the mandates for rehabilitation programming.

EdFIRST

The Governor's Budget includes \$961,000 General Fund in 2008-09 to implement the Education for Inmates Reporting and Statewide Tracking project (EdFIRST). EdFIRST is an information technology system that will store inmate educational files and data electronically. This system will provide the CDCR an electronic means to track student participation, progress, and achievement, and replace the existing manual system. EdFIRST will also allow the CDCR to more effectively manage and report on educational participation and progress.

SECURE REENTRY FACILITIES

The Governor's Budget includes \$727,000 General Fund in 2007-08 and \$1.1 million General Fund in 2008-09 to establish the pre-activation team for the new reentry facility in Stockton, authorized by Chapter 228, Statutes of 2007 (SB 943). This augmentation will allow the Department to conduct a site assessment to identify renovation and construction needs, identify the population for the reentry facility, identify the appropriate staffing criteria for the facility, design reentry programs and services, engage in ongoing communication and participation with local stakeholders, and establish contracts with community providers.

The Governor's Budget also includes \$2.5 million General Fund in 2008-09 to contract with the San Francisco County Sheriff's Office to provide twelve months of intensive, in-custody reentry programming, followed by twelve months of accountability-based, out-of-custody reentry programming.

REENTRY FACILITIES

Secure reentry facilities are designed to improve public safety by reducing recidivism. AB 900 provides for 16,000 new beds in community-based reentry centers, each of which will house up to 500 inmates for their last 12 months in custody. These facilities will provide intensive rehabilitation, and offer offender job training, mental health and substance abuse counseling, housing placement, educational assistance, and other services in the critical few months just prior to an inmate's release.

COURT AND LAWSUIT-RELATED ISSUES
PLATA V. SCHWARZENEGGER

The 2007 Budget Act includes an appropriation of \$125 million along with language that allows for the transfer of these funds for the purpose of funding activities of the Receiver appointed by the court in *Plata v. Schwarzenegger*, and for coordinated activities of the Receiver, and the *Coleman v. Schwarzenegger* and *Perez v. Tilton* courts. Of this amount, approximately \$26.2 million has been transferred to date, resulting in ongoing costs of approximately \$14.3 million, which are included in the Governor's Budget. In addition to funding these costs, the Governor's Budget includes \$1.7 million to establish an Office of Third Level Health Care Appeals, \$45.8 million to expand Health Care Access Units to all institutions, \$26 million for the California Prison Health Care Receivership Corp. operating budget, and the elimination of \$125 million in unallocated funding. This represents approval of \$73.5 million of the Receiver's funding proposals, which totaled \$168.9 million in 2007-08 and \$369.3 million in 2008-09.

The Receiver also submitted nine placeholder budget requests, including one capital outlay proposal that will be considered during the spring process. The initial cost estimate by the Receiver for these requests is \$104.3 million in 2007-08 and \$518.9 million in 2008-09. The most significant cost is for capital outlay projects to improve CDCR's health care facilities, which represents \$84 million of the 2007-08 request and \$415.1 million of the 2008-09 request. The Receiver has indicated a need for an additional 5,000 medical beds. Despite the lack of specifics as to this proposal, in recognition of the resources necessary to keep the Receiver's capital outlay program moving forward, the Governor's Budget proposes to make the \$2.5 billion previously appropriated for infill beds, reentry facilities, and medical/mental health/dental treatment and housing in Phase II of AB 900 available for the Receiver's use.

CALIFORNIA PRISON HEALTH CARE RECEIVERSHIP

In April 2001, a class-action lawsuit, now known as *Plata v. Schwarzenegger*, was filed in federal court contending that the state was in violation of the Eighth and Fourteenth Amendments to the United States Constitution by providing inadequate medical care to prison inmates. On June 30, 2005, the court ordered the establishment of a receivership to take control of the CDCR's medical care system due to the state's delay in successfully implementing the changes required by the Stipulated Agreement for Injunctive Relief, entered into as the settlement of the *Plata v. Schwarzenegger* case. The Receiver was appointed in February 2006 and has broad authority over CDCR's medical care program.

The Administration continues to work cooperatively with the Receiver to address correctional medical care in the most efficient and comprehensive manner possible. However, because the Receiver's 2008-09 budget requests did not contain the level of workload data and information regarding baseline resources that is typically necessary in order for the Administration to include a proposal in the Governor's Budget, and the timing of receipt of the proposals made it difficult to ascertain this information through an iterative process, the Receiver's entire funding request has not been included in the Governor's Budget. Out of respect for the federal court, and the Receiver's obligations to the court, the entire budget request as presented by the Receiver will be submitted to the Legislature. In addition, the medical care services budget, nearly \$1.6 billion in 2008-09, has been exempted from the budget-balancing reduction plan (discussed below), which will significantly reduce CDCR's institution population, resulting in savings in the medical care services program and thereby freeing up resources for other activities and priorities of the Receiver.

PEREZ V. TILTON

Perez v. Tilton is a class action lawsuit alleging that the CDCR fails to provide adequate dental care to inmates, causing permanent and unnecessary damage to their health in violation of the Eighth Amendment to the United States Constitution. The Governor's Budget includes \$2.6 million General Fund to continue the state's efforts to comply with the *Perez v. Tilton* lawsuit. This augmentation will provide funding for the establishment of a Statewide Deputy Dental Director, Regional Dental Directors, and associated support staff, and the creation of a Dental Authorization Review committee which will be responsible for reviewing dental treatment plans, reviewing and making recommendations on requests for otherwise excluded dental services, and evaluating the cost efficiency and effectiveness of the dental services provided to inmates.

LUGO V. SCHWARZENEGGER

Lugo v. Schwarzenegger is a class action lawsuit, brought by inmates with life sentences with the possibility of parole, which alleged that the Board of Parole Hearings was not conducting parole eligibility hearings within the statutory time frames. The Governor's Budget includes \$8.2 million General Fund in 2008-09 to continue state efforts to comply with the requirements of *Lugo*. This augmentation provides resources for additional Commissioners to conduct hearings for inmates sentenced to life in prison, initial psychological evaluations and follow-up psychological evaluations for these inmates who are eligible for parole, and increased workload associated with hearing file preparation and psychological evaluation file preparation for this population.

VALDIVIA V. SCHWARZENEGGER

Valdivia v. Schwarzenegger is a class action lawsuit, filed by parolees, which alleged that California's parole revocation process violated parolee and prisoner due process rights under the Fourteenth Amendment to the United States Constitution. The Governor's Budget includes \$1.2 million General Fund in 2007-08 and \$5.3 million General Fund in 2008-09 to ensure continued compliance with the Valdivia Remedial Plan. Included in these funds are \$1.1 million in 2008-09 for the CDCR's Division of Addiction and Recovery Services to manage and implement 1,800 statewide community-based treatment beds for parolees.

ARMSTRONG V. SCHWARZENEGGER

The Governor's Budget includes \$15.7 million General Fund in 2007-08 and \$43.9 million General Fund in 2008-09 to continue state efforts to comply with the requirements of the *Armstrong v. Schwarzenegger* lawsuits. Major components of this augmentation include the following:

- \$6.9 million to conduct field file and information tracking system reviews prior to parole proceedings, enter parolee disability information based on observations and parolee self disclosure within 24 hours, and provide computer training for parole agents and basic Americans with Disabilities Act (ADA) concept training to all Division of Adult Parole Operations field staff.
- \$14.9 million to enter, track, analyze and control the quality of the ADA program within the CDCR's automated facility maintenance system, implement ADA structural improvements within the institutions, and improve the path of travel within the institutions.
- \$16.2 million (\$15.3 million in 2007-08) to provide connectivity and computers to all correctional counselors at the institutions and create a statewide integrated real-time computerized tracking and compliance system.
- \$4.4 million to increase self-monitoring tours in order to capture a statistically significant sampling of the affected population.

ARMSTRONG V. SCHWARZENEGGER

The *Armstrong* lawsuits alleged that the CDCR and the Board of Parole Hearings (Board) violated provisions of the ADA and the Fourteenth Amendment to the United States Constitution right to due process. In 1996, the CDCR entered into a settlement agreement to develop a Disability Placement Program. This settlement is commonly referred to as *Armstrong I*. In 1999, the United States District Court found that the Board had violated disabled inmates' and parolees' rights under the ADA and issued a permanent injunction to remedy the violations. This injunction is commonly referred to as *Armstrong II*.

L.H. v. SCHWARZENEGGER

L.H. v. Schwarzenegger is a class action suit filed by juvenile parolees alleging that California's parole revocation process violates due process rights under the Fourteenth Amendment to the United States Constitution. The Governor's Budget includes \$2 million General Fund in 2007-08 and \$2.9 million General Fund in 2008-09 to provide staffing and resources to address juvenile parole due process elements not currently being met, such as, conducting revocation hearings in a timely manner and ensuring the appointment of counsel and appearances of witnesses at hearings throughout the parole revocation process.

FARRELL v. TILTON

Farrell v. Tilton is a taxpayer lawsuit alleging that the DJJ fails to provide adequate care and services to juvenile offenders housed in DJJ facilities. In November 2004, the state entered into a consent decree whereby the state concurred with the basis of the lawsuit and agreed to address the issues of conditions of confinement in DJJ facilities. The Governor's Budget includes \$1.6 million General Fund in 2008-09 to comply with the *Farrell* lawsuit. Specifically, the Budget includes \$513,000 on a two-year limited-term basis to revise, develop and adopt regulations, and develop and implement policies and procedures as required by the *Farrell* lawsuit. The Budget also includes \$1.1 million to provide the DJJ with additional information technology staff to support enhancements to the Ward Information Network as required by the *Farrell* lawsuit.

OTHER WORKLOAD ISSUES

The Administration continues to take steps to address various operational needs of the Department. Toward those efforts, the Budget includes additional resources for academy operations and peace officer selection, information technology projects, human resources support, and other critical areas.

PEACE OFFICER SELECTION AND ACADEMIES

The Administration remains committed to addressing correctional officer and parole agent vacancies. To that end, the Governor's Budget includes \$19.9 million General Fund in 2008-09 to expand the existing parole academy, run a one-time annex academy for entry-level correctional officers at a difficult-to-staff institution, and add contract funding to ease the backlog in background investigations and pre-employment medical clearances for peace officer applicants. Additionally, the CDCR is currently seeking an appropriate site for a Southern California Training Academy and plans to request any needed budget authority to activate such a facility during the spring Budget process.

DISCHARGED OFFENDER RECORD MANAGEMENT SYSTEM

The Governor's Budget includes \$3.2 million General Fund to cover the increased cost of scanning and hosting inmate files in the Discharged Offender Record Management System (DORMS). The DORMS is an information technology project that scans a discharged inmate's central files into an electronic format, which can be stored and easily retrieved if the inmate returns to custody.

HUMAN RESOURCES SUPPORT

The Governor's Budget continues \$4.7 million General Fund to support recruitment, selection, and hiring activities mostly as a result of various court orders and legislative mandates. The continuation of these resources will ensure that the CDCR is able to perform these tasks in a timely and efficient manner. This augmentation also includes resources to permanently establish and fund positions authorized in the 2007 Budget Act specifically for the hiring of critical dental and mental health positions in response to the *Perez* and *Coleman* courts.

FILLING VACANCIES

CDCR is making progress toward meeting its goal to select and hire correctional officers to fill every established position vacancy, including new court required positions. CDCR has intensified its recruitment efforts to increase the number of correctional officers who are needed throughout the state. CDCR receives approximately 7,500 correctional officer applications per month. Typically, only four percent of the potential candidates pass the selection process, which includes psychological, academic, background investigation, medical and physical fitness evaluations.

INCARCERATION OF UNDOCUMENTED FELONS

The CDCR expects to spend approximately \$965.3 million in 2007-08 for the incarceration of undocumented persons. The state will receive \$102.4 million in federal State Criminal Alien Assistance Program (SCAAP) funding for 2007-08. Undocumented persons are expected to comprise 11.2 percent of inmates in the state prison system. The CDCR's costs in 2008-09 are estimated to increase to \$1 billion, an increase of 4.6 percent. For 2008-09, it is estimated that California will again receive approximately \$102.4 million in federal SCAAP funding. At this level of funding, the state will be reimbursed for only 10.1 percent of the costs associated with the incarceration and related debt service associated with the undocumented felon population, with \$906.6 million in costs in excess of the level of federal reimbursements.

During the current fiscal year, the Administration will continue to aggressively pursue all strategies designed to maximize federal funding for the incarceration of undocumented felons.

PROPOSED BUDGET-BALANCING REDUCTIONS

- Total budget balancing reductions for the CDCR amount to \$17.9 million and 200 positions in 2007-08 and \$378.9 million and 5,854 positions in 2008-09. This grows to \$782.7 million in 2009-10.
- Programs exempted from reductions include lease payments securing lease revenue bonds, costs related to juvenile offenders, medical expenditures controlled by the federal Receiver, and the Corrections Standards Authority, for a total exemption of \$2.4 billion.
- The major reductions are described below:
 - \$4.3 million and 66 positions in 2007-08 and \$256.4 million and 4,194 positions in 2008-09 resulting from the CDCR releasing specified non-violent, non-serious, non-sex offenders without prior serious or violent offenses or strikes, 20 months earlier than their original release date. This proposal would result in an institutional average daily population reduction of 22,159 in 2008-09. This reduction assumes the necessary statutory changes will be enacted by March 1, 2008. Due to the CDCR's recent success in filling vacant correctional officer positions, layoffs will be necessary to achieve this reduction and the savings reflects a lag time related to the state layoff process. Once the layoff process has been completed, this savings grows to \$526.7 million in 2009-10.
 - \$13.6 million and 134 positions in 2007-08 and \$97.9 million and 1,660 positions in 2008-09 resulting from the CDCR placing non-serious, non-violent, non-sex offenders on summary parole. Summary parole will have minimal conditions of parole and involve no active supervision. These offenders would be subject to searches and drug testing, but would not return to prison without first being prosecuted locally for any new offenses they commit. This proposal would result in a parole average daily population reduction of 18,522 in 2008-09 and an institutional average daily population reduction of 6,249. This savings grows to \$231.5 million in 2009-10. This reduction assumes the necessary statutory changes will be enacted by March 1, 2008.

- \$24.6 million in 2008-09 for local assistance grant funding. This proposal would reduce funding for the Mentally Ill Offender Crime Reduction Grant Program, which supports the implementation and evaluation of locally developed demonstration projects intended to reduce recidivism and promote long-term stability among mentally ill adult and juvenile offenders by \$4.5 million, from \$44.6 million to \$40.1 million. This proposal would also reduce funding for the Juvenile Probation and Camps Program, which allocates funds to all 58 counties to support a broad spectrum of county probation services targeting at-risk youth, juvenile offenders, and the families of those youth, and to support the operation of camps and/or ranches by \$20.1 million, from \$201.4 million to \$181.3 million.

K THRU 12 EDUCATION

California's school districts, charter schools and county offices of education provide instruction and a variety of programs and support services for pre-Kindergarten through grade twelve (K-12) students. These programs are designed to prepare students with the skills necessary to pursue higher education, obtain fulfilling employment, achieve career goals, and develop productive citizens. Programs and services provided to more than six million students annually include standards-based instruction, special education, English learner support, career preparatory programs, child care and development, remedial instruction, and adult education.

Recognizing that K-12 education forms the foundation for California's prosperity and quality of life, the Governor established the Committee on Education Excellence (Committee) to review the system's successes and failures and make recommendations to fundamentally improve educational performance. The Committee focused on school finance (the distribution and adequacy of education funding); the functionality and effectiveness of school governance structures; teacher recruitment and training; and the preparation and retention of school administrators.

The Governor's Committee, along with a group established by the Legislature in conjunction with the State Superintendent of Public Instruction that reflects the entire educational continuum from pre-Kindergarten through higher education, called the P-16 committee, commissioned a variety of studies to shed light on the aforementioned topics. The studies, in and of themselves, were not intended to make recommendations on how to improve education but instead to provide factual information that could be used as a

basis for making recommendations on how to improve our education system.

In order to ensure that the public, the Legislature, the Administration and, in particular, parents, teachers, administrators, and leaders of business and industry have an opportunity to engage in a meaningful dialogue about the best approach for education reform, it is imperative that the committee's recommendations, along with the information provided in the studies, be fully vetted. Notwithstanding the current fiscal crisis, it is premature to make fundamental changes in the budget year before consensus can be reached on the major solutions.

Total funding for K-12 education is projected to be \$68.5 billion in 2008-09. Of this amount, \$65.1 billion is state, federal and local property tax funding accounted for in the State Budget. This proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy reductions, including budget balancing reductions. As a result of these budget balancing reductions, the budget reflects an \$865.1 million decrease from the revised 2007-08 total of \$66 billion.

Change Table K12-01 illustrates the major changes proposed to K-12 education spending in the Governor's Budget.

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

Change Table K12-01

K thru 12 Education Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$41,341,014	\$25,456,182	2,910.0	\$41,341,014	\$25,423,596	2,910.0
Workload Adjustments						
School Facilities Funding Adjustments	-5	-1,088,461	—	-6	570,774	—
Local Property Tax Adjustments	634,015	-663,187	—	-225,432	236,111	—
Debt Service Adjustments for Education	-95,475	—	—	202,804	-26	—
Enrollment/Caseload/Population	3,620	—	—	-86,495	—	—
Employee Compensation/Retirement	3,518	3,551	—	4,463	3,820	—
Statutory Cost-of-Living Adjustments	—	—	—	2,445,620	—	—
Expiring Programs or Positions	-40	-554	-7.0	-40	-2,679	-12.8
One-Time Cost Reductions	-19,500	-289	—	-19,852	-249,141	-5.9
Full-Year Cost of New Programs	—	—	0.5	2,137	—	1.7
Other Workload Adjustments	537,474	187,989	24.4	177,169	-66,721	35.9
Infrastructure Adjustment	—	56,527	—	—	51,556	—
Totals, Workload Adjustments	\$1,063,607	-\$1,504,424	17.9	\$2,500,368	\$543,694	18.9
Policy Adjustments						
One-Time Mid-Year Reduction for K-12	-360,000	—	—	—	—	—
District Apportionments						
Reduce SBMA Contributions from 2.5% to 2.2%	—	—	—	-79,663	—	—
Reduce SBMA Contributions from 2.5% to 2.2%	—	—	—	6,269	—	—
Other Policy Adjustments	—	—	—	—	31,242	1.9
Totals, Policy Adjustments	-\$360,000	\$0	—	-\$73,394	\$31,242	1.9
Total Adjustments	\$703,607	-\$1,504,424	17.9	\$2,426,974	\$574,936	20.8
Budget Prior to Reductions	\$42,044,621	\$23,951,758	2,927.9	\$43,767,988	\$25,998,532	2,930.8
Budget-Balancing Reductions^{1/}	\$0	\$0	—	-\$4,357,251	-\$278,000	—
Governor's Budget	\$42,044,621	\$23,951,758	2,927.9	\$39,410,737	\$25,720,532	2,930.8

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

K-12 SCHOOL SPENDING AND ATTENDANCE

PER-PUPIL SPENDING

Total per-pupil expenditures from all sources are projected to be \$11,935 in 2007-08 and \$11,626 in 2008-09, including funds provided for prior year settle-up obligations (see Figure K12-01).

Figure K12-02 displays the revenue sources for schools.

HOW SCHOOLS SPEND THEIR MONEY

Figure K12-03 displays expenditures reported by schools from their general funds, the various categories of expenditure and the share of total funding for each category.

ATTENDANCE

As a result of a steady decline in birth rates throughout the 1990s, attendance growth in public schools is declining (see Figure K12-04). For the 2007-08, K-12 average daily attendance (ADA) is estimated to be 5,923,000, a decrease of 29,000 from the 2006-07 fiscal year. For 2008-09, the Administration estimates K-12 ADA will decrease by an additional 31,000 to 5,892,000.

Figure K12-01
K-12 Education Total Spending Per Pupil

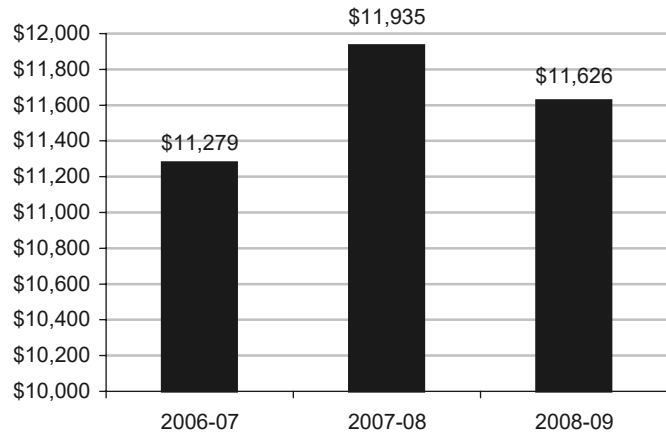


Figure K12-02
Sources of Revenue for California's K-12 Schools
(As a Percent of Total)

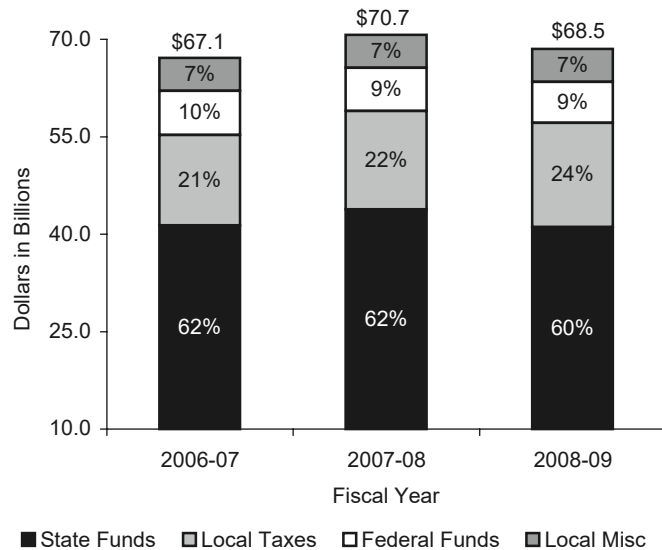
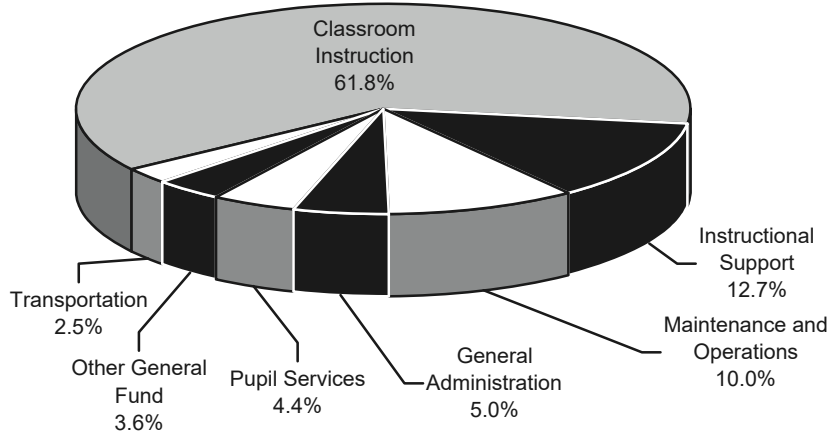


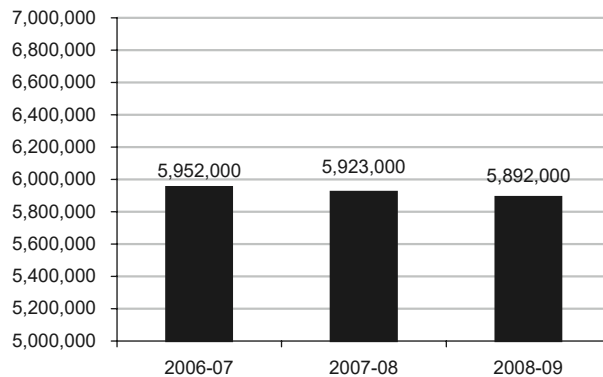
Figure K12-03
Where Schools Spend Their Money¹



Classroom Instruction includes general education, special education, teacher compensation, and special projects.
 General Administration includes superintendent and board, district and other administration and centralized electronic data processing.
 Instructional Support includes instructional, school site, and special projects administration.
 Maintenance and Operations includes utilities, janitorial and groundskeeping staff, and routine repair and maintenance.
 Pupil Services includes counselors, school psychologists, nurses, child welfare, and attendance staff.
 Other General Fund includes spending for ancillary services, contracts with other agencies, and transfers to and from other district funds.

¹ Based on 2005-06 expenditure data reported by schools for their general purpose funding.

Figure K12-04
K-12 Average Daily Attendance



PROPOSITION 98 GUARANTEE

A voter-approved constitutional amendment, Proposition 98, guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to a multitude of factors including the level of funding in 1986-87, General Fund revenues, per capita personal income and school attendance growth or decline.

Proposition 98 originally mandated funding at the greater of two calculations or Tests (Test 1 or Test 2). In 1990, Proposition 111 (SCA1) was adopted to allow for a third funding test in low revenue years. As a result, three calculations or tests determine funding for school districts and community colleges (K-14). The calculation or test that is used depends on how the economy and General Fund revenues grow from year to year.

For fiscal year 2006-07, Proposition 98 funding was \$55.1 billion, of which the General Fund share was \$41.4 billion. Local property taxes covered the balance. The 2007-08 Proposition 98 funding is estimated to increase to \$55.7 billion. The General Fund share in 2007-08 is \$40.7 billion which is \$1.4 billion lower than the level of Proposition 98 General Fund appropriations included in the 2007 Budget Act. However, recognizing a reduction of that magnitude would be very difficult for schools to absorb mid-year, the Budget proposes to reduce the 2007-08 Proposition 98 appropriations by \$400 million. This results in a Proposition 98 Guarantee of \$56.7 billion in 2007-08.

The Proposition 98 Guarantee for 2008-09 is projected to grow to \$59.7 billion of which \$43.6 billion would be from the General Fund. However, as part of the budget-balancing reductions proposed by the Administration, Proposition 98 General Fund will be reduced to \$39.6 billion. Thus, the Administration proposes to suspend the Proposition 98 Guarantee and provide \$4 billion, or 9.2 percent, less than the Guarantee would have required in 2008-09.

The totals above include funding for K-12, community colleges and other state agencies that serve students. K-12 Proposition 98 per-pupil expenditures in the Governor's Budget are \$8,458 in 2008-09, down from \$8,558 in 2007-08.

PROPOSITION 98 TEST CALCULATIONS

Test 1 — Percent of General Fund Revenues: Test 1 is based on a percentage or share of General Fund tax revenues. Historically, school districts and community colleges (K-14) received approximately 40 percent in the 1986-87 fiscal year. As a result of the recent shifts in property taxes to K-14 schools from cities, counties, and special districts, the current rate is approximately 40.96 percent.

Test 2 — Adjustments Based on Statewide Income: Test 2 is operative in years with normal to strong General Fund revenue growth. This calculation requires that school districts and community colleges receive at least the same amount of combined state aid and local tax dollars as they received in the prior year; adjusted for enrollment growth and growth in per capita personal income.

Test 3 — Adjustment Based on Available Revenues: Test 3 is used in low revenue years when General Fund revenues decline or grow slowly. During such years, the funding guarantee is adjusted according to available resources. A low revenue year is defined as one in which General Fund revenue growth per capita lags behind per capita personal income growth more than one-half percentage point. Test 3 was designed so that education is treated no worse in low revenue years than other segments of the state budget.

In years following a Test 3 funding level, the state is required to provide funding to restore what was not allocated the previous year. This is often referred to as a maintenance factor.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

The California State Teachers' Retirement System (CalSTRS) administers the Teachers' Retirement Fund, which is an employee benefit trust fund created to administer the State Teachers' Retirement Plan. The State Teachers' Retirement Plan is a defined benefit pension plan that provides retirement, disability, and survivor benefits for teachers and certain other employees of the California public school system. The Plan is comprised of three programs: the Defined Benefit Program, the Defined Benefit Supplement Program, and the Cash Balance Benefit Program. Within the Defined Benefit Program there is also a Supplemental Benefit Maintenance Account (SBMA), which provides annual supplemental payments in quarterly installments to retired teachers whose purchasing power has fallen below 80 percent of the purchasing power of an initial allowance.

Currently, the state makes annual General Fund contributions to the SBMA of 2.5 percent of teacher payroll for purchasing power protection. However, the 80 percent level of supplemental payments is not a vested benefit. This means that if the amount in the SBMA is not sufficient to bring purchasing power up to the 80 percent level, supplemental payments may have to be suspended or paid at a lower level. The Administration is proposing to fully vest the benefit at 80 percent purchasing power protection, which will provide increases to the future value of this program for retired teachers. An actuarial analysis performed in 2005 at the direction of the Department of Finance shows that the SBMA has more than enough money to provide the purchasing power protection for current and future retired teachers. As a result of the funded status of the SBMA, the state will be able to fully vest the purchasing power protection and reduce the state's contributions to the SBMA from 2.5 percent to 2.2 percent of salary consistent with the actuarial calculation. The savings from the reduced contribution equates to \$80 million in 2008-09. The state will fund the amount necessary to maintain the 80 percent purchasing power should the 2.2 percent contribution not be sufficient in future years. In addition, payments of 1.1 percent each will be made on November 1 and April 1, instead of July 1 of each fiscal year.

The state will make a payment of \$80 million in 2008-09 as the first of three payments towards the \$210 million in interest from the STRS lawsuit. Another payment of \$82 million will be made in 2009-10 and the remaining \$48 million will be paid in 2010-11.

PROPOSED WORKLOAD BUDGET

Major workload adjustments for 2008-09 include the following:

- **Cost-of-Living Adjustment (COLA) Increases**—The workload budget includes a \$2.4 billion increase to fund a 4.94 percent statutory COLA: \$1.8 billion for revenue limits, \$168.7 million for special education, \$82.8 million for child care programs, \$62.3 million for class size reduction, \$52.9 million for the Targeted Instructional Improvement Grant, \$49.1 million for Economic Impact Aid and \$247.4 million for various categorical programs.
- **School Facilities Funding Adjustments**—The workload budget includes an \$839 million decrease in 2007-08 and a \$569 million increase in 2008-09 for school facilities. The decrease in 2007-08 is largely attributable to lower than anticipated allocations by the State Allocation Board of modernization funds from the 2006 School Facilities Bond. The increase in 2008-09 is the result of the anticipated allocation of remaining funds from the 1998, 2002, and 2004 bonds, which have lagged projections, as well as an increased estimate of allocations of new construction funds.
- **Adjustments for Average Daily Attendance (ADA)**—The workload budget includes a \$96.4 million net reduction in 2008-09 to reflect the decline in ADA. The majority of this amount consists of a \$142.4 million decrease in school district and county office of education revenue limit apportionments (general purpose funding for schools). Despite the overall decline in ADA, there are increases of \$46.1 million for the charter school block grant and \$18.8 million for adult education due to increased enrollment in charter schools and adult education. Due in part to the decline in attendance, there also is a \$6.2 million decrease in revenue limit apportionments for 2007-08.
- **Local Property Tax Adjustments**—The workload budget reflects a General Fund increase of \$640 million in school district and county office of education revenue limit apportionments in 2007-08 and a decrease of \$249.3 million in 2008-09, related to school district and county office of education property tax revenues. In general, increases in local property tax revenues reduce the amount of state General Fund costs for revenue limit apportionments.
- **Funding for Ongoing Programs**—The 2007 Budget Act appropriated \$555.6 million in one-time funding to support the ongoing costs of several programs. As a result, the workload budget includes ongoing General Fund increases of \$349.1 million for Home-to-School Transportation, \$115.5 million for the Deferred Maintenance program, \$73 million for the High Priority Schools Grant program and \$18 million for the Charter School Facilities Block Grant to fully fund these programs in 2008-09.

PROPOSED BUDGET BALANCING REDUCTIONS

Despite the fiscal challenge facing California, the K-12 education budget preserves funding for all core instructional programs, albeit at a slightly lower level, reflecting a 1.3 percent reduction in total funding compared to funding in 2007-08. The Governor's Budget approach thus spreads the impact over as many programs as possible to minimize the impact on each, while preserving as much funding as possible for classroom instruction.

- Total budget-balancing reductions for K-12 Education programs amount to \$4.4 billion in 2008-09. These reductions assume necessary statutory changes will be enacted by July 1, 2008.
- No major programs were exempted from the reductions. The only items not proposed for reduction were funding for the State Teachers' Retirement System, debt service, lease payments securing lease revenue bonds and mandate deferrals.
- The major reductions are described below:
 - \$2.6 billion in 2008-09 for school district and county office of education revenue limit apportionments. This will eliminate the 4.94 percent COLA and reduce existing revenue limit levels, thereby creating a 6.99 percent deficit factor.
 - \$357.9 million in 2008-09 for Special Education. No COLA will be provided and existing state funding for local schools' special education costs will be reduced. Schools may have to backfill most of this reduction as the program is federally mandated.
 - \$198.9 million in 2008-09 for Child Development programs. No COLA or growth will be provided for this program and, after accounting for normal program savings, approximately 8,000 existing slots will be reduced. Normal attrition rates in these programs should reduce the likelihood of a currently enrolled child losing their slot.
 - \$59.6 million in 2008-09 for Before and Afterschool Programs. The Administration will propose a ballot initiative to amend Proposition 49 to achieve these savings. The impact of this reduction would be minimal because a number of recent grant recipients have not implemented the program or have not achieved the enrollment levels initially anticipated.

- \$14.2 million in 2008-09 for Child Nutrition Programs. This reduction will cut the free and reduced price meal reimbursement rate by approximately \$0.02. However, the program received a \$0.06 per meal augmentation in 2007-08.
- \$1,095.7 million in 2008-09 for other K-12 categorical programs. COLA adjustments will not be provided and proportional funding rate reductions will be applied to programs such as Class Size Reduction, the Charter School Categorical Block Grant, Instructional Materials, Supplemental Instruction, Home-to-School Transportation, Supplemental School Counseling and various Career Technical Education programs.
- \$5.6 million in 2008-09 for Department of Education administration and program support. The Superintendent of Public Instruction will have discretion to allocate this reduction.
- \$9.2 million in 2008-09 for the Department of Education State Special Schools. This reduction is unallocated to provide maximum flexibility to the Superintendent and the State Special Schools.
- \$5.1 million in 2008-09 for the California State Library. This will reduce state support to local libraries and reduce state reimbursement of the costs for inter and intra-library book loan programs.
- In addition to the reductions above, the Administration proposes to change the K-14 program COLA factor from the State and Local Implicit Deflator to the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). This will

SCHOOL REVENUE LIMIT APPORTIONMENTS

K-12 revenue limits provide the primary form of general purpose funding assistance to our public schools. These funds are discretionary and typically cover the cost of teacher and administrator salaries. Funding is distributed to schools based on average daily attendance.

The average revenue limit per pupil in the current year is estimated to be \$5,997 per ADA. A school district's revenue limit is funded from two sources, local property taxes and State General Fund. Local property taxes are allocated first and, if insufficient to fully fund a school's revenue limit apportionment, state General Funds pay the difference.

When State General Fund is insufficient to fully fund revenue limits statewide, a deficit factor is created to reduce funding to all schools by the same percentage. The deficit factor keeps track of reductions to school revenue limits which will be restored when sufficient funding is available in the future.

more appropriately reflect inflation for educational programs as the vast majority of educational expenditures are for wages and salaries, and the recent fluctuations in the State and Local Implicit Deflator do not appear to be related to costs which significantly affect schools. This will reduce the COLA from 4.94 percent to 3.65 percent. The savings that will result from this proposal are subsumed in the 10 percent reductions identified above.

OTHER SPECIAL SESSION ISSUES

PROPOSITION 98 APPROPRIATIONS

The Governor has called a Special Session of the Legislature to immediately address the budget and cash shortfall. Included in the Special Session is a proposal to decrease K-14 Education program costs by \$400 million in 2007-08. Due primarily to a significant reduction in General Fund revenues anticipated for 2007-08, the Proposition 98 minimum guarantee is \$1.4 billion lower than the level of Proposition 98 appropriations included in the 2007 Budget Act. However, recognizing a reduction of that magnitude would be very difficult for schools to absorb mid-year, the Budget proposes to reduce the 2007-08 Proposition 98 appropriations by only \$400 million. This reduction will be split between school and community college apportionments, \$360 million and \$40 million, respectively. Due to the timing of the reductions, the Administration will work closely with the Legislature, Superintendent of Public Instruction, the Chancellor's office, school and community college districts, and other education stakeholders to identify savings in categorical programs which can be redirected to mitigate the reduction to school and community college apportionments. These program adjustments will be accomplished through separate legislation in the special session.

PROPOSITION 98 DEFERRALS

Current law delays the K-12 June principal apportionment warrants from June to July. Current law also delays the June apportionments for community colleges to July. The total amount of these deferrals is \$1.3 billion. In order to increase cash reserves during months when cash balances are projected to be deficient, separate legislation is proposed for the special session to delay the deferral payments for K-14 from June to September. This will result in saving millions of dollars in interest payments by reducing the amount of funds the state will have to borrow for cash purposes.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions, to ensure a balanced budget, the Governor's Budget includes the following major program enhancement to improve school performance and the academic achievement of California's children.

STUDENT AND TEACHER LONGITUDINAL DATA SYSTEMS

The California Longitudinal Pupil Achievement Data System (CalPADS) will enable tracking of individual student enrollment history and academic performance data over time. Chapter 1002, Statutes of 2002 (SB 1453) authorizes the development of a system to: (1) provide school districts and CDE access to data necessary to comply with federal No Child Left Behind reporting requirements, (2) provide a better means of evaluating educational progress and investments over time, (3) provide local schools information that can be used to improve pupil achievement, and (4) provide an efficient, flexible, and secure means of maintaining longitudinal statewide pupil-level data. The Governor's Budget includes \$8.1 million (\$2.2 million General Fund and \$5.9 million special and federal funds) to fully fund the recently approved contract to develop this system.

The California Longitudinal Teacher Integrated Data Education System (CalTIDES), authorized by Chapter 840, Statutes of 2006 (SB 1614), will serve as the central state repository for information regarding the teacher workforce for the purpose of developing and reviewing state policy, identifying workforce trends, and providing high-quality program evaluations of the effectiveness of teacher preparation and induction programs. The State Department of Education, in consultation with the Commission on Teacher Credentialing, is responsible for developing the system. The Governor's Budget includes \$1.8 million in one-time federal Title II funds for three limited-term staff for the Department of Education for system development workload, and \$400,000 for the Commission on Teacher Credentialing's workload associated with this effort.

HIGHER EDUCATION

California's system of higher education brings significant value to the lives of individual citizens and the state as a whole. It performs an essential role in equipping Californians with the knowledge and skills necessary to meet the challenges of the future. Using the 1960 Master Plan for Higher Education as a guide to address tremendous pressures for educating unprecedented numbers of students, the state created the largest and most distinguished system of public higher education in the nation to develop the workforce, intellectual capital, and innovations that are integral to our economic and societal well being.

Drawing from the top 12.5 percent of the state's high school graduates, the University of California (UC) educates approximately 216,000 undergraduate and graduate students in the current year at its ten campuses and is the primary segment authorized to independently award doctoral degrees and professional degrees in law, medicine, dentistry, and veterinary medicine. Through University Extension, with a half-million enrollments annually, UC provides continuing education for Californians to improve their job skills and enhance the quality of their lives. UC manages one U.S. Department of Energy national laboratory, partners with private industry to manage two others, and operates five medical centers that support the clinical teaching programs of the university's medical and health sciences schools that handle more than three million patient visits each year.

Drawing students from the top one-third of the state's high school graduates, as well as transfer students who have successfully completed specified college work, the California

ED FUND TRANSACTION

Pursuant to Chapters 182 and 184, Statutes of 2007, the state is currently engaged in maximizing the value of the state's student loan guarantee program operated by EdFund. It is anticipated that a sale, or other authorized transaction, would occur in the current year and that another guaranty agency would be designated by the Federal Department of Education to fulfill the guarantor role for students with federal loans. It is anticipated that this transaction will generate \$500 million or more in revenue to the state, without affecting services or costs to students.

State University (CSU) provides undergraduate and graduate instruction through the master's degree and independently awards doctoral degrees in education or jointly with UC or private institutions in other fields of study. With its 23 campuses and approximately 450,000 students in the current year, the CSU is the largest, most diverse, and one of the most affordable university systems in the country. The CSU plays a critical role in preparing the workforce of California; it grants more than half the state's bachelor's degrees and one-third of the state's new master's degrees. The CSU prepares more graduates in business, engineering, agriculture, communications, health, and public administration than any other California institution of higher education. It also produces nearly 60 percent of California's teachers.

The California Community Colleges (CCC) are publicly supported local education agencies that provide educational, vocational and transfer programs to approximately 2.6 million students in

the current year. Constituting the largest system of higher education in the world, the California Community College system is comprised of 72 districts, 109 campuses, and 65 educational centers. The CCC advance California's economic growth and global competitiveness through education, training, and services that contribute to continuous workforce improvement. The CCC also provides remedial instruction for hundreds of thousands of adults across the state through basic skills courses and adult non-credit instruction.

The California Student Aid Commission (CSAC) administers state financial aid to students attending all segments of public and private postsecondary education. Working together with EdFund, which is the auxiliary loan guaranty agency that currently operates with oversight by CSAC, the Commission administers federal and state-authorized financial aid, including state-funded grants, work-study programs, and federally guaranteed loans. In addition to serving as California's student loan guaranty agency, EdFund serves as a guaranty agency for colleges and universities located throughout the United States.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget provides close to \$11.7 billion from the General Fund alone for Higher Education in 2008-09. Change Table HED-01 illustrates the major changes proposed to Higher Education spending in the Governor's Budget, inclusive of infrastructure, debt service, and stem cell research.

PROPOSED WORKLOAD BUDGET

The workload budget reflects total funding of \$21.7 billion, including \$15.1 billion General Fund and Proposition 98 sources for all major segments of Higher Education (excluding infrastructure and stem cell research), which reflects an increase of \$1.6 billion (\$1.3 billion General Fund and Proposition 98 sources) above the revised 2007-08 budget. These amounts represent an 8-percent total funding increase, including a 9.2-percent increase in General Fund and Proposition 98 sources above the revised 2007-08 budget. The major workload adjustments for 2008-09 include the following for each segment.

UNIVERSITY OF CALIFORNIA

Budget Year

- \$123.8 million increase (4 percent) for basic budget support consistent with the Compact.
- \$31 million increase (1 percent) for core instructional needs including library material replacements, deferred maintenance and instructional equipment consistent with the Compact.
- \$56.4 million increase (2.5 percent) for enrollment growth consistent with the Compact. This would fund an additional 5,000 state-supported students.
- \$124.8 million increase in fee revenue associated with the Regent's planned 7.4-percent mandatory fee increase for undergraduates, graduates, and professional school students. Fees for certain professional programs will increase between 7 percent and 19 percent. One-third of the revenue generated by the fee increases

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

Change Table HED-01

Higher Education Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$11,979,841	\$26,440,696	120,419.1	\$11,979,841	\$23,994,589	120,419.1
Workload Adjustments						
Revise Property Tax Revenues	—	-4,649	—	-139,818	139,818	—
Stem Cell Local Assistance Grants	—	-740,000	—	—	-635,000	—
Higher Education Compact	—	—	—	427,918	—	—
Cal Grant Adjustments	-19,215	—	—	87,461	—	—
Debt Service Adjustments for Education	-85,306	—	—	97,235	-220	—
Fee Revenue Adjustments	—	8,529	—	-6,154	326,432	—
Extramural and Other Non-State Supported Programs	—	-924,586	—	—	-378,742	—
Enrollment/Caseload/Population	-11,018	—	—	171,413	—	—
Employee Compensation/Retirement	-8,062	293	—	3,557	185	—
Statutory Cost-of-Living Adjustments	—	—	—	310,029	—	—
Expiring Programs or Positions	—	—	—	—	-143	-0.9
One-Time Cost Reductions	—	—	—	-35,970	-57,537	—
Other Workload Adjustments	-13,679	377,316	11,657.8	-235	-754,567	12,337.9
Infrastructure Adjustment	—	101,241	—	—	2,119,431	—
Totals, Workload Adjustments	-\$137,280	-\$1,181,856	11,657.8	\$915,436	\$759,657	12,337.0
Policy Adjustments						
Eliminate New Competitive Cal Grants	—	—	—	-57,387	—	—
Mid-Year Reduction to Community College Apportionments	-40,000	—	—	—	—	—
Reduce SBMA Contributions from 2.5% to 2.2%	—	—	—	-6,269	—	—
UC Transportation Research	—	—	—	—	5,000	—
Totals, Policy Adjustments	-\$40,000	\$0	—	-\$63,656	\$5,000	—
Total Adjustments	-\$177,280	-\$1,181,856	11,657.8	\$851,780	\$764,657	12,337.0
Budget Prior to Reductions	\$11,802,561	\$25,258,840	132,076.9	\$12,831,621	\$24,759,246	132,756.1
Budget-Balancing Reductions^{1/}	\$0	\$0	—	-\$1,132,903	\$588,000	—
Governor's Budget	\$11,802,561	\$25,258,840	132,076.9	\$11,698,718	\$25,347,246	132,756.1

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

for undergraduate and professional programs and 45 percent of the revenue generated by the graduate fee increase would be set aside for financial aid.

- \$10 million in one-time funds for costs associated with sustaining UC Merced operations for a total funding level of \$20 million (reduced from the \$24 million in 2007-08 due to an agreement to phase down one-time funds as enrollments at Merced increase).
- \$975,000 increase for the next cohort of 65 students for the PRIME Program, which targets prospective medical doctors for underserved populations.
- \$11 million increase for annuitant health benefits.
- \$970,000 increase for lease purchase payments.

Current Year

- \$13.2 million reduction for lease purchase payments.

CALIFORNIA STATE UNIVERSITY

Budget Year

- \$116.8 million increase (4 percent) for basic budget support consistent with the Compact.
- \$29.2 million increase (1 percent) for core instructional needs including library material replacements, deferred maintenance and instructional equipment consistent with the Compact.
- \$70.1 million increase (2.5 percent) for enrollment growth consistent with the Compact. This would fund an additional 8,572 state-supported students.
- \$109.8 million increase in fee revenue associated with the Trustees planned 10-percent mandatory fee increase for undergraduate, graduate, and teacher

HIGHER EDUCATION COMPACT

For the UC and the CSU, the workload budget is based on the Higher Education Compact (Compact) that was initiated in 2004. The Compact provides a six-year resource plan to address annual base budget increases including general support increases of up to 5 percent, enrollment growth of 2.5 percent, student fee increases that may not exceed 10 percent, and other key program elements through 2010-11. In exchange for this fiscal stability, the UC and the CSU committed to preserving and improving student and institutional performance in numerous program areas including program efficiency, utilization of systemwide resources, and student-level outcomes. The resources provided through the Compact enable the UC and the CSU to accomplish their missions outlined in the Master Plan for Higher Education.

HIGHER EDUCATION

credential candidates. One-third of the revenue generated by the fee increases would be set aside for financial aid.

- \$124,000 increase (4 percent) for the Capitol Fellows Program consistent with the Compact.
- \$8.6 million reduction to continue the decrease in retirement costs in the current year.
- \$4.9 million reduction in lease purchase payments.

Current Year

- \$8.6 million reduction in retirement costs.
- \$6.6 million reduction in lease purchase payments.

CALIFORNIA COMMUNITY COLLEGES

Budget Year

- \$171.9 million increase (3 percent) for enrollment growth for Apportionments. This would fund more than 35,000 additional full time equivalent (FTE) students. This level exceeds the minimum 1.5-percent change in the adult population, equally weighted between the 19-to-24 and the 25-to-65 age groups, pursuant to the statutory index included in Chapter 631, Statutes of 2006.
- \$291.7 million increase for a cost-of-living increase (4.94-percent COLA) for general-purpose Apportionments.
- \$28.5 million increase for Categorical Program enrollment growth and COLA (3 percent and 4.94 percent, respectively), including Matriculation, Disabled Students Programs and Services, Campus Childcare Tax Bailout, Apprenticeship, and Extended Opportunity Programs and Services.
- \$8.7 million increase to reflect anticipated lease-purchase debt obligations.
- \$6.2 million reduction to reflect increased fee revenue and other workload adjustments.
- \$139.8 million reduction to Apportionments to reflected estimated growth in local property taxes.

- \$374,000 net increase for the Chancellor's Office state operations for standard baseline adjustments and an increase of \$200,000 and two positions for workload associated with nursing and career technical education program local assistance increases resulting from the 2007 budget actions.

Current Year

- \$4.6 million reduction in property tax revenue based on revised estimates.
- \$2.2 million reduction in fee revenue reflecting revised estimates.
- \$1.1 million reduction to reflect revised lease-purchase debt obligations.
- \$93,000 net increase for the Chancellor's Office for miscellaneous baseline adjustments.

STUDENT AID COMMISSION

Budget Year

- \$26.7 million increase over the revised 2007-08 level for anticipated growth in the Cal Grant Program, reflecting anticipated undergraduate fee increases of 7.4 percent and 10 percent at UC and CSU, respectively.
- \$80 million additional increase for Cal Grants as a placeholder amount in the event the UC and CSU raise fees beyond the segments' anticipated fee levels described above. This amount is subject to adjustment after the governing boards take final action in context of potential reductions to balance the budget.
- \$281,000 net increase in loan assumption payments over the revised 2007-08 level for workload change in the Assumption Program of Loans for Education (APLE), National Guard APLE, State Nursing APLE, and Nurses in State Facilities APLE programs.
- Authorization for a total of 8,000 new warrants for the APLE program, 100 new warrants for the State Nursing APLE program, and 100 new warrants for the Nurses

CCC WORKLOAD BUDGET DRIVERS

The workload budget for CCC local assistance is based on a statutory COLA factor, currently estimated at 4.94 percent, and a statewide enrollment growth formula that considers a variety of factors including adult population changes, unemployment, and other factors. The workload budget assumes a 3-percent increase in instructional workload for 2008-09.

CSAC WORKLOAD BUDGET DRIVERS

The workload budget for CSAC local assistance is driven by growth in students qualifying for Cal Grant entitlements, renewal grants for prior recipients, fee levels authorized by the UC Regents and the CSU Trustees, and other financial aid payments that result from grant authorizations determined in prior budgets.

in State Facilities APLE program. No new warrants for the National Guard APLE program are proposed.

A net increase of \$436,000 for state operations including standard baseline and one-time cost adjustments. This amount also includes an increase of \$2 million and up to 11 new positions to enable the Commission to replace shared services assuming the sale of EdFund, the Commission's auxiliary non-profit loan guaranty agency that implements the state's federal student loan guarantee function. This augmentation is offset by a reduction of 6 positions and approximately \$1 million associated with CSAC's Federal Programs Division which would no longer be necessary under the sale. Both adjustments are subject to adjustment in the spring when more is known about the timing of a sale, the details and actual resource needs.

- \$331,000 in anticipated federal funds is proposed to fund the Cash for College program pursuant to Chapter 741, Statutes of 2007.

Current Year

- \$30.2 million in savings in the Cal Grant and APLE programs due to revised projections of need.
- \$157,000 net increase in state operations associated with standard baseline adjustments.
- The budget also assumes a \$500 million reduction in anticipated one-time General Fund revenues from the pending sale, or other arrangement, of the state's Federal Family Education Loan (FFEL) program guaranty agency, EdFund. Chapters 182 and 189, Statutes of 2007, authorized the state to sell or enter into another arrangement that would maximize the value of this asset for the state. At that time, it was estimated that a sale would result in approximately \$1 billion of revenue. Since that time, federal legislation has reduced the primary income streams for guaranty agencies, including the account maintenance fee and the collection/retention fee, that support guarantee functions nationally—thereby reducing the value to prospective purchasers.

HASTINGS COLLEGE OF LAW

Budget Year

- \$425,000 increase (4 percent) for basic budget support consistent with the Compact.
- \$106,000 increase (1 percent) for core instructional needs including library material replacements, deferred maintenance and instructional equipment consistent with the Compact.
- \$77,000 for annuitant benefit costs.

PROPOSED BUDGET BALANCING REDUCTIONS

- Total budget-balancing reductions for the Higher Education segments amount to \$1.1 billion in 2008-09. Of this amount, \$649.4 million is for General Fund programs and \$483.5 million is for Community College Proposition 98 local assistance programs.
- Programs exempted from reductions include general obligation bond debt service and lease payments securing lease revenue bonds for all segments, State Teacher's Retirement System contributions for CCC, emergency loan repayments from Compton CCD, mandate deferral amounts for CCC, and the Cal Grant Program.
- The major reductions in 2008-09 are described below:
 - \$331.9 million for the University of California. Of this amount, \$32.3 million is allocated to the Institutional Support program (which includes campus administration and the Office of the President) and the remainder is unallocated to allow the Regents the flexibility to meet the reduction in a way that minimizes impacts to core instructional programs. It is anticipated that the Regents will address this reduction through a combination of fee increases, limitations on enrollment levels, increased efficiency and reductions to other existing programs, including research, student services, academic support and public services programs.
 - \$312.9 million for the California State University. Of this amount, \$43.2 million is allocated to the Institutional Support program (which includes campus administration and the Chancellor's Office) and the remainder is unallocated to allow the CSU Trustees the maximum flexibility to meet the reduction in a way that minimizes the adverse impacts to core instructional programs. It is

anticipated that the Trustees will address this reduction through a combination of fee increases, limitations on enrollment levels, increased efficiency and reductions to other existing programs including student services, academic support, and public services.

- \$2.2 million for the Student Aid Commission. Of this amount, \$1.6 million is allocated to the state operations administrative support budget and \$637,000 is allocated to the California Student Opportunity and Access Program local assistance budget. Also, the number of new APLE warrants is reduced by 10 percent, or 800 awards, for a revised total of 7,200 awards for 2008-09. Policy changes for Cal Grants are addressed in the Other Budget Reductions section below.
- \$1 million for the Community College Chancellor's Office state operations administrative support budget. This reduction is anticipated to reduce discretionary technical assistance service levels to districts for various categorical programs.
- \$483.5 million for Community College local assistance. Of this amount, \$291.7 million reflects a reduction to apportionments by eliminating the 4.94-percent workload COLA and \$111.8 million reflects a reduction to enrollment growth. The remaining \$80 million reflects similar reductions to categorical programs. It is anticipated that colleges will respond to the

CAL GRANT COSTS ARE CONTINGENT ON UC AND CSU UNDERGRADUATE FEE INCREASES

- Costs for the Cal Grant Program will increase based on actions taken on mandatory undergraduate student fees by the UC Regents and the CSU Trustees.
- As noted in the Proposed Workload Budget section for the Student Aid Commission, a \$106.7 million increase in cost has been included in the Cal Grant budget pending final actions of the Regents and Trustees.
- Should the Cal Grant budget be insufficient to fund resulting costs, the enabling statute authorizes augmentations from the reserve for economic uncertainties to meet any deficiency that may ultimately occur.

reductions by limiting low-volume course offerings and reducing service levels in various categorically funded programs. It is further proposed that the statutory COLA factor be changed to reflect the Consumer Price Index (CPI-W), consistent with K-12 education. This measure would adjust the COLA to 3.65 percent and better accounts for the underlying cost pressures on school budgets which are primarily wages. This specific change is subsumed within the overall reduction amounts for both apportionments and categorical programs.

- \$1.1 million for the Hastings College of Law. Of this amount, \$252,000 is allocated to the Institutional Support program and the remainder is unallocated to allow the Hastings Board the maximum flexibility to meet the reduction in a way that minimizes adverse impacts to instructional programs. It is anticipated that the Hastings Board may address this reduction through a combination of reductions to public and professional services, student services, and academic support in order to preserve instructional quality and enrollments at or near the current year levels.
- \$223,000 for the California Postsecondary Education Commission. It is anticipated that the CPEC will meet the reductions through prioritization of discretionary studies. Reviews of proposed new instructional programs and facilities from segments would not be affected.

OTHER BUDGET REDUCTIONS

The proposed Budget reflects a reduction of \$57.4 million resulting from a proposal to eliminate new awards for the Cal Grant Competitive program. Renewal awards would not be affected. This policy change is necessary to help contain the costs of government at this critical time. Federal Pell grants are scheduled to increase substantially over the next few years and will help to mitigate the phase-out of this program for eligible students.

SPECIAL SESSION ISSUES

The Governor has called a Special Session of the Legislature to immediately address the budget and cash shortfall. Included in the Special Session are the following proposals:

- A \$40 million one-time reduction to CCC apportionments. The Administration will work with the Chancellor, Superintendent, and other parties to identify one-time savings to mitigate this reduction.
- Delay \$200 million in payments scheduled for July 2008 to CCC for the 2007-08 deferral of apportionments until September of 2008. This delay of deferral payments will help reduce the state's cash flow borrowing costs in the budget year and, thus, help avert a temporary cash shortage.

FUNDING BY SEGMENT FOR 2008-09

The Budget, assuming proposed budget balancing reductions and other policy reductions, reflects a 2-percent total funding increase including a 0.7-percent increase in General Fund and Proposition 98 sources compared to the revised 2007-08 budget. See Figure HED-01 for a summary by segment of both the workload budget and the budget with proposed budget balancing and other budget reductions.

The Budget for UC, reflecting budget balancing reductions, includes \$5.5 billion total funding (\$3.2 billion General Fund), which reflects a net increase of \$81.3 million (including a \$98.5 million General Fund reduction) compared to the revised 2007-08 budget. These amounts reflect a 1.5-percent net total funding increase and a 3-percent General Fund reduction compared to the current year.

The Budget for CSU, reflecting budget balancing reductions, includes \$4.4 billion (\$2.9 billion General Fund), which reflects a net increase of \$35.1 million (including a \$97.6 million General Fund reduction) compared to the revised 2007-08 budget. These amounts reflect a 0.8-percent net total funding increase and a 3.3-percent General Fund reduction compared to the current year.

The Budget for CCC, reflecting budget balancing reductions, includes \$9.1 billion in total funding (\$6.6 billion from General Fund and Proposition 98 sources), which reflects an increase of \$146.5 million (\$144.1 million General Fund and Proposition 98 sources) above the revised 2007-08 budget. These amounts reflect a 1.6-percent total funding increase,

Figure HED-01
Higher Education Expenditures
General Fund, Lottery Funds, State School Fund,
Local Revenues and Student Fees
(Dollars in Millions)

	2004-05	2005-06	2006-07	2007-08	2008-09 Workload	2008-09 With BBRs ^{4/}	Change from 2007-08 with BBRs ^{4/}	
							Dollar	Percent
University of California ^{1/}								
Total Funds	\$4,514.7	\$4,812.4	\$5,115.1	\$5,442.4	\$5,855.6	\$5,523.7	\$81.3	1.5%
General Fund	2,698.7	2,838.6	3,069.3	3,260.7	3,494.1	3,162.2	-\$98.5	-3.0%
California State University ^{1/}								
Total Funds	3,586.3	3,834.5	4,136.2	4,406.5	4,754.5	4,441.6	\$35.1	0.8%
General Fund	2,475.8	2,596.0	2,808.0	2,970.7	3,186.0	2,873.1	-\$97.6	-3.3%
Community Colleges								
Total Funds	7,300.8	7,764.8	8,668.6	8,979.0	9,615.5	9,125.5	\$146.5	1.6%
General Fund & P98 ^{2/}	5,031.9	5,735.1	6,173.0	6,452.4	7,081.1	6,596.5	\$144.1	2.2%
Student Aid Commission (GF)								
Total Funds	776.5	830.8	833.3	873.3	980.9	921.3	\$48.0	5.5%
General Fund	595.4	733.5	794.8	842.9	950.1	890.5	\$47.6	5.6%
Other Higher Education ^{3/}								
Total Funds	301.1	307.1	325.5	357.3	457.9	456.6	\$99.3	27.8%
General Fund	274.9	280.4	298.0	327.6	423.9	422.6	\$95.0	29.0%
Total Funds	\$16,479.4	\$17,549.6	\$19,078.7	\$20,058.5	\$21,664.4	\$20,468.7	\$410.2	2.0%
General Fund	\$11,076.7	\$12,183.6	\$13,143.1	\$13,854.3	\$15,135.2	\$13,944.9	\$90.6	0.7%

^{1/} For purposes of this table, expenditures for the UC and CSU have been adjusted to include the offsetting general purpose income, but exclude self-supporting functions such as auxiliary enterprises and extramural programs among others. This provides consistency in comparing magnitudes and growth among the various segments of education.

^{2/} For purposes of comparing with UC and CSU General Fund, CCC includes property tax revenue, as a component of the state's obligation under Proposition 98.

^{3/} The Other Higher Education amount includes Hastings College of the Law (HCL), the California Postsecondary Education Commission, and General Obligation Bond Interest and Redemptions for UC, CSU and HCL.

^{4/} BBRs refer to the budget balancing reductions and other policy reductions. For UC and CSU, total funds may increase depending on final fee actions taken by the CSU Trustees and UC Regents.

including a 2.2-percent General Fund and Proposition 98 increase over the current year. See Figure HED-02 and Figure HED-03 for CCC funding sources.

The Budget for CSAC, reflecting budget balancing and other budget reductions, includes \$921.3 million (\$890.5 million General Fund) which reflects an increase of \$47.6 million General Fund above the revised 2007-08 budget. These amounts reflect a 5.5-percent total funding increase including a 5.6-percent General Fund increase over the current year. See Figure HED-04 and Figure HED-05 for total financial aid and growth in Cal Grants, respectively.

Figure HED-02
Significant Revenue Sources for Community Colleges
(Dollars in Millions)

Source of Funds	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Change From 2007-08	
							Dollars	Percent
State General Fund	\$2,404.8	\$3,277.5	\$3,934.5	\$4,322.0	\$4,400.7	4,400.3	-\$0.3	0.0%
Lottery Fund	140.9	143.3	177.9	173.9	167.5	167.5	\$0.0	0.0%
Local Property Taxes	2,100.4	1,754.4	1,800.6	1,851.0	2,051.7	2,196.2	\$144.5	6.6%
Student Fees	243.5	334.7	344.1	317.4	281.4	284.4	\$3.0	1.0%
Other State Funds	8.6	9.3	13.3	23.3	16.7	17.8	\$1.1	6.1%
Federal Funds	249.2	244.1	249.8	251.3	263.2	261.4	-\$1.7	-0.7%
Local Miscellaneous	1,392.2	1,289.1	928.0	1,392.3	1,447.1	1,447.1	\$0.0	0.0%
Local Debt Service	<u>158.0</u>	<u>248.4</u>	<u>316.7</u>	<u>337.4</u>	<u>350.7</u>	<u>350.7</u>	<u>\$0.0</u>	<u>0.0%</u>
TOTAL REVENUE	\$6,697.8	\$7,300.8	\$7,764.8	\$8,668.6	\$8,979.0	9,125.5	\$146.4	1.6%

Figure HED-03
Revenue Source for Community Colleges
(Dollars in Millions)

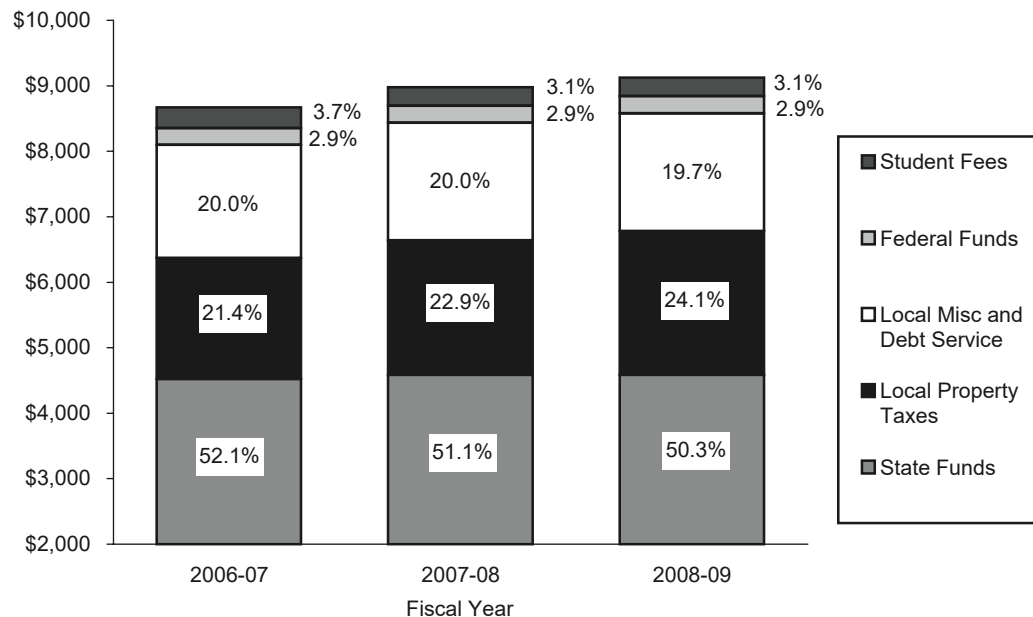


Figure HED-04
Financial Aid Grants
General Fund and Fee Revenue Funded
(Dollars in Thousands)

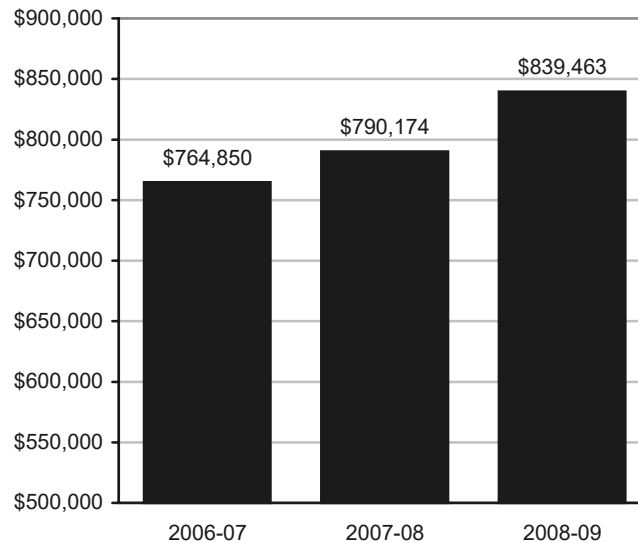
Institution/Fund Source	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Change from 2007-08	
							Dollars	Percent
University of California ^{1/}	\$355,654	\$371,944	\$411,833	\$431,194	\$474,318	\$540,423	\$66,105	13.9%
General Fund	52,199	93,417	52,199	52,199	52,199	52,199	\$0	0.0%
Fee Revenue	303,455	278,527	359,634	378,995	422,119	488,224 ^{3/}	\$66,105	15.7%
California State University ^{1/}	242,206	229,553	269,525	256,103	296,139	339,590	\$43,451	14.7%
General Fund	51,147	51,147	51,147	33,785	33,785	33,785	\$0	0.0%
Fee Revenue	191,059	178,406	218,378	222,318	262,354	305,805 ^{3/}	\$43,451	16.6%
Community Colleges ^{1/}								
General Fund	168,138	266,001	273,789	229,083	203,060	205,190	\$2,130	1.0%
Student Aid Commission ^{1/2/}								
General Fund	658,751	595,410	733,470	794,822	842,887	890,520 ^{3/}	\$47,633	5.7%
Total	\$1,424,749	\$1,462,908	\$1,688,617	\$1,711,202	\$1,816,404	\$1,975,723	\$159,319	8.8%
General Fund	930,235	1,005,975	1,110,605	1,109,889	1,131,931	1,181,694	\$49,763	4.4%
Fee Revenues	494,514	456,933	578,012	601,313	684,473	794,029	\$109,556	16.0%

^{1/} Reflects budgeted amounts for 2007-08 and 2008-09.

^{2/} Reflects one-time fund shift from General Fund to Student Loan Operating Fund in 2004-05 (\$146.5 million) and 2005-06 (\$51.0 million).

^{3/} Financial Aid from fee revenue for UC and CSU reflect workload estimated levels because it is unknown what final actions may be taken on fees. CSAC funding includes an \$80 million placeholder amount in the workload estimate that may be revised pending final UC and CSU fee actions.

Figure HED-05
Cal Grant Funding
(Dollars in Thousands)



HIGHER EDUCATION STUDENT ENROLLMENT

Enrollment levels for the UC and the CSU are driven by projections of eligible students in accordance with the Master Plan for Higher Education and the segments anticipated growth levels consistent with, and largely dependant upon funding under the Higher Education Compact. Through the Compact period, enrollments are estimated to grow by 2.5 percent annually.

For the CCC, Chapter 631, Statutes of 2006 specifies a minimum level of enrollment growth to be calculated based upon the weighted change in adult population components from year to year, with adjustments for unemployment, and overcap workload experienced in transfer, basic skills and career technical education courses. While this calculation and prior formulas have guided the minimum level of growth funding, the Administration and Legislature have exercised discretion to provide more or less funding to respond to changing enrollment demands.

Assuming the workload budgeted growth for UC and CSU, the overall change in budgeted enrollment to be served in 2008-09 is 25,817 full-time equivalent students (FTES) for a total of 1,770,643 FTES (see Figure HED-06). Because the UC and CSU will have some discretion in meeting the proposed budget balancing reductions, it is unknown if their workload budget projections will materialize.

Figure HED-06
Higher Education
Full-Time Equivalent Students

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 ^{4/}	Change from 2007-08	
							FTES	Percent
University of California	201,896	201,403	205,368	213,646	216,255 ^{1/}	221,255	5,000	2.3%
Undergraduate	(155,754)	(155,342)	(159,135)	(166,614)	(168,424)	(172,069)	(3,645)	2.2%
Graduate	(32,874)	(32,596)	(32,777)	(33,234)	(34,800)	(35,855)	(1,055)	3.0%
Health Sciences	(13,268)	(13,465)	(13,456)	(13,798)	(13,031)	(13,331)	(300)	2.3%
California State University	331,705	321,338	341,511 ^{3/}	353,551	356,050 ^{1/}	364,622	8,572	2.4%
Undergraduate	(278,774)	(274,940)	(288,800)	(300,138)	(302,273)	(309,601)	(7,328)	2.4%
Graduate/Post-baccalaureate	(52,931)	(46,398)	(52,711)	(53,413)	(53,777)	(55,021)	(1,244)	2.3%
Community Colleges	1,106,390	1,121,681	1,101,905	1,137,144	1,171,258 ^{2/}	1,183,541	12,283	1.0%
Hastings	1,250	1,268	1,281	1,264	1,263 ^{1/}	1,225	(38)	-3.0%
Total Students	1,641,241	1,645,690	1,650,065	1,705,605	1,744,826	1,770,643	25,817	1.5%

^{1/} Budgeted. UC estimated enrollment is 219,825 and CSU estimates about 366,000 in 2007-08.

^{2/} Figure reflects DOF projection of budgeted FTES. There is insufficient data to project estimated enrollments.

^{3/} Beginning in 2005-6, CSU graduate students are reflected as taking 12 units per term rather than 15 units, to be consistent with national higher education reporting standards.

^{4/} For the CCC, enrollment figures for 2008-09 reflect budgeted enrollments after budget balancing reductions. For UC, CSU, and HCL, budgeted enrollments reflect the workload budget levels because it is unknown how they will address enrollment in context of budget balancing reductions.

STUDENT FEES

UC and CSU Student Fees—When preparing their annual 2008-09 Budgets, the Regents of the UC and the Trustees of the CSU deferred final decisions on student fee increases. The segments have advised the Administration, pursuant to the provisions of the Compact, that undergraduate fee increases are necessary to augment the Compact’s basic budget support provisions in order to maintain the quality of core instructional programs. The UC anticipates mandatory fee increases of 7.4 percent for undergraduate, graduate, and professional students, and additional selected professional school fee increases. The CSU anticipates fee increases of 10 percent for undergraduates, credential candidates, and other graduate students. However, as discussed in the proposed Budget Balancing Reductions section, it is possible that the Regents and Trustees will act to increase fees beyond these levels.

As currently planned by the segments, fees remain very competitive. UC’s undergraduate fees would be only 86 percent of the average of comparable national institutions and the CSU’s fees would be the lowest and only 53 percent of the average of comparable 4-year comprehensive colleges. Both the UC and the CSU would continue to set aside one-third of the increased fee revenue from undergraduate enrollments for financial aid, consistent with past practices in order to minimize affects on access for low-income students.

Community Colleges Fees—The Governor’s Budget proposes no fee increase. Fees for credit courses will remain at \$20 per credit unit. CCC fees remain the lowest in the nation by far and are just 26 percent of the national average. See Figure HED-07 for current and projected fee levels based on the workload budget and comparisons with other public institutions for all higher education segments.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2008-09 Budget proposes a new research initiative in the budget year and continues other important efforts begun in prior years.

TRANSPORTATION RESEARCH INITIATIVE

The Budget proposes an increase of \$5 million from the Public Transportation Account to augment UC’s multi-campus Institute for Transportation Studies (ITS), for a total of almost \$6 million. This increase will fund ITS’ development of integrated land use and transportation models that can measure the impact of actions by local governments on

Figure HED-07
Higher Education Fees

2007-08 Fee Comparison

	UC ^{a/}				Other Public Institutions (2007-08)		
	2007-08 Ed/Reg Fee	2007-08 Total Fee	2008-09 Ed/Reg Fee	2008-09 Total Fee	Average	Highest	Lowest
Undergraduate	\$6,636	\$7,517	\$7,126	\$8,007	\$9,287	\$11,130	\$6,217
Graduate	\$7,440	\$9,775	\$7,986	\$10,321	\$11,623	\$15,747	\$8,289
CSU ^{b/}							
Undergraduate	\$2,772	\$3,521	\$3,048	\$3,797	\$7,122	\$10,357	\$4,029
Graduate (non-teacher prep.)	\$3,414	\$4,163	\$3,756	\$4,505	na	na	na
Graduate (teacher prep.)	\$3,216	\$3,965	\$3,540	\$4,289	na	na	na
CCC ^{c/}							
Full-Time Undergraduate Student	\$600		\$600		\$2,625	\$5,537	\$1,243
Bachelor-Degree Holders	\$600		\$600		na	na	na

^{a/} UC's 2007-08 undergraduate fee of \$6,636 (\$7,440 for graduate students), includes a registration fee of \$786. Total fees include average campus-based fees of \$881 for undergraduates and \$2,335 for graduates. In 2008-09, the registration fee will increase to \$864. Campus-based fees have not yet been determined by UC. UC's 2008-09 education/registration fees reflect an increase of about 7.4 percent. (These fees include a \$60 temporary surcharge to cover income losses associated with a student fee lawsuit.)

^{b/} CSU's total fees in 2007-08 include a campus-based fee of \$749 for all students. CSU's 2008-09 education fees reflect an increase of 10 percent, while the campus-based fee will remain at \$749 for all students.

^{c/} Comparison data for other states reflect 2006-07 data. 2007-08 fee levels are based on 30 units per year at \$20 per unit.

2007-08 Professional School Fee Comparison:

	UC ^{d/}	Other Public Institutions		
		Average	Highest	Lowest
Law	\$26,480	\$32,807	\$38,949	\$25,972
Medicine	\$23,655	\$28,228	\$31,305	\$24,755
Business Administration	\$25,601	\$31,710	\$38,289	\$19,342

^{d/} Professional fees reflect the average among campuses.

greenhouse gas emissions. This project will be done in continued collaboration with the California Department of Transportation and the Air Resources Board (ARB). Land use and transportation interface is a critical element of the state's efforts towards mitigating climate change and greenhouse gas emissions consistent with Chapter 488, Statutes of 2006 (AB 32). The models and tools developed through the ITS will inform and assist the ARB's development of a Climate Change Scoping Plan scheduled for 2008 and subsequent implementation of reduction measures.

CONTINUATION OF OTHER HIGHER EDUCATION INITIATIVES

While the proposed 2008-09 budget balancing reductions would impact funding levels for continuing initiatives in 2008-09, progress on these efforts that began during this Administration will continue to be made. Significant ongoing initiatives in Higher Education include the following:

Science and Math Teacher Initiative

This effort provides additional funding to the CSU and UC to address the shortage of high-quality math and science teachers in our public schools. The CSU has committed to doubling its annual production of science and math teacher candidates to a total of approximately 1,500, and the UC has committed to quadruple its production to a total of 1,000 by 2010-11. Since 2005-06, \$7.3 million has been invested in this program. The workload budget includes an ongoing \$2.7 million for CSU for this initiative and \$1.1 million for UC. Assuming proportional reductions are made to these programs, \$3.4 million would remain available for this effort.

Nursing Initiative

This initiative provides additional funding to expand enrollments in all three segments in order to meet the state's clinical nursing shortages. Since 2004-05, \$108 million out of a total of \$130 million statewide has been invested in nursing expansion in the three higher education segments, beyond normal enrollment growth funding. These funds have been utilized to expand slots for an additional 4,900 FTE students enrolled in Associate Degree, Bachelors Degree and Masters Degree nursing programs. The workload budget includes \$22.2 million ongoing for CCC, \$6.3 million for CSU, and \$1.7 million for UC. The proposed budget balancing reductions will reduce CCC funding for this purpose to \$19.7 million. Assuming proportional reductions are made by the UC and CSU, a total of \$26.9 million would remain available for this effort.

Career Technical Education Initiative

This initiative provides additional funding through the Community College budget to fund partnerships between colleges and public school districts to reinvigorate and expand enrollments in high-quality career preparation programs that will better prepare all students for high-demand, high-paying technical careers while allowing them to smoothly transition to postsecondary education.

As a result of the investments since 2005-06, the state has begun to restore the capacity and vitality that many CTE programs had lost due to decades of erosion in these programs. California is making significant progress in building CTE programs that will provide students with additional options and opportunities and help to meet the evolving demands of California business and industry. The workload budget continues \$58 million in 2008-09 for this purpose—\$20 million in CCC’s base funding for SB 70 programs as well as \$38 million in funding appropriated by Chapter 751, Statutes of 2006. The SB 70 funding is reduced to \$17.8 million, resulting in \$55.8 million that will remain available for this effort.

Community College Student Success Initiative

This initiative provides additional resources to help at-risk Community College students persist and succeed in achieving successful outcomes such as career technical education certificates, transfer readiness and degrees.

The workload budget continues the redirection of \$33.1 million in ongoing funds for improving student outcomes that are allocated pursuant to a funding formula and subject to accountability provisions that are under development as specified in Chapter 489, Statutes of 2007. This funding is reduced to \$29.8 million under proposed budget balancing reductions, yet will still allow the colleges to continue progress in improving student outcomes for those students least prepared to undertake college level work.

LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency (LWDA) supports and protects California workers and employers. The LWDA is primarily responsible for three activities: (1) labor law enforcement, (2) workforce development, and (3) benefit payment and adjudication. The primary objective of the LWDA is to serve workers and employers by coordinating its many services and programs in a manner that is efficient, effective, and relevant to current and future economic conditions.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget includes \$12.1 billion (\$97.9 million General Fund and \$12 billion other funds) and 11,833.7 positions for the various entities within the LWDA, and reflects an increase of \$427.3 million (a decrease of \$6.5 million General Fund and an increase of \$433.8 million other funds) or 3.7 percent over the revised 2007-08 Budget. Change Table LWD-01 illustrates the major changes proposed to LWDA spending in the Governor's Budget.

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, and federal and court-ordered mandates.

Change Table LWD-01

Labor and Workforce Development Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$103,375	\$11,169,073	11,646.5	\$103,375	\$11,169,073	11,646.5
Workload Adjustments						
Automated Collection Enhancement System (ACES) Continuation	—	—	—	2,559	251	17.1
Enrollment/Caseload/Population	—	357,485	135.7	—	789,032	220.7
Employee Compensation/Retirement	1,985	13,792	—	2,215	15,290	—
Expiring Programs or Positions	—	-442	—	-8,211	-11,765	-74.9
One-Time Cost Reductions	—	—	—	-7	-14,560	—
Full-Year Cost of New Programs	—	—	—	—	10,041	—
Other Workload Adjustments	-790	18,672	-25.5	24	28,827	-12.4
Totals, Workload Adjustments	\$1,195	\$389,507	110.2	-\$3,420	\$817,116	150.5
Policy Adjustments						
Economic Employment and Enforcement Coalition Continuation	—	—	—	—	6,031	52.2
Other Policy Adjustments	—	—	—	—	417	0.9
Totals, Policy Adjustments	\$0	\$0	—	\$0	\$6,448	53.1
Total Adjustments	\$1,195	\$389,507	110.2	-\$3,420	\$823,564	203.6
Budget Prior to Reductions	\$104,570	\$11,558,580	11,756.7	\$99,955	\$11,992,637	11,850.1
Budget-Balancing Reductions^{1/}	-\$150	\$0	-1.8	-\$2,055	-\$200	-16.4
Governor's Budget	\$104,420	\$11,558,580	11,754.9	\$97,900	\$11,992,437	11,833.7

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- Automated Collection Enhancement System—The Governor's Budget includes \$2.8 million (\$2.6 million General Fund) and 17.1 positions for the continuation of the Employment Development Department's (EDD) Automated Collection Enhancement System (ACES), which will improve the EDD's ability to track, collect, and audit the payment of specified employer payroll taxes, including the personal income tax withholding. When implemented, this system is anticipated to increase state revenues.
- October Revise—The Governor's Budget includes an increase of \$753 million (various special funds) in benefit payments. This increase reflects the net total local assistance dollars that are identified in the EDD's 2007 October Revise, which are Unemployment Insurance, Disability Insurance, School Employees Fund programs, and the available Workforce Investment Act funds. In addition, an increase of \$35.9 million and 220.7 positions in state operations is proposed for the various employment assistance payments that EDD administers.
- Electronic Adjudication Management System—The Governor's Budget provides \$9.7 million (Workers' Compensation Administration Revolving Fund) to support continued development of a paperless case management and automated calendaring system for the Division of Workers' Compensation in the Department of Industrial Relations (DIR).

PROPOSED BUDGET-BALANCING REDUCTIONS

- Total budget-balancing reductions for LWDA amount to \$150,000 and 1.8 positions in 2007-08 and \$2.1 million and 16.4 positions in 2008-09. These reductions do not require statutory changes.
- Programs exempted from reductions include tax collection activities of the EDD and General Fund revenue producing activities in the DIR.
- The major reductions are described below:
 - \$246,000 and 2.3 positions in 2008-09 for EDD Administrative Support and the Unemployment Insurance Appeals Board. This reduction will result in a minimal delay in audit appeals.

- \$150,000 and 1.8 positions in 2007-08 and \$515,000 and 3.7 positions in 2008-09 for the Agricultural Labor Relations Board. These reductions will delay claims processing, investigations, and litigation of unfair labor practices cases.
- \$1.3 million and 9.5 positions in 2008-09 for DIR programs including Self-Insurance Plans, Mediation and Conciliation, Occupational Safety and Health Appeals Board, Occupational Safety and Health Standards Board, Division of Labor Statistics and Research, and Administrative Support. These reductions will reduce appeals hearings, delay implementation of regulations, and eliminate the publication of apprenticeship prevailing wage determinations.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions to ensure a balanced budget, the Governor's Budget includes the following major program enhancement for the LWDA:

ECONOMIC AND EMPLOYMENT ENFORCEMENT COALITION

The Governor's Budget proposes continuation of the Economic and Employment Enforcement (Triple E) Coalition. More progress needs to be made in combating the underground economy so that legitimate employers and their employees can compete on a level playing field. To that end, the Governor's Budget includes \$6.9 million (various special funds) and 62.6 positions for these enforcement agencies to continue the successful partnership that began in 2005.

The partnership draws upon individual expertise to identify the worst offenders for targeted workplace enforcement actions throughout the state. In addition to enforcement activities, the Triple E Coalition also engages in outreach and education so

TRIPLE E COALITION

The Triple E Coalition was established in 2005 to combat the underground economy through a partnership of agencies that enforce California's labor, employment tax, and licensing laws. These agencies include:

- Labor and Workforce Development Agency
- Department of Industrial Relations
- Employment Development Department
- Contractors' State License Board

that employers are provided with the information and assistance necessary to become legitimate and compliant businesses.

The underground economy undercuts the ability of legitimate businesses to compete fairly in the statewide marketplace. These operators willfully disregard California's tax, labor, and licensing laws, and in doing so, harm businesses, place employees at risk, and weaken the state's progress toward economic stability. By avoiding legal requirements, these underground operations carry much lower overhead costs giving them an unfair competitive advantage at the expense of businesses that play by the rules. Workers also pay a high price for the existence of these illegal operations. Finally, consumers are exposed to potential financial losses and even physical danger when they obtain services from unlicensed contractors and other service providers.

Since its inception, the Triple E Coalition has inspected nearly 3,000 businesses and issued over 9,000 citations and assessments. The Coalition has also identified close to \$110 million in unreported wages and assessed over \$17 million in unpaid employment taxes. Finally, 58 cases that were referred to the District Attorney's Office have resulted in criminal convictions.

During the next two years, the agencies involved in the Triple E Coalition will institute performance measures such as conducting surveys to assess the effectiveness of outreach efforts, instituting quarterly follow-up inspections for selected employers, and tracking the effectiveness of enhanced collection efforts implemented by the Coalition. This additional data is expected to provide key information to determine the ongoing effectiveness of the Triple E Coalition.

GENERAL GOVERNMENT

The General Government section of the Governor's Budget Summary includes multiple departments, commissions, and offices responsible for oversight and specific activities not included in other areas. This section of the Governor's Budget Summary highlights several significant issues addressed in the Governor's Budget.

After adjusting for budget-balancing and other reductions, the Governor's Budget includes \$10.9 billion (\$2.4 billion General Fund and \$8.5 billion other funds) and 14,096.1 positions for these departments, and reflects a decrease of \$462.9 million or 4.1 percent compared to the revised 2007-08 Budget. Despite this net reduction, General Fund increased by 32.5 percent (\$590.6 million) over the revised 2007-08 Budget. Change Table GEN-01 illustrates the major changes proposed for the General Government section in the Governor's Budget.

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- Joint Operations Center Staffing—The Governor's Budget includes \$1.3 million General Fund and

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, and federal and court-ordered mandates.

Change Table GEN-01

General Government — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$1,578,892	\$11,957,363	13,343.0	\$1,120,631	\$11,426,435	13,343.0
Workload Adjustments						
Accounting Adjustment to Reflect Prior Year Proposition 98 Reappropriations	40,936	—	—	547,079	—	—
Budget Stabilization Account Transfer for Economic Recovery Bonds	—	—	—	490,974	-490,974	—
Education Benefit Program	—	—	—	1,819	—	0.9
Other Employee Compensation and Benefit Changes	-168,690	-355,606	—	578,266	209,567	—
Enrollment/Caseload/Population	—	—	—	341	—	—
Employee Compensation/Retirement	-358,900	-341,144	—	9,830	8,878	—
Expiring Programs or Positions	—	—	-2.2	-428	—	-37.5
One-Time Cost Reductions	—	—	—	-435,802	62,094	-11.1
Full-Year Cost of New Programs	—	—	—	7,949	1,834	73.6
Other Workload Adjustments	727,222	-1,737,267	1,431.6	1,793,841	-3,004,134	1,441.8
Infrastructure Adjustment	946	57,729	—	7,392	253,421	—
Totals, Workload Adjustments	\$241,514	-\$2,376,288	1,429.4	\$3,001,261	-\$2,959,314	1,467.7
Policy Adjustments						
Financial Information System for California (FI\$Cal)	—	—	—	—	37,650	81.3
Suspend BSA Payment	—	—	—	—	-1,510,702	—
Suspend Transfer to BSA for ERB retirement	—	—	—	-1,509,030	1,509,030	—
Wildland Firefighting Initiative	—	—	—	—	9,192	35.8
Other Policy Adjustments	—	383	—	-73,665	15,649	191.9
Totals, Policy Adjustments	\$0	\$383	—	-\$1,582,695	\$60,819	309.0
Total Adjustments	\$241,514	-\$2,375,905	1,429.4	\$1,418,566	-\$2,898,495	1,776.7
Budget Prior to Reductions	\$1,820,406	\$9,581,458	14,772.4	\$2,539,197	\$8,527,940	15,119.7
Budget-Balancing Reductions^{1/}	-\$3,788	-\$1,100	-27.6	-\$131,947	-\$1,100	-213.6
Governor's Budget	\$1,816,618	\$9,580,358	14,744.8	\$2,407,250	\$8,526,840	14,906.1

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

13.3 positions to provide 24-hours-a-day, 7-days-per-week staffing of the Joint Operations Center (JOC) to enable the California National Guard (Guard) to rapidly deploy personnel and equipment with little notice from the Office of Emergency Services and conduct the coordination and notification to support state agencies in the event of an emergency or disaster. The JOC is the central node of information that connects the Guard to the first responder community, other state agencies, and the U.S. Department of Defense.

- Education Benefit Program—The Governor's Budget proposes \$1.8 million General Fund and 0.9 positions to establish an education benefit program for members of the Guard to improve retention of Guard members and their respective skill sets, thereby providing a more experienced, effective reserve force. Fifty-one other states and territories offer some sort of education benefit program, which has proven to be an effective recruitment and retention tool for National Guard membership.
- Veterans Homes—The Governor's Budget includes \$9.4 million and 100.7 positions for the California Department of Veterans Affairs (CDVA) for the construction and activation phases of the Veterans Homes in West Los Angeles and Ventura County. The Governor's Budget also includes \$580,000 General Fund and 4.3 positions for the CDVA for the initial construction and pre-activation phases of the Redding and Fresno Veterans Homes projects.
- Fiscal Operations Unit—The Governor's Budget includes \$1.3 million General Fund and 13.3 positions for the CDVA to meet the fiscal operational and oversight needs of eight veterans homes and a state veterans cemetery.
- Facilities Maintenance and Management Unit—The Governor's Budget includes \$3.2 million and 18.3 positions for the CDVA to establish a Facilities Management Unit and Deferred Maintenance Program. This unit will be responsible for implementing a program for maintenance and repairs at the three existing veterans homes, the state cemetery for veterans, and the five veterans homes under construction.
- Tax Relief:
 - \$8.8 million General Fund for the Senior Citizens' Property Tax Deferral Program to reflect increased participation due to Chapter 616, Statutes of 2006 (AB 2719), which increased the minimum income level for post-1983 participants.

GENERAL GOVERNMENT

- \$4.5 million General Fund reduction for the Homeowners' Property Tax Relief Program to reflect decreased claimant costs.
- \$3.7 million General Fund for the Senior Citizens' Renters' Tax Assistance Program to reflect increased caseload.
- \$1.4 million General Fund for the Senior Citizens' Property Tax Assistance Program to reflect increased caseload.
- \$500,000 General Fund for the Subventions for Open Space (Williamson Act) Program to reflect increased reimbursement costs for local governments.

PROPOSED BUDGET-BALANCING REDUCTIONS

- Total budget-balancing reductions for General Government amount to \$3.8 million and 27.6 positions in 2007-08 and \$131.9 million and 213.6 positions in 2008-09. These reductions assume necessary statutory changes will be enacted by March 1, 2008.
- Programs exempted from reductions include debt service, lease payments securing lease revenue bonds, the Light Brown Apple Moth Program, and the Homeowners' Property Tax Relief Program.
- The major reductions are described below:
 - \$405,000 and 9 positions in 2007-08 and \$1.2 million and 9 positions in 2008-09 for the State Public Defender's Capital Appeal Legal Representation Program. This reduction would delay adjudication of appeals in capital post-conviction cases.
 - \$250,000 in 2008-09 from the Payment to Counties for Homicide Trials Program. Legislation is proposed to reduce the funding provided to reimburse counties for high-cost homicide trials by 10 percent.
 - \$124,000 and 1 position in 2008-09 for the California Arts Council. The Arts Council will eliminate the Special Assistant to Director position and reduce training and travel costs.
 - \$510,000 and 3 positions in 2008-09 for the Public Employment Relations Board. The programs affected would be Fact Finding, the Oakland Office, the General Counsel's Office, and Administrative Services.

- \$1.9 million and 10.5 positions in 2008-09 for the Department of Personnel Administration. This would impact the Classification and Compensation Unit, the Labor Relations Unit, the Legal Unit, the Benefits Unit, the Administrative Services Unit, and Rural Health – Retiree Contributions.
- \$4.9 million in 2008-09 for the California Department of Food and Agriculture (CDFA) for Agriculture Plant Health and Pest Prevention. This reduction will impact survey and eradication activities for the Red Imported Fire Ant and Diaprepes programs. Activities in the Pierce’s Disease Control Program will also be reduced.
- \$1.3 million and 11 positions in 2008-09 for the CDFA for Animal Health/ Food Safety. This reduction will eliminate various programs including health monitoring and reporting, Johne’s Disease research, animal care, pet food inspections, rendering inspections, and field investigations.
- \$263,000 in 2007-08 and \$1.5 million and 4 positions in 2008-09 for the CDFA for the General Agricultural Activities Program. This reduction will close the Microscopy Sections at the University of California-Davis and Fresno laboratories and the Avian Virology section at the Fresno laboratory. It will also limit the activities of the Agricultural Security and Emergency Preparedness Response Program to only the evacuation of pets and livestock during emergencies.
- \$664,000 and 8 positions in 2008-09 for the CDFA for Executive/ Administrative Services. This reduction will impact analytical services, financial reporting, support training functions, and services to staff in management reporting and personnel services. Support will also be reduced to implementing climate action programs.
- \$3.4 million General Fund, \$105,000 Special Funds, and 28.5 positions in 2008-09 from the Department of Finance. The programs affected would be the Annual Financial Plan, Program and Information Systems Assessment, Supportive Data, and Administration and Program Support.
- \$242,000 in 2008-09 for Financial Information System for California (FI\$Cal) for reduced spending on facilities operations.
- \$293,000 in 2008-09 for the Office of Administrative Law’s (OAL) Regulatory Oversight Program. This reduction will impact OAL’s ability to review proposed regulations submitted by other state agencies.

GENERAL GOVERNMENT

- \$1.5 million and 2.9 positions in 2008-09 for the Military Department's Army National Guard Program. This reduction will impact the Department's ability to sustain, maintain, and repair Military Department facilities.
- \$700,000 in 2007-08 and \$1.4 million and 8.6 positions in 2008-09 for the Military Department's Office of the Adjutant General Program. A reduction to this program will result in a diminished capability to render appropriate military honors for California's deceased veterans.
- \$100,000 in 2007-08 and \$700,000 and 5.7 positions in 2008-09 for the Military Department's youth programs. This reduction will result in a diminished ability to provide management, supervision, and training to the students of the youth programs such as Starbase, Oakland Military Institute, Grizzly Youth Academy, Challenge Support, and Sunburst Youth Academy. In addition, this reduction will result in fewer students being served by these youth programs.
- \$18.7 million and 115 positions in 2008-09 for the CDVA Veterans Homes. In order to meet this reduction the Veterans Home in Yountville will maintain current member levels in the Memory Care and Skilled Nursing Care Units; the Veterans Home in Chula Vista will offer private rooms for members requesting assisted living care; the Veterans Homes in Ventura County will postpone opening the Adult Day Health Care units; and, the Veterans Homes in Redding and Fresno will delay staffing for the pre-activation phase. The Department will also eliminate a component from the Enterprise-Wide Veteran Home Information System.
- \$523,000 and 1 position in 2008-09 for CDVA for Veterans Claims and Subvention. This reduction will impact outreach efforts and local assistance to the county Veteran Service Offices.
- \$15 million in 2008-09 from the Senior Citizens' Renters' Tax Assistance Tax Relief Program. Legislation is proposed to reduce by 10 percent the grant amounts available to renters who are over 65, or who are visually impaired. Grants are available to households with incomes below \$42,770. The maximum annual grant of \$349 would be decreased by approximately \$35.
- \$4 million in 2008-09 from the Senior Citizens' Property Tax Assistance Tax Relief Program. Legislation is proposed to reduce by 10 percent the grant amounts available to homeowners who are over 65, or who are visually impaired. Grants are available to households with incomes below

\$42,770. The maximum annual grant of \$473 would be decreased by approximately \$47.

- \$3.9 million in 2008-09 from the Subventions for Open Space (Williamson Act) Tax Relief Program. Legislation is proposed to reduce by 10 percent the reimbursement counties receive for property tax revenues lost as a result of assessing lands covered by Williamson Act contracts at a lower value.
- \$2.6 million in 2008-09 from the Senior Citizens' Property Tax Deferral Tax Relief Program. Legislation is proposed to reduce participation in the Program by 10 percent by lowering the maximum income for participants. The Program is currently available to persons over the age of 65 with household incomes below \$35,500.
- \$23.8 million in 2008-09 from the Citizens Option for Public Safety/Juvenile Justice Crime Prevention Act Program in Local Government Financing. This proposal, which does not require legislation, would reduce local law enforcement discretionary grant amounts by 10 percent. The funds are distributed on a population basis to police and sheriffs departments, and county district attorney offices.
- \$3.5 million in 2008-09 from Booking Fees by reducing reimbursements in Local Government Financing. Pursuant to existing statute, sheriffs departments may increase by a commensurate amount the fees they charge other law enforcement agencies for booking arrestees into county jails.
- \$1.9 million in 2008-09 from the Small/Rural Sheriffs Program in Local Government Financing. Legislation is proposed to reduce grants in 37 counties for discretionary law enforcement purposes from \$500,000 to \$450,000.
- \$100,000 in 2008-09 from Redevelopment Agency Special Supplemental Subventions in Local Government Financing. This proposal, which does not require legislation, would reduce by 10 percent the funding that backfills revenues lost by redevelopment agencies when the business property tax was eliminated in the 1980s.
- \$1.2 million in 2008-09 from the trailer fees backfill in Shared Revenues. Legislation is proposed to reduce by 10 percent the funds local governments receive to backfill Vehicle License Fee (VLF) revenues they lost when the method of assessing the VLF for commercial trailers was changed.

- \$30.2 million in 2008-09 for reduced employee compensation costs associated with reduced Bargaining Unit 6 staff at the Department of Corrections and Rehabilitation.
- \$4.9 million in 2008-09 for Augmentations for Contingencies and Emergencies. This reduction could result in fewer Item 9840-001-0001 deficiency requests and more Supplemental Appropriations Bill requests.
- The following entities are proposed to have an unallocated reduction in 2008-09 for which the implications are unknown at this time:
 - \$825,000 for the Fair Political Practices Commission.
 - \$275,000 for the Political Reform Act.
 - \$104,000 for the Little Hoover Commission.
 - \$59,000 for the Commission on the Status of Women.
 - \$74,000 for the Law Revision Commission.
 - \$17,000 for the Commission on Uniform State Laws.
 - \$1.6 million for the Bureau of State Audits.

OTHER SPECIAL SESSION ISSUES

The Governor has called a Special Session of the Legislature to immediately address the Budget and cash shortfall. Included in the Special Session is a proposal to make a transfer from the Budget Stabilization Account pursuant to Proposition 58.

As authorized by Control Section 35.60 of the 2007 Budget Act, and consistent with constitutional provisions enacted by Proposition 58, the Director of Finance ordered the transfer of \$1.494 billion from the Budget Stabilization Account (BSA) to the General Fund. The transfer was made to address a fiscal emergency proclaimed by the Governor on January 10, 2008.

The Governor is proposing to suspend the 2008-09 transfer of \$1.509 billion from the General Fund to the BSA, in light of the current condition of the General Fund.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions to ensure a balanced budget, the Governor's Budget includes these major program enhancements.

ALL VEHICLE INSPECTIONS AT BORDER PROTECTION STATIONS

The Governor's Budget includes an increase of \$7.5 million (\$407,000 General Fund and \$7.1 million Motor Vehicle Account Fund) and 117.5 positions for the CDFA to operate all Border Protection Stations on a full-time basis, inspecting all vehicles, commercial and private, entering California. The Border Protection Stations will inspect all vehicles for fruits, vegetables, plants, and other materials hosting pests that are not native to California to protect the citizens, environment, and economic viability of California from unsafe food products and invasive pests.

FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

The Financial Information System for California (FI\$Cal) is a multiyear information technology project that will replace and integrate the functions of numerous aging fiscal management systems in state government. In so doing, FI\$Cal will enable the state to avoid major costs to replace those systems. The project will also prepare the state's financial management employees to operate in the new integrated environment. The Governor's Budget includes an increase of \$37.7 million from the FI\$Cal Internal Services Fund and 197.7 positions for continued procurement, project team development and training and baseline documentation efforts for the FI\$Cal project.

ASSISTANCE TO LOCAL GOVERNMENT

The Governor's Budget continues the state's commitment of working constructively with local governments to efficiently serve the people of California. Expenditures for Local Government assistance programs are included in the General Government Agency bullets.

PROPOSED BUDGET-BALANCING REDUCTIONS

- The Homeowners' Property Tax Relief Program (\$442.5 million) was exempted from the reductions because it is constitutionally required. The Program replaces property tax revenues local governments lose due to the Homeowners' Property Tax Exemption.
- The Governor's Budget proposes \$35 million in reductions to various non-Health and Human Services local government programs. For a complete listing, please reference the General Government Chapter. The major reductions in 2008-09 are described below:
 - \$23.8 million from the Citizens Option for Public Safety/Juvenile Justice Crime Prevention Act Program. This proposal, which does not require legislation, would reduce local law enforcement discretionary grant amounts by 10 percent. The funds are distributed on a population basis to police and sheriffs departments, and county district attorney offices.

- \$3.9 million from the Subventions for Open Space (Williamson Act) Program. Legislation is proposed to reduce by 10 percent the reimbursement counties receive for property tax revenues lost as a result of assessing lands covered by Williamson Act contracts at a lower value.
- \$1.9 million from the Small/Rural Sheriffs Program. Legislation is proposed to reduce grants in 37 counties for discretionary law enforcement purposes from \$500,000 to \$450,000.

STATE-LOCAL FISCAL RELATIONSHIP

With the passage of Proposition 1A in 2004, local governments have a more stable funding relationship with the state, which can no longer shift costs, fail to reimburse mandates on a timely basis, or reallocate local revenues to benefit state priorities.

Local governments also have benefited from the Vehicle License Fee (VLF) “swap,” which allows them to retain additional property tax revenues to backfill the revenues they lost when the VLF was reduced from two percent to 0.65 percent. The backfill amount annually grows with the increase in secured roll property tax revenues, instead of the annual increase in VLF revenues. Because secured roll property tax revenues have increased significantly more than VLF revenues since 2004-05, we estimate the VLF swap has cumulatively allowed counties and cities to retain an additional \$2.7 billion in property tax revenues that otherwise would have been directed to K-14 schools.

LOCAL GOVERNMENT REVENUES

Local revenues are expected to show moderating, albeit positive growth in 2008-09. Due to the termination of ERAF III payments in 2006-07, the share of the property tax going to local governments has increased to approximately 66 percent. Historically, property taxes have been a very stable source of revenue for local governments, and local government property tax revenues grew quite significantly beginning in 2000-01. Given the current conditions in the real estate

LOCAL GOVERNMENT REVENUE SOURCES

The major sources of local government revenues are the property tax, the sales and use tax, the Vehicle License Fee, federal and state grants and subventions, and local taxes and fees.

market, however, property tax revenue growth is expected to moderate for the next several years, but positive year-to-year growth is anticipated for most areas of the state.

Statewide property tax revenues are expected to increase 9.3 percent in 2007-08, and by 7.1 percent in 2008-09. The projected growth translates to an additional \$3.4 billion for local governments in 2008-09, thereby increasing their total property tax revenues to approximately \$32 billion.

The moderating growth rate in 2008-09 is attributable to the decline in new and existing home sales in 2007, which could be as high as 40 percent when compared to 2006 sales volume. The decline in volume is tempered by retained growth in values that will impact the roll as properties are sold, and by moderate growth in new commercial construction. Because the roll for a fiscal year is determined by the values established on the preceding January 1 lien date (e.g. 2009-10 values are based on the January 1, 2009 lien date, which is based on 2008 market activity), the effects of reduced sales volumes and values on property tax receipts are lagged. Thus in 2009-10 we expect growth to be lower than 2008-09 as the market hits a low point in 2008.

The sales tax, local governments' other major source of discretionary revenue, also is expected to show modest growth in 2008-09. The sales tax should provide over \$ 4.5 billion for discretionary purposes, in addition to \$ 3 billion for public safety, \$ 3 billion for health programs, and \$1.5 billion for county transportation purposes. Vehicle license fees that provide partial funding for local health programs were up 2 percent in 2006-07 and are expected to show gains of 2.7 percent and 2.6 percent over the next two years.

PROPERTY TAX REVENUE GROWTH

Property tax revenue growth is estimated at 9.3 percent in 2007-08, and 7.1 percent in 2008-09. This means an additional \$3.4 billion for local governments in 2008-09.

MANDATES

The California Constitution requires the state to reimburse local governments when the state requires them to perform new duties or provide a higher level of service. The Commission on State Mandates determines whether or not local governments are entitled to reimbursement for increased costs mandated by the state. The objective of the Commission is to fairly and impartially hear and determine through a public hearing process whether the state imposed a reimbursable mandate. The Commission determines the activities necessary to comply with a new mandate, adopts a cost estimate, and notifies the Legislature of its findings.

The Commission, created as a quasi-judicial body, consists of seven members. Four of the members are ex-officio: the Director of Finance, the State Controller, the State Treasurer, and the Director of the Office of Planning and Research. The remaining three members, appointed by the Governor with Senate approval, include a public member with experience in public finance and two additional members from the categories of city council member, county supervisor, or school district governing board member.

The proposed budget was constructed first by computing the workload budget funding level. From the workload

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines the workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

MANDATES

budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget provides \$193 million and 13 positions to determine and fund reimbursable state mandates. Figure MAN-01 illustrates the major changes proposed in the Governor's Budget for mandates reimbursement funding as well as funding for the Commission on State Mandates.

Figure MAN-01
Change Table

Mandates - Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$94,715	\$11,499	14.0	\$94,715	\$11,499	14.0
Workload Adjustments						
Employee Compensation/Retirement	22	-	-	23	-	-
One-Time Cost Reductions	-57	-	-	-	-	-
Other Workload Adjustments	-7	-	-1.0	173,001	-9,639	-1.0
Totals, Workload Adjustments	-\$42	\$0	-1.0	\$173,024	-\$9,639	-1.0
Policy Adjustments						
Other Policy Adjustments	-	-	-	-75,000	-	-
Totals, Policy Adjustments	\$0	\$0	-	-\$75,000	\$0	-
Total Adjustments	-\$42	\$0	-1.0	\$98,024	-\$9,639	-1.0
Budget Prior to Reductions	\$94,673	\$11,499	13.0	\$192,739	\$1,860	13.0
Budget Balancing Reductions^{1/}	\$0	\$0	-	-\$168	\$0	-1.0
Governor's Budget	\$94,673	\$11,499	13.0	\$192,571	\$1,860	12.0

1/These dollars and PYS are included in the General Government agency; therefore, not included in each agency's totals the applicable Summary Schedules.

*Dollars in Thousands, and are also included in the chapters for Health and Human Services and General Government.

PROPOSED BUDGET BALANCING REDUCTIONS

The Budget includes a General Fund reduction of \$168,000 from program support and administrative functions. The reductions would result in fewer staff and slow down the analysis of test claims, litigation of cases, and other tasks before the Commission.

Mandate reimbursements were exempted from the budget balancing reductions because funding them at less than the full funding level would result in suspension of the mandate.

OTHER SPECIAL SESSION ISSUES

The Governor's Budget includes a one-time savings of \$75 million by eliminating payments for estimated reimbursement claims. This change to local government reimbursement does not reduce the total reimbursement amounts payable to local governments, as the state is required to pay the actual reimbursement claims when they are submitted.

FUNDED MANDATES

Proposition 1A, approved by the voters in November 2004, amended the California Constitution to require the Legislature to either (1) fund in the Budget Act the amounts determined to be payable in the previous year for each mandate (with certain exceptions) or (2) to suspend that mandate. This suspension requirement does not apply to education or employee rights mandates.

The 2007 Budget Act reappropriated \$41 million for reimbursement claims. The 2008 Governor's Budget includes \$139 million for reimbursement claims for costs incurred prior to July 1, 2007, for mandates listed in Figure MAN-02. Of this amount, \$75 million is proposed for the third payment of reimbursement claims for costs incurred prior to July 1, 2004.

The Governor's Budget proposes to continue the suspension of several mandates as scheduled in Items 8885-295-0001 and 8885-295-0042.

GENERAL FUND EXPENDITURES

- \$361.4 million in the 2006-07 fiscal year.
- \$41 million in the 2007-08 fiscal year.
- \$139 million in the 2008-09 fiscal year.

MANDATE REFORM

The 2007 Governor's Budget included a proposal for mandates reform. During the 2007 budget development, state and local governments worked together to modify the proposal and developed alternative processes to mandate determinations and

Figure MAN-02
2008-09 Funded Mandates

AB 3632: Services to Handicapped Students I and II*	Medi-Cal Beneficiary Death Notices
AB 3632: Seriously Emotionally Disturbed Pupils*	Mentally Disordered Offenders' Extended Commitments Proceedings
Absentee Ballots	Mentally Disordered Sex Offenders' Recommitments
Absentee Ballots-Tabulation by Precinct	Mentally Retarded Defendants Representation
Administrative License Suspension, Per Se	Not Guilty by Reason of Insanity
AIDS/Search Warrant	Pacific Beach Safety
Allocation of Property Tax Revenues	Peace Officer Personnel Records: Unfounded Complaints and Discovery
Animal Adoption	Peace Officers' Procedural Bill of Rights
Brendon Maguire Act	Perinatal Services
Conservatorship: Developmentally Disabled Adults	Permanent Absent Voters
Coroners Costs	Pesticide Use Reports
Crime Victim Rights	Photographic Record of Evidence
Crime Victim's Domestic Violence Incident Reports	Police Officer's Cancer Presumption**
Custody of Minors-Child Abduction and Recovery	Postmortem Examinations
Developmentally Disabled Attorneys' Services	Rape Victim Counseling
Domestic Violence Arrests and Victims' Assistance	Senior Citizens Property Tax Deferral
Domestic Violence Treatment Services	Sexually Violent Predators
False Reports of Police Misconduct	Stolen Vehicle Notification
Firefighter's Cancer Presumption**	Threats Against Peace Officers
Health Benefits for Survivors of Peace Officers and Firefighters	Unitary Countywide Tax Rates
Judicial Proceedings	Voter Registration Procedures

*AB 3632 Mandate funding is shown under the Department of Mental Health.

**These mandates expire June 30, 2008.

funding methodologies. The reform proposals are contained in Chapter 329, Statutes of 2007 (AB 1222). The reforms fall into three categories.

The first change revised the definition of a "reasonable reimbursement methodology (RRM)." The prior language included criteria that proved excessively difficult to meet. The new definition provides a variety of options for interested parties to propose funding methodologies that would make claiming for reimbursement and budgeting more predictable. The RRM's would no longer require evidence of actual costs for 50 percent of eligible claimants, but rather evidence that there is broad support among local governments.

MANDATE REFORM: CHAPTER 329, STATUTES OF 2007 (AB 1222)

- **Redefines a Reasonable Reimbursement Methodology** – removes the 50 percent threshold, and requires consideration of variations in costs among local agencies.
- **Joint Development of a Reasonable Reimbursement Methodology** – allows Finance and local agencies to develop a funding methodology and statewide estimate of costs for adoption by the Commission.
- **Joint Request for Legislatively Determined Mandate** – occurs outside of the Commission process, requires negotiations between local governments and Finance, and provides a local government the option to forgo the legislative determination and pursue the Commission process.

The second change details in statute a process for the Department of Finance (Finance) and local governments to negotiate a reimbursement methodology, demonstrate before the Commission that there is broad support for the proposal, and include a statewide cost estimate. This process would allow for more accurate cost estimates, and reduce the Commission's workload on the related mandate. Currently, statewide cost estimates are based on the actual claims submitted and generally do not represent the universe of potential claimants or audit exceptions.

The third and most flexible option of Chapter 329 establishes a process for obtaining a legislatively determined mandate. This process would allow Finance and local governments to jointly request that the Legislature declare a statute or executive order a state mandate, approve a funding methodology, and appropriate funding based on that funding methodology. Local governments who are not supportive of the legislatively determined mandate could reject the proposed reimbursement methodology, and the related funds, and file a test claim with the Commission. This process would be the most expeditious way to complete the mandate determination process because Finance and local governments have agreed on the scope of the mandate and the terms of the reimbursement prior to submitting a request to the Legislature.

Currently, the average mandate determination process takes three years and funding is often provided six to seven years after enactment of a reimbursable mandate. The alternative processes should reduce this time by several years, thereby expediting the process while maintaining the integrity of the reimbursement system.

STATEWIDE ISSUES

The Statewide Issues Section of the Budget Summary includes issues that affect multiple departments in various major program areas. This chapter describes items in the budget which fall into these categories. These issues do not lend themselves to a discussion of a program mission or accomplishments from the previous year, but have a year-to-year impact on the state budget. The following sections describe a few of these statewide issues that are not specific to a program but which have significant effect either on the state budget or how the state conducts business.

OTHER POST EMPLOYMENT BENEFITS

The Government Accounting Standards Board (GASB) prescribes accounting standards for all governments in the United States. Long-standing GASB standards recommend that governmental entities estimate the future costs of pension benefits and report those to the public. Until recently, there has not been a similar standard for governments' non-pension retirement benefits, often called "other post-employment benefits (OPEB)". GASB has adopted new standards (GASB 45) for how governments should report the liabilities and the actuarially required contribution (ARC) to fund the future costs of OPEB.

As governments, including the state, start reporting these liabilities in their annual accounting statements, investors who buy government bonds will become increasingly interested in how the governmental entities plan to pay those future costs, and how those payments will affect governmental entity's ability to make bond payments.

POST EMPLOYMENT BENEFITS COMMISSION

The Governor established the Public Employee Post Employment Benefits Commission (Commission) to study the funding of OPEB. The Commission was directed to provide a report to the Governor and the Legislature by January 1, 2008, that:

- Identifies the full amount of unfunded liabilities for the State of California and local governments for OPEB;
- Compares and evaluates various approaches for addressing unfunded post employment benefits;
- Considers the advantages for the state as an employer from OPEB, such as retiree health care, and;
- Proposes a plan or plans for addressing unfunded post employment benefits.

Included in the report is a recommendation to the state that it establish prefunding as a policy and budget priority, develop and make public a prefunding plan, and begin prefunding its OPEB liabilities.

LIABILITIES FOR THE STATE'S OTHER POST EMPLOYMENT BENEFITS

Pursuant to the new reporting standards adopted by GASB 45, the State Controller recently released an actuarial valuation which identified the total estimated future liabilities as \$47.88 billion. The State Controller's GASB 45 valuation assumed the annual increase in health care premiums will decline from the current 10 percent in 2008-09 to only 4.5 percent in 2017-18 and beyond. The assumption regarding future increases in health care costs is a significant departure from the historical trends. In order for these assumptions to be realized, the state will need to focus on how best to manage future health care costs.

BUDGET CONSIDERATIONS

The Governor's Budget includes \$1.4 billion (\$834 million net General Fund) for health and dental benefits for retirees on a pay-as-you-go basis. If the state continues with the current pay-as-you-go method and does not pay the unfunded liability, the difference

between the pay-as-you-go amount and the ARC would accrue as an increasing liability on the annual accounting statements issued by the State Controller.

The Administration is considering a number of possible approaches to budgeting for future OPEB costs. In selecting an appropriate strategy for funding future costs, the Administration must balance two competing and potentially conflicting criteria. First, the funding strategy must minimize the disruption of existing critical state programs when the state begins to budget for the future costs of OPEB. Second, the funding strategy must assure bond rating agencies and future investors that the state will fund all future retirement costs.

While the Commission considered the issue from a “best practices” viewpoint, funding the cost of OPEB must also be considered from a budgetary perspective as well. There are three funding options displayed in Figure SWI-01: (1) continue to budget for the costs annually on a pay-as-you-go basis, at a cost of \$1.6 billion (\$935 million GF) in 2009-10; (2) fully fund the ARC, at a cost of \$1 billion (\$600 million GF) more than the projected pay-as-you-go cost beginning in 2009-10; or, (3) fund the pay-as-you-go costs plus an amount that would eliminate any new liability from being accrued, at a cost of \$650 million (\$375 million GF) more than the projected pay-as-you-go costs beginning in 2009-10. All three options would result in the state paying approximately the same amount by 2022-23.

STATE CONTROLLER ASSUMPTIONS

The State Controller’s valuation for OPEB liabilities used the following health care inflation assumptions:

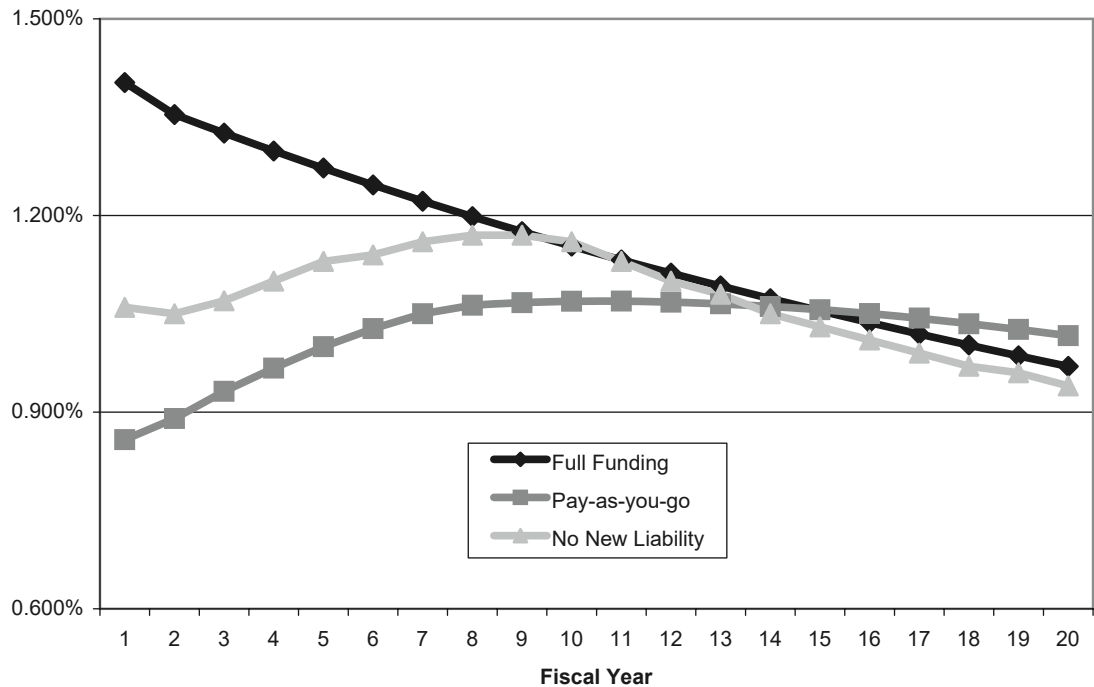
- 9.5 percent for 2009-10
- 9.0 percent for 2010-11
- 8.5 percent for 2011-12
- 8.0 percent for 2012-13
- 7.5 percent for 2013-14
- 7.0 percent for 2014-15
- 6.5 percent for 2015-16
- 5.5 percent for 2016-17
- 4.5 percent for 2017-18

STATE ACTIVE AND RETIREE HEALTH BENEFITS

In addition to considering how best to fund these obligations, the state must implement strategies to achieve efficiencies, including economic, within its health benefits program.

The Administration contracts with the California Public Employees Retirement System (CalPERS) to provide health benefits for state employees. Under this arrangement, CalPERS negotiates health premiums with the providers, designs the benefit package, and otherwise controls the overall policies of the health program. The CalPERS health

Figure SWI-01
OPEB Options as a Percent of GF Revenue



program provides coverage to approximately 1.2 million active and retired state and local government public employees and their family members. In the past 6 years, the average premium increase has exceeded 12 percent annually. The employer pays the bulk of these premiums.

In recent years, CalPERS has attempted to control these rising health costs by eliminating high-cost hospitals, reducing the number of providers, and adding high performance health plans. While effective to a degree, CalPERS' cost-containment strategies represent a "one-size-fits all" approach for all the public employer groups with whom it contracts (the state and 1,100 local agencies).

The Administration prefers an approach that allows greater program flexibility so that health benefits and the plan design can be customized to better serve the needs of the state employer, employees, annuitants, and covered family members. Included in this approach should be discussions with the employee organizations on the feasibility of the employer and the employee unions meeting and conferring in good faith directly over the design of the benefit programs and other ways to customize the delivery of health benefits to state employees.

STATE CIVIL SERVICE HUMAN RESOURCES REFORM

The state, as with most employers in the nation, will be facing the loss of many of its most experienced and knowledgeable employees as the “baby boomers” retire. As the current workforce ages and moves into retirement, government services must be able to respond to public needs and changing times. The Administration has long recognized that the state’s civil service system is unable to rapidly adapt to changing demands in the workplace or keep pace with a highly competitive labor market. To address this urgent situation, the Human Resources Modernization Project (HRMOD) was approved in the 2007-08 budget to address this urgent business need.

“Getting the Right People into the Right Jobs at the Right Time” is the key to a model state government civil service system that responds to our changing business needs and a key theme of the project. The HRMOD is a collaborative effort sponsored by the Department of Personnel Administration, the State Personnel Board, and the Department of Finance. These departments have partnered to create a strategic plan that defines the direction for civil service reform. Through implementation of the strategic plan, the HRMOD will result in a streamlined system enabled to recruit, develop, and maintain a well-qualified, high-performance workforce. When the project is fully implemented, each agency, department, board, and commission will benefit from: (1) an aggressive recruitment strategy that markets California as an “employer of choice;” (2) a streamlined and flexible selection and hiring process; (3) a simplified classification system based on competencies rather than duties; (4) an improved performance management program; and (5) an integrated, automated system featuring on-line recruitment, classification, compensation, examination, certification, performance management, and workforce planning processes and tools.

The HRMOD formally began work in 2007-08 and ends with the final rollout tentatively planned for 2014-15. The project team formally began operating on October 1, 2007, with five permanent project staff. Currently, recruitment is underway for redirected or loaned staff from agencies, departments, boards, and commissions to complete the project staffing. The project management staff has extensive experience managing large scale projects to successful implementation as well as extensive experience in human resources for the state. Goals for the first two years of the project will be to: (1) develop a classification and compensation model based on competencies; (2) streamline the classification process by abolishing unused classifications; (3) develop a long-term recruitment and retention plan as well as a marketing plan focusing on disciplines who face the largest attrition rate; (4) develop a certified training program for state managers/

STATEWIDE ISSUES

supervisors and human resources professionals; and (5) develop a system automation procurement plan, requirements, and Request for Proposal.

In addition, in 2008-09, a pilot project for the state information technology classifications will be implemented. This project will pilot some of the models identified in the HRMOD strategic plan.

Appendices and Schedules

Budget Process Overview

The Governor's Budget is the result of a process that begins more than one year before the Budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through mid December. In the event that the Governor wants to change the Budget presented to the Legislature, including adjustments resulting from changes in population, caseload, or enrollment estimates, the Department of Finance (Finance) proposes adjustments to the Legislature during budget hearings through Finance Letters. During late spring, usually in May, Finance submits revised revenue and expenditure estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. Finance also prepares monthly economic and cash revenue updates during the fiscal year. Listed below are the key documents used in the budget process.

Title	Purpose	Prepared/Issued by	When
Budget Letters and Management Memos	Convey the Administration's guidelines for budget preparation to agencies and departments.	Governor/Finance	January through December
Budget Change Proposals	Documents that propose to modify or change the existing level of service, propose new programs, or delete existing programs.	Agencies and departments submit to Finance analysts	July through September
Governor's Budget	Governor's proposed budget for the upcoming fiscal year.	Governor/Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Finance	January 10
Budget Bill	Requests spending authorization to carry out the Governor's expenditure plan (legislative budget decision document).	Finance/Legislature	January 10
Analysis of the Budget	Analysis of the Budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
May Revision	Update of General Fund revenues, expenditures, and reserve estimates based on the latest economic forecast and changes in population, caseload, or enrollment estimates.	Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of the Governor's vetoes.	Legislature/Governor	Late June or enactment of the Budget
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including certain budget summary schedules.	Finance	Late July - August or 1-2 months after Budget enactment
Final Change Book	Update of changes to the detailed fiscal information in the Governor's Budget.	Finance	Late July - August or 1-2 months after Budget enactment

Statewide Financial Information

Provides various statewide displays of financial information included in the Budget that may be the most useful to the public, private sector, or other levels of government. Each statewide display includes a description of the information included.

Schedule 1 *General Budget Summary* - Total statewide revenues and expenditures for the General Fund and special funds and expenditure totals for selected bond funds.

Schedule 2 *Summary of State Tax Collections* - State Tax Collections per capita and per \$100 of personal income.

Schedule 3 *Comparative Yield of State Taxes* - Revenues for Major State Taxes from 1970-71 through 2008-09.

Schedule 4 *Personnel Years and Salary Cost Estimates* - Personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects net data after salary savings.

Schedule 5A *Statement of Estimated Accounts Payable and Accounts Receivable* - Actual payable and receivable amounts as of June 30, 2007, and estimated amounts for June 30, 2008, and June 30, 2009.

Schedule 5B *Actual 2006-07 Fiscal Year Cashflow* - Actual receipts, disbursements, borrowable resources, and cashflow loan balances for the 2006-07 fiscal year.

Schedule 5C *Estimated 2007-08 Fiscal Year Cashflow* - Projected receipts, disbursements, borrowable resources, and cashflow loan balances for the 2007-08 fiscal year.

Schedule 5D *Estimated 2007-09 Fiscal Year Cashflow* - Projected receipts, disbursements, borrowable resources, and cashflow loan balances for the 2008-09 fiscal year.

Schedule 6 *Summary of State Population, Employees, and Expenditures* - Historical data of state population, employees, personal income, revenues, and expenditures.

Schedule 7 *General Fund Statement of Fund Balance* - Available upon request. Contact the Department of Finance, Budget Operations Support Unit at (916) 445-5332.

Schedule 8 *Comparative Statement of Revenues* - Detail of General and special fund revenues by source for the past, current, and budget years within the following categories: (1) major taxes and licenses, (2) minor revenues, and (3) transfers and loans.

Schedule 9 *Comparative Statement of Expenditures* - Detail of General Fund, special fund, selected bond fund, and federal fund expenditures included in the Governor's Budget by the following categories: (1) State Operations, (2) Local Assistance, (3) Capital Outlay, and (4) Unclassified.

Schedule 10 *Summary of Fund Condition Statements* - A listing in alphabetical order of the beginning reserve, revenues, expenditures, and ending reserve for the General Fund and each special fund for the past, current, and budget years.

Schedule 11 *Statement of General Obligation Bond and Commercial Paper Debt of the State of California* - List of all general obligation bonds including: maturity dates, authorized amount of bond issues, amounts of unissued bonds, redemptions, and outstanding issues, as well as authorized and outstanding commercial paper issued in-lieu of general obligation bonds.

Schedule 12A *State Appropriations Limit Summary* - Summary of Schedules 12B through 12E: Provides a calculation of the appropriations subject to the State Appropriations Limit and the Limit Room or Surplus.

Schedule 12B *Revenues to Excluded Funds* - List of revenues to special funds NOT included in the calculation of total appropriations subject to the State Appropriations Limit.

Schedule 12C Non-Tax Revenues in Funds Subject to Limit - Total of non-tax General and special fund revenues deposited in funds that are otherwise included in the calculation of total appropriations subject to the State Appropriations Limit.

Schedule 12D State Appropriations Limit Transfer from Excluded Funds to Included Funds - Detail of transfers between funds that are used in calculating the appropriations subject to the State Appropriations Limit.

Schedule 12E State Appropriations Limit Excluded Appropriations - Exclusions from appropriations subject to the State Appropriations Limit.

SCHEDULE 1
GENERAL BUDGET SUMMARY^{1/}
(In Thousands)

	Reference to Schedule	General Fund	Special Funds	Selected Bond Fund Expenditures	Expenditure Totals
2006-07					
Prior year resources available	10	\$9,897,712	\$9,374,185		
Revenues and transfers	8	95,415,373	25,247,625		
Expenditures	9	<u>101,412,957</u>	<u>22,553,958</u>	\$6,001,035	\$129,967,950
Fund Balance ²	10	\$3,900,128	\$12,067,852		
<i>Reserve for Liquidation of Encumbrances ³</i>		885,280	--		
<i>Reserves for Economic Uncertainties ⁴</i>		--	12,067,852		
<i>Special Fund for Economic Uncertainties ⁴</i>		3,014,848	--		
2007-08					
Prior year resources available	10	\$3,900,128	\$12,067,852		
Revenues and transfers	8	101,230,369	24,799,136		
Expenditures	9	<u>103,373,095</u>	<u>28,769,245</u>	\$13,084,930	\$145,227,270
Fund Balance ²	10	\$1,757,402	\$8,097,743		
<i>Reserve for Liquidation of Encumbrances ³</i>		885,280	--		
<i>Reserves for Economic Uncertainties ⁴</i>		--	8,097,743		
<i>Special Fund for Economic Uncertainties ⁴</i>		872,122	--		
2008-09					
Prior year resources available	10	\$1,757,402	\$8,097,743		
Revenues and transfers	8	102,904,119	26,883,687		
Expenditures	9	<u>100,998,105</u>	<u>26,193,244</u>	\$13,847,224	\$141,038,573
Fund Balance ²	10	\$3,663,416	\$8,788,186		
<i>Reserve for Liquidation of Encumbrances ³</i>		885,280	--		
<i>Reserves for Economic Uncertainties ⁴</i>		--	8,788,186		
<i>Special Fund for Economic Uncertainties ⁴</i>		2,778,136	--		

¹ The General Budget Summary includes the revenues and expenditures of all state funds that reflect the cost of state government and selected bond fund expenditures. The transactions involving other nongovernmental cost funds are excluded. The amounts included in this schedule for expenditures and revenues may not agree with those shown in Schedules 8, 9 and 10 due to rounding.

² The Fund Balance for the General Fund includes amounts for unencumbered balances of continuing appropriations at the end of the 2006-07, 2007-08, and 2008-09 fiscal years of \$1,533,144; \$586,234; and \$20,358 (in thousands), respectively. The Fund Balance for special funds includes amounts for unencumbered balances of continuing appropriations at the end of the 2006-07, 2007-08, and 2008-09 fiscal years of \$3,052,343; \$2,697,381; and \$1,722,132 (in thousands), respectively.

³ The Reserve for Liquidation of Encumbrances represents an amount which will be expended in the future for state obligations for which goods and services have not been received at the end of the fiscal year. This Reserve treatment is consistent with accounting methodology prescribed by Generally Accepted Accounting Principles (GAAP) and Government Code Sections 13306 and 13307.

⁴ The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties are reserve accounts for the General and special funds as provided by Section 5 of Article XIII B of the California Constitution.

SCHEDULE 2

SUMMARY OF STATE TAX COLLECTIONS

(Excludes Departmental, Interest, and Miscellaneous Revenue)

	Per Capita Personal Income ^{1, 2}	State Tax Collections (Dollars in Millions)		Taxes per Capita ¹		Taxes per \$100 of Personal Income ³	
		General		General		General	
		Fund	Total	Fund	Total	Fund	Total
1967-68	\$3,878	\$3,558	\$4,676	\$185.55	\$243.86	\$4.78	\$6.29
1968-69	4,199	3,963	5,173	203.94	266.21	4.86	6.34
1969-70	4,521	4,126	5,409	208.96	273.94	4.62	6.06
1970-71	4,806	4,290	5,598	214.08	279.36	4.45	5.81
1971-72	5,034	5,213	6,597	256.22	324.24	5.09	6.44
1972-73	5,454	5,758	7,231	279.72	351.28	5.13	6.44
1973-74	5,944	6,377	7,877	305.57	377.45	5.14	6.35
1974-75	6,551	8,043	9,572	379.85	452.06	5.80	6.90
1975-76	7,128	9,050	10,680	420.19	495.87	5.89	6.96
1976-77	7,824	10,781	12,525	491.48	570.98	6.28	7.30
1977-78	8,569	12,951	14,825	579.41	663.25	6.76	7.74
1978-79	9,581	14,188	16,201	621.30	709.45	6.48	7.40
1979-80	10,752	16,904	19,057	726.83	819.41	6.76	7.62
1980-81	11,961	17,808	20,000	748.80	840.97	6.26	7.03
1981-82	13,179	19,053	21,501	784.78	885.62	5.95	6.72
1982-83	13,771	19,567	22,359	788.83	901.39	5.73	6.55
1983-84	14,569	22,300	25,674	880.14	1,013.30	6.04	6.96
1984-85	16,012	25,515	29,039	988.34	1,124.85	6.17	7.03
1985-86	16,980	26,974	30,898	1,021.63	1,170.25	6.02	6.89
1986-87	17,700	31,331	35,368	1,158.18	1,307.41	6.54	7.39
1987-88	18,590	31,228	35,611	1,126.67	1,284.81	6.06	6.91
1988-89	19,648	35,647	40,613	1,255.49	1,430.39	6.39	7.28
1989-90	20,639	37,248	43,052	1,278.16	1,477.32	6.19	7.16
1990-91	21,733	36,828	43,556	1,234.66	1,460.21	5.68	6.72
1991-92	21,758	40,072	48,856	1,315.62	1,604.01	6.05	7.37
1992-93	22,482	39,197	48,230	1,264.93	1,556.44	5.63	6.92
1993-94	22,607	38,351	48,941	1,224.72	1,562.90	5.42	6.91
1994-95	23,174	41,099	50,648	1,303.75	1,606.67	5.63	6.93
1995-96	24,149	44,825	54,805	1,413.51	1,728.20	5.85	7.16
1996-97	25,356	47,955	58,400	1,500.33	1,827.10	5.92	7.21
1997-98	26,517	53,859	64,826	1,659.61	1,997.56	6.26	7.53
1998-99	28,482	58,199	69,724	1,770.96	2,121.65	6.22	7.45
1999-00	29,900	70,027	81,773	2,095.45	2,446.93	7.01	8.18
2000-01	32,375	75,668	88,147	2,219.31	2,585.32	6.85	7.99
2001-02	32,655	62,654	73,237	1,802.13	2,106.53	5.52	6.45
2002-03	32,457	64,879	75,498	1,834.75	2,135.05	5.65	6.58
2003-04	33,025	70,229	81,629	1,953.83	2,270.99	5.92	6.88
2004-05	34,719	80,070	93,716	2,196.44	2,570.77	6.33	7.40
2005-06	36,533	90,468	105,811	2,451.96	2,867.80	6.71	7.85
2006-07 ^P	38,435	93,209	109,360	2,496.69	2,929.31	6.50	7.62
2007-08 ^e	40,132	93,601	110,374	2,478.09	2,922.16	6.17	7.28
2008-09 ^e	41,585	100,377	118,336	2,627.76	3,097.91	6.32	7.45

¹ Per capita computations are based on July 1 populations estimates, benchmarked to the 2000 Census.

² Personal income data are on a calendar year basis (e.g., 2006 for 2006-07).

³ Taxes per \$100 personal income computed using calendar year personal income (e.g. 2006 income related to 2006-07 tax collections).

^P Preliminary.

^e Estimated.

SCHEDULE 3
COMPARATIVE YIELD OF STATE TAXES, 1970-71 THROUGH 2008-09
Includes both General and Special Funds

(Dollars in Thousands)

Fiscal Year Ending	Sales and Use (a)	Personal Income (b)	Corporation (c)	Tobacco (d)	Estate Inheritance and Gift (e)	Insurance (f)	Alcoholic Beverage (g)	Motor Vehicle Fuel (h)	Vehicle Fees (i)
1971	\$1,808,052	\$1,264,383	\$532,091	\$239,721	\$185,699	\$158,423	\$106,556	\$674,635	\$513,202
1972	2,015,993	1,785,618	662,522	247,424	220,192	170,179	112,091	712,426	547,845
1973	2,198,523	1,884,058	866,117	253,602	260,119	179,674	114,884	746,196	596,922
1974	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	119,312	742,702	644,448
1975	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	120,749	752,234	664,453
1976	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	125,313	766,555	749,936
1977	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	127,485	810,321	807,782
1978	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	132,060	850,181	924,410
1979	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	140,059	896,591	1,021,856
1980	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	138,940	852,752	1,096,640
1981	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	142,860	839,994	1,127,293
1982	7,689,023	7,483,007	2,648,735	276,824	482,300	454,984	139,523	833,446	1,373,354
1983	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	136,209	928,633	1,614,993
1984	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	137,433	1,213,167	1,906,290
1985	9,797,564	10,807,706	3,664,593	262,868	296,805	643,139	135,786	1,159,637	2,137,326
1986	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	132,262	1,194,172	2,515,295
1987	10,904,022	13,924,527	4,800,843	255,076	273,089	1,008,804	131,288	1,245,881	2,692,835
1988	11,650,531	12,950,346	4,776,388	250,572	304,148	1,158,321	128,734	1,293,254	2,966,334
1989	12,650,893	15,889,179	5,138,009	559,617	335,091	1,317,630	128,264	1,320,512	3,142,484
1990	13,917,771	16,906,568	4,965,389	787,076	388,527	1,167,684	128,524	1,349,146	3,305,711
1991	13,839,573	16,852,079	4,544,783	745,074	498,774	1,287,152	129,640	1,999,771	3,513,159
1992	17,458,521	17,242,816	4,538,451	726,064	446,696	1,167,307	321,352	2,457,229	4,369,862
1993	16,598,863	17,358,751	4,659,950	677,846	458,433	1,188,181	292,107	2,412,574	4,470,321
1994	16,857,369	17,402,976	4,809,273	664,322	552,139	1,196,921	275,797	2,547,633	4,518,795
1995	16,273,800	18,608,181	5,685,618	674,727	595,238	998,868	268,957	2,685,731	4,749,594
1996	17,466,584	20,877,687	5,862,420	666,779	659,338	1,131,737	269,227	2,757,289	5,009,319
1997	18,424,355	23,275,990	5,788,414	665,415	599,255	1,199,554	271,065	2,824,589	5,260,355
1998	19,548,574	27,927,940	5,836,881	644,297	780,197	1,221,285	270,947	2,853,846	5,660,574
1999	21,013,674	30,894,865	5,724,237	976,513	890,489	1,253,972	273,112	3,025,226	5,610,374
2000	23,451,570	39,578,237	6,638,898	1,216,651	928,146	1,299,777	282,166	3,069,694	5,263,245
2001	24,287,928	44,618,532	6,899,322	1,150,869	934,709	1,496,556	288,450	3,142,142	5,286,542
2002	23,795,936	33,051,107	5,333,030	1,102,806	890,627	1,595,846	292,627	3,295,903	3,836,795
2003	24,898,676	32,713,830	6,803,583	1,055,505	647,372	1,879,784	290,564	3,202,512	3,965,410
2004	26,506,911	36,398,983	6,925,916	1,081,588	397,848	2,114,980	312,826	3,324,883	4,415,126
2005	29,967,136	42,992,007	8,670,065	1,096,224	213,036	2,232,955	314,252	3,366,141	4,873,705
2006	32,201,082	51,219,823	10,316,467	1,088,703	3,786	2,202,327	318,276	3,393,381	5,078,529
2007 *	32,669,175	53,318,287	11,157,898	1,078,536	6,348	2,178,336	333,789	3,432,527	5,147,341
2008 *	33,176,571	54,174,000	10,675,000	1,068,569	0	2,075,000	334,200	3,503,863	5,328,516
2009 *	35,093,194	58,023,000	11,937,000	1,095,566	0	2,276,000	341,200	3,565,427	5,966,120

(a) Includes the 0.5 percent Local Revenue Fund and the 0.25 percent sales tax, effective July 1, 2004, for repayment of economic recovery bonds.

(b) Includes the revenue for a 1-percent surcharge on taxable incomes over \$1 million, with proceeds funding mental health programs.

(c) Includes the corporation income tax and, from 1989 through 1997, the unitary election fee.

(d) Proposition 99 (November 1988) increased the cigarette tax to \$0.35 per pack and added an equivalent tax to other tobacco products.

The Breast Cancer Act added \$0.02 per pack effective 1/1/94. Proposition 10 (November 1998) increased the cigarette tax to \$0.87 per pack and added the equivalent of \$1.00 tax to other tobacco products.

(e) Proposition 6, an initiative measure adopted by the voters in June 1982, repealed the inheritance and gift taxes and imposed instead an estate tax known as "the pick-up tax," because it is designed to pick up the maximum credit allowed against the federal estate tax. The Economic Growth and Tax Reconciliation Act of 2001 phases out the federal estate tax by 2010. The Act reduced the state pick-up tax by 25 percent in 2002, 50 percent in 2003, 75 percent in 2004, and eliminated it beginning in 2005.

(f) The conclusion of litigation resulted in additional revenue of \$51 million in 1987-88, \$178 million in 1988-89, \$7 million in 1990-91, and \$5 million in 1991-92. It also resulted in refunds of \$46 million in 1993-94, \$127 million in 1994-95, \$39 million in 1995-96, \$15 million in 1996-97, and \$30 million in 1997-98.

(g) Alcoholic beverage excise taxes were increased effective July 15, 1991.

(h) Motor vehicle fuel tax (gasoline), use fuel tax (diesel and other fuels), and jet fuel.

(i) Registration and weight fees, motor vehicle license fees, and other fees. Beginning January 1, 1999, vehicle owners paid only 75 percent of the calculated tax, and the remaining 25 percent (offset) was paid by the General Fund. Chapter 74, Statutes of 1999, increased the offset to 35 percent on a one-time basis for the 2000 calendar year. Chapters 106 and 107, Statutes of 2000, and Chapter 5, Statutes of 2001, extended the 35-percent offset through June 30, 2001, and provided for an additional 32.5-percent VLF reduction, which was returned to taxpayers in the form of a rebate. Beginning July 1, 2001, the VLF offset was set at 67.5 percent. From June 30, 2003, through November 18, 2003, the VLF reduction was suspended. On November 17, 2003, Governor Schwarzenegger rescinded the suspension, thereby reinstating the offset. Effective January 1, 2005, the VLF rate is 0.65 percent. 2004-05 figures exclude a gap loss estimated at \$1.2 billion that was paid in the 2005 Budget Act.

* Estimated.

SCHEDULE 4
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(Dollars in Thousands)

	Personnel Years			Dollars		
	Authorized 2006-07	Estimated 2007-08	Proposed 2008-09	Authorized 2006-07	Estimated 2007-08	Proposed 2008-09
Under Administration Control						
Executive	13,916.4	14,303.5	14,734.3	\$876,463	\$925,269	\$967,239
State and Consumer Services	13,036.8	13,237.5	13,700.0	735,389	772,571	801,718
Business, Transportation and Housing						
Business and Housing	2,140.3	2,239.0	2,308.0	129,143	140,241	147,148
Transportation	40,733.5	41,604.6	41,940.0	2,777,945	3,003,371	3,016,391
Resources	14,054.9	14,580.5	15,313.5	957,392	945,800	985,905
California Environmental Protection	4,488.3	4,759.4	4,912.5	309,927	350,615	365,190
Health and Human Services	32,001.0	32,764.3	32,633.0	1,908,200	2,096,783	2,147,841
Corrections and Rehabilitation	64,003.8	66,780.3	67,009.9	4,308,068	4,819,810	4,951,184
Education						
K thru 12 Education	2,879.0	2,903.4	2,898.7	171,195	175,258	177,456
Higher Education-Community Colleges/Other	389.1	400.9	358.2	26,339	28,708	26,083
Labor and Workforce Development	2,766.5	2,789.7	2,793.8	175,131	181,461	185,049
General Government	6,213.2	6,219.5	235.2	350,562	365,096	-13,367
NET TOTALS, SALARIES AND WAGES	196,622.8	202,582.6	198,837.1	\$12,725,754	\$13,804,983	\$13,757,837
Not Under Administration Control						
Legislative	743.0	743.0	743.0	\$58,106	\$59,741	\$61,202
Judicial	1,861.1	1,966.7	2,022.7	181,528	197,582	205,875
Public Employees' Retirement System	1,951.8	2,186.0	2,184.5	114,485	134,597	137,388
State Teachers' Retirement System	717.6	779.7	846.8	43,318	47,375	52,396
California Housing Finance Agency	277.4	306.3	306.3	17,642	21,029	20,789
Forestry and Fire Protection	1,876.8	1,927.8	1,927.8	149,828	153,358	155,095
University of California	74,012.5	85,960.4	86,672.3	4,105,149	5,376,104	5,522,349
Hastings	234.8	235.5	245.5	20,433	21,675	23,947
California State University	44,916.4	45,480.1	45,480.1	2,433,251	2,653,457	2,653,457
Employment Development Department	8,983.2	8,951.9	9,039.4	460,328	482,939	492,702
State Compensation Insurance Fund	7,938.0	8,156.8	7,894.6	512,299	355,426	314,244
Bureau of State Audits	147.0	147.0	153.0	10,012	10,151	11,189
TOTALS	143,659.6	156,841.2	157,516.0	\$8,106,379	\$9,513,434	\$9,650,633
Budget-Balancing Reductions ^{1/}	-	(-249.1)	(-6,836.9)	-	(-\$15,693)	(-\$430,725)

^{1/} These dollars and personnel years (PYs) are included in the General Government agency; therefore, not included in each agency's totals. For a detailed listing of PYs reductions by agency, department, and program, please view the special display (Budget-Balancing Reductions) within organization 9944 in the Governor's Budget.

SCHEDULE 4 - Continued
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(Dollars in Thousands)

	<u>Personnel Years</u> <u>Actuals</u> <u>2006-07</u>	<u>Dollars</u> <u>Actuals</u> <u>2006-07</u>
Under Administration Control		
Executive	12,785.5	\$830,552
State and Consumer Services	13,068.4	725,876
Business, Transportation and Housing		
Business and Housing	2,015.5	122,575
Transportation	39,019.0	3,168,810
Resources	13,477.5	925,382
California Environmental Protection	4,229.3	300,691
Health and Human Services	29,281.8	1,786,370
Corrections and Rehabilitation	53,321.6	4,455,275
Education		
K thru 12 Education	2,700.5	162,088
Higher Education-Community Colleges/Other	363.1	25,895
Labor and Workforce Development	2,631.4	168,418
General Government	5,718.7	337,017
NET TOTALS, SALARIES AND WAGES	<u>178,612.3</u>	<u>\$13,008,949</u>
Not Under Administration Control		
Legislative	690.0	\$52,362
Judicial	1,717.5	174,764
Public Employees' Retirement System	1,780.9	112,840
State Teachers' Retirement System	681.4	41,276
California Housing Finance Agency	278.9	17,188
Forestry and Fire Protection	1,969.8	153,536
University of California	86,299.5	5,350,040
Hastings	231.8	20,226
California State University	45,379.6	2,557,887
Employment Development Department	9,162.7	428,275
State Compensation Insurance Fund	8,457.0	455,628
Bureau of State Audits	122.3	7,891
TOTALS	<u>156,771.4</u>	<u>\$9,371,913</u>
	<u>Personnel Years</u>	<u>Dollars</u>
	<u>Proposed</u>	<u>Proposed</u>
	<u>2008-09</u>	<u>2008-09</u>
Position Classification		
Civil Service	219,293.8	\$14,776,095
Constitutional	480.8	47,413
Statutory	188.0	24,377
Exempt		
Various Departments	3,992.6	360,832
Higher Education		
University of California	86,672.3	5,522,349
Hastings College of the Law	245.5	23,947
California State University	45,480.1	2,653,457
NET TOTALS, SALARIES AND WAGES	<u>356,353.1</u>	<u>\$23,408,470</u>
Budget-Balancing Reductions ^{1/}	(-6,836.9)	(-\$430,725)

Please note: Total Personnel Years in 2008-09 of 356,353.1 is 21.8 higher than the 356,331.3 appearing on the State Agency Budgets web screen. This total includes 21.8 positions for financing authorities under the State Treasurer's Office that do not appear on the web screen total.

^{1/} These dollars and personnel years (PYs) are included in the General Government agency and assumed to be all "Civil Service" for this purpose. For a detailed listing of PYs reductions by agency, department, and program, please view the special display (Budget-Balancing Reductions) within organization 9944 in the Governor's Budget.

SCHEDULE 5A
STATEMENT OF ESTIMATED ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE
GENERAL FUND
(Dollars In Thousands)

	Actual 2006-07 Fiscal Year Accruals ^{1/}			Estimated 2007-08 Fiscal Year Accruals			Estimated 2008-09 Fiscal Year Accruals		
	Accounts payable June 30, 2007	Accounts receivable June 30, 2007	Net accruals June 30, 2007	Accounts payable June 30, 2008	Accounts receivable June 30, 2008	Net accruals June 30, 2008	Accounts payable June 30, 2009	Accounts receivable June 30, 2009	Net accruals June 30, 2009
STATE OPERATIONS									
Legislative/Judicial/Executive	\$432,914	\$282,498	\$150,416	\$445,901	\$290,973	\$154,928	\$459,278	\$299,702	\$159,576
State and Consumer Services	88,319	83,937	4,382	90,969	86,455	4,514	93,698	89,049	4,649
Business, Transportation and Housing Resources	6,548	12,775	-6,227	6,744	13,158	-6,414	6,946	13,553	-6,607
California Environmental Protection	977,558	788,998	188,560	1,006,885	812,668	194,217	1,037,092	837,048	200,044
Health and Human Services:	35,225	8,619	26,606	36,282	8,878	27,404	37,370	9,144	28,226
Health Services	17,381	235,698	-218,317	17,902	242,769	-224,867	18,439	250,052	-231,613
Developmental Services	36,202	49,065	-12,863	37,288	50,537	-13,249	38,407	52,053	-13,646
Mental Health	303,486	480,866	-177,380	312,591	495,292	-182,701	321,969	510,151	-188,182
Other Health and Human Services	197,532	236,605	-39,073	203,458	243,703	-40,245	209,562	251,014	-41,452
Corrections and Rehabilitation	2,555,497	2,201,346	354,151	2,632,162	2,267,386	364,776	2,711,127	2,335,408	375,719
Education:									
Department of Education	289,054	29,551	259,503	297,726	30,438	267,288	306,658	31,351	275,307
University of California	65,616	0	65,616	67,584	0	67,584	69,612	0	69,612
California State University	983	4,390	-3,407	1,012	4,522	-3,510	1,042	4,658	-3,616
Other Education	43,638	11,184	32,454	44,947	11,520	33,427	46,295	11,866	34,429
General Government/Labor	219,843	209,453	10,390	226,438	215,737	10,701	233,231	222,209	11,022
Totals, State Operations	\$5,269,796	\$4,634,985	\$634,811	\$5,427,889	\$4,774,036	\$653,853	\$5,590,726	\$4,917,258	\$673,468
LOCAL ASSISTANCE									
Public Schools K-12	\$1,637,974	\$167,457	\$1,470,517	\$1,687,113	\$172,481	\$1,514,632	\$1,737,726	\$177,655	\$1,560,071
California Community Colleges	189,307	109,000	80,307	194,986	112,270	82,716	200,836	115,638	85,198
Other Education	32,993	7,836	25,157	33,983	8,071	25,912	35,002	8,313	26,689
Alcohol and Drug Abuse	37,541	13,525	24,016	38,667	13,931	24,736	39,827	14,349	25,478
Health Services	330,235	157,132	173,103	340,142	161,846	178,296	350,346	166,701	183,645
Developmental Services	202,748	257,416	-54,668	208,830	265,138	-56,308	215,095	273,092	-57,997
Mental Health	65,151	785,587	-720,436	67,106	809,155	-742,049	69,119	833,430	-764,311
Social Services	180,971	361,924	-180,953	186,400	372,782	-186,382	191,992	383,965	-191,973
Other Health and Human Services	63,637	23,609	40,028	65,546	24,317	41,229	67,512	25,047	42,465
Tax Relief	3,447	1,190	2,257	3,550	1,226	2,324	6,517	1,263	5,254
Other Local Assistance	65,520	73,193	-7,673	67,486	75,389	-7,903	69,511	77,651	-8,140
Totals, Local Assistance	\$2,809,524	\$1,957,869	\$851,655	\$2,893,809	\$2,016,606	\$877,203	\$2,980,623	\$2,077,104	\$903,519
TOTALS, ALL CHARACTERS	\$8,079,320	\$6,592,854	\$1,486,466	\$8,321,698	\$6,790,642	\$1,531,056	\$8,571,349	\$6,994,362	\$1,576,987

^{1/} Information per the State Controller's Office.

Note: Numbers may not add due to rounding.

SCHEDULE 5B
ACTUAL 2006-07 FISCAL YEAR CASHFLOW
GENERAL FUND
(Dollars in Millions)

2006-07 FISCAL CASHFLOW BEGINNING CASH BALANCE RECEIPTS:	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
Alcoholic Beverage Excise Tax	\$35	\$19	\$30	\$33	\$21	\$36	\$34	\$17	\$26	\$22	\$27	\$29	\$329
Corporation Tax	302	205	2,252	359	-143	2,051	343	146	1,556	1,630	314	1,752	10,767
Cigarette Tax	16	10	6	12	7	11	7	11	8	7	9	7	111
Inheritance, Gift and Estate Taxes	2	3	1	1	3	3	2	3	1	3	1	4	27
Insurance Tax	12	21	786	-257	25	506	20	25	125	469	-4	447	2,175
Personal Income Tax	2,616	3,135	5,287	3,089	2,406	1,675	8,133	1,575	1,670	12,179	2,261	5,485	52,353
Retail Sales and Use Tax	929	3,480	2,202	1,077	3,513	2,100	1,098	3,607	2,193	564	4,082	2,670	27,515
Income from Pooled Money Investments	65	82	26	61	40	54	24	48	40	39	38	58	575
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	27	334	376	91	286	542	115	251	193	120	925	245	3,505
TOTAL, Receipts	\$4,004	\$7,289	\$10,966	\$4,466	\$6,158	\$9,820	\$9,776	\$5,683	\$5,812	\$15,033	\$7,653	\$10,697	\$97,357
DISBURSEMENTS:													
State Operations:													
University of California	\$319	\$223	\$238	\$320	\$307	\$295	\$284	\$267	\$315	\$343	\$133	\$9	\$3,053
Debt Service	12	393	456	481	204	190	13	497	335	338	129	227	3,275
Other State Operations	2,034	1,621	2,081	1,686	1,464	1,435	1,900	1,254	1,403	1,661	1,344	1,033	18,916
Social Services	1,718	705	606	773	667	545	802	620	535	817	317	597	8,702
Medi-Cal Assistance	1,181	1,109	1,183	1,101	1,291	881	1,012	866	1,467	963	1,345	820	13,219
Other Health Services	72	88	67	20	73	28	56	88	119	43	44	10	708
Schools	4,584	4,127	3,990	5,175	2,958	2,896	3,165	6,246	3,342	3,489	2,548	1,120	43,640
Teachers' Retirement	598	0	0	119	0	0	120	0	0	120	0	2	959
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	335	0	0	0	807
Transfer to Budget Stabilization Account	1,569	667	1,286	1,266	589	1,155	638	246	1,349	297	463	1,324	10,849
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL, Disbursements	\$12,087	\$3,933	\$10,379	\$10,941	\$7,553	\$7,425	\$7,990	\$10,084	\$9,200	\$8,071	\$6,323	\$5,142	\$104,128
EXCESS RECEIPTS/(DEFICIT)	-\$8,084	-\$1,644	\$587	-\$6,474	-\$1,395	\$2,395	\$1,787	-\$4,401	-\$3,389	\$6,963	\$1,331	\$5,554	-\$6,771
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties	\$0	\$495	-\$495	\$1,295	\$0	\$0	\$0	-\$4	\$331	\$0	-\$29	-\$1,592	\$0
Budget Stabilization Account	0	0	0	472	0	0	0	0	0	0	-472	0	0
Other Internal Sources	0	0	0	3,116	1,395	-2,395	-1,787	4,405	3,057	-6,963	-829	0	0
Revenue Anticipation Notes	0	0	0	1,500	0	0	0	0	0	0	0	-1,500	0
TOTAL, Net Temporary Loans	\$0	\$495	-\$495	\$6,383	\$1,395	-\$2,395	-\$1,787	\$4,401	\$3,388	-\$6,963	-\$1,330	-\$3,082	\$0
ENDING CASH BALANCE	\$1,149	\$0	\$92	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,462	\$2,462
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties	\$1,295	\$1,295	\$1,295	\$1,295	\$1,295	\$1,295	\$1,295	\$1,295	\$1,621	\$1,621	\$1,621	\$1,621	\$1,621
Budget Stabilization Account	0	0	472	472	472	472	472	472	472	472	472	472	472
Other Internal Sources	12,385	11,950	11,823	13,098	12,923	12,770	13,125	12,602	12,692	14,578	13,076	12,795	12,795
Revenue Anticipation Notes	0	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	0
TOTAL, Available/Borrowable Resources	\$13,680	\$13,245	\$13,589	\$16,364	\$16,189	\$16,037	\$16,392	\$15,869	\$16,285	\$18,172	\$16,670	\$14,889	\$14,889
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties	\$0	\$495	\$0	\$1,295	\$1,295	\$1,295	\$1,295	\$1,295	\$1,621	\$1,621	\$1,592	\$0	\$0
Budget Stabilization Account	0	0	0	472	472	472	472	472	472	472	0	0	0
Other Internal Sources	0	0	0	3,116	4,511	2,116	329	4,730	7,792	829	0	0	0
Revenue Anticipation Notes	0	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	0	0
TOTAL, Cumulative Loan Balances	\$0	\$495	\$0	\$6,383	\$7,777	\$5,382	\$3,596	\$7,997	\$11,385	\$4,423	\$3,092	\$0	\$0
UNUSED BORROWABLE RESOURCES	\$13,680	\$12,750	\$13,589	\$9,982	\$8,412	\$10,655	\$12,796	\$7,872	\$4,900	\$13,749	\$13,577	\$14,889	\$14,889
Cash and Unused Borrowable Resources	\$14,829	\$12,750	\$13,681	\$9,982	\$8,412	\$10,655	\$12,796	\$7,872	\$4,900	\$13,749	\$13,577	\$17,351	\$17,351

Note: Numbers may not add due to rounding

SCHEDULE 5C
ESTIMATED 2007-08 FISCAL YEAR CASHFLOW
GENERAL FUND
(Dollars in Millions)

2007-08 FISCAL CASHFLOW BEGINNING CASH BALANCE	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
RECEIPTS:	\$2,462	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,462
Alcoholic Beverage Excise Tax	\$37	\$26	\$28	\$25	\$30	\$29	\$33	\$22	\$24	\$28	\$28	\$28	\$339
Corporation Tax	292	161	2,307	381	39	1,501	308	196	1,656	1,517	242	1,823	10,423
Cigarette Tax	19	9	11	9	9	10	10	9	9	10	8	10	123
Inheritance, Gift and Estate Taxes	0	2	1	3	2	0	0	0	0	0	0	0	9
Insurance Tax	22	102	426	24	103	416	18	178	249	76	480	-13	2,081
Personal Income Tax	2,846	3,024	5,583	3,234	2,594	4,639	8,541	1,370	11,814	11,814	2,268	52,039	52,853
Retail Sales and Use Tax	895	3,573	2,038	984	3,641	2,132	999	3,739	2,190	1,056	3,625	2,544	27,416
Income from Pooled Money Investments	0	70	53	53	43	39	41	41	48	37	37	71	533
Transfer from Special Fund for Economic Uncertainties	0	12	0	0	0	0	0	0	0	0	0	0	12
Other	25	767	260	251	579	156	1,613	3,520	107	161	221	-154	7,506
TOTAL, Receipts	\$4,136	\$7,746	\$10,707	\$4,964	\$7,040	\$8,922	\$11,563	\$9,075	\$6,014	\$14,699	\$6,909	\$9,519	\$101,295
DISBURSEMENTS:													
State Operations:													
University of California	\$353	\$230	\$269	\$365	\$272	\$315	\$298	\$300	\$352	\$357	\$73	\$75	\$3,259
Debt Service	16	442	457	462	184	269	-71	758	301	193	164	166	3,341
Other State Operations	2,022	1,762	2,059	1,954	1,635	1,533	1,629	1,301	1,436	1,705	1,576	2,048	20,660
Social Services	1,095	1,159	907	835	719	742	691	648	557	718	475	762	9,308
Medi-Cal Assistance for DHOS	1,390	1,275	2,002	1,221	1,115	1,426	1,136	914	1,665	1,128	1,079	716	15,067
Other Health Care Services	-4	76	1	110	118	18	9	16	23	8	10	-223	162
Schools	3,943	4,040	5,442	4,820	3,133	3,807	3,984	7,275	3,145	3,136	3,059	-1,288	44,496
Teachers' Retirement	747	0	500	125	0	0	125	0	0	125	0	1	1,623
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	965	0	0	0	0	0	965
Transfer to Budget Stabilization Account	0	0	1,023	0	0	0	0	0	0	0	0	0	1,023
Other	700	935	-92	913	643	851	829	472	768	713	499	2,287	9,519
TOTAL, Disbursements	\$10,262	\$9,919	\$12,568	\$10,805	\$7,819	\$8,961	\$9,595	\$11,684	\$8,247	\$8,083	\$6,935	\$4,544	\$109,423
EXCESS RECEIPTS/(DEFICIT)	-\$6,126	-\$2,173	-\$1,861	-\$5,841	-\$779	-\$40	\$1,968	-\$2,609	-\$2,232	\$6,617	-\$26	\$4,975	-\$8,128
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties	\$1,622	-\$12	\$0	\$0	\$0	\$0	\$965	\$0	\$0	\$0	\$0	\$0	\$2,575
Budget Stabilization Account	472	0	1,023	0	0	0	-1,494	0	0	0	0	0	0
Other Internal Sources	1,571	2,185	839	5,841	-6,221	40	-1,439	2,609	2,232	-6,617	26	2,025	3,091
Revenue Anticipation Notes	0	0	0	0	7,000	0	0	0	0	0	0	-7,000	0
TOTAL, Net Temporary Loans	\$3,665	\$2,173	\$1,862	\$5,841	\$779	\$40	-\$1,968	\$2,609	\$2,232	-\$6,617	\$26	-\$4,975	\$5,666
ENDING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties	\$1,622	\$1,610	\$1,610	\$1,610	\$1,610	\$1,610	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575
Budget Stabilization Account	472	472	1,494	1,494	1,494	1,494	0	0	0	0	0	0	0
Other Internal Sources	14,087	13,388	13,077	12,979	12,406	11,374	11,511	11,968	11,587	11,763	12,008	12,282	12,282
Revenue Anticipation Notes	0	0	0	0	7,000	7,000	7,000	7,000	7,000	7,000	7,000	0	0
TOTAL, Available/Borrowable Resources	\$16,180	\$15,470	\$16,181	\$16,083	\$22,510	\$21,478	\$21,086	\$21,543	\$21,162	\$21,338	\$21,583	\$14,857	\$14,857
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties	\$1,622	\$1,610	\$1,610	\$1,610	\$1,610	\$1,610	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575
Budget Stabilization Account	472	472	1,494	1,494	1,494	1,494	0	0	0	0	0	0	0
Other Internal Sources	1,571	3,756	4,595	10,436	4,215	4,254	2,815	5,424	7,656	1,040	1,066	3,091	3,091
Revenue Anticipation Notes	0	0	0	0	7,000	7,000	7,000	7,000	7,000	7,000	7,000	0	0
TOTAL, Cumulative Loan Balances	\$3,664	\$5,837	\$7,699	\$13,540	\$14,319	\$14,358	\$12,390	\$14,999	\$17,231	\$10,615	\$10,841	\$5,666	\$5,666
UNUSED BORROWABLE RESOURCES	\$12,516	\$9,632	\$8,482	\$2,543	\$8,191	\$7,120	\$8,696	\$6,544	\$3,930	\$10,724	\$10,942	\$9,191	\$9,191
Cash and Unused Borrowable Resources	\$12,516	\$9,632	\$8,482	\$2,543	\$8,191	\$7,120	\$8,696	\$6,544	\$3,930	\$10,724	\$10,942	\$9,191	\$9,191

Note: Numbers may not add due to rounding.

SCHEDULE 5D
ESTIMATED 2008-09 FISCAL YEAR CASHFLOW
 GENERAL FUND
 (Dollars in Millions)

2008-09 FISCAL CASHFLOW BEGINNING CASH BALANCE	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
RECEIPTS:													
Alcoholic Beverage Excise Tax	\$33	\$27	\$30	\$30	\$30	\$30	\$33	\$22	\$24	\$28	\$28	\$28	\$343
Corporation Tax	310	171	2,481	374	-74	1,921	306	196	1,645	1,586	245	1,899	11,060
Cigarette Tax	11	11	11	10	10	10	10	9	9	10	10	10	121
Inheritance, Gift and Estate Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance Tax	21	492	37	27	491	37	19	219	329	128	443	30	2,273
Personal Income Tax	2,907	3,474	5,885	3,373	2,709	4,953	8,262	1,759	1,884	12,383	2,273	5,720	55,582
Retail Sales and Use Tax	1,055	3,655	2,351	1,023	3,788	2,424	734	4,074	2,485	1,026	3,764	2,712	29,091
Income from Pooled Money Investments	34	37	34	33	49	36	39	37	45	35	35	68	482
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	684	221	743	230	280	143	278	226	119	240	239	213	3,616
TOTAL, Receipts	\$5,055	\$8,088	\$11,572	\$5,100	\$7,283	\$9,554	\$9,681	\$6,542	\$6,540	\$15,436	\$7,037	\$10,679	\$102,568
DISBURSEMENTS:													
State Operations:													
University of California	\$324	\$236	\$302	\$301	\$345	\$305	\$289	\$291	\$341	\$346	\$71	\$9	\$3,160
Debt Service	18	625	368	449	282	204	17	986	362	302	157	268	4,038
Other State Operations	2,015	1,748	1,725	1,779	1,577	1,521	1,697	1,304	1,449	1,769	1,562	1,594	19,740
Social Services	1,019	296	1,992	768	768	649	717	684	547	750	467	304	8,961
Medi-Cal Assistance for DHOS	1,080	235	2,171	1,138	1,084	1,358	1,081	870	1,585	1,074	1,027	1,847	14,550
Other Health Care Services	11	21	20	10	10	19	9	17	23	8	11	8	167
Schools	3,473	4,199	5,392	3,293	2,381	2,840	3,079	7,675	2,360	2,403	2,433	1,669	41,197
Teachers' Retirement	214	0	0	134	292	0	134	0	0	426	0	-1	1,199
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	203	0	0	0	0	0	203
Transfer to Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	563	943	1,748	1,826	604	796	889	501	805	602	397	-88	9,587
TOTAL, Disbursements	\$9,717	\$8,303	\$13,718	\$9,698	\$7,343	\$7,692	\$8,115	\$12,328	\$7,472	\$7,680	\$6,125	\$5,610	\$102,802
EXCESS RECEIPTS/(DEFICIT)	-\$3,662	-\$215	-\$2,146	-\$4,598	-\$60	\$1,862	\$1,565	-\$5,787	-\$932	\$7,756	\$913	\$5,069	-\$234
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties	\$0	\$0	\$0	\$0	\$0	\$0	\$203	\$0	\$0	\$0	-\$810	\$810	\$203
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	3,662	215	-6,854	4,598	60	-1,862	-1,768	5,787	932	-7,756	-103	3,122	31
Revenue Anticipation Notes	0	0	9,000	0	0	0	0	0	0	0	0	-9,000	0
TOTAL, Net Temporary Loans	\$3,662	\$215	\$2,146	\$4,598	\$60	-\$1,862	-\$1,565	\$5,787	\$932	-\$7,756	-\$913	-\$5,068	\$234
ENDING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575	\$2,778	\$2,778	\$2,778	\$2,778	\$2,778	\$2,778	\$2,778
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	12,741	13,119	12,775	12,350	12,086	11,433	11,422	11,837	11,520	11,670	12,037	11,720	11,720
Revenue Anticipation Notes	0	0	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	0	0
TOTAL, Available/Borrowable Resources	\$15,316	\$15,694	\$24,350	\$23,925	\$23,661	\$23,008	\$23,200	\$23,615	\$23,298	\$23,448	\$23,815	\$14,497	\$14,497
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575	\$2,575	\$2,778	\$2,778	\$2,778	\$2,778	\$1,968	\$2,778	\$2,778
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	6,753	6,968	114	4,712	4,772	2,909	1,141	6,927	7,859	103	0	3,122	3,122
Revenue Anticipation Notes	0	0	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	0	0
TOTAL, Cumulative Loan Balances	\$9,328	\$9,543	\$11,689	\$16,287	\$16,347	\$14,484	\$12,919	\$18,705	\$19,637	\$11,881	\$10,968	\$5,900	\$5,900
UNUSED BORROWABLE RESOURCES	\$5,988	\$6,151	\$12,661	\$7,638	\$7,315	\$8,524	\$10,281	\$4,910	\$3,661	\$11,567	\$12,847	\$8,598	\$8,598
Cash and Unused Borrowable Resources	\$5,988	\$6,151	\$12,661	\$7,638	\$7,315	\$8,524	\$10,281	\$4,910	\$3,661	\$11,567	\$12,847	\$8,598	\$8,598

Note: Numbers may not add due to rounding.

**SCHEDULE 6
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES**

Year	Population ¹ (Thousands)	Employees ⁴ per 1,000 Population	Employees per 1,000 Population	Personal Income (Billions)	Revenue		Expenditures		Expenditures per Capita		Expenditures per \$100 of Personal Income	
					General Fund	Total	General Fund ²	Total ³	General Fund ²	Total ³	General Fund ²	Total ³
					(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)
1950-51	10,643	61,000	5.7	\$20.0	\$672	\$994	\$587	\$1,006	\$55.15	\$94.52	\$2.94	\$5.03
1951-52	11,130	63,860	5.7	23.2	734	1,086	635	1,068	57.05	95.96	2.74	4.60
1952-53	11,638	65,720	5.6	25.7	774	1,151	714	1,177	61.35	101.13	2.78	4.58
1953-54	12,101	69,928	5.8	27.6	798	1,271	809	1,381	66.85	114.12	2.93	5.00
1954-55	12,517	74,099	5.9	28.4	879	1,434	852	1,422	68.07	113.61	3.00	5.01
1955-56	13,004	77,676	6.0	31.3	1,005	1,578	923	1,533	70.98	117.89	2.95	4.90
1956-57	13,581	88,299	6.5	34.3	1,079	1,834	1,030	1,732	75.84	127.53	3.00	5.05
1957-58	14,177	98,015	6.9	36.8	1,111	1,751	1,147	1,891	80.91	133.39	3.12	5.14
1958-59	14,741	101,982	6.9	38.7	1,210	1,925	1,246	1,932	84.53	131.06	3.22	4.99
1959-60	15,288	108,423	7.1	42.4	1,491	2,198	1,435	2,086	93.86	136.45	3.38	4.92
1960-61	15,863	115,737	7.3	44.8	1,598	2,338	1,678	2,525	105.78	159.18	3.75	5.64
1961-62	16,412	122,339	7.5	47.5	1,728	2,451	1,697	2,406	103.40	146.60	3.57	5.07
1962-63	16,951	128,981	7.6	51.3	1,866	2,668	1,881	2,703	110.97	159.46	3.67	5.27
1963-64	17,530	134,721	7.7	54.8	2,137	3,057	2,064	3,182	117.74	181.52	3.77	5.81
1964-65	18,026	143,896	8.0	59.5	2,245	3,295	2,345	3,652	130.09	202.60	3.94	6.14
1965-66	18,464	151,199	8.2	63.4	2,509	3,581	2,580	4,059	139.73	219.83	4.07	6.40
1966-67	18,831	158,404	8.4	68.9	2,895	4,073	3,017	4,659	160.21	247.41	4.38	6.76
1967-68	19,175	162,677	8.5	74.3	3,682	4,927	3,273	5,014	170.69	261.49	4.41	6.75
1968-69	19,432	171,655	8.8	81.5	4,136	5,450	3,909	5,673	201.16	291.94	4.80	6.96
1969-70	19,745	179,583	9.1	89.3	4,330	5,743	4,456	6,302	225.68	319.17	4.99	7.06
1970-71	20,039	181,581	9.1	96.3	4,534	5,919	4,854	6,556	242.23	327.16	5.04	6.81
1971-72	20,346	181,912	8.9	102.4	5,395	6,897	5,027	6,684	247.08	328.52	4.91	6.53
1972-73	20,585	188,460	9.2	112.3	5,780	7,366	5,616	7,422	272.82	360.55	5.00	6.61
1973-74	20,869	192,918	9.2	124.0	6,978	8,715	7,299	9,311	349.75	446.16	5.89	7.51
1974-75	21,174	203,548	9.6	138.7	8,630	10,405	8,349	10,276	394.30	485.31	6.02	7.41
1975-76	21,538	206,361	9.6	153.5	9,639	11,567	9,518	11,452	441.92	531.71	6.20	7.46
1976-77	21,936	213,795	9.7	171.6	11,381	13,463	10,467	12,632	477.16	575.86	6.10	7.36
1977-78	22,352	221,251	9.9	191.5	13,695	15,962	11,686	14,003	522.82	626.48	6.10	7.31
1978-79	22,836	218,530	9.6	218.8	15,219	17,711	16,251	18,745	711.64	820.85	7.43	8.57
1979-80	23,257	220,193	9.5	250.1	17,985	20,919	18,534	21,488	796.92	923.94	7.41	8.59
1980-81	23,782	225,567	9.5	284.5	19,023	22,104	21,105	24,511	887.44	1,030.65	7.42	8.62
1981-82	24,278	228,813	9.4	320.0	20,960	23,601	21,693	25,022	893.53	1,030.65	6.78	7.82
1982-83	24,805	228,489	9.2	341.6	21,233	24,291	21,751	25,330	876.88	1,021.17	6.37	7.42
1983-84	25,337	226,695	8.9	369.1	23,809	27,626	22,869	26,797	902.59	1,057.62	6.20	7.26
1984-85	25,816	229,845	8.9	413.4	26,536	31,570	25,722	30,961	996.36	1,199.30	6.22	7.49
1985-86	26,403	229,641	8.7	448.3	28,072	33,558	28,841	34,977	1,092.34	1,324.74	6.43	7.80
1986-87	27,052	232,927	8.6	478.8	32,519	37,767	31,469	38,079	1,163.28	1,407.62	6.57	7.95
1987-88	27,717	237,761	8.6	515.3	32,534	38,773	33,021	40,452	1,191.36	1,459.47	6.41	7.85
1988-89	28,393	248,173	8.7	557.9	36,953	43,322	35,897	44,634	1,264.29	1,572.01	6.43	8.00
1989-90	29,142	254,589	8.7	601.5	38,750	46,453	39,456	48,594	1,353.92	1,667.49	6.56	8.08
1990-91	29,828	260,622	8.7	648.3	38,214	47,024	40,264	51,446	1,349.87	1,724.76	6.21	7.94
1991-92	30,459	261,713	8.6	662.7	42,026	53,117	43,327	56,280	1,422.47	1,847.73	6.54	8.49
1992-93	30,987	260,939	8.4	696.7	40,946	52,526	40,948	56,480	1,321.46	1,822.70	5.88	8.11
1993-94	31,314	265,035	8.5	707.9	40,095	52,384	38,958	53,083	1,244.11	1,695.18	5.50	7.50
1994-95	31,524	269,004	8.5	730.5	42,710	54,942	41,961	54,613	1,331.08	1,732.43	5.74	7.48
1995-96	31,712	271,076	8.5	765.8	46,296	59,266	45,393	59,870	1,431.41	1,887.93	5.93	7.82
1996-97	31,963	271,966	8.5	810.4	49,220	62,831	49,088	64,523	1,535.78	2,018.68	6.06	7.96
1997-98	32,453	271,254	8.4	860.5	54,973	69,424	52,874	68,528	1,629.25	2,111.61	6.14	7.96
1998-99	32,863	282,860	8.6	936.0	58,615	74,281	57,827	75,260	1,759.64	2,290.11	6.18	8.04
1999-00	33,419	296,076	8.9	999.2	71,931	87,536	66,494	84,864	1,989.71	2,539.39	6.65	8.49
2000-01	34,095	311,239	9.1	1,103.8	71,428	88,419	78,053	96,382	2,289.28	2,826.87	7.07	8.73
2001-02	34,767	323,603	9.3	1,135.3	72,239	89,780	76,752	99,220	2,207.61	2,853.86	6.76	8.74
2002-03	35,361	321,394	9.1	1,147.7	80,564	95,794	77,482	106,779	2,191.17	3,019.68	6.75	9.30
2003-04	35,944	316,860	8.8	1,187.0	76,774	96,365	78,345	104,223	2,179.64	2,899.59	6.60	8.78
2004-05	36,454	313,684	8.6	1,265.7	82,209	104,462	79,804	107,591	2,189.17	2,951.42	6.31	8.50
2005-06	36,896	317,593	8.6	1,347.9	93,451	118,347	91,592	119,612	2,482.44	3,241.87	6.80	8.87
2006-07	37,333	335,384	9.0	1,434.9	95,415	120,663	101,413	129,968	2,716.44	3,481.32	7.07	9.06
2007-08	37,771	359,424	9.5	1,515.8	101,230	126,030	103,373	145,227	2,736.84	3,844.93	6.82	9.58
2008-09	38,199	356,353	9.3	1,588.5	102,904	129,788	100,998	141,039	2,644.00	3,692.22	6.36	8.88

¹ Population as of July 1, the beginning of the fiscal year.

² Includes Special Accounts in General Fund from 1973-74 to 1976-77.

³ Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1963-64.

⁴ Please see footnote regarding total positions on Schedule 4.

SCHEDULE 8
COMPARATIVE STATEMENT OF REVENUES
(Dollars In Thousands)

Sources	Actual 2006-07			Estimated 2007-08			Proposed 2008-09		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
MAJOR TAXES AND LICENSES									
Alcoholic Beverage Taxes and Fees	\$333,789	-	\$333,789	\$334,200	-	\$334,200	\$341,200	-	\$341,200
Corporation Tax	11,157,898	-	11,157,898	10,675,000	-	10,675,000	11,937,000	-	11,937,000
Cigarette Tax	115,368	963,168	1,078,536	116,300	952,269	1,068,569	119,400	976,166	1,095,566
Horse Racing (Parimutuel) License Fees	2,270	35,257	37,527	2,375	35,868	38,243	2,375	35,868	38,243
Estate, Inheritance and Gift Tax	-	-	6,348	-	-	-	-	-	-
Insurance Gross Premiums Tax	2,178,336	-	2,178,336	2,075,000	-	2,075,000	2,276,000	-	2,276,000
Trailer Coach License (In-Lieu) Fees	26,982	2,388	29,370	27,713	2,388	30,101	28,508	2,388	30,896
Motor Vehicle License (In-Lieu) Fees	-	2,268,019	2,268,019	-	2,329,571	2,329,571	-	2,390,061	2,390,061
Motor Vehicle Fuel Tax (Gasoline)	-	2,851,631	2,851,631	-	2,910,218	2,910,218	-	2,947,226	2,947,226
Motor Vehicle Fuel Tax (Diesel)	-	580,896	580,896	-	593,645	593,645	-	618,201	618,201
Motor Vehicle Registration	-	2,849,952	2,849,952	-	2,968,844	2,968,844	-	3,545,163	3,545,163
Personal Income Tax	51,943,287	1,375,000	53,318,287	52,681,000	1,493,000	54,174,000	56,458,000	1,565,000	58,023,000
Retail Sales and Use Tax-Realignment	-	2,862,308	2,862,308	-	2,886,611	2,886,611	-	3,012,890	3,012,890
Retail Sales and Use Taxes	27,444,661	950,814	28,395,475	27,689,000	1,157,960	28,846,960	29,215,000	1,343,304	30,558,304
Retail Sales and Use Tax-Fiscal Recovery	-	1,411,392	1,411,392	-	1,443,000	1,443,000	-	1,522,000	1,522,000
TOTALS, MAJOR TAXES AND LICENSES	\$93,208,939	\$16,150,825	\$109,359,764	\$93,600,588	\$16,773,374	\$110,373,962	\$100,377,483	\$17,958,267	\$118,335,750
MINOR REVENUES									
REGULATORY TAXES AND LICENSES									
General Fish and Game Taxes	-	1,061	1,061	-	1,308	1,308	-	1,245	1,245
Energy Resource Surcharge	-	600,518	600,518	-	691,497	691,497	-	660,999	660,999
Quarterly Public Utility Commission Fees	-	86,646	86,646	-	116,056	116,056	-	126,089	126,089
Hwy Carrier Uniform Business License Tax	255	-	255	255	-	255	255	-	255
Off-Highway Vehicle Fees	-	11,541	11,541	-	10,000	10,000	-	23,500	23,500
Liquor License Fees	-	48,881	48,881	-	49,845	49,845	-	51,358	51,358
Genetic Disease Testing Fees	-	97,982	97,982	-	117,070	117,070	-	119,192	119,192
Other Regulatory Taxes	-	103,125	103,125	-	106,841	106,841	-	113,012	113,012
New Motor Vehicle Dealer License Fee	-	1,841	1,841	-	1,551	1,551	-	1,551	1,551
General Fish and Game Lic Tags Permits	-	89,272	89,272	-	93,561	93,561	-	93,298	93,298
Duck Stamps	-	27	27	-	23	23	-	8	8
Elevator and Boiler Inspection Fees	238	16,388	16,626	-	18,038	18,038	-	21,986	21,986
Industrial Homework Fees	1	-	1	1	-	1	1	-	1
Employment Agency License Fees	562	5,112	5,674	650	4,958	5,608	650	5,015	5,665
Employment Agency Filing Fees	79	-	79	82	-	82	82	-	82
Teacher Credential Fees	-	14,385	14,385	-	14,396	14,396	-	14,396	14,396
Teacher Examination Fees	-	4,257	4,257	-	6,128	6,128	-	5,923	5,923
Insurance Co License Fees & Penalties	-	38,087	38,087	-	39,865	39,865	-	40,129	40,129
Insurance Company Examination Fees	-	19,042	19,042	-	20,112	20,112	-	19,002	19,002
Real Estate Examination Fees	-	8,570	8,570	-	3,002	3,002	-	2,283	2,283
Real Estate License Fees	-	22,575	22,575	-	22,487	22,487	-	21,377	21,377
Subdivision Filing Fees	-	9,358	9,358	-	7,775	7,775	-	8,004	8,004
Building Construction Filing Fees	-	4,278	4,278	-	4,278	4,278	-	4,278	4,278
Domestic Corporation Fees	-	12,697	12,697	-	12,795	12,795	-	13,295	13,295
Foreign Corporation Fees	-	1,086	1,086	-	1,095	1,095	-	1,095	1,095
Notary Public License Fees	-	1,869	1,869	-	1,832	1,832	-	1,832	1,832

SCHEDULE 8 -- Continued
COMPARATIVE STATEMENT OF REVENUES
(Dollars In Thousands)

Sources	Actual 2006-07			Estimated 2007-08			Proposed 2008-09		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Filing Financing Statements	-	3,337	3,337	-	2,804	2,804	-	2,804	2,804
Candidate Filing Fee	220	-	220	680	-	680	170	-	170
Beverage Container Redemption Fees	-	934,042	934,042	-	1,192,140	1,192,140	-	1,383,674	1,383,674
Explosive Permit Fees	-	1	1	-	1	1	-	1	1
Environmental and Hazardous Waste Fees	-	66,449	66,449	-	71,630	71,630	-	71,382	71,382
Other Regulatory Fees	547,203	1,920,886	2,468,089	541,456	1,763,549	2,305,005	541,456	1,770,761	2,312,217
Other Regulatory Licenses and Permits	14,690	470,520	485,210	6,752	508,641	515,393	6,812	576,298	583,110
Renewal Fees	288	175,312	175,600	-	178,035	178,035	-	184,866	184,866
Delinquent Fees	1	5,391	5,392	1	5,065	5,066	1	5,263	5,264
Private Rail Car Tax	6,703	-	6,703	6,703	-	6,703	6,703	-	6,703
Insurance Department Fees, Prop 103	-	29,563	29,563	-	24,742	24,742	-	27,436	27,436
Insurance Department Fees, General	-	20,668	20,668	-	20,404	20,404	-	126,366	126,366
Insurance Fraud Assessment, Workers Comp	-	40,479	40,479	-	43,962	43,962	-	48,137	48,137
Insurance Fraud Assessment, Auto	-	43,691	43,691	-	45,252	45,252	-	46,836	46,836
Insurance Fraud Assessment, General	-	5,140	5,140	-	10,433	10,433	-	10,506	10,506
Totals, REGULATORY TAXES AND LICENSES	\$570,240	\$4,914,077	\$5,484,317	\$556,580	\$5,211,171	\$5,767,751	\$556,130	\$5,603,197	\$6,159,327
REVENUE FROM LOCAL AGENCIES									
Architecture Public Building Fees	-	48,507	48,507	-	45,428	45,428	-	45,428	45,428
Penalties on Traffic Violations	-	94,888	94,888	-	98,295	98,295	-	99,780	99,780
Penalties on Felony Convictions	-	59,979	59,979	-	61,504	61,504	-	61,504	61,504
Fines-Crimes of Public Offense	-	6,364	6,364	-	3,872	3,872	-	3,872	3,872
Fish and Game Violation Fines	-	728	728	-	1,033	1,033	-	952	952
Penalty Assessments on Fish & Game Fines	-	532	532	-	643	643	-	652	652
Interest on Loans to Local Agencies	68	1,222	1,290	68	1,372	1,440	68	1,243	1,311
Add'l Assmnts on Fish & Game Fines	-	69	69	-	77	77	-	77	77
Narcotic Fines	3,643	-	3,643	1,000	-	1,000	1,000	-	1,000
Fingerprint ID Card Fees	-	65,492	65,492	-	67,719	67,719	-	66,719	66,719
Misc Revenue From Local Agencies	243,405	519,403	762,808	228,658	548,719	777,377	204,420	549,868	754,288
Open Space Cancellation Fee Deferred Taxes	20,308	3,360	23,668	11,401	3,599	15,000	12,311	2,689	15,000
Rev Local Govt Agencies-Cost Recoveries	19,238	10,558	29,796	18,360	10,091	28,451	14,216	10,292	24,508
Totals, REVENUE FROM LOCAL AGENCIES	\$286,662	\$811,102	\$1,097,764	\$259,487	\$842,352	\$1,101,839	\$232,015	\$843,076	\$1,075,091
SERVICES TO THE PUBLIC									
Pay Patients Board Charges	17,363	-	17,363	16,500	-	16,500	16,675	-	16,675
State Beach and Park Service Fees	-	75,006	75,006	-	77,700	77,700	-	77,750	77,750
Parking Lot Revenues	-	8,041	8,041	-	7,593	7,593	-	7,753	7,753
Emergency Telephone Users Surcharge	-	112,154	112,154	-	102,000	102,000	-	102,000	102,000
Sales of Documents	170	6,923	7,093	190	5,730	5,920	190	5,539	5,729
General Fees--Secretary of State	65	26,518	26,583	85	26,902	26,987	90	28,863	28,953
Parental Fees	-	1,233	1,233	-	1,400	1,400	-	1,400	1,400
Guardianship Fees	-	-	-	5	-	5	-	-	5
Miscellaneous Services to the Public	2,581	136,248	138,829	2,188	136,104	138,292	1,018	137,858	138,876
Receipts From Health Care Deposit Fund	4,642	-	4,642	8,000	-	8,000	8,000	-	8,000
Medicare Receipts Fm Federal Government	11,313	-	11,313	16,825	-	16,825	16,725	-	16,725
Personalized License Plates	-	52,901	52,901	-	53,966	53,966	-	54,365	54,365
Totals, SERVICES TO THE PUBLIC	\$36,134	\$419,024	\$455,158	\$43,793	\$411,395	\$455,188	\$42,703	\$415,528	\$458,231

SCHEDULE 8 -- Continued
COMPARATIVE STATEMENT OF REVENUES
(Dollars In Thousands)

Sources	Actual 2006-07			Estimated 2007-08			Proposed 2008-09		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
USE OF PROPERTY AND MONEY									
Income From Pooled Money Investments	533,149	1,594	534,743	520,000	18	520,018	482,000	25	482,025
Income From Surplus Money Investments	5,813	472,325	478,138	5,000	378,670	383,670	5,000	339,337	344,337
Interest Income From Loans	5,507	1,295	6,802	5,123	1,282	6,405	4,977	1,256	6,233
Interest Income From Interfund Loans	8,082	57,197	65,279	-	1,156	1,156	-	2,906	2,906
Income From Other Investments	-	16,073	16,073	-	350	350	-	300	300
Income From Condemnation Deposits Fund	-	4,147	4,147	-	2,733	2,733	-	2,733	2,733
Federal Lands Royalties	-	48,768	48,768	-	50,011	50,011	-	50,011	50,011
Oil & Gas Lease-1% Revenue City/County	462	-	462	400	-	400	400	-	400
Rentals of State Property	16,338	44,410	60,748	11,628	36,846	48,474	11,810	39,828	51,638
Misc Revenue Firm Use of Property & Money	28,923	56,342	85,265	22,420	41,983	64,403	15,920	38,915	54,835
School Lands Royalties	-	80	80	-	97	97	-	97	97
State Lands Royalties	255,092	-	255,092	207,119	-	207,119	200,819	-	200,819
Totals, USE OF PROPERTY AND MONEY	\$853,366	\$702,231	\$1,555,597	\$771,690	\$513,146	\$1,284,836	\$720,926	\$475,408	\$1,196,334
MISCELLANEOUS									
Attorney General Proceeds of Anti-Trust	-	1,051	1,051	-	1,100	1,100	-	1,200	1,200
Penalties & Interest on UI & DI Contrib	-	102,641	102,641	-	92,865	92,865	-	96,031	96,031
Sale of Fixed Assets	-	1,483	1,483	-	31,684	31,684	-	44,485	44,485
Sale of Confiscated Property	6,109	-	6,109	5,385	-	5,385	5,385	-	5,385
Sale of State's Public Lands	-	301	301	-	275	275	-	8,450	8,450
Proceeds From Estates of Deceased Person	2	-	2	2,814	-	2,814	25	-	25
Revenue-Abandoned Property	205,180	-	205,180	440,707	-	440,707	284,009	-	284,009
Escheat of Unclaimed Checks & Warrants	32,233	2,830	35,063	30,218	4,780	34,998	30,218	4,757	34,975
Miscellaneous Revenue	114,067	405,353	519,420	932,947	349,284	1,282,231	512,998	305,408	818,406
Bond Proceeds	-	-	-	3,313,000	-	3,313,000	-	-	-
Penalties & Intrst on Personal Income Tx	-	20,639	20,639	-	14,700	14,700	-	14,700	14,700
Other Revenue - Cost Recoveries	32,537	86,559	119,096	1,500	92,084	93,584	38,822	115,026	153,848
Settlements/Judgments(not Anti-trust)	37,251	5,824	43,075	4,189	7,038	11,227	13	6,922	6,935
Uninsured Motorist Fees	2,859	720	3,579	2,600	664	3,264	2,600	677	3,277
Traffic Violations	-	4,134	4,134	-	4,356	4,356	-	4,399	4,399
Parking Violations	9,196	1,155	10,351	8,351	460	8,811	8,351	310	8,661
Penalty Assessments	33,637	111,185	144,822	31,017	117,432	148,449	30,617	126,203	156,820
Civil & Criminal Violation Assessment	541	165,959	166,500	545	125,643	126,188	430	123,826	124,256
Fines and Forfeitures	5,098	254,181	259,279	4,571	251,207	255,778	4,571	251,207	255,778
Court Filing Fees and Surcharges	-	452,172	452,172	-	462,211	462,211	-	457,211	457,211
Penalty Assessments on Criminal Fines	-	85,205	85,205	-	93,490	93,490	-	97,865	97,865
Totals, MISCELLANEOUS	\$478,710	\$1,701,392	\$2,180,102	\$4,777,844	\$1,649,273	\$6,427,117	\$918,039	\$1,658,677	\$2,576,716
TOTALS, MINOR REVENUES	\$2,225,112	\$8,547,826	\$10,772,938	\$6,409,394	\$8,627,337	\$15,036,731	\$2,469,813	\$8,995,886	\$11,465,699
TOTALS, REVENUES	\$95,434,051	\$24,698,651	\$120,132,702	\$100,009,982	\$25,400,711	\$125,410,693	\$102,847,296	\$26,954,153	\$129,801,449
TRANSFERS AND LOANS									
General Fund	-1,003,674	770,624	-233,050	-1,070,047	1,032,658	-37,389	-34,228	33,928	-300
Property Acquisition Law Money Account	13,633	-13,633	-	4,237	-4,237	-	-	-	-
Motor Vehicle Parking Facil Moneys Acct	-	-	-	-	-328	-328	-	-328	-328
Highway Account, State, STF	9,287	-9,287	-	-	-	-	-	-	-
Motor Vehicle Account, STF	303	-319	-16	60	-76	-16	60	-76	-16

SCHEDULE 8 -- Continued
COMPARATIVE STATEMENT OF REVENUES
(Dollars In Thousands)

Sources	Actual 2006-07			Estimated 2007-08			Proposed 2008-09		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Motor Vehicle Fuel Account, TTF	-	-19,339	-19,339	-	-	-22,516	-	-19,822	-19,822
Workers' Compensation Managed Care Fund	708	-708	-	-	-	-	-	-	-
Beverage Container Recycling Fund, CA	2,000	-2,000	-	-	-	-	-	-	-
Water Fund, California	15,614	-15,614	-	-	-	-	-	-	-
Driver Training Penalty Assessment Fund	14,079	-14,079	-	14,356	-14,356	-	14,491	-14,491	-
Employment Development Dept Benefit Audit	8,654	-8,654	-	5,020	-5,020	-	2,931	-2,931	-
Employment Development Contingent Fund	26,982	-26,982	-	18,851	-18,851	-	43,815	-43,815	-
Fair and Exposition Fund	246	-246	-	246	-246	-	246	-246	-
Genetic Disease Testing Fund	-	-	-	3,289	-3,289	-	4,500	-4,500	-
Workplace Health & Safety Revolving Fund	494	-494	-	-	-	-	-	-	-
Business Fees Fund, Secty of State's	18,595	-18,595	-	13,003	-13,003	-	13,937	-13,937	-
Collins-Dugan Calif Conserv Corps Reimb	7,000	-7,000	-	-	-	-	-	-	-
Indian Gaming Special Distribution Fund	-	-47,000	-47,000	-	-	-50,500	-	-	-
False Claims Act Fund	33,000	-33,000	-	-	-	-	-	-	-
Underground Storage Tank Cleanup Fund	-	-	-	-	-3,500	-3,500	-	-3,500	-3,500
Financial Responsibility Penalty Account	2,206	-2,206	-	2,026	-2,026	-	2,206	-2,206	-
Other Unallocated Special Funds	5,077	-5,077	-	3,729	-3,729	-	3,674	-3,674	-
Central Valley Water Project Const Fund	40,000	-	40,000	-	-	-	-	-	-
Harbors and Watercraft Revolving Fund	-	1,137	1,137	-	4,400	4,400	-	7,000	7,000
Scholarshare Administrative Fund	745	-	745	-	-	-	-	-	-
Upper Newport Bay Ecological Maint&Presv	-	-	-	-	-	-	800	-800	-
Public Buildings Construction Fund	17,711	-	17,711	5,423	-	5,423	-	-	-
Service Revolving Fund	1,413	1,772	3,185	1,186	-	1,186	1,186	-	1,186
Milk Producers Security Trust Fund	-	1,686	1,686	-	-	-	-	-	-
Housing Rehabilitation Loan Fund	8,000	-	8,000	-	-	-	-	-	-
Special Deposit Fund	1,380	-	1,380	300	-	300	300	-	300
Various Other Unallocated NGC Funds	2,857	-	2,857	2,097	-	2,097	1,837	-	1,837
Natural Heritage Preservation Tax Credit	-	-	-	4,883	-4,883	-	-	-	-
Budget Stabilization Account	-	-	-	1,494,391	-1,494,391	-	-	-	-
Permanent Amusement Ride Safety Insp Fd	254	-254	-	-	-	-	-	-	-
Tobacco Settlement Fund	1,118	-1,118	-	-	-	-	-	-	-
Agricultural Biomass Utilization Account	-	-	-	255	-255	-	-	-	-
Golden Bear State Pharmacy Asst Program	640	-640	-	-	-	-	-	-	-
Licensing and Certification Prog Fd, PH	-	-	-	1,068	-1,068	-	1,068	-1,068	-
Stem Cell Research and Cures Fund, CA	153,000	-	153,000	-	-	-	-	-	-
Tobacco Asset Sales Revenue Fund	600,000	-	600,000	678,625	-	678,625	-	-	-
CA Consumer Pwr & Conservation Fin Auth	-	-	-	-	3,641	3,641	-	-	-
FlisCal Internal Services Fund	-	-	-	37,389	-	37,389	-	-	-
TOTALS, TRANSFERS AND LOANS	\$-18,678	\$548,974	\$530,296	\$1,220,387	\$-601,575	\$618,812	\$56,823	\$-70,466	\$-13,643
TOTALS, REVENUES AND TRANSFERS	\$95,415,373	\$25,247,625	\$120,662,998	\$101,230,369	\$24,799,136	\$126,029,505	\$102,904,119	\$26,883,687	\$129,787,806

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
LEGISLATIVE, JUDICIAL, AND EXECUTIVE															
Legislative															
Legislature															
Senate															
State Operations	\$102,201	-	-	\$102,201	-	\$107,556	-	-	\$107,556	-	\$112,611	-	-	\$112,611	-
Assembly															
State Operations	138,685	-	-	138,685	-	145,952	-	-	145,952	-	152,812	-	-	152,812	-
Totals, Legislature	\$240,886	-	-	\$240,886	-	\$253,508	-	-	\$253,508	-	\$265,423	-	-	\$265,423	-
Legislative Counsel Bureau															
State Operations	86,549	-	-	86,549	-	88,144	-	-	88,144	-	88,307	-	-	88,307	-
Totals, Legislative Judicial	\$327,435	-	-	\$327,435	-	\$341,652	-	-	\$341,652	-	\$353,730	-	-	\$353,730	-
Judicial Branch															
State Operations	333,189	57,690	-	390,879	2,378	371,400	74,652	-	446,052	4,768	414,768	95,885	-	510,653	5,964
Local Assistance	1,671,524	1,316,659	-	2,988,183	787	1,864,916	1,327,467	-	3,192,383	2,275	2,047,488	1,308,111	-	3,355,599	2,275
Capital Outlay	-	4,657	-	4,657	-	-	89,115	-	89,115	-	-	121,852	61,584	183,436	-
Totals, Judicial Branch	\$2,004,713	\$1,379,006	-	\$3,383,719	\$3,165	\$2,236,316	\$1,491,234	-	\$3,727,550	\$7,043	\$2,462,256	\$1,525,848	\$61,584	\$4,049,688	\$8,239
Commission on Judicial Performance															
State Operations	4,027	-	-	4,027	-	4,496	-	-	4,496	-	4,527	-	-	4,527	-
Judges' Retirement System Contributions															
State Operations	2,993	-	-	2,993	-	3,364	-	-	3,364	-	3,486	-	-	3,486	-
Local Assistance	153,507	-	-	153,507	-	191,111	-	-	191,111	-	224,848	-	-	224,848	-
Totals, Judges' Retirement System Contribution	\$156,500	-	-	\$156,500	-	\$194,475	-	-	\$194,475	-	\$228,334	-	-	\$228,334	-
Totals, Judicial Executive/Governor	\$2,165,240	\$1,379,006	-	\$3,544,246	\$3,165	\$2,435,287	\$1,491,234	-	\$3,926,521	\$7,043	\$2,695,117	\$1,525,848	\$61,584	\$4,282,549	\$8,239
Governor's Office															
State Operations	18,606	-	-	18,606	-	19,838	-	-	19,838	-	20,781	-	-	20,781	-
Office of the Chief Information Officer															
State Operations	-	-	-	-	-	-	-	-	-	-	6,691	-	-	6,691	-
Office of the Inspector General															
State Operations	14,088	-	-	14,088	-	19,170	-	-	19,170	-	25,552	-	-	25,552	-
Office of Planning & Research															
State Operations	9,792	-	-	9,792	2,089	10,678	-	-	10,678	3,465	10,581	-	-	10,581	2,942
Local Assistance	-	-	-	-	29,061	-	-	-	-	35,000	-	-	-	-	35,000
Totals, Office of Planning & Research	\$9,792	-	-	\$9,792	\$31,150	\$10,678	-	-	\$10,678	\$38,465	\$10,581	-	-	\$10,581	\$37,942
Office of Emergency Services															
State Operations	43,402	1,946	-	45,348	46,601	72,378	6,169	2,561	81,108	73,078	66,378	14,088	2,599	83,065	74,964
Local Assistance	150,142	19,746	-	169,888	704,274	195,840	30,295	140,000	366,135	1,018,924	153,167	30,349	157,000	340,516	1,013,606
Capital Outlay	-	-	-	-	-	-	-	-	-	-	963	-	-	963	-
Totals, Office of Emergency Services	\$193,544	\$21,692	-	\$215,236	\$750,875	\$268,218	\$36,464	\$142,561	\$447,243	\$1,092,002	\$220,508	\$44,437	\$159,599	\$424,544	\$1,088,570
Totals, Executive/Governor	\$236,030	\$21,692	-	\$257,722	\$782,025	\$317,904	\$36,464	\$142,561	\$496,929	\$1,130,467	\$284,113	\$44,437	\$159,599	\$488,149	\$1,126,512
Executive/Constitutional Offices															
Office of the Lieutenant Governor															
State Operations	2,773	-	-	2,773	-	3,145	-	-	3,145	-	3,070	-	-	3,070	-
Department of Justice															

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09			
	General Fund	Special Fund	Selected Bond Funds	Budget Total	General Fund	Special Fund	Selected Bond Funds	Budget Total	General Fund	Special Fund	Selected Bond Funds	Budget Total
State Operations	395,704	161,551	-	557,255	39,560	413,707	195,057	-	419,385	186,753	-	606,138
Local Assistance	3,045	2,878	-	5,923	-	3,045	6,383	-	3,045	6,383	-	9,428
Totals, Department of Justice	\$398,749	\$164,429	-	\$563,178	\$39,560	\$416,752	\$201,440	-	\$422,430	\$193,136	-	\$615,566
State Controller												
State Operations	100,932	16,258	1,234	118,424	700	117,470	18,220	1,368	90,451	16,628	1,446	108,525
Local Assistance	-699	-	-	-699	-	-593	-	-593	-	-	-	-593
Totals, State Controller	\$100,233	\$16,258	\$1,234	\$117,725	\$700	\$116,877	\$18,220	\$1,368	\$89,858	\$16,628	\$1,446	\$107,932
Department of Insurance												
State Operations	-	156,388	-	156,388	-	-	170,088	-	2,122	170,598	-	172,720
Local Assistance	-	41,414	-	41,414	-	-	47,539	-	-	51,148	-	51,148
Totals, Department of Insurance	-	\$197,802	-	\$197,802	-	-	\$217,627	-	\$2,122	\$221,746	-	\$223,868
Gambling Control Commission												
State Operations	-	7,167	-	7,167	-	-	11,203	-	-	13,888	-	13,888
Local Assistance	-	29,963	-	29,963	-	-	283	-	-	-	-	-
Totals, Gambling Control Commission	-	\$37,130	-	\$37,130	-	-	\$11,486	-	-	\$13,888	-	\$13,888
State Board of Equalization												
State Operations	208,288	46,740	-	255,028	851	221,909	52,117	-	241,508	55,670	-	297,178
Secretary of State												
State Operations	31,893	34,062	-	65,955	11,390	49,257	39,078	-	35,052	40,614	-	75,666
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Secretary of State	\$31,893	\$34,062	-	\$65,955	\$11,390	\$49,257	\$39,078	-	\$35,052	\$40,614	-	\$75,666
State Treasurer												
State Operations	3,804	-	-	3,804	-	6,994	-	-	7,154	-	-	7,154
Debt & Investment Advisory Commission												
State Operations	-	1,910	-	1,910	-	-	2,220	-	-	2,418	-	2,418
Debt Limit Allocation Committee												
State Operations	-	958	-	958	-	-	1,223	-	-	1,238	-	1,238
Industrial Dvlmt Financing Advisory Comm												
State Operations	-	53	-	53	-	-	260	-	-	256	-	256
Tax Credit Allocation Committee												
State Operations	-	2,777	-	2,777	-	-	3,995	-	-	3,776	-	3,776
Local Assistance	-	106	-	106	-	-	136	-	-	136	-	136
Totals, Tax Credit Allocation Committee	-	\$2,883	-	\$2,883	-	-	\$4,131	-	-	\$3,912	-	\$3,912
Health Facilities Financing Authority												
State Operations	-	223	-	223	-	-	377	-	-	-	381	381
Local Assistance	-	68,434	-	68,434	-	-	180,000	-	-	-	250,000	250,000
Totals, Health Facilities Financing Authority	-	\$68,657	-	\$68,657	-	-	\$180,377	-	-	\$250,381	\$250,381	\$250,381
School Finance Authority												
State Operations	-	-	-	-	64	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	9,725	-	-	-	-	-	-	-
Totals, School Finance Authority	-	-	-	-	\$9,789	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934	\$547,802	\$181,745	\$801,194	\$549,506	\$251,827	\$1,602,527
Statewide Distributed Costs												
General Obligation Bonds-LJE	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	\$745,740	\$502,225	\$69,891	\$1,317,856	\$62,290	\$814,934						

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
State Operations	10,538	-	-	10,538	-	10,481	-	-	10,481	-	15,539	-	-	15,539	-
TOTALS, Statewide Distributed Costs	\$10,538	-	-	\$10,538	-	\$10,481	-	-	\$10,481	-	\$15,539	-	-	\$15,539	-
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	\$3,484,983	\$1,902,923	\$69,891	\$5,457,797	\$847,480	\$3,920,258	\$2,075,500	\$324,306	\$6,320,064	\$1,309,079	\$4,149,693	\$2,119,791	\$473,010	\$6,742,494	\$1,232,459
State Operations	1,507,464	487,500	1,457	1,996,421	103,633	1,665,939	574,282	4,306	2,244,527	243,155	1,720,775	601,812	4,426	2,327,013	170,939
Local Assistance	1,977,519	1,410,766	68,434	3,456,719	743,847	2,254,319	1,412,103	320,000	3,986,422	1,065,924	2,427,955	1,396,127	407,000	4,231,082	1,061,520
Capital Outlay	-	4,657	-	4,657	-	-	89,115	-	89,115	-	963	121,852	61,584	184,399	-
STATE AND CONSUMER SERVICES															
State and Consumer Services, Secy															
State Operations	801	-	-	801	-	1,686	-	-	1,686	-	3,064	-	-	3,064	-
Science Center															
State Operations	15,186	4,093	-	19,279	-	17,661	4,122	-	21,783	-	20,424	4,182	-	24,606	-
Capital Outlay	-	-	-	-	-	2,325	-	-	2,325	-	2,203	-	-	2,203	-
TOTALS, Science Center	\$15,186	\$4,093	-	\$19,279	-	\$19,986	\$4,122	-	\$24,108	-	\$22,627	\$4,182	-	\$26,809	-
Department of Consumer Affairs, Boards															
State Operations	-	201,574	-	201,574	-	-	242,037	-	242,037	-	-	247,872	-	247,872	-
Department of Consumer Affairs, Bureaus															
State Operations	827	167,590	-	168,417	1,462	398	193,795	-	194,193	1,510	-	217,051	-	217,051	1,514
Seismic Safety Commission, A. E. Alquist															
State Operations	-	664	-	664	-	-	1,266	-	1,266	-	-	1,312	-	1,312	-
Department of Fair Employment & Housing															
State Operations	15,995	-	-	15,995	4,215	18,889	-	-	18,889	5,819	18,688	-	-	18,688	5,855
Fair Employment & Housing Commission															
State Operations	1,094	-	-	1,094	-	1,161	-	-	1,161	-	1,170	-	-	1,170	-
Franchise Tax Board															
State Operations	545,614	16,710	-	562,324	-	535,281	20,841	-	556,122	-	554,237	23,411	-	577,648	-
Department of General Services															
State Operations	7,802	79,230	10,875	97,907	-	12,139	82,741	13,436	108,316	-	7,940	83,860	14,253	106,053	-
Local Assistance	-	92,348	2,334	94,682	-	-	152,270	1,833	154,103	-	-	152,270	-	152,270	-
Capital Outlay	1,742	-	51	1,793	-	-	3,139	11,533	14,672	-	-	-	69,220	69,220	-
TOTALS, Department of General Services	\$9,544	\$171,578	\$13,260	\$194,382	-	\$12,139	\$238,150	\$26,802	\$277,091	-	\$7,940	\$236,130	\$83,473	\$327,543	-
Victim Compensation/Government Claims Bd															
State Operations	-	121,783	-	121,783	25,251	-	134,357	-	134,357	32,187	-	133,967	-	133,967	32,187
Local Assistance	-	-	-	-	-	2,643	-	-	2,643	-	-	-	-	-	-
TOTALS, Victim Compensation/Government Claims	-	\$121,783	-	\$121,783	\$25,251	\$2,643	\$134,357	-	\$137,000	\$32,187	-	\$133,967	-	\$133,967	\$32,187
State Personnel Board															
State Operations	5,876	-	-	5,876	-	5,612	-	-	5,612	-	5,522	-	-	5,522	-
TOTALS, STATE AND CONSUMER SERVICES	\$594,937	\$683,992	\$13,260	\$1,292,189	\$30,928	\$597,795	\$834,568	\$26,802	\$1,459,165	\$39,516	\$613,248	\$863,925	\$83,473	\$1,560,646	\$39,556
State Operations	593,195	591,644	10,875	1,195,714	30,928	592,827	679,159	13,436	1,285,422	39,516	611,045	711,655	14,253	1,336,953	39,556
Local Assistance	-	92,348	2,334	94,682	-	2,643	152,270	1,833	156,746	-	-	152,270	-	152,270	-
Capital Outlay	1,742	-	51	1,793	-	2,325	3,139	11,533	16,997	-	2,203	-	69,220	71,423	-
BUSINESS, TRANSPORTATION & HOUSING															
Business and Housing															
Business, Transportation & Housing, Secy															

SCHEDULE 9 -- Continued

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
State Operations	8,902	1,201	-	10,103	-	7,903	1,547	-	9,450	-	7,933	1,704	-	9,637	-
Local Assistance	2,500	-	-	2,500	-	-	-	-	-	-	-	-	-	-	-
Totals, Business, Transportation & Housing, Sec	\$11,402	\$1,201	-	\$12,603	-	\$7,903	\$1,547	-	\$9,450	-	\$7,933	\$1,704	-	\$9,637	-
Department of Alcoholic Beverage Control															
State Operations	-	46,361	-	46,361	-	-	50,855	-	50,855	1,300	-	51,768	-	51,768	1,300
Local Assistance	-	3,000	-	3,000	-	-	3,000	-	3,000	-	-	2,000	-	2,000	-
Totals, Department of Alcoholic Beverage Contr	-	\$49,361	-	\$49,361	-	-	\$53,855	-	\$53,855	\$1,300	-	\$53,768	-	\$53,768	\$1,300
Alcoholic Beverage Control Appeals Board															
State Operations	-	940	-	940	-	-	1,048	-	1,048	-	-	1,065	-	1,065	-
Department of Financial Institutions															
State Operations	-	24,403	-	24,403	-	-	28,408	-	28,408	-	-	31,937	-	31,937	-
Department of Corporations															
State Operations	-	30,577	-	30,577	-	-	38,290	-	38,290	-	-	39,948	-	39,948	-
Dept of Housing & Community Development															
State Operations	6,067	23,768	1,896	31,731	7,747	5,338	28,716	3,935	37,989	9,747	5,635	27,999	5,230	38,864	10,119
Local Assistance	12,666	23,000	1,599,000	1,634,666	142,482	10,316	23,000	340,325	373,641	165,000	10,316	23,000	365,325	398,641	165,000
Totals, Dept of Housing & Community Development	\$18,733	\$46,768	\$1,600,896	\$1,666,397	\$150,229	\$15,654	\$51,716	\$344,260	\$411,630	\$174,747	\$15,951	\$50,999	\$370,555	\$437,505	\$175,119
Office of Real Estate Appraisers															
State Operations	-	3,504	-	3,504	-	-	4,201	-	4,201	-	-	4,115	-	4,115	-
Department of Real Estate															
State Operations	-	40,304	-	40,304	-	-	46,816	-	46,816	-	-	44,398	-	44,398	-
Department of Managed Health Care															
State Operations	-	40,350	-	40,350	-	-	43,925	-	43,925	-	-	44,044	-	44,044	-
Totals, Business and Housing Transportation	\$30,135	\$237,408	\$1,600,896	\$1,868,439	\$150,229	\$23,557	\$269,806	\$344,260	\$637,623	\$176,047	\$23,884	\$271,978	\$370,555	\$666,417	\$176,419
California Transportation Commission															
State Operations	-	1,920	1	1,921	-	-	2,003	956	2,959	-	-	2,138	920	3,058	-
Local Assistance	-	-	3,877	3,877	-	-	-	25,000	25,000	-	-	-	25,000	25,000	-
Totals, California Transportation Commission	-	\$1,920	\$3,878	\$5,798	-	-	\$2,003	\$25,956	\$27,959	-	-	\$2,138	\$25,920	\$28,058	-
State Transit Assistance															
Local Assistance	-	623,715	-	623,715	-	-	304,287	600,000	904,287	-	-	742,944	350,000	1,092,944	-
Department of Transportation															
State Operations	-	2,652,027	16,816	2,668,843	573,804	-	3,013,160	174,094	3,187,254	616,005	-	3,071,295	203,596	3,274,891	616,750
Local Assistance															
Aeronautics Program	-	2,690	-	2,690	-	-	4,840	-	4,840	-	-	4,480	-	4,480	-
Highway Transportation Program	-	333,473	-	333,473	867,951	-	362,815	280,034	642,849	1,798,705	-	321,021	955,492	1,276,513	1,512,006
Mass Transportation Program	-	1,115,560	-	1,115,560	32,104	-	602,365	-	602,365	46,163	-	112,135	-	112,135	44,066
Transportation Planning Program	-	11,878	-	11,878	76,629	-	12,835	-	12,835	65,000	-	12,000	-	12,000	72,000
Totals, Local Assistance	-	1,463,601	-	1,463,601	976,684	-	982,855	280,034	1,262,889	1,909,868	-	449,636	955,492	1,405,128	1,628,072
Capital Outlay	-	1,383,303	35,949	1,419,252	1,530,077	-	2,143,317	1,220,712	3,364,029	1,912,392	-	1,263,153	2,411,003	3,674,156	1,642,007
Unclassified	2,629,930	-2,629,930	-	-	121	1,438,555	-1,438,555	-	-	31,000	1,485,434	-1,485,434	-	-	31,000
Totals, Department of Transportation	\$2,629,930	\$2,669,001	\$52,765	\$5,551,696	\$3,080,686	\$1,438,555	\$4,700,777	\$1,674,840	\$7,814,172	\$4,469,265	\$1,485,434	\$3,298,650	\$3,570,091	\$8,354,175	\$3,917,829
High-Speed Rail Authority															

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
State Operations	-	13,968	-	13,968	-	-	-	1,824	15,563	-	-	-	1,748	-	1,748
Office of Traffic Safety															
State Operations	-	364	-	364	81,858	-	-	435	-	435	-	-	435	-	435
Local Assistance	-	-	-	-	59,313	-	-	-	-	-	-	-	-	-	-
Totals, Office of Traffic Safety	-	\$364	-	\$364	\$141,171	-	-	\$435	-	\$435	-	-	\$435	-	\$95,831
Dept of the California Highway Patrol															
State Operations	-	1,497,525	-	1,497,525	14,102	-	-	1,749,800	-	1,749,800	-	-	1,794,142	-	17,546
Capital Outlay	-	3,480	-	3,480	-	-	-	17,691	-	17,691	-	-	4,257	-	4,257
Totals, Dept of the California Highway Patrol	-	\$1,501,005	-	\$1,501,005	\$14,102	-	-	\$1,767,491	-	\$1,767,491	-	-	\$1,798,399	-	\$17,546
Department of Motor Vehicles															
State Operations	-	839,936	-	839,936	10	-	-	917,026	-	917,026	-	-	938,549	-	1,579
Capital Outlay	-	15,851	-	15,851	-	-	-	93,604	-	93,604	-	-	1,467	-	1,467
Totals, Department of Motor Vehicles	-	\$855,787	-	\$855,787	\$10	-	-	\$1,010,630	-	\$1,010,630	-	-	\$940,016	-	\$1,579
Totals, Transportation	\$2,629,930	\$5,865,760	\$56,643	\$8,552,333	\$3,235,969	\$1,438,555	\$7,787,447	\$2,316,359	\$11,542,361	\$4,583,964	\$1,485,434	\$6,784,330	\$3,946,011	\$12,215,775	\$4,032,785
Statewide Distributed Costs															
General Obligation Bonds-BT&H															
State Operations	354,382	-	-	354,382	-	-	64,266	333,000	-	397,266	-	-	354,000	-	527,209
Totals, Statewide Distributed Costs	\$354,382	-	-	\$354,382	-	-	\$64,266	\$333,000	-	\$397,266	-	-	\$354,000	-	\$527,209
TOTALS, BUSINESS, TRANSPORTATION & HOUSING	\$3,014,447	\$6,103,168	\$1,657,539	\$10,775,154	\$3,386,198	\$1,526,378	\$8,390,253	\$2,660,619	\$12,577,250	\$4,760,011	\$1,682,527	\$7,410,308	\$4,316,566	\$13,409,401	\$4,209,204
State Operations	369,351	5,217,148	18,713	5,605,212	677,521	77,507	6,261,054	194,548	6,533,109	704,758	186,777	6,409,285	209,746	6,805,808	706,132
Local Assistance	15,166	2,113,316	1,602,877	3,731,359	1,178,479	10,316	1,313,142	1,245,359	2,568,817	2,111,861	10,316	1,217,580	1,695,817	2,923,713	1,830,065
Capital Outlay	-	1,402,634	35,949	1,438,583	1,530,077	-	2,254,612	1,220,712	3,475,324	1,912,392	-	1,268,877	2,411,003	3,679,880	1,642,007
Unclassified	2,629,930	-2,629,930	-	-	121	1,438,555	-1,438,555	-	-	31,000	1,485,434	-1,485,434	-	-	31,000
RESOURCES															
Secretary for Resources															
State Operations	5,848	3,207	9,544	18,599	4,070	5,976	3,488	29,701	39,165	2,959	6,249	3,371	39,742	49,362	3,210
Local Assistance	-	-	57,321	57,321	-	-	-	107,799	107,799	-	-	-	28,365	28,365	-
Totals, Secretary for Resources	\$5,848	\$3,207	\$66,865	\$75,920	\$4,070	\$5,976	\$3,488	\$137,500	\$146,964	\$2,959	\$6,249	\$3,371	\$68,107	\$77,727	\$3,210
Special Resources Programs															
State Operations	134	201	-	335	-	-	248	-	248	-	-	200	-	200	-
Local Assistance	-	5,053	-	5,053	-	-	4,761	-	4,761	-	-	4,761	-	4,761	-
Totals, Special Resources Programs	\$134	\$5,254	-	\$5,388	-	-	\$5,009	-	\$5,009	-	-	\$4,961	-	\$4,961	-
Tahoe Conservancy															
State Operations	168	3,466	1,105	4,739	-	243	3,859	1,957	6,059	-	222	4,343	867	5,432	-
Local Assistance	-	-	9,255	9,255	-	-	-	33,844	33,844	-	-	-	-	-	-
Capital Outlay	-	313	6,251	6,564	-	-	3,043	23,674	26,717	2,070	-	1,091	6,202	7,293	450
Totals, Tahoe Conservancy	\$168	\$3,779	\$16,611	\$20,558	-	\$243	\$6,902	\$59,475	\$66,620	\$2,070	\$222	\$5,434	\$7,069	\$12,725	\$450
California Conservation Corps															
State Operations	34,913	24,485	1,621	61,019	-	36,885	24,729	267	61,881	-	37,638	24,876	3,292	65,806	-
Local Assistance	-	-	722	722	-	-	-	384	384	-	-	-	30,265	30,265	-
Capital Outlay	842	-	-	842	-	3,691	-	-	3,691	-	-	-	-	-	-
Totals, California Conservation Corps	\$35,755	\$24,485	\$2,343	\$62,583	-	\$40,576	\$24,729	\$651	\$65,956	-	\$37,638	\$24,876	\$33,557	\$96,071	-
Energy Resource Conservation/Dvlmt Comm															
State Operations	-	213,370	-	213,370	6,950	-	670,813	-	670,813	12,390	-	333,274	-	333,274	22,366
Local Assistance	-	964	-	964	-	-	4,345	-	4,345	-	-	2,060	-	2,060	-

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09			
	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
Totals, Energy Resource Conservation/Dvint Com	-	\$214,334	-	\$214,334	\$6,950	-	\$675,158	-	\$675,158	-	\$335,334	\$22,366
Renewable Resources Investment Program												
State Operations	-	1,137	-	1,137	-	-	2,000	-	2,000	-	-	-
Department of Conservation												
State Operations	4,504	1,028,893	405	1,033,802	866	5,044	1,316,292	1,366	1,322,722	5,117	1,415,197	1,824
Local Assistance	-	-	13,910	13,910	-	-	-	26,087	26,087	-	10,000	-
Totals, Department of Conservation	\$4,504	\$1,028,893	\$14,315	\$1,047,712	\$866	\$5,044	\$1,316,292	\$27,473	\$1,348,809	\$5,117	\$1,415,197	\$1,824
Department of Forestry & Fire Protection												
State Operations	708,079	6,825	7,350	722,254	10,585	770,973	15,641	10,666	797,280	635,738	14,960	22,577
Local Assistance	-	-	4,014	4,014	-	-	-	7,275	7,275	-	7,189	-
Capital Outlay	2,085	-	-	2,085	-	13,959	-	13,959	1,913	18,313	-	18,313
Totals, Department of Forestry & Fire Protection	\$710,164	\$6,825	\$11,364	\$728,353	\$10,585	\$784,932	\$15,641	\$17,941	\$818,514	\$654,051	\$22,149	\$722,558
State Lands Commission												
State Operations	10,086	12,058	-	22,144	-	10,697	14,875	-	25,572	9,460	14,931	-
Capital Outlay	-	-	-	-	-	232	-	232	-	182	-	182
Totals, State Lands Commission	\$10,086	\$12,058	-	\$22,144	-	\$10,929	\$14,875	-	\$25,804	\$9,642	\$14,931	-
Department of Fish & Game												
State Operations	114,493	115,289	72,820	302,602	40,386	95,704	152,959	144,194	392,857	83,089	153,149	51,289
Local Assistance	407	768	79,932	81,107	-	576	987	12,420	13,983	-	1,237	-
Capital Outlay	-	1,089	-	1,089	130	15	2,020	-	2,035	-	60	-
Totals, Department of Fish & Game	\$114,900	\$117,146	\$152,752	\$384,798	\$40,526	\$96,295	\$155,966	\$156,614	\$408,875	\$83,665	\$154,446	\$51,289
Wildlife Conservation Board												
State Operations	193	863	1,044	2,100	-	204	1,855	2,287	4,356	-	1,842	-
Capital Outlay	1,307	4,751	54,413	60,471	-	19,642	-6,646	847,071	860,067	-	-84	-
Totals, Wildlife Conservation Board	\$1,500	\$5,614	\$55,457	\$62,571	-	\$19,846	\$-4,791	\$849,368	\$864,423	-	\$20,956	\$1,014
Department of Boating & Waterways												
State Operations	-	-	-	-	7,257	-	-	-	7,293	-	-	7,983
Local Assistance	-	1,249	-	1,249	4,920	-	4,700	-	4,021	-	7,000	4,443
Totals, Department of Boating & Waterways	-	\$1,249	-	\$1,249	\$12,177	-	\$4,700	-	\$4,700	-	\$7,000	\$12,436
Coastal Commission												
State Operations	11,456	625	-	12,081	2,847	11,709	596	-	12,305	11,809	1,120	2,544
Local Assistance	-	707	-	707	-	-	711	-	711	-	743	-
Totals, Coastal Commission	\$11,456	\$1,332	-	\$12,788	\$2,847	\$11,709	\$1,307	-	\$13,016	\$11,809	\$1,863	\$2,544
State Coastal Conservancy												
State Operations	7,181	1,239	4,494	12,914	-	819	1,439	4,745	7,003	-	1,392	136
Capital Outlay	-	2,088	49,379	51,467	1,400	-	7,703	235,386	243,089	-	4,700	2,000
Totals, State Coastal Conservancy	\$7,181	\$3,327	\$53,873	\$64,381	\$1,400	\$819	\$9,142	\$240,131	\$250,092	-	\$6,092	\$2,136
Native American Heritage Commission												
State Operations	616	-	-	616	-	780	-	-	780	-	-	-
Department of Parks & Recreation												
State Operations	175,449	168,229	10,630	354,308	3,886	156,213	180,477	49,662	386,352	6,774	194,779	6,335
Local Assistance	-	16,854	8,413	25,267	9,251	5,000	30,089	1,249	36,338	-	30,755	14,805
Capital Outlay	-	3,731	22,825	26,556	2,702	-	39,703	90,643	130,346	-	5,293	6,318

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09			
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds
Totals, Department of Parks & Recreation	\$175,449	\$188,814	\$41,868	\$406,131	\$15,839	\$161,213	\$250,269	\$141,554	\$553,036	\$77,416	\$150,533	\$230,827
Santa Monica Mountains Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	296	474	770	-	-	249	959	1,208	-	-	279
Capital Outlay	-	-	16,801	16,801	-	-	-	22,181	22,181	-	-	20,000
Totals, Santa Monica Mountains Conservancy	-	\$296	\$17,275	\$17,571	-	-	\$249	\$23,140	\$23,389	-	-	\$279
Totals, Department of Water Resources	\$492,154	\$-14,223	\$161,922	\$639,853	\$3,591	\$198,845	\$38,749	\$1,248,188	\$1,485,782	\$12,978	\$148,290	\$13,093
General Obligation Bonds-Resources	396,666	-	-	396,666	-	466,752	-	-	466,752	-	612,063	-
State Operations	\$1,970,997	\$1,607,848	\$604,098	\$4,182,943	\$98,851	\$1,808,489	\$2,525,430	\$2,991,639	\$7,325,558	\$219,097	\$1,745,610	\$2,273,708
State Operations	1,607,448	1,595,674	186,172	3,389,294	80,448	1,693,181	2,407,626	517,914	4,618,721	134,930	1,692,303	2,216,092
Local Assistance	144,911	202	259,211	404,324	14,171	52,858	71,981	883,751	1,008,590	60,563	14,060	46,556
Capital Outlay	218,638	11,972	158,715	389,325	4,232	62,450	45,823	1,589,974	1,698,247	23,604	39,247	11,060
Totals, Department of Water Resources	\$492,154	\$-14,223	\$161,922	\$639,853	\$3,591	\$198,845	\$38,749	\$1,248,188	\$1,485,782	\$12,978	\$148,290	\$13,093
Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	2,703	-	2,703	-	-	3,952	506	4,458	-	-	4,023
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Sierra Nevada Conservancy	-	\$2,703	-	\$2,703	-	-	\$3,952	\$17,506	\$21,458	-	-	\$4,023
Department of Water Resources	133,246	11,170	76,278	220,694	3,591	126,652	12,361	270,412	409,425	12,978	134,806	13,093
State Operations	144,504	-25,393	85,644	204,755	-	47,282	26,388	677,693	751,363	-	13,484	-
Capital Outlay	214,404	-	-	214,404	-	24,911	-	300,083	324,994	-	-	-
Totals, Department of Water Resources	\$492,154	\$-14,223	\$161,922	\$639,853	\$3,591	\$198,845	\$38,749	\$1,248,188	\$1,485,782	\$12,978	\$148,290	\$13,093
Coachella Valley Mountains Conservancy	-	\$220	\$1,242	\$1,462	-	-	\$302	\$11,598	\$11,900	-	-	\$302
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	1,242	1,242	-	-	-	11,590	11,530	-	-	-
Totals, Coachella Valley Mountains Conservancy	-	\$220	\$1,242	\$1,462	-	-	\$302	\$11,598	\$11,900	-	-	\$302
Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
Delta Protection Commission	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	156	-	156	-	-	172	-	172	-	-	165
San Diego River Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	296	-	296	-	-	314	-	314	-	-	333
Coachella Valley Mountains Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	220	-	220	-	-	302	68	370	-	-	302
Capital Outlay	-	-	1,242	1,242	-	-	-	11,530	11,530	-	-	-
Totals, Coachella Valley Mountains Conservancy	-	\$220	\$1,242	\$1,462	-	-	\$302	\$11,598	\$11,900	-	-	\$302
Baldwin Hills Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Baldwin Hills Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
San Joaquin River Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	312	98	410	-	-	347	117	464	-	-	372
Baldwin Hills Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	312	77	389	-	-	334	114	448	-	-	345
Capital Outlay	-	-	5,745	5,745	-	-	-	16,373	16,373	-	-	-
Totals, Baldwin Hills Conservancy	-	\$312	\$5,822	\$6,134	-	-	\$334	\$16,487	\$16,821	-	-	\$345
Delta Protection Commission	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	156	-	156	-	-	172	-	172	-	-	165
San Diego River Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	296	-	296	-	-	314	-	314	-	-	333
Coachella Valley Mountains Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	220	-	220	-	-	302	68	370	-	-	302
Capital Outlay	-	-	1,242	1,242	-	-	-	11,530	11,530	-	-	-
Totals, Coachella Valley Mountains Conservancy	-	\$220	\$1,242	\$1,462	-	-	\$302	\$11,598	\$11,900	-	-	\$302
Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
Department of Water Resources	133,246	11,170	76,278	220,694	3,591	126,652	12,361	270,412	409,425	12,978	134,806	13,093
State Operations	144,504	-25,393	85,644	204,755	-	47,282	26,388	677,693	751,363	-	13,484	-
Capital Outlay	214,404	-	-	214,404	-	24,911	-	300,083	324,994	-	-	-
Totals, Department of Water Resources	\$492,154	\$-14,223	\$161,922	\$639,853	\$3,591	\$198,845	\$38,749	\$1,248,188	\$1,485,782	\$12,978	\$148,290	\$13,093
General Obligation Bonds-Resources	396,666	-	-	396,666	-	466,752	-	-	466,752	-	612,063	-
State Operations	\$1,970,997	\$1,607,848	\$604,098	\$4,182,943	\$98,851	\$1,808,489	\$2,525,430	\$2,991,639	\$7,325,558	\$219,097	\$1,745,610	\$2,273,708
State Operations	1,607,448	1,595,674	186,172	3,389,294	80,448	1,693,181	2,407,626	517,914	4,618,721	134,930	1,692,303	2,216,092
Local Assistance	144,911	202	259,211	404,324	14,171	52,858	71,981	883,751	1,008,590	60,563	14,060	46,556
Capital Outlay	218,638	11,972	158,715	389,325	4,232	62,450	45,823	1,589,974	1,698,247	23,604	39,247	11,060
Totals, Department of Water Resources	\$492,154	\$-14,223	\$161,922	\$639,853	\$3,591	\$198,845	\$38,749	\$1,248,188	\$1,485,782	\$12,978	\$148,290	\$13,093
Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
Delta Protection Commission	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	156	-	156	-	-	172	-	172	-	-	165
San Diego River Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	296	-	296	-	-	314	-	314	-	-	333
Coachella Valley Mountains Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	220	-	220	-	-	302	68	370	-	-	302
Capital Outlay	-	-	1,242	1,242	-	-	-	11,530	11,530	-	-	-
Totals, Coachella Valley Mountains Conservancy	-	\$220	\$1,242	\$1,462	-	-	\$302	\$11,598	\$11,900	-	-	\$302
Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
Department of Water Resources	133,246	11,170	76,278	220,694	3,591	126,652	12,361	270,412	409,425	12,978	134,806	13,093
State Operations	144,504	-25,393	85,644	204,755	-	47,282	26,388	677,693	751,363	-	13,484	-
Capital Outlay	214,404	-	-	214,404	-	24,911	-	300,083	324,994	-	-	-
Totals, Department of Water Resources	\$492,154	\$-14,223	\$161,922	\$639,853	\$3,591	\$198,845	\$38,749	\$1,248,188	\$1,485,782	\$12,978	\$148,290	\$13,093
General Obligation Bonds-Resources	396,666	-	-	396,666	-	466,752	-	-	466,752	-	612,063	-
State Operations	\$1,970,997	\$1,607,848	\$604,098	\$4,182,943	\$98,851	\$1,808,489	\$2,525,430	\$2,991,639	\$7,325,558	\$219,097	\$1,745,610	\$2,273,708
State Operations	1,607,448	1,595,674	186,172	3,389,294	80,448	1,693,181	2,407,626	517,914	4,618,721	134,930	1,692,303	2,216,092
Local Assistance	144,911	202	259,211	404,324	14,171	52,858	71,981	883,751	1,008,590	60,563	14,060	46,556
Capital Outlay	218,638	11,972	158,715	389,325	4,232	62,450	45,823	1,589,974	1,698,247	23,604	39,247	11,060
Totals, Department of Water Resources	\$492,154	\$-14,223	\$161,922	\$639,853	\$3,591	\$198,845	\$38,749	\$1,248,188	\$1,485,782	\$12,978	\$148,290	\$13,093
Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
Delta Protection Commission	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	156	-	156	-	-	172	-	172	-	-	165
San Diego River Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	296	-	296	-	-	314	-	314	-	-	333
Coachella Valley Mountains Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	220	-	220	-	-	302	68	370	-	-	302
Capital Outlay	-	-	1,242	1,242	-	-	-	11,530	11,530	-	-	-
Totals, Coachella Valley Mountains Conservancy	-	\$220	\$1,242	\$1,462	-	-	\$302	\$11,598	\$11,900	-	-	\$302
Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Sierra Nevada Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
Department of Water Resources	133,246	11,170	76,278	220,694	3,591	126,652	12,361	270,412	409,425	12,978	134,806	13,093
State Operations	144,504	-25,393	85,644	204,755	-	47,282	26,388	677,693	751,363	-	13,484	-
Capital Outlay	214,404	-	-	214,404	-	24,911	-	300,083	324,994	-	-	-
Totals, Department of Water Resources	\$492,154	\$-14,223	\$161,922	\$639,								

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Air Resources Board															
State Operations	2,280	281,758	-	284,038	13,778	2,377	284,562	442,343	729,282	14,777	2,432	296,177	250,534	549,143	14,924
Local Assistance	-	10,111	-	10,111	-	-	10,111	-	10,111	-	-	10,111	-	10,111	-
Capital Outlay	-	120	-	120	-	-	1,000	-	1,000	-	-	-	-	-	-
Totals, Air Resources Board	\$2,280	\$291,989	-	\$294,269	\$13,778	\$2,377	\$295,673	\$442,343	\$740,393	\$14,777	\$2,432	\$306,288	\$250,534	\$559,254	\$14,924
Integrated Waste Management Board															
State Operations	-	161,372	115	161,487	-	-	203,427	-	203,427	-	-	173,777	-	173,777	200
Local Assistance	-	33,488	-	33,488	-	-	40,370	-	40,370	-	-	33,426	-	33,426	-
Totals, Integrated Waste Management Board	-	\$194,860	\$115	\$194,975	-	-	\$243,797	-	\$243,797	-	-	\$207,203	-	\$207,203	\$200
Department of Pesticide Regulation															
State Operations	-	43,509	-	43,509	1,955	-	48,784	-	48,784	2,229	-	50,719	-	50,719	2,237
Local Assistance	-	18,163	-	18,163	-	-	18,818	-	18,818	-	-	20,898	-	20,898	-
Totals, Department of Pesticide Regulation	-	\$61,672	-	\$61,672	\$1,955	-	\$67,602	-	\$67,602	\$2,229	-	\$71,617	-	\$71,617	\$2,237
State Water Resources Control Board															
State Operations	39,029	356,447	9,856	405,332	33,486	41,914	377,795	15,672	435,381	38,578	43,016	373,130	16,596	432,742	38,470
Local Assistance	-	-	188,181	188,181	183,129	-	-	397,519	397,519	90,000	-	-	129,513	129,513	90,000
Totals, State Water Resources Control Board	\$39,029	\$356,447	\$198,037	\$593,513	\$216,615	\$41,914	\$377,795	\$413,191	\$832,900	\$128,578	\$43,016	\$373,130	\$146,109	\$562,255	\$128,470
Department of Toxic Substances Control															
State Operations	24,599	105,870	-	130,469	20,328	26,046	123,063	-	149,109	25,801	26,287	127,402	-	153,689	25,391
Local Assistance	-	-16	-	-16	-	-	-33	-	-33	2,000	-	-818	-	-818	2,000
Capital Outlay	407	-	-	407	-	3,587	-	-	3,587	-	3,235	-	-	3,235	-
Totals, Department of Toxic Substances Control	\$25,006	\$105,854	-	\$130,860	\$20,328	\$29,633	\$123,030	-	\$152,663	\$27,801	\$29,522	\$126,584	-	\$156,106	\$27,391
Environmental Health Hazard Assessment															
State Operations	8,609	5,685	-	14,294	148	9,290	6,456	-	15,746	514	9,557	6,430	-	15,987	514
General Obligation Bonds-Environmental															
State Operations	6,925	-	-	6,925	-	6,925	-	-	6,925	-	7,017	-	-	7,017	-
TOTALS, ENVIRONMENTAL PROTECTION	\$83,820	\$1,023,157	\$198,152	\$1,305,129	\$252,824	\$92,197	\$1,122,343	\$855,534	\$2,070,074	\$173,899	\$93,637	\$1,099,514	\$396,643	\$1,588,794	\$173,736
State Operations	83,413	961,291	9,971	1,054,675	69,695	88,610	1,052,077	458,015	1,598,702	81,899	90,402	1,035,897	267,130	1,393,429	81,736
Local Assistance	-	61,746	188,181	249,927	183,129	-	69,266	397,519	466,785	92,000	-	63,617	129,513	193,130	92,000
Capital Outlay	407	120	-	527	-	3,587	1,000	-	4,587	-	3,235	-	-	3,235	-
HEALTH AND HUMAN SERVICES															
Health & Human Services Agency, Secy															
State Operations	4,609	-	-	4,609	110	5,258	-	-	5,258	900	5,335	-	-	5,335	900
State Council-Developmental Disabilities															
State Operations	-	-	-	-	7,244	-	-	-	-	7,605	-	-	-	-	7,352
Emergency Medical Services Authority															
State Operations	19,279	1,611	-	20,890	1,742	2,753	1,821	-	4,574	1,772	3,352	1,861	-	5,213	1,768
Local Assistance	9,786	-	-	9,786	-	9,793	-	-	9,793	704	9,786	-	-	9,786	704
Totals, Emergency Medical Services Authority	\$29,065	\$1,611	-	\$30,676	\$1,742	\$12,546	\$1,821	-	\$14,367	\$2,476	\$13,138	\$1,861	-	\$14,999	\$2,472
Statewide Health Planning & Development															
State Operations	240	58,417	-	58,657	205	433	65,257	-	65,690	235	438	64,970	-	65,408	235
Local Assistance	4,666	2,116	-	6,782	967	5,049	2,132	-	7,181	1,000	4,690	1,966	-	6,656	1,000

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Totals, Statewide Health Planning & Development	\$4,906	\$60,533	-	\$65,439	\$1,172	\$5,482	\$67,389	-	\$72,871	\$1,235	\$5,128	\$66,936	-	\$72,064	\$1,235
Department of Aging															
State Operations	3,805	194	-	3,999	6,841	4,504	309	-	4,813	8,644	4,402	318	-	4,720	8,639
Local Assistance	57,173	2,245	-	59,418	133,593	58,294	2,246	-	60,540	139,909	58,247	2,246	-	60,493	141,026
Totals, Department of Aging	\$60,978	\$2,439	-	\$63,417	\$140,434	\$62,798	\$2,555	-	\$65,353	\$148,553	\$62,649	\$2,564	-	\$65,213	\$149,665
Commission on Aging															
State Operations	-	-	-	-	376	-	-	-	-	377	-	-	-	-	355
Department of Alcohol & Drug Programs															
State Operations	16,328	7,449	-	23,777	21,185	17,798	9,839	-	27,637	24,578	17,678	10,239	-	27,917	25,010
Local Assistance	278,817	-1,698	-	277,119	251,592	265,355	-2,132	-	263,223	256,371	297,330	-3,565	-	293,765	254,887
Totals, Department of Alcohol & Drug Programs	\$295,145	\$5,751	-	\$300,896	\$272,777	\$283,153	\$7,707	-	\$290,860	\$280,949	\$315,008	\$6,674	-	\$321,682	\$279,897
Children & Families Commission															
State Operations	-	5,351	-	5,351	-	-	5,712	-	5,712	-	-	5,848	-	5,848	-
Local Assistance	-	547,327	-	547,327	-	-	722,606	-	722,606	-	-	746,285	-	746,285	-
Totals, Children & Families Commission	-	\$552,678	-	\$552,678	-	-	\$728,318	-	\$728,318	-	-	\$752,133	-	\$752,133	-
Department of Health Care Services															
State Operations	239,113	225,348	2,245	466,706	431,259	142,618	1,982	-	144,600	259,165	152,154	1,955	-	154,109	266,360
Local Assistance															
Public Health Services	512,618	231,850	29,239	773,707	1,207,309	163,623	27,172	-	190,795	142,117	187,141	13,879	-	201,020	162,998
Medical Assistance Program	13,406,004	58,479	-	13,464,483	19,575,739	14,111,498	62,447	-	14,173,945	22,168,161	14,669,568	57,249	-	14,726,817	23,062,827
Totals, Local Assistance	13,918,622	290,329	29,239	14,238,190	20,783,048	14,275,121	89,619	-	14,364,740	22,310,278	14,856,709	71,128	-	14,927,837	23,225,825
Totals, Department of Health Care Services	\$14,157,735	\$515,677	\$31,484	\$14,704,896	\$21,214,307	\$14,417,739	\$91,601	-	\$14,509,340	\$22,569,443	\$15,008,863	\$73,083	-	\$15,081,946	\$23,492,185
Department of Public Health															
State Operations	-	-	-	-	-	116,732	340,379	5,436	462,547	223,107	120,819	355,379	5,602	481,800	223,733
Local Assistance	-	-	-	-	-	278,161	264,932	337,014	880,107	1,267,219	279,803	228,288	144,151	652,242	1,303,384
Capital Outlay	-	-	-	-	-	482	-	-	482	-	2,520	-	-	2,520	-
Totals, Department of Public Health	-	-	-	-	-	\$395,375	\$605,311	\$342,450	\$1,343,136	\$1,490,326	\$403,142	\$583,667	\$149,753	\$1,136,562	\$1,527,117
California Medical Assistance Commission															
State Operations	1,230	-	-	1,230	-	1,413	-	-	1,413	-	1,425	-	-	1,425	-
Managed Risk Medical Insurance Board															
State Operations	2,314	2,010	-	4,324	5,546	2,468	1,811	-	4,279	7,261	2,601	1,762	-	4,363	7,434
Local Assistance	347,694	87,041	-	434,735	677,687	393,572	101,291	-	494,863	763,162	429,737	104,484	-	534,221	838,779
Totals, Managed Risk Medical Insurance Board	\$350,008	\$89,051	-	\$439,059	\$683,233	\$396,040	\$103,102	-	\$499,142	\$770,423	\$432,338	\$106,246	-	\$538,584	\$846,213
Department of Developmental Services															
State Operations	424,102	287	-	424,389	2,623	442,457	280	-	442,737	2,965	406,191	658	-	406,849	2,905
Local Assistance	2,106,815	1,309	-	2,108,124	52,260	2,223,104	129,881	-	2,352,985	52,584	2,603,819	142,786	-	2,746,605	75,407
Capital Outlay	1,177	-	-	1,177	-	2,821	-	-	2,821	-	26,967	-	-	26,967	-
Totals, Department of Developmental Services	\$2,532,094	\$1,596	-	\$2,533,690	\$54,883	\$2,666,382	\$130,161	-	\$2,798,543	\$55,549	\$3,036,977	\$143,444	-	\$3,180,421	\$78,312
Department of Mental Health															
State Operations	1,020,750	17,364	-	1,038,114	2,709	1,191,488	36,726	-	1,228,214	3,877	1,277,867	34,262	-	1,312,129	3,879
Local Assistance	833,501	353,161	-	1,186,662	59,263	773,108	1,494,442	-	2,267,550	59,457	889,927	1,494,450	-	2,384,377	59,457
Capital Outlay	947	-	-	947	-	6,522	-	-	6,522	-	1,868	-	-	1,868	-

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09			
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds
Totals, Department of Mental Health	\$1,855,198	\$370,525	-	\$2,225,723	\$61,972	\$1,971,118	\$1,531,168	-	\$3,502,286	\$63,334	\$2,169,662	\$1,528,712
Dept of Community Services & Development												
State Operations	150	-	-	150	11,015	150	-	-	150	10,659	150	-
Local Assistance	2,850	-	-	2,850	143,730	2,850	-	-	2,850	154,836	2,850	-
Totals, Dept of Community Services & Development	\$3,000	-	-	\$3,000	\$154,745	\$3,000	-	-	\$3,000	\$165,295	\$3,000	-
Department of Rehabilitation												
State Operations	55,511	76	-	55,587	277,693	55,513	214	-	55,727	303,129	59,102	209
Local Assistance	-	-	-	-	15,556	-	-	-	-	15,736	-	-
Totals, Department of Rehabilitation	\$55,511	\$76	-	\$55,587	\$293,249	\$55,513	\$214	-	\$55,727	\$318,865	\$59,102	\$209
Department of Child Support Services												
State Operations	40,823	-	-	40,823	80,924	55,246	-	-	55,246	130,300	45,827	-
Local Assistance	484,822	-	-	484,822	509,970	296,454	-	-	296,454	555,224	259,292	-
Totals, Department of Child Support Services	\$625,645	-	-	\$625,645	\$590,894	\$351,700	-	-	\$351,700	\$685,524	\$305,119	-
Department of Social Services												
State Operations	95,258	25,764	-	121,022	316,234	104,154	28,130	-	132,284	355,372	109,778	28,428
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
CalWorks	2,017,840	-	-	2,017,840	2,908,899	1,554,697	-	-	1,554,697	3,558,875	1,936,272	-
Other Assistance Payments	745,742	438	-	746,180	673,412	678,696	401	-	679,097	640,116	706,802	449
SSI/SSP	3,533,580	-	-	3,533,580	-	3,664,096	-	-	3,664,096	-	4,048,200	-
County Admin and Automation Projects	428,078	-	-	428,078	599,674	453,175	-	-	453,175	604,622	487,354	-
IHSS	1,474,037	-	-	1,474,037	-	1,629,765	-	-	1,629,765	-	1,752,167	-
Children & Adult Services and Licensing	834,024	878	-	834,902	1,413,980	712,572	1,245	-	713,817	1,235,585	743,981	1,264
Other Programs	3,272	-	-	3,272	16,828	322,124	-	-	322,124	483,064	330,861	-
Totals, Local Assistance	9,036,573	1,316	-	9,037,889	5,612,793	9,015,125	1,646	-	9,016,771	6,522,262	10,005,637	1,713
Totals, Department of Social Services	\$9,131,831	\$27,080	-	\$9,158,911	\$5,929,027	\$9,119,279	\$29,776	-	\$9,149,055	\$6,877,634	\$10,115,415	\$30,141
State-Local Realignment												
Local Assistance	-	4,565,788	-	4,565,788	-	-	4,637,266	-	4,637,266	-	4,808,872	-
General Obligation Bonds-H&HS												
State Operations	4,692	-	-	4,692	-	9,692	-	-	9,692	-	23,083	-
TOTALS, HEALTH AND HUMAN SERVICES	\$29,011,647	\$6,192,805	\$31,484	\$35,235,936	\$29,406,165	\$29,758,488	\$7,936,389	\$342,450	\$38,037,327	\$33,438,488	\$31,959,384	\$8,104,542
State Operations	1,928,204	343,871	2,245	2,274,320	1,165,706	2,152,677	492,460	5,436	2,650,573	1,339,946	2,230,202	505,889
Local Assistance	27,081,319	5,848,934	29,239	32,959,492	28,240,459	27,595,986	7,443,929	337,014	35,376,929	32,098,542	29,697,827	7,598,653
Capital Outlay	2,124	-	-	2,124	-	9,825	-	-	9,825	-	31,355	-
CORRECTIONS AND REHABILITATION												
Corrections and Rehabilitation												
State Operations	8,682,359	1,831	-	8,684,190	5,313	9,508,983	2,626	-	9,511,609	6,840	9,836,089	2,608
Local Assistance												
Corrections Standards Authority	202,407	-	-	202,407	-	251,528	-	-	251,528	-	246,841	-
Juvenile Operation	-	-	-	-	-	78	-	-	78	-	78	-
Juvenile Paroles	10,459	-	-	10,459	-	3,632	-	-	3,632	-	1,403	-
Transportation of Inmates	122	-	-	122	-	278	-	-	278	-	278	-
Returning Fugitives from Justice	2,593	-	-	2,593	-	5,066	-	-	5,066	-	2,593	-
County Charges	13,520	-	-	13,520	-	19,673	-	-	19,673	-	14,372	-
TOTALS, HEALTH AND HUMAN SERVICES	\$63,336	\$3,000	\$3,000	\$69,336	\$3,000	\$63,336	\$3,000	\$3,000	\$69,336	\$3,000	\$63,336	\$3,000

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Parolee Detention	45,681	-	-	45,681	-	53,417	-	-	53,417	-	46,423	-	-	46,423	-
Juvenile Justice Grant	-	-	-	-	13,639	-	-	-	-	22,224	-	-	-	-	22,224
Corrections Training Fund	-	17,818	-	17,818	-	-	-	19,465	-	19,465	-	-	-	19,465	-
Youthful Offender Block Grant	-	-	-	-	-	23,778	-	-	23,778	-	66,169	-	-	66,169	-
Totals, Local Assistance	274,782	17,818	-	292,600	13,639	357,450	19,465	-	376,915	22,224	378,157	19,465	-	397,622	22,224
Capital Outlay	65,638	-	398	66,036	-	138,502	-	2,480	140,982	-	350,116	-	-	350,116	-
Totals, Corrections and Rehabilitation	\$9,022,779	\$19,649	\$398	\$9,042,826	\$18,952	\$10,004,935	\$22,091	\$2,480	\$10,029,506	\$29,064	\$10,564,362	\$22,073	-	\$10,586,435	\$29,138
Federal Immigration Funding-Incarceration															
State Operations	-102,371	-	-	-102,371	102,371	-102,371	-	-	-102,371	102,371	-102,371	-	-	-102,371	102,371
General Obligation Bonds-DCR															
State Operations	197,439	-	-	197,439	-	211,405	-	-	211,405	-	185,349	-	-	185,349	-
TOTALS, CORRECTIONS AND REHABILITATION	\$9,117,847	\$19,649	\$398	\$9,137,894	\$121,323	\$10,113,969	\$22,091	\$2,480	\$10,138,540	\$131,435	\$10,647,340	\$22,073	-	\$10,669,413	\$131,509
State Operations	8,777,427	1,831	-	8,779,258	107,684	9,618,017	2,626	-	9,620,643	109,211	9,919,067	2,608	-	9,921,675	109,285
Local Assistance	274,782	17,818	-	292,600	13,639	357,450	19,465	-	376,915	22,224	378,157	19,465	-	397,622	22,224
Capital Outlay	65,638	-	398	66,036	-	138,502	-	2,480	140,982	-	350,116	-	-	350,116	-
EDUCATION															
K thru 12 Education															
Education, Secy	1,794	-	-	1,794	-	1,973	-	-	1,973	-	3,505	-	-	3,505	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Scholarshare Investment Board															
State Operations	963	-	-	963	-	1,028	-	-	1,028	-	1,052	-	-	1,052	-
Department of Education															
Department of Education	129,536	2,702	2,549	134,787	128,765	141,741	3,248	2,722	147,711	160,884	144,995	8,691	2,738	156,424	152,481
Local Assistance															
Adult Education	719,836	-	-	719,836	74,038	771,488	-	-	771,488	77,174	829,765	-	-	829,765	74,826
Appointments - District and County	22,905,731	35,224	-	22,940,955	-	22,847,425	35,224	-	22,882,649	-	23,936,338	35,224	-	23,971,562	-
Child Development	1,295,771	-	-	1,295,771	964,344	1,955,217	17,713	-	1,972,930	600,679	2,081,307	-	-	2,081,307	601,418
Child Nutrition	105,744	-	-	105,744	1,557,007	136,461	-	-	136,461	1,645,022	146,067	-	-	146,067	1,644,804
Categorical Programs	9,037,061	42,301	-	9,079,362	2,884,728	9,234,522	107,945	-	9,342,467	2,954,894	9,666,040	23,689	-	9,689,729	2,839,761
Pupil Assessment	88,718	-	-	88,718	31,242	85,123	-	-	85,123	32,828	85,399	-	-	85,399	31,278
Special Education	3,065,439	-	-	3,065,439	1,145,574	3,158,993	-	-	3,158,993	1,161,356	3,285,094	-	-	3,285,094	1,164,602
State-Mandated Local Programs	24	-	-	24	-	38	-	-	38	-	38	-	-	38	-
Totals, Local Assistance	37,218,324	77,525	-	37,295,849	6,656,933	38,189,267	160,882	-	38,350,149	6,471,953	40,030,048	58,913	-	40,088,961	6,356,689
Totals, Department of Education	\$37,347,860	\$80,227	\$2,549	\$37,430,636	\$6,785,698	\$38,331,008	\$164,130	\$2,722	\$38,497,860	\$6,632,837	\$40,175,043	\$67,604	\$2,738	\$40,245,385	\$6,509,170
State Library															
State Operations	14,086	416	1,720	16,222	6,286	14,485	594	4,196	19,275	7,123	18,714	706	4,279	23,699	7,115
Local Assistance	48,506	456	-	48,962	10,278	34,506	552	-	35,058	12,518	34,506	552	-	35,058	12,518
Totals, State Library	\$62,592	\$872	\$1,720	\$65,184	\$16,564	\$48,991	\$1,146	\$4,196	\$54,333	\$19,641	\$53,220	\$1,258	\$4,279	\$58,757	\$19,633
Education Audit Appeals Panel															
State Operations	707	-	-	707	-	1,273	-	-	1,273	-	1,273	-	-	1,273	-
Summer School for the Arts															
State Operations	1,493	-	-	1,493	-	1,497	-	-	1,497	-	1,534	-	-	1,534	-
Teachers Retirement System Contributions															
Local Assistance	958,574	-	-	958,574	-	1,622,917	-	-	1,622,917	-	1,199,463	-	-	1,199,463	-

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Retirement Costs for Community Colleges															
Local Assistance	-83,013	-	-	-83,013	-	-87,812	-	-	-87,812	-	-88,128	-	-	-88,128	-
School Facilities Aid Program															
Local Assistance	-	-111,047	2,212,362	2,101,315	-	-	245,798	2,825,503	3,071,301	-	-	60,000	4,420,601	4,480,601	-
Commission on Teacher Credentialing															
State Operations	-	19,924	-	19,924	-	-	19,538	-	19,538	-	-	20,107	-	20,107	-
Local Assistance	31,034	-	-	31,034	-	39,881	-	-	39,881	-	39,881	-	-	39,881	-
Totals, Commission on Teacher Credentialing	\$31,034	\$19,924	-	\$50,958	-	\$39,881	\$19,538	-	\$59,419	-	\$39,881	\$20,107	-	\$59,988	-
General Obligation Bonds-K-12															
State Operations	1,764,130	-	-	1,764,130	-	2,083,864	-	-	2,083,864	-	2,381,145	-	-	2,381,145	-
Totals, K thru 12 Education	\$40,086,134	\$-10,024	\$2,216,631	\$42,292,741	\$6,802,262	\$42,044,620	\$430,612	\$2,832,421	\$45,307,653	\$6,652,478	\$43,767,988	\$148,969	\$4,427,618	\$48,344,575	\$6,528,803
Higher Education-Community Colleges															
Board of Governors of Community Colleges															
State Operations	9,722	-	1,770	11,492	-	10,028	-	2,007	12,035	263	10,309	-	1,879	12,188	251
Local Assistance															
Apportionments for Community Colleges	3,261,704	6,216	-	3,267,920	-	3,420,438	6,216	-	3,426,654	-	3,788,029	6,216	-	3,794,245	-
Student Success for Basic Skills Student	33,110	-	-	33,110	-	33,100	-	-	33,100	-	33,100	-	-	33,100	-
Student Financial Aid Administration	52,593	-	-	52,593	-	51,640	-	-	51,640	-	50,552	-	-	50,552	-
Extended Opportunity Program + CARE	112,916	-	-	112,916	-	122,291	-	-	122,291	-	132,184	-	-	132,184	-
Disabled Students	107,870	-	-	107,870	-	115,011	-	-	115,011	-	124,313	-	-	124,313	-
Welfare Reform	43,580	-	-	43,580	-	43,580	-	-	43,580	-	43,580	-	-	43,580	-
Foster Parent Training Programs	4,754	-	-	4,754	-	5,254	-	-	5,254	-	5,254	-	-	5,254	-
Matriculation	95,481	-	-	95,481	-	101,803	-	-	101,803	-	110,037	-	-	110,037	-
Support for Academic Senate	467	-	-	467	-	467	-	-	467	-	467	-	-	467	-
Faculty and Staff Diversity/EEO	1,783	-	-	1,783	-	1,747	-	-	1,747	-	1,747	-	-	1,747	-
Part-Time Faculty Health Insurance	1,000	-	-	1,000	-	1,000	-	-	1,000	-	1,000	-	-	1,000	-
Part-Time Faculty Compensation	50,828	-	-	50,828	-	50,828	-	-	50,828	-	50,828	-	-	50,828	-
Part-Time Faculty Office Hours Program	7,172	-	-	7,172	-	7,172	-	-	7,172	-	7,172	-	-	7,172	-
Telecommunications & Technology Services	26,197	-	-	26,197	-	26,197	-	-	26,197	-	26,197	-	-	26,197	-
Fund for Student Success															
Economic Development	6,158	-	-	6,158	-	6,158	-	-	6,158	-	6,158	-	-	6,158	-
Transfer Education and Articulation	46,790	-	-	46,790	-	46,790	-	-	46,790	-	46,790	-	-	46,790	-
Physical Plant & Instructional Support	1,424	-	-	1,424	-	1,424	-	-	1,424	-	1,424	-	-	1,424	-
Career Technical Education	27,345	-	-	27,345	-	27,345	-	-	27,345	-	27,345	-	-	27,345	-
Campus Childcare Tax Bailout	20,000	-	-	20,000	-	20,000	-	-	20,000	-	20,000	-	-	20,000	-
AB 1280 Baccalaureate Pilot Program	6,540	-	-	6,540	-	6,836	-	-	6,836	-	7,174	-	-	7,174	-
Nursing Program Support	100	-	-	100	-	-	-	-	-	-	-	-	-	-	-
Local District Fiscal Oversight	16,886	-	-	16,886	-	22,100	-	-	22,100	-	22,100	-	-	22,100	-
Compton CCD Loan Payback	-	-	-	-	-	570	-	-	570	-	570	-	-	570	-
Small Business Training Program	-	-	-	-	-	-269	-	-	-269	-	-928	-	-	-928	-
Logistics Program	-	-	-	-	-	-	-	-	-	235	-	-	-	-	-
One-Time Appropriations	66,202	-	-	66,202	-	21,168	-	-	21,168	-	-	-	-	-	-

SCHEDULE 9 -- Continued

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
State Mandated Local Costs	4,004	-	-	4,004	-	4,004	-	-	4,004	-	4,004	-	-	4,004	-
Totals, Local Assistance	3,994,904	6,216	-	4,001,120	-	4,136,654	6,216	-	4,142,870	1,725	4,509,097	6,216	-	4,515,313	-
Capital Outlay	-	-	313,260	313,260	-	-	-	683,459	683,459	-	-	-	1,311,270	1,311,270	-
Totals, Board of Governors of Community College	\$4,004,626	\$6,216	\$315,030	\$4,325,872	-	\$4,146,682	\$6,216	\$685,466	\$4,838,364	\$1,988	\$4,519,406	\$6,216	\$1,313,149	\$5,838,771	\$251
General Obligation Bonds-HI Ed-CC															
State Operations	147,320	-	-	147,320	-	166,163	-	-	166,163	-	227,349	-	-	227,349	-
Retirement Costs-HI Ed-CC															
Local Assistance	83,013	-	-	83,013	-	87,812	-	-	87,812	-	88,128	-	-	88,128	-
Totals, Higher Education-Community Colleges	\$4,234,959	\$6,216	\$315,030	\$4,556,205	-	\$4,400,657	\$6,216	\$685,466	\$5,092,339	\$1,988	\$4,834,883	\$6,216	\$1,313,149	\$6,154,248	\$251
Higher Education-UC, CSU and Other															
Postsecondary Education Commission															
State Operations	2,155	-	-	2,155	393	2,209	-	-	2,209	453	2,228	-	-	2,228	459
Local Assistance	-	-	-	-	8,302	-	-	-	-	8,579	-	-	-	-	8,579
Totals, Postsecondary Education Commission	\$2,155	-	-	\$2,155	\$8,695	\$2,209	-	-	\$2,209	\$9,032	\$2,228	-	-	\$2,228	\$9,038
University of California															
State Operations	3,069,339	30,844	-	3,100,183	4,427,601	3,260,748	35,926	-	3,296,674	2,974,743	3,494,102	37,517	-	3,531,619	3,032,258
Capital Outlay	5,371	-	483,624	488,995	-	-	-	742,287	742,287	-	-	-	388,163	388,163	-
Totals, University of California	\$3,074,710	\$30,844	\$483,624	\$3,589,178	\$4,427,601	\$3,260,748	\$35,926	\$742,287	\$4,038,961	\$2,974,743	\$3,494,102	\$37,517	\$388,163	\$3,915,782	\$3,032,258
Institute for Regenerative Medicine															
State Operations	-	-	13,811	13,811	-	-	-	8,893	8,893	-	-	-	11,854	11,854	-
Local Assistance	-	-	1	1	-	-	-	105,000	105,000	-	-	-	165,000	165,000	-
Totals, Institute for Regenerative Medicine	-	-	\$13,812	\$13,812	-	-	-	\$113,893	\$113,893	-	-	-	\$176,854	\$176,854	-
Hastings College of the Law															
State Operations	10,671	-	-	10,671	-	10,631	-	-	10,631	-	11,239	-	-	11,239	-
Capital Outlay	-	-	820	820	-	-	-	-	-	-	-	-	-	-	-
Totals, Hastings College of the Law	\$10,671	-	\$820	\$11,491	-	\$10,631	-	-	\$10,631	-	\$11,239	-	-	\$11,239	-
California State University															
State Operations	2,807,970	-	50,000	2,857,970	654,203	2,970,706	-	50,000	3,020,706	710,293	3,185,988	-	50,000	3,235,988	670,793
Capital Outlay	-	-	345,278	345,278	-	-	-	504,167	504,167	-	-	-	307,917	307,917	-
Totals, California State University	\$2,807,970	-	\$395,278	\$3,203,248	\$654,203	\$2,970,706	-	\$554,167	\$3,524,873	\$710,293	\$3,185,988	-	\$357,917	\$3,543,905	\$670,793
Student Aid Commission															
State Operations	-	-	-	-	878,070	15,506	-	-	15,506	1,031,917	15,785	-	-	15,785	130
Local Assistance	794,822	-	-	794,822	10,622	827,381	-	-	827,381	10,622	876,951	-	-	876,951	10,822
Totals, Student Aid Commission	\$794,822	-	-	\$794,822	\$888,692	\$842,887	-	-	\$842,887	\$1,042,539	\$892,736	-	-	\$892,736	\$10,952
General Obligation Bonds-HI Ed															
State Operations	285,147	-	-	285,147	-	314,722	-	-	314,722	-	410,445	-	-	410,445	-
Totals, Higher Education-UC, CSU and Other	\$6,975,475	\$30,844	\$893,534	\$7,899,853	\$5,979,191	\$7,401,903	\$35,926	\$1,410,347	\$8,848,176	\$4,736,607	\$7,996,738	\$37,517	\$922,934	\$8,957,189	\$3,723,041
TOTALS, EDUCATION															
State Operations	\$51,296,568	\$27,036	\$3,425,195	\$54,748,799	\$12,781,453	\$53,847,180	\$472,754	\$4,928,234	\$59,248,168	\$11,391,073	\$56,599,609	\$192,702	\$6,663,701	\$63,456,012	\$10,252,095
Local Assistance	8,245,033	53,886	69,850	8,368,769	6,095,318	8,996,574	59,306	67,818	9,123,698	4,885,676	9,909,663	67,021	70,750	10,047,434	3,863,487
Capital Assistance	43,046,164	-26,850	2,212,363	45,231,677	6,686,135	44,850,606	413,448	2,930,503	48,194,557	6,505,397	46,689,946	125,681	4,585,601	51,401,228	6,388,608
Capital Outlay	5,371	-	1,142,982	1,148,353	-	-	-	1,929,913	1,929,913	-	-	-	2,007,350	2,007,350	-
LABOR AND WORKFORCE DEVELOPMENT															
Labor & Workforce Development, Secy															

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
State Operations	-	32	-	32	-	-	-	211	-	211	-	-	220	-	220
Employment Development Department															
State Operations	24,910	92,548	-	117,458	610,372	25,347	84,111	-	109,458	711,191	25,664	80,967	-	106,631	700,445
Local Assistance	9,213	-	-	9,213	5,048,166	5,700	-	-	5,700	5,906,611	-	-	-	-	6,139,354
Capital Outlay	-	-	-	-	-	-	-	-	-	-325	-	-	-	-	-325
Totals, Employment Development Department	\$34,123	\$92,548	-	\$126,671	\$5,658,538	\$31,047	\$84,111	-	\$115,158	\$6,617,477	\$25,664	\$80,967	-	\$106,631	\$6,839,474
Workforce Investment Board															
State Operations	-	-	-	-	3,002	-	-	-	-	3,674	-	-	-	-	3,544
Agricultural Labor Relations Board															
State Operations	5,047	-	-	5,047	-	5,126	-	-	5,126	-	5,148	-	-	5,148	-
Department of Industrial Relations															
State Operations	68,427	206,250	-	274,677	29,487	68,398	238,226	-	306,624	33,578	69,143	247,669	-	316,812	29,983
TOTALS, LABOR AND WORKFORCE DEVELOPMENT	\$107,597	\$298,830	-	\$406,427	\$5,691,027	\$104,571	\$322,548	-	\$427,119	\$6,654,729	\$99,955	\$328,856	-	\$428,811	\$6,873,001
State Operations	98,384	298,830	-	397,214	642,861	98,871	322,548	-	421,419	748,443	99,955	328,856	-	428,811	733,972
Local Assistance	9,213	-	-	9,213	5,048,166	5,700	-	-	5,700	5,906,611	-	-	-	-	6,139,354
Capital Outlay	-	-	-	-	-	-	-	-	-	-325	-	-	-	-	-325
GENERAL GOVERNMENT															
General Administration															
Peace Officer Standards & Training Comm															
State Operations	-	36,090	-	36,090	-	-	40,431	-	40,431	-	-	40,486	-	40,486	-
Local Assistance	-	19,640	-	19,640	-	-	21,826	-	21,826	-	-	21,826	-	21,826	-
Totals, Peace Officer Standards & Training Com	-	\$55,730	-	\$55,730	-	-	\$62,257	-	\$62,257	-	-	\$62,312	-	\$62,312	-
State Public Defender															
State Operations	11,982	-	-	11,982	-	11,956	-	-	11,956	-	12,142	-	-	12,142	-
Payment to Counties for Homicide Trials															
Local Assistance	616	-	-	616	-	2,500	-	-	2,500	-	2,500	-	-	2,500	-
Arts Council															
State Operations	1,211	953	-	2,164	1,080	1,227	987	-	2,214	1,087	1,238	862	-	2,100	986
Local Assistance	-	1,825	-	1,825	-	-	1,825	-	1,825	-	-	2,310	-	2,310	100
Totals, Arts Council	\$1,211	\$2,778	-	\$3,989	\$1,080	\$1,227	\$2,812	-	\$4,039	\$1,087	\$1,238	\$3,172	-	\$4,410	\$1,086
Public Employment Relations Board															
State Operations	5,712	-	-	5,712	-	6,290	-	-	6,290	-	6,634	-	-	6,634	-
Department of Personnel Administration															
State Operations	30,785	88	-	30,873	-	34,810	-	-	34,810	-	39,737	207	-	39,944	-
Citizens' Compensation Commission															
State Operations	5	-	-	5	-	14	-	-	14	-	14	-	-	14	-
Board of Chiropractic Examiners															
State Operations	-	2,718	-	2,718	-	-	1,938	-	1,938	-	-	3,136	-	3,136	-
Board of Pilot Commissioners															
State Operations	-	1,514	-	1,514	-	-	2,095	-	2,095	-	-	2,127	-	2,127	-
Horse Racing Board															
State Operations	-	8,963	-	8,963	-	-	9,519	-	9,519	-	-	10,131	-	10,131	-
Department of Food & Agriculture															
State Operations	92,546	74,898	4	167,448	39,079	94,377	90,207	1,178	185,762	40,777	97,998	99,815	1,178	198,991	38,081

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09			
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds
Local Assistance	9,412	53,096	-	62,508	-	10,938	56,514	-	67,452	-	10,938	50,758
Capital Outlay	-	399	-	399	-	2,515	1,096	-	3,611	-	4,868	-
Totals, Department of Food & Agriculture	\$101,958	\$128,393	\$4	\$230,355	\$39,079	\$107,830	\$147,817	\$1,178	\$256,825	\$40,777	\$113,804	\$150,573
												\$1,178
												\$265,555
												\$38,081
Fair Political Practices Commission												
State Operations	7,353	-	-	7,353	-	8,147	-	-	8,147	-	8,247	-
Political Reform Act of 1974												
State Operations	-	-	-	-	-	-	-	-	-	-	2,745	-
Public Utilities Commission												
State Operations	-	1,211,492	-	1,211,492	1,104	-	1,383,338	-	1,383,338	1,246	-	1,231,138
Seismic Safety Commission												
State Operations	-	465	-	465	-	-	-	-	-	-	-	-
Electricity Oversight Board												
State Operations	-	2,649	-	2,649	-	-	3,163	-	3,163	-	-	-
Milton Marks Little Hoover Commission												
State Operations	1,023	-	-	1,023	-	1,037	-	-	1,037	-	1,043	-
Commission on the Status of Women												
State Operations	446	-	-	446	-	540	-	-	540	-	588	-
Law Revision Commission												
State Operations	726	-	-	726	-	732	-	-	732	-	736	-
Commission on Uniform State Laws												
State Operations	149	-	-	149	-	149	-	-	149	-	165	-
Bureau of State Audits												
State Operations	15,084	-505	-	14,579	-	16,229	-	-	16,229	-	16,275	1,178
Department of Finance												
State Operations	36,953	-	-	36,953	-	44,451	598	129	45,178	-	33,753	602
Financial Information System for Ca												
State Operations	-	-	-	-	-	-	-	-	-	-	2,417	-
Commission on State Mandates												
State Operations	1,525	-	-	1,525	-	1,673	-	-	1,673	-	1,739	-
Local Assistance	361,380	1,713	-	363,093	-	41,000	11,499	-	52,499	-	139,000	1,860
Totals, Commission on State Mandates	\$362,905	\$1,713	-	\$364,618	-	\$42,673	\$11,499	-	\$54,172	-	\$140,739	\$1,860
												\$142,599
Office of Administrative Law												
State Operations	2,395	-	-	2,395	-	2,912	-	-	2,912	-	2,931	-
Military Department												
State Operations	42,019	55	-	42,074	57,987	43,742	150	-	43,892	71,838	47,489	9,342
Local Assistance	78	-	-	78	-	60	-	-	60	-	60	-
Capital Outlay	5,018	-	-	5,018	13,843	1,606	-	-	1,606	2,839	986	-
Totals, Military Department	\$47,115	\$55	-	\$47,170	\$71,830	\$45,408	\$150	-	\$45,558	\$74,677	\$48,535	\$9,342
												\$57,877
												\$74,161
Department of Veterans Affairs												
State Operations	10,886	46	220	11,152	65	33,438	131	276	33,845	172	194,190	137
Department of Veterans Affairs												
Local Assistance	2,600	554	-	3,154	-	2,600	554	-	3,154	-	2,600	554
Capital Outlay	-	-	-	-	113,500	-	-	-	-	66,263	538	-
Totals, Department of Veterans Affairs	\$13,486	\$600	\$220	\$14,306	\$113,565	\$36,038	\$685	\$276	\$36,999	\$66,435	\$197,328	\$691
												\$29,772
												\$227,791
												\$140,218

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09			
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
Veterans Home of California-Yountville												
State Operations	43,753	-	94	43,847	15,258	55,936	-	-	-	-	-	-
Capital Outlay	500	-	700	1,200	-	226	-	1,044	-	-	-	-
Totals, Veterans Home of California-Yountville	\$44,253	-	\$794	\$45,047	\$15,258	\$56,162	-	\$1,044	\$32,477	-	-	-
Veterans Home of California-Barstow												
State Operations	11,165	-	-	11,165	2,155	14,083	-	-	2,996	-	-	-
Capital Outlay	-	-	-	-	-	598	-	-	-	-	-	-
Totals, Veterans Home of California-Barstow	\$11,165	-	-	\$11,165	\$2,155	\$14,681	-	-	\$2,996	-	-	-
Veterans Home of California-Chula Vista												
State Operations	13,430	-	-	13,430	5,892	19,241	-	-	6,897	-	-	-
Veterans Home of California-GLAVC												
State Operations	-	-	-	-	-	621	-	-	-	-	-	-
Totals, Department of Veterans Affairs	\$82,334	\$600	\$1,014	\$83,948	\$136,870	\$126,743	\$685	\$1,320	\$108,605	\$691	\$29,772	\$140,218
Federal Per Diem for Veterans Housing												
State Operations	-	-	-	-	-	-	-	-	-31,255	-	-	31,255
General Obligation Bonds-Gen Govt												
State Operations	22,812	-	-	22,812	-	7,098	-	-	2,653	-	-	-
Totals, General Administration	\$731,564	\$1,416,653	\$1,018	\$2,149,235	\$249,963	\$460,746	\$1,625,871	\$2,627	\$2,089,244	\$602,969	\$31,200	\$286,073
Tax Relief												
Tax Relief												
Local Assistance												
Senior Citizens Property Tax Assistance	38,273	-	-	38,273	-	40,866	-	-	40,562	-	-	40,562
Senior Citizens Property Tax Deferral	12,167	-	-	12,167	-	17,000	-	-	25,800	-	-	25,800
Senior Citizens Renters Tax Assistance	145,170	-	-	145,170	-	149,985	-	-	150,318	-	-	150,318
Homeowners' Property Tax Relief	432,782	-	-	432,782	-	446,965	-	-	442,465	-	-	442,465
Subventions for Open Space	38,070	-	-	38,070	-	39,124	-	-	38,600	-	-	38,600
Totals, Local Assistance	666,462	-	-	666,462	-	693,940	-	-	697,745	-	-	697,745
Totals, Tax Relief	\$666,462	-	-	\$666,462	-	\$693,940	-	-	\$697,745	-	-	\$697,745
Local Government Subventions												
Local Government Financing												
Local Assistance	291,498	-	-	291,498	-	294,272	-	-	293,177	-	-	293,177
Shared Revenues												
Local Assistance	-	-	-	-	-	-	-	950,000	-	-	-	-
Apportionment of Off-Hwy License Fees												
Local Assistance	-	2,609	-	2,609	-	-	2,500	-	-	2,500	-	-
Apportionment of Fed Rpts Fld Cntl Lnds												
Local Assistance	-	-	-	-	380	-	-	-	-	-	-	380
Apportionment of Fed Rpts Forest Rsrvs												
Local Assistance	-	-	-	-	66,141	-	-	-	66,141	-	-	66,141
Apportionment of Fed Rpts Grazing Land												
Local Assistance	-	-	-	-	107	-	-	-	107	-	-	107
Apportionment of Fed Potash Lease Rntls												
Local Assistance	-	-	-	-	2,173	-	-	-	2,173	-	-	2,173

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09			
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	General Fund	Special Fund	Selected Bond Funds
Apportionment of MV License Fees												
Local Assistance	11,862	233,612	-	245,474	-	11,862	188,408	-	200,270	-	11,862	233,821
Apportionment of Tideland Revenues												
Local Assistance	462	-	-	462	-	462	-	-	462	-	-	462
Apportionment of MV Fuel Tx County Rds												
Local Assistance	-	352,800	-	352,800	-	-	358,777	-	358,777	-	365,185	-
Apportionment of MV Fuel Tx City Streets												
Local Assistance	-	254,415	-	254,415	-	-	258,865	-	258,865	-	263,924	-
Apportionment of MV Fuel Tx Co Rd/City St												
Local Assistance	-	148,191	-	148,191	-	-	148,147	-	148,147	-	152,366	-
Apportionment of MV Fuel Co&City/St&Hwy												
Local Assistance	-	371,200	-	371,200	-	-	389,490	-	389,490	-	396,374	-
Apportionment of Geothermal Rsrcs Dvlp												
Local Assistance	-	2,041	-	2,041	-	-	2,041	-	2,041	-	2,041	-
Apportionment of Local Transportation Fd												
Local Assistance	-	437,400	-	437,400	-	-	-	-	-	-	594,174	-
Totals, Shared Revenues	\$12,324	\$1,802,268	-	\$1,814,592	\$68,801	\$12,324	\$1,348,228	\$950,000	\$2,310,552	\$68,801	\$12,324	\$2,010,385
Totals, Local Government Subventions	\$303,822	\$1,802,268	-	\$2,106,090	\$68,801	\$306,596	\$1,348,228	\$950,000	\$2,604,824	\$68,801	\$306,596	\$2,971,621
Debt Service												
Payment of Interest on PMIA Loans												
State Operations	307	-	-	307	-	232	-	-	232	-	1,398	-
Enhanced Tobacco Asset-Backed Bonds												
State Operations	-	-	-	-	-	-	-	-	-	1	-	1
Economic Recovery Financing Committee												
State Operations	-	10,708	-	10,708	-	-	14,430	-	14,430	-	-	15,220
Unclassified	-	1,875,650	-	1,875,650	-	-	2,482,874	-	2,482,874	-	1,551,264	-
Totals, Economic Recovery Financing Committee	-	\$1,886,358	-	\$1,886,358	-	-	\$2,497,304	-	\$2,497,304	-	\$1,556,484	-
Interest Payments on General Fund Loans												
State Operations	102,768	-	-	102,768	-	181,628	-	-	181,628	-	267,785	-
Interest Payments to the Federal Govt												
State Operations	21,625	624	-	22,249	-	30,000	901	-	30,901	-	30,000	1,001
Totals, Debt Service	\$124,700	\$1,886,982	-	\$2,011,682	-	\$211,860	\$2,498,205	-	\$2,710,065	-	\$299,184	\$1,567,485
Statewide Expenditures												
Health & Dental Benefits for Annuitants												
State Operations	1,006,238	-	-	1,006,238	-	1,076,664	-	-	1,076,664	-	1,262,712	-
Budget Stabilization Account												
Unclassified	471,770	-471,770	-	-	-	1,022,621	-1,022,621	-	-	-	-	-
Victim Compensation/Government Claims Bd												
State Operations	11,275	393	-	11,668	123	7,426	22	239	7,687	2	-	-
Contingencies/Emergencies Augmentations												
State Operations	-	-	-	-	-	30,803	14,122	-	44,925	-	49,000	15,000
Capital Outlay Planning & Studies												
Capital Outlay	1,000	-	-	1,000	-	1,000	-	-	1,000	-	1,000	-
Reserve for Liquidation of Encumbrances												
Unclassified	-140,408	-	-	-140,408	-	-	-	-	-	-	-	-

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09			
	General Fund	Special Fund	Selected Bond Funds	Budget Total	General Fund	Federal Funds	Special Fund	Selected Bond Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
Statewide Proposition 98 Reconciliation												
Local Assistance	107,227	-	-	107,227	-	-	-	-	-	-	-	-
Section 3.60 Rate Adjustments												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
PERS General Fund Payment												
State Operations	333,988	-	-	333,988	-	-	-	-	-	-	-	-
Statewide General Admin Exp (Pro Rate)												
State Operations	-474,779	4,327	-	-470,452	-	-551,327	278	-	-589,212	1,261	-	-587,951
Various Departments												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	38,665	55,697	-	94,362	-	-	609,000	-	-	-	-	-
Totals, Various Departments	\$38,665	\$55,697	-	\$94,362	-	\$-609,000	\$666,800	-	-	\$74,202	-	\$74,202
Totals, Statewide Expenditures	\$1,354,976	\$-411,353	-	\$943,623	\$123	\$573,368	\$-341,399	\$239	\$881,413	\$115,185	-	\$986,598
Augmentation for Employee Compensation												
State Operations	-	-	-	-	-	-	37,864	-	-	392,218	-	561,919
Totals, Augmentation for Employee Compensation	-	-	-	-	-	\$284,572	\$37,864	-	\$392,218	\$169,701	-	\$561,919
Statewide Savings												
General Fund Credits from Federal Funds	-84,972	-	-	-84,972	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
PERS Deferral												
State Operations	-366,438	-	-	-366,438	-	-377,703	-	-	-389,034	-	-	-389,034
Estimated Unidentifiable Savings												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Estimated Unidentifiable Savings	-	-	-	-	-	\$-170,000	\$-170,000	-	\$-100,000	-	-	\$-100,000
Budget-Balancing Reductions												
Unclassified	-	-	-	-	-	-	-	-	-	-	-	-
Employee Compensation Reform												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Statewide Savings	\$-451,410	-	-	\$-451,410	\$-927,312	\$-101,400	\$-1,028,712	-	\$-9,771,928	\$-1,561,400	-	\$-11,333,328
TOTALS, GENERAL GOVERNMENT	\$2,730,114	\$4,694,550	\$1,018	\$7,425,682	\$1,603,770	\$318,887	\$5,067,369	\$952,866	\$-6,592,898	\$3,777,825	\$31,200	\$354,874
State Operations	901,972	1,355,478	318	2,257,768	607,460	122,743	2,174,374	1,822	1,698,575	1,599,366	1,709	3,299,650
Local Assistance	1,490,262	1,934,793	-	3,425,055	68,801	68,801	1,498,246	950,000	83,230	2,161,895	-	68,901
Capital Outlay	6,518	399	700	7,617	5,945	127,343	1,096	1,044	7,392	-	29,491	140,764
Unclassified	331,362	1,403,880	-	1,735,242	805,988	9,096	1,393,653	-	-	16,564	-	-
GRAND TOTAL	\$101,412,957	\$22,553,958	\$6,001,035	\$129,967,950	\$103,373,095	\$52,935,136	\$28,769,245	\$13,084,930	\$28,158,764	\$26,193,244	\$13,847,224	\$57,529,793
State Operations	\$24,111,891	\$10,907,153	\$299,601	\$35,318,645	\$25,591,663	\$9,096,537	\$14,025,512	\$1,263,295	\$8,430,995	\$13,478,481	\$918,714	\$42,555,959
Local Assistance	\$74,039,336	\$11,453,073	\$4,362,639	\$89,855,048	\$75,314,255	\$42,176,826	\$12,393,850	\$7,065,979	\$47,931,923	\$12,781,844	\$7,924,979	\$48,387,428
Capital Outlay	\$300,438	\$1,419,782	\$1,339,795	\$3,059,015	\$222,634	\$1,661,652	\$2,394,785	\$4,755,656	\$2,018,604	\$1,401,789	\$5,003,531	\$1,791,214
Unclassified	\$2,961,292	\$-1,226,050	-	\$1,735,242	\$121	\$121	\$-44,902	-	\$31,000	\$-1,468,870	-	\$31,000
BUDGET ACT TOTALS	\$69,758,343	\$12,439,289	\$749,808	\$82,947,440	\$71,487,548	\$44,624,793	\$14,148,705	\$7,031,948	\$9,051,955	\$11,908,263	\$7,696,664	\$50,802,336
State Operations	21,389,425	9,215,989	187,536	30,792,950	22,972,372	9,936,191	10,877,809	936,191	24,665,498	10,935,015	807,896	36,408,409
Local Assistance	48,289,224	2,606,191	75,565	50,970,980	48,658,750	40,293,137	2,663,975	3,294,146	53,371,630	2,000,702	2,831,606	45,996,950

SCHEDULE 9 -- Continued
COMPARATIVE STATEMENT OF EXPENDITURES
(Dollars In Thousands)

	Actual 2006-07				Estimated 2007-08				Proposed 2008-09						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Capital Outlay	79,694	617,109	486,707	1,183,510	1,373,731	73,059	673,521	2,801,611	3,548,191	1,806,419	146,922	507,246	4,057,162	4,711,330	1,373,883
Unclassified	-	-	-	-	-	-216,633	-66,600	-	-283,233	31,000	-9,132,095	-1,534,700	-	-10,666,795	31,000
STATUTORY APPROPRIATIONS															
State Operations	\$23,420,332	\$8,318,039	\$218,634	\$31,957,005	\$2,255,892	\$24,091,941	\$9,887,423	\$424,723	\$34,404,087	\$2,400,998	\$24,715,199	\$9,259,953	\$570,073	\$34,545,225	\$1,457,669
Local Assistance	-512,955	1,643,103	30,749	1,160,897	888,335	-480,608	2,523,372	72,885	2,115,649	1,045,242	-441,724	2,182,426	103,018	1,843,720	13,420
Capital Outlay	23,933,287	4,845,945	151,936	28,931,168	1,254,057	24,556,600	5,014,930	326,102	29,897,632	1,289,493	25,136,171	5,394,320	441,849	30,972,340	1,304,203
Unclassified	-	444,112	35,949	480,061	113,500	15,949	920,551	25,736	962,236	66,263	20,752	176,427	25,206	222,385	140,046
CONSTITUTIONAL APPROPRIATIONS															
State Operations	\$6,291,751	\$1,342,534	-	\$7,634,285	-	\$5,802,544	\$3,019,239	-	\$8,821,783	-	\$5,523,306	\$3,356,631	-	\$8,879,937	-
Local Assistance	3,190,051	-	-	3,190,051	-	3,341,368	333,000	-	3,674,368	-	4,037,872	354,000	-	4,391,872	-
Unclassified	-	3,953,463	-	3,953,463	-	-	4,175,789	-	4,175,789	-	-	4,526,259	-	4,526,259	-
OTHER APPROPRIATIONS															
State Operations	3,101,700	-2,610,929	-	490,771	-	2,461,176	-1,489,550	-	971,626	-	1,485,434	-1,523,628	-	-38,194	-
Local Assistance	\$1,942,531	\$454,096	\$5,032,593	\$7,429,220	\$6,054,451	\$1,991,062	\$1,713,878	\$5,628,259	\$9,333,199	\$5,692,203	\$1,707,645	\$1,668,397	\$5,580,487	\$8,956,529	\$5,269,788
Capital Outlay	45,370	48,061	81,316	174,747	5,250,277	-241,469	291,331	254,219	304,081	3,854,250	-102,882	7,040	7,800	-88,042	3,906,228
Unclassified	1,816,825	47,474	4,135,138	5,999,437	629,632	2,098,905	539,156	3,445,731	6,083,792	1,492,031	1,543,690	860,563	4,651,524	7,055,777	1,086,275
Capital Outlay	220,744	358,561	816,139	1,395,444	174,421	133,626	800,713	1,928,309	2,862,648	345,922	266,837	718,116	921,163	1,906,116	277,285
Unclassified	-140,408	-	-	-140,408	121	-	82,678	-	82,678	-	-	82,678	-	82,678	-

SCHEDULE 10

SUMMARY OF FUND CONDITION STATEMENTS

(Dollars In Thousands)

Fund	Reserves June 30, 2006 9,897,712	Actual Revenues 2006-07 95,415,373	Actual Expenditures 2006-07 101,412,965	Reserves June 30, 2007 3,900,120	Estimated Revenue 2007-08 101,230,369	Estimated Expenditures 2007-08 103,373,085	Reserves June 30, 2008 1,757,404	Estimated Revenues 2008-09 102,904,119	Estimated Expenditures 2008-09 100,998,105	Reserves June 30, 2009 3,663,418
GENERAL FUND										
SPECIAL FUNDS										
Abandoned Mine Reclamation & Minerals Fd	212	271	261	222	270	324	168	305	427	46
Abandoned Watercraft Abatement Fund	335	500	504	331	200	500	31	500	500	31
Accountancy Fund	16,311	11,610	7,337	20,548	11,336	12,121	19,763	11,520	12,441	18,842
Acupuncture Fund	1,308	4,094	1,991	3,411	2,342	2,632	3,121	2,060	2,516	2,665
Acute Orphan Weill Account, Oil, Gas, Geo	948	1,067	545	1,470	35	425	1,080	25	980	125
Administration Acct, Child & Families	23,309	7,001	5,363	24,947	6,012	5,716	25,243	6,148	5,853	25,538
Aeronautics Account STF	3,185	8,334	5,625	5,894	7,552	8,049	5,397	8,394	7,730	6,061
Agricultural Biomass Utilization Account	255	-	-	255	-255	-	-	-	-	-
Agricultural Export Promotion Acct, CA	57	5	8	54	5	10	49	5	10	44
Agricultural Pest Control Research Acct	87	4	-	91	-91	-	-	-	-	-
Air Pollution Control Fund	33,915	129,859	131,537	32,237	139,857	160,446	11,648	158,159	166,201	3,606
Air Quality Improvement Fund	-	-	-	-	-	-	-	50,400	1,740	48,660
Air Toxics Inventory and Assessment Acct	20	915	726	209	926	918	217	926	936	207
Alcohol Beverage Control Fund	66	-27	-	39	-	-	39	-	-	39
Alcohol Beverages Control Fund	14,863	48,610	49,426	14,047	49,462	53,928	9,581	50,967	53,842	6,706
Alcoholic Beverage Control Appeals Fund	738	999	941	796	1,019	1,049	766	1,039	1,066	739
Alternative & Renewable & Vehicle Tech	-	-	-	-	-	-	-	119,802	100,891	18,911
Analytical Laboratory Account, Food & Ag	-	739	-	739	526	503	762	526	513	775
Antiterrorism Fund	5,370	1,581	577	6,374	1,600	3,712	4,262	1,600	2,769	3,093
Appellate Court Trust Fund	2,921	4,839	5,122	2,638	4,695	4,840	2,493	4,695	6,789	399
Apprenticeship Training Contribution Fd	11,297	8,087	4,324	15,060	8,651	6,922	16,789	9,171	6,920	19,040
Architects Board Fund, California	1,507	4,107	2,879	2,735	2,913	3,127	2,521	2,098	3,231	1,388
Armory Discretionary Improvement Account	202	75	55	222	75	172	125	75	162	38
Asbestos Consultant Certification Acct	474	471	324	621	471	338	754	471	348	877
Asbestos Training Approval Account	77	197	114	160	197	122	235	197	123	309
Assistance for Fire Equipment Acct, State	421	49	7	463	50	100	413	50	100	363
Athletic Commission Fund	929	1,537	1,555	911	1,809	1,954	766	1,806	1,879	693
Attorney General Antitrust Account	245	1,059	731	573	1,107	1,318	362	1,208	1,330	240
Audit Fund, State	2,087	5	-505	2,597	-	-	2,597	-	1,178	1,419
AIDS Drug Assistance Program Rebate Fund	38,774	98,956	57,207	80,523	97,015	109,150	68,388	103,808	92,070	80,126
Barbering/Cosmetology Fd, St Bd of	6,659	18,222	15,528	9,353	18,029	17,608	9,774	21,620	18,681	12,713
Beach and Coastal Enhancement Acct, Calif	481	1,757	1,975	263	1,765	1,809	219	1,778	1,740	257
Behavioral Science Examiners Fund	5,504	5,709	4,940	6,273	5,558	5,668	6,163	5,575	6,028	5,710
Beverage Container Recycling Fund, CA	213,979	834,173	892,307	155,845	1,106,962	1,164,042	98,765	1,242,157	1,244,104	96,818
Bicycle Transportation Account, STF	5,932	6,669	9,231	3,370	8,866	7,210	5,026	8,907	7,210	6,723
Bimetal Processing Fee Acct, Bev Cont Re	4,679	1,673	146	6,206	1,673	146	7,733	1,673	151	9,255
Birth Defects Monitoring Fund	-	-	-	-	5,766	4,191	1,575	3,970	4,273	1,272
Boxer's Neurological Examination Account	138	181	48	271	180	117	334	181	120	395
Breast Cancer Control Account	8,546	13,158	10,940	10,764	15,400	17,326	8,838	14,760	17,389	6,209
Breast Cancer Fund	1	2,593	366	2,228	-1,691	537	-	589	589	-
Breast Cancer Research Account	1,227	13,724	14,240	711	15,966	14,309	2,368	15,326	14,348	3,346
Budget Stabilization Account	-	-	-471,770	471,770	-1,494,391	-1,022,621	-	-	-	-
Business Fees Fund, Secty of State's	1,978	32,067	34,044	1	37,505	37,506	-	38,967	38,967	-

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Reserves June 30, 2006	Actual Revenues 2006-07	Actual Expenditures 2006-07	Actual Reserves June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Cal- OSHA Targeted Inspection & Consult	5,575	8,781	14,355	1	22,247	19,255	2,993	10,141	9,405	3,729
California Memorial Scholarship Fund	43	-	-	43	-	-	43	-	-	43
Cancer Research Fund	2,130	-	11	2,119	-	-	2,119	-	-	2,119
Cannery Inspection Fund	636	1,500	1,354	782	2,170	2,163	789	2,170	2,157	802
Car Wash Worker Fund	51	226	50	227	260	188	299	290	193	396
Car Wash Worker Restitution Fund	40	112	2	150	160	80	230	180	80	330
Caseload Subacct, Sales Tax Growth Acct	-	44,298	44,298	-	24,251	24,251	-	22,995	22,995	-
Cemetery Fund	4,000	2,379	2,101	4,278	1,380	2,283	3,375	506	2,385	1,496
Certification Acct, Consumer Affairs Fd	492	971	892	571	1,026	1,034	563	1,026	1,127	462
Certification Fund	2,361	1,668	1,019	3,010	1,768	1,429	3,349	1,768	1,450	3,667
Certified Unified Program Account, State	449	1,594	842	1,201	1,508	1,301	1,408	1,508	1,304	1,612
Child Abuse Fund, DOJ	871	424	270	1,025	424	359	1,090	424	359	1,155
Child Care Acct, Child & Families Trust	50,522	20,728	15,664	55,586	18,137	42,137	31,586	18,546	50,132	-
Child Health and Safety Fund	4,251	4,243	3,986	4,508	4,913	5,989	3,432	5,190	6,017	2,605
Childhood Lead Poisoning Prevention Fund	10,632	10,120	18,348	2,404	20,579	21,643	1,340	20,579	21,886	33
Children & Families First Trust Fd, Cal	-	7,237	7,237	-	11,162	11,162	-	12,538	12,538	-
Children's Medical Services Rebate Fund	3,525	3,471	6,996	-	3,598	1,500	2,098	3,598	1,500	4,196
Chiropractic Examiners Fund	748	6,785	2,720	4,813	2,476	2,066	5,223	2,463	3,138	4,548
Cigarette & Tobacco Products Compliance	5,614	2,223	6,747	1,090	1,269	1,227	1,132	1,166	1,134	1,164
Cigarette & Tobacco Products Surtax Fund	-161	4,824	4,664	-1	6,679	6,678	-	7,373	7,373	-
Clandestine Drug Lab Clean-Up Account	9	-	-	9	-	-	9	-	-	9
Clinical Laboratory Improvement Fund	2,396	5,136	5,522	2,010	5,433	5,774	1,669	5,836	5,894	1,611
Clup Loans Envrnmntl Asst Neighborhood Act	3,288	-148	-16	3,156	-300	-33	2,889	-320	-818	3,387
Co Medical Svc Subacct, Sales Tax Growth	-	-	-	-	-	-	-	5,086	5,086	-
Coachella Valley Mountains Conservancy	2	10	-	12	33	33	12	33	33	12
Coastal Access Account, SCCF	578	487	464	601	1,093	1,223	471	2,341	824	1,988
Collins-Dugan Calif Conserv Corps Reimb	17,246	17,010	23,979	10,277	24,187	24,196	10,268	24,358	24,325	10,301
Colorado River Management Account	3,895	-	-26,388	30,283	-	26,388	3,895	-	-	3,895
Community Revitalization Fee Fund	2	52	11	43	59	84	18	69	85	2
Conserv Enforcement Svc Ac	-	565	-	565	-	-	565	-	-	565
Conservatorship Registry Fund	385	14	361	38	-	1	37	-	10	27
Construction Management Education Acct	200	112	-	312	106	15	403	107	15	495
Contingent Fd of the Medical Board of CA	12,775	49,688	43,996	18,467	50,146	52,043	16,570	50,556	51,318	15,808
Continuing Care Provider Fee Fund	1,837	1,107	1,007	1,937	1,051	1,304	1,684	1,051	1,627	1,108
Contractors' License Fund	34,068	55,105	51,460	37,713	51,776	57,439	32,050	54,044	60,403	25,691
Corporations Fund, State	13,044	34,674	30,604	17,114	33,958	38,327	12,745	34,488	39,974	7,259
Corrections Training Fund	618	20,503	19,684	1,437	23,102	22,097	2,442	23,303	22,118	3,627
Counties Children & Families Acct	-	464,864	464,804	60	457,590	457,650	-	468,490	468,490	-
Court Collection Account	5,644	66,395	66,253	5,786	68,906	70,599	4,093	88,458	89,418	3,133
Court Facilities Trust Fund	48	2,355	2,365	38	10,644	10,642	40	11,793	11,791	42
Court Interpreters' Fund	89	140	154	75	140	155	60	140	163	37
Court Reporters Fund	782	1,977	802	1,957	616	842	1,731	612	913	1,430
Credit Union Fund	4,386	3,915	4,283	4,018	4,107	4,827	3,298	5,343	7,302	1,339
Dam Safety Fund	326	8,437	8,881	-118	9,919	9,800	1	10,385	10,386	-
Deaf & Disabled Telecomm Prg Admin Comm	63,076	38,796	45,125	56,747	89,561	69,449	76,859	93,292	69,598	100,553

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Reserves June 30, 2006	Actual Revenues 2006-07	Actual Expenditures 2006-07	Reserves June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Dealers' Record of Sale Special Account	3,715	10,438	8,325	5,828	10,438	10,010	6,256	10,438	11,676	5,018
Debt & Investment Advisory Comm Fund,Cal	7,748	2,656	1,912	8,492	2,656	2,222	8,926	2,656	2,419	9,163
Debt Limit Allocation Committee Fund,Cal	936	5,654	959	5,631	2,200	1,223	6,608	2,400	1,239	7,769
Deficit Recovery Bond Retirement Sinking	12,038	480,000	490,771	1,267	1,054,304	1,054,304	1,267	44,484	44,484	1,267
Delta Flood Protection Fund	999	6	995	10	2	-	12	2	-	14
Dental Auxiliary Fund, State	942	1,981	1,798	1,125	2,220	2,569	776	2,326	2,562	540
Dentally Underserved Account	3,101	154	265	2,990	57	167	2,880	58	126	2,812
Dentistry Fund, State	3,541	10,854	7,342	7,053	7,764	9,981	4,836	7,732	9,916	2,652
Department of Agriculture Account, Ag Fd	31,171	98,964	96,566	33,569	95,938	111,217	18,290	103,906	110,300	11,896
Developmental Disabilities Prog Dev Fund	358	1,265	1,554	69	1,436	1,355	150	1,436	1,427	159
Developmental Disabilities Services Acct	164	6	44	126	6	-	132	6	-	138
Diesel Emission Reduction Fund	979	241	-	1,220	235	-	1,455	215	-	1,670
Disability Access Account	8,641	4,579	5,591	7,629	4,579	8,191	4,017	4,579	8,413	183
Disaster Relief Fund	11	-	-	11	-	-	11	-	-	11
Dispensing Opticians Fund	248	177	123	302	162	284	180	157	291	46
Domestic Violence Trng & Education Fund	1,070	1,073	977	1,166	1,159	1,156	1,169	1,159	1,171	1,157
Drinking Water Operator Cert Special Act	2,493	1,630	1,188	2,935	1,700	1,603	3,032	1,800	1,616	3,216
Drinking Water Treatment & Research Fund	15,195	-	4,463	10,732	5,000	5,071	10,661	5,000	5,080	10,581
Driver Training Penalty Assessment Fund	1,191	1,106	1,212	1,085	1,106	1,506	685	1,626	1,626	685
Driving Under-the-Influence Prog Lic Trs	1,677	1,417	1,311	1,783	1,405	1,521	1,667	1,405	1,520	1,552
Drug and Device Safety Fund	7,007	4,117	3,289	7,835	3,870	4,478	7,227	7,050	4,578	9,699
DNA Identification Fund	3,906	20,669	12,713	11,862	29,292	21,259	19,895	36,981	19,923	36,953
DNA Testing Fund, Department of Justice	222	-	-	222	-	-	222	-	-	222
Earthquake Emergency Invest Acct-NDA Fd	95	-	-	95	-	95	-	-	-	-
Earthquake Risk Reduction Fund of 1996	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-
Education Act, Child & Families TrustFd	102,588	36,661	16,316	122,933	30,061	88,561	64,433	30,742	95,175	-
Educational Telecommunication Fund	31,546	-	20,025	11,521	-	3,235	8,286	-	6,561	1,725
Electrician Certification Fund	4,250	2,409	2,250	4,409	2,426	2,672	4,163	2,426	2,746	3,843
Electronic and Appliance Repair Fund	1,541	2,043	1,878	1,706	1,977	2,333	1,350	1,967	2,412	905
Electronic Waste Recovery & Recycling	53,500	82,282	87,819	47,963	83,163	122,239	8,887	85,163	92,160	1,890
Elevator Safety Account	3,360	13,332	14,902	1,790	15,969	16,490	1,269	19,365	20,599	35
Emerg Medical Svcs Trng Prog Approvl Fd	394	290	391	293	284	432	145	284	426	3
Emergency Food Assistance Program Fund	449	396	444	401	455	407	449	470	455	464
Emergency Medical Services Personnel Fnd	491	1,268	1,225	534	1,264	1,393	405	1,264	1,436	233
Emergency Telephone Number Acct, State	135,849	112,169	98,892	149,126	102,000	161,938	89,188	102,000	157,805	33,383
Employment Development Contingent Fund	-4,142	82,447	78,305	-	77,449	69,167	8,282	57,985	66,267	-
Employment Developmnt Dept Benefit Audit	-	14,509	14,509	-	14,945	14,945	-	14,700	14,700	-
Energy Conservation Assistance Ac, State	9,994	891	-3,149	14,034	900	14,934	-	900	900	-
Energy Facility License and Compliance	2,931	3,639	623	5,947	2,240	1,503	6,684	2,250	2,503	6,431
Energy Resources Programs Account	22,438	56,707	54,457	24,688	61,576	66,481	19,783	59,086	69,727	9,142
Energy Tech Research, Dev, & Demo Acct	2,705	90	-34	2,829	100	2,748	181	100	249	32
Environmental Enhancement & Mitigation	3,824	10,490	9,892	4,422	10,516	10,125	4,813	10,516	10,128	5,201
Environmental Enhancement Fund	1,470	141	21	1,590	346	332	1,604	346	352	1,598
Environmental Laboratory Improvement Fnd	213	2,752	2,580	385	2,743	2,593	535	2,960	3,346	149
Environmental License Plate Fund, Calif	14,513	37,460	38,267	13,706	37,189	41,824	9,071	37,189	41,857	4,403

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Reserves June 30, 2006	Actual Revenues 2006-07	Actual Expenditures 2006-07	Reserves June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Environmental Protection Trust Fund	5,459	1,267	-	6,726	775	7,150	351	-	-	351
Environmental Quality Assessment Fund	120	346	380	86	572	574	84	572	576	80
Environmental Water Fund	2,242	117	-	2,359	47	-	2,406	47	-	2,453
Equality in Prv & Svcs Domestic Abuse Fd	-	39	-	39	338	338	39	103	104	38
Expedited Site Remediation Trust Fund	2,510	584	108	2,986	85	60	3,011	10	2,800	221
Export Document Program Fund	1,379	361	176	1,564	397	421	1,540	397	376	1,561
Exposition Park Improvement Fund	3,977	4,368	4,099	4,246	4,890	4,127	5,009	4,005	4,187	4,827
Fair and Exposition Fund	1,547	23,970	24,460	1,057	23,972	24,272	757	23,972	24,672	57
False Claims Act Fund	2,488	21,035	8,628	14,895	11,853	13,321	13,427	9,268	10,544	12,151
Family Law Trust Fund	4,076	2,067	2,815	3,328	1,994	3,439	1,883	1,994	3,566	311
Farm & Ranch Solid Waste Cleanup & Abate	1,158	1,025	1,007	1,176	221	1,110	287	1,020	1,145	162
Farmworker Remedial Account	263	193	-	456	234	102	588	260	102	746
Film Promotion and Marketing Fund	-	5	-	5	10	10	5	10	11	4
Financial Institutions Fund	6,945	20,608	19,847	7,706	22,718	23,196	7,228	23,690	24,246	6,672
Financial Responsibility Penalty Account	2,282	-180	-	2,102	180	-	2,282	-	-	2,282
Fingerprint Fees Account	12,931	65,833	67,267	11,497	68,059	73,686	5,870	67,059	69,182	3,747
Fire and Arson Training Fund, Calif	735	1,699	1,376	1,058	1,686	1,766	978	2,020	2,454	544
Fire Marshal Fireworks Enf & Disp Fd, St	-	-	-	-	-	-	-	1,127	1,119	8
Fire Marshal Licensing & Cert Fund, St	963	1,817	1,754	1,026	2,143	2,637	532	2,194	2,722	4
Fire Safety Subaccount	983	-983	-	-	-	-	-	-	-	-
Firearm Safety Account	506	384	329	561	384	332	613	384	331	666
Firearms Safety and Enforcement Spec Fd	1,287	2,978	2,963	1,302	2,978	3,119	1,161	2,978	3,167	972
Fiscal Recovery Fund	612,196	1,421,298	1,395,587	637,907	1,443,000	1,443,000	637,907	1,522,000	1,522,000	637,907
Fish and Game Preservation Fund	12,928	85,423	54,126	44,225	86,326	87,200	43,351	85,212	86,879	41,684
Fish and Wildlife Pollution Account	6,034	1,057	2,435	4,656	803	2,691	2,768	825	2,718	875
Food Safety Act, Pesticide Reg Fd, Dept	36	303	311	28	-	-	28	-	-	28
Food Safety Fund	1,529	6,241	5,765	2,005	6,492	6,497	2,000	6,642	6,825	1,817
Foster and Small Family Insurance Fund	5,647	-	-223	5,870	-	-	5,870	-	-	5,870
Funeral Directors and Embalmers Fund, St	2,558	1,365	1,389	2,534	1,207	1,652	2,089	1,215	1,675	1,629
Gambling Addiction Program Fund	-	47	-	47	150	-	197	150	150	197
Gambling Control Fines & Penalties Acct	177	67	25	219	30	45	204	30	46	188
Gambling Control Fund	5,612	13,348	8,100	10,860	12,993	10,185	13,668	12,993	12,421	14,240
Garment Industry Regulations Fund	1,952	3,422	3,519	1,855	3,200	3,726	1,329	3,200	3,061	1,468
Garment Manufacturers Special Account	1,433	448	-	1,881	468	500	1,849	468	500	1,817
Gas Consumption Surcharge Fund	-44,497	338,141	277,426	16,218	443,753	439,838	20,133	443,753	439,870	24,016
General Growth Subacct.Sales Tax Growth	-	-	-	-	-	-	-	98,213	98,213	-
Genetic Disease Testing Fund	11,440	100,082	90,109	21,413	108,364	118,562	11,215	111,071	121,992	294
Geology and Geophysics Fund	705	1,103	942	866	1,149	1,312	703	1,243	1,370	576
Geothermal Resources Development Account	-125	3,784	3,178	481	4,667	4,041	1,107	4,667	4,041	1,733
Glass Processing Fee Account	6,713	61,350	51,062	17,001	46,009	52,960	10,050	56,682	54,761	11,971
Golden Bear State Pharmacy Asst Program	640	-640	-	-	-	-	-	-	-	-
Graphic Design License Plate Account	4,012	3,038	2,779	4,271	2,998	2,813	4,456	3,073	3,173	4,356
Guide Dogs for the Blind Fund	199	159	133	225	140	165	200	135	168	167
Habitat Conservation Fund	2,578	8,392	10,125	845	8,655	9,003	497	8,248	8,404	341
Hatchery and Inland Fisheries Fund	-	18,285	15,839	2,446	19,024	18,730	2,740	20,035	17,310	5,465

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Reserves June 30, 2006	Actual Revenues 2006-07	Actual Expenditures 2006-07	Actual Expenditures 2006-07	Reserves June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Hazardous & Idle-Deserted Well Abate Fnd	75	166	103	138	104	120	104	122	104	100	126
Hazardous Liquid Pipeline Safety Calif	1,137	1,072	1,342	867	2,580	3,116	3,280	331	3,280	3,067	544
Hazardous Waste Control Account	12,168	62,124	50,547	23,745	45,795	54,324	45,195	15,216	54,081	54,081	6,330
Health Care Benefits Fund	196	1,664	235	1,625	1,692	3,317	1,908	-	1,908	1,908	-
Health Data & Planning Fund, CA	6,021	21,844	18,848	9,017	24,612	20,681	25,991	12,948	20,611	20,611	18,328
Health Ed Acct, Cig & Tob Pr Surtax	16,019	81,041	82,755	14,305	77,499	78,352	78,961	13,452	78,961	77,697	14,716
Health Statistics Special Fund	18,138	21,105	20,765	18,478	20,452	30,161	20,452	8,769	20,452	28,862	359
Health Subaccount, Sales Tax Account	-	399,521	399,521	-	399,521	399,521	399,521	-	399,521	399,521	-
Hearing Aid Dispensers Fund	1,234	662	710	1,186	612	768	601	1,030	762	762	869
High Polluter Repair or Removal Account	41,663	49,932	42,006	49,589	48,915	60,032	81,170	38,472	71,339	71,339	48,303
High-Cost Fund-A Admin Committee Fd, Cal	43,409	52,681	40,159	55,931	45,123	66,518	32,283	34,536	56,366	56,366	10,453
High-Cost Fund-B Admin Committee Fd, Cal	221,741	470,644	411,834	280,551	219,750	362,043	129,126	138,258	196,183	196,183	71,201
Highway Account, State, STF	1,354,125	3,392,061	3,666,365	1,079,821	3,542,338	4,262,491	359,668	3,664,675	4,215,973	4,215,973	-191,630
Highway Users Tax Account, TTF	7,084	1,132,039	1,127,951	11,172	1,156,701	1,156,736	11,137	1,177,071	1,179,297	1,179,297	8,911
Historic Property Maintenance Fund	3,454	1,533	1,476	3,511	1,379	1,557	1,379	3,333	1,379	1,590	3,122
Home Furnish & Thermal Insulat Fd, Burea	3,469	4,032	3,944	3,557	4,354	4,660	4,335	3,251	4,335	4,796	2,790
Hospital Building Fund	66,152	44,839	35,355	75,636	43,005	45,074	73,567	73,567	43,005	44,426	72,146
Hospital Svc Acct, Cig & Tob Pr Surtax	8,131	58,489	62,433	4,187	57,805	61,992	-	-	53,067	50,414	2,653
HICAP Fund, State	2,650	2,470	2,439	2,681	2,455	2,460	2,455	2,676	2,455	2,469	2,662
Illegal Drug Lab Cleanup Account	6,587	212	370	6,429	200	2,038	200	4,591	200	2,038	2,753
Indian Gaming Special Distribution Fund	99,433	105,392	51,411	153,414	49,238	27,313	50,361	175,339	29,136	29,136	196,564
Industrial Development Fund	19	180	53	146	190	260	199	76	199	256	19
Industrial Rel Construction Enforce Fd	230	199	17	412	300	54	300	658	300	54	904
Infant Botulism Treatment & Prevention	3,508	3,896	2,693	4,711	3,751	2,534	3,751	5,928	3,751	3,950	5,729
Inland Wetlands Cons Fd, Wildlife Rest	1,308	72	5	1,375	68	500	68	943	68	-	1,011
Insurance Fund	48,508	200,553	198,931	50,130	206,810	218,800	274,437	38,140	274,437	275,724	36,853
Integrated Waste Management Account	24,316	53,608	54,319	23,605	52,058	59,538	57,659	16,125	60,920	60,920	12,864
Internat Student Exch Visitor Plcmt Org	53	9	-	62	-	-	-	62	-	-	62
Jobs-Housing Balance Improvement Account	73,286	-	23,931	49,355	-	23,720	-	25,635	-	23,599	2,036
Judicial Admin Efficiency & Modernzn	13,964	2,632	-45	16,641	2,749	-	2,749	19,390	-	-	22,139
Labor and Workforce Development Fund	133	1,078	32	1,179	500	211	500	1,468	500	220	1,748
Lake Tahoe Conservancy Account	1,954	1,220	546	2,628	1,220	2,508	1,220	1,340	1,220	1,584	976
Landscape Architects Fd, CA Bd/Arch Exam	1,684	803	894	1,593	758	1,101	786	1,250	786	1,151	885
Law Library Special Account, Calif. State	595	451	417	629	465	595	465	499	465	707	257
Leaking Undgrnd Stor Tank Cost Recovery	1,075	36	-	1,111	30	1,014	30	127	30	5	152
Licensed Midwifery Fund	39	20	-	59	20	-	20	79	20	-	99
Licensing & Certification Fd, Mental Hlth	-	357	357	-	357	357	392	-	392	392	-
Licensing and Certification Prog Fd, PH	-19,580	58,143	19,172	19,391	68,678	75,956	79,539	12,113	84,340	84,340	7,312
Lifetime License Trust Acct, Fish & Game	5,738	712	-	6,450	646	-	579	7,096	-	-	7,675
Loc Pub Prosecutors & Pub Defenders Trng	701	896	798	799	864	870	864	793	864	872	785
Local Agency Deposit Security Fund	211	369	295	285	373	407	376	251	376	412	215
Local Airport Loan Account	10,154	1,769	88	11,835	1,910	350	1,825	13,395	2,250	350	14,870
Local Govt Geothermal Resource Subacct	641	1,857	1,272	1,226	2,250	3,307	2,250	169	2,306	2,306	113
Local Jurisdiction Energy Assistance	1,228	57	-	1,285	60	-	60	-	60	60	-
Local Revenue Fund	-	639	639	-	708	708	688	-	688	688	-

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Reserves June 30, 2006	Actual Revenues 2006-07	Actual Expenditures 2006-07	Actual Reserves June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Local Transportation Loan Act, SHA, STF	2,469	139	-	2,608	124	1,000	1,732	78	1,000	810
Low-Level Radioactive Waste Disposal Fnd	468	12	313	167	-	-	167	-	-	167
Main Street Program Fund, California	-	-	-	-	175	175	-	175	175	-
Major Risk Medical Insurance Fund	8,512	44,000	34,108	18,404	21,686	40,090	-	36,000	36,000	-
Managed Care Fund	6,945	41,874	40,378	8,441	38,259	43,967	2,733	43,555	44,076	2,212
Marine Invasive Species Control Fund	2,982	2,766	3,321	2,447	3,500	4,484	1,463	4,900	4,095	2,268
Mass Media Comm Act, Child & Fam Trust	39,170	37,026	28,140	48,056	35,273	59,273	24,056	36,090	60,146	-
Mass Transportation Fund	-	-	-	-	82,678	82,678	-	82,678	82,678	-
Medical Marijuana Program Fund	87	202	287	2	461	422	41	461	422	80
Medical Waste Management Fund	684	1,553	1,542	695	1,939	2,095	539	1,939	2,149	329
Medically Underserved Account	5,220	-	5,220	-	-	-	-	-	-	-
Mental Health Practitioner Education Fd	606	331	54	883	335	212	1,006	330	471	865
Mental Health Services Fund	1,432,687	1,433,387	370,523	2,495,551	1,587,646	1,532,910	2,550,287	1,659,646	1,532,304	2,677,629
Mental Health Subaccount, Sales Tax Act	-	841,749	841,749	-	841,749	841,749	-	841,749	841,749	-
Mexican Aner Vet's Memrl Beautif/Enhance	199	6	-	205	6	10	201	6	10	197
Mine Reclamation Account	719	2,492	2,656	555	3,651	3,478	728	3,651	3,842	537
Missing Persons DNA Data Base Fund	4,662	3,618	3,112	5,168	3,750	4,496	4,422	3,750	4,642	3,530
Mobilehome Manufactured Home Revolv Fd	3,005	17,398	17,688	2,715	21,228	21,830	2,113	22,328	21,374	3,067
Mobilehome Park Revolving Fund	80	7,162	5,171	2,071	6,567	6,192	2,446	6,567	6,053	2,960
Motor Carriers Safety Improvement Fund	3,326	1,943	1,492	3,777	1,868	2,433	3,212	1,915	2,493	2,634
Motor Vehicle Account, STF	573,377	2,003,677	2,101,037	476,017	2,079,987	2,431,983	124,021	2,533,737	2,434,699	223,059
Motor Vehicle Fuel Account, TTF	567	34,831	22,723	12,675	27,779	25,424	15,030	21,539	26,306	10,263
Motor Vehicle Insurance Account, State	25,447	21,105	18,841	27,711	17,000	19,581	25,130	17,000	20,081	22,049
Motor Vehicle License Fee Account, TTF	13,037	573,479	575,804	10,712	583,782	593,494	1,000	593,991	598,991	1,000
Motor Vehicle Parking Faci Moneys Act	-1,144	5,337	3,414	779	3,237	3,412	604	3,237	3,577	264
Narcotic Treatment Program Licensing Trt	-20	1,233	1,133	80	1,292	1,349	23	1,334	1,353	4
Native Species Conserv & Enhancement Acc	18	49	-	67	24	-	91	24	-	115
Natural Gas Subaccount, PIRD&D Fund	-	-	-	-	18,500	18,000	500	21,500	21,002	998
Natural Heritage Preservation Tax Credit	4,883	-	-	4,883	-4,883	-	-	-	-	-
Natural Resources Infrastructure Fund	10,871	-	-	10,871	-	-	10,871	-	-	10,871
Naturopathic Doctor's Fund	31	155	115	71	158	151	78	147	125	100
New Motor Vehicle Board Account	2,343	1,848	1,739	2,452	1,559	2,113	1,898	1,559	2,107	1,350
Nondesignated Public Hospital Supplementl	95	99	-259	453	49	249	253	49	-	302
Nontoxic Dry Cleaning Incentive Trst Fd	548	608	216	940	1,499	1,524	915	1,499	1,515	899
Nuclear Planning Assessment Special Act	723	3,557	4,047	233	4,261	4,494	-	4,663	4,663	-
Nursing Home Admin St Lic Exam Fund	386	408	507	287	458	601	144	508	598	54
Occupancy Compliance Monitoring Account	13,436	42,043	1,236	54,243	4,610	2,093	56,760	4,610	1,834	59,536
Occupational Lead Poisoning Prev Account	3,315	3,132	2,868	3,579	3,100	3,688	2,991	3,100	3,757	2,334
Occupational Safety and Health Fund	-	-	-	-	-	-	-	18,898	13,518	5,380
Occupational Therapy Fund	2,212	1,418	797	2,833	1,040	1,025	2,848	1,075	1,066	2,857
Off Highway License Fee Fund	-	2,610	2,609	1	2,522	2,500	23	2,522	2,500	45
Off-Highway Vehicle Trust Fund	93,309	76,956	53,463	116,802	57,759	103,480	71,081	85,028	89,957	66,152
Oil Spill Prevention & Administration Fd	18,959	33,473	33,651	18,781	35,926	37,565	17,142	35,452	37,522	15,072
Oil Spill Response Trust Fund	54,088	3,210	1,976	55,322	1,932	1,300	55,954	1,601	1,300	56,255
Oil, Gas and Geothermal Administrative	2,303	16,931	16,794	2,440	18,203	18,272	2,371	18,636	20,005	1,002

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Reserves June 30, 2006	Actual Revenues 2006-07	Actual Expenditures 2006-07	Actual Expenditures 2006-07	Reserves June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Olympic Training Account, California	282	94	-	-	376	94	-	470	94	-	564
Optometry Fund, State	566	1,114	1,088	1,088	592	1,772	1,200	1,164	1,772	1,495	1,441
Osteopathic Medical Bd of Calif Contn Fd	931	4,212	974	974	4,169	1,423	1,227	4,365	1,485	1,359	4,491
Other Unallocated Special Funds	-	-5,077	111	111	-5,188	-3,729	-48,707	39,790	36,768	-1,351,293	1,427,851
Outpatient Setting Fd of Medical Board	119	69	-	-	188	3	25	166	3	26	143
Parks and Recreation Fund, State	6,556	118,052	118,882	118,882	5,726	118,805	122,125	2,406	120,055	122,304	157
Payphone Service Providers Committee Fd	459	367	403	403	423	367	500	290	367	495	162
Peace Officers' Training Fund	31,043	56,105	55,731	55,731	31,417	56,006	61,757	25,666	56,618	60,312	21,972
Pedestrian Safety Account, STF	1,381	122	-	-	1,503	124	-	1,627	124	-	1,751
Penalty Act, Ca Bev Container Recyc Fd	2,099	428	-	-	2,527	438	-	2,965	424	-	3,389
Perinatal Insurance Fund	-3,959	56,944	52,608	52,608	377	60,253	60,596	34	69,176	69,128	82
Permanent Amusement Ride Safety Insp Fd	389	572	771	771	190	-190	-	-	-	-	-
Pesticide Regulation Fund, Dept of	10,410	65,585	62,738	62,738	13,257	67,015	69,576	10,696	69,426	73,221	6,901
Pharmacy Board Contingent Fund	7,413	10,688	7,187	7,187	10,914	6,815	9,484	8,245	7,556	9,733	6,068
Physical Therapy Fund	469	2,129	2,249	2,249	349	2,175	2,360	164	2,264	2,306	122
Physician Assistant Fund	1,779	1,111	970	970	1,920	1,084	1,160	1,844	1,143	1,187	1,800
Physician Svc Act, Cig & Tob Pr Surtax	2,941	3,669	5,591	5,591	1,019	16,052	17,071	-	3,080	2,926	154
Pierce's Disease Management Account	10,189	5,019	3,071	3,071	12,137	3,536	7,900	7,773	3,536	4,887	6,422
Pilot Commissioners' Special Fd, Board	588	1,535	1,514	1,514	609	2,269	2,095	783	2,269	2,127	925
Podiatric Medicine Fund, Board of	1,197	934	932	932	1,199	882	1,352	729	872	1,309	292
Pressure Vessel Account	-71	3,745	3,655	3,655	19	4,000	3,997	22	5,100	5,106	16
Private Hospital Supplemental Fund	16,709	7,437	14,833	14,833	9,313	28,068	23,742	13,639	28,068	18,793	22,914
Private Investigator Fund	1,510	796	611	611	1,695	734	993	1,436	729	1,085	1,080
Private Postsec & Vocatn Ed Admin Fund	85	4,782	4,002	4,002	865	-	469	396	8,481	7,862	1,015
Private Security Services Fund	4,156	8,470	7,951	7,951	4,675	7,797	9,563	2,909	7,933	10,252	590
Professional Engineer & Land Surveyor Fd	2,610	9,058	8,013	8,013	3,655	10,091	9,169	4,577	9,308	9,426	4,459
Professional Fiduciary Fund	-	-	-	-	-	1,855	649	1,206	-422	610	174
Professional Forester Registration Fund	429	164	198	198	395	166	215	346	169	221	294
Propane Safety Insp/Enforcmt Prog Trust	32	-6	-	-	26	-26	-	-	-	-	-
Property Acquisition Law Money Account	13,805	-9,327	3,043	3,043	1,435	4,287	4,752	970	3,747	3,749	968
Psychiatric Technicians Account	1,089	1,323	1,193	1,193	1,219	1,131	1,645	705	1,121	1,658	168
Psychology Fund	3,182	3,292	2,542	2,542	3,932	3,250	3,383	3,799	3,247	3,413	3,633
Pub Sch Ping Desgn & Constr Rev Reviv Fd	55,688	52,975	42,291	42,291	66,372	49,076	42,800	72,648	49,076	43,876	77,848
Publ Utilities Comm Utilities Reimb Acct	34,538	57,347	81,965	81,965	9,920	83,900	88,514	5,306	92,454	84,288	13,472
Public Beach Restoration Fund	179	637	750	750	66	4,200	4,200	66	6,500	6,500	66
Public Int Res, Dev & Demonstratn Progrm	77,846	77,745	70,930	70,930	84,661	79,562	106,657	57,566	71,913	74,826	54,653
Public Res Acct, Cig & Tob Pr Surtax	3,308	16,823	16,540	16,540	3,591	15,480	17,774	1,297	16,435	16,641	1,091
Public Rights Law Enforcement Special Fd	-	2,121	1,094	1,094	1,027	5,676	5,955	748	5,556	6,002	302
Public Transportation Account, STF	366,616	1,254,946	1,313,844	1,313,844	307,718	829,329	1,695,781	-558,734	1,342,089	1,089,219	-305,864
Public Util Comm Transport Reimb Acct	5,209	8,404	9,658	9,658	3,955	9,754	11,824	1,885	10,433	11,298	1,020
PET Processing Fee Acct, Bev Cont Rec Fd	437	53,016	49,575	49,575	3,878	60,076	60,450	3,504	75,203	75,165	3,542
PUC Ratepayer Advocate Account	223	20,971	20,972	20,972	222	22,094	22,096	220	22,868	22,870	218
Radiation Control Fund	6,248	20,029	19,304	19,304	6,973	23,100	22,757	7,316	23,100	23,483	6,933
Real Estate Appraisers Regulation Fund	14,749	6,376	3,507	3,507	17,618	4,850	4,204	18,264	3,950	4,118	18,096
Real Estate Fund	50,291	40,246	40,339	40,339	50,198	33,989	46,857	37,330	32,989	44,440	25,879

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Actual Revenues 2006-07	Actual Expenditures 2006-07	Reserves June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Recycling Market Development Rev Loan	18,492	1,948	2,349	1,187	9,947	9,331	3,040	9,278	3,093
Reg Environmental Health Specialist Fd	533	226	255	333	395	442	324	395	371
Registered Nurse Education Fund	1,607	1,703	1,224	1,750	1,524	2,312	1,750	1,530	2,532
Registered Nursing Fund, Board of	13,900	26,430	19,584	18,416	23,094	16,068	18,319	23,221	11,166
Registry of Charitable Trusts Fund	622	3,042	2,553	2,936	2,848	1,199	2,936	2,900	1,235
Removal & Remedial Action Acct	3,406	3,135	2,039	2,950	1,884	5,568	3,150	1,685	7,033
Renewable Resource Trust Fund	205,974	311,751	86,703	129,000	464,633	95,389	78,000	67,077	106,312
Research & Devel Acct, Child & Fam Trust	57,046	21,073	13,427	18,337	52,137	30,892	18,746	49,638	-
Research Acct, Cig & Tob Pr Surtax	3,469	21,222	19,932	19,688	22,261	2,186	20,053	20,377	1,862
Residential & Outpatient Prog Lic Fund	-	-	-	4,482	1,617	2,865	4,147	1,866	5,146
Residential Earthquake Recovery Fund, CA	174	-	-	174	-	174	-	-	174
Respiratory Care Fund	1,352	2,233	2,117	2,197	2,839	826	2,241	2,889	178
Responsibility Area Fire Protection Fund	41	-	41	-	-	41	-	-	41
Restitution Fund	111,598	119,621	124,902	121,958	151,301	76,974	123,094	151,192	48,876
Retail Food Safety and Defense Fund	-	-	-	20	20	-	20	20	-
Rigid Container Account	40	12	37	147	162	-	162	162	-
Rural CUPA Reimbursement Account	1,013	-	-148	-	-	1,161	-	-	1,161
Safe Drinking Water and Toxic Enforcement	3,528	1,545	655	1,549	967	5,000	1,549	925	5,624
Safe Drinking Water Account	7,922	10,424	10,976	11,083	12,039	6,414	11,576	12,221	5,769
Sale of Tobacco to Minors Control Acct	686	199	-134	300	488	831	400	505	726
Salmon & Steelhead Trout Restoration Acc	528	-	528	-	-	528	-	-	528
San Joaquin River Conservancy Fund	66	66	50	63	60	85	63	70	78
Satellite Wagering Account	505	12,721	12,458	12,600	13,072	296	12,600	12,733	163
School Facilities Emergency Repair Acct	198,401	-	-111,047	-	245,798	63,650	-	60,000	3,650
School Facilities Fee Assistance Fund	782	40	-	5	-	827	5	-	832
School Fund, State	12,202	41,441	12,203	41,441	41,440	12,204	41,441	41,440	12,205
School Land Bank Fund	54,446	2,828	192	3,243	475	59,850	11,575	475	70,950
Seismic Gas Valve Cert Fee Acct	-	-	-	75	75	-	75	75	-
Self-Insurance Plans Fund	2,633	3,802	3,187	3,500	3,810	2,938	3,000	3,872	2,066
Senate Operating Fund	308	-	-	308	-	308	-	-	308
Sexual Habitual Offender, DOJ	2,219	2,357	2,526	2,297	2,949	1,874	2,357	2,319	1,912
Sexual Predator Public Information Acct	386	164	386	164	167	161	164	199	126
Site Operation and Maintenance Account	1,852	60	191	33	400	1,354	33	400	987
Site Remediation Account	9,767	8,610	15,113	8,980	10,160	2,084	9,243	9,597	1,730
Social Services Subaccount, Sales Tx Acc	-	1,576,261	1,576,261	1,620,559	1,620,559	-	1,644,810	1,644,810	-
Soil Conservation Fund	934	3,514	3,139	3,749	3,601	1,457	2,839	3,600	696
Solid Waste Disposal Site Cleanup Tr Fd	6,249	6,108	8,564	5,219	5,618	3,394	5,219	5,675	2,938
Speech-Language Pathology & Audiology	854	762	744	787	903	756	804	791	769
State Court Facilities Construction Fund	194,389	156,375	40,209	140,134	128,335	322,354	144,509	179,043	287,820
Strong-Motion Instrumnt & Seismic Mapping	10,350	9,241	8,633	7,560	9,774	8,744	7,560	9,921	6,383
Structural Pest Cntrl Educ&Enforceemt Fd	618	343	300	304	367	598	305	380	523
Structural Pest Control Fund	3,077	4,882	3,600	2,787	4,090	3,056	2,748	4,182	1,622
Structural Pest Control Research Fund	932	170	397	131	547	289	126	369	46
Substance Abuse Treatment Trust Fund	3,352	-	1,927	1,425	1,400	25	-	-	25
Surface Impoundment Assessment Account	593	19	197	20	218	217	20	219	18

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Reserves June 30, 2006	Actual Revenues 2006-07	Actual Expenditures 2006-07	Actual Expenditures June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Surface Mining and Reclamation Account	2,735	2,121	3,723	1,133	2,045	2,750	428	2,045	2,192	281
Tax Credit Allocation Fee Account	5,524	37,841	1,639	41,726	4,913	1,955	44,684	4,913	1,995	47,602
Teacher Credentials Fund	5,826	14,644	15,335	5,135	14,655	15,285	4,505	14,655	15,384	3,776
Technical Assistance Fund	70	21,553	21,434	189	21,857	21,236	810	21,997	21,236	1,571
Teleconnect Fd Admin Comm Fd, Cal	16,187	50,603	36,454	30,336	37,016	27,135	40,217	38,327	33,453	45,091
Telephone Medical Advice Services Fund	295	204	129	370	89	161	298	203	150	351
Test Development and Admin Acct, Tc Fd	3,284	4,447	4,606	3,125	6,318	4,269	5,174	6,113	4,746	6,541
Tire Recycling Management Fund, Calif	40,462	42,328	35,323	47,467	33,345	39,018	41,794	50,574	34,444	57,924
Tissue Bank License Fund	720	441	278	883	464	319	1,028	503	320	1,211
Tobacco Settlement Fund	1,118	-1,118	-	-	-	-	-	-	-	-
Toxic Substances Control Account	31,727	39,398	37,994	33,131	43,744	50,870	26,005	44,833	51,308	19,530
Traffic Congestion Relief Fund	420,843	997,852	816,463	602,232	683,578	340,940	944,870	22,678	117,723	849,825
Transcript Reimbursement Fund	61	305	189	177	303	312	168	303	312	159
Transitional Housing for Foster Youth Fd	4	-	-	4	-	-	4	-	-	4
Transportation Debt Service Fund	-	-	-	-	539,289	533,000	6,289	371,893	354,000	24,182
Transportation Deferred Investment Fund	-	-269,144	-653,186	384,042	-82,678	210,322	91,042	-82,678	-82,678	91,042
Transportation Investment Fund	219,125	-1,010,386	-1,111,839	320,578	-1,025,311	-846,055	141,322	-597,087	-541,260	85,495
Transportation Rate Fund	1,406	2,521	2,518	1,409	2,522	2,957	974	2,522	2,867	629
Traumatic Brain Injury Fund	348	896	1,167	77	1,114	1,157	34	1,131	1,165	-
Travel Seller Fund	3,335	888	864	3,359	811	1,337	2,833	811	1,345	2,299
Trial Court Improvement Fund	186,748	89,755	129,797	146,706	89,430	123,835	112,301	91,221	106,912	96,610
Trial Court Trust Fund	94,203	1,206,753	1,201,261	99,695	1,210,582	1,220,115	90,162	1,203,791	1,218,386	75,567
Unallocated Acct, Cig & Tob Pr Surtax	12,249	70,531	77,029	5,751	69,142	74,882	11	69,577	66,156	3,432
Unallocated Acct, Child & Families Trust	17,861	12,590	9,427	21,024	12,128	22,848	10,304	12,400	22,704	-
Underground Storage Tank Cleanup Fund	60,808	252,217	273,768	39,257	260,530	284,146	15,641	268,730	282,289	2,082
Underground Storage Tank Fund	113	7	-	120	4	-	124	4	-	128
Underground Storage Tank Tester Account	118	47	28	137	31	64	104	31	64	71
Unfair Competition Law Fund	5,154	3,118	2,371	5,901	2,119	3,537	4,483	2,119	3,568	3,034
Unified Program Account	4,511	4,046	3,217	5,340	4,490	4,340	5,490	4,490	4,417	5,563
Universal Lifeline Telpne Svc Trst Admin	87,340	308,718	289,585	106,473	269,740	289,625	86,588	281,358	308,177	59,769
Unlawful Sales Reduction Fund	68	12	-	80	55	-	135	55	-	190
Upper Newport Bay Ecological Maint&Presv	600	-	-200	800	-	-200	1,000	-800	-	200
Used Oil Recycling Fund, California	3,816	20,320	19,117	5,019	19,646	22,657	2,008	19,339	20,226	1,121
Vectorborne Disease Account	152	42	18	176	53	27	202	55	26	231
Vehicle Inspection and Repair Fund	62,880	113,933	114,680	62,133	114,399	123,259	53,273	118,841	126,930	45,184
Vehicle License Collection Acct, LRF	-	14,000	14,000	-	14,000	14,000	-	14,000	14,000	-
Vehicle License Fee Account	-	1,582,139	1,582,139	-	1,689,959	1,689,959	-	1,737,186	1,737,186	-
Vehicle License Fee Growth Account	-	107,820	107,820	-	47,227	47,227	-	45,312	45,312	-
Veterans Cemetery Perpetual Maint Fd	-	-	-	-	-	72	-72	-	75	-147
Veterans Service Office Fund	731	619	600	750	581	603	728	581	606	703
Veterinary Medical Board Contingent Fund	1,374	1,954	2,142	1,186	2,110	2,242	1,054	2,197	2,470	781
Victim - Witness Assistance Fund	2,303	16,604	17,182	1,725	19,113	17,858	2,980	19,333	17,901	4,412
Victims of Corporate Fraud Compensation	5,684	2,075	24	7,735	2,085	1,627	8,193	2,085	1,678	8,600
Vietnam Veterans Memorial Account	5	-	-	5	-	-	5	-	-	5
Vocational Nurse Education Fund	224	175	58	341	174	136	379	174	135	418

SCHEDULE 10 -- Continued
SUMMARY OF FUND CONDITION STATEMENTS
(Dollars In Thousands)

Fund	Reserves June 30, 2006	Actual Revenues 2006-07	Actual Expenditures 2006-07	Actual Expenditures 2006-07	Reserves June 30, 2007	Estimated Revenue 2007-08	Estimated Expenditures 2007-08	Reserves June 30, 2008	Estimated Revenues 2008-09	Estimated Expenditures 2008-09	Reserves June 30, 2009
Vocational Nursing & Psychiatric Tech Fd	3,475	5,938	5,258	5,258	4,155	6,152	6,528	3,779	6,473	7,021	3,231
Waste Discharge Permit Fund	20,378	65,057	68,147	68,147	17,288	67,316	73,366	11,238	67,150	77,180	1,208
Water Device Certification Special Acct	580	210	166	166	624	230	244	610	250	244	616
Water Fund, California	15,946	-14,854	-	-	1,092	-	-	1,092	-	-	1,092
Water Rights Fund	1,032	11,712	9,451	9,451	3,293	7,917	7,856	3,354	7,917	8,680	2,591
Waterfowl Habitat Preservation Acct, Cal	2,972	148	9	9	3,111	146	236	3,021	146	239	2,928
Welcome Center Fund	12	56	56	56	12	75	78	9	75	78	6
Wildlife Restoration Fund	3,459	3,211	516	516	6,154	3,357	2,247	7,264	2,401	2,223	7,442
Wine Safety Fund	192	-	-	-	192	-	60	132	-	60	72
Winter Recreation Fund	402	237	309	309	330	325	390	265	325	353	237
Workers' Comp Administration Revolv Fund	94,896	137,154	157,729	157,729	74,321	171,351	178,490	67,182	187,351	179,136	75,397
Workers' Compensation Managed Care Fund	493	-231	-	-	262	450	356	356	450	355	451
Workers' Compensation Return-to-Work Fd	-	500	-	-	500	100	200	400	100	499	1
Workers' Occupational Sfty & Health Ed	1,522	988	1,225	1,225	1,285	1,300	1,224	1,361	1,300	1,236	1,425
Workplace Health & Safety Revolving Fund	484	-483	-	-	1	-	-	1	-	-	1
Yosemite Foundation Acct, ELPF	18	970	971	971	17	947	840	124	950	840	234
Totals, Special Funds	\$9,374,185	\$25,247,625	\$22,553,970	\$22,553,970	\$12,067,840	\$24,799,136	\$28,769,252	\$8,097,724	\$26,883,687	\$26,193,244	\$8,788,167
GRAND TOTALS	\$19,271,897	\$120,662,998	\$123,966,935	\$123,966,935	\$15,967,960	\$126,029,505	\$132,142,337	\$9,855,128	\$129,787,806	\$127,191,349	\$12,451,585

SCHEDULE 11
STATEMENT OF GENERAL OBLIGATION BOND & COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA
(Dollars in Thousands)

(This statement does not include bonds issued under authority of state instrumentalities that are not general obligations of the State of California)

Fund	Bond Act	General Obligation Bonds						Commercial Paper		
		As of December 31, 2007		Proposed Sales		Redeemed	Outstanding	As of December 31, 2007		Total
		Authorized	Unissued	Jan-Jun 2008	Jul-Dec 2008			Finance Cmte. Authorization	Outstanding	
6032	LEGISLATIVE, JUDICIAL, EXECUTIVE Voting Modernization (2002)									
	Total, Legislative, Judicial, Executive	\$200,000	\$137,370	\$27,910	\$55,914	\$34,720	\$44,830	\$137,370	\$63,950	
		\$200,000	\$137,370	\$27,910	\$55,914	\$34,720	\$44,830	\$137,370	\$63,950	
0703	BUSINESS, TRANSPORTATION & HOUSING Clean Air & Transp Improv (1990)	\$1,990,000	\$204,620	\$1,125,710	\$7,538	\$659,670	\$5,472	\$188,990	\$0	
0714	Housing & Homeless (1990)	150,000	-	4,670	-	145,330	-	663,340	27,710	
6037	Housing and Emergency Shelter (2002)	2,100,000	1,445,720	644,195	-	10,085	447,617	601,351	-	
6066	Housing and Emergency Shelter (2006)	2,850,000	2,850,000	-	-	-	-	198,850	-	
6053	Highway Safe, Traffic Red. Air Qual, Port Sec (2006)	19,925,000	19,925,000	-	-	-	-	1,273,819	-	
0756	Risinger Rail & Clean Air (1990)	1,000,000	-	383,465	-	616,535	-	-	-	
0053	Seismic Retrofit (1996)	2,000,000	76,685	1,801,750	-	321,365	44,310	76,685	-	
	Total, Business, Transportation & Housing	\$30,015,000	\$24,502,025	\$3,759,790	\$653,199	\$1,753,185	\$496,507	\$2,399,684	\$27,710	
0722	NATURAL RESOURCES Ca Park & Recreational Facil (1984)	\$370,000	\$1,100	\$57,865	\$0	\$311,035	\$0	\$0	\$0	
0721	Ca Wetlands (1990)	475,000	-	475,000	-	475,000	-	-	-	
0707	Ca Safe Drinking Water (1976)	75,000	2,500	19,610	-	162,890	-	-	-	
0707	Ca Safe Drinking Water (1984)	100,000	-	12,025	-	62,975	-	-	-	
0707	Ca Safe Drinking Water (1988)	75,000	-	43,460	-	56,540	-	6,935	-	
0793	Ca Safe Drinking Water (1998)	75,000	6,935	38,865	10	29,200	12	447,461	12,830	
6001	Ca Safe Drinking Water (2000)	1,970,000	716,252	1,145,710	-	108,038	137,373	362,277	-	
6051	Ca Safe Drinking Water (2006)	5,388,000	5,388,000	-	-	-	-	-	-	
0786	Ca Wildlife, Coast, & Park Land Cons (1988)	776,000	7,330	289,900	-	488,770	-	-	-	
0734	Clean Water (1970)	250,000	-	248,000	-	248,000	-	-	-	
0734	Clean Water (1974)	250,000	-	245,955	-	245,955	-	-	-	
0740	Clean Water (1984)	325,000	-	40,660	-	284,340	-	-	-	
0029	Clean Water, Clean Air, and Parks (2002)	2,400,000	1,716,335	669,970	-	11,695	358,254	863,269	132,030	
0707	Ca Fish & Wildlife Habitat Enhance (1988)	100,000	100,000	100,000	-	100,000	-	-	-	
0748	Fish & Wildlife Habitat Enhance (1984)	85,000	-	14,275	-	70,725	-	-	-	
0720	Lake Tahoe Acquisitions (1982)	85,000	-	10,720	-	74,280	-	-	-	
0402	Safe, Clean, Reliable Water Supply (1996)	995,000	237,740	661,725	-	95,535	159,064	237,740	-	
0005	Safe Neighborhood Parks (2000)	2,100,000	491,615	1,121,110	-	112,110	173,438	188,925	24,555	
0742	State, Urban & Coastal Park (1976)	280,000	-	1,496,275	-	271,490	-	-	-	
0744	Water Conserv & Water Quality (1986)	150,000	23,215	53,550	-	73,235	-	23,215	-	
0790	Water Conserv (1988)	60,000	8,820	33,200	-	17,980	481	8,820	-	
	Total, Natural Resources	\$16,494,000	\$8,601,842	\$4,813,210	\$666,438	\$3,078,948	\$828,620	\$2,138,642	\$169,415	
0737	ENVIRONMENTAL PROTECTION Clean Water & Water Conserv (1976)	\$375,000	\$0	\$12,280	\$0	\$362,720	\$0	\$0	\$0	
0764	Clean Water & Water Reclam (1988)	65,000	-	37,410	-	27,590	-	-	-	
6031	Water Security, Coastal & Beach Protection (2002)	3,440,000	2,273,600	1,146,560	-	19,840	327,669	645,102	58,405	
	Total, Environmental Protection	\$3,880,000	\$2,273,600	\$1,196,250	\$460,823	\$410,150	\$327,669	\$645,102	\$58,405	
6046	HEALTH AND HUMAN SERVICES Children's Hospital Projects (2004)	\$750,000	\$570,785	\$177,755	\$145,390	\$1,460	\$94,458	\$409,356	\$26,555	
	Total, Health and Human Services	\$750,000	\$570,785	\$177,755	\$145,390	\$1,460	\$94,458	\$409,356	\$26,555	
0711	YOUTH AND ADULT CORRECTIONAL Co Corr Facil Cap Expend (1986)	\$495,000	\$0	\$108,430	\$0	\$386,570	\$0	\$0	\$0	
0796	Co Corr Facil Cap Expend & Youth Facil (1988)	500,000	-	209,530	-	290,470	-	-	-	
0725	Co Jail Cap Expend (1981)	280,000	-	11,900	-	268,100	-	-	-	
0727	Co Jail Cap Expend (1984)	500,000	-	7,000	-	243,000	-	-	-	
0746	New Prison Construction (1986)	500,000	-	71,010	-	428,990	-	-	-	
0747	New Prison Construction (1988)	817,000	5,925	269,790	-	541,285	2,242	5,925	-	
0751	New Prison Construction (1990)	450,000	2,125	150,030	-	297,845	1,465	1,827	-	
	Total, Youth and Adult Correctional	\$3,292,000	\$8,050	\$827,690	\$2,251	\$2,466,260	\$3,707	\$7,752	\$0	
0794	EDUCATION-K-12 Ca Library Constr & Renov (1988)	\$75,000	\$2,595	\$33,930	\$0	\$38,475	\$0	\$0	\$0	
6000	Ca Library Constr & Renov (2000)	350,000	153,925	169,900	-	26,175	60,199	88,955	12,270	
0119	Class Size Reduction K-U Pub. Ed. Facil (1998) K-12	6,700,000	11,860	5,673,635	-	1,014,505	2,800	11,860	-	
0057	Public Education Facil (1996) K-12	2,025,000	12,985	1,446,220	-	595,815	438	12,985	-	
6036	Public Education Facil (2002) K-12	11,400,000	1,891,985	9,546,535	-	161,180	424,872	1,891,985	20,800	
6044	Public Education Facil (2004) K-12	10,000,000	4,655,500	5,096,710	-	45,790	1,902,516	4,855,500	102,620	
0739	School Bldg & Equip (1974)	7,340,000	7,325,000	25,315	-	14,685	-	7,309,000	-	
0789	School Facilities (1988)	800,000	-	228,600	-	571,400	-	-	-	
0708	School Facilities (1990)	800,000	-	443,040	-	356,960	-	-	-	
0743	School Facilities (1992)	1,900,000	-	962,775	-	926,830	2,982	10,395	-	
0745	State Sch Bldg Lease-Purch (1984)	450,000	-	25,000	-	425,000	-	-	-	

SCHEDULE 11
STATEMENT OF GENERAL OBLIGATION BOND & COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA
(Dollars in Thousands)

(This statement does not include bonds issued under authority of state instrumentalities that are not general obligations of the State of California)

Fund	Bond Act	General Obligation Bonds					Commercial Paper		
		As of December 31, 2007		Proposed Sales		Total	As of December 31, 2007		Total
		Final Maturity	Authorized	Unissued	Outstanding	Redeemed	Jan-Jun 2008	Jul-Dec 2008	
0743	State Sch Bldg Lease-Purch (1986)	2011	800,000	-	106,800	693,200	-	-	-
0776	1989 School Facil Bond Act (Nov)	2033	800,000	2,255	278,030	519,115	739	522	-
0776	1989 School Facil Bond Act (Nov)	2033	800,000	2,125	268,140	531,860	1,136	855	-
0765	1992 School Facil Bond Act (Nov)	2035	900,000	1,859	467,152	430,989	1,426	1,136	-
	Total, Education-K-12		\$45,169,000	\$14,074,464	\$24,726,507	\$6,368,029	\$2,397,163	\$3,164,828	\$135,490
HIGHER EDUCATION									
0574	Class Size Reduction K-12 Pub. Ed. Facil (1998) H-Eed	2037	\$2,500,000	\$81,715	\$2,245,670	\$172,615	\$41,101	\$29,893	\$3,380
0712	Higher Education Facil (1989)	2037	450,000	450	450	450	-	-	-
0789	Higher Education Facil (1989)	2033	400,000	10,440	196,790	393,450	-	-	-
0791	Higher Education Facil (Jun 1990)	2033	450,000	2,110	169,790	278,100	-	-	980
0705	Higher Education Facil (Jun 1990)	2033	900,000	7,235	527,455	365,310	-	-	-
0658	Public Education Facil (1996) H-Eed	2033	975,000	37,465	745,995	191,640	661	284	-
6028	Public Education Facil (2002) H-Eed	2037	1,650,000	353,185	1,270,130	26,685	272,173	200,386	353,185
6041	Public Education Facil (2004) H-Eed	2037	2,300,000	1,328,260	968,615	3,125	474,980	606,108	879,130
6048	Public Education Facil (2006) H-Eed	NA	3,087,000	3,087,000	-	-	-	-	783,998
6047	Stem Cell Research and Cures (2004)	2037	3,000,000	2,750,000	250,000	-	-	-	45,000
	Total, Higher Education		\$15,862,000	\$7,657,410	\$6,417,165	\$1,787,425	\$788,915	\$836,671	\$53,530
GENERAL GOVERNMENT									
0768	Earthquake Safety & Public Bldg. Rehab (1990)	3025	\$300,000	\$28,300	\$193,855	\$77,845	\$10,890	\$9,155	\$9,545
6052	Disaster Prep and Flood Prevent (2006)	NA	4,090,000	4,090,000	-	-	-	-	444,700
0701	Veterans' Homes (2000)	2013	50,000	38,260	11,740	-	8,241	5,331	23,090
	Total, General Government		\$4,440,000	\$4,156,560	\$205,595	\$77,845	\$19,131	\$14,486	\$9,545
	Total, All Agencies		\$120,102,000	\$61,982,106	\$42,151,872	\$15,968,022	\$5,000,000	\$6,000,000	\$22,364,903
									\$545,000
SELF-LIQUIDATING BONDS¹									
	Ca Water Resources Dev (1959)	2024	\$1,750,000	\$167,600	\$604,515	\$977,885	\$0	\$0	\$0
	The Economic Recovery Bond Act	2023	15,000,000	3,746,000	7,362,985	3,891,045	-	-	-
	Veterans Bonds	2040	4,510,000	385,310	1,263,560	2,681,110	-	-	385,310
	Total, Self-Liquidating Bonds		\$21,260,000	\$4,278,910	\$9,251,050	\$7,730,040	\$0	\$0	\$385,310
									\$545,000
	Total		\$141,362,000	\$66,261,016	\$51,402,922	\$23,698,062	\$5,000,000	\$6,000,000	\$22,790,213
									\$545,000

¹ The California Water Resources Development Bond Act, The Economic Recovery Bond Act, and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.
Source: State Treasurer's Office

SCHEDULE 12A
STATE APPROPRIATIONS LIMIT SUMMARY
(Dollars in Millions)

	2006-07			2007-08			2008-09		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Schedule 8									
Revenues and Transfers	\$95,415	\$25,248	\$120,663	\$101,230	\$24,800	\$126,030	\$102,904	\$26,884	\$129,788
Less/Add: Transfers	19	-549	-530	-1,220	601	-619	-57	71	14
Schedule 12B									
Less: Revenues to Excluded Funds	--	-9,326	-9,326	--	-9,829	-9,829	--	-10,183	-10,183
Schedule 12C									
Less: Non-Tax Revenues to Included Funds	-1,646	-441	-2,087	-5,862	-485	-6,347	-1,959	-505	-2,464
Schedule 12D									
Add: Transfers from Excluded to Included Funds	19	4	23	13	4	17	14	4	18
TOTAL, SAL REVENUES AND TRANSFERS	\$93,807	\$14,936	\$108,743	\$94,161	\$15,091	\$109,252	\$100,902	\$16,271	\$117,173
Schedule 12E									
Less: Exclusions	-43,394	-6,803	-50,197	-41,861	-7,904	-49,765	-41,777	-6,325	-48,102
TOTAL, SAL APPROPRIATIONS			\$58,546			\$59,488			\$69,071
CALCULATION OF LIMIT ROOM									
Appropriations Limit (Sec. 12.00)			\$72,304			\$76,093			\$79,738
Less: Total SAL Appropriations			-58,546			-59,487			-69,071
Appropriation Limit Room/(Surplus)			\$13,758			\$16,606			\$10,667

SCHEDULE 12B
REVENUES TO EXCLUDED FUNDS
(Dollars In Thousands)

Source Code	Source	Actual 2006-07	Estimated 2007-08	Proposed 2008-09
MAJOR REVENUES:				
110500	Cigarette Tax	\$940,168	\$929,269	\$952,166
110900	Horse Racing Fees-Licenses	21,324	21,450	21,450
111300	Horse Racing Miscellaneous	13,933	13,668	13,668
114300	Other Motor Vehicle Fees	2,505	2,431	111,233
114900	Retail Sales and Use Taxes	200,000	621,967	454,571
115400	Mobilehome In-Lieu Tax	2,388	2,388	2,388
TOTAL, MAJOR TAXES AND LICENSES		\$1,180,318	\$1,591,173	\$1,555,476
MINOR REVENUES:				
REGULATORY TAXES AND LICENSES:				
120200	General Fish and Game Taxes	1,061	1,308	1,245
120300	Energy Resource Surcharge	600,518	691,497	660,999
120600	Quarterly Public Utility Commission Fees	86,646	116,056	126,089
120900	Off-Highway Vehicle Fees	5,012	3,500	17,000
121000	Liquor License Fees	48,477	49,447	50,952
121100	Genetic Disease Testing Fees	97,982	117,070	119,192
121200	Other Regulatory Taxes	103,125	106,841	113,012
121300	New Motor Vehicle Dealer License Fee	1,841	1,551	1,551
121500	General Fish and Game Lic Tags Permits	89,272	93,561	93,298
121600	Duck Stamps	27	23	8
122400	Elevator and Boiler Inspection Fees	16,388	18,038	21,986
122700	Employment Agency License Fees	5,112	4,958	5,015
122900	Teacher Credential Fees	14,385	14,396	14,396
123000	Teacher Examination Fees	4,257	6,128	5,923
123100	Insurance Co License Fees & Penalties	38,087	39,865	40,129
123200	Insurance Company Examination Fees	19,042	20,112	19,002
123400	Real Estate Examination Fees	8,570	3,002	2,283
123500	Real Estate License Fees	22,575	22,487	21,377
123600	Subdivision Filing Fees	9,358	7,775	8,004
123800	Building Construction Filing Fees	4,278	4,278	4,278
124100	Domestic Corporation Fees	12,697	12,795	13,295
124200	Foreign Corporation Fees	1,086	1,095	1,095
124300	Notary Public License Fees	1,869	1,832	1,832
124400	Filing Financing Statements	3,337	2,804	2,804
125100	Beverage Container Redemption Fees	934,042	1,192,140	1,383,674
125200	Explosive Permit Fees	1	1	1
125400	Environmental and Hazardous Waste Fees	66,449	71,630	71,382
125600	Other Regulatory Fees	1,914,951	1,757,679	1,764,832
125700	Other Regulatory Licenses and Permits	444,701	482,694	549,431
125800	Renewal Fees	175,312	178,035	184,866
125900	Delinquent Fees	5,391	5,065	5,263
127100	Insurance Department Fees, Prop 103	29,563	24,742	27,436
127200	Insurance Department Fees, General	20,668	20,404	126,366
127300	Insurance Fraud Assessment, Workers Comp	40,479	43,962	48,137
127400	Insurance Fraud Assessment, Auto	43,691	45,252	46,836
127500	Insurance Fraud Assessment, General	5,140	10,433	10,506
TOTAL, REGULATORY TAXES AND LICENSES		\$4,875,390	\$5,172,456	\$5,563,495
REVENUE FROM LOCAL AGENCIES:				
130600	Architecture Public Building Fees	48,507	45,428	45,428
130700	Penalties on Traffic Violations	94,888	98,295	99,780
130800	Penalties on Felony Convictions	59,979	61,504	61,504
130900	Fines-Crimes of Public Offense	6,364	3,872	3,872
131000	Fish and Game Violation Fines	728	1,033	952
131100	Penalty Assessments on Fish & Game Fines	532	643	652
131200	Interest on Loans to Local Agencies	11	16	21
131300	Add'l Assmnts on Fish & Game Fines	69	77	77
131600	Fingerprint ID Card Fees	65,492	67,719	66,719
131700	Misc Revenue From Local Agencies	518,925	548,224	549,373
TOTAL, REVENUE FROM LOCAL AGENCIES		\$795,495	\$826,811	\$828,378
SERVICES TO THE PUBLIC:				
140600	State Beach and Park Service Fees	75,006	77,700	77,750
140900	Parking Lot Revenues	7,497	7,070	7,220
141100	Emergency Telephone Users Surcharge	112,154	102,000	102,000
141200	Sales of Documents	2,348	1,017	876

SCHEDULE 12B -- Continued
REVENUES TO EXCLUDED FUNDS
(Dollars In Thousands)

Source Code	Source	Actual 2006-07	Estimated 2007-08	Proposed 2008-09
142000	General Fees--Secretary of State	26,518	26,902	28,863
142200	Parental Fees	1,233	1,400	1,400
142500	Miscellaneous Services to the Public	67,353	66,604	67,358
143000	Personalized License Plates	52,892	53,957	54,356
TOTAL, SERVICES TO THE PUBLIC		\$345,001	\$336,650	\$339,823
USE OF PROPERTY AND MONEY:				
150200	Income From Pooled Money Investments	1,594	18	25
150300	Income From Surplus Money Investments	305,033	198,529	183,956
150400	Interest Income From Loans	1,295	1,282	1,256
150500	Interest Income From Interfund Loans	49,815	1,156	2,906
150600	Income From Other Investments	16,073	350	300
151200	Income From Condemnation Deposits Fund	3	3	3
151800	Federal Lands Royalties	48,768	50,011	50,011
152200	Rentals of State Property	4,047	3,946	3,965
152300	Misc Revenue Frm Use of Property & Money	15,106	16,199	12,449
152400	School Lands Royalties	80	97	97
TOTAL, USE OF PROPERTY AND MONEY		\$441,814	\$271,591	\$254,968
MISCELLANEOUS:				
160100	Attorney General Proceeds of Anti-Trust	1,051	1,100	1,200
160200	Penalties & Interest on UI & DI Contrib	102,641	92,865	96,031
160400	Sale of Fixed Assets	1,483	31,684	44,485
160600	Sale of State's Public Lands	-	275	8,450
161000	Escheat of Unclaimed Checks & Warrants	1,215	674	685
161400	Miscellaneous Revenue	399,940	340,903	297,840
161800	Penalties & Intrst on Personal Income Tx	20,639	14,700	14,700
161900	Other Revenue - Cost Recoveries	86,559	92,084	115,026
163000	Settlements/Judgments(not Anti-trust)	5,579	6,788	6,667
164100	Traffic Violations	2,026	2,206	2,206
164200	Parking Violations	1,155	460	310
164300	Penalty Assessments	111,178	117,432	126,203
164400	Civil & Criminal Violation Assessment	162,669	122,316	120,466
164600	Fines and Forfeitures	254,181	251,207	251,207
164700	Court Filing Fees and Surcharges	452,172	462,211	457,211
164800	Penalty Assessments on Criminal Fines	85,205	93,490	97,865
TOTAL, MISCELLANEOUS		\$1,687,693	\$1,630,395	\$1,640,552
TOTAL, MINOR REVENUES		\$8,145,393	\$8,237,903	\$8,627,216
TOTALS, Revenue to Excluded Funds				
(MAJOR and MINOR)		\$9,325,711	\$9,829,076	\$10,182,692

SCHEDULE 12C
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(Dollars In Thousands)

		Actual 2006-07		Estimated 2007-08		Proposed 2008-09	
Source Code	Source	General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
MAJOR REVENUES:							
111100	Horse Racing Fines and Penalties	\$292	-	\$220	-	\$220	-
111200	Horse Racing Fees-Unclaimed P-M Tickets	188	-	320	-	320	-
111300	Horse Racing Miscellaneous	-	-	5	-	5	-
114200	Driver's License Fees	-	152,970	-	214,000	-	224,000
114300	Other Motor Vehicle Fees	-	40,272	-	40,528	-	44,528
114400	Identification Card Fees	-	25,096	-	26,000	-	27,000
114500	Lien Sale Application Fees	-	3,993	-	2,385	-	2,433
Total, MAJOR TAXES AND LICENSES		\$480	\$222,331	\$545	\$282,913	\$545	\$297,961
MINOR REVENUES:							
REGULATORY TAXES AND LICENSES:							
120800	Hwy Carrier Uniform Business License Tax	255	-	255	-	255	-
120900	Off-Highway Vehicle Fees	-	6,529	-	6,500	-	6,500
121000	Liquor License Fees	-	404	-	398	-	406
122400	Elevator and Boiler Inspection Fees	238	-	-	-	-	-
122600	Industrial Homework Fees	1	-	1	-	1	-
122700	Employment Agency License Fees	562	-	650	-	650	-
122800	Employment Agency Filing Fees	79	-	82	-	82	-
124500	Candidate Filing Fee	220	-	680	-	170	-
125600	Other Regulatory Fees	547,203	5,935	541,456	5,870	541,456	5,929
125700	Other Regulatory Licenses and Permits	14,690	25,819	6,752	25,947	6,812	26,867
125800	Renewal Fees	288	-	-	-	-	-
125900	Delinquent Fees	1	-	1	-	1	-
Total, REGULATORY TAXES AND LICENSES		\$563,537	\$38,687	\$549,877	\$38,715	\$549,427	\$39,702
REVENUE FROM LOCAL AGENCIES:							
131500	Narcotic Fines	3,643	-	1,000	-	1,000	-
131700	Misc Revenue From Local Agencies	243,405	478	228,658	495	204,420	495
131900	Rev Local Govt Agencies-Cost Recoveries	19,238	10,558	18,360	10,091	14,216	10,292
Total, REVENUE FROM LOCAL AGENCIES		\$266,286	\$11,036	\$248,018	\$10,586	\$219,636	\$10,787
SERVICES TO THE PUBLIC:							
140100	Pay Patients Board Charges	17,363	-	16,500	-	16,675	-
140900	Parking Lot Revenues	-	544	-	523	-	533
141200	Sales of Documents	170	4,575	190	4,713	190	4,663
142000	General Fees--Secretary of State	65	-	85	-	90	-
142300	Guardianship Fees	-	-	5	-	5	-
142500	Miscellaneous Services to the Public	2,581	68,895	2,188	69,500	1,018	70,500
142600	Receipts From Health Care Deposit Fund	4,642	-	8,000	-	8,000	-
142700	Medicare Receipts Frm Federal Government	11,313	-	16,825	-	16,725	-
143000	Personalized License Plates	-	9	-	9	-	9
Total, SERVICES TO THE PUBLIC		\$36,134	\$74,023	\$43,793	\$74,745	\$42,703	\$75,705
USE OF PROPERTY AND MONEY:							
152000	Oil & Gas Lease-1% Revenue City/County	462	-	400	-	400	-
152200	Rentals of State Property	16,338	40,363	11,628	32,900	11,810	35,863
152300	Misc Revenue Frm Use of Property & Money	28,923	41,236	22,420	25,784	15,920	26,466
152500	State Lands Royalties	255,092	-	207,119	-	200,819	-
Total, USE OF PROPERTY AND MONEY		\$300,815	\$81,599	\$241,567	\$58,684	\$228,949	\$62,329
MISCELLANEOUS:							
160500	Sale of Confiscated Property	6,109	-	5,385	-	5,385	-
160600	Sale of State's Public Lands	-	301	-	-	-	-
160700	Proceeds From Estates of Deceased Person	2	-	2,814	-	25	-
160900	Revenue-Abandoned Property	205,180	-	440,707	-	284,009	-
161000	Escheat of Unclaimed Checks & Warrants	32,233	1,615	30,218	4,106	30,218	4,072
161400	Miscellaneous Revenue	114,067	5,413	932,947	8,381	512,998	7,568
161500	Bond Proceeds	-	-	3,313,000	-	-	-
161900	Other Revenue - Cost Recoveries	32,537	-	1,500	-	38,822	-
163000	Settlements/Judgments(not Anti-trust)	37,251	245	4,189	250	13	255
164000	Uninsured Motorist Fees	2,859	720	2,600	664	2,600	677
164100	Traffic Violations	-	2,108	-	2,150	-	2,193
164200	Parking Violations	9,196	-	8,351	-	8,351	-

SCHEDULE 12C -- Continued
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(Dollars In Thousands)

Source Code	Source	Actual 2006-07		Estimated 2007-08		Proposed 2008-09	
		General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
164300	Penalty Assessments	33,637	7	31,017	-	30,617	-
164400	Civil & Criminal Violation Assessment	541	3,290	545	3,327	430	3,360
164600	Fines and Forfeitures	5,098	-	4,571	-	4,571	-
Total, MISCELLANEOUS		\$478,710	\$13,699	\$4,777,844	\$18,878	\$918,039	\$18,125
TOTAL, MINOR REVENUES		\$1,645,482	\$219,044	\$5,861,099	\$201,608	\$1,958,754	\$206,648
TOTALS, Non-Tax Revenue							
(MAJOR and MINOR)		\$1,645,962	\$441,375	\$5,861,644	\$484,521	\$1,959,299	\$504,609

**SCHEDULE 12D
STATE APPROPRIATIONS LIMIT
TRANSFER FROM EXCLUDED FUNDS TO INCLUDED FUNDS
(Dollars In Thousands)**

	Actual 2006-07		Estimated 2007-08		Proposed 2008-09	
	General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
From Fair and Exposition Fund (0191) to General Fund (0001) per Item 8570-011-0191, Budget Acts of 2006, 2007, and 2008)	\$246	-	\$246	-	\$246	-
From Business Fees Fund, Secty of State's (0228) to General Fund (0001) (per Government Code Section 12176)	\$18,595	-	\$13,003	-	\$13,937	-
From Environmental License Plate Fund, Calif (0140) to Motor Vehicle Account, STF (0044) (per Public Resources Code Section 21191)	-	\$3,890	-	\$3,890	-	\$3,890
From Agricultural Pest Control Research Accnt (0112) to Public Transportation Account, STF (0046) per Chapter 179, Section 37, Statues of 2007)	-	-	-	\$91	-	-
TOTALS	\$18,841	\$3,890	\$13,249	\$3,981	\$14,183	\$3,890

**SCHEDULE 12E
STATE APPROPRIATIONS LIMIT
EXCLUDED APPROPRIATIONS
(Dollars in Millions)**

Budget	Fund	Actual 2006-07	Estimated 2007-08	Estimated 2008-09
DEBT SERVICE:				
9600 Bond Interest and Redemption				
(9600-510-0001)	General	\$3,190	\$3,341	\$4,038
(9901-001-0001)	Special	--	-609	--
(2830-501-3107)	Special	--	333	354
(9590-501-0001)	General	--	--	1
9618 Economic Recovery Bond Debt Service	Special	1,876	2,483	1,551
TOTAL -- DEBT SERVICE		\$5,066	\$5,548	\$5,944
QUALIFIED CAPITAL OUTLAY:				
Various (Ch. 3 Except DOT)	General	\$300	\$223	\$435
Various (Ch. 3 Except DOT)	Special	20	169	16
Various Qualified Capital Outlay	General	2,510	1,645	846
Various Qualified Capital Outlay	Special	642	638	18
Lease-Revenue Bonds (Capital Outlay)	General	597	576	612
Lease-Revenue Bonds (Capital Outlay)	Special	30	16	16
TOTAL -- CAPITAL OUTLAY		\$4,099	\$3,267	\$1,943
SUBVENTIONS:				
6110 K-12 Apportionments (6110-601-0001)	General	\$22,631	\$21,509	\$21,058
6110 K-12 Supplemental Instruction (6110-104/664-0001)	General	403	421	393
6110 K-12 Class Size Reduction (6110-234-0001)	General	1,743	1,830	1,689
6110 K-12 ROCP (6110-105/633-0001)	General	458	486	452
6110 K-12 Apprenticeships (6110-103/663/620-0001)	General	18	19	18
6110 Charter Sch Block Grant (6110-211/621/613-0001)	General	123	151	186
State Subventions Not Counted in Schools' Limit	General	-24	-38	-38
6110 County Offices (6110-608-0001)	General	274	241	270
6870 Community Colleges (6870-101/103/295-0001)	General	3,929	4,115	4,026
SUBVENTIONS -- EDUCATION		\$29,555	\$28,734	\$28,054
5195 State-Local Realignment				
Vehicle License Collection Account	Special	\$14	\$14	\$14
Vehicle License Fees	Special	1,687	1,734	1,780
9100 Tax Relief (9100-101-0001, Programs 60, 90)	General	482	486	486
9210 Local Government Financing				
(9210-103-0001)	General	--	2	1
(9210-601-0001)	General	35	35	35
9350 Shared Revenues				
(9430-640-0064)	Special	240	220	220
(9430-601-0001) Trailer VLF GF backfill (Shared Rev.)	General	12	12	12
SUBVENTIONS -- OTHER		\$2,470	\$2,503	\$2,548
COURT AND FEDERAL MANDATES:				
Various Court and Federal Mandates (HHS)	General	\$3,353	\$3,616	\$3,596
Various Court and Federal Mandates	General	3,159	3,592	3,444
Various Court and Federal Mandates	Special	252	202	219
TOTAL -- MANDATES		\$6,764	\$7,410	\$7,259
PROPOSITION 111:				
PTA Gasoline (Including Spillover)	Special	\$67	\$67	\$69
Motor Vehicle Fuel Tax: Gasoline	Special	1,362	1,399	1,416
Motor Vehicle Fuel Tax: Diesel	Special	288	295	307
Weight Fee Revenue	Special	325	334	345
TOTAL -- PROPOSITION 111		\$2,042	\$2,095	\$2,137
TAX REFUND:				
9100 Tax Relief (9100-101-0001, Programs 10, 30, 50)	General	\$201	\$208	\$217
TOTAL -- TAX RELIEF		\$201	\$208	\$217
TOTAL EXCLUSIONS:		\$50,197	\$49,765	\$48,102
General Fund		\$43,394	\$41,861	\$41,777
Special Funds		\$6,803	\$7,904	\$6,325

Glossary of Budget Terms

The following budgetary terms are used frequently throughout the Governor's Budget, the Governor's Budget Summary, and the annual Budget (Appropriations) Bill. Definitions are provided for terminology that is common to all publications. For definitions of terms unique to a specific program area, please refer to the individual budget presentation.

Abatement

A reduction to an expenditure that has already been made. In state accounting, only specific types of receipts are accounted for as abatements, including refund of overpayment of salaries, rebates from vendors or third parties for defective or returned merchandise, jury duty and witness fees, and property damage or loss recoveries. (See *SAM 10220* for more detail.)

Abolishment of Fund

The closure of a fund pursuant to the operation of law. When a special fund is abolished, all of its assets and liabilities are transferred by the State Controller's Office to a successor fund, or if no successor fund is specified, then to the General Fund.

Accrual basis of accounting

The basis of accounting in which revenue is recorded when earned and expenditures are recorded when obligated, regardless of when the cash is received or paid.

Administration

Refers to the Governor's Office and those individuals, departments, and offices reporting to it (e.g., the Department of Finance).

Administration Program Costs

The indirect cost of a program, typically a share of the costs of the administrative units serving the entire department (e.g., the Director's Office, Legal, Personnel, Accounting, and Business Services). "Distributed Administration" costs represent the distribution of the indirect costs to the various program activities of a department. In most departments, all administrative costs are distributed. (See also "Indirect Costs" and "SWCAP.")

Administratively Established Positions

Positions authorized by the Department of Finance during a fiscal year that were not included in the Budget and are necessary for workload or administrative reasons. Such positions terminate at the end of the fiscal year, or, in order to continue, must meet certain criteria under Control Section 31.00. (*SAM 6406, Control Section 31.00*)

Agency

A legal or official reference to a government organization at any level in the state organizational hierarchy. (See the *UCM* for the hierarchy of State Government Organizations.)

OR A government organization belonging to the highest level of the state organizational hierarchy as defined in the UCM. An organization whose head (Agency Secretary) is designated by Governor's order as a cabinet member. (*SAM 6610*)

Allocation

A distribution of funds or costs from one account or appropriation to one or more accounts or appropriations (e.g., the allocation of approved deficiency funding from the statewide 9840 Budget Act items to departmental Budget Act items).

Allotment

The approved division of an amount (usually of an appropriation) to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line item expenditure basis by program or organization. (*SAM 8300 et seq*)

Amendment

A proposed or accepted change to a bill in the Legislature, the California Constitution, statutes enacted by the Legislature, or ballot initiative.

A-pages

A common reference to the Governor's Budget Summary. Budget highlights now contained in the Governor's Budget Summary were once contained in front of the Governor's Budget on pages A-1, A-2, etc., and were, therefore, called the A-pages.

Appropriated Revenue

Revenue which, as it is earned, is reserved and appropriated for a specific purpose. An example is student fees received by state colleges that are by law appropriated for the support of the colleges. The revenue does not become available for expenditure until it is earned.

Appropriation

Authorization for a specific agency to make expenditures or incur liabilities from a specific fund for a specific purpose. It is usually limited in amount and period of time during which the expenditure is to be incurred. For example, appropriations made by the Budget Act are available for encumbrance for one year, unless otherwise specified. Appropriations made by other legislation are available for encumbrance for three years, unless otherwise specified, and appropriations stating "without regard to fiscal year" shall be available from year to year until expended. Legislation or the California Constitution can provide continuous appropriations, and the voters can also make appropriations. An appropriation shall be available for encumbrance during the period specified therein, or if not specified, for a period of three years after the date upon which it first became available for encumbrance. Except for federal funds, liquidation of encumbrances must be within two years of the expiration date of the period of availability for encumbrance, at which time the undisbursed (i.e., unliquidated) balance of the appropriation is reverted back into the fund. Federal funds have four years to liquidate.

Appropriation Without Regard To Fiscal Year (AWRTFY)

An appropriation for a specified amount that is available from year to year until expended.

Appropriations Limit, State (SAL)

The constitutional limit on the growth of certain appropriations from tax proceeds, generally set to the level of the prior year's appropriation limit as adjusted for changes in cost of living and population. Other adjustments may be made for such reasons as the transfer of services from one government entity to another. (*Article XIII B, § 8; GC Sec. 7900 et seq; CS 12.00*)

Appropriation Schedule

The detail of an appropriation (e.g., in the Budget Act), showing the distribution of the appropriation to each of the categories, programs, or projects thereof.

Assembly

California's lower house of the Legislature composed of 80 members who are elected for two-year terms and may serve a maximum of three terms. (*Article IV, § 2 (a)*)

Audit

Typically a review of financial statements or performance activity (such as of an agency or program) to determine conformity or compliance with applicable laws, regulations, and/or standards. The state has three central organizations that perform audits of state agencies: the State Controller's Office, the

Department of Finance, and the Bureau of State Audits. Many state departments also have internal audit units to review their internal functions and program activities. (*SAM 20000, etc.*)

Augmentation

An authorized increase to a previously authorized appropriation or allotment. This increase can be authorized by Budget Act provisional language, control sections, or other legislation. Usually a Budget Revision or an Executive Order is processed to implement the increase.

Authorized

Given the force of law (e.g., by statute). For some action or quantity to be authorized, it must be possible to identify the enabling source and date of authorization.

Authorized Positions

As reflected in the Governor's Budget, authorized positions represent a point-in-time number as of July 1 of the current year. For past year, authorized positions represents the number of actual personnel years for that year. For current year, authorized positions include all regular ongoing positions approved in the Budget Act for that year, less positions abolished because of continued vacancy. For budget year, the number of authorized positions is the same as current year except for adjustments for any positions that will expire by the end of the current year. The detail of authorized positions by department and classification is published in the annual "Salaries and Wages Supplement." Changes in authorized positions are listed at the end of each department's budget presentation in the Governor's Budget. (*GC 19818; SAM 6406*)

Availability Period

The time period during which an appropriation may be encumbered (i.e., committed for expenditure), usually specified by the law creating the appropriation. If no specific time is provided in financial legislation, the period of availability automatically becomes three years. Unless otherwise provided, Budget Act appropriations are available for one year. However based on project phase, capital outlay projects may have up to three years to encumber. An appropriation with the term "without regard to fiscal year" has an unlimited period of availability and may be encumbered at any time until the funding is exhausted. (See also "Encumbrances")

Balance Available

In regards to a fund, it is the excess of assets over liabilities and reserves that is available for appropriation. For appropriations, it is the unobligated balance still available.

Baseline Adjustment

A change from the currently authorized budget necessary to maintain the current level of service or activities in the current year or in a future year. Also referred to as Workload Budget Adjustment.

Baseline Budget

The anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It sometimes includes adjustments for cost increases, but does not include changes in level of service beyond those authorized by the Legislature. Also referred to as Workload Budget. (*SAM 6315*)

Bill

A draft of a proposed law presented to the Legislature for enactment. (A bill has greater legal formality and standing than a resolution.)

OR An invoice, or itemized statement, of an amount owing for goods and services received.

Board of Control, State

Previous name for the California Victim Compensation and Government Claims Board.

Bond Funds

For legal basis budgeting purposes, funds used to account for the receipt and disbursement of non-self liquidating general obligation bond proceeds. These funds do not account for the debt retirement since the liability created by the sale of bonds is not a liability of bond funds. Depending on the provisions of the bond act, either the General Fund or a sinking fund pays the principal and interest on the general obligation bonds. The proceeds and debt of bonds related to self-liquidating bonds are included in nongovernmental cost funds. (SAM 14400)

Budget

A plan of operation expressed in terms of financial or other resource requirements for a specific period of time. (GC 13320, 13335; SAM 6120)

Budget Act (BA)

An annual statute authorizing state departments to expend appropriated funds for the purposes stated in the Governor's Budget and amended by the Legislature. (SAM 6333)

Budget Bill

Legislation presenting the Governor's proposal for spending authorization for the next fiscal year. This bill is prepared by the Department of Finance and submitted to each house of the Legislature in January (accompanying the Governor's Budget). The bills' authors are typically the budget committee chairpersons.

The California Constitution requires the Legislature to pass the Budget Bill and send it by June 15 each year to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act. (Art. IV. § 12(c); GC 13338; SAM 6325, 6333)

Budget Change Proposal (BCP)

A proposal to change the level of service or funding sources for activities authorized by the Legislature, propose new program activities not currently authorized, or to delete existing programs. The Department of Finance annually issues a Budget Letter with specific instructions for preparing BCPs. (SAM 6120)

Budget Cycle

The period of time, usually one year, required to prepare a state financial plan and enact that portion of it applying to the budget year. Significant events in the cycle include:

- preparation of the Governor's proposed budget (mostly done between July 1st and January 10)
- submission of the Governor's Budget and Budget Bill to the Legislature (by January 10)
- submission to the Legislature of proposed adjustments to the Governor's Budget
 - April 1 - adjustments other than Capital Outlay and May Revision
 - May 1 - Capital Outlay appropriation adjustments
 - May 14 - May Revision adjustments for changes in General Fund revenues, necessary expenditure reductions to reflect updated revenue, and funding for Proposition 98, caseload, and population
- review and revision of the Governor's Budget by the Legislature
- return of the revised budget to the Governor for signature after any line-item vetoes (which the California Constitution requires be done by June 15)
- signing of the budget by the Governor (ideally by June 30). (SAM 6150) (GC 13308)

Budget, Program or Traditional

A program budget expresses the operating plan in terms of the costs of activities (programs) to be undertaken to achieve specific goals and objectives. A traditional (or object of expenditure) budget expresses the plan in terms of categories of costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget but also includes detailed categorization of proposed expenditures for goods and services (Expenditures by Category) for State Operations for each department. (GC 13336; SAM 6210, 6220)

Budget Revision (BR)

A document, usually approved by the Department of Finance, that cites a legal authority to authorize a change in an appropriation. Typically, BRs either increase the appropriation or make adjustments to the categories or programs within the appropriation as scheduled. (SAM 6533, 6542, 6545)

Budget Year (BY)

The next state fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted (i.e., the year following the current fiscal year).

CALSTARS

The acronym for the California State Accounting and Reporting System, the state's primary accounting system. Most departments now use CALSTARS. (GC 13300)

Capital Outlay (CO)

A character of expenditure of funds to acquire land, plan and construct new buildings, expand or modify existing buildings, and/or purchase equipment related to such construction. (CS 3.00)

Carryover

The unencumbered balance of an appropriation available for expenditure in years subsequent to the year of enactment. For example, if a three-year appropriation is not fully encumbered in the first year, the remaining amount is carried over to the next fiscal year.

Cash Basis

The basis of accounting that records receipts and disbursements when cash is received or paid.

Cash Flow Statement

A statement of cash receipts and disbursements for a specified period of time. Amounts recorded as accruals, which do not affect cash, are not reflected in this statement.

Category

A grouping of related types of expenditures, such as Personal Services, Operating Expenses and Equipment, Reimbursements, Special Items of Expense, Unclassified, Local Costs, Capital Costs, and Internal Cost Recovery. (UCM)

Category Transfer

An allowed transfer between categories or functions within the same schedule of an appropriation. Such transfers are presently authorized by Control Section 26.00 of the Budget Act (and prior to 1996-97, by Section 6.50 of the Budget Act). The control section specifies the amounts of the allowable transfers and reporting requirements.

Change Book System

The system the Department of Finance uses to record all the legislative changes made to the Governor's Budget and the final actions on the budget taken by the Legislature and Governor. A

"Final Change Book" is published after enactment of the Budget Act. It includes detailed fiscal information on the changes made by the Legislature and by the Governor's vetoes. (SAM 6355)

Change Tables

Change tables are included in the Governor's Budget Summary to provide the reader a snapshot of proposed expenditure and position adjustments in each agency, why those changes are being proposed, and their dollar and position impact. There is one change table for each of the following agencies or sub-agencies: Legislative, Judicial, and Executive; State and Consumer Services; Business, Transportation, and Housing; Resources; Environmental Protection; Health and Human Services; Corrections and Rehabilitation; K-12 Education; Higher Education; Labor and Workforce Development; and General Government.

The Change Tables include two adjustment categories: workload and policy. The most important policy and workload adjustments may be individually highlighted or included in a category. The categories are comprised of standard workload adjustments displayed in each agency change table. Some change tables may include specific categories that are unique to a particular agency. Below are the standard change table categories or headings including definitions:

- **Workload Budget** - See "Workload Budget."
- **Policy Adjustments** - See "Policy Adjustments."
- **Infrastructure Adjustments** - Adjustments to provide funding for capital outlay (an expenditure of funds to acquire land or other real property, plan and construct new buildings, expand or modify existing buildings, and/or purchase equipment related to such construction).
- **Enrollment/Caseload/Population** - See "Enrollment, Caseload, & Population Adjustments."
- **Employee Compensation/Retirement** - See "Employee Compensation/Retirement."
- **Statutory Cost-of-Living Adjustments** - Cost-of-living adjustments required by law.
- **Court Orders/Lawsuits** - Costs resulting from court-ordered settlements or judgments against the state.
- **Expiring Programs or Positions** - Reduction of the budget-year funding and positions for expiring programs or positions.
- **One-Time Cost Reductions** - Reductions of the budget-year funding and positions to account for one-time costs budgeted in the current year.
- **Full-Year Cost of New Programs** - Increases to the budget year funding and positions to reflect the full-year costs of programs authorized to begin after July 1 of the current fiscal year (does not include the full year effect of employee compensation adjustments that are displayed separately).
- **Other Workload Adjustments** - This category includes all workload adjustments not included in one of the aforementioned categories. Adjustments reflected in this category may include reductions for vacant positions per Government Code 12439, new legislation (i.e., costs not already built in the current year enacted budget total), carryovers and reappropriations of funds to be used for the same purposes, Pro Rata costs, and Statewide Costs Allocation Plan (SWCAP) adjustments. Pro Rata costs represent General Fund recoveries from special funds for statewide general administrative costs incurred by central service agencies. SWCAP adjustments represent General Fund recoveries from federal funds for statewide general administrative costs incurred by central service agencies.

Changes in Authorized Positions ("Schedule 2")

A schedule included at the end of each department's budget display in the Governor's Budget that reflects staffing changes made subsequent to the adoption of the current year budget. This schedule documents transfers, positions established, and selected reclassifications, as well as proposed new positions for the budget year. (SAM 6406)

Chapter

The reference assigned by the Secretary of State to an enacted bill, numbered sequentially in order of enactment each calendar year. The enacted bill is then referred to by this "chapter" number and the

year in which it became law. For example, *Chapter 1, Statutes of 1997*, would refer to the first bill enacted in 1997.

Character of Expenditure

A classification identifying the purpose of an expenditure, such as State Operations, Local Assistance, or Capital Outlay. (UCM)

Claim Schedule

A request from a state agency to the State Controller's Office to disburse payment from an appropriation or account for a lawful state obligation. The claim schedule identifies the appropriation or account to be charged, the payee, the amount to be paid, and an affidavit attesting to the validity of the request.

COBCP

Capital outlay budgets are zero-based each year, therefore, the department must submit a written capital outlay budget change proposal for each new project or subsequent phase of an existing project for which the department requests funding. (SAM 6818)

Codes, Uniform

See "Uniform Codes Manual."

Conference Committee

A committee of up to three members (two from the majority party, one from the minority party) from each house, appointed to meet and resolve differences between versions of a bill (e.g., when one house of the Legislature does not concur with bill amendments made by the other house). If resolution cannot be reached, another conference committee can be selected, but no more than three different conference committees can be appointed on any one bill. Budget staff commonly refer to the conference committee on the annual budget bill as the "Conference Committee." (SAM 6340)

Continuing Appropriation

An appropriation for a set amount that is available for more than one year.

Continuous Appropriation

Constitutional or statutory expenditure authorization which is renewed each year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or it may be whatever amount is designated for the purpose as determined by formula, e.g., school apportionments. Note: Government Code Section 13340 sunsets statutory continuous appropriations on June 30 with exceptions specified in the code and other statutes. Section 30.00 of the annual Budget Act traditionally extends the continuous appropriations for one additional fiscal year. (GC 13340; SAM 8382)

Continuously Vacant Positions

On July 1, positions which were continuously vacant for six consecutive monthly pay periods during the preceding fiscal year are abolished by the State Controller's Office. The six consecutive monthly pay periods may occur entirely within one fiscal year or between two consecutive fiscal years. The exceptions to this rule are positions exempt from civil service and instructional positions authorized for the California State University. The Department of Finance may authorize the reestablishment of positions in cases where the vacancies were (1) due to a hiring freeze, (2) the department has diligently attempted to fill the position but was unable to complete all steps to fill the position within six months, (3) the position is determined to be hard-to-fill, (4) the position has been designated as a management position for the purposes of collective bargaining and has been held vacant pending the appointment of the director or other chief executive officer of the department as part of the transition from one Governor to the succeeding Governor, or, (5) late enactment of the budget causes the department to delay filling the position, and the Department of Finance approves an agency's written

appeal to continue the positions. In addition, departments may self-certify reestablishments by August 15 for positions that meet specified conditions during the vacancy period.

By October 15 of each year, the State Controller's Office is required to notify the Joint Legislative Budget Committee and the Department of Finance of the continuously vacant positions identified for the preceding fiscal year.

(GC 12439)

Control Sections

Sections of the Budget Act (i.e., 3.00 to the end) providing specific controls on the appropriations itemized in Section 2.00 of the Budget Act. See more detail under "Sections."

Conversion Code Listing

See "Finance Conversion Code Listing."

Cost-of-Living Adjustments (COLA)

Increases provided in state-funded programs that include periodic adjustments predetermined in state law (statutory, such as K-12 education apportionments), or established at optional levels (discretionary) by the Administration and the Legislature each year through the budget process.

Current Year (CY)

A term used in budgeting and accounting to designate the operations of the present fiscal year in contrast to past or future periods. (See also "Fiscal Year.")

Debt Service

The amount of money required to pay interest on outstanding bonds and the principal of maturing bonds.

Deficiency

A lack or shortage of (1) money in a fund, (2) expenditure authority due to an insufficient appropriation, or (3) expenditure authority due to a cash problem (e.g., reimbursements not received on a timely basis). See Budget Act 9840 Items.

Department

A governmental organization, usually belonging to the third level of the state organizational hierarchy as defined in the Uniform Codes Manual. *(UCM)*

Department of Finance (Finance)

The department that is delegated the responsibility for preparation of the Governor's Budget. The Director of Finance functions as the Governor's chief fiscal advisor. Major activities of the department include:

- Establish appropriate fiscal policies to carry out the Administration's programs
- Prepare, enact, and administer the State's Annual Financial Plan
- Analyze legislation that has a fiscal impact
- Administer and maintain CALSTARS
- Monitor/audit expenditures by state departments to ensure compliance with approved standards and policies
- Develop economic forecasts and revenue estimates
- Develop population and enrollment estimates and projections
- Review expenditures on data processing activities of department

(GC 13000 et seq.)

Detail of Appropriations and Adjustments

A budget display, for each organization, that reflects appropriations and adjustments by fund source for each character of expenditure, (i.e., State Operations, Local Assistance, and Capital Outlay). (SAM 6478)

Element

A subdivision of a budgetary program and the second level of the program structure in the Uniform Codes Manual.

Employee Compensation/Retirement

Salary, benefit, employer retirement rate contribution adjustments, and any other related statewide compensation adjustments for state employees. Various 9800 Items of the Budget Act appropriate funds for compensation increases for most state employees (excluding Higher Education and some others), that is, they appropriate the incremental adjustment proposed for the salary and benefit adjustments for the budget year. The base salary and benefit levels are included in individual agency/departmental budgets.

Encumbrance

The commitment of all or part of an appropriation for future expenditures. Encumbrances are accrued as expenditures by departments at year-end and included in expenditure totals in individual budget displays. On a state-wide basis, an adjustment is made for the General Fund to remove from the expenditure totals the amount of encumbrances where goods and services have not been received. The amount of encumbrances where goods and services have not been received is shown in the Reserve for Encumbrances. This adjustment and the use of the Reserve for Encumbrances are in accordance with Generally Accepted Accounting Principles and is required by Government Code Section 13306.

Enrolled Bill Report (EBR)

An analysis prepared on Legislative measures passed by both houses and referred to the Governor, to provide the Governor's Office with information concerning the measure with a recommendation for action by the Governor. While approved bill analyses become public information, EBRs do not. Note that EBRs are not prepared for Constitutional Amendments, or for Concurrent, Joint, or single house resolutions, since these are not acted upon by the Governor. (SAM 6965)

Enrollment, Caseload, & Population Adjustments

These adjustments are generally formula or population driven.

Excess Vacant Positions

Positions in excess of those necessary to meet budgeted salary savings. For example, a department which had 95 budgeted personnel years (100 authorized positions less 5 for salary savings) but actual expenditure of only 91 personnel years, would have had 4 "excess vacant positions" (plus or minus other adjustments pursuant to Department of Finance instructions and review).

Executive Branch

One of the three branches of state government, responsible for implementing and administering the state's laws and programs. The Governor's Office and those individuals, departments, and offices reporting to it (the Administration) are part of the Executive Branch.

Executive Order (EO)

A budget document, issued by the Department of Finance, requesting the State Controller's Office to make an adjustment in their accounts. The adjustments are typically authorized by appropriation language, Budget Act control sections, and other statutes. An EO is used when the adjustment makes increases or decreases on a state-wide basis, involves two or more appropriations, or makes certain transfers or loans between funds.

Exempts

State employees exempt from civil service pursuant to subdivision (e), (f), or (g) of Section 4 of Article VII of the California Constitution. Examples include department directors and other gubernatorial appointees. (*SAM 0400*)

Expenditure

Where accounts are kept on a cash basis, the term designates only actual cash disbursements. For individual departments, where accounts are kept on an accrual or a modified accrual basis, expenditures represent the amount of an appropriation used for goods and services ordered, whether paid or unpaid.

However for the General Fund, expenditures are adjusted on a statewide basis to reflect only amounts where goods and services have been received.

Expenditure Authority

The authorization to make an expenditure (usually by a budget act appropriation, provisional language or other legislation).

Expenditures by Category (formerly Summary by Object)

A budget display, for each department, that reflects actual past year, estimated current year, and proposed budget year expenditures presented by character of expenditure (e.g., State Operations and/or Local Assistance) and category of expenditure (e.g., Personal Services, Operating Expenses and Equipment).

3-year Expenditures and Positions (formerly Summary of Program Requirements)

A display at the start of each departmental budget that presents the various departmental programs by title, dollar totals, personnel years, and source of funds for the past, current, and budget years.

Feasibility Study Report (FSR)

A document proposing an information technology project that contains analyses of options, cost estimates, and other information. (*SAM 4920-4930*)

Federal Fiscal Year (FFY)

The 12-month accounting period of the federal government, beginning on October 1 and ending the following September 30. For example, a reference to FFY 2006 means the period beginning October 1, 2005 and ending September 30, 2006. (See also "Fiscal Year.")

Federal Funds

For legal basis budgeting purposes, classification of funds into which money received in trust from an agency of the federal government will be deposited and expended by a state department in accordance with state and/or federal rules and regulations. State departments must deposit federal grant funds in the Federal Trust Fund, or other appropriate federal fund in the State Treasury. (*GC 13326 (Finance approval), 13338 approp. of FF, CS 8.50*)

Feeder Funds

For legal basis accounting purposes, funds into which certain taxes or fees are deposited upon collection. In some cases administrative costs, collection expenses, and refunds are paid. The balance of these funds is transferable at any time by the State Controller's Office to the receiving fund.

Final Budget

Generally refers to the Governor's Budget as amended by actions taken on the Budget Bill (e.g. legislative changes, Governor's vetoes). Note: Subsequent legislation (law enacted after the Budget Bill is chaptered) may add, delete, or change appropriations or require other actions that affect a budget appropriation.

Final Budget Summary

A document produced by the Department of Finance after enactment of the Budget Act which reflects the Budget Act, any vetoes to language and/or appropriations, technical corrections to the Budget Act, and summary budget information. (See also "Budget Act," "Change Book.") (SAM 6130, 6350)

Finance Conversion Code (FCC) Listing

A listing distributed by the State Controller's Office to departments each spring, which based upon departmental coding updates, will dictate how the salaries and wages detail will be displayed in the Salaries and Wages publication. (SAM 6430)

Finance Letter (FL)

Proposals made, by the Director of Finance to the chairpersons of the budget committees in each house, to amend the Budget Bill and the Governor's Budget from that submitted on January 10 to reflect a revised plan of expenditure for the budget year and/or current year. Specifically, the Department of Finance is required to provide the Legislature with updated expenditure and revenue information for all policy adjustments by April 1, capital outlay technical changes by May 1, and changes for caseload, population, enrollment, updated revenues, and Proposition 98 by May 14. (GC 13308)

Fiscal Committees

Committees of members in each house of the Legislature that review the fiscal impact of proposed legislation, including the Budget Bill. Currently, the fiscal committees include the Senate Budget and Fiscal Review Committee, Senate Appropriations Committee, Assembly Appropriations Committee, and the Assembly Budget Committee. The Senate Budget and Fiscal Review Committee and the Assembly Budget Committee are broken into subcommittees responsible for specific state departments or subject areas. Both houses also have Revenue and Taxation Committees that are often considered fiscal committees.

Fiscal Impact Analysis

Typically refers to a section of an analysis (e.g., bill analysis) that identifies the costs and revenue impact of a proposal and, to the extent possible, a specific numeric estimate for applicable fiscal years.

Fiscal Year (FY)

A 12-month period during which income is earned and received, obligations are incurred, encumbrances are made, appropriations are expended, and for which other fiscal transactions are recorded. In California state government, the fiscal year begins July 1 and ends the following June 30. If reference is made to the state's FY 2006, this is the time period beginning July 1, 2006 and ending June 30, 2007. (See also "Federal Fiscal Year.") (GC 13290)

Floor

The Assembly or Senate chambers or the term used to describe the location of a bill or the type of session. Matters may be referred to as "on the floor".

Form 9

A request by a department for space planning services (e.g., new or additional space lease extensions, or renewals in noninstitutional) and also reviewed by the Department of Finance. (SAM 6454)

Form 22

A department's request to transfer money to the Architectural Revolving Fund (e.g., for building improvements), reviewed by the Department of Finance. (GC 14957; SAM 1321.1)

Fund

A legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves, and balance, as well as its income and expenditures.

Fund Balance

Excess of a fund's assets over its liabilities and reserves.

Fund Condition Statement

A budget display, included in the Governor's Budget, summarizing the operations of a fund for the past, current, and budget years. The display includes the beginning balance, prior year adjustments, revenue, transfers, loans, expenditures, the ending balance, and any reserves. Fund Condition Statements are required for all special funds. The Fund Condition Statement for the General Fund is Summary Schedule 1. Other funds are displayed at the discretion of the Department of Finance.

General Fund (GF)

For legal basis accounting and budgeting purposes, the predominant fund for financing state government programs, used to account for revenues which are not specifically designated to be accounted for by any other fund. The primary sources of revenue for the General Fund are the personal income tax, sales tax, and bank and corporation taxes. The major uses of the General Fund are education (K-12 and higher education), health and human service programs, youth and adult correctional programs, and tax relief.

Governmental Cost Funds

Funds that derive revenue from taxes, licenses, and fees.

Governor's Budget

The publication the Governor presents to the Legislature, by January 10 each year. It contains recommendations and estimates for the state's financial operations for the budget year. It also displays the actual revenues and expenditures of the state for the prior fiscal year and updates estimates for the current year revenues and expenditures. This publication is also produced in a web format known as the Proposed Budget Detail on the Department of Finance website. (*Article IV, § 12; SAM 6120, et seq*)

Governor's Budget Summary (or A-Pages)

A companion publication to the Governor's Budget that outlines the Governor's policies, goals, and objectives for the budget year. It provides a perspective on significant fiscal and/or structural proposals. This publication is also produced in a web format known as the Proposed Budget Summary on the Department of Finance web site.

Grants

Typically used to describe amounts of money received by an organization for a specific purpose but with no obligation to repay (in contrast to a loan, although the award may stipulate repayment of funds under certain circumstances). For example, the state receives some federal grants for the implementation of health and community development programs, and the state also awards various grants to local governments, private organizations and individuals according to criteria applicable to the program.

Hot Books

Binders or other compilations of reference materials the Department of Finance budget staff use when testifying on the Governor's Budget before the Legislature.

Indirect Costs

Costs which by their nature cannot be readily associated with a specific organization unit or program. Like general administrative expenses, indirect costs are distributed to the organizational unit(s) or program(s) which benefit from their incurrence.

Initiative

The power of the electors to propose statutes or Constitutional amendments and to adopt or reject them. An initiative must be limited to a single subject and be filed with the Secretary of State with the appropriate number of voter signatures in order to be placed on the ballot. (*Article II, § 8*)

Item

Another word for appropriation.

Judgments

Usually refers to decisions made by courts against the state. Payment of judgments is subject to a variety of controls and procedures.

Language Sheets

Copies of the current Budget Act appropriation items provided to Finance and departmental staff each fall to update for the proposed Governor's Budget. These updated language sheets become the proposed Budget Bill. In the spring, language sheets for the Budget Bill are updated to reflect revisions to the proposed appropriation amounts, Item schedule(s), and provisions, and become the Budget Act.

Legislative Analyst's Office (LAO)

A non-partisan organization that provides advice to the Legislature on fiscal and policy matters. For example, the LAO annually publishes a detailed analysis of the Governor's Budget and this document becomes the initial basis for legislative hearings on the Budget Bill. (*SAM 7360*)

Legislative Counsel Bureau

A staff of attorneys who draft legislation (bills) and proposed amendments, and review, analyze and render opinions on legal matters for the legislative members.

Legislative Counsel Digest

A summary of what a legislative measure does contrasting existing law and the proposed change. This summary appears on the first page of a bill.

Legislative Information System (LIS)

An on-line system developed and used by the Department of Finance to maintain current information about all bills introduced in the Assembly and Senate for the current two-year session, and for other recently completed sessions. Finance analysts use this system to prepare bill analyses.

Legislature, California

A two-house body of elected representatives vested with the responsibility and power to make laws affecting the state (except as limited by the veto power of the Governor). See also "Assembly" and "Senate."

Limited-Term Position (LT)

Any position that has been authorized only for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget process or in transactions approved by the Department of Finance. (*SAM 6515*)

Line Item

See "Objects of Expenditure."

Local Assistance (LA)

The character of expenditures made for the support of local government or other locally administered activities.

Mandates

See "State-Mandated Local Program." (*UCM*)

May Revision

An annual update to the Governor's Budget containing a revised estimate of General Fund revenues for the current and ensuing fiscal years, any proposals to adjust expenditures to reflect updated revenue estimates, and all proposed adjustments to Proposition 98, presented by the Department of Finance to the Legislature by May 14 of each year. (See also "Finance Letter.") (*SAM 6130 and GC 13308*)

Merit Salary Adjustment (MSA)

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary increase of five percent per year up to the upper salary limit of the classification, contingent upon the employing agency certifying that the employee's job performance meets the level of quality and quantity expected by the agency, considering the employee's experience in the position.

Merit salary adjustments for employees of the University of California and the California State University are determined in accordance with rules established by the regents and the trustees, respectively.

Funding typically is not provided for MSAs in the budget; any additional costs incurred by a department usually must be absorbed from within existing resources. (*GC 19832*)

Minor Capital Outlay

Construction projects, or equipment acquired to complete a construction project, estimated to cost less than \$400,000, with specified exemptions in the Resources Agency.

Modified Accrual Basis

For legal basis accounting purposes, the basis of accounting that accrues revenue earned but not received, if it is measurable and estimated to be collectible in the ensuing fiscal year, and expenditures when incurred, except for the interest on long term debt that is not due and payable. This basis is used for the General Fund.

Non-add

Refers to a numerical value that is displayed in parentheses for informational purposes but is not included in computing totals, usually because the amounts are already accounted for in the system or display.

Nongovernmental Cost Funds

For legal basis budgeting purposes, used to budget and account for revenues other than general and special taxes, licenses, and fees or certain other state revenues (excluding bond proceeds and federal receipts).

Object of Expenditure (Objects)

A classification of expenditures based on the type of goods or services received. For example, the budget category of Personal Services includes the objects of Salaries and Wages and Staff Benefits. The Governor's Budget includes a Expenditures by Category for each department at this level. These objects may be further subdivided into line items such as State Employees' Retirement and Workers' Compensation. (*UCM*)

Obligations

Amounts that a governmental unit may legally be required to pay out of its resources. These may include unliquidated accruals representing goods or services received but not yet paid for and liabilities not encumbered.

One-Time Cost

A proposed or actual expenditure that is non-recurring (usually only in one annual budget) and not permanently included in baseline expenditures. Departments make baseline adjustments to remove prior year one-time costs and appropriately reduce their expenditure authority in subsequent years' budgets.

Operating Expenses and Equipment (OE&E)

A category of a support appropriation which includes objects of expenditure such as general expenses, printing, communication, travel, data processing, equipment, and accessories for the equipment. (*SAM 6451*)

Organization Code

The four-digit code assigned to each state governmental entity (and sometimes to unique budgetary programs) for fiscal system purposes. The organization code is the first segment of the budget item/appropriation number. (*UCM*)

Out-of-State Travel (OST) blanket

A request by a state agency for Department of Finance approval of the proposed out-of-state trips to be taken by that agency's personnel during the fiscal year. (*SAM 0760-0765*)

Overhead

Those elements of cost necessary in the production of an article or the performance of a service that are of such a nature that the amount applicable to the product or service cannot be determined directly. Usually they relate to those costs that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management, or supervision. See also "Indirect Costs."

Overhead Unit

An organizational unit that benefits the production of an article or a service but that cannot be directly associated with an article or service to distribute all of its expenditures to elements and/or work authorizations. The cost of overhead units are distributed to operating units or programs within the department. (See "Administration Program Costs.")

Past Year

The most recently completed fiscal year. (See also "Fiscal Year.")

Performance Budget

A budget wherein proposed expenditures are organized and tracked primarily by measurable performance objectives for activities or work programs. A performance budget may also incorporate other bases of expenditure classification, such as character and object, but these are given a subordinate status to activity performance.

Personal Services

A category of expenditure which includes such objects of expenditures as the payment of salaries and wages of state employees and employee benefits, including the state's contribution to the Public Employees' Retirement Fund, insurance premiums for workers' compensation, and the state's share of employees' health insurance. See also "Objects of Expenditure." (*SAM 6403, 6506*)

Personnel Year (PY)

The actual or estimated portion of a position expended for the performance of work. For example, a full-time position that was filled by an employee for half of a year would result in an expenditure of 0.5 personnel year. This may also be referred to as a personnel year equivalent.

Plan of Financial Adjustment (PFA)

A plan proposed by a department, reviewed by the Department of Finance, and accepted by the State Controller's Office (SCO), to permit the SCO to transfer monies from one item to another within a department's appropriations. A PFA might be used, for example, to allow the department to pay all administrative costs out of its main fund and then to transfer into that fund appropriate amounts from its other funds for their shares of the costs paid. The SCO transfers the funds upon receipt of a letter from the department stating the amount to be transferred based on the criteria for cost distribution in the approved PFA. (SAM 8715)

Planning Estimate (PE)

A document used to record and monitor those current and budget year expenditure adjustments including budget change proposals approved for inclusion in the Governor's Budget. PEs are broken down by department, fund type, character, Budget Bill/Act appropriation number, and "lines" (i.e., expenditure groupings such as employee compensation, price increases, one-time costs). PEs are primarily used to record the incremental decisions made about changes to each base budget, are updated at frequent intervals, and can be used for quick planning or "what if" analyses. PEs identify all proposed expenditure changes (baseline and policy) to the previous year's Budget Act, and once budget preparation is complete, PEs will tie to all other fiscal characterizations of the proposed Governor's Budget. (The term is sometimes used synonymously with Planning Estimate Line, which is one specific expenditure grouping.)

Planning Estimate Line

A separate planning estimate adjustment or entry for a particular expenditure or type. (See "Planning Estimate.")

Policy Adjustments

Changes to existing law or Administration policies. These adjustments require action by the Governor and/or Legislature and modify the workload budget.

Pooled Money Investment Account (PMIA)

A State Treasurer's Office accountability account maintained by the State Controller's Office to account for short-term investments purchased by the State Treasurer's Office as designated by the Pooled Money Investment Board on behalf of various funds.

Pooled Money Investment Board (PMIB)

A board comprised of the Director of Finance, State Treasurer, and the State Controller, the purpose of which is to design an effective cash management and investment program, using all monies flowing through the Treasurer's bank accounts and keeping all available monies invested consistent with the goals of safety, liquidity, and yield. (SAM 7350)

Positions

See "Authorized Positions."

Price Increase

A budget adjustment to reflect the inflation factors for specified operating expenses consistent with the budget instructions from the Department of Finance.

Pro Rata

The amount of state administrative, General Fund costs (e.g., amounts expended by central service departments such as the State Treasurer's Office, State Personnel Board, State Controller's Office,

and Department Finance for the general administration of state government) chargeable to and recovered from special funds (other than the General Fund and federal funds) as determined by the Department of Finance. (GC 11270-11277, 13332.03; 22828.5; SAM 8753, 8754)

Program Budget

See "Budget, Program or Traditional."

Program Cost Accounting (PCA)

A level of accounting that identifies costs by activities performed in achievement of a purpose in contrast to the traditional line-item format. The purpose of accounting at this level is to produce cost data sufficiently accurate for allocating and managing its program resources. (SAM 9220)

Programs

Activities of an organization grouped on the basis of common objectives. Programs are comprised of elements, which can be further divided into components and tasks.

Proposed New Positions

A request for an authorization to expend funds to employ additional people to perform work. Proposed new positions may be for limited time periods (limited term) and for full or less than full time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed. (See also "Changes in Authorized Positions.")

Proposition 98

An initiative passed in November 1988, and amended in the June 1990 election, that provides a minimum funding guarantee for school districts, community college districts, and other state agencies that provide direct elementary and secondary instructional programs for kindergarten through grade 14 (K-14) beginning with fiscal year 1988-89. The term is also used to refer to any expenditures which fulfill the guarantee. (Article XVI, § 8)

Provision

Language in a bill or act that imposes requirements or constraints upon actions or expenditures of the state. Provisions are often used to constrain the expenditure of appropriations but may also be used to provide additional or exceptional authority. (Exceptional authority usually begins with the phrase "notwithstanding...".)

Public Service Enterprise Funds

For legal basis accounting purposes, the fund classification that identifies funds used to account for the transactions of self-supporting enterprises that render goods or services for a direct charge to the user (primarily the general public). Self-supporting enterprises, that render goods or services for a direct charge to other state departments or governmental entities, account for their transactions in a Working Capital and Revolving Fund. (UCM, Fund Codes—Structure)

Reappropriation

The extension of an appropriation's availability for encumbrance and/or expenditure beyond its set termination date and/or for a new purpose. Reappropriations are typically authorized by statute for one year at a time but may be for some greater or lesser period.

Recall

The power of the electors to remove an elected officer. (Article II, § 13)

Redemption

The act of redeeming a bond or other security by the issuing agency.

Reference Code

A three-digit code identifying whether the item is from the Budget Act or some other source (e.g., legislation), and its character (e.g., state operations). This is the middle segment of the budget item/appropriation number.

Referendum

The power of the electors to approve or reject statutes or parts of statutes, with specified exceptions and meeting specified deadlines and number of voters' signatures. (*Article II, § 9*)

Refund to Reverted Appropriations

A receipt account to record abatements and reimbursements to appropriations that have reverted.

Regulations

A directive, rule, order, or standard of general application issued by a state agency to implement, interpret, or make specific the law enforced or administered by it. With state government, the process of adopting or changing most regulations is subject to the Administrative Procedures Act and oversight of the Office of Administrative Law (OAL). The Department of Finance must also review and approve any non-zero estimate of state or local fiscal impact included in a regulation package before it can be approved by OAL. (*GC 13075, 11342; SAM 6601-6680*)

Reimbursement Warrant (or Revenue Anticipation Warrant)

A warrant that has been sold by the State Controller's Office, as a result of a cash shortage in the General Fund, the proceeds of which will be used to reimburse the General Cash Revolving Fund. The Reimbursement Warrant may or may not be registered by the State Treasurer's Office. The registering does not affect the terms of repayment or other aspects of the Reimbursement Warrant.

Reimbursements

An amount received as a payment for the cost of services performed, or of other expenditures made for, or on behalf of, another entity (e.g., one department reimbursing another for administrative work performed on its behalf). Reimbursements represent the recovery of an expenditure.

Reimbursements are available for expenditure up to the budgeted amount (scheduled in an appropriation), and a budget revision must be prepared and approved by the Department of Finance before any reimbursements in excess of the budgeted amount can be expended. (*SAM 6463*)

Reserve

An amount of a fund balance set aside to provide for expenditures from the unencumbered balance for continuing appropriations, economic uncertainties, future apportionments, pending salary or price increase appropriations, and appropriations for capital outlay projects.

Revenue

Any addition to cash or other current assets that does not increase any liability or reserve and does not represent the reduction or recovery of an expenditure (e.g., reimbursements/abatements).

Revenues are a type of receipt generally derived from taxes, licenses, fees, or investment earnings. Revenues are deposited into a fund for future appropriation, and are not available for expenditure until appropriated. (*UCM*)

Revenue Anticipation Notes (RANs)

A cash management tool generally used to eliminate cash flow imbalances in the General Fund within a given fiscal year. RANs are not a budget deficit-financing tool.

Revenue Anticipation Warrant (RAW)

See Reimbursement Warrant.

Reversion

The return of the unused portion of an appropriation to the fund from which the appropriation was made, normally two years (four years for federal funds) after the last day of an appropriation's

availability period. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

Reverted Appropriation

An appropriation that is reverted to its fund source after the date its liquidation period has expired.

Revolving Fund

Generally refers to a cash account known as an office revolving fund (ORF). It is not a fund but an advance from an appropriation. Agencies may use the cash advance to disburse ORF checks for immediate needs, as specified in SAM. The cash account is subsequently replenished by a State Controller's Office warrant. The size of departmental revolving funds is subject to Department of Finance approval within statutory limits. (*SAM 8100, et seq*)

SAL

See "Appropriations Limit, State".

Salaries and Wages Supplement

An annual publication issued shortly after the Governor's Budget, containing a summary of all positions by department, unit, and classification for the past, current, and budget years, as of July 1 of the current year. This publication is also displayed on the Department of Finance website.

Salary Savings

The estimated or actual personnel cost savings resulting from all authorized positions not being filled at the budgeted level for the entire year due to absences, turnovers (which results in vacancies and downward reclassifications), and processing time when hiring for new positions. The amount of savings is estimated on the basis of the past experience of departments. For new positions that will be authorized on July 1, five percent is a generally acceptable minimum for the salary savings estimate.

Schedule

The detail of an appropriation in the Budget Bill or Act, showing its distribution to each of the categories, programs, or projects thereof. *OR*

A supplemental schedule submitted by departments to detail certain expenditures. *OR*

A summary listing in the Governor's Budget.

Schedule 2

See "Changes in Authorized Positions."

Schedule 7A

A summary version of the State Controller's Office detailed Schedule 8 position listing for each department. The information reflected in this schedule is the basis for the "Salaries and Wages Supplement" displayed on the Department of Finance website. (*SAM 6415-6419*)

Schedule 8

A detailed listing generated from the State Controller's Office payroll records for a department of its past, current, and budget year positions as of June 30 and updated for July 1. This listing must be reconciled with each department's personnel records and becomes the basis for centralized payroll and position control. The reconciled data should coincide with the level of authorized positions for the department per the final Budget. (*SAM 6424-6429, 6448*)

Schedule 10 (Supplementary Schedule of Appropriations)

A Department of Finance control document listing all appropriations and allocations of funds available for expenditure during the past, current, and budget years. These documents are sorted by state

operations, local assistance, and capital outlay. The Schedule 10s reconcile expenditures by appropriation (fund source) and the adjustments made to appropriations, including allocation of new funds. These documents also show savings and carryovers by item. The information provided in this document is summarized in the Detail of Appropriations and Adjustments in the Governor's Budget. (SAM 6484)

Schedule 10R (Supplementary Schedule of Revenues and Transfers)

A Department of Finance control document reflecting information for revenues, transfers, and inter-fund loans for the past, current, and budget years. Schedule 10Rs are required for the General Fund and all special funds. Schedule 10R information for special funds is displayed in the Fund Condition Statement for that fund in the Governor's Budget.

Schedule 11

Outdated term for "Supplementary Schedule of Operating Expenses and Equipment."

Schedule of Federal Funds and Reimbursements, Supplementary

A supplemental schedule submitted by departments during budget preparation which displays the federal receipts and reimbursements by source. (SAM 6460)

Schedule of Operating Expenses and Equipment, Supplementary

A supplemental schedule submitted by departments during budget preparation which details by object the expenses included in the Operating Expenses and Equipment category. (SAM 6454, 6457)

Section 1.50

Section of the Budget Act that 1) specifies a certain format and style for the codes used in the Budget Act, 2) authorizes the Department of Finance to revise codes used in the Budget Act in order to provide compatibility with the Governor's Budget and records of the State Controller's Office, and 3) authorizes the Department of Finance to revise the schedule of an appropriation in the Budget Act for technical changes that are consistent with legislative intent. Examples of such technical changes to the schedule of an appropriation include the elimination of amounts payable, the distribution of administration costs, the distribution of unscheduled amounts to programs or categories, and the augmentation of reimbursement amounts when the Legislature has approved the budget for the department providing the reimbursement.

Section 1.80

Section of the Budget Act that includes periods of availability for Budget Act appropriations.

Section 8.50

The Control Section of the Budget Act that provides the authority to increase federal funds expenditure authority.

Section 20.00

An outdated term sometimes used to refer to Abolished Vacant Positions. Prior to 1982, the authority to abolish continuously vacant positions was contained in Section 20.00 of the Budget Act. See "Continuously Vacant Positions." Current authority to abolish continuously vacant positions is in Government Code Section 12439.

Section 26.00

A Control Section of the Budget Act that provides the authority for the transfer of funds from one category, program or function within a schedule to another category, program or function within the same schedule, subject to specified limitations and reporting requirements. (Prior to 1996-97, this authority was contained in Section 6.50 of the Budget Act.) (SAM 6548)

Section 28.00

A Control Section of the Budget Act which authorizes the Director of Finance to approve the augmentation or reduction of items of expenditure for the receipt of unanticipated federal funds or other non-state funds, and that specifies the related reporting requirements. Appropriation authority for unanticipated federal funds is contained in Section 8.50. (SAM 6551-6557)

Section 28.50

A Control Section of the Budget Act that authorizes the Department of Finance to augment or reduce the reimbursement line of an appropriation schedule for reimbursements received from other state agencies. It also contains specific reporting requirements. (SAM 6555-6557)

Section 30.00

A Control Section of the Budget Act that amends Government Code Section 13340 to sunset continuous appropriations.

Section 31.00

A Control Section of the Budget Act that specifies certain administrative procedures. For example, the section subjects the Budget Act appropriations to various sections of the Government Code, limits the new positions a department may establish to those authorized in the Budget, requires Finance approval and legislative notification of certain position transactions, requires all administratively established positions to terminate on June 30 and allows for such positions to continue if they were established after the Governor's Budget was submitted to the Legislature, and prohibits increases in salary ranges and other employee compensation which require funding not authorized by the budget unless the Legislature is informed.

Senate

The upper house of California's Legislature consisting of 40 members who serve a maximum of two four-year terms. Twenty members are elected every two years. (Article IV, § 2 (a))

Service Revolving Fund

A fund used to account for and finance many of the client services rendered by the Department of General Services. Amounts expended by the fund are reimbursed by sales and services priced at rates sufficient to keep the fund solvent. (SAM 8471.1)

Settlements

Refers to any proposed or final settlement of a legal claim (usually a suit) against the state. Approval of settlements and payments for settlements are subject to numerous controls. See also "Judgments." (GC 965)

Shared Revenue

A state-imposed tax, such as the gasoline tax, which is shared with local governments in proportion, or substantially in proportion, to the amount of tax collected or produced in each local unit. The tax may be collected either by the state and shared with the localities, or collected locally and shared with the state.

Sinking Fund

A fund or account in which money is deposited at regular intervals to provide for the retirement of bonded debt.

Special Fund for Economic Uncertainties

A fund in the General Fund (a similar reserve is included in each special fund) authorized to be established by statutes and Budget Act Control Section 12.30 to provide for emergency situations. (GC 16418 , 16418.5)

Special Funds

For legal basis budgeting purposes, funds created by statute, or administratively per Government Code Section 13306, used to budget and account for taxes, licenses, and fees that are restricted by law for particular activities of the government.

Special Items of Expense

An expenditure category that covers nonrecurring large expenditures or special purpose expenditures that generally require a separate appropriation (or otherwise require separation for clarity). (*SAM 6469; UCM*)

Sponsor

An individual, group, or organization that initiates or brings to a Legislator's attention a proposed law change.

Spot Bill

An introduced bill that makes non-substantive changes in a law, usually with the intent to amend the bill at a later date to include substantive law changes. This procedure provides a means for circumventing the deadline for the introduction of bills.

Staff Benefits

An object of expenditure representing the state costs of contributions for employees' retirement, OASDI, health benefits, and nonindustrial disability leave benefits. (*SAM 6412; UCM*)

State Fiscal Year

The period beginning July 1 and continuing through the following June 30.

State-Mandated Local Program

State reimbursements to local governments for the cost of activities required by legislative and executive acts. This reimbursement requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the 1979 general election. (*Article XIII B, § 6; SAM 6601, 6620, 6621*)

State Operations (SO)

A character of expenditure representing expenditures for the support of state government, exclusive of capital investments and expenditures for local assistance activities.

Statewide Cost Allocation Plan (SWCAP)

The amount of state administrative, General Fund costs (e.g., amounts expended by central service departments such as the State Treasurer's Office, State Personnel Board, State Controller's Office, and the Department of Finance for the general administration of state government) chargeable to and recovered from federal funds, as determined by the Department of Finance. These statewide administrative costs are for administering federal programs, which the federal government allows reimbursement. (*GC 13332.01-13332.02; SAM 8753, 8755-8756 et seq.*)

Statute

A written law enacted by the Legislature and signed by the Governor (or a vetoed bill overridden by a two-thirds vote of both houses), usually referred to by its chapter number and the year in which it is enacted. Statutes that modify a state code are "codified" into the respective Code (e.g., Government Code, Health and Safety Code). See also "Bill" and "Chapter." (*Article IV, § 9*)

Subcommittee

The smaller groupings into which Senate or Assembly committees are often divided. For example, the fiscal committees that hear the Budget Bill are divided into subcommittees generally by departments/subject area (e.g., Education, Resources, General Government).

Subventions

Typically used to describe amounts of money expended as local assistance based on a formula, in contrast to grants that are provided selectively and often on a competitive basis.

Summary Schedules

Various schedules in the Governor's Budget Summary which summarize state revenues, expenditures and other fiscal and personnel data for the past, current, and budget years.

Sunset Clause

Language contained in a law that states the expiration date for that statute.

Surplus

An outdated term for a fund's excess of assets (or resources) over liabilities and reserves (or obligations). See "Fund Balance."

Tax Expenditures

Subsidies provided through the taxation systems by creating deductions, credits and exclusions of certain types of income or expenditures that would otherwise be taxable.

Technical

In the budget systems, refers to an amendment that clarifies, corrects, or otherwise does not materially affect the intent of a bill.

Tort

A civil wrong, other than a breach of contract, for which the court awards damages. Traditional torts include negligence, malpractice, assault and battery. Recently, torts have been broadly expanded such that interference with a contract and civil rights claims can be torts. Torts result in either settlements or judgments. (*GC 948, 965-965.9; SAM 6472, 8712; BA Item 9670*)

Traditional Budget

See "Budget, Program or Traditional."

Transfers

As used in Schedule 10Rs and fund condition statements, transfers reflect the movement of resources from one fund to another based on statutory authorization or specific legislative transfer appropriation authority. See also "Category Transfer."

Trigger

An event that causes an action or actions. Triggers can be active (such as pressing the update key to validate input to a database) or passive (such as a tickler file to remind of an activity). For example, budget "trigger" mechanisms have been enacted in statute under which various budgeted programs are automatically reduced if revenues fall below expenditures by a specific amount.

Unappropriated Surplus

An outdated term for that portion of the fund balance not reserved for specific purposes. See "Fund Balance" and "Reserve."

Unencumbered Balance

The balance of an appropriation not yet committed for specific purposes. See "Encumbrance."

Uniform Codes Manual (UCM)

A document maintained by the Department of Finance which sets standards for codes and various other information used in state fiscal reporting systems. These codes identify, for example, organizations, programs, funds, receipts, line items, and objects of expenditure.

Unscheduled Reimbursements

Reimbursements collected by an agency that were not budgeted and are accounted for by a separate reimbursement category of an appropriation. To expend unscheduled reimbursements, a budget revision must be approved by the Department of Finance, subject to any applicable legislative reporting requirements (e.g., Section 28.50).

Urgency Statute/Legislation

A measure that contains an “urgency clause” requiring it to take effect immediately upon the signing of the measure by the Governor and the filing of the signed bill with the Secretary of State. Urgency statutes are generally those considered necessary for immediate preservation of the public peace, health or safety, and such measures require approval by a two-thirds vote of the Legislature, rather than a majority. (*Article IV, § 8 (d)*)

Veto

The Governor's Constitutional authority to reduce or eliminate one or more items of appropriation while approving other portions of a bill. (*Article IV, §10 (e); SAM 6345*)

Victim Compensation and Government Claims Board, California

An administrative body in state government exercising quasi-judicial powers (power to make rules and regulations) to establish an orderly procedure by which the Legislature will be advised of claims against the state when no provision has been made for payment. This board was known as the Board of Control prior to January 2001. The rules and regulations adopted by the former Board of Control are in the California Code of Regulations, Title 2, Division 2, Chapter 1.

Warrant

An order drawn by the State Controller directing the State Treasurer to pay a specified amount, from a specified fund, to the person or entity named. A warrant generally corresponds to a bank check but is not necessarily payable on demand and may not be negotiable. (*SAM 8041 et seq*)

Without Regard To Fiscal Year (WRTFY)

Where an appropriation has no period of limitation on its availability.

Working Capital and Revolving Fund

For legal basis accounting purposes, fund classification for funds used to account for the transactions of self-supporting enterprises that render goods or services for a direct charge to the user, which is usually another state department/entity. Self-supporting enterprises that render goods or services for a direct charge to the public account for their transactions in a Public Service Enterprise Fund.

Workload

The measurement of increases and decreases of inputs or demands for work, and a common basis for projecting related budget needs for both established and new programs. This approach to BCPs is often viewed as an alternative to outcome or performance based budgeting where resources are allocated based on pledges of measurable performance.

Workload Budget

Workload Budget means the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, population, statutory cost-of-living adjustments, chaptered legislation, one-time expenditures, full-year costs of partial-year programs, costs incurred pursuant to Constitutional requirements, federal mandates, court-ordered mandates, state employee merit salary adjustments, and state agency operating expense and equipment cost adjustments to reflect inflation. The compacts with Higher Education and the Courts are commitments by this Administration and therefore are included in the workload budget and considered workload adjustments. (*GC 13308.05*)

Workload Budget Adjustment

Any adjustment to the currently authorized budget necessary to maintain the level of service required to fund a Workload Budget, as defined in Government Code Section 13308.05.

Year of Appropriation (YOA)

Refers to the initial year of an appropriation.

Year of Budget (YOB)

The budget year involved (e.g., in Schedule 10s).

Year of Completion (YOC)

The last fiscal year for which the appropriation is available for expenditure or encumbrance.

** Abbreviations used in the references cited:*

<i>Article</i>	<i>Article of California Constitution</i>
<i>BA</i>	<i>Budget Act</i>
<i>CS</i>	<i>Control Section of Budget Act</i>
<i>GC</i>	<i>Government Code</i>
<i>SAM</i>	<i>State Administrative Manual</i>
<i>UCM</i>	<i>Uniform Codes Manual</i>