



GROWTH PLAN



CALIFORNIA
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JANUARY
2008



THE CALIFORNIA STRATEGIC GROWTH PLAN



In January 2006, the Governor and Legislative leaders launched the most ambitious rebuilding of California's infrastructure in half a century. The Strategic Growth Plan (SGP) was designed to restore and expand our highways, roads and transit systems, as well as our schools, courthouses, ports, levees and water supply systems. By investing and leveraging billions of dollars in the state's infrastructure over the next 20 years, California can maintain vibrant economic growth, improve the environment and ensure a high quality of life for generations to come. In November 2006, the voters approved the first installment of that 20-year vision to rebuild California. 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 measures. Work on dozens of critical levee improvements is already underway, thousands of new and renovated classrooms are being built throughout the state, and transportation construction projects to reduce traffic and facilitate goods movement are underway around the state. Funding for affordable and transit-oriented housing will expand opportunities for home ownership, and our state's universities and colleges are expanding to meet the continued growth in enrollment.

However, critical gaps still remain in California's infrastructure. 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. For many programs, partnerships with the private sector should be leveraged to lower costs to taxpayers, speed delivery of projects and improve service to citizens. Additionally, state agencies should coordinate program planning and sustainability efforts where feasible to speed delivery and promote environmentally sustainable infrastructure investment. To address these critical gaps, 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.
- Legislation to fully enable performance-based infrastructure (PBI), where government and private companies work together in delivering infrastructure services to lower costs and improve services. The legislation would also establish "*PBI California*", a center of excellence to help determine which projects can benefit from PBI, represent the state in negotiations with PBI participants, ensure transparency for taxpayers and monitor performance.
- Legislation to place a bond measure before the voters to expand the state's water supply and management systems, build new conveyance facilities and restore the Sacramento-San Joaquin Delta to protect California's major source of drinking water, meet the growing needs of cities and counties, and manage the effects of climate change on California's hydrology and water delivery systems for decades.
- Legislation to place a bond measure before the voters to continue building classrooms in the state's K-12 school system beyond the three years of financing provided by the current bonds. These funds will allow California 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 measure before the voters to continue improving and expanding the state's higher education systems beyond the two years of financing provided by the current bonds. These funds will allow California to maintain their world-renowned research capabilities and prepare for future enrollment growth. The Administration proposes to provide an additional \$50 million per year above the compact level for facilities at University of California and California State University.
- Legislation to modify the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, scheduled for the November 2008 ballot, to ensure that appropriate co-financing is available to begin building the project once the bond measure is approved by voters.
- Legislation to place a bond measure before the voters to expand and repair the infrastructure for California's court system to address critical caseload increases and reduce delays in criminal and civil proceedings.

As reflected in Figure 1, \$48.1 billion of new general obligation bonds and \$2.3 billion of additional lease-revenue bonds are proposed to fully fund California's infrastructure needs through 2016 for a total investment of nearly \$239 billion. As shown in Figure 2, 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 1
STRATEGIC GROWTH PLAN
2006-2016
(Dollars in Billions)¹

Program	Proposed New Bonds		Other Funding Sources		
	General Obligation	Lease ² Revenue	Existing ³	New ⁴	Total
Flood Control/ Water Supply	11.9		\$14.2	\$26.6	\$52.7
Education-K-12	11.6		17.5 ⁵		29.1
Education-Higher Ed	12.3		10.2		22.5
Transportation			85.7	15.0	100.7
High Speed Rail	10.0				10.0
Judicial	2.0		0.9	2.0	4.9
Other Natural Resources			3.0		3.0
Housing			2.9		2.9
Public Safety			7.7	0.3	8.0
Other Public Service Infrastructure	0.3	2.3	2.2		4.8
Totals	\$48.1	\$2.3	\$144.3	\$43.9	\$238.6

¹ See Appendix A for the details of the fund sources.

² Lease revenue bonds are supported by rental payments that result from leasing the financed asset.

³ Existing Funding Sources column includes already authorized bonds, special funds, General Fund and estimated federal and local matching dollars from existing shared funding programs.

⁴ New Fund Sources includes estimated additional funding from public-private partnerships and new state-local shared programs.

⁵ In addition, K-12 will provide \$5 billion in local match over multiple years beyond the SGP period for the Charter School Facilities and Career Technical Education Facilities programs, as authorized in statute.

Figure 2
STRATEGIC GROWTH PLAN
2006-2016
ELECTION YEAR PROPOSALS
GENERAL OBLIGATION BONDS
(Dollars in Billions)

Program	2008	2010	2012	2014	Totals
Water	\$11.9				\$11.9
Education-K-12	6.4	5.2			11.6
Education-Higher Ed	7.7	4.6			12.3
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 affordable housing to congestion relief to flood protection— 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 meeting the goals of the Strategic Growth Plan requires collaboration and coordination; 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 reduce costs to taxpayers, and provide leadership and guidance so that those investments of funds provide benefits that will last decades.

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.

Strategic Growth Council

- The Director of the Office of Planning and Research
- The Secretary of Resources
- The Secretary of Environmental Protection
- The Secretary of Business, Transportation and Housing
- The Secretary of Food and Agriculture

The Director of the Office of Planning and Research (OPR) would be the chair of the Council. 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 reducing greenhouse emissions as required by AB 32, and encourage sustainable land use.
- Recommend policies to the state agencies and the Legislature that will encourage the planning and implementation of sustainable communities consistent with the intent of Proposition 84. With legislative approval, manage and award grants and loans of funds provided in Proposition 84 to support the planning and implementation of sustainable communities.
- Collect, manage and provide data and information to local governments that will assist local governments in planning and implementation of sustainable communities.

With approval from the Legislature, the grant and loan programs developed by the Council would be funded from the \$90 million designated for sustainable planning and the balance of approximately \$70 million designated for urban greening projects, as defined within Proposition 84. These programs may include but are not limited to the following types:

- Grants and loans for preparing, adopting and implementing Regional Blueprint Plans and programs that integrate transportation, land use, housing and natural resource protection. This program would authorize the Council to award grants and loans to council of governments, countywide authorities and metropolitan planning organizations, and local governments to support the preparation, adoption and implementation of regional blueprint planning programs. Priority would be given to applicants that were not previously eligible to compete for regional blueprint funding.
- Grants and loans for the development of resource management plans, habitat conservation plans, climate action plans and other local or regional plans that promote natural resource protection, greenhouse gas reduction and sustainable community development consistent with the purpose and intent of Proposition 84.
- Grants and loans for preparing, adopting and implementing General Plans. Preparation and adoption of General Plans may include comprehensive updates amendment or adoption of individual elements of the General Plan. Implementation of General Plans may include adoption of specific plans, community plans, zoning ordinances and other plans, ordinances or policies that are consistent with the intent of Proposition 84. Preparation, adoption and implementation of General Plans may also include activities necessary to make a local general plan consistent with an adopted Regional Blueprint Plan or Program.
- Grants and loans for the development of urban greening projects that reduce energy consumption, conserve water, improve air and water quality and provide other community benefits, including urban forestry projects. This program would offer assistance to cities, counties and nonprofit organizations for projects that decrease air and water pollution, reduce natural resource and energy use, or improve adaptability to climate change.

The Council would have authority to establish minimum eligibility and application and evaluation criteria on which to base its award decisions for the grants and loans programs. The Council would also have the authority to give “additional consideration” to applicants for the variety of programs that the Council may develop. For example the Council may give “additional considerations” to applicants who agree to prepare and adopt a General Plan that is consistent with a Regional Blueprint Plan. When establishing minimum requirements, eligibility and evaluation criteria, as well as the “additional considerations,” the Council would rely on the statutory language of Proposition 84 which requires the bond funds be used for specified purposes.

The Council would be authorized to request a council of government or a metropolitan planning organization to review and endorse applications for financial assistance by cities and counties on the basis of their adherence to a Regional Blueprint Plan or similar regional planning document. The Council would also be authorized to reach out to stakeholder groups and the public in establishing the grant and loan programs, and may hold public meetings if necessary to gain information and feedback. Grant and loan program information, as well as general Council activities, would be made available to the public electronically on the Internet.

PROVIDING PERFORMANCE BASED INFRASTRUCTURE (PBI)



To enhance service for citizens and lower costs for taxpayers, a number of federal, provincial, state and municipal governments around the world are increasingly partnering with the private sector to improve the delivery, operation and maintenance of public infrastructure projects. These partnerships lower costs for taxpayers and improve service to citizens by combining (i) the advantages of the private sector (e.g., dynamism, access to finance, knowledge of technologies, management efficiency, and entrepreneurial spirit), (ii) the benefits of competition and (iii) the social responsibility, environmental awareness, local knowledge, transparency, safety and job generation concerns of the public sector.

Referred to variously as public-private partnerships (P3), private finance initiative (PFI), alternative finance and procurement (AFP) or performance-based infrastructure (PBI), these arrangements must not be confused with privatization. Privatization means transferring a public service or facility to the private sector, whereas PBI-type arrangements constitute a way of introducing private management into public service.

Over the last decade nations such as the United Kingdom (UK), France, Australia, Ireland, Japan, the Netherlands, Canada and more have aggressively utilized these types of partnerships for hundreds of billions of dollars of infrastructure.

Examples of Performance Based Infrastructure Projects

- Over the last five years, British Columbia, Canada, with a population less than one-eighth the size of California's, has employed PBI-type methods for the procurement of nearly \$5 billion in infrastructure financing -- equivalent on a population basis to more than \$40 billion in California -- with roughly 64 percent of that financing privately supplied, for projects ranging from mass transit to roads, wastewater treatment facilities, hospitals and more. In addition to improving service for citizens, British Columbia believes it has on average saved 6.5 percent on the cost of providing that infrastructure.
- The UK has employed PBI-type arrangements for more than 350 schools, hospitals and transportation systems and more than 100 government office buildings, waste treatment facilities, prisons, museums, courts and public recreation projects.
- In France, recent contracts include three high speed rail lines, four prisons, an inland waterway and waste water treatment plants.
- Australian states have provided citizens with schools, prisons, courthouses, convention centers, freeways, freight and commuter rail, power stations, hospitals and health campuses, and Australia's national government is now exploring the use of PBI-type arrangements in the national freight and transportation networks and energy and water sectors.
- Ireland has used PBI-type arrangements for more than 100 wastewater projects, the Netherlands has employed the method for social housing and urban regeneration and Japan has 20 PBI-type projects in the pipeline.
- Since 2005, Ontario, Canada has employed a PBI-type arrangement for the procurement of 47 major infrastructure projects, including courthouses, youth centers, hospitals and cancer treatment centers. Ontario believes it is saving between 8 percent and 16 percent on each such project, not including the benefits of early delivery.

PBI-type arrangements are newer to the United States. Some recent examples include: the federal government obtaining more than \$25 billion of private financing in connection with a PBI arrangement to provide military housing at Camp Pendleton and other bases, leading to higher tenant satisfaction; the City of Miami recently approving a new \$1 billion tunnel to speed goods movement, reduce congestion and improve the environment at a cost that is 40 percent less than if the government did everything itself; and the State of Missouri seeking PBI bids for the widespread rehabilitation and replacement of 802 bridges.

PBI-type arrangements can provide excellent value. For example, an academic analysis in Australia found that PBI-type arrangements "provide superior performance in both the cost and time dimensions . . . and [are] far more transparent than traditional projects . . ." Another study found that infrastructure projects in Canada and the UK provided through PBI-type arrangements were more often on budget and on time than those provided by traditional methods.

PBI is not mandatory. It is simply an optional alternative for governments to employ if and when doing so provides value when compared to traditional infrastructure provision. That value can take many forms, including lower initial or lifecycle costs, faster delivery, supplemental capital, better customer service or lower risk. When additional value from using PBI cannot be obtained, it is not used.

Where PBI-type arrangements are widely enabled and available, such as in Europe, Australia and Canada, they account for approximately 15-20 percent of new infrastructure. Applied to California's \$500 billion of needs, that would indicate that PBI has the potential to provide approximately \$75 billion to \$100 billion of new infrastructure in California.

Given the well-established success of PBI-type arrangements around the world and California's infrastructure needs, all legitimate means of project delivery, including PBI-type arrangements, should be made available to our state and to local governments in order to maximize public benefit and service.

Accordingly, broad authorization is proposed for state and local governments in California to enter into these partnerships for the planning, design, development, finance, construction, reconstruction, rehabilitation, improvement, financing, operation or maintenance of their infrastructure needs.

PBI California

To ensure California governments enter into PBI arrangements only on the most favorable terms, the Administration is proposing that California establish a "center of excellence," modeled on similar centers of excellence in the UK ("Partnerships UK"), Ontario ("Infrastructure Ontario") and British Columbia ("Partnerships BC"). These centers help ensure that governments arrange only the best financing, procurement, risk allocation, delivery, operation, maintenance and other contractual provisions.

PBI California will be such a center for excellence. It will help determine which projects can benefit from PBI, provide expertise in negotiations with PBI participants, ensure transparency and monitor performance. *PBI California* will manage and implement contractual arrangements and also will assemble statewide demand to enhance negotiating leverage and improve terms and conditions for taxpayers and citizens. *PBI California* will contract with governmental entities (local and state) and act as a repository of knowledge, understanding, expertise and practical experience in connection with PBI-related transactions.

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 2006-07 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 Governor issued *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 provide substantial funding to address California's flood and water management challenges. 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.

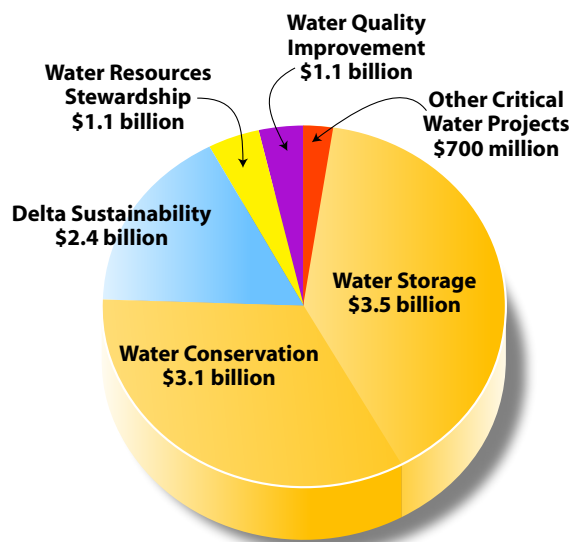
SGP Proposes 2008 Bond Measure of \$11.9 Billion

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 through 2016. 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 surface storage projects identified in the CalFed Bay-Delta Program Record of Decision (excluding the expansion of Shasta Reservoir); groundwater storage projects and groundwater contamination prevention or remediation projects that provide water storage benefits; conjunctive use and reservoir reoperation projects; and regional and local surface storage projects that improve the operation of water systems in the state and provide public benefits.

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 with general obligation bonds. The state's share reflects the statewide benefits of flood control, ecosystem restoration and water quality improvement. The non-state portion 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 sustainable 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 issues, 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 storm water 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.

Accomplishments to Date

- The Department of Water Resources (DWR) has completed repairs at 102 critical levee sites identified under the Governor's 2006 emergency declaration, with eight additional critical sites targeted for completion by summer 2008.
- Critical repairs have also been completed on locally owned and maintained levees in Santa Barbara, Yolo and Glenn counties through grants awarded under the emergency declaration.
- DWR is currently evaluating approximately 350 miles of urban project levees and in spring 2008 will begin evaluating approximately 1,250 miles of non-urban project levees in the Central Valley.
- Delta emergency response preparations, a \$12 million investment, are underway to stockpile flood-fight materials in key Delta locations and to improve Delta emergency response plans.
- Ongoing local improvements to state-federal project levees in Natomas, Wheatland, Sutter County and Plumas Lake near Marysville are expected to be funded in early 2008 through bond funds awarded for Early Implementation Projects. A second cycle of Early Implementation Program funding is targeted for this spring.
- The state, in cooperation with federal and local partners, will initiate a study of Central Valley flood protection, a unique effort that includes study areas that do not have state/federal project levees.
- Other studies are underway in Lathrop/Stockton, Sacramento, West Sacramento and Sutter County to evaluate current and potential flood projects. In addition, the state is moving forward with the United States Bureau of Reclamation (USBR) and the U.S. Army Corps of Engineers to construct the Folsom Dam Joint Federal Project. USBR initiated excavation of the new spillway in November 2007.

K-12 EDUCATION



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 will continue to age, the need for modernization assistance to keep classrooms modern will continue during this period. Finally, because our primary and secondary school system helps develop tomorrow’s workforce, it is important to both ensure there are facilities for both charter schools and Career Technical Education (CTE). This will stimulate educational innovation and ensure all students have the opportunity to participate in the high skill technical jobs that will fuel the economy of the future. Because 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.

SGP Proposed Total K-12 Program of \$11.6 Billion through 2013

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.

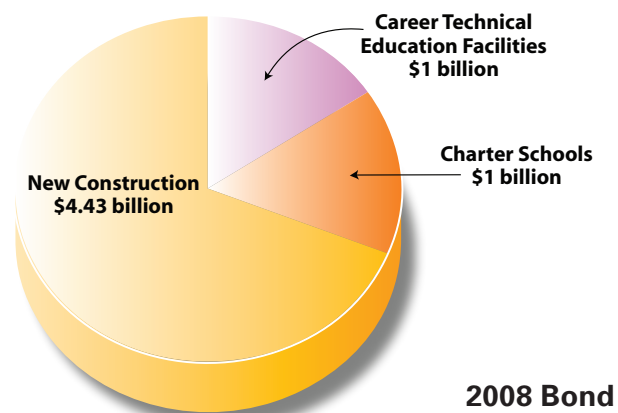
Charter School Facility Program Changes

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, 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.

SGP Proposes 2008 Education Bond Measure of \$6.43 Billion

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 more than 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 - \$4.43 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.

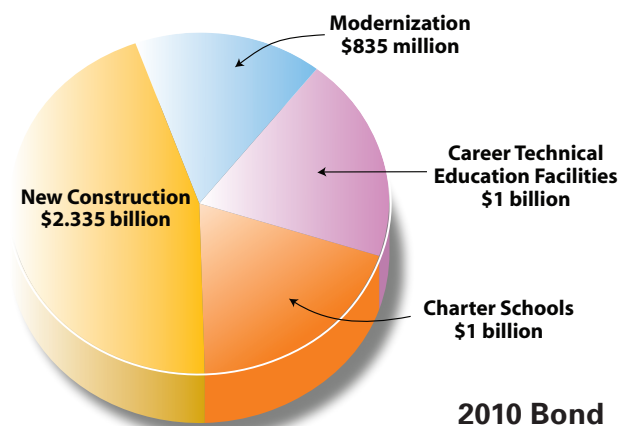


- o Chapter 691, Statutes of 2007 (AB 1014) alters the calculation methodology for determining school district eligibility for new construction funding by allowing districts to submit 10 year enrollment projections and utilize modified weighting mechanisms, birth rates and residency data. The fiscal 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 more than 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 Schools** - \$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 charter schools 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.

SGP Proposes 2010 Bond Measure of \$5.17 Billion

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 have made 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.

Accomplishments to Date

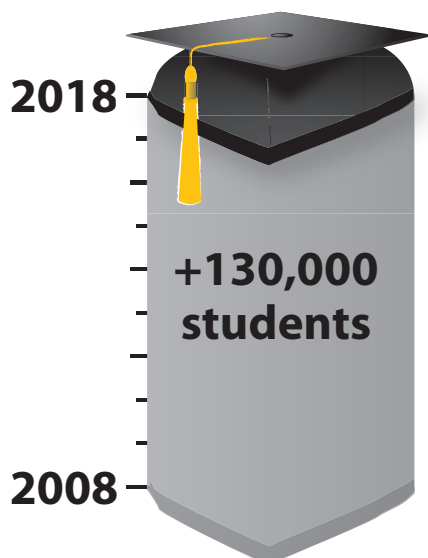
- The State Allocation Board (SAB) has authorized funding for about 330 modernization projects totaling approximately \$550 million. Of the authorized projects, five are complete. In addition, the SAB has authorized funding for 54 joint-use projects totaling over \$45 million, which will allow school districts and their joint-use partners to build libraries, gymnasiums and multipurpose rooms, child care facilities, and teacher education 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 system wide 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.

In the 10 years from 2008 until 2018, combined UC and CSU enrollment is expected to increase by 130,000 students.

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.

SGP Proposes 2008 and 2010 Bond Measures of \$12.3 Billion

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 10-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 10 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.

Accomplishments to Date

- More than 170 projects totaling approximately \$1.635 billion have been funded at the various higher education campuses.
- The 2008-09 Governor's Budget proposes \$639.6 million for the continuation of 30 projects.

TRANSPORTATION



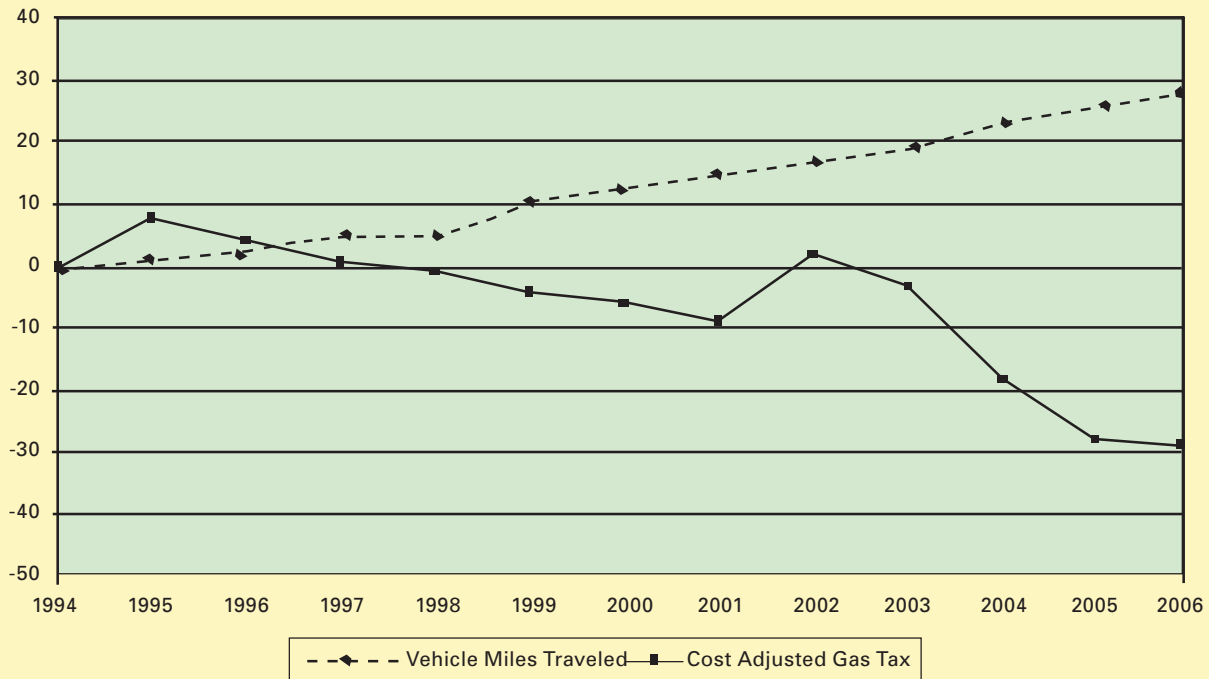
Boosted by voter approval of Propositions 1A and 1B in 2006, investment in long-overdue transportation improvements will help overcome decades of chronic underinvestment in one of the state's most important economic assets.

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 3, 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.

Figure 3
PERCENT CHANGE IN TRAVEL AND TRANSPORTATION REVENUES
 Adjusted for Construction Costs



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 10 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 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 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 billion for improvements to this 400-mile highway through the heart of the Central Valley.
- Local streets and roads - \$2 billion for improvements to local transportation facilities to construct, repair and rehabilitate streets and roads.
- Transit safety, security, and disaster response - \$1 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 billion to match local agencies that raise new funds for transportation projects.

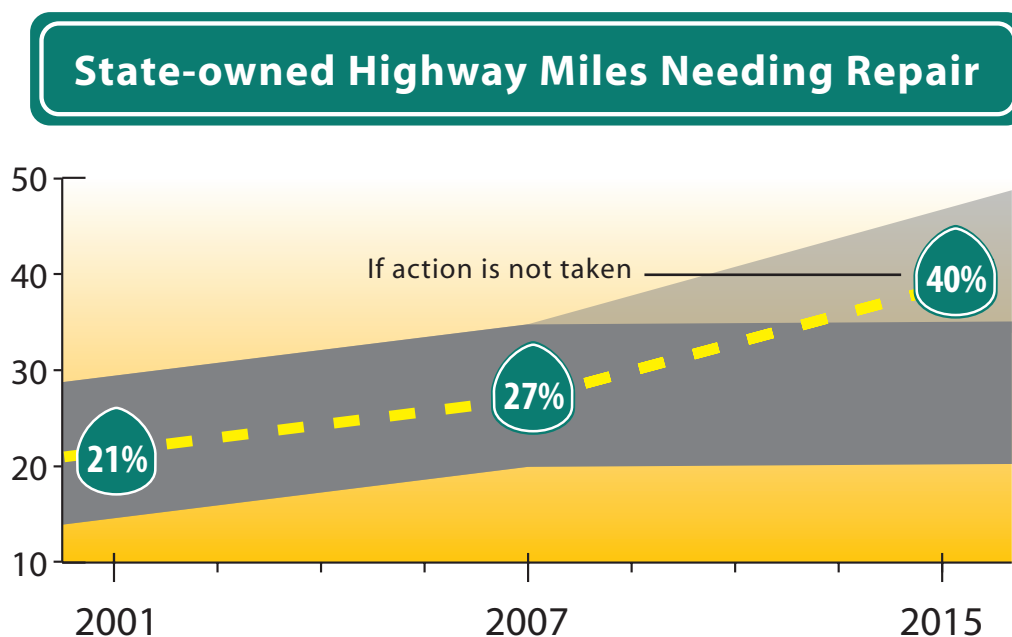
- Highway rehabilitation and operational improvements - \$750 million for highway safety, rehabilitation and pavement preservation projects. This amount includes \$250 million for traffic light synchronization projects and other technology-based improvements to enhance safety operations and the capacity 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 totaling billions of dollars reportedly exist and this problem is 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. In 2002, the Legislature agreed to place on the ballot, a general obligation bond measure providing nearly \$10 billion to design and construct California's system.

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 10 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 Administration is proposing to modify the \$10 billion general obligation bond measure, The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century. The proposal will ensure that the plan, when approved by the voters will demonstrate the financial feasibility of the project and the commitment of federal, state, local and private participants.

Accomplishments to Date

- The California Transportation Commission (CTC) has allocated more than \$627 million and 19 projects are currently in construction.
- Regions are currently nominating projects for the Trade Corridor Improvement Fund program, and projects will be selected in April 2008.
- Transit operators and regions are submitting projects for programming with transit bond funds.
- The Corridor Mobility program has more than \$1.5 billion of construction allocations scheduled for 2008-09.
- The 2008-09 Governor's Budget proposes to appropriate \$4.7 billion from Proposition 1B for various transportation projects. Based on implementing legislation, the CTC has adopted guidelines for five programs and the Department of Transportation has adopted guidelines for the transit and intercity rail programs.
- The CTC selected 54 projects to be funded from the Corridor Mobility Improvement Account, 13 projects for the State Route 99 program, 15 projects for the State Highway Operations and Protection Program augmentation and 479 projects for the local bridge seismic program. The CTC is scheduled to adopt the remaining program guidelines in early 2008.

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 three 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 \$9.9 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 10 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, there are 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.

Accomplishments to Date

The Judicial Branch continues to transfer local court facilities to the state to ensure consistency in the provision of justice and to ensure that facilities will be managed in a way that provides safe and secure courts. The 2007 Budget Act appropriated \$35.9 million dollars for the renovation, acquisition and design of 12 trial court facilities. The 2008-09 Governor's Budget proposes a total of approximately \$174.9 million dollars for ongoing phases of court facilities projects, as well as the acquisition and site selection of four new trial court facilities.

OTHER NATURAL RESOURCES



In recent years, California voters have approved a series of bonds to preserve and enhance the state's natural resources. Propositions 12, 13, 40 and 50 have made available a total of \$10.1 billion dollars that have 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.

In November 2006, Proposition 84 was approved by the voters authorizing an additional \$5.4 billion in general obligation bonds for natural resources purposes. These new bond funds will enable the state to continue investing in important projects targeted to improve the state's water quality and drinking water availability, flood protection, state and local parks, coastal and ocean protection, and habitat conservation.

To continue the implementation of Proposition 84, the 2008-09 Governor's Budget proposes the appropriation of more than \$1 billion in additional bond resources for activities in 18 state departments, boards and conservancies. Highlights of the proposed funding include:

- \$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.
- \$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 Department of Parks and Recreation (DPR) 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 Department of Fish and Game for environmental and ecosystem restoration activities at the Salton Sea.

Accomplishments to Date

- DPR acquired a 76-acre easement to preserve and protect the state's capital investment in Colonel Allensworth State Park. By ensuring that the immediate surroundings were not converted to a use that was incompatible with park operations, DPR was able to protect the state's cultural jewel: a farming community established in 1908 that was founded, financed and governed by African Americans.
- \$50 million in Proposition 84 State Revolving Fund loans have been authorized by the State Water Resources Control Board (Water Board) for disbursement for local waste water treatment projects.
- The Water Board is currently developing guidelines for agricultural water quality grants, stormwater grants, clean beach grants and areas of special biological significance grants. These guidelines will be adopted in the coming months, with grant solicitations for Proposition 84 funds to follow thereafter.
- The Santa Monica Bay Restoration Commission's Proposition 84 plan is scheduled for adoption by the Water Board in January 2008, with project selection to follow.
- The Coachella Valley Mountains Conservancy has used Proposition 84 grants to acquire a total of 608 acres in and around the Coachella Mountains to preserve land and protect natural habitat.
- Several other departments and conservancies that have received Proposition 84 funding in 2007-08 have begun to develop selection criteria for projects, and anticipate completion of program guidelines by the end of the fiscal year.

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 \$771 million in bond allocations by Housing and Community Development (HCD) 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

\$60 million in bond allocations by the California Housing Finance Agency for:

- Downpayment Assistance – \$30 million
- Residential Development – \$30 million

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 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 more than 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 46

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

Accomplishments to Date

- By the end of 2007-08, \$975 million of awards are expected to have been made. Most of the Proposition 1C funds were available without the need for further legislative action.
- 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



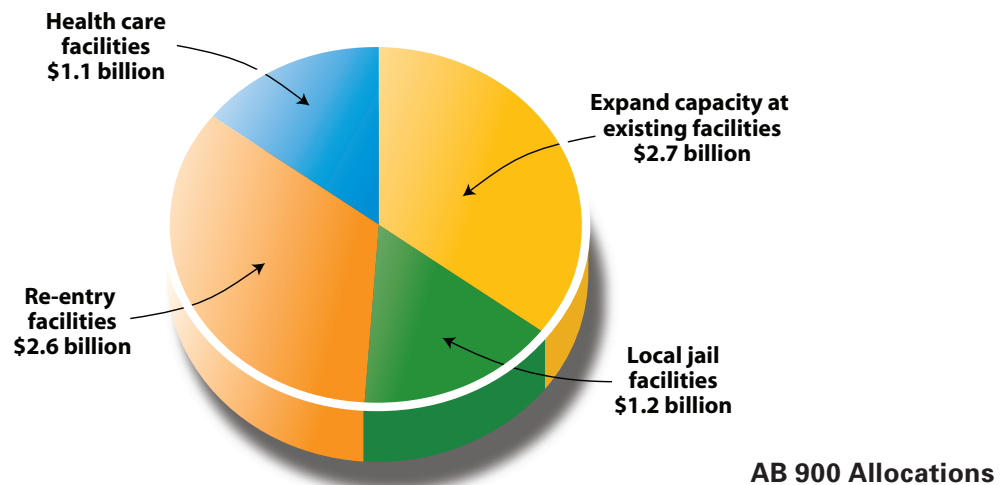
The historic passage of AB 900 in 2007 provided the California Department of Corrections and Rehabilitation (CDCR) \$7.7 billion to help address California's prison overcrowding crisis. The Legislature approved these funds for the following purposes:

- 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.



Accomplishments to Date

- CDCR is currently working on establishing scope and cost for several projects related to AB 900 and will present these in early 2008.
- CDCR has begun infrastructure fixes within its institutions, such as installing water conservation devices.

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.

SGP Proposes 2008 Bond Measure of \$300 Million

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 AND AFFORDABILITY



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 ten years, under this plan state debt service will remain within prudent bounds into the foreseeable future. Figure 4 displays the state's debt payments and debt ratio into the future under the SGP.

Figure 4
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.

APPENDIX A

STRATEGIC GROWTH PLAN 2006-2016

FLOOD CONTROL/WATER SUPPLY

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$11.9
• <i>General Obligation Bonds</i> —to improve regional water supply reliability and to support interregional water management.	3.1	
• <i>General Obligation Bonds</i> —to provide for Delta sustainability.	2.4	
• <i>General Obligation Bonds</i> —to provide for statewide water system operational improvements.	3.5	
• <i>General Obligation Bonds</i> —to promote conservation and watershed stewardship	1.1	
• <i>General Obligation Bonds</i> —to improve groundwater protection and water quality.	1.1	
• <i>General Obligation Bonds</i> —to support other critical projects.	0.7	
Existing Funding Sources:		\$14.2
• <i>General Obligation Bonds</i> —Propositions 1E and 84.	6.4	
• <i>Federal Funds</i> —federal share of the cost of projects.	2.4	
• <i>Local match</i> —local share of the cost of projects.	5.4	
New Funding Sources:		\$26.6
• <i>Federal Funds</i> —federal share of the cost of projects.	5.3	
• <i>Local match</i> —local share of the cost of projects.	21.3	
Total all funding sources		\$52.7

EDUCATION — K-12

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$11.6
• <i>General Obligation Bonds</i> —to be placed on the 2008 and 2010 election ballots.	11.6	
Existing Funding Sources:		\$17.5
• <i>General Obligation Bonds</i> —Proposition 1D as follows:		
• New Construction	1.9	
• Modernization	3.3	
• Charter Schools	0.5	
• Career Technical Education	0.5	
• Overcrowding relief in certain districts	1.0	
• Incentives to meet high performance school design standards and Joint use facilities	0.1	
• <i>Local match</i> —to provide capacity and modernization. The State Allocation Board requires a match to the state bond dollars applied to a project.	10.2	
New Funding Sources:		\$0.0
• N/A		
Total all funding sources		\$29.1

EDUCATION — HIGHER EDUCATION

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$12.3
• <i>General Obligation Bonds</i> —to provide UC infrastructure funding on the 2008 and 2010 election ballots.	3.2	
• <i>General Obligation Bonds</i> —to provide California State University infrastructure funding on the 2008 and 2010 election ballots.	3.2	
• <i>General Obligation Bonds</i> —to provide the California Community Colleges infrastructure funding on the 2008 and 2010 election ballots.	6.0	
Existing Funding Sources:		\$10.2
• <i>General Obligation Bonds</i> —Proposition 1D funding.	3.1	
• <i>Lease Revenue Bonds</i> —to fund the state portion of the University of California’s (UC) alternative energy and fuel research facilities.	0.1	
• <i>UC and CSU campus funds</i> —estimated campus funding that will be provided to supplement state funded projects.	7.0	
New Funding Sources:		\$0.0
• N/A		
Total all funding sources		\$22.5

TRANSPORTATION

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$0.0
• N/A		
Existing Funding Sources:		\$87.3
• <i>General Obligation Bonds</i> —Proposition 1B.	19.9	
• <i>Constitutional Revenues</i> —state and federal fuel excise tax and weight fees.	41.8	
• <i>Proposition 42</i> —protection granted by passage of Proposition 1A.	9.7	
• <i>Federal Funds</i> —federal earmarks for national trade corridors and other projects of national significance.	5.0	
• Local match—extended and new local transportation sales tax measures.	5.0	
• Trade Corridors Improvement Fund Program match— from Proposition 1B.	2.0	
• GARVEES—used in later part of plan to bond against federal funds.	1.5	
• Special Funds—Tribal Gaming Revenues.	0.7	
New Funding Sources:		\$15.0
• Performance Based Infrastructure**	\$15.0	
**Potential funding assuming that PBI is widely enabled and available. (This assumption is based on historical performance in other jurisdictions using PBI.)		
Total all funding sources		\$100.7

HIGH SPEED RAIL

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$10.0
• <i>General Obligation Bonds</i> —to provide an ultra fast rail line to address California’s transportation concerns.	10.0	
Existing Funding Sources:	\$0.0	
• N/A		
New Funding Sources:	\$0.0	
• N/A		
Total all funding sources		\$10.0

JUDICIAL

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$2.0
<ul style="list-style-type: none"> <i>General Obligation Bonds</i>—courts will use to leverage additional funds through public-private partnerships. 	2.0	
Existing Funding Sources:		\$0.9
<ul style="list-style-type: none"> <i>State Court Facilities Construction Fund</i>—revenues from certain fines and fees that are dedicated to addressing court facility needs. 	0.9	
New Funding Sources:		\$2.0
<ul style="list-style-type: none"> <i>Public-Private Partnerships</i>—to aid the facility improvements discussed above. These partnerships might include (but not be limited to) arrangements such as: <ul style="list-style-type: none"> 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. 	2.0	
Total all funding sources		\$4.9

OTHER NATURAL RESOURCES

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$0.0
• N/A		
Existing Funding Sources:		\$3.0
• <i>General Obligation Bonds</i> —Proposition 84 as follows:		
• Protection of rivers, lakes, and streams	0.9	
• Forest and wildlife conservation	0.5	
• Protection of beaches, bays, and coastal waters	0.5	
• Parks and nature education facilities	0.5	
• Sustainable communities and climate change reduction	0.6	
New Funding Sources:		\$0.0
• N/A		
Total all funding sources		\$3.0

HOUSING

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$0.0
• N/A		
Existing Funding Sources:		\$2.9
• General Obligation Bonds—Proposition 1C.	2.9	
New Funding Sources:		\$0.0
• N/A		
Total all funding sources		\$2.9

PUBLIC SAFETY

(dollars in billions)

	Amount	TOTAL
Proposed New Bonds		\$15.4
• <i>Lease Revenue Bonds</i> —to remove funding provided for infill beds, reentry facilities, and medical/mental health/dental treatment and housing in Phase II of AB 900.	-2.5	
• <i>Lease Revenue Bonds</i> —to provide funding to the Receiver for additional medical beds.	2.5	
Existing Funding Sources:		\$7.7
• <i>General Fund</i> —to add capacity.	0.3	
• <i>Lease Revenue Bonds</i> —to add capacity.	2.4	
• <i>Lease Revenue Bonds</i> —to help local governments expand statewide jail capacity.	1.2	
• <i>Lease Revenue Bonds</i> —coordinated funding effort with local governments to construct re-entry facilities.	2.6	
• <i>Lease Revenue Bonds</i> —to provide specialized beds and treatment and program space for medical, mental health, and dental services.	1.1	
• <i>Lease Revenue Bonds</i> —to help local governments expand statewide juvenile rehabilitation facilities.	0.1	
New Funding Sources:		\$0.3
• <i>Local match</i> —from local governments for match for jail capacity	0.3	
Total all funding sources		\$8.0

OTHER PUBLIC SERVICE INFRASTRUCTURE

	Amount	TOTAL
Proposed New Bonds		\$2.6
<ul style="list-style-type: none"> • <i>Lease Revenue Bonds</i>—to address critical state infrastructure needs, such as: • Department of Forestry and Fire Protection-\$600 million to replace or renovate 75 emergency response facilities, including fire stations, air attack bases, and conservation camps. • Department of Mental Health-\$500 million for additional capacity to meet the requirements of Jessica’s law. • Department of Justice-\$400 million for a new DNA laboratory. • State Special Schools-\$100 million to replace or renovate classrooms and dormitories at the School for the Blind and School for the Deaf. • <i>General Obligation Bonds</i>—Seismic Retrofit of Existing State Buildings-\$300 million to complete the renovation of 29 facilities 	<p>2.3</p> <p>0.3</p>	
Existing Funding Sources:		\$2.2
<ul style="list-style-type: none"> • <i>Special Funds</i>—to address critical state infrastructure needs. 	2.2	
New Funding Sources:		\$0.0
<ul style="list-style-type: none"> • N/A 		
Total all funding sources		\$4.8