



GOVERNOR'S
Budget
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Gray Davis, Governor
State of California

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Submitted by
Gray Davis, Governor
State of California

to the
California Legislature
Regular Session
2003-04

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GOVERNOR GRAY DAVIS

January 10, 2003



To the Senate and the Assembly of the California Legislature:

I submit for your consideration the Governor's Budget for 2003-04.

Californians have proven time and again that there is no threat or crisis great enough to break our spirit. From devastating earthquakes, to deadly floods and firestorms, Californians have risen to the occasion, set aside personal concerns, and worked together to meet the challenge. Each time, we emerged stronger and more resilient as a community.

California now faces the most serious fiscal challenge in its history. The choices are difficult and the consequences of those choices will affect generations to come. This challenge must and will be met by California's leaders.

Over the past four years, working together, we have made critical investments in improving education, protecting public safety, expanding access to health care, and providing taxpayers with significant tax relief.

With the pace of both the national and state economies continuing to languish, and no significant rebound in sight, California has experienced the most dramatic decline in revenues since World War II. We bridged the budget gap last year with a mix of on-going and one-time solutions. This year, the problem is larger and the choices are more difficult.

Every crisis presents an opportunity for change. Yes, we must pass a budget and close the gap. This budget presents a plan to do that. We would be failing in our duty to those who elected us, however, if we pass on the tough decisions and do nothing to permanently fix what we know to be broken. As California leaders address the fiscal crisis now before us, we must seize the opportunity to develop a new fiscal blueprint for California. We must design a new foundation for meeting the needs of an already-changed California.

The future is now. The challenge is ours. I look forward to working with the Legislature to meet this task head on.

Sincerely,

Gray Davis

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DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■



January 10, 2003

Dear Governor:

As Director of Finance, I submit to you the 2003-04 Governor's Budget.

Over the past four years, your budgets have made great strides in improving education, protecting public safety, expanding access to health care, and providing significant tax relief. Now, California faces a significant challenge brought on by declining revenues.

This budget addresses California's fiscal crisis by proposing a budget that is balanced both in fiscal terms and in terms of the solutions to bridge the gap. It also strives for efficiency in the delivery of services, including elimination of obsolete programs, elimination of duplication of services, and realignment of program responsibility and funding to local government.

Lastly, the Budget attempts to protect essential programs and core services from significant reductions. In particular, the Budget protects health coverage for children, public safety, and classroom instruction in K-12 education and higher education.

I wish to convey my heartfelt respect for the staff of the Department of Finance and my thanks to their families. This Budget represents countless hours of effort on their part. The staff's dedication to you and the people of this State is unparalleled. It has been an honor to work with them.

I also wish to thank you for the privilege of serving you for the last four years and wish you well in the challenging year ahead.

Sincerely,

B. Timothy Gage
Director

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CALIFORNIA'S CONTINUING FISCAL CHALLENGE: AN OPPORTUNITY FOR CHANGE

California has a proud history of weathering crises and emerging stronger and more resilient than ever. This experience confirms that at the heart of every crisis is the opportunity for change.

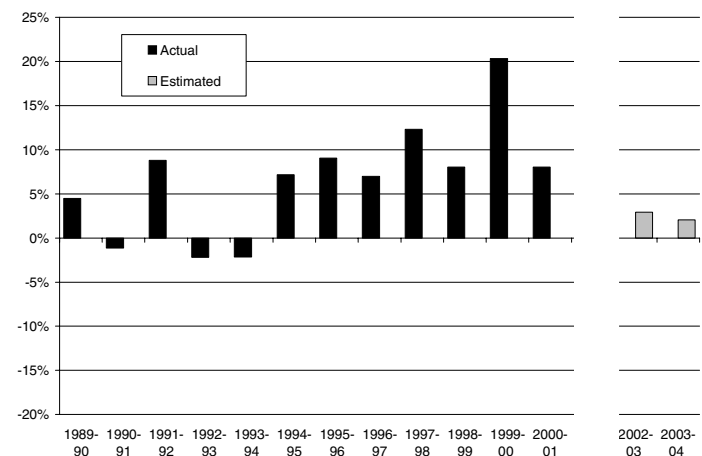
It is clear now that the U.S. and California economies are taking longer than expected to recover from the current downturn, and the stock market has lost a considerable amount of ground since mid-year. This has resulted in a significant downward revision in State revenues. General Fund revenues from the major tax sources are expected to fall to \$65.8 billion in 2003-04—far below the level of income the State expected to receive in the budget year as recently as the 2002-03 May Revision. This decline is by far the most dramatic loss of revenues California has experienced since World War II. This delay in the recovery of the national and state economies and a tax structure heavily reliant on volatile revenues have resulted in a budget shortfall in the current year and budget year totaling \$34.6 billion.

As California addresses this unprecedented fiscal crisis, we must seize the moment of opportunity that exists to make critical, necessary changes. But change should not be an end unto itself. Change must be part of a vision that continues to move California forward.

California can emerge from this crisis with stronger communities, more efficient government, and a new blueprint for meeting the challenges ahead. But we will succeed only if we are willing to set aside partisanship and put California's future first.

FIGURE A

Major General Fund Revenue Growth 1989-90 to 2003-04



Resolving the Immediate Fiscal Crisis—The 2003-04 Budget closes the \$34.6 billion budget gap and reflects five key elements:

- ◆ It is balanced, whereby expenditures match available revenues.
- ◆ It includes difficult, but balanced decisions including: cuts/savings (59.9%), State-local program realignment (23.6%) with dedicated revenue sources, fund shifts (5.5%), transfers/other revenue (6.1%), and loans/borrowing (4.9%).
- ◆ It includes revenue increases only for local government. There are no tax increases for State government in this Budget.
- ◆ It contains a \$531 million reserve.
- ◆ It substantially eliminates the anticipated \$12 billion structural shortfall between revenues and expenditures in 2003-04.

Ensuring California's Long-Term Fiscal Integrity—This Budget reflects a balanced spending plan for 2003-04, and calls for the development of a new fiscal blueprint for California's future:

- ◆ It calls Californians to action to reform both our existing revenue and expenditure policies to enable the State to provide for the needs of its citizens in the future, especially during periods of economic downturns.
- ◆ It seeks structural reform in State and local governance and finance to achieve more rational and responsive service delivery systems.
- ◆ It proposes restoration of Executive Branch authority to make mid-year adjustments to the Budget when revenues fall significantly below budgeted forecasts.
- ◆ It urges the creation of a special budget reserve for proceeds from extraordinary revenue growth to be used for one-time expenditures.

Primary Features of the 2003-04 Governor's Budget

A Balanced Approach—Closing a \$34.6 billion budget gap requires a balanced solution and consideration of every available option. In addressing the current shortfall, some might urge closing it predominantly with one-time versus ongoing solutions. This approach cannot work this year since most of the one-time approaches have been exhausted. Moreover, with the economy rebounding much more slowly than predicted by forecasters last year, additional reliance primarily on one-time fixes would only exacerbate the underlying structural imbalance we face going forward.



Others will suggest that our budget problem must be solved solely with program reductions—regardless of the cost or consequence. Cuts will, of course, be part of any solution, but a shortfall of this magnitude cannot be solved with reductions alone without seriously damaging the education of our children, our ability to protect public health and safety, our commitment to provide health care for our children, and protection of our environment.

Still others would advocate closing the budget gap completely with tax increases. This would not be responsible and could further delay California's economic recovery. Furthermore, even if every tax increase considered by the Legislature last year were adopted, the additional revenue generated would not even close 50 percent of the shortfall.

This Budget contains difficult and controversial elements. However, it rejects rigid ideology and reliance on unrealistic solutions. Instead, this Budget presents a balanced combination of steps needed to meet this enormous challenge. The 2003-04 Budget includes the following:

- ◆ **Substantial reductions in spending**—Even with the other solutions contained in this Budget, these reductions are necessary to help eliminate the structural imbalance between revenues and expenditures going forward.
- ◆ **Increases in revenues for local governments**—All of the proposed tax increases in this Budget are dedicated to local governments to preserve key programs pursuant to the State-Local Program Realignment. This realignment is intended to provide greater local program responsibility as well as greater flexibility in program administration and service delivery.
- ◆ **Less reliance on loans and borrowing**—This Budget relies less on loans and borrowing than in previous years to address budget shortfalls.
- ◆ **Spreading reductions to programs across all areas of State government**—Virtually all programs contribute to the solution.

Key Priorities Protected—With a shortfall of this magnitude, no area of the Budget can be held harmless. However, the Budget minimizes the impact of reductions to the greatest degree possible in several key program areas:

- ◆ **K-12 Education**—Education remains this Administration's first priority. However, given the magnitude of the budget shortfall, the Budget does make reductions to K-12 education, accounting for 23.9 percent of all solutions to close the budget gap—significantly less than its proportionate share of General Fund spending (40.1 percent).



- ◆ **Health Coverage for Children**—This Budget protects funding to ensure every eligible child gets health coverage under the Healthy Families and Medi-Cal for Children programs and continues to expand efforts that streamline the enrollment process.
- ◆ **Public Safety**—This Budget protects key public safety programs, including enhanced security measures enacted after September 11, 2001, the Citizens' Option for Public Safety, Juvenile Crime Prevention, Technology Funding for Local Law Enforcement, and the Rural and Small County Law Enforcement Assistance programs.
- ◆ **Environmental Protection**—Voter approval of several resources bond measures in recent years allows for continued funding of critical environmental programs, while reducing General Fund costs in 2003-04. This Budget expands the principle of "polluter pays" by shifting the source of funding for several enforcement and regulatory programs to fees paid by the regulated industries. Programs affected include the California Air Resources Board's Stationary Source Pollution Program and the State Water Resources Control Board's core regulatory programs.

Clear Policy Choices—Following several successive rounds of unallocated reductions or "across-the-board" cuts, State agencies and departments have implemented significant reductions to programs and services. Further unspecified reductions of this nature will only serve to reduce the effectiveness of remaining programs and services. Therefore, this Budget targets most reductions to specific programs, and in some cases, eliminates programs altogether where reduced levels of funding will render those programs ineffective.

All Tax Increases Go to Local Governments—Consistent with the Administration's goal to reduce the size of State government, this Budget contains no general tax increases for State government. Rather, this Budget increases taxes to preserve critical programs, including those serving our senior citizens and children and youth, that are proposed to be realigned to local governments. These programs would be subject to significant reductions if they continued to be supported by the State General Fund.

Structural Reform—This Budget calls for action on key reform proposals to develop a new fiscal blueprint for California. These reform measures, among other things, must address an outdated revenue structure, an over-reliance on volatile revenue sources, and changes to statutory spending policies.



**Addressing A \$34.6 Billion Budget Gap:
Administration Takes Early Action**

- ◆ Governor submits 2002 Mid-Year Spending Reduction Proposals totaling \$10.2 billion to the Legislature in December 2002.
- ◆ Governor calls the Legislature into Extraordinary Session beginning December 9, 2002, to facilitate prompt action on these proposals.
- ◆ The Administration directs State departments to freeze current-year spending, identify General Fund savings, and reduce expenditures.
- ◆ Since the beginning of this Administration's first term, more than 12,600 vacant State positions have been eliminated.



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BRIDGING THE GAP

The delay in the national and California economic recoveries is projected to result in a budget shortfall in the current year and budget year combined of \$34.6 billion. This funding gap is calculated by comparing total revenues expected to be received by the State with the cost of providing current services pursuant to existing statute and reflecting changes in caseload, enrollment, and population.

For the second year in a row, the Administration proposed significant mid-year budget actions to help close the budget gap. The \$10.2 billion in savings associated with the 2002 Mid-Year Spending Reduction Proposals is comprised of cuts/savings (\$9.0 billion), State-local realignment (\$192 million), fund shifts (\$816 million), transfers/other revenues (\$200 million), and loans/borrowing (\$25 million).

Among the mid-year reduction proposals advanced by the Administration in December 2002 were the following major items (see the December 2002 Mid-Year Spending Reduction Proposals section for additional detail):

- ◆ **Rescind Expansion of the 1931(b) Medi-Cal Program**—\$236 million (\$118 million General Fund)
- ◆ **Reinstate Medi-Cal Quarterly Status Reporting**—\$170 million (\$85 million General Fund)
- ◆ **Implement Statewide Standards for Regional Center Purchase of Services**—\$100 million in 2003-04
- ◆ **Eliminate Cost-Of-Living Adjustments For SSI/SSP and CalWORKs Grants**—\$36.3 million (\$24.1 million General Fund) in 2002-03 and \$563.4 million (\$408.3 million General Fund) in 2003-04
- ◆ **Across-the-Board Reduction for K-14 Schools**—\$1.078 billion



- ◆ **Base Reduction for Higher Education**—\$455 million
- ◆ **Suspend Supplemental Benefit Maintenance Account Payment to State Teachers' Retirement Fund**—\$500 million
- ◆ **Reduce State Employee Compensation Costs**—\$854 million (\$470 million General Fund)
- ◆ **Suspend Transportation Investment Fund Transfer**—\$1 billion
- ◆ **Transfer Unencumbered Low and Moderate Income Housing Funds**—\$500 million

To close the balance of the \$34.6 billion budget gap, the 2003-04 Governor's Budget proposes additional budget measures totaling \$24.4 billion. Figure A outlines the measures comprising the overall solution to closing the entire \$34.6 billion shortfall.

Figure A
Addressing the Overall \$34.6 billion Gap
(Dollars in millions)

	<u>December Revision</u>	<u>Additional Measures</u>	<u>Total</u>	<u>%</u>
Cuts/Savings	\$8,966.4*	\$11,761.9	\$20,728.3	59.9%
State-Local Realignment	191.6**	7,962.4	8,154.0	23.6%
Fund Shifts	815.6	1,087.1	1,902.7	5.5%
Transfers/Other Revenue	199.7*	1,914.6	2,114.3	6.1%
Loans/Borrowing	<u>25.4</u>	<u>1,657.9</u>	<u>1,683.3</u>	<u>4.9%</u>
Totals	\$10,198.7	\$24,383.9	\$34,582.6	100.0%

* \$500 million property tax from Redevelopment Agencies was classified as "Other Revenue" in the Mid-Year Spending Reduction Proposals plan. It is now used to offset Proposition 98 expenditures (as cuts/savings).

**\$191.6 million of Proposition 98 CalWORKs Stage 3 elimination was classified as "Cuts/Savings" in the Mid-Year Spending Reduction Proposals plan. This amount is currently part of the State-local realignment package.



Cuts/Savings—\$11.8 billion

In addition to reductions proposed in the Mid-Year Spending Reduction Proposals plan submitted to the Legislature in December 2002, the following highlights some of the major reduction proposals in the Governor's Budget:

Department of Health Services—Medi-Cal

- ◆ **County Administration Accountability**—Including funding of \$49.3 million (\$24.6 million General Fund) in 2002-03 and \$33.4 million (\$16.7 million General Fund) in 2003-04 to allow counties to perform regular Medi-Cal eligibility redeterminations, to achieve savings of \$388 million (\$194 million General Fund) in 2003-04. Annual savings beginning in 2004-05 are estimated to reach \$642 million (\$321 million General Fund).
- ◆ **Medi-Cal Aged and Disabled Program**—Rescinding the January 2001 expansion of the aged and disabled Medi-Cal eligibility income limit from 133 percent of the federal poverty level to the Supplemental Security Income/State Supplementary Payment (SSI/SSP) benefit level, to reflect savings of \$127.6 million (\$63.8 million General Fund).
- ◆ **Second Year of Transitional Medi-Cal (TMC)**—Eliminating the State-only program, leaving former CalWORKS recipients with one year of transitional Medi-Cal coverage.
- ◆ **Optional Benefits**—Eliminating an additional ten optional benefits, in addition to the eight optional benefits proposed in December 2002 for elimination, for 2003-04 savings of \$175.6 million (\$87.8 million General Fund). These include the following benefits: (1) hospice, (2) non-emergency medical transportation, (3) optometry, (4) optician/lab services, (5) physical therapy, (6) prosthetics, (7) orthotics, (8) speech/audiology, (9) hearing aids, and (10) durable medical equipment. Pursuant to federal requirements, these benefits will still be provided to children under 21 and beneficiaries of long-term care services.
- ◆ **Provider Rates**—Reducing provider rates by an additional 5 percent over the 10 percent rate reduction proposed in December 2002, to achieve savings of \$479.3 million (\$241.9 million General Fund) in 2003-04. Hospital inpatient and outpatient services, federally qualified health clinics, and rural health clinics will be exempt from the reduction.



- ◆ **Wage Adjustment Rate Program**—Eliminating the supplemental payment to long-term care facilities that have a collectively bargained agreement to increase salaries, wages, or benefits for caregivers, resulting in 2002-03 savings of \$42 million (\$21 million General Fund). The regulations to implement these wage increases have not been finalized.

Department of Health Services (DHS)—Public Health

- ◆ **Cancer Research**—Eliminating State-funded cancer research, as existing research contracts expire, to capture savings of \$12.5 million in 2003-04 and annually thereafter.
- ◆ **Prostate Cancer**—Reducing the Prostate Cancer Treatment Program by another \$5 million for a total reduction of \$15 million in the budget year, leaving \$5 million to support the lower-than-anticipated participation in the program.

Department of Developmental Services—Redefining the State's definition of "substantial disability," which is used to determine whether individuals are eligible for service, resulting in \$2.1 million General Fund savings. The redefinition, which would be applied prospectively, will more closely align the State and federal definition, requiring limitations in three of the seven major life activity domains in order to establish eligibility.

Department of Mental Health—Eliminating the Early Mental Health Services program, to achieve \$15 million General Fund savings and protect other vital programs from reduction or elimination. This program provides services to children experiencing school failure and is counted toward the Proposition 98 guarantee.

Department of Social Services

- ◆ **SSI/SSP and CalWORKs Grants**—Reducing the Supplemental Security Income/State Supplementary Payment (SSI/SSP) grant to the federally required maintenance-of-effort level, effective July 1, 2003, for General Fund savings of \$662.4 million in 2003-04. The Budget also proposes to reduce CalWORKs grant levels by approximately 6 percent from the level in the 2002 Budget Act in order to achieve a grant reduction consistent with the reduction for SSI/SSP recipients.
- ◆ **Licensing Review**—Streamlining the annual review of licensed care facilities to allow resources to be focused on facilities in which health and safety may be at greatest risk, for savings of \$7.6 million (\$5.8 million General Fund) and the elimination of 62 positions. In addition, the Budget proposes to increase fees for licensed facilities, resulting in increased General Fund revenues of \$6.8 million.



Proposition 98 Programs

- ◆ **Selected Proposition 98 Categorical Programs and Block Grant**—Additional savings of \$542 million by reducing certain K-14 categorical programs by 7.46 percent in 2002-03. These reductions and the \$1.078 billion in across-the-board reductions in the Mid-Year Spending Reduction Proposals plan are proposed to be continued into 2003-04. Some K-12 categorical programs are proposed to be further reduced in 2003-04 by 1.28 percent for \$71 million in savings. K-12 funding deferred from 2002-03 to 2003-04 is also proposed to be reduced by 3.66 percent, as was proposed in December 2002 for other 2002-03 appropriations, to produce \$51.4 million in savings. Over the two years, these reductions total \$2.284 billion.

To provide significant additional flexibility to districts to manage within these reduced funding levels, the Budget proposes to consolidate 64 programs into a \$5.1 billion block grant for the purposes of professional development, instructional materials and technology, specialized and targeted instructional programs, school safety, and student services.

- ◆ **Normal Proposition 98 Funding Growth**—Suspending statutory growth for categorical programs and cost-of-living adjustments for all programs, to achieve total savings of \$992 million. This includes \$106 million in enrollment-driven adjustments to categorical programs, consistent with the decision to reduce these programs, and \$886 million by not funding cost-of-living adjustments at the initial 1.96 percent estimated statutory rate for Proposition 98 programs, including apportionments.
- ◆ **Additional Specific Proposition 98 Reductions and Savings**—Continuing proposed savings from the Mid-Year Spending Reduction Proposals plan, suspending or eliminating programs, making targeted reductions of lower priority activities, and reflecting audit recoveries, for savings of \$51 million in 2002-03 and \$808 million in 2003-04. This includes \$212 million in reductions to Community Colleges categorical programs.

Higher Education

- ◆ **Partnership Agreement**—Suspending increases related to the Partnership Agreement, including the 4 percent general operating budget increase, 1 percent for core needs, funds for buy-out of fee increases, and continuing one-time reductions included in the current-year Budget related to core needs, to generate \$438 million in savings from the University of California (UC), California State University (CSU), and Hastings College of Law. The Budget fully funds enrollment growth.



- ◆ **Base Reductions**—Reducing the base General Fund budgets for UC, CSU, and Hastings by an additional \$317 million for 2003-04. These reductions are anticipated to be offset through additional fee increases by actions of their governing boards.
- ◆ **Additional Targeted Reductions**—Eliminating funding for UC's Subject Matter Projects, increasing the student to faculty ratio for the CSU, and other reductions, to achieve savings of \$72 million in 2003-04.
- ◆ **Financial Aid Programs**—Eliminating the Student Aid Commission's Work Study program, reducing the number of Cal Grant T and C awards, reducing by 9 percent the amount of the Cal Grant awards for students attending private institutions, and additional state operations reductions to the Commission, to achieve \$23 million in savings.

Local Government

- ◆ **Vehicle License Fee Backfill**—Reducing the vehicle license fee backfill to cities and counties pursuant to the reduction in vehicle license fees for car owners, for a General Fund savings of \$1.265 billion in 2002-03 and \$2.929 billion in 2003-04.
- ◆ **School District Redevelopment Increment**—Requiring that the school district share of property tax revenue resulting from growth in assessed value in redevelopment project areas, which is currently retained by Community Redevelopment Agencies, be passed through to schools beginning at the level of \$250 million in 2003-04, and increasing to the full amount of diverted property taxes over time.

State-Local Realignment—\$8.0 billion

The 2003-04 Governor's Budget reflects General Fund savings of \$8.154 billion due to the realignment of existing programs in various areas (including \$191.6 million reflected in the Mid-Year Spending Reduction Proposals plan). These proposals will result in estimated costs to counties/trial courts of \$8.273 billion. Under realignment, counties and trial courts will be provided with an ongoing dedicated revenue stream to support these programs. Realignment will provide counties and trial courts greater flexibility in the use of these funds and administration of the programs, as well as improved fiscal incentives for cost-effective service delivery. The components of the realignment proposal are as follows:

- ◆ Mental Health and Substance Abuse—\$306 million
- ◆ Children and Youth—\$2.307 billion
- ◆ Healthy Communities—\$2.671 billion



- ◆ Long-Term Care—\$2.571 billion
- ◆ Court Security—\$300 million

See the Preserving Critical Programs section for additional details of the proposals.

Fund Shifts—\$1.1 billion

The Governor's Budget includes a shift of funding source for various programs or projects, thereby making General Fund resources available for other critical needs. Highlights of these fund shifts include:

- ◆ **Trial Court Funding**—Implementing various fee increases to support the operation of the trial courts. The revenue from these fees will be deposited in the Trial Court Trust Fund and will partially offset the General Fund support currently provided to the trial courts.
 - ◇ A new court security fee of \$20 per court filing will result in revenue of \$34 million annually.
 - ◇ An increase in the trial motion fee from \$23 to \$33 will result in revenue of \$1.2 million annually.
 - ◇ A transfer of revenue from various undesignated fees on court-related activities from the counties to the courts, totaling \$31 million annually.
- ◆ **Department of Pesticide Regulation**—Implementing the “polluter pays” principle by increasing the mill assessment by \$7.5 million, and shifting all support of the department to non-General Fund sources.
- ◆ **Air Resources Board**—Implementing the “polluter pays” principle by shifting \$10 million in General Fund support for the stationary source pollution control program to increased Air Pollution Control Fund fee revenues.
- ◆ **State Water Resources Control Board**—Implementing the “polluter pays” principle for the Board's core regulatory programs by replacing \$13.6 million General Fund with increased fee revenues in the Waste Discharge Permit Fund. This will increase the regulated community's support of the core regulatory program from approximately 50 percent to 100 percent.
- ◆ **Healthy Families Program**—Due to the structure of the Tobacco Settlement Fund (TSF) securitization, up to \$220 million in one-time TSF is available in 2003-04 to maintain the current Healthy Families Program caseload, in lieu of \$220 million in General Fund resources.



- ◆ **Transfer of Federal Title XX Grant Funding to Regional Centers—**A \$65.7 million General Fund savings is achieved as a result of a fund shift for regional centers. As a result of decreased CalWORKs grants, there are savings in Temporary Assistance to Needy Families funds that can be transferred to Title XX. The commensurate Title XX savings can then be used in lieu of General Fund.
- ◆ **Proposition 98 Programs**
 - ◇ **Proposition 98 Shifts to Reversion Account—**In addition to the amounts proposed in December 2002, \$132 million in 2002-03 Proposition 98 General Fund appropriations are replaced with funding from the Proposition 98 Reversion Account, which contains balances of savings that have been identified in prior year appropriations.
 - ◇ **Shift to Federal Funds—**\$81 million in Proposition 98 General Fund savings is achieved by using federal funds for 2002-03 Stage 3 Child Care and High School Exit Exam workbooks.
 - ◇ **Use of Excess Local Property Taxes to Fund Proposition 98 Programs—**\$136 million in Proposition 98 General Fund costs are shifted to property taxes allocated to basic aid districts that are above the amount needed to fund their revenue limits.
 - ◇ **Community College Fees—**\$365 million in Proposition 98 savings is estimated from increasing Community College fees from \$11 per unit to \$24 per unit.

Transfers and Other Revenues—\$1.9 billion

Indian Gaming Revenue—In 1999, the Governor entered into Tribal-State Gaming Compacts with 61 federally recognized Indian tribes. These compacts can be opened for renegotiation in 2003. There are also a number of federally recognized tribes that do not currently have compacts that have indicated an interest in negotiating compacts with the Governor.

It is anticipated that negotiations with the existing compact tribes, as well as tribes seeking compacts, will result in revenue sharing agreements, and a new source of revenue for the General Fund. The Budget assumes these revenue sharing agreements will generate \$1.5 billion in additional revenue to the General Fund.



Department of Child Support Services—The Budget reflects General Fund savings of \$51.8 million due to the proposal to implement a 25 percent county share-of-cost for the federal penalty levied on California because a single, statewide automated child support system was not implemented by the federal deadline. This sharing ratio is consistent with that required for other social services programs.

Department of Developmental Services—General Fund revenues of \$31.6 million will be realized by requiring parents to share in the cost of providing services to their children. The co-payment would apply to parents with minors living at home who receive services from regional centers. The amount of the co-payment would be assessed on a sliding scale based on income and applied only to families earning more than 200 percent of the federal poverty level.

Transfers of Excess Fund Balances from Specific Funds—The Budget proposes the transfer of idle cash balances to the General Fund from various other funds, where the balances are not legally restricted. The transfers from these funds are reflected in the fund conditions in individual departmental budget displays. These proposed transfers total \$107 million. The major funds and transfer amounts are as follows:

Fund (Millions)	Amount
Wildlife Restoration Fund	\$25.0
State School Building Aid Fund	24.3
Driver Training Penalty Assessment Fund	20.5
Peace Officer Training Fund	14.3
Corrections Training Fund	10.2
Renewable Resource Trust Fund	6.3

Additionally, \$6 million of funds are proposed for transfer from various other funds.

Loans and Borrowing—\$1.7 billion

State Contributions to the California Public Employees' Retirement System (CalPERS) and the State Teachers' Retirement System (STRS)—The Administration proposes to take advantage of currently favorable interest rates by pursuing legislation to authorize pension obligation bonds to fund the State's budget year retirement obligations to both CalPERS and STRS. The Administration will simultaneously be entering into discussions with the CalPERS and STRS boards to explore the possibility of a loan, as a part of each system's fixed-income investment portfolio.



lio, to pay the 2003-04 State employer contributions. Whichever approach is ultimately adopted, this proposal will result in reduced General Fund expenditures of approximately \$1.5 billion in 2003-04.

Loans from Various Special Funds—The Budget proposes additional loans totaling \$148 million from various special funds to the General Fund. These loans will be repaid with interest at the rate earned by the Pooled Money Investment Account.

The Budget includes a provision that requires all loans to be paid back to the lending fund when needed to meet budgeted expenditures. The funds and loan amounts are as follows:

Fund (Millions)	Amount
Beverage Container Recycling Fund	\$80.0
California Tire Recycling Management Fund	15.0
Agricultural Fund	15.0
Contractors' License Fund	5.0
State Dentistry Fund	5.0
Vehicle Inspection and Repair Fund	5.0
Private Security Services Fund	4.0
Underground Storage Tank Cleanup Fund	3.2
California Debt and Investment Advisory Fund	3.0
Tax Credit Allocation Fee Account	3.0
Integrated Waste Management Account	2.0
Targeted Inspection Fund	2.0
Other	6.0



PRESERVING CRITICAL PROGRAMS: BUILDING UPON THE SUCCESS OF THE 1991 STATE-LOCAL PROGRAM REALIGNMENT

Faced with a multi-billion dollar budget shortfall in 1991, the State enacted State-Local Program Realignment involving a number of health and social services programs. The objectives of 1991 Realignment were to provide relief to the General Fund and improve program administration and service delivery.

The 1991 Realignment consisted of the following primary elements:

- ◆ Transferring responsibility for certain mental health, public health, and indigent health programs from the State to the counties.
- ◆ Revising the State-county cost-sharing ratios for the California Children's Services Program and several social services programs, including Child Welfare Services, In-Home Supportive Services, and County Administration for social services programs.
- ◆ Increasing the sales tax and revising the vehicle license fee depreciation schedule to generate revenues that were dedicated to counties in order for them to meet their increased responsibilities.

By most accounts, the 1991 Realignment has been successful with respect to allowing counties greater flexibility in program administration and service delivery so as to foster innovation, providing fiscal incentives to foster efficiency, and ensuring a dedicated revenue stream for reliable, relatively stable program funding.

Now faced with a \$34.6 billion budget gap, the State has an opportunity to build upon the success of the 1991 Realignment. The 2003-04 Governor's Budget proposes a solution to close this shortfall, with almost 60 percent of the solution comprised of very difficult but necessary program cuts. However, the Budget also reflects the Administration's commitment to preserving certain critical programs by not reducing their funding levels, either transferring responsibility or changing the State-local cost-sharing ratios for them, and dedicating a revenue stream to support



the resulting additional local financial obligations. The costs of the programs proposed to be realigned and the dedicated revenue stream, outlined below, total approximately \$8.3 billion, and will result in estimated General Fund savings of \$8.2 billion. Additional details about these realignment proposals are discussed later in this section.

Mental Health and Substance Abuse—Consistent with the realignment of community mental health programs in 1991, the Budget proposes to transfer responsibility for the Integrated Services for Homeless Adults and Children's Systems of Care programs from the State to the counties. Additionally, the Budget reflects the shift of alcohol and drug programs to the counties. The transfer of these programs to the counties will result in General Fund relief totaling \$306 million.

Children and Youth—The Budget proposes to shift responsibility for the child care programs currently administered by the Department of Education to the counties, and transfer 100 percent of the nonfederal share-of-costs to the counties for the Child Welfare Services, Adoptions Assistance, and Foster Care programs. This will result in General Fund relief totaling \$2.307 billion.

Healthy Communities—The Budget reflects the transfer of responsibility for certain health and social services programs to the counties as well as a 15 percent and 50 percent share-of-cost for Medi-Cal and CalWORKs-related programs, respectively, resulting in General Fund relief totaling \$2.671 billion. Specific programs under this proposal include Expanded Access to Primary Care, Grants in Aid for Clinics, Indian Health, Rural Health Services Development, Seasonal Agricultural/Migratory Workers, Black Infant Health, Local Maternal and Child Health, Adolescent Family Life, County Health Managed Care, California Healthcare for Indigents, Rural Health Services, Public Health Subvention, Adult Protective Services, Cash Assistance Program for Immigrants, California Food Assistance, Medi-Cal, and CalWORKS.

Long-Term Care—The Budget shifts responsibility for 100 percent of the nonfederal share of In-Home Supportive Services program costs to the counties as well as 100 percent of the nonfederal share of Medi-Cal long-term care costs. This will result in General Fund relief totaling \$2.571 billion.

Court Security—The Budget provides an alternative funding source to support the security needs of the local trial courts. This will result in General Fund relief totaling \$300 million.

Dedicated Revenue Stream for Realignment—The Budget includes the following revenue increases totaling \$8.334 billion to support the increased financial obligations for counties under realignment, provide an alternative funding source for court security, and backfill lost cigarette tax revenues (\$96 million) resulting from the proposed cigarette excise tax increase that otherwise would be available pursuant to



the provisions of Proposition 10, Proposition 99, and the Breast Cancer Fund program statute. Proceeds from these revenue increases will be deposited into the newly established Enhanced State and Local Realignment Fund.

◆ Increase sales tax rate by one cent	\$4.584 billion
◆ Add 10 percent and 11 percent personal income tax brackets	2.580 billion
◆ Increase excise tax by \$1.10 on cigarettes and other tobacco products	1.170 billion
Total:	\$8.334 billion

Principles of State-Local Program Realignment

Consistent with the 1991 State-Local Program Realignment, the additional program realignment proposed in this Budget adheres to one or more of the following principles:

- ◆ Assignment of program responsibility should be made to the most appropriate level of government—State or local. Under this principle, programs that accrue primarily local benefits and result in cost savings to local governments should be administered locally.
- ◆ Assignment of program responsibility should be made to the governmental entity where the service is currently provided. Transfers of programs currently administered by the counties minimize implementation hurdles because program administration infrastructures already exist locally.
- ◆ Realignment should result in improved service delivery, with broad discretion given to the responsible entity. The entity responsible for defining eligibility and service levels is in the best position to foster innovation.
- ◆ Revising State-local sharing ratios and sharing the financial obligation for program costs should produce fiscal incentives to encourage the most cost-effective approaches for addressing program needs.
- ◆ Identified funding sources should accompany realigned programs to the responsible entity. A dedicated revenue stream provides greater funding stability with no reliance on annual legislative appropriations.



2003-04: A Year for Transition

For the 2003-04 fiscal year beginning July 1, 2003, allocations from the Enhanced State and Local Realignment Fund (Realignment Fund) to each county from the proceeds of the revenue increases proposed in this Budget will be based on the proposed level of funding for that county for each of the programs absent realignment to avoid program disruptions. However, effective beginning with the 2004-05 fiscal year, the Administration proposes that this county-by-county allocation be made pursuant to a single formula. The purpose of this is to allow counties to spend these revenues on any realigned program, thereby increasing local flexibility and improving local incentives to control costs.

Exceptions to the allocation methodology as described above include the following:

Medi-Cal—The allocation from the Realignment Fund for counties' 15 percent share-of-cost for Medi-Cal services and for long-term care will be made directly to the Department of Health Services.

Local Alcohol and Drug Programs—The allocation from the Realignment Fund for alcohol and drug programs will be made directly to counties. However, counties that wish to maintain federal funds received from the Substance Abuse Prevention and Treatment Block Grant would need to work with the Department of Alcohol and Drug Programs in order to fulfill maintenance-of-efforts requirements.

Court Security—A portion of the revenues generated from the proposed 1 cent sales tax increase equal to \$300 million will be deposited into the Trial Court Trust Fund for allocation to the local trial courts to meet their security needs.

Additional funding sources, such as federal funds and Proposition 99 revenues, would continue to be available pursuant to current allocation formulas.

The Administration intends to work collaboratively with the Legislature to draft the necessary trailer bill legislation to implement the State-Local Program Realignment proposal effective July 1, 2003, once issues are resolved relating to revenue allocations, meeting State and federal requirements, allowing counties to shift funds among programs, and the nature of continuing State oversight of the realigned programs.



Mental Health and Substance Abuse Programs

The 1991 Realignment included the transfer of community-based mental health services, state hospital services for county patients, and the Institutions for Mental Diseases from the State to the counties. Community-based mental health services are administered by county mental health departments and include treatment, case management, and other services to adults and children with mental illness.

Since the 1991 Realignment, several programs have been established at the State level and administered locally to address the needs of adults and children with mental illness, including the Integrated Services for Homeless Adults and Children's System of Care programs. The 2003-04 Budget completes the 1991 mental health realignment by transferring responsibility for these two programs from the State to the counties.

Counties are currently administering these programs and thus can easily assume these program responsibilities. Additionally, consistent with the 1991 Realignment, counties would be given broad latitude to determine eligibility and service levels in these two programs.

The 2003-04 Budget also proposes to shift responsibility for alcohol and drug programs to the counties. Alcohol and drug programs are currently administered at the local level by counties and private providers, and under the proposed realignment, counties would have greater flexibility to prioritize local service needs and use program funds more effectively, such as blending funds for mental health and substance abuse programs to address the needs of persons dually diagnosed with mental illness and substance abuse problems.

The proposed realignment would continue the State's funding commitment as intended by Proposition 36, which requires substance abuse treatment services in lieu of incarceration for persons convicted of certain nonviolent drug possession charges. Furthermore, the amount of funding provided under realignment is sufficient to meet the maintenance-of-effort requirements for receipt of the federal Substance Abuse Prevention and Treatment Block Grant funds.

Children and Youth

The 1991 Realignment included changes to the state-local cost-sharing ratios for several social services programs to establish fiscal incentives that would encourage the most cost-effective approaches to service delivery. Changing the cost-sharing ratios also encourages counties to control costs and provide appropriate levels of service.



In 1991, the State-local cost-sharing ratio was revised for Child Welfare Services from 76 percent/24 percent to 70 percent/30 percent of nonfederal program costs. For Aid to Families with Dependent Children-Foster Care, the State-local cost-sharing ratio was changed from 95 percent/5 percent to 40 percent/60 percent; and for the Adoptions Assistance Program, the State-local ratio was revised from 100 percent/0 percent to 75 percent/25 percent.

The 2003-04 Budget proposes local assumption of 100 percent of the nonfederal program costs for the Foster Care, Child Welfare Services, and Adoptions Assistance Programs, and transfers the Child Abuse Prevention, Intervention, and Treatment Program to the counties. By doing so, counties will have an incentive to seek the most cost-effective approaches to serving foster children and children at risk of foster care placement. These programs are currently administered by the counties, and under the proposed realignment, the federal funds for these programs would still be available, and State oversight and monitoring would continue.

The 2003-04 Budget also proposes to shift responsibility for all subsidized child care programs currently under the auspices of the Department of Education to the counties. These programs include General Child Care, Alternative Payment Programs, CalWORKs Stage 2 and Stage 3 Child Care, and other programs such as the Resource and Referral, Quality Plan, Migrant, Latchkey, Campus Centers, and Handicap Programs. Shifting responsibility for subsidized child care will enable counties to work with local child care planning councils to set program rules relating to eligibility, family fees, and provider reimbursement, as well as pursue opportunities to work collaboratively with the Children and Families County Commissions on early childhood development initiatives.

Healthy Communities

The 1991 Realignment changed the State-local cost-sharing ratio for county administration of the Aid to Families with Dependent Children and Food Stamps programs from 50 percent/50 percent to 70 percent/30 percent of the nonfederal program costs. The 2003-04 Budget proposes a Healthy Communities realignment, whereby responsibility for several primary, maternal and child, and county health programs would be transferred to the counties, as well as 50 percent of the nonfederal program costs for CalWORKs-related programs such as CalWORKs Employment Services, CalLearn Services and Administration, CalWORKs Administration, Food Stamp Administration, and the Food Stamp Employment and Training Program. The Budget also reflects counties assuming 15 percent of the nonfederal costs for Medi-Cal services.



Service delivery for the health programs currently resides with the counties and/or local community-based organizations, and if locally administered, could result in improved service coordination. All of the CalWORKs-related programs are currently administered by the counties, and increasing the counties' share-of-cost will serve as an incentive for them to pursue the most cost-effective approaches to service delivery. Under this realignment proposal, federal funds and Proposition 99 funding would continue to be available for those programs currently receiving these funds.

Although counties in California do not currently pay a share of the Medi-Cal program costs, counties in several other states do participate in their states' Medicaid costs. Methods by which counties in other states participate vary as indicated in the following examples: in New York, counties pay 50 percent of the nonfederal share of services, excluding long-term care, for which they pay 10 percent; in Florida, counties pay \$55 per month for each nursing home resident, and 35 percent of the nonfederal share for the 13th through 45th in-patient hospital days; and in Ohio, counties pay a maximum of 10 percent of the nonfederal share of administrative costs related to eligibility determination and 100 percent of special health services such as mental health and drug and alcohol services.

Long-Term Care

The 1991 Realignment revised the State-local cost-sharing ratio for the In-Home Supportive Services (IHSS) program from 97 percent/3 percent to 65 percent/35 percent. The 2003-04 Budget proposes a Long-Term Care realignment whereby counties would assume responsibility for 100 percent of the nonfederal share of program costs. In addition, the Budget proposes to shift the cost of nursing home stays under the Medi-Cal long-term care benefit to the counties.

The IHSS program is currently a county-administered program, and program costs have continued to increase as a result of caseload growth and provider wage increases. However, the Administration intends to work with the Legislature to provide funding flexibility for counties to meet their financial obligation under the IHSS program by, among other things, allowing the transfer of funds among realignment programs.

Realigning Medi-Cal long-term care to the counties maintains existing services to long-term care beneficiaries and does not reduce services or eliminate eligibility—options that would have to be considered if responsibility for supporting this benefit remained with the State General Fund.

State oversight of these two programs would continue under the realignment proposal. Additionally, the State would maintain responsibility for federally mandated benefits, such as pharmacy, for eligible persons residing in long-term care facilities.



Court Security

The 2003-04 Budget provides an alternative funding source for security of local trial courts, which is currently supported by the State General Fund. Local trial courts enter into contracts, primarily with county sheriffs' departments, to meet their perimeter and courtroom security needs. Each year, the costs of most of these contracts have increased to reflect salary and benefit increases for local sheriff deputies.

Under this proposal, a portion of the proceeds from the sales tax increase would be deposited into the Trial Court Trust Fund for allocation to the local trial courts to meet their security needs. Additionally, the Administration, with the objective of containing costs, proposes legislation to provide the trial courts with flexibility to meet their security needs through contracts either with the local county sheriff's department or the local police department, or a combination of these entities, as appropriate.



FIGURE A

State-Local Realignment

(Dollars in Millions)

Department	Program	GF Savings	Cost to Counties
Mental Health and Substance Abuse			
DADP	Local Programs	\$219	\$219
DADP	Drug Courts/State Operations	12	11
DMH	Children's System of Care/State Operations	20	20
DMH	Integrated Services For Homeless/State Operations	55	55
	Mental Health and Substance Abuse Total	\$306	\$305
Children and Youth			
DSS	Child Abuse Prevention, Intervention, and Treatment	\$13	\$13
DSS	Foster Care Grants	460	460
DSS	Foster Care Administration	34	34
DSS	Child Welfare Services	596	596
DSS	Adoption Assistance	217	217
DSS	Kin-GAP	19	19
SDE	Child Care	968	1,031
	Children and Youth Total	\$2,307	\$2,370
Healthy Communities			
DHS	15 Percent County Share of Medi-Cal Benefits Costs	\$1,620	\$1,620
DHS	Adolescent Family Life Program	14	14
DHS	Black Infant Health Program	4	4
DHS	Local Health Department Maternal and Child Health (MCH) Program	3	3
DHS	Expanded Access to Primary Care (EAPC)	24	24
DHS	Indian Health Program (IHP)	7	7
DHS	Rural Health Services Development Program (RHSD) and Grants in Aid (GIA) for Clinics Program	9	9
DHS	Seasonal Agricultural and Migratory Workers (SAMW) Program	7	7
DHS	Managed Care Counties		(0.9)
DHS	California Health Care for Indigents (CHIP)		(46.2)
DHS	Rural Health Services		(4.4)
DHS	County Health Services Public Health Subvention	1	1
DHS	Reductions to Rural Health Care and MCH State Operations	2	
DSS	Cash Assistance Program for Immigrants	95	95
DSS	Adult Protective Services	61	61
DSS	California Food Assistance Program	15	15
DSS	Food Stamp Administration	268	268
DSS	CalWORKs Administration	120	120
DSS	CalWORKs Employment Services	423	423
	Cost of Prop 99-funded Programs		58
	Healthy Communities Total	\$2,671	\$2,727
Long-Term Care			
DHS	Realign Medi-Cal Long-Term Care	\$1,400	\$1,400
DSS	In-Home Supportive Services	1,086	1,086
DSS	In-Home Supportive Services Administration	85	85
	Long-Term Care Total	\$2,571	\$2,571
Court Security			
Trial Courts	Court Security	\$300	\$300
	Total Realignment	\$8,154	\$8,273



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A NEW FISCAL BLUEPRINT FOR CALIFORNIA'S FUTURE: A CALL FOR STRUCTURAL REFORM

For over 50 years, California has built its economy on a foundation laid by the leadership of Governors like Earl Warren and Edmund G. "Pat" Brown and the legislative leaders of those eras. Roads and highways, water and sewer systems, and the world's most advanced higher education system were all part of an unparalleled commitment to California's future. It was a foundation for success that worked.

Over the years, however, this foundation has been obscured by an endless layering of new laws on top of old, with little thought of how State government would retain its ability to meet modern conditions and provide for the needs of citizens, coping with our changing economy and complex demographics.

Most recently, the State's ability to meet the needs of California citizens has been compromised by the severe volatility of State revenues. This volatility has significantly constrained the ability of the State to support necessary public investments to sustain economic growth in California.

Faced with the challenge of closing a \$34.6 billion budget shortfall, some will choose to view the budget problem as a crisis of the moment. Closing the immediate budget gap is not enough, however. Policymakers must seize this opportunity to develop **a new fiscal blueprint for California**. We must view the budget problem as a moment of opportunity and design a new foundation for meeting the continuing physical infrastructure and human resources demands of California. The availability of educational opportunities, access to health care, the public health and safety of our communities, and the protection of our natural resources and environment all depend on undertaking this effort.

Toward this end, the Administration urges the following:

- ◆ Reforms to California's current fiscal structure must be an integral part of resolving the 2003-04 Budget.



- ◆ Reforms must consider changes to both revenue and expenditure policies.
- ◆ Administration and legislative leaders must begin work immediately and collaboratively to craft this new blueprint.

California's Current Fiscal Blueprint Is Obsolete and Irrational

For more than half a century, California's economy has fundamentally changed in response to global market forces. Defense spending fueled California's economy in the 1950s and 1960s. High-technology and other manufacturing industries emerged in the 1970s and 1980s. Although defense spending increased briefly in the 1980s, the downsizing of this industry, particularly aerospace manufacturing and services, led to the deep recession of the early 1990s. Other sectors in California's economy began to take hold during the 1980s. Foreign trade, high-technology manufacturing, professional services, and tourism and entertainment, helped to diversify and advance the state's economic base throughout the 1990s.

To support the changing California economy, public investments were made in the State's physical infrastructure and human resources. Many studies have noted the significant public investment commitment made in the 1950s and 1960s, including major expansions of the University of California, California State University, and the California Community Colleges; the construction of the State Water Project, roads, and highways; and a number of social welfare improvements.

The 1970s were marked by rapid inflation in consumer prices and wages, as well as increases in home values, with many property tax bills increasing as much as 40 percent over a few years. This large increase in property assessments led to a taxpayer initiative, Proposition 13, on the June 1978 statewide ballot. Overwhelmingly approved by California voters, Proposition 13 cut local property taxes statewide by over 50 percent and limited the rate of property tax growth, resulting in a dramatic drop in revenue to counties, cities, special districts, and schools. To avoid financial disaster for local governments, lawmakers cut State spending and "bailed out" local governments with the State's then multi-billion dollar surplus.

Proposition 13 dramatically altered the landscape of State and local finance. It halted the unprecedented level of spending for roads, highways, and colleges and universities cutting short this investment in the State's infrastructure. More importantly, Proposition 13 encouraged a 25-year epoch of ballot-box propositions that have continued to complicate State and local financing, including the following examples:



- ◆ Proposition 4, approved by voters in November 1979, limited annual increases in State and local spending to inflation and population growth.
- ◆ Propositions 6 and 7, approved by voters in June 1982, abolished the State gift and inheritance taxes and indexed State income taxes to inflation, respectively.
- ◆ Proposition 37, approved by voters in November 1984, established the State Lottery and dedicated revenues to education.
- ◆ Proposition 62, approved by voters in November 1986, requires two-thirds approval by a local governing body and major voter approval for new local general taxes.
- ◆ Proposition 98, approved by voters in November 1988, established a minimum State funding level of K-12 schools and community colleges.
- ◆ Proposition 99, approved by voters in November 1988, imposed a surtax on cigarettes (25 cent) and other tobacco products to generate revenues for primarily health-related purposes.
- ◆ Proposition 163, approved by voters in November 1992, repealed the “snack tax” and limited the taxation on certain food items.
- ◆ Proposition 172, approved by voters in November 1992, imposed a one-half cent sales tax increase to generate revenues for local public safety purposes.
- ◆ Proposition 218, approved by voters in November 1996, limited the authority of local governments to impose taxes, assessments, fees, and charges and clarified that local general taxes and special taxes require majority and two-thirds voter approval, respectively.
- ◆ Proposition 10, approved by voters in November 1998, imposed an additional surtax on cigarettes (50 cent) and other tobacco products to generate revenues for early childhood development programs.
- ◆ Proposition 39, approved by voters in November 2000, allows for the enactment of local general obligation bonds for school facilities with 55 percent voter approval.
- ◆ Proposition 42, approved by voters in March 2002, permanently dedicates revenues from the sales tax on gasoline, previously deposited into the General Fund, to transportation purposes.
- ◆ Proposition 49, approved by voters in November 2002, requires State funding for after-school programs pursuant to certain conditions being met.



Most of these measures enacted over the last 25 years have limited the amount of funds available to the State or local governments. Other voter-approved changes have mandated increased State and local spending for some programs. Still other restrictions have been placed on the manner in which local governments can raise revenue, commonly by increasing the percentage of voters who must approve these revenue increases—complicating local governments' ability to respond to local conditions and citizen demand for services. Yet other voter-approved measures have simply transferred moneys from one kind of spending to another.

These numerous changes not only limited State and local fiscal discretion, but were adopted in a piecemeal fashion rather than as overall solutions to spending concerns. The practical result is a State and local fiscal system that is irrational. California's current fiscal structure, the underpinning of our public investments in physical infrastructure and our human resources, has not been updated for a very long time. Since 1978, California's population has grown from around 23 million to over 35 million persons, and the demographics of our state have changed significantly.

Finally, the volatility of California's revenues has severely constrained the ability of the State to support necessary public investments to sustain economic growth in California. California's current fiscal crisis is primarily attributable to the precipitous drop in the stock market, which led to an equally sharp drop in capital gains and stock option income. Two years ago, these revenue sources comprised 25 percent of total General Fund revenues.

The Governor's Budget forecasts capital gains and stock options at 11 percent of total General Fund revenues in 2001-02 and 8 percent in 2002-03 and 2003-04. Thus, the largest proportion of our current budget problem results from the fluctuating income from capital gains and stock options.

The relationship of these income sources to stock market performance and to the timing of the economic recovery in California and the nation makes State personal income tax revenues inherently volatile.

A Call to Action

California can no longer support critical public services with an obsolete fiscal blueprint. It is time to make changes in the way we do business and government in this state. Numerous reports by public and private organizations clearly show that the State's fiscal system is incapable of maintaining our public spending commitments.



This Budget must not only be a balanced spending plan for the 2003-04 fiscal year—it simultaneously must resolve our fiscal structural problems by adopting reforms to our outdated revenue structure and reforms to our fiscal and budget tools to protect the State's ability to continue support for vital services in the event of future economic downturns.

California must have a new blueprint for the future.

Numerous commissions and studies, including the California Constitution Revision Commission and the California Citizens Budget Commission, have focused on State and local fiscal reforms. Their recommendations have largely been ignored. Special interest objections to any change have often led to governmental deadlock, even though the need for reform is clear. Enough studies have been done. Structural reform is fundamental to resolving the State's budget crisis. Now is the time for policymakers to make the tough choices that will enable California to invest in our human resources and physical infrastructure, critical public commitments for sustained economic growth.

Reforms to California's current fiscal structure must be an integral part of resolving the 2003-04 Budget. In order to begin this dialogue, the Administration places the following reform proposals on the table for consideration during 2003. The Governor will convene the bi-partisan legislative leadership in February to discuss these proposals and solicit other reform proposals for consideration. In addition, the Administration will consult with representatives of major stakeholder interests.

If enactment of the 2003-04 Budget fails to include reforms to our fiscal structure, it will be a failure. Fundamental structural reform is integral to this Budget.

Structural Reform Proposals for Consideration

- ◆ **Allow mid-year budget adjustments and suspension of statutes**—Restore the Executive Branch authority, which existed prior to 1983, to make mid-year budget adjustments when revenues fall significantly below anticipated levels. This would also allow the Governor to make statutory changes affecting programs, including entitlement programs.
- ◆ **Create a State budget reserve to mitigate the volatility of the State's revenues, and re-evaluate current spending limit requirements**—Require that once the Special Fund for Economic Uncertainties has been established at the appropriate level, any proceeds from extraordinary revenue growth, particularly from volatile revenue sources, be placed in a reserve fund for one-time purposes.



- ◆ **Require sunset review of all “automatic” spending laws**—Require periodic review of all constitutional or statutory spending laws. This would provide an opportunity for the Legislature and the public to discuss the wisdom of continuing guaranteed funding increases.
- ◆ **Require sunset review of all tax breaks**—Require periodic review of all tax breaks. As with automatic spending laws, the existence of hundreds of tax breaks for businesses and individuals reduces moneys available for desired spending. These tax breaks often continue long after the rationale for their adoption has disappeared. Under this proposal, every tax expenditure currently authorized would sunset and be extended for a period of five years only after the effectiveness of the tax expenditure has been determined.
- ◆ **Request that the Legislature revise its appropriations process to require the identification of future year costs of legislation, and to identify the funds available to pay those costs**—Request that the Legislature evaluate the cost of proposed legislation beyond the initial year of implementation to more fully understand the future funding implications. Currently, the fiscal impact identified for most legislation is often limited to those costs in the year of adoption and perhaps a few years later. The projected costs in future years are often not available to legislators who must vote on these bills. At the same time, it is essential that legislation identify the source of funding for future year costs.
- ◆ **Rebalance the portfolio of State revenue to achieve a more stable mix of major revenue sources**—Dependence on more volatile revenue sources has hampered the State's ability to consistently meet funding demands in critical programs. The State needs to examine ways to more fairly allocate the tax burden and reduce revenue volatility.
- ◆ **Rebalance the portfolio of local government revenue to achieve a better mix of major revenue sources, and encourage “rational growth” decisions**—Acknowledge the fact that the current revenue structure virtually forces local governments to make unwise land use decisions. Known as the fiscalization of land use, this leads to intense competition between neighboring cities over the location of businesses. Local competition for retail stores or auto malls to generate sales tax revenue rarely balances community housing needs or the benefits of non-retail business and industry. The competition also exacerbates transportation and environmental problems. Property tax revisions, such as changing the manner in which commercial properties are re-assessed, might provide improved fiscal incentives for local governments to address local needs.



- ◆ **Restore local community control of programs and revenue raising**—Provide reasonable revenue-raising tools to local governments. In addition, realignment of State and local programs and revenue is essential. This Budget includes an \$8.3 billion State-Local Program Realignment proposal, assigning program responsibilities to the appropriate level of government and allowing local governments to exercise greater discretion in program administration and service delivery (see Preserving Critical Programs section). Equally essential is a complete review of statutory mandates on local governments. After a complete review of statutory mandates on local governments, those mandates determined to be unnecessary should be repealed.



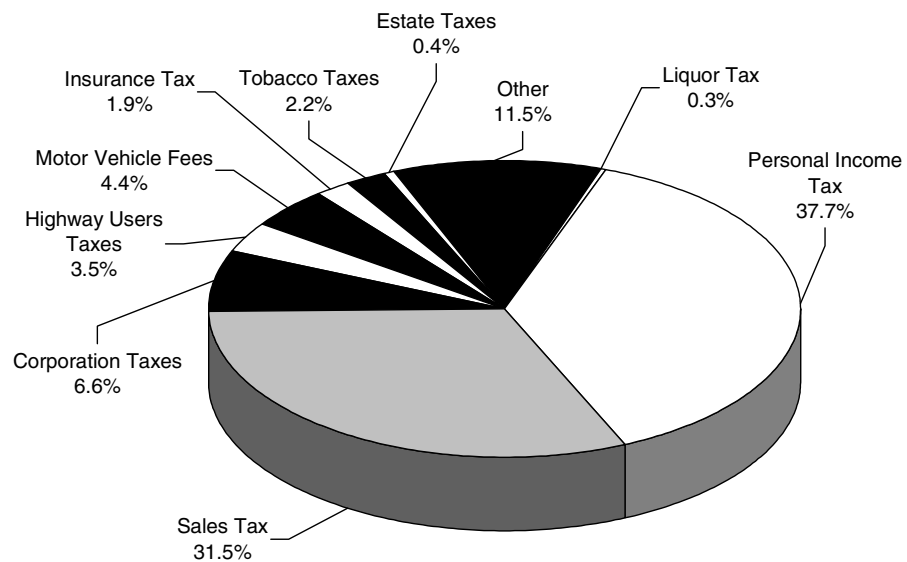
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SUMMARY CHARTS

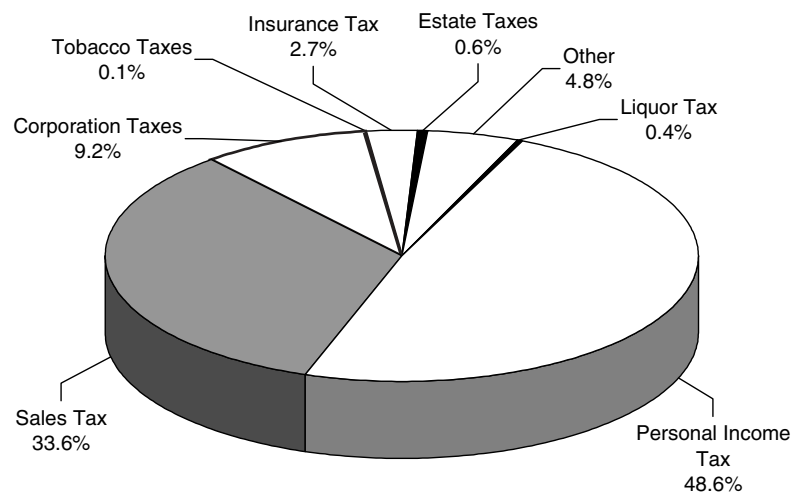


Revenues 2003-04 Fiscal Year

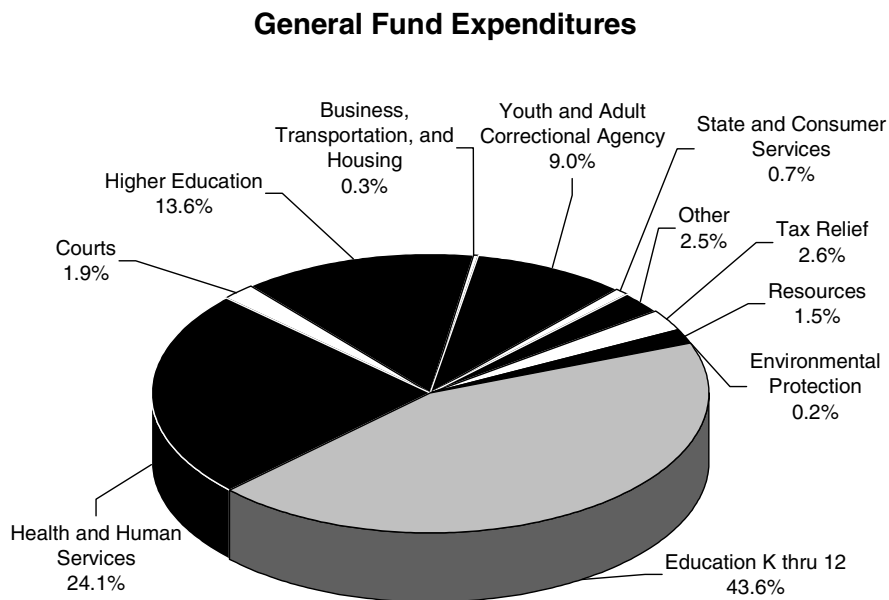
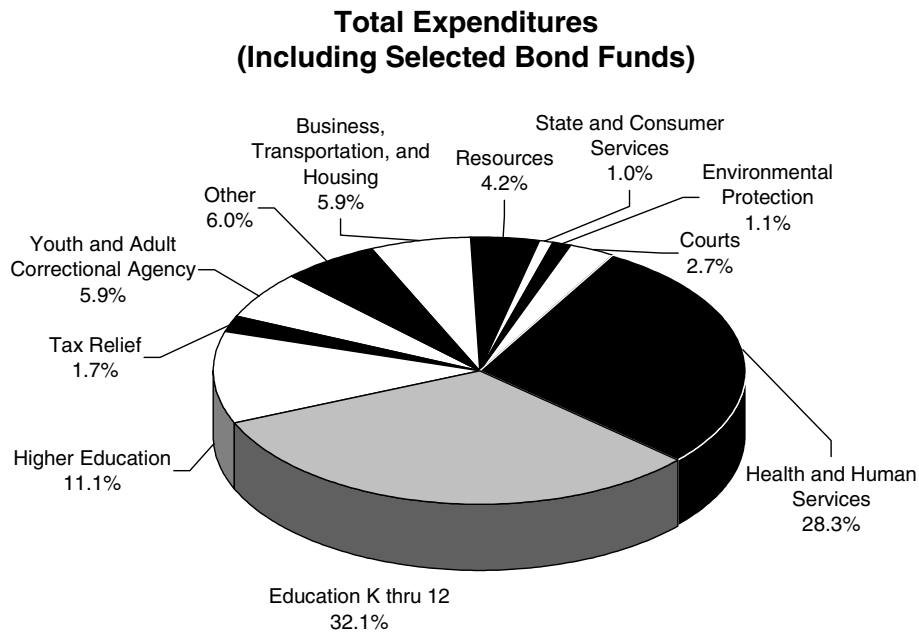
Total Revenues and Transfers



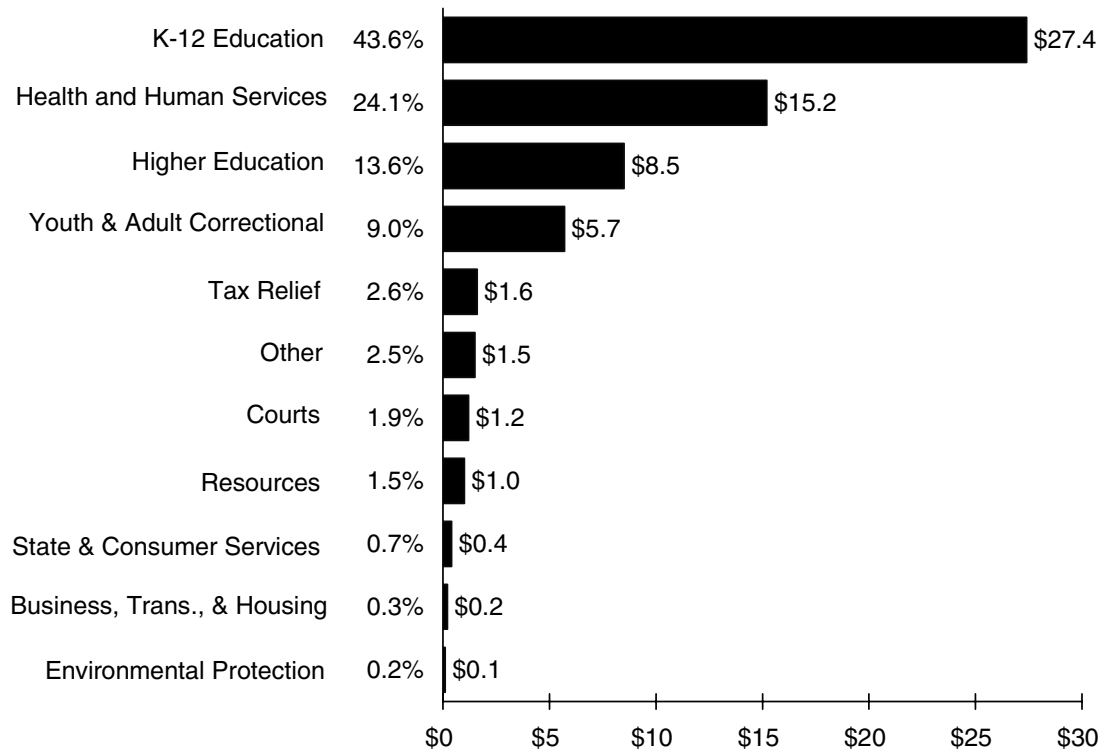
General Fund Revenues and Transfers



Expenditures 2003-04 Fiscal Year



2003-04 General Fund Expenditures (Dollars in Billions)



2003-04 Expenditures By Fund (Dollars in Millions)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	\$27,390	\$59	\$3,540	\$30,989
Health and Human Services	15,146	12,021	112	27,279
Higher Education	8,509	1,019	1,210	10,738
Business, Transportation, and Housing	216	5,274	147	5,637
Technology, Trade, and Commerce	21	5	--	26
Courts	1,216	1,416	--	2,632
Tax Relief	1,614	--	--	1,614
Local Government Subventions	345	2,326	--	2,671
Youth and Adult Corrections	5,639	2	7	5,648
Resources	959	1,263	1,862	4,084
Environmental Protection	100	686	272	1,058
State and Consumer Services	438	548	18	1,004
Other	1,176	1,845	36	3,057
Total	\$62,769	\$26,464	\$7,204	\$96,437

2003-04 Revenue Sources (Dollars in millions)

	General Fund	Special Funds
Personal Income Tax	\$33,610	\$2,580
Sales Tax	23,210	7,087
Corporation Tax	6,361	--
Highway Users Taxes	--	3,332
Motor Vehicle Fees	18	4,227
Insurance Tax	1,830	--
Estate Taxes	404	--
Liquor Tax	292	--
Tobacco Taxes	101	1,991
Other	3,327	7,686
Total	\$69,153	\$26,903



2003-04
General Fund Expenditures
by Agency
(Dollars in Millions)

	<u>2002-03</u>	<u>2003-04</u>
Legislative, Judicial, Executive	\$2,477	\$2,167
State and Consumer Services	480	438
Business, Transportation, & Housing	206	216
Technology, Trade, and Commerce	46	21
Resources	1,115	959
Environmental Protection	175	100
Health and Human Services	23,029	15,146
Youth and Adult Correctional	5,674	5,639
K-12 Education	29,067	27,390
Higher Education	9,447	8,509
Labor and Workforce Development	153	90
General Government	<u>3,592</u>	<u>2,094</u>
Total	\$75,461	\$62,769



**2003-04 Governor's Budget
General Fund
Budget Summary
(Dollars in Millions)**

	<u>2002-03</u>	<u>2003-04</u>
Prior Year Balance	-\$2,133	-\$4,451
Revenues and Transfers	<u>\$73,144</u>	<u>\$69,153</u>
Total Resources Available	\$71,011	\$64,702
Expenditures	<u><u>\$75,462</u></u>	<u><u>\$62,769</u></u>
Fund Balance	-\$4,451	\$1,933
Budget Reserves:		
Reserve for Liquidation of Encumbrances	\$1,402	\$1,402
Special Fund for Economic Uncertainties	-\$5,853	\$531



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ECONOMIC OUTLOOK

The national and California economies were growing slowly as 2002 came to a close. Labor markets were weak in California and most of the rest of the nation, and the state and national economies were experiencing jobless recoveries. Better had been expected from both economies at mid-year. Their recoveries are now projected to be sluggish through most of 2003, and economic growth in 2004 will be less robust than had been expected.

The national economy moved into the fourth quarter with a string of four consecutive quarters of increasing output but fewer jobs than when the string began. Consumers pulled back as the quarter proceeded, perhaps from concern about disappointing labor markets or the growing possibility of war, or perhaps from fatigue. As year-end neared, hopes for a strong holiday spending season faded.

California experienced modest job growth and good personal income growth in the first half of 2002, but the budding recovery stalled in the second half with employment falling. Exports of state-made merchandise continued to be down sharply in the third quarter. As the year drew to a close, the

state's important high-tech sector was still struggling. The recovery of the California economy awaits an improved national economy.

The Nation— Jobless Recovery

The national economy is growing slowly and unevenly. Although economic output increased in every quarter from the fourth quarter of 2001 to the third quarter of 2002, labor markets remain weak. In addition, several economic indicators have recently turned negative.

The four quarters of growing output beginning in the fourth quarter of 2001 added up to a gain of just slightly more than 3 percent. In the nine previous recoveries since the end of World War II, economic growth averaged 6.2 percent over the first four quarters of a recovery. Only in the 1991-92 recovery was output growth slower than 3 percent.

The current recovery was expected to be slow at first because the recession had been mild. Instead of cutting back, as they



typically do, consumers spent freely during the downturn. In addition, home sales remained strong, and home values appreciated considerably as interest rates fell to very low levels. As such, consumer spending and residential construction could not have been expected to provide their usual strong boost to the economy when it began to recover.

Slow recoveries delay improvement in labor markets. At the end of the recent four quarters of economic growth, nonfarm payroll employment was about 1.0 percent lower (Figure ECON-1). In the earlier post-World War II recoveries, nonfarm payroll employment grew 2.6 percent, on average, in the first four quarters. The only one in which employment fell was the 1991-92 recovery. Fittingly, the current recovery, like its predecessor, has been widely referred to as a “jobless recovery.” This moniker might be even more fitting today. Extremely strong productivity growth over the recent four

quarters allowed both economic growth and job cuts to be somewhat greater than in the first four quarters of the 1991-92 recovery.

While labor markets were expected to recover slowly, the sharp jump in unemployment to 6 percent and the loss of 40,000 payroll jobs in November really drove home the point. Other recent economic data have also raised concerns. Output from the nation’s factory sector fell from August through October, likely pulling fourth-quarter manufacturing output below the third-quarter level.

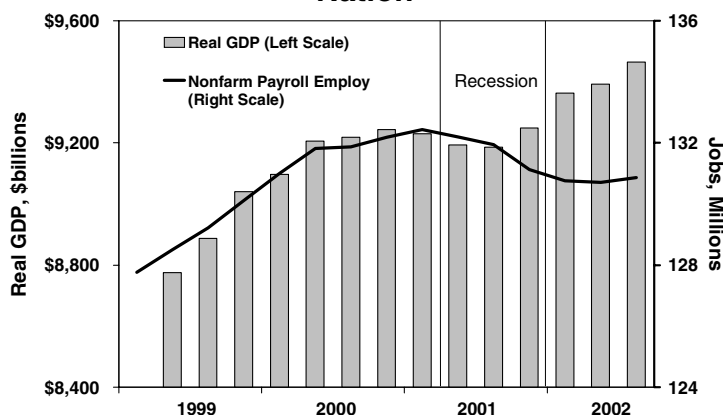
Even more worrisome were signs of consumer fatigue. New light vehicle sales plunged in September from the torrid pace set in July and August. The slowdown in vehicle sales was instrumental in pulling total September retail sales below the third quarter average, providing a poor starting point for fourth quarter sales. Furthermore, retail sales were flat in October.

Weak stock markets, corporate accounting scandals, disappointing labor markets, terrorist threats, and risks of war have taken their toll on consumers’ morale. In the October surveys of consumer attitudes, both the Conference Board and the University of Michigan indices recorded their lowest values in about nine years. A stock market rally lifted consumers’ spirits a bit in November and early December, but overall, consumers were far from upbeat as the all-important Christmas selling season neared.

The consumer’s mood will be closely watched in 2003. Some deceleration in consumer spending is expected, given how long it has held up. A sharp retrenchment, however, would end the recovery, and that is

FIGURE ECON-1

Jobless Recovery Nation



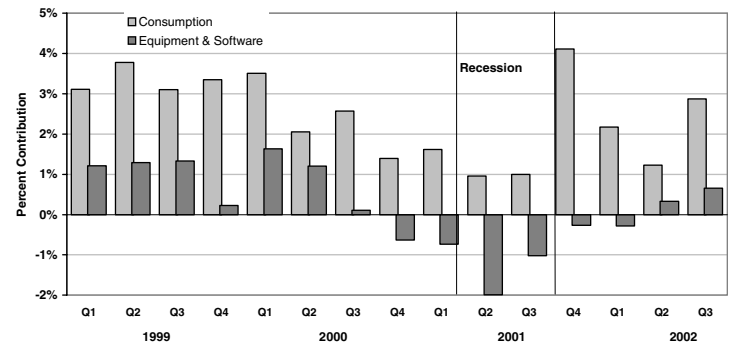
the major risk to the outlook. As recently as the third quarter, special incentives on light vehicles helped consumer expenditures grow at an annual rate of 4.2 percent. However, lower consumer confidence and the apparent satiation of demand for new light vehicles tempered consumer spending considerably in the fourth quarter. In fact, consumer spending may well have declined in the fourth quarter. If so, it was the first decline since 1993.

Other sectors need to take some of the load off of consumers in 2003 to sustain the recovery. There are some positive signs. Capital equipment spending and inventory investment have ended their dramatic declines that began at the end of 2000. The three quarters of declining national output in 2001 were almost entirely due to lower investment spending, in sharp contrast to the typical post-World War II recession characterized by lower consumption spending followed by reduced investment in inventories, capital equipment, and commercial structures. The mere stabilization of capital equipment spending and inventory levels over the last year allowed economic output to grow over the last four quarters (Figure ECON-2).

Spending on capital equipment and inventory investment should add to economic growth in 2003, but investment in commercial structures will take longer to recover. Improvement will be slow at first, and investment will not reach its previous cyclical high, achieved in 2000, until 2004. Investment in computers is growing rapidly in inflation-adjusted dollars, but nominal spending on computer equipment may not reach 2000 levels until 2005. Since employ-

FIGURE ECON-2

Contribution to GDP Growth



ment in the sector is dependent on nominal spending, high-tech employment and revenue will recover slowly.

Robust federal government spending is also contributing to the recovery. The war on terrorism, homeland security, and increased military preparedness for possible war with Iraq are adding considerably to government purchases. Total government expenditures were up by about 4 percent in 2002. That level of growth will be hard to repeat in 2003, given the budgetary shortfalls of State and local governments in much of the nation. Still, a new federal fiscal stimulus package is looking increasingly likely, and that could offset some of the slowdown in State and local government spending.

Low interest rates, federal tax cuts, increases in government spending, and continued, if somewhat more modest, gains in consumer spending will provide enough stimulus to keep the recovery going in 2003. In many industries, excess capacity will keep firms from adopting generous capital equipment spending plans. Excess capacity, both domestically and abroad, will also keep inflation low.



Growth will be modest during the first half of 2003. Firms will squeeze as much output from their current workers as possible, resulting in negligible employment gains. By the end of next year, however, they will find it necessary to increase hiring in order to meet increased production schedules.

With the memory of corporate scandals fading and profits improving, equity markets rallied in both October and November. Before-tax corporate profits increased in the first two quarters of 2002. The last two quarters of 2002 likely brought further profit gains. A steady improvement in profitability over the forecast horizon will produce double-digit year-over-year profit growth for both 2003 and 2004. Continued low interest rates and higher profits will add up to a much-improved environment for equity markets.

The major risk to the outlook is a significant retrenchment by consumers. Consumers have spent aggressively for many years, and their debt loads have increased considerably. Further, their confidence has waned somewhat as the stock market continues to disappoint and the prospects of war with Iraq remain real. On the other hand, interest rates are very low, and many homeowners are sitting on a considerable amount of home equity.

The primary development that could boost the economy beyond expectations is a significant new federal fiscal stimulus package made up of well-designed, effective tax breaks and targeted increases in government spending. Eliminating the double taxation of dividend income or lowering capital gains tax rates would provide little stimulus to the economy. A new package is

not incorporated in the forecast because a specific proposal has not been put forth, let alone been debated in Congress.

California—Mirroring the National Economy

Like the nation, California is experiencing a jobless recovery. The state economy improved in the first half of 2002, with employment and total state personal income posting gains. The improvement faltered at mid-year, however. The state lost jobs between June and November, and personal income likely fell in the third quarter (Figure ECON-3). In addition, unemployment failed to improve, as the rate varied between 6.4 percent and 6.5 percent from March to November.

Employment grew by about 4,600 jobs per month, on average, in the first 11 months of 2002—a meager amount, but a big improvement over an average monthly loss of 16,100 jobs in 2001. Instrumental in that swing were sharp drops in the rate of job losses in business services and high-tech manufacturing; improved job growth in retail trade, particularly at eating and drinking establishments; and a swing from job losses to job gains in wholesale trade. Employment growth deteriorated in some industries, however. Construction and depository institutions trimmed payrolls in 2002 after expanding them in 2001. Local government and social services added fewer jobs in 2002 than in 2001. And employment in State government, outside of education, fell in 2002.



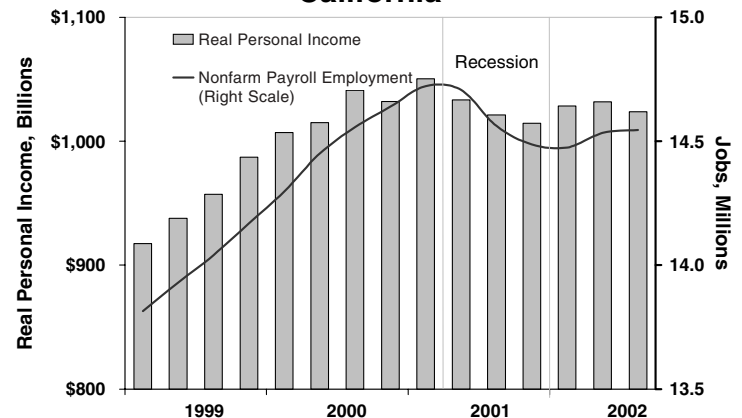
California's recession was highly concentrated both regionally and industrially. Job losses, net of job gains, in the San Francisco Bay Area—almost all of which were in the San Francisco and San Jose metropolitan areas—greatly exceeded net job losses in the entire state. That is, the rest of the state experienced a net job gain, in total, during the recession. By one measure, the low point for the Bay Area was March 2002, when the number of nonfarm payroll jobs was 4.0 percent lower than a year earlier. In contrast, jobs were 0.5 percent above a year ago in Southern California. The gap in year-over-year job growth between the two regions narrowed considerably, however, as the year progressed. Job losses shrank appreciably in the Bay Area; and by November, nonfarm payroll jobs were only 1.6 percent lower than a year earlier. In Southern California, job gains remained largely unchanged, with nonfarm payroll jobs up 0.4 percent from a year earlier.

No less striking was that three out of every five jobs lost during the recession were in high-tech services and manufacturing. Workers in some high-tech industries were particularly hard hit. One out of every five jobs was lost in communications equipment manufacturing, electronic components and accessories manufacturing, and computer and data processing services. Two out of every five jobs were lost in the information retrieval industry—a sector of computer and data processing services that includes most of the Internet companies.

Unemployment rates around the state painted a consistent picture. The San Jose metropolitan area went from having the lowest unemployment rate of the major California metropolitan areas before the

FIGURE ECON-3

Jobless Recovery California



recession to having one of the highest unemployment rates after the recession. The swing was not as great for the San Francisco metropolitan area, but after having the second lowest unemployment rate before the recession, its rate more than doubled by the end of the recession. Orange and San Diego Counties, on the other hand, had among the lowest unemployment rates before the recession and the two lowest unemployment rates after the recession.

Gains in state personal income in the first two quarters of 2002 suggest that state economic output grew in the first half of 2002. These gains were a welcome development coming after three consecutive quarterly declines. While the job losses during the recession were about average for a post-World War II recession, the decline in personal income, when adjusted for inflation, was second only to the decline in the long and deep 1990-1993 recession. The wide disparity between job losses and decline in personal income in the recent



recession was due to the sharp decline in employee bonus and stock option income brought about by the collapse of the stock market.

Given how modest the recovery has been so far, California housing markets were surprisingly strong in 2002. In the first 10 months of 2002, sales of existing, single-family homes were up 13 percent from a year earlier, according to the California Association of Realtors. The year-over-year increase in the median price of these homes ranged from 17 percent to 25 percent over the 10 months. The median price breeched \$300,000 for the first time in March; by October, it was \$334,000. Extremely low mortgage rates were instrumental in this high level of activity and price appreciation and, most likely, a concurrent pick-up in building. The number of permits for residential units exceeded year-earlier levels by 11 percent in the first 10 months of the year.

Commercial real estate markets did not fare as well. Nonresidential construction fell sharply for the second consecutive year in 2002. Office vacancy increased in most California metropolitan areas in the third quarter of 2002, both from quarter-ago levels and year-ago levels. The San Jose and San Francisco metropolitan areas stood out for having office vacancy rates considerably above the national average for metropolitan areas. San Jose also had the largest increase in office vacancy in the third quarter of the 50 markets surveyed by CB Richard Ellis. Sacramento and San Diego shone, however, with office vacancy rates among the lowest in the nation. Industrial vacancy was less of a problem despite vacancy being slightly above the national

average in San Francisco and considerably above the national average in Sacramento in the third quarter. Vacancy rates in San Diego and Los Angeles were well below the national average even after San Diego's sizable gain in vacancy in the third quarter.

Declining exports of California-made merchandise contributed to the state economy's sluggishness in 2002. Exports were 16 percent below year-earlier levels in the first three quarters. A precipitous drop in exports to Japan accounted for 24 percent of the total decline in state exports (Figure ECON-4). Lower exports to Canada, the United Kingdom, Germany, and Singapore accounted for another 36 percent of the overall drop. Exports to Mexico, the leading destination for California-made merchandise, held up relatively well, slipping only 2 percent.

More is at work in California's export slide than weak economies of major trading partners. While the German and Japanese economies are among the weakest of the major developed economies, the Canadian economy is doing very well, and the economies of the United Kingdom and Singapore are quite strong. The worldwide high-tech recession has been a bigger factor in California's sagging exports. Computer and electronic products, which made up 44 percent of the state's exports in the first three quarters of 2002, accounted for two thirds of the overall decline in exports.

One of California's largest services exports—tourism—has yet to recover to pre-September 11 levels. The “drive-to” markets, like San Diego, are doing quite well, but “fly-to” markets that depend on out-of-state and foreign visitors continue to



struggle. More intensive airport security checks appear to have convinced some vacationers to stay closer to home. In addition, the recession has cut business travel, especially to the state's high-tech centers. Hotel and motel occupancy rates have come only part of the way back to pre-September 11 levels, and average room rates remain considerably below year-ago levels in many markets.

The California economy entered 2003 with little momentum. The state's fledgling recovery faltered in the second half of 2002. Labor markets are weak with no signs that significant improvement is imminent. The state economy appears to be tracking the national economy quite closely as it has for most of the post-World War II period, with the notable exception of the first half of the 1990s, when a sharp contraction of the state's aerospace sector helped push the state economy into a long, steep decline. The outlook for the California economy in 2003 depends heavily on the fate of the national economy. Near-historic low interest rates should help the state economy in 2003, as should continued strong spending on national defense and homeland security. Federal fiscal stimulus will be even stronger if the nation goes to war with Iraq. On balance, the outlook for the California economy is for slow growth in 2003 and moderate growth in 2004 (Figure ECON-5). Unemployment will likely increase somewhat in 2003 before falling in 2004. Personal income will grow in 2003 and 2004, but not as quickly as in past recoveries. The main risk from the outlook for the state economy is the same as that for the na-

tional economy—a retrenchment by consumers. In addition, the state is more at risk from a delay in the high-tech recovery.

FIGURE ECON-4

Growth in Exports to Top California Markets
First Three Quarters: 2001 to 2002

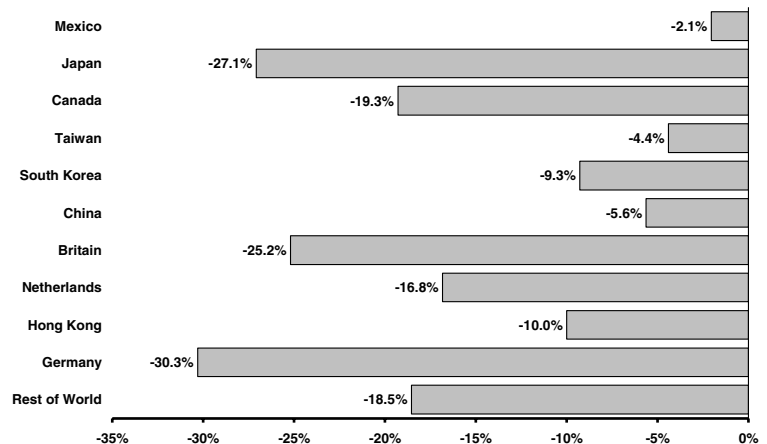


FIGURE ECON-5

Selected Economic Data for 2002, 2003, and 2004

United States	2002	Forecast	
		2003	2004
Real gross domestic product (1996 dollar, percent change)	2.3	2.5	3.5
Personal consumption expenditures	2.9	2.1	3.0
Gross private domestic investment	0.7	3.5	7.3
Government purchases of goods and services	4.2	2.6	1.6
GDP deflator (1996=100, percent change)	1.2	2.0	2.3
GDP (current dollar, percent change)	3.5	4.6	5.9
Federal funds rate (percent)	1.67	1.49	3.27
Personal income (percent change)	3.0	4.1	5.4
Corporate profits before taxes (percent change)	-0.9	15.2	9.3
Nonfarm wage and salary employment (millions)	130.8	132.0	134.8
(percent change)	-0.8	0.9	2.1
Unemployment rate (percent)	5.8	6.0	5.5
Housing starts (millions)	1.69	1.57	1.66
(percent change)	5.4	-6.9	5.4
New car sales (millions)	8.0	7.7	7.3
(percent change)	-4.8	-4.4	-4.8
Consumer price index (1982-84=100)	179.9	184.5	188.9
(percent change)	1.6	2.5	2.4
California			
Civilian labor force (thousands)	17,576	17,715	18,014
(percent change)	1.2	0.8	1.7
Civilian employment (thousands)	16,443	16,560	16,894
(percent change)	0.1	0.7	2.0
Unemployment (thousands)	1,133	1,155	1,120
(percent change)	22.1	1.9	-3.0
Unemployment rate (percent)	6.4	6.5	6.2
Nonfarm wage and salary employment (thousands)	14,521	14,623	14,928
(percent change)	-0.7	0.7	2.1
Personal income (billions)	\$1,138.7	\$1,176.0	\$1,238.4
(percent change)	0.9	3.3	5.3
Housing units authorized (thousands)	159	157	162
(percent change)	6.5	-1.3	3.2
Corporate profits before taxes (billions)	\$91.8	\$99.9	\$109.6
(percent change)	-0.3	8.9	9.7
New auto registrations (thousands)	1,722	1,733	1,723
(percent change)	-2.3	0.6	-0.6
Total taxable sales (billions)	\$432.0	\$447.0	\$472.0
(percent change)	-2.2	3.4	5.6
Consumer price index (1982-84=100)	186.2	191.5	197.6
(percent change)	2.5	2.8	3.2

Note: Percentage changes calculated from unrounded data.



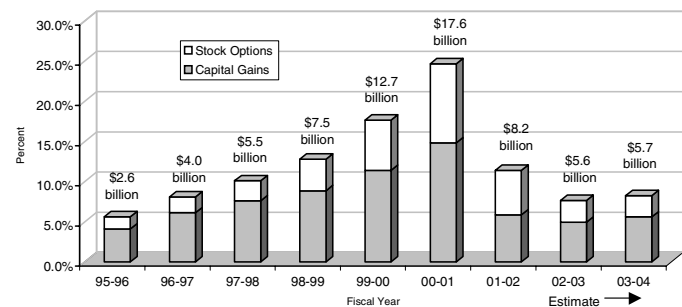
REVENUE ESTIMATES

Because the anticipated recovery of the U.S. and California economies has not yet materialized, the decline in the State's revenues was more pronounced than what was expected at the time the 2002-03 May Revision was prepared. Since enactment of the 2002 Budget Act, the General Fund revenue forecast for major taxes and licenses has decreased by \$7.7 billion for the past and current years combined. In addition, a decline of 5.5 percent in revenues, or \$4 billion, to \$69.2 billion is expected for 2003-04. The decline is mainly due to weak personal income tax revenues, which dropped by nearly 26 percent in 2001-02 and are expected to decline another 0.5 percent in 2002-03. When the three years are compared to the estimates made last May without the revenue measures proposed in the Governor's Budget, the three-year drop amounts to \$17.7 billion.

As has been noted during the past year, the State's remarkable revenue growth in recent years was driven by stock market related gains, while the current fall-off largely

FIGURE REV-1

Capital Gains and Stock Options Revenue as a Percent of Total General Fund Revenue



Note: An assumed tax rate of 9 percent was used to calculate the tax revenue from capital gains and stock options.

reflects the market's decline. Figure REV-1 shows the portion of General Fund revenues from market-related income.

By 2003-04, tax relief from the federal phase-out of the estate tax, vehicle license fee reductions, and measures enacted under this Administration will reach \$4.2 billion. For the period 1999-00 through 2003-04, these measures will have provided \$15.8 billion in taxpayer benefits. The Governor's Budget addresses a \$34.6 billion shortfall without scaling back any of these significant savings to taxpayers. However, as noted in the Preserving Critical



FIGURE REV-2

**Personal Income Tax Withholding
Monthly Year-Over-Year Change**

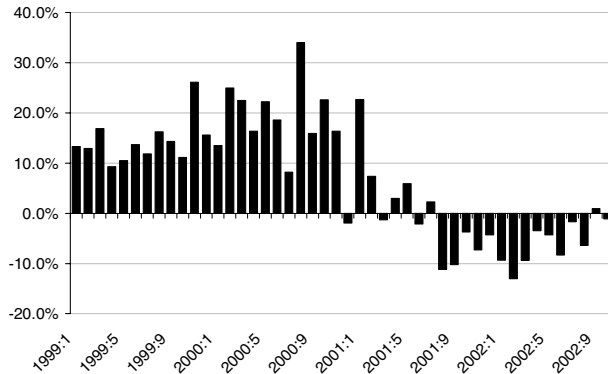


FIGURE REV-3

**Personal Income Tax Estimated Payments
Quarterly Year-Over-Year Percent Change**

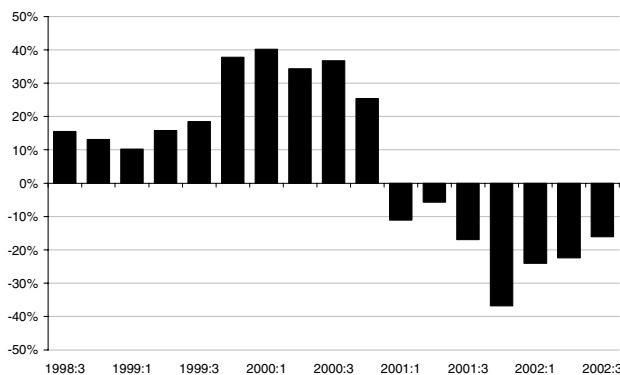
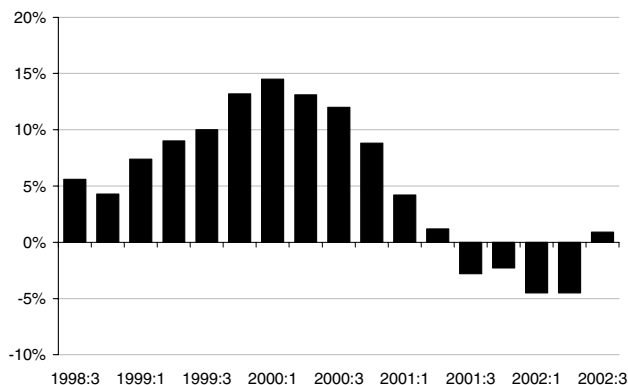


FIGURE REV-4

**Taxable Sales
Quarterly Year-Over-Year Percent Change**



Programs section, the Governor's Budget includes several revenue proposals to fund programs that are proposed to be shifted to local governments. These revenue proposals include the following: adding 10 percent and 11 percent personal income tax brackets on high income earners, increasing the tobacco excise tax by \$1.10 per pack of cigarettes, and increasing the sales tax rate by one cent.

As can be seen in Figures REV-2, REV-3, and REV-4, revenues began to weaken beginning early in 2001. Year-over-year losses in personal income tax withholding are believed to be attributable primarily to the loss of stock option income, which plunged with the slowing economy and the market's retreat. Taxpayers are also anticipating less non-wage income—primarily capital gains—which has eroded estimated payment receipts. Similarly, consumers have cut back, resulting in a deterioration in purchases of taxable goods. This softness in revenues is expected to continue until mid-2003, when modest growth is expected to resume.

The Governor's Budget and revenue forecast also reflect the following proposals:

- ◆ **Regulated Investment Companies—** The Governor's Budget proposes to prevent banks from utilizing Regulated Investment Companies to avoid California tax by improperly sheltering income. The proposal would be implemented prospectively, and is estimated to increase revenues by \$45 million in 2003-04, and \$55 million in 2004-05.
- ◆ **Corporation Tax Subpart F Income Exclusion—** The Governor's Budget proposes to clarify that existing law does not allow certain corporations to exclude a portion of their income, called



Subpart F income, from a water's edge combined report. The Budget also proposes to conform to federal law in the coordination of Subpart F income and U.S.-source income. Because these proposals would clarify existing law, they will have no effect on revenues. However, these changes will close potential tax loopholes.

- ◆ **Manufacturers' Investment Credit (MIC) Clarification**—The Governor's Budget proposes clarifying that the MIC is intended to apply to manufacturing activities as specified in the Standard Industrial Code. This proposal would increase revenues by an estimated \$50 million in 2003-04 and \$50 million in 2004-05.
- ◆ **Extension of the Sunset Provision for the Manufacturers' Investment Credit (MIC)**—Based on the Governor's Budget economic forecast, decreases in manufacturing employment are expected to cause the MIC to sunset on

FIGURE REV-5

General Fund Revenue (Dollars in Millions)

	2001-02 Preliminary	2002-03 Forecast	2003-04 Forecast
Personal income tax	\$33,047	\$32,880	\$33,610
Sales and use tax	21,355	22,349	23,210
Corporation tax	5,333	6,452	6,361
All other	12,504	11,463	5,972
Total revenues and transfers	\$72,239	\$73,144	\$69,153
Annual percent change	1.1%	1.3%	-5.5%

January 1, 2004. Chapter 751, Statutes of 1994, which established the MIC to create manufacturing jobs, provided that the credit would sunset if manufacturing employment does not exceed a specified level. Although under current law the MIC would sunset, the Governor's Budget proposes to extend the sunset date and revise the manufacturing employment threshold provision in order to continue this credit. From January 1994 through January 2001, manufacturing jobs grew more quickly in California than in the nation.

FIGURE REV-6

2002-03 Revenue Measures Summary of Fiscal Impact (Dollars in Millions)

Chapter/Bill Number	Description	Fiscal Impact		
		2002-03	2003-04	2004-05
Chapter 488/AB 2065	Two-year suspension of net operating loss provisions	\$925.0	\$600.0	-\$325.0
Chapter 488/AB 2065	Conformity with federal law regarding accounting for bad debt reserves	285.0	15.0	0.0
Chapter 488/AB 2065	Increasing the rate of withholding on stock options and bonus income	200.0	10.0	10.0
Chapter 488/AB 2065	One-year suspension of the teacher retention tax credit	170.0	0.0	0.0
Chapter 488/AB 2066	Waiver of penalties and interest on high-risk accounts	145.0	0.0	0.0
Chapter 488/AB 2067	Withholding on real estate sales	195.0	10.0	10.0
Various	Other (includes collection activities, tax credit auditing, etc.)	212.0	217.0	194.0
Total		\$1,920.0	\$852.0	-\$111.0



Although beginning in January 2001, California manufacturing jobs declined at a faster rate than the U.S., California is still performing better than the nation as a whole with respect to manufacturing jobs and the MIC is believed to have been an important factor in assisting that performance.

Figure REV-5 provides a summary of the revenue forecast for 2002-03 and 2003-04, as well as a preliminary report of actual receipts for 2001-02.

2002 Revenue Provisions

Last year, several revenue generating provisions were enacted including a two-year suspension of net operating loss provisions, conformity with federal law regarding accounting for bad debt reserves, increasing the rate of withholding on stock options and bonus income, imposing withholding on the sale of specified real estate sales, suspending for one year the teacher retention and natural heritage preservation tax credits, and various other tax compliance provisions. Figure REV-6 provides additional detail on these measures. The Governor's Budget proposes legislation that would mitigate the burden of the real estate withholding provision on individuals whose ultimate tax liability is less than the amount that would be withheld under current law.

Revenues in Total

Overall, General Fund revenues and transfers represent 72 percent of total revenues. The remaining 28 percent are special funds dedicated to specific programs. The three

largest revenue sources (personal income, sales, and corporation taxes) account for about 66 percent of total revenues.

Personal Income Tax: \$33.610 billion

The personal income tax, the State's largest revenue source, is expected to contribute 49 percent of all General Fund revenues and transfers in 2003-04. Personal income tax revenues are forecast to decline by 0.5 percent in 2002-03 and then increase by 2.2 percent in 2003-04; this follows an unprecedented decline of almost 26 percent in 2001-02. The estimate incorporates the effect of the Administration's proposal to modify the withholding requirement for resident real estate transactions.

The California personal income tax is closely modeled after the federal income tax law. California's tax is imposed on net taxable income—that is, gross income less exclusions and deductions. The tax is progressive, with rates ranging from 1 percent to 9.3 percent. Personal, dependent, and other credits are allowed against the gross tax liability.

In addition, taxpayers may be subject to an alternative minimum tax (AMT), which is much like the federal AMT. This feature is designed to ensure that excessive use of tax preferences does not reduce taxpayers' liabilities below a minimum level. The AMT is equal to 7 percent of the alternative minimum taxable income that exceeds an exemption amount.

The personal income tax is adjusted annually by the change in the California Consumer Price Index to prevent taxpayers from



being pushed into higher tax brackets by inflation only, without a real increase in income.

The challenge in forecasting personal income tax receipts is increased by the progressive nature of the tax. One dollar of income on a high-income tax return can generate nine times the revenue from a dollar on a low-income return. In addition, very high-income taxpayers usually have considerable discretion over the timing of income and deductions. Thus, substantial changes in the portfolios or tax planning of relatively few high-income taxpayers can have a dramatic effect on State revenues.

In the 2000 tax year, the top 11 percent of State taxpayers—those with adjusted gross incomes of over \$100,000—reported 53.7 percent of the total income and paid 79.5 percent of the personal income tax. In contrast, lower income taxpayers—those with adjusted gross incomes of less than \$20,000—reported 5.2 percent of the total income and paid only 0.4 percent of the personal income tax, yet represented 34.9 percent of all California taxpayers. This information is displayed in Figure REV-7. Data for 2001 will be available in the spring.

The volatility inherent in the stock market and thus in capital gains has always complicated personal income tax revenue forecasting. Gains from stocks and securities comprise the majority of capital gains realizations, and taxes from this component of income had an increasing influence on personal income tax revenues in the latter half of the 1990s when, year after year, the stock market reached record-breaking levels. In addition, stock options, which are also related to stock market performance,

FIGURE REV-7

Percent of Taxpayers and Percent of Tax Paid by Adjusted Gross Income Class

2000 State Tax Data

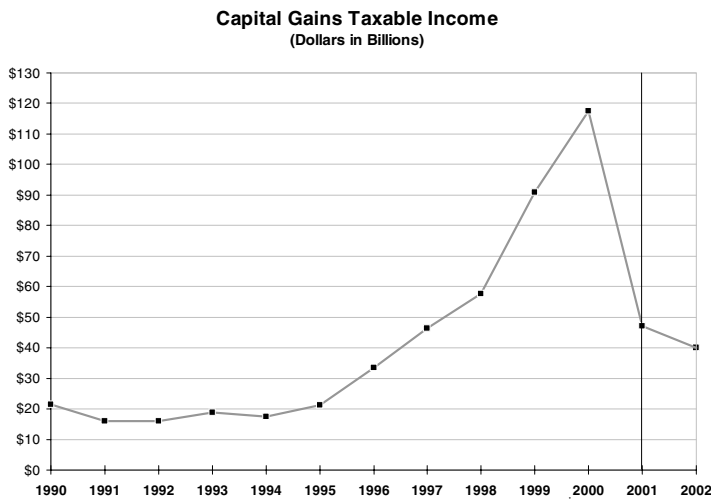


became an increasingly common component of wage packages during the market's high growth years. In 2000-01, the contribution to total General Fund revenues from these two revenue sources had grown to 25 percent from 6 percent five years earlier. It was clear that phenomenal gains in stock prices that boosted revenues to double-digit growth over the past few years could not continue indefinitely and that revenues were increasingly vulnerable to a market turnaround. What was not clear, however, was when that turnaround would come or how steep it would be. This forecast estimates that capital gains and stock options accounted for roughly 11 percent in 2001-02, and will account for about 8 percent in 2002-03 and in 2003-04.

Preliminary data indicate that capital gains dropped in 2001 by roughly 60 percent from about \$118 billion in 2000, which was almost seven times the level in 1994. Capital gains are estimated to have declined by 15 percent in 2002, and the forecast



FIGURE REV-8



projects a modest increase of 7 percent in 2003. The level of capital gains from 1990 through 2002 is shown in Figure REV-8. Aside from the assumptions regarding stock market performance, another key factor underlying this forecast is the expectation that the general economy, which has been sluggish, will not begin to rebound until the second half of 2003.

In 1994, the year before the stock market began its nearly vertical climb that would last until the spring of 2000, total adjusted gross income (AGI) of taxable returns grew by 2 percent. AGI in the under \$100,000 AGI brackets grew by 0.5 percent, however, while the over \$100,000 AGI group realized

an increase of 5.5 percent. These growth rates between the over and under \$100,000 AGI groups diverged drastically in 1995 to minus 0.8 percent in the under \$100,000 group and 22.4 percent in the over \$100,000 group. Overall, total AGI growth in 1995 was 6.3 percent. This pattern of modest growth versus exceptional growth between the two groups continued through 2000, the last year of strong capital gains growth, when AGI grew by 27 percent in the over \$100,000 group and by about 3.5 percent for those with incomes under \$100,000. Preliminary data for the 2001 tax year, along with the weakness seen in the tax receipts for the 2001 tax year, indicate that the pattern of divergence in the growth rates is beginning to reverse. The Budget forecast assumes that total AGI declined by about 8.5 percent in 2001, with the over \$100,000 group accounting for the bulk of the loss. Growth rates from 1994 through 2001 are displayed in Figure REV-9.

As noted in the Preserving Critical Programs section, several revenue proposals are included in the Governor's Budget to fund programs that are proposed to be shifted to local governments.

Adding the 10 percent and 11 percent rates is expected to provide \$2.58 billion in revenues to local governments in 2003-04.

FIGURE REV-9

Adjusted Gross Income (AGI): Resident Taxable Returns
Annual Growth Rate

Tax Year								Estimate
	1994	1995	1996	1997	1998	1999	2000	2001
AGI Groups under \$100,000	0.5%	-0.8%	2.1%	5.5%	-4.7%	3.9%	3.4%	-1.3%
AGI Groups \$100,000 and above	5.5%	22.4%	19.9%	22.6%	17.4%	30.5%	26.9%	-13.5%
Total AGI	2.0%	6.3%	8.4%	12.2%	4.7%	16.6%	16.0%	-8.4%



FIGURE REV-10

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, 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.

Local Uniform Rates¹

Bradley-Burns	1.00%	Imposed by city and county ordinance for general purpose use. ²
Transportation Rate	0.25%	Dedicated for county transportation purposes.
Local Public Safety Fund	0.50%	Dedicated to 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 Rates³

Transactions and Use Taxes	up to 1.50%	May be levied in 0.25% increments up to a combined maximum of 1.5% in any county. ⁴ Any ordinance authorizing a transactions and use tax requires approval by the county Board of Supervisors or special purpose authority created by the county Board of Supervisors plus two-thirds of the 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 city tax constitutes a credit against the county tax. The combined rate is never more than 1 percent in any area.

³ 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.

⁴ The three exceptions to the 1.5 percent maximum are San Mateo County and San Francisco City and County, which may exceed the limit by 0.5 percent and 0.25 percent, respectively, and San Diego County, which is subject to a 1 percent maximum. Fresno, Nevada, Solano, and Stanislaus may levy transactions and use taxes in increments of 0.125 percent. To date, 38 counties and countywide special districts levy transactions and use taxes. Seven cities also impose transactions and use taxes on less than a countywide basis.

Personal income tax revenues forecasted for 2002-03 and 2003-04, as compared with preliminary 2001-02 collections, are as follows:

Personal Income Tax Revenue

(Dollars in millions)

2001-02 (Preliminary)	\$33,047
2002-03 (Forecast)	32,880
2003-04 (Forecast)	33,610

Sales Tax: \$23.210 billion

Receipts from sales and use taxes—the State's second largest revenue source—are expected to contribute 34 percent of all General Fund revenues in 2003-04. Sales and use taxes are imposed on the retail sale or use of tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions are provided for certain necessities such as food for home consumption, prescription drugs,



FIGURE REV-11

**Combined State and Local Sales and Use Tax
Rates by County**
(Rates in Effect on January 1, 2003)

County	Tax Rate	County	Tax Rate	County	Tax Rate
Alameda	8.25%	Madera	7.75%	San Joaquin	7.75%
Alpine	7.25%	Marin	7.25%	San Luis Obispo	7.25%
Amador	7.25%	Mariposa	7.75%	San Mateo	8.25%
Butte	7.25%	Mendocino	7.25%	Santa Barbara	7.75%
Calaveras	7.25%	Merced	7.25%	Santa Clara	8.25%
Colusa	7.25%	Modoc	7.25%	Santa Cruz	8.00%
Contra Costa	8.25%	Mono	7.25%	Shasta	7.25%
Del Norte	7.25%	Monterey	7.25%	Sierra	7.25%
El Dorado ^{1/}	7.25%	Napa	7.75%	Siskiyou	7.25%
Fresno ^{2/}	7.875%	Nevada ^{6/}	7.375%	Solano	7.375%
Glenn	7.25%	Orange	7.75%	Sonoma	7.50%
Humboldt	7.25%	Placer	7.25%	Stanislaus	7.375%
Imperial ^{3/}	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	7.25%	Tulare	7.25%
Lake ^{4/}	7.25%	San Bernardino	7.75%	Tuolumne	7.25%
Lassen	7.25%	San Diego	7.75%	Ventura	7.25%
Los Angeles ^{5/}	8.25%	San Francisco	8.50%	Yolo ^{7/}	7.25%
				Yuba	7.25%

^{1/} 7.50% for sales in the City of Placerville (City of Placerville Public Safety Transactions and Use Tax).

^{2/} 8.175% for sales in the City of Clovis (City of Clovis Public Safety Transactions and Use Tax)

^{3/} 8.25% for sales in the City of Calxico (Calxico Heffernan Memorial Hospital District).

^{4/} 7.75% for sales in the City of Clearlake (City of Clearlake Public Safety Transactions and Use Tax).

^{5/} 8.75% for sales in the City of Avalon (Avalon Municipal Hospital and Clinic Transactions and Use Tax)

^{6/} 7.875% for sales in the Town of Truckee (Town of Truckee Road Maintenance Transactions and Use Tax)

^{7/} 7.75% for sales in the City of Woodland (City of Woodland General Revenue Transactions and Use Tax)

and electricity, making the tax more progressive than it would be otherwise. Additional exemptions provide targeted tax relief for a variety of sales ranging from custom computer programs to goods used in space flight.

A summary of the sales and use tax rates currently imposed at the State and local levels is presented in Figure REV-10. Combined State and local tax rates currently imposed in each county are summarized in Figure REV-11.



Taxable sales in 2001 declined by 0.1 percent over 2000, following year-over-year increases of 10.0 percent and 11.9 percent in 1999 and 2000, respectively. Preliminary data received for the first three quarters of 2002 suggest that taxable sales have slowed significantly: sales for 2002 are expected to be down by 2.2 percent compared to 2001.

Taxable sales are expected to resume growing during 2003, but at a modest pace—up 3.4 percent—due to a continued sluggish economy during the first half of the year. In 2004, the rate of increase is expected to accelerate to 5.6 percent, consistent with economic growth. The 2003 forecast predicts a slight decline in transportation and modest growth in manufacturing, services, fuel, and other retail components. In 2004, broadly based gains are expected in taxable sales across many sectors of the economy.

A summary of the forecast for taxable sales growth is presented in Figure REV-12. Details for 2001 sales by major component are presented in Figure REV-13.

The sales and use tax revenue forecast is prepared by relating taxable sales by type of goods purchased to economic factors such as income, employment, housing starts, new vehicle sales, and inflation. The forecast is then adjusted for significant legislation and other factors expected to affect sales tax revenues.

Effective January 1, 2002, the State sales tax rate returned to 5 percent after having fallen to 4.75 percent during the 2001 calendar year. This rate change was a result of a provision enacted in the early 1990s (Chapter 119, Statutes of 1991) that triggered a quarter-cent reduction in the tax

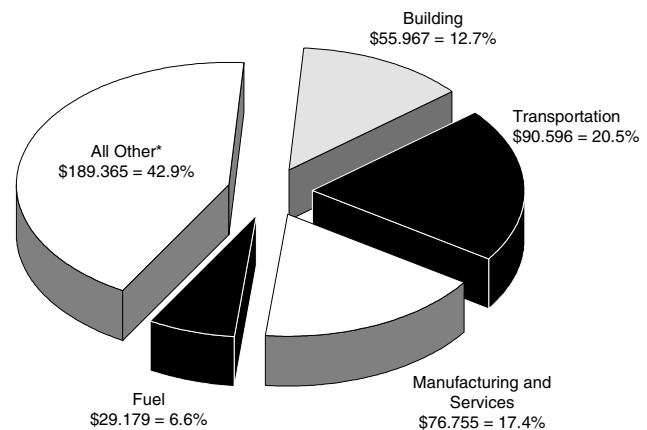
FIGURE REV-12

Taxable Sales Growth in California
(Percent Change)

	2001 Actual	2002 Forecast	2003 Forecast	2004 Forecast
Transportation	5.5%	-3.6%	-0.5%	5.3%
Fuel	-2.5%	-9.9%	4.9%	4.4%
Building Materials	3.4%	-2.0%	4.3%	5.6%
Manufacturing and Services	-6.9%	-2.3%	4.2%	6.6%
All Other Retail Sales	-0.3%	-0.2%	4.3%	5.6%
Total Taxable Sales	-0.1%	-2.2%	3.4%	5.6%

FIGURE REV-13

2001 Taxable Sales by Major Components
(Dollars in Billions)



* Includes apparel, general merchandise, specialty goods, eating and drinking establishments, and agricultural goods.

rate if the State reserve exceeded 4 percent of General Fund revenues and transfers, during a two fiscal year period. This trigger formula was amended as part of the 2001 Budget Act (Chapter 156, Statutes of 2001) to require that the surplus exceed revenues by only 3 percent for a single year in order to activate the sales tax rate reduction. Consistent with what was assumed when the



2001 Budget Act was reached, the reserve level was not sufficient to trigger an additional year of reduction for 2003.

Current law specifies that certain State revenues from the sales tax on gasoline and diesel fuel sales be transferred to the Public Transportation Account. The combined transfer to this account is estimated to be \$192 million in 2002-03 and \$201 million in 2003-04. This money is excluded from General Fund totals.

Chapter 91, Statutes of 2000, created the Traffic Congestion Relief Fund. During 2000-01, \$500 million was transferred from the Retail Sales Tax Fund to this new fund from the sales tax on gasoline. Chapter 91 also required that for each quarter during the period commencing on July 1, 2001, and ending on June 30, 2006, the General Fund sales tax revenue from gasoline be transferred to the Transportation Investment Fund (TIF), with a portion of this transferred to the Traffic Congestion Relief Fund. Chapter 113, Statutes of 2001, delayed the implementation of this provision until July 1, 2003, but also added two years to the end of the Traffic Congestion Relief Program by extending the transfer of the sales tax on gasoline for two years. Proposition 42, passed by voters in March 2002,

amended the California Constitution to permanently dedicate the sales taxes on gasoline to transportation purposes beginning in 2003-04. The proposition included a provision that allows the Administration and the Legislature to suspend the sales tax transfer in a fiscal year if the transfer would result in a significant negative fiscal impact on the range of functions of government funded by the General Fund. Due to continued weakness in General Fund revenue, the Administration's Mid-Year Spending Reduction Proposals released in December 2002 include a suspension of the 2003-04 General Fund transfer to the TIF. This proposal will provide over \$1 billion in General Fund relief.

As noted in the Preserving Critical Programs section, one of the revenue proposals included in the Governor's Budget to fund programs that are proposed to be shifted to local governments is a one cent increase in the sales tax rate. The sales tax portion of realignment is expected to provide \$4.584 billion in revenues to local governments in 2003-04.

Revenues from State-imposed sales tax rates are shown in Figure REV-14. The following table shows the General Fund sales tax revenue forecast for 2002-03 and 2003-04, compared with preliminary 2001-02 collections:

FIGURE REV-14

Sales Tax Revenue (Dollars in Thousands)				Sales and Use Tax Revenue (Dollars in millions)	
	2001-02 Preliminary	2002-03 Forecast	2003-04 Forecast		
General Fund	\$21,355,315	\$22,349,000	\$23,210,000	2001-02 (Preliminary)	\$21,355
Sales and Use Tax—Local Revenue Fund	2,228,978	2,191,400	2,303,100	2002-03 (Forecast)	22,349
Public Transportation Account	232,113	191,849	200,754	2003-04 (Forecast)	23,210
Total	\$23,816,406	\$24,732,249	\$25,713,854		



Corporation Tax: \$6.361 billion

Corporation tax revenues are expected to contribute 9.2 percent of all General Fund revenues in 2003-04. These revenues are derived from five taxes:

- ◆ The franchise tax and the corporate income tax are levied at an 8.84 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations that do not do business in the state but derive income from California sources. An example of this type of out-of-state company would be a corporation that maintains a stock of goods in California from which deliveries are made to fill orders taken by independent dealers or brokers. 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. (Subchapter S status provides the limited liability of corporate status combined with the tax advantages of partnerships—i.e., the S-corporation's profits and losses flow through to its shareholders and are subject to tax at the appropriate personal income tax rate.)
- ◆ Banks and other financial corporations pay an additional 2 percent tax (i.e., "bank tax") on their net income. This tax is in lieu of local personal property taxes and business license taxes, but in addition to the franchise tax.
- ◆ 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 high-income 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. Starting in 2000, new corporations were exempted from the prepayment of minimum tax to the Secretary of State as well as the payment of the second year's minimum franchise tax.

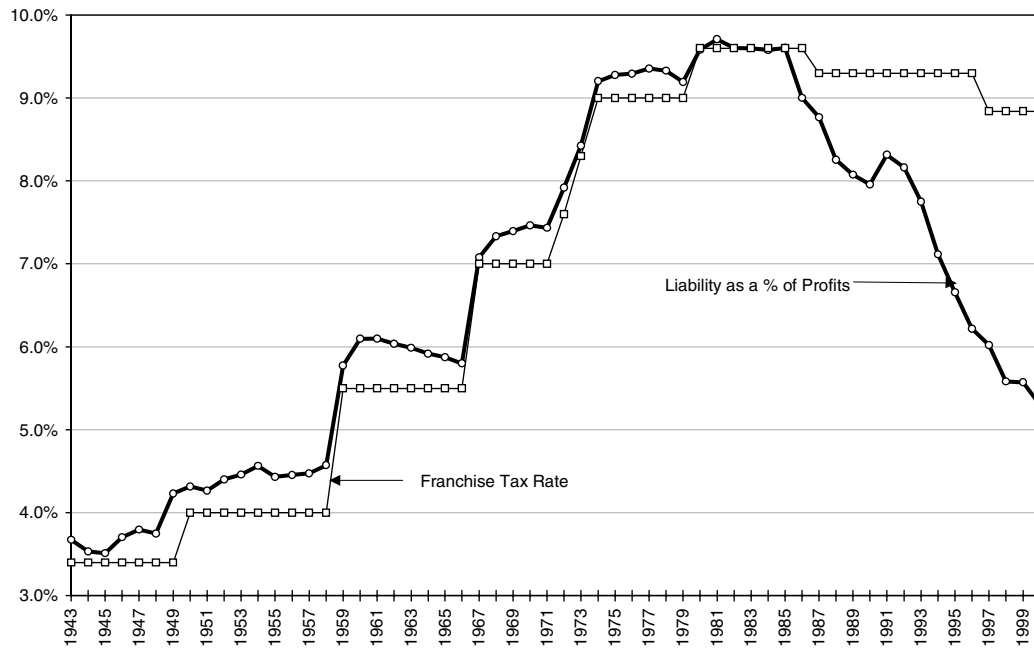
In forecasting the corporation tax, the relationship of California taxable profits to national corporate profits is important. The forecast also involves analysis of the trend in California's non-farm employment level, California's unemployment rate relative to that of the nation's, as well as recent actual cash experience for this tax.

In recent years, S-corporation activity and use of credits (largely the research and development credit and the manufacturers' investment credit) were the primary factors contributing to a divergence between profit and liability growth. This diverging trend between profits and liabilities can be seen in Figure REV-15. The election of S-corporation status results in a reduced corporate rate, with the income and tax liability on that income shifted to the personal income tax. S-corporations accounted for 28.8 percent of total taxable profits in 2000, whereas in 1991, their share was only 14.7 percent.



FIGURE REV-15

**Corporations Reporting Taxable Profits
Tax Liability as a Percent of Profits, by Tax Year**



Consistent with the economic outlook and reflecting a substantial decline of corporation tax revenues in 2001-02, corporation tax revenues are expected to increase by 21.0 percent in 2002-03 before decreasing by 1.4 percent in 2003-04. This estimate includes the fiscal effect of legislation enacted in 2002, including a two-year suspension of net operating loss provisions and conformity with federal law regarding accounting for banks bad debt reserves (Chapter 488, Statutes of 2002). The estimate also includes the revenue proposals mentioned above pertaining to bank mutual funds and clarifying the definition of a manufacturing entity for the purpose of claiming the manufacturers' investment credit.

Corporation revenues forecasted for 2002-03 and 2003-04, as compared with preliminary 2001-02 collections, are as follows:

Corporation Tax Revenue

(Dollars in millions)

2001-02 (Preliminary)	\$5,333
2002-03 (Forecast)	6,452
2003-04 (Forecast)	6,361

Insurance Tax: \$1.830 billion

The majority of 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. The basis of the tax is the amount of “gross premiums” received, less return premiums, upon business done in California.

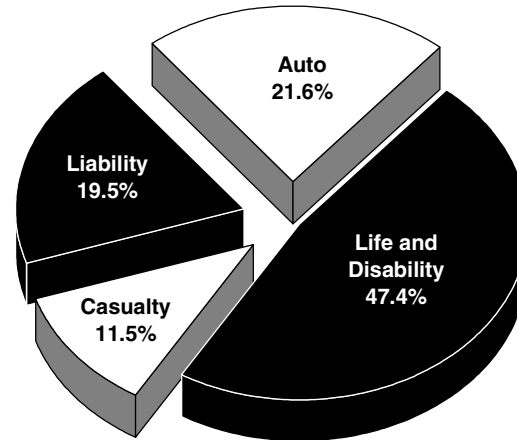
There are some exceptions. Insurers transacting title insurance are taxed upon all income received in this state, with the exceptions of interest, dividends, rents from real property, profits from the sale or disposition of investments, and income arising out of investments. Ocean marine insurers are taxed upon underwriting profits at a 5 percent rate. Other exceptions to the 2.35 percent rate include certain pension and profit-sharing plans, including qualified annuities, which are taxed at a lower rate of 0.5 percent, and certain specialized lines of insurance that are taxed at 3 percent.

The Department of Finance conducts an annual survey to project insurance premium growth. Responses were received this year from over 300 insurance companies, which represent approximately 65 percent of the insurance written in California.

Figure REV-16 illustrates the proportion of premiums written by insurance type from which the revenue is derived. For 2001, \$81.1 billion in taxable premiums written were reported, an increase of 25.5 percent over 2000. The most recent survey indicates that premiums written will increase by 9.1 percent in 2002 and by 5.5 percent in 2003. Due to factors such as tax deferrals, averaging, and various applied tax rates, revenues grow at different rates than premiums written. On a calendar year basis, revenues are expected to grow by 10.9 percent in 2002 and by 5.9 percent in 2003 based on survey responses.

FIGURE REV-16

Insurance Premiums by Category in 2001



Increases in the cost of medical care and commercial repairs, as well as uncertainty regarding coverage for potential terrorist attacks, have contributed to premium growth for property and casualty insurance. Homeowners have also experienced increased rates for property coverage due to such things as water and mold related claims. Life insurers reported strong growth due to their 2001 annuity business that amounted to \$17.9 billion in taxable premiums written, an increase of 171 percent over 2000.

Insurance premium tax revenues forecasted for 2002-03 and 2003-04, as compared with preliminary 2001-02 collections, are as follows:

Insurance Tax Revenue

(Dollars in millions)

2001-02 (Preliminary)	\$1,596
2002-03 (Forecast)	1,742
2003-04 (Forecast)	1,830



**Estate/Inheritance/Gift Taxes:
\$404.2 million**

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 pick-up tax is computed on the basis of the federal “taxable estate,” with tax rates that range from 0.8 percent to 16 percent. This tax does not increase the liability of the estate due to the fact that it would otherwise be paid to the federal government.

The Economic Growth and Tax Reconciliation Act of 2001 phases out the federal estate tax by 2010. As part of this, the Act reduced the state pick-up tax by 25 percent in 2002, 50 percent in 2003, and 75 percent in 2004, and eliminates it beginning in 2005. Revenues received will decline by approximately \$387 million in 2002-03, \$762 million in 2003-04, and \$1.1 billion in 2004-05 due to these changes in federal law. The provisions of this federal Act sunset 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 to make the provisions permanent.

Revenues forecasted for 2002-03 and 2003-04, as compared with preliminary 2001-02 collections, are as follows:

**Estate, Inheritance, and
Gift Tax Revenue**

(Dollars in millions)

2001-02 (Preliminary)	\$890.6
2002-03 (Forecast)	646.3
2003-04 (Forecast)	404.2

**Alcoholic Beverage Taxes:
\$292 million**

Taxes on alcoholic beverages are levied on the sale of beer, wine, and distilled spirits. The rates vary with the type of alcoholic beverage. The tax rate per gallon for beer, dry wine, and sweet wine is \$0.20. The tax rates per gallon for sparkling wine and distilled spirits are \$0.30 and \$3.30, respectively.

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

Revenues forecasted for 2002-03 and 2003-04, as compared with preliminary 2001-02 collections, are shown in Figure REV-17.

Cigarette Tax: \$101.0 million

Proposition 10 increased the excise tax imposed on distributors selling cigarettes in California to 87 cents per pack effective January 1, 1999. At the same time, this proposition imposed a new excise tax on cigars, chewing tobacco, pipe tobacco, and snuff at a rate equivalent to the tax increase on cigarettes of 50 cents per pack. In addition, the higher excise tax on cigarettes automatically triggered an additional in-



crease in the tax on other tobacco products effective July 1, 1999, with the proceeds allocated to the Cigarette and Tobacco Products Surtax Fund. Thus, this proposition increased the total excise tax on other tobacco products by an amount equivalent to an increase in the cigarette tax of one dollar per pack.

The State excise tax on cigarettes of 87 cents per pack is allocated as follows:

- ◆ Fifty cents of the per-pack tax on cigarettes, and the equivalent rate levied on non-cigarette tobacco products, goes to the California Children and Families First Trust Fund for distribution as specified in Proposition 10.
- ◆ Twenty-five cents of the per-pack tax on cigarettes, and the equivalent rates 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.
- ◆ Ten cents of the per-pack tax is allocated to the State's General Fund.
- ◆ The remaining two cents of the per-pack tax is deposited into the Breast Cancer Fund.

Projections of total and per capita consumption of cigarettes provide the basis for the cigarette tax estimate. 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 have all significantly reduced cigarette consumption.

FIGURE REV-17

Beer, Wine, and Distilled Spirits Revenue (Dollars in Millions)

	2001-02 Preliminary	2002-03 Forecast	2003-04 Forecast
Beer and Wine	\$152.3	\$151.0	\$152.0
Distilled Spirits	140.3	140.0	140.0
Total	\$292.6	\$291.0	\$292.0

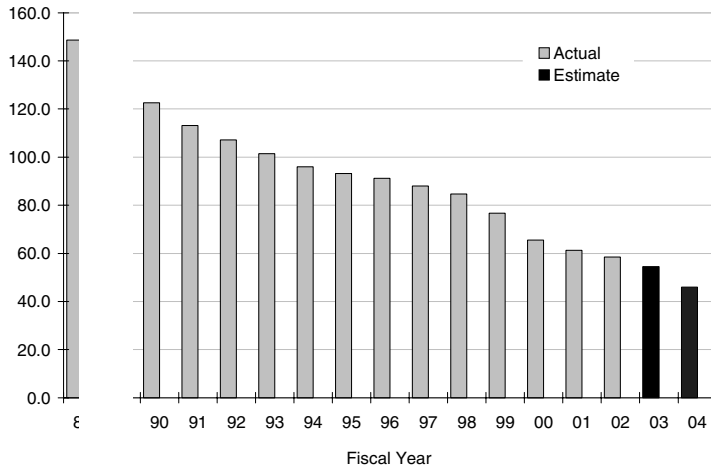
Per capita consumption declined on average 3.5 percent annually from 1983-84 through 1987-88, and then decreased even more rapidly with the onset of Proposition 99. During 1989-90, per capita consumption was about 123 packs versus 85 packs in 1997-98—a 31 percent decrease over eight years. Price increases stemming from tobacco litigation—in conjunction with the State's excise tax hike—further reduced per capita consumption by approximately 31 percent over the last four years to 59 packs in 2001-02. The long-term downward trend in taxable consumption should continue to reduce cigarette sales in the range of 3.5 percent annually.

Wholesale price data provide the basis for the revenue estimate for other tobacco products, which include items such as cigars, chewing tobacco, and snuff. For 2001-02 other tobacco products contributed 4.7 percent to the total tobacco revenues. Historically, these taxes have generally contributed less than 5 percent to the total of all the tobacco revenues collected on an annual basis. Based on recent consumption patterns, the long-term use of other tobacco products is expected to decrease at a rate similar to cigarettes.



FIGURE REV-18

Cigarette Consumption (Packages per Capita)



governments in 2003-04. This proposal will further increase the tax on other tobacco products at a rate equivalent to the tax increase on cigarettes of \$1.10 per pack effective July 1, 2004, with the proceeds going to the Cigarette and Tobacco Products Surtax Fund.

Special Fund Revenue

The California Constitution, codes, and statutes specify the uses of certain revenues, with receipts accounted for in various special funds. In general, special fund revenues consist of three categories of income:

- ◆ Receipts from tax levies that are allocated to specified functions, such as motor vehicle taxes and fees.
- ◆ Charges for special services provided for specific functions, including such items as business and professional license fees.
- ◆ Rental royalties and other receipts designated for particular purposes—for example, oil and gas royalties.

FIGURE REV-19

Tobacco Tax Revenue (Dollars in Millions)

	2001-02 Preliminary	2002-03 Forecast	2003-04 Forecast
General Fund	\$121.6	\$117.7	\$101.0
Cigarette and Tobacco Products Surtax Fund	332.3	322.0	279.0
and Families First Trust Fund	24.3	23.5	20.2
California Realignment	624.6	605.0	522.0
Total	\$1,102.8	\$1,068.2	\$922.2

Per capita consumption of cigarette packs from 1987-88 through 2003-04 is illustrated in Figure REV-18. Total tobacco tax revenues forecasted for 2002-03 and 2003-04, as compared with preliminary 2001-02 collections, are shown in Figure REV-19.

As noted in the Preserving Critical Programs section, one of the revenue proposals in the Governor's Budget to fund programs that are proposed to be shifted to local governments is to increase the tobacco excise tax by \$1.10 per pack of cigarettes. The tobacco tax portion of realignment is expected to provide \$1.17 billion in revenues to local

Taxes and fees related to motor vehicles comprise about 28 percent of all special fund revenue. Principal sources are motor vehicle fees (registration, weight, and vehicle license fees) and motor vehicle fuel taxes. During 2003-04, \$7.6 billion in revenues will be derived from the ownership or operation of motor vehicles, a 6.0 percent increase from the 2002-03 level. Over 40 percent of all taxes and fees collected on motor vehicles will be returned to local governments. The remaining portion is available for various State programs related to transportation and services to vehicle owners.



Chapter 85, Statutes of 1991, created the Local Revenue Fund for the purpose of State-local program realignment. Revenue attributable to a 0.5 percent sales tax rate is transferred to this special fund. During 2003-04, local governments are expected to receive \$2.3 billion from this revenue source, up 5.1 percent from 2002-03. In addition to this revenue, approximately 24 percent of all vehicle license fees (including amounts backfilled by the General Fund) are transferred to the Local Revenue Fund. As noted previously, several revenue proposals are included in this Budget to fund programs that are proposed to be shifted to local governments. These proposals will provide \$8.2 billion in new revenue to local governments in 2003-04.

Proposition 10 tobacco-related taxes are collected to primarily support early childhood development programs as specified. These proceeds are deposited to the California Children and Families First Trust Fund, and are estimated at \$605 million in 2002-03 and \$522 million in 2003-04. Funds from the Proposition 99 tobacco-related taxes are allocated to a special fund for distribution to a variety of accounts as determined by the measure. Receipts for this fund are estimated at \$322 million in 2002-03 and \$279 million in 2003-04. An additional \$23.5 million for breast cancer research will be generated in 2002-03 by the 2 cents per pack cigarette tax enacted in 1993, while \$20.2 million will be generated in 2003-04 for this purpose. The original 10 cents per pack tax on cigarettes is allocated to the General Fund. Decreased tobacco consumption due to the \$1.10 per pack excise tax increase that is proposed in the Governor's Budget for realignment is

expected to reduce special fund tobacco revenues. However, the special funds will be held harmless through a backfill of funding from the new revenues.

Motor Vehicle Fees: \$4.22 billion—Motor vehicle fees consist of vehicle license, registration, weight, and driver's license fees, and various other charges related to vehicle operation. This amount includes the additional revenues due to proposed increases in certain fees, fines, and penalties, which are discussed under the Department of Motor Vehicles in the Business, Transportation, and Housing section.

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

The VLF is calculated on the vehicle's "market value," which is the cost to the purchaser exclusive of sales tax, adjusted by a depreciation schedule. For motor vehicles, the schedule is based on an 11-year depreciation period; an 18-year depreciation period is used for trailer coaches. A 2 percent rate is applied to the depreciated value to determine the fee. Thus, revenue from this source is contingent on the number of vehicles in California, the ages of those vehicles, and their most recent sales prices.

As part of the State-local program realignment, Chapter 87, Statutes of 1991, revised the vehicle license fee depreciation schedule and required the Department of Motor



Vehicles to reclassify used vehicles based upon their actual purchase price each time the ownership of the vehicle is transferred. All of the revenue from this base change is transferred to local governments.

Chapter 322, Statutes of 1998, established a program to offset a portion of the vehicle license fees paid by vehicle owners. This program is referred to as an “offset” rather than a tax credit, because the total amount of VLF legally due from the taxpayer was not changed. Instead, the State paid or “offset” a portion of the amount due, and taxpayers paid the remaining balance. Beginning January 1, 1999, a permanent offset of 25 percent of the amount of the VLF owed became operative. 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 on July 1, 2001, the VLF was permanently reduced by 67.5 percent.

This offset is expected to provide tax relief of \$3.850 billion in 2002-03 and \$3.916 billion in 2003-04. Since 1999, the General Fund has backfilled the offset so that the tax relief did not result in a revenue loss to local governments. As the amount paid by taxpayers has decreased due to increased tax relief, the amount backfilled by the General Fund has increased. However, in order to continue funding vital State programs in spite of a substantial reduction in State revenues, the General Fund will only be able to continue funding those backfill amounts related to realignment and debt repayment

in Orange County. This action is expected to reduce General Fund expenditures by \$1.26 billion in 2002-03, and \$2.93 billion in 2003-04, and result in a commensurate decrease in revenues to local governments. Vehicle owners will continue to pay the reduced VLF amount.

As part of the implementation of the vehicle license fee rebate program, a Special Reserve Fund for Vehicle License Fee Tax Relief was created. As noted above, this rebate program was replaced with a General Fund offset beginning in 2001-02. Only a modest portion of the \$33 million balance in this Special Reserve Fund is estimated to be needed for rebates attributable to late filers in future years. As a result, the Administration proposes legislation to eliminate this Special Reserve Fund and transfer its balance to the General Fund. This shift of resources will have no effect on the vehicle license fee tax relief program or local governments, and rebates that may result from late filers in the future will be funded from the General Fund instead.

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, which in this instance is administered by the Department of Housing and Community Development rather than the Department of Motor Vehicles. All other mobile homes are subject to the local property tax. Chapter 699, Statutes of 1992, provided that all trailer coach license fees that are administered by the Department of Motor Vehicles be deposited



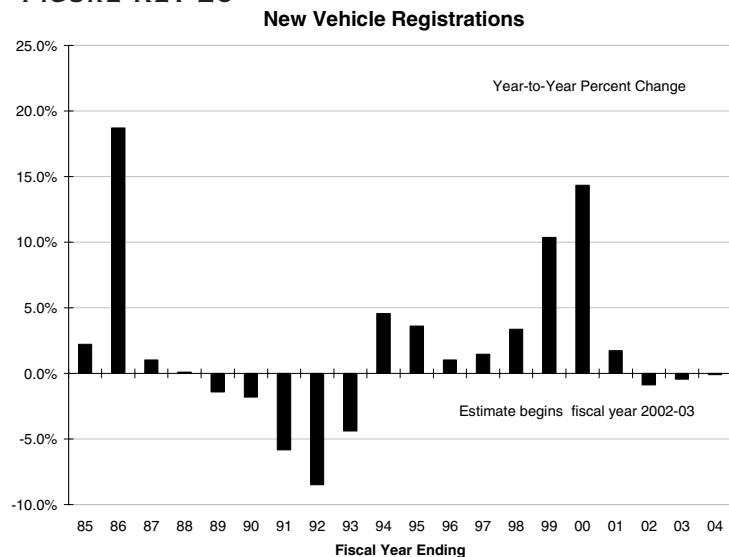
in the General Fund. Beginning in 1994-95, all other trailer coach license fees are also deposited in the General Fund.

Chapter 861, Statutes of 2000, replaced the current weight fee schedule for commercial trucks, which was based on unladen weight, with a gross vehicle weight schedule. This change was necessary to conform to the federal International Registration Plan by January 1, 2002. While Chapter 861 was intended to be revenue neutral, the new fee schedule has resulted in a substantial reduction in weight fee revenues. In order to address the revenue shortfall, the Administration proposes that legislation be introduced in the 2003-04 First Extraordinary Session to adjust the fee schedule to achieve revenue neutrality and improve enforcement.

Chapter 861 also provided that the vehicle license fee will no longer be charged on commercial trailers, and the loss in revenue to local governments from that exclusion will be backfilled by the General Fund. In order to address the current General Fund revenue shortfall, the Administration proposes that legislation be introduced in the 2003-04 First Extraordinary Session to eliminate the non-realignment portion of this backfill.

Allowing for scrappage and for vehicles entering and leaving California, the total number of fee-paid registrations, (autos, trucks, trailers, and motorcycles) including multi-state vehicles, is estimated at 28,354,000 for 2002-03 and 28,727,000 for 2003-04, a 1.3 percent increase. As can be seen in Figure REV-20, the 14.4 percent growth in new vehicle registrations in 1999-00 was at a 14-year high. This dramatic growth was due to extremely strong

FIGURE REV-20



vehicle sales at that time. Vehicle sales have declined from these record highs and further declines are expected in 2002-03 and 2003-04. Although new vehicle sales have been stronger than anticipated given the economic downturn, this is probably a temporary increase caused by incentives that accelerated sales that would have taken place throughout subsequent fiscal years. Because of the economic slowdown, the forecast for new vehicle registrations assumes a 0.4 percent decline in 2002-03 with a 0.1 percent decline in 2003-04.

Motor vehicle fees revenue is summarized in Figure REV-21.

Motor Vehicle Fuel Taxes: \$3.329 billion—The motor vehicle fuel tax (levied on gasoline), diesel fuel tax (levied on diesel), and the use fuel tax (levied on alternative fuels such as liquefied petroleum gas, natural gas, and alcohol fuel) provide 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.

The motor vehicle fuel tax (gas tax) is collected from distributors at the terminal rack level (i.e., the point at which fuel is loaded into ground transportation). Motor vehicle fuel is taxed at a rate of 18 cents per gallon. Fuels subject to the gas tax include gasoline, natural gasoline, and specified blends of gasoline and alcohol sold for vehicular use on California public streets and highways.

diesel fuel tax is collected from distributors at the terminal rack level and applies to diesel fuel and blended diesel fuel sold for use in propelling highway vehicles. Undyed diesel fuel for highway use is taxed at a rate of 18 cents per gallon. Dyed diesel fuel, which is destined for tax-exempt uses, is not taxed.

Chapter 1053, Statutes of 2000, required that the State excise tax on gasoline be collected at the terminal rack level, rather than at the level at which the fuel changes ownership. Standardizing the point of collection conforms to federal law and is expected to increase compliance.

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 remain untaxed until they are dispensed into a motor vehicle that is operated on California highways or is suitable for highway operation. 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 in lieu of the 6 cents per gallon tax.

The Mills-Hayes Act specifies that a fuel tax rate of 1 cent per gallon be levied on fuel used by local transit systems, school and community college districts, and certain common carriers. This excise tax is imposed in lieu of the other fuel taxes described above. Gasoline consumption has grown slowly over time, as conservation efforts have offset economic growth. Gasoline

FIGURE REV-21

Motor Vehicle Fees Revenue
(Dollars in Thousands)

	2001-02 Actual	2002-03 Forecast	2003-04 Forecast
Vehicle License Fees ^{1/}	\$1,444,563	\$1,405,135	\$1,429,288
Realignment ^{1/}	485,193	465,022	472,788
Registration, Weight, and Other Fees	1,891,776	1,954,820	2,324,513
Total	\$3,821,532	\$3,824,977	\$4,226,589

^{1/} Reflects 67.5 percent offset level beginning in 2001.

The Motor Vehicle Fuel Tax Law also applies an excise tax of 2 cents per gallon on aircraft jet fuel sold at the retail level. Certain sales are exempt from the aircraft jet fuel tax, including those to certified air common carriers, aircraft manufacturers and repairers, and the U.S. armed forces.

Chapter 912, Statutes of 1994, established the Diesel Fuel Tax Law. Prior to the operative date of Chapter 912, diesel fuel had been taxed under the Use Fuel Tax Law. The



consumption rose 1.8 percent during 2001-02, and is estimated to increase by 2.9 percent in 2002-03 before dropping to 0.7 percent in 2003-04. The long-term growth rate for gas consumption is approximately 1.6 percent.

Because the majority of diesel fuel is consumed by the commercial trucking industry, consumption is affected most significantly by general economic conditions. Diesel fuel consumption increased by 4.9 percent in 2001-02, and is expected to drop to 0.7 percent in 2002-03 and 1.2 percent in 2003-04. These slower growth rates in 2002-03 and 2003-04 are a result of both the increase in fuel prices and a moderation of economic activity.

Proposition 111, enacted in June 1990 to generate new transportation funding, increased gasoline and diesel fuel tax rates by 5 cents per gallon each, effective August 1, 1990. Proposition 111 also increased gas and diesel fuel tax rates by an additional 1 cent per gallon each January 1 thereafter, until an 18-cent-per-gallon rate became effective January 1, 1994. The rates have remained constant since that time. Revenues raised by Proposition 111 equaled \$1.60 billion during 2001-02, and are expected to be \$1.61 billion and \$1.62 billion during 2002-03 and 2003-04, respectively.

Motor vehicle fuel revenues are shown in Figure REV-22.

FIGURE REV-22

Motor Vehicle Fuel Tax Revenue (Dollars in Thousands)

	2001-02 Actual	2002-03 Forecast	2003-04 Forecast
Gasoline ^{1/}	\$2,825,725	\$2,816,302	\$2,835,388
Diesel	467,879	488,376	494,023
Total	\$3,293,604	\$3,304,678	\$3,329,411

^{1/} Does not include jet fuel.



FIGURE REV-23

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	4,532	4,126	5,409	208.96	273.94	4.61	6.04
1970-71	4,812	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	5,451	5,758	7,231	279.72	351.28	5.13	6.44
1973-74	5,947	6,377	7,877	305.57	377.45	5.14	6.35
1974-75	6,552	8,043	9,572	379.85	452.06	5.80	6.90
1975-76	7,091	9,050	10,680	420.19	495.87	5.93	6.99
1976-77	7,814	10,781	12,525	491.48	570.98	6.29	7.31
1977-78	8,569	12,951	14,825	579.41	663.25	6.76	7.74
1978-79	9,620	14,188	16,201	621.30	709.45	6.46	7.38
1979-80	10,845	16,904	19,057	726.83	819.41	6.70	7.56
1980-81	12,038	17,808	20,000	748.80	840.97	6.22	6.99
1981-82	13,209	19,053	21,501	784.78	885.62	5.94	6.70
1982-83	13,782	19,567	22,359	788.83	901.39	5.72	6.54
1983-84	14,505	22,300	25,674	880.14	1,013.30	6.07	6.99
1984-85	15,944	25,515	29,039	988.34	1,124.85	6.20	7.05
1985-86	16,934	26,974	30,898	1,021.63	1,170.25	6.03	6.91
1986-87	17,681	31,331	35,368	1,158.18	1,307.41	6.56	7.40
1987-88	18,665	31,228	35,611	1,126.67	1,284.81	6.04	6.88
1988-89	19,763	35,647	40,613	1,255.49	1,430.39	6.35	7.24
1989-90	20,819	37,248	43,052	1,278.16	1,477.32	6.14	7.10
1990-91	21,978	36,828	43,556	1,234.66	1,460.22	5.62	6.64
1991-92	21,992	40,072	48,856	1,315.63	1,604.02	5.98	7.29
1992-93	22,641	39,197	48,230	1,264.95	1,556.46	5.59	6.87
1993-94	22,805	38,351	48,941	1,224.73	1,562.93	5.37	6.85
1994-95	23,320	41,099	50,648	1,303.77	1,606.71	5.59	6.89
1995-96	24,328	44,825	54,805	1,413.54	1,728.24	5.81	7.10
1996-97	25,418	47,955	58,400	1,500.37	1,827.15	5.90	7.19
1997-98	26,549	53,859	64,826	1,659.66	1,997.63	6.25	7.52
1998-99	28,350	58,199	69,724	1,771.02	2,121.72	6.25	7.48
1999-00	29,844	70,027	81,773	2,095.53	2,447.03	7.02	8.20
2000-01	32,165	75,668	88,147	2,223.15	2,589.79	6.91	8.05
2001-02 ^{4/}	32,120	62,654	73,270	1,805.69	2,111.64	5.62	6.57
2002-03 ^{5/}	31,760	64,498	75,020	1,827.06	2,125.12	5.75	6.69
2003-04 ^{6/}	32,673	65,830	85,103	1,834.97	2,372.19	5.62	7.26

^{1/} Per capita computations are based on July 1 populations estimates, benchmarked to the 1990 Census.

^{2/} Personal income data are on a calendar year basis (e.g., 2001 for 2001-02).

^{3/} Taxes per \$100 personal income computed using calendar year personal income (e.g. 2001 income related to 2001-02 tax collections).

^{4/} Preliminary.

^{6/} Estimated.



FIGURE REV-24

**Outline of State Tax System
as of January 1, 2003**

Major Taxes and Fees	Base or Measure	Rate	Administering Agency	Fund
Alcoholic Beverage Excise Taxes:				
Beer	Gallon	\$0.20	Equalization ¹	General
Distilled Spirits	Gallon	\$3.30	Equalization	General
Dry Wine	Gallon	\$0.20	Equalization	General
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% ²	Franchise ³	General
Bank and Financial Corp.	Net income	10.84%	Franchise	General
Alternative Minimum Tax	Alternative Taxable Income	6.65% ²	Franchise	General
Tobacco:				
Cigarette	Package	\$0.87 ⁴	Equalization	Cigarette Tax, Cigarette and Tobacco Products Surtax, Breast Cancer Act, and Calif. Children and Families First Trust Fund.
Other Tobacco Products	Wholesale price	48.89% ⁵	Equalization	Cigarette and Tobacco Products Surtax California Children and Families First Trust Fund Energy Resources Surcharge Fund
Energy Resources Surcharge				
	Kilowatt hours	\$0.0002	Equalization	
Horse Racing License				
	Amount wagered	0.4% - 2.0%	Horse Racing Board	Fair & Expo ⁶ , Satellite Wagering ⁷ , Wildlife Restoration, and General
Estate				
	Taxable Federal estate	0.8-16.0%	Controller ⁸	General
Insurance				
	Gross Premiums	2.35% ⁹	Insurance Dept.	General
Liquor license fees				
	Type of license	Various	Alcoholic Beverage Contr	General
Motor Vehicle:				
Vehicle License Fees (VLF)	Market value	2.0% ¹⁰	Motor Vehicle Dept	Motor Vehicle License Fee and Local Revenue ¹¹
Fuel—Gasoline	Gallon	\$0.18	Equalization	Motor Vehicle Fuel ¹²
Fuel—Diesel	Gallon	\$0.18	Equalization	Motor Vehicle Fuel
Registration Fees	Vehicle	\$30.00	Motor Vehicle Dept	Motor Vehicle ¹³
Weight Fees	Gross Vehicle Weight	Various	Motor Vehicle Dept	State Highway ¹⁴
Personal Income				
	Taxable income	1.0-9.3%	Franchise	General
Alternative Minimum Tax	Alternative Taxable Income	7.0%	Franchise	General
Private Railroad Car				
	Valuation	¹⁵	Equalization	General
Retail Sales and Use				
	Receipts from sales or lease of taxable items	5.50% ¹⁶	Equalization	General and Local Revenue

Source: State of California, Department of Finance

¹ State Board of Equalization.² Minimum tax \$800 per year for existing corporations. New corporations are exempted from the minimum franchise tax for the first two years of operations.³ Franchise Tax Board.⁴ This tax is levied at the combined rate of 10 cents per pack of 20 cigarettes for the General Fund, 25 cents per pack for the Cigarette and Tobacco Products Surtax, 2 cents per pack for the Breast Cancer Act, and 50 cents per pack for the California Children and Families First Trust Fund.⁵ A tax equivalent to the tax on cigarettes; rate reflects the 50 cents per pack established by the California Children and Families First Initiative.⁶ For support of county fairs and other activities.⁷ For construction of Satellite Wagering Facilities and health and safety repairs at fair sites.⁸ State Controller's Office⁹ 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.¹⁰ Beginning January 1, 1999, vehicle owners pay only 75 percent of the calculated tax, and the remaining 25 percent (offset percentage) is 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. Chapter 107, Statutes of 2000, and Chapter 5, Statutes of 2001, extended the 35 percent credit through June 30, 2001, and provided for an additional 32.5 percent VLF reduction, which will be returned to taxpayers in the form of a rebate. Beginning July 1, 2001, the VLF will be permanently reduced by 67.5 percent.¹¹ For return to cities and counties. Trailer coach license fees are deposited in the General Fund.¹² For administrative expenses and apportionment to State, counties and cities for highways, airports and small craft harbors.¹³ For support of State Department of Motor Vehicles, California Highway Patrol, other agencies and motor vehicle related programs.¹⁴ For State highways and State Department of Motor Vehicles administrative expense. Chapter 861, Statutes of 2000, replaces the current weight fee schedule for trucks, which is 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.¹⁵ Average property tax rate in the State during preceding year.¹⁶ Includes a 5.00 percent rate for the State General Fund and Public Transportation Account and a 0.50 percent rate to the Local Revenue Fund for realignment.

FIGURE REV-25

Comparative Yield of State Taxes, 1970-71 through 2003-04
Includes both General and Special Funds
(Dollars in Thousands)

Year Ending June 30	Sales and Use (a)	Personal Income (b)	Corporation (c)	Tobacco (d)	Estate Inheritance and Gift (e)	Insurance (f)	Alcoholic Beverage (g)	Horse Racing (h)	Motor Vehicle Fuel (i)	Vehicle Fees (j)
1971	\$1,808,052	\$1,264,383	\$532,091	\$239,721	\$185,699	\$158,423	\$106,556	\$64,601	\$674,635	\$513,202
1972	2,015,993	1,785,618	662,522	247,424	220,192	170,179	112,091	69,380	712,426	547,845
1973	2,198,523	1,884,058	866,117	253,602	260,119	179,674	114,884	72,693	746,196	596,922
1974	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	119,312	78,289	742,702	644,448
1975	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	120,749	86,637	752,234	664,453
1976	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	125,313	96,117	766,555	749,936
1977	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	127,485	102,702	810,321	807,782
1978	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	132,060	111,591	850,181	924,410
1979	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	140,059	112,856	896,591	1,021,856
1980	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	138,940	127,002	852,752	1,096,640
1981	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	142,860	129,779	839,994	1,127,293
1982	7,689,023	7,483,007	2,648,735	276,824	482,300	454,984	139,523	119,626	833,446	1,373,354
1983	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	136,209	120,159	928,633	1,614,993
1984	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	137,433	141,001	1,213,167	1,906,290
1985	9,797,564	10,807,706	3,664,593	262,868	296,805	643,139	135,786	133,814	1,159,637	2,137,326
1986	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	132,262	131,592	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	131,733	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	132,208	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	143,379	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	147,920	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	148,279	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	130,042	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	114,037	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	118,215	2,547,633	4,518,795
1995	16,273,800	18,608,181	5,685,618	674,727	595,238	998,868	268,957	108,974	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	106,057	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	90,627	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	81,930	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	61,185	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	44,130	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	42,360	3,142,142	5,286,542
2002	23,816,406	33,046,665	5,333,036	1,102,807	890,627	1,596,000	292,627	44,622	3,295,903	3,836,904
2003 *	24,732,249	32,880,000	6,452,011	1,068,200	646,300	1,742,150	291,000	44,455	3,307,008	3,841,602
2004 *	30,297,402	36,190,000	6,361,011	2,092,200	404,200	1,830,150	292,000	44,985	3,331,741	4,244,514

- (a) The Budget proposes to increase the sales tax rate by 1 cent in 2003-04 for State-Local Program Realignment.
- (b) The Budget proposes to add higher tax brackets in 2003-04 for State-Local Program Realignment.
- (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. The Budget proposes to increase the cigarette excise tax by \$1.10 per pack for State-Local Program Realignment.
- (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. As part of this, the Act reduces the State pick-up tax by 25 percent in 2002, 50 percent in 2003, 75 percent in 2004, and eliminates 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 significantly increased effective July 15, 1991.
- (h) Beginning in 1988-89, includes revenues from satellite wagering that were not included in prior years.
- (i) Motor vehicle fuel tax (gasoline), use fuel tax (diesel and other fuels), and jet fuel.
- (j) Registration and weight fees, motor vehicle license fees, and other fees. Due to the offset program, 1998-99 vehicle license fee values reflect a 25 percent reduction for 1999. The values reflect a 35 percent reduction from January 1, 2000, through June 30, 2001, and a 67.5 percent reduction thereafter.
- * Estimated. Includes the personal income tax, sales tax, and cigarette tax proposals for State-local realignment. See the section on State-Local Program Realignment for details.



DEMOGRAPHIC OUTLOOK

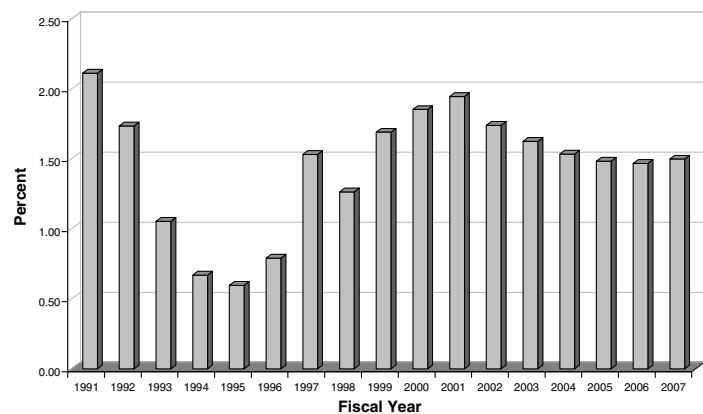
Population Overview

At over 35 million people as of mid-2002, California's population continues to experience strong growth. Despite a slowdown in the mid-1990s, the state has experienced population growth in excess of 1 percent per year since 1997 (see Figure DEM-1).

- ◆ The July 1, 2002, estimate of the population is 35,301,000. It is forecast to be 35,875,000 in 2003 and well over 36 million in 2004. This reflects a short-term annual growth rate of 1.6 percent.
- ◆ Through the next five years, the state will grow an average of 554,000 people each year. The state's growth in the first decade of this century is about equally attributable to natural increase (more babies being born than people dying) and net migration (people moving to California from other states and other countries, less those moving out)—53 percent and 47 percent, respectively.
- ◆ By July 2007, California will add nearly 3 million people to reach 38,070,000, a five-year growth rate of 7.8 percent. This is 1 percent less than the 8.8 percent overall population growth since 1997.
- ◆ Population growth rates vary significantly by age group. The state's total population growth of 7.8 percent contrasts with 5.8 percent growth in the pre-school age group and a 3.0 percent growth in the school age

FIGURE DEM-1

California's Annual Population Growth Rate

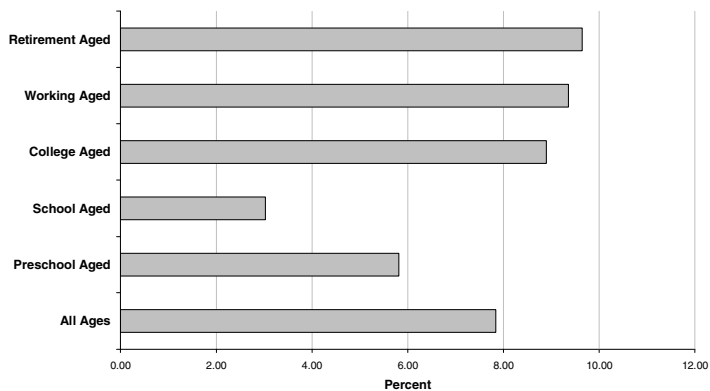


group. On the other hand, the college-going age group will grow 8.9 percent while the working and retirement-aged populations will grow in excess of 9 percent (see Figure DEM-2). The population in the working ages will increase by 1.7 million.

- ◆ In Fall 2001, K-12 public school enrollment exceeded 6 million. Starting in 2000 and continuing through the decade, school enrollment growth will be slower than that of the general population because the number of births in the state declined in the 1990s.

FIGURE DEM-2

California Population Five-Year Growth Rate by Age



K-12 EDUCATION

Despite the fiscal challenge facing California, the K-12 education budget preserves core instructional programs and key reforms and adheres to the Proposition 98 funding requirements. Thus, California's public schools continue to receive the resources to provide over 6.2 million pupils a high quality education and the tools to meet California's world-class standards. The significant drop in General Fund revenues resulting from the delayed economic recovery requires that funding be reduced accordingly, even in the highest priority programs. The funding

formula for Proposition 98 recognizes this by providing that the guarantee reflect changes in General Fund revenue growth.

The Governor's Budget fully funds statutory revenue limit growth for school districts, county offices of education, and special education. As indicated in Figure K12-1, approximately \$53.0 billion will be devoted to California's 983 school districts and 58 county offices of education, resulting in estimated total per-pupil expenditures from all sources of \$9,072 in fiscal year 2002-03 and \$8,899 in fiscal year 2003-04. Figure K12-2 displays the various sources of revenues for schools.

FIGURE K12-1

**Total Revenue for K-12 Education
2003-04 Governor's Budget
(Dollars in Millions)**

Source of Funds 1/	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Change	Percent
State General Fund ^{2/}	\$17,426	\$19,344	\$19,857	\$22,697	\$25,444	\$28,818	\$28,694	\$28,286	\$27,390	-\$896	-3.2%
Lottery Fund	692	611	675	728	745	827	827	800	800	\$0	0.0%
Other State Funds	53	59	89	74	65	141	146	113	80	-\$34	-29.7%
Federal Funds	2,825	2,991	3,473	3,859	4,439	5,005	5,365	6,599	6,397	-\$202	-3.1%
Local Property Taxes	8,653	8,585	9,138	9,545	10,201	11,094	11,873	13,140	13,775	\$635	4.8%
Local Debt Service	390	426	498	612	707	828	828	828	828	\$0	0.0%
Local Miscellaneous	2,103	2,195	2,595	2,843	3,219	3,716	3,716	3,716	3,716	\$0	0.0%
Total Revenue	\$32,142	\$34,211	\$36,325	\$40,358	\$44,818	\$50,428	\$51,448	\$53,481	\$52,985	-\$497	-0.9%

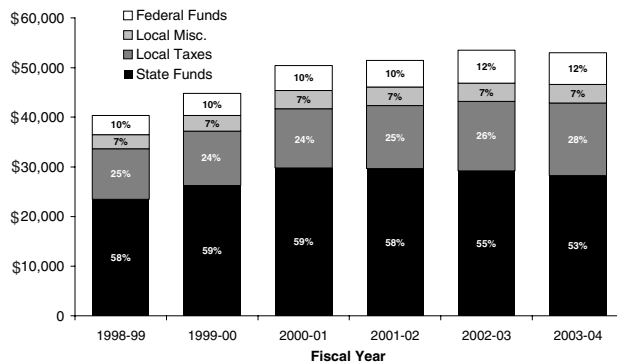
^{1/} 2001-02, 2002-03 and 2003-04 are estimated.

^{2/} State General Fund is adjusted to reflect local expenditures for the year in which the funds were received. Prior years have been adjusted consistent with the 2003-04 child care realignment proposal.



FIGURE K12-2

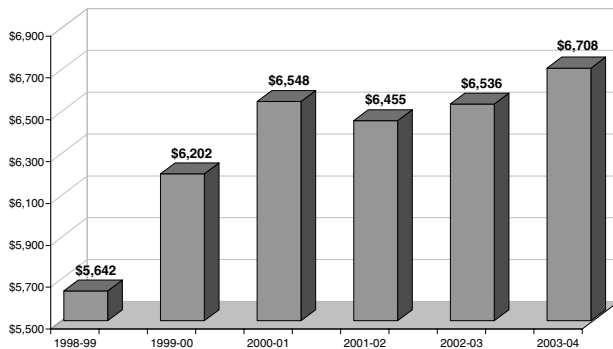
Revenue for California's K-12 Schools
Source of Revenues
 (Dollars in Millions, Percent of Total)



Prior years' General Fund has been adjusted consistent with the 2003-04 child care realignment proposal.

FIGURE K12-3

Proposition 98
K-12 Education Spending Per Pupil



Proposition 98 funding has been adjusted from 1998-99 through 2002-03 for a comparison to the child care realignment in 2003-04.

Total 2003-04 Proposition 98 support for K-12 education will increase 1.6 percent over the 2002 Budget Act level as revised by the Administration's December 2002 mid-year proposals. This level of funding supports K-12 Proposition 98 per-pupil expenditures of \$6,708 in 2003-04, up from \$5,642 in 1998-99 and \$6,536 in 2002-03 (see Figure K12-3). This Administration has increased K-12 per-pupil appropriations for education by 18.9 percent since taking office. Proposed 2003-04 Proposition 98

spending is \$9.6 billion more than it would have been had funding been held to the minimum required level since 1998-99.

Funding reported by schools from their general funds and the various categories of expenditure, along with respective shares of total funding for each category, are displayed in Figure K12-4. All costs shown are those reported to the State by schools using the definitions specified in the California School Accounting Manual.

Enrollment Growth—Attendance growth in public schools continues to be relatively low, primarily due to steady declines in birth rates beginning in the early 1990s. For the current year, total K-12 Average Daily Attendance (ADA) is estimated to be 5,895,275. This reflects an increase of 86,192 ADA, or 1.48 percent, over the 2001-02 fiscal year and is 14,699 higher than the 2002-03 estimate at the May Revision. For the budget year, total K-12 ADA is estimated to be 5,954,154. This reflects ADA growth of 58,879, or 1.00 percent, over the current year.

Proposition 98 Guarantee

Total 2001-02 Proposition 98 funding is \$43.3 billion, of which the General Fund share is \$29.7 billion. This amount is \$6.2 billion above the Proposition 98 Test 3 minimum funding level.

Total 2002-03 Proposition 98 funding is \$43.9 billion, of which the General Fund share is \$28.9 billion, which meets the

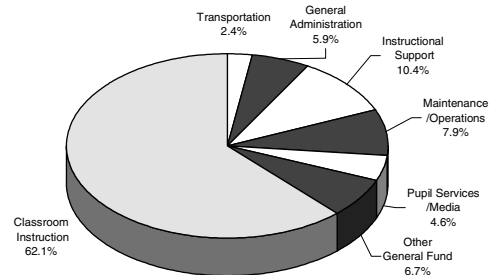


minimum funding requirement, and fully funds the required maintenance factor payment.

Total 2003-04 Proposition 98 funding is proposed at \$44.1 billion, an increase of \$182 million over the revised 2002-03 funding level. The General Fund makes up approximately 64.0 percent, or \$28.2 billion, of total proposed Proposition 98 funding (see Figure K12-5). This provides funding of \$104 million over the minimum guarantee under Test 3 as recalculated to reflect the Child Care realignment proposal. The primary factor responsible for reducing the guarantee from previous estimates is the reduction in General Fund revenue and related economic indicators.

FIGURE K12-4

Where Schools Spend Their Money



Classroom Instruction includes: general education, special education, and special projects.

General Administration includes: superintendent and board, district administration, other administration, centralized EDP, and maintenance and operations for administration.

Instructional Support includes: instructional administration, school site administration, 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. Media includes libraries and media centers.

Other General Fund includes: spending for tuition, facilities, contracts with other agencies, and transfers to and from other district funds.

(Based on 2000-01 data reported by schools.)

FIGURE K12-5

Proposition 98
(Dollars in Thousands)

Proposition 98 Appropriation	1999-00	2000-01	2001-02	2002-03	2003-04
State General Fund	\$28,099,392	\$30,186,790	\$29,682,180	\$28,897,639	\$28,225,485
Local Revenue	11,683,351	12,708,185	13,570,034	15,013,304	15,867,659
Total	\$39,782,743	\$42,894,975	\$43,252,214	\$43,910,943	\$44,093,144
Total State and Local Distribution					
Department of Education	\$35,370,727	\$38,039,981	\$38,362,844	\$39,296,676	\$39,939,313
California Community Colleges	3,996,900	4,393,836	4,428,856	4,505,166	4,063,489
Department of Developmental Services	13,000	14,087	10,437	11,624	11,498
Department of Mental Health	18,400	18,400	18,400	17,851	3,400
Department of Youth Authority	39,584	40,733	41,482	37,684	37,358
State Special Schools	30,527	33,964	36,009	37,953	38,086
Indian Education Centers ^{2/}	3,605	3,974	4,186	3,989	0
Loan Repayment	310,000	350,000	350,000	0	0
Total	\$39,782,743	\$42,894,975	\$43,252,214	\$43,910,943	\$44,093,144
Proposition 98 Appropriations					
Percentage Share of General Fund	39.8%	39.2%	46.6%	44.4%	42.7%
SAL ^{1/} Revenues and Transfers					

^{1/} State Appropriations Limit, Article XIII B.

^{2/} Included in Categorical Block Grant in 2003-04.



Reductions were made in both the current year and the budget year, reflecting reductions in the minimum funding requirement under the Constitution. The end result is a total current year reduction of \$2.7 billion. This General Fund reduction is achieved through a combination of fund shifts, natural savings, and reductions. Most of the reductions continue into the budget year; policy decisions such as not providing a COLA, along with some additional program reductions, hold the year-over-year growth in Proposition 98 to \$183 million. In addition, the Governor's Budget assumes suspension of the requirement in Chapter 1167, Statutes of 2002, to fully repay the existing maintenance factor obligation—estimated at \$3.5 billion—in one year rather than over time pursuant to the Constitution.

2002-03 Budget Adjustments

Growth and Cost Estimates

The 2002-03 funding level reflects \$28.5 million for enrollment growth related adjustments to district and county office apportionments. Additionally, costs for unemployment insurance and PERS are reduced by a net of \$10.8 million based on updated information on 2001-02 costs. Due to a decline in local property tax, General Fund costs for apportionments are expected to increase by \$373 million.

December 2002 Mid-Year Spending Reduction Proposals

Across-the-Board Reductions—An across-the-board reduction of \$980.8 million in K-12 programs. This initial 3.66 percent reduction to the General Fund portion of all Proposition 98 programs, including apportionments, is designed to maximize district flexibility in managing these reductions.

Fund Shift for Regional Occupational Centers and Programs (ROC/Ps)—\$356.8 million of savings identified in appropriations made in 2001-02 and prior years will be or has been reverted and used to support the ROC/P Program.

Stage 3 Child Care—\$98.8 million in savings is proposed by eliminating Stage 3 child care services effective April 1, 2003.

Property Tax Offset for ROC/Ps—A reduction of \$11.4 million in Proposition 98 General Fund for ROC/Ps will be achieved by using excess property tax revenue from County Offices of Education to offset General Fund program costs. Because these funds are in excess of ROC/P apportionments, this reduction will not affect ROC/P revenue limits or ADA caps, thereby preserving core services.

Aligning Funding with Timing of Expenditures—\$15 million in one-time savings will be achieved by paying for awards made late in the year or in following years in the Principal Training Program, the College Preparation Partnership Program, and the Academic Improvement and Achievement Act program, with funds appropriated in 2003-04.



Audit Recoveries—\$13.5 million in audit findings has been reduced from funding for Adult Education pursuant to audits of inappropriate concurrent enrollment in the 1990s.

Deferring New Cohorts—\$3.6 million in savings is achieved by delaying the addition of new schools to the Healthy Start and California School Information Services programs.

Capturing Savings—\$30 million of savings has been identified due to lower-than-expected participation or audit recoveries in the following programs: Adults in Correctional Facilities, CalWORKS Stage 3 child care, Community Day Schools, High Risk Youth Education, and Public Safety.

Grants for Supplemental Support for Workforce Investment Act (WIA) Youth Services—\$7.0 million reduction in non-Proposition 98 General Fund to eliminate State funding for WIA youth services coordination and outreach. Through WIA, the State presently receives nearly \$175 million in federal funds specifically for youth development activities, which are still available for those purposes.

The December 2002 mid-year proposals also allow districts greater flexibility in using reserve funds and in shifting funding among certain categorical programs.

Additional Current Year Reductions

Reductions in Selected Programs—In order to bring spending in line with the revised Proposition 98 spending requirement, \$481.7 million is reduced by apply-

ing an additional 7.46 percent reduction to most Proposition 98 categorical programs. Programs not reduced include Supplemental Instruction (summer school), Special Education, Preschool, and Nutrition (meals).

Restore a Portion of Special Education December 2002 Reduction—\$78.3 million in one-time federal funds has been identified that will be used for 2002-03 child care costs, thus generating General Fund savings. These savings will be used to reduce the \$98.3 million reduction in special education proposed as part of the mid-year reduction package. The remainder of this current year reduction will be funded in 2003-04 so that no overall reduction in funding for 2002-03 special education costs will occur and the receipt of federal funds will be maximized.

Fund Shift for Adult Education—\$81.1 million of prior year savings identified since the December mid-year reduction package will be used to support adult education.

Aligning Funding with Timing of Expenditures to Capturing Savings—\$12.3 million in one-time savings is realized by paying for awards made late in the year with funds appropriated in 2003-04. Savings of \$22.6 million in the High Priority Schools Program is achieved by not starting a new cohort and applying federal Comprehensive School Reform funds. Savings of \$3.9 million also has been identified in after school programs.

Basic Aid—Because the 2.15 percent reduction to school district revenue limits proposed as part of the Mid-Year Spending Reduction Proposals would otherwise have no impact on Basic Aid districts because



they receive little or no State funding toward their revenue limit, the Governor's Budget proposes to reduce the revenue limit add-on to Basic Aid districts by 2.15 percent to save \$15.3 million in the current year. This proposal is intended to more equitably distribute the impact of the current year reductions.

2003-04 Budget Adjustments

Growth and Other Standard Adjustments

Apportionment Growth—The Budget fully funds statutory enrollment growth for school districts (\$299.2 million), county offices of education apportionments (\$22.3 million), and special education (\$37.2 million). This reflects the Administration's goal of preserving core K-12 services even in the midst of the current budget shortfall.

Public Employees Retirement System—The Budget fully funds the estimated \$381.7 million increase in the Public Employees Retirement System (PERS) school employer contribution rate. Failure to fund this increase would effectively reduce existing budgets for school districts and county offices of education.

Unemployment Insurance—The Governor's Budget provides full funding for the estimated \$35.2 million increase in local education agency Unemployment Insurance (UI) reimbursements. This increase is attributable to a doubling of the UI rate.

Equalization—The Budget provides funding of \$250 million for school district revenue limit equalization. Of this amount, \$203 million is pursuant to the appropriation in Chapter 1167, Statutes of 2002; the additional increase of \$47 million represents partial funding of the intended \$203 million set aside for this purpose at the end of the 2001-02 legislative session.

Restoration of Deferred Appropriations—A net increase of \$315 million is needed to restore appropriations deferred in 2002-03 to their previous level and to reflect the net change in the level of deferred appropriations between 2002-03 and 2003-04.

Set-Aside for Fiscally Troubled Districts—The Budget sets aside \$102 million in non-Proposition 98 General Fund in anticipation of emergency loans that may need to be provided to fiscally troubled districts pursuant to future legislation. It is believed that the West Fresno Elementary School District may require a loan of up to \$2 million. Because there are additional districts with reported problems, the Administration believes it is prudent to set aside an additional \$100 million.

Special Education—The Governor's Budget provides full restoration to the 2003-04 budget base of the \$22 million balance of the current year reduction to special education in the current year, as well as a one-time augmentation of \$22 million for payment of deferred 2002-03 costs. The Budget also provides \$8.99 million in one-time funds to fully fund the 2001-02 deficit in Special Education due to current year ADA increases. This restoration of funding is in addition to the \$37.2 million in statutory growth.



State Special Schools—The Governor's Budget provides an additional \$5.3 million for increased health benefits for the California Schools for the Deaf, California School for the Blind, and the three Diagnostic Centers throughout the state. The only reduction to this budget is \$719,000 for 19 vacant positions. The positions that were eliminated were vacant in many cases for many months, and their elimination jeopardizes neither direct instructional services, 24-hour care, nor health and safety services to the students at the State Special Schools.

Pupil Testing—The Governor's Budget provides \$120.2 million, including federal funds, for various statewide exams. These assessments provide valuable information to parents, teachers, schools, and the State regarding pupil performance, and are the foundation of the State's accountability system. As such, the funding for these exams is kept separate from the proposed categorical block grant. The assessments funded include:

- ◆ **Standardized Testing and Reporting (STAR) Exam**—\$66.1 million is provided for the STAR exam. This exam, which serves as the primary indicator for the Academic Performance Index, measures pupil performance on various State-adopted content standards, coupled with a national norm-referenced exam.
- ◆ **High School Exit Exam (HSEE)**—\$21.2 million is provided for the HSEE. Under current law, commencing with the 2003-04 school year, all pupils must pass the HSEE in order to receive a diploma. Chapter 716, Statutes of 2001, allows the State Board of Educa-

tion to delay this requirement if it is found that pupils have had an insufficient opportunity to learn.

- ◆ **California English Language Development (ELD) Exam**—\$18.5 million is provided for the ELD exam. This exam is required for pupils whose primary language is not English in order to identify English language learners. This identification allows schools to better allocate resources to assist these pupils. In addition, schools are required to annually assess English language learners to ensure that pupils who have attained proficiency in English do not continue to receive instruction using curriculum for English language learners.

Accountability—The State has committed significant resources during this Administration to improve the academic performance of low-performing schools. The need to continue this focus has not diminished. Therefore, the Governor's Budget continues to fund these programs separately from the proposed categorical block grant.

- ◆ **Immediate Intervention/Underperforming Schools Program (II/USP)**—The Budget provides \$127.6 million, including federal funds, for the second year of implementation funding for schools in the third cohort, as well as a third year of implementation funding for schools in the second cohort that made significant progress but did not reach their growth targets. Additionally, the Budget includes \$32.9 million, including federal funds, for sanctions for those schools that



failed to make significant progress during the two years they were provided with implementation funding.

- ◆ **High Priority Schools Grant Program**—The Budget includes \$193.8 million, including federal funds, for the second year of funding for this program, which provides up to \$400 per pupil to the lowest-performing schools in the state to improve academic performance.

Standards-Based Training Programs—The State established two significant and rigorous teacher and administrator training programs in 2001, designed to teach existing school staff new curriculum and professional standards—the Mathematics and Reading Professional Development Program and the Principal Training Program. Funding for both of these programs is maintained outside of the categorical block grant, as the purpose of these programs is to provide specific training to teachers and administrators during a limited time period.

As originally authorized, the Mathematics and Reading Professional Development Program would have ensured that all mathematics and reading teachers received standards-aligned training by the end of 2004-05, while the Principal Training Program would have provided training to 15,000 principals and vice-principals by the end of 2003-04. While the Administration remains committed to both of these programs, budgetary constraints necessitate the extension of the timeframes for the completion of these training programs. It is anticipated that the Principal Training Program will be completed in 2004-05. The completion date for the Mathematics and

Reading Professional Development Program is dependent on the funding levels in future years.

- ◆ **Mathematics and Reading Professional Development Program**—The Governor's Budget provides \$27.9 million to provide standards-aligned training to reading and mathematics instructors.
- ◆ **Principal Training Program**—The Governor's Budget provides \$26.2 million for the third year of this program. The goal of this program is to provide principals and vice-principals with training in instructional standards and effective school management techniques.

2003-04 Reductions

Additional Reductions to Selected Categorical Programs—The Governor's Budget proposes \$122.2 million in additional reductions to categorical programs by applying the 3.66 percent reduction used in the December 2002 Mid-Year Spending Reduction Proposals to funding that was deferred to the 2003-04 fiscal year for payment of 2002-03 costs (\$51.3 million) and by further reducing selected categorical programs by 1.28 percent (\$70.9 million). Programs not subject to this reduction include Supplemental Instruction, Special Education, Preschool, Nutrition, and K-3 Class Size Reduction.

Block Grant of Categorical Programs—To provide districts with the ability to manage within the proposed funding levels, the Administration proposes to consolidate remaining funding for 64 programs into a



\$5.1 billion block grant for the general purposes of professional development, instructional materials and technology, specialized and targeted instructional programs, school safety, and student services. Programs excluded from this block grant include those not subject to the additional 1.28 percent reduction, after school programs (due to Proposition 49 requirements), programs providing statewide services through one county office—California School Information Services (CSIS) and Fiscal Crisis and Management Assistance Team (FCMAT), two limited-term, focused staff development programs—Math and Reading Professional Development and Principal Training, and the year-round schools program, which is proposed to be phased out.

Cost of Living Adjustments—\$886 million is saved by not funding cost-of-living adjustments estimated at 1.96 percent for Proposition 98 programs, including apportionments.

Deferral of Increased State Mandate Reimbursement Liability—\$870 million is saved by not funding the cost of various new mandates identified by the Commission on State Mandates and deficiencies for mandated programs that have been reported by the State Controller. This includes \$259.9 million for the School Bus Safety II mandate that was recently shown by a Bureau of State Audits review to include large amounts of non-reimbursable costs. Many of the other underlying claims have not been audited, so the State's true liability for them is not yet known.

Categorical Growth—\$106 million for costs of enrollment growth driven adjustments to categorical programs are avoided, consistent with the decision to reduce these programs.

Elimination of Basic Aid Add-On to Revenue Limits—\$17.8 million in savings is achieved by eliminating funding received by Basic Aid districts that is currently an add-on to their revenue limit. Basic Aid districts' property values are high enough to produce enough local property tax to fully fund their basic general purpose allocation of school funding called a revenue limit. Property taxes that are allocated above that amount are deemed "excess taxes" and permit these districts to fund enriched K-12 programs. The Budget proposes that the required minimum funding for Basic Aid districts (\$120 per unit of ADA) be met through the receipt of categorical funding.

Reallocation of Excess Tax—The Governor's Budget proposes to redirect \$126.2 million of the \$160 million estimated amount of local property tax allocated to Basic Aid districts in excess of their revenue limits, to instead, meet school district and county office of education revenue limits and special education funding targets.

Mitigation of the PERS Offset to Revenue Limits—The Governor's Budget proposes elimination of the scheduled \$35 million appropriated pursuant to Chapter 2, Third Extraordinary Session, Statutes of 2002, that was intended to mitigate the PERS offset to school district and county office of education revenue limits.



Phase-Out of Year Round School

Grants—An \$18.8 million reduction is reflected as the first installment of a four-year phase out of this program. Due to the availability of increased school construction bond funds and changes in the conditions associated with these grants, the State no longer receives any financial benefit from this program.

High Priority School Grants—\$16.8 million is reduced to reflect the intent that schools in the first cohort of Immediate Intervention/Underperforming Schools Program only receive one year of High Priority Schools grants.

Charter School Facilities Grants—

A \$6.6 million reduction reflects the reduced need for leased facilities due to the availability of the new school bond funds as well as facilities provided by districts.

Participation of Youth in ROC/Ps— The Budget proposes a \$12.0 million reduction in Proposition 98 General Fund by limiting program enrollment to students who are either in grade 11 or higher or have reached 16 years of age. The Administration is concerned that some districts may be encouraging younger students to enter ROC/Ps as a means of receiving additional funding for concurrent enrollment, rather than to serve the best interests of that student. Furthermore, hundreds of high schools throughout the state have Partnership Academies, which provide alternative education and career-technical skills to at-risk students as young as grade 9.

School-to-Career—The Budget proposes a \$2.0 million reduction in Proposition 98 General Fund to eliminate State funding to the Office of the Secretary for Education for

School-to-Career grants. These grants continued a federal program that provided local agencies seed money to integrate school-based and work-based learning, ultimately to be supported through local means. Local agencies with successful programs have had adequate time to achieve self-sufficiency; thus, continued State support appears to contradict federal intent.

State Department of Education—In addition to the administrative savings associated with the Child Care realignment, \$4.6 million and 18.1 personnel years are reduced in 2003-04 due to the Mid-Year Spending Reduction Proposals, and \$6.7 million and 92.2 personnel years are reduced due to the elimination of programs included in the categorical block grant.

K-12 School Facilities

Proposition 47—Chapter 33, Statutes of 2002 (AB 16), the Kindergarten-University Public Education Facilities Bond Act of 2002, authorized the placement of a school facilities general obligation bond measure for \$13.05 billion on the November 2002 ballot (Proposition 47), which the voters approved. Proposition 47 provides \$11.4 billion for K-12 education facilities through the State School Facilities Program and \$1.65 billion for higher education facilities. The K-12 funding includes \$6.3 billion for new construction projects, \$3.3 billion for modernization projects, \$1.7 billion for critically overcrowded schools, and \$50 million for joint use projects. Within the approved amounts, Proposition 47 sets aside \$2.9 billion for new construction projects and \$1.9 billion



for modernization projects for which school districts had submitted applications to the State Allocations Board on or before February 1, 2002. In accordance with the voters' will, at its December 18, 2002, meeting, the State Allocation Board apportioned \$3.35 billion for new construction projects and \$2.07 billion for modernization projects.

The Budget includes \$278,000 from Proposition 47 funds and 4.8 personnel years in the current year and \$471,000 Proposition 47 funds and 6.7 personnel years in the budget year for increased workload for the Office of Public School Construction. In addition, the Governor's Budget includes \$94,000 in reimbursements and 1.9 personnel years in the current year and \$295,000 Proposition 47 funds and reimbursements and 3.8 personnel years in the budget year for increased workload for the School Facilities Planning Division.

Charter School Facilities—Chapter 935, Statutes of 2002 (AB 14) established the Charter School Facilities Program. Funding for the new program was contained in Proposition 47, which set aside up to \$100 million of the new construction general obligation bond funds for charter schools. Applications for funding under this program must be processed in accordance with provisions of the State School Facilities Program. In addition, the California School Finance Authority must review and determine that a charter school applicant is "financially sound" as set forth in provisions of AB 14, as a condition of receiving funds under the Charter School Facilities Program.

Child Care

Child Care Realignment—In the 2002-03 Governor's Budget, the Administration proposed child care reforms to provide efficient, equitable child care services to California's neediest families and to stabilize the unsustainable growth in CalWORKs Stage 3 child care. The proposal was subsequently withdrawn to allow more time for input, as requested by the Legislature and stakeholders. However, since the enactment of the 2002 Budget Act, the State's fiscal condition has worsened while the caseload for Stage 3 child care services continues to grow. Moreover, the current child care system is complex and difficult to manage due to the multiple state and local agencies involved in the system. Some of the problems with the current system include:

- ◆ A three-stage CalWORKs system creates needless seams between Stage 1 and Stage 2.
- ◆ A family who exhausts its eligibility for care in Stage 2 and has not applied on waiting lists for other subsidized child care programs could be exposed to an interruption in services received.
- ◆ All working poor families are not treated in an equitable manner.
- ◆ Programs administered through direct contract centers are administratively complex and burdensome, resulting in millions of unspent dollars annually, thus depriving other families of services.
- ◆ Access to high quality child care is inequitable across the state as centers are not evenly distributed between neighborhoods and regions.



- ◆ Recent comments from Alternative Payment providers argue that the system is fraught with inefficiencies, abuse, and fraud.

In view of these concerns, the Administration proposes that all child care and development programs, with the exception of State Preschool and the After School Education and Safety Programs, be transferred to counties. This proposal, by giving counties the responsibility to administer child care services in conjunction with other social service programs for the same families, would facilitate greater coordination for needy families, enhance accountability and fraud prevention, reduce bureaucracy and administrative costs, and facilitate integration of local priorities and funding sources (including Proposition 10 funding) to fill gaps in meeting child care needs more equitably than can be done while administered as a disjointed State program.

The Administration proposes the following adjustments in 2002-03:

- ◆ Elimination of CalWORKS Stage 3 child care service effective April 1, 2003, thereby reducing child care costs by \$108.8 million. Of this amount, \$10 million is attributable to reduced estimates of current year caseload. Additionally, the Administration proposes to replace \$78.3 million Proposition 98 General Fund with one-time federal funds.
- ◆ A reduction of \$3.9 million for the After School Education and Safety Programs (formerly called the Before and After School Learning and Safe Neighborhoods Partnership Program prior to passage of Proposition 49), in addition to across-the-board reductions for all Proposition 98 programs, to reflect savings from delayed implementation of new grants.
- ◆ A transfer of \$28 million from the Child Care Facilities Revolving Fund to the Proposition 98 Reversion Account to be utilized to replace other current year Proposition 98 funding in order to reduce the guarantee to the minimum level required by law.
- ◆ Reversion of \$96.7 million in one-time unexpended prior year Proposition 98 appropriation balances are proposed for similar purposes.

Realignment of child care in 2003-04 results in the following funding shifts and adjustments:

- ◆ \$967.6 million base Proposition 98 General Fund expenditures are reduced from the K-12 budget and subsequently shifted along with even greater resources to counties from a new revenue source pending realignment legislation (see Preserving Critical Programs section). Realignment applies to all child care programs except State Preschool and the After School Education and Safety Program because these programs are primarily educational and not focused on meeting parents needs to maintain employment. This amount includes the \$191.6 million base for Stage 3 child care, although the program is proposed for elimination at the state level on April 1.
- ◆ \$863 million base federal Child Care and Development Fund (CCDF) local assistance (including transfers of



Temporary Assistance for Needy Families [TANF] for Stage 2 child care) are reflected in the K-12 budget as unallocated local assistance funding pending realignment legislation.

- ◆ A total of \$9.0 million and 77.8 personnel years (\$2.7 million General Fund and \$6.3 million CCDF) in state operations for Child Care and Development programs are reduced from the State Department of Education (SDE) budget in anticipation of local administration pursuant to realignment legislation. Sufficient staffing and operating expense remain to address State Preschool and After School Education and Safety Program workloads. Additionally, the Budget retains staff sufficient for quality and provider contract transition activities, payable from federal funds in the budget year.

SDE's child care budget for the 2003-04 fiscal year retains \$421.5 million for State Preschool (\$314.2 million) and the After School Education and Safety Program (\$107.3 million). In addition, SDE's child care budget includes \$11 million for Preschool quality enhancements (\$5 million) and adequate reserves for other contract close-outs (\$6 million) from one-time funds.

In summary, almost \$1.9 billion in total revenues are made available to counties for child care, including an estimated \$519 million in Child Care and Development Fund federal funds, over \$1 billion from new revenues, plus \$344 million from the TANF Block Grant normally earmarked for Stage 2 child care to counties as part of CalWORKs. These funds will meet the child

care needs of cash aid recipient families, former CalWORKs recipient families, and other working poor families, with greater local flexibility for local determination of the families most in need of child care subsidies.

Scholarshare Investment Board

The Administration proposes legislation to authorize delayed disbursement of funding for Governor's Scholars Awards and Governor's Math and Science Scholars Awards until the recipients complete the 11th grade.

Additionally, the State Board of Education adopted a policy to disallow the use of mathematics exams more than one grade level below the grade of the pupil being tested to qualify for these awards. For instance, according to the State's standards, a 10th grade pupil should be taking Algebra II. Under this new policy, a 10th grade pupil could qualify for these awards by taking the Geometry or Algebra II exam but not the Algebra I exam. These revisions will generate \$78 million in program savings compared to the amount required by current statute to be appropriated for these programs.

Since high school students may not access these awards until they enroll in college, delaying disbursement will have no adverse impact on the recipients. However, the changes can legally be made only prospectively.



California State Library

The Governor's Budget includes the following General Fund savings adjustments for the California State Library (CSL):

- ◆ **Public Library Foundation—** \$15.8 million in 2002-03 and 2003-04, which reflects a 50 percent reduction from the 2002 Budget Act, for local library operational costs and materials.
- ◆ **California Civil Liberties Public Education—** \$500,000 in 2002-03 (which reflects a 50 percent reduction from the 2002 Budget Act) and \$1.0 million in 2003-04 to phase out the program that has received the intended three years of funding to develop instructional materials for inclusion within standard curriculum.
- ◆ **State Administration—** \$1.0 million, offset by a \$1.2 million increase in federal funds during 2002-03, and \$1.5 million offset by a \$1.7 million increase in federal funds during 2003-04, to support the federal government's share of CSL administrative costs.

Additional 2003-04 Budget Proposals

- ◆ **Literacy Program Consolidation—** To streamline administration and provide local flexibility for literacy services, the Administration proposes legislation to consolidate the existing California Literacy Campaign, Families for Literacy Program, and English Language and Literacy Intensive pro-

gram. The Governor's Budget provides \$5.3 million General Fund for this purpose.

- ◆ **Transaction Based Reimbursements—** The Administration proposes legislation to authorize local libraries to charge user fees to cover administrative costs associated with providing direct or inter-library loans of materials. The related fees would be approximately \$1 for direct loans and \$5 for inter-library loans. General Fund savings of \$12.1 million would result by eliminating State support of these loans.
- ◆ **User Fees for State Administration—** The Administration proposes legislation to allow the CSL to establish user fees (via a State Library Card, as an example) to cover a portion of its administrative expenses. General Fund savings of \$3 million would result.
- ◆ **Library of California—** The Governor's Budget proposes eliminating support for this program, as it provides little direct service and is primarily administrative in nature at this time.
- ◆ **State Operations—** The Governor's Budget proposes a \$1.3 million General Fund State administrative cost savings to effect the elimination of local assistance programs.
- ◆ **Library Construction and Renovation Bond Fund Audits—** The Governor's Budget proposes an appropriation of \$398,000 from bond funds for state operations to ensure that the authorized funds are used appropriately.



HIGHER EDUCATION

California's public universities and community colleges perform an integral role by ensuring that the state's residents are equipped to succeed in an increasingly challenging workplace. While the Administration recognizes that the work these institutions perform is integral to California's economic well-being, the current economic situation requires that reductions be made to all three segments of higher education. As a consequence of the State's current fiscal environment, it is necessary to suspend elements of the Administration's Partnership Agreement with the University of California (UC), and the California State University (CSU), as well as to make reductions to the California Community College (CCC) budget and increase fees in the CCC for the first time in ten years. The reductions in higher education are proposed with the intent of minimizing the impact on classroom instruction.

Higher Education Access

The 2003-04 Governor's Budget maintains access to higher education by providing over \$383.7 million to fund enrollment growth. The Governor's Budget proposes \$117 million General Fund for UC to support projected enrollment increases of 4.5 percent [8,000 full-time equivalent (FTE) students], for a total General Campus, Health Sciences, and State-funded summer FTE enrollment of 197,628. In addition, this funding provides support for approximately 5,000 FTE over-enrollments that were not funded in the 2002 Budget Act. The Governor's Budget proposes \$151 million General Fund for CSU to support projected enrollment increases of 5.0 percent (16,056 FTE students), for a total FTE enrollment of 337,188. This funding also supports approximately 8,000 FTE over-enrollments that were not funded in the 2002 Budget Act. The CCC is estimated to serve approximately 1,072,000 FTE students in 2003-04. As discussed in greater detail in the CCC section, the



Governor's Budget provides \$115.7 million for 3.0 percent growth for priority instruction programs.

Student Fees

In 2002-03, for the first time in eight years, the UC Board of Regents and the CSU Board of Trustees increased student fees. These increases help UC and CSU fulfill their educational mission while absorbing proposed reductions to their General Fund budgets that are necessitated by the difficult fiscal situation facing the State. Even with these increases, students will continue to pay only a fraction of the total cost of their education. UC and CSU report the average

annual cost of education for an undergraduate student as \$16,470 and \$10,818, respectively. In addition, student fees at UC and CSU remain significantly below the average charged by comparable public universities.

The UC Board of Regents approved a \$135 per-quarter increase in both undergraduate and graduate student fees beginning in the last quarter of the 2002-03 school year, increasing them from \$3,429 to \$3,834 per year for undergraduate students and \$3,609 to \$4,014 per year for graduate students. This represents an 11.8 percent increase in the undergraduate student fee and an 11.2 percent increase in the graduate student fee. The Board of Regents also

FIGURE HIED-1

Higher Education Full-Time Equivalent Students

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2003-04 vs. 2002-03
University of California	152,050	154,141	155,387	157,811	161,400	165,900	171,270	185,304	189,628 ^{1/}	202,628	13,000
Undergraduate	(113,869)	(116,176)	(117,465)	(119,852)	(123,227)	(127,208)	(132,026)	(144,091)	(148,465)	(159,242)	(10,777)
Graduate	(25,546)	(25,346)	(25,318)	(25,682)	(25,629)	(26,114)	(26,666)	(28,487)	(28,897)	(31,020)	(2,123)
Health Sciences	(12,635)	(12,619)	(12,604)	(12,277)	(12,544)	(12,578)	(12,578)	(12,726)	(12,266)	(12,366)	(100)
California State University	247,113	253,376	262,428	267,984	273,928	281,782	290,554	316,395	321,132	338,872	17,740
Undergraduate	(213,390)	(218,529)	(225,624)	(228,909)	(233,155)	(238,923)	(246,511)	(267,100)	(271,124)	(286,321)	(15,197)
Graduate/Post-baccalaureate	(33,723)	(34,847)	(36,804)	(39,075)	(40,773)	(42,859)	(44,043)	(49,295)	(50,008)	(52,551)	(2,543)
Community Colleges	854,831	870,720	902,839	925,328	961,049	998,297	1,041,829	1,103,776	1,136,776	1,072,207	-64,569
Hastings	1,257	1,216	1,284	1,156	1,140	1,116	1,198	1,200	1,200	1,200	0
Total Students	1,255,251	1,279,453	1,321,938	1,352,279	1,397,517	1,447,095	1,504,851	1,606,675	1,648,736	1,614,907	-33,829

^{1/} Budgeted. Estimated enrollment is 195,613 for UC

FIGURE HIED-2

Higher Education Expenditures General Fund, Lottery Funds, State School Fund, Local Revenues and Student Fees (Dollars in Millions)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	One-Year Change Amount	Percent
University of California ^{1/}	\$2,668.6	\$2,769.2	\$2,963.9	\$3,096.9	\$3,480.6	\$3,694.6	\$4,228.0	\$4,482.6	\$4,408.0	\$4,520.2	\$112.2	2.5%
California State University ^{1/}	2,141.8	2,229.2	2,417.8	2,513.5	2,741.1	2,813.1	3,104.5	3,433.2	3,477.3	3,565.6	\$88.3	2.5%
Community Colleges	3,639.1	3,894.2	4,200.4	4,619.3	5,014.5	5,315.4	5,993.4	6,457.8	6,533.2	6,129.4	-\$403.8	-6.2%
Student Aid Commission	226.1	236.8	264.7	295.2	343.4	385.4	487.4	544.0	621.3	699.4	\$78.1	12.6%
Other Higher Education ^{2/}	156.9	156.3	190.2	181.1	180.4	205.4	223.9	207.5	171.7	194.2	\$22.5	13.1%
Total Funds	\$8,832.5	\$9,285.7	\$10,037.0	\$10,706.0	\$11,760.0	\$12,413.9	\$14,037.2	\$15,125.1	\$15,211.5	\$15,108.8	-\$102.7	-0.7%

^{1/} For purposes of this table, expenditures for the UC and CSU have been adjusted to include the offsetting general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.

^{2/} 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.



approved increases in professional school fees that range from an additional \$150 per quarter for nursing and theater/film/television students, and \$400 per quarter for business, dentistry, law, and medicine students.

The CSU Board of Trustees approved a \$72 per-semester increase in undergraduate student fees and a \$114 per-semester increase in graduate student fees beginning in the second semester of the 2002-03 school year. With these increases, undergraduate fees will increase from \$1,428 to \$1,572, and graduate fees will increase from \$1,506 to \$1,734. This represents a 10 percent increase in the undergraduate student fee and a 15 percent increase in the graduate student fee.

Approximately one-third of the additional revenue generated by these fee increases will be directed by UC and CSU toward student financial aid. Furthermore, since the Administration proposes to increase Cal Grant awards to compensate for the fee increases, students with the greatest financial need should see little or no net increase in their out-of-pocket educational expenses.

In order for the CCC to continue to provide a quality education and maintain access amidst weak economic conditions, the Governor's Budget proposes to increase fees from the current level of \$11 per unit to \$24 per unit in 2003-04. As a result, fee revenue will increase by approximately \$149 million, replacing a like amount of General Fund.

Even with the fee increase, the CCC will continue to be the most affordable higher education system in the nation. Students attending the CCC in 2003-04 will pay only

40 percent of the national average for community colleges. Additionally, the Governor's Budget includes funds to offset the associated fees waived for all low-income students meeting Board of Governor's guidelines—roughly 40 percent of all CCC students. Projected short term attrition is expected to lead to General Fund savings of approximately \$215 million. While this estimate is subject to actual student behavior, the Administration intends to work with the Chancellor's office to determine true attrition levels and will consider adjustments to funding based on actual enrollment and FTE student experience in the budget year.

Program adjustments for each higher education segment are discussed below. Enrollments for 2003-04 are indicated in Figure HIED-1. Total funding levels (excluding capital outlay) are shown in Figure HIED-2.

University of California

General Fund Reductions—The December 2002 Mid-Year Spending Reduction Proposals included General Fund reductions of \$74 million to UC's 2002-03 budget. The Governor's Budget saves \$235.6 million in anticipated increases related to the Partnership Agreement and proposes General Fund reductions to UC's base budget of \$373 million. The Governor's Budget also assumes future anticipated student fee increases by the UC Regents to offset General Fund reductions that may affect direct instruction.

The Governor's Budget proposes to allocate the \$373 million in General Fund reductions as follows:



- ◆ \$214 million in unallocated base reductions.
- ◆ A total of \$76 million in reductions for academic and institutional support, student services, and public service.
- ◆ \$33 million for outreach.
- ◆ \$29 million for research.
- ◆ \$15 million for the Subject Matter Projects professional development program.
- ◆ \$4.4 million for AP On-line, which provides opportunities for online access to advanced placement courses for high school students.
- ◆ \$1.1 million for the K-12 Internet Initiative, which provides access to a high speed network for school districts to access advanced placement courses, professional development for teachers, and extended library resources. Sufficient funding remains to support access nodes in 51 counties supporting most K-12 students in the state.

General Fund Increases—The Governor's Budget proposes \$117 million General Fund to support projected enrollment increases of 8,000 full-time equivalent FTE students, for a total General Campus, Health Sciences and State funded summer FTE enrollment of 197,628. This funding also will be used to support approximately 5,000 FTE over-enrollments, for whom enrollment growth funding was not provided in 2002-03.

The Governor's Budget also proposes the following adjustments:

- ◆ \$24 million for lease-revenue bond debt service.
- ◆ \$16 million for increased annuitant health benefits.
- ◆ \$11 million for UC Merced start-up costs.

California State University

General Fund Reductions—The December 2002 Mid-Year Spending Reduction Proposals included General Fund reductions of \$59.6 million in CSU's 2002-03 budget. The Governor's Budget saves \$200.6 million in anticipated funding increases related to the Partnership Agreement and proposes General Fund reductions to CSU's base budget of \$326 million. The Governor's Budget also assumes future anticipated student fee increases by the CSU Trustees to offset General Fund reductions that may affect direct instruction.

The Governor's Budget proposes to distribute the \$326 million in General Fund reductions as follows:

- ◆ \$143 million in unallocated base reductions.
- ◆ A total of \$59 million in reductions for academic and institutional support and public services.
- ◆ \$53 million through increasing the faculty-to-student ratio from 18.9 to 1 to 19.9 to 1.
- ◆ \$53 million in student services.



- ◆ \$13 million in outreach.
- ◆ \$2 million through elimination of Cal Teach, a one-stop information referral and recruitment service for students considering teaching careers that was established in 1997.
- ◆ \$2 million through elimination of the Bilingual Teacher Recruitment Program.
- ◆ \$1.4 million to the Student Fellows Program.

General Fund Increases—The Governor's Budget proposes \$151 million General Fund for CSU to support projected enrollment increases of 16,056 FTE students, for a total FTE enrollment of 337,188. This funding also will be used to support approximately 8,000 FTE over-enrollments, for whom enrollment growth funding was not provided in 2002-03.

The Governor's Budget also proposes:

- ◆ \$68 million for increased Public Employees Retirement System costs.
- ◆ \$1 million for increased annuitant benefit costs.
- ◆ \$1 million General Fund in additional funding for lease-revenue bond debt service.

California Community Colleges

The Governor's Budget proposes over \$6.1 billion for the CCC through a combination of State revenue, local property taxes, federal funds, student fees, lottery proceeds, and other miscellaneous revenues. Of this

amount, \$4.1 billion, including \$1.9 billion in General Fund, counts toward the Proposition 98 guarantee. The primary missions of the CCC are to offer academic and vocational education at the lower division level for both younger and older students; to advance California's economic growth and global competitiveness through education, training, and services that contributes to continuous workforce improvement; and through basic skills courses and adult non-credit instruction to provide remedial instruction to hundreds of thousands of adults throughout the state.

Figure HIED-3 shows total funding for the CCC in 2003-04.

Figure HIED-4 shows the funding sources and their proportions from 2001-02 through 2003-04.

Mid-Year Spending Reduction Proposals—

The December 2002 package proposes a \$97.5 million across the board reduction of 3.66 percent to all CCC Proposition 98 programs, including apportionments. This reduction is continued in the 2003-04 fiscal year. Additionally, apportionments are proposed to be reduced by \$80 million to reflect the estimate of non-compliant credit FTE students claimed in 2001-02 by community college districts providing instruction to concurrently enrolled K-12 students. A \$33.3 million decline in 2002-03 property tax revenues is not proposed to be backfilled due to the State's overall revenue shortfall. Estimated savings totaling \$7.6 million from Special Services for CalWORKs and from increased property taxes from prior years are proposed to be reverted in the current year. In addition, \$396,000 and 1.0 personnel year is proposed for reduc-



tion from state operations in the CCC Chancellor's Office in the current year. These state operations reductions are continued in 2003-04.

Major Local Assistance Adjustments

- ◆ **Enrollment**—The CCC is expected to serve approximately 1,072,000 FTE students in 2003-04. This amount represents a net reduction of 5.7 percent or 65,000 FTE students from the 2002-03 fiscal year. The reduction in FTE students includes estimated attrition and the concurrent enrollment adjustment. Partially mitigating the effects of projected FTE students reductions, the Governor's Budget includes \$115.7 million for 3 percent enrollment growth in apportionments, which will restore approximately 31,000 FTE students to access high priority instructional programs. The level of funded growth exceeds the 1.84 per-

cent change in adult population, the current statutory index for system growth.

- ◆ **Scheduled Maintenance and Instructional Equipment**—The Governor's Budget provides nearly \$70 million for Scheduled Maintenance and Instructional Equipment Replacement, thereby continuing to provide significant funding to help districts upgrade their colleges' physical plant, maintain library collections, and ensure student access to computer labs and relevant instructional equipment for vocational programs.

Local Assistance Reductions

- ◆ **Concurrent Enrollment**—The December 2002 package reduces CCC apportionment funding by \$80 million, and eliminates 22,000 FTE students from K-12 districts that do not meet the requirements of current law. Existing law permits the concurrent enrollment of up to 5 percent of the student population of a high school in community college

FIGURE HIED-3

Significant Revenue Sources for Community Colleges

(Dollars in Millions)

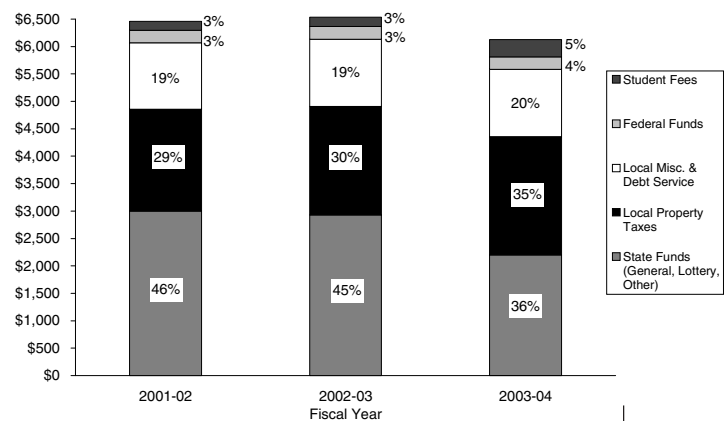
Source of Funds	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Change From 2002-03	
												Dollars	Percent
State General Fund	\$1,279.2	\$1,342.7	\$1,600.3	\$1,872.5	\$2,108.3	\$2,259.7	\$2,551.5	\$2,796.8	\$2,851.1	\$2,775.9	\$2,048.6	-\$727.3	-26.2%
Lottery Fund	94.2	100.7	107.4	95.4	108.7	117.8	126.2	121.0	138.1	141.2	141.2	\$0.0	0.0%
Local Property Taxes	1,278.5	1,332.0	1,348.1	1,335.7	1,422.7	1,487.7	1,585.3	1,713.6	1,852.1	1,980.2	2,157.8	\$177.6	9.0%
Student Fees	186.9	174.9	166.9	163.5	166.5	160.2	155.2	156.7	164.0	168.9	318.5	\$149.6	88.5%
Other State Funds	5.4	7.0	7.1	6.4	7.4	7.3	10.0	12.4	11.9	11.3	7.7	-\$3.7	-32.5%
Federal Funds	136.3	146.1	143.7	142.1	150.0	160.8	185.5	197.5	225.9	228.2	228.2	\$0.0	0.0%
Local Miscellaneous	554.4	533.8	517	582	652	817	697.0	987.5	1,184.0	1,196.3	1,196.3	\$0.0	0.0%
Local Debt Service	2.8	1.7	3.6	3.1	4.2	4.4	4.6	8.2	30.7	31.1	31.1	\$0.0	0.0%
TOTAL REVENUE	\$3,537.8	\$3,638.8	\$3,894.1	\$4,200.4	\$4,619.3	\$5,014.5	\$5,315.4	\$5,993.4	\$6,457.8	\$6,533.2	\$6,129.4	-\$403.8	-6.2%



courses. For a college to claim apportionment, however, the student must have the permission of the parent and the school district's board of education or principal of the school; the community college course must be open to the general public. Furthermore, current law intends that concurrent enrollment be used to provide gifted students college-level academic instruction and vocational instruction to students that cannot be met in secondary schools. To the extent that a college district's concurrent enrollment practices are consistent with the intent of existing law, their apportionment level should not be adversely affected. The Administration will propose statutory changes to ensure the law clarifies that apportionments are only available for the purposes specified above as opposed to courses such as physical education.

- ◆ **Across-the-Board Reductions**—In addition to the continuation of the \$97.5 million reduction proposed in the December 2002 package for the CCC's share of the K-14 3.66 percent across-the-board reduction, the Governor's Budget proposes additional reductions of \$60.3 million to all CCC categorical programs in 2002-03 and 2003-04 for the CCC's share of the K-14 7.46 percent across-the-board reduction.
- ◆ **Targeted Reductions**—In addition to the reductions cited above, \$211.5 million in reductions for 2003-04 are proposed for the following categorical programs that generally augment services provided with discretionary funds:

FIGURE HIED-4
Revenue Sources for Community Colleges
(Dollars in Millions)



- ◇ \$102.4 million for the Partnership for Excellence.
- ◇ \$32.8 for the Extended Opportunity Programs and Services and the Community Assistance Resources for Education program.
- ◇ \$28.4 for Disabled Students Programs and Services.
- ◇ \$1.7 million for the Teacher and Reading Development Partnerships.
- ◇ \$5.1 million for Matriculation.
- ◇ \$169,000 for the Academic Senate.
- ◇ \$341,000 for Part-Time Faculty Health Insurance.
- ◇ \$2.4 million for Part-Time Faculty Office Hours.
- ◇ \$989,000 for the California Virtual University.
- ◇ \$556,000 for the Fund for Instructional Improvement.



- ◇ \$12.2 million for the Economic Development Program.
- ◇ \$10.8 million for Scheduled Maintenance/Special Repairs.
- ◇ \$10.8 million for Instructional Equipment/Library Materials Replacement.
- ◇ \$2.7 million for Hazardous Substance Removal.
- ◆ **Outreach**—A \$3.2 million reduction is proposed for the Fund for Student Success programs, representing a 50 percent reduction that is consistent with reductions taken by the other higher education segments.
- ◆ **Extended Opportunities Programs and Services (EOPS) Proposition 98 Swap**—\$50.9 million from the Proposition 98 Reversion Account will replace an equal amount of 2002-03 Proposition 98 funding for EOPS.

State Operations Adjustments—In addition to the continuation of the \$451,000 General Fund and 8.5 position reduction pursuant to Section 31.60 of the 2002 Budget Act and the \$396,000 General Fund and 1.0 position reduction proposed in the December 2002 package, the Governor's Budget proposes reductions to the CCC Chancellor's Office for 2003-04 of \$1.8 million and 16.5 positions for a total

Other Local Assistance Governor's Budget Proposals

- ◆ **Property Tax Reallocation**—The Governor's Budget proposes to redirect \$10.0 million in excess property tax from Basic Aid districts (i.e. districts

FIGURE HIED-5

Financial Aid Grants General Fund and Fee Revenue Funded (Dollars in Thousands)

Institution/Fund Source	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
University of California ^{1/}	\$176,531	\$180,700	\$195,481	\$196,427	\$212,299	\$226,864	\$234,054	\$242,081	\$241,081	\$313,981
General Fund	53,743	62,644	62,260	60,251	69,228	85,563	85,563	85,938	68,938	68,938
Fee Revenue	122,788	118,056	133,221	136,176	143,071	141,301	148,491	156,143	172,143	145,543
California State University ^{1/}	<u>109,042</u>	<u>110,047</u>	<u>114,588</u>	<u>115,974</u>	<u>120,527</u>	<u>127,386</u>	<u>131,618</u>	<u>135,563</u>	<u>124,559</u>	<u>152,784</u>
General Fund	47,680	47,659	47,684	48,417	54,180	65,647	65,647	65,647	51,147	51,147
Fee Revenue	61,362	62,388	66,904	67,557	66,347	61,739	65,971	69,916	73,412	94,387
Community Colleges ^{1/}										
General Fund	89,551	94,050	100,486	101,636	95,275	85,928	90,540	97,474	100,398	235,949
Student Aid Commission ^{1/}										
General Fund	<u>222,878</u>	<u>230,523</u>	<u>257,670</u>	<u>282,228</u>	<u>334,795</u>	<u>376,850</u>	<u>473,546</u>	<u>543,498</u>	<u>635,038</u>	<u>715,454</u>
Total	\$598,002	\$615,320	\$668,225	\$696,265	\$762,896	\$817,028	\$929,758	\$1,018,616	\$1,101,076	\$1,410,918
General Fund	413,852	434,876	468,100	492,532	553,478	613,988	715,296	792,557	855,521	1,071,488
Fee Revenues	184,150	180,444	200,125	203,733	209,418	203,040	214,462	226,059	245,555	339,430

^{1/} Reflects budgeted amounts for 2002-03 and 2003-04.

^{2/} Includes \$14 million GF for EOP grants through 1998-99 and \$17 million beginning 1999-00.



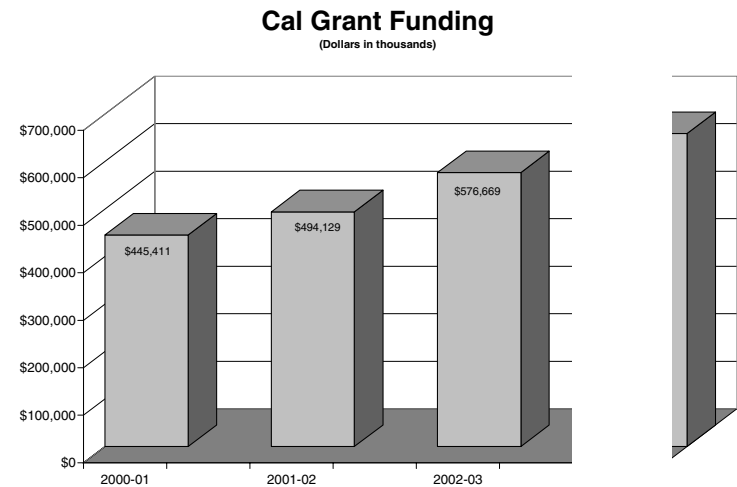
of \$2.2 million. These additional budget year reductions are designed to preserve core services. To help mitigate the proposed reductions, the Governor's Budget provides a \$920,000 increase in reimbursement authority and continues 1.0 position necessary for federal data collection that was formerly funded through General Fund. The Governor's Budget also provides a \$100,000 increase from general obligation bond funds and 1.0 position to address additional workload from the passage of the Kindergarten-University Public Education Facilities Bond Act of 2002 (Proposition 47).

Financial Aid Programs

To ensure access to higher education for all qualified students, regardless of income, the Administration proposes to increase Cal Grant funding to fully cover the student fee increases enacted by UC and CSU in 2002-03, and additional fee increases that are anticipated to be implemented in 2003-04.

Cal Grants Awards are statutorily required to be increased to reflect fee increases approved by the segments. The Governor's Budget reflects a \$5.4 million increase in 2002-03 and \$13.8 million for the full 2003-04 academic year to reflect those actions. The Budget also reflects an increase in Cal Grants for 2003-04 in anticipation of future student fee increases. The total General Fund provided for Cal Grant A and B awards therefore increases by \$82 million over the amount projected for expenditure in 2002-03, from \$577 million to \$659 million (see Figure HIED-5).

FIGURE HIED-6



In view of the State's current fiscal situation, the Administration proposes the following General Fund reductions to financial aid programs:

- ◆ \$10 million to reflect a 9 percent reduction in the value of new Cal Grant A and B awards provided to recipients who attend private colleges and universities.
- ◆ \$5 million through elimination of the State Work Study Program.
- ◆ \$4 million by reducing from 10,730 to 7,690 the number of Cal Grant C awards annually issued.
- ◆ \$3 million by reducing from 1,390 to 850 the number of Cal Grant T awards annually issued.

Figure HIED-6 shows growth in Cal Grant A and B awards in recent years.



California Postsecondary Education Commission

In view of the current General Fund situation, the Governor's Budget proposes to reduce General Fund expenditures for state operations at the California Postsecondary Education Commission by \$1.4 million, from \$2.1 million to \$700,000. This reduction is an increase from that proposed in the December 2002 package to the 2002 Budget Act, and will result in the elimination of 23.5 of the Commission's 28.5 positions.



HEALTH AND HUMAN SERVICES

Health and human services programs provide medical, dental, mental health, and social services to California's most needy citizens. For the 2003-04 fiscal year, expenditures for all Health and Human Services Agency budgets total \$61.4 billion in combined State and federal funds. This includes expenditures for approximately 31,220 personnel years.

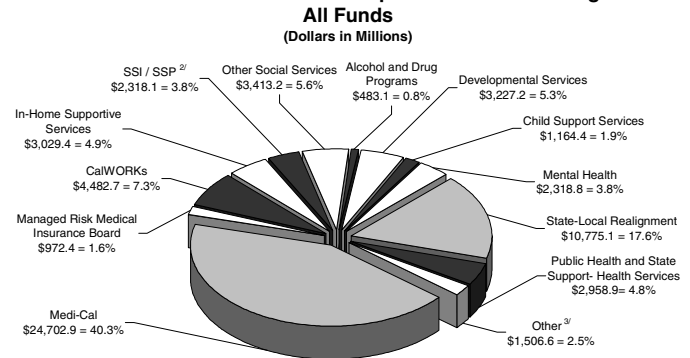
Figure HHS-1 displays expenditures for each major program area, and Figure HHS-2 displays program caseloads.

Department of Health Services

The mission of the Department of Health Services (DHS) is to protect and improve the health of all Californians. To accomplish this, the DHS administers a broad range of public health programs and the California Medical Assistance Program—Medi-Cal. In 2003-04, the DHS budget totals \$27.7 billion (\$7.6 billion General Fund) and 5,674 personnel years. Funding for 2003-04 reflects a General Fund decrease of \$3 billion compared to the 2002 Budget Act.

FIGURE HHS-1

Health and Human Services Proposed 2003-04 Funding ^{1/}



^{1/} Totals \$61,352.8 million for support and local assistance. This figure includes reimbursements of \$6,138.7 million and excludes county funds that do not flow through the State budget.

^{2/} Supplemental Security Income/State Supplementary Payment

^{3/} Includes Health and Human Services Agency, Department and Commission on Aging, Department of Rehabilitation, Health and Human Services Agency Data Center, Office of Statewide Health Planning and Development, State Independent Living Council, California Children and Families Commission, State Council on Developmental Disabilities, and California Medical Assistance Commission.

Public Health

The DHS administers numerous public health programs to prevent disease and premature death and to enhance the health and well-being of all Californians. In addition, the DHS works to prevent and control chronic diseases such as Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS), cancer, cardiovascular disease, and environmental and occupational diseases. Further, the



FIGURE HHS-2

Major Health and Human Services Program Caseloads

	2002-03 Revised	2003-04 Estimate	Change
California Children's Services ^{a/} (treatment of physical handicaps)	172,340	178,380	6,040
Medi-Cal Certified Eligible	6,477,300	6,268,200	-209,100
CalWORKs			
Avg. Monthly persons served	1,416,000	1,342,000	-74,000
Avg. Monthly cases	511,000	514,000	3,000
Foster Care Trend	89,400	91,600	2,200
SSI/SSP (support for aged, blind, and disabled)	1,126,400	1,133,800	7,400
In-Home Supportive Services	297,300	320,600	23,300
Child Welfare Services ^{b/}	174,400	170,600	-3,800
Non-Assistance Food Stamps	338,400	381,400	43,000
State Hospitals			
Mental health clients ^{c/}	4,786	4,874	88
Developmentally disabled clients ^{c/}	3,667	3,596	-71
Community Developmentally Disabled Services			
Regional Centers	183,540	193,103	9,563
Vocational Rehabilitation	80,851	80,851	0
Alcohol and Drug Programs ^{d/}	352,330	71,300	-281,030
Healthy Families Program ^{e/} Children	668,500	768,200	99,700

^{a/} Represents unduplicated quarterly caseload in the CCS Program.

^{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 California Medical Facility, Vacaville.

^{d/} Beginning in 2003-04, Alcohol and Drug Programs will be realigned for local control. The 2003-04 figure represents drug Medi-Cal caseload only.

^{e/} Represents the year-end population.

DHS protects the public from consuming unsafe drinking water, manages and regulates the safety of food, drugs, medical devices, and radiation sources, and operates vital public health laboratories that support these activities and programs. Expenditures for all public health programs and State operations total \$2.9 billion (\$452.3 million General Fund) in 2003-04. This represents a decrease of \$219 million, or 32.6 percent below General Fund expenditures in the 2002 Budget Act.

Major Augmentations

The Governor's Budget includes the following major funding augmentations:

Breast Cancer—An increase of \$1.7 million federal funds in the Breast and Cervical Cancer Control Program (BCCCCP) to reflect additional federal grant funding. The Proposition 99 funding support for the BCCCCP was reduced by a similar amount, to maintain program funding at \$33.3 million in 2003-04. In addition, \$4.8 million was shifted from state operations to local assistance to align funding with new State regulations on contracting.

Women, Infants, and Children's (WIC) Supplemental Nutrition Program—An additional \$15.5 million in federal funds in the current year and \$84.4 million in the budget year for the WIC Supplemental Nutrition program. This increase will allow 24,000 additional low-income pregnant and breastfeeding women, infants, and children less than five years of age to receive supplemental food, nutritional education, and referrals to health and social services.

Proposition 50—\$112.3 million from Proposition 50, the Water Security, Clean Drinking Water, Coastal, and Beach Protection Act of 2002, for the DHS to facilitate various statewide water security improvements and to provide safe drinking water grants and loans primarily targeted at Southern California water agencies to help them reduce Colorado River water use. (See Natural Resources section.)

Public Health Caseload Program Efficiencies and Drug Rebate—\$439,000 General Fund, \$282,000 federal funds, and 8 posi-



tions (7.3 personnel years) to provide staff and contract funds to provide client and provider information to contain rising expenditures in the Genetically Handicapped Persons Program (GHPP), and to develop, implement, and operate a drug rebate program for the California Children's Services (CCS) and the GHPP. Implementation of the rebate program will result in an additional \$3.6 million General Fund savings in 2003-04.

Asthma Initiative—A continuation of \$2.8 million in reimbursements and four limited-term positions (3.7 personnel years) in 2003-04 for the Childhood Asthma Initiative. The initiative strives to decrease asthma morbidity and improve the quality of life of children with asthma who are less than five years old and their families.

Low-Level Radioactive Waste—An additional \$1.7 million Radiation Control Fund to meet the requirements of Chapters 891 and 513, Statutes of 2002, which require enhanced monitoring and oversight of the storage and disposal of low-level radioactive waste (LLRW). Specifically, generators of LLRW will provide detailed information to the DHS concerning all LLRW sent to disposal facilities, stored for disposal by decay, or stored for future disposal. The DHS will develop LLRW disposal facility regulations, provide outreach to industry, maintain specified information, and prepare an annual summary report.

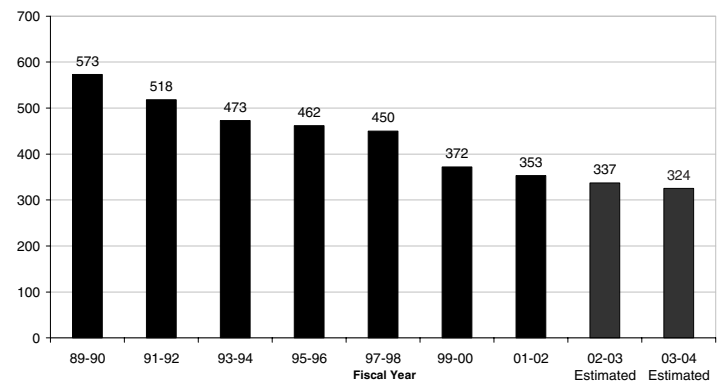
Proposition 99 Expenditures

Californians continue to use fewer tobacco products each year, in part as a result of the effectiveness of the Tobacco Tax and Health

Protection Act of 1988 (Proposition 99). As a result, estimated revenues for 2003-04 will decline \$15.7 million to \$324.5 million from the 2002 Budget Act level (see Figure HHS-3.) With other revenue adjustments (carryover, interest, and Proposition 117 transfers), 2003-04 total resources will be \$27.2 million below the 2002 Budget Act level, or \$338.4 million, which continues the year-to-year decline in Proposition 99

FIGURE HHS-3

Cigarette and Tobacco Products Surtax Fund
Proposition 99 Revenues
1989 to 2004
(Dollars in Millions)



resources. In addition, the Access for Infants and Mothers (AIM) program is expected to increase by 41 percent, increasing Proposition 99 expenditures by \$26.8 million. As a result of declining revenues and higher expenditures in the AIM program, Proposition 99 funding to other health programs is decreased as follows:

2002-03 Expenditures—The Governor's Budget proposes expenditures of \$176.1 million to continue the base level of services for all DHS programs, except for decreases of \$1.1 million in the Expanded Access for Primary Care (EAPC) program



and \$12.4 million in the California Healthcare for Indigents Program (CHIP), and an increase of \$10.9 million for AIM.

2003-04 Expenditures—The Governor's Budget proposes expenditures of \$135.4 million for DHS programs. Due to lower revenues and higher AIM program costs, funding for health programs decline by an average of 9.2 percent, with three exceptions—the Comprehensive Perinatal Outreach and the Breast Cancer Early Detection programs, and State administration. The Comprehensive Perinatal Outreach program, a discretionary program, was eliminated consistent with other outreach reductions, resulting in a savings of \$1.3 million. The Breast Cancer Early Detection Program was reduced by 10 percent, or \$1.7 million, to match a similar increase in federal grant funding. The Program will remain at its current total funding of \$33.3 million in 2003-04. State administration was reduced by 14 percent, or \$1.4 million, in recognition of smaller programs requiring less administration. In addition, \$58.1 million for EAPC, the CHIP, and County Health Services will be provided to counties as part of the Healthy Communities realignment proposal (see Preserving Critical Programs section).

- ◆ The Governor's Budget proposes a \$16.1 million anti-tobacco media campaign in 2003-04 as part of the total \$68.3 million Proposition 99-funded effort to reduce tobacco use.

Proposition 99 revenues and expenditures for 2001-02, 2002-03, and 2003-04 are reflected in Figures HHS-4 thru HHS-6.

Other Public Health Adjustments

HIV/AIDS Program Reductions and Establishment of Co-payments—The Governor's Budget maintains the Administration's commitment to fighting the AIDS epidemic by providing \$293.5 million (\$124.8 million General Fund) for HIV/AIDS prevention, education, care, and treatment programs. The Governor's Budget proposes an increase of \$8.3 million General Fund for the AIDS Drug Assistance Program (ADAP). The Governor's Budget also proposes to impose a drug co-payment on ADAP recipients with incomes between 200 and 400 percent of the federal poverty level (FPL). Recipients with average annual incomes between \$21,643 and \$30,233 will pay approximately \$1,299 to \$1,814 annually for the life-sustaining drugs provided by ADAP.

Consolidation of Domestic Violence Shelter Programs—The Budget proposes to consolidate all of the domestic violence shelter programs within one agency. As a result, the Budget proposes the transfer of existing domestic violence shelter programs in the Office of Criminal Justice Planning (OCJP) to the DHS, shifting \$730,000 General Fund and \$9.1 million federal funds from the OCJP to the DHS. This will provide \$32.5 million (\$22.5 million General Fund, \$9.1 million federal funds, and \$900,000 special funds) in domestic violence funding in 2003-04, which will be allocated to local shelters.

Consolidation of Emergency Medical Services Authority (EMSA) into the DHS—The Governor's Budget proposes the consolidation of the EMSA into the DHS in order to provide program savings and greater efficiencies. The DHS will now



FIGURE HHS-4

Cigarette and Tobacco Products Surtax Fund (Proposition 99)

Revenues and Expenditures - 2001-02 Actual

(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	\$69,273	\$1,044	\$288	\$56,334	\$4,757	\$26,281	\$157,977
Prior Year Adjustment	-	-29,018	80	-7	-46,096	-3,193	-256	-78,490
Revenues	\$1,545	66,504	116,383	33,252	16,626	16,626	83,130	334,066
Proposition 10 Backfill	-	15,900	-	-	4,000	-	-	19,900
Interest	-	3,558	298	81	2,325	22	1,309	7,593
Total Revenues	\$1,545	\$126,217	\$117,805	\$33,614	\$33,189	\$18,212	\$110,464	\$441,046
Transfers:								
Habitat Conservation Fund	-	-	-	-	-	-	-\$8,444	-\$8,444
Net Resources	\$1,545	\$126,217	\$117,805	\$33,614	\$33,189	\$18,212	\$102,020	\$432,602
Expenditures:								
Department of Health Services	-	\$84,928	\$71,277	\$6,372	\$4,930	-	\$58,649	\$226,156
Department of Education	-	28,064	-	-	-	-	-	28,064
University of California	-	-	-	-	19,434	-	-	19,434
California Conservation Corps	-	-	-	-	-	\$267	-	267
Forestry and Fire Protection	-	-	-	-	-	333	-	333
Fish and Game	-	-	-	-	-	1,578	-	1,578
State Coastal Conservancy	-	-	-	-	-	147	-	147
Parks and Recreation	-	-	-	-	-	13,690	-	13,690
Water Resources Control Board	-	-	-	-	-	1,769	-	1,769
Board of Equalization	\$1,545	-	-	-	-	-	-	1,545
Office of Statewide Health Planning	-	-	-	-	-	-	1,032	1,032
Access for Infants and Mothers	-	-	24,300	13,313	-	-	1,000	38,613
Major Risk Medical Insurance	-	-	24,393	14,607	-	-	25,571	64,571
Direct Pro Rata Charges	-	488	72	-	-	-	-	560
Total Expenditures	\$1,545	\$113,480	\$120,042	\$34,292	\$24,364	\$17,784	\$86,252	\$397,759
Reserve	\$0	\$12,737	-\$2,237	-\$678	\$8,825	\$428	\$15,768	\$34,843

FIGURE HHS-5

Cigarette and Tobacco Products Surtax Fund (Proposition 99)

Revenues and Expenditures - 2002-03 Estimated

(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	\$12,737	-\$2,237	-\$678	\$8,825	\$420	\$15,768	\$34,835
Prior Year Adjustment	-	-	-	-	-	-	-	-
Revenues	\$2,105	63,979	111,963	31,990	15,995	15,995	79,972	321,999
Proposition 10 Backfill	-	13,400	-	-	3,400	-	-	16,800
Interest	-	3,558	298	81	2,325	22	1,309	7,593
Total Revenues	\$2,105	\$93,674	\$110,024	\$31,393	\$30,545	\$16,437	\$97,049	\$381,227
Transfers:								
Habitat Conservation Fund	-	-	-	-	-	-	-\$8,128	-\$8,128
Net Resources	\$2,105	\$93,674	\$110,024	\$31,393	\$30,545	\$16,437	\$88,921	\$373,099
Expenditures:								
Department of Health Services	-	\$60,356	\$54,093	\$2,910	\$4,930	-	\$53,842	\$176,131
Department of Education	-	27,996	-	-	-	-	-	27,996
University of California	-	-	-	-	19,434	-	-	19,434
California Conservation Corps	-	-	-	-	-	\$277	-	277
Forestry and Fire Protection	-	-	-	-	-	389	-	389
Fish and Game	-	-	-	-	-	-	-	-
State Coastal Conservancy	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	13,311	-	13,311
Water Resources Control Board	-	-	-	-	-	2,125	-	2,125
Board of Equalization	\$2,105	-	-	-	-	-	-	2,105
Office of Statewide Health Planning	-	-	-	-	-	-	1,047	1,047
Access for Infants and Mothers	-	-	24,393	14,607	-	-	31,682	70,682
Major Risk Medical Insurance	-	-	30,283	13,799	-	-	1,000	45,082
Direct Pro Rata Charges	-	184	148	17	149	-	225	723
Total Expenditures	\$2,105	\$88,536	\$108,917	\$31,333	\$24,513	\$16,102	\$87,796	\$359,302
Reserve	\$0	\$5,138	\$1,107	\$60	\$6,032	\$335	\$1,125	\$13,797



FIGURE HHS-6

Cigarette and Tobacco Products Surtax Fund (Proposition 99)
Revenues and Expenditures - 2003-04 Estimated
(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	\$5,138	\$1,107	\$60	\$6,032	\$329	\$1,125	\$13,791
Prior Year Adjustment	-	-	-	-	-	-	-	-
Revenues	\$2,320	61,536	107,688	30,768	15,384	15,384	76,920	310,000
Proposition 10 Backfill	-	13,400	-	-	3,400	-	-	16,800
Interest	-	3,558	298	81	2,325	22	1,309	7,593
Total Revenues	\$2,320	\$83,632	\$109,093	\$30,909	\$27,141	\$15,735	\$79,354	\$348,184
Transfers:								
Habitat Conservation Fund	-	-	-	-	-	-	-\$7,823	-\$7,823
Net Resources	\$2,320	\$83,632	\$109,093	\$30,909	\$27,141	\$15,735	\$71,531	\$340,361
Expenditures:								
Department of Health Services	-	\$53,788	\$0	\$0	\$4,738	-	\$18,860	\$77,386
Department of Education	-	27,996	-	-	-	-	-	27,996
University of California	-	-	-	-	19,434	-	-	19,434
California Conservation Corps	-	-	-	-	-	\$285	-	285
Forestry and Fire Protection	-	-	-	-	-	384	-	384
Fish and Game	-	-	-	-	-	775	-	775
State Coastal Conservancy	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	11,747	-	11,747
Water Resources Control Board	-	-	-	-	-	2,120	-	2,120
Board of Equalization	\$2,320	-	-	-	-	-	-	2,320
Office of Statewide Health Plannin	-	-	-	-	-	-	1,047	1,047
Access for Infants and Mothers	-	-	24,393	14,607	-	-	27,204	66,204
Major Risk Medical Insurance	-	-	50,660	13,768	-	-	1,000	65,428
Enhanced State-Local Realignment	-	-	33,206	2,469	-	-	22,376	58,051
Direct Pro Rata Charges	-	175	153	14	-	2	177	521
Total Expenditures	\$2,320	\$81,959	\$108,412	\$30,858	\$24,172	\$15,313	\$70,664	\$333,698
Reserve	\$0	\$1,673	\$681	\$51	\$2,969	\$422	\$867	\$6,663

provide the statewide coordination of emergency medical services (EMS), regulate the education, training, and certification of EMS personnel, develop guidelines for local emergency medical services, and coordinate the State's medical response to any disaster.

Cancer Research—The Administration proposed to reduce this program in December 2002 for savings of \$6.3 million in 2002-03. The Governor's Budget further proposes to eliminate State-funded cancer research as existing research contracts expire. This will capture savings of \$12.5 million in 2003-04 and annually thereafter. State-funded research comprises

only a small proportion of all the cancer research performed in California, the country, and internationally.

Prostate Cancer—Due to lower than anticipated participation in the Prostate Cancer Treatment Program, the Administration proposed to reduce funding for this program in December 2002 for savings of \$10 million in 2002-03. The Governor's Budget proposes to reduce funding by another \$5 million for a total reduction of \$15 million in the budget year.

Outreach and Media Activities—The Governor's Budget eliminates a number of outreach and media campaigns to preserve General Fund resources for treatment programs and other direct services, result-



ing in savings of \$11.8 million. Most of the outreach information is available through other resources, including the news media, federal programs, public service announcements, and on-line information maintained by the DHS.

Healthy Communities Realignment—

Given the State's current fiscal environment and a desire to maintain important public health programs, the Governor's Budget proposes to transfer program responsibility and funding for certain public health programs to the counties. These programs include:

- ◆ Adolescent Family Life Program
- ◆ Black Infant Health Program
- ◆ Indian Health Program
- ◆ Local Health Department Maternal and Child Health Program
- ◆ Expanded Access to Primary Care
- ◆ Grants-in-Aid for Clinics Program
- ◆ Rural Health Services Development Program
- ◆ Seasonal Agricultural and Migratory Workers Program
- ◆ County Health Managed Care Program
- ◆ California Health Care for Indigents Program
- ◆ Rural Health Services Program
- ◆ Public Health Subvention

These programs will continue to draw matching federal funds and \$58.1 million in Proposition 99 funds. The cost of the

programs being realigned is approximately \$143.4 million (\$66.6 million General Fund). While maintaining the same funding level in 2003-04, the shift of funding and program responsibility will allow local governments to determine priorities and needs. Without realignment of these programs, significant General Fund reductions would need to be considered.

Medi-Cal

Medi-Cal, California's Medicaid program, is a health care entitlement for low-income individuals and families who receive public assistance or lack health care coverage. Federal law requires Medi-Cal to provide a set of basic services such as doctor visits, laboratory tests, X-rays, hospital inpatient and outpatient care, and skilled nursing care. In addition, federal matching funds are available if states choose to provide any of 34 optional benefits. These services are delivered by a wide range of public and private providers and facilities. Providers are reimbursed by the traditional fee-for-service

FIGURE HHS-7

Average Monthly Medi-Cal Eligibles as a Percentage of California Population

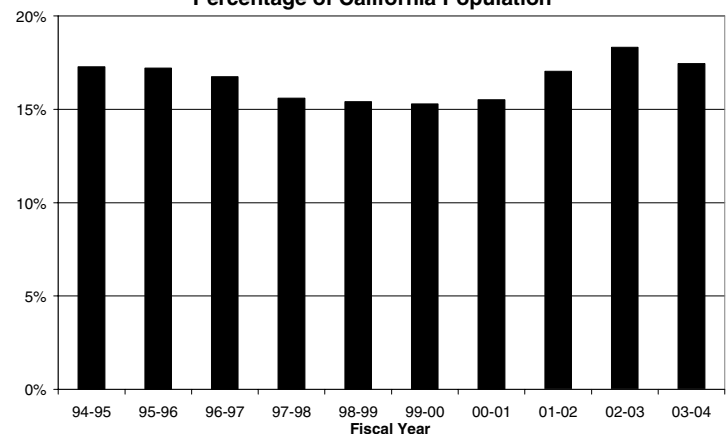
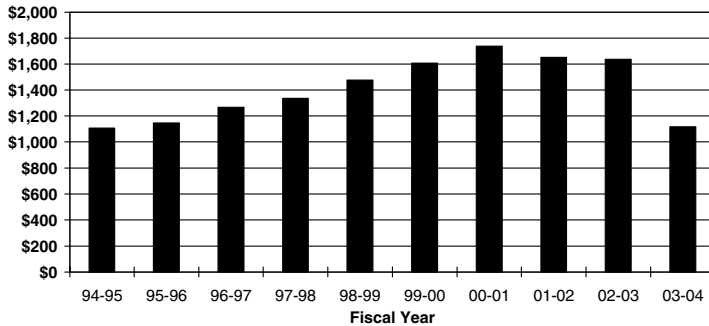


FIGURE HHS-8

Annual Medi-Cal General Fund Cost Per Average Monthly Eligible



method and by specific monthly capitated payments under managed care. Medi-Cal is a key component of California's health care delivery system, serving 17.3 percent of Californians (see Figure HHS-7).

2002-03 Expenditures—Medi-Cal expenditures are expected to be \$29.2 billion (\$10.6 billion General Fund), a General Fund increase of 8.5 percent over the prior year. General Fund expenditures are \$755.7 million above the 2002 Budget Act, an increase of 7.7 percent, due to caseload

increases. Figure HHS-8 displays annual General Fund cost per average monthly eligible.

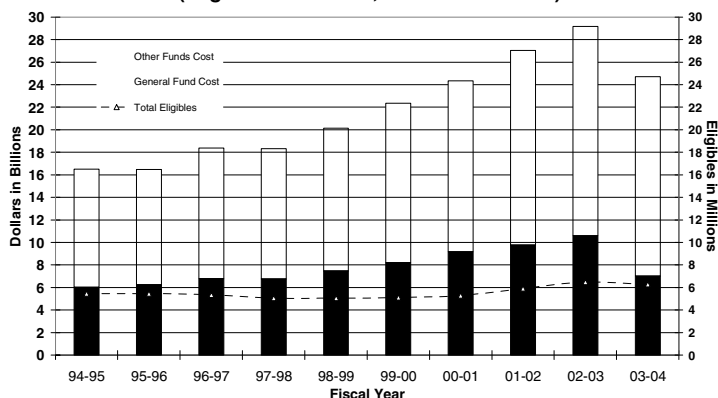
2003-04 Expenditures—Medi-Cal spending is projected to be \$24.7 billion (\$7 billion General Fund), a General Fund decrease of \$2.8 billion, or 28.9 percent, below the 2002 Budget Act. The General Fund decrease is due largely to the Administration's realignment of \$3 billion of Medi-Cal expenditures to the counties. Average monthly caseload is expected to decrease in 2003-04, by approximately 209,000, or 3.2 percent, to 6,268,200 million eligibles. Figure HHS-9 displays year-to-year comparisons of Medi-Cal caseload and costs.

Some programs, such as mental health services, in departments other than the DHS, are also eligible for federal Medicaid reimbursement. The federal funding for these programs is included in Medi-Cal expenditure totals, but State and local matching funds typically appear in the budgets for the other State agencies or local governments. Consequently, nonfederal matching funds of over \$3.2 billion for those programs are not included in the Medi-Cal program costs.

Caseload—Currently, about 6.5 million people, just over one in five Californians, qualify for Medi-Cal in any given month. The number of people eligible for Medi-Cal in 2002-03 is now estimated to be about 9.5 percent above the 2001 Budget Act. Caseload is expected to decrease by 3.2 percent below the 2002 Budget Act in 2003-04. This overall decrease compares to

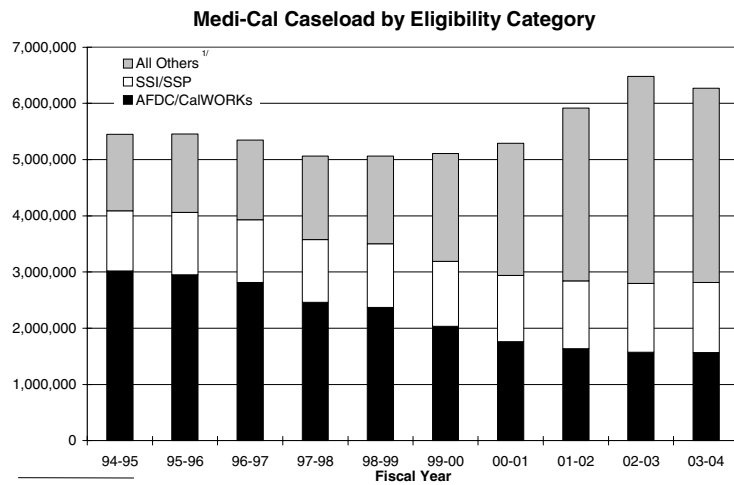
FIGURE HHS-9

Medi-Cal Caseload and Costs, 1994-95 through 2003-04 (Eligibles in Millions, Dollars in Billions)



Note: The large non-General Fund portion of total expenditures reflects disproportionate share and voluntary governmental transfers for hospitals, as well as federal Medicaid funds which flow through the DHS budget to other departments.



FIGURE HHS-10

an expected 3.6 percent increase in the state's population for the same two-year period (see Figure HHS-10).

The number of people made eligible for Medi-Cal through their eligibility for Public Assistance cash grants has been declining since 1995. These eligibles represent

45 percent of all Medi-Cal eligibles. Overall caseload is increasing, and the portion comprised of aged, blind, and disabled beneficiaries is expected to increase by 6.8 percent, to 1,547,000 beneficiaries in 2002-03.

Figure HHS-11 shows federal data from 2001 (the most recent information available from the Centers for Medicare and Medicaid Services) for the ten most populous states.

By percentage of state population, California served about 15.3 percent of state

residents, exceeded only by New York. California also has one of the lowest average cost-per-recipient rates in the nation—\$4,607 per beneficiary, versus a national average of \$5,475 per beneficiary, in federal fiscal year 2001.

FIGURE HHS-11

**Federal Medicaid Program - Interstate Comparisons
Ten Most Populous States
Federal Fiscal Year 2001**

	Medicaid as a Percentage of State's Budget	Average Monthly Eligibles as a Percentage of Total Population	Expenditures, Total Funds (Dollars in Millions)	Average Monthly Eligibles	Expenditures Per Eligible	Federal Sharing Ratio (FMAP)
All States	19.6	12.9	\$200,431	36,608,300	\$5,475	
California	16.4	15.3	24,345	5,284,500	4,607	51.4
Texas	20.1	9.3	10,542	1,972,900	5,343	60.1
New York	25.3	16.4	20,203	3,114,500	6,487	50.0
Florida	17.0	11.2	8,897	1,831,700	4,857	56.4
Illinois	22.5	11.8	8,458	1,474,300	5,737	50.0
Pennsylvania	28.3	12.0	11,531	1,471,000	7,839	54.6
Ohio	19.8	12.1	8,367	1,378,600	6,069	58.7
Michigan	19.1	11.9	7,249	1,186,000	6,112	56.3
New Jersey	22.3	9.8	7,195	830,700	8,661	50.0
Georgia	19.4	12.7	4,831	1,063,100	4,544	59.0

Medicaid Services, and the Kaiser Commission on Medicaid and the Uninsured.



FIGURE HHS-12
Prescriptions per User and Cost per Prescription,
Fee-for-Service Drugs

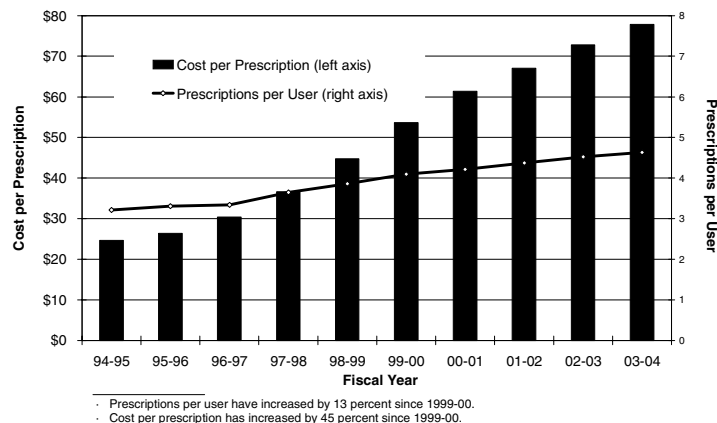
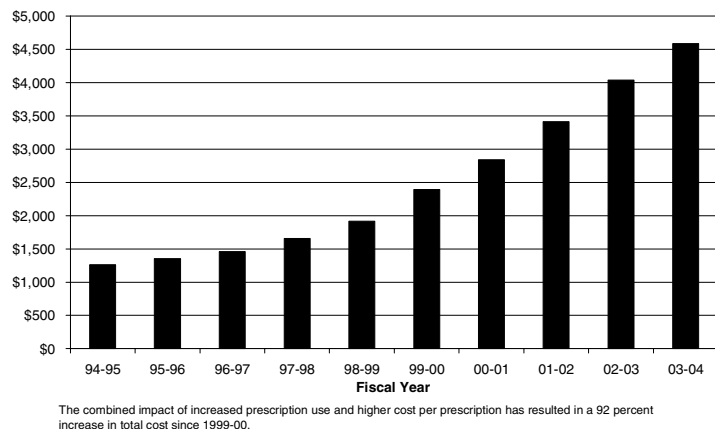


FIGURE HHS-13
Total Fee-for-Service Drug Expenditures
(Dollars in Millions)



Benefits—All states are federally required to provide specific, basic medical services to Medicaid beneficiaries, including: (1) physician, nurse practitioner, and nurse-midwife services, (2) hospital inpatient and outpatient services, (3) specified nursing home care, (4) laboratory and x-ray services, (5) home health care, and (6) early and periodic screening, diagnosis, and treatment services for children until age 21.

In addition, federal matching funds are available for 34 optional services. These services include outpatient drugs, adult dental services, optometry, hospice, and occupational therapy. Currently, California offers all 34 optional benefits. Due to the economic downturn and the State's fiscal constraints, the Administration proposes to eliminate 18 of these benefits, including adult dental services, medical supplies, and non-emergency medical transportation. Eight of these optional benefits were proposed for elimination in December 2002 (see Figure HHS-14).

Medical costs vary considerably among the various categories of those eligible for Medi-Cal. For example, an individual receiving Medi-Cal as a result of California Work Opportunity and Responsibility to Kids (CalWORKs) eligibility will use services valued at about \$116 per month in 2003-04, whereas a disabled person in long-term care will use about \$4,080 in benefits per month.

Drugs—During the last several years, the cost of drugs has increased dramatically (see Figures HHS-12 and HHS-13), and pharmaceutical costs have become a significant component of all health care costs. Technological advances in the development of new drugs, increased advertising of new and more expensive drugs, and expedited federal approval of new drugs have contributed to rising costs. As cost-control strategies, the Medi-Cal program utilizes a Medi-Cal List of contract drugs and a State supplemental rebate program. Funding in the 2002 Budget Act includes \$2 million (\$643,000 General Fund) for additional staff to implement activities that will augment existing cost-control efforts.



Savings of \$174.1 million (\$87 million General Fund) in 2002-03 and \$259.8 million (\$129.9 million General Fund) in 2003-04 are projected to result from these activities.

Managed Care—Currently, approximately 3.4 million Medi-Cal beneficiaries (more than half of the people receiving Medi-Cal benefits and services) are enrolled in managed care plans. Managed care enrollment has increased from 2.4 million enrollees in 1999-00 to a projected total of 3.4 million enrollees in 2002-03. The funding for managed care plans has increased from \$3.4 billion (\$1.7 billion General Fund) in 1999-00 to \$4.7 billion (\$2.3 billion General Fund) in 2003-04.

The Medi-Cal Managed Care program is a comprehensive, coordinated approach to health care delivery designed to: (1) improve access to preventive primary care, (2) improve health outcomes, and (3) control the cost of medical care. Managed care includes three major health care delivery systems: the two-plan model, Geographic Managed Care (GMC), and County Organized Health Systems (COHS). Approximately 73 percent of Medi-Cal managed care beneficiaries are enrolled in the two-plan model, first implemented in January 1996. Twelve counties were initially selected to offer beneficiaries a choice between two managed care plans. Each two-plan county offers the choice between a commercial plan selected through a competitive bidding process or the county-sponsored “local initiative.” The commercial plan consists mainly of providers who have traditionally served the Medi-Cal population. The model assures continued participation by the “traditional” providers and maximizes

the types of providers caring for beneficiaries. At full enrollment, approximately 2.5 million beneficiaries will be enrolled in a plan in a two-plan model county.

The GMC model allows the State to contract with multiple managed care plans in 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 334,700 beneficiaries are enrolled in GMCs.

The third model, the COHS, 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. Five COHSs serving seven counties are currently in operation. Approximately 610,000 beneficiaries are enrolled in COHS.

Continued Support of Health Care for Children

In the Governor’s Budget, the Administration maintains its commitment to providing health care coverage to California’s low-income children. The Governor’s Budget proposes to continue recent program expansions, known as Continuous Eligibility for Children and Accelerated Enrollment for Children, and to implement a gateway into Medi-Cal and the Healthy Families Program (HFP) through the Child Health and Disability Prevention (CHDP) program, as follows:

Continuous Eligibility for Children—Chapter 945, Statutes of 2000 (AB 2900), provides 12-month continuing Medi-Cal eligibility to children 19 years of age and younger. This expansion reduces the num-



ber of uninsured children in California and ensures continuity of medical care. The Governor's Budget includes a total of \$486.6 million (\$243.3 million General Fund) to provide continuous Medi-Cal eligibility for an estimated 471,500 children. Since 2000-01, the Administration has provided a total of \$1.3 billion (\$638.9 million General Fund) to support this expansion.

Accelerated Enrollment: Single Point-of-Entry—The Accelerated Enrollment Program, implemented July 1, 2002, enables the DHS to temporarily enroll children under the age of 19 into the Medi-Cal program. These children must apply through the single point-of-entry for Medi-Cal and/or HFP, and appear to be qualified to receive no-cost Medi-Cal after the initial screening. Under the Accelerated Enrollment Program, these children are entitled to temporary, fee-for-service, full-scope, no-cost Medi-Cal while the county welfare department makes a final determination regarding their eligibility for Medi-Cal. There will be approximately 67,700 children receiving Medi-Cal benefits through the Accelerated Enrollment program. As a result of the presumptive eligibility mechanism, expenditures are projected to reach \$20.8 million (\$10.4 million General Fund) for 2002-03 and 2003-04.

CHDP Program Gateway to Medi-Cal—The 2002 Budget Act provides \$8.8 million for the CHDP Gateway program. The CHDP currently provides health assessments to approximately 1.1 million children each year. Most of the children covered by the CHDP program are also eligible for comprehensive health care under Medi-Cal or the HFP. The Governor's Budget proposes to

provide for the use of the CHDP program as a gateway to streamline enrollment into these comprehensive health care programs. Under this plan, pre-enrolled children will be immediately eligible, for up to two months, for a CHDP health assessment and for comprehensive medical care provided through Medi-Cal or the HFP. The Governor's Budget includes funding of \$283.9 million (\$137.1 million General Fund) for the Gateway program. The Governor's Budget also includes reduced funding for the CHDP program (\$80.6 million General Fund), for a net funding increase of \$56.5 million General Fund.

Additionally, the Administration continues to demonstrate its commitment to maximizing health care coverage for California's uninsured children by implementing two expansions that will greatly facilitate their enrollment into Medi-Cal. This streamlining of enrollment, referred to as Express Lane eligibility, will link Medi-Cal eligibility with that of other public programs that serve low-income individuals.

- ◆ **Eligibility to Children Receiving Free School Lunches**—Chapter 894, Statutes of 2001 (AB 59), will facilitate enrollment into Medi-Cal for uninsured school children by linking Medi-Cal eligibility with free school lunch eligibility. This new expansion will automatically enroll school children under age six who are receiving free school lunches into the Medi-Cal program. This expansion will also require counties to determine Medi-Cal eligibility for school children older than six receiving free school lunches and enroll them pending completion of a Medi-Cal application. It is estimated that this



expansion will result in 5,850 additional children receiving Medi-Cal coverage in 2003-04. The Governor's Budget provides \$4.3 million (\$2.1 million State funding) to support this expansion.

- ◆ **Facilitating Medi-Cal Enrollment and Eligibility for Persons Receiving Food Stamps**—Pursuant to Chapter 897, Statutes of 2001 (SB 493), this expansion will facilitate the enrollment of low-income, uninsured families into the Medi-Cal program by linking Medi-Cal eligibility with the Food Stamp Program. AB 59 requires counties to send Medi-Cal and HFP enrollment information to families receiving food stamps. SB 493 requires counties to send Medi-Cal enrollment information to families receiving food stamps at their annual eligibility redetermination. It is expected that this linkage of food stamp eligibility with the Medi-Cal program will result in an additional 11,000 parents and children receiving Medi-Cal coverage in 2003-04. The Governor's Budget provides \$8.5 million (\$4.2 million General Fund) to support this expansion.

Medi-Cal Program Changes

The Administration continues to support the core services within the Medi-Cal program. However, the economic downturn and the State's current fiscal constraints necessitate program changes that will affect the entire Medi-Cal program: eligibility, benefits, and provider rates. In order to minimize the effect these decisions will have on beneficiaries, it is imperative to look at the program as a whole, and target changes to the

optional or expansion services the State has more recently implemented in order to maintain the integrity of the program.

County Administration Accountability—County welfare departments perform Medi-Cal eligibility and administrative functions on behalf of the State. One of the activities performed by counties is Medi-Cal eligibility redetermination. These redeterminations are normally conducted annually for each beneficiary to ensure that Medi-Cal eligibility is still appropriate, whether the beneficiary is enrolled in a managed care program or receives services through fee-for-service Medi-Cal. Because a majority of Medi-Cal beneficiaries are enrolled in managed care, the removal of ineligible beneficiaries results in reduced Medi-Cal spending. Managed care plans receive a capitated rate for each beneficiary, regardless of services rendered. Due to reduced funding in recent years, counties have reprioritized workload, focusing on new eligibility intakes rather than redeterminations. As a result, Medi-Cal caseload has grown significantly, both within fee-for-service and the managed care plans.

The Governor's Budget proposes to fully fund counties for Medi-Cal eligibility workload. The Governor's Budget includes funding of \$49.3 million (\$24.6 million General Fund) in 2002-03 and \$33.4 million (\$16.7 million General Fund) in 2003-04 to allow counties to perform regular redeterminations. As a result, savings of \$388 million (\$194 million General Fund) will be achieved in 2003-04. Annual savings beginning in 2004-05 are estimated to reach \$642 million (\$321 million General Fund). These savings



have allowed the Administration to avoid larger reductions to Medi-Cal eligibility and benefits.

Medi-Cal County Share-of-Cost—The Administration proposes that counties share in the cost of Medi-Cal services. The Governor's Budget proposes General Fund savings of \$1.6 billion by transferring 15 percent of Medi-Cal costs to counties along with a dedicated revenue stream. This proposal is intended to give counties the incentive to administer Medi-Cal eligibility determinations more efficiently. This proposal will not result in reduced eligibility or benefits for Medi-Cal beneficiaries (see Preserving Critical Programs section).

Realignment of Medi-Cal Long-Term Care—The Governor's Budget includes General Fund savings of \$1.4 billion to reflect the transfer of fiscal responsibility for Medi-Cal long-term care services to counties, along with a dedicated revenue stream. The State would maintain responsibility for administering services, while counties would be responsible for the costs. Oversight functions, such as licensing and complaint investigation, would remain under State control. This proposal would not result in reduced eligibility or benefits for Medi-Cal beneficiaries.

Eligibility Expansion Rescissions

- ◆ **1931(b) Medi-Cal Program**—Effective March 2000, the 1931(b) program was expanded to 100 percent of the FPL. This expansion allowed 229,700 parents not previously eligible to enroll in the Medi-Cal program. Once enrolled in

1931(b) coverage, families may work and remain on Medi-Cal at higher income levels.

The December 2002 Mid-Year Spending Reduction Proposals included a proposal to rescind the expansion of the 1931(b) Medi-Cal program and implement the previous income standard in effect before the expansion in March 2000, resulting in budget year savings of \$236 million (\$118 million General Fund). This proposal would mainly affect new applicants, approximately 350,000 applicants in 2002-03 and 2003-04. This proposal would not eliminate current beneficiaries from the Medi-Cal program. Parents currently enrolled in the Medi-Cal program would remain enrolled, and their children would remain eligible through the continuous eligibility expansion that was implemented through Chapter 945, Statutes of 2000 (AB 2900).

- ◆ **Medi-Cal Quarterly Status Reports**—The 2000 Budget Act and Chapter 93, Statutes of 2000 (AB 287), eliminated the requirement that families receiving Medi-Cal submit quarterly eligibility status reports. The Mid-Year Spending Reduction Proposals included a proposal that would reinstate the Medi-Cal quarterly status reporting requirement, resulting in budget year savings of \$170 million (\$85 million General Fund). It would also reduce the number of adults receiving Medi-Cal benefits by 193,000 in 2003-04. As a result of this proposal, counties would experience an increase in workload as they begin processing these quarterly status reports. The Governor's Budget in-



cludes funding of \$49.3 million (\$24.6 million General Fund) in 2002-03 and \$33.4 million (\$16.7 million General Fund) in 2003-04 to allow counties to perform regular redeterminations. This additional funding will provide essential support to counties as they administer the requirements of the Medi-Cal program. Additionally, this proposal maintains the Administration's commitment to the health and welfare of the children of California, who would not be affected by the quarterly reporting requirement as they would maintain eligibility through the continuous eligibility for children expansion, implemented through Chapter 945, Statutes of 2000 (AB 2900).

- ◆ **Medi-Cal Aged and Disabled (A&D) FPL Program**—The A&D FPL program is a recent Medi-Cal eligibility expansion. This expansion provides free Medi-Cal to aged and disabled persons with income up to 133 percent of the FPL, pursuant to Chapter 93, Statutes of 2000 (AB 2877).

The Governor's Budget proposes to reduce the individual A&D FPL eligibility income limit to the Supplemental Security Income/State Supplementary Payment (SSI/SSP) benefit level. The Governor's Budget includes savings of \$127.6 million (\$63.8 million General Fund) as a result of the rescission of this expansion. The SSI/SSP level for individuals is proposed to be set at \$708 in July 2003, while the benefit amount for A&D couples is proposed to be set at \$1,225. This proposal would

shift former A&D FPL eligibles to the Medi-Cal share-of-cost program. Approximately 26,000 average monthly eligibles would still be eligible to receive Medi-Cal benefits, but with a share-of-cost.

- ◆ **Second Year of Transitional Medi-Cal (TMC)**—TMC is a public program that temporarily extends Medi-Cal coverage for families who leave welfare (CalWORKs). Federal law requires California to provide up to 12 months of Medi-Cal coverage to families who leave CalWORKs due to new or increased earnings from employment. Effective October 1, 1998, California implemented a second year of TMC for persons 19 years or older if they received the first year of federal TMC and met the income requirements. The Governor's Budget proposes to eliminate the State-only program, resulting in the retention of one year of transitional Medi-Cal coverage. This proposal will affect approximately 1,830 average monthly eligible beneficiaries. The 2003-04 savings estimate of \$2 million General Fund assumes an implementation date of October 1, 2003.

Other Medi-Cal Program Changes

Optional Benefits Elimination—Currently, Medi-Cal offers all 34 federally-optional services. Due to limited fiscal resources, the Administration proposed to eliminate eight of these services in December 2002 for savings of \$126.5 million (\$63.3 million General Fund) in 2002-03 and \$548.1 million (\$274 million General Fund) in



FIGURE HHS-14

**Medi-Cal Optional Benefits
Proposed for Elimination
2003-04 General Fund Savings**
(dollars in thousands)

**Proposed in December 2002
Mid-Year Spending Reduction Proposals**

Benefit	General Fund
Adult Dental Services	\$211,801
Medical Supplies	54,333
Podiatry	4,341
Acupuncture	2,906
Chiropractic Services	399
Psychology	229
Independent Rehabilitation Centers	23
Occupational Therapy	15
Total	\$274,047

Proposed in Governor's Budget

Benefit	General Fund
Non-Emergency Medical Transportation	\$31,484
Optician/Optical Lab Services	14,516
Hospice	13,679
Durable Medical Equipment	12,524
Optometry	9,188
Hearing Aids	2,910
Prosthetics	2,084
Speech/Audiology Services	728
Orthotics	640
Physical Therapy	30
Total	\$87,783

Grand Total, 2003-04 Savings **\$361,830**

tometry, (4) optician/lab services, (5) physical therapy, (6) prosthetics, (7) orthotics, (8) speech/audiology, (9) hearing aids, and (10) durable medical equipment. Pursuant to federal requirements, these benefits will still be provided to children under 21 and beneficiaries of long-term care services. The savings estimates reflect the partial shift of beneficiaries to mandatory services, such as physician or emergency room services. Figure HHS-14 summarizes these benefit eliminations.

Provider Rate Reductions—The 2000 Budget Act included provider rate increases totaling approximately \$800 million. These rate increases included a 40 percent increase specific to emergency room physician services, a 16.7 percent increase in physician services overall, a 10 percent increase in long-term care, a 39 percent increase for California Children Services physician services, and a 30 percent increase for neonatal intensive care. Prior to this increase, many of these service providers had not received a rate adjustment for 10 to 15 years. Given the State's current fiscal climate, it is necessary to reduce provider rates further by 5 percent, achieving savings of \$479.3 million (\$241.9 million General Fund) in 2003-04. This reduction is in addition to the December 2002 proposal, which included 2002-03 savings of \$185.3 million (\$90.4 million General Fund) and 2003-04 savings of \$948.3 million (\$478.6 million General Fund) to reflect a 10 percent provider rate reduction. These reductions will be allocated in such a manner as to equalize the impact on providers within the Medi-Cal program. Hospital

2003-04. The Governor's Budget proposes to eliminate an additional ten optional benefits for 2003-04 savings of \$175.6 million (\$87.8 million General Fund). These include the following: (1) hospice, (2) non-emergency medical transportation, (3) op-



inpatient and outpatient services, federally-qualified health clinics, and rural health clinics will be exempt from the reduction.

Wage Adjustment Rate Program—The 2001 Budget Act included \$14 million (\$7 million General Fund) as a supplemental payment to long-term care facilities that have a collectively bargained agreement to increase salaries, wages, or benefits for caregivers. The regulations to implement these wage increases have not been finalized. Due to the Budget shortfall, the Administration proposes to eliminate the Program. This will result in 2002-03 savings of \$42 million (\$21 million General Fund). The Program would have required costs of \$50 million (\$25 million General Fund) in 2003-04.

Licensing and Certification

The Department's Licensing and Certification program is responsible for surveying and licensing long-term care facilities and certain caregivers. These activities promote the highest quality of medical care in community settings and facilities in continuation

of the Administration's commitment to help elderly persons remain at home, increase community-based placement alternatives, and enhance the quality of care in nursing homes. The Governor's Budget proposes \$1.6 million (\$805,000 General Fund) and 19 positions to address increased workload in the Complaint Investigation and Fingerprint Investigation units. These additional staff will work to ensure that vulnerable long-term care beneficiaries are protected from caregiver abuse and neglect.

Health Insurance Portability and Accountability Act

The federal Health Insurance Portability and Accountability Act (HIPAA), signed into law in August 1996, is designed to improve the availability of health insurance to working families and their children. It also requires administrative simplification, revised security procedures, and fraud control. The HIPAA is comprised of several rules aimed at meeting these goals.

FIGURE HHS-15

Statewide HIPAA Funding

Department	2001-02		2002-03		2003-04 (proposed)	
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
Health and Human Services Agency	\$1,576	\$2,023	\$2,117	\$2,696	\$2,971	\$3,572
Public Employees' Retirement System	--	--	--	223	--	223
Statewide Health Planning and Development	--	99	--	99	--	99
Aging	148	232	130	200	--	--
Alcohol and Drug Programs	347	714	961	1,922	988	1,975
Health Services	3,208	15,060	12,519	64,383	12,519	62,143
Developmental Services	59	118	1,308	2,615	451	901
Mental Health	56	172	941	1,882	1,077	2,155
Social Services	--	--	205	500	205	500
Corrections	--	--	688	688	--	--
Youth Authority	--	--	247	247	--	--
Personnel Administration	--	--	--	225	--	225
Veterans Affairs	--	--	134	134	134	134
Total	\$5,394	\$18,418	\$19,250	\$75,814	\$18,345	\$71,927



Combined, the 2001 Budget Act and Chapter 635, Statutes of 2001 (SB 456), appropriated \$92.2 million (\$24.3 million General Fund) to various departments to fund HIPAA compliance efforts. The 2001 November Revision reduced this funding by \$74.1 million (\$19 million General Fund). The 2002 Budget Act includes \$75.8 million (\$19.3 million General Fund) statewide for HIPAA-related activities. The Governor's Budget proposes 2003-04 funding of \$71.9 million (\$18.3 million General Fund) to continue HIPAA compliance efforts. Failure to implement HIPAA compliance may result in federal sanctions. Figure HHS-15 displays departmental HIPAA funding since 2001-02.

Emergency Medical Services Authority

The Emergency Medical Services Authority (EMSA) provides statewide coordination of emergency medical services (EMS), regulates the education, training, and certification of EMS personnel, develops guidelines for local emergency medical services, and coordinates the State's medical response to any disaster.

Consolidation of EMSA into the DHS—

The Administration proposes legislation to consolidate the EMSA into the DHS, effective July 1, 2003. This consolidation is expected to produce the following benefits: (1) improved coordination of emergency medical policy with overall State health policy, (2) improved efficiency through the consolidation of similar functions, and (3) increased administrative efficiency. The consolidation will result in savings of \$342,000 (\$138,000 General Fund) and the elimination of 5.0 positions.

FIGURE HHS-16
Statewide Healthy Families Program
and Related Funding
(Dollars in Thousands)

	2002-03		2003-04	
	Total	General Fund	Total	General Fund
Managed Risk Medical Insurance Board (MRMIB)				
Healthy Families Support	\$5,277	\$1,746	\$5,121	\$1,705
Healthy Families Local Assistance	701,396	29,239	809,659	83,550
Total MRMIB	\$706,673 ^{1/}	\$30,985 ^{2/}	\$814,780	\$85,255
Department of Health Services (DHS)				
Support	\$1,680	\$543	\$1,296	\$431
Local Assistance:				
Eligibility Expansion	49,728	17,280	71,787	24,076
Outreach	9,883	3,778	1,300	650
Total Local Assistance	59,611	21,058	73,087	24,726
Total DHS	\$61,291	\$21,601	\$74,383	\$25,157
Total DHS and MRMIB	\$767,964	\$52,586	\$889,163	\$110,412
Other				
Department of Mental Health	\$9,401	\$98	\$11,819	\$98
Child Health and Disability Prevention	772	133	0	0
Access for Infants and Mothers	13,228	300 ^{3/}	20,158	7,055
California Children's Services	39,023	8,642	43,782	9,685
Total Other	\$62,424	\$9,173	\$75,759	\$16,838
TOTAL HEALTHY FAMILIES AND RELATED FUNDING	\$830,388	\$61,759	\$964,922	\$127,250

1. Includes costs of both the Single Point of Entry and the Health-e-App. The DHS also budgeted these costs but they were not included in the DHS section of this chart.
2. The 2002 Budget Act included \$230.5 million Tobacco Settlement Fund (TSF) in place of General Fund for Local Assistance in the Healthy Families Program. The proposed 2003-04 Budget includes \$220 million TSF for this purpose.
3. The 2002 Budget Act included \$4.3 million Tobacco Settlement Fund in place of General Fund for the Access for Infants and Mothers Program.

Managed Risk Medical Insurance Board

The Managed Risk Medical Insurance Board (MRMIB) administers programs that provide health care coverage through private health plans to certain groups without health insurance. The Board develops policy and recommendations on providing health care insurance to the 6.3 million Californians who go without health care coverage in a given year. The three programs administered by the MRMIB are the HFP, the Major



Risk Medical Insurance Program (MRMIP), and the Access for Infants and Mothers (AIM) program.

Healthy Families Program—The HFP is a subsidized health insurance program for children in families with low-to-moderate income who are ineligible for no-cost Medi-Cal. The HFP provides low-cost health, dental, and vision coverage to eligible children from birth to age 19. Recent research indicates that children in poor health who enrolled in the HFP became significantly healthier, missed fewer days of school, and significantly improved their ability to pay attention in class.

HFP expenditures for the MRMIB grew from \$211.8 million (\$76.2 million State funding) in 1999-00 to \$809.7 million (\$303.6 million State funding) in 2003-04, an increase of \$227.4 million State funding, or 298 percent. Since year-end 1999-00, the children's caseload has grown from about 297,000 to an expected 768,000 in 2003-04 for a total increase of 471,000 children, or 159 percent. Since the beginning of this Administration, about \$2.6 billion (\$979 million State funding) has been provided for this program. Figure HHS-16 displays statewide funding for the HFP and related health care programs in the State.

The Governor's Budget includes the following significant adjustments for the HFP in 2003-04:

- ◆ **Tobacco Settlement Funds for the HFP**—Due to the structure and sizing of the Tobacco Settlement Fund (TSF) bond financing, \$220 million in one-time TSF is available in 2003-04 for the HFP. This funding replaces \$220 mil-

lion in General Fund resources, and will be used to maintain the current HFP caseload. The 2002 Budget Act included \$230.5 million TSF for the HFP, although that funding was also only available on a one-time basis due to the anticipated TSF bond financing.

- ◆ **Delay of HFP Parental Expansion Until July 2006**—Due to the continuing economic downturn, the Administration proposes to delay implementation of the HFP Parental Expansion until July 2006. This will allow the State to maintain HFP coverage for all eligible children.
- ◆ **Discontinuing the Rural Health Demonstration Project (RHDP)**—In order to maintain sufficient resources for the ongoing HFP caseload, the Governor's Budget proposes to discontinue the RHDP in 2003-04. The 2002 Budget Act included \$4.8 million (\$1.7 million State funding) in the MRMIB and \$3 million in the Department of Health Services for the RHDP.

Access for Infants and Mothers—The AIM program provides low-cost, comprehensive health insurance coverage to uninsured pregnant women with family income between 200 percent and 300 percent of the FPL. This coverage extends from pregnancy to 60-days postpartum, and covers infants up to two years of age. The Governor's Budget includes a total of \$117.5 million (\$97.3 million Perinatal Insurance Fund) for this program, an increase of \$33.5 million (\$25.7 million Perinatal Insurance Fund) over the 2002 Budget Act. This funding



increase will be used to provide coverage to an additional 2,800 women and 23,100 children compared to the 2002 Budget Act.

The budget for this program has increased from \$41.7 million (\$37.5 million Perinatal Insurance Fund) in 1998-99 to \$117.5 million (\$97.3 million Perinatal Insurance Fund) in 2003-04, for a total increase of \$75.8 million (\$59.8 million Perinatal Insurance Fund), or 182 percent. Since 1998-99, caseload has grown from 4,460 women and 74,100 infants to a total of 9,530 women and 138,240 infants in 2003-04, or an increase of 114 percent in women's enrollment and 87 percent in infants' enrollment.

Major Risk Medical Insurance Program—

The MRMIP provides health care coverage to medically high-risk individuals and the medically uninsurable who are refused coverage through the individual health insurance market. Program enrollment is "capped" at the level of annual funding provided. The MRMIP currently provides benefits to a total of 15,400 persons, with 2,350 persons currently on the waiting list.

In addition, the MRMIB is currently developing regulations to implement Chapter 794, Statutes of 2002 (AB 1401), which uses a market-based solution to reduce the waiting list of applicants for the MRMIP. Effective September 1, 2003, MRMIP subscribers who have been in the program for 36 months will transition into guaranteed-issue coverage offered by health plans in the individual insurance market.

Department of Mental Health

The Governor's Budget includes \$2.3 billion (\$786.8 million General Fund), a net increase of \$206.8 million (a reduction of \$33.4 million General Fund) above the 2002 Budget Act for state hospitals and community mental health programs. The increase reflects higher caseloads for the State hospitals and community mental health programs.

Realignment—The Budget proposes to realign the Integrated Services for the Homeless and the Children's System of Care programs. Under realignment, counties will be provided with a dedicated revenue source to support these and other programs proposed to be realigned to counties. Realignment will give counties greater flexibility in the program administration and use of these funds, and will result in General Fund savings of \$74.9 million (see Preserving Critical Programs section).

State Operations—The Budget includes \$70.6 million (\$49 million General Fund) for state operations, a net increase of \$3.3 million (\$161,000 General Fund) for employee compensation, retirement, and various policy adjustments. The following significant policy adjustments are included in the 2003-04 Governor's Budget:

- ◆ An increase of \$6.2 million (\$1.7 million General Fund) and one position to ensure compliance with new federal regulations governing operation of the Medicaid managed care program.



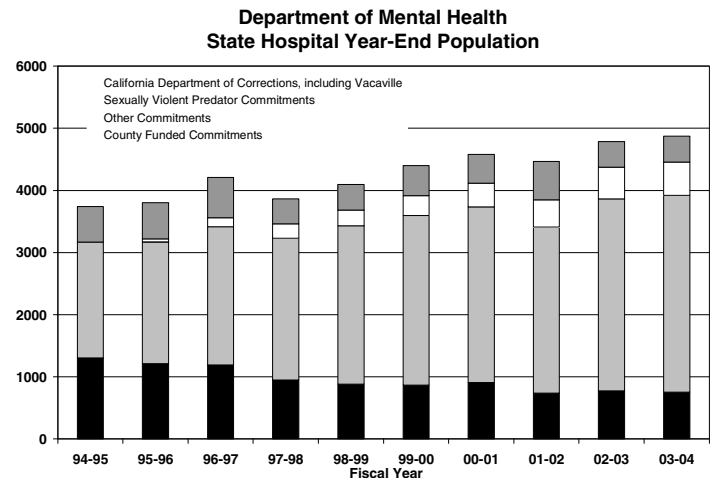
- ◆ A reduction of \$2.5 million General Fund and 21 positions to reflect lower administrative expenses.
- ◆ An increase of \$878,000 General Fund for sexually violent predator evaluations and court testimony costs.
- ◆ A reduction of \$737,000 and one position to reflect elimination of funding transferred from the Victim Compensation and Government Claims Board.

State Hospitals—The Budget includes \$660.4 million (\$513.4 million General Fund), a net increase of \$71.6 million (\$62.3 million General Fund) above the 2002 Budget Act. This increase is predominantly for employee compensation, retirement, and miscellaneous adjustments. This funding level will support a total caseload of 4,800 state hospital commitments.

The following significant policy adjustments are also included in the 2003-04 Governor's Budget:

- ◆ An increase of \$11.4 million (\$9.4 million General Fund) to adjust the state hospital budget to more accurately display the costs of operating expenses and equipment. In the past, state hospitals utilized personal services funding from vacant positions for the cost of food, drugs, and other patient related expenses. As a result of the revised patient and staffing estimate methodology implemented for the 2002-03 Governor's Budget, state hospitals have a reduced ability to redirect personal services savings, and additional funds are required for these patient-related costs.

FIGURE HHS-17



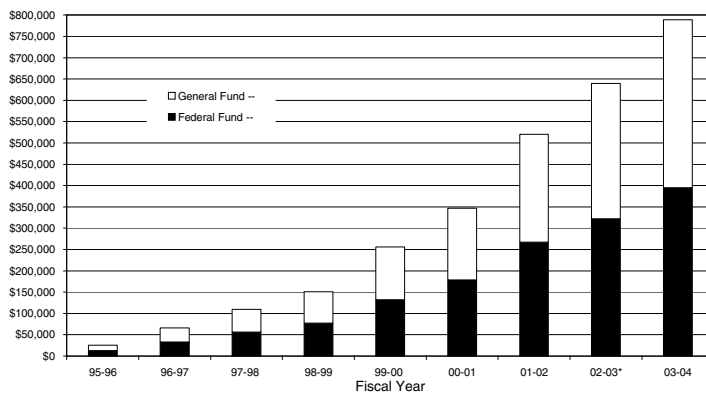
- ◆ A net increase of \$3.9 million (\$8.5 million General Fund) to reflect an increase of 88 commitments in the state hospital population (see Figure HHS-17). The 2003-04 year-end population of State-funded forensic patients is expected to increase by 114. The number of beds to be purchased by the counties is expected to decrease from 776 to 750.
- ◆ An increase of \$3.5 million in reimbursements to operate a 20-bed Correctional Treatment Center program serving wards at the California Youth Authority Southern Youth Reception Center and Clinic.

Community Mental Health Services—The Governor's Budget includes \$1.6 billion (\$224.3 million General Fund), a net increase of \$131.9 million in total funds and a reduction of \$95.9 million General Fund compared to the 2002 Budget Act. The following significant adjustments are included in the 2003-04 Governor's Budget:



FIGURE HHS-18

**Early and Periodic Screening, Diagnosis, and Treatment
Mental Health Services**
(Dollars in Thousands)



*2002-03 revised funding includes an increase of \$87.9 million in program costs (all funds) over the 2002 Budget Act. Funding for 2003-04 is an increase of \$230.4 million over the 2002 Budget Act.

- ◆ A reduction of \$74.9 million General Fund to reflect the realignment of the Integrated Services for the Homeless and Children's System of Care programs to counties.
- ◆ A reduction of \$496,000 in reimbursements for the San Mateo Pharmacy and Laboratory Services Field Test based on actual costs.
- ◆ An increase of \$230.4 million in reimbursements for the Early and Periodic Screening, Diagnosis, and Treatment services. This reflects a 42.4 percent increase in program costs (all fund sources) over the past year, and is partially the result of a revised methodology that will more accurately predict program costs and decrease potential deficiency requests (see Figure HHS-18). The growth in program expenditures is alarming and continues to justify the cost control measures implemented in the 2002-03 Budget. Due to the delay between the delivery of services and the settlement of expenditure claims two years later, the full effect to which the county share-of-cost and increased application of managed care principles reduce growth will not be known until the 2004-05 fiscal year.
- ◆ An increase of \$34 million (\$17 million General Fund) for local mental health plans to reflect caseload growth and ensure compliance with new federal regulations governing operation of the Medicaid managed care program.
- ◆ An increase of \$4 million in reimbursements for estimated increases in caseload for the Healthy Families Program.
- ◆ An increase of \$1.2 million General Fund to continue to provide a supplemental rate for Community Treatment Facilities.
- ◆ In light of the continued economic downturn and to protect other vital programs, the Governor's Budget proposes the following reductions:
 - ◇ Elimination of the Early Mental Health Services program for General Fund savings of \$15 million.
 - ◇ A \$46 million (\$23 million General Fund) reduction to reflect a proposed 10 percent rate reduction to mental health managed care.



Department of Developmental Services

The Governor's Budget includes \$3.2 billion (\$2 billion General Fund), an increase of \$354 million (\$142.5 General Fund) above the 2002 Budget Act for programs serving persons with developmental disabilities. This increase reflects an additional 10,800 consumers for a total caseload of 196,700.

Developmental Centers

The developmental center budget includes a net increase of \$27 million (\$17.8 million General Fund) to reflect increased staffing costs. With a projected decrease of 70 consumers in the developmental centers, the total 2003-04 caseload is projected to be 3,590. Although the overall population is decreasing, a greater proportion of the population requires increased levels of medical care or higher levels of supervision due to behavioral challenges.

- ◆ **Bay Area Project, Agnews Assessment**—The Department of Developmental Services will develop a plan to transition consumers living at Agnews Developmental Center into community-based placements as appropriate, and close the facility by July 2005. In keeping with the Administration's commitment to provide services to individuals with developmental disabilities in the least restrictive setting possible, a planning team will assess consumer needs and identify additional resources necessary to successfully move current Agnews consumers into

community placements or other developmental centers. The Department will absorb the cost of the planning team within its existing resources.

- ◆ **Additional Special Investigative Resources**—The Governor's Budget contains \$406,000 (\$237,000 General Fund) and five positions to provide additional special investigators at the developmental centers. These additional investigators will ensure consumer safety by completing investigations within the statutory timeframes and reducing the backlog of existing investigations.

Regional Centers

The Governor's Budget includes a net increase of \$321 million (\$121 million General Fund) for regional centers for 2003-04 due to increased caseload, higher service utilization rates, and program modifications. The regional center population is projected to increase by 10,870 consumers, to a total of 193,100. The Governor's Budget includes several proposals to offset the significant growth in caseload expenditures and control the future growth of regional center costs, including the following:

- ◆ **Regional Center Purchase of Services**—A \$100 million General Fund savings to be achieved through the implementation of statewide standards for services delivered to people with developmental disabilities. With the input from the 21 regional centers, the Department will identify opportunities to maximize efficient use of the \$2.5 bil-



lion proposed for the Community Services program, increase administration efficiency, and improve consistency of the services provided to consumers, while maintaining the entitlement guaranteed under the Lanterman Act.

- ◆ **Enhancing Federal Financial Participation (FFP)**—A \$92.1 million General Fund decrease and an offsetting increase in federal reimbursements. By increasing the number of persons who receive services under the existing Home and Community-Based Services Waiver, additional federal funds are captured for existing services and offset General Fund expenditures. Additional measures to increase FFP include expanding the type of services billable to the Waiver, increasing the percentage of contracted expenditures eligible for federal reimbursement, and recalculating Targeted Case Management rates.
- ◆ **Transfer of Title XX Grant Fund to Regional Centers**—A \$65.7 million General Fund savings to reflect a fund shift for regional centers. As a result of decreased CalWORKs grants, there are savings in Temporary Assistance to Needy Families funds that can be transferred to Title XX. The commensurate Title XX savings can be used in lieu of General Fund.
- ◆ **Parental Co-payment Implementation**—General Fund revenues of \$31.6 million to be achieved through the implementation of a proposal to require parents to share in the cost of providing services to their children. The co-payment would apply to parents with minors living at home who receive services from regional centers. The amount of the co-payment would be assessed on a sliding scale based on income, and applied only to families earning more than 200 percent of the federal poverty level. The headquarters budget also includes \$1.8 million and 23.6 new positions to implement the parental co-payment system.
- ◆ **Aligning State and Federal Eligibility Definitions**—A \$2.1 million General Fund reduction by redefining the State's definition of "substantial disability," which is used to determine whether individuals are eligible for service. The redefinition will further align the State and federal definitions, requiring limitations in three of the seven major life activity domains in order to establish eligibility. The revised definition would be applied prospectively so that those currently receiving services would not be affected.
- ◆ **Transfer of Habilitation Services Program (HSP)**—A transfer of \$114.7 million General Fund increase is proposed to reflect the consolidation of the HSP into the regional centers. The HSP is currently administered by the DOR but serves many DDS consumers. The transfer will result in more efficient delivery of services to consumers. The headquarters budget also includes \$1.3 million (\$671,000 General Fund) and 18 positions that will assume responsibility for management and oversight of the program. As \$2.3 million (\$2.2 million General Fund) and 29 positions are eliminated from the DOR pursuant to the program



transfer, this proposal will result in a net General Fund savings of \$1.5 million and the elimination of 11 State positions.

- ◆ **Expansion of Self-Determination Pilot Projects**—While extending the Self-Determination Pilot Projects through June 30, 2005, the Department will also seek a Home and Community-Based Services Waiver specifically for consumers participating in the pilots. The headquarters budget includes \$159,000 (\$139,000 General Fund) and two positions to prepare and submit the Waiver application to obtain FFP under the Waiver for self-determined services.

Department of Alcohol and Drug Programs

The Governor's Budget includes \$483.1 million (\$5.6 million General Fund), a decrease of \$94.6 million (\$231.1 million General Fund) below the 2002 Budget Act for substance abuse treatment programs.

Realignment—The 2003-04 Governor's Budget proposes to realign multiple alcohol and drug programs, including Drug Medi-Cal services, drug court programs, Proposition 36 funding, and non-Medi-Cal alcohol and other drug services. Under realignment, counties will be provided with a dedicated local revenue source to support these programs. Realignment will provide counties greater flexibility in the use of these funds and in the administration of alcohol and drug programs. The total funding to be

realigned accounts for Proposition 36 expenditures, which are currently not counted toward the federal Substance Abuse and Prevention Treatment (SAPT) Maintenance-of-Effort (MOE) requirement. Because funding under realignment will exceed the amount required to meet the SAPT MOE, funding under realignment would ensure that the SAPT MOE is met even if local revenues declined by 40 percent. (See Preserving Critical Programs section.)

The 2003-04 Governor's Budget includes the following major adjustments:

State Incentive Grant (SIG)—The Department of Alcohol and Drug Programs (DADP) has received a \$4 million federal grant award to implement science-based prevention programs and practices targeting binge drinking among 12-25 year old youth and young adults. These funds will be allocated through a competitive grant process to approximately 20-25 counties, with the grant amount dependent on the scope of the proposed local initiative. The SIG is a cooperative agreement with the federal Center for Substance Abuse Prevention. The Department proposes to implement the SIG grant in the current year with 1.5 positions and \$3.9 million, and in the budget year with three positions and \$4 million.

Drug Medi-Cal Caseload—Current year costs will decrease by \$7.6 million (\$3.8 million General Fund) compared to the 2002 Budget Act as a result of changes in caseload, lower costs for specified services, and a change in the types of services utilized. The 2003-04 caseload is projected to be 71,300 clients. Program expenditures



in 2003-04 are estimated to decrease by \$2.6 million compared to the 2002 Budget Act.

Performance Partnership Grants—The federal Performance Partnership Grants are a new performance-based funding process for the federal Substance Abuse Prevention and Treatment Block Grant, required to commence in October 2003. The State will be required to collect outcome data using a continuous quality-improvement framework. The Department proposes to implement the Performance Partnership Grant performance measures in the current year with one position and \$42,000 federal funds, and in the budget year with three positions and \$242,000 federal funds.

Narcotic Treatment Program Licensing—The 2003-04 Governor's Budget proposes an increase of \$405,000 and one position to support the caseload growth associated with licensure of office-based opioid treatment programs and other narcotic treatment programs. The programs will increase access to narcotic treatment in remote areas. By increasing the use of licensing fees, the Department will be able to redirect existing federal block grant moneys to local services.

Licensing and Certification—Proposition 36, the Substance Abuse and Crime Prevention Act of 2000, requires any alcohol and/or drug recovery or treatment program receiving Proposition 36 funds to be licensed or certified through the DADP. The 2003-04 Governor's Budget proposes \$147,000 and two positions to accommodate this caseload growth.

Department of Rehabilitation

The Department of Rehabilitation is responsible for assisting people with disabilities, particularly those with the most significant disabilities, to obtain and retain employment and to maximize their ability to live independently in their communities. The Governor's Budget proposes \$343.8 million (\$43.1 million General Fund) and 1,915.8 personnel years to carry out the Department's programs in 2003-04.

Vocational Rehabilitation Services Program—The Administration has demonstrated its strong support for persons with disabilities by providing sufficient funding for continuous service to the Most Significantly Disabled and Significantly Disabled, commencing with the 1999-00 fiscal year. The Governor's Budget includes \$299.2 million to continue services to 80,851 clients. Through the Department's service priority system, the Order of Selection, the Administration proposes to continue to serve the most significantly disabled clients, regardless of application date, including those significantly disabled applicants who may apply through June 30, 2004.

Habilitation Services Program Consolidation within the Regional Centers—To improve services to developmentally disabled persons, the Administration proposes to consolidate the Habilitation Services Program (HSP) within the Department of Developmental Services (DDS) Regional Centers. The clients served in the HSP are DDS clients, and consolidation will ensure more efficient service delivery and eliminate



the duplicative administrative costs for the program. This proposal will result in savings of \$2.3 million (\$2.2 million General Fund), while reducing the size of the Department's staff by 29 positions. As the DDS will require an additional \$1.3 million (\$671,000 General Fund) and 18 positions to manage and oversee the program, this proposal will result in a net General Fund savings of \$1.5 million and 11 positions.

Work Activity Program (WAP) and Supported Employment Program (SEP)—In light of the State's severe fiscal constraints, the Governor's Budget includes a reduction of \$2.1 million (\$1.5 million General Fund) in 2002-03 and \$8.8 million (\$6.3 million General Fund) in 2003-04 to reflect a 5 percent reduction in provider rates for the WAP and SEP programs. The rate reduction was proposed in December 2002 to be effective April 1, 2003. In conjunction with the rate reduction, the Administration has also proposed the suspension of the 2003-04 statutory WAP rate adjustment to avoid costs of \$16.9 million (\$12.3 million General Fund).

Office of Statewide Health Planning and Development

The Office of Statewide Health Planning and Development (OSHDP) is responsible for ensuring that California's health care systems meet the current and future health needs of the State. The Office ensures health care facilities are capable of continued operation in the event of a disaster, and improves delivery of and accessibility to health care in the State. The Governor's

Budget proposes \$53.1 million and 366.9 personnel years to carry out the OSHPD's mission in 2003-04.

Family Physician Training Program (FPTP)—The FPTP provides support to medical training institutes for the expansion of family practice resident, primary care physician assistant, osteopathic family physician, and primary care nurse practitioner residency programs. To provide an ongoing stable funding source for the program, the Administration proposes legislation to impose a surcharge on various medical licenses. The fee revenue would offset approximately \$4.5 million General Fund that supports the administration and operation of the program.

Department of Child Support Services

The Child Support Program promotes the well-being of children and the self-sufficiency of families by delivering child support establishment and collection services that assist parents in meeting the financial, medical, and emotional needs of their children. 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 Department is designated as the single State agency to administer the statewide program to secure child, spousal, and medical support, and determine paternity. The primary purpose is the collection of child support payments for custodial parents and their children. The Governor's Budget proposes approximately \$1.2 billion (\$470.2 million General Fund) and 245.3 personnel years for state operations and local assistance.

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 2002-03 are projected to be \$2.3 billion (\$321.2 million General Fund), an increase of \$21.8 million General Fund above the 2001-02 collections of \$2.1 billion (\$299.4 million General Fund). However, the 2003-04 projections reflect a decline in the collections growth rate of approximately \$1 million General Fund compared to 2002-03 projections, which is attributable to economic factors such as increasing unemployment and downward wage pressure. As local child support agencies are challenged to collect from the more "hard core" obligors, the growth rate is expected to flatten, which is reflected in the 2003-04 estimates.

State Administration—The Governor's Budget proposes total expenditures of \$31.9 million General Fund for State administration of the program in 2003-04. Departmental staff ensure a more 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.

Foster Parent Training Fund—Due to the State's fiscal condition, the Administration proposes savings of \$2.6 million General Fund by eliminating the transfer of a portion of child support collections from the DCSS to the California Community Colleges to help support foster parent training programs.

Child Support Automation—Chapter 479, Statutes of 1999, designated the Franchise Tax Board as the agent of the Department for the procurement, development, implementation, and maintenance and operation of the California Child Support Automation System. The State is responsible for all costs associated with developing, implementing, and transitioning all counties onto this new system. As a result of California's delay in implementing a single, statewide-automated system, the federal government has levied significant federal penalties against the State. In 2002-03, California will pay an estimated \$188.2 million General Fund in federal penalties, an increase of \$98.5 million over the level appropriated in the 2002 Budget Act. The Administration proposes legislation that requires a 25 percent county share of the increased penalty for the last quarter of 2002-03. This sharing ratio is consistent with that required for other social services programs. The pro-



posed legislation requires that counties share in the projected \$207.1 million cost of the 2003-04 federal penalty, at the same 25 percent sharing ratio, which would offset \$51.8 million in General Fund costs.

County Administration—The 2003-04 Governor's Budget proposes \$231.2 million General Fund for local agency administrative costs. While this represents a reduction from the amount derived from the methodology prescribed in statute to support local agency costs, it is tantamount to maintenance of the prior year expenditure levels, adjusted for costs that will not recur. As such, this does not represent a reduction to programs, as has occurred with many other State programs, but is sufficient funding to support core activities.

California Department of Aging

The California Department of Aging (CDA) is responsible for: (1) developing systems of home and community-based services that maintain individuals in home-like environments, (2) developing, coordinating, and using resources to meet the long-term care needs of older individuals, and (3) working with Area Agencies on Aging to manage federally and State-funded services at the community level. The Governor's Budget proposes \$181.8 million (\$31.9 million General Fund) and 144.5 personnel years to carry out the Department's programs in 2003-04.

Long-Term Care Ombudsman Program—The Administration continues to demonstrate support for its Long-Term Care Consumer Protection Initiative, by providing

additional funding to expand the Long-Term Care Ombudsman Program. The Governor's Budget reflects an increase of \$3.3 million (\$2.3 million Federal Citation Penalties Account, Special Deposit Fund). This would enable the Long-Term Care Ombudsman Program to fund part-time staff members to oversee an additional 650 volunteer resident advocates in long-term care facilities.

Senior Farmer's Market Nutrition Program—The Governor's Budget includes \$1 million federal funds to transfer responsibility for operation of the Senior Farmer's Market Nutrition Program to the CDA from the Department of Health Services.

Program Eliminations—In light of the State's current economic slowdown and in order to protect other vital State programs, the Governor's Budget reflects a reduction of \$5.1 million General Fund in 2003-04 due to the elimination of various programs. The program eliminations and reductions were proposed in the December 2002 Mid-Year Spending Reduction Proposals.

Department of Social Services

California Work Opportunity and Responsibility to Kids

The California Work Opportunity and Responsibility to Kids (CalWORKs) program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, replaced the Aid to Families with Dependent Children (AFDC) program on January 1, 1998. The



FIGURE

9

CalWORKs Caseload 1991-92 Through 2003-04

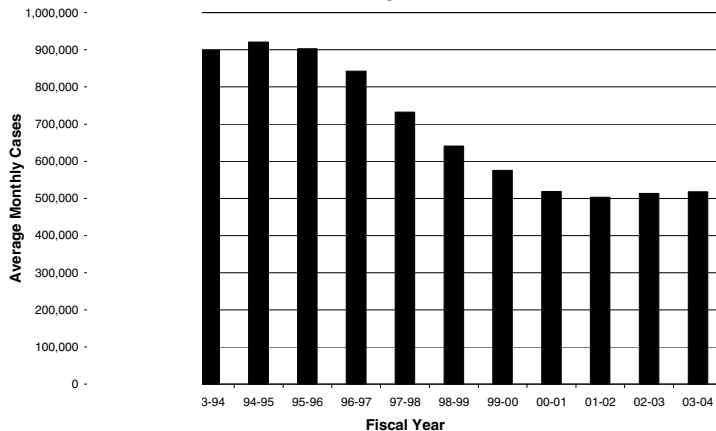
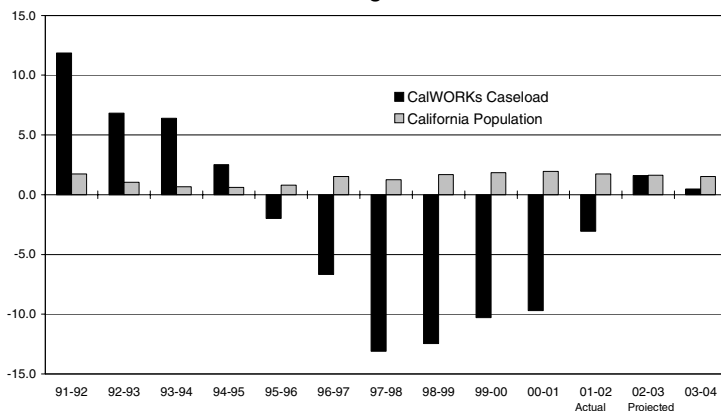


FIGURE HHS-20

Annual Percentage Change in CalWORKs Caseload and California Population 1991-92 through 2003-04



CalWORKs program is California's largest cash-aid program for children and families, and is designed to provide temporary assistance to meet basic needs (shelter, food, and clothing) in times of crisis. While providing time-limited assistance, the program also promotes self-sufficiency by establishing work requirements and encouraging personal accountability. The program

recognizes the differences among counties and affords them maximum program design and funding flexibility to better ensure successful implementation at the local level.

Program Successes—California has experienced significant success with its CalWORKs program. The number of aid recipients who are employed has increased from 19 percent in 1996 to 49 percent in 2001. The average monthly wage for aided families has grown from \$596 prior to CalWORKs to \$815 in 2001. Caseload reductions have occurred in every county. To date, the State has received over \$140 million in federal bonuses for its successful operation of the CalWORKs program as compared to other states.

Caseload Trends—Caseload growth is continuing to flatten after many consecutive years of decline. The revised caseload projections are 511,000 cases in 2002-03 and 514,000 cases in 2003-04. This represents a major improvement from the rapid growth of the early 1990s, when caseload peaked in 1994-95 at 921,000 cases (see Figures HHS-19 and HHS-20). Policy reforms that promote self-sufficiency and encourage job skills training, along with increased child-care services, financial incentives encouraging work, and until recently, an improved private sector economy, have assisted recipients and potential recipients in finding employment.

TANF Block Grant and Maintenance-of-Effort (MOE)—Under federal TANF provisions, California is awarded a block grant of \$3.7 billion per year. Any unspent block grant funding may be carried forward by the State from year-to-year.



The State and counties have a federal MOE requirement, based on federal fiscal year 1994 baseline expenditures for the former AFDC program and the proportion of CalWORKs recipients that are participating in work activities. The 2003-04 CalWORKs budget reflects California's success in having recipients meet the federally-mandated work participation requirements. With that goal being met, the federally-imposed MOE level for California was reduced from 80 percent of the federal fiscal year 1994 baseline expenditures for the former AFDC program (\$2.9 billion) to 75 percent (\$2.7 billion), saving \$181.7 million General Fund for use in other programs.

CalWORKs Expenditures—Total CalWORKs expenditures of \$6.7 billion are proposed for 2003-04, including TANF and MOE countable expenditures. The amount budgeted includes \$5.8 billion for direct CalWORKs program expenditures, \$598 million in other programs, and \$200 million for a CalWORKs program reserve. Other programs include the Statewide Automated Welfare System, Child Welfare Services, California Community Colleges education services, Department of Child Support Services disregard payments, and non-CalWORKs child care (see Figure HHS-21).

Grant Levels—In order to maintain CalWORKs program expenditures within available resources, while protecting the critical welfare-to-work emphasis of the program, the Governor's Budget does not include funding to provide a cost-of-living adjustment (COLA) for cash grants. In addition, grant levels will be reduced by approximately 6 percent from the level in the 2002 Budget Act. This reduction is

FIGURE HHS-21

CalWORKs Program Expenditures¹

(Dollars in Millions)

Direct CalWORKs Expenditures:	2003-04
Assistance Payments	\$3,056
Employment Services	950
Administration	386
Child Care	1,092
DSS	(481)
Realignment	(597)
California Community Colleges	(15)
Juvenile Probation	201
County Performance Incentives	0
Kin-GAP	101
Department of Social Services Administration	27
Total	\$5,814
Other Programs:	
Statewide Automated Welfare System	117
Child Welfare Services	215
California Food Assistance Program	6
State Supplementary Payment Program	2
CCC Education Services	20
DCSS Disregard Payments	28
Non-CalWORKs Child Care	212
Total	\$598
Child Care Holdback	57
General TANF Reserve	\$200
Total CalWORKs Expenditures	\$6,670

¹ Detail may not add to totals due to rounding.
Includes county share of costs.

consistent with the reduction to the Supplemental Security Income/State Supplementary Payment (SSI/SSP) grant discussed below. The monthly cash grant for a family of three would decrease to \$637 in Region I and \$607 in Region II. However, this grant level represents an increase from the start of



this Administration, when the monthly cash grant for a family of three was \$611 in Region I and \$582 in Region II. The reduction in the cash grant allows \$65.7 million in TANF funds to be transferred to the federal Title XX Block Grant in order to offset General Fund costs within the Department of Developmental Services.

In addition, the CalWORKs assistance payment structure continues to reward working families by allowing them to retain earnings in excess of twice the grant amount and still remain enrolled in the program. As an example, a family of three living in Region I can earn up to \$1,499 per month before its grant would be reduced to zero. In addition to the grant, the family typically would be eligible for employment services, child care, Food Stamps, and Medi-Cal.

CalWORKs Employment Services—The Governor's Budget provides a one-time augmentation of \$241.5 million for employment services. Given the reduction in CalWORKs grant levels, it is important to invest in services that enable recipients to leave aid and become self sufficient. This funding would enable counties to provide services tailored to their individual needs to move CalWORKs recipients from welfare-to-work. In addition, as discussed in the Preserving Critical Programs section, CalWORKs administration and employment services are proposed for realignment in 2003-04. Under this proposal, counties would be given a 50 percent share-of-cost for administration and employment services, totaling \$543.7 million, along with a dedicated revenue stream.

CalWORKs Child Care—The Governor's Budget funds the projected child care need for CalWORKs recipients. Funding is included in the Department of Social Services (DSS) budget for Stage I Child Care, in which counties initially place CalWORKs families and continue to provide services until their financial condition stabilizes. Realignment funding will be provided to counties for families whose financial condition has stabilized, thus allowing them to be moved out of Stage I Child Care.

Total TANF Reserve—The Governor's Budget includes a \$200 million TANF reserve to be available for unanticipated needs. A reserve of this magnitude is needed to mitigate the impact of the several CalWORKs program pressures, including the reauthorization of the federal TANF program. While Congress and the President will consider several key policy changes, federal legislation for reauthorization introduced to date would significantly increase the work participation rates, which could require substantial additional investments in employment services. Other CalWORKs program pressures include costs resulting from a federal audit of AFDC grant overpayment collections that occurred between 1996 and 2001, and potential federal penalties resulting from issues with data reported by the State's Child Support system.

Supplemental Security Income/ State Supplementary Payment

The federal 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 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 and grant computations and issuing combined monthly checks to recipients.

2003-04 Expenditures—The Governor's Budget proposes \$2.3 billion General Fund for the SSI/SSP program in 2003-04. This represents a 24.2 percent decrease from the 2002-03 projected level. Given the State's severe fiscal constraints, the Administration proposes that the June 2003 and January 2004 State COLAs (3.74 percent and 3.48 percent, respectively) be suspended, and the SSI/SSP grant be reduced to the federally-required MOE level, effective July 1, 2003. The overall grant payment standards will be reduced to \$708 for an individual and \$1,225 for a couple (see Figure HHS-22).

The Administration proposes the pass-through of the January 2004 federal COLA of 2.4 percent, which would increase grants to \$722 for an individual and \$1,244 for a couple, effective January 2004. As reflected in Figure HHS-23, California continues to provide the highest level of support to SSI/SSP recipients among the ten most populous states.

During the tenure of this Administration, the SSI/SSP grant levels have generally increased. For example, the grant amount will have increased from \$650 to \$722 for aged and disabled individuals, and from

FIGURE HHS-22

Changes in the California SSI/SSP Maximum Payment

Implementation Date	Independent Living Arrangement Aged and Disabled	
	Individuals	Couples
January 1, 1998, 2.1 percent SSI COLA	\$650	\$1,156
January 1, 1999, 2.84 percent SSI/SSP COLA	676	1,201
January 1, 2000, 2.36 percent SSI/SSP COLA	692	1,229
January 1, 2001, 2.96 percent SSI/SSP COLA	712	1,265
January 1, 2002, 5.31 percent SSI/SSP COLA	750	1,332
January 1, 2003, 1.4 percent SSI COLA	757	1,344
July 1, 2003, reduction to federal maintenance-of-effort level	708	1,225
January 1, 2004, 2.4 percent SSI COLA	722	1,244

FIGURE HHS-23

Comparison of the 2002 SSI/SSP Maximum Payments¹ for the Ten Most Populous States

State	Independent Living Arrangement Aged and Disabled		Blind	
	Individuals	Couples	Individuals	Couples
California	\$750	\$1,332	\$812	\$1,544
New York	632	921	632	921
New Jersey	576	842	576	842
Pennsylvania	572	861	572	861
Michigan	559	845	559	845
Florida ²	545	817	545	817
Georgia ²	545	817	545	817
Texas ²	545	817	545	817
Illinois ³	545	817	545	817
Ohio ²	545	817	545	817

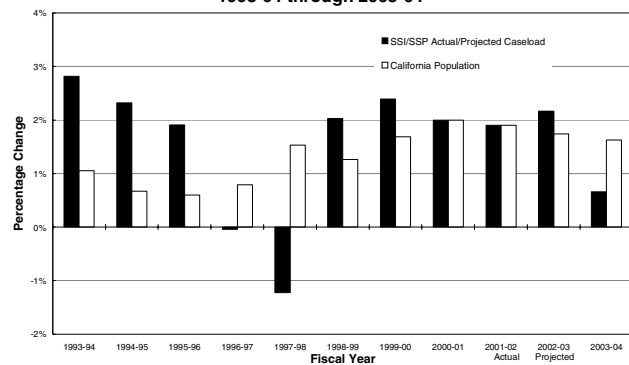
¹ The January 2002 federal maximum payments are \$545 per individual, and \$817 for a couple.

² Reflects the federal SSI maximum payment only, as these states do not provide supplemental payments for an independent living arrangement.

³ Illinois does not have a standard SSP allowance. Any supplements are based upon individual needs and circumstances.

FIGURE HHS-24

Annual Percentage Change in SSI/SSP Caseload and California Population 1993-94 through 2003-04



\$1,156 to \$1,244 for aged and disabled couples, which represents an increase of 11.1 percent and 7.6 percent, respectively, over the period from January 1999 through January 2004.

The SSI/SSP program budget also reflects a reduction of \$95.3 million General Fund due to the proposed realignment of the Cash Assistance Program for Immigrants (see Preserving Critical Programs section).

Caseload Trends—The caseload in this program is estimated to be 1.1 million recipients in 2003-04, a 0.7 percent increase over the 2002-03 projected level. Figure HHS-24 compares the annual percentage change in California's SSI/SSP caseload and California's population. Except for caseload decreases associated with federal eligibility changes in the mid-1990s, the caseload has grown faster than the general population throughout the 1990s. In 2000-01 and 2001-02, SSI/SSP caseload and population grew at equal rates, and in 2002-03, it is projected that SSI/SSP caseload will grow at a higher rate compared to growth in the general population. However, for 2003-04, caseload is projected to grow at a lower rate, primarily because fewer people will be eligible for the programs due to the grant reduction. The SSI/SSP caseload consists of 30 percent aged, 2 percent blind, and 68 percent disabled persons.

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 premature institutionalization.

IHSS Provider Rate Increases—The revised 2002-03 Governor's Budget includes \$2.8 million General Fund to provide an average 16 percent increase in the current Maximum Allowable Contract Rates (MACRs) for that mode of service delivery, effective July 2002. The MACR increases are necessary to establish parity between the contract rates and Public Authority (PA) IHSS provider rates. In addition, the revised 2002-03 Governor's Budget includes \$20.5 million General Fund to provide funding for a \$1 per hour increase in the maximum rate in which the State shares the PA IHSS provider wage and benefit costs. This increase, required by current law, has raised the State share of PA wages and benefits from \$9.10 per hour to \$10.10 per hour.

Realignment—The Budget reflects counties assuming responsibility for 100 percent of the nonfederal IHSS program costs beginning in 2003-04, with the provision of a dedicated revenue stream. (See Preserving Critical Programs section.)

Community Care Licensing

The Community Care Licensing program directly licenses and monitors approximately 74,000 community care facilities, and provides oversight, direction, and training to counties that license approximately 14,000 additional facilities. These non-medical facilities, which include child day care



facilities, children's residential facilities, and elderly residential and day support facilities, serve approximately 1.4 million clients. The Governor's Budget proposes \$115.7 million (\$37.5 million General Fund) for licensing activities that promote the health, safety, and quality of life of each person in community care facilities. This is a \$10.5 million (\$7.6 million General Fund), or 8.3 percent, decrease from the 2002 Budget Act.

Targeted Annual Reviews—The Governor's Budget includes savings of \$7.6 million (\$5.8 million General Fund) and the elimination of 62 positions resulting from streamlining the annual review of licensed care facilities. Current State law requires an annual inspection of adoption agencies, community treatment facilities, foster family and small family homes, group homes, foster family agencies, transitional housing placement programs, adult residential facilities, and residential care facilities for the chronically ill and elderly. The Administration proposes to streamline the annual review process by prioritizing evaluations of high-risk facilities.

This streamlining of inspections and evaluations would allow resources to be focused on facilities in which health and safety may be at greatest risk. This proposal would not affect other visits that are currently conducted for licensed care facilities, including pre-licensing inspections, visits within the statutory timeframe following licensure, and whenever facility-related complaints are filed. This proposal was included in the December 2002 Mid-Year Spending Reduction Proposals.

Fee Schedule Adjustment—Current State law prescribes a fee schedule for most types of licensed facilities. Through this existing licensing fee structure, the DSS expects to collect approximately \$9.5 million in the current year. Of this, approximately \$6.9 million will be directed to the General Fund to offset DSS licensing costs, and \$2.6 million will be used to provide technical assistance and training to licensed community care providers. The Governor's Budget proposes to increase fees for licensed facilities, resulting in increased General Fund revenues of \$6.8 million. Specifically, this proposal would double the fees for licensed child care facilities, assess a \$45 fee on foster family agencies for each certified family home that the agencies oversee, and increase fees by 25 percent for all other licensed child residential, adult care, and senior care facilities. This proposal would not affect the amount of fee revenue that is currently used to provide technical assistance and training to licensed community care providers.

Adoptions

Independent Adoption Program (IAP)

Elimination—In order to protect other vital programs, the Administration proposes legislation to eliminate the IAP in 2003-04 for a General Fund savings of \$2.8 million and a reduction of 40 positions in the DSS. This legislation will be proposed for adoption during the First Extraordinary Session of the Legislature. The proposal assumes that no new applications will be accepted after March 31, 2003.



The IAP provides adoption services to birth parents and adoptive parents when both agree on placement. It is estimated that approximately 655 placements will be completed in 2002-03. Services similar to the ones provided under the IAP are available through private adoption agencies. In addition, the Governor's Budget includes \$65.1 million (\$34 million General Fund) for the Relinquishment Adoptions Program to facilitate the adoption of children in foster care.

Programs Proposed for State-Local Realignment

The 2003-04 Governor's Budget proposes to realign a number of social services programs to the counties, and provide a dedicated revenue stream for counties to assume their new program responsibilities. (See Preserving Critical Programs section.) The programs within the Department of Social Services to be realigned and associated General Fund savings are as follows:

In-Home Supportive Services—\$1.2 billion General Fund savings as a result of realigning 100 percent of the nonfederal IHSS program costs to counties. The 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 premature institutionalization. The average monthly IHSS caseload is projected at 321,000 in 2003-04.

Cash Assistance Program for Immigrants (CAPI)—\$95.3 million General Fund savings as a result of realigning the CAPI to

counties. CAPI is a cash-benefit program for legal immigrants who are ineligible for the SSI/SSP program due to their immigration status. The 2003-04 average monthly caseload in this program is projected to be 11,000 recipients.

Food Assistance Programs—\$282.6 million General Fund savings by realigning the Food Assistance Programs to counties. The total savings includes \$268.1 million from shifting the State share of administration of the federal Food Stamp program, and \$14.5 million from realignment of the California Food Assistance Program (CFAP). The Food Stamp program provides monthly benefits that assist low-income households in purchasing the food they need to maintain adequate nutritional levels. The CFAP provides similar assistance to documented persons who are not eligible for the federal program solely because of their immigration status. In 2003-04, approximately 1.9 million persons are expected to receive food assistance benefits from these programs each month.

Adult Protective Services (APS)—\$60.8 million General Fund savings by shifting the APS program responsibility to counties. The APS is currently a county-administered program that investigates abuse, neglect, and exploitation of elderly or dependent adults. The 2003-04 average monthly caseload in this program is projected to be 14,000 cases.

Child Abuse Prevention, Intervention, and Treatment (CAPIT)—\$13.4 million General Fund savings as a result of shifting the CAPIT program to counties. This program provides prevention and intervention services for children at risk of abuse or neglect.



Foster Care—\$494.2 million General Fund savings resulting from the realignment of the Foster Care program to counties. The total savings includes \$34.1 million from shifting the State share of administration of the program, and \$460.1 million from realigning the State share-of-cost for grant payments. The 2003-04 average monthly caseload in the Foster Care program is projected to be 75,000 recipients.

Child Welfare Services (CWS)—\$596.3 million General Fund savings from realigning the CWS program to counties. The CWS program provides a variety of emergency, in-home care services for abused and neglected children and their families, including child protective services. The 2003-04 average monthly caseload in the CWS is projected to be 171,000 cases.

Adoption Assistance Program (AAP)—\$217 million General Fund savings from shifting the AAP to counties. This program provides financial assistance to families adopting children with special needs, who otherwise would remain in foster care. The 2003-04 average monthly caseload in the AAP is projected to be 61,000 recipients.

CalWORKs—\$543.7 million General Fund savings from implementing a 50 percent county share-of-cost in CalWORKs Employment Services and Administration. CalWORKs provides temporary cash assistance, employment services, and child care to needy families to assist them in moving off cash aid. It is projected that the average monthly caseload in the CalWORKs program would be 514,000 recipients in 2003-04.

Kinship Guardianship Assistance Payment Program (Kin-GAP)—\$18.6 million General Fund savings as a result of shifting Kin-GAP to counties. The Kin-GAP program provides foster care grants to relative caregivers who assume guardianship of foster children. The 2003-04 average monthly caseload in this program is projected to be 16,000 recipients.

Health and Human Services Agency Data Center

The Health and Human Services Agency Data Center (HHSDC), one of the State's three consolidated data centers, provides electronic data processing (EDP) capacity to the Agency's various departments by using shared, centralized resources to minimize equipment and staff duplication. The central processors and peripheral equipment operate 24 hours a day, 7 days a week. Telecommunications network and software support services also are provided. The HHSDC assists the Agency in identifying potential EDP-related applications and recommending policies on the appropriate use of EDP among client departments. Special project management activities are performed on behalf of the Department of Social Services (DSS). The HHSDC costs are reimbursed by service users.

The Governor's Budget proposes \$331.9 million and 478 personnel years to carry out the HHSDC's programs in 2003-04. For the HHSDC's primary facility operations, the Governor's Budget includes a net reduction of \$15.4 million in HHSDC Revolving Fund authority. For the special



projects managed by the HHSDC for the DSS, the Governor's Budget proposes a net increase in expenditure authority of \$40.3 million above the 2002 Budget Act.

Facility Operations

Hotspot Operational Recovery Program—

The Governor's Budget includes \$1.2 million HHSDC Revolving Fund authority to provide emergency backup operational facilities for the Employment Development Department's Unemployment Insurance, Tax Program, and Disability Insurance systems and the Department of Developmental Services' California Developmental Disabilities Information System.

Automation Projects

The HHSDC manages five major automation projects for the DSS. These systems assist in the administration of the CalWORKs, Food Stamps, Child Welfare Services, and In-Home Supportive Services programs, and further the Administration's goal of providing quality services as efficiently as possible while preventing fraud and reducing long-term costs. The Governor's Budget includes \$338 million (\$121.1 million General Fund) to continue to develop, maintain, and operate these projects.

Statewide Automated Welfare System—

The Statewide Automated Welfare System (SAWS) automates welfare eligibility processes and administrative functions for the CalWORKs, Food Stamp, Medi-Cal, Foster Care, Refugee, and County Medical Services programs through the development of the following four separate systems:

- ◆ **Interim SAWS**—This consortium is comprised of 35 counties. The Governor's Budget includes \$35.2 million (\$12.8 million General Fund) for maintenance and operations activities. This represents a net decrease of \$1.3 million (a reduction of \$2.3 million General Fund and an increase of \$1 million in other funds) compared to the 2002 Budget Act, due to decreased maintenance and operations costs.
- ◆ **Welfare Client Data System**—The Governor's Budget includes \$93 million (\$30.6 million General Fund) to continue the implementation of this system in 18 counties. This represents an increase of \$10.9 million (\$4.7 million General Fund) to provide funding for a pilot program and for increased maintenance and operations costs. The proposed funding level reflects cost avoidance of \$22.7 million (\$6.5 million General Fund), and would delay project completion by one year.
- ◆ **Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting (LEADER) System**—The Governor's Budget includes \$26.8 million (\$9.7 million General Fund) for maintenance and operation of this single-county system. This represents an increase of \$7.9 million (\$2.9 million General Fund) above the 2002 Budget Act, due to increased baseline maintenance and operations costs.
- ◆ **Consortium IV**—The Governor's Budget includes \$54.1 million (\$13.5 million General Fund) to continue implementation of this system in



the remaining four counties. The proposed funding level represents a decrease of \$1.4 million (\$350,000 General Fund), and would result in the delay of the project for one year for total cost avoidance of \$33.6 million (\$8.4 million General Fund).

- ◆ **Welfare Data Tracking Implementation Project (WDTIP)**—The SAWS WDTIP allows the four consortia to share CalWORKs time-limit tracking data. The Governor's Budget includes \$7.1 million federal funds for the WDTIP. This represents an increase of \$274,000 to comply with the current implementation schedule for the project. In addition, the revised 2002-03 Governor's Budget includes a reduction of \$3 million federal funds due to the delay of the implementation of LEADER.

Child Welfare Services/Case Management System—This system automates tracking and reporting information for the CWS, Foster Care, and Adoptions programs. The CWS/Case Management System (CMS), which is fully operational in all 58 counties, assists in the effective administration of the CWS program by enabling social workers to make better decisions for neglected and abused children, allowing social workers to spend more time providing services to clients rather than doing paperwork, and improving statewide information sharing. It also provides counties with better program management information, facilitates compliance with federal reporting requirements, and provides statewide statistical information.

The Governor's Budget includes \$121 million (\$60 million General Fund) for contract-related costs for system maintenance and operations to continue these services. Overall, proposed CWS/CMS maintenance and operations funding for 2003-04 is \$38.1 million (\$19.1 million General Fund) above the 2002 Budget Act. This increase is necessary to fund system resource usage that exceeds the contractual baseline and one-time costs related to workstation replacement, workstation software, and upgrades to workstation operating systems.

The Governor's Budget also includes an increase of \$5.3 million (\$2.7 million General Fund) to proceed with activities necessary to design, develop, and implement the expanded adoptions subsystem for the CWS/CMS to meet federal guidelines.

Statewide Fingerprint Imaging System (SFIS)—The SFIS is a database system that detects and reduces multiple-case fraud in the CalWORKs and Food Stamp programs. The Governor's Budget includes \$10 million General Fund for maintenance and operations activities. This represents a reduction of \$731,000 in the current and budget years, due to the shift of system operation costs to counties.

Electronic Benefit Transfer—The Electronic Benefit Transfer (EBT) system will deliver public assistance benefits to eligible recipients through electronic funds transfer, automated teller machines (ATM), and point-of-sale terminals in retail outlets. Counties are statutorily required to use the EBT system to deliver food stamp benefits, and are also permitted to use the EBT system to deliver CalWORKs benefits. When



operational, food stamp and CalWORKs recipients will be able to access their benefits via ATM-like cards, in lieu of monthly checks or food stamp coupons. The Governor's Budget includes \$61 million (\$19.2 million General Fund) to continue statewide implementation. This represents an increase of \$4.2 million (\$161,000 million General Fund) above the 2002 Budget Act.

Federal law requires states to implement an EBT system to deliver food stamp benefits by October 1, 2002. California, however, has received a 41-month extension for EBT implementation.

Case Management, Information, and Payrolling System (CMIPS)—The CMIPS (1) processes eligibility determinations of IHSS applicants, (2) provides case management services for recipients, (3) calculates IHSS authorized service hours and issues notices of action to recipients for any change in that service level, (4) provides payroll services for individual providers

including income tax and other payroll taxes, (5) audits invoices for third-party contract providers, and (6) produces reports for program management. The Governor's Budget proposes \$1.7 million (\$1 million General Fund) for contract reprourement activities, including an augmentation of \$769,000 (\$475,000 General Fund) to extend six limited-term positions for one year.

California Children and Families Commission

The California Children and Families Commission (Commission), established by Proposition 10 in November 1998, is responsible for developing a statewide system of information and services to strengthen early childhood development from the prenatal stage to five years of age. Proposition 10 funds result in significant increases in baseline services because these continuously appropriated funds must supplement, not supplant, existing funds. In addition, the State Commission and county commissions working in collaboration may use Proposition 10 funds to leverage new federal funds.

The initiative, through its cigarette and other tobacco product taxes, is currently projected to generate \$607.5 million in 2002-03 and \$524.5 million in 2003-04. Proposition 10 includes provisions which replace the loss of Proposition 99 tobacco tax revenues for health education, research, and breast cancer programs due to the decreased consumption of tobacco products resulting from increased taxes pursuant to Proposition 10. The amounts replaced in 2002-03

FIGURE HHS-25

California Children and Families Commission Estimated Proposition 10 Tobacco Tax Allocations (Dollars in Millions)

	2002-03	2003-04
Total revenues	\$607.5	\$524.5
Transfer from Enhanced State-Local Realignment Fund		\$62.0
Total revenues and transfers from other funds		\$586.5
Less:		
Board of Equalization tax collection costs	1.9	2.3
Proposition 99 and Breast Cancer funding offset	21.9	21.9
Net revenues	\$583.7	\$562.3
County Allocation (80 percent)	466.9	449.9
State Commission Allocation (20 percent)	116.7	112.5
Mass Media Communications (6 percent)	35.0	33.7
Education (5 percent)	29.2	28.1
Child Care (3 percent)	17.5	16.9
Research and Development (3 percent)	17.5	16.9
Unallocated (2 percent)	11.7	11.2
Administration (1 percent)	5.8	5.6



and 2003-04 total \$21.9 million each year. In 2003-04, the Commission will receive \$62 million to backfill the anticipated loss of revenue associated with the 2003-04 realignment proposal. Proposition 10 provides that 20 percent of funds remaining after the Proposition 99 replacement and tax collection cost are allocated to the State Commission for programs indicated in Figure HHS-25. The initiative also provides that the remaining 80 percent be allocated to county commissions for early childhood development programs including, but not limited to, health care, child care, education, domestic violence prevention, maternal nutrition, and child abuse prevention.

Child Development Policy Advisory Committee

The Child Development Policy Advisory Committee is responsible for assisting the California Department of Education (CDE) in preparing the State plan for child development programs, and reviewing the effectiveness of child care and development programs and the need for children's services in California.

In developing the 2003-04 Governor's Budget, the Administration reviewed a variety of programs for potential restructuring or consolidation to improve the efficiency and effectiveness of State government and to protect other vital State programs. Consequently, the Administration proposes legislation to eliminate the Committee effective July 1, 2003, for ongoing savings of approximately \$625,000

(\$367,000 General Fund). Eliminating the Committee is consistent with the Administration's proposal to transfer CDE child-care programs to counties under Preserving Critical Programs.

State-Local Realignment

To protect critical programs from General Fund reductions in light of the State's severe fiscal constraints, the Governor's Budget proposes \$8.3 billion in additional revenue for local governments in 2003-04 to complete the 1991 mental health program transfer and support the realignment of a number of programs in the areas of health and social services, and provide an alternative funding source for court security. First introduced in 1991, State-Local Program Realignment restructured the State-county partnership by shifting responsibility for various health and social services programs to counties and providing a dedicated revenue stream to pay for these changes.

The objectives of realignment are to assign program responsibility to the most appropriate level of government, either State or local, and achieve improved service levels with broad discretion given to the responsible entity. Realignment provides for greater funding stability for selected programs, increased local flexibility in administering these programs, and productive fiscal incentives to encourage cost-effective approaches to providing services.

For 2003-04, enhanced realignment revenues to be allocated to counties, the courts, and certain departments and funds are estimated to total \$8.3 billion and are the sum of three new revenue sources: (1) a 1 cent sales tax increase, (2) the creation of



FIGURE HHS-26

**1991-92 State-Local Realignment
2001-02 Estimated Revenues and Expenditures
(Dollars in Thousands)**

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	\$834,609	\$410,081	\$983,977	\$2,228,667
Vehicle License Fee Account	219,675	1,010,808	33,856	1,264,339
Total Base	\$1,054,284	\$1,420,889	\$1,017,833	\$3,493,006
Growth Funding				
Sales Tax Growth Account:				
Caseload Subaccount	—	—	—	—
County Medical Services Subaccount	—	—	—	—
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	28,772	44,821	5,246	\$78,839
Total Growth	\$28,772	\$44,821	\$5,246	\$78,839
Total 1991-92 Realignment¹	\$1,083,056	\$1,465,710	\$1,023,079	\$3,571,845

¹ Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources. Includes \$585.1 million General Fund deemed to be vehicle license fee revenue per Chapter 322, Statutes of 1998, and \$283.1 million special funds deemed to be vehicle license fee revenue per Chapter 5, Statutes of 2001.

FIGURE HHS-27

**1991-92 State-Local Realignment
2002-03 Estimated Revenues and Expenditures
(Dollars in Thousands)**

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	\$820,568	\$403,181	\$967,422	\$2,191,171
Vehicle License Fee Account	248,446	1,055,629	39,101	1,343,176
Total Base	\$1,069,014	\$1,458,810	\$1,006,523	\$3,534,347
Growth Funding				
Sales Tax Growth Account:				
County Medical Services Subaccount	—	—	—	—
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	17,338	27,009	3,161	\$47,508
Total Growth	\$17,338	\$27,009	\$3,161	\$47,508
Total 1991-92 Realignment¹	\$1,086,352	\$1,485,819	\$1,009,684	\$3,581,855

¹ Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources. Includes \$936.7 million General Fund deemed to be vehicle license fee revenue, per Chapter 322, Statutes of 1998.

FIGURE HHS-28

**1991-92 State-Local Realignment
2003-04 Estimated Revenues and Expenditures
(Dollars in Thousands)**

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	\$820,568	\$403,181	\$967,422	\$2,191,171
Vehicle License Fee Account	265,784	1,082,638	42,262	1,390,684
Total Base	\$1,086,352	\$1,485,819	\$1,009,684	\$3,581,855
Growth Funding				
Sales Tax Growth Account:				
Caseload Subaccount	—	—	111,682	111,682
County Medical Services Subaccount	—	—	(111,682)	(111,682)
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	8,718	13,581	1,590	\$23,889
Total Growth	\$8,718	\$13,581	\$113,272	\$135,571
Total 1991-92 Realignment¹	\$1,095,070	\$1,499,400	\$1,122,956	\$3,717,426

¹ Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources. Includes \$952.9 million General Fund deemed to be vehicle license fee revenue, per Chapter 322, Statutes of 1998.

10 percent and 11 percent Personal Income Tax brackets, and (3) a Cigarette Tax increase of \$1.10 per package. The revenue proposals and the specific programs to be realigned are discussed in more detail in the Preserving Critical Programs section. Specific programs to be transferred are also identified within each department.

1991 Realignment—In 1991, State-Local Program Realignment gave counties increased responsibility and funding for several health, mental health, and social service programs. The 1991 Realignment also provided an ongoing revenue source for counties 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. The amount of VLF revenue available for realignment is not affected by the 67.5 percent reduction in VLFs that resulted from Chapter 5, Statutes of 2001, because General Fund is provided to backfill these lost VLF revenues.

Revenues in 2002-03 for the 1991 Realignment are estimated to total \$3.6 billion, which represents an increase of \$10 million compared to 2001-02. The \$3.6 billion is comprised of \$2.2 billion in sales tax revenues and \$1.4 billion in VLF. The VLF amount includes \$936.7 million General Fund to backfill for lost VLF revenues, as discussed above. Because sales tax revenues are not projected to increase, there will be no growth funding available for distribution to the caseload account. As a result, the 2002-03 caseload will be funded from future growth in sales tax revenue pursuant to current State law. However, there will be \$47.5 million in VLF revenue



growth, which will be distributed to the County Medical Services Program (CMSP) and general growth accounts for allocation to counties.

For 2003-04, revenues for the 1991 Re-alignment are estimated to total \$3.7 billion, which represents an increase of \$135.6 million above 2002-03. The \$3.7 billion total includes \$2.3 billion in sales tax revenues and \$1.4 billion in VLF. Although the Governor's Budget proposes to eliminate the balance of the General Fund backfill for the VLF reduction, the portion of this backfill which supports Realignment will not be eliminated. As a result, the VLF amount includes \$952.9 million General Fund to backfill for lost VLF revenues. The \$135.6 million in sales tax and VLF revenue growth will be distributed to the caseload, CMSP, and general growth accounts for allocation to counties (see Figures HHS-26 through HHS-28).

Department of Community Services and Development

The Department of Community Services and Development (DCSD) administers programs to assist low-income residents and communities of California. The DCSD provides grants to community-based organizations to administer programs providing low-income home energy assistance and various community services.

In developing the 2003-04 Governor's Budget, the Administration reviewed a variety of programs for potential restructur-

ing or consolidation to improve the efficiency and effectiveness of State government. Consequently, the Administration proposed legislation in December 2002 to consolidate the DCSD with the Department of Social Services (DSS), effective July 1, 2003. The consolidation would result in a shift of \$155.1 million and 113.2 positions to the DSS. In addition, 9.0 positions will be eliminated, and \$922,000 in federal funds will be shifted from State administration to local assistance for the Low-Income Home Energy Assistance Program and the Community Services Block Grant.

Given the State's current fiscal constraints, the Administration also proposes to eliminate the Naturalization Services and Mentoring Programs in 2003-04, which would result in a savings of \$8.9 million (\$3.9 million General Fund). These program eliminations were included in the December 2002 Mid-Year Spending Reduction Proposals. Programs operated by other State departments provide citizenship and mentoring services. The proposed Governor's Budget includes approximately \$22 million in federal funding for English language and citizenship instruction and over \$30 million for AmeriCorps program, a portion of which is used for tutoring and mentoring.



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CORRECTIONS AND LAW ENFORCEMENT

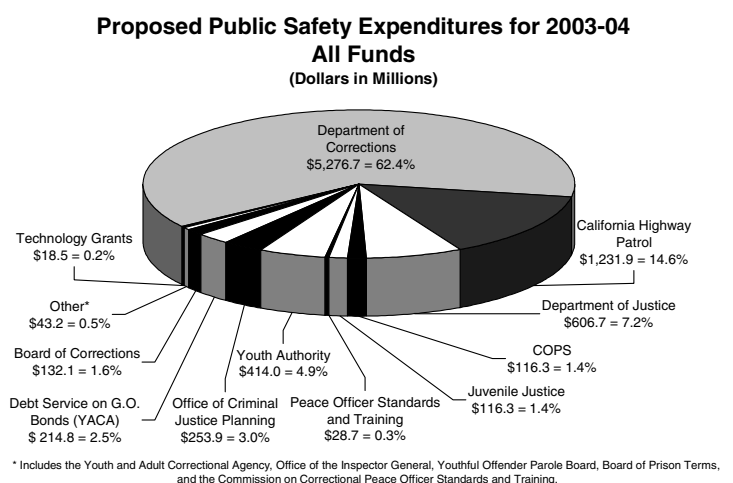
The Governor's Budget includes funding to support the various programs within the Youth and Adult Correctional Agency, Department of Justice, Office of Criminal Justice Planning, Commission on Peace Officer Standards and Training, Office of the Inspector General, and the California Highway Patrol. Funding for these programs will be approximately \$8.5 billion in total funds, and reflects a 0.7 percent decrease compared to the revised 2002-03 Budget. The level of funding proposed for each of these agencies is shown in Figure CLE-1. Highlights of the more notable funding changes included in the Governor's Budget for these programs are further described below.

Youth and Adult Correctional Agency

The Secretary for the Youth and Adult Correctional Agency is responsible for providing day-to-day policy direction and broad administrative guidance to the departments and boards relating to youth and adult detention services, including the Department of Corrections, Board of Prison

Terms, Department of the Youth Authority, Youthful Offender Parole Board, and the Board of Corrections. The Secretary also provides oversight for the Narcotic Addict Evaluation Authority and the Commission on Correctional Peace Officers' Standards and Training. Total funding for these programs will be approximately \$5.9 billion in 2003-04. This amount reflects a 0.5 percent increase over the revised 2002-03 Budget.

FIGURE CLE-1



Department of Corrections

The Department of Corrections (CDC) is responsible for the incarceration of convicted felons and the supervision of these felons after their release on parole. The CDC is responsible for providing safe and secure detention facilities and necessary support services to inmates, including food, clothing, academic and vocational training, and health care.

The CDC's inmate population is projected to increase from 160,661 on June 30, 2003, to 161,039 by June 30, 2004, an increase of 378 inmates, or 0.2 percent. The parole population is projected to decrease from 117,233 on June 30, 2003, to 115,387 by June 30, 2004, a decrease of 1,846

parolees, or 1.6 percent (see Figure CLE-2). The Governor's Budget proposes \$5.3 billion and 46,174 personnel years for state operations and local assistance programs to accommodate these populations, resulting in an increase of \$40.2 million and 817 personnel years from the revised 2002-03 Budget. In 2003-04, incarceration and parole services will be provided through 34 institutions, 11 reception centers, 38 camps, and 11 community correctional facilities.

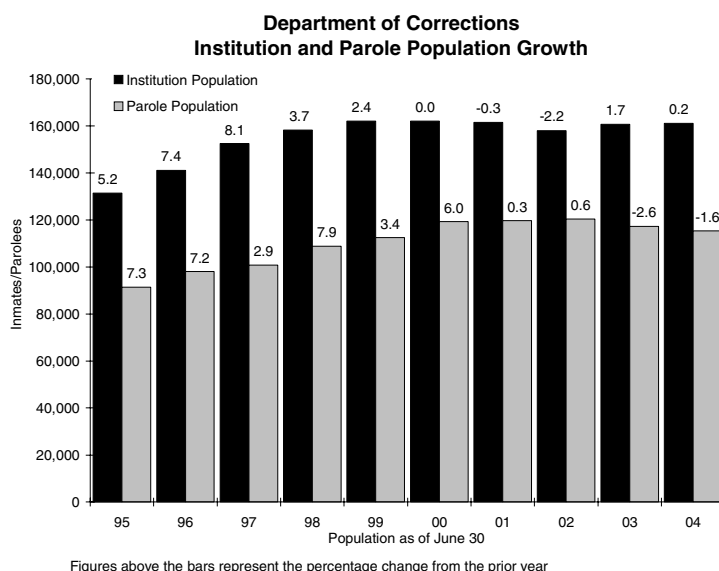
California has an incarceration rate of 453 inmates per 100,000 population, compared to a nationwide rate of 470 inmates per 100,000, ranking it thirteenth among the 50 states, and fourth among the ten most populous states (see Figure CLE-3). Adequate funding for State prison operations ensures the safety of the public and the officers and staff who supervise and work with confined criminals.

The Budget proposes reductions for the Department totaling \$10.5 million General Fund in 2002-03 and \$63.1 million General Fund in 2003-04, including the following:

Academic and Vocational Education—\$46.2 million for the academic and vocational education budgets, which will more closely align the Department's education budget with historical expenditures.

Conversion of the Northern California Women's Facility—\$1.5 million and 79 personnel years in 2002-03 and \$10.2 million and 242 personnel years in 2003-04 due to the closure of the Northern California Women's Facility, which will be altered to house male inmates. The proposal for the new use of the facility will be reviewed during the Spring budget process,

FIGURE CLE-2



but it is anticipated the facility will be re-opened as a male facility in the 2004-05 fiscal year.

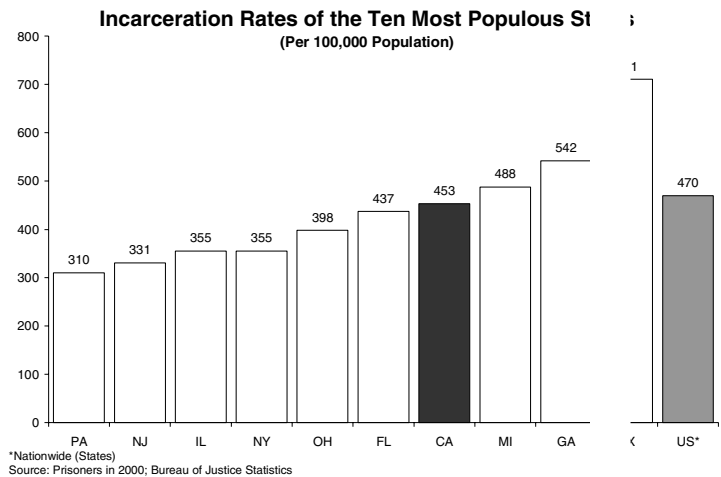
Change in Academy Training—\$1.3 million and an increase of 4 personnel years in 2002-03 and a reduction of \$3.6 million and an increase of 23 personnel years in 2003-04 by changing the training from 16 weeks at the Academy to 12 weeks at the Academy and 4 weeks of on-the-job training at an institution.

Arts in Corrections Program—\$578,000 in 2002-03 and \$2.6 million and one personnel year in 2003-04 by eliminating the Arts in Corrections Program, an instructional arts program that uses professional artists to teach inmates art. The Arts in Corrections program will be replaced by the Handicraft Program, which is a non-instructional arts and crafts program.

In addition to these reductions, and in an effort to promote accountability regarding institutional expenditures, the prospect of budgeting each institution with a separate Organizational Code in the Budget Act will be examined as part of the Spring budget process. The Department has begun the process of reviewing budgeting and accounting procedures in order to determine the necessary steps and timeframe for implementation. Depending on the length of time necessary to complete the changes to various fiscal processes, a Spring proposal may be submitted to the Legislature for inclusion in the 2003 Budget Act.

The Budget also includes various augmentations, including the following:

FIGURE CLE-3



Inmate Security Plan—An increase of \$5.5 million and 75 personnel years to establish standardized staffing at authorized Administrative Segregation Units statewide, establish three regional gang debriefing teams, and develop standardized staffing packages for all institutions.

California Medical Facility Staffing for Enhanced Outpatient Program—\$884,000 and 12 personnel years in order to remain in compliance with court mandates to provide continued custody supervision and programming for mentally ill inmates.

Developmentally Disabled Program/Disability Placement Program—Continuation of \$613,000 and eight personnel years, and an increase of \$61,000 and one personnel year to implement court mandates related to services for inmates and parolees with developmental disabilities.



Sick Leave Relief—\$21.1 million and 114 personnel years in 2002-03 and \$14.7 million and 327 personnel years in 2003-04 to provide sick leave relief in line with usage patterns for posted positions.

San Quentin Condemned Staffing—\$604,000 and nine personnel years to provide additional security to control violence of condemned inmates.

500 Bed Substance Abuse Treatment Expansion—\$5.4 million and nine personnel years for a 500-bed expansion of the Substance Abuse Treatment Program, including aftercare treatment for 50 percent of the program graduates. These beds will increase the total budgeted substance abuse beds statewide to 9,001.

Medical Evaluations Related to Respiratory Protection Program—\$152,000 for medical evaluations of correctional officer applicants who may be required to wear respirators upon hiring.

Structural Workers' Compensation Shortfall—\$32.8 million in 2002-03, and \$115.8 million in 2003-04, including continuation of \$64.5 million in one-time funding, for increased workers' compensation expenditures.

Fiscal Impact of Collective Bargaining—\$2.4 million in 2002-03 and \$6.7 million in 2003-04 for the operational impacts of the most recent collective bargaining agreements, including costs to begin the activation of 500 Institutional Vacancy Plan positions, parole agent caseload reduction, legal representation costs, and survivor benefits for excluded employees.

Statewide Offender Management System—\$1.3 million and five two-year limited-term personnel years in order to develop a plan for replacement of several automated and manual systems used to manage offenders.

Proposition 36 Implementation—\$786,000 and 10 personnel years in 2002-03 and a redirection of \$1.3 million and 17 personnel years from the Board of Prison Terms in 2003-04 for the Department of Corrections to assume responsibility for Proposition 36 referrals to drug treatment.

Utilities Shortfall—\$12.9 million in 2002-03 and \$9.7 million in 2003-04 for projected utilities costs exceeding the Department's utilities budget.

Mental Health Services Delivery System—\$4.2 million and 36 personnel years for additional clinical and support staff to provide additional mental health crisis beds for mentally ill inmates, consistent with federal court requirements related to the provision of mental health services for inmates.

Correctional Treatment Center Licensing—\$1.5 million and 20 personnel years to license both the California Institution for Women and the Central California Women's Facility as Correctional Treatment Centers, consistent with federal court requirements related to the provision of medical services for inmates.

Inmate Medical Services—\$499,000 and four personnel years to provide telemedicine services at the four female



institutions, consistent with federal court requirements related to the provision of medical services for inmates.

Nurse-to-Patient Staffing Ratio—

\$1.4 million and 15 personnel years for additional clinical staff to ensure compliance with Department of Health Services' regulations that establish minimum licensed nurse-to-patient ratios.

Inmate Restitution, Inmate Banking, and Canteen System—\$155,000 Special Deposit Fund in 2002-03 and \$3.3 million (\$2.3 million Inmate Welfare Fund and \$1 million Special Deposit Fund) in 2003-04 to begin the development of automated inmate restitution, banking, and canteen accounting systems.

Incarceration of Undocumented Felons

The CDC expects to expend approximately \$552.2 million in 2002-03 for the incarceration of undocumented persons. Undocumented persons are estimated to comprise 13.2 percent of inmates in State prison. The CDC's costs in 2003-04 are estimated to increase to \$555.7 million, an increase of 0.6 percent. In addition, the Department of the Youth Authority expects to expend approximately \$18.7 million in both 2002-03 and 2003-04, resulting in a total State cost for CDC and the Youth Authority of \$570.9 million in 2002-03 and \$574.4 million in 2003-04, an overall increase of 0.6 percent between the two years. For 2003-04, it is estimated that California will receive approximately \$154.5 million in federal State Criminal Alien Assistance Program (SCAAP) funding.

At this level of funding, the State will be reimbursed for only 26.9 percent of the costs associated with the incarceration and related debt service associated with the undocumented felon population, with \$419.9 million in costs in excess of the level of federal reimbursements.

Department of the Youth Authority

The Department of the Youth Authority (Youth Authority) protects the public from criminal activity of youthful offenders by housing wards committed to the Department by juvenile courts. In order to help these youthful offenders become productive California citizens, the Youth Authority provides education, training, and treatment services to the wards.

The Department projects an institution population of 5,340 youthful offenders by June 30, 2003, which is a decrease of 105 from the level anticipated in the 2002 Budget Act. The 2003-04 year-end institution population is expected to decrease by 245 wards, resulting in a June 30, 2004, population of 5,095.

The Youth Authority operates 11 institutions, including 2 reception center/clinics, and 6 conservation camps, 2 of which are institution-based camps. The total Youth Authority design capacity is 6,527 beds, which includes the institutions, camps, and contracted beds.



The Youth Authority supervises parolees through 16 offices located throughout the State. The parole population is projected to be 4,040 by June 30, 2003, and decrease by 210 cases, to 3,830 by June 30, 2004.

The Governor's Budget proposes \$414 million and 4,537 personnel years for state operations and local assistance to provide treatment and training for youthful offenders in the care of the Youth Authority. The Budget includes augmentations totaling \$1.5 million for 2002-03 and \$8.3 million in 2003-04 to address the Department's ongoing programmatic needs. The Budget also includes reductions totaling \$6.7 million and 60 personnel years to address the State's revenue shortfall.

Additionally, an inflation adjustment to the sliding scale fee, for juvenile commitments from the counties to the Youth Authority, will result in a reduction to the General Fund of \$7.1 million, and a commensurate increase in reimbursement authority. These reductions will not affect the Department's ability to provide treatment services and training for youthful offenders in the Youth Authority.

Specifically, the Budget includes:

Correctional Treatment Centers— \$675,000 and 10 personnel years in 2002-03 and \$1.5 million and 18 personnel years in 2003-04 for staff and resources to facilitate the implementation of Correctional Treatment Centers at the Youth Authority.

Mental Health Intermediate Care Facility— \$844,000 and a reduction of one personnel year in 2002-03 and \$3.4 million and a reduction of one personnel year in 2003-04 to reim-

burse the California Department of Mental Health to staff and equip a 20-bed inpatient Intermediate Care Facility at the Southern Youth Correctional Reception Center and Clinic.

English Language Learners— \$1.2 million to meet the federal Office of Civil Rights standards for English Language Learner students.

Americans with Disabilities Act— \$500,000 to begin the design, construction, and alteration of Youth Authority facilities to comply with standards set out in the Americans with Disabilities Act Accessibility Guidelines.

Infrastructure Migration Project— \$1.3 million to continue the Infrastructure Migration Project, which will enable the Department to continue its transition to the industry standard operating system.

In addition to the adjustments noted above, the Budget reflects reductions totaling \$6.7 million and 60 personnel years spread over the Department's institutions and paroles and administration programs. These reductions will not affect the Department's ability to provide treatment services and training for youthful offenders committed to its custody.

Board of Prison Terms

The Board of Prison Terms (BPT) considers parole release and establishes the length and conditions of parole for all persons sentenced to the Department of Corrections under the indeterminate sentencing law, persons sentenced to prison for a term of less than life under Penal Code



Section 1168(b), and those serving a sentence of life with the possibility of parole. The Board may suspend or revoke the parole of any prisoner who has violated the conditions of their parole. The Board also determines the necessity for rescission or postponement of parole dates for persons sentenced to prison for life, persons sentenced under Penal Code Section 1168(b), and persons sentenced under the indeterminate sentencing law.

The Budget includes the following for BPT:

Life Prisoner and Parole Revocation Hearings—\$1.4 million and eight personnel years in 2002-03 and \$675,000 and five personnel years in 2003-04 to address a projected increase in parole revocation workload.

Proposition 36 Implementation—A redirection of \$1.1 million and 12 personnel years to the Department of Corrections associated with the transfer of responsibility for Proposition 36 referrals to drug treatment.

Revise Mentally Disordered Offender Process—A reduction of \$1 million and five personnel years to reflect a reduction in the number of hearings conducted by Deputy Commissioners in the Offender Screening Section.

Board of Corrections

The Board of Corrections (BOC) is responsible for establishing standards for the construction and operation of local jails and juvenile detention facilities, compliance inspections, and employment standards and training for local corrections and

probation personnel. In addition, the BOC administers various correctional facility construction and juvenile justice local assistance grant programs.

The Budget reflects the following reduction for the BOC:

Elimination of Reimbursement for Training Local Correctional Officers—

\$16.8 million Corrections Training Fund (CTF) associated with the partial reimbursement of tuition, travel, per diem, and staff replacement costs for training local correctional officers. This program has historically been funded through penalty assessment revenue as well as revenue transfers authorized through Budget Act Control Section 24.10. In addition to the elimination of the local assistance portion of this program, the Budget includes a transfer of \$10.2 million CTF to the General Fund, and deletion of the Control Section 24.10 transfer of \$6.5 million. The portion of local correctional officer training costs currently paid for by the State would now become the responsibility of local correctional agencies.

Office of the Inspector General

The Office of the Inspector General has the responsibility for oversight of the State's correctional system through audit and investigations of the departments and boards within the Youth and Adult Correctional Agency. To carry out its oversight functions, the Budget proposes \$7.7 million and 70 personnel years, which includes



a reduction of approximately \$1.8 million and 18 personnel years in light of the State's current fiscal situation, as follows:

Management Review Audits—A reduction of \$449,000 and five personnel years to reflect reductions to the number of management review audits performed by the Office. Management review audits of Wardens of the Department of Corrections and Superintendents of the Youth Authority are proposed to be conducted by the Office as necessary, rather than the currently mandated investigation upon the completion of four years in the position.

Investigation of Acts of Retaliation—A reduction of \$1 million and ten personnel years to reflect reductions to investigations of complaints of intentional engagement in an act of reprisal, retaliation, threat, or coercion from an employee of the Youth and Adult Correctional Agency. It is proposed that investigations of acts of retaliation be conducted on a permissive rather than on a required basis as currently mandated by law.

Administrative Positions—A reduction of \$330,000 and four personnel years to reflect reductions to administrative positions commensurate with the reductions in audits and investigations.

Department of Justice

The Attorney General serves as the State's primary legal representative and chief law enforcement officer, and is responsible for ensuring that California's laws are uniformly enforced.

For 2003-04, the Governor's Budget proposes \$606.7 million and 5,137 personnel years, including \$151.9 million for law enforcement programs, \$204.9 million for legal service programs, \$152.5 million for the Criminal Justice Information System program, \$14.1 million for the Gambling Control Division, and \$14.5 million for the Firearms Division. The Governor's Budget proposes the following major adjustments:

Medi-Cal Fraud and Elder Abuse

Workload—\$545,000 General Fund, \$1.6 million federal funds, and 19 personnel years to provide funding for the investigation, arrest, and prosecution of Medi-Cal fraud, elder abuse and neglect, and poor quality of care in federal Medi-Cal funded facilities.

Energy Litigation—\$9.5 million General Fund and 34 personnel years on a two-year limited term basis to continue the investigation and litigation of illegal activity that has been determined to be responsible for California's energy crisis.

California Youth Authority (CYA) Class

Action Lawsuit—\$10.7 million for 2002-03 and \$4.3 million for 2003-04 to defend the CYA in a class action lawsuit challenging CYA policies and procedures concerning conditions of confinement.

Spousal Abuse Prosecution Program—A reduction of \$3 million General Fund due to the elimination of the program to assist district attorneys and city attorneys in the vertical prosecution of spousal abuse. These services are an integral part of local law enforcement responsibilities, and it is expected that these costs will be paid by local entities.



Forensic Crime Lab Fees—A \$3.5 million increase in reimbursements, and an offsetting decrease in General Fund due to a proposal to charge local agencies a portion of the costs for processing and analyzing physical evidence.

In addition, the Governor's Budget includes additional reductions of \$15.9 million General Fund for the Department of Justice, which are spread across the Department's various divisions and programs. Included in this amount are reductions of \$5.8 million for costs associated with outside contracts and consultants, \$3 million due to the elimination of grants to support gang prevention activities, and a reduction of \$5.9 million in out-of-state travel, equipment, and other Department operating expenses. These reductions will not affect the ability of the Department to fulfill its law enforcement mission.

Additionally, the Department is proposing legislation that will establish a new program to recover costs of the investigation and prosecution of civil actions. The Governor's Budget includes an augmentation of \$500,000 Public Rights Law Enforcement Special Fund, and an offsetting decrease in General Fund, to reflect the partial funding of Public Rights Division services from litigation settlements and cost recoveries related to this legislation.

Office of Criminal Justice Planning

The mission of the Office of Criminal Justice Planning (OCJP) is to reduce crime and delinquency and lessen its adverse effects upon the victims of crime in California. The

OCJP provides financial and technical assistance to State and local criminal justice and victim service agencies and community-based organizations. The Governor's Budget proposes \$253.9 million to continue efforts to enhance victim services programs, improve the criminal justice system, and reduce crime in California.

In response to the fiscal situation facing the State, the OCJP budget reflects the following changes:

Domestic Violence Programs—The transfer of \$9.5 million (\$730,000 General Fund, \$8.8 million federal funds) in local assistance funding to the Department of Health Services to consolidate all domestic violence programs within one agency. In addition, the OCJP budget reflects a reduction of \$359,000 Federal Fund State Operations funding and 1.4 positions associated with this transfer.

Local Assistance Reductions—A reduction of \$3.4 million General Fund associated with reductions to the following public safety local assistance programs, as well as a reduction of \$214,000 General Fund associated with various victims services local assistance programs.

- ◆ \$230,000 in the California Community Crime Resistance Program.
- ◆ \$350,000 in the California Career Criminal Prosecution Program.
- ◆ \$288,000 in the California Career Criminal Apprehension Program.
- ◆ \$136,000 in the Serious Habitual Offenders Program.



- ◆ \$174,000 in the Vertical Defense of Indigents Program.
- ◆ \$6,000 in the Public Prosecutors and Defenders Training Program.
- ◆ \$1.6 million in the Vertical Prosecution of Statutory Rape Program.
- ◆ \$34,000 in the Evidentiary Medical Training Program.
- ◆ \$78,000 in the Suppression of Drug Abuse in Schools Program.
- ◆ \$236,000 in the Gang Violence Suppression Program.
- ◆ \$31,000 in the Multi-Agency Gang Enforcement Consortium Program.
- ◆ \$200,000 in the Rural Crime Prevention Program.

State Operations Reductions—A reduction of \$319,000 General Fund and 2 positions related to reductions in various administrative activities at OCJP.

Commission on Peace Officers Standards and Training

The Commission on Peace Officers Standards and Training (POST) is responsible for establishing minimum selection and training standards for local law enforcement agencies and improvement of law enforcement management practices. The Governor's Budget includes \$28.7 million to continue the programs to establish training standards, develop and certify courses, and

assist law enforcement agencies in providing necessary training and career development programs.

The Governor's Budget also reflects a reduction of \$28.3 million as a result of the elimination of the program that partially reimburses local law enforcement agencies for the cost of student travel and per diem and reimbursement of overtime to replace line officers during training. This results in savings which will be transferred to the General Fund.

California Highway Patrol

The California Highway Patrol (CHP) is the State's largest law enforcement agency. It patrols over 105,000 miles of state highways and county roads, ensures the safe operation of commercial trucks through inspection at weigh stations, and protects State facilities and the people who work and conduct business in them. The 2003-04 Governor's Budget includes \$1.2 billion for 7,335 officers and 3,435 support staff.

With the inclusion of several new revenue proposals, the Governor's Budget provides continuing support for the CHP from its primary funding source, the Motor Vehicle Account (MVA). Further information on the new revenue proposals for the MVA can be found under the Business, Transportation, and Housing Agency/Motor Vehicle Account discussion. The Governor's Budget continues to reflect the anticipated receipt of funding from the federal government of \$75 million for the CHP's share of homeland security responsibilities approved in the 2002 Budget Act and continued in the



2003-04 Governor's Budget. It also includes a shift of funding for certain activities that increase funding from the State Highway Account (\$16 million) and the State Emergency Telephone Number Account in recognition of the amount of effort that the CHP directs toward the purposes supported by those funds.

The Governor's Budget also provides an augmentation of \$411,000 in 2003-04 for the California Motorcyclist Safety Program that trains new motorcyclists to ride safely and within the limits of the law; a current year augmentation of \$223,000 is also proposed due to increased program demand.



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CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

Secretary for Environmental Protection (Office of the Secretary)

The California Environmental Protection Agency (CalEPA) coordinates and supervises the State's environmental protection programs, with particular focus on restoring, protecting, and enhancing the State's environment.

The Secretary for Environmental Protection oversees the Air Resources Board, the Integrated Waste Management Board, the Department of Pesticide Regulation, the State Water Resources Control Board (which includes the nine Regional Water Quality Control Boards), the Department of Toxic Substances Control, and the Office of Environmental Health Hazard Assessment.

With significant investments during this Administration, the CalEPA organizations are making steady progress toward the goals of ensuring public health, environmental quality, and economic vitality. More complex

challenges and a rapidly growing population require creative new approaches and the participation of all Californians to reduce pollution and waste, and maintain a high quality of life for current and future generations. In the 2003-04 fiscal year, CalEPA will continue key initiatives to address asthma and other environmental health risks to children, environmental justice, trans-boundary and coastal pollution, ecological and human health risks from fuels, toxics, and other substances, and water quality improvement. Building on California's long tradition of worldwide environmental leadership, CalEPA will also undertake efforts to address new challenges such as climate change and product stewardship.

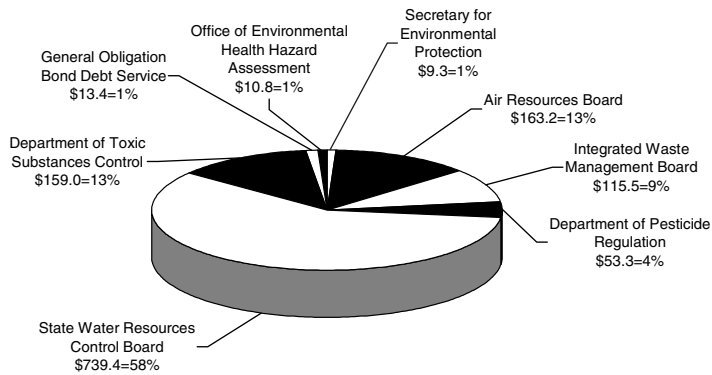
Continuing the Administration's strong commitment to California's environment, the Governor's Budget includes \$1.26 billion (\$99.5 million General Fund) and 4,601.2 personnel years in support of environmental programs.

For 2003-04, the Budget proposes \$9.3 million (\$2.3 million General Fund) and 38.5 personnel years for the Office of the Secretary. The Budget reflects a reduction of \$339,000 General Fund, which will



FIGURE EPA-1

**Environmental Protection
Proposed 2003-04 Expenditures
All Funds**
(dollars in millions)



eliminate funding for the Permit Assistance Centers. Services will continue to be available, however, through continued and expanded use of the CalGold internet website.

Air Resources Board

The Air Resources Board (Board) helps protect public health by ensuring that federal and State health-based air quality standards are achieved and exposure to air pollutants is reduced through controls on mobile and stationary sources of pollution. The Board adopts and enforces emission standards for motor vehicles, fuels, consumer products, and toxic air contaminants. Research, monitoring, and emission inventory programs provide a scientific and technical foundation for these regulatory activities. Controlling particulate matter and toxic compounds, investigating health impacts, and developing zero-emission technology are particularly challenging tasks related to improving air quality in the state.

The Board oversees 35 local air pollution control districts, which are primarily responsible for controlling and permitting sources of industrial pollution. Each district adopts and enforces its own rules in compliance with applicable federal and State requirements. The Board reviews district rules for effectiveness, approves district clean air plans required under the federal and California Clean Air Acts, and audits district compliance programs.

The Budget proposes \$163.2 million (\$10.4 million General Fund) and 1,009.6 personnel years, and includes the following adjustments:

- ◆ A fund shift of \$10 million for stationary source programs from the General Fund to the Air Pollution Control Fund.
- ◆ An increase of \$6.0 million Air Pollution Control Fund for Fine Particulate Matter (PM 2.5) monitoring infrastructure improvements.
- ◆ A decrease of \$2.0 million General Fund for Zero-Emission Vehicle grants, leaving \$6.6 million Motor Vehicle Account for these grants.
- ◆ A reduction of \$2.1 million General Fund and 16.1 personnel years for various monitoring and compliance programs.

Integrated Waste Management Board

"Reduce, reuse, recycle, and buy recycled," are the conservation tenets under which the Integrated Waste Management Board (Board) oversees management of solid



waste materials through programs that permit and regulate solid waste facilities, educates Californians about reducing the amount of waste disposed at landfills, and assists in the development of markets for recycled materials. The Board also assists local governments in analyzing waste streams, and tracking and reporting disposal and diversion rates. Future efforts will focus on new waste streams as a consequence of population growth, new technologies, and changing consumer preferences.

The Governor's Budget proposes \$115.5 million and 466.0 personnel years and includes the following additional funding:

- ◆ \$1.5 million Integrated Waste Management Account for periodic statewide waste stream characterization updates.
- ◆ \$1.5 million Integrated Waste Management Account to increase the number of household hazardous waste grants.
- ◆ \$640,000 Integrated Waste Management Account to expand the Landfill Closure Loan Program.
- ◆ Shifting \$116,000 for support of the Board from the General Fund to the Integrated Waste Management Account.

Department of Pesticide Regulation

The Department of Pesticide Regulation protects public health and the environment through the nation's most rigorous and comprehensive program to evaluate pesticides and control their use by regulating pesticide sales and use. Specific oversight

responsibilities include scientific evaluation of pesticides before they are licensed for sale, local enforcement to ensure that pesticides are used safely, residue testing of fresh produce, environmental monitoring to detect, reduce, and prevent contamination, and programs to encourage the development and use of pest control practices that are environmentally sound.

The Governor's Budget provides \$53.3 million and 358.6 personnel years for ongoing programs, and replaces all General Fund support of the Department with increased special fund revenues related to increased mill assessments of \$7.5 million, increased licensing and examination fees of \$1.1 million, and \$2 million anticipated from greater efficiencies in collecting fees through establishment of a Mill Assessment Branch.

State Water Resources Control Board

The State Water Resources Control Board and the nine Regional Water Quality Control Boards are responsible for the preservation, enhancement, and restoration of the quality of California's water resources. State activities include regulatory oversight of surface, ground, and coastal waters; allocation of unappropriated water; control of unauthorized water diversions; and protection of water quality in watersheds and coastal waters from point and nonpoint sources of pollution. The Governor's Budget includes \$739.4 million (\$44.6 million General Fund) and 1,617.1 personnel years for support of these ongoing programs.



The Budget proposes \$65.9 million for grants under the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act of 2000 (Proposition 13). This amount includes the Water Recycling Program (\$5.6 million), Watershed Protection Program (\$21.8 million), Nonpoint Source Pollution Control Program (\$23 million), and Wastewater Construction (\$15.5 million).

The Budget further includes \$114.7 million for grants and loans from the Water, Security, Clean Drinking Water, Coastal, and Beach Protection Act of 2002 (Proposition 50). The funding includes \$18 million for clean beaches, \$32.5 million for regional water management projects such as storm water management, wetland restoration, and groundwater management, \$62 million for water quality projects, and \$2.2 million for state operations.

The Budget proposes an increase of \$15 million Underground Storage Tank Cleanup Fund to reimburse eligible claimants for costs incurred for cleanup activities related to leaking underground storage tanks.

In light of the current condition of the General Fund, however, the Budget reflects a reduction of \$14.7 million General Fund for various water quality and water rights programs such as: water right applications, investigations and cleanups, water quality trend monitoring, water quality control planning, agricultural waste management, Chromium 6 investigations, nonpoint source activities, underground storage tanks, Salton Sea restoration, and CALFED program oversight and coordination. The Budget also includes a \$13.6 million funding shift for the Core Regulatory Program from the General Fund to the Waste Discharge Permit Fund.

The Budget contains an increase in waste discharge permit fees levied against entities discharging wastes onto land or water. These fees are used to permit and monitor discharges and take enforcement action where dischargers are out of compliance with their permits. The Budget proposes to increase the statutory cap on Core Regulatory Program fees (National Pollution Discharge Elimination System [NPDES], NPDES Stormwater, Chapter 15 Land Disposal, Waste Discharge Requirements, and Section 401 Certification). This increase will shift most of the financial support for the program from the General Fund to fee payers, consistent with the “polluter pays” principle. The remainder of the program is funded from federal funds.

Department of Toxic Substances Control

The Department of Toxic Substances Control (Toxics) is responsible for the prevention and remediation of environmental damage caused by hazardous wastes. The Department regulates hazardous waste transportation, treatment, storage, and disposal in California; oversees cleanup of contaminated sites; and promotes pollution prevention. Specific programs include site mitigation, hazardous waste management, pollution prevention, and technology development.

The Governor’s Budget proposes a reduction of \$3.4 million General Fund for various programs and various fund shifts, including a shift of \$340,000 for border activities and \$410,000 for oil refinery inspections and enforcement from the



General Fund to the Hazardous Waste Control Account, and a shift of \$907,000 for direct site cleanup activities from the General Fund to the Toxic Substances Control Account.

The Budget proposes \$159.0 million (\$20.1 million General Fund) and 1,011.7 personnel years for support of these programs, and includes new funding as follows:

- ◆ \$3.7 million increased federal funds to conduct regulatory oversight activities at sites that require oversight and remediation as a result of hazardous material contamination.
- ◆ \$459,000 (Hazardous Waste Control Account) to continue oversight activities at the Casmalia hazardous waste site.
- ◆ \$1.9 million (Expedited Site Remediation Trust Fund) for the Expedited Remedial Action pilot program. The funding will be used to cover a share of liability for remediation costs at sites for which there is no responsible party.
- ◆ \$870,000 reimbursements and 9.0 limited-term positions to address additional workload resulting from the passage of the Kindergarten-University Public Education Facilities Bond Act of 2002 (Proposition 47), which requires school districts to submit environmental review documents to Toxics as a condition of receiving State funding for school construction. Toxics ensures that proposed school sites are free of contamination, or that contaminated properties are cleaned up to a level that is protective of a future school's students. This funding will allow Toxics to

provide necessary oversight for the anticipated increased number of school projects.

- ◆ \$530,000 (Environmental Quality Assessment Fund) to administer the Registered Environmental Assessor Program, which was transferred to Toxics from the Office of Environmental Health Hazard Assessment pursuant to Chapter 626, Statutes of 2002 (SB 1011).

Office of Environmental Health Hazard Assessment

The Office of Environmental Health Hazard Assessment (Office) protects public health and the environment through objective, scientific evaluations of risks posed by hazardous substances. The Office conducts risk assessments for various CalEPA programs and organizations as well as other State and local agencies, and develops scientific tools and information that serve as the basis for risk management decisions. Health risk assessments focus on exposure to chemicals in air, water, food, consumer products, hazardous and municipal waste facilities, fish and shellfish, and sediments in bay and estuarine waters.

The Governor's Budget includes \$10.8 million (\$8.7 million General Fund) and 99.7 personnel years for these programs. In light of the current condition of the General Fund, however, the Budget reflects a total reduction of \$3.9 million General Fund for risk assessments, research contracts, scientific studies, and operating expenses and equipment.



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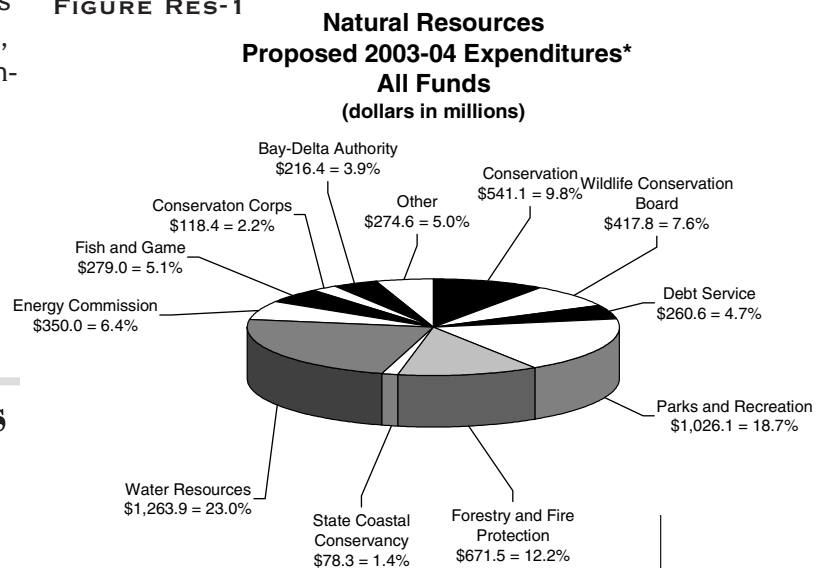
NATURAL RESOURCES

The Resources Agency, through its various departments, boards, commissions, and conservancies, is responsible for administering programs that conserve, preserve, restore, and enhance the rich and diverse natural and cultural resources of California. The Governor's Budget proposes \$5.5 billion and 15,357 personnel years for state operations, local assistance activities, and capital outlay.

Secretary for Resources

The Secretary for Resources is responsible for administering programs and policies governing the protection of California's natural and cultural resources. The Secretary also administers the Sea Grant Program and the California Legacy Project. The Governor's Budget proposes \$54.3 million and 45 personnel years, including \$7.9 million from Proposition 40 and \$25 million from Proposition 50, to develop and protect river parkways. Priority is given to projects consistent with approved water-

FIGURE RES-1



shed plans that also include water quality and watershed protection benefits while expanding recreation opportunities. Past projects have addressed needs on the San Diego and San Dieguito, San Gabriel, Los Angeles, Guadalupe, Sacramento, and Toulumne Rivers. The total Budget also includes \$7 million from Proposition 50 to provide grants to protect the Sierra Nevada Cascade.



Proposition 50

Proposition 50, “The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002,” passed in November by the voters, makes \$3.44 billion in bond funds available to address California’s water supply needs. Proposition 50 will allow investment to protect California’s water supply to continue, deploying funds over a five year program. Some of those funds are supporting activities in the current year, with approximately \$1.1 billion in the Governor’s Budget for protection of state water resources. Grants and loans will be provided to help local water agencies meet safe drinking water standards while improving system protections from terrorist attack or other deliberate acts of destruction. Other water-related programs will be continued to restore and protect groundwater and coastal bays and estuaries. Water conservation efforts will be funded, and water quality will be improved and pollution reduced through the capture of additional storm water and agricultural runoff. The State’s commitment to the CALFED Bay-Delta program will be continued. Projects to allow California to live within its apportionment of Colorado River water will be undertaken. Protection of uplands, watersheds, wetlands, and beaches will be provided through restoration and acquisition of sensitive properties.

Proposition 50 also provides an important economic stimulus for the State in general and local communities in particular. For example, lining the All American Canal will not only conserve an estimated 93,700 acre-feet of water, it will also provide employment in Imperial County. Sierra Nevada Cascade grants will improve recreational

and environmental facilities throughout California’s mountain communities. Grants and loans provided by the State Water Resources Control Board totaling \$112.5 million for infrastructure upgrades to water treatment facilities will improve drinking water, and engage local contractors in cities, municipalities, and local water districts. Urban and agricultural conservation programs and water-use efficiency programs will lower water expenditures starting with individual households and farms, resulting in improved water conservation on a statewide basis. Assistance to farmers to help them achieve cleaner agricultural runoff will make it possible for them to continue producing food, earn a profit, and clean up the environment.

The Governor’s Budget proposes \$515 million for direct land acquisitions and grants for purchasing and restoring sensitive lands and protecting the State’s natural resources—vital tools to assist in the protection of California’s waterways. Programs managed by the Resources Agency (and its constituent land acquiring entities such as the Wildlife Conservation Board and the State Coastal Conservancy) will address these opportunities throughout the state with an emphasis on the coast. The State’s commitment to local planning efforts will be recognized through participation in Natural Communities Conservation Planning (NCCP) activities, such as those underway in San Diego, Placer, and Riverside Counties. The Sierra Nevada Cascade grant program will focus on the protection of mountain water bodies, where the majority of clean water for all Californians originates. Other projects include coastal properties such as Bolsa Chica, as directed by the bond lan-



guage, and Ballona Wetlands in Southern California, Hearst Ranch on the Central Coast, Willow Creek at the mouth of the Russian River, Dutch Slough in the Sacramento-San Joaquin River Delta, and opportunities in the San Joaquin Valley Foothills.

Department of Conservation

The Department of Conservation administers a number of programs related to the state's geological resources, such as regulating oil, gas, and geothermal wells; studying and mapping earthquakes; and regulating surface mining activities. Conservation is also responsible for administering the beverage container recycling program and preserving farmland and open space. The Governor's Budget includes \$541.1 million and 601 personnel years. Significant adjustments include elimination of the North Coast Watershed Assessment Program (\$1.8 million). To date, the Administration has spent \$4.4 million to complete 3 watershed assessments, which are now available for incorporation into the state watershed regulatory process. Other adjustments include reductions for various mineral and geological hazards mapping programs (\$1.1 million).

The Governor's Budget also includes an additional \$2.2 million (Seismic Hazards Identification Fund and Strong Motion Instrumentation Fund) for earthquake mapping and monitoring activities to ensure that buildings, bridges, and homes are not significantly damaged by earthquakes.

Department of Forestry and Fire Protection

The Department of Forestry and Fire Protection (CDF) provides fire protection and suppression services on 31 million acres of non-federal wildlands, responds to emergencies, and protects and enhances forests, range lands, and watersheds. CDF also negotiates more than 140 cooperative agreements annually with counties, cities, and special districts to provide fully reimbursed fire protection services to local governments. The Governor's Budget includes \$671.5 million and 5,130 personnel years. The Budget makes no reductions in areas that will affect public safety, but does include relatively minor reductions of \$795,000 from consolidation of air attack bases (with no reduction in air services) and \$750,000 from closing lookout stations. Elimination of these lookout stations will not result in degradation of fire protection services because CDF can staff individual lookout stations when weather and other conditions warrant the need to do so.

California Conservation Corps

The mission of the California Conservation Corps (CCC) is to engage young men and women in meaningful work, public service, and educational activities that will assist them in becoming more responsible citizens, while protecting and enhancing California's environment and communities. The CCC operates district and satellite facilities, in both residential and nonresidential settings, from the Oregon to the Mexico borders. Since the CCC's creation in 1976, more than 88,000 young men and women



between the ages of 18 and 23 have participated in the program. The Governor's Budget includes \$118.4 million and 445 personnel years for the corps. The Budget reflects a 25 percent reduction of \$11.6 million General Fund in light of the severity of the General Fund revenue shortfall, resulting in a reduction of 328 corpsmembers slots.

Wildlife Conservation Board

The Wildlife Conservation Board (WCB) acquires lands on behalf of the Department of Fish and Game and assists local governments and conservancies through grants and cooperative agreements that allow for the preservation of wetland habitats and public access to recreation facilities and wildlife viewing areas. Since its inception, the WCB has acquired 595,000 acres that are now protected wildlife habitat, and developed nearly 300 public access sites statewide. The WCB has also funded the restoration or enhancement of over 209,000 acres of wetlands and riparian habitat managed by various public and private entities. The Governor's Budget proposes \$417.8 million and 31 personnel years, including \$367.2 million for implementation of Proposition 50 wetland restoration and acquisition projects.

Department of Fish and Game

The Department of Fish and Game manages California's diverse fish, wildlife, and plant resources, and habitats for their ecological values and enjoyment by the public. The Department also manages oil spill prevention programs and enforces

environmental laws such as the California Endangered Species Act. The Governor's Budget proposes \$279 million and 2,173 personnel years for the Department. The Budget includes an increase in fishing and hunting licensing fees (\$4 million), elimination of vacant positions (\$2.9 million), reduced operations at wildlife areas and ecological reserves (\$1.9 million), reduced hatchery operations (\$1.6 million), elimination of the Urban Fishing Program (\$1.2 million), and elimination of the North Coast Watershed Assessment Program (\$0.9 million).

Department of Parks and Recreation

The Department of Parks and Recreation is responsible for preserving the State's extraordinary biological diversity, natural and cultural resources, and high quality outdoor recreational opportunities. The State Park System consists of 266 units including parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites.

The Governor's Budget proposes \$1,026.1 million and 3,036 personnel years for state operations (\$278.6 million), local assistance (\$633.4 million), and capital outlay (\$114.1 million). Significant adjustments include an increase in State Park fees (\$20 million), a reduction in the number of field offices from 23 to 14 (\$6.5 million), administrative reductions (\$2.5 million), and fund shifts from the General Fund to special funds (\$6 million).



The Governor's Budget also includes \$594.2 million from Proposition 40 for local grants, park facility restoration, and infrastructure improvements. Of this amount, \$125.6 million is included for historical and cultural grant programs and artifact restoration projects.

CALFED

The CALFED Bay-Delta Program is an unprecedented effort to build a framework for managing California's most precious natural resource—water. California and the federal government have launched the largest, most comprehensive water management and ecosystem restoration program in the world. The CALFED program includes participation by water users, environmentalists, business leaders, and representatives of local governments and tribal communities.

The Governor's Budget includes \$582.1 million for the State's share of the CALFED Bay-Delta Program (\$18.4 million General Fund, \$531.2 million bond funds, and \$32.5 million other funds) for the following activities:

- ◆ \$133.1 million for ecosystem restoration programs and projects.
- ◆ \$111.2 million for water storage projects.
- ◆ \$88.6 million for water conservation activities.
- ◆ \$43.1 million for Delta conveyance projects.

- ◆ \$206.1 million for water quality projects, environmental water account, science, water transfers, watershed management, Delta levees, and program oversight.

Department of Water Resources

The Department of Water Resources (DWR) protects, conserves, and develops the State's water supply. DWR delineates the State's water issues, forecasts future water needs, evaluates and inventories existing water resources, and explores conservation and storage options to meet the needs of the State's growing population. The Governor's Budget includes a total of \$1,263.9 million and 2,739 personnel years for state operations (\$536.1 million), local assistance activities (\$208.2 million), and capital outlay (\$519.6 million). These figures reflect a shift in funding for the Drought Panel Recommendations program from the General Fund to Proposition 50, a modest reduction in flood management activities (\$2.1 million), and a reduction in water management activities (\$1.6 million).

In addition, DWR will expend \$5.3 billion from the Electric Power Fund to manage long-term electric power contracts that help meet the State's electrical needs. These costs are borne by ratepayers. In October 2002, the State issued \$11.7 billion of revenue bonds to repay the General Fund for electric power purchased on behalf of the state's investor-owned utilities. Beginning on January 1, 2003, the state's investor-owned utilities will resume the responsibility for purchasing electric power for their customers.



The Governor's Budget also includes \$102.2 million from Proposition 50 for the following activities:

- ◆ \$51.7 million for projects that protect communities from drought, protect and improve water quality, and improve local water security.
- ◆ \$19 million for the lining of the Colorado River Canal and the Coachella Branch.
- ◆ \$15.2 million for grants for desalination projects.
- ◆ \$11.5 million for drinking water quality pilot projects.
- ◆ \$4.8 million to improve dam security.

The Governor's Budget provides funding from Proposition 13 and Proposition 40 for the following activities:

- ◆ \$7.3 million for the Flood Protection Corridor Program (Proposition 13).
- ◆ \$4.6 million for the Urban Streams Restoration Program (Proposition 40).
- ◆ \$3 million for the Yuba Feather Flood Protection Program (Proposition 13).

Energy Resources Conservation and Development Commission

The mission of the California Energy Commission (Commission) is to ensure a reliable supply of energy that meets California's needs and complies with environmental, safety, and land use goals. The Commission processes applications to site new power facilities; encourages measures to reduce

wasteful and inefficient use of energy; and monitors alternative ways to conserve, generate, and supply energy.

The Governor's Budget proposes \$350 million and 477 personnel years for state operations and local assistance. The Budget includes \$1.6 million for energy demand data collection and analysis activities to generate the most up-to-date energy demand forecast information. This information will assist policymakers with generation, transmission, and conservation decisions. The Governor's Budget also includes \$2 million for the fifth phase of the Katz Safe School Bus Clean Fuel Efficiency Demonstration Program, which replaces older polluting school buses with buses that meet or exceed current standards.

Public Utilities Commission

The Public Utilities Commission is responsible for the regulation of investor-owned utilities, including gas, electricity, telephone, water, railroads, and certain passenger and household goods carriers to ensure the delivery of stable, safe, and economic services. Specific activities include enforcement of safety regulations, controlling industry rates for services, and promoting energy and resource conservation. The Governor's Budget proposes \$1.2 billion and 896 personnel years for state operations, including \$893 million for the administration of the Universal Service Telephone programs and \$247 million for the Natural Gas Surcharge program, which provides assistance to low-income customers, supports energy conservation efforts, and sponsors research and development projects.



California Consumer Power and Conservation Financing Authority

The purpose of the California Consumer Power and Conservation Financing Authority is to ensure that California has a sufficient supply of electricity at reasonable prices while contributing to cleaner air, climate control, and a better environment. Activities include promoting conservation, financing new projects, and advancing greater use of renewable energy. The Governor's Budget proposes \$4.3 million and 13 personnel years for state operations.

Electricity Oversight Board

The Electricity Oversight Board is responsible for overseeing the operation and reliability of the electricity transmission system; the operation, efficiency, and competitiveness of markets for bulk energy, transmission, ancillary services; and all activities of the Independent System Operator. The Governor's Budget proposes \$3.7 million and 25 personnel years for state operations.



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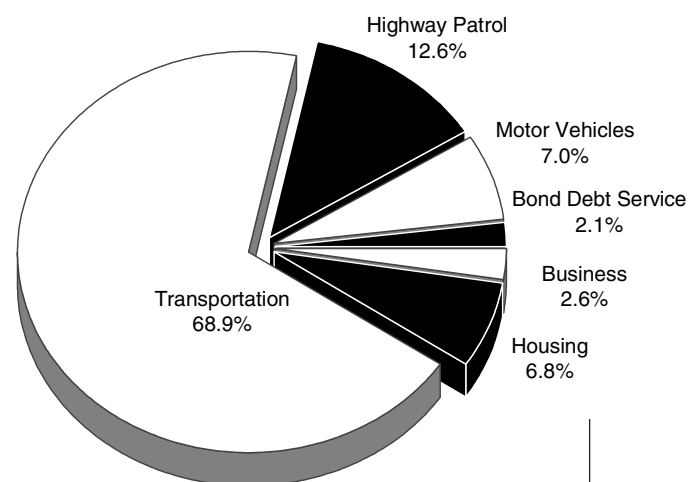
BUSINESS, TRANSPORTATION, AND HOUSING

The Business, Transportation, and Housing Agency includes programs that plan, build, and maintain California's state transportation systems; ensure efficient and fair markets for the real estate industry, health care plans, and certain financial businesses; and assist community efforts to expand the availability of affordable housing for a growing workforce. In addition, the Agency contributes to public safety through the law enforcement activities of the California Highway Patrol and the Department of Alcoholic Beverage Control. Information on the Highway Patrol's budget can be found in the Corrections and Law Enforcement section.

Figure BTH-1 displays the funding proposed in the Business, Transportation, and Housing portion of the 2003-04 Governor's Budget. The majority of the funding is provided from special fund revenues and federal funds. Significant General Fund expenditures are made for general obligation bond debt service for transportation projects

FIGURE BTH-1

Business, Transportation, and Housing Agency 2003-04 Expenditures All Funds



and bridge seismic retrofit, and to support a variety of programs in the Department of Housing and Community Development.



Transportation

The Department of Transportation, the California Transportation Commission, the California Highway Patrol, the Department of Motor Vehicles, the Office of Traffic Safety, and local government agencies administer transportation and related public safety programs. Transportation funding comes from State and federal fuel taxes, the sales and use tax on fuel, motor vehicle license and registration fees, weight fees for trucks, and local sales taxes. The Governor's Budget proposes total expenditures of \$8.6 billion in 2003-04 for roads, highways, mass transit and intercity rail, vehicle licensing and registration, and highway law enforcement.

Department of Transportation

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. In addition, Caltrans provides intercity rail passenger services under contract with Amtrak as well as other transportation related activities.

The Governor's Budget proposes \$6.4 billion in 2003-04 expenditures for Caltrans from federal funds, various State funds, and reimbursements, and staffing of 20,582.6 personnel years. This amount includes \$1.6 billion in spending on capital projects, and \$2.0 billion for programs that assist local governments in constructing and operating highway, road, and transit systems. Since 1999-00, the Administration

has spent a total of \$28.3 billion on transportation, an increase of \$7.5 billion over the prior four years.

Transportation projects and operations generally are supported from dedicated special funds and federal funds. This approach guarantees funding for multi-year planning processes that need sustained revenues to fund large projects. The major transportation funding sources are:

- ◆ State and federal fuel taxes deposited in the State Highway Account (SHA).
- ◆ Certain sales taxes on fuel deposited directly in the Public Transportation Account (PTA), which fund transit and intercity rail capital projects as well as transit operations.

Federal Resources—While nearly all states throughout the nation are suffering from a slow economy, the situation is compounded by the federal transportation budget. To date, the Congress has not passed the transportation appropriation measure for 2003; however, indications are that federal transportation funds will be less in 2002-03 than anticipated relative to the 2002 Budget Act and significantly less in 2003-04 than anticipated in the State Transportation Improvement Plan (STIP) Fund Estimate. Similarly, Caltrans recently reported to the California Transportation Commission (CTC) that federal transportation resources over the next five years are now anticipated to fall below what was projected in the 2002 STIP Fund Estimate. Lower projected federal resources will reduce expected SHA revenues and require savings in the Caltrans budget.



Traffic Congestion Relief Act—Transportation projects benefited significantly from the revenues created by a very strong stock market over recent years. Specifically, the Traffic Congestion Relief Act (Act) was enacted (Chapters 91, 92, and 656, Statutes of 2000), creating a six-year funding plan using General Fund revenue for State and local transportation needs, supplementing existing State and local transportation funds. At that time, this plan was expected to provide \$6.8 billion from the General Fund—\$1.5 billion from an initial General Fund appropriation and \$5.3 billion from the transfer of sales taxes on fuel over the life of the Act. In addition, the Act created two new funds—the Traffic Congestion Relief Fund (TCRF) that was anticipated to receive \$5.4 billion of the \$6.8 billion to support 142 projects designed to reduce congestion and enhance goods movement, and the Transportation Investment Fund (TIF) that would distribute approximately \$600 million for local streets and roads improvements, \$600 million to the STIP, and \$300 million to the PTA.

As the economy began to slow in early 2001, the funding timetable for the Act was revised in response to General Fund pressures. Specifically, the starting date for transferring the State sales tax funding was delayed until 2003-04, and the plan was extended by two years—through 2007-08 (Chapter 512, Statutes of 2001). The 2001 Budget Act and the 2002 Budget Act loaned a total of \$1.283 billion of the original \$1.5 billion transferred from the General Fund to the Traffic Congestion Relief Fund in 2000-01 back to the General Fund.

Proposition 42—Passed by voters in March 2002, Proposition 42 amended the State Constitution to permanently dedicate State sales taxes on gasoline to transportation purposes beginning in 2003-04. That proposition included a provision that allows the Administration and the Legislature to suspend the sales tax transfer (also known as the TIF transfer) in a fiscal year for which the transfer would result in a significant negative fiscal impact on government functions funded by the General Fund.

Unfortunately, the anticipated recovery of the U.S. and California economies has not yet materialized—resulting in a deterioration of the General Fund’s condition and the need to suspend the TIF transfer as authorized pursuant to Proposition 42. Consistent with that, the Administration’s 2002-03 Mid-Year Spending Reduction Proposals include a suspension of the 2003-04 TIF transfer—resulting in a savings to the General Fund of approximately \$1 billion. The mid-year proposal would also provide for a \$100 million transfer from the TCRF to the General Fund in 2002-03 and forgiveness of a planned \$500 million General Fund to TCRF loan repayment in 2003-04. Although these actions reduce TCRF funding below what would be needed to fund planned 2002-03 and 2003-04 activities, the Administration remains committed to addressing California’s transportation needs.

To ensure the continuation of high priority Traffic Congestion Relief Program (TCRP) projects, the Administration has directed the CTC to take a leadership role by coordinating the efforts of Caltrans, the CTC, and local transportation agencies to re-evaluate transportation funding and project priorities relative to redirecting State Highway Ac-



count, Public Transportation Account, and local funds toward TCRP projects through the STIP process and the CTC allocation authority.

Long-term Spending Plan—The following discussion includes proposals contained in the December 2002 Mid-Year Spending Reduction Proposals to provide relief for the General Fund and to reduce SHA expenditures related to lower than anticipated federal funds. In addition, as part of the management of lower anticipated federal resources and consistent with the signing message for Chapter 438, Statutes of 2002, the Department of Finance, Caltrans, and the CTC will be working jointly to develop a long-term plan to manage federal Obligation Authority and Advanced Construction in conjunction with the development of the 2004 STIP Fund Estimate.

Federal Obligation Authority allows the State to receive federal reimbursement on transportation expenditures as they are incurred. Advanced Construction allows the State to proceed with transportation projects based on planned federal reimbursement in future fiscal years. In the case of a transportation project assigned Advanced Construction, State revenues are used in advance of federal reimbursements. The plan will indicate the appropriate level of Advanced Construction relative to anticipated State and federal revenues and will address the role of federal highway grant anticipation revenue vehicles (GARVEE) in meeting the State's various transportation needs. The jointly-developed plan will be presented to the CTC in conjunction with the 2004 STIP Fund Estimate.

Capital Outlay

The Governor's Budget proposes to realize a current year SHA savings of \$442 million. In addition, a 2003-04 authorization level of \$1.6 billion is proposed for transportation capital outlay program expenditures. The lower level of expenditures is necessary because projected cash balances in the SHA for the next two years will be insufficient to support all scheduled new projects and pay for those already under contract. The major emphasis on the delivery of capital projects and the historically high use of Advanced Construction over the past four years resulted in projected overall SHA expenditure levels of over \$6 billion in 2001-02 and projected levels of expenditures exceeding \$6 billion in 2002-03 and 2003-04. Further, federal transportation revenues projected for 2002-03 and subsequent years is expected to be lower than forecasts used for the 2002 STIP Fund Estimate. The lower revenues result in delayed reimbursement of SHA expenditures and diminished SHA resources. For the current and budget years combined, the federal funds shortfall is projected to total \$800 million. In addition, the revised forecast of commercial vehicle weight fees deposited in the SHA is lower than forecast by \$164 million in the current year. Despite this revenue shortfall, there will be \$2.2 billion in expenditures on capital projects in 2002-03 and \$1.6 billion in 2003-04.

The following Mid-Year Spending Reduction Proposals provide relief to the General Fund:

- ◆ Pursuant to Article XIXB, Section 1(d) of the California Constitution, suspend the General Fund transfer to the TIF in



2003-04 for funding of the TCRP (\$678 million), contribution to the SHA (\$147 million), and public transit projects (\$74 million).

- ◆ Recapture \$100 million of unspent General Fund remaining in the TCRF in 2002-03.
- ◆ Forgive the planned \$500 million repayment of a loan to the General Fund from the TCRF scheduled for 2003-04.

The Administration also proposes legislation to revise the weight fee schedule to attain revenue neutrality as originally intended by Chapter 861, Statutes of 2000, and to improve enforcement, thereby restoring the weight fee revenue to its historical level and eliminating this shortfall in 2003-04. This change will assist in addressing the SHA resource shortfall.

Local Assistance Programs

Caltrans provides State and federal transportation funds to local agencies through its local assistance budget. Funds are used primarily for local capital projects of the State highway system, mass transit capital improvement projects, and bridge improvement projects. Funds are also used to provide discretionary assistance to local transportation agencies. The Governor's Budget proposes \$2.0 billion in local assistance funding for transportation in 2003-04, including \$255 million from the SHA, \$1.7 billion in federal funds, and \$15 million from special funds.

The following Mid-Year Spending Reduction Proposals provide relief to the General Fund:

- ◆ Pursuant to Article XIXB, Section 1(d) of the California Constitution, suspend all General Fund transfers to the TIF in 2003-04 for funding of the local streets and roads projects (\$147 million).
- ◆ Suspend the 2002-03 second, third, and fourth quarter payments from the SHA for local streets and roads (savings of \$90 million).
- ◆ Transfer \$5.2 million in 2002-03 and \$1.5 million in 2003-04 from the Aeronautics Account to the General Fund. Proposed trailer bill language specifies that the Aeronautics Account grant funding to general aviation airports for security shall be the highest priority for grant funding. This focus is consistent with Chapter 754, Statutes of 2002, which provided that funds in the Aeronautics Account could cover the full 10 percent local match requirement for federal grants under the Airport Improvement Program for security improvement projects.

The following proposals relate to the anticipated reduction in federal funds and resulting decrease in the SHA balance:

- ◆ Reduce local assistance outlays by \$50 million in the current year and \$75 million in the budget year based upon improved cash management of federal funds.
- ◆ Realize savings of \$25.5 million in the current year and \$34 million in the budget year by reducing the following local assistance programs: Freeway Service Patrol Competitive Grant Program, Environmental Enhancement and Mitigation, Discretionary Seismic Bridge



Retrofit Matching Funds, Community Empowerment Grants, and Community Based Planning Grants.

State Operations Budget

The Governor's Budget proposes \$2.8 billion in state operations funding supporting transportation in 2003-04, including \$1.8 billion from the SHA, \$420 million in federal funds, and \$543 million from special funds. This funding level represents a reduction of \$272 million compared to currently estimated 2002-03 expenditures.

The following mid-year spending reduction proposal provides relief to the General Fund:

- ◆ A reduction of \$56.5 million in SHA funds to reduce state and contract staff working on TCRP projects that are not expected to continue in 2003-04.

The following proposal relates to the anticipated reduction in federal funds and resulting decrease in the SHA balance:

- ◆ A reduction of \$116.1 million in operating expenses, overtime, and salaries in order to assist in assuring adequate balances in the SHA to fund projects. The reduction in operating expenses includes a \$5 million reduction in planned fleet-greening vehicle purchases.

Caltrans Staffing—The current budget contains 1,223.7 positions to deliver the Traffic Congestion Relief Act projects. As previously noted, the current fiscal situation will require a prioritization of these projects along with all other STIP projects to live within existing resources. As a result, it is unknown at this time which projects will

continue. Given this uncertainty, the Administration proposes to eliminate all of the TCRP related positions at this time, but is committed to restoring the level of positions needed to deliver the projects that are identified by the CTC, Caltrans, and local transportation agencies. This review will take place in the spring in conjunction with the Capital Outlay Support annual workload Finance Letter. In total, the Governor's Budget proposes 20,582.6 personnel years in 2003-04 for Caltrans, a net decrease of 1,344.9 personnel years compared to the adjusted 2002-03 level. This decrease results primarily from the proposal to suspend the General Fund TIF transfer and forgive planned General Fund to TCRF loan repayments in 2003-04. Other staffing reductions are due to program reductions necessitated by the anticipated reduction in federal funds.

California Transportation Commission

The California Transportation Commission (Commission) is responsible for the programming and allocation of funds for the construction of highway, passenger rail, and transit improvements throughout California. The Commission also advises and assists the Secretary of the Business, Transportation, and Housing Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The Commission is also an active participant in the initiation and development of State and federal legislation that seeks to secure financial stability for the state's transportation needs.



To ensure that high priority TCRP projects continue, the Administration has charged the Commission with the lead responsibility of coordinating the efforts of Caltrans and local transportation agencies to re-evaluate transportation funding and project priorities. This will involve redirecting State Highway Account and Public Transportation Account allocated through the State Transportation Improvement Plan, and local moneys toward TCRP projects. This effort will ensure that the highest priority projects benefit from limited transportation resources. As TCRP projects are realigned with funding through the STIP, the Commission will assume allocation responsibility for the projects.

Cash Management of the State Highway Account—As the agency responsible for STIP allocations, the CTC will be responsible for ensuring that any allocations made through the remainder of 2002-03 and 2003-04 conform to the SHA cash management plan as identified in the 2003-04 Governor's Budget. This plan involves both current and budget year spending reductions in various programs including local assistance and capital outlay.

High-Speed Rail Authority

The High-Speed Rail Authority (Authority) is planning the development and implementation of an intercity high-speed rail service that will achieve speeds of at least 200 mph and be fully integrated with California's existing intercity rail and bus network. The Authority is currently working toward the

December 2003 planned completion of the program-level environmental impact report (EIR).

Chapter 697, Statutes of 2002, places a general obligation bond measure before voters in 2004 (the Safe, Reliable, High-Speed Train Bond Act for the 21st Century). If passed by the voters, this bond measure would provide \$9.95 billion in bond financing to fund the planning and construction of a high-speed passenger train system and enhancements to connecting intercity and commuter rail lines.

The Administration proposes to consolidate the Authority with Caltrans. This consolidation will bring the transportation expertise of Caltrans to the high-speed rail project. Under this proposal, the nine-member Authority board would continue its responsibilities, while Caltrans staff will perform the ongoing support and administrative responsibilities for the board. The 2003-04 Governor's Budget proposes \$1.8 million from the Public Transportation Account in the Caltrans budget to finish the EIR.

Office of Traffic Safety

The Office of Traffic Safety (OTS) administers the California Traffic Safety Program and will distribute about \$85 million in 2003-04 to local and State agencies in federal grant funds. The grants provided by OTS focus on the nine priority areas of traffic safety: (1) alcohol and drugs, (2) occupant protection, (3) pedestrian and bicycle safety, (4) traffic records, (5) emergency medical services, (6) roadway safety, (7) police traffic services, (8) motorcycle safety, and (9) speed control.



The 2003-04 Governor's Budget proposes to consolidate the OTS, currently a free-standing office, with the Office of the Secretary for Business, Transportation, and Housing. This consolidation will allow for contracted personnel services savings of \$135,000 in 2003-04. The savings from the consolidation will be shifted from grant administration to provide increased local agency grants.

Pressures on the Motor Vehicle Account

The Motor Vehicle Account (MVA) is the major funding source for the Department of Motor Vehicles (DMV) and the California Highway Patrol (CHP). Numerous factors have led to the erosion of MVA resources. Historically, full cost recovery for the costs of services provided by the DMV and the CHP to the public have not occurred through assessed fees and other revenues. In addition, in most years, the State's retirement system was able to fund the cost of the CHP's retirement plan entirely from its investment earnings, which offset costs that would otherwise have been borne by the MVA. However, as a result of the stock market decline, this funding source is not currently available to offset annual retirement costs of \$107 million; these costs have now shifted to the MVA, further eroding available MVA resources. Additional erosion has occurred because fees were neither adjusted for inflation nor indexed in some manner to account for workload growth or program costs. While some fees have been increased, those increases have not kept pace with inflation.

To address the erosion of resources in 2002-03, the CHP, DMV, and Air Resources Board reduced their MVA funded program costs by \$32 million. Concurrently, the 2002-03 Governor's Budget included several revenue generating proposals to address the shortfall. Ultimately, legislation was approved, raising additional revenue of approximately \$30 million in 2002-03 and \$60 million in 2003-04.

For 2003-04, additional fee proposals will provide nearly \$194 million in new MVA revenues. The Governor's Budget also proposes to realign \$67 million of certain program activity costs to appropriate fund sources and to provide an indexing mechanism to periodically adjust for inflation. These proposals and the amount of revenue (in parentheses) are outlined below:

- ◆ Increasing the base annual vehicle registration cost by \$3 (\$41 million).
- ◆ Increasing the two \$1 CHP vehicle registration surcharges to a total of \$6 (\$54 million).
- ◆ Increasing the costs of a non-commercial driver's license, up to \$24 for a five-year license (\$30 million).
- ◆ Establishing additional penalties for failure to file transfer of title documents (\$11 million).
- ◆ Issuing identification (ID) cards to seniors free of charge and increasing the ID card fees for all others to \$20 (\$9 million).
- ◆ Activating the Business Partner Automation fee, setting the fee at \$3 (\$2 million).



- ◆ Standardizing a variety of DMV fees at \$15 (\$16 million).
- ◆ Establishing a new Public Safety Surcharge on telephone usage (\$30 million). This new revenue source will be used to fund CHP costs a portion of which are not eligible from either the SHA or the MVA, such as search and rescue activities in support of local law enforcement agencies.
- ◆ Increasing funding from the SHA by \$16 million to fully fund SHA eligible costs.
- ◆ Increasing funding from the State Emergency Telephone Number Account by \$51 million to fully fund 9-1-1 activities performed by the CHP.

In total, these proposals will provide sufficient revenues for the expenditures proposed in the Budget, and a modest reserve of about 3 percent.

Department of Motor Vehicles

The DMV promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The Department also collects the various fees that are revenues to the MVA. The 2003-04 Governor's Budget proposes \$682 million and 8,443 personnel years for support of the DMV. A one-time augmentation of \$312,000 is included for replacement of furniture at the Rancho Cucamonga field office that is currently undergoing health and safety reconstruction.

Online Vehicle Registration—To promote online transactions and to channel the growth in transactions away from in-person counter transactions, the Administration proposes to eliminate the \$4 credit card convenience fee currently charged to those registering online. Although the fee has partially offset the cost of credit card transactions, the fee has also suppressed both telephone and on-line credit card transactions that would otherwise be diverted away from field offices. It is anticipated that the elimination of the convenience fee will result in increased online usage and ultimately lead to cost savings as well as cost avoidance. To ensure public confidence in the security of the information technology systems at the DMV, the expanded access will only be provided once the State's Chief Information Officer is assured the information technology systems related to credit card transactions continue to meet appropriate security standards.

Department of Alcoholic Beverage Control

The Department of Alcoholic Beverage Control administers the provisions of the Alcoholic Beverage Control Act, which vests in the Department the exclusive right and power to license and regulate the manufacture, sale, purchase, possession and transportation of alcoholic beverages within the state and, subject to certain laws of the United States, to regulate the importation and exportation of alcoholic beverages into and from the state. The 2003-04 Governor's Budget proposes total expenditures of \$39.2 million and 423.3 personnel years to support the Department.



Replacement of Obsolete Information Technology Hardware—The Budget proposes one-time funding of \$565,000 to replace obsolete information technology hardware.

Department of Corporations

The Department of Corporations administers and enforces State laws governing the offer and sale of securities and franchise investments; the licensing and regulation of securities broker-dealers and investment advisers; and the licensing and examination of mortgage brokers, finance lenders, and escrow companies. Through these activities, the Department protects the public and helps promote the integrity of the financial services marketplace. The 2003-04 Governor's Budget proposes total expenditures of \$28.3 million and 286.4 personnel years to support the Department.

Consolidation of Corporations and the Office of Real Estate Appraisers—The Budget proposes to consolidate the Office of Real Estate Appraisers with the Department effective July 1, 2003. This consolidation will result in the elimination of the Office of Real Estate Appraisers Director position and could result in further efficiencies.

Payday Lenders Regulation—The Budget also proposes to add 11 positions and \$1.1 million to implement the provisions of Chapter 777, Statutes of 2002. Chapter 777 transferred the regulation, licensing, and enforcement of deferred deposit transaction permit holders (payday lenders) from the Department of Justice to the Department of

Corporations. This legislation also substantially increased the level of regulation on the payday lending industry.

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 \$647.2 million and 507.1 personnel years for the Department's activities.

Proposition 46: Housing and Emergency Shelter Trust Fund Act of 2002—Approved by the voters in the November 2002 general election, this bond act authorizes a total of \$2.1 billion for various housing programs. The bond act allows the HCD to begin implementation of those programs in 2002-03. To address this new workload, the Department will expend \$1 million in 2002-03 and 10.9 personnel years (a redirection of 4.1 personnel years and 6.8 personnel years from newly established positions). In 2003-04, HCD will incur bond program costs of \$3.5 million and 38.1 personnel years (a redirection of 20.3 personnel years and 17.9 personnel years from proposed new positions). The local project bond expenditures will be \$255 million in 2002-03 and \$463 million in 2003-04, as follows:



- ◆ \$59.1 million in 2002-03 and \$107.6 million in 2003-04 for State and local homeownership programs for lower income families (including programs administered by the California Housing Finance Agency).
- ◆ \$25 million in 2002-03 and \$64.7 million in 2003-04 for housing projects that serve farmworkers and their families.
- ◆ \$109.7 million in 2002-03 and \$193.5 million in 2003-04 for affordable rental housing for low income working families, the disabled, elderly, and those transitioning out of homelessness, and housing with supportive services for special needs populations.
- ◆ \$31 million in both 2002-03 and 2003-04 for capital funds to construct, expand, or rehabilitate homeless shelters and transitional housing.
- ◆ \$25 million for both 2002-03 and 2003-04 to provide financial incentives to communities that increase housing production, especially affordable rental housing production, and work to balance the development of jobs and housing.
- ◆ \$24 million in 2003-04 for downpayment assistance targeted to communities that reduce barriers to housing.
- ◆ \$4.8 million in 2002-03 and \$17.2 million in 2003-04 for preservation of affordable low-income housing.

The 2003-04 Governor's Budget also includes the following General Fund reductions:

- ◆ Shifting almost \$11 million in farmworker housing project grants to bond funds.
- ◆ Shifting \$721,000 in costs to fees for the Employee Housing Program.
- ◆ Shifting \$625,000 in costs to increased rents for Migrant Services Centers.
- ◆ Reducing \$220,000 and 1.9 personnel years for the Migrant Services Centers.
- ◆ Shifting \$220,000 in funds to Indian gaming funds in support of the California Indian Assistance Program.
- ◆ Reducing \$1.3 million in Emergency Housing and Assistance Program grants.
- ◆ Reducing \$220,000 and 1.9 personnel years from the State Housing Law program.
- ◆ Eliminating \$65,000 for a housing preservation contract.
- ◆ Reducing \$7,000 in out-of-state travel expenditures.

Office of Real Estate Appraisers

Consistent with federal requirements, the Office of Real Estate Appraisers licenses and regulates persons who conduct appraisals of property. The 2003-04 Governor's Budget proposes to transfer this program, which expends \$3.3 million for this purpose and is comprised of 28 personnel years, to the



Department of Corporations. This consolidation will allow for savings of \$150,000 and 1 personnel year in 2003-04 and is expected to provide opportunities for future program and operational efficiencies.

transitioned from consultants to state staff. The 2003-04 Budget provides five new staff to augment customer service to a level that more appropriately addresses the risk of system failure.

Department of Managed Health Care

The 2003-04 Governor's Budget proposes a total of \$34.2 million and 291.5 personnel years in 2003-04 for the Department of Managed Health Care and the Office of Patient Advocate, established July 1, 2000, by Chapter 525, Statutes of 1999, to regulate health care service plans and address consumer needs. As proposed for 2003-04, the Department will have spent \$133.2 million on consumer protection activities since its inception in 2000-01. On an average annual basis, this is a 187 percent increase over program activities when these activities were carried out within the Department of Corporations.

Stephen P. Teale Data Center

The Stephen P. Teale Data Center assists California State agencies in meeting their business objectives by providing a cost-effective range of quality information technology services and products. The 2003-04 Governor's Budget proposes \$101 million and 372 personnel years for support of Teale. In 2002-03, the management of the California Home Page, the State's Internet homepage, transferred from the Department of General Services to Teale. At that time, support of the California Home Page was



TECHNOLOGY, TRADE, AND COMMERCE

The Technology, Trade, and Commerce Agency (TTCA) promotes business development, job creation, and job retention to help California maintain a strong, globally competitive economy. The 2003-04 Governor's Budget proposes \$111 million and 130 personnel years for the Agency. The 2002 Budget Act provides about \$26 million (36 percent) less General Fund support than the Agency expended in 2001-02. Along with one-time reductions and return of funds/transfers to the General Fund of \$11.4 million, the December 2002 Mid-Year Spending Reduction Proposals included additional ongoing program reductions and eliminations of \$2.1 million. As a result of both the 2002 Budget Act and December proposals, the Agency has reorganized to maintain operational integrity within the reduced funding levels for the following programs: California Infrastructure and Business Finance; Economic Development; Boards and Commissions; Global Economic Development; Contracts, Grants, and Loans; and Economic Research and Strategic Initiatives.

The TTCA budget includes:

- ◆ \$6.5 million reduction resulting in the elimination of State funding for the California Technology Investment Partnership (CalTIP) Program, the Manufacturing Technology Program (MTP), the Space Technology Alliance program, and for staff that support these programs in the Agency.
- ◆ \$8.1 million reduction in support of economic development programs of the Office of Military Base Reuse and Retention, Business Development, Local Development, Small Business, Small Business Development Centers, and the Film California First Program of the California Film Commission. The Film California First Program activity for 2003-04 will not be significantly affected by this reduction because the proposed funding level is consistent with program expenditures to date.
- ◆ \$3.4 million decrease in funds supporting the foreign trade and investment programs of Export Finance, Export Development, Foreign Investment, and closure of the contracted Foreign Trade



offices (located in South Korea, Shanghai, Singapore, Argentina, and Israel). The Budget continues to fund trade offices in Germany, Hong Kong, Japan, Mexico, Taiwan, South Africa, and the United Kingdom.

- ◆ \$7.5 million General Fund savings, resulting from the elimination of the Agency's Tourism Division. The Tourism Commission will continue to provide opportunities for coordination of marketing of the state as a vacation and entertainment destination.
- ◆ \$1.0 million reduction to support the consolidated Contracts, Grants, and Loans office of the Agency.
- ◆ \$562,000 reduction to strategic planning and economic research activities.
- ◆ \$200,000 savings resulting in the elimination of the Agency's Marketing and Communications Program.
- ◆ A reduction of 146 personnel years to conform to these program funding reductions.

variety of critical public infrastructure projects. In 2002-03 and 2003-04 combined, the Bank expects to leverage the ISRF Program through the issuance of revenue bonds totaling approximately \$150 million. This will greatly expand the lending capacity of the ISRF Program beyond its original appropriation, which has been committed. Through its Conduit Revenue Bond Financing Program, the Bank issues industrial development revenue bonds for small to mid-size manufacturing companies, 501(c)(3) bonds for nonprofit public benefit corporations, and revenue bonds for government.

California Infrastructure and Economic Development Bank

Since January 1999, the California Infrastructure and Economic Development Bank (Bank) has provided over \$2 billion of financing through two different programs to promote economic growth, quality of life, and revitalization of California communities. Through its Infrastructure State Revolving Fund (ISRF) Program, the Bank provides low-cost loans to local agencies for a wide



JUDICIAL BRANCH

The State Constitution vests California's judicial authority in a tripartite court system composed of the Supreme Court, the Courts of Appeal, and the trial courts. The Administrative Office of the Courts (AOC) provides support to the Supreme Court, the Courts of Appeal, the trial courts, and the Judicial Council. The Commission on Judicial Performance administers judicial discipline.

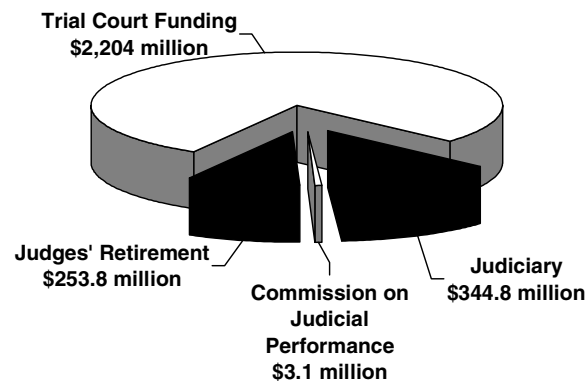
For 2003-04, the Governor's Budget proposes approximately \$2.8 billion for the Judicial Branch, in combined General Fund, special funds, federal funds, and reimbursements: \$344.8 million (\$289.4 million General Fund) for the Judiciary; \$3.1 million General Fund for the Commission on Judicial Performance; \$2.2 billion (\$791.1 million General Fund) for the trial courts; and \$253.8 million (\$132.1 million General Fund) for judges' retirement costs (see Figure JB-1).

Judicial

The 2003-04 Judicial budget (Supreme Court, Courts of Appeal, AOC, and the Habeas Corpus Resource Center) totals

FIGURE JB-1

Total Judicial Branch Expenditures 2003-04 All Funds



\$344.8 million, which includes \$284.3 million in state operations and \$60.5 million in local assistance. This amount reflects a decrease in expenditures of \$484,000 compared to the revised 2002-03 Budget and includes an augmentation of \$635,000 General Fund for activities related to the implementation of the Trial Court Interpreter Labor and Employee Relations Act (Chapter 1047, Statutes of 2002).



Due to current economic conditions and the State's fiscal constraints, the Judiciary has identified the following savings and reductions:

- ◆ An unallocated General Fund reduction of \$8.5 million in 2002-03 and \$17.7 million in 2003-04. These reductions have been adjusted from the amounts included in the Mid-Year Spending Reduction Proposals. Currently these reductions are scheduled as reductions to state operations. The Judicial Council is working on a plan to allocate these reductions among their various programs and items of appropriation. This plan will be presented to the Legislature during the spring.
- ◆ General Fund savings of \$500,000 related to the consolidation of various administrative functions at the Courts of Appeal. The Administration proposes legislation to achieve this consolidation.

In addition, the Administration proposes legislation for introduction in the 2003-04 First Extraordinary Session, to increase the appellate filing fee from \$265 to \$630, effective July 1, 2003. The Judicial Council estimates that this will result in General Fund revenue of \$2.1 million annually.

Commission on Judicial Performance

The 2003-04 Commission on Judicial Performance budget includes \$3.1 million General Fund, which reflects an unallocated reduction of \$1 million.

Trial Court Funding

The 2003-04 Trial Court Funding budget includes \$791.1 million General Fund and \$1.4 billion in non-General Fund resources, for a total of \$2.2 billion. This represents an overall decrease of \$5.2 million and a General Fund decrease of \$301.2 million from the revised 2002-03 Budget. The Governor's Budget contains the following augmentations:

- ◆ Consistent with the intent of the Legislature, as specified in Budget Act language, discretionary funding of \$8.4 million General Fund in 2002-03 and \$14.3 million in 2003-04 to meet various needs of the trial courts, including health benefit increases.
- ◆ \$32.6 million to address increased costs associated with providing security at trial court facilities. (See realignment discussion at the end of this section.)
- ◆ \$20 million General Fund for increased retirement costs for trial court employees.
- ◆ \$4.5 million General Fund for increased costs associated with providing court interpreters to assist non-English speaking defendants in trial court proceedings.
- ◆ \$3.9 million General Fund related to the cost of implementing the Trial Court Interpreter Labor and Employee Relations Act (Chapter 1047, Statutes of 2002).



Due to the State's fiscal constraints, the Judicial Council has identified the following savings and reductions in the Trial Court Funding budget:

- ◆ An unallocated General Fund reduction of \$36 million in 2002-03 and \$116 million in 2003-04. These reductions have been adjusted from the amounts included in the Mid-Year Spending Reduction Proposals. The Judicial Council is working on a plan to allocate these reductions among the various trial court programs and items of appropriation. This plan will be presented to the Legislature during the Spring.
- ◆ General Fund savings of \$22 million related to providing the courts with increased flexibility to contract with various sworn law enforcement agencies to provide security in the courts. The Administration proposes legislation to provide this increased flexibility to the courts.
- ◆ General Fund savings of \$31 million as a result of implementing electronic reporting of court proceedings. The Administration proposes legislation to provide for this change in practice.
- ◆ General Fund savings of \$5.5 million related to court ownership of court reporting transcripts as a result of implementing electronic reporting. The Administration proposes legislation to provide for this change in practice.

- ◆ General Fund savings of \$2.5 million related to the consolidation of various administrative functions at the trial courts. The Administration proposes legislation to achieve this consolidation.

In addition, the Administration proposes legislation to implement various fee increases to support the operation of the trial courts. The revenue from these will partially offset the General Fund support currently provided to the trial courts. The Judicial Council has identified the following fee increase proposals, resulting in General Fund savings of \$66.2 million:

- ◆ Implementing a security fee of \$20 per court filing. The Judicial Council estimates that this will result in revenue of \$34 million annually.
- ◆ Increasing the trial motion fee from \$23 to \$33. The Judicial Council estimates that this will result in revenue of \$1.2 million annually.
- ◆ Transferring revenue from various undesignated fees on court-related activities from the counties to the courts. The Judicial Council estimates that these revenues total \$31 million annually.

Total General Fund savings of \$300 million will be accomplished by providing a dedicated revenue source for court security, as discussed in the Preserving Critical Programs section. This revenue source will fund the existing base level of court security (\$289 million less \$22 million saved through the court flexibility proposal and the augmentation of \$33 million for increased costs of security as discussed above). With



this change, all trial court security costs will be funded by allocations from the Trial Court Trust Fund for realignment.

Overall, the Judicial Branch will achieve a total of \$531.5 million in General Fund savings, due to various reductions and revenue increases, including the new revenue source for court security discussed above.



GENERAL GOVERNMENT

Department of Industrial Relations

The primary functions of the Department of Industrial Relations (DIR) are to protect the workforce, improve working conditions, and advance opportunities for profitable employment. The 2003-04 Governor's Budget proposes \$244.5 million and 2,533 personnel years for DIR.

AB 749 Implementation—The Governor's Budget includes \$9.2 million and 68 personnel years for DIR to implement Chapter 6, Statutes of 2002 (AB 749). Chapter 6 enacted cost-saving reforms for employers and increased benefits to injured workers. Specific augmentations include:

- ◆ An increase of \$8 million and 64 personnel years to the Division of Workers' Compensation and Managed Care Program. This funding will support a medical review unit, additional judge teams, increased audit requirements, and studies related to workers' compensation issues.

- ◆ An increase of \$1.2 million and four personnel years for the Commission on Health and Safety and Workers' Compensation. This augmentation will be used to develop an occupational safety and health training education program and to complete studies on workers' compensation issues.

User Funding of Workers' Compensation Program—The Governor's Budget reflects the full-year impact of the Administration's December 2002 proposal to provide for 100 percent user funding of the workers' compensation programs in DIR, including the Division of Workers' Compensation, the Commission on Health and Safety and Workers' Compensation, the Workers' Compensation Appeals Board, and the Industrial Medical Council. This fund shift generates \$73.7 million General Fund savings in 2003-04. This amount has been amended since the release of the Mid-Year Spending Reduction Proposals.

Uninsured Employers' Program Administration—The Governor's Budget proposes to transfer responsibility for claims payments and administration of the Uninsured Employers Program from DIR to the State



Compensation Insurance Fund (SCIF) in 2003-04. DIR will reimburse SCIF for its administrative costs, and all claims will be paid by SCIF from the Uninsured Employers Fund (UEF). The Administration also proposes a new revenue source to the UEF to offset the elimination of General Fund support.

Employment Development Department

The Employment Development Department (EDD) administers the Unemployment Insurance and Disability Insurance programs and collects personal income tax from employers. In addition, it administers a variety of labor exchange and job training programs, including the Job Services and Workforce Investment Act programs.

The Governor's Budget includes \$10.6 billion (\$21.6 million General Fund) and 10,920 personnel years for EDD programs.

Trade Adjustment Assistance—The Governor's Budget includes \$17 million and 27 personnel years to provide training and other types of assistance to workers who have become unemployed due to the relocation of production to other countries. This increased funding level reflects the consolidation of grants formerly provided pursuant to the North American Free Trade Agreement with those provided under the newly reauthorized federal Trade Adjustment Assistance program.

Franchise Tax Board

The Franchise Tax Board (Board) administers the personal income tax, corporation tax, and several non-tax collections and audit programs, which together contribute over 61 percent of General Fund revenue. The Governor's Budget proposes total expenditures of \$445.2 million and 5,466 personnel years to support the Board.

Tax Processing—The number of electronically filed returns has grown from 1.3 million returns (or 10 percent of total returns) in 1998-99 to approximately 3.6 million returns (or 23 percent of total returns). The Governor's Budget provides additional electronic-file savings by proposing that tax practitioners who prepare 100 or more tax returns file their clients' returns electronically. This measure will result in savings of \$1.4 million and 50.5 personnel years in 2003-04.

Child Support Enforcement—Chapter 479, Statutes of 1999, requires the Board to develop a single, statewide automated child support collection system to track child support cases, collect payments from delinquent parents, and disseminate payments to the appropriate family. This is the California Child Support Automation System (CCSAS). A vendor for the CCSAS project will be chosen during 2003, and work on the development of this system will begin. The first phase of this major project is expected to be completed in 2005-06.



Board of Equalization

The Board of Equalization (Board) administers 21 tax programs, including the sales and use tax and the motor vehicle fuel tax. These programs generate approximately 33 percent of total State revenues. The Governor's Budget proposes total expenditures of \$321.4 million and 3,552 personnel years for the Board.

Cigarette and Tobacco Tax Evasion—The Budget proposes to continue addressing cigarette and tobacco tax evasion, which has steadily increased since the passage of Proposition 10 in 1998. Chapter 881, Statutes of 2002, requires the Board of Equalization to replace the current method of affixing cigarette stamps with a “smart” stamp using encrypted digital technology as of January 1, 2005. Upon implementation in 2005-06, the Board indicates the smart stamp will generate additional tobacco tax revenues of approximately \$26 million.

Department of General Services

The Department of General Services (DGS) is responsible for management review, control, and support of State agencies as directed by the Governor and specified in statute. The Department provides support services to operating departments to achieve greater efficiency and economy than they can individually achieve. The Governor's Budget proposes \$837.1 million and 3,932 personnel years for the Department.

Enhanced Emergency Telephone

Services—The Governor's Budget proposes \$142.4 million for Emergency Telephone Services, including \$42.3 million State Emergency Telephone Number Account to reimburse local service providers for Public Safety Answering Point equipment and network and database costs associated with the continued implementation and maintenance of enhanced wireless service for subscribers in California. This funding represents the third year of implementation for this program, which will result in the ability to provide the same emergency telephone services to wireless customers as those provided to landline customers, including Automated Number Identification and Automated Location Identification.

Rate Reduction Goal—The Governor's Budget includes a reduction of approximately \$22.5 million from various funds to reduce operating expenses, indirect support positions, excess overhead costs and expenditure authority, and out-of-state travel expenditures. The reductions to operating expenses and equipment, out-of-state travel, and departmental overhead expenses will reduce rates required to be charged by each of the department's offices, divisions, and programs. In addition to this \$22.5 million reduction, DGS has made a commitment to analyze its existing rate structures, identify potential departmental efficiencies, and propose a plan to reduce rates by up to five percent for fiscal year 2003-04.

Asset Planning and Enhancement—The Governor's Budget includes \$250,000 Property Acquisition Law Money Account to fund consultant services to assist in the marketing and sale of two properties in



Southern California. The combined sale of these properties is estimated to generate up to \$10 million in additional General Fund revenue in 2003-04.

Department of Food and Agriculture

The Department of Food and Agriculture (DFA) is responsible for protecting and promoting California's agriculture, providing leadership in the development of agricultural policy, and enforcing weights and measures standards in commerce. The DFA's activities include prevention and eradication of harmful plant and animal pests and disease, marketing and export assistance to the agriculture industry, and assistance to county agricultural commissioners and local fairs. The Governor's Budget proposes \$269 million (\$86.6 million General Fund and \$182.4 million in other funds) and 1,849 personnel years for the Department.

Specialty Crop Support Program—The Governor's Budget includes \$22.9 million in federal funds in 2003-04 to continue funding for market promotion and development programs. Other proposed uses of these funds include agricultural research, pest management, and competitive grants in areas such as food safety, consumer education, and nutrition.

Mediterranean Fruit Fly Preventative Release Program—The Governor's Budget continues \$8.9 million General Fund and 137 personnel years to reduce the growing threat to California from invasive pests. This

funding supports the Mediterranean Fruit Fly Preventative Release Program and related public outreach activities.

Hydrilla Eradication—The Governor's Budget includes an augmentation of \$1.2 million in special funds for eradication efforts associated with the noxious water weed, hydrilla.

Detection and Trapping—The Governor's Budget includes an augmentation of \$3.4 million federal funds to bolster state-wide trapping and detection programs associated with containment and eradication of various fruit flies and pests, including the Mexican fruit fly, the Japanese Beetle, and other harmful insects negatively affecting California's agriculture.

In addition, the following reductions are proposed:

Buy California—A savings of \$1.5 million General Fund. Marketing activities would be continued with the support of available federal funding.

Pest Control—A reduction of \$1.5 million and 15 personnel years in Weed & Vertebrate and Bio-Control Programs commensurate with internal streamlining of these activities.

Agricultural Inspection Stations—A reduction of approximately \$1.4 million and 34 personnel years for Agricultural Inspection Stations. This adjustment would prioritize future inspections on commercial traffic and agricultural shipping.



Military Department

The Military Department is responsible for the command, leadership, and management of the California Army and Air National Guard, whose purpose is to provide military service support to California, as well as the nation. These services are provided through 118 armories, 10 air bases, and 3 army bases located throughout California. The Governor's Budget proposes \$88 million and 698 personnel years for the Department. The Department also receives an additional \$555 million in federal funds that are not deposited in the state treasury.

Army National Guard—The Governor's Budget includes \$790,000 from the Federal Trust Fund and six personnel years for additional Environmental Program staffing. This funding will allow the Department to maintain compliance with all environmental laws and regulations in military activities, such as obtaining permits and authorizations from regulatory agencies, preparing required environmental impact documentation, conducting inspections of facilities, as well as providing environmental training of employees and contractors.

Department of Veterans Affairs

The Department of Veterans Affairs is responsible for providing services to California veterans and their dependents. The Department administers the Cal-Vet Farm and Home Purchase Program, assists veterans in obtaining State and federal benefits to which they are entitled, and operates veterans homes in Yountville,

Barstow, and Chula Vista. The Governor's Budget includes \$328.2 million and 1,771 personnel years to support the Department's various programs.

Examination of Revenue and Expenditure Issues—Preliminary cash flow data received from the Department indicate that the Department is experiencing difficulties collecting the budgeted levels of Medi-Cal and Medicare reimbursements in the current year, which could result in a cash shortfall that would potentially lead to requests for a loan from the General Fund and/or deficiency funding. A comprehensive review of the Department's revenues and expenditures will be conducted to refine its estimates, determine the extent to which outstanding General Fund loans from previous years will be repaid in the current year, and examine the Department's current reimbursement structure to determine whether adjustments are necessary. The Administration plans to address these issues during the Spring budget process.

Member Fees—The Governor's Budget proposes to restore member fees in the residential care units of the veterans homes to the levels that existed prior to a fee reduction included in the 2001 Budget Act. This would result in a \$1.15 million decrease in General Fund funding provided to the Department and a corresponding increase in reimbursements.



Office of Emergency Services

In time of major emergency or disaster in California, the Office of Emergency Services (OES) coordinates emergency response activities to save lives, reduce property loss, and expedite recovery. The Governor's Budget proposes \$652 million (\$51 million General Fund, \$595 million federal funds, and \$6 million other funds) and 444 personnel years for OES.

In response to the current fiscal condition of the State, the following reductions are proposed:

California Integrated Seismic Network—\$580,000 for the support for the California Integrated Seismic Network.

Plans and Preparedness Division—\$400,000 and 10 personnel years, including reductions to the California Specialized Training Institute, elimination of the Earthquake Campaign, and elimination of the Dam Safety Program.

Local Assistance—\$5 million for disaster assistance claims.

Reductions to Regional Offices—A savings of \$1.7 million and 40 personnel years due to the reduction of \$1.1 million and 30 personnel years in the Pasadena Disaster Assistance Office and \$600,000 and 10 personnel years in the Coastal Region Office.

Administration and Executive Division—\$350,000 and 9 personnel years commensurate with reductions to other programs in OES.

California Victim Compensation and Government Claims Board

The Victim Compensation and Government Claims Board (Board) compensates victims of violent crime and eligible family members for certain crime-related financial costs, considers civil claims against the State, and protects the public against improper acts of State agencies. The Governor's Budget proposes \$180.4 million and 325 personnel years for the Board.

Victim Compensation Program Claims Payments—The Governor's Budget includes \$199.1 million (\$144.2 million Restitution Fund and \$54.9 million Federal Trust Fund) in the current year and \$171.2 million (\$117.8 million Restitution Fund and \$53.4 million Federal Trust Fund) in 2003-04 to fund the cost of medical and dental expenses, mental health counseling expenses, and prescription medication expenses for victims of violent crimes.

In order to bring Restitution Fund expenditures in line with revenues, the Board has taken a number of administrative actions, and has proposed legislation aimed at containing costs and increasing revenues. These measures are expected to allow the Board to continue to provide a high level of service to crime victims while eliminating unnecessary administrative expenditures.

Claims Processing System—The Governor's Budget includes an augmentation of \$430,000 Federal Trust Fund in 2003-04 for the continued modernization of



the Victim Compensation Program's computerized claims processing system. This project was started in 2002-03 with federal funds, and is expected to increase the efficiency of the Board related to processing victim compensation claims.

Local Mandate Funding (Non-Education Issues)

Article XIII B, Section 6 of the California Constitution requires the State to provide a subvention of funds to reimburse local governments for the costs of increased levels of service whenever the Legislature or any State agency mandates a new program or higher level of service on any local government entity, unless specified exemptions apply.

The 2002 Budget Act deferred payment for non-Proposition 98 mandate obligations from prior years as well as the 2002-03 costs of those mandates. The 2003-04 Governor's Budget proposes to continue the deferral of mandates payments, preserving the obligation of local governments to provide the mandated activities as well as the obligation of the State to reimburse those entities in the future, with interest.

The estimated deferred obligation in 2003-04 for non-education mandates (including the amounts deferred in 2002-03) is approximately \$769 million.



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CAPITAL OUTLAY

The Governor's 2003-04 Budget proposes \$1.9 billion for the capital outlay program, not including funding for transportation, K-12 schools, and State conservancies (the Business, Transportation, and Housing, Education, and Natural Resources sections describe the funding provided for those programs). Of this amount, \$954.2 million is for continuing phases of 139 previously approved projects, and \$1.0 billion is for 141 new projects. Funding for this program comes from a number of sources including the General Fund, various special funds, general obligation bonds, lease-revenue bonds, and federal funds. Of the \$1.9 billion total, the General Fund contributes \$26.4 million, which represents only 1.4 percent of total capital outlay expenditures. Figure CO-1 summarizes the proposed capital outlay program by agency, and Figure CO-2 summarizes the program by funding source.

Education

The 2003-04 capital outlay program totals \$1.09 billion.

California Community Colleges: \$562.2 million—Funding includes \$175.3 million general obligation bonds for 52 new projects in 35 districts and \$386.9 million general obligation bonds for 45 continuing projects in 31 districts. Many projects are supported by the nearly \$7.5 billion in locally approved Proposition 39 funds available in 33 districts.

FIGURE CO-1

Capital Outlay Funding from All Sources for 2003-04 by Agency

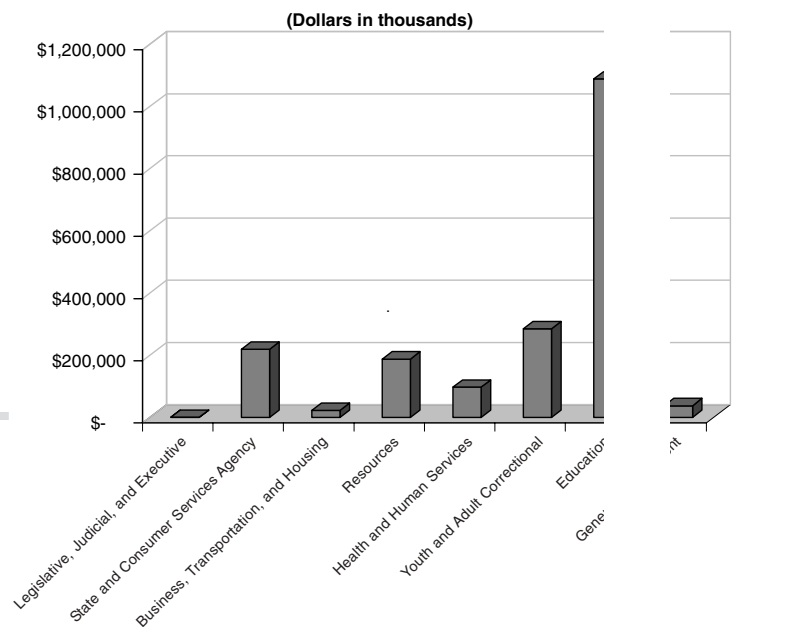
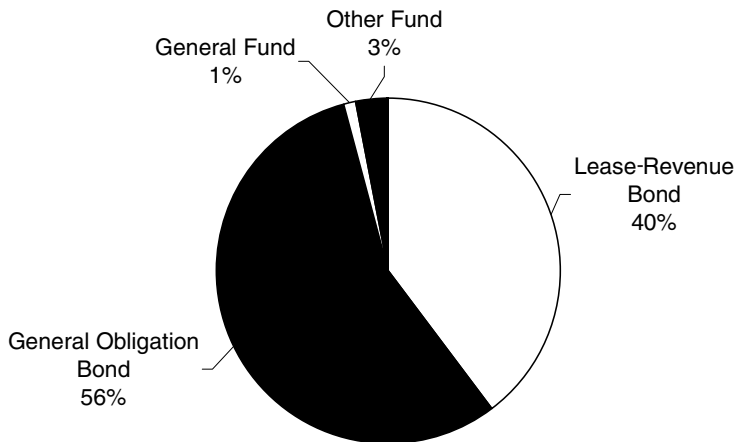


FIGURE CO-2

Capital Outlay by Funding Source

These projects will correct seismic deficiencies, provide programmatic upgrades in instructional and library facilities, and construct new classrooms and laboratories to help meet the needs of increased enrollment. Examples of new projects include a fine and performing arts center at East Los Angeles College, instructional and library facilities at campuses within the Los Rios Community College District, a child development center at Taft College, seismic replacement of four buildings at Foothill College, and a high tech center at Riverside College.

University of California: \$321.5 million—This amount includes \$195.1 million general obligation bonds for 15 continuing projects and \$115.4 million general obligation bonds for 24 new projects at the 10 University of California (UC) campuses. This amount also includes \$11 million in lease-revenue bonds resulting from a fund shift from the General Fund for the Institutes for Science and Innovation. The

Governor's Budget proposes projects to address four primary areas: construction of new facilities to accommodate enrollment growth, modernization and renovation of aging facilities, correcting critical infrastructure deficiencies, and enabling program delivery changes. New UC projects include the construction of a humanities building at Riverside, a biological sciences building at Irvine, and an education and social sciences building at Santa Barbara; renovations include the applied physics and mathematics building at San Diego; and seismic corrections will occur at Los Angeles, Berkeley, Santa Cruz, and Davis.

California State University: \$198.2 million—This amount includes \$80.5 million general obligation bonds for the continuing phases of three projects at three campuses, \$111.5 million general obligation bonds for five new projects at five campuses, and \$6.2 million for minor projects at CSU's 23 campuses. CSU's funding places priority on seismic and infrastructure upgrades, modernization, and addressing existing space deficiencies and enrollment growth. Examples of CSU projects include constructing a new social science building at San Diego, adding space to science buildings at San Bernardino, and renovating space at San Jose to provide additional instruction facilities and faculty offices.

Department of Education, State Special Schools: \$5.6 million—This funding is for a new Multipurpose/Activity Center to address critical infrastructure needs at the Riverside facility.



Hastings College of Law: \$1.0 million— This amount addresses health and safety deficiencies at the college's San Francisco instructional facility.

State and Consumer Services Agency

The 2003-04 capital outlay program totals \$219.3 million.

Department of General Services: \$219.3 million— This amount includes \$216.3 million lease-revenue bonds for one new project and one continuing office building project and \$3.0 million Seismic Bonds for one continuing seismic project and program management. The new Central Plant Mitigation Plan project is necessary as a result of a Cease and Desist Order issued by the Central Valley Regional Water Quality Control Board relating to the discharge of heated water into the Sacramento River.

Resources Agency

The 2003-04 capital outlay program totals \$187.8 million.

Department of Parks and Recreation: \$107.9 million— This amount includes \$93.7 million bond funds, \$4.9 million reimbursements, \$5.6 million special funds, and \$3.7 million federal funds for 15 previously approved projects, 25 new projects, minor projects, and budget planning funding. The new projects include acquisitions, historical restorations, development and maintenance of existing day use

and campground parks, environmental restoration at existing parks, and wastewater improvements.

Department of Forestry and Fire Protection: \$30.0 million— This amount includes \$29.6 million lease-revenue bonds for 8 continuing projects and \$491,000 General Fund for one minor capital outlay project. The eight continuing projects replace, renovate, or relocate facilities at five forest fire stations, one helitack base, one air attack base, and one conservation camp.

California Conservation Corps: \$32.8 million— This amount includes new funding of \$32.8 million lease-revenue bonds for two new projects. One project is to replace a residential facility that the California Conservation Corps will need to vacate so the Department of Developmental Services can meet growing population needs. The second project will replace a residential facility that currently does not meet program needs.

Department of Boating and Waterways: \$8.7 million— This amount includes \$5.0 million Harbors and Watercraft Revolving Fund (HWRF) for a Boating and Instruction Safety Center and for various phases of four major Boat Launching Facility projects, \$225,000 HWRF for project planning, and \$3.5 million HWRF for a minor capital outlay program.

Department of Water Resources: \$5.2 million— This amount includes \$3.7 million General Fund and \$1.5 million from local reimbursements for four previously approved flood control projects.



Department of Fish and Game: \$3.2 million—This amount includes \$370,000 Fish and Game Preservation Fund and \$1,230,000 federal funds for the construction phase of a new Research and Education Center at the Elkhorn Slough Ecological Reserve and \$1.6 million various special funds for project planning and a minor capital outlay program.

Business, Transportation, and Housing Agency

The 2003-04 capital outlay program totals \$22.9 million.

Department of Transportation: \$200,000—This amount will cover studies, planning, and budget packages to be funded from the State Highway Account.

California Highway Patrol: \$3.1 million—This amount includes \$3.0 million from the State Highway Account to complete the construction of a replacement facility in Williams and \$120,000 for studies and planning.

Department of Motor Vehicles: \$19.6 million—This amount includes \$7 million to complete the Sacramento Headquarters 3rd Floor Asbestos Removal and Seismic Retrofit, \$5.9 million to complete the construction of the San Ysidro Field Office Replacement, \$5.9 million to complete the South Sacramento Field Office Replacement, and \$800,000 for the continuation of two other projects.

Health and Human Services Agency

The 2003-04 capital outlay program totals \$97.5 million.

Department of Mental Health: \$47.2 million—This amount includes \$46.9 million lease-revenue bonds for continuing phases of three projects and for one new project. The new project involves constructing a new kitchen and remodel satellite kitchens at Metropolitan State Hospital. The Governor's Budget also includes \$325,000 General Fund for a minor security project.

Department of Developmental Services: \$50.3 million—This amount, from lease-revenue bonds, provides for two new projects. These projects will construct a 96-bed expansion and a recreation complex in the forensic area at the Porterville Developmental Center.

Youth and Adult Correctional Agency

The 2003-04 capital outlay program totals \$284.9 million.

California Department of Corrections: \$282.1 million—This amount includes \$2.8 million General Fund, \$271.7 million lease-revenue bonds, and \$600,000 general obligation bonds for the continuing phases of 5 continuing projects and 4 new projects. The total also includes \$5 million general obligation bonds for statewide minor projects, \$1 million general obligation bonds for a statewide evaluation of mental health facilities, and \$1 million general



obligation bonds for statewide budget packages and studies. The proposed new projects address the condemned population at California State Prison, San Quentin, mental health crisis beds at California Medical Facility, and an electrified fence project at California Institution for Men.

Department of the Youth Authority: \$2.8 million—This amount includes \$2.8 million General Fund for minor capital outlay projects and master planning.

Other Departments

Board of Equalization: \$168,000—This amount of General Fund (\$134,000) and reimbursements (\$34,000) is for security improvements at the San Jose District Office to complete standardization of security measures at the Board's various offices.

Office of Emergency Services: \$235,000—This General Fund amount will fund the design phase of a perimeter fence for the OES Headquarters facility.

Department of Food and Agriculture: \$17.6 million—This amount includes \$6.6 million State Highway Account for the construction phase of the Dorris Agricultural Inspection Station project and \$11.0 million lease-revenue bonds for the working drawings and construction phases of the Hawaii Medfly Rearing Facility.

Military Department: \$19.5 million—The amount of \$14.7 million General Fund includes \$8.3 million to complete the renovation of the Los Alamitos Airfield Electrical Lighting Distribution System and \$6.4 million to complete construction of

the Lancaster Armory. In addition, the federal government will contribute another \$4.8 million for the Lancaster Armory project.

Department of Veterans Affairs: \$399,000—This General Fund amount provides for a minor safety project at the Yountville Veterans' Home.

General Obligation Bonds

California currently owes \$22.7 billion in principal on outstanding non-self liquidating general obligation (GO) bonds as of the end of calendar year 2002. The General Fund cost for the payment of interest and redemption on these bonds is \$1.7 billion in 2002-03, and is estimated at \$1.9 billion in 2003-04.

Lease-Revenue Bonds

The State also uses lease-revenue bonds to finance construction of capital projects. The lease-revenue method of financing projects has been used for higher education facilities, State prison construction, general purpose office buildings, and other types of projects when a lease can be created that provides a marketable security for the issuance of the bonds.

Outstanding lease-revenue bonds totaled \$6.294 billion as of September 1, 2002, and are estimated to total \$6.561 billion as of June 30, 2003, and \$6.863 billion as of June 30, 2004. The cost for lease payments (principal and interest) was



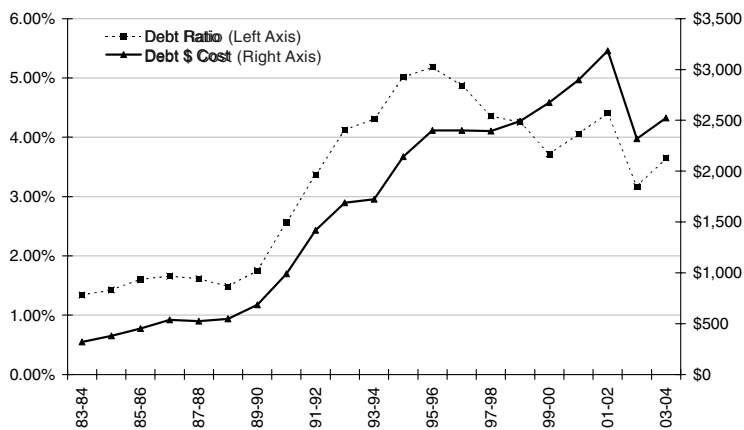
\$525.7 million in 2001-02, and is estimated to be \$547.5 million in 2002-03 and \$571.5 million in 2003-04.

A common measure of bonded indebtedness is the ratio of net tax-supported debt to General Fund revenues. Using this measure, California's debt ratio for 2002-03 is 3.2 percent and would rise to 3.7 percent in 2003-04. The debt ratio for both current year and budget year is reduced from that

reported last year as a result of lower GO debt payments resulting from debt restructuring. The increase from current year to budget year is due to education and resources general obligation bonds authorized by voters statewide through 2002.

FIGURE CO-3

**Debt Service Cost as Compared to the
Percentage of General Fund Revenues**
(Dollars in millions)



INFORMATION TECHNOLOGY

Information technology (IT) is an indispensable tool of modern government and one in which the State has invested heavily. However, finding the appropriate governance structure for the State has been challenging. When the statutory authorization for the Department of Information Technology (DOIT) sunset in July 2002, the Administration and Legislature agreed that major reforms were needed to achieve effective statewide planning for and management of information technology.

The Legislature preserved funding in the 2002 Budget Act for two core activities—oversight and security—providing \$2 million to the Department of Finance (Finance) for these purposes. The Administration therefore began the 2002-03 fiscal year with three tasks: create an interim IT governance structure during the transition until a new

statutory framework could be adopted effective January 1, 2004; implement oversight and security programs that worked; and propose a permanent plan to the Legislature for IT governance.

KEY 2002-03 TASKS

- ◆ Create an interim IT governance structure
- ◆ Implement oversight and security programs
- ◆ Propose a permanent IT governance plan



Information Technology Governance in Transition

In May 2002, the Administration directed state agencies in Executive Order D-57-02 to implement the following IT management reforms:

- ◆ **Responsibility and accountability**—Clear assignment of responsibility and accountability for the procurement, management, and operation of the State's information technology systems.
- ◆ **Transparency and equity**—Full and fair opportunity for (1) appropriate public input into IT management decisions, and (2) competition among vendors of information technology systems.
- ◆ **Ethics**—Clear statement of ethical standards for those individuals who procure, manage, and operate the State's information technology products and services.
- ◆ **Informed decisions**—An appropriate needs assessment and fiscal analysis prior to the procurement of new information technology systems.
- ◆ **Best value**—Commitment to obtaining quality systems that meet the needs of the State at the best value.

Following the sunset of DOIT in July 2002, the Administration established an interim governance framework, so progress could continue towards these reform goals. Agency secretaries were charged to oversee the management of ongoing information technology and procurement; each department and agency required to develop

ethical guidelines for IT; department directors advised to establish direct reporting from chief information officers and chief information security officers; Finance charged with ensuring the continuity and clarity of IT policies, procedures, guidelines, roles, and responsibilities; and the Department of General Services (General Services) charged with ensuring that IT procurement policies and procedures are implemented correctly.

By September 2002, Finance had shut down DOIT's business affairs, formed the new Technology Oversight and Security Unit, streamlined IT policies and procedures (www.dof.ca.gov/HTML/IT/Statewide_IT.htm), reviewed agencies' preliminary oversight reports, and begun planning the new oversight and security programs.

In September, General Services began implementing the procurement reforms recommended in the August 2002 report of the Governor's Task Force on Contracting and Procurement Review (www.dof.ca.gov/html/procurement/final_report.doc). These reforms include enhanced oversight and controls over contracting transactions, a requirement for competition in the California Multiple Award Schedule (CMAS) and Master Agreement programs, development of standards of conduct for state employees as well as contractors involved in contracting transactions, and comprehensive legal participation in all high-risk transactions.

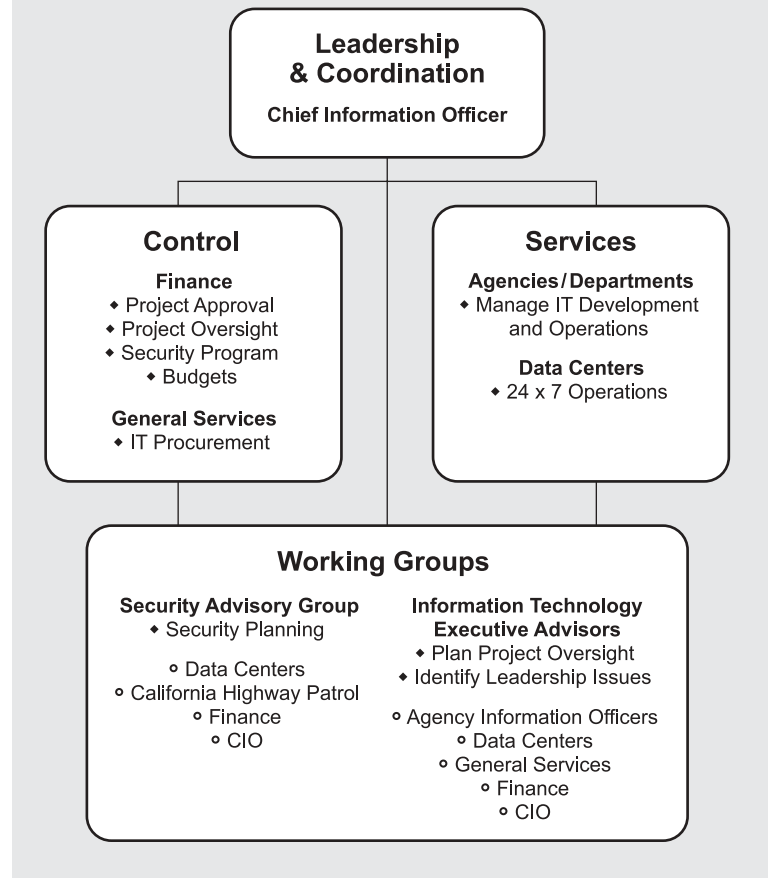
The Administration also appointed a State Chief Information Officer (CIO) within the Governor's Office to coordinate the control agencies and departments that have lead IT responsibilities and to provide leadership on



statewide IT issues. As a result of these efforts, a new approach to IT governance has been created for this transition period—a collaborative model that is neither centralized nor decentralized—with roles and responsibilities defined as follows:

- ◆ **Finance** is responsible for project approval and oversight, developing and managing an IT security program, and assisting the State CIO in identifying and addressing key statewide strategic and operational needs for IT management. Finance, with the guidance of the State CIO, is the control agency most directly accountable for ensuring that the fundamentals of IT governance are met during this transition period.
- ◇ **IT executive advisors**—For planning of project oversight and identification of key IT leadership issues, Finance and the State CIO rely on a group of IT executive advisors, made up of the agency information officers, the directors of data centers, and the Department of General Services.
- ◇ **Security advisors**—For security planning, Finance and the State CIO rely on an advisory group made up of the directors for the State's six data centers as well as the California Highway Patrol (CHP). The activities of this group are discussed further below.
- ◆ **General Services** is responsible for IT acquisition processes and procedures, including legal counsel. In addition, through its acquisition quality assurance program, General Services is

INTERIM STRUCTURE FOR IT



responsible for oversight of all IT procurements conducted by other state agencies. General Services also participates on the IT executive advisors group.

- ◆ **Data centers** manage 24-hour, 7 days/week operations for departmental IT systems and are accountable for running a cost-effective, secure business environment. Collectively, the data centers provide services to nearly every state department and therefore are



assigned a leadership role as members of both the executive and security advisory groups.

- ◆ **Each department** is responsible for effectively managing its information technology development and operations, including providing ethical guidelines for IT procurements; creating direct lines of reporting between directors and the department's CIO and information security officer; providing independent oversight of projects; and implementing basic security measures.
- ◆ **Each cabinet-level agency** provides leadership, coordination, and oversight of IT activities and procurements within its jurisdiction. Agencies have assumed a larger role during this transitional period of IT governance for oversight of projects and advising Finance and the State CIO on IT leadership issues.
- ◆ **The CHP** has a key role in IT security, handling security incident notification and criminal investigation, and as a member of the advisory group.

During this transition, the State CIO is working with the State's primary IT executives to safeguard IT infrastructure and projects and to address immediate priorities and planning needs. This is a leadership and consultative role, without direct operational or project responsibilities. Instead, the agencies and departments that are statutorily responsible and accountable for state operations are working together, under the State CIO's guidance, to meet IT governance needs.

Implementing Successful Project Oversight

Common problems encountered in delivering projects are incomplete scope definitions or cost estimates, projects that exceed the skill level or organizational capacity of a department, evolving business and technology requirements, and changing statutory or federal requirements. While departments have the primary responsibility for effective oversight of a project, outside assistance is often necessary, depending on the risk involved.

Under the former governance structure for IT, DOIT provided oversight assistance for department's IT projects. Following the sunset of DOIT, the Administration in Executive Order D-59-02 directed departments and agencies to assume full responsibility for oversight and report steps taken to Finance. Subsequently, the 2002 Budget Act appropriated funds to Finance to implement a statewide oversight program.

Finance has defined project oversight, assigned broad roles building on the direction provided in the Executive Order, and is currently developing a framework for project reviews and reporting. Finance defines project oversight as an independent review and analysis of specific project activities and documentation to determine if the project is on track to be completed within the estimated schedule and cost, and will provide the functionality required by the sponsoring business entity. Project oversight identifies and quantifies any issues and risks affecting



these project components and implements appropriate remediation plans for the identified project risks.

Finance will categorize IT projects by their risk, sensitivity and/or criticality, and also assess the department's overall ability to deliver projects, to determine whether a project will be monitored by the department alone, by the department and agency, or by the department, agency, and Finance. Finance will oversee the State's most critical IT projects and also assist as necessary in remediation planning for projects overseen at the agency level. Finance will keep the Administration and the Legislature informed of project oversight activities, project risks, and remediation efforts. And finally, because project management and oversight skills and organizational structure are strong factors in project success, Finance will evaluate the IT practices of departments and agencies.

By February 1, 2003, Finance will publish its detailed criteria for project oversight; the criteria for assessing department and agency project management and oversight practices; project lists that identify, for each project, the oversight level; initial project oversight reporting forms and guidelines; and reporting schedules.

Securing Information Technology Assets and Information

In the aftermath of September 11, and in the wake of the intrusion into Teale Data Center in 2002, IT security is an even more important concern for State government.

The Legislature provided funding for Finance to develop a security program in 2002-03. Finance reached out to key partner agencies for planning assistance, creating an interagency "community" approach to a security program. This approach relies on clear definition of roles and wise use of the existing resources to create an informed community of state IT professionals who focus on mitigating the highest IT security risks.

Key players in IT security include:

- ◆ **Finance**, in consultation with the State CIO, has overall responsibility for the policy and procedural framework for the program. Finance disseminates security information to departments and agencies; reviews departments' annual operational recovery plans; works through the security advisory group to support departments during security incidents; receives and follows up on written incident reports for security incidents referred by the CHP; develops security assessment and audit criteria; and provides educational and awareness information.
- ◆ **The Security Advisory Group** provides practical guidance to Finance and the State CIO in the management of the statewide IT security program. Members are: the directors of the Stephen P. Teale Data Center, Health and Human Services Agency Data Center, Hawkins Data Center Bureau, Franchise Tax Board's Computing Resources Bureau, the Legislative Data Center, and CalPERS' Data Center; and the CHP. The advisory group helps to identify



high priority IT security activities based on risk and available resources, and how to complete them.

- ◆ **The CHP** is responsible for law enforcement related to criminal IT security intrusions, operates the State's incident notification center, and participates in the security advisory group. Currently, state departments are required to contact both Finance and the CHP when an IT security intrusion occurs. By February 1, 2003, these contact points will be consolidated and the CHP will receive all security incident notifications, passing non-criminal matters on to Finance. The CHP also conducts criminal investigations when security incidents occur that warrant this action.
- ◆ The various departmental **Information Security Officers (ISOs)** are risk managers who oversee the implementation of security practices for their departments and monitor and report security incidents.

Department CIOs also play a key role in the statewide security program, managing the technology that supports statewide security efforts as well as departments' IT programs. In most cases, the technical employees who perform the hands-on security work report to the CIOs. In addition, Agency Information Officers (AIOs) establish agency-wide security programs and protocols, as appropriate.

Critical next steps for IT security—Using current assets wisely is particularly important in this fiscal environment. Existing IT security resources need to be identified, they need to communicate well with each

other, and Finance needs to help departments focus on high risks and respond effectively to security incidents. IT security is a community concern: information sharing throughout government, although valuable and necessary, means that a weak link can have broad repercussions. Initial tasks include:

- ◆ **Identifying existing statewide security resources and authorities**—By mid-April 2003, Finance will identify statutory authorities, State Administrative Manual policies, and resources in place to support statewide and departmental security activities.
- ◆ **Implementing a security communication plan**—During the first half of calendar year 2003, Finance will phase in a statewide security communication plan.
- ◆ **Beginning risk identification**—There is much to do in identifying and mitigating risks. During the first quarter of calendar year 2003, Finance will work with the Security Advisory Group to identify relatively low-cost steps to mitigate serious risks, then survey departments to assess whether these security measures and practices have been implemented. Finance will then work with the security advisory group to identify and implement follow-up measures.
- ◆ **Improving security awareness and knowledge**—Starting in the first quarter of 2003, there will be a periodic security forum for department ISOs. Finance



will also establish a web site to share security awareness information and advice.

- ◆ **Managing security incidents**—Processes for security incident notification and follow-up reporting are being updated. By February 1, 2003, Finance will publish the updated process that incorporates new protocols.
- ◆ **Ensuring the confidentiality of security information**—The Administration is proposing legislation to ensure that information on the State's IT security operations is afforded an appropriate level of confidentiality.

THE SECURITY COMMUNITY

- ◆ State CIO
- ◆ Finance
- ◆ The Security Advisory Group
- ◆ CHP
- ◆ Department Information Security Officers
- ◆ CIOs and Agency Information Officers

Towards a New Statutory Framework for Information Technology Governance

The first step towards a permanent governance structure is to build consensus on a broad vision for the use of information technology in state operations and on basic governance principles that guide the State towards that vision. For now, the CIO has operated pursuant to the following working vision: *The State will manage, deploy, and develop its information technology resources to support responsive and cost-effective state operations, and to establish timely and convenient delivery of state services, benefits, and information.* However, this vision will evolve as discussions unfold with the Legislature.

Designing a statutory framework should also involve a discussion of underlying principles. The Administration believes that effective statewide management of information technology is based on clear strategic thinking, sound management of the existing IT operations, and demonstrated accountability. The future governance structure for IT needs to address all three requirements. In particular, public trust in the State's IT governance needs to be restored.

The Administration believes that a new IT governance structure must be aligned with and responsive to the complex, decentralized structure of California government. In both strategic decision-making and operational implementation, effective coordination across organizational boundaries is itself a primary strategic objective.



KEY PRINCIPLES FOR IT GOVERNANCE

1. Cost-effective IT driven by business needs and procured through a competitive process.
2. CIO as the system architect and planner.
3. Statewide strategies based upon broad input.
4. Planning for present and future.
5. A forum to coordinate IT governance.
6. A bridge between strategic decision making and operational accountability.
7. Assignment of governance tasks based on expertise.
8. Transparency and opportunity for public input.
9. Clearly assigned roles and responsibilities.
10. A strong policy and procedural framework that is enforced.
11. Departments, agencies, control agencies all enforce compliance.
12. IT performance and progress is assessed and reported.

The Administration has previously suggested, and continues to believe, that an Information Technology Board could serve effectively in providing both leadership and coordination. While there are many important issues to be resolved in how the Board would operate, the Administration offers the following organizational principles as guidance:

For successful strategic thinking:

- ◆ Cost-effective IT must be driven by the State's business and program needs—not by the technology itself—and procured through a competitive process.
- ◆ The CIO should be the system architect and planner, not the contractor or the plant manager. Organizationally, strategic planning should be separate from but informed by day-to-day operational activities.
- ◆ Statewide strategies should be based upon broad input, drawing upon the knowledge, vision, and most effective practices of successful public, private, and educational organizations.
- ◆ Planning must have relevance for both current and anticipated needs.

For sound administration of operations:

- ◆ A forum, such as the Board could provide, is needed to coordinate main providers of IT governance (the CIO as strategic thinker, the control agencies that provide program structure and accountability, the data centers, and departments that manage operations).
- ◆ There must be a bridge between strategic decision-making and operational activity. The Board could provide that bridge.
- ◆ Sound administration is based on assigning governance tasks by expertise: service agencies primarily have



operational responsibility, control agencies have oversight responsibilities, the CIO should remain primarily at the strategic level, and the Information Technology Board could provide a public forum for coordination and the highest level of program oversight.

To ensure accountability:

- ◆ There must be transparency and an opportunity for public input to strategic decision-making and major operational implementations.
- ◆ Roles and responsibilities must be clearly assigned.
- ◆ The policy and procedural framework for IT management must be clear, consistent, updated, and enforced.
- ◆ The responsibility for ensuring compliance with state policy and procedure must be embraced at each level of governance: project managers, department ISOs, department CIOs, department directors, agency secretaries, General Services, Finance, and the State CIO. Each must be accountable for prompt, effective action.
- ◆ IT performance and progress, at both the project and department level, must be assessed and reported to ensure the effective management and control of IT activities and the enforcement of State policies and procedures.

By February 1, 2003, the Administration will provide a specific proposal and draft legislation for a permanent IT governance structure that is based on the principles above.

The State's Fiscal Challenge and Information Technology

In light of the State's fiscal constraints, it must meet two IT leadership objectives. The first is to identify key IT investments and ensure they are preserved. The second is to take advantage of downsizing by using IT as a transformational tool to assist programs in maintaining services through IT strategies, where practicable.

Assessing impacts on IT investments—

The IT management objective during downsizing is to identify departments' key IT investments and to develop strategies to keep them functioning. IT challenges may arise from reduction, elimination, consolidation, or realignment of program services as well as from staffing reductions. Finance will work with agencies and departments to assess impacts on key IT investments and will report initial findings by the May Revision.

Using IT as a downsizing strategy—For some programs, IT can also help mitigate the effect of budget reductions by providing alternative, less costly methods of service delivery. For example:

- ◆ The Department of Conservation will reduce the traditional public outreach and library services within the Geologi-



cal Survey Library. Currently, the Library provides various geological books, maps, and publications. In order to use these documents, members of the public have to contact Conservation, and in some cases, travel to Sacramento from other locations. Conservation can save \$600,000 by placing these publications online, and at the same time improving public access.

- ◆ The California Environmental Protection Agency will close its two Permit Assistance Centers, relying on the CalGOLD website to provide permit and license information online, for a savings of \$85,000 in 2002-03 and \$339,000 in 2003-04.
- ◆ The Franchise Tax Board (FTB) will require the mandatory electronic filing of returns for tax practitioners filing 100 or more returns. FTB estimates that mandatory electronic filing would result in an additional 2.5 million to 4 million electronically filed returns annually, for a savings of \$1.49 million in 2003-04.

Using IT to be more responsive to the public and businesses—Some programs use IT as a means to provide alternative access to services and information for the public and businesses. For example:

- ◆ **Department of Consumer Affairs Professional Licensing**—Through 36 professional boards and bureaus, consumers can look up licensure information online about professionals or companies that provide services. Also, seven professions, including barbers and cosmetologists, dentists, physicians, and registered nurses, can register or renew professional licenses online. These Internet-based services open the doors of state government 24 hours a day, 7 days a week.
- ◆ **Department of Pesticide Regulation (DPR) Online Access to Pesticide Use, Registration, and License Information**—The DPR created an online system that allows the public to confirm that pest control businesses and applicators have the required licenses. In addition, a pilot project allows licensees to annually register with counties online, rather than having to visit each county where they wish to do business. The DPR also created a new database application that posts licensing exam scores online within minutes, rather than requiring days before written notification to applicants. The DPR revamped and posted data online in searchable formats that made it more immediately accessible to the public. This information includes pesticide use reports, pesticide illness reports, and a massive surface water database. In January 2003, the DPR will launch the “California Pesticide Information Portal” to allow the public to generate customized summaries of pesticide use data by county, crop, and year. Also in 2003, the DPR will launch a program to automatically give registrants e-mail updates on the status of pending pesticide registrations.
- ◆ **Department of Toxic Substances Control Web-based Hazardous Waste Tracking Information**—In June 2002, the Department activated its new Hazardous Waste Tracking System that



will eventually replace the six-part paper form used to track hazardous waste from cradle to grave. At present, generators can track their waste streams, confirm invoicing, and look-up their federal EPA Identification numbers. Transporters can confirm that the generators from whom they are picking up waste have valid identification numbers. And, the web-based system enables public interest and environmental groups to research all manner-of-facts and trends relating to hazardous waste generation, transportation, and disposal.

- ◆ **Department of Motor Vehicles (DMV) Online Vehicle Registration and Driver License Appointments**—DMV customers can now make appointments for vehicle registration and driver license appointments online. An online application allows customers to renew their vehicle registrations over the Internet. Electronic evidence of insurance is now available to verify the insurance status of a vehicle without burdening the vehicle owner, and enabling registration by phone and Internet.
- ◆ **California Film Commission (CFC) Comprehensive Website**—The entertainment industry employs more than 300,000 people per year and generates more than \$32.3 billion in California. On November 5, 2001, the CFC unveiled its new revamped website (www.film.ca.gov). This website allows producers, directors, and location scouts an opportunity to download pertinent paperwork, information, and contact information in an effort to sustain California's position as the

undisputed leader in the global entertainment industry. In addition, this website provides access to a fully interactive web-based program called CinemaScout. CinemaScout allows location scouts to view and to preview various potential filming sites up and down the State.

- ◆ **Employment Development Department (EDD) Job Service**—CalJOBS, EDD's electronic job match system, is continuously upgraded to add new functionality and make the system easier to access for users. Major enhancements planned in the near future include installation of a Job Scout and e-mail feature to allow the system to automatically alert job seekers by e-mail if a job is entered that meets job criteria they have specified. Additionally, CalJOBS is piloting language translation software to allow Spanish speaking job seekers to view information in the system in Spanish. Finally, CalJOBS is being updated to parallel the appearance of the Governor's Homepage and other California Government Internet sites. This effort will increase the familiarity of users and employ the same general navigation as other Government sites, making the system more user friendly.
- ◆ **Franchise Tax Board (FTB) California Tax Information Center**—The California Tax Information Center at www.taxes.ca.gov offers one-stop federal and California tax information and assistance for business owners. This site is sponsored by the California FedState Partnership (EDD, FTB, BOE, and IRS) to provide streamlined access



to tax information. For small businesses, the site contains the *Striking Gold in California* booklet with tax information, a tax calendar with due dates for reports and payments, and the Small Business Assistance Center with links to other sites of interest for small business owners.

- ◆ **Teacher Credentialing Service Improvement Program**—The Commission on Teacher Credentialing (CTC) created an online system to allow teachers to apply for renewals of their credentials and allow the public to verify the status of a teacher's credential. The CTC currently is working on the final phase of this project, which will allow teachers to apply for an initial credential online. This final component of the system is expected to be completed in July 2003.

As departments continue to evaluate the impact of budget reductions on their operations, the Administration expects them to identify further opportunities to use information technology to meet the challenge.



STATEWIDE ISSUES

Controlling the Growth of State Government

During the past year, the Administration has intensified its effort to limit the growth of State government by imposing a hiring freeze on State employment and eliminating more than 6,000 positions that were vacant at the end of the last fiscal year. The hiring freeze will continue through this fiscal year. The Governor's Budget also proposes that more than 1,900 additional positions be eliminated as part of the specific program reductions proposed in this budget. These recent actions are in addition to the elimination of 4,100 vacant positions in 2000-01, and 2,500 vacant positions in 2001-02.

Summary Schedule 4 in the Appendices shows that much of the State workforce, more than 40 percent, is not under the direct control of the Administration—that is, staffing can increase with or without the approval of the Administration. Included within the remainder of the State workforce are the more than 65,000 positions in the departments whose primary function is to

ensure the safety of the public: Department of Corrections, the California Youth Authority, the California Highway Patrol, and the Department of Forestry and Fire Protection. The Administration recognizes the important mission of the public safety agencies. Accordingly, the Administration has been careful to ensure that these agencies have an adequate workforce to respond to unexpected crises throughout its efforts to control the growth of the State workforce. While the overall workforce under the Administration's control has declined by more than 1,800, the number of positions in the departments whose primary mission is public safety has increased by 1 percent over the past year and 7.5 percent since 1999-00.

This Administration will be continuing its efforts to limit the size of the State workforce by seeking efficiencies and identifying functions and activities that the State should no longer be performing.

Department of Personnel Administration (DPA) Staff—As a direct result of budget reduction proposals and the associated staff



reductions and potential layoffs, DPA will experience increased grievance and appeal workload. To meet this additional workload, the Administration proposes 14.5 positions and \$1.7 million General Fund in 2002-03 and \$1.8 million General Fund in 2003-04.

Health and Dental Benefits for Annuitants—The Governor's Budget includes an increase of \$83.9 million General Fund (from \$576.6 million to \$660.5 million) for vested annuitant health and dental benefits in 2003-04 due to health premium increases and enrollment growth.

Advisory Boards and Commissions—The Administration directs all advisory boards and commissions to limit their meetings to one annually.



APPENDICES AND SCHEDULES



Appendix/Schedules

Budgetary Process

Glossary of Budget Terms

Description of Fund Classifications in the Treasury

Description of Key Schedules

Schedules:

Schedule 1 General Budget Summary

Schedule 2 Total State Spending Plan

Schedule 3A Total State Spending Plan by Generally Accepted
Accounting Principles (GAAP) Fund Classification

Schedule 3B Comparison of California's Current Fund Structure and
GAAP Fund Structure

Schedule 4 Personnel Years and Salary Cost Estimates

Schedule 5A Statement of Estimated Accounts Payable and Accounts
Receivable

Schedule 5B 2001-02 Cashflow Statement

Schedule 5C 2002-03 Cashflow Statement

Schedule 5D 2003-04 Cashflow Statement

Schedule 6 Summary of State Population, Employees and Expenditures

Schedule 7 General Fund Statement of Fund Balance

Schedule 8 Comparative Statement of Revenues

Schedule 9 Comparative Statement of Expenditures

Schedule 10 Summary of Fund Condition by Fund

Schedule 11 Statement of General Obligation Bond and Commercial
Paper Debt of the State of California

Schedule 12A .. State Appropriations Limit Summary

Schedule 12B... Statement of Revenues to Funds Excluded from the State
Appropriations Limit

Schedule 12C .. Non-Tax Revenues in Funds Subject to the State Appropria-
tions Limit

Schedule 12D .. State Appropriations Limit, Transfers from Excluded Funds to
Included Funds

Schedule 12E ... Expenditures Excluded from the State Appropriations Limit

Budgetary Process

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 late 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 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 Administration guidelines for budget preparation to agencies and departments.	Governor/Finance	January through December
Budget Change Proposal	Document that proposes to modify or change the existing level of service, propose new programs or delete existing programs.	Agencies and departments submit to Finance for analysis	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 Governor's expenditure plan (legislative budget decision document).	Finance/Legislature	January 10
Budget Analysis	Analysis of the budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
May Revision of General Fund Revenues and Expenditures	Update of General Fund revenues, expenditures, and reserve estimates based on the latest economic forecast.	Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of 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 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

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.

Administration Program:

The general program name used by departments for an accounting of central management costs such as the Director's Office, Legal Office, Human Resources, Accounting, and Business Services functions that generally serve the whole department, i.e., indirect or overhead costs.

"Administration-distributed" is the general program name for the distribution of indirect costs to the direct program activities of a department. In most departments, all administrative costs are distributed to other programs.

Allocation:

A distribution of funds or an expenditure limit established for an organizational unit or function.

Appropriation:

An authorization from a specific fund to a specific agency or program to make expenditures/incur obligations for a specified purpose and period of time. The Budget Act contains many appropriations or items. These appropriation items are limited to one year, unless otherwise specified. Appropriations are made by the Legislature in the annual Budget Act and in other legislation. Continuous appropriations (see definition below) can be provided by legislation or the California Constitution.

Augmentation:

An increase to an appropriation, as provided by various control sections, Budget Bill language, or legislation.

Authorized Positions:

Regular ongoing positions approved in the final budget of the preceding year less positions abolished because of continued, extended vacancy. The detail of authorized positions by classification is published in the Salaries and Wages

Supplement for State organizations. Changes in authorized positions are listed following each department's budget presentation in the Governor's Budget. (See Proposed New Positions.)

Balance Available:

Generally, the portion of a fund balance that is available for appropriation. It is the excess of assets of a fund over its liabilities and reserves; or commonly called amount available for appropriation. It is also the unobligated balance of an appropriation.

Baseline Budget:

A baseline budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It may include an adjustment for cost increases, but does not include changes in level of service over that authorized by the Legislature.

Budget, Program/Traditional:

A plan of operation for a specific period of time expressed in financial terms. A *program budget* expresses the operating plan in terms of the costs of activities to be undertaken to achieve specific goals and objectives. A *traditional budget* expresses the plan in terms of the costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget. However, a summary of proposed expenditures for goods and services (Summary by Object) is included for State Operations.

Budget Bill/Act:

The initial Budget Bill is prepared by the Department of Finance (Finance) and is submitted to the Legislature in January, accompanying the Governor's Budget. It is the Governor's proposal for spending authorization for the subsequent fiscal year. The Constitution requires the Legislature to pass the Budget Bill and forward it by June 15 to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act. The Budget Act is the main legal authority to spend or obligate funds.

Budget Change Proposal (BCP):

A BCP is a proposal to change the level of service or funding sources for activities authorized by the Legislature, or to propose new program activities not currently authorized.

Budget Year (BY):

The next fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted. The year following the current fiscal year.

Capital Outlay (CO):

The expenditure of funds to acquire land or pay the cost of planning and construction of new buildings, or additions to and modification of existing buildings, and the equipment which is related to such construction.

Carryover Appropriations:

The balance of appropriations available for expenditure in years subsequent to the year of enactment.

Category:

A grouping of related objects of expenditure (goods or services), such as Personal Services, Operating Expenses and Equipment, and Special Items of Expense.

Changes in Authorized Positions:

A schedule included in each budget presentation in the Governor's Budget which reflects personnel staffing changes made subsequent to the adoption of the current year budget (transfers, positions established, and selected reclassifications). It also includes proposed new positions and reductions of positions for the budget year.

Character of Expenditure:

A classification identifying the purpose of the expenditures. (See State Operations, Local Assistance, and Capital Outlay.)

Codes, Uniform:

A set of codes, used in all major fiscal systems of California State government. These codes identify organizations, programs, funds, appropriation structures, receipts, and line-item objects of expenditure. The Uniform Codes Manual, published by Finance, lists all such uniform codes. (See Section 1.50 of the Budget Act for an explanation of the codes used for Budget Act appropriation items.)

Continuous Appropriation:

An amount, specific or estimated, available each year under a permanent constitutional or statutory expenditure authorization that exists from year to 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 that have been dedicated permanently to a certain purpose; or whatever amount is required for the purpose as determined by formula—such as school apportionments.

Control Sections, Budget Act:

The Budget Act is divided into sections. Section 1.00 establishes a citation for the legislation. Section 1.50 provides a description of the format of the act and limited authority to make technical changes to the budget. Section 2.00 contains the itemized appropriations. Sections 3.00 through 99.50 are general sections, also referred to as control sections, that generally provide additional authorizations or place additional restrictions on one or more of the itemized appropriations contained in the budget.

Cost of Living Adjustments (COLAs)**Statutory/Discretionary:**

Increases provided in State-funded programs that include periodic adjustments predetermined in State law (statutory), e.g., K-12 education apportionments; and adjustments that may be established at optional levels (discretionary) by the Legislature each year.

Current Year (CY):

A term designating the operations of the present fiscal period, as opposed to the past or future periods (i.e., the time period we are in now). For the State, the fiscal year begins July 1 and ends the following June 30.

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.

Encumbrance:

An obligation placed on an appropriation to pay for goods or services that have been ordered by means of contracts, salary commitments, etc., but not yet received.

Expenditure:

Generally, this term designates the amount of an appropriation used for goods and services whether paid or unpaid, including expenses, provisions for debt retirement not reported as a liability of the fund from which retired, and capital outlays where the accounts are kept on an accrual basis or a modified accrual basis. Where the accounts are kept on a cash basis, the term designates only actual cash disbursements.

Enrollment, Caseload, & Population (ECP):

Adjustments that occur due to increases/decreases in enrollment for the educational segments, caseload adjustments for programs such as Medi-Cal and human services programs, and population adjustments for State hospitals and youth and correctional facilities.

Federal Funds:

In State budget usage, this term describes all funds received directly from an agency of the federal government but not those received through other State departments. Generally, State departments must initially deposit such federal funds in the Federal Trust Fund, a fund in the State Treasury.

Final Budget:

The final budget is the Governor's Budget as amended by actions taken on the Budget Bill. A Final Change Book is published by Finance after enactment of the Budget Act to reflect the changes made by the Legislature in their review of the Budget Bill and by the Governor by power of line item veto. It includes a detailed list of changes by item number.

Finance Letters:

Proposals made by the Director of Finance to the chairpersons of the committees in each house of the Legislature that consider appropriations to amend the Budget Bill and Governor's Budget from that submitted January 10 to reflect a revised plan of expenditure for the current or budget year.

Fiscal Year (FY):

A 12-month State accounting period that varies from the calendar year and the federal fiscal year. In California State government, the fiscal year runs from July 1 through the following June 30. It is the period during which obligations are incurred, encumbrances are made and appropriations are expended. The Governor's Budget presents three years of detailed fiscal data for the past, current, and budget years.

The State fiscal year is often referenced by the first calendar year of the fiscal year, e.g., ``03'' or ``2003'' means the 2003-04 fiscal year. By contrast, the federal fiscal year is referenced by the last calendar year of the fiscal year, e.g., ``04'' or ``2004'' means the 2003-04 fiscal year, and lasts from October 1, 2003 through September 30, 2004.

Fund:

A legal entity that provides for the segregation of moneys or other resources in the State Treasury for specific activities or 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 fund balance, as well as, its income and expenditures. The assets of a fund may also be placed into separate accounts to provide for limitations on specified fund income or expenditures.

(See ``Description of Fund Classifications in State Treasury,'' which follows in this volume.)

Fund Balance:

Excess of the assets of a fund over its liabilities. (See ``Balance Available.'')

Fund Condition Statement:

A statement included in the Governor's Budget for the General Fund, special funds, special accounts in the General Fund, selected bond funds, and selected nongovernmental cost funds to disclose beginning reserves, revenues and transfers, expenditures, fund balance, and ending reserves.

General Fund (GF):

The General Fund is the predominant fund for financing State government programs. It is used to account for revenues that 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 corporation taxes. A complete itemization of the revenue sources are listed in Summary Schedule 8. The General Fund is used as the major funding source for education (K-12 and higher education), health and human services programs, youth and adult correctional programs, and tax relief. Summary Schedule 9 provides a listing of expenditures for the General Fund.

Intraschedule Transfer:

A control section of the Budget Act authorizes Finance to augment or reduce any program,

project, or function by transfer from any other program, or project or function within the same appropriation.

Generally, transfers cannot exceed, in the aggregate, 20 percent of the amount scheduled. Lower limits exist for appropriations which exceed \$2,000,000.

Item:

(See ``Appropriation.'')

Governmental Cost Funds:

(See ``Special Funds.'')

Limited-Term Positions:

A limited-term position is any position that has been authorized for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget enactment process or in transactions approved by Finance.

Line-Item:

(See ``Objects.'')

Local Assistance:

Expenditures made for the support of local government activities.

Local Mandates:

(See ``State-Mandated Local Program.'')

May Revision:

An annual update to the Governor's proposed January budget containing revised General Fund revenues, and specified expenditures for the Governor's Budget. Finance is required to submit its May Revision to the Legislature by May 14.

Merit Salary Adjustment:

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary adjustment of five percent per year to recognize proficiency in the work performed up to the upper salary limit of the classification.

Minor Capital Outlay:

Minor Capital Outlay consists of construction projects or equipment acquired to complete a construction project estimated to cost less than \$400,000.

Objects (line-items):

A subclassification of expenditures based on type of goods or services. For example, the Personal Services category includes the objects of Salaries and Wages and Staff Benefits. These may be further subdivided into line items such as State Employees' Retirement, Workers' Compensation, etc. Objects do not reflect a function or purpose to be served by the expenditure. A Summary by Object is provided for each department's budget in the Governor's Budget for State Operations and Local Assistance, where applicable. Finance publishes a Uniform Codes Manual which reflects the standard line-item objects of expenditure.

Past Year (PY):

The fiscal year just completed. (See Fiscal Year.)

Personnel Years:

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 years.

Positions:

(See ``Authorized Positions.'')

Programs:

The activities of an organization grouped on the basis of common objectives. Programs are comprised of elements that can be further divided into components and tasks (the lowest defined program activity).

Proposed New Positions:

A request for an authorization for the employment of additional people for the performance of 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.

Proposition 98:

An initiative passed in the November 1988, and amended in the June 1990 elections 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. Also, used to refer to any expenditures that fulfill the guarantee.

Reappropriation:

The extension of the availability of an appropriation for expenditure beyond its set termination date, usually for the same purpose. Reappropriations are usually authorized by the Legislature for one year extensions at a time.

Receipts:

Describes an increase in the assets of a fund including revenues, as well as, transfers from other funds, federal receipts, and fund reimbursements.

Reconciliation With Appropriations:

A statement in each budget presentation that sets forth the source and amount of appropriations, by fund, available to the department and the disposition of such appropriated funds. Statements are presented by fund for each character of expenditure, i.e., State Operations, Local Assistance, and Capital Outlay.

Reimbursements:

An amount received as a repayment of the cost of work, or service performed, or of other expenditures made for, or on behalf of, another governmental unit or department. Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure in accordance with the budgeted amount (scheduled in an appropriation).

Reserve:

An amount set aside in a fund balance to provide for expenditures from the unencumbered balances of continuing appropriations, economic uncertainties, future apportionments, pending salary or price increase appropriations, and appropriations for capital outlay projects.

Revenue:

The addition of cash or other current assets of governmental costs funds (receipts) that do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Generally, revenue is derived from taxes, licenses and fees, or investment earnings. Revenues are deposited in a fund for future appropriation.

Reversion:

The return of the unused portion of an appropriation to the fund from which the appropriation was made. The undisbursed portion of an appropriation reverts two years (four years for federal funds) after the last day of availability for encumbrance. 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.

Salary Savings:

Salary savings reflect personnel cost savings resulting from vacancies and downward reclassifications as a result of turnover of employees. The amount of budgeted salary savings is an estimate generally based on past experience.

Special Fund for Economic Uncertainties:

Statutes and the control sections of the Budget Act provide for the establishment of a Special Fund for Economic Uncertainties in the General Fund and a reserve for economic uncertainties in each special fund to provide for emergency situations.

Special Funds:

Special funds is a generic term used for “governmental cost funds” other than the General Fund. Governmental cost funds are commonly defined as those funds used to account for revenues from taxes, licenses, and fees where the use of such revenues is restricted by law for particular functions or activities of government. Examples of special funds are the transportation funds, fish and game funds, and the professions and vocations funds. Revenues, expenditures, and the condition of special funds are summarized in Schedules 8, 9, and 10 in the Governor’s Budget Summary.

Staff Benefits:

An object of expenditure for the State costs of contributions for employees’ retirement, OASDI, health benefits, workers’ compensation, unemployment insurance, industrial disability leave benefits, and nonindustrial disability leave benefits.

State Appropriations Limit (SAL):

The State Appropriations Limit is defined in Section 8 of Article XIII B of the California Constitution. It was enacted by the passage of Proposition 4 at the November 6, 1979, general election. This initiative imposed a limit on the annual growth in the level of certain appropriations from tax proceeds. The growth in the appropriations limit is calculated using the prior year’s limit, adjusted for

changes in the cost of living and the change in population. Other adjustments may be made for such reasons as the transfer of services from one governmental entity to another.

State-Mandated Local Program:

State reimbursements to local governments for the cost of activities required by legislative and executive acts. This 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 November 6, 1979, general election. (See ``Governor's Budget: 8885 Commission on State Mandates.'')

State Operations:

Expenditures for the support of State government, exclusive of capital outlay, and expenditures for local government activities.

Summary by Object:

A summary of past, current, and budget year expenditures for goods and services for each organization presented for State Operations, Local Assistance, and Capital Outlay expenditures.

Summary of Program Requirements:

At the front of each departmental budget is a Summary of Program Requirements. It presents the various departmental programs by title, dollar totals, personnel years, and source of funds for the past, current, and budget years.

Summary Schedules:

The Governor's Budget Summary includes schedules which summarize State revenues, expenditures, and other fiscal and personnel data for the past, current, and budget years.

Tax Expenditures:

Subsidies provided through the taxation systems.

Transfers:

As reflected in fund condition statements, transfers reflect the movement of resources from one fund to another based on statutory authorization or specific legislative transfer authority.

Unencumbered Balance:

The balance of an appropriation after encumbrances (balances on Controller's records after accruals are posted).

Description of Fund Classifications

in the Treasury

Revenues and expenditures in the program budget and the summary schedules reflect the activities of many separate funds. Summary Schedule 10 provides a complete list of governmental cost funds. The Index lists those funds for which Fund Conditions are included in the budget and references the page number. General Fund and Special Fund expenditures represent the cost of government and are included in budget totals, and along with selected Bond Funds, are included in the overall expenditure totals.

General Fund. Used to account for all revenues and activities financed therefrom that are not required by law to be accounted by any other fund. Most State expenditures are financed from the General Fund. Normally, the only difference between the General Fund and the other governmental costs funds is the restriction placed on the use of the other governmental cost funds.

Special Funds. Consists of governmental cost funds used to account for taxes and revenues that are restricted by law for particular functions or activities of government. The funds included in these classifications are primarily for the regulation of businesses, professions, and vocations; transportation; law enforcement; and capital outlay.

General Fund Special Accounts. Legislatively created accounts or dedicated revenues within the General Fund. Moneys credited to such accounts may be used only for the purposes specified in the legislation. As a result of Chapter 942, Statutes of 1977, these special accounts are treated as special funds, and revenues and expenditures are included in the special fund totals in the summary schedules of the budget. They are therefore excluded from the General Fund unrestricted revenues, expenditures, and reserves.

Other Funds. Expenditures from funds that do not represent a cost of government are not included in the budget totals. They consist of moneys that were derived from sources other than general or special taxes, licenses, fees, or other state rev-

enues. Included are receipts from the federal government, funds created for accounting purposes, receipts from sale of lands, or moneys held in trust. These funds are segregated into the following classifications:

Working Capital and Revolving Funds. Funds created to finance internal service activities rendered by a State agency to other State agencies or to local governments for which charges are made at cost. The charges are reflected as expenditures in the budget of the agency receiving the commodity or service.

Public Service Enterprise Funds. Self-supporting activities operated by the State for the benefit of the public. Funds are derived from charges to those who use the service and no support is derived from taxes, licenses, or other State revenues.

Bond Funds. Used to account for the receipt and disbursement of proceeds from the sale of bonds and to finance projects for which the bonds were authorized. Expenditures are considered a cost of government at the time interest payments are made and as the bonds are redeemed.

Retirement Funds. Moneys held in trust by the State for retirement benefit payments.

Trust and Agency Funds. Funds holding moneys in trust pending disbursements to trustors, moneys received from the federal government to be expended for specific purposes, and other funds that do not derive their sources from taxes or other State revenues, or are in the nature of transitory funds created for the convenience of accounting receipts or disbursements that are not necessarily revenues or expenditures.

Selected Bond Funds. Selected bond funds are General Obligation Bond funds that are nonself-liquidating. Included in the overall expenditure totals of Schedules 1 and 9 for budget purposes are expenditures from the selected bond funds. The following page provides a complete listing of those selected bond funds.

<i>Fund No.</i>	<i>Fund Name</i>	<i>Fund No.</i>	<i>Fund Name</i>
6004	Agriculture and Open Space Mapping Subaccount	0658	Higher Education Capital Outlay Bond Fund of 1996
6011	Arroyo Pasajero Watershed Subaccount	0574	Higher Education Capital Outlay Bond Fund of 1998
0546	Bay-Delta Ecosystem Restoration Account	6028	Higher Education Capital Outlay Bond Fund of 2002
6026	Bay-Delta Multipurpose Water Management Subaccount	0714	Home Building and Rehabilitation Fund
0743	Bond Proceeds Account, State School Building Lease-Purchase Fund	6037	Housing and Emergency Shelter Trust Fund
6038	Building Equity and Growth in Neighborhoods (BEGIN) Fund	6027	Interim Water Supply and Water Quality Infrastructure and Management Subaccount
0404	Central Valley Project Improvement Subaccount	6017	Lake Elsinore and San Jacinto Watershed Subaccount
0703	Clean Air and Transportation Improvement Fund	0794	Library Construction and Renovation Fund, California
0740	Clean Water Bond Fund, 1984 State	0543	Local Projects Subaccount ¹
0737	Clean Water and Water Conservation Fund, State	6019	Nonpoint Source Pollution Control Subaccount
0764	Clean Water and Water Reclamation Fund, 1988	6039	Preservation Opportunity Fund
6029	Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund, California	0751	Prison Construction Bond Fund, 1990
6022	Coastal Nonpoint Source Control Subaccount	0747	Prison Construction Fund, 1984
6018	Coastal Watershed Salmon Habitat Subaccount	0746	Prison Construction Fund, 1986
0297	Community and Economic Development Fund	0724	Prison Construction Fund, 1998
6025	Conjunctive Use Subaccount	6000	Public Library Construction and Renovation Fund, California
0796	County Correctional Facility Capital Expenditure and Youth Facility Bond Fund, 1988	0728	Recreation and Fish and Wildlife Enhancement Fund
0409	Delta Levee Rehabilitation Subaccount ¹	6015	River Protection Subaccount
0423	Delta Tributary Watershed Subaccount ¹	0544	Sacramento Valley Water Management and Habitat Project Subaccount ¹
0422	Drainage Management Subaccount ¹	6001	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund
0788	Earthquake Safety and Housing Rehabilitation Bond Account, Housing Rehabilitation Loan Fund, California	0707	Safe Drinking Water Fund, California
0768	Earthquake Safety and Public Building Rehabilitation Fund of 1990	0005	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund
0445	Feasibility Projects Subaccount ¹	6016	Santa Ana River Watershed Subaccount
6003	Floodplain Mapping Subaccount	0424	Seawater Intrusion Control Subaccount ¹
6005	Flood Protection Corridor Subaccount	0653	Seismic Retrofit Bond Fund of 1996
0748	Fish and Wildlife Habitat Enhancement Fund	0418	Small Communities Grant Subaccount ¹
0710	Hazardous Substance Cleanup Fund	0413	South Delta Barriers Subaccount ¹
0791	Higher Education Capital Outlay Fund, June 1990	6008	State Capital Protection Subaccount
0705	Higher Education Capital Outlay Bond Fund of 1992	0417	State Revolving Fund Loan Subaccount ¹
		6020	State Revolving Fund Loan Subaccount
		0119	State School Facilities Fund, 1998
		6036	State School Facilities Fund, 2002
		0742	State Urban and Coastal Park Fund
		0797	Unallocated Bonds Funds-Select

<i>Fund No.</i>	<i>Fund Name</i>	<i>Fund No.</i>	<i>Fund Name</i>
6007	Urban Stream Restoration Subaccount	0419	Water Recycling Subaccount ¹
0701	Veterans' Home Fund	6031	Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002
6021	Wastewater Construction Grant Subaccount	6013	Watershed Protection Subaccount
6014	Water and Watershed Education Subaccount	0786	Wildlife, Coastal and Park Land Conservation Fund of 1988, California
6023	Water Conservation Account	6010	Yuba Feather Flood Protection Subaccount
0446	Water Conservation and Groundwater Recharge Subaccount ¹		
0790	Water Conservation Fund, 1988		
0744	Water Conservation and Water Quality Bond Fund, 1986		

¹ Account or subaccount of Safe, Clean, Reliable, Water Supply Fund

Description of Key Schedules

The Budget Summary includes summary information in various schedules. The following schedules are those that may be the most useful for the public, private sector, or other levels of government.

SCHEDULE 1. *General Budget Summary*—Provides for a summary of total statewide revenues and expenditures for the General Fund and special funds plus expenditure totals for the selected bond funds.

SCHEDULE 2. *Total State Spending Plan*—Provides in a single schedule the State's total spending plan. In addition to the General Fund, special funds, and selected bond funds, expenditures from nongovernmental cost funds, federal funds, and reimbursements are shown.

SCHEDULE 3A. *Total State Spending Plan by Generally Accepted Accounting Principles (GAAP) Fund Classification*—Provides in a single schedule the State's Total Spending Plan (Schedule 2) rearranged into GAAP Fund Classifications.

SCHEDULE 3B. *Comparison of California's Current Fund Structure and GAAP Fund Structure*—Provides a comparison of California's Current Fund Structure to GAAP Fund Classifications.

SCHEDULE 4. *Personnel Years and Salary Cost Estimates*—Provides 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*—Provides actual payable and receivable amounts as of June 30, 2002, and estimated amounts for June 30, 2003, and June 30, 2004.

SCHEDULE 5B. *2001–02 Cashflow Statement*—Provides actual receipts, disbursements, borrowable resources, and loan balances for fiscal year 2001–02.

SCHEDULE 5C. *2002–03 Cashflow Statement*—Provides projected receipts, disbursements, borrowable resources, and loan balances for fiscal year 2002–03.

SCHEDULE 5D. *2003–04 Cashflow Statement*—Provides projected receipts, disbursements, borrowable resources, and loan balances for fiscal year 2003–04.

SCHEDULE 6. *Summary of State Population, Employees, and Expenditures*—Provides historical data of state population, employees, and expenditures.

SCHEDULE 7. *General Fund: Statement of Financial Condition*—Provides the financial condition of the General Fund as of June 30 from the most recently available information from the State Controller.

SCHEDULE 8. *Comparative Statement of Revenues*—Provides General Fund and special fund revenue detailed amounts within three main breakdowns of: (1) major taxes and licenses, (2) other revenues, and (3) transfers.

SCHEDULE 9. *Comparative Statement of Expenditures*—Provides a listing of expenditures in the same order as the printing of budgets displayed in the Governor's Budget for the General fund, special funds, selected bond funds, and federal funds for State Operations, Local Assistance, Capital Outlay, and Unclassified.

SCHEDULE 10. *Summary of Fund Condition Statements*—Provides for the General Fund and each special fund the beginning reserve, income, expenditures, transfers, and ending reserve for each of the three fiscal years displayed in the Governor's Budget.

SCHEDULE 11. *Statement of General Obligation Bond and Commercial Paper Debt of the State of California*—Provides a listing of all general obligation bonds including maturity dates, authorized amount of bond issues, amounts of unissued bonds, redemptions, and outstanding issues. It also provides a listing of authorized and outstanding commercial paper which is issued in-lieu of general obligation bonds.

SCHEDULE 12A. *State Appropriations Limit (SAL) Summary*—Provides a summary of Schedules 12B through 12E, calculates the SAL Appropriations, displays the SAL Limit, and calculates the SAL Limit Room or Surplus.

SCHEDULE 12B. *Revenues to Excluded Funds*—Provides a listing of revenues to special funds that are not included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 12C. *Non-tax Revenues in Funds Subject to Limit*—Provides a total of nontax revenues for General and special funds deposited in funds that are 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*—

Provides the detail of transfers between funds that are used in calculating the appropriations subject to the State Appropriations Limit.

SCHEDULE 12E. *Excluded Appropriations*—Provides a distribution of 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
2001-02					
Prior year resources available	10	\$2,379,817	\$8,690,316		
Revenues and transfers	8	72,238,600	17,541,482		
Expenditures	9	76,751,713	19,448,130	\$3,020,238	\$99,220,081
Fund Balance ²	10	-\$2,133,296	\$6,783,668		
<i>Reserve for Liquidation of Encumbrances</i> ⁴		1,401,949	-		
<i>Reserves for Economic Uncertainties</i> ³		-	6,783,668		
<i>Special Fund for Economic Uncertainties</i> ³		-3,535,245	-		
2002-03					
Prior year resources available	10	-\$2,133,296	\$6,783,668		
Revenues and transfers	8	73,143,540	14,929,729		
Expenditures	9	75,461,410	19,203,153	\$14,725,043	\$109,389,606
Fund Balance ²	10	-\$4,451,166	\$2,510,244		
<i>Reserve for Liquidation of Encumbrances</i> ⁴		1,401,949	-		
<i>Reserves for Economic Uncertainties</i> ³		-	2,510,244		
<i>Special Fund for Economic Uncertainties</i> ³		-5,853,115	-		
2003-04					
Prior year resources available	10	-\$4,451,166	\$2,510,244		
Revenues and transfers	8	69,153,102	26,903,304		
Expenditures	9	62,769,342	26,463,723	\$7,204,359	\$96,437,424
Fund Balance ²	10	\$1,932,594	\$2,949,825		
<i>Reserves for Liquidation of Encumbrances</i> ⁴		1,401,949	-		
<i>Reserves for Economic Uncertainties</i> ³		-	2,949,825		
<i>Special Fund for Economic Uncertainties</i> ³		530,645	-		

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 2001-02, 2002-03, and 2003-04 fiscal years of \$1,306,858; \$269,968; and \$174,894 (in thousands) respectively.

³ The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties provide sources of funds to meet expenditures.

⁴ 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. This Reserve treatment is consistent with accounting methodology prescribed by Generally Accepted Accounting Principles (GAAP) and Government Code Section 13306.

Schedule 2 TOTAL STATE SPENDING PLAN

This Schedule is included for informational purposes to show in one place the expenditures of all funds which are accounted for by the State.

A basic premise in a consolidation such as this is that the State is the financial unit and individual funds are subsidiary units to the State. This is similar to financial units in the private sector in which diversified commercial corporations with several subsidiaries report their operation on a consolidated basis—but is a contrast to traditional governmental accounting, which has held that the individual funds are the financial units and should not be consolidated with other funds or types of funds. A total consolidation presents both theoretical and practical problems because of the individual nature of each fund. In essence, each fund is a separate fiscal and legal entity that operates under the specific legal provisions that created it. Examples of problems which may arise from an unqualified consolidation are: (1) funds are accounted for in a different manner, (2) duplication of expenditures results, (3) expenditures from non-State funds are included, and (4) expenditures are included for quasi-State operations such as Workers' Compensation and for payment of retirement benefits for other governmental units.

In order to minimize misinterpretations, this Schedule is displayed in three parts. Part A summarizes the total State spending plan, including nongovernmental cost funds. Part B summarizes only expenditures from the funds which are collectively identified as nongovernmental cost funds. Reimbursements received from the public or other levels of government are deducted from State expenditures. Part C summarizes these reimbursement expenditures.

TOTAL STATE SPENDING PLAN—PART A GOVERNMENTAL COST, SELECTED BOND FUNDS, AND FEDERAL FUNDS

As stated above, Part A summarizes expenditures from funds which are traditionally included as part of State expenditure summaries in the Governor's Budget and other State financial reports, as well as nongovernmental cost funds. The major portion of the expenditures shown in Part A is for the General Fund and the various special funds, which are commonly referred to as "governmental cost funds". This term is used because these funds are used to account for moneys which are derived from general and special taxes, licenses, fees, or other revenue sources to provide financing for State activities which are for the general purposes of State government.

The selected bond funds are included in Part A because of the historical legislative interest in showing these expenditures in budget totals. It should be noted that there is a duplication in showing these expenditure amounts from bond proceeds because the expenditures are included both when bond proceeds are spent and when debt service is paid.

The federal funds have also been included in Part A because of interest in the level of the State's expenditure of federal funds. The detail of expenditures by department for the General Fund, special funds, selected bond funds and federal funds is shown in Schedule 9.

TOTAL STATE SPENDING PLAN—PART A (in Thousands)

Fund Type	2001-02 State Spending	2002-03 State Spending	2003-04 State Spending
GOVERNMENTAL COST FUNDS			
GENERAL FUND	76,751,710	75,461,410	62,769,342
SPECIAL FUNDS.....	19,448,131	19,203,146	26,463,723
SELECTED BOND FUNDS	3,020,238	14,725,048	7,204,360
TOTAL FUND CLASSIFICATION GOVERNMENTAL COST FUNDS	\$99,220,079	\$109,389,604	\$96,437,425
NONGOVERNMENTAL COST FUNDS			
PUBLIC SERVICE ENTERPRISE FUNDS.....	16,690,104	16,717,550	19,337,527
WORKING CAPITAL AND REVOLVING FUNDS.....	1,473,353	3,312,001	3,019,913
BOND FUNDS—OTHER.....	44,486	6,883	5,355
RETIREMENT FUNDS.....	11,626,261	12,263,759	13,387,403
OTHER NONGOVERNMENTAL COST FUNDS	28,249,926	27,146,011	30,648,531
TOTAL FUND CLASSIFICATION NONGOVERNMENTAL COST FUNDS	\$58,084,130	\$59,446,204	\$66,398,729
FEDERAL FUNDS			
FEDERAL FUNDS	46,622,619	54,566,228	50,600,732
TOTAL FUND CLASSIFICATION FEDERAL FUNDS.....	\$46,622,619	\$54,566,228	\$50,600,732
TOTAL.....	\$203,926,828	\$223,402,036	\$213,436,886

TOTAL STATE SPENDING PLAN—PART B NONGOVERNMENTAL COST FUNDS

Nongovernmental cost funds are used to account for moneys which are derived from sources other than general or special taxes, licenses, fees, or other State revenues. Although federal funds and bond funds are classified as nongovernmental costs funds, they are included in Part A for reasons cited therein. The nongovernmental cost funds shown in Part B are segregated into the following classifications.

PUBLIC SERVICE ENTERPRISE FUNDS

Public Service Enterprise Funds are used to account for the transactions of self-supporting enterprises which render services for a charge primarily to the general public.

Activities which are accounted through Public Service Enterprise Funds include toll bridges, harbor facilities, disability insurance, college housing, and veterans farm and home loan financing. Bond funds and sinking funds related to a public service enterprise are included in this classification.

Public Service Enterprise Funds differ from Working Capital and Revolving Funds in that, in the latter, fees for services rendered are largely from other State agencies or local governments.

It should be noted that expenditures shown below from the Compensation Insurance Fund do not include benefit payments to State employees because the State is self-funded. The expenditures shown are benefits paid from funding provided through insurance premiums and therefore are not true State costs.

WORKING CAPITAL AND REVOLVING FUNDS

Working Capital and Revolving Funds are used to account for the internal service activities rendered by a State agency to other State agencies or to local governments. Activities which are accounted through Working Capital and Revolving Funds include centralized purchasing for stores, consolidated data center services, printing, architectural services, manufacturing, surplus money investment, payroll disbursement, automotive management, and building operations.

Working Capital and Revolving Funds differ from the Public Service Enterprise Funds, which render services primarily to the general public. To the extent that services are provided to other State agencies, expenditures shown in Working Capital and Revolving Funds are duplicative of expenditures shown in the agencies.

BOND FUNDS

Bond Funds are used to account for the receipt and disbursement of bond proceeds. They do not account for bond retirement since the liability created by the sale of bonds is not a liability of these funds. Bonds are retired and the interest obligations thereon are paid through the provisions specified in the bond act.

Bond Funds related to a public service enterprise are included in the Public Service Enterprise Fund classification.

RETIREMENT FUNDS

Retirement Funds are used to account for employer and member contributions received by various retirement systems, the investment of these moneys, annuity payments, refunds to members, and other receipts and disbursements. The amounts shown below reflect both administrative costs and benefits paid to annuitants. For the Public Employees' Retirement Fund and the Teachers' Retirement Fund, funding includes non-State sources and expenditures therefrom are not true State costs. Also, costs funded from amounts transferred into these funds from other State agencies are duplicative of expenditures shown in the agencies.

OTHER NONGOVERNMENTAL COST FUNDS

For selected programs, the State budget has traditionally included funding provided by county funds and university funds for informational purposes. Because of inclusion in the budget, these expenditures are shown in Schedule 2. The balance of funds shown in this classification are for Trust and Agency Funds which are used to account for moneys and properties that are received from other than federal sources and which are held and disbursed from the State Treasury by the State as trustee or custodian.

The following provides detail for the significant funds and amounts which comprise the various categories of Nongovernmental Cost Funds:

TOTAL STATE SPENDING PLAN—PART B (in Thousands)			
Funds	2001-02 Amount	2002-03 Amount	2003-04 Amount
PUBLIC SERVICE ENTERPRISE FUNDS			
Housing Finance Fund, California.....	17,699	21,288	21,288
Water Resources Development Bond Fund.....	427,630	367,125	358,466
Central Valley Water Project Const Fund.....	49,023	125,554	125,605
Central Valley Water Project Revenue Fd.....	285,426	266,271	269,069
Compensation Insurance Fund.....	5,117,612	6,599,172	8,620,235
Employment Training Fund.....	199,366	117,091	99,848
Harbors and Watercraft Revolving Fund.....	90,159	82,611	92,058
Health Facility Const Loan Insurance Fd.....	18,617	4,678	4,600
Uninsured Employers' Account.....	5,287	7,262	25,380
Univ Continuing Education Revenue Ed, St.....	122,105	116,916	116,916
Univ Dormitory Revenue Fd, Calif State.....	125,483	127,093	127,093
University Parking Revenue Fund, State.....	37,933	50,562	50,562
Unemployment Compensation Disability Fd.....	2,869,770	3,477,724	3,590,935
Veterans Farm & Home Building Fund 1943.....	226,125	219,938	211,316

Funds—Continued	2001-02 Amount	2002-03 Amount	2003-04 Amount
Child Care Facilities Revolving Fund	48,789	14,000	-
Infrastructure & Economic Devl Bank, Cal	83,290	78,511	76,312
Dept Water Resources Electric Power Fund	6,976,886	4,968,644	5,311,825
CA Consumer Pwr & Conservation Fin Auth	4,232	58,209	228,383
OTHERS	-15,328	14,901	7,636
TOTAL PUBLIC SERVICE ENTERPRISE FUNDS	\$16,690,104	\$16,717,550	\$19,337,527
WORKING CAPITAL AND REVOLVING FUNDS			
Architecture Revolving Fund	30,232	37,429	38,455
Charter School Revolving Loan Fund	7,887	13,494	-
Equipment Service Fund	151,512	156,156	154,061
HHS Agency Data Ctr Revolving Fund, CA	291,446	315,587	331,900
Public Buildings Construction Fund	402,817	2,078,340	1,802,896
Service Revolving Fund	575,587	590,234	574,845
Water Quality Control Fund, State	9,705	26,128	19,941
Stephen P Teale Data Center Revolv Fd	82,841	97,462	101,209
OTHERS	-78,674	-2,829	-3,394
TOTAL WORKING CAPITAL AND REVOLVING FUNDS	\$1,473,353	\$3,312,001	\$3,019,913
BOND FUNDS—OTHER			
School Building Aid Fund, State	44,486	6,883	5,355
TOTAL BOND FUNDS—OTHER	\$44,486	\$6,883	\$5,355
RETIREMENT FUNDS			
Judges' Retirement Fund	109,949	115,677	121,403
Public Employees' Retirement Fund	6,768,354	6,917,238	7,514,745
Teachers' Retirement Fund	4,718,554	5,196,395	5,712,267
Teachers' Health Benefits Fund	21,890	26,166	29,602
OTHERS	7,514	8,283	9,386
TOTAL RETIREMENT FUNDS	\$11,626,261	\$12,263,759	\$13,387,403
OTHER NONGOVERNMENTAL COST FUNDS			
Indian Gaming Revenue Share Trust Fund	30,574	46,000	46,000
Emerg Serv & Supplemental Payments Fund	658,643	672,218	658,219
Student Loan Operating Fund	82,279	97,761	97,764
Self-Help Housing Fund	557	-366,440	95,746
Lottery Education Fund, Calif State	988,296	967,491	967,491
Flexelect Benefit Fund	16,098	18,444	18,485
Public Employees' Health Care Fund	683,376	889,275	1,069,135
Medi-Cal Inpatient Pymt Adjustment Fund	1,037,989	985,617	1,011,352
University Lottery Education Fund, Cal S.	47,417	58,095	38,989
School Employees Fund	43,919	84,490	57,560
Inmate Welfare Fund	45,645	47,366	50,009
Small Business Expansion Fund	10,539	4,713	1,000
Joe Serna, Jr. Farmworker Housing Grant	8,380	-170,804	69,322
Forest Resources Improvement Fund	10,639	-	11,514
Housing Rehabilitation Loan Fund	38,410	-942,235	198,627
Special Deposit Fund	12,733	21,281	19,838
Land Bank Fund	13,183	364	364
Public Employees Contingency Res Fd	12,680	16,597	16,513
School Deferred Maintenance Fund, State	14,407	2,200	2,200
Emergency Housing and Assistance Fund	5,529	-162,881	31,989
Local Property Tax Revenues	13,559,627	14,934,797	15,856,266
Various Other Unallocated NGC Funds	233	50,846	-134,995
Higher Education Fees and Income—UC/CC	1,301,990	1,407,370	1,802,865
University Funds—Unclassified	5,011,636	5,416,220	5,669,983
Other Unclassified Funds	2,822,824	1,024,576	926,150
WIC Manufacturer Rebate Fund	-	262,401	262,401
Child Support Collections Recovery Fund	328,720	310,243	305,148
Extramural Nonfederal Unclassified Funds	1,434,773	1,401,945	1,432,843
OTHERS	28,830	68,061	65,753
TOTAL OTHER NONGOVERNMENTAL COST FUNDS	\$28,249,926	\$27,146,011	\$30,648,531
TOTAL	\$58,084,130	\$59,446,204	\$66,398,729

**TOTAL STATE SPENDING PLAN—PART C
REIMBURSEMENTS
(in Thousands)**

Funds	2001-02 Amount	2002-03 Amount	2003-04 Amount
REIMBURSEMENTS	6,252,760	6,306,112	7,786,543

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

State funds are classified or grouped for financial reporting using two different perspectives. One perspective is based upon legal/budgetary requirements and is the perspective used in Governor's Budget presentations. The second is in accordance with generally accepted accounting principles (GAAP) for governments.

The objective of GAAP is to standardize the accounting and financial reporting of organizations regardless of customs and jurisdictional legal provisions. GAAP provides a uniform set of rules so that financial reports are consistent from year to year and comparable between governmental entities.

The following two charts illustrate the effect of conversion of legal/budgetary fund classifications to GAAP fund classifications:

Schedule 3A shows the "Total State Spending Plan" data shown in Schedule 2 rearranged into the GAAP classifications.

Schedule 3B uses 2003-04 Governor's Budget totals to show California's legal/budgetary fund structure compared to GAAP classifications.

SCHEDULE 3A TOTAL STATE SPENDING PLAN BY GAAP FUND CLASSIFICATION (In Thousands)

GAAP Fund Structure	2001-02	2002-03	2003-04
Governmental Funds			
General Funds	76,751,710	75,461,410	62,769,342
Special Revenue Funds	50,575,370	55,879,297	60,718,448
Capital Project Funds	293,709	261,639	181,197
Total Governmental Funds	\$127,620,789	\$131,602,346	\$123,668,987
Proprietary Funds			
Enterprise Funds	14,069,769	15,329,065	17,567,753
Internal Service Funds	1,147,032	1,217,384	1,220,972
Total Proprietary Funds	\$15,216,801	\$16,546,449	\$18,788,725
Fiduciary Funds			
Retirement Funds	11,603,860	12,236,749	13,356,354
Trust and Agency Funds—Other	12,963,785	22,903,335	18,318,235
Trust and Agency Funds—Federal	6,200,683	9,254,643	6,859,455
Total Fiduciary Funds	\$30,768,328	\$44,394,727	\$38,534,044
Funds Outside State Treasury			
Other	30,320,910	30,858,514	32,445,130
Total Funds Outside State Treasury	\$30,320,910	\$30,858,514	\$32,445,130
TOTAL SPENDING, ALL FUNDS	\$203,926,828	\$223,402,036	\$213,436,886

SCHEDULE 3B
COMPARISON OF CALIFORNIA LEGAL/BUDGETARY
FUND STRUCTURE AND GAAP FUND STRUCTURE
USING 2003-04 BUDGET TOTALS
(In Thousands)

FUND STRUCTURE BASED ON GAAP CLASSIFICATIONS

CURRENT FUND STRUCTURE	Governmental Funds				Proprietary Funds		Fiduciary Funds		Funds Outside State Treasury	Totals
	General Fund	Special Revenue Funds	Capital Project Funds	Total Governmental Funds	Enterprise Funds	Internal Service Funds	Retirement Funds	Trust and Agency Funds		
Governmental Cost Funds										
General Funds.....	62,769,342	-	-	62,769,342	-	-	-	-	-	62,769,342
General Fund Special Accounts.....	-	1,589,052	-	1,589,052	73,417	20,502	-	46,080	-	1,729,051
Transportation Funds.....	-	4,877,863	-	4,877,863	-	-	-	2,574,702	-	7,452,565
Feeder Funds.....	-	-	-	-	-	-	-	-	-	-
Other Governmental Cost Funds.....	-	17,277,151	1,417	17,278,568	-	-	-	3,539	-	17,282,107
Total Governmental Cost Funds.....	\$62,769,342	\$23,744,066	\$1,417	\$86,514,825	\$73,417	\$20,502	-	\$2,624,321	-	\$89,233,065
Selected Bond Funds.....	-	79,369	175,146	254,515	-	-	-	6,949,668	177	7,204,360
Total Governmental Cost Funds and Selected Bond Funds.....	\$62,769,342	\$23,823,435	\$176,563	\$86,769,340	\$73,417	\$20,502	-	\$9,573,989	\$177	\$96,437,425
Nongovernmental Cost Funds										
Public Service Enterprise Funds.....	-	-	4,275	4,275	15,642,469	-	-	3,690,783	-	19,337,527
Working Capital and Revolving Funds.....	-	-	34	34	1,799,468	1,200,470	-	19,941	-	3,019,913
Bond Funds—Other.....	-	-	-	-	-	-	-	5,355	-	5,355
Trust and Agency Funds:										
Retirement Funds.....	-	-	-	-	-	-	13,356,354	31,049	-	13,387,403
Trust and Agency Funds—Federal.....	-	36,859,285	-	36,859,285	-	-	-	6,859,455	6,881,992	50,600,732
Trust and Agency Funds—Other.....	-	35,728	325	36,053	52,399	-	-	4,997,118	-	5,085,570
Other Nongovernmental Cost Funds.....	-	-	-	-	-	-	-	-	25,562,961	25,562,961
Total Nongovernmental Cost Funds.....	-	\$36,895,013	\$4,634	\$36,899,647	\$17,494,336	\$1,200,470	\$13,356,354	\$15,603,701	\$32,444,953	\$116,999,461
TOTAL SPENDING, ALL FUNDS.....	\$62,769,342	\$60,718,448	\$181,197	\$123,668,987	\$17,567,753	\$1,220,972	\$13,356,354	\$25,177,690	\$32,445,130	\$213,436,886

SCHEDULE 4
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(Dollars in Thousands)

	Personnel Years			Dollars		
	Authorized 2001-02	Estimated 2002-03	Proposed 2003-04	Authorized 2001-02	Estimated 2002-03	Proposed 2003-04
Under Administration Control						
Executive.....	13,860.7	13,115.6	12,813.0	\$733,101	\$722,189	\$720,077
State and Consumer Services.....	13,283.0	12,885.9	12,670.3	626,119	619,567	622,228
Business, Transportation and Housing						
Business and Housing.....	2,073.2	1,984.5	2,023.5	106,716	106,878	110,447
Transportation	42,845.7	41,185.8	39,900.4	2,347,205	2,321,234	2,256,783
Technology, Trade and Commerce Agency.	339.0	258.7	103.5	18,207	14,320	6,319
Resources.....	14,794.3	13,934.8	13,673.1	758,976	740,825	736,277
California Environmental Protection Agency...	4,957.7	4,580.1	4,562.7	279,512	270,154	272,889
Health and Human Services Agency	31,758.0	31,100.9	31,210.9	1,556,957	1,566,993	1,582,570
Youth and Adult Correctional Agency.....	50,676.5	50,418.7	51,041.5	2,817,785	2,970,544	3,042,981
Education						
K thru 12 Education	2,999.5	2,958.7	2,756.5	152,547	156,471	147,712
Higher Education-Community Colleges/Other.	534.1	461.5	399.7	28,925	25,968	22,893
Labor and Workforce Development Agency.	2,796.2	2,600.7	2,606.4	148,774	144,239	148,913
General Government	7,274.8	6,893.9	6,868.5	355,228	349,462	353,287
NET TOTALS, SALARIES AND WAGES	188,192.7	182,379.8	180,630.0	\$9,930,052	\$10,008,844	\$10,023,376
Not Under Administration Control						
Legislative	744.7	736.9	736.9	\$50,192	\$50,103	\$51,375
Judicial	1,564.0	1,570.0	1,572.6	131,603	135,752	138,626
Public Employees' Retirement System.....	1,659.0	1,669.6	1,672.4	86,005	87,021	88,820
State Teachers' Retirement System	539.6	580.6	634.2	26,209	28,619	31,820
California Housing Finance Agency	212.8	233.7	233.7	12,417	13,487	13,487
Forestry and Fire Protection.....	1,554.4	1,641.4	1,641.4	87,121	93,954	95,463
University of California.....	70,294.9	74,506.6	73,526.3	3,600,720	3,826,925	3,819,733
Hastings College of the Law	223.1	221.7	221.7	17,505	18,197	18,328
California State University	41,155.7	44,202.8	44,202.8	2,153,549	2,239,795	2,222,608
Employment Development Department	11,033.5	11,284.8	10,919.5	492,728	485,940	483,103
Workers' Compensation Benefits.....	8,443.0	8,182.0	9,000.0	357,267	358,242	394,066
Bureau of State Audits	145.0	144.0	142.5	8,498	8,509	8,501
TOTALS	137,569.7	144,974.1	144,504.0	\$7,023,814	\$7,346,544	\$7,365,930

SCHEDULE 4—Continued
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(Dollars in Thousands)

	Personnel Years	Dollars
	Actuals 2001-02	Actuals 2001-02
Under Administration Control		
Executive.....	13,279.9	\$720,667
State and Consumer Services.....	12,980.9	604,806
Business, Transportation and Housing		
Business and Housing	2,042.9	106,459
Transportation	42,608.9	2,339,003
Technology, Trade and Commerce Agency.....	293.5	18,029
Resources.....	14,414.1	788,391
California Environmental Protection Agency....	4,659.8	272,135
Health and Human Services Agency	29,046.7	1,549,132
Youth and Adult Correctional Agency.....	48,796.4	2,988,455
Education		
K thru 12 Education	2,874.2	150,437
Higher Education-Community Colleges/Other.....	477.7	27,033
Labor and Workforce Development Agency.....	2,573.9	140,378
General Government	6,533.4	340,334
NET TOTALS, SALARIES AND WAGES	180,582.3	\$10,045,259
Not Under Administration Control		
Legislative	688.4	\$46,929
Judicial	1,386.2	118,888
Public Employees' Retirement System.....	1,463.1	80,459
State Teachers' Retirement System.....	483.3	24,577
California Housing Finance Agency	200.0	10,943
Forestry and Fire Protection.....	1,500.5	86,296
University of California.....	73,638.7	3,765,457
Hastings	221.9	17,476
California State University	44,864.6	2,249,395
Employment Development Department	9,660.7	460,710
Workers' Compensation Benefits.....	7,467.0	325,675
Bureau of State Audits	120.5	6,869
TOTALS	141,694.9	\$7,193,674
	Personnel Years	Dollars
	Proposed 2003-04	Proposed 2003-04
Position Classification		
Civil Service	203,396.8	\$11,013,918
Constitutional	243.0	34,088
Statutory	173.3	20,543
Exempt		
Various Departments	3,370.1	260,088
Higher Education		
University of California.....	73,526.3	3,819,733
Hastings College of the Law	221.7	18,328
California State University	44,202.8	2,222,608
NET TOTALS, SALARIES AND WAGES	325,134.0	\$17,389,306

**SCHEDULE 5A
CASHFLOW STATEMENTS
STATEMENT OF ESTIMATED ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE
GENERAL FUND**

(Dollars in Thousands)

	Actual 2001-02 Fiscal Year Accruals ¹			Estimated 2002-03 Fiscal Year Accruals			Estimated 2003-04 Fiscal Year Accruals		
	Accounts payable June 30, 2002	Accounts receivable June 30, 2002	Net accruals June 30, 2002	Accounts payable June 30, 2003	Accounts receivable June 30, 2003	Net accruals June 30, 2003	Accounts payable June 30, 2004	Accounts receivable June 30, 2004	Net accruals June 30, 2004
STATE OPERATIONS									
Legislative/Judicial/Executive	\$332,418	\$166,191	\$166,227	\$342,391	\$171,177	\$171,214	\$352,663	\$176,312	\$176,351
State and Consumer Services.....	96,610	106,124	-9,514	99,508	109,308	-9,800	102,493	112,587	-10,094
Business, Transportation and Housing	45,357	3,909	41,448	46,718	4,026	42,692	48,120	4,147	43,973
Technology, Trade and Commerce	31,615	4,374	27,241	32,563	4,505	28,058	33,540	4,640	28,900
Resources.....	834,608	694,493	140,115	859,646	715,328	144,318	885,435	736,788	148,647
California Environmental Protection	143,310	88,987	54,323	147,609	91,657	55,952	152,037	94,407	57,630
Health and Human Services:									
Health Services.....	62,877	203,968	-141,091	64,763	210,087	-145,324	66,706	216,390	-149,684
Developmental Services	40,647	84,704	-44,057	41,866	87,245	-45,379	43,122	89,862	-46,740
Mental Health.....	192,014	239,014	-47,000	197,774	246,184	-48,410	203,707	253,570	-49,863
Other Health and Human Services.....	173,737	174,998	-1,261	178,949	180,248	-1,299	184,317	185,655	-1,338
Youth and Adult Correctional.....	1,802,786	1,471,162	331,624	1,856,870	1,515,297	341,573	1,912,576	1,560,756	351,820
Education:									
Department of Education	116,966	45,390	71,576	120,475	46,752	73,723	124,089	48,155	75,934
University of California.....	238,360	-	238,360	245,511	-	245,511	252,876	-	252,876
California State University	464,415	185,256	279,159	478,347	190,814	287,533	492,697	196,538	296,159
Other Education.....	50,248	9,655	40,593	51,755	9,945	41,810	53,308	10,243	43,065
General Government	275,070	135,460	139,610	283,322	139,524	143,798	291,822	143,710	148,112
Totals, State Operations	\$4,901,038	\$3,613,685	\$1,287,353	\$5,048,067	\$3,722,097	\$1,325,970	\$5,199,508	\$3,833,760	\$1,365,748
LOCAL ASSISTANCE									
Public Schools K-12.....	\$662,807	\$257,211	\$405,596	\$682,691	\$264,927	\$417,764	\$703,172	\$272,875	\$430,297
California Community Colleges	61,310	47,098	14,212	63,149	48,511	14,638	65,043	49,966	15,077
Other Education	20,021	3,052	16,969	20,622	3,144	17,478	21,241	3,238	18,003
Alcohol and Drug Abuse.....	7,529	45,994	-38,465	7,755	47,374	-39,619	7,988	48,795	-40,807
Health Services.....	1,194,670	135,979	1,058,691	1,230,510	140,058	1,090,452	1,267,425	144,260	1,123,165
Developmental Services.....	213,374	379,904	-166,530	219,775	391,301	-171,526	226,368	403,040	-176,672
Mental Health	43,155	176,596	-133,441	44,450	181,894	-137,444	45,784	187,351	-141,567
Social Services.....	145,783	195,857	-50,074	150,156	201,733	-51,577	154,661	207,785	-53,124
Other Health and Human Services	61,008	23,221	37,787	62,838	23,918	38,920	64,723	24,636	40,087
General Tax Relief.....	2,572	363	2,209	2,649	374	2,275	2,728	385	2,343
Other Local Assistance	160,313	47,202	113,111	165,122	48,618	116,504	170,076	50,077	119,999
Totals, Local Assistance	\$2,572,542	\$1,312,477	\$1,260,065	\$2,649,717	\$1,351,852	\$1,297,865	\$2,729,209	\$1,392,408	\$1,336,801
TOTALS, ALL CHARACTERS	\$7,473,580	\$4,926,162	\$2,547,418	\$7,697,784	\$5,073,949	\$2,623,835	\$7,928,717	\$5,226,168	\$2,702,549

¹ Information per the State Controller's Office.

Note: Numbers may not add due to rounding.

**SCHEDULE 5B
CASHFLOW STATEMENTS
ACTUAL 2001-02 FISCAL YEAR CASHFLOW
GENERAL FUND**
(Dollars in Millions)

2001-02 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	\$3,394	\$389	\$0	\$0	\$0	\$0	\$0	\$84	\$0	\$0	\$0	\$1,200	\$3,394
RECEIPTS:													
Alcoholic Beverage Excise Tax	\$31	\$24	\$27	\$23	\$26	\$25	\$27	\$20	\$21	\$24	\$25	\$25	\$296
Corporation Tax	148	48	1,076	252	-67	532	11	160	860	905	189	974	5,088
Cigarette Tax	11	6	17	9	12	7	5	18	8	6	3	11	114
Inheritance, Gift and Estate Taxes	88	47	72	108	86	86	117	72	91	99	71	62	1,000
Insurance Tax	6	9	334	12	10	318	23	7	40	538	23	270	1,591
Personal Income Tax	2,122	2,205	3,636	2,338	1,890	3,372	5,732	1,227	851	5,849	1,012	3,063	33,295
Retail Sales and Use Tax	857	2,707	1,430	947	2,798	1,490	890	2,942	1,556	724	2,951	2,076	21,369
Income from Pooled Money Investments..	54	48	61	0	104	38	30	26	28	27	28	35	480
Energy Repayments	116	0	0	0	0	0	0	0	0	0	0	0	116
Other	52	712	362	145	455	257	218	292	249	50	158	307	3,256
TOTAL, Receipts	\$3,485	\$5,806	\$7,015	\$3,834	\$5,314	\$6,125	\$7,053	\$4,764	\$3,704	\$8,222	\$4,460	\$6,823	\$66,605
DISBURSEMENTS:													
State Operations:													
University of California	\$282	\$245	\$241	\$328	\$274	\$288	\$308	\$306	\$353	\$386	\$263	\$61	\$3,333
Debt Service	-2	850	-35	412	124	164	-17	120	228	186	127	154	2,310
Other State Operations	1,070	1,419	1,311	1,312	1,232	1,084	1,137	920	940	879	1,044	988	13,334
Social Services	829	1,035	988	917	185	449	578	466	492	590	175	553	7,258
Medi-Cal Assistance	762	975	738	853	855	835	844	665	775	884	1,051	812	10,049
Other Health and Human Services	10	68	59	18	48	31	23	57	14	44	51	40	462
Schools	1,930	3,150	2,561	3,891	2,267	2,191	2,221	3,898	2,059	3,405	1,965	1,924	31,461
Teachers' Retirement	583	0	0	96	0	0	96	0	0	96	0	0	872
Transfer to Special Fund for Economic Un-													
certainties	0	0	0	0	0	0	0	0	0	2,392	0	0	2,392
Other	1,026	516	803	1,219	783	639	542	384	629	902	789	739	8,976
TOTAL, Disbursements	\$6,490	\$8,258	\$6,666	\$9,046	\$5,768	\$5,681	\$5,732	\$6,816	\$5,490	\$9,764	\$5,465	\$5,271	\$80,447
EXCESS RECEIPTS/(DEFICIT)	-\$3,005	-\$2,453	\$349	-\$5,212	-\$454	\$444	\$1,322	-\$2,052	-\$1,786	-\$1,542	-\$1,004	\$1,552	-\$13,842
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties ..	\$0	\$204	\$0	-\$15	\$0	-\$56	-\$134	\$133	\$0	\$2,392	\$0	\$0	\$2,525
Other Internal Sources	0	1,859	-349	-474	454	-388	-1,103	1,835	1,786	-850	2,204	-4,552	423
Revenue Anticipation Notes	0	0	0	5,700	0	0	0	0	0	0	0	-5,700	0
Revenue Anticipation Warrants	0	0	0	0	0	0	0	0	0	0	0	7,500	7,500
TOTAL, Net Temporary Loans	\$0	\$2,064	-\$349	\$5,212	\$454	-\$444	-\$1,237	\$1,968	\$1,786	\$1,542	\$2,204	-\$2,752	\$10,448
ENDING CASH BALANCE	\$389	\$0	\$0	\$0	\$0	\$0	\$84	\$0	\$0	\$0	\$1,200	\$0	\$0
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties ..	\$204	\$204	\$204	\$190	\$190	\$134	\$133	\$133	\$133	\$2,525	\$2,525	\$2,525	\$2,525
Other Internal Sources	11,998	12,132	11,876	11,669	11,440	11,296	10,422	10,727	10,222	9,831	10,508	10,455	10,455
Revenue Anticipation Notes	0	0	0	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	0	0
Revenue Anticipation Warrants	0	0	0	0	0	0	0	0	0	0	0	7,500	7,500
TOTAL, Available/Borrowable Resources.	\$12,202	\$12,336	\$12,080	\$17,559	\$17,329	\$17,131	\$16,255	\$16,560	\$16,055	\$18,055	\$18,733	\$20,480	\$20,480
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties ..	\$0	\$204	\$204	\$190	\$190	\$134	\$0	\$133	\$133	\$2,525	\$2,525	\$2,525	\$2,525
Other Internal Sources	0	1,859	1,511	1,037	1,491	1,103	0	1,835	3,621	2,771	4,975	423	423
Revenue Anticipation Notes	0	0	0	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	0	0
Revenue Anticipation Warrants	0	0	0	0	0	0	0	0	0	0	0	7,500	7,500
TOTAL, Cumulative Loan Balances	\$0	\$2,064	\$1,715	\$6,927	\$7,381	\$6,937	\$5,700	\$7,668	\$9,454	\$10,996	\$13,200	\$10,448	\$10,448
UNUSED BORROWABLE RESOURCES	\$12,202	\$10,272	\$10,365	\$10,631	\$9,949	\$10,193	\$10,555	\$8,892	\$6,601	\$7,060	\$5,533	\$10,032	\$10,032

Note: Numbers may not add due to rounding.

**SCHEDULE 5C
CASHFLOW STATEMENTS
ESTIMATED 2002-03 FISCAL YEAR CASHFLOW
GENERAL FUND
(Dollars in Millions)**

2002-03 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$246	\$4,019	\$2,539	\$1,006	\$4,138	\$4,496	\$0
RECEIPTS:													
Alcoholic Beverage Excise Tax	\$28	\$24	\$25	\$25	\$25	\$25	\$27	\$19	\$21	\$23	\$24	\$25	\$291
Corporation Tax	180	56	1,106	184	21	970	10	150	1,222	988	203	1,163	6,253
Cigarette Tax	17	12	-1	21	7	10	9	9	9	10	9	10	122
Inheritance, Gift and Estate Taxes	97	71	77	69	72	61	61	61	61	61	61	63	815
Insurance Tax	14	15	361	14	10	366	9	13	241	352	14	333	1,742
Personal Income Tax	2,042	1,972	3,367	2,311	1,538	3,560	5,295	1,448	877	5,924	1,397	3,094	32,825
Retail Sales and Use Tax	894	2,700	1,652	884	2,830	1,727	963	3,060	1,620	631	3,118	2,212	22,291
Income from Pooled Money Investments..	17	22	21	12	18	20	17	19	23	14	13	25	221
Energy Repayment	0	0	0	164	6,456	0	0	0	0	0	0	0	6,620
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	1,489	0	0	0	0	0	1,489
Other	40	180	2,492	141	503	167	2,619	410	98	2,196	173	-206	8,813
TOTAL, Receipts	\$3,329	\$5,052	\$9,100	\$3,825	\$11,480	\$6,906	\$10,499	\$5,189	\$4,172	\$10,199	\$5,012	\$6,719	\$81,482
DISBURSEMENTS:													
State Operations:													
University of California	\$245	\$261	\$307	\$373	\$304	\$257	\$249	\$264	\$300	\$314	\$234	\$32	\$3,140
Debt Service	0	189	208	228	119	86	-6	170	219	198	123	159	1,693
Other State Operations	1,243	1,034	1,562	1,359	1,211	989	1,021	900	966	895	979	1,145	13,304
Social Services	1,188	802	1,002	702	372	517	576	519	526	512	269	705	7,690
Medi-Cal Assistance	851	843	698	1,269	627	869	822	695	884	859	883	1,220	10,520
Other Health and Human Services	40	11	64	59	7	24	3	23	29	28	28	125	441
Schools	2,092	3,484	2,550	2,286	2,306	2,562	3,238	3,480	2,224	3,638	1,751	1,019	30,630
Teachers' Retirement	653	0	0	108	0	0	108	0	0	108	0	-1	976
Other	762	943	1,225	506	1,029	1,072	715	618	557	515	387	235	8,564
TOTAL, Disbursements	\$7,074	\$7,567	\$7,616	\$6,890	\$5,975	\$6,376	\$6,726	\$6,669	\$5,705	\$7,067	\$4,654	\$4,639	\$76,958
EXCESS RECEIPTS/(DEFICIT)	-\$3,745	-\$2,515	\$1,485	-\$3,065	\$5,505	\$529	\$3,773	-\$1,480	-\$1,533	\$3,132	\$358	\$2,080	\$4,524
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties ..	\$0	\$0	\$0	\$0	-\$2,241	-\$283	\$0	\$0	\$0	\$0	\$0	\$1,036	-\$1,489
Other Internal Sources	3,745	2,515	-1,485	-4,435	-763	0	0	0	0	0	0	4,889	4,465
Revenue Anticipation Warrants	0	0	0	-1,500	-6,000	0	0	0	0	0	0	0	-7,500
Revenue Anticipation Notes	0	0	0	9,000	3,500	0	0	0	0	0	0	-12,500	0
TOTAL, Net Temporary Loans	\$3,745	\$2,515	-\$1,485	\$3,065	-\$5,504	-\$283	\$0	\$0	\$0	\$0	\$0	-\$6,575	-\$4,524
ENDING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$246	\$4,019	\$2,539	\$1,006	\$4,138	\$4,496	\$0	\$0
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties ..	\$2,525	\$2,525	\$2,525	\$2,525	\$2,525	\$2,525	\$1,036	\$1,036	\$1,036	\$1,036	\$1,036	\$1,036	\$1,036
Other Internal Sources	10,127	10,819	8,170	7,624	7,998	7,286	6,792	6,878	6,666	6,495	6,760	6,464	6,464
Revenue Anticipation Warrants	7,500	7,500	7,500	6,000	0	0	0	0	0	0	0	0	0
Revenue Anticipation Notes	0	0	0	9,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	0	0
TOTAL, Available/Borrowable Resources	\$20,151	\$20,843	\$18,195	\$25,148	\$23,022	\$22,310	\$20,327	\$20,414	\$20,202	\$20,030	\$20,296	\$7,499	\$7,499
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties ..	\$2,525	\$2,525	\$2,525	\$2,525	\$283	\$0	\$0	\$0	\$0	\$0	\$0	\$1,036	\$1,036
Other Internal Sources	4,169	6,683	5,198	763	0	0	0	0	0	0	0	4,889	4,889
Revenue Anticipation Warrants	7,500	7,500	7,500	6,000	0	0	0	0	0	0	0	0	0
Revenue Anticipation Notes	0	0	0	9,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	0	0
TOTAL, Cumulative Loan Balances	\$14,194	\$16,708	\$15,223	\$18,288	\$12,783	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$5,925	\$5,925
UNUSED BORROWABLE RESOURCES	\$5,958	\$4,136	\$2,972	\$6,860	\$10,239	\$9,810	\$7,827	\$7,914	\$7,702	\$7,530	\$7,796	\$1,575	\$1,575

Note: Numbers may not add due to rounding.

**SCHEDULE 5D
CASHFLOW STATEMENTS
ESTIMATED 2003-04 FISCAL YEAR CASHFLOW
GENERAL FUND
(Dollars in Millions)**

2003-04 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,216	\$0	\$0	\$1,765	\$2,947	\$0
RECEIPTS:													
Alcoholic Beverage Excise Tax	\$27	\$24	\$26	\$25	\$25	\$26	\$28	\$19	\$21	\$23	\$24	\$24	\$292
Corporation Tax	232	132	1,200	281	-66	836	41	141	1,097	1,099	204	1,251	6,448
Cigarette Tax	9	9	9	8	9	9	8	8	8	8	8	9	102
Inheritance, Gift and Estate Taxes	66	65	66	43	44	44	43	44	44	44	43	44	590
Insurance Tax	11	18	400	12	15	401	10	14	232	327	14	376	1,830
Personal Income Tax	2,203	2,155	3,342	2,384	1,845	3,469	5,584	1,443	828	5,424	1,372	3,229	33,278
Retail Sales and Use Tax	742	2,852	1,771	862	3,021	1,700	1,002	3,211	1,710	667	3,247	2,332	23,117
Income from Pooled Money Investments..	15	16	15	16	23	17	17	18	23	17	16	30	223
Transfer from Special Fund for Economic													
Uncertainties	0	0	0	0	0	0	505	0	0	0	0	0	505
Other	96	239	217	275	259	367	553	318	295	371	415	166	3,570
TOTAL, Receipts	\$3,401	\$5,510	\$7,046	\$3,906	\$5,175	\$6,869	\$7,791	\$5,216	\$4,258	\$7,980	\$5,343	\$7,461	\$69,955
DISBURSEMENTS:													
State Operations:													
University of California	\$294	\$212	\$226	\$249	\$257	\$274	\$266	\$280	\$315	\$329	\$251	\$53	\$3,006
Debt Service	-4	201	222	232	172	103	-2	218	197	241	144	146	1,870
Other State Operations	1,089	1,194	1,183	1,058	1,172	992	848	895	983	734	967	1,085	12,200
Social Services	941	670	450	568	191	176	227	152	205	203	-12	394	4,165
Medi-Cal Assistance	517	618	587	531	537	613	582	499	623	606	622	578	6,913
Other Health and Human Services	16	32	40	16	15	25	9	25	30	29	29	27	293
Schools	1,648	2,712	2,196	2,800	1,889	2,412	2,128	4,420	2,288	2,553	1,862	1,990	28,898
Teachers' Retirement	55	0	0	0	0	0	0	0	0	0	0	0	55
Other	722	620	871	374	713	487	332	292	458	330	298	274	5,771
TOTAL, Disbursements	\$5,278	\$6,259	\$5,775	\$5,828	\$4,946	\$5,082	\$4,390	\$6,781	\$5,099	\$5,025	\$4,161	\$4,548	\$63,171
EXCESS RECEIPTS/(DEFICIT)	-\$1,877	-\$749	\$1,271	-\$1,921	\$229	\$1,788	\$3,401	-\$1,565	-\$841	\$2,955	\$1,182	\$2,913	\$6,784
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties ..	\$0	\$0	\$0	\$0	\$0	\$0	-\$1,036	\$349	\$182	-\$531	\$0	\$0	-\$1,036
Other Internal Sources	-3,123	749	-1,271	1,921	-229	-1,788	-1,149	0	659	-659	0	0	-4,889
External Borrowing	5,000	0	0	0	0	0	0	0	0	0	0	-5,000	0
TOTAL, Net Temporary Loans	\$1,877	\$749	-\$1,271	\$1,921	-\$229	-\$1,788	-\$2,185	\$349	\$841	-\$1,190	\$0	-\$5,000	-\$5,925
ENDING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$1,216	\$0	\$0	\$1,765	\$2,947	\$860	\$860
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties ..	\$1,036	\$1,036	\$1,036	\$1,036	\$1,036	\$1,036	\$531	\$531	\$531	\$531	\$531	\$531	\$531
Other Internal Sources	6,240	6,749	6,267	5,916	6,464	5,748	5,619	5,961	5,754	5,720	6,234	5,967	5,967
External Borrowing	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	0	0
TOTAL, Available/Borrowable Resources.	\$12,275	\$12,784	\$12,303	\$11,951	\$12,500	\$11,783	\$11,150	\$11,492	\$11,285	\$11,251	\$11,765	\$6,498	\$6,498
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties ..	\$1,036	\$1,036	\$1,036	\$1,036	\$1,036	\$1,036	\$0	\$349	\$531	\$0	\$0	\$0	\$0
Other Internal Sources	1,766	2,515	1,244	3,166	2,937	1,149	0	0	659	0	0	0	0
External Borrowing	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	0	0
TOTAL, Cumulative Loan Balances	\$7,802	\$8,551	\$7,280	\$9,201	\$8,972	\$7,185	\$5,000	\$5,349	\$6,190	\$5,000	\$5,000	\$0	\$0
UNUSED BORROWABLE RESOURCES	\$4,474	\$4,234	\$5,023	\$2,750	\$3,527	\$4,598	\$6,150	\$6,143	\$5,095	\$6,251	\$6,765	\$6,498	\$6,498

Note: Numbers may not add due to rounding.

SCHEDULE 6
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES

Year	Population ¹ (Thousands)	Employees	Employees Per 1,000 Population	Personal Income (Billions)	Revenue		Expenditures		Expenditures per Capita		Expenditures per \$100 of Personal Income	
					General Fund	Total (Millions)	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	31.2	1,005	1,578	923	1,533	70.98	117.89	2.96	4.91
1956-57	13,581	88,299	6.5	34.2	1,079	1,834	1,030	1,732	75.84	127.53	3.01	5.06
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	38.6	1,210	1,925	1,246	1,932	84.53	131.06	3.23	5.01
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	59.4	2,245	3,295	2,345	3,652	130.09	202.60	3.95	6.15
1965-66	18,464	151,199	8.2	63.5	2,509	3,581	2,580	4,059	139.73	219.83	4.06	6.39
1966-67	18,831	158,404	8.4	69.1	2,895	4,073	3,017	4,659	160.21	247.41	4.37	6.74
1967-68	19,175	162,677	8.5	74.4	3,682	4,927	3,273	5,014	170.69	261.49	4.40	6.74
1968-69	19,432	171,655	8.8	81.6	4,136	5,450	3,909	5,673	201.16	291.94	4.79	6.95
1969-70	19,745	179,583	9.1	89.5	4,330	5,743	4,456	6,302	225.68	319.17	4.98	7.04
1970-71	20,039	181,581	9.1	96.4	4,534	5,919	4,854	6,556	242.23	327.16	5.04	6.80
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	112.2	5,780	7,366	5,616	7,422	272.82	360.55	5.01	6.61
1973-74	20,869	192,918	9.2	124.1	6,978	8,715	7,299	9,311	349.75	446.16	5.88	7.50
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	152.7	9,639	11,567	9,518	11,452	441.92	531.71	6.23	7.50
1976-77	21,936	213,795	9.7	171.4	11,381	13,463	10,467	12,632	477.16	575.86	6.11	7.37
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	219.7	15,219	17,711	16,251	18,745	711.64	820.85	7.40	8.53
1979-80	23,257	220,193	9.5	252.2	17,985	20,919	18,534	21,488	796.92	923.94	7.35	8.52
1980-81	23,782	225,567	9.5	286.3	19,023	22,104	21,105	24,511	887.44	1,030.65	7.37	8.56
1981-82	24,278	228,813	9.4	320.7	20,960	23,601	21,693	25,022	893.53	1,030.65	6.76	7.80
1982-83	24,805	228,489	9.2	341.9	21,233	24,291	21,751	25,330	876.88	1,021.17	6.36	7.41
1983-84	25,337	226,695	8.9	367.5	23,809	27,626	22,869	26,797	902.59	1,057.62	6.22	7.29
1984-85	25,816	229,845	8.9	411.6	26,536	31,570	25,722	30,961	996.36	1,199.30	6.25	7.52
1985-86	26,403	229,641	8.7	447.1	28,072	33,558	28,841	34,977	1,092.34	1,324.74	6.45	7.82
1986-87	27,052	232,927	8.6	477.8	32,519	37,767	31,469	38,079	1,163.28	1,407.62	6.59	7.97
1987-88	27,717	237,761	8.6	517.3	32,534	38,773	33,021	40,452	1,191.36	1,459.47	6.38	7.82
1988-89	28,393	248,173	8.7	561.1	36,953	43,322	35,897	44,634	1,264.29	1,572.01	6.40	7.95
1989-90	29,142	254,589	8.7	606.7	38,750	46,453	39,456	48,594	1,353.92	1,667.49	6.50	8.01
1990-91	29,828	260,622	8.7	655.6	38,214	47,024	40,264	51,446	1,349.87	1,724.76	6.14	7.85
1991-92	30,458	261,713	8.6	669.8	42,026	53,117	43,327	56,280	1,422.52	1,847.79	6.47	8.40
1992-93	30,987	260,939	8.4	701.6	40,946	52,526	40,948	56,480	1,321.46	1,822.70	5.84	8.05
1993-94	31,314	265,035	8.5	714.1	40,095	52,384	38,958	53,083	1,244.11	1,695.18	5.46	7.43
1994-95	31,523	269,004	8.5	735.1	42,710	54,942	41,961	54,613	1,331.12	1,732.48	5.71	7.43
1995-96	31,711	271,076	8.5	771.5	46,296	59,266	45,393	59,870	1,431.46	1,887.99	5.88	7.76
1996-97	31,962	271,966	8.5	812.4	49,220	62,831	49,088	64,523	1,535.82	2,018.74	6.04	7.94
1997-98	32,452	271,254	8.4	861.6	54,973	69,424	52,874	68,528	1,629.30	2,111.67	6.14	7.95
1998-99	32,862	282,860	8.6	931.6	58,615	74,281	57,827	75,260	1,759.69	2,290.18	6.21	8.08
1999-00	33,417	296,076	8.9	994.9	71,931	87,536	66,494	84,864	1,989.83	2,539.55	6.68	8.53
2000-01	34,036	311,239	9.1	1,099.4	71,428	88,419	78,053	96,382	2,293.25	2,831.77	7.10	8.77
2001-02	34,698	322,227	9.3	1,128.3	72,239	89,780	76,752	99,220	2,212.00	2,859.53	6.80	8.79
2002-03	35,301	327,354	9.3	1,138.7	73,144	88,073	75,461	109,390	2,137.64	3,098.78	6.63	9.61
2003-04	35,875	325,134	9.1	1,176.4	69,153	96,056	62,769	96,437	1,749.66	2,688.14	5.34	8.20

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.

SCHEDULE 7
GENERAL FUND
(In Thousands)
STATEMENT OF FUND BALANCE
June 30, 2001

The following information summarizes the adjustments to the State Controller's Office preliminary General Fund balances to arrive at the June 30, 2002, General Fund balance shown on the General Budget Summary, Schedule 1.

JUNE 30, 2002, GENERAL FUND BALANCE PER STATE CONTROLLER'S OFFICE -\$2,109,761

ADJUSTMENTS TO STATE CONTROLLER'S OFFICE FUND BALANCE:

Adjustments to prior years:

Savings per the 2002-03 December Revision	\$43,302	
Total Adjustments to Prior Years.....		\$43,302

Revenue Adjustment:

Accrued interest on energy loan	\$123,610	
Total Revenue Adjustments.....		\$123,610

Transfer Adjustments:

Adjustment for treatment of transfer from Child Care Revolving Fund	-\$42,000	
Adjustment for difference in accruals due to timing.....	-7,295	
Adjustment for treatment of loan to Forest Improvement Fund	-3,000	
Adjustment for Executive Orders processed in 2002-03 by State Controller's Office	74,197	
Total Transfer Adjustments.....		\$21,902

Expenditure Adjustments:

Adjustment for difference in treatment of bonds and related accrued interest	\$6,199	
Adjustment for difference in treatment of mandates	-13,092	
Adjust Proposition 98 for differences in property taxes and apportionments	-172,277	
Federal Immigration Funding—adjustment accrual	-143,001	
PERS 4th quarter adjustment for special funds	-21,718	
Adjustment for difference in treatment of capital outlay expenditures.....	-31,940	
Adjustment for revision to accruals due to timing differences for reappropriations.....	6,741	
Increase in expenditures due to treatment of transfer—Colorado River Account	-150,000	
Adjustment for difference in accruals due to timing.....	25,537	
Savings per the 2002-03 December Revision	11,253	
Revision to encumbrance adjustment.....	269,949	
Total Expenditure Adjustments		-\$212,349

ADJUSTED STATE CONTROLLER'S OFFICE FUND BALANCE		-\$2,133,296
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JUNE 30, 2002, GENERAL FUND BALANCE PER GOVERNOR'S BUDGET, SCHEDULE 1		-\$2,133,296
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SCHEDULE 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

Sources	Actual 2001-02			Estimated 2002-03			Estimated 2003-04		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
MAJOR TAXES AND LICENSES									
Alcoholic Beverage Taxes and Fees.....	\$292,627	-	\$292,627	\$291,000	-	\$291,000	\$292,000	-	\$292,000
Corporation Tax	5,333,025	\$11	5,333,036	6,452,000	\$11	6,452,011	6,361,000	\$11	6,361,011
Cigarette Tax.....	121,612	981,195	1,102,807	117,700	950,500	1,068,200	101,000	1,991,200	2,092,200
Horse Racing (Parimutuel) License Fees	3,296	41,326	44,622	3,562	40,893	44,455	3,562	41,423	44,985
Estate, Inheritance and Gift Tax.....	890,627	-	890,627	646,300	-	646,300	404,200	-	404,200
Insurance Gross Premiums Tax.....	1,595,846	156	1,596,002	1,742,000	150	1,742,150	1,830,000	150	1,830,150
Trailer Coach License (In-Lieu) Fees.....	15,372	2,388	17,760	16,625	2,388	19,013	17,925	2,388	20,313
Motor Vehicle License (In-Lieu) Fees.....	-	1,927,368	1,927,368	-	1,867,769	1,867,769	-	1,899,688	1,899,688
Motor Vehicle Fuel Tax (Gasoline).....	-	2,828,024	2,828,024	-	2,818,632	2,818,632	-	2,837,718	2,837,718
Motor Vehicle Fuel Tax (Diesel).....	-	467,879	467,879	-	488,376	488,376	-	494,023	494,023
Motor Vehicle Registration	-	1,891,776	1,891,776	-	1,954,820	1,954,820	-	2,324,513	2,324,513
Personal Income Tax	33,046,665	-	33,046,665	32,880,000	-	32,880,000	33,610,000	-	36,190,000
Retail Sales and Use Tax-Realignment.....	-	2,228,978	2,228,978	-	2,191,400	2,191,400	-	2,303,100	2,303,100
Retail Sales and Use Taxes	21,355,315	232,113	21,587,428	22,349,000	191,849	22,540,849	23,210,000	4,784,302	27,994,302
Telecommunications Tax	-	14,264	14,264	-	14,550	14,550	-	14,500	14,500
TOTALS, MAJOR TAXES AND LICENSES.....	\$62,654,385	\$10,615,478	\$73,269,863	\$64,498,187	\$10,521,338	\$75,019,525	\$65,829,687	\$19,273,016	\$85,102,703
MINOR REVENUES									
REGULATORY TAXES AND LICENSES									
General Fish and Game Taxes	-	1,532	1,532	-	1,535	1,535	-	1,575	1,575
Energy Resource Surcharge.....	-	468,432	468,432	-	486,866	486,866	-	488,438	488,438
Quarterly Public Util Commission Fees.....	-	75,062	75,062	-	77,304	77,304	-	85,369	85,369
Penalties on Pub Util Comm Qtrly Fees	-	2	2	-	-	-	-	-	-
Hwy Carrier Uniform Business License Tax	272	-	272	300	-	300	300	-	300
Off-Highway Vehicle Fees	-	6,041	6,041	-	5,313	5,313	-	5,550	5,550
Liquor License Fees	-	36,680	36,680	-	39,775	39,775	-	41,898	41,898
Genetic Disease Testing Fees	-	48,673	48,673	-	66,375	66,375	-	67,213	67,213
Other Regulatory Taxes.....	11,707	59,278	70,985	12,770	63,051	75,821	-	94,200	94,200
New Motor Vehicle Dealer License Fee	-	1,642	1,642	-	1,334	1,334	-	1,334	1,334
General Fish and Game Lic Tags Permits	-	72,481	72,481	-	75,528	75,528	-	79,544	79,544
Duck Stamps	-	24	24	-	24	24	-	24	24
Elevator and Boiler Inspection Fees.....	222	9,967	10,189	241	10,914	11,155	241	10,914	11,155
Industrial Homework Fees.....	8	-	8	8	-	8	8	-	8
Employment Agency License Fees.....	767	2,409	3,176	834	6,373	7,207	834	8,805	9,639
Employment Agency Filing Fees	139	-	139	151	-	151	151	-	151
Teacher Credential Fees	-	10,431	10,431	-	14,494	14,494	-	15,188	15,188
Teacher Examination Fees	-	8,101	8,101	-	12,197	12,197	-	12,529	12,529
Insurance Co License Fees & Penalties.....	-	28,429	28,429	-	28,547	28,547	-	27,619	27,619
Insurance Company Examination Fees.....	-	18,324	18,324	-	18,425	18,425	-	17,459	17,459
Division of Real Estate Examination Fees	-	6,342	6,342	-	9,104	9,104	-	8,905	8,905
Div of Real Estate License Fees	-	19,194	19,194	-	20,976	20,976	-	21,218	21,218
Subdivision Filing Fees	-	7,302	7,302	-	7,698	7,698	-	7,412	7,412
Building Construction Filing Fees	-	3,993	3,993	-	4,300	4,300	-	4,300	4,300
Domestic Corporation Fees	-	8,366	8,366	-	8,749	8,749	-	9,500	9,500
Foreign Corporation Fees.....	-	1,317	1,317	-	1,379	1,379	-	1,479	1,479
Notary Public License Fees	-	1,396	1,396	-	985	985	-	985	985
Filing Financing Statements.....	-	3,976	3,976	-	4,015	4,015	-	4,015	4,015
Candidate Filing Fee	736	-	736	62	-	62	658	-	658
Beverage Container Redemption Fees	-	521,315	521,315	-	556,514	556,514	-	558,802	558,802
Explosive Permit Fees	-	1	1	25	-	25	25	-	25
Hazardous Waste Control Fees.....	-	66,580	66,580	-	65,219	65,219	-	65,947	65,947
Other Regulatory Fees	8,427	480,670	489,097	8,343	544,109	552,452	15,110	643,709	658,819
Other Regulatory Licenses and Permits	40,966	2,126,168	2,167,134	40,891	1,067,802	1,108,693	47,521	1,189,347	1,236,868
Renewal Fees.....	123	142,268	142,391	123	145,352	145,475	123	147,458	147,581
Delinquent Fees	1	3,817	3,818	1	3,738	3,739	1	3,728	3,729
Private Rail Car Tax	6,379	-	6,379	6,379	-	6,379	6,379	-	6,379
Insurance Department Fees, Prop 103.....	-	23,049	23,049	-	24,716	24,716	-	24,562	24,562

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

Sources	Actual 2001-02			Estimated 2002-03			Estimated 2003-04		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Insurance Department Fees, General	-	15,250	15,250	-	17,092	17,092	-	16,822	16,822
Insurance Fraud Assessment, Workers Comp	-	31,670	31,670	-	31,000	31,000	-	31,000	31,000
Insurance Fraud Assessment, Auto	-	29,380	29,380	-	39,091	39,091	-	38,445	38,445
Insurance Fraud Assessment, General	-	1,797	1,797	-	1,808	1,808	-	1,808	1,808
Totals, REGULATORY TAXES AND LICENSES	\$69,747	\$4,341,359	\$4,411,106	\$70,128	\$3,461,702	\$3,531,830	\$71,351	\$3,737,101	\$3,808,452
REVENUE FROM LOCAL AGENCIES									
Architecture Public Building Fees	-	27,432	27,432	-	28,500	28,500	-	28,500	28,500
Penalties on Traffic Violations	-	90,439	90,439	-	92,681	92,681	-	93,389	93,389
Penalties on Felony Convictions	-	45,989	45,989	-	56,821	56,821	-	71,275	71,275
Fines-Crimes of Public Offense	-	13,080	13,080	-	1,700	1,700	-	903	903
Fish and Game Violation Fines	-	499	499	-	497	497	-	497	497
Penalty Assessments on Fish & Game Fines	-	603	603	-	709	709	-	714	714
Interest on Loans to Local Agencies	1,156	1,208	2,364	1,116	616	1,732	1,081	558	1,639
Add'l Assmnts on Fish & Game Fines	-	85	85	-	86	86	-	86	86
Narcotic Fines	1,550	-	1,550	1,550	-	1,550	1,550	-	1,550
Fingerprint ID Card Fees	-	50,940	50,940	-	53,646	53,646	-	58,353	58,353
Misc Revenue From Local Agencies	302,953	557,619	860,572	338,486	541,268	879,754	379,734	541,283	921,017
Open Space Cancellation Fee Deferal Taxes	2,159	1,179	3,338	1,680	1,270	2,950	1,830	1,270	3,100
Rev Local Govt Agencies-Cost Recoveries	109	-	109	700	-	700	700	-	700
Totals, REVENUE FROM LOCAL AGENCIES	\$307,927	\$789,073	\$1,097,000	\$343,532	\$777,794	\$1,121,326	\$384,895	\$796,828	\$1,181,723
SERVICES TO THE PUBLIC									
Pay Patients Board Charges	19,819	-	19,819	18,042	-	18,042	18,599	-	18,599
State Beach and Park Service Fees	-	31,179	31,179	-	35,500	35,500	-	52,100	52,100
Parking Lot Revenues	-	7,329	7,329	-	7,884	7,884	-	8,182	8,182
Fire Prevention and Suppression	-	-	-	100	-	100	100	-	100
Emergency Telephone Users Surcharge	-	125,381	125,381	-	131,460	131,460	-	181,203	181,203
Sales of Documents	449	1,707	2,156	438	1,498	1,936	422	1,376	1,798
General Fees—Secretary of State	7	15,607	15,614	28	15,000	15,028	28	15,100	15,128
Parental Fees	-	2,357	2,357	-	1,700	1,700	31,574	1,700	33,274
Guardianship Fees	6	-	6	10	-	10	10	-	10
Miscellaneous Services to the Public	3,265	216,050	219,315	3,608	236,397	240,005	5,708	282,269	287,977
Receipts From Health Care Deposit Fund	8,000	-	8,000	8,000	-	8,000	8,000	-	8,000
Medicare Receipts From Federal Government	5,103	-	5,103	5,270	-	5,270	5,270	-	5,270
California State University Fees	-	735,050	735,050	-	768,248	768,248	-	981,396	981,396
Personalized License Plates	-	38,030	38,030	-	38,891	38,891	-	39,134	39,134
Totals, SERVICES TO THE PUBLIC	\$36,649	\$1,172,690	\$1,209,339	\$35,496	\$1,236,578	\$1,272,074	\$69,711	\$1,562,460	\$1,632,171
USE OF PROPERTY AND MONEY									
Income From Pooled Money Investments	354,988	1,123	356,111	220,000	653	220,653	222,000	653	222,653
Income From Surplus Money Investments	4,131	208,249	212,380	4,000	162,738	166,738	4,000	142,313	146,313
Interest Income From Loans	5,623	4,237	9,860	4,387	3,965	8,352	4,487	3,584	8,071
Interest Income From Interfund Loans	525,640	3	525,643	174	15,031	15,205	174	245	419
Income From Other Investments	-	13,934	13,934	-	9,228	9,228	-	4,514	4,514
Income From Condemnation Deposits Fund	296	2,262	2,558	300	2,615	2,915	300	2,615	2,915
Federal Lands Royalties	-	9,599	9,599	-	8,581	8,581	-	8,581	8,581
Oil & Gas Lease-1% Revenue City/County	180	-	180	166	-	166	158	-	158
Rentals of State Property	9,074	45,078	54,152	9,354	38,771	48,125	9,530	39,831	49,361
Misc Revenue From Use of Property & Money	32,913	28,424	61,337	26,313	32,246	58,559	33,920	37,946	71,866
School Lands Royalties	-	60	60	-	58	58	-	58	58
State Lands Royalties	15,131	27,698	42,829	35,515	5,000	40,515	31,025	-	31,025
Totals, USE OF PROPERTY AND MONEY	\$947,976	\$340,667	\$1,288,643	\$300,209	\$278,886	\$579,095	\$305,594	\$240,340	\$545,934
MISCELLANEOUS									
Attorney General Proceeds of Anti-Trust	-	1,060	1,060	-	1,128	1,128	-	1,128	1,128
Penalties & Interest on UI & DI Contrib	-	74,866	74,866	-	72,027	72,027	-	78,239	78,239
Sale of Fixed Assets	131,784	284	132,068	56,148	210	56,358	100,874	208	101,082
Sale of Confiscated Property	6,258	3	6,261	5,510	3	5,513	5,510	3	5,513

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

Sources	Actual 2001-02			Estimated 2002-03			Estimated 2003-04		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Sale of State's Public Lands	-	5,141	5,141	-	430	430	-	2,720	2,720
Proceeds From Estates of Deceased Person	337	-	337	350	-	350	350	-	350
Revenue-Abandoned Property	287,848	-	287,848	198,470	-	198,470	367,210	-	367,210
Escheat of Unclaimed Checks & Warrants	27,441	5,519	32,960	21,917	1,104	23,021	20,442	1,134	21,576
Forestry & Fire Protect Nursery Sales	52	-	52	-	-	-	-	-	-
Subsequent Injuries Revenue	-	4,007	4,007	-	3,300	3,300	-	3,300	3,300
Miscellaneous Revenue	4,491	80,853	85,344	4,555,664	169,163	4,724,827	1,603,153	618,361	2,221,514
Penalties & Intrst on Personal Income Tx	-	21,722	21,722	-	21,251	21,251	-	21,548	21,548
Other Revenue—Cost Recoveries	818	42,683	43,501	409	37,843	38,252	-	69,416	69,416
Settlements/Judgments (not Anti-trust)	75,771	402,010	477,781	2,510	474,418	476,928	11,260	220,718	231,978
Uninsured Motorist Fees	2,169	-	2,169	2,000	-	2,000	2,000	-	2,000
Traffic Violations	-	2,130	2,130	-	2,130	2,130	-	2,130	2,130
Parking Violations	6,056	634	6,690	5,505	310	5,815	5,505	300	5,805
Penalty Assessments	23,076	83,409	106,485	49,513	81,883	131,396	22,501	75,915	98,416
Civil & Criminal Violation Assessment	394	4,438	4,832	293	15,526	15,819	293	6,521	6,814
Fines and Forfeitures	-	222,996	222,996	-	222,996	222,996	-	222,996	222,996
Court Filing Fees and Surcharges	-	154,591	154,591	-	169,682	169,682	-	249,753	249,753
Penalty Assessments on Criminal Fines	-	-	-	-	28,504	28,504	-	57,454	57,454
Totals, MISCELLANEOUS	\$566,495	\$1,106,346	\$1,672,841	\$4,898,289	\$1,301,908	\$6,200,197	\$2,139,098	\$1,631,844	\$3,770,942
TOTALS, MINOR REVENUES	\$1,928,794	\$7,750,135	\$9,678,929	\$5,647,654	\$7,056,868	\$12,704,522	\$2,970,649	\$7,968,573	\$10,939,222
TOTALS, REVENUES	\$64,583,179	\$18,365,613	\$82,948,792	\$70,145,841	\$17,578,206	\$87,724,047	\$68,800,336	\$27,241,589	\$96,041,925
TRANSFERS AND LOANS									
General Fund	-281,784	274,282	-7,502	-266,721	266,202	-519	-111,150	111,150	-
Property Acquisition Law Money Account	-	-	-	2,700	-2,700	-	-	-4,202	-4,202
Motor Vehicle Parking Facil Moneys Acct	-	-	-	-	-13	-13	-	-	-
Disability Access Account	-	-	-	10,000	-10,000	-	-	-	-
Boxers Pension Account	-	-166	-166	-	-	-	-	-	-
Hazardous Materials Enforce Train Acct	-	-	-	-	-52	-52	-	-	-
Hazardous Waste Control Account	-	-	-	15,000	-15,000	-	-	-	-
Fingerprint Fees Account	4,900	-4,900	-	2,000	-2,000	-	2,000	-2,000	-
Site Remediation Account	-	-	-	1,000	-1,000	-	-	-	-
Emergency Telephone Number Acct, State	63,117	-63,117	-	-	-	-	-	-	-
Aeronautics Account STF	-	-	-	11,150	-11,150	-	1,490	-1,490	-
Highway Account, State, STF	-	-	-	202,477	-202,477	-	-	-	-
Motor Vehicle Account, STF	662	-665	-3	662	-665	-3	4,837	-4,840	-3
Colorado River Management Account	-	-	-	22,000	-22,000	-	-	-	-
Motor Vehicle Fuel Account, TIF	-	-35,084	-35,084	-	-20,961	-20,961	-	-21,860	-21,860
Corporations Fund, State	-	-	-	29,000	-29,000	-	-	-	-
Barbering/Cosmetology Fd, St Bd of	-	-	-	9,000	-9,000	-	-	-	-
State Employee Scholarship Fund	-	-	-	356	-356	-	-	-	-
Alcohol Beverage Control Fund	2,338	-2,338	-	2,338	-2,338	-	-	-	-
Cal- OSHA Targeted Inspection & Consult	-	-	-	-	-	-	2,000	-2,000	-
Health Statistics Special Fund	-	-	-	4,200	-4,200	-	1,000	-1,000	-
School Facilities Fee Assistance Fund	112,756	-112,756	-	-	-	-	-	-	-
Acupuncture Fund	-	-	-	-	-	-	1,000	-1,000	-
Department of Agriculture Account, Ag Fd	-	-	-	15,000	-15,000	-	-	-	-
Beverage Container Recycling Fund, CA	-	-	-	218,000	-218,000	-	80,000	-80,000	-
Soil Conservation Fund	-	-	-	1,100	-1,100	-	-	-	-
Sexual Habitual Offender, DOJ	-	-	-	-	-	-	1,000	-1,000	-
Trial Court Improvement Fund	-	-	-	43,110	-43,110	-	-	-	-
Debt Limit Allocation Committee Fund, Cal	-	-	-	2,000	-2,000	-	-	-	-
Corrections Training Fund	-	-	-	-	-	-	10,164	-10,164	-
Debt & Investment Advisory Comm Fund, Cal	-	-	-	-	-	-	3,000	-3,000	-
Driver Training Penalty Assessment Fund	38,324	-38,324	-	14,178	-14,178	-	35,990	-35,990	-
Employment Development Dept Benefit Audit	1,383	-1,383	-	10,738	-10,738	-	15,193	-15,193	-
Employment Development Contingent Fund	46,933	-46,933	-	72,492	-72,492	-	73,580	-73,580	-

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

Sources	Actual 2001-02			Estimated 2002-03			Estimated 2003-04		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Energy and Resources Fund	296	-296	-	300	-300	-	300	-300	-
Fair and Exposition Fund.....	246	-246	-	246	-246	-	246	-246	-
Asset Forfeiture Distribution Fund.....	-	-	-	8,760	-8,760	-	-	-	-
Genetic Disease Testing Fund.....	-	-	-	-	-	-	1,000	-1,000	-
Insurance Fund	-	-	-	10,000	-10,000	-	-	-	-
Workplace Health & Safety Revolving Fund.....	-	-	-	4,655	-4,655	-	-	-	-
Workers' Comp Administration Revolv Fund	-	-	-	2,805	-2,805	-	-	-	-
Tire Recycling Management Fund, Calif	-	-	-	-	-	-	15,000	-15,000	-
Business Fees Fund, Secty of State's	2,488	-2,488	-	3,627	-3,627	-	2,511	-2,511	-
Private Security Services Fund	-	-	-	-	-	-	4,000	-4,000	-
Protective Services Fund	-	-	-	-	1,406	1,406	-	-	-
Osteopathic Medical Bd of Calif Contn Fd.....	-	-	-	2,600	-2,600	-	-	-	-
Peace Officers' Training Fund	-	-	-	-	-	-	14,300	-14,300	-
Technical Assistance Fund	-	-	-	600	-600	-	-	-	-
Business Reinvestment Fund	-	-	-	3,056	-3,056	-	193	-193	-
Loss Control Certification Fund.....	-	-	-	1,903	-1,903	-	-	-	-
Motor Carriers Permit Fund	4,175	-4,175	-	4,175	-4,175	-	-	-	-
Financial Institutions Fund.....	-	-	-	2,000	-2,000	-	-	-	-
Credit Union Fund.....	-	-	-	2,700	-2,700	-	-	-	-
Psychology Fund.....	-	-	-	5,000	-5,000	-	-	-	-
Real Estate Commissioner's Fund.....	-	-	-	10,900	-10,900	-	-	-	-
Pub Sch Plng Desgn & Constr Rev Revlv Fd.....	-	-	-	35,000	-35,000	-	-	-	-
Indian Gaming Special Distribution Fund.....	-	-	-	19,109	-19,109	-	-	-	-
False Claims Act Fund	-	-	-	2,000	-2,000	-	3,500	-3,500	-
Public Int Res, Dev & Demonstratrtn Progrm	-	-	-	5,500	-5,500	-	-	-	-
Renewable Resource Trust Fund	-	-	-	163,308	-172,208	-8,900	-	-	-
Natural Resources Infrastructure Fund.....	-	-	-	-	-	-	3,354	-3,354	-
Salmon & Steelhead Trout Restoration Acc	5,000	-5,000	-	-	-	-	-	-	-
Integrated Waste Management Account.....	-	-	-	-	-	-	2,000	-2,000	-
Parks and Recreation Fund, State	-	-	-	19,800	-19,800	-	-	-	-
Job Creation Investment Fund.....	-	-	-	290	-290	-	-	-	-
Real Estate Appraisers Regulation Fund	-	-	-	1,000	-1,000	-	-	-	-
Vehicle Inspection and Repair Fund	-	-	-	100,000	-100,000	-	5,000	-5,000	-
Underground Storage Tank Cleanup Fund.....	-	-	-	-	-	-	3,200	-3,200	-
Petro Undergrnd Storage Tank Financ Acct	-	-	-	21,500	-21,500	-	-	-	-
Olympic Training Account, California	110	-110	-	110	-110	-	110	-110	-
Wildlife Restoration Fund	-	-	-	27,765	-27,765	-	-	-	-
Occupancy Compliance Monitoring Account	-	-	-	32,000	-32,000	-	-	-	-
Winter Recreation Fund.....	429	-429	-	-	-	-	-	-	-
Tax Credit Allocation Fee Account	-	-	-	27,000	-27,000	-	3,000	-3,000	-
Publ Utilities Comm Utilities Reimb Acct	-	-	-	-	-	-	10,000	-10,000	-
High-Cost Fund-A Admin Committee Fd, Cal.....	-	-	-	27,200	-27,200	-	-	-	-
Energy Resources Programs Account	-	-	-	-	-	-	-	-6,165	-6,165
High-Cost Fund-B Admin Committee Fd, Cal.....	35,500	-35,500	-	250,900	-250,900	-	-	-	-
Child Care & Devlpmt Fac Direct Ln Fd	11,000	-	11,000	-	-	-	-	-	-
Child Care & Dev Fac Ln Guaranty Fd	-	-	-	2,706	-	2,706	-	-	-
Financial Responsibility Penalty Account.....	2,284	-2,284	-	2,530	-2,530	-	1,763	-1,763	-
Other Unallocated Special Funds	912	-912	-	4,497	-4,497	-	5,177	-5,177	-
Water Resources Development Bond Fund.....	-	-	-	31,400	-	31,400	-	-	-
Harbors and Watercraft Revolving Fund.....	-	-	-	-	-	-	-	100	100
Rural Econ Dev Infrastructure Rev Bd Fd	-	-	-	10,100	-	10,100	-	-	-
Mobilehome Park Purchase Fund	-	-	-	10,100	-	10,100	-	-	-
Title Insurance Fund	116	-116	-	-	-	-	-	-	-
Small Craft Harbor Improvement Fund	-	-	-	4,800	-	4,800	-	-	-
Scholarshare Administrative Fund	-	-	-	175	-	175	200	-	200
High Polluter Repair or Removal Account.....	94,000	-94,000	-	-	-	-	-	-	-
Vincent Thomas Bridge Toll Revenue Fund.....	-	-	-	-	6,500	6,500	-	-	-
Agriculture Building Fund.....	-	407	407	-	407	407	-	407	407

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

Sources	Actual 2001-02			Estimated 2002-03			Estimated 2003-04		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Architecture Revolving Fund	6,080	-	6,080	15,679	-	15,679	-	-	-
Equipment Service Fund	-	-	-	-	-	-	-	5,280	5,280
Drinking Water Treatment & Research Fund	-	-	-	-	-	-	1,000	-1,000	-
Upper Newport Bay Ecological Maint&Presv	-	-	-	599	-599	-	-	-	-
Structural Pest Control Device Fund	952	-952	-	-	-	-	-	-	-
Parks System Deferred Maintnce Acct, St	7,072	-7,072	-	-	-	-	-	-	-
Infrastructure & Economic Devl Bank, Cal	277,000	-	277,000	16,000	-	16,000	-	-	-
Public Buildings Construction Fund	-	-	-	52,025	-	52,025	-	-	-
Service Revolving Fund	-	-	-	-	4,202	4,202	-	-	-
Inmate Constructn Revolv Acct, Prison Ind	5,000	-	5,000	-	-	-	-	-	-
Petroleum Financing Collection Account	-	-	-	1,000	-	1,000	-	-	-
Accountancy Fund	-	-	-	6,000	-6,000	-	-	-	-
Contractors' License Fund	-	-	-	11,000	-11,000	-	5,000	-5,000	-
School Building Aid Fund, State	-	-	-	24,332	-	24,332	24,332	-	24,332
Dentistry Fund, State	-	-	-	5,000	-5,000	-	5,000	-5,000	-
Licensed Midwifery Fund	25	-25	-	-	-	-	-	-	-
Landscape Architects Fd, CA Bd/Arch Exam	-	-	-	-	-	-	1,000	-1,000	-
Registered Nursing Fund, Board of	-	-	-	12,000	-12,000	-	-	-	-
Pharmacy Board Contingent Fund	-	-	-	6,000	-6,000	-	-	-	-
Court Reporters Fund	-	-	-	-	-	-	1,000	-1,000	-
Behavioral Science Examiners Fund	-	-	-	6,000	-6,000	-	-	-	-
Structural Pest Control Fund	-	-	-	2,000	-2,000	-	-	-	-
Vocational Nurse Examiners Fund	-	-	-	-	-	-	1,000	-1,000	-
Psychiatric Technicians Account	-	-	-	-	-	-	1,000	-1,000	-
Export Finance Fund	-	-	-	8,000	-	8,000	-	-	-
Self-Help Housing Fund	18,000	-	18,000	14,518	50,000	64,518	-	-	-
Audit Repayment Trust Fund	-	-	-	273	-	273	-	-	-
Superfund Bond Trust Fund	-	26,600	26,600	-	2,300	2,300	-	2,600	2,600
Housing Trust Fund, Cal	4,000	-	4,000	2,000	-	2,000	2,085	-	2,085
Industrial Relations Unpaid Wage Fund	-	-	-	1,800	-	1,800	-	-	-
Small Business Expansion Fund	-	-	-	10,995	-	10,995	-	-	-
Joe Serna, Jr. Farmworker Housing Grant	-	-	-	4,548	-	4,548	-	-	-
Forest Resources Improvement Fund	-	-	-	-	-	-	3,000	-	3,000
Housing Rehabilitation Loan Fund	49,200	-	49,200	28,620	-	28,620	-	-	-
Pollution Control Financing Authority Fd	-	-	-	25,000	-	25,000	-	-	-
Trial Court Trust Fund	967	-967	-	-	-	-	-	-	-
Managed Care Fund	-	-	-	1,000	-1,000	-	-	-	-
Rental Housing Construction Fd	-	-	-	1,834	-	1,834	-	-	-
Special Deposit Fund	233,314	-	233,314	3,835	2,853	6,688	2,000	-	2,000
Foster Children and Parent Train Fund	1,385	-	1,385	33	-	33	-	-	-
Manufactured Home Recovery Fund	-	-	-	500	-	500	-	-	-
Predevelopment Loan Fund	-	-	-	1,900	-	1,900	-	-	-
Emergency Housing and Assistance Fund	-	-	-	1,617	-	1,617	-	-	-
Various Other Unallocated NGC Funds	513	-	513	2,530	-	2,530	2,912	-	2,912
Clnup Loans Envirnmntl Asst Neighood Act	77,000	-77,000	-	-	-	-	-	-	-
Special Telephone Solicitors Fund	-	-	-	-	-	-	1,000	-1,000	-
Electrician Certification Fund	-	-	-	405	-405	-	-	-	-
Permanent Amusement Ride Safety Insp Fd	-	-	-	-	-	-	875	-875	-
Garment Industry Regulations Fund	500	-500	-	-	-	-	1,094	-1,094	-
Film California First Fund	-	-	-	2,000	-2,000	-	-	-	-
Jobs-Housing Balance Improvement Account	99,682	-99,682	-	212	-212	-	-	-	-
Traffic Congestion Relief Fund	238,000	-238,000	-	1,145,000	-1,145,000	-	-	-	-
Special Reserve Fund Vehicle License Fee	-	-	-	33,000	-33,000	-	-	-	-
Occupational Therapy Fund	-	-	-	465	-465	-	1,232	-1,232	-
Tobacco Settlement Fund	250,000	-250,000	-	260,000	-260,000	-	100,000	-100,000	-
Apprenticeship Training Contribution Fd	-	-	-	1,400	-1,400	-	1,400	-1,400	-
Alcohol Beverages Control Fund	-	-	-	-	-	-	2,338	-2,338	-

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

Sources	Actual 2001-02			Estimated 2002-03			Estimated 2003-04		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Dept Water Resources Electric Power Fund	6,210,366	-	6,210,366	-	-	-	-	-	-
Renewable Energy Loan Loss Reserve Fund	29,938	-	29,938	-	-	-	-	-	-
CA Consumer Pwr & Conservation Fin Auth	-	-	-	4,682	31,000	35,682	540	3,255	3,795
TOTALS, TRANSFERS AND LOANS	\$7,654,179	-\$824,131	\$6,830,048	\$2,997,699	-\$2,648,477	\$349,222	\$352,766	-\$338,285	\$14,481
Adjustment to Reconcile to Controller.....	1,242	-	1,242	-	-	-	-	-	-
TOTALS, REVENUES AND TRANSFERS	\$72,238,600	\$17,541,482	\$89,780,082	\$73,143,540	\$14,929,729	\$88,073,269	\$69,153,102	\$26,903,304	\$96,056,406

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
LEGISLATIVE, JUDICIAL, AND EXECUTIVE															
Legislative															
Legislature															
Senate															
State Operations.....	83,720	-	-	83,720	-	84,105	-	-	84,105	-	87,469	-	-	87,469	-
Assembly															
State Operations.....	113,608	-	-	113,608	-	114,130	-	-	114,130	-	118,695	-	-	118,695	-
Totals, Legislature	\$197,328	-	-	\$197,328	-	\$198,235	-	-	\$198,235	-	\$206,164	-	-	\$206,164	-
Legislative Counsel Bureau															
State Operations	78,375	-	-	78,375	-	79,310	-	-	79,310	-	77,491	-	-	77,491	-
Totals, Legislative.....	\$275,703	-	-	\$275,703	-	\$277,545	-	-	\$277,545	-	\$283,655	-	-	\$283,655	-
Judicial															
Judicial															
State Operations	276,952	\$1,581	-	278,533	\$1,021	275,505	\$3,239	-	278,744	\$2,425	275,853	\$3,238	-	279,091	\$2,435
Local Assistance	13,705	-	-	13,705	800	13,556	-	-	13,556	2,275	13,556	-	-	13,556	2,275
Capital Outlay	323	-	-	323	-	449	-	-	449	-	-	-	-	-	-
Totals, Judicial.....	\$290,980	\$1,581	-	\$292,561	\$1,821	\$289,510	\$3,239	-	\$292,749	\$4,700	\$289,409	\$3,238	-	\$292,647	\$4,710
Commission on Judicial Performance															
State Operations	3,566	-	-	3,566	-	4,142	-	-	4,142	-	3,113	-	-	3,113	-
Contributions to Judges Retirement Fund															
State Operations	2,562	-	-	2,562	-	2,723	-	-	2,723	-	2,723	-	-	2,723	-
Local Assistance	74,985	-	-	74,985	-	114,961	-	-	114,961	-	129,384	-	-	129,384	-
Totals, Contributions to Judges Retirement Fund.....	\$77,547	-	-	\$77,547	-	\$117,684	-	-	\$117,684	-	\$132,107	-	-	\$132,107	-
State Trial Court Funding															
Local Assistance	1,196,797	880,885	-	2,077,682	-	1,092,413	1,116,855	-	2,209,268	-	791,146	1,412,896	-	2,204,042	-
Totals, Judicial	\$1,568,890	\$882,466	-	\$2,451,356	\$1,821	\$1,503,749	\$1,120,094	-	\$2,623,843	\$4,700	\$1,215,775	\$1,416,134	-	\$2,631,909	\$4,710
Executive/Governor															
Governor's Office															
State Operations	5,590	-	-	5,590	-	5,927	-	-	5,927	-	5,943	-	-	5,943	-
Department of Information Technology															
State Operations	9,462	-	-	9,462	-	-	-	-	-	-	-	-	-	-	-
Ofc Inspector General Veterans Affairs															
State Operations	400	-	-	400	-	423	-	-	423	-	358	-	-	358	-
Office of Planning and Research															
State Operations	8,747	478	-	9,225	1,654	4,500	504	-	5,004	2,549	4,256	506	-	4,762	2,562
Local Assistance	-	-	-	-	32,484	-	-	-	-	45,800	-	-	-	-	45,800
Totals, Office of Planning and Research	\$8,747	\$478	-	\$9,225	\$34,138	\$4,500	\$504	-	\$5,004	\$48,349	\$4,256	\$506	-	\$4,762	\$48,362
Office of Emergency Services															
State Operations	36,033	1,131	-	37,164	15,474	31,910	1,893	-	33,803	20,012	30,496	1,588	-	32,084	20,203
Local Assistance	38,850	1,450	-	40,300	539,754	24,199	2,828	-	27,027	640,499	20,378	2,183	-	22,561	574,975
Capital Outlay	3,310	-	-	3,310	-	1,878	-	-	1,878	-	235	-	-	235	-
Totals, Office of Emergency Services	\$78,193	\$2,581	-	\$80,774	\$555,228	\$57,987	\$4,721	-	\$62,708	\$660,511	\$51,109	\$3,771	-	\$54,880	\$595,178
Totals, Executive/Governor.....	\$102,392	\$3,059	-	\$105,451	\$589,366	\$68,837	\$5,225	-	\$74,062	\$708,860	\$61,666	\$4,277	-	\$65,943	\$643,540

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Executive/Constitutional Offices															
Office of the Lieutenant Governor															
State Operations	2,537	-	-	2,537	-	2,531	-	-	2,531	-	2,536	-	-	2,536	-
Department of Justice															
State Operations	314,559	117,489	-	432,048	36,779	311,716	135,156	-	446,872	29,837	301,818	137,170	-	438,988	27,163
Local Assistance	21,876	2,850	-	24,726	-	4,692	2,973	-	7,665	-	228	132	-	360	-
Capital Outlay	13,719	190	-	13,909	-	3,654	127	-	3,781	-	-	-	-	-	-
Totals, Department of Justice.....	\$350,154	\$120,529	-	\$470,683	\$36,779	\$320,062	\$138,256	-	\$458,318	\$29,837	\$302,046	\$137,302	-	\$439,348	\$27,163
State Controller															
State Operations	69,110	5,121	176	74,407	1,037	67,755	5,159	176	73,090	1,145	68,028	5,317	177	73,522	1,152
Department of Insurance															
State Operations	1,057	125,905	-	126,962	-	-	134,532	-	134,532	-	-	134,503	-	134,503	-
Local Assistance	-	34,048	-	34,048	-	-	33,597	-	33,597	-	-	34,305	-	34,305	-
Totals, Department of Insurance.....	\$1,057	\$159,953	-	\$161,010	-	-	\$168,129	-	\$168,129	-	-	\$168,808	-	\$168,808	-
California Gambling Control Commission															
State Operations	-	2,781	-	2,781	-	-	4,975	-	4,975	-	-	5,498	-	5,498	-
State Board of Equalization															
State Operations	191,009	27,695	-	218,704	7	199,133	29,757	-	228,890	103	199,169	31,410	-	230,579	103
Capital Outlay	-	-	-	-	-	-	-	-	-	-	134	-	-	134	-
Totals, State Board of Equalization	\$191,009	\$27,695	-	\$218,704	\$7	\$199,133	\$29,757	-	\$228,890	\$103	\$199,303	\$31,410	-	\$230,713	\$103
Secretary of State															
Secretary of State															
State Operations.....	31,461	32,775	-	64,236	-	29,058	31,692	-	60,750	-	27,141	32,939	-	60,080	-
Local Assistance.....	7,776	-	-	7,776	-	4	-	-	4	-	4	-	-	4	-
Totals, Secretary of State.....	\$39,237	\$32,775	-	\$72,012	-	\$29,062	\$31,692	-	\$60,754	-	\$27,145	\$32,939	-	\$60,084	-
State Treasurer															
State Operations	8,776	118	-	8,894	-	8,659	-	-	8,659	-	6,423	-	-	6,423	-
Local Assistance	3,449	-	-	3,449	-	1	-	-	1	-	1	-	-	1	-
Totals, State Treasurer	\$12,225	\$118	-	\$12,343	-	\$8,660	-	-	\$8,660	-	\$6,424	-	-	\$6,424	-
CA Debt & Investment Advisory Commission															
State Operations	-	1,445	-	1,445	-	-	1,769	-	1,769	-	-	1,895	-	1,895	-
CA Debt Limit Allocation Committee															
State Operations	-	860	-	860	-	-	1,015	-	1,015	-	-	1,055	-	1,055	-
CA Industrial Dev Financing Advisory Com															
State Operations	-	342	-	342	-	-	421	-	421	-	-	446	-	446	-
CA Tax Credit Allocation Committee															
State Operations	-	2,304	-	2,304	-	-	2,482	-	2,482	-	-	2,619	-	2,619	-
Local Assistance	-	339	-	339	-	-	136	-	136	-	-	136	-	136	-
Totals, CA Tax Credit Allocation Committee..	-	\$2,643	-	\$2,643	-	-	\$2,618	-	\$2,618	-	-	\$2,755	-	\$2,755	-
CA Alt Energy & Adv Trspt Financing Auth															
State Operations	150	-	-	150	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices.....	\$665,479	\$354,262	\$176	\$1,019,917	\$37,823	\$627,203	\$383,791	\$176	\$1,011,170	\$31,085	\$605,482	\$387,425	\$177	\$993,084	\$28,418
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE ...	\$2,612,464	\$1,239,787	\$176	\$3,852,427	\$629,010	\$2,477,334	\$1,509,110	\$176	\$3,986,620	\$744,645	\$2,166,578	\$1,807,836	\$177	\$3,974,591	\$676,668
State Operations.....	1,237,674	320,025	176	1,557,875	55,972	1,221,527	352,594	176	1,574,297	56,071	1,211,512	358,184	177	1,569,873	53,618
Local Assistance	1,357,438	919,572	-	2,277,010	573,038	1,249,826	1,156,389	-	2,406,215	688,574	954,697	1,449,652	-	2,404,349	623,050
Capital Outlay	17,352	190	-	17,542	-	5,981	127	-	6,108	-	369	-	-	369	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
STATE AND CONSUMER SERVICES															
Secretary for State and Consumer Service															
State Operations	1,414	-	-	1,414	-	771	-	-	771	-	774	-	-	774	-
California Science Center															
State Operations	14,806	2,458	-	17,264	-	12,935	2,907	-	15,842	-	13,091	2,924	-	16,015	-
Capital Outlay	10,006	-	-	10,006	-	5,194	-	-	5,194	19,500	-	-	-	-	-
Totals, California Science Center	\$24,812	\$2,458	-	\$27,270	-	\$18,129	\$2,907	-	\$21,036	\$19,500	\$13,091	\$2,924	-	\$16,015	-
Consumer Affairs-Regulatory Boards															
California Board of Accountancy															
State Operations.....	-	9,427	-	9,427	-	-	10,914	-	10,914	-	-	10,907	-	10,907	-
CA Board of Architectural Examiners															
State Operations.....	-	3,199	-	3,199	-	-	3,438	-	3,438	-	-	3,433	-	3,433	-
State Athletic Commission															
State Operations.....	887	85	-	972	-	684	101	-	785	-	643	100	-	743	-
Bureau of Barbering and Cosmetology															
State Operations.....	-	-	-	-	-	-	5,602	-	5,602	-	-	11,795	-	11,795	-
Board of Behavioral Sciences															
State Operations.....	-	4,511	-	4,511	-	-	4,942	-	4,942	-	-	4,654	-	4,654	-
Contractors' State License Board															
State Operations.....	-	49,839	-	49,839	-	-	47,776	-	47,776	-	-	46,744	-	46,744	-
Board of Dentistry															
State Operations.....	-	-	-	-	-	-	8,526	-	8,526	-	-	9,397	-	9,397	-
Dental Board of California															
State Operations.....	-	6,722	-	6,722	-	-	75	-	75	-	-	-	-	-	-
Committee on Dental Auxiliaries															
State Operations.....	-	1,519	-	1,519	-	-	-	-	-	-	-	-	-	-	-
Board for Geologists and Geophysicists															
State Operations.....	-	845	-	845	-	-	808	-	808	-	-	786	-	786	-
State Board of Guide Dogs for the Blind															
State Operations.....	-	113	-	113	-	-	140	-	140	-	-	138	-	138	-
Medical Board of California															
State Operations.....	-	36,917	-	36,917	-	-	38,882	-	38,882	-	-	40,082	-	40,082	-
Acupuncture Board															
State Operations.....	-	1,784	-	1,784	-	-	2,224	-	2,224	-	-	1,983	-	1,983	-
Physical Therapy Board of California															
State Operations.....	-	2,114	-	2,114	-	-	2,493	-	2,493	-	-	2,450	-	2,450	-
Physician Assistant Committee															
State Operations.....	-	831	-	831	-	-	889	-	889	-	-	850	-	850	-
CA Board of Podiatric Medicine															
State Operations.....	-	841	-	841	-	-	1,089	-	1,089	-	-	1,084	-	1,084	-
Board of Psychology															
State Operations.....	-	2,979	-	2,979	-	-	3,202	-	3,202	-	-	3,171	-	3,171	-
Respiratory Care Board of California															
State Operations.....	-	2,417	-	2,417	-	-	2,469	-	2,469	-	-	2,444	-	2,444	-
Speech-Language Pathology & Audiology Exam															
State Operations.....	-	562	-	562	-	-	524	-	524	-	-	524	-	524	-
California Board of Occupational Therapy															
State Operations.....	-	316	-	316	-	-	651	-	651	-	-	672	-	672	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
State Board of Optometry															
State Operations.....	-	1,081	-	1,081	-	-	1,160	-	1,160	-	-	1,109	-	1,109	-
The Osteopathic Medical Board of CA															
State Operations.....	-	-	-	-	-	-	974	-	974	-	-	987	-	987	-
California State Board of Pharmacy															
State Operations.....	-	7,115	-	7,115	-	-	7,387	-	7,387	-	-	7,374	-	7,374	-
Bd Profession Engineers & Land Surveyors															
State Operations.....	-	7,353	-	7,353	-	-	7,275	-	7,275	-	-	7,244	-	7,244	-
Board of Registered Nursing															
State Operations.....	-	13,914	-	13,914	-	-	17,089	-	17,089	-	-	16,711	-	16,711	-
Court Reporters Board of California															
State Operations.....	-	920	-	920	-	-	956	-	956	-	-	930	-	930	-
Structural Pest Control Board															
State Operations.....	-	3,385	-	3,385	-	-	4,242	-	4,242	-	-	3,620	-	3,620	-
Veterinary Medicine															
State Operations.....	-	-	-	-	-	-	1,731	-	1,731	-	-	1,826	-	1,826	-
Veterinary Medical Board															
State Operations.....	-	1,805	-	1,805	-	-	-	-	-	-	-	-	-	-	-
Bd of Voc Nurse & Psyc Tech of St of CA															
State Operations.....	-	-	-	-	-	-	5,313	-	5,313	-	-	5,378	-	5,378	-
Vocational Nursing Program															
State Operations.....	-	4,099	-	4,099	-	-	-	-	-	-	-	-	-	-	-
Psychiatric Technician Program															
State Operations.....	-	1,043	-	1,043	-	-	-	-	-	-	-	-	-	-	-
Totals, Consumer Affairs-Regulatory Boards...	\$887	\$165,736	-	\$166,623	-	\$684	\$180,872	-	\$181,556	-	\$643	\$186,393	-	\$187,036	-
Consumer Affairs-Bureaus, Programs, Divs															
State Operations.....	72,335	155,159	-	227,494	1,061	879	144,041	-	144,920	1,130	527	139,517	-	140,044	1,158
Dept of Fair Employment and Housing															
State Operations.....	17,592	-	-	17,592	4,108	16,253	-	-	16,253	5,596	12,622	-	-	12,622	3,997
Fair Employment and Housing Commission															
State Operations.....	1,295	-	-	1,295	-	1,200	-	-	1,200	-	1,157	-	-	1,157	-
Franchise Tax Board															
State Operations.....	385,539	8,739	-	394,278	-	418,159	8,771	-	426,930	-	402,788	12,169	-	414,957	-
Capital Outlay.....	447	-	-	447	-	288	-	-	288	-	-	-	-	-	-
Totals, Franchise Tax Board.....	\$385,986	\$8,739	-	\$394,725	-	\$418,447	\$8,771	-	\$427,218	-	\$402,788	\$12,169	-	\$414,957	-
Department of General Services															
State Operations.....	35,109	54,731	10,993	100,833	-	16,975	62,645	11,507	91,127	-	3,000	64,845	13,407	81,252	-
Local Assistance.....	75,100	83,945	698	159,743	-	-	146,353	3,864	150,217	-	-	142,409	-	142,409	-
Capital Outlay.....	17,914	-	8,791	26,705	-	-	-	32,142	32,142	1,884	-	-	4,131	4,131	-
Totals, Department of General Services.....	\$128,123	\$138,676	\$20,482	\$287,281	-	\$16,975	\$208,998	\$47,513	\$273,486	\$1,884	\$3,000	\$207,254	\$17,538	\$227,792	-
State Personnel Board															
State Operations.....	7,658	-	-	7,658	-	6,488	-	-	6,488	-	3,075	-	-	3,075	-
Local Assistance.....	49,954	-	-	49,954	-	1	-	-	1	-	1	-	-	1	-
Totals, State Personnel Board.....	\$57,612	-	-	\$57,612	-	\$6,489	-	-	\$6,489	-	\$3,076	-	-	\$3,076	-
TOTALS, STATE AND CONSUMER SERVICES.....	\$690,056	\$470,768	\$20,482	\$1,181,306	\$5,169	\$479,827	\$545,589	\$47,513	\$1,072,929	\$28,110	\$437,678	\$548,257	\$17,538	\$1,003,473	\$5,155
State Operations.....	536,635	386,823	10,993	934,451	5,169	474,344	399,236	11,507	885,087	6,726	437,677	405,848	13,407	856,932	5,155
Local Assistance.....	125,054	83,945	698	209,697	-	1	146,353	3,864	150,218	-	1	142,409	-	142,410	-
Capital Outlay.....	28,367	-	8,791	37,158	-	5,482	-	32,142	37,624	21,384	-	-	4,131	4,131	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
BUSINESS, TRANSPORTATION, AND HOUSING															
Business and Housing															
Sec for Business,Transport and Housing															
State Operations	-	888	-	888	-	-	994	-	994	-	-	1,681	-	1,681	57,787
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,519
Totals, Sec for Business,Transport and Housing.	-	\$888	-	\$888	-	-	\$994	-	\$994	-	-	\$1,681	-	\$1,681	\$84,306
Dept of Alcoholic Beverage Control															
State Operations	-	34,275	-	34,275	-	-	35,849	-	35,849	-	-	36,680	-	36,680	-
Local Assistance	-	1,500	-	1,500	-	-	1,500	-	1,500	-	-	1,500	-	1,500	-
Totals, Dept of Alcoholic Beverage Control...	-	\$35,775	-	\$35,775	-	-	\$37,349	-	\$37,349	-	-	\$38,180	-	\$38,180	-
Alcoholic Beverage Control Appeals Board															
State Operations	-	696	-	696	-	-	775	-	775	-	-	834	-	834	-
Department of Financial Institutions															
State Operations	-	18,204	-	18,204	-	-	19,896	-	19,896	-	-	20,221	-	20,221	-
Dept of Corporations															
State Operations	-	25,311	-	25,311	-	-	25,434	-	25,434	-	-	28,216	-	28,216	-
Dept of Housing & Community Development															
State Operations	6,282	21,721	1,341	29,344	5,652	5,554	21,948	50	27,552	6,583	4,409	22,848	380	27,637	6,645
Local Assistance	85,424	-	-	85,424	109,031	9,572	-68,750	1,979,800	1,920,622	117,850	8,947	37,500	41,200	87,647	117,850
Totals, Dept of Housing & Community Development	\$91,706	\$21,721	\$1,341	\$114,768	\$114,683	\$15,126	-\$46,802	\$1,979,850	\$1,948,174	\$124,433	\$13,356	\$60,348	\$41,580	\$115,284	\$124,495
Office of Real Estate Appraisers															
State Operations	-	2,669	-	2,669	-	-	3,273	-	3,273	-	-	-	-	-	-
Department of Real Estate															
State Operations	-	28,856	-	28,856	-	-	29,898	-	29,898	-	-	30,046	-	30,046	-
Department of Managed Health Care															
State Operations	-	32,469	-	32,469	-	-	32,633	-	32,633	-	-	34,544	-	34,544	-
Totals, Business and Housing.....	\$91,706	\$166,589	\$1,341	\$259,636	\$114,683	\$15,126	\$103,450	\$1,979,850	\$2,098,426	\$124,433	\$13,356	\$214,070	\$41,580	\$269,006	\$208,801
Transportation															
California Transportation Commission															
State Operations	-	1,728	125	1,853	-	-	2,841	47	2,888	-	-	2,306	47	2,353	-
Local Assistance	-	-	43,444	43,444	-	-	-	75,000	75,000	-	-	-	75,000	75,000	-
Totals, California Transportation Commission.	-	\$1,728	\$43,569	\$45,297	-	-	\$2,841	\$75,047	\$77,888	-	-	\$2,306	\$75,047	\$77,353	-
Special Transportation Programs															
Local Assistance	-	171,000	-	171,000	-	-	95,925	-	95,925	-	-	100,377	-	100,377	-
Department of Transportation															
State Operations	-	2,287,185	27,189	2,314,374	472,034	-	2,189,743	27,347	2,217,090	497,749	-	2,036,758	25,342	2,062,100	419,577
Local Assistance															
Aeronautics Program	-	6,328	-	6,328	-	-	6,613	-	6,613	-	-	5,053	-	5,053	-
Highway Transportation Program	1,000	323,742	-	324,742	737,740	-	340,110	-	340,110	1,024,626	-	217,352	-	217,352	1,628,103
Mass Transportation Program	100	276,505	-	276,605	30,405	-	182,089	-	182,089	58,052	-	43,268	-	43,268	37,137
Transportation Planning Program	-	13,065	-	13,065	44,831	-	9,130	-	9,130	42,000	-	4,000	-	4,000	44,000
State-Mandated Local Programs	-	-	-	-	-	-	-	-	-	-	-	3	-	3	-
Totals, Local Assistance	\$1,100	\$619,640	-	\$620,740	\$812,976	-	\$537,942	-	\$537,942	\$1,124,678	-	\$269,676	-	\$269,676	\$1,709,240
Capital Outlay	-	592,968	144,051	737,019	1,417,920	-	932,570	66,000	998,570	1,057,104	-	882,668	5,500	888,168	580,188
Unclassified	-	-	-	-	-	-	-	-	-	208,426	-	-	-	-	31,000
Totals, Department of Transportation.....	\$1,100	\$3,499,793	\$171,240	\$3,672,133	\$2,702,930	-	\$3,660,255	\$93,347	\$3,753,602	\$2,887,957	-	\$3,189,102	\$30,842	\$3,219,944	\$2,740,005

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
High-Speed Rail Authority															
State Operations	-	1,057	-	1,057	-	-	6,520	-	6,520	1,250	-	-	-	-	-
Office of Traffic Safety															
State Operations	-	342	-	342	52,847	-	379	-	379	57,877	-	-	-	-	-
Local Assistance	-	-	-	-	31,397	-	-	-	-	26,384	-	-	-	-	-
Totals, Office of Traffic Safety	-	\$342	-	\$342	\$84,244	-	\$379	-	\$379	\$84,261	-	-	-	-	-
Dept of the California Highway Patrol															
State Operations	-	976,525	-	976,525	9,274	-	1,062,722	-	1,062,722	106,532	-	1,082,106	-	1,082,106	86,658
Local Assistance	5	-	-	5	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	389	-	389	-	-	12,406	-	12,406	-	-	3,089	-	3,089	-
Totals, Dept of the California Highway Patrol	\$5	\$976,914	-	\$976,919	\$9,274	-	\$1,075,128	-	\$1,075,128	\$106,532	-	\$1,085,195	-	\$1,085,195	\$86,658
Department of Motor Vehicles															
State Operations	2,694	675,755	-	678,449	30	1,598	670,647	-	672,245	-	1,114	663,786	-	664,900	-
Capital Outlay	-	5,008	-	5,008	-	-	21,167	-	21,167	-	-	19,563	-	19,563	-
Totals, Department of Motor Vehicles	\$2,694	\$680,763	-	\$683,457	\$30	\$1,598	\$691,814	-	\$693,412	-	\$1,114	\$683,349	-	\$684,463	-
Totals, Transportation	\$3,799	\$5,331,597	\$214,809	\$5,550,205	\$2,796,478	\$1,598	\$5,532,862	\$168,394	\$5,702,854	\$3,080,000	\$1,114	\$5,060,329	\$105,889	\$5,167,332	\$2,826,663
Statewide Distributed Costs															
General Obligation Bonds-BT&H															
State Operations	543,887	-	-	543,887	-	189,764	-	-	189,764	-	201,023	-	-	201,023	-
Totals, Statewide Distributed Costs	\$543,887	-	-	\$543,887	-	\$189,764	-	-	\$189,764	-	\$201,023	-	-	\$201,023	-
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING	\$639,392	\$5,498,186	\$216,150	\$6,353,728	\$2,911,161	\$206,488	\$5,636,312	\$2,148,244	\$7,991,044	\$3,204,433	\$215,493	\$5,274,399	\$147,469	\$5,637,361	\$3,035,464
State Operations	552,863	4,107,681	28,655	4,689,199	539,837	196,916	4,103,552	27,444	4,327,912	669,991	206,546	3,960,026	25,769	4,192,341	570,667
Local Assistance	86,529	792,140	43,444	922,113	953,404	9,572	566,617	2,054,800	2,630,989	1,268,912	8,947	409,053	116,200	534,200	1,853,609
Capital Outlay	-	598,365	144,051	742,416	1,417,920	-	966,143	66,000	1,032,143	1,057,104	-	905,320	5,500	910,820	580,188
Unclassified	-	-	-	-	-	-	-	-	-	208,426	-	-	-	-	31,000
TECHNOLOGY, TRADE, AND COMMERCE AGENCY															
Technology, Trade, and Commerce Agency															
State Operations	36,728	631	-	37,359	1,150	29,416	1,087	-	30,503	2,376	13,243	1,157	-	14,400	278
Local Assistance	35,151	2,615	-	37,766	9,013	16,225	8,691	-	24,916	10,169	8,200	3,506	-	11,706	1,422
Totals, Technology, Trade, and Commerce Agency	\$71,879	\$3,246	-	\$75,125	\$10,163	\$45,641	\$9,778	-	\$55,419	\$12,545	\$21,443	\$4,663	-	\$26,106	\$1,700
TOTALS, TECHNOLOGY, TRADE, AND COMMERCE AGENCY	\$71,879	\$3,246	-	\$75,125	\$10,163	\$45,641	\$9,778	-	\$55,419	\$12,545	\$21,443	\$4,663	-	\$26,106	\$1,700
State Operations	36,728	631	-	37,359	1,150	29,416	1,087	-	30,503	2,376	13,243	1,157	-	14,400	278
Local Assistance	35,151	2,615	-	37,766	9,013	16,225	8,691	-	24,916	10,169	8,200	3,506	-	11,706	1,422
RESOURCES															
Secretary for Resources															
State Operations	3,439	986	178	4,603	173	4,586	2,635	320,307	327,528	10,014	1,348	2,597	9,721	13,666	255
Local Assistance	5,417	-	6,191	11,608	-	3,000	-	99,463	102,463	-	-	-	39,850	39,850	-
Totals, Secretary for Resources	\$8,856	\$986	\$6,369	\$16,211	\$173	\$7,586	\$2,635	\$419,770	\$429,991	\$10,014	\$1,348	\$2,597	\$49,571	\$53,516	\$255
Special Resources Program															
State Operations	653	99	-	752	-	200	-	-	200	-	-	200	-	200	-
Local Assistance	3,360	1,101	-	4,461	-	-	4,069	-	4,069	-	-	4,071	-	4,071	-
Totals, Special Resources Program	\$4,013	\$1,200	-	\$5,213	-	\$200	\$4,069	-	\$4,269	-	-	\$4,271	-	\$4,271	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
California Tahoe Conservancy															
State Operations	3,850	76	277	4,203	-	-	2,949	825	3,774	-	-	2,852	827	3,679	-
Local Assistance	4,163	1	837	5,001	-	311	-	5,000	5,311	-	-	713	10,760	11,473	-
Capital Outlay	9,289	715	576	10,580	-	2,491	3,829	20,324	26,644	-	-	483	4,517	5,000	-
Totals, California Tahoe Conservancy	\$17,302	\$792	\$1,690	\$19,784	-	\$2,802	\$6,778	\$26,149	\$35,729	-	-	\$4,048	\$16,104	\$20,152	-
California Conservation Corps															
State Operations	60,229	21,806	615	82,650	-	45,687	34,543	696	80,926	495	36,815	27,913	1,849	66,577	503
Local Assistance	-	-	2,750	2,750	-	-	-	6,900	6,900	-	-	-	6,900	6,900	-
Capital Outlay	736	-	-	736	-	483	400	-	883	-	-	-	-	-	-
Totals, California Conservation Corps	\$60,965	\$21,806	\$3,365	\$86,136	-	\$46,170	\$34,943	\$7,596	\$88,709	\$495	\$36,815	\$27,913	\$8,749	\$73,477	\$503
Energy Resources Conservation & Dev Com															
State Operations	7,281	204,538	-	211,819	12,545	250	276,436	-	276,686	9,605	-	330,917	-	330,917	11,446
Local Assistance	53,435	33,722	-	87,157	-	-	11,508	-	11,508	-	-	1,429	-	1,429	-
Totals, Energy Resources Conservation & Dev Com	\$60,716	\$238,260	-	\$298,976	\$12,545	\$250	\$287,944	-	\$288,194	\$9,605	-	\$332,346	-	\$332,346	\$11,446
Renewable Resources Investment Program															
State Operations	-	1,236	-	1,236	-	-	1,200	-	1,200	-	-	1,200	-	1,200	-
Colorado River Board of California															
State Operations	202	14	-	216	-	191	15	-	206	-	192	14	-	206	-
Department of Conservation															
State Operations	21,101	495,299	562	516,962	878	21,315	501,112	921	523,348	1,664	5,396	523,984	917	530,297	1,685
Local Assistance	120	-	310	430	-	120	-	21,390	21,510	-	-	-	-	-	-
Totals, Department of Conservation	\$21,221	\$495,299	\$872	\$517,392	\$878	\$21,435	\$501,112	\$22,311	\$544,858	\$1,664	\$5,396	\$523,984	\$917	\$530,297	\$1,685
Dept of Forestry and Fire Protection															
State Operations	506,881	6,737	133	513,751	25,387	482,305	7,070	1,230	490,605	20,122	413,297	9,644	1,471	424,412	22,508
Local Assistance	88	-	1,191	1,279	-	1	-	1,275	1,276	-	1	-	1,175	1,176	-
Capital Outlay	13,156	-	-	13,156	-	4,153	-	-	4,153	-	491	-	-	491	-
Totals, Dept of Forestry and Fire Protection	\$520,125	\$6,737	\$1,324	\$528,186	\$25,387	\$486,459	\$7,070	\$2,505	\$496,034	\$20,122	\$413,789	\$9,644	\$2,646	\$426,079	\$22,508
State Lands Commission															
State Operations	12,106	6,939	-	19,045	145	10,666	7,044	-	17,710	-	10,099	8,361	-	18,460	-
Department of Fish and Game															
State Operations	65,788	131,215	5,772	202,775	47,013	48,016	133,681	13,377	195,074	50,209	40,532	132,234	10,784	183,550	62,059
Local Assistance	1,870	868	-	2,738	-	635	933	-	1,568	-	635	996	-	1,631	-
Capital Outlay	-	1,099	307	1,406	-	1,475	955	1,768	4,198	14	-	1,205	664	1,869	1,230
Totals, Department of Fish and Game	\$67,658	\$133,182	\$6,079	\$206,919	\$47,013	\$50,126	\$135,569	\$15,145	\$200,840	\$50,223	\$41,167	\$134,435	\$11,448	\$187,050	\$63,289
Wildlife Conservation Board															
State Operations	291	1,263	283	1,837	-	320	1,354	1,666	3,340	-	321	1,478	4,085	5,884	-
Local Assistance	250	-	-	250	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	29,597	-262	72,869	102,204	-	21,301	15,353	639,084	675,738	-	21,736	1,134	380,000	402,870	-
Totals, Wildlife Conservation Board	\$30,138	\$1,001	\$73,152	\$104,291	-	\$21,621	\$16,707	\$640,750	\$679,078	-	\$22,057	\$2,612	\$384,085	\$408,754	-
Department of Boating & Waterways															
State Operations	-	-	-	-	2,896	-	-	-	-	4,153	-	-	-	-	4,153
Local Assistance	-	-199	-	-199	2,161	-	750	-	750	3,128	-	500	-	500	2,128
Totals, Department of Boating & Waterways	-	-199	-	-199	\$5,057	-	\$750	-	\$750	\$7,281	-	\$500	-	\$500	\$6,281

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
California Coastal Commission															
State Operations	11,126	394	-	11,520	3,238	11,083	438	-	11,521	3,141	10,587	384	-	10,971	2,942
Local Assistance	597	359	-	956	-	3	509	-	512	-	-	740	-	740	-
Totals, California Coastal Commission	\$11,723	\$753	-	\$12,476	\$3,238	\$11,086	\$947	-	\$12,033	\$3,141	\$10,587	\$1,124	-	\$11,711	\$2,942
State Coastal Conservancy															
State Operations	2,480	-	1,788	4,268	20	-	-	2,312	2,312	116	-	-	2,583	2,583	117
Local Assistance	-	-	-	-	-	1,250	-	-	1,250	-	-	-	-	-	-
Capital Outlay	12,302	15,104	50,756	78,162	3,883	764	9,344	379,265	389,373	3,537	-	4,000	63,500	67,500	2,000
Totals, State Coastal Conservancy	\$14,782	\$15,104	\$52,544	\$82,430	\$3,903	\$2,014	\$9,344	\$381,577	\$392,935	\$3,653	-	\$4,000	\$66,083	\$70,083	\$2,117
Native American Heritage Commission															
State Operations	320	-	-	320	-	340	-	-	340	-	-	341	-	341	-
Department of Parks and Recreation															
State Operations	208,078	92,757	17,649	318,484	2,902	128,757	117,385	37,846	283,988	2,973	89,915	137,280	35,804	262,999	2,938
Local Assistance	16,987	22,638	414,447	454,072	8,332	3,090	29,949	634,753	667,792	36,336	7,956	19,600	581,883	609,439	24,000
Capital Outlay	17,804	9,477	141,535	168,816	1,500	593	16,370	217,928	234,891	3,700	-	5,636	99,889	105,525	3,700
Totals, Department of Parks and Recreation	\$242,869	\$124,872	\$573,631	\$941,372	\$12,734	\$132,440	\$163,704	\$890,527	\$1,186,671	\$43,009	\$97,871	\$162,516	\$717,576	\$977,963	\$30,638
Santa Monica Mountains Conservancy															
State Operations	-	637	-	637	-	-	464	205	669	-	-	470	206	676	-
Capital Outlay	-	-	17,270	17,270	-	-	-	12,743	12,743	-	-	-	21,500	21,500	-
Totals, Santa Monica Mountains Conservancy	-	\$637	\$17,270	\$17,907	-	-	\$464	\$12,948	\$13,412	-	-	\$470	\$21,706	\$22,176	-
San Francisco Bay Conserv & Develop Comm															
State Operations	3,751	-	-	3,751	-	3,450	-	-	3,450	-	3,458	-	-	3,458	-
San Gabriel/Lower LA Rivers/Mnts Consvcy															
State Operations	-	247	-	247	-	-	268	530	798	-	-	267	530	797	-
Capital Outlay	-	-	-	-	-	-	-	18,000	18,000	-	-	-	16,900	16,900	-
Totals, San Gabriel/Lower LA Rivers/Mnts Consvcy	-	\$247	-	\$247	-	-	\$268	\$18,530	\$18,798	-	-	\$267	\$17,430	\$17,697	-
San Joaquin River Conservancy															
State Operations	-	213	-	213	-	-	257	-	257	-	-	241	114	355	-
Baldwin Hills Conservancy															
State Operations	227	-	-	227	-	-	266	-	266	-	-	258	109	367	-
Capital Outlay	-	-	-	-	-	-	-	15,000	15,000	-	-	-	7,200	7,200	-
Totals, Baldwin Hills Conservancy	\$227	-	-	\$227	-	-	\$266	\$15,000	\$15,266	-	-	\$258	\$7,309	\$7,567	-
Delta Protection Commission															
State Operations	-	149	-	149	-	-	147	-	147	-	-	140	-	140	-
San Diego River Conservancy															
State Operations	-	-	-	-	-	-	-	-	-	-	-	265	-	265	-
Coachella Valley Mountains Conservancy															
State Operations	-	107	-	107	-	-	162	-	162	-	-	254	108	362	-
Capital Outlay	-	-	2,178	2,178	-	-	-	10,461	10,461	-	-	-	8,000	8,000	-
Totals, Coachella Valley Mountains Conservancy	-	\$107	\$2,178	\$2,285	-	-	\$162	\$10,461	\$10,623	-	-	\$254	\$8,108	\$8,362	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Department of Water Resources															
State Operations	95,264	2,122	35,286	132,672	5,122	61,635	2,115	76,114	139,864	60,211	38,994	2,109	226,508	267,611	11,223
Local Assistance	26,482	6,000	185,520	218,002	-	6,800	24,683	222,829	254,312	-	-	38,766	165,983	204,749	-
Capital Outlay	16,368	-	3,726	20,094	-	37,465	-	18,090	55,555	-	3,646	-	-	3,646	-
Totals, Department of Water Resources	\$138,114	\$8,122	\$224,532	\$370,768	\$5,122	\$105,900	\$26,798	\$317,033	\$449,731	\$60,211	\$42,640	\$40,875	\$392,491	\$476,006	\$11,223
California Bay-Delta Authority															
State Operations	-	-	-	-	-	-	-	5,074	5,074	-	12,590	-	157,957	170,547	29,352
General Obligation Bonds-Resources															
State Operations	167,161	-	-	167,161	-	212,683	-	-	212,683	-	260,569	-	-	260,569	-
TOTALS, RESOURCES	\$1,382,249	\$1,057,457	\$963,006	\$3,402,712	\$116,195	\$1,115,419	\$1,208,193	\$2,785,376	\$5,108,988	\$209,418	\$958,578	\$1,262,676	\$1,862,294	\$4,083,548	\$182,239
State Operations	1,170,228	966,834	62,543	2,199,605	100,319	1,031,484	1,089,541	461,103	2,582,128	162,703	924,113	1,183,403	453,573	2,561,089	149,181
Local Assistance	112,769	64,490	611,246	788,505	10,493	15,210	72,401	991,610	1,079,221	39,464	8,592	66,815	806,551	881,958	26,128
Capital Outlay	99,252	26,133	289,217	414,602	5,383	68,725	46,251	1,332,663	1,447,639	7,251	25,873	12,458	602,170	640,501	6,930
CALIF ENVIRONMENTAL PROTECTION AGENCY															
Secretary for Environmental Protection															
State Operations	3,234	2,404	-	5,638	-	2,531	2,740	-	5,271	-	2,279	2,766	-	5,045	-
State Air Resources Board															
State Operations	78,896	92,067	-	170,963	12,774	23,887	85,477	25,000	134,364	10,810	10,416	103,280	23,000	136,696	11,017
Local Assistance	-	15,111	-	15,111	-	-	10,111	-	10,111	-	-	10,637	-	10,637	-
Capital Outlay	-	226	-	226	-	-	2,397	-	2,397	-	-	-	-	-	-
Totals, State Air Resources Board	\$78,896	\$107,404	-	\$186,300	\$12,774	\$23,887	\$97,985	\$25,000	\$146,872	\$10,810	\$10,416	\$113,917	\$23,000	\$147,333	\$11,017
CA Integrated Waste Management Board															
State Operations	124	77,215	167	77,506	54	49	92,926	151	93,126	66	-	84,108	152	84,260	56
Local Assistance	-	22,004	2,545	24,549	-	-	30,504	-	30,504	-	-	29,577	-	29,577	-
Totals, CA Integrated Waste Management Board	\$124	\$99,219	\$2,712	\$102,055	\$54	\$49	\$123,430	\$151	\$123,630	\$66	-	\$113,685	\$152	\$113,837	\$56
Department of Pesticide Regulation															
State Operations	13,855	28,029	-	41,884	2,292	9,912	28,415	-	38,327	2,383	-	36,682	-	36,682	2,160
Local Assistance	2,515	10,210	-	12,725	-	2,882	10,360	-	13,242	-	1	13,981	-	13,982	-
Totals, Department of Pesticide Regulation	\$16,370	\$38,239	-	\$54,609	\$2,292	\$12,794	\$38,775	-	\$51,569	\$2,383	\$1	\$50,663	-	\$50,664	\$2,160
State Water Resources Control Board															
State Operations	101,376	253,979	4,068	359,423	28,545	73,212	293,205	8,422	374,839	37,800	44,633	297,160	11,931	353,724	37,830
Local Assistance	1,500	-	301,818	303,318	106,869	-	-	541,583	541,583	90,000	-	-	236,788	236,788	90,000
Totals, State Water Resources Control Board	\$102,876	\$253,979	\$305,886	\$662,741	\$135,414	\$73,212	\$293,205	\$550,005	\$916,422	\$127,800	\$44,633	\$297,160	\$248,719	\$590,512	\$127,830
Department of Toxic Substances Control															
State Operations	174,197	100,432	-35	274,594	22,771	32,728	97,261	1,831	131,820	26,727	20,106	106,561	-	126,667	26,053
Local Assistance	-	5,220	-	5,220	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	900	-	-	900	-	-	-	-	-	-
Totals, Department of Toxic Substances Control	\$174,197	\$105,652	-\$35	\$279,814	\$22,771	\$33,628	\$97,261	\$1,831	\$132,720	\$26,727	\$20,106	\$106,561	-	\$126,667	\$26,053
Ofc of Environmental Health Hazard Asmt															
State Operations	12,963	809	-	13,772	-	12,004	775	-	12,779	20	8,707	800	-	9,507	-
General Obligation Bonds-Environmental															
State Operations	18,278	-	-	18,278	-	16,977	-	-	16,977	-	13,382	-	-	13,382	-
TOTALS, CALIF ENVIRONMENTAL PROTECTION AGENCY	\$406,938	\$607,706	\$308,563	\$1,323,207	\$173,305	\$175,082	\$654,171	\$576,987	\$1,406,240	\$167,806	\$99,524	\$685,552	\$271,871	\$1,056,947	\$167,116

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
State Operations.....	402,923	554,935	4,200	962,058	66,436	171,300	600,799	35,404	807,503	77,806	99,523	631,357	35,083	765,963	77,116
Local Assistance	4,015	52,545	304,363	360,923	106,869	2,882	50,975	541,583	595,440	90,000	1	54,195	236,788	290,984	90,000
Capital Outlay	-	226	-	226	-	900	2,397	-	3,297	-	-	-	-	-	-
HEALTH AND HUMAN SERVICES															
Secretary for Cal Health & Human Serv Ag															
State Operations	2,822	-	-	2,822	-	3,459	-	-	3,459	-	4,263	-	-	4,263	-
State Council Developmental Disabilities															
State Operations	-	-	-	-	6,482	-	-	-	-	7,349	-	-	-	-	6,543
Emergency Medical Services Authority															
State Operations	1,807	1,305	-	3,112	1,300	1,358	1,575	-	2,933	1,335	-	-	-	-	-
Local Assistance	34,600	-280	-	34,320	962	26,486	-280	-	26,206	2,004	-	-	-	-	-
Totals, Emergency Medical Services Authority	\$36,407	\$1,025	-	\$37,432	\$2,262	\$27,844	\$1,295	-	\$29,139	\$3,339	-	-	-	-	-
Ofc Statewide Health Planning-Developmnt															
State Operations	710	36,275	-	36,985	213	678	37,345	-	38,023	498	-	37,609	-	37,609	285
Local Assistance	8,512	1,031	-	9,543	1,000	4,047	1,047	-	5,094	1,000	-	4,978	-	4,978	1,000
Totals, Ofc Statewide Health Planning-Developmnt.....	\$9,222	\$37,306	-	\$46,528	\$1,213	\$4,725	\$38,392	-	\$43,117	\$1,498	-	\$42,587	-	\$42,587	\$1,285
Department of Aging															
State Operations	5,888	157	-	6,045	6,145	4,990	186	-	5,176	6,902	4,092	186	-	4,278	7,906
Local Assistance	38,050	1,417	-	39,467	129,461	33,352	1,418	-	34,770	131,280	27,818	1,418	-	29,236	131,218
Totals, Department of Aging	\$43,938	\$1,574	-	\$45,512	\$135,606	\$38,342	\$1,604	-	\$39,946	\$138,182	\$31,910	\$1,604	-	\$33,514	\$139,124
Commission on Aging															
State Operations	-	-	-	-	198	-	-	-	-	374	-	-	-	-	286
Department of Alcohol and Drug Programs															
State Operations	4,638	3,143	-	7,781	19,238	6,081	4,086	-	10,167	21,670	5,673	1,123	-	6,796	22,219
Local Assistance	247,187	-2,977	-	244,210	245,193	226,731	-2,977	-	223,754	253,047	-	-	-	-	253,047
Totals, Department of Alcohol and Drug Programs.....	\$251,825	\$166	-	\$251,991	\$264,431	\$232,812	\$1,109	-	\$233,921	\$274,717	\$5,673	\$1,123	-	\$6,796	\$275,266
Child Development Policy Advisory Comm															
State Operations	429	-	-	429	-	348	-	-	348	-	-	-	-	-	-
CA Children & Families Commission															
State Operations	-	3,542	-	3,542	-	-	6,212	-	6,212	-	-	6,273	-	6,273	-
Local Assistance	-	785,184	-	785,184	-	-	734,289	-	734,289	-	-	565,713	-	565,713	-
Totals, CA Children & Families Commission....	-	\$788,726	-	\$788,726	-	-	\$740,501	-	\$740,501	-	-	\$571,986	-	\$571,986	-
Department of Health Services															
State Operations	253,240	189,523	-	442,763	316,049	243,861	177,552	-	421,413	399,321	244,176	163,173	2,650	409,999	379,616
Local Assistance															
Public Health Services	155,900	119,619	-	275,519	245,853	170,292	96,770	-	267,062	283,276	161,897	87,872	109,672	359,441	300,529
Medical Assistance Program.....	10,004,834	346,188	-	10,351,022	16,205,880	10,843,601	386,850	-	11,230,451	17,580,543	7,146,583	5,152	-	7,151,735	16,988,029
Emergency Medical Services Authority	-	-	-	-	-	-	-	-	-	-	-	3,600	-	6,486	2,004
State Mandated Local Programs	4,659	-	-	4,659	-	9	-	-	9	-	9	-	-	9	-
Totals, Local Assistance	\$10,165,393	\$465,807	-	\$10,631,200	\$16,451,733	\$11,013,902	\$483,620	-	\$11,497,522	\$17,863,819	\$7,311,375	\$96,624	\$109,672	\$7,517,671	\$17,290,562
Totals, Department of Health Services.....	\$10,418,633	\$655,330	-	\$11,073,963	\$16,767,782	\$11,257,763	\$661,172	-	\$11,918,935	\$18,263,140	\$7,555,551	\$259,797	\$112,322	\$7,927,670	\$17,670,178

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
California Medical Assistance Commissio															
State Operations	1,065	-	-	1,065	-	1,130	-	-	1,130	-	1,132	-	-	1,132	-
Managed Risk Medical Insurance Board															
State Operations	2,109	1,477	-	3,586	3,419	1,746	1,721	-	3,467	3,432	1,705	1,929	-	3,634	3,317
Local Assistance	146,251	165,858	-	312,109	338,282	29,539	357,485	-	387,024	442,435	90,605	355,483	-	446,088	508,268
Totals, Managed Risk Medical Insurance Board	\$148,360	\$167,335	-	\$315,695	\$341,701	\$31,285	\$359,206	-	\$390,491	\$445,867	\$92,310	\$357,412	-	\$449,722	\$511,585
Department of Developmental Services															
State Operations	375,356	246	-	375,602	2,113	378,762	259	-	379,021	2,594	383,885	331	-	384,216	2,746
Local Assistance	1,342,388	4,700	-	1,347,088	45,078	1,448,015	1,800	-	1,449,815	46,995	1,573,747	1,600	-	1,575,347	48,949
Capital Outlay	206	-	-	206	-	4,918	-	-	4,918	-	-	-	-	-	-
Totals, Department of Developmental Services	\$1,717,950	\$4,946	-	\$1,722,896	\$47,191	\$1,831,695	\$2,059	-	\$1,833,754	\$49,589	\$1,957,632	\$1,931	-	\$1,959,563	\$51,695
Department of Mental Health															
State Operations	505,279	833	-	506,112	3,085	527,248	920	-	528,168	3,205	562,456	347	-	562,803	3,210
Local Assistance	435,642	2,221	-	437,863	56,599	319,713	1,219	-	320,932	57,629	224,333	1,219	-	225,552	57,629
Capital Outlay	3,249	-	76	3,325	-	758	-	-	758	-	325	-	-	325	-
Totals, Department of Mental Health	\$944,170	\$3,054	\$76	\$947,300	\$59,684	\$847,719	\$2,139	-	\$849,858	\$60,834	\$787,114	\$1,566	-	\$788,680	\$60,839
Dept of Community Services & Development															
State Operations	1,514	-	-	1,514	7,009	1,592	-	-	1,592	8,999	-	-	-	-	-
Local Assistance	75,375	-	-	75,375	111,001	3,786	-	-	3,786	141,903	-	-	-	-	-
Totals, Dept of Community Services & Development	\$76,889	-	-	\$76,889	\$118,010	\$5,378	-	-	\$5,378	\$150,902	-	-	-	-	-
Department of Rehabilitation															
State Operations	44,884	-	-	44,884	262,469	44,105	-	-	44,105	276,405	43,100	-	-	43,100	272,247
Local Assistance	107,449	-	-	107,449	13,219	110,540	-	-	110,540	17,234	-	-	-	-	17,234
Totals, Department of Rehabilitation	\$152,333	-	-	\$152,333	\$275,688	\$154,645	-	-	\$154,645	\$293,639	\$43,100	-	-	\$43,100	\$289,481
Department of Child Support Services															
State Operations	28,814	-	-	28,814	66,635	30,524	-	-	30,524	74,043	31,910	-	-	31,910	74,258
Local Assistance	413,850	-	-	413,850	287,355	434,499	-	-	434,499	332,442	438,262	-	-	438,262	314,339
Totals, Department of Child Support Services	\$442,664	-	-	\$442,664	\$353,990	\$465,023	-	-	\$465,023	\$406,485	\$470,172	-	-	\$470,172	\$388,597
Department of Social Services															
State Operations	91,610	3,932	-	95,542	302,522	94,851	6,194	-	101,045	308,502	86,742	5,982	-	92,724	316,663
Local Assistance															
CalWorks	2,016,406	-	-	2,016,406	3,228,698	2,082,135	-	-	2,082,135	3,725,099	1,603,773	-	-	1,603,773	2,824,809
Foster Care	432,268	-	-	432,268	493,042	446,879	-	-	446,879	500,567	-	-	-	-	516,191
SSI/SSP	2,793,176	-	-	2,793,176	-	3,013,198	-	-	3,013,198	-	2,316,902	-	-	2,316,902	-
Refugee Cash Assistance	-	-	-	-	6,844	-	-	-	-	5,572	-	-	-	-	5,669
County Administration	324,199	-	-	324,199	360,880	329,109	-	-	329,109	402,683	4,935	-	-	4,935	388,170
Community Care Licensing	7,407	30	-	7,437	9,583	10,830	30	-	10,860	7,636	9,236	30	-	9,266	6,268
Child Welfare Services	600,229	415	-	600,644	1,037,178	624,601	415	-	625,016	1,108,887	68,892	415	-	69,307	1,173,311
Special Programs	76,114	-	-	76,114	21,636	65,976	-	-	65,976	18,414	4,669	-	-	4,669	18,414
IHSS	854,879	-	-	854,879	36,068	1,057,471	-	-	1,057,471	35,107	15,806	-	-	15,806	35,107
Other Programs	374,036	-1,176	-	372,860	356,702	398,178	911	-	399,089	385,867	133,286	1,369	-	134,655	563,759
Totals, Local Assistance	\$7,478,714	-\$731	-	\$7,477,983	\$5,550,631	\$8,028,377	\$1,356	-	\$8,029,733	\$6,189,832	\$4,157,499	\$1,814	-	\$4,159,313	\$5,531,698
Totals, Department of Social Services	\$7,570,324	\$3,201	-	\$7,573,525	\$5,853,153	\$8,123,228	\$7,550	-	\$8,130,778	\$6,498,334	\$4,244,241	\$7,796	-	\$4,252,037	\$5,848,361

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
State-Local Realignment															
Local Assistance	-	3,000,783	-	3,000,783	-	-	2,659,117	-	2,659,117	-	-	10,775,110	-	10,775,110	-
General Obligation Bonds-H&HS															
State Operations	3,367	-	-	3,367	-	3,185	-	-	3,185	-	3,005	-	-	3,005	-
Miscellaneous Adjustments-H&HS															
Local Assistance	-	-	-	-	-	-	-	-	-	-	-50,000	-	-	-50,000	50,000
TOTALS, HEALTH AND HUMAN SERVICES	\$21,820,398	\$4,663,446	\$76	\$26,483,920	\$24,227,391	\$23,028,581	\$4,474,144	-	\$27,502,725	\$26,594,249	\$15,146,103	\$12,020,912	\$112,322	\$27,279,337	\$25,293,240
State Operations	1,323,532	240,433	-	1,563,965	996,877	1,343,918	236,050	-	1,579,968	1,114,629	1,372,139	216,953	2,650	1,591,742	1,089,296
Local Assistance	20,493,411	4,423,013	-	24,916,424	23,230,514	21,678,987	4,238,094	-	25,917,081	25,479,620	13,773,639	11,803,959	109,672	25,687,270	24,203,944
Capital Outlay	3,455	-	76	3,531	-	5,676	-	-	5,676	-	325	-	-	325	-
YOUTH AND ADULT CORRECTIONAL AGENCY															
Sec for Youth and Adult Corrections															
State Operations	965	-	-	965	-	991	-	-	991	-	938	-	-	938	-
Office of the Inspector General															
State Operations	10,798	-	-	10,798	-	8,781	-	-	8,781	-	7,700	-	-	7,700	-
CA Department of Corrections															
State Operations	4,882,725	-	-	4,882,725	1,651	5,039,580	-	-	5,039,580	2,350	5,101,937	-	-	5,101,937	2,386
Local Assistance															
Transportation of Prisoners	153	-	-	153	-	278	-	-	278	-	278	-	-	278	-
Returning Fugitives	2,593	-	-	2,593	-	2,593	-	-	2,593	-	2,593	-	-	2,593	-
Court Costs and County Charges	12,261	-	-	12,261	-	12,261	-	-	12,261	-	12,261	-	-	12,261	-
Asst to Counties for Detentn of Parolees	32,138	-	-	32,138	-	41,365	-	-	41,365	-	32,138	-	-	32,138	-
State Mandated Local Programs	4,831	-	-	4,831	-	1	-	-	1	-	1	-	-	1	-
Totals, Local Assistance	\$51,976	-	-	\$51,976	-	\$56,498	-	-	\$56,498	-	\$47,271	-	-	\$47,271	-
Capital Outlay	63,630	-	514	64,144	-	24,026	-	4,485	28,511	-	2,776	-	7,551	10,327	-
Totals, CA Department of Corrections	\$4,998,331	-	\$514	\$4,998,845	\$1,651	\$5,120,104	-	\$4,485	\$5,124,589	\$2,350	\$5,151,984	-	\$7,551	\$5,159,535	\$2,386
Board of Corrections															
State Operations	4,925	1,773	-	6,698	1,196	4,652	2,387	-	7,039	1,260	3,801	2,401	-	6,202	1,414
Local Assistance	114,072	16,684	-	130,756	73,858	70,972	17,236	-	88,208	32,206	41,012	-	-	41,012	82,842
Totals, Board of Corrections	\$118,997	\$18,457	-	\$137,454	\$75,054	\$75,624	\$19,623	-	\$95,247	\$33,466	\$44,813	\$2,401	-	\$47,214	\$84,256
Board of Prison Terms															
State Operations	30,492	-	-	30,492	-	30,958	-	-	30,958	-	28,732	-	-	28,732	-
Youthful Offender Parole Board															
State Operations	3,390	-	-	3,390	-	3,281	-	-	3,281	-	3,287	-	-	3,287	-
Department of the Youth Authority															
State Operations	351,982	-	-	351,982	957	346,700	-	-	346,700	1,456	334,426	-	-	334,426	1,472
Local Assistance															
Transportation of Wards	9	-	-	9	-	78	-	-	78	-	78	-	-	78	-
Asst to Counties for Detentn of Parolees	1,440	-	-	1,440	-	2,403	-	-	2,403	-	1,403	-	-	1,403	-
Regional Youth Education Centers	4,028	-	288	4,316	-	4,566	-	-	4,566	-	-	-	-	-	-
County Correction Facil (Juvenile Facil)	-	-	-	-	-	-	-	58	58	-	-	-	-	-	-
Yg Men as Fathers Preventing/Mentor Prog	386	-	-	386	-	850	-	-	850	-	850	-	-	850	-
Totals, Local Assistance	\$5,863	-	\$288	\$6,151	-	\$7,897	-	\$58	\$7,955	-	\$2,331	-	-	\$2,331	-
Capital Outlay	11,004	-	-	11,004	-	2,204	-	-	2,204	-	2,750	-	-	2,750	-
Totals, Department of the Youth Authority	\$368,849	-	\$288	\$369,137	\$957	\$356,801	-	\$58	\$356,859	\$1,456	\$339,507	-	-	\$339,507	\$1,472

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Correctional Peace Officer Standards/Trg															
State Operations	2,149	-	-	2,149	-	2,110	-	-	2,110	-	2,162	-	-	2,162	-
Federal Immigration Funding-Incarceratn															
State Operations	-158,327	-	-	-158,327	158,327	-154,468	-	-	-154,468	154,468	-154,468	-	-	-154,468	154,468
General Obligation Bonds-YAC															
State Operations	265,329	-	-	265,329	-	229,723	-	-	229,723	-	214,761	-	-	214,761	-
TOTALS, YOUTH AND ADULT CORRECTIONAL															
AGENCY	\$5,640,973	\$18,457	\$802	\$5,660,232	\$235,989	\$5,673,905	\$19,623	\$4,543	\$5,698,071	\$191,740	\$5,639,416	\$2,401	\$7,551	\$5,649,368	\$242,582
State Operations	5,394,428	1,773	-	5,396,201	162,131	5,512,308	2,387	-	5,514,695	159,534	5,543,276	2,401	-	5,545,677	159,740
Local Assistance	171,911	16,684	288	188,883	73,858	135,367	17,236	58	152,661	32,206	90,614	-	-	90,614	82,842
Capital Outlay	74,634	-	514	75,148	-	26,230	-	4,485	30,715	-	5,526	-	7,551	13,077	-
EDUCATION															
K thru 12 Education															
Office of the Secretary for Education															
State Operations	8,599	-	-	8,599	-	2,242	-	-	2,242	-	1,710	-	-	1,710	-
Local Assistance	12,687	-	-	12,687	-	7,081	-	-	7,081	-	5,017	-	-	5,017	-
Totals, Office of the Secretary for Education	\$21,286	-	-	\$21,286	-	\$9,323	-	-	\$9,323	-	\$6,727	-	-	\$6,727	-
Scholarshare Investment Board															
State Operations	804	-	-	804	-	1,108	-	-	1,108	-	1,159	-	-	1,159	-
Local Assistance	114,677	-	-	114,677	-	121,249	-	-	121,249	-	43,400	-	-	43,400	-
Totals, Scholarshare Investment Board.....	\$115,481	-	-	\$115,481	-	\$122,357	-	-	\$122,357	-	\$44,559	-	-	\$44,559	-
Department of Education															
Department of Education															
State Operations.....	123,990	1,870	1,669	127,529	99,124	118,621	1,989	1,986	122,596	126,201	101,792	2,038	2,188	106,018	120,034
Local Assistance															
Adult Education.....	115,182	-	-	115,182	68,376	440,119	-	-	440,119	91,826	-	-	-	-	73,826
Apportionments—District and County .	15,863,957	3,008	-	15,866,965	-	15,019,473	3,008	-	15,022,481	-	15,289,256	3,008	-	15,292,264	-
Child Development.....	1,458,315	-	-	1,458,315	906,718	1,373,303	-	-	1,373,303	912,520	432,472	-	-	432,472	863,047
Child Nutrition	71,963	-	-	71,963	1,259,408	69,900	-	-	69,900	1,413,656	71,632	-	-	71,632	1,433,365
Categorical Programs	7,239,714	31,284	-	7,270,998	2,024,370	7,213,506	27,421	-	7,240,927	2,867,778	7,536,269	27,393	-	7,563,662	2,608,894
Pupil Assessment.....	60,834	-	-	60,834	-	99,664	-	-	99,664	28,794	101,793	-	-	101,793	27,607
Special Education.....	2,734,756	-	-	2,734,756	664,105	2,669,704	-	-	2,669,704	798,369	2,658,977	-	-	2,658,977	914,909
State-Mandated Local Programs	164,303	-	-	164,303	-	111,873	-	-	111,873	-	110,441	-	-	110,441	-
Totals, Local Assistance	\$27,709,024	\$34,292	-	\$27,743,316	\$4,922,977	\$26,997,542	\$30,429	-	\$27,027,971	\$6,112,943	\$26,200,840	\$30,401	-	\$26,231,241	\$5,921,648
Capital Outlay.....	327	-	-	327	-	-	-	-	-	-	117	-	-	117	-
Totals, Department of Education	\$27,833,341	\$36,162	\$1,669	\$27,871,172	\$5,022,101	\$27,116,163	\$32,418	\$1,986	\$27,150,567	\$6,239,144	\$26,302,749	\$32,439	\$2,188	\$26,337,376	\$6,041,682
California State Library															
State Operations	18,827	1,355	2,366	22,548	3,692	16,011	780	2,645	19,436	5,374	11,376	709	2,738	14,823	5,781
Local Assistance	85,324	-	350,000	435,324	12,839	41,120	-	-	41,120	12,518	24,371	-	-	24,371	12,518
Capital Outlay	136	-	-	136	-	-	-	-	-	-	-	-	-	-	-
Totals, California State Library	\$104,287	\$1,355	\$352,366	\$458,008	\$16,531	\$57,131	\$780	\$2,645	\$60,556	\$17,892	\$35,747	\$709	\$2,738	\$39,194	\$18,299
Education Audit Appeals Panel															
State Operations	-	-	-	-	-	750	-	-	750	-	1,500	-	-	1,500	-
CA State Summer School for the Arts															
State Operations	924	-	-	924	-	888	-	-	888	-	737	-	-	737	-
Contributions to Teachers Retirement Sys															
Local Assistance	871,774	-	-	871,774	-	975,522	-	-	975,522	-	55,363	-	-	55,363	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Retirement Costs for Community Colleges															
Local Assistance	-66,255	-	-	-66,255	-	-74,140	-	-	-74,140	-	-4,374	-	-	-4,374	-
CA Occupational Info Coordinating Comm															
State Operations	-	-	-	-	296	-	-	-	-	314	-	-	-	-	312
School Facilities Aid Program															
Local Assistance	-	-747	532,287	531,540	-	-	-765	8,435,726	8,434,961	-	-	-766	3,534,954	3,534,188	
Commission on Teacher Credentialing															
State Operations	2,745	23,161	-	25,906	5,797	51	26,834	-	26,885	2,670	-	26,518	-	26,518	7
Local Assistance	24,167	-	-	24,167	1,269	48,680	-	-	48,680	479	39,814	-	-	39,814	378
Totals, Commission on Teacher Credentialing.	\$26,912	\$23,161	-	\$50,073	\$7,066	\$48,731	\$26,834	-	\$75,565	\$3,149	\$39,814	\$26,518	-	\$66,332	\$385
General Obligation Bonds-K-12															
State Operations	1,014,892	-	-	1,014,892	-	809,805	-	-	809,805	-	907,501	-	-	907,501	-
Totals, K thru 12 Education	\$29,922,642	\$59,931	\$886,322	\$30,868,895	\$5,045,994	\$29,066,530	\$59,267	\$8,440,357	\$37,566,154	\$6,260,499	\$27,390,323	\$58,900	\$3,539,880	\$30,989,103	\$6,060,678
Higher Education-Community Colleges															
Bd of Governors of Calif Comm Colleges															
State Operations	13,049	-	989	14,038	-	10,887	-	1,013	11,900	-	9,046	-	1,116	10,162	-
Local Assistance															
Apportionments for Community															
Colleges	2,082,023	531	-	2,082,554	-	2,128,042	531	-	2,128,573	-	1,540,366	531	-	1,540,897	-
Extended Opportunity Program	91,439	-	-	91,439	-	34,719	-	-	34,719	-	52,883	-	-	52,883	-
Student Financial Aid Administration	7,149	-	-	7,149	-	7,222	-	-	7,222	-	8,068	-	-	8,068	-
Disabled Students	79,581	-	-	79,581	-	74,554	-	-	74,554	-	46,025	-	-	46,025	-
Teacher and Reading Development	-	-	-	-	-	4,459	-	-	4,459	-	2,753	-	-	2,753	-
Matriculation	76,289	-	-	76,289	-	48,426	-	-	48,426	-	43,303	-	-	43,303	-
Support for Academic Senate	497	-	-	497	-	443	-	-	443	-	274	-	-	274	-
Faculty and Staff Diversity	1,859	-	-	1,859	-	1,658	-	-	1,658	-	1,658	-	-	1,658	-
Faculty and Staff Development	5,233	-	-	5,233	-	-	-	-	-	-	-	-	-	-	-
Instructional Improvement	1,630	-	-	1,630	-	1,453	-	-	1,453	-	897	-	-	897	-
Economic Development	45,172	-	-	45,172	-	35,956	-	-	35,956	-	19,728	-	-	19,728	-
Transfer Education and Articulation	1,974	-	-	1,974	-	1,761	-	-	1,761	-	1,761	-	-	1,761	-
Hazardous Substances	8,000	-	-	8,000	-	7,134	-	-	7,134	-	4,404	-	-	4,404	-
Foster Parent Training Programs	1,866	-	-	1,866	-	1,664	-	-	1,664	-	1,664	-	-	1,664	-
Instructional Equipment	15,000	-	-	15,000	-	28,312	-	-	28,312	-	34,727	-	-	34,727	-
Telecommunications & Technology	44,300	-	-	44,300	-	21,847	-	-	21,847	-	21,847	-	-	21,847	-
Virtual University	2,900	-	-	2,900	-	2,586	-	-	2,586	-	1,597	-	-	1,597	-
Scheduled Maintenance	-	-	-	-	-	28,313	-	-	28,313	-	34,727	-	-	34,727	-
Part-Time Faculty Compensation	-	-	-	-	-	50,828	-	-	50,828	-	50,828	-	-	50,828	-
Fund for Student Success	16,218	-	-	16,218	-	5,558	-	-	5,558	-	2,441	-	-	2,441	-
Welfare Reform	65,000	-	-	65,000	-	31,210	-	-	31,210	-	31,210	-	-	31,210	-
Part-Time Faculty Health Insurance	1,000	-	-	1,000	-	891	-	-	891	-	550	-	-	550	-
Part-Time Faculty Office Hours Program ..	-	-	-	-	-	6,395	-	-	6,395	-	3,948	-	-	3,948	-
State-Mandated Local Programs	1,691	-	-	1,691	-	1,508	-	-	1,508	-	-	-	-	-	-
Canada College	1,000	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-
Nursing Setaside	5,000	-	-	5,000	-	-	-	-	-	-	-	-	-	-	-
Part-Time Faculty Office Hours (reapp) ...	3,153	-	-	3,153	-	-	-	-	-	-	-	-	-	-	-
Energy (reappropriation)	49,000	-	-	49,000	-	-	-	-	-	-	-	-	-	-	-
Part-Time Faculty CY Office Hours															
(Reapp)	7,172	-	-	7,172	-	-	-	-	-	-	-	-	-	-	-
Part-Time Faculty Compensation															
(Reapp)	57,000	-	-	57,000	-	-	-	-	-	-	-	-	-	-	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Teacher & Reading Development (Reapp).....	5,000	-	-	5,000	-	-	-	-	-	-	-	-	-	-	-
Scheduled Maintenance (Reapp).....	17,000	-	-	17,000	-	17,248	-	-	17,248	-	-	-	-	-	-
Instructional Equipment (Reapp).....	-	-	-	-	-	17,249	-	-	17,249	-	-	-	-	-	-
2001 Member Requests.....	320	-	-	320	-	-	-	-	-	-	-	-	-	-	-
Braille Instruction (Ch 736, Stats 2001).....	100	-	-	100	-	-	-	-	-	-	-	-	-	-	-
EOPS P98 SWAP	-	-	-	-	-	50,943	-	-	50,943	-	-	-	-	-	-
Totals, Local Assistance	\$2,693,566	\$531	-	\$2,694,097	-	\$2,610,379	\$531	-	\$2,610,910	-	\$1,905,659	\$531	-	\$1,906,190	-
Capital Outlay	-	-	336,905	336,905	-	-	-	241,212	241,212	-	-	-	576,411	576,411	-
Totals, Bd of Governors of Calif Comm Colleges	\$2,706,615	\$531	\$337,894	\$3,045,040	-	\$2,621,266	\$531	\$242,225	\$2,864,022	-	\$1,914,705	\$531	\$577,527	\$2,492,763	-
General Obligation Bonds-Hi Ed-CC State Operations	78,318	-	-	78,318	-	80,456	-	-	80,456	-	94,135	-	-	94,135	-
Retirement Costs-Hi Ed-CC Local Assistance	66,255	-	-	66,255	-	74,140	-	-	74,140	-	4,374	-	-	4,374	-
Totals, Higher Education-Community Colleges	\$2,851,188	\$531	\$337,894	\$3,189,613	-	\$2,775,862	\$531	\$242,225	\$3,018,618	-	\$2,013,214	\$531	\$577,527	\$2,591,272	-
Higher Education-UC, CSU and Other CA Postsecondary Education Commission															
State Operations	3,636	-	-	3,636	335	2,128	-	-	2,128	438	695	-	-	695	338
Local Assistance	-	-	-	-	8,163	-	-	-	-	5,002	-	-	-	-	5,002
Totals, CA Postsecondary Education Commission	\$3,636	-	-	\$3,636	\$8,498	\$2,128	-	-	\$2,128	\$5,440	\$695	-	-	\$695	\$5,340
University of California															
State Operations	3,322,659	37,419	-	3,360,078	5,185,213	3,146,679	37,943	-	3,184,622	5,476,739	3,012,990	37,473	-	3,050,463	5,783,745
Capital Outlay	48,662	-	190,246	238,908	-	40,549	-	133,696	174,245	-	25,676	-	310,534	336,210	-
Totals, University of California	\$3,371,321	\$37,419	\$190,246	\$3,598,986	\$5,185,213	\$3,187,228	\$37,943	\$133,696	\$3,358,867	\$5,476,739	\$3,038,666	\$37,473	\$310,534	\$3,386,673	\$5,783,745
Hastings College of Law															
State Operations	14,995	-	-	14,995	-	14,422	-	-	14,422	-	11,383	-	-	11,383	-
Capital Outlay	-	-	-	-	-	-	-	831	831	-	-	-	1,044	1,044	-
Totals, Hastings College of Law.....	\$14,995	-	-	\$14,995	-	\$14,422	-	\$831	\$15,253	-	\$11,383	-	\$1,044	\$12,427	-
California State University															
State Operations	2,680,677	735,050	-	3,415,727	565,068	2,705,905	768,247	-	3,474,152	583,719	2,582,851	981,496	-	3,564,347	583,719
Capital Outlay	5,869	-	95,959	101,828	-	1,000	-	340,700	341,700	-	-	-	320,642	320,642	-
Totals, California State University.....	\$2,686,546	\$735,050	\$95,959	\$3,517,555	\$565,068	\$2,706,905	\$768,247	\$340,700	\$3,815,852	\$583,719	\$2,582,851	\$981,496	\$320,642	\$3,884,989	\$583,719
California Student Aid Commission															
State Operations	15,268	-	-	15,268	482,716	9,943	-	-	9,943	537,413	7,709	-	-	7,709	537,413
Local Assistance	528,694	-	-	528,694	9,480	611,319	-	-	611,319	9,481	691,735	-	-	691,735	9,481
Totals, California Student Aid Commission	\$543,962	-	-	\$543,962	\$492,196	\$621,262	-	-	\$621,262	\$546,894	\$699,444	-	-	\$699,444	\$546,894
General Obligation Bonds-Hi Ed															
State Operations	173,671	-	-	173,671	-	138,769	-	-	138,769	-	162,364	-	-	162,364	-
Totals, Higher Education-UC, CSU and Other	\$6,794,131	\$772,469	\$286,205	\$7,852,805	\$6,250,975	\$6,670,714	\$806,190	\$475,227	\$7,952,131	\$6,612,792	\$6,495,403	\$1,018,969	\$632,220	\$8,146,592	\$6,919,698
TOTALS, EDUCATION	\$39,567,961	\$832,931	\$1,510,421	\$41,911,313	\$11,296,969	\$38,513,106	\$865,988	\$9,157,809	\$48,536,903	\$12,873,291	\$35,898,940	\$1,078,400	\$4,749,627	\$41,726,967	\$12,980,376
State Operations.....	7,473,054	798,855	5,024	8,276,933	6,342,241	7,058,665	835,793	5,644	7,900,102	6,732,868	6,906,948	1,048,234	6,042	7,961,224	7,031,349
Local Assistance	32,039,913	34,076	882,287	32,956,276	4,954,728	31,412,892	30,195	8,435,726	39,878,813	6,140,423	28,966,199	30,166	3,534,954	32,531,319	5,949,027
Capital Outlay	54,994	-	623,110	678,104	-	41,549	-	716,439	757,988	-	25,793	-	1,208,631	1,234,424	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
LABOR AND WORKFORCE DEVELOPMENT															
AGENCY															
Sec for Labor and Workforce Development															
State Operations	-	-	-	-	-	7	-	-	7	108	317	-	-	317	136
Employment Development Department															
State Operations	31,484	51,815	-	83,299	747,501	22,898	18,751	-	41,649	884,626	21,550	17,888	-	39,438	831,012
Local Assistance	850	-	-	850	5,422,873	-	-	-	-	8,368,326	-	-	-	-	6,015,979
Capital Outlay	-	-	-	-	1,993	-	-	-	-	-325	-	-	-	-	-325
Totals, Employment Development Department	\$32,334	\$51,815	-	\$84,149	\$6,172,367	\$22,898	\$18,751	-	\$41,649	\$9,252,627	\$21,550	\$17,888	-	\$39,438	\$6,846,666
California Workforce Investment Board															
State Operations	-	-	-	-	4,358	-	-	-	-	4,505	-	-	-	-	4,513
Agricultural Labor Relations Board															
State Operations	4,627	-	-	4,627	-	4,751	-	-	4,751	-	4,765	-	-	4,765	-
Department of Industrial Relations															
State Operations	167,831	47,418	-	215,249	28,321	125,094	83,693	-	208,787	28,573	63,276	144,118	-	207,394	28,804
Local Assistance	891	-	-	891	-	2	-	-	2	-	2	-	-	2	-
Totals, Department of Industrial Relations	\$168,722	\$47,418	-	\$216,140	\$28,321	\$125,096	\$83,693	-	\$208,789	\$28,573	\$63,278	\$144,118	-	\$207,396	\$28,804
TOTALS, LABOR AND WORKFORCE DEVELOPMENT															
AGENCY	\$205,683	\$99,233	-	\$304,916	\$6,205,046	\$152,752	\$102,444	-	\$255,196	\$9,285,813	\$89,910	\$162,006	-	\$251,916	\$6,880,119
State Operations	203,942	99,233	-	303,175	780,180	152,750	102,444	-	255,194	917,812	89,908	162,006	-	251,914	864,465
Local Assistance	1,741	-	-	1,741	5,422,873	2	-	-	2	8,368,326	2	-	-	2	6,015,979
Capital Outlay	-	-	-	-	1,993	-	-	-	-	-325	-	-	-	-	-325
GENERAL GOVERNMENT															
General Administration															
Office of Criminal Justice Planning															
State Operations	4,906	1,549	-	6,455	6,606	11,038	1,559	-	12,597	8,093	10,691	1,636	-	12,327	7,712
Local Assistance	111,779	21,311	-	133,090	155,379	59,421	16,311	-	75,732	167,025	53,891	16,311	-	70,202	160,541
Totals, Office of Criminal Justice Planning	\$116,685	\$22,860	-	\$139,545	\$161,985	\$70,459	\$17,870	-	\$88,329	\$175,118	\$64,582	\$17,947	-	\$82,529	\$168,253
Comm on Peace Officer Standards & Train															
State Operations	-	32,015	-	32,015	-	-	27,954	-	27,954	-	-	27,041	-	27,041	-
Local Assistance	4,375	28,723	-	33,098	-	1	23,218	-	23,219	-	1	444	-	445	-
Totals, Comm on Peace Officer Standards & Train	\$4,375	\$60,738	-	\$65,113	-	\$1	\$51,172	-	\$51,173	-	\$1	\$27,485	-	\$27,486	-
State Public Defender															
State Operations	11,525	-	-	11,525	-	10,927	-	-	10,927	-	11,038	-	-	11,038	-
Pay to Count for Cost of Homicide Trial															
Local Assistance	7,500	-	-	7,500	-	7,500	-	-	7,500	-	5,000	-	-	5,000	-
California Arts Council															
State Operations	2,570	246	-	2,816	701	2,161	316	-	2,477	617	2,032	303	-	2,335	617
Local Assistance	45,359	550	-	45,909	170	17,416	575	-	17,991	170	9,994	288	-	10,282	85
Totals, California Arts Council	\$47,929	\$796	-	\$48,725	\$871	\$19,577	\$891	-	\$20,468	\$787	\$12,026	\$591	-	\$12,617	\$702
Public Employment Relations Board															
State Operations	4,409	-	-	4,409	-	4,311	-	-	4,311	-	4,328	-	-	4,328	-
Department of Personnel Administration															
State Operations	40,384	26	-	40,410	-	54,538	3,770	-	58,308	-	37,628	1,186	-	38,814	-
CA Citizens Compensation Commission															
State Operations	2	-	-	2	-	19	-	-	19	-	16	-	-	16	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Workers' Compensation Benefits															
Subsequent Injuries															
State Operations.....	5,264	2,647	-	7,911	-	2,363	6,300	-	8,663	-	-	7,570	-	7,570	-
Disaster Service Workers															
Local Assistance.....	624	-	-	624	-	444	-	-	444	-	-	-	-	-	-
Totals, Workers' Compensation Benefits	\$5,888	\$2,647	-	\$8,535	-	\$2,807	\$6,300	-	\$9,107	-	-	\$7,570	-	\$7,570	-
Board of Chiropractic Examiners															
State Operations	-	2,085	-	2,085	-	-	2,286	-	2,286	-	-	2,306	-	2,306	-
Osteopathic Medical Board of California															
State Operations	-	866	-	866	-	-	-	-	-	-	-	-	-	-	-
Board of Pilot Commissioners															
State Operations	-	882	-	882	-	-	1,190	-	1,190	-	-	1,203	-	1,203	-
California Horse Racing Board															
State Operations	-	8,369	-	8,369	-	-	8,290	-	8,290	-	-	8,216	-	8,216	-
Department of Food and Agriculture															
State Operations	91,346	74,763	562	166,671	15,090	81,057	81,008	1,000	163,065	65,891	76,151	78,488	1,000	155,639	42,681
Local Assistance	10,445	53,535	-	63,980	-	10,913	51,944	-	62,857	-	10,447	51,451	-	61,898	-
Capital Outlay	914	403	-	1,317	-	-	3,964	-	3,964	-	-	10,184	-	10,184	-
Totals, Department of Food and Agriculture ..	\$102,705	\$128,701	\$562	\$231,968	\$15,090	\$91,970	\$136,916	\$1,000	\$229,886	\$65,891	\$86,598	\$140,123	\$1,000	\$227,721	\$42,681
Fair Political Practices Commission															
State Operations	6,158	-	-	6,158	-	6,826	-	-	6,826	-	6,522	-	-	6,522	-
Political Reform Act of 1974															
State Operations	-	-	-	-	-	-	-	-	-	-	970	-	-	970	-
Public Utilities Commission															
State Operations	148,246	1,131,639	-	1,279,885	901	-	1,438,461	-	1,438,461	971	-	1,223,679	-	1,223,679	997
Seismic Safety Commission															
State Operations	891	-	-	891	-	881	100	-	981	-	-	884	-	884	-
CA Victim Compensation/Govnmnt Claim Bd															
State Operations	873	137,331	-	138,204	31,042	785	152,028	-	152,813	54,905	791	126,147	-	126,938	53,405
Local Assistance	1,104	30	-	1,134	-	667	2,545	-	3,212	-	-	-	-	-	-
Totals, CA Victim Compensation/Govnmnt Claim Bd	\$1,977	\$137,361	-	\$139,338	\$31,042	\$1,452	\$154,573	-	\$156,025	\$54,905	\$791	\$126,147	-	\$126,938	\$53,405
Electricity Oversight Board															
State Operations	36	2,310	-	2,346	-	231	3,473	-	3,704	-	-	3,709	-	3,709	-
Milton Marks "Little Hoover" Comission															
State Operations	754	-	-	754	-	862	-	-	862	-	865	-	-	865	-
Membership in Interstate Organizations															
State Operations	1,787	-	-	1,787	-	931	-	-	931	-	931	-	-	931	-
Commission on the Status of Women															
State Operations	414	-	-	414	-	441	-	-	441	-	443	-	-	443	-
California Law Revision Commission															
State Operations	634	-	-	634	-	645	-	-	645	-	-	-	-	-	-
Commission on Uniform State Laws															
State Operations	142	-	-	142	-	138	-	-	138	-	-	-	-	-	-
Bureau of State Audits															
State Operations	11,136	-	-	11,136	-	11,715	-	-	11,715	-	11,756	-	-	11,756	-
Department of Finance															
State Operations	26,958	-	-	26,958	-	29,840	-	-	29,840	-	29,915	-	-	29,915	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Commission on State Mandates															
State Operations	1,549	-	-	1,549	-	1,515	-	-	1,515	-	1,302	-	-	1,302	-
Office of Administrative Law															
State Operations	2,540	-	-	2,540	-	2,344	-	-	2,344	-	1,864	-	-	1,864	-
Military Department															
State Operations	43,051	28	-	43,079	56,819	30,959	150	-	31,109	52,052	30,690	150	-	30,840	52,940
Capital Outlay	728	-	-	728	22,753	9,295	-	-	9,295	26,686	14,674	-	-	14,674	-
Unclassified	-	-	-	-	443,957	-	-	-	-	569,545	-	-	-	-	555,388
Totals, Military Department	\$43,779	\$28	-	\$43,807	\$523,529	\$40,254	\$150	-	\$40,404	\$648,283	\$45,364	\$150	-	\$45,514	\$608,328
Department of Veterans Affairs															
Department of Veterans Affairs															
State Operations	2,717	25	-	2,742	-	2,531	44	-	2,575	-	2,324	46	-	2,370	-
Local Assistance	2,450	314	-	2,764	-	2,232	470	-	2,702	-	1,880	470	-	2,350	-
Capital Outlay	-	-	-	-	-	253	50	1,759	2,062	9,549	-	-	29,241	29,241	62,455
Totals, Department of Veterans Affairs	\$5,167	\$339	-	\$5,506	-	\$5,016	\$564	\$1,759	\$7,339	\$9,549	\$4,204	\$516	\$29,241	\$33,961	\$62,455
Veterans' Home of California-Yountville															
State Operations	32,175	-	-	32,175	12,077	32,972	-	-	32,972	12,256	32,658	-	-	32,658	12,256
Capital Outlay	3,072	-	-	3,072	-	3,689	-	1,641	5,330	1,827	399	-	5,270	5,669	9,787
Totals, Veterans' Home of California-Yountville	\$35,247	-	-	\$35,247	\$12,077	\$36,661	-	\$1,641	\$38,302	\$14,083	\$33,057	-	\$5,270	\$38,327	\$22,043
Veterans' Home of California—Barstow															
State Operations	15,860	-	-	15,860	1,879	13,277	-	-	13,277	3,597	13,519	-	-	13,519	3,597
Veterans' Home of Calif—Chula Vista															
State Operations	11,480	-	-	11,480	1,632	12,827	-	-	12,827	3,855	11,581	-	-	11,581	3,855
Totals, Department of Veterans Affairs	\$67,754	\$339	-	\$68,093	\$15,588	\$67,781	\$564	\$3,400	\$71,745	\$31,084	\$62,361	\$516	\$34,511	\$97,388	\$91,950
Vietnam Veterans Memorial Commission															
State Operations	-	-	-	-	-	-	2	-	2	-	-	2	-	2	-
General Obligation Bonds-Gen Govt															
State Operations	17,297	-	-	17,297	-	11,608	-	-	11,608	-	12,952	-	-	12,952	-
Totals, General Administration	\$673,454	\$1,499,647	\$562	\$2,173,663	\$749,006	\$439,573	\$1,826,008	\$4,400	\$2,269,981	\$977,039	\$397,253	\$1,561,714	\$35,511	\$1,994,478	\$966,316
Tax Relief															
Tax Relief															
Local Assistance															
Senior Citizens Property Tax Assistance	35,154	-	-	35,154	-	36,501	-	-	36,501	-	37,961	-	-	37,961	-
Senior Citizens Property Tax Deferral	11,564	-	-	11,564	-	12,800	-	-	12,800	-	11,900	-	-	11,900	-
Senior Citizens Renters Tax Assistance	145,808	-	-	145,808	-	151,735	-	-	151,735	-	157,805	-	-	157,805	-
Homeowners' Property Tax Relief	405,460	-	-	405,460	-	414,213	-	-	414,213	-	419,600	-	-	419,600	-
Subventions for Open Space	35,908	-	-	35,908	-	39,000	-	-	39,000	-	-	-	-	-	-
Substandard Housing	44	-	-	44	-	44	-	-	44	-	44	-	-	44	-
Vehicle License Fee Offset	2,393,926	-	-	2,393,926	-	2,585,291	-	-	2,585,291	-	987,014	-	-	987,014	-
State-Mandated Local Programs	642	-	-	642	-	3	-	-	3	-	3	-	-	3	-
Totals, Local Assistance	\$3,028,506	-	-	\$3,028,506	-	\$3,239,587	-	-	\$3,239,587	-	\$1,614,327	-	-	\$1,614,327	-
Totals, Tax Relief	\$3,028,506	-	-	\$3,028,506	-	\$3,239,587	-	-	\$3,239,587	-	\$1,614,327	-	-	\$1,614,327	-
Local Government Subventions															
Local Government Financing															
Local Assistance	401,038	-	-	401,038	-	360,269	-	-	360,269	-	330,450	-	-	330,450	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Shared Revenue															
Shared Rev/Apprt-Off-Hwy License Fees															
Local Assistance.....	-	1,490	-	1,490	-	-	1,000	-	1,000	-	-	1,000	-	1,000	-
Shared Rev/Apprt-Fed Rcpts Fld Cntl Lnds															
Local Assistance.....	-	-	-	-	194	-	-	-	-	200	-	-	-	-	200
Shared Rev/Apprt-Fed Rcpts Forest Rsrvs															
Local Assistance.....	-	-	-	-	61,909	-	-	-	-	66,377	-	-	-	-	66,377
Shared Rev/Apprt-Fed Rcpts Grazing Land															
Local Assistance.....	-	-	-	-	79	-	-	-	-	80	-	-	-	-	80
Shared Rev/Apprt-Fed Potash Lease Rntls															
Local Assistance.....	-	-	-	-	993	-	-	-	-	1,000	-	-	-	-	1,000
Shared Rev/Apprt-MV License Fees															
Local Assistance.....	24,378	2,178,673	-	2,203,051	-	17,862	1,139,968	-	1,157,830	-	14,862	1,215,202	-	1,230,064	-
Shared Rev/Apprt-Tideland Revenues															
Local Assistance.....	187	-	-	187	-	73	-	-	73	-	73	-	-	73	-
Shared Rev/Apprt-MV Fuel Tx County Rds															
Local Assistance.....	-	348,884	-	348,884	-	-	343,783	-	343,783	-	-	346,353	-	346,353	-
Shared Rev/Apprt-MV Fuel Tx City Streets															
Local Assistance.....	-	248,689	-	248,689	-	-	241,161	-	241,161	-	-	243,018	-	243,018	-
Shared Rev/Apprt-MV Fuel Tx Co Rd/Cty St															
Local Assistance.....	-	148,243	-	148,243	-	-	144,618	-	144,618	-	-	145,648	-	145,648	-
Shared Rev/Apprt-MV Fuel Co&Cty/ St&Hwy															
Local Assistance.....	-	363,288	-	363,288	-	-	370,004	-	370,004	-	-	372,712	-	372,712	-
Shared Rev/Apprt-Geothermal Rsrcs Dvlp															
Local Assistance.....	-	1,364	-	1,364	-	-	1,600	-	1,600	-	-	1,600	-	1,600	-
Shared Rev/Apprt-Local Transportation Fd															
Local Assistance.....	-	143,010	-	143,010	-	-	19,785	-	19,785	-	-	-	-	-	-
Totals, Shared Revenue.....	<u>\$24,565</u>	<u>\$3,433,641</u>	<u>-</u>	<u>\$3,458,206</u>	<u>\$63,175</u>	<u>\$17,935</u>	<u>\$2,261,919</u>	<u>-</u>	<u>\$2,279,854</u>	<u>\$67,657</u>	<u>\$14,935</u>	<u>\$2,325,533</u>	<u>-</u>	<u>\$2,340,468</u>	<u>\$67,657</u>
Totals, Local Government Subventions	<u>\$425,603</u>	<u>\$3,433,641</u>	<u>-</u>	<u>\$3,859,244</u>	<u>\$63,175</u>	<u>\$378,204</u>	<u>\$2,261,919</u>	<u>-</u>	<u>\$2,640,123</u>	<u>\$67,657</u>	<u>\$345,385</u>	<u>\$2,325,533</u>	<u>-</u>	<u>\$2,670,918</u>	<u>\$67,657</u>
Debt Service															
Payment of Interest on PMIA Loans															
State Operations	4,507	-	-	4,507	-	3,450	-	-	3,450	-	3,450	-	-	3,450	-
Payment of Interest on Gen Fund Loans															
State Operations	109,154	-	-	109,154	-	241,451	-	-	241,451	-	191,205	-	-	191,205	-
Interest Payments to the Federal Govt															
State Operations	13,926	338	-	14,264	-	6,500	501	-	7,001	-	6,500	501	-	7,001	-
Totals, Debt Service	<u>\$127,587</u>	<u>\$338</u>	<u>-</u>	<u>\$127,925</u>	<u>-</u>	<u>\$251,401</u>	<u>\$501</u>	<u>-</u>	<u>\$251,902</u>	<u>-</u>	<u>\$201,155</u>	<u>\$501</u>	<u>-</u>	<u>\$201,656</u>	<u>-</u>
Statewide Expenditures															
Health & Dental Benefits for Annuitants															
State Operations	457,563	-	-	457,563	-	576,620	-	-	576,620	-	660,482	-	-	660,482	-
Eqty Clm Vct Comp Gov Clms, Stimnts DOJ															
State Operations	10,238	807	-	11,045	40	3,910	1,625	-	5,535	23	-	-	-	-	-
Federal Levy of State Funds															
Unclassified	1,172	-	-	1,172	-	-	-	-	-	-	-	-	-	-	-
Augmentation for Contingencies or Emerg															
State Operations	-	-	-	-	-	2,000	1,500	-	3,500	-	2,000	1,500	-	3,500	-

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Capital Outlay Planning and Studies Fdng															
Capital Outlay	1,500	-	-	1,500	-	1,000	-	-	1,000	-	1,000	-	-	1,000	-
Reserve of Liquidation for Encumbrances															
Unclassified	71,243	-	-	71,243	-	-	-	-	-	-	-	-	-	-	-
Brown v. US Dept of Health and Human Svs															
State Operations	96,000	-	-	96,000	-	-	-	-	-	-	48,000	-	-	48,000	-
Statewide Proposition 98 Reconciliation															
Local Assistance	-792,886	-	-	-792,886	-	-759,638	-	-	-759,638	-	-11,000	-	-	-11,000	-
Section 3.60 Rate Adjustments															
State Operations	-	-	-	-	-	-	-	-	-	-	543,092	296,232	-	839,324	-
PERS General Fund Payment															
State Operations	19,590	-	-	19,590	-	93,121	-	-	93,121	-	-	-	-	-	-
Statewide Gen. Adm Exp (Pro Rata)															
State Operations	-255,533	3,981	-	-251,552	-	-293,281	12,028	-	-281,253	259	-344,013	5,092	-	-338,921	-
Local Assistance	-	-	-	-	-	-15,007	8,482	-	-6,525	-	-	-	-	-	-
Totals, Statewide Gen. Adm Exp (Pro Rata) ..	<u>-255,533</u>	<u>\$3,981</u>	<u>-</u>	<u>-\$251,552</u>	<u>-</u>	<u>-\$308,288</u>	<u>\$20,510</u>	<u>-</u>	<u>-\$287,778</u>	<u>\$259</u>	<u>-\$344,013</u>	<u>\$5,092</u>	<u>-</u>	<u>-\$338,921</u>	<u>-</u>
Various Departments															
State Operations	-	-	-	-	-	1,222	-789	-	433	-	-16,313	-14,846	-	-31,159	90,000
Local Assistance	-	18,500	-	18,500	-	-	18,479	-	18,479	-	12,100	44,880	-	56,980	12,100
Totals, Various Departments	<u>-</u>	<u>\$18,500</u>	<u>-</u>	<u>\$18,500</u>	<u>-</u>	<u>\$1,222</u>	<u>\$17,690</u>	<u>-</u>	<u>\$18,912</u>	<u>-</u>	<u>-\$4,213</u>	<u>\$30,034</u>	<u>-</u>	<u>\$25,821</u>	<u>\$102,100</u>
Augmentation Authority per CS 31.70															
State Operations	-	-	-	-	-	-	48,570	-	48,570	-	-	48,570	-	48,570	-
Totals, Statewide Expenditures	<u><u>-391,113</u></u>	<u><u>\$23,288</u></u>	<u><u>-</u></u>	<u><u>-\$367,825</u></u>	<u><u>\$40</u></u>	<u><u>-\$390,053</u></u>	<u><u>\$89,895</u></u>	<u><u>-</u></u>	<u><u>-\$300,158</u></u>	<u><u>\$282</u></u>	<u><u>\$895,348</u></u>	<u><u>\$381,428</u></u>	<u><u>-</u></u>	<u><u>\$1,276,776</u></u>	<u><u>\$102,100</u></u>
Augmentation for Employee Compensation															
Augmentation for Employee Compensation															
State Operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,142</u>	<u>545</u>	<u>-</u>	<u>11,687</u>	<u>-</u>
Totals, Augmentation for Employee Compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$11,142</u>	<u>\$545</u>	<u>-</u>	<u>\$11,687</u>	<u>-</u>
Statewide Savings															
General Fund Credits from Federal Funds															
State Operations	-47,097	-	-	-47,097	-	-61,045	-	-	-61,045	-	-71,581	-	-	-71,581	-
PERS Payment Recovery															
State Operations	-	-	-	-	-	-	-	-	-	-	-1,197,350	-653,100	-	-1,850,450	-
PERS Deferral															
State Operations	-93,121	-	-	-93,121	-	-163,565	-	-	-163,565	-	-	-	-	-	-
Antiterrorism Federal Reimbursements															
State Operations	-	-	-	-	-	-	-	-	-	209,200	-	-	-	-	-
Estimated Unidentifiable Savings															
State Operations	-	-	-	-	-	-40,000	-	-	-40,000	-	-40,000	-	-	-40,000	-
Local Assistance	-	-	-	-	-	-60,000	-	-	-60,000	-	-60,000	-	-	-60,000	-
Totals, Estimated Unidentifiable Savings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-\$100,000</u>	<u>-</u>	<u>-</u>	<u>-\$100,000</u>	<u>-</u>	<u>-\$100,000</u>	<u>-</u>	<u>-</u>	<u>-\$100,000</u>	<u>-</u>
Premium Offset Employer-paid Life Ins															
State Operations	-	-	-	-	-	-827	-529	-	-1,356	-	-	-	-	-	-
Totals, Statewide Savings	<u><u>-140,218</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-\$140,218</u></u>	<u><u>-</u></u>	<u><u>-\$325,437</u></u>	<u><u>-\$529</u></u>	<u><u>-</u></u>	<u><u>-\$325,966</u></u>	<u><u>\$209,200</u></u>	<u><u>-\$1,368,931</u></u>	<u><u>-\$653,100</u></u>	<u><u>-</u></u>	<u><u>-\$2,022,031</u></u>	<u><u>-</u></u>

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2001-02, 2002-03, AND 2003-04
(Dollars in Thousands)

	Actual 2001-02					Estimated 2002-03					Estimated 2003-04				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Adjustment to Reconcile to Controller															
Adjustment to Reconcile to Controller															
Unclassified	-10,102	-	-	-10,102	-	-	-	-	-	-	-	-	-	-	-
Totals, Adjustment to Reconcile to Controller ...	-10,102	-	-	-10,102	-	-	-	-	-	-	-	-	-	-	-
TOTALS, GENERAL GOVERNMENT	\$3,713,717	\$4,956,914	\$562	\$8,671,193	\$812,221	\$3,593,275	\$4,177,794	\$4,400	\$7,775,469	\$1,254,178	\$2,095,679	\$3,616,621	\$35,511	\$5,747,811	\$1,136,073
State Operations.....	800,331	1,399,907	562	2,200,800	126,787	697,298	1,789,837	1,000	2,488,135	411,719	97,581	1,167,060	1,000	1,265,641	268,060
Local Assistance	2,844,859	3,556,604	-	6,401,463	218,724	2,881,740	2,383,943	-	5,265,683	234,852	1,982,025	2,439,377	-	4,421,402	240,383
Capital Outlay	6,214	403	-	6,617	22,753	14,237	4,014	3,400	21,651	38,062	16,073	10,184	34,511	60,768	72,242
Unclassified	62,313	-	-	62,313	443,957	-	-	-	-	569,545	-	-	-	-	555,388
GRAND TOTAL	\$76,751,710	\$19,448,131	\$3,020,238	\$99,220,079	\$46,622,619	\$75,461,410	\$19,203,146	\$14,725,048	\$109,389,604	\$54,566,228	\$62,769,342	\$26,463,723	\$7,204,360	\$96,437,425	\$50,600,732
State Operations.....	19,132,338	8,877,130	112,153	28,121,621	9,177,099	17,889,926	9,513,320	542,278	27,945,524	10,312,235	16,902,466	9,136,629	537,701	26,576,796	10,268,925
Local Assistance	57,272,791	9,945,684	1,842,326	69,060,801	35,553,514	57,402,704	8,670,894	12,027,641	78,101,239	42,352,546	45,792,917	16,399,132	4,804,165	66,996,214	39,086,384
Capital Outlay	284,268	625,317	1,065,759	1,975,344	1,448,049	168,780	1,018,932	2,155,129	3,342,841	1,123,476	73,959	927,962	1,862,494	2,864,415	659,035
Unclassified	62,313	-	-	62,313	443,957	-	-	-	-	777,971	-	-	-	-	586,388
BUDGET ACT TOTALS	53,705,315	9,939,546	831,164	64,476,025	38,646,487	53,950,762	10,278,296	1,725,099	65,954,157	45,740,681	46,122,327	10,614,863	2,920,237	59,657,427	41,554,280
State Operations.....	16,924,333	7,821,610	81,934	24,827,877	2,791,783	16,509,366	8,136,327	340,345	24,986,038	3,341,521	16,676,789	8,498,506	507,725	25,683,020	3,148,965
Local Assistance	36,703,783	1,966,745	350,747	39,021,275	34,968,993	37,395,316	2,047,988	581,153	40,024,457	41,968,053	29,397,372	2,057,453	1,097,459	32,552,284	38,098,110
Capital Outlay	77,199	151,191	398,483	626,873	885,711	46,080	93,981	803,601	943,662	228,447	48,166	58,904	1,315,053	1,422,123	276,205
Unclassified	-	-	-	-	-	-	-	-	-	202,660	-	-	-	-	31,000
STATUTORY APPROPRIATIONS	19,137,736	6,018,453	653,592	25,809,781	600,774	18,648,482	5,416,179	2,440,629	26,505,290	641,952	16,146,538	13,884,016	617,390	30,647,944	708,446
State Operations.....	-192,081	1,000,155	28,029	836,103	493,505	-132,958	1,280,029	29,496	1,176,567	548,157	-245,518	1,291,025	26,684	1,072,191	548,432
Local Assistance	19,329,817	4,831,701	481,512	24,643,030	107,269	18,781,440	3,682,415	2,165,133	24,628,988	90,000	16,392,056	12,105,233	221,706	28,718,995	90,000
Capital Outlay	-	186,597	144,051	330,648	-	-	453,735	246,000	699,735	3,795	-	487,758	369,000	856,758	70,014
CONSTITUTIONAL APPROPRIATIONS	2,282,200	2,582,313	-	4,864,513	-	1,692,970	2,539,001	-	4,231,971	-	1,869,692	1,922,076	-	3,791,768	-
State Operations.....	2,282,200	-	-	2,282,200	-	1,692,970	-	-	1,692,970	-	1,869,692	-	-	1,869,692	-
Local Assistance	-	2,582,313	-	2,582,313	-	-	2,539,001	-	2,539,001	-	-	1,922,076	-	1,922,076	-
OTHER APPROPRIATIONS	1,626,459	907,819	1,535,482	4,069,760	7,375,358	1,169,196	969,670	10,559,320	12,698,186	8,183,595	-1,369,215	42,768	3,666,733	2,340,286	8,338,006
State Operations.....	117,886	55,365	2,190	175,441	5,891,811	-179,452	96,964	172,437	89,949	6,422,557	-1,398,497	-652,902	3,292	-2,048,107	6,571,528
Local Assistance	1,239,191	564,925	1,010,067	2,814,183	477,252	1,225,948	401,490	9,281,355	10,908,793	294,493	3,489	314,370	3,485,000	3,802,859	898,274
Capital Outlay	207,069	287,529	523,225	1,017,823	562,338	122,700	471,216	1,105,528	1,699,444	891,234	25,793	381,300	178,441	585,534	312,816
Unclassified	62,313	-	-	62,313	443,957	-	-	-	-	575,311	-	-	-	-	555,388

SCHEDULE 10
SUMMARY OF FUND CONDITION BY FUND AS OF JUNE 30, 2001, 2002, 2003, and 2004
(Dollars in Thousands)

Fund	Reserves June 30, 2001	Actual Revenues 2001-02	Actual Expenditures 2001-02	Reserves June 30, 2002	Estimated Revenues 2002-03	Estimated Expenditures 2002-03	Reserves June 30, 2003	Estimated Revenues 2003-04	Estimated Expenditures 2003-04	Reserves June 30, 2004
General Fund	2,379,817	72,238,600	76,751,710	-2,133,293	73,143,540	75,461,415	-4,451,168	69,153,102	62,769,342	1,932,592
SPECIAL FUNDS										
Abandoned Watercraft Abatement Fund	982	-	199	1,181	-	753	428	100	500	28
Accountancy Fund	6,824	10,859	9,427	8,256	4,959	10,914	2,301	10,811	10,907	2,205
Acupuncture Fund	1,962	1,818	1,783	1,997	2,179	2,224	1,952	1,054	1,983	1,023
Administration Acct, Child & Families	11,388	6,405	3,542	14,251	6,292	6,212	14,331	6,079	6,273	14,137
Aeronautics Account STF	12,716	7,083	8,505	11,294	-4,413	6,689	192	5,071	5,155	108
Agricultural Biomass Utilization Account	2,000	-	1,534	466	-	466	-	-	-	-
Agricultural Export Promotion Acct, CA	94	242	154	182	606	600	188	606	600	194
Agricultural Pest Control Research Acct	73	3	-	76	3	-	79	3	-	82
Air Pollution Control Fund	17,289	13,121	19,193	11,217	10,499	13,926	7,790	21,521	28,110	1,201
Air Toxics Inventory and Assessment Acct	16	950	830	136	1,109	1,114	131	1,109	1,118	122
Alcohol Beverage Control Fund	4,961	34,421	35,774	3,608	37,452	37,350	3,710	-3,710	-	-
Alcohol Beverages Control Fund	-	-	-	-	-	-	-	43,285	38,180	5,105
Alcoholic Beverage Control Appeals Fund	482	624	697	409	754	775	388	814	834	368
Antiterrorism Fund	-	-	-	-	352	-	352	480	-	832
Apprenticeship Training Contribution Fd	601	2,209	382	2,428	1,252	110	3,570	1,252	1,539	3,283
Architectural Examiners Fd, Ca Bd of	2,189	3,040	2,621	2,608	2,140	2,769	1,979	3,043	2,741	2,281
Armory Discretionary Improvement Account	88	43	28	103	150	150	103	150	150	103
Asbestos Consultant Certification Acct	4	300	302	2	336	338	-	336	334	2
Asbestos Training Approval Account	-122	122	-	-	242	242	-	242	234	8
Assembly and Senate, Operating Funds Of	21	-	-	21	-	-	21	-	-	21
Asset Forfeiture Distribution Fund	8,760	-	-	8,760	-8,760	-	-	-	-	-
Assistance for Fire Equipment Acct, State	328	76	9	395	100	100	395	100	100	395
Attorney General Antitrust Account	23	1,066	1,085	4	1,134	1,127	11	1,134	1,133	12
Audit Fund, State	1,725	-	-	1,725	-	-	1,725	-	-	1,725
Barbering/Cosmetology Fd, St Bd of	12,380	10,828	10,680	12,528	1,741	11,203	3,066	10,743	11,795	2,014
Beach and Coastal Enhancement Acct, Calif	819	1,036	944	911	1,240	1,579	572	1,355	1,130	797
Behavioral Science Examiners Fund	8,910	3,698	4,511	8,097	-1,386	4,941	1,770	5,358	4,654	2,474
Beverage Container Recycling Fund, CA	159,009	449,422	411,007	197,424	262,537	412,671	47,290	400,458	416,672	31,076
Bicycle Transportation Account, STF	719	7,439	7,199	959	7,585	7,210	1,334	7,728	7,241	1,821
Bimetal Processing Fee Acct, Bev Cont Re	167	100	16	251	43	17	277	46	16	307
Boxer's Neurological Examination Account	117	49	62	104	55	101	58	52	100	10
Boxers Pension Account	139	-116	23	-	-	-	-	-	-	-
Breast Cancer Control Account	2,168	15,427	17,500	95	16,036	15,835	296	14,143	14,116	323
Breast Cancer Fund	2,984	106	124	2,966	-2,834	131	1	152	144	9
Breast Cancer Research Account	3,705	16,316	16,354	3,667	16,925	16,346	4,246	15,032	16,340	2,938
Business Fees Fund, Secty of State's	1,007	32,379	32,333	1,053	30,772	31,692	133	32,839	32,939	33
Business Reinvestment Fund	3,691	-	442	3,249	-3,056	-	193	-193	-	-
Cal- OSHA Targeted Inspection & Consult	7,560	8,299	7,888	7,971	9,833	12,759	5,045	7,833	12,848	30
California Indian Assistance Fund	-	-	-	-	-	-	-	220	220	-
Cancer Research Fund	1,090	-	2,600	3,690	-	2,560	1,130	-	-	1,130
Caseload Subacct, Sales Tax Growth Acct	-	-	-	-	-	-	-	111,682	111,682	-
Cemetery Fund	1,179	1,229	1,028	1,380	1,470	1,265	1,585	2,190	1,845	1,930
Certification Acct, Consumer Affairs Fd	247	768	792	223	883	846	260	901	822	339
Certification Fund	490	1,126	979	637	1,377	1,163	851	1,377	1,122	1,106
Child Abuse Fund, DOJ	410	361	299	472	412	354	530	414	309	635
Child Care Acct, Child & Families Trust	48,487	19,674	58,394	9,767	19,345	29,112	-	18,705	18,705	-
Child Health and Safety Fund	612	1,950	1,589	973	2,303	1,850	1,426	2,303	1,800	1,929
Childhood Lead Poisoning Prevention Fund	11,015	14,914	17,296	8,633	23,800	26,018	6,415	23,800	25,245	4,970
Children & Families First Trust Fd, Cal	-	959	959	-	1,946	1,946	-	2,280	2,280	-
Chiropractic Examiners Fund	4,465	2,305	2,085	4,685	2,441	2,287	4,839	2,441	2,306	4,974
Cigarette & Tobacco Products Surtax Fund	1,067	478	1,545	-	2,106	2,105	1	2,320	2,320	1
Clinical Laboratory Improvement Fund	-1,147	3,704	4,865	-2,308	4,412	2,104	-	4,147	4,147	-

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUND AS OF JUNE 30, 2001, 2002, 2003, and 2004
(Dollars in Thousands)

Fund	Reserves June 30, 2001	Actual Revenues 2001-02	Actual Expenditures 2001-02	Reserves June 30, 2002	Estimated Revenues 2002-03	Estimated Expenditures 2002-03	Reserves June 30, 2003	Estimated Revenues 2003-04	Estimated Expenditures 2003-04	Reserves June 30, 2004
Clnup Loans Envrnmntl Asst Neighood Act.....	84,674	-76,994	6,437	1,243	-	971	272	-	71	201
Coachella Valley Mountains Conservancy	1	-	-	1	34	34	1	34	32	3
Coastal Access Account, SCCF.....	489	608	106	991	600	1,046	545	600	8	1,137
Collins-Dugan Calif Conserv Corps Reimb	8,374	22,919	21,238	10,055	26,060	34,349	1,766	26,235	27,320	681
Colorado River Management Account.....	85,000	-	6,000	79,000	-22,000	18,000	39,000	-	39,000	-
Commerce Marketing Fund	166	58	75	149	63	108	104	63	106	61
Community Revitalization Fee Fund	-	-	-	-	502	202	300	300	226	374
Competitive Technology Fund.....	11	1	-	12	1	-	13	1	-	14
Conservatorship Registry Fund.....	13	45	45	13	48	48	13	48	48	13
Construction Management Education Acct	296	57	-	353	30	16	367	30	15	382
Contingent Fd of the Medical Board of CA	15,236	35,160	36,691	13,705	34,937	38,591	10,051	33,617	38,817	4,851
Continuing Care Provider Fee Fund	995	841	912	924	519	967	476	472	942	6
Contractors' License Fund	25,506	44,938	49,839	20,605	35,696	47,760	8,541	48,930	46,729	10,742
Corporations Fund, State	26,615	33,275	25,311	34,579	-1,347	25,433	7,799	23,132	25,116	5,815
Corrections Training Fund.....	6,596	12,106	18,458	244	19,457	19,623	78	2,474	2,401	151
Counties Children & Families Acct	84,910	481,879	493,424	73,365	468,923	542,288	-	451,856	451,856	-
Court Collection Account.....	1,678	22,027	22,032	1,673	22,026	21,973	1,726	52,802	50,545	3,983
Court Interpreters' Fund	20	141	93	68	116	84	100	141	84	157
Court Reporters Fund.....	1,549	730	665	1,614	613	657	1,570	-389	630	551
Credit Union Fund	1,879	3,536	2,555	2,860	1,679	3,266	1,273	4,329	3,294	2,308
Deaf & Disabled Telecomm Prg Admin Comm....	-	-	-	-	-	-	-	78,540	69,117	9,423
Dealers' Record of Sale Special Account.....	4,603	7,471	7,928	4,146	7,588	8,595	3,139	7,476	8,895	1,720
Debt & Investment Advisory Comm Fund, Cal....	4,493	2,108	1,443	5,158	2,360	1,769	5,749	-640	1,895	3,214
Debt Limit Allocation Committee Fund, Cal	3,456	946	859	3,543	-979	1,016	1,548	975	1,055	1,468
Delta Flood Protection Fund.....	864	4	-	868	70	-	938	70	-	1,008
Dental Auxiliary Fund, State	1,225	1,384	1,518	1,091	1,339	1,532	898	1,355	1,496	757
Dentally Underserved Account	-	-	-	-	-	-	-	1,000	935	65
Dentistry Fund, State	7,217	8,204	6,722	8,699	4,100	7,069	5,730	2,915	6,966	1,679
Department of Agriculture Account, Ag Fd.....	45,265	84,919	86,444	43,740	70,529	97,600	16,669	88,964	93,381	12,252
Developmental Disabilities Prog Dev Fund	612	2,379	2,047	944	1,714	2,136	522	1,714	1,931	305
Developmental Disabilities Services Acct	3,070	69	2,900	239	24	25	238	-	43	195
Diesel Emission Reduction Fund	186	208	216	178	179	224	133	168	-	301
Disability Access Account.....	9,240	3,993	3,489	9,744	-5,700	4,016	28	4,300	3,997	331
Disaster Relief Fund	101	-	90	11	-	-	11	-	-	11
Dispensing Opticians Fund.....	240	179	225	194	161	267	88	158	241	5
Domestic Violence Fund	1	-	-	1	-	-	1	-	-	1
Domestic Violence Trng & Education Fund.....	2,620	925	659	2,886	981	1,684	2,183	981	1,801	1,363
Drinking Water Operator Cert Special Act.....	454	1,961	1,066	1,349	1,180	1,234	1,295	1,330	1,175	1,450
Drinking Water Treatment & Research Fund	3,855	-	175	3,680	5,000	4,958	3,722	4,000	4,952	2,770
Driver Training Penalty Assessment Fund.....	558	1,136	983	711	1,106	1,014	803	1,106	1,035	874
Driving-Under-the-Influence Prog Lic Trs.....	1,867	936	1,472	1,331	936	1,573	694	936	1,573	57
Drug and Device Safety Fund.....	-	1,565	603	962	2,040	988	2,014	2,040	993	3,061
DNA Testing Fund, Department of Justice.....	738	29	10	777	-	-	777	-	-	777
Earthquake Emergency Invest Acct-NDA Fd	100	-	-	100	-	100	-	-	-	-
Earthquake Risk Reduction Fund of 1996.....	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-
Education Acct, Child & Families Trust Fd.....	65,316	32,624	73,965	23,975	31,665	55,640	-	30,598	30,598	-
Educational Telecommunication Fund	4,485	-	3,471	1,014	-	-	1,014	-	-	1,014
Electrician Certification Fund.....	53	-	52	1	3,095	1,861	1,235	3,500	1,847	2,888
Electronic and Appliance Repair Fund.....	1,377	1,685	1,658	1,404	1,816	1,638	1,582	1,816	1,987	1,411
Elevator Safety Account	3,593	7,357	7,489	3,461	7,600	8,671	2,390	7,600	8,796	1,194
Emerg Medical Svcs Trng Prog Approvl Fd.....	292	271	236	327	275	361	241	279	257	263
Emergency Clean Water Grant Fund	89	-	87	2	-	2	-	-	-	-
Emergency Food Assistance Program Fund.....	339	393	339	393	393	317	469	393	469	393
Emergency Medical Services Personnel Fnd.....	179	903	799	283	966	934	315	1,009	1,032	292
Emergency Telephone Number Acct, State	88,274	62,352	115,332	35,294	131,460	151,403	15,351	181,203	194,942	1,612

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUND AS OF JUNE 30, 2001, 2002, 2003, and 2004
(Dollars in Thousands)

Fund	Reserves June 30, 2001	Actual Revenues 2001-02	Actual Expenditures 2001-02	Reserves June 30, 2002	Estimated Revenues 2002-03	Estimated Expenditures 2002-03	Reserves June 30, 2003	Estimated Revenues 2003-04	Estimated Expenditures 2003-04	Reserves June 30, 2004
Employee Housing Inspection Fund.....	-	-	-	-	-	-	-	1,216	996	220
Employment Development Contingent Fund.....	-2,085	45,212	42,127	1,000	17,764	18,764	-	17,888	17,888	-
Employment Development Dept Benefit Audit.....	1,000	9,692	9,692	1,000	-1,000	-	-	-	-	-
Energy and Resources Fund	522	122	-	644	-	-	644	-	-	644
Energy Conservation Assistance Ac, State	37,035	1,393	37,531	897	32,351	2,958	30,290	2,651	32,797	144
Energy Resources Programs Account	21,341	45,003	46,078	20,266	45,025	51,622	13,669	39,757	50,131	3,295
Energy Tech Research, Dev, & Demo Acct	2,866	186	304	3,356	85	2,533	908	75	883	100
Enhanced State and Local Realignment Acc.....	-	-	-	-	-	-	-	7,996,551	7,996,551	-
Environmental Enhancement Fund	1,059	116	3	1,172	348	104	1,416	348	1,001	763
Environmental Laboratory Improvement Fnd.....	563	2,458	2,677	344	3,303	3,447	200	3,467	3,364	303
Environmental License Plate Fund, Calif.....	4,484	28,904	24,302	9,086	28,968	34,714	3,340	28,968	31,423	885
Environmental Protection Trust Fund.....	129	1,730	1,694	165	1,718	154	1,729	-	-	1,729
Environmental Quality Assessment Fund.....	-	-	-	-	-	-	-	531	530	1
Environmental Water Fund.....	8,837	393	-	9,230	400	6,683	2,947	400	-	3,347
Environmnt Enhanc & Mitigat Demo Prgm Fd	17,754	11,091	9,763	19,082	563	5,456	14,189	-14,090	90	9
Exotic Species Control Fund	1,655	2,350	1,999	2,006	1,160	1,751	1,415	1,140	1,510	1,045
Expedited Site Remediation Trust Fund	754	748	3	1,499	473	-	1,972	480	2,441	11
Export Document Program Fund	472	249	92	629	217	135	711	222	138	795
Exposition Park Improvement Fund.....	1,990	2,436	2,458	1,968	2,964	2,907	2,025	3,114	2,924	2,215
Fair and Exposition Fund.....	3,871	27,803	31,646	28	27,515	27,528	15	28,045	28,042	18
False Claims Act Fund	17,702	1,966	7,381	12,287	11,600	10,893	12,994	-	11,089	1,905
Family Law Trust Fund	5,634	1,996	1,353	6,277	1,403	3,019	4,661	1,403	3,019	3,045
Farm & Ranch Solid Waste Cleanup & Abate.....	866	361	262	965	1,052	1,038	979	1,052	1,017	1,014
Farmworker Remedial Account	465	73	-	538	36	127	447	36	102	381
Film California First Fund	10,807	-	8,000	2,807	-2,000	-	807	-	-	807
Financial Institutions Fund.....	10,318	13,569	15,343	8,544	12,039	16,310	4,273	14,832	16,591	2,514
Financial Responsibility Penalty Account.....	2,315	-154	-	2,161	-400	-	1,761	367	-	2,128
Fingerprint Fees Account	23,260	46,303	58,765	10,798	51,898	56,918	5,778	56,467	58,078	4,167
Fire and Arson Training Fund, Calif	317	1,010	1,337	-10	1,602	1,581	11	1,607	1,564	54
Fire Marshal Licensing & Cert Fund, St.....	-324	1,764	1,187	253	1,850	1,891	212	1,850	1,810	252
Fire Safety Subaccount	3,073	-	1,312	1,761	-	1,761	-	-	-	-
Firearm Safety Account.....	308	366	313	361	366	326	401	366	318	449
Firearms Safety and Enforcement Specl Fd	-	780	-	780	2,121	2,656	245	2,463	2,664	44
Firearms Safety Training Fund Special Ac	261	426	469	218	17	235	-	-	-	-
Fish and Game Preservation Fund.....	18,272	81,963	88,346	11,889	85,157	94,906	2,140	89,202	91,339	3
Fish and Wildlife Pollution Account.....	10,286	2,285	3,383	9,188	1,161	2,373	7,976	1,161	2,392	6,745
Food Safety Acct, Pesticide Reg Fd, Dept.....	684	1,794	2,037	441	7	418	30	409	412	27
Food Safety Fund	1,657	3,891	4,175	1,373	4,028	4,757	644	4,058	4,076	626
Foster and Small Family Insurance Fund.....	225	-	1,411	1,636	-	-	1,636	-	-	1,636
Funeral Directors and Embalmers Fund, St	2,087	1,289	1,237	2,139	1,247	1,409	1,977	1,247	1,411	1,813
Gambling Control Fines & Penalties Acct	586	13	37	562	6	303	265	6	26	245
Gambling Control Fund.....	4,499	4,737	6,131	3,105	4,737	7,378	464	7,432	7,517	379
Garment Industry Regulations Fund	853	615	1,409	59	2,625	2,362	322	2,804	2,352	774
Garment Manufacturers Special Account.....	1,614	503	917	1,200	471	50	1,621	471	200	1,892
Gas Consumption Surcharge Fund	608	152,053	84,905	67,756	246,542	314,298	-	247,217	247,217	-
Genetic Disease Testing Fund.....	17,482	49,096	66,161	417	71,475	70,584	1,308	66,313	67,483	138
Geology and Geophysics Fund	554	679	845	388	622	808	202	589	786	5
Geothermal Resources Development Account ..	108	2,884	2,600	392	2,800	2,800	392	2,800	2,800	392
Glass Processing Fee Account	21,849	38,908	36,062	24,695	38,306	37,851	25,150	39,964	38,398	26,716
Golden Bear State Pharmacy Asst Program	-	1,000	-	1,000	-	-	1,000	-	-	1,000
Governor's Residence Account.....	3,374	79	-	3,453	79	-	3,532	79	-	3,611
Graphic Design License Plate Account.....	731	884	796	819	832	894	757	832	591	998
Guide Dogs for the Blind Fund	93	137	113	117	137	140	114	137	138	113
Habitat Conservation Fund.....	31,632	9,879	17,944	23,567	8,128	29,363	2,332	7,823	8,474	1,681
Hazardous & Idle-Deserted Well Abate Fnd.....	33	188	116	105	104	100	109	104	100	113

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUND AS OF JUNE 30, 2001, 2002, 2003, and 2004
(Dollars in Thousands)

Fund	Reserves June 30, 2001	Actual Revenues 2001-02	Actual Expenditures 2001-02	Reserves June 30, 2002	Estimated Revenues 2002-03	Estimated Expenditures 2002-03	Reserves June 30, 2003	Estimated Revenues 2003-04	Estimated Expenditures 2003-04	Reserves June 30, 2004
Hazardous Liquid Pipeline Safety Calif.....	2,303	1,209	1,259	2,253	1,253	2,240	1,266	1,253	2,211	308
Hazardous Materials Enforce Train Acct.....	39	10	-	49	-49	-	-	-	-	-
Hazardous Spill Prevention Acct, RAPRF.....	10	-	-	10	-	-	10	-	-	10
Hazardous Subst Clearing Account.....	352	29,180	28,930	602	2,660	3,142	120	2,860	2,939	41
Hazardous Substance Subaccount.....	2,683	6,262	5,054	3,891	1,760	1,945	3,706	760	2,788	1,678
Hazardous Waste Control Account.....	17,238	44,695	37,003	24,930	26,955	43,067	8,818	42,617	49,025	2,410
Health Care Benefits Fund.....	-	-	-	-	500	500	-	-	-	-
Health Data & Planning Fund, CA.....	6,339	14,287	15,575	5,051	15,500	16,402	4,149	15,938	16,001	4,086
Health Ed Acct, Cig & Tob Pr Surtax.....	40,255	85,962	113,339	12,878	80,937	88,535	5,280	78,494	81,959	1,815
Health Professions Development Fund.....	-	-	-	-	-	-	-	5,124	4,502	622
Health Statistics Special Fund.....	4,370	12,409	12,590	4,189	12,012	13,587	2,614	17,812	14,430	5,996
Health Subaccount, Sales Tax Account.....	-	410,081	410,081	-	403,181	403,181	-	403,181	403,181	-
Hearing Aid Dispensers Fund.....	753	589	613	729	593	561	761	593	551	803
High Polluter Repair or Removal Account.....	99,016	-64,545	31,867	2,604	21,138	20,644	3,098	20,397	20,717	2,778
High-Cost Fund-A Admin Committee Fd, Cal.....	-	42,563	28,284	14,279	35,038	42,978	6,339	66,159	59,230	13,268
High-Cost Fund-B Admin Committee Fd, Cal.....	-	1,200,969	756,997	443,972	210,913	535,139	119,746	478,802	483,196	115,352
Higher Education Earthquake Account 1987.....	22	-	-	22	-	-	22	-	-	22
Higher Education Fees and Income-CSU.....	100	735,050	735,050	100	768,248	768,247	101	981,396	981,496	1
Highway Account, State, STF.....	1,581,133	2,701,918	3,110,242	1,172,809	2,372,854	2,811,608	734,055	2,934,979	2,554,364	1,114,670
Highway Users Tax Account, TTF.....	-	1,109,960	1,109,960	-	1,100,446	1,100,446	-	1,108,659	1,108,659	-
Historic Property Maintenance Fund.....	2,133	1,277	-	3,410	1,454	1,500	3,364	1,447	1,521	3,290
Home Furnish & Thermal Insulat Fd, Burea.....	1,706	3,283	2,912	2,077	3,471	3,452	2,096	3,537	3,708	1,925
Hospital Building Fund.....	5,263	20,228	19,955	5,536	20,360	19,914	5,982	20,360	19,815	6,527
Hospital Svc Acct, Cig & Tob Pr Surtax.....	1,124	67,988	71,349	-2,237	57,585	54,242	1,106	-273	153	680
HICAP Fund, State.....	1,851	1,573	1,574	1,850	1,401	1,612	1,639	1,401	1,604	1,436
Illegal Drug Lab Cleanup Account.....	7,457	166	-	7,623	86	1,953	5,756	86	1,970	3,872
Indian Gaming Special Distribution Fund.....	-491	10,124	9,615	18	19,019	13,499	5,538	78,984	13,707	70,815
Industrial Development Fund.....	849	110	342	617	190	420	387	219	446	160
Industrial Medicine Fund.....	5,185	795	1,494	4,486	828	1,750	3,564	828	2,055	2,337
Industrial Rel Construction Enforce Fd.....	-8	51	42	1	55	55	1	55	54	2
Infant Botulism Treatment & Prevention.....	587	120	707	-	-	-	-	-	-	-
Inland Wetlands Cons Fd, Wildlife Rest.....	841	793	-	1,634	444	350	1,728	704	1,752	680
Insurance Fund.....	36,822	147,768	158,061	26,529	151,240	168,072	9,697	159,394	168,868	223
Integrated Waste Management Account.....	9,704	46,979	44,536	12,147	46,297	48,686	9,758	44,153	50,143	3,768
Internatl Student Exch Visitor Plcmt Org.....	26	4	-	30	4	-	34	4	-	38
Job Creation Investment Fund.....	450	54	213	291	-290	-	1	-	1	-
Jobs-Housing Balance Improvement Account....	100,000	-99,682	106	212	-212	74,766	74,766	-	25,431	49,335
Judicial Admin Efficiency & Modernztn.....	16,503	1,731	122	18,112	802	17,824	1,090	802	45	1,847
Lake Tahoe Conservancy Account.....	1,336	834	563	1,607	834	1,884	557	834	877	514
Landscape Architects Fd, CA Bd/Arch Exam.....	1,258	733	576	1,415	735	670	1,480	-263	692	525
Law Library Special Account, Calif, State.....	404	529	525	408	600	781	227	615	709	133
Leaking Undgrnd Stor Tank Cost Recovery.....	960	17	-	977	12	-	989	12	-	1,001
Licensed Midwifery Fund.....	16	-11	-	5	13	-	18	14	-	32
Lifetime License Trust Acct, Fish & Game.....	2,095	544	-	2,639	487	-	3,126	503	-	3,629
Loc Pub Prosecutors & Pub Defenders Trng.....	506	872	859	519	872	862	529	872	864	537
Local Agency Deposit Security Fund.....	121	330	333	118	362	320	160	314	336	138
Local Airport Loan Account.....	5,780	1,399	297	6,882	830	2,869	4,843	739	2,850	2,732
Local Govt Geothermal Resource Subacct.....	3,976	1,442	396	5,022	1,300	6,155	167	1,350	1,300	217
Local Jurisdiction Energy Assistance.....	5,717	439	3,130	3,026	381	3,407	-	415	415	-
Local Revenue Fund.....	-	-584,645	584,645	-	-936,433	936,433	-	-952,538	952,538	-
Loss Control Certification Fund.....	1,848	1,039	672	2,215	-1,766	416	33	-	-	33
Low-Level Radioactive Waste Disposal Fnd.....	412	14	-	426	14	-	440	14	-	454
Major Risk Medical Insurance Fund.....	3,031	41,231	43,386	876	41,346	41,220	1,002	40,000	40,082	920
Managed Care Fund.....	2,193	31,796	32,469	1,520	32,370	32,633	1,257	34,370	34,544	1,083
Mandates Claims Fund, State.....	461	-	-	461	-	-	461	-	-	461

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUND AS OF JUNE 30, 2001, 2002, 2003, and 2004
(Dollars in Thousands)

Fund	Reserves June 30, 2001	Actual Revenues 2001-02	Actual Expenditures 2001-02	Reserves June 30, 2002	Estimated Revenues 2002-03	Estimated Expenditures 2002-03	Reserves June 30, 2003	Estimated Revenues 2003-04	Estimated Expenditures 2003-04	Reserves June 30, 2004
Marine Life & Marine Reserve Mgmt Acct	-	2,265	2,265	-	-	-	-	-	-	-
Mass Media Comm Acct, Child & Fam Trust	50,828	38,444	78,352	10,920	37,801	48,721	-	36,521	36,521	-
Medical Waste Management Fund	460	1,799	967	1,292	994	1,028	1,258	994	1,062	1,190
Medically Underserved Account	-	-	-	-	-	-	-	1,150	1,000	150
Mental Health Subaccount, Sales Tax Acct	-	834,609	834,609	-	820,568	820,568	-	820,568	820,568	-
Mexican Amer Vet's Memrl Beautif/Enhance	176	10	-	186	5	-	191	5	-	196
Mine Reclamation Account	709	1,164	1,220	653	1,140	1,498	295	1,270	1,313	252
Missing Children Reward Fund	20	-	-	20	-	2	18	-	2	16
Missing Persons DNA Data Base Fund	1,471	2,496	2,116	1,851	2,961	2,831	1,981	2,965	3,038	1,908
Mobilehome Manufactured Home Revolv Fd	434	16,819	17,167	86	17,099	17,198	-13	17,049	16,866	170
Mobilehome Park Revolving Fund	897	4,215	4,447	665	4,248	4,516	397	4,248	4,335	310
Mosquitoborne Disease Surveillance Acct	143	25	31	137	36	36	137	36	36	137
Motor Carriers Permit Fund	8,334	4,720	4,134	8,920	-4,088	4,832	-	-	-	-
Motor Carriers Safety Improvement Fund	935	1,275	1,028	1,182	3,714	1,179	3,717	2,484	1,190	5,011
Motor Vehicle Account, STF	370,455	1,304,875	1,404,783	270,547	1,398,862	1,505,553	163,856	1,588,049	1,467,854	284,051
Motor Vehicle Fuel Account, TTF	-	41,230	23,397	17,833	23,310	24,199	16,944	21,936	24,876	14,004
Motor Vehicle Insurance Account, State	11,753	16,668	15,413	13,008	15,632	20,516	8,124	15,632	20,502	3,254
Motor Vehicle License Fee Account, TTF	-	2,335,258	2,335,258	-	1,415,306	1,415,306	-	1,439,459	1,439,459	-
Motor Vehicle Parking Facil Moneys Acct	-1,007	5,232	4,850	-625	5,296	4,891	-220	5,472	5,055	197
Narcotic Treatment Program Licensing Trf	181	1,172	1,127	226	1,390	1,450	166	1,461	1,550	77
Native Species Conserv & Enhancement Acc	137	-5	-	132	-	-	132	-	-	132
Natural Resources Infrastructure Fund	-	5,998	7,644	-1,646	5,000	-	3,354	-3,354	-	-
New Motor Vehicle Board Account	2,131	1,683	1,398	2,416	1,352	1,703	2,065	1,352	1,708	1,709
Nuclear Planning Assessment Special Acct	320	2,728	2,474	574	4,066	4,595	45	3,704	3,689	60
Nursing Home Admin St Lic Exam Fund	463	390	307	546	424	475	495	321	472	344
Occupancy Compliance Monitoring Account ...	24,043	6,197	1,041	29,199	-27,499	992	708	5,701	1,019	5,390
Occupational Lead Poisoning Prev Acct, GF	1,219	2,950	2,981	1,188	2,750	3,310	628	2,750	3,367	11
Occupational Therapy Fund	560	125	316	369	1,527	651	1,245	340	672	913
Off Highway License Fee Fund	-	1,490	1,490	-	1,000	1,000	-	1,000	1,000	-
Off-Highway Vehicle Trust Fund	70,881	44,784	39,242	76,423	43,721	67,148	52,996	45,111	48,999	49,108
Oil Spill Prevention & Administration Fd	9,183	20,314	22,938	6,559	22,377	23,659	5,277	27,067	28,234	4,110
Oil Spill Response Trust Fund	58,785	2,941	3,003	58,723	4,820	1,418	62,125	4,427	1,300	65,252
Oil, Gas and Geothermal Administrative	-	-	-	-	-	-	-	12,897	12,884	13
Olympic Training Account, California	1	-	-	1	-	-	1	-	-	1
Optometry Fund, State	1,048	1,003	1,082	969	963	1,160	772	953	1,109	616
Osteopathic Medical Bd of Calif Contn Fd	2,693	864	865	2,692	-1,672	974	46	945	987	4
Outpatient Setting Fd of Medical Board	51	2	-	53	3	24	32	57	24	65
Parks and Recreation Fund, State	19,097	59,522	57,162	21,457	58,405	77,892	1,970	94,805	96,747	28
Parks System Deferred Maintnce Acct, St	-	2,928	2,928	-	-	-	-	-	-	-
Payphone Service Providers Committee Fd	-	5,287	571	4,716	408	1,030	4,094	362	1,065	3,391
Peace Officers' Training Fund	24,654	38,853	65,739	-2,232	57,860	51,172	4,456	25,145	27,502	2,099
Pedestrian Safety Account, STF	8,000	202	-	8,202	205	8,000	407	154	-	561
Penalty Acct, Ca Bev Container Recyc Fd	443	369	-	812	411	-	1,223	454	-	1,677
Perinatal Insurance Fund	74	66,484	64,003	2,555	81,663	83,233	985	97,440	97,330	1,095
Permanent Amusement Ride Safety Insp Fd	879	55	930	4	2,000	1,800	204	1,674	1,872	6
Pesticide Regulation Fund, Dept of	10,562	31,858	35,841	6,579	35,036	38,586	3,029	49,218	50,004	2,243
Petro Undergrnd Storage Tank Financ Acct	42,295	3,253	4,867	50,415	-18,836	9,845	21,734	2,433	4,651	19,516
Pharmacy Board Contingent Fund	12,368	5,558	7,115	10,811	-830	7,387	2,594	4,855	7,374	75
Physical Therapy Fund	1,663	2,198	2,114	1,747	2,256	2,493	1,510	2,299	2,450	1,359
Physician Assistant Fund	1,752	657	830	1,579	721	889	1,411	716	850	1,277
Physician Svc Acct, Cig & Tob Pr Surtax	281	5,413	6,372	-678	3,665	2,927	60	5	14	51
Pierce's Disease Management Account	1,758	6,161	3,407	4,512	4,000	3,478	5,034	4,000	3,533	5,501
Pilot Commissioners' Special Fd, Board	2,771	1,156	882	3,045	736	1,190	2,591	694	1,203	2,082
Podiatric Medicine Fund, Board of	787	953	840	900	930	1,090	740	923	1,084	579
Political Reform Audit Fund	-	-	-	-	-	-	-	1,359	1,359	-

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUND AS OF JUNE 30, 2001, 2002, 2003, and 2004
(Dollars in Thousands)

Fund	Reserves June 30, 2001	Actual Revenues 2001-02	Actual Expenditures 2001-02	Reserves June 30, 2002	Estimated Revenues 2002-03	Estimated Expenditures 2002-03	Reserves June 30, 2003	Estimated Revenues 2003-04	Estimated Expenditures 2003-04	Reserves June 30, 2004
Pressure Vessel Account.....	-226	3,034	2,624	184	3,671	3,739	116	3,671	3,784	3
Private Investigator Fund.....	848	768	606	1,010	754	980	784	761	685	860
Private Postsec & Vocatn Ed Admin Fund.....	2,507	4,358	5,561	1,304	5,269	5,662	911	5,303	5,771	443
Private Security Services Fund.....	1,798	5,752	4,921	2,629	7,719	6,084	4,264	4,746	7,060	1,950
Professional Engineer & Land Surveyor Fd.....	3,819	6,569	7,354	3,034	5,694	7,275	1,453	6,226	7,244	435
Professional Forester Registration Fund.....	476	136	69	543	152	190	505	152	188	469
Propane Safety Insp/Enforcmt Prog Trust.....	286	82	-	368	-368	-	-	-	-	-
Property Acquisition Law Money Account.....	144	3,561	4,792	-1,087	4,986	4,706	-807	5,031	3,569	655
Psychiatric Technicians Account.....	815	1,310	1,043	1,082	1,352	1,215	1,219	359	1,183	395
Psychology Fund.....	4,995	3,561	2,979	5,577	-1,272	3,202	1,103	3,505	3,171	1,437
Pub Sch Plng Desgn & Constr Rev Revlv Fd.....	27,855	28,826	24,227	32,454	-6,108	26,329	17	28,892	26,109	2,800
Publ Utilities Comm Utilities Reimb Acct.....	17,871	68,252	79,137	6,986	89,729	89,821	6,894	73,763	73,417	7,240
Public Int Res, Dev & Demonstratn Progm.....	39,112	67,583	52,816	53,879	62,500	116,166	213	68,500	66,982	1,731
Public Res Acct, Cig & Tob Pr Surtax.....	1,564	16,648	17,784	428	16,017	16,102	343	15,406	15,313	436
Public Rights Law Enforcement Special Fd.....	-	-	-	-	-	-	-	700	500	200
Public Safety Surcharge Fund.....	-	-	-	-	-	-	-	32,500	30,940	1,560
Public Transportation Account, STF.....	259,294	168,055	336,168	91,181	184,035	260,899	14,317	287,086	263,285	38,118
Public Util Comm Transport Reimb Acct.....	5,675	6,783	7,989	4,469	6,430	7,488	3,411	6,844	7,501	2,754
PET Processing Fee Acct, Bev Cont Rec Fd.....	15,527	39,564	41,813	13,278	43,573	45,245	11,606	44,942	44,784	11,764
Radiation Control Fund.....	12,538	12,360	17,135	7,763	12,338	16,452	3,649	18,537	17,654	4,532
Rail Accident Prevention & Response Fund.....	2	19	-	21	2	-	23	-	-	23
Real Estate Appraisers Regulation Fund.....	3,919	3,378	2,669	4,628	2,659	3,273	4,014	2,870	3,100	3,784
Real Estate Commissioner's Fund.....	14,630	31,656	28,856	17,430	25,196	29,898	12,728	36,562	30,046	19,244
Recycling Market Development Rev Loan.....	10,307	2,323	1,198	11,432	4,043	8,461	7,014	4,128	8,289	2,853
Reg Environmental Health Specialist Fd.....	582	234	168	648	203	214	637	239	220	656
Registered Nurse Education Fund.....	1,214	752	745	1,221	759	1,229	751	759	1,222	288
Registered Nursing Fund, Board of.....	18,285	15,092	13,913	19,464	3,134	17,090	5,508	14,393	16,711	3,190
Removal & Remedial Action Acct, HWCA.....	87	1,404	599	892	2,057	1,840	1,109	3,767	3,615	1,261
Renewable Resource Trust Fund.....	57,116	220,056	101,425	175,747	-29,177	108,613	37,957	145,500	183,456	1
Research & Devel Acct, Child & Fam Trust.....	48,220	19,982	47,533	20,669	19,345	40,014	-	18,705	18,705	-
Research Acct, Cig & Tob Pr Surtax.....	10,238	22,951	24,364	8,825	21,720	24,513	6,032	21,109	24,172	2,969
Residential Earthquake Recovery Fund, CA.....	6,733	531	1,895	5,369	116	1,665	3,820	50	882	2,988
Respiratory Care Fund.....	1,564	1,885	2,416	1,033	1,976	2,470	539	1,964	2,444	59
Restitution Fund.....	78,626	110,388	141,084	47,930	111,750	158,679	1,001	125,598	126,145	454
Rigid Container Account.....	-	-	-	-	1,000	1,000	-	1,000	1,000	-
Rural Development Fund.....	22	-	15	37	-	-	37	-	-	37
Rural Economic Development Fund.....	1,223	132	160	1,515	132	82	1,729	131	94	1,954
Safe Drinking Water Account.....	3,736	6,798	8,019	2,515	8,600	8,230	2,885	8,900	8,120	3,665
Sale of Tobacco to Minors Control Acct.....	366	124	151	339	128	274	193	126	278	41
Salmon & Steelhead Trout Restoration Acc.....	-	3,000	3,000	-	-	-	-	-	-	-
San Fran Bay Area Conservancy Prog Acct.....	-	829	822	7	-	-	7	-	-	7
Satellite Wagering Account.....	777	12,762	13,482	57	12,607	12,663	1	12,607	12,599	9
School Facilities Fee Assistance Fund.....	91,556	-111,404	29,395	9,547	50,000	6,250	53,297	-	12,500	40,797
School Fund, State.....	-	3,539	3,539	-	3,539	3,539	-	3,539	3,539	-
School Land Bank Fund.....	37,081	5,980	79	42,982	1,291	-	44,273	3,698	-	47,971
Seismic Gas Valve Cert Fee Acct.....	-	-	-	-	75	75	-	75	75	-
Seismic Hazards Identification Fund.....	1,396	2,063	1,866	1,593	1,880	1,913	1,560	1,860	3,206	214
Seismic Safety Retrofit Account, STF.....	12,451	576	-	13,027	-13,027	-	-	-	-	-
Self-Insurance Plans Fund.....	1,478	3,193	2,173	2,498	2,550	2,766	2,282	2,550	2,808	2,024
Senate Operating Fund.....	308	-	-	308	-	-	308	-	-	308
Sexual Habitual Offender, DOJ.....	2,706	2,353	2,047	3,012	2,178	2,519	2,671	1,178	2,506	1,343
Sexual Predator Public Information Acct.....	101	70	51	120	7	54	73	119	54	138
Site Operation and Maintenance Account.....	2,432	44	-	2,476	50	49	2,477	50	49	2,478
Site Remediation Account.....	3,131	2,679	2,488	3,322	6,794	8,716	1,400	7,909	7,850	1,459
Social Services Subaccount, Sales Tx Acc.....	-	983,977	983,977	-	967,422	967,422	-	967,422	967,422	-

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUND AS OF JUNE 30, 2001, 2002, 2003, and 2004
(Dollars in Thousands)

Fund	Reserves June 30, 2001	Actual Revenues 2001-02	Actual Expenditures 2001-02	Reserves June 30, 2002	Estimated Revenues 2002-03	Estimated Expenditures 2002-03	Reserves June 30, 2003	Estimated Revenues 2003-04	Estimated Expenditures 2003-04	Reserves June 30, 2004
Soil Conservation Fund	1,356	1,282	1,167	1,471	340	1,321	490	1,340	1,308	522
Solid Waste Disposal Site Cleanup Tr Fd.....	7,008	5,995	6,527	6,476	5,329	7,582	4,223	5,329	5,462	4,090
Special Reserve Fund Vehicle License Fee.....	1,330,215	-1,165,000	126,036	39,179	-33,000	6,179	-	-	-	-
Special Telephone Solicitors Fund.....	-	-	-	-	12,095	8,224	3,871	11,436	8,515	6,792
Speech-Language Pathology & Audiology.....	267	512	563	216	584	525	275	590	524	341
State Court Facilities Construction Fund.....	-	-	-	-	34,596	-	34,596	70,958	-	105,554
State Employee Scholarship Fund.....	356	-	-	356	-356	-	-	-	-	-
Strong-Motion Instrumentation Spec Fund	8,149	5,084	3,403	9,830	4,551	3,271	11,110	4,451	4,450	11,111
Structural Pest Cntrl Educ & Enforcemnt Fd.....	359	271	267	363	252	276	339	251	272	318
Structural Pest Control Device Fund.....	759	-688	71	-	-	-	-	-	-	-
Structural Pest Control Fund.....	4,016	2,939	3,110	3,845	860	3,270	1,435	2,738	3,254	919
Structural Pest Control Research Fund.....	562	122	9	675	128	696	107	99	94	112
Subsequent Injuries Moneys Account	2,315	4,007	2,647	3,675	3,300	6,300	675	8,663	7,570	1,768
Substance Abuse Treatment Trust Fund.....	468	-	432	900	-	185	715	-	-	715
Surface Impoundment Assessment Account.....	1,079	19	-	1,098	13	-	1,111	13	181	943
Surface Mining and Reclamation Account.....	603	2,027	1,789	841	1,128	1,952	17	1,120	841	296
Tax Credit Allocation Fee Account	22,344	4,199	1,602	24,941	-22,027	1,432	1,482	2,003	1,510	1,975
Tax Relief and Refund Account	-	-	593	-593	-	1,253	-1,846	-	-	-1,846
Teacher Credentials Fund	4,652	10,730	13,523	1,859	14,812	16,165	506	16,278	16,774	10
Technical Assistance Fund	1,761	2,275	2,778	1,258	2,637	3,151	744	3,237	3,055	926
Teleconnect Fd Admin Comm Fd, Cal	-	178,075	2,602	175,473	38,915	159,470	54,918	2,479	40,008	17,389
Telephone Medical Advice Services Fund	133	26	78	81	281	141	221	43	128	136
Test Development and Admin Acct, Tc Fd	2,981	8,301	9,637	1,645	12,397	10,670	3,372	11,969	9,744	5,597
Tire Recycling Management Fund, Calif	14,688	32,097	29,039	17,746	31,457	30,982	18,221	17,065	31,489	3,797
Tissue Bank License Fund.....	310	220	324	206	234	328	112	283	166	229
Title Insurance Fund	116	-116	-	-	-	-	-	-	-	-
Tobacco Settlement Fund.....	-	401,992	328,849	73,143	464,400	536,359	1,184	220,000	220,148	1,036
Toll Bridge Seismic Retrofit Acct, STF	402,914	137,219	204,000	336,133	138,681	391,631	83,183	512,987	575,924	20,246
Toxic Substances Control Account	26,366	32,994	27,774	31,586	28,796	38,437	21,945	29,824	38,286	13,483
Traffic Congestion Relief Fund.....	1,542,404	-55,892	215,184	1,271,328	-883,100	377,231	10,997	-	2,755	8,242
Transcript Reimbursement Fund	109	203	255	57	303	300	60	303	307	56
Transitional Housing for Foster Youth Fd.....	-	-	1,509	1,509	-	602	907	-	907	-
Transportation Rate Fund	677	1,786	2,032	431	1,809	1,836	404	1,809	1,845	368
Trauma Care Fund	-	-	9	9	-	-	9	-	-	9
Traumatic Brain Injury Fund.....	2,425	1,075	2,331	1,169	1,050	1,452	767	1,059	1,566	260
Travel Seller Fund	1,187	740	823	1,104	769	981	892	989	977	904
Trial Court Improvement Fund	107,278	92,537	62,771	137,044	32,612	137,160	32,496	76,636	109,132	-
Trial Court Trust Fund	67,666	837,917	817,992	87,591	888,965	962,286	14,270	1,289,494	1,303,764	-
Unallocated Acct, Cig & Tob Pr Surtax	26,025	49,424	59,680	15,769	40,471	55,022	1,218	19,826	19,144	1,900
Unallocated Acct, Child & Families Trust	27,389	13,040	33,516	6,913	12,841	19,754	-	12,414	12,414	-
Underground Storage Tank Cleanup Fund.....	150,668	203,960	228,794	125,834	197,788	252,527	71,095	191,691	244,151	18,635
Underground Storage Tank Fund	2,328	60	546	1,842	43	723	1,162	33	1,021	174
Underground Storage Tank Tester Account	41	36	28	49	34	52	31	34	62	3
Unified Program Account	2,927	1,896	3,000	1,823	2,550	3,209	1,164	2,550	3,351	363
Universal Lifeline Telpne Svc Trst Admin.....	-	327,592	166,936	160,656	178,787	284,784	54,659	207,345	239,901	22,103
Upper Newport Bay Ecological Maint & Presv....	599	-	200	799	-599	200	400	-	200	600
Used Oil Recycling Fund, California	16,641	22,257	24,121	14,777	21,959	33,118	3,618	22,114	22,994	2,738
Vehicle Inspection and Repair Fund	88,440	118,090	103,320	103,210	17,667	106,259	14,618	113,237	105,386	22,469
Vehicle License Collection Acct, LRF	-	14,000	14,000	-	14,000	14,000	-	14,000	14,000	-
Vehicle License Fee Account.....	-	1,264,338	1,264,338	-	1,343,176	1,343,176	-	1,390,684	1,390,684	-
Vehicle License Fee Growth Account.....	-	78,838	78,838	-	47,508	47,508	-	23,889	23,889	-
Veterans Cemetery Master Devl Fund, No CA....	50	-	-	50	-	50	-	-	-	-
Veterans Service Office Fund	489	467	339	617	462	514	565	462	516	511
Veterinary Medical Board Contingent Fund	1,516	1,416	1,805	1,127	1,388	1,733	782	1,418	1,826	374
Victim Witness Assistance Fund	6,458	13,994	17,001	3,451	14,304	17,011	744	18,530	17,083	2,191

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUND AS OF JUNE 30, 2001, 2002, 2003, and 2004
(Dollars in Thousands)

Fund	Reserves June 30, 2001	Actual Revenues 2001-02	Actual Expenditures 2001-02	Reserves June 30, 2002	Estimated Revenues 2002-03	Estimated Expenditures 2002-03	Reserves June 30, 2003	Estimated Revenues 2003-04	Estimated Expenditures 2003-04	Reserves June 30, 2004
Vietnam Veterans Memorial Account.....	30	2	-	32	2	2	32	2	2	32
Vocational Nurse Examiners Fund.....	2,017	4,380	4,098	2,299	4,377	4,097	2,579	3,392	4,195	1,776
Waste Discharge Permit Fund	3,761	15,235	15,948	3,048	31,265	32,180	2,133	46,297	45,905	2,525
Water Device Certification Special Acct.....	360	181	146	395	155	187	363	170	183	350
Water Fund, California	977	13,361	-	14,338	25	-	14,363	25	-	14,388
Waterfowl Habitat Preservation Acct, Cal	3,324	114	79	3,359	165	207	3,317	165	207	3,275
Wildlife Restoration Fund	26,319	2,260	982	27,597	-24,980	1,326	1,291	2,374	1,382	2,283
Wine Safety Fund	318	-	6	312	-	45	267	-	49	218
Winter Recreation Fund.....	605	-88	284	233	287	287	233	287	399	121
Work and Family Fund	5,147	-	24	5,123	-	3,445	1,678	-	1,678	-
Workers' Comp Administration Revolv Fund	3,588	18,827	19,748	2,667	45,627	45,689	2,605	104,953	103,702	3,856
Workers' Compensation Managed Care Fund ...	275	288	100	463	678	235	906	1,293	539	1,660
Workers' Occupational Sfty & Health Ed	-	-	-	-	1,013	-	1,013	1,013	1,052	974
Workplace Health & Safety Revolving Fund.....	2,920	2,453	1,194	4,179	-3,455	724	-	-	-	-
Yosemite Foundation Acct, ELPF.....	39	902	934	7	902	840	69	902	851	120
OTHER UNALLOCATED SPECIAL FUNDS										
Augmentation for Contingencies or Emerg	-	-	-	-	-	1,500	-1,500	-	1,500	-3,000
Augmentation for Employee Compensation	-	-	-	-	-	-	-	-	545	-545
Augmentation Authority per CS 31.70.....	-	-	-	-	-	48,570	-48,570	-	48,570	-97,140
Interest Payments to the Federal Govt	-	-	-	-	-	1	-1	-	1	-2
Major Revenues.....	-	-912	-	-912	-4,497	-	-5,409	-5,177	-	-10,586
Premium Offset Employer-paid Life Ins.....	-	-	-	-	-	529	529	-	-	529
PERS Payment Recovery	-	-	-	-	-	-	-	-	653,100	653,100
Section 3.60 Rate Adjustments.....	-	-	-	-	-	-	-	-	296,232	-296,232
State Controller.....	-	-	42	-42	-	43	-85	-	43	-128
Various Departments.....	-	-	-	-	-	789	789	-	14,846	15,635
Totals, Special Funds.....	\$8,690,316	\$17,541,482	\$19,448,130	\$6,783,668	\$14,929,729	\$19,203,166	\$2,510,231	\$26,903,304	\$26,463,719	\$2,949,816
GRAND TOTALS	\$11,070,133	\$89,780,082	\$96,199,840	\$4,650,375	\$88,073,269	\$94,664,581	-\$1,940,937	\$96,056,406	\$89,233,061	\$4,882,408

Schedule 11
STATEMENT OF GENERAL OBLIGATION BOND AND 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.)

		General Obligation Bonds						Commercial Paper		
		Sales through December 31, 2002					Proposed Sales after December 31, 2002		through December 31, 2002	
Fund	Bond Act	Maturity	Authorized	Unissued	Outstanding	Redeemed	2002-03	2003-04	Finance Cmte Authorization	Total Outstanding
BUSINESS, TRANSP & HOUSING										
0703	Clean Air & Transp Improv (1990)	1991-2032	\$1,990,000	\$338,225	\$1,258,965	\$392,810	\$38,735	\$58,665	\$338,225	\$8,881
0714	Housing & Homeless (1990)	1991-2023	150,000	-	6,450	143,550	-	-	-	-
6037	Housing & Emergency Shelter (2002)		2,100,000	2,100,000	-	-	-	-	-	-
0756	Passenger Rail & Clean Air (1990)	1991-2021	1,000,000	13,900	591,890	394,210	5,691	6,250	13,900	2,778
0653	Seismic Retrofit (1996)	1997-2032	<u>2,000,000</u>	<u>442,645</u>	<u>1,435,760</u>	<u>121,595</u>	<u>62,199</u>	<u>99,913</u>	<u>442,645</u>	<u>105,335</u>
	Total, Business, Transp & Housing		\$7,240,000	\$2,894,770	\$3,293,065	\$1,052,165	\$106,625	\$164,828	\$794,770	\$116,994
NATURAL RESOURCES										
0722	Ca Park & Recreational Facil (1984)	1985-2027	\$370,000	\$1,100	\$138,640	\$230,260	-	-	-	-
0721	Ca Parklands (1980)	1982-2024	285,000	-	33,620	251,380	-	-	-	-
0707	Ca Safe Drinking Water (1976)	1981-2027	175,000	2,500	43,760	128,740	-	-	-	-
0707	Ca Safe Drinking Water (1984)	1986-2027	75,000	-	28,300	46,700	-	-	-	-
0707	Ca Safe Drinking Water (1986)	1991-2030	100,000	-	61,760	38,240	-	-	-	-
0793	Ca Safe Drinking Water (1988)	1991-2029	75,000	8,265	47,985	18,750	\$2,332	\$3,068	\$6,265	\$915
6001	Ca Safe Drinking Water (2000)	2001-2032	1,970,000	1,734,000	234,000	2,000	153,691	201,780	877,200	23,598
0786	Ca Wildlife, Coast, & Park Land Cons (1988)	1990-2032	776,000	7,330	430,755	337,915	-	-	-	-
0734	Clean Water (1970)	1972-2011	250,000	-	4,500	245,500	-	-	-	-
0734	Clean Water (1974)	1978-2011	250,000	-	9,195	240,805	-	-	-	-
0740	Clean Water (1984)	1986-2024	325,000	-	86,285	238,715	-	-	-	-
6029	Clean Water, Clean Air, and Parks (2002) .		2,600,000	2,600,000	-	-	103,610	106,776	262,640	1,110
0716	Community Parklands (1986)	1990-2022	100,000	-	44,080	55,920	-	-	-	-
0748	Fish & Wildlife Habitat Enhance (1984)	1986-2029	85,000	3,000	28,220	53,780	-	-	1,300	-
0720	Lake Tahoe Acquisitions (1982)	1986-2017	85,000	-	30,145	54,855	-	-	-	-
0402	Safe, Clean, Reliable Water Supply (1996) .	1998-2032	995,000	589,000	382,675	23,325	99,650	121,749	377,200	23,680
0005	Safe Neighborhood Parks (2000)	2001-2032	2,100,000	1,590,415	503,085	6,500	195,310	267,790	473,415	77,337
0733	State Beach, Park, Recl & Hist Facil (1974) .	1967-2003	250,000	-	495	249,505	-	-	-	-
0742	State, Urban & Coastal Park (1976)	1978-2029	280,000	-	15,125	264,875	-	-	-	-
0744	Water Conserv & Water Quality (1986)	1993-2031	150,000	27,600	72,240	50,160	-	-	-	-
0790	Water Conserv (1988)	1991-2031	<u>60,000</u>	<u>15,935</u>	<u>32,940</u>	<u>11,125</u>	<u>2,809</u>	<u>2,492</u>	<u>10,701</u>	<u>1,770</u>
	Total, Natural Resources		\$11,356,000	\$6,579,145	\$2,227,805	\$2,549,050	\$557,402	\$703,655	\$2,008,721	\$128,410
ENVIRONMENTAL PROTECTION										
0737	Clean Water & Water Conserv (1978)	1981-2028	\$375,000	-	\$42,955	\$332,045	-	-	-	-
0764	Clean Water & Water Reclam (1988)	1991-2029	65,000	-	46,155	18,845	-	-	-	-
0710	Hazardous Substance Cleanup (1984)	1986-2005	100,000	-	7,500	92,500	-	-	-	-
6031	Water Security, Coastal & Beach Protection (2002)		<u>3,440,000</u>	<u>\$3,440,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total, Environmental Protection		\$3,980,000	\$3,440,000	\$96,610	\$443,390	-	-	-	-
HEALTH AND HUMAN SERVICES										
0729	Senior Center (1984)	1986-2006	<u>\$50,000</u>	<u>-</u>	<u>\$9,750</u>	<u>\$40,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total, Health and Human Services		\$50,000	-	\$9,750	\$40,250	-	-	-	-

Schedule 11—Continued
STATEMENT OF GENERAL OBLIGATION BOND AND 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.)

		General Obligation Bonds							Commercial Paper	
		Sales through December 31, 2002					Proposed Sales after December 31, 2002		through December 31, 2002	
Fund	Bond Act	Maturity	Authorized	Unissued	Outstanding	Redeemed	2002-03	2003-04	Finance Cmte Authorization	Total Outstanding
YOUTH AND ADULT CORRECTIONAL										
0711	Co Corr Facil Cap Expend (1986).....	1989-2022	\$495,000	-	\$225,780	\$269,220	-	-	-	-
0796	Co Corr Facil Cap Expend & Youth Facil (1988)	1991-2030	500,000	-	300,070	199,930	-	-	-	-
0725	Co Jail Cap Expend (1981).....	1984-2011	280,000	-	64,800	215,200	-	-	-	-
0727	Co Jail Cap Expend (1984).....	1986-2009	250,000	-	59,500	190,500	-	-	-	-
0723	New Prison Construction (1981).....	1983-2006	495,000	-	64,000	431,000	-	-	-	-
0724	New Prison Construction (1984).....	1985-2006	300,000	-	47,500	252,500	-	-	-	-
0746	New Prison Construction (1986).....	1989-2017	500,000	\$1,500	193,155	305,345	-	-	-	-
0747	New Prison Construction (1988).....	1991-2021	817,000	12,260	401,200	403,540	-	-	\$3,860	-
0751	New Prison Construction (1990).....	1991-2021	450,000	8,100	236,640	205,260	\$2,145	\$1,793	8,100	\$1,853
	Total, Youth & Adult Correctional.....		\$4,087,000	\$21,860	\$1,592,645	\$2,472,495	\$2,145	\$1,793	\$11,960	\$1,853
EDUCATION—K-12										
0794	Ca Library Constr & Renov (1988)	1991-2031	\$75,000	\$2,595	\$47,585	\$24,820	-	-	-	-
6000	Ca Library Constr & Renov (2000)	2001-2031	350,000	349,500	490	10	\$21,114	\$26,182	\$52,300	\$1,948
0119	Class Size Reduction K-U Pub. Ed. Facil (1998) K-12	1999-2032	6,700,000	506,300	5,969,250	224,450	291,814	285,530	506,300	851
0657	Public Education Facil (1996) K-12	1997-2032	2,025,000	67,535	1,685,105	272,360	7,138	9,681	67,535	6,140
6036	Public Education Facil (2002) K-12		11,400,000	11,400,000	-	-	1,923,991	1,976,456	11,400,000	-
0739	School Bldg & Earthquake (1974)	1997-2026	40,000	-	31,990	8,010	-	-	-	-
0789	School Facilities (1988)	1990-2011	800,000	-	369,730	430,270	-	-	-	-
0708	School Facilities (1990)	1992-2031	800,000	3,500	475,415	321,085	203	440	3,500	177
0745	School Facilities (1992)	1993-2032	1,900,000	20,400	1,196,845	682,755	3,916	3,992	20,400	1,784
0743	State Sch Bldg Lease-Purch (1982)	1984-2005	500,000	-	39,795	460,205	-	-	-	-
0743	State Sch Bldg Lease-Purch (1984)	1987-2011	450,000	-	125,000	325,000	-	-	-	-
0743	State Sch Bldg Lease-Purch (1986)	1990-2011	800,000	-	306,800	493,200	-	-	-	-
0776	1988 School Facil Bond Act (Nov)	1991-2029	800,000	7,000	413,480	379,520	2,843	1,874	7,000	3,981
0774	1990 School Facil Bond Act (Jun)	1991-2028	800,000	3,745	440,300	355,955	1,191	1,121	3,745	118
0765	1992 School Facil Bond Act (Nov)	1994-2032	900,000	8,094	591,627	300,279	2,312	2,098	8,094	931
	Total, Education—K-12.....		\$28,340,000	\$12,368,669	\$11,693,412	\$4,277,919	\$2,254,522	\$2,307,374	\$12,068,874	\$15,930
HIGHER EDUCATION										
0574	Class Size Reduction K-U Pub. Ed. Facil (1998) Hi-Ed.....	1999-2032	\$2,500,000	\$1,115,305	\$1,362,250	\$22,445	\$246,170	\$290,659	\$852,305	\$169,260
0782	Higher Education Facil (1986).....	1989-2011	400,000	-	143,500	256,500	-	-	-	-
0785	Higher Education Facil (1988).....	1990-2031	600,000	10,805	293,170	296,025	198	117	3,805	361
0791	Higher Education Facil (Jun 1990)	1991-2031	450,000	5,000	249,610	195,390	1,639	957	5,000	2,866
0705	Higher Education Facil (Jun 1992)	1993-2032	900,000	9,110	651,660	239,230	4,731	3,054	8,840	529
0658	Public Education Facil (1996) Hi-Ed	1997-2032	975,000	39,650	869,780	65,570	2,971	3,869	30,950	626
6028	Public Education Facil (2002) Hi-Ed		1,650,000	1,650,000	-	-	-	-	282,000	-
	Total, Higher Education.....		\$7,475,000	\$2,829,870	\$3,569,970	\$1,075,160	\$255,709	\$298,656	\$1,182,900	\$173,642

Schedule 11—Continued
STATEMENT OF GENERAL OBLIGATION BOND AND 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.)

		General Obligation Bonds							Commercial Paper	
		Sales through December 31, 2002					Proposed Sales after December 31, 2002		through December 31, 2002	
Fund	Bond Act	Maturity	Authorized	Unissued	Outstanding	Redeemed	2002-03	2003-04	Finance Cmte Authorization	Total Outstanding
GENERAL GOVERNMENT										
0768	Earthquake Safety & Public Bldg. Rehab (1990)	1991-2022	\$300,000	\$70,000	\$197,915	\$32,085	\$23,597	\$23,694	\$68,485	\$2,634
0701	Veterans' Homes (2000)		50,000	50,000	-	-	-	-	-	-
6032	Voting Modernization (2002)		200,000	200,000	-	-	-	-	-	-
Total, General Government			\$550,000	\$320,000	\$197,915	\$32,085	\$23,597	\$23,694	\$68,485	\$2,634
Total, All Agencies			\$63,078,000	\$28,454,314	\$22,681,172	\$11,942,514	\$3,200,000	\$3,500,000	\$16,135,710	\$439,463
SELF-LIQUIDATING BONDS ¹										
	Ca Water Resources Dev (1959)	1973-2024	\$1,750,000	\$167,600	\$838,860	\$743,540	-	-	-	-
	Veterans Bonds	1958-2032	5,010,000	1,105,585	2,201,090	1,703,325	na ²	na ²	\$105,585	-
Total, Self-Liquidating Bonds			\$6,760,000	\$1,273,185	\$3,039,950	\$2,446,865	-	-	\$105,585	-
TOTAL			\$69,838,000	\$29,727,499	\$25,721,122	\$14,389,379	\$3,200,000	\$3,500,000	\$16,241,295	\$439,463

¹ The California Water Resource Development Bond Act and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.

² Amounts not available.

Source: State Treasurer's Office.

Schedule 12-A
STATE APPROPRIATIONS LIMIT SUMMARY
(Dollars in Millions)

	2001-02			2002-03			2003-04		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Schedule 8:									
Revenues and Transfers	\$72,237	\$17,542	\$89,779	\$73,144	\$14,929	\$88,073	\$69,153	\$26,903	\$96,056
Less/Add: Transfers	-7,654	824	-6,830	-2,998	2,649	-349	-353	339	-14
Schedule 12-B:									
Less: Revenues to Excluded Funds.....	-	-8,523	-8,523	-	-8,091	-8,091	-	-9,141	-9,141
Schedule 12-C:									
Less: Non-Tax Revenues to Included Funds.....	-1,029	-303	-1,332	-5,410	-344	-5,754	-2,731	-428	-3,159
Schedule 12-D:									
Add: SAL Transfers	206	4	210	352	36	388	12	18	30
TOTAL, SAL REVENUES AND TRANSFERS	\$63,760	\$9,544	\$73,304	\$65,088	\$9,179	\$74,267	\$66,081	\$17,691	\$83,772
Schedule 12-E:									
Less: Exclusions	-26,994	-3,972	-30,966	-25,712	-4,090	-29,802	-23,723	-4,446	-28,169
TOTAL, SAL APPROPRIATIONS			\$42,338			\$44,465			\$55,603
CALCULATION OF LIMIT ROOM:									
Appropriations Limit (Sec. 12.00)			\$59,318			\$59,591			\$61,262
Less: Total SAL Appropriations.....			-42,338			-44,465			-55,603
Appropriation Limit Room/(Surplus)			\$16,980			\$15,126			\$5,659

**Schedule 12-B
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(Dollars In Thousands)**

Source Code	Source	Actual 2001-02	Estimated 2002-03	Estimated 2003-04
MAJOR REVENUES:				
110500	Cigarette Tax	\$956,873	\$927,000	\$801,000
110900	Horse Racing Fees-Licenses	26,450	26,077	26,077
111100	Horse Racing Fines and Penalties	1,429	1,507	1,507
111300	Horse Racing Miscellaneous	12,697	12,559	13,089
112000	Waters-Edge Election Fee	11	11	11
114300	Other Motor Vehicle Fees	1,472	990	990
114900	Retail Sales and Use Taxes	-	-	299,548
115000	Surplus Line Brokers Tax	156	150	150
115400	Mobilehome In-Lieu Tax	2,388	2,388	2,388
116000	Telecommunications Tax	14,264	14,550	14,500
	TOTAL, MAJOR TAXES AND LICENSES	\$1,015,740	\$985,232	\$1,159,260
MINOR REVENUES:				
REGULATORY TAXES AND LICENSES:				
120200	General Fish and Game Taxes	1,532	1,535	1,575
120300	Energy Resource Surcharge	468,432	486,866	488,438
120600	Quarterly Public Util Commission Fees	75,062	77,304	85,369
120700	Penalties on Pub Util Comm Qtrly Fees	2	-	-
120900	Off-Highway Vehicle Fees	2,835	1,800	1,800
121000	Liquor License Fees	36,680	39,775	41,898
121100	Genetic Disease Testing Fees	48,673	66,375	67,213
121200	Other Regulatory Taxes	59,278	63,051	94,200
121300	New Motor Vehicle Dealer License Fee	1,642	1,334	1,334
121500	General Fish and Game Lic Tags Permits	72,481	75,528	79,544
121600	Duck Stamps	24	24	24
122400	Elevator and Boiler Inspection Fees	9,967	10,914	10,914
122700	Employment Agency License Fees	2,409	6,373	8,805
122900	Teacher Credential Fees	10,431	14,494	15,188
123000	Teacher Examination Fees	8,101	12,197	12,529
123100	Insurance Co License Fees & Penalties	28,429	28,547	27,619
123200	Insurance Company Examination Fees	18,324	18,425	17,459
123400	Division of Real Estate Examination Fees	6,342	9,104	8,905
123500	Div of Real Estate License Fees	19,194	20,976	21,218
123600	Subdivision Filing Fees	7,302	7,698	7,412
123800	Building Construction Filing Fees	3,993	4,300	4,300
124100	Domestic Corporation Fees	8,366	8,749	9,500
124200	Foreign Corporation Fees	1,317	1,379	1,479
124300	Notary Public License Fees	1,396	985	985
124400	Filing Financing Statements	3,976	4,015	4,015
125100	Beverage Container Redemption Fees	521,315	556,514	558,802
125200	Explosive Permit Fees	1	-	-
125400	Hazardous Waste Control Fees	66,580	65,219	65,947
125600	Other Regulatory Fees	480,670	544,109	643,709
125700	Other Regulatory Licenses and Permits	2,102,747	1,044,930	1,166,202
125800	Renewal Fees	142,268	145,352	147,458
125900	Delinquent Fees	3,817	3,738	3,728
127100	Insurance Department Fees, Prop 103	23,049	24,716	24,562
127200	Insurance Department Fees, General	15,250	17,092	16,822
127300	Insurance Fraud Assessment, Workers Comp	31,670	31,000	31,000
127400	Insurance Fraud Assessment, Auto	29,380	39,091	38,445
127500	Insurance Fraud Assessment, General	1,797	1,808	1,808
	TOTAL, REGULATORY TAXES AND LICENSES	\$4,314,732	\$3,435,317	\$3,710,206
REVENUE FROM LOCAL AGENCIES:				
130600	Architecture Public Building Fees	27,432	28,500	28,500
130700	Penalties on Traffic Violations	90,439	92,681	93,389
130800	Penalties on Felony Convictions	45,989	56,821	71,275
130900	Fines-Crimes of Public Offense	13,080	1,700	903
131000	Fish and Game Violation Fines	499	497	497
131100	Penalty Assessments on Fish & Game Fines	603	709	714
131300	Add'l Assmnts on Fish & Game Fines	85	86	86
131600	Fingerprint ID Card Fees	50,940	53,646	58,353
131700	Misc Revenue From Local Agencies	557,090	540,668	540,668
	TOTAL, REVENUE FROM LOCAL AGENCIES	\$786,157	\$775,308	\$794,385

Schedule 12-B—Continued
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(Dollars In Thousands)

Source Code	Source	Actual 2001-02	Estimated 2002-03	Estimated 2003-04
SERVICES TO THE PUBLIC:				
140600	State Beach and Park Service Fees	31,179	35,500	52,100
140900	Parking Lot Revenues	7,329	7,884	8,182
141100	Emergency Telephone Users Surcharge	125,381	131,460	181,203
141200	Sales of Documents	843	688	627
142000	General Fees—Secretary of State	15,607	15,000	15,100
142200	Parental Fees	2,357	1,700	1,700
142500	Miscellaneous Services to the Public.....	151,378	168,525	178,269
142800	California State University Fees	735,050	768,248	981,396
143000	Personalized License Plates	38,030	38,891	39,134
	TOTAL, SERVICES TO THE PUBLIC	\$1,107,154	\$1,167,896	\$1,457,711
USE OF PROPERTY AND MONEY:				
150200	Income From Pooled Money Investments.....	1,123	653	653
150300	Income From Surplus Money Investments	141,513	121,347	102,186
150400	Interest Income From Loans	4,237	3,965	3,584
150500	Interest Income From Interfund Loans	3	15,031	245
150600	Income From Other Investments.....	13,934	9,228	4,514
151200	Income From Condemnation Deposits Fund.....	2	3	3
151800	Federal Lands Royalties.....	9,599	8,581	8,581
152200	Rentals of State Property	4,549	3,703	3,763
152300	Misc Revenue Frm Use of Property & Money.....	13,460	14,246	19,946
152400	School Lands Royalties	60	58	58
152500	State Lands Royalties.....	27,698	5,000	—
	TOTAL, USE OF PROPERTY AND MONEY	\$216,178	\$181,815	\$143,533
MISCELLANEOUS:				
160100	Attorney General Proceeds of Anti-Trust	1,060	1,128	1,128
160200	Penalties & Interest on UI & DI Contrib.....	74,866	72,027	78,239
160400	Sale of Fixed Assets.....	284	210	208
160500	Sale of Confiscated Property	3	3	3
160600	Sale of State's Public Lands.....	5,077	406	2,706
161000	Escheat of Unclaimed Checks & Warrants	1,679	423	450
161300	Subsequent Injuries Revenue.....	4,007	3,300	3,300
161400	Miscellaneous Revenue	61,742	413,396	862,995
161800	Penalties & Intrst on Personal Income Tx	21,722	21,251	21,548
161900	Other Revenue—Cost Recoveries	42,683	37,843	69,416
163000	Settlements/Judgments (not Anti-trust).....	402,010	474,418	220,718
164100	Traffic Violations.....	2,130	2,130	2,130
164200	Parking Violations.....	634	310	300
164300	Penalty Assessments	83,409	81,883	75,915
164400	Civil & Criminal Violation Assessment.....	4,438	15,526	6,521
164600	Fines and Forfeitures	222,996	222,996	222,996
164700	Court Filing Fees and Surcharges	154,591	169,682	249,753
164800	Penalty Assessments on Criminal Fines.....	—	28,504	57,454
	TOTAL, MISCELLANEOUS.....	\$1,083,331	\$1,545,436	\$1,875,780
	TOTAL, MINOR REVENUES.....	\$7,507,552	\$7,105,772	\$7,981,615
	TOTALS, Revenue to Excluded Funds (MAJOR and MINOR)	\$8,523,292	\$8,091,004	\$9,140,875

Schedule 12-C
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(Dollars In Thousands)

Source Code	Source	Actual 2001-02		Estimated 2002-03		Estimated 2003-04	
		General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
MAJOR REVENUES:							
111100	Horse Racing Fines and Penalties.....	166	-	166	-	166	-
111200	Horse Racing Fees-Unclaimed P-M Tickets.....	326	-	326	-	326	-
111300	Horse Racing Miscellaneous.....	12	-	10	-	10	-
114200	Driver's License Fees.....	-	89,808	-	132,000	-	167,251
114300	Other Motor Vehicle Fees.....	-	34,505	-	35,719	-	38,916
114400	Identification Card Fees.....	-	7,911	-	8,111	-	16,856
TOTAL, MAJOR TAXES AND LICENSES.....		\$504	\$132,224	\$502	\$175,830	\$502	\$223,023
MINOR REVENUES:							
REGULATORY TAXES AND LICENSES:							
120800	Hwy Carrier Uniform Business License Tax.....	272	-	300	-	300	-
120900	Off-Highway Vehicle Fees.....	-	3,206	-	3,513	-	3,750
121200	Other Regulatory Taxes.....	11,707	-	12,770	-	-	-
122400	Elevator and Boiler Inspection Fees.....	222	-	241	-	241	-
122600	Industrial Homework Fees.....	8	-	8	-	8	-
122700	Employment Agency License Fees.....	767	-	834	-	834	-
122800	Employment Agency Filing Fees.....	139	-	151	-	151	-
124500	Candidate Filing Fee.....	736	-	62	-	658	-
125200	Explosive Permit Fees.....	-	-	25	-	25	-
125600	Other Regulatory Fees.....	8,427	-	8,343	-	15,110	-
125700	Other Regulatory Licenses and Permits.....	40,966	23,421	40,891	22,872	47,521	23,145
125800	Renewal Fees.....	123	-	123	-	123	-
125900	Delinquent Fees.....	1	-	1	-	1	-
TOTAL, REGULATORY TAXES AND LICENSES.....		\$63,368	\$26,627	\$63,749	\$26,385	\$64,972	\$26,895
REVENUE FROM LOCAL AGENCIES:							
131500	Narcotic Fines.....	1,550	-	1,550	-	1,550	-
131700	Misc Revenue From Local Agencies.....	302,953	529	338,486	600	379,734	615
131900	Rev Local Govt Agencies-Cost Recoveries.....	109	-	700	-	700	-
TOTAL, REVENUE FROM LOCAL AGENCIES.....		\$304,612	\$529	\$340,736	\$600	\$381,984	\$615
SERVICES TO THE PUBLIC:							
140100	Pay Patients Board Charges.....	19,819	-	18,042	-	18,599	-
141000	Fire Prevention and Suppression.....	-	-	100	-	100	-
141200	Sales of Documents.....	449	864	438	810	422	749
142000	General Fees—Secretary of State.....	7	-	28	-	28	-
142200	Parental Fees.....	-	-	-	-	31,574	-
142300	Guardianship Fees.....	6	-	10	-	10	-
142500	Miscellaneous Services to the Public.....	3,265	64,672	3,608	67,872	5,708	104,000
142600	Receipts From Health Care Deposit Fund.....	8,000	-	8,000	-	8,000	-
142700	Medicare Receipts Frm Federal Government....	5,103	-	5,270	-	5,270	-
TOTAL, SERVICES TO THE PUBLIC.....		\$36,649	\$65,536	\$35,496	\$68,682	\$69,711	\$104,749
USE OF PROPERTY AND MONEY:							
152000	Oil & Gas Lease-1% Revenue City/County.....	180	-	166	-	158	-
152200	Rentals of State Property.....	9,074	40,529	9,354	35,068	9,530	36,068
152300	Misc Revenue Frm Use of Property & Money.....	32,913	14,964	26,313	18,000	33,920	18,000
152500	State Lands Royalties.....	15,131	-	35,515	-	31,025	-
TOTAL, USE OF PROPERTY AND MONEY.....		\$57,298	\$55,493	\$71,348	\$53,068	\$74,633	\$54,068
MISCELLANEOUS:							
160400	Sale of Fixed Assets.....	131,784	-	56,148	-	100,874	-
160500	Sale of Confiscated Property.....	6,258	-	5,510	-	5,510	-
160600	Sale of State's Public Lands.....	-	64	-	24	-	14
160700	Proceeds From Estates of Deceased Person.....	337	-	350	-	350	-
160900	Revenue-Abandoned Property.....	287,848	-	198,470	-	367,210	-
161000	Escheat of Unclaimed Checks & Warrants.....	27,441	3,840	21,917	681	20,442	684
161100	Forestry & Fire Protect Nursery Sales.....	52	-	-	-	-	-
161400	Miscellaneous Revenue.....	4,491	19,111	4,555,664	18,168	1,603,153	17,767
161900	Other Revenue—Cost Recoveries.....	818	-	409	-	-	-
163000	Settlements/Judgments (not Anti-trust).....	75,771	-	2,510	-	11,260	-
164000	Uninsured Motorist Fees.....	2,169	-	2,000	-	2,000	-

Schedule 12-C—Continued
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(Dollars In Thousands)

Source Code	Source	Actual 2001-02		Estimated 2002-03		Estimated 2003-04	
		General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
164200	Parking Violations.....	6,056	-	5,505	-	5,505	-
164300	Penalty Assessments	23,076	-	49,513	-	22,501	-
164400	Civil & Criminal Violation Assessment.....	394	-	293	-	293	-
	TOTAL, MISCELLANEOUS	\$566,495	\$23,015	\$4,898,289	\$18,873	\$2,139,098	\$18,465
	TOTAL, MINOR REVENUES	\$1,028,422	\$171,200	\$5,409,618	\$167,608	\$2,730,398	\$204,792
	TOTALS, NON-TAX Revenue						
	(MAJOR and MINOR)	\$1,028,926	\$303,424	\$5,410,120	\$343,438	\$2,730,900	\$427,815

Schedule 12-D
STATE APPROPRIATIONS LIMIT
TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS
(Dollars in Thousands)

	Actual 2001-02		Estimated 2002-03		Estimated 2003-04	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
From Fingerprint Fees Account (0017) to General Fund (0001) (per Control Section 25.10, Budget Act of 2001).....	4,900	-	-	-	-	-
From Fingerprint Fees Account (0017) to General Fund (0001) (per Item 0820-011-0017, Budget Acts of 2002 and 2003).....	-	-	2,000	-	2,000	-
From Site Remediation Account (0018) to General Fund (0001) (per Item 3960-011-0018, Budget Act of 2002).....	-	-	1,000	-	-	-
From Emergency Telephone Number Acct, State (0022) to General Fund (0001) (per Control Section 25.10, Budget Act of 2001).....	63,117	-	-	-	-	-
From Corporations Fund, State (0067) to General Fund (0001) (per Item 2180-012-0067, Budget Act of 2002).....	-	-	9,000	-	-	-
From Health Statistics Special Fund (0099) to General Fund (0001) (per Item 4260-012-0099, Budget Acts of 2002 and 2003).....	-	-	4,200	-	1,000	-
From Sexual Habitual Offender, DOJ (0142) to General Fund (0001) (per Item 0820-011-0142, Budget Act of 2003).....	-	-	-	-	1,000	-
From Energy and Resources Fund (0188) to General Fund (0001) (per Public Resources Code Section 26042.4).....	296	-	300	-	300	-
From Fair and Exposition Fund (0191) to General Fund (0001) (per Item 8570-011-0191, Budget Acts of 2001, 2002 and 2003).....	246	-	246	-	246	-
From Workers' Comp Administration Revolv Fund (0223) to General Fund (0001) (per Item 8350-011-0223, Budget Act of 2002).....	-	-	2,805	-	-	-
From Business Fees Fund, Secty of State's (0228) to General Fund (0001) (per Government Code Section 12176).....	2,488	-	2,627	-	2,511	-
From Business Fees Fund, Secty of State's (0228) to General Fund (0001) (per Item 0890-011-0228, Budget Act of 2002).....	-	-	1,000	-	-	-
From Technical Assistance Fund (0270) to General Fund (0001) (per Item 5180-011-0270, Budget Act of 2002).....	-	-	600	-	-	-
From Business Reinvestment Fund (0274) to General Fund (0001) (per Government Code Section 16351).....	-	-	-	-	193	-
From Business Reinvestment Fund (0274) to General Fund (0001) (per Item 0890-011-0274, Budget Act of 2002).....	-	-	3,056	-	-	-
From Loss Control Certification Fund (0284) to General Fund (0001) (per Item 8350-011-0284, Budget Act of 2002).....	-	-	1,903	-	-	-
From Motor Carriers Permit Fund (0292) to General Fund (0001) (per Revenue and Taxation Code Section 7236).....	4,175	-	4,175	-	-	-
From Public Int Res, Dev & Demonstratn Progm (0381) to General Fund (0001) (per Item 3360-011-0381, Budget Act of 2002).....	-	-	5,500	-	-	-
From Renewable Resource Trust Fund (0382) to General Fund (0001) (per pending legislation).....	-	-	6,308	-	-	-
From Renewable Resource Trust Fund (0382) to General Fund (0001) (per Item 3360-012-0382, Budget Act of 2002).....	-	-	7,000	-	-	-
From Parks and Recreation Fund, State (0392) to General Fund (0001) (per Item 3790-011-0392, Budget Act of 2002).....	-	-	19,800	-	-	-
From High-Cost Fund-A Admin Committee Fd, Cal (0464) to General Fund (0001) (per Item 8660-011-0464, Budget Act of 2002).....	-	-	27,200	-	-	-

Schedule 12-D—Continued
STATE APPROPRIATIONS LIMIT
TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS
(Dollars in Thousands)

	Actual 2001-02		Estimated 2002-03		Estimated 2003-04	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
From High-Cost Fund-B Admin Committee Fd, Cal (0470) to General Fund (0001) (per Chapter 1, Statutes of 2002, Third Extraordinary Session)	35,500	-	-	-	-	-
From High-Cost Fund-B Admin Committee Fd, Cal (0470) to General Fund (0001) (per Item 8660-011-0470, Budget Act of 2002)	-	-	250,900	-	-	-
From Title Insurance Fund (0548) to General Fund (0001) (per Chapter 434, Statutes of 1997 and Government Code Section 13306)	116	-	-	-	-	-
From High Polluter Repair or Removal Account (0582) to General Fund (0001) (per Chapter 1, Third Extraordinary Session, Section 7, Statutes of 2002)	44,000	-	-	-	-	-
From High Polluter Repair or Removal Account (0582) to General Fund (0001) (per Item 1111-011-0582, Budget Act of 2001)	50,000	-	-	-	-	-
From Drinking Water Treatment & Research Fund (0622) to General Fund (0001) (per Item 4260-011-0622, Budget Act of 2003)	-	-	-	-	1,000	-
From Structural Pest Control Device Fund (0645) to General Fund (0001) (per Business and Professions Code Section 8674.5 (c))	952	-	-	-	-	-
From Managed Care Fund (0933) to General Fund (0001) (per pending legislation)	-	-	1,000	-	-	-
From Apprenticeship Training Contribution Fd (3022) to General Fund (0001) (per Item 8350-011-3022, Budget Act of 2002 and pending legislation)	-	-	1,400	-	1,400	-
From Alcohol Beverages Control Fund (3036) to General Fund (0001) (per Business and Professions Code Section 25761)	-	-	-	-	2,338	-
From Seismic Safety Retrofit Account, STF (0056) to Highway Account, State, STF (0042) (per Item 2660-011-0056, Budget Act of 2002)	-	-	-	13,027	-	-
From Environmnt Enhanc & Mitigat Demo Prgm Fd (0183) to Highway Account, State, STF (0042) (per Item 2660-011-0183, Budget Acts of 2002 and 2003)	-	-	-	10,185	-	14,090
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 Motor Carriers Permit Fund (0292) to Motor Vehicle Account, STF (0044) (per Item 2740-011-0292, Budget Act of 2002)	-	-	-	8,813	-	-
TOTALS	\$205,790	\$3,890	\$352,020	\$35,915	\$11,988	\$17,980

Schedule 12-E
STATE APPROPRIATIONS LIMIT
EXCLUDED APPROPRIATIONS
(In Millions)

Budget	Fund	Actual 2001-02	Estimated 2002-03	Estimated 2003-04
DEBT SERVICE:				
9600 Bond Interest and Redemption (9600-510-0001)	General	\$2,282	\$1,693	\$1,870
(9590-501-0001)	General	5	3	3
TOTAL—DEBT SERVICE		\$2,287	\$1,696	\$1,873
QUALIFIED CAPITAL OUTLAY:				
Various (Ch. 3 Except DOT)	General	\$284	\$169	\$74
Various (Ch. 3 Except DOT)	Special	13	173	99
Various Qualified Capital Outlay	General	405	197	189
Lease-Revenue Bonds (Capital Outlay)	General	487	468	539
Lease-Revenue Bonds (Capital Outlay)	Special	16	16	16
TOTAL—CAPITAL OUTLAY		\$1,205	\$1,023	\$917
SUBVENTIONS:				
6110 K-12 Apportionments (6110-601-0001)	General	\$15,451	\$14,848	\$15,208
6110 K-12 Supplemental Instruction (6110-104, 204, 205-0001)	General	477	471	437
6110 K-12 Class Size Reduction (6110-234-0001)	General	1,610	1,480	1,480
6110 K-12 ROCP (6110-105-0001)	General	360	3	-
6110 K-12 Apprenticeships (6110-103-0001)	General	16	14	-
6110 Charter Sch Block Grant (6110-211-0001)	General	41	32	-
6110 Child Care Realignment Funding (as of 2003-04) (6110-196-0001)	General	-	-	532
State Subventions Not Counted in Schools' Limit	General	-2,923	-3,833	-3,989
6110 County Offices (6110-608-0001)	General	186	172	207
6870 Community Colleges (6870-101-0001)	General	2,103	2,371	1,850
SUBVENTIONS—EDUCATION		\$17,321	\$15,558	\$15,725
5195 State-Local Realignment				
Vehicle License Collection Account	Special	\$14	\$14	\$14
Vehicle License Fees	Special	471	451	459
(9100-602-0001) Vehicle License Fee GF Backfill (Realignment)	General	585	937	953
Enhanced State-Local Realignment (excluding Child Care)	Special	-	-	386
9100 Tax Relief (9100-101-0001, Programs 60, 90)	General	441	453	420
9210 Local Government Financing (9210-103-0001)	General	-	-	1
(9210-601-0001)	General	38	38	-
(9210-603-0001)	General	1	1	-
9350 Shared Revenues (9430-640-0064)	Special	1,442	1,403	1,427
(9100-603-0001) VLF GF backfill (Shared Rev.)	General	1,809	1,634	-
(9430-601-0001) Trailer VLF GF backfill (Shared Rev.)	General	37	12	12
SUBVENTIONS—OTHER		\$4,838	\$4,943	\$3,672
COURT AND FEDERAL MANDATES:				
Various Court and Federal Mandates (HHS)	General	\$2,714	\$2,786	\$2,816
Various Court and Federal Mandates (HHS)	Special	19	-	-
Various Court and Federal Mandates	General	404	1,575	925
Various Court and Federal Mandates	Special	114	144	142
TOTAL—MANDATES		\$3,251	\$4,505	\$3,883

Schedule 12-E—Continued
STATE APPROPRIATIONS LIMIT
EXCLUDED APPROPRIATIONS
(In Millions)

<u>Budget</u>	<u>Fund</u>	<u>Actual 2001-02</u>	<u>Estimated 2002-03</u>	<u>Estimated 2003-04</u>
PROPOSITION 111:				
PTA Gasoline (Including Spillover)	Special	\$75	\$66	\$67
Motor Vehicle Fuel Tax: Gasoline	Special	1,363	1,366	1,367
Motor Vehicle Fuel Tax: Diesel	Special	225	243	246
Weight Fee Revenue	Special	220	214	223
TOTAL—PROPOSITION 111		\$1,883	\$1,889	\$1,903
TAX REFUND:				
9100 Tax Relief (9100-101-0001, Programs 10, 30, 50)	General	\$181	\$188	\$196
TOTAL—TAX RELIEF		\$181	\$188	\$196
EMERGENCIES:				
		-	-	-
TOTAL EXCLUSIONS:				
General Fund		\$30,966	\$29,802	\$28,169
Special Funds		\$26,994	\$25,712	\$23,723
		\$3,972	\$4,090	\$4,446

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Mid-Year Spending Reduction Proposals



GRAY DAVIS, GOVERNOR
STATE OF CALIFORNIA

—
DECEMBER 2002

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OVERVIEW

The anticipated recovery of the U.S. and California economies has not yet materialized. The Department of Finance's 2002-03 May Revision economic forecast, on which the current-year budget is based, was more conservative than the consensus of economic forecasts at the time, projecting very slow growth in 2002.

Since the May Revision, the nation has added only 194,000 jobs. Over the last 10 years, the nation would have been expected to add about 200,000 jobs in a single month. Similarly, California has added only 30,000 jobs, about a month and a half's worth of average job growth. The national unemployment rate has hovered between 5.6 percent and 6.0 percent since the May Revision, compared to California's unemployment rate of 6.4 or 6.5 percent every month since the May Revision. Most troubling, the state's important high-tech sector does not appear to have begun to recover. While job losses have slowed considerably in the state's high-tech sector --- from a peak number of 19,200 jobs lost in April 2001 --- they remain a considerable drag on the economy, exceeding 4,000 jobs lost per month, on average, in the most recent four months.

Additionally, the stock market has lost a considerable amount of ground since midyear. When the Department of Finance's May Revision forecast was finalized, the S&P 500 Index closed at 1128.37. By the end of November 2002, the S&P 500 Index had fallen 17 percent to 936.31. The continued slide of the stock market in the summer and early fall and the possibility of military action in Iraq have soured the mood of consumers.

As a consequence of these developments, State General Fund is projected to fall considerably below budgeted levels, necessitating prompt action to curb current-year General Fund spending. On November 26, 2002, the Governor issued Executive Order D-64-02, directing departments to freeze spending where possible and to begin implementing current-year reductions in non-essential functions.

This document proposes a number of current-year General Fund spending reductions and other adjustments totaling \$3.4 billion. These reductions and adjustments would result in additional budget year savings of \$6.8 billion, for a total of \$10.2 billion over the two years. Of this amount, State operations reductions total \$320.8 million for 2002-03 and \$1.6 billion for 2003-04, consistent with the direction pursuant to Control Section 3.90 of the 2002 Budget Act (as added by Chapter 1023, Statutes of 2002) to achieve up to \$750 million in State operations savings in 2002-03.

While the exact magnitude of the budget gap is still unknown, the Administration will present a balanced plan to address the full extent of the shortfall in the Governor's 2003-04 Budget to be released in January. Along with over 40 other states, California faces painful choices in balancing its budget as the national economic and fiscal slump continues, with recent forecasts pushing resumption of normal economic growth well into 2004.

Revenue Update. October General Fund revenue receipts were \$312 million below the 2002 Budget Act forecast. To date, fiscal year 2002-03 General Fund revenues are \$381 million below expectations. Combined with our preliminary estimate of \$1.4 billion in lower-than-projected accrued revenues for the prior fiscal year, the total fiscal year-to-date and prior-year shortfall is about \$1.8 billion.

EXPENDITURE REDUCTIONS

Addressing the Fiscal Challenge

This document proposes reductions and adjustments totaling \$10.2 billion over the two years. The proposed changes are summarized in the following table:

	Amounts (Dollars in Millions)			
	<u>2002-03</u>	<u>2003-04</u>	<u>Total</u>	<u>%</u>
Cuts/Savings	\$2,038.1	\$6,619.9	\$8,658.0	84.9%
Fund Shifts	657.5	158.1	815.6	8.0%
Transfers/Other Revenue	685.6	14.1	699.7	6.9%
Loans/Borrowing	<u>25.4</u>	<u>--</u>	<u>25.4</u>	<u>0.2%</u>
Totals	\$3,406.6	\$6,792.1	\$10,198.7	100.0%

The State operations reductions are summarized in a consolidated statewide issue, and with certain exceptions, are not addressed in the individual departmental expenditure reduction sections.

LEGISLATIVE, JUDICIAL AND EXECUTIVE
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Judiciary

-\$10 million

Judiciary State Operations: The 2002 Budget Act included \$278.4 million General Fund to support the Judiciary. The Administration proposes to revert \$10 million as an unallocated reduction to the State Judiciary. The Administration intends to propose an additional \$29 million unallocated reduction to the State Judiciary in the budget year.

State Trial Court Funding

-\$50 million

Trial Court Operations: The 2002 Budget Act included \$1.1 billion General Fund local assistance for support of the trial courts. The Administration proposes to revert \$50 million as an unallocated reduction to the trial courts. The Administration intends to propose an additional \$200 million unallocated reduction to the trial courts in the budget year.

Office of Planning and Research

-\$4.75 million

Cesar Chavez Day of Learning Grants: Chapter 213, Statutes of 2000, provides an annual appropriation to the Governor's Office of Service and Volunteerism to administer learning grants for the purpose of honoring the achievements of Cesar Chavez. The Administration proposes to reduce this appropriation by \$4,750,000 in 2002-03, and to suspend this program for three additional years beginning in 2003-04 by amending the statutory authority for this program.

Office of Emergency Services

-\$1.274 million

Disaster Assistance Division: The Administration proposes that \$1,274,000 be reduced preserving \$24,199,000 in General Fund support for the program. This adjustment would reduce the amount of State matching funding available in fiscal year 2002-03 for anticipated disaster assistance claims to be received from local jurisdictions and processed by the Office of Emergency Services.

STATE AND CONSUMER SERVICES

Department of General Services

-\$0.609 million

California Rehabilitation Center Norco-Administration Building 100-Occupant Relocation: The 2001 Budget Act provided \$16.7 million General Fund to construct temporary buildings at California Rehabilitation Center at Norco. The Administration proposes that the project construction bid savings of \$609,000 General Fund be reverted.

State Teachers' Retirement System

-\$500 million

Supplemental Benefit Maintenance Account: Pursuant to Chapter 840, Statutes of 2001, the Supplemental Benefit Maintenance Account (SBMA) in the State Teachers' Retirement Fund provides payments to retired teachers in amounts necessary to ensure that the purchasing power of retired teachers' retirement benefits is at least 80 percent of the purchasing power at the time of retirement. The State is statutorily required to make annual General Fund payments to the SBMA equal to 2.5 percent of teachers' salaries, estimated to be \$555 million in 2003-04. It is proposed that this payment be reduced by \$500 million in 2003-04, coupled with a statutory commitment to restore the funds if purchasing power protection at the 80 percent level cannot be maintained through July 1, 2036. It is our understanding, based on advice from the State Teachers' Retirement System, that this proposal will not affect the ability to provide this benefit for at least 30 years.

BUSINESS, TRANSPORTATION AND HOUSING

Department of Housing and Community Development

-\$38.1 million

Shift of Farmworker Housing Grants to Bond Funds: With the passage of Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002, the Administration proposes that General Fund supported projects now be funded from bond funds, resulting in savings to the General Fund of nearly \$11.0 million.

Homeless Shelter Operations Funding: The historic level of State funding for homeless shelter operations has been \$4.0 million. This proposal would reduce the funding by \$1.3 million in 2002-03.

Transfers to the General Fund: The Administration proposes that \$5.5 million in funds previously appropriated for Self-Help housing projects be returned to the General. Also, \$1.9 million will be returned to the General Fund from the Predevelopment Loan Fund.

Loans to the General Fund: The Administration proposes loans to the General Fund of \$18.1 million from the balances of seven special funds where those funds are not currently pledged to projects.

Other State Operations Reductions: The Administration proposes three expenditure reductions that will result in savings to the General Fund of \$288,000.

Passage of Proposition 46 Increases General Fund Transfers: The passage of the Housing and Emergency Shelter Trust Fund Act of 2002 (Proposition 46 on the November 2002 ballot) triggers increased transfers to the General Fund as follows:

- An additional transfer of \$5,599,000 from the Self-Help Housing Fund.
- An additional \$2,999,000 from the Farmworker Housing Grant Fund.

Office of Real Estate Appraisers

-\$1 million

Loan to the General Fund: The Administration proposes a loan to the General Fund of \$1 million from the Real Estate Appraisers Regulation Fund reserve.

Department of Managed Health Care

-\$1 million

Transfer to the General Fund: The Administration proposes to transfer the proceeds of a \$1 million settlement with Kaiser Permanente to the General Fund.

Department of Transportation (Caltrans)

-\$1.8 billion

Transfer of 2001-02 and 2002-03 Statewide Cost Allocation Plan (SWCAP) Recoveries:

During the past several years, Caltrans has recovered significantly less SWCAP amounts than budgeted. The 2002 Budget Act transferred \$14.4 million from the State Highway Account (SHA) to the General Fund for 1998-99, 1999-00, and 2000-01 SWCAP recoveries. The Administration proposes that an additional \$15 million be transferred from the SHA to the General Fund for 2001-02 and 2002-03 SWCAP recoveries.

2000-01 General Fund Appropriations: The Administration proposes that \$5.1 million related to local project savings be reverted to the General Fund.

Additional Transfer from the Aeronautics Account to the General Fund: The Administration proposes that an additional \$5.2 million be transferred from the Aeronautics Account reserve to the General Fund.

Shift responsibility for the Traffic Congestion Relief Program (TCRP) to the California Transportation Commission. This Administration has made historic commitments to transportation, including significant General Fund resources to the TCRP when they were available. In light of the State's current fiscal situation, the Administration proposes to eliminate General Fund support for the TCRP in the budget year and recapture unused General Fund in the current year. The Administration intends to shift responsibility for the program from the Department of Transportation (Caltrans) to the California Transportation Commission (CTC). The 2002 State Transportation Improvement Program Fund Estimate identifies over \$5 billion in funding available for transportation projects. Caltrans has been directed to work closely with the CTC and local transportation agencies to re-evaluate transportation funding resources and project priorities relative to ensuring that high priority traffic congestion relief projects continue. The CTC has responsibility for allocation of transportation funds for projects and is well suited to oversee and coordinate this effort. Consistent with this direction, the Administration proposes the following actions:

- **Reduce funding in the Traffic Congestion Relief Fund (TCRF):** The Administration proposes to reduce the TCRF by returning \$100 million to the General Fund.
- **Suspending 2003-04 General Fund transfer to the Transportation Investment Fund (TIF):** The Administration proposes that the 2003-04 General Fund transfer to the TIF for the Traffic Congestion Relief Program of \$1 billion be suspended pursuant to Article XIXB, Section 1 (d) of the Constitution. Suspension of future transfers will be considered in the Governor's 2003-04 Budget.
- **Forgiveness of Planned 2003-04 General Fund Loan Repayment to TCRF:** Considering the current and projected status of the General Fund, the Administration proposes to forgive the planned 2003-04 loan repayment of \$500 million General Fund to the TCRF. Forgiveness of the remaining outstanding loan to the General Fund will be considered in the Governor's 2003-04 Budget.

- **Deferral of Planned 2003-04 TCRF Loan Repayment to the SHA:** Due to the 2002-03 transfer from the TCRF to the General Fund based on the current and projected status of the General Fund, the Administration proposes to defer the planned 2003-04 loan repayment of \$50 million TCRF to the SHA.
- **Elimination of Remaining 2002-03 SHA Local Street and Road Funding:** Due to the aforementioned deferral of the planned 2003-04 loan repayment of \$50 million TCRF to the SHA, the Administration proposes to eliminate the second, third, and fourth quarter 2002-03 apportionments to local agencies for street and road maintenance. The savings to the SHA as a result of this proposal is estimated to be \$90 million; however, this amount will vary based on actual revenues.

TECHNOLOGY, TRADE AND COMMERCE

Technology, Trade, and Commerce Agency

-\$13.5 million

Reimbursements of Film Production Costs: The Film California First program reimburses state and local agencies for costs they incur for television and film productions in their jurisdictions. Since its inception in 2000-01, this program has provided about \$8 million per year in reimbursements. The Administration proposes a reduction of \$2.1 million, which should still provide sufficient funds to address the annual demand on the program.

Biomass Funding: The Administration proposes eliminating the third year of program funding, resulting in a savings to the General Fund of \$4 million. In its first two years, the program provided over \$20 million in assistance to operators of plants that convert biomass fuels to energy.

Loans to the General Fund: The Administration proposes loans to the General Fund totaling \$6.2 million from the balances of two special funds where those funds are not currently pledged to projects.

Return Funding to the General Fund: The Administration proposes six expenditure reductions that will result in savings to the General Fund of about \$1.2 million.

RESOURCES

California Conservation Corps (CCC)

-\$1.655 million

Corps Member Benefits Savings: The CCC member savings account was designed to provide medical and dental benefits to corps members when the General Fund is not available. The Administration proposes to reduce the amount of funding in the account by \$655,000 to recoup program savings resulting from pre-payment of benefits premiums.

Collins-Dugan California Conservation Corps Reimbursement Account: The Collins-Dugan Account was created to provide resources to hire more corps members, enhance corps member education and educational support services, and purchase equipment. Reimbursements are received from work projects completed by corps members, donations, and transfers from other funds. Projected revenue in the current year is \$25 million. The Administration proposes to shift \$1 million in program activity costs from the General Fund to the Collins-Dugan California Conservation Corps Reimbursement Account.

Energy Resources Conservation and Development Commission

-\$1.733 million

Peak Load Reduction Program: Chapter 329, Statutes of 2000, appropriated \$50 million to develop and implement cost-effective energy conservation and demand-side management programs. The Administration proposes to revert \$1.679 million of currently unencumbered and uncommitted funds from that appropriation.

Electric Metering Program: Chapter 8, Statutes of 2001, First Extraordinary Session, appropriated \$35 million to provide time-of-use or real time electric meters to customers whose usage is greater than 200 kilowatts. The Administration proposes to revert \$54,000 that has not been encumbered to the General Fund.

Department of Forestry and Fire Protection

-\$5.485 million

Federal Emergency Management Agency (FEMA) Reimbursements: The department receives reimbursement from FEMA for specified emergency fire suppression costs. The federal government has broadened the criteria for obtaining these funds, which will result in an additional \$5 million in federal reimbursements in the current year.

Alma Helitack Base-Helipad Relocation Project: The 2002 Budget Act provided \$485,000 General Fund for the Alma Helitack Base helipad relocation project. The relocation of the helipad cannot be completed in 2002-03 and is proposed to be included in the scope of a future capital project. Therefore, the Administration proposes to revert these funds.

Department of Fish and Game

-\$2.242 million

Urban Fishing Program: This program is budgeted at approximately \$2 million and provides education and fishing opportunities in urban areas of Sacramento, Fresno, San Francisco, and Los Angeles. This proposal will reduce program activities and generate \$176,000 in General Fund savings in the current year.

Vacant Enforcement Positions: This proposal will eliminate 31 vacant positions, including Fish and Game Wardens, Patrol Captains, Regional Patrol Chiefs and Patrol Lieutenants. Since the positions to be eliminated are already vacant, this reduction will not reduce the department's current law enforcement capabilities. This proposal will generate \$1.641 million in General Fund savings in the current year.

Timber Harvest Plan Review: The department provides input to the Department of Forestry and Fire Protection on timber harvest plans to protect fish and wildlife resources during timber harvesting operations. This proposal will reduce the department's review of these plans, generating \$425,000 in General Fund savings in the current year.

Wildlife Conservation Board

-\$44.129 million

Cargill Salt Ponds Restoration: Chapter 395, Statutes of 2000, appropriated \$25 million General Fund for the acquisition and restoration of wetlands at the Cargill Salt Ponds in San Francisco Bay. The Administration proposes to shift \$24.965 million for this acquisition to the Water Security, Clean Drinking Water, Coastal and Beach Protection Bond Act of 2002 (Proposition 50).

Wetlands Acquisition and Restoration: Various prior year General Fund appropriations totaling \$19.164 million are available for wetlands acquisition and restoration. The Administration proposes to shift the fund source for these projects from the General Fund to Proposition 40 bond funds.

Coastal Commission

-\$0.5 million

Local Coastal Program: The 2002 Budget Act includes \$500,000 for grants to local governments to help prepare and develop their local coastal programs. None of the funding has been encumbered. Therefore, the Administration proposes to revert these funds to the General Fund.

Department of Parks and Recreation

-5.165 million

State Parks: The Administration proposes to raise various park fees ranging from \$1.00 to \$12.00, including day use, museum, and camping fees, generating approximately \$4.5 million in the current year. These additional funds can be used to support programs currently funded by the General Fund.

Acquisition Projects: The Administration proposes that \$444,000 be reverted from various acquisition projects and programs funded through the 2000 Budget Act. The funds were appropriated to provide funding for appraisal costs, acquisition of inholdings, and high priority acquisitions within the State park system. The funding available for opportunity purchases is no longer necessary since several bond-funded appropriations have become available to support acquisition programs of this nature and other projects have been completed.

Office of Historic Preservation: The Administration proposes that \$221,000 be reverted from a project to acquire and restore property to house the Office of Historic Preservation. The property has been acquired, and \$221,000 of the appropriation remains. The cost of restoration will be addressed as part of the West-End State Office Building Project funded by Chapter 674, Statutes of 2001.

Department of Water Resources

-\$65.3 million

Drought Panel Recommendations: The 2002 Budget Act provides \$7.75 million for the Drought Panel Recommendations Program, including \$6.4 million for local assistance grants. The program provides technical and financial assistance to rural homeowners and small water agencies to prepare water shortage plans to reduce the effects of a drought on small communities. Proposition 50 provides \$500 million for grants for various water management projects, including projects that protect communities from droughts. The Administration proposes to provide \$6.4 million from Proposition 50, in lieu of the General Fund, for this program.

Local Flood Control Subventions: The Local Flood Control Subventions Program pays 70 percent of the non-federal share of flood control projects, with the remaining 30 percent paid by the local agency sponsors. Over the last three years, \$128.3 million General Fund has been appropriated for flood control subventions. The Administration proposes to revert \$58.1 million to the General Fund.

Tehama Flood Control Project: The 2001 Budget Act provided \$1.698 million General Fund for the Tehama Flood Control Project. The Administration proposes to revert \$830,000 to the General Fund to reflect revised cost estimates by the U.S. Army Corps of Engineers.

CalFed

-\$16.465 million

CalFed Fund Shift to Proposition 50: The 2002 Budget Act provides \$46.1 million for the CalFed Program. Proposition 50 includes \$825 million for CalFed for a wide range of purposes. The Administration proposes to provide \$16 million from Proposition 50, in lieu of the General Fund, for water storage issues, levee restoration and maintenance, ecosystem restoration, watershed improvement, water use efficiency, and improved science.

The Administration also proposes a \$465,000 reduction to the CalFed Program Oversight and Coordination Program, including \$100,000 budgeted for the Department of Fish and Game and \$365,000 budgeted for the State Water Resources Control Board.

ENVIRONMENTAL PROTECTION

California Environmental Protection Agency

-\$0.085 million

Permit Assistance Centers: The 2002 Budget Act included \$479,000 General Fund to operate two permit assistance centers and the CalGOLD online permit assistance service. The Administration proposes to reduce funding for the two permit assistance centers, which will increase reliance on the use of the CalGOLD Internet system.

Air Resources Board

-\$2 million

Zero Emission Vehicle Grants: A total of \$3.5 million General Fund from Chapter 1072, Statutes of 2000, for zero emission incentive grants remains available for encumbrance, but \$2 million of this amount will not be needed to fund grant applications due by the December 31, 2002, eligibility deadline, and is proposed to be reverted.

Department of Pesticide Regulation

-\$0.352 million

Pest Management Grants: The Administration proposes to eliminate funding for pest management grants, which fund research to identify and promote the large-scale adoption of reduced-risk pest management practices.

Water Resources Control Board

-\$2.422 million

Various Water Quality and Water Rights Programs: The Administration proposes to reduce funding for water quality monitoring activities, water rights complaint investigations, review of water rights applications, and technical assistance. However, the Budget still includes \$73.9 million General Fund for other high priority water quality and water rights programs, and \$10.4 million Cleanup and Abatement Account is available for investigations and cleanup efforts.

Department of Toxic Substances Control

-\$4.067 million

Toxics Cleanup and Oversight Programs: The 2002 Budget Act provided over \$29 million General Fund for various hazardous waste management and site mitigation programs. The Administration proposes to reduce funding for the following activities: development of guidelines for illegal drug lab removals, training on illegal drug lab removals, and off-highway emergency response actions. In some cases, special funds may be used to offset the loss of General Fund, as in the case of the border program, an administrative cost shift, and oversight of federal superfund orphan sites and State orphan sites.

HEALTH AND HUMAN SERVICES

Emergency Medical Services Authority

Consolidation of Emergency Medical Services Authority (EMSA) into the Department of Health Services (DHS): The Administration proposes legislation to consolidate the EMSA into the DHS, effective July 1, 2003. This consolidation is expected to produce the following benefits: (1) improved coordination of emergency medical policy with overall State health

policy, (2) improved efficiency through the consolidation of similar functions, and (3) increased administrative efficiency. This consolidation is being proposed at this time to achieve full-year General Fund savings in 2003-04.

Health and Human Services Data Center

-\$0.47 million

Operations Program: The Budget Act of 2002 provided \$133 million Revolving Fund Expenditure Authority for the Health and Human Services Data Center (HSDC) to provide operations, software, telecommunications, and information systems support for its client departments. Of the amount provided, \$473,000 is for discretionary operations' projects. The Administration proposes to defer the projects until the budget year, which would result in Revolving Fund expenditure authority reductions of \$473,000.

Department of Aging

-\$2.5 million

Nutrition Program: The 2002 Budget Act provided \$72.4 million (\$9.5 million General Fund) to serve meals to seniors in a congregate setting and to deliver meals to homebound seniors. Of the amount provided, \$2.9 million General Fund is a discretionary overmatch to the federal funds that support the program. The Administration proposes elimination of the discretionary overmatch, which would result in General Fund savings of \$614,000 in the current year, assuming an effective date of April 1, 2003. Funding of \$62.9 million of federal funds and \$6.6 million General Fund remains intact.

Respite Registry Program (RRP): The 2002 Budget Act provided \$135,000 General Fund to the RRP to recruit and screen respite providers and match them to senior clients. In order to protect other critical programs, the Administration proposes elimination of this program, which would result in savings of \$28,000 in the current year, assuming an effective date of April 1, 2003.

Foster Grandparent Program (FGP): The 2002 Budget Act provided \$1.1 million General Fund to the FGP for tax-free stipends to participating volunteers. In order to protect other critical programs, the Administration proposes legislation to eliminate the FGP. Assuming an effective date of April 1, 2003, elimination of General Fund support for the program would result in savings of \$219,000 in the current year.

Senior Companion Program (SCP): The 2002 Budget Act provided \$2 million General Fund to the SCP for tax-free stipends to participating volunteers. The Administration proposes legislation to eliminate the SCP, in order to protect other critical programs. Assuming an effective date of April 1, 2003, elimination of General Fund support for the program would result in savings of \$409,000 in the current year.

Brown Bag Program (BBP): The 2002 Budget Act provided \$1.1 million General Fund to the BBP to provide surplus fruits, vegetables, and other unsold food products to low-income elderly persons. The Administration proposes legislation to eliminate support for the BBP, in order to protect other critical programs. Additionally, there is \$11 million in direct funding available to local entities for similar food programs. Assuming an effective date of April 1, 2003, elimination of General Fund support for the program would result in savings of \$180,000 in the current year.

Community-Based Services Program (CBSP): The 2001 Budget Act included \$18.5 million General Fund for the CBSP to provide funding through a variety of programs to support senior participation and avoid institutionalization. Avoiding institutionalization results in direct cost savings to the State. Actual General Fund expenditures for 2001-02 were \$500,000 less than budgeted. Therefore, the Administration proposes that \$500,000 be reverted to the General Fund.

Adult Day Health Care Contract: The 2000 Budget Act appropriated \$500,000 General Fund for construction of an Adult Day Health Care Center in San Francisco. The amount was reappropriated in the 2001 Budget Act. Contracts for the construction have not been processed. Therefore, the Administration proposes that \$500,000 be reverted to the General Fund.

Department of Alcohol and Drug Programs

-\$1.5 million

Alcohol and Other Drug Services: The 2001 Budget Act provided \$40.4 million General Fund for various non-Medi-Cal alcohol and drug services programs. The Administration proposes that \$1 million of this funding be reverted to achieve General Fund savings in 2002-03. These savings are the result of lower than estimated local administrative expenditures, and reversion of these funds will not result in program reductions.

Drug Medi-Cal: The 2002 Budget Act provided \$46.8 million General Fund for Drug Medi-Cal funding. After allocating administration funding by formula to the counties, \$253,000 is projected to remain unspent, which the Administration proposes for reversion to achieve General Fund savings in 2002-03.

Audit Repayment Trust Fund: The Department of Alcohol and Drug Programs collects repayments of state funds resulting from audits of local contracts. It is proposed to transfer \$273,000 from the Audit Repayment Trust Fund to the General Fund. This transfer will not result in programmatic reductions.

Child Development Policy Advisory Committee

Child Development Policy Advisory Committee (CDPAC): The Administration proposes legislation to repeal all statutory provisions related to the CDPAC, effective July 1, 2003. In order to eliminate the CDPAC and to realize full-year General Fund savings of \$367,000 in 2003-04, enactment of legislation is required in 2002-03.

Department of Health Services

-\$201.8 million (Includes \$25.8 million from prior years.)

Amendments to Medi-Cal Funding

Medi-Cal Provider Rate Reductions	-\$90,387,000
Elimination of Selected Medi-Cal Optional Benefits	-\$63,254,000
Reinstate Medi-Cal Quarterly Status Reports	-\$5,000,000
Rescind Expansion of 1931(b) Medi-Cal Eligibility	-\$6,209,000
Intermediate Care Facilities for the Developmentally Disabled	-\$2,500,000
Medical Care and Services Subtotal	-\$167,350,000

Reduce Outreach for Medi-Cal and Healthy Families	-\$168,000
County Administration Subtotal	-\$168,000

2002 Budget Act Total for Medi-Cal	-\$167,518,000
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Prior Year Reversion—Disproportionate Share	Hospital	-\$25,800,000
Capital Debt		
2001 Budget Act Total for Medi-Cal		-\$25,800,000

Medi-Cal Provider Rate Reduction: The 2000 Budget Act included Medi-Cal provider rate increases totaling \$799.8 million (\$402.8 million General Fund). The 2002 Budget Act maintained these increases. The Administration proposes to reduce all Medi-Cal provider rates by 10 percent effective April 1, 2003, achieving savings of \$90.4 million General Fund in 2002-03.

Selected Medi-Cal Optional Benefits: The Medi-Cal program currently offers 34 optional Medicaid benefits, the maximum number allowed under federal law. The Administration proposes legislation to eliminate the following optional benefits from the Medi-Cal program for adults above age 21 and not in long-term care: dental services, medical supplies, podiatry, acupuncture, chiropractic services, psychology, independent rehabilitation centers, and occupational therapy. The elimination of these benefits, effective April 1, 2003, will achieve savings of \$63.3 million General Fund in 2002-03.

Reinstatement of Medi-Cal Quarterly Status Reports: The 2000 Budget Act and Chapter 93, Statutes of 2000, eliminated the requirement that families receiving Medi-Cal submit quarterly eligibility status reports. The Administration proposes legislation to reinstate Medi-Cal quarterly status reporting, effective April 1, 2003, which would result in current year savings of \$10 million (\$5 million General Fund) and budget year savings of \$170.1 million (\$85 million General Fund). In January 2001, the Administration established continuous eligibility for children. This proposal will not affect the eligibility of children in Medi-Cal.

Rescission of 1931(b) Medi-Cal Eligibility Expansion: Effective March 2000, eligibility for the 1931(b) Medi-Cal program was expanded to families with income up to 100 percent of the Federal Poverty Level (FPL). The Administration proposes legislation to rescind this expansion and limit eligibility to families with income up to approximately 61 percent of the FPL, consistent with the income limits for the California Work Opportunity and Responsibility to Kids (CalWORKs) program. This proposal would affect mostly two-parent income households. Effective April 1, 2003, this proposal would result in savings of \$12.4 million (\$6.2 million General Fund) in 2002-03, \$235.9 million (\$118 million General Fund) in 2003-04, and annual savings of \$985.1 million (\$492.6 million General Fund) after full implementation.

Intermediate Care Facilities for the Developmentally Disabled: The Administration proposes legislation to levy an assessment of 6.5 percent on intermediate care facilities for the developmentally disabled. This assessment will be matched with federal funds. This action will result in revenues of \$5 million in the current year and \$20 million annually. A total of 75 percent of these funds would be provided to these facilities as a provider rate increase. The remaining 25 percent of these funds

would be used to offset General Fund resources for these facilities. This proposal would result in \$2.5 million General Fund savings in the current year, and \$10 million General Fund savings in the budget year.

Cancer Research: The 2002 Budget Act provided \$12.5 million General Fund for the Cancer Research program. The Administration proposes that expenditures be reduced to \$6.2 million, resulting in General Fund savings of \$6.3 million. This reduction represents a very small proportion of the over \$4.2 billion in national funding provided by the federal government and private institutions.

Prostate Cancer Treatment: The 2002 Budget Act provided \$20 million from the Tobacco Settlement Fund for Prostate Cancer Treatment. Due to lower than anticipated participation in the treatment program, the Administration proposes that expenditures be reduced to \$10 million, resulting in Tobacco Settlement Fund savings of \$10 million to be transferred to the General Fund. This proposal reduces the program to its original level. Approximately 1,200 men will continue to receive treatment at the reduced funding level.

Eliminate Valley Fever Vaccine Research: The 2002 Budget Act provided \$700,000 General Fund for the Valley Fever Vaccine Research program. The Administration proposes that the program be eliminated effective January 1, 2003, resulting in General Fund savings of \$350,000 in 2002-03 and \$700,000 in 2003-04. The research program is a consortium of several public and private entities and the State funding represents but a portion of the funding available.

Eliminate the Gynecologic Cancer Information Program: The 2002 Budget Act provides \$150,000 General Fund for the development and distribution of health education materials for gynecologic cancer. The Administration proposes to eliminate this information program, resulting in General Fund savings of \$150,000 in 2002-03, since there are alternative sources for this information.

Outreach and Media Campaigns: The 2002 Budget Act provided approximately \$26.1 million General Fund for various outreach activities and media campaigns. The Administration proposes that contracts that have not been signed and funds that have not been invoiced or obligated be reduced, resulting in General Fund savings of \$1.7 million. Additionally, the 2002 Budget Act included \$10.3 million (\$3.9 million General Fund) for application assistance and a toll-free telephone line to increase the enrollment of children in Medi-Cal and Healthy Families. The Administration proposes to eliminate training for certified application assistants, which would result in current year savings of \$168,000 General Fund.

Prior Year Reversion—Disproportionate Share Hospital Capital Debt: The Administration proposes to revert \$25.8 million General Fund that was included in the 2001 Budget Act but remains unexpended due to lower than anticipated debt service payments. This funding was intended for debt service payments on construction and renovation projects for disproportionate share hospitals.

Department of Developmental Services

-\$143.7 million

Increased Federal Financial Participation Savings: Past year General Fund savings are available as a result of the Administration's effort to maximize claims for federal financial participation allowed for eligible beneficiaries under the Home and Community-Based Waiver.

Updated projections indicate that increased federal financial participation for the 2001-02 budget year totals \$156.7 million. Therefore, the Administration proposes that another \$142.7 million be reverted in addition to the \$14 million reverted in the 2002 Budget Act.

Statewide Standards: The Administration proposes to reduce Regional Center Purchase of Services by \$100 million through implementation of statewide standards, effective July 1, 2003. The Department will seek to identify opportunities to maximize the \$2.2 billion provided for the Community Services program, increase administrative efficiency, and improve consistency of the service provided to consumers throughout the state, while maintaining the entitlement guaranteed under the Lanterman Act. While there are no current year savings associated with this proposal, the necessary statutory changes are proposed to achieve the full-year budget savings in 2003-04.

Porterville Air Condition Main Kitchen: The 1999 Budget Act provided \$1 million General Fund for the construction phase of the Air Condition Main Kitchen project at the Porterville Developmental Center. This funding remains unexpended. Therefore, the Administration proposes to revert these funds to the General Fund.

Department of Mental Health

-\$4.8 million

Early Mental Health Services: The Administration proposes to eliminate Early Mental Health Services that were counted toward the Proposition 98 guarantee and funded through the Department of Mental Health, in order to protect other critical programs from reduction or elimination. This proposal will achieve General Fund savings of \$549,000 in 2002-03 and \$15 million in 2003-04. More than \$1.1 billion is available in Realignment funds for local mental health services, and an additional \$3.4 billion in special education funding is available for the children that received Early Mental Health Services.

Mental Health Managed Care: The Department of Mental Health (DMH) provides mental health services to Medi-Cal eligible clients through a system of contracts between the DMH and county mental health departments. The Administration proposes statutory changes to implement a 10-percent provider rate reduction effective April 1, 2003. This change will achieve General Fund savings of \$4 million in 2002-03 and \$16 million in 2003-04.

Preadmission Screening and Resident Review (PASRR): The 2002 Budget Act included \$3.2 million (\$789,000 General Fund) to expand the current mental health evaluation process to include individuals that are not eligible for Medi-Cal who are residents of or being admitted to nursing facilities statewide. Due to late implementation of the contract to provide PASRR services, there will be General Fund savings in 2002-03. The Administration proposes that \$232,000 be reverted to achieve General Fund savings.

Second Level Treatment Authorization Request (TAR) Appeals: The 2002 Budget Act included \$64,000 General Fund for the Department of Mental Health to process Second Level TAR appeals. California is the only state that currently allows second-level TAR appeals, if mental health providers are not satisfied with the results of the first appeal to their county Mental Health Plans. Therefore, the Administration proposes to eliminate this process and that \$64,000 be reverted to the General Fund.

Department of Community Services and Development

-\$1.5 million

Department of Community Services and Development (DCSD) Consolidation: To improve the efficiency and effectiveness of State government, the Administration proposes, that effective July 1, 2003, the DCSD be consolidated with the Department of Social Services (DSS). The Community Services Block Grant program and the Low-Income Home Energy Assistance Program (LIHEAP) would be administered by the DSS. The proposed consolidation would result in an elimination of nine DCSD positions and a redirection of approximately \$922,000 federal funds from State operations to local assistance.

In addition, the Administration proposes elimination of the General Fund support for the Naturalization Services and Mentoring Programs, effective July 1, 2003, as programs operated by other State departments provide citizenship instruction and mentoring services. Over \$30 million is available for the AmeriCorps program, some of which has been used for tutoring and mentoring; approximately \$22 million in federal funds is available for English language and citizenship instruction.

California LIHEAP: Chapter 7, Statutes of 2001, First Extraordinary Session, appropriated \$120 million General Fund for the DCSD to provide energy bill assistance and weatherization services to certain needy households. Of this amount, \$95.9 million has been expended and \$23.8 million reverted through December 2002, leaving \$285,000 unspent. Therefore, the Administration proposes that \$285,000 be reverted to the General Fund in 2002-03.

Naturalization Services Program: The 2002 Budget Act provided \$7.9 million (\$2.9 million General Fund) for this program. Of this amount, \$1.3 million General Fund will not be granted to community-based organizations by January 1, 2003, and as outlined above General Fund support for this program is proposed for elimination beginning July 2003. The Administration proposes that \$1.3 million be reverted in 2002-03, along with State operations savings of \$14,000 General Fund.

Department of Rehabilitation

-\$21.8 million

Home and Community-Based Waiver Funding for the Habilitation Services Program (HSP): The cap on the Home and Community-Based Waiver (Medicaid reimbursements) has been increased, and it is anticipated that the Department of Rehabilitation will receive an additional \$4.8 million for 2001-02 and \$5.8 million for 2002-03, which would offset a corresponding level of General Fund. Therefore, the Administration proposes to increase reimbursement expenditure authority and revert \$10.6 million to the General Fund.

Habilitation Services Program: The 2001 Budget Act included \$120 million General Fund for the HSP to provide employment skills training to persons with developmental disabilities. In 2001-02, \$7.6 million General Fund was not utilized and is available for reversion. Therefore, the Administration proposes that \$7.6 million be reverted to the General Fund.

HSP Consolidation within the Regional Centers: The Administration proposes legislation to consolidate the HSP within the Regional Centers to produce a more efficient program and capture the resultant General Fund savings of \$2.2 million in 2003-04. In order to achieve full-year savings in 2003-04, it is proposed that the consolidation, which would be effective July 1, 2003, be authorized to begin in 2002-03.

Rate Reductions for Work Activity Program (WAP) and Supported Employment Program (SEP): The WAP and SEP provide employment skills training to persons with developmental disabilities through non-profit organizations. The Administration proposes legislation to reduce the rates paid for services by \$1.4 million (with a related \$103,000 in State operations), or 5 percent, and to revert the savings to the General Fund.

WAP Rate Suspension: The WAP provides employment skills training in sheltered work settings to persons with developmental disabilities through non-profit organizations. Provider rates are statutorily required to be adjusted biennially, and 2003-04 is a rate-setting year. The Administration proposes legislation to suspend the statutory rate adjustment for three years.

Department of Child Support Services

-\$9.7 million

Local Child Support Administration Incentives: The Department of Child Support Services (DCSS) received an additional \$9 million in federal Child Support Incentives for local administration in 2002-03, which can be used to offset administrative costs currently funded by the General Fund, with no effect on the child support enforcement program. Therefore, the Administration proposes that \$9 million be reverted to the General Fund to achieve savings in 2002-03.

Local Child Support Contracts: Two local child support contracts entered into in 2000-01 and 2001-02 were completed at a cost lower than budgeted. Therefore, the unexpended balance of these contracts, \$366,000 in 2000-01 and \$290,000 in 2001-02, is available to be reverted to the General Fund. Therefore, the Administration proposes that \$656,000 be reverted to the General Fund.

Foster Parent Training Fund: The Administration proposes legislation to eliminate funding from child support collections for foster parent training programs within the California Community Colleges, effective July 1, 2003. This action would result in additional General Fund revenues in 2003-04. This action is proposed in the current year to realize full-year General Fund savings in 2003-04.

Department of Social Services

-\$24.8 million

Residential Care Facility Evaluations: Current State law requires an annual review of adoption agencies, community treatment facilities, foster family and small family homes, group homes, foster family agencies, transitional housing placement programs, adult residential facilities, and residential care facilities for the chronically ill and elderly. The Department of Social Services licenses these facilities and performs an annual inspection. The Administration proposes that the evaluation process be streamlined to save administrative costs and to

prioritize inspections of high-risk facilities. Therefore, it is requested that \$650,000 be reverted to the General Fund. This proposal would also result in an associated State operations reduction of \$655,000 General Fund.

Supplemental Security Income/State Supplementary Payment (SSI/SSP) Cost-of-Living Adjustment (COLA): The 2002 Budget Act provided \$22.3 million General Fund for the June 2003 COLA for the SSI/SSP program based on the California Necessities Index. The Administration proposes to suspend the June 2003 and January 2004 COLAs. Therefore, it is requested that \$22.3 million be reverted to the General Fund. In addition, based on updated caseload projections, the cost to provide the June 2003 COLA is now estimated to be \$24.1 million General Fund. This proposal will also result in a General Fund cost avoidance of \$1.8 million for the June 2003 COLA and \$328 million for the January 2004 COLA in 2003-04.

CalWORKs COLA: Consistent with the suspension of the SSI/SSP COLAs, the Administration proposes that the June and October 2003 CalWORKs COLAs be suspended. This would not result in General Fund savings, since the State must meet the federally-required Temporary Assistance for Needy Families (TANF) maintenance-of-effort requirement. Therefore, the Administration proposes that \$12.2 million TANF be reverted to the Federal Trust Fund to be available for CalWORKs costs in the Budget Year.

YOUTH AND ADULT CORRECTIONAL

Department of Corrections

-\$13.566

Modify the Basic Correctional Officer Academy: The 2002 Budget Act includes funding to provide 16 weeks of training to 1,930 cadets annually. However, it has been determined that some training is duplicated at the Academy and the institutions. In order to avoid duplication of effort, the Academy training will be reduced from 16 weeks to 12 weeks, and four weeks of training will be provided on-the-job at the cadet's assigned institution resulting in a savings of \$1,305,000.

California Correctional Institution-Tehachapi: Wastewater Treatment Plant Renovation: The 1999 Budget Act provided \$10.261 million General Fund for the renovation of the wastewater treatment plant at the California Correctional Institution, Tehachapi. Construction bids exceeded the allowable augmentation authority; therefore, the funding cannot be utilized. The Administration proposes to revert these funds to the General Fund.

Administration Segregation Housing Unit Project: The 1998 Budget Act provided \$9.1 million for the preliminary plans and working drawings for a Statewide Administrative Segregation Unit project. The department has realized \$2.0 million in General Fund savings, which the Administration proposes be reverted.

Board of Corrections

-\$0.1 million

Local Juvenile Detention Facility Inspection Program: The Board currently inspects and reports on the management, operation, and physical plant condition of all county juvenile halls and camps. These facilities are inspected for compliance with standards established by the Board. The Administration proposes to revert \$44,000 from the funds provided to the Board for these activities due to the proposed elimination of this program.

Challenge Grant II: The 2000 Budget Act included \$13,300,000 as supplemental funding for the existing Juvenile Crime Enforcement and Accountability Challenge grants. The Administration proposes to revert \$43,000 in unspent funds from the funds appropriated to the General Fund.

Department of Youth Authority

-\$0.4 million

Proposition 98 Funding for Education Services. A reduction of \$376,000 is proposed in Proposition 98 General Fund allocated for education services for wards at the Youth Authority.

EDUCATION

Proposition 98

Across-the-Board Reductions: The Administration proposes that K-14 local assistance programs items be reduced across the board by 3.66 percent for a total of \$1.078 billion. The across-the-board reduction, combined with the specific reductions proposed below, reduces total Proposition 98 appropriations to the current estimate of the required minimum Proposition 98 spending level. The Administration proposes separate legislation to help districts manage these reductions by easing the three percent reserve requirement through June 2004 and expanding the number of categorical programs among which funds can be shifted.

The spending required by Proposition 98 has been reduced due to the significant decline in 2002-03 estimated General Fund revenues and has also been adjusted to reflect revised population figures and daily attendance. The total 2002-03 Proposition 98 funding requirement is currently estimated to be \$44.645 billion. Proposition 98 appropriations are proposed to be reduced by a total of \$1.734 billion, which is 3.7 percent of total Proposition 98 revenues including property taxes. K-12 appropriations are reduced by \$1.51 billion, a 3.6 percent reduction of total K-12 revenues, and California Community College programs are reduced by \$135 million, a 2.8 percent reduction of total revenues. Additionally, \$143 million set-aside for Proposition 98 cost increases at the time of Budget enactment is no longer proposed to be appropriated.

Other Proposition 98 reductions in specific programs are summarized below.

Department of Education

Fund Shift: Current Proposition 98 Funding With Prior Year Savings for Regional Occupational Centers and Programs (ROC/Ps):

Of appropriations made in 2001-02 and prior years, \$356.8 million of savings has been identified, which can be or has been reverted to the Proposition 98 Reversion Account. The Administration proposes that these funds be shifted to replace an equal amount of current year appropriations from 2002-03 Proposition 98 funding dedicated for the Regional Occupational Centers and Programs (ROC/Ps).

Principal Training Program: The Administration proposes to reduce \$5 million in Proposition 98 General Fund for the Principal Training Program, which provides incentive funding to local education agencies for professional development for principals and vice principals. The remaining \$2.5 million in 2002-03 funding coupled with the \$15 million provided in 2001-02 is sufficient to meet the projected utilization and honors the State's match commitment.

California School Information Services: The Administration proposes to reduce \$1.6 million in Proposition 98 General Fund for the expansion of the California School Information Services Program (CSIS) to a new cohort of districts. Delaying the start up of a new cohort will allow CSIS to focus on implementing the statewide student identifier required by Chapter 1002, Statutes of 2002, and to meet requirements of the federal No Child Left Behind Act. In addition, CSIS is working with the Los Angeles Unified School District to implement a CSIS compatible student information system, and is ensuring that the existing consortia of districts are fully implemented.

Grants for Supplemental Support for Workforce Investment Act (WIA) Youth Services:

The Administration proposes to eliminate \$7.0 million in current year non-Proposition 98 General Fund for WIA youth services coordination and outreach. At this time, the grants have not yet been awarded by the State Department of Education.

Property Tax Offset for ROC/Ps: The Administration proposes to reduce \$11.4 million in current year Proposition 98 General Fund for ROC/Ps to capture the estimated current year Proposition 98 savings made available for one-time expenditure purposes through property tax offsets to ROC/Ps pursuant to Education Code Section 52335.2. The Administration proposes separate legislation to accomplish this reduction.

Adult Education and Community College Concurrent Enrollment Audits: The Administration proposes to recapture \$13.5 million in current year Proposition 98 General Fund for Adult Education to reflect the Department of Education's 6,100 ADA reduction to specific programs to implement audit findings related to Adult Education concurrent enrollment during the early 1990s. Additionally, the Administration proposes to recapture \$80 million in Proposition 98 General Fund community college apportionments to reflect estimated non-compliant credit instruction claimed in 2001-02 by community college districts for concurrently enrolled K-12 students. These practices conflict with the restrictions specified in current law for K-12 special admit students in community colleges. The Administration intends to conduct an audit to identify the scope and breadth of these practices in colleges and K-12 districts.

Anticipated Savings in the Adult Education in Correctional Facilities Program: The Administration proposes to revert \$3.0 million of the \$19.1 million Proposition 98 General Fund for the Adult Education in Correctional Facilities program to reflect the amount that is not expected to be claimed based on prior-year reported instruction.

Elimination of CalWORKs Stage 3: The Administration proposes to reduce \$98,806,000 from the Proposition 98 General Fund appropriated for CalWORKs Stage 3 child care to eliminate Stage 3 child care services, effective April 1, 2003. Over \$2.37 billion in child care local assistance funding is still available. All eligible CalWORKs recipients will continue to receive subsidies during the entire period while on cash aid and for two years subsequent to leaving cash aid, for a maximum period of seven years. Additionally, savings in this program of \$10 million resulted from revised estimates, bringing the total reduction in this area to \$108.8 million.

Community Day Schools: The Administration proposes to revert \$10 million of the \$42.2 million in Proposition 98 General Fund to reflect anticipated savings in funds appropriated for the 5th through 8th hours of additional class time for community day school students who are not mandatorily expelled.

Healthy Start Grants: The Administration proposes to reduce \$2 million in Proposition 98 General Fund appropriated for a new cohort of Healthy Start sites, which will not affect existing operational programs. A related \$667,000 reduction in Department of Education State operations is associated with this reduction.

High Risk Youth Education and Public Safety Program: The Administration proposes to revert \$7 million of the \$18 million in Proposition 98 General Fund appropriated for the High-Risk Youth and Public Safety Program to reflect anticipated savings.

College Preparation Partnership Program: The Administration proposes to revert \$5 million in Proposition 98 General Fund appropriated for allocation to public high schools to operate preparation courses for college admissions tests. This action will create one-time savings by aligning the year of appropriation with the year of expenditure.

Academic Improvement and Achievement Act: The Administration proposes to revert \$5 million in Proposition 98 General Fund appropriated to increase the percentage of pupils at qualifying high schools that meet the requirements for admission to the California State University or the University of California. This action will create one-time savings by aligning the year of appropriation with the year of expenditure.

Base Adjustments in Proposition 98: Proposition 98 totals reflect net reductions of \$7.9 million for the allocation of employee compensation funding appropriated in statewide items in the Budget Act of 2002 and elimination of deficiency funding that had been requested.

Mandates: The Administration proposes to defer payment of \$870 million of claims for state mandates for K-14 education agencies in 2003-04. The Controller has identified \$614 million in prior year deficiencies for mandates. This includes \$259.9 million for the School Bus Safety II mandate that was recently shown by a Bureau of State Audits review to reflect large amounts of non-reimbursable costs. Additionally, the Commission on State Mandates has identified new mandates totaling over \$256 million, including both current and prior year costs. Most of these claims have not been audited and in many cases, claim documentation does not provide adequate information to determine if the costs claimed are actually reimbursable. The Administration proposes to review the Commission's processes for determining reimbursable activities, defining what can be claimed and how claims are to be documented with the intent to reform these processes. Additionally the Administration proposes to substantially increase auditing of these claims using the funding authorized in Chapter 1128, Statutes of 2002.

Reversion of Prior-Years Savings: The Administration proposes additional reversions of Proposition 98 savings from prior years into the Proposition 98 Reversion Account to capture a variety of existing savings, which would not otherwise revert until a future date. The reversions total \$241.4 million from Department of Education K-12 programs. When combined with the Controller's balance and savings in the Teacher Credentialing Commission and Community Colleges, \$356.8 million of available funding is provided in the current year. These funds provide the resources to shift funding from Proposition 98 in the current year to the Reversion Account for ROC/Ps in an identical amount. Programs with savings include:

Community Day Schools: \$14 million in 2001-02 program savings.

Tenth Grade Counseling: \$97,000 in 2001-02 program savings.

Pupil Dropout Prevention Program: \$210,000 in 2001-02 program savings.

Academic Improvement and Achievement Act: \$603,000 in 2001-02 program savings.

High Risk Youth Education and Public Safety Program: \$10.1 million in 2000-01 program savings and \$6.4 million in 2001-02 program savings.

College Preparation Partnership Program: \$4.1 million in 2000-01 program savings, \$6.2 million in 2001-02 program savings, and \$6.2 million in savings from Chapter 795, Statutes of 1998.

Opportunity Programs: \$1.2 million in 2001-02 program savings.

Classroom Library Materials/K-4 Classroom Libraries: \$6,000 in 2001-02 program savings.

Education Technology: \$3.8 million in 2000-01 program savings and \$23,000 in 2001-02 program savings.

Digital High School: \$392,000 in 2001-02 program savings.

Mandates: \$20 million in 2001-02 program savings for mandates where claims were less than budgeted.

Mathematics and Reading Professional Development Program: \$31.7 million in 2001-02 program savings. These funds were proposed for reversion during the 2002-03 budget process but were inadvertently deleted from Chapter 99, Statutes of 2002. The 2002 Budget Act will continue to provide \$62.2 million for this program.

Child Care Education Code Section 8278 Carryover: \$79 million of the remaining 2001-02 unliquidated contract savings from Child Care and Development Programs with the exception of CalWORKs child care programs.

CalWORKs Child Care Carryover: \$17.7 million of the remaining 2001-02 unliquidated balances of the General Fund appropriated for CalWORKs Stage 2 and Stage 3.

Child Care Facilities Revolving Fund: \$22 million from the balance established pursuant to Education Code Section 8278.3 which are not anticipated to be committed in the current year.

Child Care Savings: \$6.8 million in 2001-02 program savings.

Charter School Facilities Block Grant: \$5 million in 2001-02 program savings, which are available as a result of a delay in program implementation.

Adults in Correctional Facilities: \$2.8 million in 2001-02 savings.

California Information Technology Academies: \$3.1 million in 2001-02 savings from prior reappropriations for the program.

California Community Colleges

2002-03 Property Tax Decline: The Administration does not propose to backfill the \$37.5 million loss in property taxes estimated for the current year in apportionments.

Reversion of Prior-Years Savings: The Administration proposes \$7.6 million of prior year savings be reverted to the Proposition 98 Reversion Account related to the shift of funding for ROC/PS in the current year, as addressed in the Department of Education section. Specific program savings include:

Special Services for CalWORKs Program: \$4.6 million in 2000-01 savings.

Increased Property Taxes for Apportionments: \$3 million in 2001-02 apportionments savings from an increase in reported property taxes compared to the 2002 Budget Act estimate.

California Community Colleges Chancellor's Office: The Administration proposes to reduce the budget for the California Community College Chancellor's Office's current-year non-Proposition 98 General Fund appropriation by \$396,000. This action reflects various reductions in operating expenses and services to the State operations budget of the Community College Chancellor's Office.

Other K-12 Education

State Special Schools, Student Assessment and Counseling Center Capital Project: The 2001 Budget Act includes \$2.1 million General Fund for construction of a student assessment and counseling center at the School for the Deaf in Fremont. This project can be funded using lease revenue bonds. The Administration proposes that the \$2.1 million for this project be shifted from the General Fund to lease-revenue bonds to complete this project.

California State Library

California Civil Liberties Public Education Grants: The Administration proposes to reduce \$500,000 non-Proposition 98 General Fund for California Civil Liberties Public Education Grants. Many valuable educational materials have been developed or provided since the inception of this program, which has received the intended three years of funding. The State

Library has indicated that all meritorious grant applications have been funded. These materials can now be considered for inclusion in the educational curriculum through the instructional materials adoption process.

Public Library Foundation: The Administration proposes to reduce \$15.8 million non-Proposition 98 General Fund from the Public Library Foundation per capita formula grants to local libraries. The 2002 Budget Act contains \$31.5 million for the program. Local libraries use the funds for acquiring library materials, staff, operating expenses and equipment. Funds are not allocated for this program until February of 2003.

Commission on Teacher Credentialing

California Mathematics Initiative for Teaching: The Administration proposes to eliminate \$500,000 remaining Proposition 98 General Fund for the California Mathematics Initiative for Teaching, which provides incentives for individuals to meet State preparation standards and credentials to teach mathematics in elementary and secondary schools.

Support for Paraprofessional Program: The Administration proposes to revert \$51,000 General Fund that is used to fund a position to support the Paraprofessional Program. This position will be funded with available funds from the Teacher Credentials Fund. With this reversion, the Commission on Teacher Credentialing has no non-Proposition 98 General Fund remaining.

Reversion of Prior-Years Savings: The Administration proposes that \$16.4 million be reverted to the Proposition 98 Reversion Account. Specific program savings included:

California Pre-Internship Teaching Program: \$13.5 million in 2000-01 program savings and \$2.9 million in 2001-02 program savings which otherwise would not revert until June 30, 2004.

HIGHER EDUCATION

California Postsecondary Education Commission

State Operations: The Administration proposes to reduce the California Postsecondary Education Commission's General Fund State operations budget by \$108,000 for various operating costs as determined by the Commission.

University of California

Reductions and Savings: The Administration proposes to reduce the University of California's current-year General Fund appropriation by \$74.3 million. Reductions include: \$20 million to Academic and Institutional Support, \$6.3 million to Student Services, \$3.3 million to Outreach, \$2.5 million to Public Services programs, \$1.1 million to the K-12 Internet Initiative program, and \$19 million in unallocated reductions. The proposed reduction also includes the reversion of \$18 million in estimated savings for Substance Abuse research, the Multi-Campus Unit for Labor Studies research, and the Institute for Mexico and the United States research activities, and \$4 million in estimated savings for the AP Online project.

Hastings College of the Law

Unallocated Reduction: The Administration proposes to reduce the Hastings College of the Law's current-year General Fund appropriation by \$1 million. These reductions are unallocated to allow Hastings the flexibility to determine reductions from any program area with the intent to minimize affects on direct instruction and access.

California State University

Unallocated Reduction: The Administration proposes to reduce the California State University's current-year General Fund appropriation by \$59.6 million. This reduction is unallocated to allow the CSU the flexibility to determine reductions from any program area with the intent of minimizing effects on direct instruction and access.

GENERAL GOVERNMENT

Office of Criminal Justice Planning

-\$13.0 million

Victims Services Local Assistance Programs: The 2002 Budget Act included \$1.9 million General Fund for local assistance grants for various Victims Services programs. The Administration proposes to revert \$214,000 from the funds appropriated for these programs.

Public Safety Local Assistance Programs: The 2002 Budget Act included \$57 million General Fund for local assistance grants for various Public Safety programs. The Administration proposes to revert \$3.4 million from the funds appropriated for these programs.

Los Angeles Crime Laboratory: The 2000 Budget Act included \$96 million General Fund for constructing the Los Angeles Regional Crime Laboratory. In November 2001, \$82 million in construction-related funds for this project was reverted to the General Fund to reflect a shift to lease revenue bond funding. The Administration proposes to revert an additional \$9.4 million related to shifting for the planning and working drawings to lease revenue bonds as well. The project remains fully funded as previously committed by the State.

California Arts Council (CAC)

-\$1.2 million

CAC Grant Funds: The Administration proposes to revert \$1 million from the California Arts Council for local grants to assist art programs, artists, and local arts councils, and \$112,000 for related State operations.

Department of Industrial Relations

-\$27.1 million

User Funding of Workers' Compensation Programs: Existing law provides for an assessment on insured and self-insured employers to support costs associated with the workers' compensation programs in the Department of Industrial Relations. This assessment supports approximately 20 percent of program costs, with the remaining 80 percent provided from the General Fund. Consistent with the vast majority of other states, the Administration proposes to replace General Fund support of these programs with 100 percent user funding, resulting in 2002-03 General Fund savings totaling \$24.6 million.

Transfer to the General Fund: The 2002 Budget Act includes a \$4 million transfer to the General Fund from the Workplace Health and Safety Revolving Fund. The Administration proposes to increase this transfer by \$650,000. Since AB 749 (Chapter 6, Statutes of 2002) revised the funding source for the Commission on Health and Safety and Workers' Compensation, this fund will not be used after December 31, 2002. This increased transfer represents the remaining balance in the fund.

Transfer from the Unpaid Wage Fund: Labor Code Section 96.7 requires the Labor Commissioner to transfer any balance in excess of \$200,000 from the Unpaid Wage Fund to the General Fund. The Administration is proposing a transfer of \$1,800,000 for 2002-03.

Department of Personnel Administration

-\$100,000

Administrative Costs Associated With Pre-tax Parking: The Administration proposes to reduce the Pre-tax Parking program administration by \$100,000 due to program savings.

Workers Compensation Benefits

-\$219,000

Disaster Service Workers: The 2002 Budget Act includes \$663,000 to pay workers compensation claims for Disaster Service Workers. The Administration proposes to revert \$219,000 of this amount.

Department of Food & Agriculture

-\$980,000

Plant and Pest Programs: The 2002 Budget Act includes \$3.5 million for activities associated with the Weed and Vertebrate Program, Biocontrol Program, and Exotic Pest Research. Of this amount, the Administration proposes to reduce \$980,000, which includes \$750,000 from the Weed and Vertebrate Program and Biocontrol Program. It also includes a reduction of \$230,000 for the Exotic Pest Control Program.

California Victim Compensation and Government Claims Board

Reimbursement to Counties for the Cost of Special Elections: The 2002 Budget Act includes \$1 million to reimburse counties for the cost of special elections. The Administration proposes to revert \$333,000 of this amount, which reflects the unencumbered balance remaining after all pending special elections claims are paid by the Board.

Commission on State Mandates

Non-Proposition 98 Mandate Funding: Consistent with the action taken in the 2002 Budget Act, it is proposed to continue the suspension of payment for various budget year and prior year reimbursable non-Proposition 98 mandates, resulting in savings of \$769.4 million in 2003-04.

Department of Veterans Affairs

Local Assistance Funding: The 2002 Budget Act provided \$2,350,000 General Fund to provide support to county veterans services offices. The Administration proposes to revert \$118,000 from the funds appropriated for these programs due to the State's current fiscal constraints.

Local Government Financing

Transfer of Unencumbered Low and Moderate Income Housing Funds to the State: Community Redevelopment Agencies are required to transfer at least 20 percent of their annual property tax increment into the Low and Moderate Income Housing Fund for the purposes of increasing, improving, and preserving low- and moderate-income housing. An estimated \$500 million of property tax revenue that would otherwise be available for schools and other governmental functions, if not for the establishment of the Community Redevelopment Agencies, remains unutilized. The Administration proposes that Community Redevelopment Agencies be required to immediately transfer any balances in their Low and Moderate Income Housing Funds that were unencumbered on December 1, 2002, to the State Controller for deposit into the General Fund. This action is expected to generate approximately \$500 million in the current year. The Administration intends to address the overall policy of redevelopment agency funding as part of the Governor's 2003-04 Budget.

Shared Revenues

Abolition of Special Reserve Fund for Vehicle License Fee Tax Relief: As part of the implementation of the vehicle license fee rebate program, a Special Reserve Fund for Vehicle License Fee Tax Relief was created. This rebate program was replaced with a General Fund offset beginning in 2001-02. Only a modest portion of the \$33 million balance in this Special Fund is estimated to be needed for rebates attributable to late filers in future years. Therefore, the Administration proposes legislation to eliminate this Special Reserve Fund and transfer its balance to the General Fund. This shift of resources will have no impact on the vehicle license fee tax relief program or local governments, and rebates that may result from late filers in the future will be funded from the General Fund instead.

Capital Outlay Planning and Studies Funding

Capital Outlay Planning and Studies Funding: The 2002 Budget Act provides \$1.5 million General Fund to be allocated by the Department of Finance to State agencies for project planning and studies. Because of fiscal constraints and a reduction in projects, fewer projects require planning and studies funding. Accordingly, the Administration proposes funding in the amount of \$500,000 be reverted to realize General Fund savings in the current year.

Health Insurance Portability and Accountability Act

-\$0.2 million

Reversion of Funding for California Youth Authority (HIPAA): The 2002 Budget Act includes \$497,100 General Fund for Youth Authority HIPAA activities. This funding is currently in Item 9909 and was to be allocated via an Executive Order. Because the Youth Authority will be unable to hire staff as early as expected, the Administration proposes that \$250,000 be reverted from Item 9909 to the General Fund.

STATEWIDE

Additional Architecture Revolving Fund Savings: The Department of Finance has identified \$1 million in the Architectural Revolving Fund (ARF) that can be transferred back to the General Fund. Therefore, the Administration proposes to transfer these funds from ARF to the General Fund.

Architecture Revolving Fund Transfer: The Department of Finance has identified a number of projects that may be delayed, stopped, or shifted to an alternative funding source. It is requested that the Department of Finance have the authority to transfer funds in the Architecture Revolving Fund to the General Fund.

Inmate Construction Revolving Account Transfer: The Department of Finance has identified a number of projects that may be delayed, stopped, or shifted to an alternative funding source. It is requested that the Department of Finance have the authority to transfer funds in the Inmate Construction Revolving Account to the General Fund.

Employee Compensation

-\$470.0 million

Reduction of Employee Compensation Costs: The Department of Personnel Administration is directed to negotiate through the collective bargaining process, where applicable, a \$470 million reduction in 2003-04 employee compensation costs. In order to accomplish this reduction, the State is prepared to pursue deferring scheduled salary increases, lowering or freezing future salary or benefit expenditures, layoffs, furloughs, and other similar personnel actions in order to produce the needed savings.

Elimination of Annuitants from the Rural Health Care Equity Program: The Rural Health Care Equity Program assists with the out-of-pocket health care expenses for employees and annuitants who live in rural areas that are not covered by the State's contracts with HMOs. The Administration proposes this program no longer include annuitants as of January 1, 2003.

Statewide—Reduction in State Operations

-\$320.8 million

Chapter 1023, Statutes of 2002, added Control Section 3.90 to the 2002 Budget Act, authorizing up to a five-percent reduction of State operations appropriations to reflect a total reduction of up to \$750 million. Given the magnitude of the anticipated two-year budget shortfall, the Governor issued Executive Order D-64-02 to identify General Fund savings and reduce expenditures.

Only a portion of the \$750 million target can be achieved without statutory changes to programs that would allow reductions in State operations costs. The Administration has expanded the focus of reductions beyond just State operations reductions. In this mid-year reduction package, the Administration is proposing \$3.4 billion in current year General Fund reductions, of which \$320.8 million encompasses State operations. To address, in part, the requirements of Control Section 3.90 of the 2002 Budget Act, the Administration is proposing reversion items to capture the savings.

Budgets for State operations will be reduced, and General Fund savings achieved through various actions including, but not limited to, the following:

- Reductions in specific program areas
- Shifts in program funding
- Reductions and eliminations in operating expenses for non-essential activities (e.g., out-of-state travel, training, equipment purchases, etc.)
- Increases in federal funds
- Eliminations of departments/programs
- Prior years savings

Attachment A contains a list of the State operations reductions by department. Some of the aforementioned savings are contingent upon reductions in local assistance programs. Since the Attachment contains a summary of the information relating to State operations reductions by department, individual departmental sections of this document may not address the detail of the State operations reductions.

2002-03 GF State Operations Reductions
(Dollars in Thousands)

Department	2002-03 Reductions	
	Personnel Years	Dollars
Judiciary	--	-\$10,000
Secretary of Health & Human Services	--	-831
Secretary of Resources	--	-65
Secretary of Youth & Adult Corrections	--	-7
Inspector General	-7.2	-695
Inspector General Veteran's Affairs	--	-25
Secretary for Environmental Protection	--	-88
Secretary of Education	-0.3	-61
Secretary of Labor & Workforce Development	--	-244
Office of Planning & Research	--	-4,820
Office of Emergency Services	-39.9	-1,591
Controller	--	-72
Board of Equalization	--	-51
Treasurer	--	-171
Scholarshare	--	-171
Science Center	-1.9	-114
Consumer Affairs	--	-565
Athletic Commission	--	-1
Fair Employment & Housing	-11.0	-912
Franchise Tax Board	--	-9,122
General Services	--	-5,257
Personnel Board	--	-411
Housing & Community Development	-2.0	-288
Technology, Trade & Commerce	--	-354
Conservation Corps	--	-1,669
Energy Commission	--	-1,679
Colorado River Board	--	-23

2002-03 GF State Operations Reductions (Dollars in Thousands)

Department	2002-03 Reductions	
	Personnel Years	Dollars
Conservation	--	-497
Forestry & Fire Protection	-6.0	-5,398
State Lands Commission	--	-1,726
Fish & Game	-36.2	-2,587
Wildlife Conservation Board	--	-86
Parks & Recreation	--	-4,510
SF Bay Conservation & Development Commission	-0.9	-411
Water Resources	--	-16,152
Air Resources	--	-2,006
Waste Management	--	-70
Pesticide Regulation	-1.8	-561
Water Resources Control Board	-4.8	-2,787
Toxic Substances Control	--	-4,067
Office of Environmental Health Hazard Assessment	-2.2	-292
Emergency Medical Services	--	-77
Office of Statewide Health Planning & Development	--	-36
Aging	-2.4	-466
Alcohol & Drug Programs	--	-403
Child Development	--	-18
Health Services	-1.8	-17,224
Managed Risk Medical Insurance Board	--	-66
Developmental Services	-85.0	-1,436
Mental Health	-1.9	-1,233
Community Services	--	-14
Rehabilitation	--	-3,652
Child Support	--	-856
Social Services	-15.9	-1,065

2002-03 GF State Operations Reductions
(Dollars in Thousands)

Department	2002-03 Reductions	
	Personnel Years	Dollars
Corrections	3.1	-9,080
Board of Corrections	-0.5	-44
Prison Terms	-1.9	-753
Youth Offender Parole Board	-0.9	-39
Youth Authority	-8.4	-3,784
Correctional Peace Officers Standards & Training	--	-140
Education	-14.7	-2,376
CA State Library	--	-1,059
Summer School for the Arts	-0.8	-30
Teacher Credentialing	--	-51
Postsecondary Education	--	-108
University of California	--	-74,268
Hastings	--	-1,000
California State University	--	-59,634
Community Colleges	-1.0	-396
Agricultural Labor Relations	--	-12
Industrial Relations	--	-29,833
Student Aid	--	-682
Office of Criminal Justice Planning	-1.0	-229
Public Defender	-1.5	-182
Arts Council	--	-109
Public Employment Relations Board	--	-240
Personnel Administration	--	-11,602
Worker's Comp Subsequent Injuries	--	-1,000
Food & Agriculture	-7.4	-1,095
Fair Political Practices	-1.0	-60
State Mandates	--	-98

2002-03 GF State Operations Reductions

(Dollars in Thousands)

Department	2002-03 Reductions	
	Personnel Years	Dollars
Administrative Law	--	-2
Veteran's Affairs	-0.5	-258
Veteran's Home Yountville	--	-203
Veteran's Home Chula Vista	--	-157
Health Insurance Portability	--	-250
Debt Service	--	-15,000
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Grand Total	-257.7	-\$320,757

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