

# GOVERNOR'S BUDGET SUMMARY 2007-08



SUBMITTED BY  
ARNOLD SCHWARZENEGGER, GOVERNOR  
STATE OF CALIFORNIA

TO THE CALIFORNIA LEGISLATURE  
REGULAR SESSION, 2006-07

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GOVERNOR  
ARNOLD SCHWARZENEGGER

January 10, 2007



To the Senate and Assembly of the Legislature of California:

In accordance with Article IV, Section 12 of the California Constitution, I submit to you the Governor's Budget for 2007-2008.

Three years ago, California's financial problems were dire—low credit ratings, possible bankruptcy, and a projected \$16.5 billion operating deficit that awaited us unless we took dramatic action to turn the tide in our state. Many said that raising taxes was the only possible option to lift us out of our fiscal hole. We disagreed.

We committed ourselves to responsible, common-sense budgets that would continue to make the investments in the critical services Californians expect us to provide, but that over time would bring our state's revenues in line with expenditures.

I am happy to say that our plan has worked. We have record revenues flowing into our treasury, and we are submitting a balanced budget for the coming year. The operating deficit that hung over our heads just a few short years ago is now gone. Our budget proposes ongoing spending that is in line with ongoing revenues, thus eliminating the net operating deficit completely. Moreover, this budget builds on last year's efforts to pre-pay the Economic Recovery Bonds and we now project that the bonds will be fully repaid by August of 2009, 14 years ahead of schedule. This is a remarkable turnaround and we accomplished it all without raising taxes—as a matter of fact, we reduced taxes by reversing the car tax in 2004.

We must remain vigilant, however, because spending pressures and revenue fluctuations could bring back the structural deficit as soon as the next budget year. I invite you to work with me to develop budget reform to prevent the state from returning to spending more than it brings in. In doing that we lay the groundwork for continuing our historic work, begun last year, to rebuild California through the Strategic Growth Plan.

This is a budget that fulfills our promise to run state government so California and its people are stronger. Working together, investing strategically for our future, making smart decisions with the taxpayers' money, I know we can build a golden future for our state.

Sincerely,

Arnold Schwarzenegger

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DEPARTMENT OF  
**FINANCE**  
OFFICE OF THE DIRECTOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV



January 10, 2007

Dear Governor:

When you took office in 2003, the state faced a structural budget crisis of unprecedented proportions. The structural deficit was estimated to be \$16.5 billion unless steps were taken to reduce it. Your Budget for 2007-08 brings good news for our state: it reduces the net operating deficit to zero. And, it achieves this without raising taxes.

Your Budget limits the growth in General Fund spending to 1 percent—the lowest rate of growth in five years and maintains a sizeable reserve of \$2.1 billion. The 2007-08 Budget also proposes \$1.6 billion in pre-payments of the Economic Recovery Bonds (ERB) that were issued to refinance past budgetary borrowing. This will bring the total amount set aside to repay the ERBs to \$7.4 billion in the four years since the bonds were issued. As a result, the bonds are projected to be repaid in full by August of 2009—14 years ahead of schedule. This prudent focus on eliminating the operating deficit and paying down debt is key to financing the long-term investment in our critical infrastructure under your Strategic Growth Plan.

This Budget reflects fiscal restraint at the same time it protects essential services. It fully funds the Proposition 98 guarantee, bringing per pupil funding from all sources to \$11,584, an increase of 21 percent since you took office. It fully funds public safety and your compact with the judiciary, ensuring that the justice system can continue to protect the lives, rights and property of California citizens. It fully funds your compact with our higher education systems and goes farther by adding money for new research in nano-technology and alternative fuels.

Last year, you initiated the first phase of a comprehensive Strategic Growth Plan (SGP) to begin to address California's critical infrastructure needs over the next 20 years. You worked closely with the Legislature and the voters approved the \$37.3 billion SGP in November 2006. The Budget completes this work by proposing additional bond funding of \$43.3 billion between now and 2016, which when combined with the bonds already approved, new strategies you are proposing for public-private partnerships and other existing funds, will provide a ten-year investment of \$211 billion in California's future.

California's economic and fiscal future again looks bright, but we must re-double our efforts to ensure that the state does not return to spending beyond its means. Spending pressures and revenue volatility could bring back the structural budget deficit as soon as next year. That is why you are calling on the Legislature to work with you to develop and implement long-term budget reform.

Please join me in expressing my sincere thanks to the women and men of the California Department of Finance and their families. Without our staff's dedication and hard work and the sacrifices of their families, this budget would not have been possible.

Sincerely,

Michael C. Genest  
Director of Finance

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# 2007-08 BUDGET SUMMARY

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# INTRODUCTION

When Governor Schwarzenegger took office in November of 2003, the state faced a structural budget crisis of unprecedented proportions. A review of state finances projected that California was on a path to spend \$16.5 billion more than the General Fund revenue it would take in this year. In contrast, the Governor's Budget for 2007-08 proposes to limit General Fund spending to the amount of revenue the state will collect, with the exception that it proposes to use \$840 million of funds available from previous years to pre-pay debt. By eliminating the state's net operating deficit, by setting aside a total reserve of \$2.1 billion and by eschewing tax increases and new budgetary borrowing, this budget puts California on the path to full fiscal recovery.

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## PAYING DOWN THE DEBT

In 2004-05 the state used the Economic Recovery Bonds (ERBs) authorized by the voters in Proposition 57 to refinance \$11.3 billion of budgetary debt inherited from the prior administration. In addition to the ERB borrowing, as of the end of the 2004-05 budget year, the state owed \$6.9 billion for other budgetary borrowing, such as debt to local governments for un-reimbursed mandate claims and borrowing from Proposition 42 and other special funds. Repaying the bonds and the other budgetary debt has been a high priority of the administration and the Legislature. Specifically, the Budget Act of 2005 repaid budgetary borrowing of \$1.4 billion and the Budget Act of 2006 repaid \$2.8 billion, including \$472 million in pre-payments of the ERBs.

This budget proposes \$1.6 billion in pre-payments of the ERBs and \$88 million of other budgetary debt re-payments. This will bring the total amount set aside to repay the ERBs to \$7.4 billion in just the four years since the bonds were first issued. As a result, we now

## INTRODUCTION

project that the ERBs will be fully retired in August of 2009, which is 14 years ahead of schedule.

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## PROTECTING PRIORITIES

This budget funds key priorities, including:

- Fully funding the Proposition 98 guarantee at \$56.8 billion. This is an increase of \$1.8 billion from all funds and \$378 million from the General Fund. The General Fund share of the Proposition 98 guarantee amounts to 40 percent of total General Fund expenditures in 2007-08.
- Fully funding the Governor's Compacts with Higher Education (\$346 million General Fund) and the state Judiciary and trial courts (\$147 million General Fund).
- Providing \$52 million to expand Career Technical Education (CTE) course offerings and programs. In an ever-evolving economy, Californians need multiple pathways to rewarding and productive careers. The Administration remains committed to expanding opportunities for high school and community college students to take high-quality, academically rigorous CTE courses.
- Fully funding the \$217 million cost of providing cost-of-living adjustments for aged, blind and disabled SSI/SSP recipients.
- Providing \$58 million in 2006-07 and \$193 million in 2007-08 for a comprehensive Sex Offender Management Plan including funds to implement Proposition 83 ("Jessica's Law"), the Governor's High Risk Sex Offender Task Force recommendations, and recently enacted legislation.
- Providing necessary funds for the California Department of Corrections and Rehabilitation for the federal court-appointed Receiver to improve the state's prison health care delivery system. Specifically, the Budget proposes to increase the budget set-aside for prison health care from \$100 million to \$150 million in 2007-08.
- Providing \$36 million to begin to implement California's landmark Greenhouse Gas Reduction Efforts.
- Providing \$95 million for the most advanced research in the world, as part of the Governor's Strategic Research and Innovation Initiative. The Budget provides \$30 million in lease revenue bonds for the Helios Project, \$40 million for the Energy Biosciences Institute, \$19.8 million for the California Institutes for Science and Innovation,

and \$5 million for the Petascale Supercomputer project. These funds have the potential to leverage private and federal funding in excess of \$1 billion.

- Expanding health care coverage by providing \$36 million (\$17 million General Fund) and 9.4 positions in 2007-08 for SB 437 implementation activities and enrollment increases. SB 437 (Chapter 328, Statutes of 2006) establishes a two-county pilot program to allow parents to self-certify income and assets when enrolling their children into Medi-Cal and during the annual eligibility review process. SB 437 allows self-certification of income at the annual eligibility review process for the Healthy Families Program (HFP). In addition, when new children apply for Medi-Cal and are found ineligible, but appear eligible for the HFP, counties will be able to enroll them in the HFP so that the child's health coverage is not delayed.
- Including \$2 million to improve the state's food-borne illness emergency response capability, as well as \$1.5 million to begin implementing the new environmental contaminant biomonitoring program authorized by Chapter 599, Statutes of 2006 (SB 1379). This funding will be used to develop sampling design and establish parameters for this program. This proposal is a collaborative effort between the Department of Public Health, Office of Environmental Health Hazard Assessment, and the Department of Toxic Substances Control.
- Providing funding to implement two bills chaptered in 2006 that will provide millions of low-income Californians with discounted prescription drugs: Chapter 619, Statutes of 2006 (AB 2911), will deliver prescription drugs at prices up to 40 to 60 percent below retail prices for generic and brand name drugs to individuals. Chapter 720, Statutes of 2006 (AB 2877), authorized the California Rx Prescription Drug Website, which will provide information to Californians about available options for obtaining prescription drugs at affordable prices.

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## REDUCING THE OPERATING DEFICIT

In order to fund these and other priorities within a balanced budget while pre-paying debt and maintaining a sizeable reserve, the budget proposes the following major policy changes:

- Reducing General Fund costs by \$1.111 billion by expanding the uses of revenues sources for public transportation to:
  - Cover public transportation services currently provided by the schools (\$627 million, ongoing);

## INTRODUCTION

- Cover public transportation services currently provided by Regional Centers to their developmentally disabled clients (\$144 million, one-time), and;
- Shift a portion of the revenue to a special fund for debt service on general obligation bonds issued for transportation projects (\$340 million, one-time).
- Revenues of \$506 million from approval of pending Indian gaming compacts.
- Savings of \$324 million related to reforms in CalWORKs-the state's welfare-to-work program.
- Utilizing \$269 million in Proposition 98 funds for Stage 2 Child Care.
- Reimbursing \$200 million in General Fund spent for flood protection and levee repair with bond funds approved for that purpose by voters in last fall's election.
- Revenues of \$165 million by repealing the Teacher Tax Credit.
- Suspending the July 1, 2007, CalWORKs cost-of-living adjustment, resulting in savings of \$140 million.
- Savings of \$100 million resulting from parole modifications for non-serious/non-violent offenders (\$53 million), elimination of 90-day diagnostic evaluations in adult institutions (\$4 million), the shift of certain juvenile offender populations to the counties (\$33 million), and elimination of funding for the Juvenile Justice Community Reentry Challenge Grant (\$10 million).
- Budget reduction of \$100 million to be allocated to departments. The Department of Finance will work with Agency Secretaries and other cabinet members to achieve additional General Fund savings of \$100 million in 2007-08.
- Savings of \$75 million resulting from providing purchasing power protection for retired teachers as a vested benefit while reducing state's contribution to the State Teachers' Retirement System Supplemental Benefits Maintenance Account from 2.5 percent to 2.2 percent of teacher payroll.
- Eliminating state funding for the Integrated Services for Homeless Adults with Serious Mental Illness program, resulting in ongoing savings of \$55 million.
- Revising the bundled reimbursement rate for intermediate care facilities for the developmentally disabled to include Day Programs and Non-Medical Transportation, in order to obtain \$44 million in additional annual federal funding to replace the General Fund costs of providing those services.

- Savings of \$44 million in 2007-08 and \$88 million annually thereafter by switching the basis for Medi-Cal pharmaceutical reimbursement from the Average Wholesale Price to Average Manufacturers Price, thus using the actual cost of production and minimizing any potential cost-shifting to Medi-Cal from other drug purchasers.
- Revenues of \$35 million by making permanent the use tax on vessels, vehicles, and aircraft brought into the state less than one year from purchase.
- Savings of \$25 million on a one-time basis in 2007-08 by reducing Proposition 36 funding by \$60 million and using a portion of this funding to provide a net increase of \$35 million to the Substance Abuse Offender Treatment Program, allowing the state to pursue reforms to drug treatment programs and services that lead to improved program performance and patient outcomes.

In addition, the Administration has exercised restraint in funding program growth. Total General Fund spending proposed in the budget is \$103.1 billion, which is \$1 billion, or less than one percent, more than in the current year. This represents the lowest rate of growth in General Fund spending in five years.

While these actions will bring about a balanced budget in 2007-08 with a substantial reserve and no net operating deficit, spending pressures will push the budget back into deficit in subsequent fiscal years if left unchecked.

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## BUDGET REFORM

While this budget proposes ongoing spending that is aligned with ongoing revenues, the structural deficit can re-emerge as early as the next budget year. To prevent this, the state needs to find ways to (1) keep spending in check in the long run and (2) reduce the volatility of state revenues. Toward these ends the Governor will work with the Legislature to develop and enact real budget reform.

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## THE CALIFORNIA STRATEGIC GROWTH PLAN

In November 2006, California voters approved the landmark \$37.3 billion Strategic Growth Plan (SGP) and a \$5.4 billion bond initiative for natural resource protection, water, and parks. The Governor proposes to complete the financing plan to rebuild California's infrastructure through 2016 by addressing the critical gaps that remain.

## INTRODUCTION

To continue rebuilding California, the Governor is proposing a combination of new general obligation, lease-revenue and self-liquidating revenue bonds totaling \$43.3 billion to finance the SGP through 2016:

- \$9.5 billion for state and local correctional facilities;
- \$11.6 billion for K-12 education facilities;
- \$11.6 billion for Higher Education facilities;
- \$6.0 billion for water supply and management;
- \$2.0 billion for the state's judiciary facilities; and
- \$2.6 billion for other public service infrastructure.

Combined with the bonds already approved by the voters, other existing funding sources and leveraged funding through the use of public private partnerships, total funding for the SGP will be \$211 billion.

The California SGP includes additional accountability and performance measures to ensure that all the bonds are used appropriately and effectively to meet the goals approved by the Governor, the Legislature and the voters.

# OVERVIEW OF GENERAL FUND REVENUES AND EXPENDITURES

The Governor's Budget projects General Fund revenues will increase by 7.2 percent in 2007-08 compared to the revised 2006-07 revenue estimate, and General Fund expenditures to increase by only 1.0 percent compared to the revised 2006-07 expenditure estimate.

Figure GRE-01 compares General Fund revenues and expenditures in 2007-08 to the revised 2006-07 revenue and expenditure estimates. General Fund expenditure changes are highlighted below. For information regarding changes since the 2006 Budget Act, please view specific departmental information under Proposed Budget Detail or agency change tables included in the Proposed Budget Summary.

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## EXECUTIVE

Expenditures are proposed to increase by \$9.2 million, or 0.9 percent. The major adjustments are as follows:

- An increase of \$5.9 million (\$2.2 million General Fund) for the Board of Equalization (BOE). This increase is primarily attributable to the provision of 79 new staff to assist in administration of the sales and use tax and various other special taxes for which BOE is responsible.
- An increase of \$4.8 million for the Department of Justice to handle increased federal habeas corpus workload, including federal habeas corpus appeals.

OVERVIEW OF GENERAL FUND REVENUES AND EXPENDITURES

Figure GRE-01

<b>General Fund Revenues and Expenditures 2006-07 Revised vs. 2007-08 Proposed (Dollars in Millions)</b>				
<u>REVENUES</u>	<u>Revised 2006-07</u>	<u>Proposed 2007-08</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues and Transfers</b>	<b>\$94,518.6</b>	<b>\$101,277.5</b>	<b>\$6,758.9</b>	<b>7.2</b>
<b><u>EXPENDITURES</u></b>				
<b>NON-PROPOSITION 98:</b>				
Executive	\$1,009.1	\$1,018.3	\$9.2	0.9
Legislature	327.4	343.7	16.3	5.0
Judicial	2,168.0	2,430.7	262.7	12.1
State and Consumer Services	602.3	574.9	-27.4	-4.5
Business, Transportation, and Housing	3,025.8	1,587.9	-1,437.9	-47.5
Resources/Environmental Protection	2,252.9	1,557.9	-695.0	-30.8
Health and Human Services	29,797.3	29,848.0	50.7	0.2
Corrections and Rehabilitation	9,182.8	9,989.1	806.3	8.8
Non-Proposition 98 Education	10,281.2	11,057.9	776.7	7.6
Labor and Workforce Development	104.5	117.7	13.2	12.6
General Government	2,573.3	3,424.6	851.3	33.1
<b>Total - Non-Proposition 98</b>	<b>\$61,324.6</b>	<b>\$61,950.7</b>	<b>\$626.1</b>	<b>1.0</b>
<b>PROPOSITION 98:</b>	<b>\$40,812.0</b>	<b>\$41,189.9</b>	<b>\$377.9</b>	<b>0.9</b>
<b>TOTAL - ALL EXPENDITURES</b>	<b>\$102,136.6</b>	<b>\$103,140.6</b>	<b>\$1,004.0</b>	<b>1.0</b>

**LEGISLATURE**

Expenditures are proposed to increase by \$16.3 million, or 5.0 percent. The major adjustment is as follows:

- An increase of \$15.7 million based on the growth in the State Appropriations Limit.



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## JUDICIAL

Expenditures are proposed to increase by \$262.7 million, or 12.1 percent. The major adjustments are as follows:

- Application of the State Appropriations Limit growth factor to the Judicial Branch's budget, at a cost of \$146.8 million.
- An augmentation of \$27.8 million for new judgeships.
- An augmentation of \$18.8 million to implement recently enacted legislation.
- An augmentation of \$5 million to implement a pilot program to improve access to justice.

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## STATE AND CONSUMER SERVICES

Expenditures are proposed to decrease by \$27.4 million, or 4.5 percent. The major adjustments are as follows:

- A decrease of \$139.8 million (\$44.1 million General Fund) for the Franchise Tax Board. Most of this reduction is attributable to the transition of the California Child Support Automation System project from development to implementation.
- An increase of \$1.9 million Phase II operational start-up activities at the California Science Center.
- An increase of \$1.7 million for the Department of General Services to complete critical repairs to the State Capitol Building.
- A net increase of \$0.9 million to establish the California Office of Information Security and Protection.

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## BUSINESS, TRANSPORTATION, AND HOUSING

Expenditures are proposed to decrease by \$1.4 billion, or 47.5 percent. The major adjustments are as follows:

- A reduction of \$340 million for debt service for seismic work on bridges due to the proposal to offset such expenditures with sales tax "spillover" revenues.
- Repayment of Proposition 42 loans of \$83 million per Proposition 1A, and a \$1.2 billion prepayment of the Proposition 42 loan in 2006-07.

## OVERVIEW OF GENERAL FUND REVENUES AND EXPENDITURES

- Proposition 42 transfer is fully funded in 2007-08 at \$1.5 billion. This is an increase of \$47 million over the current year amount of \$1.4 billion.

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## RESOURCES AND ENVIRONMENTAL PROTECTION

Expenditures are proposed to decrease by \$695 million, or 30.8 percent. The major adjustments are as follows:

- Expenditures for levee repairs and other flood control improvements funded by AB 142 will decrease by \$325 million, as most of the funds will be encumbered by the end of the 2006-07 fiscal year.
- Proposition 1E funds will be used to reimburse \$200 million in previous General Fund expenditures for flood control. Since the reimbursement will take place in 2007-08, budget year expenditures will reflect a General Fund expenditure reduction of \$200 million.
- Expenditures for flood control subventions will decrease by \$100 million. However, additional funding for the subventions is expected to be made available from the bond funds authorized by Proposition 1E.
- Debt service for Resources land acquisitions and capital improvement projects approved in prior years will increase by \$93 million.
- Expenditures for deferred maintenance by the Department of Parks and Recreation will decrease by \$90 million to reflect expiration of one-time funding. However, Proposition 84 provides \$400 million for, among other purposes, restoration and rehabilitation of the state park system.
- \$50 million in one-time funds for various Fish and Game programs, the Marine Life Management Act and the Marine Life Protection Act, will be eliminated from the Budget.
- One-time funding to correct shortfalls in subaccounts within the Fish and Game Preservation Fund will be eliminated, saving \$20 million.
- Funding requirements for the Habitat Conservation Fund will result in increased General Fund spending of \$16 million.
- Employee compensation costs for the Department of Forestry and Fire Protection will increase by \$11 million.

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## HEALTH AND HUMAN SERVICES

Expenditures are proposed to increase by \$50.7 million, or 0.2 percent. The major adjustments are as follows:

- Caseload and other workload increases totaling \$1.4 billion, of which \$979.8 million is in the Medi-Cal program.
- Savings of \$324.4 million resulting from CalWORKs changes that strengthen work requirements, reduce reliance on aid, increase accountability for recipients and counties, and improve the state's ability to meet federal welfare requirements.
- Savings of \$268.9 million resulting from utilization of Proposition 98 funding for CalWORKs Stage 2 child care.
- A decrease of \$251.7 million to reflect the removal of one-time funding from 2006-07 associated with unpaid prior year claims in the Early and Periodic Screening, Diagnosis and Treatment and San Mateo Pharmacy and Laboratory Services programs.
- A decrease of \$245.5 million in Child Support Administration expenditures due to a reduction of \$220 million in federal automation penalties that will be held in abeyance while federal certification of California's statewide child support automation system is in process and a reduction of \$25.5 million to reflect the expiration of one-time payments and automation system enhancements in 2006-07.
- A decrease of \$160.4 million in the Department of Public Health budget to reflect the removal of one-time funding for health care surge capacity.
- One-time savings of \$144 million from using Public Transportation Account funds for Regional Center transportation costs.
- Savings of \$140.3 million by suspending the CalWORKs cost-of-living adjustment.

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## CORRECTIONS AND REHABILITATION

Expenditures are proposed to increase by \$806.3 million, or 8.8 percent. This increase consists primarily of population and other workload increases totaling \$571.9 million, as well as \$52.6 million in policy adjustments, and \$181.8 million in increased capital outlay. The major adjustments are as follows:

## OVERVIEW OF GENERAL FUND REVENUES AND EXPENDITURES

- A net increase of \$200.5 million for the full year cost of new or expanded programs, including an increase of \$41.1 million to augment programs designed to reduce recidivism.
- An increase of \$148.9 million in 2007-08 to comply with court orders and lawsuits, including the health care Receiver in the case of Plata v. Schwarzenegger.
- An increase of \$94.5 million in 2007-08 for the California Department of Corrections and Rehabilitation (CDCR) to implement Proposition 83 and recommendations of the Governor's High Risk Sex Offender Task Force. Funding is included to provide Global Positioning System monitoring and reduced parole agent caseload ratios for all registered sex offender parolees, additional screenings of inmates for potential referral as Sexually Violent Predators, treatment to High Risk Sex Offender parolees, training for Parole Agents on the Sex Offender Containment Model and polygraph testing, biannual polygraph tests for high risk sex offenders on parole, and additional parole agents to coordinate with Sexual Assault Felony Enforcement (SAFE) Teams by parole region.
- Estimated savings of \$52.5 million resulting from modifications to the parole structure, which will allow law enforcement to focus on those who pose the greatest risk of committing another crime. This includes automatic discharge from parole for individuals with 12 months of "clean time", and no parole after completion of sentence for low-level offenders. This savings grows to \$70 million in 2008-09 and ongoing.
- An increase of \$50 million in local assistance for adult probation grants to target the at-risk 18-25 year old probation population. This investment will increase to \$100 million in 2008-09.
- An increase of \$46 million for facility maintenance and repair, including maintenance of transformers, generators, and high-voltage switchgear, ongoing preventative maintenance for roofing, repair and replacement of roads and parking lots, and other critical deferred maintenance.
- A net savings of \$32.9 million related to the shift of juvenile offenders to the counties. Another \$10 million savings resulting from the elimination of funding for the Juvenile Justice Community Reentry Challenge Grant.
- A net increase of \$32.5 million in 2007-08 for the CDCR to implement the Consolidated Information Technology Infrastructure Project (CITIP), which will provide a "backbone" of infrastructure for multiple information technology projects currently planned or underway at the CDCR. The 2007-08 estimated project cost for CITIP is \$118.5 million;

however, the Budget assumes that up to \$86 million of this amount can be financed using GS \$mart.

- An increase of \$23 million in 2007-08 to replace equipment including buses, telephone systems, and radio systems.

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## NON-PROPOSITION 98 EDUCATION

Expenditures are proposed to increase by \$776.7 million, or 7.6 percent. The major adjustments are as follows:

- An increase of \$346 million for the Higher Education Compact.
- An increase of \$344.7 million for K-12 general obligation bond debt service.
- An increase of \$64 million due to increased CalGrant and other financial aid program costs.
- An increase of \$20 million for UC Research.

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## LABOR AND WORKFORCE DEVELOPMENT

Expenditures are proposed to increase by \$13.2 million, or 12.6 percent. The major adjustments are as follows:

- An increase of \$13.5 million to reflect the Employment Development Department's (EDD) cost to collect various employment taxes.
- A net decrease of \$0.2 million for the second year of funding for the EDD's Automated Collection Enhancement System, which will improve the EDD's ability to track, collect, and audit the payment of specified employer payroll taxes, including the personal income tax.

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## GENERAL GOVERNMENT

Expenditures are proposed to increase by \$851.3 million, or 33.1 percent. The major adjustments are as follows:

- An increase of \$551 million for transfer to the Budget Stabilization Account for early retirement of the Economic Recovery Bonds per Proposition 58.

## OVERVIEW OF GENERAL FUND REVENUES AND EXPENDITURES

- A one-time increase of \$595 million to pre-pay outstanding Economic Recovery Bond debt.
- A decrease of \$77 million reflecting higher recovery of central services costs from special funds.
- An increase of \$35.7 million to support the "Next Generation" of financial management information systems and workforce for the state. The modernization project, known as the Financial Information System for California (FI\$Cal), will prepare the state financial management systems and workforce to function in a single statewide financial management system environment.
- An increase of \$10.3 million to procure and implement the statewide Veterans Home Information System.
- An increase of \$2.1 million to open a 40-bed skilled nursing facility at the Barstow Veterans Home.
- An increase of \$1.7 million for the Military Department to establish a tuition assistance program for members of the California National Guard.
- An increase of \$0.6 million for workload increases for the Fair Political Practices Commission.

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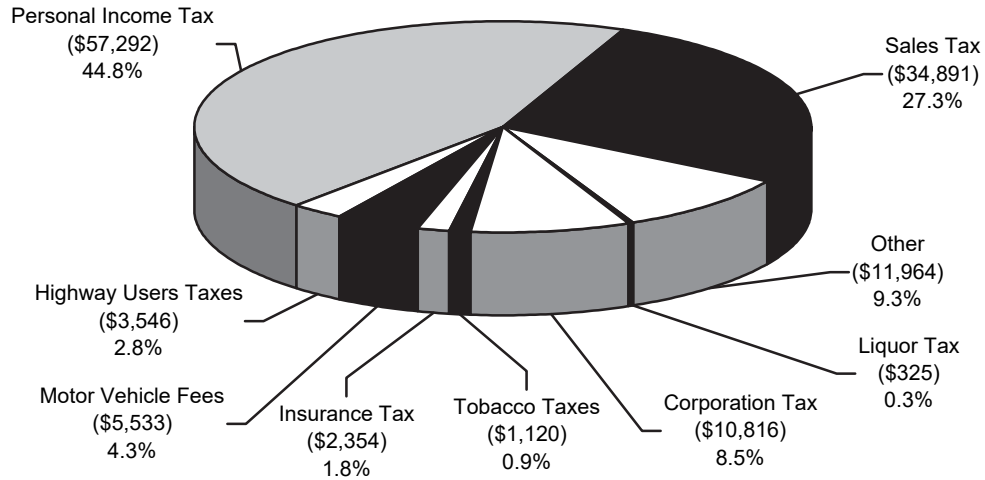
### PROPOSITION 98

In 2007-08 Proposition 98 funding increases by \$1.8 billion over the revised 2006-07 level to \$56.8 billion. The General Fund contribution to Proposition 98 increases by \$377.9 million to \$41.2 billion. This is equal to 40 percent of total General Fund expenditures in 2007-08. The Budget includes a \$300 million settle-up appropriation of which \$268 million will be provided to approximately 450 to 500 school sites for class size reduction, maintaining counselor-to-student ratios at 300:1, and professional development. The other \$32 million will be provided to the community colleges for Career Technical Education programs. The Budget also proposes to shift the fund source for the \$627 million Home-to-School Transportation program from Proposition 98 General Fund to the Public Transportation Account (PTA), allowing for the guarantee to be rebenched downward for General Fund savings of \$627 million.

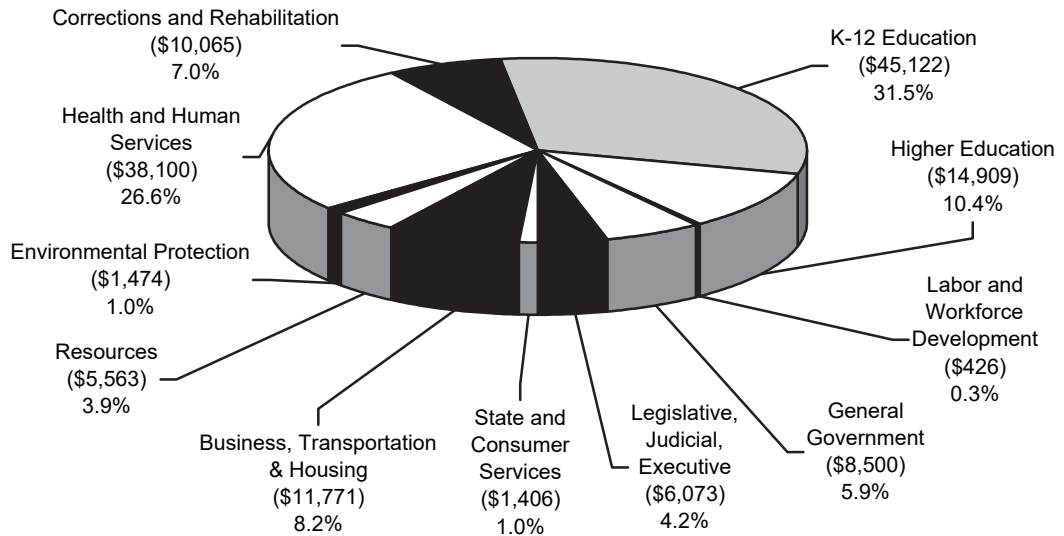
# SUMMARY CHARTS

This section provides various statewide budget charts and tables.

**2007-08  
Total Revenues and Transfers  
(Dollars in Millions)**



**2007-08  
Total Expenditures  
(Including Selected Bond Funds)  
(Dollars in Millions)**



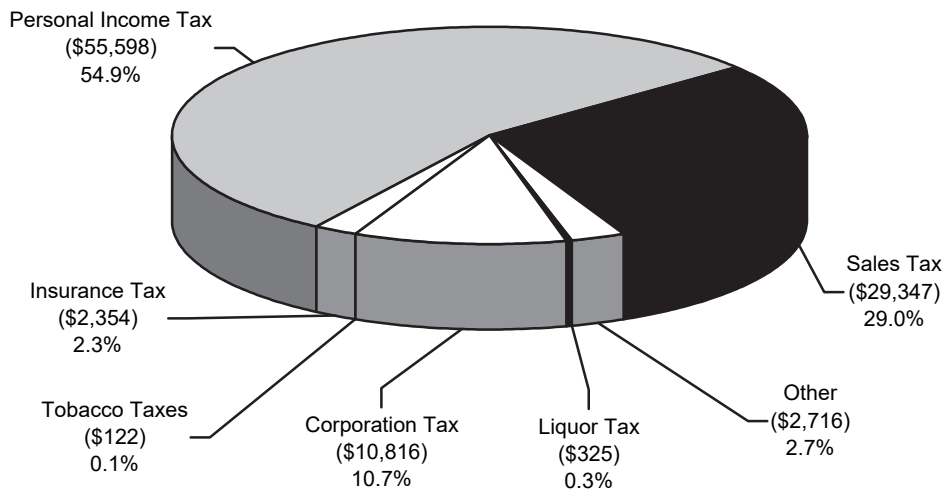


**2007-08 Governor's Budget  
General Fund Budget Summary  
(Dollars in Millions)**

	<u>2006-07</u>	<u>2007-08</u>
<b>Prior Year Balance</b>	\$10,816	\$3,198
Revenues and Transfers	\$94,519	\$101,278 <sup>1/</sup>
<b>Total Resources Available</b>	<b>\$105,335</b>	<b>\$104,476</b>
Non-Proposition 98 Expenditures	\$61,325	\$61,951 <sup>1/</sup>
Proposition 98 Expenditures	\$40,812	\$41,190
<b>Total Expenditures</b>	<b>\$102,137</b>	<b>\$103,141</b>
<b>Fund Balance</b>	<b>\$3,198</b>	<b>\$1,335</b>
Reserve for Liquidation of Encumbrances	\$745	\$745
Special Fund for Economic Uncertainties	\$2,453	\$590
<b>Budget Stabilization Account</b>	<b>\$472</b>	<b>\$1,495</b>
<b>Total Available Reserve</b>	<b>\$2,925</b>	<b>\$2,085</b>

<sup>1/</sup> A total of \$2,046 million will be transferred to the Budget Stabilization Account pursuant to Proposition 58. Half will remain in the Account for future purposes (displayed as a reduction in revenues). The other half will be further transferred for the purpose of early retirement of Economic Recovery Bonds (displayed as an increase in expenditures).

**2007-08  
General Fund Revenues and Transfers  
(Dollars in Millions)**

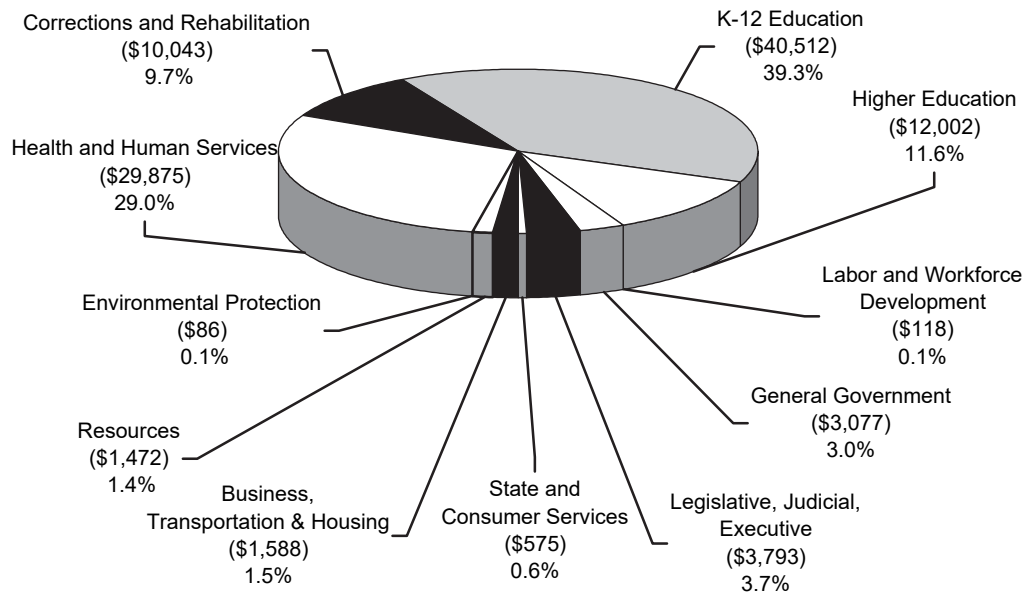


**2007-08 Revenue Sources**  
(Dollars in Millions)

	<b>General Fund</b>	<b>Special Funds</b>	<b>Total</b>	<b>Change From 2006-07</b>
Personal Income Tax	\$55,598	\$1,694	\$57,292	\$3,722
Sales Tax	29,347	5,544	34,891	1,910
Corporation Tax	10,816	-	10,816	505
Highway Users Taxes	-	3,546	3,546	60
Motor Vehicle Fees	26	5,507	5,533	279
Insurance Tax	2,354	-	2,354	134
Liquor Tax	325	-	325	4
Tobacco Taxes	122	998	1,120	11
Other	2,690	9,274	11,964	1,523
<b>Total</b>	<b>\$101,278</b>	<b>\$26,563</b>	<b>\$127,841</b>	<b>\$8,148</b>

Note: Numbers may not add due to rounding.

**2007-08 General Fund Expenditures**  
(Dollars in Millions)



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**General Fund Expenditures by Agency**  
(Dollars in Millions)

	<u>2006-07</u>	<u>2007-08</u>	<u>Change</u>	<u>%</u>
Legislative, Judicial, Executive	\$3,505	\$3,793	\$288	8.2%
State and Consumer Services	602	575	-27	-4.5%
Business, Transportation & Housing	3,026	1,588	-1,438	-47.5%
Resources	2,161	1,472	-689	-31.9%
Environmental Protection	92	86	-6	-6.5%
Health and Human Services	29,820	29,875	55	0.2%
Corrections and Rehabilitation	9,236	10,043	807	8.7%
K-12 Education	40,016	40,512	496	1.2%
Higher Education	11,368	12,002	634	5.6%
Labor and Workforce Development	105	118	13	12.4%
General Government	<u>2,206</u>	<u>3,077</u>	<u>871</u>	<u>39.5%</u>
<b>Total</b>	<b>\$102,137</b>	<b>\$103,141</b>	<b>\$1,004</b>	<b>1.0%</b>

Note: Numbers may not add due to rounding.

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**2007-08 Total Expenditures by Agency**  
(Dollars in Millions)

	<u>General Fund</u>	<u>Special Funds</u>	<u>Bond Funds</u>	<u>Totals</u>
Legislative, Judicial, Executive	\$3,793	\$1,995	\$285	\$6,073
State and Consumer Services	575	810	21	1,406
Business, Transportation & Housing	1,588	7,861	2,322	11,771
Resources	1,472	2,061	2,030	5,563
Environmental Protection	86	1,037	351	1,474
Health and Human Services	29,875	8,114	111	38,100
Corrections and Rehabilitation	10,043	22	-	10,065
K-12 Education	40,512	620	3,990	45,122
Higher Education	12,002	36	2,871	14,909
Labor and Workforce Development	118	308	-	426
General Government	<u>3,077</u>	<u>4,821</u>	<u>602</u>	<u>8,500</u>
<b>Total</b>	<b>\$103,141</b>	<b>\$27,685</b>	<b>\$12,583</b>	<b>\$143,409</b>

Note: Numbers may not add due to rounding.

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# BUDGET SUMMARY IMPROVEMENTS

As part of the Administration's effort to improve the understanding and comparability of budget expenditure data, the 2007-08 Governor's Budget Summary will now follow a more traditional agency format. In the past, some content in the Governor's Budget Summary was arranged by major program areas rather than by agency. Budget expenditure data will be displayed in both a summary format and a new agency change table format. The change tables are intended to provide the reader a snapshot of proposed expenditure and position adjustments in each agency, why those changes are being proposed, and their dollar and position impact.

There is one change table for each of the following agencies or sub-agencies:

- Legislative, Judicial, and Executive
- State and Consumer Services
- Business, Transportation, and Housing
- Resources
- Environmental Protection
- Health and Human Services
- Corrections and Rehabilitation
- K-12 Education
- Higher Education

## BUDGET SUMMARY IMPROVEMENTS

- Labor and Workforce Development
- General Government

The change tables include three adjustment categories: workload, policy, and infrastructure. Workload adjustments are defined pursuant to Government Code Section 13308.05. Section 13308.05 defines a workload budget as the budget-year cost of currently authorized services, adjusted for changes in enrollment, caseload, population, statutory cost-of-living adjustments, chaptered legislation, one-time expenditures, full-year costs of partial-year programs, costs incurred pursuant to constitutional requirements, federal mandates, court-ordered mandates, state employee merit salary adjustments, and state agency operating expense and equipment cost adjustments to reflect inflation. The compacts with Higher Education and the Courts are commitments by this Administration and therefore are included in the workload budget and considered workload adjustments.

Policy adjustments are defined as changes to existing law or Administration policies. These adjustments require action by the Governor and/or Legislature and modify the workload budget.

Infrastructure adjustments provide funding for capital outlay (an expenditure of funds to acquire land or other real property, plan and construct new buildings, expand or modify existing buildings, and/or purchase equipment related to such construction). These adjustments are consolidated into one line item at the bottom of each change table, regardless of whether the infrastructure adjustments are classified as workload or policy.

Within each change table, the most important policy and workload adjustments may be individually highlighted or included in a category. The categories are comprised of standard workload adjustments displayed in each agency change table. Some change tables may include specific categories that are unique to a particular agency. A discussion of the various adjustments included in the change table will follow each change table.

The workload adjustment categories that are standard in each change table, if applicable, are defined below:

**ENROLLMENT/CASELOAD/POPULATION:**

These changes are generally formula or population driven.

**EMPLOYEE COMPENSATION/RETIREMENT:**

Includes general salary increases, employer retirement rate contribution adjustments, and any other related statewide employee compensation adjustments.

**STATUTORY COST-OF-LIVING ADJUSTMENTS:**

Cost-of-living adjustments required by law.

**COURT ORDERS/LAWSUITS:**

Costs resulting from court-ordered settlements or judgments against the state.

**EXPIRING PROGRAMS OR POSITIONS:**

Reduction of the budget-year funding and positions for expiring programs or positions.

**ONE-TIME COST REDUCTIONS:**

Reductions of the budget-year funding and positions to account for one-time costs budgeted in the current year.

**FULL-YEAR COST OF NEW PROGRAMS:**

Increases to the budget year funding and positions to reflect the full-year costs of programs authorized to begin after July 1, 2006. (Does not include the full year effect of employee compensation adjustments that are displayed separately.)

**OTHER WORKLOAD ADJUSTMENTS:**

This category includes all workload adjustments not included in one of the aforementioned categories. Adjustments reflected in this category may include reductions for vacant positions per Government Code 12439, new legislation (i.e., costs not already built in when the 2006-07 Budget was enacted), carryovers and reappropriations of funds to be used for the same purposes, Pro Rata costs, and Statewide Costs Allocation Plan (SWCAP) adjustments. Pro Rata costs represent General Fund recoveries from special funds for statewide general administrative costs incurred by central service agencies. SWCAP adjustments represent General Fund recoveries from federal funds for statewide general administrative costs incurred by central service agencies.

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# ECONOMIC OUTLOOK

The California and national economies got off to fast starts in 2006, but declining housing sectors increasingly weighed on the economies as the year progressed. Economic data for October and November suggest that the fourth quarter will be the low point for national economic growth in 2006. While on the whole, 2006 was a better year than 2005 for the state and national economies, neither economy will be going into 2007 with much momentum.

Economic growth will likely be modest in the first half of 2007, and unemployment could increase slightly. The second half of the year should bring better growth as state and national housing sectors begin to pull out of their downturns. Both economies should improve further in 2008.

The major risks to this outlook are a longer, deeper housing slump and higher mortgage rates, either of which could test consumer confidence.

## THE NATION—SLOWING GROWTH

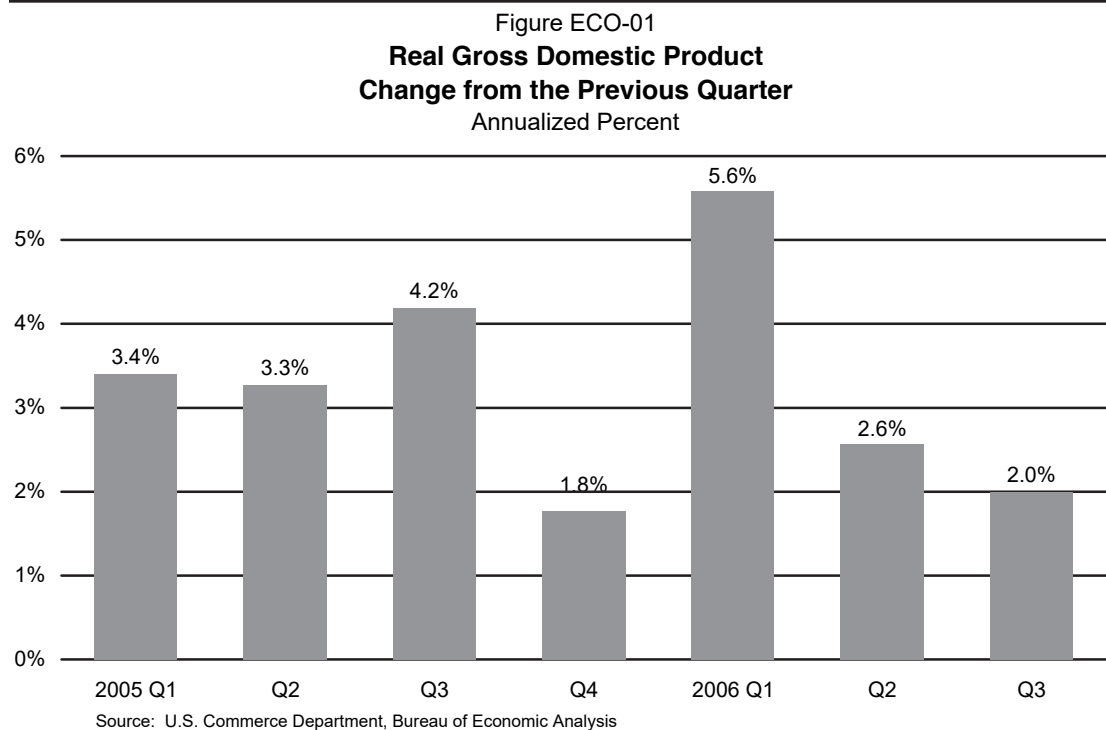
The outlook for the national economy is slowing growth:

- Real GDP is projected to grow 2.4 percent in 2007 and 2.9 percent in 2008, as compared to 3.3 percent in 2006.
- Nonfarm payroll employment is forecast to increase 1.1 percent in 2007 and 1.2 percent in 2008, as compared to 1.4 percent in 2006.

Two sectors of the economy are primarily responsible for the expected slowdown in real GDP growth in 2007—the housing sector and light vehicle manufacturing. The downturn in the nation’s housing sector is by far the more important. Declines in residential construction

## ECONOMIC OUTLOOK

reduced real GDP growth by 0.7 percentage points in the second quarter of 2006 and 1.2 percentage points in the third quarter, pulling real GDP growth below 3 percent in both quarters (Figure ECO-01). Cuts in residential construction are expected to lop off about 1 to 1.2 percentage points in real GDP growth in the fourth quarter of 2006 and the first quarter of 2007. The drag of residential construction on real GDP growth is expected to diminish in the second quarter of 2007 and then contribute to real GDP growth in the second half of 2007 and in all of 2008.



The slowdown in the nation's housing sector is now evident in almost every measure of the sector. The value of new residential construction fell 10 percent from March 2006 to October 2006. Housing starts declined 28 percent from their peak in June 2005, and housing permits 31 percent from their October 2005 peak. New home sales fell 25 percent from October 2005 to October 2006 and existing home sales by 12 percent. The median price of existing homes sold fell about 4 percent over that period, while the median price of new homes, without adjustment for buyer incentives, rose about 6 percent. If buyer incentives

were subtracted from the prices of new homes, the median new home price in October would likely be down from the year-ago price.

Light vehicle sales dropped sharply in October and November, and automakers responded by making production cuts, some of them extending through the first half of 2007.

Other sectors of the economy may experience some slowdown in growth, but most are expected to hold up quite well in 2007, the most important being consumer spending. Growth in consumer spending slowed in the second and third quarters of 2006. Some of this slowdown was directly due to the housing downturn: growth in spending on home furnishings and appliances fell sharply in the second and third quarters as home sales dropped, for example. But most of the housing sector's effect on consumer spending was indirect—the result of cutbacks in spending by workers in the housing sector and closely related industries whose incomes were reduced. Thus consumer spending is expected to continue growing at a rate somewhat higher than that of economic output. There is little evidence that consumers have cut back their spending because reduced home price gains or price declines have made them feel less well off.

Holiday sales are reported to be close to relatively modest expectations. Retailers are using discounts to entice shoppers, but most discounts were planned and not a sign of panic. Retailers are hoping that the procrastinators will come out in numbers on the weekend immediately preceding Christmas.

Two sectors are expected to grow considerably quicker than real GDP in 2007 and 2008: exports and investment in equipment and software by business. Exports will benefit from the declining dollar, and the improved economies of many of the nation's major trading partners. Investment in equipment and software will be boosted by the strong profit gains of recent years and growing capacity constraints in many industries.

Rising energy prices pushed up general inflation in 2006 but are expected to be more stable in 2007 and 2008, resulting in lower general inflation. The improvement in inflation and relatively modest output growth in 2007 will likely keep Federal Reserve inflation hawks at bay. In fact, the Federal Reserve is expected to cut short-term interest rates three times in 2007 to ensure that the slowdown in economic growth does not turn into something worse.

While the outlook is for slower, but still positive growth, the major risk for even slower growth would be if there is a longer and deeper decline in housing and higher mortgage rates.

**CALIFORNIA—SLOWING GROWTH AS WELL**

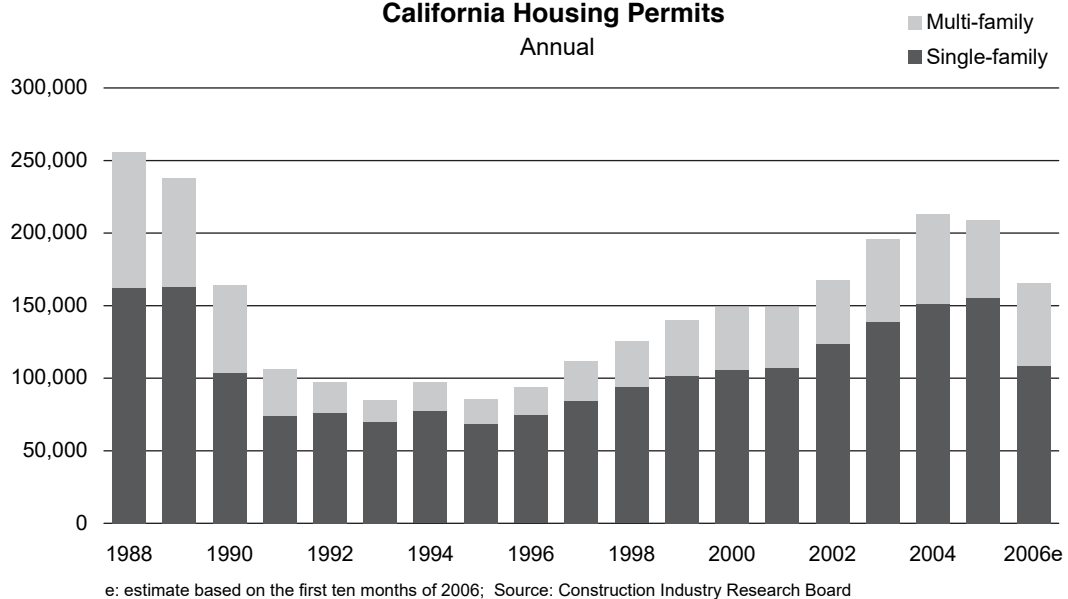
The outlook for the California economy is slowing growth:

- Personal income is projected to grow 5.7 percent in 2007 and 5.4 percent in 2008, as compared to 6.6 percent in 2006.
- Nonfarm payroll employment is forecast to increase 1.2 percent in 2007 and 1.6 percent in 2008, as compared to 1.8 percent in 2006.

As in the nation as a whole, a downturn in the state’s housing sector is primarily behind the slowing of the California economy in the second half of 2006. A second, but considerably smaller, factor is reduced light vehicle sales.

The state’s housing sector has turned down more sharply than has the national housing sector. The number of new permits issued in the first ten months of the year was 21 percent below the year-ago level (Figure ECO-02). Sales of existing single-family detached homes were down almost 30 percent in October from the year-ago level, and new home sales were down 21 percent. Price gains have moderated considerably, and some counties, including six of the nine Bay Area counties, have experienced year-over-year price declines. The number of foreclosures in the third quarter of 2006 was more than double the year-earlier level. Residential permits are projected to fall again in 2007 before rebounding in 2008.

Figure ECO-02  
**California Housing Permits**  
Annual



California participated in the decline in auto sales in October and November. In fact, sales in the state were described as especially weak in news reports.

A number of measures of the California economy, while showing signs of slowing, are quite strong—personal income, taxable sales, private-sector nonresidential and public works construction, and state exports.

According to the U.S. Bureau of Economic Analysis, personal income—received by California residents from all sources—was up 6.6 percent from a year earlier and wages and salaries 7.6 percent in the first three quarters of 2006. Both are growing considerably quicker than in 2005. Personal income posted a 5.4 percent gain in 2005 as a whole, for example. But, for both measures, the gain was strongest in the first quarter and then shrank as the year proceeded. This pattern is consistent with news reports that 2005 bonuses were large in financial services, some high-tech industries, and durable goods manufacturing. Personal income is expected to benefit in 2007 from large bonuses on work done in 2006, as well as increased equity-related compensation.

Statewide taxable sales were more than 7 percent above their year-ago level in the first half of 2006, consistent with the strong gain in wages and salaries in that period.

Private-sector nonresidential construction was strong again in 2006 with large gains in office, hotel and motel, and parking garage construction and alterations and additions. Work on the new Bay Bridge helped public works construction surge by over 20 percent in 2006. Private sector nonresidential construction is expected to post high single-digit percentage gains and public works construction, mid-to high single-digit percentage gains in 2007 and 2008.

Made-in-California merchandise exports were almost 11 percent higher than a year earlier in the first three quarters of 2006 and should easily set a new record in 2006. Gains in exports to mainland China and Mexico dwarfed those to other destinations. High-tech exports grew, but not as quickly as total exports.

For the first 10 months of 2006, job growth was about the same as in 2005. Smaller job gains in retail trade, construction, and financial activities were offset by bigger job gains in leisure and hospitality, government, and professional and business services.

The state's unemployment rate dropped from an average of 5.8 percent in the first ten months of 2005 to 5.1 percent in the first ten months of 2006, as the number of unemployed persons fell below 900,000 for the first time in five years.

## ECONOMIC OUTLOOK

While the outlook is for slower, but still positive growth, the major risk for even slower growth would be if there is a longer and deeper decline in housing and higher mortgage rates. California's economy, like those of other states with expensive housing, is particularly sensitive to changes in interest rates. A jump in mortgage rates would raise payments for home owners with adjustable rate mortgages and come at the same time as the first wave of refinancing of the various five-year balloon mortgages.

As the fifth year of economic expansion comes to a close, the national and California economies are facing increased risks. Slower growth, stable energy prices, moderating inflation, and stable to lower interest rates might be the best possible outcome in the near-term.

Figure ECO-03 provides additional economic data and forecasts for 2006, 2007, and 2008.

Figure ECO-03

**Selected Economic Data for 2006, 2007, and 2008**

<b>United States</b>	<b>2006 (Est.)</b>	<b>2007 (Projected)</b>	<b>2008 (Projected)</b>
Real gross domestic product (2000 CW* \$, percent change)	3.3	2.4	2.9
Personal consumption expenditures	3.2	2.8	2.6
Gross private domestic investment	4.8	(1.4)	2.6
Government purchases of goods and services (percent change)	2.0	1.9	1.5
GDP deflator (2000=100, percent change)	2.9	2.3	1.9
GDP (current dollar, percent change)	6.3	4.7	4.9
Federal funds rate (percent)	4.96	4.86	4.49
Personal income (percent change)	7.2	5.4	5.3
Corporate profits before taxes (percent change)	15.9	1.5	2.4
Nonfarm wage and salary employment (millions)	135.3	136.8	138.5
(percent change)	1.4	1.1	1.2
Unemployment rate (percent)	4.6	4.8	4.9
Housing starts (millions)	1.8	1.6	1.6
(percent change)	(11.0)	(14.0)	2.1
New car sales (millions)	7.8	7.6	7.4
(percent change)	1.1	(1.5)	(3.1)
Consumer price index (1982-84=100)	201.6	205.5	209.9
(percent change)	3.2	2.0	2.1
<b>California</b>			
Civilian labor force (thousands)	17,741.8	17,980.5	18,257.1
(percent change)	0.3	1.3	1.5
Civilian employment (thousands)	16,880.4	17,091.0	17,330.0
(percent change)	0.8	1.2	1.4
Unemployment (thousands)	858.5	889.5	927.2
(percent change)	(9.5)	3.6	4.2
Unemployment rate (percent)	4.8	4.9	5.1
Nonfarm wage and salary employment (thousands)	15,057.0	15,242.0	15,489.7
(percent change)	1.8	1.2	1.6
Personal income (billions)	1,421.2	1,502.5	1,583.4
(percent change)	6.6	5.7	5.4
Housing units authorized (thousands)	167.6	151.6	164.8
(percent change)	(19.8)	(9.5)	8.7
Corporate profits before taxes (billions)	184.6	192.6	201.2
(percent change)	1.8	4.3	4.5
New auto registrations (thousands)	1,879.0	1,916.0	1,918.0
(percent change)	2.1	1.9	0.1
Total taxable sales (billions)	561.0	578.6	610.1
(percent change)	4.5	3.1	5.4
Consumer price index (1982-84=100)	210.5	216.0	221.2
(percent change)	3.9	2.6	2.4

\* CW: Chain Weighted

Note: Percentage changes calculated from unrounded data.

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# REVENUE ESTIMATES

California revenues were exceptionally strong in 2006, but are projected to grow more moderately in 2007 and 2008. For the budget year, revenues are expected to grow to \$101 billion, a 7.2-percent increase from 2006-07.

Figure REV-01 summarizes the forecast for 2006-07 and 2007-08 and provides a preliminary report of actual receipts for 2005-06, compared to the 2006 Budget Act forecast.

The Governor's Budget forecast was prepared in early December, before individuals and corporations made final withholding and estimated payments and before consumers completed their December purchases. The strength of this late December and early January activity can have a large impact on state revenues. This forecast will be revised in early May when these data and April income tax receipts are available.

The state's tax system is outlined in Figure REV-02. Tax collections per capita and per \$100 of personal income are displayed in Schedule 2 in the Appendix. The revenue generated from each state tax from 1970-71 through 2007-08 is displayed in Schedule 3 in the Appendix.

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## GENERAL FUND REVENUE

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

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### PERSONAL INCOME TAX: \$55.598 BILLION

The personal income tax is the state's largest single revenue source, representing 54.9 percent of all General Fund revenues and transfers in 2007-08. Income tax revenues are

Figure REV-01  
**2007-08 Governor's Budget**  
**General Fund Revenue Forecast**  
**Summary Table**  
**Reconciliation with the 2006-07 Budget Act**  
(Dollars in Millions)

Source	Budget Act	Governor's Budget	Change Between Forecasts	
<b>Fiscal 05-06</b>				
Personal Income Tax	\$49,555	\$49,877	\$322	0.6%
Sales & Use Tax	27,211	27,581	\$370	1.4%
Corporation Tax	10,484	10,316	-\$168	-1.6%
Insurance Tax	2,247	2,202	-\$45	-2.0%
Alcoholic Beverage	315	318	3	1.0%
Cigarette	117	118	1	0.9%
Other Revenues	2,845	3,022	\$177	6.2%
Transfers	<u>-25</u>	<u>-7</u>	<u>\$18</u>	-72.0%
<b>Total</b>	<b>\$92,749</b>	<b>\$93,427</b>	<b>\$678</b>	<b>0.7%</b>
<b>Fiscal 06-07</b>				
Personal Income Tax	\$50,885	\$52,042	\$1,157	2.3%
Sales & Use Tax	28,114	27,775	-\$339	-1.2%
Corporation Tax	10,507	10,311	-\$196	-1.9%
Insurance Tax	2,340	2,220	-\$120	-5.1%
Alcoholic Beverage	316	321	5	1.6%
Cigarette	118	121	3	2.5%
Other Revenues	2,232	2,371	\$139	6.2%
Transfers	<u>-630</u>	<u>-642</u>	<u>-\$12</u>	1.9%
<b>Total</b>	<b>\$93,882</b>	<b>\$94,519</b>	<b>\$637</b>	<b>0.7%</b>
Change from Fiscal 05-06	\$1,133	\$1,092		
% Change from Fiscal 05-06	1.2%	1.2%		
<b>Fiscal 07-08</b>				
Personal Income Tax	\$53,167	\$55,598	\$2,431	4.6%
Sales & Use Tax	29,656	29,347	-\$309	-1.0%
Corporation Tax	10,858	10,816	-\$42	-0.4%
Insurance Tax	2,393	2,354	-\$39	-1.6%
Alcoholic Beverage	317	325	8	2.5%
Cigarette	115	122	7	6.1%
Other Revenues	2,829	3,101	\$272	9.6%
Transfers	<u>-18</u>	<u>-386</u>	<u>-\$368</u>	2044.4%
<b>Total</b>	<b>\$99,317</b>	<b>\$101,277</b>	<b>\$1,960</b>	<b>2.0%</b>
Change from Fiscal 06-07	\$5,435	\$6,758		
% Change from Fiscal 06-07	5.8%	7.2%		
<b>Three-Year Total</b>			<b>\$3,275</b>	

Figure REV-02  
**Outline of State Tax System  
as of January 1, 2007**

Major Taxes and Fees	Base or Measure	Rate	Administering Agency	Fund
<b>Alcoholic Beverage Excise Taxes:</b>				
Beer	Gallon	\$0.20	Equalization	General
Distilled Spirits	Gallon	\$3.30	Equalization	General
Dry Wine/Sweet Wine	Gallon	\$0.20	Equalization	General
Sparkling Wine	Gallon	\$0.30	Equalization	General
Hard Cider	Gallon	\$0.20	Equalization	General
<b>Corporation:</b>				
General Corporation	Net income	8.84% <sup>1</sup>	Franchise	General
Bank and Financial Corp.	Net income	10.84%	Franchise	General
Alternative Minimum Tax	Alt. Taxable Income	6.65% <sup>1</sup>	Franchise	General
<b>Tobacco:</b>				
Cigarette	Package	\$0.87 <sup>2</sup>	Equalization	See below <sup>2</sup>
Other Tobacco Products	Wholesale price	46.76% <sup>3</sup>	Equalization	See below <sup>3</sup>
<b>Energy Resources Surcharge</b>	Kilowatt hours	\$0.0002	Equalization	Energy Resources Surcharge Fund
<b>Horse Racing License</b>	Amount wagered	0.4-2.0%	Horse Racing Bd.	See below <sup>4</sup>
<b>Estate</b>	Taxable Fed. Estate	0% <sup>6</sup>	State Controller	General
<b>Insurance</b>	Gross Premiums	2.35% <sup>7</sup>	Insurance Dept.	General
<b>Liquor License Fees</b>	Type of license	Various	Alc. Bev. Control	General
<b>Motor Vehicle:</b>				
Vehicle License Fees (VLF)	Market value	0.65% <sup>8</sup>	DMV	Motor VLF, Local Revenue <sup>9</sup>
Fuel—Gasoline	Gallon	\$0.18	Equalization	Motor Vehicle Fuel <sup>10</sup>
Fuel—Diesel	Gallon	\$0.18	Equalization	Motor Vehicle Fuel
Registration Fees	Vehicle	\$40.00	DMV	Motor Vehicle <sup>11</sup>
Weight Fees	Gross Vehicle Wt.	Various	DMV	State Highway <sup>12</sup>
<b>Personal Income</b>	Taxable income	1.0-9.3%	Franchise	General
Proposition 63 Surtax	Taxable income > \$1 million	1.0%	Franchise	Mental Health Services
Alternative Minimum Tax	Alt. Taxable Income	7.0%	Franchise	General
<b>Private Railroad Car</b>	Valuation	<sup>13</sup>	Equalization	General
<b>Retail Sales and Use</b>	Sales or lease of taxable items	5.75% <sup>14</sup>	Equalization	See below <sup>14</sup>

<sup>1</sup> Minimum tax \$800 per year for existing corporations. New corporations are exempt from the minimum tax for the first two years.

<sup>2</sup> 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 Fund, 2 cents per pack for the Breast Cancer Fund, and 50 cents per pack for the California Children and Families First Trust Fund.

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

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

<sup>6</sup> The Economic Growth and Tax Relief Reconciliation Act of 2001 phases out the federal estate tax by 2010. As part of this, the Act eliminates the State pick-up tax beginning in 2005. The provisions of the 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.

<sup>7</sup> 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.

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

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

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

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

<sup>12</sup> For State highways and State Department of Motor Vehicles administrative expense. Chapter 861, Statutes of 2000, replaced the fee schedule for trucks, based on the unladen weight of commercial trucks and trailers, with a new schedule based on the gross weight capacity of trucks alone, in order to comply with the International Registration Plan standards.

Chapter 719, Statutes of 2003, increased weight fees to achieve revenue neutrality as specified in Chapter 861.

<sup>13</sup> Average property tax rate in the State during preceding year.

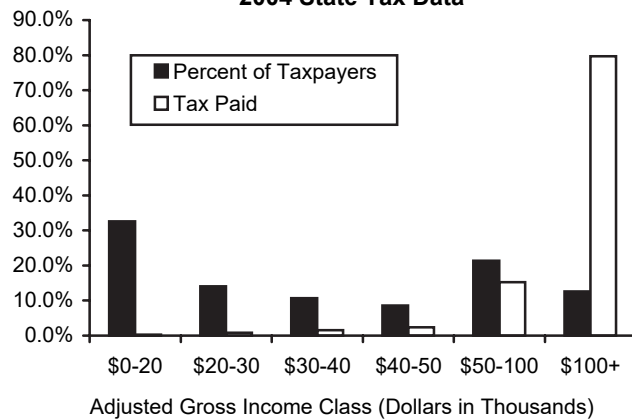
<sup>14</sup> Includes a 5 percent rate for the State General Fund and Public Transportation Account, a 0.25 percent rate for the Economic Recovery Fund, and a 0.50 percent rate for the Local Revenue Fund.

## REVENUE ESTIMATES

expected to increase by 4.3 percent for 2006-07 and 6.8 percent for 2007-08. The 2007-08 estimate includes \$165 million in additional revenues from the proposed repeal of the teacher tax credit and \$69 million from additional efforts to reduce the “tax gap.” Tax professionals define the tax gap as the difference between what taxpayers should pay and what is actually paid.

Modeled closely on the federal income tax law, California’s personal income tax is imposed on net taxable income: that is, gross income less exclusions and deductions. The tax is steeply progressive, with rates ranging from 1 percent to 9.3 percent. Figure REV-03, which shows the percent of total returns and tax paid by adjusted gross income class, illustrates the progressivity. In 2004, the top 13 percent of state taxpayers, those with adjusted gross incomes over \$100,000, paid 80 percent of the personal income tax. Changes in the income of a relatively small group of taxpayers can have a significant impact on state revenues.

Figure REV-03  
**Percent of Taxpayers and Percent of Tax Paid by Adjusted Gross Income Class**  
**2004 State Tax Data**



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

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

Capital gains and stock options have a substantial impact on state revenues. Capital gains reported by taxpayers increased 60 percent in 2004 and 40 percent in 2005; they are expected to increase 10 percent in 2006 and 5 percent in 2007. Figure REV-04 shows the portion of General Fund revenues from capital gains and stock options.

Figure REV-04

**Capital Gains and Stock Options  
As a Percent of General Fund Revenues**

(Dollars in Billions)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005 p</u>	<u>2006 e</u>	<u>2007 e</u>
Capital Gains	\$57.7	\$91.0	\$117.6	\$50.7	\$35.5	\$47.6	\$76.3	\$106.8	\$117.4	\$123.3
Stock Options	\$25.6	\$50.0	\$78.5	\$44.6	\$22.2	\$24.9	\$32.7	\$35.3	\$38.4	\$39.0
Total	\$83.3	\$141.0	\$196.1	\$95.2	\$57.8	\$72.5	\$108.9	\$142.0	\$155.8	\$162.3
<b>Tax at 9%</b>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Capital Gains	\$5.2	\$8.2	\$10.6	\$4.6	\$3.2	\$4.3	\$6.9	\$9.6	\$10.6	\$11.1
Stock Options	\$2.3	\$4.5	\$7.1	\$4.0	\$2.0	\$2.2	\$2.9	\$3.2	\$3.5	\$3.5
Total	\$7.5	\$12.7	\$17.6	\$8.6	\$5.2	\$6.5	\$9.8	\$12.8	\$14.0	\$14.6
<b>Total General Fund Revenues &amp; Transfers</b>	\$58.6	\$71.9	\$71.4	\$72.3	\$71.3	\$74.9	\$82.2	\$93.4	\$94.5	\$101.3
<b>Capital Gains and Stock Options as % of General Fund</b>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>	<u>06-07</u>	<u>07-08</u>
Capital Gains	8.9%	11.4%	14.8%	6.3%	4.5%	5.7%	8.3%	10.3%	11.2%	11.0%
Stock Options	3.9%	6.3%	9.9%	5.6%	2.8%	3.0%	3.6%	3.4%	3.7%	3.5%
Combined	12.8%	17.7%	24.7%	11.9%	7.3%	8.7%	11.9%	13.7%	14.8%	14.4%

p Preliminary

e Estimated

Note: Totals may not add due to rounding

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

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

Some personal income tax revenue is deposited into a special fund. Proposition 63, passed in November 2004, imposes a surtax of 1 percent on taxable income over \$1 million in addition to the 9.3-percent rate. Revenue from the surtax is transferred to the Mental Health Services Fund for county mental health services. The Proposition requires that 1.76 percent of all income tax revenues received each month be transferred to this fund. Once all tax returns are submitted and verified, the Franchise Tax Board determines how much revenue was generated by this surtax; if additional funds are due to the Mental Health Services Fund, a transfer is made from the General Fund. It is estimated that \$448 million will be transferred to the Mental Health Services Fund on July 1, 2007. The actual amount of the transfer will not be known until Spring 2007, when final 2005 tax return data are available. (See the

REVENUE ESTIMATES

Health and Human Services section for information on expenditures from the Mental Health Services Fund.)

The General Fund and the Mental Health Services Fund shares of personal income tax revenues for 2005-06 through 2007-08 are shown in Figure REV-05.

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Figure REV-05

**Personal Income Tax Revenue**  
(Dollars in Thousands)

	2005-06 Preliminary	2006-07 Forecast	2007-08 Forecast
General Fund	\$49,876,823	\$52,042,000	\$55,598,000
Mental Health Services Fund	1,343,000	1,528,000	1,694,000
<b>Total</b>	<b>\$51,219,823</b>	<b>\$53,570,000</b>	<b>\$57,292,000</b>

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

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**SALES AND USE TAX: \$29.347 BILLION**

Receipts from sales and use taxes, the state’s second largest revenue source, are expected to contribute 29 percent of all General Fund revenues and transfers in 2007-08. Figure REV-06 displays sales and use tax revenues for the General Fund, as well as special state funds, for 2005-06 through 2007-08.

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Figure REV-06

**Sales Tax Revenue**  
(Dollars in Thousands)

	2005-06 Preliminary	2006-07 Forecast	2007-08 Forecast
General Fund	\$27,580,979	\$27,775,000	\$29,347,000
Sales and Use Tax-Realignment	2,844,832	2,853,651	3,017,094
Public Transportation Account	354,305	603,144	675,614
Transportation Debt Repayment	0	200,000	340,000
Bay Area Toll Account	0	125,000	0
Economic Recovery Fund	1,419,684	1,424,000	1,511,000
<b>Total</b>	<b>\$32,199,800</b>	<b>\$32,980,795</b>	<b>\$34,890,708</b>

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

The largest single component of the sales tax base is new motor vehicle sales, accounting for 11.5 percent of all sales in 2005. Other transportation purchases and fuel sales represented 19.7 percent and 8.6 percent of all sales, while building-related purchases accounted for 14.3 percent.

Taxable sales grew by 7.4 percent in 2005. Preliminary data for the first three quarters indicate that taxable sales for the year are expected to grow by 4.5 percent in 2006. Taxable sales are anticipated to slow in 2007 due to decreased auto sales and a slower housing market, increasing by only 3.1 percent over 2006 sales. In 2008, growth of 5.4 percent is expected as housing and auto sales rebound.

Sales and use tax revenues are forecast relating taxable sales to economic factors such as income, employment, housing starts, new vehicle sales, and inflation. The estimate for 2007-08 includes \$35 million in additional revenues from making permanent the use tax on vessels, vehicles, and aircraft brought into the state less than one year from purchase. Another \$12.1 million in General Fund revenue will result from strengthened customs use tax enforcement on import products by the Board of Equalization (BOE).

Current law requires the transfer of some gasoline and diesel fuel sales tax revenues from the General Fund to the Public Transportation Account (PTA). (The transportation community refers to a portion of this as “spillover”). In 2006-07, the first \$200 million of spillover revenues that would otherwise be transferred to the PTA was retained in the General Fund; the next \$125 million was transferred to the Bay Area Toll Account. The Administration proposes to allocate \$340 million of spillover revenue in 2007-08 to a fund to service debt on transportation bonds.

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

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

The Board of Equalization, which administers the sales and use tax, provides additional information in its annual report, which is available on its website, [www.boe.ca.gov](http://www.boe.ca.gov).

Figure REV-07

**State and Local Sales and Use Tax Rates**

**State Rates**

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

**Local Uniform Rates<sup>1</sup>**

Bradley-Burns	0.75% <sup>2</sup> or 1.00%	Imposed by city and county ordinance for general purpose use. <sup>3</sup>
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 Rates<sup>4</sup>**

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

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

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

<sup>4</sup> 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.

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

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

Information on sales tax exemptions is included in the Department of Finance's Tax Expenditure Report.



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

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

<sup>1/</sup> 8.75% for sales in the City of Richmond.

<sup>2/</sup> 7.50% for sales in the City of Placerville and 7.75% for sales in the City of South Lake Tahoe.

<sup>3/</sup> 8.275% for sales in the City of Clovis.

<sup>4/</sup> 8.25% for sales in the City of Trinidad.

<sup>5/</sup> 7.75% for sales in the City of Clearlake and the City of Lakeport.

<sup>6/</sup> 8.75% for sales in the City of Avalon.

<sup>7/</sup> 8.25% for sales in the City of San Rafael.

<sup>8/</sup> 7.75% for sales in the Cities of Fort Bragg, Point Arena, Ukiah, and Willits.

<sup>9/</sup> 7.75% for sales in the City of Merced and the City of Los Banos.

<sup>10/</sup> 7.75% for sales in the City of Salinas and Sand City.

<sup>11/</sup> 7.875% for sales in the City of Truckee.

<sup>12/</sup> 8.25% for sales in the City of Laguna Beach.

<sup>13/</sup> 8.00% for sales in the City of San Juan Bautista.

<sup>14/</sup> 8.00% for sales in the City of Montclair.

<sup>15/</sup> 8.25% for sales in the City of El Cajon and 8.75% for sales in National City.

<sup>16/</sup> 8.00% for sales in the City of Stockton.

<sup>17/</sup> 8.25% for sales in the City of Santa Cruz and the City of Capitola. 8.50% for sales in the City of Scotts Valley.

<sup>18/</sup> 8.00% for sales in the City of Sebastopol and the City of Santa Rosa.

<sup>19/</sup> 7.50% for sales in the City of Visalia. 7.75% for sales in the Cities of Farmersville, Porterville, and Tulare.

8.00% for sales in the City of Dinuba.

<sup>20/</sup> 7.75% for sales in the City of Sonora.

<sup>21/</sup> 7.75% for sales in the City of Woodland, the City of West Sacramento, and the City of Davis.

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**CORPORATION TAX: \$10.816 BILLION**

Corporation tax revenues are expected to contribute 10.7 percent of all General Fund revenues and transfers in 2007-08. After growth of 19 percent in 2005-06, corporation tax revenues are expected to remain at the same level in 2006-07, and grow 4.9 percent in 2007-08. The 2007-08 estimate includes \$8.5 million from additional efforts to reduce the tax gap.

Corporation tax revenues are derived from the following sources:

- The franchise tax and the corporate income tax are levied at a rate of 8.84 percent on net profits. The former is imposed on corporations that do business in California, while the latter is imposed on corporations that derive income from California sources without doing business in the state. For example, a corporation that maintains a stock of goods in California to fill orders taken by independent dealers would be subject to the corporate income tax.
- Corporations that have a limited number of shareholders and meet other requirements to qualify for state Subchapter S status are taxed at a 1.5-percent rate rather than the 8.84 percent imposed on other corporations.
- Banks and other financial corporations pay the franchise tax plus an additional 2-percent tax on net income. This "bank tax" is in lieu of local personal property and business license taxes.
- The alternative minimum tax is similar to that in federal law. Imposed at a rate of 6.65 percent, the alternative minimum tax ensures that corporate taxpayers do not make excessive use of deductions and exemptions to avoid paying a minimum level of tax.
- A minimum franchise tax of \$800 is imposed on corporations subject to the franchise tax, but not on those subject to the corporate income tax.
- A fee is imposed on limited liability companies (LLC) based on total income. The fee ranges from \$900 for LLCs with income between \$250,000 and \$499,000, to \$11,790 for LLCs with income of \$5 million or more. LLCs with total income of less than \$250,000 do not pay this fee.

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

From 1943 through 1985, corporation tax liability as a percentage of profits closely tracked the corporation tax rate. Since 1986, tax liability as a percentage of profits has dropped below

the expected level of 8.84 percent. Increasing S-corporation activity and use of credits have been the primary factors contributing to a divergence between profit and tax-liability growth. Businesses that elect to form as S-corporations pay a reduced corporate rate, with the income and tax liability on that income shifted to the personal income tax.

- The Franchise Tax Board, which administers the corporation tax, prepares an annual report that provides additional information on income subject to the corporation tax, taxes collected, and characteristics of corporations paying the tax. The FTB website, [www.ftb.ca.gov](http://www.ftb.ca.gov), contains this report. Information on corporation tax deductions and credits is included in the Department of Finance's Tax Expenditure Report.

Revenues forecast for 2006-07 and 2007-08 and preliminary collections for 2005-06 are as follows:

#### CORPORATION TAX REVENUE

(Dollars in Billions)

- 2005-06 (Preliminary) \$10.316
- 2006-07 (Forecast) \$10.311
- 2007-08 (Forecast) \$10.816

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#### INSURANCE TAX: \$2.354 BILLION

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

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

In 2005, \$102.4 billion in taxable premiums were reported, an increase of 2.6 percent over 2004. The most recent survey indicates that total premiums will increase by 3.1 percent in 2006 and in 2007. As reforms in workers' compensation insurance continue to take shape, taxable premiums from workers' compensation insurance are expected to decrease significantly: survey respondents reported declines of 28 percent in 2006 and 16 percent in 2007.

## REVENUE ESTIMATES

Revenues forecasted for 2006-07 and 2007-08 and preliminary collections for 2005-06, are as follows:

### INSURANCE TAX REVENUE

(Dollars in Billions)

- 2005-06 (Preliminary) \$2.202
- 2006-07 (Forecast) \$2.220
- 2007-08 (Forecast) \$2.354

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### ALCOHOLIC BEVERAGE TAXES: \$325 MILLION

In addition to the sales tax paid by retail purchasers, California levies an excise tax on distributors of beer, wine, and distilled spirits. Distributors pay the following tax rates for each gallon of alcohol distributed for sale in California:

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

\$0.30 for sparkling wine

\$3.30 for distilled spirits

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

Revenues forecasted for 2006-07 and 2007-08 and preliminary 2005-06 collections are shown in Figure REV-09. The revenues forecasted for 2007-08 reflect a \$1.3 million increase in revenues due to a Board of Equalization's budget proposal to accommodate additional workload.

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

	<b>2005-06 Preliminary</b>	<b>2006-07 Forecast</b>	<b>2007-08 Forecast</b>
Beer and Wine	\$157.6	\$158.5	\$159.9
Distilled Spirits	160.6	162.3	164.6
<b>Total</b>	<b>\$318.2</b>	<b>\$320.8</b>	<b>\$324.5</b>

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**CIGARETTE TAX: \$122 MILLION**

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

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

- Ten cents of the per-pack tax is allocated to the state General Fund.
- Fifty cents of the per-pack tax, and an equivalent rate levied on non-cigarette tobacco products, goes to the California Children and Families First Trust Fund for distribution according to the provisions of Proposition 10 of 1998.
- Twenty-five cents of the per-pack tax, and an equivalent rate levied on non-cigarette tobacco products, is allocated to the Cigarette and Tobacco Products Surtax Fund for distribution as determined by Proposition 99 of 1988.
- Two cents of the per-pack tax is deposited into the Breast Cancer Fund.

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

Annual per capita consumption (based on population ages 18-64) declined from 121 packs in 1989-90 to 83 packs in 1997-98 and 51 packs in 2004-05. The long-term downward trend in consumption should continue to reduce cigarette sales. However, recent efforts by the Board of Equalization to reduce tax evasion have improved revenues.

Figure REV-10 shows the distribution of tax revenues for the General Fund and various special funds for 2005-06 through 2007-08.

The Board of Equalization, which administers the tobacco tax, provides additional information in its annual report, which is available on its website, [www.boe.ca.gov](http://www.boe.ca.gov).

Figure REV-10  
**Tobacco Tax Revenue**  
 (Dollars in Millions)

	<b>2005-06 Preliminary</b>	<b>2006-07 Forecast</b>	<b>2007-08 Forecast</b>
General Fund	\$118.0	\$121.0	\$122.0
Cigarette and Tobacco Products Surtax Fund	333.7	339.0	343.0
Breast Cancer Fund	23.6	24.0	24.0
California Children and Families First Trust Fund	611.0	623.0	630.0
Cigarette and Tobacco Products Compliance Fund	2.3	1.7	1.1
<b>Total</b>	<b>\$1,088.7</b>	<b>\$1,108.7</b>	<b>\$1,120.1</b>

**PROPERTY TAXES**

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

Although the property tax is generally considered a local revenue source, the amount of property tax generated each year has a substantial impact on the state budget because local property tax revenues allocated to K-14 schools offset General Fund expenditures. Assessed value growth is estimated based on twice-yearly surveys of the 58 county assessors and evaluation of real estate trends. Assessed value is estimated to grow 11.9 percent in 2006-07 and 9.8 percent in 2007-08.

**ESTATE/INHERITANCE/GIFT TAXES**

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

The Economic Growth and Tax Relief Reconciliation Act of 2001 phases out the federal estate tax by 2010. The Act reduced the state pick-up tax by 25 percent in 2002, 50 percent in 2003, 75 percent in 2004, and eliminated it beginning in 2005. The provisions of the federal Act sunset after 2010, at which time the federal and state estate taxes will be reinstated.

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

## SPECIAL FUND REVENUE

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

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

Taxes and fees related to motor vehicles comprise about 35 percent of all special fund revenue. The principal sources are motor vehicle fees (registration, weight, and vehicle license fees) and motor vehicle fuel taxes. During 2006-07, it is expected that \$8.7 billion in revenues will be derived from the ownership or operation of motor vehicles, a 3.3-percent increase from 2005-06. About 40 percent of all motor vehicle taxes and fees will be returned to local governments, and the remaining portion will be used for state transportation programs.

### MOTOR VEHICLE FEES: \$5.507 BILLION

Motor vehicle fees consist of vehicle license, registration, weight, and driver's license fees, and other charges related to vehicle operation. Figure REV-11 displays revenue from these sources from 2005-06 through 2007-08.

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

	2005-06 Preliminary	2006-07 Forecast	2007-08 Forecast
Vehicle License Fees	\$555,688	\$577,474	\$600,266
Realignment	1,670,806	1,737,220	1,805,232
Registration, Weight, and Other Fees	<u>2,814,316</u>	<u>2,914,109</u>	<u>3,101,797</u>
<b>Total</b>	<b>\$5,040,810</b>	<b>\$5,228,803</b>	<b>\$5,507,295</b>

## REVENUE ESTIMATES

The number of vehicles in the state, the ages of those vehicles, and their most recent sales price affect the amount of VLF raised. The total number of vehicles in California—autos, trucks, trailers, and motorcycles as well as vehicles registered in multiple states—is estimated to be 31,816,000 in 2006-07 and 32,655,000 in 2007-08. The forecast assumes that there will be 2.680 million new vehicles in 2007-08.

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

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

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

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

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



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

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

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**MOTOR VEHICLE FUEL TAXES: \$3.543 BILLION**

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

Gasoline consumption fell by 0.3 percent during 2005-06, due primarily to substantially higher pump prices. Falling gas prices during the first two quarters of 2006-07 are expected to contribute to a 1.8-percent increase in consumption during the fiscal year. Growth of 1.7 percent is forecast for 2007-08.

Because most diesel fuel is consumed by the commercial trucking industry, consumption is affected most significantly by general economic conditions. Diesel fuel consumption grew 3.1 percent in 2005-06, and is expected to rise 5.7 percent in 2006-07 and 1.4 percent in 2007-08.

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

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

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

	<b>2005-06 Preliminary</b>	<b>2006-07 Forecast</b>	<b>2007-08 Forecast</b>
Gasoline <sup>1</sup>	\$2,840,106	\$2,909,382	\$2,959,800
Diesel	550,428	573,744	583,104
<b>Total</b>	<b>\$3,390,534</b>	<b>\$3,483,126</b>	<b>\$3,542,904</b>

<sup>1</sup> Does not include jet fuel.

## REVENUE ESTIMATES

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

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

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

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

The Board of Equalization, which administers fuel taxes, prepares an annual report with additional information on these taxes. (See the BOE website, [www.boe.ca.gov](http://www.boe.ca.gov), to locate its annual report.)

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## OTHER REVENUES

### INDIAN GAMING: \$539 MILLION

The Governor's Budget includes \$539 million in General Fund revenue from Indian Gaming in 2007-08. This estimate includes \$506 million from five compacts pending ratification by the Legislature. For the state to receive the full annual revenues anticipated in the Budget, these compacts must be ratified early in 2007. Revenue of \$32.8 million is attributable to compacts already in place.

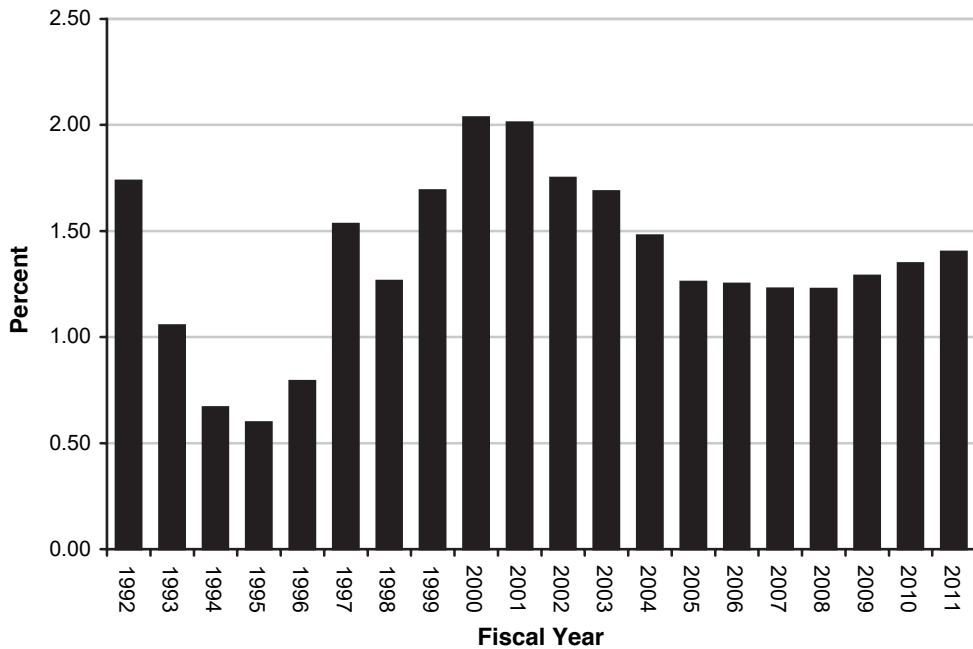
Revenues of \$100 million from five compacts approved in 2004 are anticipated to be deposited in the State Highway Account in 2007-08. Revenues from these compacts will be securitized by the issuance of bonds and be made available to repay internal transportation borrowings, if litigation preventing the issuance of bonds is resolved favorably.

# DEMOGRAPHIC INFORMATION

## POPULATION OVERVIEW

California's population continues to experience strong growth. Despite a slowdown in the mid-1990s, the state has grown more than 1 percent per year since 1997 (see Figure DEM-01).

Figure DEM-01  
**California's Annual Population Growth Rate**



## DEMOGRAPHIC INFORMATION

- The July 1, 2006, population estimate is 37,444,000.
- It is forecast to be 37,904,000 in 2007 and just over 38,369,000 in 2008, reflecting a short-term annual growth rate of just over 1.2 percent.

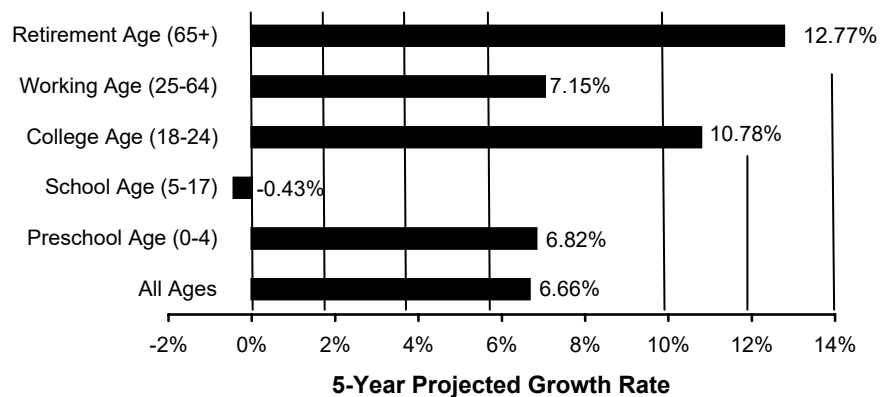
Through the next five years, the state will grow by an average of 499,000 people each year. Natural increase (more children being born than people dying) will account for twice as much growth (66 percent v. 34 percent) as net migration (people moving to California from other states and other countries, less those moving out).

By July 2011, California will add nearly 2.5 million people to reach 39,939,000, a five-year growth rate of 6.7 percent, a decline from the 7.6 percent growth rate of the five-year period since 2001.

- Population growth rates vary significantly by age group. The projected total five-year population growth of 6.7 percent is slightly lower than the 6.8-percent growth in the preschool age group. California will add 180,000 children under age 5 in the next 5 years. The school-age group will decline 30,000 or 0.4 percent over the next 5 years. The college-age group will grow 400,000 or 10.8 percent while the working aged population will grow by 1.4 million, or in excess of 7 percent. The retirement-age group will grow over 500,000, nearly 13 percent (see Figure DEM-02).

Figure DEM-02

### Projected California Population Growth Rate by Age Group (2006-2011)



## DEMOGRAPHIC INFORMATION

- In fall 2005, K-12 public school enrollment was nearly 6.3 million students. Starting in 2005 and continuing through 2009, school enrollment will decrease reflecting a declining birth rate in the 1990s. Reversing that trend, births increased in 2005 for the fourth year in a row.
- Beginning in 2010 and continuing for the next 5 years, K-12 public school enrollment will once again grow, although at an annual average rate of slightly less than 1 percent. Prior to 2003, enrollment growth had not been less than 1 percent since 1983.

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# THE CALIFORNIA STRATEGIC GROWTH PLAN

Last year, the Governor and Legislature initiated the first phase of a comprehensive Strategic Growth Plan (SGP) to address California's critical infrastructure needs over the next 20 years. California faces over \$500 billion in infrastructure needs to meet the demands of a population expected to increase by 23 percent over the next two decades. In November 2006, the voters approved the first installment of that 20-year vision to rebuild California. The Governor's Budget includes \$13.7 billion of the recently approved bonds to immediately begin building California for future generations.

Much progress will be made with this initial funding. Thousands of new and renovated classrooms will be built throughout the state, transportation construction projects will begin to reduce congestion of goods and traffic, and work on dozens of critical levee improvements is already underway.

This year, we must complete the first phase of this Strategic Growth Plan by addressing critical gaps that remain in California's infrastructure:

- California's dangerously overcrowded prison and jail systems require significant expansion and rehabilitation to protect public safety, as well as ensure the safety of the correctional staff and rehabilitation and safety of inmates.
- The state's K-12 schools need funding beyond the two years of financing provided by the current bonds to prepare for enrollment growth, reduce overcrowding, and repair dilapidated classrooms in compliance with the settlement agreement in *Williams v. State of California*.

## THE CALIFORNIA STRATEGIC GROWTH PLAN

- The state's higher education systems need funding beyond the two years of financing provided by the current bonds to prepare for future enrollment growth and maintain the world renowned research capabilities of California's universities.
- The state's water supply and management systems need to be expanded to meet the needs of population growth and manage the effects of climate change on California's hydrology and water delivery systems.
- Expanded authority is needed to leverage existing tax dollars and recently approved bond dollars to attract billions of additional dollars in transportation funding through public-private partnerships.
- California's court system is in need of substantial expansion and repair to address significant caseload increases and reduce delays.

To complete the Strategic Growth Plan, the Administration proposes additional funding for critical infrastructure improvements between now and 2016. With these augmentations, the SGP will fulfill the comprehensive ten-year infrastructure financing plan to rebuild California begun last year. This infrastructure financing plan is the first phase of a 20-year vision to rebuild the foundation of California's unique quality of life and the platform for its powerful economic engine.

As reflected in Figure INF-01 \$29.4 billion of new general obligation bonds and \$13.9 billion of additional lease-revenue and self-liquidating revenue bonds are proposed to augment the existing funds for the SGP through 2016. Coupled with additional authority to engage in public-private partnerships and utilize design-build concepts, the already authorized and proposed new bonds will leverage an additional \$20 billion in significant infrastructure investment. The SGP proposes that the new general obligation bonds be placed on the ballot in the 2008 and 2010 elections as shown in Figure INF-02 and that all bonds be issued in a manner that maintains a prudent debt ratio.

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## PUBLIC SAFETY

California's prison population is expected to surpass 175,000 inmates in 2007, nearly double the number the system was designed to handle. To secure these offenders, the California Department of Corrections and Rehabilitation (CDCR) is housing inmates in workrooms and dayrooms and triple-bunking some in gymnasiums and dormitories. Gyms and dayrooms were not designed to house inmates, and this severe overcrowding creates major safety and security concerns for officers, staff and inmates. Under a declaration of emergency issued by



Figure INF-01  
**Strategic Growth Plan**  
**2006-2016**  
(Dollars in Billions)

Program	Proposed New Bonds			Other Funding Sources		Total
	General Obligation	Lease <sup>1</sup> Revenue	Self- <sup>2</sup> Liquidating Revenue	Existing <sup>3</sup>	New <sup>4</sup>	
Public Safety		9.5 <sup>5</sup>		0.3	1.1	10.9
Education-K-12	11.6			17.4 <sup>6</sup>		29.0
Education-Higher Ed	11.5	0.1		10.1		21.7
Flood Control/Water Supply	4.0		2.0	25.0		31.0
Transportation				87.3	17.0	104.3
Judiciary	2.0				2.0	4.0
Other Natural Resources				3.1		3.1
Housing				2.9		2.9
Other Public Service Infrastructure	0.3	2.3		2.2		4.8
<b>Totals</b>	<b>\$29.4</b>	<b>\$11.9</b>	<b>\$2.0</b>	<b>\$148.2</b>	<b>\$20.1</b>	<b>\$211.6</b>

<sup>1</sup> Lease revenue bonds are supported by rental payments that result from leasing the financed asset.

<sup>2</sup> Self-liquidating revenue bonds are supported from a new revenue stream generated by the financed asset.

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

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

<sup>5</sup> Included in this amount is an amount that may be used to pay debt service on local facilities.

<sup>6</sup> In addition, K-12 will provide \$5 billion in local match over multiple years beyond the SGP period for the Charter School Facilities and Career Technical Education Facilities programs, as authorized in statute.

Figure INF-02  
**Strategic Growth Plan**  
**2006-2016**  
**Election Year Proposals**  
**General Obligation Bonds**  
(Dollars in Billions)

Program	2008	2010	2012	2014	Totals
Education-K-12	\$6.5	\$5.1			\$11.6
Education-Higher Ed	7.2	4.3			11.5
Water Supply	4.0				4.0
Judiciary	2.0				2.0
Other Public Service Infrastructure	0.3				0.3
<b>Total</b>	<b>\$20.0</b>	<b>\$9.4</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$29.4</b>

the Governor on October 4, 2006, the CDCR has begun temporarily transferring inmates to prison facilities in other states.

Overcrowding in local jails is just as serious. Space is so limited in local jail facilities that 33 counties are under court-ordered or self-imposed population caps. As many as 18,000 arrestees every month are released from jail early or avoid jail altogether as a result of population caps.

The CDCR and local jurisdictions continue to face increasing pressure from courts to address the public safety population crisis. CDCR is facing three lawsuits attempting to impose a mandatory cap on population in state prisons. If such a cap were imposed by a court, it would result in tens of thousands of felons being released into California communities. This phase of the Strategic Growth Plan represents an integrated approach to the issue of incarceration capacity statewide; a partnership between counties and the state to effectively manage a growing problem and challenges in our shared criminal justice system.

Failure on parole is a significant factor driving the overcrowding of our jails and prisons. Currently, seven out of every ten parolees are returned either to state prisons or local jails within three years—the highest recidivism rate in the nation. To reduce post-release criminal behavior of high-risk offenders, the CDCR proposes to operate secure re-entry facilities with the enhanced services for parolees to increase their chances for success outside of prison. Successful implementation of these facilities and programs requires a collaborative partnership between CDCR, local law enforcement, and local community social service providers. Through the re-entry program, inmates and revoked parolees will spend up to 12 months of their prison term in a secure facility close to the area in which they will be released. They will receive counseling and risk assessment, housing assistance, drug treatment and other services to reduce the likelihood of re-offending and returning to custody.

A second feature of the proposed state-local partnership addresses juvenile offenders. The CDCR Division of Juvenile Justice (DJJ) will implement changes to shift the population of juvenile offenders housed in state facilities to locals and provide resources sufficient to support county programs for juvenile offenders. Less than one percent of juveniles arrested in California end up in DJJ facilities; the rest are retained at the local level. The DJJ will reduce its population, so only the most serious and violent juvenile offenders are housed in DJJ facilities. The DJJ will accomplish this by narrowing the scope of intake and phasing out a portion of its current population. By keeping them locally, juvenile offenders will benefit from rehabilitative programs in their own communities and be closer to potential

support networks. To facilitate this shift, the SGP includes funding to increase the capacity of local jurisdictions to house juvenile offenders.

In addition to these state-local partnership efforts, the CDCR must provide increased health care services, including medical, mental health, and dental services for all inmates. CDCR's health care system has long struggled to comply with three federal lawsuits: *Plata v. Schwarzenegger*, which has jurisdiction over the provision of medical services; *Coleman v. Schwarzenegger*, which has jurisdiction over the provision of mental health services, and *Perez v. Tilton*, which has jurisdiction over dental services. One reason for the continuing compliance issues has been a lack of available space to treat inmates with specialized needs, and house the necessary clinicians and support staff. The CDCR has attempted to mitigate some of the most egregious compliance issues by utilizing less-than-ideal settings, such as temporary housing situations and treatment rooms, but these solutions are not sufficient and do not provide a long term solution. Although all of the remedial actions the state will have to take to alleviate the health care situation have not yet been identified or approved by the courts, the SGP includes a funding set-aside for the facilities that will be a part of those actions.

The SGP includes \$10.9 billion for public safety:

- Expand capacity at existing facilities—\$2.7 billion (\$0.3 billion General Fund and \$2.4 billion lease-revenue bonds). This funding will add 16,238 additional prison beds at existing facilities and expand existing power, water, and wastewater treatment facilities to handle a larger population. Funding is also included for a new Southern California training facility.
- Local jails and juvenile facilities—\$5.5 billion (\$4.4 billion lease-revenue bonds or state-funded local debt service payments and \$1.1 billion local matching funds). To help local governments expand statewide jail capacity for adult and juvenile offenders, funding will be provided to help finance construction for 45,000 new jail beds and 5,000 beds for juvenile offenders.
- Re-entry facilities—\$1.6 billion (lease-revenue bonds and/or contracting authority). In coordination with local governments, re-entry facilities will be constructed to provide 5,000 to 7,000 beds for inmates and revoked parolees.
- San Quentin Condemned Inmate Complex—\$117 million (lease-revenue bonds). This project has faced rising construction costs and additional funding must be provided to complete construction of this new secure facility for the state's condemned population.

- Health Care facilities—\$1.0 billion (lease-revenue bonds). In order to provide specialized beds and treatment and program space for mental health and dental services, and for medical services as directed by the court-appointed Receiver in *Plata v. Schwarzenegger* a \$1 billion set aside is included until cost estimates of specific projects become available from the Receiver.

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## K-12 EDUCATION

K-12 schools will experience net increases in student enrollment of approximately 158,000 students by 2015-16. While some schools are experiencing declining enrollments, many other high-growth areas lack the schools necessary to accommodate increased enrollment. Some large declining enrollment districts have very overcrowded sites requiring new construction to adequately house students. Most notably, in order to meet the requirements of the recent settlement in the Williams lawsuit, the Los Angeles Unified School District along with three other school districts must relieve the most critically overcrowded schools (also known as “Concept 6” schools) by 2012. Thus, the need for new schools will continue to exceed net student growth projected during this period. As our system of over 8,000 school sites continues to age, the need for modernization assistance to keep classrooms current continues to increase during this period. Finally, because our primary and secondary school system helps develop tomorrow’s workforce, it is important to both ensure facilities for Charter Schools to stimulate innovation and for Career Technical Education to ensure all students have the opportunity to participate in the high skill technical jobs that will fuel the economy of the future. Because Career Technical Education (CTE) has languished in the public school system for many years and the demand for Charter Schools is growing, the SGP continues the emphasis on assisting schools in meeting these special facility needs.

### TOTAL K-12 PROGRAM PROPOSES \$11.6 BILLION

The SGP proposes \$11.6 billion of additional general obligation bonds to provide state bond funding for schools into 2012-13. The \$11.6 billion is proposed to be split between the 2008 and 2010 elections. This total amount of funding, when combined with the \$7.3 billion contained in Proposition 1D on last November’s ballot is estimated to provide for approximately 32,000 new classrooms to house approximately 826,000 students and almost 79,000 renovated classrooms providing state-of-the-art facilities for over 2 million students.

**2006 BOND PROVIDED \$7.3 BILLION**

Proposition 1D, designed to meet needs through 2008-09, will provide approximately 9,800 new classrooms housing almost 255,000 students and approximately 38,400 renovated classrooms to serve 989,000 students through the following components:

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

Of the amounts for new construction and modernization above, up to \$200 million is available for small high schools and up to \$200 million is available for seismic safety projects.

**2008 EDUCATION BOND MEASURE PROPOSES \$6.47 BILLION FOR K-12**

The next bond measure, proposed for the 2008 election cycle, is estimated to fund construction through 2010-11 and provide approximately 12,800 new classrooms housing approximately 330,000 students and over 25,300 renovated classrooms providing state-of-the-art capacity for approximately 653,000 students. The bonds are proposed to be allocated as follows:

- New Construction—\$2.931 billion to assist high-growth school districts that are projected to have increases in enrollment through 2010-11. This amount is predicated on grant reductions calculated to revise the traditional 50-percent state / 50-percent local cost-sharing ratio to 40-percent state / 60-percent local. This assumes the state's assistance for acquisition of sites will be restricted to a participation level assuming 150 percent of current site density planning standards.
- Modernization—\$1.539 billion to addresses rehabilitation needs for buildings that are over 20 to 25 years old recognizing that teaching techniques, building codes, and technology change over time. This component assists schools with major building system replacements that cannot be funded completely through normal deferred maintenance and operating funds, and is predicated on grant reductions calculated to

revise the cost sharing ratio to 40-percent state / 60-percent local funding, similar to new construction.

- Charter School—\$1.0 billion to provide dedicated funding for Charter Schools as a part of addressing the educational needs of K-12 students and housing enrollment growth. Charter Schools provide an added dimension to parental choices in ensuring an appropriate environment for their child’s education. These funds are predicated on a 50-percent state / 50-percent local sharing ratio because Charters do not have the ability to levy local bonds. Instead, state bond funds are used to advance the local share and are paid back with operating or other revenue over time.
- Career Technical Education Facilities—\$1.0 billion to provide a dedicated fund source for matching grants to provide state of the art technical education facilities to ensure our comprehensive high schools can provide the cutting edge skills essential to the high wage technical sectors of our state economy. These funds are predicated on a 50-percent state / 50-percent local sharing ratio to provide added incentive to build these high cost classrooms.

### **2010 BOND MEASURE PROPOSES \$5.13 BILLION FOR K-12**

The revised plan proposes a subsequent bond measure for K-12 schools in 2010 to address needs extending into 2012-13. This increment will provide for the same purposes as the 2008 bond and is predicated on continuation of the cost containment measures described previously. This level of funding is estimated to provide over 9,300 new classrooms serving 241,000 students and almost 15,000 renovated classrooms serving about 387,000 students.

- New Construction—\$2.13 billion
- Modernization—\$1 billion
- Charter Schools—\$1 billion
- Career Technical Education Facilities—\$1 billion

### **NEEDS BEYOND 2012-13**

Competing statewide infrastructure needs make current funding policies for K-12 school construction unsustainable within a prudent debt service ratio. While the proposed SGP provides state general obligation bond assistance for funding the needs into 2012-13, assuming specified state cost containment measures, it will be necessary for schools to plan for additional bond measures and alternative financing strategies for financially

troubled districts to ensure every student is housed in an appropriate classroom. Finally, the Administration proposes to review the overall financing structure for schools, including consideration of public-private partnerships, to ensure sustainable funding of school facilities in the long run.

## HIGHER EDUCATION

The Higher Education Compact calls for state funding of \$345 million per year, per segment, for the University of California (UC) and the California State University (CSU). The voters approved this level of infrastructure funding for the UC and the CSU through 2007-08 by approving Proposition 1D. In addition to funding for the compact, \$200 million was included in Proposition 1D for the expansion of the UC telemedicine program. Telemedicine provides video-conferencing for medical services in rural areas. This enables rural doctors to work with specialists in elite teaching hospitals and provide better treatment to patients. The infusion of infrastructure funding for this program is enabling all five medical schools to create or expand its telemedicine program.

Proposition 1D also provides \$750 million per year for the California Community Colleges (CCC), which resulted in a total of \$3.1 billion for all of the higher education segments for a two-year period. The SGP proposes to continue this level of state support for the UC, CSU and CCC beyond 2007-08 through additional bond measures on the 2008 and 2010 ballots, totaling \$11.5 billion. These funds will be used to meet an increased student enrollment of approximately 130,000 at the UC and CSU campuses and to continue the current level of CCC support. Furthermore, the SGP proposes \$70 million (lease-revenue bonds) to help fund new facilities that will place the UC at the vanguard of research into alternative fuels and energy conservation.

Proposed new SGP funding for higher education includes:

- University of California—\$2.8 billion (\$2.7 billion general obligation bonds and \$70 million lease-revenue bonds). This funding will help the UC system deal with an increased enrollment of approximately 50,000 students over the ten-year vision of the SGP. Facilities must be built or renovated to meet this high level of demand. In addition, \$70 million (lease revenue bonds) are provided to ensure the UC becomes the premier institution for alternative energy and fuels research. This includes \$30 million for a new energy and nanotechnology Helios Research Facility to conduct research on the conversion of solar energy into a carbon-neutral form of energy and \$40 million to establish the Energy Biosciences Institute dedicated to bioscience research.

- California State University—\$2.7 billion (general obligation bonds). This funding will help the system deal with an increased enrollment of approximately 80,000 students over the ten years.
- California Community Colleges—\$6 billion (general obligation bonds). This funding will help the 72 districts who provide services at 110 colleges and 65 off-campus centers provide services to their approximately 2.5 million students.

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## FLOOD CONTROL AND WATER SUPPLY

As a result of the Governor's emergency declaration for California's levee system in February 2006 and funding provided by the Legislature in the 2006-07 Budget, key repairs to 33 critical erosion sites protecting Central Valley communities were completed in record time. The State is now advancing funds and working with the federal government to repair 71 additional levee erosion sites damaged in last year's floods. An unprecedented effort to evaluate 350 miles of urban levees for hidden defects has begun, and the state is leading a coordinated effort involving federal and local agencies to avoid a major flood disaster in California.

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

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

Two critical areas remain unaddressed that are vital to ensuring California has reliable water supplies and is able to cope with the effects that climate change will have on water supply and flood protection: storage and conveyance,



California must expand its water management and delivery system, including surface storage, groundwater storage and conveyance facilities. In this phase of the Strategic Growth Plan the Administration proposes a total of \$5.95 billion through 2016. Of this amount, general obligation bonds will provide \$3.95 billion and revenue bonds will provide \$2.0 billion.

The proposal consists of four parts:

- **Water Storage**—\$4.5 billion (\$2.5 billion general obligation bonds and \$2.0 billion revenue bonds). This funding will be dedicated to the development of additional storage, which, when combined with the Regional Water Management investments of Proposition 84 and the flood system improvements of Proposition 1E, will help to offset the climate change impacts of reduced snow pack and higher flood flows. This strategy includes construction at the two most likely locations for surface storage in the state, Sites and Temperance Flat Reservoirs. The water supply yield from the two reservoirs could provide up to 500,000 acre-feet per year. In addition to this increased water supply, the reservoirs provide other benefits, such as enhanced flood management capability, improved Delta water quality, and improved wildlife habitat. The water storage costs would be shared with the state's taxpayers providing up to 50 percent and the non-state entities investing in the direct benefits from the reservoirs. The state's share of the cost for the storage projects would be funded with \$2.0 billion in general obligation bonds for benefits such as flood control, ecosystem restoration, and water quality improvements that serve the whole state. The non-state portion would be funded from \$2.0 billion in revenue bonds secured by contract payments to the state from the water suppliers who would benefit from the new storage. In addition to investments in surface storage, \$500 million in general obligation bonds will be dedicated for grants to augment local investment in groundwater storage projects, providing an additional 500,000 acre-feet of annual yield.
- **Delta Sustainability**—\$1.0 billion (general obligation bonds). Leveraging anticipated federal and local funding sources, this funding will be dedicated to implementing a sustainable resource management plan for the Delta. To assure the reliability of the state's major water supply systems, investments will be made in improving water conveyance, water quality, and the Delta ecosystem, as well as strategic improvements in Delta levees. These investments would eliminate the seismic risk to water supplies derived from the Delta, protect drinking water quality and reduce conflict between water management and environmental protection.
- **Water Resources Stewardship**—\$250 million (general obligation bonds). This funding would support implementation of a settlement on the Klamath River, provide for elements of Salton Sea restoration identified in the Salton Sea Restoration Act and

related legislation enacted in 2003, contribute to restoration actions on the San Joaquin River, and supplement successful restoration projects on the Sacramento River and its tributaries as well as in the Delta.

- **Water Conservation**—\$200 million (general obligation bonds). This funding will augment \$1 billion in funding provided by Proposition 84 and support the Integrated Regional Water Management (IRWM) program. IRWM is designed to encourage integrated regional strategies for management of water resources that will protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water. The proposed funding will provide targeted water conservation grants to local communities that coordinate the planning of their shared water resources. These investments in water conservation will yield an additional 200,000 acre-feet per year, protect water quality and will reduce energy use, urban and agricultural runoff, and urban effluent.

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## TRANSPORTATION

The transportation component of the Strategic Growth Plan is the cornerstone of a 20-year vision to rebuild and maintain a transportation system that can keep pace with California's growing population and economy. Boosted by voter approval of Propositions 1A and 1B on the November 2006 ballot, investment in long-overdue transportation improvements will help overcome decades of chronic underinvestment in one of the state's most important economic assets. However, construction will be delayed and \$1 billion more costly if the design-build authority requested by Caltrans to streamline design and permitting for transportation projects is not authorized. The Administration will be re-introducing legislation seeking design-build authority in conjunction with appropriation of Proposition 1B funding.

Additionally, the \$19.9 billion in general obligation bonds authorized in Proposition 1B represents only one-fifth of the funding available for transportation infrastructure investments. If leveraged successfully with federal, local and private-sector resources, Proposition 1B funds could produce over \$100 billion in total funding for traffic congestion relief and goods movement over the next 10 years. Maximizing the use of Prop 1B dollars requires additional statutory authority to require matching funds and enter into public-private partnerships. The Administration will be re-introducing legislation seeking expanded authority to enter into public-private partnerships in conjunction with appropriation of Proposition 1B funding.

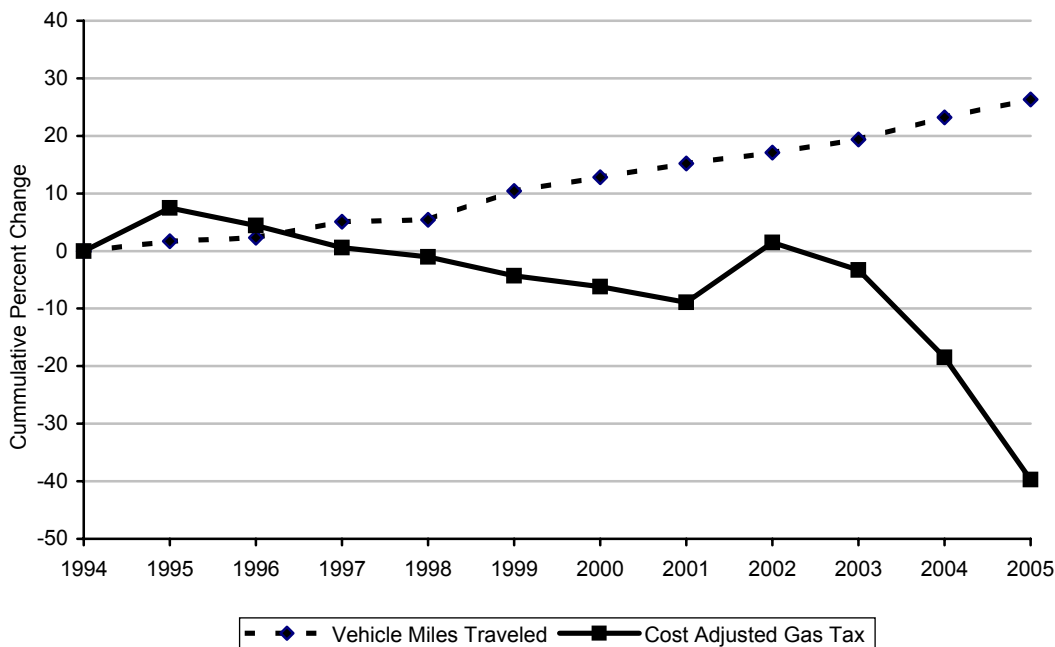
The inadequacies of California's current funding methods have contributed to the underinvestment in the state's transportation network. Per-gallon taxes on gasoline and diesel

fuel and truck weight fees are the dominant sources of funding for transportation system maintenance and expansion. While increasing vehicle efficiency over the years provides valuable energy and environmental benefits, declining revenues per vehicle mile traveled, coupled with inflation and skyrocketing construction costs, cause revenue sources to fall short of the state’s transportation system needs. Consequently, chronic underinvestment increases congestion and has resulted in California having some of the most distressed highway and road conditions in the United States.

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

Over the same timeframe, while state gas tax revenues have increased about 21 percent, transportation system construction costs have far exceeded inflation. The California Highway Construction Cost Index compiled by Caltrans shows that actual construction costs have increased by 200 percent in the same period. As shown in Figure INF-03, the ongoing

Figure INF-03  
**Percent Change in Travel and Transportation Revenues**  
 Adjusted for Construction Costs



## THE CALIFORNIA STRATEGIC GROWTH PLAN

revenue shortfall for both new construction and maintenance at the state and local levels, causes the state's transportation system to fall further and further behind each year relative to needed improvements.

Recognizing these structural realities, the Administration has developed the transportation element of the Strategic Growth Plan to better leverage investment in the state's transportation system, improve utilization of existing assets and improve maintenance. The integration of these activities will reduce congestion levels over the next decade while accommodating future population growth and facilitate continued economic growth. The Administration's original proposal was estimated to reduce congestion by 18 percent. Caltrans estimates that the plan as currently funded will reduce congestion an overall 11.0 percent from 2005 levels by 2015-16. The Administration proposes to maximize the leverage of state and local funding with public-private partnerships and achieve a minimum of 14.5 percent congestion reduction.

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

### **PROPOSITION 1B AUTHORIZES THE FOLLOWING PROGRAMS:**

- Congestion relief (corridor mobility)—\$4.5 billion to expand capacity and improve travel times in high-congestion travel corridors.
- Local transit and intercity rail—\$4.0 billion for public transit, intercity and commuter rail, and waterborne transit operations.
- Goods movement—\$3.1 billion to relieve traffic congestion along major trade corridors, improve freight rail facilities, and enhance the movement of goods from port to marketplace. \$1.0 billion is for air quality improvements that will reduce emissions and green house gases from activities related to port operations and freight movement. \$100 million is for port security improvements. The Strategic Growth Plan proposes that these goods movement funds be used to attract at least \$10 billion of private investment and other funding.
- State Transportation Improvement Program—\$2.0 billion to augment funds for this existing program that provides capital funding allocated on a formula basis to every region of the state.
- State Route 99—\$1.0 billion for improvements to this 400-mile highway through the heart of the Central Valley.

- Local streets and roads—\$2.0 billion for improvements to local transportation facilities to construct, repair and rehabilitate streets and roads.
- Transit safety, security, and disaster response—\$1.0 billion to improve protection against security and safety threats and to increase the capacity of transit operations to move people, goods, emergency personnel, and equipment during and after a disaster.
- State-Local Partnership—\$1.0 billion to match local agencies that raise new funds for transportation projects.
- Highway rehabilitation and operational improvements—\$750 million for highway safety, rehabilitation, and pavement preservation projects. This amount includes \$250 million for traffic light synchronization projects and other technology-based improvements to enhance safety operations and the capacity of local streets and roads.
- School bus retrofit and replacement—\$200 million to reduce air pollution and minimize children’s exposure to diesel exhaust.
- Local bridge seismic projects—\$125 million to complete seismic retrofits or replacements of local bridges, ramps, and overpasses.
- Railroad grade crossings—\$250 million for improvements to railroad crossings and the construction of bridges over rail lines.

The 2007-08 Governor’s Budget proposes a total of \$7.7 billion in appropriations from these bonds to be allocated to projects over the next three years. Additionally, \$523 million is proposed to be appropriated for high-benefit projects that are ready to construct in 2006-07. While many of the programs funded by Proposition 1B bonds are new and will require implementing legislation, project nominations for the corridor mobility program are in progress and initial project approvals will occur in February. Other programs will begin implementation later in the spring or in 2007-08. As projects are selected for funding, appropriation levels and expenditure estimates will need to be adjusted.

The Administration is proposing legislation that will ensure that this historically large investment in transportation is used for the projects that produce the most congestion relief, safety, pollution reduction, and improvement of system operation. Legislation will require agencies responsible for these programs to ensure that projects are evaluated objectively for potential performance, that there are sufficient funds to construct, operate and maintain the projects, that the public has substantial opportunities for input, and that performance is documented and reported on an ongoing basis. Competitive programs will provide priority to projects that leverage more matching funds and can be completed sooner.

These new resources will be used in conjunction with existing transportation revenues from state and federal gas taxes, weight fees, tribal gaming funds, and Proposition 42 funds totaling \$14.75 billion in capital spending in 2007-08. In the next ten years, the transportation component of the SGP is projected to result in 515 new High Occupancy Vehicle lanes, 700 new highway lane-miles, 4,760 miles of rehabilitated lanes, 480 miles of new commuter lines, 240,000 more transit riders, and a 120-percent increase in intercity rail riders.

### **PUBLIC-PRIVATE PARTNERSHIPS AND DESIGN-BUILD**

Legislation approved in the last session authorizing the use of public-private partnerships was not sufficient to allow effective use of public-private partnerships to bring substantial private capital and savings to transportation projects. Additionally, legislation providing general design-build authority was not enacted. The public-private partnership legislation limited use to a few projects that primarily serve large trucks and that require individual approval by the Legislature. There are significant opportunities to bring substantial new resources into the state through user fees and private-sector project delivery and operation.

Many forms of public-private partnerships have been developed worldwide and are increasingly being used by other states to substantially increase current capital investment and provide for long-term efficiencies and better performance in the operation of public infrastructure. Broad authorizing legislation, leveraging the Proposition 1B bond funds and authorizing tolls, container fees or other user fees, could bring in as much as \$17 billion to fund goods movement projects, construct high occupancy/toll lanes, and fund pollution-reduction projects associated with goods movement. The legislation must allow substantial flexibility for administering agencies to negotiate the best possible deals for the state. The legislation should also authorize public-public partnerships and public-private partnerships that do not involve user tolls but provide for performance-based payments from public funds. Caltrans estimates these arrangements could provide an additional 3.5-percent reduction in congestion and 210 more highway lane-miles over the performance outcomes that can be achieved without these new financing and project delivery tools. Without such flexibility, it is likely that these potentially large resources will not be available to California, and congestion and pollution in urban areas-especially near the state's major ports-will not be materially improved.

### **MAINTAINING WHAT WE BUILD**

While the bonds and the funds they can leverage will provide substantial congestion relief, state and local needs for maintenance, rehabilitation and operation cannot be adequately funded with currently available resources. State-owned distressed pavement has increased from roughly 21 percent of the total system in 2001 to 27 percent in 2006, and could

increase to 40 percent by 2015-16 unless planned efforts to focus existing resources on pavement rehabilitation are undertaken. Even when these planned actions are implemented, however, about a third of the State Highway System will remain in distress unless additional resources are identified. Local street and road maintenance backlogs of many billions of dollars reportedly exist and are growing. The Department's State Highway Operations and Protection Program (SHOPP) does not have sufficient resources to adequately and effectively operate and preserve the State Highway System. Most of the funds in the bonds and Proposition 42 cannot be used for these purposes. Fuel tax revenues, which are the primary source of funding for these purposes, are likely to increase slowly or actually decline with the growing use of alternative fuels and increasing fuel efficiency in new vehicles. As the SGP is implemented, the Administration will work with interested parties and the Legislature to develop more information about the scope of the problem and long-term solutions.

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## JUDICIAL

The Trial Court Facilities Act of 2002 provided for the transfer of local court facilities to the state to ensure consistency in the provision of justice and to ensure that facilities are managed in a way that provides safe and secure courts. Since that time, the Judicial Branch has worked to complete the transfers and to create an organization that will be responsible for the design, construction and operation of a unified statewide court system. As of January 2006, the Judicial Council plans to complete 18 court facility transfers from 11 counties. The Administrative Office of the Courts (AOC) is working with counties to transfer approximately 100 additional court facilities by the end of the 2006-07 fiscal year.

The state's court system is supported by a substantial infrastructure inventory, including 451 trial court facilities, 11 appellate court facilities and 3 Supreme Court facilities. A significant number of these facilities do not meet current guidelines for efficient and safe court environments and, overall, the facilities are overcrowded with no capacity to handle growth in judicial workload. The AOC estimates that \$9.6 billion is needed to bring all the courts up to secure and safe standards and accommodate growth. The SGP proposes \$2 billion of new general obligation bond authority to address these infrastructure issues. While this amount will not fund all facility needs identified by the AOC over the next decade, it will provide immediate funding to handle the most critical infrastructure issues. In addition, this funding will enable the courts to significantly leverage private funding through public-private partnerships. These partnerships might include (but not be limited to) arrangements such as:

## THE CALIFORNIA STRATEGIC GROWTH PLAN

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

With an asset inventory as large as the court system's, there are very likely many opportunities for successful public-private partnerships that would increase the resources available to the court system for its facility needs. Because of the formative nature of the court system's public-private partnership efforts, it is difficult to estimate the amount of resources that will be leveraged. However, \$2 billion over the next several years appears to be a reasonable target.

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

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## OTHER NATURAL RESOURCES

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

In November 2006, Proposition 84 was approved by the voters authorizing an additional \$5.4 billion in general obligation bonds for water, flood control, natural resources, park, and conservation projects. Proposition 84 will provide the following amounts:

- Drinking water and water quality projects—\$1.5 billion
- Flood control, water planning and project design—\$900 million
- Protection of rivers, lakes, and streams—\$900 million
- Forest and wildlife conservation—\$500 million



- Protection of beaches, bays, and coastal waters—\$500 million
- Parks and nature education facilities—\$500 million
- Sustainable communities and climate change reduction—\$600 million

The Resources Agency has developed a multi-year expenditure plan for Proposition 84 based on specific projects and the historical pattern of previous natural resources bond expenditures. The Governor’s Budget appropriates \$1.1 billion to 18 departments from Proposition 84. For more information on efforts to protect California’s natural resources, see the Resources chapter.

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## HOUSING

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

Proposition 1C, adopted by the voters in November 2006, provides \$2.85 billion for housing-related programs.

- Affordable housing loans and grants—\$1.4 billion. This funding will provide for multifamily housing (\$345 million), homeless youth housing (\$50 million), emergency housing (\$50 million), supportive housing (\$195 million) farm worker housing (\$135 million) CalHome (\$300 million), down payment assistance (\$200 million), and the BEGIN program (\$125 million). These are existing programs and funding will start to be allocated from many of them in 2006-07. Over their life these programs are projected to assist in the creation of over 31,000 new housing units and 2,350 shelter spaces.
- New Housing Incentive Programs—\$1.45 billion. This funding will support new programs to provide incentives to permit housing development and to stimulate innovation in housing creation. These programs will require further legislative and administrative program development. The Administration is proposing that these funds be granted on a competitive basis, with priority given to localities that increase housing production over recent trends, produce more affordable housing, and do so with less negative impacts by siting housing near transit and within existing urbanized areas. Several of these programs provide funding for parks and other community infrastructure

needed for new housing. These programs will incentivize construction of housing; expected to result in 87,000 additional housing units.

Most of the Proposition 1C funds are available to the Department of Housing and Community Development immediately, without further legislative action. \$160 million of awards are expected in 2006-07. The Budget reflects \$653 million of awards for these programs in 2007-08.

**PROPOSITION 46**

During 2006-07 and 2007-08, the remaining \$344.4 million from this \$2.1 billion bond are expected to be awarded. This bond has already assisted in the creation or permitting of over 100,000 housing units and will help finance over 30,000 housing units with the remaining funds.

The Administration will continue to support structural changes in planning law, environmental law, redevelopment law, and building standards to facilitate more affordable housing creation in areas close to jobs and developed infrastructure. Structural changes could increase the supply of affordable housing more than the state can through subsidy programs

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**OTHER PUBLIC SERVICE**

State government provides many services to California’s citizenry. Delivery of these services depends upon a variety of capital facilities such as general office space, forest fire stations, homes for veterans, crime labs, beds for mental health patients, agricultural inspection stations and special schools for the deaf, to name only a few. This broad array of facilities must provide adequate functionality and capacity to enable the delivery of services to the public.

The SGP proposes \$2.3 billion (lease-revenue bonds) and \$300 million (general obligation bonds) of new financing authority, as well as \$2.2 billion of special funds to address the state’s critical facility needs. A few of the more significant features of the bond funding include:

- Department of Forestry and Fire Protection—\$600 million to replace or renovate 75 emergency response facilities, including fire stations, air attack bases, and conservation camps.
- Department of Mental Health—\$500 million for additional capacity to meet the requirements of Jessica’s law.

- Department of Justice—\$400 million for a new DNA laboratory.
- Seismic Retrofit of Existing State Buildings—\$300 million to complete the renovation of 29 facilities.
- State Special Schools—\$100 million to replace or renovate classrooms and dormitories at the School for the Blind and School for the Deaf.

Details underlying this other public infrastructure, as well as the larger infrastructure components discussed in this chapter, will be laid out in the 2007 Five-Year Infrastructure Plan. That plan will be published by March 1, 2007.

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## ACCOUNTABILITY

To assure that public funds are utilized as efficiently as possible and in a manner consistent with the stated intent of already authorized and proposed future bond measures, firm accountability requirements will govern the expenditure of funds. Prior to any funding being expended from existing or future bonds, the responsible state agencies must develop performance and outcome measures for each program and project that would be funded from the bonds. Regular audits will be conducted to ensure that funds are being allocated according to those outcome criteria and that the implemented programs and projects did in fact achieve the intended outcomes. It is imperative that the public be able to access this information. The voters have an absolute right to know how the bonds they authorized are being spent. Therefore, outcome and performance criteria, as well as audit results, will be made readily available to the public.

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## AFFORDABILITY

The single most important indicator of a state's creditworthiness and ability to carry debt is the existence of a balanced budget capable of handling its debt load without the need to cut other existing programs to pay debt service. While the SGP will increase the state's debt load over the next 10 years, under this plan state debt service will remain within prudent bounds into the foreseeable future. Last year's original proposal for a Strategic Growth Plan proposed a 6-percent cap on the state's debt service ratio (the percentage of General Fund revenue committed to making debt service payments). However, at that time, the state was still facing a structural budget deficit. But this budget does not propose to spend more on ongoing programs than the state receives from ongoing revenues.

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In 2009-10 the state will have made its final payment on the Economic Recovery Bonds (ERBs). Payment on those bonds is about 1.5 percent of General Fund revenues. The revenue dedicated to paying the ERBs is not dedicated to any other expenditure when the ERBs are retired. Consequently, that revenue could be allocated toward debt service without adversely affecting the ability of the General Fund to continue supporting other state programs. Since debt service in the year prior to repayment of the ERBs will account for slightly more than 5 percent of the General Fund revenue, a debt service ratio of 6.5 percent is affordable. Debt service under SGP will remain within this affordability limit. Figure INF-04 displays the state’s debt payments and debt ratio into the future under the SGP.

Figure INF-04  
**Strategic Growth Plan**  
**Debt Affordability**  
(Dollars in Millions)

Year	Revenue	Base		Strategic Growth Plan	
		Debt Service	Debt Service Ratio	Debt Service	Debt Service Ratio
2006 - 07	\$94,519.0	\$4,071.5	4.31%	\$4,071.5	4.31%
2007 - 08	101,277.0	4,690.5	4.63%	4,690.5	4.63%
2008 - 09	105,187.0	5,352.4	5.09%	5,356.3	5.09%
2009 - 10	113,175.0	6,210.9	5.49%	6,269.0	5.54%
2010 - 11	120,536.0	7,053.6	5.85%	7,268.8	6.03%
2011 - 12	128,671.0	7,413.9	5.76%	7,933.1	6.17%
2012 - 13	136,197.0	7,553.4	5.55%	8,496.4	6.24%
2013 - 14	144,405.0	7,685.7	5.32%	9,087.2	6.29%
2014 - 15	151,625.3	7,782.1	5.13%	9,629.2	6.35%
2015 - 16	159,206.5	7,727.1	4.85%	9,957.2	6.25%
2016 - 17	167,166.8	8,004.0	4.79%	10,449.8	6.25%
2017 - 18	175,525.2	8,047.1	4.58%	10,677.4	6.08%
2018 - 19	184,301.4	7,742.4	4.20%	10,452.0	5.67%
2019 - 20	193,516.5	7,754.4	4.01%	10,527.6	5.44%
2020 - 21	203,192.3	7,505.3	3.69%	10,329.3	5.08%
2021 - 22	213,352.0	7,517.3	3.52%	10,389.2	4.87%
2022 - 23	224,019.6	7,451.2	3.33%	10,368.1	4.63%
2023 - 24	235,220.5	7,388.8	3.14%	10,338.9	4.40%
2024 - 25	246,981.6	7,396.9	2.99%	10,346.2	4.19%
2025 - 26	259,330.6	7,397.2	2.85%	10,345.6	3.99%

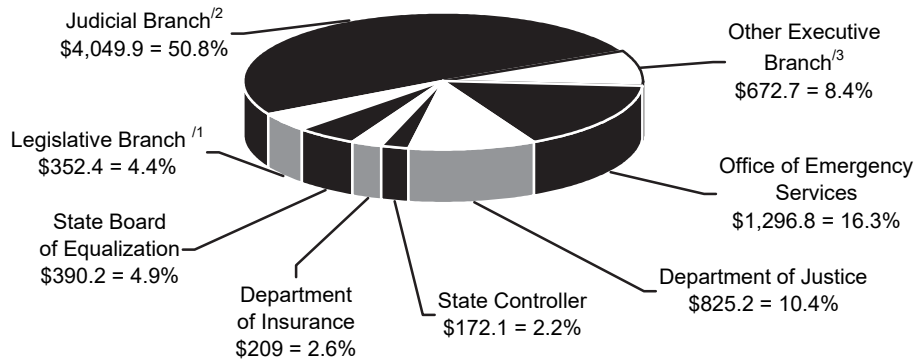
Assumptions:  
Sales are based on the estimated needs or evenly spread if no needs data was available.  
No High Speed Rail bonds are sold.  
Assumes an interest rate of 5.75%.  
Maturity life of a General Obligation Bond is 30 years.  
Maturity life of a Lease Revenue Bond is 25 years.

# LEGISLATIVE, JUDICIAL, AND EXECUTIVE

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

The Governor's Budget includes \$8 billion (\$3.8 billion General Fund) and 16,333.6 positions, which reflects an increase of \$296 million (\$288.2 million General Fund) or 3.9 percent above the revised 2006-07 Budget to support the various departments within the Legislative, Judicial, and Executive branches of government. Figure LJE-01 displays the 2007-08 proposed funding levels for these branches.

Figure LJE-01  
**Total Legislative, Judicial, and Executive Branch Expenditures for 2007-08**  
**All Funds**  
 (Dollars in Millions)



<sup>/1</sup> Includes the Legislature, Legislators' Retirement System Contributions, and Legislative Counsel Bureau.  
<sup>/2</sup> Includes the State Judiciary, Trial Courts, Commission on Judicial Performance, and Judges' Retirement System Contributions.  
<sup>/3</sup> Includes the Governor's Office, State Chief Information Officer, Office of the Inspector General, Office of Planning and Research, Office of the Lieutenant Governor, Gambling Control Commission, Secretary of State, State Treasurer, Debt and Investment Advisory Commission, Debt Limit Allocation Committee, Industrial Development Financing Advisory Commission, Tax Credit Allocation Committee, Alternative Energy and Advanced Transportation Financing Authority, Health Facilities Financing Authority, School Finance Authority, and General Obligation Bonds (Legislative, Judicial, and Executive).

## MAJOR ACCOMPLISHMENTS IN 2006-07

Initiatives implemented in 2006-07 and continued in the 2007-08 Governor's Budget include the following:

- Security Baseline Funding-The 2006-07 Budget includes \$18.7 million General Fund to address deficiencies in court security, allowing the Trial Courts to add 97 new entrance screening stations and establish a five-year replacement schedule for entrance screening equipment.
- New Judgeships-The 2006-07 Budget includes \$5.5 million General Fund to support facilities, staff, salaries, and benefits for 50 new judgeships beginning in April 2007.
- Sexual Assault Felony Enforcement Teams-The 2006-07 Budget includes \$6 million General Fund for the Office of Emergency Services (OES) to support local Sexual Assault Felony Enforcement Teams, which reduce sexual assault offenses through proactive surveillance and arrest of habitual sexual offenders.

- California Multijurisdictional Methamphetamine Enforcement Team Program-The 2006-07 Budget includes an increase of \$20 million General Fund for the OES' California Multijurisdictional Methamphetamine Enforcement Team Program, providing additional regional support to intensify the current methamphetamine eradication efforts of participating law enforcement agencies.
- Vertical Prosecution-The 2006-07 Budget includes an increase of \$8 million General Fund for the OES to fund vertical prosecution units that dedicate specialized prosecutors, investigators, and/or victim advocates to follow specific heinous cases, such as child and elder abuse, rape, and stalking, through the entire judicial process.
- Gang Suppression Enforcement Teams-The 2006-07 Budget includes an increase of \$6.5 million General Fund to allow the Department of Justice (DOJ) to add four new Gang Suppression Enforcement Teams, on a two-year limited-term basis, to the one team already in place. These teams provide a dedicated force with specialized knowledge of gang activities across multiple jurisdictions to curtail the threat of gangs.
- California Methamphetamine Strategy Program-The 2006-07 Budget includes \$6 million General Fund to create three new teams within the DOJ to augment the three California Methamphetamine Strategy Program teams currently in place. These teams have specialized training that, coupled with multijurisdictional law enforcement partnerships, uniquely qualifies them to coordinate investigations and laboratory seizures. The additional resources will allow the DOJ to focus on less-populated, rural areas of California where methamphetamine production has become increasingly difficult to control.
- Special Crimes Unit-The 2006-07 Budget includes \$1.3 million General Fund to increase investigation activities within the DOJ Special Crimes Unit to aggressively investigate and prosecute individuals and businesses that participate in complex financial and identity theft crimes. The DOJ now has \$3.5 million to carry out these investigations.

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## **PROPOSED LEGISLATIVE, JUDICIAL, AND EXECUTIVE SPENDING FOR 2007-08**

Change Table LJE-01 illustrates the major changes proposed within the Legislative, Judicial, and Executive branches of government.

Change Table LJE-01

**Legislative, Judicial, and Executive Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$3,416,826	\$4,029,988	16,083.1	\$3,416,826	\$3,942,490	16,083.1
<b>Workload Adjustments</b>						
Augmentation Based on Estimated State Appropriations Growth Rate for Trial Courts	--	--	--	130,114	--	--
Establish Office of State Information Officer	--	--	--	--	7,874	46.5
HAVA VoteCal Replacement of Existing Voter Registration Database	--	--	--	--	6,915	6.2
Help America Vote Act Revised Spending Plan	--	--	--	--	3,540	--
Enrollment/Caseload/Population	--	4,026	--	--	15,005	--
Employee Compensation/Retirement	78,461	36,762	--	77,137	35,193	--
Expiring Programs or Positions	--	--	--	-26,997	-34,726	-161.8
One-Time Cost Reductions	--	--	--	-12,900	-19,539	--
Full-Year Cost of New Programs	--	--	--	46,235	4,358	--
Other Workload Adjustments	9,281	98,047	9.3	123,449	173,676	269.4
<b>Totals, Workload Adjustments</b>	<b>\$87,742</b>	<b>\$138,835</b>	<b>9.3</b>	<b>\$337,038</b>	<b>\$192,296</b>	<b>160.3</b>
<b>Policy Adjustments</b>						
Expanding DNA's Crime-Solving Reach	--	--	--	1,183	1,308	2.8
New Trial Court Judgeships	--	--	--	27,767	--	--
Other Policy Adjustments	--	-1,289	-19.7	9,929	19,950	87.4
<b>Totals, Policy Adjustments</b>	<b>\$0</b>	<b>-\$1,289</b>	<b>-19.7</b>	<b>\$38,879</b>	<b>\$21,258</b>	<b>90.2</b>
<b>Infrastructure Adjustments</b>	<b>\$0</b>	<b>\$240</b>	<b>--</b>	<b>\$0</b>	<b>\$19,527</b>	<b>--</b>
<b>Total Adjustments</b>	<b>\$87,742</b>	<b>\$137,786</b>	<b>-10.4</b>	<b>\$375,917</b>	<b>\$233,081</b>	<b>250.5</b>
<b>Governor's Budget</b>	<b>\$3,504,568</b>	<b>\$4,167,774</b>	<b>16,072.7</b>	<b>\$3,792,743</b>	<b>\$4,175,571</b>	<b>16,333.6</b>

\* Dollars in Thousands



The major workload adjustments required by law for 2007-08 include the following:

- Growth Factor Increase for Trial Courts-The Governor's Budget proposes an augmentation of \$130.1 million General Fund for the Trial Courts based on the year-over-year change in the State Appropriations Limit.
- Help America Vote Act -The Governor's Budget includes \$10.4 million in federal funds to continue implementing the federal Help America Vote Act (HAVA). Of the funds included for HAVA, \$6.5 million is to implement the new VoteCal voter database system, and \$3.9 million is for other HAVA implementation activities including funds for assistance to disabled voters, interim voting systems, and voter education materials.
- Office of the State Chief Information Officer-The Governor's Budget includes \$7.9 million Technology Services Revolving Fund and 46.5 positions to establish the Office of the State Chief Information Officer, pursuant to Chapter 533, Statutes of 2006.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

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## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor's Budget proposes significant changes for the departments within the Legislative, Judicial, and Executive branches of government. More notable funding changes included in the Governor's Budget for these departments are further described below.

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### 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 State Judiciary encompasses the activities of the Supreme Court, the Courts of Appeal, the Judicial Council/Administrative Office of the Courts, the Judicial Branch Facility Program, and the Habeas Corpus Resource Center. The Supreme Court, which reviews legal questions of statewide importance and appeals of all death penalty judgments, is the highest court in the state judicial system. The six District Courts of Appeal hear appeals in all areas of civil and criminal law. The Habeas Corpus Resource Center provides legal representation for defendants in death penalty habeas corpus proceedings in the Supreme Court and in the federal courts. The state provides local assistance funding to support the operations of California's 58 Superior Courts (Trial Courts).

## LEGISLATIVE, JUDICIAL, AND EXECUTIVE

The Governor's Budget proposes \$3.7 billion (\$2.3 billion General Fund) and 1,840.6 positions for the Judicial Branch, an increase of \$196 million (\$243.7 million General Fund) above the revised 2006-07 budget. Of this amount, \$426.7 million (\$353.5 million General Fund) is for the State Judiciary, and \$3.3 billion (\$1.9 billion General Fund) is for the Trial Courts. This increase is primarily attributable to:

- The application of the annual growth factor adjustment to the budget of the Judicial Branch based on the year-over-year change in the State Appropriations Limit at a cost of \$146.8 million General Fund. This includes \$130.1 million for the Trial Courts, consistent with the statutory requirement, and \$16.7 million for the State Judiciary, and acknowledges the need for the Judicial Branch, as a co-equal branch of government, to set its own priorities and manage its own day-to-day operations and budget.
- An augmentation of \$27.8 million General Fund in 2007-08 and \$74.3 million in 2008-09 to add 100 new judgeships over a two-year period beginning in April 2008. This augmentation will increase access to the courts, address court backlogs, and provide more equitable justice throughout the state. The expenditure of these funds is restricted until legislation authorizing new judgeships is enacted.
- An augmentation of \$18.8 million General Fund to implement recently enacted legislation, including the Conservatorship and Guardianship Reform Act of 2006 (\$17.4 million) and Court-Appointed Counsel for Children in Dependency Cases (\$1.4 million). This augmentation will provide resources for the courts to conduct more investigations and hearings related to conservators and guardians and to appoint counsel in every judicial proceeding involving an abused or neglected child.

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### OFFICE OF THE STATE CHIEF INFORMATION OFFICER

In 2002, the Department of Information Technology was "sunset." With no Department of Information Technology, the Governor appointed a State Chief Information Officer (CIO) to establish direction and provide leadership for the state's information technology activities. Because the CIO did not have staff to delegate duties and responsibilities, the CIO used an informal approach, working collaboratively with the business and information technology communities within state government and beyond.

Chapter 533, Statutes of 2006, (SB 834) formally created the Office of the State Chief Information Officer, with the State CIO being appointed by and serving at the pleasure of the Governor. Pursuant to this new law, the State CIO will be responsible for the following duties:

- Advising the Governor on the strategic management and direction of the state's information technology resources.
- Minimizing overlap, redundancy, and cost in state operations.
- Coordinating activities of agency information officers and the Director of Technology Services.
- Improving organizational maturity and capacity in the effective management of information technology.
- Establishing performance management and ensuring state information technology services are efficient and effective.

The State CIO will assume responsibility for review and oversight of projects and department-specific activities, a function that has been the responsibility of the Department of Finance. Accordingly, the Department of Finance staff who have been performing this function will move to the Office of the State Chief Information Officer at the start of the new fiscal year.

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## DEPARTMENT OF JUSTICE

The Governor's Budget includes \$825.2 million (\$402.7 million General Fund) for the Department of Justice (DOJ), which reflects an increase of \$25.6 million (a reduction of \$4.8 million General Fund) above the revised 2006-07 budget. 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.

The Governor's Budget proposes 5,538.3 positions and includes \$224.6 million for law enforcement programs, \$361.4 million for legal service programs, \$185.9 million for the California Justice Information Services program, \$20.4 million for the Division of Gambling Control, \$16.7 million for the Firearms Division, and \$16.2 million for Executive Programs.

The Governor's Budget includes an augmentation of \$2.5 million (\$1.2 million General Fund) and 2.8 positions to help address DOJ's capacity needs in order to accommodate the additional sample load expected when all-felon arrestees will be required to submit DNA samples pursuant to the provisions of the DNA Fingerprint, Unsolved Crime and Innocence Protection Act (Proposition 69) beginning in 2009. The DOJ has made significant progress in addressing the Proposition 69 DNA sample backlog, and, by July 2007, will maintain a backlog

## LEGISLATIVE, JUDICIAL, AND EXECUTIVE

below the level contemplated in Proposition 69. This will ensure that the DOJ is prepared for the increased samples expected to be received in 2009.

Specifically, the Governor's Budget includes \$2 million DNA Identification Fund to implement a DNA Live Scan Automation Project to provide automated fingerprint verification systems throughout all California law enforcement agencies; \$489,000 General Fund and 2.8 positions to establish a satellite office of the California Criminalistics Institute in Southern California (currently located only in Sacramento) to provide critical training to state and local forensic scientists and law enforcement personnel to meet the scientific needs of state and local crime laboratories; and a shift of \$694,000 of expenditures from the Sexual Habitual Offender Program Fund to the General Fund to maintain the DOJ's Cal DNA Databank Casework Program at its current level.

Within existing resources, the DOJ will establish a loan assumption program to address recruitment issues for DNA Criminalists; implement program and workflow management efficiencies to accommodate increased sample volume expected in 2009, including the automatic review of data generated by genetic analyzers to reduce the amount of time criminalists are required to review sample data; and assign three existing criminalists as field representatives to assist local law enforcement with training and technical assistance associated with Proposition 69, which will be critical in the implementation of the DNA Live Scan Automation Project.

The Strategic Growth Plan (SGP) proposes to address the state's critical facility needs to ensure adequate functionality and capacity to enable the delivery of services to the public. The SGP proposes to expand and relocate the DNA laboratory currently located in Richmond, which is necessary to address DOJ's long-term response to the increasing demands related to DNA analysis and testing. Given the high cost of living and the competing salaries of private and public laboratories in the Bay Area, the DOJ faces significant recruitment and retention issues in its DNA Program. Relocation of the Richmond DNA laboratory is critical to ensure the success of the DNA Program as envisioned in Proposition 69.

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### DEPARTMENT OF INSURANCE

The Governor's Budget includes \$209 million, which reflects an increase of \$1.2 million above the revised 2006-07 budget.

The Insurance Commissioner enforces the California Insurance Code, regulates the insurance industry, and oversees the Department of Insurance. The Department of Insurance regulates

the largest insurance market in the United States, overseeing \$115 billion in direct premiums. The Department examines and investigates insurance companies and producers to ensure operations are consistent with requirements of the Insurance Code, and insurance companies are financially able to meet their obligations to policyholders and claimants. The Department investigates complaints, responds to consumer inquiries, administers the conservation and liquidation of insolvent and delinquent insurance companies, reviews and approves insurance rates, and is a major force in combating insurance fraud.

#### **COMBATING INSURANCE FRAUD**

The Governor's Budget includes \$5.1 million Insurance Fund for grants to support insurance fraud investigation, prosecution, and education activities. Specifically the Governor's Budget includes: \$1.4 million for the Urban Grant Program to combat organized automobile insurance fraud, \$1.6 million for grants to local District Attorneys to combat automobile insurance fraud that is not part of organized crime, \$1.3 million to continue grants to combat workers compensation fraud by employers and medical providers, and \$750,000, one-time, for grants to local District Attorneys to enhance prosecution of financial abuse crimes and educate consumers regarding financial abuse related to life insurance and annuity products.

#### **INTERVENOR COMPENSATION**

The Governor's Budget includes an increase of \$780,000 Insurance Fund for Intervenor compensation costs. Intervenors act on behalf of consumers to resolve conflicts with insurers. Statute provides for compensation to Intervenors as determined by the Insurance Commissioner or a judge when the conflict is resolved, settled, or adjudicated. This augmentation funds the increased need for Intervenor compensation.

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#### **BOARD OF EQUALIZATION**

The Governor's Budget includes \$390.2 million (\$219.7 million General Fund), which reflects an increase of \$5.9 million (\$2.2 million General Fund) above the revised 2006-07 budget.

The Board of Equalization (BOE) administers the sales and use taxes, insurance tax, excise taxes, and various other taxes and fees. The BOE is responsible for valuing and assessing inter-county pipelines, and for valuing and assessing properties owned by railroads, regulated telephone companies, and gas and electricity sellers. The BOE also adjudicates appeals on property tax assessments, and on the various other taxes that the BOE administers.

#### **U.S. CUSTOMS PROGRAM**

The Governor's Budget proposes \$1.1 million (\$696,000 General Fund) to expand the U.S. Customs Program from five positions to 16.5 positions. This Program collects California

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import data from the Department of U.S. Customs and Border Protection and matches it against sales and use tax records that California-based purchasers provide to the BOE. When the records comparison indicates a purchaser failed to pay use taxes on an imported product, collection activities are initiated.

The BOE estimates the proposed positions will generate \$15.2 million in revenues in 2007-08, of which \$9.4 million will accrue to the General Fund and \$5.8 million to local governments.

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### SECRETARY OF STATE

The Governor's Budget includes \$92.6 million (\$36.2 million General Fund), which reflects a decrease of \$7.6 million (\$3.8 million General Fund) below the revised 2006-07 budget.

The Secretary of State (SOS), a constitutionally established office, is the chief election officer of the state and is responsible for the administration and enforcement of election laws. The SOS is responsible for the administration and enforcement of laws pertaining to filing documents associated with corporations, limited partnerships, and security agreements. The SOS is responsible for the appointment of notaries public, enforcement of notary laws, and preservation of documents and records having historical significance. All documents filed are a matter of public record and of historical importance. These documents are available through prescribed procedures for public review and certification as to authenticity.

The executive staff determines policy associated with the administration of the office through the programs of Elections, Political Reform, Business Programs, Archives, Information Technology, and Management Services Division.

### SAFE AT HOME PROGRAM

The Governor's Budget includes \$292,000 and 2.8 positions to expand the existing Safe at Home Program pursuant to Chapter 639, of the Statutes of 2006 (SB 1062). This Program, which provides services to victims of domestic violence and stalking, is now expanded to include victims of sexual assault. The funds will provide for staff, materials, mail bins, equipment, and printing materials for program enrollment. The Safe at Home Program allows local agencies to respond to requests for public records without disclosing a program participant's residence address contained in any public record, and otherwise provides for confidentiality of identity for eligible program participants.

### HELP AMERICA VOTE ACT

The Governor's Budget includes \$10.4 million in federal funds to continue the implementation of Help America Vote Act (HAVA). Of this amount, \$6.5 million is to implement the new

federally required VoteCal system which replaces the existing voter registration data base. The remainder is for ongoing HAVA implementation activities including \$1.1 million in new federal funds for election assistance to individuals with disabilities, to be allocated to counties on a competitive basis; \$500,000 for ongoing voter education and materials dissemination; \$462,000 to continue activities to comply with changing federal voting standards; \$180,000 to continue funds to counties for interim information technology solutions; and continuation of \$1.7 million for HAVA administration.

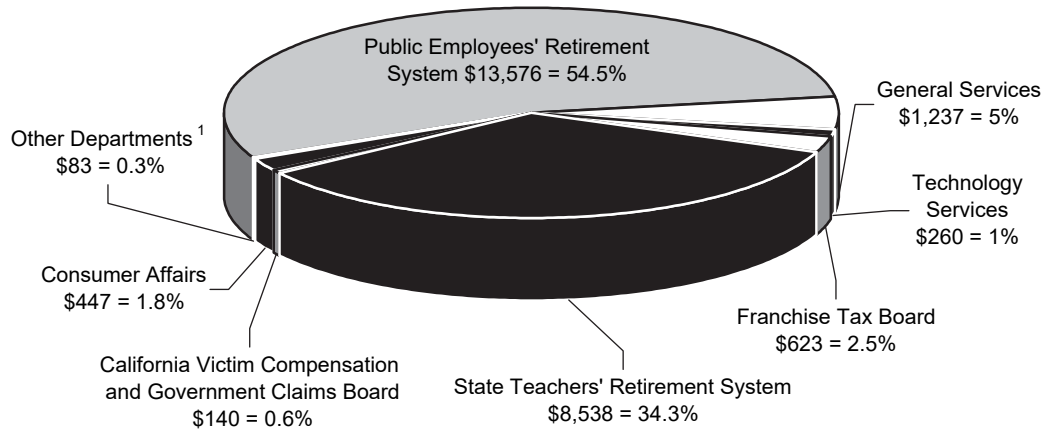
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# STATE AND CONSUMER SERVICES

The State and Consumer Services Agency's (SCSA) mission is to help educate consumers and make government more efficient, effective, and accountable for all California taxpayers. SCSA entities are responsible for civil rights enforcement, consumer protection, and the licensing of 2.3 million Californians in more than 230 professions. The SCSA handles the procurement of nearly \$4 billion worth of goods and services, the management and development of state real estate, oversight of two state employee pension funds, collection of state taxes, hiring of state employees, providing information technology services, adopting state building standards, and administering two state museums. The Secretary for the SCSA is Chair of the California Building Standards Commission and the Victim Compensation and Government Claims Board. The Governor's Budget proposes \$24.9 billion (\$574.9 million General Fund) and 16,039.1 positions for the various entities within the SCSA (shown in Figure SCS-01). This represents an increase of \$1.7 billion from the revised 2006-07 Budget (a decrease of \$27.5 million General Fund and an increase of \$1.8 billion in other funds) and an increase of 325 positions. These amounts represent a 7 percent increase in total funds and 4 percent decrease in General Fund over the revised 2006-07 Budget.

Figure SCS-01  
**Proposed State and Consumer Services Agency Expenditures for 2007-08**  
**All Funds**  
 (Dollars in Millions)



<sup>1</sup> Other Departments include: Secretary for State and Consumer Services (\$3), Seismic Safety Commission (\$3), Department of Fair Employment and Housing (\$24), California Science Center (\$27), State Personnel Board (\$24), and the Fair Employment and Housing Commission (\$1).

## MAJOR ACCOMPLISHMENTS IN 2006-07

Initiatives implemented on an ongoing basis in 2006-07 include the following:

**iLicensing System**-The 2006-07 Budget includes \$1.3 million (various special funds) to establish an iLicensing System that will make online data available to licensees and applicants of all programs overseen by the Department of Consumer Affairs (DCA). This system will provide increased accessibility to licensing information for more than 2.3 million licensees and make it more convenient for them to obtain and maintain their licenses, and provide online payment of associated licensing fees.

**Consumer Assistance Program**-The 2006-07 Budget includes \$7.5 million (various special funds) for the Bureau of Automotive Repair to support two consumer assistance programs: the Smog Check Repair Assistance Program and the Vehicle Retirement Program. This funding compensates vehicle owners that agree to destroy their high-polluting vehicles and provides assistance to low-income consumers in obtaining and making needed repairs, to meet California's smog check requirements.

Employment Discrimination Caseload-The 2006-07 Budget provides \$1 million General Fund for additional employment discrimination enforcement. This augmentation will improve access to the Department of Fair Employment and Housing's services, shorten waiting time for appointments, and enhance the department's ability to fulfill its mission.

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## PROPOSED STATE AND CONSUMER SERVICES AGENCY SPENDING FOR 2007-08

Change Table SCS-01 illustrates the major changes proposed to SCSA spending in the Governor's Budget.

Major workload adjustments required by law for 2007-08 include the following:

- Establish the Professional Fiduciaries Bureau-The Governor's Budget includes \$1.1 million (Professional Fiduciary Fund) and 4.8 positions for the creation of the Professional Fiduciaries Bureau effective January 1, 2007. The Bureau is responsible for licensing and regulating of professional fiduciaries in California.
- Bureau of Automotive Repair: Visible Smoke Test-The Governor's Budget includes \$12.3 million (various special funds) and 8.6 positions for the Bureau of Automotive Repair to implement a visible smoke test into the Smog Check Program by January 1, 2008, and to increase the vehicle retirement payment to specified consumers.
- Improve Housing Case Processing-The Governor's Budget includes \$873,000 General Fund and 6.7 positions to improve case processing and service to individuals that file a housing discrimination complaint with the Department of Fair Employment and Housing.
- California Science Center Phase II Operational Startup-The Governor's Budget includes \$1.9 million General Fund and 4.3 positions to begin hiring key employees and purchasing critical equipment necessary to bring the Phase II project online.
- Earthquake Research Grants-The Governor's Budget includes \$2 million (Special Deposit Fund) for the administration and issuance of grants for research related to earthquake risk reduction. The Seismic Safety Commission is finalizing a settlement that will provide one-time funding of \$6.6 million to implement a multi-year earthquake grant research program. The program will address risk reduction needs identified by the state to reduce the risk of death, injury, and property damage during earthquakes.

## Change Table SCS-01

**State and Consumer Services Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$576,382	\$22,346,534	15,610.7	\$574,640	\$22,199,332	15,610.7
<b>Workload Adjustments</b>						
BAR - Visible Smoke Test (AB 870)	--	--	--	--	12,265	8.6
Earthquake Research Grants	--	--	--	--	2,000	1.0
Improve Housing Case Processing	--	--	--	873	--	6.7
Operational Startup for Phase II Project	--	--	--	1,857	--	4.3
Professional Fiduciaries Bureau Establishment	--	--	--	--	1,055	4.8
Enrollment/Caseload/Population	--	-60,646	--	--	1,136,342	--
Employee Compensation/Retirement	25,640	43,543	--	24,282	39,704	--
Expiring Programs or Positions	--	--	--	-11,409	-7,627	-192.9
One-Time Cost Reductions	--	--	--	-5,284	-7,217	--
Full-Year Cost of New Programs	--	--	--	--	9,228	--
Other Workload Adjustments	12,239	40,634	103.4	-37,002	830,901	274.1
<b>Totals, Workload Adjustments</b>	\$37,879	\$23,531	103.4	-\$26,683	\$2,016,651	106.6
<b>Policy Adjustments</b>						
Green Building Action Plan Resources	--	--	--	--	3,398	4.7
Office of Information Security and Protection	--	--	--	1,701	--	14.0
Other Policy Adjustments	--	--	--	22,882	53,404	303.1
<b>Totals, Policy Adjustments</b>	\$0	\$0	--	\$24,583	\$56,802	321.8
<b>Infrastructure Adjustments</b>	-\$11,937	\$199,262	--	\$2,325	\$55,925	--
<b>Total Adjustments</b>	\$25,942	\$222,793	103.4	\$225	\$2,129,378	428.4
<b>Governor's Budget</b>	\$602,324	\$22,569,327	15,714.1	\$574,865	\$24,328,710	16,039.1

\* Dollars in Thousands

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

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## **PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS**

The 2007-08 Governor's Budget proposes significant changes for the departments within the State and Consumer Services Agency. Notable funding changes included in the Governor's Budget for these departments are further described below.

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### **SECRETARY FOR STATE AND CONSUMER SERVICES AGENCY**

The State and Consumer Services Agency's (SCSA) mission is to help educate consumers and make government more efficient, effective, and accountable for all California taxpayers through the various departments within the SCSA. The Governor's Budget includes \$3.2 million (\$2.5 million General Fund), an increase of \$1.8 million (\$1.7 million General Fund) over the revised 2006-07 Budget primarily to support the California Office of Information Security and Protection.

#### **CALIFORNIA OFFICE OF INFORMATION SECURITY AND PROTECTION**

The Governor's Budget includes \$1.7 million General Fund and 14 positions to support the California Office of Information Security and Protection within the SCSA. This reflects the transfer of privacy protection responsibility from the DCA and information security responsibility from the Department of Finance. The Office will be responsible for leading state agencies in securing and protecting the state's information by identifying critical technology assets and addressing vulnerabilities, deterring identify theft and security incidents, sharing information and technology lessons promptly, enhancing government response and recovery, and developing consumer education programs.

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#### **CALIFORNIA SCIENCE CENTER**

The California Science Center is an educational science and technology center administered by a nine-member board of directors appointed by the Governor. The Science Center is a place where children, teachers, and families can explore how science is relevant to their everyday lives. Through hands-on experiences, children, teachers, and families are introduced to scientific principles in the context of the world that surrounds them. It is an approach intended to stimulate curiosity and challenge visitors to think, question, and see their world in an entirely new way. The Governor's Budget includes \$26.7 million (\$19.8 million

## STATE AND CONSUMER SERVICES

General Fund), an increase of \$5.7 million (\$4.6 million General Fund) over the revised 2006-07 Budget.

### **OPERATIONAL STARTUP FOR THE PHASE II PROJECT**

The Governor's Budget includes \$1.9 million General Fund and 4.3 positions to begin hiring key employees and purchasing critical equipment necessary to bring the Phase II project online. The Phase II project is a 146,000 square-foot facility that will nearly double the amount of exhibit space at the Science Center, and will include the World of Ecology exhibit. Construction of the California Science Center Phase II Project will be completed in 2009.

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### **FRANCHISE TAX BOARD**

The Governor's Budget includes \$623.4 million (\$518 million General Fund), a decrease of \$139.9 million (\$44.2 million General Fund) from the revised 2006-07 Budget.

The Franchise Tax Board (FTB) administers the personal income tax and corporation tax, as well as the Homeowners' and Renters' Assistance Programs, Child Support Automation, Department of Motor Vehicles Collections, Courts Collections, and Political Reform Act Audits. The FTB's tax collection activities result in over 60 percent of General Fund revenue.

### **TAX GAP ENFORCEMENT**

The Governor's Budget proposes \$19.6 million General Fund and 230 positions for various efforts to close the state's estimated \$6.5 billion tax gap. The tax gap is the difference between the amount of tax owed and the amount paid. Of the proposed resources, \$13.6 million and 180.5 positions are associated with six existing pilot programs proposed for permanent establishment. The existing programs concentrate on detecting non-filers and filers of fraudulent returns and on audit and collections activities. The FTB estimates these programs will generate \$64.7 million in revenues in 2007-08, and \$68.5 million in revenues in 2008-09.

The remaining \$6 million and 49.5 positions are for new initiatives to educate independent contractors about filing requirements, expand the corporate non-filer program, address out-of-state tax avoidance, and increase investigations of persons who fail to file a return, or who file fraudulent returns. The FTB estimates these initiatives will generate \$12.8 million in revenues in 2007-08, and \$29.8 million in revenues in 2008-09.

**ENHANCE CUSTOMER SERVICE STAFFING**

The Governor's Budget proposes to redirect \$1.3 million in savings to restore 27 customer service positions that were previously eliminated due to budgetary constraints. The proposed positions will allow FTB to reduce customer service wait times and to respond more effectively to taxpayer inquiries.

The savings proposed for re-direction are associated with Chapter 773, Statutes of 2006 (AB 2341), which eliminated the need for corporations to file tax clearance certificates before dissolving.

**CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM**

The Governor's Budget proposes to reduce CCSAS funding by \$99.2 million (\$33.7 million General Fund) in 2007-08. This adjustment reflects the transition of the project from development to implementation.

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**DEPARTMENT OF GENERAL SERVICES**

The Department of General Services provides centralized services to state agencies in the following areas: telecommunications; management of state-owned and leased real estate; approval of architectural designs for local schools and other state-owned buildings; printing services; procurement of commodities, services, and equipment for state agencies; and maintaining the state vehicle fleet. The Department, a fee-for-service agency, receives the majority of its funding from rates, fees, and other charges paid by client departments. The Governor's Budget includes \$1.2 billion (\$9.2 million General Fund), a decrease of \$170.2 million (\$11.4 million General Fund increase) above the revised 2006-07 Budget.

**GREEN BUILDING ACTION PLAN RESOURCES**

The Governor's Budget includes \$3.4 million (Service Revolving Fund) and 4.7 positions to implement required energy savings programs and projects as specified in the Governor's Executive Order S-20-04 and the accompanying Green Building Action Plan. These resources will enable the state to systematically reduce state energy consumption by taking all cost-effective measures described in the Green Building Action Plan to retrofit, build, and operate the most energy and resource efficient buildings. Ultimately, these resources will enable the state to operate state-owned facilities rated "Silver" or higher as determined by the United States Green Building Council Leadership in Energy and Environmental Design and will result in significantly reduced grid-based energy usage by state buildings.

## STATE AND CONSUMER SERVICES

### STATE CAPITOL MAINTENANCE AND REPAIRS

The Governor's Budget includes \$7.4 million General Fund and 4.3 positions to complete critical repairs to the State Capitol. A recently completed infrastructure report has identified the repair, system replacement, and maintenance activities necessary over the next 20 years to extend the useful life of the State Capitol.

The Governor's Budget includes \$1.5 million General Fund to complete the Capitol Park Master Plan. The Capitol Park Master Plan will identify the historic landscape of the park, the current infrastructure conditions, security and maintenance needs, and future memorial locations and how to address all of the needs through the maintenance and reconstruction of the park over the next 50 years.

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### DEPARTMENT OF CONSUMER AFFAIRS

The DCA protects consumer interests through licensing and regulation of specific professions, occupations, and businesses. The DCA is directed by statute to facilitate a free-enterprise market economy by educating consumers, fostering competition, guarding against fraudulent practices, and promoting consumer representation throughout all levels of government.

The Governor's Budget includes \$447 million various special funds, an increase of \$31.8 million (decrease of \$828,000 General Fund) above the revised 2006-07 Budget.

### FIDUCIARIES BUREAU

The Governor's Budget includes \$1.1 million and 4.8 positions to create the Professional Fiduciaries Bureau pursuant to Chapter 491, Statutes of 2006 (SB 1550) effective January 1, 2007. The Bureau is responsible for licensing and regulating professional fiduciaries in California. A professional fiduciary acts as a conservator, guardian, trustee, personal representative, or agent under a durable power of attorney for health care or finances for at least two unrelated consumers requiring such services. By July 1, 2008, all professional fiduciaries must be licensed by the Bureau, which will be funded through fees paid by licensees.

### BUREAU OF AUTOMOTIVE REPAIR

The Governor's Budget includes \$12.3 million and 8.6 positions for the Bureau of Automotive Repair to implement the provisions of Chapter 761, Statutes of 2006 (AB 1870), which require the Bureau to incorporate a visible smoke test into the Smog Check Program by January 1, 2008. AB 1870 also increases the payment to consumers who retire a vehicle that fails its biennial Smog Check inspection from \$1,000 to \$1,500. The Program is funded through smog abatement fees paid by motorists.



**OFFICE OF PRIVACY PROTECTION**

The Office of Privacy Protection will be transferred to the SCSA as part of the creation of the California Office of Information Security and Protection. As a result, the Governor's Budget reflects a reduction of \$878,000 (\$826,000 General Fund) and 8.7 positions for the DCA.

**BUREAU OF PRIVATE POSTSECONDARY AND VOCATIONAL EDUCATION**

The Governor's Budget includes \$11.4 million (federal fund and various special funds) and 74.7 positions to continue funding for the Bureau of Private Postsecondary and Vocational Education, an increase of \$3.4 million special funds and 20.3 positions. Although the Bureau is scheduled to sunset effective July 1, 2007, the Administration will be sponsoring legislation to reform the Bureau's operations, and establish the Private Postsecondary Education and Student Protection Act. The Governor's Budget reflects this change to create a licensing program that is more efficiently administered and enforced and to protect students who pay in advance for educational services, which will be funded through fees paid by licensees.

**ENFORCEMENT**

The DCA is charged with safeguarding the life, health, property and welfare of the people of California by regulating the practices of its licensees. This is partially accomplished by enforcing laws and regulations for each of the regulated professions under the DCA's purview. The Governor's Budget includes an increase of \$3 million for additional enforcement activities. This funding will allow the affected boards, bureaus, and the Division of Investigations to ensure that qualified and licensed professionals are providing consumer services. Enforcement activities are funded through fees and citations paid by licensees. Funding increases are proposed for enforcement activities for the following DCA entities:

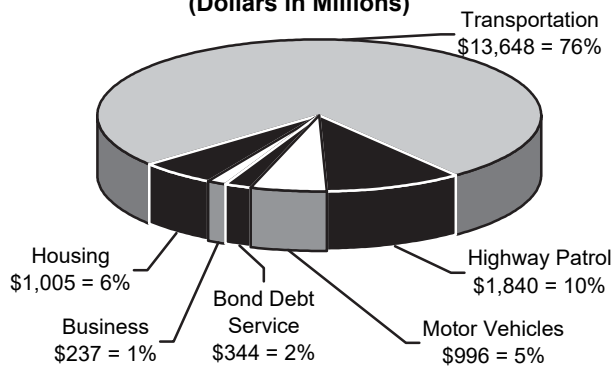
- Board of Accountancy (\$345,000)
- Dental Board (\$440,000)
- Board of Occupational Therapy (\$67,000)
- Board for Professional Engineers and Land Surveyors (\$96,000)
- Board of Vocational Nursing and Psychiatric Technicians (\$1,175,000)
- Bureau of Security and Investigative Services (\$199,000)
- Hearing Aid Dispensers Bureau (\$67,000)
- Division of Investigations (\$583,000)

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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 help communities expand the availability of affordable housing. Agency programs help finance the state's infrastructure, small business expansion, and economic development by encouraging and promoting economic activity and investment within the state. The Agency contributes to public safety through the law enforcement activities of the California Highway Patrol and the Department of Alcoholic Beverage Control. Figure BTH-01 displays the funding proposed in the Business, Transportation, and Housing portion of the Governor's Budget from all fund sources. The majority of the funding is provided by special fund revenues and federal funds. General Fund expenditures are primarily for transportation projects and operations pursuant to Proposition 42.

Figure BTH-01  
**Business, Transportation, and Housing Agency  
2007-08 Expenditures  
(Dollars in Millions)**



## MAJOR ACCOMPLISHMENTS IN 2006-07

California is investing more in its transportation system than ever before. In November, California voters approved the \$19.9 billion transportation element of the Strategic Growth

## BUSINESS, TRANSPORTATION, AND HOUSING

Plan that will help relieve traffic congestion on California's overcrowded roads, expand the state's mass transit and rail systems and improve the air quality around California's ports.

The voters also approved a \$2.85 billion affordable housing bond that will help families become or remain homeowners, provide affordable rental housing, and make housing available for farmworkers and the homeless.

The final 2006-07 Budget included nearly \$13.3 billion for transportation. Overall, state and federal transportation revenues increased by \$2.7 billion over revised 2005-06 figures. The 2006-07 Proposition 42 transfer was fully funded at an estimated \$1.4 billion, and the Budget prepaid \$1.4 billion of outstanding Proposition 42 debt that was due to be repaid in 2007-08 and 2008-09. State and federal transportation revenues provided additional resources for the following programs: \$1.04 billion for the State Transportation Improvement Program, \$925 million for the Traffic Congestion Relief Program, \$437 million for local street and road maintenance, and \$367 million for transit projects.

Initiatives implemented in 2006-07 include the following:

- \$56.4 million as part of a five-year plan to upgrade and replace the California Highway Patrol's radio system, contributing significantly to communications reliability in everyday work and in emergencies.
- \$30.5 million for 240 more Highway Patrol officers, bringing the total number to 6,366.
- \$18.8 million to begin the planning, programming, and infrastructure development necessary for the Department of Motor Vehicles to implement the federal Real ID Act.
- \$6.4 million for 173 additional non-sworn Highway Patrol staff to handle increased cellular 9-1-1 call volume.
- \$2.1 million to begin the modernization of the aging core information technology systems used to support the Department of Motor Vehicle's Driver License, Occupational License, and Vehicle Registration programs.

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### PROPOSED BUSINESS, TRANSPORTATION AND HOUSING SPENDING IN 2007-08

Change Table BTH-01 illustrates the major changes proposed to Business, Transportation and Housing Agency spending in the Governor's Budget.

Change Table BTH-01

**Business, Transportation, and Housing Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$3,029,160	\$13,684,653	43,198.7	\$394,314	\$10,851,842	43,198.7
<b>Workload Adjustments</b>						
Fund Proposition 42 Transfer	--	--	--	1,475,396	--	--
Proposition 1A Debt Payment	--	--	--	83,000	--	--
Removal of One-Time Funds and Current Year Overfunding of State Transit Assistance	--	--	--	--	-283,683	--
Employee Compensation/Retirement	276	153,946	--	234	160,733	--
Court Orders/Lawsuits	593	-39	--	--	--	--
Expiring Programs or Positions	--	--	--	--	-492	--
One-Time Cost Reductions	--	--	--	-7,669	-38,417	--
Full-Year Cost of New Programs	--	--	--	--	94,447	174.4
Other Workload Adjustments	-4,239	-1,067,598	4.2	-18,569	2,305,832	-13.9
<b>Totals, Workload Adjustments</b>	<b>-\$3,370</b>	<b>-\$913,691</b>	<b>4.2</b>	<b>\$1,532,392</b>	<b>\$2,238,420</b>	<b>160.5</b>
<b>Policy Adjustments</b>						
Eliminate State Transit Assistance Share of Spillover Revenues	--	--	--	--	-155,374	--
Patrol Staffing Augmentation	--	--	--	--	17,507	88.9
Pavement Maintenance Augmentation	--	--	--	--	185,000	--
Proposition 1B Highway Transportation Expenditures	--	523,000	--	--	1,491,750	--
Proposition 1B Transit Expenditures	--	--	--	--	600,000	--
Proposition 1C Housing Bond	--	160,959	5.6	--	659,383	42.6
Tribal Securitization	--	-626,500	--	--	--	--
Other Policy Adjustments	--	--	3.3	-338,759	429,305	185.0
<b>Totals, Policy Adjustments</b>	<b>\$0</b>	<b>\$57,459</b>	<b>8.9</b>	<b>-\$338,759</b>	<b>\$3,227,571</b>	<b>316.5</b>
<b>Infrastructure Adjustments</b>	<b>\$0</b>	<b>-\$42,251</b>	<b>--</b>	<b>\$0</b>	<b>\$163,780</b>	<b>--</b>
<b>Total Adjustments</b>	<b>-\$3,370</b>	<b>-\$898,483</b>	<b>13.1</b>	<b>\$1,193,633</b>	<b>\$5,629,771</b>	<b>477.0</b>
<b>Governor's Budget</b>	<b>\$3,025,790</b>	<b>\$12,786,170</b>	<b>43,211.8</b>	<b>\$1,587,947</b>	<b>\$16,481,613</b>	<b>43,675.7</b>

## BUSINESS, TRANSPORTATION, AND HOUSING

The major workload adjustments required by law for 2007-08 include the following:

- Proposition 42 funding included in the 2006-07 Budget is backed out of the starting figure for 2007-08. Full funding of Proposition 42 is proposed in 2007-08 but the one-time debt payments of \$1.4 billion included in 2006-07 are not repeated.
- The minimum Proposition 42 debt repayment is included in 2007-08 per Proposition 1A at \$83 million.
- Removal of a one-time increase in the percentage of spillover revenues allocated to the State Transit Assistance budget from 80 percent back to the customary 50 percent accounts for -\$94 million, removing one-time Proposition 42 loan repayments accounts for -\$109 million, an increase in revenues adds \$21 million, and a reduction of \$102 million to offset unintended payments in excess of the statutory formula in 2006-07, results in a net change of -\$284 million to transit operating grants compared to the 2006-07 budget.
- The change table for the BTH Agency reflects updated 2007-08 local assistance and capital outlay expenditures as well as carryover from past years appropriations. New and adjusted capital spending at both the state and local level comprises the majority of adjustments displayed in the Other Workload Adjustments line.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

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### PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Major budget changes for the Business Transportation and Housing Agency are described under the general headings of Transportation, Highway Safety, and Business and Housing. Within the Transportation section, since most of the budget is driven by the amounts of revenues provided by various sources, changes to those revenue sources are summarized, followed by descriptions of the major programs and the policy changes proposed.

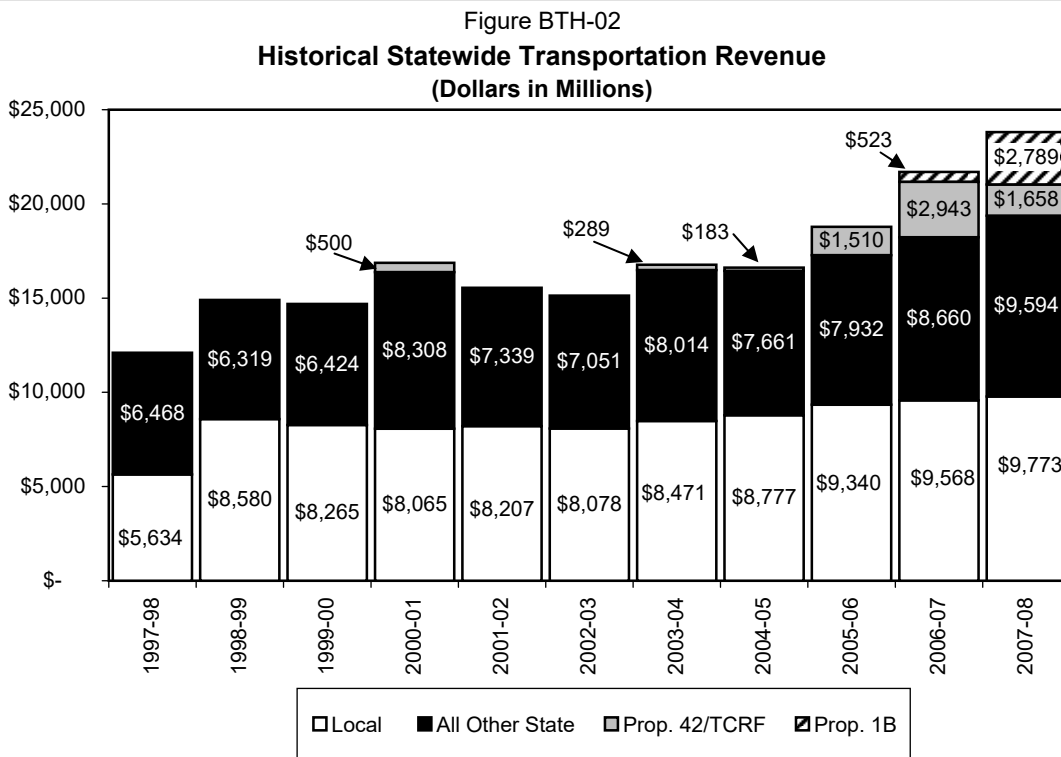
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### TRANSPORTATION OVERVIEW

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 has traditionally come from state and federal fuel taxes, the sales and use tax on fuel, motor vehicle licensing and registration fees, weight fees for trucks, and local sales taxes. A major new fund source is Proposition 1B, the \$19.9 billion transportation bond. The Governor’s Budget proposes total expenditures of \$16.8 billion in 2007-08 for roads, highways, mass transit and intercity rail, vehicle licensing and registration, and highway law enforcement. This is an increase of \$845 million from the 2006 Budget Act and an increase of \$1.7 billion from the revised 2006-07 expenditure estimates.

Figure BTH-02 outlines current total statewide transportation resources, which are estimated to be approximately \$23.8 billion in 2007-08, a major increase from \$21.2 billion in the current year due to the transportation bond. Local gas tax distributions for local streets and roads are shown in the General Government section of the Budget in Item 9350 (Shared Revenues).



**TRANSPORTATION FUNDING SOURCES**

**PROPOSITION 1B BONDS**

The Governor’s Budget proposes to appropriate \$8.2 billion to begin implementation of the transportation element of the Proposition 1B bonds as part of the Strategic Growth Plan.

- \$2.8 billion is projected to be allocated, or committed, in 2007-08. The initial allocation and appropriation amounts are planned to be adjusted as programs are more fully developed and projects are approved for funding.
- \$523 million is proposed to be allocated through urgency legislation to enable construction to start as early as feasible for high-priority projects that are ready-to-start.

Most Proposition 1B programs will be administered by either the California Transportation Commission or Caltrans, with the exception of the Trade Infrastructure Air Quality and School Bus Retrofit (Air Resources Board), Port Security (Office of Emergency Services), and Transit Security (Office of Emergency Services and Homeland Security) programs. The Budget will give the California Transportation Commission or Caltrans the flexibility to move funding forward from future allocations and allow shifts between programs if projects are ready to be awarded, with the concurrence of the Department of Finance and the Legislature.

Funds for these projects will be disbursed as construction and other project activities occur, as in the case of other transportation projects, so the impact on the state debt limit of the bonds issued to fund these programs will be manageable. 2006-07 expenditures will be proposed in urgency legislation. Trailer legislation is proposed to direct implementation of performance-based project selection and provide for accountability to the people. Figure BTH-03 displays the proposed appropriation for each program and their anticipated allocations by fiscal year.

Figure BTH-03  
**Planned Proposition 1B Implementation**  
 (Dollars in Millions)

	2006-07*	2007-08	2008-09	2009-10	Proposed 2007-08 Appropriations
Corridor Mobility	\$100	\$317	\$712	\$1,090	\$2,119
Transit		\$600	\$350	\$350	\$1,300
State Transportation Improvement Program	\$262	\$340	\$287	\$408	\$1,035
Local Streets & Roads		\$600	\$300	\$150	\$1,050
Trade Infrastructure	\$15	\$170	\$255	\$255	\$680
State Highway Operation and Protection Program	\$141	\$403	\$102	\$13	\$518
State/Local Partnership		\$170	\$166	\$166	\$502
Grade Separations		\$55	\$60	\$59	\$174
Highway 99		\$28	\$44	\$99	\$171
School Bus Retrofit		\$97	\$96	\$7	\$97
Local Seismic	\$5	\$9	\$13	\$17	\$39
<b>Total Appropriations</b>	<b>\$523</b>	<b>\$2,789</b>	<b>\$2,385</b>	<b>\$2,614</b>	<b>\$7,685</b>

\*2006-07 expenditures to be proposed in separate legislation



Four Proposition 1B programs are not reflected in the table (Intercity Rail, Transit Security, Trade Infrastructure Air Quality, and Port Security) because the Administration is considering program implementation approaches and gathering information on funding needs.

**PROPOSITION 42**

Approved by voters in March 2002, Proposition 42 amended the State Constitution to transfer state sales taxes on gasoline from the General Fund to transportation purposes beginning in 2003-04. The initiative replaced the Traffic Congestion Relief Program (TCRP) that began in 2000-01. The proposition included a provision that allows the Governor and the Legislature to suspend the sales tax transfer in a fiscal year when the transfer would result in a significant negative fiscal impact on government functions funded by the General Fund. The Proposition 42 transfer was partially suspended in 2003-04 and fully suspended in 2004-05 due to the inability of the General Fund to support the full transfer. The transfer was fully funded in 2005-06 and 2006-07. In November 2006, the voters approved Proposition 1A, which further limits the conditions under which the Proposition 42 transfer can be suspended and requires all outstanding loans be repaid in annual increments by June 30, 2016.

Consistent with that direction, the Governor's Budget proposes to fully fund the Proposition 42 transfer and the Proposition 1A loan repayment for fiscal 2007-08. The transfer distributes \$684 million to the TCRP, \$699 million to the State Transportation Improvement Program (STIP), and \$175 million to the Public Transportation Account. Pursuant to current law, cities and counties do not receive any local streets and roads maintenance funds from Proposition 42 in 2007-08. The state provided what would have been their share in 2001-02 and 2002-03, even though no General Fund transfer occurred in those years due to fiscal constraints.

**PUBLIC TRANSPORTATION ACCOUNT**

The Public Transportation Account receives funds from sales tax on diesel fuel, a portion of the sales tax increase provided by Proposition 111, Proposition 42, and the "spillover" sales tax on gasoline. Spillover revenues are available only when revenues from the gasoline sales tax at the 4.75-percent rate exceed revenues from all taxable sales at the 0.25-percent rate and this mechanism dates back to the establishment of sales tax on gasoline in 1972. In past years, spillover transfers occurred rarely; however, there has been spillover the last five fiscal years and, as a result of high gasoline prices, spillover revenues are estimated to be \$617 million in 2007-08. Other sales tax revenues to be deposited in the Public Transportation Account in 2007-08 are estimated to be \$398 million, an increase of \$19 million over the current year.

## BUSINESS, TRANSPORTATION, AND HOUSING

In prior years the Legislature amended these statutes to reallocate the spillover revenues by statutory change to higher priority transportation uses. A similar reallocation is proposed in this budget to offset the following General Fund expenditures in the following transportation programs:

- Home-to-School Transportation (\$627 million).
- Transportation General Obligation Bond debt service (\$340 million).
- Developmental Services-Regional Center Transportation (\$144 million).
- These cost shifts are possible in part due to the large increases in spillover sales tax on gasoline, diesel sales tax and Proposition 42 sales tax on gasoline. While General Fund revenues have grown by 8.4 percent since 2005-06, these revenue sources have grown over 294 percent in that time.
- The spillover increase results from a shift in consumer buying to gasoline from other taxable items due to an increase in gas prices. The higher gas prices do not appear to cause a commensurate, sustained increase in consumer earnings or spending. Thus most of the current spillover revenue comes at the expense of the sales tax revenue that goes to the General Fund.
- It is anticipated that use of Public Transportation Account funds for Home to School Transportation will continue in future years, but future revenues are not likely to be sufficient to fund both of the other two programs and that at least the Debt Service Fund will be supported by General Fund in 2008-09. If insufficient money is available in future years to sustain Home to School Transportation or Regional Center Transportation funding from the Public Transportation Account, any needed funding would be provided from the General Fund.
- Regions and counties were able to propose \$1.7 billion in transit projects for the State Transportation Improvement Program last spring, but have not yet nominated projects to use over \$600 million of these funds, indicating that there is not a pressing and immediate need for capital funds, especially given the \$3.6 billion in bonds that will be available for several years.
- The Budget proposes \$600 million in transit bond allocations and \$69 million from the Public Transportation Account for capital projects in 2007-08. This is sufficient to fund all transit projects that were anticipated to be funded under the State Transportation Improvement Program in 2007-08. Additional project authorization capacity from the total \$1.3 billion 3-year bond appropriation can be advanced to 2007-08, if other projects

are approved for funding during 2007-08. Additionally, the Caltrans budget reflects \$548 million more in 2007-08 for transit projects funded from the Traffic Congestion Relief Fund.

- As compared to the \$331 million spent on transit in 2005-06, the Governor's Budget proposes effective spending of \$397 million on transit from the Public Transportation Account for 2007-08, including a decrease in transit operating grants from \$201 million to \$185 million. These figures reflect an adjustment of \$102 million from 2006-07 to 2007-08 to reflect the fact that transit agencies are being paid more in 2006-07 than is provided for in statute, due to an unintended interpretation of Budget Act language.
- Future transit operating funds will increase by an estimated \$136 million in 2008-09, due to an increased share of Proposition 42 funding that begins that year. Other PTA revenue sources are also likely to grow. While it is recognized that more operating money will be needed to operate the STIP and bond-funded projects, more funding will not be needed until the equipment is delivered and construction is completed in future years.
- Transit operators need consistent and predictable funding for operations. The spillover calculation is highly volatile and in many years, produces no funds for transit. Thus it is proposed to decouple the spillover calculation from the state transit operating grant funding formula.
- While substantially more funding was provided in the 2006-07 Budget, this was based in part on spillover revenue estimates, which appear now to have been too high, one-time loan repayments of \$218 million, and the desire to accommodate a spike in capital spending programmed in the 2006 STIP.

The Budget also proposes to permanently cease transferring revenues not controlled by Article XIX of the Constitution from the State Highway Account to the Public Transportation Account. This amount, estimated to be \$80 million in 2007-08, will instead be used to reduce the backlog in pavement maintenance that Caltrans faces in the State Highway Operations and the Protection Program and the Maintenance Program.

### TRIBAL GAMING FUNDS

The 2006 Budget Act assumed repayment of a portion of outstanding transportation loans with \$849 million in bond proceeds derived from Indian gaming revenues to specified transportation programs. The 2005-06 expenditure total reflects \$151 million in tribal gaming revenues that had been received to repay the State Highway Account for previous loans to the General Fund. Several lawsuits have prevented the bonds from being sold, and the date

that the tribal bond revenues were expected has subsequently changed numerous times. The Budget now assumes spending the tribal compact cash as it is received until the date that the bonds can be sold can be determined. Of these funds, \$100 million is annually deposited with the state, and consistent with current law, \$200 million from 2006-07 and 2007-08 will be deposited in the State Highway Account.

**TRADITIONAL STATE TRANSPORTATION REVENUES**

The Governor’s Budget forecasts gasoline and diesel excise tax revenues to increase by approximately 1.7 percent in 2007-08, from \$3.4 billion to \$3.5 billion. Federal excise tax funds available to Caltrans in 2007-08 are estimated to increase by 16 percent to \$4.1 billion. California imposes fees on commercial vehicles and heavy pickup trucks based on the vehicle’s laden weight, i.e., the heavier the vehicle, the greater the fee. The Budget anticipates weight fee revenues will be \$979 million in 2006-07 and \$1.03 billion in 2007-08.

These funds are distributed to the State Highway Account for support of the Department of Transportation, the Maintenance Program, The State Highway Operation and Protection Program, the State Transportation Improvement Program and to cities and counties for transportation purposes.

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**TRANSPORTATION—MAJOR PROGRAMS**

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. Caltrans provides intercity rail passenger services under contract with Amtrak and helps local governments deliver transportation projects.

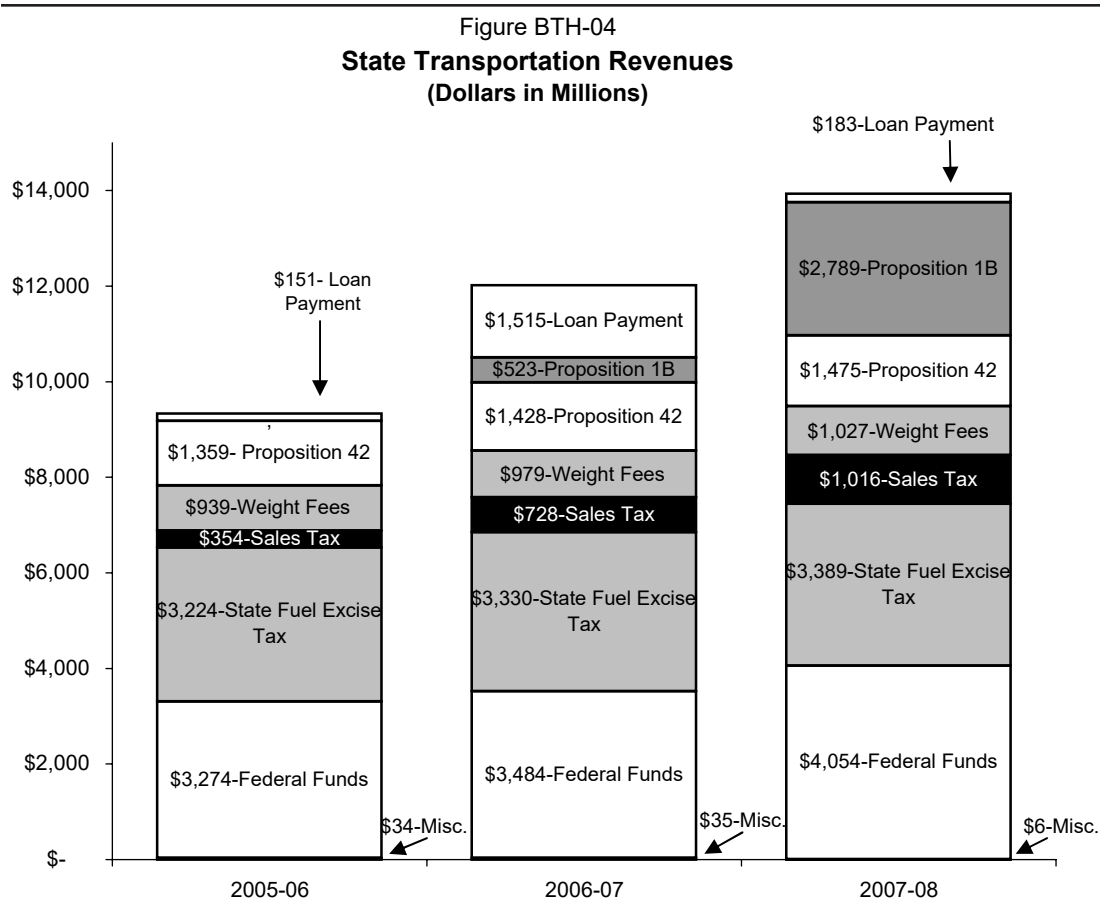
The Governor’s Budget proposes \$12.8 billion, \$11.2 billion from non-General Fund sources, for the Department of Transportation. This reflects an increase of \$1.5 billion from the revised 2006-07 budget due primarily to the implementation of Proposition 1B.

Transportation projects and operations generally are supported by dedicated special funds and federal funds. This approach guarantees funding for multiyear planning processes that need sustained revenues to fund large projects.

**CAPITAL OUTLAY**

A 2007-08 authorization of \$5.8 billion is proposed for transportation capital outlay programs compared to \$4.6 billion in the current fiscal year. The 2007-08 total includes \$218 million from the General Fund, \$1.2 billion from the State Highway Account, \$1.6 billion in federal funds, and \$2.8 billion from other special funds.

Figure BTH-04 shows resources used at the state level from 2005-06 through 2007-08.



- The Proposition 42 transfer was fully funded in 2005-06 and 2006-07, and is proposed to be fully funded in 2007-08.
- The gaming revenues in 2005-06 are to repay transportation loans made in previous years. The one-time General Fund loan repayment in 2006-07 is to prepay a portion of the \$868 million in 2003-04 Proposition 42 loan and \$1.258 billion 2004-05 Proposition 42 loan. Annual revenues collected from tribal gaming compacts will be used to repay pre-Proposition 42 debt.
- \*Misc." includes Propositions 116 & 192.

**STATE TRANSPORTATION IMPROVEMENT PROGRAM**

The California Transportation Commission adopted the 2006 State Transportation Improvement Program Fund Estimate in September 2005. The Fund Estimate is an approximation of all resources reasonably expected to be available for transportation over the next five-year period. The 2006 STIP Fund Estimate covers 2006-07 through 2010-11, and estimates total programming capacity of \$5.6 billion. This level of capacity fully funds

## **BUSINESS, TRANSPORTATION, AND HOUSING**

the 2004 STIP, which was constrained by inadequate resources, and adds \$1.8 billion in new programming capacity.

In November 2006, voters approved Propositions 1B, authorizing \$19.9 billion in bonds for transportation, including additional funding for STIP, as part of the transportation element of the Governor's Strategic Growth Plan. As a result, the Commission adopted the 2006 STIP Fund Estimate Augmentation in December 2006, adding another \$2 billion of program capacity for the current Fund Estimate period. The Budget reflects \$262 million in 2006-07 and \$340 million from these new funds.

### **STATE HIGHWAY OPERATION AND PROTECTION PROGRAM**

State Highway Operation and Protection Program (SHOPP) projects reduce collisions and hazards to motorists, preserve bridges and roadways, enhance and protect roadsides, and improve operation of the state highway system.

The 2006 Fund Estimate assumes \$12.9 billion in SHOPP funding from 2006-07 through 2010-11. For 2007-08, \$1.8 billion is included in the Budget. The Budget proposes to use a combination of the tribal gaming revenues and \$205 million in federal funds received for past emergencies and reallocated from other states for additional pavement projects in the SHOPP in 2006-07 and 2007-08. The last maintenance pavement survey, which was conducted in 2004, indicated nearly 14,000 lane miles (or thirty percent) of the state highway system were "distressed", or needing major repair.

### **LOCAL ASSISTANCE PROGRAMS**

Caltrans provides state and federal transportation funds to local agencies through its local assistance budget. The funds support local capital improvement projects on the state highway system, mass transit capital improvement projects, and local bridge improvement projects and provide discretionary assistance to local transportation agencies. The Governor's Budget proposes \$3.2 billion in local assistance funding for transportation in 2007-08, including \$645 million for local mass transportation projects. The total is comprised of \$801 million from the General Fund, \$158 million from the State Highway Account, \$1.8 billion in federal funds, and \$441 million from other special funds.

### **STATE OPERATIONS BUDGET**

The Governor's Budget proposes \$3.8 billion in state operations funding to support Caltrans in 2007-08, including \$256 million from the General Fund, \$2.4 billion from the State Highway Account, \$642 million in federal funds, and \$502 million from other special funds, a \$149 million increase from currently estimated 2006-07 expenditures.

**MAINTENANCE**

The Budget includes \$1.2 billion and 5,821 positions to maintain approximately 15,000 centerline miles of highway, over 230,000 right-of-way acres, and over 12,000 state highway bridges and to inspect over 12,000 local bridges. The maintenance budget reflects an \$85 million augmentation from non-Article XIX revenues and available balances.

**RAIL OPERATIONS**

The Budget includes \$123 million and 153 positions to manage and coordinate intercity rail passenger services that provide commuters with a range of transportation options, help to improve the state's air quality, and reduce highway congestion and fuel consumption. Caltrans manages two state-supported routes operated by Amtrak, and financially supports a third.

**CAPITAL OUTLAY SUPPORT**

Caltrans will submit its traditional zero-based Capital Outlay Support request as part of the May Revision. Caltrans estimates its capital outlay workload needs in the spring because it has a better idea of which projects will be allocated by the California Transportation Commission in the upcoming year and what the appropriate resource level is to deliver those projects. Capital Outlay Support has been reduced by \$12 million to reflect the absence of tribal gaming bond-funded workload.

**HIGH-SPEED RAIL AUTHORITY**

The High-Speed Rail Authority is charged with planning the development and implementation of an intercity high-speed rail service. Chapter 697, Statutes of 2002, proposed placing a \$9.95 billion general obligation bond measure before voters in 2004 to fund planning and construction of the system. Chapter 71, Statutes of 2004, deferred the vote until November 2006. Chapter 44, Statutes of 2006, further deferred the vote to 2008. The Governor's Budget proposes \$1.2 million, all from non-General Fund sources, and 6.5 positions for the Authority. This represents a decrease of \$13.2 million from the revised 2006-07 budget and the 2006 Budget Act.

In developing the Strategic Growth Plan, it has become clear that setting aside enough bonding authority for this project would preclude bonds for virtually all other purposes. While high-speed rail could eventually be shown to be a cost-effective piece of the state's long distance travel system, the benefits are not sufficient to outweigh the immediate needs included in the Strategic Growth Plan. Therefore, the Administration is proposing to defer the High-Speed Rail bonds indefinitely and is willing to explore other project delivery approaches for the longer term.

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## HIGHWAY SAFETY

Maintaining and promoting safety on California's highways and roads is a critical function of state government. This is accomplished by:

- Patrol and enforcement.
- Ensuring the competency of drivers through licensing and testing and by evaluating unsafe drivers.
- Maintaining accurate and secure records concerning identification and driver performance.
- Protecting property through the registration and titling of vehicles and vessels.
- Licensing and regulating occupations and businesses related to the manufacture, transport, sale, and disposal of vehicles and the instruction of drivers.
- Administering financial responsibility laws such as verification of vehicle insurance coverage.
- Dispensing traffic safety grants to local and state law enforcement agencies.

## MOTOR VEHICLE ACCOUNT

Vehicle registration fees and driver's license fees are deposited into the Motor Vehicle Account to be used for the administration and enforcement of laws regulating the use, operation, and registration of vehicles on California public streets and highways, including the enforcement of traffic and vehicle laws by state agencies and the mitigation of the negative environmental effects of motor vehicles.

The Governor's Budget projects the 2007-08 year-end fund balance will be approximately \$253.3 million, or 10.8 percent of expenditures. This is a prudent balance necessitated by numerous cost pressures on the fund and the full-year costs of approved budget augmentations, which are described under the affected departments. The long-term outlook of the fund is for a reduction to the balance while retaining solvency without a need to authorize fee increases for several years.

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## CALIFORNIA HIGHWAY PATROL

The Department of California Highway Patrol (CHP) is responsible for patrolling over 105,000 miles of freeways, state highways, and county roads. The CHP's primary focus is traffic



management and public safety, which includes traffic law enforcement, investigation of vehicle collisions, homeland security, Capitol and dignitary protection, air operations and support, services to motorists, and protection of state facilities and their personnel. The Governor's Budget proposes \$1.8 billion and 11,258 positions for support of the CHP. This represents an increase of \$150.1 million and 184 positions above the revised 2006-07 budget and \$260.4 million above the 2006 Budget Act.

#### **PATROL STAFFING EXPANSION**

The Budget proposes to add 50 uniformed positions and 41 nonuniformed positions (\$17.5 million Motor Vehicle Account) to address workload growth associated with population growth. By the end of the year, 120 officers, and 41 support staff will be added. The full-year cost of this proposal is \$21 million. These positions (uniformed and nonuniformed) are necessary to support the CHP's mission as it faces an increasing workload associated with continuing substantial growth in population, increasing number of licensed drivers, increasing development of new communities, and the resulting increased traffic congestion and collisions.

The CHP projects this statewide staffing augmentation could increase proactive patrol hours by approximately 68,000 hours, or approximately 8,500 work shifts. Proactive road patrol provides a significant deterrent to motorists who violate the law and enhances security through increased officer presence. Increased staffing reduces response times to major collisions and persons needing assistance on state highways.

#### **CALIFORNIA HIGHWAY PATROL RADIOS**

The Budget includes \$51.4 million to continue replacement of the Highway Patrol's antiquated radio system. This project is estimated to cost \$504 million over five years. Upgraded equipment will substantially increase the CHP's ability to communicate with other state and local emergency personnel.

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### **DEPARTMENT OF MOTOR VEHICLES**

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The DMV collects fees that are revenues to the Motor Vehicle Account. Over the past two years, the DMV has reduced field office wait times in the largest offices from nearly one hour to 20 minutes and reduced customer telephone wait times by more than 50 percent. The Governor's Budget proposes \$902.9 million, all from non-General Fund sources, and 8,280 positions for support of the DMV. This represents an increase of

## BUSINESS, TRANSPORTATION, AND HOUSING

\$19.2 million above the revised 2006-07 budget and \$55.2 million above the 2006 Budget Act.

In addition to the project discussed below, the Budget will provide additional funds for customer-friendly improvements including an increase in Internet-available information and transactions. This year, DMV customers have been given the ability to have Internet access regarding the status of occupational licenses and to report a change of address or the sale of their vehicles online. Also, DMV has begun to suspend the registration of vehicles on which there is no financial responsibility and has initiated a campaign to encourage organ donation.

### DEPARTMENT OF MOTOR VEHICLES INFORMATION TECHNOLOGY MODERNIZATION

The DMV's mainframe systems are antiquated, are written in archaic programming languages, and require replacement. The Budget includes \$24 million to continue the process of replacing these systems with commercially available software. This project will cost approximately \$242 million over seven years.

### REAL ID ACT

The Act sets minimum standards for the creation and issuance of driver's license and identification cards that will be acceptable for official federal purposes, such as air travel and entering federal buildings. The Act has significant workload and cost implications for the DMV because it requires 24 million licensed drivers and identification card holders in California to return to DMV offices to establish identity and obtain compliant cards when many of these individuals otherwise would have been able to conduct these transactions through the mail or internet. Provisions of the Act require implementation by May 11, 2008; however, federal regulations concerning implementation are still under development. Once the Real ID regulations are promulgated, the DMV will be in a better position to accurately quantify resource needs for the budget year.

Due to this delay, the 2007-08 Budget does not propose any new Real ID expenditures, but a spring request will likely be necessary. The 2006-07 Budget included \$18.8 million to begin the planning, programming, and infrastructure development necessary to implement the federal Real ID Act. These activities will enhance information technology infrastructure systems, streamline service delivery processes, and increase capacity and productivity in DMV field offices. In addition, these activities will further enhance DMV business processes by facilitating improved communication with other states, business partners and DMV customers. The Administration is aggressively seeking federal funds to implement

the Real ID Act. In addition, the Administration will continue to exercise a leadership role in advising federal rulemakers of the impact the Real ID Act will have on California citizens.

#### **CREDIT CARD TRANSACTION FEES**

As the DMV continues to promote use of the Internet to process transactions and provide better field office service, the number of transactions is expected to increase. Because credit card companies charge the state a per-transaction fee, the DMV will incur additional costs to process such transactions. The Budget includes \$11.4 million for this purpose.

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### **BUSINESS AND HOUSING**

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

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### **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 Governor's Budget proposes \$968.6 million (\$15.6 million General Fund and \$953 million other funds) and 597 positions for the HCD's activities. This represents an increase of \$314.3 million and 79 positions from the revised 2006-07 budget and \$476 million above the 2006 Budget Act, mainly due to Proposition 1C, the new housing bond.

#### **PROPOSITION 1C IMPLEMENTATION**

In November 2006, the voters approved Proposition 1C, the Housing and Emergency Shelter Fund Act of 2006. HCD has begun the staff work to award funds from the proceeds of Proposition 1C to approved projects, expecting the first of these awards by the end of 2006-07. In 2007-08, HCD expects to make \$373 million in awards to the following program areas authorized by Proposition 1C:

## BUSINESS, TRANSPORTATION, AND HOUSING

- Affordable homeownership programs: \$88 million to help families become or remain homeowners (this includes \$30 million for California Housing Finance Agency (CalHFA) programs, \$15 million for the California Downpayment Assistance Program, and \$15 million for the Residential Development Loan Program).
- Affordable rental housing construction programs: \$140 million to provide affordable rental housing, including for the State's lower income workforce, the elderly, disabled, and veterans.
- Housing for farmworkers: \$40 million to produce rental and affordable ownership opportunities for farmworker families.
- Homeless permanent housing construction: \$95 million to build permanent housing for the homeless, those transitioning out of homeless, and foster care youth.
- Homeless shelter housing construction: \$10 million to construct and expand shelters of last resort and transitional housing for the homeless.

Proposition 1C authorizes HCD to make the above expenditures without additional legislative authorization. Proposition 1C provides funding for two other programs: Building Equity and Growth in Neighborhoods (BEGIN), which provides grants to cities and counties to make deferred-payment second mortgage loans to qualified buyers of new homes, and the Transit-Oriented Development program to develop and construct housing projects close to transit stations. Funding for these two programs is required to be annually appropriated by the Legislature. The 2007-08 Budget proposes \$40 million and \$95 million for awards through BEGIN and Transit -Oriented Development, respectively.

The Budget includes \$145 million in awards for three programs that Proposition 1C requires be further specified through the adoption of additional subsequent legislation:

- Infill Incentives Grants (\$100 million): A competitive performance-based award program of grants for critical infrastructure projects that will (a) measurably increase the supply of infill housing produced as a direct result of the state's investment, (b) encourage efficient land use and development patterns, and (c) ensure a reasonable geographic distribution of infrastructure resources throughout the state.
- Affordable Housing Innovation (\$15 million): Competitive grants or loans for projects on programs that demonstrate innovative, cost-saving ways to create or preserve affordable housing.

- Housing and Urban-Suburban and Rural Parks (\$30 million): This new program would create incentives to increase housing production by rewarding local governments with grant funds to create or improve well designed parks. This program would be administered by HCD in conjunction with the Department of Parks and Recreation.

The Administration will propose budget trailer bills to successfully implement these programs and to incentivise the creation of more housing.

**PROPOSITION 46**

Proposition 46 is the Housing and Emergency Shelter Trust Fund Act passed by voters in November 2002. Until the recent passage of Proposition 1C, Proposition 46 was the largest housing bond in the nation's history, providing \$2.1 billion for affordable homes for California's neediest citizens. As of December 31, 2006, the state had awarded approximately \$1.6 billion to create or provide incentives for more than 100,000 affordable rental or owner-occupied homes and shelter spaces. As a part of the Governor's Initiative on Homelessness, HCD has directed approximately \$30 million in Proposition 46 funds which, together with California Housing Finance Agency funds and Proposition 63, will provide homes with supportive services for seriously mentally ill homeless individuals and their families. HCD programs have assisted more than 10,427 homeless families and individuals, including veterans, by utilizing \$127.8 million in Proposition 46 funds to create homeless shelter and transitional housing facilities. Allocations are expected to decline in 2007-08, as HCD has been able to accelerate the award of funds and most categories of funding are fully allocated.

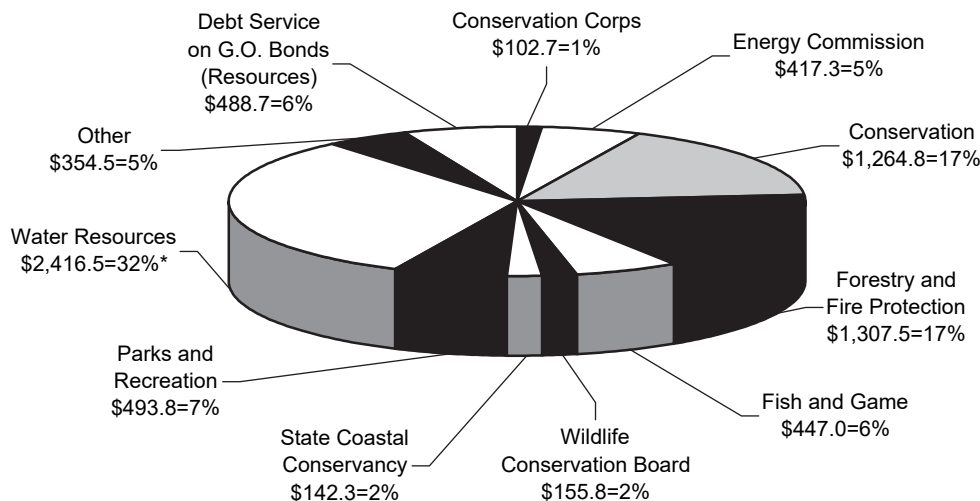
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# RESOURCES

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

The Governor's Budget provides \$6.4 billion and more than 16,000 positions to protect and manage California's natural resources in 2007-08. Figure RES-01 displays proposed expenditures for each of the departments, boards, and commissions in the Resources Agency.

Figure RES-01  
**Proposed Resources Expenditures for 2007-08**  
**All Funds**  
 (Dollars in Millions)



\* Does not include \$5.6 billion in Electric Power Fund.

## MAJOR ACCOMPLISHMENTS IN 2006-07

Despite continuing budgetary pressures, the 2006 Budget Act increased funding in areas critical to maintaining, restoring, and enhancing California’s natural resources.

- To further diminish threats from levee failure and flooding, the Budget included \$35 million General Fund and 30 new positions in the Department of Water Resources to improve and maintain the flood control system and \$41.3 million General Fund for six new or continuing flood control capital projects.
- The Budget provided a one-time appropriation of \$100 million General Fund to reimburse local flood control agencies on a cost-sharing basis for all rights-of-way and relocation costs of channel improvement and levee projects.
- The Budget included \$19 million General Fund to strengthen programs that protect and manage ocean resources. Specifically, a total of \$4 million ongoing and \$10 million in one-time funding was provided for implementation of the Marine Life Protection Act and



the Marine Life Management Act in the budgets of the Ocean Protection Council and the Department of Fish and Game. An additional \$5 million in ongoing funding was included for activities related to the regulation of aquaculture and bottom trawling.

- Significant augmentations to correct fiscal problems and expand programs at the Department of Fish and Game were also provided in the Budget. It included \$14.9 million ongoing and \$19.9 million one-time funding to address shortfalls in the Fish and Game Preservation Fund and to repay previous borrowing from dedicated accounts within the Fund.
- Augmentations of \$10 million General Fund one-time and \$4 million General Fund ongoing were provided for the Salmon and Steelhead Restoration program. The Budget also provided one-time appropriations of \$8.8 million General Fund for emergency work to repair storm damage on department lands, \$10 million General Fund to manage nongame fish and wildlife, and \$5 million General Fund to manage coastal wetlands.
- To address remediation of toxic materials at the Empire Mine State Historical Park, the Budget provided \$5 million General Fund in one-time funding to the Department of Parks and Recreation. The Budget included \$11.8 million General Fund to continue bringing the state parks into compliance with the Americans with Disabilities Act.

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## PROPOSED RESOURCES SPENDING FOR 2007-08

Change Table RES-01 illustrates the major changes proposed to Resources spending in the Governor's Budget.

The major workload adjustments for 2007-08 include the following:

- One-Time Cost Reductions—The Budget reflects decreases of \$295.8 million General Fund and \$313.0 million in other funds, including the following significant reductions:
  - General Fund: \$100 million to reflect the expiration of one-time funding for flood control subventions in the Department of Water Resources; \$84.1 million to remove 2006-07 funding for lining of the All-American Canal; and \$90 million to reflect the expiration of 2006-07 one-time funding for deferred maintenance in state parks.
  - Various reductions related to numerous expiring one-time bond and special fund appropriations for Resources Agency departments.

Change Table RES-01

**Resources Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$1,825,757	\$9,241,548	15,586.4	\$1,759,195	\$8,505,802	15,586.4
<b>Workload Adjustments</b>						
Employee Compensation/Retirement	35,591	36,285	225.0	38,915	32,434	225.0
Expiring Programs or Positions	--	--	--	-24,852	24,654	-3.8
One-Time Cost Reductions	--	--	--	-295,833	-312,972	--
Full-Year Cost of New Programs	--	--	--	--	1,375	--
Other Workload Adjustments	-41,083	1,360,747	170.1	192,552	947,283	119.2
<b>Totals, Workload Adjustments</b>	<b>-\$5,492</b>	<b>\$1,397,032</b>	<b>395.1</b>	<b>-\$89,218</b>	<b>\$692,774</b>	<b>340.4</b>
<b>Policy Adjustments</b>						
Other Policy Adjustments	--	544	20.6	-78,479	1,185,453	537.2
<b>Totals, Policy Adjustments</b>	<b>\$0</b>	<b>\$544</b>	<b>20.6</b>	<b>-\$78,479</b>	<b>\$1,185,453</b>	<b>537.2</b>
<b>Infrastructure Adjustments</b>	<b>\$341,128</b>	<b>\$556,011</b>	<b>--</b>	<b>-\$119,406</b>	<b>\$1,312,067</b>	<b>21.8</b>
<b>Total Adjustments</b>	<b>\$335,636</b>	<b>\$1,953,587</b>	<b>415.7</b>	<b>-\$287,103</b>	<b>\$3,190,294</b>	<b>899.4</b>
<b>Governor's Budget</b>	<b>\$2,161,393</b>	<b>\$11,195,135</b>	<b>16,002.1</b>	<b>\$1,472,092</b>	<b>\$11,696,096</b>	<b>16,485.8</b>

\* Dollars in Thousands

- Other Workload Adjustments—The Budget reflects increases of \$192.6 million General Fund and \$947.3 million in other funds, including the following significant adjustments:
  - General Fund: a technical adjustment of \$160 million to reflect the carryover of deferred maintenance funding in the Department of Parks and Recreation; \$59.3 million for bond interest; and \$47.3 million to provide 2007-08 funding for lining the All-American Canal.
  - Other funds: \$570.4 million to reflect power purchases made under long-term contracts entered into by the Department of Water Resources during the energy crisis and \$341.9 million to reflect estimated payments to recycling companies in the Department of Conservation.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

### FLOOD PROTECTION

On February 24, 2006, Governor Schwarzenegger declared a State of Emergency related to critical erosion damage to levees in the Central Valley. During fiscal year 2006-07, the State of California will spend over \$300 million to fund urgent or emergency repairs. The funds are derived from a \$500 million appropriation contained in AB 142, which was enacted in 2006 to allow immediate work to begin on flood control improvements.

Proposition 1E, approved by the voters in the November 2006 election, authorized \$4.1 billion for levee repair and other flood control system improvements. The proposition was part of a coordinated effort to address California's infrastructure needs, and it reflected a recognition that California's aging levees and other flood control systems are in urgent need of repair and improvement. This recognition was strengthened by the devastation produced by failed levees in New Orleans during and after Hurricane Katrina in 2005. Governor Schwarzenegger has made improving flood protection a very high priority.

Proposition 1E will provide the following amounts in total:

- \$3.0 billion for Central Valley flood control system repairs and improvements
- \$500 million for flood control subventions outside the Central Valley
- \$300 million for stormwater flood management outside the Central Valley
- \$290 million for flood protection corridors and bypasses and floodplain mapping

To address the state's urgent flood control needs, the Governor's Budget includes \$629.9 million from Proposition 1E, Proposition 84, and Proposition 13 bond funds and from AB 142, and 75 new positions to allow the continued repair of critical levee erosion sites, provide subventions to help local governments protect their communities from flooding, and continue development of the state's strategic flood management capability. From the total amount budgeted, \$37 million in Proposition 1E and 84 funds will be dedicated to five flood control capital projects: Mid-Valley Area Levee Reconstruction, South Sacramento County Streams, American River Watershed (Folsom Dam Raise), American River Watershed (Folsom Dam Raise, Bridge Element), and American River Flood Control—Natomas Features,

## RESOURCES

and for feasibility studies on additional projects. As part of the Administration's effort to eliminate the state's operating deficit, and consistent with the Governor's announced intention in March 2006, an additional \$200 million in Proposition 1E funds will reimburse the General Fund for critical levee repairs originally funded by AB 142.

### **PROPOSITION 84**

In recent years, California's voters have approved a series of bonds to protect and enhance the state's natural resources. Propositions 12, 13, 40, and 50 have made available a total of \$10.1 billion dollars that has been used by local governments and state agencies for a wide variety of activities such as water conservation, acquisition of land to protect wildlife habitats, and restoration of damaged ecosystems. Most of the approved funding from these bonds has now been spent or allocated to specific projects and programs, and relatively little remains for new activities.

In November 2006, Proposition 84 was approved by the voters, authorizing an additional \$5.4 billion in general obligation bonds for water, flood control, natural resources, park, and conservation projects. Proposition 84 will provide the following amounts:

- \$1.5 billion for drinking water and water quality projects
- \$800 million for flood control
- \$65 million for water planning and project design
- \$928 million for protection of rivers, lakes, and streams
- \$450 million for forest and wildlife conservation
- \$540 million for protection of beaches, bays, and coastal waters
- \$500 million for parks and nature education facilities, including construction of new facilities and renovation and rehabilitation of existing facilities
- \$580 million for sustainable communities and climate change reduction

The Governor's Budget proposes the expenditure of \$1.1 billion in Proposition 84 funds in 2007-08. Some important uses of those funds are highlighted below.

### **CONTINUING TO BUILD A LANDMARK OCEAN PROTECTION PROGRAM**

California has placed a high priority on developing comprehensive programs to protect our increasingly threatened marine resources. Under this Administration, \$20 million in one-time

funding and \$9.5 million in ongoing annual funding has been spent to create marine protected areas, ensure sustainable fisheries, and regulate marine industries.

Proposition 84 dedicates a total of \$90 million specifically for ocean protection. This will sustain and enhance marine protection and management programs in coming years, and ensure the development of additional marine protected areas and additional management plans for marine species.

#### **PROVIDING FUNDING FOR THE SIERRA NEVADA CONSERVANCY**

The Sierra Nevada Conservancy was established by statute in 2004 to initiate, encourage, and support efforts to improve the environmental, economic, and social well-being of the Sierra Nevada Region. Proposition 84 allocates \$54 million to the Conservancy for the protection of rivers, lakes, and streams in the Sierra Nevada region, along with their watersheds and associated land, water, and other natural resources. The Governor's Budget provides \$17.5 million of this funding to the Conservancy in 2007-08.

#### **BIOENERGY**

On April 25, 2006 the Governor issued an Executive Order setting targets for increased production and use of bioenergy in California and calling on state agencies to identify and secure federal and state funding for research, development, and demonstration projects to advance the use of biomass resources.

The Governor's Budget proposes \$5.1 million, principally from Proposition 84 funds, to advance this initiative, which is designed to increase the use and availability of renewable energy, reduce reliance on fossil fuels, mitigate the risk of catastrophic wildfire, and ameliorate some of the state's critical waste disposal and environmental problems. The funds will provide grants through the California Department of Forestry to biomass energy generation facilities and enhance an existing biomass removal program operated by the California Tahoe Conservancy.

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# ENVIRONMENTAL PROTECTION

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

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

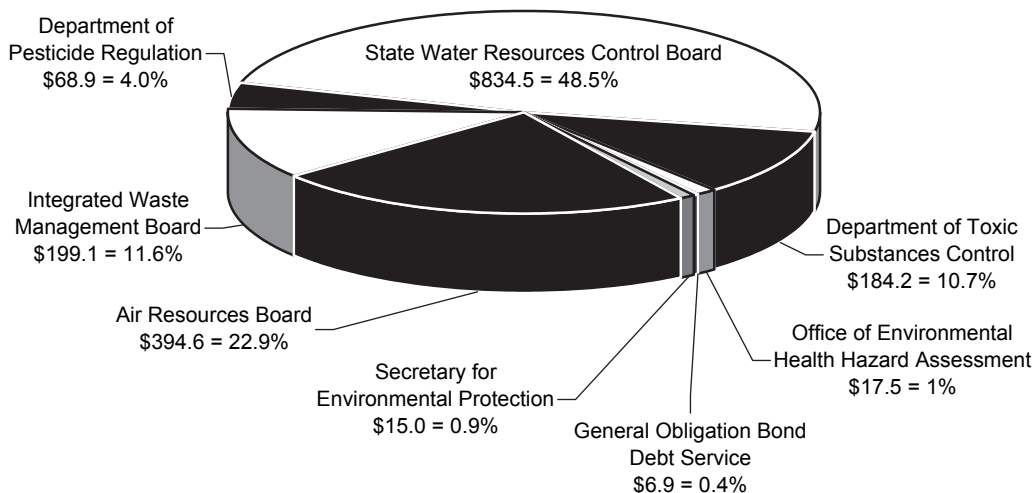
- Air Resources Board—The Air Board sets statewide air quality standards and regulates emissions from motor vehicles, fuels, and consumer products. The Board, along with the 35 local air quality districts that regulate other sources of air pollution, monitors air pollution and administers regulatory and incentive programs to improve air quality.
- Integrated Waste Management Board—The Waste Board's mission is to reduce solid waste, encourage recycling and reuse of materials, and regulate the disposal of solid waste. The Board oversees the local enforcement agencies to ensure the proper operation and closure of solid waste landfills.
- Department of Pesticide Regulation—The Department of Pesticide Regulation evaluates the effectiveness and potential health risks of pesticide products, licenses pesticide applicators, and oversees local agricultural commissioners' enforcement of pesticide laws.
- State Water Resources Control Board—The Water Board, which includes nine regional water quality control boards, protects water quality by regulating pollutants discharged into the state's ground water, rivers, lakes, and the Pacific Ocean. The Board issues water rights permits and licenses to ensure that water resources are put to beneficial use.

## ENVIRONMENTAL PROTECTION

- Department of Toxic Substances Control—The Department of Toxic Substances Control protects public health and the environment by reducing exposure to hazardous substances. The Department regulates handling and disposal of hazardous wastes, oversees cleanup of contaminated sites, and promotes pollution prevention.
- Office of Environmental Health Hazard Assessment—The Office of Environmental Health Hazard Assessment conducts scientific evaluations of the risks posed by chemicals. Their assessments are the scientific foundation of the state’s environmental regulatory programs.

The Governor’s Budget includes \$1.7 billion (\$85.8 million General Fund and \$1.6 billion other funds) and 4,781.2 positions for Cal/EPA (shown in Figure ENV-01). Agency funding supports efforts to reduce greenhouse gas emissions that cause climate change, promote clean alternative fuels, improve water quality, reduce risk from pesticides and hazardous chemicals, and encourage the reuse of recyclable materials and brownfield sites.

Figure ENV-01  
**Proposed Environmental Protection Expenditures for 2007-08**  
**All Funds**  
 (Dollars in Millions)





## MAJOR ACCOMPLISHMENTS IN 2006-07

### CLIMATE CHANGE

California is recognized as a world leader in reducing greenhouse gas emissions. The state is implementing innovative programs, including motor vehicle emission standards, the Renewable Portfolio Standard that requires 20 percent of the state's electricity to be supplied by renewable power by 2010, the California Solar Initiative, energy efficiency standards, and investments in alternative fuels such as the Hydrogen Highway, which reduce greenhouse gas emissions that affect the climate.

In 2005, Governor Schwarzenegger signed Executive Order S-3-05 that committed the state to pursue dramatic reductions in greenhouse gas emissions. The Order directed the Secretary for Environmental Protection to lead a multi-agency Climate Action Team to identify strategies to meet the emission reduction targets. The Climate Action Team issued a report to the Governor and the Legislature in April 2006.

The 2006 Budget Act provides \$30.4 million (\$1.1 million General Fund and \$29.3 million special funds) and 30.5 positions for a coordinated, multi-agency effort to reduce greenhouse gas emissions. Of this amount, \$25 million was funded on a one-time basis and \$5.4 million is ongoing. Specific activities include implementing early action measures, promoting alternative fuels and zero-emission vehicles, expanding energy efficiency programs, and accelerating the Renewable Portfolio Standard.

On September 27, 2006, the Governor signed the landmark California Global Warming Solutions Act (AB 32, Nunez and Pavley). The Act requires greenhouse gas emissions to be reduced to 1990 levels by 2020 and mandatory reporting of greenhouse gas emissions. The Act continues the operation of the Climate Action Team, directs the Air Board to implement actions to curb emissions, and authorizes the development of a market-based compliance program.

### AIR QUALITY INITIATIVES

- Clean Transportation—The state's transportation sector depends almost entirely on energy from fossil fuels. Consequently, the state's economic vitality depends on energy supplies from a politically unstable region of the world, and burning fossil fuels generates air pollution and greenhouse gas emissions that contribute to climate change. Alternative fuels, such as biodiesel, ethanol, and hydrogen, have the potential to create a new energy future for California based on reliable and cleaner energy sources. The 2006 Budget Act provides one-time funding of \$31.5 million Motor Vehicle Account for incentives for alternative fuels and vehicles. This funding includes \$6.5 million to

## ENVIRONMENTAL PROTECTION

provide matching funds for three publicly accessible hydrogen fueling stations, and will enable the state to leverage federal matching funds for five fuel cell buses for public transit fleets.

- Carl Moyer Program—The 2006 Budget Act provides \$90 million ongoing funding for incentive grants to reduce emissions from heavy-duty, diesel-powered vehicles and equipment. This funding will reduce smog-forming emissions by approximately 4,500 tons, the equivalent of taking over 418,000 cars off the road. Although the Carl Moyer Program achieves emission reductions in a cost-effective manner, diesel school buses have a competitive disadvantage in receiving these grants because they are generally driven twice a day, and therefore do not meet the minimum cost-effectiveness criteria. The 2007 Governor’s Budget addresses this problem, as described below in the Low Emission School Buses section.

### WATER QUALITY

Water monitoring provides the information necessary for the State Water Resources Control Board to develop water quality standards and effectively administer water quality programs. According to a recent U.S. EPA report, the state is able to report on the water quality of 22 percent of California’s coastal shoreline, 34 percent of its lakes and reservoirs, and 15 percent of its rivers and streams. The 2006 Budget Act provides \$8.5 million (\$4.5 million ongoing federal funds and \$4 million one-time Waste Discharge Permit Fund) to enhance existing water monitoring efforts. These funds will be used to expand the Water Board’s own monitoring activities and integrate existing monitoring data collected by state and local agencies into the Water Board’s Surface Water Ambient Monitoring Program.

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## PROPOSED ENVIRONMENTAL PROTECTION SPENDING FOR 2007-08

Change Table ENV-01 illustrates the major changes proposed to Cal/EPA expenditures in the Governor’s Budget.

The major workload adjustments for 2007-08 include the following;

- Global Warming Solutions Act—The Governor’s Budget proposes \$26.5 million other funds and 107.1 positions for Cal/EPA boards and departments to implement measures to reduce greenhouse gas emissions and develop a market-based compliance program. This amount does not include climate change-related funding for non-Cal/EPA departments, such as the Department of Forestry and Fire Protection, the Department of Water Resources, the Energy Commission, and the Public Utilities Commission.

## Change Table ENV-01

**Environmental Protection Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$87,993	\$1,319,701	4,552.8	\$84,030	\$1,318,581	4,552.8
<b>Workload Adjustments</b>						
AB 32 - Global Warming Solutions Act	--	--	--	--	26,481	107.1
Chaptered Legislation	--	--	--	169	2,236	8.3
SB 1379 - Biomonitoring Program	--	--	--	290	--	2.1
Employee Compensation/Retirement	4,201	26,832	--	3,864	25,869	--
One-Time Cost Reductions	--	--	--	-12,304	-132,041	--
Other Workload Adjustments	-694	315,418	-1.1	2,368	11,661	-11.6
<b>Totals, Workload Adjustments</b>	\$3,507	\$342,250	-1.1	-\$5,613	-\$65,794	105.9
<b>Policy Adjustments</b>						
Brownfields	--	--	--	--	3,121	25.1
Hydrogen Highway	--	--	--	--	6,033	7.7
Proposition 1B - Lower-Emission School Bus Program	--	--	--	--	96,500	2.9
Proposition 84	--	--	--	--	111,385	30.1
Other Policy Adjustments	--	67	0.5	7,410	164,155	56.7
<b>Totals, Policy Adjustments</b>	\$0	\$67	0.5	\$7,410	\$381,194	122.5
<b>Infrastructure Adjustments</b>	\$0	-\$1,000	--	\$0	\$1,000	--
<b>Total Adjustments</b>	\$3,507	\$341,317	-0.6	\$1,797	\$316,400	228.4
<b>Governor's Budget</b>	\$91,500	\$1,661,018	4,552.2	\$85,827	\$1,634,981	4,781.2

\* Dollars in Thousands

- One-Time Cost Reductions—The Budget reflects a \$144.3 million (\$12.3 million General Fund and \$132 million other funds) reduction for budget proposals that received one-time funding in 2006-07, including:
  - \$56.6 million for Water Board programs funded from Proposition 50 and Proposition 13 water bonds, including watershed protection and water recycling programs.
  - \$31.5 million Motor Vehicle Account for the Air Board to provide incentives for alternative fuels and vehicles.

- \$25 million Motor Vehicle Account for the Air Board to provide grants to public agencies to purchase low-polluting construction equipment.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

### GLOBAL WARMING SOLUTIONS ACT

The Governor’s Budget proposes \$35.8 million from various funds and 126.1 positions to implement the California Global Warming Solutions Act. (A programmatic display is shown in Figure ENV-02.) This proposal will achieve emission reductions through a balanced approach of regulatory and market-based programs. Specific activities include:

Figure ENV-02

#### California Global Warming Solutions Act of 2006 2007-08 Cross-Cut Budget

Program Element / Department	\$ (In thousands)	Positions
<b>Emissions Inventory/Mandatory Reporting</b>	<b>\$3,444</b>	<b>17.2</b>
<i>Air Resources Board</i>	3,444	17.2
<b>Emission Reduction Scoping Plan</b>	<b>\$1,812</b>	<b>10.8</b>
<i>Air Resources Board</i>	1,812	10.8
<b>Alternative and Market-Based Compliance Measures</b>	<b>\$12,034</b>	<b>35.8</b>
<i>Department of General Services</i>	3,398	4.7
<i>Energy Commission</i>	305	2.4
<i>Department of Food and Agriculture</i>	(331)	1.9
<i>Department of Forestry and Fire Protection</i>	1,500	-
<i>Air Resources Board</i>	6,636	25.0
<i>Integrated Waste Management Board</i>	59	0.4
<i>Public Utilities Commission</i>	136	1.4
<b>Regulatory Emission Reduction Measures</b>	<b>\$7,136</b>	<b>29.4</b>
<i>Energy Commission</i>	305	2.4
<i>Air Resources Board</i>	6,636	25.0
<i>Integrated Waste Management Board</i>	59	0.5
<i>Public Utilities Commission</i>	136	1.5
<b>Scientific and Economic Analysis</b>	<b>\$7,395</b>	<b>9.0</b>
<i>Secretary for Environmental Protection</i>	500	-
<i>Energy Commission</i>	500	-
<i>Department of Water Resources</i>	2,000	4.7
<i>Air Resources Board</i>	2,780	3.4
<i>Integrated Waste Management Board</i>	500	-
<i>Department of Toxic Substances Control</i>	115	0.9
<i>Public Utilities Commission</i>	1,000	-
<b>Program Oversight and Coordination</b>	<b>\$3,940</b>	<b>23.9</b>
<i>Secretary for Environmental Protection</i>	890	4.7
<i>Air Resources Board</i>	3,050	19.2
<b>Total</b>	<b>\$35,761</b>	<b>126.1</b>

- Emissions Inventory Development and Mandatory Reporting (\$3.5 million and 17.2 positions): The Air Board will be responsible for collecting greenhouse gas emissions data in California, which will enable the state to identify the major sources of emissions and develop reduction measures. Mandatory reporting will provide the necessary data to enable the Air Board to maintain an accurate emissions inventory and measure the effectiveness of emission reduction strategies.
- Emission Reduction Scoping Plan (\$1.8 million and 10.8 positions): The Act requires the Air Board to develop a comprehensive scoping plan to attain 1990 emission levels by 2020. The Board will evaluate the cost-effectiveness and technological feasibility of regulatory and market-based emission reduction strategies, analyze economic impacts, and identify and make recommendations on specific emission reduction measures. The Board will consult with agencies such as the Department of Forestry and Fire Protection, the Department of Water Resources, the Energy Commission and the Public Utilities Commission on elements of the plan that address emissions from sources outside its jurisdiction.
- Alternative and Market-Based Compliance Measures (\$12.0 million and 35.8 positions): Economic studies have determined that market-based mechanisms, including emissions trading, are a cost-effective approach to reducing greenhouse gas emissions. A University of California, Berkeley report on the economic benefits of climate action in California found that regulatory and market-based strategies are complementary. This proposal will develop a market-based compliance program that will achieve emission reductions in a technologically feasible manner with the least impact on California consumers and businesses, and will implement the Green Building Action Plan to require state buildings to comply with energy efficiency standards and use recycled materials.
- Regulatory Emission Reduction Measures (\$7.1 million and 29.4 positions): The Climate Action Team identified several cost-effective emission reduction strategies, including developing additional energy efficiency standards and clean alternative fuels, and improving heavy duty engines. This proposal will implement early action measures that have already been identified by the Climate Action Team as well as evaluate the costs and technological feasibility of other emission reduction measures. The Act requires the Air Board to publish a list of early action measures by June 30, 2007.
- Scientific and Economic Analysis (\$7.4 million and 9 positions): To ensure that emission reductions are achieved in a cost-effective manner, departments must conduct thorough scientific, technical, and economic analyses. Leading experts will be consulted to assist in these complex efforts.

## ENVIRONMENTAL PROTECTION

- Program Oversight and Coordination (\$4.0 million and 23.9 positions): Implementing the Act will involve collaboration with multiple state agencies and coordination with federal and local governments and international bodies. The Secretary for Environmental Protection will continue to lead the statewide effort to implement greenhouse gas emission reduction policies necessary to attain 1990 emission levels by 2020, as required under the Act.

Funding for this proposal includes a \$15.9 million loan from the Motor Vehicle Account. The remaining funding will come from various special funds and Proposition 84.

### LOW-EMISSION SCHOOL BUSES

Approximately one million children in California depend on school bus transportation. An Air Board study concluded that children who ride older school buses are subjected to increased exposure to air pollutants, including diesel exhaust. School-age children are especially vulnerable to diesel emissions because their respiratory systems are still developing.

The Governor's Budget proposes \$96.5 million Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund and 2.9 positions to replace pre-1987 school buses and retrofit old diesel school buses. This funding will replace 535 pre-1987 school buses manufactured prior to the implementation of diesel emission standards and retrofit approximately 1,500 school buses. Diesel retrofit technology reduces emissions by 85 percent.

### HYDROGEN HIGHWAYS

Hydrogen technologies have the potential to significantly reduce air pollution from motor vehicles and reduce energy dependence on fossil fuels. The Governor's Hydrogen Highway Blueprint Plan aims to establish 50 to 100 hydrogen fueling stations in California. The Governor's Budget proposes \$6.0 million Motor Vehicle Account and 7.7 positions for the Air Resources Board to continue development of the Hydrogen Highway. This will provide matching funds for up to eight publicly accessible hydrogen fueling stations and will prioritize funding for stations that generate hydrogen from promising renewable technologies, such as biomass, solar, and wind energy.

### PROPOSITION 84—WATER QUALITY

Proposition 84, "The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006," approved by California's electorate in November 2006, provides \$5.4 billion to address water supply needs and protect natural resources.

(For additional information, see the Proposition 84 discussion in the Resources Chapter.)

The Governor's Budget proposes a total of \$1.1 billion for Proposition 84, including \$111.4 million and 30.1 positions for the State Water Resources Control Board for water quality programs, including:

- \$75.7 million and 8 positions for the State Water Pollution Control Revolving Fund Program. This program provides low interest loans or grants to construct municipal wastewater treatment facilities, storm water pollution control projects, non-point source pollution projects, and estuary enhancement projects. This funding includes the state share of federal matching funds.
- \$6.2 million and 1.5 positions for the Agricultural Water Quality Grant Program. This program provides grants for public agencies or nonprofit organizations to improve agricultural water quality, including projects related to research and construction of agricultural drainage water improvements.
- \$14.6 million and 3 positions for the Urban Storm Water Grant Program. This program provides grants to local public agencies for projects that contain storm water runoff, such as diverting the runoff to treatment facilities.
- \$8.8 million and 5.7 positions for the Clean Beaches Grant Program. This program provides grants to public agencies for water quality projects in coastal waters, estuaries, and bays. Projects include upgrading septic systems, storm water pollution reduction programs, and clean beach projects in Santa Monica. Proposition 84 specifies that 20 percent of the funds for clean beaches be allocated to the Santa Monica Bay Restoration Commission.
- \$6.1 million and 11.9 positions for basin and land use planning activities. This program will provide grants to local agencies to incorporate watershed protection efforts into land use policy, including projects such as restoring creeks and wetlands, directing runoff to permeable surfaces, and increasing water reuse.

### **BROWNFIELDS**

Brownfields are abandoned industrial properties that are contaminated, or thought to be contaminated, and are underutilized due to potential cleanup costs and liability concerns. Cleanup activities are required for redevelopment projects to proceed, and the state plays a critical role in ensuring that brownfield sites comply with environmental standards. The redevelopment of urban brownfield properties optimizes the use of existing infrastructure, limits urban sprawl, and protects California's natural resources. When agricultural land and open spaces are developed for residential, commercial or industrial uses, costly infrastructure

## ENVIRONMENTAL PROTECTION

such as roads and sewers must be developed and urban sprawl places additional burdens on the state's environment.

The Water Board and the Department of Toxic Substances Control administer voluntary brownfield cleanup programs. The Governor's Budget proposes \$3.1 million Cleanup and Abatement Account and 25.1 positions for the Water Board to accelerate the cleanup of approximately 750 additional brownfield sites. The Budget proposes \$219,000 special funds and 1.9 positions for the Department of Toxic Substances Control to implement recent legislation that provides incentives for brownfield cleanups.

### BIOMONITORING

Biomonitoring is a scientific technique for assessing human exposure to chemicals based on sampling and analysis of an individual's tissues and fluids, such as blood. The results of these measurements provide information about the amounts of chemicals that enter and remain in the body. One of the goals of biomonitoring is to evaluate trends in chemical exposures and identify communities that are at risk. Biomonitoring data can support efforts to improve public health and establish policy priorities.

The Governor's Budget proposes \$1.5 million General Fund and 4.9 positions to begin implementation of Chapter 599, Statutes of 2006, (SB 1379, Perata) which requires the Department of Public Health, in collaboration with Cal/EPA, to establish a Biomonitoring Program. Specifically, the Budget proposes \$167,000 and 1.2 positions for the Office of Environmental Health Hazard Assessment for public outreach and education activities and to support the Scientific Guidance Panel in making recommendations for the design and implementation of the Biomonitoring Program. The Budget proposes \$123,000 and 0.9 positions for the Department of Toxic Substances Control to assist in developing protocols to properly detect persistent organic chemicals in human tissue samples. (For additional information, please see the Biomonitoring discussion in the Health and Human Services Chapter.)

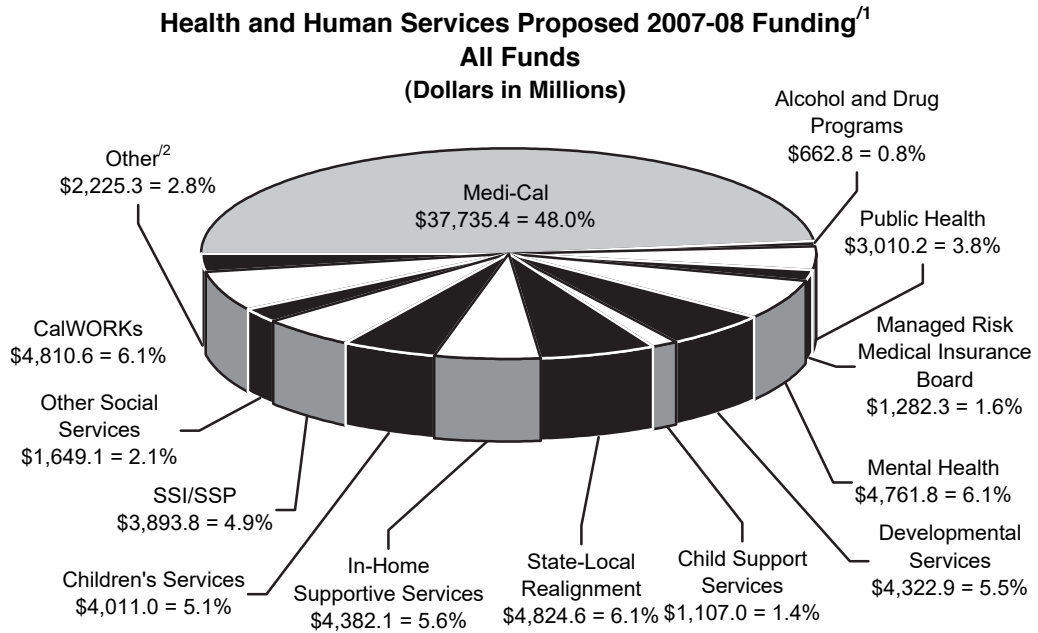


# HEALTH AND HUMAN SERVICES

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

The revised 2006-07 budget for all HHS budgets totals \$76 billion in combined state and federal funds. This includes expenditures for approximately 32,200 state employees. Figure HHS-01 displays expenditures for each major program area. The 2007-08 totals exceed the revised 2006-07 budget by \$2.7 billion, an increase of 3.5 percent.

Figure HHS-01



<sup>1</sup> Totals \$78,679.1 million for support, local assistance, and capital outlay. This figure includes reimbursements of \$6,341.6 million and excludes enhanced federal funding and county funds that do not flow through the state budget.

<sup>2</sup> Includes the non-Medi-Cal portion of the Department of Health Care Services, Health and Human Services Agency, Department and Commission on Aging, Departments of Rehabilitation and Community Services and Development, Office of Statewide Health Planning and Development, State Independent Living Council, Emergency Medical Services Authority, California Children and Families Commission, State Council and Area Boards on Developmental Disabilities, California Medical Assistance Commission, and General Obligation bonds.

Figure HHS-02 displays the revised 2006-07 estimates of caseloads for major health and human services programs, along with the proposed 2007-08 caseload estimates for these programs.

## MAJOR ACCOMPLISHMENTS IN 2006-07

### AFFORDABLE PRESCRIPTION DRUGS

Two bills chaptered in 2006 to protect the health and well-being of uninsured or underinsured individuals will provide millions of low-income Californians with access to discounted prescription drugs.

Chapter 619, Statutes of 2006 (AB 2911) created the California Discount Prescription Drug Program to deliver prescription drugs at prices up to 40 to 60 percent below retail for generic and brand name drugs to individuals in families with incomes below 300 percent of the federal poverty level (currently, \$29,400 for an individual and \$60,000 for a family of four),

Figure HHS-02  
**Major Health and Human Services Program Caseloads**

	<b>2006-07 Revised</b>	<b>2007-08 Estimate</b>	<b>Change</b>
California Children's Services (CCS) <sup>a</sup> (treatment of physical handicaps)	39,526	40,860	1,334
Medi-Cal Eligible CalWORKs	6,594,100	6,701,500	107,400
Average monthly individuals served	1,161,200	1,040,400	-120,800
Average monthly cases (families)	467,300	412,600	-54,700
Foster Care	72,300	69,100	-3,200
SSI/SSP (support for aged, blind, and disabled)	1,238,600	1,264,800	26,200
In-Home Supportive Services	375,000	395,100	20,100
Child Welfare Services <sup>b</sup>	159,000	154,900	-4,100
Non-Assistance Food Stamps	563,000	581,100	18,100
State Hospitals			
Mental health clients <sup>c</sup>	6,076	6,544	468
Developmentally disabled clients <sup>d</sup>	2,834	2,589	-245
Community Developmentally Disabled Services			
Regional Centers	212,155	220,600	8,445
Vocational Rehabilitation	79,515	79,515	0
Alcohol and Drug Programs <sup>e</sup>	188,869	199,553	10,684
Healthy Families Program <sup>f</sup>			
Children	841,700	915,600	73,900

<sup>a</sup> Represents unduplicated quarterly caseload in the CCS Program. Does not include Medi-Cal Eligible CCS clients.

<sup>b</sup> 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.

<sup>c</sup> Represents the year-end population. Includes population at Vacaville and Salinas Valley Psychiatric Programs.

<sup>d</sup> Represents average in-center population. Reflects the impact of Agnews Developmental Center closure.

<sup>e</sup> Represents Drug Medi-Cal Clients.

<sup>f</sup> Represents the year-end population.

to individuals who have significant unreimbursed medical expenses and incomes that fall below the state median family income (currently, \$68,310 for a family of four), or, upon federal approval, to eligible seniors whose drugs are not covered by Medicare. Applicants will use a simple form and enroll at local pharmacies, doctors' offices, clinics, on the Internet or through a call center for a modest \$10 annual fee. The Governor's Budget includes \$8.8 million and 15.2 positions to implement this program in 2007-08.

Chapter 720, Statutes of 2006 (AB 2877) created the California Rx Prescription Drug web site, which will provide information to Californians about the options available for obtaining prescription drugs at affordable prices. The web site will include information on state programs and pharmaceutical manufacturer patient assistance programs that provide free or low-cost prescriptions to qualifying individuals. The newly created Department of Health

## HEALTH AND HUMAN SERVICES

Care Services (DHCS) will use redirected staff to implement the web site in summer 2007. The Governor's Budget includes \$96,000 and 0.9 position for ongoing web site maintenance.

### **SB 437—ENROLLING ELIGIBLE CHILDREN IN HEALTH COVERAGE PROGRAMS**

According to 2005 figures, approximately 447,000 children are eligible for Medi-Cal or the Healthy Families Program (HFP), but are not enrolled. Chapter 328, Statutes of 2006 (SB 437) helps ensure more children have access to health coverage by streamlining enrollment for Medi-Cal and HFP and reducing administrative barriers to ensure children get enrolled and their coverage is not interrupted. SB 437 establishes a pilot program, which can be expanded statewide, that allows parents to self-certify income and assets when enrolling their children in Medi-Cal and during the annual eligibility review process. SB 437 also allows self-certification during the annual eligibility review for HFP. When children apply for Medi-Cal and are found ineligible, but appear eligible for HFP, counties will be able to enroll them in HFP so their health coverage is not delayed. Children enrolling in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) will benefit from expedited enrollment into Medi-Cal or HFP while the state verifies eligibility for either health program.

The Governor's Budget includes \$35.9 million (\$16.9 million General Fund) and 9.4 positions in 2007-08 for SB 437 implementation activities and enrollment increases in the DHCS, the Department of Public Health (DPH) and the Managed Risk Medical Insurance Board (MRMIB). For the DHCS, Medi-Cal will implement a pilot program for self-certification of income in two counties by July 1, 2007. This pilot is expected to increase Medi-Cal enrollment by 16,472 children in 2007-08. For the DPH, implementation activities include joint efforts among DHCS, DPH and MRMIB to develop the feasibility study reports necessary to begin implementing changes to several automated eligibility systems. This includes an automated enrollment gateway system from local WIC offices using the Integrated Statewide Information System. For the MRMIB, self-certification of income at the annual eligibility review will be implemented by January 1, 2008, and is expected to increase HFP enrollment by 13,237 children in the first six months.

### **DEPARTMENT OF HEALTH SERVICES RESTRUCTURING**

Effective July 1, 2007, Chapter 241, Statutes of 2006 (SB 162) creates the new DPH and the DHCS from the existing Department of Health Services (DHS). This change will increase accountability, improve the effectiveness of public health programs and health care purchasing activities, enhance state leadership in public health, and increase organizational focus on the departments' respective core missions. The creation of the two new departments is budget neutral.

**BIOMONITORING**

The Governor's Budget provides \$1.2 million General Fund and 2.8 positions in 2007-08 for the DPH to begin implementation of an environmental contaminant biomonitoring program pursuant to Chapter 599, Statutes of 2006 (SB 1379). This funding will support a contract to develop a sampling design and establish parameters for this program. This proposal is a collaborative effort that also includes \$0.2 million General Fund for the California Environmental Protection Agency's Office of Environmental Health Hazard Assessment and \$0.1 million General Fund for the Department of Toxic Substances Control.

**PROPOSITION 83 (JESSICA'S LAW)**

Jessica's Law, approved by California voters in November 2006, enhances public safety by changing the laws that provide for the commitment, control and supervision of sex offenders. Jessica's Law has the potential to increase sexually violent predator (SVP) commitments to state hospitals from an average of 49 to 440 annually. The population increase of SVPs in state hospitals is reflected in the increased costs at state hospitals.

By expanding the definition of a sexually violent offense, as well as lowering the current two victim criterion to one victim, Jessica's Law significantly increases the number of case referrals to the Department of Mental Health (DMH). The number of cases referred to DMH for screening is expected to increase almost tenfold (from 582 to 5,528 cases annually). The Governor's Budget includes \$25.0 million General Fund in 2007-08 to fund additional SVP contractor evaluations and expert court testimonies, \$24.1 million General Fund for state hospitals to support 440 new SVP commitments and \$449,000 General Fund for Coalinga State Hospital to support the increase in SVP referrals. The budget includes \$4.3 million General Fund and 41.8 positions in DMH headquarters to contract, monitor, record and report information for the multiple evaluations and expert court testimonies required.

To immediately begin implementing Jessica's Law, the Governor's Budget reflects a current year augmentation of \$15.2 million General Fund for the increased cost of contractor evaluations and expert court testimonies, \$12.1 million General Fund for state hospitals to support 271 new SVP commitments, \$927,000 General Fund and 21 positions at DMH headquarters to be phased in during the year and \$678,000 General Fund and 7.2 positions for Coalinga State Hospital to support the increase in SVP referrals. The California Department of Corrections and Rehabilitation section discusses the impacts of Jessica's Law on that department.

## HEALTH AND HUMAN SERVICES

### **REAL CHOICE LONG-TERM CARE SYSTEMS TRANSFORMATION**

The Governor's Budget provides \$900,000 in federal funds for implementation of the Real Choice Systems Transformation Grant, referred to as the California Community CHOICE program, to help build the state's long-term care system infrastructure and increase the capacity of the home- and community-based services system. The HHSA received a five-year, \$3 million Real Choice Systems Transformation Grant from the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). The California Community CHOICE program is consistent with the Administration's commitment to reforming the long-term care system by improving access to home- and community-based services, improving information technology systems and developing a funding system that promotes community living options.

### **DEVELOPMENTAL DISABILITIES SERVICE PROVIDER RATE INCREASES**

The Budget Act of 2006 includes an increase of \$70.1 million (\$47.7 million General Fund) for a 3-percent cost-of-living increase to programs serving individuals with developmental disabilities that have been subject to provider rate freezes that have been necessary during the last three years. This adjustment is provided to programs for which the Department of Developmental Services (DDS) sets rates (community care facilities, community-based day programs, habilitation service programs, respite agencies, and vouchered respite) and specified contract-services programs (supported living, transportation, and look-alike day programs). This rate increase has promoted provider stability and helped to maintain a continuity of services to consumers and families within the community.

### **EMPLOYMENT SUPPORT FOR PERSONS WITH DEVELOPMENTAL DISABILITIES**

The Budget Act of 2006 includes \$186.5 million (\$112.5 million General Fund) for the DDS and the Department of Rehabilitation to provide employment services for persons with developmental disabilities through the Supported Employment Program (SEP) and the Work Activity Programs (WAP). This funding level reflects a 24-percent rate increase for on-the-job training, a doubling of individual and group job placement fees within the SEP Program, and a 3-percent provider rate increase within the WAP program. In addition, the Budget Act of 2006 includes an increase of \$19.1 million (\$13.3 million General Fund) to provide additional wage enhancements for direct care providers in WAP and day programs. This increased funding is designed to result in savings in costlier alternative programs, such as day service programs. This new funding is increasing employment opportunities to persons with developmental disabilities and providing services to ensure that consumers remain successful in their jobs. For consumers who are able to work, having a job is a cornerstone to community integration and self-sufficiency.

**CHILD WELFARE SERVICES IMPROVEMENTS**

Working together in recent years, the Administration and Legislature have taken action to improve the safety, permanency, and well-being of children. The Governor's Budget maintains the \$255 million (\$160 million General Fund) investment provided to improve the safety, permanency, and well-being of youth in foster care and continues efforts to reform the Child Welfare Services (CWS) program. Cornerstones of this effort include the Outcome Improvement Project that ties some local funding to improved outcomes and a waiver to use federal funds on preventive services that reduce the need for foster care placements. The Governor's Budget proposes to continue the significant investments made to date, with the expectation that the California Child Welfare Council created by Chapter 384, Statutes of 2006 (AB 2216) will help to maximize these investments through increased coordination of the many agencies and departments that serve children and families involved with CWS.

**LICENSING**

The Administration has made significant investments and enacted legislation to better protect Californians and to improve access to necessary services:

- Enacted Chapter 647, Statutes of 2006 (SB 1301) to increase patient safety, improve oversight, and help mitigate significant health care costs associated with medical errors by requiring reporting of serious medical errors to the DHS and establishing time frames for both the reporting and follow-up investigations. The Governor's Budget provides \$7.2 million and 42.7 positions to implement this important legislation.
- Enacted Chapter 526, Statutes of 2006 (SB 739) to improve quality of care and help reduce costs associated with infections patients acquire while at a health care facility. This bill requires the DHS to develop and implement a health care associated infections surveillance and prevention program, establishes reporting requirements, requires hospitals to develop and implement standards to prevent infections and the spread of influenza, and requires hospitals to plan for pandemic influenza. The Governor's Budget provides \$2.0 million and 13.3 positions to more effectively prevent health care-acquired infections.
- Rebuilt health facility licensing programs and strengthened oversight of health and human services facilities to better protect vulnerable Californians by augmenting licensing programs by more than \$4.1 million and 27.1 new staff in 2007-08.
- Strengthened the state's oversight of health care facilities by enacting Chapter 895, Statutes of 2006 (SB 1312) to require the DHS to monitor nursing home compliance

## HEALTH AND HUMAN SERVICES

with both state and federal requirements and to support improved patient safety by authorizing financial penalties when a hospital commits a serious health and safety violation.

- The Budget Act of 2006 included \$6.7 million (\$6 million General Fund) and 75.8 positions for the Department of Social Services (DSS) to implement a comprehensive licensing reform initiative. The initiative is designed to increase protections for clients in licensed facilities and improve the efficiency and effectiveness of the Community Care Licensing program. This initiative doubled the number of random sample licensing visits annually, formalized training for critical field staff, and implemented a series of administrative proposals to improve the operational efficiency of the licensing program.

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### PROPOSED HHS SPENDING FOR 2007-08

Change Table HHS-01 displays changes in expenditures for HHSA in various broad categories.

The major workload adjustments required by law for 2007-08 include the following:

- \$3.9 billion (\$1.6 billion General Fund) for enrollment, caseload and population driven program increases.
- \$357.1 million (\$216.7 million General Fund) for statutorily required cost of living adjustments.
- \$230.1 million due to revenue growth in the State-Local Realignment program.
- \$8.9 million General Fund to provide millions of low-income Californians with access to discounted prescription drugs.

The policy adjustments included in the Governor's Budget are discussed in Program Enhancements and Other Adjustments.

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### PROGRAM ENHANCEMENTS AND OTHER ADJUSTMENTS

The Governor's Budget continues policy and budget recommendations that support improved outcomes for children and youth in foster care, ensure more children are enrolled in no- and low-cost health coverage programs, continue nation-leading efforts to reverse obesity trends, better link the needs of seniors and persons with disabilities with appropriate services, protect the health and safety of Californians served by HHSA-licensed facilities, and ensure



## Change Table HHS-01

**Health and Human Services Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$29,304,197	\$45,134,548	32,037.8	\$29,296,791	\$44,945,710	32,037.8
<b>Workload Adjustments</b>						
Affordable Prescription Drugs	--	--	--	8,926	--	16.1
First 5	--	36,728	--	--	43,881	--
Realignment	--	-1,322	--	--	230,091	--
Enrollment/Caseload/Population	239,432	726,011	285.7	1,620,844	2,212,313	547.2
Employee Compensation/Retirement	110,593	67,152	--	124,245	64,987	--
Statutory Cost-of-Living Adjustments	--	--	--	216,738	140,332	--
Court Orders/Lawsuits	--	--	--	3,850	5,128	5.2
Expiring Programs or Positions	-54	-96	-1.9	-3,988	-17,124	-221.9
One-Time Cost Reductions	--	--	--	-241,013	-60,955	--
Full-Year Cost of New Programs	--	--	--	45,405	1,889	419.1
Other Workload Adjustments	156,003	206,531	72.1	-161,472	800,372	440.8
<b>Totals, Workload Adjustments</b>	\$505,974	\$1,035,004	355.9	\$1,613,535	\$3,420,914	1,206.5
<b>Policy Adjustments</b>						
Eliminate Integrated Services for Homeless Adults Program	--	--	--	-54,850	--	--
Health Coverage For Children (SB 437)	142	143	--	16,916	19,014	9.4
Increase Accountability and Improve CalWORKs Outcomes	--	--	--	-324,393	--	--
Increase Federal Funds for Intermediate Care Facilities	--	--	--	-44,000	--	--
Other Health and Human Services Savings Proposals	--	--	--	-146,720	27,763	--
Suspend CalWORKs COLA	--	--	--	-140,332	--	--
Use Average Manufacturers Price for Pharmacy Reimbursement	--	--	--	-44,000	-44,000	--
Use Proposition 98 for Child Care	--	--	--	-268,895	--	--
Use Public Transportation Account Funding for Regional Centers	--	--	--	-143,993	143,993	--
Other Policy Adjustments	14,790	102,401	16.2	100,477	262,623	127.0
<b>Totals, Policy Adjustments</b>	\$14,932	\$102,544	16.2	-\$1,049,790	\$409,393	136.4
<b>Infrastructure Adjustments</b>	-\$5,282	-\$110,253	--	\$14,494	\$28,039	--
<b>Total Adjustments</b>	\$515,624	\$1,027,295	372.1	\$578,239	\$3,858,346	1,342.9
<b>Governor's Budget</b>	\$29,819,821	\$46,161,843	32,409.9	\$29,875,030	\$48,804,056	33,380.7

\* Dollars in Thousands

## HEALTH AND HUMAN SERVICES

the state's public health system is ready to respond to natural and manmade disasters and incidents. At the same time, the Governor's Budget recognizes the need to structure programs and services to promote improved outcomes as cost-effectively and efficiently as possible.

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### DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

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

The Governor's Budget includes \$662.8 million for the DADP, a net decrease of \$11.5 million (\$8.4 million General Fund) from the revised 2006-07 budget and \$4.4 million (\$4.1 million General Fund) below the Budget Act of 2006. This decrease is in part attributable to \$25 million in savings from drug treatment programs, which is discussed below.

#### PROPOSITION 36 AND THE SUBSTANCE ABUSE OFFENDER TREATMENT PROGRAM

Proposition 36, the Substance Abuse and Crime Prevention Act of 2000 (SACPA), was approved by the voters on November 7, 2000. Under the SACPA, first or second time nonviolent adult drug offenders who use, possess, or transport illegal drugs for personal use receive drug treatment rather than prison time. The SACPA is intended to preserve jail and prison cells for serious and violent offenders, enhance public safety by reducing drug-related crime, and improve public health by reducing drug abuse through treatment. However, it has become clear that SACPA must be reformed to improve accountability and increase the number of persons who successfully complete treatment.

The Budget Act of 2006 reauthorized funding for Proposition 36 on the condition that program reforms sought by the Administration were included. Reforms were approved and included flash incarceration, improved judicial oversight of offenders diverted to substance abuse treatment in lieu of incarceration, and expanded options for offender management. However, these reforms have been suspended by judicial injunction, and resolution of this legal challenge remains unclear.

The Budget Act of 2006 also authorized \$25 million for the Substance Abuse Offender Treatment Program (OTP), which is intended to enhance treatment services for Proposition 36 offenders. The OTP expenditures include residential treatment, drug testing, and drug court model court costs intended to improve outcomes for program clients.

In light of the suspension of the reforms, the Governor's Budget reduces 2007-08 Proposition 36 funding by \$60 million and utilizes this funding to provide an increase of \$35 million to the OTP and savings of \$25 million on a one-time basis. As the OTP contains some of the Proposition 36 reforms sought by the Administration, increasing funding for the OTP will allow the state to implement these and other reforms that will lead to improved program performance and client outcomes. If the reforms to Proposition 36 agreed to by the Legislature are not implemented, the Administration will revise its budget proposal in the May Revision to move all remaining Proposition 36 funding to the OTP.

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## DEPARTMENT OF HEALTH CARE SERVICES

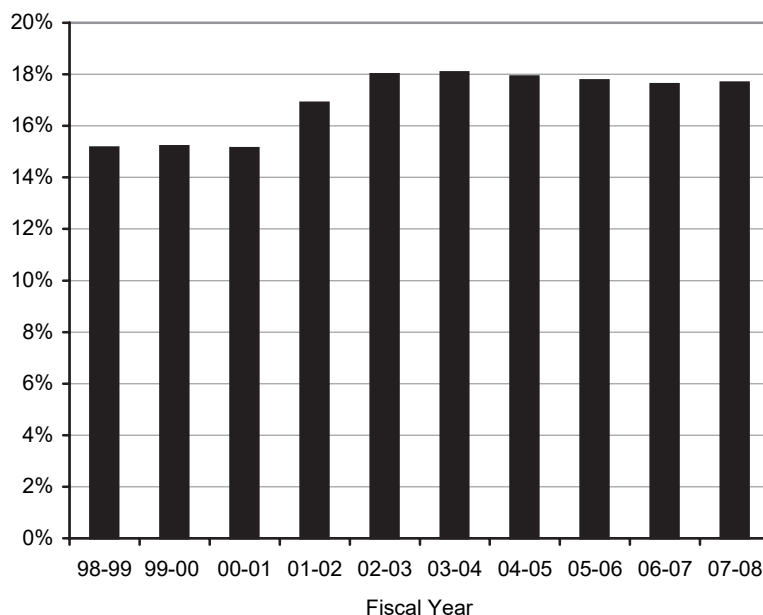
The Department of Health Care Services (DHCS) will work to ensure that eligible persons and families receive comprehensive health services through public and private resources. By ensuring the appropriate and effective expenditure of public resources to serve those with the greatest health care needs, DHCS promotes an environment that enhances health and well-being.

### MEDI-CAL

Medi-Cal, California's Medicaid program, is a health care entitlement program for low-income individuals and families who receive public assistance or lack health care coverage. Medi-Cal serves an estimated 6.6 million people each year, or more than one in six Californians (see Figure HHS-03).

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Figure HHS-03  
**Average Monthly Medi-Cal Eligibles as a Percentage  
of California Population**



## HEALTH AND HUMAN SERVICES

Federal law requires Medi-Cal to provide basic services, such as doctor visits, laboratory tests, x-rays, hospital inpatient and outpatient care, hospice, skilled nursing care and early periodic screening, diagnosis and treatment services, for children until age 21, and federal matching funds are available for numerous optional services. California offers virtually all optional benefits and provides more optional services than any other large state to categorically eligible and medically needy individuals. These services include outpatient drugs, adult dental services, optometry and occupational therapy. As a result, Medi-Cal provides more comprehensive benefits than most employer-funded comprehensive health care programs. A wide range of public and private providers and facilities deliver these services. Providers are reimbursed by the traditional fee-for-service method or by payments from managed care plans.

### 2006-07 Expenditures

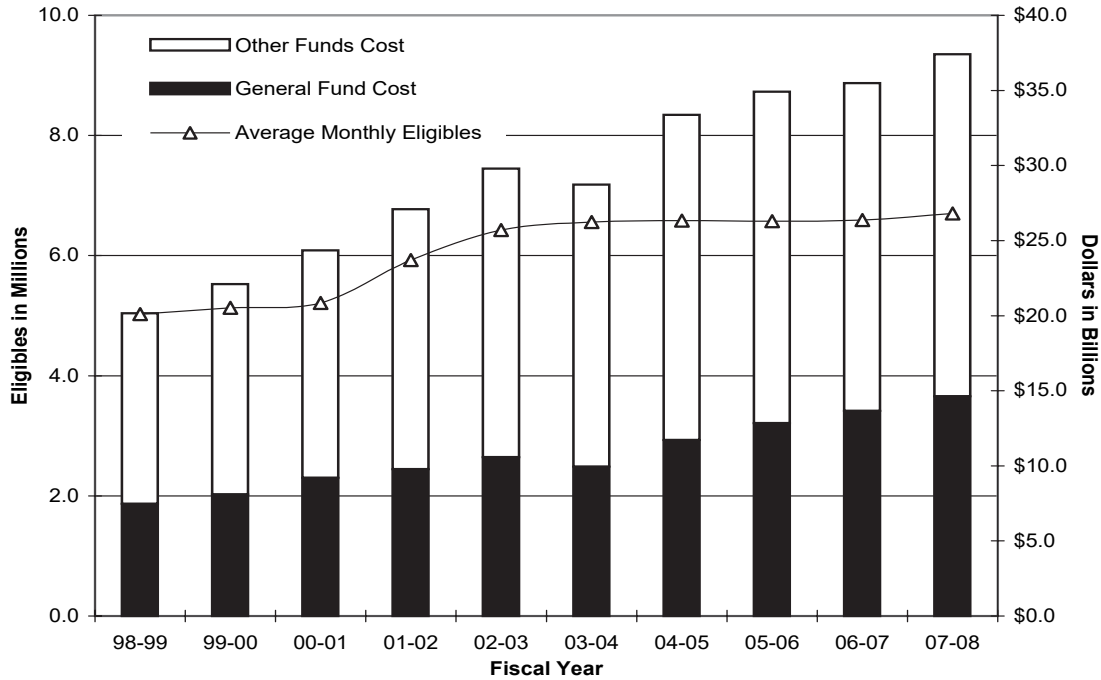
Medi-Cal expenditures are estimated to be \$35.5 billion (\$13.6 billion General Fund), a General Fund increase of 6.3 percent above the budgeted 2005-06 level. This increase is due primarily to increased caseloads and costs for services. General Fund expenditures for 2006-07 are estimated to be \$128 million less than the Budget Act of 2006, due mainly to lower than anticipated costs for Medicare Part A and B premium and Part D "clawback" payments, changes in the timing of hospital payments and higher than anticipated savings in the Adult Day Health Care program as a result of the moratorium on new facilities and success in identifying facilities that are providing inadequate care or billing improperly. Figure HHS-04 displays year-to-year comparisons of Medi-Cal costs and caseload.

### 2007-08 Expenditures

The Governor's Budget includes \$37.4 billion (\$14.6 billion General Fund), an increase of \$1.9 billion (\$979.8 million General Fund) above the revised 2006-07 budget and a net increase of \$2.3 billion (an increase of \$852 million General Fund) from the Budget Act of 2006. The General Fund increase primarily reflects increases in caseload and cost per eligible person. Figure HHS-05 displays annual General Fund costs per average monthly eligible beneficiary.

Other departments have programs that are eligible for federal Medicaid reimbursement, such as the DDS. Federal funding for these programs is included in Medi-Cal expenditure totals, but state and local matching funds of more than \$5.1 billion appear in the budgets for other state agencies or local governments.

Figure HHS-04  
**Medi-Cal Caseload and Costs, 1998-99 through 2007-08**



**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 that flow through the DHS budget to other departments.

Figure HHS-05  
**Annual Medi-Cal General Fund Cost per Average Monthly Eligible Beneficiary**

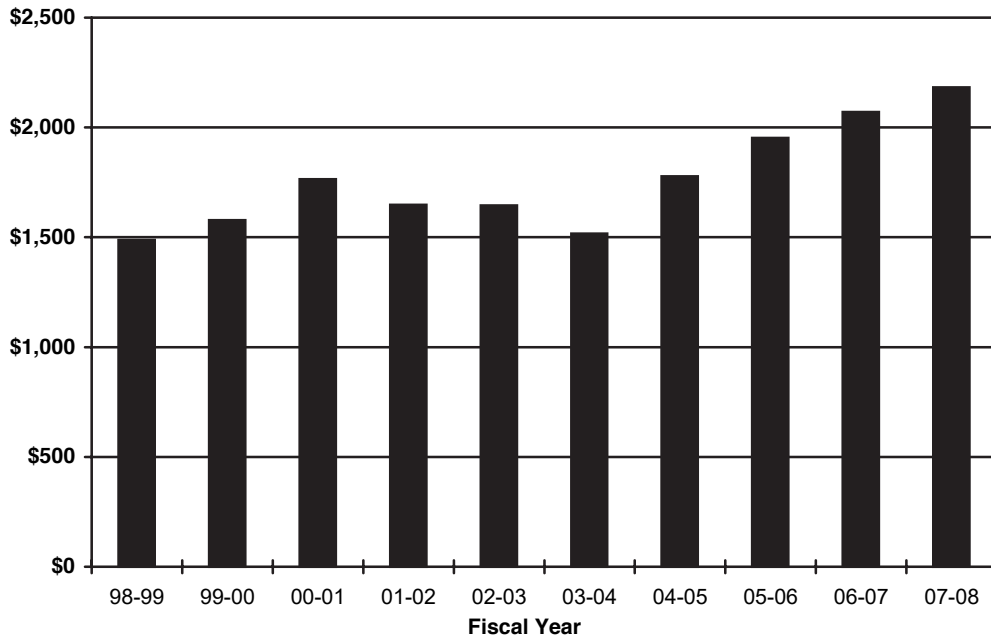
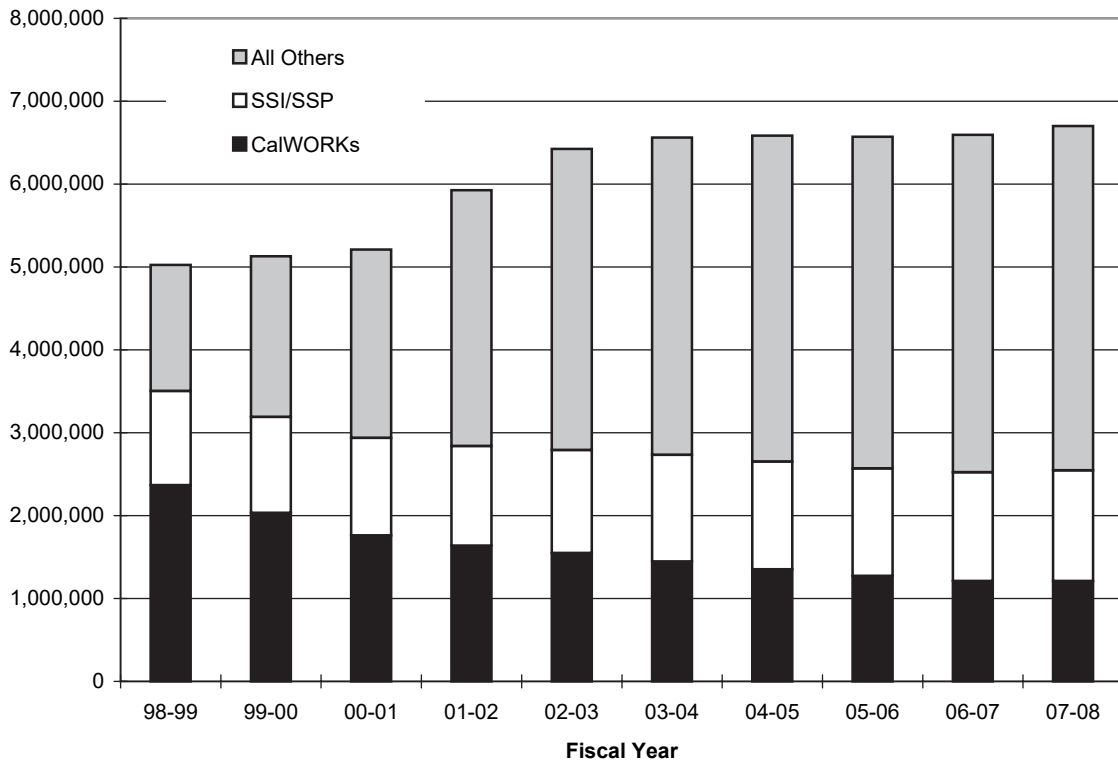


Figure HHS-06  
**Medi-Cal Caseload by Eligibility Category**



Caseload

Average monthly caseload is forecast to be 6.7 million persons in 2007-08, an increase of approximately 107,400 people, or 1.6 percent, compared to 2006-07. This overall increase compares to an expected 2.5-percent increase in the state’s population for the same period.

The number of people enrolled in Medi-Cal through their public assistance cash grant eligibility has been declining since 1995. These enrolled individuals will represent 38 percent of all Medi-Cal enrollees in 2007-08. Overall caseload is increasing, and the portion comprised of seniors and persons with disabilities is expected to increase by 2.9 percent, to approximately 1.7 million beneficiaries in 2007-08. Figure HHS-06 reflects Medi-Cal caseload by eligibility category.

Figure HHS-07 shows federal data from 2005-06 (the most recent information available) for the ten most populous states. By percentage of state population, California served about 17.7 percent of state residents, exceeded only by New York. California has one of the lowest

Figure HHS-07  
**Federal Medicaid Program - Interstate Comparisons**  
**Ten Most Populous States**  
**Fiscal Year 2005-06**

	Medicaid as a Percentage of State's Budget	Average Monthly Eligibles as a Percentage of Total Population	Expenditures, Total Funds (Dollars in Millions)	Medicaid Enrollment, June 2006 (Thousands)	Expenditures Per Eligible	Federal Sharing Ratio (FMAP)
All States	22.2	13.9	\$297,057	41,146	\$7,220	
California	19.5	17.7	\$35,936	6,388	\$5,626	50.0
Texas	25.2	11.9	\$17,702	2,708	\$6,536	60.7
New York	29.0	20.5	\$30,209	3,952	\$7,644	50.0
Florida	22.5	11.9	\$14,706	2,092	\$7,031	58.9
Illinois	26.8	12.7	\$12,492	1,612	\$7,750	50.0
Pennsylvania	32.1	13.3	\$17,622	1,658	\$10,630	55.1
Ohio	24.3	13.3	\$13,439	1,522	\$8,828	59.9
Michigan	20.5	13.4	\$8,566	1,366	\$6,269	56.6
Georgia	23.4	14.9	\$6,926	1,326	\$5,225	60.6
New Jersey	21.0	8.9	\$8,943	777	\$11,516	50.0

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

average cost-per-recipient rates in the nation: \$5,626 per beneficiary, versus a national average of \$7,220 per beneficiary.

California has achieved this relatively low-average cost primarily through negotiated hospital and drug rebate contracts, a high level of utilization review, extensive prepayment controls, extensive anti-fraud efforts and conservative provider rate reimbursements. Further, some program expansion populations, such as working parents and children, have resulted in a lower cost per eligible person.

#### Pharmaceuticals

During the last few years, the cost of drugs has increased dramatically, 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. To control costs, the Medi-Cal program utilizes contracts for drugs and has a state rebate program that is projected to secure approximately \$579.4 million in drug savings in 2006-07 and

## HEALTH AND HUMAN SERVICES

\$615.2 million in drug savings in 2007-08. Net drug costs in the program are projected to be \$881 million General Fund in 2006-07 and \$1.0 billion General Fund in 2007-08.

To help contain the increase in prescription drug costs and align the program with federal requirements, the Governor's Budget proposes switching the basis used to establish the drug reimbursement component of pharmacy claims in the Medi-Cal program from the Average Wholesale Price (AWP) to the Average Manufacturer Price (AMP). The AMP provides a lower cost basis through its relation to the actual costs of production, thus minimizing potential cost shifting to Medi-Cal from other drug purchasers and limiting the potential for price fixing. Use of the AMP is consistent with federal requirements and will result in General Fund savings of \$44 million.

### Managed Care

The Medi-Cal Managed Care Program is a comprehensive, coordinated approach to health care delivery designed to improve access to preventive primary care, improve health outcomes and control the cost of medical care. Approximately 3.3 million Medi-Cal beneficiaries (half of the people receiving Medi-Cal benefits and services) are currently enrolled in managed care plans. Managed care enrollment is projected to remain at 3.3 million enrollees through 2007-08. Funding for managed care plans will be \$6.2 billion (\$3.2 billion General Fund) in 2007-08.

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

Approximately 2.4 million Californians, or 73 percent of Medi-Cal managed care beneficiaries, are enrolled in the Two-Plan Model, which offers the choice between a commercial plan selected through a competitive bidding process or the county-sponsored local initiative. The local initiative plan consists mainly of providers who have traditionally served the Medi-Cal population. This model ensures continued participation by "traditional" providers and maximizes the type of providers caring for beneficiaries.

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 340,000 beneficiaries are expected to be enrolled in GMC plans in 2007-08.

The COHS model administers a prepaid, comprehensive case-managed health care delivery system. This system provides utilization controls, claims administration and health



care services to all Medi-Cal beneficiaries residing in the county. There are five COHS currently in operation serving eight counties. Approximately 572,000 beneficiaries are expected to be enrolled in COHS in 2007-08.

As initiated in the Budget Act of 2005, the state is scheduled to transition the first 4 of 13 additional fee-for-service counties to managed care in 2008.

#### **PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS**

Human Papillomavirus Vaccinations (HPV) -The Governor's Budget includes \$11.3 million (\$5.6 million General Fund) in 2007-08 to provide HPV to approximately 52,000 Medi-Cal-eligible women ages 19 through 26. The United States Food and Drug Administration recently approved this new vaccine, which has been shown to reduce the risk of getting cervical cancer by up to 70 percent.

Rates for Long-Term Care Facilities -The Governor's Budget reflects savings of \$14.4 million General Fund by limiting the maximum rate increase for freestanding skilled nursing facilities to 4.5 percent, rather than the maximum 5.5 percent authorized by Chapter 875, Statutes of 2004 (AB 1629).

Nursing Facility A/B Waiver Cap Increase -The Nursing Facility A/B waiver is a federal home- and community-based services waiver that provides services and support to Medi-Cal beneficiaries to allow them to remain safely in their homes and avoid institutional placements. These services are a critical component of the state's efforts to implement the Olmstead court decision. The Governor's Budget provides \$9.3 million (\$4.6 million General Fund) to reflect cost increases that have occurred since the existing waiver was implemented, raising the Nursing Facility A waiver cap from \$24,551 to \$29,548, and the Nursing Facility B waiver cap from \$35,948 to \$48,180, effective July 1, 2007.

Adult Day Health Care Reform -The Governor's Budget includes \$4 million (\$1.9 million General Fund) and 47 positions to phase in program reforms and develop a new rate methodology to increase California's ability to retain federal funding and help ensure services remain available for qualified beneficiaries, as required by Chapter 691, Statutes of 2006 (SB 1755).

Provider Enrollment Automation Project -The Governor's Budget includes \$0.2 million (\$0.1 million General Fund) to initiate development of a provider enrollment case and document tracking system. This system will streamline the provider enrollment process, thereby shortening the time it takes to enroll providers in Medi-Cal.

## HEALTH AND HUMAN SERVICES

Implementation of Federal Deficit Reduction Act Citizenship Requirements -The Governor's Budget includes \$0.6 million (\$0.3 million General Fund) and 4.7 positions to focus on implementing new federal requirements. Due to pending federal guidance, the Governor's Budget does not include costs for county level activities nor for any Medi-Cal caseload changes.

### CHILDREN'S MEDICAL SERVICES

Children's Medical Services has implemented a statewide comprehensive Newborn Hearing Screening Program that helps identify hearing loss in infants and guides families to the appropriate services needed to develop communication skills. The Governor's Budget includes \$1.5 million General Fund to expand the Newborn Hearing Screening Program to all California hospitals with licensed perinatal services, as required by Chapter 335, Statutes of 2006 (AB 2651).

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## DEPARTMENT OF PUBLIC HEALTH

The new Department of Public Health (DPH) is charged with protecting and promoting the health status of Californians through programs and policies that use population-wide interventions. The DPH programs prevent chronic diseases, such as cancer and cardiovascular disease, environmental and occupational diseases and communicable diseases, such as Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome (HIV/AIDS). The DPH licenses and certifies health care facilities; 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. The DPH is responsible for the state's public health disaster and emergency response preparedness. The DPH also operates family health programs, such as the Women, Infants and Children program, maternal, child and adolescent health and genetic disease testing and related services. The DPH is responsible for managing the state's public health information, including vital statistics.

### LICENSING AND CERTIFICATION

The Licensing and Certification (L and C) program promotes the highest quality of medical care in community settings and facilities by enforcing state licensing and federal certification requirements. The program encourages provider-initiated compliance and quality of care improvement activities, initiates licensing and certification changes to improve cost-effectiveness, promotes partnerships between public and private health care providers to improve quality of care and access to new technologies and responds to California's changing demographics.

The Governor's Budget includes \$84.2 million (\$6.3 million General Fund) for L and C, which reflects a net increase of \$19.3 million (a decrease of \$10.1 million General Fund) above the Budget Act of 2006. The Governor's Budget includes:

- Accelerated implementation of the statutory requirement for the program to become fee-supported, resulting in General Fund savings of \$7.2 million in 2007-08 and \$3.6 million in 2008-09.
- \$7.2 million L and C Program Fund and 42.7 positions to implement Chapter 647, Statutes of 2006 (SB 1301) related to the reporting of and follow up on adverse events in hospitals.
- \$2.5 million L and C Program Fund and 15.2 positions to conduct periodic licensing surveys of long-term care facilities, pursuant to Chapter 895, Statutes of 2006 (SB 1312).
- \$0.7 million (\$0.4 million L and C Program Fund and \$0.4 million Federal Funds) and 5.7 positions to provide legal and administrative support for the 155.5 new L and C staff included in the Budget Act of 2006.
- \$0.2 million and 1.4 positions in DPH and \$0.5 million (\$0.3 million General Fund) and 4.3 positions in DHCS to ensure hospitals apply fair pricing to uninsured and underinsured patients, pursuant to Chapter 755, Statutes of 2006 (AB 774).

### GENETIC DISEASES

The Genetic Disease Branch, within Primary Care and Family Health, screens newborns and pregnant women for genetic and congenital disorders in a cost-effective and clinically efficient manner. The screening programs provide testing, follow-up and early diagnosis of disorders to prevent adverse outcomes or minimize the clinical effects of such disorders.

The Governor's Budget includes \$118.7 million from the Genetic Disease Testing Fund, a net increase of \$21.0 million above the Budget Act of 2006. The Governor's Budget includes \$4.2 million from the proposed Birth Defects Monitoring Fund, \$16.1 million from the Genetic Disease Testing Fund and 5.7 positions to implement Chapter 484, Statutes of 2006 (SB 1555), which expands research efforts and prenatal screenings for birth defects.

### PUBLIC AND ENVIRONMENTAL HEALTH

Public and environmental health programs protect the health and safety of consumers served by various licensed or regulated facilities and services. The Governor's Budget provides \$2.9 million from a variety of fee-supported special funds and 23.8 positions to address increased workload and improve the timeliness of the licensing and inspection of drug and

## HEALTH AND HUMAN SERVICES

medical device manufacturers and retailers, x-ray machines, small water systems, water system operators and food canneries. In addition, the Governor's Budget includes:

- \$2.1 million General Fund and 8.5 positions to enhance the state's response capabilities to foodborne illnesses such as E. coli. State public health officials provided extensive investigative and laboratory support as a result of recent E. coli and other foodborne illness outbreaks, and given the health and economic impact of these incidents, the Administration believes it is important to secure adequate resources to quickly respond to and investigate the source of future outbreaks. This funding will establish trained investigator teams to investigate foodborne illnesses and outbreaks and enhance the state's capacity to test food and environmental samples.
- \$2.0 million General Fund to provide additional local assistance funding to increase surveillance staff for HIV reporting activities and help California retain critical federal funding. Chapter 20, Statutes of 2006 (SB 699) requires health care providers and laboratories to report cases of HIV to local health departments using patient names and requires local health departments to report unduplicated HIV cases by name to the DPH. These requirements align state law with federal requirements. Prior to enrollment of Chapter 20, the state used a code-based system. This funding will accelerate the conversion process necessitated by these new data collection and reporting requirements to support the state's continued receipt of \$50 million in federal grants.
- \$1.6 million General Fund, \$0.4 million L and C Program Fund and 13.3 positions to implement the Hospital Infectious Disease Control Program, pursuant to Chapter 526, Statutes of 2006 (SB 739). Infectious diseases in hospitals are estimated to cost the state \$3.1 billion annually. This proposal will implement measures designed to prevent various hospital-associated infections by providing DPH with resources to develop infection control guidelines, provide consultation with health care facilities to implement the guidelines, conduct epidemiological and statistical support on health care infection data and perform laboratory analysis of hospital-associated infections, illnesses and outbreaks.
- \$1.2 million General Fund and 2.8 positions for the DPH to begin implementation of an environmental contaminant biomonitoring program, pursuant to Chapter 599, Statutes of 2006 (SB 1379). This funding will support a contract to develop a sampling design and establish parameters for this program. This proposal is a collaborative effort that also includes \$0.2 million General Fund for the Office of Environmental Health Hazard Assessment and \$0.1 million General Fund for the Department of Toxic Substances Control.

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## MANAGED RISK MEDICAL INSURANCE BOARD

The Managed Risk Medical Insurance Board (MRMIB) administers the Healthy Families Program (HFP), the Access for Infants and Mothers (AIM) program, the Major Risk Medical Insurance Program (MRMIP) and the County Health Initiative Matching Fund Program. These four programs provide health care coverage through private health plans to certain populations without health insurance. The MRMIB develops policy and recommendations on providing health care insurance to the approximately 6.6 million Californians who are estimated to go without health coverage at some point each year.

The Governor's Budget includes \$1.3 billion (\$394.7 million General Fund) for MRMIB, an increase of \$82.5 million (\$32.7 million General Fund) above the revised 2006-07 budget and \$87.8 million (\$24.4 million General Fund) above the Budget Act of 2006. This increase is due primarily to enrollment growth in the HFP.

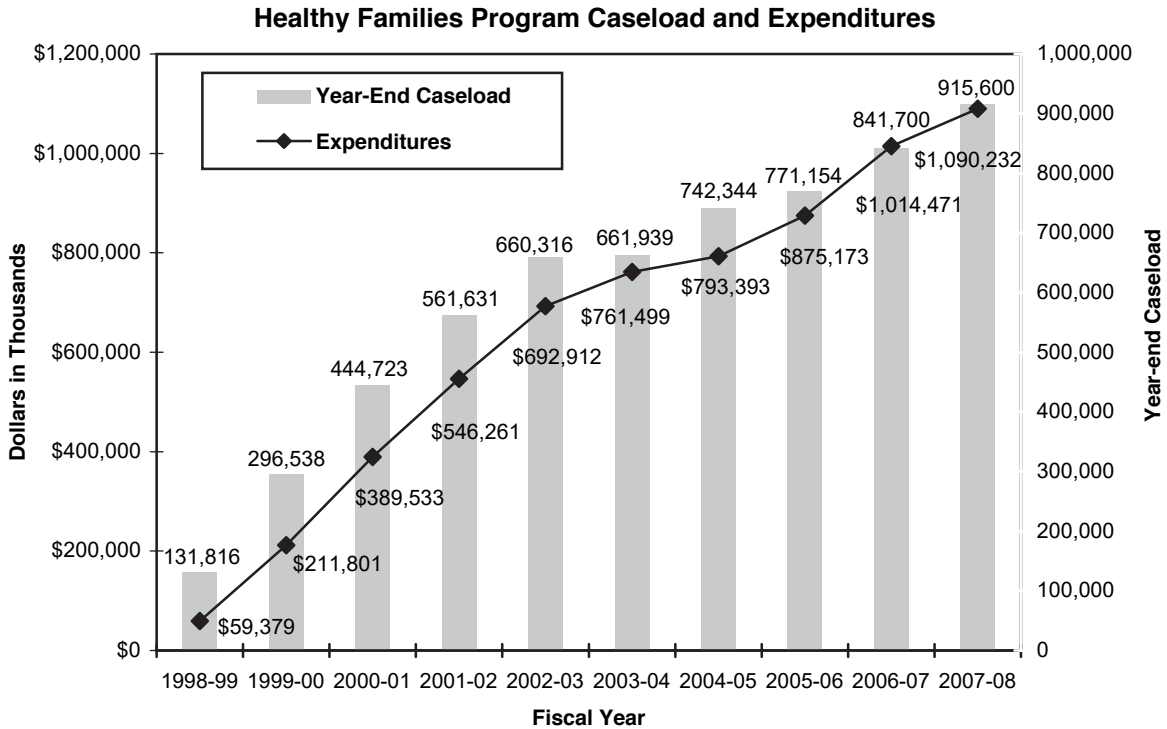
### HEALTHY FAMILIES PROGRAM

The HFP is a subsidized health coverage program for children in families with low-to moderate-income who are ineligible for no-cost Medi-Cal. This program, established in 1998, provides low-cost medical, dental and vision coverage to eligible children from birth to age 19. HFP expenditures are projected to grow from revised expenditures of \$1.0 billion (\$360 million General Fund) in 2006-07 to \$1.1 billion (\$392 million General Fund) in 2007-08, an increase of \$32 million General Fund, or 8.9 percent. This increase is primarily the result of enrollment that is projected to grow from 841,700 by year-end 2006-07 to 915,600 in 2007-08 for a total increase of 73,900 children, or 8.8 percent. Figure HHS-08 displays historical caseload and funding growth for the HFP.

### ACCESS FOR INFANTS AND MOTHERS PROGRAM

The AIM program provides low-cost, comprehensive health coverage to uninsured pregnant women with family incomes between 200 and 300 percent of the federal poverty level. This coverage extends from pregnancy to 60 days postpartum. Children born to AIM mothers are automatically enrolled in the HFP. Expenditures for this program are projected to increase from \$127.5 million (\$60.4 million Perinatal Insurance Fund) in 2006-07 to \$138.7 million (\$60.7 million Perinatal Insurance Fund) in 2007-08, for a total increase of \$11.2 million, or 8.8 percent. This change in total expenditures primarily is due to increased enrollment of women from 12,097 in 2006-07 to 13,912 in 2007-08, an increase of 1,815 women, or 15 percent. Costs for 2006-07 reflect \$7.2 million in Proposition 99 funds needed to repay the federal government for its share of program subscriber revenues that were not offset against claims previously submitted for 2004-05 and 2005-06.

Figure HHS-08



**MAJOR RISK MEDICAL INSURANCE PROGRAM**

The Governor’s Budget includes \$40 million for MRMIP, which provides health care coverage to medically high-risk individuals and the medically uninsurable who are denied coverage through the individual health insurance market. Program enrollment is “capped” at the level of annual funding provided. The program currently provides benefits to a total of 8,700 people, with 80 people on the waiting list primarily serving their required post-enrollment waiting period. Pursuant to Chapter 794, Statutes of 2002, subscribers who have been in the program for 36 months are transitioned into guaranteed-issue coverage offered by health plans in the individual insurance market.

The Governor’s Budget redirects \$0.2 million from direct services to fund 2 positions to expand the level of accountability and oversight of the administrative vendor, upgrade and streamline existing administrative vendor contract functions, and develop financial and data management improvements to ensure better fiscal accountability and the maximization of available funding.

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## DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that more than 200,000 persons with developmental disabilities receive the services and support they need to lead more independent and productive lives and to make choices and decisions about their lives.

The Governor's Budget includes \$4.3 billion (\$2.6 billion General Fund) for the DDS, a net increase of \$160.3 million (\$38.3 million General Fund) above the revised 2006-07 budget and \$241.6 million (\$109.6 million General Fund) above the Budget Act of 2006.

### DEVELOPMENTAL CENTERS

Developmental centers are licensed and certified 24-hour, direct-care facilities that provide services to persons with developmental disabilities. In 2006-07, there is an increase of \$27.9 million (\$18.4 million General Fund) from the Budget Act of 2006 primarily due to adjustments for employee compensation and the current status of the closure process of Agnews Developmental Center. The time required for acquisition and completion of housing will result in a more gradual transition into the community for both consumers and state employees who provide direct care services. The increase in the developmental center population also reflects a reduction in the projected transition of Agnews residents into the community from 119 to 113 residents during the current year. Available savings in the regional centers' budget will be transferred to fund higher developmental center costs.

The Governor's Budget proposes \$712.3 million (\$393.6 million General Fund) and 7,364.1 positions, a net decrease of \$18.4 million (\$9.9 million General Fund) and 368 positions from the revised 2006-07 budget. The change primarily reflects a reduction in the developmental center population as consumers transition into the community. The developmental center population is projected to decline, on average, by 245 consumers, from 2,834 to 2,589 in 2007-08, a decrease of 8.6 percent.

#### Agnews Developmental Center Closure

The Governor's Budget continues to provide funding to achieve closure of Agnews Developmental Center in June 2008. In 2006-07, there is a net decrease of \$2.8 million (\$0.6 million General Fund increase) due to the anticipated reduction in placements into the community from 119 residents to 113 residents and a more gradual transition of state employees to community-based services. This includes an increase of \$0.4 million (\$0.2 million General Fund) for an addition of ten positions to facilitate the consumer transition planning process. The regional centers' budget is projected to decrease by

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\$1.0 million (\$0.2 million General Fund increase) as a result of the reduced placements into the community.

For 2007-08, the Governor's Budget includes a net decrease of \$10.4 million (\$5.6 million General Fund) due to the anticipated movement of 145 consumers from Agnews into the community and costs associated with moving an estimated 10 consumers to other developmental centers. The net decrease also includes funding adjustments related to staff costs for closure, facility preparation, and an addition of ten positions to facilitate the consumer transition planning process. The regional centers' budget is projected to increase by \$50.7 million (\$37.9 million General Fund) for the costs of providing services to the additional consumers in the community.

### Salary Increases for Medical Services Personnel

The Governor's Budget contains an increase of \$12.6 million (\$12.4 million General Fund) to bring salaries for classifications providing medical services to within 18 percent of the Plata court-ordered salaries for the same classifications at the California Department of Corrections and Rehabilitation (CDCR). This will allow hiring and retention of medical staff at developmental centers.

### REGIONAL CENTERS

The 21 regional centers throughout California are nonprofit corporations contracted by DDS to purchase and coordinate services mandated under the Lanterman Act for persons with developmental disabilities. Services include assessment of needs, coordination of services, resource development, residential placement and monitoring, quality assurance and individual program planning assistance. In 2006-07, there is a net increase of \$76.3 million (\$51.8 million General Fund) for regional centers due primarily to an increase in the number and cost of services provided to consumers, especially older more medically fragile consumers and those with autism. Costs also are driven by an increase in the minimum wage and community placement plans and placement continuation. There is a decrease of 70 consumers in the community caseload in 2006-07, from 212,225 to 212,155 consumers.

For 2007-08, the Governor's Budget proposes \$3.6 billion (\$2.2 billion General Fund) to support the regional centers, a net increase of \$251.3 million (\$46.5 million General Fund) from the revised 2006-07 budget. The change primarily reflects increases in populations, the cost of community care facilities, day programs, support services, miscellaneous services and in the minimum wage. The regional center community population is projected to increase by 8,445 consumers, to 220,600 consumers in 2007-08, which includes 245 developmental center residents who will move into the community.



#### Non-Medical Transportation and Day Programs

The DHCS is pursuing a revision to the Medi-Cal state plan to include coverage and payment for day program and non-medical transportation services for regional center consumers with developmental disabilities residing in intermediate care facilities. These services currently are provided and paid for by the regional centers solely through state General Fund dollars. The Governor's Budget includes a reduction of \$44 million General Fund in the DDS budget as a result of this change.

#### One-Time Use of Public Transportation Account Funding for Regional Center Transportation Services

The regional centers contract with vendors to provide a number of services to consumers, including transportation services. Transportation services include those provided by public transit, specialized transportation companies and family members or friends. These services allow persons with developmental disabilities to participate in programs and other activities identified in their Individual Program Plans. The Governor's Budget includes \$144 million in Public Transportation Account funding on a one-time basis in 2007-08 to replace the General Fund share of regional center transportation costs.

#### Minimum Wage Increase

On January 1, 2007, California's minimum wage increased by \$0.75 to \$7.50 per hour. This increase will impact entry-level direct care staff who provide services in community care facilities, day and work activity programs and respite care. The Governor's Budget reflects costs of \$26.4 million (\$18.3 million General Fund) in 2006-07 and \$53.3 million (\$37.2 million General Fund) in 2007-08 to fund this increase.

On January 1, 2008, California's minimum wage will increase by an additional \$0.50 to \$8.00 per hour. The Governor's Budget reflects increased costs of \$18.1 million (\$12.6 million General Fund) to fund this increase.

#### Continuation of Temporary Cost Containment Measures

The temporary cost containment measures already in effect, such as rate freezes on targeted program categories, the family cost participation program, and the rate standardization project, will continue in 2007-08.

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**DEPARTMENT OF MENTAL HEALTH**

The Department of Mental Health (DMH) ensures that a continuum of care exists throughout the state for children and adults who are mentally ill by providing oversight of community mental health programs and direct services through state mental hospitals. The Governor's Budget includes \$4.8 billion (\$1.9 billion General Fund) for the DMH, a net increase of \$652.8 million (a decrease of \$217.2 million General Fund) from the revised 2006-07 budget and an increase of \$1.1 billion (\$201.1 million General Fund) from the Budget Act of 2006.

This net change primarily reflects continued growth in the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, the impact of Proposition 83, also known as Jessica's Law, elimination of the Integrated Services for Homeless Adults with Serious Mental Illness program, and the removal of one-time costs for prior-year AB 3632 mandate claims.

**PROPOSITION 83 (JESSICA'S LAW)**

Jessica's Law, approved by California voters in November 2006, enhances public safety by changing the laws that provide for the commitment, control and supervision of sex offenders. Jessica's Law has the potential to increase sexually violent predator (SVP) commitments to state hospitals from an average of 49 to 440 annually. The population increase of SVPs in state hospitals is reflected in the increased costs at state hospitals.

By expanding the definition of a sexually violent offense and lowering the current two victim criterion to one victim, Jessica's Law significantly increases the number of case referrals to DMH. The number of cases referred to DMH for screening is expected to increase almost tenfold (from 582 to 5,528 cases annually). The Governor's Budget includes \$25.0 million General Fund for additional SVP contractor evaluations and expert court testimonies, \$24.1 million General Fund for state hospitals to support 440 expected SVP commitments and \$449,000 General Fund for Coalinga State Hospital to support the increase in SVP referrals. The budget also includes \$4.3 million General Fund and 41.8 positions at DMH headquarters to contract, monitor, record and report information for the multiple evaluations and expert court testimonies required by Jessica's Law.

To immediately begin implementing Jessica's Law, the Governor's Budget reflects a current-year augmentation of \$15.2 million General Fund for the increased cost of contractor evaluations and expert court testimonies, \$12.1 million General Fund for state hospitals to support 271 new SVP commitments, \$927,000 General Fund and 21 positions at DMH headquarters to be phased in during the year, and \$678,000 General Fund and 7.2 positions

for Coalinga State Hospital to be phased in during the year to support the increase in SVP referrals. The CDCR section discusses the impacts of Jessica's Law on that department.

#### **COMMUNITY MENTAL HEALTH SERVICES**

The Administration recognizes the value of providing mental health services in communities to prevent commitment to a state hospital or incarceration. The Governor's Budget includes \$3.4 billion (\$762.9 million General Fund), an increase of \$927.6 million (\$47.4 million General Fund) compared to the revised 2006-07 budget, for community mental health services.

##### **Early and Periodic Screening, Diagnosis and Treatment Program**

The Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program is an entitlement program for children and adults under age 21. The program provides services to approximately 185,571 Medi-Cal-eligible children and young adults to ameliorate a diagnosed mental illness.

In 2006-07, there is an increase in the General Fund appropriation of \$302.7 million that includes a deficiency request related to EPSDT of \$243.0 million for unpaid county claims from prior years. The federal reimbursement authority is increased by \$275.7 million to reflect an adjustment to the funding level for EPSDT services and to pay prior years claims. In 2007-08, there is an increase of \$92.7 million General Fund and \$95.1 million federal reimbursement authority above the Budget Act of 2006 attributable to increases in the cost and volume of claims, including the effect of the Mental Health Services Act (Proposition 63) on EPSDT services provided.

The Department of Finance's Office of Statewide Evaluations and Audits (OSAE) is reviewing EPSDT estimating methodology, and the Administration will have a proposal to improve this methodology in the spring. The OSAE also is assisting the DMH in an internal control review of DMH's system and processes.

##### **Integrated Services for Homeless Adults with Serious Mental Illness**

The Governor's Budget proposes elimination of the Integrated Services for Homeless Adults with Serious Mental Illness program. This program currently provides funding to local mental health agencies to act as the single point of responsibility for the comprehensive service needs of individuals who are homeless or at risk of homelessness or incarceration and have a serious mental illness. Similar services are available to individuals under Proposition 63. Eliminating General Fund for these programs results in annual ongoing local assistance

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savings of \$54.9 million. Significant increases in the EPSDT program in both current and budget year allow for the elimination of this program while still meeting the Proposition 63 maintenance-of-effort requirements.

### Early Mental Health Initiative

The Governor's Budget includes a \$5 million increase in Proposition 98 General Fund to augment the budget for the Early Mental Health Initiative (EMHI), which provides grants to local education agencies for supportive, non-clinical mental health intervention and prevention services to children (grades K-3) who have mild to moderate school adjustment difficulties. This augmentation will increase total program funding to \$15 million in 2007-08.

### STATE HOSPITALS

State hospitals operated by DMH provide long-term care and services to the mentally ill. The General Fund supports judicially committed, Penal Code and SVP patients, while counties fund other civil commitments. In 2006-07, there is an increase of \$98.1 million (\$95.2 million General Fund) and 269.9 positions for state hospitals due primarily to the impact of Jessica's Law and a technical correction to the level-of-care staffing included in the Budget Act of 2006. The Governor's Budget includes \$1.2 billion (\$1.1 billion General Fund) and 10,898.8 positions for 2007-08, an increase of \$114.8 million (\$88.3 million General Fund) and 1,020.3 positions from the revised 2006-07 budget, due primarily to a projected increase of 440 SVP commitments and resources to comply with the Civil Rights for Institutionalized Persons Act and Jessica's Law. The patient population is projected to reach a total of 6,544 in 2007-08.

The Governor's Budget includes funding to address the second—and final—phase of the Administration's commitment to implementing a fully functioning hospital police department at Patton State Hospital. An additional \$1.7 million General Fund and 28.3 positions will establish 24-hours-a-day, 7 days-a-week coverage to ensure the safety and security of patients, hospital staff and the general public.

Special education and related services must be provided to all eligible pupils who reside in state hospitals and psychiatric programs operated by DMH. The Governor's Budget includes \$3.4 million to provide education services to adolescents at Metropolitan State Hospital (MSH). Due to the declining adolescent population at MSH, coupled with the incentive to place youth in the community, the DMH is examining the need to continue operating this unit. The DMH is collaborating with counties regarding their need for these beds and has a contract in place to continue educational services for the current school year.

#### Continued Activation of Coalinga State Hospital

Coalinga State Hospital opened in September 2005 and began admitting SVP patients transferred from Atascadero State Hospital. However, patient transfers have been slower than anticipated due to difficulty in filling staff positions at Coalinga. The DMH has been working to address the delayed hiring of level-of-care staff necessary for bed activation by continuing aggressive recruitment efforts throughout California and the United States, using recruitment and retention differentials where appropriate and contracting for nursing registry services as needed. As patient transfers to Coalinga increase, additional patients currently awaiting transfer from local jails will be admitted to the state hospital system. The Administration estimates that the population at Coalinga will be 1,362 patients in 2007-08, an increase of 645 patients over the Budget Act of 2006.

#### Coleman Court Order

In June 2006, the director of the DMH was named as a co-defendant in *Coleman v. Schwarzenegger*, the federal lawsuit claiming that the CDCR is not providing adequate mental health services to inmates. This lawsuit will require the DMH to participate in Coleman hearings, review and comment on monitoring reports, objections, stipulations and court orders and provide information as requested by the court regarding California hospitals and psychiatric programs. The Governor's Budget includes an increase of \$145,000 for legal resources to assist with this effort.

In addition, the Coleman decision requires that mental health classifications in CDCR receive salary increases beginning in the current year. The Governor's Budget includes \$3.9 million General Fund in 2006-07 and \$5.5 million General Fund in 2007-08 to increase the salaries of the same classifications of staff working in DMH psychiatric programs operating within Salinas Valley State Prison and the California Medical Facility at Vacaville.

#### Salary Increases for Medical Services Personnel

The Governor's Budget contains an increase of \$7.1 million (\$6.9 million General Fund) to bring salaries for classifications providing medical services at the DMH to within 18 percent of the Plata court-ordered salaries for CDCR. This will allow hiring and retention of medical staff at state hospitals.

## HEALTH AND HUMAN SERVICES

### MENTAL HEALTH SERVICES ACT (PROPOSITION 63)

Revenues to the Mental Health Services Fund are projected to increase over previous estimates by \$312.1 million in 2006-07 and \$495.7 million in 2007-08, for a total estimate of \$1.6 billion in 2006-07 and \$1.8 billion in 2007-08.

Funds are continuously appropriated to the DMH for county implementation of Proposition 63. Almost all counties have completed their community planning process. Counties are in the process of local implementation of the Community Services and Supports component of Proposition 63, which provides additional mental health services to individuals with serious mental illness. The other four components (Child and Adult/Older Adult Services, Education and Training, Capital Facilities and Technology Needs and Innovation) are expected to be implemented by the end of 2007-08.

The Governor's Budget proposes no changes in state administration expenditures for the DMH for Proposition 63. The need for any additional staff and contract funding will be addressed in the spring budget process when more information is available on future needs based upon an updated implementation plan.

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### DEPARTMENT OF CHILD SUPPORT SERVICES

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

The DCSS is designated as the single state agency to administer the statewide program to secure child, spousal, and medical support and determine paternity. The primary purpose of the DCSS is to collect child support payments for custodial parents and their children. The Governor's Budget includes \$1.1 billion (\$319.8 million General Fund), a decrease of \$444.8 million (\$265.1 million General Fund) below the revised 2006-07 budget and \$372.4 million (\$250.2 million General Fund) below the Budget Act of 2006. This decrease is primarily associated with the abeyance of federal automation penalties beginning in 2007-08 and a reduction of one-time payments and system automation costs incurred in 2006-07.

**PROGRAM ADMINISTRATION**

State Administration

The Governor's Budget proposes total expenditures of \$45.8 million General Fund and 518.8 positions for state administration of the program. Departmental staff ensures 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.

County Administration

The Governor's Budget proposes \$194.9 million General Fund to fund local agency administrative costs, which is approximately the same level of funding for local program expenditures provided in 2006-07. The Governor's Budget also continues to provide \$20 million in federal funds to be matched by \$10 million in voluntary county funding for the support of local child support agency staff and program services.

Restoring the Loss of Federal Funds

Effective October 1, 2007, the federal Deficit Reduction Act of 2005 (DRA) will eliminate California's ability to claim federal matching funds for earned federal incentive payments. These incentive payments are awarded to all states based upon program performance in a number of areas, such as paternity establishment. The Governor's Budget includes increased funding of \$23 million General Fund to maintain the current funding level for local child support agencies.

**CHILD SUPPORT COLLECTIONS**

The child support program establishes and enforces court orders for child, spousal, and medical support from absent parents on behalf of dependent children and their caretakers. For display purposes only, the Governor's Budget reflects the total collections received, including payments to families and collections made in California on behalf of other states. The General Fund share of assistance collections is included in statewide revenue projections. Child support collections for 2007-08 are projected to be \$2.4 billion (\$246.1 million General Fund). Collections for 2006-07 also are estimated to be \$2.4 billion (\$267.4 million General Fund).

**CHILD SUPPORT AUTOMATION**

Chapter 479, Statutes of 1999, designated the Franchise Tax Board (FTB) as the agent of DCSS for the procurement, development, implementation, maintenance, and operation

## HEALTH AND HUMAN SERVICES

of the California Child Support Automation System (CCSAS). The state is responsible for developing and implementing the CCSAS and transitioning all counties onto this new system. The state expects to have the new system completed by 2008-09. The CCSAS project consists of two components: the Child Support Enforcement (CSE) component provides the core automated functionality to manage child support cases, and the State Disbursement Unit (SDU) interfaces with the CSE and processes payments to custodial parties. The state entered into a contract with IBM Global Services in July 2003 to develop and implement the CSE component of the project, and it entered into a service contract with Bank of America in December 2004 to provide the SDU component of the project.

### Elimination of the Federal Penalty

The Governor's Budget reflects California's request for federal certification of the statewide child support automated system and, for the first time since 1998, does not include a General Fund appropriation to pay federal automation penalties. During the certification process, the federal government will hold future penalties in abeyance pending final review of the child support automation system. In 2006-07, the state budgeted \$220 million General Fund in penalties for failure to have a single statewide child support automation system. Once the federal government certifies the system, it will reimburse California \$198 million, or 90 percent of the state's final penalty payment. Given the current project schedule, the system should be certified by 2008-09, and the Governor's Budget assumes accrual of the penalty reimbursement to 2007-08.

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## DEPARTMENT OF SOCIAL SERVICES

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

The Governor's Budget includes \$18.7 billion (\$8.9 billion General Fund) for the DSS, a decrease of \$329.9 million General Fund from the revised 2006-07 budget and \$214.3 million General Fund from the Budget Act of 2006.

### 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 program on January 1, 1998. CalWORKs 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 promotes self-sufficiency by establishing work requirements and encouraging personal accountability. The program recognizes the different needs of each county and affords them program design and funding flexibility to ensure successful implementation at the local level.

Total CalWORKs expenditures of \$7 billion (state, local, and federal funds) are proposed for 2007-08, including TANF and maintenance-of-effort (MOE) countable expenditures. The amount budgeted includes \$4.8 billion for CalWORKs program expenditures within the DSS budget, \$136.8 million in county expenditures, \$1.9 billion in other programs, and \$150.1 million for a CalWORKs program reserve. Other programs include expenditures for the Statewide Automated Welfare System, Child Welfare Services, California Food Assistance Program, State Supplementary Payment, Foster Care, State Department of Education child care (including after school programs), California Community Colleges child care and education services (including fee waivers), DCSS disregard payments, DDS programs, and Cal Grants (see Figure HHS-09). The \$1.9 billion in other programs includes expenditures of \$203 million counted toward the MOE in excess of the federally-required level, which is described in greater detail below.

After many years of decline, caseload is projected to increase on the natural by a modest amount in 2007-08. Absent the

Figure HHS-09 2007-08 CalWORKs Program Expenditures <sup>1</sup> (Dollars in Millions)	
CalWORKs Program Components	2007-08
<b><u>In DSS Budget:</u></b>	
Assistance Payments	\$2,492
Employment Services	1,096
County Administration	444
DSS Child Care	514
Kin-GAP	144
Tribal TANF	92
DSS Administration	28
<b>Subtotal</b>	<b>\$4,810</b>
<b><u>Other CalWORKs Expenditures:</u></b>	
Statewide Automated Welfare System	76
Child Welfare Services	246
California Food Assistance Program	8
State Supplementary Payment Program	10
Foster Care	53
State Department of Education Child Care	793
After School Programs	287
California Community Colleges Child Care	15
CCC Education Services	29
CCC Fee Waivers	57
Cal Grants	215
DCSS Disregard Payments	30
Department of Developmental Services	56
County Expenditures	137
<b>Subtotal</b>	<b>\$2,010</b>
<b>General TANF Reserve</b>	<b>150</b>
<b>Total CalWORKs Expenditures</b>	<b>\$6,970</b>

<sup>1</sup> Detail may not add to totals due to rounding.

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program changes described below, the average monthly caseload in this program is estimated to be 468,000 families in 2007-08, a 0.1-percent increase over the 2006-07 projection. The proposed changes to CalWORKs are estimated to reduce the 2007-08 caseload projection to 412,600 families, an 11.7-percent decrease from the 2006-07 estimate.

### Impetus for Change

Because many recipients are not working sufficient hours to meet the federal work participation requirements, California's work participation rate has ranged from a high of over 40 percent in 1999 to less than 24 percent currently. In the past, California met the federal requirements due to significant caseload reduction credits allowed under the original federal welfare reform. The federal DRA reauthorized the TANF program and made changes that will require California to increase work participation rates of individuals receiving assistance funded with TANF and matching MOE resources or face substantial fiscal penalties.

Even with the \$230 million investment made in the Budget Act of 2006 taken into consideration, full implementation of current policies is not expected to increase work participation rates enough to meet the federal requirement for at least 50 percent work participation among all families. The Governor's Budget proposes to implement changes that place a greater emphasis on work participation and personal responsibility, improve California's ability to meet federal requirements, and increase program efficiencies. These changes are necessary not only to meet the federal work participation rate requirements but also to refocus the program on engaging individuals in work to become self-sufficient. The following key policy objectives continue to serve as a foundation for the Administration's CalWORKs proposal:

- Emphasize the shared responsibility of government and participants to help families prepare for and achieve self-sufficiency through work.
- Continue to focus on employment to maximize participation in the workforce and decrease dependence upon aid.
- Create incentives for counties to utilize available resources more effectively and efficiently and reward the achievement of welfare-to-work goals.
- Maintain support services necessary to transition recipients to the workforce.
- Maintain a statewide safety net for low-income families.
- Maximize available federal block grant funds and the federally-required level of state funds.

- Align benefit levels with TANF programs in other states to ensure the long-term viability of the program.

#### Increase Accountability and Improve CalWORKs Outcomes

California's policy to date has been to limit total CalWORKs spending to only the TANF Block Grant (including carryover balances) and the required MOE amount. However, the Governor's Budget identifies MOE expenditures in excess of the required level to achieve a greater caseload reduction credit, as allowable by the federal government. The DRA expanded MOE-eligible spending to include certain expenditures for non-assistance benefits and services. This allows additional expenditures of \$203 million to be counted towards the CalWORKs MOE within the State Department of Education child care and after school programs, increasing California's caseload reduction credit by an estimated 5 percent.

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

- **Implement Full Family Sanctions**—This proposal strengthens work requirements and recipient accountability by imposing full sanctions for families when the adult continues to not comply with program requirements beyond 90 days. A full family sanction policy will reduce prolonged noncompliance while providing a reasonable timeframe to achieve compliance during which benefits are still available. This component will increase California's work participation rate by 9 percent.
- **Modify the Safety Net Program**—The current safety net program minimizes the incentive for families to become self-sufficient. This proposal would reward working families by continuing safety net benefits for families beyond their 60-month time limit only if they meet federal work participation requirements. This component will increase the state's work participation rate by 4 percent.
- **Consistent Child-Only Benefits**—The Administration proposes to provide cash aid for families receiving child-only benefits that are consistent with other CalWORKs families. As such, aid to families receiving child-only benefits will be limited to 60 months. These families include parents or caretakers who are undocumented non-citizens, drug felons or fleeing felons.

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- **Semi-Annual Reporting**—The Administration proposes to modify the process for redetermining benefit levels for CalWORKs and Food Stamp recipients and to change the reporting frequency for recipients from quarterly to semi-annually. This change will simplify the process for both county staff and recipients, will increase the state’s ability to track recipients’ work participation, and will align California’s reporting frequency with that of other states. The goal is to have this component ready for implementation in 2008-09.

To provide recipients sufficient time to comply with work requirements, these reform measures will become effective on November 1, 2007, and are estimated to provide net savings of \$324.4 million in 2007-08 and \$426 million annually thereafter. With these reforms, the Governor’s Budget proposes to maintain the \$230 million included in the Budget Act of 2006 to support CalWORKs program improvements, including \$90 million for counties to implement program improvements that lead to better outcomes and increased work participation rates for CalWORKs recipients and \$140 million to support county administration. The Governor’s Budget makes available \$40 million in Pay for Performance incentive funds for those counties that achieve improved program outcomes during 2006-07. The combination of CalWORKs reform and county efforts will position counties to increase work participation rates, meet federal requirements, avoid penalties, and successfully move families from welfare to work.

### Utilize Proposition 98 Funds to Fully Fund Stage 2 Child Care

Utilizing available Proposition 98 resources in lieu of federal TANF funds to fully fund Stage 2 child care, which is administered by the State Department of Education, maintains child care services while providing significant General Fund relief in CalWORKs. This funding shift will result in savings of \$268.9 million in 2007-08 and annually thereafter.

### Suspend the July 1, 2007, CalWORKs Maximum Aid Payment Cost-of-Living Adjustment (COLA)

Suspending the 2007-08 COLA will help to alleviate the state’s structural deficit without reducing benefits to CalWORKs families. This proposal will result in savings of \$140.3 million in 2007-08 and annually thereafter. California’s grant levels are currently the highest among the ten most populous states.

### Adjust the Single Allocation to Account for Unspent Fraud Recovery Incentives

Savings of \$16 million are achieved in 2007-08 through a one-time reduction in the counties' single allocation funding for employment services, child care, and administration. Counties can backfill the reduction with fraud recovery incentive funds previously earned and allocated to counties, but not spent.

#### Increase Employment Training Fund for CalWORKs

Additional Employment Training Fund revenues are available in 2007-08 to support CalWORKs employment services. This will achieve one-time General Fund savings of \$15 million with no impact to recipient families and still allow for an increase in the Employment Training Panel's appropriation compared to the Budget Act of 2006.

#### Offset General Fund Costs in Child Welfare Services

A portion of the TANF savings generated by the above proposals will be used to offset 2007-08 General Fund costs in the Child Welfare Services (CWS) emergency assistance program by \$36.4 million. The availability of \$20 million in TANF carryover funds from 2006-07 will increase these General Fund savings to \$56.4 million. The use of TANF to fund these CWS expenditures does not negatively impact the state's ability to meet federal work participation requirements.

#### **SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT**

The federal Supplemental Security Income (SSI) program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In California, the SSI payment is augmented with a State Supplementary Payment (SSP) grant. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration administers the SSI/SSP program, making eligibility determinations and grant computations and issuing combined monthly checks to recipients.

The Governor's Budget proposes \$3.9 billion General Fund for the SSI/SSP program in 2007-08. This represents a 9.9-percent increase from the revised 2006-07 budget. The caseload in this program is estimated to be 1.3 million recipients in 2007-08, a 2.1-percent increase over the 2006-07 projected level. The SSI/SSP caseload consists of 29 percent aged, 2 percent blind and 69 percent disabled persons. The overall General Fund contribution to SSI/SSP is projected to grow in 2007-08 by \$350.1 million from the revised 2006-07 expenditure level.

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The Governor's Budget includes \$216.7 million General Fund in 2007-08 to provide the January 2008 state SSI/SSP COLA. SSI/SSP recipients will receive grant increases due to a projected 1.2-percent federal COLA and an estimated 4.2-percent state COLA. Beginning in January 2008, monthly grant payment levels are estimated to increase from \$856 to \$892 for aged or disabled individuals and from \$1,502 to \$1,565 for aged or disabled couples. With these increases, California's SSI/SSP payment levels for individuals and couples are expected to maintain rankings of second and first in the nation, respectively.

### IN-HOME SUPPORTIVE SERVICES

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

The Governor's Budget proposes \$1.5 billion General Fund for the IHSS program. The average monthly caseload in this program is estimated to be 395,100 recipients in 2007-08, a 5.4-percent increase over the 2006-07 projected level.

#### Controlling Program Growth

Total IHSS expenditures continue to grow much faster than IHSS caseload. Specifically, General Fund expenditures for the IHSS program are projected to have grown by approximately 147 percent from 1999-00 to 2007-08, while caseload is estimated to have grown by less than 75 percent during the same period. This is predominantly due to an increase in costs per case attributable to wage and benefit increases. The IHSS Quality Assurance Program was implemented in 2004-05 to ensure that individuals receive necessary services consistently and help control costs. While growth in costs initially slowed under this program, savings have not materialized as expected.

Given the state's fiscal constraints, it is necessary to limit the state's share of cost in this program. By maintaining state participation at the combined wage and benefit levels in effect as of January 10, 2007, significant reductions to services can be avoided. Future increases in wages and benefits that are collectively bargained at the local level would be financed by the counties and federal government. Absent this proposal, given the projected growth in statewide revenues, state participation in IHSS wages and benefits would increase from \$11.10 per hour to \$12.10 per hour in 2007-08. Freezing state participation will result in General Fund savings of \$14.1 million by avoiding this increase and lead to significant future cost savings.

**CHILD WELFARE SERVICES**

The child welfare system in California provides a continuum of services through programs, including CWS, Child Abuse Prevention, Foster Care, Adoption Assistance, and adoptions to children who are either at risk of or have suffered abuse and neglect. The Governor's Budget includes \$4 billion (\$1.6 billion General Fund) to provide assistance payments and services to children and families under these programs. This is a \$94.4 million increase (a decrease of \$43.9 million General Fund), or 2.4-percent increase from the revised 2006-07 budget.

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

The state has made significant improvements by successfully complying with 10 of 14 federal outcome measures it had previously failed. The Governor's Budget maintains last year's investment and includes an additional \$5.4 million (\$2.9 million General Fund) in 2007-08 for additional programmatic investments designed to ensure the safety of children and improve outcomes. Specifically, these investments include:

- \$3.2 million (\$2 million General Fund) for probation specific activities related to the implementation and completion of the county system improvement plans. Funds would pay for strategies designed to improve outcomes for children and families under the jurisdiction of the juvenile justice system and placed in out-of-home care by county probation departments.
- \$1 million (\$0.3 million General Fund) to strengthen state leadership and accountability and improve outcomes in CWS. This funding would be used to improve the identification of mental health and developmental needs of children and youth in foster care and access to mental health treatment resources for children and youth in foster care and children and youth at risk of foster care entry. This proposal includes funding to prevent child trafficking in inter-country adoptions through compliance with new federal requirements.
- \$1 million (\$0.5 million General Fund) to establish a Child and Family Services Review Unit to oversee data quality and integrity, monitor program performance, and ensure compliance with the federal Child and Family Services Review. This proposal seeks to improve performance in meeting federal outcomes and generally improve the provision

## HEALTH AND HUMAN SERVICES

of child welfare services. Funding for county staff costs and a contractor to prepare the state for the next federal review is included.

- \$0.2 million (\$0.1 million General Fund) to support the California Child Welfare Council, which was created by Chapter 384, Statutes of 2006 (AB 2216) to serve as an advisory body to the courts and various agencies that provide services to children and youth receiving child welfare services.

### COMMUNITY CARE LICENSING

The Community Care Licensing program directly licenses and monitors approximately 76,000 community care facilities and provides oversight, direction, and training to counties that license approximately 11,000 additional facilities. These facilities include child day care, children's residential, and elderly residential and day support facilities and serve approximately 1.4 million clients statewide. The Governor's Budget includes \$119.9 million (\$38.2 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 \$7.1 million (\$5.9 million General Fund), or 6.3-percent, increase from the revised 2006-07 budget.

The Governor's Budget includes \$6.6 million (\$6.1 million General Fund) for investments in the licensing program designed to increase protections for clients in licensed facilities and improve the efficiency and effectiveness of the Community Care Licensing program. Specific investments include:

- \$4.3 million (\$4.1 million General Fund) and 58.5 positions to increase the number of random sample licensing visits from 20 percent to 30 percent annually to comply with statutory requirements. The Administration also proposes to modify the requirement for increasing the random sample based upon growth in citations to account for increases in visits.
- \$1.7 million (\$1.5 million General Fund) to implement a Licensing Reform Automation Project to improve limitations and weaknesses of information technology systems supporting the licensing program. This augmentation will provide automated tools to enable licensing staff to conduct more follow-up visits and better focus on the health and safety of clients in care.
- \$0.6 million (\$0.5 million General Fund) and 6.5 positions for follow-up visits when a Temporary Suspension Order, Revocation, or Exclusion Order has been served to ensure that the facility has ceased operation or that the excluded individuals are no longer at the facility. Proper follow-up will further enhance client protections.



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## STATE-LOCAL PROGRAM REALIGNMENT

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

Sufficient sales tax growth revenue is available from 2005-06 to make current the payment of caseload growth. For 2003-04, the amount of sales tax growth required to be deposited into the Caseload Subaccount was deficient by \$147.6 million. This shortfall was fully restored with \$60.1 million of 2004-05 sales tax growth revenue after the 2002-03 caseload growth was fully funded and \$87.5 million of 2005-06 sales tax growth revenue. Sales tax growth revenue for 2005-06 was sufficient to restore the previously-unfunded 2004-05 caseload growth of \$81.7 million and the 2005-06 caseload growth of \$26.9 million. The remaining sales tax growth revenues will be allocated to the County Medical Services and General Growth Subaccounts pursuant to current state law.

Realignment revenues in 2006-07 are estimated to total \$4.6 billion, an increase of \$75.5 million compared to 2005-06. The \$4.6 billion is comprised of \$2.9 billion in sales tax revenues and \$1.7 billion in VLF. The projected \$9 million in sales tax growth and \$66.5 million in projected VLF growth will be distributed pursuant to current statute.

For 2007-08, realignment revenues are estimated to total \$4.8 billion, an increase of \$231.4 million above 2006-07. The \$4.8 billion total includes \$3 billion in sales tax revenues and \$1.8 billion in VLF. The projected \$163.4 million in sales tax growth and \$68 million in estimated VLF growth will be distributed pursuant to current statute (see Figure HHS-10, Figure HHS-11, and Figure HHS-12).

Figure HHS-10  
**1991-92 State-Local Realignment**  
**2005-06 Estimated Revenues and Expenditures**  
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$835,285	\$410,413	\$1,378,994	\$2,624,692
Vehicle License Fee Account	340,601	1,193,929	58,434	1,592,964
<b>Total Base</b>	<b>\$1,175,886</b>	<b>\$1,604,342</b>	<b>\$1,437,428</b>	<b>\$4,217,656</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:	5,943	16,361	197,168	219,472
Caseload Subaccount	—	—	(196,036)	(196,036)
County Medical Services Subaccount	—	(8,838)	—	(8,838)
General Growth Subaccount	(5,943)	(7,523)	(1,132)	(14,598)
Vehicle License Fee Growth Account	16,894	46,508	3,218	66,620
<b>Total Growth</b>	<b>\$22,837</b>	<b>\$62,869</b>	<b>\$200,386</b>	<b>\$286,092</b>
<b>Total Realignment<sup>1</sup></b>	<b>\$1,198,723</b>	<b>\$1,667,211</b>	<b>\$1,637,814</b>	<b>\$4,503,748</b>

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

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

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$841,228	\$426,774	\$1,576,162	\$2,844,164
Vehicle License Fee Account	357,495	1,240,437	61,652	1,659,584
<b>Total Base</b>	<b>\$1,198,723</b>	<b>\$1,667,211</b>	<b>\$1,637,814</b>	<b>\$4,503,748</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:	3,520	4,818	670	9,008
Caseload Subaccount	—	—	—	—
County Medical Services Subaccount	—	(363)	—	(363)
General Growth Subaccount	(3,520)	(4,455)	(670)	(8,645)
Vehicle License Fee Growth Account	25,974	35,555	4,947	66,476
<b>Total Growth</b>	<b>\$29,494</b>	<b>\$40,373</b>	<b>\$5,617</b>	<b>\$75,484</b>
<b>Total Realignment<sup>1</sup></b>	<b>\$1,228,217</b>	<b>\$1,707,584</b>	<b>\$1,643,431</b>	<b>\$4,579,232</b>

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

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

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$844,748	\$431,592	\$1,576,832	\$2,853,172
Vehicle License Fee Account	383,469	1,275,992	66,599	1,726,060
<b>Total Base</b>	<b>\$1,228,217</b>	<b>\$1,707,584</b>	<b>\$1,643,431</b>	<b>\$4,579,232</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:	63,849	87,401	12,161	163,411
Caseload Subaccount	—	—	—	—
County Medical Services Subaccount	—	(6,581)	—	(6,581)
General Growth Subaccount	(63,849)	(80,820)	(12,161)	(156,830)
Vehicle License Fee Growth Account	26,570	36,371	5,061	68,002
<b>Total Growth</b>	<b>\$90,419</b>	<b>\$123,772</b>	<b>\$17,222</b>	<b>\$231,413</b>
<b>Total Realignment<sup>1</sup></b>	<b>\$1,318,636</b>	<b>\$1,831,356</b>	<b>\$1,660,653</b>	<b>\$4,810,645</b>

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

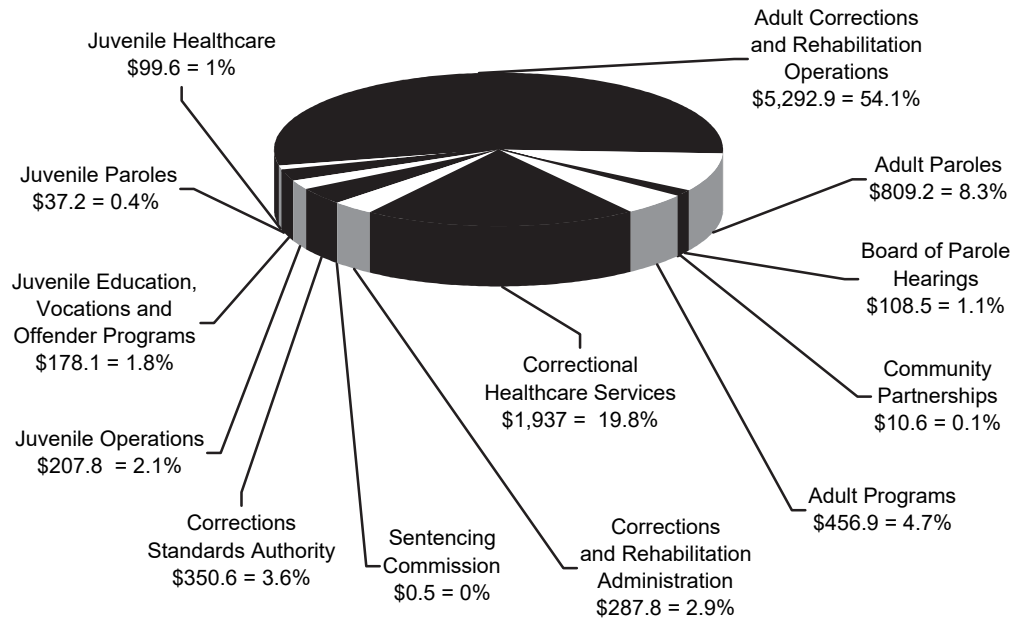
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# CORRECTIONS AND REHABILITATION

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

Excluding infrastructure adjustments, the Governor's Budget includes \$10 billion (\$9.7 billion General Fund and \$321.5 million other funds) for CDCR. This reflects an increase of \$249.5 million (\$444.6 million General Fund) or 2.6 percent over the revised 2006-07 budget. The funding by program proposed for the Department is shown in Figure DCR-01. Notable funding changes are further described below.

Figure DCR-01  
**Proposed CDCR Expenditures for 2007-08**  
**All Funds by Program**  
**(Dollars in Millions)**



## MAJOR ACCOMPLISHMENTS IN 2006-07

When the departments under the former Youth and Adult Correctional Agency were consolidated into the CDCR in 2005, the Administration committed to improve public safety through the implementation of evidence-based programs that reduce recidivism and prepare inmates to transition back to the community. Toward that end, the Budget for 2006-07 included \$52.8 million for inmate education programs, community partnerships, parolee services, institution rehabilitative and treatment programs, and research and support services. This investment grows to \$93.9 million in 2007-08. This ongoing funding represents a comprehensive approach to inmate and parolee programming by providing program enhancements and community services to male and female inmates and parolees.

Other initiatives implemented on an ongoing basis in 2006-07 include the following:

- Global Positioning System (GPS) Expansion-As part of a four-year plan to have 2,500 GPS units available for parolee monitoring by 2009-10, the 2006-07 Budget includes

\$5.1 million to add 500 GPS devices to track and monitor parolees who pose the highest risk to public safety.

- Cadet Needs-To safely operate its institutions, the Department must hire and train more cadets. The 2006-07 Budget provides \$54.5 million to expand the training academies to meet the pressing need for adult Correctional Officers, Youth Correctional Officers/Counselors, and parole agents.
- Separate Health Care Item-The 2006-07 Budget includes a \$100 million appropriation along with language that allows these funds to be transferred to the CDCR's health care budget to fund the activities of the Receiver appointed by the court in Plata v. Schwarzenegger on an expedited basis.
- Contract Medical and Medical Guarding-The 2006-07 Budget reflects an increase of \$250.5 million to adjust the base funding available to pay the increased costs of medical contracts, pharmaceuticals, and medical guarding.
- Protective Vests-The 2006-07 Budget provides \$4.1 million to expand the distribution and replacement of protective vests to peace officer staff as well as non-peace officer staff who must perform their duties in high-risk conditions, consistent with the Department's comprehensive protective vest procedures.

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## PROPOSED CDCR SPENDING FOR 2007-08

Change Table DCR-01 illustrates the major changes proposed to CDCR spending in the Governor's Budget.

The major workload adjustments required by law for 2007-08 include the following:

- Sex Offender Management Plan-The Budget includes \$30.4 million in 2006-07 and \$77.3 million in 2007-08 and ongoing to implement Proposition 83 (known as Jessica's Law) as well as other recently-enacted measures related to managing sex offenders. These augmentations include funding for active GPS monitoring and 20:1 parole agent supervision ratios for 3,300 high risk sex offender parolees, and passive GPS monitoring with 40:1 parole agent supervision ratios for 5,700 other sex offender parolees, pursuant to Proposition 83.
- Court Orders and Lawsuits-The Budget includes \$130 million in 2006-07 and \$278.9 million in 2007-08 to comply with court orders and lawsuits, including activities of the health care Receiver in the case of Plata v. Schwarzenegger.

## Change Table DCR-01

**Corrections and Rehabilitation Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$8,751,139	\$523,414	62,714.7	\$8,569,955	\$333,024	62,714.7
<b>Workload Adjustments</b>						
Facility Maintenance and Repair	--	--	--	46,000	--	--
Sex Offender Management Plan	30,400	--	86.3	77,286	--	294.8
Statewide Equipment Replacement	--	--	--	23,025	--	--
Enrollment/Caseload/Population	-2,670	-745	-170.1	62,061	-106	257.6
Employee Compensation/Retirement	345,658	2,833	--	360,073	2,512	--
Court Orders/Lawsuits	129,972	--	493.5	278,873	--	882.9
Expiring Programs or Positions	--	--	--	-4,839	--	-79.6
One-Time Cost Reductions	--	--	--	-66,789	--	--
Full-Year Cost of New Programs	--	--	480.6	200,514	1	1,705.4
Other Workload Adjustments	-42,506	-8,948	2.1	68,216	-13,970	54.1
<b>Totals, Workload Adjustments</b>	<b>\$460,854</b>	<b>-\$6,860</b>	<b>892.4</b>	<b>\$1,044,420</b>	<b>-\$11,563</b>	<b>3,115.2</b>
<b>Policy Adjustments</b>						
Adult Probation Funding	--	--	--	50,000	--	--
Consolidated IT Infrastructure Project	--	--	--	32,421	--	16.7
Out of State Beds	10,344	--	59.9	13,158	--	96.2
Population and Caseload Savings	--	--	--	-56,700	--	--
Sentencing Commission	--	--	--	457	--	3.8
Sex Offender Management Plan	--	--	--	45,578	--	5.6
Shift of DJJ Population	--	--	--	-32,885	--	--
Teacher Pay and Schedule Parity	--	--	--	4,868	--	--
Other Policy Adjustments	--	--	--	-4,334	--	21.1
<b>Totals, Policy Adjustments</b>	<b>\$10,344</b>	<b>\$0</b>	<b>59.9</b>	<b>\$52,563</b>	<b>\$0</b>	<b>143.4</b>
<b>Infrastructure Adjustments</b>	<b>\$13,369</b>	<b>\$56,589</b>	<b>--</b>	<b>\$376,369</b>	<b>\$9,677,764</b>	<b>--</b>
<b>Total Adjustments</b>	<b>\$484,567</b>	<b>\$49,729</b>	<b>952.3</b>	<b>\$1,473,352</b>	<b>\$9,666,201</b>	<b>3,258.6</b>
<b>Governor's Budget</b>	<b>\$9,235,706</b>	<b>\$573,143</b>	<b>63,667.0</b>	<b>\$10,043,307</b>	<b>\$9,999,225</b>	<b>65,973.3</b>

\* Dollars in Thousands



- Population Adjustments-The Budget includes a reduction of \$3.4 million (\$2.6 million General Fund) in 2006-07 and a net increase of \$65.8 million (\$65.9 million General Fund) in 2007-08 to address changes in adult and juvenile population and parolee caseloads.
- Facility Maintenance and Repair-The Budget includes \$46 million in 2007-08 for facility maintenance and repair, including maintenance of transformers, generators, and high-voltage switchgear; an ongoing preventative maintenance program for roofing; repair and replacement of roads and parking lots; and other critical deferred maintenance.
- Statewide Equipment Replacement-The Budget includes \$23 million in 2007-08 to replace equipment, including buses, telephone systems, and radio systems.
- Employee Compensation and Retirement-The Budget includes \$345.7 million in 2006-07 and \$360 million in 2006-07 for employee compensation costs and adjustments to the retirement contribution rate.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

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### PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor's Budget proposes significant changes related to sentencing reform, state prison and local jail capacity issues, the management and supervision of convicted sex offenders, and realignment of the Division of Juvenile Justice. The Governor's Budget also provides funds for critical departmental information technology projects, equipment replacement and facility maintenance and repair.

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#### CALIFORNIA SENTENCING COMMISSION

The Governor proposes to create the California Sentencing Commission to review and make recommendations on sentencing guidelines. The Commission, which will be permanent, will include the Attorney General, the Secretary of the Department of Corrections and Rehabilitation, and 15 members appointed by the Governor representing various stakeholders including the Legislature, law enforcement, victims, labor, and other groups. The Commission will act as a clearinghouse and information center for sentencing, review proposed legislation affecting sentencing, and submit recommendations on sentencing guidelines

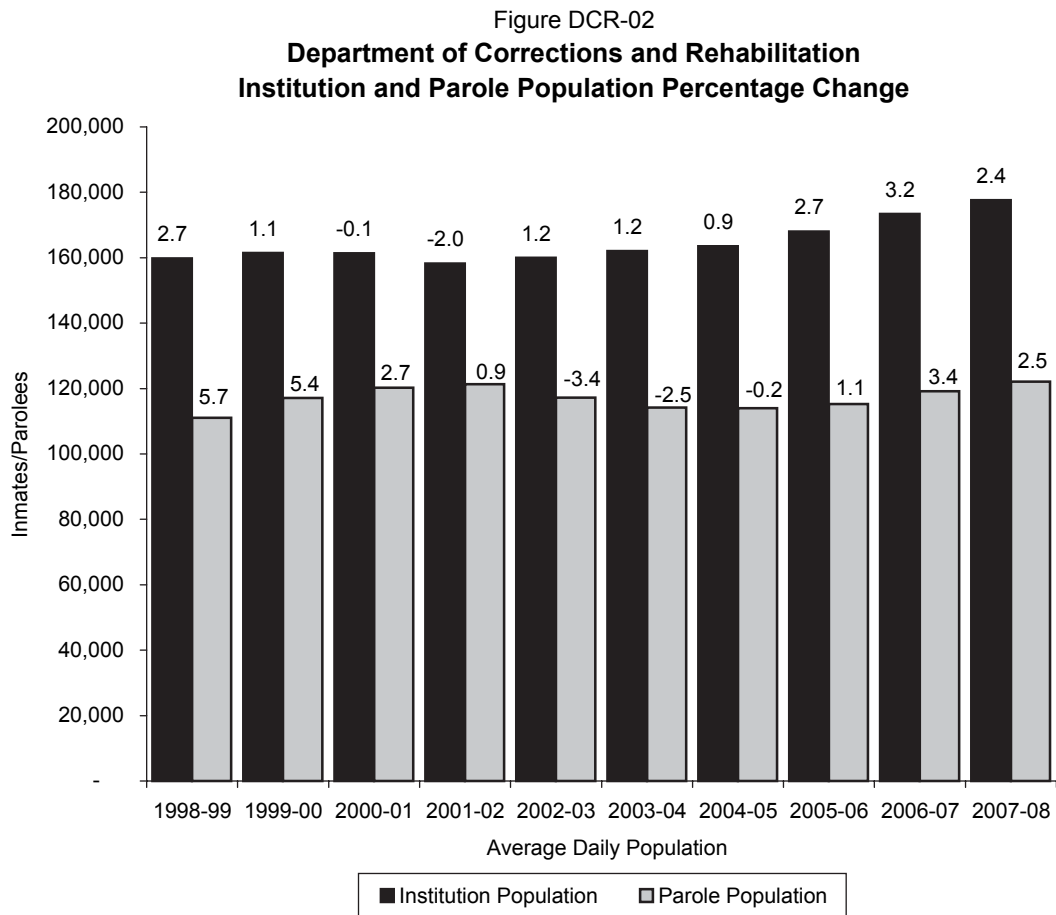
to the Legislature each year. In the first year, the Commission will focus on California’s parole system. The Budget includes \$457,000 General Fund for the Commission.

**RESTRUCTURING THE STATE’S APPROACH TO INCARCERATION AND PAROLE SUPERVISION**

The Administration is proposing a comprehensive approach to the statewide prison and jail capacity crisis. As a result of increased pressure from the courts to reduce population and elements of the Strategic Growth Plan, the Budget proposes several changes to the manner in which low-level offenders are incarcerated and monitored upon release.

**ADULT INMATE AND PAROLEE POPULATION**

Under existing law, the average daily inmate population is projected to increase from 173,401 in 2006-07 to 177,577 in 2007-08, an increase of 4,176 inmates, or 2.4 percent. This change is due primarily to increases in new admissions from court, and increases in the number of parole violators returned to prison because they committed a new crime and received a new prison term, or because they committed a specific parole violation. The 2006-07 Budget assumed an average daily inmate population of 175,627. (See Figure DCR-02)



Similarly, under existing law, the average daily parole population is projected to increase from 119,148 in 2006-07 to 122,148 in 2007-08, an increase of 3,000 parolees, or 2.5 percent. The projected increase is due to fewer discharges from parole and more releases to parole from prison than expected. This increase is partially offset by more parole violators returned to prison with new terms. The 2006-07 Budget assumed an average daily parole population of 117,754.

The fiscal impact of these population changes in 2006-07 is an increase of \$9.7 million General Fund and a reduction of \$257,000 in other funds. In 2007-08, the fiscal impact is an increase of \$58.8 million General Fund, and an increase of \$533,000 other funds.

#### **PARTNERING WITH LOCAL LAW ENFORCEMENT**

Beginning July 1, 2008, specified non-serious, non-violent felons with terms of three years or less will serve their sentences in county jails. This will not reduce the length of their sentences. This change is a pivotal component of the State's historic partnership with local law enforcement. The Strategic Growth Plan will provide \$4.4 billion to local governments for the construction of jail facilities. Combined with a \$1.1 billion match, this will provide a significant investment in California's criminal justice system. Once these momentous changes are implemented, annual state prison costs will decrease by an estimated \$250 million in 2008-09 and \$500 million in 2009-10 and ongoing. The Administration recognizes that there will also be increased operating costs at the local level and is committed to working with Legislators and local officials to address these costs as part of a comprehensive reform package.

The Budget includes estimated savings resulting from modifications to the parole structure, which will allow law enforcement to focus on those who pose the greatest risk of committing another crime. This includes automatic discharge from parole for individuals with 12 months of "clean time", and no parole for low-level offenders upon completion of their prison sentences. The Budget also assumes the elimination of 90-day diagnostic evaluations. In total, these changes are estimated to result in savings of \$56.7 million in 2007-08 and \$75.5 million in 2008-09 and ongoing.

The Budget includes \$50 million in 2007-08 and \$100 million in 2008-09 and ongoing for local adult probation funding. These funds will be used to target the at-risk 18-to 25-year-old probation population, which accounts for the largest percentage of new felon admissions to the state prison system. The program will be modeled after the successful Juvenile Justice Crime Prevention Act program, which has had a positive impact on the juvenile

offender population. Through shared responsibility for the offender population statewide, local governments and the state will each have a greater stake in positive outcomes.

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### COMPREHENSIVE SEX OFFENDER MANAGEMENT PLAN

The Administration is committed to ensuring that the public is protected from sex offenders. Consistent with the overwhelming mandate from voters in enacting Proposition 83, the Administration proposes a Sex Offender Management Plan to address this population of inmates and parolees in order to ensure the safety of all Californians, especially children.

Proposition 83 changed the punishment and monitoring of convicted sex offenders. It increased penalties by broadening the definition of certain sex offenses, providing for longer penalties related to specified sex offenses, prohibiting the use of probation in lieu of prison for some sex offenses, eliminating early release credits for some inmates convicted of certain sex offenses, and extending parole for certain types of sex offenders.

Proposition 83 requires lifetime monitoring of specified sex offenders using GPS devices, and places geographical restrictions on where convicted sex offenders may reside. Proposition 83 also changed the laws governing Sexually Violent Predators (SVPs) by making more sex offenders eligible for commitment to state mental hospitals as SVPs and altering the standards for release of SVPs from state mental hospitals.

Prior to the passage of Proposition 83, the Governor convened the High Risk Sex Offender (HRSO) Task Force, which made a number of recommendations relating to the handling of HRSO inmates and parolees. Some of these recommendations were enacted in 2006 legislative measures. The Comprehensive Sex Offender Management Plan is comprised of HRSO Task Force recommendations, related legislation, and implementation of Proposition 83. The Budget includes a total of \$30.4 million General Fund in 2006-07 and \$122.8 million General Fund in 2007-08 and ongoing for CDCR to implement the Comprehensive Sex Offender Management Plan, specifically:

- \$25.1 million in 2006-07 and \$68.1 million in 2007-08 for the Division of Adult Parole Operations to provide GPS monitoring and supervision for 9,000 sex offender parolees pursuant to Proposition 83. These augmentations provide active GPS monitoring and 20:1 parole agent supervision ratios for 3,300 HRSO parolees and passive GPS monitoring and 40:1 parole agent supervision ratios for 5,700 other sex offenders. Active GPS allows offenders to be tracked “near real time” on a computer that is configured to reflect the offenders’ location on a map. If the offender violates pre-configured boundaries, an alert is registered and relayed to the parole agent. With active GPS

monitoring, detection and alert notification are immediate and the officer can attempt to contact the offender or alert law enforcement within minutes. Passive GPS tracks an offender's daily activities, allows for a "download" of this information, and the monitoring service generates a report for the parole agent the following day.

- \$5.3 million in 2006-07 and \$7.5 million in 2007-08 for the Division of Adult Institutions, the Division of Adult Parole Operations, and the Board of Parole Hearings to address increased screening and hearing caseloads resulting from the changes to SVP laws contained in Proposition 83.
- \$42.7 million in 2007-08 for the Department to contract for the treatment of HRSO parolees, per the recommendations of the HRSO Task Force.
- \$1.7 million in 2007-08 to provide contracted biannual polygraph testing for HRSO parolees.
- \$1.6 million in 2007-08 to provide training for parole agents on the Sex Offender Containment Model, polygraph testing, and the State Approved Risk Assessment Tool for Sex Offenders (SARATSO), pursuant to recommendations of the HRSO Task Force and the provisions of Chapter 337, Statutes of 2006 (SB 1128).
- \$600,000 in 2007-08 for the Department to assign four parole agents to SAFE Teams based in each parole region, and to provide staffing support for community outreach and communication efforts related to the placement and monitoring of sex offenders.
- \$600,000 in 2007-08 for the Sex Offender Management Board, pursuant to an HRSO Task Force recommendation that was enacted by Chapter 338, Statutes of 2006 (AB 1015).

Additional funding for the implementation of Proposition 83 is included in the Department of Mental Health budget.

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## **DIVISION OF JUVENILE JUSTICE**

### **WORKLOAD ADJUSTMENT FOR PROJECTED JUVENILE OFFENDER AND PAROLEE POPULATION**

The Division of Juvenile Justice (DJJ) projects a juvenile institution population of 2,630 youthful offenders by June 30, 2007, 30 less than anticipated in the 2006 Budget Act. The 2007-08 year-end institution population is expected to decrease by 40 wards, resulting in a June 30, 2008 population of 2,490. Primarily due to delays in the implementation of smaller living units and associated staffing ratios called for in the Safety and Welfare and

## CORRECTIONS AND REHABILITATION

Mental Health Remedial Plans, the Governor's Budget proposes a decrease of \$9.3 million General Fund and \$488,000 other funds in 2006-07. There is an increase of \$8.2 million General Fund in 2007-08 due to the ongoing implementation of these additional units and staffing ratios. However, the overall costs in 2007-08 are lower than the level of funding originally approved in both of the remedial plans due to slower activation than initially anticipated. The total General Fund expenditures are partially offset by General Fund revenues from the sliding scale fees paid by counties. In 2006-07, these revenues are estimated to be \$16.7 million, a decrease of \$829,000 from the revenue expected at the time of the 2006 Budget Act. In 2007-08, these revenues are estimated to be \$15.8 million.

The juvenile parole population is expected to be 2,775 by June 30, 2007, a decrease of 160 from the 2006 Budget Act. By June 30, 2008, the juvenile parole population is expected to decrease by 240 from the level projected in the 2006 Budget Act to a total of 2,405. To address this change, the Governor's Budget proposes decreases of \$1.2 million General Fund in 2006-07 and \$2.4 million General Fund in 2007-08.

The population adjustment proposed in the Governor's Budget for the Juvenile Education Program reflects staffing ratios consistent with the requirements of the Education Remedial Plan. General Fund Proposition 98 funding is projected to decrease by \$1.9 million in 2006-07 and \$2.6 million in 2007-08.

### **SHIFTING THE JUVENILE JUSTICE POPULATION**

Prior to the 2005 Youth and Adult Correctional Agency consolidation, the DJJ was known as the California Youth Authority (CYA). The CYA was created in 1941 and began operating "reform schools" in 1943, when the Governor transferred management of three state reformatories to CYA oversight. At that time, the population consisted of 1,080 wards in institutions and 1,625 wards on parole. By June of 1996, the population of CYA had grown to an institution high of 10,114 and a parole high of 6,249. As the result of legislation enacted to increase the cost for counties to house wards in state institutions and efforts to enhance services at the local level, the DJJ's population has steadily declined since 1996.

Local juvenile justice services have improved through efforts like the Juvenile Justice Crime Prevention Act (JJCPA) program. The JJCPA is a partnership between the state, 56 counties, and more than 200 community-based organizations. Under the JJCPA, local officials and stakeholders determine where to direct resources through an interagency planning process; the state appropriates funds to counties on a per-capita basis; and community-based organizations deliver the services. It is a partnership that recognizes the value of local

discretion in addressing juvenile crime. Outcome data collected by counties indicates that JJPCA programs have been successful in curbing juvenile crime and delinquency in California.

As a result of programs like the JJPCA, and the higher cost of state versus local housing for juvenile offenders, counties have consistently sent fewer offenders to the DJJ; a trend that is likely to continue. As of June 30, 2006, DJJ's institution population had decreased to 2,887 (71 percent lower than June 1996) and its parole population had decreased to 3,162 (49 percent lower than June 1996). Less than one percent of juveniles arrested in California end up in DJJ facilities. The rest are retained at the local level.

Despite this significant drop in the institution population, the state was unable to provide adequate program services for the remaining offender population. As a result of a taxpayer lawsuit (*Farrell v. Tilton*), the state agreed to review the entire system and reform the programs provided to juvenile offenders. Beginning in 2005-06, the DJJ began implementing reforms, as stipulated by the Farrell consent decree, in areas of Mental Health, Sex Behavior, Disability, Education, Medical Care, and Safety and Welfare. The Farrell reforms are intended to enhance the state's juvenile justice services and focus on the rehabilitation of the juvenile offender population. Consistent with enhancing the services it provides, the DJJ has reevaluated its mission in an effort to determine where juvenile offenders would be best served during their rehabilitation.

Beginning July 1, 2007, the DJJ will begin the process of shifting the population of juvenile offenders housed in state facilities to local facilities, and will provide resources to support their program and housing needs. The DJJ will reduce its population so that only the most serious and violent juvenile offenders are housed in DJJ facilities. Offenders convicted of lesser crimes will remain at the county level where they can benefit from programs provided by their local communities and be closer to potential support networks.

The DJJ will accomplish this shift by narrowing the scope of intake and phasing out a portion of its current population. Specifically, the DJJ will stop intake of female juvenile offenders and no longer house female offenders in DJJ facilities. The DJJ will stop intake for parole violators with an original non-violent offense and non-violent juveniles who are adjudicated by the court and who are currently committed to DJJ until age 21. The DJJ will further reduce its current population by returning non-violent juveniles who are the responsibility of the DJJ until the age of 21 to the jurisdiction of counties.

These changes are projected to result in DJJ's population being reduced by 1,338 juvenile offenders by June 30, 2008, as compared to the projections discussed above. To provide adequate programs and services to wards that are sent back to counties, or who otherwise

## CORRECTIONS AND REHABILITATION

would have been committed to the DJJ but will now be held at the county level, the state will provide counties with funding through a block grant to support local programs for these offenders. The block grant methodology will be evaluated in the future to determine if it results in an equitable distribution of funds. Also, the CDCR will audit the expenditure of the block grant funds to ensure that the resources are spent on the juvenile offender population. In 2007-08, an estimated \$53 million will be allocated to counties. Because the state's cost to provide housing and programming is greater than the funding to be provided to counties, this approach will result in a savings of \$32.9 million General Fund in 2007-08. There will be an additional reduction of \$10 million General Fund in 2007-08 resulting from the elimination of funding for the Juvenile Justice Community Reentry Challenge Grant.

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### CRITICAL INFORMATION TECHNOLOGY PROJECTS

The Administration is committed to enhancing the Department's ability to operate efficiently, especially where automation and information technology is involved. The Budget includes funding for two critical information technology projects. One will provide the "backbone" for planned and future information technology systems and the other will enable the Department to centrally track and update inmate information.

#### CONSOLIDATED INFORMATION TECHNOLOGY INFRASTRUCTURE PROJECT

The Budget includes a net increase of \$32.5 million in 2007-08 for the Consolidated Information Technology Infrastructure Project. This project will consolidate the Department's information technology infrastructure and provide the basic network infrastructure for information technology projects currently underway and others being proposed for legislative approval in the Budget. The estimated 2007-08 cost for this project is \$118.5 million, but the Budget assumes GS \$mart financing for the project's tangible assets. GS \$mart, operated by the Department of General Services, is the state's vehicle for lease-purchase financing and offers tax-exempt rates which are usually less costly than commercial lending rates. Financing the tangible assets over time will result in up to \$86 million in savings in the first year of the project. The Budget includes a savings set-aside that can be activated once vendor contracts are in place and actual financed payment amounts determined.

#### STRATEGIC OFFENDER MANAGEMENT SYSTEM

The Budget includes \$3.6 million in 2007-08 for the Strategic Offender Management System (SOMS), an integrated offender database that will allow the Department to centrally maintain information related to an offender's institutional and parole time, including housing, classification, sentencing information, custody status, program outcomes, gang affiliation, education, vocational training, scheduling, and revocation. Currently, the Department utilizes



manual processes to track many of these variables, using an inordinate amount of staff time and creating a high probability of errors. SOMS will automate and centrally compile this information so staff time is better utilized and inmate data is available in an accurate and timely manner.

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## POPULATION POLICY ADJUSTMENTS

### OUT-OF-STATE BEDS

On October 4, 2006, the Governor issued an emergency proclamation concerning the prison overcrowding crisis. He authorized the CDCR to move forward with a plan to transfer up to 5,000 inmates to prison facilities outside of California. The Budget includes \$10.3 million in 2006-07 and \$13.2 million in 2007-08 to transfer 2,260 inmates to facilities in Arizona, Tennessee, Indiana, Oklahoma, and Mississippi.

These transfers are necessary due to the significant safety risks to prison staff and inmates as a result of the current overcrowding. The Strategic Growth Plan contains funding for infill capacity that, once completed, will ease prison overcrowding. This additional capacity, combined with acceptance of specified offenders by county jails beginning in 2008-09, will provide needed expansion capability for CDCR. Until these measures are implemented, transferring inmates out of state is necessary to reduce the serious risks associated with the crisis.

### FEMALE OFFENDERS

The Budget includes \$1.7 million General Fund in 2007-08 for the Department to perform pre-activation functions necessary to implement a program for Female Rehabilitative Community Correctional Centers. Once completed, these facilities will provide beds for 4,350 female offenders, and enhance treatment, vocational and educational services that target substance abuse and employability, and will strengthen family ties as offenders prepare to re-enter their communities. In partnership with community providers, this will enable non-serious, non-violent female offenders to participate in rehabilitation programs in the communities to which they will return when released on parole. Community placement provides increased opportunities to reconnect with their children as the offenders transition into parole status.

The Budget provides \$2.1 million to activate the Fresno Family Foundation program, a 35-bed community-based program for female offenders. This program will serve women who are non-violent, non-serious offenders with histories of substance abuse and who are pregnant or parenting a child under the age of six. Under this program, the mother spends 12 months

## CORRECTIONS AND REHABILITATION

in the highly structured residential treatment program followed by 12 months in an aftercare/transition period designed to help her successfully re-enter society. The Department operates similar facilities in Santa Fe Springs and San Diego.

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### COURT AND LAWSUIT-RELATED ISSUES

The 2006-07 Budget includes an appropriation of \$100 million along with language that allows these funds to be transferred to the CDCR Healthcare Budget item to fund the activities of the Receiver appointed by the court in *Plata v. Schwarzenegger*. Of this amount, approximately \$50 million has been transferred to date, resulting in ongoing costs of approximately \$55 million, which are included in the Governor's Budget. In addition to funding these costs, the Governor's Budget proposes to continue the transfer language and provide \$150 million for new costs driven by the Receiver. This will allow the state to quickly respond to the fiscal needs of the Receiver. The Administration continues to work cooperatively with the Receiver to address correctional healthcare in the most efficient and comprehensive manner possible.

The Governor's Budget includes \$109.1 million to continue state efforts to comply with the requirements of the *Coleman v. Schwarzenegger* lawsuit. Included in these funds are \$13.2 million to retrofit intake cells within Administrative Segregation units and \$50.6 million for salary increases for mental health professionals.

The Governor's Budget includes \$78.7 million to continue the state's efforts to comply with the stipulated agreement in *Perez v. Schwarzenegger*. This includes \$20.9 million to lower the ratio of dentists to inmate-patients to 1:515 (1:1,590 for Reception Centers) and \$57.8 million for potential salary increases for dental services providers.

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### OTHER WORKLOAD ISSUES

The Administration continues to take steps to address various operational needs of the Department. In an effort to build upon last year's successes, the Budget includes additional resources for facility maintenance and repair, substance abuse treatment, staff training, and other critical areas. Through an expert panel established this year to review programming efforts in adult institutions, the Department will also seek to implement cost-effective enhancements to inmate programming.

**FACILITY MAINTENANCE AND EQUIPMENT REPLACEMENT**

There is a pressing need for additional resources to address critical facility repairs. This need is exacerbated because the population is at an all-time high, and the loss of capacity resulting from failures to maintain the facilities only increases overcrowding in other areas. The Governor's Budget proposes \$46 million General Fund to augment CDCR's \$190.1 million baseline budget for maintenance and special repairs. This funding provides for the establishment of regional heating ventilation and air conditioning maintenance teams, the maintenance of transformers, generators and high-voltage switchgear, strike teams to undertake ongoing preventative maintenance for facility roofs, electric fence system repairs and replacement, repair and replacement of roads and parking lots, and other critical facility maintenance issues. These repairs will help ensure the safety and security of the staff, public, and inmates, and prevent the loss of critical housing options.

In addition to facility maintenance and repairs, the Budget includes \$23 million for statewide major equipment purchases, including telephone system repairs and upgrades, replacement of trunked radio systems infrastructure, and replacement of buses. This augmentation will increase the Department's base budget for major equipment to \$76.7 million.

**RESIDENTIAL AFTERCARE AND DRUG TREATMENT FURLOUGH**

To comply with the provisions of Chapter 875, Statutes of 2006 (SB 1453), the Budget includes an augmentation of \$1.3 million in 2007-08 for mandatory residential aftercare programs. Chapter 875 requires non-serious, non-violent inmates who have completed an in-prison drug treatment program to enter a 150-day aftercare drug treatment program and to be discharged from parole upon successful completion of the program. Because the Department's base budget contained funds for voluntary aftercare services for serious and violent and non-serious, non-violent inmates that were not being fully utilized, implementation of Chapter 875 can be achieved largely through the redirection of existing funds. The Budget provides funding for 5,500 residential aftercare beds for non-serious, non-violent offenders.

The Budget includes \$10.9 million General Fund in 2007-08 to support 426 Drug Treatment Furlough beds that had previously been funded with voluntary aftercare dollars. Because the aftercare dollars will no longer be available, the Budget fully funds the currently-occupied Drug Treatment Furlough beds. These funds are reflected in the 2007-08 costs for adult population changes.

## CORRECTIONS AND REHABILITATION

### REDUCING RECIDIVISM

The Budget builds on the 2006-07 investment of \$52.8 million for recidivism reduction and community reintegration activities by providing a total of \$93.9 million to continue the implementation of various program enhancements. These programs include educational needs assessments and substance abuse program expansions in institutions, structured re-entry services such as mandatory conditions of parole, and community reintegration programs including residential services for parolees, day reporting centers, and increased clinical services for mentally ill parolees.

### EXPERT PANEL ON ADULT PRISON PROGRAMMING AND TREATMENT

As the result of funding provided in the 2005-06 Budget, the Department established an expert panel on prison programming and treatment. This panel, comprised of nationwide practitioners, consultants, and researchers, is charged with evaluating the Department's approach to providing inmate programming and treatment. The panel will make recommendations on programs that show promise and should be expanded, as well as on programs that are ineffective and should be discontinued. Through these efforts, the Department hopes to propose a balanced, cost-effective, and evidence-based approach to increasing programming levels within adult institutions.

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### INCARCERATION OF UNDOCUMENTED FELONS

The CDCR expects to spend approximately \$850 million in 2006-07 for the incarceration of undocumented persons. During 2005-06, the Administration worked closely with the federal government to increase the reimbursements that the state receives for incarcerating undocumented felons. As a result, the state will receive \$114.1 million in federal State Criminal Alien Assistance Program (SCAAP) funding for 2006-07. Undocumented persons are expected to comprise 10.5 percent of inmates in the state prison system. The CDCR's costs in 2007-08 are estimated to increase to \$897.3 million, an increase of 5.6 percent. For 2007-08, it is estimated that California will receive approximately \$114.1 million in federal SCAAP funding. At this level of funding, the state will be reimbursed for only 12.7 percent of the costs associated with the incarceration and related debt service associated with the undocumented felon population, with \$783.2 million in costs in excess of the level of federal reimbursements.

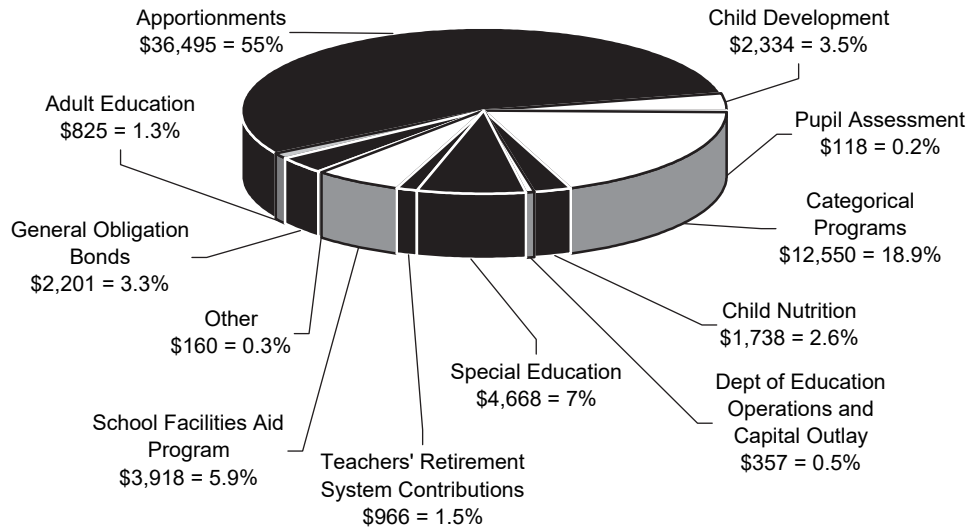
During the current fiscal year, the Administration will continue to aggressively pursue all strategies designed to maximize federal funding for the incarceration of undocumented felons.

# K THRU 12 EDUCATION

**K**indergarten through twelfth grade (K-12) education programs provide a variety of academic and support services primarily to pupils between the ages of three and nineteen. The programs equip California's young people with the skills to become successful adults, achieve career goals, obtain gainful employment and pursue higher education. The services include standards-based academic instruction, special education, vocational and career preparatory programs, child care and development, teacher recruitment and development and adult education and remedial instruction, among other services.

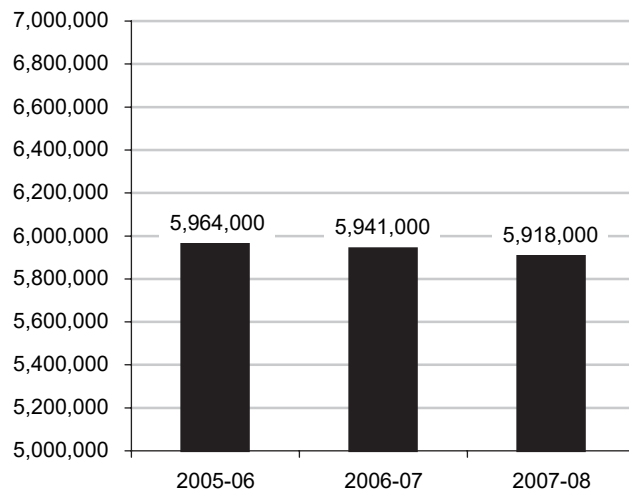
The Budget includes \$66.3 billion (\$40.5 billion General Fund and \$25.8 billion other funds) for K-12 education programs. This reflects an increase of \$2.8 billion (\$495.4 million General Fund and \$2.3 billion other funds) or 4.4 percent over the revised 2006-07 budget. The funding by program proposed for K-12 education is shown in Figure K12-01. More notable funding changes are further described below.

Figure K12-01  
**Proposed K-12 Education Expenditures for 2007-08**  
**All Funds by Program**  
**(Dollars in Millions)**



As a result of a steady decline in birth rates throughout the 1990s, attendance growth in public schools is declining (see Figure K12-02). For the current year, K-12 average daily attendance (ADA) is estimated to be 5,941,000, a decrease of 23,000 or 0.39 percent from the 2005-06 fiscal year. For the budget year, the Administration estimates K-12 ADA will decrease by an additional 23,000 or 0.39 percent to 5,918,000.

Figure K12-02  
**K-12 Average Daily Attendance**



## MAJOR ACCOMPLISHMENTS IN 2006-07

In its 2006-07 Budget, California made historic investments in the education of its children. The Budget contained significant increases in funding for California's schools, including \$534 million in discretionary block grants for school districts and school sites. Total funding increased by nearly \$3 billion to the highest level in state history. The state will provide \$2.9 billion to K-12 schools and community colleges in a settlement agreement to reconcile the Proposition 98 calculation. The 2006-07 Budget fully funded cost-of-living adjustments, provided \$957 million to fund K-12 education mandated costs, including paying prior-year claims and increased general purpose revenue limit funding by \$2.3 billion, which included eliminating the deficit factor and providing \$350 million for equalization.

Initiatives implemented in 2006-07 include the following:

### CAREER TECHNICAL EDUCATION

The Budget contained \$100 million for public schools and community colleges, including \$20 million in ongoing funding, to support career technical education (CTE) programs. Funding is designed to support collaborative efforts between the community colleges and K-12 CTE programs. The activities in this program (sequencing and articulation of courses, curriculum development and course expansions) are intended to reinvigorate CTE programs so students will have the skills necessary to effectively compete in a global economy. The Budget also provided one-time funding of \$80 million to K-14 public schools (\$40 million) and community colleges (\$40 million) for the purchase of CTE equipment and materials. (See additional detail in Higher Education Chapter.)

### ARTS AND MUSIC BLOCK GRANT

The Budget provided \$105 million in ongoing funding to restore and expand the number of high-quality art and music courses offered in the schools. The Arts and Music Block Grant program will support standards-aligned instruction through activities such as hiring additional staff, implementing or increasing staff development opportunities and purchasing materials, books, supplies and equipment. The Budget included a one-time \$500 million grant to allow schools to purchase arts, music and/or physical education supplies, equipment and professional development.

### PHYSICAL EDUCATION GRANTS

In an ongoing effort to address the widespread incidence of obesity and physical inactivity in school children, the Budget included \$40 million to provide physical education (PE) incentive grants for elementary and middle schools. These grants will be used to hire additional credentialed PE teachers to increase the quality of PE instruction.

## **K THRU 12 EDUCATION**

### **SCHOOL COUNSELORS**

The Budget included \$200 million in ongoing funding to increase the number of school counselors serving seventh through twelfth grade students. These funds will be used to inform students about educational and career options and help them stay on track to complete high school graduation requirements and pass the California High School Exit Examination.

### **TARGETED PRESCHOOL INITIATIVE**

The Budget provided \$50 million to expand preschool opportunities for four-year olds residing near low-performing schools. This funding will implement provisions of Chapter 211, Statutes of 2006 (AB 172), that include quality reforms designed to promote family literacy. To address facility needs for preschool expansion, the Budget provided an increase of \$50 million in one-time funds for the Child Care Facilities Revolving Fund.

### **AFTER-SCHOOL PROGRAM**

In 2002, California voters overwhelmingly approved Proposition 49 to significantly expand access to before- and after-school programs. Proposition 49 required that the After School Education and Safety Program be fully funded when state General Fund expenditures reached a certain level. Because this level of expenditures was reached in 2006-07, the Budget increased funding by \$428 million, from \$122 million to \$550 million annually. This program supports high quality after-school activities that provide elementary and middle school students with a safe and enriching environment during high risk periods of the day.

### **PROPOSITION 98 SETTLEMENT AGREEMENT**

Chapter 751, Statutes of 2006 (SB 1133), provided \$2.9 billion as part of a settlement agreement related to Proposition 98 funding requirements. Resources provided by the settlement legislation include a \$2.6 billion investment in our lowest performing schools. This funding is paired with an accountability framework and a set of programmatic requirements aimed at improving student academic achievement. Participating schools will be required to reduce class sizes, ensure access to school counselors and experienced teachers, provide high quality professional development for teachers and achieve significant improvements in student academic achievement. The bill supports career technical education opportunities with a \$320 million investment in Community Colleges. These resources will expand career technical education opportunities and allow for the hiring of additional faculty to build these programs.

### **TEACHER CREDENTIALING REFORMS**

The 2006-07 Budget provided \$22.7 million to implement the provisions contained in Chapter 517, Statutes of 2006 (SB 1209). The bill establishes a new mentoring program



for novice teachers in Academic Performance Index (API) deciles 1 to 3 schools, expands and enhances the Alternative Certification Program, requires an intensive evaluation of the Beginning Teacher Support and Assessment Program and creates six regional personnel management assistance teams to provide technical assistance in personnel management and teacher recruitment and retention practices. The initiative streamlines requirements for out-of-state teachers, strengthens teacher preparation pathways and requires the examination of any unnecessary roadblocks to credentialing, including duplicative examinations and other redundant requirements.

#### **REDUCING CREDENTIALING PROCESSING BACKLOG**

In order to resolve a backlog in applications that were well beyond the regulatory time limit of 75 days, the 2006-07 Budget redirected four existing professional positions in the Commission on Teacher Credentialing to create seven technical positions in its Credentialing, Assignments and Waivers Division. These positions have successfully reduced the backlog of more than 77,000 applications to just over 44,000 as of October 2006 and reduced the processing time to less than 75 days for both credential renewals and university recommended credentials for new teachers.

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## **PROPOSED K-12 EDUCATION SPENDING FOR 2007-08**

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

Major workload adjustments for 2007-08 include the following:

- **Cost-of-Living Adjustment (COLA) Increases**—The Governor's Budget proposes a \$1.9 billion increase to fund a 4.04-percent statutory COLA: \$1.4 billion for revenue limits, \$133 million for special education, \$62.1 million for child care programs, \$49.6 million for class size reduction and \$277.9 million for various categorical programs.
- **School Facilities Funding Adjustments**—The Governor's Budget proposes a \$2.8 billion increase in 2006-07 and a \$3.8 billion increase in 2007-08 for school facilities. The largest portion of the increases is for the 2004 and 2006 School Facilities Bonds. In particular, the newly approved 2006 bond fund adds over \$3 billion in new funding for current and budget years.
- **Adjustments for Average Daily Attendance (ADA)**—The Governor's Budget proposes a \$286.4 million net reduction in 2007-08 to reflect the decline in ADA. The majority of this amount consists of a \$283.6 million reduction in school district and county

Change Table K12-01

**K thru 12 Education Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$40,509,935	\$20,320,631	2,923.1	\$40,509,935	\$20,255,813	2,923.1
<b>Workload Adjustments</b>						
School Facilities Funding Adjustments	--	2,789,554	--	--	3,829,249	--
Local Property Tax Adjustments	-384,211	375,736	--	-1,583,251	1,581,991	--
Enrollment/Caseload/Population	-128,980	--	--	-286,424	--	--
Employee Compensation/Retirement	6,583	6,425	--	5,511	5,527	--
Statutory Cost-of-Living Adjustments	--	--	--	1,906,216	--	--
Expiring Programs or Positions	--	--	--	-1,865	-2,920	-20.1
One-Time Cost Reductions	--	--	--	-13,130	-275,659	-7.4
Other Workload Adjustments	-55,224	40,961	-27.9	548,750	38,391	-7.3
<b>Totals, Workload Adjustments</b>	<b>-\$561,832</b>	<b>\$3,212,676</b>	<b>-27.9</b>	<b>\$575,807</b>	<b>\$5,176,579</b>	<b>-34.8</b>
<b>Policy Adjustments</b>						
Charter School Facility Grant Program	--	--	--	43,887	--	--
Chief Business Officer Training	2,500	--	--	--	--	--
Encorps Teachers Program	10,000	--	--	--	--	--
Federal Forest Area Schools Loan	69,000	--	--	-69,000	--	--
High School Exit Exam Study Guides	--	--	--	5,000	--	--
Increase Proposition 98 Funds for CalWORKs Child Care	--	--	--	269,000	-269,000	--
Low-Performing School Enrichment Block Grant	50,000	--	--	--	--	--
Partnership for Success	--	--	--	1,500	--	--
Program Improvement Management System	--	--	--	1,000	--	--
Reduce Contributions to Supplemental Benefit Maintenance Account	--	--	--	-74,578	--	--
Fund Home-to-School Transportation from the Public Transportation Fund	--	--	--	-626,762	626,762	--
Other Policy Adjustments	-63,459	--	0.9	-124,214	2,316	9.8
<b>Totals, Policy Adjustments</b>	<b>\$68,041</b>	<b>\$0</b>	<b>0.9</b>	<b>-\$574,167</b>	<b>\$360,078</b>	<b>9.8</b>
<b>Infrastructure Adjustments</b>	<b>\$0</b>	<b>\$15,062</b>	<b>--</b>	<b>\$0</b>	<b>\$26,656</b>	<b>--</b>
<b>Total Adjustments</b>	<b>-\$493,791</b>	<b>\$3,227,738</b>	<b>-27.0</b>	<b>\$1,640</b>	<b>\$5,563,313</b>	<b>-25.0</b>
<b>Governor's Budget</b>	<b>\$40,016,144</b>	<b>\$23,548,369</b>	<b>2,896.1</b>	<b>\$40,511,575</b>	<b>\$25,819,126</b>	<b>2,898.1</b>

office of education revenue limit apportionments (general purpose funding for schools). Due to the decline in attendance, there is a \$129 million reduction in revenue limit apportionments for 2006-07.

- Local Property Tax Adjustments—For 2006-07 and 2007-08, the Governor’s Budget reflects General Fund decreases of \$375.7 million and \$1.6 billion, respectively. These revised estimates relate to school district and county office of education property tax revenues. In general, increases in local property tax revenues reduce the amount of state General Fund costs for revenue limit apportionments.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

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## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor’s Budget fully funds the Proposition 98 guarantee, as well as a number of new education initiatives, even while realizing General Fund savings in Proposition 98 and the California State Teachers’ Retirement System.

Demonstrating the Administration’s continuing commitment to improve California’s public schools, the Governor’s Budget proposes a number of new one-time and ongoing education initiatives. These proposals, along with the major education investments made by the Administration in the last three years, will continue to address the most pressing needs facing students and parents, including:

- Teacher shortages
- Transparent schoolsite information
- Career Technical Education
- Low-performing schools
- Preparing students to graduate from high school
- Improving student health

**TOTAL FUNDING FOR K-12 EDUCATION**

Total funding, including federal funding and local revenue, for K-12 education is projected to be \$68.6 billion. Figure K12-03 displays the revenue sources for schools.

**PER-PUPIL SPENDING**

Total per-pupil expenditures from all sources are projected to be \$11,240 in 2006-07 and \$11,584 in 2007-08, including funds provided for prior year settle-up obligations (see Figure K12-04).

**HOW SCHOOLS SPEND THEIR MONEY**

Figure K12-05 displays expenditures reported by schools

Figure K12-03  
**Sources of Revenue for California's K-12 Schools (As a Percent of Total)**

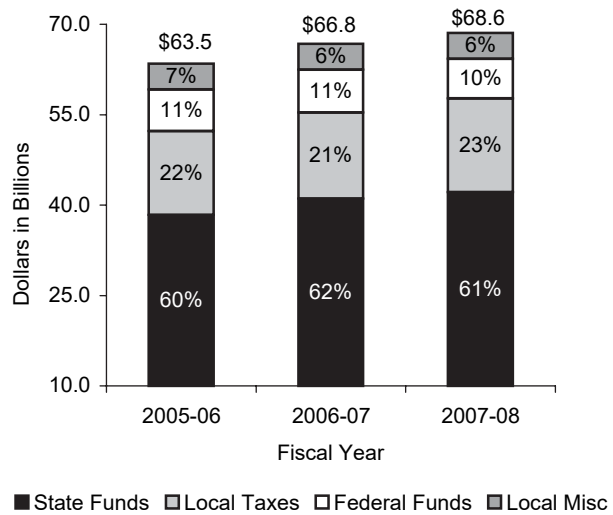


Figure K12-04  
**K-12 Education Total Spending Per Pupil**

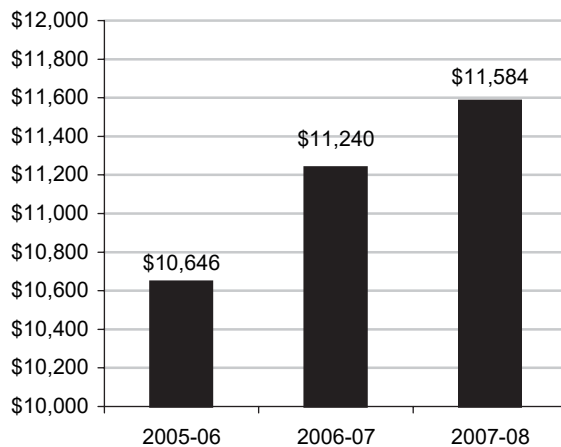
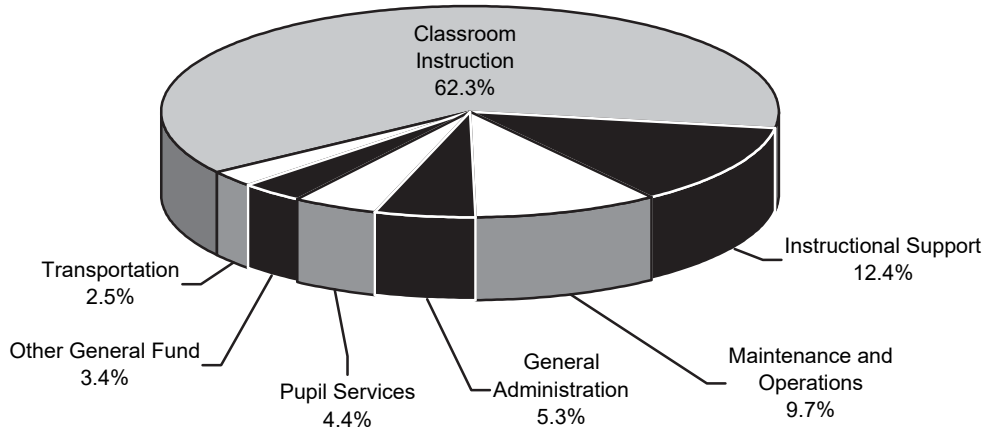


Figure K12-05  
**Where Schools Spend Their Money\***



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

\* Based on 2004-05 expenditure data reported by schools for their general purpose funding.

from their general funds, the various categories of expenditure and the share of total funding for each category.

### PROPOSITION 98 GUARANTEE

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

Proposition 98 originally mandated funding at the greater of two calculations or Tests (Test 1 or Test 2). In 1990, Proposition 111 (SCA1) was adopted to allow for a third funding test in low revenue years. As a result, three calculations or tests determine funding for school districts and community colleges (K-14). The calculation or test that is used depends on how the economy and General Fund revenues grow from year to year (see Figure K12-06).

For fiscal year 2005-06, Proposition 98 funding was \$53.3 billion (this reflects the guarantee level as recalculated pursuant to the Proposition 98 Settlement Agreement), of which the General Fund share was \$39.6 billion or 74.3 percent. Local property taxes covered the balance. The 2006-07 Proposition 98 funding is estimated to be \$55 billion, a 3.2-percent increase over 2005-06. The General Fund share in 2006-07 is \$40.8 billion or 74.2 percent. These funding levels reflect the decline in attendance and the cost of apportionments.

Proposition 98 funding for 2007-08 is proposed at \$56.8 billion, a 3.3-percent increase over the revised estimate for 2006-07. The General Fund comprises approximately 72.5 percent, or \$41.2 billion of total proposed Proposition 98 funding (see Figure K12-07). The totals include funding for K-12, community colleges and other state agencies that serve students. K-12 Proposition 98 per-pupil expenditures in the Governor’s Budget are \$8,569 in 2007-08, up from \$8,293 in 2006-07.

**HOME-TO-SCHOOL TRANSPORTATION**

The Budget proposes to shift the fund source for the \$627 million Home-to-School Transportation program from Proposition 98 General Fund to the Public Transportation Account (PTA). This shifts Home-to-School transportation out of the Proposition 98 guarantee, allowing for the guarantee to be rebenchbed downward for General Fund savings of \$627 million. Because available PTA funds are used in lieu of Proposition 98 funds to fund Home-to-School Transportation, this proposal does not result in a reduction to Home-to-School Transportation nor any other Proposition 98 funded program.

Figure K12-06

**Proposition 98 Test Calculations**

**Test 1—Percent of General Fund Revenues**

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

**Test 2—Adjustments Based on Statewide Income**

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

**Test 3—Adjustment Based on Available Revenues**

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

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

Figure K12-07  
**Proposition 98 Appropriations**  
**(Dollars in Thousands)**

	2005-06	2006-07	2007-08
State General Fund	38,358,017	40,812,023	41,189,857
Local Revenue	13,761,557	14,210,346	15,645,203
<b>Total</b>	<b>52,119,574</b>	<b>55,022,369</b>	<b>56,835,060</b>
Distribution:			
Department of Education	46,485,854	48,945,279	50,385,924
California Community Colleges	5,472,403	5,897,062	6,274,142
Department of Corrections and Rehabilitation	45,780	52,964	54,250
State Special Schools	42,567	44,533	44,253
Commission on Teacher Credentialing	31,814	49,881	39,881
Department of Mental Health	18,400	13,400	18,400
Department of Developmental Services	10,217	9,121	8,677
School Facilities Aid Program	7,841	5,786	5,015
American Indian Education Centers	4,698	4,343	4,518
<b>Total</b>	<b>\$52,119,574</b>	<b>\$55,022,369</b>	<b>\$56,835,060</b>
Percentage Share of State General Fund SAL <sup>1</sup> Revenues and Transfers	<b>42.2%</b>	<b>43.7%</b>	<b>41.5%</b>

<sup>1</sup> State Appropriations Limit, Article XIII B

#### CHILD CARE SHIFT

The Budget proposes to increase Proposition 98 funding for CalWORKs Child Care by \$269 million. By using available Proposition 98 funds in lieu of federal Temporary Assistance for Needy Families (TANF) Block Grant funds for Child Care, this proposal allows a like amount of TANF funding to be redirected to offset non-Proposition 98 General Fund costs in the CalWORKs program. This proposal does not require a reduction to the CalWORKs program, nor does it reduce child care benefits.

#### PROPOSITION 98 REVERSION ACCOUNT

The Governor's Budget proposes one-time Proposition 98 Reversion Account funding totaling \$185.9 million appropriated as follows:

- \$100 million for school facility emergency repairs, consistent with the Williams settlement agreement.
- \$43.9 million for charter school facilities.
- \$25.7 million for CalWORKs Child Care.
- \$8.8 million for teacher induction programs.

- \$5 million for California High School Exit Exam study guides.
- \$1.5 million to match private funding for the Partnership for Success pilot project.
- \$1 million to make the Program Improvement Management System available statewide.

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### **CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM PURCHASING POWER PROTECTION**

The California State Teachers' Retirement System (CalSTRS) administers the Teachers' Retirement Fund, which is an employee benefit trust fund created to administer the State Teachers' Retirement Plan. The State Teachers' Retirement Plan is a defined benefit pension plan that provides retirement, disability and survivor benefits for teachers and certain other employees of the California public school system. The Plan is comprised of three programs: the Defined Benefit Program, the Defined Benefit Supplement Program and the Cash Balance Benefit Program. Within the Defined Benefit Program there is a Supplemental Benefit Maintenance Account (SBMA) that provides purchasing power protection for retired members. The SBMA provides annual supplemental payments in quarterly installments to retired teachers whose purchasing power has fallen below 80 percent of the purchasing power of the initial allowance due to price inflation. Currently, the 80-percent level of supplemental payments is not a vested benefit. This means that if the amount in the SBMA is not sufficient to bring purchasing power up to the 80-percent level, supplemental payments may have to be suspended or paid at a lower level.

The state makes annual General Fund contributions to the SBMA of 2.5 percent of teacher payroll for purchasing power protection. An actuarial analysis performed in 2005 at the direction of the Department of Finance shows that the SBMA has more than enough money to provide purchasing power protection for current and future retired teachers. The Administration is proposing to fully vest the benefit at 80 percent purchasing power protection, which increases the future value of this program for retired teachers. As a result of the funded status of the SBMA, the state will be able to fully vest the purchasing power protection and reduce the state's contributions to the SBMA from 2.5 percent to 2.2 percent of salary for a General Fund savings of \$75 million.

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### **ADDRESSING THE TEACHER SHORTAGE**

#### **ENCORPS TEACHERS**

As California continues to face a severe teacher shortage, it is crucial that we explore innovative avenues to increase the number of individuals entering the teaching profession,



particularly in the subject areas of math, science and career technical education.

One untapped pool of individuals with subject matter expertise in these areas is the 11 million Californians who will retire by 2008.

As part of a broader effort to bolster supply, the Administration proposes \$10 million to create the EnCorps Teachers Program to add 2,000 experienced retirees to the teaching corps. The EnCorps Teachers Program would establish a public-private partnership with industry and business to actively recruit retiring professionals to the classroom. Professionals recruited by the EnCorps Teachers Program would be supported during the completion of the program by their current employer and use existing California teacher internship programs to acquire the pedagogy necessary to be effective instructional leaders.

#### **TEACHER CREDENTIALING REFORMS**

Currently there are 175 different credentials for teachers of career technical education (CTE). The large number of credentials reflects an attempt to identify all industries and trades represented in California's K-12 instructional programs. This attempt to develop a comprehensive set of specialized credentials has had the negative effect of creating an overly complex and bureaucratic credential process for CTE teachers.

To remedy this problem, the Administration proposes introducing legislation directing the Commission on Teacher Credentialing (CTC) to establish a more comprehensive list of authorized subjects for the designated subject preliminary and clear vocational education teaching credentials by September 30, 2007, based upon the 15 industry sectors identified in the California CTE model curriculum standards. Streamlining the CTE credential process will: 1) create incentives for CTE teachers by allowing them to move more easily across subject areas, making CTE teaching a more viable professional choice; 2) provide districts with added flexibility, making it easier for them to hire CTE teachers and expand CTE course offerings; and 3) create a more transparent and approachable credentialing process, thus assisting recruitment efforts.

The Governor's Budget proposes to continue to authorize the CTC to redirect positions to its Credentialing, Assignments and Waivers Division to address the backlog in credential processing. While significant progress has been made during 2006-07, it is critical that the effort continue until the excessive backlog has been eliminated and the processing time restored below the 75-day standard. This will ensure that prospective teachers and the school districts can make timely employment decisions.

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### **PROVIDING ONLINE, USER-FRIENDLY INFORMATION ON SCHOOLS**

Over the past decade, the State of California has invested significant resources to collect an increasing amount of data from school districts. From demographic data of students and teachers to student performance and financial expenditures, California school districts collect extensive data and make over 100 reports to the Department of Education and other state educational agencies to meet state and federal reporting requirements.

Even with the plethora of educational data collected by state agencies, there is a dearth of useful information tools for parents, educators and policymakers to draw conclusions about the quality of schools and education in California. The primary reason for the lack of useful information tools about education is the failure to integrate the vast amount of data into pertinent and meaningful ways for parents, educators, the public and policymakers. Too often, collected data proves useful only to those select few who have the time and expertise to bring disparately located data together for analysis. So long as the different data are isolated and unrelated, the vast amount of information about our students and schools cannot be easily and effectively accessed and combined for easy understanding by parents, the public, educators and policymakers.

What is needed in California is an integrated and transparent system that is easily accessible and provides meaningful information to parents, the public, educators and policymakers. To this end, the Administration will be working with the Legislature, Superintendent of Public Instruction and other interested parties to redesign the School Accountability Report Cards so that they are parent-friendly and provide the relevant district and site level information that will allow schools to be compared to one another.

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### **EXPANDING CAREER TECHNICAL EDUCATION**

In an ever-evolving economy, Californians need multiple pathways to rewarding and productive careers. The Administration remains committed to expanding opportunities for high school and community college students to take high-quality, academically rigorous career technical education (CTE) courses.

Since the Governor launched his CTE initiative in 2005, the state has made significant investments aimed at reinvigorating CTE programs. As a result of investments beginning in 2005-06, we have begun to restore the capacity and vitality of CTE programs. California is making significant progress in building CTE programs that will provide students with additional options and opportunities and help to meet the changing demands of California business and industry.

The Governor's Budget proposes \$52 million to expand CTE course offerings and programs. These resources include \$20 million in Community College base funding for CTE programs as well as the \$32 million in new funding provided pursuant to Chapter 751, Statutes of 2006 (SB 1133). (For additional information, see the Higher Education Chapter.)

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## **NEW RESOURCES AND TOOLS FOR LOW-PERFORMING SCHOOLS**

### **PROPOSITION 98 SETTLEMENT AGREEMENT**

The Budget includes \$300 million to begin payment of the \$2.9 billion in Proposition 98 settle-up obligations for the 2004-05 and 2005-06 fiscal years. Of that amount, \$268 million will be provided to approximately 450 to 500 school sites to meet specific goals such as reducing class sizes, reducing student-to-counselor ratios and providing teacher professional development. Participating schools will be required to accomplish these goals over a three-year period. Up to 15 percent of the funding can be used for research-based alternatives to the goals identified above. Schools will be required to exceed their Academic Performance Index (API) growth targets beginning in the fifth year of program participation.

Community Colleges will receive \$32 million to improve and expand the number of career technical education programs and course offerings in secondary schools and lower division public higher education.

### **CALIFORNIA PROGRAM IMPROVEMENT MANAGEMENT SYSTEM**

Recent research shows that among schools serving similar students, four factors distinguish high-achieving schools from those that are low-achieving. Specifically, high-achieving schools:

- Give the highest priority to student achievement.
- Implement a coherent, standards-based instructional program.
- Ensure availability of sufficient instructional resources such as textbooks, materials and supplies.
- Use assessment data to continually improve student achievement and instruction.

However, many principals at low-achieving schools have had little or no training in the interpretation of assessment data. Among those who have, many are unable to translate the implications into specific actions to improve student achievement and instruction. Even when principals know what steps to take to improve achievement, they may be unaware of the resources available to help them do so.

## K THRU 12 EDUCATION

In order to address these problems, the Administration proposes \$1 million to establish the California Program Improvement Management System (Cal PIMS). This system will provide low-achieving schools and school districts a unified intervention program, including research-based programs and virtual coaching, to turn around federal Program Improvement schools or those that are subject to academic intervention by the state.

Specifically, Cal PIMS will optimize the capability of coaches, principals and teachers to:

- Use assessment data to target areas for intervention.
- Access up-to-date information on federal and state accountability requirements.
- Use tools, structures and relevant research to respond to these requirements.
- Access recommended steps and processes to build a sustainable action plan to accelerate student achievement.

### SCHOOL ENRICHMENT BLOCK GRANT

A healthy school environment that is conducive to student learning not only increases pupil achievement, but allows for effective schoolsite leadership and the recruitment and retention of qualified teachers. To continue progress made on improving the educational environment and culture of schools in the lowest three deciles of the Academic Performance Index over the past two years, the Governor's Budget proposes \$50 million in one-time funding to continue the Low-Performing School Enrichment Block Grant for a third year. These funds are available for activities including: (1) assuring a safe, clean school environment for teaching and learning; (2) providing support services for students and teachers; (3) creating incentives, including differential pay, to help recruit and retain highly qualified teachers and highly skilled principals; (4) fostering small group instruction; and (5) giving teachers and principals time to work together to improve academic outcomes for students.

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## PREPARING STUDENTS TO GRADUATE FROM HIGH SCHOOL

### CAHSEE INTERVENTION MATERIALS

The California High School Exit Exam (CAHSEE), a cornerstone of the state's accountability system, helps to ensure that all students graduate from high school with at least the basic knowledge and skills needed in the workplace and in life. With each administration of the exam, increasing numbers of students are demonstrating their competency in reading, writing and mathematics. The CAHSEE plays a vital role in helping to identify students who are struggling so they can get the targeted assistance they need to succeed. As a result,

an unprecedented level of resources and attention has been focused on assisting at-risk high school students.

The Governor's Budget proposes \$5 million for school districts to purchase individual intervention materials for students who have failed or are at risk of failing the CAHSEE. These materials include customized on-line tools to help students and teachers target remediation efforts. By tailoring interventions to a student's individual needs, the materials optimize the student's likelihood of success. Staff development support for teachers is provided in conjunction with the materials. Funding for these materials was first provided in the 2006 Budget Act.

#### **PARTNERSHIP FOR SUCCESS**

To increase the number of students academically prepared to succeed in college, the Administration proposes expanding an innovative private-public partnership model that promises financial assistance for higher education costs to students who commit to completing a rigorous college-preparatory program. The Partnership for Success would provide grants totaling \$1.5 million to fund three partnerships between local school districts and a CSU campus. These partnerships will develop RoadMaps for participating students to guide them through middle and high school to ensure they complete the A-G course offerings necessary to meet CSU entrance requirements. The CSU campus would guarantee admission for students that complete the RoadMap and, once admitted, provide students with additional support including assistance in developing a plan for completing course requirements to ensure degree completion within four years. Additionally, Partnership for Success fosters a college-going culture among students and parents by exposing them to the CSU campus through site visits, mentoring and tutoring and ongoing communication with the university.

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#### **IMPROVING STUDENT HEALTH**

Last year, in keeping with its commitment to promote student health and combat childhood obesity, the Administration proposed to increase the state reimbursement rate for School Nutrition Program meals and remove unhealthy fats and fried food from student meals. Unfortunately, the resulting legislation did not meet the Administration's goals and was vetoed.

The Administration continues to support an increase in the meal reimbursement rate along with legislation that will eliminate unhealthy fats and fried food from school cafeteria menus.

The Administration would like to see schools use their increased reimbursement rates to purchase and prepare healthier food for their students.

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### **OTHER POLICY ISSUES**

#### **LOANS FOR NATIONAL FOREST AREA SCHOOLS**

Rural communities often have difficulty providing educational programs for youth because they cannot benefit from economies of scale. For several years, the federal government has aided local education agencies in national forest areas. Because a sunset provision in federal law was not extended, this support was not provided in the current year.

In order to mitigate the short-term hardship for rural schools that have come to depend on this support, the Administration proposes a short-term \$69 million current year General Fund loan to backfill the loss of federal aid. Our understanding is that Congress intends to renew this funding relatively early in its next session, so the districts will be able to repay the state loans in the budget year.

#### **CHARTER SCHOOL FACILITY GRANTS**

To ensure that pupils from low-income families have access to high-quality educational alternatives, the Budget proposes \$43.9 million from the Proposition 98 Reversion Account to fund the Charter School Facility Grant Program. This program mitigates the cost of leasing facilities for charter schools that serve predominantly low-income populations. Of the funds to be provided, \$20 million is intended to reimburse qualifying facility costs for 2006-07 while the remaining \$23.9 million will serve as an advance on budget year costs.

#### **MEETING CALIFORNIA'S INFORMATION NEEDS**

Timely and accurate information is increasingly critical in the education decision making process at all levels, from local schoolsite decisions to decisions made at the federal level and the Administration remains committed to enhancing the quality of data available on the state's student population and the teacher workforce. To support this effort, the Governor's Budget proposes \$2.5 million from state and federal funding sources to support state-level activities necessary to continue the development of the California Longitudinal Pupil Achievement Data System (CalPADS). The Governor's Budget proposes \$1.1 million in federal Title II funding to support state-level activities at both the Department of Education and the Commission on Teacher Credentialing to continue the development of the California Longitudinal Teacher Integrated Data Education System (CalTIDES).

**CHIEF BUSINESS OFFICER TRAINING**

The Chief Business Officer (CBO) Training Program was established in 2005 to provide CBOs and CBO candidates with training in the skills and knowledge required to successfully administer school district budgets. Participants receive rigorous instruction in school finance, school operations and leadership for a period of at least 200 hours. The program was designed as a three-year effort to train over 1,000 CBOs. Priority for participation in the program goes to candidates nominated by school districts that have recently experienced fiscal distress. The 2005-06 Budget Act provided \$1.1 million to fund the first cohort of 350 participants. The Governor's Budget proposes \$2.5 million to fund training for 700 additional candidates, completing the objectives of the program.

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# HIGHER EDUCATION

**H**igher Education provides the adult population with basic and career skills, postsecondary, graduate and doctoral instruction, and research to develop the workforce, intellectual capital, and innovations necessary to promote the economy and well being of the state's citizenry.

Drawing from the top 12.5 percent of the state's high school graduates, the University of California (UC) provides graduate and undergraduate instruction and is the primary segment authorized to independently award doctoral degrees as well as professional degrees in law, medicine, dentistry, and veterinary medicine. In addition to providing instruction, UC is the primary state-supported academic institution for research, operates teaching hospitals and clinics, research institutes and laboratories, agricultural field stations, and the Cooperative Extension program.

The California State University (CSU) provides undergraduate instruction and graduate instruction through the master's degree, awards the doctoral degree in education, and is authorized to award other doctoral degrees in conjunction with UC or a private institution. Students from the top one-third of the state's high school graduates, as well as transfer students who have successfully completed specified college work, are eligible for undergraduate admission to CSU. Many CSU students are older and/or employed and attend part-time, especially at the graduate level.

The California Community Colleges (CCC) are publicly supported local education agencies that offer academic and vocational education at the lower division level for recent high school students and returning adult students; advance California's economic growth and global competitiveness through education, training, and services that contribute to continuous

## HIGHER EDUCATION

workforce improvement; and provide remedial instruction for hundreds of thousands of adults across the state through basic skills courses and adult non-credit instruction.

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

### GOVERNOR'S HIGHER EDUCATION COMPACT

In 2004, the Governor entered into an agreement with the UC and the CSU called the Higher Education Compact (Compact). The Compact provides a six-year resource plan for the UC and the CSU that addresses annual base budget increases including general support increases of up to 5 percent, enrollment growth of 2.5 percent, student fee increases that may not exceed 10 percent, and other key program elements through 2010-11. In exchange for long-term fiscal stability, the UC and the CSU have committed to preserving and improving student and institutional performance in numerous program areas including program efficiency, utilization of systemwide resources, and student-level outcomes. The resources provided through the Compact enable the UC and the CSU to accomplish their missions outlined in the Master Plan for Higher Education as described above.

The Governor's Budget reflects total funding of \$19.8 billion, including \$14.1 billion General Fund and Proposition 98 sources for all major segments of Higher Education (excluding infrastructure and stem cell research), which reflects an increase of \$1.1 billion (\$846.4 million General Fund and Proposition 98 sources) above the revised 2006-07 budget. These amounts represent a 5.7-percent total funding increase including a 6.4-percent increase in General Fund and Proposition 98 sources above the revised 2006-07 budget. The funding by major segment is shown in Figure HED-01. Notable funding changes are further described later in this chapter.

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### MAJOR ACCOMPLISHMENTS IN 2006-07

The current year budget for Higher Education reflects significant new investments that focus on the Governor's goals to: preserve high quality instruction, provide access for all students, ensure affordability for students and families, and continue high-priority initiatives begun in prior years of this Administration that address pressing current issues facing the state.

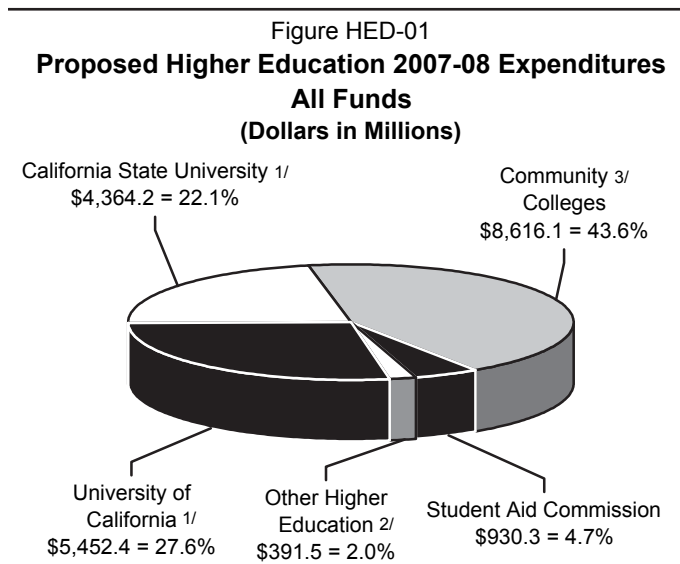
Those initiatives include increasing the numbers of high quality science and math teachers in our public K-12 school system, increasing the supply of registered nurses to address statewide clinical shortages in all areas of the state, and reinvigorating California’s career technical education system in our public schools to ensure every student has the opportunity to find gainful employment and contribute to California’s preeminence in a highly technical world economy. The magnitude of funding increases in the current year reflect the Governor’s commitment to fulfilling these goals.

The CCC current budget, in part driven by the Proposition 98 guarantee, reflects record level increases in overall funding, which reflects the Governor’s priority to ensure the nation’s largest higher education system can deliver a high-quality education for all students that can benefit and at the lowest student cost possible. A rigorous accountability system pursuant to Chapter 73, Statutes of 2005 (SB 63) has been implemented to ensure the ability of policy makers to hold districts accountable for improved student outcomes.

Specific accomplishments included in the 2006-07 budget that contribute to the Governor’s goals are as follows:

**Increased Funding for all Segments**—The current budget reflects total funding of \$18.7 billion, including \$13.2 billion General Fund and Proposition 98 sources for all segments of Higher Education. These amounts represent a 6.6-percent increase in total funds and an 8.4-percent increase in General Fund and Proposition 98 sources over the revised 2005-06 Budget.

**Ensuring Access for All Students**—The current budget provides more than \$209 million for growth in enrollments estimated to serve over 36,000 additional full-time students



- 1/ For purposes of this table, expenditures for the UC and CSU have been adjusted to exclude self-supporting functions such as auxiliary enterprises and extramural programs among others. This provides consistency in comparing magnitudes and growth among the various segments of education.
- 2/ 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.
- 3/ For purposes of comparing with UC and CSU General Fund, CCC includes property tax revenue, as a component of the state’s obligation under Proposition 98.

## HIGHER EDUCATION

within the three segments. The CSU and the UC received \$51.0 million and \$61.3 million, respectively, reflecting a 2.5-percent enrollment increase sufficient to add 5,149 students for the UC and 8,490 students for the CSU. The CCC received \$97.5 million for a 2-percent enrollment increase, sufficient for 23,000 additional students. When combined with declining enrollment funding in the base, the budget provides sufficient funding for a total of 47,000 additional students.

**Preserving Quality and Purchasing Power**—The current budget provides more than \$450 million to address cost increases and discretionary enhancements for the three major segments. This figure reflects a 3-percent increase for the UC and the CSU (\$80.5 million and \$75.8 million, respectively) and a 5.92-percent cost-of-living-adjustment for the CCC apportionments (\$294.4 million).

**Ensuring Affordability for Students and Families**—The current budget provides increases of almost \$220 million toward this objective. Over \$129 million was provided to maintain fees at the 2005 academic year level for the UC and the CSU, reflecting an additional state cost of \$75 million for the UC and \$54.4 million for the CSU. \$40 million was provided to reduce community college fees effective in the spring of 2007 to ensure that higher education is not priced beyond the means of students and families. \$50.7 million was provided for the CSAC's Cal Grant program, including \$38.8 million for anticipated growth in costs that reflects an offsetting cost reduction of \$28.7 million associated with the buy-out of the 8-percent undergraduate fee increases at the UC and CSU. The budget provided an additional \$11.9 million to increase the maximum Cal Grant award for new recipients at non-public colleges and universities from \$8,322 to \$9,708.

**Career Technical Education Initiative**—The current budget includes \$100 million to advance career technical education (CTE) in California's K-12 and Community College systems. This includes \$20 million in ongoing funding to support CTE programs designed to help reform this critical element of instruction offered to public secondary school students through partnerships with the Community Colleges. Collaborative efforts between the community colleges and K-12 CTE programs include: sequencing and articulating courses to ensure that students will not need to repeat courses when they move on to community colleges, developing curricula that include technical programs in emerging as well as traditional career paths, and expanding courses to ensure more students have access to the skills needed to attain gainful employment. The Budget provides one-time funding of \$80 million to K-12 public schools and community colleges for purchase of CTE equipment and materials. Finally, the 2006 Kindergarten-University Public Education Facilities Bond Act of 2006, approved by the voters in November, provides \$500 million for CTE facilities.

Science and Math Teacher Initiative—The current budget continues the progress begun in 2005 by providing additional increases totaling \$1.5 million, including \$375,000 to the UC to provide \$125,000 for each of the three UC campuses remaining to implement the initiative system wide, and \$1.1 million for the CSU to expand the program statewide. The Governor's Science and Math Teacher Initiative, announced in May 2005 with leaders from the UC, the CSU, and the business community, presented a plan to significantly increase the number of science and math teachers trained at the UC and the CSU. Under the initiative, the UC system will increase its annual production of credentialed science and math teachers from 250 per year to 1,000 per year by 2010. The CSU system will double its production of science and math teachers from 748 to 1,496 during this same time period by expanding its teacher preparation programs and increasing its efforts to recruit talented students into these teaching disciplines.

Nursing Initiative—The current budget provides \$8.2 million in new investments to address the statewide nursing shortage through the higher education segments and K-12 system for a total of almost \$32 million in 2006-07. Since 2004, this Administration has invested over \$67 million to address the state's clinical and nursing instructor shortages. The current year budget augmentations address: faculty recruitment to support previously funded nursing expansions in the CCC and four-year segments; additional increases for undergraduate nursing slots in the budget year and start-up costs for a significant increase in undergraduate nursing programs at the CSU for the following fiscal year; additional resources for Community Colleges to address nursing program attrition as well as funding to establish on-line nursing faculty and clinical placement registries; and recruitment incentives for nursing graduates needed to help meet clinical nursing position needs for state agencies administered by the CSAC.

Community College Funding Reform—In September of 2006, the Governor signed SB 361, a landmark funding reform bill for the community colleges (Chapter 631, Statutes of 2006). This bill resolved long standing disparities in per-student funding levels among community college districts by ensuring that colleges receive equal levels of per student funding support. This legislation implemented a streamlined funding formula for community colleges that preserves equalized funding rates for all colleges in the future, increases transparency, and implements a more rational growth formula to ensure equitable access. The formula recognizes efforts by colleges that elect to serve additional students beyond their funded growth levels in the high-priority core instructional areas of transfer, basic skills, and workforce preparation. To fully implement these reforms, the current budget provides an additional \$189.4 million, including \$159.4 million to fully equalize funding for college credit student workload for all districts and \$30 million to enhance the quality of non-credit course

## HIGHER EDUCATION

sequences aimed at preparing those not ready for college level work to succeed in pursuing college level career technical certificate programs or to pursue an Associate of Arts or Bachelor's degree.

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### PROPOSED HIGHER EDUCATION SPENDING FOR 2007-08

Change Table HED-01 illustrates the major changes proposed to Higher Education spending in the Governor's Budget, inclusive of infrastructure and stem cell research.

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#### FUNDING BY SEGMENT FOR 2007-08

As shown in Figure HED-02, the Governor's Budget reflects a 5.7-percent total funding increase including a 6.4-percent increase in General Fund and Proposition 98 sources above the revised 2006-07 budget. Nearly all of the increase is attributable to workload adjustments as detailed later in this chapter.

For the UC, the Budget includes \$5.5 billion (\$3.3 billion General Fund), which reflects an increase of \$345 million (\$192.1 million General Fund) above the revised 2006-07 budget. These amounts reflect a 6.8-percent total funding increase including a 6.2-percent General Fund increase over the current year.

For the CSU, the Budget includes \$4.4 billion (\$3 billion General Fund), which reflects an increase of \$270.6 million (\$165 million General Fund) above the revised 2006-07 budget. These amounts reflect a 6.6-percent total funding increase including a 5.9-percent General Fund increase over the current year.

For the CCC, the Budget includes \$8.6 billion (\$6.6 billion from General Fund and Proposition 98 sources), which reflects an increase of \$322.3 million (\$362.3 million General Fund and Proposition 98 sources) above the revised 2006-07 budget. These amounts reflect a 3.9-percent total funding increase including a 5.9-percent General Fund and Proposition 98 increase over the current year. See Figure HED-03 and Figure HED-04 for CCC funding sources.

For the CSAC, the Budget includes \$930.3 million (\$891.6 million General Fund) in local assistance funding, which reflects an increase of \$64.4 million General Fund above the revised 2006-07 budget. These amounts reflect a 7.4-percent total funding increase including a 7.8-percent General Fund increase over the current year. See Figure HED-05 and Figure HED-06 for total financial aid and growth in Cal Grants, respectively.

## Change Table HED-01

## Higher Education Agency - Changes by Broad Categories

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$11,368,281	\$26,079,375	116,729.2	\$11,359,208	\$23,970,756	116,729.2
<b>Workload Adjustments</b>						
CCC Counseling and Tutoring Services	--	--	--	33,110	--	--
Increase for CCC Nursing Programs	9,000	--	--	9,000	--	--
Local Property Tax Adjustments	--	4,095	--	-197,172	197,172	--
Stem Cell Local Assistance Grants	--	-104,942	--	--	523,700	--
Higher Education Compact	--	--	--	345,864	--	--
Cal Grant Adjustments	-20,206	--	--	41,102	--	--
Debt Service Expenditure Adjustments	-16,355	--	--	96,645	13,173	--
Fee Revenue Adjustments	--	18,797	--	33,245	240,670	--
Extramural and Other Non-State Supported Programs	--	-1,315,489	--	--	-1,001,947	--
Enrollment/Caseload/Population	--	--	--	115,457	--	--
Employee Compensation/Retirement	23,727	2,564	--	34,218	1,799	--
Statutory Cost-of-Living Adjustments	--	--	--	238,152	--	--
Expiring Programs or Positions	--	-397	-8.4	--	-915	-14.6
One-Time Cost Reductions	--	365	--	-87,775	-4,877	--
Other Workload Adjustments	6,647	58,368	2,832.0	-33,028	59,522	3,699.8
<b>Totals, Workload Adjustments</b>	\$2,813	-\$1,336,639	2,823.6	\$628,818	\$28,297	3,685.2
<b>Policy Adjustments</b>						
UC Research Initiative	--	--	--	20,000	--	--
Other Policy Adjustments	1,000	--	--	-5,482	175	1.9
<b>Totals, Policy Adjustments</b>	\$1,000	\$0	--	\$14,518	\$175	1.9
<b>Infrastructure Adjustments</b>	-\$3,702	-\$98,696	--	\$0	\$2,345,816	--
<b>Total Adjustments</b>	\$111	-\$1,435,335	2,823.6	\$643,336	\$2,374,288	3,687.1
<b>Governor's Budget</b>	\$11,368,392	\$24,644,040	119,552.8	\$12,002,544	\$26,345,044	120,416.3

\* Dollars in Thousands

Figure HED-02  
**Higher Education Expenditures**  
**General Fund, Lottery Funds, State School Fund,**  
**Local Revenues and Student Fees**  
**(Dollars in Millions)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change from 2006-07	
							Dollar	Percent
University of California <sup>1/</sup>								
Total Funds	\$4,418.5	\$4,516.1	\$4,514.7	\$4,812.4	\$5,107.4	\$5,452.4	\$345.0	6.8%
General Fund	3,150.0	2,868.1	2,698.7	2,838.6	3,078.0	3,270.1	\$192.1	6.2%
California State University <sup>1/</sup>								
Total Funds	3,525.9	3,651.4	3,586.3	3,834.5	4,093.6	4,364.2	\$270.6	6.6%
General Fund	2,697.1	2,625.7	2,475.8	2,596.0	2,811.4	2,976.3	\$164.9	5.9%
Community Colleges								
Total Funds	6,588.5	6,697.8	7,300.8	7,764.8	8,293.9	8,616.1	\$322.3	3.9%
General Fund & P98 <sup>3</sup>	4,869.9	4,505.3	5,031.9	5,737.2	6,190.4	6,552.7	\$362.3	5.9%
Student Aid Commission (GF)								
Total Funds	594.0	689.3	776.5	820.5	865.9	930.3	\$64.4	7.4%
General Fund	569.0	658.8	595.4	735.5	827.2	891.6	\$64.4	7.8%
Other Higher Education <sup>2/</sup>								
Total Funds	180.6	199.4	301.1	307.1	327.8	391.5	\$63.7	19.4%
General Fund	165.0	179.6	274.9	280.4	299.6	362.3	\$62.7	20.9%
<b>Total Funds</b>	<b>\$15,307.5</b>	<b>\$15,754.0</b>	<b>\$16,479.4</b>	<b>\$17,539.3</b>	<b>\$18,688.6</b>	<b>\$19,754.5</b>	<b>\$1,066.0</b>	<b>5.7%</b>
<b>General Fund</b>	<b>\$11,451.0</b>	<b>\$10,837.5</b>	<b>\$11,076.7</b>	<b>\$12,187.7</b>	<b>\$13,206.6</b>	<b>\$14,053.0</b>	<b>\$846.4</b>	<b>6.4%</b>

<sup>1/</sup> For purposes of this table, expenditures for the UC and CSU have been adjusted to include the offsetting general purpose income, but exclude self-supporting functions such as auxiliary enterprises and extramural programs among others. This provides consistency in comparing magnitudes and growth among the various segments of education.

<sup>2/</sup> 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.

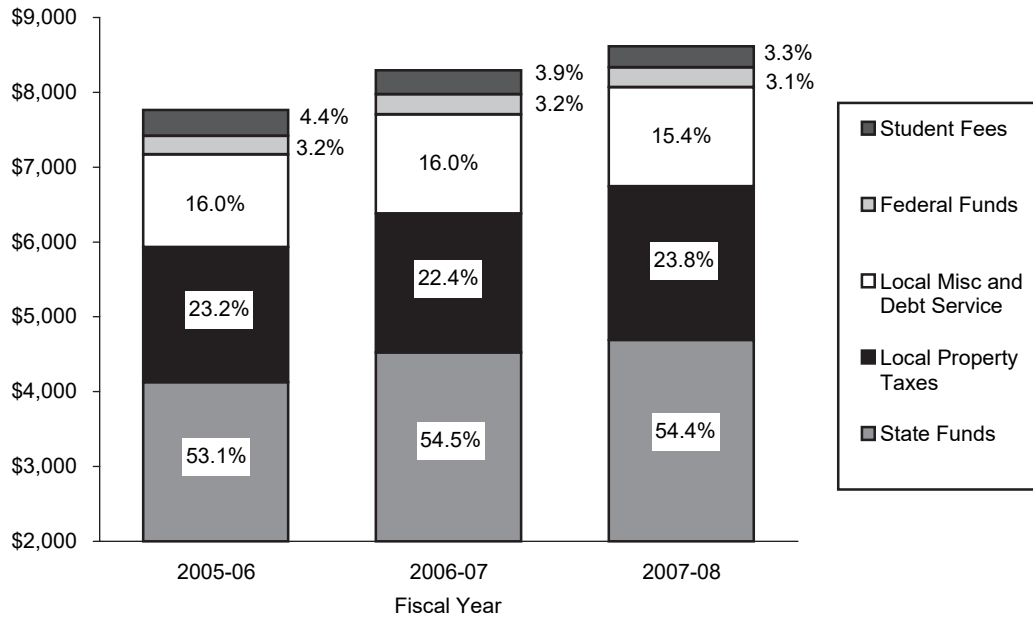
<sup>3/</sup> For purposes of comparing with UC and CSU General Fund, CCC includes property tax revenue, as a component of the state's obligation under Proposition 98.

Figure HED-03  
**Significant Revenue Sources for Community Colleges**  
**(Dollars in Millions)**

Source of Funds	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change From 2006-07	
							Dollars	Percent
State General Fund	\$2,879.5	\$2,404.8	\$3,277.5	\$3,934.5	\$4,333.0	\$4,502.2	\$169.2	3.9%
Lottery Fund	141.2	140.9	143.3	177.9	173.9	173.9	\$0.0	0.0%
Local Property Taxes	1,990.4	2,100.4	1,754.4	1,802.7	1,857.4	2,050.5	\$193.1	10.4%
Student Fees	169.2	243.5	334.7	344.9	321.7	281.9	-\$39.8	-12.4%
Other State Funds	11.3	8.6	9.3	13.3	13.9	13.7	-\$0.2	-1.3%
Federal Funds	250.9	249.2	244.1	249.8	267.0	267.0	\$0.0	0.0%
Local Miscellaneous	1,038.8	1,392.2	1,289.6	925.0	988.5	988.5	\$0.0	0.0%
Local Debt Service	107.1	158.0	248.4	316.7	338.4	338.4	\$0.0	0.0%
<b>TOTAL REVENUE</b>	<b>\$6,588.5</b>	<b>\$6,697.8</b>	<b>\$7,301.3</b>	<b>\$7,764.8</b>	<b>\$8,293.9</b>	<b>\$8,616.1</b>	<b>\$322.3</b>	<b>3.9%</b>



Figure HED-04  
**Revenue Source for Community Colleges**  
 (Dollars in Millions)



## HIGHER EDUCATION STUDENT ENROLLMENT

Enrollment levels for the UC and the CSU are driven by projections of eligible students in accordance with the Master Plan for Higher Education. Consistent with the enrollment projections of the Demographic Research Unit within the Department of Finance, enrollments are estimated to grow by an average of 2.5 percent annually over the next five years. Historically for CCC, a minimum level of enrollment growth is calculated based upon the change in adult population from year to year. While this calculation guides the minimum level of growth funding, the Administration and Legislature have exercised discretion to provide more funding to respond to changing enrollment demands. In most years, CCC has received growth funding in excess of the growth in the adult population in order to respond to key variables that drive enrollments at community colleges such as unemployment and market demand. With budgeted growth for the three public higher education segments, the overall increase in the number of students expected to be served in 2007-08 is 35,753 full-time equivalent students (FTES) for a total of 1,749,545 FTES (see Figure HED-07).

**Figure HED-05  
Financial Aid Grants  
General Fund and Fee Revenue Funded  
(Dollars in Thousands)**

Institution/Fund Source	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change from 2006-07	
							Dollars	Percent
University of California <sup>1/</sup>	\$287,761	\$355,654	\$371,944	\$411,833	\$426,928	\$474,318	\$47,390	11.1%
General Fund	52,199	52,199	93,417	52,199	52,199	52,199	\$0	0.0%
Fee Revenue <sup>3/</sup>	235,562	303,455	278,527	359,634	374,729	422,119	\$47,390	12.6%
California State University <sup>1/, 2/</sup>	132,716	242,206	229,553	269,525	260,705	299,511	\$38,806	14.9%
General Fund	51,147	51,147	51,147	51,147	51,147	51,147	\$0	0.0%
Fee Revenue	81,569	191,059	178,406	218,378	209,558	248,364	\$38,806	18.5%
Community Colleges <sup>1/</sup>								
General Fund	102,723	168,138	266,001	269,006	245,499	215,387	-\$30,112	-12.3%
Student Aid Commission <sup>1/, 4/</sup>								
General Fund	569,024	658,751	595,410	735,470	827,178	891,608	\$64,430	7.8%
<b>Total</b>	<b>\$1,092,224</b>	<b>\$1,424,749</b>	<b>\$1,462,908</b>	<b>\$1,685,834</b>	<b>\$1,760,310</b>	<b>\$1,880,824</b>	<b>\$120,514</b>	<b>6.8%</b>
General Fund	775,093	930,235	1,005,975	1,107,822	1,176,023	1,210,341	\$34,318	2.9%
Fee Revenues	317,131	494,514	456,933	578,012	584,287	670,483	\$86,196	14.8%

<sup>1/</sup> Reflects budgeted amounts for 2006-07 and 2007-08.

<sup>2/</sup> Includes \$14 million GF for EOP grants through 1998-99 and \$17 million from 1999-00 to 2007-08.

<sup>3/</sup> Beginning in 2004-05, UC augmented its student fee revenues for financial aid by \$8.140 million by increasing fees to non-resident students.

<sup>4/</sup> Includes one-time fund shift from General Fund to Student Loan Operating Fund in 2004-05 (\$146.5 million) and 2005-06 (\$51.0 million).

**Figure HED-06  
Cal Grant Funding  
(Dollars in Thousands)**

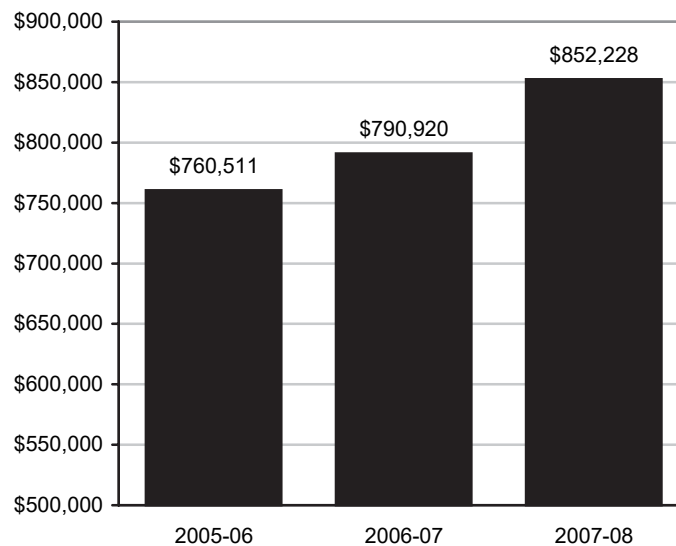


Figure HED-07  
**Higher Education**  
**Full-Time Equivalent Students**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change from	
								2006-07	
								FTES	Percent
University of California	185,304	196,188	201,896	201,403	205,368	211,255 <sup>1/</sup>	216,255	5,000	2.4%
Undergraduate	(144,091)	(152,527)	(155,754)	(155,342)	(159,135)	(163,763)	(168,424)	(4,661)	2.8%
Graduate	(28,487)	(30,531)	(32,874)	(32,596)	(32,777)	(34,755)	(34,800)	(45)	0.1%
Health Sciences	(12,726)	(13,130)	(13,268)	(13,465)	(13,456)	(12,737)	(13,031)	(294)	2.3%
California State University	316,395	331,353	331,705	321,338	341,511 <sup>3/</sup>	348,262	355,954	7,692	2.2%
Undergraduate	(267,100)	(276,607)	(278,774)	(274,940)	(288,800)	(294,461)	(301,081)	(6,620)	2.2%
Graduate/Post-baccalaure	(49,295)	(54,746)	(52,931)	(46,398)	(52,711)	(53,801)	(54,873)	(1,072)	2.0%
Community Colleges	1,099,343	1,129,645	1,106,390	1,121,681	1,107,294	1,153,025 <sup>2/</sup>	1,176,086 <sup>2/</sup>	23,061	2.0%
Hastings	1,200	1,262	1,250	1,268	1,281	1,250	1,250	0	0.0%
<b>Total Students</b>	<b>1,602,242</b>	<b>1,658,448</b>	<b>1,641,241</b>	<b>1,645,690</b>	<b>1,655,454</b>	<b>1,713,792</b>	<b>1,749,545</b>	<b>35,753</b>	<b>2.1%</b>

<sup>1/</sup> Budgeted. Estimated enrollment is 213,121 in 2006-07 for UC.

<sup>2/</sup> Figure reflects DOF projection of budget FTES. There is insufficient data to project unfunded or over-cap levels.

<sup>3/</sup> CSU recalculated its 2005-06 enrollments to reflect full-time graduate students as taking 12 units per term, rather than 15 units as in the past, to be consistent with national higher education reporting standards.

## STUDENT FEES

UC and CSU Student Fees—When preparing their annual 2007-08 Budgets, the Regents of the UC and the Trustees of the CSU deferred decisions on student fee increases. The segments have now advised the Administration, pursuant to the provisions of the Compact, that undergraduate fee increases are necessary to augment the Compact's basic budget support provisions in order to maintain the quality of core instructional programs. The UC proposes fee increases of 7 percent for undergraduates, graduate students, and most professional schools. The CSU proposes fee increases of 10 percent for undergraduates, credential candidates, and other graduate students. Despite these increases, fees remain very competitive, with the UC's fees below the average of comparable national institutions and the CSU's fees as the lowest in the nation for comparable 4-year comprehensive colleges. Both the UC and the CSU plan to set aside at least one-third of the increased fee revenue for financial aid, consistent with the Compact's provisions.

Community Colleges Fees—The Governor's Budget proposes no fee increase. CCC college fees for credit courses will remain at \$20 per credit unit pursuant to agreement reached in negotiations on the 2006 Budget Act. CCC fees remain the lowest in the nation by far and are just 24 percent of the national average. See Figure HED-08 for current and proposed fee levels and comparisons with other public institutions for all higher education segments.

Figure HED-08  
Higher Education Fees

2006-07 Fee Comparison

	UC <sup>a/</sup>				Other Public Institutions (2006-07)		
	2006-07	2006-07	2007-08	2007-08	Average	Highest	Lowest
	Ed/Reg Fee	Total Fee	Ed/Reg Fee	Total Fee			
Undergraduate	\$6,141	\$6,852	\$6,636	\$7,347	\$8,354	\$9,723	\$6,129
Graduate	\$6,897	\$8,938	\$7,440	\$9,481	\$11,288	\$14,991	\$9,448
<b>CSU<sup>b/</sup></b>							
Undergraduate	\$2,520	\$3,199	\$2,772	\$3,451	\$6,665	\$9,994	\$3,684
Graduate (non-teacher prep.)	\$3,102	\$3,781	\$3,414	\$4,093	na	na	na
Graduate (teacher prep)	\$2,922	\$3,601	\$3,216	\$3,895	na	na	na
<b>CCC<sup>c/</sup></b>							
Full-Time Undergraduate Student	\$690		\$600		\$2,481	\$5,689	\$1,191
Bachelor-Degree Holders	\$690		\$600		na	na	na

<sup>a/</sup> UC's 2006-07 undergraduate education fee of \$6,141 (\$6,897 for graduate students), includes a registration fee of \$735. Total fees include an additional average campus-based fee of \$711 for undergraduate students and \$2,041 for graduate students. In 2007-08, the registration fee will increase to \$786 for both undergraduate and graduate students. The campus-based fees do not reflect a change from 2006-07, since they have not yet been determined by UC. UC's 2007-08 fees reflect an increase of 7 percent. (These fees include a \$60 temporary surcharge to cover income losses associated with a student fee lawsuit.)

<sup>b/</sup> CSU's total fees in 2006-07 include a campus-based fee of \$679 for all students. CSU's 2007-08 education fees reflect an increase of 10 percent, while the campus-based fee will remain at \$679 for all students.

<sup>c/</sup> Comparison data for other states reflect 2005-06 data. 2006-07 fee levels are based on 15 units @ \$26 per unit for Fall 2006, and 15 units @ \$20 per unit for Spring 2007, reflecting a mid-year student fee reduction enacted by trailer bill legislation.

2006-07 Professional School Fee Comparison:

	UC <sup>d/</sup>	Other Public Institutions		
		Average	Highest	Lowest
Law	\$25,101	\$25,348	\$35,501	\$14,762
Medicine	\$22,753	\$25,678	\$30,100	\$21,377
Business Administration	\$24,634	\$24,864	\$35,989	\$9,642

<sup>d/</sup> Professional fees reflect the average among campuses.

**WORKLOAD ADJUSTMENTS**

The 2007-08 Governor's Budget continues the Governor's objectives for providing access and preserving quality instruction through full funding for basic budget support and enrollment growth in accordance with the Higher Education Compact; full funding for enrollment growth and COLA for the CCC within the growth in the Proposition 98 Guarantee in accordance with the new funding formula contained in Chapter 631, Statutes of 2006; and full funding for the

Cal Grant Program. While fee increases within the limitations of the Compact are proposed, the UC and the CSU will set aside sufficient fee revenue to offset tuition increases in accordance with the Compact to ensure no additional financial hardships for needy students. Significant General Fund and Proposition 98 related workload and baseline adjustments are detailed for each major segment as follows:

#### UNIVERSITY OF CALIFORNIA

##### Budget Year

- \$116.7 million increase (4 percent) for basic budget support consistent with the Compact.
- \$54.4 million increase (2.5 percent) for enrollment growth consistent with the Compact. This funding will enable UC to enroll an additional 5,000 state-supported students.
- \$104.7 million increase in fee revenue associated with the 7-percent fee increase for undergraduate, graduate, and professional school students. Fees for certain law and business programs will increase by 10-percent. One-third of the revenue generated by the fee increases for undergraduate and professional programs and 45 percent of the revenue generated by the graduate fee increase will be set aside for financial aid.
- \$14 million continuation of one-time funds for costs associated with sustaining UC Merced operations for a total funding level of \$24 million.
- \$757,000 to restore nursing funding for expansion of entry-level master's nursing programs pursuant to Chapter 592, Statutes of 2005 (SB 73).
- \$570,000 increase for the next cohort of 38 students for the PRIME Program, which targets prospective medical doctors for underserved populations.
- \$10.5 million increase for annuitant health benefits.
- \$15.8 million increase for lease purchase payments.
- \$19.3 million reduction by eliminating the legislative augmentation for Student Academic Preparation and Education Programs.
- \$6 million reduction by eliminating the legislative augmentation for the Labor Institutes.

##### Current Year

- \$1.3 million increase for lease purchase payments.

## HIGHER EDUCATION

### CALIFORNIA STATE UNIVERSITY

#### Budget Year

- \$108.7 million increase (4 percent) for basic budget support consistent with the Compact.
- \$65.5 million increase (2.5 percent) for enrollment growth consistent with the Compact. This funding will enable CSU to enroll an additional 8,355 state-supported students.
- \$97.8 million increase in fee revenue associated with a 10-percent fee increase for undergraduate, graduate, and teacher credential candidates. One-third of the revenue generated by the fee increases will be set aside for financial aid.
- \$2 million increase for the next phase of the Science and Math Teacher Initiative that began with the 2005 Budget Act.
- \$120,000 increase (4 percent) for the Capitol Fellows Program consistent with the Compact.
- \$23.3 million to continue the increase for retirement costs.
- \$2.7 million reduction for lease purchase payments.
- \$7 million reduction by eliminating the legislative augmentation for Student Academic Preparation and Education Programs.

#### Current Year

- \$23.3 million increase for retirement costs.
- \$2.0 million reduction for lease purchase payments.

### CALIFORNIA COMMUNITY COLLEGES

#### Budget Year

- \$109.1 million increase (2 percent) for enrollment growth for Apportionments. This funding will enable CCC to enroll an additional 23,000 full time equivalent (FTE) students. This level exceeds the 1.65-percent change in the adult population, equally weighted between the 19-to-24 and the 25-to-65 age groups, the new statutory index factors relevant in 2007-08 pursuant to Chapter 631, Statutes of 2006.
- \$224.9 million increase for a cost-of-living increase (4.04-percent COLA) for general-purpose Apportionments.

- \$19.6 million increase for Categorical Program enrollment growth and COLA (2 percent and 4.04 percent, respectively). These programs provide essential services to special populations and include Basic Skills, Matriculation, Disabled Students Programs and Services, Campus Childcare Tax Bailout, and Extended Opportunity Programs and Services.
- \$33.1 million redirection of surplus Basic Skills overcap incentive funding to support additional Matriculation and support services for community college students. Of this amount, \$19.1 million is specifically dedicated to additional counseling and tutoring services for those students most at risk of failing to complete a program (See Program Enhancements and Other Budget Adjustments section for additional detail).
- \$9 million one-time current year funding and \$9 million in ongoing funding to support additional nursing program investments in community colleges. These funds are available in the community colleges base from 2006 Budget Act set-aside actions and are now proposed to assist colleges in expanding enrollments by providing startup funding for new nursing programs, funding new clinical simulation laboratories, expanding services that will reduce attrition, and funding incentives to add additional prerequisite science courses. (See Program Enhancements and Other Budget Adjustments section for additional detail).
- \$33.2 million increase to offset the remaining fee revenue reduction incurred by colleges in the budget year due to the reduction in student fees from \$26 per unit to \$20 per unit in the spring of 2007 and other workload adjustments.
- \$197.2 million reduction to Apportionments to reflected estimated growth in local property taxes of an identical amount.

Current Year

- \$4.1 million increase in property tax revenue based on revised estimates.
- \$6.6 million estimated increase in fee revenue reflecting an increase in the average number of credit units taken per FTES.

**STUDENT AID COMMISSION**

Budget Year

- \$61.3 million increase over the revised 2006-07 level for anticipated growth in the Cal Grant Program, reflecting increased participation and the anticipated undergraduate fee increases of 7 percent and 10 percent at UC and CSU, respectively.

## HIGHER EDUCATION

- \$2.9 million increase over the revised 2006-07 level for anticipated growth in costs in the Assumption Program of Loans for Education (APLE).
- Authorization for 600 new warrants for the APLE program for students participating in the Governor’s Science and Math Teacher Initiative.

### Current Year

- \$19.7 million in savings in the Cal Grant and APLE programs.

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## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor’s Budget proposes significant increased investments for the Science and Math Teacher Initiative for the CSU, the Nursing Initiative for the CCC and the UC, and the Career Technical Education Initiative funded through the CCC budget. Moreover, the Budget proposes the first increment of a new UC research initiative that makes strategic investments designed to maintain California’s leadership position as an incubator for new cutting edge, environmentally-friendly industry development and a new Student Success Initiative to help at-risk Community College students succeed in achieving certificates and degrees. Highlights of each initiative are detailed below:

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### UNIVERSITY OF CALIFORNIA RESEARCH—KEEPING THE STATE ON THE CUTTING EDGE

California is the national leader in innovation. California has more scientists, engineers and researchers than any other state. Supported by some of the world’s finest universities and research institutions, California is responsible for one in four patents, attracts half of all venture capital, and provides 20 percent of all technology jobs in the United States. Research conducted at the University of California is one of the primary engines powering this innovation, as well as the state’s economy, and is critical to keeping California competitive in the global market.

The Budget includes \$95 million for four major projects: \$30 million for the Helios Project, \$40 million for the Energy Biosciences Institute, \$19.8 million to the California Institutes for Science and Innovation, and \$5 million for the Petascale Supercomputer project. These projects conduct research in the key areas of “clean” energy technology, biotechnology,



and nanotechnology. These funds have the potential to leverage private and federal funding in excess of \$1 billion.

#### **HELIOS PROJECT**

The Budget provides \$30 million in lease revenue bonds for the Helios Project, a groundbreaking initiative by the University of California's Lawrence Berkeley National Laboratory to create sustainable, carbon-neutral sources of energy. The Helios Project will produce the next generation of super-efficient solar energy technology that will help reduce greenhouse gases and our oil dependency. The Helios Project's four goals are to: 1) generate clean sustainable alternatives to hydrocarbon fuels; 2) develop new energy sources; 3) improve energy conservation; and 4) reduce greenhouse gas emissions. The \$30 million in the Budget is provided as the state's share of a new \$100 million, 100 thousand square-foot energy/nanotechnology research building for the Helios Project.

#### **ENERGY BIOSCIENCES INSTITUTE**

The Budget provides \$40 million in lease revenue bonds to the University of California for UC Berkeley or UC San Diego in the event that either wins a global competition for the BP's Energy Biosciences Institute grant. These campuses were among only five universities in the world that were invited to compete for this \$500 million grant to build and operate an Energy Biosciences Institute, which will be dedicated to long-term research into the production of alternative fuels. The Institute will focus on converting biomass materials into fuels, converting fossil fuels to energy with less environmental damage and maximizing oil extraction from existing wells in environmentally sensitive ways. To accelerate California's movement towards a clean fuel future, the University of California will coordinate the Institute's work with the Helios Project.

#### **CALIFORNIA INSTITUTES FOR SCIENCE AND INNOVATION**

The Budget provides \$19.8 million for the California Institutes for Science and Innovation. The four Institutes are a multidisciplinary research effort by the University of California—working in partnership with 275 private companies—to engage the UC's research faculty directly with California companies in attacking large-scale issues critical to California's economy and its citizens' quality of life. With the express goal of sustaining California's global growth and competitiveness, the CISI bring the world's finest researchers together to find solutions to our greatest medical and technological challenges and position California at the forefront of research, innovation and jobs. Information technology, biomedical research, nanotechnology, health care and energy systems are among the areas of focus for the Institutes. The \$19.8 million will fund advanced technology infrastructure, personnel,

## HIGHER EDUCATION

and provide seed money to build new research teams. In just five years, nearly half a billion dollars in federal funds already have been brought to California by Institute researchers.

### PETASCALE SUPERCOMPUTER

The University of California leads the world in high-speed computer technology and is poised to debut the next generation of supercomputers. The University of California is competing against institutions in other states to become the site for a new \$200 million Petascale computer facility funded by the National Science Foundation. The Governor's Budget provides the first \$5 million in state matching funds to enhance the University of California's bid. The Petascale computer, named for the speed at which it can process information, will be the most powerful computer in the world. It will provide an enormous competitive advantage to California businesses and universities, helping to attract the best students and faculty from around the world. The Governor's commitment of these funds will significantly enhance the University of California's bid for this groundbreaking project.

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### CAREER TECHNICAL EDUCATION INITIATIVE

In an ever-evolving economy, California students need multiple pathways to rewarding and productive careers. The Administration remains committed to expanding opportunities for high school and community college students to take high-quality, academically rigorous career technical education (CTE) courses.

Since the Governor launched his CTE initiative in 2005, the state has made significant investments aimed at reinvigorating CTE programs. Chapter 352, Statutes of 2005 (SB 70) marked the beginning of the Governor's CTE Initiative, providing \$20 million for CTE courses in high schools and Community Colleges. At the heart of this initiative are "2 + 2" programs that offer articulated series of courses beginning in a high school and continuing at a community college.

As a result of the investments in the 2005-06 budget and those described for the current year budget, the state has begun to restore the capacity and vitality that many CTE programs had lost due to decades of erosion in these programs. California is making significant progress in building CTE programs that will provide students with additional options and opportunities and help to meet the evolving demands of California business and industry.

The Governor's Budget proposes \$52 million to expand CTE course offerings and programs. These resources include \$20 million in the CCC's base funding for SB 70 programs as well as \$32 million in new funding provided pursuant to Chapter 751, Statutes of 2006 (SB 1133). The Administration proposes that these funds be used for the following activities:

- Expanding the number of CTE courses offered in middle schools, high schools, and community colleges.
- Building stronger partnerships between the business sector and educational institutions.
- Planning and implementing CTE curriculum for emerging industries.
- Expanding internship opportunities for students.
- Establishing career exploration opportunities for middle school students.
- Creating career-themed high schools.
- Establishing streamlined pathways for becoming a CTE teacher.
- Creating several pilot career academies for young adults and high school dropouts who are unable to maintain living wage employment due to academic deficiencies.

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### CCC STUDENT SUCCESS INITIATIVE

The Governor's Budget proposes to redirect \$33.1 million in underutilized, ongoing funds for improving student outcomes. These funds are currently dedicated for student instruction that exceeds district funding limits and are not projected to be needed in the foreseeable future. Instead, this amount is proposed to help the most at-risk, first time students that are in transition from high school to define and complete specific academic goals with the following services:

- \$14 million is provided for additional core Matriculation Program services, which includes orientations, counseling and academic assessment, referrals to specialized services, evaluation of study skills, and advising on course selection.
- \$19.1 million is provided for targeted counseling services to help assess career options, evaluate aptitudes, and form an academic plan of study for career preparation for those students that are most at risk of failing to complete a meaningful education program. This funding would provide hands on tutoring to assist these young adults in progressing through their plan and achieving their goals. Accountability measures for improved outcomes for these students are proposed to be incorporated into the new CCC accountability system.

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### NURSING INITIATIVE

Building on investments made in the current year budget described previously, the Governor's Budget proposes \$9 million in ongoing funding and \$9 million in one-time current year funding to support additional nursing instructional capacity in community colleges. The CCC, with 74 existing nursing programs, are the leaders in training and educating the nursing workforce. Recognizing their mission and capacity to provide additional training and services to meet the documented clinical nursing shortage, the Budget proposes:

- \$9 million in ongoing funding for additional services to reduce enrollment attrition (\$5.2 million) and for incentives to increase costly science course sections that are prerequisite to enrolling in nursing programs (\$3.8 million).
- \$9 million in one-time funding for start up costs for five new nursing programs (\$5 million) and development of four new regional clinical simulation laboratories (\$4 million).

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### SCIENCE AND MATH TEACHER INITIATIVE

To help address California's critical shortage of highly trained teachers in the subjects of science and math, the Governor's Budget proposes an increase of \$2 million for a total of \$2.7 million for the CSU to support the third year of the Science and Math Teacher Initiative. This funding will enable the CSU to establish three regional science and math teacher recruitment centers and continue to expand its campus programs in order to double the number of science and math teachers trained annually. When combined with the \$1.1 million that is continued in the UC budget, this initiative proposes a total of \$3.8 million for 2007-08. The Budget also proposes an increase of 600 education loan assumption warrants in the CSAC budget to provide incentives for promising students to enter the teaching field in these critical shortage areas.

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### OTHER POLICY PROPOSALS

For CCC, the Governor's Budget also includes the following proposed local assistance policy increases that are funded from Proposition 98 resources:

- \$1 million in one-time current year funds for the California Partnership for Achieving Student Success Program (CalPASS), a project that helps all segments determine the efficacy of curriculum for articulated course sequences between segments to ensure successful student outcomes.

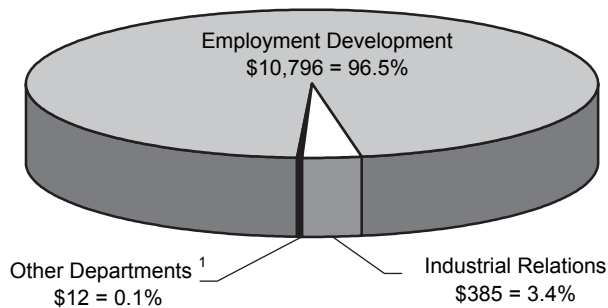
- \$350,000 in ongoing funds for Fiscal Crisis and Management Team (FCMAT) assistance to CCCs to ensure resources are available to respond to financial instability indicators or other signs of trouble before they develop into insolvency such as recently occurred at the Compton CCD.

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# LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency (LWDA) supports and protects California workers and employers. The LWDA is primarily responsible for three activities: labor law enforcement, workforce development, and benefit payment and adjudication. The primary objective of the LWDA is to serve workers and employers by coordinating its many services and programs in a manner that is efficient, effective, and relevant to current and future economic conditions. Funding for the programs will be \$11.2 billion, a decrease of \$310.7 million from the revised 2006-07 Budget. See Figure LWD-01 below.

Figure LWD-01  
**Labor and Workforce Development Agency 2007-08 Expenditures**  
 (Dollars in Millions)



<sup>1</sup> Other Departments include: Secretary for Labor and Workforce Development (\$2.2), California Workforce Investment Board (\$4.5), and Agricultural Labor Relations Board (\$5.1).

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## MAJOR ACCOMPLISHMENTS IN 2006-07

The following proposal was implemented in 2006-07 and is continued in 2007-08:

- Employment Training Panel-The 2006-07 Budget includes \$17.9 million (Employment Training Fund) for the Employment Training Panel to augment its employment training contract program. The Employment Training Panel supports the California economy by ensuring that employers, primarily small businesses, have the trained workers they need to compete in the global economy while providing workers with reasonable wages and secure employment. The Panel prioritizes special economic development initiatives to retain and create high-skilled, high-paying jobs throughout the state.

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## PROPOSED LABOR AND WORKFORCE DEVELOPMENT AGENCY SPENDING FOR 2007-08

Change Table LWD-01 illustrates the major changes proposed within LWDA.

Major workload adjustments required by law for 2007-08 include the following:

- Automated Collection Enhancement System-The Governor's Budget includes \$2.8 million (\$2.5 million General Fund) for the Employment Development Department's (EDD) Automated Collection Enhancement System (ACES), which will improve the EDD's ability to track, collect, and audit the payment of specified employer payroll taxes, including the personal income tax withholding.
- Electronic Adjudication Management System-The Governor's Budget provides \$19.1 million (Workers' Compensation Administration Revolving Fund), which includes a reappropriation of \$6.7 million from 2006-07, to support the revised project costs for the new paperless case management and automated calendaring system for the Division of Workers' Compensation in the Department of Industrial Relations (DIR).
- Tax Sharing Ratio Change-The Governor's Budget includes \$13.5 million General Fund and a corresponding decrease of \$13.5 million from various special funds. This adjustment will properly align the EDD's costs for collecting various employment taxes.
- October Revise-The Governor's Budget includes an increase of \$200.6 million (various special funds) in benefit payments and a decrease of \$19.4 million and in state operations for the various employment assistance payments that EDD administers.



Change Table LWD-01

**Labor and Workforce Development Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$99,210	\$10,946,016	12,163.0	\$99,210	\$10,946,016	12,163.0
<b>Workload Adjustments</b>						
Automated Collection Enhancement System (ACES)	--	--	--	2,511	249	--
EDD October Revise - Local Assistance	--	481,935	--	--	200,554	--
EDD October Revise - State Operations	--	-5,536	-179.8	--	-19,448	-162.2
Electronic Adjudication Management System (EAMS)	--	-6,679	--	--	19,077	--
Tax Sharing Ratio Change	--	--	--	13,500	-13,500	--
Employee Compensation/Retirement	5,305	25,192	--	5,060	22,995	--
Expiring Programs or Positions	--	--	--	--	-2,152	-35.2
One-Time Cost Reductions	--	--	--	-2,728	-15,000	--
Full-Year Cost of New Programs	--	--	--	--	244	--
Other Workload Adjustments	2	-41,893	-220.3	156	-38,708	-157.8
<b>Totals, Workload Adjustments</b>	<b>\$5,307</b>	<b>\$453,019</b>	<b>-400.1</b>	<b>\$18,499</b>	<b>\$154,311</b>	<b>-355.2</b>
<b>Policy Adjustments</b>						
Remove Contingent Fund from the Job Services Program	--	--	--	--	-27,060	-271.0
Other Policy Adjustments	--	--	--	--	1,852	15.2
<b>Totals, Policy Adjustments</b>	<b>\$0</b>	<b>\$0</b>	<b>--</b>	<b>\$0</b>	<b>-\$25,208</b>	<b>-255.8</b>
<b>Total Adjustments</b>	<b>\$5,307</b>	<b>\$453,019</b>	<b>-400.1</b>	<b>\$18,499</b>	<b>\$129,103</b>	<b>-611.0</b>
<b>Governor's Budget</b>	<b>\$104,517</b>	<b>\$11,399,035</b>	<b>11,762.9</b>	<b>\$117,709</b>	<b>\$11,075,119</b>	<b>11,552.0</b>

\* Dollars in Thousands

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

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## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor's Budget proposes significant changes for the departments within the LWDA. Notable funding changes included in the Governor's Budget for these departments are further described below.

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### EMPLOYMENT DEVELOPMENT DEPARTMENT

The EDD promotes California's economic growth by providing services to keep employers, employees, and job seekers competitive. The EDD connects employers with job seekers, administers the Unemployment Insurance, Disability Insurance, and Paid Family Leave programs, and provides employment and training programs under the federal Workforce Investment Act of 1998. The EDD collects various employment payroll taxes including the Personal Income Tax, and collects and provides comprehensive economic, occupational, and socio-demographic labor market information concerning California's workforce. The Governor's Budget includes \$10.8 billion (\$44.4 million General Fund), a decrease of \$332 million (\$13.4 million General Fund increase) from the revised 2006-07 budget.

#### TAX SHARING RATIO CHANGE

The Governor's Budget includes \$13.5 million General Fund and a corresponding decrease of \$13.5 million (\$2.4 million from the Employment Training Fund and \$11.1 million from the Unemployment Compensation Disability Fund) to properly align EDD's costs for the collection of various employment taxes with each fund paying its "fair share" of the shared tax function. The EDD is responsible for collecting Unemployment Insurance, Disability Insurance, General Fund (through the Personal Income Tax), and the Employment Training Tax.

#### OCTOBER REVISE

The Governor's Budget includes an increase of \$200.6 million (various special funds) in benefit payments and a decrease of \$19.4 million (various special funds) and 162.2 positions to reflect anticipated workload for various employment assistance payment programs that EDD administers. These numbers reflect the net total local assistance dollars that are identified in the 2006 October Revise, which are Unemployment Insurance, Disability Insurance, School Employees Fund programs, and the available Workforce Investment Act funds. Including the School Employees Fund benefits and excluding the WIA distribution to local agencies, the total benefit amount is \$206.9 million.

**AUTOMATED COLLECTION ENHANCEMENT SYSTEM (ACES)**

The Governor's Budget provides \$2.8 million (\$2.5 million General Fund) to continue the ACES, which will enhance the department's ability to collect state payroll taxes, including the personal income tax, by modernizing and automating its revenue collection process.

**CONTINGENT FUND TRANSFER TO THE GENERAL FUND**

The Governor's Budget eliminates \$27.1 million Contingent Fund in the EDD Job Services Program, and makes a corresponding transfer of these funds to the General Fund. There is \$153 million federal funds remaining in the program to support a variety of services designed to facilitate a match between employers and job seekers, and for a variety of case-managed programs that provide specialized services to job seekers needing extra assistance, such as welfare recipients, parolees, veterans, youth, disabled, and long-term unemployed individuals. This funding will provide services to more than one million job seekers and 53,000 employers in 2007-08. Additional services similar to those provided through the EDD's Job Services Program are provided to certain specific client groups through the state's CalWORKS Program.

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**DEPARTMENT OF INDUSTRIAL RELATIONS**

The DIR seeks to foster, promote, and develop the welfare of the wage earners of California, to improve their working conditions, and to advance their opportunities for profitable employment. The Governor's Budget includes \$384.5 million (\$68.2 million General Fund), an increase of \$21.8 million (\$211,000 General Fund decrease) above the revised 2006-07 budget.

**ELECTRONIC ADJUDICATION MANAGEMENT SYSTEM**

The Governor's Budget provides \$19.1 million (Workers' Compensation Administration Revolving Fund), which includes a reappropriation of \$6.7 million from 2006-07, to support the revised project costs as reflected in the Electronic Adjudication Management System Special Project Report. These funds are necessary to continue implementation of the new case management and automated calendaring system for the Division of Workers' Compensation. The new system will improve the operation and management of Division programs that protect California's workforce by improving program access, streamlining existing processes, and reducing costs resulting from delays in the current process.

**ELEVATOR PLAN CHECKING UNIT**

The Governor's Budget includes \$1.9 million (Elevator Safety Account) and 15.2 positions to approve permits for elevator plans prior to construction, as required by the law. The elevator

## LABOR AND WORKFORCE DEVELOPMENT

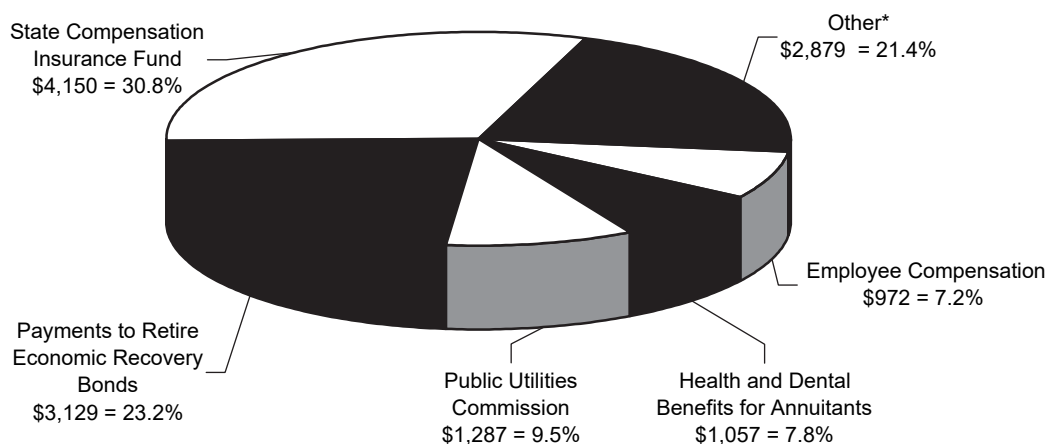
plan review process will ensure the safety of the general public and employees who use the elevators as well as the workers responsible for servicing the elevators. The review of plans prior to building construction will contribute to a more effective approval process for elevator operation permits.

# GENERAL GOVERNMENT

The General Government Section of the Governor’s Budget Summary includes multiple departments, commissions, and offices responsible for oversight and specific activities not included in other areas. This section of the Governor’s Budget Summary highlights several significant issues addressed in the Governor’s Budget.

The Budget includes \$13.5 billion (\$3.1 billion General Fund and \$10.4 billion other funds) for these departments, and reflects an increase of \$1.5 billion (\$870.5 million General Fund) or 12.3 percent over the revised 2006-07 Budget. The level of funding proposed for General Government is shown in Figure GEN-01. Notable funding changes are described below.

Figure GEN-01  
**Proposed General Government Expenditures for 2007-08 All Funds**  
 (Dollars in Millions)



\* To see the departments that comprise the Other portion, please see the General Government section of the Proposed Budget Detail.

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## MAJOR ACCOMPLISHMENTS IN 2006-07

Initiatives implemented in 2006-07 and continued in the 2007-08 Budget include the following:

California Solar Initiative—On August 21, 2006, the Governor signed legislation (SB 1) to implement the Governor’s Million Solar Roofs Initiative, which will make California a world leader for solar energy. SB 1, in combination with the California Solar Initiative adopted by the Public Utilities Commission (PUC) on January 12, 2006, will provide \$3.4 billion in incentives for solar energy installations over the next 10 years. The goal of this program is to make solar energy a competitive alternative without the need for ongoing subsidies. Funding is sufficient to provide 3,000 megawatts of solar energy installations over the life of the program, which is the equivalent of six new natural gas power plants. Program subsidies begin at \$2.50/watt and decline over the life of the program. The funding, which will be provided by the utilities, includes:

- \$400 million to subsidize solar energy installations on new residential construction,
- \$2.2 billion to provide rebates for solar energy projects on commercial and existing residential buildings, and
- \$784 million for municipal utilities to fund similar solar energy programs.

Video Competition Act—The Digital Infrastructure and Video Competition Act of 2006 (AB 2987) appoints the PUC as the sole video franchising authority in the state. Prior to this legislation, a company seeking a new video franchise would have had to acquire a separate franchise from each local government entity where it wanted to provide service. Consequently, a cable or telephone company would have needed over 500 franchise agreements to provide service statewide. This cumbersome process slowed the deployment of advanced services to Californians. In streamlining the application process by establishing the PUC as the sole video franchising authority, AB 2987 will improve advanced services and lower prices through increased competition. Local governments receive franchise fees from video companies to whom they grant franchises, and AB 2987 does not affect this local government revenue source.

Military Youth Challenge Program—The 2006-07 Budget includes \$3.9 million (\$900,000 General Fund) for the Military to establish a second Youth Challenge Program to serve an additional 200 at-risk high school students who have dropped out or who are in danger of dropping out of school.

Private Vehicle Inspections—The 2006-07 Budget provides the Department of Food and Agriculture \$380,000 General Fund and 4.8 positions for a one-year pilot project to inspect private vehicles at the Needles Inspection Station. The Department of Food and Agriculture collects data related to the frequency of private vehicles carrying pests into California.

Weed Management Areas Program—The 2006-07 Budget provides \$1.5 million General Fund for Weed Management Areas to leverage local and federal funds for activities to control the spread and impact of invasive weeds.

High-Risk Pest Exclusion—The 2006-07 Budget provides \$3 million General Fund for County Agricultural Commissioners for activities to detect and exclude new pests and diseases from California's agriculture and natural environment.

Veterans Benefits Outreach Programs—The 2006 Budget provides the Department of Veterans Affairs \$250,000 General Fund and 0.9 positions for an outreach campaign to increase the number of veterans receiving compensation and pensions from the United States Department of Veterans' Affairs. This program helps educate California veterans on federal benefits they are entitled to receive. To increase the number of veterans receiving benefits, the Budget includes \$250,000 for County Veterans' Services Offices for new and expanded outreach efforts and \$50,000 to provide outreach and benefits training and materials to local Veterans Services Offices.

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## PROPOSED GENERAL GOVERNMENT SPENDING FOR 2007-08

Change Table GEN-01 illustrates the major changes proposed in General Government spending in the Governor's Budget.

Major workload adjustments for 2007-08 include the following:

- Military Funeral Honors—The Governor's Budget includes \$1.8 million General Fund and 22.1 positions to provide the additional resources needed to meet the increased demand for military funeral honors ceremonies in California.
- Greater Los Angeles and Ventura Counties (GLAVC) Veterans Homes Construction and Start Up—The Governor's Budget includes \$995,000 and 7.6 positions for support activities associated with the initial construction and pre-activation phases of the GLAVC project.

Change Table GEN-01

**General Government - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$2,292,118	\$10,289,236	15,762.9	\$1,986,638	\$9,905,626	15,762.9
<b>Workload Adjustments</b>						
AB 2987: Video Competition Act of 2006	--	--	--	--	950	10.3
AB 32: Global Warming Solutions	--	--	--	--	1,272	2.9
GLAVC Veterans Homes - Initial Construction and Pre-Activation Phase	--	--	--	995	--	7.6
Military Funeral Honors Program	--	--	--	1,754	--	22.1
Office of Technology Review, Oversight and Security Reduction	--	--	--	-3,258	--	-27.7
SB 1: California Solar Initiative	--	--	--	--	2,460	2.9
Employee Compensation/Retirement	13,795	13,079	--	12,728	12,464	--
Expiring Programs or Positions	--	-2,870	-1.9	-394	-13,899	-15.4
One-Time Cost Reductions	--	--	--	-13,630	-23,813	--
Full-Year Cost of New Programs	--	--	--	463	99	--
Other Workload Adjustments	-101,295	-607,694	-1,483.1	520,225	460,920	-2,655.3
<b>Totals, Workload Adjustments</b>	<b>-\$87,500</b>	<b>-\$597,485</b>	<b>-1,485.0</b>	<b>\$518,883</b>	<b>\$440,453</b>	<b>-2,652.6</b>
<b>Policy Adjustments</b>						
Economic Recovery Bonds: Pre-Payment	--	--	--	595,000	--	--
Enterprise Wide - Veterans Home Information System	--	--	--	10,340	--	20.9
Financial Information System for California (FI\$Cal--formerly BIS)	--	--	--	35,657	--	148.4
Savings per Control Section 4.05	--	--	--	-100,000	--	--
Tuition Assistance Program	--	--	--	1,669	--	--
Veterans Home at Barstow - 40 Skilled Nursing Facility beds	--	--	--	2,076	245	18.0
Other Policy Adjustments	--	--	--	22,191	5,526	36.2
<b>Totals, Policy Adjustments</b>	<b>\$0</b>	<b>\$0</b>	<b>--</b>	<b>\$566,933</b>	<b>\$5,771</b>	<b>223.5</b>
<b>Infrastructure Adjustments</b>	<b>\$1,865</b>	<b>\$96,228</b>	<b>--</b>	<b>\$4,508</b>	<b>\$45,742</b>	<b>--</b>
<b>Total Adjustments</b>	<b>-\$85,635</b>	<b>-\$501,257</b>	<b>-1,485.0</b>	<b>\$1,090,324</b>	<b>\$491,966</b>	<b>-2,429.1</b>
<b>Governor's Budget</b>	<b>\$2,206,483</b>	<b>\$9,787,979</b>	<b>14,277.9</b>	<b>\$3,076,962</b>	<b>\$10,397,592</b>	<b>13,333.8</b>

\* Dollars in Thousands



- Global Warming Solutions—The Budget proposes \$1.3 million and 2.9 positions for the PUC greenhouse gas emissions reduction efforts. These resources will enable the PUC to conduct climate change proceedings to implement emission reduction strategies, evaluate various electric and natural gas sector greenhouse gas emission cap scenarios, and develop protocols to measure and verify actual emissions reductions.
- California Solar Initiative—The Budget proposes \$2.5 million and 2.9 positions for the PUC to implement this initiative. This proposal will provide necessary staff for PUC proceedings, enable the PUC to develop a pricing structure that provides an incentive to generate solar energy during peak-demand hours, and fund an independent program evaluation.
- Video Competition Act—The Budget proposes \$950,000 and 10.3 positions for the PUC to implement the Video Competition Act. These resources will enable the PUC to ensure that cable service is non-discriminatory, review applications and issue state franchises, and report annually to the Legislature.
- Transfer of Technology Oversight—The technology review function is being transferred from the Department of Finance to the newly created Office of Chief Information Officer.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

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## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor's Budget proposes significant changes for the departments within General Government. Notable funding changes are further described below.

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### PUBLIC UTILITIES COMMISSION

The California Public Utilities Commission (PUC) regulates electricity, natural gas, water, telecommunications, and transportation industries, such as railroads and household goods carriers. The PUC implements three major programs:

- Regulation of Utilities—Californians spend more than \$38 billion annually for services from industries regulated by the PUC. This includes 11 electricity utilities (80 percent of electric load in California), 1,821 telecommunications carriers, 156 water and sewer

## GENERAL GOVERNMENT

utilities, and 6 natural gas utilities. The objective of this program is to ensure that customers have safe, reliable utility service at reasonable rates.

- **Universal Service Telephone Programs**—The PUC oversees \$885 million in telecommunications programs that provide services to state consumers. These programs provide affordable basic telephone service to low-income residents, minimize rate disparities between rural and metropolitan areas, provide discounts to schools, libraries, and non-profit community-based organizations, provide services for the deaf and disabled, and ensure the availability of payphones for public safety.
- **Regulation of Transportation**—The PUC Transportation Program oversees the safety of all railroads, six major rail transit agencies, five smaller transit systems, and more than 16,000 public and private railroad crossings. It oversees passenger transportation companies and household goods carriers, regulates rates and services, issues certificates and other licenses, and enforces safety standards and insurance requirements.

The Governor's Budget includes \$1.3 billion special funds for the PUC, which reflects a decrease of \$4.8 million below the revised 2006-07 Budget.

### **GLOBAL WARMING SOLUTIONS—AB 32**

The Budget proposes \$1,272,000 and 2.9 positions for the PUC's greenhouse gas emissions reduction efforts. These resources will enable the PUC to conduct climate change proceedings to implement emission reduction strategies, evaluate various electric and natural gas sector greenhouse gas emission cap scenarios, and develop protocols to measure and verify actual emissions reductions. (For additional information, see the Global Warming Solutions discussion in the Environmental Protection Chapter.)

### **IMPLEMENTATION OF THE CALIFORNIA SOLAR INITIATIVE**

The California Solar Initiative will provide 3,000 megawatts of solar energy when the program is fully implemented and reduce annual carbon dioxide emissions by 3 million tons. Solar energy provides significant benefits to the state's congested electric transmission and distribution system. Since solar projects generate energy on site, electricity does not need to be distributed through the electrical grid.

The Budget proposes \$2,460,000 and 2.9 positions to implement this initiative. This proposal will provide necessary staff for PUC proceedings, enable the PUC to develop a pricing structure that provides an incentive to generate solar energy during peak-demand hours, and fund an independent program evaluation.

**IMPLEMENTATION OF THE VIDEO COMPETITION ACT**

The Budget proposes \$950,000 and 10.3 positions to implement the Video Competition Act. These resources will enable the PUC to ensure that video service is non-discriminatory, review applications and issue state franchises, and report annually to the Legislature. This proposal includes one position for the Division of Ratepayer Advocates to promote service and quality standards on behalf of ratepayers.

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**DEPARTMENT OF FOOD AND AGRICULTURE**

The objectives of the Department of Food and Agriculture (CDFA) include: serving the diverse citizenry of California by maintaining an abundant, affordable, safe, and nutritious food supply; providing leadership, innovation, and oversight over the production and marketing of agricultural products; preventing or eradicating plant and animal diseases and exotic and invasive species harmful to people, commerce, and the environment; developing and enforcing weights and measures standards for all types of products at all levels of commerce; and, supporting fairs and expositions in the state for their societal and economic service values.

The Governor's Budget includes \$294.5 million (\$99.3 million General Fund), which reflects a decrease of \$33.2 million (\$2.4 million General Fund) below the revised 2006-07 Budget.

**EMERGENCE TOWER SYSTEM FOR FRUIT FLY REARING EFFICIENCY**

The Governor's Budget includes \$658,000 General Fund to purchase and implement a tower system for rearing Mediterranean Fruit Fly (Medfly) and other fruit flies for the Preventive Release Program (PRP). This new system will increase the number of sterile flies produced for release by 50 percent while requiring less space. The new system reduces repetitive motion injuries and, in time, will require fewer staff. The tower system will also allow CDFA to rear Mediterranean and Mexican fruit flies simultaneously.

**CONTINUATION OF THE ALL VEHICLE INSPECTION PILOT PROGRAM**

The Governor's Budget includes \$407,000 and 4.7 positions to continue the All Vehicle Inspection Pilot Program located at the Inspection Station in Needles, California for a second year. The program has been fully implemented and early data supports continuing inspection of private vehicles for fruits, vegetables, and plants hosting pests that are not native to California, which if established, would cause direct economic and environmental impacts to the state.

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**FAIR POLITICAL PRACTICES COMMISSION**

The Fair Political Practices Commission has primary responsibility for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974, as amended by the voters and Legislature. The objectives of the Political Reform Act include: ensuring election campaign expenditure data is fully and accurately disclosed, allowing voters to be fully informed and to inhibit improper financial practices; regulating the activities of lobbyists and disclosure of their finances to prevent any improper influencing of public officials; providing for the disclosure of assets and income of public officials, which may affect their official actions, to avoid any conflicts of interest; ensuring the state ballot pamphlet contains useful and adequate information so voters will not be dependent upon paid advertising for information concerning state measures; eliminating laws and practices unfairly favoring incumbents to provide for fair elections; and, providing adequate mechanisms to public officials and to private citizens to ensure vigorous enforcement of the Act.

The Governor's Budget includes \$8 million General Fund, which reflects an increase of \$606,000 above the revised 2006-07 Budget.

**FUNDING FOR WORKLOAD GROWTH**

The Governor's Budget includes \$604,000 General Fund and 4.7 positions to support workload growth. Over several years, the scope of work performed by the Fair Political Practices Commission (FPPC) and the magnitude of legislation impacting FPPC workload has resulted in significant backlogs in investigations, responses to inquiries, issuance of legal opinions, and other activities. The FPPC has embarked on a multi-year plan to acquire sufficient staff to meet mandatory workload demands.

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**DEPARTMENT OF FINANCE**

By statute, the Director of Finance serves as the Governor's chief fiscal policy advisor with emphasis on the financial integrity of the state and maintenance of a fiscally sound and responsible Administration. The objectives of the Department of Finance are: To prepare, present, and support the annual financial plan for the state, to assure responsible and responsive state resource allocation within resources available. To foster efficient and effective state structure, processes, programs, and performance, to ensure integrity in state fiscal databases and systems.

The Governor's Budget includes \$84.4 million (\$68.8 General Fund), which reflects an increase of \$33 million (\$31.6 General Fund) above the revised 2006-07 Budget.

**STATEWIDE INTEGRATED FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA (FI\$CAL)**

For the state to operate like a business, it must be able to perform analysis and reporting at all levels in a timely manner. The state currently has too many different business systems that are aging out that cannot and do not provide the information needed to manage the state effectively. These systems severely restrict the state's ability to manage and report accurately on business operations and distribute resources in real time. State financial managers agree the state needs to modernize and standardize its office systems to efficiently manage the state's \$294 billion enterprise. The "Next Generation" of business systems will combine business processes in a single system.

The state must also prepare its workforce to manage the state as a dynamic enterprise. These changes require a financial management system that integrates and automates diverse business practices and operations. As the technology is modernized, the workforce must be transformed. The project, known as the Financial Information System for California (FI\$Cal), will be based on Enterprise Resource Planning (ERP) software. FI\$Cal will become the required standard for all agencies and departments and will play a major role in succession planning for the changing financial management workforce.

The Governor's Budget includes \$35.7 million and 225.8 positions in several departments to support the initial activities of the FI\$Cal Project. A partnership of the Department of Finance, the State Controller's Office, the State Treasurer's Office, and the Department of General Services will prepare the state systems and workforce to function in a single statewide financial management system environment. This effort will ensure best business practices by rethinking and changing the state's business processes including the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management, and human resources management.

**OTROS TRANSFER FROM DOF**

The Office of Technology Review, Oversight, and Security (OTROS) will be moving from the Department of Finance, with the project oversight and review function moving to the newly created Office of the Chief Information Officer (OCIO), and the remainder moving to the State and Consumer Services Agency. These moves are precipitated by the recent enactment of Chapter 533, Statutes of 2006, which created the OCIO. Twenty-six positions will be moving to the new Office of the Chief Information Officer to continue the project oversight and review activities that have previously been provided by the Department of Finance. By transferring these functions and the associated staff to the OCIO, the State Chief

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Information Office will be able to ensure that project-specific activities are coordinated with and reflect the policies and direction for the state's information technology development.

The remaining three positions from OTROS will be moving to the California Office of Information Security and Protection in the State and Consumer Services Agency. The California Office of Information Security and Protection will combine functions from the Department of Consumer Affairs and the Department of Finance in a single office under the direction of the State and Consumer Services Agency. Transferring the security activities to SCSA will provide the appropriate separation between the State CIO directing IT activities and the State Information Security Officer who will be focused on security issues, risk issues, and breaches.

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## MILITARY DEPARTMENT

The Military Department (Military) is responsible for the command, leadership and management of the California Army and Air National Guard and related programs. The California National Guard (CNG) provides military service in support of the state and the nation. The Military provides resources, including personnel and equipment, to support the response efforts of other state agencies to various emergencies throughout the state. Missions typically include providing air support for wildfire and search/rescue efforts, specialized interoperable communications capabilities, and support for counter-drug operations.

Under contract with the Office of Homeland Security, the Military helps prepare the state for potential terrorist attacks by coordinating weapons of mass destruction (WMD) and other homeland security-related training, exercises, and evaluations. The Military is responsible for implementing the California National Guard Homeland Security Strategy and supporting the State Homeland Security Assessment and Strategy to ensure California's public safety agencies are prepared to respond to potential terrorist threats.

The Governor's Budget includes \$131.8 million (\$45.0 million General Fund), which reflects a decrease of \$19.4 million (\$4.1 million General Fund) below the revised 2006-07 Budget.

## TUITION ASSISTANCE PROGRAM

The Governor's Budget proposes \$1.7 million to establish a tuition assistance program for members of the CNG to improve retention of CNG members and their respective skill sets, thereby providing a more experienced, effective reserve force. Fifty-one other states and territories offer tuition assistance, which has proven to be an effective recruitment and retention tool for National Guard membership.

**ARMORY MAINTENANCE AND REPAIRS**

The Governor's Budget includes \$4.5 million (\$3 million General Fund) for armory maintenance and repairs. The proposed funding will allow the Military to continue to address its most critical facility needs by making needed repairs, modernizing its armory infrastructure, and ensuring compliance with environmental laws and building codes on a priority basis.

**MILITARY FUNERAL HONORS**

The Governor's Budget includes \$1.8 million General Fund and 22.1 positions to provide the additional resources needed to meet the increased demand for military funeral honors ceremonies in California. Federal regulations require the CNG to serve as the primary provider of these ceremonies for veterans who request, or whose families request, funeral services in California with military honors.

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**DEPARTMENT OF VETERANS AFFAIRS**

The California Department of Veterans Affairs serves California veterans and their families. It assists in presenting claims for veterans' benefits under federal law, provides veterans with opportunities to acquire farms and homes through direct low-cost loans, and offers aged or disabled veterans rehabilitative, residential, medical care, and services in a home-like environment at the California Veterans Homes.

The Governor's Budget includes \$394.6 million (\$113.2 million General Fund), which reflects a decrease of \$165.8 million (\$24.7 million General Fund increase) from the revised 2006-07 Budget.

**BARSTOW 40 SKILLED NURSING FACILITY BEDS**

The Governor's Budget includes \$2.3 million (\$2.1 million General Fund and \$245,000 federal and other funds) and 18 positions to reopen 40 Skilled Nursing Facility (SNF) beds at the Barstow Veterans Home. The activation of the unit will occur over two fiscal years. The opening of the SNF unit will provide needed care for Veterans and allow for greater utilization of the Barstow Home.

**ENTERPRISE-WIDE INFORMATION SYSTEM**

The Governor's Budget includes \$10.3 million General Fund (\$7 million one-time) and 20.9 positions to procure and implement a statewide Veterans Home Information System. This system will be implemented in existing homes and homes proposed for construction. The current system is outdated and can no longer be appropriately supported. The new

## GENERAL GOVERNMENT

system, based upon the federal veterans' health care information system, will improve health care tracking and enhance the continuum of care provided to veterans.

### **GREATER LOS ANGELES AND VENTURA COUNTY VETERANS HOMES CONSTRUCTION**

The Governor's Budget includes \$995,000 General Fund and 7.6 positions for the initial construction and pre-activation phases of the Greater Los Angeles and Ventura County Veterans Homes project. At completion, the new facilities will bring Adult Day Health Care, assisted living and Skilled Nursing Facility care to the greater Los Angeles area.

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### **MEDICARE PART D**

On January 1, 2006, the federal government began the Medicare Part D program, through which the state will receive money from the federal government to offset state General Fund money spent on retiree health care for Medicare-eligible retirees and their dependants (see 9650 in the Governor's Budget). The California Public Employees' Retirement System administers retiree health care programs, including the Medicare Part D program. Federal reimbursements for Medicare Part D will be deposited into the Special Deposit Fund then transferred to the Contingency Reserve Fund (see 1900 in the Governor's Budget). These funds will be used to offset the state's General Fund costs for retiree health coverage. A portion of the Special Deposit fund is appropriated by the Legislature to the California Public Employees' Retirement System for administration of the Medicare Part D program.

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### **STATE EMPLOYEE COMPENSATION**

Of the twenty-one collective bargaining units that represent state employees, twenty have negotiated new contracts. Of the twenty new contracts, one expires on June 30, 2007, seventeen expire on June 30, 2008, one expires on July 2, 2008, and one expires on July 2, 2010. The Corrections Bargaining Unit is the only bargaining unit without a contract. The Department of Personnel Administration is continuing to negotiate with the exclusive representative, California Correctional Peace Officers Association, and will be negotiating in the spring for the contract that expires on June 30, 2007. When a contract expires, the terms of that contract remain in effect.

The state anticipates spending \$447.4 million in 2007-08 for employee compensation increases in the current contracts and for employees excluded from collective bargaining (managers, supervisors, and confidential employees). In addition to the ongoing costs associated with salary and benefit increases effective in 2006-07, the majority of the new



contracts provide for a 2-to 4-percent cost-of-living adjustment for 2007-08. The budget assumes this adjustment will be 3.3 percent based on current estimates.

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## GENERAL FUND UNALLOCATED REDUCTIONS

The Governor's Budget proposes to reduce General Fund spending by a total of \$100 million in 2007-08.

The Administration has been successful in meeting the unallocated reduction saving targets in the last few years. We have achieved General Fund spending reductions of \$100 million in 2006-07 as required by Control Section 4.05 of the 2006 Budget Act. Details of these reductions have been reported to the Legislature.

Using the same approach, the Department of Finance will continue to work with Agency Secretaries and other cabinet members to achieve one-time General Fund savings of \$100 million in 2007-08.

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## ECONOMIC RECOVERY BOND PRE-PAYMENT

On March 2, 2004, voters approved Proposition 57 (the Economic Recovery Bond Act) and Proposition 58 (the California Balanced Budget Act). Prop 57 authorized the issuance of the Economic Recovery Bonds (ERBs) of up to \$15 billion in net bond proceeds to retire the accumulated budget deficit. To date, a total of \$10.9 billion in ERBs have been issued (\$11.3 billion in net proceeds), with \$3.7 billion remaining un-issued. To ensure the repayment of the ERBs, Prop 57 also authorized the "Triple Flip," which consists of three major provisions regarding the distribution of sales and use taxes and other revenues to schools and local governments as follows:

- The ¼ percent local sales tax rate was replaced with a new ¼ percent statewide sales tax rate to fund ERB repayment.
- Property tax previously allocated to local schools was shifted to cities and counties to backfill revenues now used to repay ERBs.
- The General Fund now repays the local schools to backfill the previously allocated property tax

Prop 58, requires a special reserve, the Budget Stabilization Account (BSA), to be established in the state's General Fund, part of which would repay the ERBs authorized by Prop 57. The amount of BSA funds used to repay ERBs is capped at \$5 billion.

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As a result of aggressive repayment efforts and the fact that the remaining ERBs have not been issued, the originally scheduled ERB retirement date (July 2023) has been significantly reduced to January 2010, as of the enactment of the 2006 Budget Act. The Governor's Budget proposes an additional \$595 million General Fund to further accelerate the payment of the ERBs, and will result in nearly half of the original amount being retired by June 2008. Combined with modest changes to other revenues dedicated to the repayment of the ERBs, it is now estimated that this additional pre-payment will enable the ERBs to be effectively paid off by August 1, 2009, five months ahead of the previous projection. In addition, it is estimated that the pre-payment of the ERBs will result in almost \$90.9 million in simple interest savings and make available an additional \$701 million General Fund in 2009-10 that would have otherwise been used to reimburse local governments for the Triple Flip.

# PREPARING FOR NATURAL AND INTENTIONAL DISASTERS

One of the key responsibilities of state agencies is to mitigate the effects of emergencies and disasters on the people of California. Several agencies and offices within the Administration have specific emergency preparedness and response roles. Coordination the activities of these entities, at both budgetary and programmatic levels, is critical to improving California's ability to respond to an emergency.

The Administration has convened the Governor's Emergency Operations Executive Council (GEOEC), led by the Office of Emergency Services (OES) and the Office of Homeland Security (OHS). Member agencies and departments include the California National Guard, Health and Human Services Agency, Business, Transportation and Housing Agency, Veterans' Affairs, California Highway Patrol, Department of Health Services (DHS) and Emergency Medical Services Authority (EMSA), among others.

Executive Order S-04-06, issued on April 18, 2006, assigned the GEOEC three major tasks:

- Providing information to the Governor, Legislature, local agencies and public on pending emergency conditions that threaten public health and safety.
- Developing a consolidated set of budget, legislative and administrative recommendations to improve state prevention and response capabilities to deal with pending threats to public health and safety.
- Assisting in emergency preparedness management, response, recovery and mitigation efforts.

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## MAJOR ACCOMPLISHMENTS IN 2006-07

The 2006 Budget Act included a \$214 million investment in the state's preparedness for emergency events. The execution of these contracts and receipt of these materials represents a major step forward in enhancing California's emergency response capability:

- After a series of bidder conferences, EMSA is analyzing bidder submissions and anticipates completing the \$18 million purchase of three mobile field hospitals in March 2007.
- Using \$55 million, the state has issued purchase orders for 3.8 million courses of antivirals. Of this amount, 3.7 million courses were purchased through the federal-state cost-sharing program, under which 25 percent of the cost is covered by the federal government. This is the full allocation to California under the federal-state cost-sharing program.
- Delivery of 50.5 million respirators, purchased for \$23.1 million, began in November 2006. Monthly shipments will be received through June 2007.
- On December 6, 2006, the Administration delivered a report to the Legislature providing an update on activities and proposing modifications to the materials to be included in the emergency caches for alternative care sites. This purchase is budgeted at \$76 million.
- The DHS has purchased 2,400 ventilators for \$30.6 million, which includes contractual requirements for the manufacturer to maintain and store the ventilators in working order for several years.

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## GAP ANALYSIS

The 2006 Budget Act requires the OES to contract for an independent gap analysis to "assess the strengths and vulnerabilities of California's emergency preparedness system for catastrophic events and the projected costs to address those vulnerabilities." The gap analysis will measure the state's baseline emergency response capability and evaluate and quantify areas where systems, resources and organizations can be improved. Contract negotiations for the gap analysis are underway, and the analysis is expected to result in budget proposals for 2008-09.

# ASSISTANCE TO LOCAL GOVERNMENT

The Governor's Budget continues the state's commitment of working constructively with local governments to efficiently serve the people of California.

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## STATE-LOCAL FISCAL RELATIONSHIP

With the passage of Proposition 1A in 2004, local governments have a more stable funding relationship with the state, which can no longer shift costs, fail to reimburse mandates on a timely basis, or reallocate local revenues to benefit state priorities.

In addition to being protected from future property tax revenue shifts, local governments have experienced significant tax revenue increases since 2000-01, especially when compared to state government. While state revenues increased by an estimated 31 percent from 2000-01 to 2007-08, we estimate that city and county tax revenues increased by 50.4 percent and 80.5 percent, respectively. While cities and counties are using much of this new revenue to provide services to an expanding population, this nevertheless reflects a significant revenue gain for local governments in comparison to the state.

Local governments also have benefited from the Vehicle License Fee (VLF) "swap," which allows them to retain additional property tax revenues to backfill the revenues they lost when the VLF was reduced from two percent to 0.65 percent. The backfill amount annually grows with the increase in property tax revenues, instead of the annual increase in VLF revenues. Because property tax revenues have increased significantly more than VLF revenues since 2004-05, we estimate the VLF swap has allowed counties and cities to retain an additional \$2.1 billion in property tax revenues that otherwise would have been redirected to K-14 schools.

## ASSISTANCE TO LOCAL GOVERNMENT

The Governor's Budget proposes no net reductions in discretionary assistance to local government. While the Budget eliminates the net operating deficit in 2007-08, future state budgets may have to be reduced. Given the many responsibilities that are shared between the state and local governments, particularly for law enforcement, the Administration looks forward to working with the cities and counties to further improve the state-local fiscal relationship to ensure the efficient delivery of services and to strengthen the long-term fiscal health of both state and local governments.

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## LOCAL GOVERNMENT FISCAL CONDITIONS

The economic outlook is generally positive for all regions of the state, and local revenues are expected to show continued growth. Due to the termination of ERAF III payments in 2006-07, the share of the property tax going to local governments has increased to approximately 63 percent. Historically, property taxes have been a very stable source of revenue for local governments, and they continue to show healthy growth. The recent growth in property tax revenue has also benefited the state by reducing the amount of General Fund that must be provided to K-14 schools.

Property tax revenues are expected to increase almost 12 percent in 2006-07, and by almost 10 percent in 2007-08. The projected growth rates translate to an additional \$2.5 billion for local governments in 2007-08, thereby increasing their total property tax revenues to approximately \$29.7 billion.

The moderating growth rate in 2007-08 property tax revenues is attributable to an estimated decline in new and existing home sales in 2006. This decline is tempered by retained growth in values that will impact the roll as properties are sold, by moderate growth in median home prices in 2006, and by continued growth in new commercial construction.

The sales tax, local governments' other major source of discretionary revenue, also is expected to show modest growth in 2007-08. The sales tax should provide over \$4.4 billion for discretionary purposes, in addition to \$3 billion for public safety, \$3 billion for health programs, and \$1.5 billion for county transportation purposes. Vehicle license fees, which provide partial funding for local health programs and discretionary revenue for cities, were up 4.5 percent in 2005-06 and are expected to show gains of four percent and 3.9 percent over the next two years.

While the outlook for local government revenues is positive, the growth in pension obligations and post-employment healthcare benefits continues to be a source of concern. Non-urban

areas have not experienced as much revenue gain, and individual counties and cities face a variety of fiscal challenges.

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## STATE AID TO LOCAL GOVERNMENT

### INFRASTRUCTURE

The recently passed Proposition 1B provides \$19.9 billion in bond funds for transportation projects, of which approximately \$7.1 billion will go to local governments for their transportation infrastructure needs. The Governor's Budget proposes the following bond appropriations for 2007-08:

\$600 million for local streets and roads.

\$600 million for local transit.

\$200 million for state and local transportation partnerships.

\$65 million for grade separations.

\$10 million for seismic bridge upgrades.

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# MANDATES

The California Constitution requires the state to reimburse local governments when the state requires them to perform new duties or provide a higher level of service. The Commission on State Mandates determines whether or not local governments are entitled to reimbursement for increased costs mandated by the state. The objective of the Commission is to fairly and impartially hear and determine through a public hearing process whether the state imposed a reimbursable mandate. The Commission determines the activities necessary to comply with a new mandate, adopts a cost estimate, and notifies the Legislature of its findings.

The Commission, created as a quasi-judicial body, consists of seven members. Four of the members are ex officio: the Director of Finance, the State Controller, the State Treasurer, and the Director of the Office of Planning and Research. The remaining three members, appointed by the Governor with Senate approval, include a public member with experience in public finance and two additional members from the categories of city council member, county supervisor, or school district governing board member.

Figure MAN-01 illustrates the major changes proposed in the Governor's Budget for mandates reimbursement funding as well as funding for the Commission on State Mandates.

The major workload adjustments required by law for 2007-08 include the following:

- One-Time Reduction—The budget includes a reduction to the General Fund provided to cities, counties, and special districts (local agencies) of \$402.4 million since the 2006 Budget Act provided the estimated full year cost of mandates to be claimed in the 2006-07 and 2007-08 fiscal years, and the first two payments towards retiring mandate obligations incurred prior to June 30, 2004.

Figure MAN-01  
**Change Table MAN-01**

**Mandates - Changes by Broad Categories**

	2006-07*			2007-08*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$456,009	\$1,713	13.6	\$456,009	\$1,713	13.6
<b>Workload Adjustments</b>						
Employee Compensation/Retirement	85	-	-	78	-	-
One-Time Cost Reductions				-402,380	-1,713	
Other Workload Adjustments	1	-	-	8	11,499	-
<b>Totals, Workload Adjustments</b>	<b>\$86</b>	<b>\$-</b>	<b>0.0</b>	<b>-\$402,294</b>	<b>\$9,786</b>	<b>0.0</b>
<b>Total Adjustments</b>	<b>\$86</b>	<b>\$-</b>	<b>0.0</b>	<b>-\$402,294</b>	<b>\$9,786</b>	<b>0.0</b>
<b>Governor's Budget</b>	<b>\$456,095</b>	<b>\$1,713</b>	<b>13.6</b>	<b>\$53,715</b>	<b>\$11,499</b>	<b>13.6</b>

\*Dollars in Thousands, and are also included in other chapters.

Figure MAN-02  
**Funded Mandates**

Absentee Ballots	Mentally Disordered Sex Offenders' Rec commitments
Absentee Ballots-Tabulation by Precinct	Mentally Retarded Defendants Representation
Administrative License Suspension, Per Se	Not Guilty by Reason of Insanity
AIDS/Search Warrant	Pacific Beach Safety
Allocation of Property Tax Revenues	Peace Officers' Procedural Bill of Rights
Animal Adoption	Perinatal Services
Brendon Maguire Act	Permanent Absent Voters
Conservatorship: Developmentally Disabled Adults	Pesticide Use Reports
Coroners Costs	Photographic Record of Evidence
Crime Victim Rights	Police Officer's Cancer Presumption
Custody of Minors-Child Abduction and Recovery	Postmortem Examinations
Developmentally Disabled Attorneys' Services	Rape Victim Counseling
Domestic Violence Arrest Policies	Senior Citizens Property Tax Deferral
Domestic Violence Treatment Services	Sexually Violent Predators
False Reports of Police Misconduct	Stolen Vehicle Notification
Firefighter's Cancer Presumption	Threats Against Peace Officers
Health Benefits for Survivors of Peace Officers and	Unitary Countywide Tax Rates
Judicial Proceedings	Voter Registration Procedures
Medi-Cal Beneficiary Death Notices	AB 3632 Mandates: Services to Handicapped Students and
Mentally Disordered Offenders' Extended Commitments Proceedings	Seriously Emotionally Disturbed Pupils

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## FUNDED MANDATES

Proposition 1A, approved by the voters in November 2004, amended the California Constitution to require the Legislature to either (1) fund in the Budget Act the amounts determined to be payable in the previous year for each mandate (with certain exceptions) or (2) to suspend that mandate. This suspension requirement does not apply to education or employee rights mandates.

The 2006 Budget Act provided funding for mandated activities carried out in the 2006-07 fiscal year, as listed in Figure MAN-02, and the Legislature and the Administration specified that these funds represent prepayment of the 2007-08 state mandate obligations. The appropriations in the 2006 Budget Act provide only one-half the estimated reimbursable costs for AB 3632 mental health services program, so the Governor's Budget includes \$52 million for the remaining estimated costs. This \$52 million, in addition to the funds provided in the 2006 Budget Act, will fund the estimated costs of the 2006-07 fiscal year.

The previous two budget acts suspended several mandates. The Governor's Budget proposes to continue the suspension of those same mandates. Item 8885-295-0001 of the proposed Budget Bill lists the suspended mandates.

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## MANDATE REFORM

The Governor's Budget proposes changes that will significantly impact the current determination process. Under the current process, determinations about activities eligible for reimbursement and funding levels are not made until after the activities have been performed and local governments have incurred costs. A significant backlog now exists, and this backlog has increased the elapsed time between when a new law takes effect and when a local agency receives its initial reimbursement. Absent a backlog, the Commission would determine within one year whether or not a claim is a reimbursable mandate and what activities are reimbursable. The backlog has increased this time frame to several years.

The Administration is proposing a process under which the Department of Finance will work with local agencies to develop a cost-efficient method of compliance with new laws and a reasonable and relatively simple way to determine the amounts to be reimbursed to local governments.

The Administration also proposes to repeal the Local Government Employment Relations mandate created by Chapter 901, Statutes of 2000. The statutes and regulations related to this mandate were established to provide a less expensive alternative to court proceedings

## MANDATES

related to unfair practice disputes; however, the County of Sacramento demonstrated in their test claim (01-TC-30) that, contrary to the original intent, this change in the appeal process cost more than the previous process. The Commission agreed that there were increased costs associated with this mandate and approved the test claim. The Governor's Budget is now proposing that this mandate be repealed so local governments can be relieved of this unnecessary cost and the state can be relieved of providing reimbursements for these additional costs.

# STATEWIDE ISSUES

The Statewide Issues Section of the Budget Summary includes issues that affect multiple departments in various major program areas. This chapter describes items in the budget which fall into these categories. These issues do not lend themselves to a discussion of a program mission or accomplishments from the previous year, but have a year-to-year impact on the state budget. The following sections describe a few of these statewide issues that are not specific to a program but which have significant effect either on the state budget or how the state conducts business.

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## **PUBLIC EMPLOYEE POST-EMPLOYMENT BENEFITS COMMISSION**

The Governor recently created the Public Employee Post-Employment Benefits Commission to examine what is owed in unfunded retirement benefits, both pension benefits and non-pension benefits such as health benefits, and to recommend how best to meet those obligations as they become due. This commission is the first step in fulfilling the Governor's commitment to examine the entire issue of post-employment benefits promised to employees of cities, counties, special district, school districts, and the state, and propose a well-reasoned plan to pay for these benefits. The commission includes twelve members: six, including the chairperson, appointed by the Governor, three appointed by the Speaker of the Assembly, and three appointed by the Senate President Pro Tem.

Since 2000-01 the state's payments to CalPERS have increased by 1,500 percent and the state's payments for retiree health and dental benefits have increased by 150 percent. These increases are consistent with those of other government employers in California. All governments in California will need to develop strategies to deal with these costs that

are increasing faster than available budget resources. The Commission recently created by the Governor will provide guidance to state and local governments as they develop these individual strategies.

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### STATE CIVIL SERVICE HUMAN RESOURCES REFORM

The state's civil service system is a cumbersome and difficult system to administer. For the state's more than 215,000 employees (not including higher education institutions), there are more than 4,000 separate job classifications which are duplicative and generally reflect either program or department-specific desires to tailor job descriptions to their individual needs. The Department of Personnel Administration administers the civil service compensation program and the job classifications. The State Personnel Board is responsible for the merit aspects of civil service, including determining eligibility for appointment into civil service positions and for promotions. The two agencies will be working together to create a comprehensive plan to significantly reduce the number of classifications, and reform how the state brings new employees into civil service, how they are compensated, and how they can promote once they are working for the state.

Currently, the process through which an individual obtains a job with the state can take from several months to more than a year, depending on the type of job and the experience or education requirements. This means that many who are initially interested in joining the state's workforce find that they can't wait until the state's testing and evaluation process is completed and they accept employment elsewhere. One of the goals of this civil service reform is to shorten that timeframe so a person interested in working for the state will know in a week or two whether or not they qualify for the desired jobs. Another goal is for state departments to have a continuously updated list of appointment-eligible people they can contact to interview for their vacancies. The state is also moving toward a system under which all forms of employee compensation will be reviewed periodically to determine the best way to attract new employees and retain existing employees.

The state, as with most employers in the nation, will be facing the loss of many of its most experienced and knowledgeable employees as the baby boomers retire. In order to ensure that there are sufficient numbers of qualified people to replace the retiring employees, the state will need to provide a salary and benefit package that appeals to the next generation of California workers. The same salary and benefits that attracted the baby boomers may not be as attractive to a generation which may not consider a job as the start of a career.

A task force has been assembled under the direction of the Department of Personnel Administration to create a strategic plan for comprehensive reform of state civil service. The task force will include representatives from the Department of Personnel Administration, the State Personnel Board and various other departments with human resources and labor relations expertise. The administration intends to present this plan to the Legislature in the Spring along with a proposal to fund the first phase of the task force recommendations.

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## ELIMINATING STATE BOARDS AND COMMISSIONS

The Administration continues to review the myriad of boards and commissions that have been created over the years to determine which of them should be eliminated because they are no longer needed. As part of the 2007-08 Budget, the Administration is proposing to eliminate the following boards and commissions:

**Heritage Preservation Commission.** This Commission consists of 16 members as appointed by the Governor, the Senate, the Assembly and 5 specified participants. This Commission's primary responsibility is to consult with the Secretary of State as required concerning preservation of documents in the State Archives. This Commission has not met since 2003.

**California Consumer Power and Conservation Financing Authority.** The California Consumer Power and Conservation Financing Authority (CPA) was created in response to the 2000-01 Energy Crisis and was charged with assuring a reliable supply of power to Californians at just and reasonable rates, including planning for sufficient reserves. After two and a half years, it was apparent that the CPA was providing minimal value in assisting the state in meeting its energy objectives. The administrative operations of the agency ceased in October 2004 and its last remaining program, the Demand Reserve Program, is scheduled to expire June 30, 2007. The Budget proposes to transfer all remaining CPA funds (estimated at \$2,541,000) to the Energy Commission to repay loans provided by the Budget Act of 2002 and the Budget Act of 2003.

**California Electricity Oversight Board.** The Electricity Oversight Board (EOB) was created as a result of energy deregulation and was intended to ensure that wholesale energy markets and the electric transmission system function reliably at fair costs to consumers. Many of its market oversight functions are no longer necessary as they have been filled by the federal government and the California Independent System Operator. The EOB also represents the state before the Federal Energy Regulatory Commission, Federal Courts and in regional forums. This function duplicates activities conducted by the Public Utilities

## STATEWIDE ISSUES

Commission and the Office of the Attorney General. The Budget for this board is \$4,128,000 and 23 positions (21.9 PYs) for support of the EOB.

California Quality Education Commission. The California Quality Education Commission was established by Chapter 416, Statutes of 2003. The 13-member Commission was tasked with evaluating and reforming the state's education model for preschool through grade 12 students. The Commission's responsibilities will expire on January 1, 2008. The Budget proposes to eliminate the California Quality Education Commission because both the Governor's Committee on Education Excellence and the P-16 Council established by the Superintendent of Public Instruction absorbed the functions of the Commission.

The Budget proposes a Control Section to authorize the Director of Finance to reduce appropriations, as appropriate, to reflect the elimination of these boards.



# **Appendices and Schedules**

# Budget Process Overview

The Governor's Budget is the result of a process that begins more than one year before the Budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through mid December. In the event that the Governor wants to change the Budget presented to the Legislature, including adjustments resulting from changes in population, caseload, or enrollment estimates, the Department of Finance (Finance) proposes adjustments to the Legislature during budget hearings through Finance Letters. During late spring, usually in May, Finance submits revised revenue and expenditure estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. Finance also prepares monthly economic and cash revenue updates during the fiscal year. Listed below are the key documents used in the budget process.

<b>Title</b>	<b>Purpose</b>	<b>Prepared/Issued by</b>	<b>When</b>
Budget Letters and Management Memos	Convey the Administration's guidelines for budget preparation to agencies and departments.	Governor/Finance	January through December
Budget Change Proposals	Documents that propose to modify or change the existing level of service, propose new programs, or delete existing programs.	Agencies and departments submit to Finance analysts	July through September
Governor's Budget	Governor's proposed budget for the upcoming fiscal year.	Governor/Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Finance	January 10
Budget Bill	Requests spending authorization to carry out the Governor's expenditure plan (legislative budget decision document).	Finance/Legislature	January 10
Analysis of the Budget	Analysis of the Budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
May Revision	Update of General Fund revenues, expenditures, and reserve estimates based on the latest economic forecast and changes in population, caseload, or enrollment estimates.	Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of the Governor's vetoes.	Legislature/Governor	Late June or enactment of the Budget
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including certain budget summary schedules.	Finance	Late July - August or 1-2 months after Budget enactment
Final Change Book	Update of changes to the detailed fiscal information in the Governor's Budget.	Finance	Late July - August or 1-2 months after Budget enactment

# Statewide Financial Information

Provides various statewide displays of financial information included in the Budget that may be the most useful to the public, private sector, or other levels of government. Each statewide display includes a description of the information included.

**Schedule 1 General Budget Summary** - Total statewide revenues and expenditures for the General Fund and special funds and expenditure totals for selected bond funds.

**Schedule 2 Summary of State Tax Collections** - State Tax Collections per capita and per \$100 of personal income.

**Schedule 3 Comparative Yield of State Taxes** - Revenues for Major State Taxes from 1970-71 through 2007-08.

**Schedule 4 Personnel Years and Salary Cost Estimates** - Personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects net data after salary savings.

**Schedule 5A Statement of Estimated Accounts Payable and Accounts Receivable** - Actual payable and receivable amounts as of June 30, 2006, and estimated amounts for June 30, 2007, and June 30, 2008.

**Schedule 5B Actual 2005-06 Fiscal Year Cashflow** - Actual receipts, disbursements, borrowable resources, and cashflow loan balances for the 2005-06 fiscal year.

**Schedule 5C Estimated 2006-07 Fiscal Year Cashflow** - Projected receipts, disbursements, borrowable resources, and cashflow loan balances for the 2006-07 fiscal year.

**Schedule 5D Estimated 2007-08 Fiscal Year Cashflow** - Projected receipts, disbursements, borrowable resources, and cashflow loan balances for the 2007-08 fiscal year.

**Schedule 6 Summary of State Population, Employees, and Expenditures** - Historical data of state population, employees, personal income, revenues, and expenditures.

**Schedule 7 General Fund Statement of Fund Balance** - Available upon request. Contact the Department of Finance, Budget Operations Support Unit at (916) 445-5332.

**Schedule 8 Comparative Statement of Revenues** - Detail of General and special fund revenues by source for the past, current, and budget years within the following categories: (1) major taxes and licenses, (2) minor revenues, and (3) transfers and loans.

**Schedule 9 Comparative Statement of Expenditures** - Detail of General Fund, special fund, selected bond fund, and federal fund expenditures included in the Governor's Budget by the following categories: (1) State Operations, (2) Local Assistance, (3) Capital Outlay, and (4) Unclassified.

**Schedule 10 Summary of Fund Condition Statements** - A listing in alphabetical order of the beginning reserve, revenues, expenditures, and ending reserve for the General Fund and each special fund for the past, current, and budget years.

**Schedule 11 Statement of General Obligation Bond and Commercial Paper Debt of the State of California** - List of all general obligation bonds including: maturity dates, authorized amount of bond issues, amounts of unissued bonds, redemptions, and outstanding issues, as well as authorized and outstanding commercial paper issued in-lieu of general obligation bonds.

**Schedule 12A State Appropriations Limit Summary** - Summary of Schedules 12B through 12E: Provides a calculation of the appropriations subject to the State Appropriations Limit and the Limit Room or Surplus.

**Schedule 12B Revenues to Excluded Funds** - List of revenues to special funds NOT included in the calculation of total appropriations subject to the State Appropriations Limit.

**Schedule 12C Non-Tax Revenues in Funds Subject to Limit** - Total of non-tax General and special fund revenues deposited in funds that are otherwise included in the calculation of total appropriations subject to the State Appropriations Limit.

**Schedule 12D State Appropriations Limit Transfer from Excluded Funds to Included Funds** - Detail of transfers between funds that are used in calculating the appropriations subject to the State Appropriations Limit.

**Schedule 12E State Appropriations Limit Excluded Appropriations** - Exclusions from appropriations subject to the State Appropriations Limit.

**SCHEDULE 1**  
**GENERAL BUDGET SUMMARY<sup>1/</sup>**  
(In Thousands)

	Reference to Schedule	General Fund	Special Funds	Selected Bond Fund Expenditures	Expenditure Totals
<b>2005-06</b>					
Prior year resources available	10	\$8,980,661	\$5,826,007		
Revenues and transfers	8	93,427,146	24,903,464		
Expenditures	9	<u>91,591,548</u>	<u>22,716,351</u>	\$5,304,201	\$119,612,100
Fund Balance <sup>2</sup>	10	\$10,816,259	\$8,013,120		
<i>Reserve for Liquidation of Encumbrances <sup>3</sup></i>					
		744,872	--		
<i>Reserves for Economic Uncertainties <sup>4</sup></i>					
		--	8,013,120		
<i>Special Fund for Economic Uncertainties <sup>4</sup></i>					
		10,071,387	--		
<b>2006-07</b>					
Prior year resources available	10	\$10,816,259	\$8,013,120		
Revenues and transfers	8	94,518,578	25,174,141		
Expenditures	9	<u>102,136,644</u>	<u>24,508,975</u>	\$9,500,315	\$136,145,934
Fund Balance <sup>2</sup>	10	\$3,198,193	\$8,678,286		
<i>Reserve for Liquidation of Encumbrances <sup>3</sup></i>					
		744,872	--		
<i>Reserves for Economic Uncertainties <sup>4</sup></i>					
		--	8,678,286		
<i>Special Fund for Economic Uncertainties <sup>4</sup></i>					
		2,453,321	--		
<b>2007-08</b>					
Prior year resources available	10	\$3,198,193	\$8,678,286		
Revenues and transfers	8	101,277,460	26,563,286		
Expenditures	9	<u>103,140,601</u>	<u>27,684,770</u>	\$12,583,461	\$143,408,832
Fund Balance <sup>2</sup>	10	\$1,335,052	\$7,556,802		
<i>Reserve for Liquidation of Encumbrances <sup>3</sup></i>					
		744,872	--		
<i>Reserves for Economic Uncertainties <sup>4</sup></i>					
		--	7,556,802		
<i>Special Fund for Economic Uncertainties <sup>4</sup></i>					
		590,180	--		

<sup>1</sup> 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.

<sup>2</sup> The Fund Balance for the General Fund includes amounts for unencumbered balances of continuing appropriations at the end of the 2005-06, 2006-07, and 2007-08 fiscal years of \$1,149,197; \$399,918; and \$0 (in thousands), respectively. The Fund Balance for special funds includes amounts for unencumbered balances of continuing appropriations at the end of the 2005-06, 2006-07, and 2007-08 fiscal years of \$2,312,403; \$2,267,706; and \$1,128,677 (in thousands), respectively.

<sup>3</sup> The Reserve for Liquidation of Encumbrances represents an amount which will be expended in the future for state obligations for which goods and services have not been received at the end of the fiscal year. This Reserve treatment is consistent with accounting methodology prescribed by Generally Accepted Accounting Principles (GAAP) and Government Code Section 13306 and 13307.

<sup>4</sup> The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties are reserve accounts for the General and special funds as provided by Section 5 of Article XIII B of the California Constitution.

**SCHEDULE 2**  
**SUMMARY OF STATE TAX COLLECTIONS**

(Excludes Departmental, Interest, and Miscellaneous Revenue)

	Per Capita Personal Income <sup>1,2</sup>	State Tax Collections (Dollars in Millions)		Taxes per Capita <sup>1</sup>		Taxes per \$100 of Personal Income <sup>3</sup>	
		General		General		General	
		Fund	Total	Fund	Total	Fund	Total
1967-68	\$3,878	\$3,558	\$4,676	\$185.55	\$243.86	\$4.78	\$6.29
1968-69	4,199	3,963	5,173	203.94	266.21	4.86	6.34
1969-70	4,521	4,126	5,409	208.96	273.94	4.62	6.06
1970-71	4,806	4,290	5,598	214.08	279.36	4.45	5.81
1971-72	5,034	5,213	6,597	256.22	324.24	5.09	6.44
1972-73	5,454	5,758	7,231	279.72	351.28	5.13	6.44
1973-74	5,944	6,377	7,877	305.57	377.45	5.14	6.35
1974-75	6,551	8,043	9,572	379.85	452.06	5.80	6.90
1975-76	7,128	9,050	10,680	420.19	495.87	5.89	6.96
1976-77	7,824	10,781	12,525	491.48	570.98	6.28	7.30
1977-78	8,569	12,951	14,825	579.41	663.25	6.76	7.74
1978-79	9,581	14,188	16,201	621.30	709.45	6.48	7.40
1979-80	10,752	16,904	19,057	726.83	819.41	6.76	7.62
1980-81	11,961	17,808	20,000	748.80	840.97	6.26	7.03
1981-82	13,179	19,053	21,501	784.78	885.62	5.95	6.72
1982-83	13,771	19,567	22,359	788.83	901.39	5.73	6.55
1983-84	14,569	22,300	25,674	880.14	1,013.30	6.04	6.96
1984-85	16,012	25,515	29,039	988.34	1,124.85	6.17	7.03
1985-86	16,980	26,974	30,898	1,021.63	1,170.25	6.02	6.89
1986-87	17,700	31,331	35,368	1,158.18	1,307.41	6.54	7.39
1987-88	18,590	31,228	35,611	1,126.67	1,284.81	6.06	6.91
1988-89	19,648	35,647	40,613	1,255.49	1,430.39	6.39	7.28
1989-90	20,639	37,248	43,052	1,278.16	1,477.32	6.19	7.16
1990-91	21,733	36,828	43,556	1,234.66	1,460.21	5.68	6.72
1991-92	21,758	40,072	48,856	1,315.62	1,604.01	6.05	7.37
1992-93	22,482	39,197	48,230	1,264.93	1,556.44	5.63	6.92
1993-94	22,607	38,351	48,941	1,224.72	1,562.90	5.42	6.91
1994-95	23,174	41,099	50,648	1,303.75	1,606.67	5.63	6.93
1995-96	24,149	44,825	54,805	1,413.51	1,728.20	5.85	7.16
1996-97	25,356	47,955	58,400	1,500.33	1,827.10	5.92	7.21
1997-98	26,517	53,859	64,826	1,659.61	1,997.56	6.26	7.53
1998-99	28,482	58,199	69,724	1,770.96	2,121.65	6.22	7.45
1999-00	29,900	70,027	81,773	2,095.45	2,446.93	7.01	8.18
2000-01	32,372	75,668	88,147	2,219.08	2,585.05	6.85	7.99
2001-02	32,638	62,654	73,237	1,801.21	2,105.46	5.52	6.45
2002-03	32,428	64,879	75,498	1,833.10	2,133.14	5.65	6.58
2003-04	32,911	70,229	81,629	1,951.34	2,268.10	5.93	6.89
2004-05	34,621	80,070	93,716	2,192.38	2,566.01	6.33	7.41
2005-06 <sup>P</sup>	36,042	90,444	105,846	2,445.63	2,862.10	6.79	7.94
2006-07 <sup>e</sup>	37,955	92,817	109,290	2,478.80	2,918.73	6.53	7.69
2007-08 <sup>e</sup>	39,639	98,590	115,915	2,601.05	3,058.12	6.56	7.71

<sup>1</sup> Per capita computations are based on July 1 population estimates, benchmarked to the 1990 Census.

<sup>2</sup> Personal income data are on a calendar year basis (e.g., 2005 for 2005-06).

<sup>3</sup> Taxes per \$100 personal income computed using calendar year personal income (e.g. 2005 income related to 2005-06 tax collections).

<sup>P</sup> Preliminary.

<sup>e</sup> Estimated.



**SCHEDULE 4**  
**PERSONNEL YEARS AND SALARY COST ESTIMATES**  
(Excludes Staff Benefits)  
(Dollars in Thousands)

	Personnel Years			Dollars		
	Authorized 2005-06	Estimated 2006-07	Proposed 2007-08	Authorized 2005-06	Estimated 2006-07	Proposed 2007-08
<b>Under Administration Control</b>						
Executive	13,511.3	13,917.4	14,195.1	\$800,779	\$876,555	\$904,210
State and Consumer Services	12,933.1	13,036.8	13,284.5	683,118	735,389	750,961
Business, Transportation and Housing						
Business and Housing	2,049.3	2,140.3	2,226.3	116,555	129,143	133,966
Transportation	40,300.9	40,733.5	41,108.4	2,506,558	2,777,945	2,802,455
Resources	13,224.0	14,054.9	14,531.7	785,812	905,728	933,550
California Environmental Protection	4,409.0	4,488.3	4,712.6	285,184	309,927	327,453
Health and Human Services	30,969.9	32,196.1	33,173.1	1,709,033	1,923,469	2,011,934
Corrections and Rehabilitation	58,848.2	63,667.0	65,973.3	3,948,458	4,295,339	4,608,103
Education						
K thru 12 Education	2,866.9	2,879.0	2,881.0	162,055	171,195	171,086
Higher Education-Community Colleges/Other	382.1	389.1	410.2	23,927	26,339	29,470
Labor and Workforce Development	2,738.4	2,766.5	2,798.4	157,095	175,131	179,748
General Government	5,880.8	6,192.9	6,418.8	323,158	352,486	371,968
<b>NET TOTALS, SALARIES AND WAGES</b>	188,113.9	196,461.8	201,713.4	\$11,501,732	\$12,678,646	\$13,224,904
<b>Not Under Administration Control</b>						
Legislative	743.0	743.0	743.0	\$55,730	\$58,106	\$59,972
Judicial	1,893.1	1,861.1	1,867.6	170,589	181,528	183,322
Public Employees' Retirement System	1,851.2	1,951.8	1,953.7	109,422	114,485	116,793
State Teachers' Retirement System	671.2	716.7	777.2	36,215	43,299	48,160
California Housing Finance Agency	274.7	277.4	277.4	17,486	17,642	17,642
Forestry and Fire Protection	1,844.7	1,876.8	1,876.8	143,281	149,828	151,325
University of California	71,935.9	74,012.5	74,851.9	3,852,746	4,105,149	4,261,471
Hastings	222.9	234.8	237.8	18,046	20,433	22,137
California State University	43,579.4	44,916.4	44,916.4	2,297,908	2,433,251	2,433,251
Employment Development Department	9,429.1	8,982.2	8,739.4	486,554	460,489	453,170
Workers' Compensation Benefits	9,448.0	7,938.0	6,768.0	591,408	512,299	491,044
Bureau of State Audits	139.5	147.0	147.0	9,023	10,012	9,942
<b>TOTALS</b>	142,032.7	143,657.7	143,156.2	\$7,788,408	\$8,106,521	\$8,248,229



**SCHEDULE 4 - Continued**  
**PERSONNEL YEARS AND SALARY COST ESTIMATES**  
(Excludes Staff Benefits)  
(Dollars in Thousands)

	<u>Personnel Years</u>	<u>Dollars</u>
	<u>Actuals</u>	<u>Actuals</u>
	<u>2005-06</u>	<u>2005-06</u>
<b>Under Administration Control</b>		
Executive	12,349.7	\$752,996
State and Consumer Services	12,740.7	670,862
Business, Transportation and Housing		
Business and Housing	1,978.1	112,550
Transportation	39,103.1	2,420,070
Resources	13,101.1	798,863
California Environmental Protection	4,170.3	274,665
Health and Human Services	28,876.6	1,651,408
Corrections and Rehabilitation	50,171.0	3,905,188
Education		
K thru 12 Education	2,647.2	152,895
Higher Education-Community Colleges/Other	343.0	22,860
Labor and Workforce Development	2,514.7	151,387
General Government	5,551.9	310,313
NET TOTALS, SALARIES AND WAGES	<u>173,547.4</u>	<u>\$11,224,057</u>
<b>Not Under Administration Control</b>		
Legislative	687.5	\$48,004
Judicial	1,634.6	152,493
Public Employees' Retirement System	1,670.6	100,413
State Teachers' Retirement System	714.1	36,691
California Housing Finance Agency	261.5	15,734
Forestry and Fire Protection	1,805.4	143,544
University of California	75,400.6	4,123,094
Hastings	222.3	17,951
California State University	43,360.2	2,395,274
Employment Development Department	9,187.8	450,225
Workers' Compensation Benefits	8,989.0	607,299
Bureau of State Audits	112.2	7,157
TOTALS	<u>144,045.8</u>	<u>\$8,097,879</u>
	<u>Personnel Years</u>	<u>Dollars</u>
	<u>Proposed</u>	<u>Proposed</u>
	<u>2007-08</u>	<u>2007-08</u>
<b>Position Classification</b>		
Civil Service	221,117.9	\$14,417,680
Constitutional	470.5	42,259
Statutory	129.0	15,741
Exempt		
Various Departments	3,146.1	280,594
Higher Education		
University of California	74,851.9	4,261,471
Hastings College of the Law	237.8	22,137
California State University	44,916.4	2,433,251
NET TOTALS, SALARIES AND WAGES	<u>344,869.6</u>	<u>\$21,473,133</u>

Please note: Total Personnel Years of 344,869.6 is 20.8 higher than the 344,848.8 appearing on the State Agency Budgets web screen. This total includes 20.8 positions for financing authorities under the State Treasurer's Office that do not appear on the web screen total.

**SCHEDULE 5A**  
**STATEMENT OF ESTIMATED ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE**  
**GENERAL FUND**  
(Dollars In Thousands)

	Actual 2005-06 Fiscal Year Accruals <sup>1/</sup>			Estimated 2006-07 Fiscal Year Accruals			Estimated 2007-08 Fiscal Year Accruals		
	Accounts payable	Accounts receivable	Net accruals	Accounts payable	Accounts receivable	Net accruals	Accounts payable	Accounts receivable	Net accruals
	June 30, 2006	June 30, 2006	June 30, 2006	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2008	June 30, 2008	June 30, 2008
<b>STATE OPERATIONS</b>									
Legislative/Judicial/Executive	\$329,059	\$166,115	\$162,944	\$338,931	\$171,098	\$167,833	\$349,099	\$176,231	\$172,868
State and Consumer Services	108,939	102,282	6,657	112,207	105,350	6,857	115,573	108,511	7,062
Business, Transportation and Housing Resources	3,127	3,058	69	3,221	3,150	71	3,318	3,245	73
California Environmental Protection	581,842	393,688	188,154	599,297	405,499	193,798	617,276	417,664	199,612
Health and Human Services:									
California Environmental Protection	25,214	6,539	18,675	25,970	6,735	19,235	26,749	6,937	19,812
Health Services	11,860	183,130	-171,270	12,216	188,624	-176,408	12,582	194,283	-181,701
Developmental Services	29,909	44,195	-14,286	30,806	45,521	-14,715	31,730	46,887	-15,157
Mental Health	258,726	466,756	-208,030	266,488	480,759	-214,271	274,483	495,182	-220,699
Other Health and Human Services	147,135	228,532	-81,397	151,549	235,388	-83,839	156,095	242,450	-86,355
Corrections and Rehabilitation	1,712,915	1,298,171	414,744	1,764,302	1,337,116	427,186	1,817,231	1,377,229	440,002
Education:									
Department of Education	229,290	48,342	180,948	236,169	49,792	186,377	243,254	51,286	191,968
University of California	74,120	0	74,120	76,344	0	76,344	78,634	0	78,634
California State University	426,474	193,390	233,084	439,268	199,192	240,076	452,446	205,168	247,278
Other Education	45,059	30,025	15,034	46,411	30,926	15,485	47,803	31,854	15,949
General Government/Labor	186,511	170,943	15,568	192,106	176,071	16,035	197,869	181,353	16,516
<b>Totals, State Operations</b>	<b>\$4,170,180</b>	<b>\$3,335,166</b>	<b>\$835,014</b>	<b>\$4,295,285</b>	<b>\$3,435,221</b>	<b>\$860,064</b>	<b>\$4,424,142</b>	<b>\$3,538,280</b>	<b>\$885,862</b>
<b>LOCAL ASSISTANCE</b>									
Public Schools K-12	\$1,299,308	\$273,939	\$1,025,369	\$1,338,287	\$282,157	\$1,056,130	\$1,378,436	\$290,622	\$1,087,814
California Community Colleges	235,076	74,592	160,484	242,128	76,830	165,298	249,392	79,135	170,257
Other Education	23,304	11,623	11,681	24,003	11,972	12,031	24,723	12,331	12,392
Alcohol and Drug Abuse	12,039	9,363	2,676	12,400	9,644	2,756	12,772	9,933	2,839
Health Services	225,346	122,087	103,259	232,106	125,750	106,356	239,069	129,523	109,546
Developmental Services	178,949	235,077	-56,128	184,317	242,129	-57,812	189,847	249,393	-59,546
Mental Health	34,036	782,991	-748,955	35,057	806,481	-771,424	36,109	830,675	-794,566
Social Services	138,311	285,391	-147,080	142,460	293,953	-151,493	146,734	302,772	-156,038
Other Health and Human Services	53,596	39,840	13,756	55,204	41,035	14,169	56,860	42,266	14,594
Tax Relief	2,050	1,270	780	2,112	1,308	804	2,175	1,347	828
Other Local Assistance	49,671	60,573	-10,902	51,161	62,390	-11,229	52,696	64,262	-11,566
<b>Totals, Local Assistance</b>	<b>\$2,251,686</b>	<b>\$1,896,746</b>	<b>\$354,940</b>	<b>\$2,319,235</b>	<b>\$1,953,649</b>	<b>\$365,586</b>	<b>\$2,388,813</b>	<b>\$2,012,259</b>	<b>\$376,554</b>
<b>TOTALS, ALL CHARACTERS</b>	<b>\$6,421,866</b>	<b>\$5,231,912</b>	<b>\$1,189,954</b>	<b>\$6,614,520</b>	<b>\$5,388,870</b>	<b>\$1,225,650</b>	<b>\$6,812,955</b>	<b>\$5,550,539</b>	<b>\$1,262,416</b>

<sup>1/</sup> Information per the State Controller's Office.

**Note:** Numbers may not add due to rounding.

**SCHEDULE 5B**  
**ACTUAL 2005-06 FISCAL YEAR CASHFLOW**  
**GENERAL FUND**  
(Dollars in Millions)

2005-06 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
<b>BEGINNING CASH BALANCE</b>	<b>\$6,437</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1</b>	<b>\$0</b>	<b>\$1,580</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,415</b>	<b>\$6,169</b>	<b>\$6,437</b>
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax	\$28	\$29	\$28	\$17	\$36	\$27	\$33	\$19	\$22	\$22	\$26	\$32	\$319
Corporation Tax	265	119	2,192	329	41	1,739	212	200	1,575	1,733	332	1,699	10,436
Cigarette Tax	12	3	13	15	4	15	3	9	15	8	13	3	113
Inheritance, Gift and Estate Taxes	20	26	43	11	2	4	4	3	8	1	1	2	125
Insurance Tax	15	30	513	16	17	502	15	38	102	490	10	465	2,213
Personal Income Tax	2,505	2,816	4,732	2,805	2,486	4,181	8,046	1,411	1,974	11,443	2,561	4,987	49,947
Retail Sales and Use Tax	878	3,537	2,071	901	3,215	2,650	1,040	3,088	2,797	884	3,614	2,863	27,538
Income from Pooled Money Investments	35	28	30	34	28	27	31	25	34	50	17	41	380
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	100	626	240	190	517	330	145	191	276	110	309	198	3,232
<b>TOTAL, Receipts</b>	<b>\$3,858</b>	<b>\$7,214</b>	<b>\$9,862</b>	<b>\$4,318</b>	<b>\$6,346</b>	<b>\$9,475</b>	<b>\$9,529</b>	<b>\$4,984</b>	<b>\$6,803</b>	<b>\$14,741</b>	<b>\$6,883</b>	<b>\$10,289</b>	<b>\$94,303</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California	\$298	\$213	\$276	\$262	\$311	\$264	\$241	\$287	\$337	\$312	\$32	\$10	\$2,843
Debt Service	8	352	387	478	209	194	8	463	263	316	159	293	3,130
Other State Operations	1,875	1,307	1,279	1,375	1,279	1,180	1,393	1,009	1,108	1,432	1,404	1,107	15,748
Social Services	1,640	921	697	852	737	598	944	365	430	773	300	635	8,892
Medi-Cal Assistance	1,144	782	1,393	970	766	1,575	1,033	702	1,584	859	858	482	12,148
Other Health Services	40	88	71	30	41	60	39	55	84	12	36	43	599
Schools	3,932	4,361	3,224	2,954	2,490	3,525	3,243	5,698	2,513	2,389	2,267	476	37,072
Teachers' Retirement	729	0	0	117	0	0	117	0	0	117	0	1	1,081
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	0	0	662	-105	557
Other	1,758	415	840	1,201	552	558	832	287	508	789	412	1,284	9,437
<b>TOTAL, Disbursements</b>	<b>\$11,424</b>	<b>\$8,439</b>	<b>\$8,167</b>	<b>\$8,239</b>	<b>\$6,385</b>	<b>\$7,954</b>	<b>\$7,850</b>	<b>\$8,866</b>	<b>\$6,827</b>	<b>\$6,999</b>	<b>\$6,130</b>	<b>\$4,226</b>	<b>\$91,507</b>
<b>EXCESS RECEIPTS/(DEFICIT)</b>	<b>-\$7,565</b>	<b>-\$1,225</b>	<b>\$1,695</b>	<b>-\$3,921</b>	<b>-\$39</b>	<b>\$1,521</b>	<b>\$1,679</b>	<b>-\$3,883</b>	<b>-\$24</b>	<b>\$7,742</b>	<b>\$754</b>	<b>\$6,064</b>	<b>\$2,796</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties	\$745	\$0	-\$86	\$86	\$0	-\$646	-\$98	\$745	-\$103	-\$641	\$0	\$0	\$0
Other Internal Sources	384	1,225	-1,609	3,836	-2,960	-876	0	1,558	128	-1,685	0	0	0
Revenue Anticipation Notes	0	0	0	0	3,000	0	0	0	0	0	0	-3,000	0
<b>TOTAL, Net Temporary Loans</b>	<b>\$1,129</b>	<b>\$1,225</b>	<b>-\$1,695</b>	<b>\$3,922</b>	<b>\$40</b>	<b>-\$1,522</b>	<b>-\$98</b>	<b>\$2,303</b>	<b>\$25</b>	<b>-\$2,326</b>	<b>\$0</b>	<b>-\$3,000</b>	<b>\$0</b>
<b>ENDING CASH BALANCE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1</b>	<b>\$0</b>	<b>\$1,580</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,415</b>	<b>\$6,169</b>	<b>\$9,233</b>	<b>\$9,233</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties	\$745	\$745	\$745	\$745	\$745	\$745	\$745	\$745	\$641	\$641	\$1,302	\$1,295	\$1,295
Other Internal Sources	9,782	10,513	10,496	10,732	11,608	10,303	10,658	10,726	9,411	11,037	10,794	10,414	10,414
Revenue Anticipation Notes	0	0	0	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>TOTAL, Available/Borrowable Resources</b>	<b>\$10,526</b>	<b>\$11,258</b>	<b>\$11,240</b>	<b>\$11,477</b>	<b>\$15,353</b>	<b>\$14,048</b>	<b>\$14,402</b>	<b>\$14,471</b>	<b>\$13,052</b>	<b>\$14,679</b>	<b>\$15,096</b>	<b>\$11,709</b>	<b>\$11,709</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties	\$745	\$745	\$659	\$745	\$745	\$98	\$0	\$745	\$641	\$0	\$0	\$0	\$0
Other Internal Sources	384	1,609	0	3,836	876	0	0	1,558	1,685	0	0	0	0
Revenue Anticipation Notes	0	0	0	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>TOTAL, Cumulative Loan Balances</b>	<b>\$1,129</b>	<b>\$2,354</b>	<b>\$659</b>	<b>\$4,580</b>	<b>\$4,620</b>	<b>\$3,098</b>	<b>\$3,000</b>	<b>\$5,302</b>	<b>\$5,327</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$0</b>	<b>\$0</b>
<b>UNUSED BORROWABLE RESOURCES</b>	<b>\$9,398</b>	<b>\$8,904</b>	<b>\$10,582</b>	<b>\$6,897</b>	<b>\$10,733</b>	<b>\$10,949</b>	<b>\$11,402</b>	<b>\$9,168</b>	<b>\$7,725</b>	<b>\$11,679</b>	<b>\$12,096</b>	<b>\$11,709</b>	<b>\$11,709</b>
<b>Cash and Unused Borrowable Resources</b>	<b>\$9,398</b>	<b>\$8,904</b>	<b>\$10,582</b>	<b>\$6,897</b>	<b>\$10,734</b>	<b>\$10,949</b>	<b>\$12,982</b>	<b>\$9,168</b>	<b>\$7,725</b>	<b>\$17,094</b>	<b>\$18,265</b>	<b>\$20,942</b>	<b>\$20,942</b>

Note: Numbers may not add due to rounding.

**SCHEDULE 5C  
ESTIMATED 2006-07 FISCAL YEAR CASHFLOW  
GENERAL FUND  
(Dollars in Millions)**

2006-07 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
<b>BEGINNING CASH BALANCE</b>	<b>\$9,233</b>	<b>\$1,149</b>	<b>\$0</b>	<b>\$92</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,233</b>
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax	\$35	\$19	\$30	\$33	\$21	\$27	\$31	\$20	\$22	\$26	\$26	\$26	\$316
Corporation Tax	302	205	2,252	359	-143	1,735	323	268	1,352	1,617	277	1,749	10,296
Cigarette Tax	16	10	6	12	7	10	10	9	9	10	10	10	119
Inheritance, Gift and Estate Taxes	2	3	1	1	3	0	0	0	0	0	0	0	10
Insurance Tax	12	21	786	-257	25	510	12	25	311	305	16	460	2,226
Personal Income Tax	2,616	3,135	5,287	3,089	2,406	4,311	9,433	1,451	2,266	10,883	2,533	5,296	52,706
Retail Sales and Use Tax	929	3,480	2,202	1,077	3,513	2,183	964	3,358	2,135	756	3,878	2,746	27,221
Income from Pooled Money Investments	65	82	26	61	40	37	42	46	56	43	39	75	612
Other	27	334	376	91	286	495	146	246	145	160	272	23	2,601
<b>TOTAL, Receipts</b>	<b>\$4,004</b>	<b>\$7,289</b>	<b>\$10,966</b>	<b>\$4,466</b>	<b>\$6,158</b>	<b>\$9,308</b>	<b>\$10,961</b>	<b>\$5,423</b>	<b>\$6,296</b>	<b>\$13,800</b>	<b>\$7,051</b>	<b>\$10,385</b>	<b>\$96,107</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California	\$319	\$223	\$238	\$320	\$307	\$296	\$257	\$241	\$300	\$305	\$122	\$148	\$3,076
Debt Service	12	393	456	481	204	200	23	530	331	322	150	181	3,283
Other State Operations	2,034	1,621	2,081	1,686	1,464	1,430	1,649	1,390	1,202	1,646	1,453	1,179	18,835
Social Services	1,718	705	606	773	667	595	1,021	548	645	973	414	564	9,229
Medi-Cal Assistance	1,181	1,109	1,183	1,101	1,291	1,531	1,090	963	1,496	1,154	914	560	13,573
Other Health Services	72	88	67	20	73	87	29	42	53	15	25	-12	559
Schools	4,584	4,127	3,990	5,175	2,958	4,424	4,047	6,062	2,945	2,635	2,550	224	43,721
Teachers' Retirement	598	0	0	119	0	0	120	0	0	120	0	2	959
Transfer to Special Fund for Economic Uncertainties	0	0	472	0	0	0	335	0	0	0	0	0	807
Other	1,569	667	1,286	1,266	589	1,009	907	557	686	724	347	2,098	11,704
<b>TOTAL, Disbursements</b>	<b>\$12,087</b>	<b>\$8,933</b>	<b>\$10,379</b>	<b>\$10,941</b>	<b>\$7,553</b>	<b>\$9,572</b>	<b>\$9,478</b>	<b>\$10,333</b>	<b>\$7,658</b>	<b>\$7,894</b>	<b>\$5,975</b>	<b>\$4,944</b>	<b>\$105,746</b>
<b>EXCESS RECEIPTS/(DEFICIT)</b>	<b>-\$8,084</b>	<b>-\$1,644</b>	<b>\$587</b>	<b>-\$6,474</b>	<b>-\$1,395</b>	<b>-\$264</b>	<b>\$1,483</b>	<b>-\$4,910</b>	<b>-\$1,362</b>	<b>\$5,907</b>	<b>\$1,076</b>	<b>\$5,442</b>	<b>-\$9,639</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties and													
Budget Stabilization Account	\$0	\$495	-\$495	\$1,767	\$0	\$0	\$335	\$0	\$0	\$0	\$0	-\$1,695	\$406
Other Internal Sources	0	0	0	3,116	1,395	264	-1,818	4,910	1,362	-5,907	-1,076	-2,246	0
Revenue Anticipation Notes	0	0	0	1,500	0	0	0	0	0	0	0	-1,500	0
<b>TOTAL, Net Temporary Loans</b>	<b>\$0</b>	<b>\$495</b>	<b>-\$495</b>	<b>\$6,383</b>	<b>\$1,395</b>	<b>\$264</b>	<b>-\$1,483</b>	<b>\$4,910</b>	<b>\$1,362</b>	<b>-\$5,907</b>	<b>-\$1,076</b>	<b>-\$5,441</b>	<b>\$406</b>
<b>ENDING CASH BALANCE</b>	<b>\$1,149</b>	<b>\$0</b>	<b>\$92</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties and													
Budget Stabilization Account	\$1,295	\$1,295	\$1,767	\$1,767	\$1,767	\$1,767	\$2,102	\$2,102	\$2,102	\$2,102	\$2,102	\$2,102	\$2,102
Other Internal Sources	12,385	11,950	11,823	13,098	12,923	12,664	12,523	12,667	13,039	13,314	13,795	13,764	13,764
Revenue Anticipation Notes	0	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	0	0
<b>TOTAL, Available/Borrowable Resources</b>	<b>\$13,680</b>	<b>\$13,245</b>	<b>\$13,589</b>	<b>\$16,364</b>	<b>\$16,189</b>	<b>\$15,931</b>	<b>\$16,124</b>	<b>\$16,269</b>	<b>\$16,641</b>	<b>\$16,915</b>	<b>\$17,397</b>	<b>\$15,866</b>	<b>\$15,866</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties and													
Budget Stabilization Account	\$0	\$495	\$0	\$1,767	\$1,767	\$1,767	\$2,102	\$2,102	\$2,102	\$2,102	\$2,102	\$406	\$406
Other Internal Sources	0	0	0	3,116	4,511	4,775	2,957	7,867	9,229	3,322	2,246	0	0
Revenue Anticipation Notes	0	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	0	0
<b>TOTAL, Cumulative Loan Balances</b>	<b>\$0</b>	<b>\$495</b>	<b>\$0</b>	<b>\$6,383</b>	<b>\$7,777</b>	<b>\$8,042</b>	<b>\$6,559</b>	<b>\$11,469</b>	<b>\$12,831</b>	<b>\$6,924</b>	<b>\$5,848</b>	<b>\$406</b>	<b>\$406</b>
<b>UNUSED BORROWABLE RESOURCES</b>	<b>\$13,680</b>	<b>\$12,750</b>	<b>\$13,589</b>	<b>\$9,982</b>	<b>\$8,412</b>	<b>\$7,889</b>	<b>\$9,566</b>	<b>\$4,800</b>	<b>\$3,810</b>	<b>\$9,991</b>	<b>\$11,549</b>	<b>\$15,460</b>	<b>\$15,460</b>
<b>Cash and Unused Borrowable Resources</b>	<b>\$14,829</b>	<b>\$12,750</b>	<b>\$13,681</b>	<b>\$9,982</b>	<b>\$8,412</b>	<b>\$7,889</b>	<b>\$9,566</b>	<b>\$4,800</b>	<b>\$3,810</b>	<b>\$9,991</b>	<b>\$11,549</b>	<b>\$15,460</b>	<b>\$15,460</b>

Note: Numbers may not add due to rounding.

**SCHEDULE 5D**  
**ESTIMATED 2007-08 FISCAL YEAR CASHFLOW**  
**GENERAL FUND**  
(Dollars in Millions)

2007-08 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
BEGINNING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax	\$31	\$26	\$28	\$28	\$28	\$28	\$32	\$21	\$23	\$27	\$27	\$27	\$326
Corporation Tax	263	204	2,169	295	-99	1,760	327	272	1,384	1,636	283	1,804	10,298
Cigarette Tax	11	11	11	10	11	10	10	9	9	10	10	10	122
Inheritance, Gift and Estate Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance Tax	19	25	530	20	23	534	13	25	330	324	17	493	2,353
Personal Income Tax	3,021	3,117	5,397	3,673	2,955	4,938	9,334	1,456	2,062	11,808	2,682	5,626	56,069
Retail Sales and Use Tax	1,341	3,553	2,272	1,152	3,861	2,404	1,049	3,592	2,257	822	4,021	2,886	29,210
Income from Pooled Money Investments	50	53	51	35	52	39	40	44	53	42	38	73	570
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	1,040	0	0	0	0	0	1,040
Other	260	239	210	295	578	214	284	263	147	309	479	233	3,511
<b>TOTAL, Receipts</b>	<b>\$4,996</b>	<b>\$7,228</b>	<b>\$10,668</b>	<b>\$5,508</b>	<b>\$7,409</b>	<b>\$9,927</b>	<b>\$12,129</b>	<b>\$5,682</b>	<b>\$6,265</b>	<b>\$14,978</b>	<b>\$7,557</b>	<b>\$11,151</b>	<b>\$103,499</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California	\$361	\$261	\$277	\$302	\$309	\$314	\$273	\$256	\$318	\$324	\$130	\$143	\$3,268
Debt Service	24	429	476	360	269	220	0	609	377	268	223	249	3,504
Other State Operations	2,025	2,709	2,362	1,520	1,606	1,422	1,767	1,355	1,305	1,755	1,561	1,832	21,219
Social Services	1,426	762	713	710	745	592	952	532	620	931	336	562	8,881
Medi-Cal Assistance	1,237	1,126	1,322	1,239	947	1,640	1,168	1,031	1,602	1,236	979	1,021	14,548
Other Health Services	3	14	17	8	7	14	7	11	14	5	8	13	121
Schools	4,076	4,673	3,574	3,307	2,763	5,140	3,976	5,720	2,969	2,672	2,421	1,110	42,401
Teachers' Retirement	672	0	0	125	0	0	125	0	0	125	0	1	1,048
Transfer to Special Fund for Economic Uncertainties or													
Budget Stabilization Account	0	0	1,023	0	0	0	0	0	0	0	0	0	1,023
Other	691	1,007	597	1,457	676	928	806	630	768	786	382	1,217	9,946
<b>TOTAL, Disbursements</b>	<b>\$10,515</b>	<b>\$10,981</b>	<b>\$10,361</b>	<b>\$9,028</b>	<b>\$7,322</b>	<b>\$10,270</b>	<b>\$9,074</b>	<b>\$10,144</b>	<b>\$7,973</b>	<b>\$8,102</b>	<b>\$6,040</b>	<b>\$6,148</b>	<b>\$105,959</b>
<b>EXCESS RECEIPTS/(DEFICIT)</b>	<b>-\$5,519</b>	<b>-\$3,752</b>	<b>\$307</b>	<b>-\$3,520</b>	<b>\$87</b>	<b>-\$342</b>	<b>\$3,055</b>	<b>-\$4,463</b>	<b>-\$1,708</b>	<b>\$6,876</b>	<b>\$1,517</b>	<b>\$5,003</b>	<b>-\$2,460</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties and													
Budget Stabilization Account	\$1,695	\$0	\$1,023	\$0	\$0	\$0	-\$1,040	\$0	\$0	\$0	\$0	\$0	\$1,679
Other Internal Sources	3,823	3,752	-1,330	3,520	-3,587	342	-2,015	4,463	1,708	-6,876	-1,517	-1,503	781
Revenue Anticipation Notes	0	0	0	0	3,500	0	0	0	0	0	0	-3,500	0
<b>TOTAL, Net Temporary Loans</b>	<b>\$5,518</b>	<b>\$3,752</b>	<b>-\$307</b>	<b>\$3,520</b>	<b>-\$87</b>	<b>\$342</b>	<b>-\$3,055</b>	<b>\$4,463</b>	<b>\$1,708</b>	<b>-\$6,876</b>	<b>-\$1,517</b>	<b>-\$5,003</b>	<b>\$2,460</b>
<b>ENDING CASH BALANCE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties and													
Budget Stabilization Account	\$2,102	\$2,102	\$3,125	\$3,125	\$3,125	\$3,125	\$2,085	\$2,085	\$2,085	\$2,085	\$2,085	\$2,085	\$2,085
Other Internal Sources	12,526	13,137	12,751	12,945	12,966	12,849	12,524	12,671	12,157	12,469	12,846	12,722	12,722
Revenue Anticipation Notes	0	0	0	0	3,500	3,500	3,500	3,500	3,500	3,500	3,500	0	0
<b>TOTAL, Available/Borrowable Resources</b>	<b>\$14,628</b>	<b>\$15,239</b>	<b>\$15,876</b>	<b>\$16,069</b>	<b>\$19,591</b>	<b>\$19,474</b>	<b>\$18,109</b>	<b>\$18,256</b>	<b>\$17,742</b>	<b>\$18,054</b>	<b>\$18,431</b>	<b>\$14,807</b>	<b>\$14,807</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties and													
Budget Stabilization Account	\$2,102	\$2,102	\$3,125	\$3,125	\$3,125	\$3,125	\$2,085	\$2,085	\$2,085	\$2,085	\$2,085	\$2,085	\$2,085
Other Internal Sources	3,823	7,576	6,246	9,766	6,179	6,521	4,506	8,969	10,677	3,801	2,284	781	781
Revenue Anticipation Notes	0	0	0	0	3,500	3,500	3,500	3,500	3,500	3,500	3,500	0	0
<b>TOTAL, Cumulative Loan Balances</b>	<b>\$5,925</b>	<b>\$9,678</b>	<b>\$9,371</b>	<b>\$12,891</b>	<b>\$12,804</b>	<b>\$13,146</b>	<b>\$10,091</b>	<b>\$14,554</b>	<b>\$16,262</b>	<b>\$9,386</b>	<b>\$7,869</b>	<b>\$2,866</b>	<b>\$2,866</b>
<b>UNUSED BORROWABLE RESOURCES</b>	<b>\$8,703</b>	<b>\$5,561</b>	<b>\$6,505</b>	<b>\$3,178</b>	<b>\$6,787</b>	<b>\$6,328</b>	<b>\$8,018</b>	<b>\$3,702</b>	<b>\$1,480</b>	<b>\$8,668</b>	<b>\$10,563</b>	<b>\$11,941</b>	<b>\$11,941</b>
<b>Cash and Unused Borrowable Resources</b>	<b>\$8,703</b>	<b>\$5,561</b>	<b>\$6,505</b>	<b>\$3,178</b>	<b>\$6,787</b>	<b>\$6,328</b>	<b>\$8,018</b>	<b>\$3,702</b>	<b>\$1,480</b>	<b>\$8,668</b>	<b>\$10,563</b>	<b>\$11,941</b>	<b>\$11,941</b>

Note: Numbers may not add due to rounding.



**SCHEDULE 8**  
**COMPARATIVE STATEMENT OF REVENUES**  
(Dollars In Thousands)

Sources	Actual 2005-06			Estimated 2006-07			Proposed 2007-08		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
<b>MAJOR TAXES AND LICENSES</b>									
Alcoholic Beverage Taxes and Fees	\$318,276	-	\$318,276	\$320,800	-	\$320,800	\$324,500	-	\$324,500
Corporation Tax	10,316,467	-	10,316,467	10,311,000	-	10,311,000	10,816,000	-	10,816,000
Cigarette Tax	118,022	970,681	1,088,703	121,000	987,728	1,108,728	122,000	998,148	1,120,148
Horse Racing (Parimutuel) License Fees	2,422	35,596	38,018	2,335	35,884	38,219	2,335	35,884	38,219
Estate, Inheritance and Gift Tax	3,786	-	3,786	-	-	-	-	-	-
Insurance Gross Premiums Tax	2,202,327	-	2,202,327	2,220,000	-	2,220,000	2,354,000	-	2,354,000
Trailer Coach License (In-Lieu) Fees	24,892	2,388	27,280	25,357	2,388	27,745	25,844	2,388	28,232
Motor Vehicle License (In-Lieu) Fees	-	2,226,494	2,226,494	-	2,314,694	2,314,694	-	2,405,498	2,405,498
Motor Vehicle Fuel Tax (Gasoline)	-	2,842,953	2,842,953	-	2,912,279	2,912,279	-	2,962,747	2,962,747
Motor Vehicle Fuel Tax (Diesel)	-	550,428	550,428	-	573,744	573,744	-	583,104	583,104
Motor Vehicle Registration	-	2,811,928	2,811,928	-	2,911,721	2,911,721	-	3,099,409	3,099,409
Personal Income Tax	49,876,823	1,343,000	51,219,823	52,042,000	1,528,000	53,570,000	55,598,000	1,694,000	57,292,000
Retail Sales and Use Tax-Realignment	-	2,844,832	2,844,832	-	2,853,651	2,853,651	-	3,017,094	3,017,094
Retail Sales and Use Taxes	27,580,979	354,305	27,935,284	27,775,000	928,144	28,703,144	29,347,000	1,015,614	30,362,614
Retail Sales and Use Tax-Fiscal Recovery	-	1,419,684	1,419,684	-	1,424,000	1,424,000	-	1,511,000	1,511,000
<b>TOTALS, MAJOR TAXES AND LICENSES</b>	<b>\$90,443,994</b>	<b>\$15,402,289</b>	<b>\$105,846,283</b>	<b>\$92,817,492</b>	<b>\$16,472,233</b>	<b>\$109,289,725</b>	<b>\$98,589,679</b>	<b>\$17,324,886</b>	<b>\$115,914,565</b>
<b>MINOR REVENUES</b>									
<b>REGULATORY TAXES AND LICENSES</b>									
General Fish and Game Taxes	-	1,400	1,400	-	1,572	1,572	-	1,572	1,572
Energy Resource Surcharge	-	605,852	605,852	-	565,605	565,605	-	570,229	570,229
Quarterly Public Utility Commission Fees	-	50,770	50,770	-	84,611	84,611	-	115,233	115,233
Hwy Carrier Uniform Business License Tax	287	-	287	287	-	287	287	-	287
Off-Highway Vehicle Fees	-	11,096	11,096	-	10,500	10,500	-	11,500	11,500
Liquor License Fees	-	45,927	45,927	-	46,833	46,833	-	47,774	47,774
Genetic Disease Testing Fees	-	72,899	72,899	-	101,207	101,207	-	120,886	120,886
Other Regulatory Taxes	-	96,455	96,455	-	108,954	108,954	-	110,939	110,939
New Motor Vehicle Dealer License Fee	-	1,667	1,667	-	1,697	1,697	-	1,595	1,595
General Fish and Game Lic Tags Permits	-	85,427	85,427	-	86,748	86,748	-	91,256	91,256
Duck Stamps	-	91	91	-	-	-	-	-	-
Elevator and Boiler Inspection Fees	243	14,659	14,902	243	15,842	16,085	-	20,643	20,643
Industrial Homework Fees	1	-	1	1	-	1	1	-	1
Employment Agency License Fees	722	5,247	5,969	722	4,840	5,562	722	4,760	5,482
Employment Agency Filing Fees	82	-	82	82	-	82	82	-	82
Teacher Credential Fees	-	13,607	13,607	-	13,869	13,869	-	14,137	14,137
Teacher Examination Fees	-	4,250	4,250	-	3,409	3,409	-	3,147	3,147
Insurance Co License Fees & Penalties	-	37,228	37,228	-	37,344	37,344	-	37,784	37,784
Insurance Company Examination Fees	-	20,594	20,594	-	20,107	20,107	-	23,371	23,371
Real Estate Examination Fees	-	10,560	10,560	-	5,672	5,672	-	4,290	4,290
Real Estate License Fees	-	26,937	26,937	-	26,826	26,826	-	27,387	27,387
Subdivision Filing Fees	-	12,335	12,335	-	12,811	12,811	-	11,277	11,277
Building Construction Filing Fees	-	4,251	4,251	-	4,359	4,359	-	4,513	4,513
Domestic Corporation Fees	-	12,799	12,799	-	13,135	13,135	-	13,308	13,308
Foreign Corporation Fees	-	1,142	1,142	-	1,142	1,142	-	1,142	1,142
Notary Public License Fees	-	2,069	2,069	-	2,069	2,069	-	2,069	2,069

**SCHEDULE 8 -- Continued**  
**COMPARATIVE STATEMENT OF REVENUES**  
(Dollars In Thousands)

Sources	Actual 2005-06			Estimated 2006-07			Proposed 2007-08		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Filing Financing Statements	-	2,828	2,828	-	2,728	2,728	-	2,728	2,728
Candidate Filing Fee	998	-	998	94	-	94	850	-	850
Beverage Container Redemption Fees	-	900,445	900,445	-	961,748	961,748	-	1,161,740	1,161,740
Explosive Permit Fees	-	1	1	-	1	1	-	1	1
Processing Fees	-	-	-	-	1	1	-	1	1
Environmental and Hazardous Waste Fees	-	65,786	65,786	-	68,443	68,443	-	78,122	78,122
Other Regulatory Fees	589,308	2,116,978	2,706,286	527,381	1,829,224	2,356,605	541,816	1,902,627	2,444,443
Other Regulatory Licenses and Permits	45,580	404,603	450,183	7,779	485,341	493,120	7,736	533,817	541,553
Renewal Fees	239	165,625	165,864	169	170,861	171,030	-	175,184	175,184
Delinquent Fees	3	5,430	5,433	10	5,357	5,367	10	5,567	5,577
Private Rail Car Tax	6,950	-	6,950	6,950	-	6,950	6,950	-	6,950
Insurance Department Fees, Prop 103	-	26,439	26,439	-	29,584	29,584	-	29,539	29,539
Insurance Department Fees, General	-	20,900	20,900	-	20,824	20,824	-	21,006	21,006
Insurance Fraud Assessment, Workers Comp	-	38,430	38,430	-	39,479	39,479	-	43,887	43,887
Insurance Fraud Assessment, Auto	-	40,966	40,966	-	43,014	43,014	-	45,166	45,166
Insurance Fraud Assessment, General	-	4,077	4,077	-	5,057	5,057	-	5,025	5,025
<b>Totals, REGULATORY TAXES AND LICENSES</b>	<b>\$644,413</b>	<b>\$4,929,770</b>	<b>\$5,574,183</b>	<b>\$543,718</b>	<b>\$4,830,814</b>	<b>\$5,374,532</b>	<b>\$558,454</b>	<b>\$5,243,222</b>	<b>\$5,801,676</b>
<b>REVENUE FROM LOCAL AGENCIES</b>									
Architecture Public Building Fees	-	39,668	39,668	-	41,519	41,519	-	44,163	44,163
Penalties on Traffic Violations	-	92,275	92,275	-	95,067	95,067	-	96,448	96,448
Penalties on Felony Convictions	-	59,918	59,918	-	60,706	60,706	-	61,504	61,504
Fines-Crimes of Public Offense	-	3,796	3,796	-	3,796	3,796	-	3,872	3,872
Fish and Game Violation Fines	-	540	540	-	535	535	-	535	535
Penalty Assessments on Fish & Game Fines	-	541	541	-	625	625	-	670	670
Interest on Loans to Local Agencies	3	1,110	1,113	3	1,491	1,494	3	1,549	1,552
Add'l Assmnts on Fish & Game Fines	-	65	65	-	77	77	-	77	77
Narcotic Fines	5,996	-	5,996	1,000	-	1,000	1,000	-	1,000
Fingerprint ID Card Fees	-	63,261	63,261	-	69,047	69,047	-	70,713	70,713
Misc Revenue From Local Agencies	270,355	512,594	782,949	270,556	547,537	818,093	444,490	539,494	983,984
Open Space Cancellation Fee Deferrd Taxes	23,918	2,254	26,172	12,792	3,208	16,000	9,229	3,271	12,500
Rev Local Govt Agencies-Cost Recoveries	23,288	9,759	33,047	20,533	9,850	30,383	19,650	10,000	29,650
<b>Totals, REVENUE FROM LOCAL AGENCIES</b>	<b>\$323,560</b>	<b>\$785,781</b>	<b>\$1,109,341</b>	<b>\$304,884</b>	<b>\$833,458</b>	<b>\$1,138,342</b>	<b>\$474,372</b>	<b>\$832,296</b>	<b>\$1,306,668</b>
<b>SERVICES TO THE PUBLIC</b>									
Pay Patients Board Charges	19,313	-	19,313	16,417	-	16,417	16,417	-	16,417
State Beach and Park Service Fees	-	70,320	70,320	-	77,700	77,700	-	77,700	77,700
Parking Lot Revenues	-	8,352	8,352	-	7,806	7,806	-	7,722	7,722
Emergency Telephone Users Surcharge	-	130,911	130,911	-	112,000	112,000	-	102,000	102,000
Sales of Documents	196	5,702	5,898	200	5,699	5,899	199	5,747	5,946
General Fees--Secretary of State	97	26,537	26,634	28	27,357	27,385	80	27,818	27,898
Parental Fees	-	1,893	1,893	-	1,966	1,966	-	1,976	1,976
Guardianship Fees	-	-	-	5	-	5	5	-	5
Miscellaneous Services to the Public	2,341	212,332	214,673	2,349	111,446	113,795	2,353	111,711	114,064
Receipts From Health Care Deposit Fund	8,000	-	8,000	8,000	-	8,000	8,000	-	8,000
Medicare Receipts Frm Federal Government	10,532	-	10,532	28,479	-	28,479	30,262	-	30,262
California State University Fees	-	1,230,748	1,230,748	-	-	-	-	-	-



**SCHEDULE 8 -- Continued**  
**COMPARATIVE STATEMENT OF REVENUES**  
(Dollars In Thousands)

Sources	Actual 2005-06			Estimated 2006-07			Proposed 2007-08		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Personalized License Plates	-	52,847	52,847	-	52,525	52,525	-	53,111	53,111
<b>Totals, SERVICES TO THE PUBLIC</b>	<b>\$40,479</b>	<b>\$1,739,642</b>	<b>\$1,780,121</b>	<b>\$55,478</b>	<b>\$396,499</b>	<b>\$451,977</b>	<b>\$57,316</b>	<b>\$387,785</b>	<b>\$445,101</b>
<b>USE OF PROPERTY AND MONEY</b>									
Income From Pooled Money Investments	447,193	433	447,626	579,000	-	579,000	571,000	-	571,000
Income From Surplus Money Investments	4,021	272,937	276,958	4,910	261,006	265,916	4,910	300,738	305,648
Interest Income From Loans	5,482	1,521	7,003	5,427	1,690	7,117	5,406	1,671	7,077
Interest Income From Interfund Loans	367	7,204	7,571	-	7,091	7,091	-	88	88
Income From Other Investments	-	62	62	-	15	15	-	15	15
Income From Condemnation Deposits Fund	-	4,378	4,378	-	2,380	2,380	-	2,732	2,732
Federal Lands Royalties	-	26,405	26,405	-	25,684	25,684	-	29,742	29,742
Oil & Gas Lease-1% Revenue City/County	504	-	504	400	-	400	400	-	400
Rentals of State Property	8,643	44,988	53,631	11,129	37,028	48,157	11,299	36,492	47,791
Misc Revenue Frm Use of Property & Money	28,503	39,700	68,203	28,316	36,965	65,281	28,316	39,903	68,219
School Lands Royalties	-	38	38	-	97	97	-	97	97
State Lands Royalties	295,573	4,000	299,573	242,523	-	242,523	270,723	-	270,723
<b>Totals, USE OF PROPERTY AND MONEY</b>	<b>\$790,286</b>	<b>\$401,666</b>	<b>\$1,191,952</b>	<b>\$871,705</b>	<b>\$371,956</b>	<b>\$1,243,661</b>	<b>\$892,054</b>	<b>\$411,478</b>	<b>\$1,303,532</b>
<b>MISCELLANEOUS</b>									
Attorney General Proceeds of Anti-Trust	-	1,044	1,044	-	1,200	1,200	-	1,200	1,200
Penalties & Interest on UI & DI Contrib	-	102,285	102,285	-	97,254	97,254	-	95,094	95,094
Sale of Fixed Assets	2,359	11,982	14,341	-	54,647	54,647	-	341	341
Sale of Confiscated Property	5,379	-	5,379	5,385	-	5,385	5,385	-	5,385
Sale of State's Public Lands	-	2,870	2,870	-	1,999	1,999	-	6,520	6,520
Proceeds From Estates of Deceased Person	216	-	216	586	-	586	2,857	-	2,857
Revenue-Abandoned Property	334,206	-	334,206	369,657	-	369,657	394,532	-	394,532
Escheat of Unclaimed Checks & Warrants	35,097	4,342	39,439	28,117	4,526	32,643	27,949	5,092	33,041
Miscellaneous Revenue	97,601	460,277	557,878	95,803	392,433	488,236	603,629	404,608	1,008,237
Bond Proceeds	525,000	-	525,000	-	-	-	-	-	-
Penalties & Intrst on Personal Income Tx	-	14,265	14,265	-	13,600	13,600	-	13,397	13,397
Other Revenue - Cost Recoveries	32,700	82,376	115,076	3,588	84,625	88,213	450	89,635	90,085
Settlements/Judgments(not Anti-trust)	87,969	1,645	89,614	22,322	5,412	27,734	15,001	5,412	20,413
Uninsured Motorist Fees	2,716	649	3,365	2,500	662	3,162	2,500	675	3,175
Traffic Violations	-	2,204	2,204	-	2,204	2,204	-	2,204	2,204
Parking Violations	8,382	1,131	9,513	8,151	460	8,611	8,151	460	8,611
Penalty Assessments	54,218	89,921	144,139	26,601	99,781	126,382	26,596	109,002	135,598
Civil & Criminal Violation Assessment	381	98,216	98,597	558	166,604	167,162	406	132,541	132,947
Fines and Forfeitures	4,820	261,366	266,186	3,638	253,635	257,273	3,638	253,635	257,273
Court Filing Fees and Surcharges	-	417,419	417,419	-	436,033	436,033	-	431,033	431,033
Penalty Assessments on Criminal Fines	-	78,904	78,904	-	84,233	84,233	-	84,233	84,233
<b>Totals, MISCELLANEOUS</b>	<b>\$1,191,044</b>	<b>\$1,630,896</b>	<b>\$2,821,940</b>	<b>\$566,906</b>	<b>\$1,699,308</b>	<b>\$2,266,214</b>	<b>\$1,091,094</b>	<b>\$1,635,082</b>	<b>\$2,726,176</b>
<b>TOTALS, MINOR REVENUES</b>	<b>\$2,989,782</b>	<b>\$9,487,755</b>	<b>\$12,477,537</b>	<b>\$2,342,691</b>	<b>\$8,132,035</b>	<b>\$10,474,726</b>	<b>\$3,073,290</b>	<b>\$8,509,863</b>	<b>\$11,583,153</b>
<b>TOTALS, REVENUES</b>	<b>\$93,433,776</b>	<b>\$24,890,044</b>	<b>\$118,323,820</b>	<b>\$95,160,183</b>	<b>\$24,604,268</b>	<b>\$119,764,451</b>	<b>\$101,662,969</b>	<b>\$25,834,749</b>	<b>\$127,497,718</b>
<b>TRANSFERS AND LOANS</b>									
General Fund	-209,819	198,198	-11,621	-968,581	775,531	-193,050	-1,031,042	1,031,042	-
Property Acquisition Law Money Account	-	-	-	13,633	-13,633	-	1,707	-1,707	-
Motor Vehicle Parking Facil Moneys Acct	-	-	-	-	-	-	-	-328	-328

**SCHEDULE 8 -- Continued**  
**COMPARATIVE STATEMENT OF REVENUES**  
(Dollars In Thousands)

Sources	Actual 2005-06			Estimated 2006-07			Proposed 2007-08		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Highway Account, State, STF	-	-	-	9,287	-9,287	-	-	-	-
Motor Vehicle Account, STF	200	-211	-11	60	-71	-11	60	-71	-11
Motor Vehicle Fuel Account, TTF	-	-21,967	-21,967	-	-18,089	-18,089	-	-18,089	-18,089
School Safety Account	8	-8	-	-	-	-	-	-	-
Workers' Compensation Managed Care Fund	1,000	-1,000	-	631	-631	-	100	-100	-
Beverage Container Recycling Fund, CA	1,600	-1,600	-	-	-	-	-	-	-
Water Fund, California	-	-	-	15,614	-15,614	-	-	-	-
Corrections Training Fund	9,650	-9,650	-	-	-	-	-	-	-
Driver Training Penalty Assessment Fund	22,469	-22,469	-	12,926	-12,926	-	13,541	-13,541	-
Employment Developmnt Dept Benefit Audit	7,876	-7,876	-	5,001	-5,001	-	3,895	-3,895	-
Employment Development Contingent Fund	26,547	-26,547	-	19,825	-19,825	-	44,608	-44,608	-
Energy and Resources Fund	225	-225	-	-	-	-	-	-	-
Fair and Exposition Fund	246	-246	-	246	-246	-	246	-246	-
Genetic Disease Testing Fund	-	-	-	-	-	-	3,289	-3,289	-
Workplace Health & Safety Revolving Fund	-	-	-	484	-484	-	-	-	-
Business Fees Fund, Secty of State's	18,313	-18,313	-	14,565	-14,565	-	15,141	-15,141	-
Work and Family Fund	349	-349	-	-	-	-	-	-	-
Technical Assistance Fund	1	-1	-	5	-5	-	5	-5	-
Infant Botulism Treatment & Prevention	1,500	-1,500	-	374	-374	-	-	-	-
Perinatal Insurance Fund	30,000	-30,000	-	-	-	-	-	-	-
Collins-Dugan Calif Conserv Corps Reimb	2,700	-2,700	-	7,000	-7,000	-	-	-	-
Indian Gaming Special Distribution Fund	-	-48,484	-48,484	-	-47,000	-47,000	-	-50,500	-50,500
False Claims Act Fund	-	-	-	33,000	-33,000	-	-	-	-
Underground Storage Tank Cleanup Fund	-	-	-	-	-3,500	-3,500	-	-3,500	-3,500
Olympic Training Account, California	7	-7	-	-	-	-	-	-	-
Financial Responsibility Penalty Account	2,504	-2,504	-	2,206	-2,206	-	2,206	-2,206	-
Other Unallocated Special Funds	3,683	-3,683	-	3,727	-3,727	-	171,793	-171,793	-
Harbors and Watercraft Revolving Fund	-	200	200	-	1,137	1,137	-	500	500
Scholarshare Administrative Fund	400	-	400	715	-	715	-	-	-
Agriculture Building Fund	-	465	465	-	-	-	-	-	-
Equipment Service Fund	-	35,987	35,987	-	-	-	-	-	-
Child Care Facilities Revolving Fund	10,000	-	10,000	-	-	-	-	-	-
Education Technology Trust Fund	105	-	105	-	-	-	-	-	-
Public Buildings Construction Fund	6,713	-	6,713	17,711	-	17,711	-	-	-
Service Revolving Fund	1,186	-	1,186	1,186	1,772	2,958	1,186	-	1,186
School Building Aid Fund, State	22,164	-	22,164	-	-	-	-	-	-
Self-Help Housing Fund	1,670	-	1,670	-	-	-	-	-	-
Housing Trust Fund, Cal	2,000	-	2,000	4,000	-	4,000	-	-	-
Housing Rehabilitation Loan Fund	-	-	-	8,000	-	8,000	-	-	-
Renewable Resources Investment Fund	-	1,300	1,300	-	-	-	-	-	-
Special Deposit Fund	1,455	-	1,455	300	-	300	300	-	300
Various Other Unallocated NGC Funds	2,072	-	2,072	2,097	-	2,097	86,133	-	86,133
Permanent Amusement Ride Safety Insp Fd	390	-390	-	265	-265	-	-	-	-
Tobacco Settlement Fund	12,000	-12,000	-	1,118	-1,118	-	-	-	-
Agricultural Biomass Utilization Account	-	-	-	-	-	-	255	-255	-

**SCHEDULE 8 -- Continued**  
**COMPARATIVE STATEMENT OF REVENUES**  
(Dollars In Thousands)

<i>Sources</i>	<i>Actual 2005-06</i>			<i>Estimated 2006-07</i>			<i>Proposed 2007-08</i>		
	<i>General Fund</i>	<i>Special Funds</i>	<i>Total</i>	<i>General Fund</i>	<i>Special Funds</i>	<i>Total</i>	<i>General Fund</i>	<i>Special Funds</i>	<i>Total</i>
Fiscal Recovery Fund	1,000	-1,000	-	-	-	-	-	-	-
Ratepayer Relief Fund	-	-	-	-	-	-	-	24,796	24,796
Electronic Waste Recovery & Recycling	10,000	-10,000	-	-	-	-	-	-	-
Licensing and Certification Program Fund	-	-	-	-	-	-	1,068	-1,068	-
Children's Hospital Fund	137	-	137	-	-	-	-	-	-
Stem Cell Research and Cures Fund, CA	-	-	-	153,000	-	153,000	-	-	-
Tobacco Asset Sales Revenue Fund	-	-	-	-	-	-	300,000	-	300,000
Lupus Foundation America, CA Chptrs Fund	19	-	19	-	-	-	-	-	-
Child Support Payment Trust Fund	3,000	-	3,000	-	-	-	-	-	-
CA Consumer Pwr & Conservation Fin Auth	-	-	-	-	-	-	-	2,541	2,541
<b>TOTALS, TRANSFERS AND LOANS</b>	<b>\$-6,630</b>	<b>\$13,420</b>	<b>\$6,790</b>	<b>\$-641,605</b>	<b>\$569,873</b>	<b>\$-71,732</b>	<b>\$-385,509</b>	<b>\$728,537</b>	<b>\$343,028</b>
Adjustment to Reconcile to Controller	-	-	-	-	-	-	-	-	-
<b>TOTALS, REVENUES AND TRANSFERS</b>	<b>\$93,427,146</b>	<b>\$24,903,464</b>	<b>\$118,330,610</b>	<b>\$94,518,578</b>	<b>\$25,174,141</b>	<b>\$119,692,719</b>	<b>\$101,277,460</b>	<b>\$26,563,286</b>	<b>\$127,840,746</b>

**SCHEDULE 9  
COMPARATIVE STATEMENT OF EXPENDITURES  
(Dollars In Thousands)**

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
<b>LEGISLATIVE, JUDICIAL, AND EXECUTIVE</b>															
<b>Legislative</b>															
<b>Legislature</b>															
<b>Senate</b>															
State Operations	\$97,371	-	-	\$97,371	-	\$102,201	-	-	\$102,201	-	\$108,844	-	-	\$108,844	-
<b>Assembly</b>															
State Operations	132,131	-	-	132,131	-	138,685	-	-	138,685	-	147,700	-	-	147,700	-
<b>Totals, Legislature</b>	<b>\$229,502</b>	<b>-</b>	<b>-</b>	<b>\$229,502</b>	<b>-</b>	<b>\$240,886</b>	<b>-</b>	<b>-</b>	<b>\$240,886</b>	<b>-</b>	<b>\$256,544</b>	<b>-</b>	<b>-</b>	<b>\$256,544</b>	<b>-</b>
<b>Legislative Counsel Bureau</b>															
State Operations	84,290	-	-	84,290	-	86,549	-	-	86,549	-	87,148	-	-	87,148	-
<b>Totals, Legislative</b>	<b>\$313,792</b>	<b>-</b>	<b>-</b>	<b>\$313,792</b>	<b>-</b>	<b>\$327,435</b>	<b>-</b>	<b>-</b>	<b>\$327,435</b>	<b>-</b>	<b>\$343,692</b>	<b>-</b>	<b>-</b>	<b>\$343,692</b>	<b>-</b>
<b>Judicial</b>															
<b>Judicial Branch</b>															
State Operations	307,948	26,771	-	334,719	1,401	332,513	60,385	-	392,898	4,096	353,477	62,303	-	415,780	4,116
Local Assistance	1,446,235	1,226,340	-	2,672,575	780	1,675,401	1,362,392	-	3,037,793	2,275	1,898,104	1,312,974	-	3,211,078	2,275
Capital Outlay	201	10,277	-	10,478	-	-	66,320	-	66,320	-	-	19,527	-	19,527	-
<b>Totals, Judicial Branch</b>	<b>\$1,754,384</b>	<b>\$1,263,388</b>	<b>-</b>	<b>\$3,017,772</b>	<b>\$2,181</b>	<b>\$2,007,914</b>	<b>\$1,489,097</b>	<b>-</b>	<b>\$3,497,011</b>	<b>\$6,371</b>	<b>\$2,251,581</b>	<b>\$1,394,804</b>	<b>-</b>	<b>\$3,646,385</b>	<b>\$6,391</b>
<b>Commission on Judicial Performance</b>															
State Operations	3,900	-	-	3,900	-	4,379	-	-	4,379	-	4,401	-	-	4,401	-
<b>Judges' Retirement System Contributions</b>															
State Operations	1,851	-	-	1,851	-	3,050	-	-	3,050	-	3,050	-	-	3,050	-
Local Assistance	141,180	-	-	141,180	-	152,656	-	-	152,656	-	171,716	-	-	171,716	-
<b>Totals, Judges' Retirement System Contribution</b>	<b>\$143,031</b>	<b>-</b>	<b>-</b>	<b>\$143,031</b>	<b>-</b>	<b>\$155,706</b>	<b>-</b>	<b>-</b>	<b>\$155,706</b>	<b>-</b>	<b>\$174,766</b>	<b>-</b>	<b>-</b>	<b>\$174,766</b>	<b>-</b>
<b>Totals, Judicial</b>	<b>\$1,901,315</b>	<b>\$1,263,388</b>	<b>-</b>	<b>\$3,164,703</b>	<b>\$2,181</b>	<b>\$2,167,999</b>	<b>\$1,489,097</b>	<b>-</b>	<b>\$3,657,096</b>	<b>\$6,371</b>	<b>\$2,430,748</b>	<b>\$1,394,804</b>	<b>-</b>	<b>\$3,825,552</b>	<b>\$6,391</b>
<b>Executive/Governor</b>															
<b>Governor's Office</b>															
State Operations	18,136	-	-	18,136	-	18,608	-	-	18,608	-	19,650	-	-	19,650	-
<b>Office of the Inspector General</b>															
State Operations	10,400	-	-	10,400	-	15,814	-	-	15,814	-	18,638	-	-	18,638	-
<b>Office of Planning &amp; Research</b>															
State Operations	3,681	-	-	3,681	1,856	10,263	-	-	10,263	3,312	10,436	-	-	10,436	3,405
Local Assistance	-	-	-	-	34,149	-	-	-	-	35,000	-	-	-	-	35,000
<b>Totals, Office of Planning &amp; Research</b>	<b>\$3,681</b>	<b>-</b>	<b>-</b>	<b>\$3,681</b>	<b>\$36,005</b>	<b>\$10,263</b>	<b>-</b>	<b>-</b>	<b>\$10,263</b>	<b>\$38,312</b>	<b>\$10,436</b>	<b>-</b>	<b>-</b>	<b>\$10,436</b>	<b>\$38,405</b>
<b>Office of Emergency Services</b>															
State Operations	46,426	1,653	-	48,079	36,961	46,785	3,935	-	50,720	64,894	52,606	3,583	-	56,189	68,091
Local Assistance	94,884	16,347	-	111,231	506,296	132,660	19,942	-	152,602	1,019,270	132,167	24,687	-	156,854	1,011,996
Capital Outlay	1,338	-	-	1,338	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Office of Emergency Services</b>	<b>\$142,648</b>	<b>\$18,000</b>	<b>-</b>	<b>\$160,648</b>	<b>\$543,257</b>	<b>\$179,445</b>	<b>\$23,877</b>	<b>-</b>	<b>\$203,322</b>	<b>\$1,084,164</b>	<b>\$184,773</b>	<b>\$28,270</b>	<b>-</b>	<b>\$213,043</b>	<b>\$1,080,087</b>
<b>Totals, Executive/Governor</b>	<b>\$174,865</b>	<b>\$18,000</b>	<b>-</b>	<b>\$192,865</b>	<b>\$579,262</b>	<b>\$224,130</b>	<b>\$23,877</b>	<b>-</b>	<b>\$248,007</b>	<b>\$1,122,476</b>	<b>\$233,497</b>	<b>\$28,270</b>	<b>-</b>	<b>\$261,767</b>	<b>\$1,118,492</b>
<b>Executive/Constitutional Offices</b>															
<b>Office of the Lieutenant Governor</b>															
State Operations	2,626	-	-	2,626	-	2,805	-	-	2,805	-	2,862	-	-	2,862	-
<b>Department of Justice</b>															
State Operations	323,680	144,525	-	468,205	37,407	404,433	187,755	-	592,188	44,745	399,631	205,326	-	604,957	41,259
Local Assistance	3,270	2,878	-	6,148	-	3,045	2,878	-	5,923	-	3,045	3,465	-	6,510	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
<b>Totals, Department of Justice</b>	\$326,950	\$147,403	-	\$474,353	\$37,407	\$407,478	\$190,633	-	\$598,111	\$44,745	\$402,676	\$208,791	-	\$611,467	\$41,259
<b>State Controller</b>															
State Operations	75,529	12,536	584	88,649	771	102,154	16,477	1,329	119,960	1,346	104,034	18,070	1,332	123,436	1,394
Local Assistance	-1,413	-	-	-1,413	-	-595	-	-	-595	-	-604	-	-	-604	-
<b>Totals, State Controller</b>	<b>\$74,116</b>	<b>\$12,536</b>	<b>\$584</b>	<b>\$87,236</b>	<b>\$771</b>	<b>\$101,559</b>	<b>\$16,477</b>	<b>\$1,329</b>	<b>\$119,365</b>	<b>\$1,346</b>	<b>\$103,430</b>	<b>\$18,070</b>	<b>\$1,332</b>	<b>\$122,832</b>	<b>\$1,394</b>
<b>Department of Insurance</b>															
State Operations	-	146,431	-	146,431	-	-	165,864	-	165,864	-	-	164,362	-	164,362	-
Local Assistance	-	44,006	-	44,006	-	-	41,666	-	41,666	-	-	44,353	-	44,353	-
<b>Totals, Department of Insurance</b>	<b>-</b>	<b>\$190,437</b>	<b>-</b>	<b>\$190,437</b>	<b>-</b>	<b>-</b>	<b>\$207,530</b>	<b>-</b>	<b>\$207,530</b>	<b>-</b>	<b>-</b>	<b>\$208,715</b>	<b>-</b>	<b>\$208,715</b>	<b>-</b>
<b>Gambling Control Commission</b>															
State Operations	-	6,695	-	6,695	-	-	10,459	-	10,459	-	-	10,044	-	10,044	-
Local Assistance	-	99,845	-	99,845	-	-	30,000	-	30,000	-	-	30,283	-	30,283	-
<b>Totals, Gambling Control Commission</b>	<b>-</b>	<b>\$106,540</b>	<b>-</b>	<b>\$106,540</b>	<b>-</b>	<b>-</b>	<b>\$40,459</b>	<b>-</b>	<b>\$40,459</b>	<b>-</b>	<b>-</b>	<b>\$40,327</b>	<b>-</b>	<b>\$40,327</b>	<b>-</b>
<b>State Board of Equalization</b>															
State Operations	209,928	45,357	-	255,285	436	215,984	49,536	-	265,520	1,228	218,135	50,915	-	269,050	1,594
<b>Secretary of State</b>															
<b>Secretary of State</b>															
State Operations	36,070	33,863	-	69,933	3,799	39,973	38,414	-	78,387	14,465	36,150	38,481	-	74,631	10,673
Local Assistance	-	-	-	-	192,000	-	-	-	-	-	-	-	-	-	-
<b>Totals, Secretary of State</b>	<b>\$36,070</b>	<b>\$33,863</b>	<b>-</b>	<b>\$69,933</b>	<b>\$195,799</b>	<b>\$39,973</b>	<b>\$38,414</b>	<b>-</b>	<b>\$78,387</b>	<b>\$14,465</b>	<b>\$36,150</b>	<b>\$38,481</b>	<b>-</b>	<b>\$74,631</b>	<b>\$10,673</b>
<b>State Treasurer</b>															
State Operations	2,660	-	-	2,660	-	6,543	-	-	6,543	-	6,555	-	-	6,555	-
<b>Debt &amp; Investment Advisory Commission</b>															
State Operations	-	1,663	-	1,663	-	-	2,152	-	2,152	-	-	2,176	-	2,176	-
<b>Debt Limit Allocation Committee</b>															
State Operations	-	977	-	977	-	-	1,186	-	1,186	-	-	1,200	-	1,200	-
<b>Industrial Dvlmt Financing Advisory Comm</b>															
State Operations	-	145	-	145	-	-	75	-	75	-	-	260	-	260	-
<b>Tax Credit Allocation Committee</b>															
State Operations	-	2,702	-	2,702	-	-	3,251	-	3,251	-	-	3,306	-	3,306	-
Local Assistance	-	142	-	142	-	-	136	-	136	-	-	136	-	136	-
<b>Totals, Tax Credit Allocation Committee</b>	<b>-</b>	<b>\$2,844</b>	<b>-</b>	<b>\$2,844</b>	<b>-</b>	<b>-</b>	<b>\$3,387</b>	<b>-</b>	<b>\$3,387</b>	<b>-</b>	<b>-</b>	<b>\$3,442</b>	<b>-</b>	<b>\$3,442</b>	<b>-</b>
<b>Health Facilities Financing Authority</b>															
State Operations	-	-	214	214	-	-	-	376	376	-	-	-	369	369	-
Local Assistance	-	-	226,340	226,340	-	-	-	210,000	210,000	-	-	-	283,000	283,000	-
<b>Totals, Health Facilities Financing Authority</b>	<b>-</b>	<b>-</b>	<b>\$226,554</b>	<b>\$226,554</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$210,376</b>	<b>\$210,376</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$283,369</b>	<b>\$283,369</b>	<b>-</b>
<b>School Finance Authority</b>															
State Operations	-	-	-	-	12	-	-	-	-	125	-	-	-	-	125
Local Assistance	-	-	-	-	19,351	-	-	-	-	9,725	-	-	-	-	9,725
<b>Totals, School Finance Authority</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$19,363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$9,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$9,850</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$652,350</b>	<b>\$541,765</b>	<b>\$227,138</b>	<b>\$1,421,253</b>	<b>\$253,776</b>	<b>\$774,342</b>	<b>\$549,849</b>	<b>\$211,705</b>	<b>\$1,535,896</b>	<b>\$71,634</b>	<b>\$769,808</b>	<b>\$572,377</b>	<b>\$284,701</b>	<b>\$1,626,886</b>	<b>\$64,770</b>
<b>Statewide Distributed Costs</b>															
<b>General Obligation Bonds-LJE</b>															
State Operations	10,189	-	-	10,189	-	10,667	-	-	10,667	-	14,998	-	-	14,998	-
<b>Totals, Statewide Distributed Costs</b>	<b>\$10,189</b>	<b>-</b>	<b>-</b>	<b>\$10,189</b>	<b>-</b>	<b>\$10,667</b>	<b>-</b>	<b>-</b>	<b>\$10,667</b>	<b>-</b>	<b>\$14,998</b>	<b>-</b>	<b>-</b>	<b>\$14,998</b>	<b>-</b>

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2005-06				Estimated 2006-07				Proposed 2007-08				Federal Funds		
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund		Selected Bond Funds	Budget Total
<b>TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE</b>	\$3,052,511	\$1,823,153	\$227,138	\$5,102,802	\$835,219	\$3,504,573	\$2,062,823	\$211,705	\$5,779,101	\$1,200,481	\$3,792,743	\$1,995,451	\$284,701	\$6,072,895	\$1,189,653
State Operations	1,366,816	423,318	798	1,790,932	82,643	1,541,406	539,489	1,705	2,082,600	134,211	1,588,315	560,026	1,701	2,150,042	130,657
Local Assistance	1,684,156	1,389,558	226,340	3,300,054	752,576	1,963,167	1,457,014	210,000	3,630,181	1,066,270	2,204,428	1,415,898	283,000	3,903,326	1,058,996
Capital Outlay	1,539	10,277	-	11,816	-	-	66,320	-	66,320	-	-	19,527	-	19,527	-
<b>STATE AND CONSUMER SERVICES</b>															
<b>State and Consumer Services, Secy</b>															
State Operations	752	-	-	752	-	803	-	-	803	-	2,505	-	-	2,505	-
<b>Science Center</b>															
State Operations	14,507	3,965	-	18,472	-	15,240	4,120	-	19,360	-	17,515	4,013	-	21,528	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	2,325	-	-	2,325	-
<b>Totals, Science Center</b>	<b>\$14,507</b>	<b>\$3,965</b>	<b>-</b>	<b>\$18,472</b>	<b>-</b>	<b>\$15,240</b>	<b>\$4,120</b>	<b>-</b>	<b>\$19,360</b>	<b>-</b>	<b>\$19,840</b>	<b>\$4,013</b>	<b>-</b>	<b>\$23,853</b>	<b>-</b>
<b>Department of Consumer Affairs, Boards</b>															
State Operations	-	185,412	-	185,412	-	-	223,671	-	223,671	-	-	238,666	-	238,666	-
Local Assistance	-	239	-	239	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Consumer Affairs, Boards</b>	<b>-</b>	<b>\$185,651</b>	<b>-</b>	<b>\$185,651</b>	<b>-</b>	<b>-</b>	<b>\$223,671</b>	<b>-</b>	<b>\$223,671</b>	<b>-</b>	<b>-</b>	<b>\$238,666</b>	<b>-</b>	<b>\$238,666</b>	<b>-</b>
<b>Department of Consumer Affairs, Bureaus</b>															
State Operations	635	152,729	-	153,364	1,390	828	180,328	-	181,156	1,462	-	199,726	-	199,726	1,476
<b>Seismic Safety Commission, A. E. Alquist</b>															
State Operations	-	-	-	-	-	-	642	-	642	-	-	1,117	-	1,117	-
<b>Department of Fair Employment &amp; Housing</b>															
State Operations	13,661	-	-	13,661	4,454	16,006	-	-	16,006	5,716	18,641	-	-	18,641	5,729
<b>Fair Employment &amp; Housing Commission</b>															
State Operations	1,008	-	-	1,008	-	1,140	-	-	1,140	-	1,165	-	-	1,165	-
<b>Franchise Tax Board</b>															
State Operations	503,223	11,757	-	514,980	-	562,159	16,877	-	579,036	-	517,959	18,961	-	536,920	-
<b>Department of General Services</b>															
State Operations	950	72,005	12,502	85,457	-	8,012	87,993	11,281	107,286	-	9,225	85,526	13,100	107,851	-
Local Assistance	14,067	102,828	-	116,895	-	-	152,270	2,334	154,604	-	-	152,270	-	152,270	-
Capital Outlay	-	-	6,220	6,220	-	-10,195	-	3,080	-7,115	-	-	3,139	7,793	10,932	-
<b>Totals, Department of General Services</b>	<b>\$15,017</b>	<b>\$174,833</b>	<b>\$18,722</b>	<b>\$208,572</b>	<b>-</b>	<b>\$-2,183</b>	<b>\$240,263</b>	<b>\$16,695</b>	<b>\$254,775</b>	<b>-</b>	<b>\$9,225</b>	<b>\$240,935</b>	<b>\$20,893</b>	<b>\$271,053</b>	<b>-</b>
<b>Victim Compensation/Government Claims Bd</b>															
State Operations	-515	88,087	-	87,572	23,971	-	106,716	-	106,716	32,224	-	106,035	-	106,035	32,187
Local Assistance	-	-	-	-	-	1,765	-	-	1,765	-	-	-	-	-	-
<b>Totals, Victim Compensation/Government Claims</b>	<b>-\$515</b>	<b>\$88,087</b>	<b>-</b>	<b>\$87,572</b>	<b>\$23,971</b>	<b>\$1,765</b>	<b>\$106,716</b>	<b>-</b>	<b>\$108,481</b>	<b>\$32,224</b>	<b>-</b>	<b>\$106,035</b>	<b>-</b>	<b>\$106,035</b>	<b>\$32,187</b>
<b>State Personnel Board</b>															
State Operations	3,840	-	-	3,840	-	6,569	-	-	6,569	-	5,530	-	-	5,530	-
<b>TOTALS, STATE AND CONSUMER SERVICES</b>	<b>\$552,128</b>	<b>\$617,022</b>	<b>\$18,722</b>	<b>\$1,187,872</b>	<b>\$29,815</b>	<b>\$602,327</b>	<b>\$772,617</b>	<b>\$16,695</b>	<b>\$1,391,639</b>	<b>\$39,402</b>	<b>\$574,865</b>	<b>\$809,453</b>	<b>\$20,893</b>	<b>\$1,405,211</b>	<b>\$39,392</b>
State Operations	538,061	513,955	12,502	1,064,518	29,815	610,757	620,347	11,281	1,242,385	39,402	572,540	654,044	13,100	1,239,684	39,392
Local Assistance	14,067	103,067	-	117,134	-	1,765	152,270	2,334	156,369	-	-	152,270	-	152,270	-
Capital Outlay	-	-	6,220	6,220	-	-10,195	-	3,080	-7,115	-	2,325	3,139	7,793	13,257	-
<b>BUSINESS, TRANSPORTATION &amp; HOUSING</b>															
<b>Business and Housing</b>															
<b>Business,Transportation &amp; Housing, Secy</b>															

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Federal Funds</i>	<i>Estimated 2006-07</i>				<i>Federal Funds</i>	<i>Proposed 2007-08</i>				<i>Federal Funds</i>
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>		<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>		<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	
State Operations	12,592	1,181	-	13,773	-	9,102	1,312	-	10,414	-	9,546	1,516	-	11,062	4,300
Local Assistance	-	-	-	-	-	2,500	-	-	2,500	-	-	-	-	-	-
<b>Totals, Business, Transportation &amp; Housing, Sec</b>	<b>\$12,592</b>	<b>\$1,181</b>	<b>-</b>	<b>\$13,773</b>	<b>-</b>	<b>\$11,602</b>	<b>\$1,312</b>	<b>-</b>	<b>\$12,914</b>	<b>-</b>	<b>\$9,546</b>	<b>\$1,516</b>	<b>-</b>	<b>\$11,062</b>	<b>\$4,300</b>
<b>Department of Alcoholic Beverage Control</b>															
State Operations	-	41,365	-	41,365	-	-	48,179	-	48,179	-	-	47,464	-	47,464	-
Local Assistance	-	1,500	-	1,500	-	-	3,000	-	3,000	-	-	3,000	-	3,000	-
<b>Totals, Department of Alcoholic Beverage Contr</b>	<b>-</b>	<b>\$42,865</b>	<b>-</b>	<b>\$42,865</b>	<b>-</b>	<b>-</b>	<b>\$51,179</b>	<b>-</b>	<b>\$51,179</b>	<b>-</b>	<b>-</b>	<b>\$50,464</b>	<b>-</b>	<b>\$50,464</b>	<b>-</b>
<b>Alcoholic Beverage Control Appeals Board</b>															
State Operations	-	861	-	861	-	-	1,050	-	1,050	-	-	1,044	-	1,044	-
<b>Department of Financial Institutions</b>															
State Operations	-	22,262	-	22,262	-	-	25,407	-	25,407	-	-	27,854	-	27,854	-
<b>Department of Corporations</b>															
State Operations	-	28,301	-	28,301	-	-	33,159	-	33,159	-	-	33,713	-	33,713	-
<b>Dept of Housing &amp; Community Development</b>															
State Operations	4,730	21,776	1,393	27,899	7,231	6,332	26,466	1,500	34,298	8,577	5,258	28,107	4,559	37,924	9,545
Local Assistance	9,291	23,000	23,680	55,971	165,011	12,666	23,000	1,599,325	1,634,991	165,000	10,316	23,000	185,325	218,641	165,000
<b>Totals, Dept of Housing &amp; Community Development</b>	<b>\$14,021</b>	<b>\$44,776</b>	<b>\$25,073</b>	<b>\$83,870</b>	<b>\$172,242</b>	<b>\$18,998</b>	<b>\$49,466</b>	<b>\$1,600,825</b>	<b>\$1,669,289</b>	<b>\$173,577</b>	<b>\$15,574</b>	<b>\$51,107</b>	<b>\$189,884</b>	<b>\$256,565</b>	<b>\$174,545</b>
<b>Office of Real Estate Appraisers</b>															
State Operations	-	3,096	-	3,096	-	-	3,976	-	3,976	-	-	4,149	-	4,149	-
<b>Department of Real Estate</b>															
State Operations	-	32,572	-	32,572	-	-	44,583	-	44,583	-	-	46,169	-	46,169	-
<b>Department of Managed Health Care</b>															
State Operations	-	34,635	-	34,635	-	-	43,163	-	43,163	-	-	43,247	-	43,247	-
<b>Totals, Business and Housing</b>	<b>\$26,613</b>	<b>\$210,549</b>	<b>\$25,073</b>	<b>\$262,235</b>	<b>\$172,242</b>	<b>\$30,600</b>	<b>\$253,295</b>	<b>\$1,600,825</b>	<b>\$1,884,720</b>	<b>\$173,577</b>	<b>\$25,120</b>	<b>\$259,263</b>	<b>\$189,884</b>	<b>\$474,267</b>	<b>\$178,845</b>
<b>Transportation</b>															
<b>California Transportation Commission</b>															
State Operations	-	1,826	16	1,842	-	-	1,949	18	1,967	-	-	1,961	307	2,268	-
Local Assistance	-	-	3,487	3,487	-	-	-	3,000	3,000	-	-	-	3,000	3,000	-
<b>Totals, California Transportation Commission</b>	<b>-</b>	<b>\$1,826</b>	<b>\$3,503</b>	<b>\$5,329</b>	<b>-</b>	<b>-</b>	<b>\$1,949</b>	<b>\$3,018</b>	<b>\$4,967</b>	<b>-</b>	<b>-</b>	<b>\$1,961</b>	<b>\$3,307</b>	<b>\$5,268</b>	<b>-</b>
<b>State Transit Assistance</b>															
Local Assistance	-	200,757	-	200,757	-	-	623,715	-	623,715	-	-	184,658	600,000	784,658	-
<b>Department of Transportation</b>															
State Operations	-	2,387,458	13,340	2,400,798	539,855	-	2,690,522	12,574	2,703,096	641,644	-	2,837,113	12,699	2,849,812	641,922
<b>Local Assistance</b>															
Aeronautics Program	-	6,728	-	6,728	-	-	5,130	-	5,130	-	-	4,844	-	4,844	-
Highway Transportation Program	-	918,520	-	918,520	915,334	-	407,040	80,002	487,042	1,483,463	-	349,059	414,013	763,072	1,703,573
Mass Transportation Program	-	562,356	-	562,356	23,960	-	844,127	-	844,127	42,208	-	617,712	1	617,713	27,211
Transportation Planning Program	-	7,000	-	7,000	60,928	-	14,000	-	14,000	82,000	-	12,000	-	12,000	65,000
Totals, Local Assistance	-	1,494,604	-	1,494,604	1,000,222	-	1,270,297	80,002	1,350,299	1,607,671	-	983,615	414,014	1,397,629	1,795,784
Capital Outlay	-	1,540,028	14,892	1,554,920	1,726,990	-	2,079,148	466,998	2,546,146	1,189,476	-	2,121,352	1,101,736	3,223,088	1,585,748
Unclassified	1,358,510	-1,358,510	-	-	6,978	2,642,668	-2,642,668	-	-	45,686	1,558,396	-1,558,396	-	-	31,000
<b>Totals, Department of Transportation</b>	<b>\$1,358,510</b>	<b>\$4,063,580</b>	<b>\$28,232</b>	<b>\$5,450,322</b>	<b>\$3,274,045</b>	<b>\$2,642,668</b>	<b>\$3,397,299</b>	<b>\$559,574</b>	<b>\$6,599,541</b>	<b>\$3,484,477</b>	<b>\$1,558,396</b>	<b>\$4,383,684</b>	<b>\$1,528,449</b>	<b>\$7,470,529</b>	<b>\$4,054,454</b>
<b>High-Speed Rail Authority</b>															

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2005-06				Estimated 2006-07				Proposed 2007-08						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
State Operations	-	2,993	-	2,993	144	-	14,331	-	14,331	-	-	1,159	-	1,159	-
<b>Office of Traffic Safety</b>															
State Operations	-	401	-	401	66,252	-	427	-	427	58,479	-	427	-	427	58,879
Local Assistance	-	-	-	-	60,395	-	-	-	-	26,384	-	-	-	-	36,993
<b>Totals, Office of Traffic Safety</b>	-	<b>\$401</b>	-	<b>\$401</b>	<b>\$126,647</b>	-	<b>\$427</b>	-	<b>\$427</b>	<b>\$84,863</b>	-	<b>\$427</b>	-	<b>\$427</b>	<b>\$95,872</b>
<b>Dept of the California Highway Patrol</b>															
State Operations	-	1,318,677	-	1,318,677	13,635	-	1,560,995	-	1,560,995	15,102	-	1,705,806	-	1,705,806	15,434
Capital Outlay	-	7,491	-	7,491	-	-	9,996	-	9,996	-	-	8,148	-	8,148	-
<b>Totals, Dept of the California Highway Patrol</b>	-	<b>\$1,326,168</b>	-	<b>\$1,326,168</b>	<b>\$13,635</b>	-	<b>\$1,570,991</b>	-	<b>\$1,570,991</b>	<b>\$15,102</b>	-	<b>\$1,713,954</b>	-	<b>\$1,713,954</b>	<b>\$15,434</b>
<b>Department of Motor Vehicles</b>															
State Operations	-	752,280	-	752,280	117	-	864,631	-	864,631	320	-	882,688	-	882,688	1,341
Capital Outlay	-	12,574	-	12,574	-	-	15,751	-	15,751	-	-	93,295	-	93,295	-
<b>Totals, Department of Motor Vehicles</b>	-	<b>\$764,854</b>	-	<b>\$764,854</b>	<b>\$117</b>	-	<b>\$880,382</b>	-	<b>\$880,382</b>	<b>\$320</b>	-	<b>\$975,983</b>	-	<b>\$975,983</b>	<b>\$1,341</b>
<b>Totals, Transportation</b>	<b>\$1,358,510</b>	<b>\$6,360,579</b>	<b>\$31,735</b>	<b>\$7,750,824</b>	<b>\$3,414,588</b>	<b>\$2,642,668</b>	<b>\$6,489,094</b>	<b>\$562,592</b>	<b>\$9,694,354</b>	<b>\$3,584,762</b>	<b>\$1,558,396</b>	<b>\$7,261,826</b>	<b>\$2,131,756</b>	<b>\$10,951,978</b>	<b>\$4,167,101</b>
<b>Statewide Distributed Costs</b>															
<b>General Obligation Bonds-BT&amp;H</b>															
State Operations	341,870	-	-	341,870	-	352,522	-	352,522	-	4,431	339,607	-	344,038	-	
<b>Totals, Statewide Distributed Costs</b>	<b>\$341,870</b>	-	-	<b>\$341,870</b>	-	<b>\$352,522</b>	-	<b>\$352,522</b>	-	<b>\$4,431</b>	<b>\$339,607</b>	-	<b>\$344,038</b>	-	
<b>TOTALS, BUSINESS, TRANSPORTATION &amp; HOUSING</b>	<b>\$1,726,993</b>	<b>\$6,571,128</b>	<b>\$56,808</b>	<b>\$8,354,929</b>	<b>\$3,586,830</b>	<b>\$3,025,790</b>	<b>\$6,742,389</b>	<b>\$2,163,417</b>	<b>\$11,931,596</b>	<b>\$3,758,339</b>	<b>\$1,587,947</b>	<b>\$7,860,696</b>	<b>\$2,321,640</b>	<b>\$11,770,283</b>	<b>\$4,345,946</b>
State Operations	359,192	4,649,684	14,749	5,023,625	627,234	367,956	5,360,150	14,092	5,742,198	724,122	19,235	6,002,024	17,565	6,038,824	731,421
Local Assistance	9,291	1,719,861	27,167	1,756,319	1,225,628	15,166	1,920,012	1,682,327	3,617,505	1,799,055	10,316	1,194,273	1,202,339	2,406,928	1,997,777
Capital Outlay	-	1,560,093	14,892	1,574,985	1,726,990	-	2,104,895	466,998	2,571,893	1,189,476	-	2,222,795	1,101,736	3,324,531	1,585,748
Unclassified	1,358,510	-1,358,510	-	-	6,978	2,642,668	-2,642,668	-	-	45,686	1,558,396	-1,558,396	-	-	31,000
<b>RESOURCES</b>															
<b>Secretary for Resources</b>															
State Operations	-	2,710	2,947	5,657	902	5,909	3,478	34,592	43,979	5,004	6,005	3,316	27,214	36,535	199
Local Assistance	-	-	2,809	2,809	-	-	-	113,731	113,731	-	-	-	20,500	20,500	-
<b>Totals, Secretary for Resources</b>	-	<b>\$2,710</b>	<b>\$5,756</b>	<b>\$8,466</b>	<b>\$902</b>	<b>\$5,909</b>	<b>\$3,478</b>	<b>\$148,323</b>	<b>\$157,710</b>	<b>\$5,004</b>	<b>\$6,005</b>	<b>\$3,316</b>	<b>\$47,714</b>	<b>\$57,035</b>	<b>\$199</b>
<b>Special Resources Programs</b>															
State Operations	-	205	-	205	-	134	201	-	335	-	-	248	-	248	-
Local Assistance	-	4,473	-	4,473	-	-	4,926	-	4,926	-	-	4,524	-	4,524	-
<b>Totals, Special Resources Programs</b>	-	<b>\$4,678</b>	-	<b>\$4,678</b>	-	<b>\$134</b>	<b>\$5,127</b>	-	<b>\$5,261</b>	-	-	<b>\$4,772</b>	-	<b>\$4,772</b>	-
<b>Tahoe Conservancy</b>															
State Operations	-	3,372	1,150	4,522	-	189	3,802	1,204	5,195	-	192	3,809	1,932	5,933	-
Local Assistance	-	415	14,534	14,949	-	-	-	19,615	19,615	-	-	-	23,500	23,500	-
Capital Outlay	-	1,147	9,385	10,532	-	-	2,268	14,976	17,244	-	-	1,088	14,991	16,079	-
<b>Totals, Tahoe Conservancy</b>	-	<b>\$4,934</b>	<b>\$25,069</b>	<b>\$30,003</b>	-	<b>\$189</b>	<b>\$6,070</b>	<b>\$35,795</b>	<b>\$42,054</b>	-	<b>\$192</b>	<b>\$4,897</b>	<b>\$40,423</b>	<b>\$45,512</b>	-
<b>California Conservation Corps</b>															
State Operations	23,643	32,159	1,229	57,031	-	34,913	24,485	1,621	61,019	-	36,915	24,500	263	61,678	-
Local Assistance	-	-	4,634	4,634	-	-	-	1,212	1,212	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	892	-	-	892	-	3,691	-	-	3,691	-
<b>Totals, California Conservation Corps</b>	<b>\$23,643</b>	<b>\$32,159</b>	<b>\$5,863</b>	<b>\$61,665</b>	-	<b>\$35,805</b>	<b>\$24,485</b>	<b>\$2,833</b>	<b>\$63,123</b>	-	<b>\$40,606</b>	<b>\$24,500</b>	<b>\$263</b>	<b>\$65,369</b>	-
<b>Energy Resource Conservation/Dvlmt Comm</b>															
State Operations	-	204,254	-	204,254	7,236	-	489,584	-	489,584	11,978	-	396,066	-	396,066	12,390
Local Assistance	-	2,461	-	2,461	-	-	2,328	-	2,328	-	-	3,100	-	3,100	-



**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
<b>Totals, Energy Resource Conservation/Dvlmt Com</b>	-	\$206,715	-	\$206,715	\$7,236	-	\$491,912	-	\$491,912	\$11,978	-	\$399,166	-	\$399,166	\$12,390
<b>Renewable Resources Investment Program</b>															
State Operations	-	759	-	759	-	-	1,200	-	1,200	-	-	1,200	-	1,200	-
<b>Department of Conservation</b>															
State Operations	4,880	856,870	835	862,585	1,034	4,587	1,010,328	1,225	1,016,140	1,814	4,668	1,215,647	1,887	1,222,202	1,809
Local Assistance	-	-	10,248	10,248	-	-	-	21,053	21,053	-	-	-	30,744	30,744	-
<b>Totals, Department of Conservation</b>	<b>\$4,880</b>	<b>\$856,870</b>	<b>\$11,083</b>	<b>\$872,833</b>	<b>\$1,034</b>	<b>\$4,587</b>	<b>\$1,010,328</b>	<b>\$22,278</b>	<b>\$1,037,193</b>	<b>\$1,814</b>	<b>\$4,668</b>	<b>\$1,215,647</b>	<b>\$32,631</b>	<b>\$1,252,946</b>	<b>\$1,809</b>
<b>Department of Forestry &amp; Fire Protection</b>															
State Operations	536,110	6,764	6,760	549,634	13,468	616,970	8,337	8,908	634,215	29,311	623,984	8,785	10,630	643,399	26,258
Local Assistance	-	-	1,175	1,175	-	-	-	4,039	4,039	-	-	-	11,375	11,375	-
Capital Outlay	8,336	-	-	8,336	-	8,798	-	-	8,798	-	30,954	-	-	30,954	-
<b>Totals, Department of Forestry &amp; Fire Protection</b>	<b>\$544,446</b>	<b>\$6,764</b>	<b>\$7,935</b>	<b>\$559,145</b>	<b>\$13,468</b>	<b>\$625,768</b>	<b>\$8,337</b>	<b>\$12,947</b>	<b>\$647,052</b>	<b>\$29,311</b>	<b>\$654,938</b>	<b>\$8,785</b>	<b>\$22,005</b>	<b>\$685,728</b>	<b>\$26,258</b>
<b>State Lands Commission</b>															
State Operations	8,641	10,740	-	19,381	-	10,292	14,639	-	24,931	-	10,213	14,408	-	24,621	-
<b>Department of Fish &amp; Game</b>															
State Operations	38,569	139,324	26,177	204,070	47,300	132,487	121,335	133,553	387,375	57,140	77,989	149,440	83,996	311,425	57,701
Local Assistance	559	884	-	1,443	-	576	987	-	1,563	-	576	987	-	1,563	-
Capital Outlay	-	370	-	370	1,931	15	1,094	75	1,184	130	-	2,232	-	2,232	-
<b>Totals, Department of Fish &amp; Game</b>	<b>\$39,128</b>	<b>\$140,578</b>	<b>\$26,177</b>	<b>\$205,883</b>	<b>\$49,231</b>	<b>\$133,078</b>	<b>\$123,416</b>	<b>\$133,628</b>	<b>\$390,122</b>	<b>\$57,270</b>	<b>\$78,565</b>	<b>\$152,659</b>	<b>\$83,996</b>	<b>\$315,220</b>	<b>\$57,701</b>
<b>Wildlife Conservation Board</b>															
State Operations	174	1,169	1,360	2,703	-	201	1,680	2,111	3,992	-	200	1,822	2,259	4,281	-
Capital Outlay	-	31,011	57,853	88,864	-	5,000	-8,946	555,017	551,071	-	15,949	1,236	133,348	150,533	-
<b>Totals, Wildlife Conservation Board</b>	<b>\$174</b>	<b>\$32,180</b>	<b>\$59,213</b>	<b>\$91,567</b>	<b>-</b>	<b>\$5,201</b>	<b>\$-7,266</b>	<b>\$557,128</b>	<b>\$555,063</b>	<b>-</b>	<b>\$16,149</b>	<b>\$3,058</b>	<b>\$135,607</b>	<b>\$154,814</b>	<b>-</b>
<b>Department of Boating &amp; Waterways</b>															
State Operations	-	-	-	-	4,406	-	-	-	-	7,293	-	-	-	-	7,293
Local Assistance	-	500	-	500	2,217	-	1,250	-	1,250	6,206	-	500	-	500	2,743
<b>Totals, Department of Boating &amp; Waterways</b>	<b>-</b>	<b>\$500</b>	<b>-</b>	<b>\$500</b>	<b>\$6,623</b>	<b>-</b>	<b>\$1,250</b>	<b>-</b>	<b>\$1,250</b>	<b>\$13,499</b>	<b>-</b>	<b>\$500</b>	<b>-</b>	<b>\$500</b>	<b>\$10,036</b>
<b>Coastal Commission</b>															
State Operations	9,918	580	-	10,498	3,216	11,460	625	-	12,085	3,052	11,351	587	-	11,938	2,910
Local Assistance	-	778	-	778	-	-	708	-	708	-	-	711	-	711	-
<b>Totals, Coastal Commission</b>	<b>\$9,918</b>	<b>\$1,358</b>	<b>-</b>	<b>\$11,276</b>	<b>\$3,216</b>	<b>\$11,460</b>	<b>\$1,333</b>	<b>-</b>	<b>\$12,793</b>	<b>\$3,052</b>	<b>\$11,351</b>	<b>\$1,298</b>	<b>-</b>	<b>\$12,649</b>	<b>\$2,910</b>
<b>State Coastal Conservancy</b>															
State Operations	-	1,197	4,400	5,597	21	8,000	1,239	4,122	13,361	131	-	1,398	5,640	7,038	132
Capital Outlay	-	1,362	82,857	84,219	463	-	4,681	163,315	167,996	5,011	-	4,900	122,037	126,937	2,000
<b>Totals, State Coastal Conservancy</b>	<b>-</b>	<b>\$2,559</b>	<b>\$87,257</b>	<b>\$89,816</b>	<b>\$484</b>	<b>\$8,000</b>	<b>\$5,920</b>	<b>\$167,437</b>	<b>\$181,357</b>	<b>\$5,142</b>	<b>-</b>	<b>\$6,298</b>	<b>\$127,677</b>	<b>\$133,975</b>	<b>\$2,132</b>
<b>Native American Heritage Commission</b>															
State Operations	517	-	-	517	-	771	-	-	771	-	770	-	-	770	-
<b>Department of Parks &amp; Recreation</b>															
State Operations	101,377	168,414	13,017	282,808	3,618	231,630	176,325	21,605	429,560	3,888	145,359	178,571	18,856	342,786	6,341
Local Assistance	-	25,504	124,184	149,688	9,018	-	23,618	8,422	32,040	61,129	5,000	23,379	-	28,379	15,900
Capital Outlay	-	11,291	48,485	59,776	-	-	33,113	109,264	142,377	12,616	-	1,000	50,547	51,547	5,000
<b>Totals, Department of Parks &amp; Recreation</b>	<b>\$101,377</b>	<b>\$205,209</b>	<b>\$185,686</b>	<b>\$492,272</b>	<b>\$12,636</b>	<b>\$231,630</b>	<b>\$233,056</b>	<b>\$139,291</b>	<b>\$603,977</b>	<b>\$77,633</b>	<b>\$150,359</b>	<b>\$202,950</b>	<b>\$69,403</b>	<b>\$422,712</b>	<b>\$27,241</b>
<b>Santa Monica Mountains Conservancy</b>															

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2005-06				Estimated 2006-07				Proposed 2007-08				Federal Funds		
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund		Selected Bond Funds	Budget Total
State Operations	-	267	452	719	-	-	299	479	778	-	-	247	947	1,194	-
Capital Outlay	-	-	6,527	6,527	-	-	-	23,880	23,880	-	-	-	17,000	17,000	-
<b>Totals, Santa Monica Mountains Conservancy</b>	<b>-</b>	<b>\$267</b>	<b>\$6,979</b>	<b>\$7,246</b>	<b>-</b>	<b>-</b>	<b>\$299</b>	<b>\$24,359</b>	<b>\$24,658</b>	<b>-</b>	<b>-</b>	<b>\$247</b>	<b>\$17,947</b>	<b>\$18,194</b>	<b>-</b>
<b>SF Bay Conservation &amp; Development Comm</b>															
State Operations	3,157	-	-	3,157	40	4,445	-	-	4,445	51	4,420	-	-	4,420	-
<b>San Gabriel/Lower LA River/Mtns Consvcy</b>															
State Operations	-	277	226	503	-	-	324	232	556	-	-	319	845	1,164	-
Capital Outlay	-	-	6,929	6,929	-	-	-	6,185	6,185	-	-	-	37,670	37,670	-
<b>Totals, San Gabriel/Lower LA River/Mtns Consvc</b>	<b>-</b>	<b>\$277</b>	<b>\$7,155</b>	<b>\$7,432</b>	<b>-</b>	<b>-</b>	<b>\$324</b>	<b>\$6,417</b>	<b>\$6,741</b>	<b>-</b>	<b>-</b>	<b>\$319</b>	<b>\$38,515</b>	<b>\$38,834</b>	<b>-</b>
<b>San Joaquin River Conservancy</b>															
State Operations	-	258	103	361	-	-	334	115	449	-	-	341	115	456	-
<b>Baldwin Hills Conservancy</b>															
State Operations	-	276	99	375	-	-	321	110	431	-	-	329	111	440	-
Capital Outlay	-	-	412	412	-	-	-	22,386	22,386	-	-	-	3,050	3,050	-
<b>Totals, Baldwin Hills Conservancy</b>	<b>-</b>	<b>\$276</b>	<b>\$511</b>	<b>\$787</b>	<b>-</b>	<b>-</b>	<b>\$321</b>	<b>\$22,496</b>	<b>\$22,817</b>	<b>-</b>	<b>-</b>	<b>\$329</b>	<b>\$3,161</b>	<b>\$3,490</b>	<b>-</b>
<b>Delta Protection Commission</b>															
State Operations	-	149	-	149	-	-	159	-	159	-	-	169	-	169	-
<b>San Diego River Conservancy</b>															
State Operations	-	272	-	272	-	-	296	-	296	-	-	299	150	449	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	2,745	2,745	-
<b>Totals, San Diego River Conservancy</b>	<b>-</b>	<b>\$272</b>	<b>-</b>	<b>\$272</b>	<b>-</b>	<b>-</b>	<b>\$296</b>	<b>-</b>	<b>\$296</b>	<b>-</b>	<b>-</b>	<b>\$299</b>	<b>\$2,895</b>	<b>\$3,194</b>	<b>-</b>
<b>Coachella Valley Mountains Conservancy</b>															
State Operations	-	238	-	238	-	-	287	-	287	-	-	298	66	364	-
Capital Outlay	-	-	4,408	4,408	-	-	-	1,258	1,258	-	-	-	11,514	11,514	-
<b>Totals, Coachella Valley Mountains Conservancy</b>	<b>-</b>	<b>\$238</b>	<b>\$4,408</b>	<b>\$4,646</b>	<b>-</b>	<b>-</b>	<b>\$287</b>	<b>\$1,258</b>	<b>\$1,545</b>	<b>-</b>	<b>-</b>	<b>\$298</b>	<b>\$11,580</b>	<b>\$11,878</b>	<b>-</b>
<b>Sierra Nevada Conservancy</b>															
State Operations	-	2,140	-	2,140	-	-	3,815	-	3,815	-	-	3,904	500	4,404	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-	17,000	17,000	-
<b>Totals, Sierra Nevada Conservancy</b>	<b>-</b>	<b>\$2,140</b>	<b>-</b>	<b>\$2,140</b>	<b>-</b>	<b>-</b>	<b>\$3,815</b>	<b>-</b>	<b>\$3,815</b>	<b>-</b>	<b>-</b>	<b>\$3,904</b>	<b>\$17,500</b>	<b>\$21,404</b>	<b>-</b>
<b>Department of Water Resources</b>															
State Operations	143,643	9,792	42,175	195,610	4,151	134,577	11,722	208,788	355,087	12,665	127,833	11,923	243,046	382,802	12,863
Local Assistance	59,100	-3,889	82,833	138,044	-	160,504	995	131,157	292,656	-	47,282	-	768,958	816,240	-
Capital Outlay	135,949	-	5,506	141,455	-	392,984	-	58,090	451,074	-	-170,000	-	366,607	196,607	-
<b>Totals, Department of Water Resources</b>	<b>\$338,692</b>	<b>\$5,903</b>	<b>\$130,514</b>	<b>\$475,109</b>	<b>\$4,151</b>	<b>\$688,065</b>	<b>\$12,717</b>	<b>\$398,035</b>	<b>\$1,098,817</b>	<b>\$12,665</b>	<b>\$5,115</b>	<b>\$11,923</b>	<b>\$1,378,611</b>	<b>\$1,395,649</b>	<b>\$12,863</b>
<b>Bay-Delta Authority</b>															
State Operations	7,356	-	-6,361	995	-	-	-	-	-	-	-	-	-	-	-
<b>General Obligation Bonds-Resources</b>															
State Operations	394,613	-	-	394,613	-	396,060	-	-	396,060	-	488,741	-	-	488,741	-
<b>TOTALS, RESOURCES</b>	<b>\$1,476,542</b>	<b>\$1,518,493</b>	<b>\$557,348</b>	<b>\$3,552,383</b>	<b>\$99,021</b>	<b>\$2,161,394</b>	<b>\$1,941,837</b>	<b>\$1,672,340</b>	<b>\$5,775,571</b>	<b>\$217,419</b>	<b>\$1,472,092</b>	<b>\$2,061,283</b>	<b>\$2,030,043</b>	<b>\$5,563,418</b>	<b>\$153,539</b>
State Operations	1,272,598	1,442,186	94,569	2,809,353	85,392	1,592,625	1,874,815	418,665	3,886,105	132,327	1,538,640	2,017,626	398,457	3,954,723	127,896
Local Assistance	59,659	31,126	240,417	331,202	11,235	161,080	34,812	299,229	495,121	67,335	52,858	33,201	872,077	958,136	18,643
Capital Outlay	144,285	45,181	222,362	411,828	2,394	407,689	32,210	954,446	1,394,345	17,757	-119,406	10,456	759,509	650,559	7,000
<b>ENVIRONMENTAL PROTECTION</b>															

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
<b>Secretary for Environmental Protection</b>															
State Operations	1,321	3,978	-	5,299	-	1,971	7,036	-	9,007	-	2,089	8,636	-	10,725	-
<b>Air Resources Board</b>															
State Operations	2,211	238,904	-	241,115	12,006	2,280	292,682	-	294,962	13,778	3,435	264,528	96,500	364,463	13,963
Local Assistance	-	10,111	-	10,111	-	-	10,111	-	10,111	-	-	10,111	-	10,111	-
Capital Outlay	-	103	-	103	-	-	120	-	120	-	-	1,000	-	1,000	-
<b>Totals, Air Resources Board</b>	<b>\$2,211</b>	<b>\$249,118</b>	<b>-</b>	<b>\$251,329</b>	<b>\$12,006</b>	<b>\$2,280</b>	<b>\$302,913</b>	<b>-</b>	<b>\$305,193</b>	<b>\$13,778</b>	<b>\$3,435</b>	<b>\$275,639</b>	<b>\$96,500</b>	<b>\$375,574</b>	<b>\$13,963</b>
<b>Integrated Waste Management Board</b>															
State Operations	-	127,354	114	127,468	96	-	155,234	150	155,384	91	-	155,915	-	155,915	-
Local Assistance	-	23,242	-	23,242	-	-	42,984	-	42,984	-	-	42,570	-	42,570	-
<b>Totals, Integrated Waste Management Board</b>	<b>-</b>	<b>\$150,596</b>	<b>\$114</b>	<b>\$150,710</b>	<b>\$96</b>	<b>-</b>	<b>\$198,218</b>	<b>\$150</b>	<b>\$198,368</b>	<b>\$91</b>	<b>-</b>	<b>\$198,485</b>	<b>-</b>	<b>\$198,485</b>	<b>-</b>
<b>Department of Pesticide Regulation</b>															
State Operations	-	40,642	-	40,642	2,155	-	45,363	-	45,363	2,200	-	47,449	-	47,449	2,229
Local Assistance	-	17,544	-	17,544	-	-	17,685	-	17,685	-	-	18,400	-	18,400	-
<b>Totals, Department of Pesticide Regulation</b>	<b>-</b>	<b>\$58,186</b>	<b>-</b>	<b>\$58,186</b>	<b>\$2,155</b>	<b>-</b>	<b>\$63,048</b>	<b>-</b>	<b>\$63,048</b>	<b>\$2,200</b>	<b>-</b>	<b>\$65,849</b>	<b>-</b>	<b>\$65,849</b>	<b>\$2,229</b>
<b>State Water Resources Control Board</b>															
State Operations	29,655	349,969	10,226	389,850	32,662	39,091	362,715	14,044	415,850	38,877	39,102	362,980	19,424	421,506	38,578
Local Assistance	-	-	141,087	141,087	38,478	-	-	353,597	353,597	90,000	-	-	235,542	235,542	90,000
<b>Totals, State Water Resources Control Board</b>	<b>\$29,655</b>	<b>\$349,969</b>	<b>\$151,313</b>	<b>\$530,937</b>	<b>\$71,140</b>	<b>\$39,091</b>	<b>\$362,715</b>	<b>\$367,641</b>	<b>\$769,447</b>	<b>\$128,877</b>	<b>\$39,102</b>	<b>\$362,980</b>	<b>\$254,966</b>	<b>\$657,048</b>	<b>\$128,578</b>
<b>Department of Toxic Substances Control</b>															
State Operations	18,339	94,745	-	113,084	20,491	28,490	115,508	-	143,998	26,567	25,321	118,986	-	144,307	25,801
Local Assistance	-	-12	-	-12	-	-	-28	-	-28	-	-	-33	-	-33	2,000
Capital Outlay	-	-	-	-	-	3,963	-	-	3,963	-	-	-	-	-	-
<b>Totals, Department of Toxic Substances Control</b>	<b>\$18,339</b>	<b>\$94,733</b>	<b>-</b>	<b>\$113,072</b>	<b>\$20,491</b>	<b>\$32,453</b>	<b>\$115,480</b>	<b>-</b>	<b>\$147,933</b>	<b>\$26,567</b>	<b>\$25,321</b>	<b>\$118,953</b>	<b>-</b>	<b>\$144,274</b>	<b>\$27,801</b>
<b>Environmental Health Hazard Assessment</b>															
State Operations	8,269	4,886	-	13,155	82	8,782	6,040	-	14,822	500	8,933	6,250	-	15,183	514
<b>General Obligation Bonds-Environmental</b>															
State Operations	10,098	-	-	10,098	-	6,924	-	-	6,924	-	6,947	-	-	6,947	-
<b>TOTALS, ENVIRONMENTAL PROTECTION</b>	<b>\$69,893</b>	<b>\$911,466</b>	<b>\$151,427</b>	<b>\$1,132,786</b>	<b>\$105,970</b>	<b>\$91,501</b>	<b>\$1,055,450</b>	<b>\$367,791</b>	<b>\$1,514,742</b>	<b>\$172,013</b>	<b>\$85,827</b>	<b>\$1,036,792</b>	<b>\$351,466</b>	<b>\$1,474,085</b>	<b>\$173,085</b>
State Operations	69,893	860,478	10,340	940,711	67,492	87,538	984,578	14,194	1,086,310	82,013	85,827	964,744	115,924	1,166,495	81,085
Local Assistance	-	50,885	141,087	191,972	38,478	-	70,752	353,597	424,349	90,000	-	71,048	235,542	306,590	92,000
Capital Outlay	-	103	-	103	-	3,963	120	-	4,083	-	-	1,000	-	1,000	-
<b>HEALTH AND HUMAN SERVICES</b>															
<b>Health &amp; Human Services Agency, Secy</b>															
State Operations	4,130	-	-	4,130	-	5,108	-	-	5,108	300	5,294	-	-	5,294	900
<b>State Council-Developmental Disabilities</b>															
State Operations	-	-	-	-	6,832	-	-	-	-	7,514	-	-	-	-	7,216
<b>Emergency Medical Services Authority</b>															
State Operations	900	1,669	-	2,569	1,664	19,341	1,898	-	21,239	1,751	2,764	1,840	-	4,604	1,738
Local Assistance	21,352	-280	-	21,072	372	9,793	-	-	9,793	1,004	9,786	-	-	9,786	704
<b>Totals, Emergency Medical Services Authority</b>	<b>\$22,252</b>	<b>\$1,389</b>	<b>-</b>	<b>\$23,641</b>	<b>\$2,036</b>	<b>\$29,134</b>	<b>\$1,898</b>	<b>-</b>	<b>\$31,032</b>	<b>\$2,755</b>	<b>\$12,550</b>	<b>\$1,840</b>	<b>-</b>	<b>\$14,390</b>	<b>\$2,442</b>
<b>Statewide Health Planning &amp; Development</b>															

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2005-06				Estimated 2006-07				Proposed 2007-08						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
State Operations	251	47,969	-	48,220	234	410	60,106	-	60,516	235	432	60,358	-	60,790	235
Local Assistance	4,379	2,079	-	6,458	940	5,025	2,282	-	7,307	1,000	4,690	1,966	-	6,656	1,000
<b>Totals, Statewide Health Planning &amp; Development</b>	<b>\$4,630</b>	<b>\$50,048</b>	<b>-</b>	<b>\$54,678</b>	<b>\$1,174</b>	<b>\$5,435</b>	<b>\$62,388</b>	<b>-</b>	<b>\$67,823</b>	<b>\$1,235</b>	<b>\$5,122</b>	<b>\$62,324</b>	<b>-</b>	<b>\$67,446</b>	<b>\$1,235</b>
<b>Department of Aging</b>															
State Operations	3,475	168	-	3,643	6,345	4,290	214	-	4,504	8,371	4,456	210	-	4,666	8,410
Local Assistance	31,440	2,245	-	33,685	134,831	57,185	2,246	-	59,431	138,540	58,044	2,246	-	60,290	138,540
<b>Totals, Department of Aging</b>	<b>\$34,915</b>	<b>\$2,413</b>	<b>-</b>	<b>\$37,328</b>	<b>\$141,176</b>	<b>\$61,475</b>	<b>\$2,460</b>	<b>-</b>	<b>\$63,935</b>	<b>\$146,911</b>	<b>\$62,500</b>	<b>\$2,456</b>	<b>-</b>	<b>\$64,956</b>	<b>\$146,950</b>
<b>Commission on Aging</b>															
State Operations	-	-	-	-	278	-	-	-	-	354	-	-	-	-	370
<b>Department of Alcohol &amp; Drug Programs</b>															
State Operations	5,100	7,742	-	12,842	21,780	16,878	7,561	-	24,439	25,052	19,536	7,936	-	27,472	24,798
Local Assistance	237,155	-4,142	-	233,013	252,184	276,647	-1,698	-	274,949	261,194	265,618	-1,743	-	263,875	257,643
<b>Totals, Department of Alcohol &amp; Drug Programs</b>	<b>\$242,255</b>	<b>\$3,600</b>	<b>-</b>	<b>\$245,855</b>	<b>\$273,964</b>	<b>\$293,525</b>	<b>\$5,863</b>	<b>-</b>	<b>\$299,388</b>	<b>\$286,246</b>	<b>\$285,154</b>	<b>\$6,193</b>	<b>-</b>	<b>\$291,347</b>	<b>\$282,441</b>
<b>Children &amp; Families Commission</b>															
State Operations	-	4,640	-	4,640	-	-	17,719	-	17,719	-	-	18,169	-	18,169	-
Local Assistance	-	535,125	-	535,125	-	-	725,577	-	725,577	-	-	732,280	-	732,280	-
<b>Totals, Children &amp; Families Commission</b>	<b>-</b>	<b>\$539,765</b>	<b>-</b>	<b>\$539,765</b>	<b>-</b>	<b>-</b>	<b>\$743,296</b>	<b>-</b>	<b>\$743,296</b>	<b>-</b>	<b>-</b>	<b>\$750,449</b>	<b>-</b>	<b>\$750,449</b>	<b>-</b>
<b>Department of Health Care Services</b>															
State Operations	273,304	187,198	1,455	461,957	444,686	276,806	287,377	3,155	567,338	500,198	151,700	2,002	-	153,702	253,669
<b>Local Assistance</b>															
Public Health Services	391,950	248,841	2,851	643,642	1,254,363	562,254	273,679	213,051	1,048,984	1,394,765	122,253	24,672	-	146,925	133,283
Medical Assistance Program	12,357,998	19,093	-	12,377,091	18,424,177	13,648,962	78,003	-	13,726,965	20,960,937	14,628,757	65,073	-	14,693,830	21,880,816
Totals, Local Assistance	12,749,948	267,934	2,851	13,020,733	19,678,540	14,211,216	351,682	213,051	14,775,949	22,355,702	14,751,010	89,745	-	14,840,755	22,014,099
Capital Outlay	-	-	-	-	1,266	-	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Health Care Services</b>	<b>\$13,023,252</b>	<b>\$455,132</b>	<b>\$4,306</b>	<b>\$13,482,690</b>	<b>\$20,124,492</b>	<b>\$14,488,022</b>	<b>\$639,059</b>	<b>\$216,206</b>	<b>\$15,343,287</b>	<b>\$22,855,900</b>	<b>\$14,902,710</b>	<b>\$91,747</b>	<b>-</b>	<b>\$14,994,457</b>	<b>\$22,267,768</b>
<b>Department of Public Health</b>															
State Operations	-	-	-	-	-	-	-	-	-	116,488	337,007	3,282	456,777	227,701	
Local Assistance	-	-	-	-	-	-	-	-	-	277,684	246,863	107,951	632,498	1,249,777	
<b>Totals, Department of Public Health</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$394,172</b>	<b>\$583,870</b>	<b>\$111,233</b>	<b>\$1,089,275</b>	<b>\$1,477,478</b>	
<b>California Medical Assistance Commission</b>															
State Operations	1,031	-	-	1,031	-	1,377	-	-	1,377	-	1,391	-	-	1,391	-
<b>Managed Risk Medical Insurance Board</b>															
State Operations	2,140	1,851	-	3,991	4,612	2,355	1,508	-	3,863	7,256	2,507	1,781	-	4,288	7,287
Local Assistance	317,830	73,663	-	391,493	614,233	359,664	106,131	-	465,795	710,146	392,162	101,471	-	493,633	769,242
<b>Totals, Managed Risk Medical Insurance Board</b>	<b>\$319,970</b>	<b>\$75,514</b>	<b>-</b>	<b>\$395,484</b>	<b>\$618,845</b>	<b>\$362,019</b>	<b>\$107,639</b>	<b>-</b>	<b>\$469,658</b>	<b>\$717,402</b>	<b>\$394,669</b>	<b>\$103,252</b>	<b>-</b>	<b>\$497,921</b>	<b>\$776,529</b>
<b>Department of Developmental Services</b>															
State Operations	410,540	267	-	410,807	2,496	429,981	287	-	430,268	2,905	420,008	280	-	420,288	2,916
Local Assistance	1,831,315	1,912	-	1,833,227	53,534	2,142,131	1,772	-	2,143,903	52,239	2,188,609	145,725	-	2,334,334	52,495
Capital Outlay	-	-	-	-	-	1,177	-	-	1,177	-	3,012	-	-	3,012	-
<b>Totals, Department of Developmental Services</b>	<b>\$2,241,855</b>	<b>\$2,179</b>	<b>-</b>	<b>\$2,244,034</b>	<b>\$56,030</b>	<b>\$2,573,289</b>	<b>\$2,059</b>	<b>-</b>	<b>\$2,575,348</b>	<b>\$55,144</b>	<b>\$2,611,629</b>	<b>\$146,005</b>	<b>-</b>	<b>\$2,757,634</b>	<b>\$55,411</b>
<b>Department of Mental Health</b>															
State Operations	831,120	13,991	-	845,111	3,078	1,051,472	21,890	-	1,073,362	3,835	1,153,616	17,026	-	1,170,642	3,877

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
Local Assistance	433,632	154,200	-	587,832	59,450	1,092,721	495,504	-	1,588,225	59,457	762,867	1,494,450	-	2,257,317	59,457
Capital Outlay	530	-	-	530	-	947	-	-	947	-	11,482	-	-	11,482	-
<b>Totals, Department of Mental Health</b>	<b>\$1,265,282</b>	<b>\$168,191</b>	<b>-</b>	<b>\$1,433,473</b>	<b>\$62,528</b>	<b>\$2,145,140</b>	<b>\$517,394</b>	<b>-</b>	<b>\$2,662,534</b>	<b>\$63,292</b>	<b>\$1,927,965</b>	<b>\$1,511,476</b>	<b>-</b>	<b>\$3,439,441</b>	<b>\$63,334</b>
<b>Dept of Community Services &amp; Development</b>															
State Operations	75	-	-	75	9,095	150	-	-	150	10,004	150	-	-	150	10,094
Local Assistance	1,425	-	-	1,425	218,978	2,850	-	-	2,850	154,536	2,850	-	-	2,850	154,536
<b>Totals, Dept of Community Services &amp; Development</b>	<b>\$1,500</b>	<b>-</b>	<b>-</b>	<b>\$1,500</b>	<b>\$228,073</b>	<b>\$3,000</b>	<b>-</b>	<b>-</b>	<b>\$3,000</b>	<b>\$164,540</b>	<b>\$3,000</b>	<b>-</b>	<b>-</b>	<b>\$3,000</b>	<b>\$164,630</b>
<b>Department of Rehabilitation</b>															
State Operations	44,901	120	-	45,021	269,550	55,659	195	-	55,854	291,781	57,674	214	-	57,888	304,832
Local Assistance	-	-	-	-	15,550	-	-	-	-	15,736	-	-	-	-	15,736
<b>Totals, Department of Rehabilitation</b>	<b>\$44,901</b>	<b>\$120</b>	<b>-</b>	<b>\$45,021</b>	<b>\$285,100</b>	<b>\$55,659</b>	<b>\$195</b>	<b>-</b>	<b>\$55,854</b>	<b>\$307,517</b>	<b>\$57,674</b>	<b>\$214</b>	<b>-</b>	<b>\$57,888</b>	<b>\$320,568</b>
<b>Department of Child Support Services</b>															
State Operations	40,439	-	-	40,439	79,255	48,013	-	-	48,013	107,455	45,844	-	-	45,844	96,872
Local Assistance	459,110	-	-	459,110	513,045	521,926	-	-	521,926	616,384	273,999	-	-	273,999	470,583
Unclassified	-	-	-	-	-	15,000	-	-	15,000	-	-	-	-	-	-
<b>Totals, Department of Child Support Services</b>	<b>\$499,549</b>	<b>-</b>	<b>-</b>	<b>\$499,549</b>	<b>\$592,300</b>	<b>\$584,939</b>	<b>-</b>	<b>-</b>	<b>\$584,939</b>	<b>\$723,839</b>	<b>\$319,843</b>	<b>-</b>	<b>-</b>	<b>\$319,843</b>	<b>\$567,455</b>
<b>Department of Social Services</b>															
State Operations	76,220	26,656	-	102,876	305,865	96,855	27,388	-	124,243	356,299	106,965	27,833	-	134,798	351,210
<b>Local Assistance</b>															
CalWorks	1,962,769	-	-	1,962,769	2,973,941	2,014,224	-	-	2,014,224	2,958,164	1,323,590	-	-	1,323,590	3,420,316
Other Assistance Payments	689,896	432	-	690,328	720,462	713,338	438	-	713,776	713,265	629,929	464	-	630,393	639,600
SSI/SSP	3,427,252	-	-	3,427,252	-	3,542,774	-	-	3,542,774	-	3,892,908	-	-	3,892,908	-
County Admin and Automation Projects	403,681	-	-	403,681	589,668	429,014	-	-	429,014	586,384	432,956	-	-	432,956	596,880
IHSS	1,355,407	-	-	1,355,407	-	1,443,736	-	-	1,443,736	-	1,471,404	-	-	1,471,404	-
Children & Adult Services and Licensing	715,571	1,050	-	716,621	1,420,649	962,757	878	-	963,635	1,445,063	1,012,346	1,245	-	1,013,591	1,661,144
Other Programs	3,212	-	-	3,212	16,116	4,005	-	-	4,005	20,409	6,695	-	-	6,695	20,451
Totals, Local Assistance	8,557,788	1,482	-	8,559,270	5,720,836	9,109,848	1,316	-	9,111,164	5,723,285	8,769,828	1,709	-	8,771,537	6,338,391
<b>Totals, Department of Social Services</b>	<b>\$8,634,008</b>	<b>\$28,138</b>	<b>-</b>	<b>\$8,662,146</b>	<b>\$6,026,701</b>	<b>\$9,206,703</b>	<b>\$28,704</b>	<b>-</b>	<b>\$9,235,407</b>	<b>\$6,079,584</b>	<b>\$8,876,793</b>	<b>\$29,542</b>	<b>-</b>	<b>\$8,906,335</b>	<b>\$6,689,601</b>
<b>State-Local Realignment</b>															
Local Assistance	-	4,517,748	-	4,517,748	-	-	4,593,232	-	4,593,232	-	-	4,824,645	-	4,824,645	-
<b>General Obligation Bonds-H&amp;HS</b>															
State Operations	2,235	-	-	2,235	-	4,995	-	-	4,995	-	14,564	-	-	14,564	-
<b>TOTALS, HEALTH AND HUMAN SERVICES</b>	<b>\$26,341,765</b>	<b>\$5,844,237</b>	<b>\$4,306</b>	<b>\$32,190,308</b>	<b>\$28,419,529</b>	<b>\$29,819,820</b>	<b>\$6,704,187</b>	<b>\$216,206</b>	<b>\$36,740,213</b>	<b>\$31,412,533</b>	<b>\$29,875,030</b>	<b>\$8,114,013</b>	<b>\$111,233</b>	<b>\$38,100,276</b>	<b>\$32,824,328</b>
State Operations	1,695,861	292,271	1,455	1,989,587	1,155,770	2,013,690	426,143	3,155	2,442,988	1,323,310	2,103,389	474,656	3,282	2,581,327	1,302,125
Local Assistance	24,645,374	5,551,966	2,851	30,200,191	27,262,493	27,789,006	6,278,044	213,051	34,280,101	30,089,223	27,757,147	7,639,357	107,951	35,504,455	31,522,203
Capital Outlay	530	-	-	530	1,266	2,124	-	-	2,124	-	14,494	-	-	14,494	-
Unclassified	-	-	-	-	-	15,000	-	-	15,000	-	-	-	-	-	-
<b>CORRECTIONS AND REHABILITATION</b>															
<b>Corrections and Rehabilitation</b>															
State Operations	7,308,399	1,205	-	7,309,604	11,796	8,664,850	2,677	-	8,667,527	10,680	9,155,827	2,626	-	9,158,453	6,827
<b>Local Assistance</b>															
Corrections Standards Authority	201,991	-	-	201,991	-	217,114	-	-	217,114	-	297,153	-	-	297,153	-
Juvenile Operation	4	-	-	4	-	78	-	-	78	-	53,359	-	-	53,359	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
Juvenile Paroles	823	-	-	823	-	13,633	-	-	13,633	-	1,403	-	-	1,403	-
Transportation of Inmates	173	-	-	173	-	278	-	-	278	-	278	-	-	278	-
Returning Fugitives from Justice	2,591	-	-	2,591	-	2,593	-	-	2,593	-	2,593	-	-	2,593	-
County Charges	17,172	-	-	17,172	-	13,519	-	-	13,519	-	12,824	-	-	12,824	-
Parolee Detention	93,707	-	-	93,707	-	45,774	-	-	45,774	-	45,855	-	-	45,855	-
Juvenile Justice/Delinquency Prevention	-	-	-	-	5,017	-	-	-	-	8,765	-	-	-	-	-
Community Delinquency Prevention Program	-	-	-	-	2,355	-	-	-	-	2,000	-	-	-	-	-
Juvenile Accountability Incentive	-	-	-	-	5,159	-	-	-	-	12,130	-	-	-	-	-
Project Challenge Grant	-	-	-	-	10	-	-	-	-	264	-	-	-	-	-
Juvenile Justice Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,224
Corrections Training Fund	-	-	-	-	-	-	19,465	-	19,465	-	-	19,465	-	19,465	-
Totals, Local Assistance	316,461	-	-	316,461	12,541	292,989	19,465	-	312,454	23,159	413,465	19,465	-	432,930	22,224
Capital Outlay	29,968	-	392	30,360	-	194,553	-	2,885	197,438	-	376,369	-	-	376,369	-
<b>Totals, Corrections and Rehabilitation</b>	<b>\$7,654,828</b>	<b>\$1,205</b>	<b>\$392</b>	<b>\$7,656,425</b>	<b>\$24,337</b>	<b>\$9,152,392</b>	<b>\$22,142</b>	<b>\$2,885</b>	<b>\$9,177,419</b>	<b>\$33,839</b>	<b>\$9,945,661</b>	<b>\$22,091</b>	<b>-</b>	<b>\$9,967,752</b>	<b>\$29,051</b>
<b>Federal Immigration Funding-Incarceratn</b>															
State Operations	-107,089	-	-	-107,089	107,089	-114,135	-	-	-114,135	114,135	-114,135	-	-	-114,135	114,135
<b>General Obligation Bonds-DCR</b>															
State Operations	235,674	-	-	235,674	-	197,449	-	-	197,449	-	211,781	-	-	211,781	-
<b>TOTALS, CORRECTIONS AND REHABILITATION</b>	<b>\$7,783,413</b>	<b>\$1,205</b>	<b>\$392</b>	<b>\$7,785,010</b>	<b>\$131,426</b>	<b>\$9,235,706</b>	<b>\$22,142</b>	<b>\$2,885</b>	<b>\$9,260,733</b>	<b>\$147,974</b>	<b>\$10,043,307</b>	<b>\$22,091</b>	<b>-</b>	<b>\$10,065,398</b>	<b>\$143,186</b>
State Operations	7,436,984	1,205	-	7,438,189	118,885	8,748,164	2,677	-	8,750,841	124,815	9,253,473	2,626	-	9,256,099	120,962
Local Assistance	316,461	-	-	316,461	12,541	292,989	19,465	-	312,454	23,159	413,465	19,465	-	432,930	22,224
Capital Outlay	29,968	-	392	30,360	-	194,553	-	2,885	197,438	-	376,369	-	-	376,369	-
<b>EDUCATION</b>															
<b>K thru 12 Education</b>															
<b>Education, Secy</b>															
State Operations	1,788	-	-	1,788	-	1,836	-	-	1,836	-	1,861	-	-	1,861	-
<b>Scholarshare Investment Board</b>															
State Operations	965	-	-	965	-	1,135	30	-	1,165	-	1,156	-	-	1,156	-
Local Assistance	-	80	-	80	-	2,000	-	-	2,000	-	2,000	-	-	2,000	-
<b>Totals, Scholarshare Investment Board</b>	<b>\$965</b>	<b>\$80</b>	<b>-</b>	<b>\$1,045</b>	<b>-</b>	<b>\$3,135</b>	<b>\$30</b>	<b>-</b>	<b>\$3,165</b>	<b>-</b>	<b>\$3,156</b>	<b>-</b>	<b>-</b>	<b>\$3,156</b>	<b>-</b>
<b>Department of Education</b>															
<b>Department of Education</b>															
State Operations	121,085	2,201	2,206	125,492	114,417	136,003	2,606	2,658	141,267	162,161	137,196	3,005	2,629	142,830	154,802
<b>Local Assistance</b>															
Adult Education	660,335	-	-	660,335	79,173	719,836	-	-	719,836	78,868	767,955	-	-	767,955	74,826
Apportionments - District and County	20,282,540	21,457	-	20,303,997	-	22,234,168	21,457	-	22,255,625	-	22,303,554	21,457	-	22,325,011	-
Child Development	1,366,557	-	-	1,366,557	1,087,021	1,961,960	-	-	1,961,960	1,125,914	2,321,306	-	-	2,321,306	716,309
Child Nutrition	95,982	-	-	95,982	1,527,689	105,745	-	-	105,745	1,627,085	111,016	-	-	111,016	1,626,804
Categorical Programs	8,430,443	21,578	-	8,452,021	2,905,191	8,851,294	46,847	-	8,898,141	2,871,053	8,401,911	650,451	-	9,052,362	2,743,103
Pupil Assessment	75,755	-	-	75,755	28,730	88,945	-	-	88,945	32,778	85,123	-	-	85,123	32,778
Special Education	2,925,546	-	-	2,925,546	1,144,765	3,065,640	-	-	3,065,640	1,151,367	3,105,302	-	-	3,105,302	1,154,638
State-Mandated Local Programs	650,102	-	-	650,102	-	38	-	-	38	-	38	-	-	38	-
Totals, Local Assistance	34,487,260	43,035	-	34,530,295	6,772,569	37,027,626	68,304	-	37,095,930	6,887,065	37,096,205	671,908	-	37,768,113	6,348,458

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
Capital Outlay	516	-	-	516	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Education</b>	<b>\$34,608,861</b>	<b>\$45,236</b>	<b>\$2,206</b>	<b>\$34,656,303</b>	<b>\$6,886,986</b>	<b>\$37,163,629</b>	<b>\$70,910</b>	<b>\$2,658</b>	<b>\$37,237,197</b>	<b>\$7,049,226</b>	<b>\$37,233,401</b>	<b>\$674,913</b>	<b>\$2,629</b>	<b>\$37,910,943</b>	<b>\$6,503,260</b>
<b>State Library</b>															
State Operations	12,967	450	2,955	16,372	6,549	14,191	581	4,605	19,377	7,054	14,326	580	4,691	19,597	7,022
Local Assistance	34,506	426	-	34,932	12,518	48,506	552	-	49,058	12,518	48,454	552	-	49,006	12,518
<b>Totals, State Library</b>	<b>\$47,473</b>	<b>\$876</b>	<b>\$2,955</b>	<b>\$51,304</b>	<b>\$19,067</b>	<b>\$62,697</b>	<b>\$1,133</b>	<b>\$4,605</b>	<b>\$68,435</b>	<b>\$19,572</b>	<b>\$62,780</b>	<b>\$1,132</b>	<b>\$4,691</b>	<b>\$68,603</b>	<b>\$19,540</b>
<b>Education Audit Appeals Panel</b>															
State Operations	640	-	-	640	-	1,314	-	-	1,314	-	1,338	-	-	1,338	-
<b>Summer School for the Arts</b>															
State Operations	789	-	-	789	-	1,494	-	-	1,494	-	1,528	-	-	1,528	-
<b>Teachers Retirement System Contributions</b>															
Local Assistance	1,081,064	-	-	1,081,064	-	958,574	-	-	958,574	-	1,048,325	-	-	1,048,325	-
<b>Retirement Costs for Community Colleges</b>															
Local Assistance	-82,161	-	-	-82,161	-	-83,013	-	-	-83,013	-	-81,979	-	-	-81,979	-
<b>California Career Resource Network</b>															
State Operations	-	-	-	-	349	-	-	-	-	-	-	-	-	-	-
<b>School Facilities Aid Program</b>															
Local Assistance	-	-193,828	3,186,432	2,992,604	-	-	-111,979	2,975,145	2,863,166	-	-	-75,000	3,982,657	3,907,657	-
<b>Commission on Teacher Credentialing</b>															
State Operations	2,700	14,256	-	16,956	-	-	20,161	-	20,161	-	-	18,789	-	18,789	-
Local Assistance	24,989	-	-	24,989	-	49,881	-	-	49,881	-	39,881	-	-	39,881	-
<b>Totals, Commission on Teacher Credentialing</b>	<b>\$27,689</b>	<b>\$14,256</b>	<b>-</b>	<b>\$41,945</b>	<b>-</b>	<b>\$49,881</b>	<b>\$20,161</b>	<b>-</b>	<b>\$70,042</b>	<b>-</b>	<b>\$39,881</b>	<b>\$18,789</b>	<b>-</b>	<b>\$58,670</b>	<b>-</b>
<b>General Obligation Bonds-K-12</b>															
State Operations	1,680,597	-	-	1,680,597	-	1,856,596	-	-	1,856,596	-	2,201,284	-	-	2,201,284	-
<b>Totals, K thru 12 Education</b>	<b>\$37,367,705</b>	<b>\$-133,380</b>	<b>\$3,191,593</b>	<b>\$40,425,918</b>	<b>\$6,906,402</b>	<b>\$40,016,143</b>	<b>\$-19,745</b>	<b>\$2,982,408</b>	<b>\$42,978,806</b>	<b>\$7,068,798</b>	<b>\$40,511,575</b>	<b>\$619,834</b>	<b>\$3,989,977</b>	<b>\$45,121,386</b>	<b>\$6,522,800</b>
<b>Higher Education</b>															
<b>Board of Governors of Community Colleges</b>															
State Operations	9,187	-	1,422	10,609	-	9,722	-	1,824	11,546	-	9,935	-	1,833	11,768	-
<b>Local Assistance</b>															
Apportionments for Community Colleges	2,789,565	3,787	-	2,793,352	-	3,395,789	3,787	-	3,399,576	-	3,528,995	3,787	-	3,532,782	-
Student Financial Aid Administration	51,600	-	-	51,600	-	52,593	-	-	52,593	-	51,308	-	-	51,308	-
Extended Opportunity Program + CARE	104,782	-	-	104,782	-	112,916	-	-	112,916	-	119,827	-	-	119,827	-
Disabled Students	91,191	-	-	91,191	-	107,870	-	-	107,870	-	114,472	-	-	114,472	-
Welfare Reform	34,580	-	-	34,580	-	43,580	-	-	43,580	-	43,580	-	-	43,580	-
Foster Parent Training Programs	4,754	-	-	4,754	-	4,754	-	-	4,754	-	4,754	-	-	4,754	-
Matriculation	66,332	-	-	66,332	-	95,481	-	-	95,481	-	134,436	-	-	134,436	-
Support for Academic Senate	467	-	-	467	-	467	-	-	467	-	467	-	-	467	-
Faculty and Staff Diversity/EEO	1,747	-	-	1,747	-	1,747	-	-	1,747	-	1,747	-	-	1,747	-
Part-Time Faculty Health Insurance	1,000	-	-	1,000	-	1,000	-	-	1,000	-	1,000	-	-	1,000	-
Part-Time Faculty Compensation	50,828	-	-	50,828	-	50,828	-	-	50,828	-	50,828	-	-	50,828	-
Part-Time Faculty Office Hours	7,172	-	-	7,172	-	7,172	-	-	7,172	-	7,172	-	-	7,172	-
<b>Program</b>															
Telecommunications & Technology Services	24,397	-	-	24,397	-	26,197	-	-	26,197	-	26,197	-	-	26,197	-
Fund for Student Success	6,158	-	-	6,158	-	6,158	-	-	6,158	-	6,158	-	-	6,158	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2005-06				Estimated 2006-07				Proposed 2007-08						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Economic Development	35,790	-	-	35,790	-	46,790	-	-	46,790	-	46,790	-	-	46,790	-
Transfer Education and Articulation	589	-	-	589	-	1,424	-	-	1,424	-	1,424	-	-	1,424	-
Physical Plant & Instructional Support	27,345	-	-	27,345	-	27,345	-	-	27,345	-	27,345	-	-	27,345	-
Career Technical Education	-	-	-	-	-	20,000	-	-	20,000	-	20,000	-	-	20,000	-
Campus Childcare Tax Bailout	-	-	-	-	-	6,540	-	-	6,540	-	6,804	-	-	6,804	-
AB 1280 Baccalaureate Pilot Program	-	-	-	-	-	100	-	-	100	-	100	-	-	100	-
Nursing Program Support	-	-	-	-	-	16,886	-	-	16,886	-	25,886	-	-	25,886	-
Local District Fiscal Oversight	-	-	-	-	-	-	-	-	-	-	350	-	-	350	-
One-Time Appropriations	278,998	-	-	278,998	-	76,202	-	-	76,202	-	-635	-	-	-635	-
State Mandated Local Costs	4	-	-	4	-	4,004	-	-	4,004	-	4,004	-	-	4,004	-
Totals, Local Assistance	3,577,299	3,787	-	3,581,086	-	4,105,843	3,787	-	4,109,630	-	4,223,009	3,787	-	4,226,796	-
Capital Outlay	-	-	433,759	433,759	-	-	-	417,501	417,501	-	-	-	1,081,747	1,081,747	-
<b>Totals, Board of Governors of Community Colleg</b>	<b>\$3,586,486</b>	<b>\$3,787</b>	<b>\$435,181</b>	<b>\$4,025,454</b>	<b>-</b>	<b>\$4,115,565</b>	<b>\$3,787</b>	<b>\$419,325</b>	<b>\$4,538,677</b>	<b>-</b>	<b>\$4,232,944</b>	<b>\$3,787</b>	<b>\$1,083,580</b>	<b>\$5,320,311</b>	<b>-</b>
<b>General Obligation Bonds-Hi Ed-CC</b>															
State Operations	137,833	-	-	137,833	-	148,344	-	-	148,344	-	187,288	-	-	187,288	-
<b>Retirement Costs-Hi Ed-CC</b>															
Local Assistance	82,161	-	-	82,161	-	83,013	-	-	83,013	-	81,979	-	-	81,979	-
<b>Totals, Higher Education</b>	<b>\$3,806,480</b>	<b>\$3,787</b>	<b>\$435,181</b>	<b>\$4,245,448</b>	<b>-</b>	<b>\$4,346,922</b>	<b>\$3,787</b>	<b>\$419,325</b>	<b>\$4,770,034</b>	<b>-</b>	<b>\$4,502,211</b>	<b>\$3,787</b>	<b>\$1,083,580</b>	<b>\$5,589,578</b>	<b>-</b>
<b>Higher Education-UC, CSU and Other</b>															
<b>Postsecondary Education Commission</b>															
State Operations	1,995	-	-	1,995	275	2,177	-	-	2,177	447	2,186	-	-	2,186	449
Local Assistance	-	-	-	-	8,401	-	-	-	-	8,579	-	-	-	-	8,579
<b>Totals, Postsecondary Education Commission</b>	<b>\$1,995</b>	<b>-</b>	<b>-</b>	<b>\$1,995</b>	<b>\$8,676</b>	<b>\$2,177</b>	<b>-</b>	<b>-</b>	<b>\$2,177</b>	<b>\$9,026</b>	<b>\$2,186</b>	<b>-</b>	<b>-</b>	<b>\$2,186</b>	<b>\$9,028</b>
<b>University of California</b>															
State Operations	2,838,567	32,061	-	2,870,628	6,419,771	3,077,984	30,844	-	3,108,828	4,421,463	3,270,067	32,606	-	3,302,673	4,500,208
Capital Outlay	9,730	-	249,333	259,063	-	5,371	-	771,799	777,170	-	-	-	503,165	503,165	-
<b>Totals, University of California</b>	<b>\$2,848,297</b>	<b>\$32,061</b>	<b>\$249,333</b>	<b>\$3,129,691</b>	<b>\$6,419,771</b>	<b>\$3,083,355</b>	<b>\$30,844</b>	<b>\$771,799</b>	<b>\$3,885,998</b>	<b>\$4,421,463</b>	<b>\$3,270,067</b>	<b>\$32,606</b>	<b>\$503,165</b>	<b>\$3,805,838</b>	<b>\$4,500,208</b>
<b>Institute for Regenerative Medicine</b>															
State Operations	-	-	5,081	5,081	-	-	-	10,889	10,889	-	-	-	32,267	32,267	-
Local Assistance	-	-	13,634	13,634	-	-	-	171,358	171,358	-	-	-	800,000	800,000	-
<b>Totals, Institute for Regenerative Medicine</b>	<b>-</b>	<b>-</b>	<b>\$18,715</b>	<b>\$18,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$182,247</b>	<b>\$182,247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$832,267</b>	<b>\$832,267</b>	<b>-</b>
<b>Hastings College of the Law</b>															
State Operations	8,363	-	-	8,363	-	10,671	-	-	10,671	-	10,631	-	-	10,631	-
Capital Outlay	-	-	20,800	20,800	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Hastings College of the Law</b>	<b>\$8,363</b>	<b>-</b>	<b>\$20,800</b>	<b>\$29,163</b>	<b>-</b>	<b>\$10,671</b>	<b>-</b>	<b>-</b>	<b>\$10,671</b>	<b>-</b>	<b>\$10,631</b>	<b>-</b>	<b>-</b>	<b>\$10,631</b>	<b>-</b>
<b>California State University</b>															
State Operations	2,596,001	1,230,748	26,000	3,852,749	674,399	2,811,384	-	50,000	2,861,384	653,513	2,976,335	-	50,000	3,026,335	653,513
Capital Outlay	-	-	340,271	340,271	-	-	-	414,526	414,526	-	-	-	402,159	402,159	-
<b>Totals, California State University</b>	<b>\$2,596,001</b>	<b>\$1,230,748</b>	<b>\$366,271</b>	<b>\$4,193,020</b>	<b>\$674,399</b>	<b>\$2,811,384</b>	<b>-</b>	<b>\$464,526</b>	<b>\$3,275,910</b>	<b>\$653,513</b>	<b>\$2,976,335</b>	<b>-</b>	<b>\$452,159</b>	<b>\$3,428,494</b>	<b>\$653,513</b>
<b>Student Aid Commission</b>															
State Operations	1	-	-	1	655,200	-	-	-	-	682,800	-	-	-	-	682,800
Local Assistance	735,470	-	-	735,470	12,287	827,178	-	-	827,178	10,622	891,608	-	-	891,608	10,622
<b>Totals, Student Aid Commission</b>	<b>\$735,471</b>	<b>-</b>	<b>-</b>	<b>\$735,471</b>	<b>\$667,487</b>	<b>\$827,178</b>	<b>-</b>	<b>-</b>	<b>\$827,178</b>	<b>\$693,422</b>	<b>\$891,608</b>	<b>-</b>	<b>-</b>	<b>\$891,608</b>	<b>\$693,422</b>
<b>General Obligation Bonds-Hi Ed</b>															



**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
State Operations	270,008	-	-	270,008	-	286,705	-	-	286,705	-	349,506	-	-	349,506	-
<b>Totals, Higher Education-UC, CSU and Other</b>	<b>\$6,460,135</b>	<b>\$1,262,809</b>	<b>\$655,119</b>	<b>\$8,378,063</b>	<b>\$7,770,333</b>	<b>\$7,021,470</b>	<b>\$30,844</b>	<b>\$1,418,572</b>	<b>\$8,470,886</b>	<b>\$5,777,424</b>	<b>\$7,500,333</b>	<b>\$32,606</b>	<b>\$1,787,591</b>	<b>\$9,320,530</b>	<b>\$5,856,171</b>
<b>TOTALS, EDUCATION</b>	<b>\$47,634,320</b>	<b>\$1,133,216</b>	<b>\$4,281,893</b>	<b>\$53,049,429</b>	<b>\$14,676,735</b>	<b>\$51,384,535</b>	<b>\$14,886</b>	<b>\$4,820,305</b>	<b>\$56,219,726</b>	<b>\$12,846,222</b>	<b>\$52,514,119</b>	<b>\$656,227</b>	<b>\$6,861,148</b>	<b>\$60,031,494</b>	<b>\$12,378,971</b>
State Operations	7,683,486	1,279,716	37,664	9,000,866	7,870,960	8,359,556	54,222	69,976	8,483,754	5,927,438	9,164,637	54,980	91,420	9,311,037	5,998,794
Local Assistance	39,940,588	-146,500	3,200,066	42,994,154	6,805,775	43,019,608	-39,336	3,146,503	46,126,775	6,918,784	43,349,482	601,247	4,782,657	48,733,386	6,380,177
Capital Outlay	10,246	-	1,044,163	1,054,409	-	5,371	-	1,603,826	1,609,197	-	-	-	1,987,071	1,987,071	-
<b>LABOR AND WORKFORCE DEVELOPMENT</b>															
<b>Labor &amp; Workforce Development, Secy</b>															
State Operations	-	-	-	-	-	-	100	-	100	-	-	15	-	15	-
<b>Employment Development Department</b>															
State Operations	22,065	87,277	-	109,342	618,776	25,284	93,224	-	118,508	687,070	38,676	67,456	-	106,132	668,434
Local Assistance	-	-	-	-	4,840,199	5,700	-	-	5,700	5,497,297	5,700	-	-	5,700	5,334,349
Capital Outlay	-	-	-	-	-	-	-	-	-	-325	-	-	-	-	-325
<b>Totals, Employment Development Department</b>	<b>\$22,065</b>	<b>\$87,277</b>	<b>-</b>	<b>\$109,342</b>	<b>\$5,458,975</b>	<b>\$30,984</b>	<b>\$93,224</b>	<b>-</b>	<b>\$124,208</b>	<b>\$6,184,042</b>	<b>\$44,376</b>	<b>\$67,456</b>	<b>-</b>	<b>\$111,832</b>	<b>\$6,002,458</b>
<b>Workforce Investment Board</b>															
State Operations	-	-	-	-	3,355	-	-	-	-	4,060	-	-	-	-	3,632
<b>Agricultural Labor Relations Board</b>															
State Operations	4,539	-	-	4,539	-	5,105	-	-	5,105	-	5,116	-	-	5,116	-
<b>Department of Industrial Relations</b>															
State Operations	61,046	179,045	-	240,091	30,215	68,428	218,675	-	287,103	31,439	68,217	239,912	-	308,129	31,709
<b>TOTALS, LABOR AND WORKFORCE DEVELOPMENT</b>	<b>\$87,650</b>	<b>\$266,322</b>	<b>-</b>	<b>\$353,972</b>	<b>\$5,492,545</b>	<b>\$104,517</b>	<b>\$311,999</b>	<b>-</b>	<b>\$416,516</b>	<b>\$6,219,541</b>	<b>\$117,709</b>	<b>\$307,383</b>	<b>-</b>	<b>\$425,092</b>	<b>\$6,037,799</b>
State Operations	87,650	266,322	-	353,972	652,346	98,817	311,999	-	410,816	722,569	112,009	307,383	-	419,392	703,775
Local Assistance	-	-	-	-	4,840,199	5,700	-	-	5,700	5,497,297	5,700	-	-	5,700	5,334,349
Capital Outlay	-	-	-	-	-	-	-	-	-	-325	-	-	-	-	-325
<b>GENERAL GOVERNMENT</b>															
<b>General Administration</b>															
<b>Peace Officer Standards &amp; Training Comm</b>															
State Operations	-	34,304	-	34,304	-	-	34,982	-	34,982	-	-	39,587	-	39,587	-
Local Assistance	-	18,416	-	18,416	-	-	21,826	-	21,826	-	-	21,826	-	21,826	-
<b>Totals, Peace Officer Standards &amp; Training Com</b>	<b>-</b>	<b>\$52,720</b>	<b>-</b>	<b>\$52,720</b>	<b>-</b>	<b>-</b>	<b>\$56,808</b>	<b>-</b>	<b>\$56,808</b>	<b>-</b>	<b>-</b>	<b>\$61,413</b>	<b>-</b>	<b>\$61,413</b>	<b>-</b>
<b>State Public Defender</b>															
State Operations	11,370	-	-	11,370	-	11,988	-	-	11,988	-	12,040	-	-	12,040	-
<b>Payment to Counties for Homicide Trials</b>															
Local Assistance	1,797	-	-	1,797	-	3,500	-	-	3,500	-	2,500	-	-	2,500	-
<b>Arts Council</b>															
State Operations	1,138	948	-	2,086	961	1,211	988	-	2,199	1,082	1,198	979	-	2,177	1,087
Local Assistance	-	-	-	-	-	-	1,825	-	1,825	-	-	1,825	-	1,825	-
<b>Totals, Arts Council</b>	<b>\$1,138</b>	<b>\$948</b>	<b>-</b>	<b>\$2,086</b>	<b>\$961</b>	<b>\$1,211</b>	<b>\$2,813</b>	<b>-</b>	<b>\$4,024</b>	<b>\$1,082</b>	<b>\$1,198</b>	<b>\$2,804</b>	<b>-</b>	<b>\$4,002</b>	<b>\$1,087</b>
<b>Public Employment Relations Board</b>															
State Operations	5,407	-	-	5,407	-	5,726	-	-	5,726	-	6,234	-	-	6,234	-
<b>Department of Personnel Administration</b>															
State Operations	29,814	31	-	29,845	-	34,107	296	-	34,403	-	33,693	-	-	33,693	-
<b>Citizens' Compensation Commission</b>															

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2005-06				Estimated 2006-07				Proposed 2007-08				Federal Funds		
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund		Selected Bond Funds	Budget Total
State Operations	2	-	-	2	-	14	-	-	14	-	14	-	-	14	-
<b>Board of Chiropractic Examiners</b>															
State Operations	-	2,621	-	2,621	-	-	2,973	-	2,973	-	-	3,039	-	3,039	-
<b>Board of Pilot Commissioners</b>															
State Operations	-	1,450	-	1,450	-	-	1,602	-	1,602	-	-	1,650	-	1,650	-
<b>Horse Racing Board</b>															
State Operations	-	8,806	-	8,806	-	-	8,969	-	8,969	-	-	9,287	-	9,287	-
<b>Department of Food &amp; Agriculture</b>															
State Operations	77,184	73,690	71	150,945	39,095	92,271	85,158	1,180	178,609	42,779	87,331	84,995	1,178	173,504	38,762
Local Assistance	6,408	52,532	-	58,940	-	9,426	57,332	-	66,758	-	9,415	55,864	-	65,279	-
Capital Outlay	-	-	-	-	-	-	6,039	-	6,039	-	2,515	1,096	-	3,611	-
<b>Totals, Department of Food &amp; Agriculture</b>	<b>\$83,592</b>	<b>\$126,222</b>	<b>\$71</b>	<b>\$209,885</b>	<b>\$39,095</b>	<b>\$101,697</b>	<b>\$148,529</b>	<b>\$1,180</b>	<b>\$251,406</b>	<b>\$42,779</b>	<b>\$99,261</b>	<b>\$141,955</b>	<b>\$1,178</b>	<b>\$242,394</b>	<b>\$38,762</b>
<b>Fair Political Practices Commission</b>															
State Operations	6,116	-	-	6,116	-	7,441	-	-	7,441	-	8,048	-	-	8,048	-
<b>Political Reform Act of 1974</b>															
State Operations	-	-	-	-	-	-	-	-	-	-	2,677	-	-	2,677	-
<b>Public Utilities Commission</b>															
State Operations	-	1,230,100	-	1,230,100	912	-	1,277,329	-	1,277,329	1,209	-	1,269,575	-	1,269,575	1,702
<b>Seismic Safety Commission</b>															
State Operations	-	1,036	-	1,036	-	-	489	-	489	-	-	-	-	-	-
<b>Electricity Oversight Board</b>															
State Operations	-	2,879	-	2,879	-	-	4,073	-	4,073	-	-	4,128	-	4,128	-
<b>Milton Marks Little Hoover Commission</b>															
State Operations	934	-	-	934	-	1,027	-	-	1,027	-	1,016	-	-	1,016	-
<b>Commission on the Status of Women</b>															
State Operations	449	-	-	449	-	455	-	-	455	-	532	-	-	532	-
<b>Law Revision Commission</b>															
State Operations	694	-	-	694	-	726	-	-	726	-	728	-	-	728	-
<b>Commission on Uniform State Laws</b>															
State Operations	149	-	-	149	-	149	-	-	149	-	149	-	-	149	-
<b>Bureau of State Audits</b>															
State Operations	13,022	1,562	-	14,584	-	15,084	-	-	15,084	-	15,920	-	-	15,920	-
<b>Department of Finance</b>															
State Operations	31,832	-	-	31,832	-	37,195	-	-	37,195	-	68,773	587	127	69,487	-
<b>Commission on State Mandates</b>															
State Operations	1,503	-	-	1,503	-	1,715	-	-	1,715	-	1,715	-	-	1,715	-
Local Assistance	118,161	1,402	-	119,563	-	402,380	1,713	-	404,093	-	-	11,499	-	11,499	-
<b>Totals, Commission on State Mandates</b>	<b>\$119,664</b>	<b>\$1,402</b>	<b>-</b>	<b>\$121,066</b>	<b>-</b>	<b>\$404,095</b>	<b>\$1,713</b>	<b>-</b>	<b>\$405,808</b>	<b>-</b>	<b>\$1,715</b>	<b>\$11,499</b>	<b>-</b>	<b>\$13,214</b>	<b>-</b>
<b>Office of Administrative Law</b>															
State Operations	2,296	-	-	2,296	-	2,608	-	-	2,608	-	2,933	-	-	2,933	-
<b>Military Department</b>															
State Operations	33,281	38	-	33,319	50,356	42,230	146	-	42,376	68,544	44,769	150	-	44,919	70,548
Local Assistance	280	-	-	280	-	100	-	-	100	-	60	-	-	60	-
Capital Outlay	252	-	-	252	212	6,741	-	-	6,741	16,476	169	-	-	169	206
<b>Totals, Military Department</b>	<b>\$33,813</b>	<b>\$38</b>	<b>-</b>	<b>\$33,851</b>	<b>\$50,568</b>	<b>\$49,071</b>	<b>\$146</b>	<b>-</b>	<b>\$49,217</b>	<b>\$85,020</b>	<b>\$44,998</b>	<b>\$150</b>	<b>-</b>	<b>\$45,148</b>	<b>\$70,754</b>

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
<b>Department of Veterans Affairs</b>															
<b>Department of Veterans Affairs</b>															
State Operations	5,819	25	176	6,020	64	11,340	138	262	11,740	172	33,252	131	276	33,659	172
Local Assistance	2,350	554	-	2,904	-	2,600	554	-	3,154	-	2,600	554	-	3,154	-
Capital Outlay	-	-	2,847	2,847	5,022	-	-	26,645	26,645	140,500	-	-	-	-	22,921
<b>Totals, Department of Veterans Affairs</b>	<b>\$8,169</b>	<b>\$579</b>	<b>\$3,023</b>	<b>\$11,771</b>	<b>\$5,086</b>	<b>\$13,940</b>	<b>\$692</b>	<b>\$26,907</b>	<b>\$41,539</b>	<b>\$140,672</b>	<b>\$35,852</b>	<b>\$685</b>	<b>\$276</b>	<b>\$36,813</b>	<b>\$23,093</b>
<b>Veterans Home of California-Yountville</b>															
State Operations	38,646	-	-	38,646	14,907	48,256	-	94	48,350	15,146	47,612	-	-	47,612	18,155
Capital Outlay	856	-	3,073	3,929	4,935	500	-	790	1,290	-	226	-	756	982	13,831
<b>Totals, Veterans Home of California-Yountville</b>	<b>\$39,502</b>	<b>-</b>	<b>\$3,073</b>	<b>\$42,575</b>	<b>\$19,842</b>	<b>\$48,756</b>	<b>-</b>	<b>\$884</b>	<b>\$49,640</b>	<b>\$15,146</b>	<b>\$47,838</b>	<b>-</b>	<b>\$756</b>	<b>\$48,594</b>	<b>\$31,986</b>
<b>Veterans Home of California-Barstow</b>															
State Operations	9,388	-	-	9,388	1,733	11,673	-	-	11,673	2,185	13,436	-	-	13,436	2,993
Capital Outlay	-	-	-	-	-	-	-	-	-	-	598	-	-	598	-
<b>Totals, Veterans Home of California-Barstow</b>	<b>\$9,388</b>	<b>-</b>	<b>-</b>	<b>\$9,388</b>	<b>\$1,733</b>	<b>\$11,673</b>	<b>-</b>	<b>-</b>	<b>\$11,673</b>	<b>\$2,185</b>	<b>\$14,034</b>	<b>-</b>	<b>-</b>	<b>\$14,034</b>	<b>\$2,993</b>
<b>Veterans Home of California-Chula Vista</b>															
State Operations	11,081	-	-	11,081	5,435	14,088	-	-	14,088	5,892	14,453	-	-	14,453	6,697
<b>Veterans Home of California-GLAVC</b>															
State Operations	-	-	-	-	-	-	-	-	-	-	995	-	-	995	-
<b>Totals, Department of Veterans Affairs General Obligation Bonds-Gen Govt</b>	<b>\$68,140</b>	<b>\$579</b>	<b>\$6,096</b>	<b>\$74,815</b>	<b>\$32,096</b>	<b>\$88,457</b>	<b>\$692</b>	<b>\$27,791</b>	<b>\$116,940</b>	<b>\$163,895</b>	<b>\$113,172</b>	<b>\$685</b>	<b>\$1,032</b>	<b>\$114,889</b>	<b>\$64,769</b>
State Operations	22,212	-	-	22,212	-	22,869	-	-	22,869	-	24,730	-	-	24,730	-
<b>Totals, General Administration</b>	<b>\$432,441</b>	<b>\$1,430,394</b>	<b>\$6,167</b>	<b>\$1,869,002</b>	<b>\$123,632</b>	<b>\$787,420</b>	<b>\$1,506,432</b>	<b>\$28,971</b>	<b>\$2,322,823</b>	<b>\$293,985</b>	<b>\$440,331</b>	<b>\$1,506,772</b>	<b>\$2,337</b>	<b>\$1,949,440</b>	<b>\$177,074</b>
<b>Tax Relief</b>															
<b>Tax Relief</b>															
<b>Local Assistance</b>															
Senior Citizens Property Tax Assistance	38,912	-	-	38,912	-	39,134	-	-	39,134	-	39,134	-	-	39,134	-
Senior Citizens Property Tax Deferral Assistance	11,968	-	-	11,968	-	14,900	-	-	14,900	-	17,000	-	-	17,000	-
Senior Citizens Renters Tax Assistance	145,025	-	-	145,025	-	146,630	-	-	146,630	-	146,630	-	-	146,630	-
Homeowners' Property Tax Relief	433,864	-	-	433,864	-	442,540	-	-	442,540	-	446,965	-	-	446,965	-
Subventions for Open Space	38,676	-	-	38,676	-	39,232	-	-	39,232	-	39,124	-	-	39,124	-
Totals, Local Assistance	668,445	-	-	668,445	-	682,436	-	-	682,436	-	688,853	-	-	688,853	-
<b>Totals, Tax Relief</b>	<b>\$668,445</b>	<b>-</b>	<b>-</b>	<b>\$668,445</b>	<b>-</b>	<b>\$682,436</b>	<b>-</b>	<b>-</b>	<b>\$682,436</b>	<b>-</b>	<b>\$688,853</b>	<b>-</b>	<b>-</b>	<b>\$688,853</b>	<b>-</b>
<b>Local Government Subventions</b>															
<b>Local Government Financing</b>															
Local Assistance	1,333,271	-1	-	1,333,270	-	293,934	-	-	293,934	-	294,309	-	-	294,309	-
<b>Shared Revenues</b>															
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-	600,000	600,000	-
<b>Apportionment of Off-Hwy License Fees</b>															
Local Assistance	-	2,522	-	2,522	-	-	2,522	-	2,522	-	-	2,522	-	2,522	-
<b>Apportionment of Fed Rcpts Fid Cntl Lnds</b>															
Local Assistance	-	-	-	-	288	-	-	-	-	288	-	-	-	-	288
<b>Apportionment of Fed Rcpts Forest Rsrvs</b>															
Local Assistance	-	-	-	-	64,610	-	-	-	-	64,610	-	-	-	-	64,610

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	<i>Actual 2005-06</i>				<i>Estimated 2006-07</i>				<i>Proposed 2007-08</i>						
	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Selected Bond Funds</i>	<i>Budget Total</i>	<i>Federal Funds</i>
<b>Apportionment of Fed Rcpts Grazing Land</b>															
Local Assistance	-	-	-	-	75	-	-	-	-	75	-	-	-	-	75
<b>Apportionment of Fed Potash Lease Rntls</b>															
Local Assistance	-	-	-	-	2,521	-	-	-	-	2,521	-	-	-	-	2,521
<b>Apportionment of MV License Fees</b>															
Local Assistance	11,862	239,760	-	251,622	-	11,862	239,760	-	251,622	-	11,862	219,881	-	231,743	-
<b>Apportionment of Tideland Revenues</b>															
Local Assistance	504	-	-	504	-	504	-	-	504	-	504	-	-	504	-
<b>Apportionment of MV Fuel Tx County Rds</b>															
Local Assistance	-	354,746	-	354,746	-	-	357,218	-	357,218	-	-	363,691	-	363,691	-
<b>Apportionment of MV Fuel Tx City Streets</b>															
Local Assistance	-	258,456	-	258,456	-	-	257,096	-	257,096	-	-	261,665	-	261,665	-
<b>Apportionment of MV Fuel Tx Co Rd/Cty St</b>															
Local Assistance	-	148,514	-	148,514	-	-	150,634	-	150,634	-	-	153,457	-	153,457	-
<b>Apportionment of MV Fuel Co&amp;Cty/St&amp;Hwy</b>															
Local Assistance	-	372,885	-	372,885	-	-	387,550	-	387,550	-	-	394,454	-	394,454	-
<b>Apportionment of Geothermal Rsrcs Dvlp</b>															
Local Assistance	-	1,262	-	1,262	-	-	1,262	-	1,262	-	-	1,262	-	1,262	-
<b>Apportionment of Local Transportation Fd</b>															
Local Assistance	-	272,204	-	272,204	-	-	437,400	-	437,400	-	-	-	-	-	-
<b>Totals, Shared Revenues</b>	<b>\$12,366</b>	<b>\$1,650,349</b>	<b>-</b>	<b>\$1,662,715</b>	<b>\$67,494</b>	<b>\$12,366</b>	<b>\$1,833,442</b>	<b>-</b>	<b>\$1,845,808</b>	<b>\$67,494</b>	<b>\$12,366</b>	<b>\$1,396,932</b>	<b>\$600,000</b>	<b>\$2,009,298</b>	<b>\$67,494</b>
<b>Totals, Local Government Subventions</b>	<b>\$1,345,637</b>	<b>\$1,650,348</b>	<b>-</b>	<b>\$2,995,985</b>	<b>\$67,494</b>	<b>\$306,300</b>	<b>\$1,833,442</b>	<b>-</b>	<b>\$2,139,742</b>	<b>\$67,494</b>	<b>\$306,675</b>	<b>\$1,396,932</b>	<b>\$600,000</b>	<b>\$2,303,607</b>	<b>\$67,494</b>
<b>Debt Service</b>															
<b>Payment of Interest on PMIA Loans</b>															
State Operations	1,424	-	-	1,424	-	474	-	-	474	-	3,646	-	-	3,646	-
<b>Enhanced Tobacco Asset-Backed Bonds</b>															
State Operations	-	-	-	-	-	-	-	-	-	-	1	-	-	1	-
<b>Pension Obligation Bond Debt Service</b>															
State Operations	-	-	-	-	-	-	-	-	-	-	35,000	-	-	35,000	-
<b>Economic Recovery Financing Committee</b>															
State Operations	-	10,699	-	10,699	-	-	14,560	-	14,560	-	-	15,110	-	15,110	-
Unclassified	-	889,416	-	889,416	-	-	1,935,851	-	1,935,851	-	595,000	2,519,230	-	3,114,230	-
<b>Totals, Economic Recovery Financing Committee</b>	<b>-</b>	<b>\$900,115</b>	<b>-</b>	<b>\$900,115</b>	<b>-</b>	<b>-</b>	<b>\$1,950,411</b>	<b>-</b>	<b>\$1,950,411</b>	<b>-</b>	<b>\$595,000</b>	<b>\$2,534,340</b>	<b>-</b>	<b>\$3,129,340</b>	<b>-</b>
<b>Interest Payments on General Fund Loans</b>															
State Operations	69,085	-	-	69,085	-	89,460	-	-	89,460	-	107,358	-	-	107,358	-
<b>Interest Payments to the Federal Govt</b>															
State Operations	12,026	285	-	12,311	-	24,000	701	-	24,701	-	30,000	901	-	30,901	-
<b>Totals, Debt Service</b>	<b>\$82,535</b>	<b>\$900,400</b>	<b>-</b>	<b>\$982,935</b>	<b>-</b>	<b>\$113,934</b>	<b>\$1,951,112</b>	<b>-</b>	<b>\$2,065,046</b>	<b>-</b>	<b>\$771,005</b>	<b>\$2,535,241</b>	<b>-</b>	<b>\$3,306,246</b>	<b>-</b>
<b>Statewide Expenditures</b>															
<b>Health &amp; Dental Benefits for Annuitants</b>															
State Operations	887,247	-	-	887,247	-	1,019,368	-	-	1,019,368	-	1,019,368	-	-	1,019,368	-
<b>Budget Stabilization Account</b>															
Unclassified	-	-	-	-	-	471,770	-471,770	-	-	-	1,023,005	-1,023,005	-	-	-
<b>Victim Compensation/Government Claims Bd</b>															
State Operations	7,549	204	-	7,753	438	11,948	393	-	12,341	121	-	-	-	-	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2005-06				Estimated 2006-07				Proposed 2007-08				Federal Funds		
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund		Selected Bond Funds	Budget Total
<b>Contingencies/Emergencies Augmentations</b>															
State Operations	-	-	-	-	-	45,714	9,753	-	55,467	-	49,000	15,000	-	64,000	
<b>Capital Outlay Planning &amp; Studies</b>															
Capital Outlay	1,000	-	-	1,000	-	1,000	-	-	1,000	-	1,000	-	-	1,000	
<b>Reserve for Liquidation of Encumbrances</b>															
Unclassified	-223,598	-	-	-223,598	-	-	-	-	-	-	-	-	-	-	
<b>Statewide Proposition 98 Reconciliation</b>															
State Operations	6,575	-	-	6,575	-	-	-	-	-	-	-	-	-	-	
Local Assistance	97,262	-	-	97,262	-	-366,811	-	-	-366,811	-	-347,678	-	-	-347,678	
<b>Totals, Statewide Proposition 98 Reconciliation</b>	<b>\$103,837</b>	<b>-</b>	<b>-</b>	<b>\$103,837</b>	<b>-</b>	<b>-\$366,811</b>	<b>-</b>	<b>-</b>	<b>-\$366,811</b>	<b>-</b>	<b>-\$347,678</b>	<b>-</b>	<b>-</b>	<b>-\$347,678</b>	
<b>Section 3.60 Rate Adjustments</b>															
State Operations	-	-	-	-	-	-	-	-	-	-	43,973	39,700	-	83,673	
<b>PERS General Fund Payment</b>															
State Operations	352,550	-	-	352,550	-	333,988	-	-	333,988	-	366,438	-	-	366,438	
<b>Statewide General Admin Exp (Pro Rata)</b>															
State Operations	-373,984	2,019	-	-371,965	-	-467,560	4,327	-	-463,233	-	-544,812	151	-	-544,661	
<b>Various Departments</b>															
State Operations	-	-	-	-	-	-	-	-	-	-	80,000	-4,128	-	75,872	
Local Assistance	-	46,744	-	46,744	-	38,818	56,185	-	95,003	-	-	56,185	-	56,185	
Unclassified	-	-	-	-	-	-	-	-	-	-	-100,000	-	-	-100,000	
<b>Totals, Various Departments</b>	<b>-</b>	<b>\$46,744</b>	<b>-</b>	<b>\$46,744</b>	<b>-</b>	<b>\$38,818</b>	<b>\$56,185</b>	<b>-</b>	<b>\$95,003</b>	<b>-</b>	<b>-\$20,000</b>	<b>\$52,057</b>	<b>-</b>	<b>\$32,057</b>	
<b>Totals, Statewide Expenditures</b>	<b>\$754,601</b>	<b>\$48,967</b>	<b>-</b>	<b>\$803,568</b>	<b>\$438</b>	<b>\$1,088,235</b>	<b>-\$401,112</b>	<b>-</b>	<b>\$687,123</b>	<b>\$121</b>	<b>\$1,590,294</b>	<b>-\$916,097</b>	<b>-</b>	<b>\$674,197</b>	
<b>Augmentation for Employee Compensation</b>															
<b>Augmentation for Employee Compensation</b>															
State Operations	-	-	-	-	-	126,381	40,871	-	167,252	-	468,211	333,333	-	801,544	
<b>Totals, Augmentation for Employee Compensation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$126,381</b>	<b>\$40,871</b>	<b>-</b>	<b>\$167,252</b>	<b>-</b>	<b>\$468,211</b>	<b>\$333,333</b>	<b>-</b>	<b>\$801,544</b>	
<b>Statewide Savings</b>															
<b>General Fund Credits from Federal Funds</b>															
State Operations	-83,338	-	-	-83,338	-	-99,937	-	-	-99,937	-	-99,176	-	-	-99,176	
<b>PERS Payment Recovery</b>															
State Operations	-	-	-	-	-	-	-	-	-	-	-308,000	-	-	-308,000	
<b>PERS Deferral</b>															
State Operations	-333,988	-	-	-333,988	-	-366,438	-	-	-366,438	-	-377,431	-	-	-377,431	
<b>Estimated Unidentifiable Savings</b>															
State Operations	-	-	-	-	-	-136,000	-	-	-136,000	-	-136,000	-	-	-136,000	
Local Assistance	-	-	-	-	-	-204,000	-	-	-204,000	-	-204,000	-	-	-204,000	
<b>Totals, Estimated Unidentifiable Savings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-\$340,000</b>	<b>-</b>	<b>-</b>	<b>-\$340,000</b>	<b>-</b>	<b>-\$340,000</b>	<b>-</b>	<b>-</b>	<b>-\$340,000</b>	
<b>Employee Compensation Reform</b>															
State Operations	-	-	-	-	-	-91,850	-50,100	-	-141,950	-	-63,800	-34,800	-	-98,600	
<b>Totals, Statewide Savings</b>	<b>-\$417,326</b>	<b>-</b>	<b>-</b>	<b>-\$417,326</b>	<b>-</b>	<b>-\$898,225</b>	<b>-\$50,100</b>	<b>-</b>	<b>-\$948,325</b>	<b>-</b>	<b>-\$1,188,407</b>	<b>-\$34,800</b>	<b>-</b>	<b>-\$1,223,207</b>	
<b>TOTALS, GENERAL GOVERNMENT</b>	<b>\$2,866,333</b>	<b>\$4,030,109</b>	<b>\$6,167</b>	<b>\$6,902,609</b>	<b>\$191,564</b>	<b>\$2,206,481</b>	<b>\$4,880,645</b>	<b>\$28,971</b>	<b>\$7,116,097</b>	<b>\$361,600</b>	<b>\$3,076,962</b>	<b>\$4,821,381</b>	<b>\$602,337</b>	<b>\$8,500,680</b>	<b>\$244,568</b>
State Operations	847,483	1,370,697	247	2,218,427	113,901	851,721	1,437,648	1,536	2,290,905	137,130	1,096,024	1,779,375	1,581	2,876,980	140,116
Local Assistance	2,240,340	1,769,996	-	4,010,336	67,494	874,749	1,972,877	-	2,847,626	67,494	458,425	1,544,685	600,000	2,603,110	67,494
Capital Outlay	2,108	-	5,920	8,028	10,169	8,241	6,039	27,435	41,715	156,976	4,508	1,096	756	6,360	36,958

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2005-06				Estimated 2006-07				Proposed 2007-08						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Unclassified	-223,598	889,416	-	665,818	-	471,770	1,464,081	-	1,935,851	-	1,518,005	1,496,225	-	3,014,230	-
<b>GRAND TOTAL</b>	<b>\$91,591,548</b>	<b>\$22,716,351</b>	<b>\$5,304,201</b>	<b>\$119,612,100</b>	<b>\$53,568,654</b>	<b>\$102,136,644</b>	<b>\$24,508,975</b>	<b>\$9,500,315</b>	<b>\$136,145,934</b>	<b>\$56,375,524</b>	<b>\$103,140,601</b>	<b>\$27,684,770</b>	<b>\$12,583,461</b>	<b>\$143,408,832</b>	<b>\$57,530,467</b>
State Operations	\$21,358,024	\$11,099,832	\$172,324	\$32,630,180	\$10,804,438	\$24,272,230	\$11,612,068	\$534,604	\$36,418,902	\$9,347,337	\$25,534,089	\$12,817,484	\$643,030	\$38,994,603	\$9,376,223
Local Assistance	\$68,909,936	\$10,469,959	\$3,837,928	\$83,217,823	\$41,016,419	\$74,123,230	\$11,865,910	\$5,907,041	\$91,896,181	\$45,618,617	\$74,251,821	\$12,671,444	\$8,083,566	\$95,006,831	\$46,493,863
Capital Outlay	\$188,676	\$1,615,654	\$1,293,949	\$3,098,279	\$1,740,819	\$611,746	\$2,209,584	\$3,058,670	\$5,880,000	\$1,363,884	\$278,290	\$2,258,013	\$3,856,865	\$6,393,168	\$1,629,381
Unclassified	\$1,134,912	\$-469,094	-	\$665,818	\$6,978	\$3,129,438	\$-1,178,587	-	\$1,950,851	\$45,686	\$3,076,401	\$-62,171	-	\$3,014,230	\$31,000
<b>BUDGET ACT TOTALS</b>	<b>\$62,767,122</b>	<b>\$10,846,674</b>	<b>\$515,579</b>	<b>\$74,129,375</b>	<b>\$43,326,807</b>	<b>\$70,647,097</b>	<b>\$13,236,582</b>	<b>\$1,413,445</b>	<b>\$85,297,124</b>	<b>\$47,761,998</b>	<b>\$72,835,732</b>	<b>\$13,819,650</b>	<b>\$6,643,464</b>	<b>\$93,298,846</b>	<b>\$48,773,447</b>
State Operations	18,686,294	9,586,031	141,291	28,413,616	2,893,029	21,540,557	9,698,628	274,717	31,513,902	3,408,784	22,965,148	10,521,682	502,922	33,989,752	3,382,561
Local Assistance	44,026,836	598,591	122,443	44,747,870	39,205,483	48,859,349	2,749,673	288,551	51,897,573	43,290,507	49,467,537	2,708,878	2,992,958	55,169,373	44,129,508
Capital Outlay	53,992	662,052	251,845	967,889	1,228,295	232,191	788,281	850,177	1,870,649	1,031,707	-91,953	589,090	3,147,584	3,644,721	1,230,378
Unclassified	-	-	-	-	-	15,000	-	-	15,000	31,000	495,000	-	-	495,000	31,000
<b>STATUTORY APPROPRIATIONS</b>	<b>\$21,279,534</b>	<b>\$9,202,311</b>	<b>\$334,291</b>	<b>\$30,816,136</b>	<b>\$1,599,345</b>	<b>\$22,744,376</b>	<b>\$9,086,833</b>	<b>\$495,973</b>	<b>\$32,327,182</b>	<b>\$2,054,761</b>	<b>\$22,893,035</b>	<b>\$9,882,746</b>	<b>\$1,164,320</b>	<b>\$33,940,101</b>	<b>\$2,003,445</b>
State Operations	-388,839	1,503,718	18,512	1,133,391	664,475	-520,301	1,834,314	25,131	1,339,144	695,186	-546,000	1,947,090	46,213	1,447,303	695,757
Local Assistance	21,668,373	6,280,320	300,887	28,249,580	929,935	23,264,677	4,934,079	446,842	28,645,598	1,219,075	23,423,086	5,551,142	1,089,107	30,063,335	1,284,767
Capital Outlay	-	622,484	14,892	637,376	4,935	-	909,000	24,000	933,000	140,500	15,949	888,624	29,000	933,573	22,921
Unclassified	-	795,789	-	795,789	-	-	1,409,440	-	1,409,440	-	-	1,495,890	-	1,495,890	-
<b>CONSTITUTIONAL APPROPRIATIONS</b>	<b>\$4,463,839</b>	<b>\$2,340,202</b>	<b>-</b>	<b>\$6,804,041</b>	<b>-</b>	<b>\$6,397,569</b>	<b>\$1,471,635</b>	<b>-</b>	<b>\$7,869,204</b>	<b>-</b>	<b>\$6,085,671</b>	<b>\$3,013,982</b>	<b>-</b>	<b>\$9,099,653</b>	<b>-</b>
State Operations	3,105,329	-	-	3,105,329	-	3,283,131	-	-	3,283,131	-	3,504,270	339,607	-	3,843,877	-
Local Assistance	-	3,605,085	-	3,605,085	-	-	4,059,662	-	4,059,662	-	-	4,232,436	-	4,232,436	-
Unclassified	1,358,510	-1,264,883	-	93,627	-	3,114,438	-2,588,027	-	526,411	-	2,581,401	-1,558,061	-	1,023,340	-
<b>OTHER APPROPRIATIONS</b>	<b>\$3,081,053</b>	<b>\$327,164</b>	<b>\$4,454,331</b>	<b>\$7,862,548</b>	<b>\$8,642,502</b>	<b>\$2,347,602</b>	<b>\$713,925</b>	<b>\$7,590,897</b>	<b>\$10,652,424</b>	<b>\$6,558,765</b>	<b>\$1,326,163</b>	<b>\$968,392</b>	<b>\$4,775,677</b>	<b>\$7,070,232</b>	<b>\$6,753,575</b>
State Operations	-44,760	10,083	12,521	-22,156	7,246,934	-31,157	79,126	234,756	282,725	5,243,367	-389,329	9,105	93,895	-286,329	5,297,905
Local Assistance	3,214,727	-14,037	3,414,598	6,615,288	881,001	1,999,204	122,496	5,171,648	7,293,348	1,109,035	1,361,198	178,988	4,001,501	5,541,687	1,079,588
Capital Outlay	134,684	331,118	1,027,212	1,493,014	507,589	379,555	512,303	2,184,493	3,076,351	191,677	354,294	780,299	680,281	1,814,874	376,082
Unclassified	-223,598	-	-	-223,598	6,978	-	-	-	-	14,686	-	-	-	-	-

**SCHEDULE 10**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
<b>GENERAL FUND</b>	<b>8,980,661</b>	<b>93,427,146</b>	<b>91,591,550</b>	<b>10,816,257</b>	<b>94,518,578</b>	<b>102,136,644</b>	<b>3,198,191</b>	<b>101,277,460</b>	<b>103,140,601</b>	<b>1,335,050</b>
<b>SPECIAL FUNDS</b>										
Abandoned Mine Reclamation & Minerals Fd	334	119	248	205	410	411	204	410	418	196
Abandoned Watercraft Abatement Fund	640	200	505	335	500	505	330	500	500	330
Accountancy Fund	12,159	10,828	7,030	15,957	10,559	10,251	16,265	10,582	12,055	14,792
Acupuncture Fund	1,081	1,994	1,788	1,287	3,782	2,504	2,565	2,159	2,631	2,093
Acute Orphan Well Account, Oil, Gas, Geo	-	948	-	948	978	525	1,401	32	1,400	33
Administration Acct, Child & Families	21,254	6,697	4,642	23,309	6,279	17,731	11,857	6,316	18,173	-
Aeronautics Account STF	2,334	7,718	6,333	3,719	7,565	8,129	3,155	7,383	7,868	2,670
Agricultural Biomass Utilization Account	255	-	-	255	-	-	255	-255	-	-
Agricultural Export Promotion Acct, CA	61	2	4	59	2	10	51	2	10	43
Agricultural Pest Control Research Acct	83	3	-	86	3	-	89	3	-	92
Air Pollution Control Fund	41,566	125,304	136,444	30,426	122,033	131,575	20,884	138,180	157,071	1,993
Air Toxics Inventory and Assessment Acct	37	973	746	264	871	866	269	876	869	276
Alcohol Beverage Control Fund	66	-	-	66	-66	-	-	-	-	-
Alcohol Beverages Control Fund	12,172	45,590	42,899	14,863	46,526	51,244	10,145	47,389	50,537	6,997
Alcoholic Beverage Control Appeals Fund	635	965	862	738	952	1,051	639	952	1,045	546
Analytical Laboratory Account, Food & Ag	-	-	-	-	583	-	583	500	500	583
Antiterrorism Fund	3,092	2,287	9	5,370	1,300	776	5,894	1,300	5,705	1,489
Appellate Court Trust Fund	2,177	4,975	4,221	2,931	5,058	5,887	2,102	5,058	6,419	741
Apprenticeship Training Contribution Fd	8,322	6,926	3,993	11,255	5,500	4,449	12,306	6,000	4,917	13,389
Architects Board Fund, California	1,105	2,978	2,605	1,478	3,923	2,987	2,414	2,910	3,102	2,222
Armory Discretionary Improvement Account	171	69	38	202	75	146	131	75	172	34
Asbestos Consultant Certification Acct	345	405	308	442	400	324	518	400	318	600
Asbestos Training Approval Account	8	174	106	76	173	114	135	173	114	194
Assistance for Fire Equipment Acct, State	405	26	10	421	50	100	371	50	100	321
Athletic Commission Fund	618	1,125	810	933	2,136	1,567	1,502	2,608	1,924	2,186
Attorney General Antitrust Account	206	1,054	1,015	245	1,211	1,305	151	1,211	1,313	49
Audit Fund, State	3,649	-	1,562	2,087	-	-	2,087	-	-	2,087
AIDS Drug Assistance Program Rebate Fund	18,184	83,467	63,009	38,642	84,407	92,184	30,865	82,540	92,038	21,367
Barbering/Cosmetology Fd, St Bd of	2,724	17,962	14,258	6,428	16,019	16,305	6,142	12,535	17,532	1,145
Beach and Coastal Enhancement Acct, Calif	301	1,663	1,564	400	1,744	2,077	67	1,765	1,699	133
Behavioral Science Examiners Fund	4,139	5,491	4,262	5,368	5,495	5,063	5,800	5,537	5,629	5,708
Beverage Container Recycling Fund, CA	135,987	818,412	740,763	213,636	871,341	880,333	204,644	1,060,578	1,082,616	182,606
Bicycle Transportation Account, STF	4,376	8,343	7,211	5,508	5,954	9,245	2,217	5,954	5,010	3,161
Bimetal Processing Fee Acct, Bev Cont Re	3,297	1,495	95	4,697	1,510	1,667	4,540	1,699	2,160	4,079
Birth Defects Monitoring Fund	-	-	-	-	-	-	-	5,857	4,174	1,683
Boxer's Neurological Examination Account	137	79	77	139	83	113	109	86	114	81
Breast Cancer Control Account	7,084	14,157	13,925	7,316	14,392	16,899	4,809	14,324	17,302	1,831
Breast Cancer Fund	-624	898	274	-	385	384	1	521	522	-
Breast Cancer Research Account	719	14,704	14,196	1,227	14,939	14,240	1,926	14,871	14,308	2,489
Budget Stabilization Account	-	-	-	-	-	-471,770	471,770	-	-1,023,005	1,494,775
Business Fees Fund, Secty of State's	2,035	31,796	33,825	6	36,791	36,797	-	36,908	36,908	-
Cal- OSHA Targeted Inspection & Consult	5,060	15,078	12,848	7,290	13,908	14,741	6,457	14,158	18,140	2,475
California Memorial Scholarship Fund	98	25	80	43	234	30	247	234	-	481

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Cancer Research Fund	2,816	-	1,476	1,340	-	835	505	-	-	505
Cannery Inspection Fund	-1	1,997	1,422	574	1,997	1,656	915	2,322	2,120	1,117
Car Wash Worker Fund	-	72	31	41	300	160	181	450	186	445
Car Wash Worker Restitution Fund	-	35	-	35	125	80	80	160	80	160
Caseload Subacct, Sales Tax Growth Acct	-	196,036	196,036	-	-	-	-	-	-	-
Cemetery Fund	3,541	2,319	1,894	3,966	2,340	2,219	4,087	2,142	2,239	3,990
Certification Acct, Consumer Affairs Fd	433	904	853	484	923	948	459	925	1,015	369
Certification Fund	1,772	1,529	937	2,364	1,613	1,428	2,549	1,613	1,405	2,757
Certified Unified Program Account, State	-	1,543	931	612	1,418	1,200	830	1,509	1,272	1,067
Child Abuse Fund, DOJ	794	414	336	872	417	353	936	420	351	1,005
Child Care Acct, Child & Families Trust	34,951	20,066	4,495	50,522	18,937	44,293	25,166	19,048	44,214	-
Child Health and Safety Fund	3,227	3,693	2,703	4,217	4,134	3,986	4,365	4,545	5,415	3,495
Childhood Lead Poisoning Prevention Fund	19,081	10,750	17,275	12,556	20,779	21,336	11,999	20,779	21,698	11,080
Children & Families First Trust Fd, Cal	-716	5,674	4,958	-	7,596	7,596	-	10,901	10,901	-
Children's Medical Services Rebate Fund	1,720	1,805	-	3,525	98	5	3,618	6,598	6,500	3,716
Chiropractic Examiners Fund	1,014	2,300	2,622	692	6,601	2,976	4,317	2,428	3,041	3,704
Cigarette & Tobacco Products Compliance	11,852	2,341	8,527	5,666	1,728	7,041	353	1,148	1,209	292
Cigarette & Tobacco Products Surtax Fund	147	3,476	3,620	3	5,188	4,897	294	6,836	6,546	584
Clandestine Drug Lab Clean-Up Account	2	4	-	6	-	-	6	-	-	6
Clinical Laboratory Improvement Fund	1,764	5,371	4,263	2,872	5,722	5,524	3,070	6,071	5,686	3,455
Clnup Loans Envirnmntl Asst Neighood Acct	3,464	28	-12	3,504	-283	-28	3,249	-299	-33	2,983
Co Medical Svc Subacct,Sales Tax Growth	-	8,838	8,838	-	363	363	-	6,581	6,581	-
Coachella Valley Mountains Conservancy	2	-	-	2	32	32	2	32	32	2
Coastal Access Account, SCCF	1,137	519	1,078	578	520	1,098	-	520	500	20
Collins-Dugan Calif Conserv Corps Reimb	15,223	27,170	31,620	10,773	16,976	23,979	3,770	23,976	23,973	3,773
Colorado River Management Account	6	-	-3,889	3,895	-	-	3,895	-	-	3,895
Community Revitalization Fee Fund	-	17	15	2	90	92	-	90	82	8
Conservatorship Registry Fund	418	16	49	385	-	368	17	-	-	17
Construction Management Education Acct	337	103	239	201	95	15	281	95	15	361
Contingent Fd of the Medical Board of CA	8,781	41,147	37,729	12,199	48,748	50,085	10,862	49,132	51,240	8,754
Continuing Care Provider Fee Fund	1,341	1,288	913	1,716	1,057	1,063	1,710	1,057	1,288	1,479
Contractors' License Fund	29,607	52,739	49,280	33,066	53,516	53,770	32,812	54,395	56,421	30,786
Corporations Fund, State	9,909	31,466	28,314	13,061	35,212	33,186	15,087	29,288	33,750	10,625
Corrections Training Fund	1,102	816	1,207	711	22,663	22,177	1,197	22,852	22,097	1,952
Counties Children & Families Acct	-	470,472	470,472	-	478,923	478,923	-	481,879	481,879	-
Court Collection Account	4,933	53,544	52,786	5,691	66,101	66,766	5,026	66,101	68,799	2,328
Court Facilities Trust Fund	13	926	921	18	1,724	1,643	99	1,828	1,830	97
Court Interpreters' Fund	101	142	142	101	157	155	103	157	155	105
Court Reporters Fund	765	698	673	790	1,869	818	1,841	583	832	1,592
Credit Union Fund	3,658	4,317	3,661	4,314	3,819	4,353	3,780	3,855	4,719	2,916
Dam Safety Fund	543	7,578	7,799	322	9,418	9,427	313	9,448	9,452	309
Deaf & Disabled Telecomm Prg Admin Comm	23,665	76,834	54,352	46,147	55,905	69,824	32,228	75,278	69,449	38,057
Dealers' Record of Sale Special Account	2,017	10,441	8,667	3,791	10,441	9,673	4,559	10,441	9,246	5,754
Debt & Investment Advisory Comm Fund,Cal	1,325	8,006	1,663	7,668	2,420	2,154	7,934	2,420	2,177	8,177
Debt Limit Allocation Committee Fund,Cal	779	1,257	978	1,058	4,900	1,187	4,771	1,396	1,201	4,966



**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Deficit Recovery Bond Retirement Sinking	92,973	12,692	93,627	12,038	526,411	526,411	12,038	1,023,340	1,023,340	12,038
Delta Flood Protection Fund	995	4	-	999	2	995	6	2	-	8
Dental Auxiliary Fund, State	983	1,645	1,744	884	1,711	2,285	310	2,263	2,562	11
Dentally Underserved Account	2,045	1,117	60	3,102	1	188	2,915	1	167	2,749
Dentistry Fund, State	764	9,525	6,931	3,358	10,475	8,728	5,105	7,802	9,846	3,061
Department of Agriculture Account, Ag Fd	17,356	103,600	93,213	27,743	95,029	107,564	15,208	95,877	108,861	2,224
Developmental Disabilities Prog Dev Fund	86	1,930	1,999	17	2,002	2,019	-	2,012	2,012	-
Developmental Disabilities Services Acct	320	10	179	151	10	44	117	10	-	127
Diesel Emission Reduction Fund	683	296	-	979	285	-	1,264	290	-	1,554
Disability Access Account	4,146	9,854	5,609	8,391	4,997	7,937	5,451	5,153	7,801	2,803
Disaster Relief Fund	11	-	-	11	-	-	11	-	-	11
Dispensing Opticians Fund	234	162	148	248	154	267	135	154	284	5
Domestic Violence Trng & Education Fund	838	1,042	982	898	1,089	1,103	884	1,089	1,149	824
Drinking Water Operator Cert Special Act	2,172	1,530	1,192	2,510	1,600	1,393	2,717	1,700	1,533	2,884
Drinking Water Treatment & Research Fund	6,681	5,000	2,225	9,456	5,000	5,028	9,428	5,000	5,054	9,374
Driver Training Penalty Assessment Fund	1,209	1,106	1,125	1,190	1,106	1,213	1,083	1,106	1,294	895
Driving Under-the-Influence Prog Lic Trs	1,548	1,035	1,266	1,317	1,035	1,423	929	1,035	1,500	464
Drug and Device Safety Fund	5,306	3,333	1,812	6,827	5,408	3,383	8,852	2,961	4,348	7,465
DNA Identification Fund	549	12,893	9,520	3,922	20,548	17,455	7,015	28,362	32,224	3,153
DNA Testing Fund, Department of Justice	234	12	24	222	-	-	222	-	-	222
Earthquake Emergency Invest Acct-NDA Fd	95	-	-	95	-	-	95	-	-	95
Earthquake Risk Reduction Fund of 1996	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-
Education Acct, Child & Families TrustFd	75,714	33,755	8,160	101,309	31,395	81,744	50,960	31,580	82,540	-
Educational Telecommunication Fund	30,657	-	-845	31,502	-	23,046	8,456	-	1,225	7,231
Electrician Certification Fund	2,352	3,580	1,634	4,298	3,622	2,806	5,114	3,696	3,072	5,738
Electronic and Appliance Repair Fund	1,337	2,020	1,855	1,502	1,917	2,115	1,304	2,015	2,295	1,024
Electronic Waste Recovery & Recycling	25,122	78,040	51,030	52,132	77,688	73,829	55,991	82,837	76,690	62,138
Elevator Safety Account	4,394	12,251	13,093	3,552	12,250	14,934	868	18,256	18,790	334
Emerg Medical Svcs Trng Prog Approvl Fd	394	261	261	394	258	398	254	258	423	89
Emergency Food Assistance Program Fund	448	436	438	446	470	444	472	497	470	499
Emergency Medical Services Personnel Fnd	429	1,188	1,131	486	1,264	1,505	245	1,264	1,422	87
Emergency Telephone Number Acct, State	112,001	130,911	109,675	133,237	112,000	159,625	85,612	102,000	155,193	32,419
Employment Development Contingent Fund	-3,901	78,603	74,702	-	78,981	78,981	-	52,835	52,835	-
Employment Developmnt Dept Benefit Audit	-	12,856	12,856	-	14,509	14,509	-	14,621	14,621	-
Energy and Resources Fund	225	-225	-	-	-	-	-	-	-	-
Energy Conservation Assistance Ac, State	7,105	642	-2,021	9,768	60	9,828	-	24,856	24,856	-
Energy Facility License and Compliance	1,266	2,087	623	2,730	2,732	623	4,839	1,100	1,503	4,436
Energy Resources Programs Account	19,697	53,699	51,459	21,937	55,076	59,621	17,392	58,708	65,157	10,943
Energy Tech Research, Dev, & Demo Acct	2,596	77	-32	2,705	105	2,578	232	105	228	109
Environmental Enhancement and Mitigation	2,634	309	47	2,896	10,318	10,012	3,202	318	-	3,520
Environmental Enhancement Fund	1,374	164	73	1,465	300	339	1,426	300	331	1,395
Environmental Laboratory Improvement Fnd	59	2,586	2,418	227	2,911	3,126	12	3,249	3,227	34
Environmental License Plate Fund, Calif	8,197	36,598	35,591	9,204	36,621	40,143	5,682	36,621	40,836	1,467
Environmental Protection Trust Fund	4,217	1,226	-	5,443	1,226	-	6,669	1,226	-	7,895
Environmental Quality Assessment Fund	147	359	385	121	575	687	9	572	556	25

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Environmental Water Fund	2,158	84	-	2,242	47	-	2,289	47	-	2,336
Equality in Prv & Svcs Domestic Abuse Fd	-	-	-	-	-	-	-	38	38	-
Expedited Site Remediation Trust Fund	2,961	550	1,000	2,511	555	108	2,958	-	2,860	98
Export Document Program Fund	1,230	307	158	1,379	337	408	1,308	337	408	1,237
Exposition Park Improvement Fund	3,044	3,976	3,967	3,053	4,005	4,126	2,932	4,005	4,018	2,919
Fair and Exposition Fund	1,027	24,239	23,246	2,020	23,969	24,750	1,239	23,969	24,811	397
False Claims Act Fund	10,489	310	8,613	2,186	17,418	13,059	6,545	10,625	13,230	3,940
Family Law Trust Fund	4,847	2,004	2,792	4,059	2,028	3,321	2,766	2,028	3,378	1,416
Farm & Ranch Solid Waste Cleanup & Abate	634	1,041	685	990	980	1,088	882	1,020	1,107	795
Farmworker Remedial Account	371	78	184	265	234	102	397	234	102	529
Film Promotion and Marketing Fund	-	-	-	-	10	10	-	12	10	2
Financial Institutions Fund	6,149	18,959	18,251	6,857	19,914	20,680	6,091	20,596	22,763	3,924
Financial Responsibility Penalty Account	2,544	-300	-	2,244	-2	-	2,242	-2	-	2,240
Fingerprint Fees Account	6,884	63,545	60,121	10,308	69,490	73,887	5,911	71,147	73,704	3,354
Fire and Arson Training Fund, Calif	632	1,467	1,398	701	1,457	1,677	481	1,480	1,736	225
Fire Marshal Licensing & Cert Fund, St	758	1,882	1,763	877	2,054	2,304	627	2,104	2,593	138
Fire Safety Subaccount	983	-	-	983	-	-	983	-	-	983
Firearm Safety Account	441	390	323	508	390	329	569	390	330	629
Firearms Safety and Enforcement Specl Fd	1,179	3,079	2,957	1,301	3,080	3,036	1,345	3,080	3,080	1,345
Fiscal Recovery Fund	-	1,418,684	806,488	612,196	1,424,000	1,424,000	612,196	1,511,000	1,511,000	612,196
Fish and Game Preservation Fund	2,966	95,999	87,827	11,138	80,073	57,871	33,340	84,170	86,217	31,293
Fish and Wildlife Pollution Account	6,378	1,715	2,527	5,566	635	2,747	3,454	680	2,631	1,503
Food Safety Acct, Pesticide Reg Fd, Dept	14	328	306	36	301	311	26	-	-	26
Food Safety Fund	824	4,676	4,052	1,448	5,853	6,121	1,180	5,853	6,332	701
Foster and Small Family Insurance Fund	5,203	-	-331	5,534	-	-	5,534	-	-	5,534
Funeral Directors and Embalmers Fund, St	2,614	1,323	1,396	2,541	1,260	1,614	2,187	1,316	1,628	1,875
Gambling Addiction Program Fund	-	-	-	-	150	-	150	150	-	300
Gambling Control Fines & Penalties Acct	213	10	46	177	11	45	143	11	45	109
Gambling Control Fund	2,352	10,424	7,170	5,606	12,654	10,022	8,238	13,269	9,956	11,551
Gap Repayment Fund	-	-	-1	1	-	-	1	-	-	1
Garment Industry Regulations Fund	1,704	3,559	3,332	1,931	3,000	3,599	1,332	3,000	3,691	641
Garment Manufacturers Special Account	1,780	545	648	1,677	468	500	1,645	468	500	1,613
Gas Consumption Surcharge Fund	17,675	348,313	358,371	7,617	303,085	277,338	33,364	285,085	259,722	58,727
General Growth Subacct,Sales Tax Growth	-	14,598	14,598	-	8,645	8,645	-	156,830	156,830	-
Genetic Disease Testing Fund	18,667	73,085	85,166	6,586	103,443	98,257	11,772	112,089	118,918	4,943
Geology and Geophysics Fund	664	911	885	690	991	1,238	443	1,012	1,280	175
Geothermal Resources Development Account	46	1,850	2,021	-125	4,667	2,462	2,080	4,667	2,462	4,285
Glass Processing Fee Account	5,790	48,440	47,384	6,846	50,055	47,653	9,248	53,660	49,791	13,117
Golden Bear State Pharmacy Asst Program	640	-	-	640	-	-	640	-	-	640
Graphic Design License Plate Account	2,081	2,880	949	4,012	2,703	2,814	3,901	2,864	2,805	3,960
Guide Dogs for the Blind Fund	193	146	142	197	133	161	169	133	162	140
Habitat Conservation Fund	30,415	9,660	37,786	2,289	8,402	1,885	8,806	9,051	10,942	6,915
Hatchery and Inland Fisheries Fund	-	-	-	-	17,039	17,039	-	17,499	17,402	97
Hazardous & Idle-Deserted Well Abate Fnd	72	139	136	75	104	100	79	104	100	83
Hazardous Liquid Pipeline Safety Calif	1,797	791	1,355	1,233	2,220	1,885	1,568	2,280	3,032	816

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Hazardous Subst Clearing Account	30	2,818	2,568	280	-	-	280	-	-	280
Hazardous Substance Subaccount	646	788	9	1,425	-	-	1,425	-	-	1,425
Hazardous Waste Control Account	15,639	44,373	49,814	10,198	62,721	54,757	18,162	49,121	53,233	14,050
Health Care Benefits Fund	602	1,346	1,752	196	1,925	235	1,886	1,997	1,997	1,886
Health Data & Planning Fund, CA	3,382	20,521	18,291	5,612	21,586	19,850	7,348	22,715	20,112	9,951
Health Ed Acct, Cig & Tob Pr Surtax	12,800	81,158	77,272	16,686	79,399	87,350	8,735	79,869	77,401	11,203
Health Statistics Special Fund	14,255	20,954	16,291	18,918	20,553	28,574	10,897	19,321	25,158	5,060
Health Subaccount, Sales Tax Account	-	410,413	410,413	-	426,774	426,774	-	431,592	431,592	-
Hearing Aid Dispensers Fund	1,141	640	564	1,217	620	737	1,100	621	758	963
High Polluter Repair or Removal Account	28,960	49,926	34,943	43,943	50,246	47,714	46,475	51,306	59,835	37,946
High-Cost Fund-A Admin Committee Fd, Cal	24,972	45,411	29,280	41,103	43,553	58,794	25,862	45,438	66,518	4,782
High-Cost Fund-B Admin Committee Fd, Cal	239,052	569,955	434,507	374,500	413,474	435,167	352,807	416,714	436,065	333,456
Higher Education Fees and Income-CSU	-	1,230,748	1,230,748	-	-	-	-	-	-	-
Highway Account, State, STF	1,356,890	2,915,507	3,303,994	968,403	3,409,200	3,964,232	413,371	3,687,358	4,178,103	-77,374
Highway Users Tax Account, TTF	7,085	1,136,112	1,136,113	7,084	1,153,897	1,153,897	7,084	1,168,698	1,174,698	1,084
Historic Property Maintenance Fund	3,515	1,382	1,500	3,397	1,233	1,507	3,123	1,233	1,557	2,799
Home Furnish & Thermal Insulat Fd, Burea	2,580	4,298	3,486	3,392	4,239	4,154	3,477	4,244	4,574	3,147
Hospital Building Fund	52,575	47,464	30,468	69,571	38,005	35,743	71,833	34,905	40,581	66,157
Hospital Svc Acct, Cig & Tob Pr Surtax	7,484	64,550	63,903	8,131	57,881	62,433	3,579	58,848	62,377	50
HICAP Fund, State	1,828	3,242	2,420	2,650	2,455	2,461	2,644	2,455	2,456	2,643
Illegal Drug Lab Cleanup Account	6,502	188	148	6,542	64	2,034	4,572	60	2,038	2,594
Indian Gaming Special Distribution Fund	125,949	91,770	117,762	99,957	86,381	53,986	132,352	90,774	55,914	167,212
Industrial Development Fund	56	108	145	19	153	75	97	264	260	101
Industrial Rel Construction Enforce Fd	160	55	8	207	60	53	214	75	53	236
Infant Botulism Treatment & Prevention	1,240	3,195	2,879	1,556	2,644	3,112	1,088	3,518	2,083	2,523
Inland Wetlands Cons Fd, Wildlife Rest	1,266	51	9	1,308	38	505	841	38	500	379
Insurance Fund	47,544	189,986	191,549	45,981	196,131	208,662	33,450	206,403	209,833	30,020
Integrated Waste Management Account	18,811	54,210	50,448	22,573	49,891	58,340	14,124	50,891	58,168	6,847
Internatl Student Exch Visitor Plcmt Org	46	7	-	53	-	-	53	-	-	53
Jobs-Housing Balance Improvement Account	74,010	-	23,724	50,286	-	23,945	26,341	-	23,704	2,637
Judicial Admin Efficiency & Modernztn	7,431	1,622	-943	9,996	2,187	-	12,183	2,187	-	14,370
Labor and Workforce Development Fund	21	112	-	133	25	100	58	25	15	68
Lake Tahoe Conservancy Account	2,333	1,165	1,543	1,955	1,165	1,926	1,194	1,165	1,157	1,202
Landscape Architects Fd, CA Bd/Arch Exam	385	1,964	801	1,548	700	1,182	1,066	768	1,092	742
Law Library Special Account, Calif_State	586	459	450	595	550	582	563	550	581	532
Leaking Undrgrnd Stor Tank Cost Recovery	1,045	30	-	1,075	30	-	1,105	30	1,014	121
Licensed Midwifery Fund	19	20	-	39	19	-	58	20	-	78
Licensing & Certification Fd, Mental Hth	-	-	-	-	355	357	-2	371	358	11
Licensing and Certification Program Fund	-	-	-	-	51,872	51,739	133	77,895	77,895	133
Lifetime License Trust Acct, Fish & Game	5,222	516	-	5,738	646	-	6,384	646	-	7,030
Loc Pub Prosecutors & Pub Defenders Trng	612	882	793	701	864	870	695	864	868	691
Local Agency Deposit Security Fund	261	332	361	232	352	396	188	356	395	149
Local Airport Loan Account	11,581	1,539	2,960	10,160	1,908	354	11,714	2,044	354	13,404
Local Govt Geothermal Resource Subacct	2,115	1,002	2,768	349	2,300	1,308	1,341	2,400	3,307	434
Local Jurisdiction Energy Assistance	1,134	94	-	1,228	100	1,328	-	100	100	-

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Local Revenue Fund	-	890	821	69	639	639	69	681	681	69
Local Transportation Loan Acct, SHA, STF	2,365	103	-	2,468	104	1,000	1,572	64	1,000	636
Loss Control Certification Fund	17	-	-	17	-	-	17	-17	-	-
Low-Level Radioactive Waste Disposal Fnd	452	18	-	470	18	313	175	18	-	193
Main Street Program Fund, California	-	-	-	-	175	175	-	175	175	-
Major Risk Medical Insurance Fund	16,816	20,048	36,368	496	44,007	44,503	-	40,007	39,809	198
Managed Care Fund	4,777	36,312	34,651	6,438	39,263	43,190	2,511	42,942	43,289	2,164
Marine Invasive Species Control Fund	2,889	3,001	3,207	2,683	3,400	3,725	2,358	4,400	4,415	2,343
Mass Media Comm Acct, Child & Fam Trust	28,504	36,894	33,336	32,062	36,875	53,009	15,928	37,096	53,024	-
Medical Marijuana Program Fund	379	544	844	79	425	494	10	1,049	967	92
Medical Waste Management Fund	876	981	1,172	685	1,960	2,027	618	1,960	2,043	535
Medically Underserved Account	800	4,506	64	5,242	-	5,158	84	-	-	84
Mental Health Practitioner Education Fd	370	306	70	606	305	213	698	305	212	791
Mental Health Services Fund	237,773	1,362,998	168,084	1,432,687	1,581,257	517,891	2,496,053	1,764,865	1,512,892	2,748,026
Mental Health Subaccount, Sales Tax Acct	-	835,285	835,285	-	841,228	841,228	-	844,748	844,748	-
Mexican Amer Vet's Memrl Beautif/Enhance	192	6	-	198	2	10	190	2	10	182
Mine Reclamation Account	1,114	1,977	2,394	697	2,853	3,082	468	3,322	3,342	448
Missing Persons DNA Data Base Fund	4,039	3,499	2,828	4,710	3,552	4,429	3,833	3,552	4,377	3,008
Mobilehome Manufactured Home Revolv Fd	2,300	17,319	16,610	3,009	19,258	19,857	2,410	20,858	21,369	1,899
Mobilehome Park Revolving Fund	141	4,396	4,456	81	5,942	5,687	336	6,042	6,060	318
Motor Carriers Safety Improvement Fund	2,679	1,809	1,141	3,347	1,809	1,652	3,504	1,809	2,344	2,969
Motor Vehicle Account, STF	436,087	1,932,017	1,825,972	542,132	2,064,758	2,199,052	407,838	2,191,824	2,346,330	253,332
Motor Vehicle Fuel Account, TTF	863	21,876	22,172	567	24,464	23,954	1,077	24,744	24,847	974
Motor Vehicle Insurance Account, State	17,184	26,061	17,430	25,815	21,000	29,954	16,861	21,000	30,052	7,809
Motor Vehicle License Fee Account, TTF	-1,570	560,301	546,472	12,259	580,263	584,619	7,903	603,055	609,958	1,000
Motor Vehicle Parking Facil Moneys Acct	-1,839	4,209	3,533	-1,163	5,419	4,089	167	3,319	3,403	83
Narcotic Treatment Program Licensng Trt	168	1,134	1,277	25	1,209	1,133	101	1,252	1,331	22
Native Species Conserv & Enhancement Acc	21	-9	-	12	28	-	40	24	-	64
Natural Gas Subaccount, PIRD&D Fund	-	-	-	-	-	-	-	18,000	18,000	-
Natural Resources Infrastructure Fund	13,572	-	2,701	10,871	-	-	10,871	-	-	10,871
Naturopathic Doctor's Fund	138	4	114	28	137	119	46	105	148	3
New Motor Vehicle Board Account	2,072	1,674	1,714	2,032	1,704	2,065	1,671	1,602	2,083	1,190
Nondesignated Public Hospital Supplemntl	-	45	-1,900	1,945	49	99	1,895	49	49	1,895
Nontoxic Dry Cleaning Incentive Trst Fd	92	547	301	338	1,499	1,500	337	1,499	1,524	312
Nuclear Planning Assessment Special Acct	814	2,994	3,525	283	4,595	4,878	-	4,288	4,288	-
Nursing Home Admin St Lic Exam Fund	444	375	375	444	399	507	336	395	583	148
Occupancy Compliance Monitoring Account	8,432	5,863	1,162	13,133	42,517	1,407	54,243	5,797	1,445	58,595
Occupational Lead Poisoning Prev Account	2,973	3,086	2,899	3,160	3,100	3,504	2,756	3,100	3,629	2,227
Occupational Therapy Fund	1,335	1,470	622	2,183	1,493	855	2,821	1,549	1,012	3,358
Off Highway License Fee Fund	-	2,522	2,522	-	2,522	2,522	-	2,522	2,522	-
Off-Highway Vehicle Trust Fund	78,994	76,719	62,404	93,309	57,759	91,605	59,463	57,759	60,677	56,545
Oil Spill Prevention & Administration Fd	16,589	34,986	33,524	18,051	32,358	34,581	15,828	35,585	36,669	14,744
Oil Spill Response Trust Fund	52,920	2,456	1,778	53,598	1,017	1,300	53,315	1,221	1,300	53,236
Oil, Gas and Geothermal Administrative	1,165	15,043	13,950	2,258	16,615	17,182	1,691	16,790	17,236	1,245
Olympic Training Account,California	1	-	-	1	-	-	1	-	-	1

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Optometry Fund, State	706	1,116	1,293	529	1,031	1,225	335	1,024	1,190	169
Osteopathic Medical Bd of Calif Contn Fd	944	978	1,023	899	3,960	1,166	3,693	1,088	1,219	3,562
Other Unallocated Special Funds	-	-3,683	48	-3,731	-3,727	647	-8,105	-171,793	349,803	-529,701
Outpatient Setting Fd of Medical Board	116	4	-	120	52	24	148	2	25	125
Parks and Recreation Fund, State	13,345	112,619	120,934	5,030	118,805	121,411	2,424	118,805	121,173	56
Payphone Service Providers Committee Fd	909	446	896	459	446	499	406	446	500	352
Peace Officers' Training Fund	24,787	54,533	52,721	26,599	54,684	56,809	24,474	55,245	61,413	18,306
Pedestrian Safety Account, STF	972	129	-	1,101	135	-	1,236	135	-	1,371
Penalty Acct, Ca Bev Container Recyc Fd	1,745	211	-	1,956	343	-	2,299	334	-	2,633
Perinatal Insurance Fund	-15,251	55,510	36,991	3,268	57,459	60,727	-	61,033	61,031	2
Permanent Amusement Ride Safety Insp Fd	403	546	548	401	935	1,036	300	-298	2	-
Pesticide Regulation Fund, Dept of	8,856	59,609	58,775	9,690	62,417	64,173	7,934	64,690	67,792	4,832
Pharmacy Board Contingent Fund	4,393	10,231	7,339	7,285	9,314	8,532	8,067	6,044	9,389	4,722
Physical Therapy Fund	773	1,874	2,208	439	2,094	2,334	199	2,145	2,339	5
Physician Assistant Fund	1,660	1,024	899	1,785	973	1,097	1,661	1,011	1,158	1,514
Physician Svc Acct, Cig & Tob Pr Surtax	4,037	14,303	15,399	2,941	3,628	5,591	978	4,636	5,564	50
Pierce's Disease Management Account	7,655	5,613	6,150	7,118	5,350	6,334	6,134	5,350	4,580	6,904
Pilot Commissioners' Special Fd, Board	1,294	639	1,451	482	1,364	1,602	244	1,438	1,650	32
Podiatric Medicine Fund, Board of	1,072	932	821	1,183	886	1,249	820	885	1,338	367
Pressure Vessel Account	-157	2,932	2,772	3	4,148	4,082	69	4,571	4,600	40
Private Hospital Supplemental Fund	-	24,812	-4,880	29,692	36,068	40,948	24,812	28,068	28,068	24,812
Private Investigator Fund	1,302	805	603	1,504	727	661	1,570	730	1,034	1,266
Private Postsec & Vocatn Ed Admin Fund	376	4,890	5,258	8	4,842	4,840	10	8,365	7,519	856
Private Security Services Fund	2,379	8,036	6,374	4,041	11,702	9,853	5,890	14,017	10,362	9,545
Professional Engineer & Land Surveyor Fd	1,246	8,832	7,575	2,503	8,365	8,303	2,565	9,478	9,095	2,948
Professional Fiduciary Fund	-	-	-	-	-	-	-	2,485	1,113	1,372
Professional Forester Registration Fund	513	111	197	427	145	206	366	124	210	280
Propane Safety Insp/Enforcmt Prog Trust	84	-52	-	32	-32	-	-	-	-	-
Property Acquisition Law Money Account	2,330	14,021	2,870	13,481	-9,714	3,274	493	4,674	4,676	491
Psychiatric Technicians Account	850	1,398	1,188	1,060	1,392	1,332	1,120	1,280	1,634	766
Psychology Fund	2,255	3,167	2,304	3,118	3,209	3,272	3,055	3,228	3,352	2,931
Pub Sch Plng Desgn & Constr Rev Revlv Fd	11,359	80,187	36,161	55,385	44,488	35,459	64,414	47,321	35,657	76,078
Publ Utilities Comm Utilities Reimb Acct	74,240	24,603	61,748	37,095	56,690	84,959	8,826	85,202	87,483	6,545
Public Beach Restoration Fund	179	-	-	179	637	750	66	-	-	66
Public Int Res, Dev & Demonstratn Progm	44,054	74,249	47,191	71,112	73,931	106,475	38,568	75,590	70,975	43,183
Public Res Acct, Cig & Tob Pr Surtax	3,170	16,717	16,468	3,419	16,744	17,294	2,869	16,272	17,433	1,708
Public Rights Law Enforcement Special Fd	160	1,657	1,817	-	5,450	4,878	572	5,450	5,934	88
Public Transportation Account, STF	94,831	519,819	338,161	276,489	1,226,417	1,347,602	155,304	909,815	1,173,833	-108,714
Public Util Comm Transport Reimb Acct	3,708	8,918	7,447	5,179	7,792	9,916	3,055	9,509	11,346	1,218
PET Processing Fee Acct, Bev Cont Rec Fd	71	40,518	40,152	437	43,082	42,833	686	50,050	43,066	7,670
PUC Ratepayer Advocate Account	-	18,379	18,156	223	20,971	20,972	222	21,332	21,334	220
Radiation Control Fund	3,674	18,512	15,860	6,326	22,592	20,578	8,340	22,836	22,483	8,693
Real Estate Appraisers Regulation Fund	10,835	6,953	3,098	14,690	4,714	3,979	15,425	3,691	4,152	14,964
Real Estate Fund	34,728	47,976	32,597	50,107	45,100	44,618	50,589	42,691	46,210	47,070
Recycling Market Development Rev Loan	18,970	4,122	4,622	18,470	6,187	13,209	11,448	6,187	13,041	4,594

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Reg Environmental Health Specialist Fd	575	225	263	537	306	277	566	328	387	507
Registered Nurse Education Fund	1,163	1,597	1,372	1,388	1,595	1,518	1,465	1,595	1,518	1,542
Registered Nursing Fund, Board of	7,131	23,882	17,673	13,340	24,079	21,320	16,099	17,175	22,867	10,407
Registry of Charitable Trusts Fund	-	2,599	1,976	623	2,514	2,611	526	2,514	2,790	250
Removal & Remedial Action Acct	2,084	2,610	1,287	3,407	2,200	2,011	3,596	2,200	1,884	3,912
Renewable Resource Trust Fund	146,618	154,736	95,441	205,913	290,518	296,404	200,027	161,592	219,470	142,149
Research & Devel Acct, Child & Fam Trust	45,619	20,375	8,948	57,046	19,137	47,806	28,377	19,248	47,625	-
Research Acct, Cig & Tob Pr Surtax	1,863	20,992	19,390	3,465	20,262	19,950	3,777	20,380	20,249	3,908
Residential & Outpatient Prog Lic Fund	-	-	-	-	-	-	-	2,322	1,596	726
Residential Earthquake Recovery Fund, CA	152	-	-	152	-	-	152	-	-	152
Respiratory Care Fund	1,275	2,110	2,080	1,305	2,125	2,737	693	2,207	2,807	93
Responsibility Area Fire Protection Fund	41	-	-	41	-	-	41	-	-	41
Restitution Fund	81,084	116,302	91,087	106,299	119,555	109,856	115,998	121,217	109,806	127,409
Retail Food Safety and Defense Fund	-	-	-	-	-	-	-	20	20	-
Rigid Container Account	-	78	38	40	200	162	78	162	162	78
Rural CUPA Reimbursement Account	945	-	-68	1,013	-	-	1,013	-	-	1,013
Safe Drinking Water and Toxic Enforcment	1,225	2,671	368	3,528	1,224	687	4,065	1,549	875	4,739
Safe Drinking Water Account	10,911	9,356	8,799	11,468	10,641	10,976	11,133	11,117	11,285	10,965
Sale of Tobacco to Minors Control Acct	673	267	346	594	300	423	471	300	516	255
Salmon & Steelhead Trout Restoration Acc	2,760	4,000	6,210	550	-	-	550	-	-	550
San Joaquin River Conservancy Fund	-	66	-	66	63	58	71	63	59	75
Satellite Wagering Account	295	12,747	12,537	505	12,497	12,394	608	12,497	12,126	979
School Facilities Emergency Repair Acctnt	5,000	-	-193,401	198,401	-	-111,979	310,380	-	-75,000	385,380
School Facilities Fee Assistance Fund	803	46	94	755	5	-	760	5	-	765
School Fund, State	15,642	21,804	25,244	12,202	17,114	25,244	4,072	21,172	25,244	-
School Land Bank Fund	49,707	4,740	-	54,447	4,347	2,200	56,594	9,057	472	65,179
School Safety Account	8	-8	-	-	-	-	-	-	-	-
Seismic Gas Valve Cert Fee Acct	-	-	-	-	75	75	-	75	75	-
Self-Insurance Plans Fund	2,319	3,430	3,168	2,581	3,200	3,688	2,093	3,300	3,740	1,653
Senate Operating Fund	308	-	-	308	-	-	308	-	-	308
Sexual Habitual Offender, DOJ	2,761	2,164	2,721	2,204	2,150	2,856	1,498	2,135	2,145	1,488
Sexual Predator Public Information Acct	933	126	673	386	169	481	74	157	165	66
Site Operation and Maintenance Account	2,126	164	448	1,842	47	50	1,839	27	51	1,815
Site Remediation Account	2,482	8,406	1,123	9,765	8,492	16,869	1,388	8,880	8,765	1,503
Social Services Subaccount, Sales Tx Acc	-	1,378,994	1,378,994	-	1,576,162	1,576,162	-	1,576,832	1,576,832	-
Soil Conservation Fund	628	2,401	2,105	924	3,358	3,360	922	3,421	3,519	824
Solid Waste Disposal Site Cleanup Tr Fd	3,071	8,379	5,322	6,128	5,219	5,597	5,750	5,219	5,594	5,375
Speech-Language Pathology & Audiology	684	716	554	846	746	753	839	790	895	734
State Court Facilities Construction Fund	41,592	179,438	28,838	192,192	153,135	103,329	241,998	122,488	58,074	306,412
Strong-Motion Instrumnt & Seismic Mappng	9,684	9,095	8,479	10,300	7,200	9,242	8,258	7,050	9,385	5,923
Structural Pest Cntrl Educ&Enforcemnt Fd	552	321	255	618	285	356	547	283	365	465
Structural Pest Control Fund	2,801	3,518	3,292	3,027	5,159	3,990	4,196	3,185	4,038	3,343
Structural Pest Control Research Fund	966	154	142	978	125	258	845	123	194	774
Substance Abuse Treatment Trust Fund	1,802	-	-298	2,100	-	1,927	173	-	-	173
Surface Impoundment Assessment Account	767	20	197	590	20	213	397	20	212	205

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Surface Mining and Reclamation Account	2,316	2,103	1,697	2,722	2,080	3,989	813	2,045	2,664	194
Tax Credit Allocation Fee Account	108	7,392	1,668	5,832	36,119	1,891	40,060	3,976	1,917	42,119
Teacher Credentials Fund	3,333	13,759	11,448	5,644	14,021	15,381	4,284	14,289	14,613	3,960
Technical Assistance Fund	2,243	21,165	23,333	75	21,337	22,256	-844	22,080	21,236	-
Teleconnect Fd Admin Comm Fd, Cal	-13,738	36,892	18,227	4,927	45,074	43,953	6,048	32,722	25,135	13,635
Telephone Medical Advice Services Fund	291	110	108	293	211	141	363	89	158	294
Test Development and Admin Acct, Tc Fd	1,758	4,343	2,818	3,283	3,502	4,796	1,989	3,240	4,192	1,037
Tire Recycling Management Fund, Calif	27,838	38,732	30,738	35,832	33,055	38,318	30,569	33,862	38,812	25,619
Tissue Bank License Fund	524	394	266	652	425	299	778	464	310	932
Tobacco Settlement Fund	13,935	-12,000	348	1,587	-1,118	-	469	-	-	469
Toll Bridge Seismic Retrofit Acct, STF	290,835	557,333	848,168	-	-	-	-	-	-	-
Toxic Substances Control Account	29,122	37,747	39,522	27,347	35,902	38,898	24,351	47,619	49,123	22,847
Traffic Congestion Relief Fund	-106,273	680,108	846,253	-272,418	1,000,900	741,445	-12,963	683,578	952,599	-281,984
Transcript Reimbursement Fund	43	188	184	47	311	310	48	313	312	49
Transitional Housing for Foster Youth Fd	440	-	436	4	-	-	4	-	-	4
Transportation Debt Service Fund	-	-	-	-	-	-	-	340,000	339,607	393
Transportation Deferred Investment Fund	-	-	-	-	-340,400	-351,350	10,950	-82,678	-69,250	-2,478
Transportation Investment Fund	93,845	-814,102	-713,028	-7,229	-1,012,934	-1,135,918	115,755	-1,032,679	-785,396	-131,528
Transportation Rate Fund	1,221	2,205	2,074	1,352	2,206	2,675	883	2,206	2,771	318
Traumatic Brain Injury Fund	246	1,086	984	348	1,077	1,211	214	1,093	1,165	142
Travel Seller Fund	3,304	805	774	3,335	935	1,297	2,973	935	1,321	2,587
Trial Court Improvement Fund	145,318	113,136	105,686	152,768	87,457	153,366	86,859	89,740	105,644	70,955
Trial Court Trust Fund	97,551	1,113,137	1,122,020	88,668	1,191,482	1,224,036	56,114	1,189,585	1,219,434	26,265
Unallocated Acct, Cig & Tob Pr Surtax	8,061	74,244	70,107	12,198	70,621	77,578	5,241	71,757	76,828	170
Unallocated Acct, Child & Families Trust	14,832	12,743	9,714	17,861	12,658	20,253	10,266	12,732	22,998	-
Underground Storage Tank Cleanup Fund	88,758	234,638	275,242	48,154	248,934	277,079	20,009	262,931	282,681	259
Underground Storage Tank Fund	113	4	-	117	4	-	121	4	-	125
Underground Storage Tank Tester Account	124	31	36	119	31	63	87	31	64	54
Unfair Competition Law Fund	-	6,445	1,386	5,059	1,010	3,250	2,819	1,010	3,528	301
Unified Program Account	3,094	3,912	2,738	4,268	4,027	4,146	4,149	4,027	4,251	3,925
Universal Lifeline Telpne Svc Trst Admin	31,803	358,281	259,680	130,404	267,296	289,784	107,916	245,874	287,582	66,208
Unlawful Sales Reduction Fund	55	13	-	68	55	-	123	55	-	178
Upper Newport Bay Ecological Maint&Presv	400	-	-200	600	-	-200	800	-	-200	1,000
Used Oil Recycling Fund, California	2,837	20,507	19,688	3,656	19,879	22,338	1,197	19,839	20,715	321
Vectorborne Disease Account	131	40	40	131	51	46	136	51	47	140
Vehicle Inspection and Repair Fund	49,000	112,077	107,744	53,333	114,867	117,991	50,209	116,100	120,472	45,837
Vehicle License Collection Acct, LRF	-	14,000	14,000	-	14,000	14,000	-	14,000	14,000	-
Vehicle License Fee Account	-	1,592,964	1,592,964	-	1,659,584	1,659,584	-	1,726,060	1,726,060	-
Vehicle License Fee Growth Account	-	66,620	66,620	-	66,476	66,476	-	68,002	68,002	-
Veterans Cemetery Perpetual Maint Fd	-	-	-	-	-	78	-78	-	72	-150
Veterans Service Office Fund	720	585	579	726	562	604	684	561	603	642
Veterinary Medical Board Contingent Fund	1,224	1,847	1,794	1,277	1,837	2,386	728	1,834	2,223	339
Victim - Witness Assistance Fund	117	16,192	14,006	2,303	18,435	17,897	2,841	18,642	17,855	3,628
Victims of Corporate Fraud Compensation	3,792	1,932	40	5,684	1,932	1,624	5,992	1,932	1,627	6,297
Vietnam Veterans Memorial Account	5	-	-	5	-	-	5	-	-	5

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

<i>Fund</i>	<i>Reserves June 30, 2005</i>	<i>Actual Revenues 2005-06</i>	<i>Actual Expenditures 2005-06</i>	<i>Reserves June 30, 2006</i>	<i>Estimated Revenue 2006-07</i>	<i>Estimated Expenditures 2006-07</i>	<i>Reserves June 30, 2007</i>	<i>Estimated Revenues 2007-08</i>	<i>Estimated Expenditures 2007-08</i>	<i>Reserves June 30, 2008</i>
Vocational Nurse Education Fund	118	170	65	223	167	137	253	167	136	284
Vocational Nursing & Psychiatric Tech Fd	1,128	7,188	4,978	3,338	5,538	5,458	3,418	5,966	6,492	2,892
Waste Discharge Permit Fund	14,625	63,529	59,023	19,131	63,488	68,176	14,443	65,156	68,160	11,439
Water Device Certification Special Acct	552	210	179	583	220	222	581	230	230	581
Water Fund, California	15,351	597	-	15,948	-15,278	-	670	336	-	1,006
Water Rights Fund	1,946	8,411	9,255	1,102	11,150	12,170	82	7,912	7,383	611
Waterfowl Habitat Preservation Acct, Cal	3,048	110	70	3,088	146	226	3,008	146	236	2,918
Welcome Center Fund	16	52	56	12	56	56	12	75	78	9
Wildlife Restoration Fund	3,744	607	1,150	3,201	3,218	1,137	5,282	1,520	2,224	4,578
Wine Safety Fund	221	-	36	185	-	56	129	-	59	70
Winter Recreation Fund	115	330	338	107	325	357	75	325	390	10
Work and Family Fund	349	-349	-	-	-	-	-	-	-	-
Workers' Comp Administration Revolv Fund	72,909	154,929	135,014	92,824	116,337	166,224	42,937	163,640	179,844	26,733
Workers' Compensation Managed Care Fund	1,044	-509	220	315	-67	220	28	350	351	27
Workers' Compensation Return-to-Work Fd	-	-	-	-	500	500	-	500	500	-
Workers' Occupational Sfty & Health Ed	1,519	1,212	1,209	1,522	1,200	1,241	1,481	1,217	1,212	1,486
Workplace Health & Safety Revolving Fund	484	-	-	484	-484	-	-	-	-	-
Yosemite Foundation Acct, ELPF	260	957	959	258	945	844	359	945	840	464
<i>Totals, Special Funds</i>	<i>\$5,826,007</i>	<i>\$24,903,464</i>	<i>\$22,716,344</i>	<i>\$8,013,127</i>	<i>\$25,174,141</i>	<i>\$24,508,987</i>	<i>\$8,678,281</i>	<i>\$26,563,286</i>	<i>\$27,684,770</i>	<i>\$7,556,797</i>
<b>GRAND TOTALS</b>	<b>\$14,806,668</b>	<b>\$118,330,610</b>	<b>\$114,307,894</b>	<b>\$18,829,384</b>	<b>\$119,692,719</b>	<b>\$126,645,631</b>	<b>\$11,876,472</b>	<b>\$127,840,746</b>	<b>\$130,825,371</b>	<b>\$8,891,847</b>





**SCHEDULE 11**  
**STATEMENT OF GENERAL OBLIGATION BOND & COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA**  
(Dollars in Thousands)

(This statement does not include bonds issued under authority of State instrumentalities that are not general obligations of the State of California)

Fund	Bond Act	Final Maturity	General Obligation Bonds					Commercial Paper		
			As of December 31, 2006					As of December 31, 2006		
			Authorized	Unissued	Outstanding	Redeemed	Jan-Jun 2007	Proposed Sales Jul-Dec 2007	Finance Cmte. Authorization	Total Outstanding
6057	Public Education Facil (2006) K-12		7,329,000	0	0	-	-	-	-	
0739	School Bldg & Earthquake (1974)	2026	40,000	-	26,650	13,350	-	-	-	
0789	School Facilities (1988)	2011	800,000	-	268,795	531,205	-	-	-	
0708	School Facilities (1990)	2033	800,000	-	389,060	410,940	-	-	-	
0745	School Facilities (1992)	2033	1,900,000	12,560	1,008,735	878,705	2,421	1,358	12,555	
0743	State Sch Bldg Lease-Purch (1984)	2011	450,000	-	35,000	415,000	-	-	-	
0743	State Sch Bldg Lease-Purch (1986)	2011	800,000	-	146,800	653,200	-	-	-	
0776	1988 School Facil Bond Act (Nov)	2033	800,000	2,260	318,460	479,280	751	293	2,255	
0774	1990 School Facil Bond Act (Jun)	2033	800,000	2,130	341,830	456,040	1,223	487	2,125	
0765	1992 School Facil Bond Act (Nov)	2033	900,000	3,790	488,287	407,923	139	115	3,789	
	<b>Total, Education--K-12</b>		<b>\$45,169,000</b>	<b>\$8,874,290</b>	<b>\$23,258,682</b>	<b>\$5,707,028</b>	<b>\$1,467,622</b>	<b>\$1,614,939</b>	<b>\$8,806,704</b>	<b>\$493,700</b>
	<b>HIGHER EDUCATION</b>									
0574	Class Size Reduction K-U Pub. Ed. Facil (1998) Hi-Ed	2036	\$2,500,000	\$113,670	\$2,263,090	\$123,240	\$29,709	\$14,094	\$113,670	-
0782	Higher Education Facil (1986)	2011	400,000	-	63,500	336,500	-	-	-	-
0785	Higher Education Facil (1988)	2033	600,000	10,440	225,385	364,175	-	-	-	-
0791	Higher Education Facil (Jun 1990)	2033	450,000	2,110	190,680	257,210	-	-	980	-
0705	Higher Education Facil (Jun 1992)	2033	900,000	7,240	561,965	330,795	-	-	-	-
0658	Public Education Facil (1996) Hi-Ed	2033	975,000	37,460	781,415	156,125	673	153	-	-
6028	Public Education Facil (2002) Hi-Ed	2037	1,650,000	851,490	784,345	14,165	256,786	108,458	851,490	7,500
6041	Public Education Facil (2004) Hi-Ed	2037	2,300,000	2,175,340	124,265	395	421,673	337,226	1,622,710	\$58,450
6048	Public Education Facil (2006) UC/CSU		1,580,000	0	-	-	-	0	0	\$0
6049	Public Education Facil (2006) CCC		1,507,000	0	-	-	-	0	0	\$0
6047	Stem Cell Research and Cures (2004)		3,000,000	3,000,000	-	-	-	-	295,000	-
	<b>Total, Higher Education</b>		<b>\$15,862,000</b>	<b>\$6,197,750</b>	<b>\$4,994,645</b>	<b>\$1,582,605</b>	<b>\$708,841</b>	<b>\$459,931</b>	<b>\$2,883,850</b>	<b>\$65,950</b>
	<b>GENERAL GOVERNMENT</b>									
0768	Earthquake Safety & Public Bldg. Rehab (1990)	2035	\$300,000	\$28,300	\$206,785	\$64,915	\$11,044	\$5,198	\$28,300	-
6052	Disaster Prep and Flood Prevent (2006)		\$4,090,000	\$0	\$0	\$0	\$0	\$0	\$0	-
0701	Veterans' Homes (2000)	2013	50,000	46,920	3,080	-	8,336	2,968	31,750	-
	<b>Total, General Government</b>		<b>\$4,440,000</b>	<b>\$75,220</b>	<b>\$209,865</b>	<b>\$64,915</b>	<b>\$19,380</b>	<b>\$8,166</b>	<b>\$60,050</b>	<b>\$0</b>
	<b>Total, All Agencies</b>		<b>\$120,202,000</b>	<b>\$25,199,760</b>	<b>\$37,693,042</b>	<b>\$14,640,198</b>	<b>\$3,220,502</b>	<b>\$2,800,001</b>	<b>\$17,204,913</b>	<b>\$695,000</b>
	<b>SELF-LIQUIDATING BONDS<sup>1</sup></b>									
	Ca Water Resources Dev (1959)	2024	\$1,750,000	\$167,600	\$654,280	\$928,120	-	-	-	-
	The Economic Recovery Bond Act	2023	15,000,000	3,746,000	9,759,490	1,494,510	-	-	-	-
	Veterans Bonds	2036	4,510,000	-	1,354,380	3,155,620	-	-	\$365,310	\$0
	<b>Total, Self-Liquidating Bonds</b>		<b>\$21,260,000</b>	<b>\$3,913,600</b>	<b>\$11,768,150</b>	<b>\$5,578,250</b>	<b>\$0</b>	<b>\$0</b>	<b>\$365,310</b>	<b>\$0</b>
	<b>Total</b>		<b>\$141,462,000</b>	<b>\$29,113,360</b>	<b>\$49,461,192</b>	<b>\$20,218,448</b>	<b>\$3,220,502</b>	<b>\$2,800,001</b>	<b>\$17,570,223</b>	<b>\$695,000</b>

<sup>1</sup> The California Water Resource Development Bond Act, The Economic Recovery Bond Act, and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.  
Source: State Treasurer's Office

**SCHEDULE 12A**  
**STATE APPROPRIATIONS LIMIT SUMMARY**  
(Dollars in Millions)

	2005-06			2006-07			2007-08		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
<b>Schedule 8</b>									
Revenues and Transfers	\$93,427	\$24,904	\$118,331	\$94,519	\$25,174	\$119,693	\$101,277	\$26,564	\$127,841
Less/Add: Transfers	6	-14	-8	641	-570	71	386	-729	-343
<b>Schedule 12B</b>									
Less: Revenues to Excluded Funds	--	-10,186	-10,186	--	-9,004	-9,004	--	-9,490	-9,490
<b>Schedule 12C</b>									
Less: Non-Tax Revenues to Included Funds	-2,502	-472	-2,974	-1,734	-425	-2,159	-2,476	-492	-2,968
<b>Schedule 12D</b>									
Add: Transfers from Excluded to Included Funds	19	4	23	15	4	19	15	4	19
<b>TOTAL, SAL REVENUES AND TRANSFERS</b>	<b>\$90,950</b>	<b>\$14,236</b>	<b>\$105,186</b>	<b>\$93,441</b>	<b>\$15,179</b>	<b>\$108,620</b>	<b>\$99,202</b>	<b>\$15,857</b>	<b>\$115,059</b>
<b>Schedule 12E</b>									
Less: Exclusions	-38,694	-5,106	-43,800	-42,139	-6,359	-48,498	-42,856	-7,945	-50,801
<b>TOTAL, SAL APPROPRIATIONS</b>			<b>\$61,386</b>			<b>\$60,122</b>			<b>\$64,258</b>
<b>CALCULATION OF LIMIT ROOM</b>									
Appropriations Limit (Sec. 12.00)			\$68,890			\$72,304			\$76,179
Less: Total SAL Appropriations			-61,386			-60,122			-64,258
Appropriation Limit Room/(Surplus)			<b>\$7,504</b>			<b>\$12,182</b>			<b>\$11,921</b>

**SCHEDULE 12B**  
**REVENUES TO EXCLUDED FUNDS**  
(Dollars In Thousands)

<i>Source Code</i>	<i>Source</i>	<i>Actual 2005-06</i>	<i>Estimated 2006-07</i>	<i>Proposed 2007-08</i>
<b>MAJOR REVENUES:</b>				
110500	Cigarette Tax	\$947,120	\$963,728	\$974,148
110900	Horse Racing Fees-Licenses	22,285	21,650	21,650
111300	Horse Racing Miscellaneous	13,311	13,484	13,484
114300	Other Motor Vehicle Fees	2,431	2,431	2,431
114400	Identification Card Fees	27	425	1,049
114900	Retail Sales and Use Taxes	-	200,000	340,000
115400	Mobilehome In-Lieu Tax	2,388	2,388	2,388
<b>TOTAL, MAJOR TAXES AND LICENSES</b>		<b>\$987,562</b>	<b>\$1,204,106</b>	<b>\$1,355,150</b>
<b>MINOR REVENUES:</b>				
<b>REGULATORY TAXES AND LICENSES:</b>				
120200	General Fish and Game Taxes	1,400	1,572	1,572
120300	Energy Resource Surcharge	605,852	565,605	570,229
120600	Quarterly Public Utility Commission Fees	50,770	84,611	115,233
120900	Off-Highway Vehicle Fees	4,870	3,500	3,500
121000	Liquor License Fees	45,534	46,445	47,374
121100	Genetic Disease Testing Fees	72,899	101,207	120,886
121200	Other Regulatory Taxes	96,455	108,954	110,939
121300	New Motor Vehicle Dealer License Fee	1,667	1,697	1,595
121500	General Fish and Game Lic Tags Permits	85,427	86,748	91,256
121600	Duck Stamps	91	-	-
122400	Elevator and Boiler Inspection Fees	14,659	15,842	20,643
122700	Employment Agency License Fees	5,247	4,840	4,760
122900	Teacher Credential Fees	13,607	13,869	14,137
123000	Teacher Examination Fees	4,250	3,409	3,147
123100	Insurance Co License Fees & Penalties	37,228	37,344	37,784
123200	Insurance Company Examination Fees	20,594	20,107	23,371
123400	Real Estate Examination Fees	10,560	5,672	4,290
123500	Real Estate License Fees	26,937	26,826	27,387
123600	Subdivision Filing Fees	12,335	12,811	11,277
123800	Building Construction Filing Fees	4,251	4,359	4,513
124100	Domestic Corporation Fees	12,799	13,135	13,308
124200	Foreign Corporation Fees	1,142	1,142	1,142
124300	Notary Public License Fees	2,069	2,069	2,069
124400	Filing Financing Statements	2,828	2,728	2,728
125100	Beverage Container Redemption Fees	900,445	961,748	1,161,740
125200	Explosive Permit Fees	1	1	1
125300	Processing Fees	-	1	1
125400	Environmental and Hazardous Waste Fees	65,786	68,443	78,122
125600	Other Regulatory Fees	2,111,173	1,823,303	1,896,587
125700	Other Regulatory Licenses and Permits	377,742	458,305	506,185
125800	Renewal Fees	165,625	170,861	175,184
125900	Delinquent Fees	5,430	5,357	5,567
127100	Insurance Department Fees, Prop 103	26,439	29,584	29,539
127200	Insurance Department Fees, General	20,900	20,824	21,006
127300	Insurance Fraud Assessment, Workers Comp	38,430	39,479	43,887
127400	Insurance Fraud Assessment, Auto	40,966	43,014	45,166
127500	Insurance Fraud Assessment, General	4,077	5,057	5,025
<b>TOTAL, REGULATORY TAXES AND LICENSES</b>		<b>\$4,890,485</b>	<b>\$4,790,469</b>	<b>\$5,201,150</b>
<b>REVENUE FROM LOCAL AGENCIES:</b>				
130600	Architecture Public Building Fees	39,668	41,519	44,163
130700	Penalties on Traffic Violations	92,275	95,067	96,448
130800	Penalties on Felony Convictions	59,918	60,706	61,504
130900	Fines-Crimes of Public Offense	3,796	3,796	3,872
131000	Fish and Game Violation Fines	540	535	535
131100	Penalty Assessments on Fish & Game Fines	541	625	670
131200	Interest on Loans to Local Agencies	11	16	21
131300	Add'l Assmnts on Fish & Game Fines	65	77	77
131600	Fingerprint ID Card Fees	63,261	69,047	70,713
131700	Misc Revenue From Local Agencies	512,098	546,962	538,916
<b>TOTAL, REVENUE FROM LOCAL AGENCIES</b>		<b>\$772,173</b>	<b>\$818,350</b>	<b>\$816,919</b>
<b>SERVICES TO THE PUBLIC:</b>				
140600	State Beach and Park Service Fees	70,320	77,700	77,700
140900	Parking Lot Revenues	7,814	7,252	7,152

**SCHEDULE 12B -- Continued**  
**REVENUES TO EXCLUDED FUNDS**  
(Dollars In Thousands)

<i>Source Code</i>	<i>Source</i>	<i>Actual 2005-06</i>	<i>Estimated 2006-07</i>	<i>Proposed 2007-08</i>
141100	Emergency Telephone Users Surcharge	130,911	112,000	102,000
141200	Sales of Documents	777	708	708
142000	General Fees--Secretary of State	26,537	27,357	27,818
142200	Parental Fees	1,893	1,966	1,976
142500	Miscellaneous Services to the Public	145,806	43,446	42,711
142800	California State University Fees	1,230,748	-	-
143000	Personalized License Plates	52,837	52,514	53,100
<b>TOTAL, SERVICES TO THE PUBLIC</b>		<b>\$1,667,643</b>	<b>\$322,943</b>	<b>\$313,165</b>
<b>USE OF PROPERTY AND MONEY:</b>				
150200	Income From Pooled Money Investments	433	-	-
150300	Income From Surplus Money Investments	187,198	134,168	135,000
150400	Interest Income From Loans	1,521	1,690	1,671
150500	Interest Income From Interfund Loans	7,204	7,091	88
150600	Income From Other Investments	62	15	15
151200	Income From Condemnation Deposits Fund	2	2	2
151800	Federal Lands Royalties	26,405	25,684	29,742
152200	Rentals of State Property	5,837	3,510	3,610
152300	Misc Revenue Frm Use of Property & Money	21,585	12,987	14,119
152400	School Lands Royalties	38	97	97
152500	State Lands Royalties	4,000	-	-
<b>TOTAL, USE OF PROPERTY AND MONEY</b>		<b>\$254,285</b>	<b>\$185,244</b>	<b>\$184,344</b>
<b>MISCELLANEOUS:</b>				
160100	Attorney General Proceeds of Anti-Trust	1,044	1,200	1,200
160200	Penalties & Interest on UI & DI Contrib	102,285	97,254	95,094
160400	Sale of Fixed Assets	11,982	54,647	341
160600	Sale of State's Public Lands	2,798	1,920	6,520
161000	Escheat of Unclaimed Checks & Warrants	1,221	610	624
161400	Miscellaneous Revenue	450,694	383,887	397,589
161800	Penalties & Intrst on Personal Income Tx	14,265	13,600	13,397
161900	Other Revenue - Cost Recoveries	82,376	84,625	89,635
163000	Settlements/Judgments(not Anti-trust)	1,645	5,412	5,412
164100	Traffic Violations	2,204	2,204	2,204
164200	Parking Violations	1,131	460	460
164300	Penalty Assessments	89,849	99,779	109,000
164400	Civil & Criminal Violation Assessment	94,852	163,173	129,041
164600	Fines and Forfeitures	261,366	253,635	253,635
164700	Court Filing Fees and Surcharges	417,419	436,033	431,033
164800	Penalty Assessments on Criminal Fines	78,904	84,233	84,233
<b>TOTAL, MISCELLANEOUS</b>		<b>\$1,614,035</b>	<b>\$1,682,672</b>	<b>\$1,619,418</b>
<b>TOTAL, MINOR REVENUES</b>		<b>\$9,198,621</b>	<b>\$7,799,678</b>	<b>\$8,134,996</b>
<b>TOTALS, Revenue to Excluded Funds</b>				
<b>(MAJOR and MINOR)</b>		<b>\$10,186,183</b>	<b>\$9,003,784</b>	<b>\$9,490,146</b>

**SCHEDULE 12C**  
**NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT**  
(Dollars In Thousands)

Source Code	Source	Actual 2005-06		Estimated 2006-07		Proposed 2007-08	
		General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
<b>MAJOR REVENUES:</b>							
111100	Horse Racing Fines and Penalties	\$235	-	\$180	-	\$180	-
111200	Horse Racing Fees-Unclaimed P-M Tickets	191	-	320	-	320	-
111300	Horse Racing Miscellaneous	-	-	5	-	5	-
114200	Driver's License Fees	-	208,776	-	156,500	-	218,500
114300	Other Motor Vehicle Fees	-	41,776	-	43,529	-	44,029
114400	Identification Card Fees	-	23,756	-	25,000	-	25,500
114500	Lien Sale Application Fees	-	1,800	-	1,836	-	1,900
<b>Total, MAJOR TAXES AND LICENSES</b>		<b>\$426</b>	<b>\$276,108</b>	<b>\$505</b>	<b>\$226,865</b>	<b>\$505</b>	<b>\$289,929</b>
<b>MINOR REVENUES:</b>							
<b>REGULATORY TAXES AND LICENSES:</b>							
120800	Hwy Carrier Uniform Business License Tax	287	-	287	-	287	-
120900	Off-Highway Vehicle Fees	-	6,226	-	7,000	-	8,000
121000	Liquor License Fees	-	393	-	388	-	400
122400	Elevator and Boiler Inspection Fees	243	-	243	-	-	-
122600	Industrial Homework Fees	1	-	1	-	1	-
122700	Employment Agency License Fees	722	-	722	-	722	-
122800	Employment Agency Filing Fees	82	-	82	-	82	-
124500	Candidate Filing Fee	998	-	94	-	850	-
125600	Other Regulatory Fees	589,308	5,805	527,381	5,921	541,816	6,040
125700	Other Regulatory Licenses and Permits	45,580	26,861	7,779	27,036	7,736	27,632
125800	Renewal Fees	239	-	169	-	-	-
125900	Delinquent Fees	3	-	10	-	10	-
<b>Total, REGULATORY TAXES AND LICENSES</b>		<b>\$637,463</b>	<b>\$39,285</b>	<b>\$536,768</b>	<b>\$40,345</b>	<b>\$551,504</b>	<b>\$42,072</b>
<b>REVENUE FROM LOCAL AGENCIES:</b>							
131500	Narcotic Fines	5,996	-	1,000	-	1,000	-
131700	Misc Revenue From Local Agencies	270,355	496	270,556	575	444,490	578
131900	Rev Local Govt Agencies-Cost Recoveries	23,288	9,759	20,533	9,850	19,650	10,000
<b>Total, REVENUE FROM LOCAL AGENCIES</b>		<b>\$299,639</b>	<b>\$10,255</b>	<b>\$292,089</b>	<b>\$10,425</b>	<b>\$465,140</b>	<b>\$10,578</b>
<b>SERVICES TO THE PUBLIC:</b>							
140100	Pay Patients Board Charges	19,313	-	16,417	-	16,417	-
140900	Parking Lot Revenues	-	538	-	554	-	570
141200	Sales of Documents	196	4,925	200	4,991	199	5,039
142000	General Fees--Secretary of State	97	-	28	-	80	-
142300	Guardianship Fees	-	-	5	-	5	-
142500	Miscellaneous Services to the Public	2,341	66,526	2,349	68,000	2,353	69,000
142600	Receipts From Health Care Deposit Fund	8,000	-	8,000	-	8,000	-
142700	Medicare Receipts Frm Federal Government	10,532	-	28,479	-	30,262	-
143000	Personalized License Plates	-	10	-	11	-	11
<b>Total, SERVICES TO THE PUBLIC</b>		<b>\$40,479</b>	<b>\$71,999</b>	<b>\$55,478</b>	<b>\$73,556</b>	<b>\$57,316</b>	<b>\$74,620</b>
<b>USE OF PROPERTY AND MONEY:</b>							
152000	Oil & Gas Lease-1% Revenue City/County	504	-	400	-	400	-
152200	Rentals of State Property	8,643	39,151	11,129	33,518	11,299	32,882
152300	Misc Revenue Frm Use of Property & Money	28,503	18,115	28,316	23,978	28,316	25,784
152500	State Lands Royalties	295,573	-	242,523	-	270,723	-
<b>Total, USE OF PROPERTY AND MONEY</b>		<b>\$333,223</b>	<b>\$57,266</b>	<b>\$282,368</b>	<b>\$57,496</b>	<b>\$310,738</b>	<b>\$58,666</b>
<b>MISCELLANEOUS:</b>							
160400	Sale of Fixed Assets	2,359	-	-	-	-	-
160500	Sale of Confiscated Property	5,379	-	5,385	-	5,385	-
160600	Sale of State's Public Lands	-	72	-	79	-	-
160700	Proceeds From Estates of Deceased Person	216	-	586	-	2,857	-
160900	Revenue-Abandoned Property	334,206	-	369,657	-	394,532	-
161000	Escheat of Unclaimed Checks & Warrants	35,097	3,121	28,117	3,916	27,949	4,468
161400	Miscellaneous Revenue	97,601	9,583	95,803	8,546	603,629	7,019
161500	Bond Proceeds	525,000	-	-	-	-	-
161900	Other Revenue - Cost Recoveries	32,700	-	3,588	-	450	-
163000	Settlements/Judgments(not Anti-trust)	87,969	-	22,322	-	15,001	-
164000	Uninsured Motorist Fees	2,716	649	2,500	662	2,500	675
164200	Parking Violations	8,382	-	8,151	-	8,151	-

**SCHEDULE 12C -- Continued**  
**NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT**  
(Dollars In Thousands)

<i>Source Code</i>	<i>Source</i>	<i>Actual 2005-06</i>		<i>Estimated 2006-07</i>		<i>Proposed 2007-08</i>	
		<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>
164300	Penalty Assessments	54,218	72	26,601	2	26,596	2
164400	Civil & Criminal Violation Assessment	381	3,364	558	3,431	406	3,500
164600	Fines and Forfeitures	4,820	-	3,638	-	3,638	-
<b>Total, MISCELLANEOUS</b>		<b>\$1,191,044</b>	<b>\$16,861</b>	<b>\$566,906</b>	<b>\$16,636</b>	<b>\$1,091,094</b>	<b>\$15,664</b>
<b>TOTAL, MINOR REVENUES</b>		<b>\$2,501,848</b>	<b>\$195,666</b>	<b>\$1,733,609</b>	<b>\$198,458</b>	<b>\$2,475,792</b>	<b>\$201,600</b>
<b>TOTALS, Non-Tax Revenue (MAJOR and MINOR)</b>		<b>\$2,502,274</b>	<b>\$471,774</b>	<b>\$1,734,114</b>	<b>\$425,323</b>	<b>\$2,476,297</b>	<b>\$491,529</b>

**SCHEDULE 12D  
STATE APPROPRIATIONS LIMIT  
TRANSFER FROM EXCLUDED FUNDS TO INCLUDED FUNDS  
(Dollars In Thousands)**

	<i>Actual 2005-06</i>		<i>Estimated 2006-07</i>		<i>Proposed 2007-08</i>	
	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>
From Energy and Resources Fund (0188) to General Fund (0001) (per Section 11.52, Budget Act of 2005)	\$225	-	-	-	-	-
From Fair and Exposition Fund (0191) to General Fund (0001) per Item 8570-011-0191, Budget Acts of 2005, 2006, and 2007)	\$246	-	\$246	-	\$246	-
From Business Fees Fund, Secty of State's (0228) to General Fund (0001) (per Government Code Section 12176)	\$18,313	-	\$14,565	-	\$15,141	-
From Technical Assistance Fund (0270) to General Fund (0001) (per Government Code Section 22877(d)(5))	\$1	-	\$5	-	\$5	-
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
<b>TOTALS</b>	<b>\$18,785</b>	<b>\$3,890</b>	<b>\$14,816</b>	<b>\$3,890</b>	<b>\$15,392</b>	<b>\$3,890</b>



**SCHEDULE 12E  
STATE APPROPRIATIONS LIMIT  
EXCLUDED APPROPRIATIONS  
(Dollars in Millions)**

<b>Budget</b>	<b>Fund</b>	<b>Actual 2005-06</b>	<b>Estimated 2006-07</b>	<b>Estimated 2007-08</b>
<b>DEBT SERVICE:</b>				
9600 Bond Interest and Redemption				
(9600-510-0001)	General	\$3,105	\$3,283	\$3,504
(2830-501-3107)	Special	0	0	340
(9590-501-0001)	General	1	0	4
9618 Economic Recovery Bond Debt Service	Special	900	1,950	3,129
<b>TOTAL -- DEBT SERVICE</b>		<u>\$4,006</u>	<u>\$5,233</u>	<u>\$6,977</u>
<b>QUALIFIED CAPITAL OUTLAY:</b>				
Various (Ch. 3 Except DOT)	General	\$189	\$612	\$278
Various (Ch. 3 Except DOT)	Special	55	97	27
Various Qualified Capital Outlay	General	1,398	1,860	1,868
Various Qualified Capital Outlay	Special	25	--	25
Lease-Revenue Bonds (Capital Outlay)	General	613	612	597
Lease-Revenue Bonds (Capital Outlay)	Special	13	14	11
<b>TOTAL -- CAPITAL OUTLAY</b>		<u>\$2,293</u>	<u>\$3,195</u>	<u>\$2,806</u>
<b>SUBVENTIONS:</b>				
6110 K-12 Apportionments (6110-601-0001)	General	\$20,022	\$21,965	\$22,052
6110 K-12 Supplemental Instruction (6110-104/664-0001)	General	377	403	419
6110 K-12 Class Size Reduction (6110-234-0001)	General	1,676	1,763	1,821
6110 K-12 ROCP (6110-105/633-0001)	General	421	458	458
6110 K-12 Apprenticeships (6110-103/663/620-0001)	General	17	18	19
6110 Charter Sch Block Grant (6110-211/621/613-0001)	General	67	101	140
State Subventions Not Counted in Schools' Limit	General	-65	-69	-72
6110 County Offices (6110-608-0001)	General	260	269	251
6870 Community Colleges (6870-101/103/295-0001)	General	3,212	3,830	4,024
<b>SUBVENTIONS -- EDUCATION</b>		<u>\$25,987</u>	<u>\$28,738</u>	<u>\$29,112</u>
5195 State-Local Realignment				
Vehicle License Collection Account	Special	\$14	\$14	\$14
Vehicle License Fees	Special	1,657	1,723	1,791
9100 Tax Relief (9100-101-0001, Programs 60, 90)	General	473	482	486
9210 Local Government Financing				
(9210-103-0001)	General	--	--	2
(9210-601-0001)	General	--	35	35
(9210-106-0001)	General	1,187	--	--
9350 Shared Revenues				
(9430-640-0064)	Special	240	240	240
(9430-601-0001) Trailer VLF GF backfill (Shared Rev.)	General	12	12	12
<b>SUBVENTIONS -- OTHER</b>		<u>\$3,583</u>	<u>\$2,506</u>	<u>\$2,580</u>
<b>COURT AND FEDERAL MANDATES:</b>				
Various Court and Federal Mandates (HHS)	General	\$2,993	\$3,159	\$3,182
Various Court and Federal Mandates	General	2,539	3,149	3,579
Various Court and Federal Mandates	Special	190	248	248
<b>TOTAL -- MANDATES</b>		<u>\$5,722</u>	<u>\$6,556</u>	<u>\$7,009</u>
<b>PROPOSITION 111:</b>				
PTA Gasoline (Including Spillover)	Special	\$67	\$67	\$69
Motor Vehicle Fuel Tax: Gasoline	Special	1,364	1,400	1,425
Motor Vehicle Fuel Tax: Diesel	Special	274	285	290
Weight Fee Revenue	Special	307	321	336
<b>TOTAL -- PROPOSITION 111</b>		<u>\$2,012</u>	<u>\$2,073</u>	<u>\$2,120</u>
<b>TAX REFUND:</b>				
9100 Tax Relief (9100-101-0001, Programs 10, 30, 50)	General	\$197	\$197	\$197
<b>TOTAL -- TAX RELIEF</b>		<u>\$197</u>	<u>\$197</u>	<u>\$197</u>
<b>TOTAL EXCLUSIONS:</b>				
General Fund		<u>\$43,800</u>	<u>\$48,498</u>	<u>\$50,801</u>
Special Funds		\$38,694	\$42,139	\$42,856
		\$5,106	\$6,359	\$7,945